

Q1
2014 | MEDIA
INTELLIGENCE
REPORT

neustar®

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Q1 2014 OVERVIEW

New growth, new revenue, new challenges: this is the state of digital marketing in 2014.

2013 was a tipping point for digital: for the first time, marketers spent more ad budget on the Internet than on broadcast TV¹. Mobile, social and video advertising claimed larger portions of the ad spend and the marketing mix.

This year, Gartner² predicts an increase of digital budgets by 10% across the board, with the highest increase going to digital advertising as consumers turn increasingly to digital channels for the content they need.

Forrester³ now labels 42% of US online adults as “always addressable customers”, accessing information across multiple devices, from multiple locations, many times per day. Communicating with them is a multi-channel, multi-platform, multi-screen puzzle, with the added challenges of personalization, targeting and scale layered on top.

With all of the above factors, it’s unsurprising that 76% of marketers report difficulty evaluating their campaigns’ effectiveness.⁴

As a marketer, you now have an unprecedented amount of data and analytics at your disposal. However, more data is the last thing you need. Instead, you need to know what works or doesn’t work, in order to adjust your media spend effectively.

This report analyzes data from Neustar’s AK Media Insights and translates it into insights and takeaways to help you optimize your media planning and buying.

You’ll find insights into cost, customer engagement and reach by channel, as well as valuable metrics around impressions and actions by campaign type, CRM data performance, and top audiences’ performance across major industry verticals.

The data analyzed for this report covers

152 billion ad events

28 billion impressions

300 million conversions

...all of which were tracked through Neustar’s AK Media Insights marketing platform, a key part of Neustar’s integrated marketing solution, PlatformOne.

KEY FINDINGS FOR Q1 2014

- Social demonstrates the best cost efficiency, indexing 350% below the industry average
- Social continues to deliver reach efficiency, performing 37% better than the next-best channel, exchanges
- Exchanges show a dramatic improvement for reaching high-quality users, outperforming other channels and indexing 121% above the industry average
- Social and networks demonstrate above-average influence in the upper funnel, while portals and exchanges dominate the lower funnel
- CRM data performs 32x-107x better than the advertiser average across clients in the Entertainment and Retail verticals
- Targeting top performing audiences comprised of third party data could lead to an increase in conversion rates of 6x in Health, 10x in Telco, 26x in Education, 28x in CPG, 30x in Entertainment and 56x in Retail.

Major trend: 2800% lift in conversions.

Overall conversions showed a dramatic increase in Q1 2014 (300 million) compared to Q4 2013 (10.5 million).

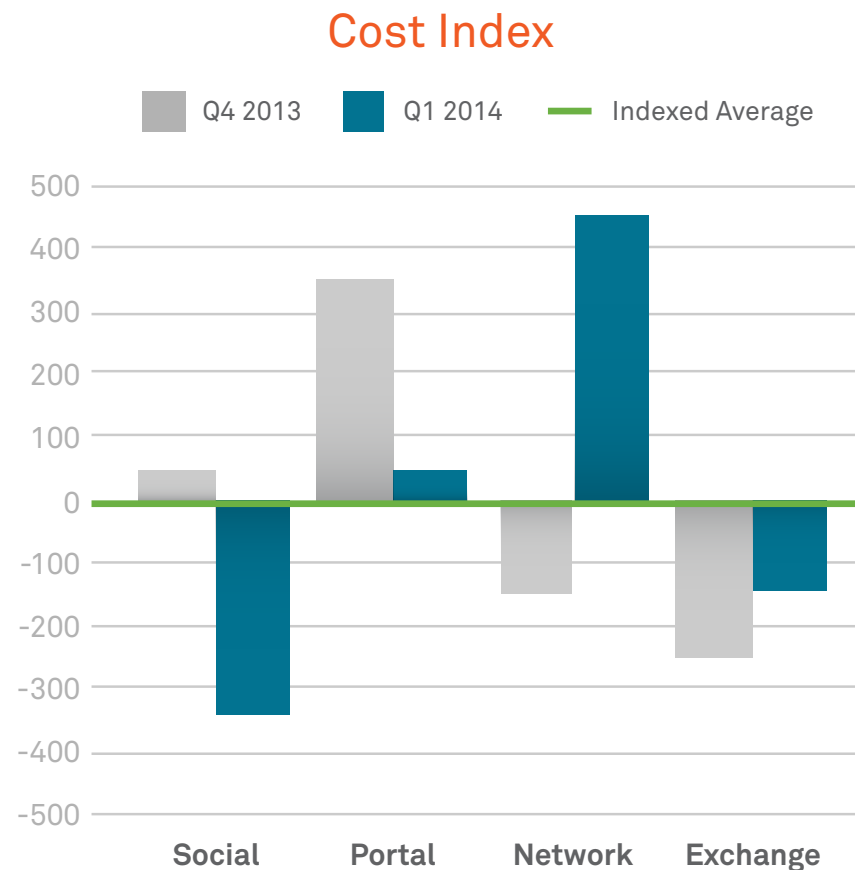
This conversion increase of 2800% was largely driven by a shift in ad spend from premium channels toward the more direct-response-focused exchanges. Other factors included the use of offline customer data in online campaigns, brands targeting top performing audiences, and an uptick in higher-converting mobile and video campaigns.

Q1 2014 MIR INDEXES

Where to Buy Media for Less Cost

Key Metric: a channel's ability to drive impressions, clicks and conversions at a low cost.

The channel costs that make up this index include CPM (cost per thousand impressions), CPC (cost per click) and CPA (cost per action). In this index, values below the line indicate a cost that is below the indexed average.



