

APRIL 2009



The Global Online Media Landscape

Identifying Opportunities in a
Challenging Market



INSIDE:

- Short tail sites continue to rule
- Social media and video engagement deepens
- Mobile Internet use triples
- Select industries continue their online investment into the recession
- Online commerce strategies for retailers

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What Others Are Saying



"It's not about technology and wanting to be online constantly. It's about wanting to belong and be connected constantly."

Johan Jervoe, Corporate VP, Global Marketing, McDonald's Corp. (iMediaConnection, 10/16/08)



"This is an interesting time of constant change and innovation, and things will keep changing until we find equilibrium. Trying to understand online video today is like taking a Polaroid photo of a moving train—it's a blur. Every day we uncover a new behavior or figure out a cost issue."

Vivi Zigler, President, NBC Universal digital entertainment division, (Streaming Media, 4/09)



"Our business is all about giving gifts and reconnecting with the people we love. It's what social networking is all about. It seems to me that our brand should be able to figure out how to integrate with social networking in a way to drive our business and deepen our relationship with our customers."

Lewis Goldman, SVP of Brand Marketing, 1-800-Flowers (Adweek, 4/7/09)



"We can make more money in mobile than we do in the desktop eventually... and the reason is the mobile computer is more targeted. Think about it: you carry your phone, and your phone knows all about you...we can do a very, very targeted ad. Over time we will make more money from mobile advertising."

Eric Schmidt, Chairman & CEO, Google Inc. (CNBC – 8/13/08)



"The horse is certainly out of the barn. The Web has gained traction faster than any media in history and the question is NOT if the Web will dominate media but RATHER how are we going to monetize it in a manner consistent with or better than the way we have other media."

J Moses, CEO, UGO Entertainment



"We look at our Web business as a gold rush and it's all out there for the taking. And the marketer that's there first with great solutions and a Web site that's easy to get in and out of is the one that's going to win."

Bob Kraut, VP Marketing Communications, Pizza Hut, Inc (AdAge Digital Conference, 4/8/09)

EXECUTIVE SUMMARY

Surveying the Online Potential: Long-Term Growth and Weathering the Near Term

Discussing the trajectory of the online medium in the midst of an historic economic downturn is a perilous business. Assaulted every day with downward-facing red arrows, many of the indicators concerning all things digital veer to the negative:

- Online media's "favorite child status" (i.e. a long track record of outstripping the growth of every other medium by a wide margin) appears to have diminished over the last few months
- Online advertising by the Financial Services, Retail and Auto industries has shrunk at a dizzying pace over the last six months
- Online display advertising's share of revenue has plateaued at 20% of total online ad spend in the U.S., and no panacea appears to be on the horizon
- Despite online video's persistent positive buzz, actual usage is averaging around six minutes per day in the U.S.
- The social media trend is today's industry darling, but a monetization formula continues to elude the globe's brightest marketers

But even the most cynical observer has to be swayed by positive developments that define the longer-term opportunities for the online medium and the e-commerce channel:

- Around the globe the online population is looking more and more like the overall population meaning that in a few short years, online access has moved from being a luxury or something cool to an essential, basic requirement
- Packaged goods manufacturers, pharmaceutical companies and telecommunications firms, three of the largest historical spenders on traditional media, are moving online at a pace we haven't seen before, even as the recession continues to deepen
- The audience growth and engagement quotient of online video is forcing marketers to positively re-assess the value of the online experience
- Adoption of social networking capabilities, by both consumers AND corporations, has crossed the chasm in what appears to be the blink of an eye. In the age of Twitter, feedback barriers have all but disappeared, creating a near friction-free environment for playing back brand experience, campaign reactions or brand events

- Search continues to be an indispensable tool for all online denizens and opportunities for additional growth continue to emerge. Search across social media networks is the likely next opportunity for search engines
- Access to social networking sites via mobile devices almost tripled during 2008, largely due to rising smartphone penetration and improved network speeds. Increasingly consumers are turning to their phones for a wide range of online content

The Global Online Landscape Today

While 2009 will not be a banner year for online advertising revenues, online will once again outperform all other media. China will likely be flat to down, partially due to the global slowdown but more importantly because it will be hard to match the Olympics-related surge during 2008. The U.S. and Japan will be flat to up slightly. There will be pockets of significant (25+%) growth, but it will be limited to small-to-mid sized advertising countries such as Brazil, and throughout Eastern Europe and Southeast Asia.

The longer-term prospects for the global online medium continue to be bright. Led by social media, search, video and the continued online ramp up of the leading marketers, online's share of total advertising spend will continue its steady upward trend as we emerge from the current recession. And given the increased focus on all things digital by the leading packaged goods companies, online's share of commerce will continue to rise as well.

When all is said and done, brands see tremendous opportunity to increasingly exploit the digital environment to maximize brand-favorable media impressions, but they are starting to look at the mix more holistically. Consumer-generated content has gained inclusion into the "earned media" club of marketing preferences, and the big question going forward will be how paid and earned media share the marketing expenditure pie.



INTERNET AUDIENCE / USAGE TRENDS

Engagement Rising

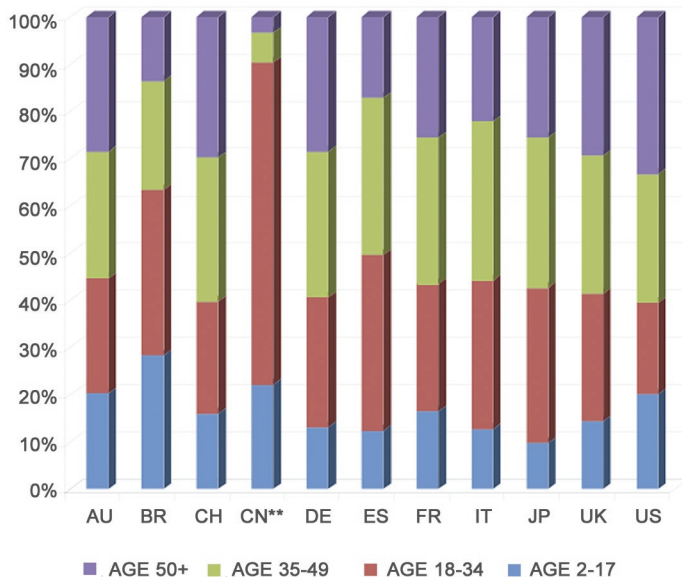
Exhibit 1: Global Active Digital Media Universe

