# TRENDS IN DIGITAL MARKETING SERVICES:
## INSIGHTS INTO HOW BUSINESSES ARE SPENDING $613 BILLION


BORRELL


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




PRICE: $995

# CONTENTS

To jump to a page directly, click the page number.

**Executive Summary** ...03

**Chapter 1: DMS16: The Iceberg** ...04
Fig. 1.1 The U.S. Marketing "Iceberg" Projected 2016 U.S. Total Spending by Category...04
Fig. 1.2 2016 U.S. Business Counts by Employee Range Cohort, Including Those Using DMS ...05

**Chapter 2: What the Money Buys**...06
Fig. 2.1 U.S. Digital & Offline Support Spending, 2008 through 2016...06
Fig. 2.2 Digital Marketing Support Spending by Category, 2012-2016 ...07

**Chapter 3: Digital Marketing Support Components by Category**...11
Fig. 3.1 Web Presence Component Share-Total U.S. 2016 Projected Spending ...11
Fig. 3.2 Total U.S. Spending on Website Design, 2008-2020...12
Fig. 3.3 Total U.S. Spending on Website Hosting, 2008-2020 ...13
Fig. 3.4 Total U.S. Spending on Online Advertising Management, 2008-2020 ...14
Fig. 3.5 Mobile Media Spending versus Online Ad Management Spending, 2008-2020 ...15
Fig. 3.6 Total U.S. Spending for Mobile Marketing Management, 2008-2020 ...15
Fig. 3.7 Total U.S. Spending for Social Marketing Management, 2008-2020 ...16
Fig. 3.8 Online PR Component Share-Total U.S. 2016 Projected Spending...17
Fig. 3.9 Total U.S. Spending for Email Management, 2008-2020 ...18
Fig. 3.10 Total U.S. Spending for Digital Press Release Management, 2008-2020 ...19
Fig. 3.11 Total U.S. Spending for Reputation Management, 2008-2020...20
Fig. 3.12 Total U.S. Spending for Opt-In List Management, 2008-2020...21
Fig. 3.13 Online Marketing Support Component Share-Total U.S. 2016...22
Fig. 3.14 Total U.S. Spending for SEO, 2008-2020...23
Fig. 3.15 Total U.S. Spending for Blog Development, 2008-2020 ...24
Fig. 3.16 Total U.S. Spending for Site Visitor Analytics, 2008-2020 ...25
Fig. 3.17 Total U.S. Spending for Email List Purchase, 2008-2020 ...26
Fig. 3.18 Total U.S. Spending for Listings Claiming, 2008-2020...27
Fig. 3.19 Online Ad Production Component Share Total U.S. 2016...28
Fig. 3.20 Total U.S. Spending for Online Agency Exchange Fees, 2008-2020 ...29
Fig. 3.21 Total U.S. Spending for Display Ad Design, 2008-2020 ...30
Fig. 3.22 Total U.S. Spending for App Design, 2008-2020 ...31
Fig. 3.23 Total U.S. Spending for Online Game Development, 2008-2020 ...31
Fig. 3.24 Total U.S. Spending for Online Video Production, 2008-2020 ...32
Fig. 3.25 Total U.S. Spending for Online Consulting/Research, 2008-2020...33

**Chapter 4: A Look at The Industry** ...34
Fig. 4.1 The Life of a DMS Provider: Swallowing Ideas ...35

**Chapter 5: What the Future Holds** ...36
Fig. 5.1 Digital Marketing Support Spending by Category, 2016-2020 ...36

**APPENDIX A: DMS on Main Street** ...38
**APPENDIX B: Digital Marketing Services Report Sample**...43
**About Borrell Associates**...49

**PRINCIPAL AUTHOR**
OF THIS REPORT

**KIP CASSINO**
*Executive Vice President*
KCassino@borrellassociates.com

**BORRELL ASSOCIATES LEADERSHIP TEAM:**

**COLBY ATWOOD**
*President*
CAtwood@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.BORRELLLASSOCIATES.COM**

# 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.

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.

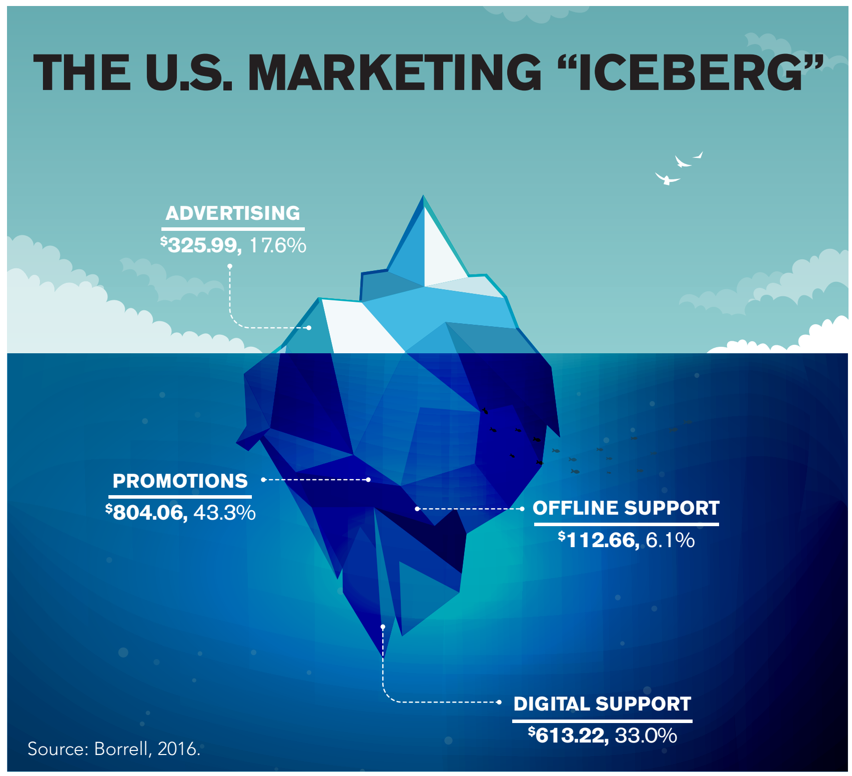
This report is the deepest, most detailed look at DMS you'll find anywhere. We've devoted significant analysis because we think it's that important. It represents the unseen portion of the proverbial iceberg – the part that could sink media companies that remain fixated only on the visible portion.

## CHAPTER 1 // DMS 16: THE ICEBERG

As a fevered political campaign year begins, ads seem to be everywhere. Because we see it most, advertising seems to be the biggest part of marketing. Yet, it's projected to total less than one dollar out of every five spent on marketing in the U.S. this year (see Figure 1.1). Almost 2.5 times as much will be spent on promotions, and close to double the ad spending amount will go to digital marketing support – the part of the marketing iceberg so far beneath public view that many won't be aware of it at all.

**FIGURE 1.1**

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




Yet it was the lower part of an iceberg that sank the Titanic, no matter how ominous the visible portion may have seemed. In the same way, it is the choice and use of support tools and services that will largely decide which digital giants will maintain their places, which will slip toward oblivion, and which new leaders will rise to prominence in the years to come. Some level of digital marketing support is currently used by one in every 12 businesses in the nation (see Figure 1.2). That may seem like a small fraction, but these businesses employ more than two-thirds of all U.S. workers. The reason for the discrepancy is simple: four out of five U.S. business locations have less than five employees. Among these smallest businesses, less than 6% use digital marketing support. They are either unaware of it, without staff to use it, or unable to afford it.

The use of digital marketing support products and services among the nation's smaller businesses is forecast to increase. This trend will accelerate during the coming decade, as business communications shifts irreversibly from mail and phone to email, mobile device, and the web. As this occurs, digital marketing tools once available only to larger companies will be offered to even the smallest business enterprise. A good example of this evolution is the continuously growing suite of Google analytics tools.

FIGURE 1.2

## 2016 U.S. BUSINESS COHORTS BY EMPLOYEE RANGE COHORT

INCLUDING THOSE USING DMS

Sources: Dun & Bradstreet; Borrell, 2016.

| Cohort Description (Employee Range) | Estimated Business Locations | *Cohort Share* | Estimated Total Employees | *Cohort Share* | Average Employees |
|---|---|---|---|---|---|
| Fewer Than 5 | 18,085,527 | *79.8%* | 33,100,255 | *19.5%* | 1.8 |
| 5 to 9 | 2,074,265 | *9.1%* | 12,328,284 | *7.3%* | 5.9 |
| 10 to 24 | 1,399,774 | *6.2%* | 19,365,648 | *11.4%* | 13.8 |
| 25 to 49 | 550,435 | *2.4%* | 17,327,806 | *10.2%* | 31.5 |
| 50 to 99 | 324,498 | *1.4%* | 20,393,695 | *12.0%* | 62.8 |
| 100 to 249 | 174,223 | *0.8%* | 23,360,710 | *13.8%* | 134.1 |
| 250 to 499 | 41,689 | *0.2%* | 12,755,822 | *7.5%* | 306.0 |
| 500 to 999 | 14,848 | *0.1%* | 9,108,121 | *5.4%* | 613.4 |
| 1,000 to 1,499 | 6,451 | *0.03%* | 8,753,612 | *5.2%* | 1,356.9 |
| 1,500 to 4,999 | 1,610 | *0.01%* | 4,958,757 | *2.9%* | 3,080.0 |
| 5,000 to 9,999 | 534 | *0.002%* | 3,184,632 | *1.9%* | 5,963.7 |
| 10,000 to 14,999 | 64 | *0.0003%* | 730,274 | *0.4%* | 11,410.5 |
| 15,000 to 19,999 | 22 | *0.0001%* | 351,897 | *0.2%* | 15,995.3 |
| 20,000 or More | 45 | *0.0002%* | 4,155,435 | *2.4%* | 92,343.0 |
| **2016 U.S. Totals** | **22,673,985** | ***100%*** | **169,874,948** | ***100%*** | **7.5** |

| Cohort Description (Employee Range) | Businesses Using DMS | Employees Using DMS | Average Employees | *Share of Businesses Using DMS* | Per Business DMS Spending Average | Cohort Total ($ Millions) |
|---|---|---|---|---|---|---|
| Fewer Than 5 | 1,026,996 | 2,684,431 | 2.6 | *5.7%* | $641 | $658.66 |
| 5 to 9 | 348,399 | 2,830,574 | 8.1 | *16.8%* | $821 | $286.14 |
| 10 to 24 | 838,819 | 12,448,239 | 14.8 | *59.9%* | $619 | $519.25 |
| 25 to 49 | 407,429 | 13,794,666 | 33.9 | *74.0%* | $3,269 | $1,331.86 |
| 50 to 99 | 292,084 | 19,441,309 | 66.6 | *90.0%* | $13,381 | $3,908.44 |
| 100 to 249 | 174,223 | 23,360,710 | 134.1 | *100%* | $73,284 | $12,595.82 |
| 250 to 499 | 41,689 | 12,755,822 | 306.0 | *100%* | $931,616 | $38,315.51 |
| 500 to 999 | 14,848 | 9,108,121 | 613.4 | *100%* | $1,945,862 | $28,502.99 |
| 1,000 to 1,499 | 6,451 | 8,753,612 | 1,356.9 | *100%* | $7,526,174 | $47,896.57 |
| 1,500 to 4,999 | 1,610 | 4,958,757 | 3,080.0 | *100%* | $35,269,351 | $56,007.73 |
| 5,000 to 9,999 | 534 | 3,184,632 | 5,963.7 | *100%* | $293,867,812 | $154,868.34 |
| 10,000 to 14,999 | 64 | 730,274 | 11,410.5 | *100%* | $634,611,453 | $40,615.13 |
| 15,000 to 19,999 | 22 | 351,897 | 15,995.3 | *100%* | $1,585,049,358 | $34,871.09 |
| 20,000 or More | 45 | 4,155,435 | 92,343.0 | *100%* | $4,285,374,010 | $192,841.83 |
| **2016 U.S. Estimates** | **3,153,213** | **118,558,479** | **37.6** | ***13.9%*** | **$194,673** | **$613,219.35** |

Among the nation's smallest businesses that do spend money on digital marketing support, most don't have much budget – less than $650 annually, on average – enough to have a website built, or perhaps issue a digital press release. Expenditures stay low until business size reaches 25 employees or more. Only then does digital marketing support spending average high enough for some serious use of services and products. This threshold may have as much to do with staffing as it does with budgets. By the time a business has 25 employees, it may well have internal staff on board who appreciate the benefits of digital marketing support. On average, using U.S. businesses are projected to spend almost $200,000 this year on these products and services.

## CHAPTER 2 // WHAT THE MONEY BUYS

Over the years, it has been beneficial to divide online expenditures from their offline counterparts. One such non-digital, non-advertising category can be labeled as "offline support" and consists of ad production, market research, sales force materials, and public relations. Since Borrell began measuring digital marketing support spending in 2008, the amounts allocated to it have more than tripled – averaging growth of almost 30% per year (see Figure 2.1). On the other hand, offline support spending has grown less than 5% during the same period. Why is the difference so stark?

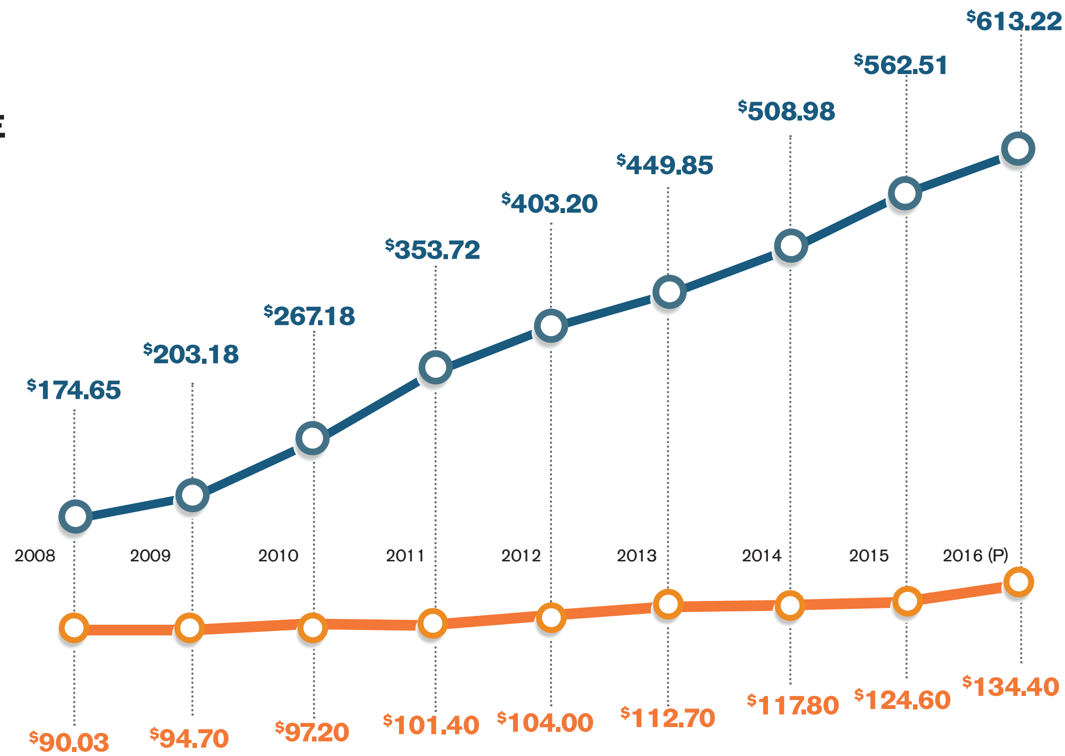
**FIGURE 2.1**

**U.S. DIGITAL & OFFLINE SUPPORT SPENDING**

**DIGITAL SUPPORT**
**OFFLINE SUPPORT**

2008-2016, IN $ BILLIONS

Source: Borrell, 2016.




There are several reasons. First, most legacy media has been around for decades (or longer). Almost all of the services that could be internalized have been, and there are very few new marketing support products and services coming into use. Second, the number of businesses offering offline marketing support services has diminished as their industries have consolidated. Third, and most important, legacy media itself has seen little growth since the turn of the century.

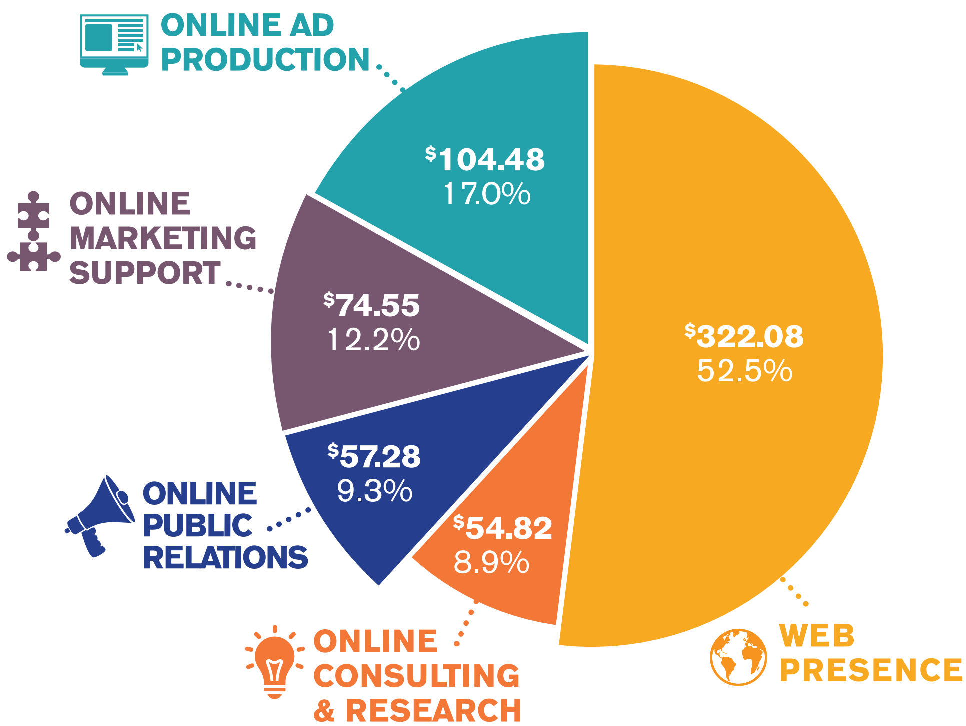
Currently, Borrell divides digital market support into five major categories (see Figure 2.2 on the next page).

**FIGURE 2.2**

## DIGITAL MARKETING SUPPORT SPENDING BY CATEGORY

2012-2016 ESTIMATES AND PROJECTIONS IN $ BILLIONS

Source: Borrell, 2016.



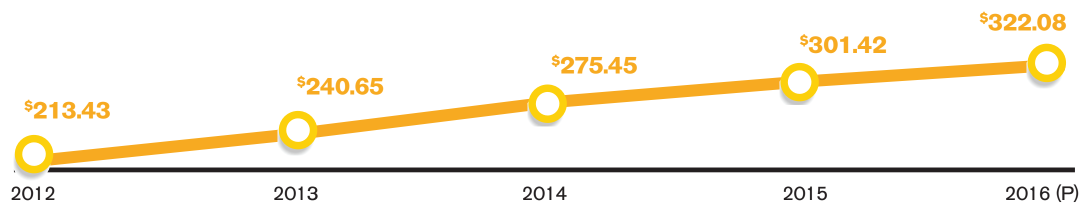

| Digital Marketing Support Category | 2012 | 2013 | 2014 | 2015 | 2016 (P) | *5 Year Growth %* | *CAGR* |
|---|---|---|---|---|---|---|---|
| **WEB PRESENCE** | $213.43 | $240.65 | $275.45 | $301.42 | $322.08 | ***50.9*** | ***8.6%*** |
| ***Annual % Change*** | ***13.6*** | ***12.8*** | ***14.5*** | ***9.4*** | ***6.9*** | | |
| **ONLINE PUBLIC RELATIONS** | $47.03 | $50.68 | $53.90 | $56.31 | $57.28 | ***21.8*** | ***4.0%*** |
| ***Annual % Change*** | ***12.6*** | ***7.8*** | ***6.3*** | ***4.5*** | ***1.7*** | | |
| **ONLINE MARKETING SUPPORT** | $45.13 | $51.90 | $60.37 | $67.76 | $74.55 | ***65.2*** | ***10.6%*** |
| ***Annual % Change*** | ***22.7*** | ***15.0*** | ***16.3*** | ***12.2*** | ***10.0*** | | |
| **ONLNE AD PRODUCTION** | $50.30 | $57.18 | $68.76 | $84.34 | $104.48 | ***107.7*** | ***15.7%*** |
| ***Annual % Change*** | ***20.7*** | ***13.7*** | ***20.2*** | ***22.7*** | ***23.9*** | | |
| **ONLINE CONSULTING AND RESEARCH** | $47.30 | $49.43 | $50.51 | $52.67 | $54.82 | ***15.9*** | ***3.0%*** |
| ***Annual % Change*** | ***3.6*** | ***4.5*** | ***2.2*** | ***4.3*** | ***4.1*** | | |
| **U.S. TOTALS** | **$403.20** | **$449.85** | **$508.98** | **$562.51** | **$613.22** | ***52.1*** | ***8.7%*** |
| ***Annual % Change*** | ***14.0*** | ***11.6*** | ***13.1*** | ***10.5*** | ***9.0*** | | |

**WEB PRESENCE.** This category has historically included businesses that design and maintain websites for their customers, or aid them in building and maintaining their own. At more than half of all expenditures, web presence remains the largest of the digital marketing support categories, although spending has seen declining growth during the past five years. In reality, website work itself has shown almost no growth during this period. The majority of spending increases have gone to social media site design and management, which now makes up a full third of web presence spending.

### WEB PRESENCE GROWTH TREND (CAGR = 8.6%)

2012-2016, IN $ BILLIONS

Source: Borrell, 2016.

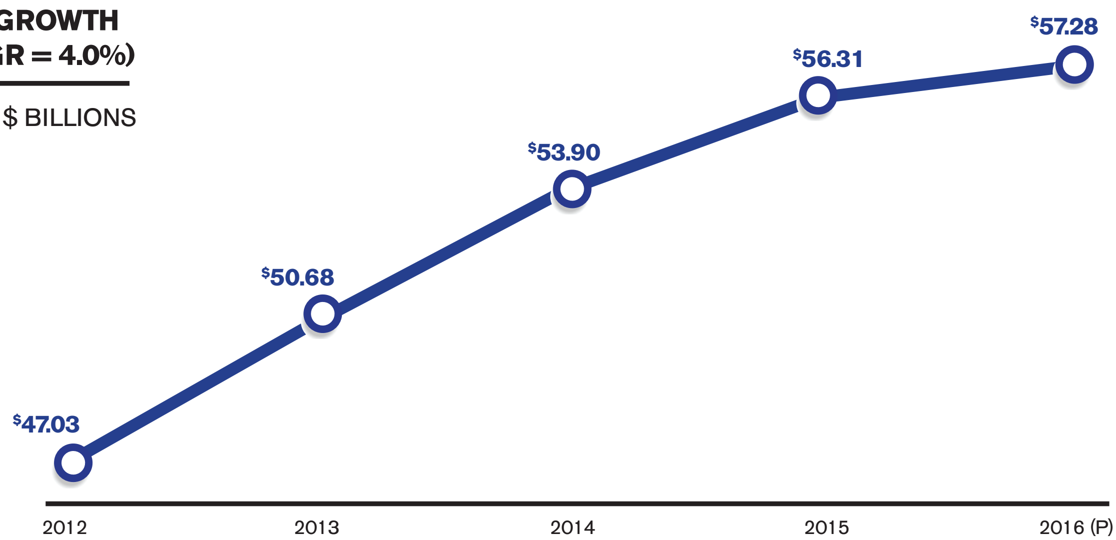



**ONLINE PUBLIC RELATIONS.** "What's in a name?" a famous bard once asked. In the case of online public relations, it means a lot. Much of what had been online PR has been shifted to other forms of content marketing, including native advertising. These show up in Borrell's estimates as advertising, even though they perform the same work as a public relations release. The only differences are in publisher control and whether or not placement is paid.

