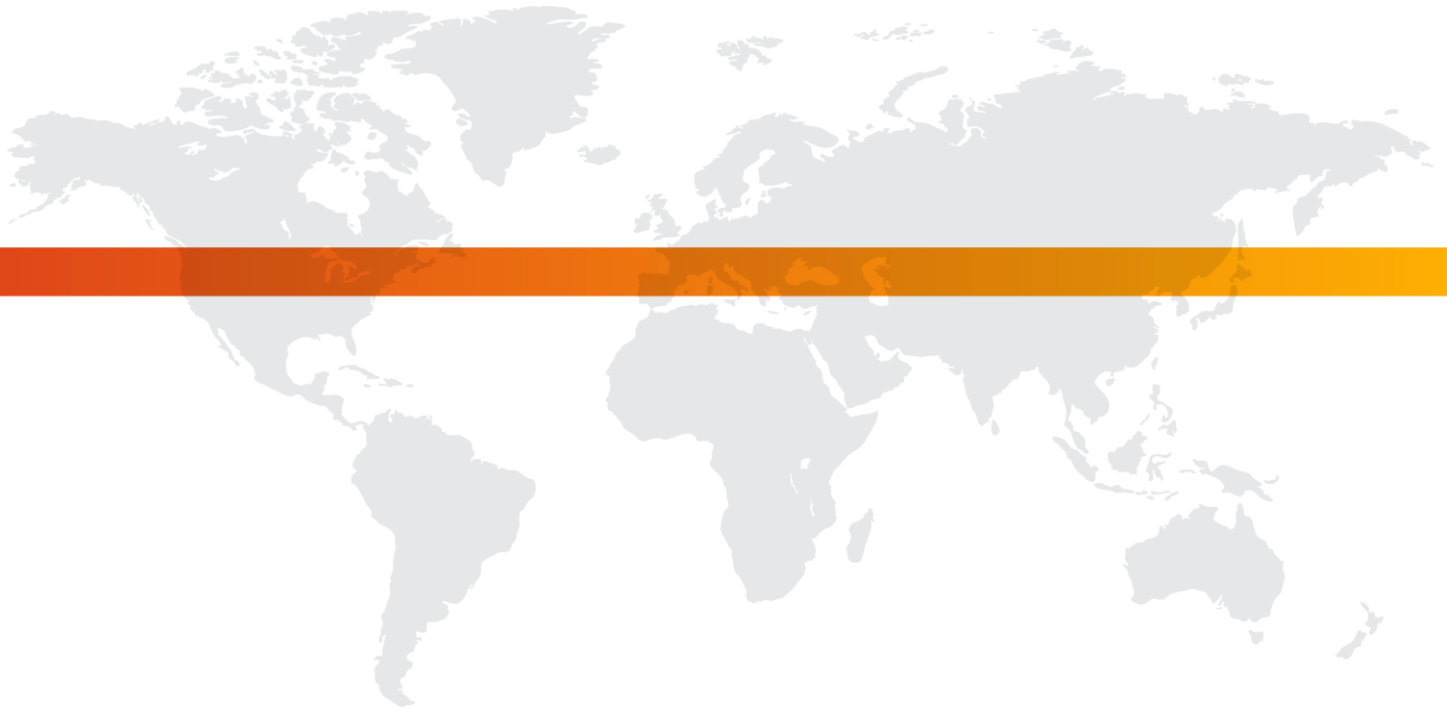




NATURAL BORN CLICKERS IN RUSSIA

Understanding How Display Advertising Works

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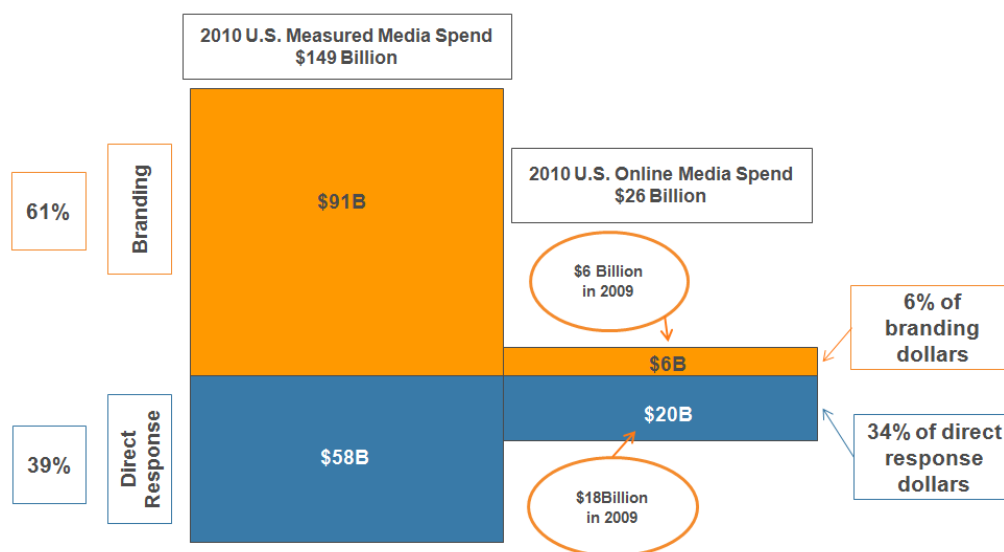
BACKGROUND

In today's economically challenging times, many advertisers and their agencies, in the quest for immediate returns, are moving campaign spend from CPM campaigns that require payment based on the number of delivered ad impressions to CPC programs where payment is based on the number of clicks on an ad. However, the increasing sophistication of online audiences has led fewer and fewer internet users to click on ads, to the extent that, as DoubleClick reported in its 2009 Year-in-Review benchmark report, the average click-through rates across its image, flash, and rich media campaigns had fallen to around just 0.1% across Europe, with markets seeing a decrease in their CTR from 2008.

Are low click rates evidence that display ad campaigns have not had any impact on consumer behaviour? Or, does online display advertising work in a similar way to traditional offline advertising, with multiple exposures over time needed to effect a change in consumer behaviour?