	Active Digital Media Universe (millions)	Time Per Person	Web Pages Viewed Per Person (000)	Sessions Per Person	Total Minutes (billions)	Total Page Views (billions)
Australia	12	41:22:41	1.3	41	30	15
Brazil*	25	33:50:13	1.7	28	50	41
China**	298**	11:08:38	0.7	33	199	207
France	34	59:19:09	2.6	57	120	83
Germany*	36	37:48:29	1.8	36	82	63
Italy	21	46:14:59	2.2	39	58	44
Japan	56	59:01:37	2.1	48	197	111
Spain	24	50:37:52	2.2	44	72	51
Switzerland*	4	31:27:47	1.3	33	7	5
UK	35	56:04:48	2.3	46	119	78
US	167	61:11:56	2.4	57	613	386

Source: Nielsen NetView, 2/09 *Home only

**China Data Source: CR-Nielsen CR-NetRatings, 02/09. Browser based Reporting due to significant shared PC Usage (e.g. Internet Café) CNNIC 23rd Internet Statistics

Exhibit 2: Audience Demographics by Age Groups



Source: Nielsen NetView, 2/09 **Source: CR-Nielsen, MI, 2/09

The last fifteen years of online media can be viewed as a play in two acts.

Act I: Unabated Growth

The Internet's first act was all about novelty and growth, and the metrics tracked by the markets reflected that reality. From an audience perspective, it was all about growth, and the movement from slower, dial-up connections to persistent broadband connections was perhaps the single greatest cause for the acceleration in new users. Because of the "wild west" mentality, and as online adoption trends were so quick, sites were proliferating like crazy, and winners appeared around every corner. Back then, there were marked differences between the online universe and the overall population.

Act II: Return to Reality

The second act abruptly started when the dot.com bubble burst. Ever since then, the realities of the online world have changed, with the trends becoming more pronounced in the last few years. The pace of new online users has significantly slowed down, and the story has become about how much time people are spending online and what they're doing. While advertisers and marketers continue to search for the keys to the kingdom in reaching users online and selling more through the online channel, the task has become simpler because, for all practical purposes, the online universe and the overall population are looking more and more alike.

A Quick Look at Global Usage and Demographics

Exhibit 1 shows a variety of country stats regarding online usage. Americans spend the most time online during the month (a bit more than 2 hours per day), with users in France, Japan and the UK not far behind.

Age-by-Country Demographics

While the demographic-profile differences of users around the globe aren't that pronounced, there are some interesting observations (Exhibit 2).

The U.S. online population skews more to the age 50+ than the other countries listed, with the U.K. and Switzerland tied for second and Australia third. Brazil is more skewed to the youth (2-17) demographic, and China (CN in the chart in Exhibit 2) by a significant margin to the 18-34 segment.

Exhibit 3: Short Tail Shifts—Feb. 2003 v Feb. 2009

Shifting Interests over Time

Exhibit 3 speaks volumes about how interests of the average online user have shifted over the past six years. This chart examines site sub-categories whose reach was/is greater than 20% of the online population. Several points should be highlighted:

- Two "Web 1.0" sub-categories have disappeared: Shopping Directories and Guides (e.g. Yahoo! Shopping) and Internet Tools/Web Services (e.g. Microsoft Passport). Yahoo! Shopping still exists, but its reach has declined from slightly more than 21% in February 2003 to just under 10% in February 2009. Although Windows Live includes the core capabilities of MSFT Passport, it is no longer a stand-alone site
- The Member Communities category has changed dramatically. In 2003, GeoCities was the sole site within the sub-category that now includes Facebook and MySpace
- In one fell swoop, YouTube has enabled the Videos/Movies sub-category to leap to the head of the class
- Six new sub-categories rank among the largest sites. This highlights one of the more significant developments of online media's second act: a noticeable shift away from portal-oriented browsing to a preference for specialized content

What's up with the Long Tail?

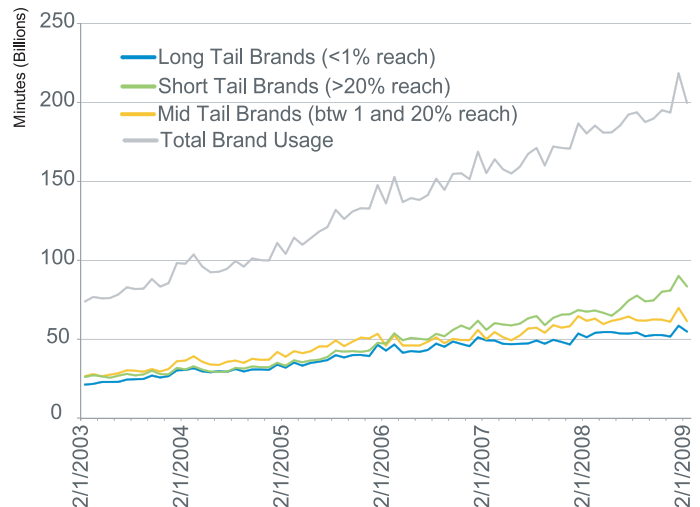
So if social media is the fastest growing Web phenomenon, why isn't there more growth in audience and engagement with the long tail? We've seen this before: in the late 1990s, we expected to see a proliferation of vertically-oriented content sites, but instead the leading portals gained in clout as consumers preferred to have "one-stop" online experiences. This time around, sites that are the heart and soul of social media (e.g. YouTube, Facebook and MySpace) have quickly graduated into some of the most significant short tail sites. So the long tail spirit is alive and well, but the locus of activity is currently centered in a few hugely influential sites (Exhibit 4).

