The promise of hyperlocal: opportunities for publishers and developers

By Dr. Phil Hendrix

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Executive summary

Advertisers have long been enamored with the promise of location-based advertising (LBA). To date, however, national advertisers' and agencies' enthusiasm has been tempered by fragmented audiences, and advertisers and agencies have been slow to embrace LBA. Capitalizing on the growing adoption and use of smartphones and the explosion of flash sales and local offers, local mobile ad networks are creating seismic shifts in mobile advertising. Leading analysts are projecting that mobile ad spending will increase by more than five times between 2011 and 2015. Small- and medium-sized businesses (SMBs) in particular are contributing to the extraordinary growth, especially in hyperlocal mobile (HyLoMo) advertising, which we define as ads targeted to individuals in specific, relatively homogeneous locations (latitude and longitude, neighborhoods, zip codes, and so on).

HyLoMo advertising represents an important new asset for mobile publishers and app developers. Executed properly, HyLoMo delivers more-relevant ads to audiences and, due to the proximity of opportunities, generates higher levels of engagement. Compared to ads that are not geotargeted, HyLoMo ads are producing higher click-through rates and are yielding higher effective CPMs (eCPMs) for publishers and developers. With the aid of local mobile ad networks, advertisers, publishers and developers are integrating HyLoMo into their strategies and reaping the benefits.

Intended for mobile publishers and developers as well as industry audiences interested in the topic, this report outlines factors contributing to the rapid growth of HyLoMo advertising, describes results that are being achieved, and summarizes key criteria to consider in comparing and evaluating local mobile ad networks.

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Introduction

With the growing popularity of smartphones, consumers are devoting more of their time and attention to mobile websites and apps. Each day CNN, The Weather Channel and other mobile publishers attract enormous audiences, while millions of users enjoy apps created by Zynga, Pandora and other leading developers. While serving a wide range of audiences and employing diverse strategies, mobile publishers and developers pursue similar objectives and wrestle with a familiar set of challenges.

Key objectives and challenges for mobile publishers and developers

Reach users	**How do we reach and attract new users?**
Satisfy users	**How do we deliver compelling experiences that satisfy users?**
Engage users	**How do we engage users and build a loyal base of repeat customers?**
Monetize assets	**How do we monetize our assets, including audiences and advertisers?**

Source: Adapted from Appcelerator — IDC

While publishers and developers continually experiment with various strategies, the primary monetization strategy for most has been and remains display advertising. According to Mobitrove, in 2010 national campaigns by advertisers accounted for more than 90 percent of mobile advertising dollars spent in the U.S. While a growing portion of mobile ads are based on large-area targeting (city, DMA, etc.), only a small percentage of them are hyperlocal — that is, served to individuals in specific, relatively homogeneous locations that are based on latitude and longitude, address, neighborhood, or ZIP code. We refer to this as hyperlocal mobile, or HyLoMo.

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Seismic shifts are under way, however, and they are being led by small- and medium-sized businesses (SMBs). Local advertising in the U.S. is projected to increase at an extraordinary rate, accounting for as much as 70 percent of mobile ad spending in 2015, according to BIA/Kelsey. In parallel, a growing portion of mobile advertising will be based on increasingly accurate determinations of users' location.

Local mobile ad networks such as YP[SM] Local Ad Network[1], xAd and others are contributing in two important ways:

- They help SMBs, in particular, incorporate mobile advertising into their strategies.
- They expand the inventory of local ads available to mobile publishers and developers.

Leading local mobile ad networks are shown in the appendix. Since these networks differ on a number of important dimensions, the last section summarizes ten key distinguishing attributes.

By integrating HyLoMo ads into their mobile websites and apps, publishers and developers are achieving a "win-win-win" — that is, more relevant ads (and therefore better user experience), significantly higher clickthrough rates (CTRs) and users engaging with advertisers, and higher effective CPMs (eCPMs).

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[1] *YP[SM] Local Ad Network includes both online and mobile ads.*

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Benefits of hyperlocal mobile advertising

Benefits of Hyper-Local Mobile Advertising
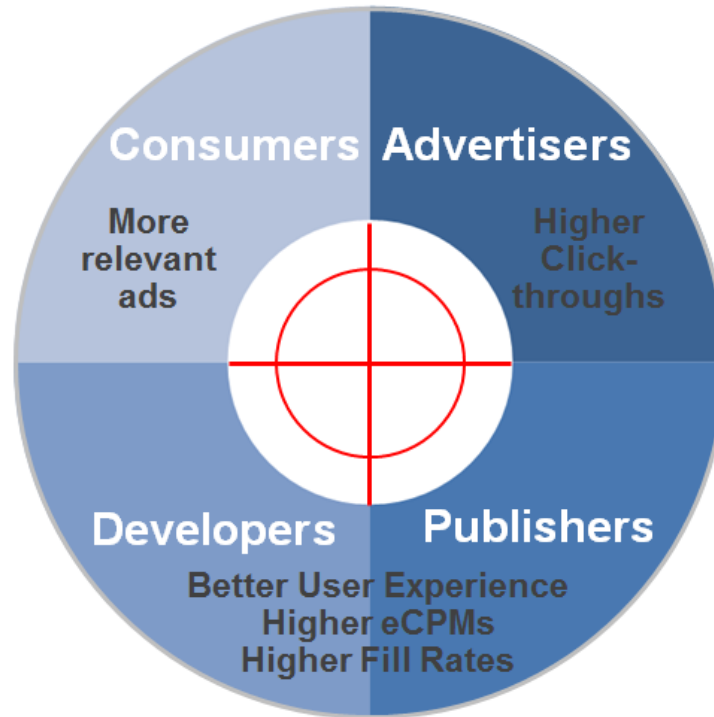
Source: Dr. Phil Hendrix, immr

However, as discussed in a later section, for a number of reasons some publishers and developers have been slow to capitalize on HyLoMo advertising.

This report examines the HyLoMo advertising opportunity for publishers and developers, discussing:

- Factors fueling the growth of HyLoMo advertising

- Projected growth of HyLoMo and results publishers are achieving

- Local ad networks: key capabilities and characteristics for publishers and developers to consider

- Ways to make location an integral part of mobile websites and apps

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Toward the end of the report, two important resources are provided to help publishers and developers evaluate and "get started" with local mobile advertising partners. The appendix lists seven leading local mobile ad networks, while the final section of the report, "Evaluating local mobile ad networks: key criteria" presents a summary table listing the 10 key criteria to evaluate and choose one's local mobile ad network partner(s). The criteria include hard metrics such as fill rates and eCPM as well as factors that are equally important but more difficult to quantify, such as advertiser support and ad quality, support for publishers and developers, and others.