In Russia, as in other markets, including the US, the internet is not yet broadly viewed as a useful medium to promote branding (Figure 1).

Figure 1: The internet is not proportionately used for Brand Advertising



Source: Brand.net analysis based on Barclays Capital and DMA, US 2010

TV is the firmly rooted front-runner when companies evaluate which medium to use for a branding campaign. Many still view online as a direct response channel, most suitable for driving traffic or quickly increasing purchase intent.

This paper reports the results of comScore research into the impact of online display advertising leveraging comScore's proprietary panel of 2 million internet users, more than 400,000 of whom reside in Europe and over 20,000 particularly in Russia.

Instead of relying upon cookies to measure behaviour, comScore has obtained explicit permission from a representative cross section of internet users in countries across the globe to measure their

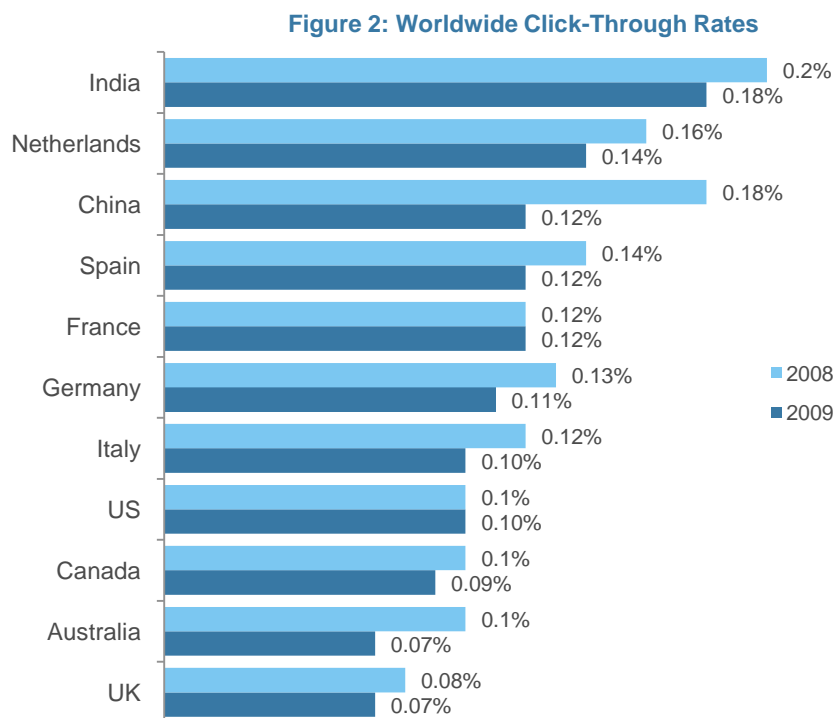
online activities over time. The results presented in this paper will demonstrate that extensive reliance on click-through rates as a measure of display advertising effectiveness distorts marketers' views of how online compares to other media.

