



BORRELL

Tomorrow's Media, Understood Today

2017 & Beyond In Local Marketing Spend

*Presentation for Mega-Conference
February 24, 2017*

- 1. ADVERTISING**
- 2. ADVERTISERS**
- 3. LESSONS LEARNED**
- 4. THE WAY FORWARD**



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Newsday



GANNETT
It's all within reach.



Tomorrow's Media, Understood Today

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comcast.

El Clasificado



dex media

1. ADVERTISING

LET'S

CUT

TO

THE

CHASE

3

2017 Forecast Highlights

Total local ad growth



But not all media is the same....

2017 Forecast Highlights

Local Non-Digital Declines



After gaining 1.9% this year

Local Digital Increases



*After gaining 37.1% this year
And 44.2% the year before that...*



2017 Local Advertising Forecast

\$ in millions

	2016	2017	Change	%
Digital	\$ 65,971.08	\$ 80,722.08	\$ 14,751.00	22.4%
Newspapers	\$ 13,567.81	\$ 12,305.75	\$ (1,262.06)	-9.3%
Broadcast TV	\$ 12,050.00	\$ 10,040.00	\$ (2,010.00)	-16.7%
Cable	\$ 3,819.32	\$ 3,717.50	\$ (101.82)	-2.7%
Radio	\$ 10,036.21	\$ 9,911.00	\$ (125.21)	-1.2%
OOH	\$ 4,738.85	\$ 4,840.86	\$ 102.02	2.2%
Direct Mail	\$ 7,096.66	\$ 6,709.04	\$ (387.62)	-5.5%
Directories	\$ 6,152.51	\$ 5,732.00	\$ (420.51)	-6.8%
Other Print	\$ 7,064.99	\$ 6,470.40	\$ (594.59)	-8.4%

Removing political advertising from 2016's numbers, TV and radio spending in 2017 will be roughly the same as last year.



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NOTE: this is PRINT only – not digital.

Some markets will do better, some will do worse.

1. ADVERTISING

NOW

WAIT

A

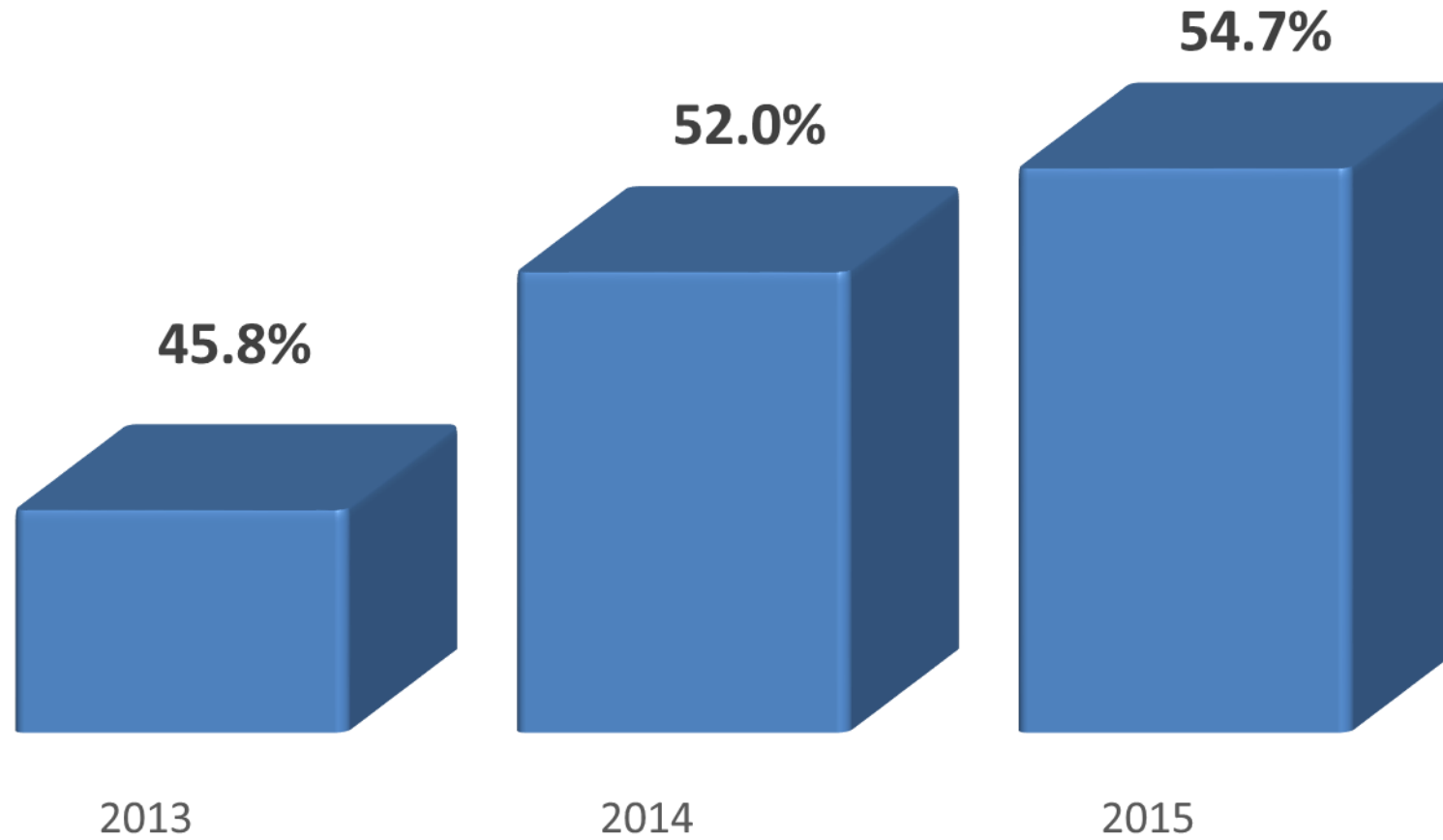
MINUTE.....

\$12B?

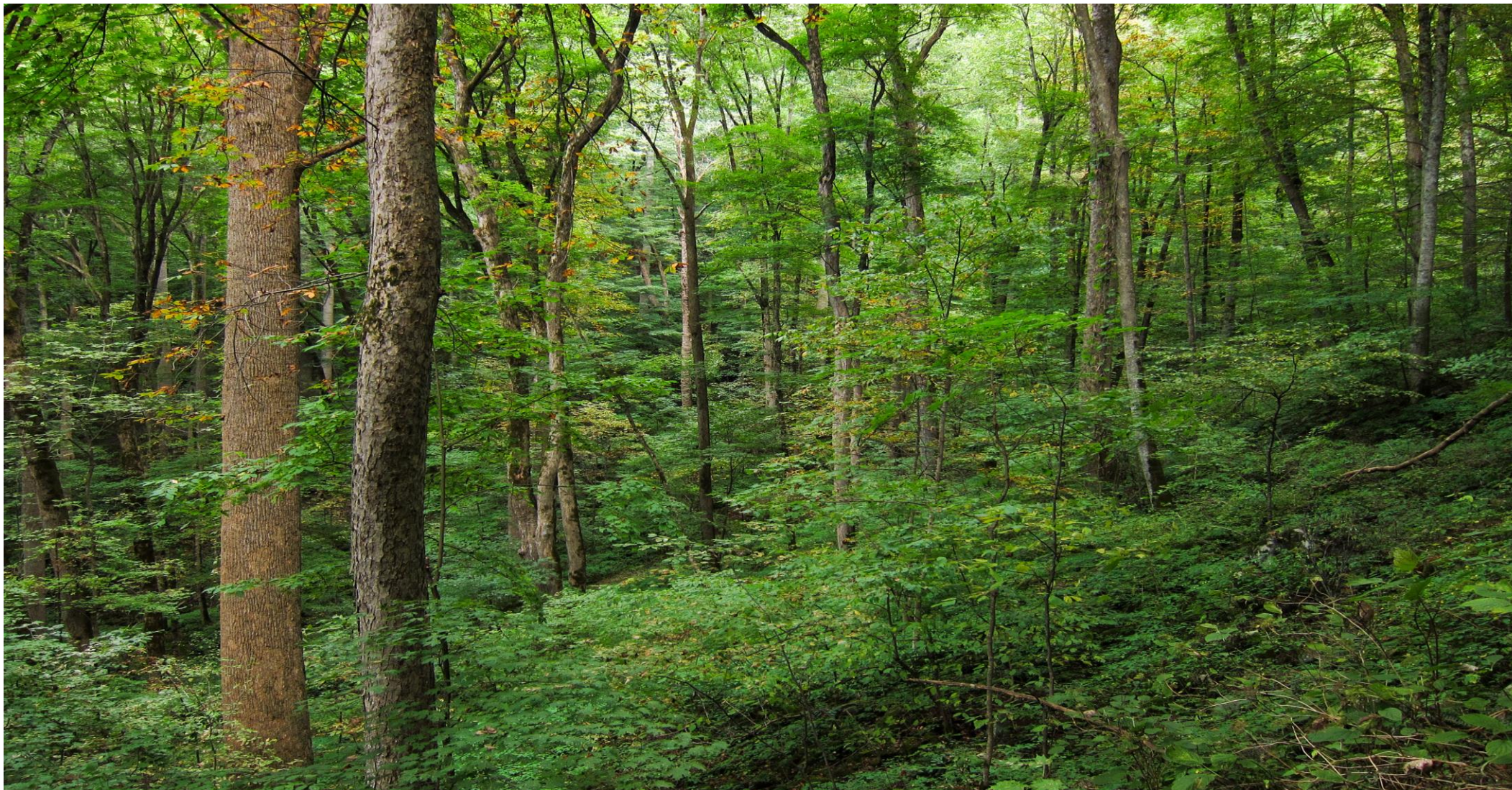
\$80B?

More than half of Top 200 advertising goes unmeasured

Top 200 National Advertisers % of “Unmeasured Media”

