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WHAT LOCAL
MEDIA WEB SITES
EARN: 2006
SURVEY
Borrell Associates Inc.

APRIL 2006

What Local Media Web Sites Earn: 2006 Survey

*Fourth Annual
Benchmarking Report*

EXECUTIVE SUMMARY



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Acknowledgements

We would like to thank the media executives in the U.S. and Canada – from company presidents and CFOs to local Web site managers – who placed their confidence in Borrell Associates by sharing their revenue data for this report. Their willingness to participate underscores their interest in helping their companies build their local Web presence in a competitive marketplace. A special thanks also goes to Andrew Martin, who aided us greatly in soliciting and analyzing data from Canadian media.

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Introduction

This is our fourth year conducting this survey. Each year we've broadened our base of participants and sharpened our focus on what to ask and how to ask it. That is to say, the survey continues to be a work in progress as we try to paint a clear and accurate picture of what's happening with local Internet advertising. The survey, like local online advertising, continues to evolve.

This report analyzes Web revenues for 2,266 local media properties, about 9 percent more than last year. The breakdown is as follows:

Site Owner	# in Survey	% of All ¹
Daily Newspapers	696	44.7
Weekly Newspapers	148	2.2
Radio Stations	1,154	15.2
TV Stations	437	58.2
Independent Local Sites	24	Na

The newspaper and TV data are projectable because of the large sample size. The benchmarking for radio stations must be viewed as analysis "for stations that sell advertising on their Web sites" and not for all stations. We collected the data for weekly newspaper and independent local sites for anecdotal purposes and are unable to conduct significant analysis on those results. Canadian weekly and daily newspapers are included in the totals and discussed within the chapter on newspapers.

Our 2006 survey includes more information than last year's. We did not include analysis in this report on all data collected, but will do so throughout the year in other published reports.

¹ Percentages reflect the total number of survey participants divided by the total number of the respective newspapers, weekly newspapers, radio stations, or TV stations in the U.S. and Canada.

This year's survey requested information on:

- Online revenue
- Online expenses
- Revenue attributed to employment, automotive and real estate sales
- Automotive revenue broken out by dealers versus dealer associations
- Revenue attributed to national advertising sales
- Revenue attributed to streaming audio or streaming video
- Percentage of revenue driven by up-selling print or broadcast advertising
- Percentage of revenue derived from listings and listing enhancements
- Percentage of revenue derived from banners
- Number of dedicated (online only) salespeople
- 2006 budget projections for all of the above

By combining the information with our WebAudit™ spending estimates for each market, we are able to get a market-by-market glimpse at how well these newspapers, radio, TV stations and independent local sites are competing with the national pure-play Internet companies for local ad dollars.

Participation was confidential. We therefore do not furnish the names of participating companies, nor do we reveal market-specific data.

A description of our methodology and the actual survey forms can be found in Appendix A.

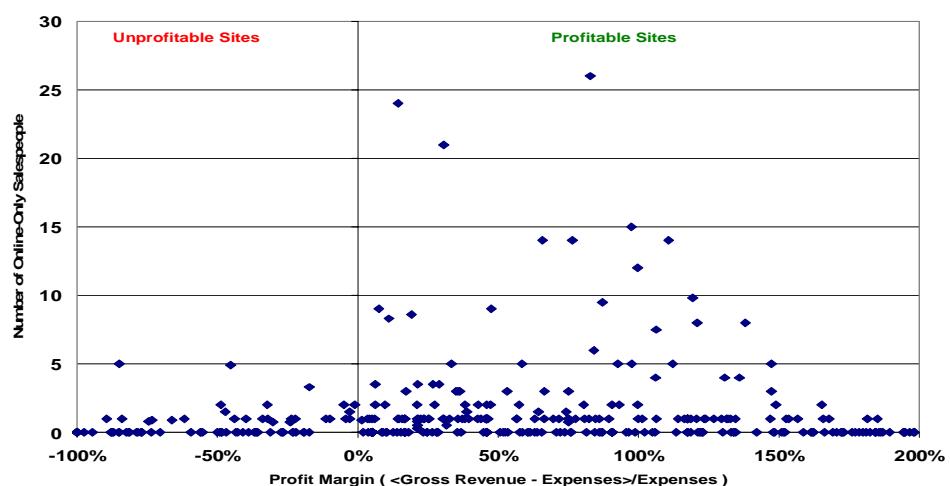
Executive Summary

Local online ad spending barreled forward in 2005, reminiscent of the dot-com heydays when thousands of Web sites sprang up. Joining the pack last year and driving up the figures were the Johnny-come-latelies – the TV and radio stations that had written off the Internet as a fad just a few years ago, and a whole new crop of entrepreneurs attacking the market from the ground up with home-grown local sites.

