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## Making Cents of Local Ads

**Yahoo and Google say local businesses just don't understand.**

March 20, 2007

By Leah Messinger

The little guys just don't get it. Online advertising leaders say mom-and-pop ad buyers are stuck in the newspaper age, when ads were designed to prompt a direct response to a specific offer. By the same logic, a mouse click should lead to an immediate sale. But it doesn't always work that way.

"These folks base success not on ad clicks, but on cash in the register at the end of the day," said Hilary Schneider, Yahoo's vice president for local markets, on Tuesday. Despite the frustrating naïveté of local advertisers, Ms. Schneider said her company is more than willing to pursue them. Google also wants in on what promises to be a highly lucrative market.

The current U.S. marketplace for online ads consists of 17,000 businesses producing \$22.4 billion in ad sales, said Ms. Schneider. But go local and the numbers get bigger. Ms. Schneider divided her calculations into two categories at Drilling on Down Local '07 in Santa Clara, California, a conference for providers of online advertising.

The untapped "regional local" online ad market consists of 85,000 businesses with an adspend potential of \$48.3 billion, said Ms. Schneider. The "local local" market is estimated at 22 million businesses with a total of \$33.6 billion to spend. "I would say we have a long way to go," Ms. Schneider said.

Tools that Yahoo uses to attract local advertisers include the "smart module," which is based on ZIP-code-specific information. These modules, for example, could direct people searching for new cars to a page that directs them to local dealerships and allows them to make test-drive appointments.

### Educating Merchants

Google senior manager Chris LaSala said a key challenge was to find ways to educate merchants that people using Google are often researching products and won't actually make a purchase right away. A main function of online advertising then becomes branding, a concept Mr. LaSala reluctantly described as "unGoogle-ey."

Analysts agree that some online advertisers are stuck in the '90s, but some say the big guns aren't giving the small fries the benefit of the doubt.

"They want to sort of dummy-down their products so that the small business gets it," said Neal Polachek, an analyst with The Kelsey Group. "I think there's a segment that already gets it and there's a segment that you've got to really hold their hand to get them there."

And if they don't go willingly, Mr. Polachek said, they might miss the opportunity altogether. "I think if you're not online by 2010, you either serve an incredibly

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