Why HyLoMo advertising is taking off

For years analysts have predicted that location-based advertising is on the verge of taking off. Unfortunately, results have fallen short of projections and expectations. While a recent *Chief Marketer* survey found that one in three companies employs mobile display ads, only one in six delivers ads based on location. In a survey by STRATA in July 2011, only 7 percent of ad agencies said they are creating location-based mobile ads for their clients; in an April 2011 survey two-thirds of agencies said location-based advertising was "not in their plans for 2011." Advertising budgets paint an even more dismal picture: According to Forrester, mobile accounted for less than 1 percent of total ad spend in 2011. As of mid-2011, location-based advertising was considered a tiny fraction of advertisers' budgets. The most important reasons for the slow embrace include concerns about audience size (the number of smartphone users in selected locations) and challenges in aggregating audiences across locations.

Among leading analysts, however, the consensus view is that 2011 was an inflection point for mobile advertising. Forrester, for instance, projects that mobile marketing spend will grow by nearly 40 percent year over year, with the total increasing by five times between 2011 and 2016. BIA/Kelsey and Borrell Associates — both leading analysts that track local media closely — predict that mobile ad spending will increase by more than five times between 2011 and 2015.

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And while forecasting is fraught with uncertainty, mounting evidence suggests that mobile advertising is taking off and that location-based advertising, especially by local businesses, will fuel much of that growth.

The most significant reasons, summarized in the chart below, are explained in the next sections.

Driving the growth in hyperlocal mobile advertising
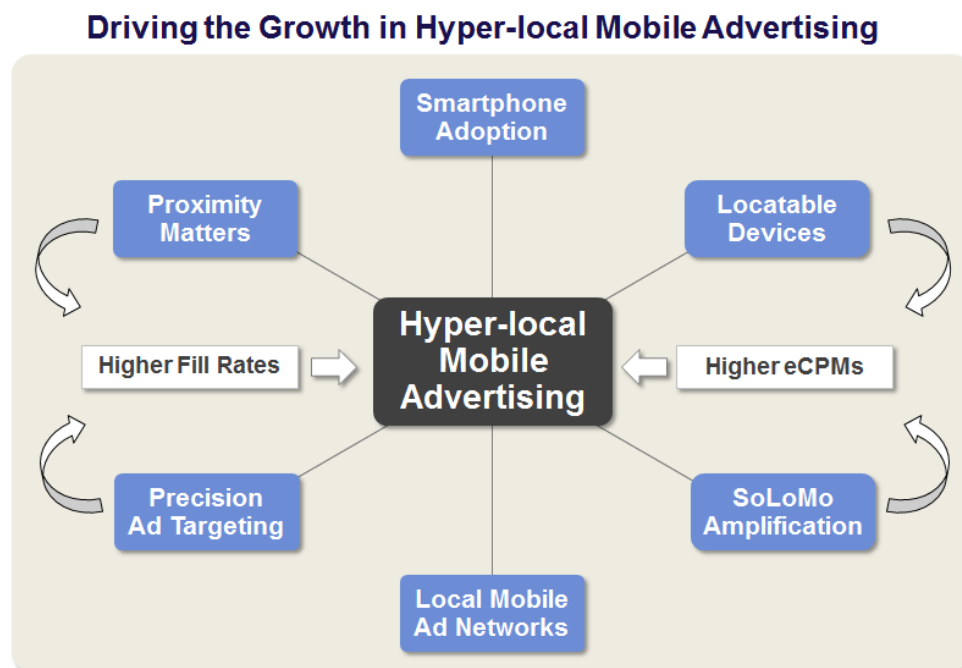

Source: Dr. Phil Hendrix, immr

Smartphone ownership and use growing at a remarkable rate

In June of 2011, smartphones reached a significant milestone in the U.S.: According to comScore, for the first time the number of smartphones purchased exceeded the number of feature phones purchased. With the share of smartphones purchased growing at such a fast clip — 35 percent over the past 12 months — it's just a matter of time before a majority of consumers are carrying them. In fact, Horace Dedeiu's "countdown clock" estimates that in the U.S. smartphone owners will reach a majority

by next summer. EMarketer estimates that the number of smartphone owners will grow by 8–10 million per year between 2011 and 2016, with the total number reaching 110 million by 2015.

Smartphone vs. non-smartphone purchases, 2010–2011
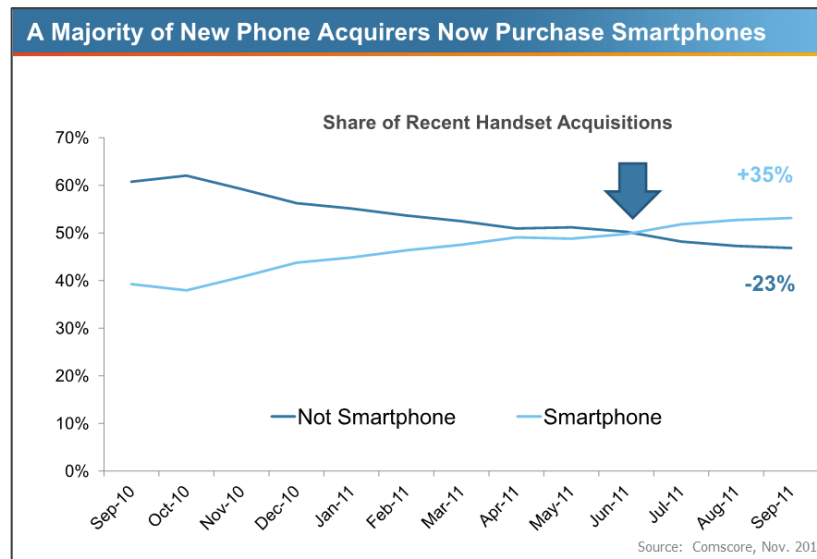

Source: comScore, Nov. 2011

Even more important for advertisers is the impact of smartphones on consumers' media use. When consumers are out and about, they are using smartphones and apps to stay connected, informed, entertained and for many other purposes. As the futurist Paul Saffo remarked, "Before the iPhone, cyberspace was something you went to your desk to visit . . . now cyberspace is something you carry in your pocket."

