AMR INTERNATIONAL LIMITED

“Making the simple complicated is commonplace; making the complicated simple… that's creativity.” (Charles Mingus)

The Local Search Summit

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29th April 2009

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Selected advertiser research highlights

Advertiser research highlights

- UK SMEs spend an average of £7,000 on their marketing. Including spend on their website, over 50% of their budgets are spent online. Print yellow pages and websites receive the largest share of spend at 22% each of total budgets
- Significantly, almost 40% of SMEs do not advertise in printed directories. These “DIY-ers” have very negative perception of the effectiveness of print directories. They also spend less than print advertisers overall on external media, and advertise in fewer channels online than their print advertiser counterparts
- Those who advertise in print directories are “buyers”. They have a greater propensity to spend in a range of channels and are proof that advertising is not a zero-sum game: they advertise in nearly two print directories each and three online channels. They spend 25% more than “DIY-ers”, and are more positive about the effectiveness of print and online directories / YP
- All SMEs rate their websites as most the most effective channel – this reflects the sense of ownership in it that they feel, an important consideration for small businesses
- SME advertisers select channels online based on the likelihood for getting leads, and whether they can see the return. Getting onto Google is also important. All other considerations, including price, are secondary
- However, despite the availability of much more measureable media, only a quarter of SMEs formally measure their advertising. The onus is on the media owner to demonstrate that advertisers’ spend is effective
- SME advertisers are also not interested in pay-for-performance pricing. Two-thirds prefer fixed price advertising whether they are online-only advertisers or print advertisers
- Whilst a number of advertisers use pay-per click on search engines, overall it is not viewed as being particularly effective for SMEs

Selected user research highlights

Users research highlights

- Local searching frequency is highest on search engines – users make an average of 33 searches per year against nine for online directories, and six for print
- Nearly 40% of consumers claim that their print usage has fallen in the last two years, but this is lower than the rate of decline perceived by advertisers, even print advertisers
- Younger age groups have the highest propensity not to use print directories, but overall frequency is as high as older demographics, and overall they make many more searches across all channels. Over time, searching should grow
- Search to call ratios are highest in print suggesting that intent is high when using print directories. It is lower for online yellow pages and still for search engines, although the differential is lower
- When consumers are asked where they search first for specific products and services, print directories lead for a number of services, typically the more local ones such as plumbers, take-away food and garages
- Search engines lead for categories which are present in directories, but which are less local such as holidays / travel agents and car insurance

There are a number of challenges in local search in 2009, over and above the state of the economy

What we think we know	What we know we think
• Lots of people use Google as the starting point for all kinds of searches	• Proving return on investment is increasingly important
• Fewer people use print directories than before	• Pricing models need to evolve to reflect the measurability and flexibility of the online environment
• Advertisers have an unprecedented choice of advertising options	• For YP players, some kind of partnership with Google is inevitable
• SME advertisers need to be reached by a salesforce	• User-generated content is an opportunity
• Advertising spend lags changes in usage	

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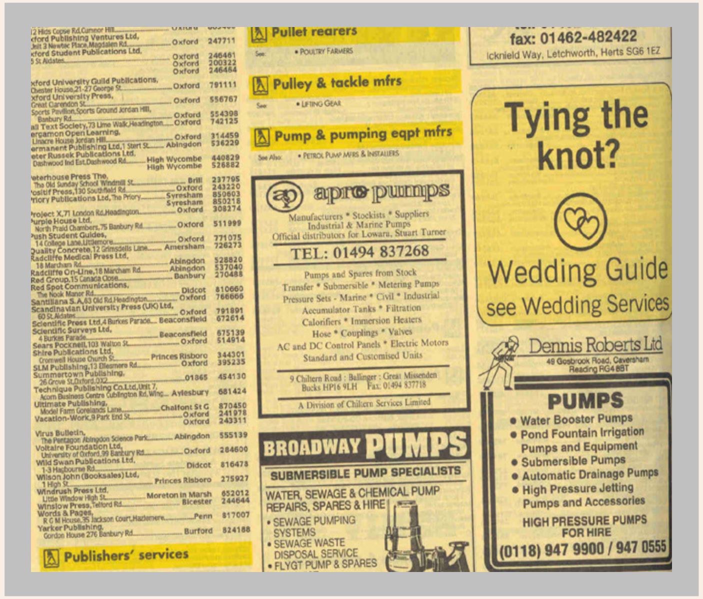
AMR conducted research with 230 UK SME local advertisers and 500 UK adults in April 2009

Research overview

- AMR conducted 500 interviews with a representative sample of UK adults and 230 interviews with UK SMEs in April 2009
- The advertisers are representative of typical locally-focused SMEs. Their average marketing budget is £7,000 and each has an average of 14 employees
- The typical business types are plumbers, florists, storage companies, taxi services, hotels.
- ~90% of the businesses have websites suggesting a slight online bias

We know that there is an explosion in advertising options for the local advertiser

UK local search 2009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Pulley & tackle mfrs
Pump & pumping eqpt mfrs
fax: 01462-482422
Icknield Way, Letchworth, Herts SG6 1EZ
Tying the knot?
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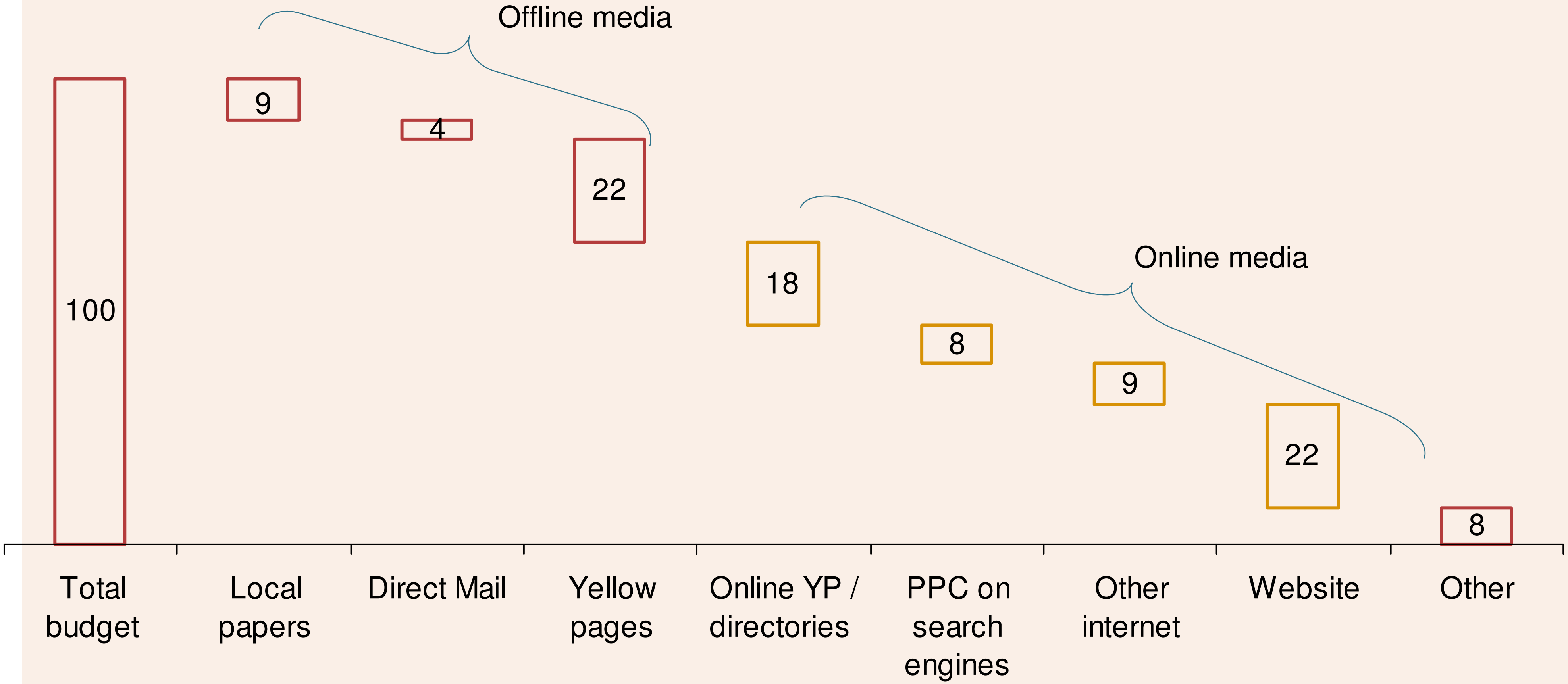
• FLYGT PUMP & SPARES
Publishers' services

SME advertisers now spend over 50% of their marketing budgets online; their websites and print YP attract the largest share of spend