The phenomenon of cookie deletion, in addition to multiple users per computer and multiple browsers per user, poses a significant challenge and has rendered inaccurate much of the cookie-based research conducted to date on the effectiveness of online advertising. Cookies are small pieces of code inserted into the computer browser of the user whose behaviour is being examined, in an attempt to uniquely identify the computer and thereby monitor its activity.

While conceptually an appealing approach, the prevalence of anti-spyware software (now built into most browsers) automatically deletes their cookies following the security settings protocols. Research conducted by comScore and others has shown that, because of cookie deletion, any attempt to measure computer users' activity over time using cookies alone will be subject to substantial error levels as the cookies are deleted, and this will typically understate the impact of the advertising being measured.

In economically difficult times, advertisers' ability to comprehensively and accurately measure the effectiveness of advertising becomes even more important. Typically, marketers use click-through rates (CTRs) to assess the effectiveness of an online campaign. However, CTRs are extremely low, and have continually declined over the past few years. The markets listed in Figure 2 saw an average decline of 28% in just one year.

In addition, according to DoubleClick, it seems that CTRs are inversely correlated to the relative sophistication of their audiences. This means that the few people who do click on ads are not necessarily representative of the people an advertiser wants to reach. Markets where online advertising spend is higher and consumers see more campaigns have even lower CTRs.



Click-through rates across Static Image, Flash and Rich Media formats

Source: Doubleclick DART for Advertisers a cross-section of regions, January – December 2008 / 2009

So, do low CTRs mean that the advertising is not effective? comScore research indicates that this is not the case. The research shows that the use of CTRs to measure effectiveness results in marketers basing their conclusions on activity that occurs, in most cases, for a mere 0.1% of all the ads delivered (and focuses on people who might not even be in the advertiser’s target segment), while ignoring the effects that the other 99.9% of the ads potentially have on consumers. In other words, the CTR can be quite misleading in evaluating campaign impact. It is essential to establish a new currency in the near future that is able to measure the success of online advertising in branding campaigns. To further confirm that conclusion, we move from an analysis of CTRs and to an investigation of the clickers themselves.

