



The Local Media & Advertising Experts

Social and Mobile Advertising Forecast Brief

Insights with Spend by Verticals

November 2014



About This Forecast

- BIA/Kelsey continuously monitors the local media marketplace. Twice annually we build a U.S. Local Media Forecast that brings together all the top media for a holistic view of the U.S. local advertising picture.
- Starting in Q4 2014, BIA/Kelsey will begin delivering expanded reports that profile information from the forecast for select media to provide further insights and analysis and offer an in-depth review of the media for five top business verticals.
- We'll include in these new reports an examination of spending by top advertiser verticals to highlight the advertising revenue spending potential for each different media with particular emphasis on mobile in this report.
- This is the first in a new BIA/Kelsey report series covering different media. This report addresses social and mobile.

Mobile

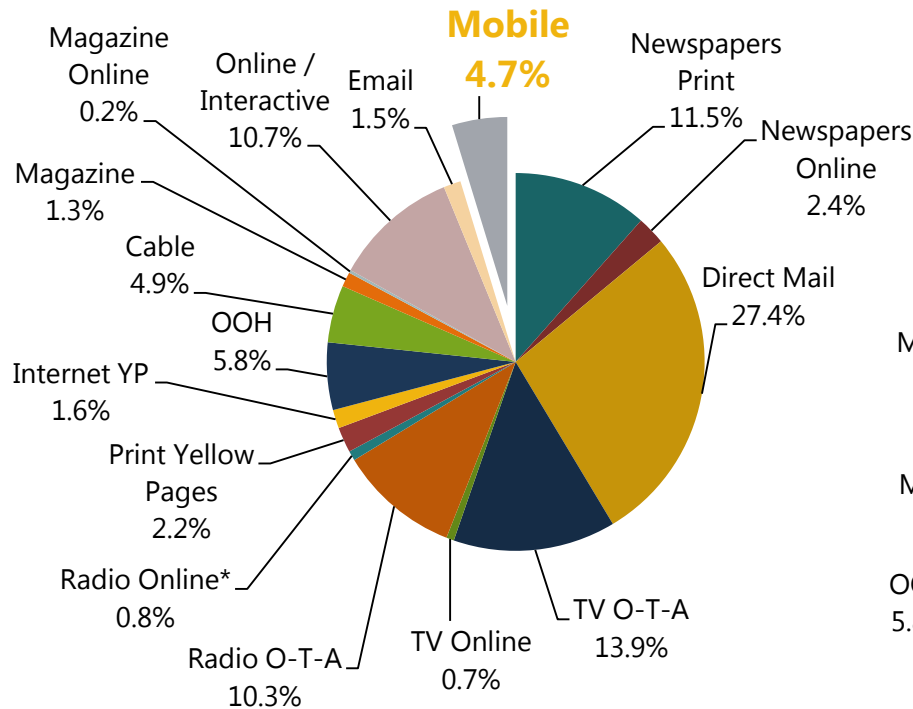


Mobile Advertising

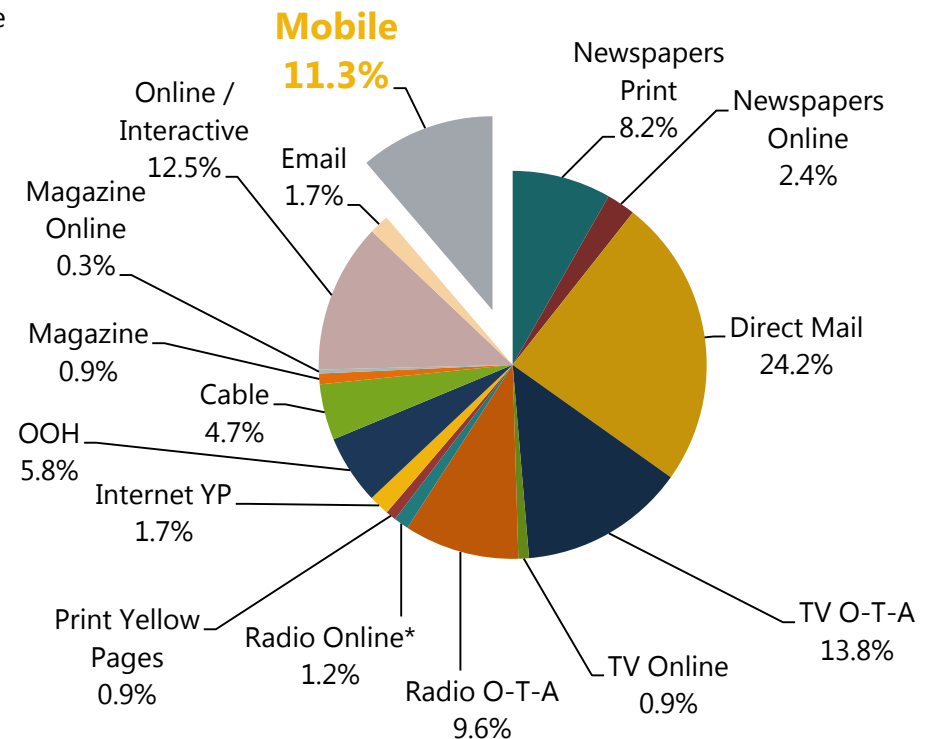
Fourth largest local media
rising to **11.3% of total
local media by 2019**

Mobile Advertising Shares of the Local Media Marketplace More than Doubles by 2019

**2015 U.S. Local Media Revenues —
\$139.3 Billion**



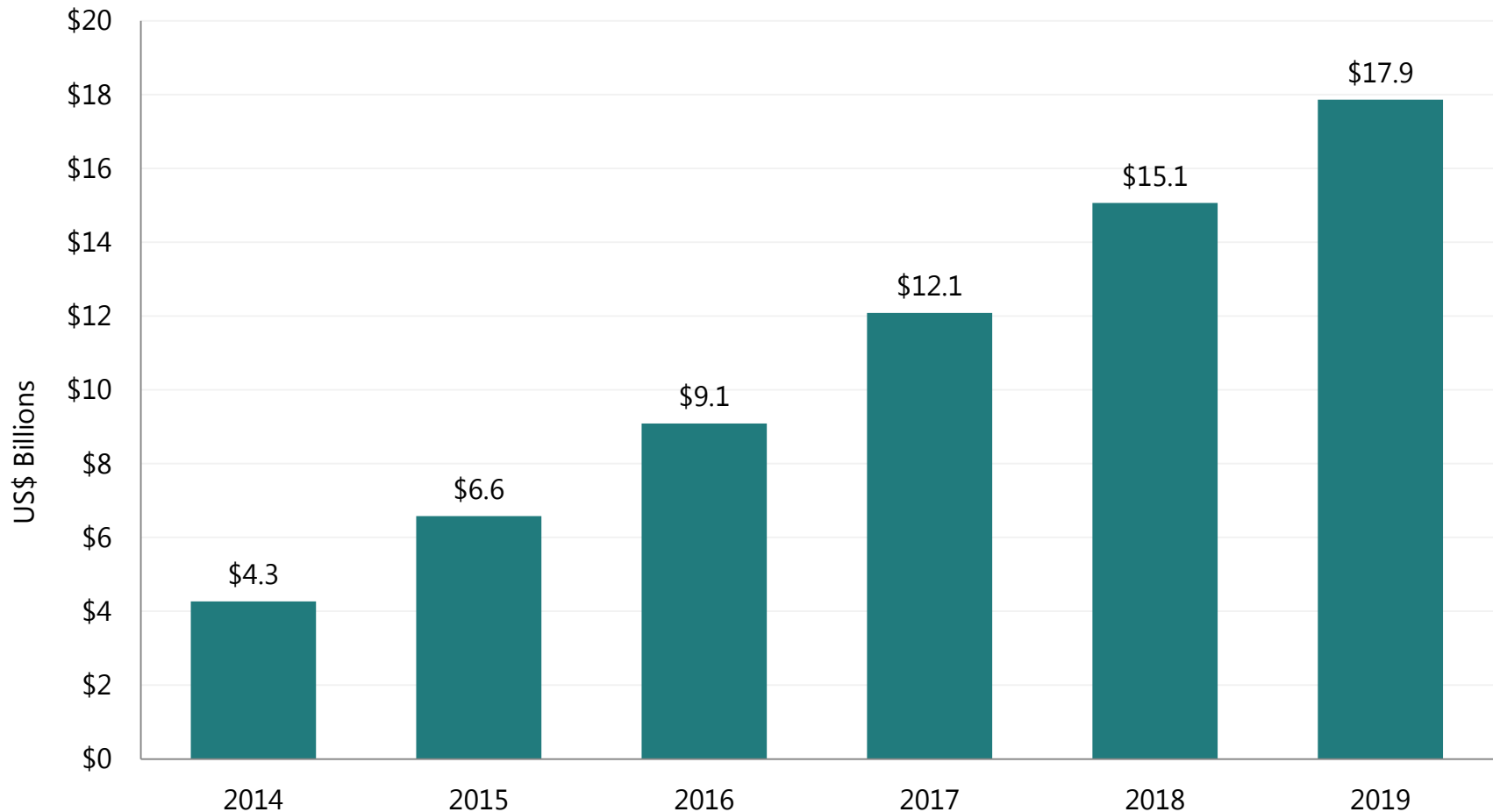
**2019 U.S. Local Media Revenues —
\$158.5 Billion**



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
 - Ad performance measurements such as clickthrough and cost-per-click rates, and other benchmarks in online media.
- Data are vetted against aggregate revenues of top players in each mobile advertising segment (i.e., mobile ad networks).
- In addition to the targeting component of the ad placement, location specific ad copy or calls to action (i.e., call local store), will also classify a given ad as location targeted in BIA/Kelsey measurements.