Key Q1 Takeaways

Social demonstrated the best cost efficiency this quarter, indexing 350% below the industry average. The increased use of DSPs on social exchanges in Q1 is likely to be behind this new trend.

Marketers are increasingly able to use DSPs to access exchanges where they can bid on social impressions – a more cost-efficient tactic than buying impressions directly from social inventory providers.*

This has driven the decrease in cost for social, and also influenced the makeup of social users – as users typically found on exchanges tend to act differently than users found on social.

Portals showed a decrease in cost, moving closer to the indexed average. This indicates that marketers were not spending as much on homepage takeovers on portals compared to Q4.

Networks demonstrated higher costs in Q1. This may be seasonal, related to some marketers focusing more on their branding strategy in Q1 than on direct-response. This manifests in buying premium ad placements (e.g. custom, rich media units) on networks to support brand-building.

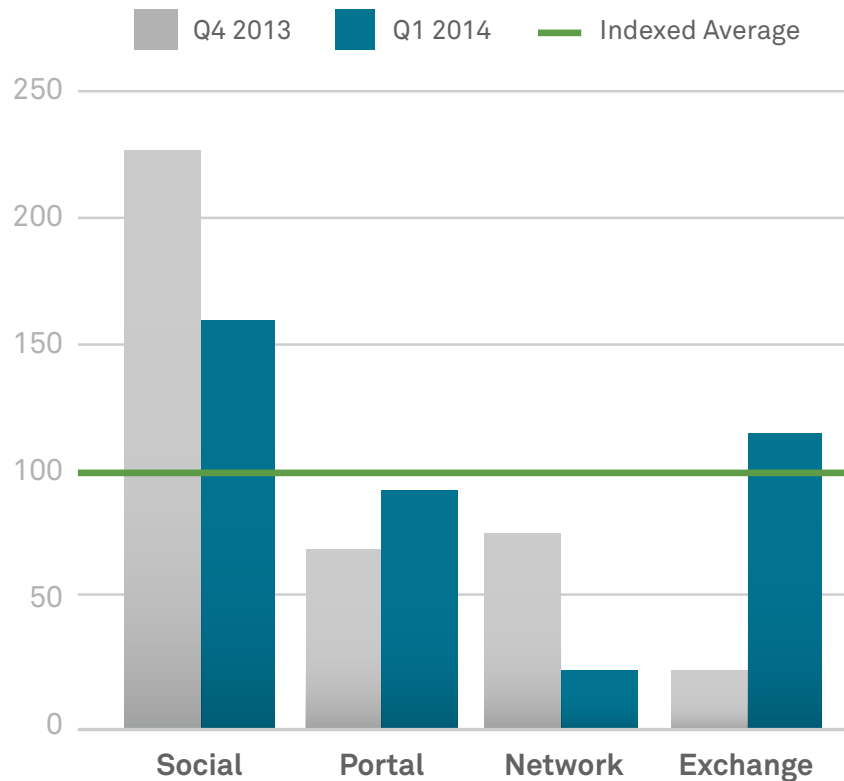
* Although the distribution mechanism here is exchange, social is the channel on which the campaigns appeared.

How to Reach More (New) People

Key Metric: a channel's efficiency in reaching new users, coupled with exclusivity and cost.

This index indicates which channels perform strongly in delivering new and exclusive users. To provide a measure of cost-effectiveness, it also factors in cost-per-unique-user.

Reach Efficiency Index



Key Q1 Takeaways

Despite a decrease in reach efficiency from Q4 to Q1, social continued to outperform other channels in reaching exclusive users. Social performed 37% better than the next-best channel (exchanges).

Portals and exchanges improved in reach efficiency, with exchanges demonstrating the biggest increase of 386% quarter-over-quarter.

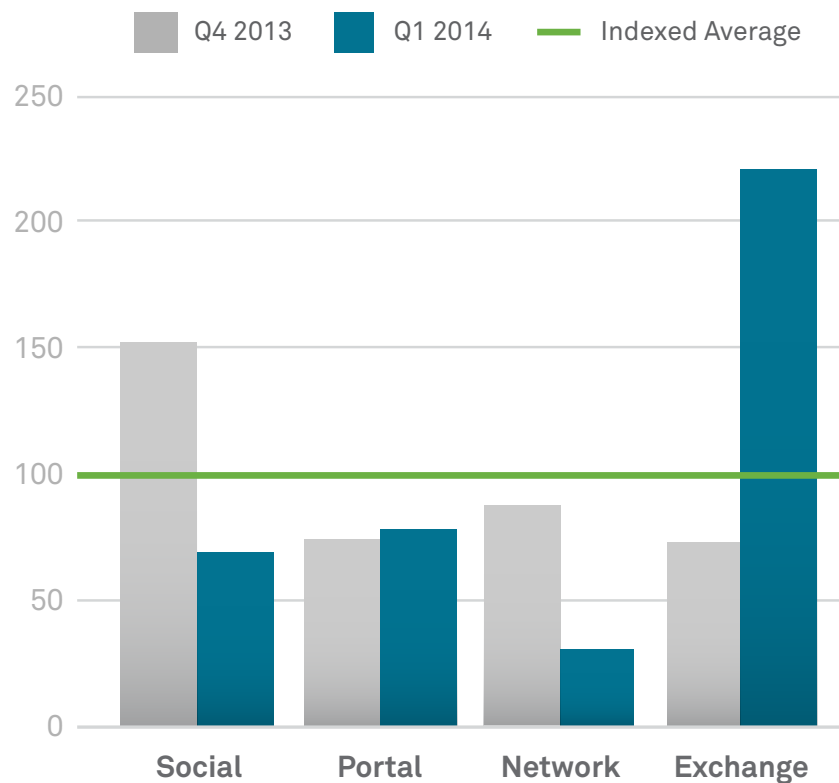
Given the opportunity to serve large volumes of impressions, exchanges were able to reach more users, and hence more exclusive users not seen on other channels.

