



**2020**  
*Outlook*  
**DIGITAL SERVICES CONTINUE  
TO DOMINATE  
MARKETING BUDGETS**



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

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*Outlook*  
DIGITAL SERVICES CONTINUE  
TO DOMINATE  
MARKETING BUDGETS

**PRINCIPAL AUTHOR**  
OF THIS REPORT



**KIP CASSINO**  
*Research Associate*



**BORRELL ASSOCIATES**  
**LEADERSHIP TEAM:**

**COLBY ATWOOD**  
*Executive Director & Senior Advisor*  
CATwood@borrellassociates.com

**GORDON BORRELL**  
*CEO*  
GBorrell@borrellassociates.com

**JIM BROWN**  
*President*  
*of Sales and Marketing*  
JBrown@borrellassociates.com

**COREY ELLIOTT**  
*Executive Vice President*  
*of Local Market Intelligence*  
CElliott@borrellassociates.com

**BORRELLASSOCIATES.COM**

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Digital marketing reminds us of that old saying about owning a boat. It's fun and exciting, but the owner sees it as a hole in the water that you just pour money into.

Not including the billions spent on actual advertising on digital media, the cost of producing and managing everything will cost U.S. businesses a whopping \$776 billion this year. Businesses are so enamored of owning their own direct-to-consumer media channel that they keep spending more. In fact, they're now adding six times more money to digital marketing budgets than they are to advertising budgets.

At the local level, we found that smaller businesses haven't quite awakened to the costs. They haven't done the math to realize that their total cost – including what they're paying internal staff to manage digital marketing tasks – probably runs into the six figures. At many companies, administrative assistants and tech staff are tasked with crafting and posting messages on social media, shooting and editing videos, responding to bad online reviews, or designing graphics for a web page. Our surveys show that more than half of those tackling these tasks have little to no marketing experience.

Still, spending continues to grow. In 2020, we're forecasting the digital marketing services business to grow 4.1%, to \$808 billion. At that level, it sounds ludicrous to call it a highly fragmented cottage industry, but it is. No one company can claim more than 1% of the total, and broken apart in segments such as SEO, listings claiming, or web hosting, no provider holds more than a 2% share. Providers in this space range from Amazon, with its \$23 billion U.S. Amazon Web Services Business; GoDaddy, with its \$2 billion U.S. hosting, domain, and services business; SAAS providers like Hubspot, Web.com, and Wix.com; and thousands of local media companies trying to hold onto their current advertising customers by servicing their digital marketing needs.

## U.S. DIGITAL MARKETING SERVICES SPENDING, 2019-2020, BY CATEGORY *IN \$ BILLIONS*

Marketing Services Category	2019 Estimate	2020 Forecast	Change	2020 Share of Totals
Digital Presence	\$337.2	\$333.5	-1.1%	41.3%
Digital Public Relations	\$51.7	\$46.9	-9.4%	5.8%
Digital Marketing Support	\$90.0	\$94.6	5.2%	11.7%
Digital Ad Production	\$193.3	\$224.1	15.9%	27.7%
Digital Space Consulting & Research	\$59.8	\$60.6	1.4%	7.5%
Digital Customer Relationship Management	\$44.4	\$48.8	9.9%	6.0%
<b>U.S. Total</b>	<b>\$776.3</b>	<b>\$808.4</b>	<b>4.1%</b>	<b>100%</b>

Source: Borrell Associates Inc.

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This report examines each of the six categories in detail, forecasting growth rates for subcategories such as SEO, website design, listings claiming, reputation management, hosting, video production, and more. Forecasts extend to 2020, with assessments on which subcategories will grow fast, flatline, or decline.

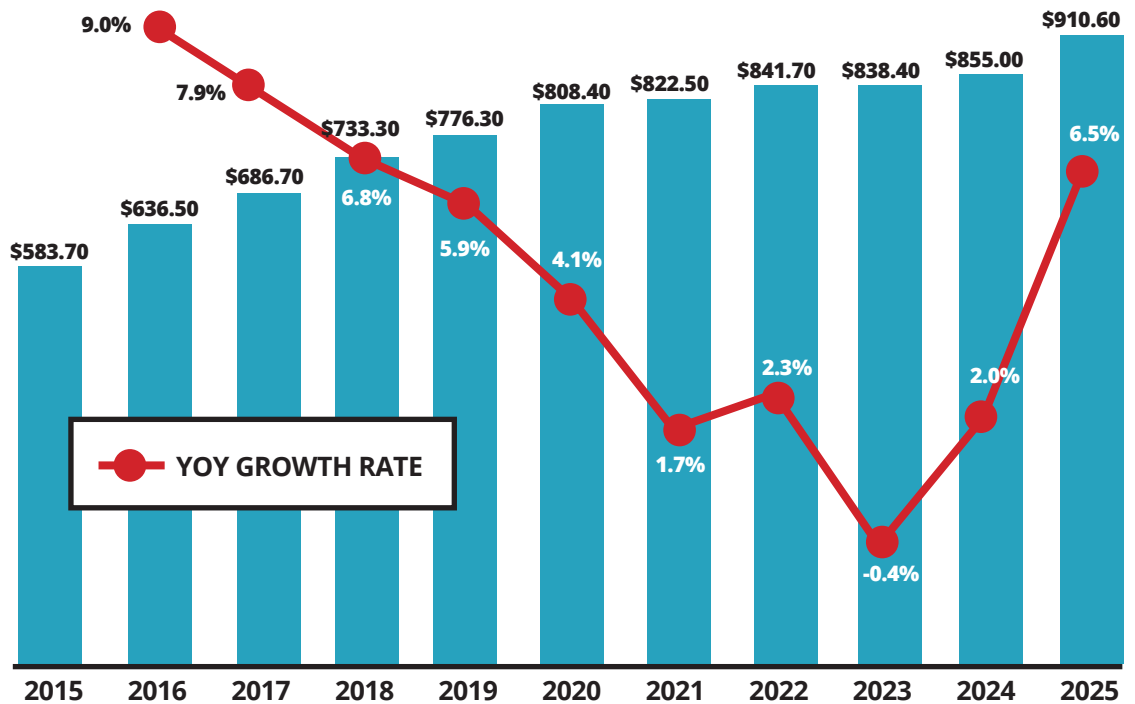
When the first company websites were established in the mid-1990s, a new era of marketing was born. Or, more pointedly, a new era of marketing *expense* dawned. For business owners, owning their own direct-to-consumer media channel have given them a sense of what it's like to own and manage a media company. Websites and social media pages require regular production of "news" copy about new products and sales; online reviews and comments are the equivalent of letters to the editor that need to be addressed; and photos and videos need, well, the help of photographers and videographers.

How much does it cost businesses? This year alone, digital marketing services will cost U.S. businesses an estimated \$776 billion. In 2020, we're forecasting that it will grow 4.1%, to \$808 billion. At that level, it sounds ludicrous to call it a cottage industry, but it is. Providers in this space range from Amazon, with its \$23 billion U.S. Amazon Web Services Business; GoDaddy, with its \$2 billion U.S. hosting, domain, and services business; SAAS providers like Hubspot, Web.com, and Wix.com; and thousands of local media companies trying to hold onto their current advertising customers by servicing their digital marketing needs.

Over the past five years, the Compound Annual Growth Rate for digital services has been nearly 8%. But this 26-year-old marketing category is quickly reaching maturity. Competition and automation have commoditized hosting and other popular services such as SEO and website building. There also less growth from the dwindling number of businesses that don't have a website or haven't yet been promoting themselves on social media.

For 2020, 4.1% growth on an \$776 billion marketing category isn't too shabby. It equates to \$32 billion. Businesses are now adding six times more money to digital marketing budgets than they are to advertising budgets.<sup>1</sup>

**FIGURE 1.1 U.S. SPENDING FOR DIGITAL MARKETING SERVICES, 2015-2025** IN \$ BILLIONS



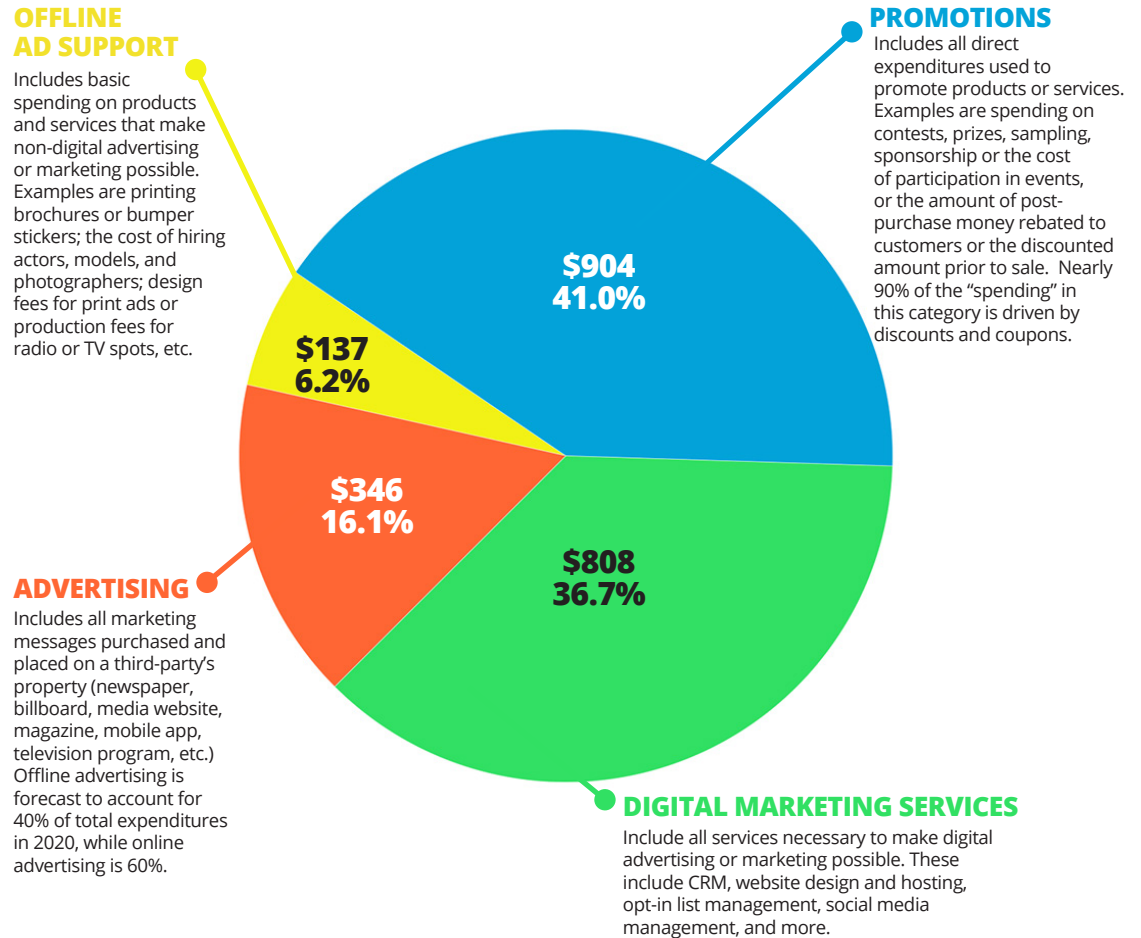
<sup>1</sup>Total U.S. advertising is forecast to increase by \$7.2 billion this year, while digital marketing services is forecast to increase by \$45 billion.