A recent Pew Research survey showed that, on a typical day, two-thirds of smartphone owners use their smartphone to access the Internet. For a significant number of respondents — one in four — the smartphone is the primary means of accessing the Internet. During some parts of the day, smartphones are relied on to an even greater degree. In the news category, for instance, comScore data shows that before 8 a.m. and after 6 p.m., smartphones account for more page traffic than either PCs or tablets.

More-granular data from Zokem (now part of Arbitron) shows what consumers are doing on smartphones throughout the day. Before 8 a.m. and after 6 p.m., non-voice and non-messaging uses account for more than half of total smartphone usage.

Smartphone usage activity throughout the day
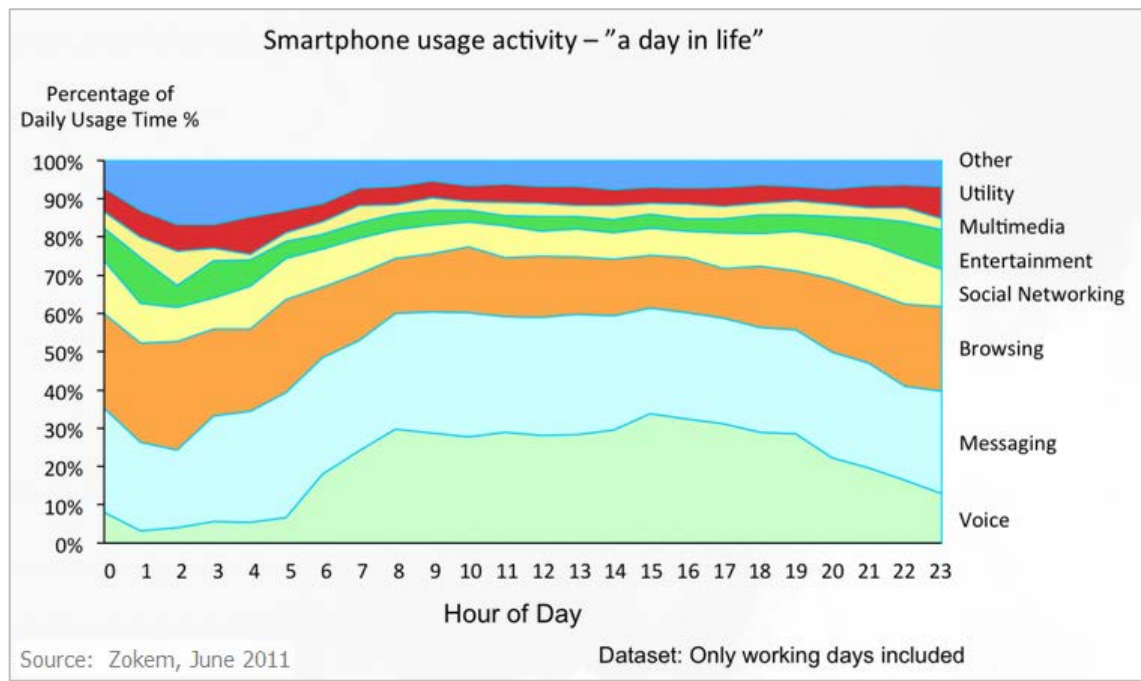
Source: Zokem, June 2011

Given the rapid growth in adoption and reliance on smartphones, mobile has emerged as a crucial medium for advertisers. As mentioned above, local businesses in particular are rapidly embracing mobile to reach new customers. As Hannu Verkasalo, the CEO of Zokem, observed, "[Mobile] apps and browsing the web seem to be the key areas for advertisers and marketers to engage with mobile audiences, and they are definitely the sweetspots for targeting."

As one of the primary engines enabling HyLoMo advertising, smartphones are creating a significant, largely untapped opportunity for publishers and developers.

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Smartphones that can be located — anywhere

In addition to cellular connectivity, GPS and Wi-Fi are now standard features on smartphones. With these technologies, smartphones can be "located" in a number of ways, including GPS, Wi-Fi triangulation and cell tower triangulation. There are also combinations, such as assisted GPS (A-GPS). These methods of location determination (LD) differ in terms of where they work (indoors vs. outdoors), accuracy, drain on device batteries and other aspects (for a summary, see "Location — the Epicenter of Mobile Innovation," Dr. Phil Hendrix, 2010).

New technologies that are being incorporated into smartphones are also improving location determination:

- Intelligent chips. SiRFusion just announced "intelligent chips" that will take advantage of other smartphone sensors (accelerometers and gyroscopes) to improve the accuracy of location determination and minimize battery drain. These new chip sets can determine the degree of precision required by an app, such as whether the user's location needs to be determined exactly (plus or minus 3 meters) or approximately (50–100 meters). The chipsets can also determine location with the "appropriate precision" using whichever sensors require the least power.

- Indoor mapping. Overcoming a limitation of existing LD solutions, a number of companies, including SiRFusion and startups like SenseWhere, are developing solutions that can pinpoint the location of devices inside stores, malls and other buildings. Speaking at the Le Web Conference in Paris, Google's VP of Location and Local Services, Marissa Mayer, described how the indoor mapping features of Google Maps for Mobile 6.0 will trigger even more hyperlocal apps and services.

- Near field communication (NFC). Given support by Google, handset OEMs and others betting on mobile payments, NFC is poised to take off. When consumers tap their NFC-equipped smartphone to pay or for other purposes, their exact location is registered (e.g., at the point of sale, at the bus stop, in front of a movie

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poster, in the dairy aisle of the grocery store). IMS estimates that in 2011, there were 35 million NFC-enabled smartphones shipped globally; its forecast for 2012 is 80 million. As NFC-enabled devices become more prevalent and applications are deployed more widely, NFC will generate the equivalent of clickstream data by exact location.

Taken together, these developments are making "locatable smartphones" more ubiquitous and location determination even more precise.

Of course, just because smartphones can be located doesn't mean a publisher or developer can obtain and use that information. Apple permits apps to access a device's location only if positioning is required by the app. Obtaining a user's location for advertising or other purposes is strictly prohibited. While Android does not have this restriction, CTIA and MMA (Mobile Marketing Association) guidelines stipulate that developers and publishers must secure users' permission to obtain and use location information. Naturally, without a compelling rationale developers and publishers are wary of asking users to disclose their location.

