



# THE THREE KEY LOCAL DIGITAL MARKETING TRENDS

## AD AGENCIES NEED TO MASTER FOR SUCCESS

Every ad agency that serves clients in local marketing is feeling the squeeze.

On the one hand, clients are demanding more. More services, more expertise in more new and emerging technologies, more choices, more everything. On the other hand, clients are demanding lower fees and shifting their budgets. How can agencies continue to deliver everything clients demand, while maintaining their standards, productivity and margins?

Read on for key insights and the questions you need to be asking NOW to ensure success in 2018, 2019, and beyond.

**1**

**LOCAL PROGRAMMATIC  
IS GETTING MORE  
COMPLICATED — AND  
HARDER TO STAFF**



Keeping up with changes in Local Programmatic will be harder than ever for agencies, and most will struggle to keep pace. Clients are asking tougher questions about waste — Forrester estimates \$10.9 billion will be wasted on fraudulent or un-viewable inventory for display ads between 2016 and 2021<sup>1</sup>. More devices, more data, more reporting, more complexity, more questions about cross-device attribution, better creative, more management: it's getting rough out there. Many are finding it hard as well to staff their digital businesses, as competition for seasoned account managers and digital experts (programmatic media planners, traffickers, analytics...) is growing from the big cities to the smaller towns. With many enterprise marketers bringing programmatic in-house, the competition for talent will only get harder.

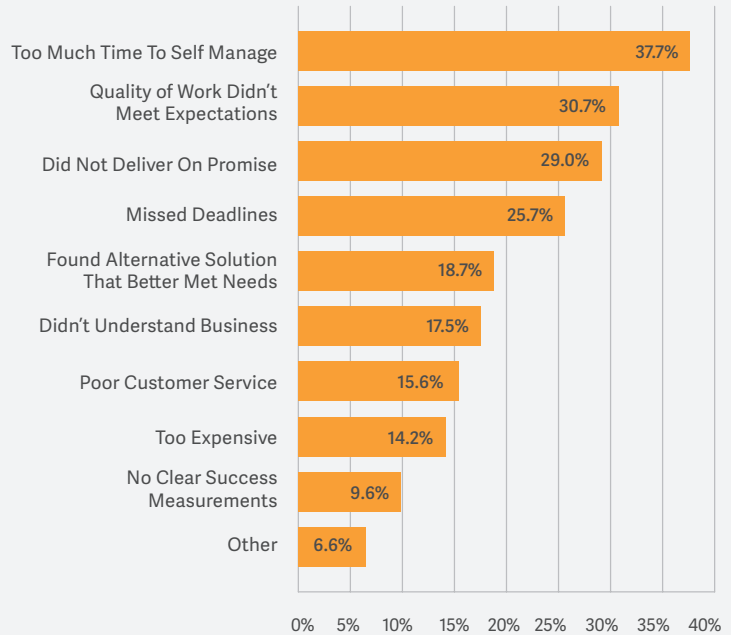
Why do complexity and the war for talent matter? If agencies are not keeping up, they will face client attrition.

Findings from a custom BIA/Kelsey survey of local businesses found that poor account management (evidenced by 'too much time to self manage'), low quality work ('quality did not meet expectations'), and not delivering on promises were the top three reasons for discontinuing working with an ad or digital marketing agency, with 'missed deadlines' a close fourth. When looking at the highest-spending local businesses — those that spend more than \$25,000/year on advertising — quality of work was actually number one, followed by 'too much time to self manage', 'missed deadlines', and 'did not deliver on promises'. While cost was a factor, 'too expensive' ranked near the bottom. It really is all about the relationship and the work!