Mobile Local Ad Spend: Five-Year Forecast



Note: Numbers are rounded.

Location Targeted Mobile Ad Revenues:

Key Takeaways

- U.S. location targeted mobile ad revenues are projected to grow from \$4.3 billion to \$17.9 billion from 2014-19, a 35 percent CAGR.
- Defined as advertising targeted based on a user's location.
 - It includes large national advertisers and SMBs.
 - Location specific ad copy or calls to action (i.e., call local store), will also classify a given ad as location targeted.
- Driving this localized share:
 - Adoption of mobile local advertising tactics (i.e., geo-fencing, click-to-call, click to map) by national advertisers.
 - National advertisers' natural evolution to adopt effective, increasingly available, and currently undervalued mobile local ad inventory.
 - Innovation among ad networks and ad tech providers (e.g., Google's Enhanced Campaigns, xAd) will provide impetus for this transition.

Location Targeted Mobile Ad Revenues:

Key Takeaways (cont'd)

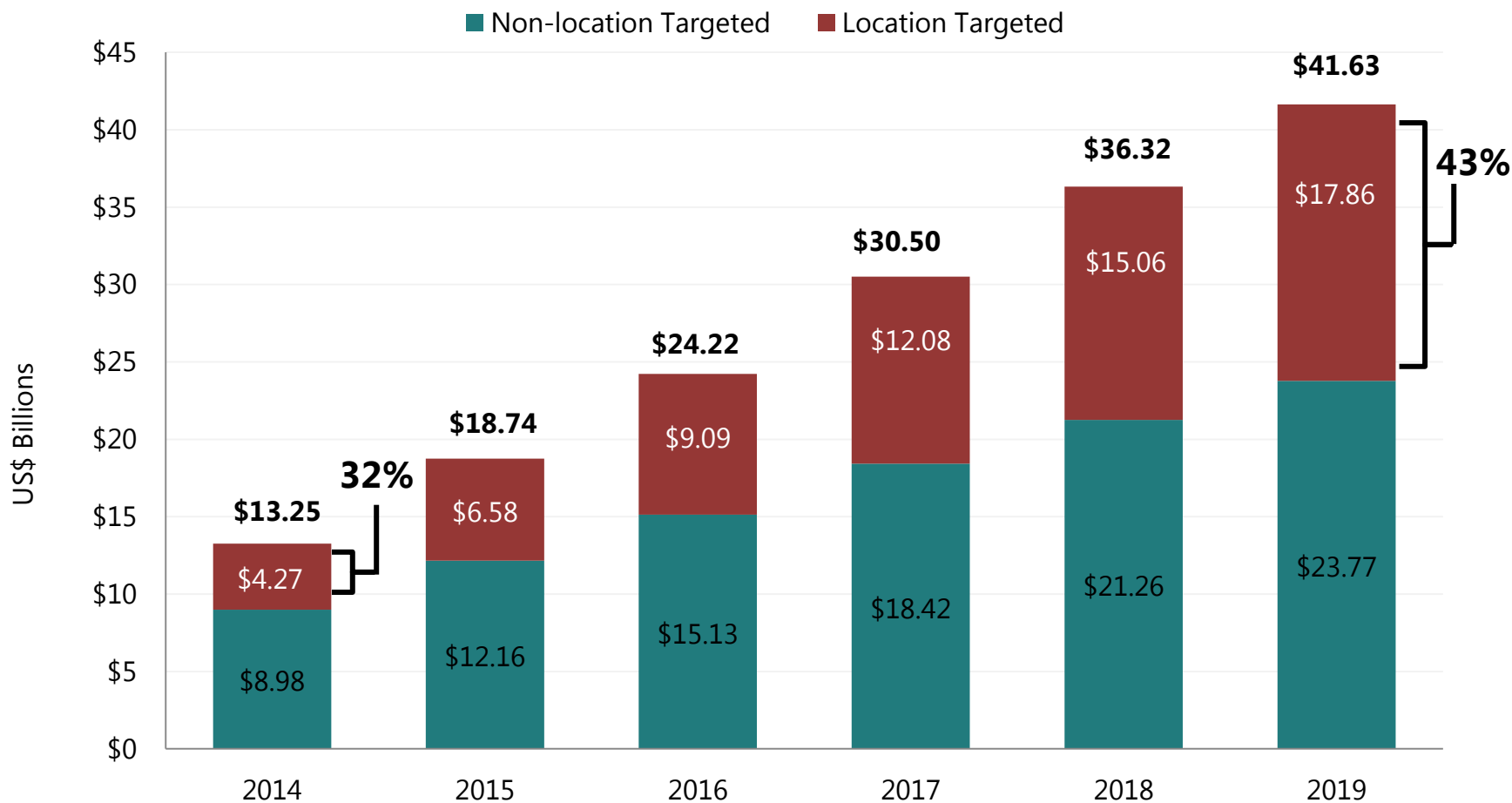
- SMB adoption – a slow but growing share of localized mobile advertising – will likewise impact revenue.
 - Evolving SMB savvy and growing propensity to self-serve with offerings like Google AdWords and Facebook (pull); and
 - Accelerating mobile innovation, sales and bundling efforts of local media companies (push).
 - Example: Yelp earlier this year partnered with YP, meaning YP's 4,000 local sales reps will now be armed with Yelp advertising packages, which include mobile presence and distribution.
- The increase in localized mobile campaigns that results from the aforementioned advertiser adoption shifts will be coupled with premiums for location-targeted ads.

Location Targeted Mobile Ad Revenues:

Key Takeaways (cont'd)

- Ad premiums referenced in the previous point will result from higher performance for location targeted mobile ads vs. non-location targeted ads.
- These performance deltas (such as click through rates) are a function of:
 - Higher relevance, immediacy and alignment with consumer local buying intent, all of which are more prevalent in mobile than in other print and digital media
 - For example, half of mobile searches have intent to find local information or products, compared to the 17 percent of desktop searches that carry comparative local intent.

Location Targeted vs. Non-Location Targeted Ad Spend in Mobile



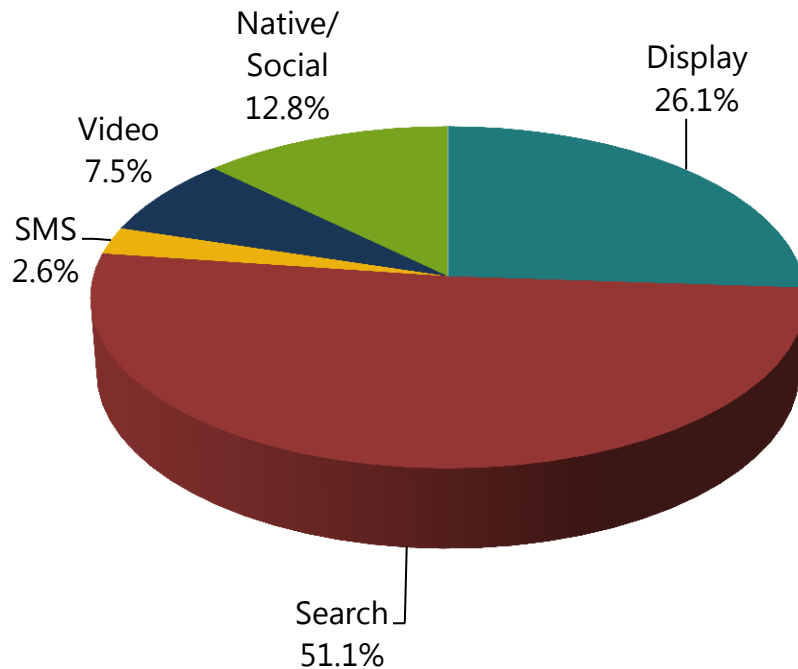
Note: Numbers are rounded.

