

PRICE: \$995



Executive Summary Only

2009 OUTLOOK:

BIG SLOWDOWN BEGINS FOR LOCAL INTERACTIVE

ADVERTISING

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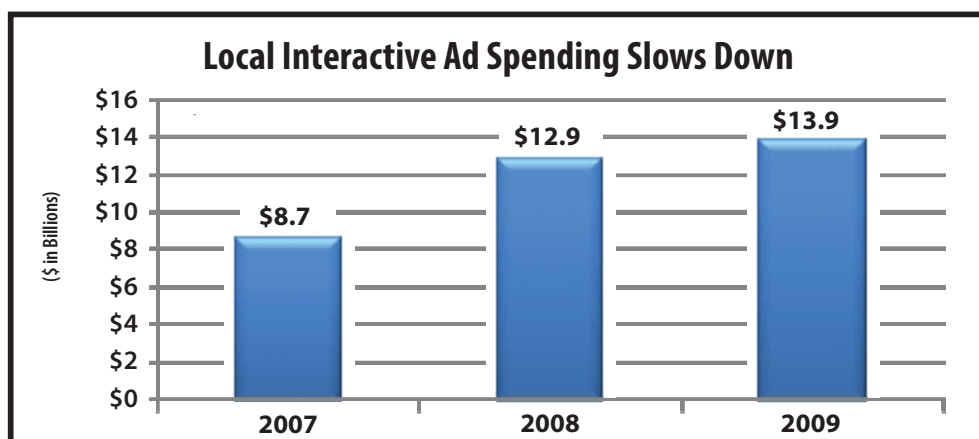


EXECUTIVE SUMMARY

Forecasting how businesses will spend their precious ad dollars next year is like skeet-shooting in a windstorm. We've got the velocity and trajectory down pat, but the gusts caused by the credit crisis make it harder to pinpoint the target. The generalities, however, are certain for 2009: spending on traditional media will decline, while spending on interactive will increase. Our latest forecast has offline media dropping 1.4 percent next year, while interactive media increases 7.2 percent.

For local interactive media, the big ad slowdown has begun a year earlier than we anticipated. Spending by local advertisers – which has grown at a frenetic 47 percent this year – is expected to diminish to a paltry 7.8 percent in 2009. Local media companies projecting double-digit and even triple-digit increases in their interactive budgets next year will have a very difficult time meeting those expectations – especially if they rely on banner ads.

The credit crisis has magnified trends that were already in motion. For most of this decade, advertisers have been viewing interactive media as a more efficient, less costly way of reaching consumers than traditional media buys. "Adjusting the dials" of advertising expenditures is normal business behavior in bleak economic environments. It can be seen in prior downturns as far back as 75 years ago, when radio advertising got a big boost (at the expense of newspapers) during The Great Depression, and 17 years ago when cable advertising expenditures accelerated during the 1991-92 recession. The dials are just about adjusted for interactive media, with some final tweaking occurring next year.



Source: Borrell Associates Inc. 08Q3



EXECUTIVE SUMMARY

But just saying that interactive advertising will see mild increases next year isn't telling the entire story. Not all forms of it are forecast to show the same rate of growth. We are expecting a decline in "standard" formats – banners, pop-ups, and interactive display in general – in 2009. As new advertisers move to the Web, they are less inclined to spend their newly-shrunken ad budgets on traditional formats that they perceive to be less effective. The same "John Wanamaker Syndrome" that affects traditional media – *"Half my advertising works, and half of it doesn't. Trouble is, I don't know which half!"* – is now creeping into the interactive advertising world. The sparkle of banner advertising has dimmed, and advertisers are turning their attention toward newly sparkling formats that may hold greater efficiency: e-mail, paid search and streaming video.

In summary, 2009 will be the first year since the start of the century in which some components of interactive advertising show little or no growth, or may even decline. The changes foreseen are not cyclical, and show no sign of improving during forthcoming years, irrespective of upward movement in the nation's economy. No form of advertising yet invented has grown forever. Interactive ad spending is no different. However, the downward trend of some interactive ad formats has been hurried along by a massive economic downturn.



Company Profile

Borrell Associates is an advertising research and consulting firm with a concentration on online media. We help media companies develop and implement successful strategies for maximizing their local ad revenue.

We uncover the advertising potential in a local market by drawing on primary research and our comprehensive data model of ad spending at the local level.

Simply put, we help media companies make money.

Market Intelligence

WebAudit™ Report - Get a detailed look at online ad spending in your local market. The data include local online ad shares by type of Web site operator (pure-play, TV, newspaper, etc.) and comparisons with peers. A WebAudit helps managers identify and size strategic sales opportunities by comparing the local spending patterns of individual business categories and major vertical market segments (Auto, Jobs, General Merchandise, etc.) with U.S. norms and analyzing the differences. Ad reps can use the report to strengthen presentations and enhance their role as consultants in the sales process.

LA\$R (Local Ad Spend Report) - This market data provides comprehensive estimates of ad spending across 11 major media types (newspapers, TV, billboards, online, etc.) by each of the top 100 business categories in a market. Conversely, the report also presents the amounts that each medium receives from each of the business categories, with a summary of their relative shares of total ad spending. Both views give estimates of spending by advertisers located inside and those located outside the market.



WebSegment™ - This data divides a market's population into five segments defined by the amount of time a person spends using the Internet (ranging from no time to more than 20 hours per week). The report offers insights into a market's demographics, media usage patterns and purchasing behavior based on the amount of time a person spends using the Internet.

Media Profile - This report provides a snapshot of local media usage – including usage of newspapers, coupons, online services, and overall broadband and Internet patterns – in a specific market. This report also illustrates levels of online spending by consumers on key items such as clothing, computer software, books, etc. We use a combination of Scarborough Research's data (updated twice a year) and data from Claritas.

Custom Market Data - Our researchers can generate unique data sets that provide insight for a variety of market segments. For example, we have developed detailed trending analyses of local automotive ad spending in multiple markets for a network of cable companies and have provided deep segmentation of ad-spending data by business size for a national portal.



Company Profile

Other Products and Services

Online-Sales Training - Our program provides hands on, in-the-field training that utilizes local Web usage patterns and ad spending data from your market to build dynamic, compelling sales pitches. The program also offers guidance on sales recruitment, compensation, staff structure, rates and marketing materials. The typical program is two to three days per market, including one day of "classroom" training followed by sales calls with your sales team.

Consultation - Uncover the advertising potential in your local marketplace by drawing on the research we conduct throughout the year on thousands of local media operations. We work with Internet businesses, online media companies, newspapers, TV and radio stations, and vendors who provide enabling technology to these outlets. We provide executive-level strategies that focus on helping your company grow local advertising revenues exponentially rather than incrementally.

Research Reports - We publish 10 to 12 research reports per year that provide an in-depth look and analyze major trends in local online advertising. Reports include annual revenue benchmarking for local media sites; reports on the automotive, real estate and recruitment verticals; and an annual outlook report published in early fall designed to provide next-year budget guidance.

Presentations - We conduct a large number of presentations every year, typically for executive management, industry seminars and trade conferences. Each presentation is tailored to your needs. We tie the "big-picture" analysis into actionable information about the audience's specific markets. These presentations are challenging, insightful and filled with facts about the future direction of new advertising formats and trends.

Webinars - Borrell Associates can host and deliver an exciting Webinar for your organization or association. Our topic list is extensive and we tailor a presentation for each audience. We offer research and factual evidence backed by real-world experience.



For more information and to download data samples, visit www.borrellassociates.com