



BORRELL

Tomorrow's Media, Understood™



Snapshot: SMB Ad Spending

**Special Webinar for IAB
Dec. 20, 2017**



What We Do

- **Conduct largest survey of SMBs in U.S.**
- **License access to local ad-spending database**
- **Publish regular insights from our data**
- **Hold annual #LOAC in NY in March**

To access the Compass ad-spending database, visit www.adspending.com



Sources of Our SMB Estimates

- **IRS data**
- **D&B, Database USA**
- **Industry research (NADA, NAIDA, NAR, TVB, RAB, et.)**
- **Borrell's ongoing SMB surveys**
- **Digital ad revenue database of 10,000+ “local” entities**





AGENDA

- **Definition of SMBs**
- **Sizing SMB ad spending**
- **Who's getting that money?**
- **What SMBs are buying**



Definition of SMBs

Actual client responses when we've asked, "How would you define 'SMB'?"

"...between \$250,000 and \$5 million in sales."

"...under 100 employees."

"...\$2.5 million or less in sales."

"...fewer than 50 employees."

"...up to \$25 million in sales."



Working Definition

- ***Businesses with \$50mm or less in revenue***
- ***There are 9 million of them***
- ***~ 75% are buying digital ads***
- ***= 6.8 million SMBs buying digital advertising***



Clues from Borrell's Survey

2017 Local Advertiser Survey Summary | April-July 2017

Survey respondents came from three major sizes of business.

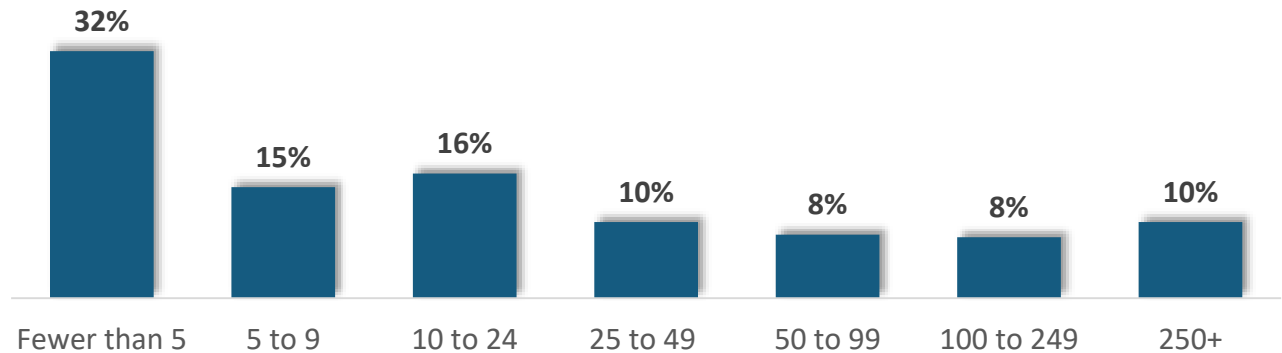
Number of Employees

Fewer than 5	32%
5 to 24	31%
25 or more	37%

About two-thirds of businesses surveyed have fewer than 25 employees.

Businesses by Employee Size

■ All Local Advertisers

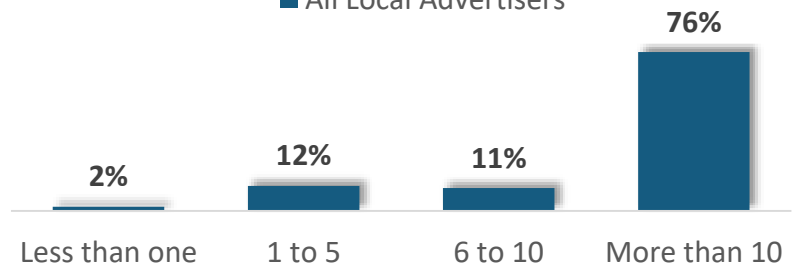


Q. About how many full- or part-time employees work at your company (at all locations combined)?

Most survey respondents came from established businesses. Only 2% are "new" businesses.

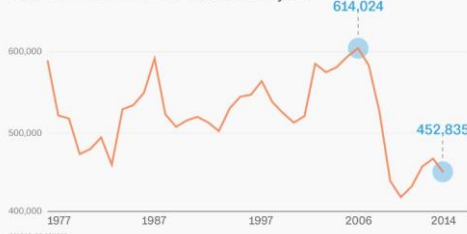
Businesses by Years in Business

■ All Local Advertisers



Q. How many years has your business been operating?

New U.S. businesses created each year



According to the U.S. Census, new business formation is at record lows.

(Chart from money.cnn.com).



SMB Advertising Expenditures

2017 Local Advertiser Survey Summary | April-July 2017

While 76% of respondents are using some type of digital advertising, on average, only 26% of the dollars spent on advertising go to digital.

Many types are seen as low-budget DIY solutions (social media, email, etc.)

