

The Local Marketplaces Revolution: Overview of Marketplaces 2010

■ ■ The Local Vertical Opportunity
■ **MARKETPLACES**
2010



Today's Agenda

1. Background on Marketplaces
2. Define the core elements of Marketplaces
3. Explain top trends and ID key players
4. Look into the very promising outlook for local mobile verticals
5. Share a “cheat sheet” on our five keynote companies: Google, AOL, Citysearch, ServiceMagic and Groupon

Our Presenters



Neal Polachek



Peter Krasilovsky



Mike Boland

Neal Polachek, President, BIA/Kelsey



Neal Polachek is president of BIA/Kelsey. With the company since 1998, Neal has led its foray into developing proprietary research initiatives that deliver a comprehensive and informed view of the local media and advertising sector. These research initiatives are essential components for the analyses and recommendations that are delivered to Continuous Advisory Service clients of BIA/Kelsey.

Most recently, Neal has been instrumental in the development of the new “Market Ad View Reports,” market-specific custom reports that provide an efficient way to estimate the local advertising opportunity available in each local market. Neal also manages and participates in BIA/Kelsey’s client consulting assignments and has been the project leader on numerous directory, online and local search projects, conducting market assessment studies and financial forecasts and evaluating and building business models.

Neal holds a B.A. in economics from the University of California at Los Angeles and an M.B.A. from the University of Southern California.

Background of Marketplaces 2010

- Marketplaces 2010 in San Diego is Version 3.0, following events in Seattle in 2008 and Los Angeles in 2009.
- The program has been developed by Peter Krasilovsky, lead analyst for BIA/Kelsey's Marketplaces CAS, and Michael Boland, lead analyst for Mobile Local Media.
- It is an excellent, comprehensive look at some of the best, fastest-growing opportunities in interactive media.
- This year's edition is happening in an increasingly intense, competitive and exciting environment.

Marketplaces 2010 — It's All About Content, Search and Sales

- **Content** – Deep, rich content associated with verticals moves well beyond horizontal content.



- **Search** – Robust search platforms deliver strong relevancy and higher conversion rates.



- **Sales** – Higher relevancy for advertisers translates into superior monetization.

Today's Marketplaces > Classifieds

- The roots of Marketplaces can be found in the “Big 3” classified sectors (autos, real estate and recruitment).
- Today Marketplaces is about the focused content, higher value search, better leads and better conversion rates that comes with a wide range of vertical media.
- BIA/Kelsey viewpoint: *A major transformation is going on. Every player in the local ecosystem needs to consider his or her role in Marketplaces and the “verticalization” of content, search and monetization.*

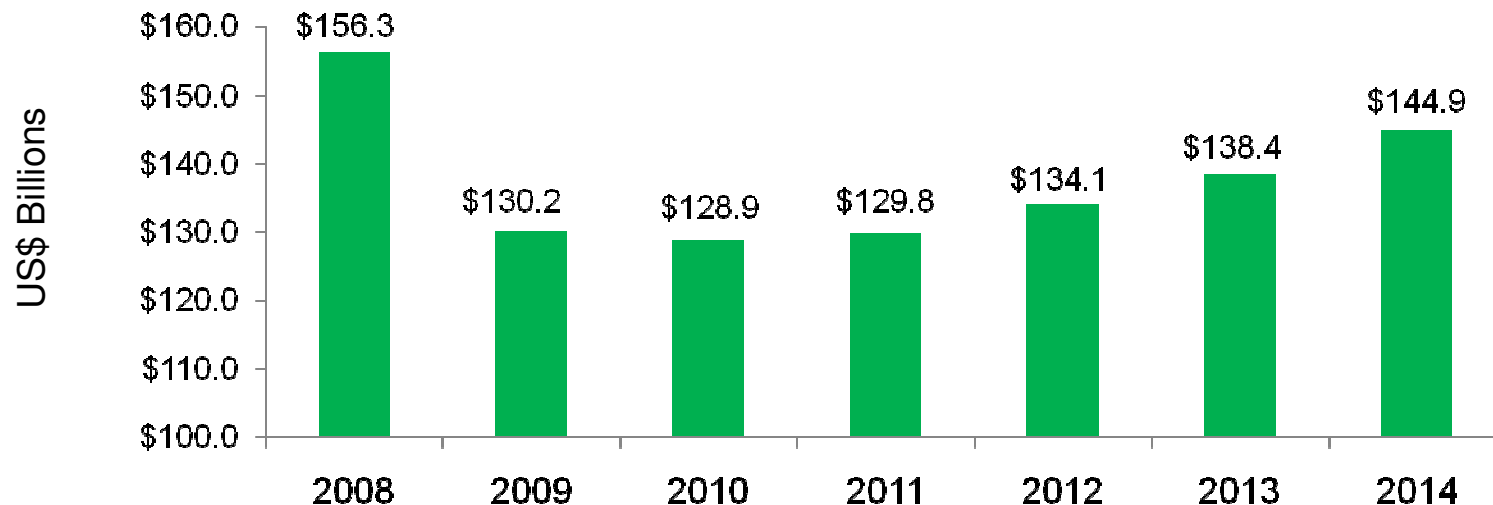
Short-Term Growth of Marketplaces Slowed by the Economy

