



2019 U.S. Local Advertising Forecast

Q1 Client Briefing
January 2019

Today's Discussion

- Welcome
- 2019 U.S. Local Share of Wallet Insights
 - Nationwide Forecast
 - Individual Media Forecasts: Local Video, Mobile and Online
 - Where dollars are going
 - Shrinking/expanding opportunities
 - Local Market Comparisons
 - Franchisee Advertiser Behavioral (SAM™ Survey)
- Update on new research in BIA ADVantage and upcoming research
- Conclusions & Questions



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Our Forecast Objectives

- BIA Advisory Services continuously monitors the local media marketplace.
- We define the **local media advertising marketplace** as all media generating revenue by selling access to local audiences to all types of advertisers. “Local” audience advertising sales include buys specifying in local and regional markets.
- Our goal is to deliver grounded assessments of the local media marketplace so our clients can get a clear understanding of all their competitors (not just their own media type) and increase their share of local advertising expenditures.

01

Present an overall assessment of the local media market.

02

Provide a 360-degree view of the market for local advertising dollars spent by national, regional, SMB advertisers.

03

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

04

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

We Ground our Forecast in Research, Surveys, Industry Involvement

Gather proprietary and secondary information as available by segment.

Speak directly to leadership in broadcast groups to get their direct involvement and revenue numbers.

Include third-party and public company reports to adjust and fine-tune forecasts.

Tie a **bottom-up** approach with a **top-down** approach.

Utilize our long-standing industry expertise and knowledge to adjust drivers and key assumptions.

Generate preliminary forecasts by segment and allow leaders in our key media to review.

Enhancements to our Forecast Process

We continuously strive to advance our methodology, industry participation

- Improved responses to our surveys.
 - Executive-to-executive requests to large broadcast groups to participate in our survey resulted in gathering significantly more revenue data.
- Hired a data scientist who has examined our methodology with a fresh eye and has enhanced our forecasting efforts, validation processes.
- Strong bench of consultants/analysts who have industry expertise and relationships.

As a result of our initiatives, we are confident that we are delivering grounded TV revenue across markets and by business verticals.



Our plan for this year?

- Quarterly updates to our forecast that will be loaded into BIA ADVantage
- Updated surveying method
- Expansion of the forecast into new areas

Important Definitions

- **Television Over-the-Air (OTA) and Online:** All revenues generated by local television stations for sale of time to either national or local advertisers. Does not include any advertising sold by the over-the-air national networks, nor any retransmission consent revenues generated by these local television stations.
- **Cable Television:** All revenues generated by local cable systems for sale of time to either national or local advertisers on all of their aired networks. Does not include any advertising sold by the national cable networks.
- **Mobile:** All revenues generated from advertising on mobile devices. This includes in-app advertising, as well as mobile web and messaging. Formats include display, search, SMS, video and native social advertising (i.e. Facebook news feed ads).
- **Online:** All revenues generated by online companies selling locally targeted advertisements. These advertisements could be sold by local pure-play online companies, or national companies selling geo-targeted advertising. Includes search, display and classified/vertical advertising. Search includes dollars spent on online local inquiries with search engine sites (such as Google, Microsoft, Yahoo, Ask, AOL).
 - Display and video display include amounts spent targeting local audiences on various sites through banners surrounding content and online video ads that launch before, during or after other video programs. Classified/vertical advertising is a wide category that includes advertising on vertical websites (e.g., AutoTrader.com, Trulia, etc.), as well as purchased classified advertising on various websites.

Survey Question

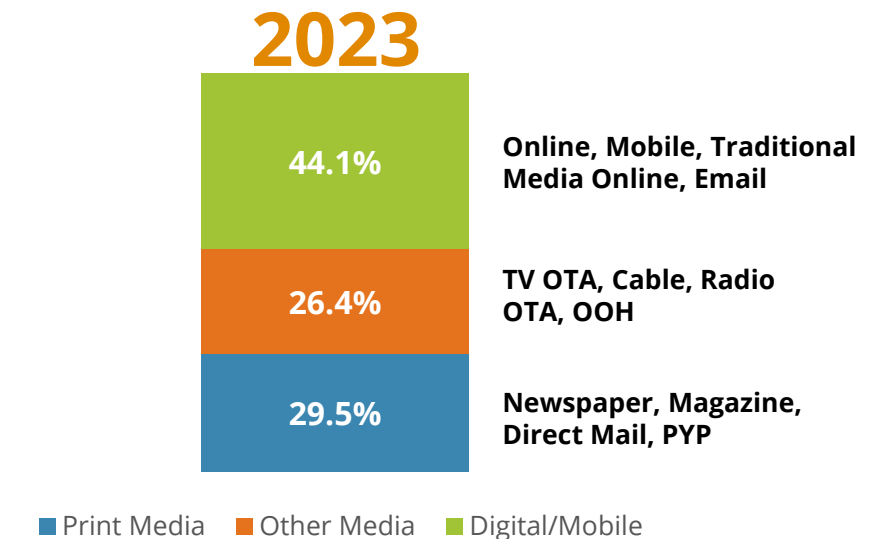
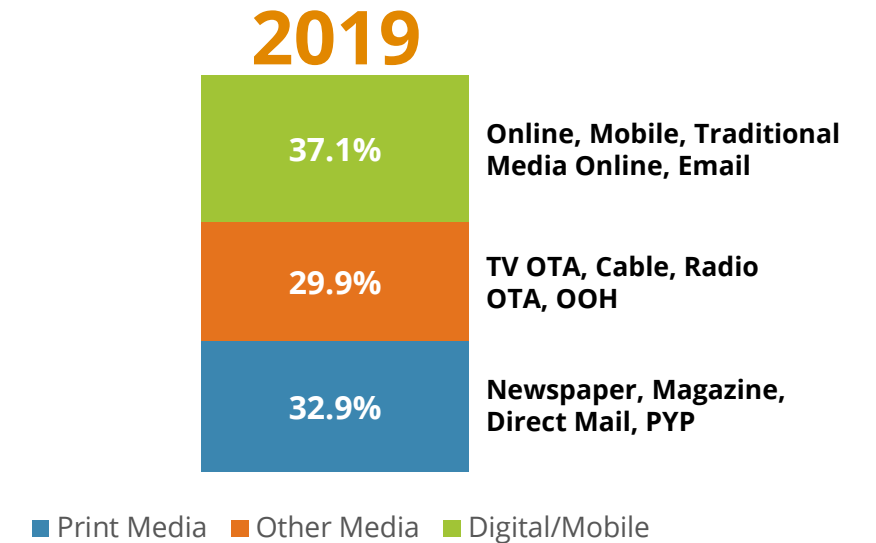
What do you think the biggest impact on selling will be in your market?

Other competitors	18%
Other Media	29%
Technology	35%
Local Economy	18%
Other	0%

57 people voted during the webinar

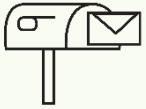
Share of Wallet Insights - Nationwide

- **Total local advertising will be \$148.5 billion in 2019**
- While the economy continues to grow at strong rates, the lack of political advertising in 2019 will put a damper on the overall growth in local advertising.
- Contractions in the spending by some verticals, such as automotive and retail present challenges to all local advertising platforms to maintain growth.
- Overall the local advertising marketplace will see consistent growth of 2.4% CAGR from 2018-2023. By 2023, local advertising spending will reach approximately \$164.0 billion. Growth factors include:
 - Continued strong growth in mobile and social advertising
 - OVERWHELMING political advertising in even-numbered years
 - Overall growth in the U.S. economy
- Growth in digital advertising revenue will continue to be robust, with a 2018-2023 CAGR of 8.0%.



Specific Media Categories: Revenue & Share

Contribution in local advertising pie for 2019.



Direct Mail - \$37.1 (25% share)

Direct mail (such as direct solicitation, couponing and catalogs) remain an important part of the advertising mix for some national and local advertisers.



Local Video* - \$29.5B (20% share)

Over-the-air television remains dominant in capturing local video advertising, especially in 2018 with substantial political advertising. However online and mobile are rapidly growing and increasing their shares. **Local Video includes the following:**



Local Over-the-Air Television - \$17.3B (11.5% share)

Remains a key video platform to reach local audiences; especially important advertising platform for political candidates.



Local Cable Television - \$5.8B (4% share)

Changing consumer preferences, cord-cutting and skinny bundles are limiting the future potential of this advertising platform.



Local Online Video - \$2.1B (1% share)

Targeting and tracking specific online audiences with video messages is becoming increasingly valuable to advertisers.



