2007 Yellow Pages Metered Ad Study

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Basis for the 2007 Metered Ad Study

The 2007 Metered Ad study incorporates studies conducted with advertisers both locally by publishers and nationally through MTM (Marketing-the-Medium) in cooperative efforts between CMRs, ADM, and publishers.
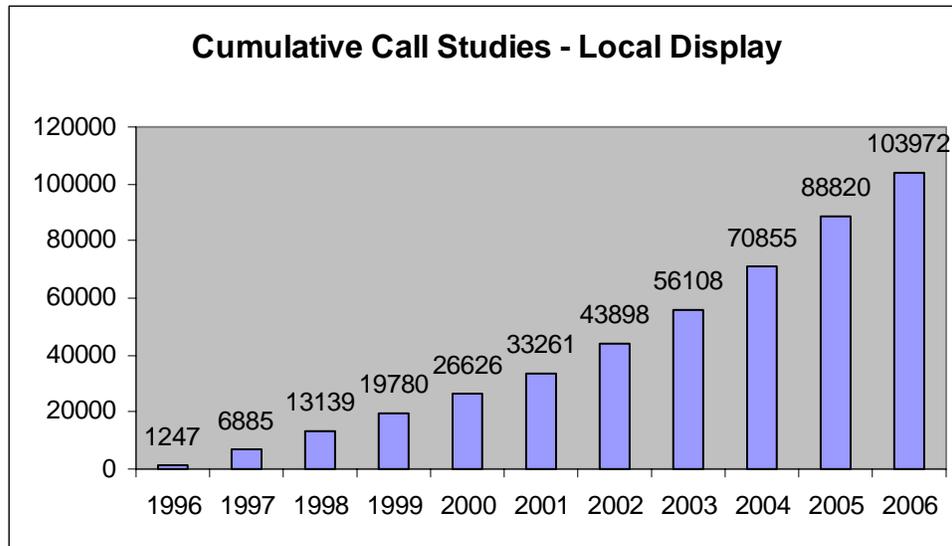
The 2007 Metered Ad Study aggregates the results of over 128,000 separate advertiser studies. Approximately 7% of studies were removed as outliers and others were removed due to being more than 6 years old, leaving **89,068 valid studies** as the basis for this year's results. The distribution of studies by categories is as follows:

Local Display	73,270
Local Space	2,595
Local Leader Ads	2,314
Local Listings	127
Tabs	723
Covers	1,118
Coupons	36
White Pages	393
Others	706
Hispanic Directories	477
National Display	2,863
National Trade	827
National Space	338
National Listings	63
Companion/Plus/Minis	2,663
Internet Yellow Pgs	949
Total Studies	89,068

Data was received from all major publishers as well as from the MTM program[1]. The industry has significantly increased the number of call tracking studies over time. The distribution of local display ad studies by year is as follows (only data from 2001 through 2006 are included in the 2007 study):

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[1] Because data for this study are taken only from the major, primarily incumbent publishers, there is no basis for extrapolation to other publishers or directories. Results from this study can only be appropriately used to describe results for these major incumbent directories and publishers.

Cumulative Call Studies - Local Display

Year	Value
1996	1247
1997	6885
1998	13139
1999	19780
2000	26626
2001	33261
2002	43898
2003	56108
2004	70855
2005	88820
2006	103972

Differences in results are observed between local and national ads and between display, space, trade, and listing ads. Consequently, each type of ad is grouped and analyzed separately. Studies were conducted for 1,567 headings that have been grouped into 651 heading categories to allow for sufficient data to generalize results.

Study results are summarized in this document. Detailed results by category and heading are presented in an Excel file on the accompanying CD. The end of this report defines the files found on the CD. Results from this study will be incorporated with additional heading and industry information to provide a more comprehensive trend and value story for the top 210 headings in the "Yellow Pages Top Headings – 2007" reports due to be published by YPA and CRM Associates in late fall 2007.

Data "Scrubbing" and Preparation Procedures

All studies received from publishers were subject to the following procedures to insure data quality:

1. Drop studies that are anything other than one ad, one directory, one heading studies.
2. All studies have first been subject to individual publisher quality procedures.
   a. Publishers monitor lines for a few months before starting tests.
   b. Publishers drop lines known to be "dirty".
3. Inspect individual monthly data and do additional "filtering":
   a. Drop first month when it is significantly less than all following months because of the distribution effect. Similarly, drop the last month when numbers differ significantly from other months (due to overlaps with the delivery of the next directory issue).
   b. Drop months with zero data when it is clear the zeros are not a seasonal effect and when other months' levels differ significantly from zero.

         c.   Drop first month when it is significantly greater than all following months (and couldn't be explained as a seasonal effect) – (noise adjustment).

         d.   Drop clear outliers (typos, etc.)

         e.   Identify "patterns" of problems and adjust for those patterns.

         f.   Identify multiple location ads, aggregate for total ad, and identify number of locations for later analysis.

         g.   Drop studies with minimal reporting time durations.

4.   Eliminate tail of curve to reflect "representative results" (generally about 7.5%)

5.   Drop data from studies more than 6 years old for local ads and 7 years old for national ads.

Rates: Append current rates to all ads, regardless of study year. The goal is to represent the economics of each ad at current rate levels. For the 2007 metered ad study, YPA's December 2006 Rates and Data is used as the source.

Many advertisers receive reductions in effective rates as a result of loyalty/purchase volume bonuses or one of a variety of purchase incentives. These incentives lower the average effective cost per call by up to 35%. Throughout this document, results will be indicated for both full rate and 75% rate. Heading-specific results reported in the detailed files that accompany this report use the convention of 75% of current posted rates as the benchmark for reporting results. This is viewed to be a more realistic representation of actual advertiser experience than full-posted rates.

Distribution: Append directory distribution for each study.

Ad units: Identify ad size for each study in numbers of QC equivalents for display ads and HS equivalents for Space ads.

Headings: Cluster headings into categories where too few studies are available at the heading level to provide meaningful insights. Maintain original headings for later analyses.

Directory Year: Keep year of study and directory to allow for tracking of results by year. Note: Directories published in October, November, or December of a given year are included with studies for the next year since the majority of usage for these directories comes in the following year.

Color Indicator: Append indicator of ad type (B&W, White Knockout, Color, Process Color)

Position Indicator: Publishers provided position information for some display ads (i.e., 2nd display ad out of 13 total). This information is included whenever supplied.

Results Summary – Key Insights

Core Product Primary Ad Type Results

Table 1 summarizes results for each major type of ad. Key observations from the data include:

- The average **local display ad** in Yellow Pages generates 750. The average size ad among the 73,000 display studies in this study was a between a THC (6 QCs) and a Half Page. The average local display ad for the top 135 headings generates 975 calls per year. Call volumes to local display ads range from as little as 12 calls per year to as high as 67,531.

    Individual results vary widely on a heading-by-heading basis. Call costs range from a dollar or two to $100 or more.

    The table shows the average cost per call at full rate, 75% rate, and 65% rate.

	Cost per Call – All Studies	Top 150 Headings
Full Rate	$39	$28
75% Rate	$31	$21
65% Rate	$27	$18

- **National display ads** deliver an average of 2,442 calls per year. National display ads draw more calls per ad than local ads (over three times as many calls for similar size display ads). The fact that national ads feature more locations per ad than local ads accounts for most, but not all of the difference. National display ads have an average of 4.4 lines per ad while local display ads have an average of 1.1 lines per ad. Call volumes for National display ads range from 39 to over 57,000 calls per year.

    Similar to local advertisers, many national advertisers receive a discount, a loyalty-bonus, or a "buy-up" incentive. These incentives lower the effective cost per call. The cost per call for national display ads at various discount levels is listed below:

	Cost per Call – All Studies	Top 150 Headings
Full Rate	$27	$26
75% Rate	$20	$20
65% Rate	$18	$17

    The cost per call of national display ads is 31% lower than the cost per call for local display ads.

- **Local space ads** deliver 408 calls per year on average – a little over half the volume of calls delivered by display ads. The average size for a space ad is a 4HS. Call volumes for local space ads range from 24 to over 12,000 calls per year.

  The cost per call for **local space ads** at full rate is $12.75 per call, about one third of the cost for local display ads. At 75% rate, the cost per call would be $9.56.

  National space ads deliver an average of 821 calls per year. The cost per call for national space ads ($10.30 at full rate; $7.73 at 75% rate) is just over a third of the cost for national display ads.

  Display ads reach a different audience and serve a different function than space ads, which explains the differences in call volumes and cost per call between the type ad types. The cost per call for space ads is significantly lower than for display ads, but the call volumes are higher for display ads.

  *Space ads are the "original search engine." Space ads benefit from the alphabetical structure of incolumn ads and are mostly used when consumers have specific names in mind. Display ads are used for shopping and decision-making. **Space ads are a tool to serve and retain existing or "predisposed" customers while display ads are a tool to bring in new business.** The display ad serves the role of being a "remote sales rep."*

  In general, businesses spend up to five times more to attract new customers than to retain existing customers. The differences in cost efficiency between space and display ads are reflective of the differences in the cost of acquiring new customers versus the cost of retaining existing customers.

  National space ads receive more calls because they list twice as many phone lines as local space ads on average. National space ads also benefit to some extent from brand recognition resulting from advertising in other media.

- **Leader ads** deliver slightly more calls than the average space ad (497 vs 411), but this is primarily due to their larger size. When normalized for size differences, leader ads actually are half as effective at drawing calls (per HS unit) than regular space ads. Call volumes for Leader Ads range from 27 to over 7,800 calls per year.

  The cost per call for Leader ads averages about $35 at full rate ($26 at 75% rate), about three times the average cost per call for space ads and about the same as the average display ad.

- **Trade and Trademark ads** offer one of the strongest value propositions in Yellow Pages. Trade ads generate almost as many calls as national display ads (2,163 vs. 2,442). Trademark ad call volumes range from 37 to over 69,000 calls per year.