Location Targeted vs. Non-Location Targeted Ad Revenues: Key Takeaways

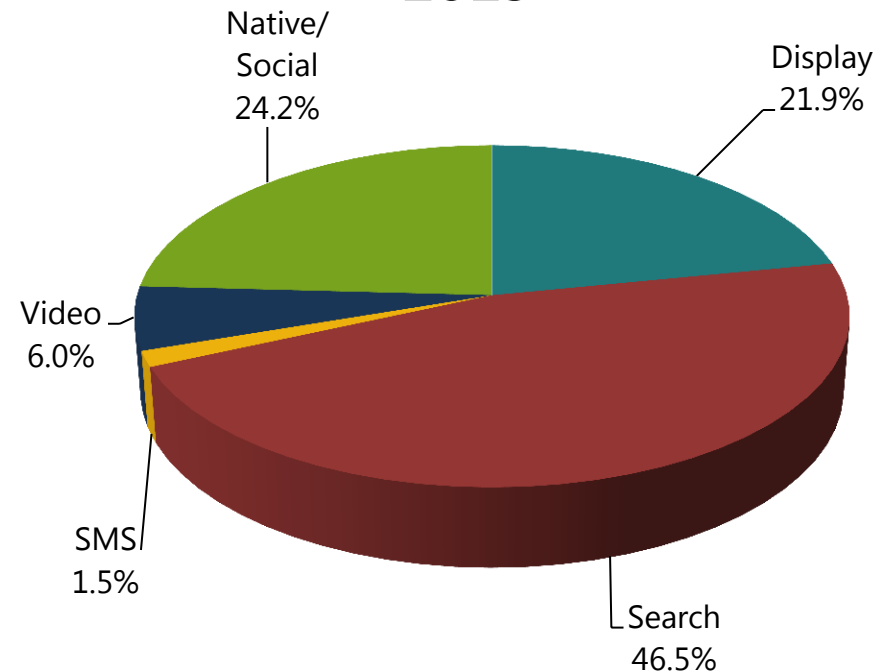
- Location targeted mobile advertising is a subset of overall U.S. mobile advertising revenues
 - The share of the overall mobile ad revenue pie attributed to location based campaigns will grow from 32 percent (\$4.3 billion) in 2014 to 43 percent (\$17.9 billion) in 2019.
 - Google will drive growth in overall mobile ad revenues (33 percent of paid clicks now come from mobile devices); as will Facebook (53 percent of ad revenues attributed to mobile, vs. 23 percent last March).
 - Google's Enhanced Campaigns will drive much of this growth by forcing mobile ads on search advertisers (default campaign) and a mobile advertising learning curve and adoption cycle for all search advertisers, including SMBs.
 - Enhanced Campaigns will also notably close the current gap between mobile ad rates and desktop equivalents.
 - This will play out as an influx of advertisers in Google's bid marketplace for mobile keywords will naturally boost bid pressure and thus CPCs. This shift is already underway.

Local Share of Mobile Ad Spend by Format

2015



2019



Mobile Ad Formats: Key Takeaways

- We consider various mobile ad formats, including textual search, display, video, SMS and native social advertising.
- Because they are bought and sold in different ways, different formulas and models apply to the composition and financial modeling of each mobile ad format.
- Search advertising currently holds the largest share, followed by display and native social ads. Search will continue to eclipse all ad formats to hold the largest share.
 - This is driven by premium ad rates that develop as a function of search's intent-driven nature. This can be seen so far in Google's commanding lead in mobile advertising (roughly 50 percent market share).

Mobile Ad Formats: Key Takeaways (cont.)

- “Native Social” is a notable and fast moving format defined by visual and textual brand messaging that is merged into the organic feed-based interfaces of mobile social apps.
- Native social should not be confused with standard display advertising that is placed within social-oriented mobile apps.
- Native social ads are conversely defined by their format. It is most often a textual or visual “news-feed” integration into specific social apps that offer this option. The most common examples are Facebook’s News Feed ads and Twitter’s Promoted Tweets.

Annual Revenue Changes

Media	2014	2015	2016	2017	2018	2019	CAGR (2014-2019)
Location Targeted Mobile	67.4%	54.2%	38.0%	33.0%	24.6%	18.6%	33.1%
Mobile Display	75.2%	54.4%	31.0%	25.1%	18.6%	17.3%	28.6%
Mobile Search	51.3%	49.1%	32.2%	31.4%	21.7%	16.6%	29.7%
SMS	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Mobile Video	93.3%	55.2%	38.7%	23.8%	15.0%	10.0%	27.5%
Native Social	246.4%	94.3%	80.5%	56.0%	43.7%	27.0%	58.4%
Total Local Adv.	3.1%	1.6%	4.1%	2.3%	4.2%	2.5%	3.0%
GDP	4.0%	4.5%	5.0%	5.0%	5.3%	5.3%	5.0%

Social Media





Social Media Advertising

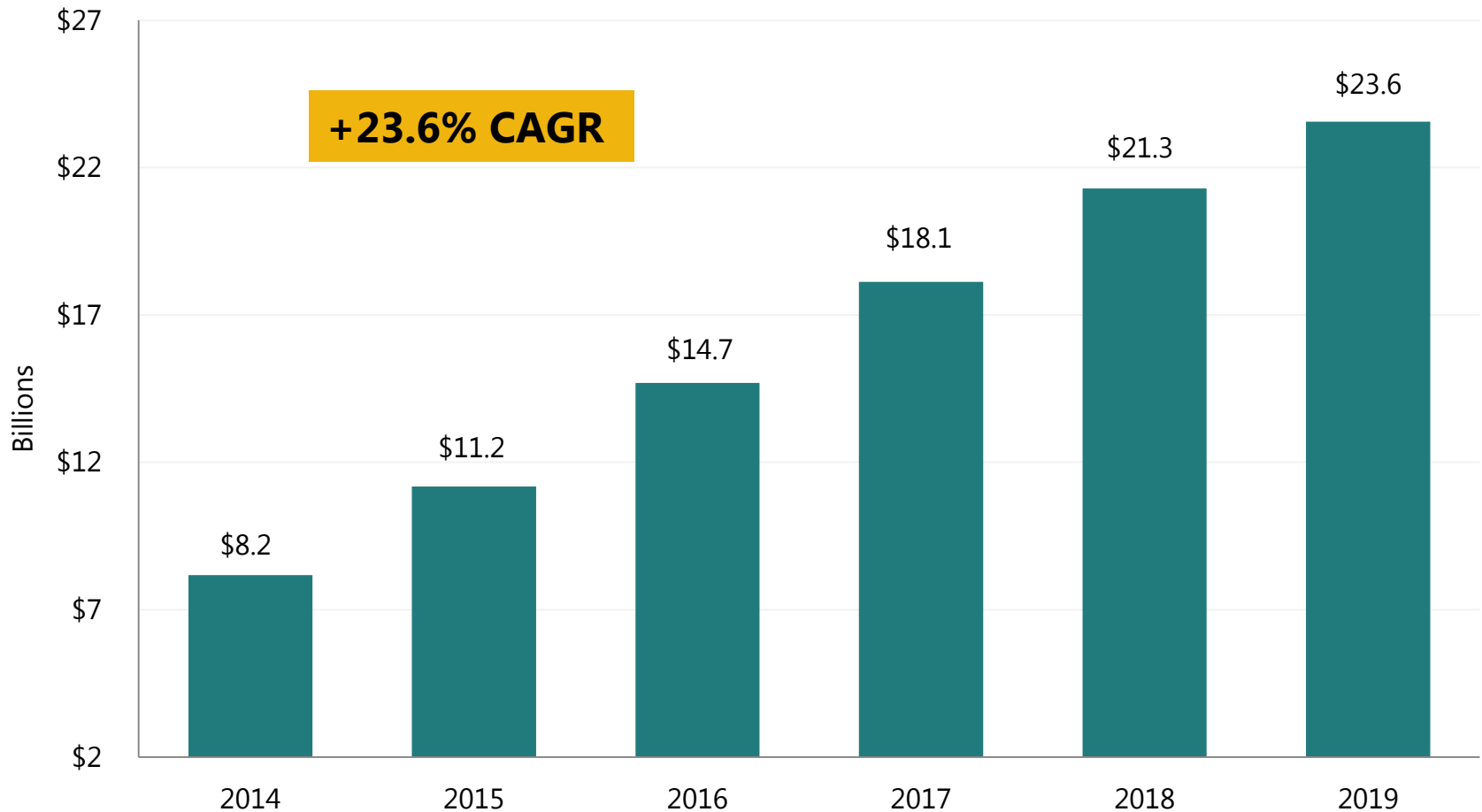
Revenues continue to
exceed expected levels