Fueling much of the growth were traditional media companies hungry for new revenues. Their sales efforts benefited from – and helped to create – a surge in demand for online advertising from local companies whose owners were increasingly comfortable with the Web and didn't want to be left behind by their national competitors. The combination of these forces drove local online ad sales up 78 percent last year, to \$4.8 billion. Experimentation by local advertisers on search engines was responsible for 20 percent of the growth.

As we look back on the growth trends for thousands of local Web sites over the past four years, one thing is strikingly clear in this year's survey: The big sites are hiring more salespeople and getting bigger – and shockingly more profitable. In fact, the largest local Web site in most markets will generate more in ad sales this year than the largest-grossing radio station in that market. Revenues are already in the tens of millions of dollars for the major site in most large markets, and they are generating from \$3 million to \$14 million in cash flow for their parent companies.

Figure 5: Newspaper, Television and Radio Web Site Profit Margins vs. Number of Online-Only Salespeople



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KEY STATISTICS DISCUSSED IN THIS REPORT

LOCAL ONLINE ADVERTISING²

2002 Ad Spending: \$1.65 billion
2003 Ad Spending: \$2.1 billion
2004 Ad Spending: \$2.7 billion
2005 Ad Spending: \$4.8 billion (including Local Paid Search)
2006 Projection: \$5.8 billion (including Local Paid Search)

NEWSPAPERS

2002 Online Revenue: \$655 million
2003 Online Revenue: \$811 million
2004 Online Revenue: \$1.19 billion
2005 Budgeted Revenue: \$2.0 billion
2005 Average Market Share per Newspaper Site: 14.8%

RADIO STATIONS

2002 Online Revenue: NA
2003 Online Revenue: \$18 million
2004 Online Revenue: \$34 million
2005 Online Revenue: \$60 million
2005 Average Market Share per Radio Cluster: 0.4%
2005 Avg. Rev. per Station³: \$28,528 (small mkt.), \$52,323 (lg.)

TV STATIONS

2002 Online Revenue: \$55 million
2003 Online Revenue: \$75 million
2004 Online Revenue: \$119 million
2005 Online Revenue: \$283 million
2005 Average Market Share per TV Site: 1.0%

² Definition: Advertising placed by locally based businesses for locally focused online messages.

³ Of those stations that generate Internet advertising revenue.

APPENDIX A Survey Methodology & Questionnaires

We solicited participants via telephone and e-mail in January, February and March 2005. Those who agreed to participate were sent a spreadsheet (see next page) with 26 data-entry points. We requested online-only revenue, factoring out that portion attributed to a broadcast or print schedule. Since different managers can interpret "online-only" revenue differently, we followed up some of the entries with telephone interviews and e-mail inquiries.

Finally, we followed up with an online-administered survey in early April that queried participants on profitability, salespeople, up-selling, video streaming and podcasts. (See following pages.)

Participants were promised confidentiality. We do not reveal participants, nor do we disclose identifiable individual or market-specific data. Our first year of research included 403 local sites. The second year it was 711. Last year it covered 2,177 properties. This year's survey encompasses 2,466. The breakdown is:

Site Owner	# in Survey	% of All ⁴
Daily Newspapers	696	44.7%
Weekly Newspapers	148	2.2%
Radio Stations	1,154	15.2%
TV Stations	437	58.2%
Local Pure-Play Co.	24	Na

We combine the database of local media property-revenue receipts with what we know about national Internet companies that are also receiving "local" dollars to get a market-by-market estimate of "share." These include Google, Realtor.com, Autotrader.com, Autobytel, Monster.com, etc.

In addition, we have a proprietary database of spending by local advertisers that allows us to gauge the amount of national and local advertising flowing through any local market, down to the county level. Greater detail on our methodology for local market spending estimates can be found on our Web site, www.borrellassociates.com.

