comScore

State of the Global Internet

With Lessons Learned from Measurement of Online Advertising

Gian Fulgoni

Executive Chairman and Co-Founder, comScore Inc

Discussion Topics

- **A Brief Introduction to comScore**
- **Key Trends in Global Internet Behavior**
- **Lessons Learned About Online Advertising:**
  - The Click
  - The Cookie
  - Ad Visibility
  - Facebook

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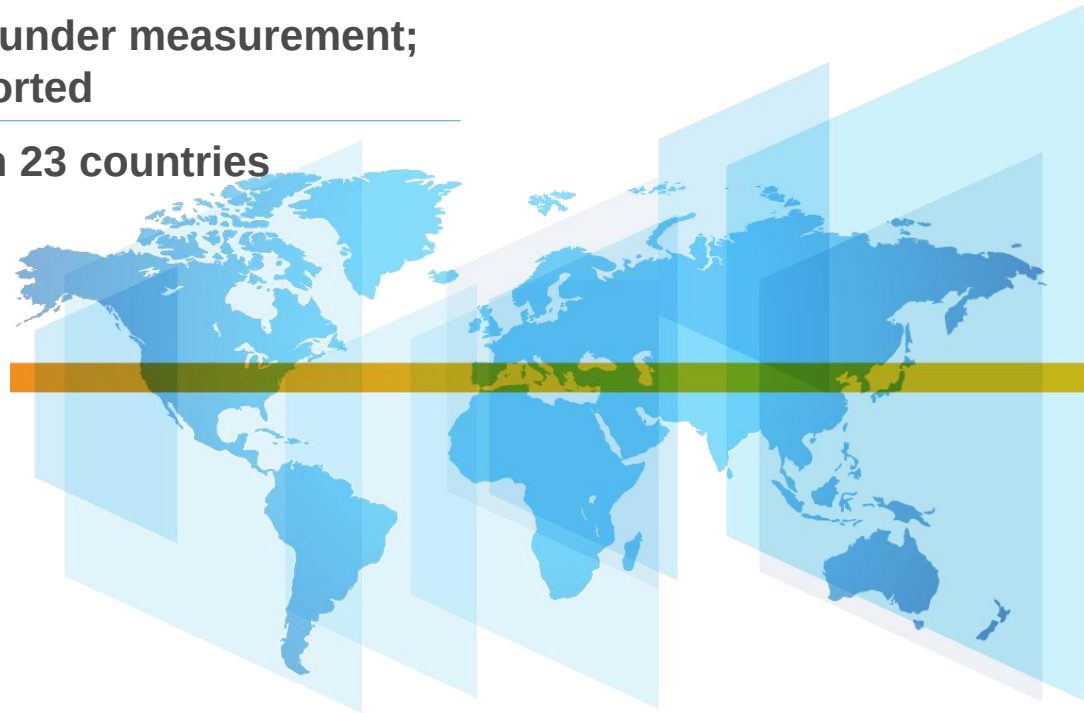
comScore is a Global Leader in Measuring the Digital World

NASDAQ	**SCOR**
Clients	**1,900+ worldwide**
Employees	**1,000+**
Headquarters	**Reston, VA**
Global Coverage	**170+ countries under measurement; 43 markets reported**
Local Presence	**32+ locations in 23 countries**



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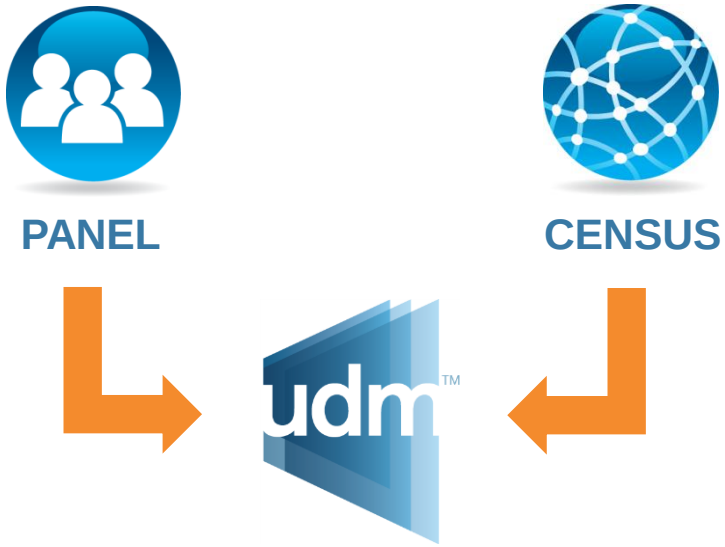
comScore's UDM Approach Leverages the Best of Panel and Server Data

2 Million Person Panel
360° View of Person Behavior

PERSON-Centric Panel with SITE-Census Measurement



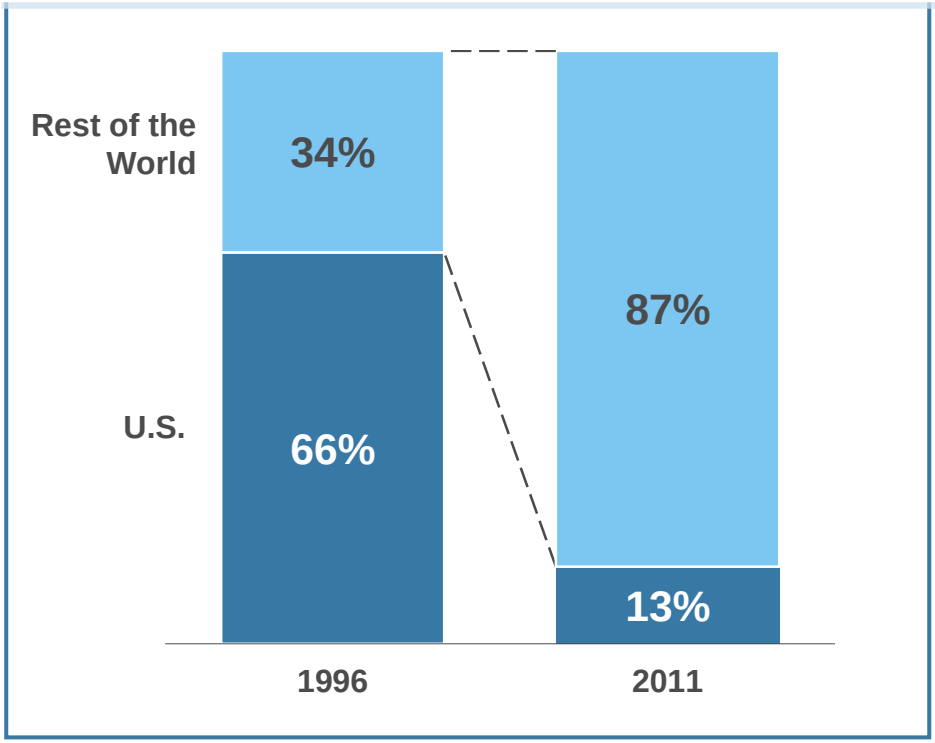
Unified Digital Measurement™ (UDM)

Patent-Pending Methodology
1 Million Domains Participating
Adopted by 80% of Top 100 Global Media Properties

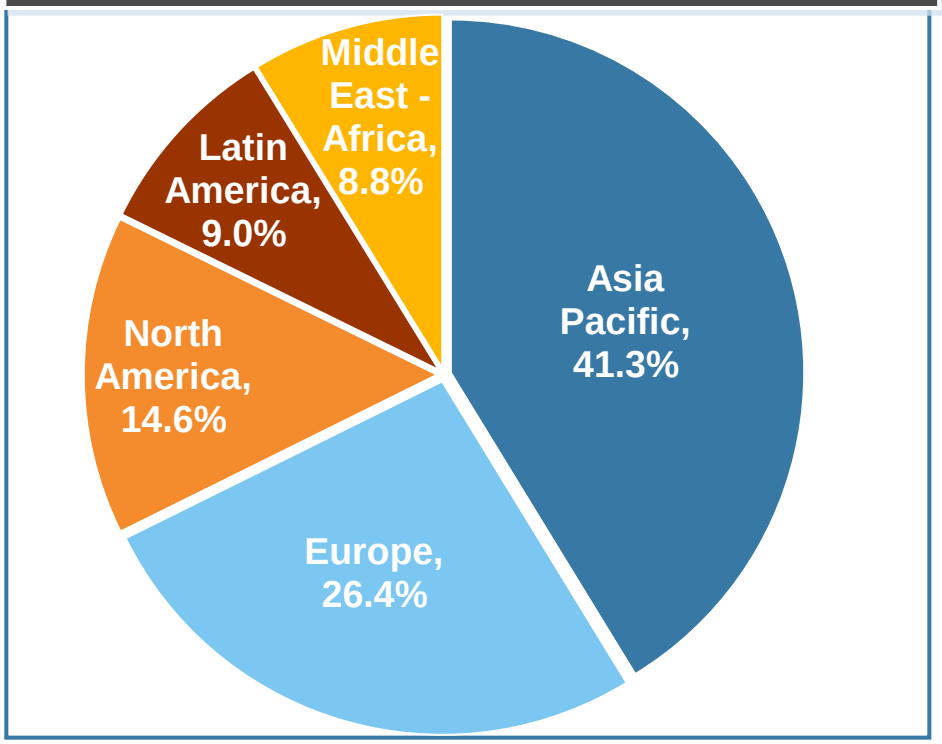
And, a behavioral cross-platform measurement capability

The U.S. Is No Longer the Center of the Online Universe

U.S. Internet Population vs. Rest of the World



Distribution of Worldwide Internet Audience



- In 1996, 2/3 of world's Internet population was in the US, yet today Asia Pacific is the largest region with over 40% of online population.
- Many emerging regions likely to bypass old modes, skipping dial-up to go straight to broadband, making multimedia, video, and collaborative content immediately accessible.
- Early adoption of mobile web in addition to PC web will likely be popular in many of these high-growth areas.

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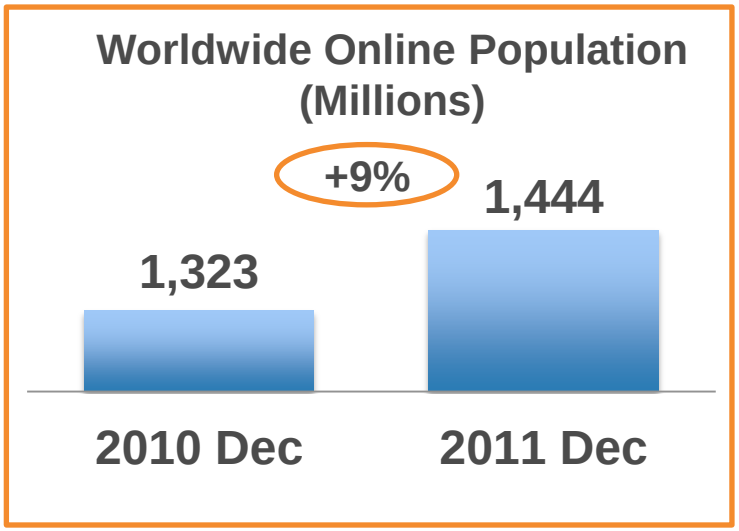
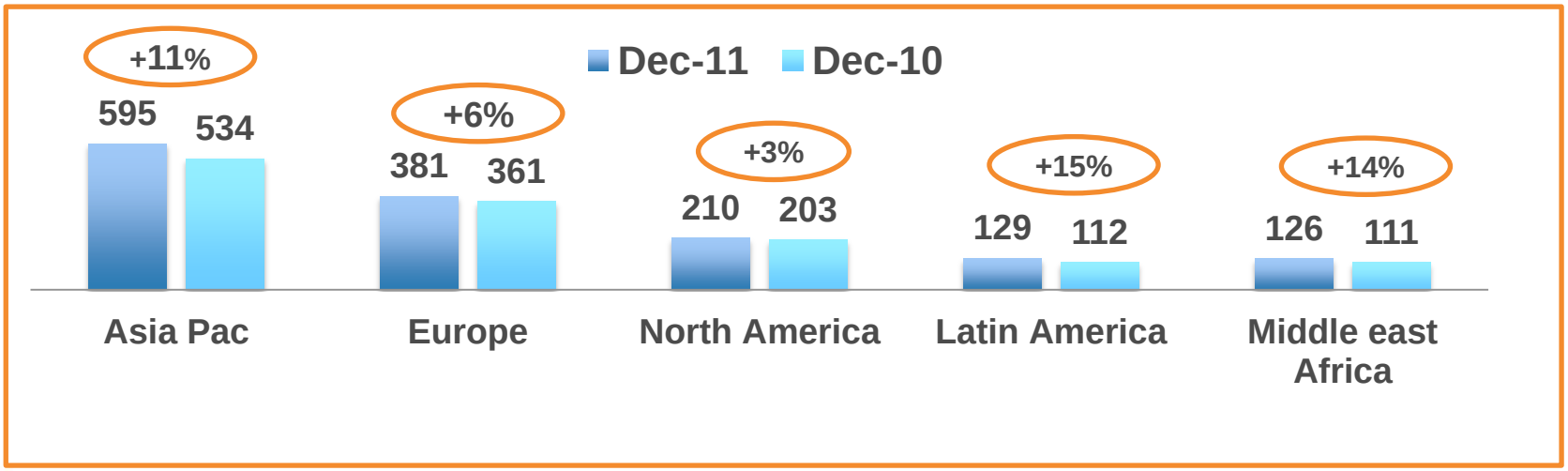
Source: comScore Media Metrix, Visitors Age 15+ Home/Work Location, Dec-2011