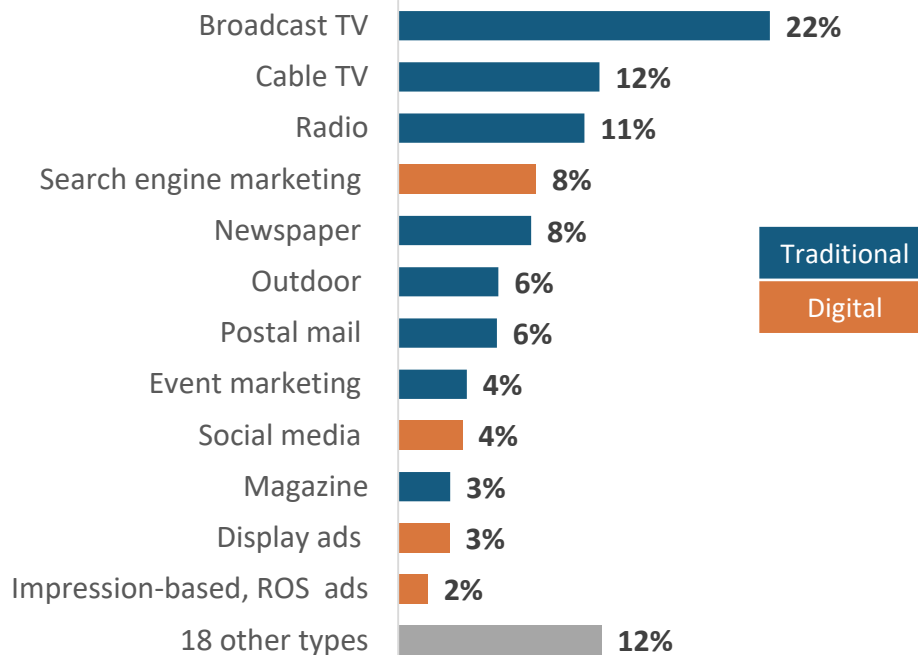
Social media is the #1 ad type used (of ALL types of media), but only 4% of budgets go to this advertising.

Email marketing is used by 47% of respondents but less than 1% of budgets are allocated here.

On the flip side, Broadcast TV is used by fewer respondents, but those who use Broadcast TV spend most of their ad budgets there. And even with fewer using it, the value of TV media spending outpaces widely used mediums that get small portions of budget.

5.9% Average % of Gross Revenue Spent on Advertising

Where the Money Goes



Traditional

Digital

Q. Knowing that you spent \$X in total last year, about how much money was spent on each of the following types of advertising that you used?

