

THE WIN OF GOING LOCAL

National Advertisers Increasing
Investment in Local Activation



Contents

Executive Summary	1
Why National Brands Are Increasing Local Activation	2
The Impact of Increasing Ad Investment	5
Cross-Platform: Magazine and Digital Advertising Value Propositions.....	7
High Level of Commitment to Local Activation	8
National Going Local Case Studies	10
Key Takeaways.....	12
About MediaMax	13
About BIA/Kelsey	13

Figures

Figure 1. National Advertisers Increasing Investment in Local Activation	6
Figure 2. Magazine Media 360°, 2015 Full Year Average Performance	8
Figure 3. Average Percentage of Marketing Costs Paid by Franchisor.....	9


**BIA/Kelsey
forecasts
national brand
marketers
will increase
spending
on local
activation
by more than**
\$17
Billion




Executive Summary

National brands are rediscovering that localizing their campaigns allows them to deliver offers and creative messaging to their target segments with greater precision and higher return on investment than through national campaigns alone. Today's consumers have a greater sense of their local communities and expect brands to be more aware of whom they are before they engage further with those brands. Marketers are designing marketing to embrace local consumers in both online and offline touchpoints by melding traditional media like print magazines with digital activations.

There are some interesting numbers behind national brands' assessments of the effectiveness of targeting local audiences. Between 2015 and 2021, BIA/Kelsey forecasts national brand marketers will increase spending on local activation by more than \$17 billion.

In this report, we highlight ad spending forecasts for different media and business categories and examine the special case of magazine print and digital advertising.

BIA/Kelsey research reveals numerous benefits of national brands using local activation in print magazines and digital:

- ✓ Brand campaigns at the national level with geo-targeted engagement strategies extend connections to the brand experience for consumers with local retailers and outlets where they do most of their purchasing.
- ✓ Print magazine combined with digital advertising has an impact on consumers at different parts of their purchase journey and extends brand messaging beyond what one platform can deliver. Digital campaigns can use contextual and demographic targeting for mobile, video or rich media display formats.
- ✓ The combination of AdTech and match platforms allow brands to achieve greater flexibility in localizing, personalizing and activating campaigns at scale for state-level or DMA targeting. For some media properties, sub-DMA or hyperlocal targeting is available.
- ✓ Programmatic exchanges with first-, second- and third-party data empower effective and efficient geo-targeting of specific audience segments in local markets.

Why National Brands Are Increasing Local Activation

One size does not fit all, and today's consumers expect more relevance and personalization from brands. An emerging force is how consumers are developing a greater sense of community and local context in their daily lives. National brand marketers are seeking stronger bonds with consumers. Based on consumer research, new applications of data science and different views of the relative contributions of national and local marketing, they are building new insights about these attitudes and values into campaign planning and execution.

Local activation is becoming a bigger factor both in national brands' total media spending and in their growth strategies for driving incremental revenue. National brands are rediscovering the benefits of local activation as competition heats up and they explore different avenues for growth. National brand campaigns are foundational, but increasingly chief marketing officers see that localized campaigns provide higher overall ROI.

Localized media campaigns can help national brands drive higher growth by:

- Telling them which local stores carry the brands advertised.
- Tying national brand campaigns to local merchants' brand and incremental marketing investment with market development funds, co-op programs and other brand-retailer marketing partnerships.
- Analyzing regional and local differences in demand and adjusting media strategies to target these consumers with messaging to address soft demand.
- Launching brands and store openings in new markets.

Brand marketers are GOING FAR BEYOND just helping consumers find where to go locally to enjoy their favorite brands. The bar now is set to where brands need to "FEEL MORE LOCAL" to consumers to drive HIGHER FAVORABILITY AND ENGAGEMENT.

“Over the past five years, 45% of consumer packaged goods categories had flat or declining sales. New, smaller retail formats, aggressive competition and consumer rejection of a ‘one size fits all’ mentality are leading manufacturers and retailers in search of alternative growth strategies, and many are turning to localization.” (Nielsen, “Localization: Mapping Hidden Pockets of Opportunity,” June 26, 2015)

Brand strategists and media planners are finding what Nielsen calls “hidden pockets of opportunity” in localizing media campaigns to target consumers where they live and work. To find these pockets of opportunity and achieve growth, companies like Coca-Cola and Meijer recommend three steps: **(1)** understand differences in consumer behaviors at the product level; **(2)** assess geographic differences in product demand to see where localization can pay off; and **(3)** target households in these local markets that fit the strategic consumer profiles in media activations.