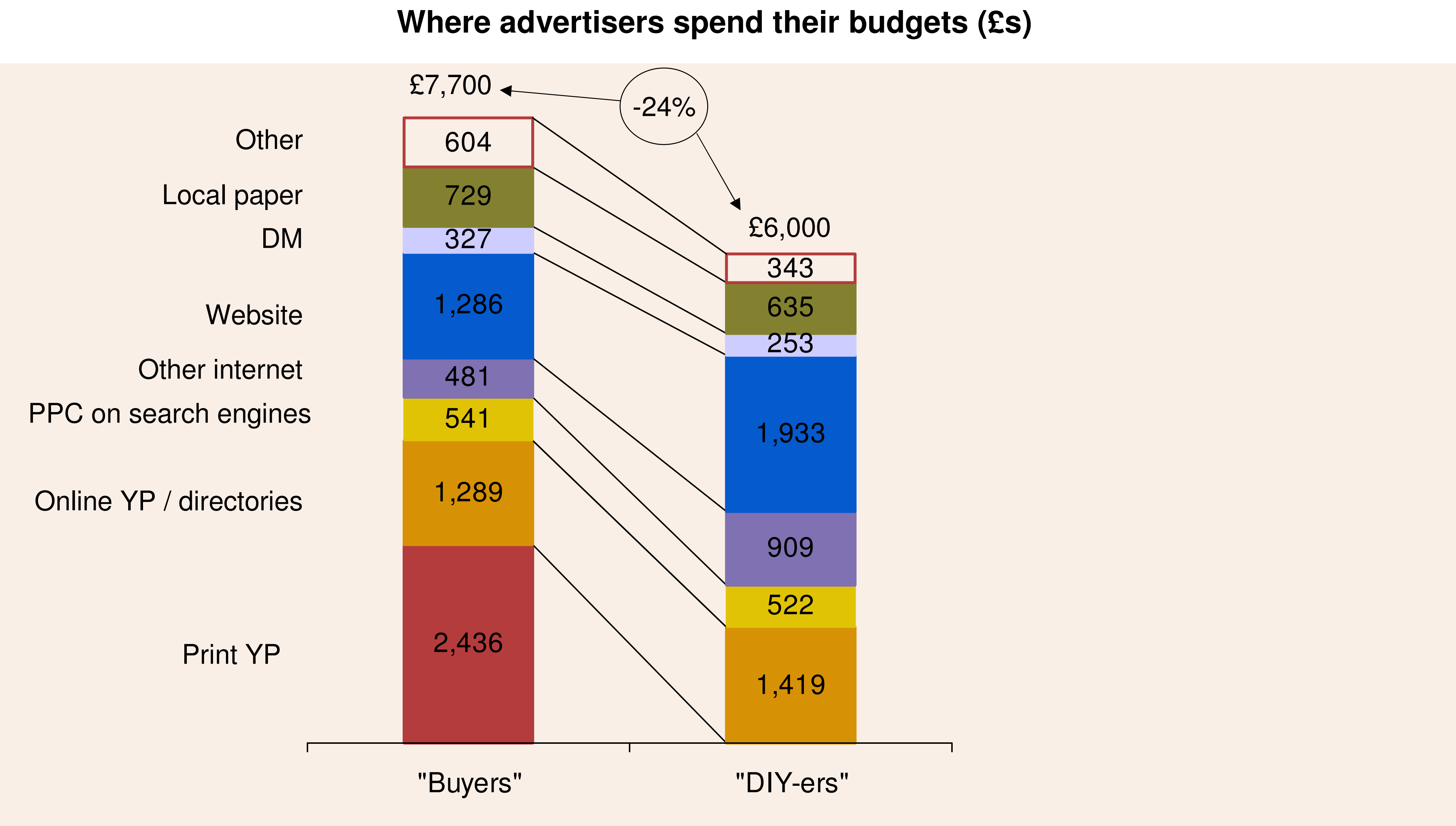
Marketing budget split – UK SMEs (% split)



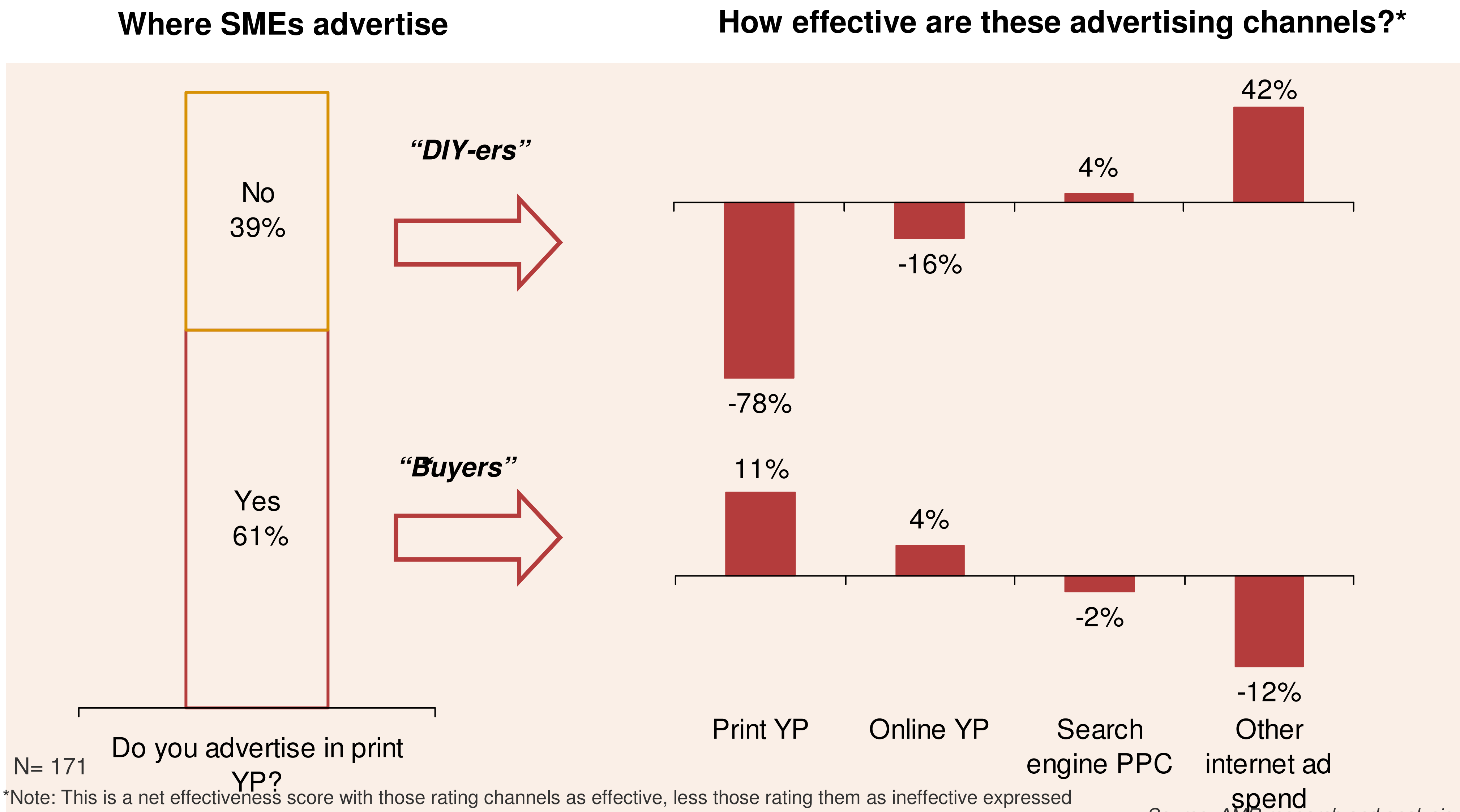
N= 149

Source: AMR research and analysis

Advertisers can be divided into two groups. “DIY-ers” spend almost 25% less than “Buyers”, but much more on their websites



There is a divergence of views as to the effectiveness of different channels depending on where SMEs spend their money



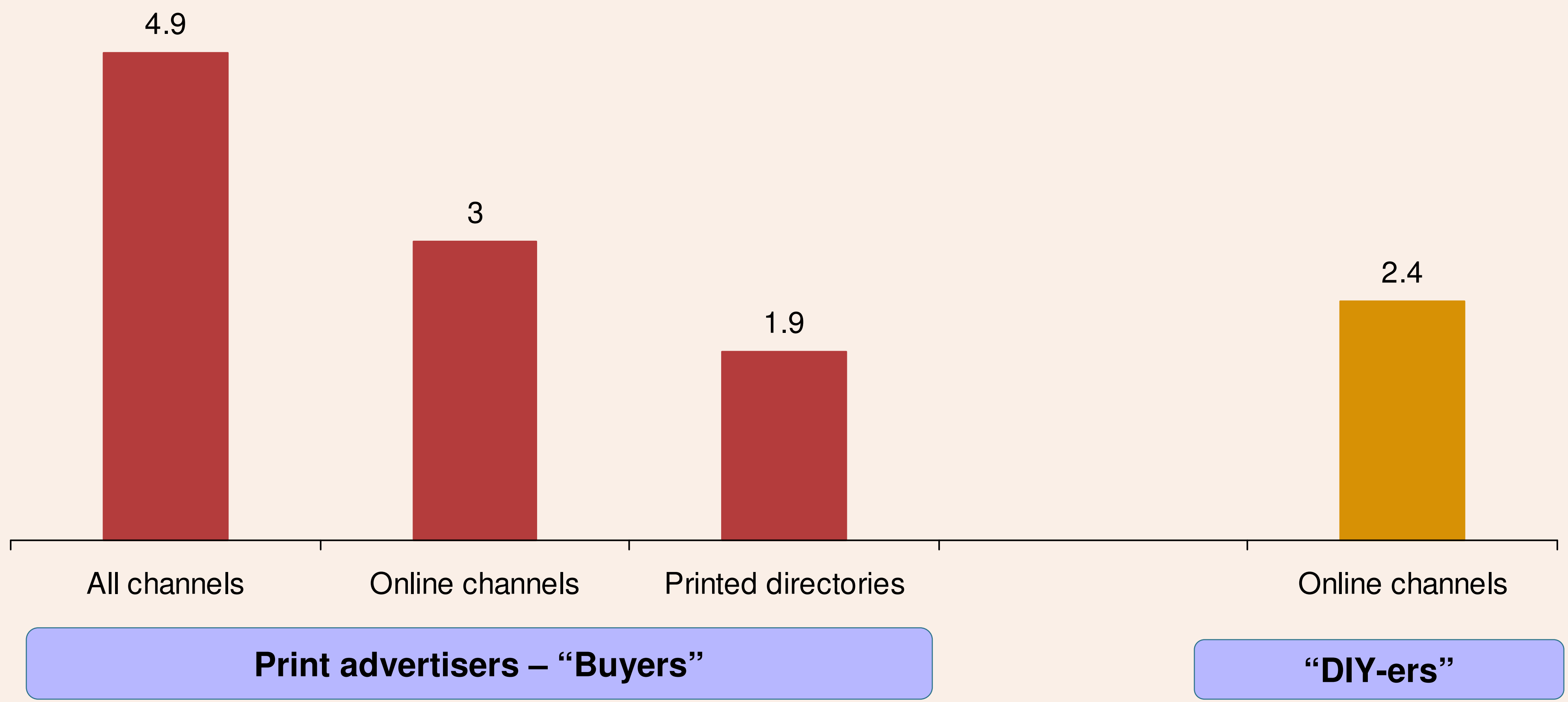
N= 171

*Note: This is a net effectiveness score with those rating channels as effective, less those rating them as ineffective expressed as a % of all giving an opinion (excluding those rating neutral).