  Trademark ads average $6.94 per call at full rate, $5.20 at 75% rate.

Trade ads offer incredible value. Trade and trademark ads combine the benefits of brand awareness with the search efficiencies of Yellow Pages. The high value of these ads clearly proves the synergy of combining a Yellow Pages program with other media advertising. Other advertising builds brand awareness and bias; Yellow Pages allows an advertiser to capitalize on that brand bias when the consumer is shopping and ready to make a purchase.

- Ads containing **multiple-locations** perform significantly better than ads with single locations.

  - **Local multi-location ads** generate 94% more calls than single-location ads, resulting in costs per call that are 82% of the cost per call of single-location ads.

    National ads show more dramatic differences for multi-location ads. **Multi-location national display ads** draw three and a half times as many calls as single-location national ads and have a cost per call that is less than 50% of the cost of single location ads.

    National companies tend to have more locations than local companies. Over half (58%) of national company studies had multiple locations or phone lines. National companies with multiple locations average 7 locations per ad. Only 8.4% of local display ads had multiple locations or phone lines, and those businesses averaged only 2.6 locations per ad.

    After normalizing for differences in ad size and market size, multi-location national display ads draw calls at a rate 11% higher than multi-location local ads. This is likely the result of greater brand awareness. (Single location national ads, however, draw calls at the same rate as single location local ads.)

    Based on statistical regressions, expected calls for national ads increase by 65% of the calls received by a single location ad for each additional location in the ad. For local ads, each location adds about 45% of the calls received by a single location ad (for the same size ads).

    The fact that multi-location or phone line ads draw significantly more calls is due to a) consumers generally shop close to home, and b) consumers prefer to do business with companies that show interest in their local region. A business that has more than one location will have locations closer to a greater number of consumers and thus generate more calls. A business that has different phone numbers for different regions of the market indicates to consumers that they want the local business and makes the consumer feel that he or she will receive more personalized service.

- **Multiple-location trademark/tradename ads** generate over six times as many calls (3,001 vs 469) as single-location trade ads and have a cost per call that is 40% of the cost of single location ads.

  These ads are so effective because of the strong impact of brand as well as the synergy between multiple locations/phone numbers and consumer shopping behaviors. There is no better value in advertising than that of a multiple-location trade or trademark ad, with a cost per call of $4.69 (at full rate). Results vary by heading, with some headings offering costs as low as $0.04 per call.

Table 1: Results – Primary Ad Types

	Local Display	Space	Leader Ads	Listings	Hispanic Display	Hispanic Space	National Display	Trade	Space	Listings
Studies	64,875	2454	2170	117	378	19	1100	362	223	38
Lines	73,270	2595	2314	127	457	20	2863	827	338	63
Annual Calls	*750*	*408*	*497*	*566*	*228*	*130*	*2442*	*2163*	*821*	*669*
Call-Median	*444*	*252*	*337*	*313*	*145*	*115*	*979*	*642*	*368*	*254*
Cost/Call (full rate)	*$39.70*	*$ 12.75*	*$ 35.76*	*$ 4.20*	*$ 46.98*	*$ 10.7*	*$ 27.50*	*$ 6.94*	*$ 10.30*	*3.87*
Cost/Call-Median (full rate)	*$28.99*	*$ 9.51*	*27.12*	*1.62*	*29.68*	*$ 8.5*	*$ 14.70*	*$ 3.22*	*$ 5.40*	*1.06*
Units	7.4	3.7	8.0		7.1	2.3	7.2		3.3	
Units-Median	6.0	4.0	8.0		4.0	2.0	4.0		3.0	
Distribution (000s)	428	485	488	575	460	106	602	520	591	475
Price	$ 18,357	$ 3,008	$ 10,661	1485	6640	987	$ 21,679	$ 2,922	$ 2,540	630
Price-Median	$ 12,228	$ 2,364	$ 9,864	420			$ 13,788	$ 2,232	$ 2,124	486
RHSMD	$ 10.11	$ 2.60	$ 4.00	4.1	7.1	5.8	$ 6.79		$ 1.70	
Calls/1000 Distr.	3.3	1.6	1.8	2.3	1.4	1.8	6.4	55	2.0	8.6
Locations	*1.1*	*1.1*	*1.1*	*1.1*	*1.2*	*1.1*	*4.4*	*4.9*	*2.1*	*4.4*
Calls/Location	*680*	*391*	*475*	*510*	*187*	*125*	*786*	*477*	*525*	*669*
Calls/Unit	138	128	63		51	63	414		252	
Calls/Unit/distr.	0.65	0.50	0.24		0.36	0.85	1.12		0.59	
Calls/Unit/distr/loc	0.62	0.47	0.23		0.34	0.83	0.45		0.40	
Min	12	24	27	43	24	29	39	37	18	20
Max	67,531	12,975	7,885	5,901	5126	349	57,803	69,663	12,750	10,247

Table 1 (continued): Results Summary: Primary Ads

	National Display Multi-loc	Display Single loc	National Trade Multi-loc	Trade Single Loc	National Space Multi-loc	Space Single-loc	Local Display Multi-Loc	Display Single
Studies	636	463	242	121	886	138	5582	61252
Lines	2400	463	707	121	200	138	14440	61252
Annual Calls	*3514*	*970*	*3001*	*469*	*1112*	*641*	*1313*	*676*
Call-Median	*1885*	*384*	*1052*	*220*	*606*	*226*	*780*	*414*
Cost/Call (full rate)	*$ 15.60*	*$ 43.90*	*$ 4.69*	*$ 11.77*	*$ 6.80*	*$ 12.50*	*$ 32.5*	*$ 39.7*
Cost/Call-Median	*$ 8.30*	*$ 31.30*	*$ 2.09*	*$ 7.86*	*$ 3.00*	*$ 7.40*	*$ 22.1*	*$ 28.9*
Units	8.1	5.8			3.6	3.1	9.7	7.2
Units - Median	6.0	4.0			3.0	3.0	8.0	6.0
Distribution (000s)	622	580	524	514	535	628	513	423
Price	$ 25,332	$ 16,684	$ 3,388	$ 1,980	$ 2,720	$ 2,428	$ 26,495	$ 17,152
Price-Median	$ 16,176	$ 10,704	$ 2,518	$ 1,836	$ 2,312	$ 2,066	$ 18,084	$ 11,457
RHSMD	$ 6.73	$ 5.80			$ 3.60	$ 1.69	$ 8.81	$ 9.94
Calls/1000 Distr.	9.3	2.5	7.5	1.4	2.6	1.6	4.4	7.9
Calls/Unit	562	210			340	197	193	131
Locations	6.9	1.0	6.9	1.0	3.8	1.0	2.6	1.0
Calls/Location	*653*	*970*	*480*	*469*	*337*	*641*	*506*	*685*
Calls/Unit/Distr	1.49	0.6			0.77	0.48	0.70	0.64
Calls/Unit/distr/loc	0.33	0.6			0.27	0.48	0.30	0.64
Min	59	39	38	37	26	18	32	12
Max	57,803	31,190	69,663	6,444	6,270	12,750	67,531	45,119

Companion, Plus, Mini Directory Results

Table 2 shows the performance of the newest product of the industry, called Companion, or Plus, or Mini directories.

- The average **Companion directory display ad** delivers 306 calls per year at a cost per call of $14 (full rate). The call volume is 40% of that of the "core" directories, which represents a significant opportunity for advertisers to increase their overall call volumes in a market. Most Companion/Plus/Mini directories are priced at 10-15% of the core directory rates, which leads to the low cost per call of $14 (63% lower than the full-rate cost per call for the core directory). Calls to Companion directory local display ads range from 31 to over 1,200 per year.

- The average **Companion directory space ad** delivers 187 calls per year, 46% of the average calls that space ads receive in the "core" directories. The cost per call for space ads in the Companion directory is only $4.78 (full rate), 63% lower than the $12.75 for "Core" directories.

- **Leader Ads** deliver an average of 255 calls per year for the Companion directory, 48% of that in the "core" directories. The cost per call of $8.50 is 76% lower than the $35 for "Core" directories.

  Clearly the Companion/Plus/Mini directories deliver great value for advertisers. These directories offer advertisers the ability to significantly increase their call volumes in their markets at minimal additional cost. The ROI for the incremental investment is two to three times higher than for the core product.

Internet Yellow Pages Ads

- The average **IYP ad** generates 226 calls at an average cost of $9.1 per call, making this product an incredible value for advertisers. Call volumes ranged from a low of 20 calls per year to a high of 2,942 calls.

Hispanic Directories

- **Display ads in Hispanic directories** deliver an average of 228 calls per year at a cost of $47 per call (at full rate; $35 per call at 75% rate).
- **Space ads in Hispanic directories** deliver an average of 130 calls per year at a cost of $10.7 per call (at full rate). Calls to local display ads in Hispanic directories range from 24 to over 5,000 per year.

Table 2: Results Summary: Companion – Plus – Mini Directories, IYP ads, Hispanic Directories

	Companion Display	Companion Space		Companion LA		Hispanic Display	Hispanic Space		IYP
Studies	1,834	137		51		378	19		930
Lines	2,277	157		57		457	20		949
Annual Calls	*306*	*187*		*255*		*228*	*130*		*226*
Calls Median	*18*	*127*		*170*		*145*	*115*		*156*
Cost/Call	*$14.65*	*$ 4.78*		*$ 8.53*		*$ 46.98*	*$ 10.7*		*$ 9.1*
Cost/call Median	*$10.34*	*$ 3.05*		*$ 6.32*		*$ 29.68*	*$ 8.5*		*$ 5.78*
Units	8.1	4.0		8.0		7.1	2.3		
Units Median	6.0	3.0		8.0		4.0	2.0		
Distribution (000s)	445	507		421		460	106		600
Price	$ 2,711	$ 502		$ 1,114		6640	987		1453
RHSMD	$ 1.10	$ 0.41		$ 0.40		7.1	5.8		1.3
Calls/1000 Distr.	0.7	0.9		0.8		1.4	1.8		0.8
Locations	*1.1*	*1.1*		*1.1*		*1.2*	*1.1*		*1.0*
Calls/Location	*169*	*219*		*233*		*187*	*125*		*223*
Calls/Unit	56	76		32		51	63		
Calls/Unit/distr.	0.20	0.28		0.09		0.36	0.85		
Calls/Unit/distr/loc	0.18	0.27		0.08		0.34	0.83		
Min	31	32		44		24	29		20
Max	1,272	1,224		2,104		5126	349		2942

Table 3 indicates the performance of White Pages and several specialty/awareness ads. Key observations from the data include:

White Pages

- **White Pages space ads** deliver an average of 423 calls per year at a cost per call of $12.70 (full-rate).