- BIA/Kelsey has just rolled out its 2009-2014 forecast for all five of its CAS programs.
- Marketplaces, like other sectors in the local ecosystem, has not been immune to cyclical and structural forces.
- “Classifieds and Verticals” ended 2009 at \$3.9 billion, down \$1.4 billion from 2008.
- Interactive lead generation ended 2009 at \$2.3 billion, down \$500 million from 2008.

Looking Further Out in Time

- We forecast recovery and *real* growth occurring between 2011 and 2014 as the environment adjusts to new realities and business models.
- Highly targeted Internet and mobile services will play a significant role extending to many verticals.

Total Local Ad Spend



Peter Krasilovsky, Vice President, BIA/Kelsey



Peter Krasilovsky is an undisputed local online media authority who has been immersed in interactive media since the mid-1980s. He was the program director of The Kelsey Group's Local Online Commerce practice from 1998 to 2001. He currently serves as program director for BIA/Kelsey's Marketplaces advisory service, focused on verticals, classifieds and e-commerce. He also is the co-producer of BIA/Kelsey's Interactive Local Media and Marketplaces conferences.

Peter has worked with most of the major media, telecom and directory companies. Since the mid-1990s, he has specifically focused on local media and commerce.

Peter received his master's degree in communications management at USC's Annenberg School of Communications. His bachelor's degree is in liberal arts from Sarah Lawrence College, Bronxville, New York. While in college, Peter worked as a freelance music and radio industry reporter for Billboard magazine.

6 Major Trends in Marketplaces

1. Google Leverages Vertical Extensions
2. Verticals Focus on Search Rankings
3. Competitors Create a Robust Ecosystem 'Working Around' Google
4. Social Engagement Adds a 'Third Way' for Local Marketers
5. Impulse Purchases and Lead Generation Add New Local Focus Points
6. Mobile Adds Ultra Portability (which Mike Boland will explain)

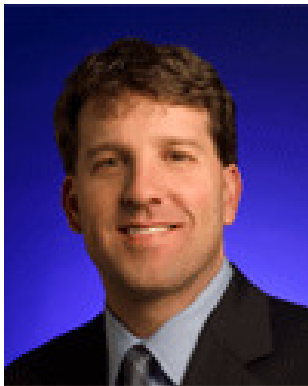
Trend 1: Google Leverages Vertical Extensions

- Google's search algorithms have created a self-perpetuating verticals machine (and endless subverticals).
- Google has made inroads in autos, real estate, retail and other verticals — sometimes working with leading players, and sometimes working on its own. It is also building Google Base classifieds.
- Benevolent or not, its goals are always to drive more traffic and awareness to advertisers (and potential advertisers).



Day 1 Keynote: Sam Sebastian, Google

“When [the market comes back] I don’t think it will be standard refrigerator magnets and open house ads or agate ads in the newspaper. I think it will be, ‘Maybe I should make sure I’m in Trulia. I’ve got my listing syndicated. I’ve got an online ad on ChicagoTribune.com and I’m all over Google.’ ”



Sam Sebastian, Director, Local and B2B Markets, Google

Trend 2: Verticals Focus on Search Rankings

- With media fragmentation and search more prevalent, major sites have increasingly backed away from the “single gateway” for local and vertical content.
- AOL, for instance, is focused on creating “as many relevant starting points as possible” via MapQuest, its MediaGlow collection of dozens of vertical sites and now Patch.com.
- Patch is a linchpin of a local/vertical strategy that is budgeted at more than \$50 million this year. Hundreds of Patch sites are slated to launch in 2010.

