Nesta Research: Public Interest High, Advertiser Interest Low for Hyperlocal Media

The future of local media in the UK has been in the limelight recently with the granting of local TV licenses, the House of Lords inquiry into media pluralism and the Newspaper Society supporting PresBoF's Royal Charter bid, but what about the hyperlocal? In this post Jon Kingsbury of the innovation charity Nesta presents recent research on public demand for hyperlocal media and the potential for advertising in hyperlocal markets.

When we began our programme Destination Local – designed to understand and to stimulate activity in the UK's nascent hyperlocal media industry – there was a lot of assertion and very little hard evidence about its potential.

In March, we published Kantar Media's research into the scale and nature of demand for hyperlocal services. This showed that they are popular and that consumption is being driven by the take-up of smartphones and tablets.

And last week, we published the first research on the size of the UK's hyperlocal advertising market, produced by Oliver and Ohlbaum.

Understanding the potential for advertising is crucial. For any hyperlocal service to sustain itself beyond being a socially-important, amateur pursuit it must cover its costs and advertising has been the traditional way of raising revenue in order to do this. At the other end of the spectrum, traditional local media players – perhaps TV companies or local newspapers – trying to respond to audiences going online, will want to know how big an advertising market they are competing for.

The research we have published does not provide heartening reading for hyperlocal media services. First of all, it suggests that big brands will place their ads on location-based platforms rather than spend money with geographically-specific services. Facebook and Google are much more likely to collect advertising spend by providing content relevant to your location than, say, a blog about Birmingham.

Secondly, the research asked small, local businesses from around the UK if they spend their advertising budgets with local hyperlocal publishers. Some do, but out of a total advertising spend of nearly a billion pounds, little more than a few tens of millions go the way of hyperlocals. And this, the report forecasts, is unlikely to increase significantly anytime soon.

The findings suggest to us that traditional local and regional media providers may be better placed. Those able to sell advertising space across media (TV, Radio, Print and online), especially using existing sales teams, will be more successful as they are able to appeal to a broader range of advertisers than those who just run hyperlocal websites.

But this research, alongside what we know about consumer demand, points to two basic challenges for "native" stand-alone hyperlocal media providers. The first, "How to get audience attention?" and the second, "How to make it pay?"

There have been lots of attempts at making hyperlocal media pay, often to no avail. Our landscape report Here and Now gives some great examples. But the right business models are yet to be found. Is now the time to talk about market failure and to ask, if some form of intervention was found to be appropriate, what form might it take?

This post originally appeared on the Nesta Blog on 29 May 2013 and the research was also presented at the Westminster Media Forum event on local media on 30 May 2013.

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