Asia Continues Significant Growth in Size of Internet Audience

- Growth expected to continue as home broadband penetration increases in Asia and Latin America
- Growth in developing regions likely to also continue as people move from shared-access to home & work use
- Growth slow in North America
- European growth mostly driven by Russia





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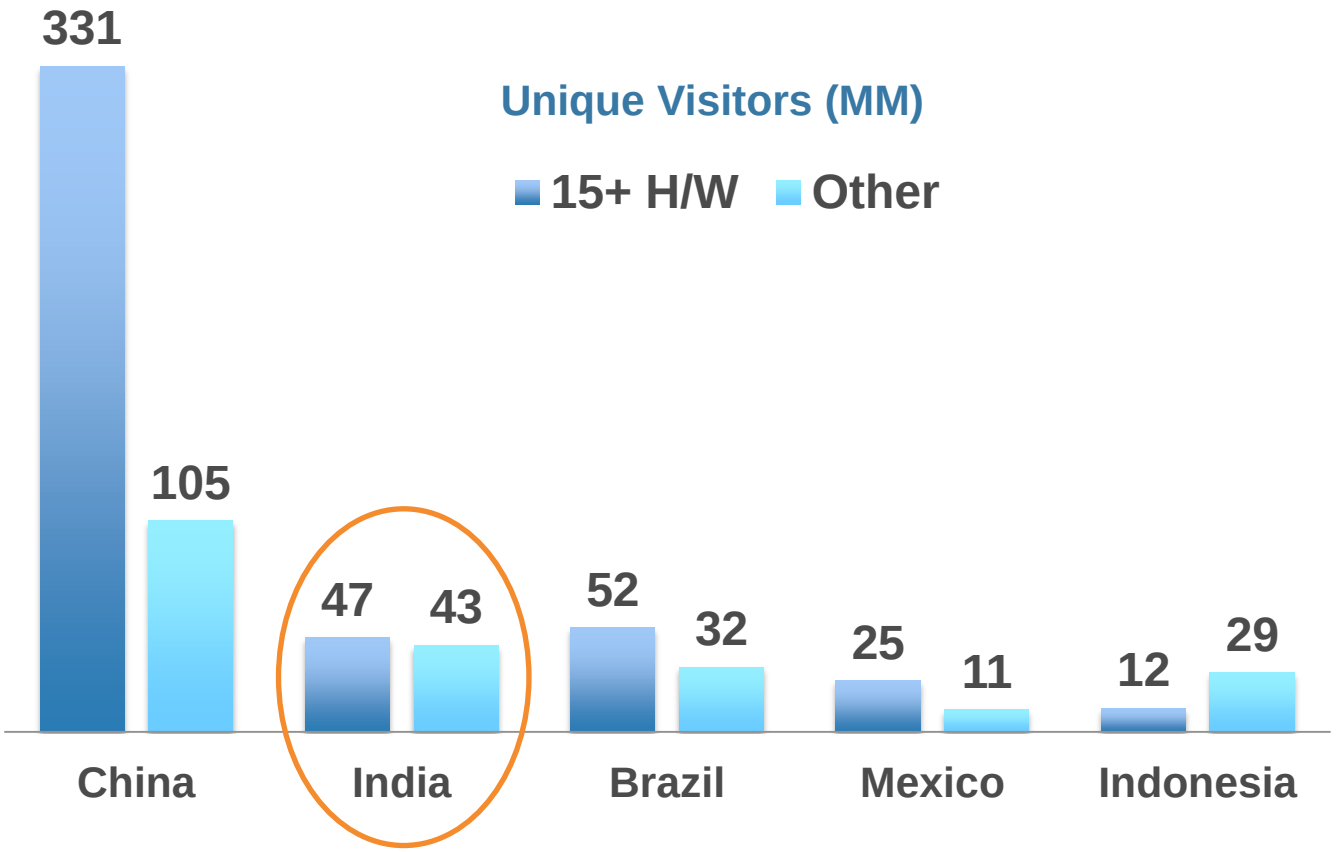
Internet Audience 15+ accessing Internet from Home or Work
Source: comScore Media Metrix, Dec 2010 and Dec 2011

Shared-Access Environments Make up Significant Portion of Total Population in Some Regions

- **Shared-access population in India is almost as large as the Internet population accessing from work and home**



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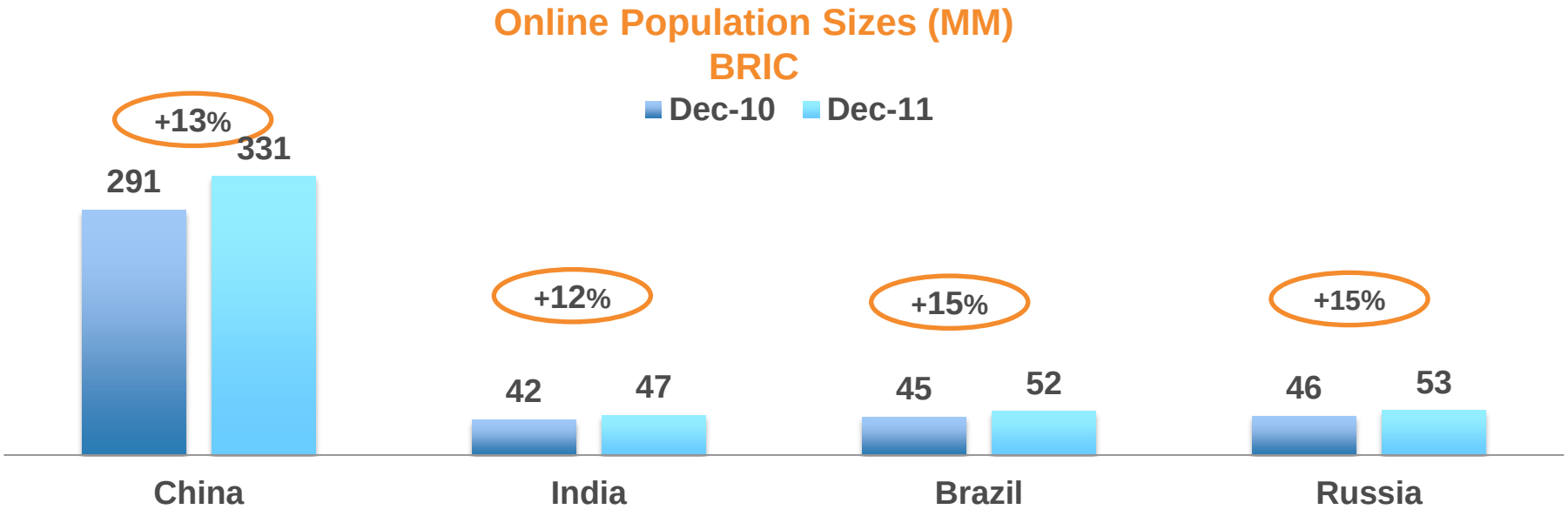
Source: comScore Media Metrix, Dec 2011

Size of Online Audience in BRIC countries, 15+ Home & Work

- Significant growth in BRIC countries in the past year, particularly in China, where 13% growth represents 40 million new web users from work & home
- Growth similarly high in many Latin American and Asian markets



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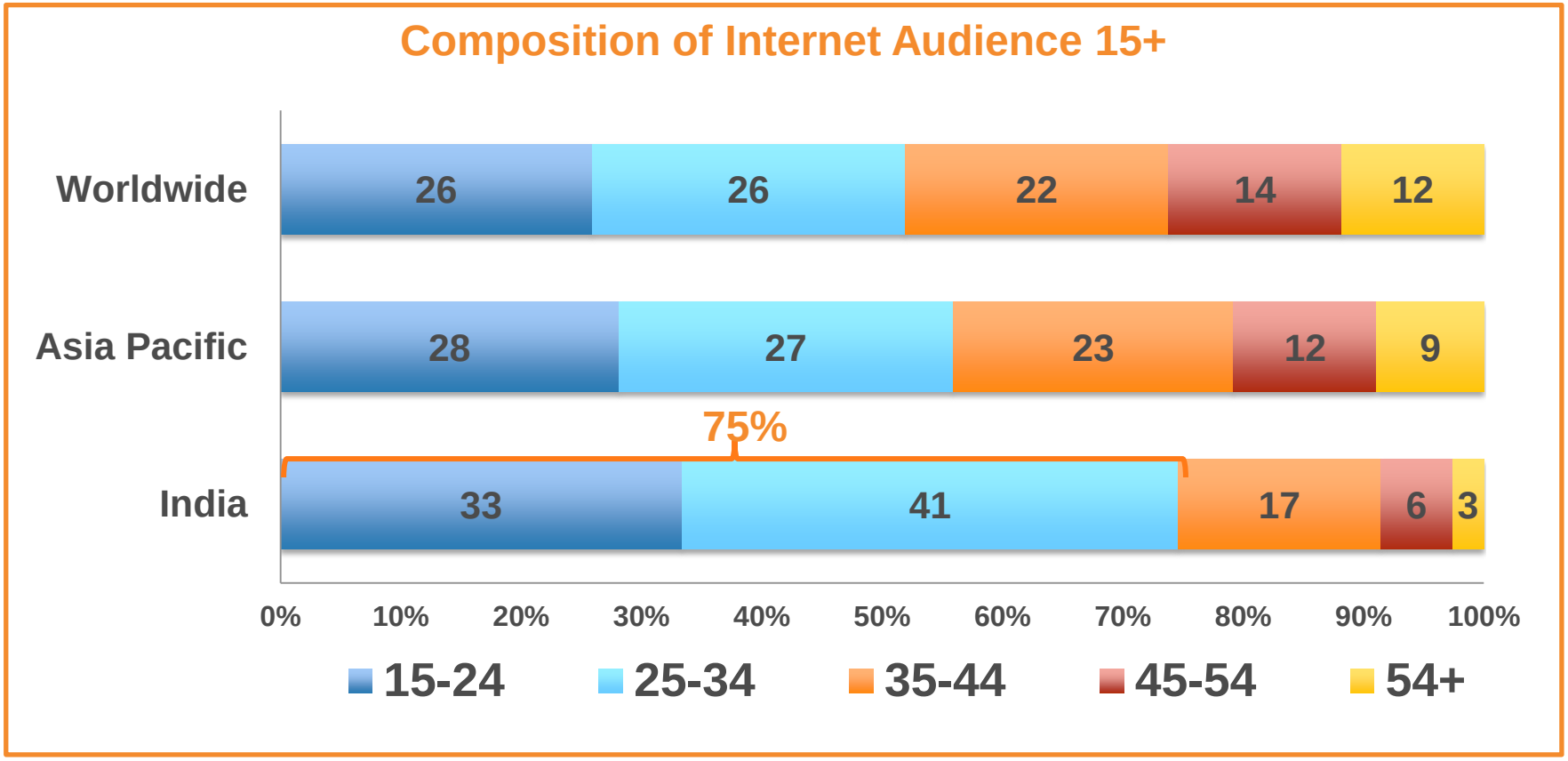
Internet Audience 15+ accessing Internet from Home or Work
Source: comScore Media Metrix, Dec 2010 to Dec 2011

India Internet Users are Much Younger than Global Average

- Internet audience in India skews dramatically younger: 75% of web audience is under 35, compared to 52% of the world and 55% of the region