Total responses for survey N= 3,511



Advertising Types Used

2017 Local Advertiser Survey Summary | April-July 2017

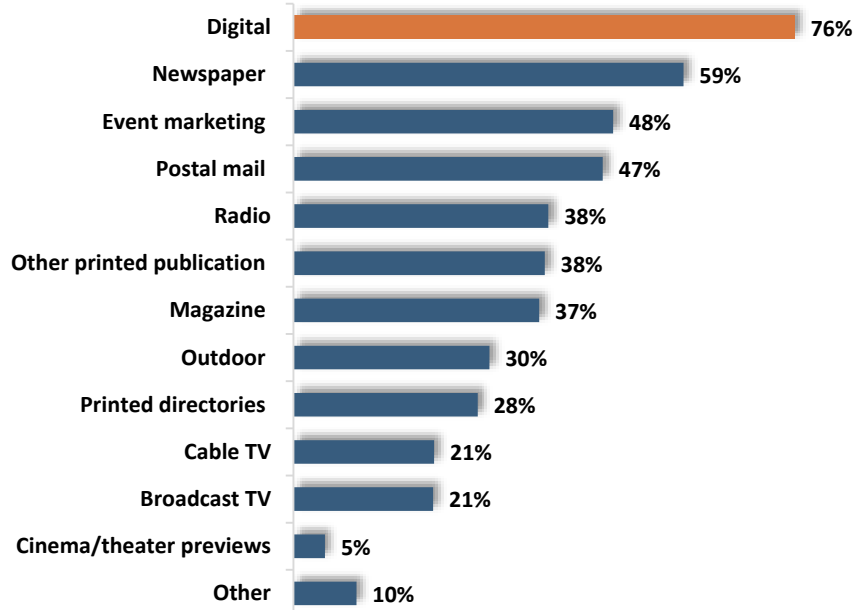
74%

Used Traditional *and* Digital Advertising in 2016

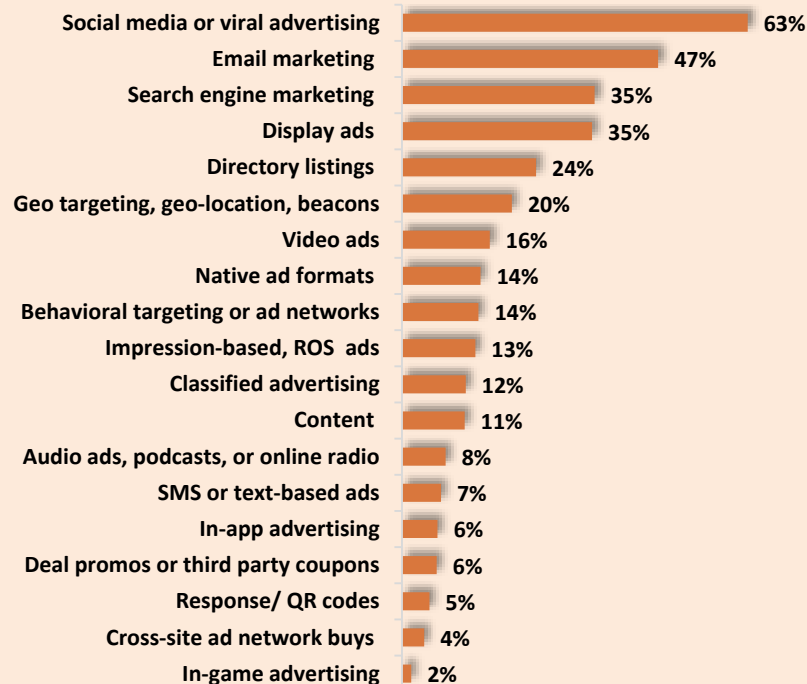
22%

Used Traditional Advertising Only

**Ad Types Used in 2016
(Among All Respondents)**

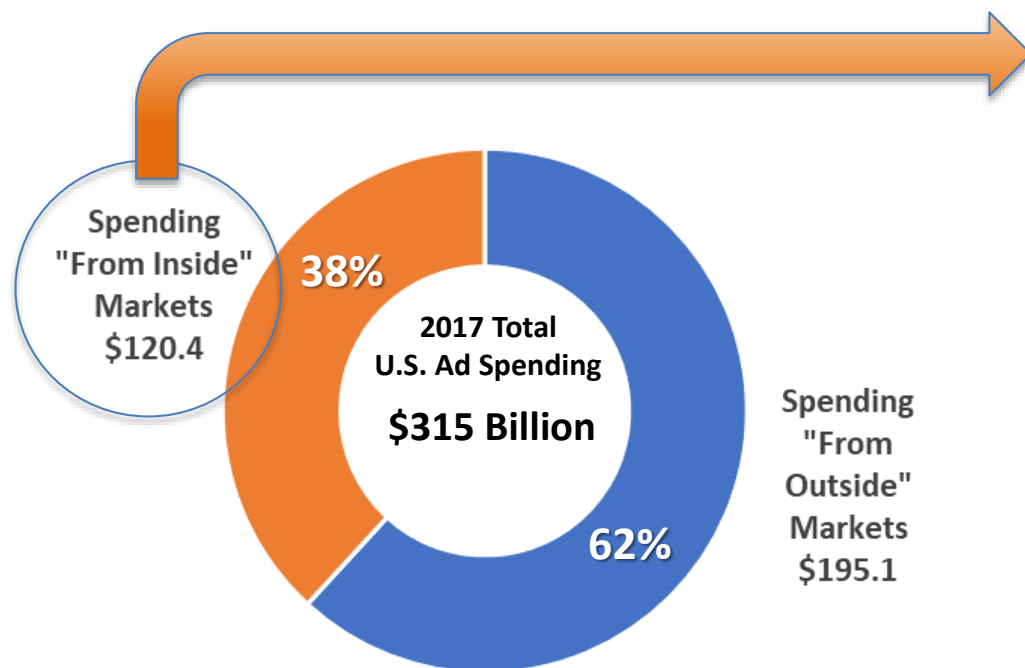


**Digital Ad Types Used in 2016
(Among All Respondents)**



Our Focus:

In-Market Spenders



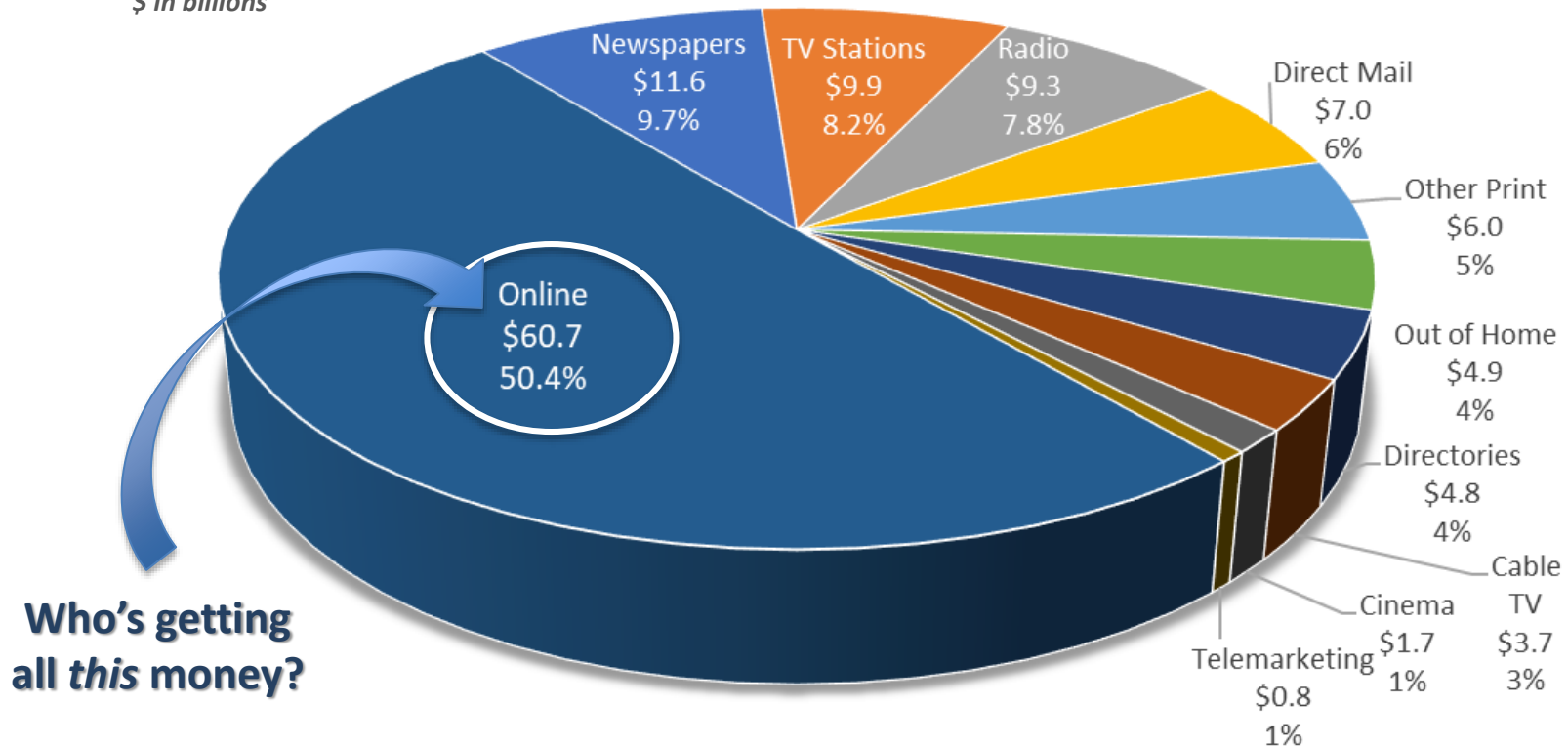
"Spending from Inside"
refers to advertising spent:

- *By any business with a physical location (store/office) inside that market*
- *On advertising directed to appear within that market*

Who's Getting That Money?

