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Tomorrow's Media, Understood Today

Who Will Survive?

The Local Media Company of the Future

Special presentation SNPA Convention

October 6 2015

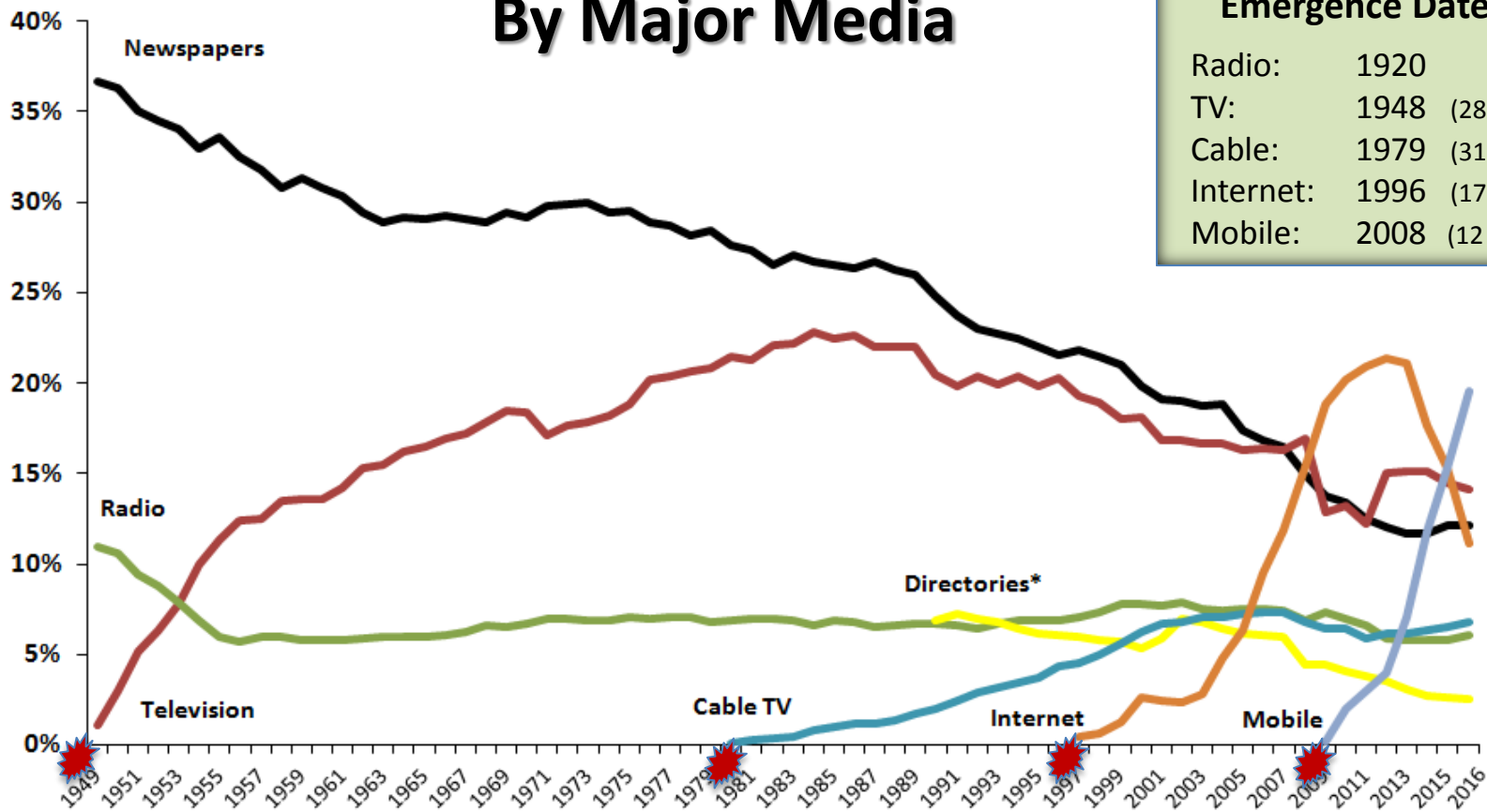
Agenda

- **The Past:** *How we got here*
- **The Present:** *What local businesses are doing*
- **The Reaction:** *How media cos. are faring*
- **The Future:** *What's likely to happen next*
- **The Change:** *Media companies to watch*

U.S. Advertising Share By Major Media

'New Medium' Emergence Dates

Radio:	1920
TV:	1948 (28 yrs.)
Cable:	1979 (31 yrs.)
Internet:	1996 (17 yrs.)
Mobile:	2008 (12 yrs.)



Sources: Universal McCann, Borrell Associates Inc. (c) Borrell Associates Inc., 2012

* Directory data not available prior to 1990







Over-Exposure

Number of ads a person passes per day: **5,000**

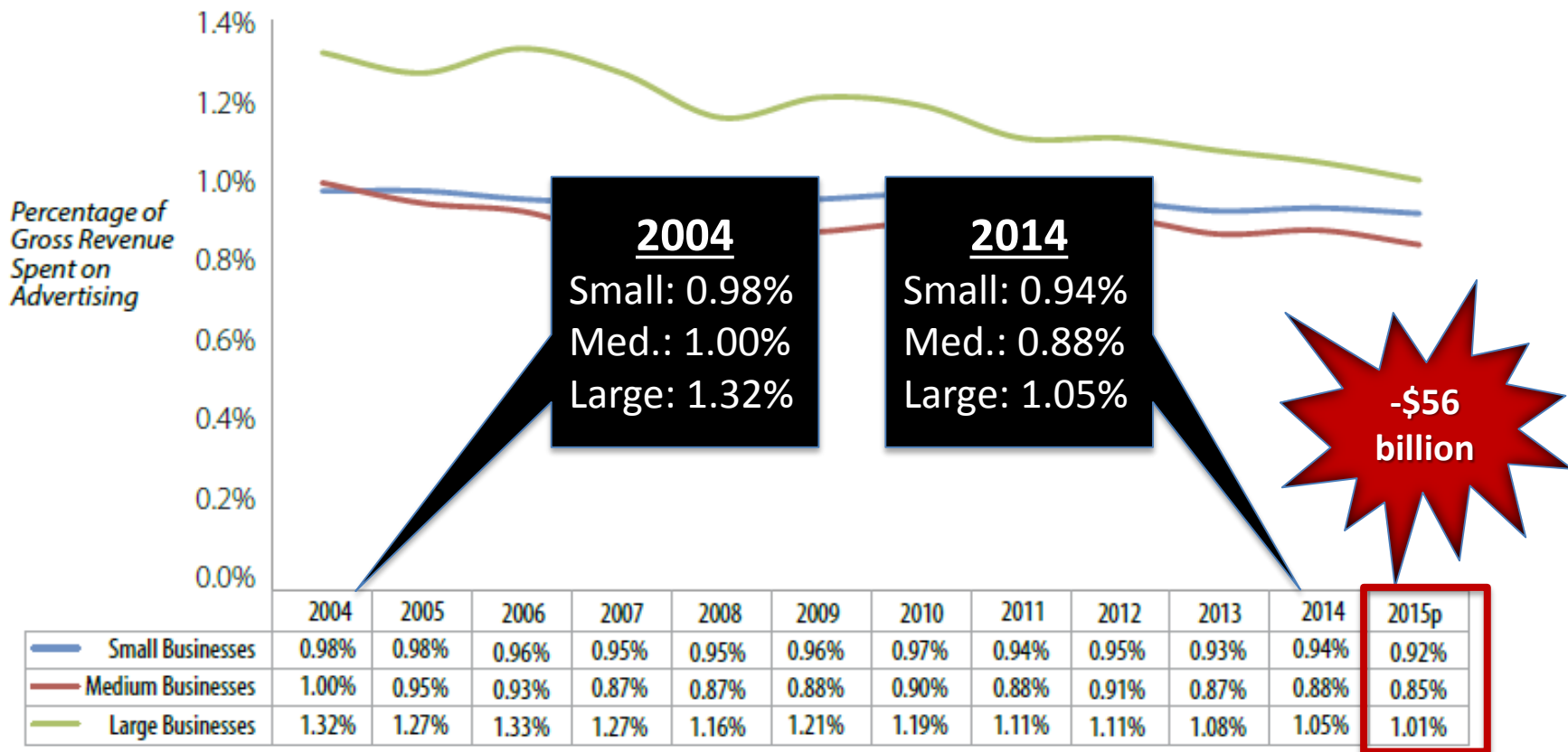
Number of ads a person might actually see: **285**

