

## The Rise and Rise of Local Advertising

A speech by Bruce Akhurst, CEO, Sensis Pty Ltd, to the Australia Israel Chamber of Commerce Luncheon, April 27 2006.

Thanks Jason.

I want to thank the Australia Israel Chamber of Commerce for inviting me to join you today.

Sensis and Telstra have been strong supporters of the AICC for many years. We recognise the AICC plays a vital role in creating new opportunities for Australian business.

And it goes without saying this is a relationship we hope will continue well into the future.

At last year's Telstra strategy briefing, Sol Trujillo, Telstra's CEO, described Sensis as a key growth driver for Telstra and a company with great opportunities.

I spoke at the time about how we're transforming Sensis to leverage those opportunities.

Today, I'd like to talk about why.

There are three points I'd like to share with you today:

- Firstly, advertising – and particularly *local* advertising – is undergoing the most dramatic change in its history. The next 5 years will make the last 50 look like a passing phase!
- Secondly, technology is fundamentally changing the way people shop. This will have an impact on the way we all do business.
- And finally, Sensis has a vision to make Australian buyers and sellers the most connected in the world. With Telstra, we have the assets and ability to help Australians find, buy and sell.

Sensis is a local advertising business.

Our 300 print publications, nine web sites, three voice, six wireless and range of personal satellite navigation services are all designed to do one thing – help you find, buy and sell.

Have you ever used the Yellow Pages<sup>®</sup> or White Pages<sup>®</sup> to find a local builder?

Or the classifieds to find a car, home, holiday or job?

Perhaps you've used an online or tele-search service to find a nearby restaurant?

Or even in-car satellite navigation to get directions to a florist on the way home?

The services you're using are local advertising.

Local advertising simplifies these often complex purchase decisions by providing up to date information on thousands of businesses in a convenient, easy to access way.

Local helps you find businesses that can meet your needs – whether the business is near where you are now or near where you're heading.

Local advertising helps buyers find the right people for the job at the right price, faster and more efficiently.

It puts buyers more firmly in the driver's seat.

And it helps Australian businesses find and influence actual buyers, rather than just window shoppers, passers by or browsers, right when they're ready to buy.

Local advertising is an economic powerhouse. It's the way Australian SMEs – the lifeblood of the Australian economy – do business.

And with good reason. Local advertising delivers customers.

Let me explain what that means at Sensis.

Australians use a Sensis service almost 4 million times a day<sup>1</sup>.

Over 3 million of these involve buyers looking for suppliers<sup>2</sup>.

In the case of Yellow Pages<sup>®</sup> print and online, about 90% of these searches result in a buyer contacting a seller<sup>3</sup>.

And about 70% of them result in a sale<sup>4</sup>.

That's a lot of customers – and the numbers are rising.

So we're talking about outcomes, results and actual sales – we will bring more buyers through your front door more efficiently, more cheaply, more effectively than any other marketing campaign available.

Technology is facilitating a revolution in local advertising.

Thanks to technology, buyers can now access local advertising services anytime, anywhere using a vast array of different devices.

Buyers can search more content and get more precise answers than ever before.

Do you want to find a caterer that services Sydney, handles corporate events and is open in the evenings?

With a service like the Yellow Pages<sup>®</sup> *OnLine* directory, you can find one in seconds.

But technology has done more than make information easier to find.

It's taking local advertising beyond advertising

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<sup>1</sup> Roy Morgan, Single Source Australia, Jan – Dec 2005, base: Australians 14+

<sup>2</sup> Sensis analysis

<sup>3</sup> Independent research conducted by TNS in Sydney, Melbourne, Brisbane, Adelaide, Perth (August 2004 - July 2005)

<sup>4</sup> Independent research conducted by TNS in Sydney, Melbourne, Brisbane, Adelaide, Perth (August 2004 - July 2005)

Local now gives you the ability to not only find suppliers, but to contact, compare deals and capabilities, negotiate and transact – all without leaving your chair.

It's made buying and selling even easier. As a result, buyers are turning to local in rapidly increasing numbers.

So it's not surprising that local has become one of the hottest words in advertising. Attracted by the enormous growth opportunities, everyone, including the world's largest technology, search and media companies, is going Local.

Local advertising is big business. In 2005, local advertising earned over \$3.4bn in revenue<sup>5</sup>.