As more consumers disclose locations — for example, to check in or to share plans, photos, content, etc. — many, though not all, are becoming increasingly comfortable sharing their locations with trusted partners, provided there is a compelling value proposition such as information, alerts or offers specific to the user's location. In a recent survey by Nielsen (commissioned by AT&T Interactive), within the last three months one in two smartphone owners has permitted a mobile app to "auto-detect" their location for purposes of suggesting local businesses.

In a later section, we discuss several strategies that publishers and developers can use to encourage users to share their location. Of course, the handling of location data requires proper disclosure, transparency and users' full cooperation.

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Audience profile + location = precise ad targeting

The audiences for various categories of mobile apps and content have distinctive profiles, both in terms of demographics and users' interests. Since mobile apps and content consumed reveal a great deal about users' interests, audience profiles are useful to select and target ads most relevant for developers' and publishers' audiences. Ad networks allow publishers to manage the types of ads available, while companies like DataXu are extending demand-side platforms (DSPs) to mobile media. DSPs employ algorithms and a wide range of data (time 0f day, location, device type and much more) to optimize ads presented to users at any point in time.

Location enhances the effectiveness of ad targeting in two very important ways:

- A user's location — whether latitude or longitude, address, or zip code — provides the link to an abundance of contextual information. For example, data like the geodemographic profile of individuals living and working in the area or weather and traffic patterns. PlaceIQ — an audience targeting company that works with ad agencies and networks — is dividing areas into plots roughly the size of city blocks and compiling data that describes each plot. Over the course of a day or week aspects of a location can change dramatically, so PlaceIQ profiles the plots by time of day and day of week. Location provides the key to unlock and apply these rich "contextual profiles."

- Local mobile ad networks — especially those working with local businesses — are also tracking how users in a location respond to various ads, again by time and day of week. Compiled over time, this data reveals which ads are most effective for users in specific locations at various times. In a sense, location is an effective surrogate for individuals' interests and their propensity to respond as they are in and move across different places and times.

When combined with audience data, these measures of "propensity to respond" and context by location can be used to improve the relevance and effectiveness of mobile ads. While relevance matters for both national and local advertisers, the proximity of

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local businesses also allows consumers to "act" on an ad — e.g., call, visit, purchase and so on. As discussed below, more-relevant ads combined with the opportunity to act are yielding CTRs four to six times higher compared to ads without geotargeting.

Ads amplified by SoLoMo (social-location-mobile)

Without question, one of the most important developments over the past decade has been consumers' adoption of social media. For mobile publishers and developers, even more significant is the use of social media on mobile devices, particularly in combination with location, or SoLoMo, as VC John Doerr referred to it.

Flurry and comScore track the amount of time consumers are spending on mobile apps and the Web. Of the time spent on mobile apps, about a third is spent on social networking apps. A recent report by immr called "How SoLoMo Is Empowering Consumers and Transforming Shopping" examines in detail the impact of SoLoMo on consumers' shopping. Particularly relevant findings and conclusions include:

- In Facebook posts and tweets, consumers frequently share updates and express opinions — both good and bad — about their experiences with businesses (restaurants, merchants, service providers) as well as brands and products.

- The frequency with which consumers mention products and brands is surprisingly large. For example, Altimeter analyst Brian Solis indicates that nearly half of all Twitter users share opinions about a product or brand more than once per day, while one in three shares a link about a product or brand multiple times per day.

- Individuals also rely on social media as they shop and make purchases, for example, to learn about new products, merchants or upcoming events or to review previous customers' experiences when debating whether to patronize a particular business. They even use social media to get opinions in real time before deciding whether to buy a particular product.

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How social media is used by consumers

Source: Dr. Phil Hendrix, "How SoLoMo Is Empowering Consumers and Transforming Shopping," Sept. 2011

As consumers respond to HyLoMo ads and shop at nearby businesses, they are apt to share their experiences — good and bad — via social media, amplifying the impact of the initial ad. This is of particular importance for publishers and developers. As discussed in a recent immr report called "Tuning into Consumers' Digital Signals," businesses can capture and leverage these digital signals. For example, by enabling users to post, view and comment on others' experiences, publishers and developers can add value and build community among users and members. As consumers use social media to share their experiences, the "audience reach" grows. In effect, earned (social) media amplifies the effects of paid media. As Paul Adams (formerly with Google and now at Facebook) observed, "The world of advertising will fundamentally change because of the emergence of the social web." This is especially true for HyLoMo advertising.

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Proximity matters

Most individuals tend to live, shop and spend much of their time in narrowly defined areas near their home, work and points in between. We are generally most interested in content such as news, weather updates, dining and shopping that is near our vicinity. Friends with whom we interact on a regular basis, coordinate plans and share content also tend to be nearby. Thus, much of our behavior can be considered local.

As discussed above, consumers are increasingly using smartphones and mobile apps to decide what to do, where to dine, which stores to visit, and even where to meet up with friends. As a practical matter, businesses that are "nearby" are more likely to be considered and vice versa. In most cases, a business' trading area (a geographic area from which a business draws most of its customers) is described by the 80-20 rule, wherein 80 percent of business comes from the nearest 20 percent of individuals within a relatively short walking or driving distance For mobile users especially, proximity matters.

Given these considerations, it is no surprise that consumers use mobile devices for purposes that are predominantly local in nature. For example, both Google and Microsoft report that nearly half of all searches on mobile devices reflect "local intent." Mobile devices now account for more than one in four visits to restaurant websites.

Since smartphones are used when consumers are out making plans, deciding what to do and where to go next, individuals are more apt to notice and respond to ads from local merchants and service providers vs. national advertisers. While HyLoMo improves ad targeting for both national and local advertisers, proximity and immediacy translate into even greater advantages for local businesses.