Number of ads a person notices: **6 (MAYBE)**



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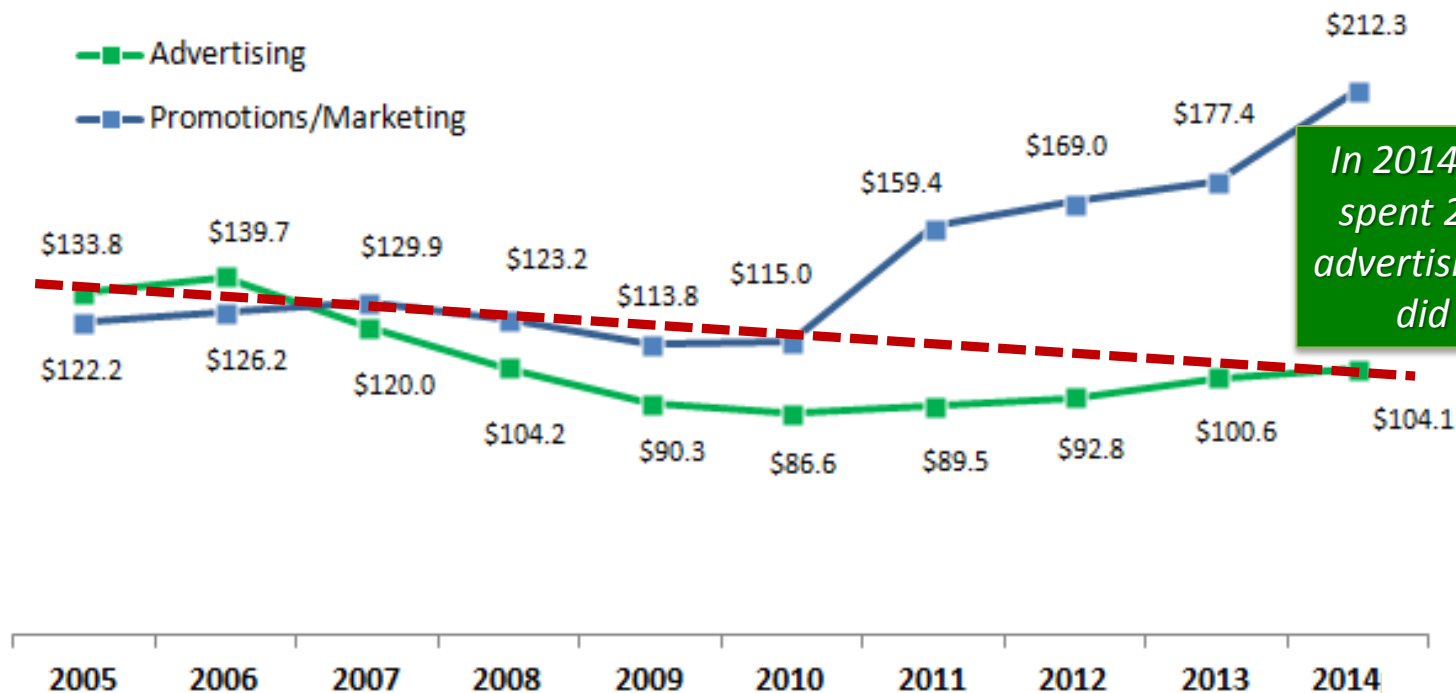
Ad Spending As Share of Gross Receipts



Source: U.S. Internal Revenue Service, Corporation data, 2004-2012; Borrell Associates estimates, 2013-2015; small businesses classified as <\$50mm in revenue; medium, \$50-\$250mm; large, >\$250mm



Classic Local 'Advertising' is Flattening

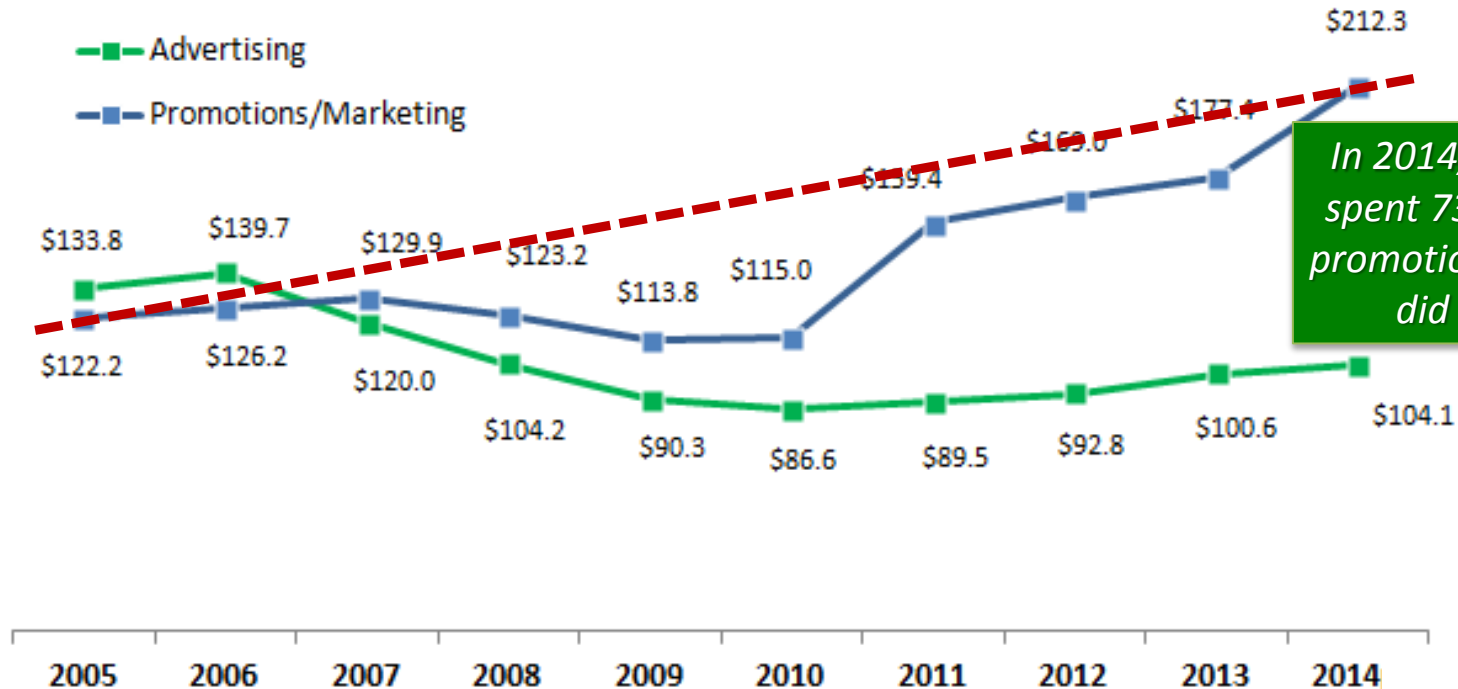


In 2014, businesses spent 22% less on advertising than they did in 2005.

