2013 ONLINE ADVERTISING PERFORMANCE OUTLOOK

Vizu
A Nielsen Company
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*Survey fielded by: CMO COUNCIL™

EXECUTIVE SUMMARY

Over the past several years, digital media has continued to develop as a branding medium, growing beyond its roots as a channel of interest solely to direct response marketers. As can be seen in this year's "Online Brand Advertising Outlook" report, branding in the online medium appears to have come of age, with projected spending for online brand advertising in 2013 rivaling that for direct response and growth projections for branding exceeding those of its performance-based sibling.

Looking ahead, two key dynamics bode well for a continuation of this trend while another has the potential to slow or even reverse it. Specifically, as consumers' media consumption continues to migrate toward digital channels—whether online, tablet, mobile or connected TV—brand marketers (and their advertising dollars) will need to follow them there. In addition, as advertising formats in these channels evolve to provide richer experiences, they will naturally attract more brand advertisers; as television has shown, formats that include "sight, sound and motion" are well-suited to influencing consumer opinion.

Having said that, there is also at least one material challenge facing the continued growth of brand advertising in the digital medium: a perceived lack of ability for brand marketers to measure the effectiveness of their efforts in a consistent manner across platforms using metrics they understand, enabling them to measure the true return on investment for their digital branding efforts. This report also highlights several best practices to improve this return on investment that are centered around ensuring everyone involved with the effort is on the same page and working in tandem to produce the best possible results for any given campaign. Select highlights from this report include:

- In 2013, 63 percent of marketers state they will increase their online brand advertising budgets, with 20 percent reporting that those budgets will grow by 20 percent or more.
- Budgets are shifting to follow consumers into the digital realm:
  - Forty-eight percent of brand marketers will shift dollars from television into online video.
  - Nearly 70 percent will increase spend in both social media and mobile advertising.
- The lack of relevant ROI metrics continues to challenge marketers; when asked what would lead them to increase spending on online brand advertising:
  - Nearly seven in ten (69 percent) said "improved clarity around the actual return on brand advertising investment."
  - When asked about the most appropriate metrics needed to do so, the top two answers were sales (78 percent) and brand lift (55 percent).
- Major expectations of marketers for their agencies and media plan participants are still going unmet, highlighting clear opportunities for improvement, including:
  - Alignment on the single, primary marketing objective and metric that will be used to measure performance against that objective prior to the start of the campaign
  - Direct collaboration between the agency and media seller to improve campaign results
  - In-market optimization against appropriate brand metrics (e.g. brand lift) to create the best possible results
  - Proof points that the intended audience was reached and that the advertising shifted consumer opinion

METHODOLOGY

The following white paper summarizes the findings of a survey fielded by the CMO Council, with findings developed by Vizu, a Nielsen company, entitled the "2013 Online Advertising Performance Outlook." It will highlight the key findings from the 287 senior brand leaders, 176 agency executives and 152 publishing representatives that took part in an online survey fielded during January and February 2013. Readers can download the "Online Advertising Performance 2012 Outlook" in order to track significant shifts in response. The 2012 study can be downloaded at http://brandlift.vizu.com/knowledge-resources/research/2012-industry-outlook/.