Defining Social Media Advertising

- Social media advertising = money spent on advertising formats across social networks with mobile only with native news feeds .
- Social advertising is included in BIA/Kelsey's display revenue forecast, which falls within the online/interactive advertising category.
- BIA/Kelsey's definition of social advertising does **not** include revenues derived from the following:
 - Virtual currency
 - Social marketing/measurement platforms and services
 - Social commerce

U.S. Total Social Media Advertising: 2014-2019 Forecast

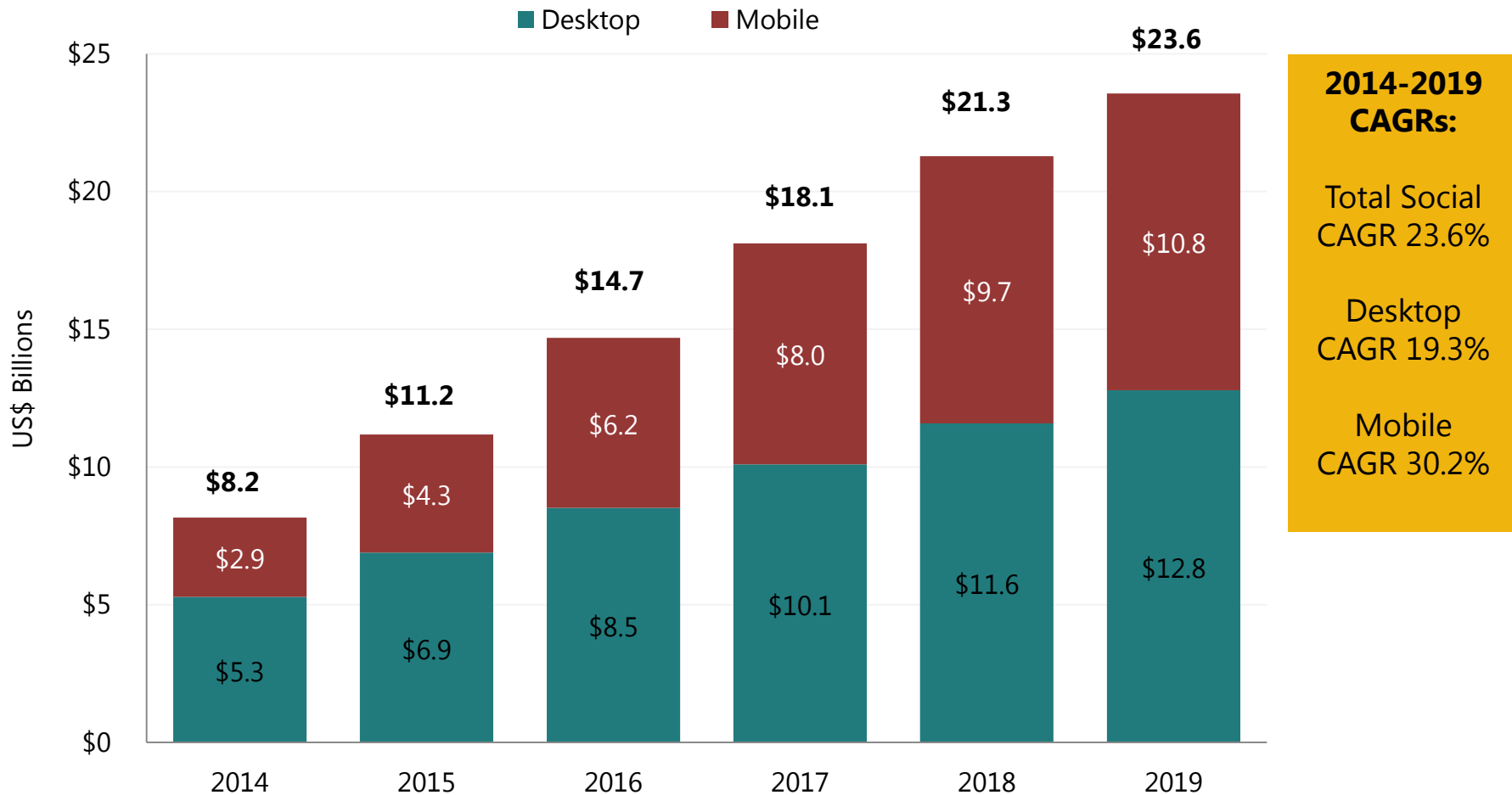




Mobile Social Advertising

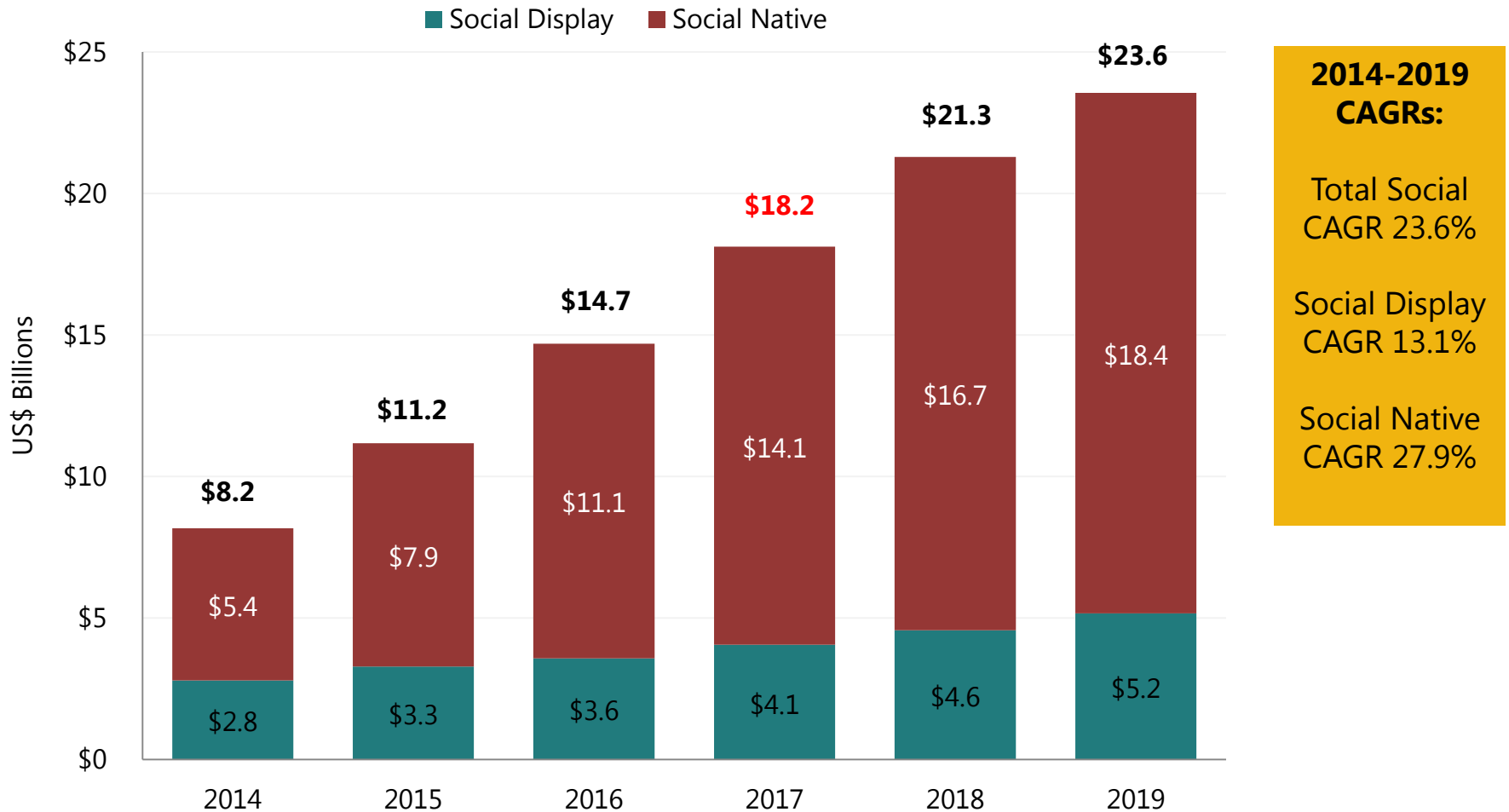
Most important driver of
social advertising – growing at
a 30.2% CAGR through 2019

U.S. Social Desktop vs. Mobile Ad Spend: 2014-2019 Forecast



Note: Numbers are rounded.