Source: Borrell Associates Inc.; \$ in Billions



Local 'Marketing' Spending Takes Over



In 2014, businesses spent 73% more on promotions than they did in 2005.



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What are Promotions?

It's everything that a businesses spends to market itself over and above its spending on traditional advertising.

- ✓ Coupons
- ✓ Discounts
- ✓ Rebates
- ✓ Contests
- ✓ Events
- ✓ Sponsorships
- ✓ Signage
- ✓ Printing
- ✓ **Digital Marketing**





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Example: Myrtle Beach Advertising

\$ in 000s

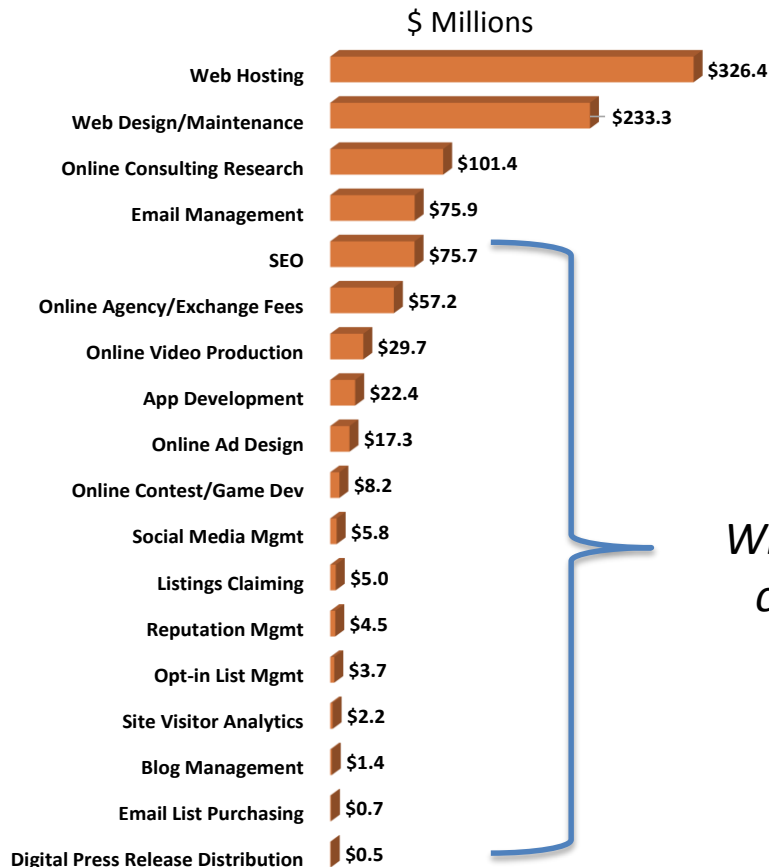
Media	From Inside	Share
Online	\$59,085,600	31.3%
Newspaper	\$28,547,400	15.1%
Radio	\$20,547,700	10.9%
Local TV Stations	\$20,366,800	10.8%
Directories	\$15,702,700	8.3%
Other Print	\$14,955,000	7.9%
Direct Mail	\$14,123,600	7.5%
Cable TV	\$7,079,200	3.7%
Cinema	\$4,345,700	2.3%
Out of Home	\$2,445,400	1.3%
Telemarketing	\$1,793,200	0.9%
Network TV		
Total	\$188,992,300	100.0%

\$188 MILLION



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Myrtle Beach Digital Services



\$971 MILLION!

Where most media companies feel comfortable working. Less than $\frac{1}{4}$ of the revenue is here.

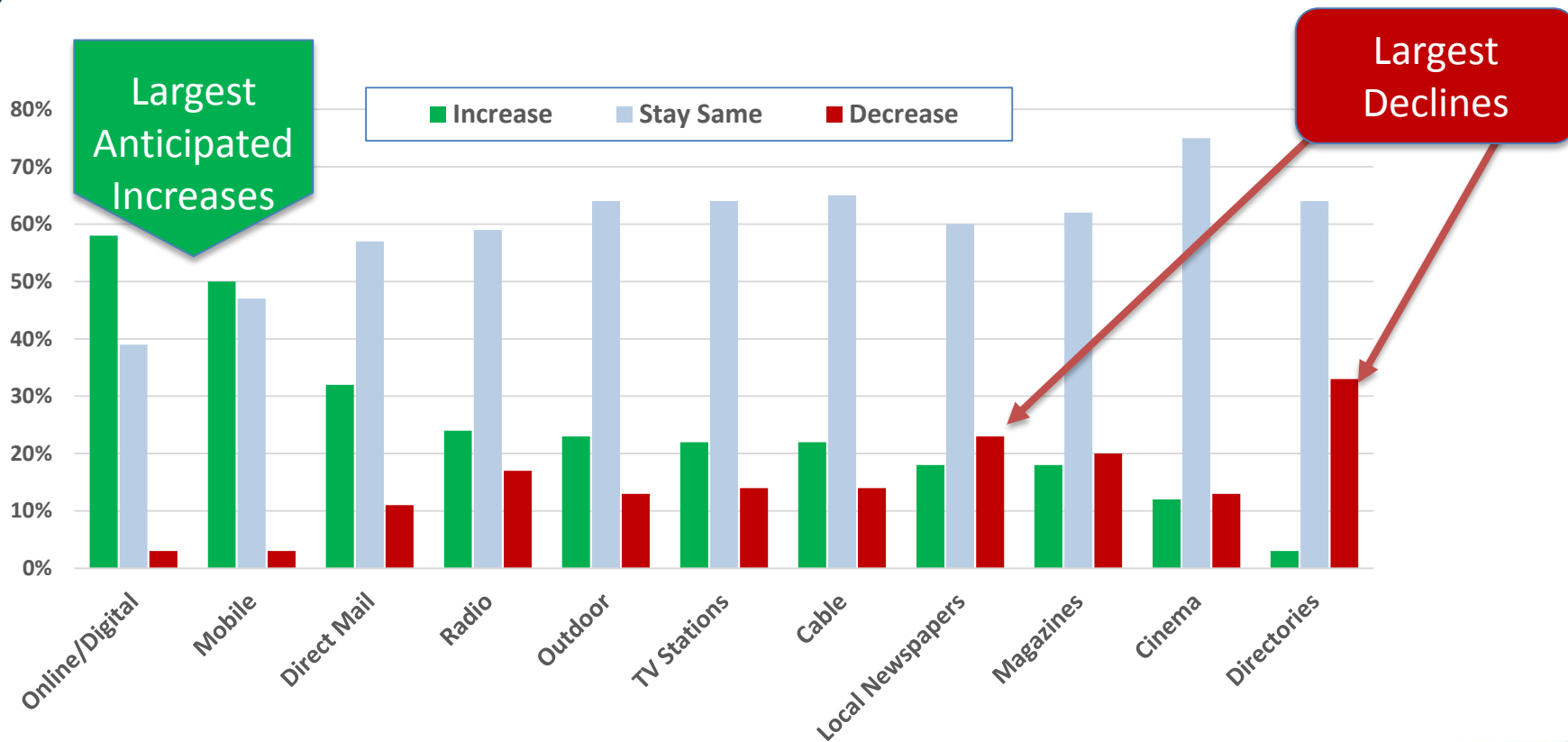
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SMBs' Anticipated Budget Change



