Who Will Survive?

The Local Media Company of the Future
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

Emergence Dates

- Radio: 1920 (28 yrs.)
- 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)

Sources: Yankelocich (5,000); BBDO (285)
Ad Spending As Share of Gross Receipts

2004
Small: 0.98%
Med.: 1.00%
Large: 1.32%

2014
Small: 0.94%
Med.: 0.88%
Large: 1.05%

-$56 billion

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.
Local ‘Marketing’ Spending Takes Over

In 2014, businesses spent 73% more on promotions than they did in 2005.
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
## Example: Myrtle Beach Advertising

$ in 000s

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

**Total $188,992,300**
Myrtle Beach Digital Services

$ Millions

- Web Hosting: $326.4
- Web Design/Maintenance: $233.3
- Online Consulting Research: $101.4
- Email Management: $75.9
- SEO: $75.7
- Online Agency/Exchange Fees: $57.2
- Online Video Production: $29.7
- App Development: $22.4
- Online Ad Design: $17.3
- Online Contest/Game Dev: $8.2
- Social Media Mgmt: $5.8
- Listings Claiming: $5.0
- Reputation Mgmt: $4.5
- Opt-in List Mgmt: $3.7
- Site Visitor Analytics: $2.2
- Blog Management: $1.4
- Email List Purchasing: $0.7
- Digital Press Release Distribution: $0.5

$971 MILLION!

Where most *media* companies feel comfortable working. Less than ¼ of the revenue is here.

Source: Borrell
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➢ The Possibilities: Radical times call for . . .
SMBs’ Anticipated Budget Change

Largest Anticipated Increases

- Online/Digital
- Mobile
- Direct Mail
- Radio
- Outdoor
- TV Stations
- Cable
- Local Newspapers
- Magazines
- Cinema
- Directories

Largest Declines

N = 4,683 responses
More Dropping Out Than in 2010

Expecting Not To Buy

2010: N = 3,520 responses
2015: N = 4,683 responses

Source: Borrell Q4 2010 & Q1-2 2015 SMB Surveys
The Media Food Chain, 2015

Share of Budget

% of SMB Population That Buys

N = 4,393 responses

Strongest

Weakest

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The Media Food Chain, 2016

Share of Budget vs % of SMB Population That Buys

Weakest
Supportive Niche
Ubiquity
Strongest

N = 4,393 responses
What Drives New Business

- Referrals from other customers: 65%
- Company website: 59%
- Referrals from friends and family: 55%
- Social media: 38%
- Events: 36%
- Professional referrals: 33%
- Print newspaper ads: 32%
- Email marketing: 23%
- Direct mail: 21%
- Online ads: 17%
- Other print media ads: 17%
- Radio ads: 16%
- Industry organizations: 13%
- TV ads: 11%
- Yellow Pages: 11%
- Outdoor/Billboard: 10%
- Mobile campaigns: 4%

Source: Borrell Q1 2015 SMB Survey; N = 2,990
What Drives New Business

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

Source: Borrell Q1 2015 SMB Survey; N = 2,990
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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

Giant Penguins Discovered
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

- **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**

The successor companies will serve the new marketing needs of old media’s customers.
A Brief History of Scoffing
“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 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
“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
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
“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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- **The Possibilities:** Radical times call for ...
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
The Dallas Morning News

Base: Dallas, Texas
Ownership: Family
Media: Newspapers
Innovation: Marketing Svcs.
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.
Base: Millville, N.J.
Ownership: Private
Media: Newsp, 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.
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
Thank You!

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