Day 1 Keynote: Jon Brod, AOL Ventures

“Local is one of the most promising ‘white spaces’ on the Internet.”



Jon Brod, Executive VP, AOL Ventures

Content Aggregator Services Also Focus on Search Effectiveness....

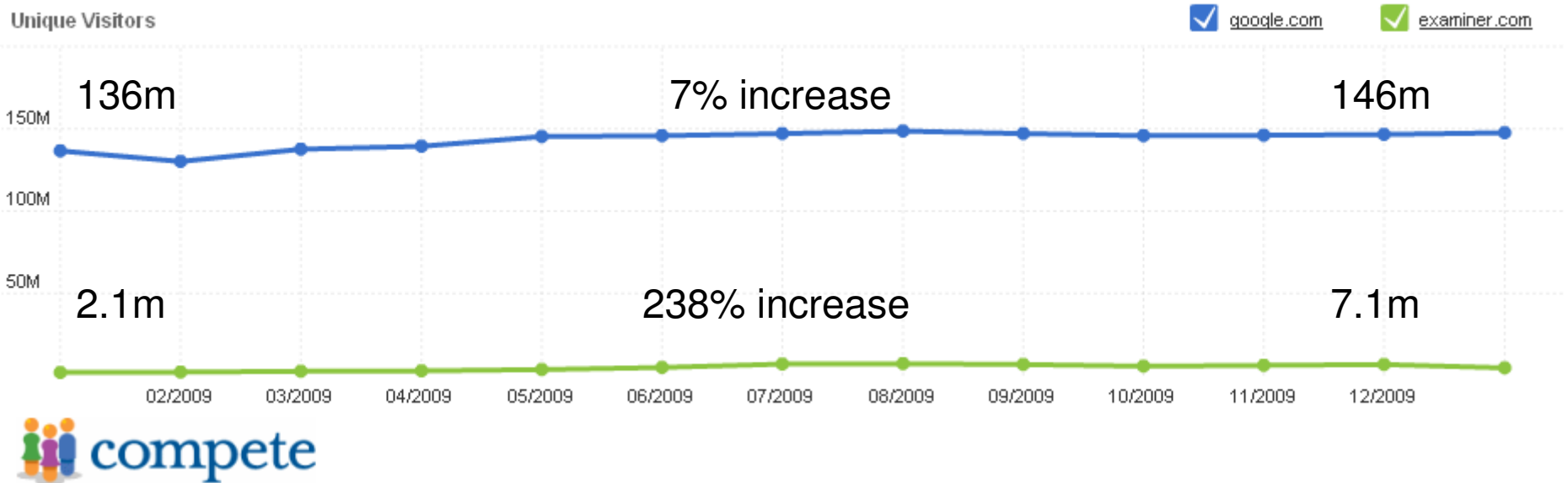
- Content aggregator sites such as Examiner.com and Associated Content are producing millions of pieces of content, and sorting them by vertical to reach the right advertiser and customer.
- They rely on the long tail of search demand. They have hundreds of thousands of contributors and thousands of searchable vertical categories.
- They are “not about the best cordless drill. They are about people who are predisposed to buy the drill.”

Tuesday 10:45 am-11:30 am The New Content Aggregators

Luke Beatty, Founder and President, Associated Content

Rick Blair, CEO, Examiner.com

Content Aggregation — Drives Traffic



Trend 3: Competitors Create a Robust Ecosystem ‘Working Around’ Google

- Google is considered vulnerable by some competitors because of its higher prices, its market power, and its reliance on others for deeper content and context.
- Some ad networks see Google’s text ads as limited to “leads fulfillment.” They see their own ads as better suited for “lead generation” and “consumer discovery.”

Monday 3:30 pm - 4:15 pm Vertical Ad Networks Revisited

Jaan Janes, CEO, Pulse 360

Joelle Kaufman, Senior VP Marketing and Corporate Partnerships, Adify

Warren Kay, VP, Fox Audience Network

Tuesday 9:30 am-10:15 am The Engines of Vertical Search

Jeff Beard, CEO, Localeze

Krista Glotzbach, VP/Marketing, Vast.com

David Kidder, CEO, Clickable

Day 2 Keynote: Jay Herratti, Citysearch

“We look at what Google is doing with local as a major competitive threat. My vision is that [Citysearch] will become the leading content and ad network for local. It is part of many places, all around the Web.”



