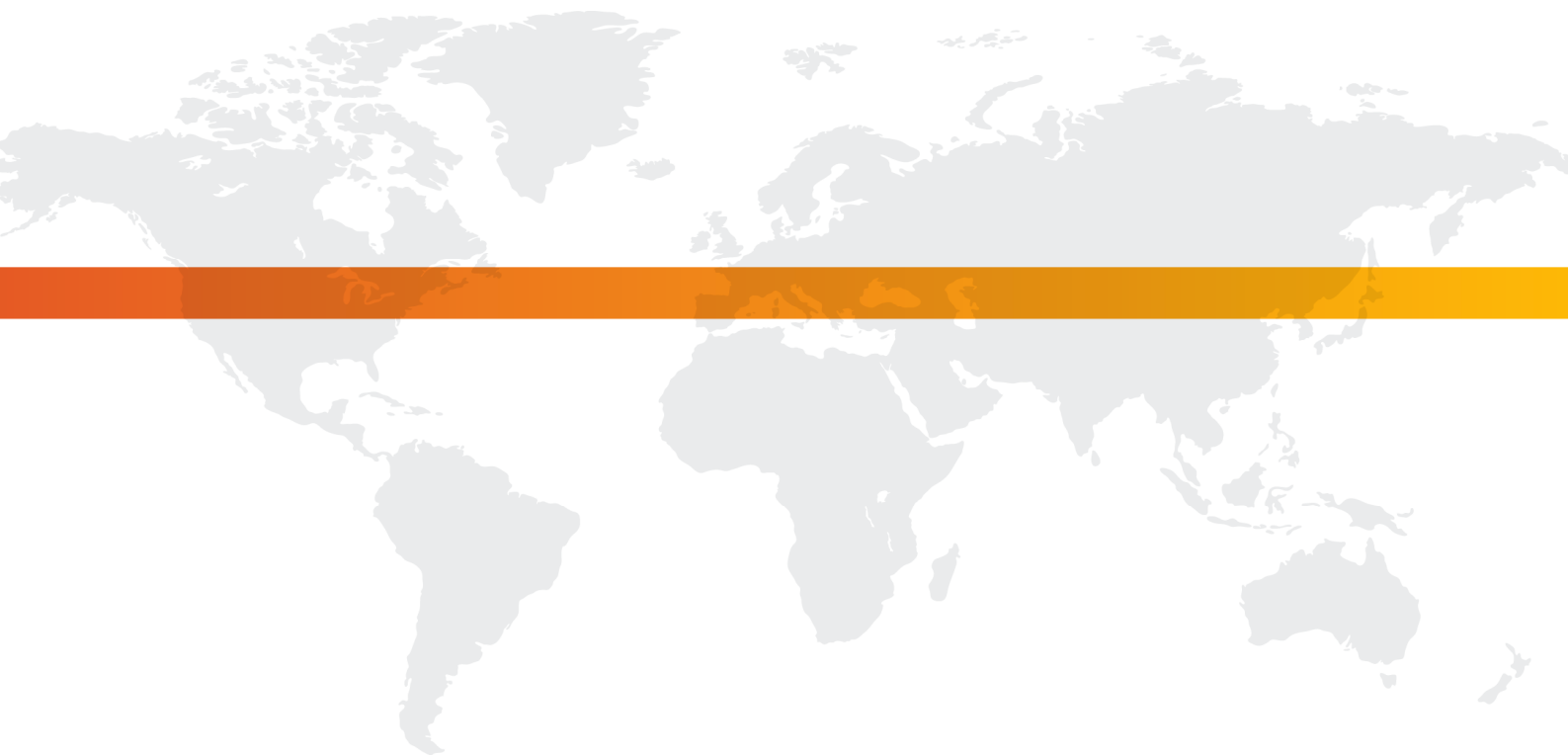




When Money Moves to Digital, Where Should It Go?

Identifying the right media-placement strategies for digital display

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Background

Online display advertising continues to increase as a percentage of the overall marketing mix, and according to PricewaterhouseCoopers' (PwC) Special Report, *Global Entertainment and Media Outlook*, the Internet will be the second-largest advertising medium by 2014. As quickly as advertising dollars are moving online, so is the availability of new media-placement strategies. From audience targeting to contextual buys and from retargeting to efficiency or premium buys, there are many placement options that media planners must now consider.

Much of this growth in display ad spending is a result of the increasingly fragmented nature of the Internet. With the growth of portals and social networks as well as online video and gaming, marketers have more options than ever before to engage with consumers online, creating endless opportunities, but also raising many questions about the appropriate approach in this complex environment:

- How can I discern the benefits of these new offerings?
- What approach makes sense for my given objectives?
- What strategy or combination of strategies will provide the strongest results?

"The resulting fragmentation of offerings is unprecedented in its scope and speed ...

The current wave of change is of a different magnitude from previous ones, in both its speed and its simultaneous impact across all segments."