Feb. 2003 Short Tail Subcategories	Feb. 2009 Short Tail Subcategories
General Interest Portals & Communities	General Interest Portals & Communities
E-mail	Member Communities
Classifieds/Auctions	E-mail
Search	Classifieds/Auctions
Software Manufacturers	Search
Mass Merchandiser	Videos/Movies
Shopping Directories & Guides	Software Manufacturers
Internet Tools/Web Services	Mass Merchandiser
Member Communities	Research Tools
	Weather
	Maps/Travel Info
	Apparel/Beauty
	Hardware Manufacturers
	Multi-category News & Information

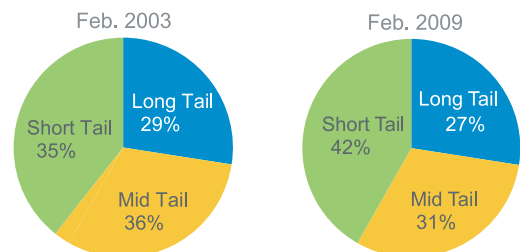
- Member Communities shift from one site (Geocities) to Social Networks (Myspace.com and Facebook)
- Two "Web 1.0" sub-categories drop from "Short Tail" segment
- As one of largest sites on the Internet, YouTube propels Video/Movies into "Short Tail" segment
- Six new sub-categories show diversification of sites: shift from portal-oriented browsing to specialized content

Source: Nielsen NetView

Exhibit 4: "Short Tail" Growth

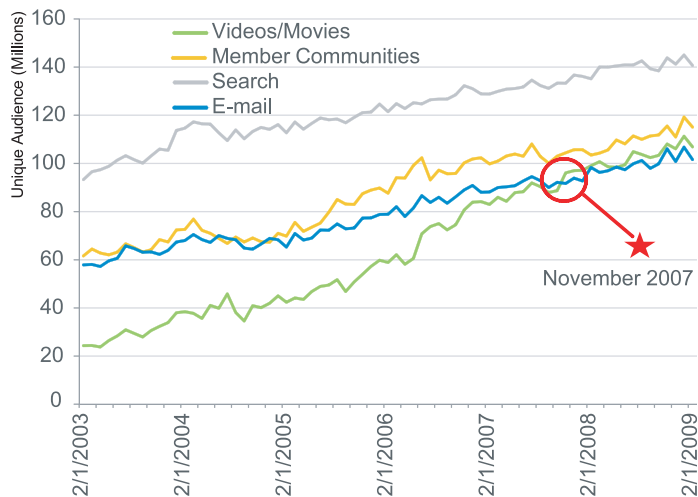


Segment	2/03 vs 2/09	2/08 vs 2/09	6-year CAGR 2/03-2/09
Total	170%	11%	18%
Short Tail	220%	24%	21%
Mid Tail	131%	0.4%	15%
Long Tail	158%	7%	17%



Source: Nielsen NetView

Exhibit 5: Audience Utilities, Video and Social Media



Segment	2/03 vs 2/09	2/08 vs 2/09
Video	339%	8%
Member Communities	87%	11%
Search	50%	4%
E-mail	76%	3%

★ November 2007: First month that video audience exceeds e-mail audience

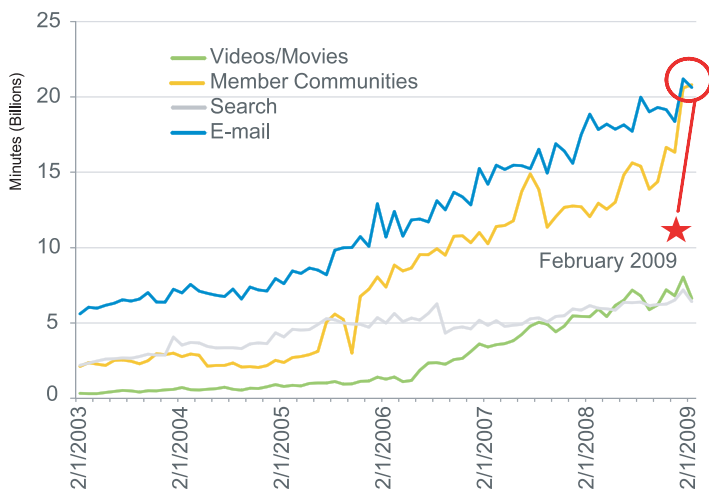
Source: Nielsen NetView

Video and Social Media Lead The Way

It is rare to see segments significantly grow from BOTH an audience and an engagement standpoint, but we are seeing exceptional growth over the last couple of years in both video and social media sites.

While Member Communities have been garnering impressive audience numbers for the last five years, video audiences have been growing at meteoric rates, surpassing e-mail audiences in November 2007 (**Exhibit 5**). And from a time spent perspective, Member Communities surpassed e-mail for the first time in February 2009. Video has been running neck and neck with search for the last year or so (**Exhibit 6**).

Exhibit 6: Time Spent Increase, Video and Social Media

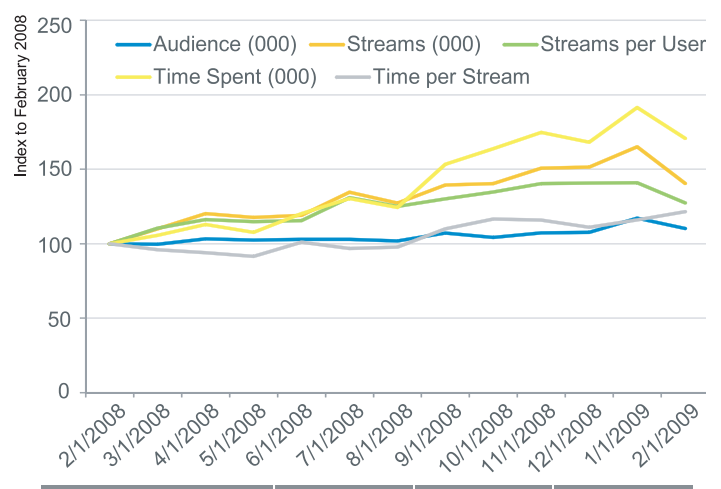


Segment	2/03 vs 2/09	2/08 vs 2/09
Video	1,905%	23%
Member Communities	883%	73%
Search	193%	4%
E-mail	268%	9%