In view of their increasing popularity, it is worth noting that tablets are used differently than smartphones. First, consumers are using tablets primarily at home and, to a lesser degree, at work and school; tablets are not used as much on the go. Second, tablet uses tend to fall somewhere between those of PCs and smartphones. While some observers lump tablet and smartphone usage together, based on these differences we recommend treating them separately. In particular, we expect the boost
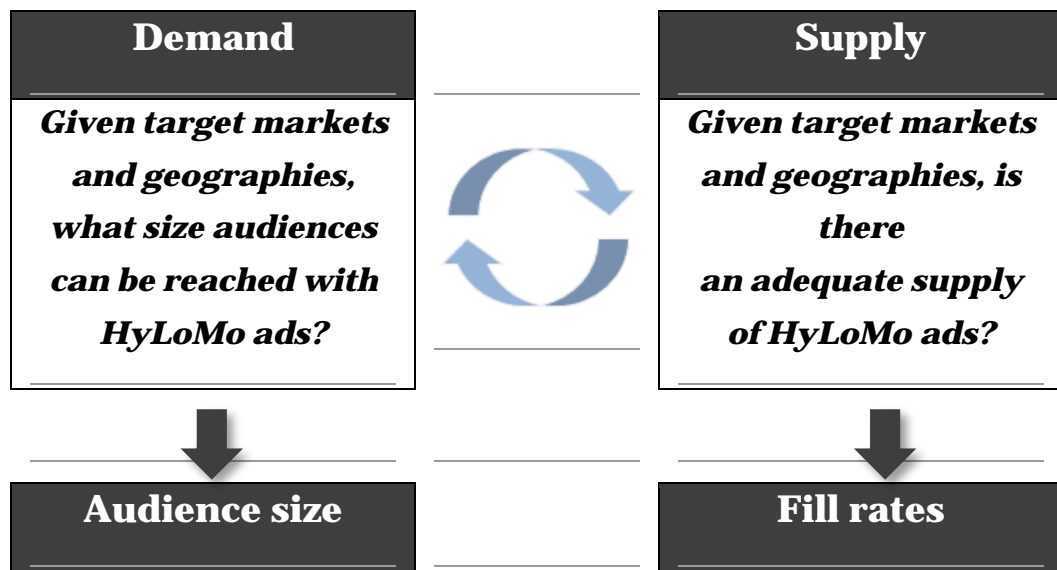
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in ad response achieved with HyLoMo to be much greater on smartphones than with tablets.

Local ad networks expanding the supply of HyLoMo ads

Historically, two factors have slowed the adoption of HyLoMo advertising: advertisers' concerns about audience size and publishers' and developers' concerns about ad supply and fill rates.

Demand vs. supply

Demand		Supply
Given target markets and geographies, what size audiences can be reached with HyLoMo ads?		*Given target markets and geographies, is there an adequate supply of HyLoMo ads?*
Audience size		**Fill rates**

Source: Dr. Phil Hendrix, immr

As suggested in previous sections, the steady growth and adoption of location-aware smartphones are alleviating the first concern: The simple answer is that audiences for HyLoMo ads are growing day by day. With respect to supply, national advertisers and their agencies — which are concerned about the size and fragmented nature of "local" audiences — have been slow to embrace location-based advertising. As a result, until recently most have opted to move slowly and not devote significant portions of their budgets to HyLoMo advertising. Since national advertisers have been the predominant

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source of mobile ads, their hesitation to embrace location-based advertising has limited the supply and therefore fill rates of HyLoMo ads.

The emergence of local mobile ad networks is changing the status quo. While local ad networks have been around for some time (see, for example, "Local Ad Networks Crib Sheet," iMedia Connection, Feb. 2007), the emergence of local mobile ad networks is a relatively recent phenomenon. Led by established companies such as AT&T Interactive and CityGrid as well as newer entrants like Chalkboard and Local Yokel Media, local mobile ad networks are enabling local businesses to capitalize on the HyLoMo opportunity. By making it easier for local businesses to add mobile to their advertising mix, local mobile ad networks are dramatically expanding local ad inventory. In Dec. 2012, for example, YP^{SM} Local Ad Network announced it is delivering more than 1 billion local mobile ads per month.

In addition, as more HyLoMo ad response data becomes available, mobile ad networks are getting better at defining the trading areas for various local businesses by time of day and day of week, allowing local advertisers to cast a wider net at times and still achieve success. For instance, over time data may reveal that on weekends a restaurant can effectively advertise across a broader area, when traffic is lighter and travel times shorter. Some platforms, like ThinkNear, are even incorporating real-time data on traffic, weather and other conditions to help local businesses determine dynamically when and where to advertise.

Local businesses, of course, have limited expertise and even less experience with mobile advertising. Most owners need advice and assistance to devise campaigns — e.g., when and where to advertise, how to craft effective ads, etc. Recognizing this need, some local mobile ad networks employ sales consultants who work directly with local merchants and businesses, providing advice and assistance. These consultants play an important role, taking much of the guesswork and effort out of the process, which is a critical requirement for SMBs. By automating the mock-up and creation of ads, solutions from companies such as PaperG are also making the process much easier for SMBs and the consultants who work with them.

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Not all networks work directly with local businesses. Some merely aggregate ads from other networks and offer little if any advice or assistance to advertisers. In general, compared to aggregators, networks that "originate" ads and provide advice and assistance are likely to deliver ads that are more consistent in terms of quality, tone, messaging and so on. Publishers and developers concerned with user experience will want to carefully examine the consistency and quality of ads delivered by various ad networks.

How effective are HyLoMo ads?

Recent case studies from a number of local mobile ad networks show that HyLoMo advertising can be very effective for advertisers, publishers and developers. When compared to display ads that are not geotargeted, HyLoMo ads are generating higher CTRs; clearly, the relevance of an ad to consumers depends on the content and timing as well as distance. While outcomes will vary, here is a sample of results reported by several different local mobile ad networks:

- Two cases from AT&T Interactive demonstrate the potential for publishers and mobile apps. After implementing in-app local ads from YP^{SM} Local Ad Network, Skout, a leading mobile social network for meeting new people, increased average eCPMs by 44 percent and fill rates by 37 percent, doubling ad revenue in three months. Topix, another YP^{SM} Local Ad Network publisher ranked among the top 10 online newspaper destinations by comScore, saw a 50 percent increase in eCPMs in its in-app ads.

- Nexage, a real-time bidding exchange, reports that location-enabled impressions are growing at a rapid clip (170 percent per month over the past three months) and are yielding a premium of 3.8 times for publishers such as Beintoo (a company that specializes in social gamification). In an interview with GigaOM, CEO and President Ernie Cormier said, "It's not really theory anymore, it's a fact; you will see an uplift in revenue."

- Another local mobile ad network, xAd, recently reported results for the local-

search category, which includes business directories, classifieds, maps, movie and restaurant information, news, real-estate listings, traffic reports, and weather. Local search represents a more targeted, responsive audience, of course, compared to general audiences. Within local mobile search, xAd reports CTRs averaging 6.5 percent; CTRs for apps were slightly higher, at 8 percent compared with 5 percent for ads appearing in the browser.

