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**Executive Summary Only**

# 2008 OUTLOOK: LOCAL ONLINE ADVERTISING

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12.07

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## Executive Summary Only

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## EXECUTIVE SUMMARY

After a decade of testing the Web, local advertisers are making significant adjustments to their marketing dials, turning up the volume on online advertising.

We expect a 48 percent increase in local online ad spending in 2008, bringing it to \$12.6 billion. Driving most of the growth is the popularity of local search and online video advertising. Local search advertising will more than double next year, to \$5 billion, while locally placed online video will triple, to almost \$1.3 billion. A major component of local video advertising will be long-form pieces for home, automotive and health-related categories.

Next year will be a perplexing one for local media companies trying to tackle the Web. Most yellow pages publishers, cable companies, newspapers, radio stations and TV stations are still pinning their hopes on their traditional sales reps being able to sell online ad packages. But there is increasing evidence to support the idea that a greater investment in an independent online sales force will be necessary to continue the growth these properties have enjoyed for the past few years. The growth rates for most local media operators have slipped well below the overall growth rate for local online ad buys – which means these properties are losing market share. Much of that share is being captured by pure-play Internet companies hungry for the growth they see in the local market, although they are seeing benefits to partnering with local media companies to supplement their own efforts.

Key advertising segments for 2008 will continue to be the “Big 3” classified categories of automotive, recruitment and real estate, with online political marketing holding promise for local sites as state and presidential campaigns heat up.

Marketing budgets will accelerate their shift out of traditional advertising formats (both online and offline) and into non-ad activities such as promotions and public relations, which are better at delivering the improved targeting and accountability that advertisers are demanding.



## COMPANY PROFILE

Borrell Associates is a research and consulting firm that helps online publishing companies develop and implement successful strategies to maximize their advertising revenue – with an emphasis on local online advertising.

We uncover the advertising potential in a local market by drawing on primary research, a comprehensive model of ad spending and receipts, and the extensive career experience of our principals and associates.

Simply put, we help media companies make money.

**Consulting Services** **Strategic Guidance, Tactical Counsel** - Our retainer clients draw on all of the firm's resources to help develop their strategic thinking and unravel tactical challenges. Borrell principals and associates are available by telephone and on site under flexible arrangements designed to suit needs as they arise. Our retainer clients receive a subscription to all of our reports as part of their engagement fee.

**Presentations** - We conduct presentations for executive management, industry seminars and trade conferences. We tailor each presentation by tying our "big picture" analysis into actionable intelligence about a specific market or industry. These presentations are challenging, insightful and filled with facts about the future direction of new advertising formats.

**Sales Training** - Our seasoned sales experts use our research and data to train sales managers and account reps. We show them where to focus resources for maximum ROI and how to build compelling, fact-based sales presentations that close new business. We offer guidance on sales recruitment, compensation, staff structure, rates and marketing materials.

**Customized Research** - We conduct specialized research on topics requested by our clients. Past projects include white papers on developments in specific industry segments, Web site design evaluations, site user surveys and competitive analyses. Our annual survey report, *What Local Media Web Sites Earn*, includes current financial operating results from more than 2,700 local sites, which gives us valuable benchmarking data and helps us identify and quantify trends for our clients.

**Market Analyses** **AdSpend™ Report** - This report provides comprehensive estimates of advertising spending across 11 major media types (newspapers, TV, billboards, online, etc.) by each of the top 100 business categories in a market. Conversely, the report also presents the amounts that each medium receives from each of the business categories, with a summary of their relative shares of total ad spending. Both views give separate estimates of spending by advertisers located inside and those located outside the market.



## COMPANY PROFILE (continued)

**WebAudit™ Report** - Our clients get a detailed look at their local online ad market on both a strategic and a tactical level with this report. It includes local online ad shares by type of site operator (pure-play, newspaper, etc.) and comparison of their site with its peers. A WebAudit report helps managers identify and size strategic sales opportunities by comparing the local spending patterns of individual business categories and major vertical market segments (Auto, Jobs, General Merchandise, etc.) with U.S. norms and analyzing the differences. Ad reps can use the report to strengthen their presentations and enhance their role as consultants in the sales process.

**Media Usage and Demographics** - We provide a snapshot of local media usage – including newspapers, coupons, online services, and overall broadband and Internet usage – in a defined market. This report also illustrates levels of online spending by consumers on key items such as clothing, computer software, books, etc. We use a combination of Scarborough Research's data (updated twice a year) and the MOSAIC cluster segmentation. (Highlights from these are included in a WebAudit report.)

**Customized Market Reports** - Our researchers can generate special reports that look at the status of – and trends in – a variety of market segments. For example, we have developed detailed trending analyses of local automotive ad spending in multiple markets for a network of cable companies and have provided deep segmentation of ad-spending data by business size for a national portal.

**Industry Reports** We publish 10 to 12 reports per year that document and analyze major trends in local online advertising. Reports include annual revenue benchmarking for local media sites, updates on the automotive, real estate and recruitment verticals, and an annual outlook published in early fall designed to provide budget guidance for the next year. These reports are available for purchase individually, but our annual report subscribers realize substantial savings and enhance the distribution of these reports within their organizations. Our retainer clients receive all of our reports as part of their engagement fee.

**Interactive Media Panel** We regularly consolidate the current thinking of more than 400 online advertising executives using an iterative polling technique modeled after the popular Delphi system. Results from this panel inform some of our forecasts and provide our clients with a unique perspective on advertising trends. Participants get an early look at all survey results and can suggest directions for future research.

For more information visit [www.BorrellAssociates.com](http://www.BorrellAssociates.com),  
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