★ February 2009: First month that social network (member communities) usage exceeds that of email

Source: Nielsen NetView

Exhibit 7: Year-over-Year Increases in Video Usage



Metric	Feb 2008	Feb 2009	% Change
Minutes (000)	12,647,342	21,600,555	71%
Streams (000)	6,333,326	8,897,943	41%
Streams per User	54.7	77.1	27%
Minutes per Stream	2.0	2.43	22%
Unique Viewers (000)	115,799	127,613	10%

Source: Nielsen VideoCensus

Long-Form on a Roll

In the previous section, we highlighted online video's growth in audience and time—clearly one of the big stories of 2008. But the video story begs for more granular analysis: **Exhibit 7**, shown on the previous page, tells a story of significant growth for all metrics. From February 2008 to February 2009, the viewers of online videos grew 10%, the number of streams grew 41%, the streams per user grew 27% and the total minutes engaged with online video grew 71%.

Accessing videos online has gone mainstream at an extraordinary pace. Are there any demographic groups that are more likely to consume online video than others? The answer is no (**Exhibit 8**). This table ranks the most heavily used video sites by Males 18-34, Hispanics and Moms—the most salient observation is the ubiquity of online video's presence across all of these niche sites.

From an audience standpoint, YouTube continues to dwarf all other video sites in February 2009. But the growth in the early part of 2009 appears to be centralized among sites that host long-form videos: note the growth from January among sites like hulu, NBC Universal, ABC.com, Turner Sports and CBS Entertainment (**Exhibit 9**). In fact, one of the more interesting trends in online video is the increasing attraction to long form videos: the total minutes spent watching long-form (average of six-to-eight minutes) is considerably more than minutes spent on short-form, and has grown about 20% in the first two months of 2009.

Exhibit 10 ranks what sites or distribution networks are accessed the most for stream viewing. While YouTube tops the list again, rounding out the top five are Comedy Central, Nickelodeon, Blinkx and hulu. Two of the fastest growing sites are Rockband.com, a popular game permeated with videos, and Marvel which is likely growing due to users seeking updates on Wolverine.

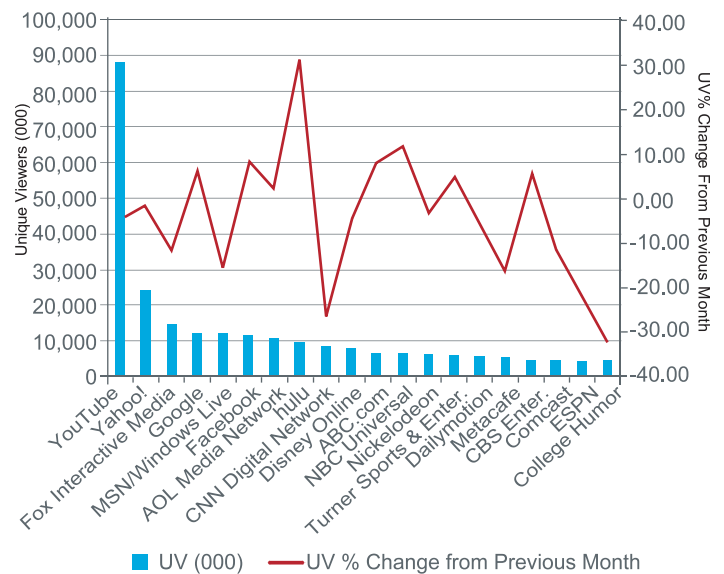
Drilling down to time spent data tells a completely different story. Here, YouTube is quite a bit farther down the list. Netflix is at the top, once again pointing to the trend towards longer-form videos. One of the fastest growing sites from a time spent perspective is c-span.org, likely a beneficiary of the transfer of power to President Obama (**Exhibit 11**).

Exhibit 8: Demographic Profile Slides

M18-34			Hispanic			Moms		
	UV Comp	UV Index		UV Comp	UV Index		UV Comp	UV Index
World Star Hip-Hop	59	544	Batanga Network	77	748	essence.com	35	290
Giant Realm	53	490	Univision.com	73	705	Knittinghelp.com	31	260
MachoVideo.com	53	487	Scholastic	48	462	PBS KIDS Sprout	30	255
Vuze	50	463	Timlinden.com	46	442	Hit Entertainment Network	30	253
Major League Gaming	49	451	Belo Newspapers	42	411	Prevention	29	243
DatPiff	48	443	Guardian.co.uk	40	385	Varsity.com	28	237
iG	46	427	Kelley Blue Book	35	340	New York Post Holdings	25	206
Space.com	44	411	Gawker Media Network	35	336	TeacherTube	24	200
World Series of Poker	44	411	VuReel	34	329	Oxygen Media	23	194
Wired Digital	44	406	America Free TV	33	327	SIM Automotive Websites	23	193

