



**BIA/Kelsey's Annual  
U.S. Local Media Forecast,  
2011-2016  
Mobile Local Media**

March 13, 2012

# About This Forecast

- BIA/Kelsey constantly monitors the local media marketplace. Twice per year we build a forecast that brings together these media for a holistic view of the U.S. local advertising picture (definitions are provided).
- The slides that follow present an overall assessment of the local market, including forecasts and explanations, which is followed by a drilldown into the mobile segment (starting on slide 12).
- For more information on the other segments that constitute the overall local media picture (each of which has a corresponding unique forecast), please contact Steve Passwaiter at [spasswaiter@biakelsey.com](mailto:spasswaiter@biakelsey.com).

# Executive Summary

- BIA/Kelsey defines the local media advertising marketplace as those media that provide local audiences to all types of advertisers.
- The U.S. economy remained slow through most of 2011 because of:
  - Concerns about the European crisis
  - Continued high unemployment
  - The housing market's lack of recovery
- These factors led to consumers and businesses “holding back.”
- The weaker than expected level of economic activity resulted in a lower level of local advertising revenues. In October we projected the total of the U.S. local media market to be \$135.9 billion in 2011, but we now expect it to be only \$132.8 billion.
- This slowdown, plus the lack of political advertising in 2011, resulted in a decrease of 2.4% compared with 2010.

# Executive Summary

- Based on the changes in our estimates, the overall local media market will grow a bit more slowly over the next five years (at a 2.6% compound annual growth rate), and by 2016 the total will be \$151.3 billion.
- Growth in total local media advertising will not keep pace with that of the overall economy.
- Growth in online/interactive/digital advertising revenues will remain strong, with a 2011-2016 CAGR of 12.7%.\*
- That compares with a 2011-2016 CAGR of 0.2% for traditional advertising revenues.
- By 2016 local online/interactive/digital advertising revenues will be \$38.5 billion.