Source: AMR research and analysis

Advertising is not a zero-sum game; advertisers in print advertise in an average of five places, but "DIY-ers" do less

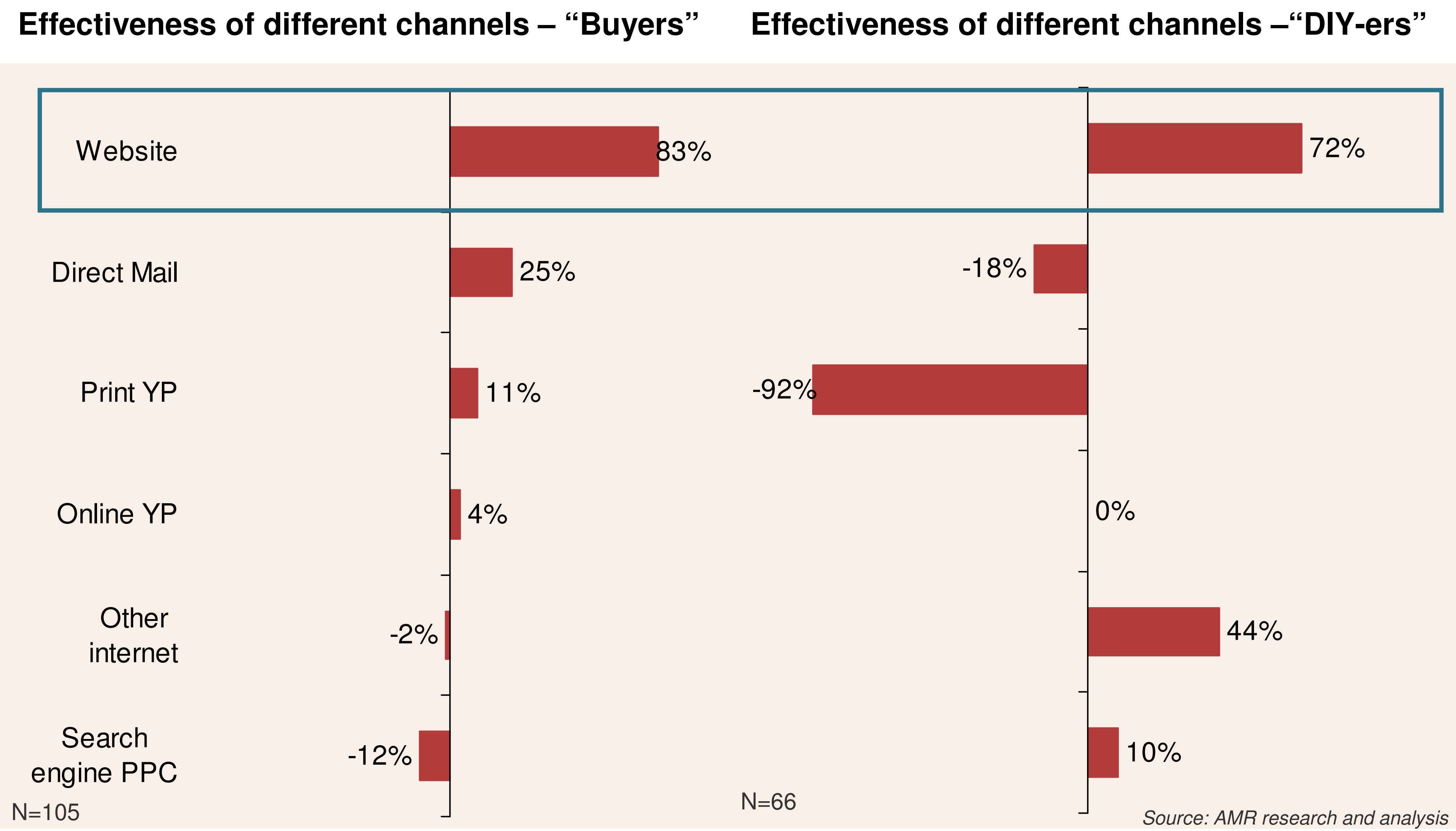
How many places advertisers advertise



N= 105, print only advertisers

Source: AMR research and analysis

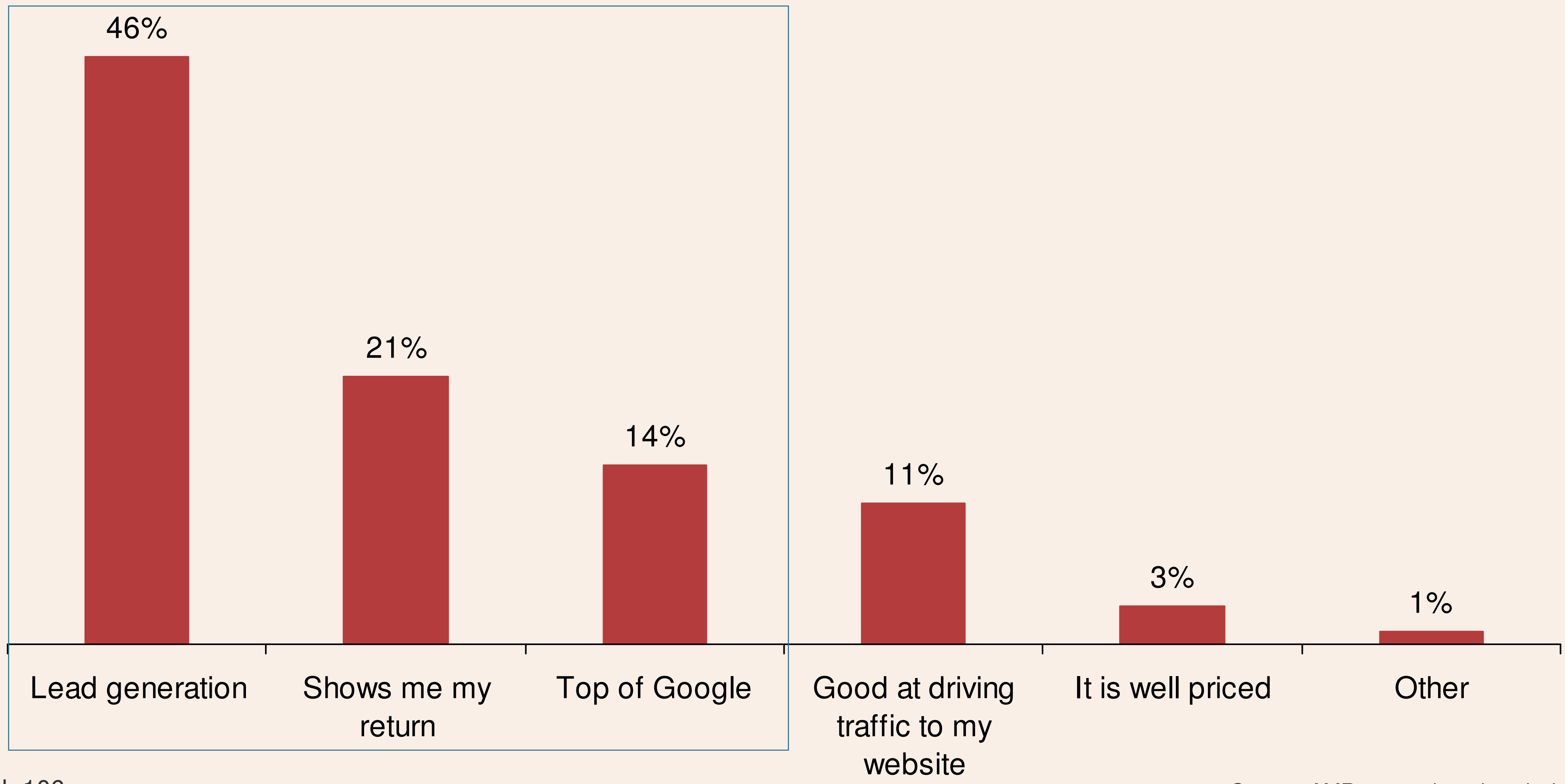
All advertisers perceive the most effective marketing channel to be their website; for many it is a source of pride



Source: AMR research and analysis

All advertisers online want leads, and to see they are getting them. Price is clearly a secondary consideration

"What is the most important factor when choosing an online advertising channel?"