Of course, results can vary widely depending on audience, ad quality and other considerations outlined in the next section. However, working with local mobile ad networks, publishers can expect to achieve higher levels of engagement among users, higher fill rates and higher eCPMs — all factors critically important to their success.

Fortunately, developers and publishers can verify the effectiveness of HyLoMo by introducing location into the mix, testing and comparing results to what they are accustomed to seeing. Since there are many variables that affect results — audience profile, context, time of day, day of week, types of ads — we recommend running a series of controlled experiments to find the combinations that yield the highest boost in results. Over time, as more data is compiled, efforts can be tweaked and optimized, which should boost results even more.

The outlook for HyLoMo advertising: 2012–2016

Based on the emergence of local mobile ad networks and the forces described above, leading analysts project significant growth in HyLoMo advertising as well as a dramatic shift in the sources of mobile ad inventory. BIA/Kelsey, for example, estimates that mobile ad spend will increase from $1 billion in 2011 to almost $5 billion in 2015. It also projects that nearly 70 percent of that total will consist of local mobile ads: One of the primary reasons for the disproportionate growth in local is HyLoMo advertising by local businesses.

Mobile advertising spend, 2010–2015 (est.)
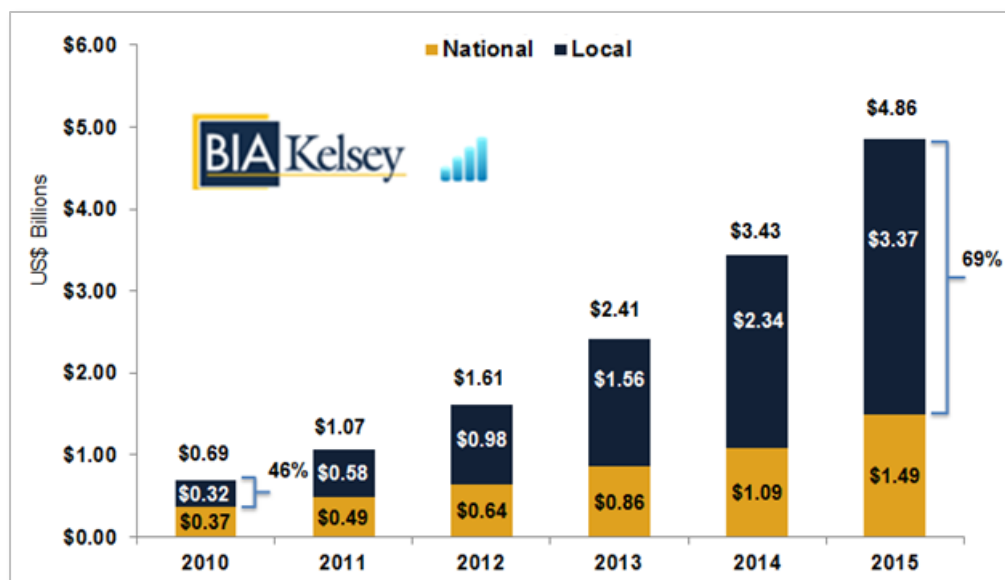
Source: BIA/Kelsey forecast of mobile ad spend, Dec. 2011

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Borrell Associates is also bullish on the prospects for mobile display advertising.

FIGURE 3.2: **Mobile Targeted Display Ad Spending Forecast, 2010-2016**

(All Projections in $ Millions)

Mobile Targeted Display	2010	2011	2012	2013	2014	2015	2016
From Outside Markets - National	$1,231.3	$2,439.7	$4,891.6	$7,440.2	$9,768.9	$10,726.3	$10,321.7
From Inside Markets - Local	$45.7	$73.8	$192.6	$597.5	$2,391.7	$4,843.3	$8,031.5
Total Mobile Targeted Display	$1,277.1	$2,513.5	$5,084.2	$8,037.7	$12,160.7	$15,569.6	$18,353.2
Percent Change		96.8	102.3	58.1	51.3	28.0	17.9
Local Share	3.6%	2.9%	3.8%	7.4%	19.7%	31.1%	43.8%

Source: Borrell Associates, Main Street Goes Mobile, August 2011

Borrell's report "Main Street Goes Mobile" contains a number of important observations and projections. Highlights include:
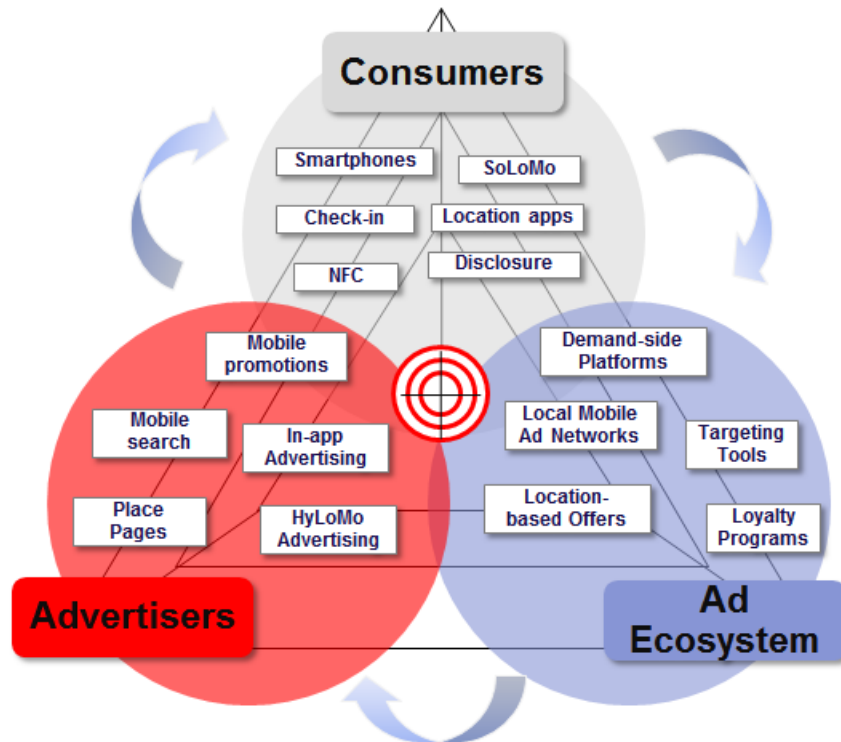
- By 2016, local mobile advertising revenues are projected to reach $18.2 billion, representing nearly three-fourths of all online advertising.