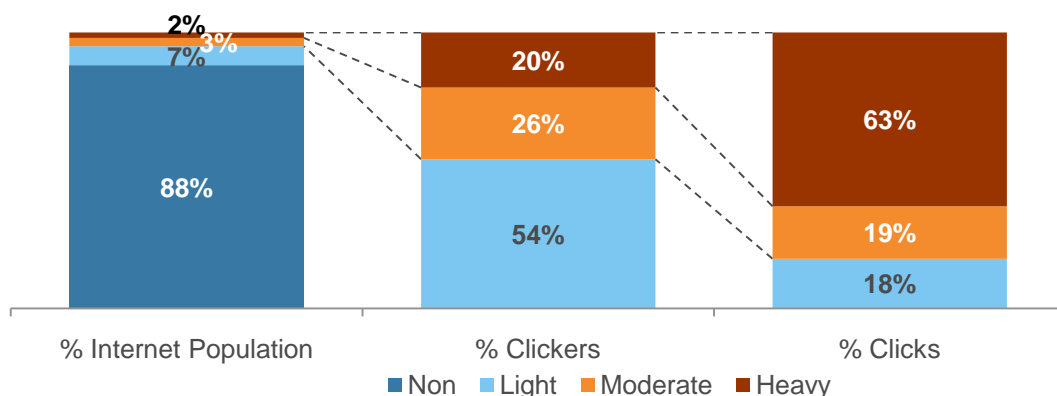
NATURAL BORN CLICKERS: STUDY DESIGN

In July 2007 in the U.S., comScore conducted the first study that examined how internet users click on the ads to which they have been exposed. The study has since been updated to allow for an analysis of trends. comScore’s proprietary technology passively measures all the digital activity of its panelists, and collects complete URL/click stream data. The information collected also included the actual creative used in the advertising. Without collecting any personally identifiable data, comScore used its proprietary panel to observe internet users’ online behaviour and associated ad exposure, including whether or not the panelists clicked on an ad. The ad exposure and click data were integrated into a database and panelists’ site visitation was categorised according to the comScore site categories.

The panelists were segmented based on the weight of their monthly CTRs, forming 3 groups: Heavy clickers (clicking on 4+ ads), Moderate clickers (clicking on 2-3 ads) and Light clickers (clicking on just 1 ad). Non-clickers comprised a fourth group.

Over time, comScore has observed a measurable decline in the number of users clicking on display ads, further diminishing the importance of the click. The results of the 2010 update showed that, despite accounting for only 4% of the total internet population, the Heavy clickers accounted for 63% of all clicks on display ads in the month. A staggering 88% of the U.S. internet population did not click on any ad at all, (Figure 3).

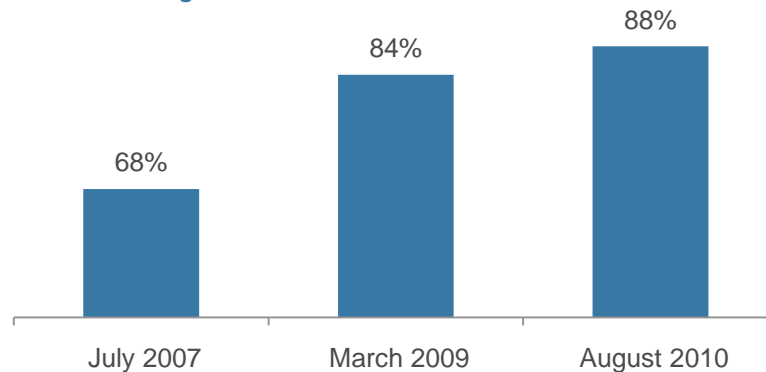
Figure 3: Heavy clickers account for a small proportion of the U.S. Internet population



Source: comScore, Natural Born Clickers (US), August 2010

Over a four year period, the percentage of internet users who do not click in a month grew from 68% in July 2007 to 84% in March 2009 and to 88% in August 2010. As the number of clickers continues to decline, the click becomes progressively irrelevant as a key measure of a successful campaign.