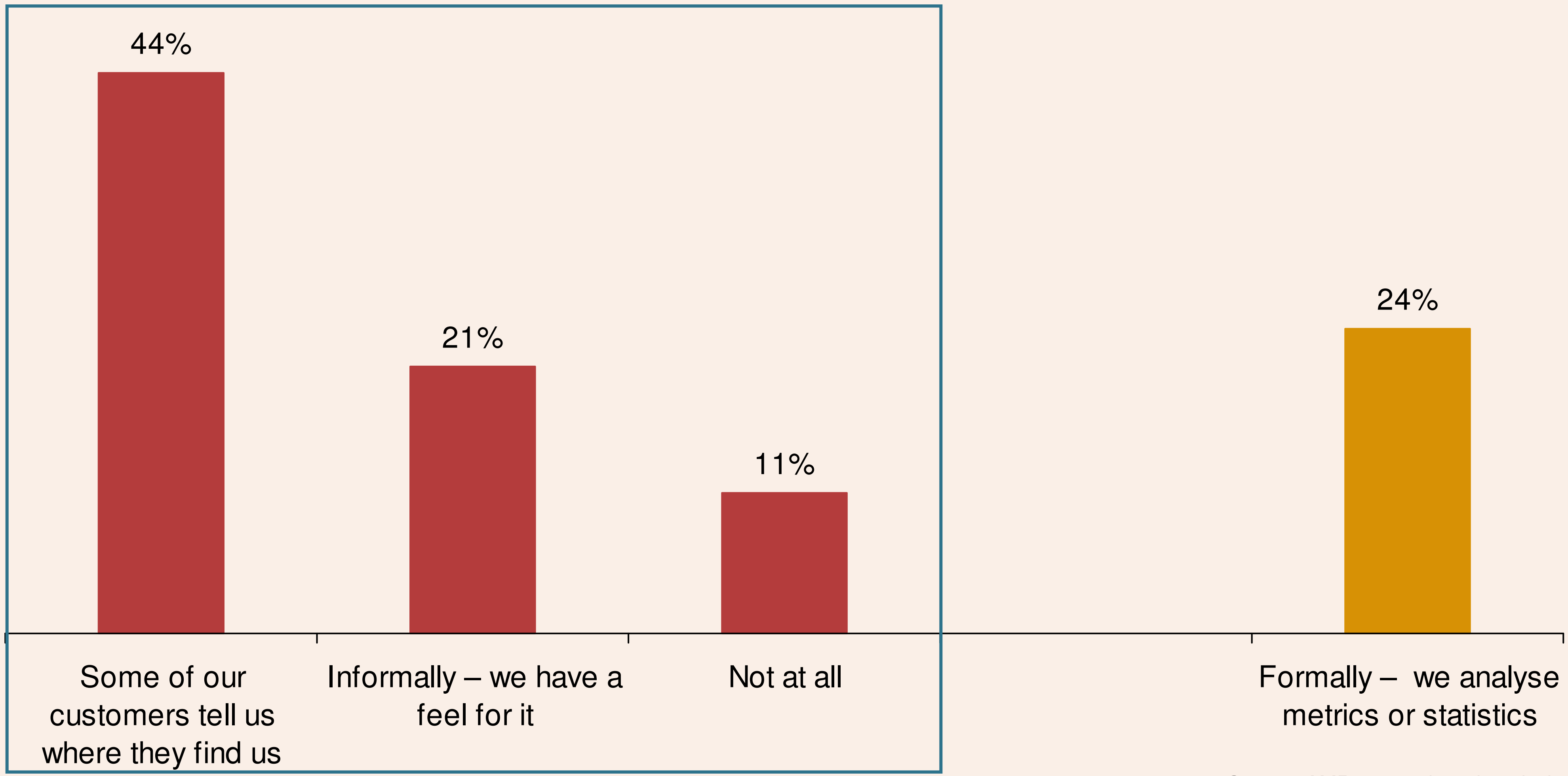


N=106

Source: AMR research and analysis

Despite being able to measure more than ever, fewer than 25% of SMEs formally measure their results; perception is everything

"How do you measure your advertising?"

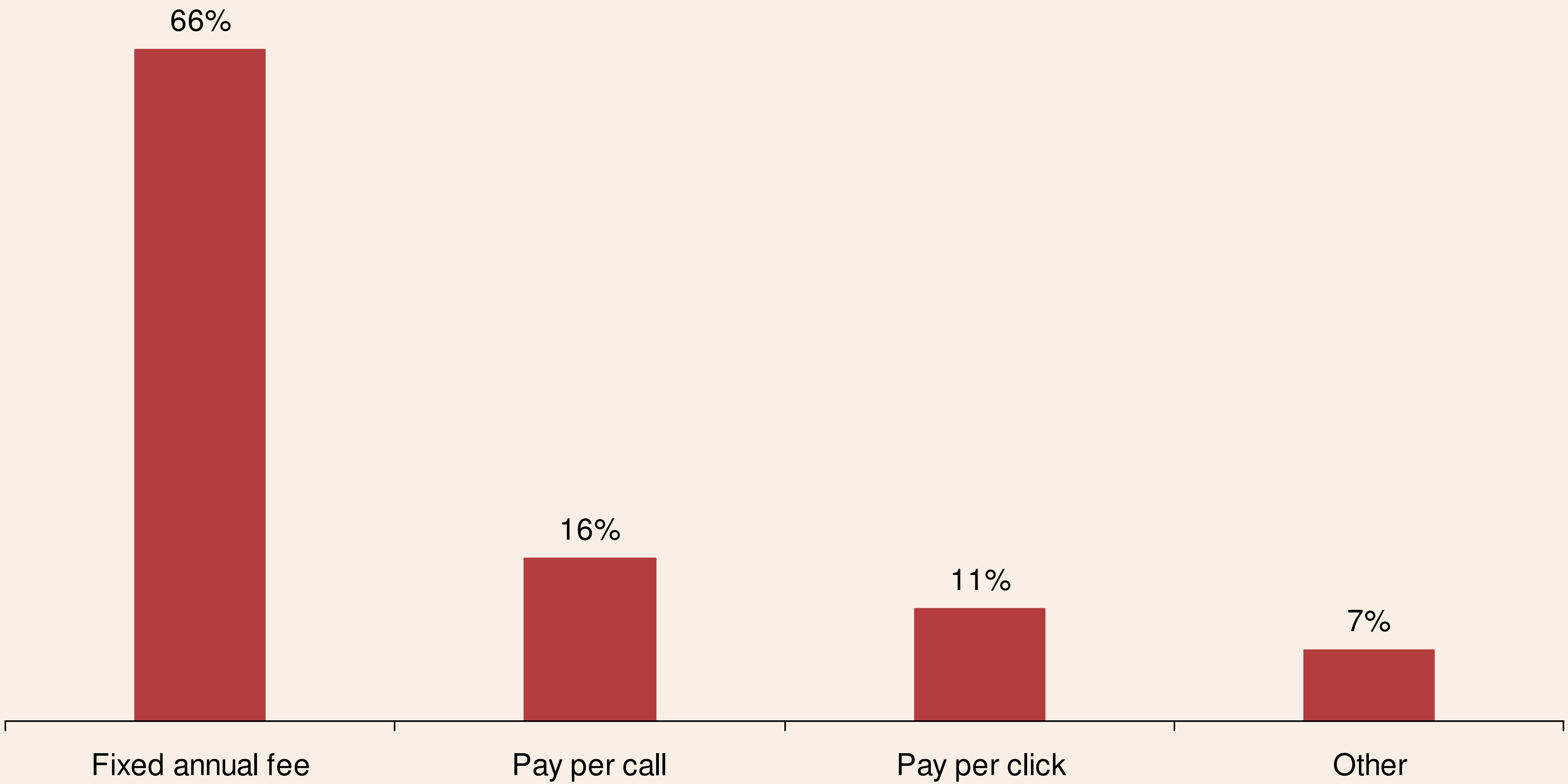


N= 140

Source: AMR research and analysis

What is more, pay-for-performance is not of interest to the vast majority of SMEs

"How do you like to pay for your advertising?"



N= 150

Source: AMR research and analysis

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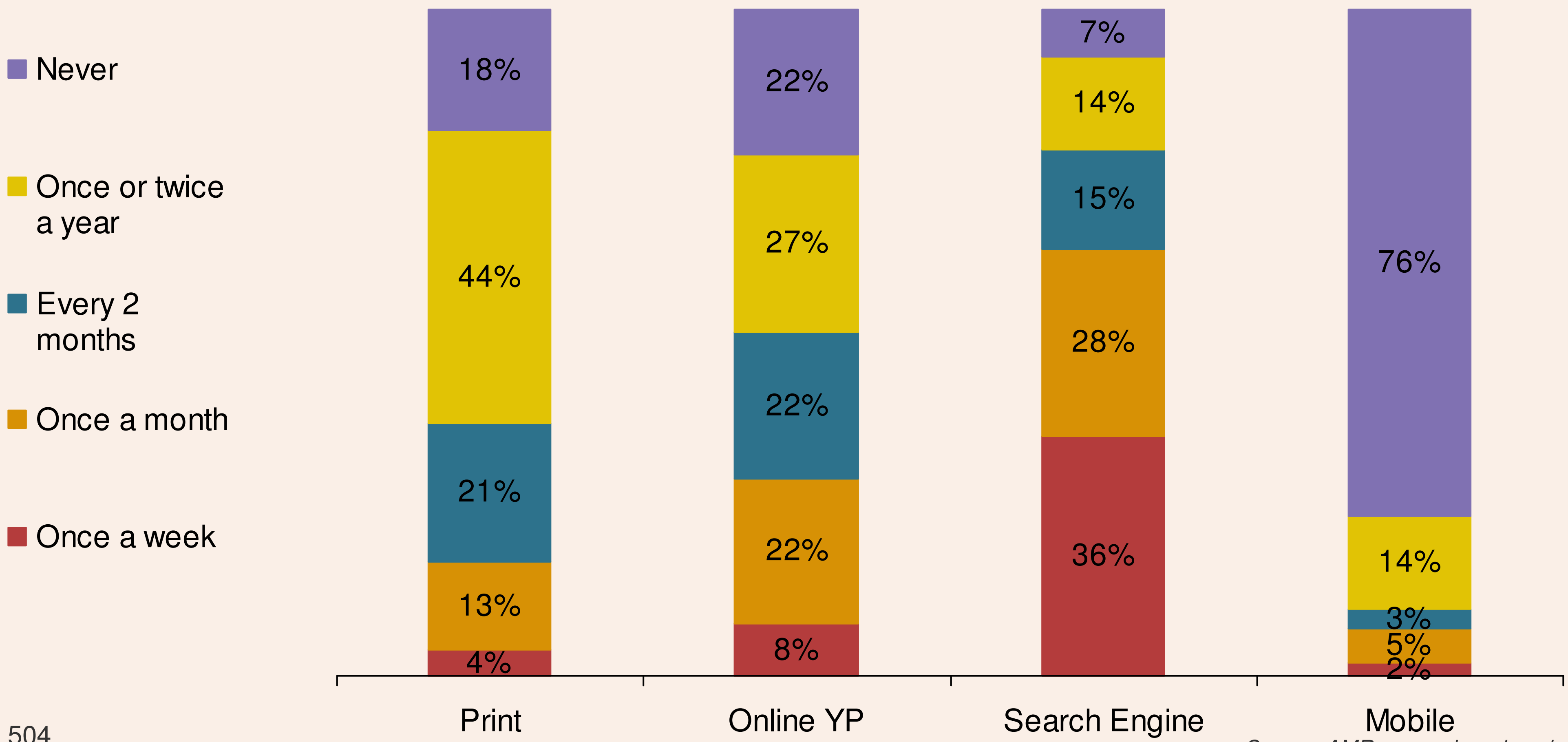
Frequency of search is greatest on search engines