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Internet Audience 15+ accessing Internet from Home or Work
Source: comScore Media Metrix, Dec 2011

India's Usage Relatively Low Compared to Some Other Countries

- Web users in China and India are lighter users than Russians and Brazilians
- Expect usage rates to increase as home/work Internet penetration increases and broadband becomes more readily available

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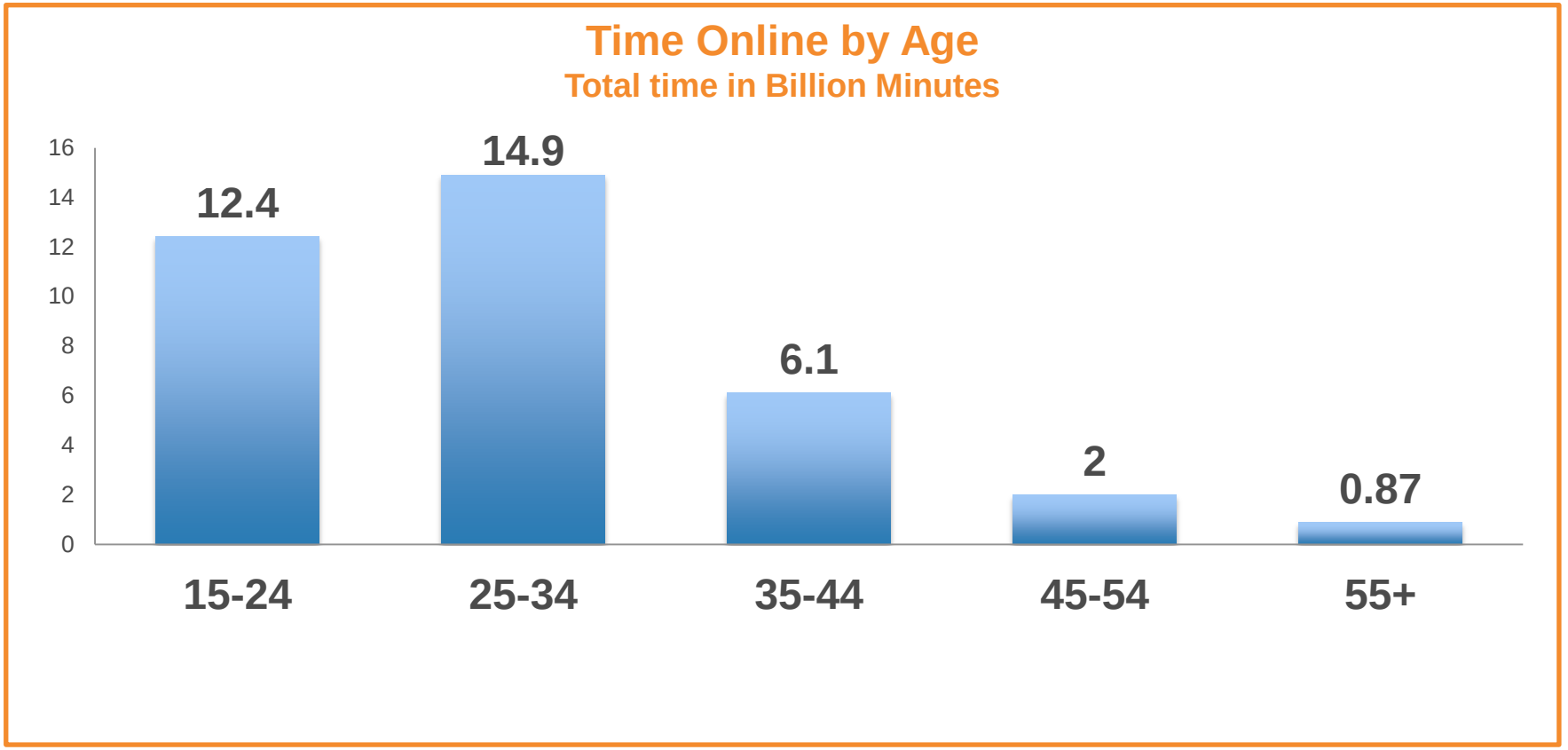
Internet Audience 15+ accessing Internet from Home or Work
Source: comScore Media Metrix, Dec 2011

Young People Drive Internet Consumption in India Today, Suggesting Future Overall Usage Will Rise Dramatically

- 25-34 year olds are India's heaviest Internet users



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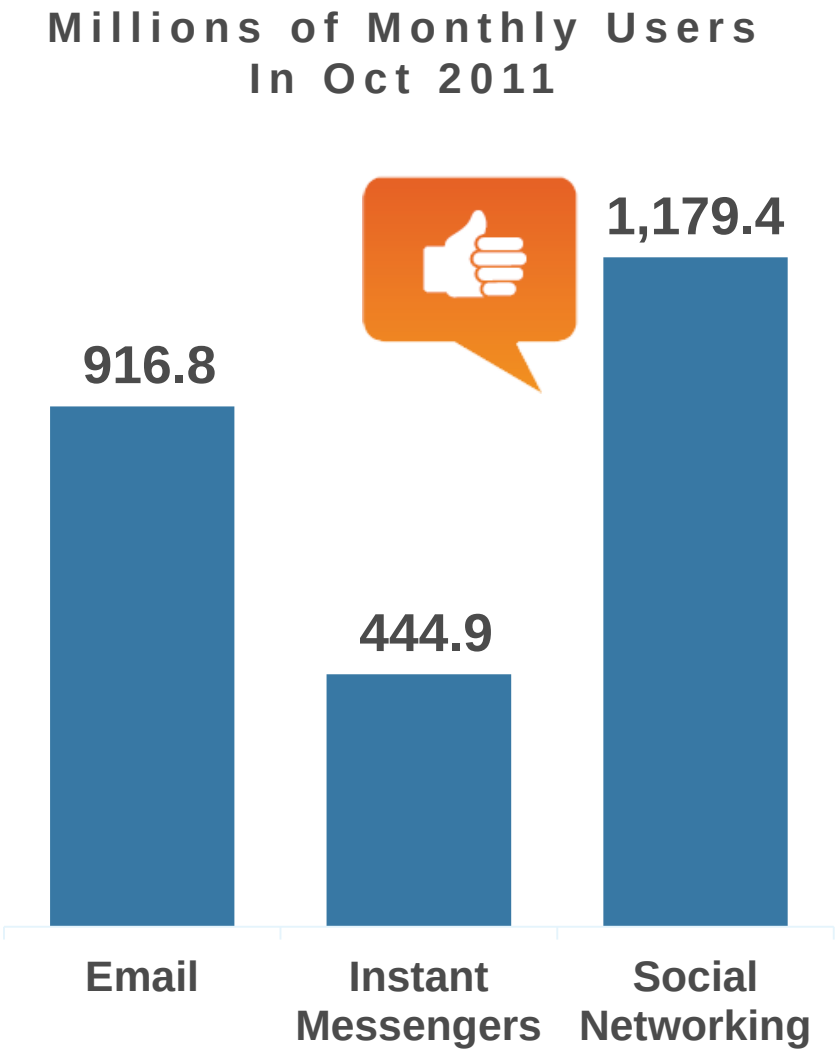
Internet Audience 15+ accessing Internet from Home or Work
Source: comScore Media Metrix, Dec 2011

Social Networking Has Exploded Globally



Around the world Social Networking now reaches

1.2 billion users

82%

of the world's online population

95%

Reach among India online users

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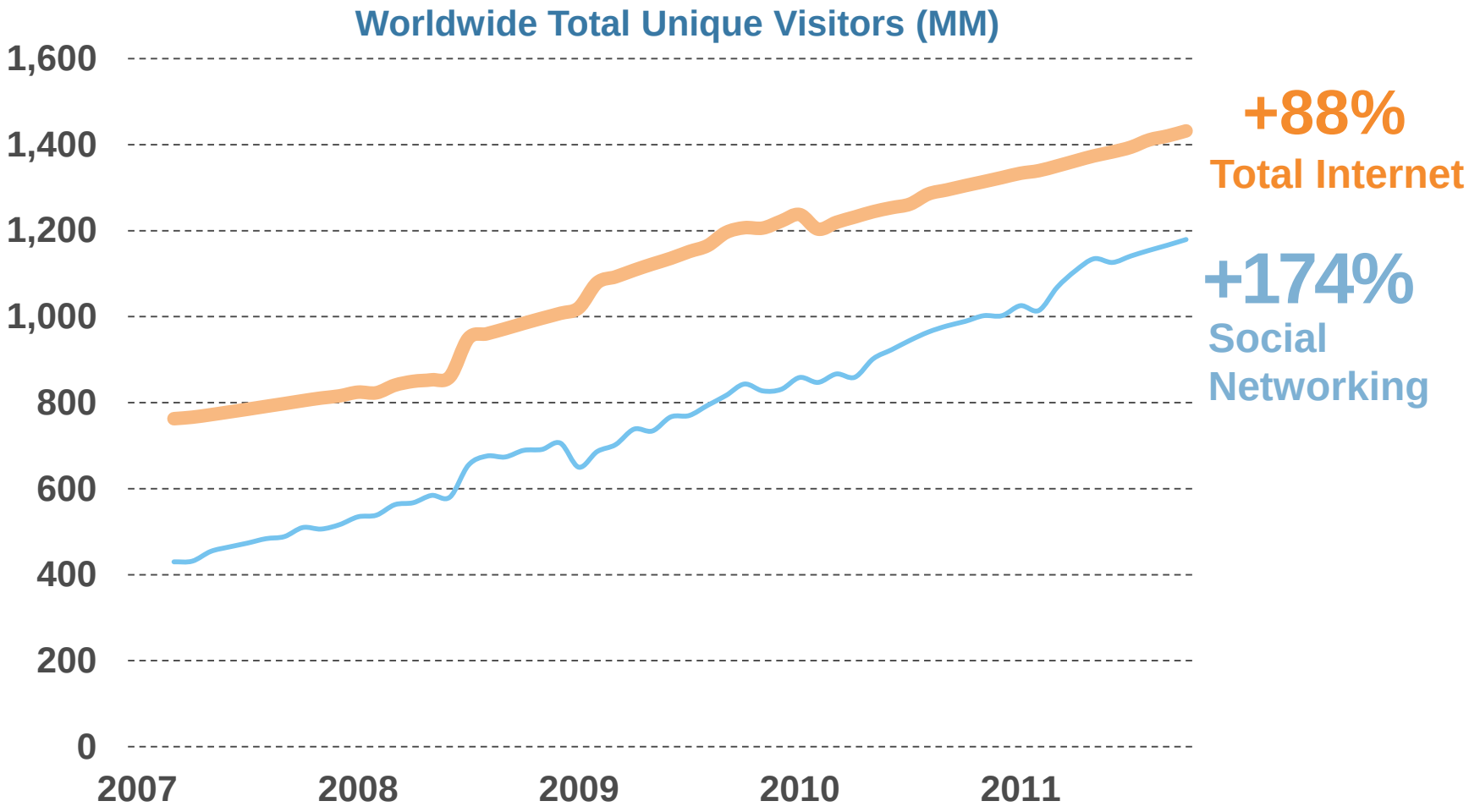
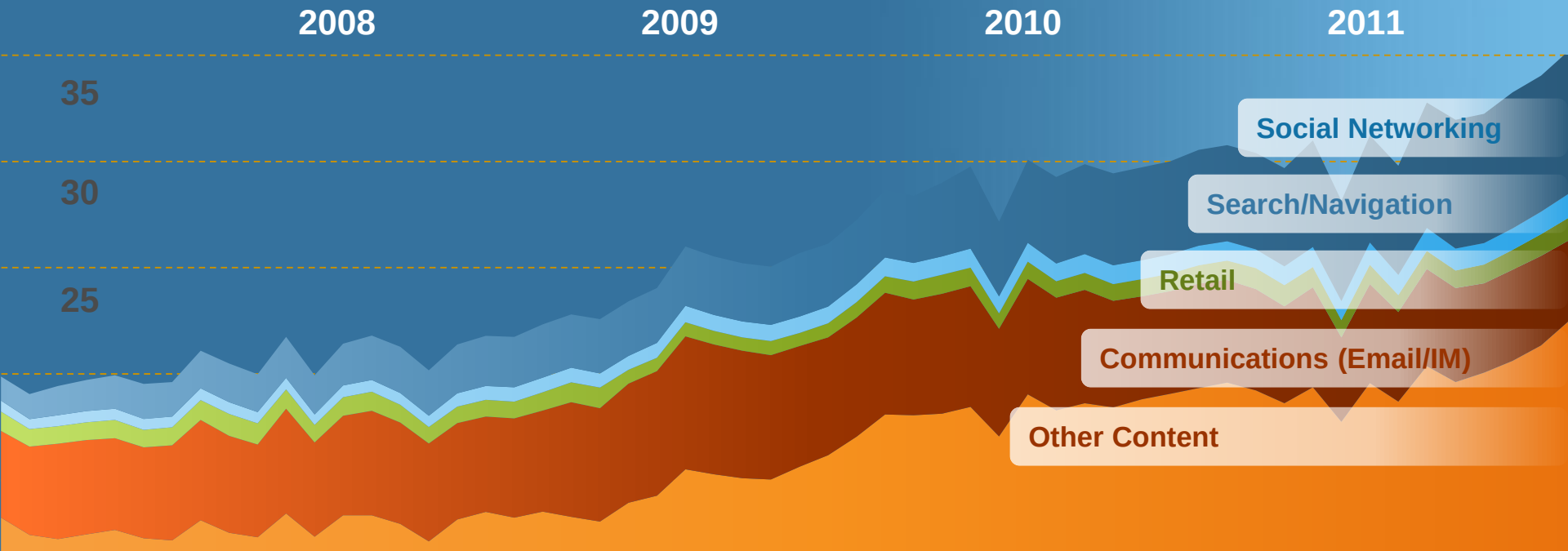
The Rise of the Global Social Networking Audience



Source: comScore Media Metrix, March 2007 - October 2011

Nearly 1 in 5 minutes online is spent on social networks today.