How to Reach Users Consistently

Key Metric: a channel's ability to reach users who you can market to consistently.

User Quality is the next step beyond reach efficiency. It determines a channel's delivery of "quality users" – people who you can reach more than once, and thus target consistently.

User Quality Index



Key Q1 Takeaways

Exchanges marked an improvement of 201% quarter over quarter, making them the only channel to perform above the indexed average in Q1. Why?

The answer looks seasonal: without Q4's heavy transactional focus, Q1 saw much more leftover ad inventory for exchanges.

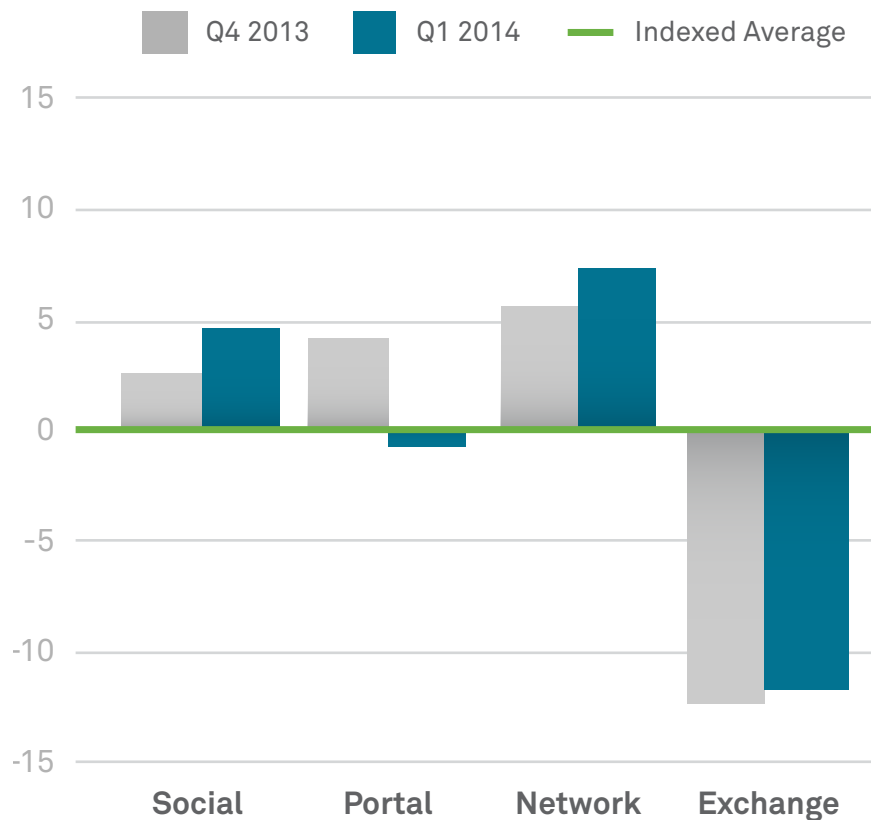
With more inventory available, exchanges had the opportunity to serve a larger than normal volume of impressions and thus were able to reach more users. The increase in volume also made it possible for exchanges to hit the same users two or more times.

Which Channels Are Undervalued?

Key Metric: the likelihood that a channel influenced conversion in the upper funnel.

Funnel attribution provides a more granular look at upper-funnel activity versus a pure last-touch attribution (LTA) model, which only credits the last touch in a buyer's route to conversion.

Funnel Attribution Index



Key Q1 Takeaways

Social and networks continued to demonstrate influence in the upper funnel, contributing to the success of lower funnel channels. This indicates that marketers wanting to drive brand awareness should consider running more campaigns on these channels.

Portals were present in the lower end of the funnel. This indicates that portals are getting better at using lower-funnel targeting tactics, including behavioral targeting, look-a-like modeling and retargeting. These tactics identify consumers who are at the right stage in the lifecycle, allowing advertisers to reach them at the moment they are ready to convert.

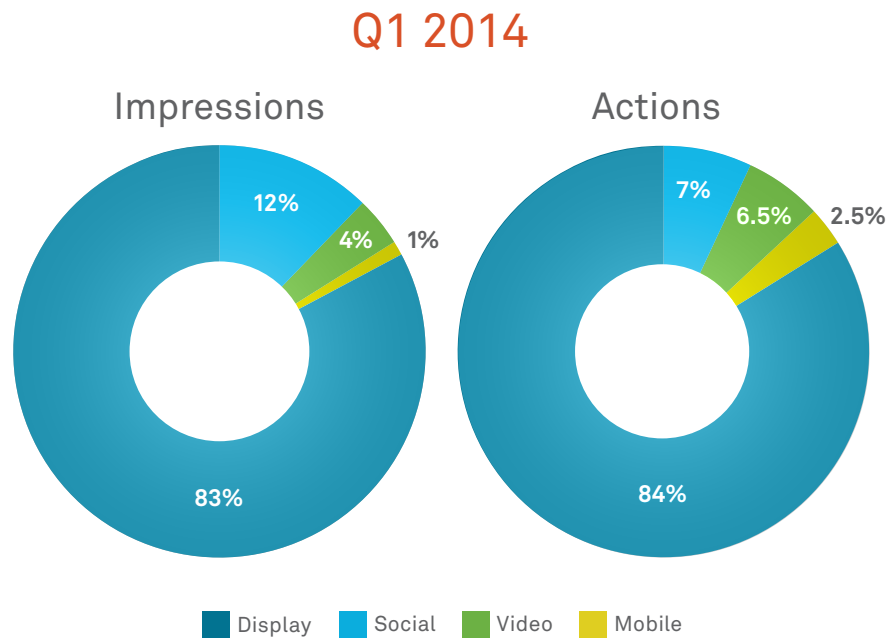
Networks, on the other hand, tended to support upper-funnel tactics that drive users into the funnel, including RON (run of network), contextual targeting, and custom high-impact units mentioned before.