U.S. Local Advertising Estimates, 2017
\$120.4 Billion

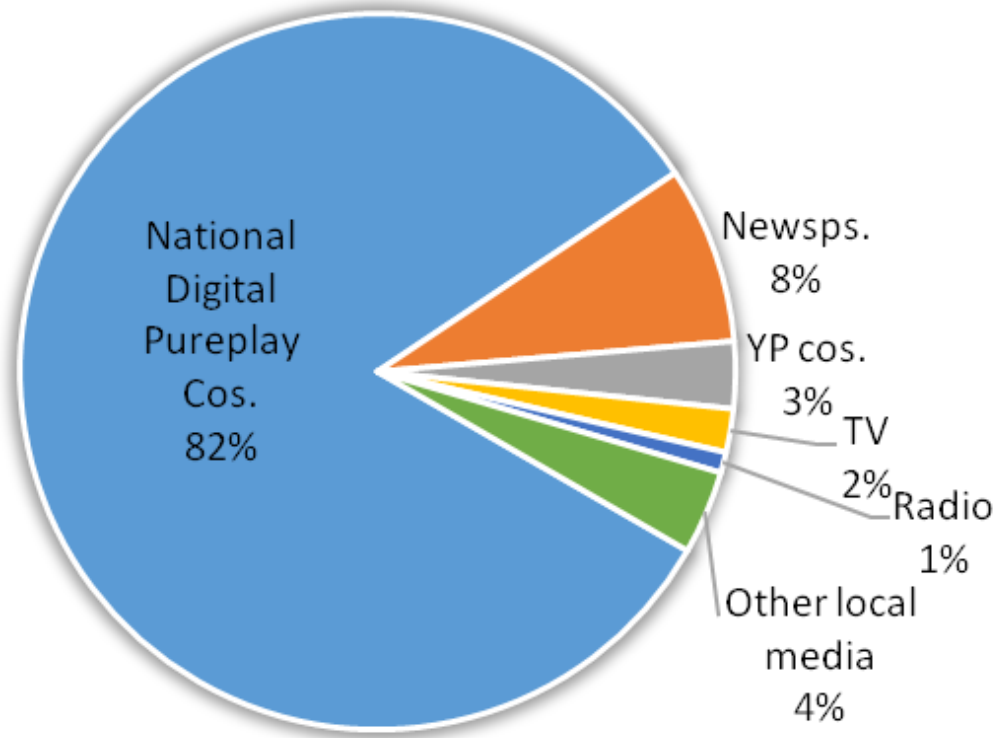
\$ in billions



Source: Borrell Associates Inc./Adspending.com

Here's How 'Local Digital' Is Shared

2017 U.S. Local Digital Advertising Estimates

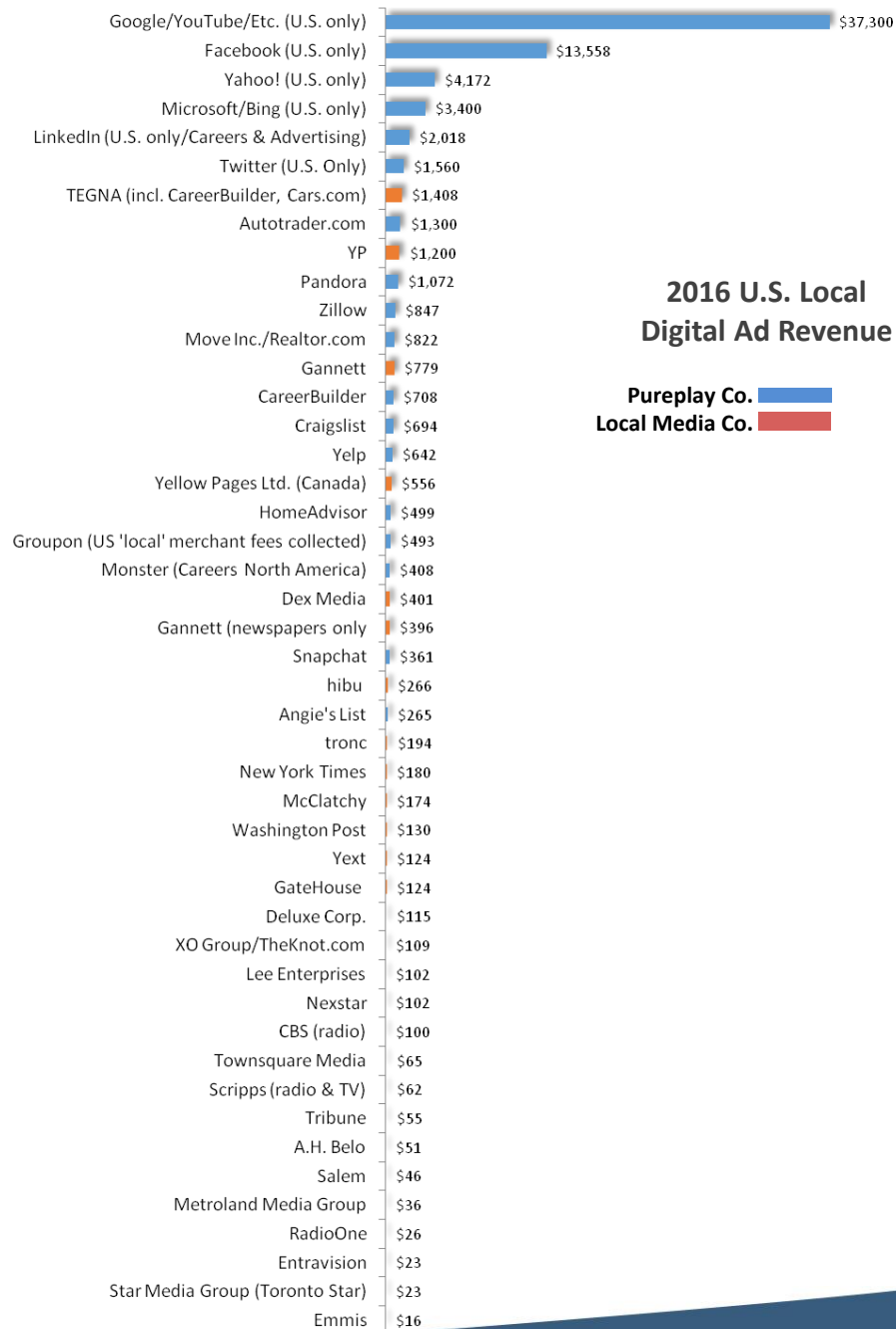


Source: Borrell Associates Local Digital Ad Revenue Database, March 2017



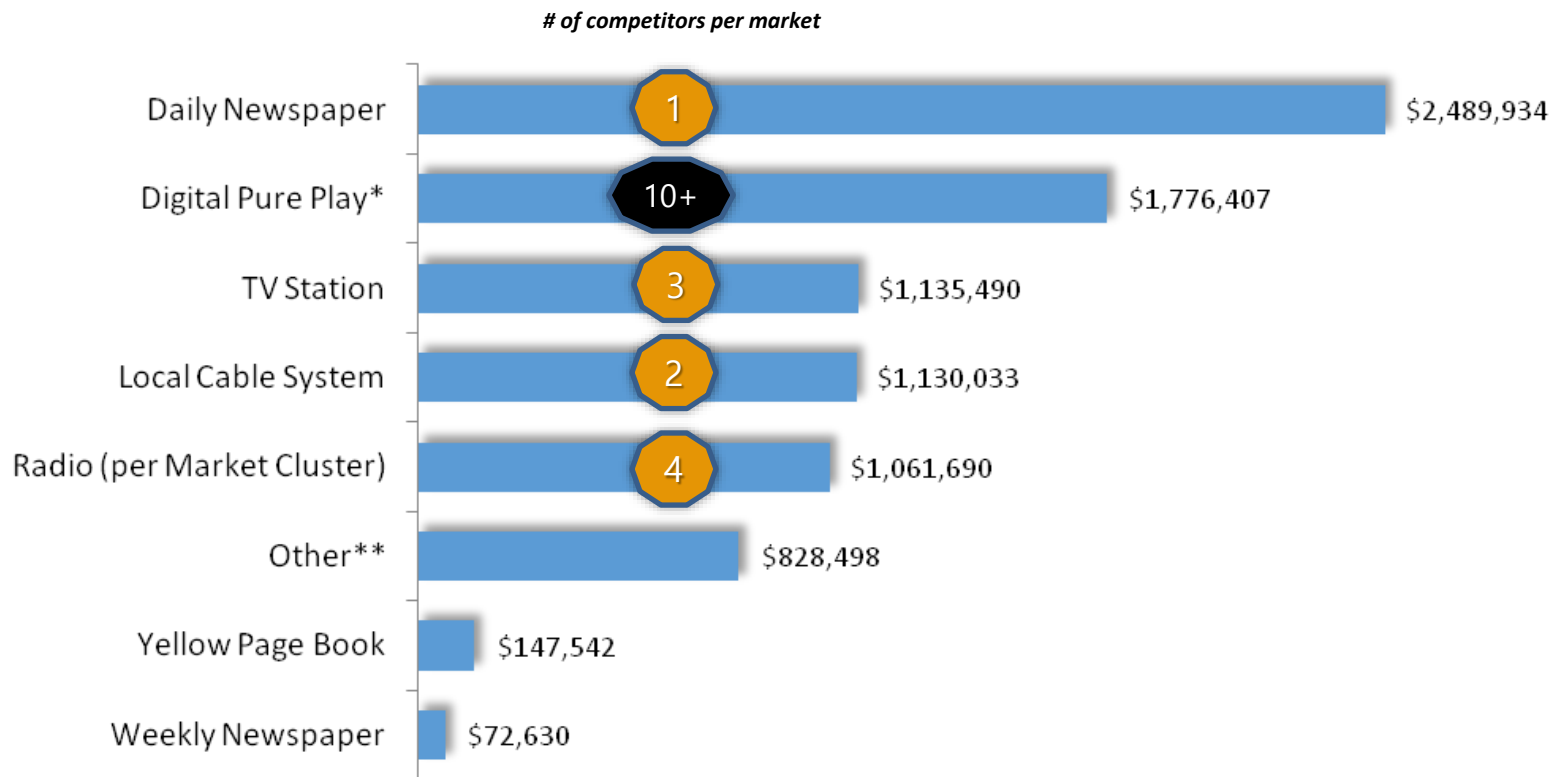
Thousands of Companies Form Digital's 'Longtail'

Sources: SEC Documents, company statements, Borrell Associates Inc.; May 2017





Average Digital Ad Revenue By Type of Seller



* Digital Pure Play excludes Facebook, Google, Bing & Yahoo! but includes Angie's List, Weddings.com, Yelp, Patch.com, Craigslist, Autotrader.com, independent local websites, and others.