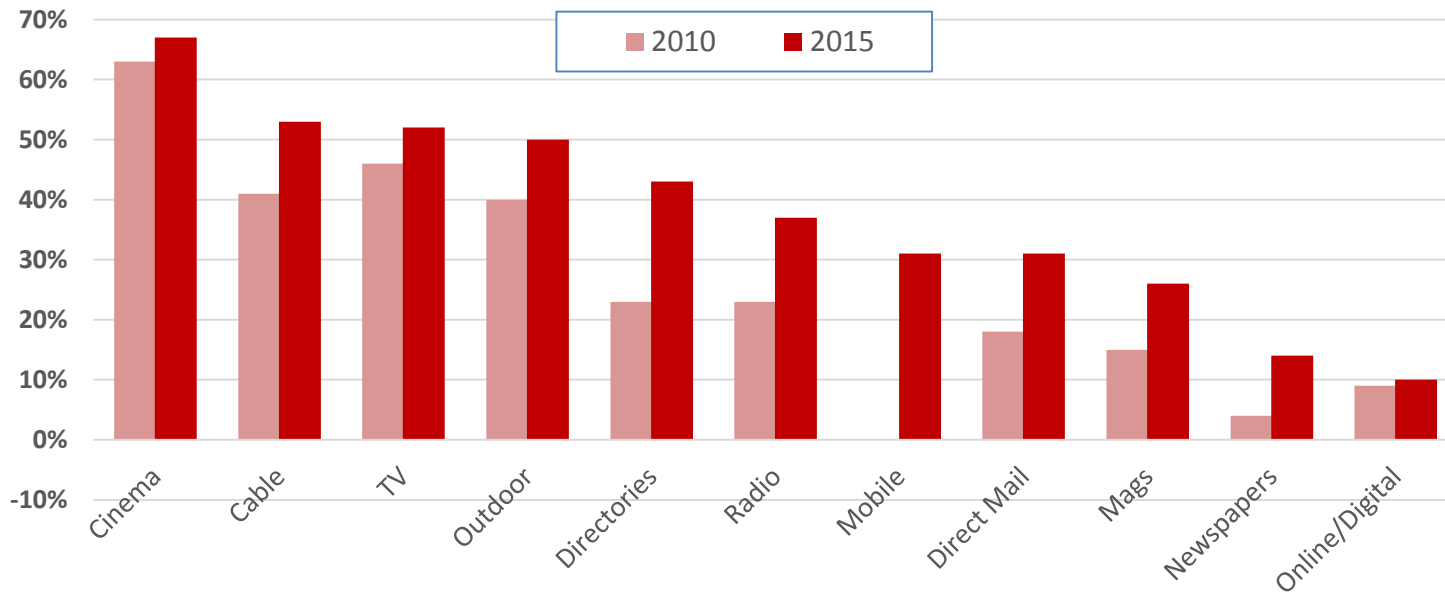
N = 4,683 responses



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More Dropping Out Than in 2010