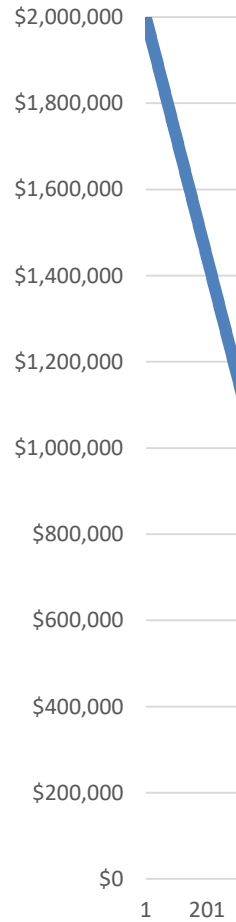








The looooooong tail of local advertising



1. ADVERTISING

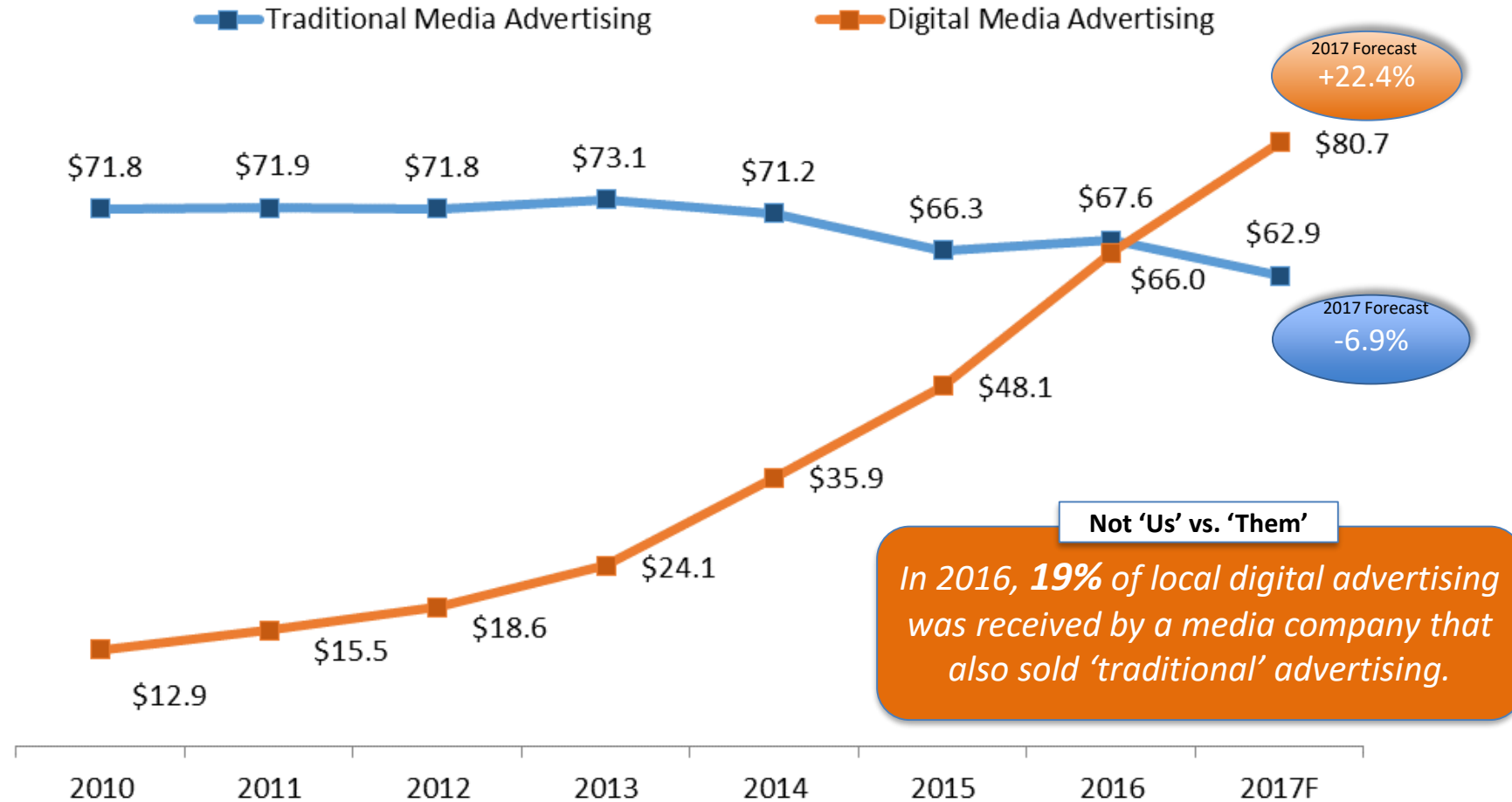
NOW

BACK

TO

IT

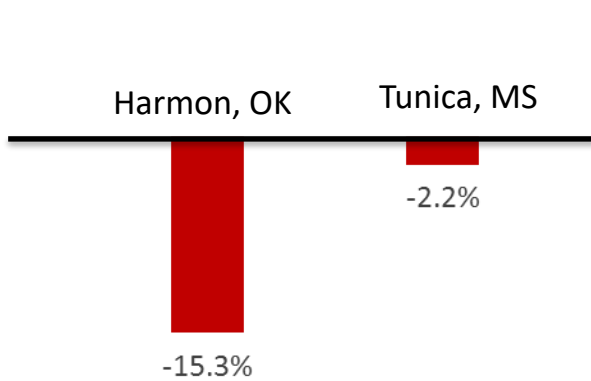
Lines Cross in 2017



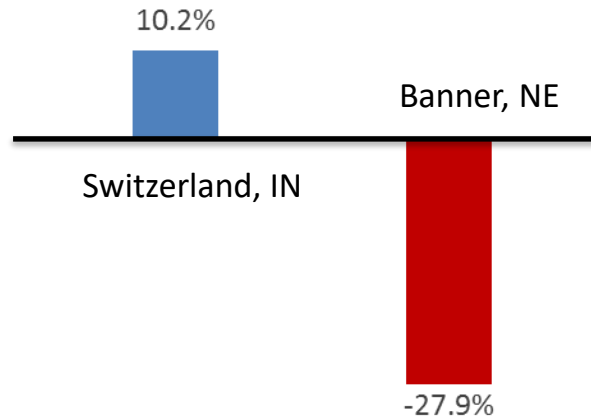
Differences in ad spending can be seen on a local level

2016 - 2017

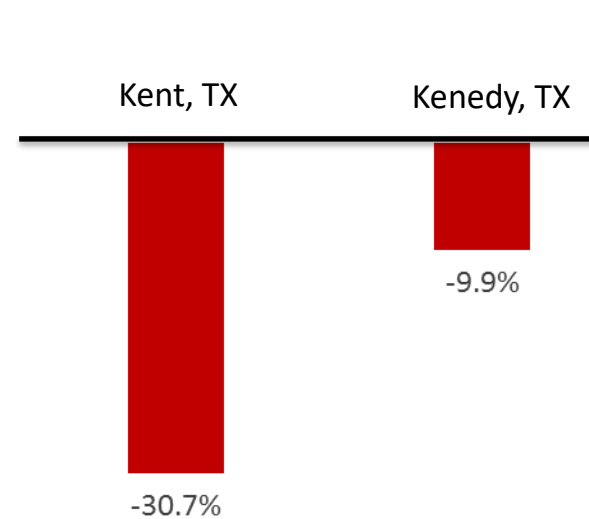
Newspapers - Local



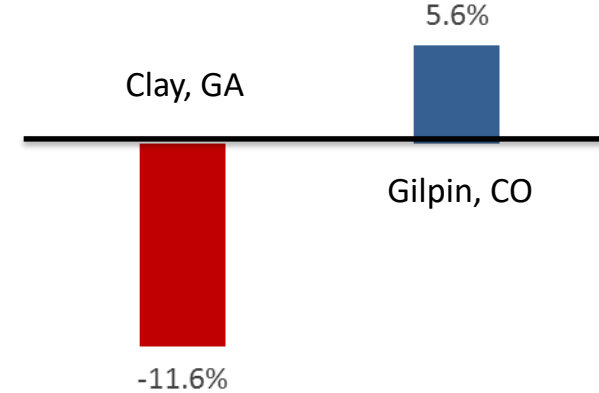
Outdoor - Local



Spot TV - Local



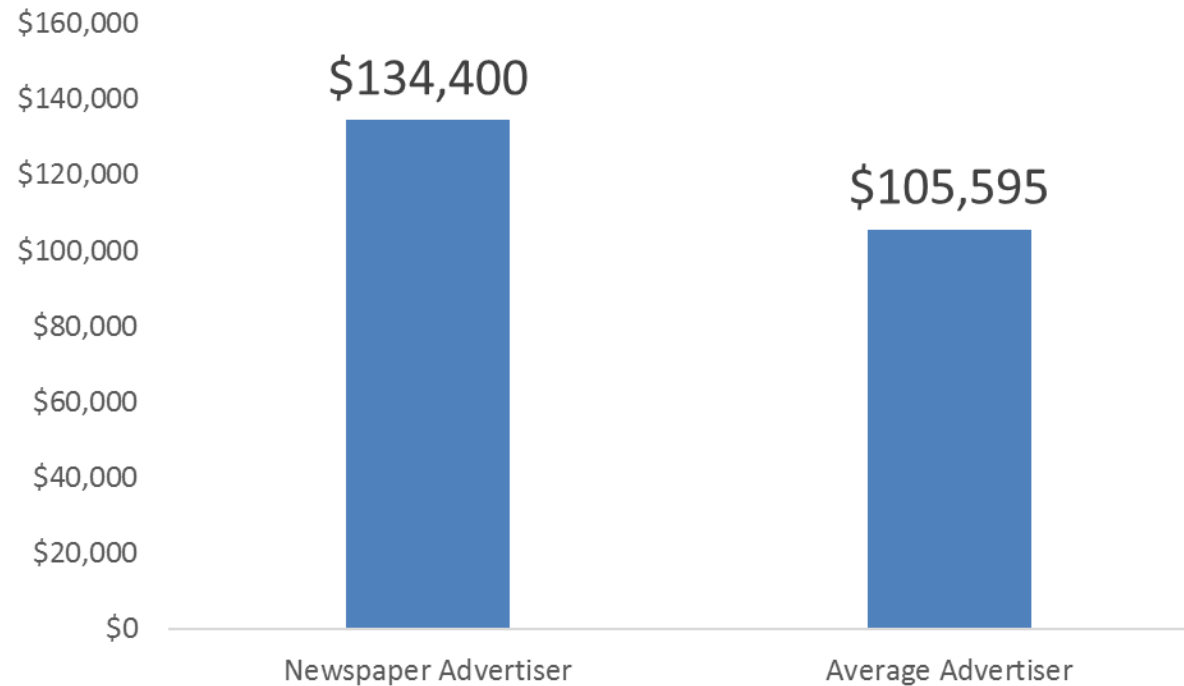
Radio - Local





Today's Newspaper Advertisers' Budget

*Newspaper advertisers spend, on average, **\$134,400** annually on advertising – 27% more than the average local advertiser.*



Source: Borrell's 2016 Local Advertiser Survey; N = 4,068 Newspaper advertisers and 7,564 "all local advertisers"

SMBs have made the turn

TYPES OF ADVERTISING METHODS

TRADITIONAL / NON-DIGITAL	DIGITAL
<ul style="list-style-type: none">• Magazines• Radio• Static billboards / signs• Telemarketing• Direct Mail	<ul style="list-style-type: none">• Google• Websites• Internet radio• Digital billboards/signs• Mobile
<ul style="list-style-type: none">• Newspapers• Cable/Broadcast TV• Events• Door-to-door• Yellow Pages	<ul style="list-style-type: none">• Email• Social Media• Internet TV

Q. About what % of your business' 2016 advertising spend goes to each category?

AVERAGE 2016 AD SPEND

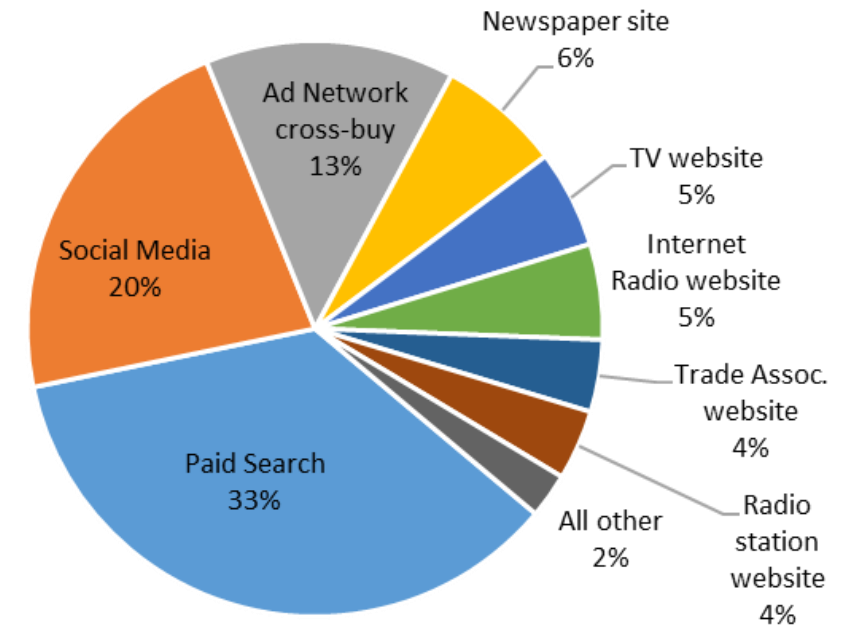
SOURCE: Borrell Local Advertiser Panel

How Much Do Local Advertisers Spend on Digital?

