



Traditional Media Companies Adopting New Technologies

October 1, 2011

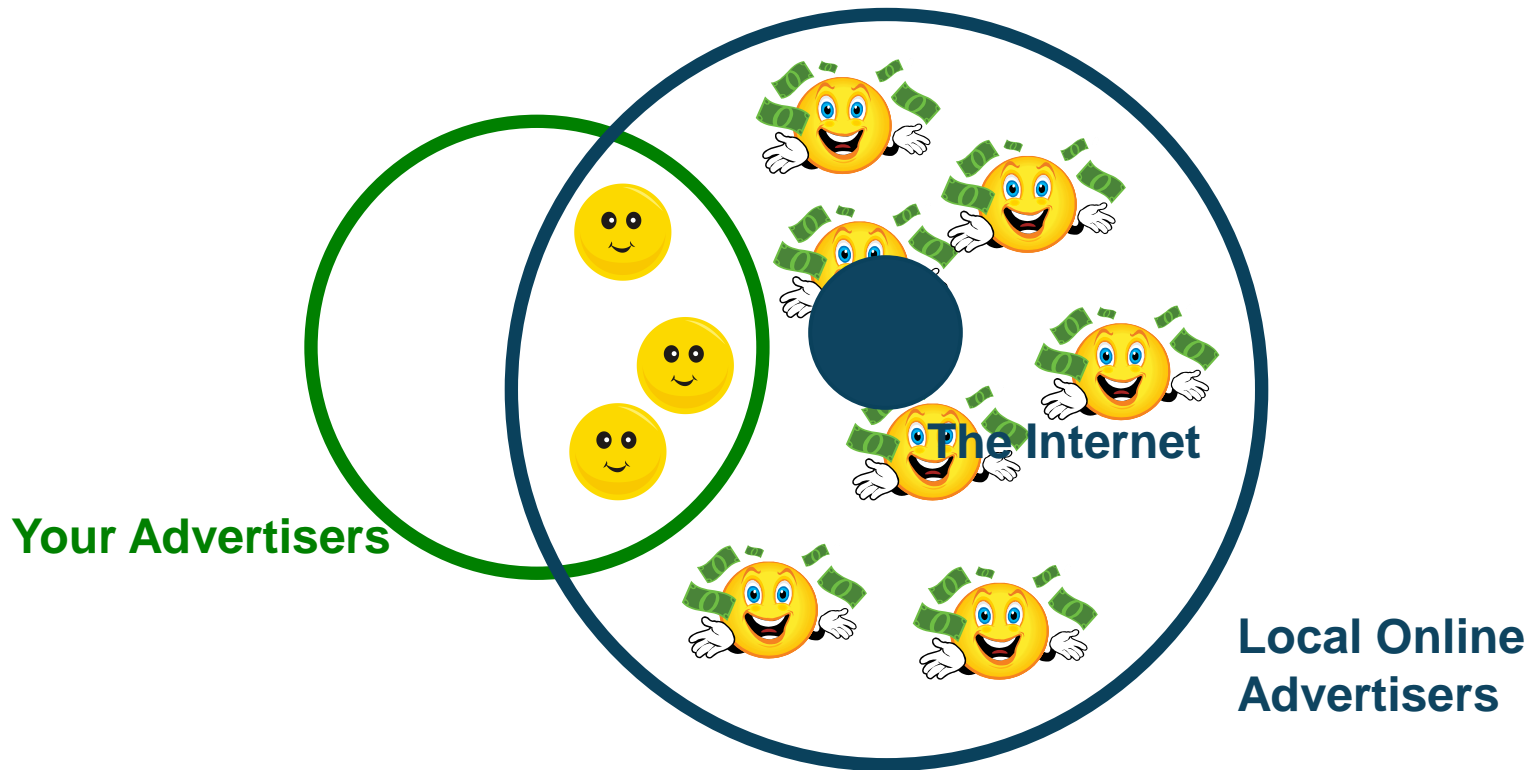
IFPA Free Paper Conference, Reno

Technology: Big Topic

- Production/delivery platforms
- Advertising products
- Consumer behaviors

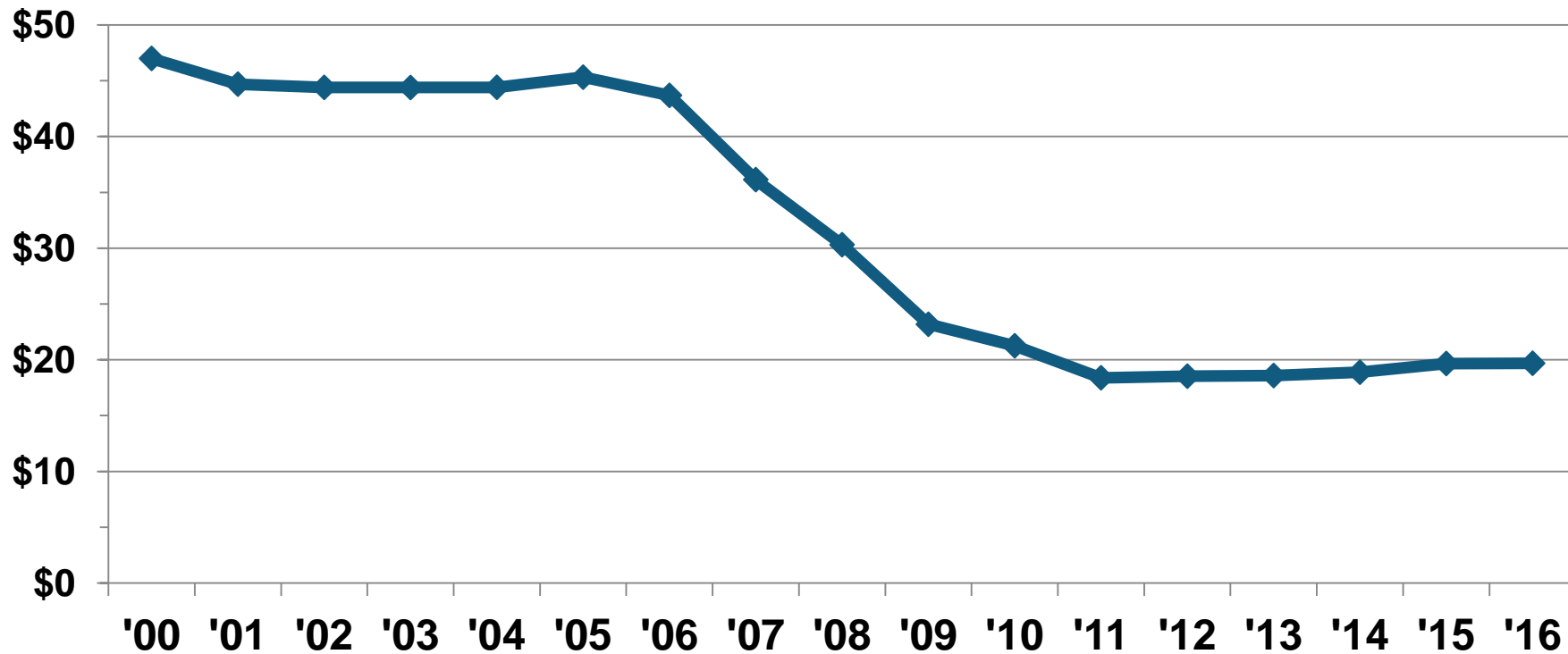


Technology as a Disruptor





Local Newspaper Ad Spending



www.borrellassociates.com

\$ billion



Relevant Market Trends

- Proliferation of internet; mobile
- Increased targeting
- Shift toward promotions
- Everybody is going after the local advertiser