### ONLINE PR GROWTH TREND (CAGR = 4.0%)

2012-2016, IN $ BILLIONS

Source: Borrell, 2016.

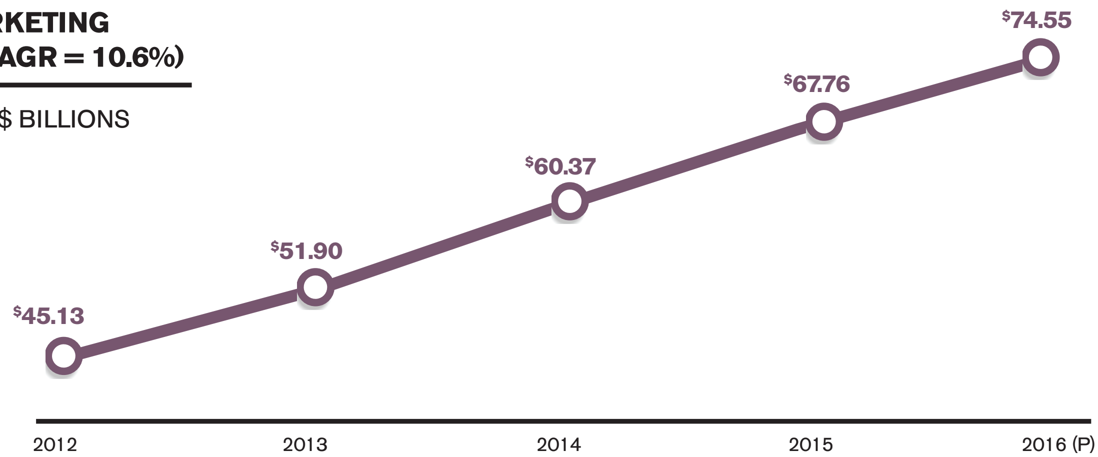


**ONLINE MARKETING SUPPORT.** Search engine optimization (SEO) is the preponderant component of online marketing support, and spending growth has slowed as more companies develop or buy tools and trained staff to internalize the process.  Paid search engine placement, which came first, continues to be driven by massive churn and price competition – even as demand begins to subside.

**ONLINE MARKETING SUPPORT (CAGR = 10.6%)**

2012-2016, IN $ BILLIONS

Source: Borrell, 2016.

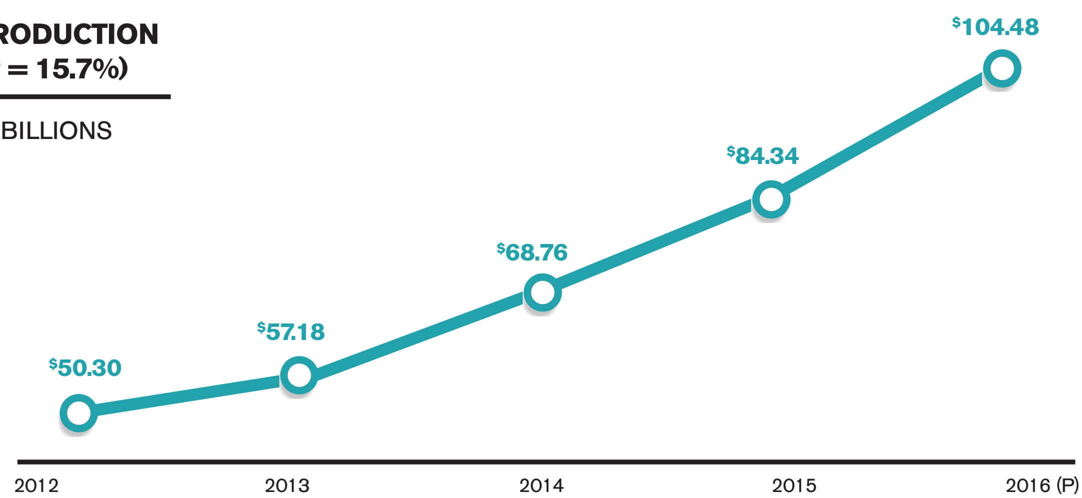



**ONLINE AD PRODUCTION.** Like its offline brother, online ad production encompasses a broad range of work from a large industry of professionals in both small companies and large. Copywriting, art work, photography, editing, finding and directing talent – all these skills and more are required. The web's new dimension adds exchange fees, programmatic tools and services, app design, and video development to the mix. Spending for this category has more than doubled during the past five years, and its growth rate shows no abatement.

**ONLINE AD PRODUCTION TREND (CAGR = 15.7%)**

2012-2016, IN $ BILLIONS

Source: Borrell, 2016.

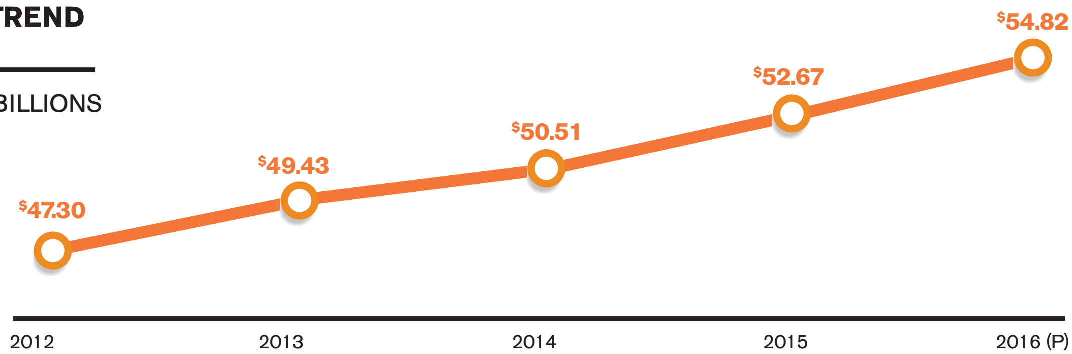


**ONLINE CONSULTING AND RESEARCH.** A few very large and hundreds of thousands of very small businesses populate this category. Many consultants are simply downsized managers or executives trying to piece together new careers. Others are technicians with dreams of "catching on" with their best clients. Add to this stew of humanity giants like Bain, McKinsey, Nielsen and Booz Allen, and you have the consulting industry today.

**ONLINE CONSULTING & RESEARCH TREND (CAGR = 3.0%)**

2012-2016, IN $ BILLIONS

Source: Borrell, 2016.




Market researchers used to be prominent among business staffs. Most large companies boasted scores – if not more – devoted to the study of internal and external data. Research providers could afford to specialize, serving specific industries. The internet, the microcomputer, and the economic travails of the past ten years have changed all of that. Downsizing companies erased their internal research staffs. Without customers who could understand and evaluate what they provided, many of the research firms failed. Today, the market research industry is a husk of what it used to be, with little chance for improved growth in the foreseeable future.

***NOTE:*** Borrell makes a distinction between SEM and SEO. SEM is considered to be a form of advertising, and is therefore captured in another set of numbers not included here. The expenditures in this report reflect exclusively non-advertising spend. Many consider SEO to be under the umbrella of SEM, but for purposes of distinct analysis, Borrell focuses on the non-ad amounts spent by U.S. businesses.

In the next section of this report, the specific elements of each category will be examined.

## CHAPTER 3 // DIGITAL MARKETING SUPPORT COMPONENTS BY CATEGORY

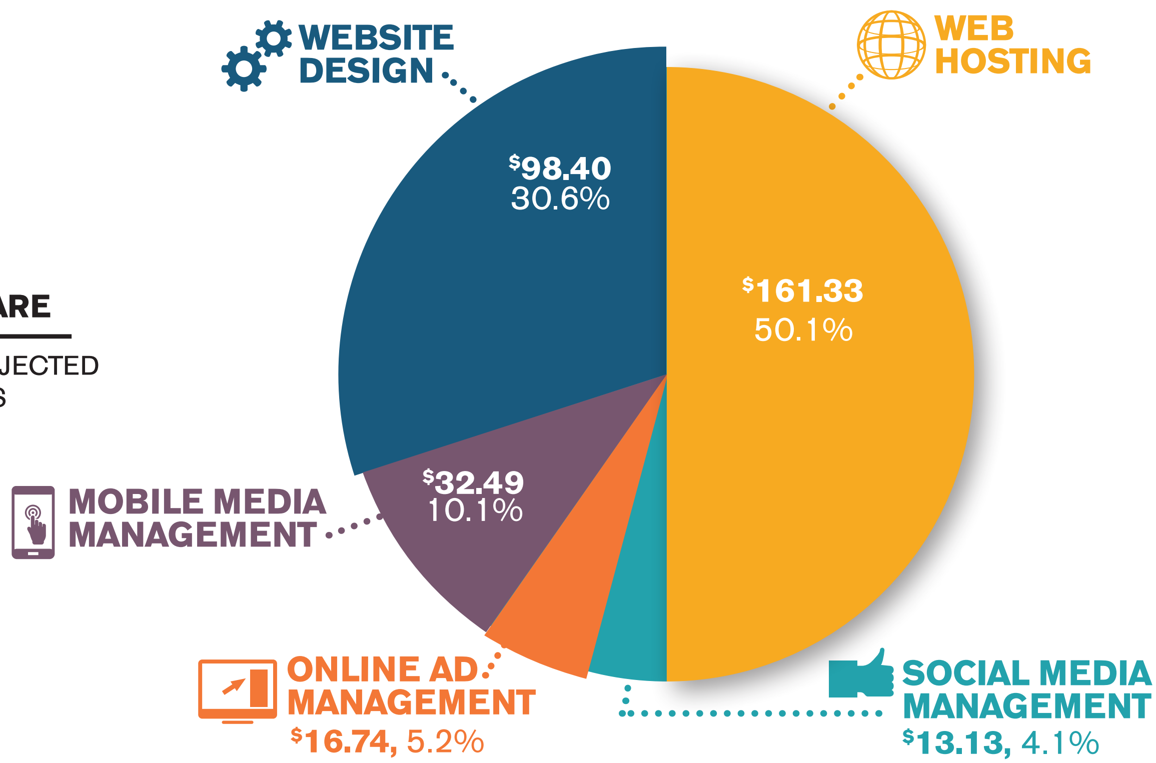
**CATEGORY: WEB PRESENCE** More than half of all the digital marketing support spending currently measured by Borrell goes to creating and managing web presence. The category itself consists of five components (see Figure 3.1). Although the overwhelming majority of web presence spending is still directed to "classic" website management, social and mobile gain share every year. Each category is examined separately below.

**FIGURE 3.1**

**WEB PRESENCE COMPONENT SHARE**

TOTAL U.S. 2016 PROJECTED SPEND IN $ BILLIONS

Source: Borrell, 2016.



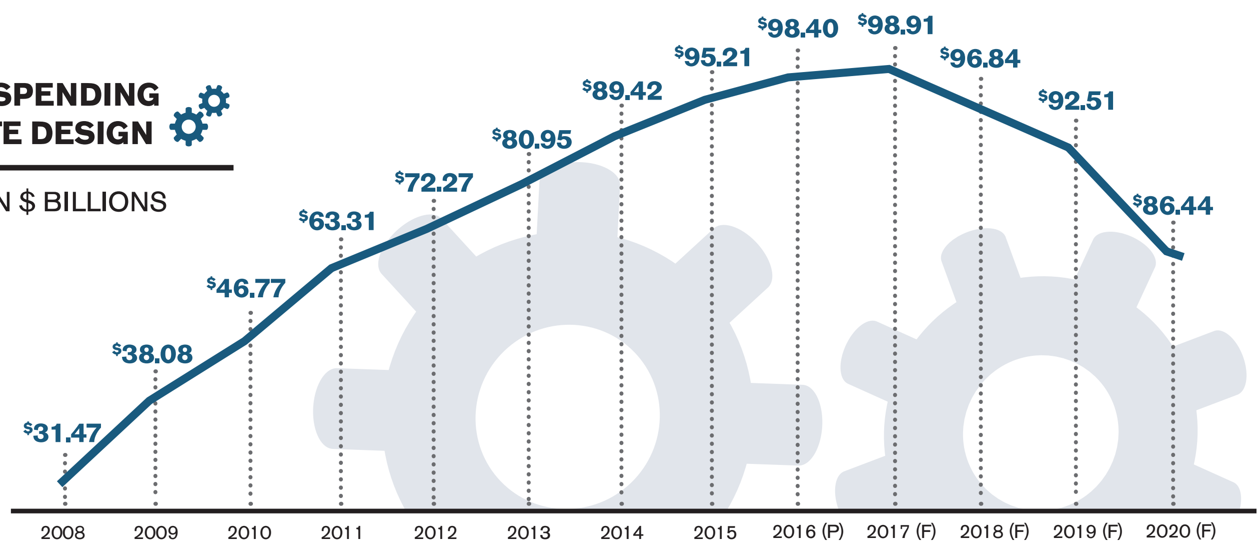
**WEBSITE DESIGN.** Possibly the earliest of all forms of digital marketing support, website design was often provided by newspapers in the '90s. Their influence is seen around the Internet even today, as many websites still maintain the format of a newspaper front page. Since then, newspapers by and large have stopped offering website design to customers, but thousands of other businesses large and small have replaced them, raising spending to almost $100 billion this year (see Figure 3.2). This service has reached its zenith. Website design will fade from prominence as desktop computers are supplanted by tablets, smart phones, and other mobile devices. By the end of the decade, spending will have declined more than 12% from this year's projection. Yet demand persists, especially among smaller organizations that do not have internal resources available. According to the Local Marketing Association, almost half of all SMB websites are not yet mobile accessible. This alone is reason enough to forecast continuing local spending growth during the remainder of the decade.

**FIGURE 3.2**

**TOTAL U.S. SPENDING ON WEBSITE DESIGN**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



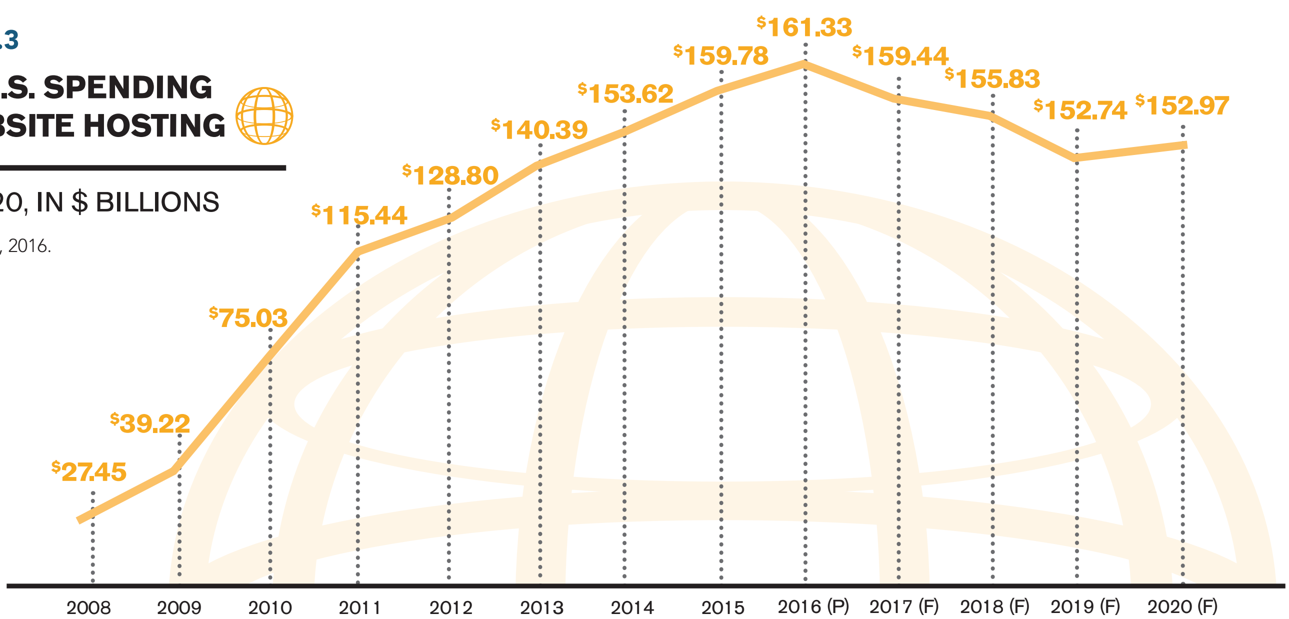
**WEBSITE HOSTING.** The natural extension of website design, web hosting has become more prominent as websites have become more complex. In the early days, most files could be loaded to servers using FTP or a basic web interface. The process was cheap and simple. Not so today, when complex site designs require dedicated servers or extensive cloud hosting platforms. A wide variety of hosting options are available, including grid hosting, clustered servers, colocation hosting, and virtual dedicated servers, to name a few of the most popular. Many of today's hosting businesses specialize in specific business verticals. Most offer a wide variety of customer interfaces (control panels) and a catalog of technical services. Almost all providers promise up-times of 99% or better, which allows for downtime of less than a business day every year. Still, larger businesses tend to internalize as much of the web hosting process as they can. Midsized organizations (the "M" in SMB) make up the bulk of current external web hosting demand – estimated to reach more than $160 billion this year (see Figure 3.3).

**FIGURE 3.3**

**TOTAL U.S. SPENDING ON WEBSITE HOSTING**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



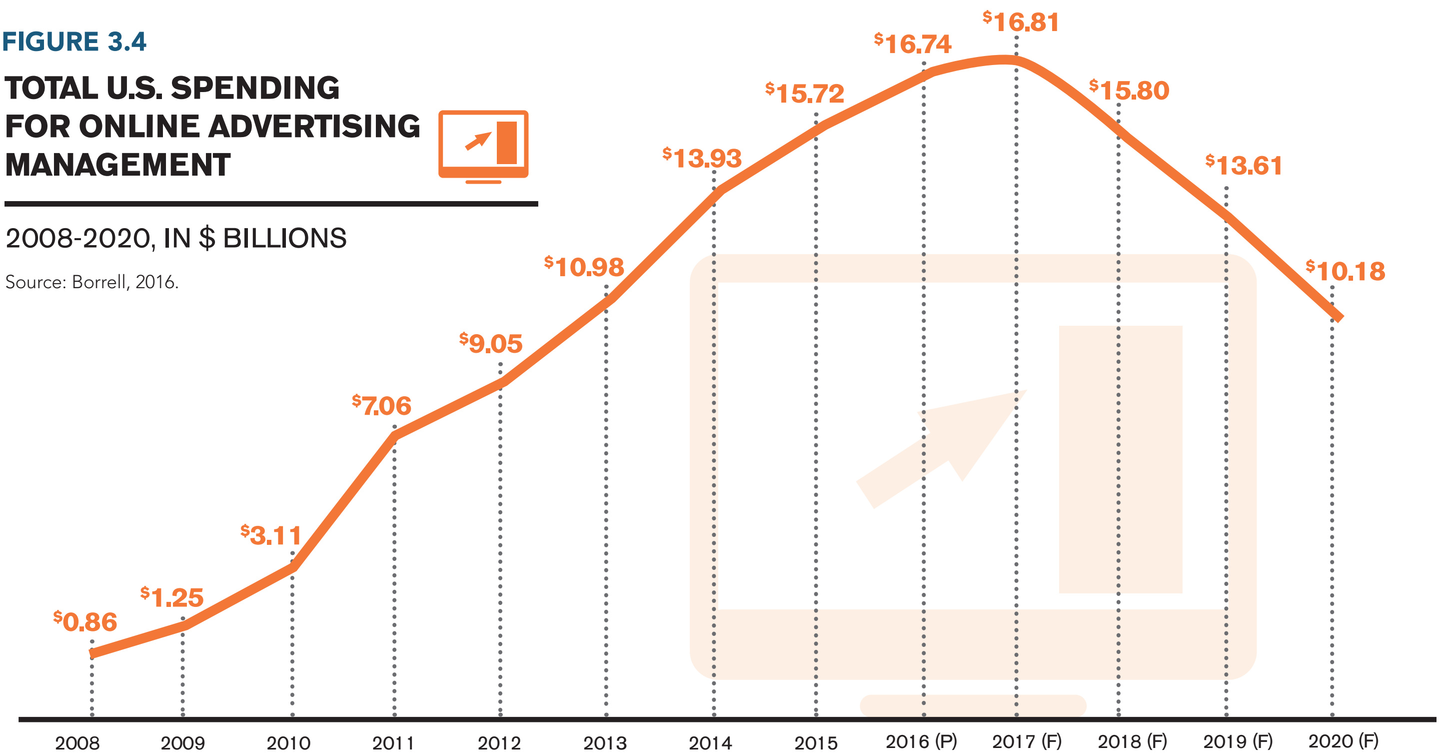
**ONLINE ADVERTISING MANAGEMENT.** There's a mountain of work behind placement of even the simplest banner ad. Campaign management has become as much a science as an art. Often, A/B testing and other sophisticated tests must be performed to assure maximum response rates. However, as the nation's larger advertisers become more capable and internalize more of these expenses each year, spending will grow only in smaller, more local businesses. As shown in Figure 3.4, 2016 is currently projected to be the highest point national spending will reach. After 2017, spending will begin to decline as use of desktop computers wanes in favor of mobile devices.