What the Average Print & Broadcast Advertisers Spend

Digital Spending Category	Those Who Buy TV	Those Who Buy Radio	Those Who Buy Newspapers
Search engine listings (paid search)	\$ 21,003	\$ 16,429	\$ 9,956
Social media websites	\$ 14,974	\$ 11,408	\$ 3,025
Ad network cross-site buy	\$ 8,585	\$ 6,060	\$ 3,992
Local newspaper website	\$ 3,026	\$ 3,139	\$ 3,025
TV website	\$ 3,995	\$ 2,096	\$ 1,198
Internet radio website	\$ 3,131	\$ 2,482	\$ 1,526
Trade/industry association websites	\$ 1,724	\$ 1,927	\$ 1,737
Radio station website	\$ 2,027	\$ 2,164	\$ 1,044
Cable TV website	\$ 1,659	\$ 1,237	\$ 758
Business directory listing site	\$ 1,475	\$ 976	\$ 744
City or lifestyle magazine website	\$ 748	\$ 955	\$ 799
Other (directory site, daily deals, etc.)	\$ 1,850	\$ 1,690	\$ 1,030
Total Digital Adv.	\$ 64,198	\$ 50,563	\$ 28,835

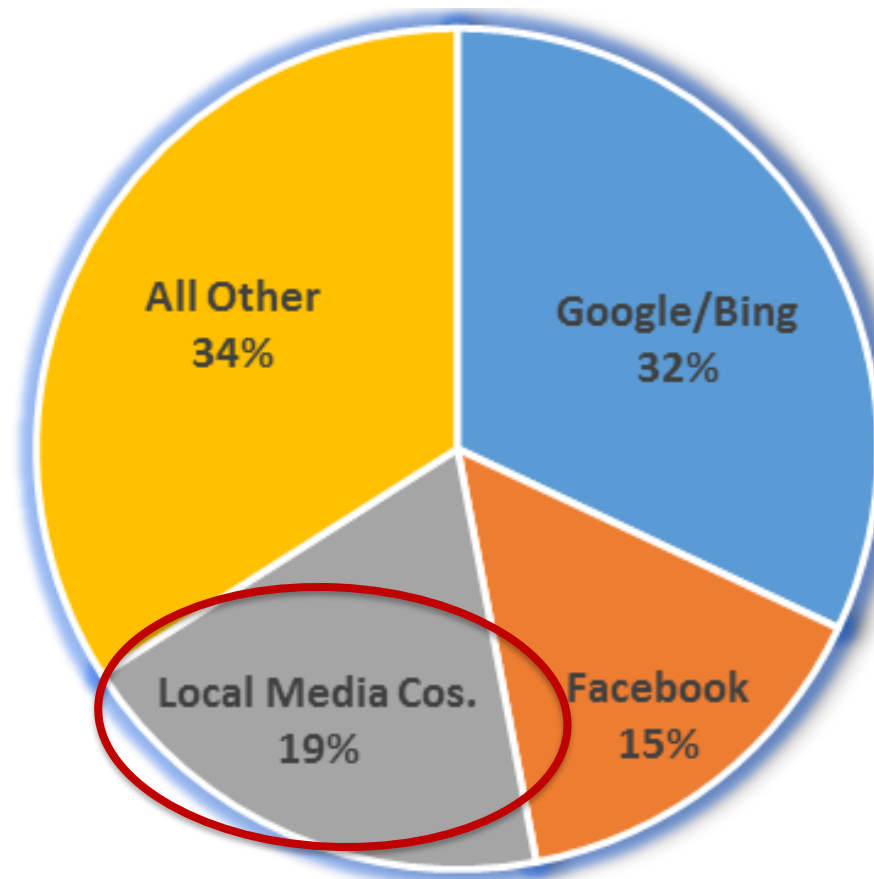
How the Average Local Media Advertiser Allocates Digital Dollars



Source: Borrell's 2016 Local Advertiser Survey; N = 1,589 TV advertisers; 2,667 radio advertisers; 4,068 newspaper advertisers.

Who Got What?

How \$66B in Local Digital Advertising Was Shared



Source: Borrell Associates



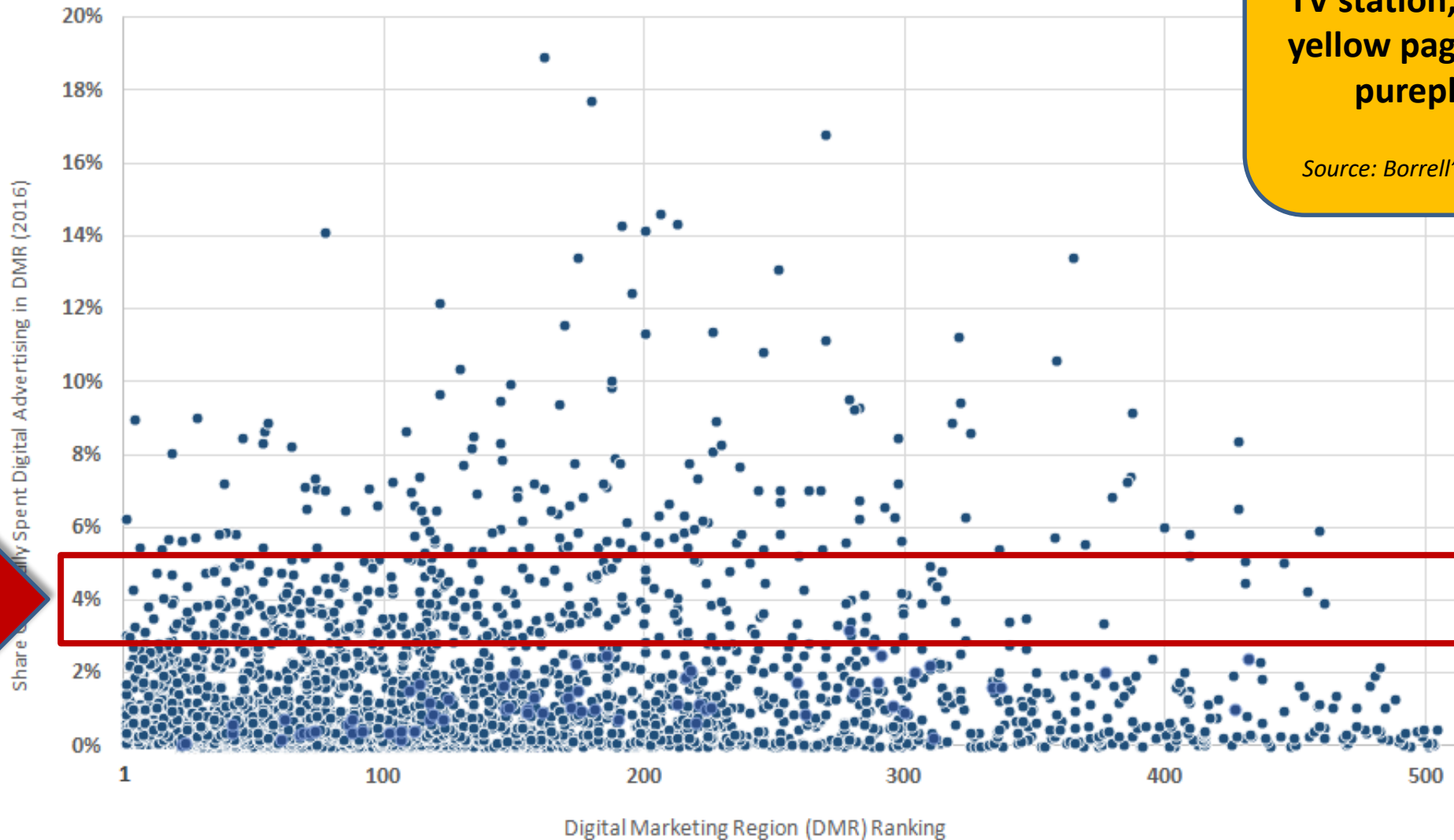
2016 Local Digital Advertising

DMR	Google / Bing	Facebook	Local Media Companies	All Other	TOTAL
Albuquerque, NM	\$60.47	\$28.32	\$35.92	\$64.24	\$188.96
Altoona, PA	\$11.36	\$5.32	\$6.75	\$12.07	\$35.50
Augusta, GA	\$30.45	\$14.37	\$18.03	\$32.40	\$95.24
Billings, MO	\$13.80	\$6.50	\$8.20	\$14.60	\$43.00
Cedar Rapids, IA	\$44.61	\$20.90	\$26.50	\$47.40	\$139.41
Goldsboro, NC	\$5.20	\$2.43	\$3.09	\$5.52	\$16.23
Lakeland-Winter Haven, FL	\$29.65	\$13.99	\$17.55	\$31.54	\$92.73
Lincoln, NE	\$28.53	\$13.38	\$16.94	\$30.32	\$89.17
Madison, WI	\$86.78	\$40.74	\$51.33	\$92.08	\$270.93
Nampa, ID	\$10.61	\$4.97	\$6.29	\$11.26	\$33.14
Richmond, VA	\$101.82	\$48.06	\$60.27	\$108.33	\$318.48
Shreveport, LA	\$31.30	\$14.70	\$18.60	\$33.30	\$97.80

Market Share for ALL Media

Each of the 4,355 dots represents a newspaper, TV station, radio cluster, yellow pages or Internet pureplay entity.