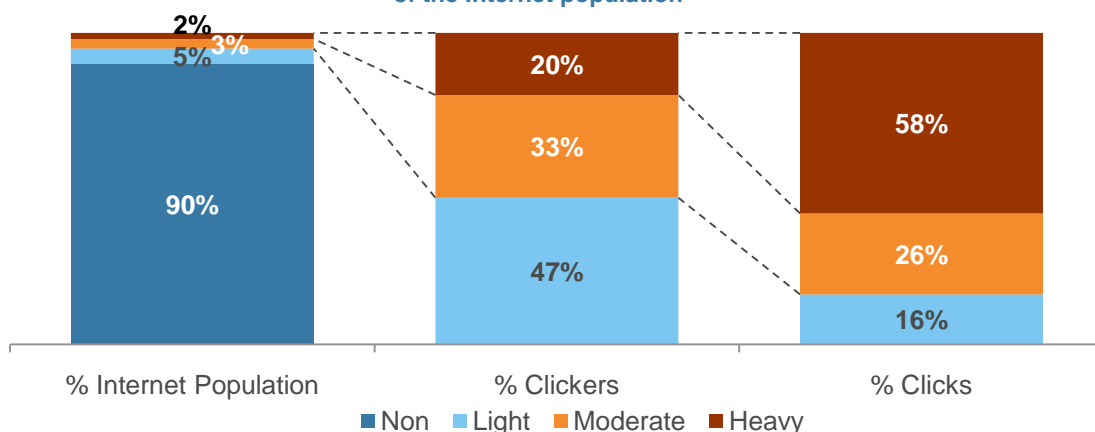
Figure 4: Growth in U.S. non-clickers



Source: comScore, Natural Born Clickers (US), July 2007 – August 2010

Looking at a series of display ad campaigns in Russia, the pattern is even more pronounced. Only 10% of the total Russian online population actually clicked on a display ad in August 2010. Heavy clickers, who accounted for 2% of the Russian online population, generated 58% of all the clicks (Figure 5).

Figure 5: Russian heavy clickers account for a small proportion of the Internet population



Source: comScore Marketing Solutions, Russia, August 2010

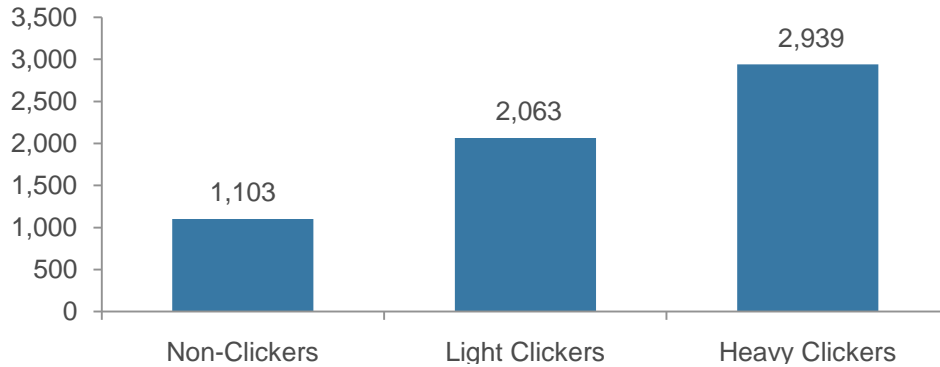
The proportion of heavy clickers in Russia is about the same as in the U.S. and accounts for a similar proportion of the clicks. Clearly, the Russian online audience is far more sophisticated than one would expect in an internet market still growing and maturing. This leads to questions such as who are these clickers, and how does their online behaviour compare to the behaviour of the overall internet population in Russia?

PROFILING RUSSIAN DISPLAY AD CLICKERS

If clickers as a group were representative of the total Russian internet population, we would expect their online behaviour patterns to mirror those of the Russian online population at large. comScore’s analysis shows that this is not so. Heavy clickers are, in fact, quite different across the board—on a monthly basis, they spend over two and a half times more minutes online and consume an equal amount more pages than non-clickers (Figure 6). However, it isn’t true to say that all heavy internet users are clickers because the leading 20% of Russian users, defined by time spent online, averaged

over 3,760 minutes. This disproportionate increase in time spent online means that heavy clickers do not accurately represent the online behaviour of the overall Russian online audience.