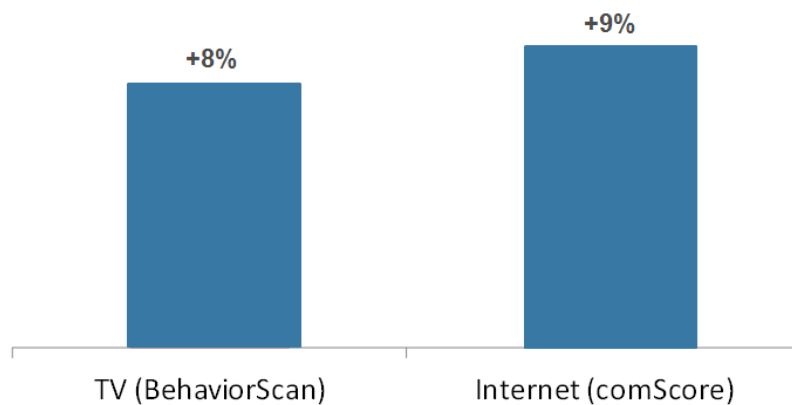
**– PwC Special Report:
Global Entertainment & Media Outlook
for 2010 to 2014**

To date, the great divide in the digital advertising space has been between search and display. Search has been viewed as highly effective because of its inherent measurability and direct impact on sales. The market now understands, however, that digital display is feeding search behavior and generating branding impacts. A July 2009 eMarketer study, *Online Brand Measurement: Connecting the Dots*, included a survey of senior-level digital advertising research executives, in which 84 percent of respondents agreed with the statement: "Search, because it is so easily measured and is often the last click before a purchase, is getting too much credit. We therefore undervalue the branding effects of online advertising formats such as banners, interactive rich media and video."

Search, *as well as display*, has traditionally been measured using 'the click' as the primary metric. Research, however, has shown that clicks are not a valid metric for measuring the branding impact of digital advertising. In the comScore report, *How Online Advertising Works: Whither the Click?* (published in the *Journal of Advertising Research* in June 2009), significant evidence was presented demonstrating the latent, brand-building impact of online advertising even in the absence of a click. The *Whither the Click* research proved that despite low click-through rates (CTRs), digital advertising can build brands

online *and* that online advertising can drive both online and offline sales. The data in Figure 1, for example, compares the offline sales lift generated by online advertising versus television advertising for CPG brands, proving that for this particular sub-set of CPG brands, digital advertising resulted in about the same lift in offline sales as television advertising, but that it did so in a shorter time period (Figure 1).

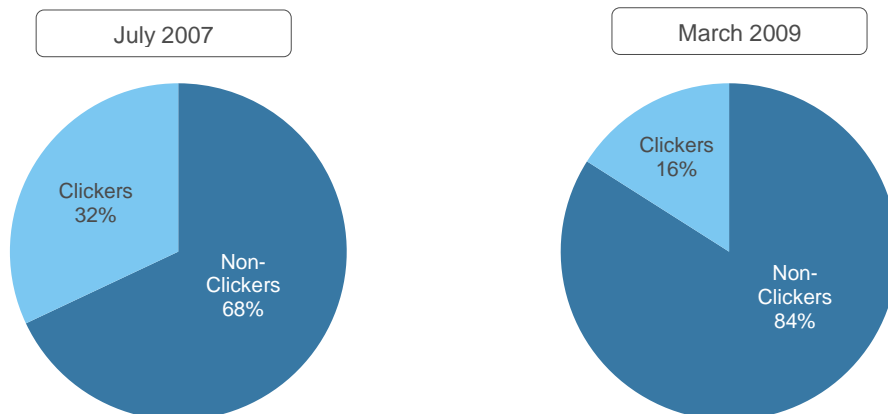
Figure 1: Comparison of Short-Term Offline Sales Lift* for CPG Brands Resulting from Online Advertising vs. TV Advertising



Source: comScore AdEffx Offline Sales Lift for Internet; IRI BehaviorScan for TV
 *BehaviorScan tests conducted over one-year period. comScore studies conducted over a three-month period; assumes 40% household Internet reach against target.

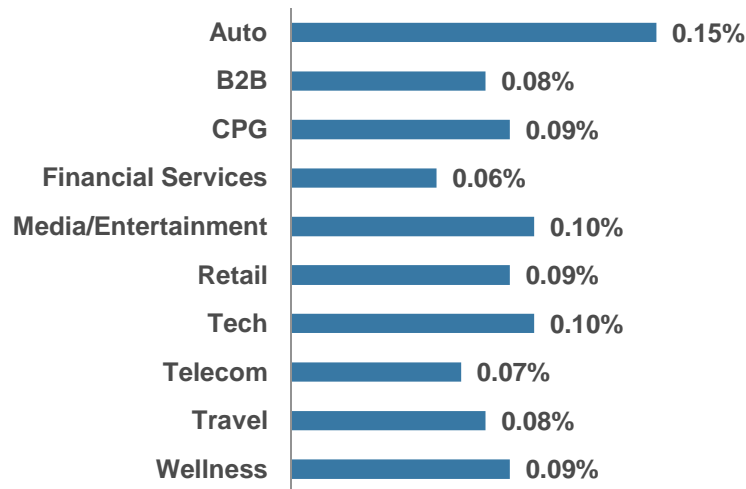
These findings become even more important when considering the fact that the vast majority of Internet users *do not* click on any display ads and that the CTRs for display ads (i.e. the percent of ad impressions that are clicked) have fallen to minimal levels (Figures 2 & 3).