Out-of-Home Video - \$1.6B (1% share)

These highly visible video messages in a variety of locations and near points-of-sale are effective at reaching specific consumers.



Mobile Video - \$1.4B (1% share)

Mobile video continues to grow rapidly with the increasing usage of smartphones with broadband connections.

Specific Media Categories: Revenue & Share *(continued)*



In order of largest to smallest contribution in local advertising pie for 2019.



Mobile - \$20.7B (14% share)

Mobile advertising revenue is growing strongly, with increasing spending contributions coming from mobile social advertising.



Online - \$20.4B (14% share)

Desktop advertising continues to see overall gains in importance, with increasing spending across all subcategories including most notable online video.



Radio - \$14.5B (10% share)

Increased streaming audio competitors have kept over-the-air advertising stagnant, however online efforts by stations are helping to support a slight growth in overall revenue.



Newspapers - \$14.2B (10% share)

Print newspaper advertising continues to decrease and online newspaper advertising growth is not enough to compensate.

Specific Media Categories: Revenue & Share *(continued)*



In order of largest to smallest contribution in local advertising pie for 2019.



Out of Home - \$8.7B (6% share)

Out-of-home platforms are hard for audiences to avoid, which give advertisers a variety of ways to reach audiences at many types of locations, allowing these platforms to hold a meaningful share of local advertising spending in the next few years.



Social* - \$8.5B (6% share)

Local social advertising will continue to grow at extraordinary rates, riding the tsunami of content sharing happening especially through mobile apps.



Directories - \$2.7B (2% share)

Digital services are becoming central to the growth efforts of directory companies in pursuit of audiences and advertisers.



Local Magazines - \$1.9B (1% share)

Solid online growth efforts are helping to mostly offset declines in print, allowing local magazines to largely maintain their advertising share.

Local Video Marketplace

Local video advertising markets are becoming more competitive with online, OOH, and mobile video being used more often.

Local TV and cable system advertising are still used as part of a coordinated traditional/online media advertising mix.



Local Video Advertising Trends (2019-2023)

Total local video advertising revenue will continue to grow at a healthy pace through 2023 (+2.1% CAGR); nearly in line with the overall local advertising market.

Continued “cord-cutting” and “cord-shaving” behavior by consumers and “skinny bundle” offers by distributors erode local cable systems reach and advertising revenue. Strong political advertising is occurring in the even-numbered years.

Out-of-home video advertising grows moderately through 2023 (CAGR +3.5%), since advertisers can target consumers in locations close to their points of purchase and little chance of consumers in those locations not seeing the advertisements.

Local television stations’ advertising will grow slower than overall advertising through 2023 (+0.6% CAGR); strong advertising growth in even-numbered years due to political and Olympic advertising makes up for erosion in other verticals.

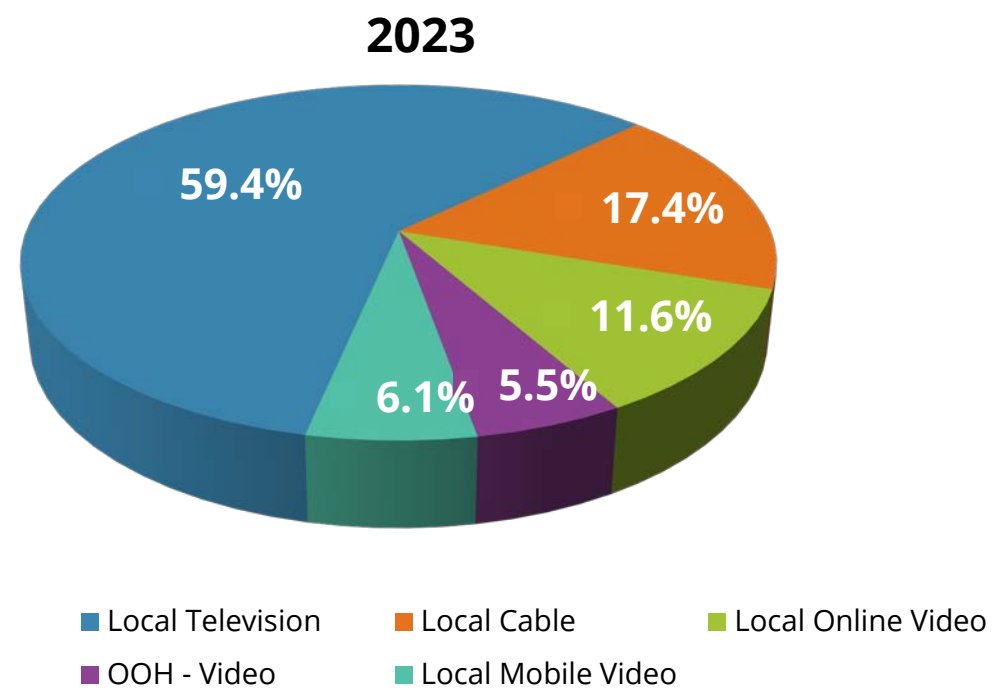
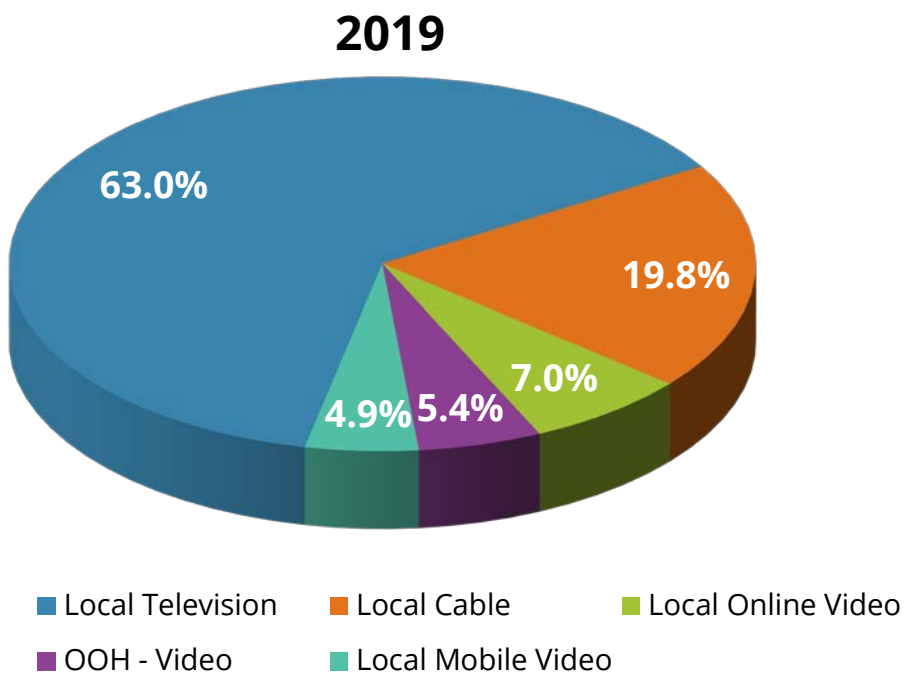
Local online video advertising continues to grow at a substantial rate (CAGR +16.6%), as advertisers can use this platform to target specific types of consumers.

Local mobile video advertising continues its strong growth (CAGR +10.5%), as increased mobile usage gives advertisers the target consumers near their points of purchase.