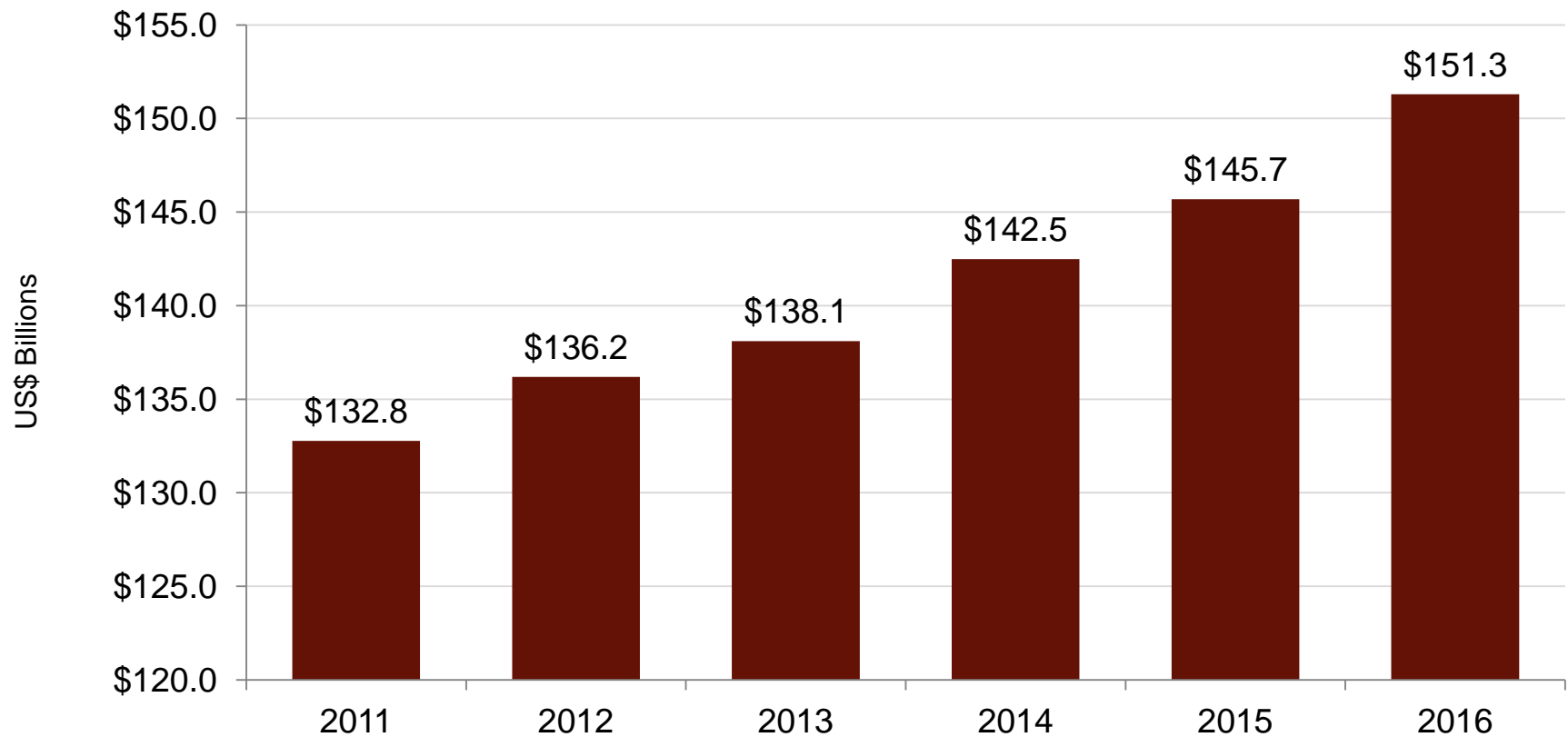
# Objectives

- To provide a 360-degree view of the market for “local” advertising — with local defined as some form of targeted messaging to specific geographic markets — spent by national, regional and SMBs
- To offer clients an independent, objective and credible five-year forecast of the market situation
- To give clients a view into the key drivers and assumptions behind the top-line forecasts

# Methodology

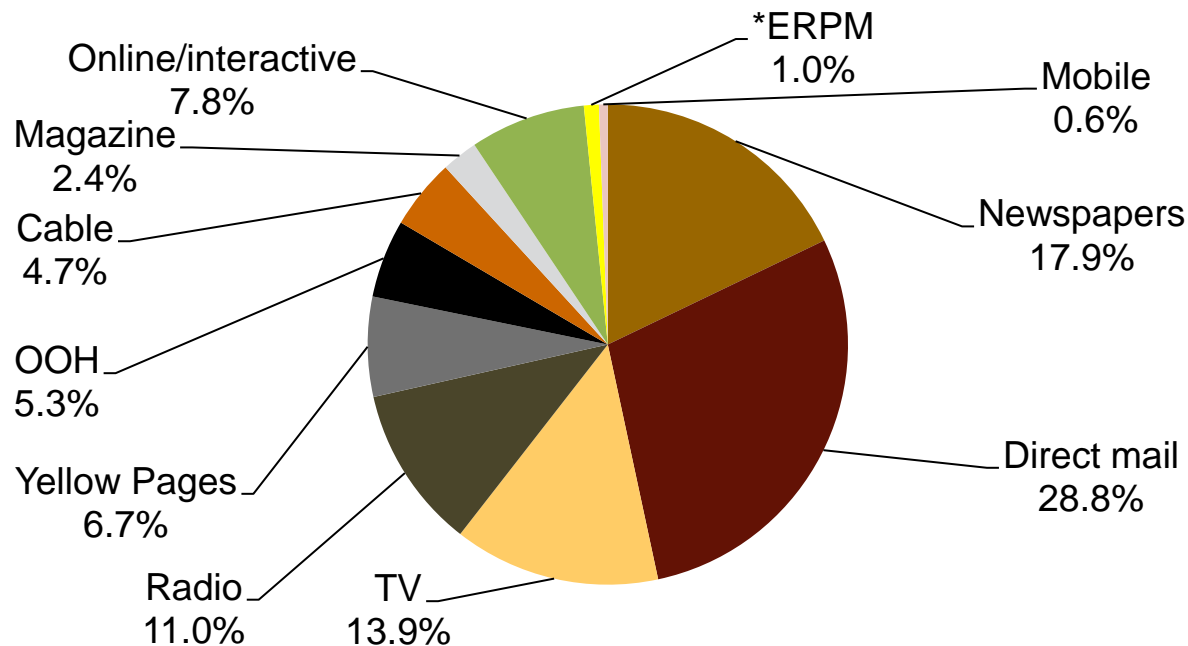
- Gathered as much proprietary and secondary information as available by segment
- Generated preliminary forecasts by segment, which were discussed with leaders within these segments — mobile, online/interactive, etc.
- Included third-party and public company reports to adjust and fine-tune forecasts
- Tied bottom-up approach with top-down approach
- Utilized long-standing industry expertise and knowledge to adjust drivers and key assumptions