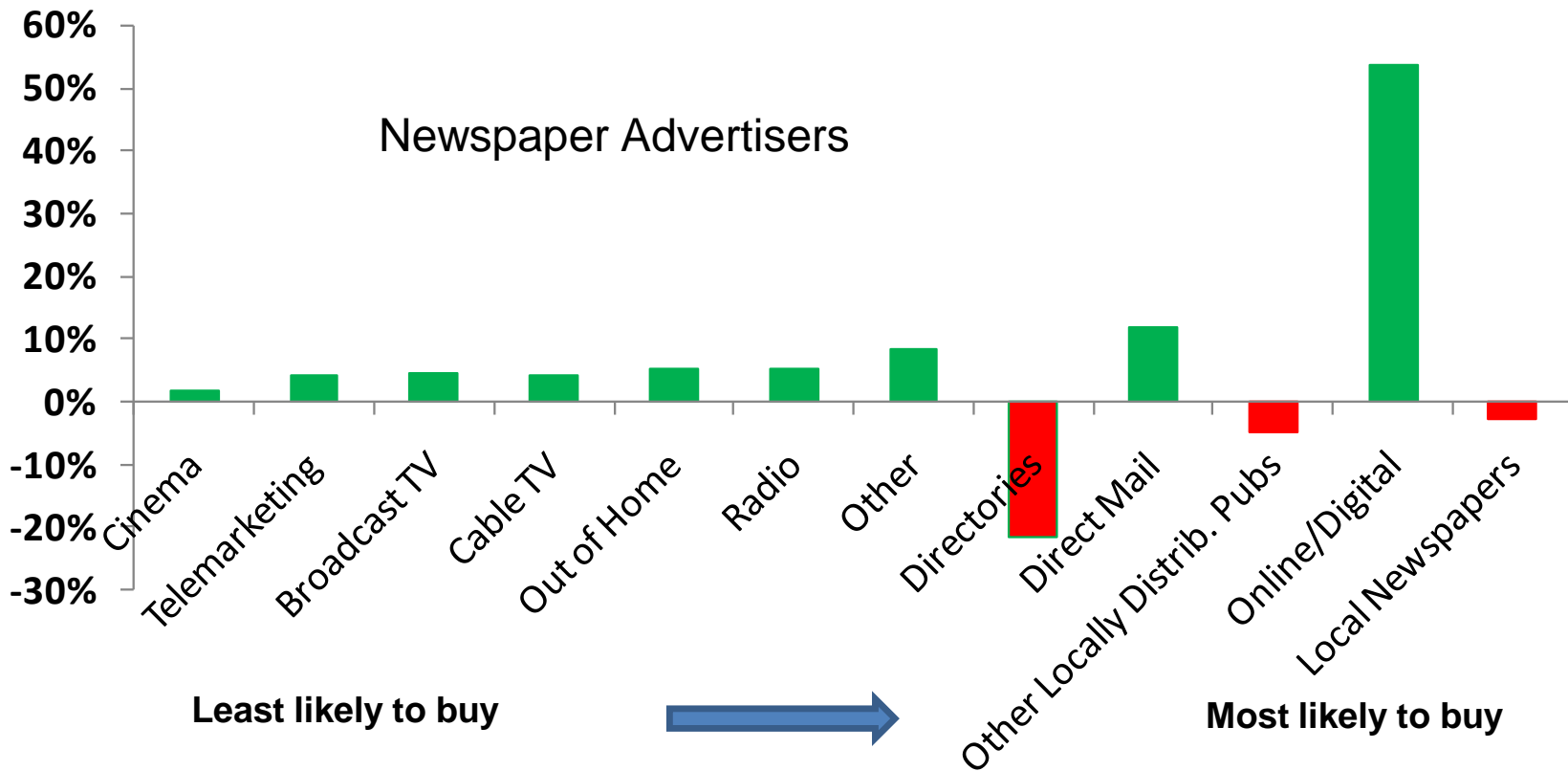


Local Ad Spending

	2010	2011	2012	2016
Online	\$13.5	\$15.3	\$18.3	\$27.2
Newspaper	\$21.3	\$18.4	\$18.5	\$19.7
Radio	\$12.6	\$12.1	\$11.4	\$12.5
Broadcast TV	\$10.5	\$10.5	\$11.4	\$10.2
Direct Mail	\$9.5	\$8.2	\$8.3	\$7.3
Other Print	\$8.4	\$8.1	\$7.9	\$6.1
Directories	\$6.6	\$5.0	\$5.3	\$4.3
Cable	\$3.3	\$3.2	\$3.6	\$3.9
Cinema	\$0.7	\$1.0	\$1.4	\$2.1
Out-of-Home	\$1.2	\$1.1	\$1.2	\$1.3
Telemarketing	\$1.0	\$0.8	\$0.9	\$0.9
	\$88.6	\$83.7	\$88.0	\$95.5