Local Video Advertising Revenue



Distribution Across Media

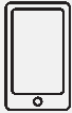


Mobile Advertising

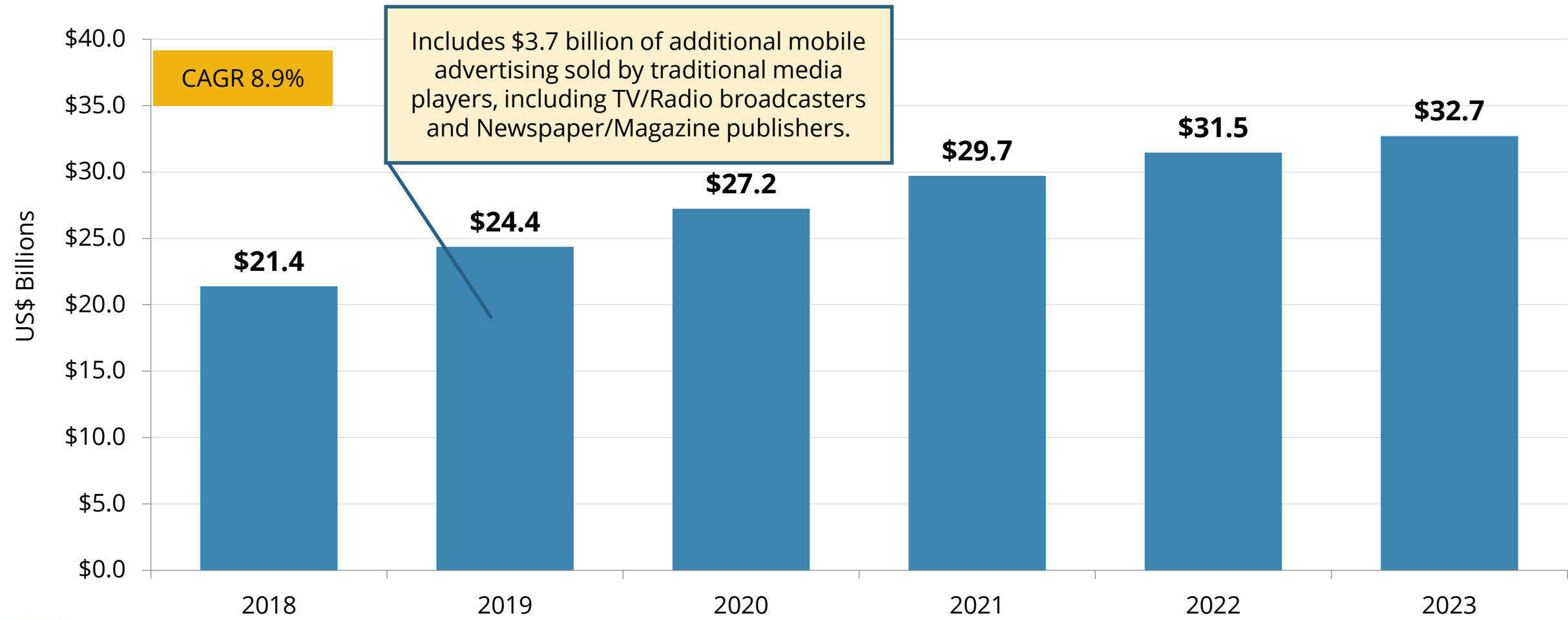
Mobile will represent 13.9% of local advertising spend in 2019 and will grow to 16.4% by 2023.



Location-Targeted Mobile Ad Spend



Five-Year Forecast



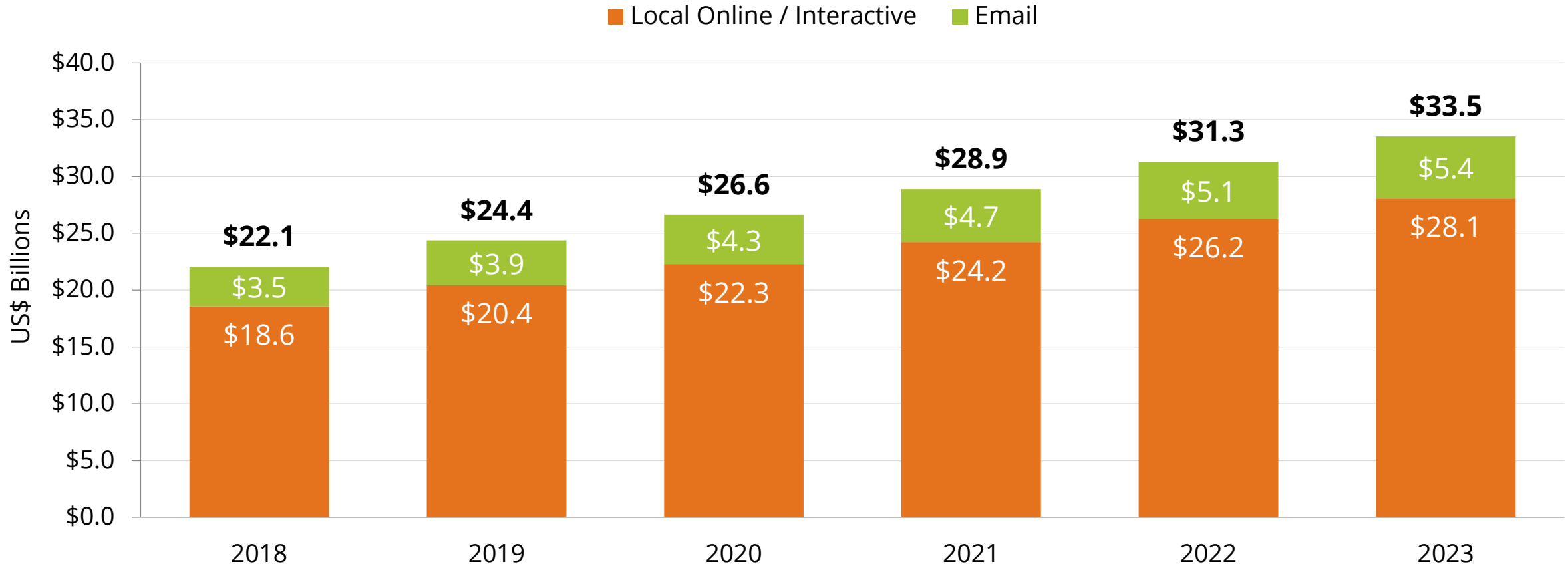
Local Online/Interactive

Desktop video is driving growth,
increasing at a double-digit CAGR.

Local Online / Interactive




Five-Year Forecast



Note: Numbers are rounded. Digital revenues associated with traditional media (e.g., websites associated with local TV stations, local radio stations, newspapers and magazines) are included in the revenues for the traditional media, and are not included in Online/Interactive revenues above.

Online / Interactive Forecast Summary



Online/interactive as a whole will grow at a 8.6% CAGR, with local desktop video experiencing a strong 16.6% CAGR, followed by local desktop search at a 10.9% CAGR.

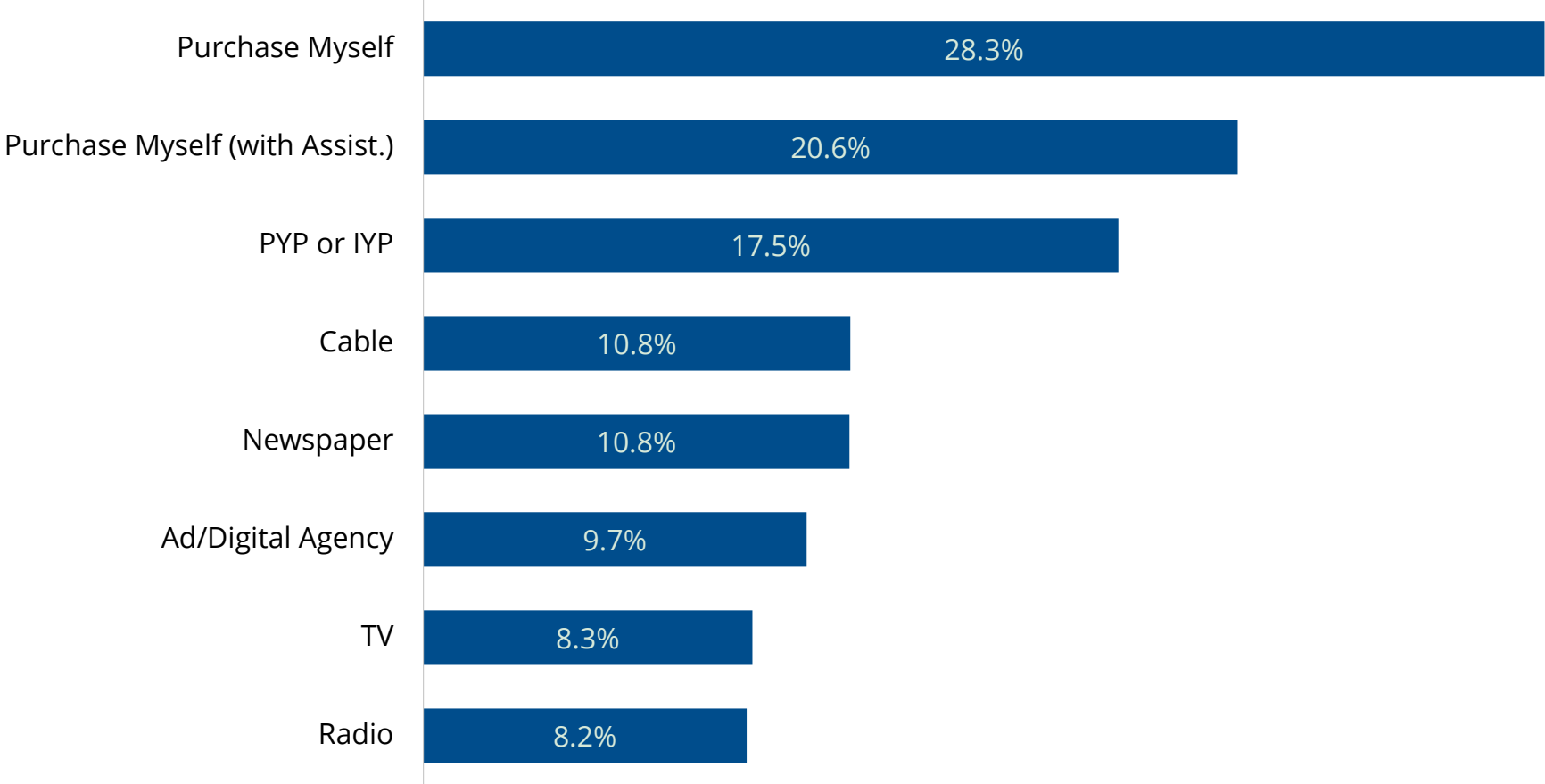
Local desktop display advertising (inclusive of video and social) is expected to have a 8.9% CAGR, as video streaming and social sharing continue to grow online.