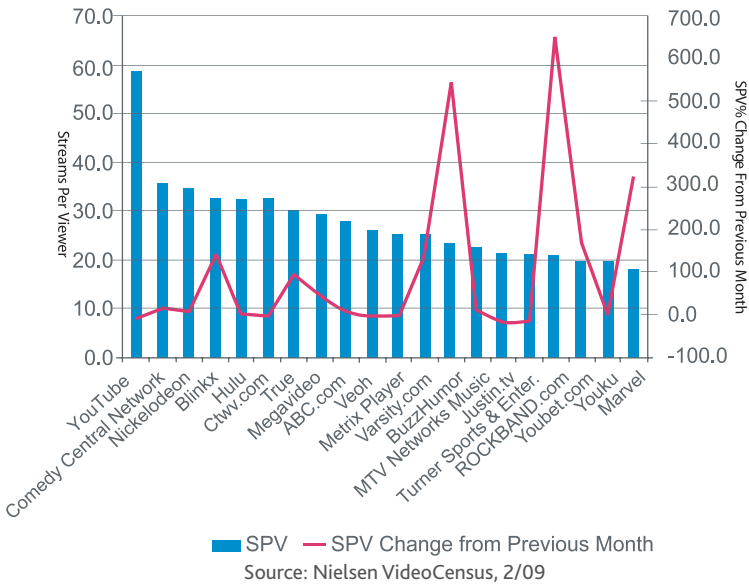
Source: Nielsen VideoCensus

Exhibit 9: Long-Form Video Sites, Unique Audience



Source: Nielsen VideoCensus, 2/09

Exhibit 10: Streams Per Viewer, Top Sites

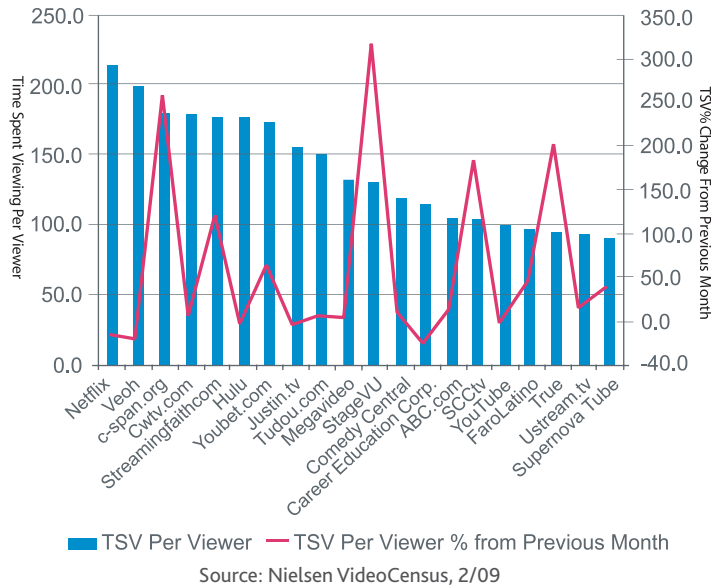


Cross Media Perspectives

The story within the story of the emerging market for online video is in understanding the interplay between viewing video online and TV viewership. As recent studies show that the amount of time that consumers spend watching TV continues to grow (now 5.5 hours per day), how likely is it for online viewership to take audience away from TV? And how can we compare and contrast the user experience when viewing content on TV vs. online video?

Exhibit 12, derived from recent Nielsen TV and Online fusion studies, compares a day of primetime network television audience for each of the major broadcasters with video usage to the Web sites of each of the broadcasters. Based on this analysis, as well as other fusion studies, a few points around cross-media video usage become clear. First, the duplication levels for TV programs and their corresponding online video streams tend to be relatively low, with internet adding approximately 2% additional reach in a given month. Also, there is no evidence that the Internet is cannibalizing TV use. In fact, Nielsen studies have shown that high consumers of TV are also high consumers of the Internet: high-intensity media consumers are high-intensity media consumers regardless of media type.

Exhibit 11: Time Spent Per Viewer, Top Sites



Engagement

Regarding engagement, Nielsen IAG data indicate that the advertising impact of the Internet can add 15 points of lift above TV in terms of brand recall and 18 points of lift in message recall. So, not only is the Internet adding incremental reach to a TV media buy, but it is also creating significant additional effectiveness (Exhibit 13).

Exhibit 12: Comparing Network and Internet Reach

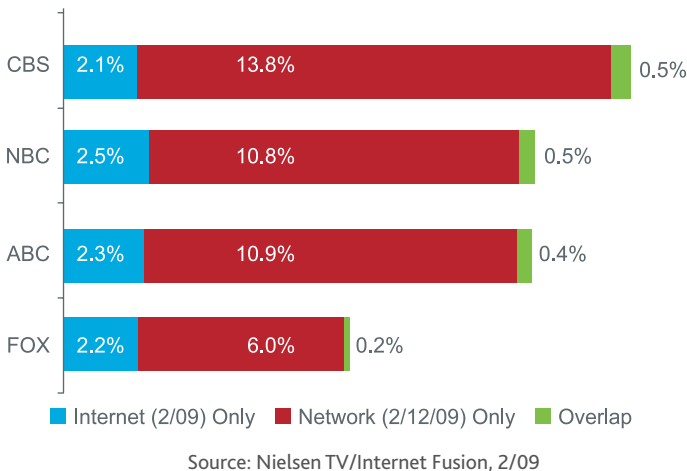
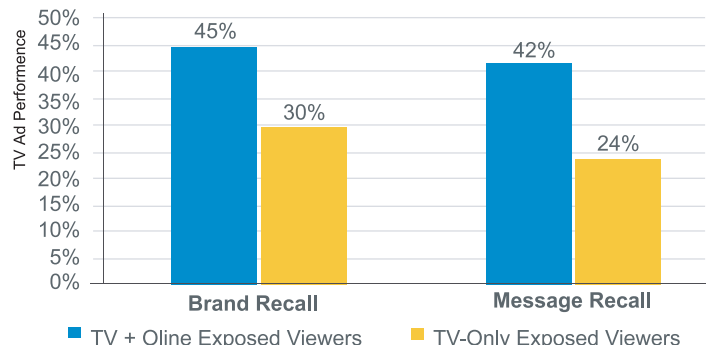


Exhibit 13: Comparing TV and Online Recall





THE BIG STORY: SOCIAL MEDIA

Exhibit 14: Social Networking is Big

The meteoric growth in social media is the single most significant story in the online media space today. As we discussed on page 6, the numbers speak for themselves: the continuing growth in audience and engagement are like the bullet train that could.

On the other hand, the implications of the social media phenomenon for marketers and publishers far outweigh the impressive metrics: the world's leading marketers are realizing that at the heart of the social media movement lies a method to transform the manner in which brands communicate with their consumers. We may be on the cusp of a disintermediation that the advertising world hasn't yet experienced.