Exchanges continued to deliver conversions, but were not seen in the upper funnel. This is because exchanges, while attractive for their low cost and often credited in a last-touch model, do not consistently demonstrate influence on the conversion itself.

WHICH CAMPAIGN TYPES DRIVE MORE ACTIONS?

Campaign Breakdown by Type

This campaign breakdown by type provides insight into where digital marketing dollars were spent, as well as which campaign types drove the most actions per impressions seen.



Key Q1 Takeaways

In Q1, the bulk of marketers' spend across display, social, video and mobile went to display ads (83%), which also drove the most actions (84%). Display exhibits a stable action-to-impression ratio quarter-over-quarter and is a good benchmark for comparison with other channels.

Video ads accounted for 4% of all impressions seen in Q1. However, they drove 6.5% of the actions, indicating that users seeing ads on video networks are 63% more likely to convert on those ads.

While mobile ads accounted for a little over 1% of all impressions, they drove 2.5% of actions: a clear illustration of the importance of mobile in your marketing mix.

Social attracted a significant portion of digital marketing dollars, accounting for 12% of impressions. However, it drove only 7% of the actions. This points to social's role in driving awareness and influencing sales (see Funnel Attribution Index) versus driving online actions or conversions.

MARKETERS: WHAT THIS REPORT MEANS FOR YOU

By Rob Gatto, SVP of Media and Advertising at Neustar

1. Stop buying advertising based on where you think your audience is.

I'm amazed at the number of advertisers who are still buying digital media on a context basis; i.e. buying on a specific website because that's where you think your users are. When you begin to layer in audience targeting, you often begin to see a very different picture of who your buyers really are, which you can then utilize to scale your efforts in those areas.

It's not at all surprising that when marketers use audience data to target campaigns, the return on investment increases – and there are also residual effects that they haven't gotten to yet. You can figure out not only what your audience looks like, but who is taking the actions, how to find more of those folks, and how to scale that level of audience so you can spend your money more efficiently.

2. Start leveraging your CRM data, right now.

To me, any organization's single biggest asset is the data they have on their customers. If you're not utilizing your own customer data, you're missing your biggest opportunity.

First, you can use it to understand channel relationship to closure. Your CRM data allows you to close the loop from advertising to sale, or advertising to action. Then, it allows you to control the message you deliver those people depending on where they are at in their buying lifecycle. Whether you sell cars or clothing, CRM data helps you understand why people convert, the journey you're going to take with them over their lifetime value, and how you should market to them.

Then, there's extension. You can use your CRM data to target new people who look like your customers – and if you have segmentation

within your customer base, you'll understand how to market to that new group in different ways, based on your existing segments.

If you're not leveraging CRM data, you're wasting money with existing customers, and you're wasting money attempting to do any sort of reach extension.

3. That “year of mobile” we've been hearing about is finally here.

Mobile has reached a tipping point. One reason is accessibility: everyone now has a phone with a data plan or a smartphone. Two: social media has had a dramatic effect on phone usage. Personally, I can't remember the last time I looked at Facebook on my laptop. We're beginning to see distinct activities happening in different channels - activities your customers do on their laptops, activities on their phones, and activities on their tablets – often with very little crossover.

There's now a huge opportunity to understand the context of device and what you should be communicating in each context, and how different demographics react.

But to do this, you have to understand channels, context and the variables that go into what you want to show an individual on a website, on the phone, on an iPad, at night, during the day, at lunchtime ... before you spend your media dollar.

That's where you need help: a platform that can help you build on an identification layer, verify who an individual is, assign a set of attributes to that individual and then understand how they interact with you as a customer. And the most effective marketers are starting to understand that these insights shouldn't work in pieces. This is the time to think about how it all works together.