Expecting Not To Buy



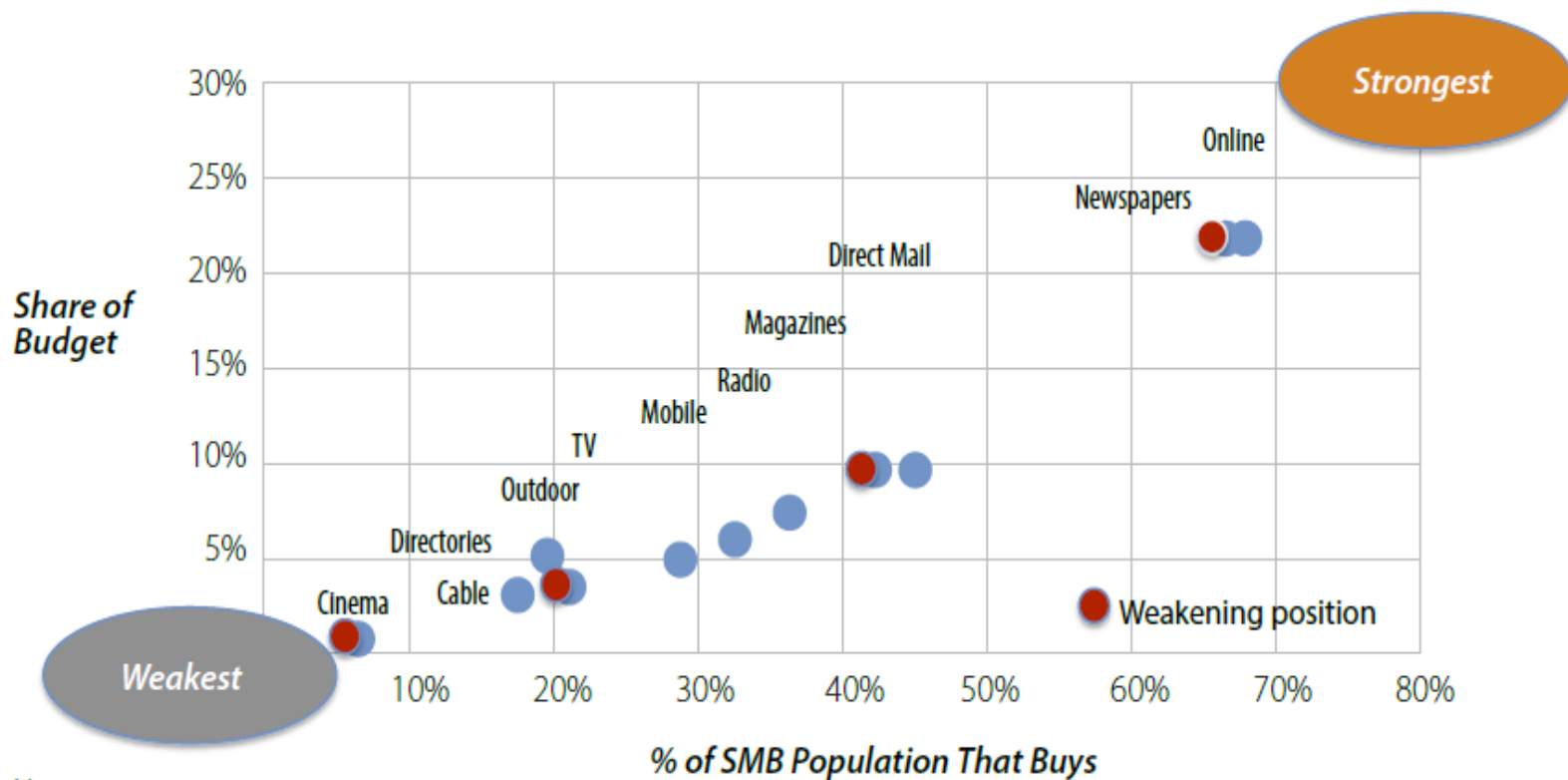
2010: N = 3,520 responses

2015: N = 4,683 responses



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The Media Food Chain, 2015

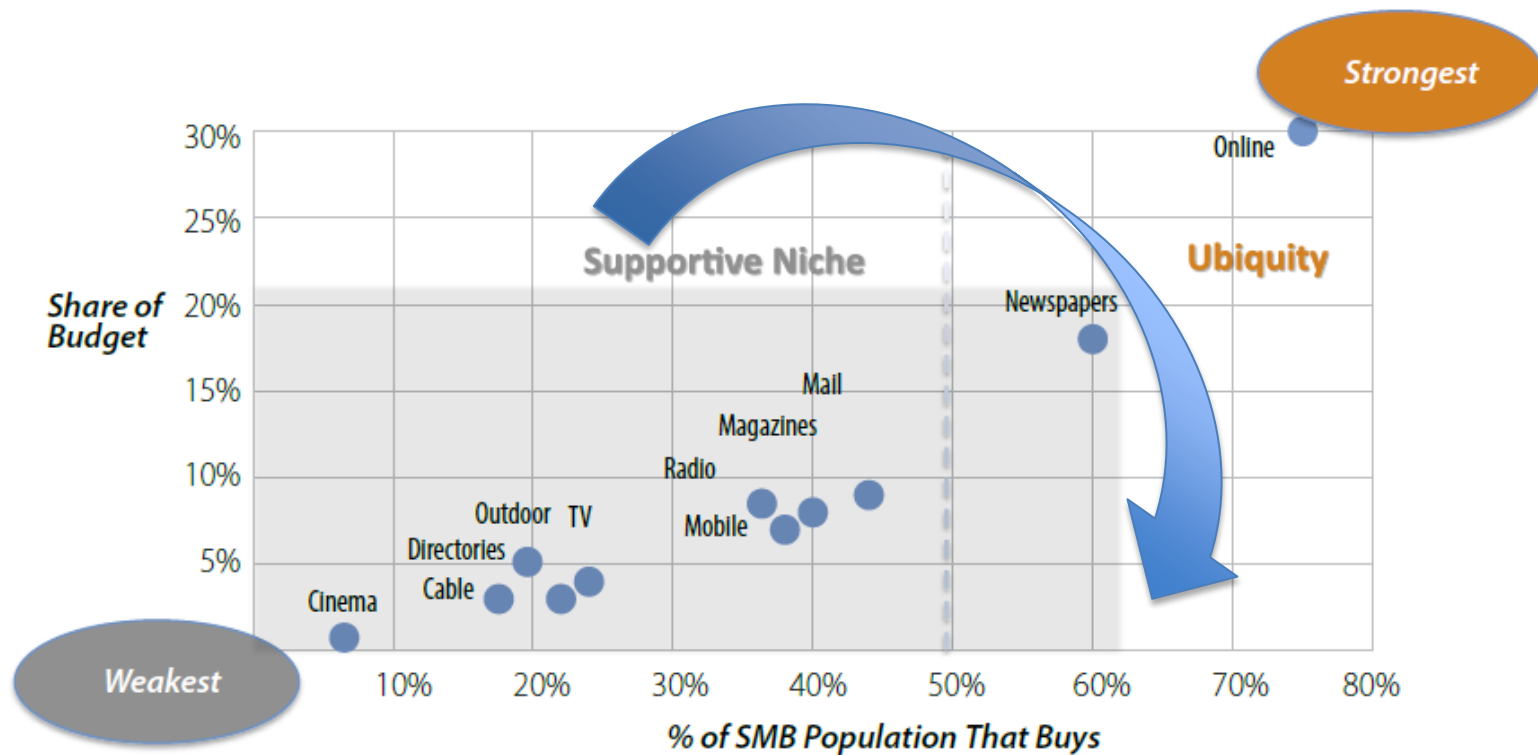


N = 4,393 responses



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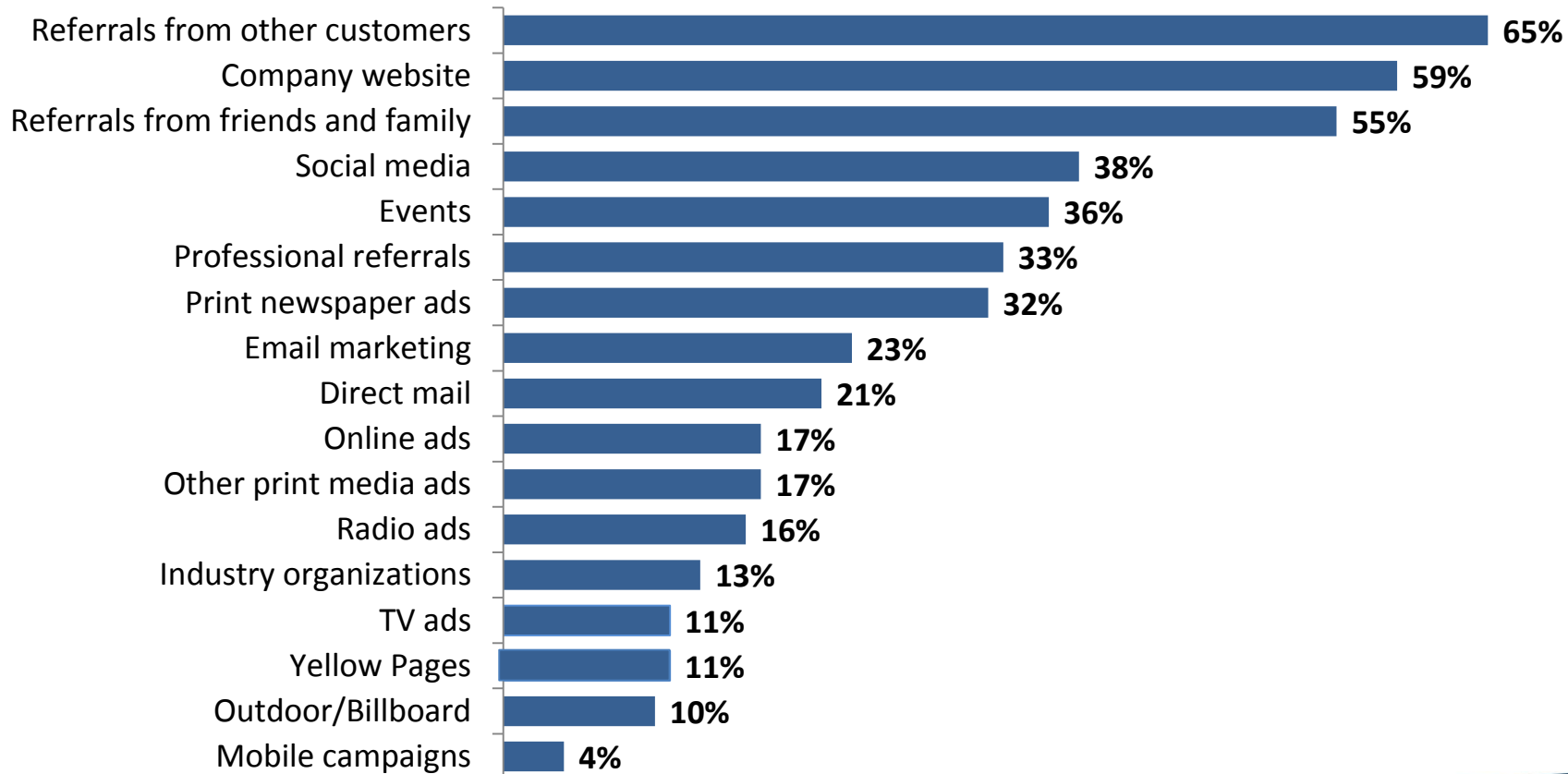
The Media Food Chain, 2016