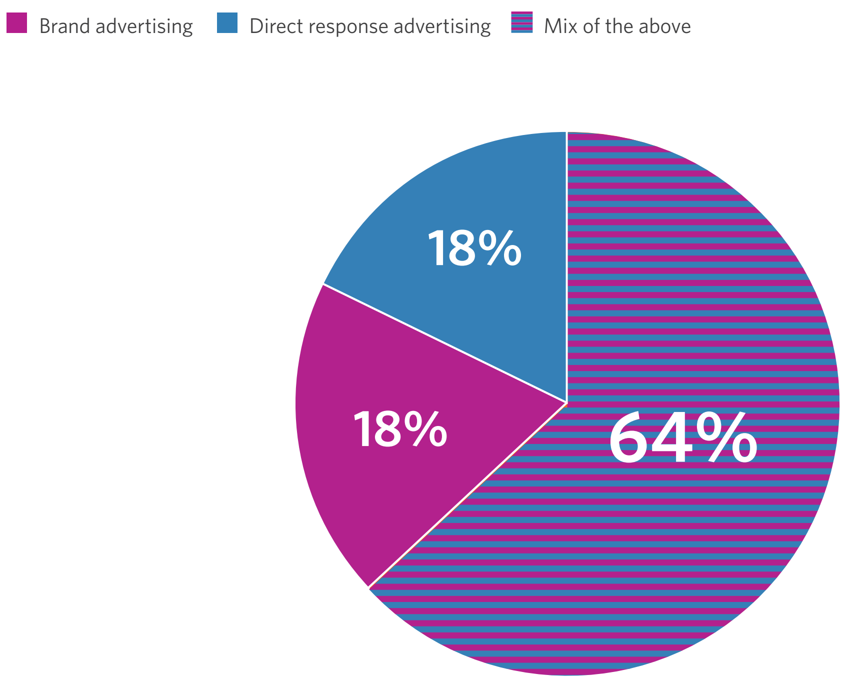
RESPONDENT PROFILE

BRANDS	AGENCIES	PUBLISHERS
28% *CMO OR HEAD OF MARKETING*	**15%** *ACCOUNT DIRECTOR*	**27%** *PUBLISHER*
20% *SVP LEVEL*	**7%** *ACCOUNT MANAGER*	**22%** *VP/SVP/EVP*
27% *VP LEVEL*	**10%** *CMO/SVP LEVEL*	**14%** *C-LEVEL EXECUTIVE*
41% *REPORT TO PRESIDENT/CEO*	**38%** *REPORT TO PRESIDENT/CEO*	**16%** *IN STRATEGIC ROLE*
52% *MORE THAN $1 BILLION IN REVENUE*		

Over the past several years, digital media has continued to develop as a branding medium, growing beyond its roots as a channel of interest solely to direct response marketers. As can be seen in this year's report, branding in the online medium appears to have come of age, with projected spending for online brand advertising in 2013 rivaling that for direct response, and with growth projections for branding exceeding those of its performance-based sibling.

According to reports from eMarketer, brands spent more than $100 billion on online advertising in 2012, representing one out of every five ad dollars spent. And until very recently, it would be reasonable to assume that the lion's share of that spend was allocated to direct marketing efforts as these programs drove the growth of the medium during its inception and have done so for many years since. For many, the inherent measurability of the medium, coupled with an immediate sense of return, made online direct response advertising a cornerstone of many marketers' efforts to drive conversion. Advertisers, however, did not immediately embrace digital media for branding purposes aimed at shifting consumer perception, reserving those efforts for traditional channels such as print, radio and television.

That appears to be changing. In 2013, the majority of marketers (64 percent) plan to employ a fairly even mix of digital brand and direct response advertising. Of those who are solely focused on one or the other, they are evenly split at 18 percent each.

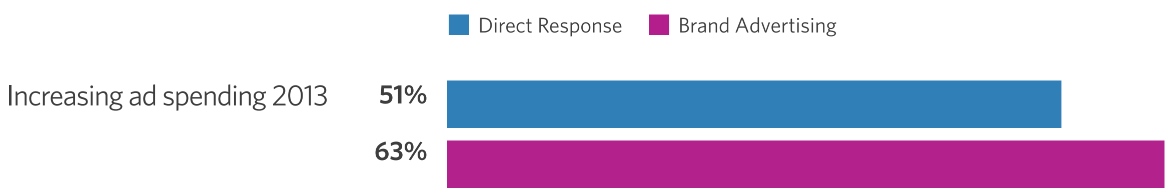


Digital Brand Advertising Growth Outpacing Direct Response

When it comes to growth projections over the prior year, however, brand ad spending is projected to grow more quickly than direct response. Sixty-three percent of marketers project that the dollars allocated to online brand advertising will grow in 2013, with one in five stating that the increase will exceed 20 percent. These numbers are in line with what we saw in marketers' 2012 projections, demonstrating continued momentum on this front.