- Targeted display advertising among SMBs will grow significantly, especially after 2013, when affordable software and demographic tools will be more widely available. Almost unprecedented, Borrell likens this surge to Web-based online advertising from 2004 to 2008, when local banner ads increased from $2 billion to $13 billion.

- Large-scale "proximity marketing" (Borrell's term for HyLoMo) will take off in a couple of years, but Borrell believes national marketers will account for much of this growth due to complexity and cost.

- Although distinguished in their forecasts, Borrell notes that the line between advertising and promotion, especially for SMBs, is blurring. Borrell predicts that in 2012, local deals and discounts will surpass national promotions spending.

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While predicting inflection points is difficult, we believe that a virtuous spiral has begun, with the components shown below reinforcing and fueling the growth and expansion of one another. Consumers are embracing mobile and local, while local mobile ad networks and others in the ecosystem are enabling advertisers, both local and national. Finally, as audiences and capabilities grow, advertisers are stepping in to capitalize on the opportunity.

Virtuous spiral fueling HyLoMo

Source: Dr. Phil Hendrix, immr

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Evaluating local mobile ad networks: key criteria

With HyLoMo ads yielding superior response rates and attractive eCPMs, local mobile ad networks represent an important new tool for publishers and developers in monetizing their audiences. Brief descriptions of the leading local mobile ad networks in the U.S. are provided in the appendix. Outlined below are key criteria that distinguish networks.

Some of the criteria useful in evaluating and selecting local network partners are common to general mobile ad networks as well as local mobile ad networks. Common criteria include latency, ease of doing business, speed of payment and so on. There are a number of additional criteria on which local mobile ad networks should be evaluated, as summarized in the table below.

For most mobile publishers and developers, the two most important criteria are fill rate and eCPM.

- The fill rate delivered by a local mobile ad network is determined by its footprint and coverage. All else being equal, national ad networks with greater local advertiser penetration should deliver higher fill rates and vice versa.

- Over time, the eCPMs achieved with a particular network are a function of the network's scale and cost structure and the effectiveness of its ads. With local advertisers, networks that work directly with businesses should have more consistent, better performing ads compared to aggregators'.

Of course, performance and cost effectiveness could vary, so it is important for publishers and developers to request proof of performance and evaluate candidate local mobile ad networks on the criteria below. In addition, fill rate, eCPM and other metrics should be specified and used to evaluate results achieved over time.

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Evaluating local mobile ad networks - 10 Key Criteria

1. Footprint across markets	In the U.S. the footprints of local mobile ad networks vary, with some networks – like YP[SM] Local Ad Network – covering the entire country, while others cover regions or in some cases selected markets within regions.
2. Coverage within markets	Within a footprint, the coverage or percentage of businesses participating in the ad network can vary widely. Partly a function of specialization, coverage also depends on advertisers' previous experience and success with the network; startups and more-recent entrants generally have less-extensive coverage. Footprint plus coverage determine fill rate.
3. Degree of specialization	Some networks tend to specialize in selected verticals, such as entertainment or restaurants, while others serve a broader cross section of local advertisers.
4. Originators vs. aggregators	Some ad networks, which we call originators, work directly with advertisers, while aggregators source their ad inventory from originators. Pros and cons discussed in the whitepaper.
5. Advertiser support and ad quality	The amount and types of support provided to advertisers vary. Full-service networks offer a range of services, including advice, ad design and creation, while others provide limited, self-serve and in some cases no support. The levels and types of support also affect ad quality, which can vary widely across networks.
6. Support for publishers and developers	Similarly, in terms of support provided to publishers and developers, some ad networks employ largely self-serve models, while others offer account reps, tools and other services valued by publishers.
7. Fill rate	To realize the benefits of HyLoMo advertising, adequate inventory is key. Therefore, the fill rate (the percentage of a publisher's ad requests that a network can fulfill) is an especially important consideration.
8. Contextual data by location	As discussed above, contextual data add to the richness of location-based audience profiles and enhance the precision of targeting.
9. Analytics	With extensive historical data by location, analytics and algorithms allow ad networks to serve HyLoMo ads that yield optimal results.
10. eCPMs	HyLoMo effective CPMs (eCPMs) typically fall somewhere between premium and remnants, although the actuals realized can vary widely.

Source: Dr. Phil Hendrix, immr

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Encouraging users to disclose their location

For publishers to present HyLoMo ads requires that users disclose their location. For local search, weather, maps, navigation and the like, location is a prerequisite, and users will readily share their location in return for geotargeted content and experiences. For more-general-purpose sites, where location is not an absolutely necessary requirement, publishers have a number of options:

- In many cases, publishers can enhance the user's experience by integrating features that make use of location. For example, mobile news properties can tailor content based on the user's location; games can allow users to compete with and compare their results to others "nearby" (e.g., city, neighborhood); in the entertainment category, publishers can enable sharing and viewing of recommendations from others "in the area"; and so on.

- Another option is to offer maps as an interface for information presented to users. A music app, for instance, could show upcoming performances within a city, with artists, dates and venues shown on a map. To access this information, users would opt in and disclose their location to providers.

- Daily and flash deals have become enormously popular, of course. Integrating nearby offers into mobile apps and sites, where appropriate, provides another mechanism for eliciting location.

- Finally, both social networking and gamification can provide a rationale for users to disclose their location. As the mobile photo-sharing app Trover illustrates, individuals enjoy sharing what they are doing and where they are located with peers; in some ways, this is analogous to adding check-ins to an app or mobile site. Similarly, sharing and comparing experiences and even competing with others in the area is an increasingly popular feature for games as well as other activities. As gamification is integrated into fitness, music and other apps, users will find it natural to share location other apps as well.

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The above are provided as illustrations, of course. Each publisher will need to devise and test options for integrating locations that "fit," add value and feel "natural" to users. Research by AT&T Interactive and Nielsen on mobile local consumer behavior has shown that users are willing to disclose their location, provided that they stand to gain something in return and that they are confident the information will be kept secure and confidential.

Finally, when accessing users' location information, publishers and ad networks must be transparent with users and comply with provisions stipulated by the smartphone OEM and app store. For example, for mobile apps developed for Apple's iOS platform and offered through its App Store, Apple's policy prohibits the collection of location information unless it is an integral part of the app. For additional discussion of these important issues, see "Location-Aware Mobile Applications: Privacy Concerns & Best Practices" (Truste 2012).