Local search on desktop devices will grow at a 10.9% CAGR. While mobile becomes an increasingly important factor, desktop search remains an important component of the overall search spending accumulated by the two dominate players in the space (Google/Bing).

Email is expected to grow at a 9.3% CAGR, as the medium continues to offer companies a highly trackable direct line to past customers, that are often relatively easily converted into additional sales.

Digital Ads: Purchase Channels

Which of These Channels Do You Use to Purchase Online Ads?



Purchase Channels Vary By Seller

Channel	Most Popular Digital Ads Purchased
Local Radio	Social, Email & Mobile
Local TV	Social, Email & Video
Local Ad Agency	Social, Search & Email
Local Cable	Social, Display & Mobile
Local Newspaper	Social, Email & Display

More from the U.S. Ad Forecast

Log into BIA ADVantage to access the U.S. Local Advertising Forecast and insights and analysis for individual media.

US Advertiser Forecast

U.S. Advertising Forecast 2019

The U.S. Local Advertising Forecast 2019 provides a complete overview of paid U.S. local advertising. It includes a five-year national overview of total U.S. spending in local markets and market-based advertising revenue estimates for top media: Local video (including local OTA TV, local cable TV, Out-Of-Home video, mobile video), radio, newspapers, online/interactive, mobile, direct mail, directories, Out-of-Home, social, and magazines.)

BIA Advisory Services defines the local advertising marketplace as all media generating revenue by selling access to local audiences to all types of advertisers (i.e., national, regional and local).

National Overview of Total U.S. Spending

[Download Report](#)

Individual Media Forecasts

Local Video (includes TV and Cable)

[Download Report](#)

Radio

[Download Report](#)

Mobile

[Download Report](#)

Direct Mail

[Download Report](#)

Online

[Download Report](#)

Magazines

[Download Report](#)

Specific Media Revenue & Share

[Download Report](#)

Newspaper

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Social

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Key Media Takeaways

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Out-of-Home

[Download Report](#)

Directories

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Share of Wallet – Local Activation

Using BIA's Forecast Data

1. Identify the channels where your audience's eyes are, where advertisers are spending, and where you are currently making revenues.
2. Where there are gaps, begin to implement education, training, and product streamlining so that you can create expert sellers.
3. Use research specific to local markets and advertisers, evaluate your current landscape, including areas where you can grow share of wallet within verticals



Let's do a market analysis
of local markets:

Nashville
Baltimore

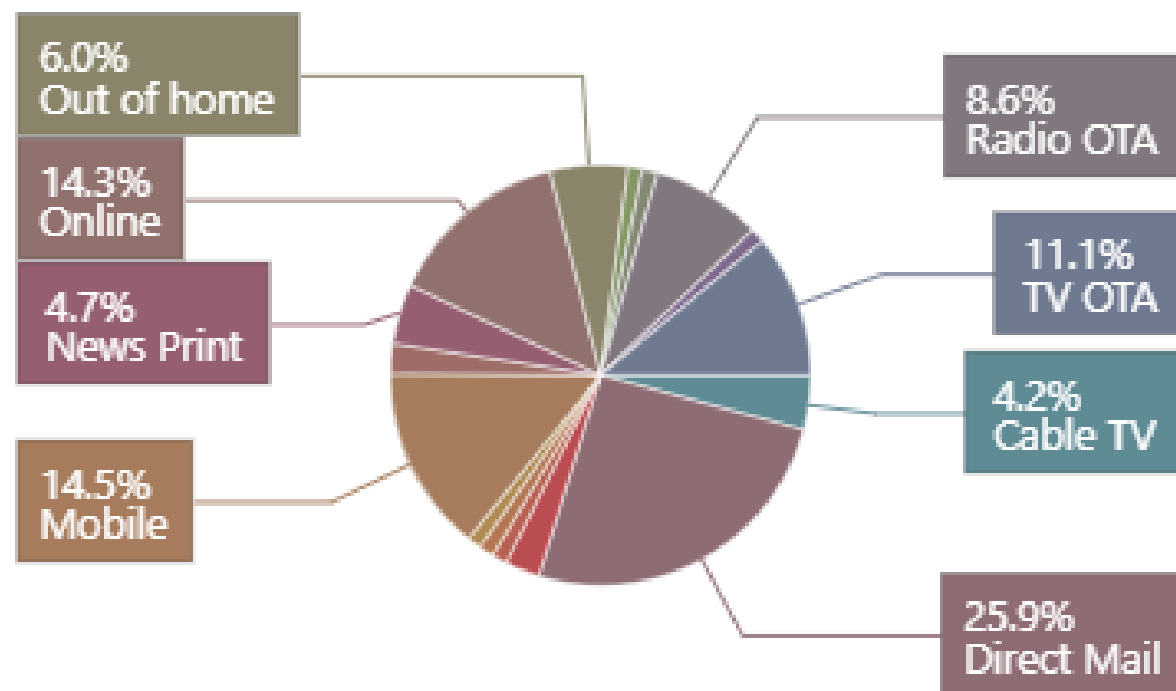
Nashville Media Ad Spending

Share of Wallet Across Media and Digital Ad Spending

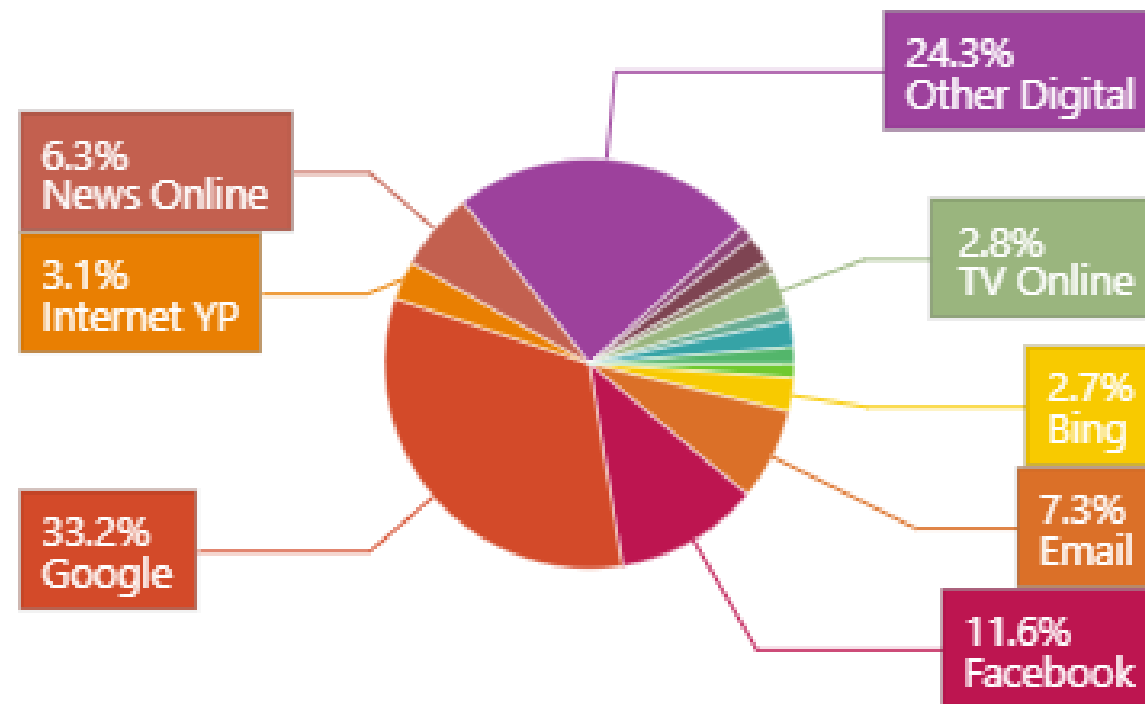
BIA Take

TV gets 11% to 18% of local advertising in most markets.
Where else can you get share?