Figure 2: Percent of U.S. Internet Population Represented by Clickers and Non-Clickers July 2007 vs. March 2009



Source: comScore Natural Born Clickers Study, Part I & II
 Total U.S. Online Population, July 2007 and March 2009

Figure 3: Click-Through Rate on Individual Ad Campaigns by Industry Vertical for DoubleClick Rich-Media Format



Source: DoubleClick for Advertisers, U.S. Advertisers, January – December 2009
DoubleClick Rich Media Formats Only
A Cross-Section of Major U.S. Verticals

Knowing that so few people click on ads and that CTRs are not the appropriate measure of advertising effectiveness, we must then ask, *“What is the best way to measure the impact of digital advertising. What are the right metrics for evaluation? And, given the various strategic-media placement options available today, what’s optimal for my campaign?”*

Study Objectives

This paper seeks to answer some of these fundamental questions by providing an in-depth analysis of the relative effectiveness of today’s most popular media-placement strategies. Specifically, comScore and ValueClick Media designed a study to evaluate how various media-placement strategies work independently, and in combination, to generate the strongest lift in website visitation and search behavior for the advertised brand. This research specifically includes the following types of media strategies: audience targeting, contextual targeting, efficiency pricing, premium pricing, retargeting and run-of-network (RON). These strategic media buys are appealing to marketers because they allow for optimized mass reach, targeted, audience-based buys and/or contextual placements. Each has a unique buying process as well as differing pricing and benefits.

Study Design & Methodology

To evaluate the effectiveness of the various media-placement strategies, comScore AdEffx Action Lift™ was utilized. This product, part of the comScore AdEffx™ Suite, quantifies both the immediate and latent impact of digital advertising on consumers' online behaviors, including website visitation and search term usage.

Study Design

In order to develop an assessment of the most commonly used media-placement strategies, a large cross section of advertising campaigns was included in the analysis:

- 103 campaigns
- 39 advertisers
- 7 industries (Auto, CPG, Finance, Pharma, Quick Service Restaurants, Retail & Travel)

All campaigns in the study ran between July 2009 and March 2010 in the U.S. and were sold and delivered by ValueClick Media. It is important to note that because only ValueClick ad campaigns were analyzed, it is possible that a broader analysis would elicit different results. Similarly, this study includes campaigns that were large enough to be measured using AdEffx Action Lift™. Substantially smaller campaigns might also result in different study conclusions. Finally, this analysis did not include the use of video, mobile or social media ads. Future research in this space that includes campaigns served in these mediums would be an excellent addition to this study.

Because the industry does not currently have a standard categorization for display-ad placements, a categorization approach was developed to represent the majority of ads included in the study. This categorization approach was designed to replicate the common ways agencies purchase display media, but it is not intended to be comprehensive of all media buying. All ads in the study were assigned to one of the following categories or placement types:

- **Audience Targeting:** Targets consumers based on past interest or interaction with related products/content, but who have not yet visited the advertiser's site
- **Contextual Targeting:** Targets sites with related, page-level content
- **Efficiency Pricing:** Based on cost-per-click engagement with creative
- **Premium Pricing:** Based on high-visibility placements on premium publishers
- **Retargeting:** Based on data that confirms users have previously visited an advertiser's site
- **RON (Run of Network):** Includes ads that appear anywhere in the network, often optimized by conversion

For each campaign, comScore evaluated the ad's ability to generate lifts in:

- **Site Visitation:** Visitation to the advertised brand's website
- **Trademark Search:** A search using trademark terms belonging to the advertiser

Methodology

This custom research, carried out via comScore AdEffx Action Lift™, leverages comScore's Unified Digital Measurement (UDM) approach. The comScore panel, a unique market research database consisting of 2 million global consumers (1 million in the U.S.), is central to UDM. The panel is statistically weighted and projected using a variety of demographic and behavioral variables to represent the total Internet user population. All panelists have given comScore explicit permission to confidentially and continuously monitor their online behavior, including display and search advertisements served to panelists, regardless of click-through activity.

Passively-collected, behavioral data captures the view-through value of the overall campaign by measuring consumers' Internet activity across these behavioral metrics. This behavior is measured irrespective of whether a consumer clicks on an ad or not.

Finally, ad-exposed and non-exposed groups are created to be similar in behavior and demographic composition prior to the start of the ad campaigns and are used to measure lift in site visitation and search. Lift is calculated by the delta between the two groups, providing insight into the effectiveness of the campaign.