Source: Borrell Associates Inc.

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As we'll explore in Chapter 3, you're not likely to find a clearly defined expenditure in a budget called "digital services." Costs are often spread across departments or among employees, with only a portion contracted out to vendors or software providers. Some costs may be classified as technology expense or IT task, but all are tied directly to helping a company gain awareness and manage its visibility online. Adding everything that U.S. businesses spend to drive awareness and sales, digital marketing services accounts for \$1.97 of every \$5 spent. In comparison, advertising itself (both digital and offline) will account for 84 cents for every \$5 spent.

**FIGURE 1.2 2020 FORECAST U.S. TOTAL MARKETING SPENDING, BY CATEGORY** *IN \$ BILLIONS*



Source: Borrell Associates Inc.

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Digital marketing services is divided into six major categories (see Figure 1.3). These categories encompass the services needed to bring digital advertising and marketing from concept to reality. We will describe what's included in each of these categories in greater detail in Chapter 2.

**FIGURE 1.3 U.S. DIGITAL MARKETING SERVICES SPENDING, 2019-2020, BY CATEGORY** *IN \$ BILLIONS*

Marketing Services Category	2019 Estimate	2020 Forecast	Change	2020 Share of Totals
Digital Presence	\$337.2	\$333.5	-1.1%	41.3%
Digital Public Relations	\$51.7	\$46.9	-9.4%	5.8%
Digital Marketing Support	\$90.0	\$94.6	5.2%	11.7%
Digital Ad Production	\$193.3	\$224.1	15.9%	27.7%
Digital Space Consulting & Research	\$59.8	\$60.6	1.4%	7.5%
Digital Customer Relationship Management	\$44.4	\$48.8	9.9%	6.0%
<b>U.S. Total</b>	<b>\$776.3</b>	<b>\$808.4</b>	<b>4.1%</b>	<b>100%</b>

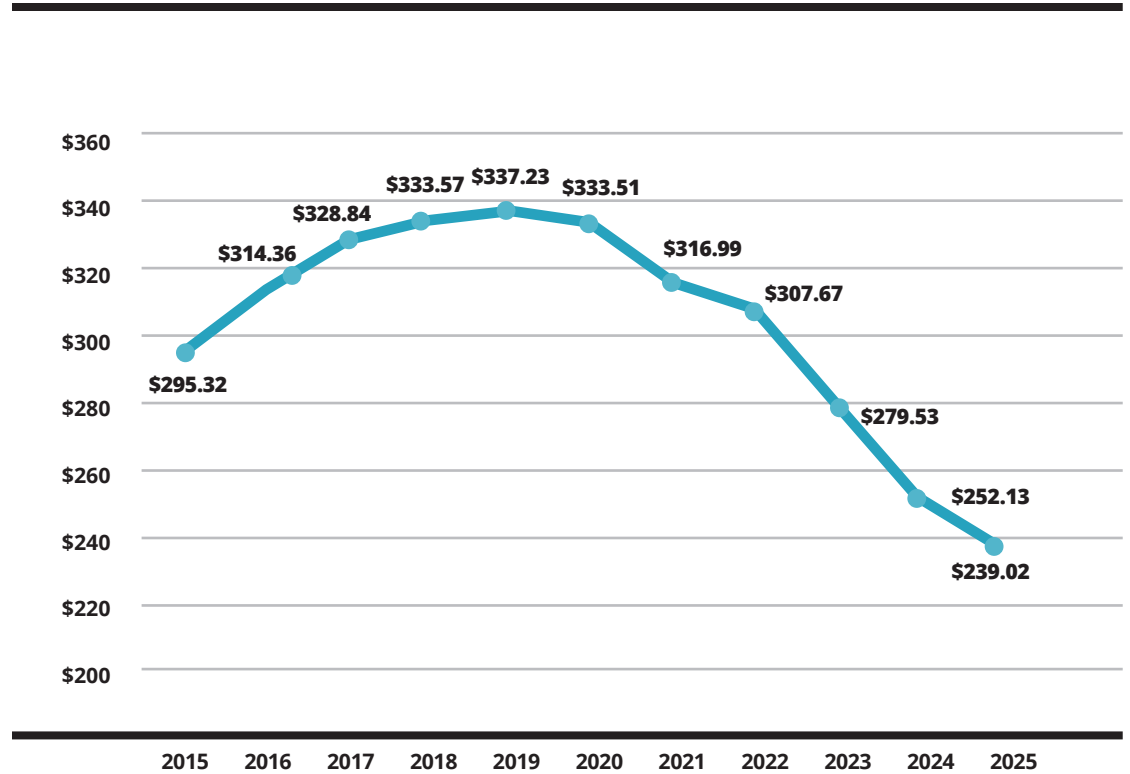
Source: Borrell Associates Inc.

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We have revised the titles slightly from previous years. "Web Presence" has become "Digital Presence," and a new category was added, Digital Customer Relationship Management. Digital CRM often integrates with email systems and other Internet-based activities. This is the digitized form of customer lists that were once stored on paper, on someone's hard drive, or in a sales rep's memory. Call management was difficult, as was budgeting. Effective CRM systems have reduced all of these problems.

Digital Presence holds the lion's share of national expenditures, 41% of the total U.S. 2020 forecast. It includes web hosting (the largest piece), web design and management (second largest), ad management, social media management, and mobile media management. This category has already reached its apex and begun its decline. Between 2020 and 2025, U.S. total spending for digital presence is forecast to decrease more than 28%, to just over \$239 billion.

**FIGURE 1.4 TOTAL U.S. SPENDING FOR DIGITAL PRESENCE SERVICES, 2015-2025, IN \$ BILLIONS**



Source: Borrell Associates Inc.

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Why the decline? First, digital services are reaching a saturation point. Fewer businesses are creating a website for the first time or in need of hosting data or a website for the first time. Many services have become a commodity, and commoditization causes prices to fall.

A second and more dramatic effect is caused by companies moving services in-house, which can be less expensive. This is more true of the largest, most sophisticated businesses. Other businesses with less resources will continue to farm out the tasks (see Chapter 3) or do without. In addition, larger providers with other offerings – such as Amazon, Google, and Apple – have been developing and acquiring service-providing apps themselves, offering them as an added feature to maintain their current customers.

Businesses utilize digital marketing services at different rates, and the smallest of businesses barely spend a dime. The largest of businesses – those with more than 1,000 employees – account for 71% of the spending. All businesses with 50 or more employees will spend some money, but usage falls off sharply below that level. Among the nation’s smallest business units, about 1 in every 16 spends any money at all on digital services.

**FIGURE 1.5 2020 FORECAST TOTAL U.S. DIGITAL MARKETING SERVICE (DMS) SPENDING BY EMPLOYEE-SIZE COHORT**

Employee Size Cohort	Cohort Description (Employees)	Businesses Using DMS	Cohort Share	Per Business Average	2020 Forecast Spending (\$ Million)	2020 DMS Spending Share
1-2	Fewer than 5	1,020,100	6.5%	\$634	\$646.91	0.08%
3	5 to 9	699,700	29.8%	\$1,380	\$965.76	0.12%
4	10 to 24	1,068,260	70.1%	\$4,766	\$5,091.24	0.6%
5	25 to 49	491,220	86.9%	\$18,878	\$9,273.08	1.1%
6	50 to 99	328,640	98.4%	\$111,079	\$36,505.10	4.5%
7	100 to 249	179,600	100%	\$369,356	\$66,336.41	8.2%
8	250 to 499	43,660	100%	\$1,392,290	\$60,787.39	7.5%
9	500 to 999	15,740	100%	\$3,448,252	\$54,275.48	6.7%
10-15	1,000 or More	10,580	100%	\$54,304,556	\$574,542.20	71.1%
<b>Totals/Averages</b>		<b>3,857,500</b>	<b>18.6%</b>	<b>\$209,572</b>	<b>\$808,423.56</b>	<b>100%</b>

Source: Borrell Associates Inc.

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Many of these smaller business units are subsidiaries or branches of larger businesses. They don't need their own digital presence because the businesses that own and manage them provide such services. Nearly 1 million are franchisees who depend on their operating franchisor for marketing support. Among the rest, some have no expertise or interest in digital marketing.