Media Ad Spending: \$1.2 Billion



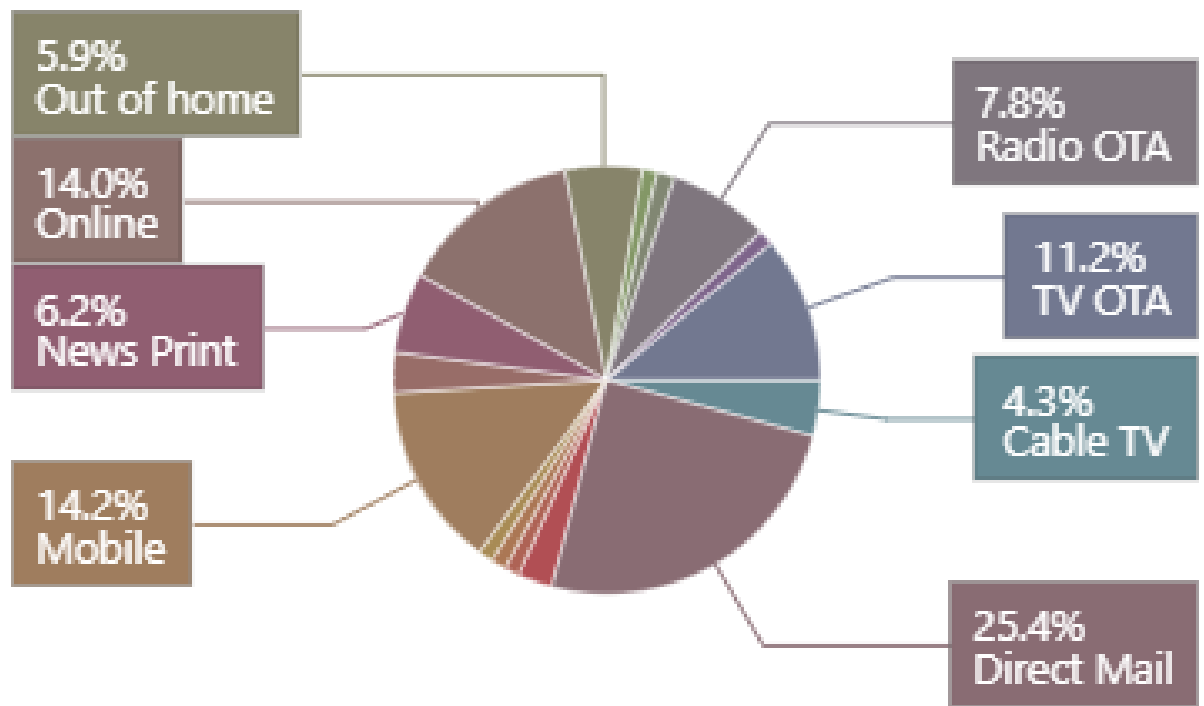
Digital Ad Spending: \$468 Million



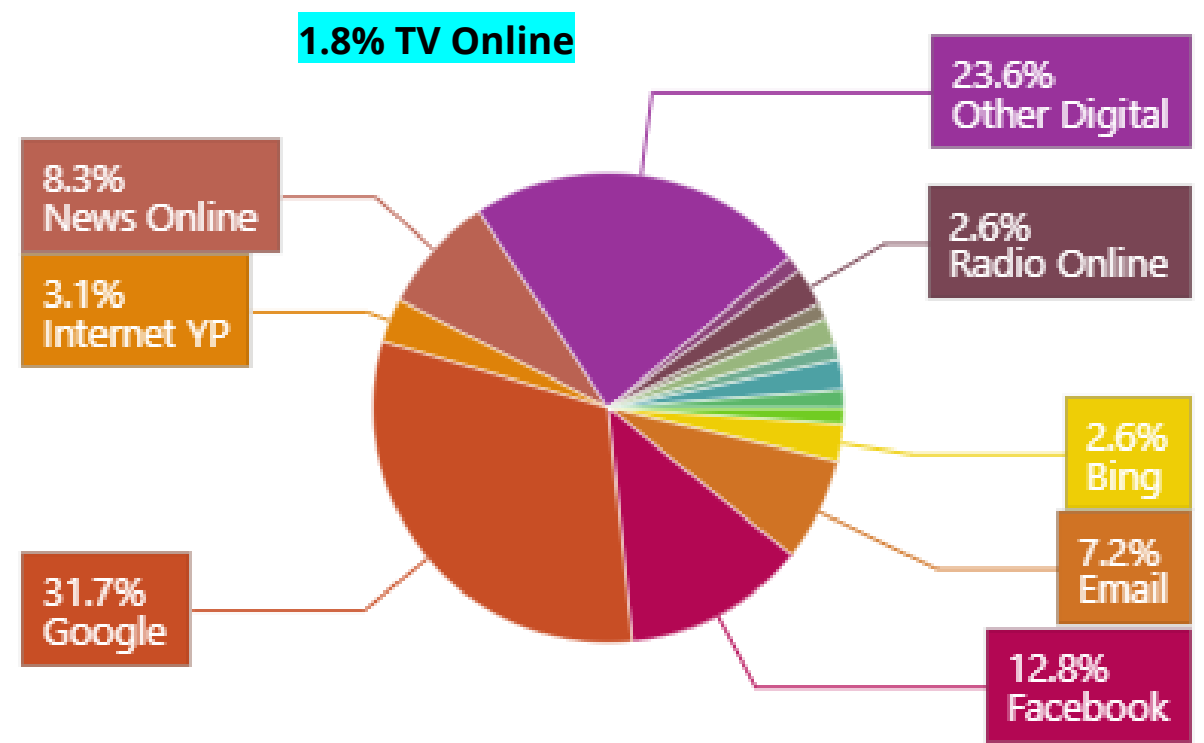
Baltimore Media Ad Spending

Share of Wallet Across Media and Digital Ad Spending

Media Ad Spending: \$1.4 Billion



Digital Ad Spending: \$534 Million



Survey Question

What verticals do you expect will have the most ad revenue percentage increase in 2019?

Automotive	24%
Financial/Insurance	6%
Health	71%
Restaurants	0%
Other	0%

53 people voted during the webinar.

BIA Take

4-5 key verticals
account for
70% to 80% in
most markets.

TV Market: Nashville, TN

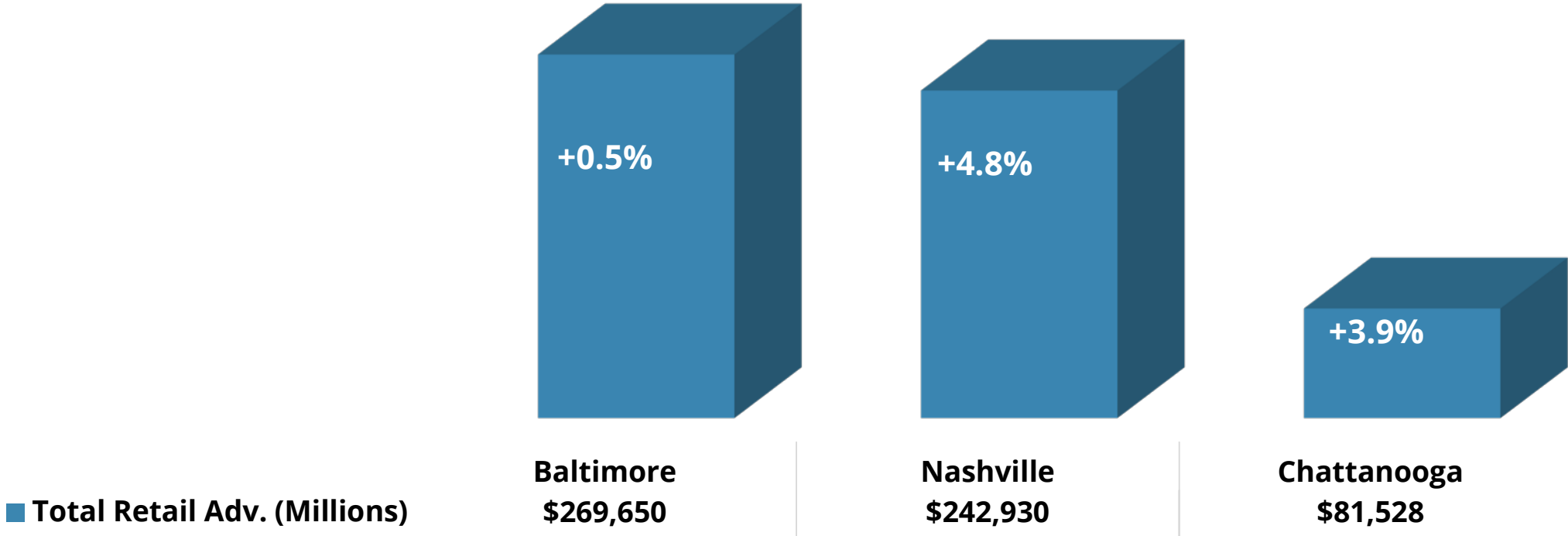
Nashville:
Vertical Ad
Summary by
Ad Revenue
Forecast