Spending on direct response advertising is also forecasted to increase, as indicated by roughly half (51 percent) of respondents. One in four stated that increase will exceed 20 percent, and 41 percent say their digital direct response advertising budget will stay the same as last year.

Marketers Continue to Increase Brand Advertising Investment



As a further indicator that digital brand advertising is finally coming into its own, 61 percent of marketers surveyed indicated they are allocating dollars away from direct response to brand advertising initiatives, consistent with the 60 percent of marketers who said the same in 2012.

Media sellers are even more bullish than advertisers when it comes to the importance of online brand advertising sales to their businesses. Sixty percent say most of their online ad dollars will be generated by brand advertising in the coming year. When it comes to growth projections, 89 percent project increases in their brand ad sales over the prior year (up from 50 percent in 2012), with 30 percent predicting sales growth in excess of 20 percent. Eighty percent of media sellers also said they expected sales growth in direct response advertising.

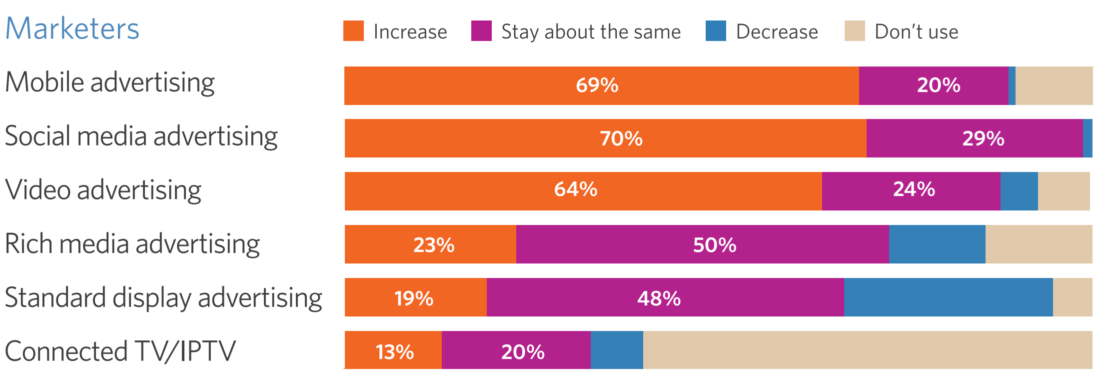
Growth Drivers: Fragmentation in Media Consumption and Richer Digital Media

Two key dynamics likely help to explain the continued growth of digital brand advertising and bode well for a continuation of this trend. Specifically, as consumers' media consumption continues to migrate toward digital channels—whether online, tablet, mobile or connected TV—brand marketers (and their advertising dollars) will follow them there. In addition, as advertising formats in these channels evolve to provide richer experiences, they will naturally attract more brand advertisers. As research has shown, formats that include "sight, sound and motion" or leverage social interaction are ideally suited to influence consumer opinion.

Not surprisingly, and continuing a trend identified in 2012, marketers anticipate that dollars allocated to mobile, video and social media advertising will continue to grow. Seventy percent of brand marketers plan to increase their use of social media in 2013, followed closely by mobile advertising (69 percent) and video advertising (64 percent). These numbers are all up from 2012 projections for increased usage of these media, indicating a continued shift toward the channels where consumers are spending an ever-increasing amount of their time.

Agencies' opinions mirror those of brands, projecting materially greater growth in mobile advertising (81 percent) and video advertising (73 percent), with less growth around social (57 percent).

Investments in rich media advertising and standard display advertising will largely remain the same, according to roughly half of brand marketers surveyed. This is slightly down from last year (50 percent and 48 percent respectively), indicating there has not been a complete shift away from these formats as they are often cost-effective means of driving results for brands.



Where are these dollars for increased investment in digital branding coming from? At least some of the funds will come from offline budgets. For example, almost half of all brand marketers surveyed (48 percent) say they will be shifting budget from television to online video in 2013, with 18 percent saying they will be shifting a "material amount." Given that online video advertising is often repurposed television creative, this may not represent a truly new and different way of doing things, but it is a telling statistic.

CHALLENGES TO SUSTAINING GROWTH: WHAT'S THE ROI?

