



Defining the Local Media Landscape for 2010

Welcome to today's Webinar.

Agenda

- Local Media Landscape in 2010 – Are you ready?
 - Rick Ducey
- Analyst Roundtable
 - Moderator, Neal Polachek
 - Broadcast and Newspapers
 - Directories / IYP
 - Interactive Media
 - Classifieds, Verticals and Marketplaces
 - Mobile Media
- Putting Everything in Perspective
 - Neal Polachek

Analyst Roundtable Discussion

Michael Boland
Senior Analyst and PD
Mobile Local Media



Rick Ducey
Chief Strategy Officer



Moderator

Peter Krasilovsky
VP and PD
Marketplaces



Neal Polachek
President



Mark Fratrik
VP, Research



Matt Booth
Senior VP and PD
Interactive Local Media



Charles Laughlin
Senior VP and PD
The Kelsey Report®



Local Media Landscape in 2010



Rick Ducey

Setting the context for success in 2010:

1. Strategy
2. Execution
3. Accountability

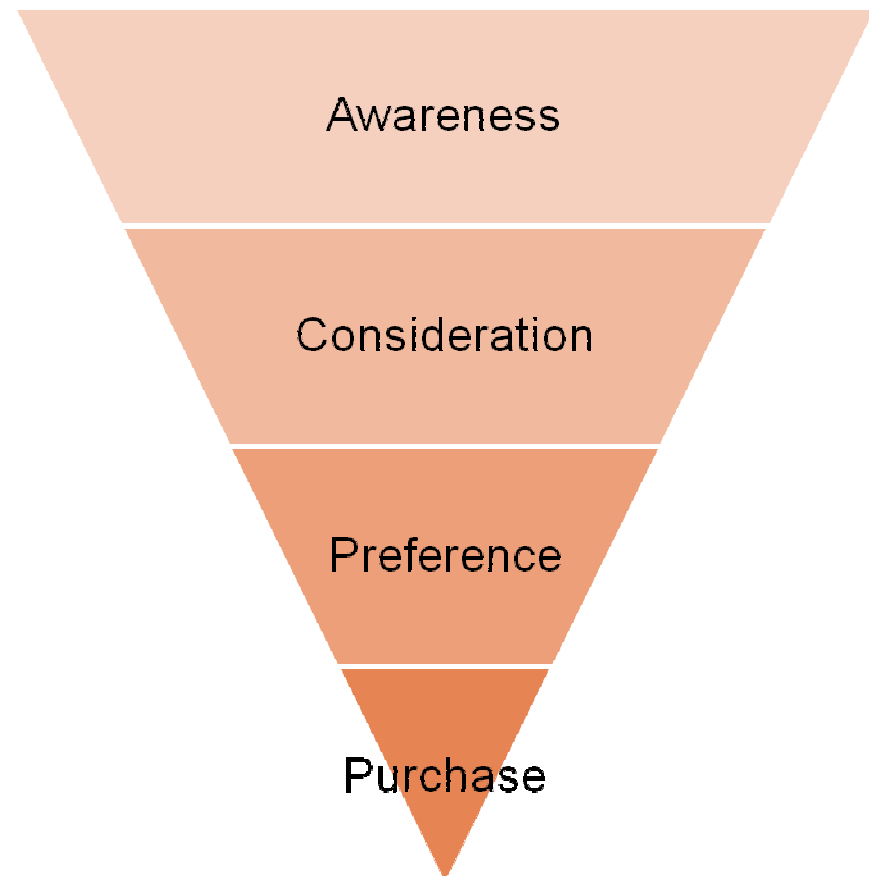


What are the key relationships among ad spending across media platforms and the “purchase funnel”?