The average ad-exposure group consisted of 8,239 panelists per campaign. A minimum of 910 panelists was required for analysis and reporting. All control panelists were matched in equal quantities to the exposed panelists. Each control group is representative of the ad-exposed group based on the following characteristics:

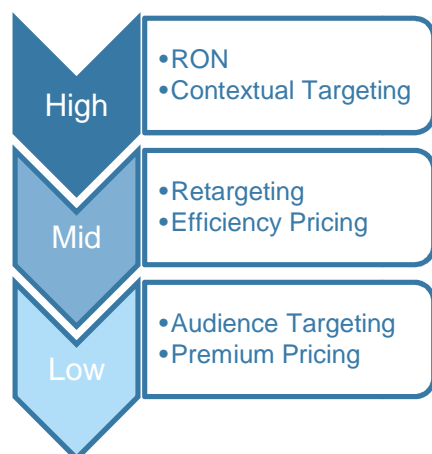
- Similar overall Internet usage behavior
- Similar overall online search behavior
- Similar visitation to the sites where the ads were in rotation
- Similar distribution across the following household demographics: age of household head, income, census region and Internet connection speed

Findings

Each placement strategy evaluated in this study offers something different to the market. Some offer mass reach at low cost, while others deliver specialized consumer groups but require a more significant investment. Some placements can be purchased on a cost-per-action (CPA) basis, while others are paid for on a cost-per-thousand-impressions (CPM) basis.

We began our analysis by looking at the reach of each placement strategy and found different strategies provided differing levels of reach for a given campaign. Importantly, the relative reach across all strategies and campaigns was consistent. The following ranking applied to almost every campaign studied:

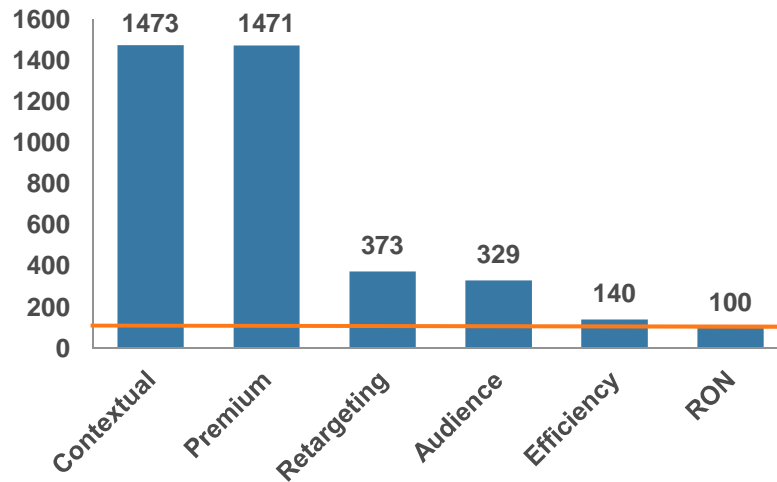
Figure 4: Relative Reach of Each Placement Strategy



Knowing that certain placements were more targeted than others, we examined the relative cost differential between placements to determine if the additional precision in reaching an audience also resulted in additional cost. A May 2010 study conducted by Howard Beales looked at this same question, using RON, behavioral targeting (which we defined as ‘audience targeting’ in our study) and retargeting. The study found that the cost of retargeting was about 50 percent higher than RON and that behavioral targeting was twice the cost. Our research found that the cost of retargeting is 273 percent higher than RON, and the cost for audience targeting was slightly less at 229 percent higher than RON (Figure 5A).

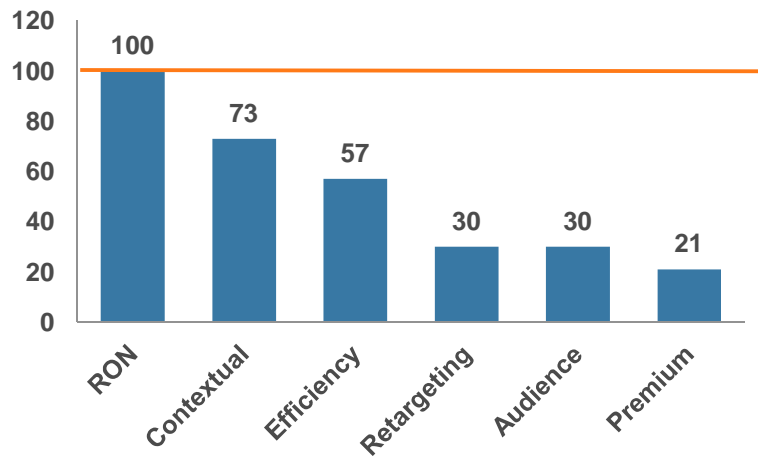
Figure 5A & B: Relative Cost & Reach of Each Placement Strategy

5A. Cost Index*



*Cost Index = Avg. Cost of Strategy/Avg. Cost of RON x 100

5B. Reach Index**



**Reach Index = Avg. Reach of Strategy/Avg. Reach of RON x 100

The research also indicates, as one would expect, that premium placements have a relatively low reach and high cost, as they provide truly unique opportunities for marketers to advertise their brands in high-quality, targeted environments (Figure 5A & B). What is surprising, however, is the relative value provided by 'audience' and 'retargeting' in terms of reaching a limited audience at a reasonable cost. Media buys

defined as 'contextual' showed a cost that was substantially higher than would be expected given their reach. Because the definition for contextual can vary significantly (e.g. sporting can include general sports content as well as a local high school's rowing website), it is likely there is significant variation in the reach and pricing for this group, which could help explain the high variance between cost and reach.

