BIA/Kelsey's U.S. Local Advertising Forecast for 2016

Key Findings

November 11, 2015

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Our Gratitude. Our Respect.

America’s Veterans.
Advertisers of all types want to reach local audiences.

$146.6 billion will be invested in media platforms by advertisers targeting local audiences in 2016.

Where is the spend now and where is it headed?
Let’s Discuss!

- BIA/Kelsey’s U.S. Local Advertising Forecast 2016
  - Power Brew: Mobile, Social, Video
  - Location Targeted Mobile Ad Spending
  - Social Advertising Spending
  - Local Video Display Spending
  - What does this all mean?
- More on the forecast at BIA/Kelsey’s NEXT

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We are a leading consultancy focused on local. We use our data, expertise and industry relationships – built up in over 30+ years of operations – to help our clients succeed.

Strategic & Advisory Services
- National and Local Market Ad Forecasts
- Competitive Intelligence
- Proprietary Reports Covering Mobile, Search, Social, Video
- Analyst Access

M&A / Financial Services
- Due Diligence
- Investment Banking Services
- Stock, Spectrum, Product & Company Valuations
- Fairness & Solvency Opinions
- Litigation Support & Expert Testimony

Sales Consulting
- Digital Sales Funnel Strategy
- Strategic Operations
- Business Introductions

Business & Consumer Research
- Trends, Dynamics, Relationships

Conferences
- BIA/Kelsey Analyst-Curated Programs
- Executive-Level Networking
- Cutting Edge, Proprietary Research
BIA/Kelsey’s forecasting suite provides the big picture on local.

**U.S. LOCAL ADVERTISING FORECAST 2016**

National Overview (Total U.S. Spending In Local Markets)

- Individual Media Breakouts
- Five-year forecast
- Local ad market (2016 - 2020)

Comprehensive and authoritative view of “local” advertising

**Market Forecasts**

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<th>MEDIA AD VIEW PLUS</th>
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Forecasting Objectives

Why we do a forecast:

- Continuously monitor the local marketplace and twice annually we publish a forecast that offers a five-year national overview of total U.S. spending in local markets and market-based advertising revenue estimates for 12 media.

- Present an overall assessment of the local market.

- Provide a 360-degree view of the market for local advertising — defined as some form of targeted messaging to specific geographic markets — spent by national, regional and SMB advertisers.

- Offer an independent, objective and credible five-year forecast of the market situation.

- Give clients a view into the key drivers and assumptions behind the top-line forecasts.
Forecasting Methodology

- BIA/Kelsey gathers as much proprietary and secondary information as available by segment.

- We then generate preliminary forecasts by segment and discuss them with leaders in our key media — online, mobile, Yellow Pages, TV, radio, etc.

- Our process includes using third-party and public company reports to adjust and fine-tune forecasts.

- We tie a bottom-up approach with a top-down approach.

- Our forecast utilizes long-standing industry expertise and knowledge to adjust drivers and key assumptions.
About Our U.S. Local Advertising Forecast

- BIA/Kelsey’s U.S. Local Advertising Forecast offers a comprehensive and authoritative view of the local landscape.
- It delivers an objective and credible five-year market outlook.
- It includes a national overview of total U.S. spending in local markets and market-based advertising revenue estimates for twelve media:

1. Direct Mail
2. Directories
3. Local Video
4. Local Over-the-Air Television
5. Local Cable Television
6. Local Magazines
7. Mobile
8. Newspaper
9. Online
10. Out-of-Home/0OH Video
11. Radio (Over-the-air, online)
12. Social
“Local” Defined

BIA/Kelsey defines local advertising as:

All advertising platforms that provide access to local audiences for **national**, **regional** and **local** marketers.
National & Individual Media Overview
Total U.S. Spending in Local Markets
Local Ad Market 2016

2016 U.S. Local Advertising Revenues — $146.6 Billion

Source: BIA/Kelsey, October 2015
*Note: Radio online revenues include online revenue from terrestrial and online streaming services.
Steady Spend Shift into Digital Media

Source: BIA/Kelsey, October 2015

Note: Numbers are rounded.
Mobile
Mobile-Specific Forecast Methodology

- In addition to interviews and company reports, BIA/Kelsey’s mobile forecast is based on:
  - Mobile usage trends
  - Evolving mobile content and ad formats
  - Advertiser adoption patterns
  - Ad performance measurements (e.g., clickthrough and cost-per-click rates)

- This top-down forecasting methodology is then vetted against a bottom-up approach. The latter applies revenues for top players in each mobile advertising segment (e.g., Facebook, Google and ad networks).

- For location-targeted ad revenues, measurement criteria include geographic ad placement, location-specific copy and calls to action (e.g., call local store).