N = 4,393 responses

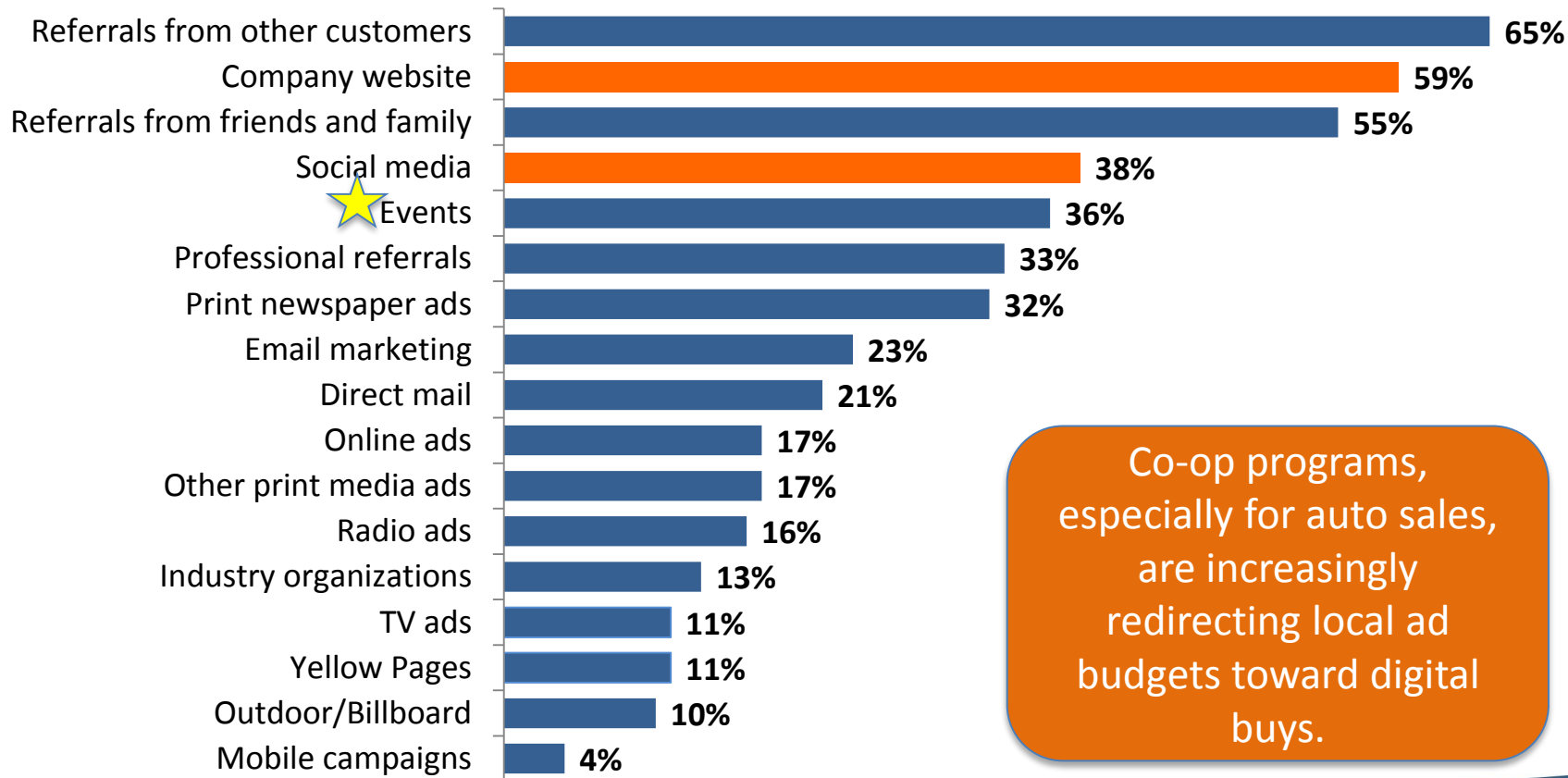


What Drives New Business





What Drives New Business



Co-op programs, especially for auto sales, are increasingly redirecting local ad budgets toward digital buys.

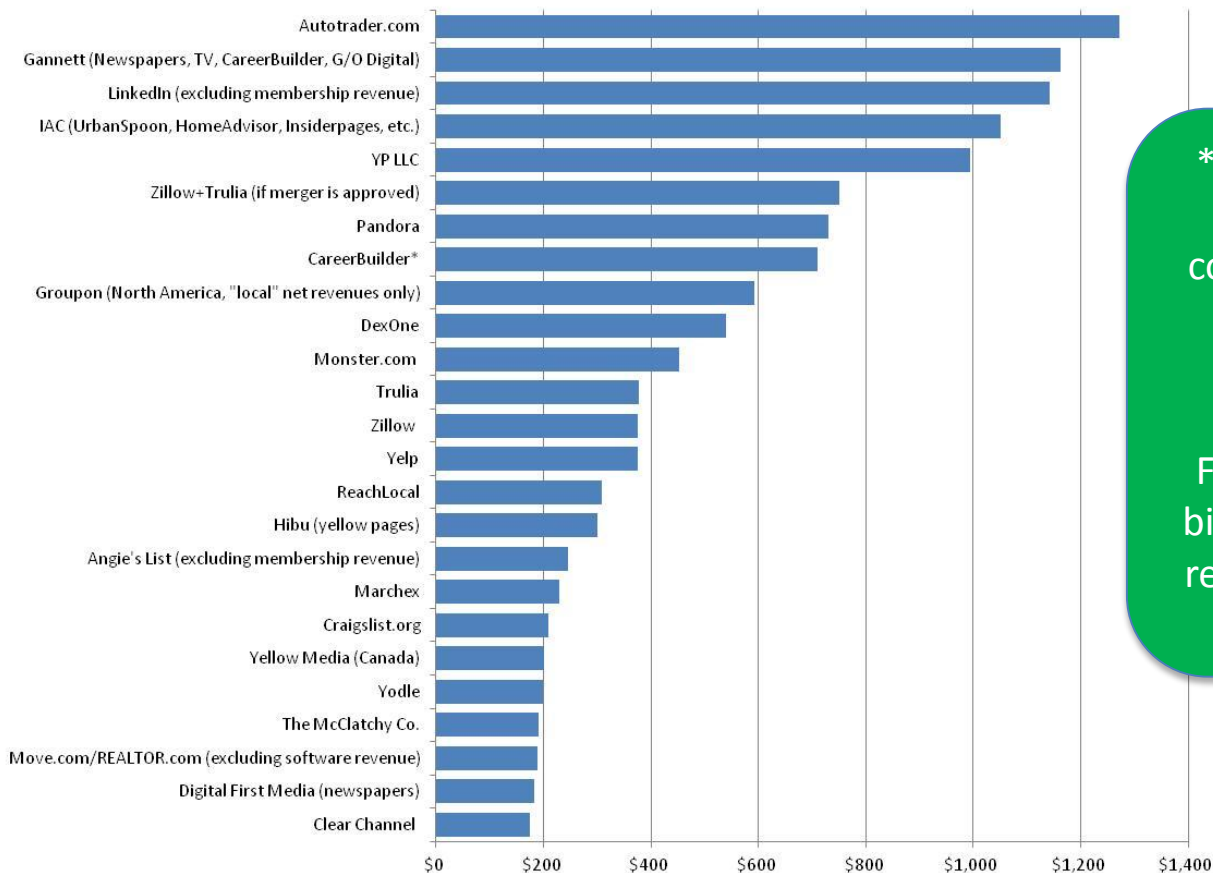
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Top 25 Local Online Advertising Companies, 2014*