# Local Media Five-Year Forecast



# Local Ad Market Currently Dominated by Traditional Media

## 2011 U.S. Local Media Revenues — \$132.8 Billion

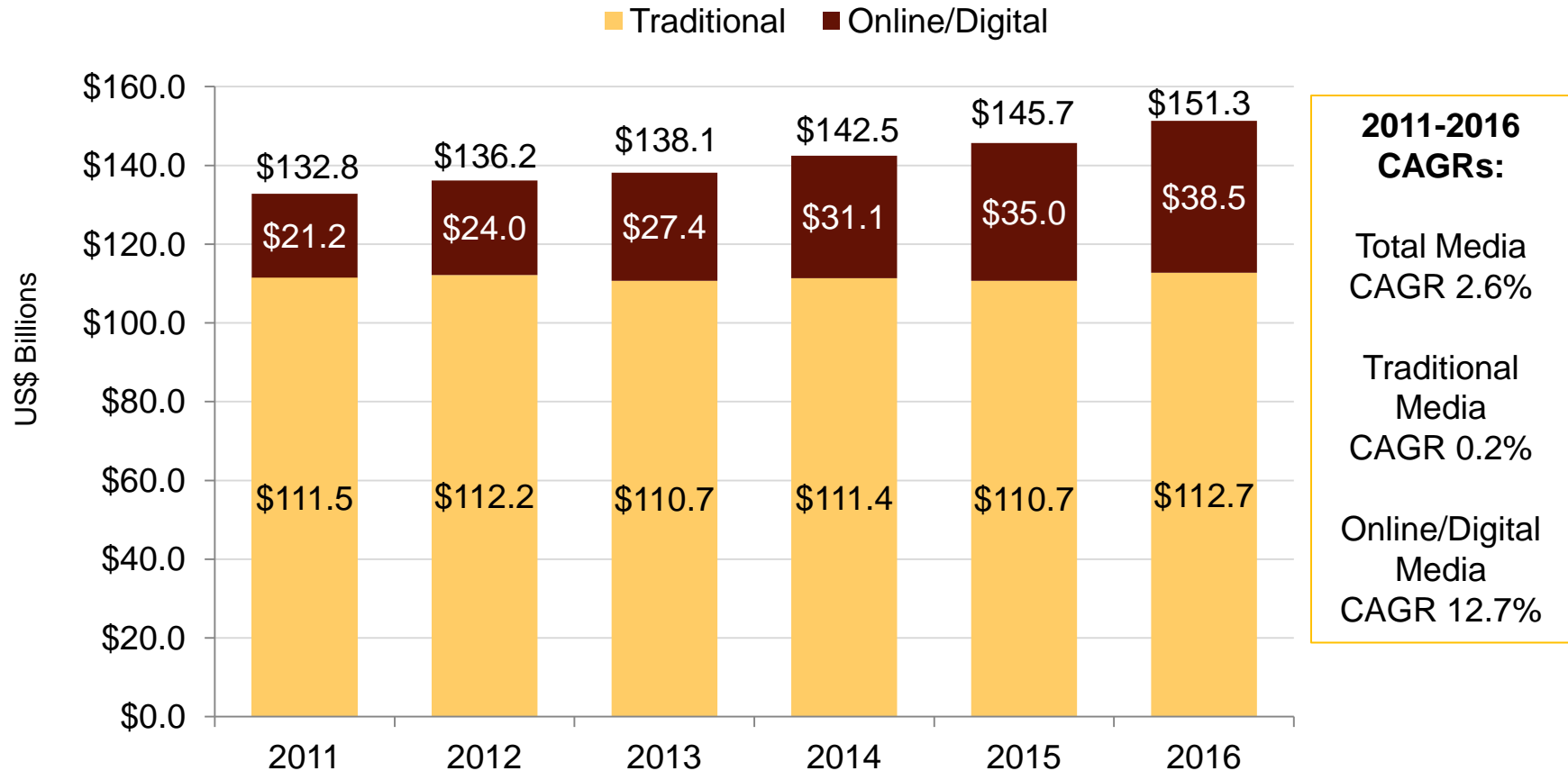


\*ERPM = Email, Reputation and Presence Management

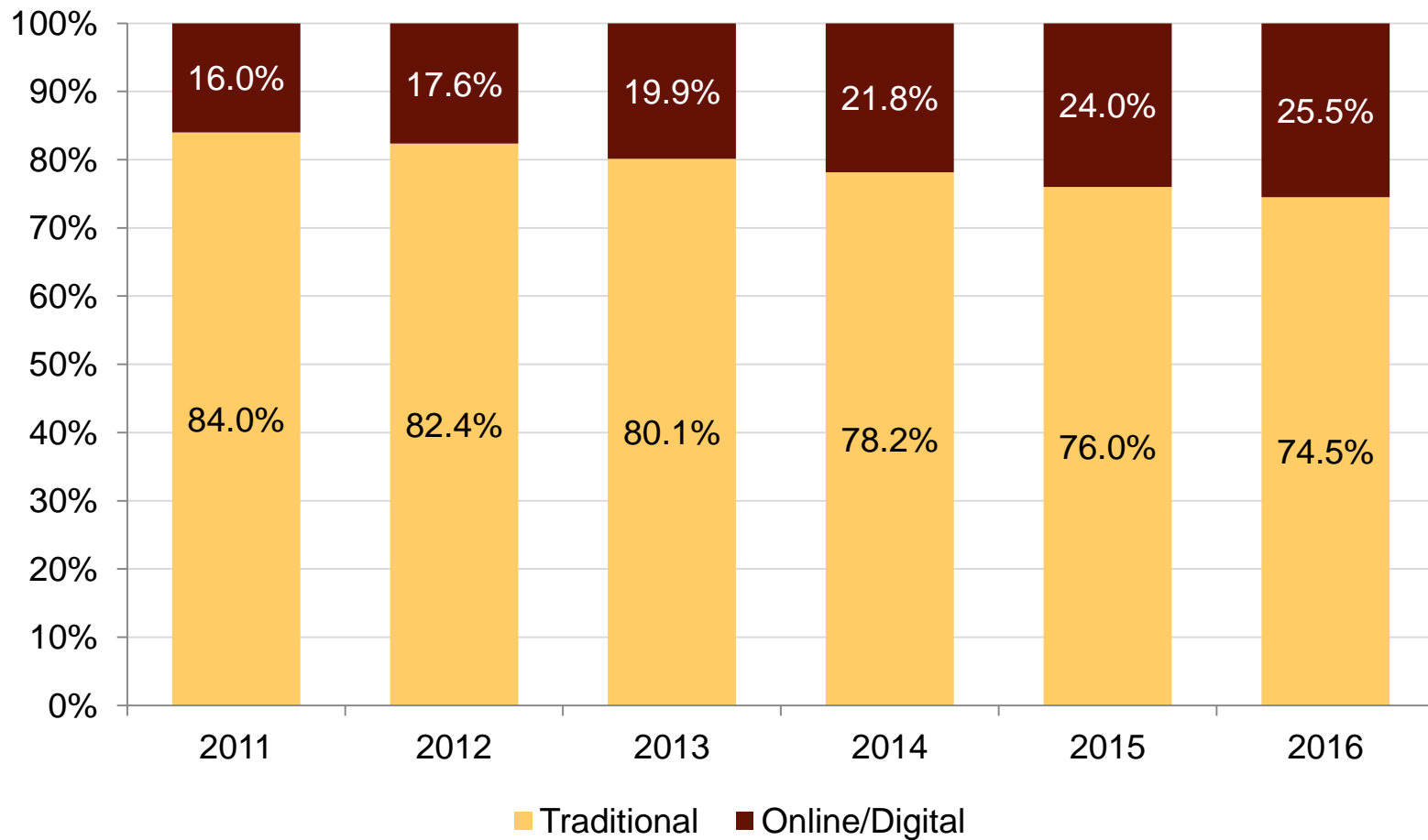
Note: Digital revenues associated with traditional media (e.g., websites associated with local TV stations, local radio stations, newspapers and magazines) are included in the revenues for the traditional media. Revenues for Internet Yellow Pages that are associated with print Yellow Pages are included in the overall Yellow Pages media category.