To further understand the value of the various placements, we evaluated the ways in which they are purchased irrespective of cost. Online advertising is generally purchased one of three ways:

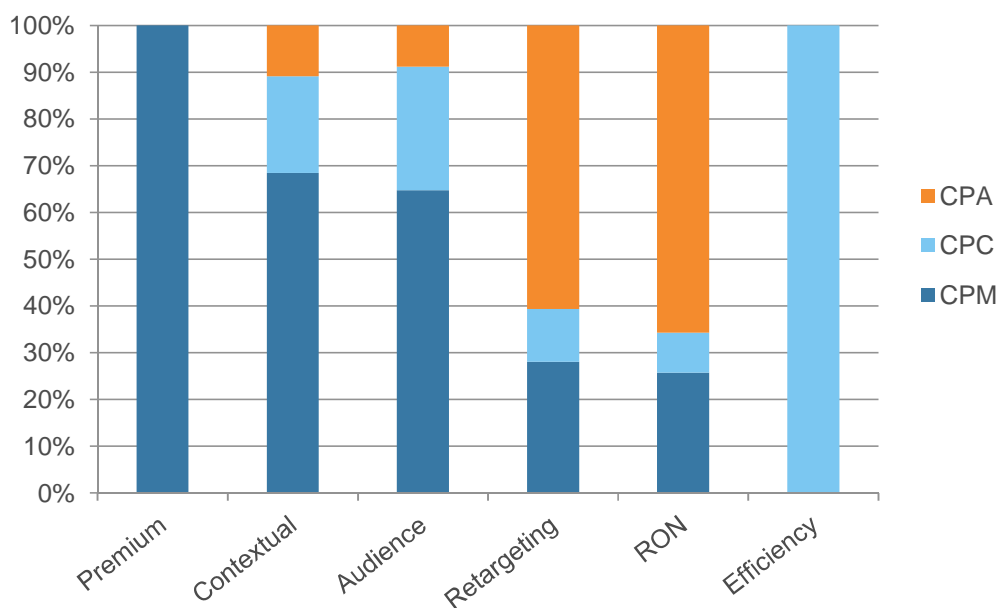
CPM: Cost per thousand impressions served

CPC: Cost per single click

CPA: Cost per action performed on a marketer's site

This analysis uncovered large differences in the manner in which placements are purchased (Figure 6).

Figure 6: Placement Strategy by Cost Structure



As evidenced in the above chart, each placement strategy is purchased differently, and often a combination of strategies is deployed to help a client achieve a specific objective. Marketers typically use CPM pricing when they seek to create a branding impact, while CPC and CPA are used when the intent is to elicit a direct-response action, such as visiting a site immediately or purchasing a product online. Interestingly, 'retargeting,' 'RON' and 'efficiency' are primarily sold using direct-response pricing models, indicating a desire for a specific action. Using these direct-response pricing models helps to guarantee

marketers are only paying for the results they are seeking in terms of immediate response. However, this begs the question, *'Is there also a branding impact achieved with these pricing models?'*

Impact on Site Visitation

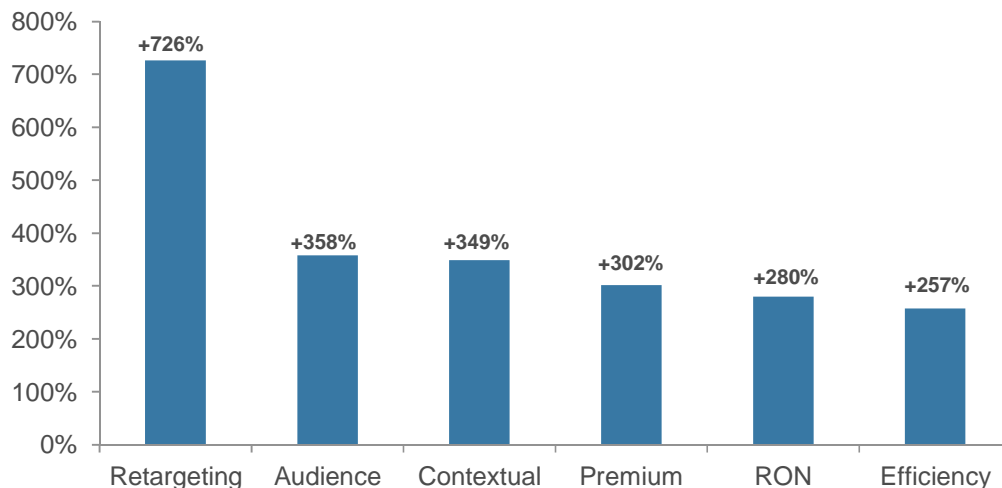
We evaluated each placement strategy based on its ability to drive visitors to the marketer's website within one week of being exposed to the ad. This was measured regardless of whether that traffic came via a click (which was rare) or from a consumer visiting the advertiser's site on his/her own accord (often referred to as a view-through). Each of the placement strategies performed differently in their ability to lift visitation to the marketer's site. The ranking below highlights the various placement strategies in order from highest-to-lowest lift in website visitation. Of note, the strategies marketed with an asterisk (*), were primarily being sold and optimized based on their ability to drive traffic to the advertiser's site.