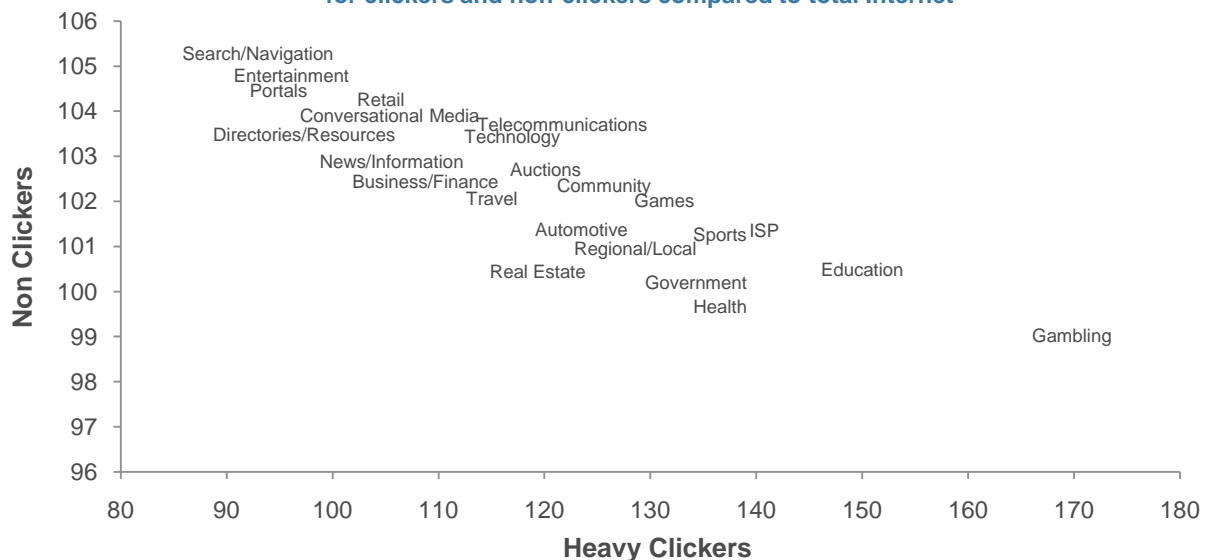
Figure 6: Total minutes online per visitor



Source: comScore Marketing Solutions, Russia August 2010

A similar pattern emerges when examining site category visitation (Figure 7), where the visitation profile of clickers is very different from that of non-clickers. This further supports the fact that clickers differ greatly from the overall population in their online behaviour. The most dramatic differences seen were in time spent on auctions, sports and real estate. Certainly, one can say that while clickers spend a substantial amount of time online, they are not necessarily representative of the audience most marketers want to reach. If marketers target campaigns based on CTRs, they risk shifting the balance towards a specific type of user who is unlikely to embody the desired target segment.

Figure 7: Selected site category distribution by composition index for clickers and non-clickers compared to total Internet

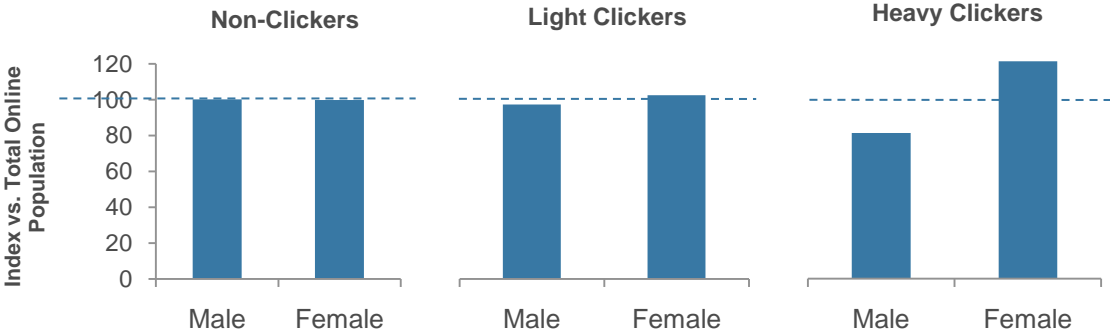


Source: comScore Marketing Solutions, Russia, August 2010

Non-clickers represent the vast majority of internet users and favour sites such as portals, or focus on search. They are more focused on the functionality of the internet and how it fulfills a particular need. They spend less time online than clickers and navigate through pages more efficiently. Typically those with less time are less likely to click on campaigns but clearly would not be considered less important; on the contrary, they would often be deemed the most valuable segment for many advertisers.

When looking at the demographic profile of clickers and non-clickers we can see that there are few differences in their gender profile. Women are marginally more likely to be light clickers and considerably more likely to be heavy clickers (Figure 8).