⁴ Percentages reflect the total number of survey participants divided by the total number of the respective newspapers, weekly newspapers, radio stations, or TV stations in the U.S. and Canada.

2006 Borrell Associates Inc. Web Site Revenue Survey

Please complete and return to gborrell@borrellassociates.com. **Thank You!**

Complete All Yellow-Shaded Areas		
Name of Property [Note 1]:		
Internet Revenues	Actual 2005 [Note 2]	Projected 2006 [Note 2]
National Advertising [3]	\$	\$
Automotive-Local Dealers	\$	\$
Automotive-Other (Manufacturers, Dealer Associations)	\$	\$
Real Estate-Related	\$	\$
Recruitment-Related	\$	\$
Other	\$	\$
Total Revenues	\$	\$
 Total Expenses [4]	\$	\$
 Ad Revenue from video or audio streaming [5]	\$	\$
% of total revenue from display, banner or pop-up ads	%	%
% of total revenue from listings or listings enhancements [6]	%	%
Estimated % of gross revenue from upsells [7]	%	%
Number of online-only salespeople [8]		

All responses are confidential and used only in aggregate. We never reveal the names of participants or individual data points.
Enter a zero if the response is actually zero. Leave field blank if you do not know.
Still have questions? Call 757-686-8769.

Notes

- [1] Name of principal property (newspaper, TV, radio station) or, if a pure-play, name of Web site.
- [2] These must be Internet-only revenues. Include only the Internet portion of any combo packages.
- [3] Any revenue received from participation in a national sales network (e.g., Google's AdSense, RealCities, WorldNow's national sales network)
- [5] All revenues (banners, frame sponsorships, streaming commercials) associated with a video-streaming application. This amount should also be included among the revenue categories above.
- [4] All expenses associated with your Internet operation as listed on your P&L.
- [6] All listings-based revenue and revenue from added logos, photos, boldface type, hotlinks, etc.
- [7] Percent of all revenue that is driven by an existing print or broadcast sale to which an online feature is added.
- [8] The number of salespeople who work exclusively for your online operation. Include sales managers only if that person's job also includes selling. Fractions accepted (e.g., 2.5 people). Do not include print or broadcast salespeople who also happen to sell online.

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ONLINE FOLLOW-UP SURVEY

1. If you reported expenses on your form, how confident are you that they reflect all your Web site costs?

- 1 - Extremely confident
- 2 - Confident
- 3 - Somewhat confident
- 4 - Not confident at all

**2. What portion of your revenue is driven by the following methods:
(Percentages should total to 100%.)**

- A. Online-only salespeople ____%
- B. Print or broadcast salespeople who also sell online advertising ____%
- C. Over-the-transom revenues not driven by an individual salesperson.
____%
- D. Other ____%

3. Is any portion of your online revenue merely allocated from the revenues of your parent newspaper, TV, radio station or other non-online entity? If so, what percent of your total revenues does this represent?

- 1 - Yes
- 2 - No
- 3 - If yes, enter percentage _____%

4. Do you have streaming video on your Web site?

- 1 - Yes
- 2 - No, but will to do so this year
- 3 - No

5. Do you have podcasts on your Web site?

- 1 - Yes
- 2 - No, but will to do so this year
- 3 - No

6. What is the average annual compensation (including base, commission and benefits) that your company pays an online salesperson in each of the following market sizes. (Note: A "large" market would include DMA markets 1-20, "medium" 21-50, and "small" 51-210. Leave blank if you have no salespeople in that particular market size.)

- A. Large: \$_____
- B. Medium: \$_____
- C. Small: \$_____

7. What percentage of total compensation for your current online-only salespeople comes from commissions?

_____ %

**NOTE: FULL REPORT CONTAINS
COMPLETE FOLLOW-UP SURVEY RESULTS**

Borrell Associates Inc.

Borrell Associates Inc. is a national research and consulting firm that tracks local Internet advertising. Our WebAudit™ service delivers detailed online spending data for any local market. In addition to the expertise offered by our top-level associates, our primary strength is fact-based analysis. Additional research reports can be found on our Web site, www.borrellassociates.com.

We would appreciate your feedback on this report. E-mail us at info@borrellassociates.com.

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