- **White Pages display ads** deliver an average of 401 calls per year at a cost per call of $45 (full-rate; $34 per call at 75% rate).

- **White Pages listings** deliver about 223 calls per year at a cost of $2.90 (full rate).

- **White Pages Banner/Billboard ads** deliver about 637 calls per year at a cost per call of $33.

- **White Pages Awareness products** (cover or tab ads) deliver about 724 calls per year at a cost of over $122 per call.

- **White Pages Repeating Corner ads** deliver over 420 calls per year at a cost per call of $24.

Covers

- **Outside Back Covers** provide the strongest returns of the cover-ad family, with an average of 708 calls per year – comparable to about a half page display ad. The ads average about $92 per call – significantly higher than the $39 per call for local display ads (both at full rate). Calls to Outside Back Covers range from 38 to over 28,000 per year.

- **Inside Front Cover** ads deliver about 347 calls per year at an average cost of $84 per call. **Inside Back Cover** ads deliver about 418 calls per year at an average cost per call of $57 per call.

  Cover ads provide a different type of advertising vehicle than display and incolumn ads. Covers can attract more attention and provide a much larger number of "impressions" than in-heading ads. As such, these ads are similar to highly targeted magazine or outdoor ads. These ads are excellent vehicles for building brand awareness, image, and market position. The purpose of these ads, therefore, is broader than simply generating calls, and their value must be judged differently than in-heading ads. These ads are not for all advertisers.

Spines, Edges, and Tip-Ons

- **Spine ads** attract roughly 218 calls per year at a cost per call of $163.
- **Edge ads** attract about 789 calls at a cost per call of $83.
- **Tip-on ads** attract about 869 calls per year at a cost per call of $58

Front Cover Banner/Billboard

- **Front Cover Banners / Billboards** attract an average of 644 calls per year at $96 per call.

Tabs

- **Tabs** attract about 1,065 calls per year at a cost per call of $84. Calls to Tabs range from 29 to almost 30,000 per year.

Similar to cover ads, tabs serve a different purpose than in-heading ads. Tab ads serve to build brand awareness and market position (similar to an Outdoor ad), but are not as effective in generating direct-response as the display and incolumn-ads. Because of their higher cost per call relative to traditional in-heading ads, these ads are useful to businesses with high purchase amounts, high profit margins, or high sales volume, or to businesses with a long-term investment commitment to building brand and image.

Coupons

- **Coupons** generate an average of 545 calls per year at a cost of $9 per call. Calls to coupons range from 61 to over 2,300 per year.

Table 3: Results Summary: Specialty/Awareness Ads

White Pages	White Pages Banner / Billboard	Space		White Pages Listings	WP Awareness		White Pages WP-Display	White Pages Repeating Corners		Tabs	Coupons
Studies	50	25		22	20		55	169		581	32
Lines	58	29		39	24		59	184		723	36
Annual Calls	**637**	**423**		**377**	**724**		**401**	**429**		*1065*	**545**
Calls-Median	**250**	**235**		**192**	**530**		**221**	**249**		*450*	**289**
Cost/Call	$ 33.03	$ 12.71		$ 2.91	$ 122.0		45.11	24.77		*$84.09*	8.98
Cost/call-Median	$ 19.20	$ 10.17		$ 1.75	$ 100.1		36.89	18.68		*$61.96*	4.54
Units	5.6	3.1			12.7		6.4			15.2	
Units-Median	6	2.5			16		6.3			16	
Distribution (000s)	326	290		295	700		644	236		326	402
Price	5330	$ 2,013		$ 366	$ 67,834		$ 9,993	$ 5,011		$ 32,562	$ 3,179
Price-Median	5176	$ 2,112		$ 336	$ 55,080		$ 10,188	$ 3,972		$ 22,584	$ 1,311
Calls/1000 Distr.	4.6	5.7		1.5	2		1.9	3.8		5.2	**2.4**
Locations	1.2	1.2		1.8	1.2		1.1	1.1		1.3	**1.1**
Calls/Location	419	397		223	684		393	393		*882*	**526**
Calls/Unit	145	148			54		64			65	
Calls/Unit/distr.	0.97	0.94			0.20		0.29			0.38	
Calls/Unit/distr/loc	0.97	0.92			0.2		0.29			0.36	
Min	33	47		32	57		54	33		29	61
Max	14635	1691		1797	2413		2586	3655		29256	2346

## Table 3 (continued):   Results Summary: Specialty/Awareness Ads

Covers	Outside Back Cover	Inside Front Cover		Inside Back Cover	Front Cover Banners, Billboards, Phots		Spine	Edge	Tip-On
Studies	242	119		86	243		96	15	209
Lines	259	127		93	256		106	15	247
Annual Calls	**708**	**347**		**418**	**644**		**218**	789	**971**
Calls-Median	**316**	**250**		**212**	**316**		**266**	342	**425**
Cost/Call	$ 92.84	$ 84.37		$ 57.35	$ 96.14		$ 162.99	83.86	70.73
Cost/Call-Median	$ 74.04	$ 63.05		$ 48.29	$ 73.23		$ 127.73	55.08	55.1
Units	14.4	15.5		13.9	3.5		2.6		7.0
Units-Median	16.0	16.0		16.0	3.5		2.0		4.0
Distribution (000s)	212	293		264	307		398	211	258
Price	$ 28,125	$ 19,868		$ 10,504	28590		$ 40,259	23738	$ 37,684
Price-Median	$ 21,300	$ 14,692		$ 7,904	21117		$ 26,742	18900	$ 25,427
Calls/1000 Distr.	7.6	2.5		4.2	3.7		1.8		5.2
Locations	1.1	1.1		1.1	1.1		1.1	1.0	1.2
Calls/Location	657	329		407	625		463	789	786
Calls/Unit	51	23		25	101		196		206
Calls/Unit/distr.	0.57	0.18		0.3	0.74		0.61		0.78
Calls/Unit/distr/loc	0.55	0.17		0.30	0.69		0.61		0.68
Min	38	34		19	34		32		48
Max	28351	1991		5499	5960		3603		13740

Yellow Pages Ad Dynamics

Impact of Ad Size on Calls

Figure 1a shows how call volumes change as ad size increases. For this figure, only studies with no color were used and only studies from markets with distributions between 100,000 and 800,000 were used. Based on statistical regressions of the data, **for every doubling in ad size, calls increase by about 38%.**

Figure 1a.
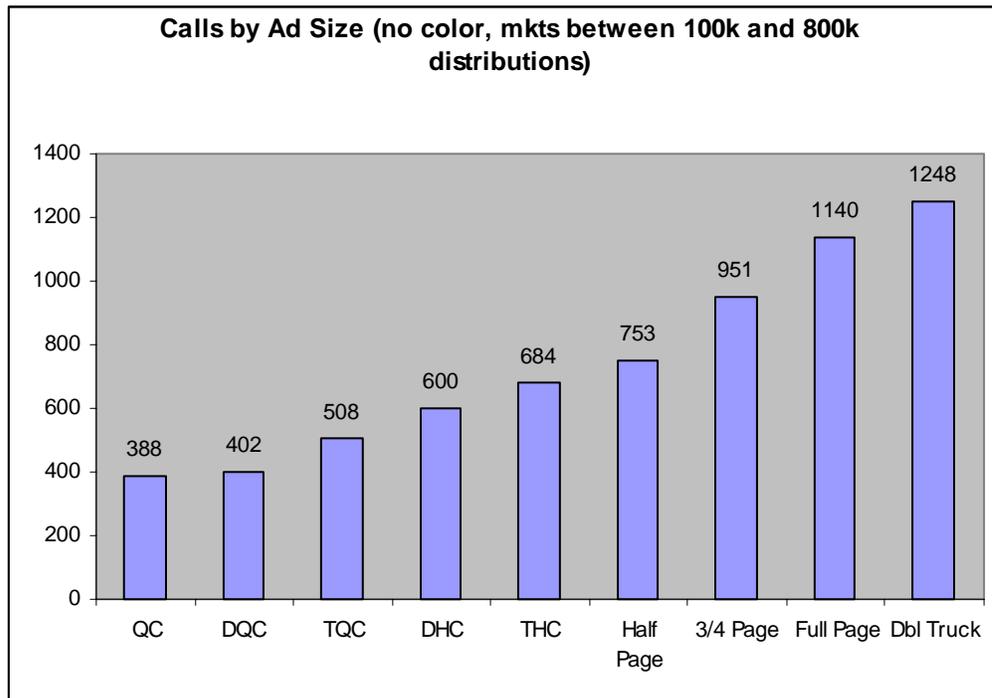
Ad rates generally double when ad size doubles, **so a 38% increase in calls for a doubling in ad size means that the cost per call increases with ad size**. Figure 1b shows the cost per call by ad size for ads with no color in markets with distributions between 100,000 and 800,000. The average full-rate cost per call for QC ads is about $18, while the average full-rate cost per call for Full Page ads is about $49 and for Double Trucks is about $62. **Thus, cost per call varies by a factor of over 3 to 1 between the largest display ads and the smallest display ads**.

What this translates to for the advertiser is that **businesses pay a premium for growth**. Larger ads draw more calls, but at an increasingly higher cost. Advertisers must sacrifice some of their profit margin to invest in growing their business.