*Estimated full-year ad revenue for companies with local sales forces.

Excluded are Facebook, with \$5.3 billion in 2014 U.S. ad revenue, and Google, with \$26.7 billion.

*CareerBuilder revenues also included in Gannett

Sources: SEC documents; company statements; Borrell Associates estimates. Oct. 2014.

BUT . . .

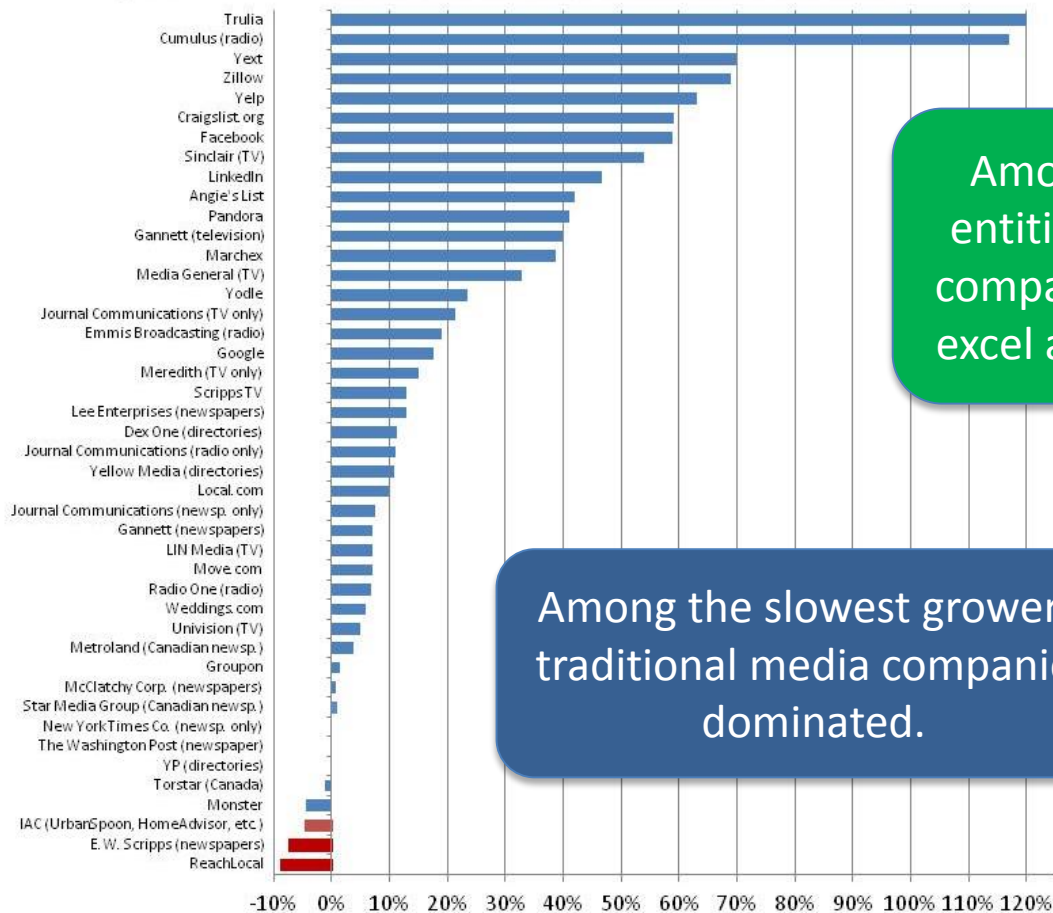
Size Can Be Deceiving





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Estimated Digital Advertising Growth Rates, 2014



Among the high-growth entities, traditional media companies were as likely to excel as Internet pureplays.

Among the slowest growers, traditional media companies dominated.



Of 37 Companies. . .

Avg. Digital Growth Rate

Traditional Media Cos: **4.9%**

Pureplay Digital Cos.: **23.4%**

Avg. Digital Revenue Added

Traditional Media Cos: **\$11 million**

Pureplay Digital Cos.: **\$121 million**

*19 pureplay companies, 18 traditional media companies

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What Happens Next

*The successor companies
will serve the new
marketing needs of old
media's customers.*

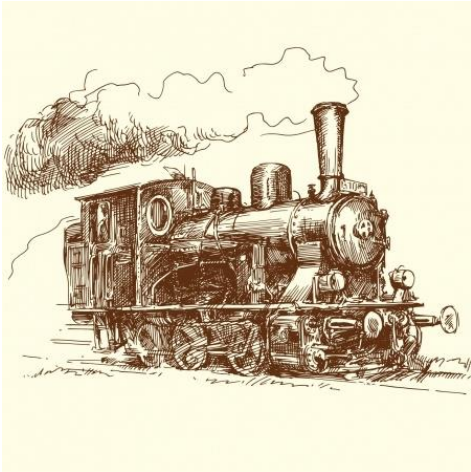
- **Yellow Pages** books disappear altogether
- **Daily newspapers** become weekly magazines
- Local **broadcast TV** enters death spiral in 2017
- Half of all **radio stations** disappear by 2025
- Nearly all viewing, reading and listening content is **digital**



A Brief History of Scoffing



Trains Will Kill People



“Rail travel at high speed is not possible because passengers, unable to breathe, would die of asphyxia.”

Dr. Dionysys Larder
1793-1859



Telephones Will Never Catch On



This 'telephone' has too many shortcomings to be seriously considered as a means of communication.

**Western Union Internal Memo
1876**

Radio Will Never Catch On



The wireless music box has no imaginable commercial value. Who would pay for a message sent to nobody in particular?