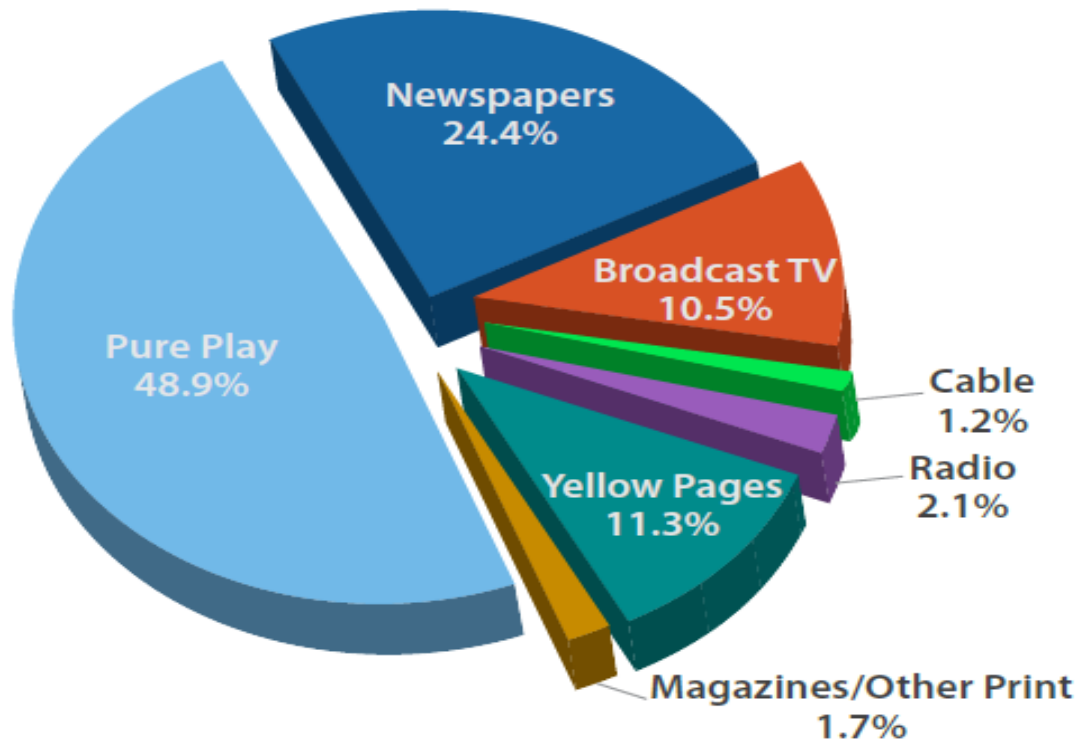


2010 to 2011 Local Ad Spending Changes





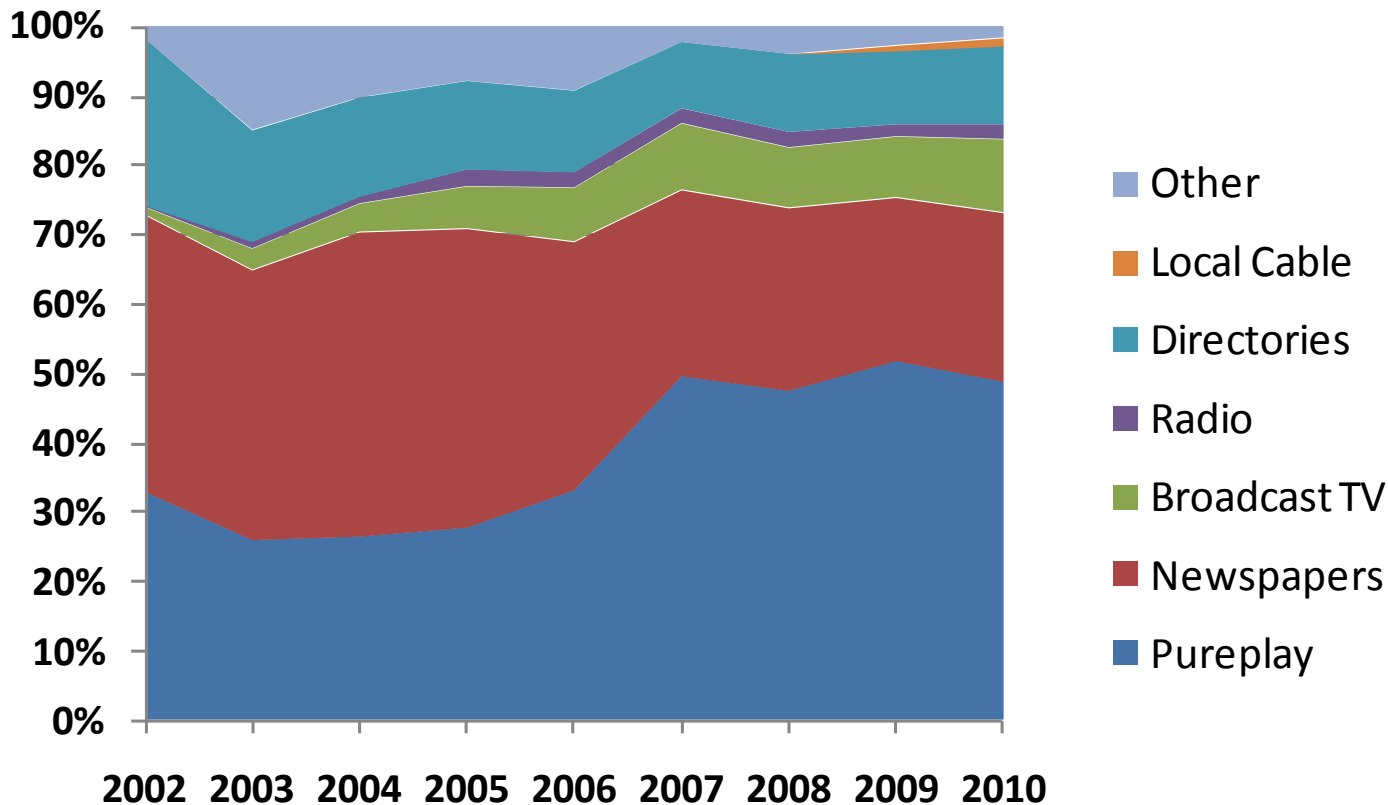
Local Online Ad Shareholders, 2010



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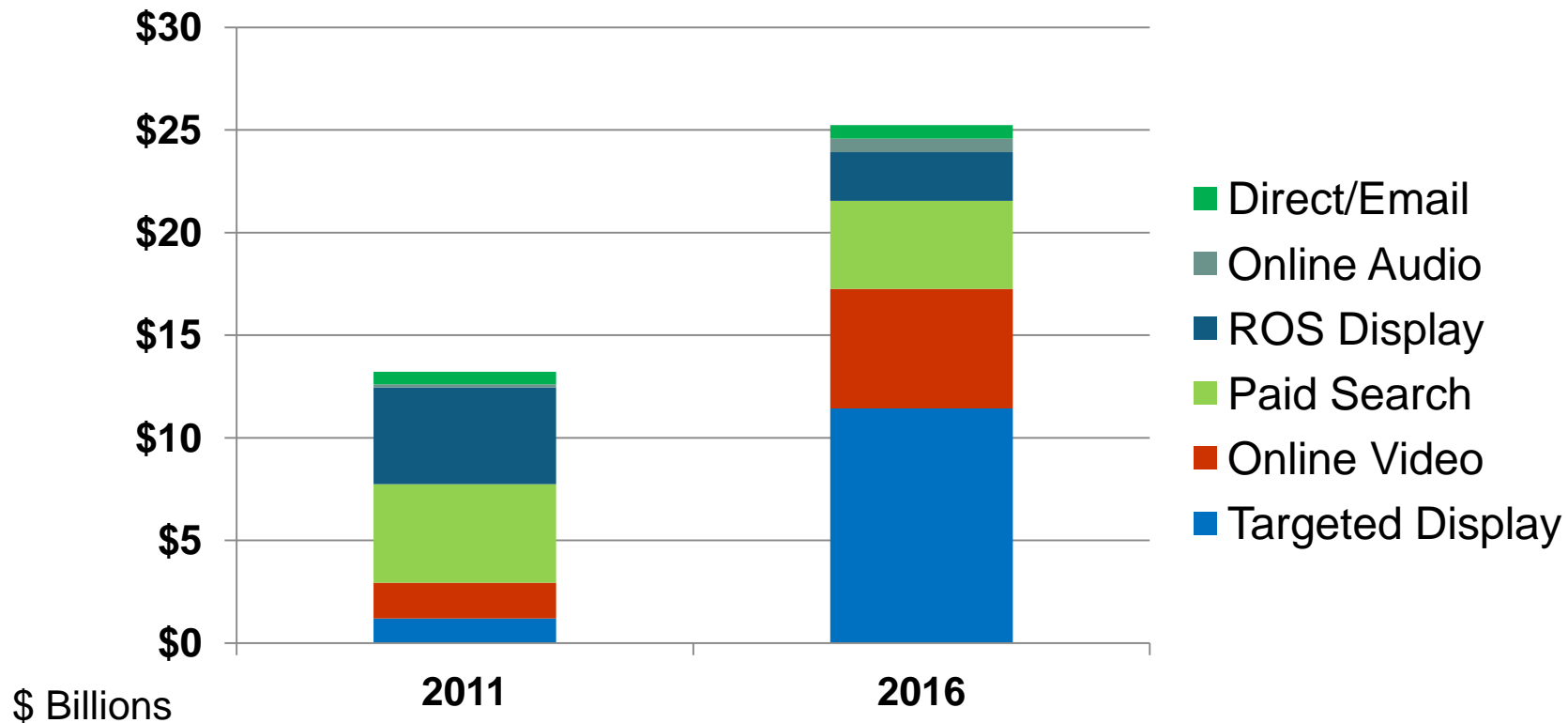


Local Online Advertising – Historic Shares





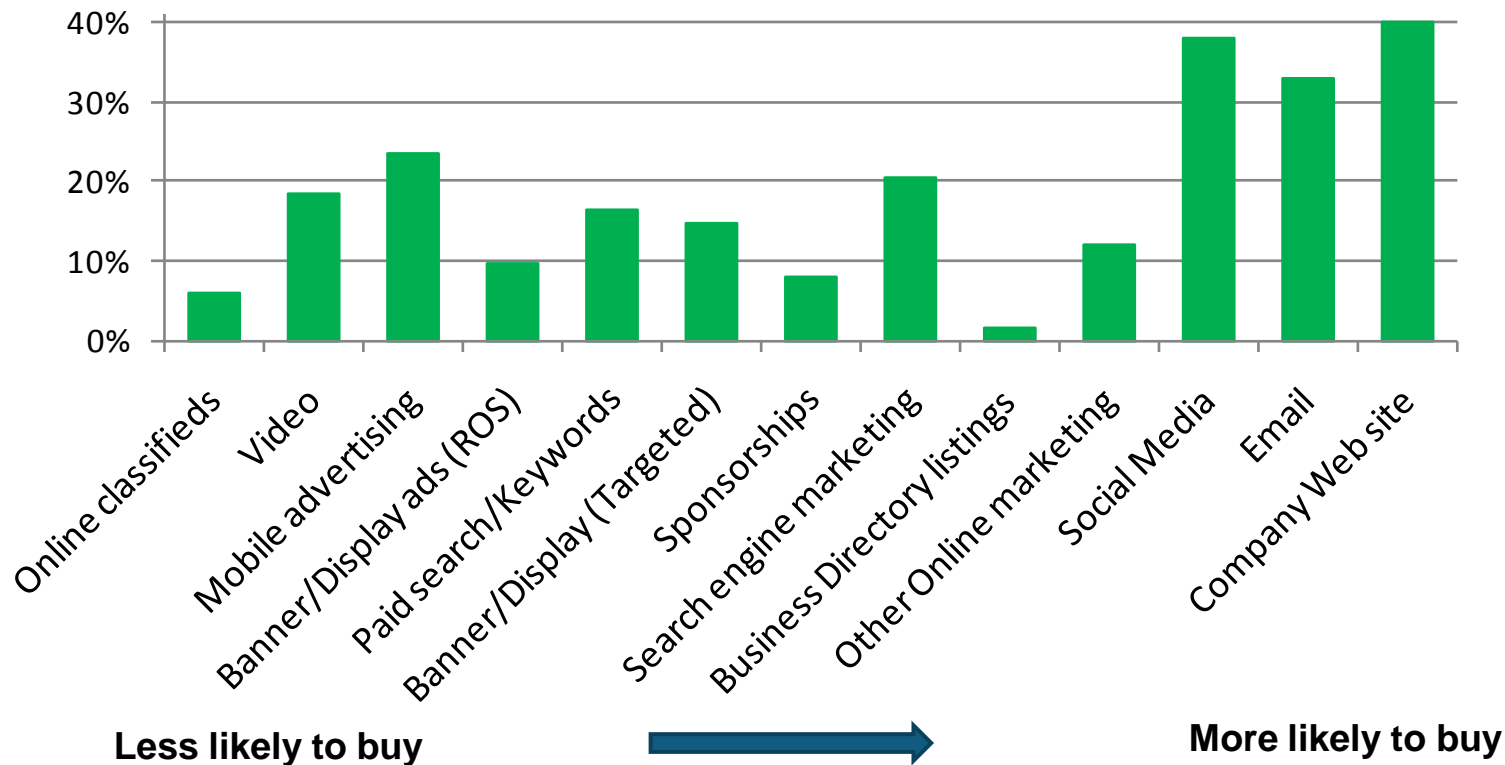
Online Ad Formats





2010 to 2011 Online Ad Spending Change

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Non-Advertising Marketing

	2010	2011	2012		2016
Promotions	\$114.3	\$169.8	\$177.5		\$273.7
Online Promos	\$0.8	\$1.4	\$1.7		\$5.9
Ad Production	\$20.5	\$17.6	\$19.9		\$25.1
Sales Materials	\$0.9	\$0.8	\$0.9		\$0.9
P.R.	\$0.3	\$0.3	\$0.3		\$0.4
Online PR	\$1.2	\$1.2	\$1.3		\$1.4
Research	\$0.2	\$0.1	\$0.1		\$0.1
	\$138.3	\$191.2	\$201.7		\$307.6