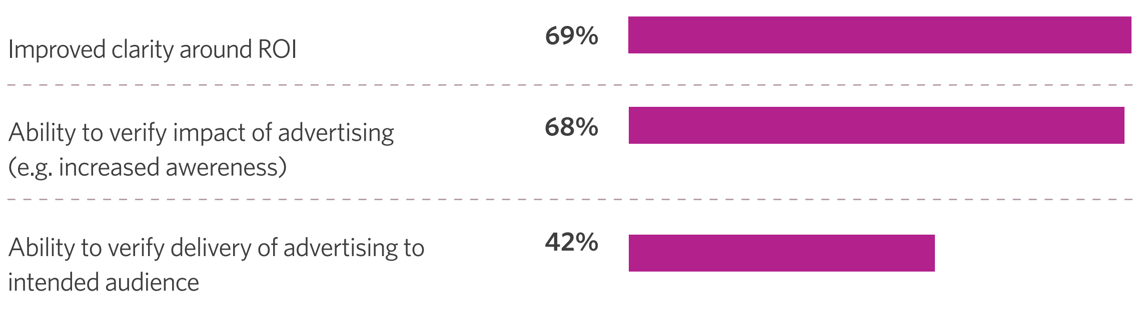
While the outlook for 2013 digital brand advertising is positive, marketers clearly think it could be improved if they had a better means of quantifying their return on investment, using consistent metrics across platforms and offline and online media. Many feel that a key strength in the digital medium, its inherent measurability, is also its Achilles heel. The overload of irrelevant or inconsistent data that is often reported leads to a "metrics morass" in the digital medium, which impedes its growth. Put differently, no one is exactly sure what's working as everyone is using a different language when it comes to describing the data.

When asked what would drive them to invest or further invest in online brand advertising, marketers stated:

- Improved clarity around the actual return on brand advertising investment (69 percent)
- The ability to verify that brand advertising created the desired results (68 percent)
- The ability to verify that the online brand advertising was actually delivered to the intended audience (42 percent)
- The ability to use the same metrics to evaluate brand advertising effectiveness online as are used offline (33 percent)

The demand for clarity and verifiable results is growing as marketers are being asked to justify every dollar they spend in an uncertain economic environment. The ability to verify that brand advertising created the desired result grew by 12 percentage points between 2012 and 2013.

What would lead you to increase brand ad spending?

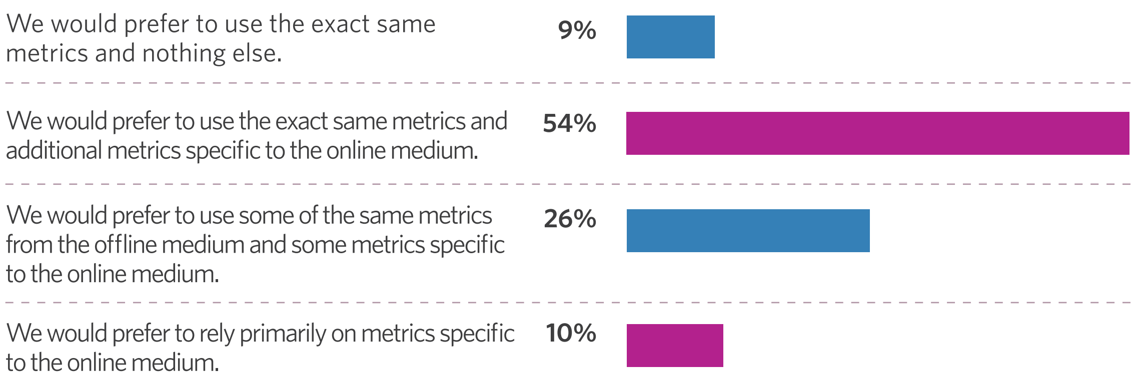


Consistent Metrics Across Platforms Preferred

So if marketers are focused on measuring and quantifying results, exactly what metrics do they want to use? More than half of marketers (54 percent) would prefer to use "the exact same metrics to evaluate their online brand advertising spend as they do for their offline spend, and a few additional metrics to the online medium," consistent with the 2012 results. This is indicative of brand marketers' desire to evaluate brand advertising effectiveness consistently across platforms while still taking advantage of the greater measurability of the online medium.