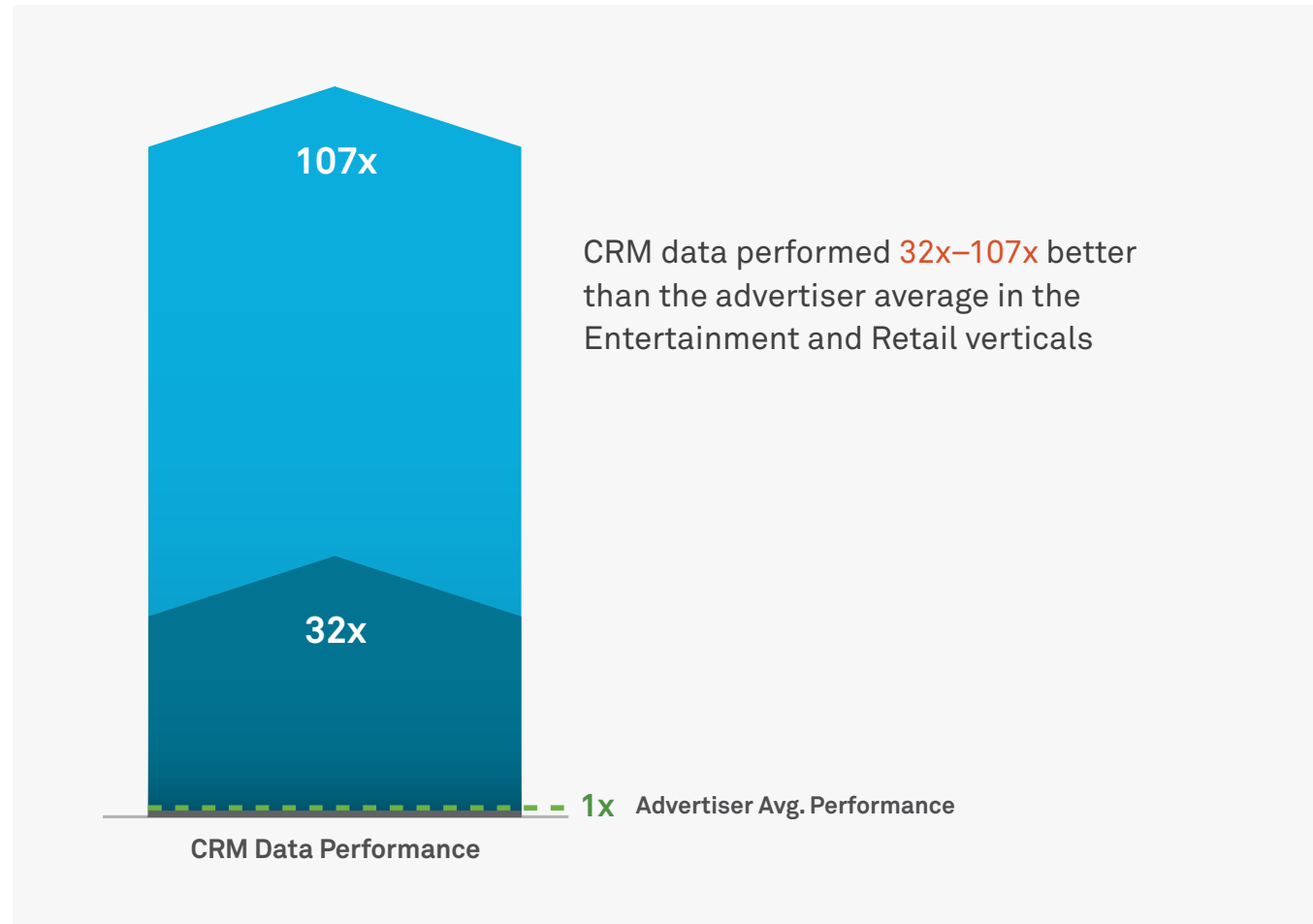
THE ROI IMPACT OF USING CRM DATA

CRM DATA PERFORMANCE LIFT

Key Metric: CRM data performance versus advertiser average

Using offline, first-party CRM data to target advertising dramatically improves online campaign results. In Q1, CRM data performed 32x-107x better than the advertiser average across clients in the Entertainment and Retail verticals.

This performance lift suggests that marketers should use CRM data for reaching current customers online, improving audience segmentation and reach extension.



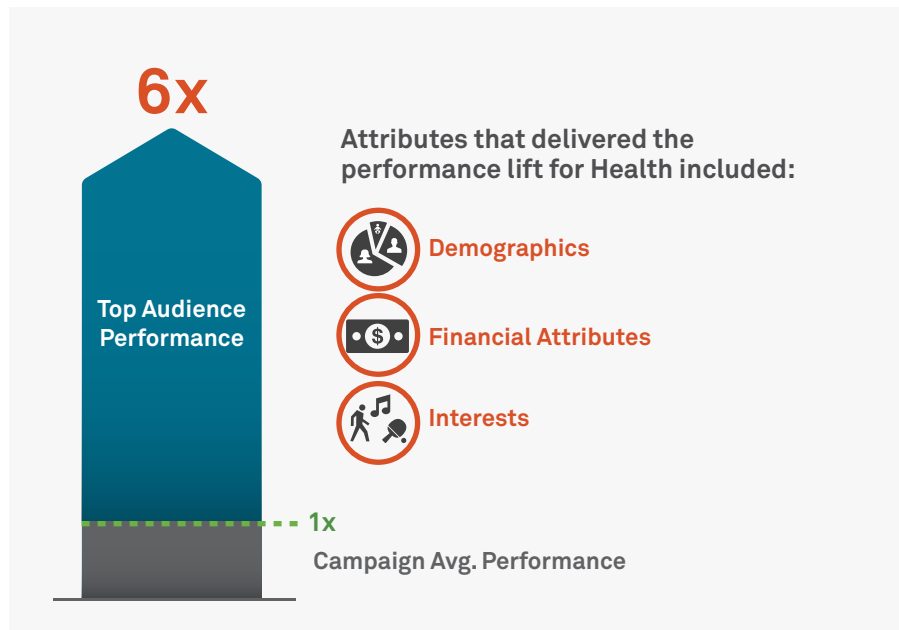
THE ROI OF TARGETING TOP-PERFORMING THIRD-PARTY AUDIENCES