Jay Herratti, CEO, Citysearch

Trend 4: Social Engagement Adds a 'Third Way' for Local Marketers

- The rise of “social” has lent itself to a third way for vertical SMB advertisers to engage customers, sometimes by helping advertisers jump to the top of search rankings.
- Social tools such as Facebook, Twitter and YouTube can complement or even replace advertising budgets.
- NCI's Sherpa division has created a content and optimization factory. For \$300 a month, it creates 30 pieces of optimized content for apartment managers, home design professionals and others. Beats advertising?

Social Engagement Replaces Advertising?

“Realtors are among the most dependent on social media. More than 300,000 real estate professionals have pages on Facebook.”



Craig Donato, CEO, Oodle

Monday 4:15 pm-5:15 pm Applying Social Media to Vertical Marketplaces

Craig Donato, CEO, Oodle

Todd Dubner, Senior VP, Development, NCI

Martin Herbst, GM, Kijiji U.S., eBay

But Is There Too Much Noise in Social?

*“It is a noisy ecosystem of local sites suffering from content overload and meaningless, one-dimensional user-generated content that gives ‘****’ to everything.”*



Jennifer Dulski, CEO, Center'd

Wednesday 9:45 am-10:15 am The New City Guides

Reed Brown, CEO, Matchbin

Jennifer Dulski, CEO, Center'd

Trend 5: Impulse Purchases and Lead Generation Add New Local Focus Points

- Most of the attention in local has previously been on Yellow Pages-oriented “considered purchases.” What hasn’t been cracked yet is the impulse purchase.
- One path will be led by companies such as eBay, which will either “verticalize” or create more narrowly tailored sites.
- Another path will be embraced by retailers, which will apply lessons to promotions, search and advertising.

Tuesday 4:30 pm-5:15 pm Local Retailers and The New Marketplaces

Colin Pape, Cofounder and President, ShopCity.com

Ben Saren, CEO, CitySquares

David Vazdauskas, President, Local Thunder

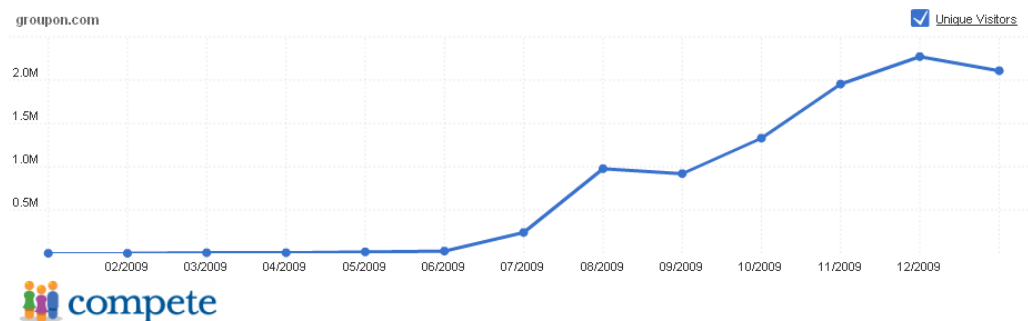
Day 3 Keynote: Groupon's Andrew Mason

- Groupon has broken out. It has raised \$32 million and now has more than 1 million registered users for its group coupons.

“Groupon brings buyers and sellers together in a fun and collaborative way. We offer the consumer a great deal they can't get anywhere else and deliver the sales directly to the merchant.”



Groupon CEO Andrew Mason



A New Model for Yellow Pages Advertisers?

- Lead generation for home and trade services is part of the same social phenomenon. Can listings and user reviews be successfully combined with leads to create a new type of Yellow Pages?
- Behind their fancy Web 2.0 veneers, they are all going after an SMB leads market that has previously been defined — and is still being defined — by ServiceMagic, Angie's List and, yes, the evolving Yellow Pages.

