

TRENDS IN DIGITAL MARKETING SERVICES:

INSIGHTS INTO HOW BUSINESSES ARE SPENDING \$613 BILLION



1643 Merrimac Trail, Williamsburg, VA 23185
info@borrellassociates.com | 757-221-6641
WWW.BORRELLASSOCIATES.COM

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**PRINCIPAL AUTHOR
OF THIS REPORT**

KIP CASSINO

Executive Vice President
KCassino@borrellassociates.com

**BORRELL ASSOCIATES
LEADERSHIP TEAM:**

COLBY ATWOOD

President
CAAtwood@borrellassociates.com

GORDON BORRELL

CEO
GBorrell@borrellassociates.com

JIM BROWN

*Vice President
of Sales and Marketing*
JBrown@borrellassociates.com

KIP CASSINO

Executive Vice President
KCassino@borrellassociates.com

COREY ELLIOTT

Vice President of Research
CElliott@borrellassociates.com

WWW.BORRELLASSOCIATES.COM

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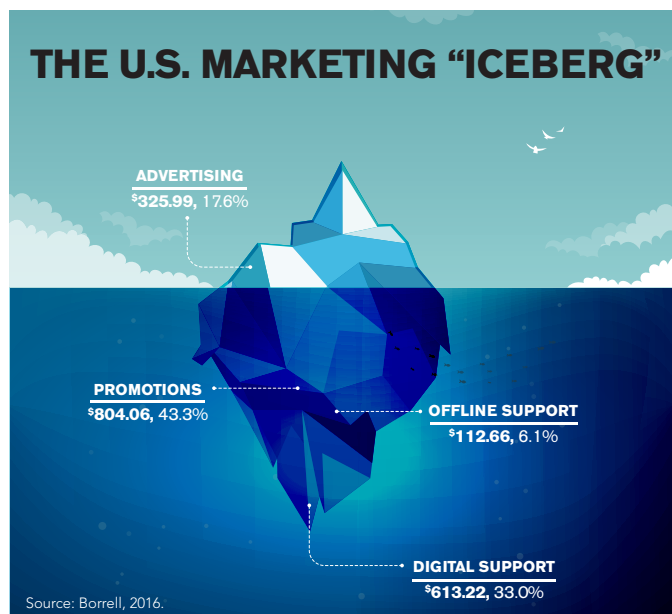
EXECUTIVE SUMMARY

Digital Marketing Services (DMS) – the business of helping companies manage a burgeoning array of digital media – has mushroomed into one of the biggest cottage industries in the U.S.

This year, businesses will spend an estimated \$613 billion in DMS, triple what was spent when we started tracking this industry segment in 2008. In fact, the use of these services is so vast that marketers now spend nearly twice as much on digital support than they do on advertising.

FIGURE 1.1

TOTAL U.S. 2016 PROJECTED SPENDING
BY CATEGORY IN \$ BILLIONS



It's clearly a digital-centric trend, too. While DMS spending has tripled over the past decade, spending on "offline" marketing support (refrigerator magnets, print-ad design, flyers, etc.) has grown a scant 5%.

What's the typical DMS provider look like? It's certainly not limited to local media companies that offer a little website redesign, SEO and social media management along with their advertising products. At the end of 2015 we found 248,100 businesses providing such services, averaging \$2.4 million in gross annual sales. That's about 80 per county for every single U.S. county. Obviously, there are a lot of small providers – likely operated out of home offices.

This report takes a deep dive on the various segments within DMS, including website hosting to design, SEO, reputation management, social media management and a host of other subcategories. The surprising finding: The popularity of some of these services is already flattening or in decline, while other services are selling like hotcakes.

Another finding: The "M's" in the SMBs (those with 25 or more employees) are where it's at. The "S's" aren't. Barely 6% of businesses with fewer than 25 employees are buying digital services.

This report is the deepest, most detailed look at DMS you'll find anywhere. We've devoted significant analysis because we think it's that important. It represents the unseen portion of the proverbial iceberg – the part that could sink media companies that remain fixated only on the visible portion.

ABOUT BORRELL

Methodology & Model

Our unique and disruptive methodology of tracking advertising was first developed in 1990 as a holistic way to gauge spending in traditional media. Since the late 1990s it has continuously progressed to include deep levels of data that monitor online advertising. Now used by more than 1,000 companies, our ad-spending estimates are derived from a blend of bottom-up and top-down data, as well as a continuous flow of our own market surveying.