Figure 7: Ranking of Placement Strategy from Highest-to-Lowest Lift in Website Visitation

1. Retargeting*
2. Audience
3. Efficiency*
4. RON*
5. Contextual
6. Premium

Audience-targeted placements were a surprise in their effectiveness to quickly deliver audiences, perhaps due to their targeted nature and ability to reach consumers further down the purchase funnel. However, a brand marketer is often looking to develop a longer-term relationship with a consumer and to increase traffic delivered to the site. If we look at the extent to which the impact of the ads persisted four weeks after exposure, we can learn more about the branding effect of the ads over time.

Figure 8: Percent Lift in Site Visitation within Four Weeks of Ad Exposure



‘Retargeting’ and ‘audience’ buys remain the best at driving audiences to the site over time. ‘RON’ and ‘efficiency’ buys result in the lowest lift in site visitation, perhaps a result of the fact that these strategies are more effective at driving audiences who are likely to click (i.e. consumers who tend to take immediate action because they are poised to buy), but somewhat less effective at longer-term brand building.

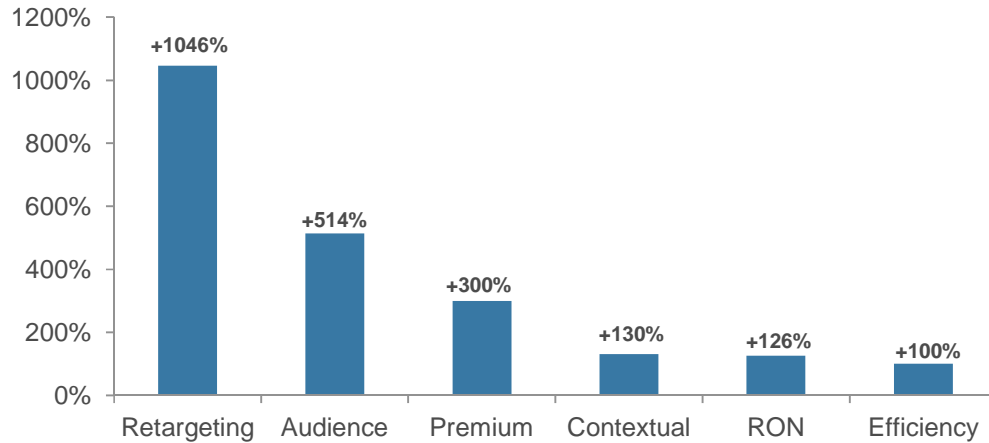
At four weeks, ‘contextual’ and ‘premium’ placements are more effective at increasing visitation to a marketer’s site than ‘RON’ and ‘efficiency’. Using traditional CTR measures of effectiveness, these placements would appear to perform poorly because their click rates are so low. However, when evaluated over time using more relevant behavioral metrics, they can be seen to be quite effective in building interest in a brand.

Using these data, marketers can now choose the right mix of strategies based on their short- and long-term goals. It’s clear that in order to understand the branding impact of these placements, using a metric that does not, in any way, tie to the cost basis of the placement is critical.

Impact on Search

As such, we must also evaluate the impact of the various display advertising strategies on search queries to determine if the effects are similar. Searching using trademark terms demonstrates a clear interest in a brand and a desire to learn more about it. The results from the first week to the fourth week following initial exposure to the ads were mostly consistent with what we observed for the site-visitation analysis.