Figure 1b.

Cost per Call by Ad Size (no color, mkts between 100k and 800k distributions)
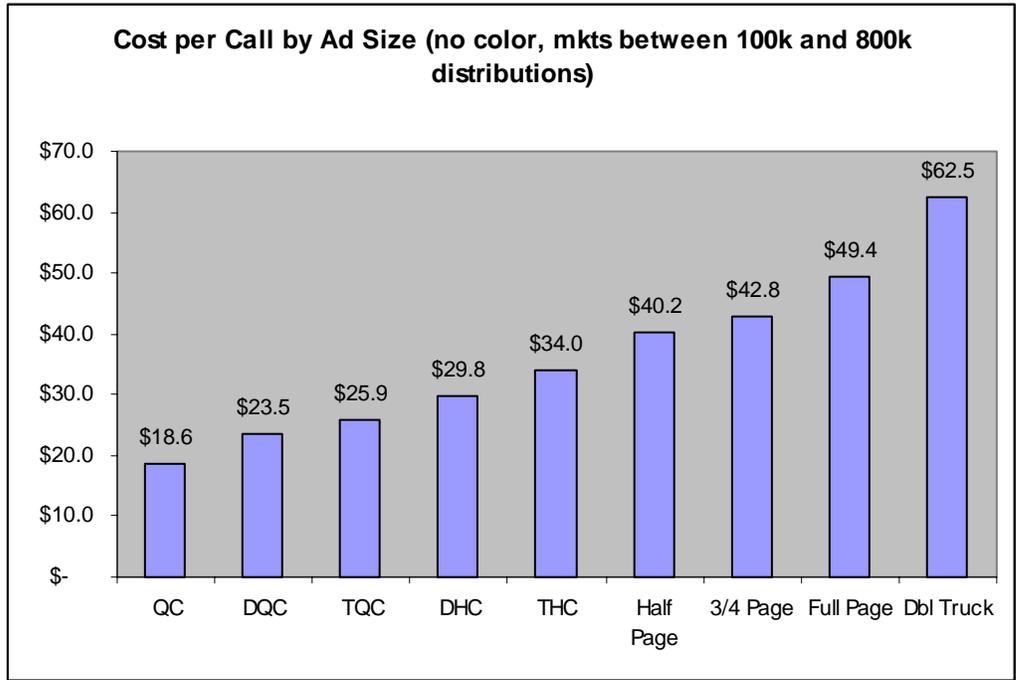
Figures 1a and 1b are averaged across all headings. While most headings show a similar "pattern" as in these figures, the absolute values of calls and the cost per call can vary significantly by heading.

Impact of Market Size on Call Volume and Cost per Call

Figures 2a and 3a show how call volumes vary by market/directory distribution size. Figure 2a shows the comparison for DHC ads (1/4 page) while Figure 3a shows the comparison for Half Page ads. Note: this comparison is across directories of different sizes in different markets, it is not a comparison of call changes by distributions in the same market.

Figure 2a.

DHC Calls by Market Size

Distributions	Annual Calls
<100k	377
100-300k	494
300-500k	597
500-800k	801
800k-1.2 million	928
>1.2 million	853

Figure 3a.

Half Page - Calls by Market Size

Distributions	Annual Calls
<100k	510
100-300k	658
300-500k	758
500-800k	979
800k-1.2 million	1,319
>1.2 million	1,141
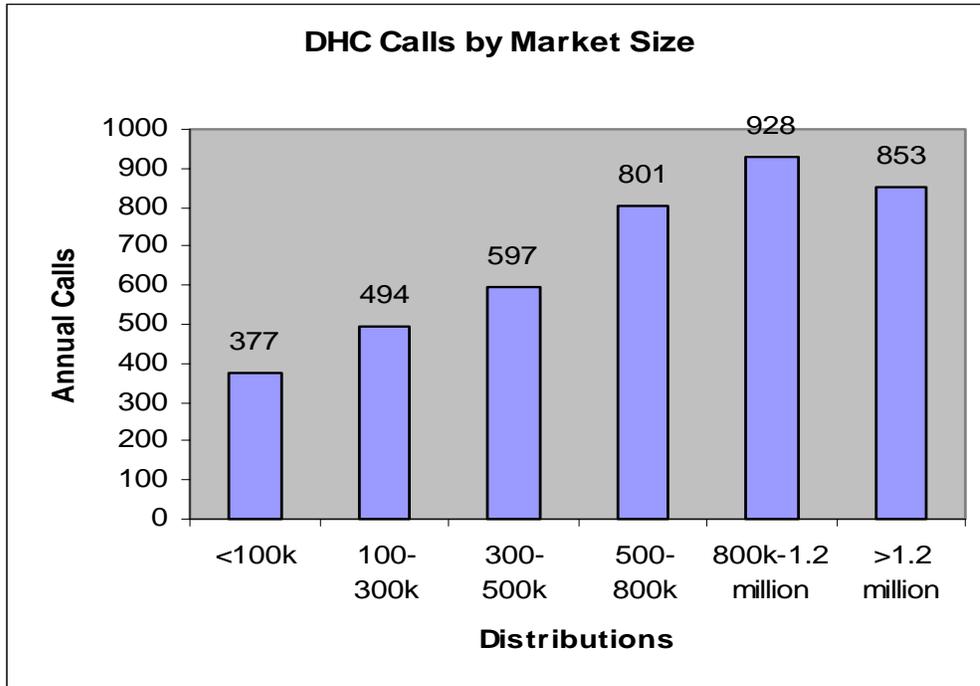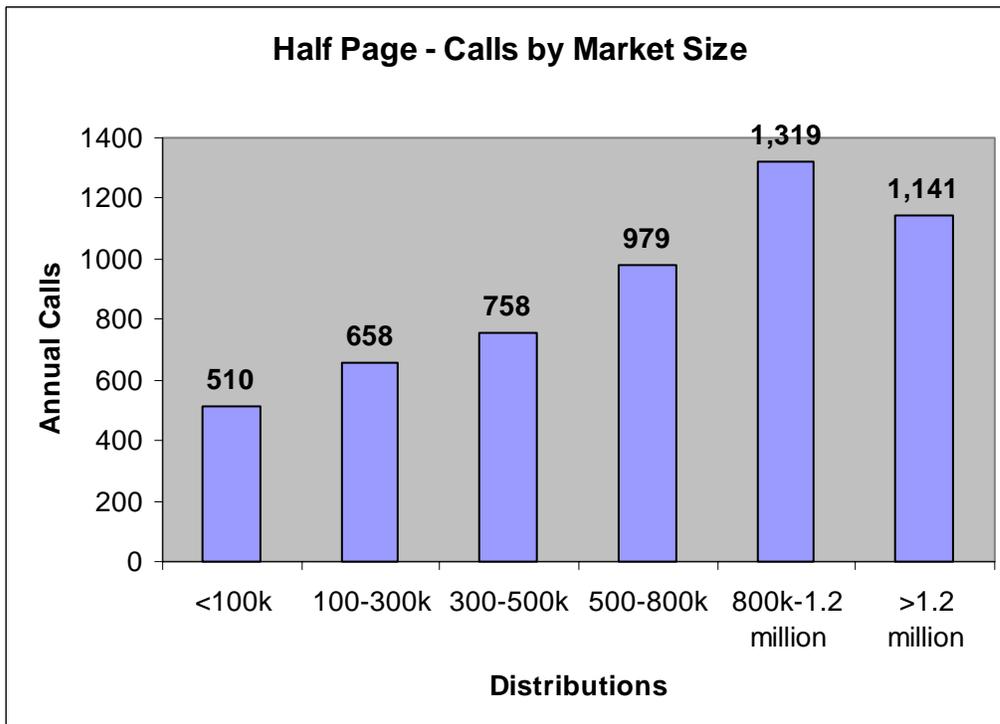
The pattern is similar for both the DHC and the Half Page ad. **Calls increase about 20% every time market size (measured by directory distributions) doubles**. Thus, calls for markets with 800,000 to 1.2 million distributions receive about 2 and a half times as

many calls as markets with less than 100,000 distributions. In both cases, calls in the very largest markets, those with distributions above 1.2 million, are about 8-14% lower than in markets with 500,000 to 800,000 distributions.

Rates increase faster than calls as market size increases, leading to increasing costs per call for larger markets as shown in Figures 2b and 3b. Thus, for both ad sizes, the cost per call in the largest markets is about $22 per call higher than in the smallest markets.

Put another way, while calls increase by a factor of just over two between the smallest markets and the largest markets, the rates for the same ad increase by over a factor of 7. **The consequence is that the advertiser's average return on investment is significantly lower in large markets than in small markets**.

Figure 2b.