Unlike most other companies, our approach starts at the bottom with local business expenditures, instead of at the top — media companies' receipts. This is based on our belief that the media world has become so complex and fragmented that it's impossible to deliver an accurate assessment via only the traditional top-down approach of tallying receipts of the largest media companies.

Our model is designed with a powerful and unwavering local focus. This model of collecting expenditure and receipt data enables us to measure ad spending that is generated and spent in any given market, directed to a market from elsewhere, and generated in a market but spent elsewhere. For more detail on our methodology, visit www.adspending.com.

Market Data

Our market data is remarkably deep, offering ad-spending assessments across each of the 12 media types (newspapers, online, TV, radio, direct mail, etc.) and for any of 100 business categories (furniture stores, car dealers, hospitals, telecommunications, etc.). It now includes promotions data and offers backcasts and forecasts up to five years. Our data subscription product — the Compass — offers an interactive tool that media managers, analysts and sales professionals use to manipulate the data to uncover enlightening facts.

The richest data surrounds the levels of spending on digital media. For instance, the Compass offers guidance on how much a mid-size auto dealer in Albuquerque might spend on search engine advertising, targeted display, or online video ads. We are continuously improving the offerings to meet our clients' needs and offer monthly user group webinars with Compass subscribers. For a preview or to schedule a test drive, visit www.adspending.com.

Interactive Revenue-Acceleration Program (IRAP)


Our Interactive Revenue Acceleration Program is offered exclusively to Compass subscribers. It puts media companies on the fast track to driving significant growth in their digital sales efforts. This turn-key program brings a Borrell expert to the client's market to offer a higher level of training on using the data, as well as seminars to educate local advertisers about the benefits of digital marketing. Clients routinely see an ROI of 300% or more from this program.

**BORRELL**

Tomorrow's Media Understood Today

As a data-driven company, we are experts in local advertising.

We are the leaders in tracking and forecasting local ad spending across any market in the U.S., Canada or the U.K., down to the county or province level. We help clients gauge the levels of advertising, promotion, and marketing expenditures in their markets by any type of business.

We help media companies increase their market share and marketers adjust their budgets by providing detailed ad-spending data, fact-based consultation and training. 



Local Advertiser & Consumer Surveys

Our local market survey programs deliver powerful insights. Ongoing SMB surveys are offered in waves (standardized questions); other surveys can be customized to fit a client's needs. How well do you know your local market? How are advertisers thinking about their radio, newspaper or yellow pages budgets today? What are they planning to do with interactive marketing in the coming year? How are consumers thinking about your website or mobile app? Where do they go to get local news, or information on local shopping? All these questions and more can be answered with our surveys. Borrell's 2015 SMB survey captured data from more than 7,000 SMBs throughout the U.S.



Industry Papers and Subscriptions

We release a variety of analysis-rich industry papers and memoranda throughout the year. These papers are typically published every 30 days and include dozens of charts and tables, as well as appendices packed with market-level data. They cover topical issues in both online and mobile advertising, often in the framework of how those trends affect traditional media. Examples of reports include:

- SMB Spending on Digital Marketing
- Real Estate Advertising Outlook
- Automotive Advertising Outlook
- Local Advertising Forecasts
- Benchmarking Local Online Media
- SMB Social Media & Mobile Advertising Outlook
- Recruitment Advertising Outlook

An Annual Subscription is the best way to stay informed on the most important industry trends.

Subscribers receive:

- At least 12 industry papers per year
- Access to all archived papers
- Access to interactive webinars with lead analysts discussing report findings
- Downloadable PowerPoint with all report charts and tables
- Client memoranda as issued on pertinent topics



Revenue Survey

Since 2001, we've been collecting data on interactive revenues and expenses from local media companies. The data encompasses more than 10,000 companies, giving us an accurate picture of online advertising sales across the U.S. and Canada. We conduct private benchmarking reports for local media companies and compile an annual summary of the data in our "Benchmarking Local Online Media" report each spring. The data allows us to study the best-practice companies and how they're able to achieve as much as 10 times the average market share.



Conference & Company Presentations

Our annual Local Online Advertising Conference is a first-class event. Held each spring in New York, the event brings together the largest group of local interactive media executives of any conference. The speaker list represents a Who's Who among local media. Eighty percent of the attendees are company executives, most of whom are in charge of interactive strategies. In addition, we speak at nearly 100 company meetings and conferences each year. Excellent presentation skills are a core competency at Borrell.



Webinars

We host or participate in dozens of webinars throughout the year. Our topic list is extensive. We develop custom presentations specifically for companies, trade associations or other groups. We do not conduct sponsored webinars.