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\$ billion

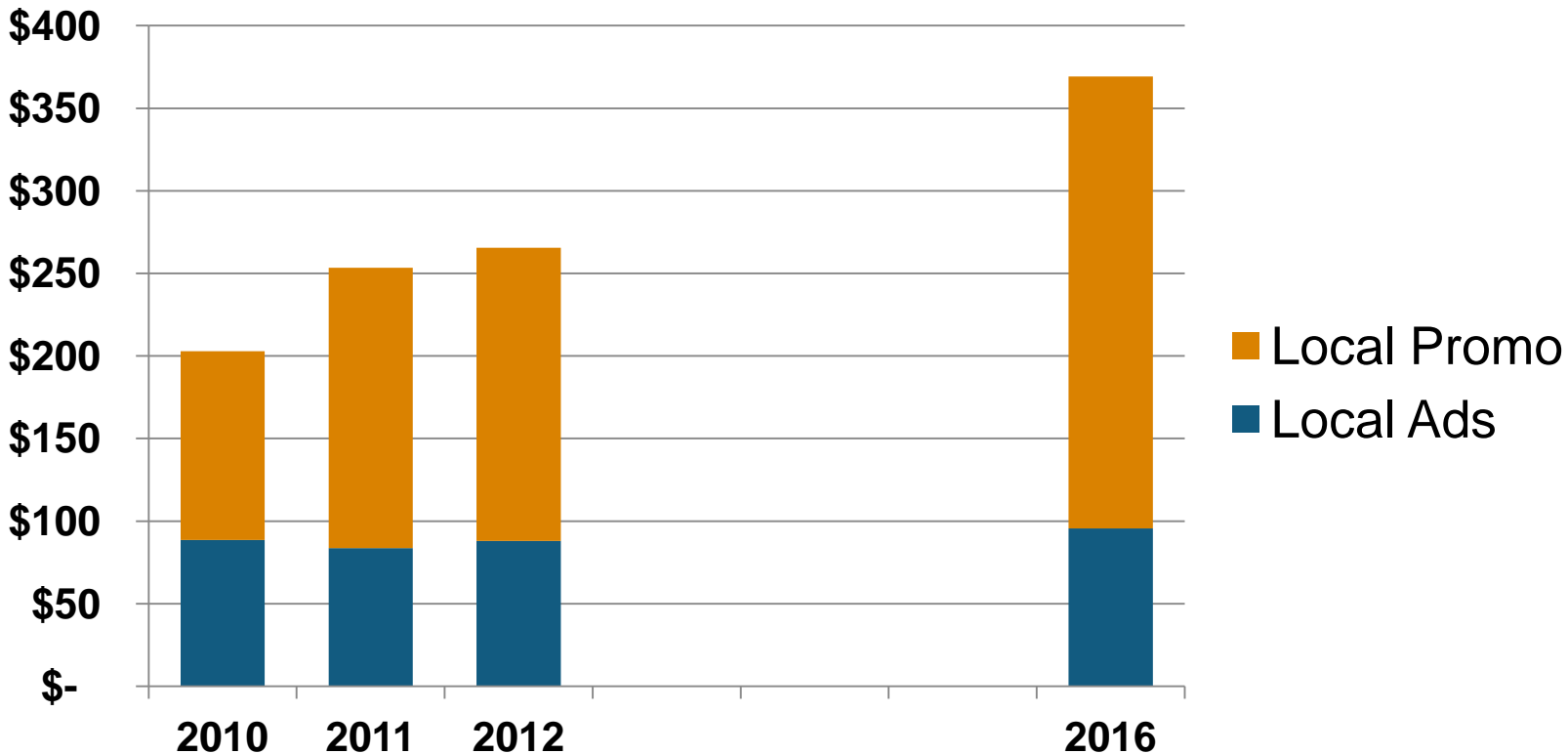


Promotions

- Cash value of discounts given
- Value of (redeemed) coupons
- Rebates
- Samples, PoP
- Games, Sweepstakes
- Etc.



The Growth is in Promotions



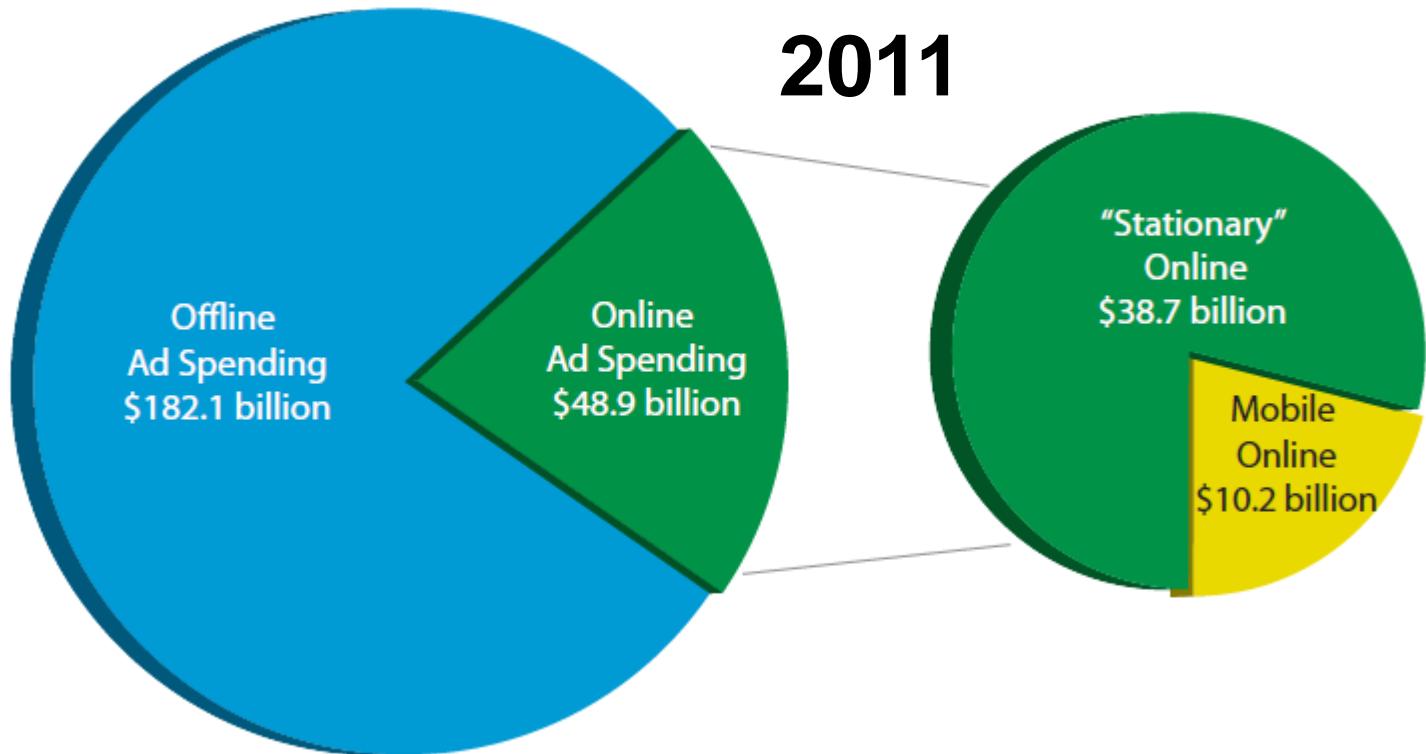
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\$ billion