Conclusion

Hyperlocal mobile advertising represents an enormous opportunity for publishers and developers. With location-aware smartphones reaching a tipping point and local advertisers capitalizing on the phenomenon, growth in mobile display advertising is expected to be significant. In parallel, local mobile ad networks are enabling advertisers and dramatically increasing the supply of HyLoMo ad inventory available to publishers and developers. With the trifecta of superior consumer engagement, fill rates and eCPMs, HyLoMo advertising has achieved a momentum that can no longer be ignored.

With the growing importance of local mobile ad networks, including YP[SM] Local Ad Network, xAd, JiWire, Verve and others listed in the Appendix, publishers and developers will need to evaluate and choose the partners that can best help them confirm the value, deploy solutions and integrate HyLoMo advertising into their

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strategies. Working with the right partner, publishers can implement pilots and quantify results in as little as six to eight weeks.

As HyLoMo advertising evolves, publishers will also want to choose a partner that can grow with them, refining and applying advanced capabilities — such as contextual data and algorithms — that cost-effectively deliver even better results over time.

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Appendix A: local mobile ad networks

YP℠ Local Ad Network. AT&T Interactive serves search and display ads across online and mobile through its YP℠ Local Ad Network, enabling over 300 publishers to monetize their properties. The network's advanced ad serving technology connects consumers with local businesses relevant to them. AT&T Interactive's access to a local media sales force helps ensure that more than 18 million local listings are up to date across 4,600 different consumer search categories.

Chalkboard. Chalkboard enables local businesses to send real-time updates and offers to nearby consumers via mobile and the Web. Founded just over a year ago, more than 4,300 businesses have adopted Chalkboard to share real-time updates and offers with people who are near their business locations. Chalkboard currently reaches over 4.8 million active monthly users through third-party applications and websites. It entered the U.S. market in June 2011.

CityGrid Media. CityGrid Media is a leading media company that connects Web and mobile publishers with local advertising organizations by linking them through CityGrid®, its local content and advertising network. CityGrid Media also owns and operates premier local consumer properties including Citysearch, Insider Pages and Urbanspoon. CityGrid Media is an operating business of IAC.

JWire. With a goal of engaging users however they connect to the Internet while on the go, JiWire provides a cross-channel solution that extends location-based targeting to multiple devices, from laptops to smartphones, and across content channels, from Wi-Fi to the Internet to mobile. JiWire's platform enables advertisers to identify and deliver ads to audience segments based on a person's physical location while taking the venue type and brand into account.

Verve. Verve helps hundreds of local and national advertisers reach a valuable, premium audience where they live, work and play. Over 1,300 publishers use the

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Verve platform to manage their mobile advertising business. Ranking as a top five mobile ad network as measured by Nielsen, Verve reaches more than 73 percent of the active mobile user base in the U.S.

WHERE. More than 120,000 retailers, brands and small merchants use WHERE daily to reach new audiences and deliver real-time foot traffic to their doorstep. In April 2011 WHERE was acquired by eBay and started reporting into the company's PayPal business unit. WHERE is focused on enhancing eBay's and PayPal's positions in local and mobile commerce by deepening their ability to connect retailers with consumers.

XAD. Established in 2009, xAd is the largest mobile-local advertising network in the U.S. offering both targeted search and display. Across its network, xAd aggregates and manages nearly half a billion location-specific ad requests per month, billions of business listings and over one million national and local advertisers.

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About Dr. Phil Hendrix

Dr. Phil Hendrix is the founder and director of immr, a research and consulting firm that helps clients bring innovative new products and services to market. Hendrix helps clients uncover customer needs, optimize product and service features, achieve competitive differentiation, and accelerate market acceptance. He is also an analyst for GigaOM Pro, focusing on mobile, location and m-commerce in particular. Before founding immr, Hendrix was a partner with DiamondCluster (now PwC Advisory) and a principal with Mercer Management Consulting (now Oliver Wyman). Previously, he was a professor at Emory University and the University of Michigan, where he taught courses in research, buyer behavior and marketing strategy. Hendrix received his Ph.D. in Marketing from the Graduate School of Business, University of Michigan.

Hendrix can be found on Twitter at @phil_hendrix and reached by e-mail at info@immr.org.

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About AT&T Interactive

AT&T Interactive, a subsidiary of AT&T Inc., is an industry leader in creating local search products that encourage consumers to discover and engage with local

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businesses across three screens - online, mobile, and IPTV. With billions of impressions across its fast-growing YP℠ Local Ad Network, AT&T Interactive is uniquely positioned to help advertisers reach local consumers and help publishers monetize their traffic. For more information on AT&T Interactive visit www.attinteractive.com.

Note: The views and opinions expressed herein are solely those of Dr. Phil Hendrix and/or GigaOM. AT&T Interactive underwrote this report but the final determination of content remained at all times with Dr. Hendrix and/or GigaOM.

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Further reading

The future of mobile: a segment analysis by GigaOM Pro

This report explores what the future holds for various segments of the mobile industry, from hardware devices to mobile cloud services and wireless networking. We discuss the roles of the major companies (namely Apple, Google and Microsoft) that have a recurring presence across sectors, as well as the smaller players that stand poised to disrupt. Challenges exist for each segment, too, and we examine the questions and hurdles that companies must face as they continue to rethink the concept of mobility in our everyday lives.

Make me an offer: hyperlocal targeting in mobile

One of the hottest developments in local advertising has without question been the rise of daily deals. These, along with digital coupons, are now being comingled and distributed in mobile and location-based apps, and the marriage of the two creates a potent hyperlocal marketing combination. This research note examines opportunities and challenges in this space for both large initiatives, such as Google Wallet, and smaller merchants and retailers. It provides an outlook of what — and who — to watch over the next several years as hyperlocal targeting becomes increasingly more mobile and mainstream.

The deafening buzz about hyperlocal mobile ads

The world of mobile advertising has long been over-hyped, and much of the increasing buzz lately centers on hyperlocal ads — that is, marketing pitches that target users within small, well-defined areas. Consumers want free, location-based content on their phones, which means the space is likely to be driven in large part by advertising. But consumers don't want to tell other users where they are, so social networks, whose location-based mobile advertising components are based on check-ins, will be at a competitive advantage as the space evolves.

Want more information?

Contact Dr. Phil Hendrix, the author of this report,
or any of the other experts at GigaOM Pro.

Suggest a research topic.

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