

## Local.com Tries to Bring More Small Businesses Online

Since its US\$8 million investment from Hearst in February, local search site Local.com has moved in some interesting directions that reflect many of the current trends in the online local search space.

Though Local.com derives revenues from paid advertisers on its site, the investment from Hearst has given it additional financial elbow room to develop its model and its user interface. One such development has been the transition from banner ads throughout the Web site to text-based ads and paid placements of advertisers through its Local Promote product.

Such a transition is difficult for any Web site because it involves abandoning a revenue stream, Bruce Crair, Local.com's president and chief operating officer, told The Kelsey Group in a recent interview. Nonetheless, Crair says the transition is critical to a site's evolution toward becoming a user-friendly and attractive local search destination.

Local.com's Local Promote product meanwhile has been given more play as the centerpiece of the company's advertising sales efforts. The US\$39.95 per month tool gives businesses the chance to establish a Web presence with a landing page on Local.com and various distribution, pay-per-click and featured placement options. These include the Local Verified offering, which places local businesses in a sponsored section above relevant organic search terms.

Earlier this week, Local.com also launched a free basic version of Local Promote that includes the ability to post and update business name, description and contact information. This will make it easier for a greater segment of small businesses to form a Web presence, in line with the "Webification" trend that continues to grow in the local search marketplace.

As TKG has noted in the past, the Webification concept is built on the premise that the majority of U.S. small to medium-sized businesses do not yet have a Web presence. Many of these businesses are not online because they have some level of aversion to the Internet. However, they can sometimes be swayed by free offers to build and host a Web site or landing page.

Once online, small businesses are expected to evolve into paid marketers — whether through subscription

services like Local Promote, featured placement or paid search. Google, Yahoo! and a growing number of paid search providers have free Web site hosting and development tools for this very reason, and Crair confirmed that this strategy is central to Local Promote and to Local.com's general direction.

This direction also includes emerging media such as (undisclosed) mobile offerings in development, as well as the integration of social media.

"We're excited about the opportunities with ratings and reviews," says Crair. "We will start to partner to bring in content from sites such as Judy's Book and Insider Pages and will eventually generate our own content."

**THE BOTTOM LINE** The challenge with the strategy to "Webify" the small-business marketplace is that the opportunity means different things to different types of media companies. Many of the online pure-plays have an opportunity to grow revenues by creating a larger addressable market of online businesses to upsell various forms of online marketing. For Internet Yellow Pages operators, on the other hand, the same opportunity carries the baggage of cannibalization concerns. After all, the major Yellow Pages publishers still generate more than 90 percent of their top-line revenues from print.

While this Webification approach represents an opportunity for Local.com and others like it, it cannot hope to replace traditional publishers' offline businesses. The online advertising marketplace currently won't scale to this degree, with a total possible addressable market that comes nowhere near matching the US\$15 billion revenue opportunity of the print Yellow Pages market in North America (particularly given Local.com's US\$39.99 per month price point).

The trick, therefore, for publishers and IYPs is to continue pushing cross-platform sales strategies that appeal to the widest possible segment of advertisers by bundling the advantages of online and offline media. There is also the future possibility of furthering this strategy by integrating emerging attractive marketing vehicles, such as small-business video advertising. **LMJ**