Mobile in Perspective

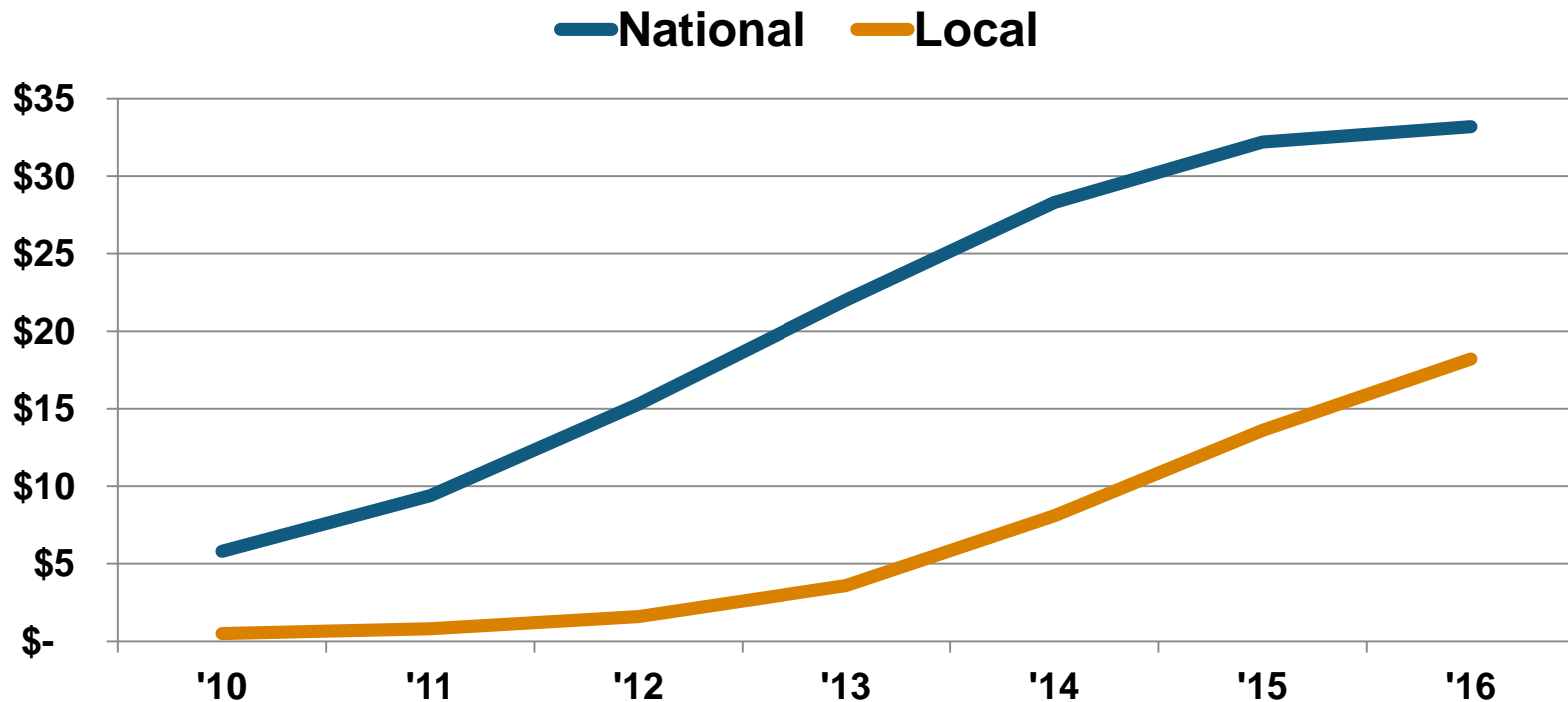
2011





Mobile – Local vs. National Spending

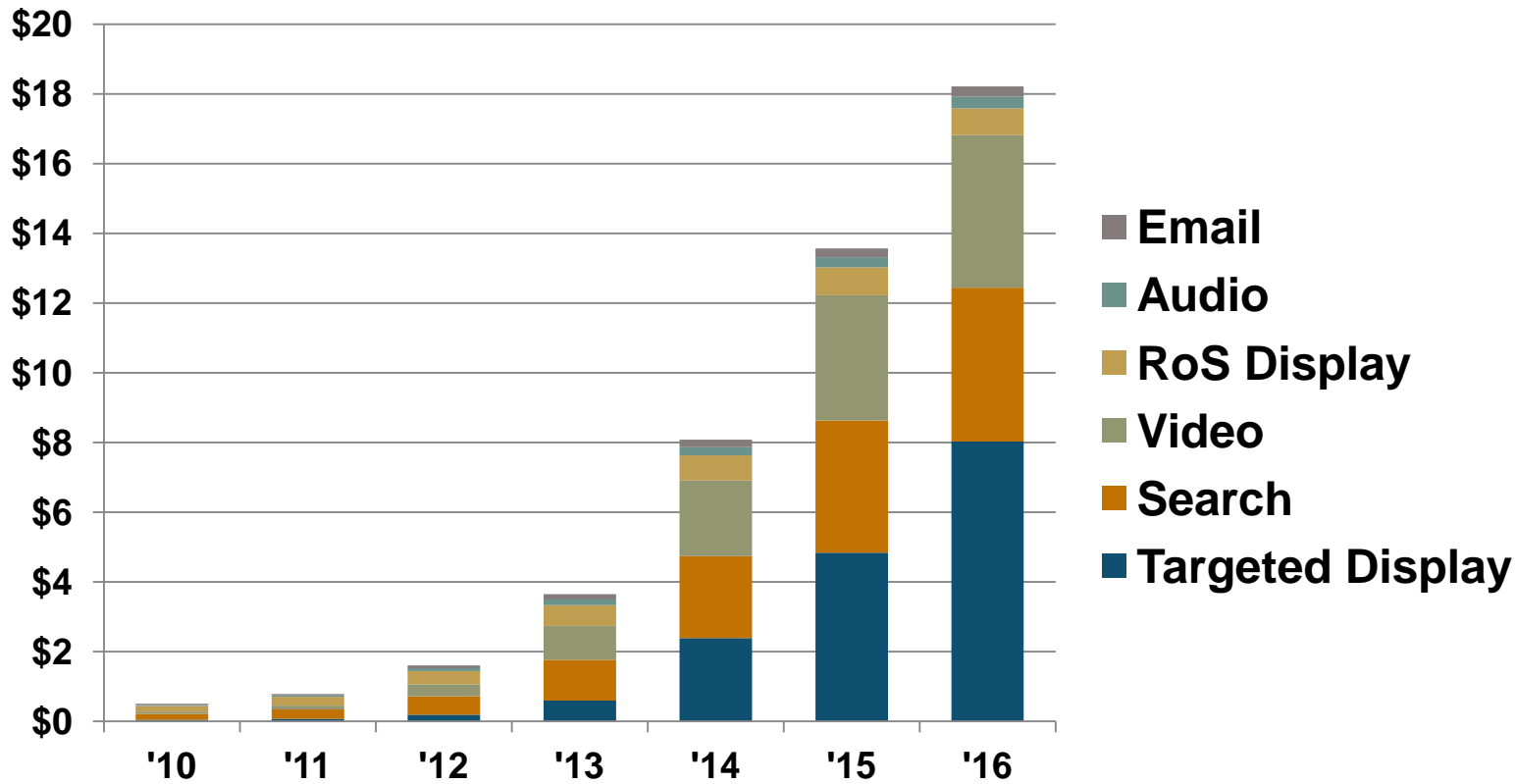
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\$ billion



Local Mobile Formats





What are local newspaper advertisers saying?

Under Siege from Ad Sellers

	Q4 2010	Q1 2011	Q2 2011
Sales approaches per month	23	25	20
Sales pitches taken per month	7	7	8



Where do you advertise?

In which of these paid advertising media categories have you advertised in 2010 or do you expect to advertise in 2011?



Newspaper	81%	4,787
Online/Digital	61%	3,628
Other Pubs	48%	2,870
Direct Mail	47%	2,759
Directories	40%	2,378
Radio	37%	2,169
Out-of-Home	21%	1,228
Cable TV	19%	1,122
Broadcast TV	15%	875
Telemarketing	5%	295
Cinema	5%	268



Likely to include mobile in 2011?

	Percent	n
Very likely	12.4%	604
Somewhat likely	23.5%	1,142
Not very likely	30.0%	1,457
Not at all likely	22.4%	1,086
Don't know	11.6%	563
Total	100.0%	4,852



Which of the following sources best provide you with new customers?

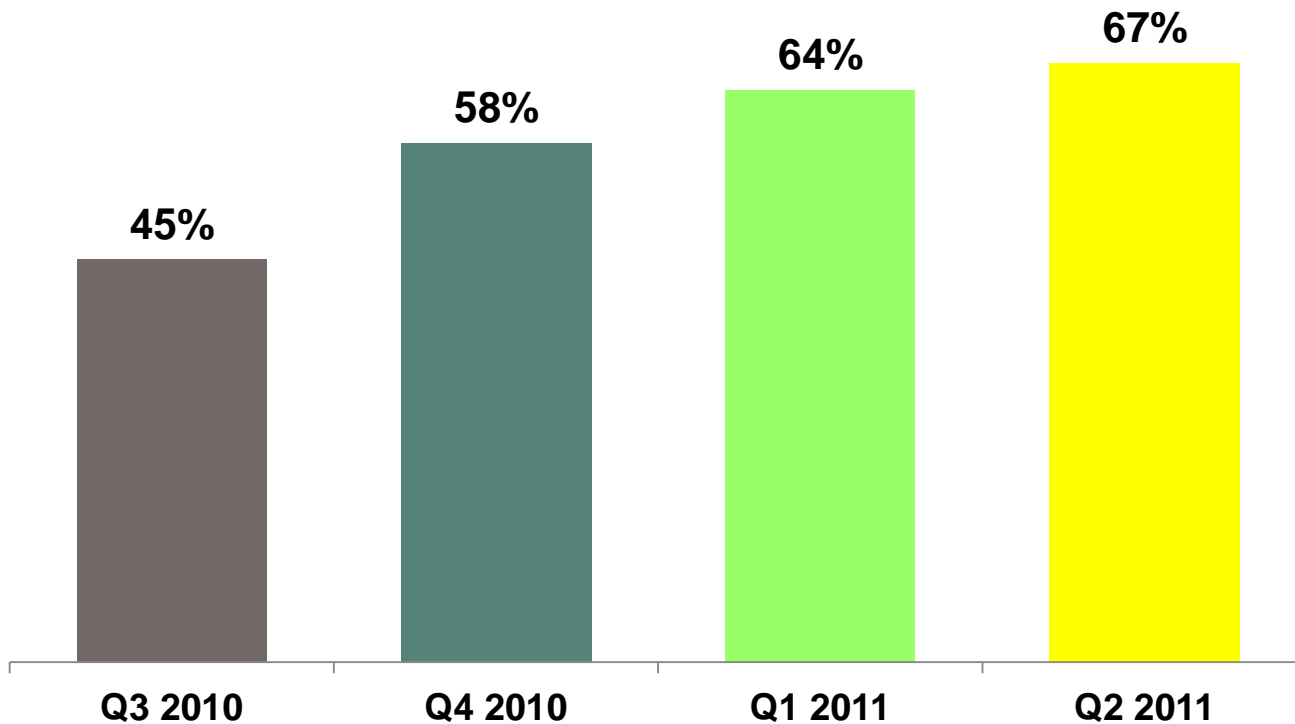
That is, how do people most often hear about your services and products who have not shopped with you or visited your business before?



Referrals from other customers	62%	2,764
Company website	61%	2,717
Referrals from friends & family	52%	2,318
Print newspaper ads	42%	1,897
Events	36%	1,599
Professional referrals	31%	1,387
Direct mail	26%	1,158
Email marketing	24%	1,058
Social media	23%	1,029
Radio Ads	18%	802
Yellow Pages	16%	730
Other Print media ads	16%	715
Industry organizations	11%	490
Online ads	11%	477



Do you have a social network site or page?