Source: Borrell's revenue database

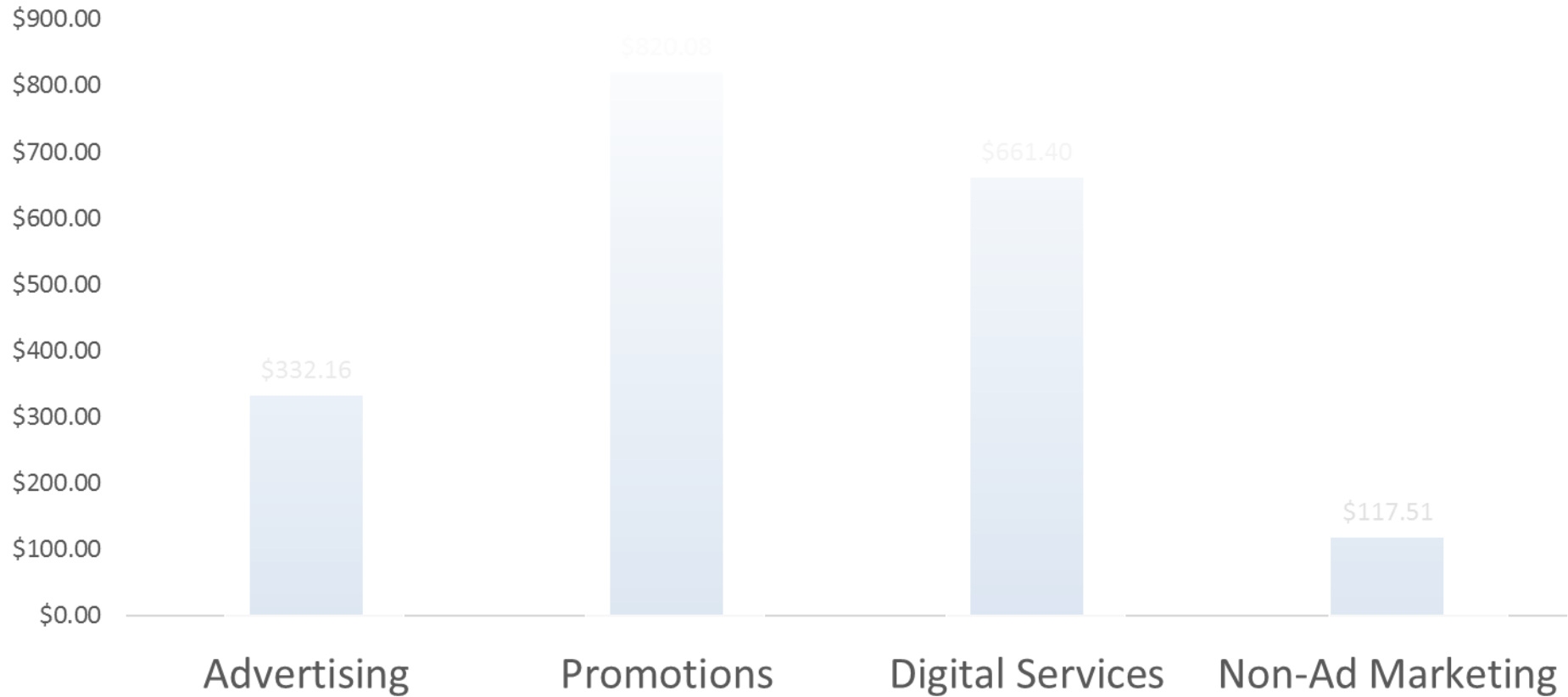


Average
Achievable
Share

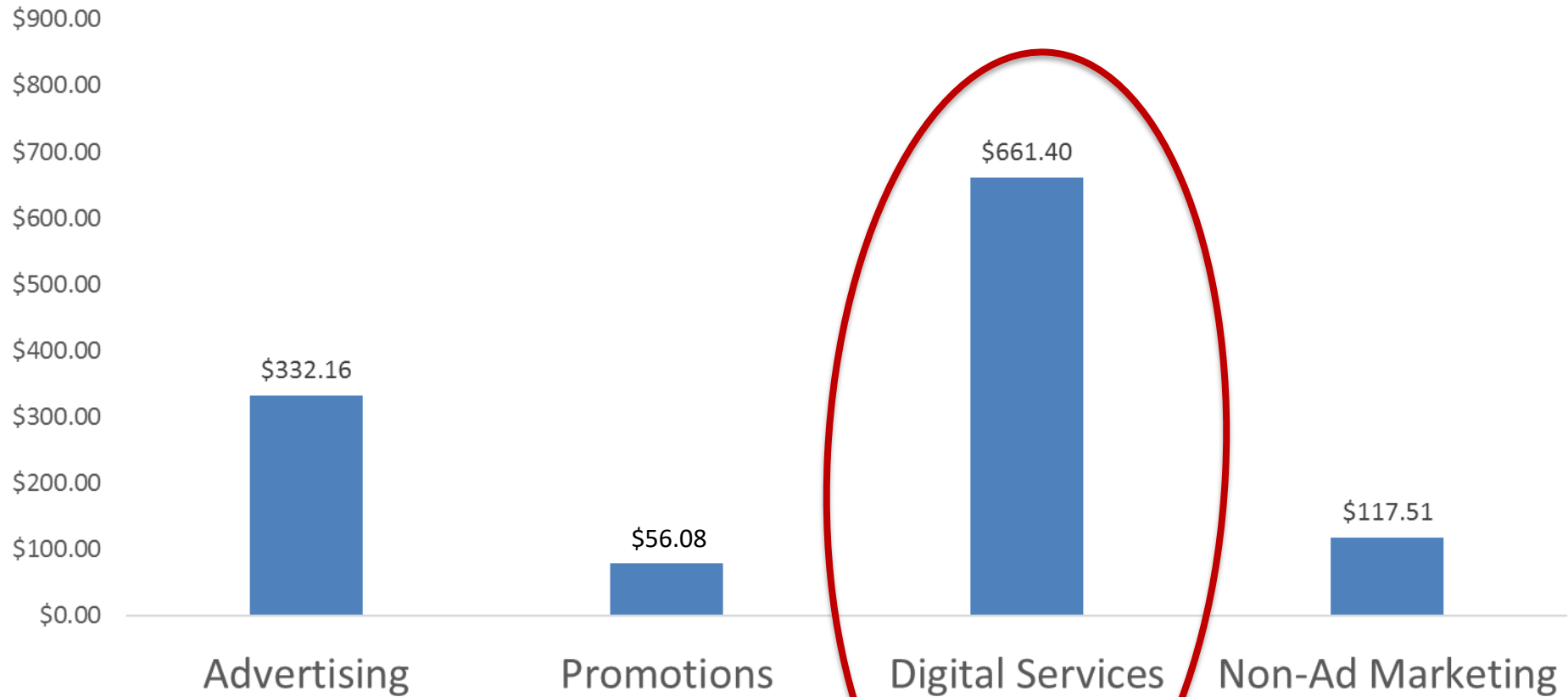
1. ADVERTISING

IS THAT
ALL THERE
IS?

4 way division of spend



4 way division of spend



2. ADVERTISERS



WHAT IS BORRELL'S SECRET TO UNDERSTANDING THE LOCAL ADVERTISER LANDSCAPE?



WHAT IS BORRELL'S SECRET TO UNDERSTANDING THE LOCAL ADVERTISER LANDSCAPE?

THE LOCAL ADVERTISER



Our 2016 Survey & Panel

SURVEY

PANEL

We've also compiled 27 other sub-category reports



REPORT TITLE (# of respondents)

- Those Buying Local Programmatic (1,258)
- Yellow Pages Advertisers (2,073)
- Local Radio Advertisers (2,677)
- Local Real Estate Advertisers (290)
- Auto Dealers (140)
- Local Ad Agencies (351)
- Local Retailers (1,223)
- Buyers of Social Media Ads (1,349)
- Buyers of Streaming Video Ads (1,494)
- Social Media Enthusiasts (3,579)
- Those Planning to Re-Do Website (1,986)
- TV Advertisers (1,589)
- Cable Advertisers (1,409)
- Cinema Advertisers (310)
- Direct Mail Advertisers (2,720)
- Restaurants & Bars (224)
- Local Franchises (500)
- Healthcare Businesses (342)
- Those Planning to Increase Spending (1,066)
- Inclined to Buy Digital Ads (4,628)
- Local Magazine Advertisers (2,455)
- Mobile Advertising Buyers (1,261)
- Local Newspaper Advertisers (4,068)
- Local Nonprofits (1,273)
- Outdoor Advertisers (1,328)
- The Million-Dollar Club* (2,866)
- Tiny Local Businesses* (3,579)

*Million-Dollar Club: Businesses with > \$1 million in annual revenue

* Tiny Local Advertisers: Those with < 10 employees

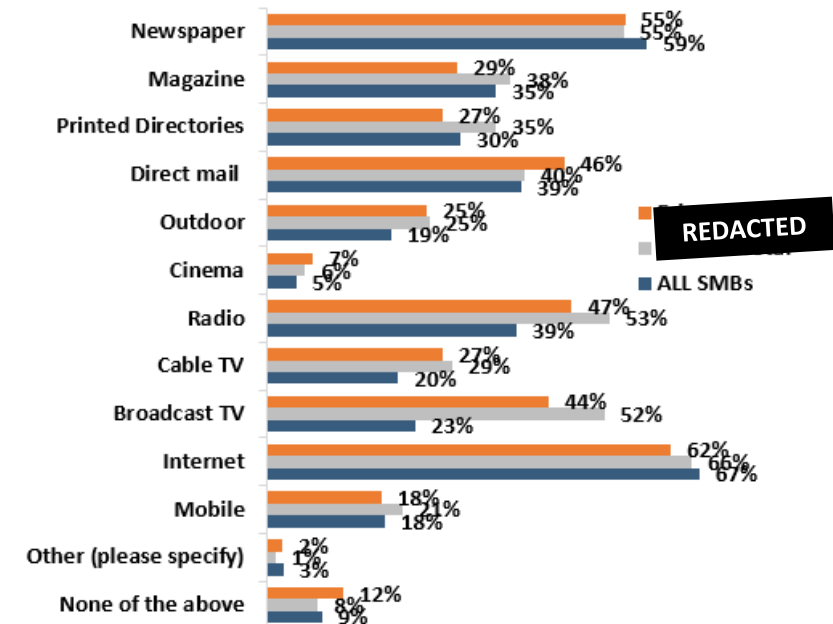
Available on our website

Compare/contrast markets

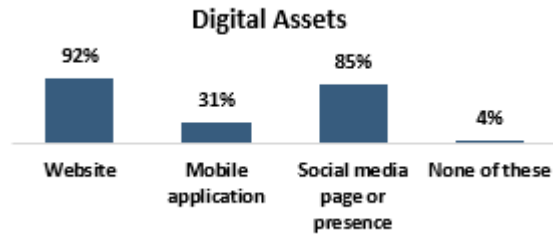
PLY2. Which of the following types of advertising/marketing did you purchase last year (2015)?

	Total Count			Percent of Total		
	REDACTED	REDACTED	ALL SMBs	REDACTED	REDACTED	ALL SMBs
Newspaper	47	349	4069	55%	55%	59%
Magazine	25	238	2456	29%	38%	35%
Printed Directories	23	224	2073	27%	35%	30%
Direct mail	39	252	2720	46%	40%	39%
Outdoor	21	159	1329	25%	25%	19%
Cinema	6	37	311	7%	6%	5%
Radio	40	335	2669	47%	53%	39%
Cable TV	23	181	1410	27%	29%	20%
Broadcast TV	37	330	1590	44%	52%	23%
Internet	53	415	4631	62%	66%	67%
Mobile	15	132	1262	18%	21%	18%
Other (please specify)	2	8	174	2%	1%	3%
None of the above	10	50	589	12%	8%	9%

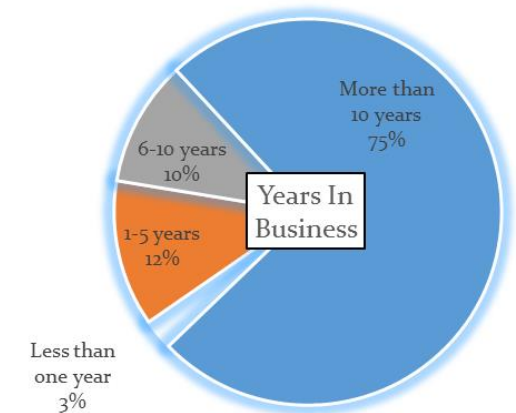
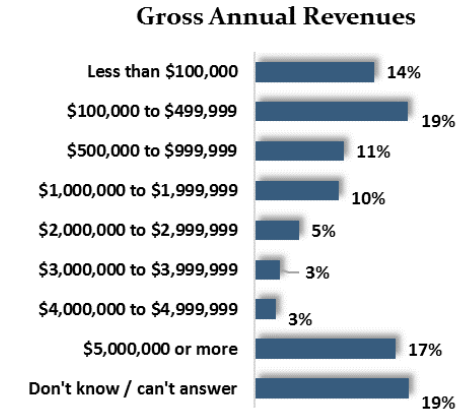
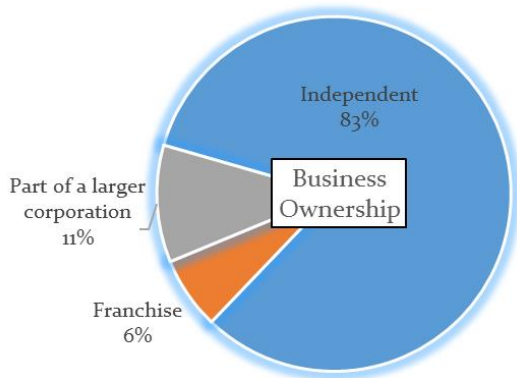
Advertising Types Bought 2015