** "Other" includes local magazines, business publications, and direct mail companies.



Top 20 'Local' Ad Spending Categories, 2017 Estimates

\$ in billions

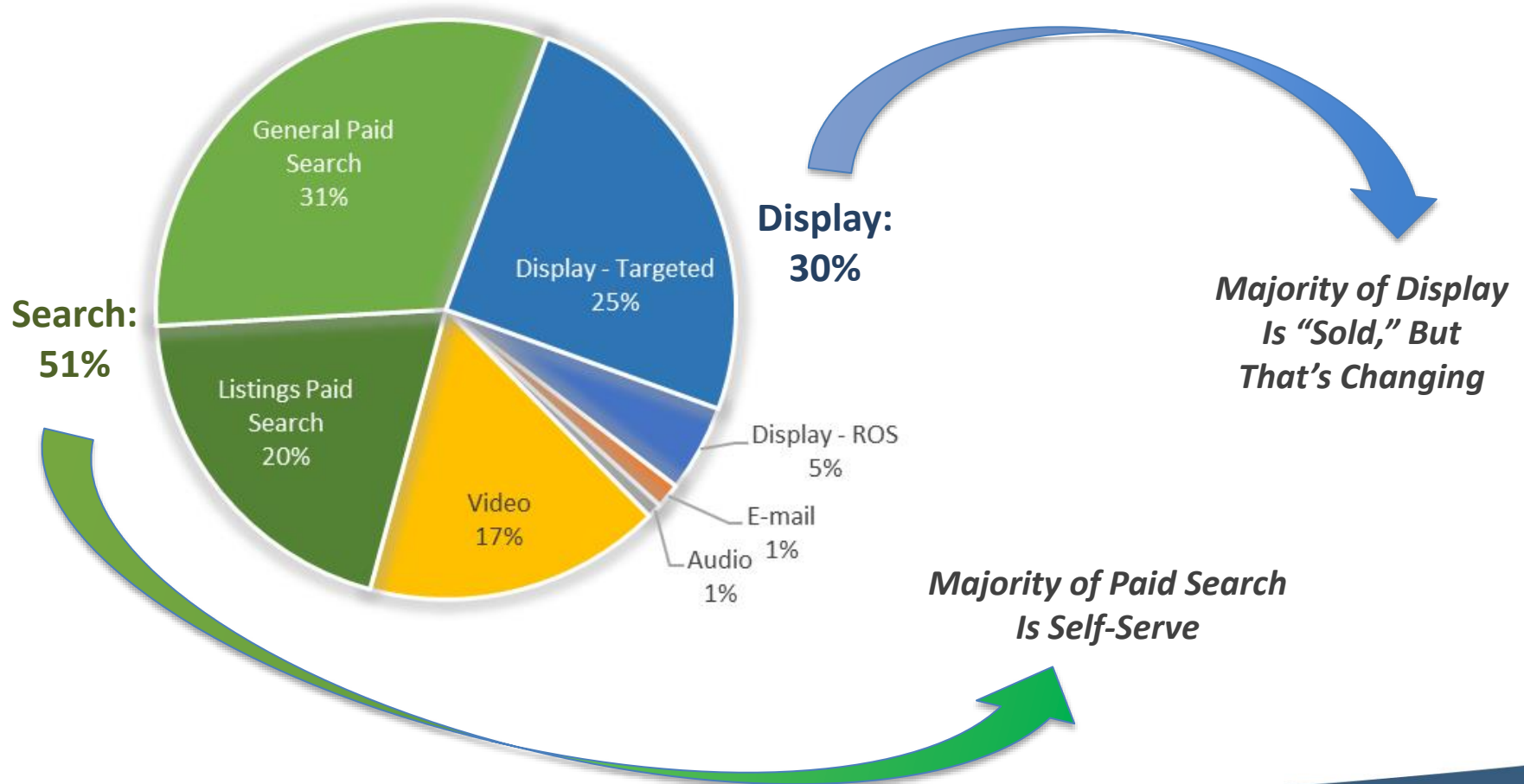
SICGP	NAICS Business Category	Business Locations	Estimated Employees	2017 Local Digital	2017 Total Local Advertising	% Share Digital
123456	0 Market Totals	20,141,189	198,367,627	\$ 60,650.6	\$ 120,444.7	50.4%
551	4411 Automotive Sales	120,170	1,608,310	\$ 4,139.9	\$ 7,055.5	58.7%
58	727 Eating and Drinking Places	825,667	11,523,419	\$ 2,840.9	\$ 6,772.7	41.9%
5712	4421 Furniture Sales	102,000	736,053	\$ 2,456.6	\$ 6,390.7	38.4%
65	531 Real Estate Services	796,779	3,419,867	\$ 4,193.1	\$ 5,517.1	76.0%
54	4451 Food Stores-Retail	314,126	3,950,634	\$ 2,378.7	\$ 4,577.5	52.0%
60	5221 Banks	126,355	2,089,946	\$ 1,327.0	\$ 3,966.0	33.5%
61	5222 Credit and Mortgage Services	85,637	764,379	\$ 1,538.8	\$ 3,834.8	40.1%
23000	23 All Other Business Locations	7,533,587	66,265,205	\$ 1,701.5	\$ 3,587.4	47.4%
48	51339 Telecommunications Services	118,559	1,301,480	\$ 1,147.3	\$ 3,101.4	37.0%
52	444 Retail Home Improvement	168,621	1,825,811	\$ 1,346.6	\$ 2,989.5	45.0%
90	92 Government	365,767	15,605,745	\$ 783.3	\$ 2,410.0	32.5%
81	5411 Legal Services	344,723	1,796,780	\$ 855.7	\$ 2,241.7	38.2%
4899	514191 DotCom Businesses	33,755	334,194	\$ 1,699.6	\$ 2,143.1	79.3%
7011	72112 Gambling Casinos	3,162	521,610	\$ 816.5	\$ 2,046.3	39.9%
62	523 Financial Services	110,308	989,753	\$ 854.0	\$ 1,986.8	43.0%
56	448 Apparel and Accessory Stores-Retail	212,640	1,452,590	\$ 1,001.3	\$ 1,900.9	52.7%
8062	6221 Hospitals	30,053	5,617,251	\$ 641.4	\$ 1,751.2	36.6%
53	452 General Merchandise Stores	78,925	3,267,477	\$ 1,056.9	\$ 1,707.5	61.9%
8011	621111 Medical Doctors	444,727	4,457,342	\$ 690.0	\$ 1,673.9	41.2%
5912	44611 Pharmacies	60,708	927,966	\$ 756.6	\$ 1,660.7	45.6%