DHC - Avg Cost per Call by Market Size
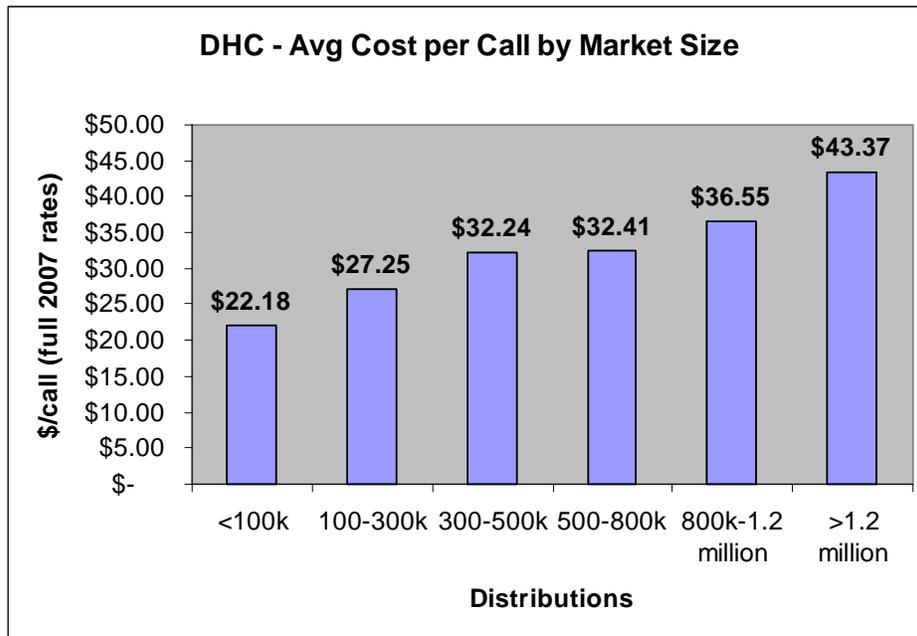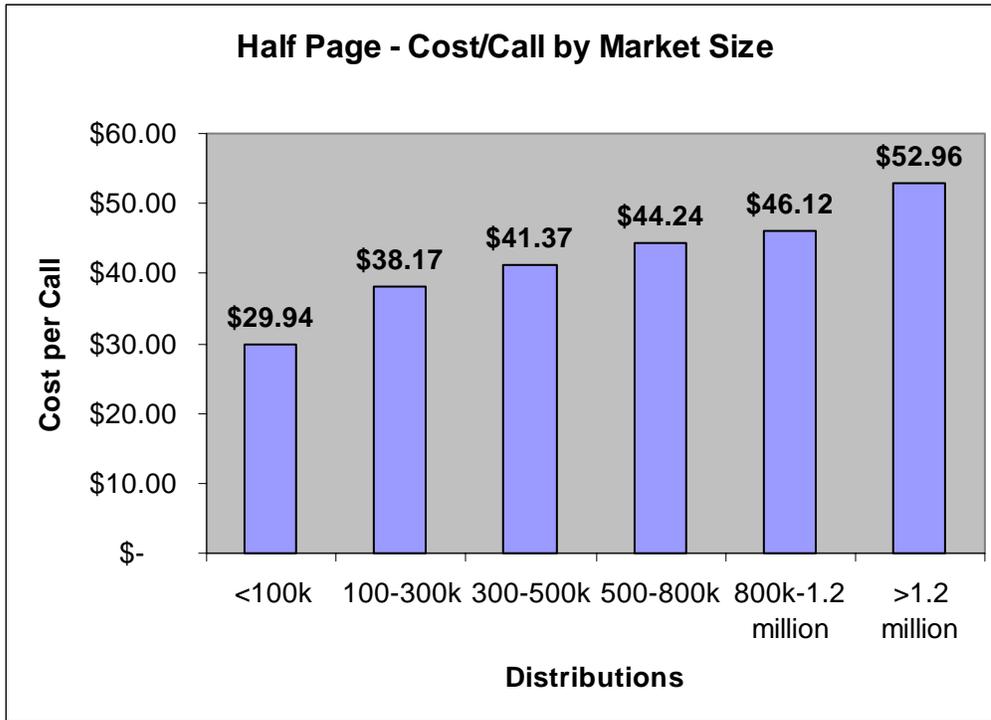
Figure 3b.

Impact of Ad Size and Market Size for Space Ads

Figures 4a and 4b show how Space ad call volumes and cost per call vary by ad size. **For ad sizes from 1HS to 5HS, ad size appears to have no impact on call volume**. Ad size must increase to a 6HS before calls increase. The difference between a 6HS and a 5HS ad is about a 37% increase in calls.

The implication of Figure 4a is that for ad sizes 1HS through 5HS, the space ad is simply providing reference information to consumers (phone number, address, etc.) in a "search" mode of usage. It is not until ad size increases to the 6HS size that there is enough space to provide content that influences decisions, which accounts for the increased calls to the larger ad size.

Figure 4a.
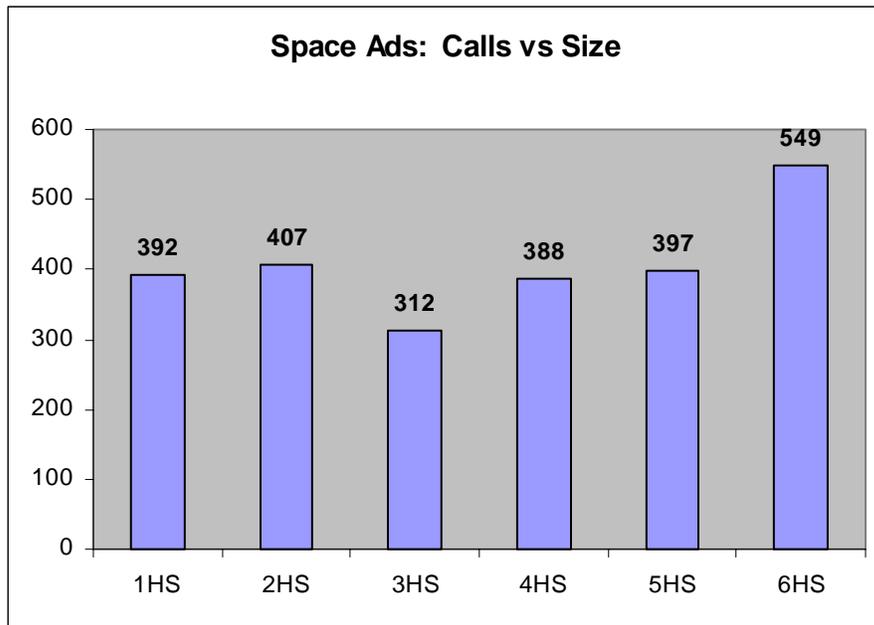
Rates increase as the size of the Space ads increase, and so the cost per call increases substantially as ad size increases because of the flat calls.

Figure 4b.
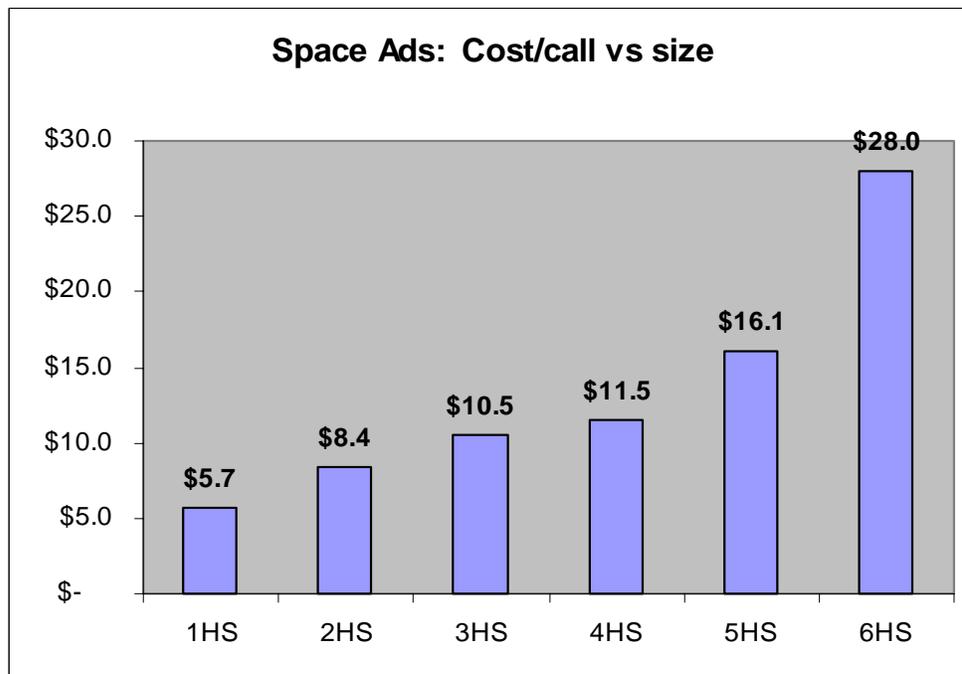
Figures 5a and 5b show the impact of market size on calls to Space ads. For these figures, only 3HS, 4HS, and 5HS ads were used. Based on Figure 4a, on average, each of these ads draws about the same level of calls, so grouping the three ad sizes provides a larger sample of studies to show the impact of market size.

Figure 5a shows that calls increase in similar amounts to display ads as market size increases, up to markets with 800,000 to 1.2 million distributions. Above that, for the very largest markets, call drop off by 33%, a bigger drop than for display ads.

Figure 5a.

Space Ads - Calls vs Market Size
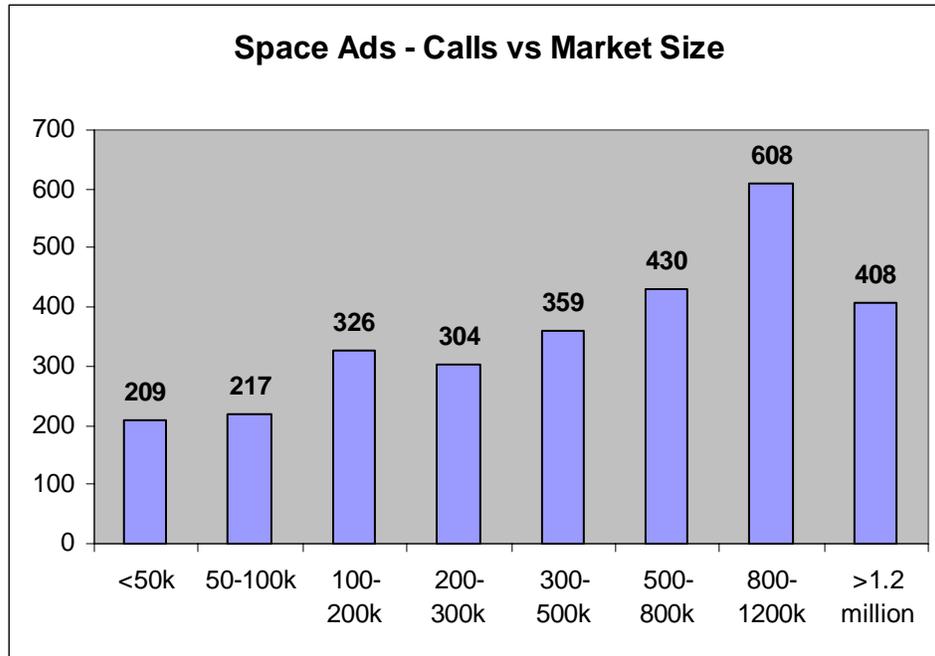
Figure 5b shows how the cost per call for Space ads varies by market size. Cost per call is fairly constant between markets with 50,000 distributions through markets with 1.2 million distributions. Cost per call increases by 50%, however, for the very largest markets. This is largely due to the 33% drop in calls to the ads in these markets.