# Steady Shift Toward Digital Media

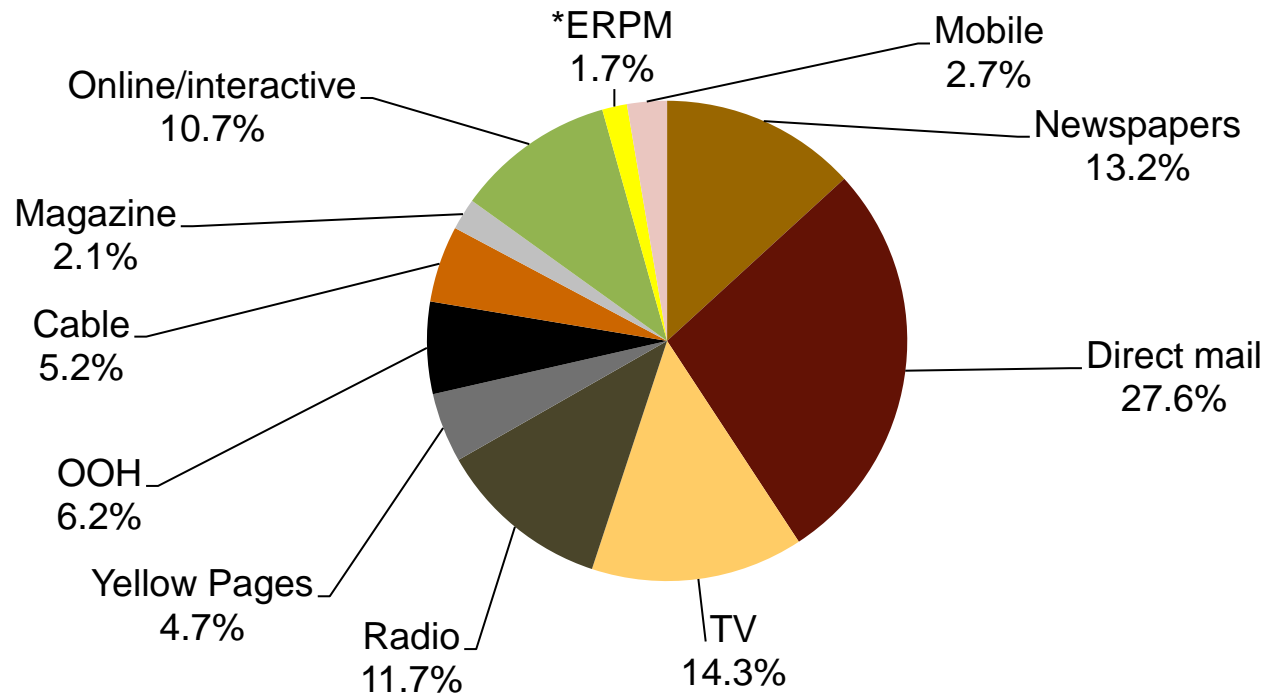


# Steady Shift Toward Digital Media



# Local Ad Market Less Dominated by Traditional Media in 2016

## 2016 U.S. Local Media