U.S. Social Display vs. Native Ad Spend: 2014-2019 Forecast



Social Advertising Forecast:

Mobile Continues to Grow Substantially

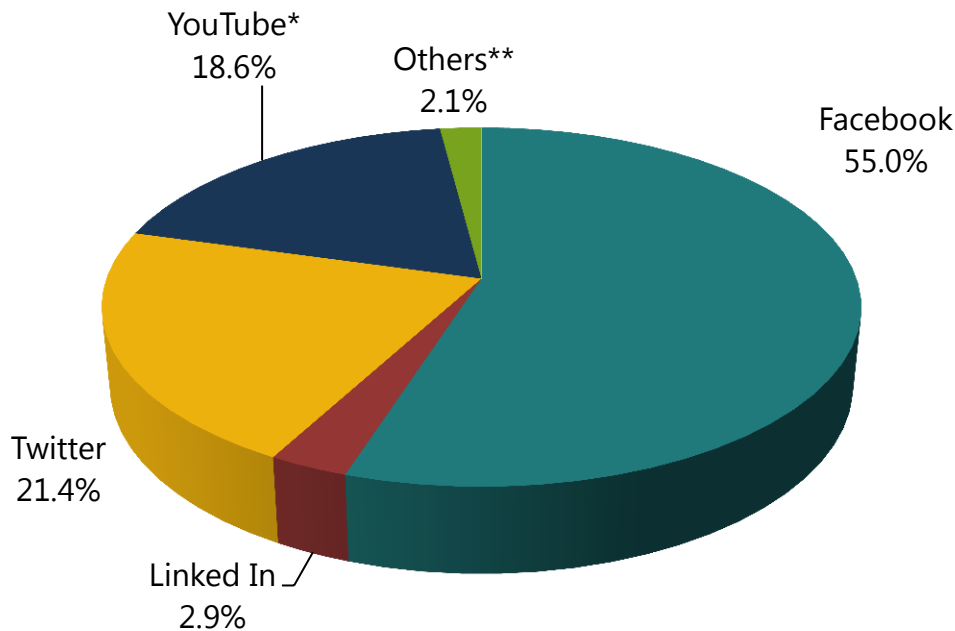


- Driven by Facebook and Twitter, U.S. social mobile ad revenues will grow nearly 4x the 2014 level by 2019, reaching \$10.3 billion by 2019 – a 30.2 percent CAGR.
- Social-mobile advertising will continue to grow as companies have been able to integrate native ads units on the platform (native is already the primary ad unit for top U.S. social networks).
- The growth in mobile is especially impressive as there was considerable doubt initially. However, over the past few years, Facebook, Twitter and other networks have generated dramatic mobile revenue growth and that is expected to continue.

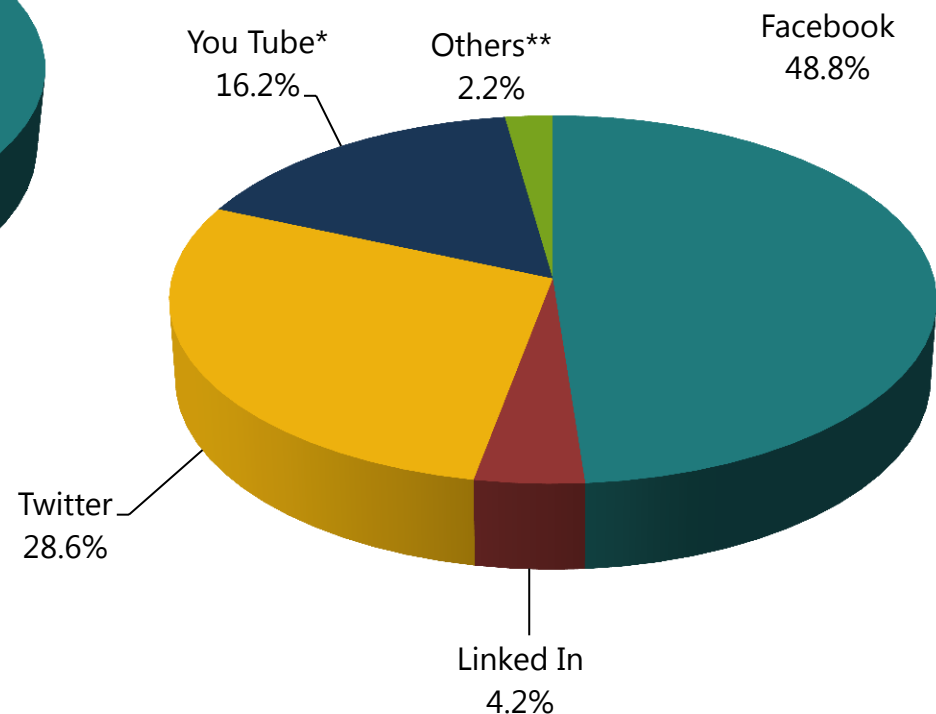
Social Media Advertising by Company: 2015 & 2019