Vertical	2018 Local Advertising (000)s	2019 Local Advertising (000)s	Percent of Total	Annual Change
Retail Advertising	\$231,704	\$242,831	19.6%	4.8%
Financial/Insurance	\$145,405	\$153,483	12.4%	5.6%
General Services	\$132,754	\$143,443	11.6%	8.1%
Restaurants	\$127,142	\$136,763	11.0%	7.6%
Technology	\$112,717	\$122,489	9.9%	8.7%
Automotive	\$120,826	\$120,455	9.7%	-0.3%
Leisure/Recreation	\$100,818	\$110,943	8.9%	10.0%
Health	\$83,359	\$90,387	7.3%	8.4%
Media	\$37,731	\$39,929	3.2%	5.8%
Real Estate	\$28,928	\$31,591	2.5%	9.2%
Education	\$13,118	\$13,830	1.1%	5.4%

Retail Advertising Comparison

BIA Take
Direct Mail + Radio > 50%
of Retail Advertising


Local Market Opportunities for All Retail Advertising (Comprised of 28 Sub-Verticals)



A background image showing medical equipment, including a red heart-shaped object, a stethoscope, and a syringe, set against a white surface with a reflection.

**Healthcare
Spends
\$1.7B
on
Local TV
in
2019**

Healthcare Vertical



8 verticals available...

Nashville, TN

TV Market: Nashville, TN - TV Rank #27

Account

Log out

HOME

MARKET SUMMARY

VERTICAL SPEND

FULL MARKET REPORT

LOCAL TV DATA

LOCAL RADIO DATA

MARKET ONLINE

US AD FORECASTS

ADVERTISER SURVEY

REPORTS & WEBINARS

2019 Healthcare Media Ad Spending (000)s

TV Market: Nashville, TN

TV Market: Nashville, TN, Vertical: Healthcare

Media Type	2018 Local Advertising (000)s	2019 Local Advertising (000)s	Percent of Total	Annual Change
Direct Mail	\$28,880	\$31,410	34.8%	8.8% ↑
TV OTA	\$12,974	\$13,923	15.4%	7.3% ↑
Online	\$8,587	\$10,325	11.4%	20.2% ↑
Radio OTA	\$7,646	\$7,819	8.7%	2.3% ↑
News Print	\$5,536	\$5,524	6.1%	-0.2% ↓
Cable TV	\$3,969	\$3,883	4.3%	-2.2% ↓
Mobile	\$3,466	\$3,768	4.2%	18.0% ↑
News Online	\$2,376	\$2,765	3.1%	16.4% ↑
Mags Print	\$2,285	\$2,190	2.4%	-4.1% ↓
Internet YP	\$1,632	\$1,827	2.0%	11.9% ↑
Out of home	\$1,449	\$1,586	1.8%	9.5% ↑
Print YP	\$1,410	\$1,389	2.0%	-1.5% ↓
TV Online	\$913	\$1,315	1.5%	44.0% ↑
Radio Online	\$926	\$1,075	1.2%	16.2% ↑
Mags Online	\$853	\$1,047	1.2%	22.9% ↑
Email	\$458	\$541	0.6%	18.0% ↑
	\$83,360	\$90,387		

Survey of Advertising and Marketing: SAM™

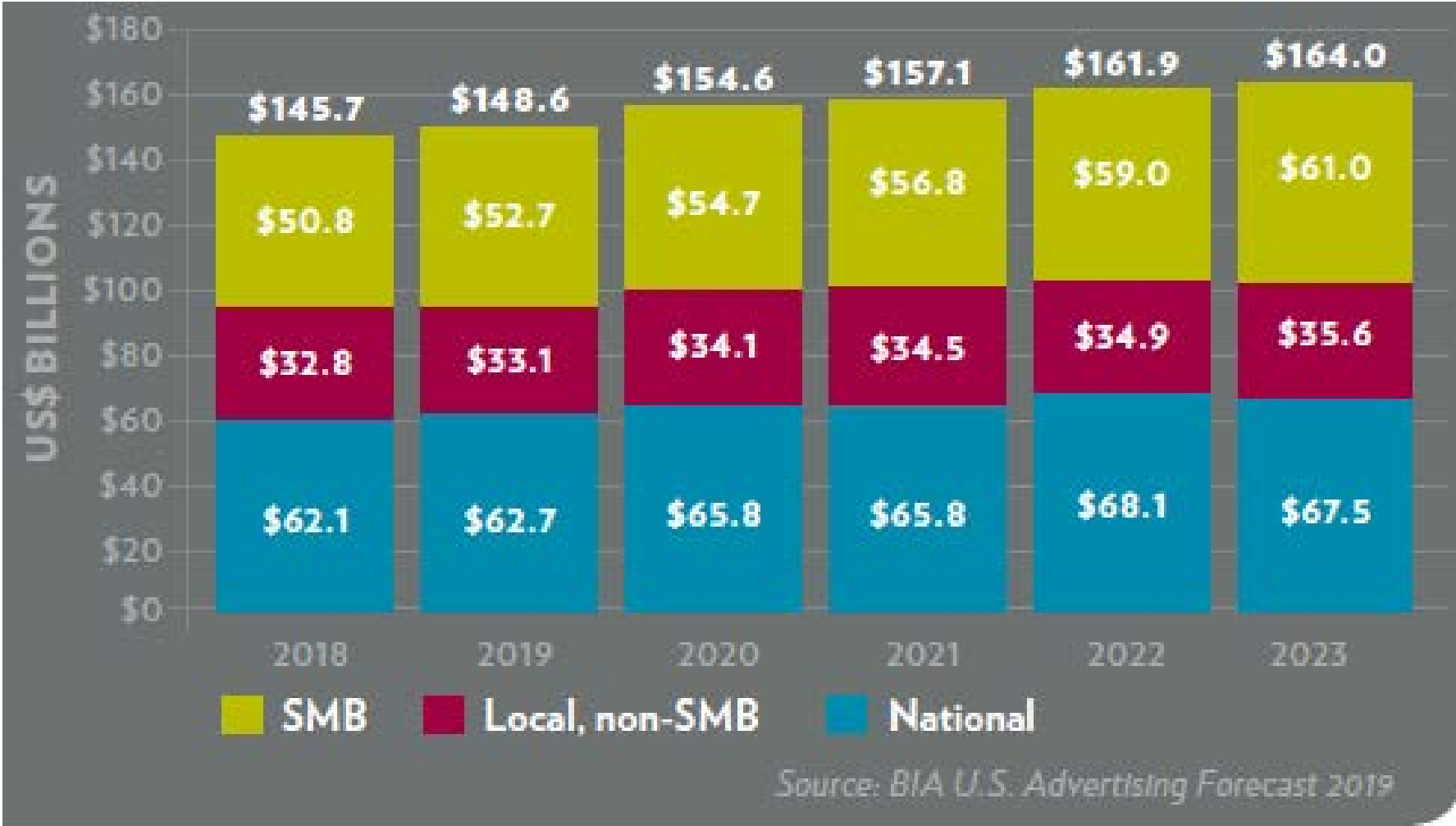
U.S. SAM survey includes local and now multi-location/regional and national businesses that target local audiences in their advertising and marketing. It offers broad and deep insights into all businesses within the local ad marketplace.