Survey participants



67% have 5 or more employees
 83% are independent
 54% have one location (non-home)
 18% in retail trade
 12% in professional services
 11% in healthcare
 9% in arts/entertainment
 9% in other services
 6% in construction





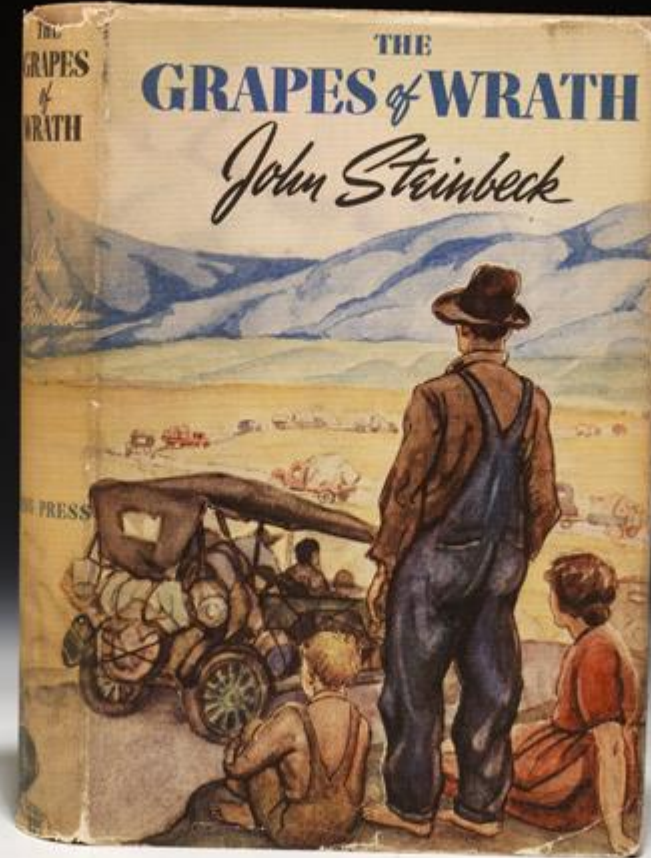
2. ADVERTISERS

NOT SURE WE SHOULD
CALL THEM
“ADVERTISERS”
ANYMORE

3. LESSONS LEARNED

WHAT
TO
EXPECT
IN 2017

Open Ended Answers



9% more words
than *The
Grapes of
Wrath!!*

#1

**Advertisers will cut
'weaker' media
to fund digital.**

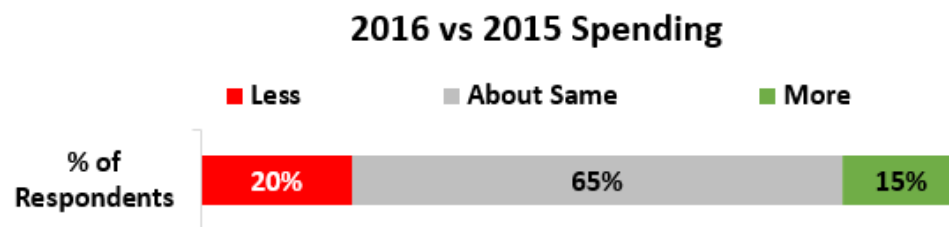
Newspaper ads have continued to lose ground, so we get less bang for our buck. Social Media is very strong, as well as SEO services for our website.

We use Google Analytics regularly to gauge our business.

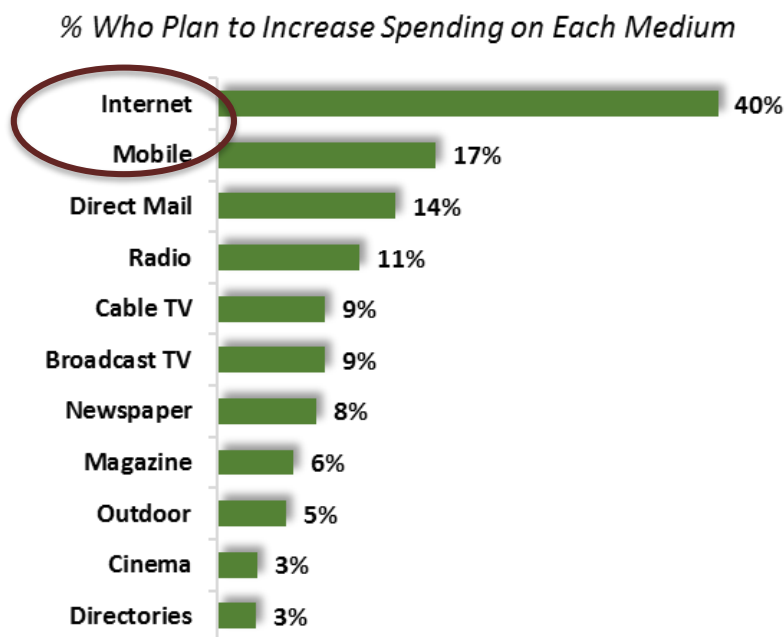
Pretty much on-line is where it's at, but the effectiveness changes, so you have to stay engaged in order to see what is working or changing all of the time.

RE Broker,
\$5 million revenue

They are investing in digital and mobile



15% plan to spend more on overall advertising.



But **40%** plan to increase their digital budgets.

Source: Full SMB survey, Q2-3 2016; N = 7,564 responses

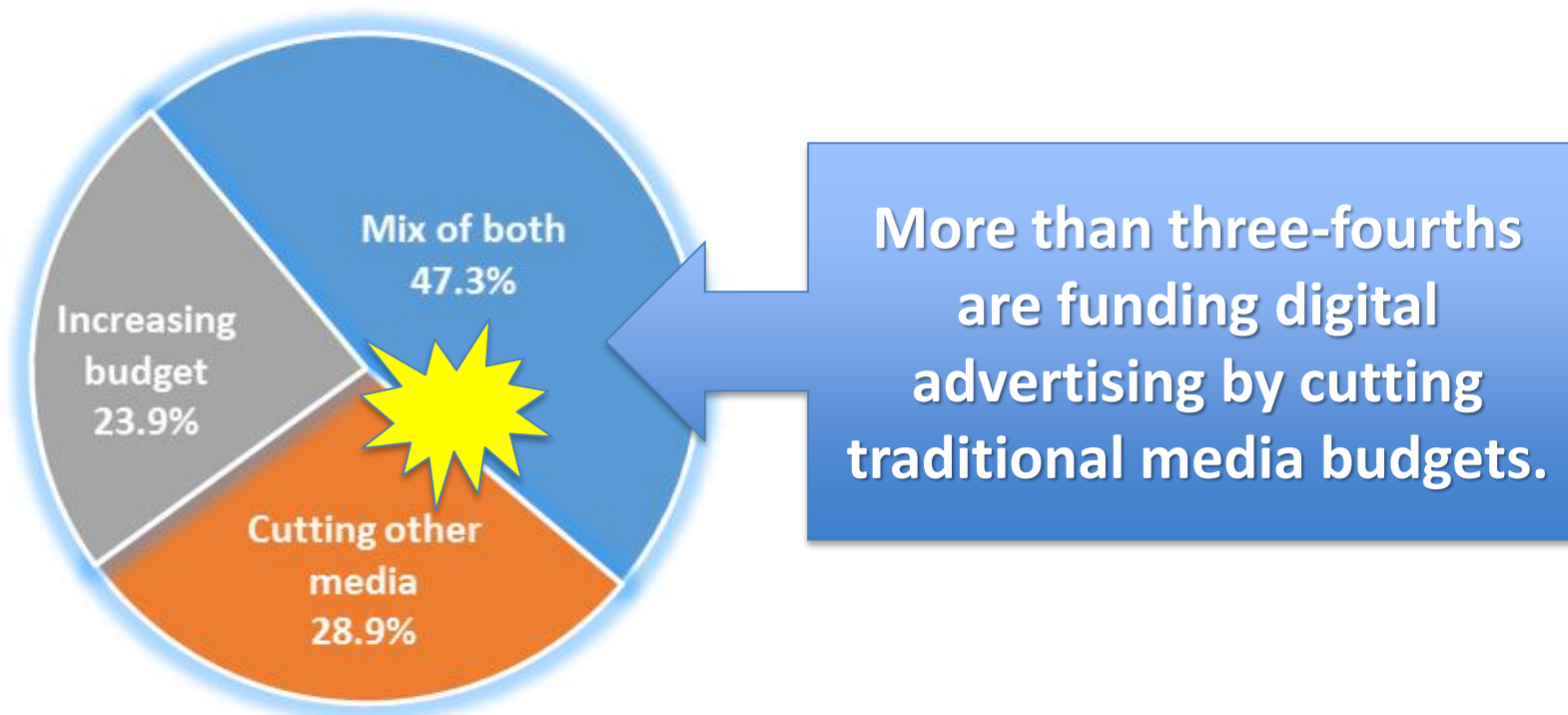
If More Plan to Increase Digital Budgets than Overall Ad Budgets...

Where are they
getting that
MONEY?