2015



2019

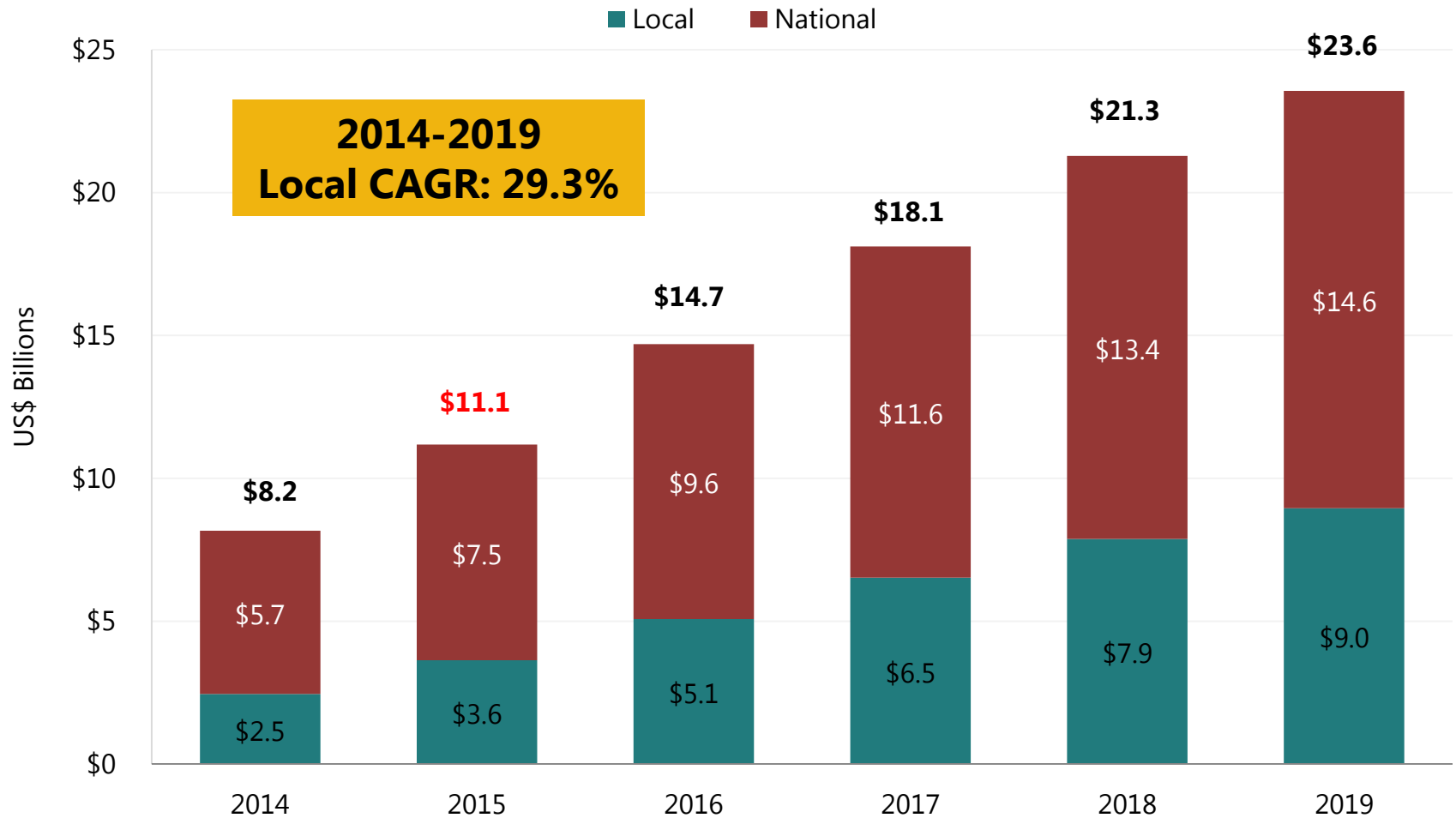




Local Social Media Advertising

As social media advertising
grows, **more will be
targeted to local audiences**

U.S. Social Local* vs. National Ad Spend: 2014-2019 Forecast



Social Media Advertising: Annual Revenue Changes



Media	2014	2015	2016	2017	2018	2019	CAGR 2014-2019
Social Media	54.0%	36.8%	31.5%	23.3%	17.5%	10.7%	23.6%
Desktop	43.6%	30.3%	23.6%	18.5%	14.7%	10.4%	19.3%
Mobile	77.4%	48.9%	44.1%	29.9%	21.0%	11.1%	30.2%
Local	77.6%	48.2%	39.6%	28.7%	20.7%	13.7%	29.6%
Total Local Adv.	3.1%	1.6%	4.1%	2.3%	4.2%	2.5%	3.0%
GDP	4.0%	4.5%	5.0%	5.0%	5.3%	5.3%	5.0%



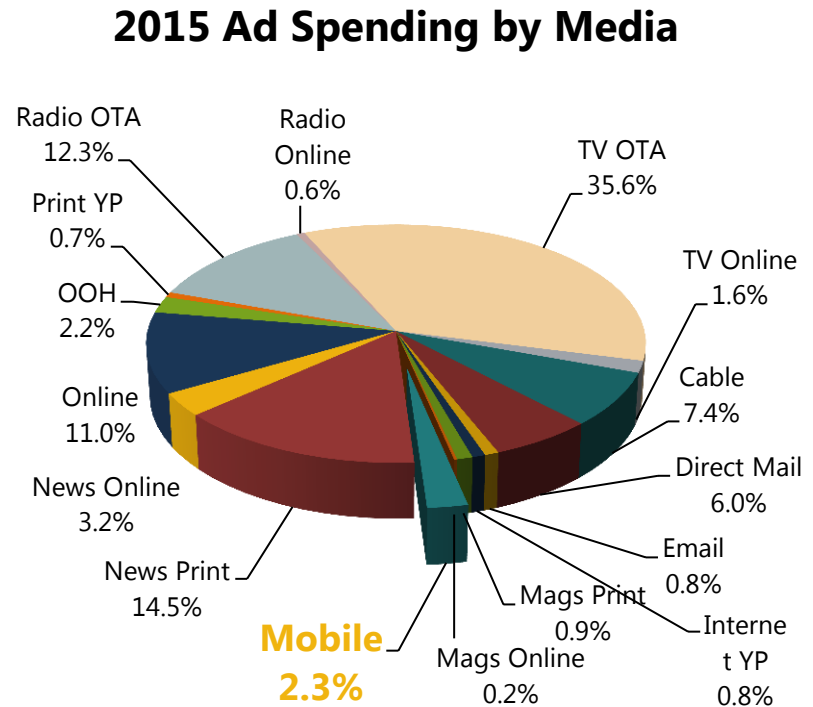
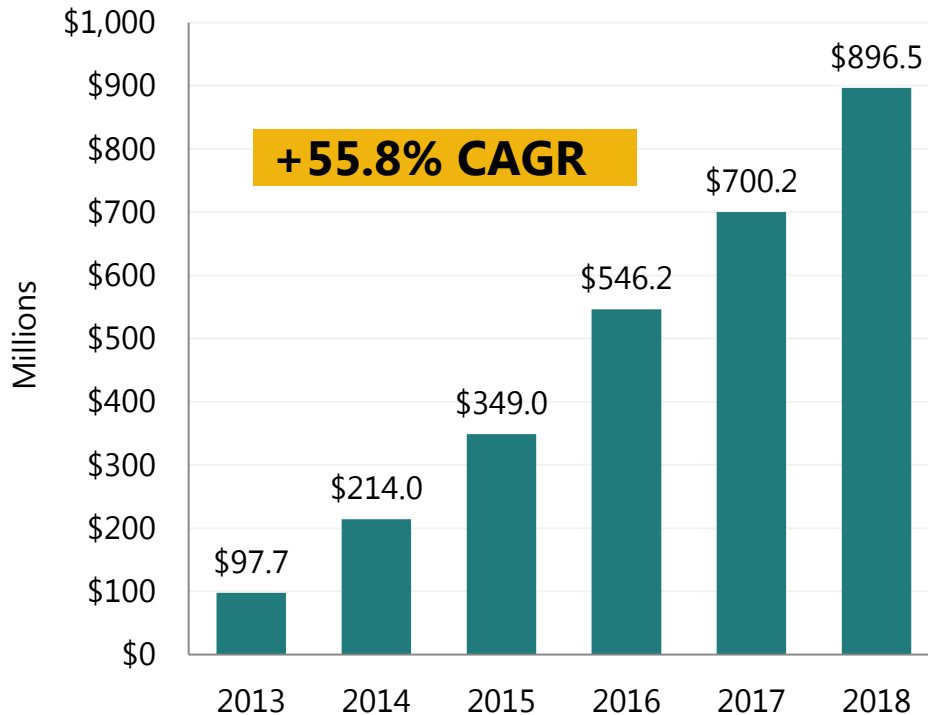
Mobile Advertising Estimates for Verticals

Our Media Ad View data provides more dimension into what is happening in local markets for specific advertiser verticals showing their use of mobile advertising

Media Ad View Forecast Overview

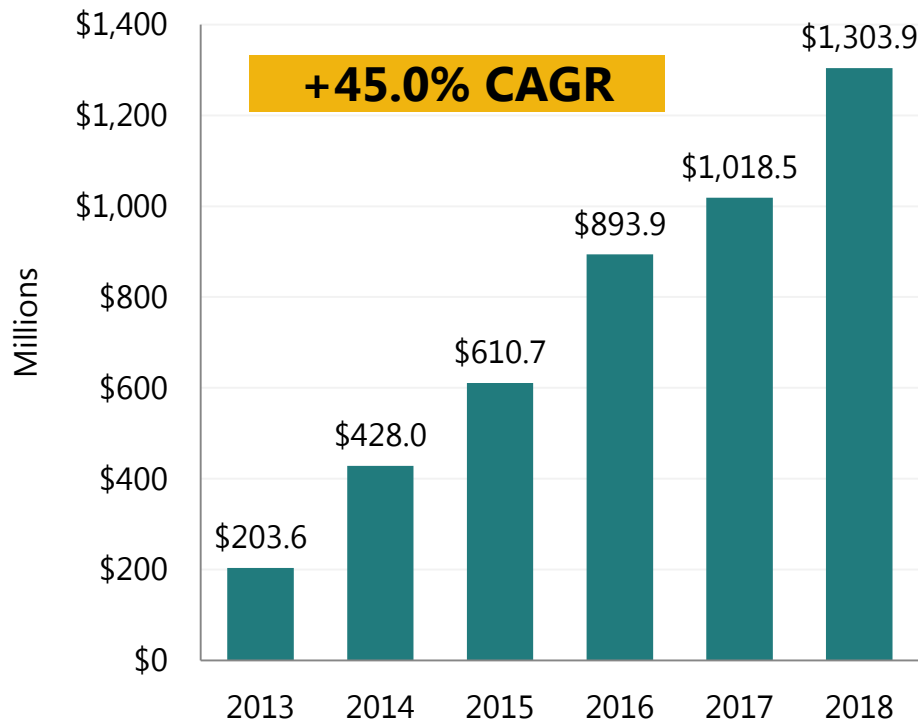
- Media Ad View offers comprehensive forecasts for local media advertising included estimates of local advertising for 12 media sectors (radio, TV, newspaper, cable TV, direct mail, magazines, print Yellow Pages, Internet Yellow Pages, Internet, out-of-home, mobile, and e-mail, reputation and presence management (ERPM).)
- These estimates and forecasts are also published as nationwide estimates.
- The forecast breaks local media advertising for TV markets and CBSAs into 94 advertising categories.
 - This process included examination of nationwide media advertising categories from a variety of sources. This included published data from the various media trade associations, such as the Television Advertising Bureau, Direct Marketing Association, Outdoor Advertising Bureau, Local Search Association, Internet Advertising Bureau, and other published data from other research firms.
- This forecast provides a general view of what is going on in local advertising markets and how the advertising pie may shift in the future.