**FIGURE 3.4**

**TOTAL U.S. SPENDING FOR ONLINE ADVERTISING MANAGEMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



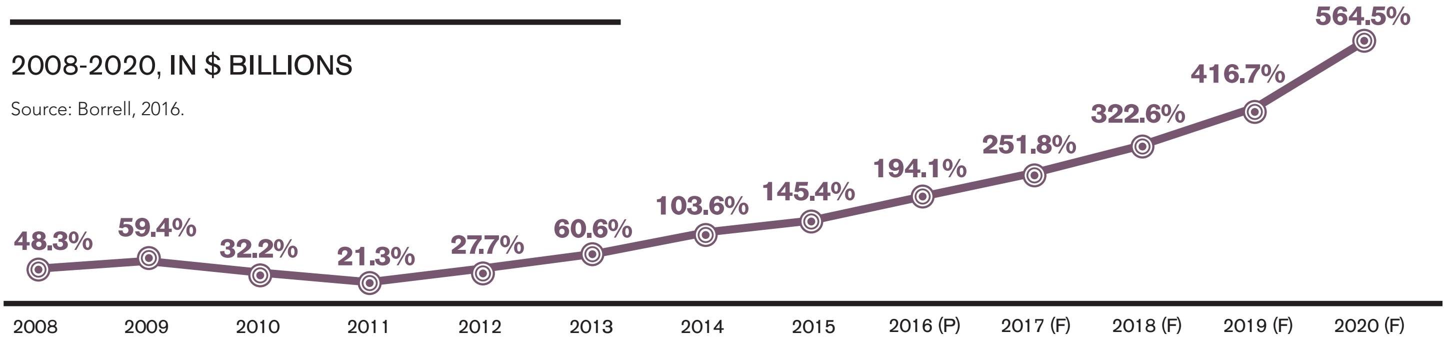

**Mobile Media Management.** Figure 3.5 shows mobile media management spending as a percentage of online advertising management spending. It is estimated that the two were at rough parity in 2014, but 2016 will find mobile spending almost twice that of online. By the decade's end, it will be more than five times greater.

**FIGURE 3.5**

## MOBILE MEDIA MANAGEMENT SPENDING VERSUS ONLINE AD MANAGEMENT SPENDING

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



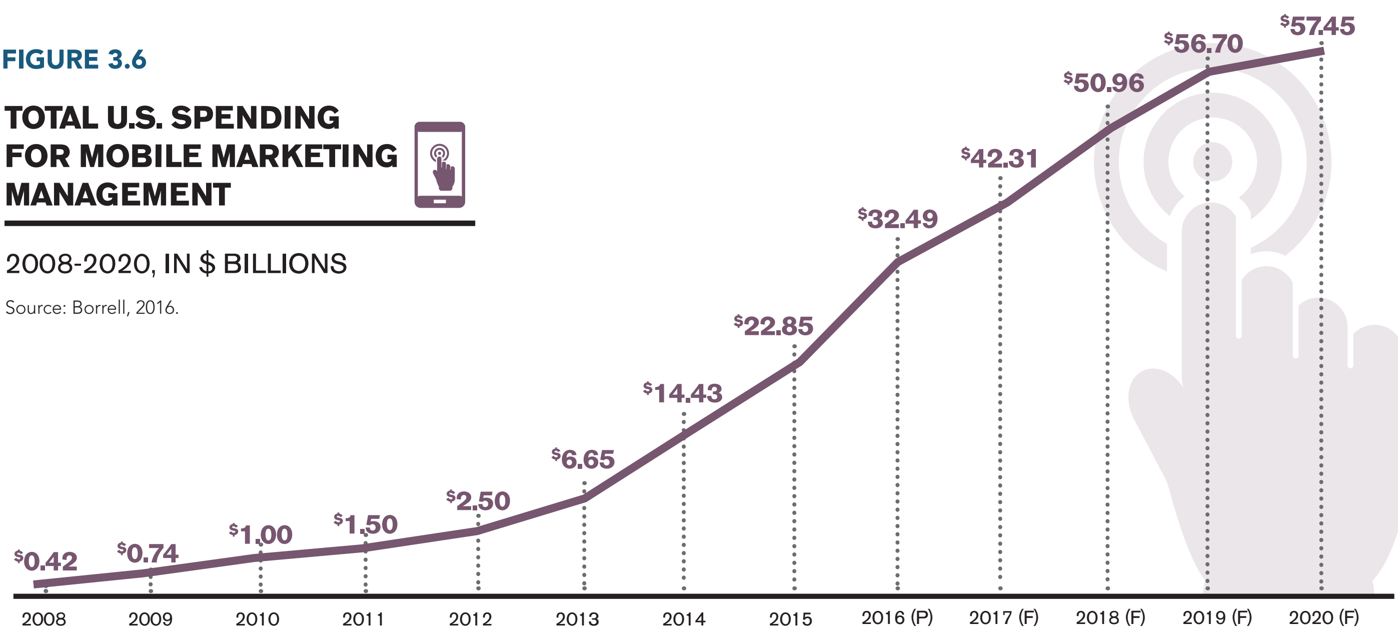

At its start, mobile media management was little more than an overlay to online activities. The primary goal was to assure that images and page views from a website were viewable on a cell phone or other mobile device. The unprecedented growth in both the use and the variety of mobile devices has multiplied both demand for and the complexity of mobile media management. Measurement and targeting are the key aspects of most of the more popular tools and services in use today. As is typical for all facets of digital marketing support, spending growth began strongest among bigger, nationally focused advertisers. However, as the tools and services available become more cost-effective and simpler to use, smaller businesses have begun to invest in them as well. External spending among the first adopters is currently forecast to occur later in this decade. However, spending levels among SMBs will continue to grow for some time to come.

**FIGURE 3.6**

## TOTAL U.S. SPENDING FOR MOBILE MARKETING MANAGEMENT

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



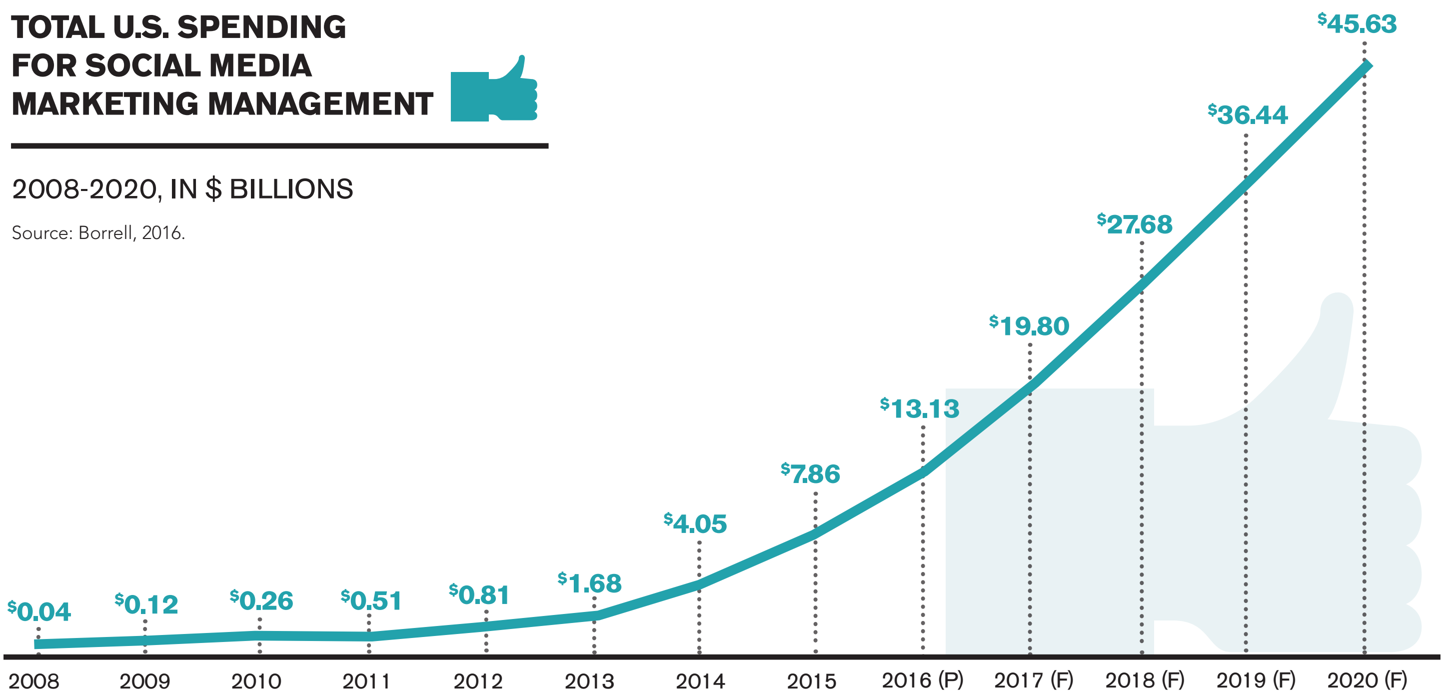
**SOCIAL MEDIA MANAGEMENT.** It is hardly necessary to describe the meteoric rise of social media. Facebook messaging has already outstripped email in daily use, and social media sites were responsible for more than half of the $61.7 billion spent last year on targeted digital display advertising. Social and mobile media management increasingly intertwine, as the majority of social site use moves from desktop computers to smart phones and tablets. Facebook's ad retargeting programs have become extremely popular with small and larger businesses alike. It is just one example of a growing suite of social media management tools available to advertisers. Spending for social media marketing in the U.S. this year is projected to exceed $13 billion (see Figure 3.7), but only a fraction is spent by smaller businesses. Spending levels are forecast to continue to increase steadily for the remainder of this decade and beyond.

**FIGURE 3.7**

**TOTAL U.S. SPENDING FOR SOCIAL MEDIA MARKETING MANAGEMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



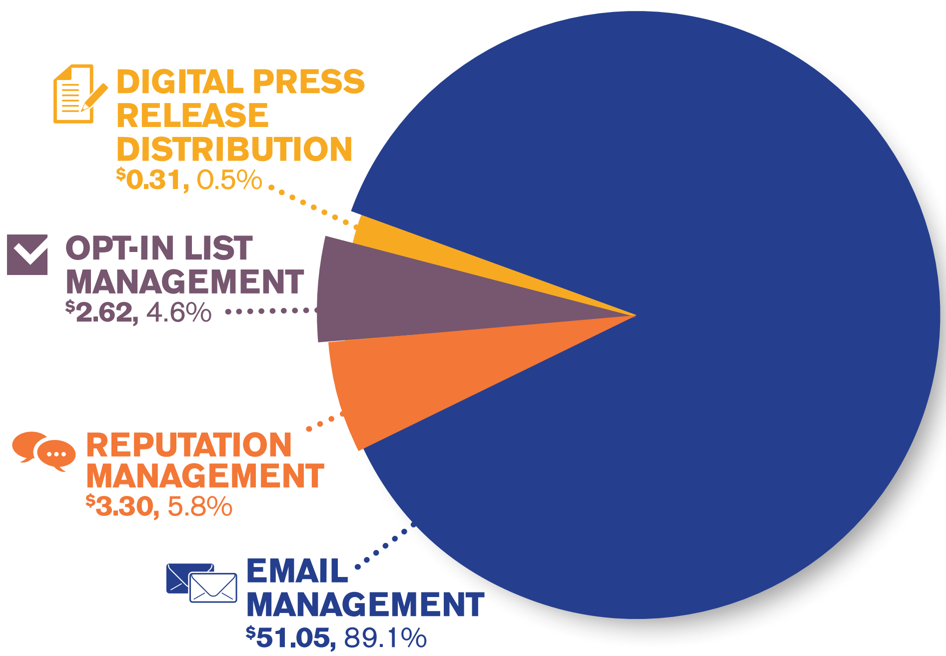
**CATEGORY: ONLINE PUBLIC RELATIONS** The advent of digital marketing has rejuvenated the centuries-old art of public relations. Press releases that used to crawl through the mail now flash to thousands of recipients in seconds. Reputation protection has become software, not suspicion. Almost every aspect of PR has been recreated and improved in the digital space. Borrell currently divides this category into four components (see Figure 3.8). Together, they are projected to comprise 9% of all digital marketing support spending in 2016. Each component is described in more detail below.

**FIGURE 3.8**

**ONLINE PR COMPONENT SHARE**

TOTAL U.S. 2016 PROJECTED SPENDING IN $ BILLIONS

Source: Borrell, 2016.



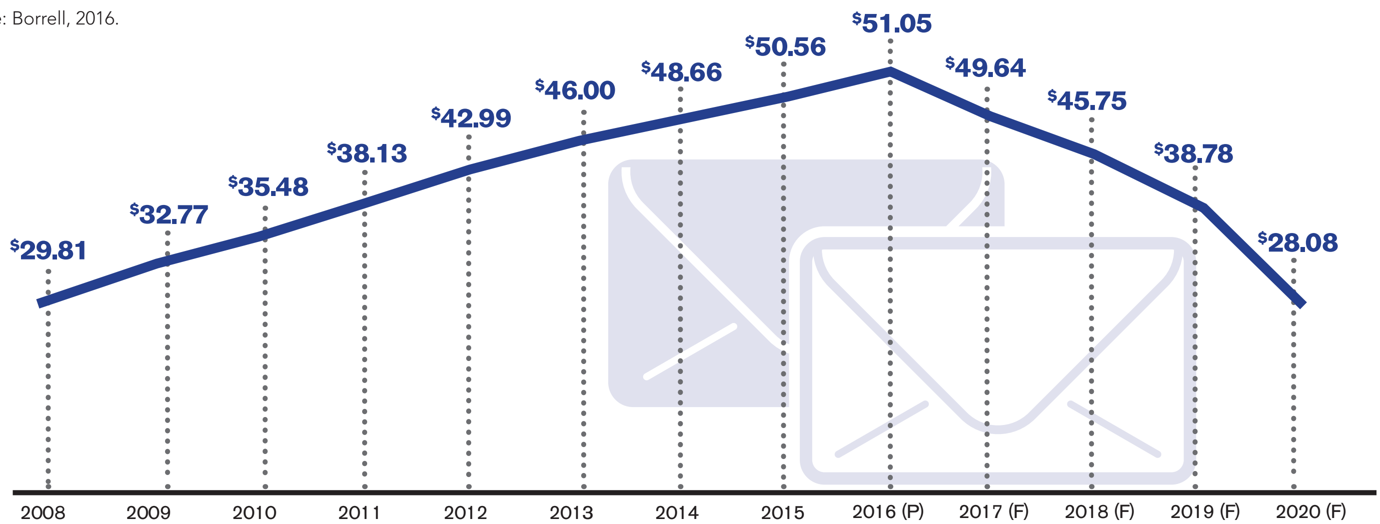
**EMAIL MANAGEMENT.** This year, email management spending is projected to make up nine dollars of every 10 spent for online public relations in the U.S. Most of the money will be spent on processing raw list data into useful email databases. This can be an expensive, arduous process – far more exacting than legacy direct mail list management used to be. As an example, the standard voter list in computer format seldom yields more than 20% "clean" records suitable for an email campaign. Email lists are far more than name and address files. They are true databases, rich with demographics. If managed properly, these lists can provide a using company with a distinct competitive advantage, but management and maintenance is not easy or quick. As Figure 3.9 shows, U.S. spending for email management is at its apex this year, at more than $50 billion. Spending is forecast to decline for the remainder of the decade, as data capture becomes more automated and more internalized. The continued, further perfected use of "cookies" will play a role in this decline.

**FIGURE 3.9**

**TOTAL U.S. SPENDING FOR EMAIL MANAGEMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**DIGITAL PRESS RELEASE MANAGEMENT.** Press release management and distribution used to be a mainstay for PR agencies of all sizes. Putting together lists of recipients, as well as creating, reproducing, and distributing releases took considerable time, effort, and knowledge of customer needs. The internet has changed press release management radically. Distribution is now instantaneous and attention has turned to structural optimization for various search engines and avoidance of no follow links.

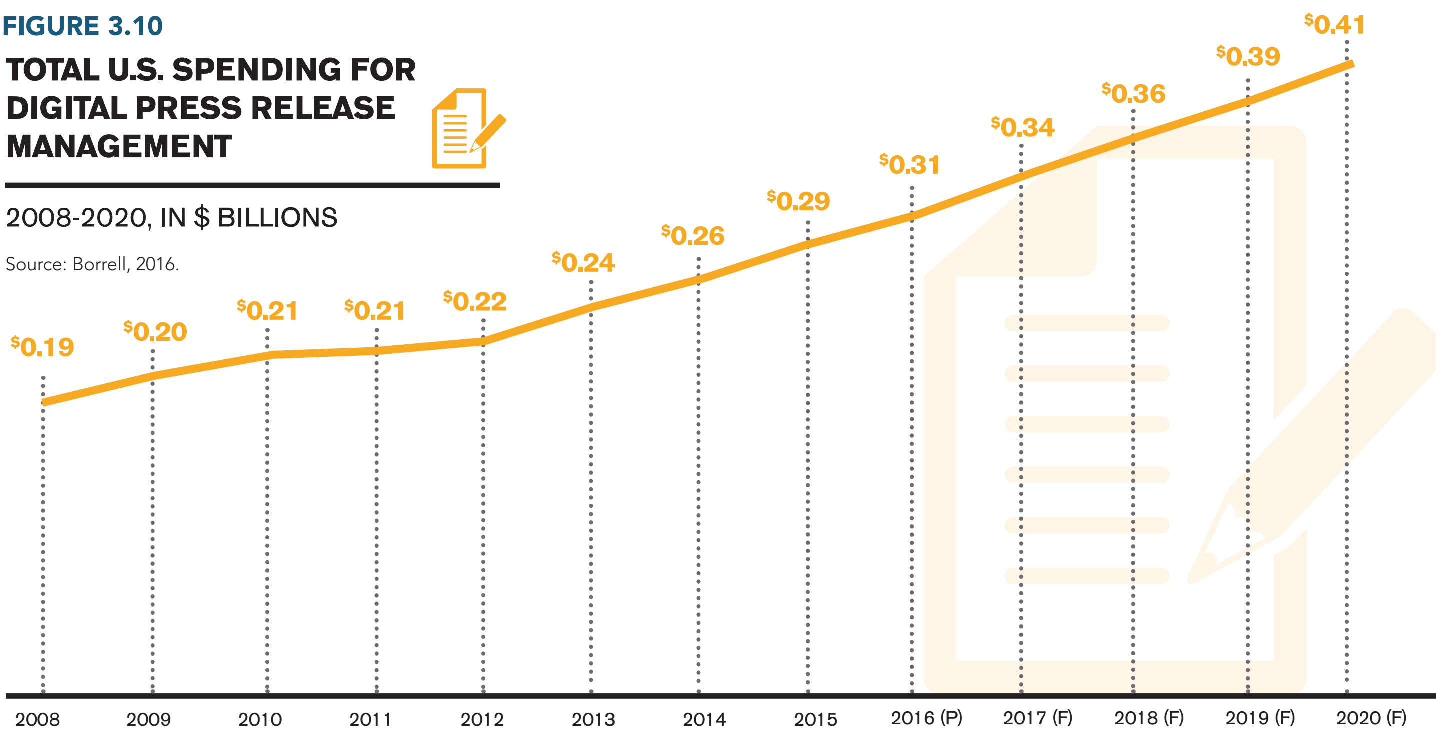
As Figure 3.10 illustrates, digital press release management spending will continue to grow slowly from its projected 2016 U.S. total ($310 million) for the remainder of the decade. Even larger firms will continue to buy these services, because it is often more cost efficient to do so than to try and build an internal resource.  However, the nature of the press releases themselves will change dramatically. The increased use of video will move these announcements from published quotes to in-person interviews – resembling TV news clips more than newspaper stories. The old mainstay will gain new life with a brand new look

**FIGURE 3.10**

**TOTAL U.S. SPENDING FOR DIGITAL PRESS RELEASE MANAGEMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**REPUTATION MANAGEMENT.** Management of a business or professional reputation is far from new. Work of this sort has kept public relations professionals busily employed for more than a century. In the pre-web world, the process was fueled by clipping services – businesses that labored through thousands of publications to find statements of interest to their clients, who would then decide the nature of the statements collected and what needed to be done to ameliorate them.

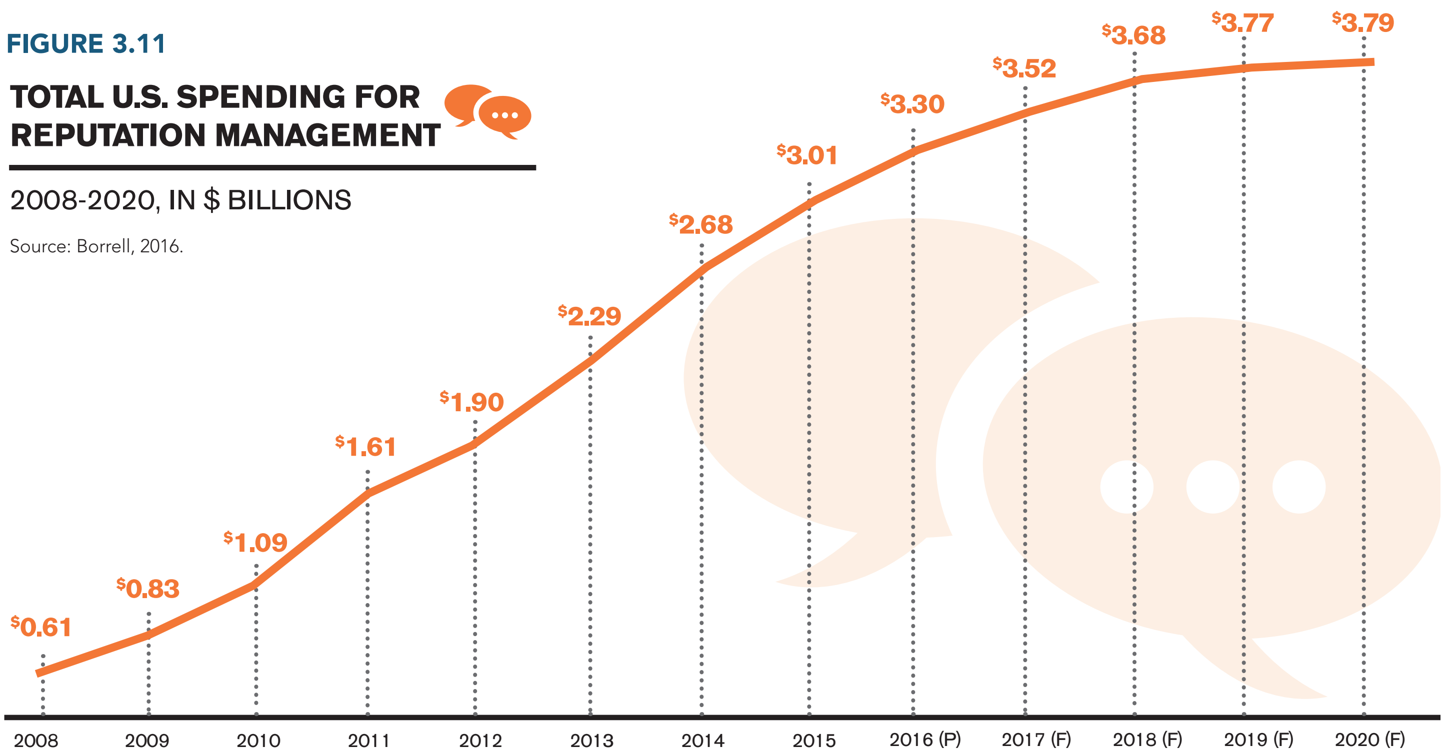
The internet has turned this art into a science. The programs and services now available crawl the web in search of claims and statements with negative impact, and then work to expunge them or minimize their impact. Borrell projects that businesses large and small will spend more than $3.2 billion for these programs and services this year (see Figure 3.11), and that spending will continue to grow through the decade – at which point it will decline in favor of similar programs "built in" to other security software.