Time Spent on Key Categories Online
Worldwide Hours per Month (Billions)

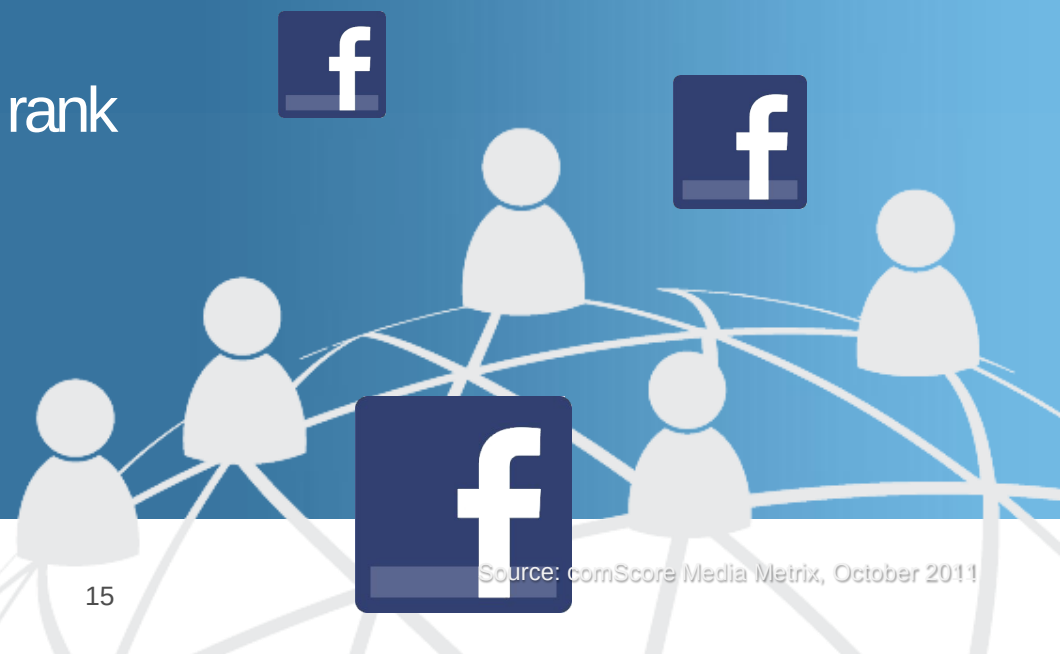
comScore

Source: comScore Media Metrix, March 2007 - October 2011

3 Facebook's worldwide site rank

55% Facebook's global penetration

2 Facebook's India site rank



Source: comScore Media Metrix, October 2011

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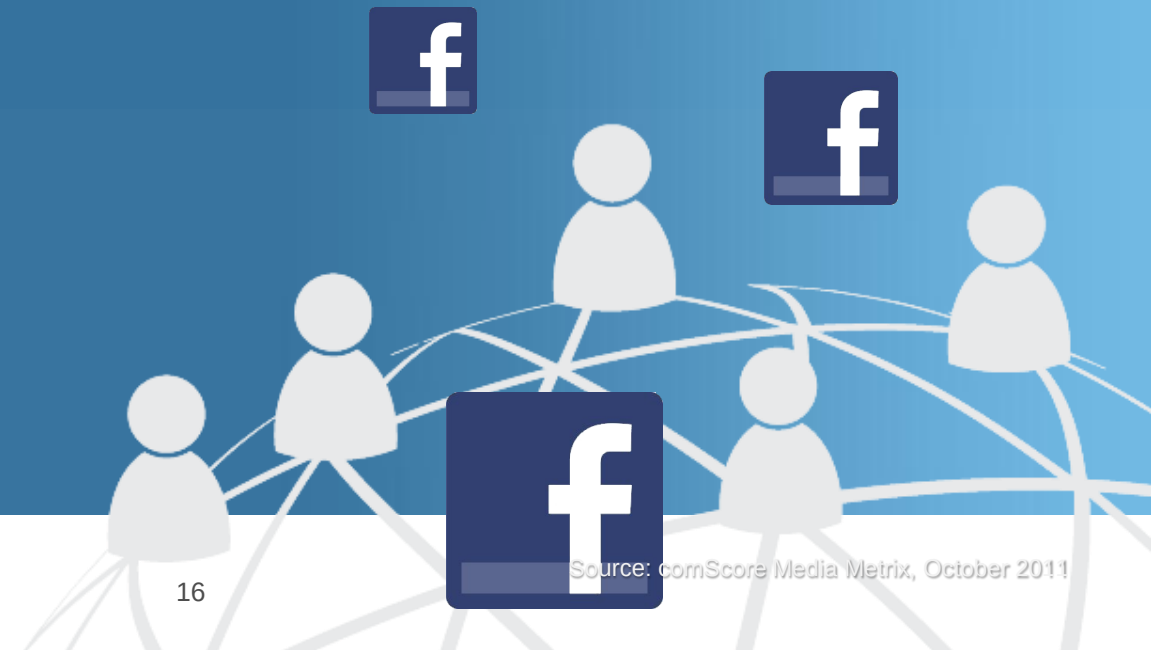
3 in **4** minutes on social networking sites are spent on Facebook

1 in **7** minutes spent online are spent on Facebook



Source: comScore Media Metrix, October 2011

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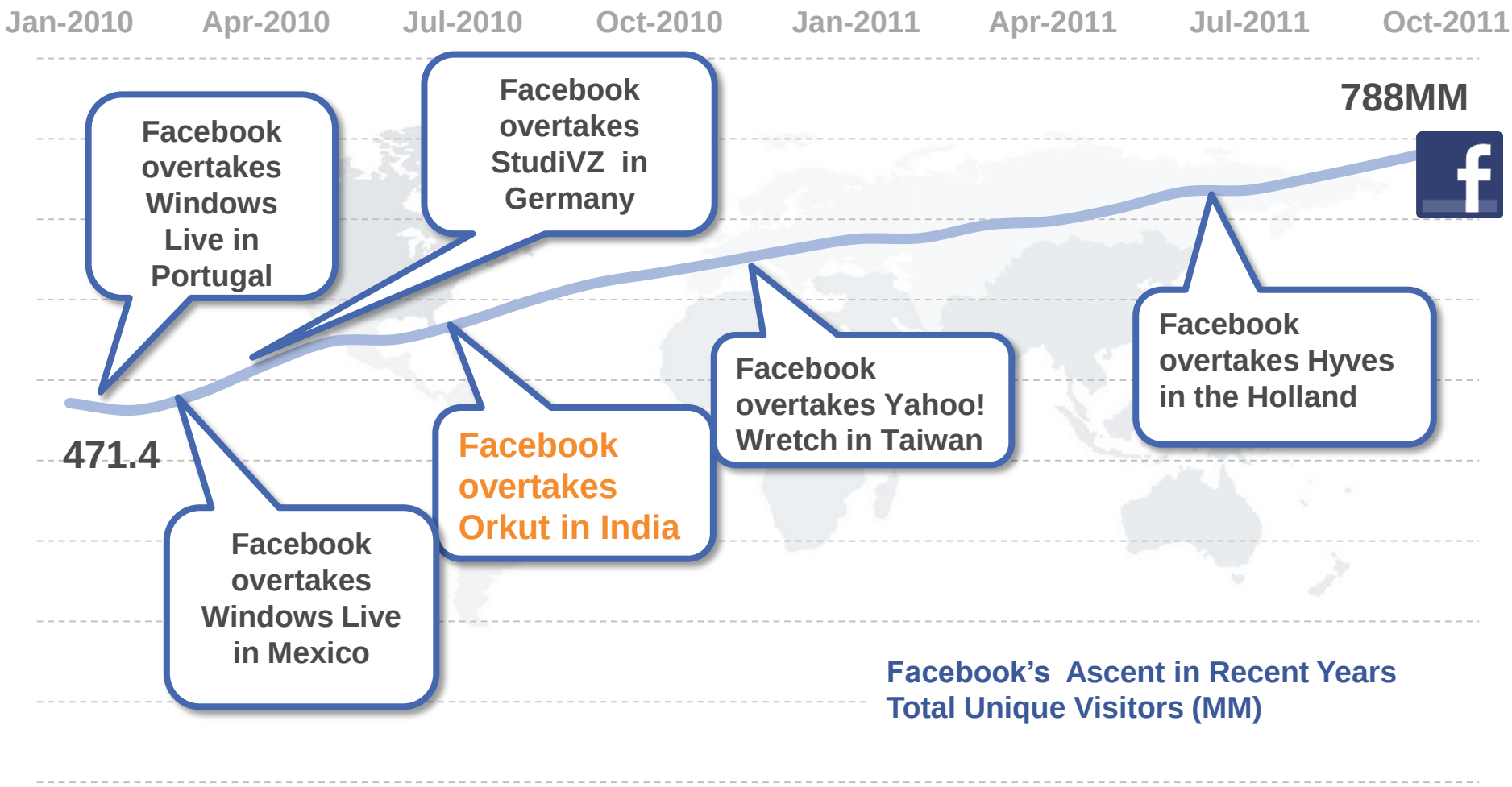
Since 2010, Facebook has taken the lead in 6 new markets across Asia, Latin America, and Europe



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Source: comScore Media Metrix, January 2010 - October 2011

Social Networking is Not Just Facebook

linkedin reaches **1 in 8** online users in India and **1 in 14** worldwide

Twitter reaches **1 in 12** online users in India and **1 in 10** users worldwide