That makes local equivalent to the total Australian TV advertising market<sup>6</sup>.

And local advertising is exploding online.

Over half of all online advertising expenditure is local and it grew by 55% in 2005<sup>7</sup>.

But local is also a complex business.

There are four critical skills any local media business needs.

- The first is an understanding of people and how they buy and sell. People have discovered the power of information. But they all have different needs and they search in different ways to meet those needs. To be effective, local advertising must accommodate this diversity.
- The second is comprehensive SME reach. Sensis has 1,200 consultants interacting with almost one million businesses every year. Without these consultants, we couldn't effectively meet the needs of our advertiser customers or the search and content needs of the buyers using our services.
- The third is an understanding that local search isn't about global markets but local communities. Every local community has its own characteristics and they impact the products people buy.

For example, catering, restaurants and takeaway food are all among the five fastest growing advertising categories in the Kempsey region. Oddly enough, so are dentists!<sup>8</sup>

And the second fastest growing category in Canberra is taxation consultants<sup>9</sup>. You've got to wonder about that!

- And the fourth critical skill is an understanding of technology and how it's changing the way people shop.

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<sup>5</sup> Sensis analysis of CEASA Advertising in Main Media, Jan – Dec 2005 and ABVS, Online Advertising Expenditure Report, Jan – Dec 2005

<sup>6</sup> CEASA Advertising in Main Media, Jan – Dec 2005

<sup>7</sup> Sensis analysis of ABVS, Online Advertising Expenditure Report, Jan – Dec 2005

<sup>8</sup> Sensis – Yellow Pages® OnLine directory search logs

<sup>9</sup> Ibid.

To explain this, I'd like to introduce a colleague of mine at Sensis. This is David.

David's 34 years old and lives in Melbourne with his partner and two children. His interests include design, music, video games and technology.

In fact, David's an advanced user of technology. He's been an avid blogger for about two years and he had an Xbox 360 before most of us knew they were coming.

Ten years ago, David shopped in the same way we all did....a mix of window shopping, salespeople and advice from friends.

He also used the Yellow Pages<sup>®</sup> and White Pages<sup>®</sup> directories and classifieds to find potential suppliers.

All up, David used print local advertising about three or four times a month.

Today, David still uses Yellow Pages<sup>®</sup> and White Pages<sup>®</sup> print, but he now uses the online and telephone versions as well. He uses search engines to do product research. He uses Trading Post<sup>®</sup> Online, eBay and other classified sites, depending on his needs. He also uses review sites to find and download new music.

But it doesn't stop there.

David has built up a circle of trust that he looks to for buying advice. He has a list of trusted web sites and blogs. He also uses email and instant messaging to seek advice from friends. And he's becoming more involved in online social networks, which help him connect with people with similar interests.

Three things have changed in David's life as a consumer.

- First, David's local advertising usage has diversified. People use whatever service and media suits their needs.

As David's experience shows, there's no such thing as a one size fits all solution in local advertising. Companies such as Sensis need to deliver the range of services buyers demand and provide ways for businesses to advertise across all those services. That's how you'll maximise the value proposition for advertisers.

- Second, word of mouth is a growing influencer of David's purchase decisions. His circle of trust used to consist of a few friends. But his online community numbers in the hundreds and it's growing every day;
- And third, David's purchase decisions are better informed and therefore more likely to meet his needs than ever before. Accordingly, David's usage of local media has gone from four to almost 20 times a month.

He's discovered that this new breed of local advertising makes his purchase decisions even easier. As such, he's relying on these services more and more.

This is an important point.

Search volumes are the engine room of local growth and they're going through the roof.

The Internet has made David and millions like him far more powerful consumers.

Ten years ago, consumers were information poor. They had little option but to rely on what you told them when they wanted to buy.

But, thanks to the Internet, buyers like David have much greater choice.

In fact, today's buyers can make a purchase decision before even entering the store.

That's why getting information on products and services is Australia's third most popular online activity<sup>10</sup>.

And it's why local is so important to business. If the business doesn't get found, it doesn't get the sale.

I think you'll agree that local advertising has come a long way in a short time.

Consumers have more information and more ways to access it.

As a result, advertisers have a far larger audience of buyers.

But this is just the beginning.

The real revolution is still to come.