Traditional Media In the Crosshairs

*Q: What best describes the source of funds
for your increased digital spending?**

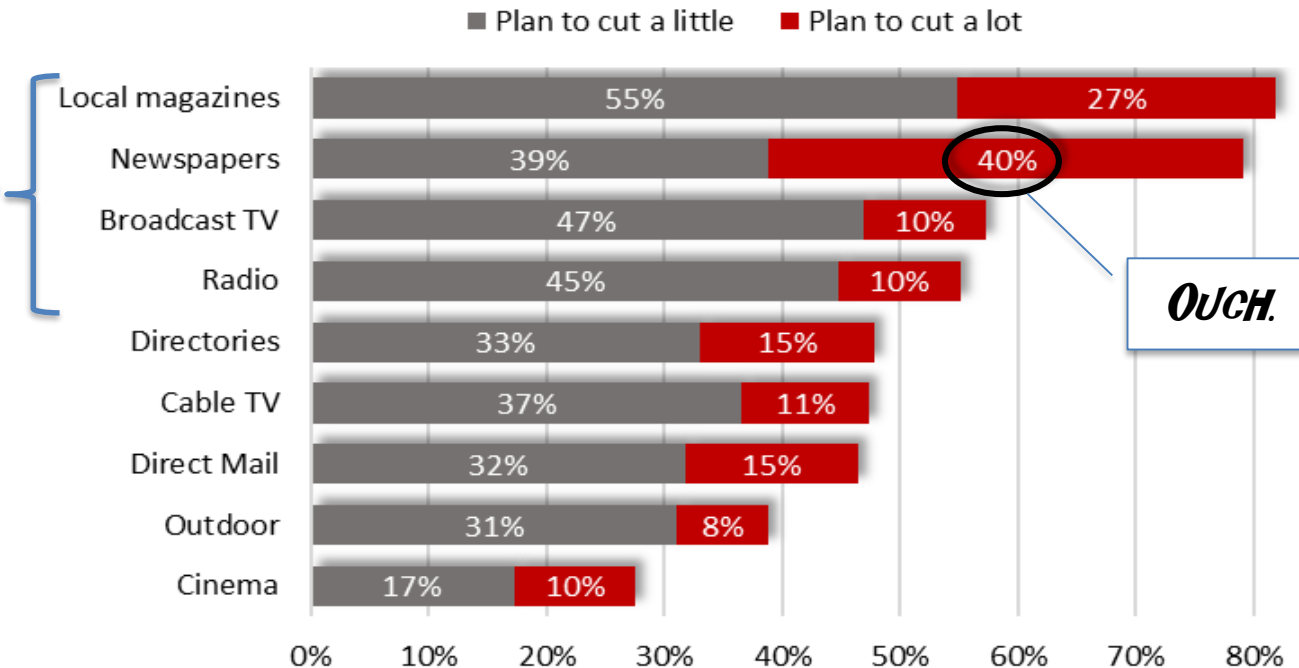


**Asked of those who said they planned to increase digital media spending over the next 12 months.
Source: Borrell Local Advertiser Panel; August 2016; N = 260 responses*

Who Will Suffer Most?

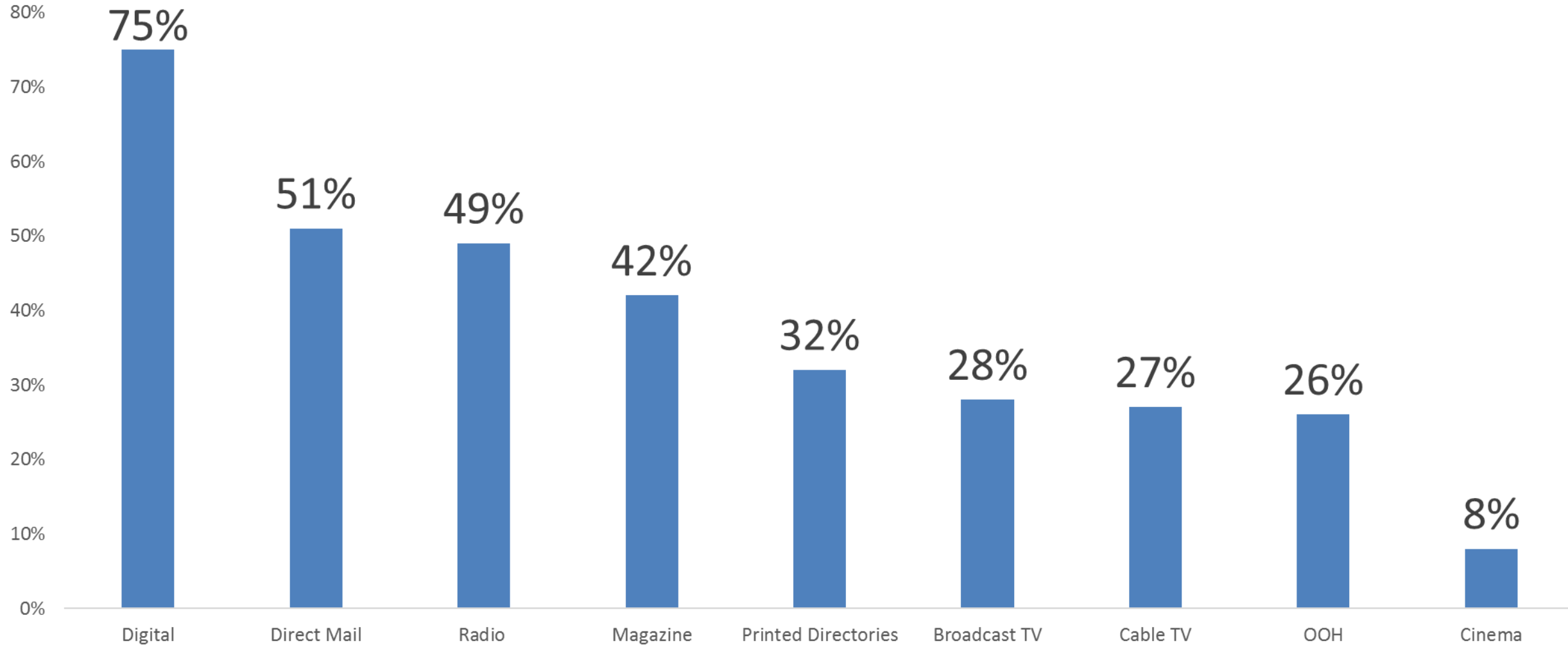
Digital is causing the greatest customer erosion in magazines, newspapers, TV, and radio.

Q: You mentioned that you are cutting traditional media to fund increases in digital spending. Which media are you cutting and by how much?



Source: Borrell SMB Panel, August 2016; Results from only those who currently spend in each medium; N = 198

What Else Newspaper Advertisers Buy



What's Spent in Your Markets

2016 Local Digital Advertising Expenditures

Market	Total
Austin	\$ 365.53
Bakersfield	\$ 150.82
Bay City	\$ 39.04
Billings	\$ 43.03
Cincinnati	\$ 390.08
Colorado Springs	\$ 188.61
Columbus, Ga.	\$ 66.44
Dallas	\$ 1,355.51
Hartford	\$ 308.83
Helena/Great Falls	\$ 39.69
Indianapolis	\$ 457.91
Kansas City	\$ 630.29

Market	Total
Nashville	\$ 399.92
New York	\$ 3,588.04
Phoenix	\$ 992.93
Raleigh-Durham	\$ 403.32
San Francisco	\$ 760.20
Shreveport	\$ 97.84
Sioux Falls	\$ 80.64
Tucson	\$ 194.56
Tupelo	\$ 37.46
Utica	\$ 57.87
Wilkes Barre	\$ 317.89

Yes,
it's in
millions.

Make your damn program measurable... with specific sales results, not impressions. So many people willing to do so much on line...with so little of it seeming effective. How about combining some good guerilla marketing with an online approach. Thinking outside the box now means "outside the normal internet marketing channels". I need someone to **differentiate my business**, not rush out a bunch of me-too banner ads.

Retail Trade,
\$500k+ revenue

#2

**Advertisers will spend
a lot of that money
on Facebook.**

Targeting the right audience and receiving response from that audience. **Facebook seems the best way for us to reach our target audience** of mothers in the local area.

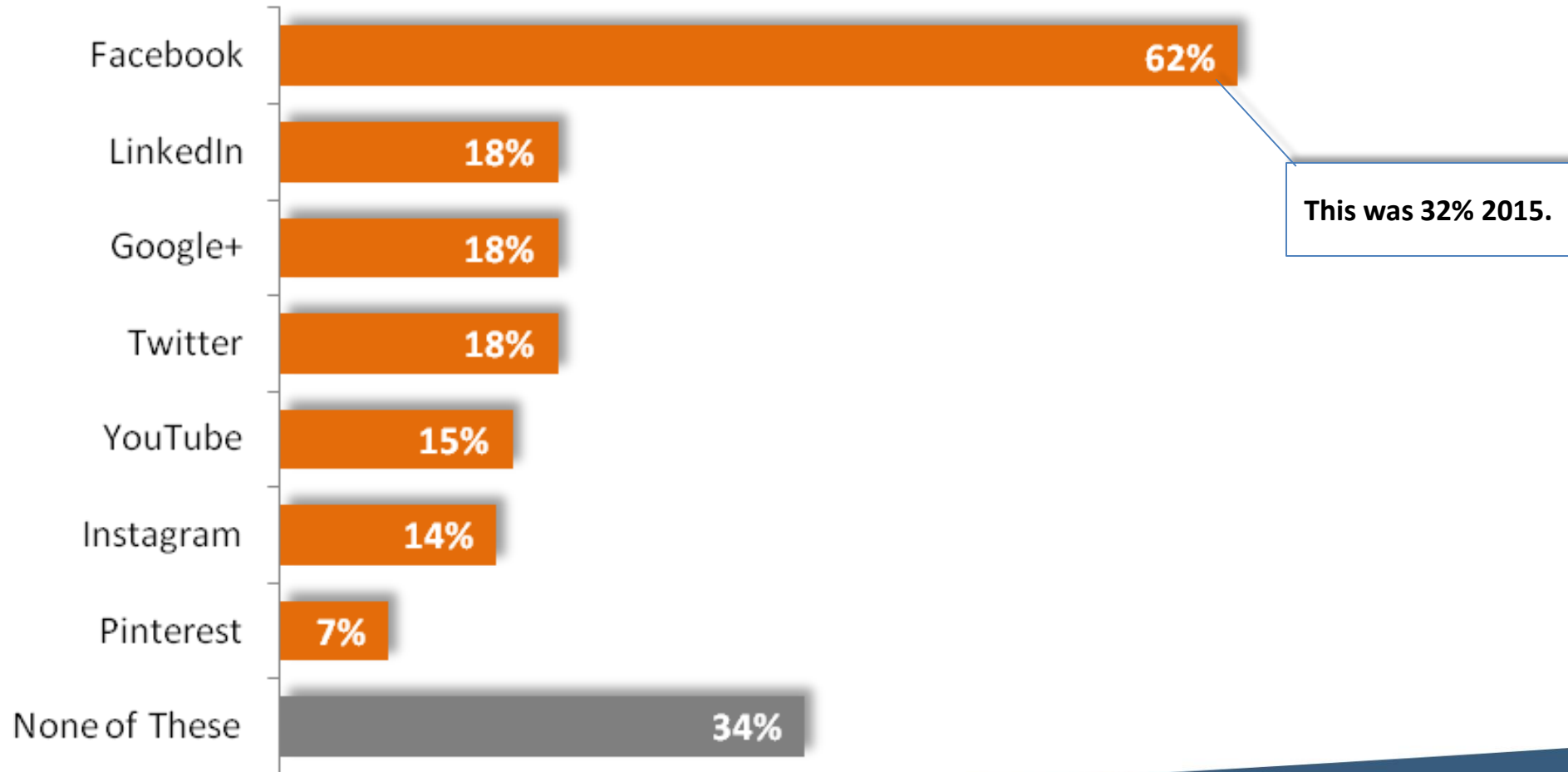
Home Repair Service,
\$500k revenue

Facebook ads work. they are cheap and effective. I have tried every type of marketing: newspaper, radio, tv and it no longer works. Everyone is online and independent.