What the Numbers Show

Social networking sites ("Member Community" sites) eclipsed E-mail in global reach at 68.4% vs. 64.8% in February 2009. And even more significant, in only the first few months of 2009, the reach of these sites is growing at a brisk pace, faster than any other online sector (Exhibit 14).

Country-by-Country Growth

It is also intriguing to note how quickly this phenomenon is growing on a country-by-country basis. The reach is highest in Brazil (80%) but growing fastest in Germany (from 39% to 51% in one year). Growth is also brisk in the U.K. and Italy (Exhibit 15).

Most Popular Sites by Country

While Facebook is gaining significant momentum just about everywhere, other sites appear to have a lock on social networking preferences in several countries. For example: Orkut rules the roost in Brazil, Mixi is the leader in Japan, and Stay-friends, Wer-kent-wen and StudiVZ are currently the top three social networking sites in Germany.

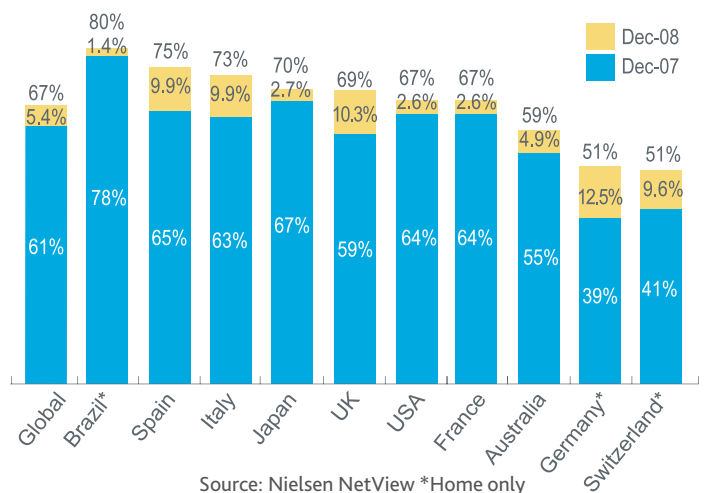
Twitter: The Newest Big Thing

The steady upward march of micro-blogging site Twitter will likely be the biggest online media story this year. Exhibit 16 takes an interesting look at the relative buzz about the big three social networking sites: MySpace, Facebook and Twitter. Conversations around Facebook surpassed MySpace in late 2008 and early 2009, while conversations around Twitter surpassed Facebook during March and appear to be stretching their lead in the year ahead.

Rank	Sector	Global Active Reach (Dec 08)	Global Active Reach (Feb 09)	% 2 month point Change
1	Search	85.9%	86.4%	0.5%
2	General Interest Portals & Communities	85.2%	86.2%	1.0%
3	Software Manufacturers	73.4%	72.8%	-0.6%
4	Member Communities	66.8%	68.4%	1.6%
5	E-mail	65.1%	64.8%	-0.3%

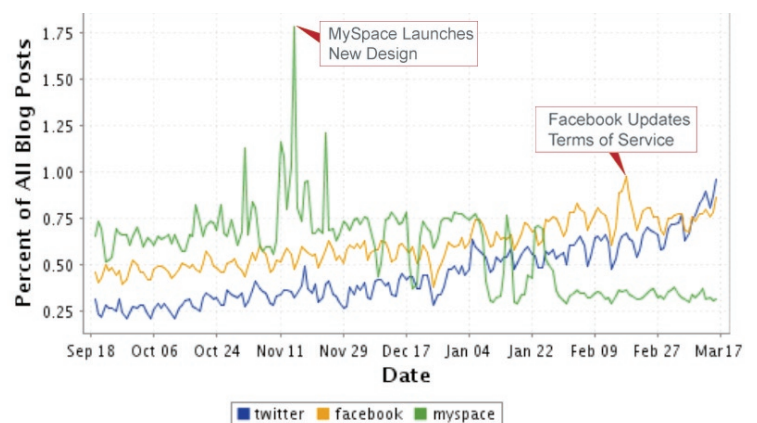
Source: Nielsen NetView

Exhibit 15: Social Networking is Big...Everywhere



Source: Nielsen NetView *Home only

Exhibit 16: Twitter Buzz



Source: Nielsen BuzzMetrics

Exhibit 17: Social Media Moms

	Female 18+ Index	Experienced Mom Index	New Mom Index
Visited social networking site	119	122	286
Publish/Own a Blog	109	123	270
One+ Social Networking Profiles	101	109	184
Visited blogging site	92	132	235
Visited both blogging site and social networking site	98	110	262

Becoming a mother is a dramatic inflection point and drives women to the Web in search of advice and a desire to connect with others in her shoes.

Source: Nielsen @Plan, Spring 2009

Exhibit 18: Top Visited Sites...

Top Visited Sites Among Females, 40-50, Household Size: 3-4		Top Visited Sites Among Females, 25-35, Household Size: 1-2	
Shopzilla.com Network	192	Target	276
Target	160	Craigslist	253
Wal-Mart Stores	155	Blogger	227
Glam Media	147	Wal-Mart Stores	227
Amazon	135	Amazon	187
AOL Instant Messenger	129	Facebook	185
AOL Media Network	122	Wikipedia	184
Wikipedia	121	eBay	178
Yahoo! Mail	117	Yahoo! Mail	162
eBay	116	Myspace.com	160
Facebook	114	YouTube	142
Myspace.com	112	AOL Media Network	140

Source: Nielsen @Plan, Spring 2009

Beyond the Numbers

The profound impact of the social media phenomenon far outweighs the story told by the numbers. The rules of customer service and customer outreach in general are being re-written as a result, and it won't be long before the new "best-in-class" corporate social media adoption stories are told. In the meantime, there are three examples worth exploring.