Figure 5b.

Space Ads: Cost/Calls vs Market Size

Market Size	Cost/Calls
<50k	$6.5
50-100k	$14.2
100-200k	$10.8
200-300k	$12.4
300-500k	$11.7
500-800k	$12.6
800-1200k	$14.4
>1.2 million	$20.9
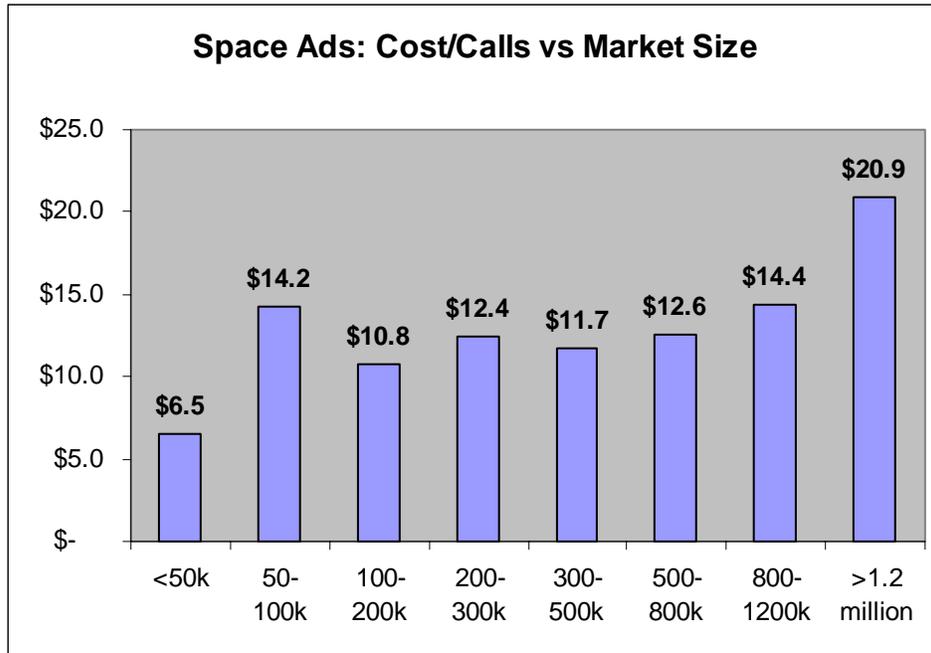
Heading Rankings

The tables in file "Heading Rankings 2007" list headings ranked by average number of calls per ad for local display ads and for national display ads. The top 15 headings for local and national calls are listed below along with their average annual call volumes:

Rank	Top Headings for Local Calls	Annual Calls per Advertiser	Top Headings for National Calls	Annual Calls per Advertiser
1	Auto Parts & Supls - Used & Rebuilt	6,785	Tax Return Preparation & Filing	24,641
2	Auto Wreckers & Used Parts	3,924	Pizza	13,960
3	Taxicabs	3,680	Auto Renting & Leasing	10,037
4	Auto Engine Rebuilding	3,227	Pet Shops	8,727
5	Pizza	3,084	Hardware Dealers - Retail	8,655
6	Auto Renting & Leasing	2,453	Computer & Equip Repair & Service	7,846
7	Airline Ticket Agencies	2,285	Brake Service	7,778
8	Auto Renting & Leasing	2,183	Computer & Equipment Dealers New	7,529
9	Escorts	2,162	Insurance	6,494
10	Appliances Major Supplies Parts	1,844	Tire Dealers	5,862
11	Hotels	1,833	Restaurants	5,449
12	Auto Dealers - New	1,798	Cellular & Wireless Phones & Service	4,520
13	Recycling Centers	1,782	Swimming Pool Contractors & Dealers	4,447
14	Bail Bonds	1,716	Motels	4,128
15	Coin Dealers, Supplies, Etc	1,688	Hotels	3,649

Rankings can also be obtained for both national and local ads based on additional criteria, such as cost per call, unit size, and normalized calls per unit per thousand distributions. These rankings can be obtained through appropriate sorts of the "Heading Results Quick Reference.XLS" file included as part of this study.

Note that headings whose ads receive the most calls have little in common with headings that receive the most references. In fact, the correlation between call volumes and references across the top headings is only 0.14 – basically indicating no connection between the two measures.

Trends in Call Volume

Three different measures give different pictures of what is happening to calls over time. Two measures suggest calls are trending down, another measure suggests that calls are remaining robust. Each measure is reviewed and discussed below, and possible explanations are suggested at the end of the discussion.

Individual Advertiser Experiences

The most "scientific" measure of trends in call volumes is to track the experience of individual advertisers with same size ads in the same heading over multiple years.

The 2007 metered ad database contains studies for 2,290 local advertisers that had the same size and type of display ad (same UDAC) in the same market and heading for two successive years between 2004 and 2006 (either 2004-2005 or 2005-2006, or both). The size of this sample and the tracking to specific advertisers provides clear and compelling evidence that Yellow Pages ads are continuing to deliver results to advertisers.

- **60% of these advertisers saw increases in call volumes in the second year**, with an average increase across all advertisers of 19%.
- Of 823 advertisers who had the same size ad in 2005 and 2006, 59% received more calls in 2006 than in 2005, with an average increase of 14%.
- Of the advertisers that saw an increase in year 2, the average increase was 49% (median of 23%); of the advertisers that saw a decrease in year 2, the average decrease was 24% (median of 19%). So, not only did the majority of advertisers see increased calls in year 2, but the gainers saw a larger percentage increase in calls than the decrease in calls experienced by the losers.
- The average ad size for advertisers with multiple-year tracking is about <u>a third larger</u> than the average for the full metered ad database.
- An examination of 54 headings that had 10 or more advertiser tests with 2-year results between 2004 and 2006 shows that more than 50% of the advertisers received more calls in the second year for 83% of these headings.
- There appears to be no systematic pattern as to which types of headings are more likely to see growing calls.
- An examination of 59 directories that had 10 or more advertiser tests with 2-year results between 2004 and 2006 shows that 50% or more of the advertisers received more calls in the second year for 80% of these directories.
- There is no correlation between directory size (measured in distributions) and the likelihood of seeing increasing calls. That is, all sizes of directories had a similar distribution of advertisers with increasing calls.

The bottom line picture is that of a medium that continues to deliver results to the advertiser.

Call Trends – Full Database

Trend based on average calls.

Figures 6a and 6b show the average calls for local display ads (across all headings and directories) and for all local space ads over the past 7 years. Figure 6a suggests that local display calls dropped from about 750 calls per year in 2005 to about 600 per year in 2006 (a drop of 20%), and Figure 6b suggests that local space calls dropped from 425 to 369 (a drop of 13%). These data are in contradiction to the results from tracking the experience of individual advertisers for multiple years discussed on the previous page. A few possible explanations are explored below.

Figure 6a.
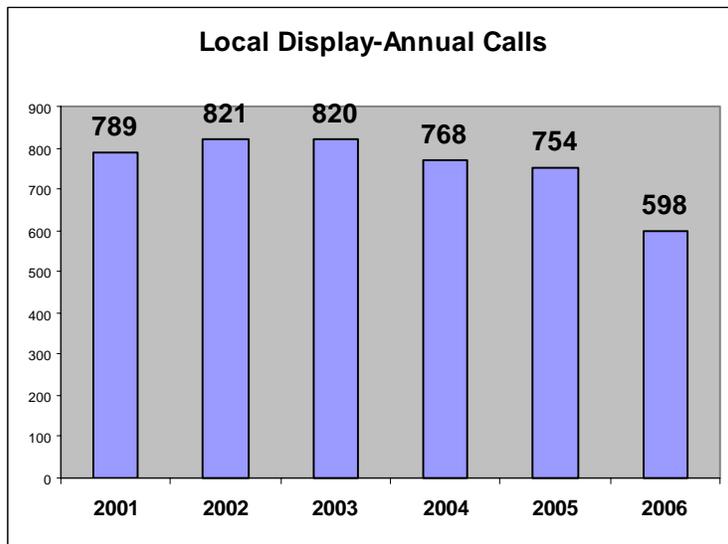
Figure 6b.
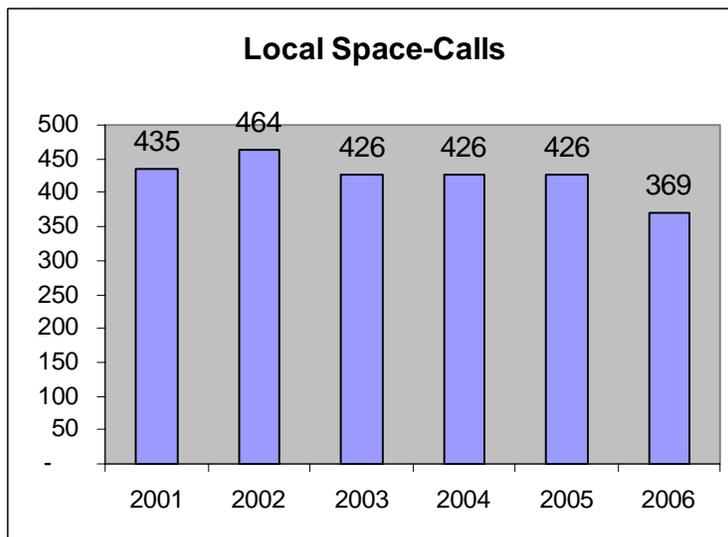
<u>Trend based on "normalized" calls:</u>