LinkedIn

Source: comScore Media Metrix, Worldwide, October 2011

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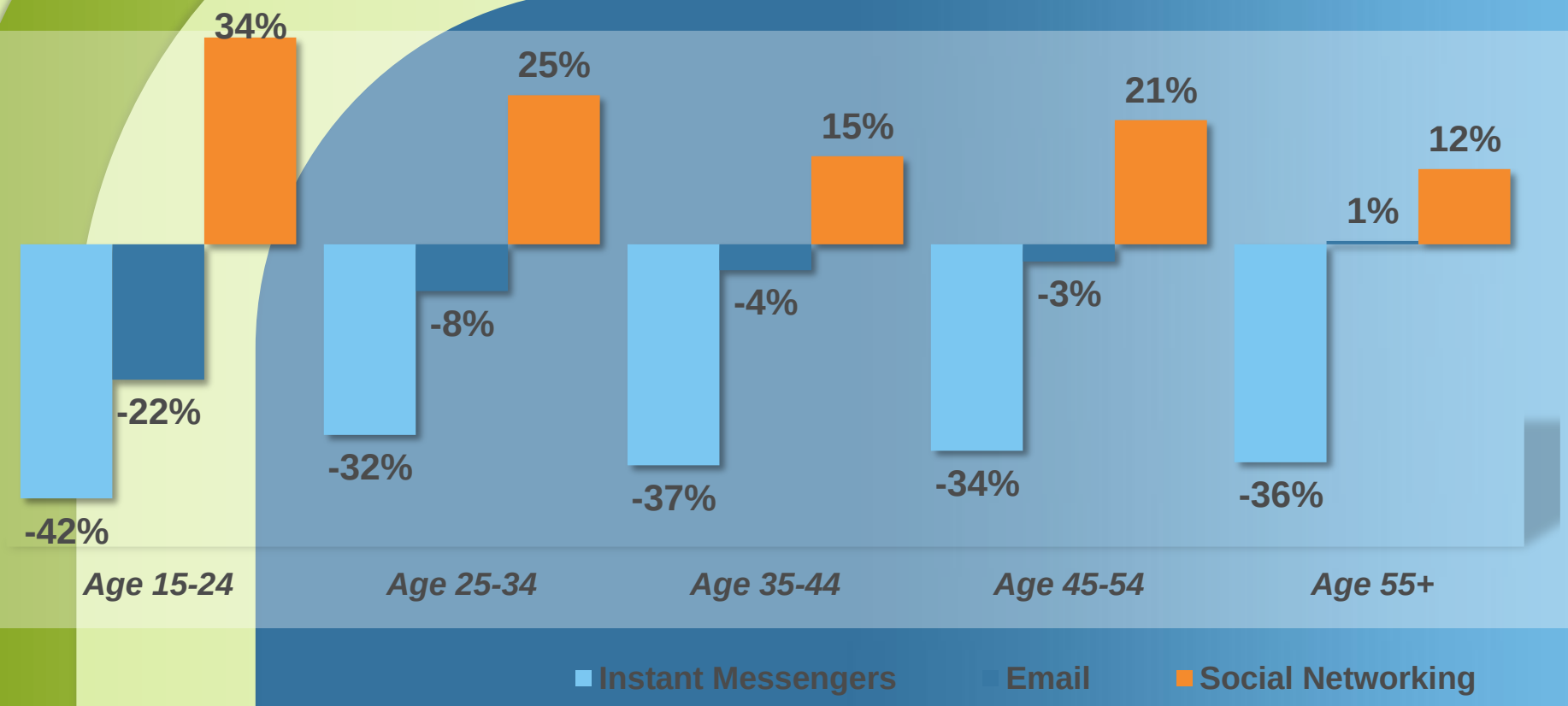
15-24 year olds saw the largest decline in engagement with web-based **email** and **instant messaging**



Change in Average Time Spent with Content Category by Age Segment

Source: comScore Media Metrix, Worldwide, October 2011 vs. July 2010

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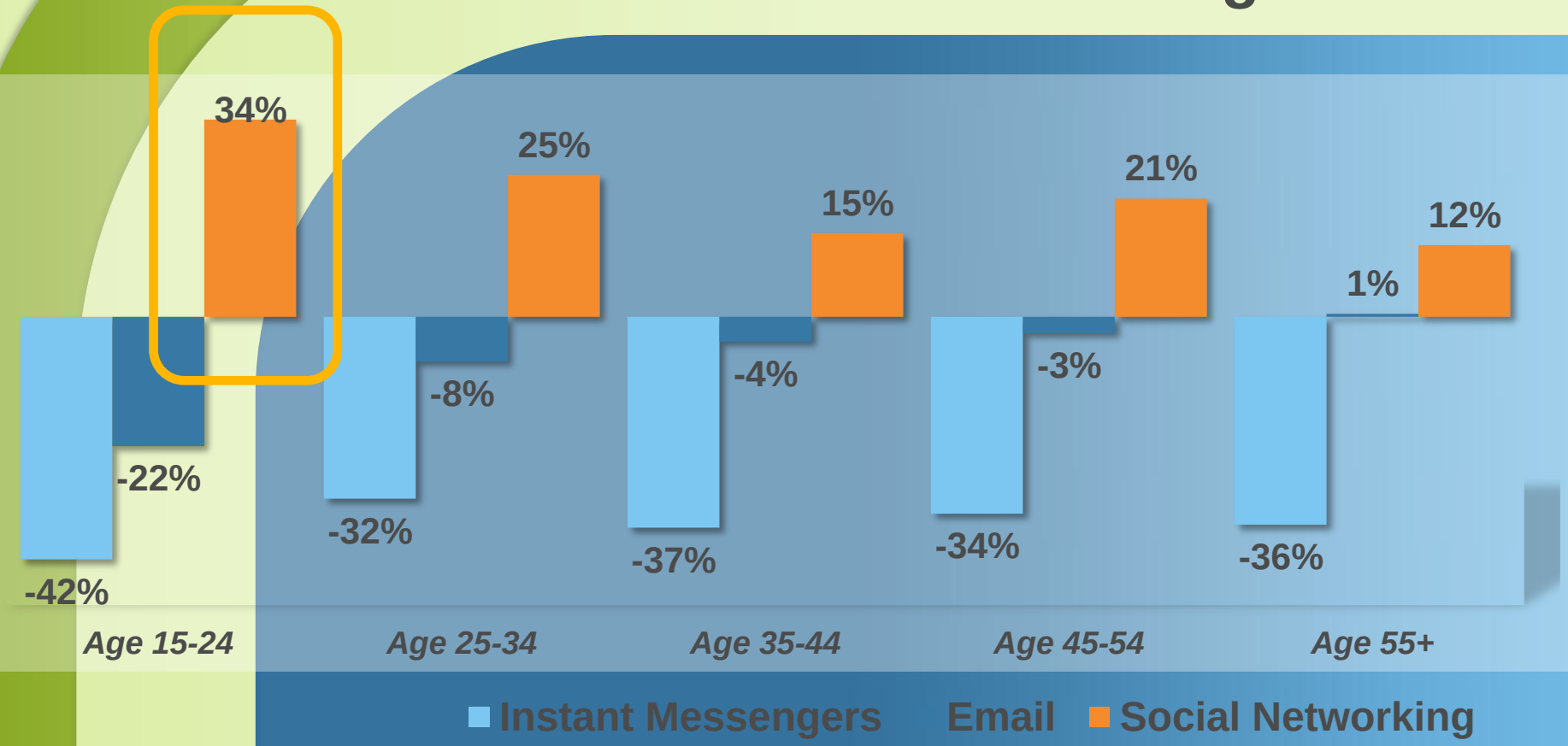
…but also saw the **highest increase in engagement** with **social networking**.



Change in Average Time Spent with Content Category by Age Segment

Source: comScore Media Metrix, Worldwide, October 2011 vs. July 2010

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Online Advertising: Lessons Learned

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Some things we've learned about online advertising

- The *click* is at best an incomplete and at worst a *misleading metric*
- *Display* advertising is an efficient and effective way to *build sales both online and offline*
- Accurate delivery of *media plan* is critical
- Facebook is a very efficient way to *amplify reach* and *persuasiveness*

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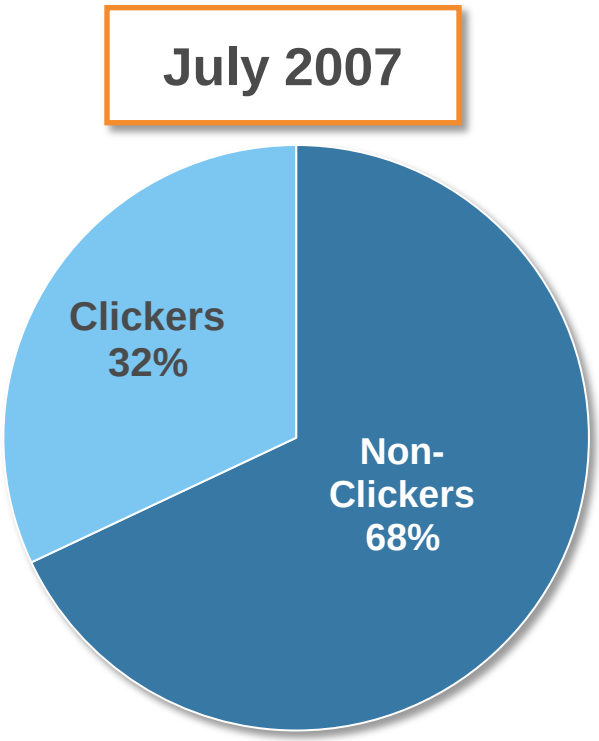
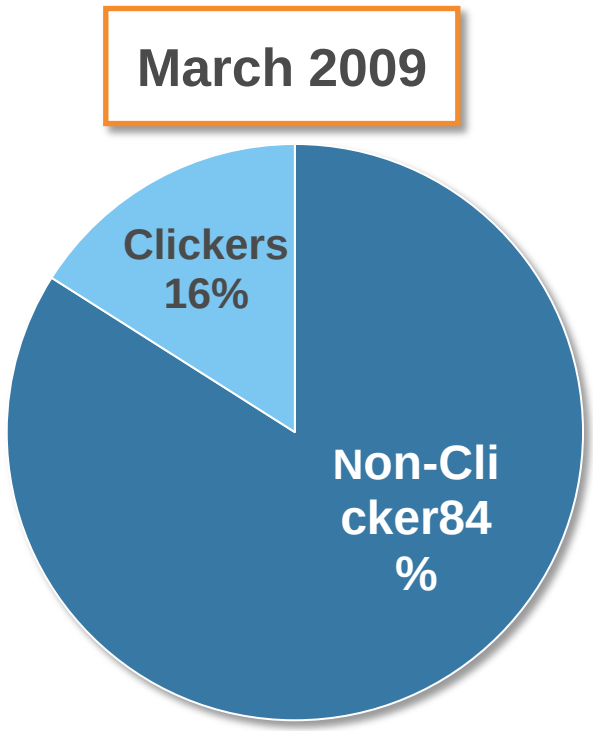
Clickers represent a small and declining segment of Internet users

- There were 50% fewer clickers in 2009 (16%) than in July 2007 (32%)
- 8% of all Internet users account for 85% of all clicks
- Optimizing against clicks means *ignoring 84 percent of Internet users*





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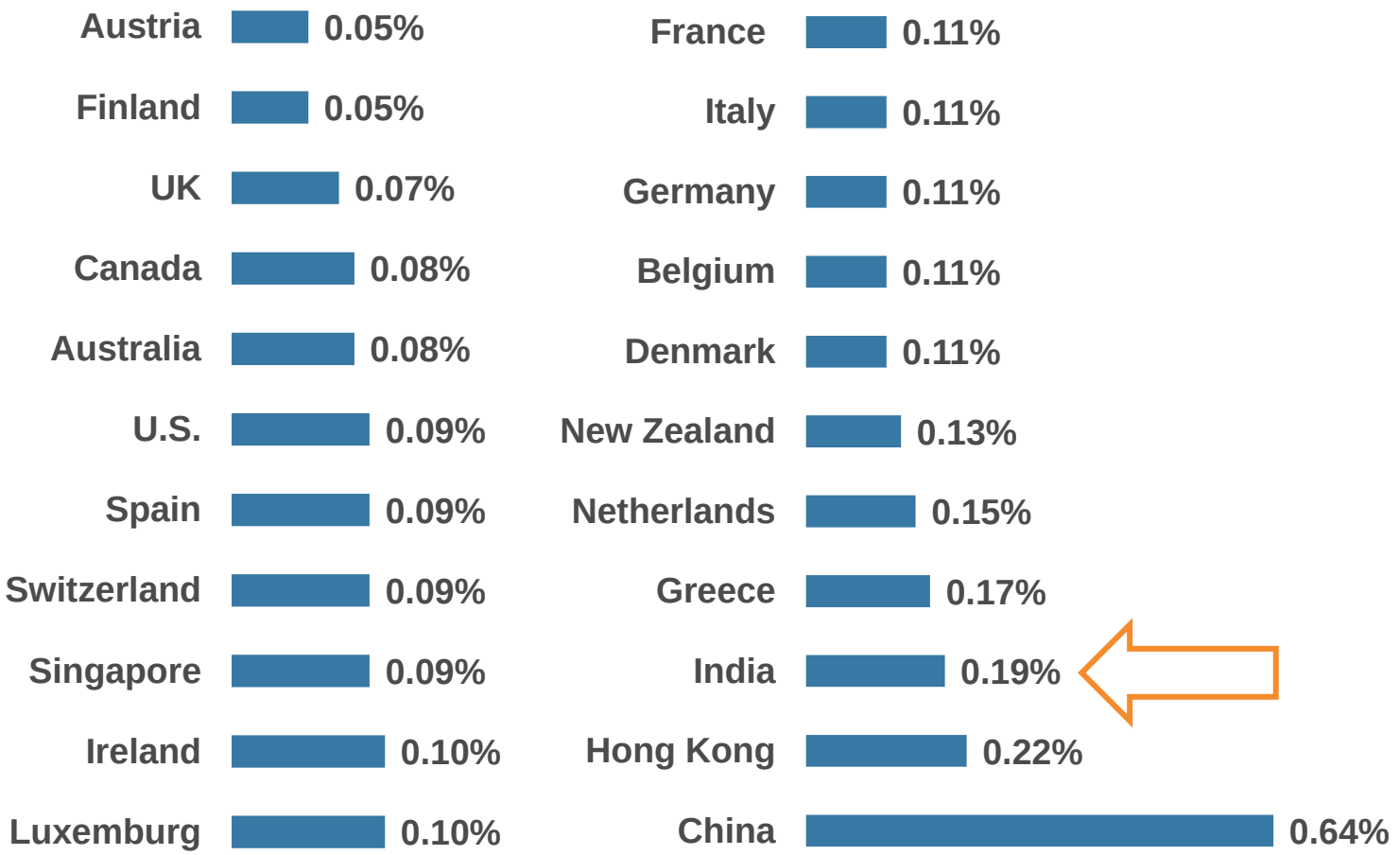
Source: comScore, Inc. Custom Analysis, Total US Online Population, persons, July 2007 and March 2009 data periods