Note that these are averages. Technically savvy digital marketers who are trying to grow a business instead of just maintain it may spend much more than the average small businesses. Once a business expands to have 10 employees or more, a fulltime IT person becomes necessary, often tasked with things that look more like marketing than coding.

The next chapter examines what's included within the six major digital marketing services categories, as well as forecasts and growth trends for each.



Beneath the six major categories of digital services are 19 subcategories. Figure 2.1 estimates spending in each for 2019 and our forecast for 2020. The table is followed by a discussion of each category, the growth stage we believe it's in, and annual growth forecasts extended to 2024.

**FIGURE 2.1 TOTAL U.S. 2019/2020 FORECAST FOR DIGITAL MARKETING EXPENDITURES BY TYPE OF SERVICE, IN \$ BILLIONS**

U.S. Digital Marketing Services Spending			
Category/Service	2019 Projection	2020 Forecast	Change
<b>DIGITAL PRESENCE</b>	<b>\$337.23</b>	<b>\$333.51</b>	<b>-1.1%</b>
Website Design/Maintenance	\$83.63	\$76.29	-8.8%
Web Hosting	\$148.65	\$142.68	-4.0%
Online Advertising Management	\$14.64	\$13.82	-5.6%
Mobile Media Management	\$58.56	\$62.92	7.4%
Social Media Management	\$31.76	\$37.80	19.0%
<b>DIGITAL PUBLIC RELATIONS</b>	<b>\$51.69</b>	<b>\$46.85</b>	<b>-9.4%</b>
E-mail Management	\$44.80	\$39.80	-11.2%
Digital Press Release Distribution	\$0.35	\$0.36	3.0%
Reputation Management	\$3.52	\$3.56	1.3%
Opt-in List Management	\$3.02	\$3.13	3.6%
<b>DIGITAL MARKETING SUPPORT</b>	<b>\$89.96</b>	<b>\$94.62</b>	<b>5.2%</b>
SEO	\$73.38	\$74.99	2.2%
Blog Development	\$0.66	\$0.63	-3.8%
Site Visitor Analysis	\$3.18	\$3.79	19.3%
E-mail List Purchase	\$0.31	\$0.29	-4.2%
Listings Claiming (Pay Per Call, Call Track-	\$12.44	\$14.92	19.9%
<b>DIGITAL AD PRODUCTION</b>	<b>\$193.27</b>	<b>\$224.05</b>	<b>15.9%</b>
Online Agency/Exchange Fees	\$35.26	\$36.73	4.2%
Display Ad Design	\$11.29	\$11.65	3.1%
App Design	\$60.32	\$71.64	18.8%
Online Contest/Game Development	\$10.42	\$11.03	5.8%
Online Video Production	\$75.98	\$93.00	22.4%
<b>DIGITAL SPACE CONSULTING &amp; RESEARCH</b>	<b>\$59.76</b>	<b>\$60.59</b>	<b>1.4%</b>
<b>DIGITAL CUSTOMER RELATIONSHIP MANAGEMENT</b>	<b>\$44.39</b>	<b>\$48.79</b>	<b>9.9%</b>
<b>U.S. TOTALS</b>	<b>\$776.30</b>	<b>\$808.42</b>	<b>4.1%</b>

Source: Borrell Associates Inc.

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### Digital Services Subcategories

For each of these categories we offer guidance on the growth stage as follows:

1. **INTRODUCTORY.** A service that has recently been introduced to the market, with high costs and few users
2. **VISIBILITY.** A service that is growing rapidly due to lower costs and wider availability
3. **POPULARITY.** A service that has become widely popular and continues to grow, but at a slower rate
4. **DECLINE.** A service that has become mature and commoditized

### Digital Presence

Digital Presence services were the very first services offered. They were the domain-securing and website design services that allowed businesses to establish a storefront on the World Wide Web. They went hand-in-hand with hosting, whose costs grew as data storage and programming needs grew. These basic services remain the major sources for spending in the category. Spending for mobile and social presence continues to grow, but remains limited to larger businesses, while site design and maintenance is centered among SMBs. As the years advance, spending on digital presence will continue to lose prominence among the services, principally because of competition and costs. Present levels of increase are only due to mobile and social media management change.

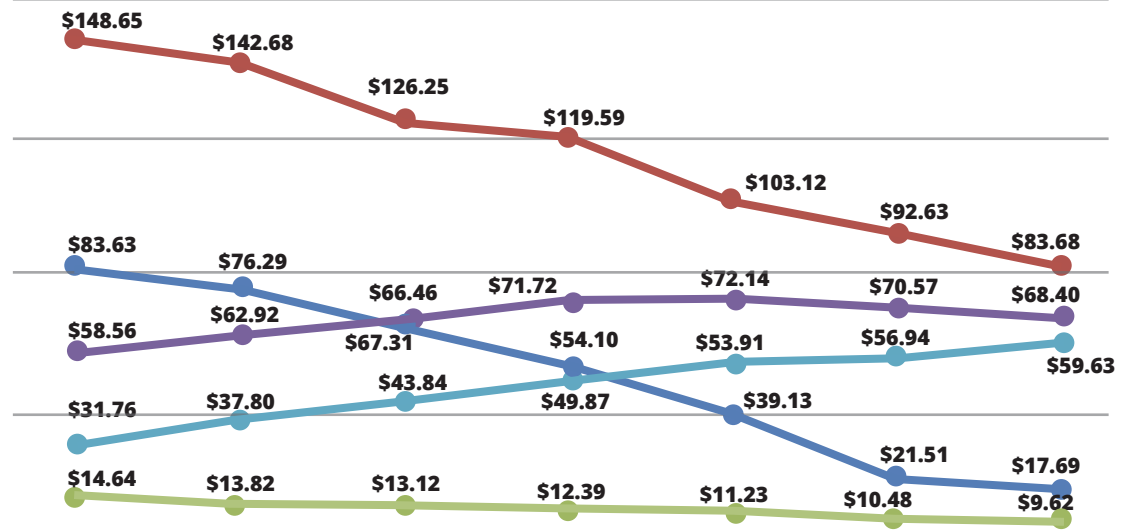
**FIGURE 2.2 TOTAL U.S. 2020 FORECAST FOR DIGITAL PRESENCE SPENDING** IN \$ BILLIONS

	SMB Spending	SMB Share	Large Business Spending	Large Business Share	2020 U.S. Forecasts	Life Cycle Stage
<b>DIGITAL PRESENCE</b>						
Website Design/Maintenance	\$56.03	73.4%	\$20.26	26.6%	\$76.29	DECLINE
Web Hosting	\$57.67	40.4%	\$85.01	59.6%	\$142.68	DECLINE
Online Advertising Management	\$2.23	16.1%	\$11.60	83.9%	\$13.82	POPULARITY
Mobile Media Management	\$4.15	6.6%	\$58.77	93.4%	\$62.92	VISIBILITY
Social Media Management	\$2.60	6.9%	\$35.20	93.1%	\$37.80	POPULARITY
<b>Totals</b>	<b>\$122.67</b>	<b>36.8%</b>	<b>\$210.84</b>	<b>63.2%</b>	<b>\$333.51</b>	

Source: Borrell Associates Inc.

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**FIGURE 2.3 TOTAL U.S. 2020 FORECAST FOR DIGITAL PRESENCE SPENDING** IN \$ BILLIONS



	2019	2020	2021	2022	2023	2024	2025
Website Design/Maintenance	\$83.63	\$76.29	\$66.46	\$54.10	\$39.13	\$21.51	\$17.69
Web Hosting	\$148.65	\$142.68	\$126.25	\$119.59	\$103.12	\$92.63	\$83.68
Online Advertising Management	\$14.64	\$13.82	\$13.12	\$12.39	\$11.23	\$10.48	\$9.62
Mobile Media Management	\$58.56	\$62.92	\$67.31	\$71.72	\$72.14	\$70.57	\$68.40
Social Media Management	\$31.76	\$37.80	\$43.84	\$49.87	\$53.91	\$56.94	\$59.63
<b>Totals</b>	<b>\$337.23</b>	<b>\$333.51</b>	<b>\$316.99</b>	<b>\$307.67</b>	<b>\$279.53</b>	<b>\$252.13</b>	<b>\$239.02</b>

Source: Borrell Associates Inc.

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**Online Public Relations**

These are all email-related services. Although email popularity remains high, it has been eclipsed by texting as the primary digital communications channel. Reputation management retains some importance – especially among retailers and local services firms. The importance of opt-in lists and their management continues to impact the reach of digital marketing messages, far more than purchased lists used to dominate legacy media. Even so, the biggest users of all online public relations services have taken their control from outside vendors to internal employees – diminishing their revenue generating capabilities. During the coming five years, this category is forecast to plummet to half its current spending level.