Revenues — \$151.3 Billion



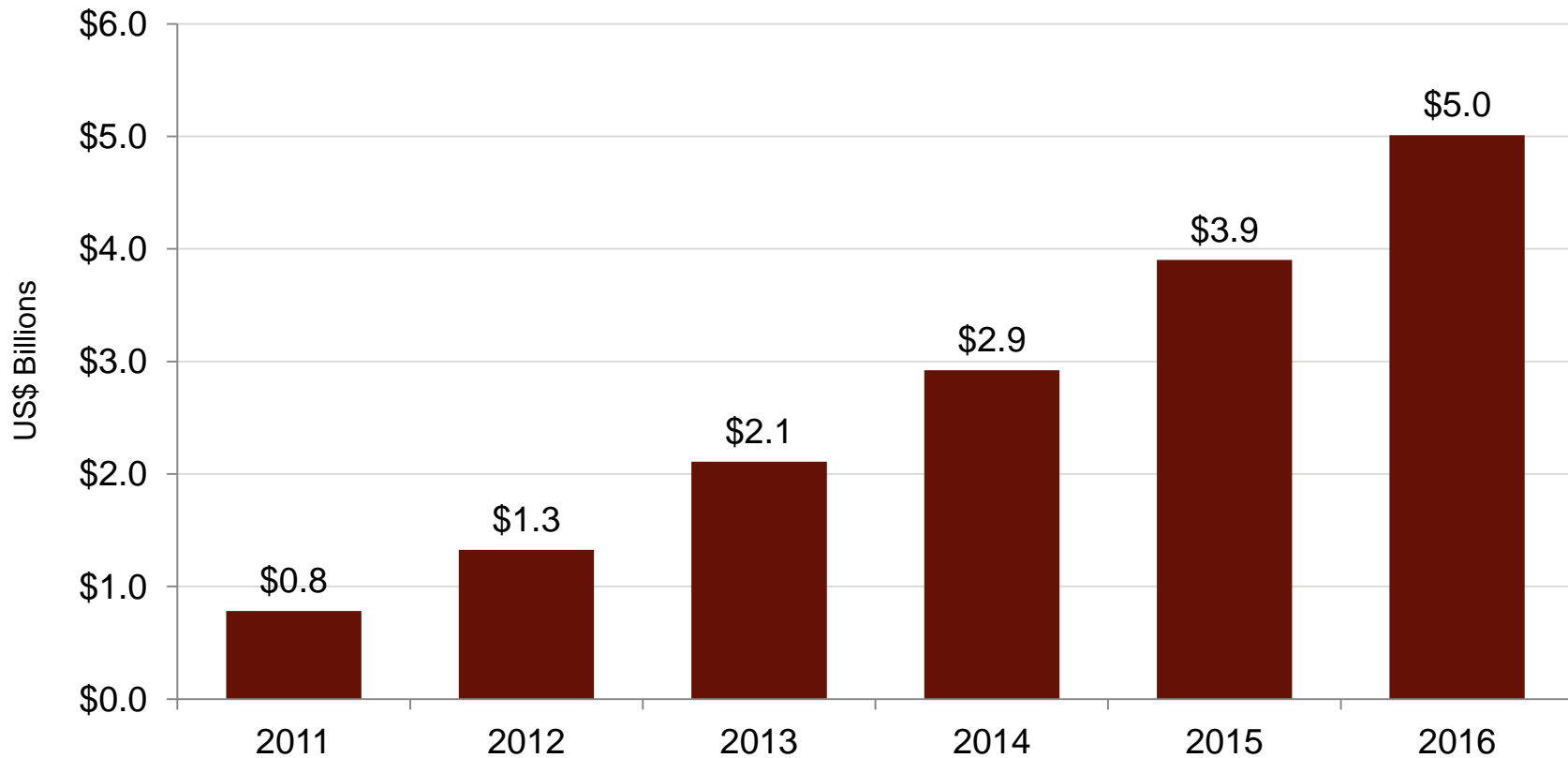
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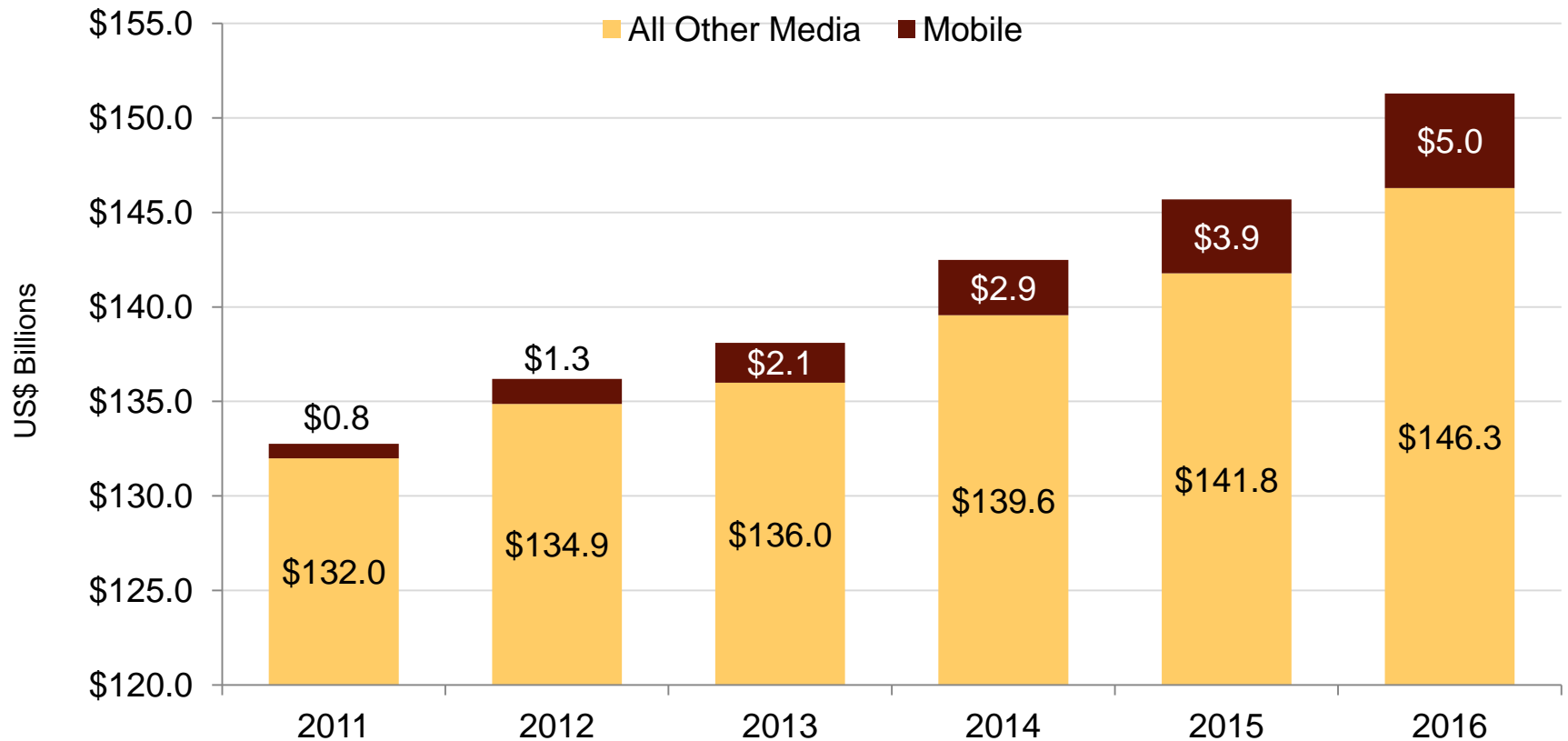
# Mobile-Specific Forecast Methodology