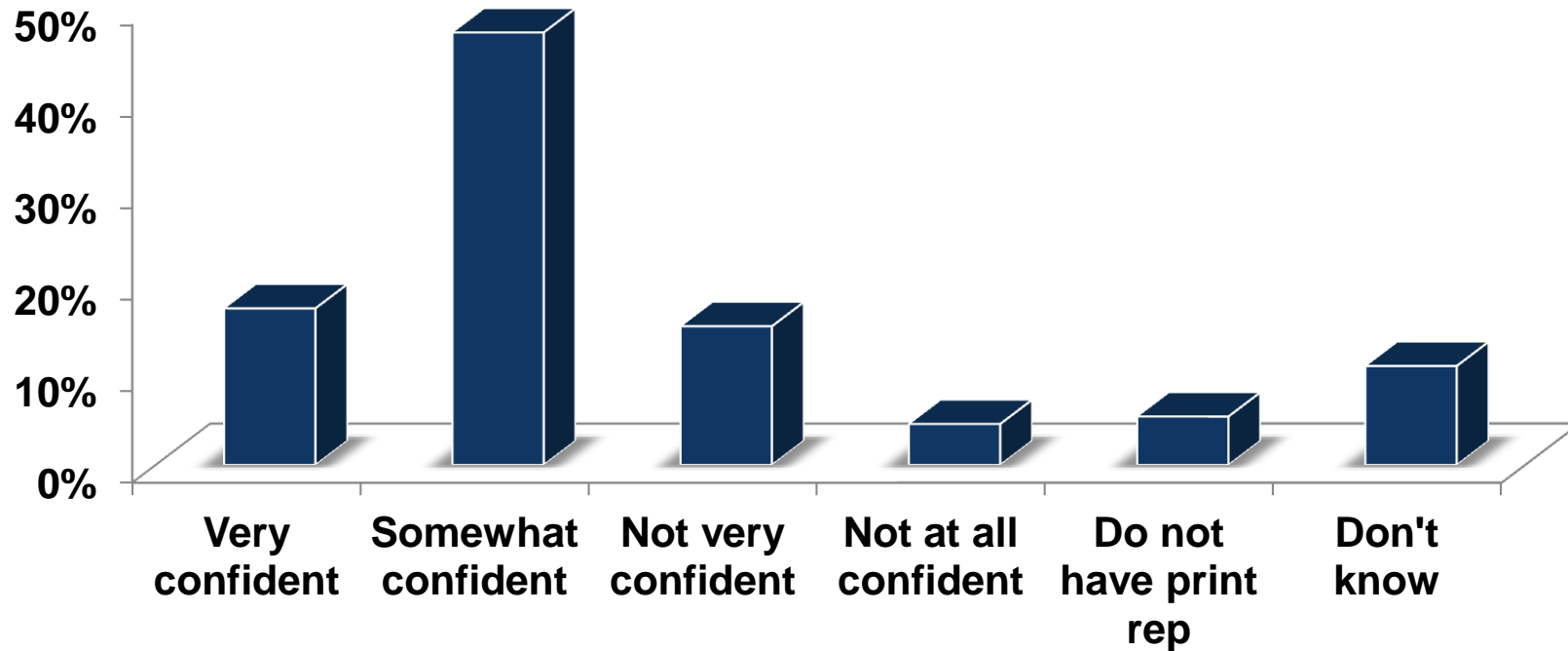
Which of these types of information sources do you use to find out about new advertising and marketing opportunities?



Business associates	66%	3,347
Newspaper reps	51%	2,588
Customers & clients	39%	1,971
Local business orgs.	37%	1,848
Friends & family	33%	1,689
Other print reps	25%	1,258
Radio reps	24%	1,205
Online reps	21%	1,081
Vendors	21%	1,050
Conventions	20%	1,025
Trade Associations	20%	1,012
TV reps	14%	702
Ad agencies	11%	577

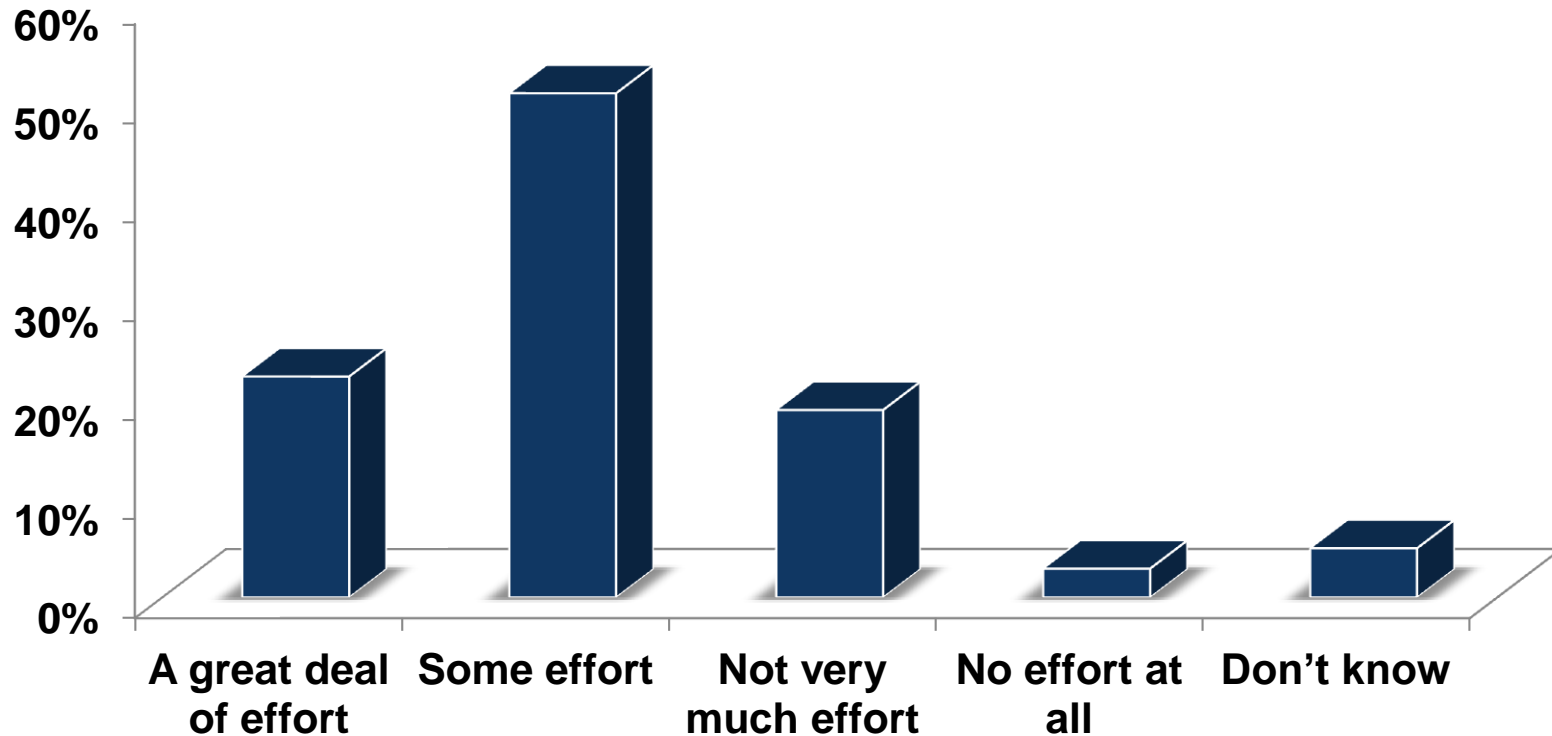


Confidence in print rep ad package advice





Effort seen in reps to listen & understand



What can newspapers do?

- Be consultants, educators
- Develop ad-centric sites
- Participate in promotions
- Go after non-newspaper advertisers