Top Performing Audiences and Attributes

Key Metric: user conversion rates versus advertiser average

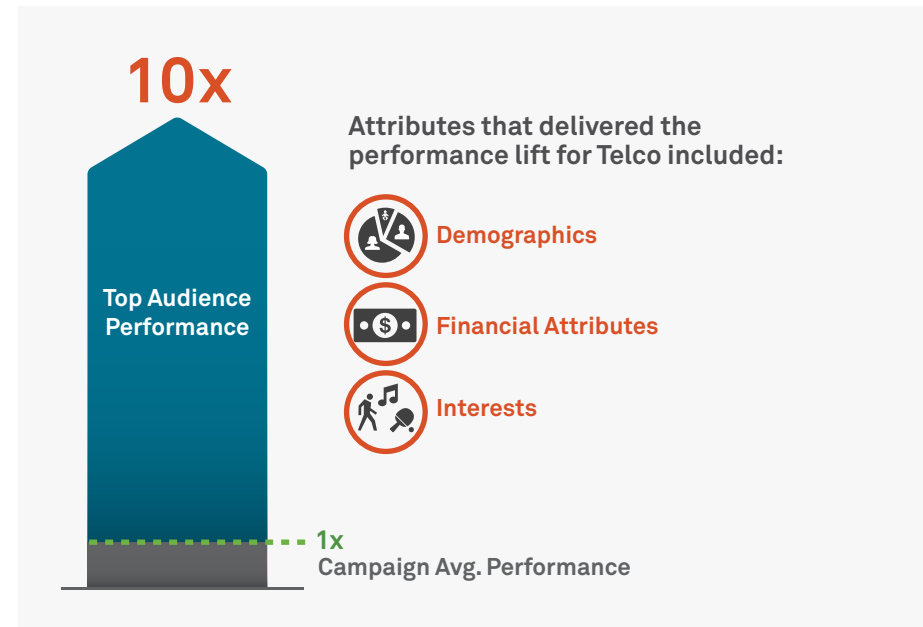
In Q1, we saw certain brands generate substantial performance lift by targeting campaigns to top audiences, based on customer intelligence attributes including demographics, location, life events, interests, and financial attributes.

1: Health Vertical: 500% lift



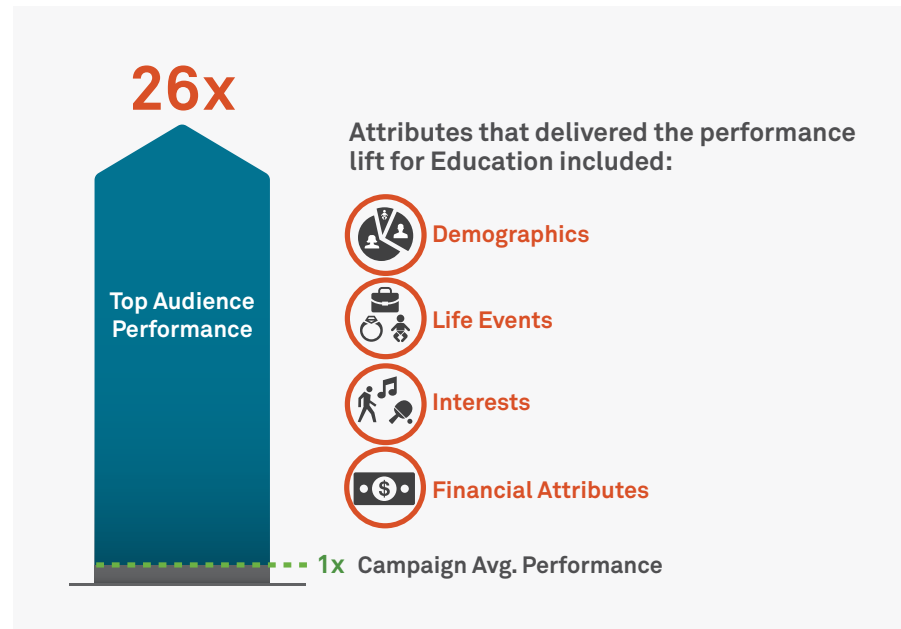
The performance lift from targeting top audiences in the Health vertical was 500% above the campaign average. Key attributes driving this conversion lift included demographics, interests and financial attributes.

2: Telco Vertical: 900% lift



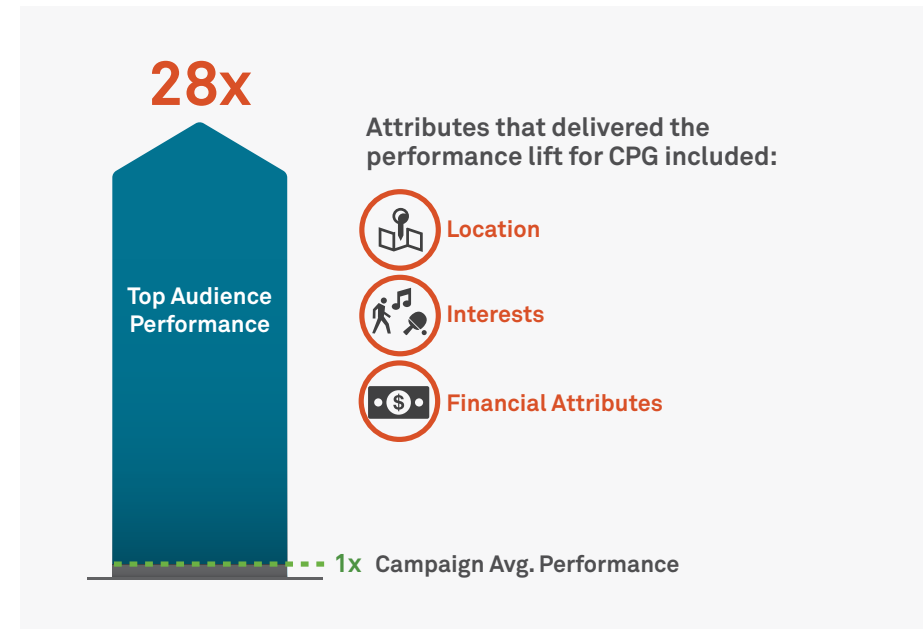
The performance lift from targeting top audiences in the Telecommunications (Telco) vertical was 900% above the campaign average. Key attributes driving this conversion lift included demographics, age, interests and financial attributes.