Let's look at some of the potential ways in which local advertising is about to change:

- Local content has the potential to deepen to include real time inventory and pricing. Not only will you be able to find general business information, but what's in stock and how much it costs.
- Content will become more interactive as broadband adoption increases. You'll see video and animation built into local advertising. You'll see click to call and, in time, videoconferencing become more common. In the future, a Yellow Pages<sup>®</sup> *OnLine* ad could include video, chat, instant messaging, videoconferencing and a host of other enhanced content and connection features.
- File sharing can make local advertising even more interactive. While you're talking to a supplier, you'll be able to virtually collaborate on plans, specs or even contracts.
- IPTV applications will emerge. With television delivered via your broadband connection, you'll be able to watch TV and shop at the same time.
- Personalisation will continue to evolve. If you want, your search habits and personal information will be used to help suppliers pinpoint your needs and deliver more targeted offers.
- And local advertising will become more transactional. The potential for extending local advertising into transactions is immense. We've already transaction-enabled Trading Post<sup>®</sup> *OnLine*, and it's been a huge success. The number of online-only ads has grown over 50% just since January.

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<sup>10</sup> Quantum Market Research, Australia Scan Management Report 2005

But the thing that will really ignite local advertising is mobility.

It takes local advertising to a whole new level by putting local services in the hands of buyers virtually no matter where they are.

People love mobiles. You can see it in the way we've all taken to SMS and mobile email.

Did you know, for example, that during the Commonwealth Games closing ceremony, over half a million SMS messages were sent from the MCG and inner-city precinct<sup>11</sup>?

The Internet maybe exciting, but mobiles are addictive.

Mobile Local – or MoLo as it is now called – is generating a lot of excitement for one simple reason.

If a person is searching for a business on a mobile, chances are they're not only ready to buy, but are probably just around the corner.

The opportunities created by MoLo are endless...and many of them are much closer than you might think:

- Your phone knows where you are, so local search becomes a simple case of asking for the nearest supplier. You can see the potential power of this in our satellite navigation products. You can enter a business type, say restaurants, and pinpoint nearby restaurants on a map. You'll then be guided right to the door!
- Mobiles could provide consumer reviews to shoppers while they're in the store.
- Mobile phones can become personal bargain hunters. Do you want to know who's got available parking nearby or the best price for petrol within one kilometre of you? Just ask your mobile.
- MoLo users will be able to opt into mobile alert services. For example, they'll request an alert at 11.30 every morning providing lunch specials within 500m of wherever they are.
- Proximity alerts are set to become a reality. Proximity alerts give advertisers the ability to prompt impulsive purchases right when it matters. You will be able to send special offers to registered buyers right when they're near your store.
- Mobile phones have the ability to handle micropayments. Buyers will be able to use their phones to purchase even low priced products and services.
- And mobiles will become electronic wallets. They'll even be able to scan their phones at the point of sale and have products billed to your mobile account. This technology has the potential to make many purchases, such as movies, far more convenient. No more tickets and no more queues.

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<sup>11</sup> Telstra Corporation Ltd. Covering Telstra SMS only.

Mobility is a great opportunity for Sensis.

- US research shows that Yellow Pages data is a major driver of mobile phone subscriptions<sup>12</sup>. We can use our local content to not only increase advertiser reach to more potential buyers but drive new subscription revenues.
- Our relationship with Telstra gives us an unrivalled ability to drive mobile innovation. In fact, mobility will further unlock the potential of the Telstra/Sensis relationship. Sensis' content will power Telstra's leading edge technology.
- And, of course, there's the addictive, always-with-you aspect of mobile. I'll wager that in the near future, we'll be measuring local advertising usage by the day, not the month.

But that doesn't mean established services such as print and online will disappear.

As David's experience shows, local advertising users want multi-channel access. This is further supported by research from Roy Morgan, which shows Yellow Pages® print is actually MORE popular with Google, Yahoo! and Ninemsn users than with the rest of the population<sup>13</sup>.

The bottom line is that new channels don't just cannibalise existing channels... they actually give people new reasons to search.

So the local usage pie isn't being carved up – it's growing. That means more potential buyers and a much stronger value proposition to offer our local advertisers.

Local advertising is on an amazing journey that's far from over.

Ten years ago, Local was about names and phone numbers.

Today, you've got the greatest buying guide in history sitting on your PC.