Source: Borrell Associates Inc./Adspending.com

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What SMBs Are Buying

2017 U.S. Local Digital Ad Expenditures
By Format



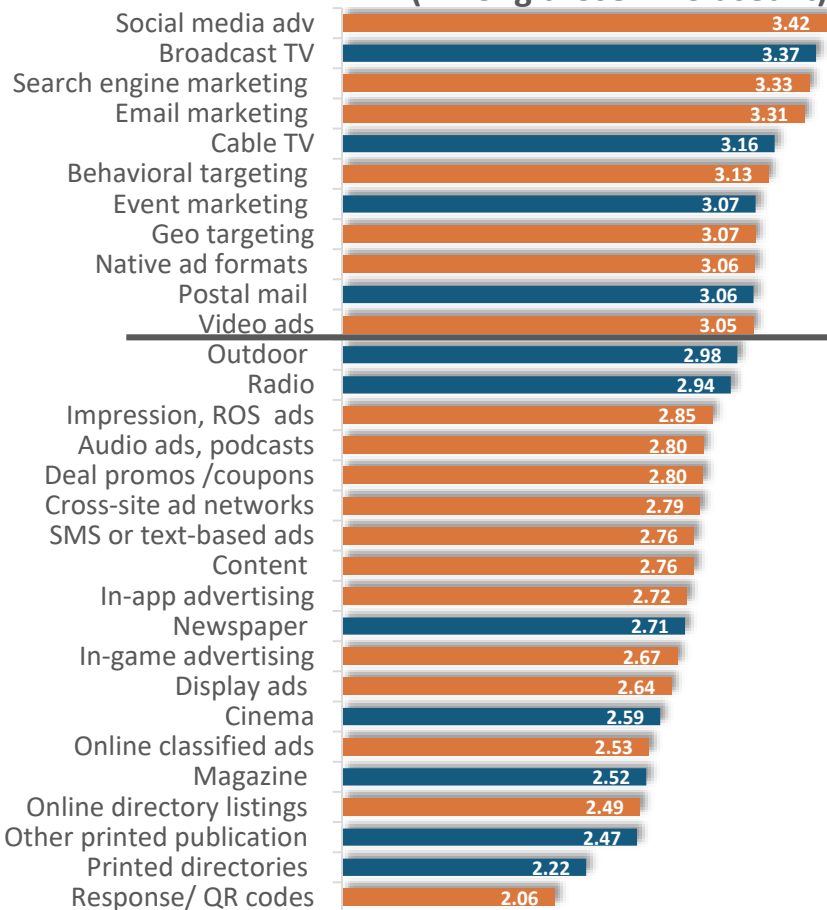


Media Effectiveness

2017 Local Advertiser Survey Summary | April-July 2017

Effectiveness of Method (Among those who used it)

Traditional
Digital



Scale was 1-5; scores of 3.0 and above are moderately effective or better.

Q. Of the types of media your business used in 2016, how effective were each at reaching your marketing/advertising goals?

- Scale:
- Don't know
 - 1- Not at all effective
 - 2 - Slightly effective
 - 3 - Moderately effective
 - 4 - Very effective
 - 5 - Extremely effective

Eleven methods of advertising were rated as moderately effective or better by those who use them. More digital methods were rated in the top than traditional.

Social media and Broadcast TV are the top two effective methods.

Keep in mind there is a large disparity in cost between these two mediums. Broadcast TV is the most expensive method while Social Media is a bigger investment of time than money, for most who use it.



