The Ecosystem Framework
Business Plan Summary and Highlights

The Product

Many hyperlocal bloggers and other small local online publishers have been able to attract loyal audiences to their content, but they generally have limited resources and/or ability to develop, train and support a dedicated advertising sales team. This lack of qualified ad salespeople, along with the relatively small audiences of most local sites, has made it difficult for publishers to attract advertising revenues sufficient to establish and build sustainable businesses. At the same time, the fragmentation of local media makes it difficult for local advertisers to effectively reach their target audiences. These factors combine to create an opportunity in the local news marketplace.

For the sake of this project, we envision the emergence of a company or companies that will recognize the opportunity in building an infrastructure that provides services to the new news ecosystem, including creation of local ad alliances, aggregation/curation of sites, technology and training. We call this entity the "Framework."

The Framework will bring value to the ecosystem by providing economies of scale in the advertising market — for both publishers and advertisers. The Framework will organize the ecosystem by creating a platform that enables the development of local, metro-wide, national, as well as interest-based, advertising alliances. Through this platform, advertisers can reach their target markets through a mix of local sites. At the same time, local sites will have access to a roster of advertisers that would be otherwise out of reach, as well as access to an ad sales team that they may not be able to afford to support.
By connecting local publishers with new advertisers and audiences, and by facilitating the development of this new media ecosystem, the Framework will empower these local sites to build sustainable and profitable businesses.

The Framework will also aid the growth and development of local sites by compiling a suite of best-of-breed tools, techniques and training — including automated and self-service ad creation platforms, site analytics, search engine optimization strategies, e-mail platforms, mobile distribution tools, e-commerce tools, video products, and content management systems.

Key Metrics and Assumptions

For the purposes of our financial projections, we assumed the following:

- Top-25 metro market (population: 5 million) in which the sole daily newspaper has ceased publication

- CPM:
  - $12 for locally sold ads. Effective CPM: $6.80 (large blogs); $7.55 (medium blogs); $7.45 (small blogs)
  - $7.50 for local ad network advertisements
  - $7.50 for metro-wide ad network advertisements
  - $1.00 for national ad network advertisements
  - $0.20 for contextual advertisements

- # of Partner Sites:
  - Year 1: 36
  - Year 2: 94

- # of page views per blog:
  - Large:
    - Year 1: 216,000
    - Year 3: 396,000
  - Medium:
    - Year 1: 126,000
    - Year 3: 231,000
  - Small:
    - Year 1: 72,000
    - Year 3: 132,000

An August 2008 study by the Interactive Advertising Bureau found that publishers averaged CPMs (cost per thousand ad impressions) of $15 if they sold ad space directly to advertisers. According to the study, publishers typically sell approximately 70% of their ad inventory. The same IAB study found that CPMs on ad networks ranged from 60 cents to $1.10. We view these estimates as conservative. As the industry begins to focus more on behavioral targeting, we expect to be able to increase our CPM rates.

Market Size

Since the Framework will initially launch in a metro market similar in size to Boston, we will use data from that market for our financial projections. According to Borrell Associates, there are 5.9 people living in the Boston-Manchester CSA. Total advertising spend in the area for all media — TV, newspapers, directories, direct mail, radio and other — was $5.4 billion in 2008, with $2.4 billion coming from inside the local market and $3 billion coming from outside of the market. Out of this total, $812 million was directed to newspapers, with $671 million coming from inside of the market.

According to the Kelsey Group, there is over $100 billion spent annually in local advertising. Total National online advertising, including search, video, display and other categories, is predicted to be $26.1 billion in 2010.[1] Display advertising is expected to account for $10.8 billion or roughly 40% of this total.

Revenues

Revenue will be generated via ad revenue share agreements and training.

Ad Revenue Share
The Framework will charge publishers a 15% service fee based on the total advertising revenues sales managed via the Framework's platform along with the total number of impressions sold per site. The Framework will establish relationships with 36 local sites by end of Year 1, scaling to 94 sites by Year 3.

- Revenue opportunity:
    - Revenue share agreements

    ►Revenues Year 1: $335,313
    ►Revenues Year 3: $3,346,868

Training Revenues
The Framework will develop online and offline training services that will provide citizen ad sales representatives and site owners with the tools and techniques that are required to build sustainable sites and improve revenue generation.

- Revenue opportunity:
    - Fees for training

    ►Revenues Year 1: $19,945
    ►Revenues Year 3: $29,845

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[1] http://www.clickz.com/3633673/

Staff

The Framework will hire technical and sales staff during the first year in order to swiftly build and market the platform. Because the Framework will be built using existing open source tools and technologies, it is expected that the initial development costs will be minimal. Staff in Year One will consist two technical, two sales/marketing/business development, and one administrative. Total salary and benefit expense: $382,800.