Performing Arts Center,
\$5 million revenue

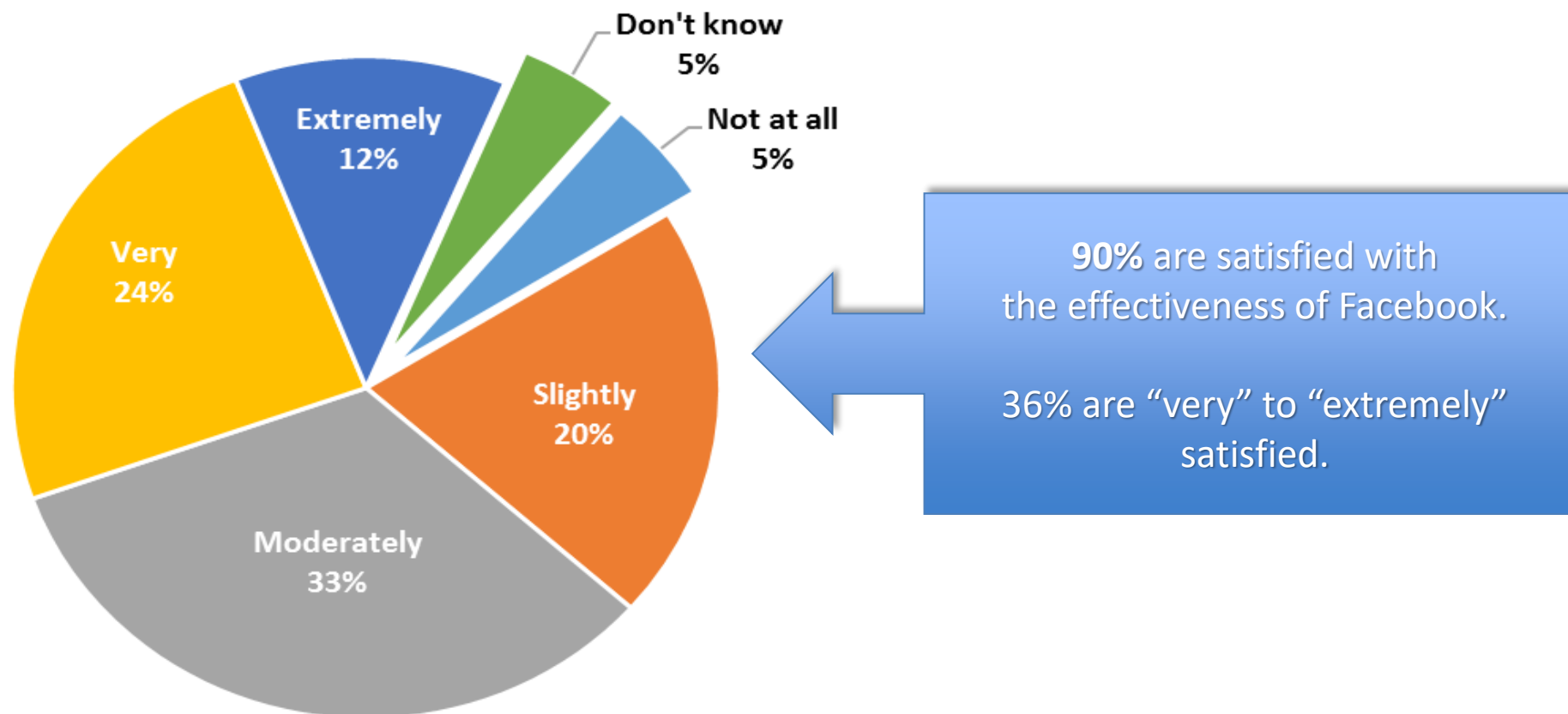
FB Ad Buying Doubles

Q: Have you ever advertised on any of these social sites?



Facebook Is Getting Loved

Q: Rate the effectiveness of Facebook.



Source: Borrell SMB Panel, August 2016; N = 4,699 buying Facebook ads

Radio and TV hope you catch the consumer at the right time of the day at a very costly price to the companies. Social media has the power to keep your ad or post going for much longer, which boosts your visual exposure.

My business doubled when I started using Facebook.

Furniture store

#3

**Advertisers will begin
to get marketing advice from
reps selling *digital services*.**

We plan to redesign our website, make it mobile friendly, use ad words, etc. Hopefully more commercial advertising by the end of the year.

Pet Care Service, \$500k-\$999k revenue

We just began working with a company to redesign our website. We believe this is key to getting more out of online ads.

Event Promoter, \$2-3 million revenue

I need to find and design a better website. I need to advertise in outlying communities for new customers. Cost is the biggest factor