1. How communities of interest have gained clout never before considered possible
2. How market research as we know it will be enriched and redirected
3. How advertising campaigns will forever be changed

Fast-Tracking Communities: Moms

Exhibit 17 shows that Moms of all sorts, and in particular New Moms (younger, one child), are much more likely to visit social networking sites and publish or own a blog than most other online users.

Delving into the digital behavior of Moms (Exhibit 18) tells us more about the transformational role of social networking. Social networking plays a prominent role with Mothers aged 25-35 with at least one child at home. In addition to e-mail, they are 85% more likely to spend time with Facebook compared to the average online consumer.

"Power" Moms aged 39-54 are only 23% more likely to post comments on a social network. While "Established" Moms (aged 40-50 with 3+ children) are heavy online shoppers who stay connected via e-mail and dabble in social networking. Moreover, according to Facebook, women aged 40-50 in the home are the fastest growing demographic group on the site.

Social Media's Impact on Traditional Research Methods

We recently presented findings of our "Listening vs. Asking: Contrasting Consumer-Generated Content and Surveys" study, which proposes a new methodology for combining the best elements of survey ("Asking") and CGM-based ("Listening") research methods. Researchers are starting to understand that listening to consumers by mining the growing volume of conversations on blogs, boards and networking sites can provide timely, penetrating insights on a wide range of issues.

A series of parallel studies demonstrate that both surveys and listening are often required to tell a complete, accurate story. Surveys provide a sense of size or magnitude but are not ideal for capturing the passion or intensity surrounding an issue. "Listening" collects both the magnitude and intensity that are essential to capturing the "energy" associated with consumer beliefs. Perhaps the most significant finding of this investigation is that when it comes to deciding the best course

of action to pursue in the marketplace, understanding intensity can be just as important as understanding magnitude.

Social Media's Impact on Advertising

While advertising creative and copy has always been tested to anticipate consumer reaction and avoid unanticipated gaffes or missteps, social networking sites have ushered in an entirely new reality. Looking forward, marketers will ignore these communities at their own peril.

Case in point: The fast and furious reaction to a misguided Johnson & Johnson's Motrin ad must have set a new record for consumer reaction time. The Brand Association Maps below show how consumers referred to the brand before and after the crisis (Exhibit 19).

Honda's recent campaigns for the new Insight appear to be super-charged with a heavy dose of CGM input. The ad below actually includes a blogger's comment front and center in the ad. And the ads from early this year include components that have been discussed on auto blogs, including a green background connoting eco-friendly attitudes and interior views (Exhibit 20).

Exhibit 19: J&J / Motrin Ticks Off Twitter Moms

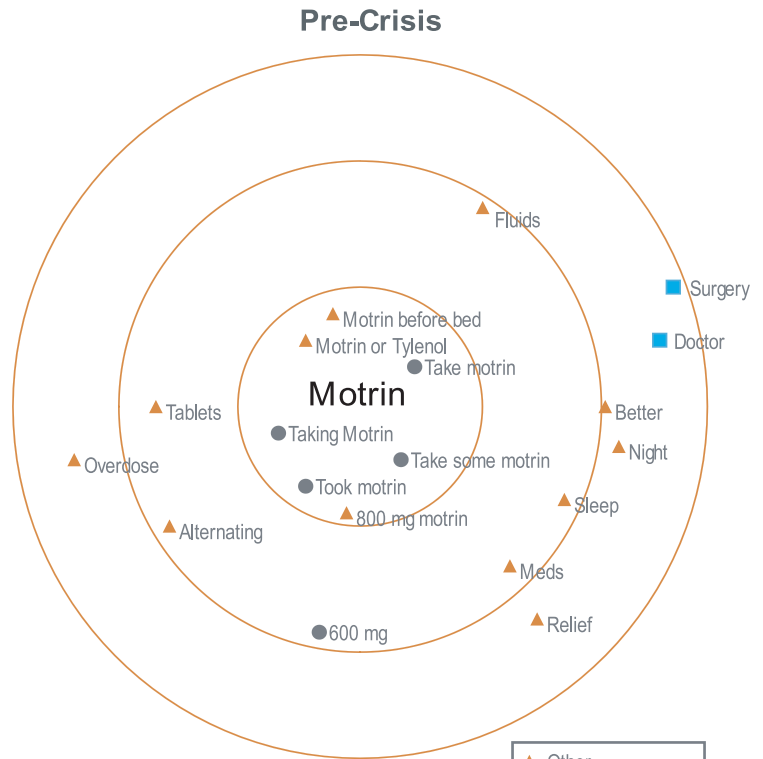
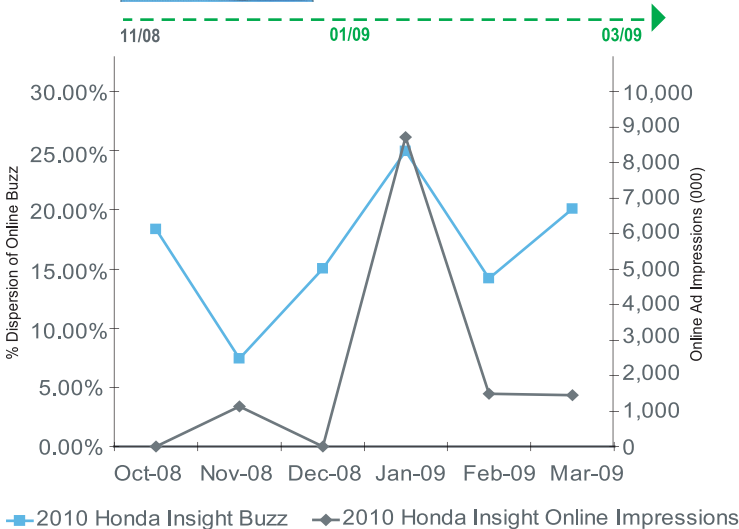