“ National brand marketing executives expect the ROI of local marketing expenditures to be higher than that of a national campaign ”

According to recent research, about half of national brand marketing executives expect the ROI of local marketing expenditures to be higher than that of a national campaign (Ballyhoo and GatePoint Research). This number has been growing. Even the simple localization campaign element of informing consumers where they can go locally to purchase their products is deemed “very important or critical” by two-thirds of these marketing executives.

Brands want to be genuine in their marketing. As consumers develop a greater sense of community and “localism,” brands should show that they understand differences between consumers’ lifestyles, attitudes and expectations in approaching consumers. Campaign elements that work in Detroit, for example, may be less effective in Dallas. And just going with a national-only campaign may not develop the full brand engagement that local activations bring.

National brand marketers and agencies used to invest more in understanding the benefits of localized marketing but have moved away from these practices.

BIA/Kelsey’s Maribeth Papuga, former executive vice president of local activation at MediaVest, argues: “Local literacy skills are in steep decline among marketers and agencies. Consumers have a growing sense of localism, and marketers need to key into this in their campaigns to achieve a level of genuineness. They fail to do so at their peril.”

One of the reasons that national marketers moved out of local is the cost and complexity of managing local activations at scale. But recent technologies and workflows have dramatically increased the efficiencies and effectiveness of localized marketing.

THE GOOD NEWS for national brands is that the marketplace is now offering MEDIA INVENTORY THAT CAN BE LOCALIZED even in channels like national magazine titles. Advances in data management platforms, programmatic exchanges, and ad operations workflows ALLOW NATIONAL BRANDS TO DO LOCAL AT SCALE to reach customized audience segments.

“

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The Impact of Increasing Ad Investment

Given the success national brands have been having with local activations, we would expect to see some shifts in their spending. And, indeed, we do see this.

Between 2015 and 2021, BIA/Kelsey estimates national brand marketers will increase spending in local activation by more than \$17 billion.