Global Click Rates on Individual Campaigns are Pitifully Low

Worldwide Click-Through Rates*



*Click-through rates across static image, flash and rich media formats

Source: DoubleClick Benchmarks data representing a cross-section of countries, Jan to Dec, 2010

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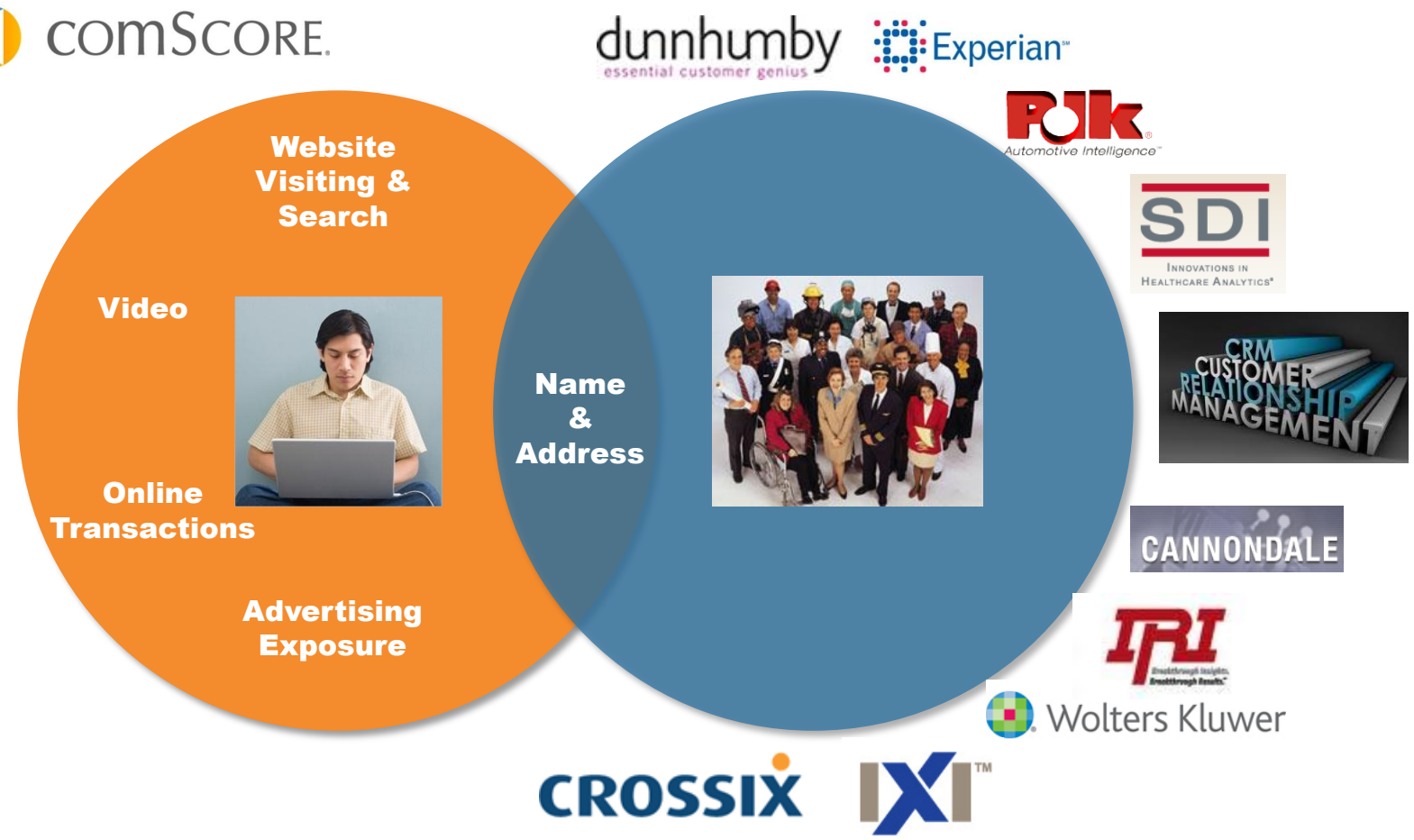
How comScore measures advertising ROI: Link ad exposure to behavior



Source: comScore 2011

Journal Of Advertising Research: comScore's "Whither the Click?"

- Journal of Advertising Research, June 2009

"What We Know About Advertising: 21 Watertight Laws for Intelligent Advertising Decisions"

Prof. Byron Sharp, Ehrenberg Bass Institute, University of South Australia
Prof. Jerry Wind, The Wharton School

- comScore's "Whither the Click?"
  - 200+ comScore studies conducted in the U.S. to assess *behavioral* impact of paid search and online display ads.

Even with Minimal Clicks, Display Advertising can Lift:

- Site visitation
- Trademark search queries
- Online and offline sales

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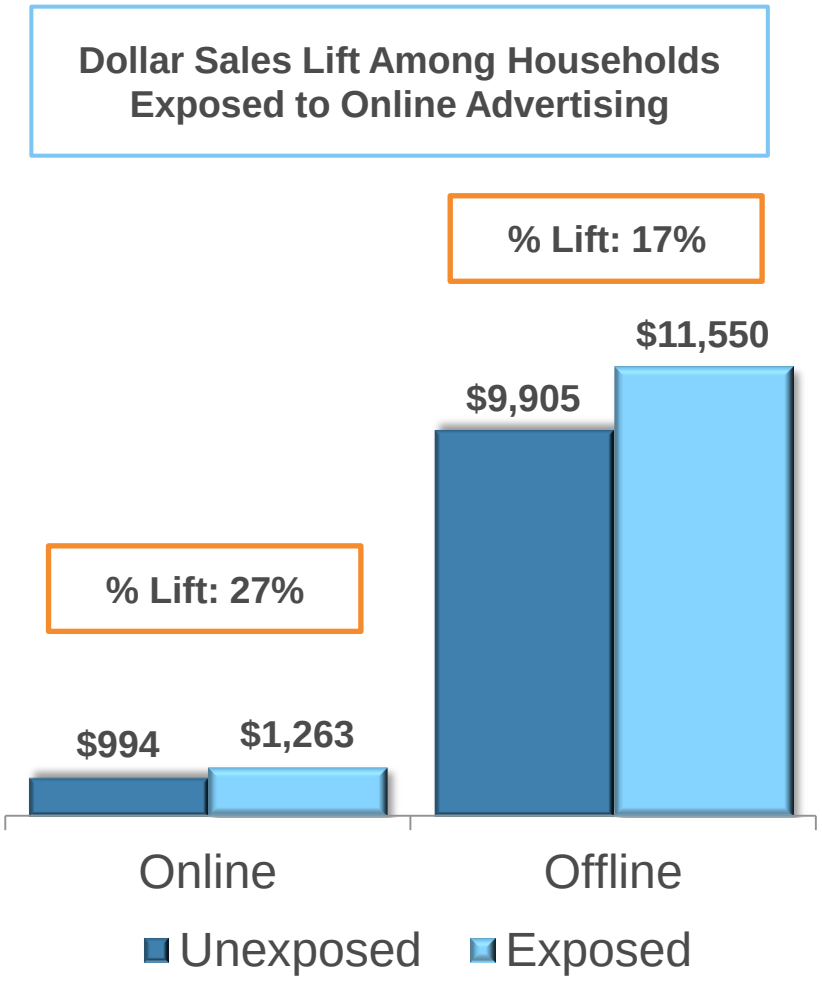
Despite click rates of only 0.1%, comScore research has shown that display ads can lift retailer sales – both online and offline



Conclusions

- Exposure to display ads doesn't just impact online sales – it lifts in-store sales as well
- The absolute dollar lift in offline sales is 5x higher than the lift in e-commerce sales
- The click is misleading as a measure of campaign effectiveness

Source: "Whither the Click?" 139 comScore studies in the June 2009 Journal of Advertising Research

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Branding's digital challenge

- **Branding advertisers on TV are accustomed to audience guarantees and expect the same in digital**
- **Accuracy of cookie-based digital plan delivery is problematic:**

Cookie Deletion

Cookies Are Not People

100% 100%

Ads Are Not Always Visible

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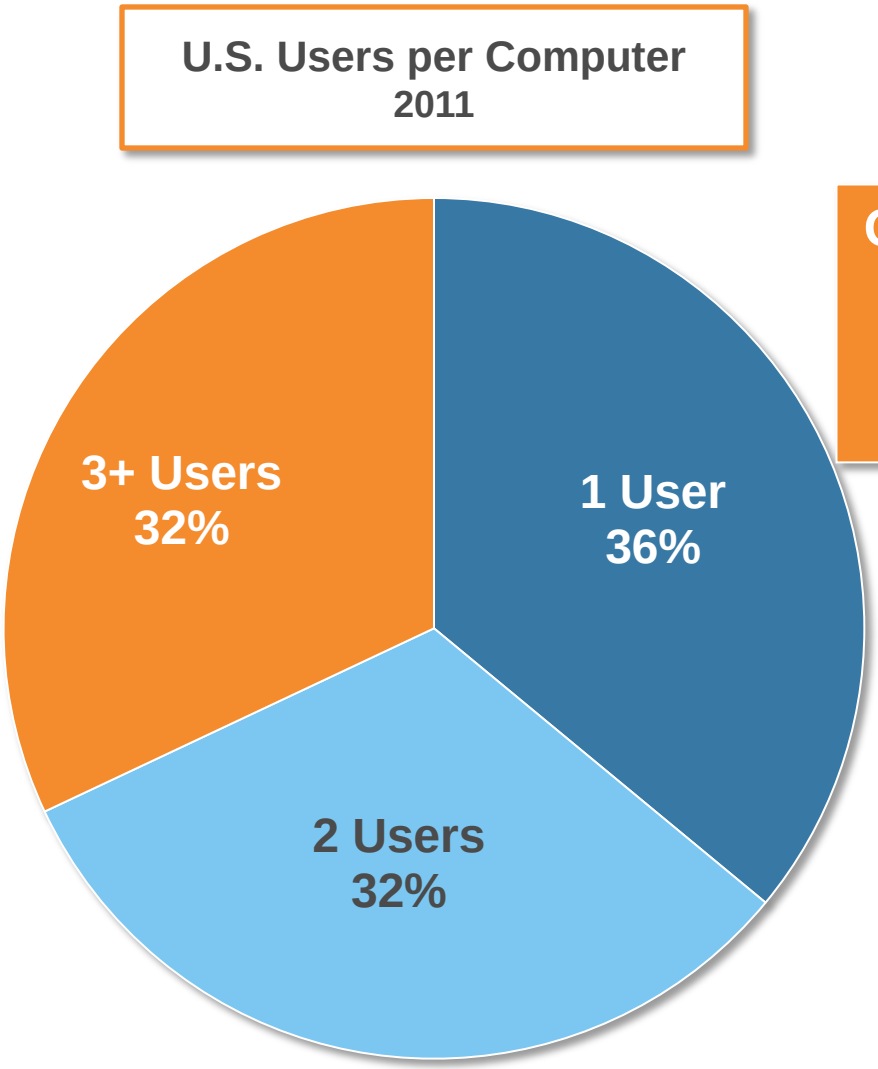
Source: comScore 2011