<sup>1</sup><https://digiday.com/marketing/state-programmatic-advertising/>

FULL SAMPLE

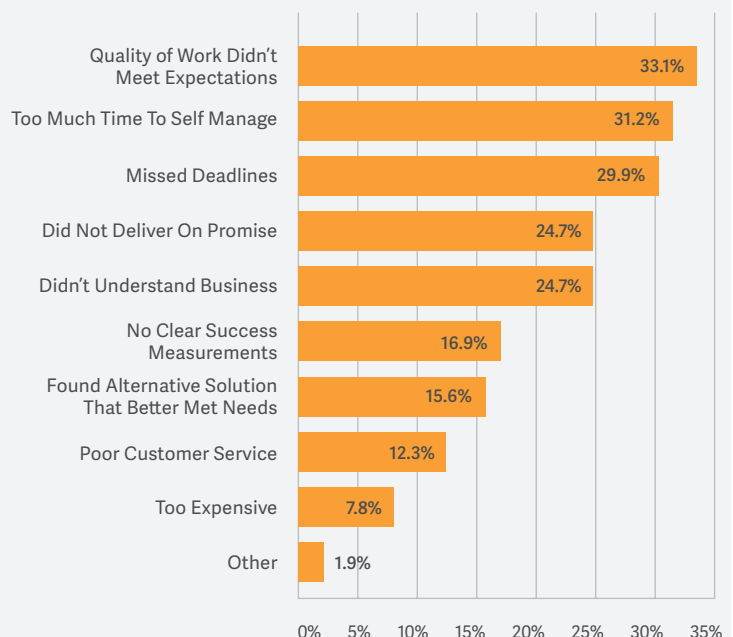
**Top Reasons for Marketing Vendor Churn**



Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 20, Q3/2016 (and prior waves, if relevant). Methodology: Online panels. Q5AX2 Thinking of your most recent cancelled work with a marketing vendor, what were the reasons? Sample Size = 229

PLUS SPENDERS

**Top Reasons for Marketing Vendor Churn**



Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 20, Q3/2016 (and prior waves, if relevant). Methodology: Online panels. Q5AX2 Thinking of your most recent cancelled work with a marketing vendor, what were the reasons? Sample Size = 154

## What can you do?

Use the questions below to determine if you are set up for success, or need to focus more on these areas:

- Are we earning solid, predictable revenue from our programmatic work today?
  - YES:** We have this figured out! We are growing our programmatic business by 20%+ each year.
  - NO:** We know we need to start/grow, but are not sure where to start.
  - NOT SURE:** We have made some progress, but our growth is not what we'd like and we are not sure **why**.
- Is our staff happy, or always stressed out? Are they getting the ongoing training they need to stay on top of what works now?
  - YES:** We have this figured out! We have happy employees who are growing their skills.
  - NO:** We are under-resourced/don't have the right resources in place yet.
  - NOT SURE:** I think my employees are happy, but we do have some churn; we are not sure what churn to expect.
- What's the cost of attracting — and especially, retaining — the right talent to handle programmatic in a way that meets our quality standards?
  - ACCEPTABLE:** We have this figured out! We have a good talent pipeline and the right mix of pay and culture to attract and keep the best. We know what their productivity should be and they meet or exceed our targets.
  - TOO MUCH:** We are challenged in generating the right talent pipeline. We always have open positions and are stressed about filling them. We are not meeting productivity targets.
  - NOT SURE:** I think we are hiring the right people, but we have not analyzed our productivity, costs and retention in enough detail to know if this is a strength or weakness for us.
- If our media people had more time to focus, are there other issues they could tackle that would boost client satisfaction or open better creative opportunities for our agency?
  - NOT AN ISSUE:** We have this figured out! Our team has time for strategic planning and generating ideas for growth.
  - TIME? WHO HAS TIME?:** We are under-resourced/don't have the right resources in place yet. We are just getting done what needs to be done to service clients today.

- Will keeping up with programmatic complexity as well as hiring and retaining the right team cause our costs to rise too much to compete effectively?
  - NO:** We have this figured out! We are able to manage margins effectively today, and have a plan to do so going forward.
  - YES:** We are concerned about keeping our current clients/growing our business and maintaining or growing margins.
  - NOT SURE:** We are managing margins OK today, but I am not sure if this will continue to be the case.



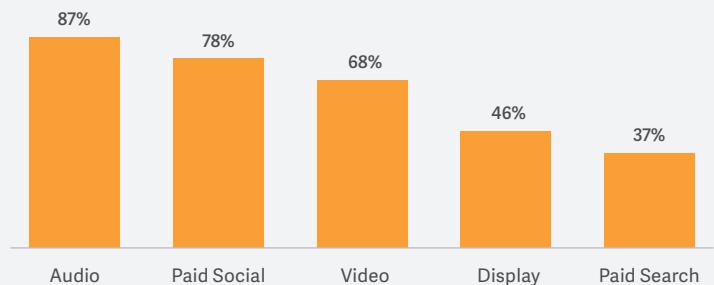
## LOCAL MOBILE IS MATURING



In 2018, mobile is already the fastest-growing programmatic channel<sup>2</sup> – but it's not the easiest to manage. Clients are getting savvier and will be asking harder questions about when and how to geotarget, setting up smarter conversions zones, and your ability to target (geofence) a specific location or event. Mobile is exciting, but it's much harder than desktop ever was. As local mobile matures, expect it to take up significantly more staff time without delivering more to the bottom line. In fact, if you are focusing more of your effort on social and video advertising (and if you're not, you should!), the data shows that the majority of that spend is happening on mobile:

### Mobile Share of Ad Spend\*, by Digital Platform

IN Q4 2017

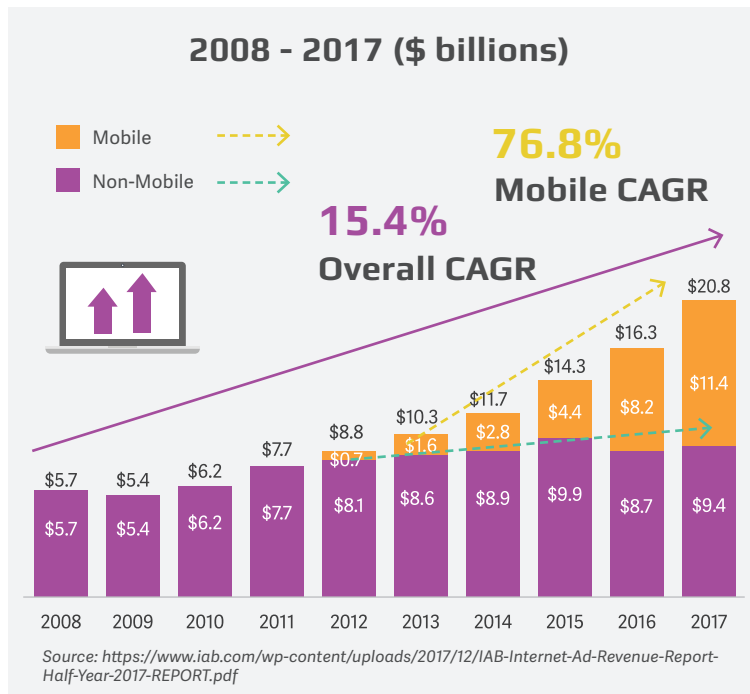


Published on MarketingCharts.com in February 2018 | Data Source: Merkle

\*Figures are among Merkle clients only and may not be representative of broader US ad spending trends

<sup>2</sup> <https://digiday.com/marketing/state-programmatic-advertising/>

This trend can also be seen by looking at publisher revenue, as reported in the Internet Advertising Bureau's 2017 Half-Year Revenue Report — publisher mobile ad revenue overtook non-mobile in 2017, and that trend is expected to continue.



## What can you do?

Use the questions below to determine if you are set up for success, or need to focus on these areas:

- Does our agency have the right talent in place to understand the changing landscape of location data and mobile targeting?
  - ☐ **YES:** We have this figured out! We have a mobile-savvy team in place today.
  - ☐ **NO:** We are under-resourced/don't have the right resources in place yet.
  - ☐ **NOT SURE:** I think we have the right folks in place, but I am not sure how to know!
- Is our staff easily able to evaluate what the right mobile targeting strategy is for each campaign, depending on the objective, vertical and budget? Can we explain the differences to clients clearly and confidently?
  - ☐ **YES:** We have this figured out! We have the experience and data to know what works best.
  - ☐ **NO:** We don't really use mobile-specific targeting, or we use the same targeting for every campaign.
  - ☐ **NOT SURE:** We recommend geotargeting, but I am not sure what else we are using or if we are using different strategies for different campaigns (isn't zip code targeting enough?).