Marketers:

To what extent would you like to use the same metrics to evaluate your online brand advertising ?



Unfortunately, only 13 percent of media sellers surveyed said they provide these metrics when reporting on campaign performance. The majority of media sellers (55 percent) stated they primarily report metrics specific to the online medium—metrics in which only 10 percent of brand marketers say they are interested in.

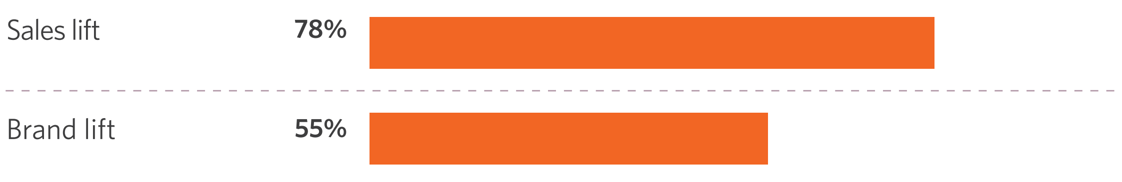
Key Metrics for Brand Advertising: Sales Lift and Brand Lift

As might be expected, the majority of marketers (78 percent) say "sales generated as a result of the advertising" is the most appropriate metric to determine the effectiveness of digital brand advertising. As sales lift is often difficult and/or costly to calculate on every digital campaign run, however, it is not surprising that brand lift is the second most chosen answer (55 percent) given the correlation between these variables. Classic purchase funnel theory tells us that in order to ultimately drive sales, marketers must usher consumers through this funnel, using advertising to first create awareness, then shape attitudes, create favorability, foster purchase intent and ultimately build preference for their products over any other. Brand lift quantifies the extent to which advertising has shifted consumer perception and is a precursor to sales lift. What may be new to some, though, is that brand lift can be measured and optimized in real time in the online medium, and several marketers are taking advantage of technology that allows them to do so.

Agencies and media sellers also agree that these two metrics are the most appropriate to determine the effectiveness of online brand advertising; 76 percent of agencies and 80 percent of media sellers say brand lift is the most appropriate metric, followed by sales lift. This likely reflects the sentiment that it is even more difficult for agencies and media sellers to obtain the information needed to calculate sales lift, so they default to the leading indicator they can quantify and report—brand lift.

Most Important Metrics for Marketers

Top Two



Although brand marketers, agencies and media sellers all agree that sales and brand lift are the most appropriate metrics to determine the effectiveness of online brand advertising, the click-through conundrum continues. While very few respondents identified click-through rates as the primary metric that should be used to measure the effectiveness of digital brand advertising—and many correctly identify that click-through rates are irrelevant to brand advertising—an alarming number (88 percent of brand marketers, 70 percent of agencies and 61 percent of media sellers) still believe click-through rates have some relevance for online brand advertising. This contributes to the aforementioned "metrics morass" in the digital medium, which is further compounded when direct response metrics are used to assess online brand advertising effectiveness.

ADDITIONAL OPPORTUNITIES FOR IMPROVEMENT

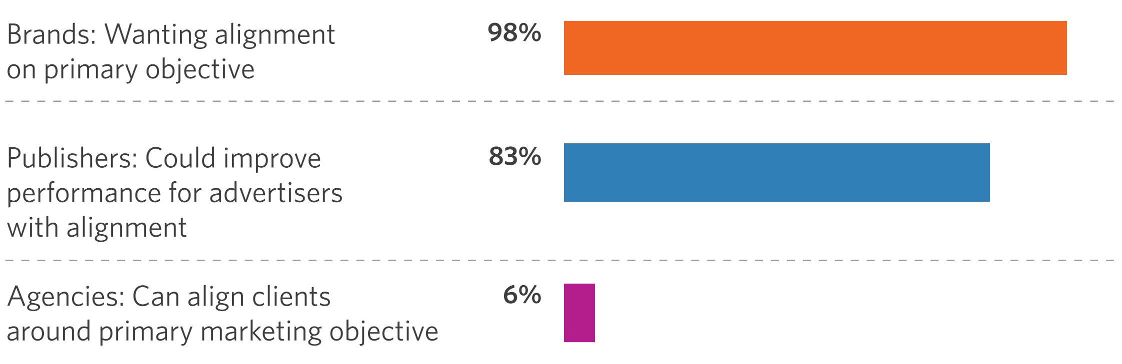
In addition to addressing the "metrics morass" in the digital medium, this study also identified additional gaps between the expectations of brand marketers and their partners in the digital media ecosystem that, if addressed, could materially improve the digital brand advertising outlook and form the basis for best practices to be employed around any advertising campaign.