Figure 9: Percent Lift in Branded Search within Four Weeks of Ad Exposure

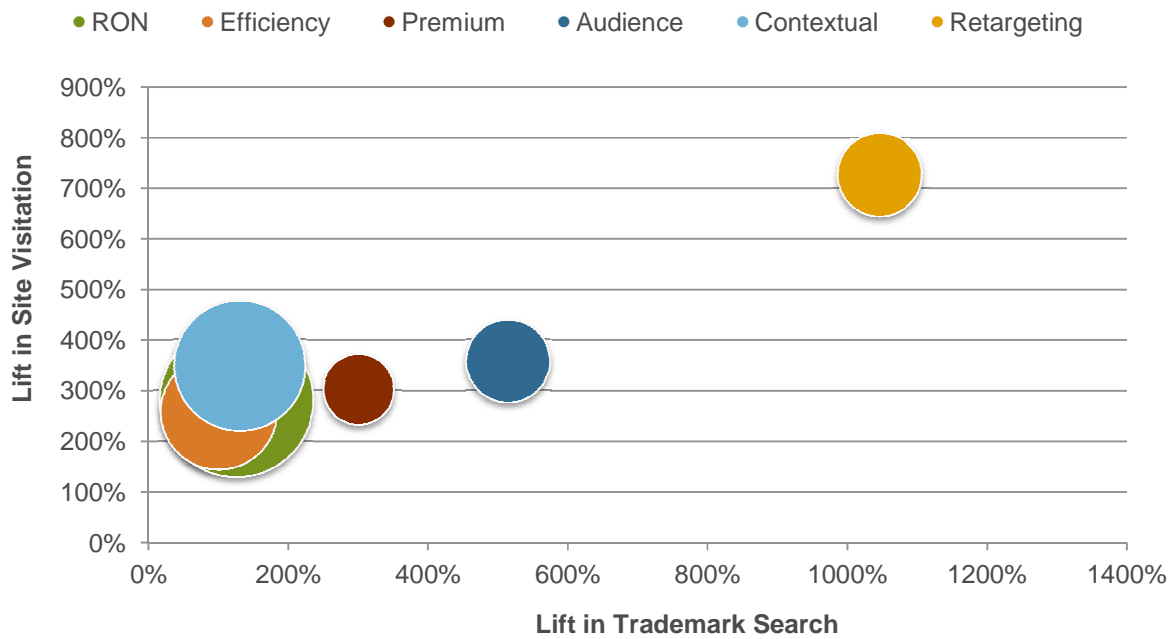


Again, 'retargeting' performs significantly better than the other placements. This is likely due to the fact that consumers being retargeted have already expressed an interest in the brand and are prequalified. Additionally, 'audience' and 'premium' placements are also excellent at driving sustained, actionable interest in the brand. Placements that are tied directly to visiting the marketer's site (i.e. contextual, RON and efficiency), however, didn't perform as well in generating brand activity, as is demonstrated by search lift. This suggests that these methods are relatively effective at driving site traffic, but less effective in creating as much long-term brand lift as other placement strategies. It's worth noting, however, that these direct-response placements did generate some brand lifts over time, indicating that even direct-response strategies can have some brand-building impacts.

Combined Impact on Site Visitation and Search Given Relative Campaign Reach

While it is clear the various placements perform differently, we must also consider how this impacts their ability to drive gains in an advertiser's business. If a targeted campaign is highly effective at building a brand but the absolute number of consumers it reaches is limited, can it deliver the ultimate return required? Below is a plot of the effectiveness of each strategy by lift in search and site visitation overlaid with the relative reach of the strategy, as evidenced by the size of each bubble.

Figure 10: Relative Lift in Site Visitation and Trademark Search within Four Weeks of Exposure by Placement Strategy



While all placement strategies provided lifts, it is important to note that 'RON,' 'efficiency' and 'contextual' deliver large audiences, thus impacting site visitation for most marketers. These strategies appear to be excellent for marketers who need mass awareness and heavy traffic to their sites. 'Premium' and 'audience' strategies performed well in lifting site visitation as well, and they also delivered particularly high lifts in trademark search. This indicates their ability to create branding, but at the expense of reach. 'Retargeting' far surpassed every other strategy for delivering impacts, and it provided a moderate level of reach, indicating this is a must-do for every marketer. Of note, given the nature of retargeting, reach is limited by the particular brand and its audience. Choosing a large media partner for 'retargeting' will ensure the effectiveness and reach ability of this placement strategy.

Use of Multiple Media Placement Strategies

As a final phase of the research, we looked at the use of multiple media-placement strategies compared to campaigns that only utilized a single strategy. Of marketers who employed three or more strategies, there tended to be one metric that disproportionately beat the norm for lifts in site visitation and search effectiveness. As an example:

- A prescription drug brand demonstrated a 7-times increase in minutes spent with the site compared to the norm
- A home retailer doubled its trademark branded search compared to the norm

While these findings are interesting, it is important to note that ninety percent of campaigns in this study only used one or two placement strategies, a result of the fact that this evaluation only includes ads delivered via the ValueClick Media ad network. If we were to expand the research, it is likely we'd see a significantly higher percentage of marketers using multiple placement strategies.

That said, all marketers who used multiple strategies increased site visitation above the norm, indicating that diversity of strategies *does* create improved campaign performance. This seems to indicate that the use of targeting does not detract from the effectiveness of media purchased through more mass placements, such as RON. Further study is needed to determine which combination results in the greatest lifts based on given campaign objectives.

Opportunities for Further Research

This research provides a basic understanding of the role of various media-placement strategies on brand building. There are undoubtedly additional opportunities to expand on this research, many of which were addressed in this the paper. Moving forward, comScore has coded its norms database for behavioral and attitudinal effectiveness measures with placement-level strategies to provide industry-specific and site-specific norms by strategy. This will allow us to further evaluate the relative effectiveness of alternative strategies and to do so in greater detail.

We also see fertile ground for further research to be conducted on attitudinal branding effects by strategy, sales impact by strategy and cross-media impact by strategy. Additionally, studying the effect of frequency by media strategy would also add to our understanding.

Conclusions

Given the increasingly fragmented nature of the Internet and the introduction of many new media-placement strategies, it is essential for the industry to understand the relative effectiveness of each strategy, thus helping media planners and marketers garner the strongest return on their marketing investments. comScore's AdEffx™ Action Lift provides an accurate and reliable measure of a campaign's ability to drive website traffic and trademark search queries, two measures of brand interest.