Tuesday 11:30 am - 12:15 pm Small Business Marketplaces

Jim Delli Santi, CEO, AlikeList

Ethan Anderson, CEO, Redbeacon

Sean Fox, COO, Reply.com

Wednesday 10:45 am - 11:30 am The New Directory/Marketplace Plays

Greg Isaacs, Executive Director, AT&T Interactive

Julie Smith, Group Product Manager, SuperMedia

Mat Stover, CEO, Local Matters

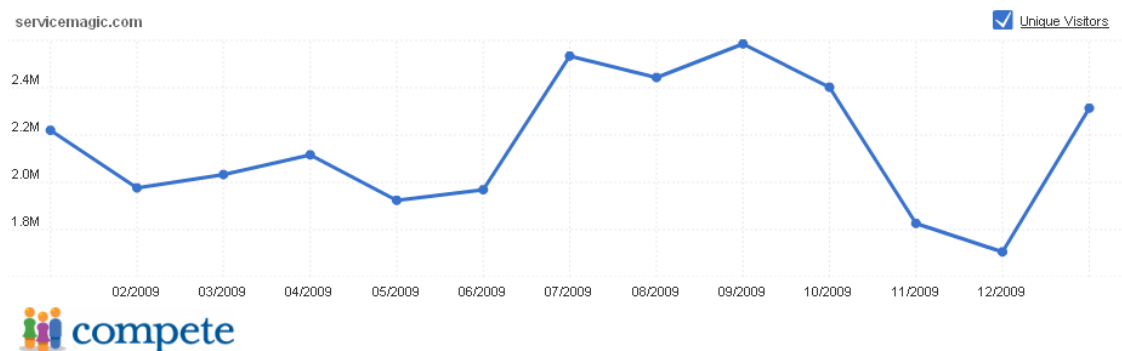
Darren Waddell, VP, MerchantCircle

Day 2 Keynote: ServiceMagic's Craig Smith

- ServiceMagic is one of our breakout companies, with national TV ads and international expansion while it moves up the value chain with Web sites, SEO and checkout services.
- In 4Q 2009, the IAC company saw a 51 percent boost in revenues, 21 percent growth in the number of providers and a 46 percent gain in service requests.



CEO Craig Smith



Michael Boland, Senior Analyst, BIA/Kelsey



Michael Boland is the program director for BIA/Kelsey's Mobile Local Media practice.

Since joining the company in 2005, Mike has been instrumental in covering the local online space for our Interactive Local Media practice. His expertise and curiosity about new mobile, social, and video technologies and business models make him an valuable resource for MLM clients.

Mike is a frequent speaker and organizer at top industry conferences including BIA/Kelsey events, Search Engine Strategies and others. He has authored in-depth reports on the changing local media landscape including online video, social networking and mobile. He contributes regularly to highly read online news sources such as Search Engine Watch and Huffington Post. A trusted source for reporters covering the interactive media space, his comments have appeared in major news and trade media, including The Wall Street Journal, Fortune and Forbes.

Mobile SuperForum: Tuesday, March 23

1:30 pm - 3:15 pm

Kickoff Address

Sam Altman, Cofounder and CEO, Loopt



Product Spotlight: Mobile Verticals

Scott Jampol, Senior Director, Consumer Marketing, OpenTable



Alexander Muse, Cofounder, Big in Japan (ShopSavvy)