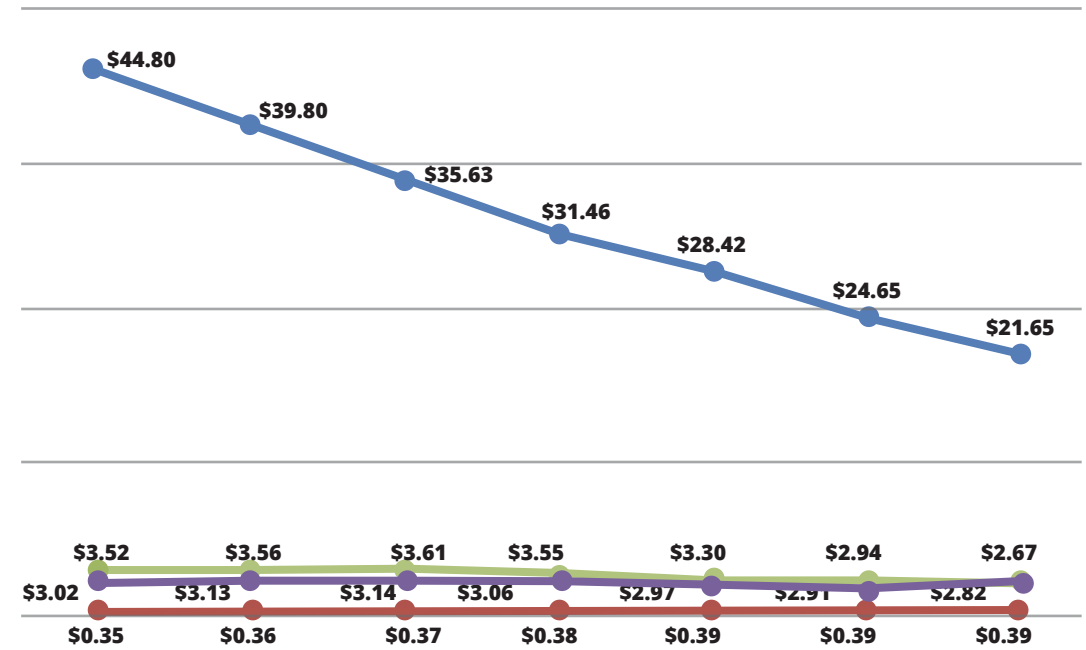
**FIGURE 2.4 TOTAL U.S. 2020 FORECAST FOR ONLINE PUBLIC RELATIONS SPENDING** IN \$ BILLIONS

	SMB Spending	SMB Share	Large Business Spending	Large Business Share	2020 U.S. Forecasts	Life Cycle Stage
<b>ONLINE PUBLIC RELATIONS</b>						
Email Management	\$10.54	26.5%	\$29.26	73.5%	\$39.80	POPULARITY
Digital Press Release Distribution	\$0.05	13.3%	\$0.31	86.7%	\$0.36	POPULARITY
Reputation Management	\$0.12	3.5%	\$3.44	96.5%	\$3.56	DECLINE
Opt-in List Management	\$1.30	41.6%	\$1.83	58.4%	\$3.13	DECLINE
<b>Totals</b>	<b>\$12.01</b>	<b>25.6%</b>	<b>\$34.84</b>	<b>74.4%</b>	<b>\$46.85</b>	

Source: Borrell Associates Inc.

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**FIGURE 2.5 TOTAL U.S. 2019-2025 ONLINE PUBLIC RELATIONS CATEGORY FORECASTS** IN \$ BILLIONS



	2019	2020	2021	2022	2023	2024	2025
Email Management	\$44.80	\$39.80	\$35.63	\$31.46	\$28.42	\$24.65	\$21.65
Press Release Distribution	\$0.35	\$0.36	\$0.37	\$0.38	\$0.39	\$0.39	\$0.39
Reputation Management	\$3.52	\$3.56	\$3.61	\$3.55	\$3.30	\$2.94	\$2.67
Opt-in List Management	\$3.02	\$3.13	\$3.14	\$3.06	\$2.97	\$2.91	\$2.82
<b>Totals</b>	<b>\$51.69</b>	<b>\$46.85</b>	<b>\$42.74</b>	<b>\$38.45</b>	<b>\$35.08</b>	<b>\$30.89</b>	<b>\$27.53</b>

Source: Borrell Associates Inc.

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### Digital Marketing Support

All of the services in this category deal with attracting visitors to sites and measuring them once they get there. Search Engine Optimization (SEO) is the predominant service, accounting for 71% of spending. Blog development is also prominent. Both are often tried by amateurs, who after embarrassing efforts find others with more expertise to do the job for them. SEO is particularly interesting, because Google and other search vendors are currently trying out technology to make it obsolete – or at least less widely used. Blogs may seem like an anachronism, but digital platforms of all stripes demand them, and they have proven agonizingly tough for those without writing experience to create. Site visits often depend on fresh, interesting content, and blogs can provide it – if they are well-written and insightful. It might seem like word-smithing a few thousand words a week or a month would be an easy task. It is not, and so the need has grown to become a fertile market for thousands of freelancers. All of these services will fall into decline in coming years, as pictures and the spoken word gain popularity over the written word, and the biggest digital vendors envelop services now the livelihood of many others.

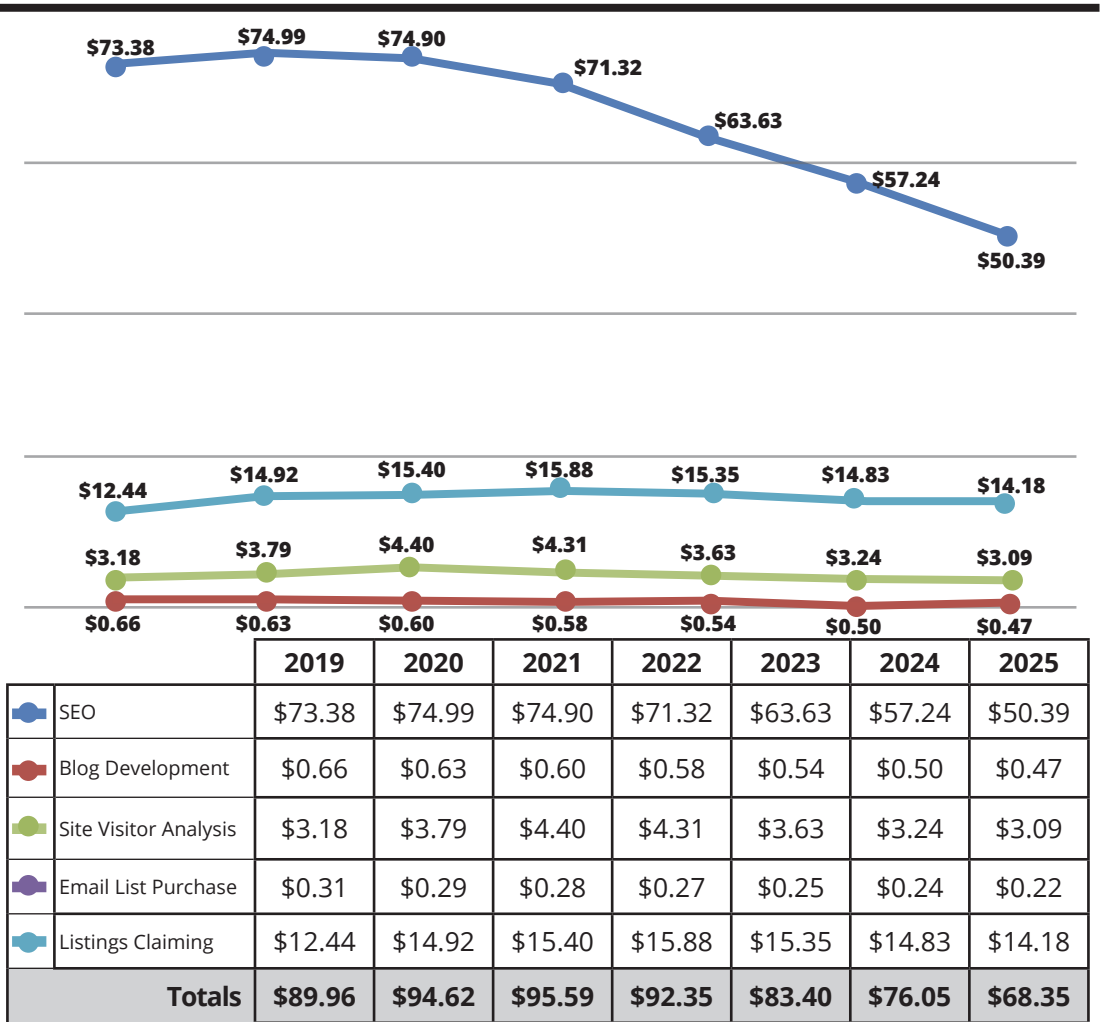
**FIGURE 2.6 TOTAL U.S. 2020 FORECAST FOR DIGITAL MARKETING SUPPORT SPENDING IN \$ BILLIONS**

	SMB Spending	SMB Share	Large Business Spending	Large Business Share	2020 U.S. Forecasts	Life Cycle Stage
<b>DIGITAL MARKETING SUPPORT</b>						
SEO	\$62.89	60.7%	\$12.11	16.1%	\$74.99	DECLINE
Blog Development	\$0.33	63.1%	\$0.30	48.3%	\$0.63	POPULARITY
Site Visitor Analysis	\$0.25	1.4%	\$3.53	93.2%	\$3.79	VISIBILITY
Email List Purchase	\$0.12	62.2%	\$0.17	57.0%	\$0.29	DECLINE
Listings Claiming (Pay Per Call, Call Tracking)	\$0.25	0.3%	\$14.67	98.4%	\$14.92	POPULARITY
<b>Totals</b>	<b>\$63.84</b>	<b>67.5%</b>	<b>\$30.79</b>	<b>32.5%</b>	<b>\$94.62</b>	

Source: Borrell Associates Inc.

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FIGURE 2.7 TOTAL U.S. 2019-2025 DIGITAL MARKETING  
SUPPORT CATEGORY FORECASTS IN \$ BILLIONS



Source: Borrell Associates Inc.

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### Digital Ad Production

While it may seem to many readers that most of these services have passed from “visibility” to “popularity,” current forecasts indicate they are nowhere near their expected levels of external demand. As desktop computer use is further eclipsed by mobile devices, they will grow much stronger. Well more than half of all ad placements are now done programmatically, and this rate will continue to rise as local ad placements shift to these platforms as well. Today, a large amount of local ad placement is still part of arrangements that may also include TV or radio spots, print ads, or even directory listings. This segment of ad marketing will shift to programmatic placement as well. In some markets, with some media, this has already begun. Changes to ad placement will necessitate changes to ad design procedures as well, and app design will become a much more prominent part of even smaller and B2B marketing efforts. The biggest growth will push video ad production from its current status to the primary cost of ad development, as images replace the printed word in marketing messages.