Frequency of local search usage by medium

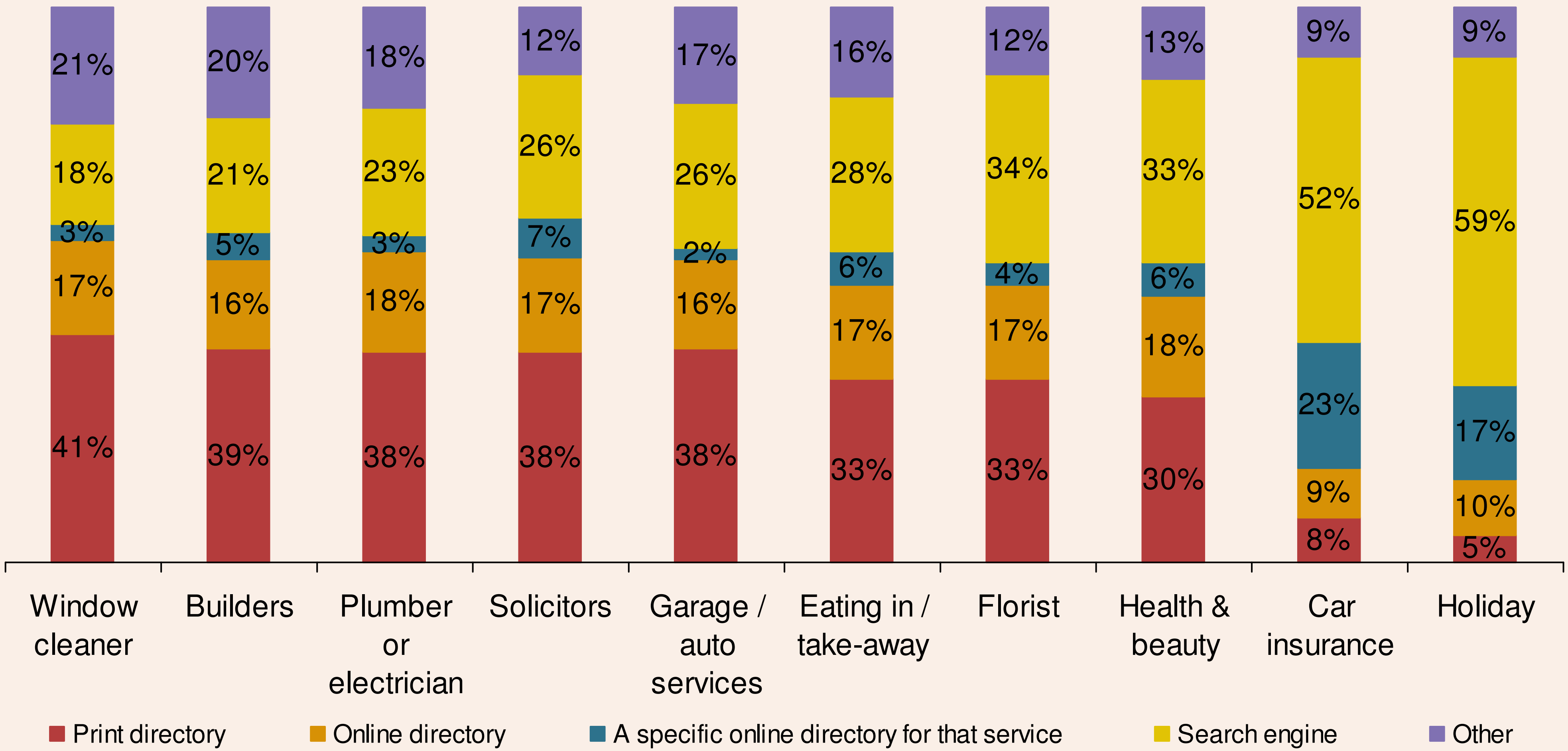


N= 504

Source: AMR research and analysis

Print directories are still the first stop for a number of typical local services; for non-local services search engines dominate

Where are users most likely to go to look for a provider? – selected services

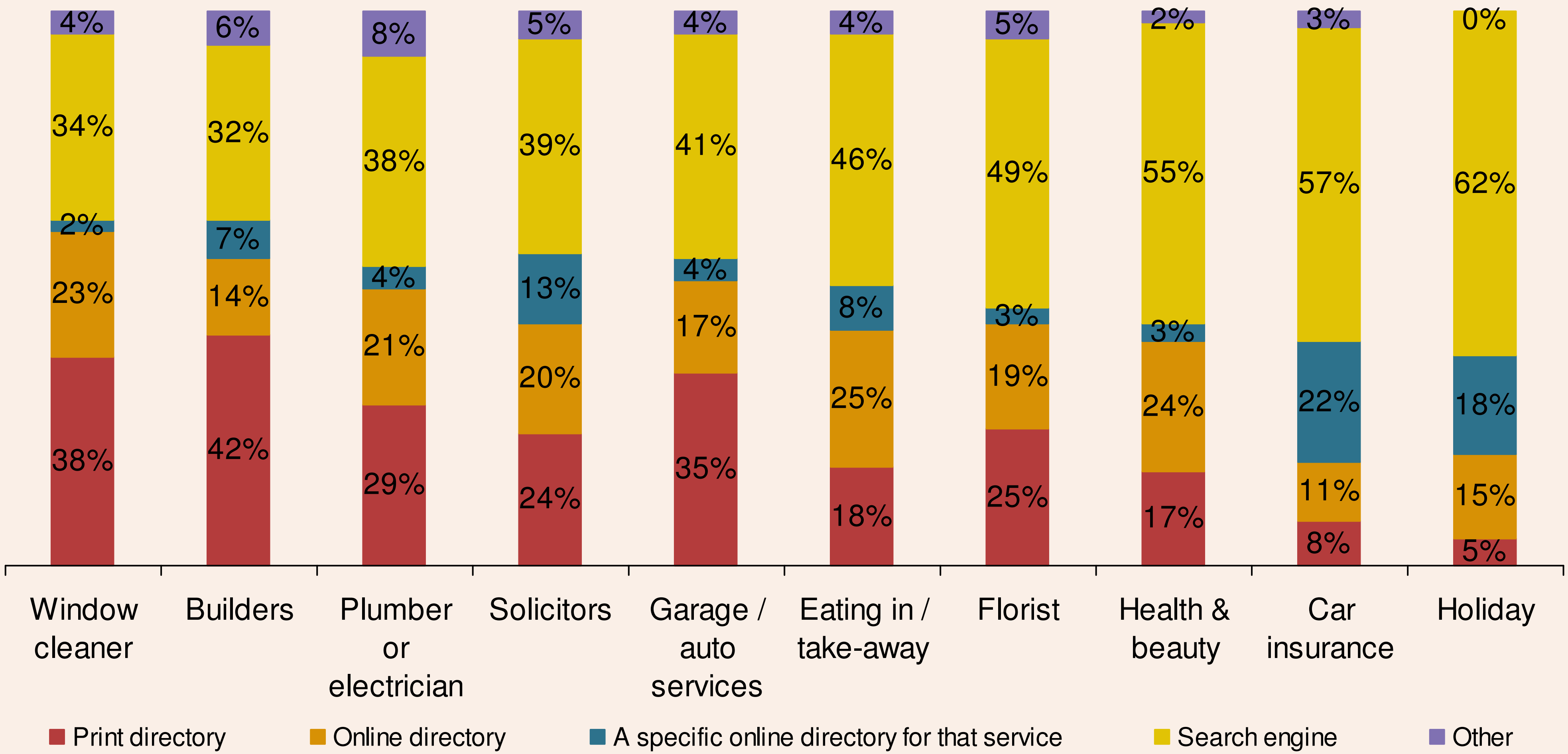


N= 504

Source: AMR research and analysis

For 18-24 year olds, search engines are more likely to be first point of enquiry, however print directory usage is still significant

Where are 18-24 year olds most likely to go to look for a provider? – selected services



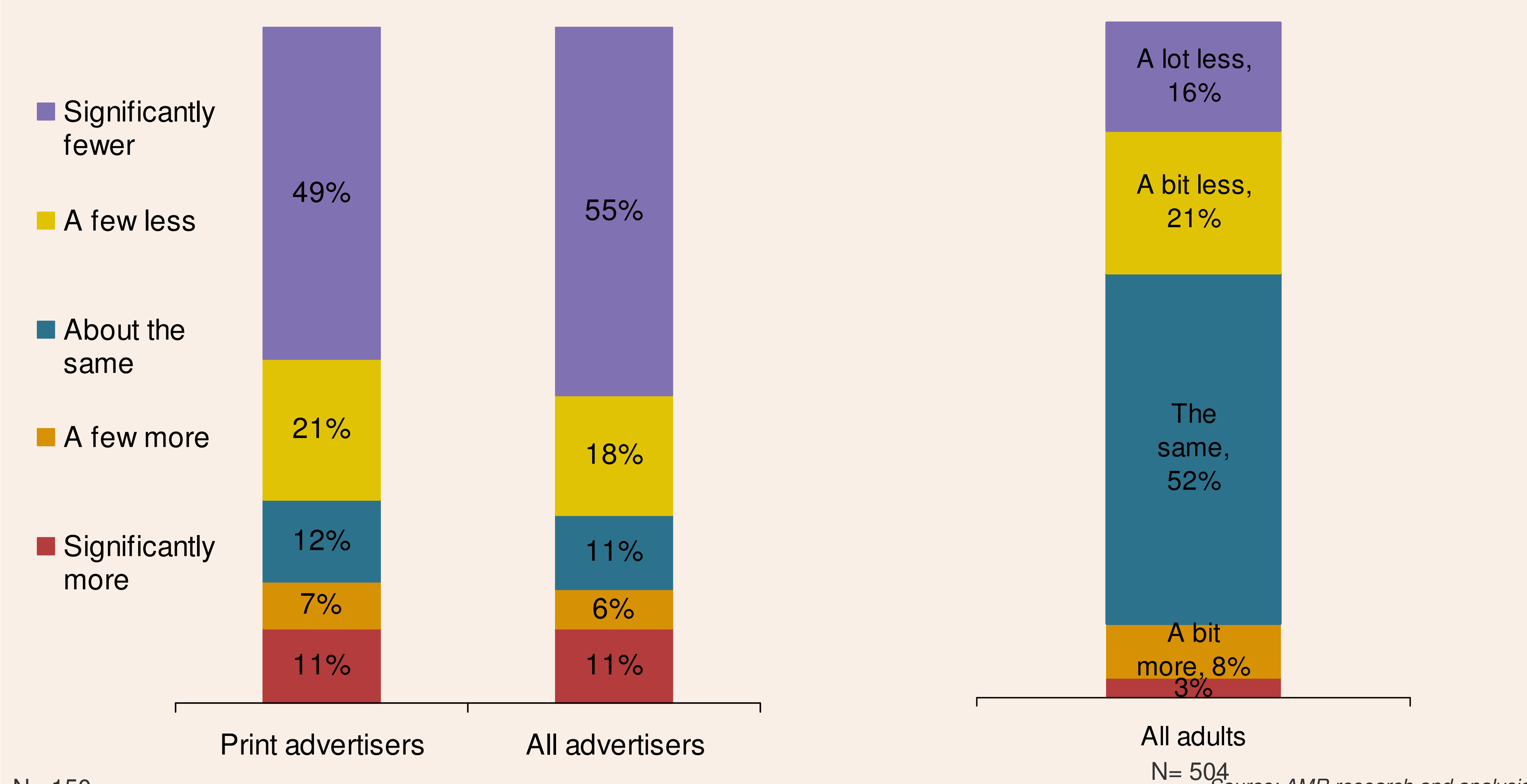
N= 106

Source: AMR research and analysis

Advertisers do not appear to underestimate print usage decline; if anything they overstate it