**FIGURE 3.11**

**TOTAL U.S. SPENDING FOR REPUTATION MANAGEMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**OPT-IN LIST MANAGEMENT.** Email management and opt-in list management are closely intertwined. In fact, careful use of the former is needed to make the latter flourish. A principal concern of all marketers should be the maintenance and expansion of their enterprise's opt-in list. These are the ears attuned to all company messages, the place where good customers, colleagues, and prospects and their contact information exists. But nurturing listings and contacts into links that will accept, respond to, and (hopefully) spread business information is no easy process. A good place to start is the log of website visitors, because these have shown interest in company message or products. Contacts from tradeshows and industry conferences are another good source, if they are followed up promptly. Testimonials and referrals are another sure source for potential opt-ins. Finally, active use of social media – Facebook, Twitter, and LinkedIn – can yield a harvest of potential opt-ins. Once an opt-in population is collected, it must be carefully maintained. Members who decide to "opt out" need follow-up. Those who are promoted or change jobs must be tracked. Opt-in list management must be a continuous activity for any business that wants to grow.

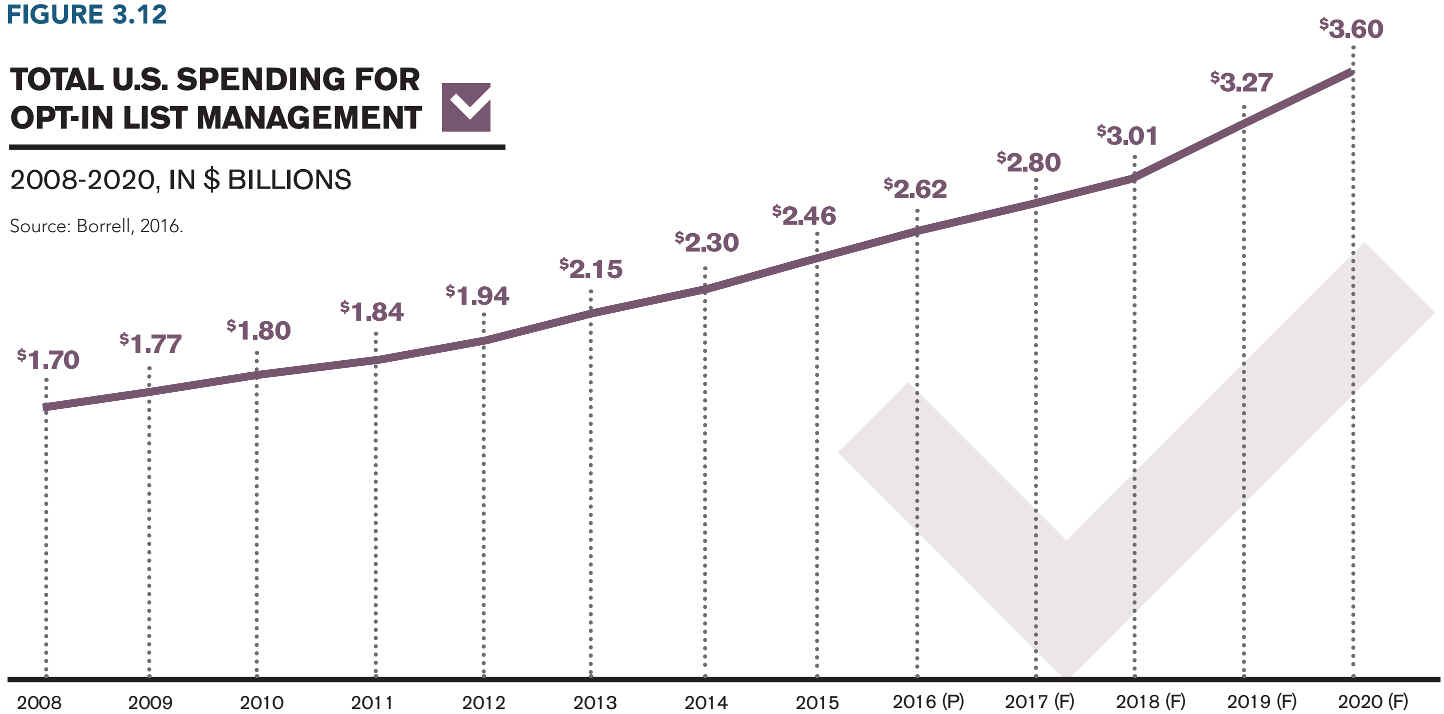
U.S. businesses will spend more than $2.6 billion on opt-in list management services this year, according to current Borrell projections (see Figure 3.12). Roughly a third of this spending will be from smaller, locally focused businesses but by 2020, their share of spending will approach 50%.

**FIGURE 3.12**

**TOTAL U.S. SPENDING FOR OPT-IN LIST MANAGEMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**CATEGORY: ONLINE MARKETING SUPPORT** Online marketing support sets the table for the work that follows it, ensuring the success of marketing efforts by providing the underpinning they need.  These are the less glamourous workhorses of digital marketing support.

The latest Borrell estimates project U.S. spending for online marketing support this year to exceed $74 billion this year, a full 10% gain over last year's totals The bulk -- almost ninety cents of every dollar spent – will go to search engine optimization (SEO) (see Figure 3.13). Most businesses with digital presence, even some that are very small, have developed some kind of strategy to improve their likelihood of being discovered by search engines. Bigger nationally directed enterprises have internal staffs to perform this important work, while smaller firms rely on help from a variety of consultants and other services providers – some very small and localized themselves.

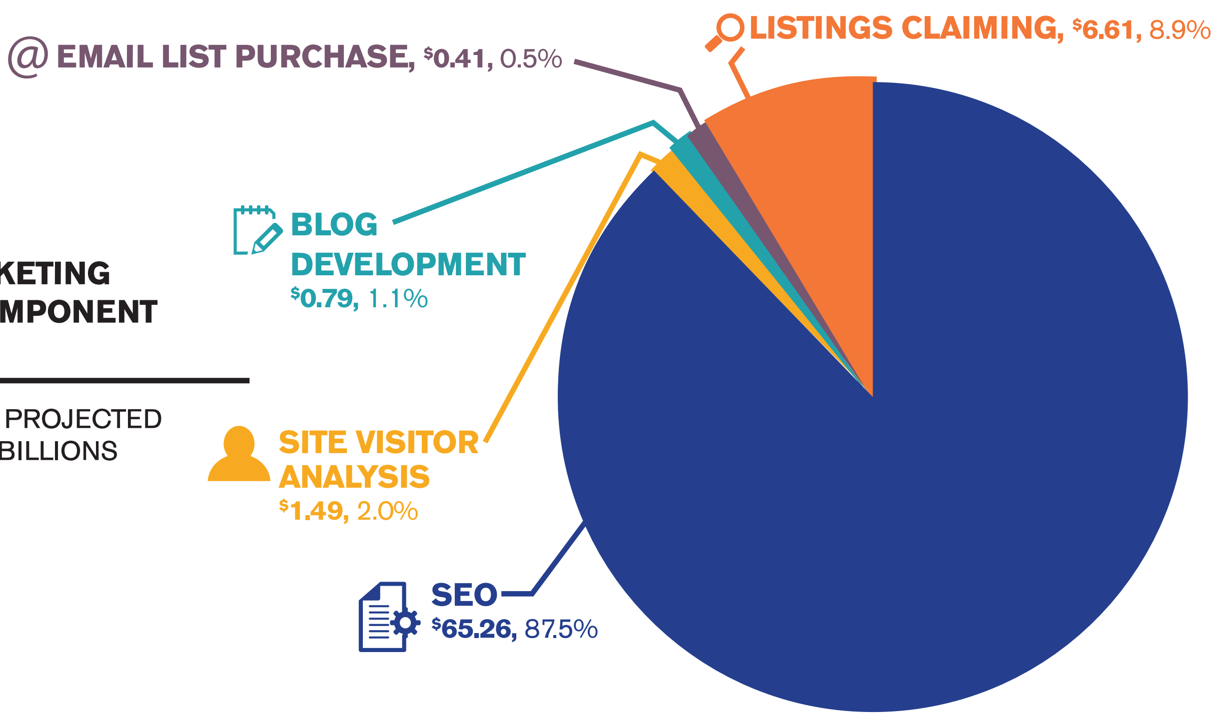
It should be noted here how Borrell defines SEM vs SEO. Many consider SEO to be a part of SEM, but in this relatively nascent arena (when compared to traditional media) it is difficult to pinpoint truly agreed upon definitions. So, for clear measurement purposes, Borrell considers SEM to be akin to paid search and its spend is therefore captured in Borrell's Paid Search numbers (not included here.) SEO is unique in that it is not advertising, but is a process of ensuring a web page's rank through content and linking.

**FIGURE 3.13**

**ONLINE MARKETING SUPPORT COMPONENT SHARE**

TOTAL U.S. 2016 PROJECTED SPENDING IN $ BILLIONS

Source: Borrell, 2016.




Each of the five category components is reviewed on the next pages.

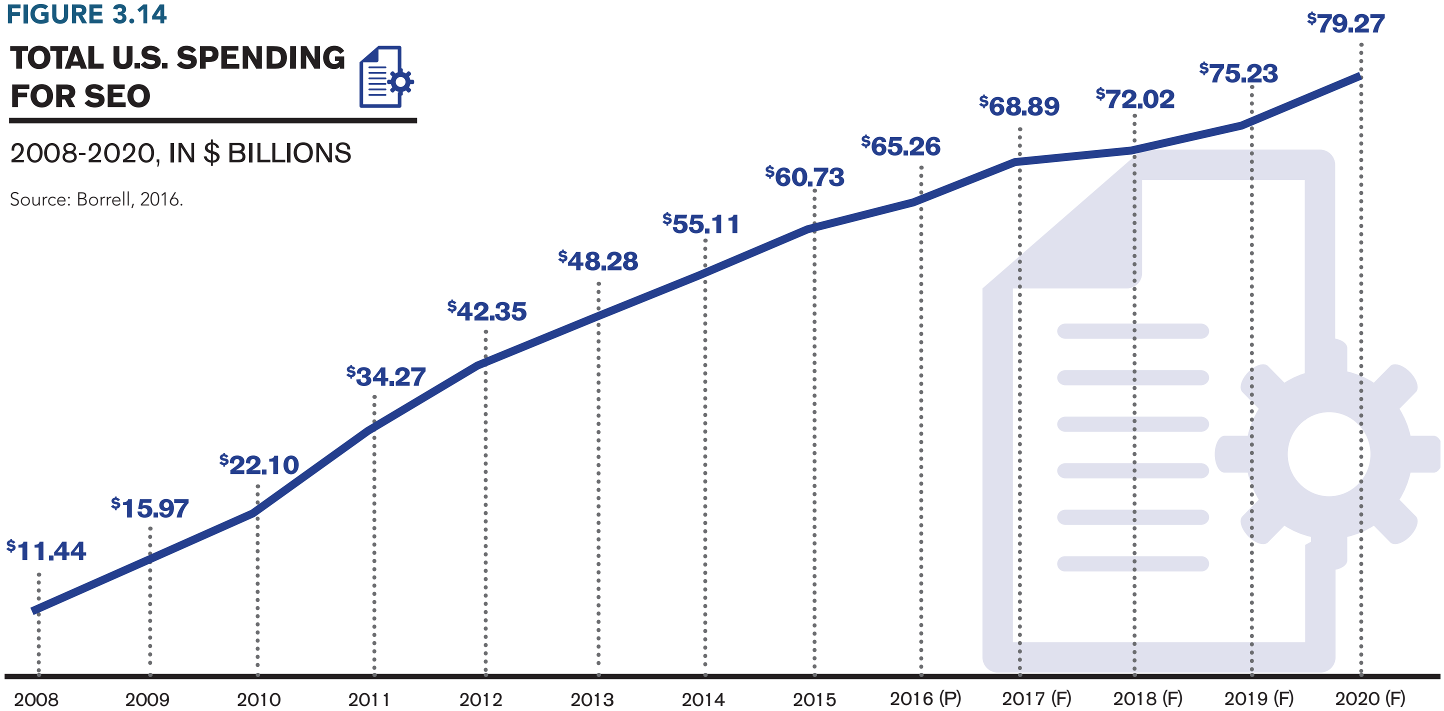
**SEARCH ENGINE OPTIMIZATION (SEO).** When search engine placement first roared into almost instant popularity, there was only one way for a business to improve its ranking in listings: pay the engine more money. Technically savvy marketers soon found other ways to improve listing position. Carefully embedded key words, applied to each website page, worked well at first and remain important. But, sitemap protocol analysis and keyword audits are just a few of the SEO tools available today. Google itself provides a suite of SEO tools to help designers and marketers use search engine marketing more effectively.

**FIGURE 3.14**

**TOTAL U.S. SPENDING FOR SEO**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.




More than $65 billion will be spent on SEO products and services this year, if current projections hold true (see Figure 3.14). More than two-thirds of the total will be spent by smaller, locally directed businesses. Their larger neighbors have long-since developed SEO-dedicated internal staffs. By 2020, spending will approach $80 billion.

**BLOG DEVELOPMENT.** According to the latest Social Media Marketing Industry Report, blogging remains the single most important form of business content communication—chosen by 45% of those surveyed. The report results, drawn from research among more than 3,700 U.S. social marketers, also found that seven out of 10 respondents intend to use blogging more this year than they have in the past. Interesting, popular blogs require both deep subject knowledge and writing ability. Businesses – especially smaller enterprises – may well lack internal staff with these skills. That's where job boards on sites like Media Bistro and Contently come in, providing an interface between blog writing talent and business needs. In addition to good, fresh content, blog development requires web design and technical support skills to work well. A well-run blog is not a simple operation.

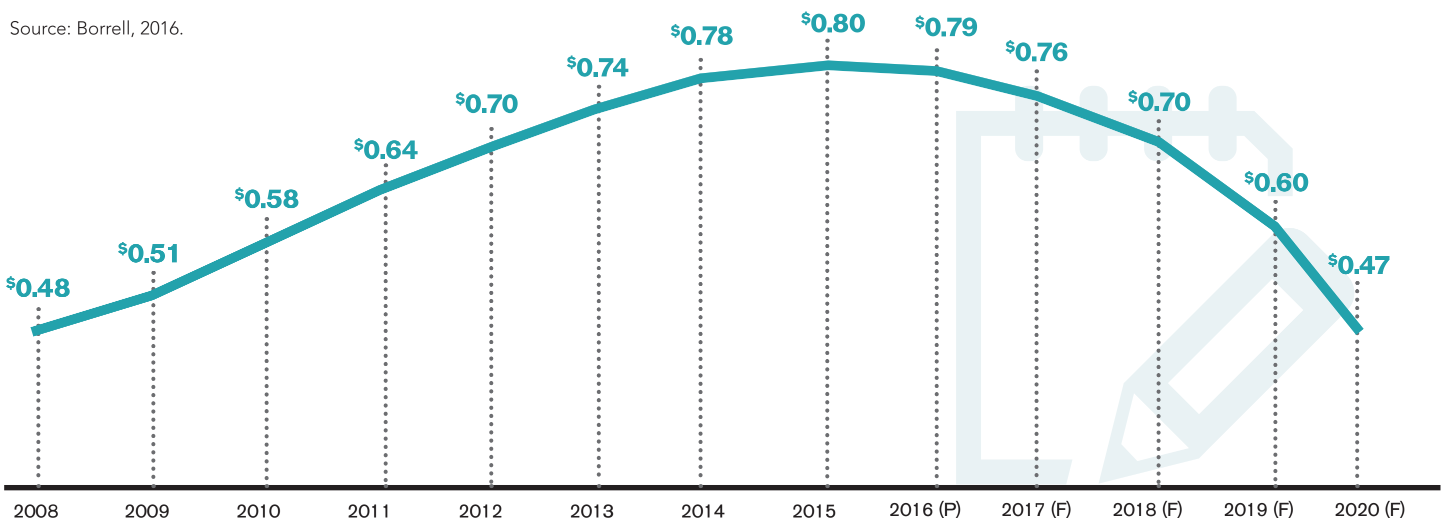
Borrell projects that more than $790 million will be spent in the U.S. for blog development this year. Almost three-quarters of the total will be attributed to smaller, locally focused businesses. Larger enterprises have, for the most part, internalized their blog development activities. Blog development spending will reach its apex this year. By the end of this decade, it is forecast to decline more than 40%– in favor of further internalization and a shift to video-centric formats.

**FIGURE 3.15**

**TOTAL U.S. SPENDING FOR BLOG DEVELOPMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



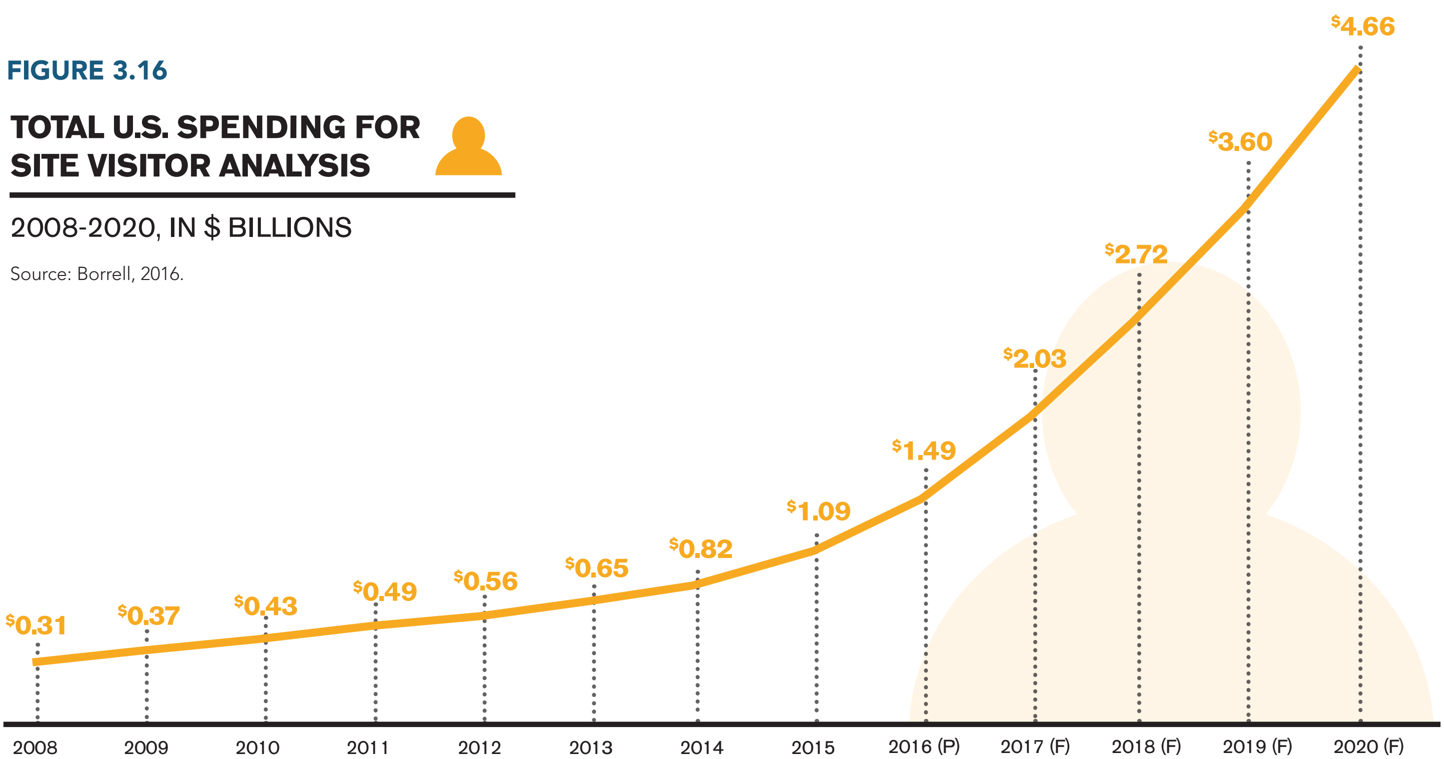
**SITE VISITOR ANALYSIS.** There are as many variations to visitor analysis suites as there are vendors offering them. All agree that it's important to know who has visited, how and when they got to the site, and what they looked at while they were on it. Google, Alexa, and many others provide marketers with this information as well as much more. Site visitor analysis is important because it provides both leads and opt-in list members. U.S. spending for site visitor analysis tools and services will approach $1.5 billion this year (see Figure 3.16), and it will continue to grow for the remainder of the decade. By 2020, current Borrell forecasts show site visitor analysis spending more than tripling, as more mobile- and social-oriented tools become available.

**FIGURE 3.16**

**TOTAL U.S. SPENDING FOR SITE VISITOR ANALYSIS**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**EMAIL LIST PURCHASE.** Even though email lists are plentiful, their use is restricted for a simple reason: most are neither accurate nor cost-effective.  Consumer lists are the worst examples. It is estimated that, on average, roughly 2-3% of an area's residents change their address each month – due to health, job change, change in marital status, home purchase or sale, or the termination of a lease. So, six months after an email consumer list is purchased and use has begun, roughly one in five listings will no longer be valid. Business lists have similar shortcomings, due to retirements, promotions, terminations, and other personnel matters.

Accuracy aside, most lists don't get full use after their purchase. Salespeople, who use them only grudgingly, typically make less than five cold calls a week on listed prospects. At that rate, it would take a sales force of 20 almost two years to fully use a list of 10,000 prospects. By then, the list would be very inaccurate.