**David Sarnoff's associates
responding to his investment request
1920**



TV Won't Compete with Radio



“TV will never be a serious competitor for radio because people must sit and keep their eyes glued on a screen; the average American family hasn't time for it.”

The New York Times,
1939



PCs Will Never Beat Newspapers



“On the whole, people don't want to lug a computer with them to the beach or on a train to while away hours they would rather spend reading the sports or business section of the newspaper.”

Erik Sandberg-Diment
The New York Times,
1985



Newspapers Will Never Die

“What we are seeing completely contradicts the conventional wisdom that newspapers are in terminal decline. The fashion of predicting the death of newspapers ... (is) belied by the facts.”

*--Timothy Balding
Chairman, World Association of Newspapers
February 2007*



Digital Can't Hurt Magazines

"We are no longer threatened by digital media."

*--Jack Kliger
Chairman, Magazine Publishers Association
Spring 2007*



A Sign TV is Next?

Digital traffic “speeds by, it sees very little, it pays almost no attention, it doesn’t really care where it is. It is, finally, worth very little.”

--Michael Wolff

Media Analyst & Author of “Television is the New Television”

September 2015 TVB Conference



A Sign TV is Next?

It is interesting, refreshing, and totally unexpected that the dinosaurs are going to continue to roam the Earth and rule.”

--Michael Wolff

Media Analyst & Author of “Television is the New Television”

September 2015 TVB Conference

History Repeats Itself



“Ten years ago newspaper publishers and editors ridiculed **radio** with broad grins. It was a plaything, quite outside the purview of an industry (that had become) a Big Business. That this short-sighted attitude persisted, even after the dissemination of news by **broadcasting** began, was surprising.”

Silas Bent, media critic

1928

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Base: Victoria, Texas
Ownership: Family
Media: 1 Newspaper
Innovation: Digital agency

From Here. For Here. Since 1846. —
VICTORIA ADVOCATE
— VictoriaAdvocate.com





Base: Metairie, La.
Ownership: Private
Media: Directories/1.5mm circ.
Innovation: Telco, Cable, IT, Mktg.





Base: Levittown, Pa.
Ownership: Family
Media: 6 Newspapers, 3 TV
Innovation: OTT Channels





Base: Dallas, Texas
Ownership: Family
Media: Newspapers
Innovation: Marketing Svcs.

The Dallas Morning News





townsquare

IS A DIVERSIFIED MEDIA, ENTERTAINMENT
AND DIGITAL MARKETING SERVICES
COMPANY THAT OWNS AND
OPERATES MARKET LEADING RADIO,
DIGITAL AND LIVE EVENT
PROPERTIES ACROSS THE US

Base: Greenwich, CT
Ownership: Public
Media: Radio
Innovation: Events, Dig. Mktg.

Our analysis led us to the local advertising and entertainment marketplaces. We felt these marketplaces exhibited stability, untapped growth potential and an enormous opportunity often overlooked by larger media and digital companies who generally focus on national advertising and content opportunities. We came to an unconventional conclusion about attacking this opportunity: that of all forms of media – television, print, radio or digital – it was small and mid-sized market radio assets that were best positioned to reimagine their product offerings, brands and sales forces to increase share within the local advertising and entertainment ecosystems.



Base: Dubuque, IA
Ownership: ESOP
Media: Newspapers, Radio
Innovation: Vertical mktg. co.



WOODWARD **COMMUNICATIONS**
INCORPORATED





Base: Millville, N.J.
Ownership: Private
Media: Newspaper, TV, radio, digital
Innovation: All from scratch

AM Radio Station

Local Access TV Channel

Weekly Newspaper

Digital-Centric Ad Agency



An 'Agency' Isn't So Different Than A Newspaper

"The huge thing for our industry is, actually, what we have been great at for the last 50 years . . . is developing and delivering entertaining, engaging short-form content."

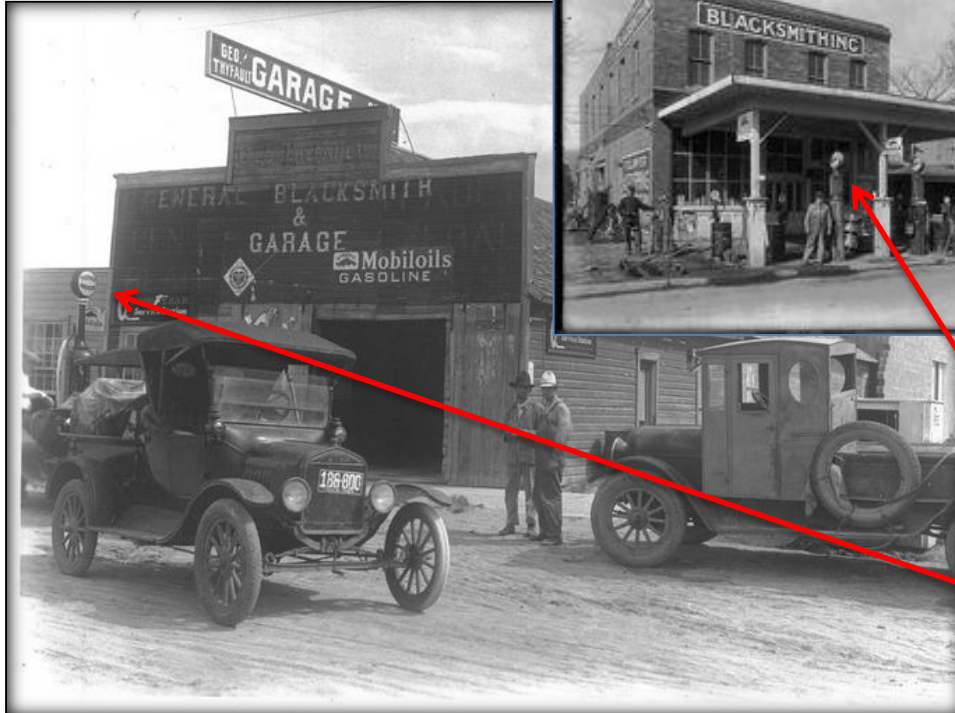
*--David Jones
CEO, Euro RSCG*



Transformational Characteristics

- Consider **incremental** AND **radical** change
- Use **new people** to leverage assets
- Maintain a **startup** mentality
- Have a vision that includes a **superlative**

A 100-Year-Old Lesson



*When blacksmiths
saw declining
horseshoe and wagon
wheel repairs, they
converted their
shops to automobile
service stations.*

Gas Pumps



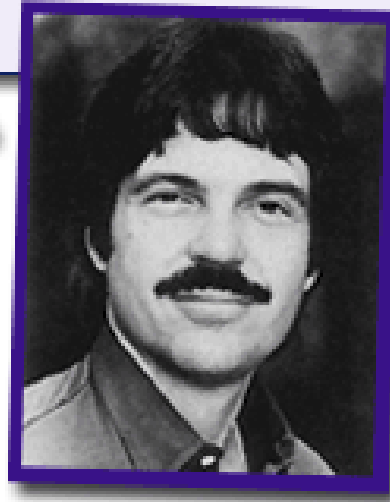
They determined that their business wasn't shoeing horses and fixing wagons, but servicing the transportation needs of travelers.

... and their businesses stopped shrinking.



“The best way to predict the future is to invent it.”

Alan Kay
Computing Pioneer





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Thank You!

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