**FIGURE 2.8 TOTAL U.S. 2020 FORECAST FOR DIGITAL AD PRODUCTION SPENDING IN \$ BILLIONS**

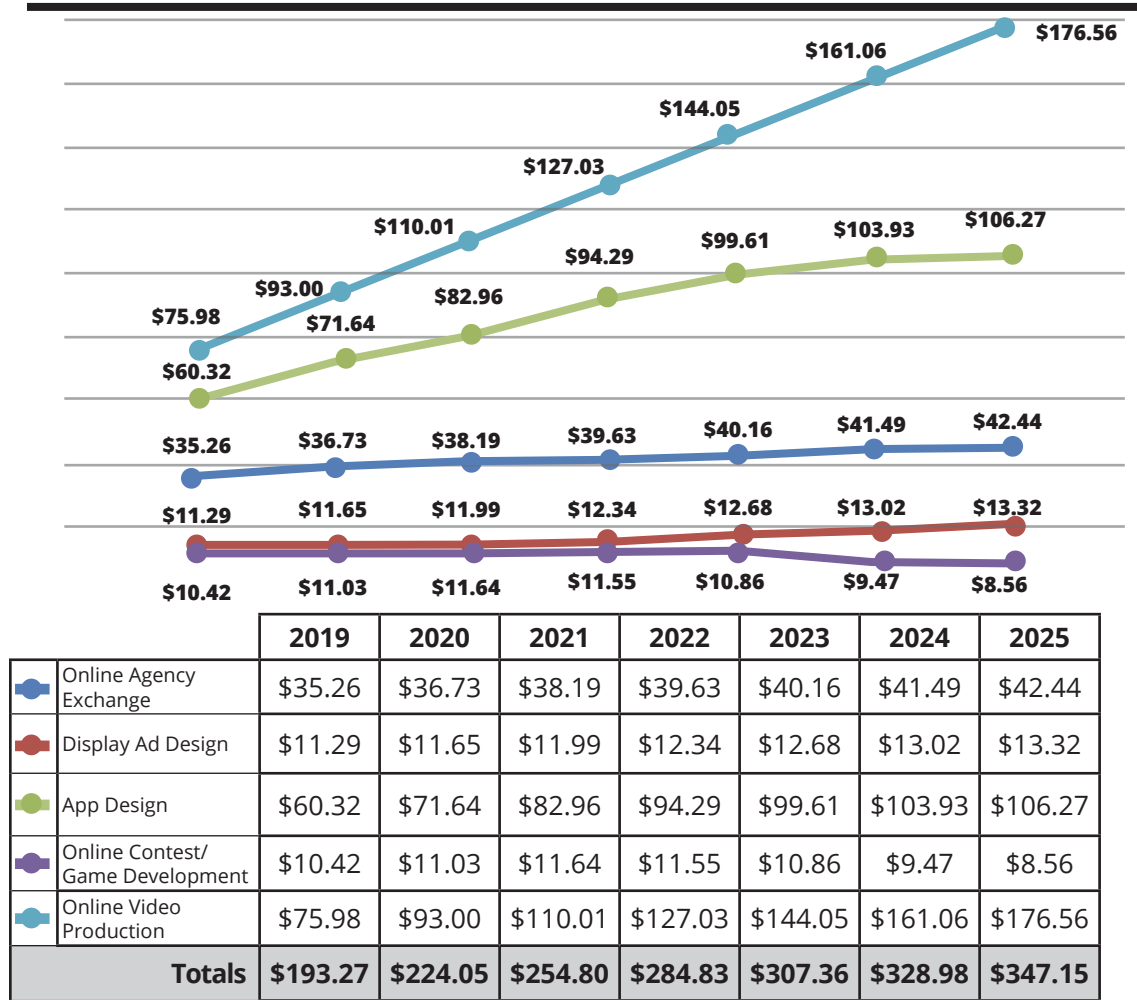
	SMB Spending	SMB Share	Large Business Spending	Large Business Share	2020 U.S. Forecasts	Life Cycle Stage
<b>DIGITAL AD PRODUCTION</b>						
Online Agency/ Exchange Fees	\$5.92	16.1%	\$30.82	83.9%	\$36.73	DECLINE
Display Ad Design	\$6.01	51.6%	\$5.64	48.4%	\$11.65	POPULARITY
App Design	\$3.32	4.6%	\$68.32	95.4%	\$71.64	VISIBILITY
Online Contest/ Game Development	\$0.18	1.6%	\$10.85	98.4%	\$11.03	DECLINE
Online Video Production	\$6.75	7.3%	\$86.25	92.7%	\$93.00	POPULARITY
<b>Totals</b>	<b>\$22.18</b>	<b>9.9%</b>	<b>\$201.87</b>	<b>90.1%</b>	<b>\$224.05</b>	

Source: Borrell Associates Inc.

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FIGURE 2.9 TOTAL U.S. 2019-2025 DIGITAL AD PRODUCTION  
CATEGORY FORECASTS IN \$ BILLIONS



Source: Borrell Associates Inc.

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### Digital Consulting and Management Services

Digital marketing consulting and research can take many forms, from low-cost subscriptions to popular information services like eMarketer, white papers from various vendors, or information from pertinent trade organizations, all the way to sometimes costly studies and expert analysis from industry professionals. The need for external information has grown as technology makes what used to be easily done complex, and digital marketing choices become less clear and straightforward. Even very small companies see the need for some level of consulting, even if that consists of buying a book or talking to a local tech-savvy professional. Even larger firms – many of which jettisoned their internal market research staffs during the great recession – now find the compelling need to look “outside the building” to discover what is happening in the markets they covet.

Customer Relationship Management (CRM) continues to rise in popularity, as larger firms are joined by smaller competitors that find they also must have the stronger ties to those they serve and the sales assets that market to them in order to remain competitive. There is still much unrealized demand for these important services.

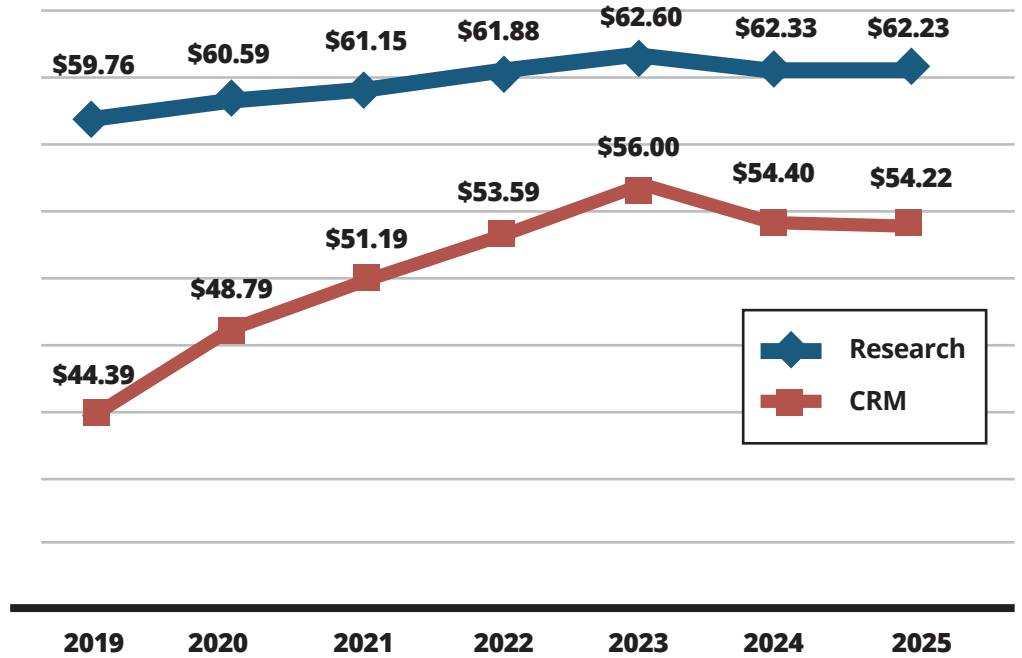
**FIGURE 2.10 TOTAL U.S. 2020 FORECAST FOR DIGITAL CONSULTING, RESEARCH, AND CRM SPENDING**  
IN \$ BILLIONS

	SMB Spending	SMB Share	Large Business Spending	Large Business Share	2020 U.S. Forecasts	Life Cycle Stage
<b>DIGITAL SPACE CONSULTING &amp; RESEARCH</b>	\$22.64	37.4%	\$37.95	62.6%	\$60.59	<b>POPULARITY</b>
<b>DIGITAL CUSTOMER RELATIONSHIP MANAGEMENT</b>	\$4.47	9.2%	\$44.32	90.8%	\$48.79	<b>VISIBILITY</b>

Source: Borrell Associates Inc.

© 2019 Borrell

**FIGURE 2.11 TOTAL U.S. 2019-2025 DIGITAL CONSULTING/  
RESEARCH AND CRM FORECASTS** IN \$ BILLIONS



Source: Borrell Associates Inc.