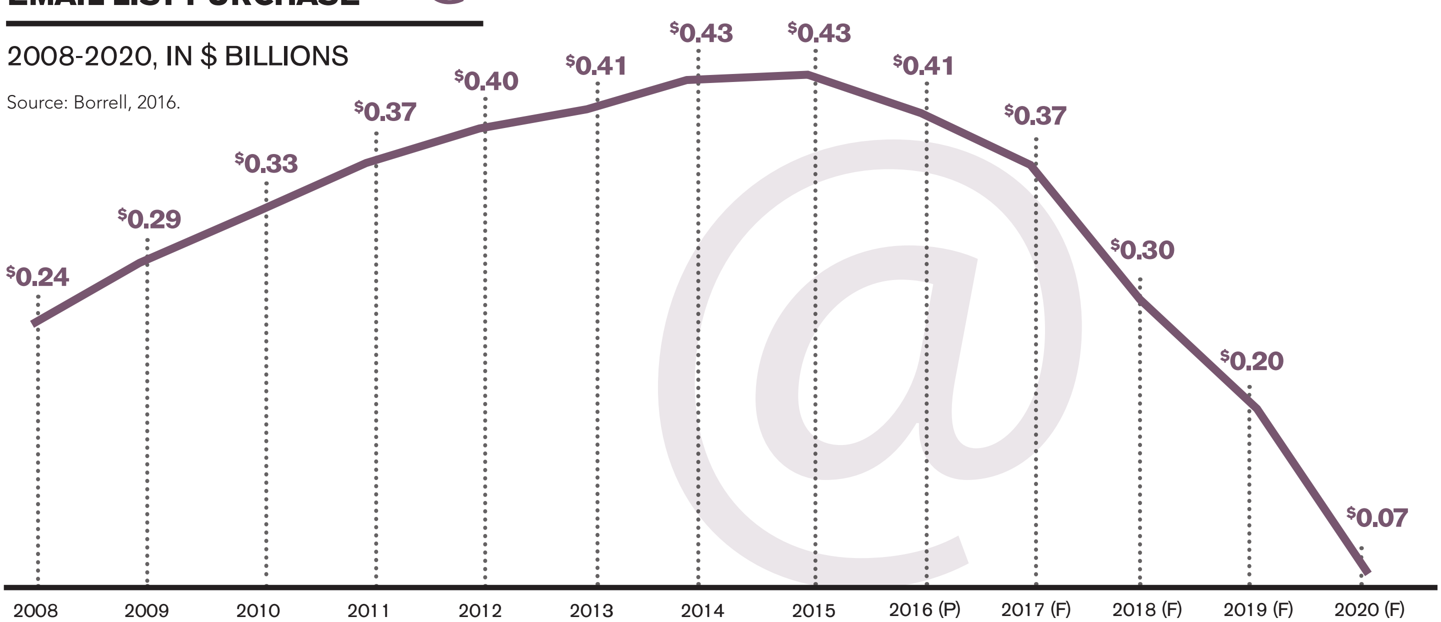
Lists come from many vendors, but they only have two sources: the government, and some entity which has customers. In either case, few were originally designed to be a useful email marketing tool. Most lack useful email addresses, which must be appended – as well as key demographic and psychographic data. Appending email addresses to lists which may already be aging is neither cheap nor productive. Match rates of 20-30% are generally assumed to be the norm.
Still, U.S. businesses will spend more than $400 million on email marketing lists this year, according to Borrell's current projections (see Figure 3.17). As other listing mechanisms become more widely used – visitor site analysis and opt-in list management among them – email list purchase will fade. By the end of the decade, spending will have fallen more than 80% from current levels.

**FIGURE 3.17**

**TOTAL U.S. SPENDING FOR EMAIL LIST PURCHASE**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**LISTINGS CLAIMING.** The Internet is vast, and growing every second. Right now, more than 3.3 billion people around the world have Internet access to tens of millions of separate websites. Listings claiming software works to make sure a business is portrayed properly everywhere its listing occurs. It's a job that can be done by hand – one listing at a time, one search engine at a time, one server at a time. Perhaps that's reasonable for very small, locally-oriented businesses. Any enterprise that's bigger needs digital help.

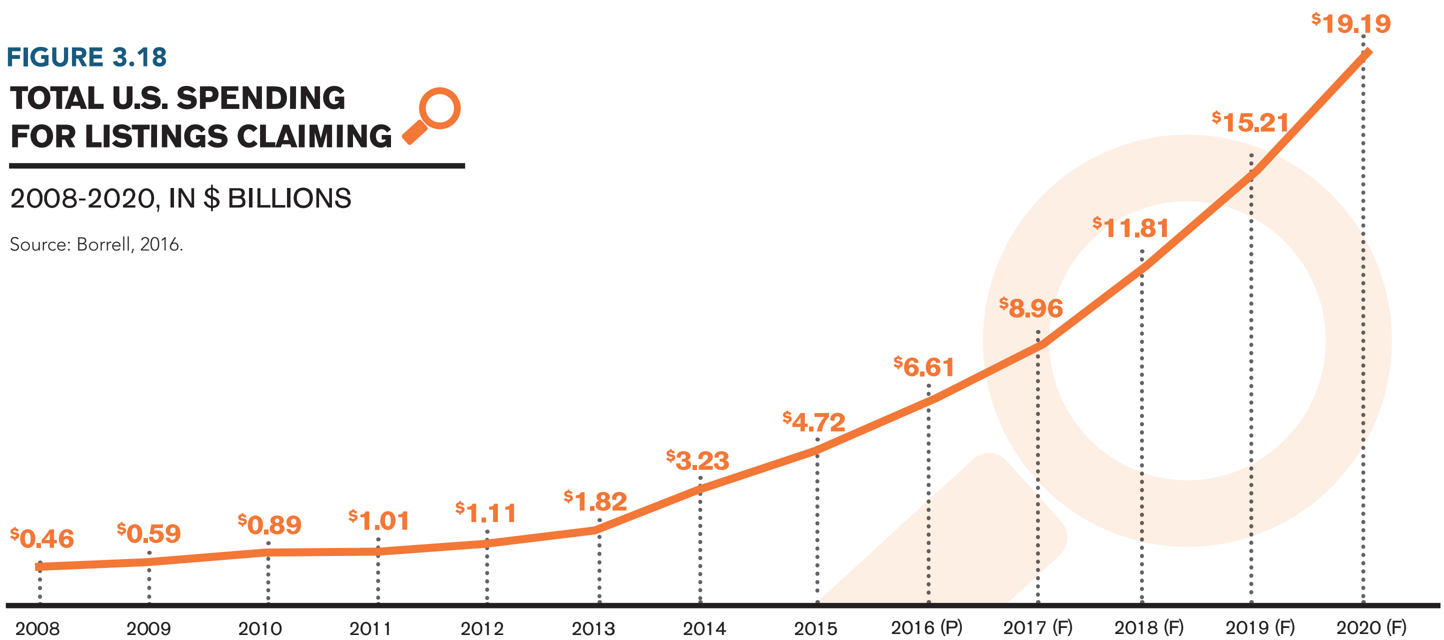
Throughout the U.S. this year, more than $6.6 billion will be spent on listings claiming products and services (see Figure 3.18). Spending will continue strong growth through the remainder of the decade, although demand among smaller businesses will remain low.

**FIGURE 3.18**

**TOTAL U.S. SPENDING FOR LISTINGS CLAIMING**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



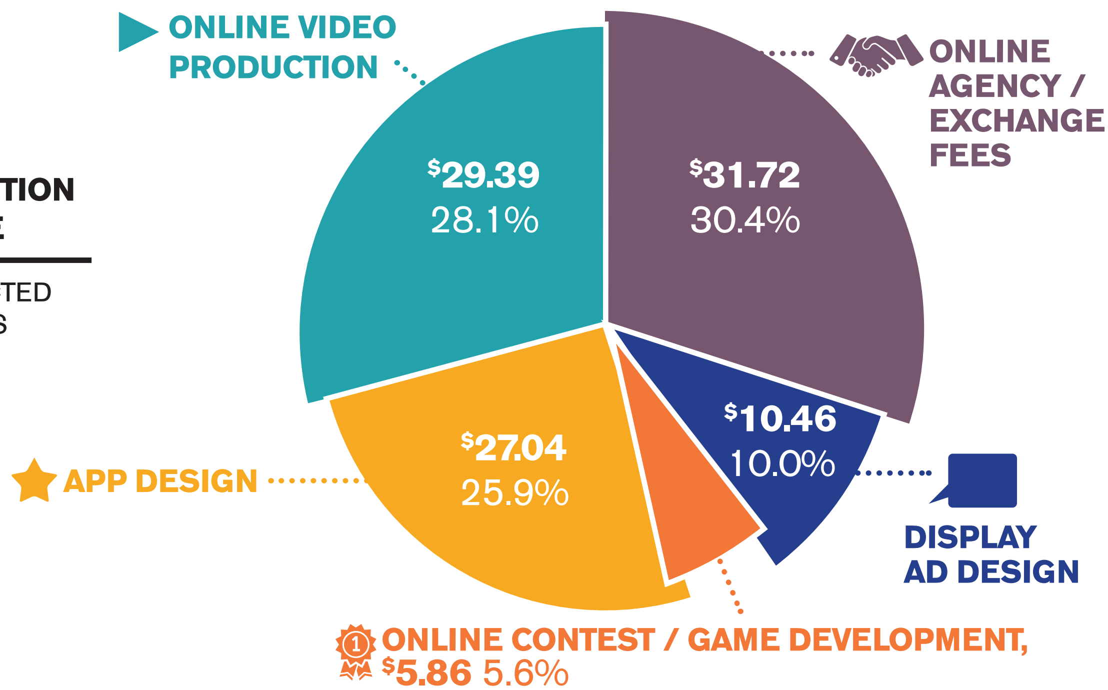
**CATEGORY: ONLINE AD PRODUCTION** This is where the work that produces digital ads gets done. Here the talented writers, artists, designers, programmers, photographers, and video technicians combine their skills to produce the ads their customers need. Roughly one dollar of every six spent on digital marketing support goes to one of the five online ad production components (see Figure 3.19). This year, spending is expected to exceed $104 billion.

**FIGURE 3.19**

**ONLINE AD PRODUCTION COMPONENT SHARE**

TOTAL U.S. 2016 PROJECTED SPENDING IN $ BILLIONS

Source: Borrell, 2016.



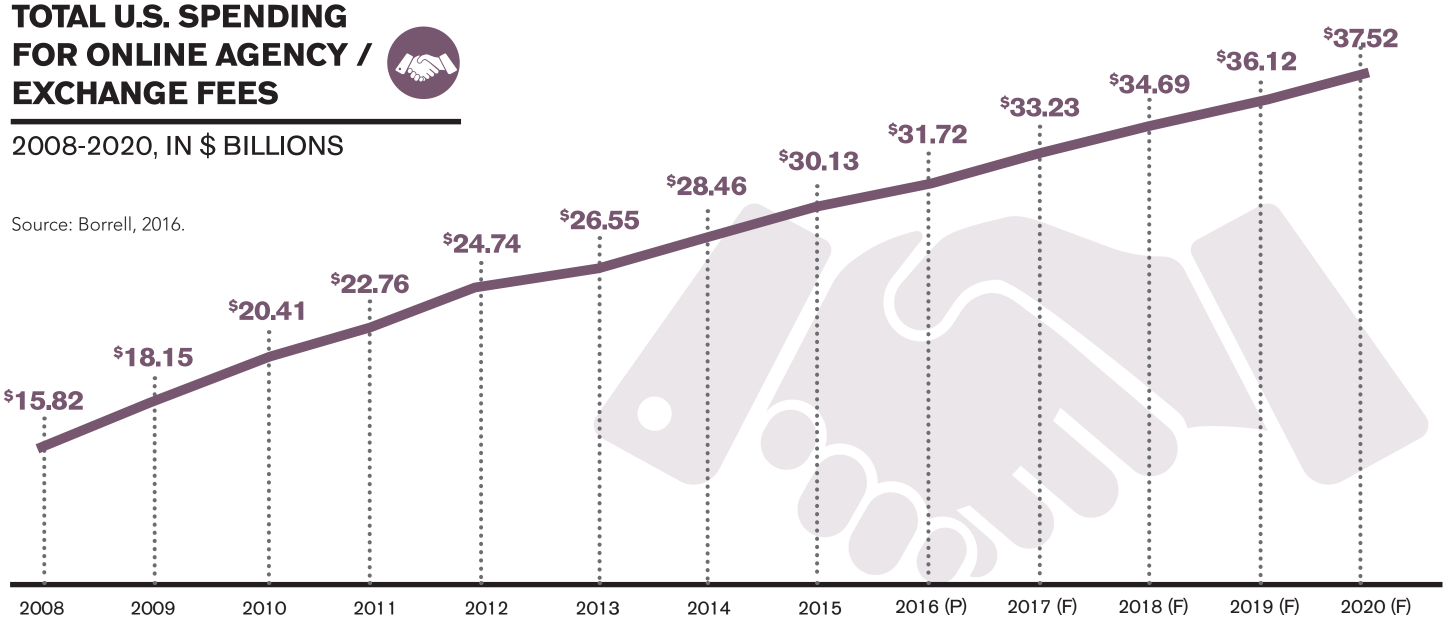
**ONLINE AGENCY/EXCHANGE FEES.** There's a business acronym that concisely explains this component of online ad production: "Tanstaafl"—which stands for "There ain't no such thing as a free lunch." These are the costs of marketing on the web. A growing number relate to programmatic buying and selling, which becomes more ubiquitous every year. Borrell currently projects that almost $32 billion will be spent on online agency and exchange fees in the U.S. this year (see Figure 3.20).

**FIGURE 3.20**

**TOTAL U.S. SPENDING FOR ONLINE AGENCY / EXCHANGE FEES**

2008-2020, IN $ BILLIONS

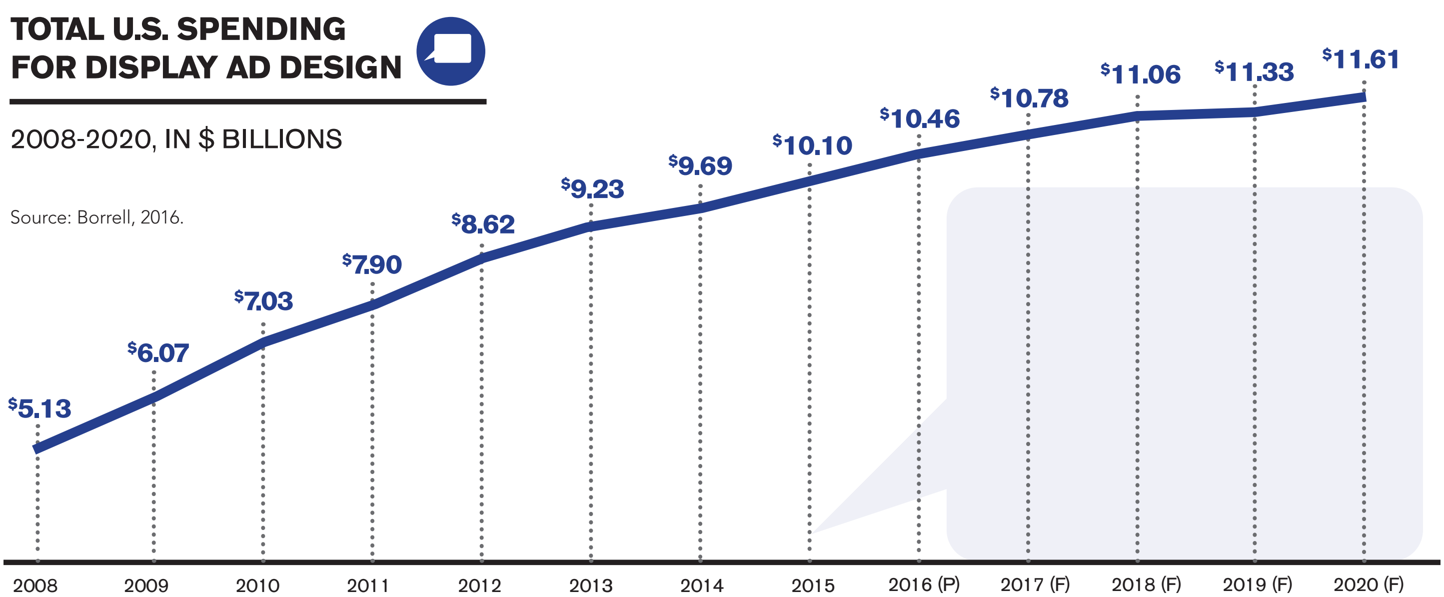
Source: Borrell, 2016.



**DISPLAY AD DESIGN.** Nothing about digital marketing is as simple as it used to be, and display ad design is no exception. Static banners and pop-ups have been replaced by complex automation, numerous links to other web locations, embedded apps, and data retrieval from click-throughs. Run-of-site distribution has made way for surgical targeting, and constant response testing is commonplace.

More than $10 billion will be spent externally by advertisers in the U.S. on display ad design this year (see Figure 3.21).  A slight majority of this will be spent by locally focused businesses without the internal resources to design their own digital ads.

FIGURE 3.21



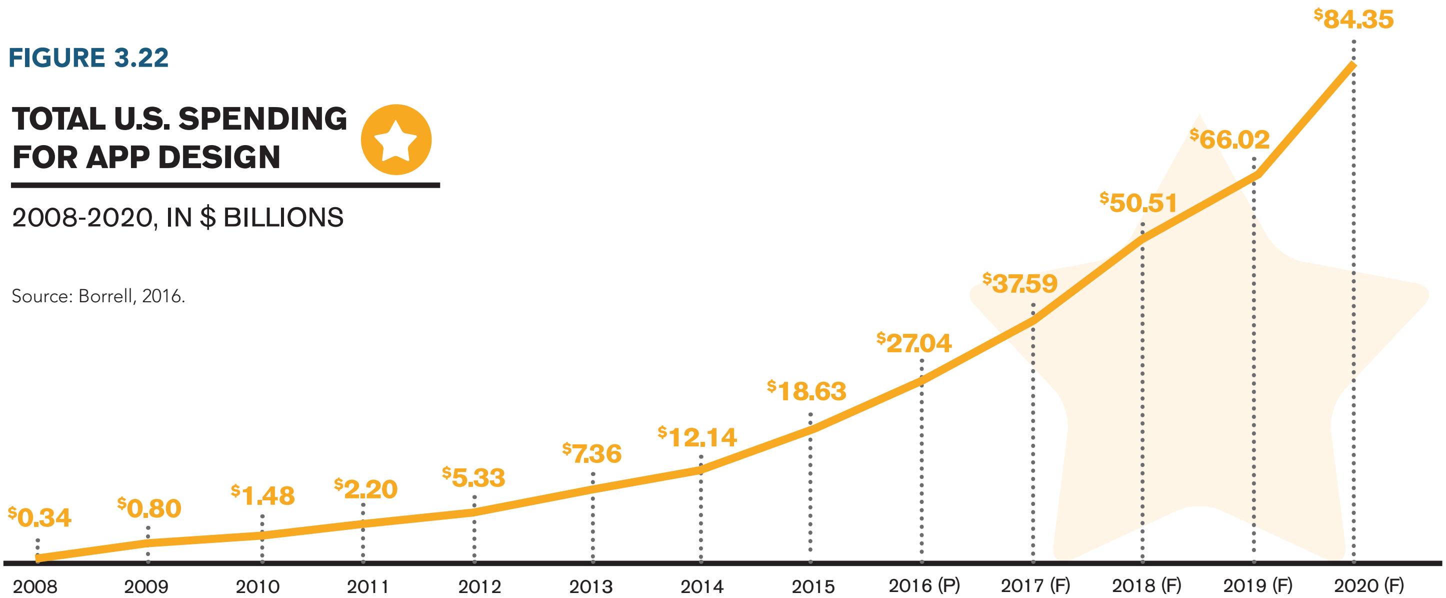
**APP DESIGN.** App design is not new. The first app (and indeed the Java language itself) was developed as part of an interactive cable TV experiment in the late 1970's. Since then, the explosion of mobile devices has increased the demand for and popularity of apps dramatically. According to Gartner Group estimates, more than 100 billion apps will be downloaded to smart phones and tablets this year alone. Apps can act as platforms for digital ads, they can call for ads when activated, and they can generate revenue of their own. Their use is not forecast to abate in the foreseeable future. Figure 3.22 illustrates projected and forecast app spending nationwide for the remainder of the decade. More than $27 billion will be spent in 2016 alone. By 2020, spending will have nearly tripled, to more than $84 billion.

**FIGURE 3.22**

**TOTAL U.S. SPENDING FOR APP DESIGN**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



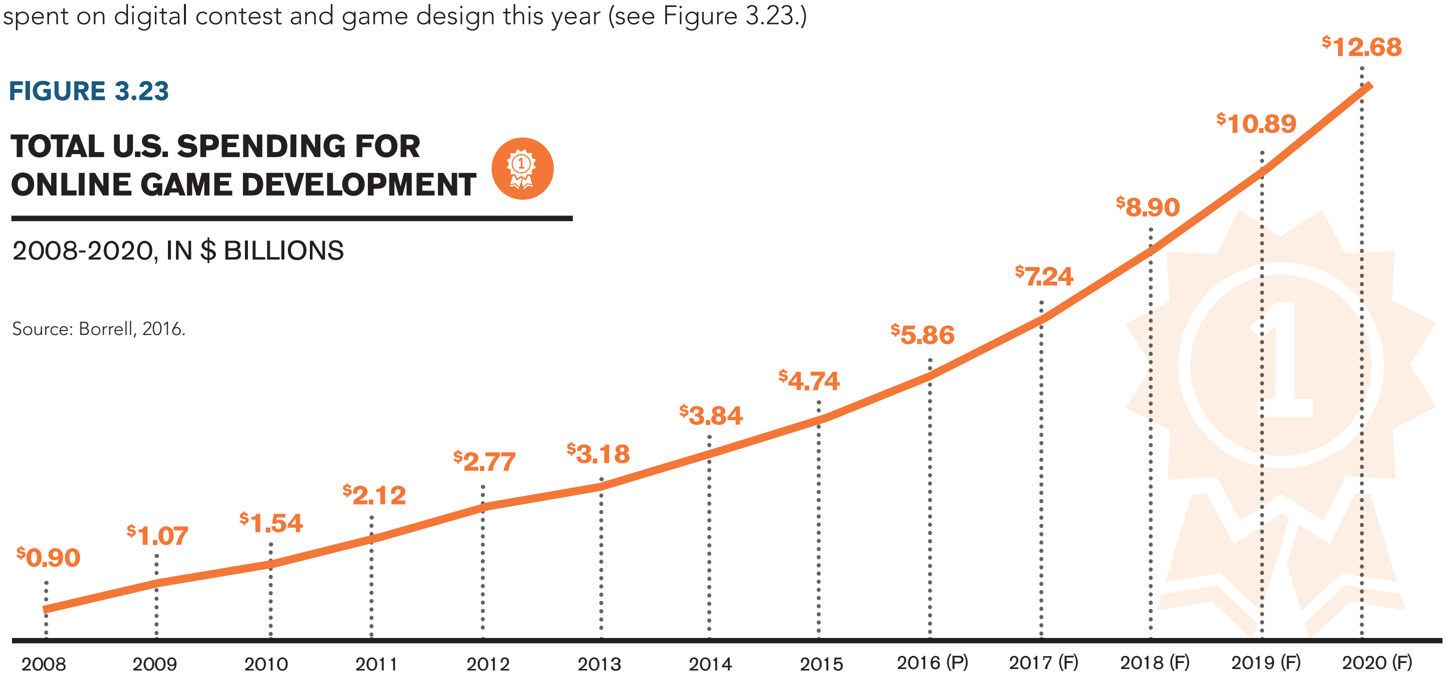

**ONLINE CONTEST/GAME DEVELOPMENT.** "Gamification," as it's sometimes called, can have several benefits. On its own, it can produce significant revenues among mobile device users with time on their hands. Linked to brands, it can create the alchemy of "engage/re-engage" – digital marketing's Holy Grail. Even the simplest game or contest has complex underpinnings. Apps, graphics, rules, participant lists, update schedules, winner selection systems – all must be coordinated. If the contest is to be run offline as well, the complexities are multiplied. Almost $6 billion is projected to be spent on digital contest and game design this year (see Figure 3.23.)

**FIGURE 3.23**

**TOTAL U.S. SPENDING FOR ONLINE GAME DEVELOPMENT**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**ONLINE VIDEO PRODUCTION.** The end of the desktop computer era and the transition to mobile devices has coincided with another sea change in the digital marketing space: the transition from print to video. As has been mentioned, the earliest website formats were very much like newspaper front pages, primarily set for the written word. The majority of websites retain that format to this day, and blogs remain the most used form of social media – especially among business-to-business marketers.