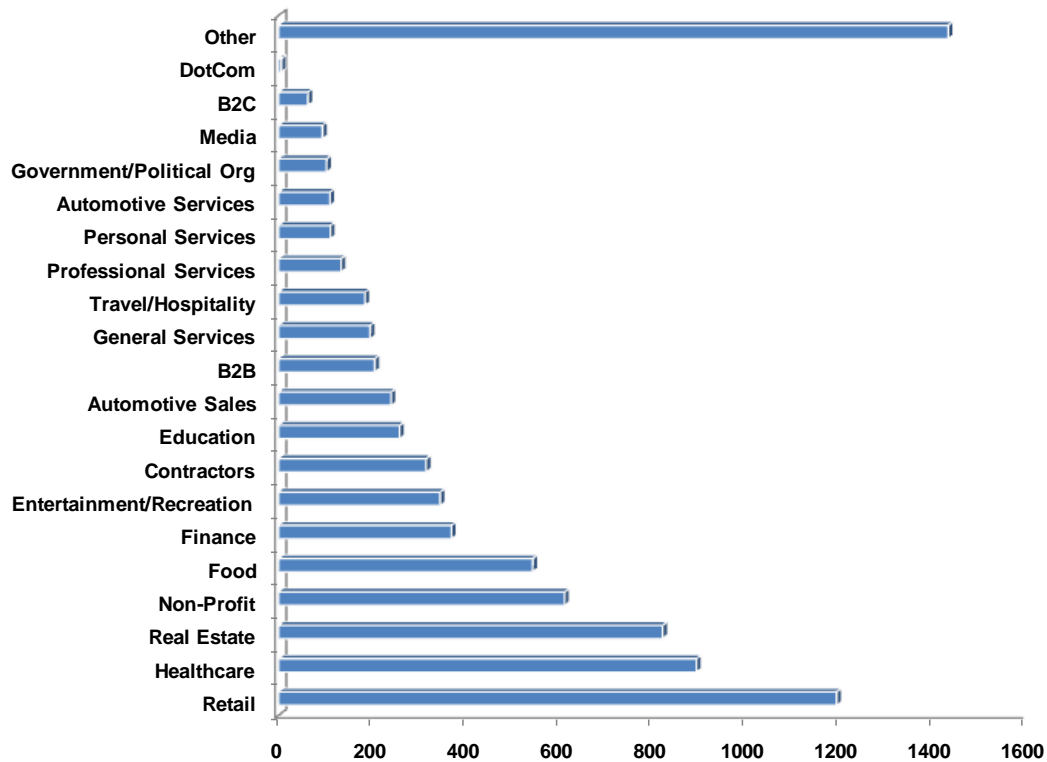
Thank You

Colby Atwood, president

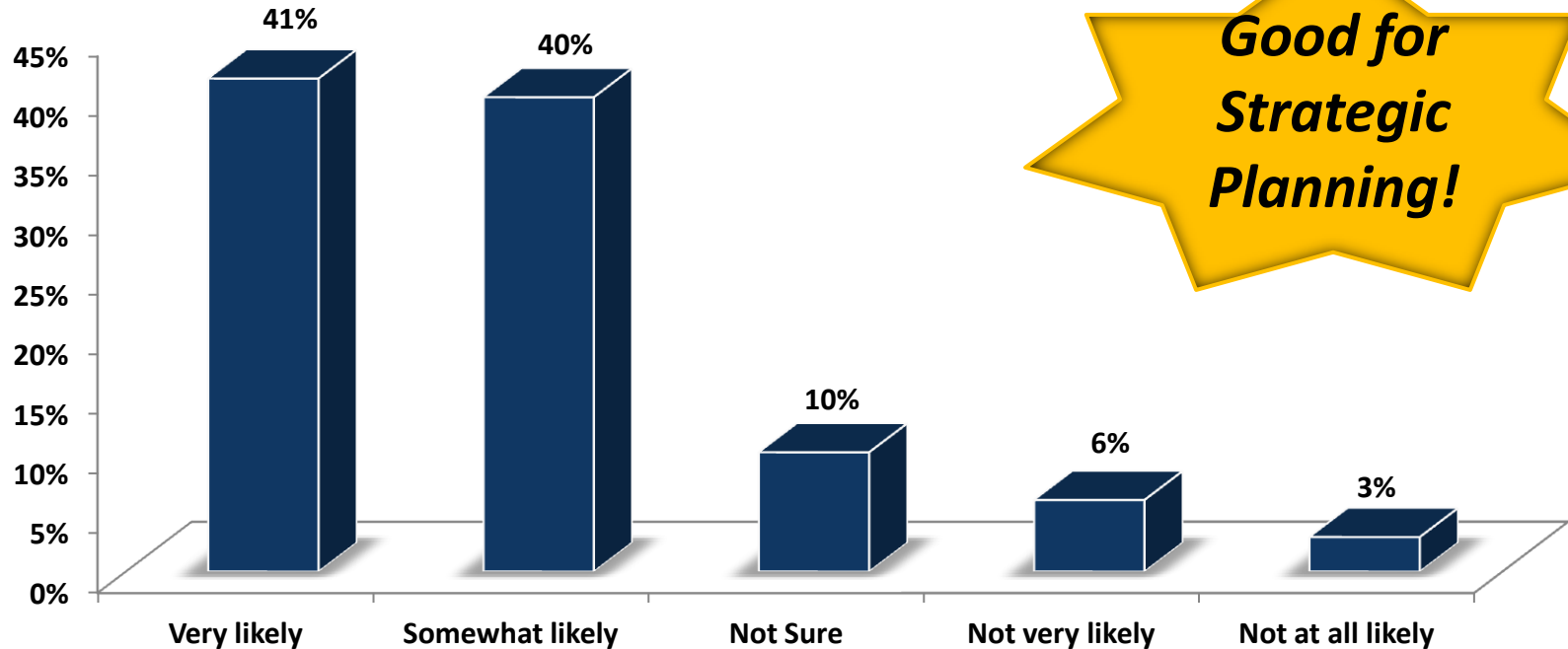
Borrell Associates Inc.

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Phone: 206-463-3181



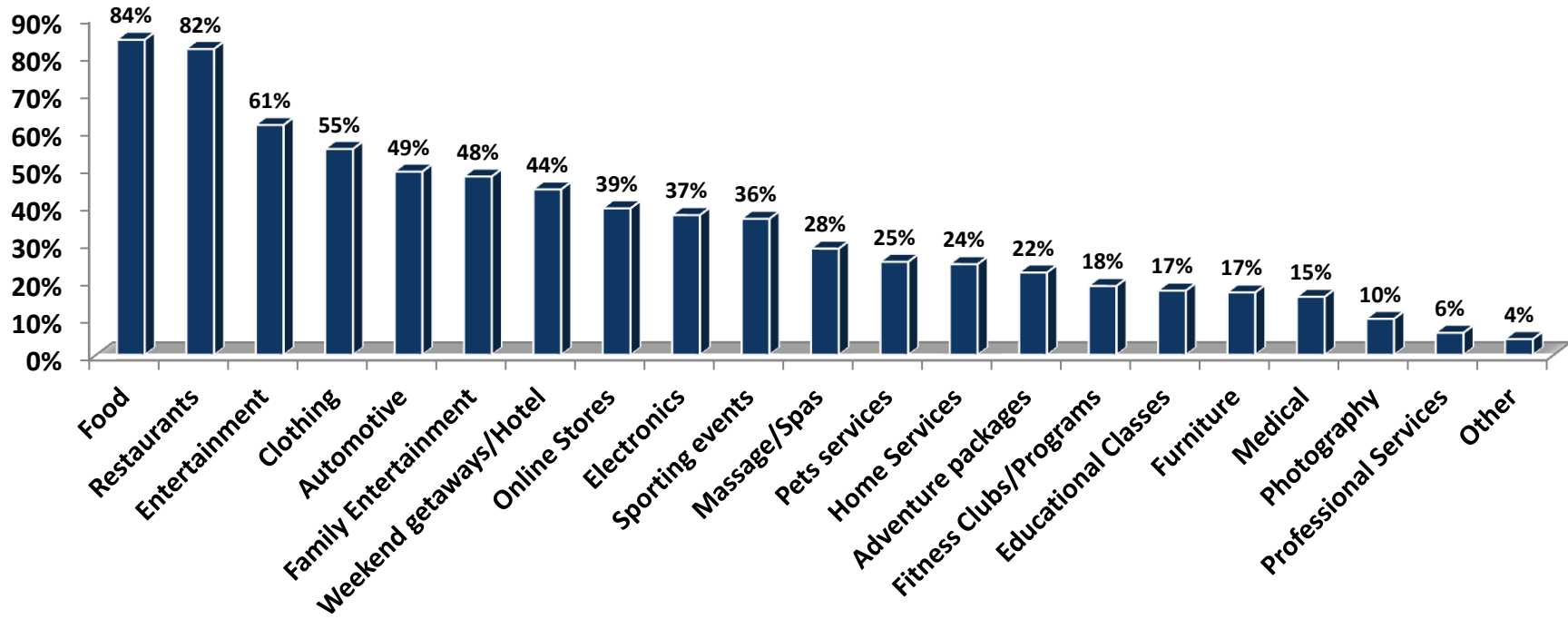
Opportunity for New Daily Deals Site



Source question for this chart: If a new Deals Certificate website was offered in your area, how likely is it that you would register for it?

Respondents = 31,398

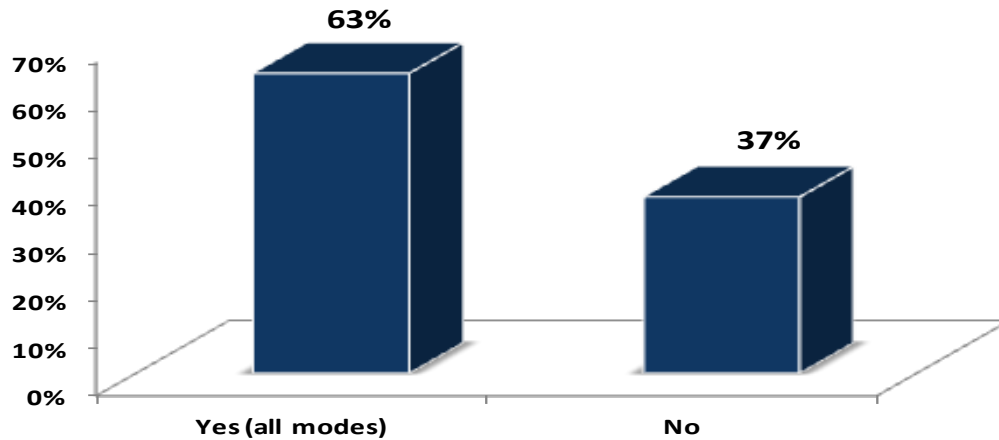
Top Deals Categories for Consumers



Source question for this chart: From which type of businesses are you most interested in seeing Coupons or Deals Certificates?

Respondents = 39,011

Advertiser Coupon Usage

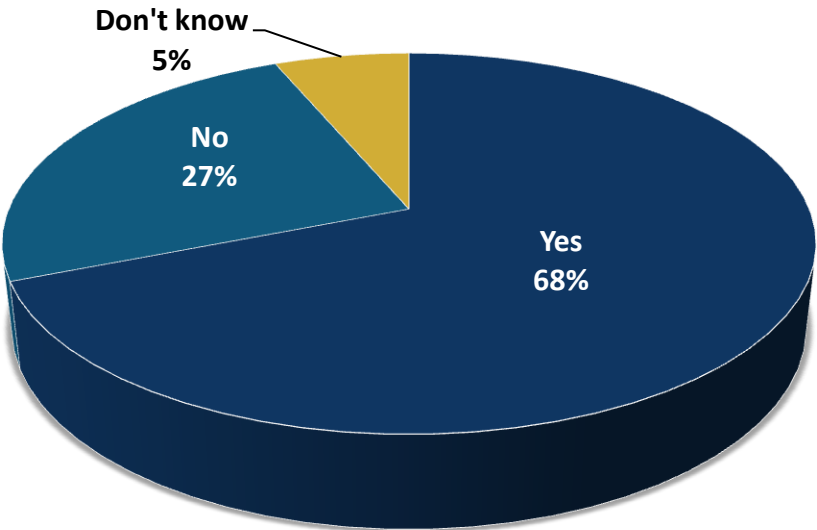


Source question for this chart: Are Coupons part of your regular advertising and marketing strategy?