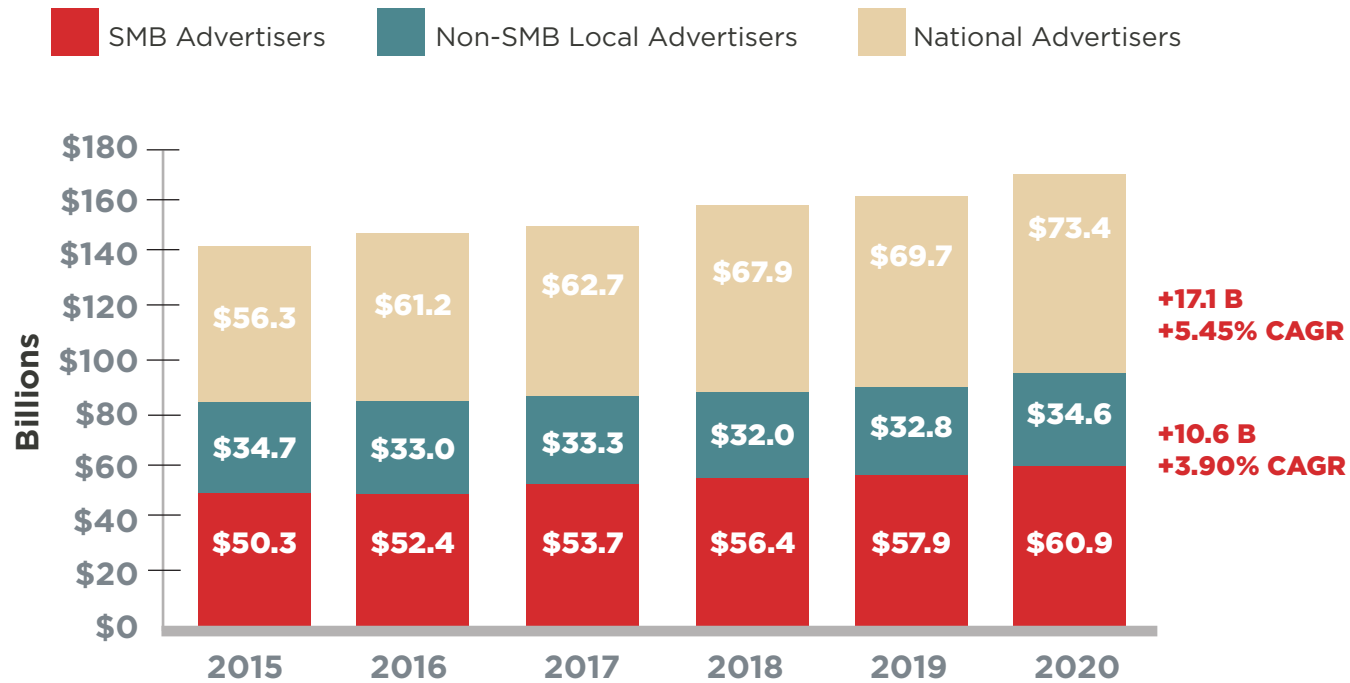
**\$174.9
Billion
by 2021**

BIA/Kelsey's 2017 U.S. Local Advertising Forecast shows that paid advertising to reach local audiences across 16 major media platforms will grow to \$174.9 billion by 2021.

In the chart on the next page, we compare three types of advertisers: national advertisers, non-SMB local advertisers (i.e., middle-sized regional businesses that are bigger than local SMBs but not national in scale) and SMB (small and medium-sized business) advertisers. National brands are the biggest investors in media to reach local audiences. That investment also is growing fast.



Figure 1. National Advertisers Increasing Investment in Local Activation



Marketers will increase their spending in digital by \$32 billion in geo-targeted mobile advertising, reaching a total of 45 percent of total mobile advertising dollars by 2021.



Cross-Platform: Magazine and Digital Advertising Value Propositions

Both consumers and advertisers have different use cases for various media platforms. Print offers readers a distinctive experience that translates into diverse outcomes for advertisers.

For example, here are some research highlights for magazines:

- BIA/Kelsey's annual survey of SMBs, many of which are associated with national brands, found that 18.5% of these businesses use magazine advertising in their mix.
- More than half (54.6%) of these SMBs rated the ROI on magazine advertising as at least a factor of 5x.
- More than a quarter (27.5%) of SMB magazine advertisers said the ROI was 10x or higher. In fact, more than 40% of SMBs plan to increase magazine spending in the next 12 months. (BIA/Kelsey, 2017).

Print and magazine advertising offers various other benefits as well:

- Print advertising is associated with “greater increases in brand awareness, favorability and purchase intent” than online or TV advertising (Millward Brown Digital, 2007-2015).
- Field studies from 2004 to 2015 measured Return on Ad Spend (ROAS) across media. Magazines led ROI at \$3.94 versus \$1.53 for digital video as the low-end performer in this study. (Nielsen Catalina Solutions, 2016).

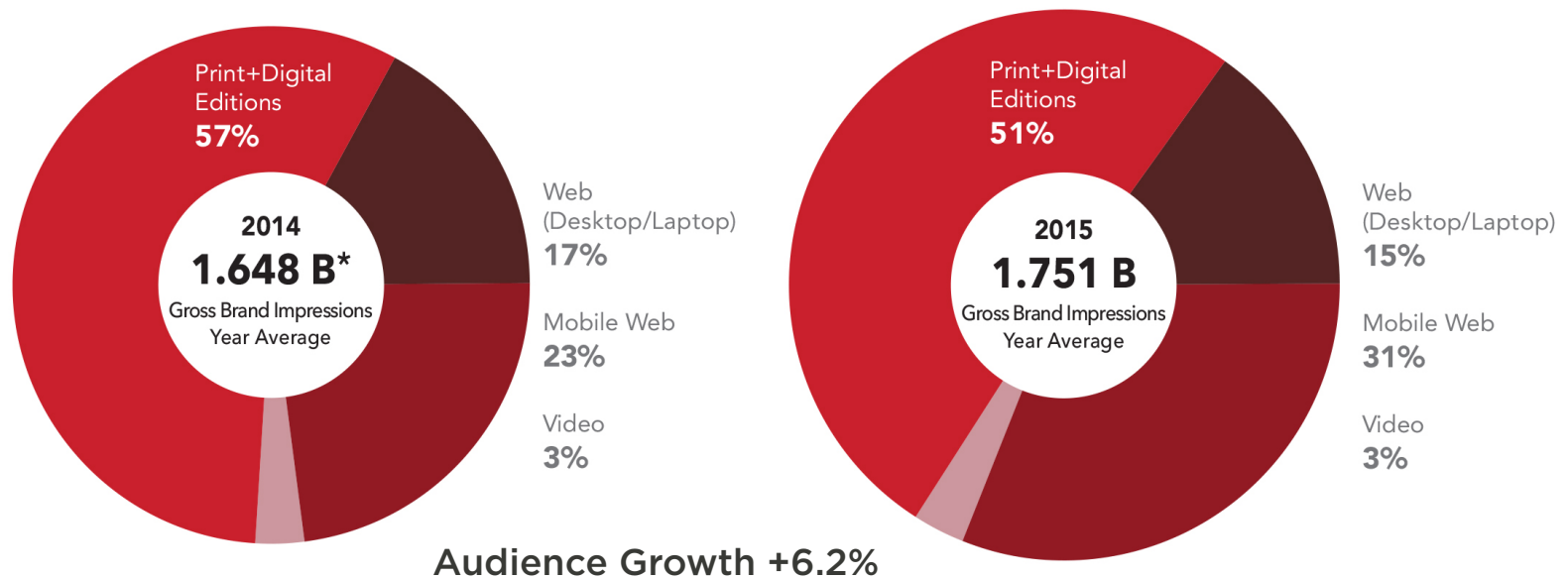
Research highlighted by the Association for Magazine Media from various sources indicates that magazine readers are word-of-mouth leaders and that magazine ads work better because reading on paper is slower and deeper and readers remember more.

