

Hyperlocal Site

Business Plan Summary and Highlights

The Product

We have modeled small, medium and large hyperlocal sites, aimed at building audiences of 20k, 35k, and 60k respectively within a larger metro market. A hyperlocal site could provide a wide range local news and information for a town or neighborhood, or it could focus on a single topic of interest — high school sports or entertainment, for instance. Whatever its subject matter, the site's content must be credible and compelling in order to attract and retain a loyal audience and it must provide a platform for members of the community to suggest and contribute stories, create and upload content, and raise issues and comment.

Key Metrics and Assumptions

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

- CPM: \$12 for self-sold advertising. Effective CPM: \$6.80 (large blogs); \$7.55 (medium blogs); \$7.45 (small blogs). \$0.95 CPM for ad networks.
- Penetration rate of online audience: 35% (year 1); 60% (year 3)
- Average ecommerce revenue/converted user: \$10/month (year 1); \$20/month (year 3)
- Ecommerce user conversion rate: 0.50%
- Number of Events: 12 (year 1); 24 (year 3)
- Number of \$10 tickets sold per event: 20 (year 1); 35 (year 3)

Market Size and Advertising Spending

For purposes of the financial plan, we utilized actual data from the Boston market to project financials for the small, medium and large hyperlocal sites. 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.

This means that the local advertising spend per person is roughly \$406 — or about \$24 million for a town of 60,000. We project that the hyperlocal blogger can capture roughly 0.55% of this revenue in year 1 and 1.42% by year 3.

Revenues

The hyperlocal site will generate revenues via three lines of business: advertising, events and ecommerce. (Figures below are for large site model.)

Website Advertising Revenue

The website will provide advertising-based revenue opportunities via traditional banner ads; metro-wide, local and national network ads; contextual (text-based) ads; and sponsorships.

- ▶ Revenues Year 1: \$142,493
- ▶ Revenues Year 3: \$395,667

Events Revenue

The hyperlocal site will create a series of compelling events aimed at deriving additional revenue from a more highly engaged audience. Coordinated and sponsored in cooperation with local venues, restaurants, and other advertisers, such events could include concerts, wine tastings, themed luncheons, etc.

- ▶ Revenues Year 1: \$2,400
- ▶ Revenues Year 3: \$8,400

Ecommerce Revenue

The hyperlocal site will generate ecommerce revenue through a combination of merchandise sales and affiliate sales.

- ▶ Revenues Year 1: \$6,825
- ▶ Revenues Year 3: \$39,570

Staff

In Year 1 the large hyperlocal blog will be staffed by an owner/operator — who will serve as editor, writer and community evangelist — and one ad salesperson. Freelance writers and community volunteers will also provide content for the site. Editorial staff will grow to three by Year 3. The medium and small blogs will be staffed by an owner/operator in Year 1 and will rely on independent sales reps for additional ad sales and freelance writers and community volunteers for content. Staff will be increase to 2 in Year 2 for the medium site (Year 3 for the small site).

Marketing

The hyperlocal site will use a combination of word-of-mouth, social media and traditional marketing to build its audience. The site owner/operator will leverage existing contacts within the community and also reach out to the potential audience through participation and promotion at local events — from soccer games to school fairs. In addition, the site will employ SEO/SEM tactics as well as Twitter and Facebook to build the local audience. The social media sites can also be used to increase two-way communication with members of the community and develop a more engaged audience. The site will create a local advisory board, which will play a critical role in creating awareness of the site within the community.

Sales

In addition to traditional feet-on-the-ground local sales techniques, the site will develop a series of events that provide local businesses with a better understanding of the online advertising market and the essentials of Internet marketing; training those advertisers on the basics of self-serve advertising, SEO/SEM tactics, and social media. The advertising sales effort will be supplemented with telesales, direct marketing, and automated email pushes to current and potential advertisers.

Competition

With the rapid growth of the Internet and the corresponding proliferation of user-generated content, traditional media outlets have witnessed a significant increase in the competition for audience and advertising dollars. On the local level, the market for news and information is dominated by national mainstream media sites with a local presence, local mainstream media sites (e.g., legacy newspapers), and local/hyperlocal bloggers. In addition to these news sources, other online and offline media compete for user's attention.