Change is coming. According to the latest Social Media Marketing Industry Report from Social Media Examiner, three of every four marketers intend to increase their use of video in the coming years. Based on these intentions, video should surpass blogs as the central thrust of social marketing activities by the end of this year. In the future websites, social site pages, and other mobile and social sites will be formatted around video, not written, content.

This year, almost $30 billion will be spent in the U.S. to produce online video ranging from 10-second spots to extended product descriptions (see Figure 3.24). Realtors will be able to offer prospective home buyers extensive tours of homes they'd like to see – including overhead views taken from circling drones. Car buyers will be able to take virtual cars for video test drives, and travelers will see their hotel suites before they pack their bags.

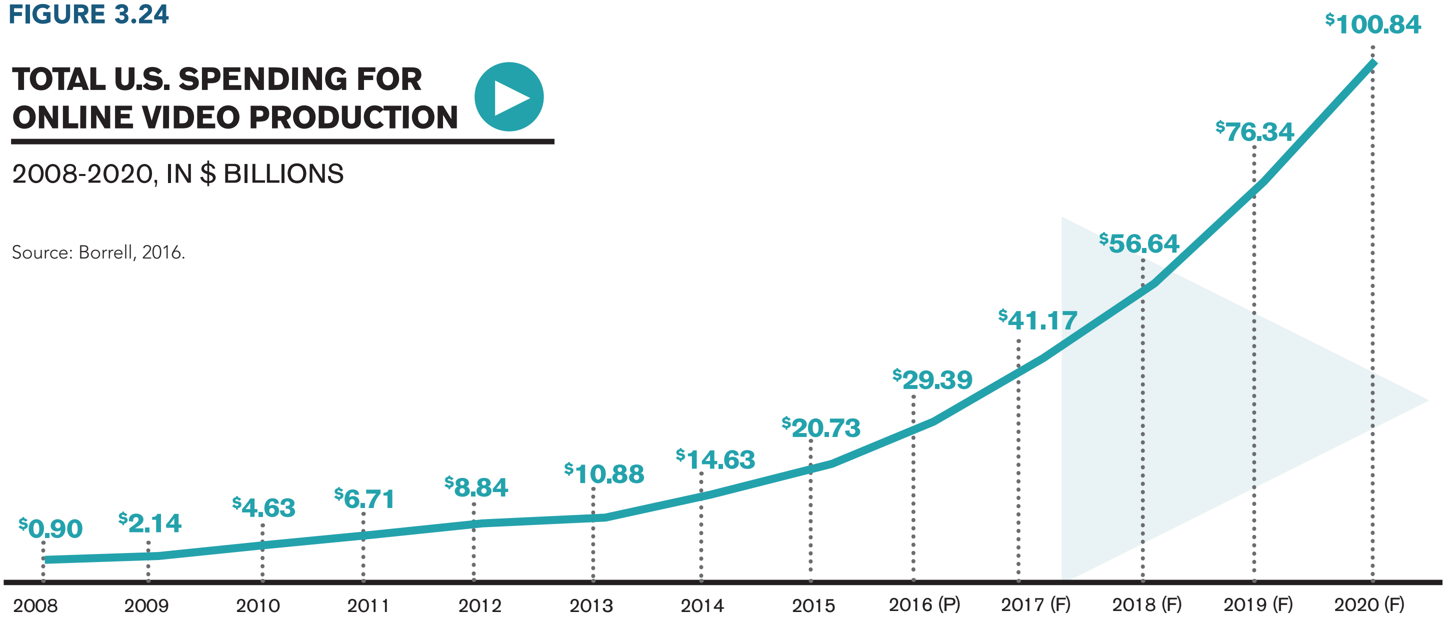
By decade's end video will be the catalyst that has completely altered the way the web looks, feels, and acts. Video spending will have tripled, reaching $100 billion. A great majority of this spending will be local, paid for by smaller businesses that lack the expertise or equipment to create their own. However, equipment is quickly becoming a less important factor. Sufficient equipment to produce "good" videos – software and hardware combined – can now be purchased for $300 or less.

**FIGURE 3.24**

**TOTAL U.S. SPENDING FOR ONLINE VIDEO PRODUCTION**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



**CATEGORY: ONLINE CONSULTING AND RESEARCH** Aside from what's already been said about this last category, one additional factor is due consideration: the current confusion over primary research methodology. For decades, phone research was an accurate and cost-effective method of conducting surveys among groups of all kinds, due to the near-universal use of landline phones in the U.S. This is no longer the case. Landline phone use has fallen below the 50% level among U.S. households. Household mobility is another culprit. These days, there's no guarantee that an area code describes a mobile phone's geographic location. Even among those who still use them, caller ID and a rising disdain for telephone marketing have combined to slash response rates and raise costs substantially. Though it is still in use, the accuracy of phone-based surveys must be questioned.

Many researchers have turned to online research as a substitute. It's far quicker and much, much cheaper. However, online surveys today suffer from a variety of shortcomings. If one of the national panels is used, results can be badly skewed towards the older, more affluent people who make up their majorities. Good samples in specific geographic areas – aside from the nation's largest cities – are difficult to achieve. Useful samples of young adults and useful ethnic results are equally hard to come by. Perhaps of greater importance, the statistical validity of most online research is difficult to establish.

As a result of these methodological problems, good primary research information has become much harder to collect. As if in a perfect research storm, this occurs just as many businesses have sacked their professional research staffs – in an effort to lower costs. So, the information is not so good, and the capability to interpret it is missing – a recipe for poor decision making. Eventually, this situation will resolve itself. In the meantime, there will be some nasty surprises among the nation's businesses.

This year, U.S. spending for online market consulting and research are currently expected to approach $55 billion nationwide. The majority will be purchased on a national scale by larger U.S. business entities.

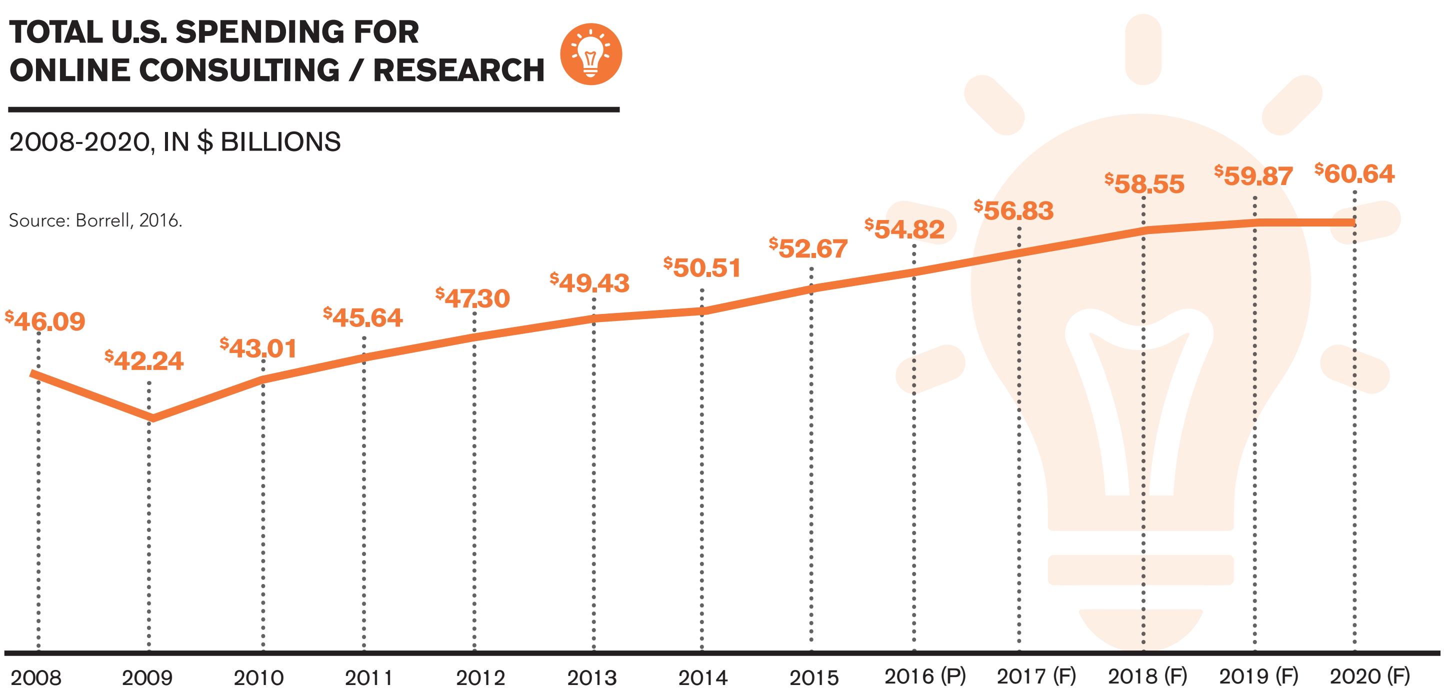
By the end of the decade, U.S. total spending for online marketing related consulting and research will have increased about 10% from this year's projected totals, reaching $60 billion (see Figure 3.25). Current forecasts suggest no dramatic increases or declines from this trend, which has remained in effect for the past six years or more.

**FIGURE 3.25**

**TOTAL U.S. SPENDING FOR ONLINE CONSULTING / RESEARCH**

2008-2020, IN $ BILLIONS

Source: Borrell, 2016.



## CHAPTER 4 // A LOOK AT THE INDUSTRY

According to the latest data available from Dun & Bradstreet, U.S. digital marketing support services and products are currently provided by 248,100 businesses employing 2.4 million people nationwide – an average of just under 10 employees per company. The average business in this industry is projected to earn $2.47 million worth of sales this year: roughly $252,000 per employee. In other words, with the exception of a few giants (Microsoft and Google, as examples) digital marketing support is a small business space.

In order to learn more about these businesses, Borrell conducted interviews with a dozen randomly selected products and services providers. Here's what was found:

1. Most DMS businesses concentrate on one to three products or services. Only two of the businesses interviewed were developing or fielding products with uses much different from the core idea in place when the company began.

2. The majority of the DMS businesses interviewed have a very tight definition of their competition. When asked about businesses that offered very similar products or services, many were discounted as competitors because, "… they don't do what we do."

3. None of the DMS businesses interviewed had a clear idea about the size of the market segments they worked in. Many answered that it didn't matter, because it was so large.

4. Each of the businesses interviewed was asked about products or services on the horizon that might replace their offerings – "What's on the other side of the hill?" None gave a clear answer. Most said demand for their product or service would continue unabated into the foreseeable future.

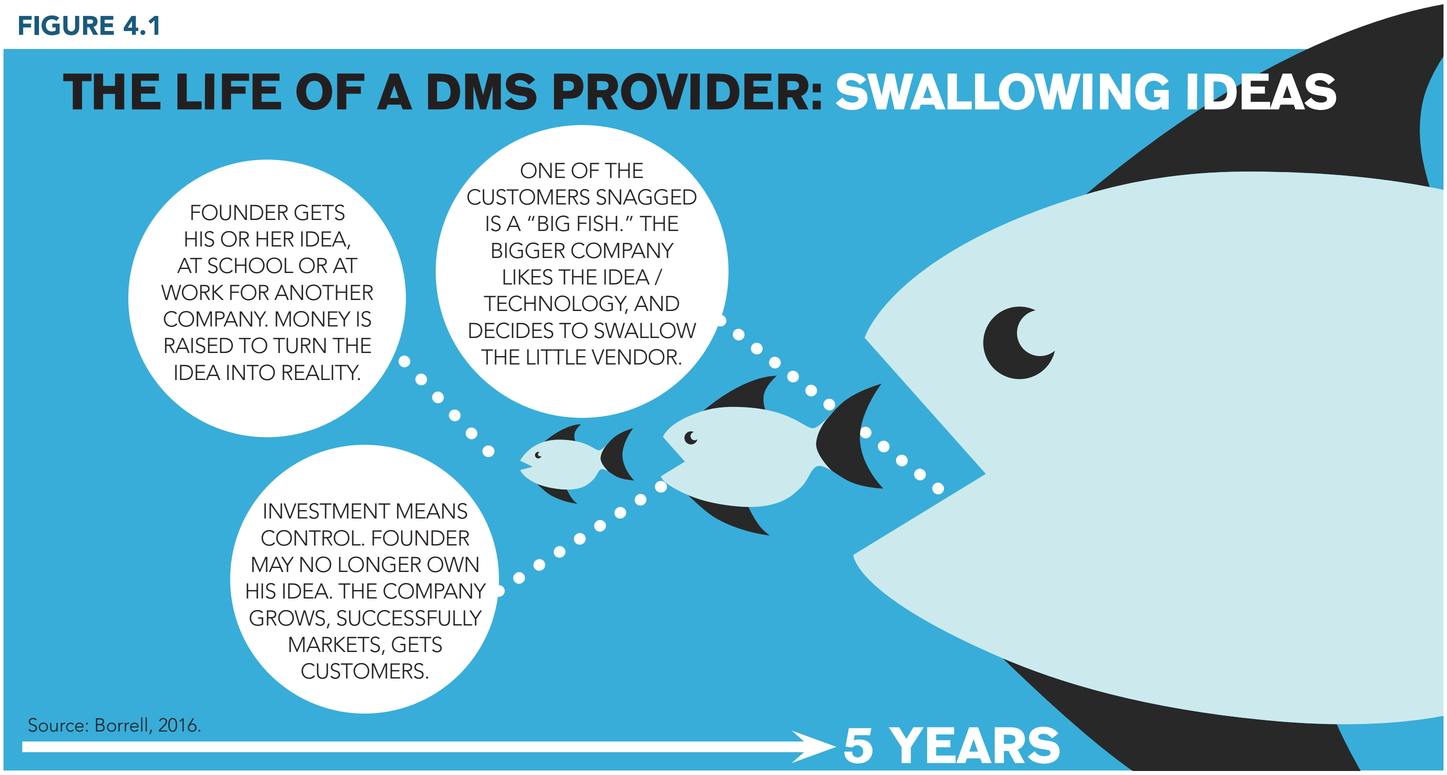
5. All of those interviewed reported working 50 to 60 hours a week.

6. In all but one case, the person who developed or invented the product or service offered was still a central figure in the business.

7. Half of those interviewed looked forward to being bought out/absorbed by a customer or a bigger DMS business.

8. Based on these interviews, Figure 4.1 depicts the life of a typical business in the DMS space, from concept origination to eventual buy-out.

**FIGURE 4.1**




Source: Borrell, 2016.

Of course, stories like the one illustrated above don't always end well. There are many reasons a larger business might buy a smaller one.  The objective might not be to continue the idea purchased. The "big fish" might want to eliminate competition or acquire customers. Even with the best intentions, big companies often suffocate their smaller acquisitions with regulation, heavy-handed management, and lack of attention.

Among thousands of start-ups that coalesce every year in the DMS space, four out of every five do not survive the two-year test of fire all new businesses must endure to gain permanence. Many fail because they are underfunded, most because they cannot find enough customers to prove viability, almost all because of market ignorance. The few that survive will not last decades, but only until their technology becomes obsolescent.  It is a tough, unforgiving business environment.

## CHAPTER 5 // WHAT THE FUTURE HOLDS

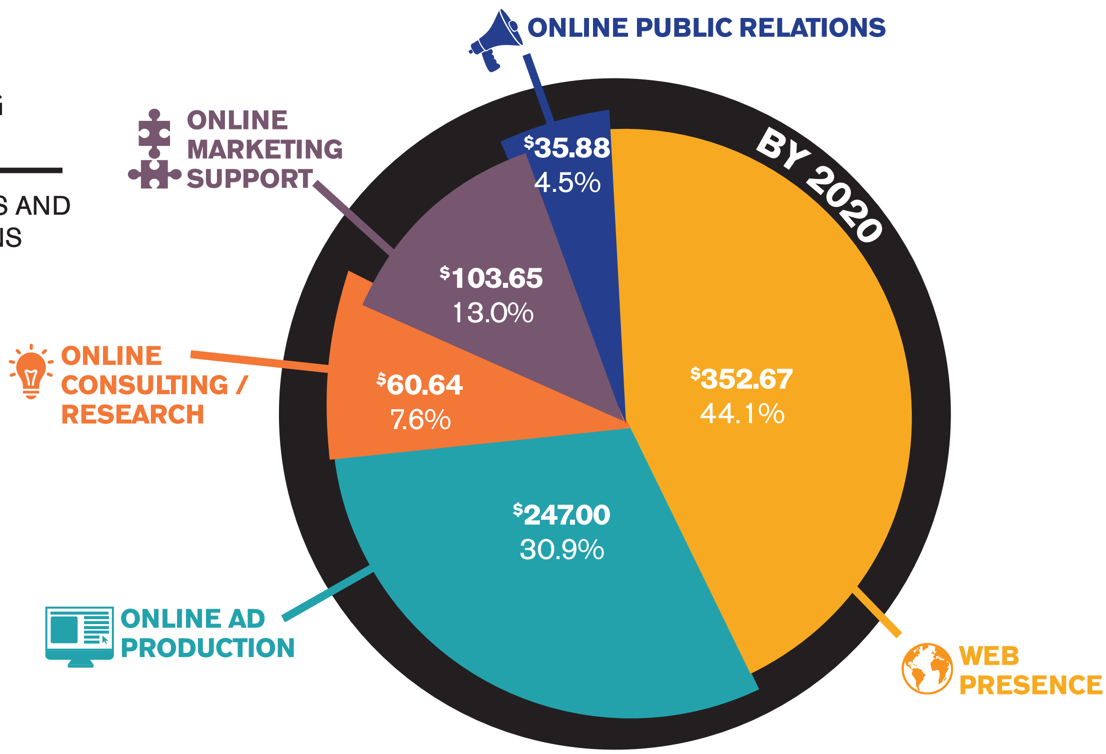
Figure 5.1 (below) is a continuation of Figure 2.2, looking forward from this year's projections to forecasts for 2020. Among the six categories, only online ad production and online marketing support show spending gains. All the others lose share. Online public relations shows the worst forecast result, actually decreasing almost 40% from current spending levels.

**FIGURE 5.1**

### DIGITAL MARKETING SUPPORT SPENDING BY CATEGORY

2016-2020 PROJECTIONS AND FORECASTS, IN $ BILLIONS

Source: Borrell, 2016.




| Digital Marketing Support Category | 2016 (P) | 2017 (F) | 2018 (F) | 2019 (F) | 2020 (F) | 5 Year Growth % | CAGR |
|---|---|---|---|---|---|---|---|
| **WEB PRESENCE** | $322.08 | $337.27 | $347.10 | $352.00 | $352.67 | *9.5* | *1.8%* |
| *Annual % Change* | *6.9* | *4.7* | *2.9* | *1.4* | *0.2* | | |
| **ONLINE PUBLIC RELATIONS** | $57.28 | $56.30 | $52.81 | $46.21 | $35.88 | *(37.4)* | *-8.9%* |
| *Annual % Change* | *1.7* | *(1.7)* | *(6.2)* | *(12.5)* | *(22.4)* | | |
| **ONLINE MARKETING SUPPORT** | $74.55 | $81.01 | $87.56 | $94.84 | $103.65 | *39.0* | *6.8%* |
| *Annual % Change* | *10.0* | *8.7* | *8.1* | *8.3* | *9.3* | | |
| **ONLNE AD PRODUCTION** | $104.48 | $130.01 | $161.81 | $200.70 | $247.00 | *136.4* | *18.8%* |
| *Annual % Change* | *23.9* | *24.4* | *24.5* | *24.0* | *23.1* | | |
| **ONLINE CONSULTING AND RESEARCH** | $54.82 | $56.83 | $58.55 | $59.87 | $60.64 | *10.6* | *2.0%* |
| *Annual % Change* | *4.1* | *3.7* | *3.0* | *2.2* | *1.3* | | |
| **U.S. TOTALS** | **$613.22** | **$661.41** | **$707.82** | **$753.62** | **$799.84** | *30.4* | *5.5%* |
| *Annual % Change* | *9.0* | *7.9* | *7.0* | *6.5* | *6.1* | | |

The major factor influencing predicted shifts in digital marketing support spending is the increased use of and dependence on video. As word-rich and word-dependent formats are replaced by those centered on video, support services and products that are word-centric will lose share.

## The "X" Factor

These forecasts assume no major changes in current technology. Of course, there will be changes, and some may be dramatic. Change in the digital space does not flow slowly. Instead, it leaps in "hockey stick" increases, and can decline just as quickly. Digital marketing support businesses unwilling (or unable) to perceive and react to these changes will see their markets dissolve. Here are a few areas to watch for potential explosive change:

**VIRTUAL REALITY (VR).** Oculus is ready to market. Gamers can't wait. But VR – coupled with video-centric demand, may completely change how the web looks and acts. Dashboards may morph from displays of numbers to virtual walk-throughs, where analysis is a visual experience. Social sites and applications may talk and move, instead of waiting to be read. VR impact on digital marketing support could be enormous.

**SEGMENTATION.** The ability to take generalized data and focus it on a specific area or group of people could revolutionize digital marketing. A truly digital generalized segmentation, based on a combination of second- and third-party data, has yet to be made available … but it is coming.

**AUTOMATED AD MODIFICATION.** In the current world of targeted marketing, one ad absolutely does not fit all. Programmatic buying and selling make it possible to take advantage of placement opportunities in fractions of a second, and now ad design must keep up. Look for products and services to meet this need in the very near future.
These possibilities barely scratch the surface of the world of possibilities in the digital marketing support future. When the 2026 DMS report is written, the categories and components listed may be very different.

## A Final Word …

The categories and components listed in this report were never meant to be the final word on what makes up digital marketing support. Rather, they are meant to be a point of departure which others can build upon. We hope our readers will respond with suggested additions and changes to the structure outlined here. We look forward to your questions and critique.

## APPENDIX A // DMS ON MAIN STREET

### Finding SMBs

Marketing to small and medium-sized businesses – "SMBs" for short – has become a formula for success among the nation's largest corporations. It makes good sense. There are a lot of them, more than nine out of every ten U.S. business concerns at last count. And yet they are elusive. Marketers have yet to provide a clear definition of exactly what an SMB is. Some use an arbitrary employee size range, 50 in most cases. That certainly describes a small factory, but it is a larger than average flower shop or legal firm. Others use a revenue guideline, which may or may not work depending upon the industry measured. A million dollar limit, for example, would describe a small ad agency, but also a very large lock repair company.

Borrell decided several years ago that "one size fits all" SMB definitions were not useful, and that these businesses had to be defined by the way they spent their advertising budgets. Close examination of IRS data yielded the information necessary to divide each business category into four stages, depending upon how ad dollars per employee are spent:

1

**STAGE 1:**

Businesses are just getting started. Per-employee ad spending is high, because acquisition of customers is paramount – even at the expense of margin. Companies in this stage of their existence are simply trying to get enough activity to stay alive. Four of every five businesses that start do not survive this stage.

2

**STAGE 2:**

Having achieved enough sales to support themselves, businesses in this stage relax. Many choose not to grow past this point. Margins become more important, and marketing becomes an expense instead of an investment. Per-employee ad spending declines.