Because of multiple users on a computer, cookies can't accurately identify who is using a computer at any given point in time



Over 64% of home users share a computer with other users

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Source: comScore 2011

Cookie deletion is a global reality … and a global challenge

Accurately counting reach with cookies is not possible, yet is currently the method used in most ad servers and analytics systems

	Ad Server Cookies		Web Site Cookies	
Country	Percent of computers deleting	Average # of cookies per computer for same campaign	Percent of computers deleting	Average # of cookies per computer for same web site
Australia	37%	5.7	28%	2.7
Brazil	40%	6.6	33%	2.5
U.K.	35%	5.9	27%	2.7
U.S.	35%	5.4	29%	3.5

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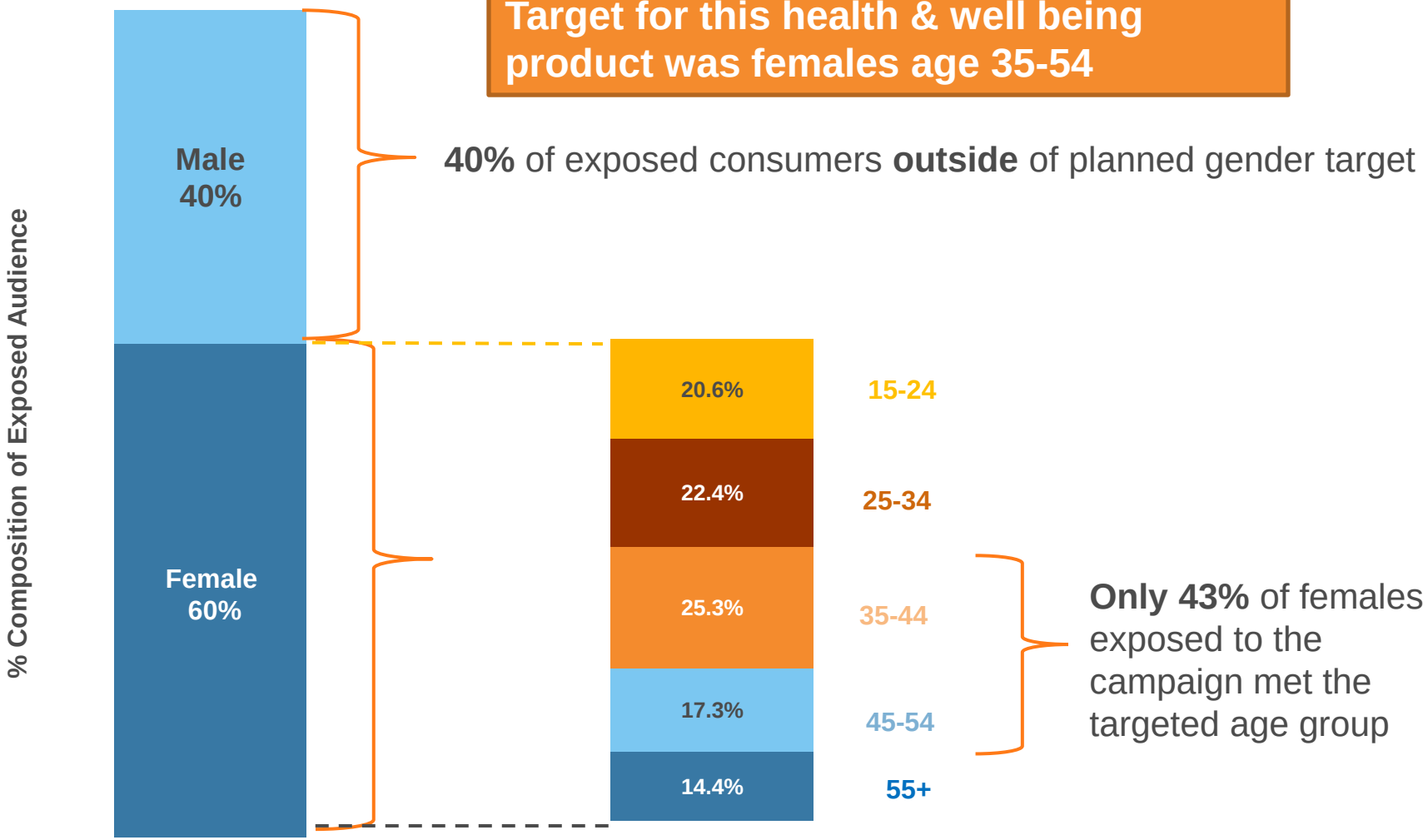
Source: comScore 2011

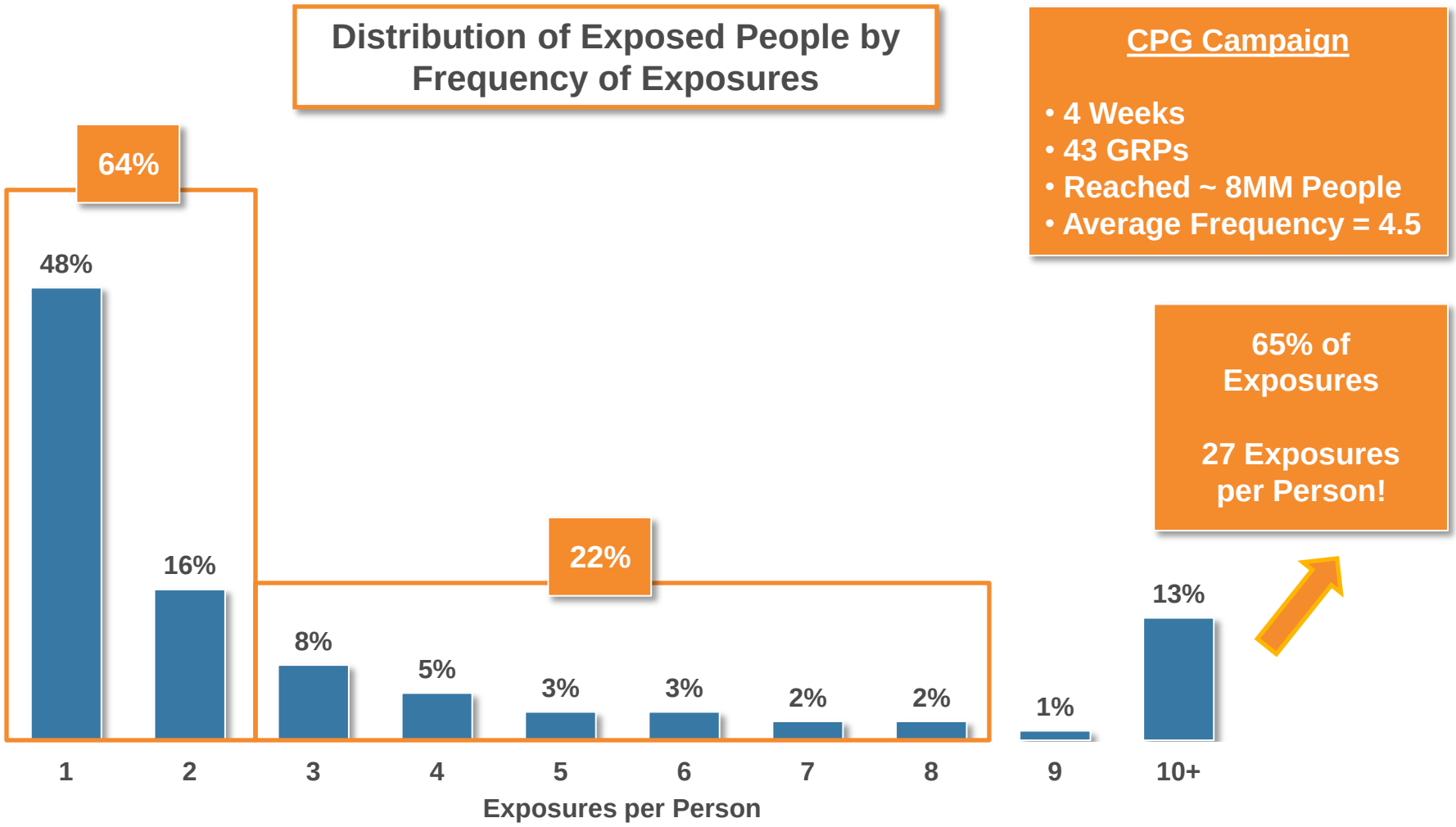
Cookie-based demo targeting limits a campaign's ability to selectively reach a targeted audience

Target for this health & well being product was females age 35-54



Only 25% of all exposed consumers met planned targeting criteria

Skewed ad server delivery causes wasted GRPs with overly saturated consumers



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Source: comScore 2011

Making Measurement Make Sense (3MS) Mission:

- **Reduce costs of doing business** due to complexity of digital advertising ecosystem
- **'Single Tag' solution** to reduce complexity
- Improve reporting of **ad exposure**
- Bolster confidence that ads delivered are **actually visible**

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Billions of impressions are being delivered – how can retailers ensure the right consumers are seeing the messaging?

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vCE Charter Study

18 campaigns
2 billion impressions
400k sites

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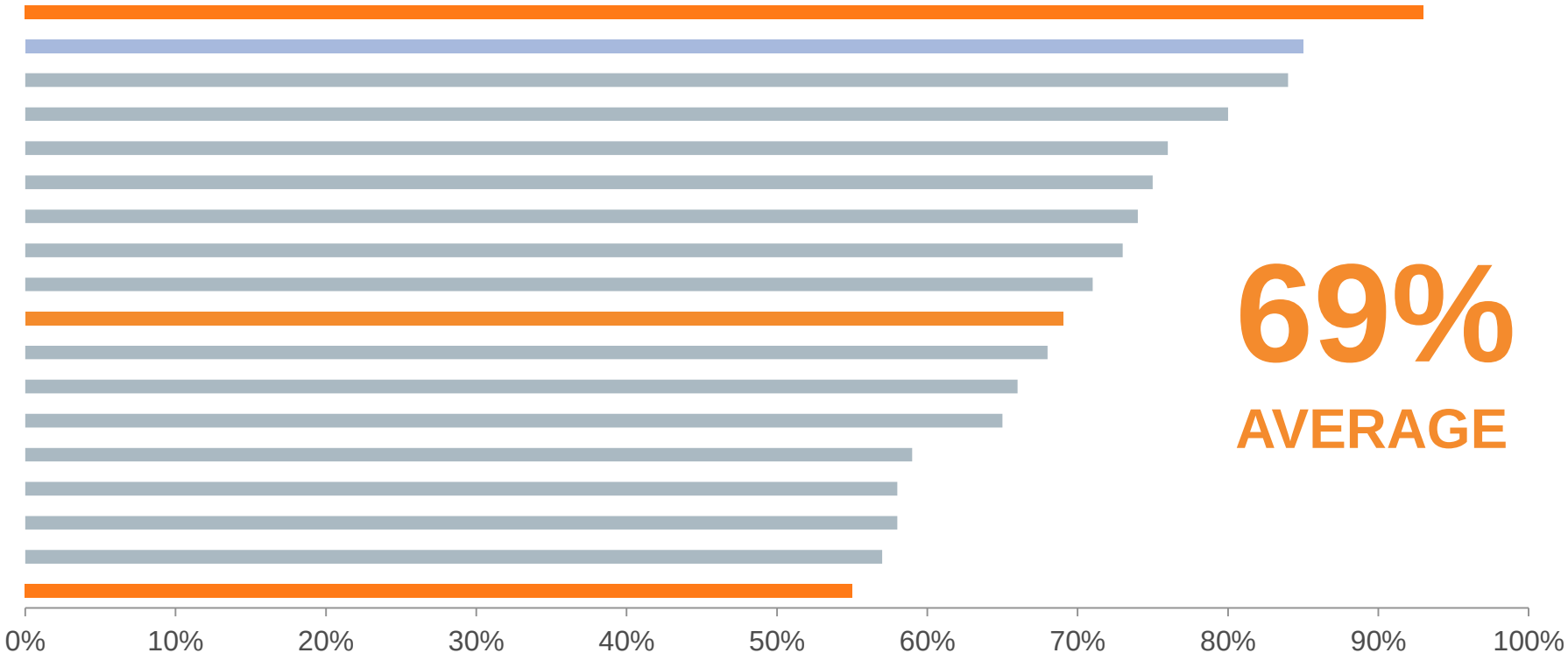
Charter Findings

In-view ad rates ranged from 55% to 93% across 18 campaigns



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What's new in social measurement?