Given this competitive environment, the hyperlocal site will need to create compelling and credible content that is unique either geographically or from an interest-based perspective.

Financial Projections Summary

Large Blog -- Owner/Operator		
	Year 1	Year 3
Revenue		
Total Revenue	\$142,493	\$395,667
Banner Advertising	\$129,730	\$338,466
Contextual Advertising	\$3,538	\$9,231
Ecommerce/Affiliate	\$6,825	\$39,570
Events	\$2,400	\$8,400
Expenses		
Total Expenses	\$127,660	\$250,004
Total Staffing Cost*	\$96,860	\$219,104
Edit staff (FTE)	1	3
sales staff (FTE or commission)	1	1
other expenses	30,800	30,900
Net Income	\$8,900	\$87,398

* includes owner/operator salary of 41.5k (year 1), 62k (year 3)

Medium Blog -- Owner/Operator		
	Year 1	Year 3
Revenue		
Total Revenue	\$82,623	\$287,582
Banner Advertising	\$74,844	\$250,716
Contextual Advertising	\$2,041	\$6,838
Ecommerce/Affiliate	\$3,938	\$22,829
Events	\$1,800	\$7,200
Expenses		
Total Expenses	\$54,820	\$130,602
Total Staffing Cost*	\$42,920	\$114,314
Edit staff (FTE)	1	1.75
sales staff (FTE or commission)	0	0.50
other expenses	11,900	16,288
Net Income	\$16,682	\$94,188

* includes owner/operator salary of 37k (year 1), 57.8k (year 3)

Financial Projections Summary (cont.)

Small Blog -- Owner/Operator		
	Year 1	Year 3
Revenue		
Total Revenue	\$37,177	\$108,652
Banner Advertising	\$32,760	\$94,968
Contextual Advertising	\$893	\$2,590
Ecommerce/Affiliate	\$1,723	\$3,600
Events	\$1,800	\$3,600
Expenses		
Total Expenses	\$28,280	\$76,992
Total Staffing Cost*	\$20,880	\$70,192
Edit staff (FTE)	1	1.5
sales staff (FTE or commission)	0	.5
other expenses	7,400	6,800
Net Income	\$5,338	\$18,996

* includes owner/operator salary of 18k (year 1), 23.8k (year 3)

Launch Plan

Year 1 (Months 1-4)

Using a flexible off-the-shelf content management system, the hyperlocal blogger will be able to build and launch a site at little expense and in a short period of time. The content management system should:

- require very little upfront or additional development
- be easy to monetize using standard banner ads, video ads or ad networks
- be flexible enough to easily incorporate widgets, RSS feeds and other content layers
- incorporate some mechanism by which members of the community can easily contribute content to the site (via the web or a mobile device).

Several vendors will be used to reduce the costs of reporting and improve advertising revenues on the site. These include PaperG for self-serve advertising; OpenX for ad serving; GrowthSpur for the development of hyperlocal advertising networks; and Outside.in, EveryBlock and SeeClickFix for content.

Year 1 (Months 5-12)

The hyperlocal blogger, perhaps working in coordination with other local news organizations, will host a series of workshops that will equip local citizens with the skills needed to report on their communities. These workshops will train citizens how to perform research, craft good stories, improve their videography and photography techniques, and collaborate with one another to improve local coverage. This community can serve as both a source of content for the hyperlocal blogger, as well as a network of voices within the community that help market and promote the hyperlocal site.

The hyperlocal site will also serve the needs of local advertisers by providing the tools, services and platform necessary to create brand awareness in the local community. The hyperlocal site will hold workshops to learn more about the needs of these business owners and to explain the benefit of advertising on the site.

Funding Requirements

Start-up costs are minimal — 3 to 15k would be sufficient to launch most sites, depending on the extent of customization. Since advertising revenues would necessarily lag the launch of the site, the owner/operator would need funds for 6 months of living expenses.