- If we're not a mobile-only agency, can we execute in mobile strongly enough to be a good competitor, or will it always be only a "check-box" offering for us?
  - ☐ **YES:** We have this figured out! We are growing the mobile part of our business by 60%+ each year.
  - ☐ **NO:** We know we need to start/grow, but are not sure where to start or even how much we need to focus on this.
  - ☐ **NOT SURE:** We have made some progress, but our growth is not what we'd like and we are not sure why.
- Marketer sophistication about mobile is quite variable. Some know a lot, some know hardly anything, and others know just enough to be a problem. How much staff time will be expended on educating our clients? Will we get paid for that time?
  - ☐ **ACCEPTABLE:** We have this figured out! Our team has time for strategic planning and generating ideas for growth.
  - ☐ **TOO MUCH:** We are challenged in explaining the value of mobile and/or the different types of targeting and why we are making certain recommendations. We are not meeting productivity targets.
  - ☐ **NOT SURE:** I think our clients understand what they are buying from us, but since they don't tell us I am not sure. We don't know if this is a strength or weakness for us.
- Many agencies only have one or two true mobile experts on staff. What happens if we lose key staff? How hard will they be to replace?
  - ☐ **NOT AN ISSUE:** We have this figured out! We have a good talent pipeline and the right mix of pay and culture to attract and keep the best.
  - ☐ **KEEPS ME UP AT NIGHT:** We are challenged in generating the right talent pipeline. We always have open positions and are stressed about filling them. If my mobile gal/guy leaves, we can't continue to grow this business; our other employees will have to try their best to fill in.

## 3

### LOCAL CREATIVE OPTIONS ARE EXPLODING



Local creative used to be easy. In the 'good old days', there were only a few media to master. Print, radio, TV and direct mail were the cornerstone of campaigns. Media and production costs were high, causing barriers to entry and limited competition.



Campaigns were directed to a mass audience and messages were highly depersonalized. Planning cycles tended to be annual. Fast forward to the last five years or so and media types have exploded, and with them, new creative opportunities — and challenges. With digital, and especially programmatic advertising, now any size company can compete and win. Local businesses can better compete with the national brands. The huge platforms available through social marketing give great power to even the tiniest voices.

TV and video are on the brink of fundamental changes as well. YouTube<sup>3</sup> has launched innovative, short “bumper ad” units that are perfect for storytelling. Even ‘old media’ is figuring this out: Turner Ignite<sup>4</sup> is experimenting with shorter units as well as integrated and native ads. The revolution in shorter units plus the rise of OTT and programmatic TV spells new creative opportunities in video storytelling — but only if your agency can take advantage of them.

The downside risk is that agencies will become so bogged down in the thankless task of figuring out what creative is needed for what platform, and their talent will get buried in the creative grunt work of versions and revisions, that the opportunity will pass them by.

## What can you do?

Use the questions below to determine if you are set up for success, or need to focus on these areas:

1. Are we keeping up with the latest industry and platform ad specifications?
  - ☐ **YES:** We have this figured out! We are members of or follow all of the standards organizations, and keep up with the platform releases.
  - ☐ **NO:** We know that platforms like Instagram are offering new options, but we just don’t have the bandwidth to keep up. We heard there were changes coming to the standard banner ads, but no one has asked us for them yet.
  - ☐ **NOT SURE:** New ad specs? Isn’t a 486x60 the standard banner ad? (Hint: [New IAB standards](#) were released in 2017 and are starting to take hold)

2. Do we have the right talent, software and economic model in place to manage all of the versioning needed for digital, mobile, social, OTT, etc. and still generate appropriate margins?
  - ☐ **YES:** We have this figured out! We can create whatever is needed, for any size of local campaign (even for the local florist), without eating into our productivity or margins.
  - ☐ **KEEPS ME UP AT NIGHT:** We are challenged in managing this new world! We are not sure we have enough people, or the right software, or even what our current margins are for each creative type of campaign.
3. Do we know, for each campaign, the right mix of creative to use to meet each advertiser’s objectives?
  - ☐ **YES:** We have this figured out! We have the experience and data to know what works best.
  - ☐ **NO:** We stick with the tried and true. We use the same Instagram carousel, online banner and mobile banner for each campaign because that makes it easier for us to manage.
  - ☐ **NOT SURE:** I don’t know if we are taking into account all the different options for every campaign.