3: Education Vertical: 2500% lift



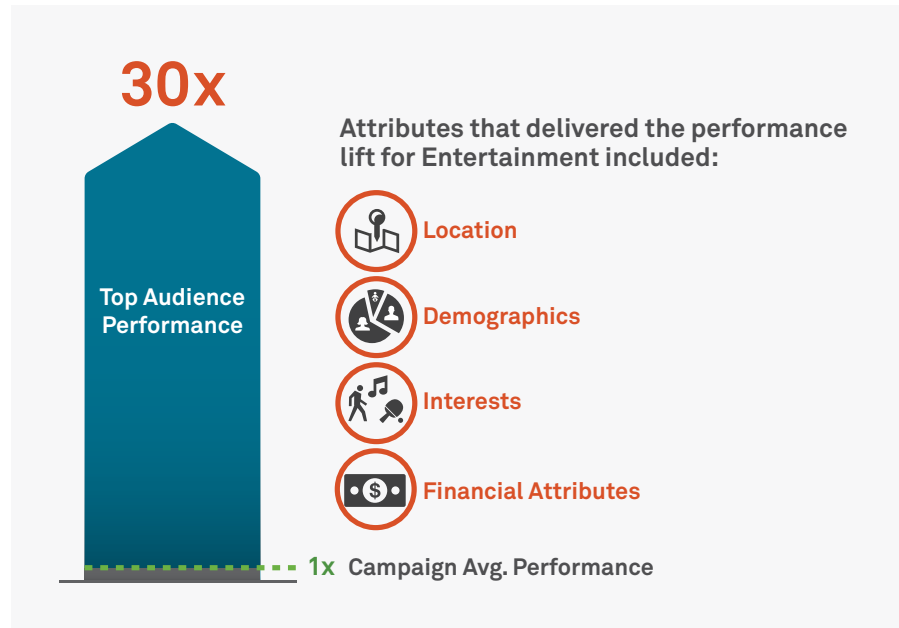
The performance lift from targeting top audiences in the Education vertical was 2500% above the campaign average. Key attributes driving this conversion lift included demographics, life events, interests and financial attributes.

4: CPG Vertical: 2700% lift



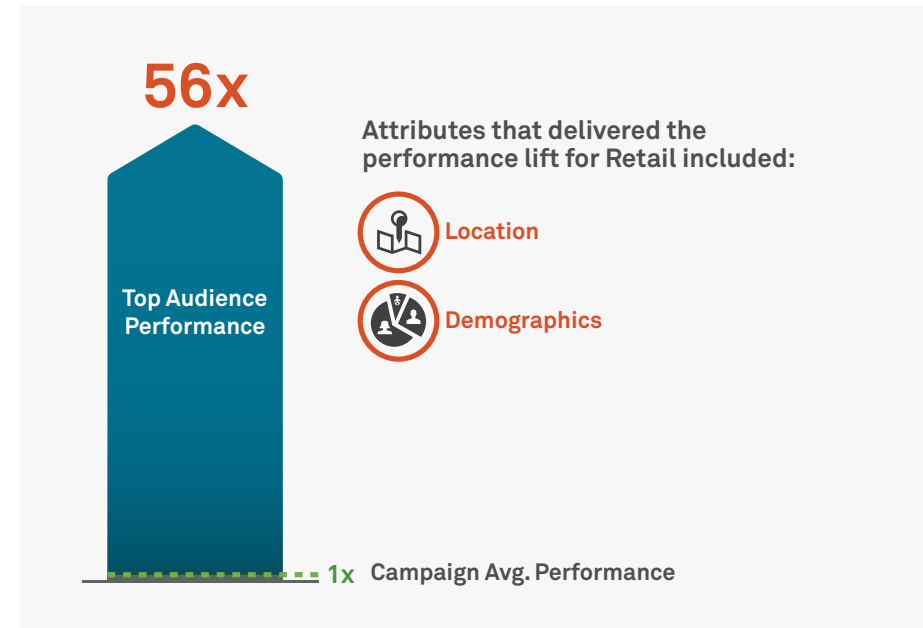
The performance lift from targeting top audiences in the Consumer Packaged Goods (CPG) vertical was 2700% above the campaign average. Key attributes driving this conversion lift included location, interests and financial attributes.

5: Entertainment Vertical: 2900%



The performance lift from targeting top audiences in the Entertainment vertical was 2900% above the campaign average. Key attributes driving this conversion lift included location, demographics, interests and financial attributes.

6: Retail Vertical: 5500% lift



The performance lift from targeting top audiences in the Retail vertical was 5500% above the campaign average. Key attributes driving this conversion lift included location and demographics.