Magazines are becoming cross-platform experiences for their readership. Digital editions, access via the mobile web. Audiences for magazines on their video platforms have been increasing.

Audiences for traditional media, including TV, radio and newspapers, expect to find their favorite content in online and mobile channels. This trend affects magazine audiences too as we show on the next chart.



Figure 2. Magazine Media 360°, 2015 Full Year Average Performance



Sources: Print+Digital Editions GfK MRI's Survey of the American Consumer® Print+Digital Fall 2015 and Fall 2014, GfK MRI's Survey of the American Consumer® Print+Digital DoubleBase 2015 and 2014, GfK MRI Accessed Prototype, GfK MRI's Teenmark® or 2015 and 2014 Ipsos Affluent Survey USA (Print only). Web (Desktop/Laptop) comScore Media Metrix® or Nielsen NetView; unique visitors; Jan.–Dec. 2015 and Jan.–Dec. 2014; U.S. Mobile Web comScore Mobile Metrix or Nielsen Mobile NetView 3.0; unique visitors; Jan.–Dec. 2015 and Jan.–Dec. 2014; U.S. Video comScore Video Metrix or Nielsen VideoCensus; unique viewers; Jan.–Dec. 2015 and Jan.–Dec. 2014; U.S.

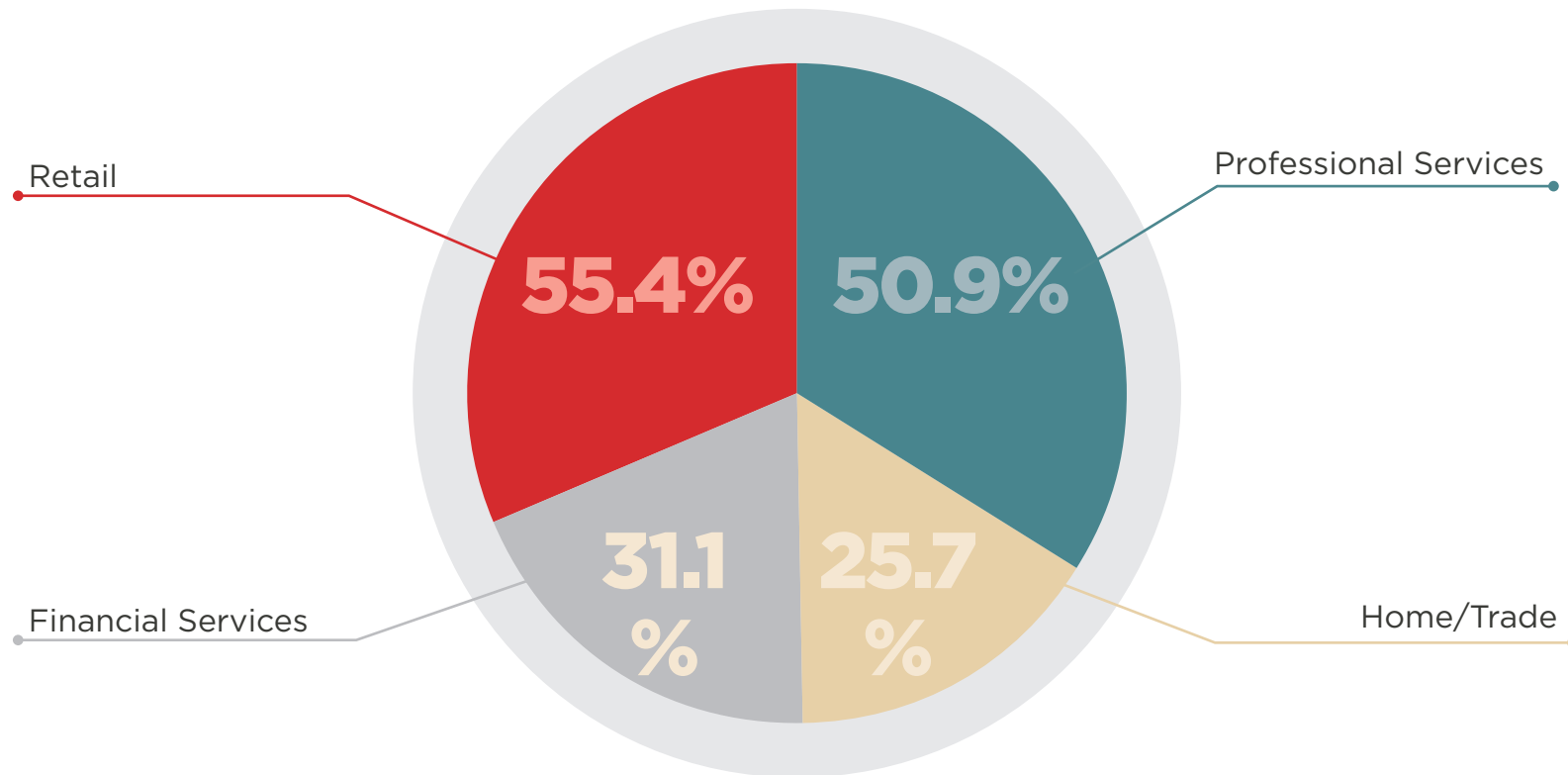
HIGH LEVEL OF COMMITMENT TO LOCAL ACTIVATION

As brands seek to bridge online and offline experiences with omni-channel strategies and unify the brand experience in all consumer touchpoints, the new localism we have been discussing can help differentiate and deepen the brand experience for consumers. When executed correctly, local activations by brands can drive stronger results in brand KPIs.

In BIA/Kelsey's annual survey of SMBs, we ask what percentage of the marketing costs these businesses incur is paid for by their franchisors. Overall, 19% of the 1,000 SMBs we interviewed identified themselves as operating as a "business franchisee or licensee." In the following chart, we break out the different levels of marketing investment brands make in these local businesses. **Professional services and retail SMB franchisees had more than half of their marketing costs paid by their brands, showing a high level of commitment to local activation.** Home/trade and financial services SMB franchisees have less than a third of their marketing costs paid by their brands.

Figure 3. High Level of Commitment to Local Activation

Average percentage of marketing costs paid by franchisor



(Source: BIA/Kelsey, 2016)

In the following section, we highlight case studies from a couple of recent BIA/Kelsey GOLOCAL Award winners to showcase the kinds of successes national brands are achieving in local marketing.