- In addition to interviews and company reports, BIA/Kelsey's mobile forecast is based on usage trends, mobile ad spending across various formats, consumer adoption patterns, advertiser penetration and ad performance measurements such as clickthrough and cost-per-click rates, and other benchmarks in online media.
- These data are vetted against aggregate revenues of top players in each mobile advertising segment (i.e., mobile ad networks).
- Traditional definitions of ad spending apply to this forecast. At present, it does not include marketing or promotional expenditures such as coupons.

# Mobile Local Ad Spend: Five-Year Forecast



# Local Ad Spend: Five-Year Forecast



# Annual Revenue Changes

Media	2011	2012	2013	2014	2015	2016
Mobile	148.0%*	69.3%	59.0%	38.5%	33.5%	28.4%
Total	(2.4%)	2.6%	1.4%	3.2%	2.2%	3.9%
GDP	4.6%	4.6%	5.3%	5.3%	5.5%	5.5%

# Mobile Local Ad Spend: Takeaways

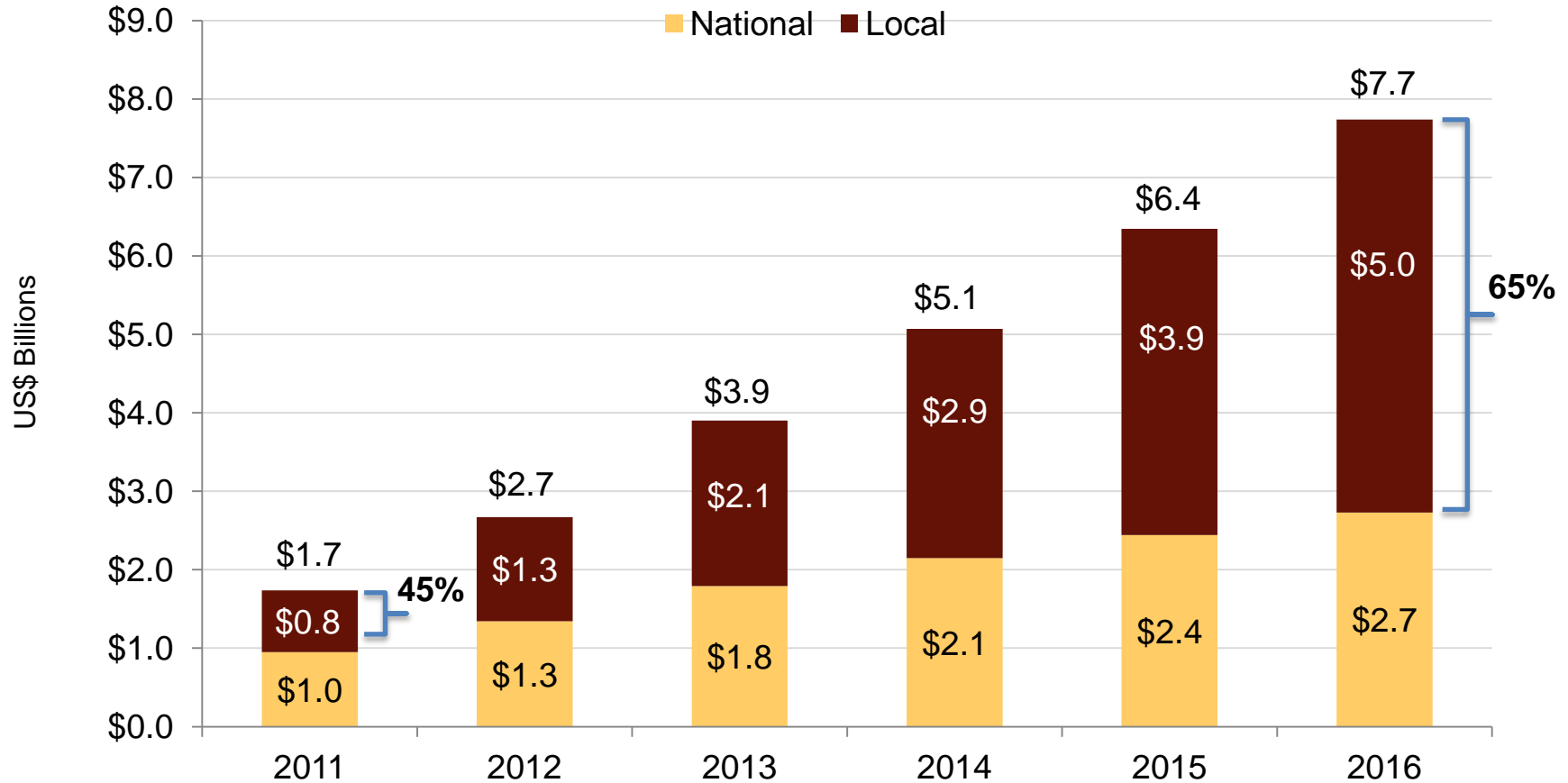
- We project U.S. mobile local ad revenues to grow from \$784 million in 2011 to \$5.01 billion in 2016, a 44.9% CAGR.
- This represents a 0.6% share of local media ad revenues in 2011, growing to a 2.7% share in 2016.
- Other local media occupying this pie include radio, television, newspapers, Yellow Pages and online/interactive.
- Growth drivers include smartphone penetration (currently 53% of U.S. mobile subscribers according to Nielsen), mobile Web usage and related increases in ad inventory.
- Advertisers will also be drawn to mobile marketing as part of overall market shifts to digital advertising. Traditional media companies with sales forces will speed this shift in the face of falling offline revenues.



# Mobile Local Ad Spend: Takeaways

- As we've seen in the online space over the past decade, self-serve tools will also democratize the mobile ad buying process.
- Google has already begun to bundle mobile ad placements within its pervasive AdWords search marketing platform.
- Mobile self-serve ads could eventually see greater adoption among SMBs than paid search, due to clearer ROI, tangible conversions and a shorter purchase funnel — all of which correlate to mobile user intent.

