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Merchants Find Complex Landscape In Local Search

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Consumers increasingly are searching online for local businesses, but how will local businesses take advantage of this fundamental shift in customer behavior?

The Internet has affected almost every facet of business and has driven the creation of new business models while forcing the evolution of others. Traditional printed yellow pages and local commerce are being drawn headlong into the Internet vortex. The surge in online local searches by consumers relative to traditional printed phone book searches has prompted tremendous business focus in this space.

In the past nine months, pay-per-click ad behemoths Google and Overture rolled out local versions of their products, Yahoo and AOL bolstered their local properties and all the major Internet yellow pages companies teamed with search engine pay-per-click partners.

With the proliferation of these local search advertising options, it becomes increasingly complex for local merchants who know they want an online presence, but find it difficult to decide where to put their limited advertising dollars, how to do it and how to measure it. With this confusing multiplicity comes opportunities and an increasing need for intermediaries that can combine, simplify, facilitate and analyze the process for local merchants.

Why online local search? It is not breaking news that people increasingly are searching for local businesses, but recent statistics illuminate the justification for all the activity.

According to comScore, in October 2003 alone 200 million searches were done with local modifiers, and more than 25 percent of all Internet users conducted local searches in fourth-quarter 2003. This is only in traditional, general-purpose search engines and does not include searches performed at Internet yellow pages, city guides or industry-specific directory sites.

According to a Kelsey Group/Bizrate survey in November 2003, 25 percent of all commercial searches seek local merchants, and 44 percent of Internet users do more commercial local searches than a year ago. Further, Kelsey and ConStat found consumers use search engines, Internet yellow pages and online city guides 5.4 times monthly to seek local merchants, but refer to printed yellow pages only 2.7 times a month.

Yet small and midsize local merchants still allocate almost half their ad budgets to the yellow pages, but only 3 percent to PPC keyword search and 11 percent to all other online presence vehicles, including their own Web sites (Kelsey Group, 2004).

A surprising disconnect and inefficiency exist between ad spend and ad reach. Local merchants spend more than three times as many ad dollars on printed yellow pages compared with online outlets, but get only half the potential customer referrals compared with the online outlets. When you consider the total printed yellow pages spend in 2003 was $13.9 billion, the frenzied activity in the online local search space becomes conspicuously understandable.

Weapons of mass profusion. As a result of the recently discovered massive online local search opportunity, local merchants who do “get it” and want to get online now to take advantage of this apparent arbitrage opportunity have a dizzying array of options when considering which weapon to employ for their online ad spend.

· **IYPs.** There are the traditional yellow pages in Internet form, or IYPs. The four major regional bell operating companies — Verizon, SBC, BellSouth and Qwest Dex — have their own IYPs. There are scores of other local, regional and national IYPs, both affiliated and unaffiliated with printed yellow pages, such as YellowBook.com, yellowpages.com, YP.com and Switchboard.com, as well as major portal IYPs at Yahoo and AOL.

IYPs generally offer free basic listings and sponsored expanded prime placement listings in annual packages similar to their printed cousins. Some IYPs offer monthly programs as well. Almost all have slightly different pricing schemes and slightly different enhanced features to try to differentiate themselves.

· **PPCs.** Alternatively, there are the paid search or keyword pay-per-click vehicles, the biggest of which are Google and Overture, both of whom rolled out local properties the first half of this year. This space has dozens of other search engine/PPC options, most of which have or are developing localized capabilities. A short list includes Ask Jeeves, ePilot, Enhance, FindWhat, Goclick, Kanoodle, Search123, SearchFeed and Xuppa.

Though all provide essentially the same kind of advertising distribution service, PPCs have unique keyword bidding and management systems that often are complicated and require constant attention. Many large corporations have staff or outside consultants devoted to managing their keyword paid-search advertising operations.

· **IYP/PPCs.** Additionally, in a recent complexity-augmenting convergence, the major IYPs now or soon will offer keyword or category search pay-per-click advertising options. So, while Google’s new local platform is essentially competing with IYPs on their turf, the IYPs are in turn arming themselves to compete with Google on its home front.

· **Local guides.** Finally, there are online local city guides, both the nationals like Citysearch.com and AOL’s Digital City and the purely local guides of newspaper and television station Web sites. These local guide properties offer diverse ad options such as shopping directory listings similar to IYPs, the ever-more-ubiquitous PPC keyword search and traditional banner ads.

This proliferation of options and complexity means that local merchants are overwhelmed by the time needed to consider, comprehend, measure and manage all the new online ad vehicles. As a result, they are and will remain hesitant to change from something so familiar as the paper yellow pages, even if the new way offers greater customer reach and better value measurement tools.

It may be true that the more local merchants come to know how rapidly the local customer is migrating from print search to digital search, the more they will want and need to jump in. But until the waters are made friendlier and more familiar, local merchants will be reluctant to take the plunge while the online local search ad market will struggle to reach its lofty projections.

The second part of this series will present the way forward in online local search, offering the case for both intermediaries and Internet-integrated calling systems.

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