Using the comScore panel and proprietary technology, **comScore is the first** research company to provide **continuous measurement** of the **impact** of **earned media** among **Fans** and their **Friends** on Facebook.

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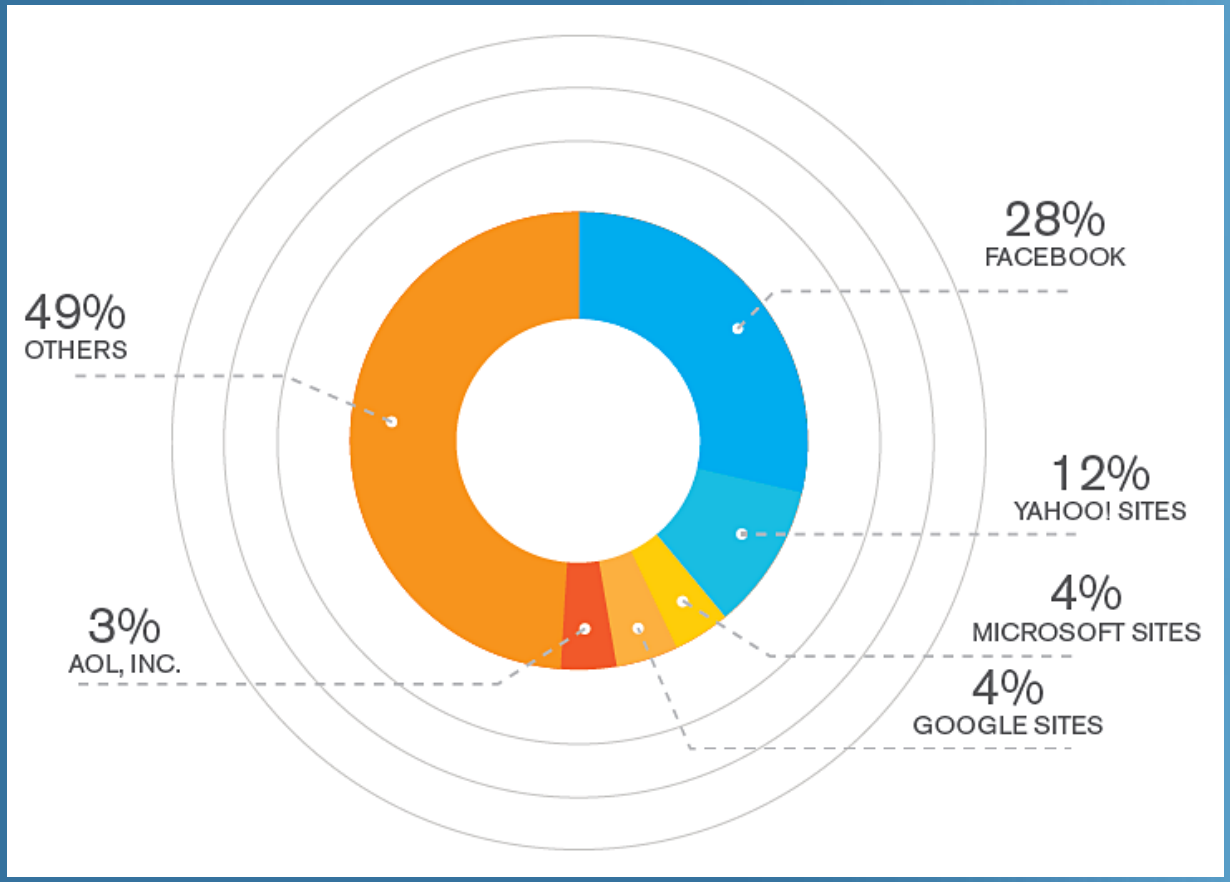


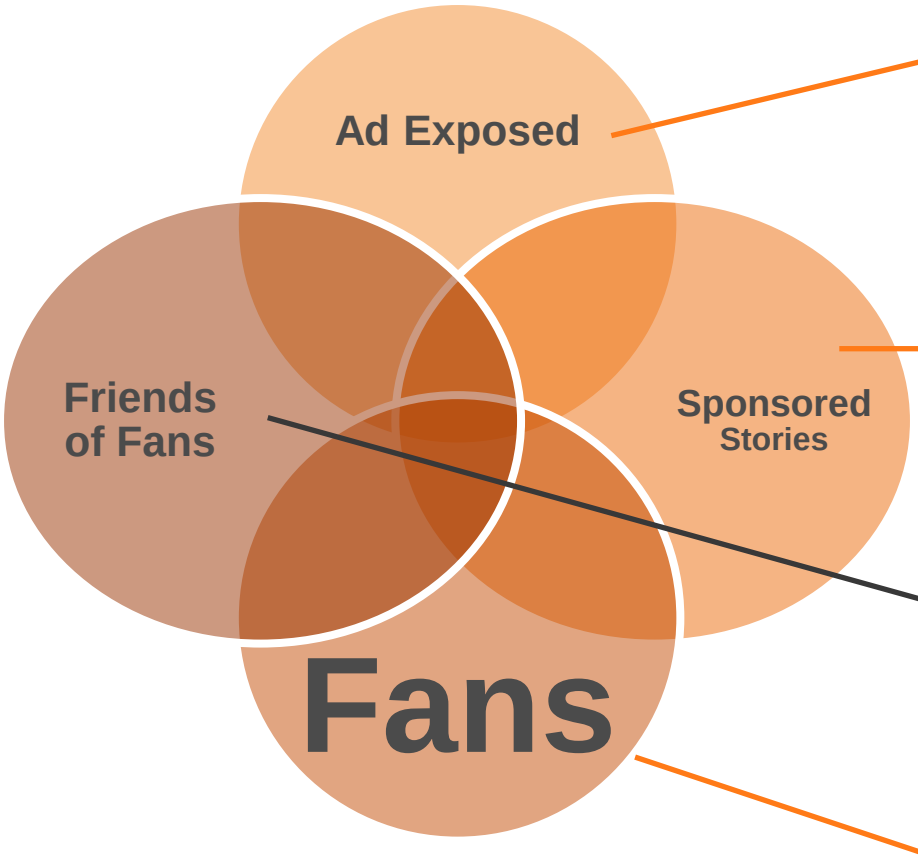
Facebook is the largest publisher of online display ad impressions,

Publisher Share of Display Ad Impressions

Source: comScore Ad Metrix, U.S., Q3 2011

SOCIAL ESSENTIALS

comScore now measures most major engagements on Facebook



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SOCIAL ESSENTIALS
What we know to be true…

Facebook Fans are NOT regular visitors to Facebook Fan Pages. Marketers need to reach out Fans in their News Feed with relevant content!

Brand	No. of Fans*	Monthly Unique Visitors To Facebook Fan Pages**
Coca Cola	24.0 Million	39,000
Oreos	17.5 Million	137,000
Best Buy	2.7 Million	175,000

*Source: Facebook
** Source: comScore

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Friends of Fans represent a way for brands to efficiently amplify their reach substantially beyond Fans

FANS	Exposed Fans	Earned Impressions	Reach	Frequency	GRP
Southwest	661K	2,457K	0.3%	3.7	1.1
Bing	1,070K	3,353K	0.5%	3.1	1.6
Starbucks	4,841K	13,664K	2.2%	2.8	6.3

FRIENDS	Exposed Friends	Earned Impressions	Reach	Frequency	GRP
Southwest	853K	1,460K	0.4%	1.7	0.7
Bing	2,035K	3,183K	0.9%	1.6	1.5
Starbucks	8,846K	18,073K	4.1%	2.0	8.4

Friends expand Fans Reach by 133% to 186%

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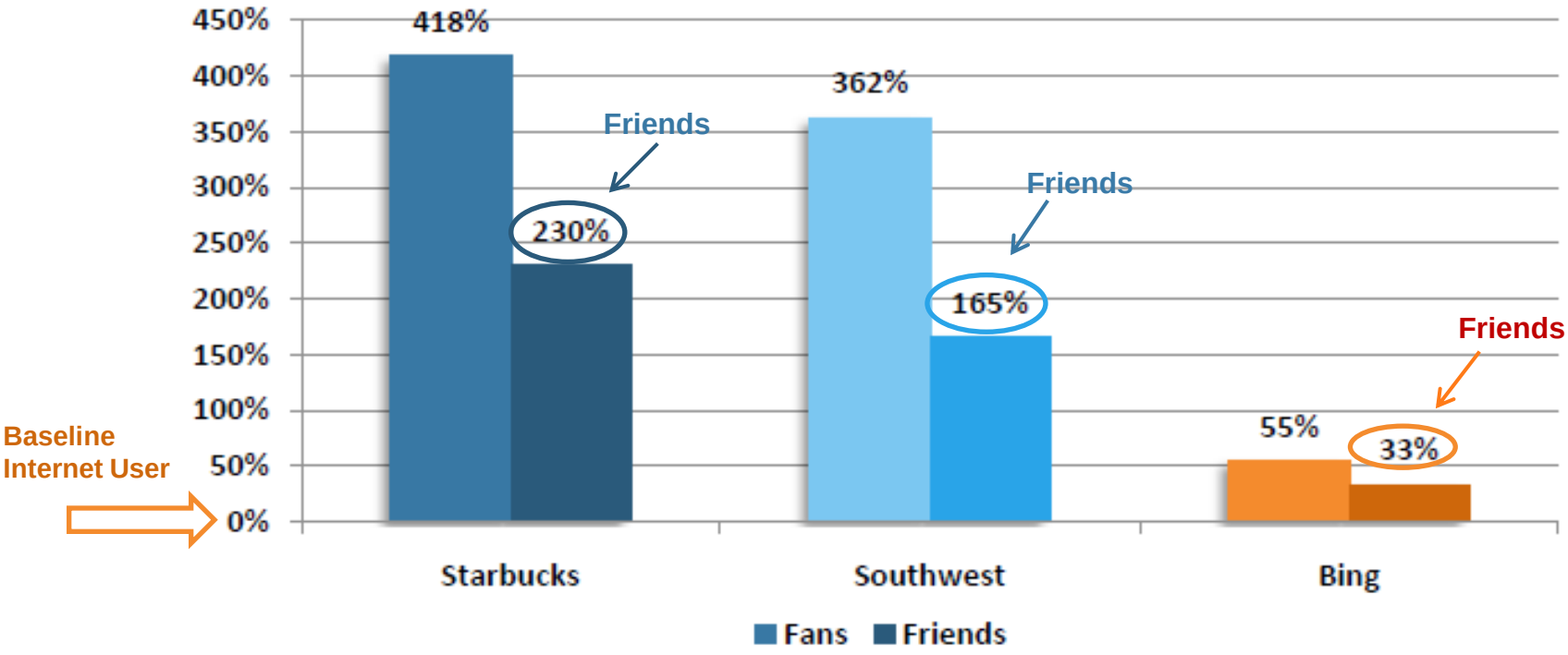
Fans and Friends of Fans exposed to earned brand impressions on Facebook exhibit higher brand engagement, e.g. site visitation, than the average Internet user

Why do friends of fans have a higher orientation toward the brand?

1. **Birds of a feather flock together**
2. **Trusted persuasion**

Starbucks, Southwest & Bing: Website Visitation Among Exposed Fans & Friends of Fans vs. Average Internet User

Source: comScore Social Essentials, U.S., May 2011



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Source: comScore Social Esessentials May2011

Conclusions

- **The digital world is expanding rapidly, driven by new users in some regions and / or by growth in time spent in others**
- **Younger consumers in India are leading the revolution, with higher engagement coming from 15-34 age segments**
- **Social Networking is a key driver of PC and Mobile activity, cannibalizing many other activities**
- **Online advertising is effective, both as a direct response and branding strategy**
- **For online advertising to get its fair share of advertising dollars**
  - Ad effectiveness needs to be measured “beyond the click”
  - Accurate measurement of the delivery against media plan is critical
  - Facebook represents an efficient way to amplify reach and trusted persuasion

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Thank you!

Gian Fulgoni

Executive Chairman and Co-Founder, comScore Inc.