Let's look at franchisees.

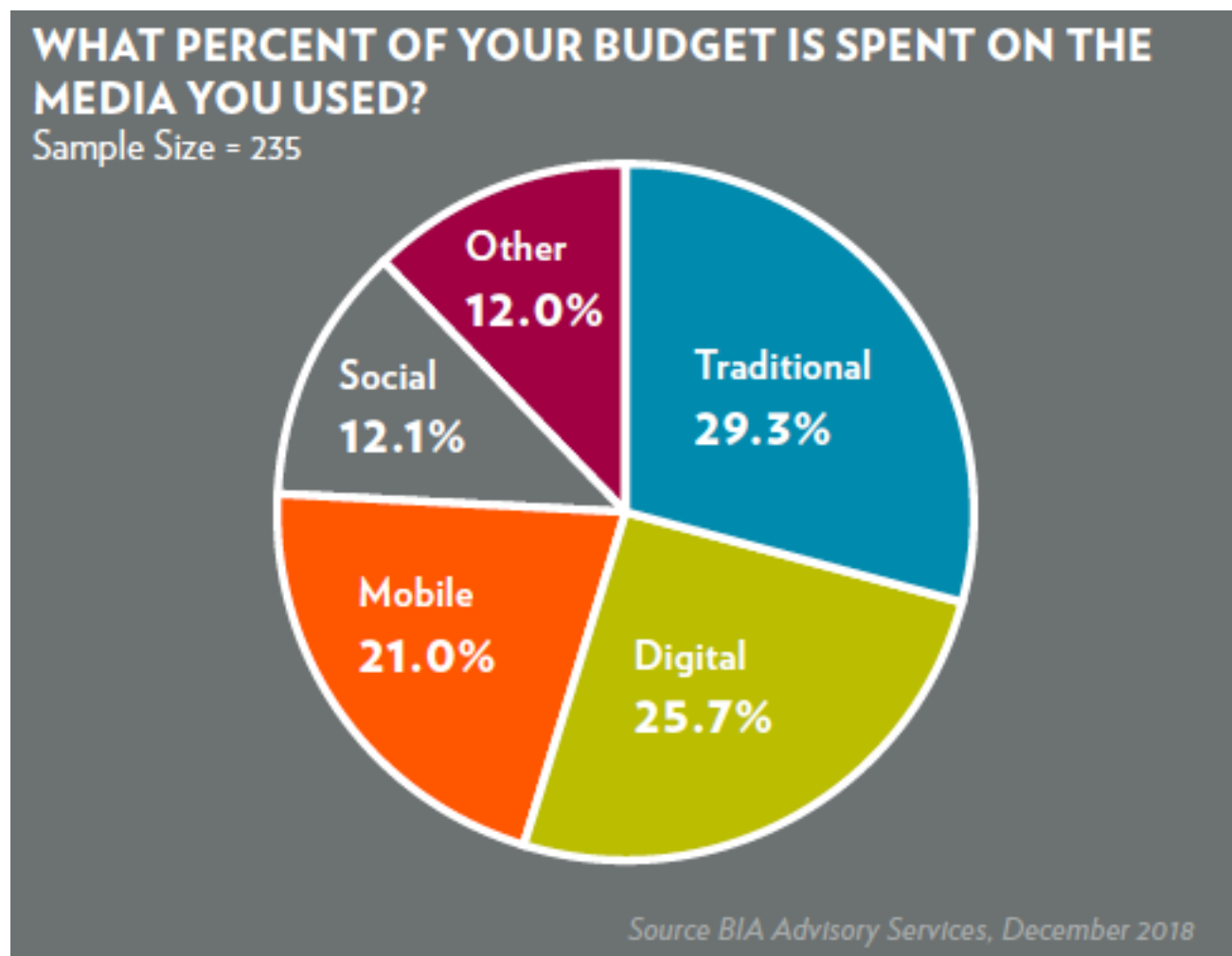


Franchisees Vital Part of Local Ad Ecosystem

\$62.7B Spent By Brands to Target Local Consumers in 2019



Franchisees Average \$64,000 Ad Budget

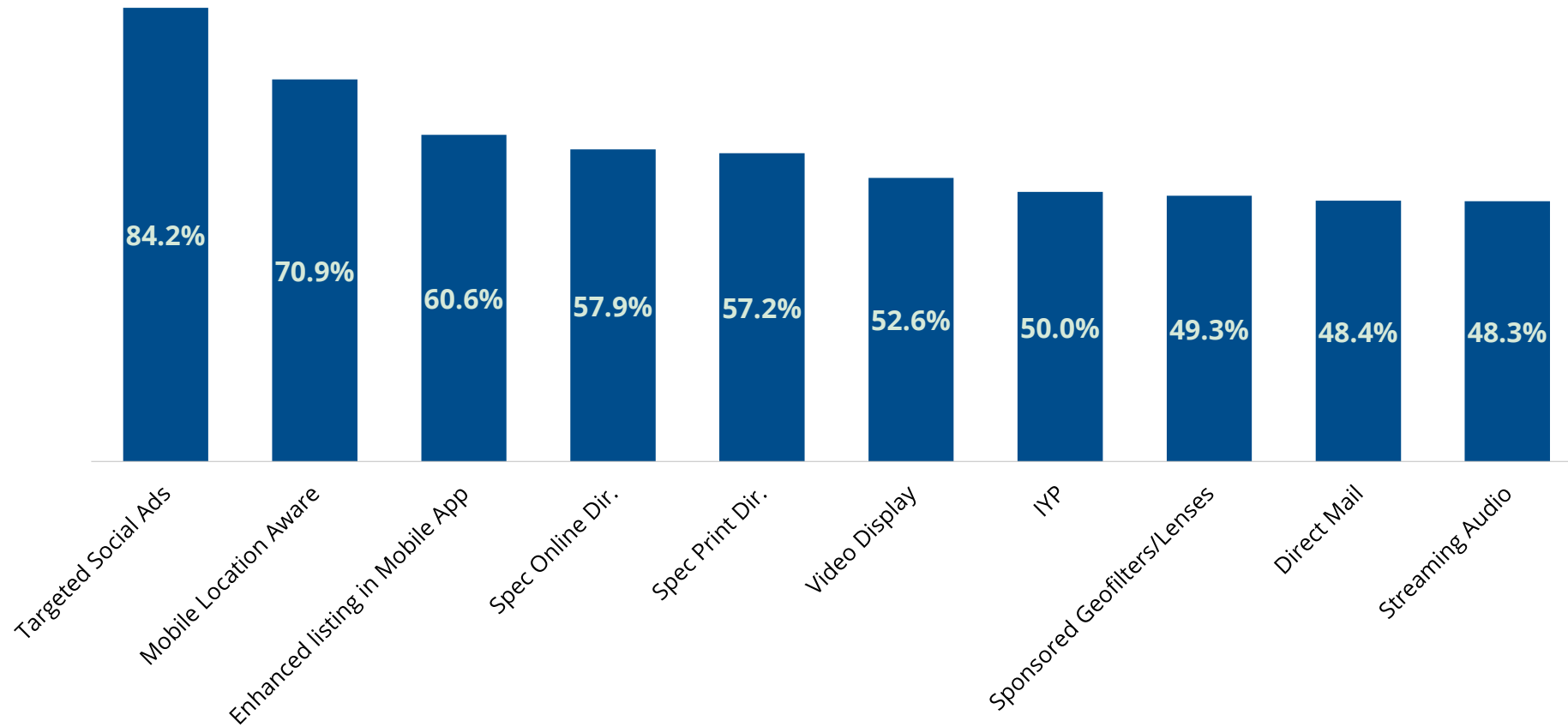


Traditional media is present in their mix with TV, direct mail and print yellow pages showing the most use and highest ROI.

Search shows the highest increase in spend for 2019 and it has the third highest ROI rating for media.