Automotive Ad Spending on Mobile

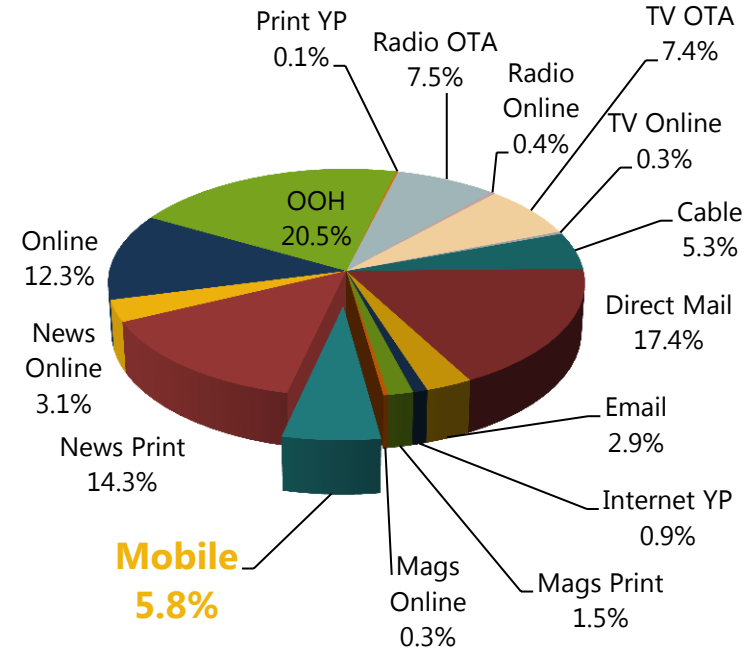


- Mobile share to increase to 8.4 percent by 2019
- Increases in auto sales after lull in recession years
- Geotargeting proving an advantage in reaching customers opening up new opportunities in advertising

Leisure/Recreation Spending on Mobile

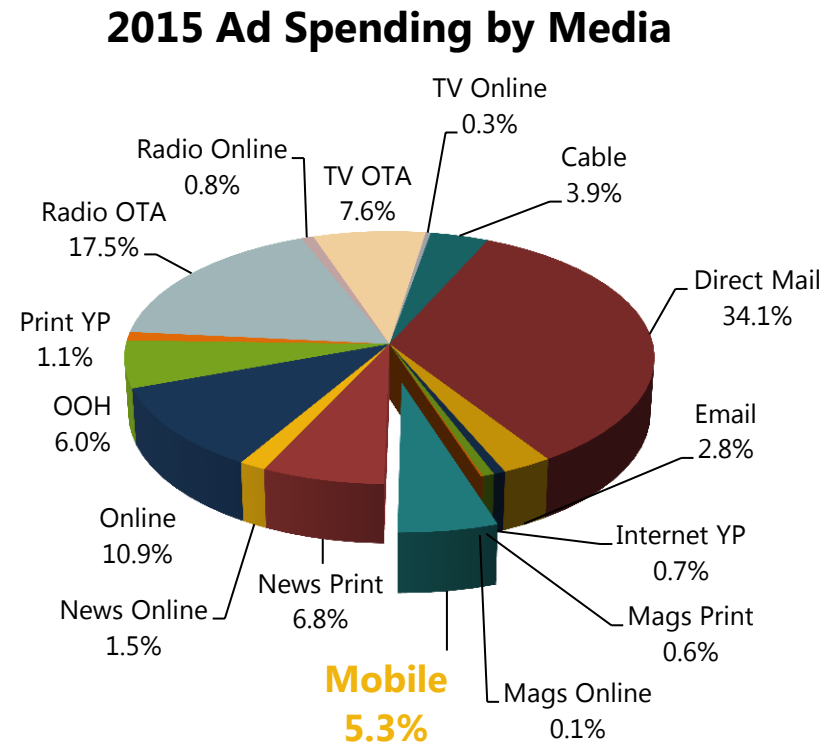
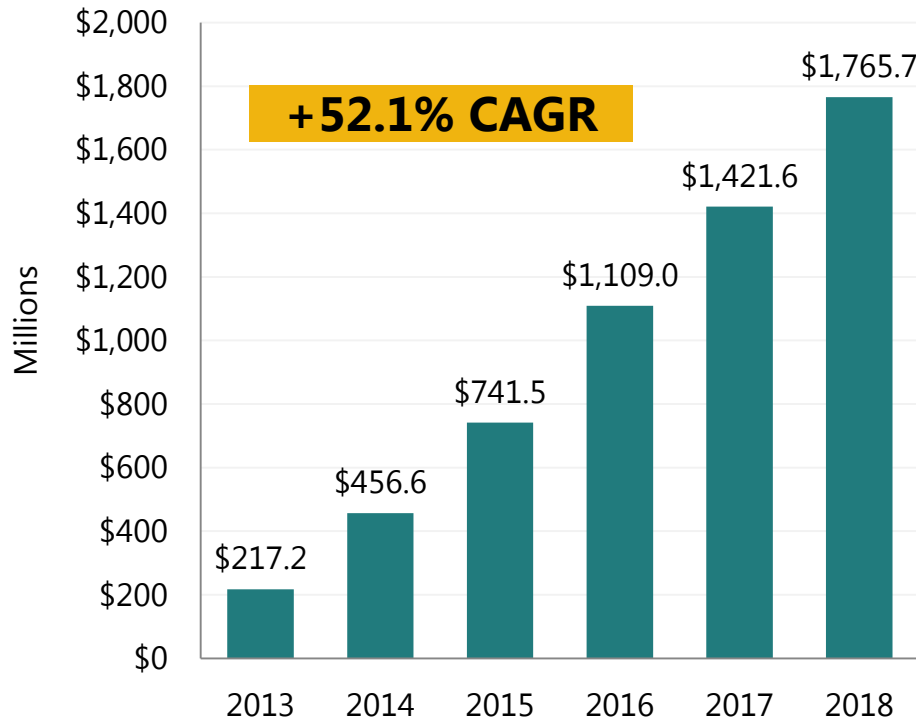


2015 Ad Spending by Media



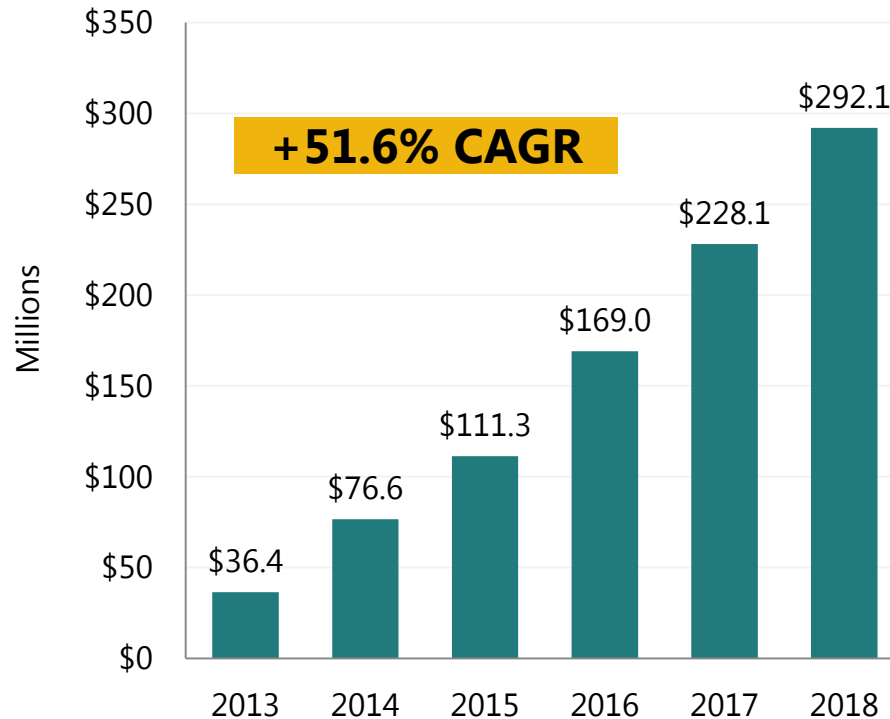
- Mobile share to increase to 16.6 percent by 2019
- Very adaptable to target consumers in mobile situations (e.g., visiting sites, attending events, etc.) leading to more advertising spending by companies in this vertical

