

Report
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EXECUTIVE SUMMARY ONLY

September 2006

Outlook for 2007: Pac-Man Pace for Local Online Ads

E-Mail, Paid Search Fuel Growth



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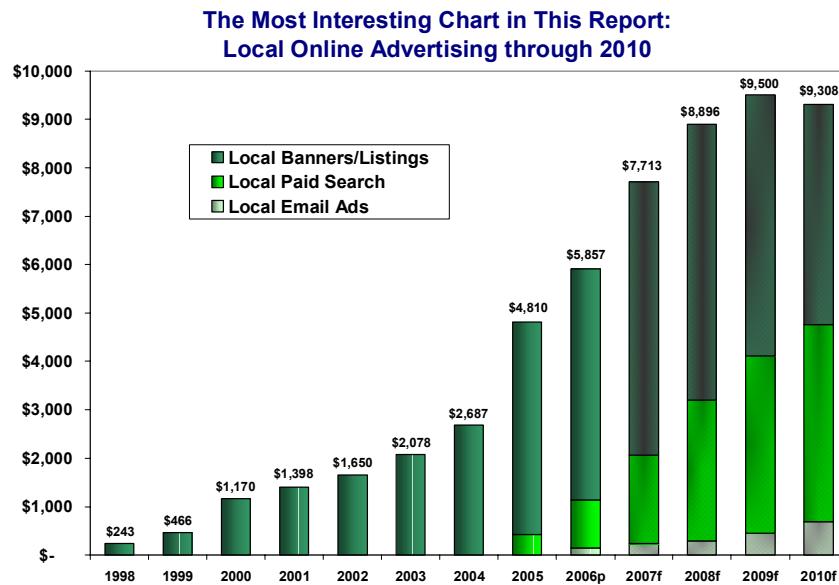
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Executive Summary

Local online advertising faces another banner year in 2007 as local businesses continue to seek new, more efficient ways to drive traffic to their Web sites and, ultimately, to their businesses. It will grow to a \$7.7 billion category in 2007, reflecting 31.6 percent growth over 2006.

The online advertising stampede in local markets has Web site operators scrambling to add hunters. About half of the local Web sites were adding to their sales forces this year already, increasing the small but growing army of online-only sales people by about 37 percent. Some of the largest local Web sites now have three to four dozen salespeople dedicated to online sales.

Of course, recent growth rates can't continue forever. We are projecting a slowdown in the growth of standard online ads by 2008, a further slowdown in 2009, and a flattening or perhaps even a mild decline in local online advertising by 2010 as online promotions begin to attract more ad dollars away from traditional advertising.



In the near term, online ad spending will continue to migrate toward more targeted forms of online advertising such as e-mail and paid search. We also expect to see local video advertising become a trackable category in 2007.

The biggest online ad opportunities currently revolve around real estate and automotive. Combined, these two categories comprise slightly more than one-third of all local online advertising.

Borrell Associates Inc.

Borrell Associates is a research and consulting firm that tracks local Internet advertising and develops executive strategies for media and pure-play Web companies. We produce monthly industry-related reports, do presentations for companies and associations, and provide a wide-range of consulting services.

In addition to the expertise offered by our top-level associates, our primary strength is fact-based analysis. Our proprietary WebAudit™ service delivers detailed online advertising data for any local market and/or spending category, and our Ad Audit™ service delivers detailed data for tracking all 11 media categories in a market (online, newspapers, direct mail, cable, radio, etc.).

We now offer an online advertising sales training program. This in-market service helps local Web site operators maximize their local Internet earnings potential.

Borrell Associates has offices on both coasts, in Virginia and Washington. Our headquarters is located at Suite 1100, 2816 Acres Road, Portsmouth, Virginia 23703. The telephone number is 757-686-4502.

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