In building the model of branding effectiveness, one strategy clearly outperformed the rest – retargeting. This strategy works well in every scenario and should be considered for both direct response and longer-term branding objectives. Placements that optimize to quickly deliver traffic, such as 'efficiency' and 'RON', do not always sustain audiences to a site over time, but they do provide massive scale and some long-term branding effects. 'RON' in combination with 'retargeting' would drive both short- and long-term effects at scale. 'Premium' placements and 'audience' targeting are both highly effective at driving branding impacts, and the relative value of each should be considered in relation to their cost differences as well as the opportunity to block competitors from buying these placements.

CONTRIBUTORS

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Anne Hunter is currently vice president of advertising effectiveness products at comScore where she heads up product vision for the company's AdEffx™ suite. She has over 14 years of experience in digital advertising and is a frequent speaker and trainer on critical issues in the industry. Her expertise focuses on digital ecosystem models, audience targeting and measurement, and advertising measurement. Ms. Hunter serves on the IAB Professional Development faculty, teaching courses on advertising effectiveness on behalf of the IAB. Prior to comScore, Ms. Hunter served as vice president of strategic insights at AOL, LLC where she successfully integrated sales strategy and research staff from multiple companies to form a cohesive marketing and research team. Before AOL, Ms. Hunter served in several positions at TACODA Inc. including vice president of data and analysis, vice president of revenue operations and director of sales. There she helped introduce behavioral targeting to the market and pioneered advanced analytical techniques to create success for clients such as Kraft, New York Times Digital, Cadbury, iVillage, Coca-Cola and General Mills. Ms. Hunter has also held sales, marketing and operations positions at 24/7 Real Media Inc. and Hearst New Media and Technology, Inc.. Ms. Hunter is a member of the IAB Research and the ARF Advertising Effectiveness councils. She attended Barnard College of Columbia University.

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Meredith Jacobsen is currently the Director, Media Operations at ValueClick Media. In this role she is charged with developing partnerships between ValueClick and its clients to ensure maximum ROI against client deliverables. Her work creates a face paced, competitive culture driven by creativity for both her internal employees and clients. She has significant expertise in the network operations field having previously worked at Fastclick.com. Prior to her career in online advertising she worked in the non-profit sector for Direct Relief International where her efforts provided essential material resources to locally run health programs. She attended Wheaton College.

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Richard Talens is a Product Management Analyst at comScore who develops products in comScore's AdEffx™ suite with a focus on comScore's normative database. Prior to comScore, Richard was an entrepreneur in data analysis and software development. Richard learned programming at a young age while growing up in the Marshall Islands and has since become adept in many languages and systems (C#, C++, Python, MSSQL, Java, VB), while having designed software for a myriad industries, including financial, healthcare, nautical, HR management, retail, and market research. While obtaining a BS in Economics (concentration: Operations and Information Systems) at the Wharton School, University of Pennsylvania, Richard founded two companies: a nautical software company (with systems installed in

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Tony Winders is vice president, marketing of ValueClick Media, where he leads marketing strategy, product marketing, market research and marketing communications. Mr. Winders joined ValueClick through its acquisition of Search123, where he was vice president of sales and marketing for the pay-per-click search engine. An early pioneer of Internet public relations, direct marketing and advertising, Mr. Winders co-founded and served as president of InterActive Agency, Inc. (iAgency), one of the world's first interactive marketing services agencies. Mr. Winders began his career in interactive media in 1994 as the director of marketing at Viridis, a developer of children's CD-ROM games. An active member of the digital media community in Los Angeles and nationally, Mr. Winders co-founded the Digital Coast Roundtable's Industry Relations Committee and was a founding board member of VIC (Venice Interactive Community). More recently, he co-founded the Digital Family Reunion and currently serves on the Interactive Advertising Bureau's Lead Generation, Networks and Exchanges and Research Committees. He has co-authored several research papers on automotive marketing, political marketing and behavioral targeting online and his "Winders on the Web" blog is home to a wide range of media and advertising related topics. Mr. Winders holds a BS degree in public relations from the University of Central Missouri, where he continues to serve as an alumni advisor.

ABOUT COMSCORE

comScore, Inc. (NASDAQ: SCOR) is a global leader in measuring the digital world and preferred source of digital marketing intelligence. comScore helps its clients better understand, leverage and profit from the rapidly evolving digital marketing landscape by providing solutions in the measurement and evaluation of online audiences, advertising effectiveness, social media, search, video, mobile, e-commerce, and a broad variety of other emerging forms of digital behavior. comScore's capabilities are based on a global panel of approximately 2 million Internet users who have given comScore explicit permission to confidentially capture their browsing and purchase behavior. These data can also be combined with census-level website or telecom carrier data to provide the most comprehensive and unified measurement of digital activity. comScore's recent acquisition of ARSgroup adds one of the industry's most validated measurement of the persuasive power of advertising in TV and multi-media campaigns. comScore services are used by more than 1,300 clients around the world, including global leaders such as AOL, Baidu, BBC, Best Buy, Carat, Deutsche Bank, ESPN, Facebook, France Telecom, Financial Times, Fox, Microsoft, MediaCorp, Nestle, Starcom, Terra Networks, Universal McCann, Verizon Services Group, ViaMichelin and Yahoo!. For more information, please visit www.comScore.com.

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ABOUT VALUECLICK MEDIA

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For more information, visit www.valueclickmedia.com.