Finance/Insurance Spending on Mobile

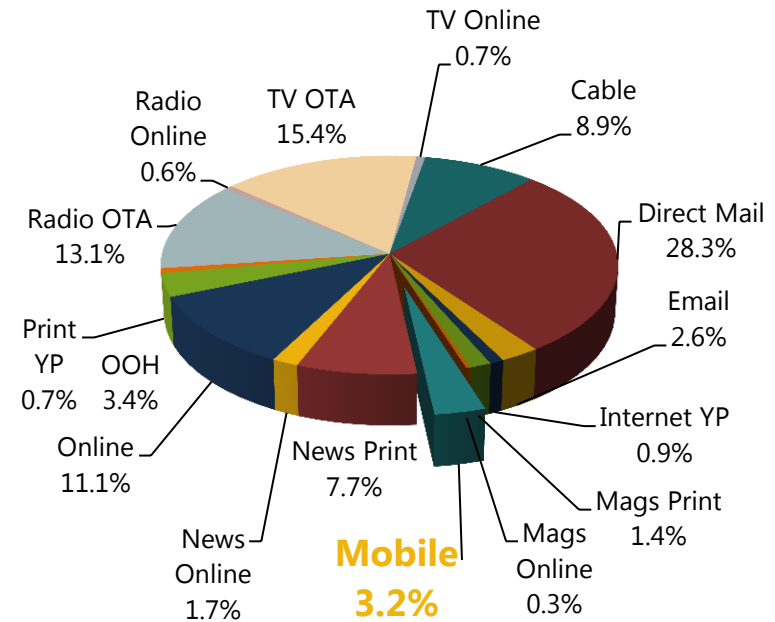


- Mobile share to increase to 17.2 percent by 2019
- Early adoption by firms in these areas to develop mobile web sites and apps for their services allowing them to send advertising messages

Quick Service Restaurants (QSRs) Spending on Mobile

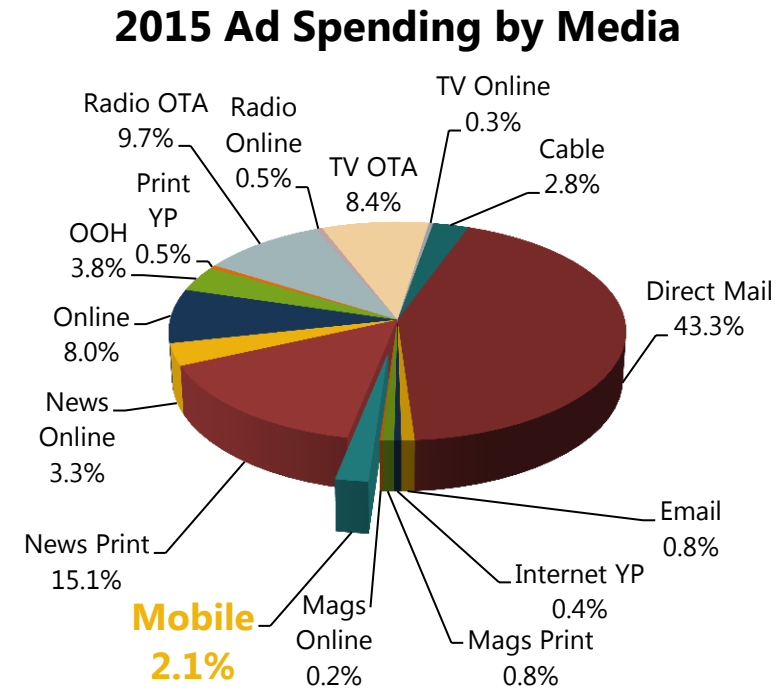
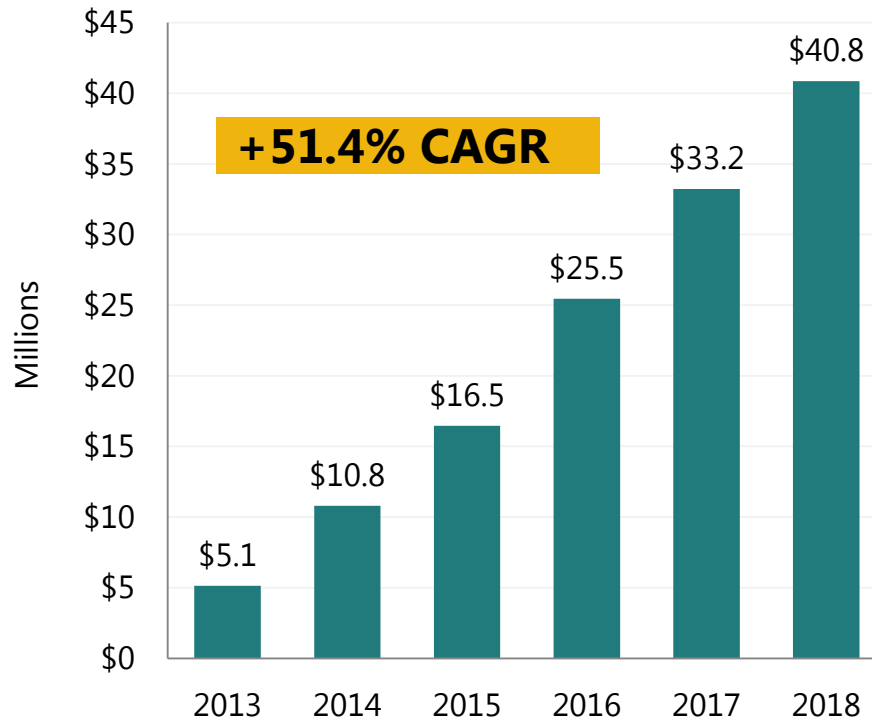


2015 Ad Spending by Media



- Mobile share to increase to 11.0 percent by 2019
- Mobile apps to allow for advance ordering and offering coupons with advertising messages included

Women's Clothing Stores Spending on Mobile



- Mobile share to increase to 4.7 percent by 2019
- Mobile apps and websites to allow for alerting of sales, offering coupons and advertising messages with pictures/videos of products

94 Categories Covered in Media Ad View

Automobile Dealers & Automotive Mnfrs.
Other Motor Vehicle Dealers
Automotive Parts and Accessories Stores
Tire Dealers
Gasoline Stations & Automotive Repair
Business Schools and Computer
Technical and Trade Schools
Other Schools and Instruction
Educational Support Services
Commercial banking
Savings institutions
Credit unions, federally chartered
Securities brokerage
Portfolio management
Investment advice
Direct life insurance carriers
Direct health and medical insurance
Auto Insurance
Direct property and casualty insurance
Insurance agencies and brokerages
Legal Services
Accounting, Tax Preparation, Bookkeeping
Architectural, Engineering Services
Specialized Design Services
Computer Systems Design and Related
Management, Scientific, and Technical
Scientific Research and Development
Advertising, Public Relations Services
Other Professional, Scientific Technical
Temporary Help Services

Janitorial Services
Landscaping Services
Offices of Physicians
Offices of Dentists
Offices of Chiropractors
Offices of Optometrists
Hospitals
Nursing and Residential Care
Veterinary Services
Pharmacies and Drug Stores
Hotels-Motels
Airline Transportation
RV (Recreational Vehicle) Parks
Performing Arts Companies
Spectator Sports
Museums, Historical Sites Amusement
Parks and Arcades
Gambling Industries
Other Amusement and Recreation
Motion Picture and Video
Newspaper Publishers
Periodical Publishers
Radio Stations
Television Broadcasting
Cable and Other Subscription
Programming
Full-Service Restaurants
QSR/Fast Foods
Special Food Services
Bars
Supermarkets and Other Grocery
Convenience Stores
Beer and Wine, and Liquor Stores

Furniture Stores
Home Furnishings Stores
Floor Covering Stores
Other Home Furnishings Stores
Household Appliance Stores
Radio, Television, and Other Electronics
Computer and Software Stores
Home Centers
Paint and Wallpaper Stores
Hardware Stores
Lawn and Garden Equipment Stores
Men's Clothing Stores
Women's Clothing Stores
Children's and Infants' Clothing Stores
Family Clothing Stores
Clothing Accessories Stores
Other Clothing Stores
Shoe Stores
Jewelry, Luggage, and Leather Stores
Sporting Goods Stores
Hobby, Toy, and Game Stores
Book Stores
Department Stores
Discount Department Stores
Warehouse Clubs and Supercenters
All Other General Merchandise Stores
Office Supplies and Stationery Stores
Gift, Novelty, and Souvenir Stores
Wired Telecommunications Carriers
Wireless Telecommunications Carriers
Cable & Satellite Service Providers
Other Telecommunications

Upcoming Forecast Report

- The next forecast report will be address traditional media with insights and spend by verticals.
- *Is there a forecast or vertical you'd like to see profiled in this series?*
Email clientinfo@biakelsey.com.



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