The mix of ad studies from large and small markets changed from previous years to 2006. The share of ad studies in direc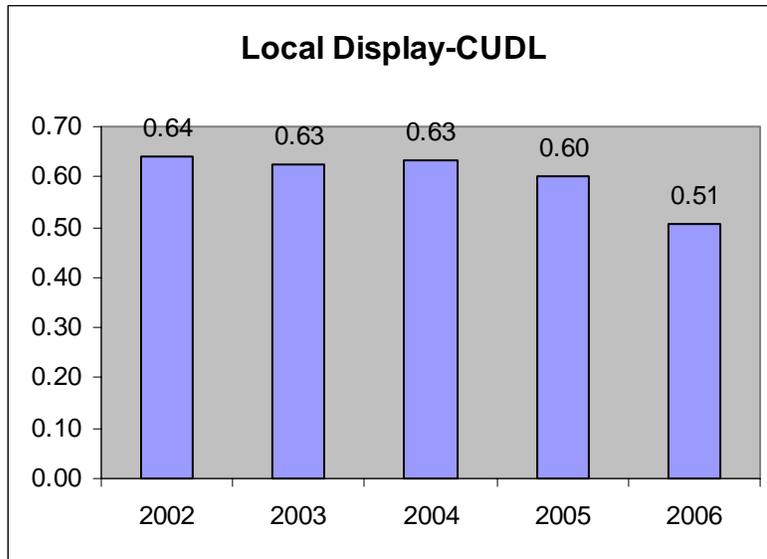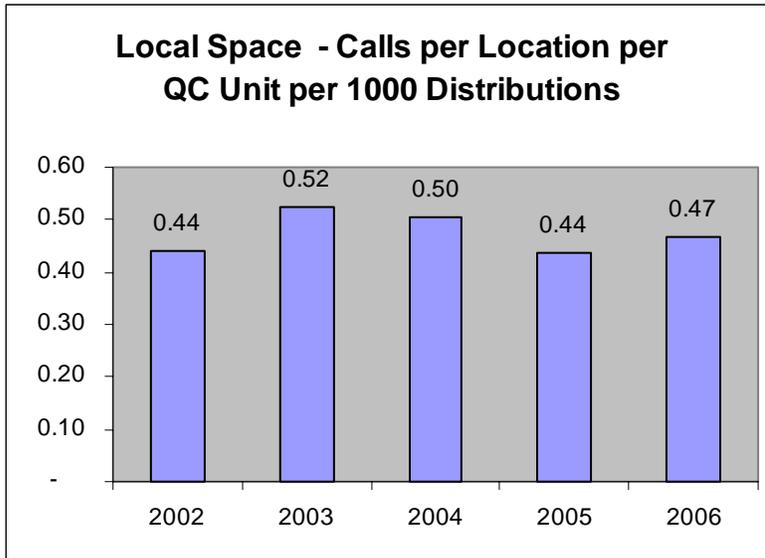tories under 200,000 distributions increased from 34.5% in 2005 to 39.2% in 2006. Since smaller directories generally receive somewhat lower call volumes, this increase could account for some of the observed decrease in average call volume noted in the previous section. A comparison of "normalized" call volumes rather than actual call volumes can help account for differences due to the shift in the mix of directory sizes.

Figures 7a,b,c use the normalized measure "calls per QC unit per thousand distributions per line" for the past five years. Dividing calls by ad size and distributions helps to account for differences in the studies in ad size and distributions. Figure 7a shows that call volumes for local display ads held steady from 2002 through 2006, but dropped about 15% in 2006. Figures 7b and 7c, for local space ads and for national display ads, however, show strong and steady performance in 2006 compared with previous years.
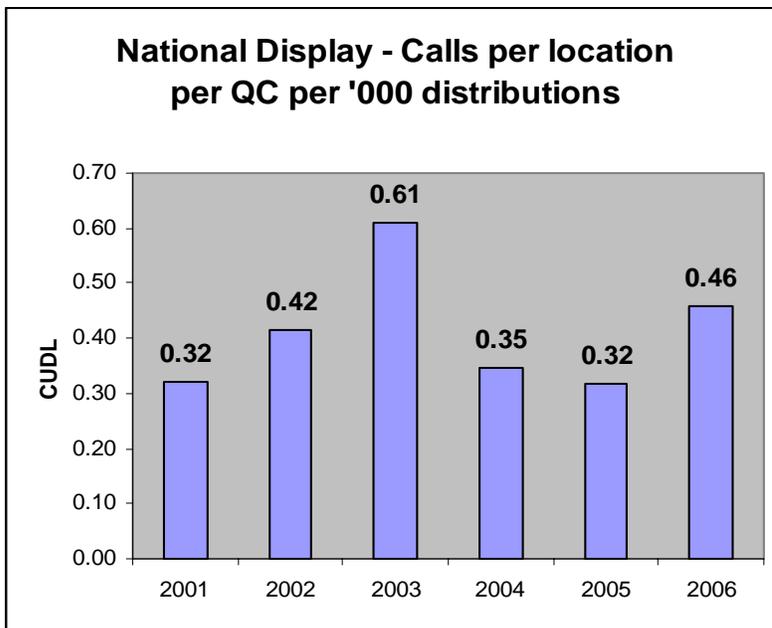
Figure 7a.

Figure 7b.

Local Space - Calls per Location per QC Unit per 1000 Distributions

Figure 7c.

National Display - Calls per location per QC per '000 distributions

Normalizing for differences in ad size and distributions suggests that call volumes for local space ads and national display ads are remaining steady, but only explains part of the drop in calls observed for local display ads.

Trends for Individual Headings

Statistical analyses of call results for 150 top headings show an annual decline in calls of 5% or more for 61% of the headings. Calls are remaining steady for 38% of the headings. Averaged across all 150 headings, calls are dropping about 7% per year.

Explanations:

Clearly, the call tracking data give mixed signals. Calls appear to be holding steady for local space ads and for national display ads. For local display ads, however, the individual advertiser experiences suggest that call results are strong and robust, while the aggregate analyses suggest a drop in calls.

Nothing has been found that will allow us to quantifiably or "definitively" explain this discrepancy, but there are few factors that could play a role in the drop in local display calls:

a) An increase in defensive "saves" vs. "sells"

   If there is an increase in the percentage of calls used to "save" accounts rather than to "upsell" accounts, average calls would be expected to drop. Accounts that plan to drop or reduce their ads are more likely to have poor content. It is well known that improving ad content can affect call volumes by a factor of 2 to 10. A significant increase in the number of "poor content" ads could easily cause a 10-20% shift in average measured call counts. The performance of these ads would not be reflective of the overall performance of the medium.

   Unfortunately, it has not been possible to quantify the percentages of ads used for "saves" vs. "sells". The motivation for the ad is not one of the recorded data fields for any of the publishers.

b) Use of Web sites rather than phone numbers in the ad.

   The metered ad studies only track those customers that make contact with a business using the phone number listed in the ad. Increasingly, consumers are checking out the business's web site that is listed in the ad prior to contacting the business. If the consumer calls the phone number listed in the Web site, that contact will not be credited to the Yellow Pages ad, even though the ad was the original shopping source. Thus, call counts will increasingly undercount the response to ads as more and more consumers use the Internet as part of their shopping process.

   Once again, unfortunately, we do not have tracking of how many consumers go to the Web site after referencing the paper ads.

c) Shift in mix of directories to smaller markets.

   As we saw above, this shift explained all of the change in average calls to space ads, but only about one quarter of the change in calls for local display ads.

d) A real weakening of calls.

Most likely, we are seeing a mixture of each of the above factors occur. Calls are weakening in some areas, but smart advertisers can still get tremendous value from the Yellow Pages. Our ability to measure that value, however, is being complicated by the growing number of pathways consumers take from shopping and researching to contacting a business and making a purchase. The fact that thousands of advertisers with good ads are still seeing strong value highlights the importance of helping all advertisers insure that their ads have the very best content and presentation of content possible.

Heading Trends

The table below summarizes the local display ad call trends for 150 top headings.

Heading	Trend Yearly
Accountants	Steady
Air Conditioning Contr.	-3.7%
Apartments	Steady
Appliance Major Dealers	Steady
Appliance Service & Repair	Steady
Attorneys	-4.7%
Attorneys - Accident, PI & PD	Steady
Attorneys - Bankruptcy	-7.2%
Attorneys - Criminal Law	Steady
Attorneys - Divorce, Family	-8.8%
Attorneys - Employment Labor	Steady
Attorneys - Personal Injury & Wrongful Death	Steady
Attorneys - Trial Practice PI & Wrongful Death	Steady
Attorneys Workers Compensation	Steady
Auto Body Repair	-9.6%
Auto Dealers - Used	Steady
Auto Dealers New	-5.0%
Auto Parts & Supplies - New	Steady
Auto Parts & Supplies -Used	Steady
Auto Rentals	Steady
Auto Repair & Service	-7.7%
Bail Bonds	Steady
Banquet Facilities	Steady
Bathroom Remodeling	-11.1%
Beauty Salons	-12.9%
Bicycle Dealers	Steady
Blinds	-12.3%
Boat Dealers	Steady
Brake Service	Steady
Burglar Alarm Systems	-4.3%
Carpet & Rug Cleaners	-3.7%
Carpet & Rug Dealers	-9.7%
Caterers	-10.6%
Cellular	Steady