Eric Singley, Mobile Product Manager, Yelp



David Sturtz, Cofounder and CEO, RepairPal



Mobile Monetization

Alec Andronikov, CEO, MoVoxx



Craig Hagopian, President, V-Enable

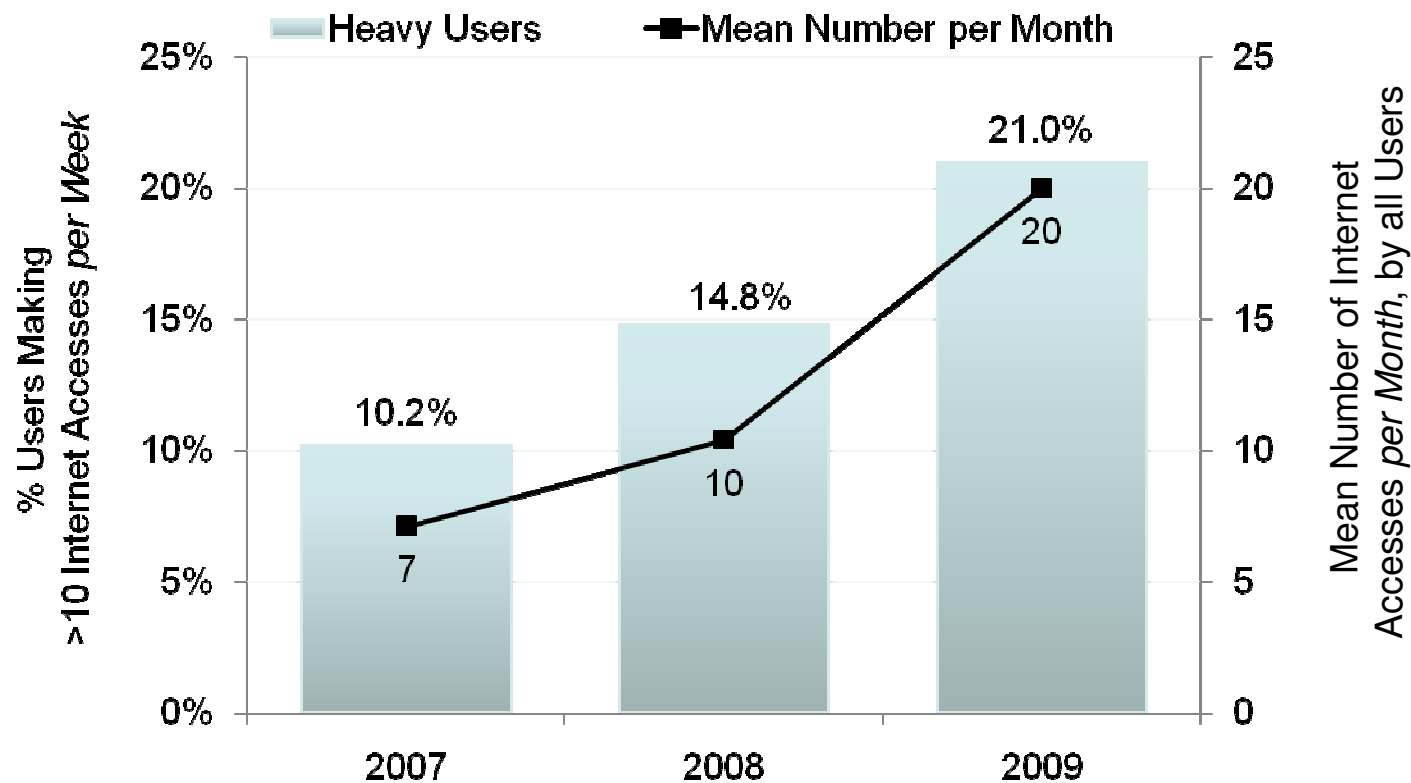


Steve Larsen, CEO, CallSpark



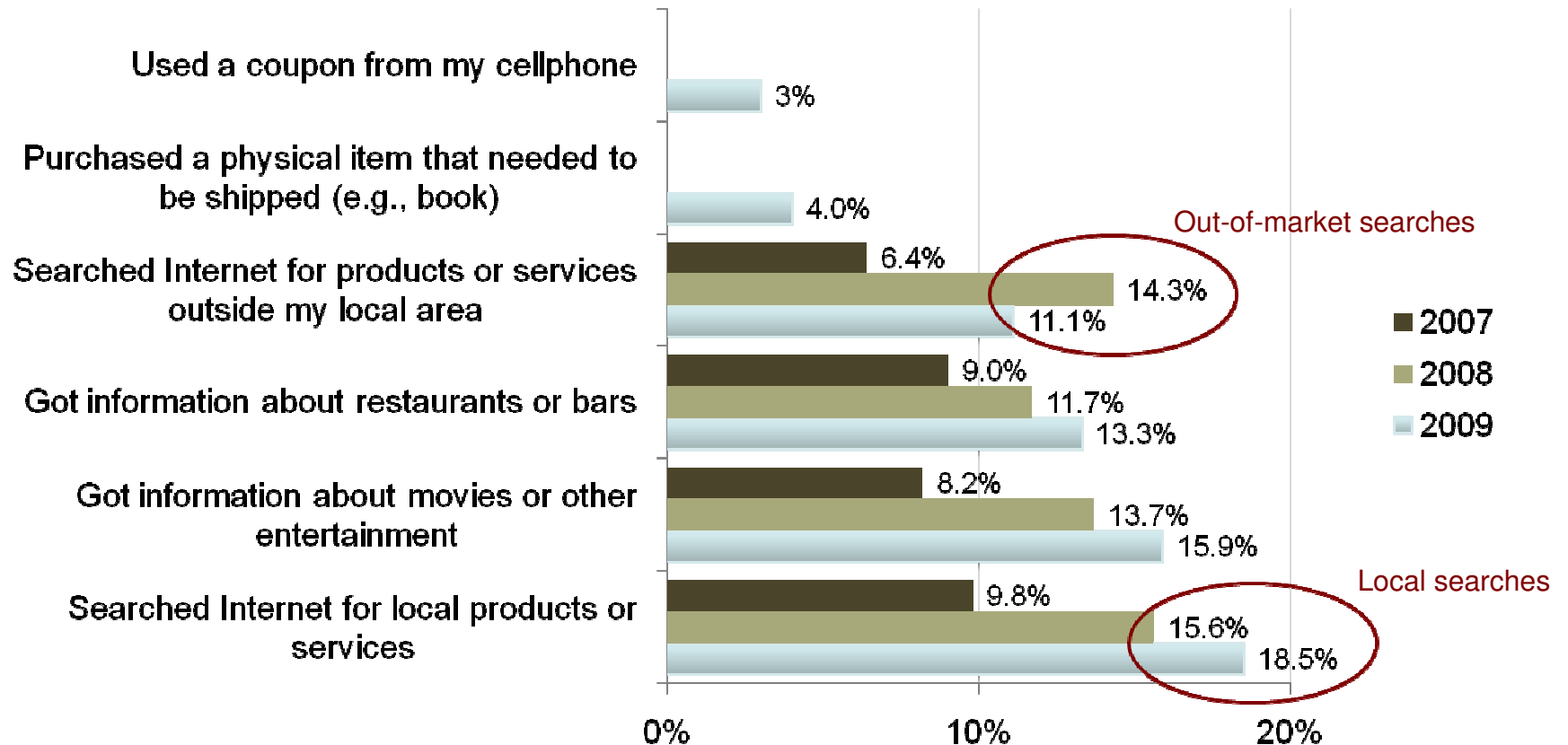
Trend 6: Mobile Adds Ultra Portability