Media Ad View

- Radio
- Newspaper
- Television
- Local Cable
- Direct Mail Magazines
- Print Yellow Pages
- Interactive
 - Local search
 - Internet Yellow Pages
 - Email
 - Mobile
- Out-of-Home

Purchase Funnel



Broadcast Media/Newspapers – 2009



Mark Fratrik

What we thought would happen

- Decrease in revenues
 - Across all traditional media bigger pullback
 - Many big advertiser groups (e.g., automobiles)
- Slowdown in station trading activity
 - Complete absence of any meaningful deals due to economic conditions and lack of capital
 - Number of significant bankruptcies
 - Number of covenant defaults though lending institutions did not take over
- Decrease in newspaper's share continuing
 - Continued decrease in readership and revenue share
 - Noticeable exits for daily newspapers and cutting back on others

Broadcast Media/Newspapers – 2010

Predictions

- Local radio revenues will bounce back
 - Especially in the second part of the year, yet even with this pickup local radio stations will lose market share.
- Local television stations will benefit in 2010
 - A vibrant political campaign in many more states than imagined a few months ago will help television.
- Local newspaper advertising will continue to decline
 - Newspapers will see their advertising revenues drop, seriously jeopardizing many newspapers.

Broadcast Media/Newspapers – 2010

Predictions

- Trading activity stations will increase
 - The trading activity of local television and radio stations will pick up from levels seen in 2008, with trading multiples not increasing very much.
- Consolidation in radio and TV
 - There will be some consolidation of radio and television stations as existing groups will look to pick up stations in groups that are in difficult financial conditions.

Directories/IYP – 2009



Charles Laughlin

What we thought would happen

- Big decisions for YP companies
 - We anticipated that large, indebted directory publishers would face critical decisions, including the possibility of bankruptcy. Two companies followed that route this year, while others struggled to ease their debt.
- Companion is the directory
 - We expected more publishers to shed the bulky big city directory in favor of a lean, mean mini book. We've seen evidence of this in Sweden, the U.S. and elsewhere. We expect more in 2010.

Directories/IYP – 2009

What we thought would happen

- Challenges for independents
 - We expected many independent publishers to see performance erode, triggering business failures and consolidation. Some publishers did go under, while many others struggled. Others managed modest growth as well.
- Reorganizing to ease multiproduct selling
 - We expected more companies that split into print and online sales channels to reorganize into a single sales force for cost reasons and to facilitate multiproduct sales. Eniro recently announced it was following this path. And Yellow Pages Group NZ has reconsidered plans to launch separate channels.

Directories/IYP – 2010

Predictions

- Print revenue declines accelerate — by design
 - More publishers will migrate print to digital, assuming online is more sustainable and print losses can be slowed, not stopped.
- Mobile monetization takes hold
 - Publishers will begin to trial discrete monetization paths for mobile search from discrete landing pages to PPC.
- Money pours into social media
 - Publishers will build and buy social search platforms — and leave the Yellow Pages brands in the background.
- Opt-in passes — somewhere
 - Despite efforts at industry self-regulation, opt-in legislation will pass somewhere, even if only for White Pages.

Interactive Media – 2009



Matt Booth

What we thought would happen

- Reputation management for SMBs
 - In 2008 we saw dozens of small attempts at this from start-ups as expected. We predicted that this year some of these systems would make headway in the SMB market.
- More home & trade Web sites
 - We projected that the percentage of home & trade businesses with Web sites would grow from 33 percent to 60 percent within two years.
- Growth in SMB search spending
 - We predicted accelerated declines for traditional media and said search spending from SMBs would double within two years. We expected e-mail marketing to continue its high growth rates and direct mail to remain one of the largest expenditures for SMBs.

Interactive Media – 2009

What we thought would happen

- More local content coming online and new content and ad models
 - We predicted that by the end of this year, many of the empty profile pages on local search and Internet Yellow Pages sites would be filled with an integrated content and ad solution.
- Will Microsoft end up with Yahoo?
 - We expected Microsoft to end up with the search business (Yahoo Search Marketing, formerly Overture). The deal would integrate portions of Microsoft adCenter and YSM.

