

U.S. Local Online Video Advertising Market to Reach US\$1.5 Billion by 2012, According to The Kelsey

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SMBs expected to allocate 11.6% of their online budgets to video advertising by 2012, driven in part by compelling consumer adoption and conversion rates.

Princeton, NJ (June 25, 2008) - According to The Kelsey Group's U.S. Local Video Forecast (2007-2012), local online video ad revenues will experience significant growth during the forecast period, increasing from US\$10.9 million in 2007 to US\$1.5 billion by the end of 2012, representing a compound annual growth rate (CAGR) of 167.8 percent. The firm expects video ad products to command 11.6 percent of the online advertising budgets of small and medium-sized businesses (SMBs) by 2012 (CAGR: 124.5 percent).

The forecast reveals that the popularity of online video has trickled down to the local level in the form of SMB video advertising that accompanies local listings and business profiles. Considerable opportunity exists in two growing market segments -- video production companies targeting SMBs (e.g., Mixpo, Spot Runner, SpotMixer, TurnHere) and Yellow Pages publishers adding video to their local sales bundles.

"Publisher sales channels put Internet Yellow Pages in the strongest position to benefit from SMB and user demand for local online video," said Matt Booth, senior vice president and program director for The Kelsey Group's Interactive Local Media practice. "At the same time, local video growth will hinge upon IYP execution of sales and video networks' distributed production and fulfillment."

According to the report, the general appeal of video and its simplicity compared with other forms of online advertising are leading to relatively high close rates from deployed sales representatives. This includes new advertisers that are not traditionally sold on Yellow Pages advertising.

Driving SMB adoption of online video advertising are compelling consumer usage and conversion rates. According to The Kelsey Group's User View study (March 2008), 62 percent of consumers surveyed said they had seen an online

video ad, up from 59 percent in 2007. Of those consumers who had seen an ad, 47.3 percent went to a Web site, 19.1 percent requested information about a product or service, 18.2 percent went to a store to check out a product, and 16.9 percent made a purchase.

The Kelsey Group's U.S. Local Video Forecast (2007-2012) is available to clients of the firm's Interactive Local Media advisory service. For additional analyst perspective on this subject, visit The Kelsey Group's Local Media Blog at <http://blog.kelseygroup.com/index.php/category/video/>.

About User View

User View is The Kelsey Group's proprietary user behavior tracking study, which focuses on how U.S. consumers are evolving their use of traditional and online information sources to find and locate local serving businesses. The Kelsey Group and research partner ConStat Inc. have conducted User View since 2003, surveying a nationally weighted sample of consumers via online survey. User View Wave V was performed online in March 2008, with a sample size of 988 online consumers.

About The Kelsey Group

The Kelsey Group is the leading provider of research, data and strategic analysis on directories, small-business advertising, online local media, vertical market advertising and mobile advertising. Founded in 1986, the company has built a reputation as the premier analyst firm covering the directory publishing community and the emerging local search marketplace, providing advisory services (The Kelsey Report(R), Interactive Local Media and Marketplaces), publishing (Global Yellow Pages(TM)), consulting (more than 400 individual assignments) and conferences (72 events). For more information, visit <http://www.kelseygroup.com/>.

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