case study



Case Study One: How Digital Didn't Leave Consumers Sleepy

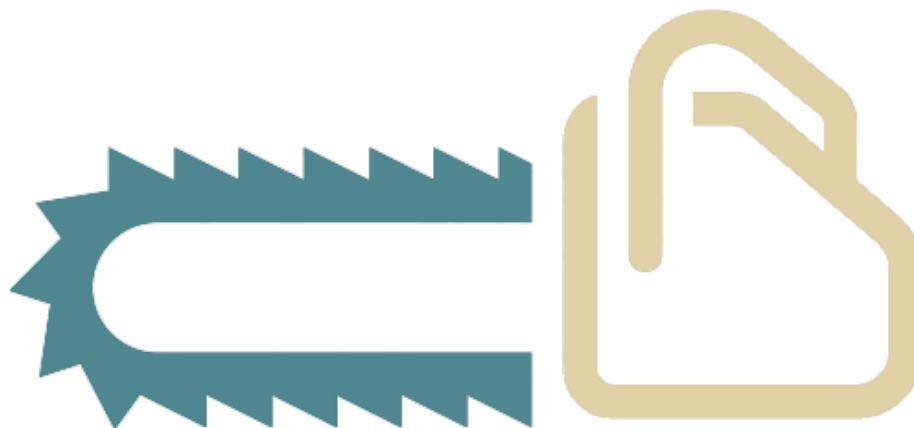
Challenge: Brands and multi-location retailers must constantly respond to evolving preferences and the digital habits of their customers. For a Labor Day promotion, Serta wanted to drive local market sales through co-op marketing programs and worked with Netsertive, its localization platform partner for its National Offer campaign in 2015.

Solution: To improve local retailer discovery, 380 Serta retailers (641 storefronts) were armed with localized, brand-compliant digital marketing campaigns and centralized support to ensure that they were showing up when and where local mattress buyers were looking to buy. All 641 campaigns included a mix of co-branded, localized search engine marketing and display advertising containing Serta's holiday sale messaging.

Results: Serta generated and distributed dynamic landing pages that were built to deliver brand-approved messaging and special Labor Day offers directly through local businesses' existing websites. The technology automated turnkey digital campaigns with advanced ad placement and customer re-targeting. More than 72 million ad impressions were delivered, with 87,000 customers clicking through to retailers' websites for an 8% conversion rate. Average sales growth can be difficult to measure because not all retailers reported their results. It is critical to collect, analyze and share intelligence about the digital presence (reviews, likes, website performance) of storefronts.

The Tipoff from Serta: Data sharing is key. Brands can win in local when they arm retailers with hands-on information about their local digital presence and provide efficient mechanisms to develop and execute localized, brand-compliant digital marketing campaigns.

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**case
study**



Case Study Two: Powering Up Video to Increase Dealer Engagement

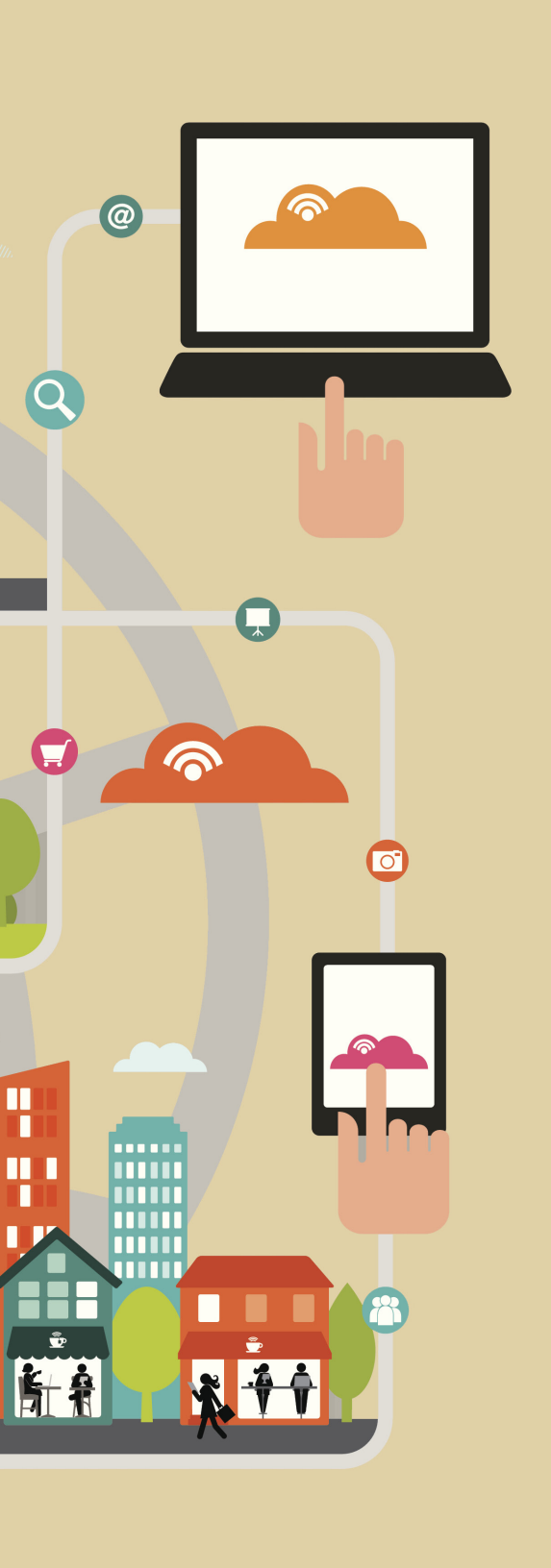
Challenge: : STIHL wanted to connect with new potential customers and encourage users to engage with their local dealers online or in-store.