Interactive Media – 2010

Predictions

- Content build-out to accelerate
 - In 2009 we expected big changes in content, and it's happening. Examiner.com, Associated Content, Demand Media will bring more content online than ever before.
- Digital shift
 - The cliff is here. The recession will cause the shift to digital to accelerate. Digital earnings will improve, while traditional will be hard hit.
- SMB presence management and platform integration
 - Mergers and acquisitions between vertical ad platforms and social marketing companies.

Interactive Media – 2010

Predictions

- Geotargeted banners
 - This is about treating the inventory like a stock portfolio to get the best return for the reseller.
- More competitive search market
 - Google AdSense has dominated the search and content monetization landscape. With the YSM and MS deal complete, we expect more competition for high-value distribution partners.

Classifieds/Verticals – 2009



Peter Krasilovsky

What we thought would happen

- New vertical marketplaces would clearly pick up with continuing decline of traditional media
 - More marketplaces have been established, and traditional media are losing share.
- Majority of SMBs begin to leverage Web services
 - Several new services launch (Redbeacon, AlikeList, etc.) and major TV campaigns for Angie’s List and ServiceMagic. But SMBs are still moving slowly toward these services.
- More widespread deployment of ‘actionable’ features
 - Embedded click to call is becoming more widespread, and Google’s scannable SMB decal tantalizes. But “actionable” features still aren’t very common.

Classifieds/Verticals – 2009

What we thought would happen

- Local/social integration increases in marketplace sites
 - Facebook Connect has had an impact on marketplace sites such as Oodle. Others are supplementing ad products with social media support. But these are just getting started. For online classifieds, Craigslist still rules (and is winning share from traditional classified publications).
- Mobile features become more commonplace
 - Mobile has proved its value as a weekend “extender” of information for marketplace SMBs (i.e., real estate and autos). But it is not yet well integrated.

Classifieds/Verticals – 2010

Predictions

- Enhanced profiles will add useful content
 - Marketplaces merchant profiles will better “engage” and lead categories via affordable, sorted content from aggregators (i.e. MerchantCircle + Demand Media).
- More vertical organization synergies
 - Companies will develop adjacencies (i.e., Zillow real estate moves into home rentals). They will also brand around core efforts (i.e., Tree.com).
- Vertical classifieds gain traction
 - EBay and others will push hard on micro verticals in classifieds.

Mobile Media – 2009



Michael Boland

What we thought would happen

- Smartphone growth → mobile Web reaches 63.6 million users
 - BIA/Kelsey's Mobile Market View (MMV) survey reports smartphone penetration up 10 points to 29 percent; Nielsen reports 63 million U.S. mobile Web users.
- Local's share of mobile searches will grow to 30 percent
 - MMV shows growth in searches for local products and services; Google reports one-third of its mobile searches have local intent.
- *"We [will] see a touch screen-based smartphone with mobile browsing, GPS, games, local search apps, etc., for less than \$100 this year"*
 - iPhone 3G lowered to \$99; ignites further price competition.

Mobile Media – 2010

Predictions

- Smartphone penetration
 - Will jump another 10 points; price competition + carrier subsidies will cause first free touch screen device.
- Android blows up
 - Grows to 50+ devices; Gphone. Multi-carrier iPhone?
- Mobile Web 2.0
 - Better mobile Web browsers will cause the app craze to subside, replaced by mobile Web site development.
- Voice and visual search
 - Alternative search inputs via smarter devices; introduction of new ad units — focus on CPA and conversions.

Mobile Media – 2010

Predictions

- Mobile advertising moves down market
 - SMB and mid-market segments adopt via bundling. Local media sales and self provisioning; we'll see more mobile ad options integrated with Google AdWords.

Putting Everything in Perspective

- Most economic indicators suggest a better 2010
 - Last 16 months have been as challenging as any in the past 80 years.
- Do not expect a return to pre-recession activity
 - Consumer spending will continue to be guarded; job creation will be slow; key drivers of auto and housing will remain soft.
- Not likely to see inflation appear
 - Even with pent-up demand, ample labor market and businesses operating at less than capacity should dampen any significant rise in prices.
- Media sector will grow via volume
 - Pricing power remains weakened by fragmentation.
- Shift from traditional to digital will continue
 - Pace of shift will accelerate if mobile advertising models gain significant traction.