Get on the Same Page...Quickly

Almost all marketers (98 percent) believe it is important to establish the primary objective for a brand advertising campaign, as well as the metric that will be used to measure performance against that objective, in advance of the campaign. Eighty-three percent of media sellers surveyed said that agreement on what constitutes success for the performance of the campaign would help them improve brand advertising campaign results for brand marketers. Unfortunately, only 6 percent of agencies reported that they were able to establish the primary marketing objective in advance of the campaign all of the time. Worryingly, approximately one in five agencies (22 percent) and publishers (18 percent) say that what constitutes success is not clearly defined.

The Opportunity: Agencies and publishers must spearhead conversations with brand marketers that help establish the single, primary marketing objective and metric that will be used to measure performance against it prior to the beginning of the campaign. Brand marketers must also take on the responsibility of proactively and clearly defining the primary goal for their digital campaigns. While other objectives may also be set and measured, it is important that everyone involved understand the primary objective and success metric.

Alignment on Primary Marketing Objective

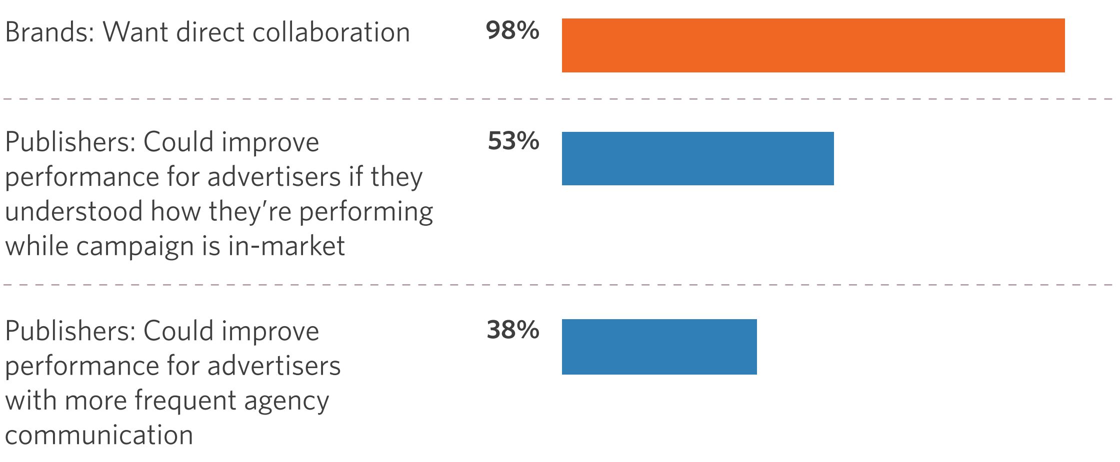


Collaboration Is Key to Continuous Improvement and Success

Almost all brand marketers (98 percent) feel that having everyone collaborating directly to produce the best possible outcome for the campaign is an important factor in developing an effective measurement strategy for their digital brand advertising. This sentiment is echoed by 100 percent of agencies and 95 percent of media sellers. However, when asked what would help them improve online brand advertising results for advertisers, more than half of all media sellers surveyed (53 percent) responded "understanding how I'm performing on the campaign while the campaign is still in-market." More than a third (38 percent) of media sellers also responded with "more frequent communication with the media agency during the campaign," indicating that this collaboration, while desired, is not happening.