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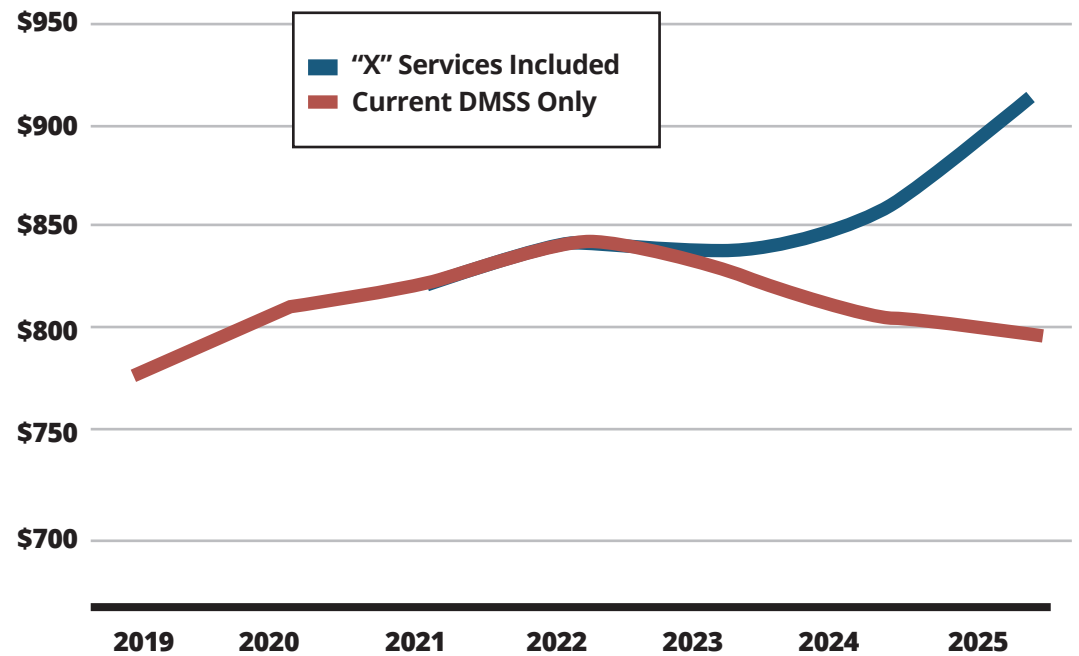
### The Future of Digital Marketing Services

Our estimates on what businesses spend on all of these services is limited by what we can currently measure among the six different categories and 19 subcategories we've identified. These may not be the only services out there, but they have – so far, at least – been the only types of digital marketing “support” expenditures that meet two baseline criteria:

- U.S. total sales levels exceeding \$200 million
- Use among a measurable number of U.S. business units

While our forecasts indicate a slight decline for these services between 2020 and 2025, we aren't taking into account services that may not exist. Our belief is that another service will arise that causes digital marketing services expenditures to increase 12.6% over this five-year period, to more than \$900 billion (see Fig. 2.12).

**FIGURE 2.12 FORECAST TOTAL U.S. DIGITAL MARKETING SERVICES SPENDING, 2019-2025 – WITH AND WITHOUT “X” SERVICES** IN \$ BILLIONS



Source: Borrell Associates Inc.

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The forecast in Figure 2.12 was made in two parts. First, overall spending was forecast, resulting in the blue trendline. Then, a second trend was computed, using the aggregated totals of only those services currently identified, represented by the red line. The resulting gap is the “X” services factor.

What do these services look like? This can't be known right now, since they have yet had any discernible impact on expenditures. Some have not yet been released, and some may not yet be developed. Some areas to look for them may be:

- **Consumer purchase path analysis.** Tools that can help digital marketers find and monitor the journey consumers take from identification of need to deciding on where to buy and how much to spend have been theorized for decades, but were impossible to realize until megadata and better analytical tools made them actual possibilities. If developed, such tools could revolutionize the way marketing for every product and service is done.
- **Artificial Reality.** As pictures overtake the printed word as the basis for marketing, the ability to present potential customers with an augmented reality that includes a product or service should become useful.
- **Geographic Analysis.** Consumer markets are not homogeneous. People in different places have differing needs and preferences. Knowing these differences will allow marketers to place their products and services more effectively.

These are a few possibilities. Many more certainly exist. Somewhere, in R&D facilities around the nation, these concepts and more are under feverish development by corps of programmers and designers. Future Borrell reports will track their introduction and visibility.

For local businesses, digital marketing services isn't a budget line item, as office equipment or travel expenses might be. In fact, a research panel we conducted in September 2019 indicates that total costs are likely to be at least six figures for many businesses, and that business owners haven't added it up yet.

Marketing costs are occluded by what we'll call marketing task creep – a phenomenon caused by the allure of social marketing, the technological ability of businesses to manage their own media channels, and preference to spread small tasks among existing staffers. With everyone sitting in front of a computer, marketing responsibilities can easily be parsed to administrative, sales, or tech staff – often without coordination.

A staffer who does other things may be tasked with monitoring reviews and responding.

**"Internal person handles the task, but it's only a small portion of regular responsibilities."**

An office manager may be in charge of posting new sales promotions on Facebook.

**"Office Manager takes care of our Facebook page. That's all we have out there."**

The IT guy might be tasked with SEO or creating website pages.

**"We have a staff member managing SEO internally with site improvements, local listings, etc."**

*Comments from local ad-buyers in Borrell's September 2019 Digital Services survey.*

While these are mostly tasks, they're often assigned by managers who have little marketing experience to underlings who have no marketing experience whatsoever. In 2018 and 2019 we surveyed 6,148 local business managers who made marketing decisions for their companies and found that 54% were marketing novices. So, roughly half of all business managers making marketing decisions have little experience at the task at hand.

We wondered how it all added up, and how effective the staff might be compared with outside contractors. Our September 2019 panel of local marketers gauged internal and external costs of digital marketing services, as well as how effective each might be. We received 142 responses that offer unique insights. The key findings:

- Of seven common digital marketing functions, panelists were the most likely to spend time or money on social media management (89% said they were doing this) and least likely to spend time or money on online video production (41%).
- Social media management, reputation management, and email management are more likely to be assigned to internal staffers.
- Those who use third parties rate the third party's effectiveness higher than their internal skill. SEO and web design/development particularly skew towards third parties being more effective.
- On average, each of these marketing tasks amounts to \$15,000 to \$29,000 of annual expense, or up to \$203,000 annually for a business using all seven marketing methods. The average costs are \$10,000 to \$21,000 for internal, and \$5,000 to \$13,000 for third parties. That equates to about a 70-30 split between internal and third-party costs.

The next pages offer insights on how panelists manage each of the seven marketing tasks. Note that these responses pertain only to panelists who are using each service.

<sup>2</sup>Our panel of local businesses participated in monthly topical surveys. The September 2019 survey was about costs and effectiveness of digital marketing services. We received 142 completed surveys.

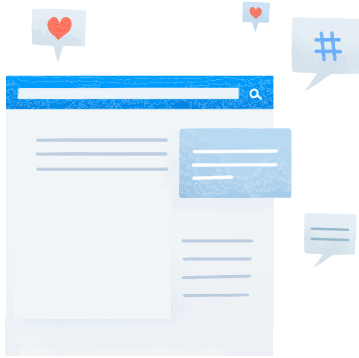
<sup>3</sup>We calculate expertise by asking survey respondents how many hours per week they spend on marketing tasks and how many years they've been doing it; we base experience levels on the theory that 10,000 or more lifetime hours conducting a task equates to mastery, 3,333 to 9,999 hours equates an apprentice, and less than 3,333 hours equates to novice.

# SOCIAL MEDIA MANAGEMENT

INVEST RESOURCES ON  
SOCIAL MEDIA MANAGEMENT

89%

## WHO DOES THE WORK?



USE THIRD PARTIES

44%

USE INTERNAL RESOURCES

97%

USE THIRD PARTIES  
ONLY

4%

USE BOTH INTERNAL  
& EXTERNAL

40%

USE INTERNAL  
RESOURCES ONLY

57%

## COSTS

### AVERAGE SPENT

Third Parties	\$6,600
Internal Resources*	\$20,500
<b>Total Annual Spend</b>	<b>\$27,100</b>

**IN SOME CASES, THERE'S A TEAM OF SOCIAL MEDIA PERSONNEL**

*"We have a staff of three employees that provide content, run ads and deploy everything for social. Then we also have designers and writers that design and write the ads."*

## EFFECTIVENESS

### (5-PT SCALE) AVERAGE RATING

Third Parties	3.15
Internal Resources	3.02

**IN OTHER CASES, IT'S JUST A SMALL PART OF A POSITION'S DUTIES**

*"Office Manager takes care of our Facebook page... that's all we have out there."*

 **8.4**

### AVERAGE HOURS SPENT PER WEEK INTERNALLY

\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "public relations specialist" of \$32.90/hour.

**SOCIAL MEDIA IS OFTEN MANAGED IN PARTNERSHIP WITH AN OUTSIDE SOURCE**

*"We contract with a company that is supposed to create ads and make strategic placements on Facebook or us. We also do our own posting on Facebook regularly and do occasional Twitter and Instagram posts."*

Source: September 2019 Borrell SMB Panel Survey, n=142;  
\*Among those who invest in Social Media Management n=127

## WEB DESIGN & DEVELOPMENT

INVEST RESOURCES ON  
WEB DESIGN & DEVELOPMENT

84%

### WHO DOES THE WORK?

USE THIRD PARTIES  
75%

USE INTERNAL RESOURCES  
82%

USE THIRD PARTIES  
ONLY  
18%

USE BOTH INTERNAL  
& EXTERNAL  
57%

USE INTERNAL  
RESOURCES ONLY  
25%



### COSTS

#### AVERAGE SPENT

Third Parties	\$11,200
Internal Resources*	\$18,000
<b>Total Annual Spend</b>	<b>\$29,200</b>

#### SOME WORK ON IT ALL IN-HOUSE

*"We work on our website in-house. We have a coordinator that is technologically sound and handles SEO, framework, planning, etc. — and designers that create the visual side of the websites."*

### EFFECTIVENESS

#### (5-PT SCALE) AVERAGE RATING

Third Parties	3.47
Internal Resources	2.95

#### BUT WHEN UNDERGOING A REDESIGN, OFTEN AGENCIES ARE BROUGHT IN

*"We just revamped our website and saw a significant jump in analytics. I did most of the content and an outside vendor did the redesign and... maintenance."*

 **9.8**

#### AVERAGE HOURS SPENT PER WEEK INTERNALLY

\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "web developer" of \$36.34/hour.