## Example of new IAB Ad Unit Guidelines



1:1 Aspect Ratio based flexible and responsive HTML ad in flexible container

<sup>3</sup><https://techcrunch.com/2016/04/26/youtube-bumper-ads/>  
<sup>4</sup><http://adage.com/article/turner-ignite/time-a-video-ad-model/310223/>

## IN THE AGE OF LOCAL, COMPETITION COMES FROM EVERYWHERE

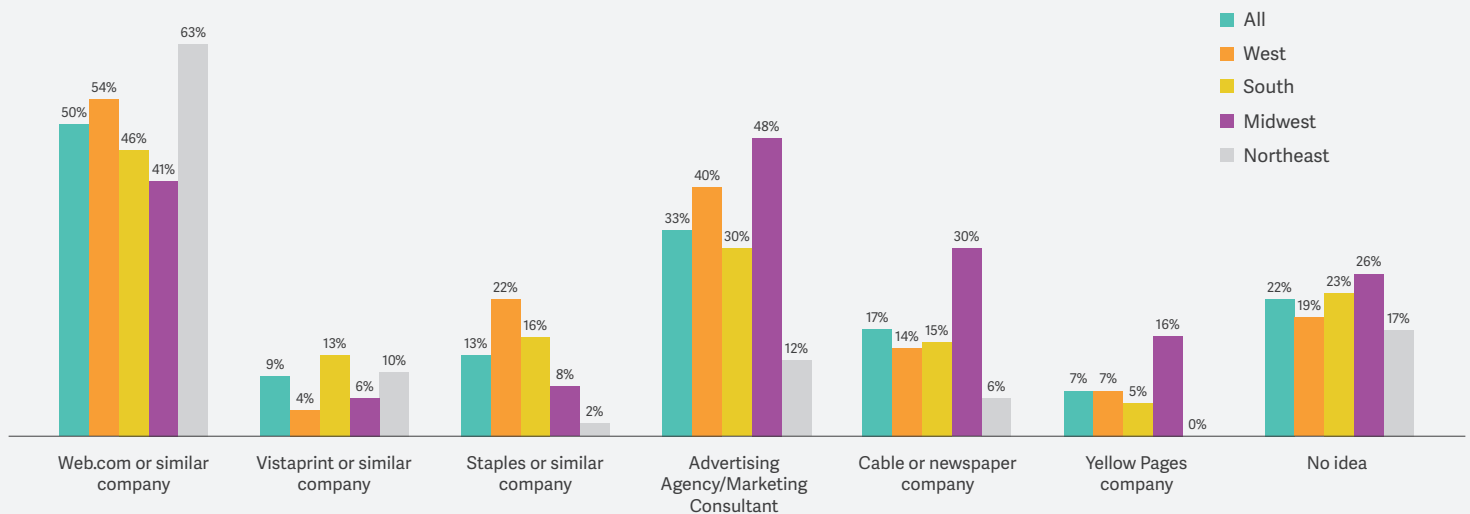
Today, success demands an entirely new kind of agility. We are now in the Age of Local, in which all marketing wars will be won or lost at the local level. This is not only the new reality for major brands and agencies but also for companies whose bread and butter has always been local, such as local hospitals, real estate brokerages, car dealerships, mom and pop retailers and more. Many different types of companies, from big ecommerce players, to B2B retail, to local media companies are now competing with you for this spending. And of course, there are businesses that head down the Do-it-Yourself path.

Let's dive into the data.

According to a custom study done for AffinityX by Thrive Analytics, across the country while about a third of small and medium local businesses expect to purchase a digital ad campaign from an agency, more are looking at companies like Web.com. Particularly, if you are in the northeast, your potential clients are shopping online. About one in five — and 26% in the midwest — of SMBs have no idea where to turn for online or mobile campaigns, so there is not only the opportunity to steal business from other companies targeting your market but to secure those that don't know where to turn.