- Revenues from advertising that appears on tablets are not included in BIA/Kelsey’s classification of mobile.*

*Rationale for BIA/Kelsey’s separation of smartphone and tablet ad revenues is explained [here](#).
What is Location Targeted Mobile Advertising?

Location-targeted mobile advertising is defined as...
Mobile advertising that is targeted based on a user’s location, or including proximity-relevant content to trigger local offline conversions.

It includes large national advertisers and SMBs.

Location-specific ad copy or calls to action (e.g., call local store) will classify a given ad as location targeted.
Location-Targeted Mobile Ad Spend

Source: BIA/Kelsey, October 2015

Note: Numbers are rounded.
Location-Targeted vs. Non-Location Targeted Ad Spend in Mobile

Source: BIA/Kelsey, October 2015

Note: Numbers are rounded.
Local Share of Mobile Ad Spend by Format

2016

- Search: 52.1%
- Traditional Display: 18.6%
- Native Social: 18.5%
- Video: 5.8%
- SMS: 1.2%
- Audio: 1.9%

Source: BIA/Kelsey, October 2015
Social Media
Social Media Advertising Definition

- Social media advertising is defined as money spent on advertising formats across social networks.

- 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
Social Media Advertising by Company

2016

Facebook, 76.8%

Twitter, 15.9%

LinkedIn, 4.0%

Other*, 3.3%

*Other includes ad revenue from all other U.S. social networks (e.g., Pinterest, Tumblr and Foursquare).

Source: BIA/Kelsey, October 2015

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Local Video
Definitions

- This estimate involves combining the advertising revenues from several media:
  - **Local Television** – all its core over-the-air advertising revenues (excludes digital revenues and retransmission consent fees).
  - **Local Cable** – all its local cable systems’ advertising revenues.
  - **Out-of-Home** – digital cinema advertising revenues and advertising revenues from out-of-home video delivery (e.g., taxi cab video).
  - **Online** – portion of local online revenues that are generated by video advertising by pure-play online companies and online sites of other local media (newspapers, television, radio and directories).
  - **Mobile** – revenue generated from selling advertising related to mobile video services.
Local Video Advertising Trends

- Local television stations continue to dominate the local video marketplace.
- Local cable systems also continue to make strong inroads in political advertising.
- Online video has seen some substantial growth in recent years.
- Out-of-home video continues to grow though at a slower rate.
- Mobile video (CAGR +29.1 percent) is expected to see rapid growth.
Local Video Advertising Revenues

Source: BIA/Kelsey, October 2015
Local Video Advertising Revenues Distribution Across Media

2016

- Local Television: 67.6%
- Local Cable: 22.9%
- Online Video: 2.9%
- Mobile Video: 2.0%
- OOH - Video: 4.6%
Online
Local Search

Note: Numbers are rounded.

Source: BIA/Kelsey, October 2015
Recap of Top Findings

- Total local advertising revenues in the U.S. will reach $146.6 billion in 2016, up from $141.3 billion this year.

- Online/digital revenues will grow to $42.6 billion in 2016, 29.1 percent of total local media revenues, up from $38 billion in 2015.

- For 2016, we expect total local ad revenues to nudge upward, resulting from a slightly stronger U.S. economy and a substantial amount of political advertising.

- Mobile, social and video—what BIA/Kelsey refers to as the “power brew” for local advertisers—are among the categories that are fueling growth in the local online/digital segment.
Conclusions

- The overall media marketplace is an ever changing landscape with new options growing faster than ever imagined (i.e., mobile, social, online video).

- The future of location-targeted mobile marketing will involve less static banners; more native and offline-oriented calls-to-action (call, message, find, schedule, or transact with local businesses).

- Traditional media still very relevant in overall advertising mixes.

- All participants (traditional and already established online/digital companies) need to be attentive and capable of adapting to new options being introduced every day.
Details About the U.S. Advertising Forecast

Our ad forecast delivers a comprehensive and reliable view of the local advertising landscape and provide five-year market outlooks of U.S. spending.

For a complete understanding of entire local advertising marketplace, purchase our U.S. Local Advertising Forecast 2016.

DETAILS:
www.biakelsey.com/USAdvertisingForecast

HOW COMPANIES USE OUR FORECAST:

- Understand the market outlook now and in five years
- Gain insights around the key drivers and assumptions behind top-line numbers
- Drill down into specific media to track activity and opportunity
- Access critical analysis around today's most important topics
Attend BIA/Kelsey NEXT to get a deep understanding of what our 2016 ad forecast means for your business.

Hear directly from BIA/Kelsey analysts and over 45 executive speakers about the companies, trends and technologies that will have the greatest impact on what's NEXT in local advertising.

Save $200 on registration with code ADFORECAST.

www.biakelsey.com/next
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