The Opportunity: As all parties agree, direct collaboration and open sharing of information has the potential to improve marketing outcomes. This desire needs to be made a reality, however, in such a way that enables brand marketers to retain ownership of the data related to the campaign, something which 90 percent of all brand marketers surveyed said was important to them. Brand marketers should consider investing in systems that enable them and their partners to collaborate directly around campaign performance to improve results.

Brands Taking the Lead



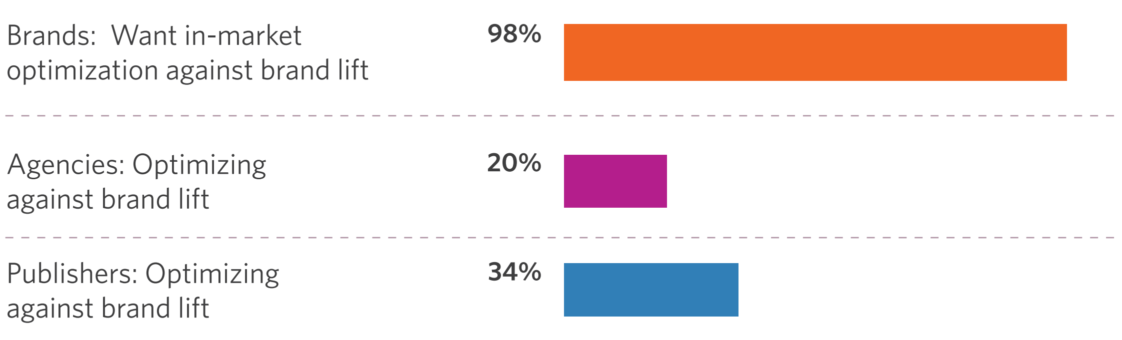
In-Market Optimization Against the Right Metrics Is a Must

Brand marketers ranked "in-market optimization of my campaigns against brand metrics" as the top expectation they had for their media agency, with 87 percent of brand marketers ranking it as "very important." Unfortunately, only one in five agencies (20 percent) said they could optimize based on brand lift. The majority of agencies (68 percent) said they optimized based on click-through rates or other measures of engagement. Twelve percent of agencies said they lacked the real-time data on relevant metrics needed to optimize.

Ironically, every agency that was surveyed ranked "in-market optimization of my campaigns against brand metrics" as the top expectation they had for their media plan participants. However, only one-third (34 percent) of publishers reported that they could optimize based on brand lift. When they do have the right data, publishers are proactively providing in-market optimization recommendations only about half of the time (52 percent). Less than one-third (31 percent) provide in-market optimization recommendations for every campaign.

The Opportunity: Real-time brand metrics are key to being able to optimize brand campaigns while they are in market. In fact, all brand marketers (99 percent) expect their media agencies to provide interim updates on campaign performance against brand metrics. Brand marketers, agencies and media sellers all need real-time data; post-campaign reports do not suffice in this fast-paced medium.

Optimization Against Relevant Metrics



Reaching the Right Audience

Neither brands nor agencies have high levels of confidence in the promises being made by data providers and publishers that brand messages will reach their intended audiences.

Only 10 percent of brand marketers and 8 percent of agencies surveyed reported that they "strongly believed" media sellers' claims that they can reach their custom audiences. Even if those audiences are reached, both marketers and agencies want proof that consumer opinion has shifted as a result of their advertising. In addition, marketers expect that this information is benchmarked to norms specific to their brands and products.

The Opportunity: Both media buyers and media sellers should invest in systems that can monitor whether advertising is delivered to the campaign's intended audience, as this is in everyone's best interest.