By Year Three, the Framework will significantly ramp up sales and marketing efforts in order to more deeply penetrate the local market and begin to plan for expansion to other large metro markets. The staff will increase to 20, with 12 dedicated to sales and marketing. Total salary and benefit expense: $1,648,882.

Marketing

The sales and marketing team will identify and reach out to existing and emerging local sites within the market. Marketing expense (outside of staffing) is budgeted at $25,000. The Framework will also recruit and train a citizen ad sales team with established relationships in the community. These relationships will be leveraged using additional social media outreach, SEM/SEO, events and partnerships with local bloggers.

Sales

Local Online Publishers and Bloggers
Given the geographic concentration and limited number of hyperlocal bloggers and publishers, the Framework will target these customers with traditional boots-on-the-ground sales tactics. Given the tightly knit nature of the industry, a word-of-mouth campaign, using social media and industry blogs, will be useful in identifying and reaching the customers with the highest potential value.

Advertisers
The Framework will target local advertisers by leveraging the advertising sales teams of existing bloggers and publishers, along with its own sales team and a cadre of citizen ad salespeople.

Ad Sales Training
The Framework will develop and conduct training programs, conferences and webinars for advertising salespeople. The Framework will use a combination of word-of-mouth, social networking, banner advertisements, classified advertisements, and radio spots to reach this target audience.

Competition

From the Yellow Pages to Yelp to Google, there is a great deal of competition in the local and national advertising space. Primary competitors include local online advertising (including SEM) companies (ReachLocal, Clickable, Centro); search engines (Google, Yahoo, Bing); Ad Networks/Platforms (BlogAds, Adify, Addiply); and mainstream media companies who have ventured into the local arena (AOL, CNN, MSN).

The Framework plays a critical role in this increasingly complex marketplace by bringing order and structure to the ecosystem. The Framework's value proposition is its ability to bring added revenue to local sites and to provide one-stop shopping for advertisers.

Although a few regional and national news organizations have begun to develop local ad networks, these are still limited in size and scope. Some of the players include Huffington Post local, ChicagoNow, Village Voice Media, Neighborlogs, and the Sacramento Local Online Ad Network (SLOAN).

The Framework provides an advantage over these organizations by emphasizing revenue optimization as the core of its mission. That single focus provides a competitive advantage over mainstream national and local media sites as they look to enter this space.

Financial Projections Summary

Summary of Financials: Framework		
	Year 1	**Year 3**
Revenue		
Total Revenue	**$355,258**	**$3,376,713**
Locally Sold Advertising	$206,143	$2,165,339
Local ad Network Ads	$45,848	$303,375
Metro Network Ads	$83,323	$770,287
National Ad Network Ads	$-	$107,867
Citizen Ad Sales Training	$19,945	$29,845
Expenses		
Total Expenses		
Total Staffing Costs	$382,800	$1,648,882
Total staff (FTE)	5	20
other expenses	$323,475	$209,175
EBITDA	**$(351,017)**	**$1,518,656**
Net Earnings	**$(210,610)**	**$911,193**
Margin	**-59%**	**27%**

Launch Plan

Year 1 (Months 1-3)
The Framework will develop a beta site that can be rolled out to an initial hyperlocal ad network of 18 partner sites. During this period, the Framework will assist sites in migrating to the Framework's platform. In order to attract sites to the network, the Framework will provide sales training for local sites and their advertisers.

Year 1 (Months 4-6)
The Framework will begin to sell inventory into the advertising network. The sales team will also roll out an operations manual and training program that will help local sites better serve their advertisers as well as optimize their advertising inventory.

Year 1 (Months 7-12)
The Framework will expand its reach to other areas within the metro market. Additionally, the Framework will continue to develop online tools and training that can be used by local site owners to optimize their revenues. The Framework will begin to more actively organize the local citizen ad sales network by developing and promoting sales training programs and will also partner with the New News Organization to improve sell-through in the hyperlocal ad network.

Year 2
The Framework will begin to sell national ads across local and regional sites and continue to support the development of new local ad sales efforts. The Framework will also develop additional online tutorials aimed at helping entrepreneurs launch sites in typically under-served markets. Once the Framework has established a significant foothold in the Boston market, it will begin planning its expansion to other markets.

Funding Requirements

The Framework will seek $400,000 in an angel round of financing in order to support operations, web development and staffing for the first 12 months. In Year 2 revenues are projected to support ongoing operations.