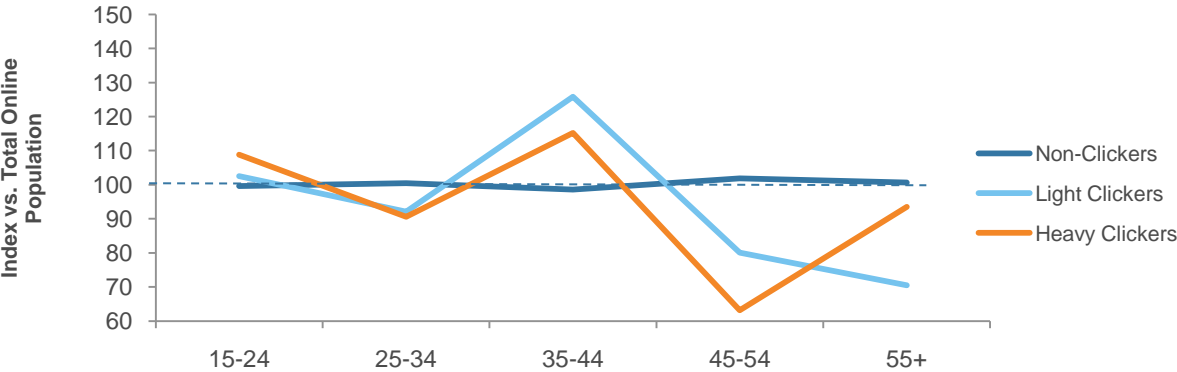
Figure 8: Non-clickers are gender neutral



Source: comScore Marketing Solutions, Russia, August 2010

Taking this further we can look at whether the age of a person has any impact on their likelihood to click. In Figure 9, we can see that heavy clickers tend to be slightly younger, over-indexing amongst both 15-24 and 35-44 year olds whilst the oldest two age brackets both under index. Light clickers are also over-indexed amongst 35-44, and show a more pronounced decline amongst users aged 55+.

Figure 9: Age impacts on the propensity to click

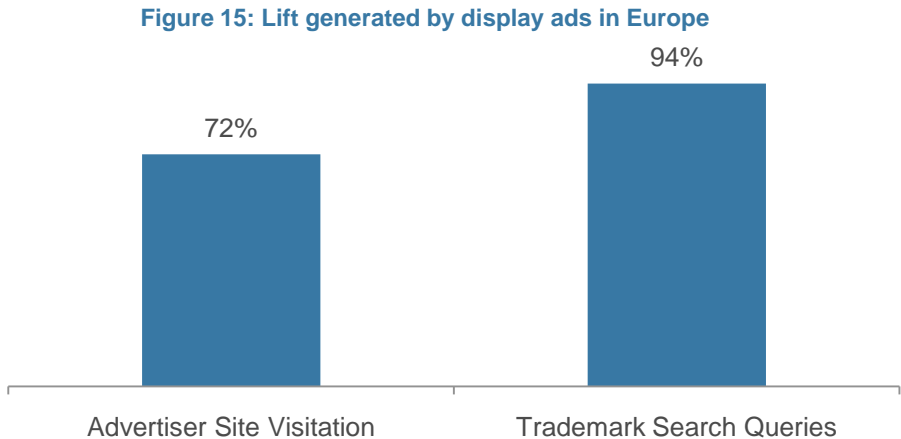


Source: comScore Marketing Solutions, Russia, August 2010

UNDERSTANDING HOW ONLINE AD EXPOSURE CHANGES BEHAVIOUR

comScore has conducted a series of ad effectiveness studies across Western Europe (Germany, UK, France, and Spain) which show that display advertising, despite a lack of clicks, can have a significant, positive impact on consumer behaviour. When comparing the passively-observed behaviour of internet users exposed to display ads with that of a comparable set of non-exposed users, matched on demographics and prior online behaviour, comScore determined that:

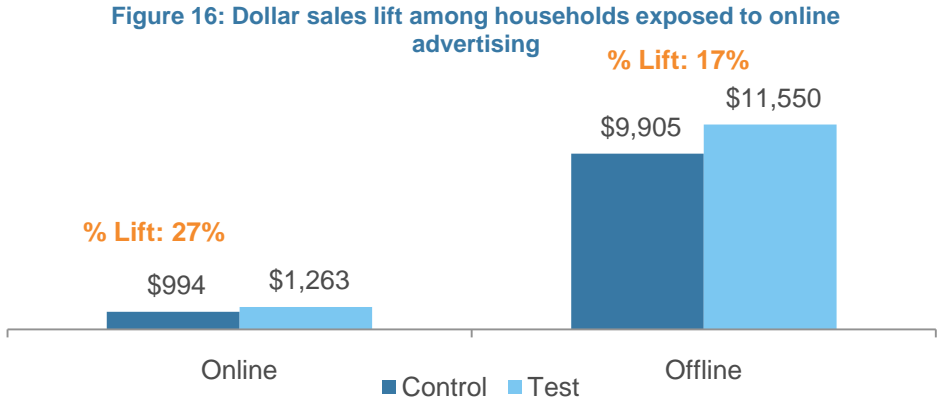
- Display ads lifted visitation to the advertiser’s website by 72% on average
- Display ads increased the likelihood of consumers conducting a brand search query using the advertiser’s branded terms by an average of 94%



Source: comScore “Whither the Click in Europe?” February 2010

Comparing these European data with corresponding data in the U.S. (49% lift in U.S. site visitation and 40% lift in the number of U.S. trademark search queries), the aggregation of European studies shows consistently higher lifts among internet users exposed to display advertising.

Additional comScore research, published in the Journal of Advertising Research (Figure 16), evaluated both the online and in-store sales impact across 139 campaigns in the US market. On average, it showed an average lift of 27% in online sales and 17% in offline sales—despite a CTR of 0.1%.



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

comScore has also evaluated the ability of campaigns to increase classic branding metrics, such as awareness, favourability, and likelihood to recommend, all of which can be significantly impacted by display campaigns. Further, comScore has demonstrated that the quality of the creative used in online ads has been shown to relate strongly to the effectiveness of the advertising. While certain brands would not dream of airing a TV ad before it passed certain creative or persuasiveness thresholds, the practice of testing creative quality in digital has only recently begun to unfold, and must also be incorporated into the ad effectiveness equation.

While comScore is just beginning to expand its advertising measurement services in Russia, our experience in other markets suggests that these additional metrics can provide valuable new insight into how online advertising works. Depending on the brand, the objective of the campaign as well as a variety of other factors that have proven to play a role in the effectiveness of the campaign, such as creative quality, and media placement, investments in online branding advertising may well favourably compare to TV in terms of ROI.

SUMMARY

This study leads to several key conclusions, with important implications for all stakeholders in the Russian and international digital eco-system.

- The group of internet users who click on display ads is small and getting smaller.
- In Russia in particular, the reduction in clickers on display ads appears exacerbated by more intrusive advertising than the industry standards dictate in other digital markets such as US and West Europe.
- The online behaviour of clickers is so different from the much larger group of non-clickers that clickers simply do not represent the desired audience for the vast majority of advertisers.
- These patterns are observed not only in Russia, but are consistent across the globe.

Last, a growing body of strong evidence proves that online display campaigns can build brands through increasing consumer engagement, whether it is site visitation, search activity, or ultimately online as well as offline sales. Clearly, evaluating campaign effectiveness using CTRs is at best short-sighted and, more likely, significantly under-values the ability of the online channel to build brands. The major implication for the industry is that if digital is to receive its fair share of branding spend, focus must shift away from the click to new metrics that better reflect both the quality of the creative as well as the multiple ways in which online ads can build brands.

ABOUT COMSCORE

comScore, Inc. (NASDAQ: SCOR) is a global leader in measuring the digital world and preferred source of digital business analytics. comScore helps its clients better understand, leverage and profit from the rapidly evolving digital marketing landscape by providing data, analytics and on-demand software solutions for the measurement of online ads and audiences, media planning, website analytics, advertising effectiveness, copy-testing, social media, search, video, mobile, cross-media, e-commerce, and a broad variety of emerging forms of digital consumer behaviour. comScore services, which now include the product suites of recent acquisitions Nedstat, Nexius XPlore, ARSGroup and Certifica, are used by more than 1,600 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!.

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