3

**STAGE 3:**

A few businesses will decide to leave the comfort of their "small ponds," and compete with larger regional or national enterprises. Per-employee ad spending increases, as these companies again find themselves fighting for existence.

4

**STAGE 4:**

Businesses in this stage have reached the top of their industry's food chain. They are large by any measurement, and their resources allow per-employee ad spending to decline.

Borrell defines any business in stages 1 or 2 as an SMB. A listing of the employee ranges within each stage of marketing development is attached to this appendix.

## SMBs Measured and Found

What can be defined can then be measured.  According to the latest data available from Dun & Bradstreet, there are 20.8 million SMBs currently operating in the U.S., employing 93.9 million employees. This count does not include individuals working for themselves, or others who hire themselves out to construction companies, cruise ships, or other concerns as contractors.  At that level nine out of every 10 U.S. businesses (91.9%) is an SMB, and more than half (55.3%) of U.S. employees work for one.

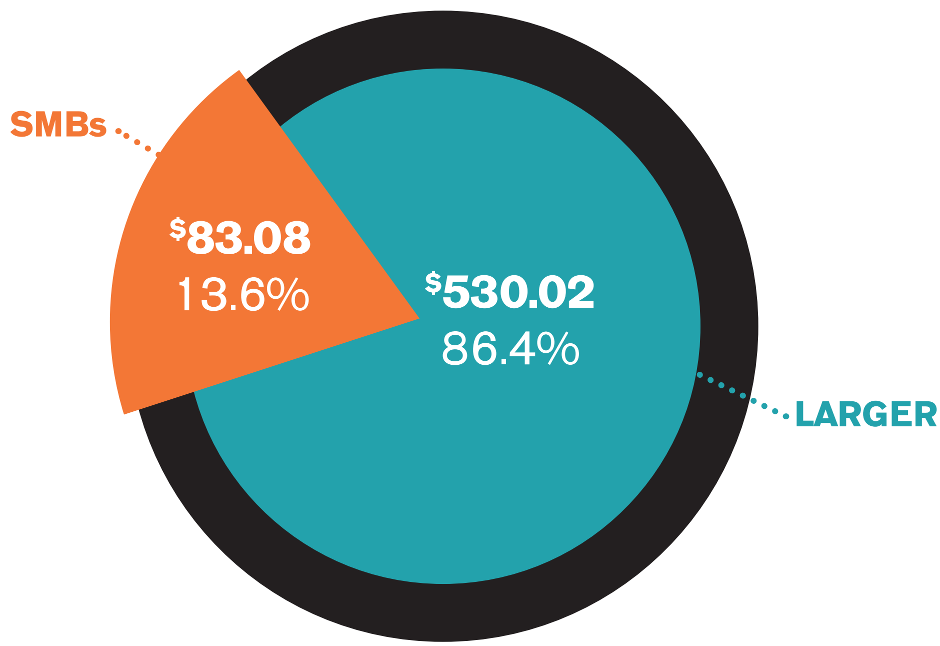
**WHERE ARE THEY?** SMBs are literally everyplace. They are the shops and personal services providers that dot the main streets of every town and city. They are small factories, law firms, beauty parlors, drycleaners, barber shops, gas stations, and restaurants. They are truly the basis of the national economy, and everyone who reads this paper depends on goods and services from several of them every day.  During the coming year, Borrell estimates they will spend more than $80 billion for digital marketing support products and services (see Figure A1).

**FIGURE A1**

**2016 TOTAL U.S. SPENDING ON DIGITAL MARKETING SUPPORT**

SMBs VERSUS LARGER BUSINESSES—IN $ BILLIONS

Source: Borrell, 2016.




A little more than one in every eight SMBs (11.5%) will actually spend money on digital marketing support products and services this year.  As stated in the report, spending remains low until employee counts reach 25 – probably enough to pay for some website design or buy some key words. Once this level is reached, digital marketing support spending increases dramatically.  The average SMB will spend $32,000 on digital marketing services this year, if current projections hold. Ten specific services will make up more than nine of every ten dollars spent (see Figure A2 on the next page).

**FIGURE A2**

**TOTAL AND AVERAGE U.S. DIGITAL MARKETING SUPPORT**

SPENDING BY SMBS IN 2016

Sources: Borrell, 2016.

| Digital Marketing Service | 2016 Spending Rank | 2016 Total SMB Spend ($ Billions) | 2016 Average SMB Spend | *Share* |
|---|---|---|---|---|
| **Web Hosting** | **1** | $34.68 | $13,359 | ***41.7%*** |
| **Web Site Design** | **2** | $26.70 | $10,283 | ***32.1%*** |
| **SEO** | **3** | $5.92 | $2,281 | ***7.1%*** |
| **Mobile Media Management** | **4** | $2.85 | $1,097 | ***3.4%*** |
| **Online Video Production** | **5** | $2.42 | $930 | ***2.9%*** |
| **Social Media Management** | **6** | $2.18 | $841 | ***2.6%*** |
| **App Design** | **7** | $1.36 | $524 | ***1.6%*** |
| **Reputation Management** | **8** | $1.34 | $516 | ***1.6%*** |
| **Online Ad Management** | **9** | $1.29 | $498 | ***1.6%*** |
| **Opt-In List Management** | **10** | $1.00 | $384 | ***1.2%*** |
| **All Other DMS Spending** | - | $3.33 | $1,283 | ***4.0%*** |
| **U.S. 2016 Totals** | | **$83.08** | **$31,998** | ***100%*** |

Note that almost three-quarters of every dollar spent goes toward web hosting and design. In many cases, smaller businesses lack the internal resources to design and manage their web presence, as websites continue to evolve from the simple digital billboards they once were.

Another 16% of SMB spending for digital marketing support is earmarked for search, mobile, social, and online video support. These are the up and coming technologies in the digital space, and require more attention every year – even by the nation's smaller businesses.

Big changes are coming (see Figure A3). By decade's end, SMB spending on digital marketing support will have increased dramatically (62% over this year's projections) and its focus will have shifted as well.

**FIGURE A3**

Sources: Borrell, 2016.

**FORECAST TOTAL AND AVERAGE U.S. DIGITAL MARKETING SUPPORT**

SPENDING BY SMBS IN 2020

| Digital Marketing Service | 2020 Spending Rank | 2016 Spending Rank | 2020 Total SMB Spend ($ Billions) | 2020 Average SMB Spend ($) | *Share* | Spending Change From '16 | *Percent Change From '16* |
|---|---|---|---|---|---|---|---|
| **SEO** | **1** | **3** | $26.87 | $10,344 | ***20.0%*** | $8,063 | ***353.5*** |
| **Social Media Management** | **2** | **6** | $21.99 | $8,467 | ***16.4%*** | $7,626 | ***906.7*** |
| **Web Hosting** | **3** | **1** | $19.58 | $7,538 | ***14.6%*** | ($5,821) | ***(43.6)*** |
| **Web Site Design** | **4** | **2** | $16.25 | $6,256 | ***12.1%*** | ($4,026) | ***(39.2)*** |
| **Online Video Production** | **5** | **5** | $12.81 | $4,930 | ***9.5%*** | $4,000 | ***430.1*** |
| **Mobile Media Management** | **6** | **4** | $11.20 | $4,312 | ***8.3%*** | $3,215 | ***293.1*** |
| **App Design** | **7** | **7** | $9.45 | $3,637 | ***7.0%*** | $3,113 | ***594.0*** |
| **Online Agency/Exchange Fees** | **8** | **13** | $2.96 | $1,141 | ***2.2%*** | $883 | ***342.3*** |
| **Reputation Management** | **9** | **8** | $2.63 | $1,011 | ***2.0%*** | $495 | ***95.9*** |
| **Opt-In List Management** | **10** | **10** | $2.25 | $867 | ***1.7%*** | $483 | ***125.7*** |
| **All Other DMS Spending** | -- | -- | $8.50 | $3,271 | ***6.3%*** | $1,988 | ***154.9*** |
| **U.S. Totals** | | | **$134.49** | **$51,774** | ***100%*** | **$19,776** | ***61.8*** |

SEO, which ranked third for SMB spending in 2016, is forecast to move to first place, while social media management will move from sixth to second place. These adjustments recognize changes in the priorities of SMBs in the digital space. This year's two major categories – web hosting and website design – are still prominent, but spending for them will drop by 40% or more. In general, the 2020 SMB spending forecast in Figure A3 is far less concentrated, more evenly spread between the top ten categories. Video production, mobile management, and app design have not moved in rank but spending has more than quadrupled.

Online agency and exchange fees appear in the top 10 categories for the first time, indicating the growing importance of programmatic buying and selling to smaller businesses. Programmatic, now just beginning to spread from national prominence to local use, will find tools and services tailored to smaller, localized campaigns available from now on. By 2020, most digital ad sales – national or local – will move through programmatic stacks.

**WHAT DO THESE FORECASTS MEAN TO MEDIA OUTLETS AND DIGITAL MARKETING SERVICES SUPPLIERS?**

- Digital marketing services will become more important to SMBs by the end of this decade. They will spend 60% more on them in 2020 than they do now.
- However, even then digital marketing services won't become a "must have"/"centerpiece" part of business for most SMBs. They will balance its use against the need to spend scarce resources for basic business needs. Only one in twelve will decide to make their marketing more digitally oriented.
- This does not mean digital marketing services – especially SEO, video production, social and mobile marketing management, and programmatic ad marketing – can't be offered to SMBs. If value can be established, these smaller businesses will welcome the help.
- Programmatic is an area emblematic of the growth of services and systems to serve smaller businesses. Tools are now available that can provide these services to even the smallest SMB. Someone in your market will take advantage of this opportunity.
- There's a big "M" in SMB. These businesses become far more open to digital marketing services once their employee count reaches 25 or more. Most of the smaller businesses do not have the financial or management resources to make optimum use of them.
- If your business dismisses the promise of these smaller powerhouses, you do so at your peril. The tools to empower them are becoming more available and more cost effective daily. Plan to address the SMB market you serve (or could serve) and execute the plan.

A detailed listing of U.S. projected spending for SMBs and larger businesses is shown as Figure A4.
Note that spending among smaller companies does not mirror their larger neighbors. They are without the resources or expertise to emulate them, and remain content with cheaper, more popular services.

**FIGURE A4**

## TOTAL U.S. 2016 PROJECTED DMS SPENDING BY CATEGORY & COMPONENT

IN $ BILLIONS

Sources: Borrell, 2016.

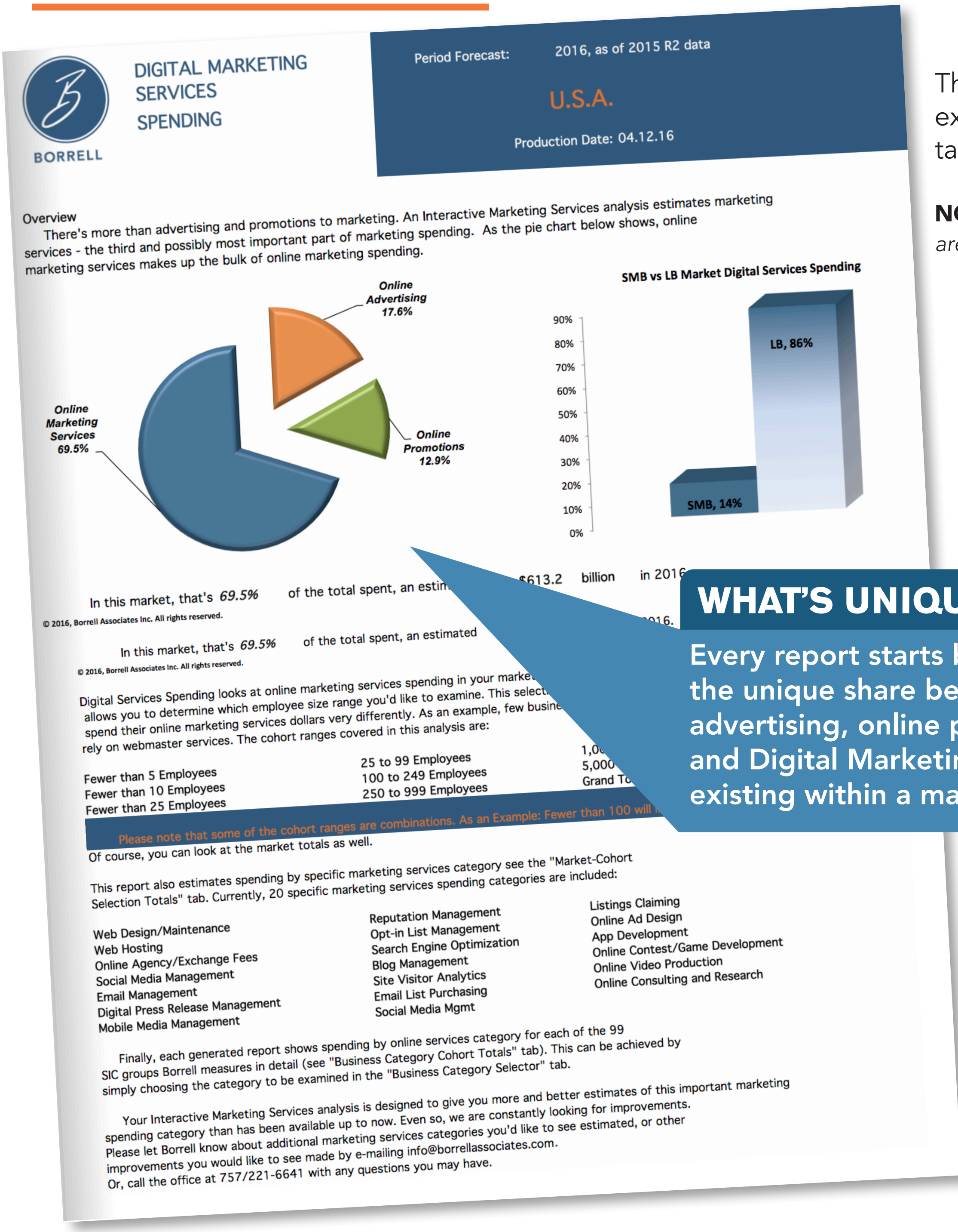
| DMS COMPONENT/CATEGORY | '16 SMB Projection | *'16 SMB Share* | '16 Larger Business Projection | *'16 Larger Business Share* | '16 Total DMS Projection |
|---|---|---|---|---|---|
| **Web Site Design** | $26.70 | ***27.1%*** | $71.71 | ***72.9%*** | $98.40 |
| **Web Hosting** | $34.68 | ***21.5%*** | $126.64 | ***78.5%*** | $161.33 |
| **Online Ad Management** | $1.29 | ***7.7%*** | $15.44 | ***92.3%*** | $16.74 |
| **Mobile Marketing Management** | $2.85 | ***8.8%*** | $29.64 | ***91.2%*** | $32.49 |
| **Social Marketing Management** | $2.18 | ***16.6%*** | $10.95 | ***83.4%*** | $13.13 |
| **WEB PRESENCE TOTALS** | **$67.71** | ***21.0%*** | **$254.38** | ***79.0%*** | **$322.08** |
| **Email Management** | $0.24 | ***0.5%*** | $50.81 | ***99.5%*** | $51.05 |
| **Digital Press Release Distribution** | $0.26 | ***83.5%*** | $0.05 | ***16.5%*** | $0.31 |
| **Reputation Management** | $1.34 | ***40.6%*** | $1.96 | ***59.4%*** | $3.30 |
| **Opt-In List Management** | $1.00 | ***38.1%*** | $1.62 | ***61.9%*** | $2.62 |
| **ONLINE PUBLIC RELATIONS TOTALS** | **$2.84** | ***5.0%*** | **$54.44** | ***95.0%*** | **$57.28** |
| **SEO** | $5.92 | ***9.1%*** | $59.34 | ***90.9%*** | $65.26 |
| **Blog Development** | $0.04 | ***5.3%*** | $0.75 | ***94.7%*** | $0.79 |
| **Site Visitor Analysis** | $0.03 | ***1.8%*** | $1.46 | ***98.2%*** | $1.49 |
| **Email List Purchase** | $0.02 | ***4.5%*** | $0.39 | ***95.5%*** | $0.41 |
| **Listings Claiming** | $0.81 | ***12.2%*** | $5.80 | ***87.8%*** | $6.61 |
| **ONLINE MARKETING SUPPORT TOTALS** | **$6.82** | ***9.2%*** | **$67.73** | ***90.8%*** | **$74.55** |
| **Online Agency/Exchange Fees** | $0.67 | ***2.1%*** | $31.05 | ***97.9%*** | $31.72 |
| **Display Ad Design** | $0.34 | ***3.2%*** | $10.12 | ***96.8%*** | $10.46 |
| **App Design** | $1.36 | ***5.0%*** | $25.68 | ***95.0%*** | $27.04 |
| **Online Contest/Game Development** | $0.05 | ***0.9%*** | $5.81 | ***99.1%*** | $5.86 |
| **Online Video Production** | $2.42 | ***8.2%*** | $26.97 | ***91.8%*** | $29.39 |
| **ONLINE AD PRODUCTION TOTALS** | **$4.84** | ***4.6%*** | **$99.64** | ***95.4%*** | **$104.48** |
| **ONLINE CONSULTING/RESEARCH TOTAL!** | **$0.88** | ***1.6%*** | **$53.95** | ***98.4%*** | **$54.82** |

Digital marketing support has come to Main Street. It will become a bigger factor here every year. Many businesses here don't know what's available for them. Many others know from previous work at bigger companies what's possible. In either case, the potential for expanding coverage from national to local has certainly begun.

# DID YOU KNOW?

Borrell Associates has developed a customizable report that estimates Digital Marketing Services Spend:

- **In any geography** *(TMA or CBSA)*
- **Across 100 business categories**
- **Within 9 sizes of business – including SMBs**



DIGITAL MARKETING SERVICES SPENDING

BORRELL

Period Forecast: 2016, as of 2015 R2 data

U.S.A.

Production Date: 04.12.16

Overview

There's more than advertising and promotions to marketing. An Interactive Marketing Services analysis estimates marketing services - the third and possibly most important part of marketing spending. As the pie chart below shows, online marketing services makes up the bulk of online marketing spending.



In this market, that's 69.5% of the total spent, an estim... $613.2 billion in 2016...



In this market, that's 69.5% of the total spent, an estimated



Digital Services Spending looks at online marketing services spending in your marke... range you'd like to examine. This select... allows you to determine which employee size range you'd like to examine. This select... spend their online marketing services dollars very differently. As an example, few busine... rely on webmaster services. The cohort ranges covered in this analysis are:

| | | |
|---|---|---|
| Fewer than 5 Employees | 25 to 99 Employees | 1,0... |
| Fewer than 10 Employees | 100 to 249 Employees | 5,000... |
| Fewer than 25 Employees | 250 to 999 Employees | Grand To... |

Please note that some of the cohort ranges are combinations. As an Example: Fewer than 100 will i...

Of course, you can look at the market totals as well.

This report also estimates spending by specific marketing services category see the "Market-Cohort Selection Totals" tab. Currently, 20 specific marketing services spending categories are included:

| | | |
|---|---|---|
| Web Design/Maintenance | Reputation Management | Listings Claiming |
| Web Hosting | Opt-in List Management | Online Ad Design |
| Online Agency/Exchange Fees | Search Engine Optimization | App Development |
| Social Media Management | Blog Management | Online Contest/Game Development |
| Email Management | Site Visitor Analytics | Online Video Production |
| Digital Press Release Management | Email List Purchasing | Online Consulting and Research |
| Mobile Media Management | Social Media Mgmt | |

Finally, each generated report shows spending by online services category for each of the 99 SIC groups Borrell measures in detail (see "Business Category Cohort Totals" tab). This can be achieved by simply choosing the category to be examined in the "Business Category Selector" tab.

Your Interactive Marketing Services analysis is designed to give you more and better estimates of this important marketing spending category than has been available up to now. Even so, we are constantly looking for improvements. Please let Borrell know about additional marketing services categories you'd like to see estimated, or other improvements you would like to see made by e-mailing info@borrellassociates.com. Or, call the office at 757/221-6641 with any questions you may have.

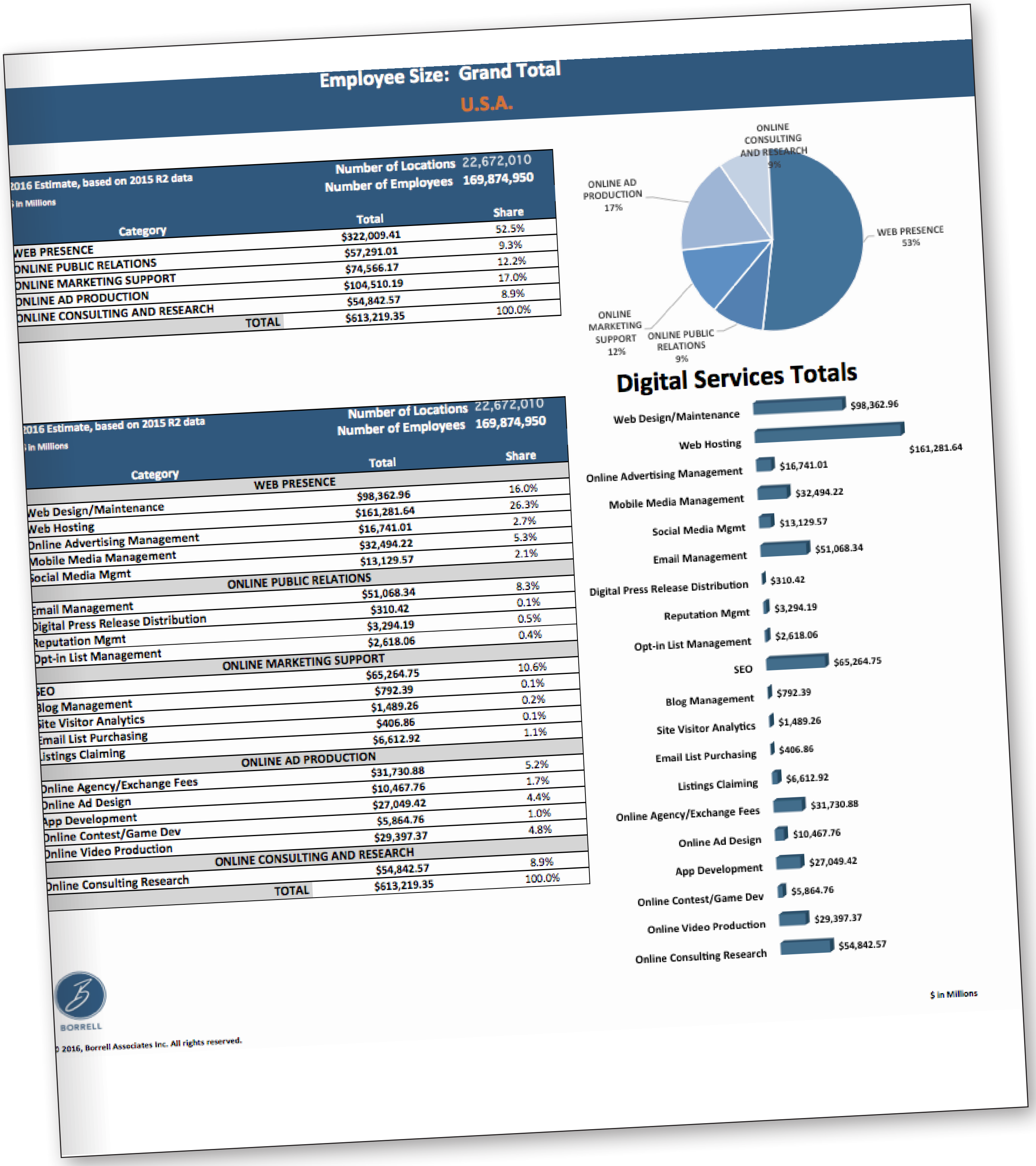
The next six pages are examples of the interactive tabs within each report.