# Local vs. National Ad Spend in Mobile



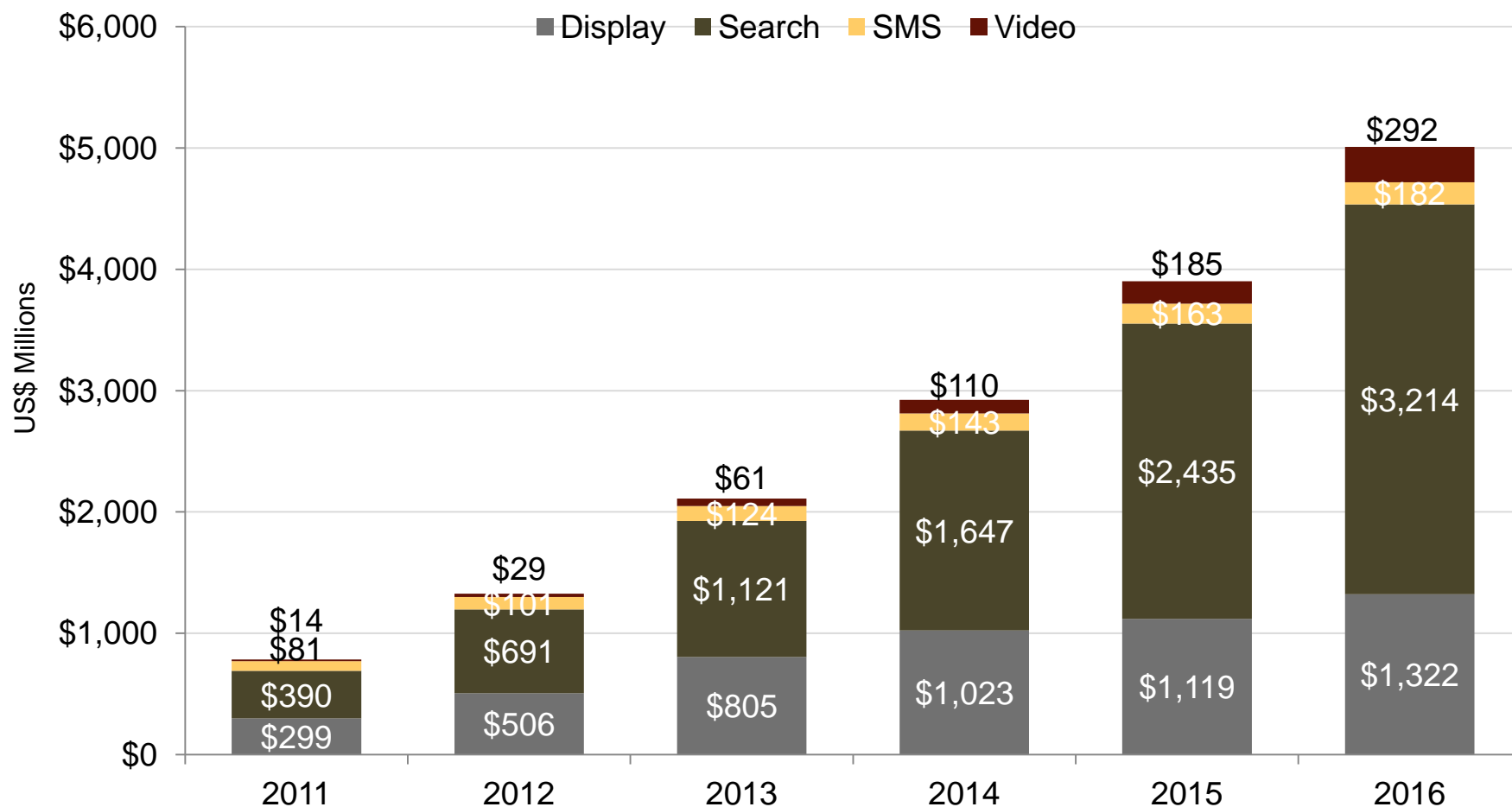
# Local vs. National: Takeaways

- In addition to being a subset of local media, our projected mobile local ad revenues represent a subset of overall U.S. mobile ad spending.
- Consistent with our classification of local media across categories, this is defined as advertising that is targeted based on a user's location.
- BIA/Kelsey has separately projected total U.S. mobile ad spending to grow from \$1.74 billion in 2011 to \$7.74 billion in 2016.\*
- This puts locally targeted mobile ads at 45% of overall U.S. mobile ad spending, growing to 65% in 2016.
- Growth drivers include smartphone penetration, location-aware technology, and advertiser evolution and proclivity to utilize this technology for better location targeting.

# Local vs. National: Takeaways

- Large brand advertisers will increasingly evolve their campaign objectives to the capabilities of the mobile device — an area where they've been slow to adopt.
- We'll also see mobile advertising move down market to the SMB segment through a combination of aforementioned local sales efforts and self-serve tools.
- Resulting ad volume growth will be compounded by premiums that develop for location-targeted ads.
- These premiums will result from higher performance for locally targeted mobile ads when compared with non-local ads. This is already evident in data shared by mobile ad networks.
- This performance is a function of higher relevance, immediacy and consumer buying intent, all of which are more prevalent in mobile than in many other print and digital media.

# Share of Mobile Local Ad Spend by Format



# Mobile Ad Formats: Definitions and Drivers

Ad Format	Definition	Key Inputs/Drivers
<b>Search</b>	Text advertising applied to search queries on mobile devices	Search volume, CTRs, CPCs, ad coverage; vetted against core search engine revenues
<b>Display</b>	Display advertising applied to app and mobile Web inventory	Mobile Web use, page views, impressions, CPMs, sell through rates; vetted against ad network revenues
<b>Video</b>	Rich media ad units distributed within app and mobile Web inventory*	Impressions, ad rates, current ad network revenues
<b>SMS</b>	Commercial SMS messaging	SMS penetration, volume, CPMs, sell through; vetted against ad network revenues

# Mobile Ad Formats: Takeaways

- This forecast comprises advertising placed in mobile search, display, video and commercial SMS.
- These are bought and sold in various ways, meaning different formulas and forecast models apply.
- Search advertising currently holds the largest share, followed by display and SMS.
- Ad supported video was previously included within display, but was broken out separately for the first time in this forecast.
- Among these ad formats, search will grow the fastest, eclipsing others to hold the largest share throughout the forecast period.
- Search growth will be driven by the ascent of the mobile Web as an entry point to mobile experiences (vs. apps).

# Mobile Ad Formats: Takeaways

- Mobile Web growth will in turn result from technological developments such as HTML5, as well as the economic advantages of mobile website development (vs. apps).
- The market's move toward browser based solutions and cloud computing will further drive innovation that resides within the mobile browser (vs. apps).
- Mobile market leaders such as Google and Facebook are behind this shift toward the mobile Web, as seen in their product development, public statements and BIA/Kelsey triangulation of all these factors.
- Search's positioning as a front door to browser based experiences will cause it to grow with the above factors.
- In addition to resulting volume increases, search's ad revenues in mobile will be driven by premium ad rates that develop as a function of its intent-driven nature.





## **Questions and comments:**

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