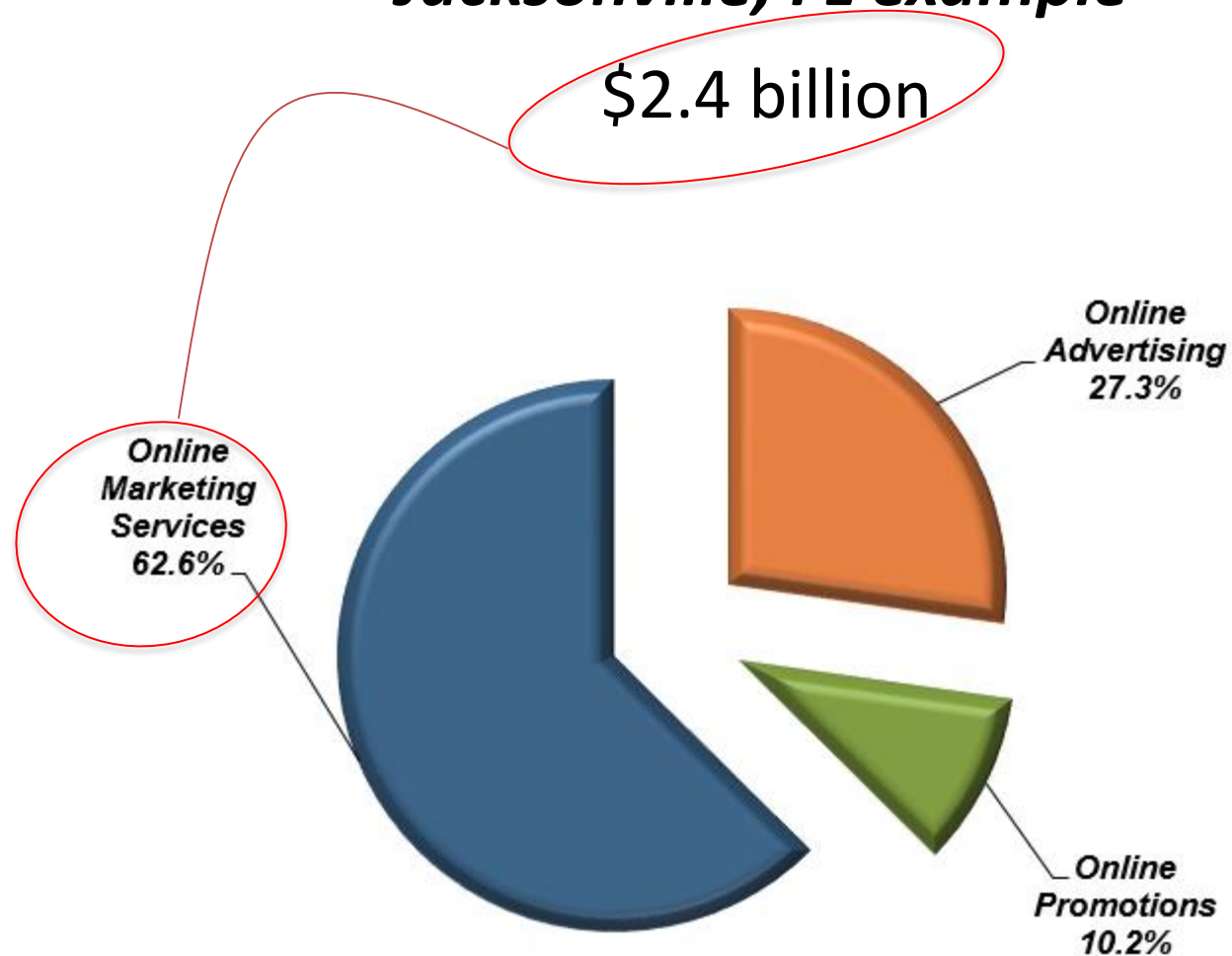
Medical Group, \$500k-\$1M revenue



Surge in Site Redesign

Digital Services Larger than Online Advertising

Jacksonville, FL example



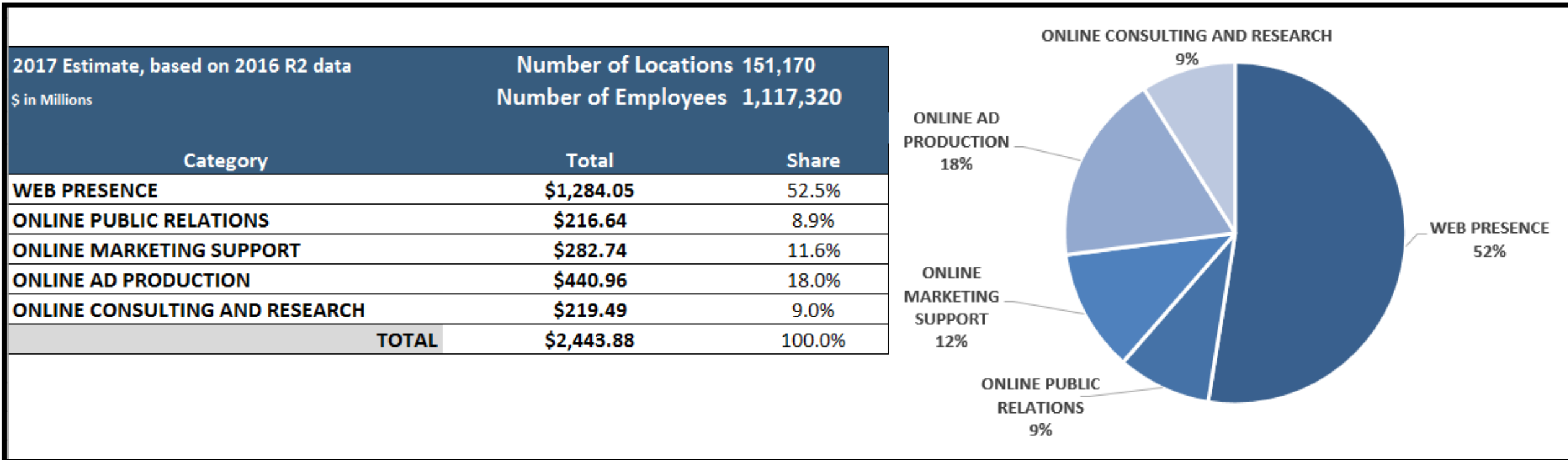


Digital Services Larger than Online Advertising

Jacksonville, FL example

\$2.4 billion

Overall Market

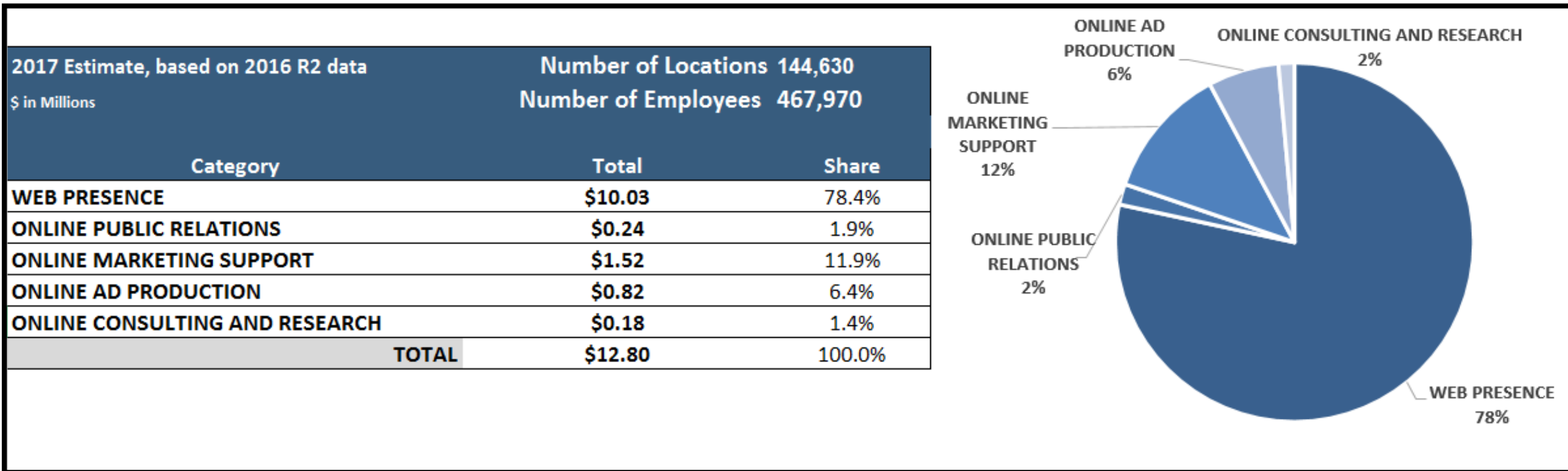




Digital Services Larger than Online Advertising

Jacksonville, FL example

Businesses with under 25 employees





Digital Services Larger than Online Advertising

Jacksonville, FL example

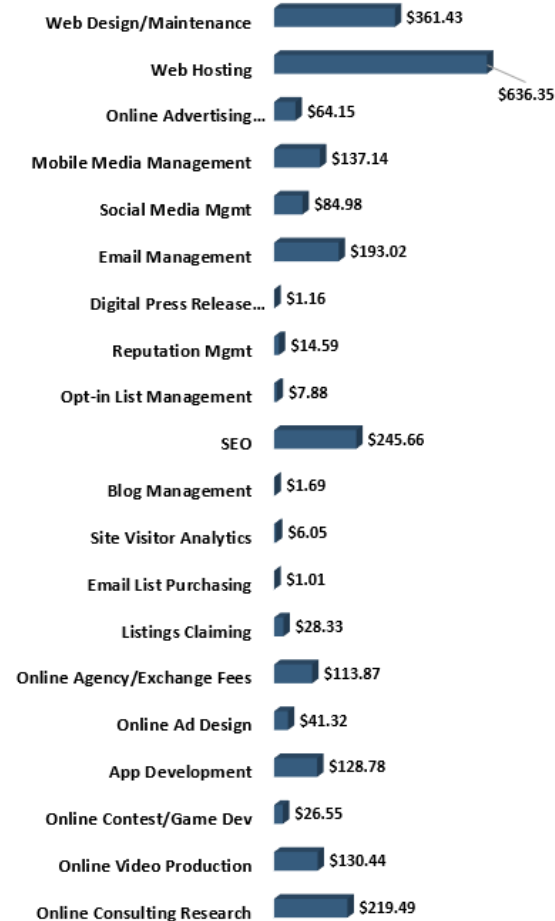
\$2.4 billion

2017 Estimate, based on 2016 R2 data
\$ in Millions

Number of Locations 151,170
Number of Employees 1,117,320

Category	Total	Share
WEB PRESENCE		
Web Design/Maintenance	\$361.43	14.8%
Web Hosting	\$636.35	26.0%
Online Advertising Management	\$64.15	2.6%
Mobile Media Management	\$137.14	5.6%
Social Media Mgmt	\$84.98	3.5%
ONLINE PUBLIC RELATIONS		
Email Management	\$193.02	7.9%
Digital Press Release Distribution	\$1.16	0.0%
Reputation Mgmt	\$14.59	0.6%
Opt-in List Management	\$7.88	0.3%
ONLINE MARKETING SUPPORT		
SEO	\$245.66	10.1%
Blog Management	\$1.69	0.1%
Site Visitor Analytics	\$6.05	0.2%
Email List Purchasing	\$1.01	0.0%
Listings Claiming	\$28.33	1.2%
ONLINE AD PRODUCTION		
Online Agency/Exchange Fees	\$113.87	4.7%
Online Ad Design	\$41.32	1.7%
App Development	\$128.78	5.3%
Online Contest/Game Dev	\$26.55	1.1%
Online Video Production	\$130.44	5.3%
ONLINE CONSULTING AND RESEARCH		
Online Consulting Research	\$219.49	9.0%
TOTAL	\$2,443.88	100.0%

Digital Services Totals



20 sub-categories
Including:

- Website Design
- Web Hosting
- SEO
- Online Video Production
- Social Media Mgmt.



2/21/2017

We are VERY happy with our online provider - XXXXXXXX. **They manage** our **website** and all **social networks** and write all the **blogs** - and do an excellent job which is aligned with the corporate franchise directives.

Golf Resort,
\$5 million revenue

#4

**Advertisers will
partner with a media company
whose sales reps *listen & can*
*PROVE ROI.***

(Give Us) **More knowledgeable representatives** who can suggest options backed by knowledge and data.... The new generation of adults are not reading newspapers, so we must find other ways to advertise to them.

Legal Services

Learn about your customers and what their needs are then fulfill them. Stop trying to just 'sell' a standard package to everyone. Do business with a handshake. Establish credibility. **Become a marketing partner** and someone that can be counted on, not just the ad rep *du jour*.

Insurance Agent



What is your biggest marketing challenge?

Measuring ROI

Budget and ROI

Determining ROI for advertising.

Selecting products with best ROI within budget. Maintaining a traditional presence and growing digitally.

My company faces great challenges in finding ROI in high priced internet advertising packages. We find it difficult to find the right balance in our advertising budget.

Measuring ROI for my executive team

Expense - ROI

Having reliable data to measure ROI; limited time and budget to expand social media/online presences and SEO.

costs and ROI

Measuring the ROI

We are unsure how successful social media marketing is - but that is the best place to find out costumers. What is the ROI?

Getting more ROI.

Getting good KPIs and ROI. Finding companies with good and knowledgeable account executives that know their products.

Measuring ROI

ROI

Showing an ROI for our advertising buys (awareness campaigns versus product or promotion pushes)

Accurate ROI in advertising investments.

ROI, and keeping track of what works

tracking and ROI

ROI

What works the best and gives the best ROI

ROI

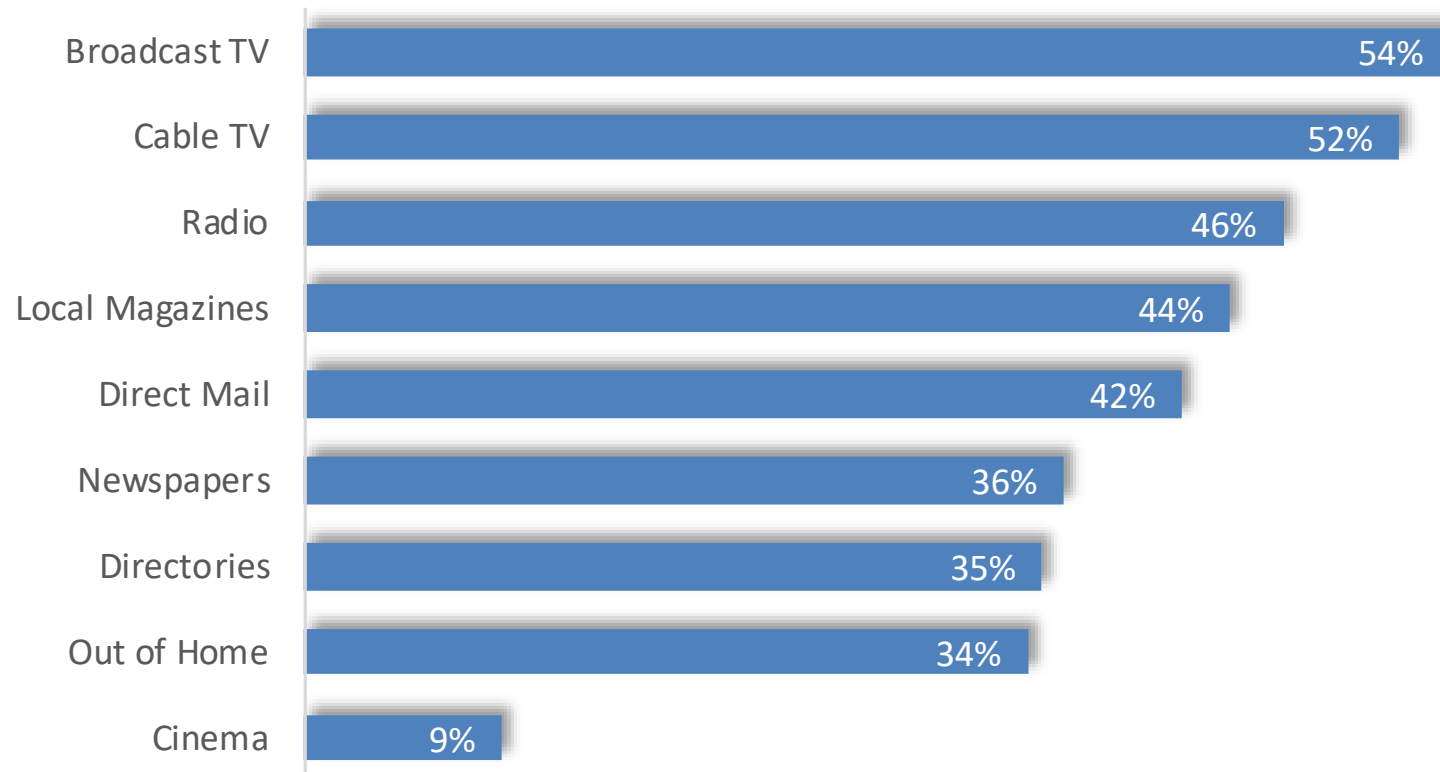
Getting a substantial ROI

Measuring ROI in terms of prospects, new customers and sales revenue.

There are so many choices in advertising today and many of them are very expensive. Unfortunately, it's difficult to determine your ROI on most types of advertising, but you have to put yourself in front of your audience in many different ways.

The Good News: Traditional Media Drives Digital Goals

Thinking of your digital marketing goals, rate how each type of media works in helping you reach those goals.



One-third to more than half of advertisers believe traditional media complements their digital goals well.

Source: Borrell SMB Panel, August 2016; N = 397 responses

#5

Advertisers aren't advertisers.



The '**buying influence**' is typically a personal recommendation so I have to influence positive current clients to talk up the schools.

Dude Ranch

We are mostly word of mouth - **advertising doesn't really influence** our numbers so we don't spend a lot of time or money in it..

Residential Construction, \$5 million revenue



Best Source of Leads

Referrals from other customers



0% 10% 20% 30% 40% 50% 60% 70%

■ Newspaper Ad Buyers ■ All Local Advertisers

Source: Borrell's Q2-3 2016 Local Advertiser Survey; N = 7,564 All Advertisers, N = 4,068 Newspaper Ad Buyers



Facebook algorithms

Social media

Discount websites

Trendy blogs

New marketing opportunities

Marketing strategy

Professional ads in-house

Creative

Budget

ROI

WOM

Influencers

These things have a much larger impact on our business than any paid advertising.

Restaurant,
\$2 million revenue



4. THE WAY FORWARD

WHAT WILL
HELP IN
2017

3 Things to Remember

1

It's not Advertising and/or Marketing; it's Influencing

2

Audience Based Selling is dying; Customer Based Selling is on the rise

3

Year of Sales Execution

THANK
YOU