Respondents = 729

Distribution Models	%
Yes, distributed via mail	40%
Yes, distributed in the newspaper	39%
Yes, available on social media sites like Facebook and others	37%
Yes, I include coupons in my company/store emails	34%
Yes, I have coupons available on my company/store website	33%
Yes, on a local media company's website	24%
Yes, available on mobile devices (cellphones and smartphones)	21%
Yes, through another coupon distribution type not listed here	21%
Yes, on a national coupon service website	9%
Respondents	290

Social Networks Actively Used for 1-to-1 Communication



Q 17. Does your company use the Social Network(s) to communicate on a one-to-one basis through email, texts, tweets, or other message formats with fans, friends, or others?
 TVB Q2 Respondents = 455

Source	Fans, Etc
TVB – Totals	1,041
Q2 – 2011 Print	920

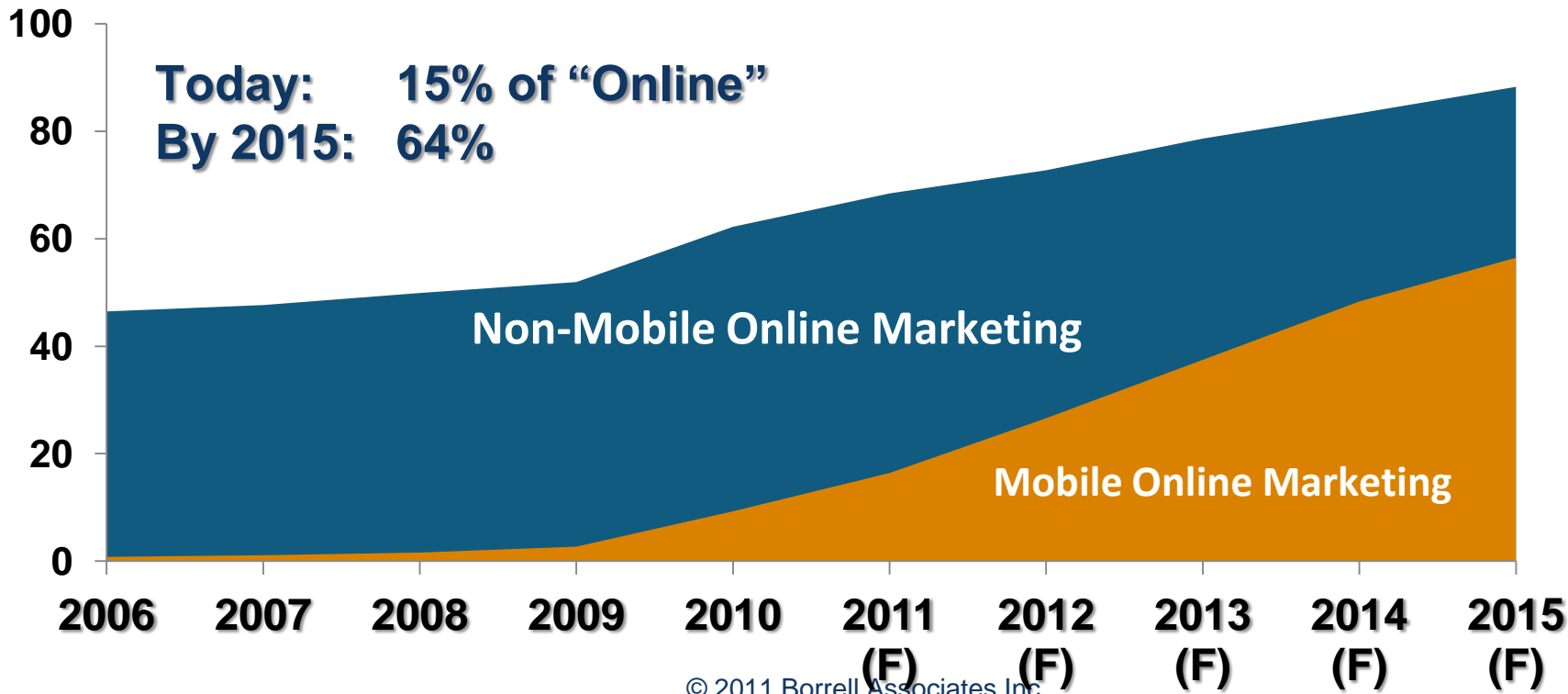
Q 14. How many Friends, Fans, Followers, or other users does your business Social Network have?
 TVB Respondents = 383



Share of 2010 Revenues from Online

Yellow Pages Group	25.5%	Torstar	8.9%
AT&T (yellow pages only)	24.6%	Lee Enterprises	8.4%
New York Times Co. (np only)	23.0%	LIN Television	8.2%
Yellowbook	21.0%	Gatehouse Media	7.0%
McClatchy Corp.	18.1%	Radio One	6.9%
Morris Communications	15.3%	Barrington Broadcasting	5.0%
The Washington Post	15.0%	Belo Corp. (TV only)	5.0%
Supermedia	12.0%	Gray Television	4.9%
Journal Register	11.0%	Nexstar Television	4.6%
Journal Comm. (newspapers only)	10.4%	Media General	4.5%
Gannett (newsp. & TV)	10.3%	Emmis Broadcasting	4.3%
E.W. Scripps (newspapers only)	10.2%	Fisher Communications	4.0%
Dex One	10.0%	Univision	2.8%
Salem Communications	9.7%		

Mobile vs. the Old “Online”





Local Ad Spending Share Shifts

	'10	'11	'12	'13	'14	'15	'16
Online	15.2%	18.3%	20.8%				28.5%
Newspaper	24.0%	22.0%	21.1%				20.6%
Radio	14.2%	14.5%	13.0%				13.1%
Broadcast TV	11.9%	12.5%	12.9%				10.7%
Direct Mail	10.7%	9.8%	9.4%				7.7%
Other Print	9.5%	9.6%	9.0%				6.3%
Directories	7.5%	6.0%	6.0%				4.5%
Cable	3.7%	3.9%	4.0%				4.1%
Cinema	0.8%	1.1%	1.5%				2.2%
Out-of-Home	1.4%	1.3%	1.3%				1.3%
Telemarketing	1.1%	1.0%	1.0%				1.0%
	100%	100%	100%				100%



Sources

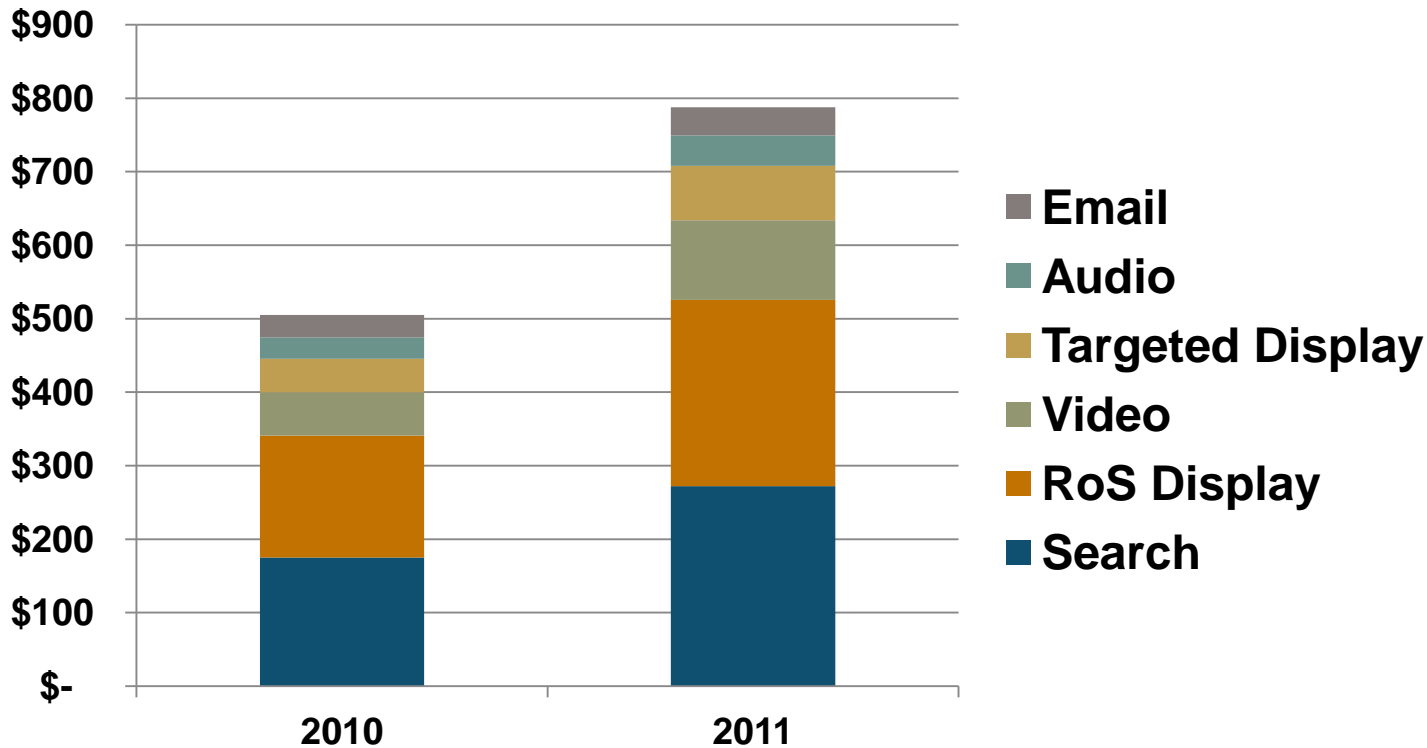
- Borrell's model of marketing spending
 - Many government & private inputs
 - IRS, BLS, D&B, 10Ks, trade associations
 - Developing for 20+ years
- Ongoing surveys of local advertisers
- Ongoing surveys of local media company sites

Confused People Don't Buy





Local Mobile Formats



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\$ million