

# THE HYPERLOCAL INVESTMENT REPORT

Street Fight's monthly insights on the market potential of hyperlocal businesses

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## Table of Contents

'Phase Two' for Hyperlocal Content Models

Key to Local Discovery Revenue: Buy-Side Automation

E-Commerce Will Not Be Daily Deals' Salvation

Investor Perspective: NextDoor, AOL, Groupon, ReachLocal

Capital Insight: Hyperlocal Valuations Cut as Investor Skepticism Mounts

Acquisition Spotlight: Amazon Snags UpNext for Mobile Mapping Efforts

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## What is Street Fight?

Street Fight is a media, events, and research company focused on the business of hyperlocal content, commerce and technology. The Street Fight website publishes news, commentary, case studies, and how-to articles to help the hyperlocal ecosystem achieve sustainable business models.

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## 'Phase Two' for Hyperlocal Content Models

Journatic, Patch shifts point to issues with editorial revenue model

The high cost of editorial makes a traditional, media-driven approach to content unsustainable for hyperlocal's highly segmented audiences. That's the context in which AOL's (NYSE:AOL) new strategy for Patch looks extremely prudent. Shifting from the traditional media model, the company is looking toward some of the more lucrative commercial aspects of hyperlocal, such as listings data and local information, where the market is still mainly up for grabs, in addition to its news content. The changes come even as Patch's previous model delivered 100% year-over-year revenue growth in Q2 2012. In an earnings call, AOL CEO Tim Armstrong referred to the new revenue direction as "phase two" in the product's roadmap.

With the new strategy however, Patch has recognized an important change in the local media landscape: objective, utility-based content like classifieds, movie listings, and even restaurant reviews, which were once owned by local newspapers, have been disrupted by technology companies. The revenue associated with that content will never return to media... [Read more.](#)

## The Hyperlocal Stock Index: July 2012

Company	Market Cap	Share Price	(7/1 -8/1) Quote Chg.
Angie's List (NASDAQ: ANGI)	\$746.9 M	\$13.00	-17.9% ↓
AOL (NYSE:AOL)	\$3.07 B	\$31.86	13.5% ↑
Facebook (NASDAQ: FB)	\$45.18 B	\$21.71	-30.2% ↓
Groupon (NASDAQ: GRPN)	\$4.26 B	\$10.63	-59.6% ↓
Local.com (NASDAQ: LOCM)	\$49.45 M	\$2.16	-10.7% ↓
Reach Local (NASDAQ: RLOC)	\$366.2 M	\$11.72	6.5% ↑
Yelp (NYSE: YELP)	\$1.43 B	\$19.96	-12.2% ↓
DexOne (NYSE: DEXO)	\$6.34 M	\$1.12	21.1% ↑
SuperMedia (NASDAQ: SPMD)	\$39.17 M	\$2.50	-3.1% ↓
eBay (NASDAQ: EBAY)	\$57.89 B	\$44.91	6.9% ↑
Constant Contact (NASDAQ: CTCT)	\$556.52 M	\$18.30	2.5% ↑
Gannett (NYSE: GCI)	\$3.38 B	\$14.60	-0.9% ↓
Google (NASDAQ: GOOG)	\$210.61 B	\$644.04	11.0% ↑
Yahoo (NASDAQ: YHOO)	\$19.60 B	\$16.02	1.2% ↑
Fisher (NASDAQ: FSCI)	\$288.20 M	\$32.50	8.7% ↑

Source: Street Fight

## Key to Local Discovery Revenue: Buy-Side Automation

As Foursquare pushes out monetization features, a buy-side bottleneck emerges

Rapid implementation of an advertising-based revenue model could have damaging repercussions both for Foursquare and others within the location-based ecosystem. We believe that there will be a bottleneck on the buy-side over the next 8-12 months. SMBs limited ability to spend time creating content, will limit their ability to advertise effectively across these platforms. We believe that solving this "buy-side bottleneck" is a necessary prerequisite for Foursquare's current monetization strategy to succeed. [Read more.](#)

## E-Commerce Will Not Be Daily Deals' Salvation

Groupon's tough month underscores the issues in evolving the daily deal model

Groupon and LivingSocial are placing bets that e-commerce is the way out of the daily deal doldrums but there are problems with this model as well. LivingSocial's new online shop, launched in July, will likely serve as a liquidation-service in a similar fashion to Groupon Goods. Both companies can point to strong estimates around revenue potential for this tactic: Yipit, a venture-backed daily deal aggregator that produces data on the industry, estimated that the new service could generate \$200 million annual for the company. However, the projections overlook a handful of key risk factors that will limit their ability to drive additional value from their core, local advertisers. [Read more.](#)

## Investor Perspective

NextDoor, AOL, Groupon, ReachLocal

From: First Analysis

NextDoor, a social networking platform for neighborhoods, raised \$18.6 million last month from six institutional investors. The model could prove to be an interesting lower cost approach to building a content rich site for news and information pertaining to local communities.

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**The Hyperlocal Investment Report**  
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Generally speaking, July was a tough month for stocks in and around the hyperlocal marketplace. Investors sold off shares of Angie's List and Facebook on Q2 earnings reports as concerns mounted over prospective growth rates and future earnings streams. [Read more.](#)

## Capital Insight

### Hyperlocal Valuations Cut as Investor Skepticism Mounts

From: First Analysis

July was not a good month for valuations in and around the hyperlocal marketplace. Some high profile names in the public markets saw shares prices decline significantly relative to the broader market benchmark (NASDAQ index) including Angie's List (NASDAQ:ANGI) (-17%), Yelp (NYSE:YELP) (-15%, but since recovered following Q2 earnings), Groupon's (NASDAQ:GRPN) (-30%), and Facebook's (NASDAQ:FB) (-30%). We note significant relative declines by other digital media stocks such as Pandora (NYSE:P) (-8%) during the month as well. The significant price adjustments observed across many names suggests a fundamental change is occurring regarding investors' view of the sector. Specifically, growth expectations are being moderated with implications for future margin performance. [Read more.](#)

## Acquisition Spotlight

### Amazon Snags UpNext for Mobile Mapping Efforts

From: Architect Partners

While small in size, this transaction could prove to be a powerful source of local search data and user information for Amazon. The open question is whether the e-commerce giant has a desire to own and control the (i) underlying GPS and points of interest data, ala Nokia's Navteq and TomTom's Tele Atlas, (ii) the platform layer which converts the data mentioned above into a map representation and creates turn-by-turn directions or (iii) the application layer which creates specific utility for the end-user. The acquisition of UpNext is clearly in the latter category. And that should suffice assuming Amazon's real ambition is to use a proprietary map application to acquire more local search and user data. [Read more.](#)