#### TECHNICAL ASPECTS MAY BE OUTSOURCED WHILE UPDATES ARE HANDLED INTERNALLY

*"We use a third-party vendor for coding aspects and our internal employees for simple updating and adding content."*

Source: September 2019 Borrell SMB Panel Survey, n=142;  
\*Among those who invest in web design/development n=119

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## EMAIL MANAGEMENT

INVEST RESOURCES ON  
EMAIL MANAGEMENT

64%



### WHO DOES THE WORK?

USE THIRD PARTIES

63%

USE INTERNAL RESOURCES

90%

USE THIRD PARTIES  
ONLY

11%

USE BOTH INTERNAL  
& EXTERNAL

52%

USE INTERNAL  
RESOURCES ONLY

38%

### COSTS

#### AVERAGE SPENT

Third Parties	\$7,900
Internal Resources*	\$20,400
<b>Total Annual Spend</b>	<b>\$28,399</b>

**SOME PREFER THE IT DEPT.  
HANDLE IT ALL**

*"Everything to do with email and communications is handled by our in-house IT dept."*

### EFFECTIVENESS

#### (5-PT SCALE) AVERAGE RATING

Third Parties	3.41
Internal Resources	3.34

 **8.5**

#### AVERAGE HOURS SPENT PER WEEK INTERNALLY

\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "database administrator" of \$44.25/hour.

**OTHERS LET EACH DEPT HANDLE  
THEIR OWN PROCESS**

*"Individuals departments manage own external campaigns using a variety of methods."*

**SOME AUTOMATE/OFF-LOAD  
AS MUCH AS THEY CAN**

*"We rely on Intercom for our live chat, drip emails, feature/product announcements and personalized service for our customers and leads."*

Source: September 2019  
Borrell SMB Panel Survey, n=142;  
\*Among those who invest in  
Email Management n=91

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# REPUTATION MANAGEMENT

INVEST RESOURCES ON  
REPUTATION MANAGEMENT

58%

## WHO DOES THE WORK?



USE THIRD PARTIES  
39%

USE INTERNAL RESOURCES  
92%

USE THIRD PARTIES  
ONLY  
9%

USE BOTH INTERNAL  
& EXTERNAL  
30%

USE INTERNAL  
RESOURCES ONLY  
62%

## COSTS

### AVERAGE SPENT

Third Parties	\$5,100
Internal Resources*	\$13,600
<b>Total Annual Spend</b>	<b>\$18,700</b>

### REPUTATION IS TOP PRIORITY FOR SOME CEOs

*"The CEO personally addresses and responds to most online reviews."*

## EFFECTIVENESS

### (5-PT SCALE) AVERAGE RATING

Third Parties	3.50
Internal Resources	3.17

 **5.6**

### AVERAGE HOURS SPENT PER WEEK INTERNALLY

\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "public relations specialist" of \$32.90/hour.

### MANY SMBs ASK FOR CUSTOMERS' REVIEWS & GET NOTIFIED OF NEW MENTIONS

*"We track all sites and are signed up to get notices when reviews are posted. We review and respond. We also drive reviews by asking customers to leave feedback."*

### THIRD PARTIES HELP AUTOMATE REQUESTING REVIEWS

*"We use DemandForce to automate requesting reviews and responding to those reviews. Then for other review sites, we manually handle reviews."*

Source: September 2019  
Borrell SMB Panel Survey, n=142;  
\*Among those who invest in  
reputation management n=83

# SEARCH ENGINE OPTIMIZATION

INVEST RESOURCES ON  
SEARCH ENGINE OPTIMIZATION

**57%**

## WHO DOES THE WORK?



USE THIRD PARTIES

**64%**

USE INTERNAL RESOURCES

**75%**

USE THIRD PARTIES  
ONLY

**24%**

USE BOTH INTERNAL  
& EXTERNAL

**40%**

USE INTERNAL  
RESOURCES ONLY

**35%**

## COSTS

### AVERAGE SPENT

Third Parties	\$9,700
Internal Resources*	\$12,400
<b>Total Annual Spend</b>	<b>\$22,100</b>

### CONTRACTORS CAN KEEP EFFORTS TOP OF MIND

*"Our contractor works with goals set by internal staff to drive traffic to designated actions. We track cost per click and work collaboratively to make adjustments."*

## EFFECTIVENESS

### (5-PT SCALE) AVERAGE RATING

Third Parties	3.44
Internal Resources	2.82

 **6.3**

### AVERAGE HOURS SPENT PER WEEK INTERNALLY

\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "marketing specialist" of \$34.11/hour.

### INTERNAL EFFORTS TEND TO PEAK & VALLEY

*"We do a really poor job at this. Communications team tries to stay on top of it, but it falls to wayside often. When a website is created or designed it gets a lot of attention, but not much after that."*

### TRANSPARENCY IS A CONCERN WHEN USING THIRD PARTIES

*"We were using an outside agency, but we were being overcharged for the work being done. We are now doing it internally and are able to control the amount we spend."*

Source: September 2019 Borrell SMB Panel Survey, n=142; \*Among those who invest in SEO n=81

## LISTINGS CLAIMINGS

INVEST RESOURCES TO  
CLAIM/MANAGE ONLINE LISTINGS

51%

### WHO DOES THE WORK?

USE THIRD PARTIES

42%

USE INTERNAL RESOURCES

86%

USE THIRD PARTIES  
ONLY

14%

USE BOTH INTERNAL  
& EXTERNAL

28%

USE INTERNAL  
RESOURCES ONLY

58%



### COSTS

#### AVERAGE SPENT

Third Parties	\$4,700
Internal Resources*	\$10,300
<b>Total Annual Spend</b>	<b>\$15,000</b>

**SMALL BUSINESSES MAY BE ABLE TO ACHIEVE LISTINGS UPDATES IN SMALL AMOUNTS OF TIME**

*"All in house, we are a small business and mostly targeting a very local area, so one person can handle all of this with very few hours."*

### EFFECTIVENESS

#### (5-PT SCALE) AVERAGE RATING

Third Parties	3.32
Internal Resources	3.10

 **3.5**

#### AVERAGE HOURS SPENT PER WEEK INTERNALLY

\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "marketing specialist" of \$34.11/hour.

**LISTINGS CLAIMINGS ARE NOT TOP-OF-MIND & DONE ON AN AS-NEEDED BASIS**

*"We occasionally accept someone's offer to do a web audit for listings. Then we use that listing provided and go through and manually clean up our directory listings."*

**LISTINGS MAY BE BUNDLED IN WITH OTHER OUTSOURCED MARKETING SERVICES**

*"Small business, two owners with skills but NO TIME to do this function so we outsourced to external company who also maintains our website."*

Source: September 2019 Borrell SMB Panel Survey, n=142;  
\*Among those who invest in Listings Claiming n=72

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# ONLINE VIDEO PRODUCTION

INVEST RESOURCES TO  
PRODUCE ONLINE VIDEOS

41%

## WHO DOES THE WORK?

USE THIRD PARTIES

71%

USE INTERNAL RESOURCES

78%

USE THIRD PARTIES  
ONLY

23%

USE BOTH INTERNAL  
& EXTERNAL

48%

USE INTERNAL  
RESOURCES ONLY

30%



## COSTS

### AVERAGE SPENT

Third Parties	\$12,600
Internal Resources*	\$13,500
<b>Total Annual Spend</b>	<b>\$26,100</b>

SMALL BUSINESSES OFTEN  
CREATE THEIR OWN  
CONTENT WITH APPS

*"I do several videos each month using the app 'Biteable' and they serve our purposes quite well."*

## EFFECTIVENESS

### (5-PT SCALE) AVERAGE RATING

Third Parties	3.50
Internal Resources	3.04

SMALL BUSINESSES OFTEN  
CREATE THEIR OWN  
CONTENT WITH APPS

*"We use Screencast-o-Matic to create tutorial videos using their free screen recorder."*

 **6.0**

### AVERAGE HOURS SPENT PER WEEK INTERNALLY

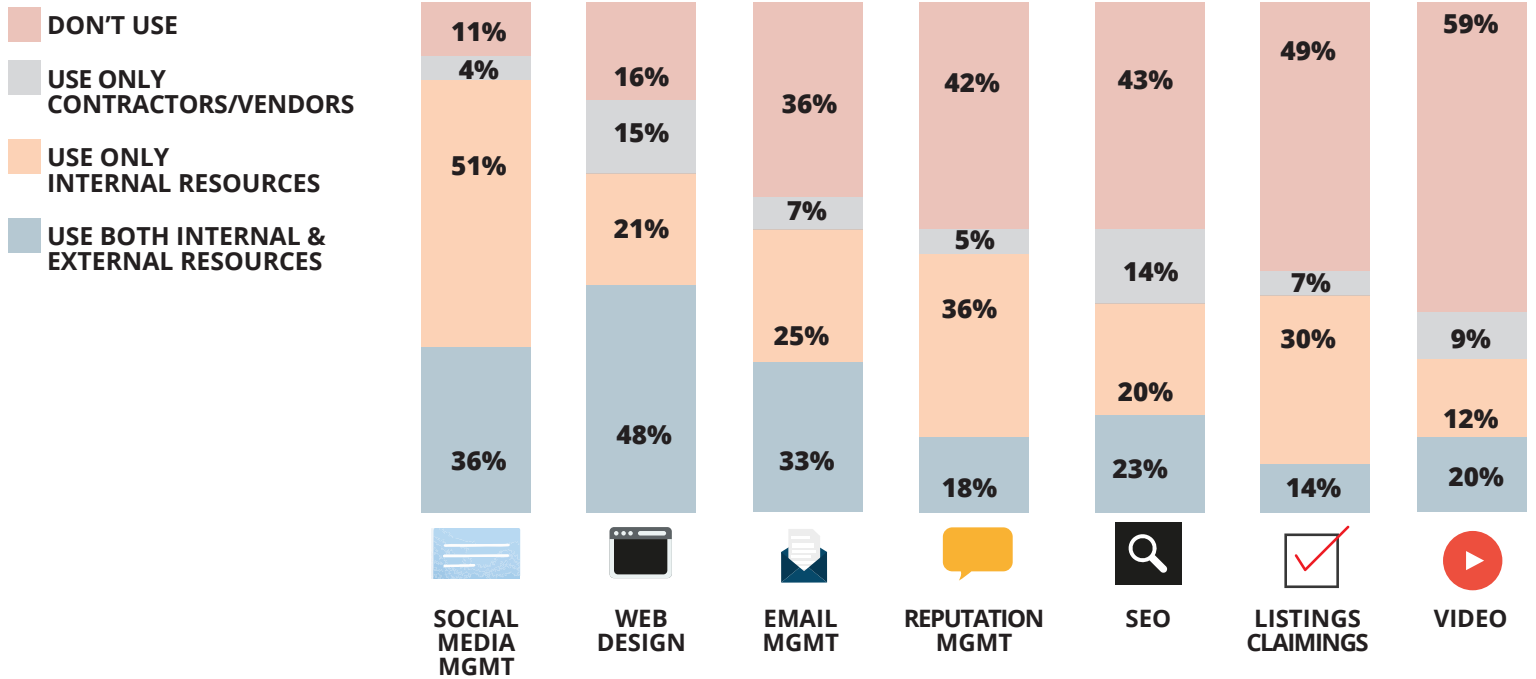
\*Internal resources are estimated based on either salary of dedicated person or estimated hours per week calculated out for a year and using BLS national wage estimates for "film and video editor" of \$41.75/hour.