Solution: STIHL's localization platform partner, PowerChord, created local product relationships with 800 dealers in the U.S. using a YouTube First Watch position campaign and pre-roll video. The video messages consistently emphasized dealer relationship, making destinations of local retail outlets, instead of connecting with STIHL directly.

Results: The high impact "Get your own STIHL power" messaging flowed through the re-marketing banner ads and landing pages. The campaign was live nationwide for all distributor regions, and it used high impact video ads in YouTube First Watch premium position, where users show more likelihood to interact. Video campaigns on their own don't typically drive a lot of traffic to websites; however, using re-marketing is key to recapturing users.

The 2016 Fall Digital Drive campaign continues today and has exceeded the KPI benchmarks. The success of the YouTube and re-marketing campaigns encouraged the remaining 10 STIHL distributors to participate.

The Tipoff from STIHL: Expanding re-marketing strategies to use with other channels that are more typically used for brand engagement will increase traffic to local websites. Audio placement ads can be a way to re-target users and send them directly to their local STIHL businesses' website.



Key Takeaways

A few final insights we'll share here deal with trends, brands' local advantages and cross-channel synergies.

Trends for National Brands and Local Activation

Overall, BIA/Kelsey sees five important localization trends among national brand marketers and their agencies that are redefining competition to engage consumers: **(1)** increased spending on targeting local audiences; **(2)** additional campaign integration of traditional and digital media; **(3)** increased demand for campaign optimization solutions bridging online and offline experiences; **(4)** better insights into attribution to inform how to differentiate planning strategies and media buying specific to certain verticals to achieve higher ROI; and **(5)** more recognition that even national magazines enjoy both a high ROI and ROAS in local activations.

Brands Have a Local Advantage

Brands invest a great deal in building equity to be an authority. This equity can scale around specific consumer segments and local points of presence where consumers physically go to shop. When a brand already stands out in the consumer's mind, the brand must "feel local" by adding a layer of "localness" that ties the brand experience to the place the consumer lives. This approach helps drive brand and engagement goals. Brands that study and build strategies with guidance and training around their inherent variability on the local level perform better in terms of consumer engagement, ROI, and ROAS.

Increased Digital Investment

Our final takeaway is that the marketing strategies of national brands are changing with more investment in digital channels, particularly mobile, and a large investment in further localizing their campaigns. We see these trends as table stakes for national brands seeking growth.

About MediaMax

Founded in 2003, MediaMax Network partners with the world's leading media and digital marketing companies to provide geo-targeted print, data, and digital advertising solutions in hundreds of local markets throughout the U.S. and Canada. As the exclusive local advertising partner of Condé Nast, MMN delivers integrated local ad programs to more than 1,000 clients across a wide range of vertical markets including financial services, travel, healthcare, professional services, and more.

MediaMax offers premium local print and digital advertising solutions. Our network includes some of the world's most popular magazines including Wired, The New Yorker, Vogue, GQ, Vanity Fair, Architectural Digest and many others.

www.mediamaxnetwork.com



About BIA/Kelsey

BIA/Kelsey is a market research and analyst firm that focuses on all things local. Local media is an increasingly dynamic area of ad spending, and is quickly evolving with emerging digital platforms like mobile, social and search.

Over the past three decades, BIA/Kelsey has been an authority on these developing technologies as well as their forebears in traditional media, which continue to transform as they likewise compete for local ad dollars and consumer affinity.

Through a growing suite of products that includes research reports, articles, conferences, and client consulting, BIA/Kelsey analyzes the business, financial, social and technology trends affecting local media.

Readers, event attendees, partners and clients are given the inside track on critical data, analysis, and recommendations that are needed to grow and transform in a rapidly evolving marketing and advertising landscape.

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