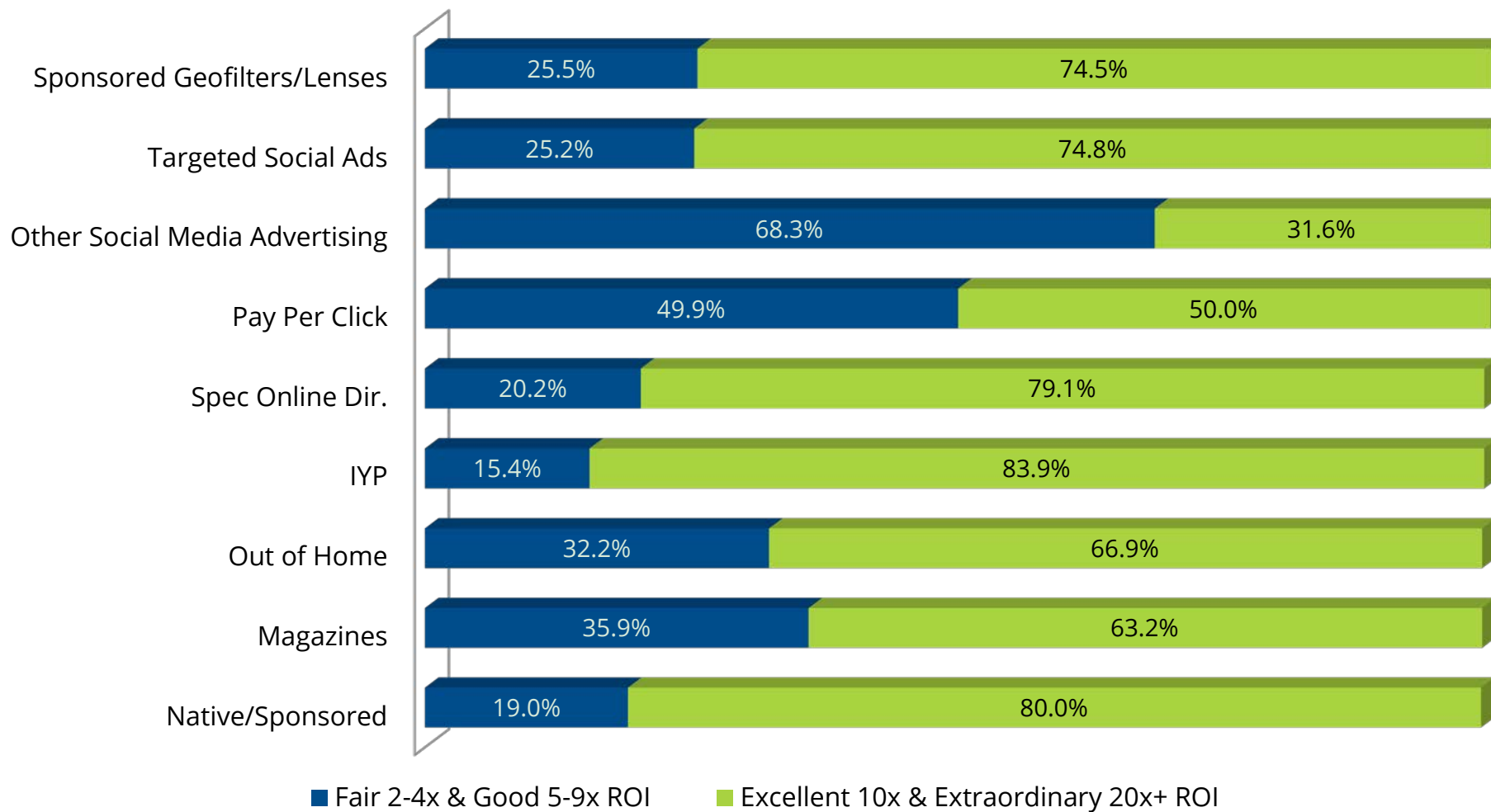
Advertising: Top Media

Franchisees use 16 different ad channels in their marketing mix. This is higher than non-franchisees, which use only 9-10 channels to advertise.



What do you use to advertise your business? Sample Size = 235

Top Media: Highest ROI



Rate the ROI of the media you use. Sample Size = Variable

Spend Trends Selling Summary

Franchisees Spend Where Consumers Are – Social & Mobile

- **Franchisees are new ad adopters, as they need to keep up with how consumers use technology.**
 - Their social, mobile and digital strategy reflects their tech-forward behaviors.
 - The media channels with the most use include mobile and social. Video display is also high, which reflects the growth of consumers watching videos. Co-op dollars are top used for YouTube videos.
 - Geo-filters and lenses had the highest ROI of all media; they are low cost and easy way to catch consumers near their locations while also building brand dominance.
 - Adding to the targeting capabilities of mobile and social, franchisees will increase their spend on email to reach customers for loyalty and other offers. Email is also their top addition for those that don't use it in 2019.

Summary – Trends in Spending

Co-Op Increases Ad Spend

- **Successful sellers understand and know how to max out co-op ad dollars and how to tap into franchisee budgets to extend and complement co-op programs.**
 - Be extremely clear on ad performance and ability to show examples of success beyond “brand building” and focus on driving revenue, more calls, likes, form fills, etc.
- **There’s plenty of opportunity across traditional and digital channels.**
 - Focus on brand building and targeting their key customers to action. For example, advertising that drives promotions and deals through targeted media like programmatic, video, mobile and social is where franchisees are spending more ad dollars.
 - Franchisees are advanced in targeting. Media sellers can get them to use media if the targeting can get to their ideal customer.
 - Media sellers will retain their franchisee customers for the long tail if they can provide multi-channel solutions, prove the value of ad placements and meet customer benchmarks.

Franchisee Report Available in BIA ADVantage

Main Page When You Login under “Featured Content”
AND on the Advertiser Survey Page



Final Takeaways

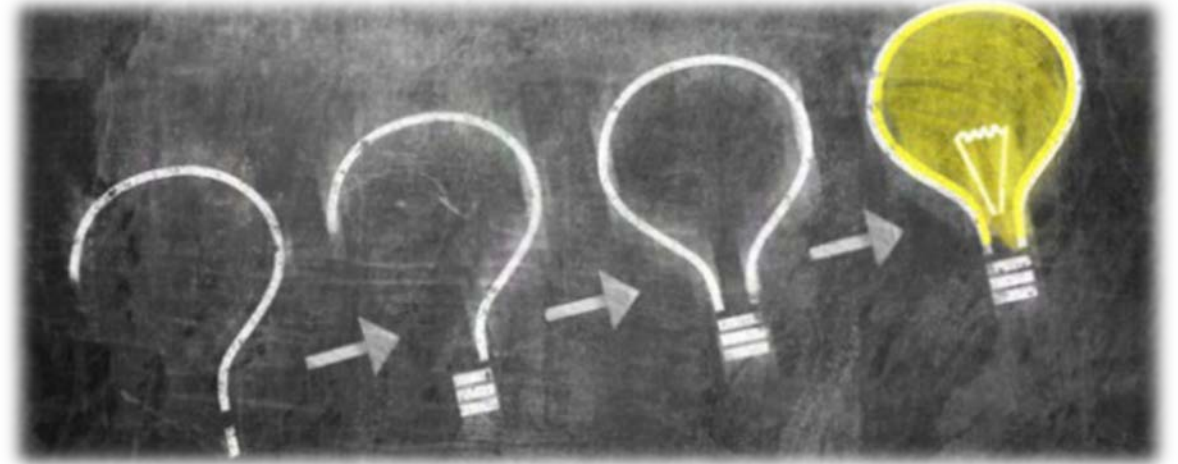
Steps to optimize your positioning and selling opportunities in BIA ADVantage.

- 1. Think broadly: local market may be larger than expected.**
 - Think beyond your media
- 2. Orient around ad spend by vertical in your market**
 - Closely monitor and track ad spending in all business verticals
- 3. Set realistic targets for online advertising**
 - 60%-plus of local online advertising goes to outside competitor but areas where you can secure opportunities – think mobile, social.
- 4. Know your local buyer.**
 - What motivates them and what they value and measure because it affects what they spend.

BIA ADVantage Supports Decision-Making

Benefits

- Develop analytics about current and potential customers in the sales pipeline to achieve an **increase in revenue levels**.
- Formulate best practices and insights that **drive business and sales**.
- **Define the addressable market** by business category, media sector, and geography.
- Size up the competition and develop a **data-driven vertical sales strategy**.
- **Understand advertiser plans and intentions** to support sales goals and external messaging.



- Understand the space before your competitors, so you can **build the best offering for advertisers**.
- **Uncover new opportunities** to grow revenue share.
- **Develop non-traditional revenue sources**.
- Grow sales revenue by developing strong relationships with local clients by **becoming a trusted advisor**.
- **Innovate** around important areas like programmatic, digital, mobile and social, advertiser behavior.



Questions? Q&A Time

Questions & Comments:

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