BIA/Kelsey

360°

- Global view of local advertising and media market — TV, radio, newspapers, Yellow Pages, local search, mobile and more

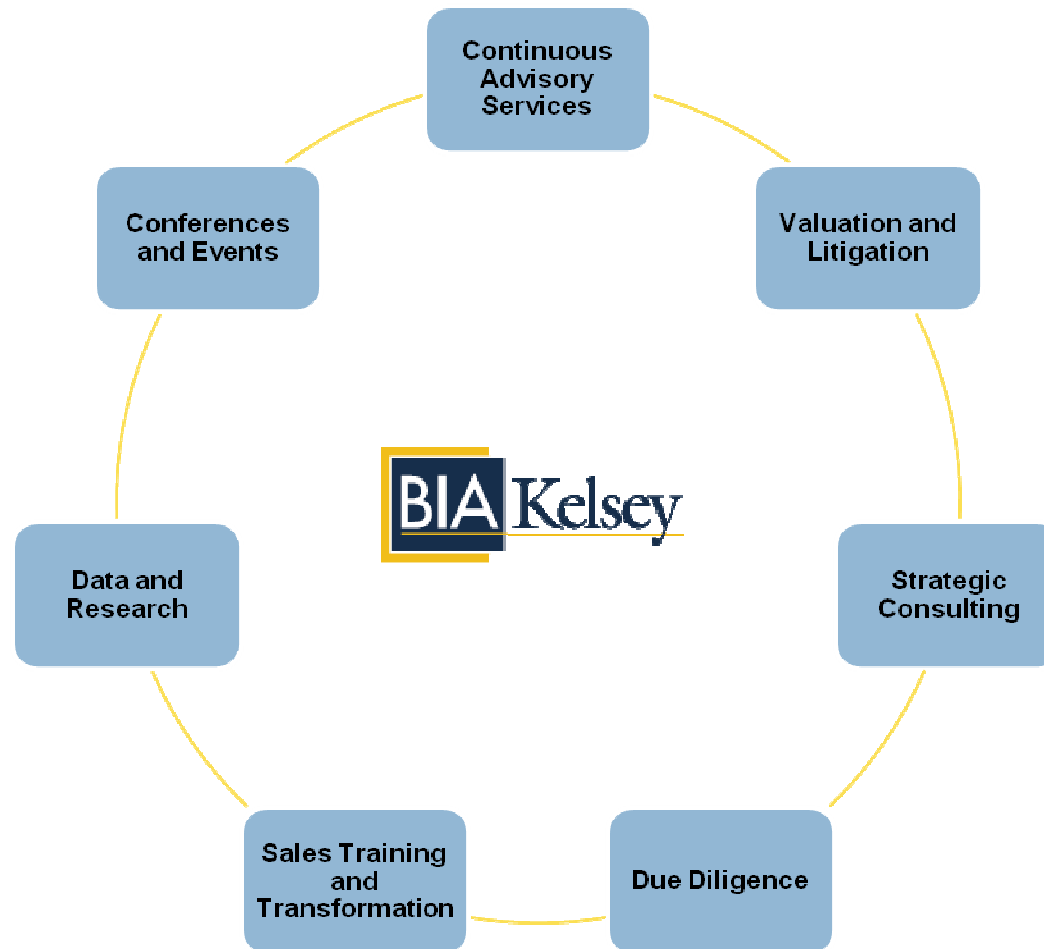
Experts

- Experienced analysts who understand local media business models — existing and emerging — CPM and performance based

24/7/365

- Always available, always open, always listening

How BIA/Kelsey Helps Media Companies Navigate the Future



Question and Answer Session

Thank you for attending today's event.
We will now answer questions.

To submit a question please use the control panel on your screen

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