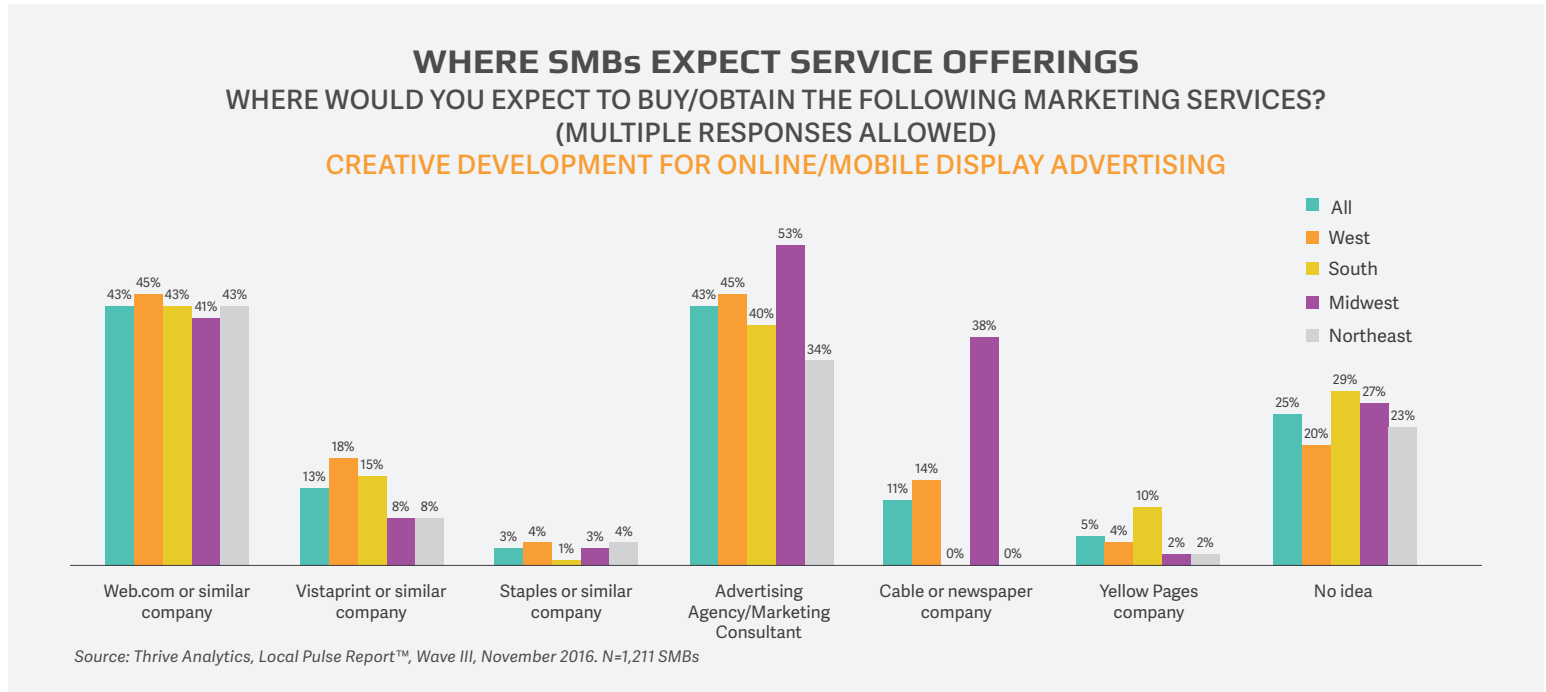
### WHERE SMBs EXPECT SERVICE OFFERINGS

WHERE WOULD YOU EXPECT TO BUY/OBTAIN THE FOLLOWING MARKETING SERVICES? (MULTIPLE RESPONSES ALLOWED)  
ONLINE/MOBILE DISPLAY ADVERTISING CAMPAIGN