Tomorrow, you'll access services that can investigate, plan, navigate, alert, contact, scan, buy and sell in precisely the way you want to.

And these services won't just be in your bookcase or PC...they'll be in your pocket too.

What a fantastic way to find, buy and sell!

Local advertising is an exciting industry to be in.

As I've already stated:

- Technology's taking the legwork out of buying and selling – and don't we love it! Usage of local advertising is growing and diversifying at a rapid pace.
- The opportunities for innovation are immense. And the impact of these innovations on the way Australians find, buy and sell will be dramatic.
- And there's enormous potential for revenue growth well into the future. Not just from exploding usage and other organic sources, but from the expanded range of advertising and consumer revenue sources. These include connections, transactions, subscriptions, content production and many others.

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<sup>12</sup> Yankee Group, As published in eMarketer, January 2006

<sup>13</sup> Roy Morgan Single Source Australia, Jan – Dec 2005, base: Australians 14+

And Sensis is perfectly placed to take advantage of these new opportunities. We are Australia's leader in local advertising by almost every measure.

- Our Sensis network serves almost 13 million users every month<sup>14</sup>;
- Online usage of almost 7.4m unique browsers in March. That's over 30% growth in a year<sup>15</sup>!
- Over 600,000 business advertisers<sup>16</sup>.

In fact, about 150,000 of the 185,000 online advertising customers in Australia advertise with Sensis<sup>17</sup>;

- We have almost 50% of Australia's local advertising revenue and well over 20% of the total online advertising market<sup>18</sup>.
- And, finally, we have an exceptional record of innovation. We launched the world's first online directories, Australia's first truly local search engine – sensis.com.au – and the world's first location-aware search engine – Sensis Mobile, among many other innovations.

But we've still got a long way to go.

People want to find relevant information quickly, and they'll multi-task to get it. They'll use whatever service suits their needs.

We'll provide both the information and services they need.

We'll continue to build the quality of our content and the ways in which people can access it. And, we'll substantially deepen what we offer in the categories that matter.

We'll then integrate these services. No matter where you choose to search, you'll be able to access every relevant piece of Sensis content. If you search for a motor car dealer in Yellow Pages<sup>®</sup> *OnLine*, you'll be guided to that dealer's listings in Trading Post<sup>®</sup> Auto. From there, it will be one step to related services like finance and insurance.

This integration will deliver enhanced user value and allow us to deliver self-perpetuating usage growth.

We'll empower buyer and supplier so they can interact in the way they choose...Click to call. Video-conferencing. And the ability to buy online, by phone or mobile.

And, finally, we'll integrate our advertiser services. We'll offer a simple advertiser dashboard that enables campaign management and measurement on the fly.

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<sup>14</sup> Roy Morgan Single Source Australia, Jan – Dec 2005, base: Australians 14+

<sup>15</sup> Nielsen//NetRatings SiteCensus, March 2006

<sup>16</sup> Sensis records

<sup>17</sup> Comparing Sensis records with Frost & Sullivan, The Australian Online Advertising Market, 2005 - 2009

<sup>18</sup> Comparing Sensis records and Sensis analysis of CEASA Advertising in Main Media, Jan – Dec 2005 and ABVS, Online Advertising Expenditure Report, Jan – Dec 2005

Our vision is to build a diverse and technologically sophisticated marketplace. A marketplace that connects buyers and sellers anytime, anywhere, any way they choose.

This marketplace will involve lots of different brands and channels.

It needs to. It's diverse because it's people, not product, driven. As we've already seen, people are different.

But, make no mistake. All these brands and channels form one tightly-integrated network designed to do one thing – help you find, buy and sell.

So that's a brief look at the future.

I hope you agree with my opening remarks...

- That advertising – and particularly *local* advertising – is undergoing the most dramatic change in its history. It's growing and diversifying at a rapid pace.
- That technology is fundamentally changing the way people shop.
- And that, Sensis has a vision to make Australian buyers and sellers the most connected in the world.

In closing, I'm reminded of a quote from a recent Financial Times article about Proctor & Gamble:

*"The company is not embracing any particular approach; it is embracing complexity itself... It is using its scale to be local everywhere."*<sup>19</sup>

I couldn't have put it better myself.

Thank you.

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<sup>19</sup> 'How can I help you', 4 February 2006, Financial Times Weekend Magazine, p16.