- Users accessing mobile Web >10 *per week* now represents one-fifth of the mobile population.
- Mean number of Internet accesses *per month*, for all users, doubled to 20.



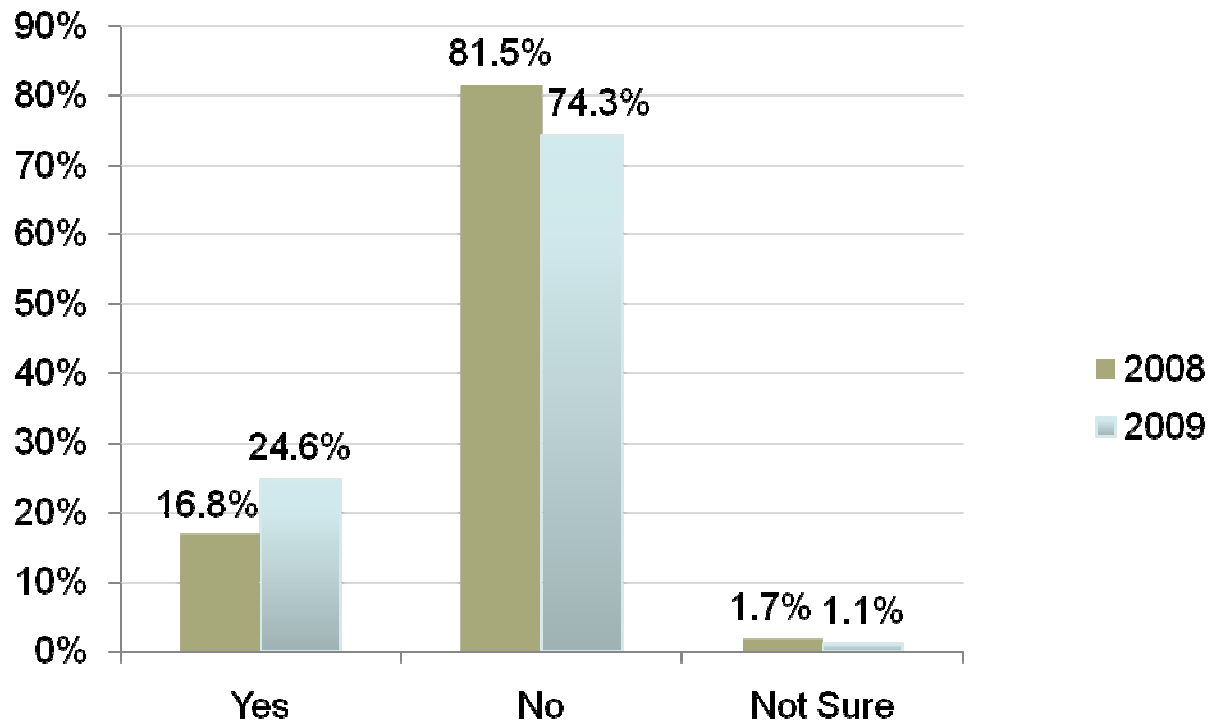
Commercial Searches in Past Six Months

Searches for local products or services now exceed out-of-market searches by a wide margin.