APPENDIX

Q1 2014 Index Data Tables

Cost Index

Channel	Q4 2013 Score Index	Q1 2014 Score Index
Social	50	-350
Portal	350	50
Network	-150	450
Exchange	-250	-150

Reach Efficiency Index

Channel	Q4 2013 Score Index	Q1 2014 Score Index
Social	229	162
Portal	70	95
Network	77	25
Exchange	24	118

User Quality Index

Channel	Q4 2013 Score Index	Q1 2014 Score Index
Social	152	70
Portal	74	79
Network	88	30
Exchange	73	221

Funnel Attribution Index

Channel	Q4 2013 Score Index	Q1 2014 Score Index
Social	3	5
Portal	4	-1
Network	6	7
Exchange	-13	-12

METHODOLOGY

For the Q1 2014 Neustar Media Intelligence Report, data was compiled from a representative sample of its customer base. This includes 28 billion impressions across approximately 152 billion ad events.

The methodology for data collection, analysis, and reporting consisted of multiple steps. Data was collected through the Neustar Aggregate Knowledge “pixel” (or “tag”), which was then ingested by the Neustar AK Media Insights platform using the proprietary Summarizer technology. A team of data scientists then worked with the platform, querying for channel-based performance and cost data, as well as targetability, overlap, and exclusive reach metrics. Raw event data was also reviewed

for converting users to see whether or not those users had seen an ad on a particular channel (or combination of channels) further upstream, providing additional insight beyond that exposed by last-touch attribution.

The methodology for vertical industry performance consisted of an analysis of the top audiences for each vertical. The analysis focused on core display campaigns, excluding search, site tracking, retargeting, and email campaigns.

Data represented in this report covered over 1300 different inventory providers across key vertical industries such as CPG, Education, Entertainment, Health, Media, Retail, and Telco.

Footnotes

¹ IAB, Internet Advertising Revenue Report, April 2014

² Gartner, Digital Marketing Spending Survey, January 2014

³ Forrester, The Always Addressable Customer, September 2012

⁴ Outsell, Annual Advertising and Marketing Study 2014: Headlines, April 2014

GLOSSARY OF TERMS

Ad Event: The delivery mechanism (envelope) for the impressions and audience data that Neustar counts and reports on.

Advertiser Average: Total actions/total users reached; focused on standard display across an advertiser's entire media mix.

Attribution: Credit, typically given to an ad for leading a user to a subsequent conversion.

Average Frequency: Amount of times a user sees an ad within x period of time within y channel.

Channel: Electronic mediums used for communication such as blogs, social networks, web portals, etc.

Click: A record that a user has clicked on a specific advertisement or message.

Conversion or Action: A record that a user has performed a particular action (purchase, acquisition, etc.).

Cost Index: A comprehensive cost measure, encompassing eCPA, eCPC, and eCPM.

CPA: Cost per one conversion/action.

CPC: Cost per one click.

CPM: Cost per 1,000 impressions.

CPUU: Cost per unique user.

CRM (Customer Relationship Management) Data: Offline, first-party customer data that belongs to the advertiser.

eCPA: The effective CPA of the data (total data cost/total number of conversions).

eCPC: The effective CPC of the data (total data cost/total number of clicks).

eCPM: The effective CPM of the media (total media cost/total number of impressions x 1,000).

eCPUU: The effective CPUU of the data (total data cost/number of unique users).

Exchange: Technology platform that facilitates the bid buying and selling of online media advertising inventory from multiple ad networks.

Exclusive Reach: The size of audience reached that was not seen on any other channel (i.e., seen only on ad network and not on social, exchange, or other).

Frequency: Amount of times a user sees an advertisement.

Funnel Attribution: A complete view of credit given to every touch point prior to and including a conversion (from first touch to last touch).

Impression: A record that an ad was shown (clicked or not).

LTA: The current industry standard for attribution. Last-touch attribution gives full attribution to the most recent ad event (either the most recent click, or if there are no clicks then the most recent impression).

Mobile Ads: Ads seen within a browser on a mobile device.

MTA: Multi-Touch Attribution refers to attribution models that extend credit beyond the last touch. Neustar's MTA solution is a time-based, multi-touch attribution model that provides credit to all ad events in a user's history, with more credit going to ads closest to the conversion point.

Network: A company that connects advertisers to web sites that want to host advertisements. The key function of an ad network is aggregation of ad space supply from publishers and matching it with advertiser demand.

Portal: A website that brings information together from diverse sources in a uniform way.

Quality User: A user that was seen multiple times on a single channel within a specified period of time. Because the user is seen again, this generally means that their likelihood to click or convert is higher than a generic user who is seen only once and then never seen again. This qualification is used to eliminate the poorest quality users that are the most difficult to target or track in the future.

Reach Efficiency: Impressions x CPUU x exclusive reach.

Social: Includes any company that drives campaigns directly through a social media channel or website that is focused on enabling users to be part of a community.

Stack Rank: Ranking several metrics against each other to determine a scoring value.

Third-Party Data: Offline and/or online user data that belongs to third-party companies.

Unique User: De-duplicated count of individual users seen across a channel, operating system or web browser.

User Quality Index: Represents the ability to consistently market to quality users.

User Conversion Rate: (Top Audience UCR – Advertiser Average UCR) / Advertiser Average UCR.

Video Network: An ad network that aggregates video inventory exclusively.



About Neustar

Neustar, Inc., (NYSE: NSR) is a trusted, neutral provider of real-time information and analysis to the Internet, telecommunications, information services, financial services, retail, media and advertising sectors. Neustar applies its advanced, secure technologies in location, identification, and evaluation to help its customers promote and protect their businesses. More information is available at www.neustar.biz.