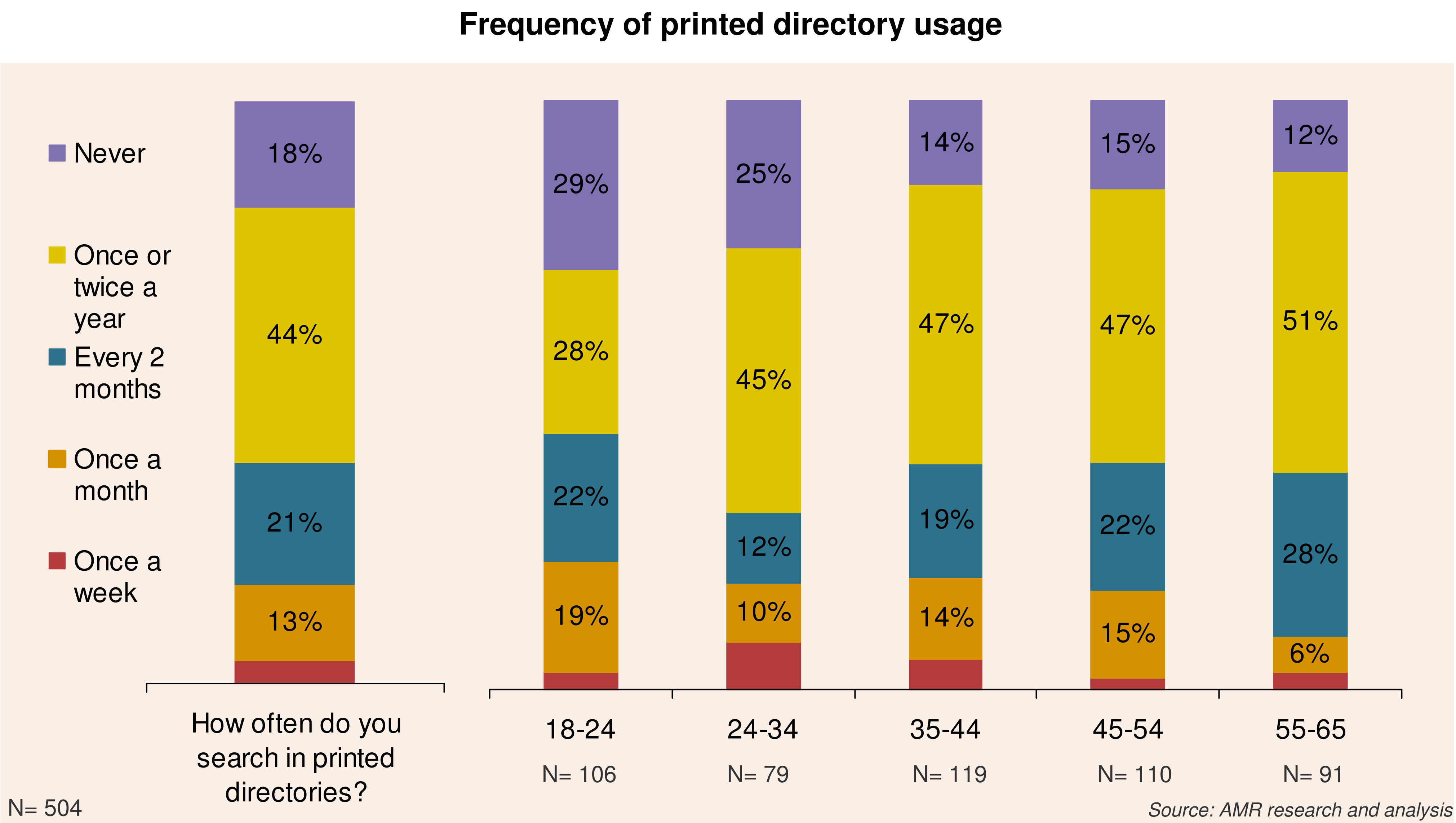
"How many people use print directories compared with two years ago?"

"How much do you use print directories compared with two years ago?"



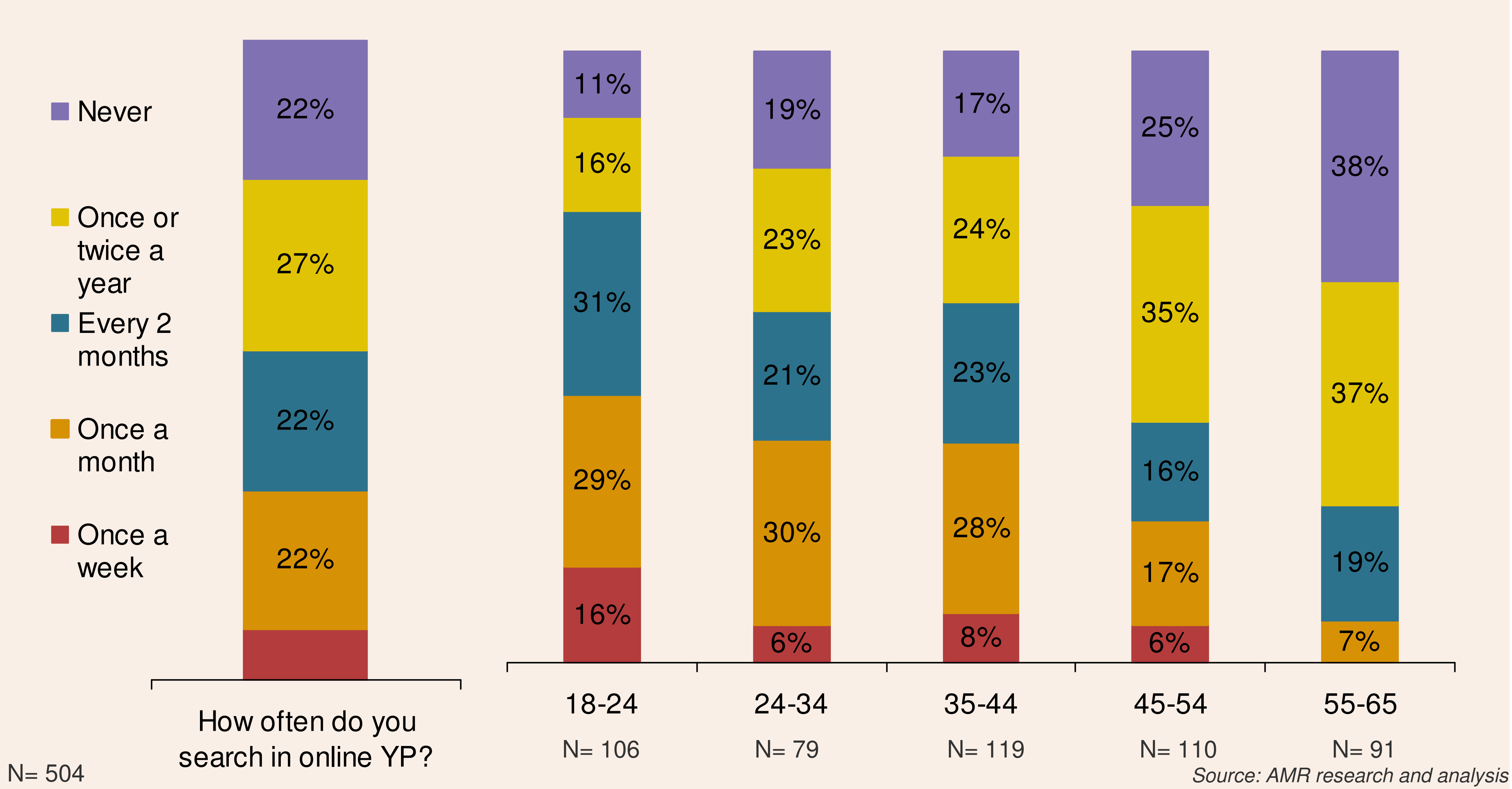
Source: AMR research and analysis

Reported print YP usage frequency is relatively low



Online directory usage is stronger than print; it may be even higher if searches which begin on search engines are included