Location-Based Services

About one-quarter of users report using location aware services (such as Twitter or Loopt) — up almost 8 points from 2008.



Areas of Innovation to Watch

Social Location Based Networks

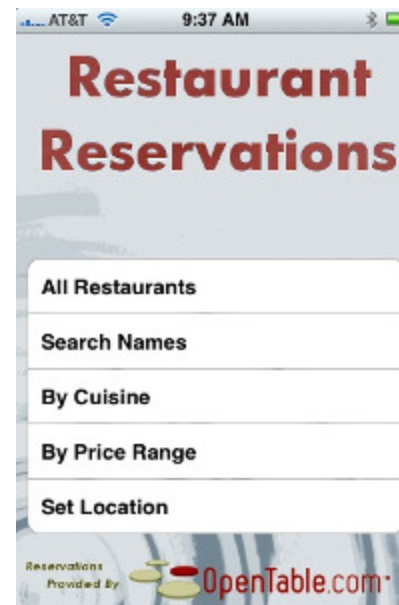
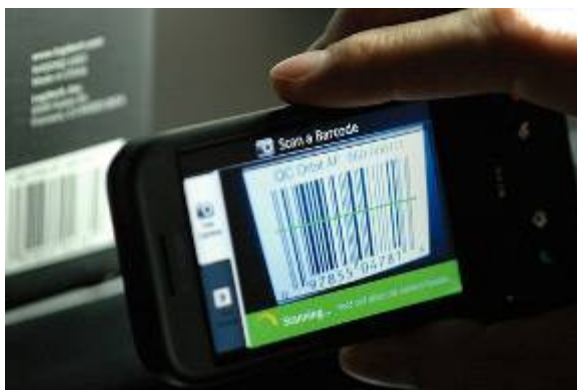
Example: FourSquare, Brightkite, Loopt

Actionable Local Utilities

Example: OpenTable, Yelp

Voice and Visual Search to Drive Decisions

Example: ShopSavvy



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Steve Larsen, CEO, CallSpark



Keynote 'Cheat Sheet'

Company	Speaker	Key Issue	When
AOL.com	Jon Brod	How will Patch.com deliver on its promise of hyperlocal?	Monday, March 22 1:30 pm – 2:15 pm
Google	Sam Sebastian	How can Google deliver a “great” vertical search experience?	Monday, March 22 2:15 pm – 3:00 pm
ServiceMagic	Craig Smith	How can ServiceMagic accelerate its momentum?	Tuesday, March 23 8:45 am – 9:30 am
Citysearch	Jay Herratti	How will the market react to the GRID approach?	Tuesday, March 23 3:45 pm – 4:30 pm
Groupon	Andrew Mason	How does Groupon build a sustainable business?	Wednesday, March 24 9:00 am – 9:45 am

We Have Your Ticket To San Diego

TICKET & BOARDING PASS: MARKETPLACES 2010
FIRST CLASS

Flight & Date: BIA/Kelsey - March 22 - 24, 2010 Gateway: Verticals Seat: Premiere Conference Seating

BOARDING TIME ▶ IT IS TIME TO GET ON BOARD NOW!

From **WHERE YOU ARE NOW** To **SAN DIEGO, CA**

Name Airline use
SMART EXECUTIVE INTERESTED IN NEW BUSINESS OPPORTUNITIES

Boarding Pass

BAGGAGE ALLOWED:
NONE. ONLY NEW IDEAS AND INNOVATIVE THINKING.
PLEASE CARRY ON.

To: Sheraton San Diego Hotel & Marina
San Diego, California

Notes: Connect with the most innovative executives in the verticals space.
Network and make business deals that generate revenue.
Learn valuable information from in-depth sessions.

\$200 off current rate for new Marketplaces 2010 registrations.

San Diego in March

**There is No Reason Why You Should Not Be
At Marketplaces 2010**



Thank You for Attending Today's Event

We will now take questions. To submit a question, please use the GoToWebinar control panel on your screen.

All webinar registrants are eligible for \$200 off the current Marketplaces 2010 rate. The registration code will be e-mailed following today's event.

For inquiries about Marketplaces 2010, please contact:

Sheila Steinmuller

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