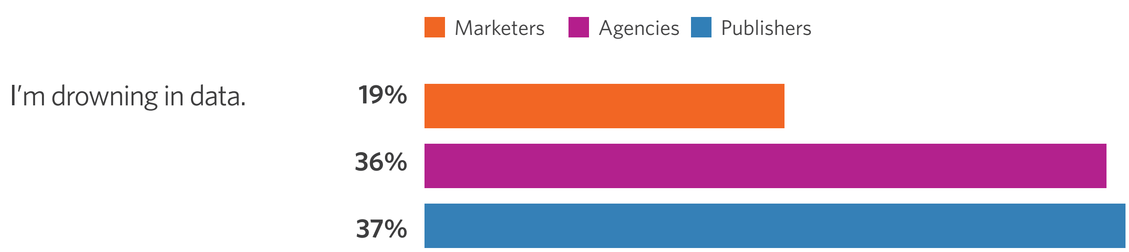
Strongly Believe Media Sellers' Claims

The Data Dilemma

Only 36 percent of brand marketers feel they have the right amount of campaign effectiveness data; almost half (45 percent) of marketers feel they don't have the data they need to effectively evaluate the performance of their campaign. Almost one in five (19 percent) feel they are drowning in irrelevant data.

This sentiment is echoed by agencies and media sellers; less than half of agencies (37 percent) and media sellers (47 percent) report having the right types of data to evaluate brand campaign effectiveness.

The Opportunity: One of the unique aspects of the online medium is its ease of measurement; almost anything and everything can and is measured. But just because something can be measured does not mean it is relevant. At the end of the day, brand marketers and agencies are looking for a few relevant metrics that will allow them to quickly and easily evaluate the effectiveness of their online brand advertising campaigns. These metrics revolve around whether the audience was reached and if the campaign positively influenced their brand opinion. If the data collected doesn't enhance this understanding, then it is only of marginal value.



CONCLUSION

The findings of this study point to the increasing importance of and investment into digital measurement, optimization strategies and tactics that go beyond the click and lead to longer-term brand engagement and improved consumer perception. The growth of digital brand advertising demonstrates how marketers and agencies are looking to share their brand vision through more dynamic channels that customers frequent. However, there are large gaps in how and where publishers and agencies are able to measure, report and partner with their clients to get the most from their advertising.

Closing these gaps will not be easy or happen overnight, but there are clear opportunities that agencies and publishers can seize to collaborate directly around improving performance and reporting relevant metrics. Marketers will also have to more clearly communicate their definition of performance, perhaps spearheading the collaboration that they understand is critical to success.

As online brand advertising continues to grow in importance, brand marketers, agencies and publishers must start to work around a common currency of communication. By addressing the challenges raised in this ongoing study—and by seizing the opportunities outlined—the potential of channels from online, social, mobile, video and beyond will truly be realized.

If you are interested in benchmarking online brand advertising practices against those of your peers, Vizu, a Nielsen company, has developed an online tool that compares your approach to the best practices outlined in this report. To start benchmarking against industry leaders, visit

http://brandlift.vizu.com/knowledge-resources/brand-ad-iq/ .

ABOUT VIZU, A NIELSEN COMPANY

Vizu, a Nielsen company, brings offline advertising effectiveness metrics to the online medium. By providing the first real-time enterprise technology platform that allows digital advertisers and their partners—publishers, ad networks, exchanges and demand-side platforms—to collaborate directly around measuring and optimizing brand lift metrics, Vizu enables brands to move consumers through the purchase funnel, from building awareness to creating intent and preference. Used by over 60 percent of Advertising Age's Top 100 Brand Advertisers and the majority of the 50 largest online publishers and networks, Vizu's platform is now part of the Nielsen Brand Effect suite, which delivers advertising resonance metrics across media. To learn more, visit www.brandlift.com.

ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related properties. Nielsen has a presence in approximately 100 countries, with headquarters in New York, the U.S. and Diemen, the Netherlands. For more information, visit www.nielsen.com

Survey fielded by:

ABOUT THE CMO COUNCIL

The Chief Marketing Officer (CMO) Council is dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 6,500-plus members control more than $300 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 20,000 global executives in more than 110 countries covering multiple industries, segments and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, India and Africa. The council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), LoyaltyLeaders.org, Marketing Supply Chain Institute, Customer Experience Board, Market Sense-Ability Center, Digital Marketing Performance Institute, GeoBranding Center and the Forum to Advance the Mobile Experience (FAME). More information about the CMO Council is available at www.cmocouncil.org.