CREATIVE & SPARING USES  
OF CONTRACTORS CAN YEILD  
GOOD RESULTS

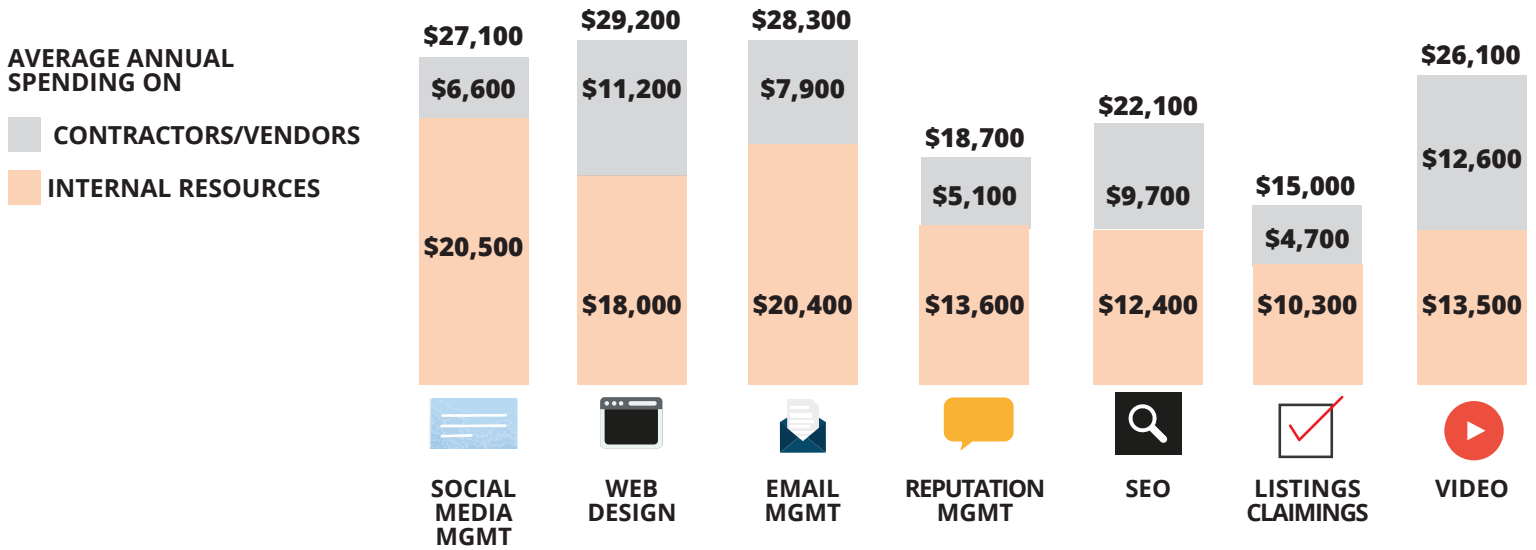
*"We contract with a one-man production company a few times a year, but the results are wonderful! Recently we did volunteer work and the videographer turned it into several 1-minute clips to post on our website and social media."*

Source: September 2019  
Borrell SMB Panel Survey, n=142;  
\*Among those who invest in  
Online Video Production n=58

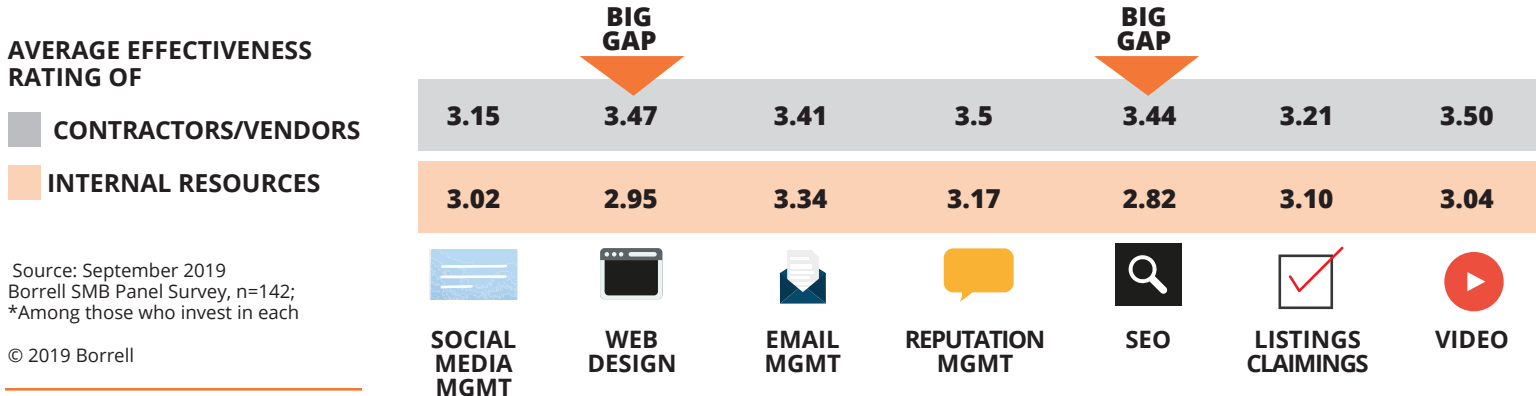
# HOW LOCAL BUSINESSES GET THE JOB DONE



## SPENDING LEVELS (AMONG THOSE DOING IT)



## EFFECTIVENESS



Source: September 2019 Borrell SMB Panel Survey, n=142; \*Among those who invest in each

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The Internet has given businesses the ability to manage their own direct-to-market medium. Exciting as that may sound, it comes with a price, as any media company can attest. It takes money and expertise to create content, correct mistakes, build an audience, and stay competitive – and do it all on a regular schedule.

Tasks started out small at first – a few thousand dollars to set up a website or pay someone for better Google rankings. Then feature creep set in. Today, digital marketing could cost even the smallest of businesses tens of thousands to hundreds of thousands of dollars per year. Worse, businesses are probably unaware of the true costs and thus haven't accurately figured out the ROI of all that time their staff is spending posting updates across multiple platforms, pushing out customer emails, and keeping an eye on Twitter, Facebook, Yelp, and Google results. When we conducted our September 2019 panel survey, we used respondents' estimates of staff time and hard costs to calculate the real cost of marketing services for them. Many thanked us and said they had never totaled up the costs themselves. Digital services have become an integral part of marketing and advertising. Yet basic tasks such as SEO and updating a website are often put in the hands of tech staffers without consideration of overall marketing initiatives, especially for smaller local businesses.

Because they've become so intertwined with the way today's businesses market themselves, we believe the myriad of providers will continue to leverage their positions by offering broader arrays of services. Media companies that sell advertising have vastly expanded their digital-service offerings, as have ad agencies. Website design companies and SEO providers have crossed into social media management, reputation management, listings claiming, and video production. It's become a zoo, with agency, media, and martech animals breaking out of their cages to snack on each other's food.

Finally, we foresee a new class of provider further intensifying the competition for services: Experts in Amazon marketing. Amazon's new advertising and marketing toolsets allow for easier access to the company's enormous audience of daily buyers, making it possible for a local hardware store to put its inventory in front of anyone wanting to build a deck or buy a hammer. Our next class of digital marketing services could very well be "Amazon marketing management."

# ABOUT BORRELL




**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. and Canada, down to the county 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. 

## 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](http://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](http://www.adspending.com).



### Local Advertiser Surveys

Each year, Borrell Associates conducts the largest survey of local advertisers in the U.S. This is done with the help of local media organizations throughout the country. Last year, more than 3,000 local advertisers completed the survey.

The survey consists of 25-45 questions (depending on how the recipient answers) about advertising, marketing, and digital services. It takes 20 minutes to complete. In addition to general questions regarding business size and type, the survey covers:

- What % of budget spent on each medium (newspapers, TV, radio, etc.). More than 30 categories are measured.
- Plans to change (increase, keep the same, or decrease) spending this year on the following media (newspapers, broadcast TV, radio, online, direct mail, etc.)
- Social media use and effectiveness.
- Details on video advertising
- Separate thread for ad agencies to take



### Industry Papers and Subscriptions

We release a variety of analysis-rich industry papers and memoranda throughout the year. These papers are published several times a year 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
- Digital Marketing Services Outlook
- Political Ad Spending Forecast

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

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



### Revenue Survey

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



### Conference & Company Presentations

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

### Webinars

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