**NOTE:** *Examples shown here are at a U.S. level*

## WHAT'S UNIQUE?

**Every report starts by showing the unique share between online advertising, online promotions and Digital Marketing Services existing within a market.**

# The DMS Report shows the total spend in the market across **20 different services**



Employee Size: Grand Total
U.S.A.

2016 Estimate, based on 2015 R2 data
$ in Millions

Number of Locations 22,672,010
Number of Employees 169,874,950

| Category | Total | Share |
|---|---|---|
| WEB PRESENCE | $322,009.41 | 52.5% |
| ONLINE PUBLIC RELATIONS | $57,291.01 | 9.3% |
| ONLINE MARKETING SUPPORT | $74,566.17 | 12.2% |
| ONLINE AD PRODUCTION | $104,510.19 | 17.0% |
| ONLINE CONSULTING AND RESEARCH | $54,842.57 | 8.9% |
| TOTAL | $613,219.35 | 100.0% |

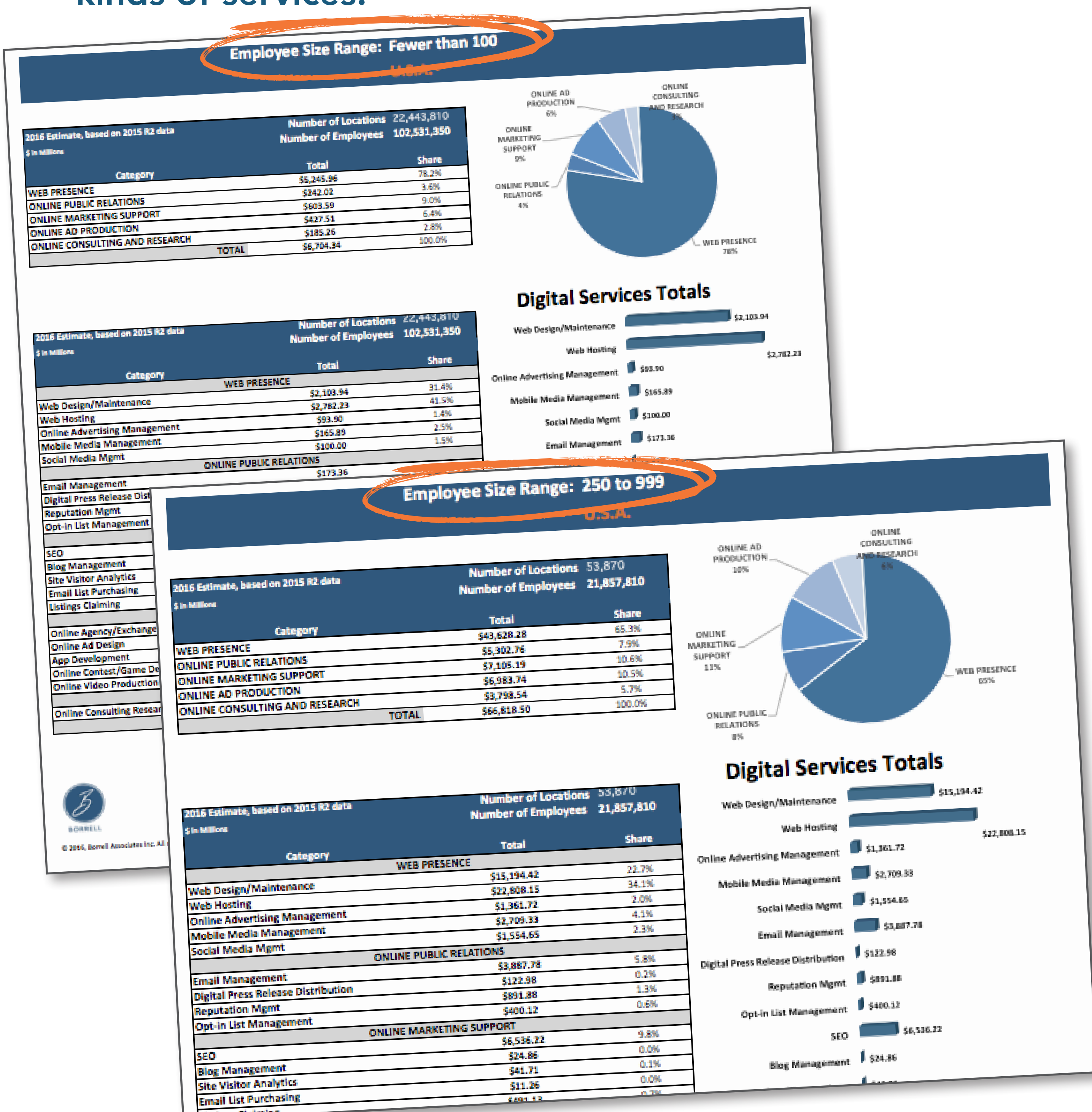
2016 Estimate, based on 2015 R2 data
$ in Millions

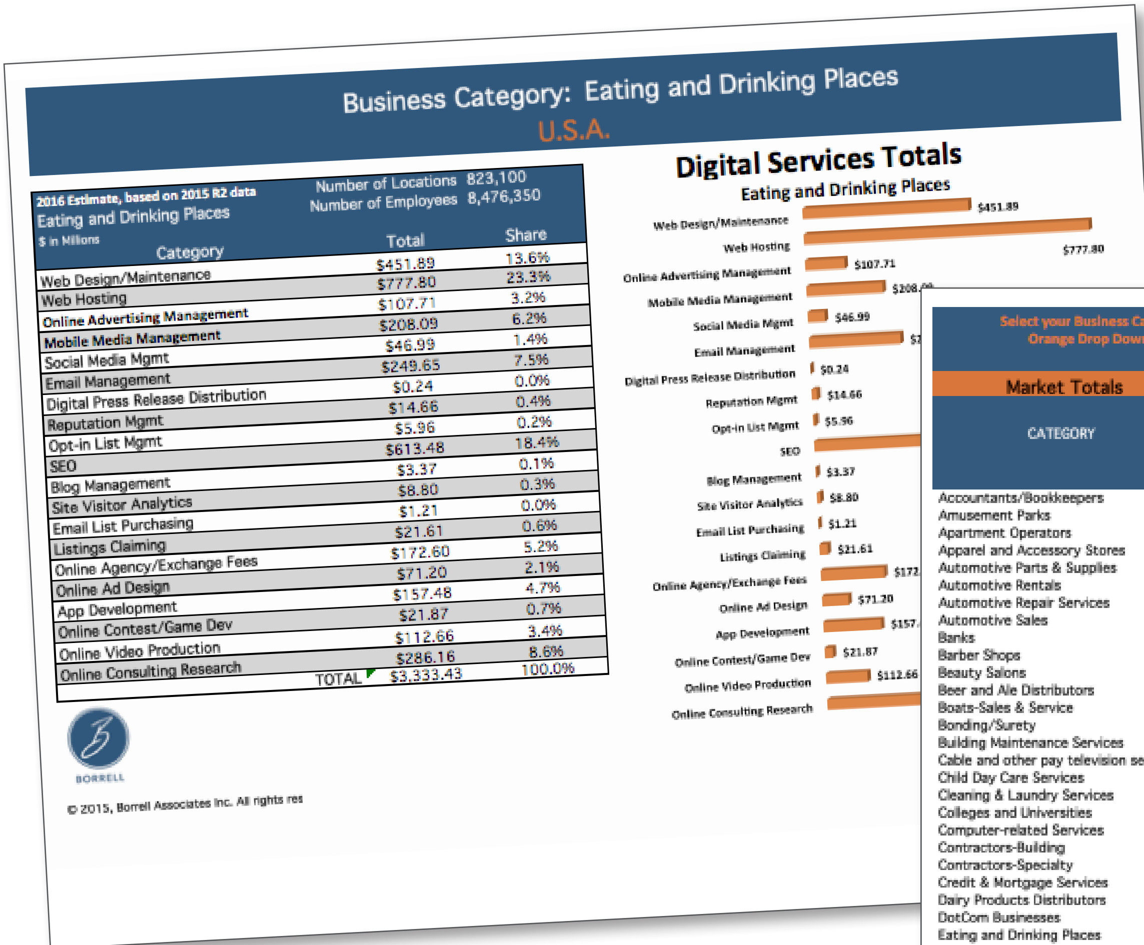
Number of Locations 22,672,010
Number of Employees 169,874,950

| Category | Total | Share |
|---|---|---|
| WEB PRESENCE | | |
| Web Design/Maintenance | $98,362.96 | 16.0% |
| Web Hosting | $161,281.64 | 26.3% |
| Online Advertising Management | $16,741.01 | 2.7% |
| Mobile Media Management | $32,494.22 | 5.3% |
| Social Media Mgmt | $13,129.57 | 2.1% |
| ONLINE PUBLIC RELATIONS | | |
| Email Management | $51,068.34 | 8.3% |
| Digital Press Release Distribution | $310.42 | 0.1% |
| Reputation Mgmt | $3,294.19 | 0.5% |
| Opt-in List Management | $2,618.06 | 0.4% |
| ONLINE MARKETING SUPPORT | | |
| SEO | $65,264.75 | 10.6% |
| Blog Management | $792.39 | 0.1% |
| Site Visitor Analytics | $1,489.26 | 0.2% |
| Email List Purchasing | $406.86 | 0.1% |
| Listings Claiming | $6,612.92 | 1.1% |
| ONLINE AD PRODUCTION | | |
| Online Agency/Exchange Fees | $31,730.88 | 5.2% |
| Online Ad Design | $10,467.76 | 1.7% |
| App Development | $27,049.42 | 4.4% |
| Online Contest/Game Dev | $5,864.76 | 1.0% |
| Online Video Production | $29,397.37 | 4.8% |
| ONLINE CONSULTING AND RESEARCH | | |
| Online Consulting Research | $54,842.57 | 8.9% |
| TOTAL | $613,219.35 | 100.0% |

That same information changes depending on the size of business purchasing it.

## The DMS Report shows the differences between a smaller business concentrating on Web Presence and a larger business beginning to branch out into purchasing different kinds of services.





Business Category: Eating and Drinking Places
U.S.A.

2016 Estimate, based on 2015 R2 data
Eating and Drinking Places
$ in Millions

Number of Locations 823,100
Number of Employees 8,476,350

| Category | Total | Share |
|---|---|---|
| Web Design/Maintenance | $451.89 | 13.6% |
| Web Hosting | $777.80 | 23.3% |
| Online Advertising Management | $107.71 | 3.2% |
| Mobile Media Management | $208.09 | 6.2% |
| Social Media Mgmt | $46.99 | 1.4% |
| Email Management | $249.65 | 7.5% |
| Digital Press Release Distribution | $0.24 | 0.0% |
| Reputation Mgmt | $14.66 | 0.4% |
| Opt-in List Mgmt | $5.96 | 0.2% |
| SEO | $613.48 | 18.4% |
| Blog Management | $3.37 | 0.1% |
| Site Visitor Analytics | $8.80 | 0.3% |
| Email List Purchasing | $1.21 | 0.0% |
| Listings Claiming | $21.61 | 0.6% |
| Online Agency/Exchange Fees | $172.60 | 5.2% |
| Online Ad Design | $71.20 | 2.1% |
| App Development | $157.48 | 4.7% |
| Online Contest/Game Dev | $21.87 | 0.7% |
| Online Video Production | $112.66 | 3.4% |
| Online Consulting Research | $286.16 | 8.6% |
| TOTAL | $3,333.43 | 100.0% |





| CATEGORY | BORRELL SIC |
|---|---|
| Accountants/Bookkeepers | 8721 |
| Amusement Parks | 7996 |
| Apartment Operators | 6513 |
| Apparel and Accessory Stores | 56 |
| Automotive Parts & Supplies | 553 |
| Automotive Rentals | 7514 |
| Automotive Repair Services | 753 |
| Automotive Sales | 551 |
| Banks | 60 |
| Barber Shops | 7241 |
| Beauty Salons | 7231 |
| Beer and Ale Distributors | 5181 |
| Boats-Sales & Service | 5551 |
| Bonding/Surety | 6351 |
| Building Maintenance Services | 7349 |
| Cable and other pay television services | 4841 |
| Child Day Care Services | 8351 |
| Cleaning & Laundry Services | 721 |
| Colleges and Universities | 8221 |
| Computer-related Services | 737 |
| Contractors-Building | 15 |
| Contractors-Specialty | 17 |
| Credit & Mortgage Services | 61 |
| Dairy Products Distributors | 5143 |
| DotCom Businesses | 4899 |
| Eating and Drinking Places | 58 |
| Electric Power Utilities | 4911 |
| Employment Services | 7361 |
| Equipment Rental Services | 7359 |
| Financial Services | 62 |
| Florists | 5992 |
| Food Stores | 54 |
| Fuel Oil Dealers | 5983 |
| Funeral Services | 7261 |
| Furniture stores | 5712 |
| Gambling Casinos | 7011 |
| Gasoline Service Stations | 5541 |
| General Merchandise Stores | 53 |
| Government | 90 |
| Ground Transportation | 41 |
| Home Health Care Services | 8082 |
| Hospitals | 8062 |
| Hotels/Motels | 70 |
| HVAC Installation & Repair | 5075 |
| Insurance Services | 64 |
| Lawn & Landscape Services | 781 |
| Legal Services | 81 |
| Live Entertainment | 7922 |
| Locksmiths | 7699 |
| Medical Doctors | 8011 |
| Mental Health Services | 8063 |
| Miscellaneous Retail | 59 |
| Motorcycle/Scooter-Retail | 5571 |
| Movie Theaters | 7832 |
| Museums, Art Galleries and Zoos | 84 |
| Office Equipment/Supplies | 5943 |
| Other Medical Facilities | 809 |
| Other Medical Professionals | 80 |
| Other Recreation Places | 79 |
| Other Schools | 82 |
| Other Utilities | 49 |
| Pest Control Services | 7342 |
| Pharmacies | 5912 |
| Photocopy/Quick Print Services | 7334 |
| Photographers | 7221 |
| Physical Fitness Facilities | 7991 |
| Print Media | 275 |
| Race Tracks | 7948 |
| Radio broadcasting stations | 4832 |

## WHY CUSTOMIZE?

100 different business categories are available to analyze. Each have their own unique Digital Marketing Services needs.

# Every DMS Report comes with an interactive tab that allows a user to understand opportunity given a set of parameters.

## 1 CHOOSE
SPECIFIC DIGITAL MARKETING SERVICES

## 2 CHOOSE
SPECIFIC SIZES OF BUSINESSES

Select Your Desired Digital Services and Cohort Levels

| | PLACE X in Box to Check |
|---|---|
| **WEB PRESENCE** | |
| Web Design/Maintenance | |
| Web Hosting | |
| Online Advertising Management | |
| Mobile Media Management | |
| Social Media Mgmt | |
| **ONLINE PUBLIC RELATIONS** | |
| Email Management | |
| Digital Press Release Distribution | x |
| Reputation Mgmt | x |
| Opt-in List Management | x |
| **ONLINE MARKETING SUPPORT** | |
| SEO | x |
| Blog Management | |
| Site Visitor Analytics | |
| Email List Purchasing | |
| Listings Claiming | |
| **ONLINE AD PRODUCTION** | |
| Online Agency/Exchange Fees | |
| Online Ad Design | x |
| App Development | |
| Online Contest/Game Dev | |
| Online Video Production | |
| **ONLINE CONSULTING AND RESEARCH** | |
| Online Consulting Research | |
| **Cohort Levels (Employee Ranges)** | |
| Fewer than 5 | x |
| 5 to 24 | x |
| 25 to 99 | x |
| 100 to 249 | |
| 250 to 999 | |
| 1,000 to 4,999 | |
| 5,000 to 14,999 | |
| 15,000 or more | |
| Grand Total | |
| SMB Only | |

**Note that Grand Total and SMB Total Include the ranges, above them, please only select Grand Total or SMB total if the other cohort levels are blank.

## 3 UNDERSTAND
WHAT THE TOP BUSINESS CATEGORIES ARE FOR CHOSEN SERVICES & BUSINESS SIZE

Digital Press Release Distribution, Reputation Mgmt, Opt-in List Management, SEO, Online Ad Design,

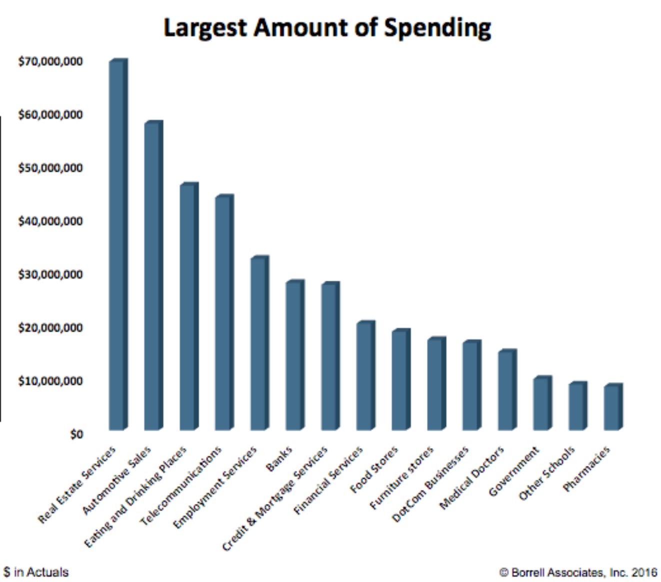
Fewer than 5, 5 to 24, 25 to 99,

Largest Amount of Spending

| Category | Amount Spent |
|---|---|
| Real Estate Services | $68,828,645 |
| Automotive Sales | $57,308,421 |
| Eating and Drinking Places | $45,752,206 |
| Telecommunications | $43,473,069 |
| Employment Services | $32,063,418 |
| Banks | $27,574,441 |
| Credit & Mortgage Services | $27,196,533 |
| Financial Services | $19,945,831 |
| Food Stores | $18,445,916 |
| Furniture stores | $16,896,097 |
| DotCom Businesses | $16,338,554 |
| Medical Doctors | $14,604,794 |
| Government | $9,629,146 |
| Other Schools | $8,581,715 |
| Pharmacies | $8,208,544 |

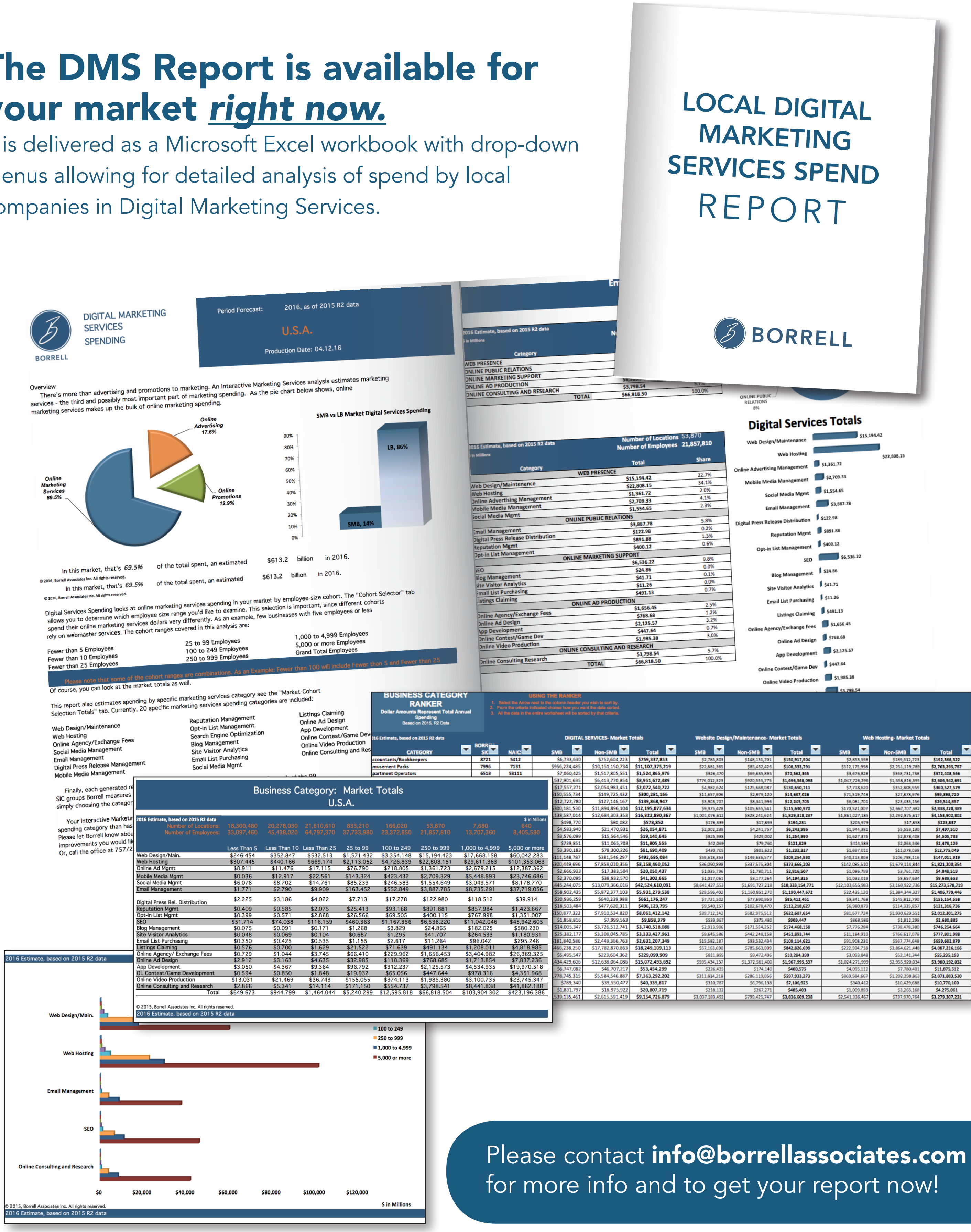
$ in Actuals

© Borrell Associates, Inc. 2016



# The DMS Report is available for your market ***right now.***

It is delivered as a Microsoft Excel workbook with drop-down menus allowing for detailed analysis of spend by local companies in Digital Marketing Services.




Please contact **info@borrellassociates.com** for more info and to get your report now!

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.

# 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.

## 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 achive 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.