2017 Spending Outlook

2017 Local Advertiser Survey Summary | April-July 2017



63%

Of all respondents planned to use MORE *digital* advertising in 2017

#1

Social Media

#2

Email

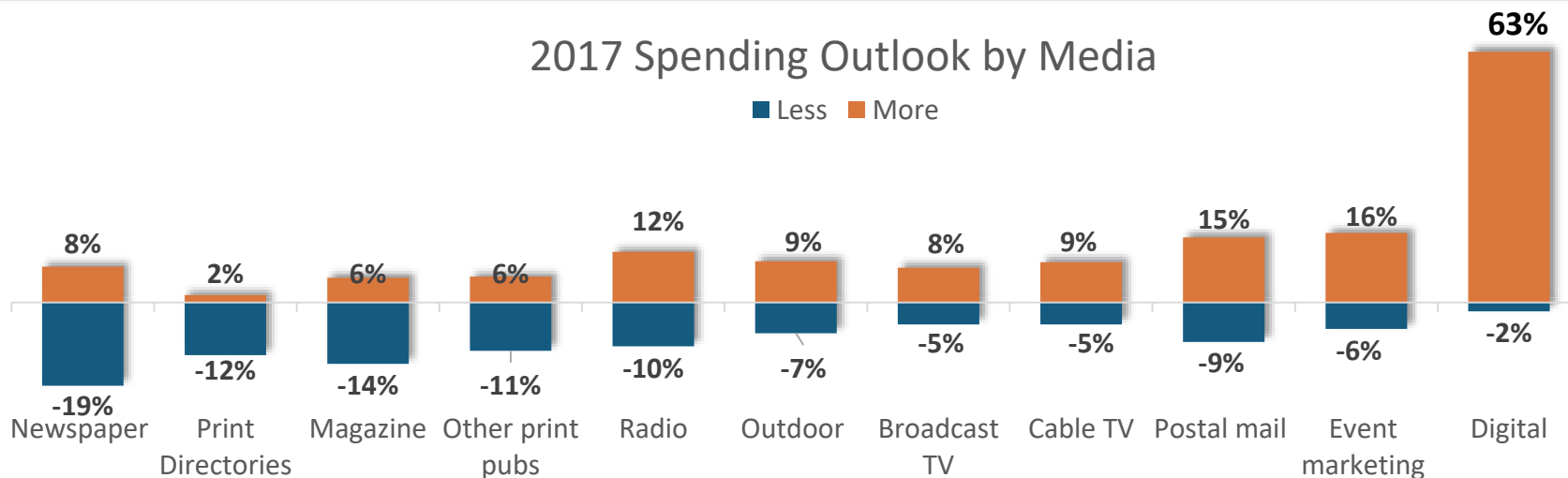


19%

Of all respondents planned to use LESS *newspaper* advertising in 2017

2017 Spending Outlook by Media

■ Less ■ More



Q. Below is a list of the advertising/ marketing your business used in 2016.
What are your plans for using these media types in 2017?

Total responses for survey N= 3,511



Rookie Marketeers

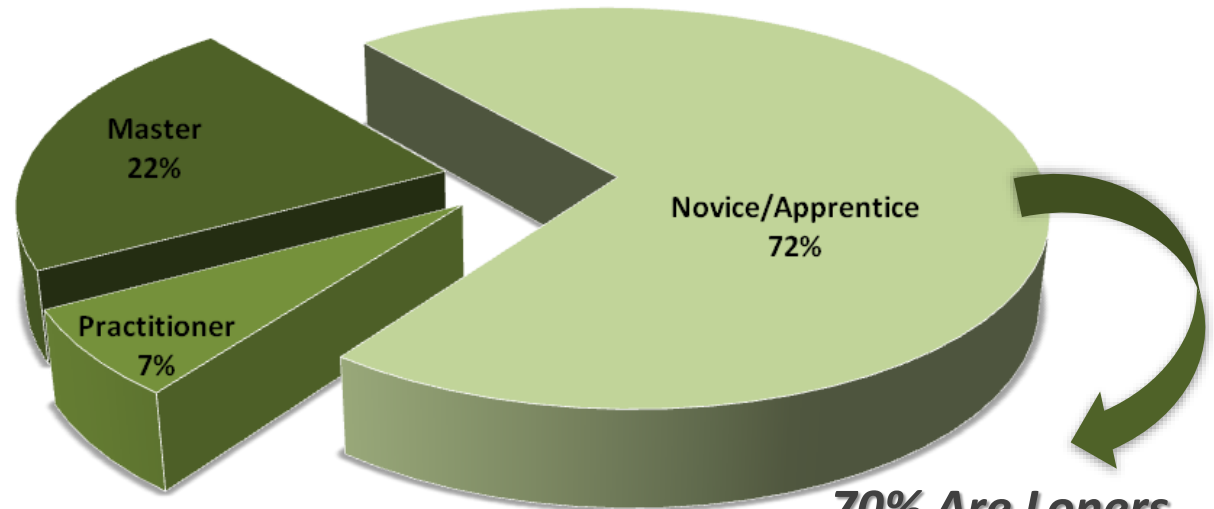
Inexperienced Advertisers Making their Own Decisions

Borrell's Take

Fueled by a new set of do-it-yourself marketing tools, local advertisers are going online to do their own buying. Nearly two-thirds are inexperienced at marketing, and 70% of those amateurs make decisions without anyone's assistance.

Misfires and frustrations are likely to spur a stronger demand for marketing education and a greater level of consultation from marketing-savvy ad reps.

Rating the marketing experience of 3,039 local advertisers



70% Are Loners

Of those with the least marketing expertise, 70% make marketing decisions without anyone's help.

Sources: Borrell's Annual Survey of Local Advertisers; April-July 2017; N = 3,039 responses; & Borrell's monthly advertiser panel, 208 responses

Save \$400
Register by Nov. 30

FEATURED SPEAKERS



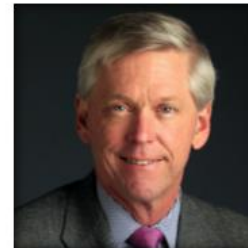
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Geopath



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IAB



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March 12-13, 2018, Grand Hyatt, NYC

Register by Dec. 31 and save \$200

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