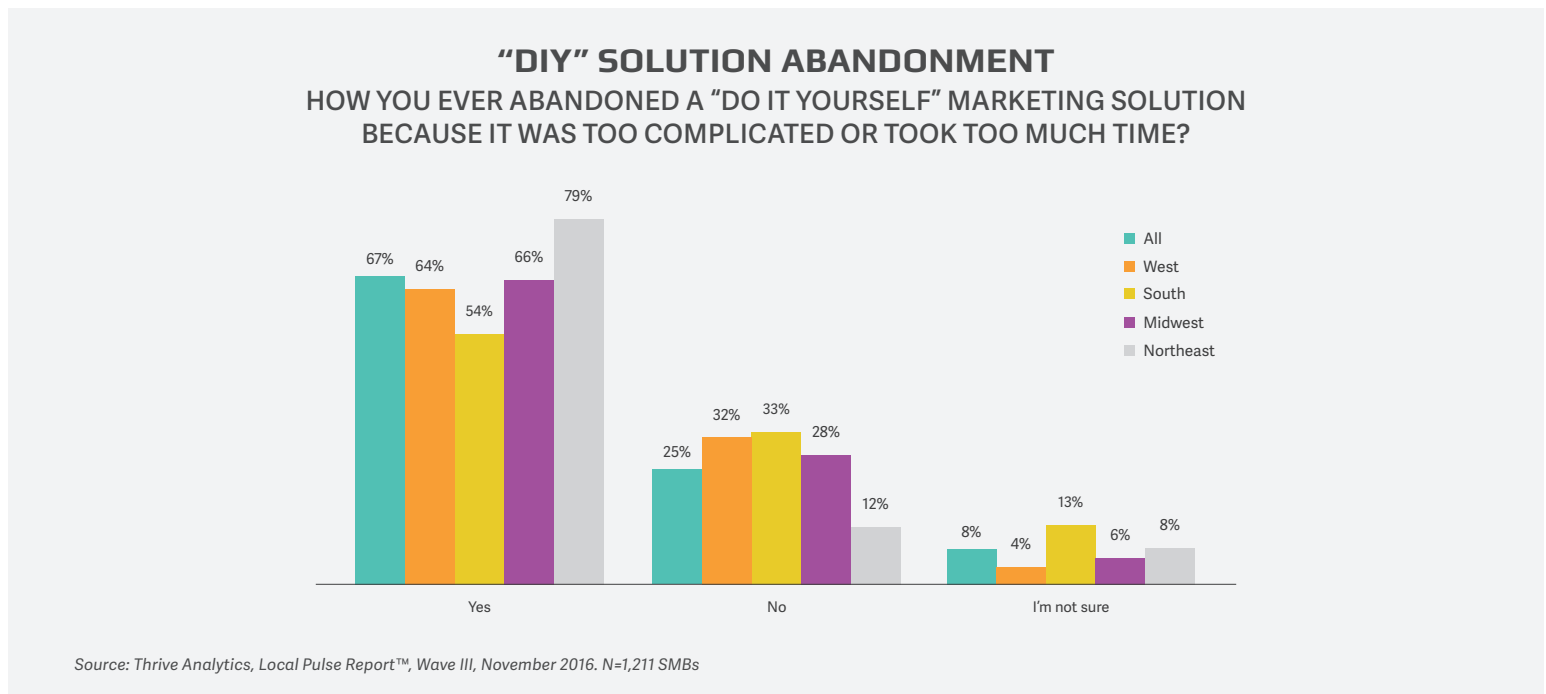


Source: Thrive Analytics, Local Pulse Report™, Wave III, November 2016. N=1,211 SMBs

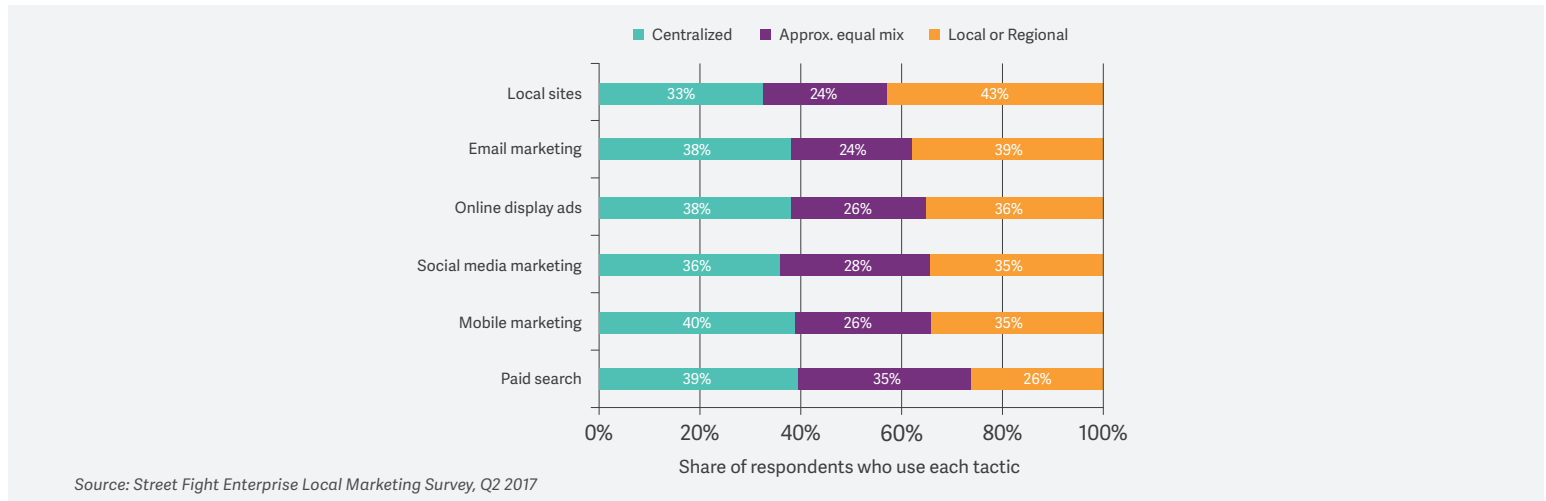
Agencies have more strength, as expected, in the creative arena, with more than half of midwest local marketers turning to a local agency; and overall, the agencies are more inline with the ecommerce players. But there are still many businesses that don't know where to turn, and local media has a particular strong competition in the midwest



And what about those DIYers? The majority that have tried it have abandoned their efforts.