Child Care	-8.7%
Chiropractors	-6.5%
Churches	14.2%
Cleaning - House, Office	-20.4%
Closet & Closet Accessories	Steady
Computer Dealers New	-11.4%
Computer Networking	Steady
Computer Repair & Service	Steady
Concrete Contractors	-11.1%
Contractors General	Steady
Contractors Remodel & Repair	Steady
Copiers	-5.7%
Counselors	Steady
Deck & Patio Builders	Steady
Dentist	-7.4%
Dentist Orthodontists	-13.3%
Doors	-5.8%
Driving Instruction	-17.7%
Electric Contractors	-8.6%
Employment Agencies	Steady
Fence	-9.9%
Financial Services	Steady
Fire & Water Damage Restoration	Steady
Floor Laying & Refinish	-15.3%
Florists Retail	-8.6%
Funeral Homes	Steady
Furnaces & Heating	Steady
Furniture Dealers	-8.5%
Garage Doors	-9.7%
Glass Coating & Tinting	Steady
Glass-Auto, Plate, etc.	-10.0%
Golf Courses	-14.2%
Gutters & Downspouts	-13.0%
Health Clubs	-12.7%
Hearing Aids	-7.3%
Heat Pumps	Steady
Heating Contractors	-9.7%
Home Health Services	-15.7%
Home Improvement	-10.3%
Hospital Equipment & Supplies	-15.0%
Hot Tubs & Spa Dealers	-15.3%
Hotels	Steady
Insurance	-17.9%
Internet Service	Steady
Janitor Service	-8.0%
Jewelers	-8.2%
Karate & Other Martial Arts	-14.1%
Kennels	Steady
Kitchen Cabinets	-6.8%
Landscape Contractors	-7.6%
Lawn & Garden Maintenance	-6.7%

Lighting Fixtures	Steady
Limousine Service	Steady
Loans	-10.9%
Locks & Locksmiths	-13.2%
Maid & Butler Service	-18.8%
Massage	-13.2%
Mattress Dealers	-13.4%
Medical Equipment & Supplies	-17.4%
Mortgages	-17.1%
Motels	-13.2%
Motorcycles	Steady
Movers	-9.0%
Mufflers & Exhaust Systems	-17.5%
Musical Instruments	-18.9%
Nurses	Steady
Office Furniture	Steady
Optical Goods	Steady
Optometrists	Steady
Painting Contractors	-11.2%
Paving Contractors	-8.3%
Pawnbrokers	-17.3%
Pest Control	-7.7%
Photographers Portrait	-17.9%
Physical Therapists	Steady
Physicians & Surgeons	Steady
Physicians & Surgeons - OBGYN	Steady
Physicians & Surgeons - Ophthalmologists	-8.8%
Physicians & Surgeons - Plastic	-6.3%
Physicians & Surgeons - Podiatrists	Steady
Physicians & Surgeons Dermatology	Steady
Picture Frames	-7.5%
Pizza	Steady
Plumbing Contractors	-7.6%
Plumbing Drain & Sewer Cleaning	-17.3%
Printers	-12.8%
Real Estate	-12.0%
Recreational Vehicles	Steady
Rental Service Stores	-11.3%
Restaurants	-9.3%
Restaurants Menu	-8.0%
Retirement & Life Care	-11.5%
Roofing Contractors	-9.4%
Rubbish & Garbage Removal	Steady
Satellite Equip & Systems	-11.0%
Schools - Business & Vocational	-13.1%
Schools Academic	-15.5%
Septic Tanks & Systems	-9.0%
Shutters	Steady
Siding Contractors	-5.1%
Signs	-11.2%
Sprinklers Garden & Lawn	Steady

Stereo & Hi Fi Equipment Dealers	-14.8%
Storage	-6.5%
Swimming Pool Contractors	-11.3%
Tanning Salons	-17.5%
Tax Return Preparation	Steady
Telecommunication Equip.	-7.1%
Tile Ceramics Contractor & Dlr	-13.7%
Tire Dealers	Steady
Towing Auto	-1.8%
Transmission Auto	-6.7%
Travel Agencies	-23.1%
Tree Service	-8.9%
Truck Equip, Parts, Access.	-20.1%
Veterinarians	-9.7%
Waterproofing Contractors	-18.7%
Window Tinting & Coating	-19.2%
Windows	-4.4%
Average	**-6.9%**
Median	**-7.4%**

The EXCEL file "Call Changes by Year 2007" included with the 2007 Metered Ad Study package lists detailed data and charts showing 7-year trends in call volume (and several other factors) for the top headings.

Outliers

For a variety of reasons, a small percentage of advertisers experienced high costs per call for each type of ad considered in this study.   These studies, when included with all of the other data, cause the "average" cost per call estimates to be higher than the values experienced by the majority of advertisers.

In order to reflect the costs that the majority of advertisers experience from Yellow Pages, the top 7.5% of studies, as measured by cost per call, were dropped from the sample for each ad type. Outliers are more likely to come from larger ads and larger directories: the average size directory for the outliers is 585,000 distributions compared with 428,000 for the full study; the average ad size for the outliers is 14 QCs compared with 7.4 for the full study.

Special Study: Benefits of a Combined Display and Space Ad Program

Display ads and incolumn/space ads reach two separate, distinct audiences. People that know who they are looking for or are searching for a specific brand use incolumn space and trade ads predominantly.   Incolumn ads are an efficient search vehicle. Incolumn ads serve to remind customers of the value of the business or product, to invite customers back, and to provide key information that makes it easy for customers to reach the business or purchase the product.

People that are driven by life events or other out-of-the ordinary activities are more likely to be shopping (no strong a priori brand preferences) and to be new customers to the businesses or products they select. These customers are looking for information and go to display ads because of the greater content available in those ads. These customers are looking to gain a quick education about the category, to have their questions answered, and to find reasons why to contact one business over another – or, similarly, to purchase one brand over another.

While both incolumn and display ads provide strong, positive ROI on a stand-alone basis, having one type of ad without the other limits the benefits an advertiser gains from the Yellow Pages. **A program combining both types of ads can be far more powerful than just an incolumn ad or just a display ad because it allows the advertiser to reach two distinct audiences with different shopping behaviors**.

The ad studies in the 2007 Yellow Pages Metered Ad Study strongly support the value of a combined display and incolumn advertising program.   Six hundred sixty-five companies were identified that had both a display ad and a space ad in the same heading. Combining space ads with display ads had a strictly additive impact on calls, i.e., neither ad diluted the effectiveness of the other.

In percentage terms, on average, display-only ads received 107% more calls than space-only ads. The display-plus-space ad combination received an average of 86% more calls than the display-only ad and 207% more calls than the space-only ad. For example, if a space ad receives 400 calls, a combined space and display ad program would be expected to receive 1,228 calls.

These results support the value of a combined display and space ad program. Combining the two types of ads has little or no dilution on the effectiveness of either ad because of the different types of shopping behaviors by users of the heading.   The combined set of ads can significantly increase the number of calls received by advertisers and the resulting business returns and growth realized from their Yellow Pages program.

Special Study: Benefits of a Combined Display and Leader Ad Program

Similar to the benefits of a combined Space & Display ad program, the 2007 Yellow Pages Metered Ad Study supports the value of a combined Leader Ad and Display advertising program.   Seventy-six companies were identified that had both a Display ad and a Leader Ad in the same heading. Combining Leader Ads with Display ads also had a strictly additive impact on calls, i.e., neither ad diluted the effectiveness of the other.

In percentage terms, Display-only ads received, on average, 160% more calls than the Leader-ad only ads. The Display-plus-Leader Ad combination, however, received 68% more calls than the Display-Ad only and 3.5 times as many calls as the Leader-Ad only.

For example, if a Leader ad receives 500 calls, a combined Leader Ad and Display ad program would be expected to receive 1,750 calls.

These results support the value of a combined Display and Leader Ad program. The position of the Leader Ad does not substitute for the ability of the Display ad to provide more content.   The combined set of ads can significantly increase the number of calls received by advertisers and the resulting business returns and growth realized from their Yellow Pages program.

Special Study: Benefits of Multiple Display Ads in a Heading

Some sophisticated advertisers purchase multiple display ads in well-developed headings. The metered ad study has tests for 1,913 advertisers that purchased two display ads in the same heading and had calls from each ad tracked separately using different numbers.

These studies cover 213 different headings. Twenty-five well-developed headings, listed below, account for 67% of the 1,913 tests. The table lists the average additional percentage of calls received by the second display ad for each heading.

	No. of Studies	% Additional Calls
Attorneys	252	70%
Dentists	139	69%
Insurance	123	71%
Plumbing Contractors	97	75%
Carpet & Rug Cleaners	68	80%
Air Conditioning Contractors & Systems	63	70%
Pest Control Service	50	80%
Movers	47	53%
Chiropractors	46	67%
Electric Contractor	46	78%
Auto Repair & Service	42	81%
Roof Contractors	35	88%
Glass - Auto, Plate, Window, Etc	34	82%
Auto Body Repairing & Paint	26	76%
Garage Doors & Door Operating devices	25	81%
Mortgages	25	69%
Storage - Household and Commercial	24	52%
Tree Service	22	50%
Limousine Service	19	50%
Florist - Retail	17	68%
Locks & Locksmiths	17	72%
Windows	17	84%
Signs	16	68%
Heating Contactors	15	61%
Physicians & Surgeons	15	121%

On average, the second ad is half the size of the first ad, and about 9 display positions later in the heading. **The second ad contributes an additional 60-70% more calls** compared with the larger original ad. For example, an advertiser may have a full page ad that receives 1000 calls. Adding an additional half page ad in the heading would be expected to deliver an additional 600 to 700 calls per year. (The magnitude of results varies by heading.)

Special Study: Trademark vs. Tradename Ads

There are 21 split-run tests comparing calls to Trademark ads with calls from Tradename ads.   The ads appear in 18 different directories across the country. Trademark ads outdrew Tradename ads in 16 of the 21 tests. On average, Trademark ads received 94% more calls than Tradename ads.

Additionally, there are 22 Tradename ads with keyed numbers. These ads averaged 223 calls per line in the ad.   There are 340 Trademark ads with keyed numbers.   These ads averaged 487 calls per line in the ad, a factor of 2.2 more. These results are consistent with the split-run results and further confirm the stronger drawing power of Trademark ads compared with Tradename ads.