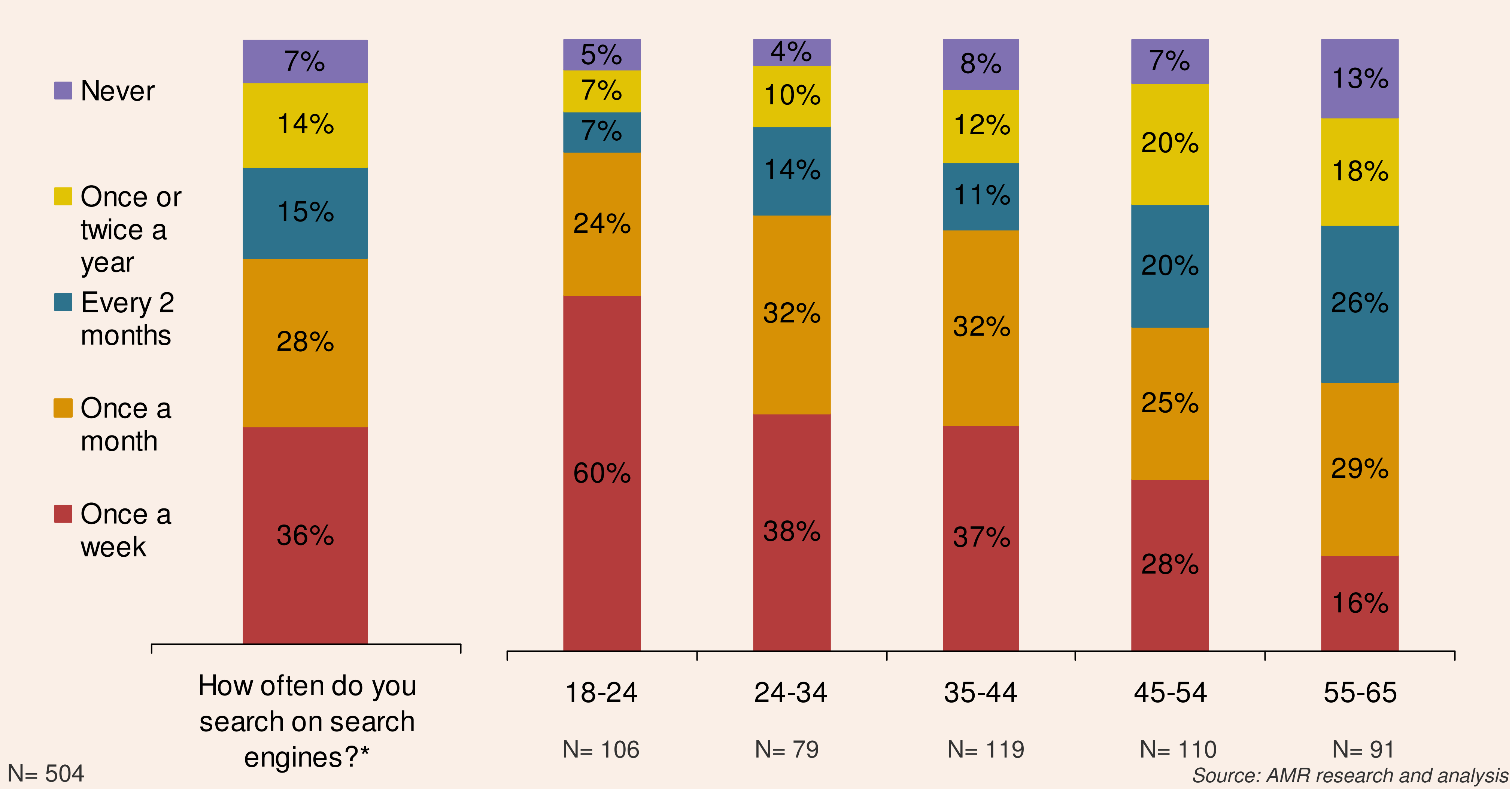
Frequency of online directory usage



Source: AMR research and analysis

Reported usage frequency for search engines is very high, particularly amongst under – 24s

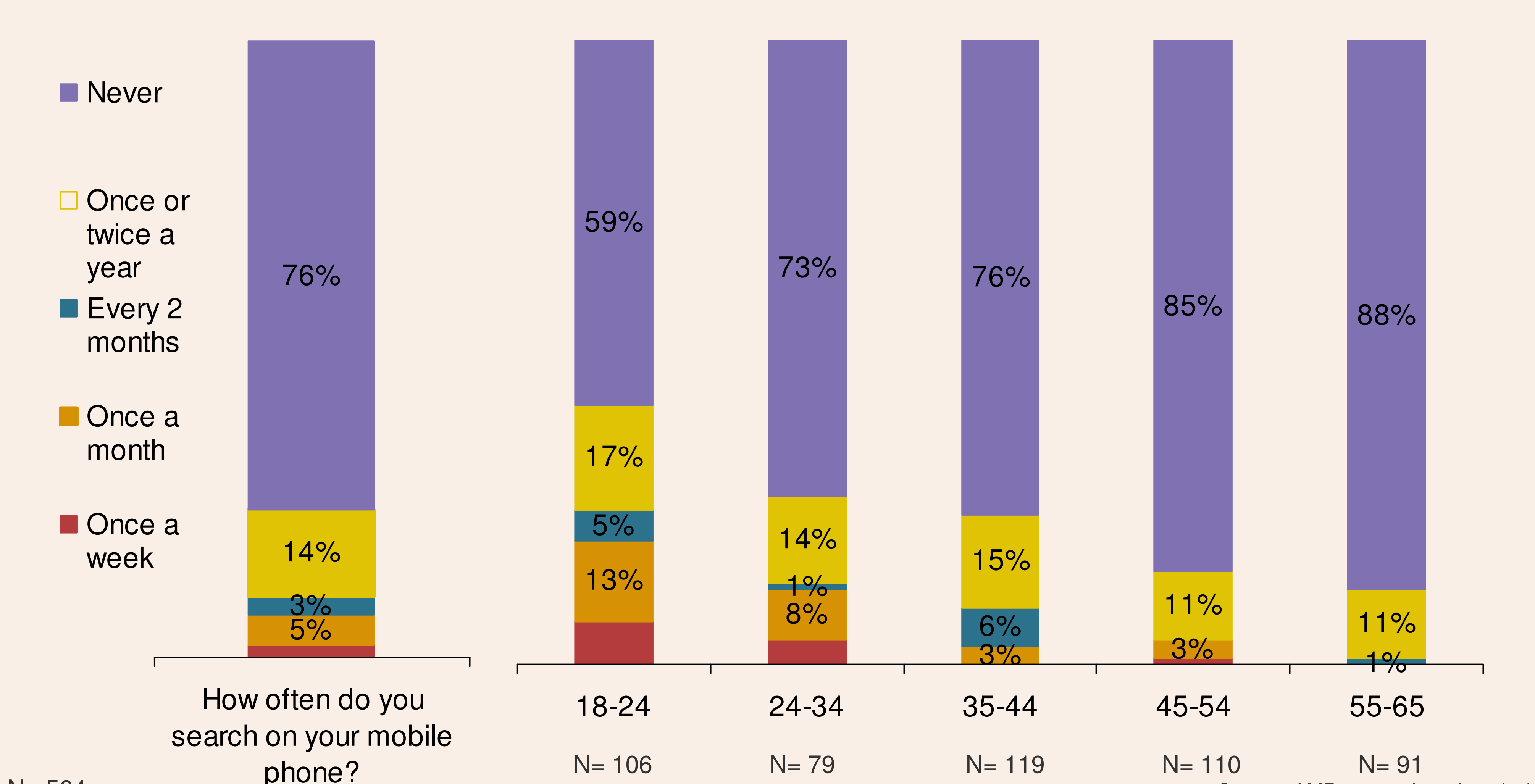
Frequency of search engine usage



Source: AMR research and analysis

Mobile search frequency is still very low, although it is gaining some traction amongst younger demographics

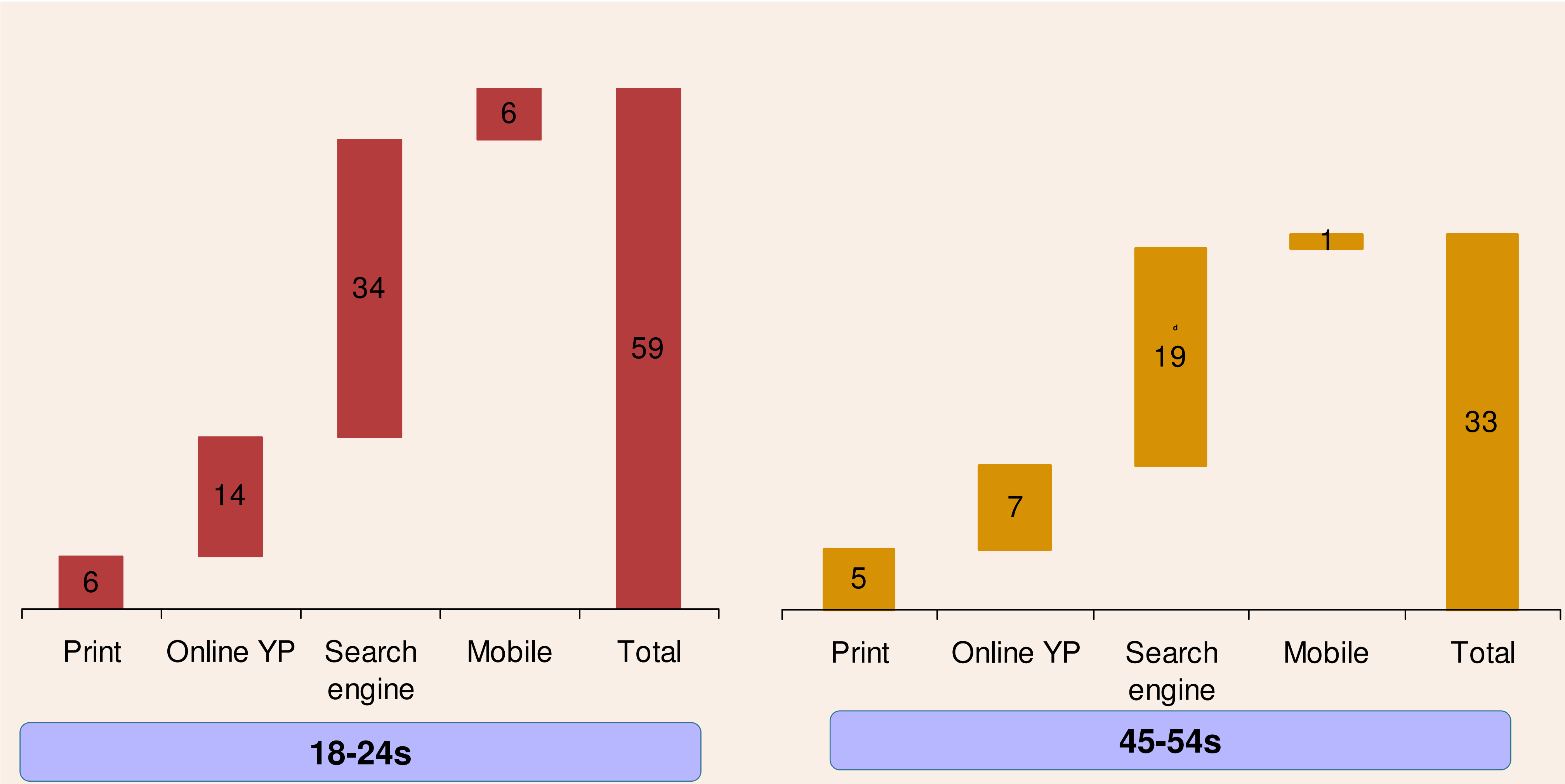
Frequency of mobile usage



Source: AMR research and analysis

Younger age groups search as much in print as older ones, and search much more online; the number of searches will grow over time