Of course, the spending in the local market is not just from local businesses. National-to-local marketers, such as franchises, also drive significant digital spend. You can secure some of this spending because the national office is not driving the budget allocation; according to Street Fight's 2017 study, 36% of the online display ad and 35% of the mobile marketing and social media marketing decisions are completely made at the local or regional level.

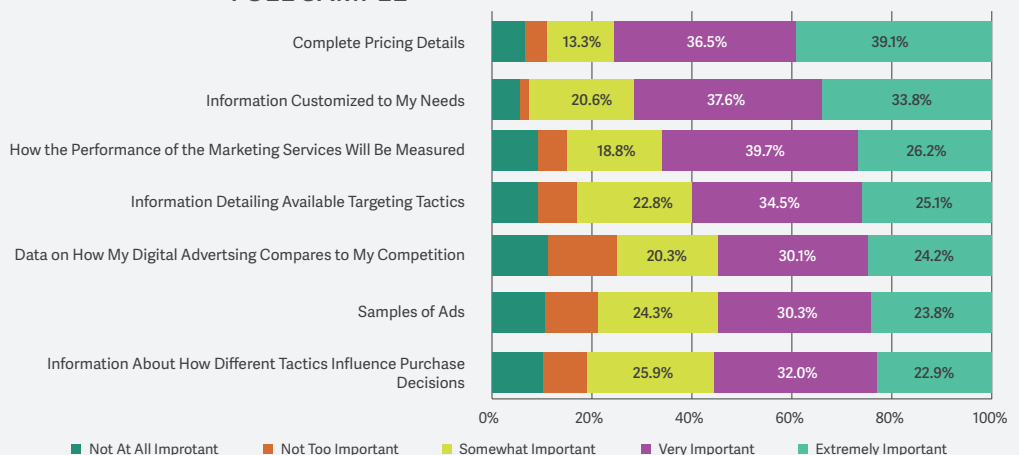


## So, how do you compete to win?

1. Make sure you can answer YES to all of the questions above. If not, sit down and whiteboard your plan.
2. Create focus. Paring down your priorities to a short list of just one or two that absolutely must be done first. Programmatic? Mobile? Video? Creative Versioning?
3. Determine how to address your top priority. New talent? New partners? Even M&A may be appropriate.
4. Plan for the unexpected. While the unexpected is by its very nature unpredictable, you can build an organizational culture that can pivot quickly when unexpected events happen.
5. Implement continuous innovation. An agency that doesn't innovate is an agency that will be quickly left behind.
6. Tighten up your proposals. Knowing what your clients expect and how to address their pain points will be crucial. The data below from a custom BIA/Kelsey survey details what local businesses are looking for in a campaign proposal.

## Importance of Information on Marketing Proposals on Purchase Decision FULL SAMPLE

How would you rate the importance of having the following information in a marketing proposal in your purchasing decision of marketing services? (marketing services includes advertising, creative services, and support from a 3<sup>rd</sup> party whether it be an agency or salesperson selling you advertising)



Source: BIA/Kelsey Local Commerce Monitor™ (LCM) Wave 21, Q3/2017 (and prior waves, if relevant). Methodology: Online panels. Q5AX3 Rate the importance of having the following information in a marketing proposal in your purchasing marketing services? Sample Size = 1,090





AffinityX is the white label creative and marketing services partner behind the biggest names in local marketing. We are the secret weapon of the world's best media companies, local agencies, marketing services companies, and more. Our purpose-built technology, local media expertise, and world-class infrastructure delivers more than 5 million fast-turn projects per year, from HTML5 ads to websites to programmatic advertising and beyond.

We cover the full range of solutions you need to win in the Age of Local, and our flexible service models guarantee the perfect fit for your agency needs.

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