Number of local searches per person, per year



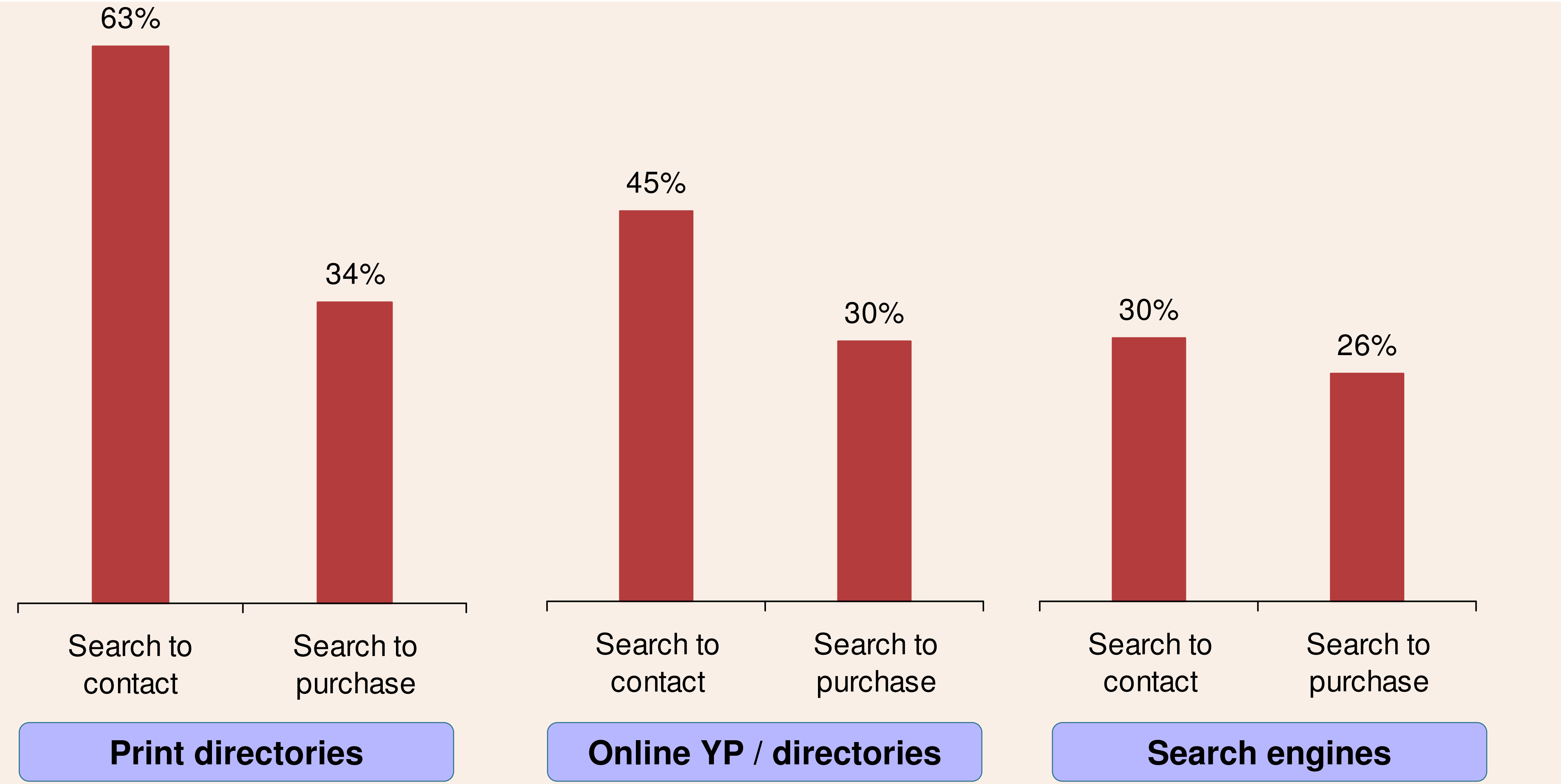
N= 106

N= 110

Source: AMR research and analysis

Print directories have a high ratio of search to call, indicating a high level of intent; conversion is slightly higher than online

% of searches which result in contact or purchase

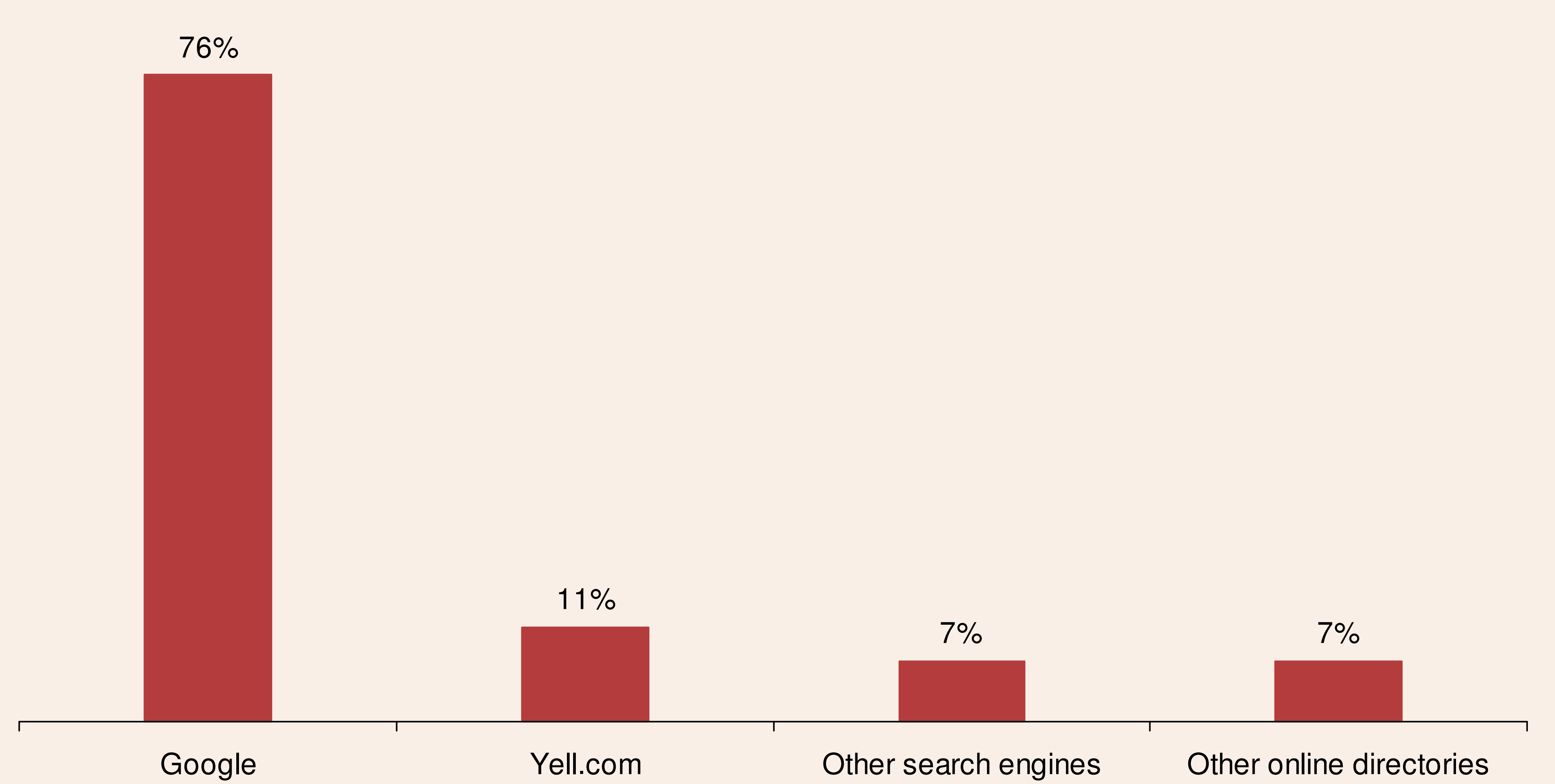


N= 460

Source: AMR research and analysis

Online, the majority of searches begin on Google, although this does not mean that Google itself fulfils the search

Where searches start online



N= 460

Source: AMR research and analysis

So, what does this all mean?

Some challenges for the local search sector online

- In the UK, at least, the online local advertising battle is yet to be won
- The challenge for online advertising models is to evolve further to:
  - Provide the fixed-price model which SMEs prefer
  - Demonstrate their effectiveness in a clear and simple way
  - Give SME advertisers the sense of reassurance that they get from a print directory ad, or their website
  - Find ways to engage the “Buyers”
  - Develop scaleable models to manage SMEs websites and online presence and advertising

The challenge is for local search participants to harness the complexity of the internet and technology to provide a simple proposition for sales teams and local advertisers alike

Print directories will need to increase their local focus to be relevant and survive

Some challenges for print directories

- Across Europe, locally-focused print directories are growing at the expense of regional directories –locally-focused content is the key driver of usage. Losing non-local categories may help!
- Users have a clear understanding of which channels are suited to which type of searches. This knowledge should be harnessed to improve products across all channels
- Publishers may need to address perceptions of usage decline amongst advertisers

Online, unless participants can generate sufficient direct traffic, they will have to consider search engine co-existence strategies

Local search and search engine co-existence and competitive strategies

	Co-opetition / co-existence			Competition	
Strategy	1a Traffic share	1b Content distribution	1c Resell	2a Directories enter general search	2b SEs enter local search alone
Detail	Access to the iYP search via the partner's website or access to the search engine's search via the iYP website	YP distribute their content via search engines, with business listings data which are integrated into its local search function and results	YP players resell search engine advertising for one or more search engines, often in a modified form	YP players build up their own general search capabilities to compete with search engines directly	SE's fully enter local search, either with a self-serve model, by creating a sales force, or by acquisition
Examples	Seat PG and MSN (Italy),	Eniro and Google (Nordic), DeTeMedien and Yahoo, (Germany)	Thomson and Google (UK), BellSouth and Google (US)	Sensis (Australia), Eniro (Sweden)	Google Local Centre (US)

Thank you!

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