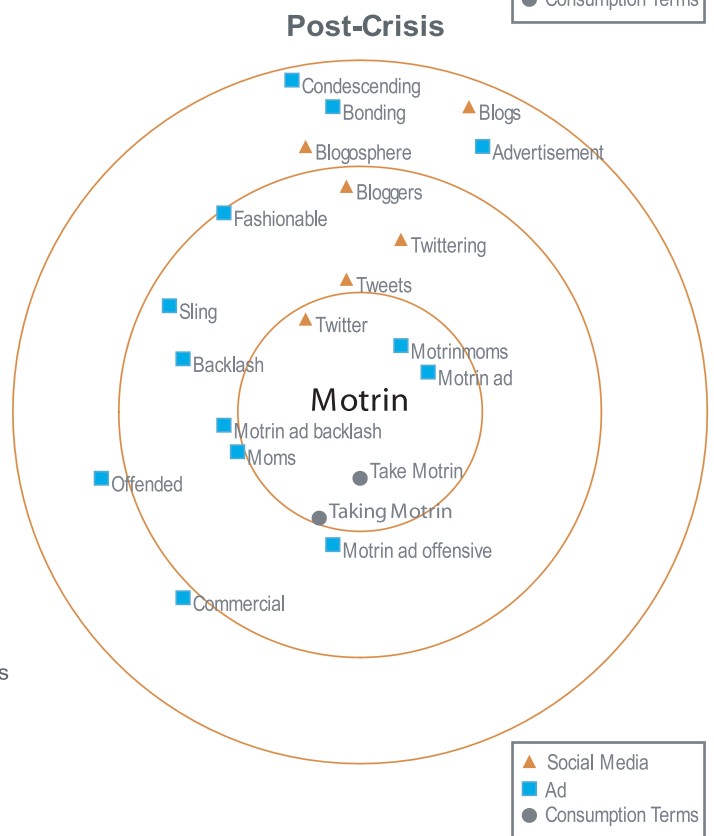
Exhibit 20: Incorporating CGM: Honda Insight



Strengths:

- Timing of ads with debut
 - Inclusion of buzz in ads
 - Listening – using online buzz topics to drive ad creative
- Green ad color signifies being environmentally friendly

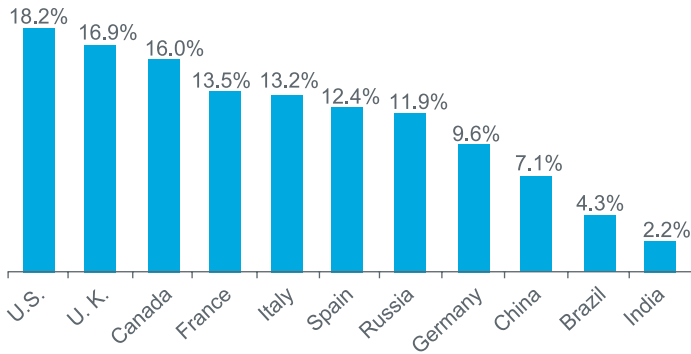
Source: Nielsen BuzzMetrics



Source: Nielsen BuzzMetrics

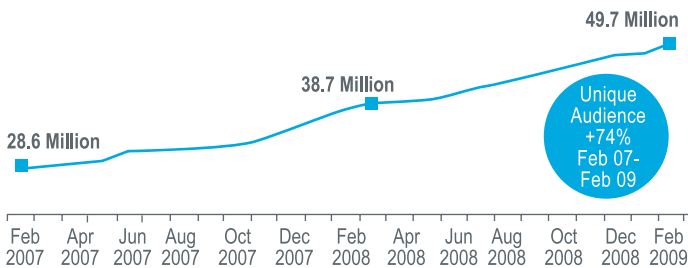
Global Access on the Go

Exhibit 21: Mobile Internet Penetration by Market



Source: Nielsen Mobile. Mobile Internet penetration amongst mobile subscribers. Latest estimates (US, February 2009; EU, Q1 2009; Canada Q4 2008; BRIC Q1 2008).

Exhibit 22: U.S. Mobile Internet Users (in Millions)



Source: Nielsen Mobile

Any discussion about online audience behavior would be incomplete without understanding the mobile dynamic. In the U.S. today, nearly 50 million mobile subscribers access the Web via their devices on a monthly basis. In the U.S., the mobile Internet audience grew 74% between February 2007 and February 2009 (Exhibit 22). Internationally, the U.S. is one of the leading markets for mobile Internet penetration, with more than 18% of subscribers accessing mobile Web (Exhibit 21). This is the highest penetration of mobile subscribers among the markets Nielsen reports mobile Internet adoption, followed by the U.K. where nearly 17% of subscribers used mobile Web in Q1 2008.

Smart Phone Adoption and Mobile Consumption Takes Off

The accelerating adoption of the mobile Web is explained by three main trends:

1. The proliferation of smartphones
2. The expanded availability of unlimited data packages
3. An increasingly compelling consumer experience, benefiting from 3G network speeds that can be as much as six times as fast as their 2 and 2.5G predecessors, as well as optimized mobile Web experiences from major publishers

Penetration of smartphones doubled between Q4 2007 and Q4 2008, from 7% of U.S. mobile subscribers to 14%. Penetration of faster 3G devices now stands at 37% of handsets in use in the U.S., greatly improving the functionality of the mobile Web.

The most talked about handset, the iPhone, had a U.S. audience of 5.1 million unique users in January 2009. Though this still represents just a fraction of the mobile universe, the device has had an undeniable halo effect on mobile media adoption. Further, iPhone users are unique in their use – a hint at the mobile media behaviors of users of next-gen phones to come. iPhone users, for instance, are more than four times as likely as a typical subscriber to use mobile Internet, six times as likely to use mobile applications and six times as likely to consume mobile video.

The Mobile Long Tail

There's an increasingly broad range of content consumed over mobile Web. While many initially expected the platform to be dominated by e-mail, news and weather, our latest U.S. mobile Internet research reveals a long tail of content interest. Portals, e-mail, weather and news do garner audiences of more than 20 million unique mobile users each, but categories such as food and dining, travel, and health and fitness also attract millions of mobile Internet users each month (**Exhibit 23**).

Social Media to Go

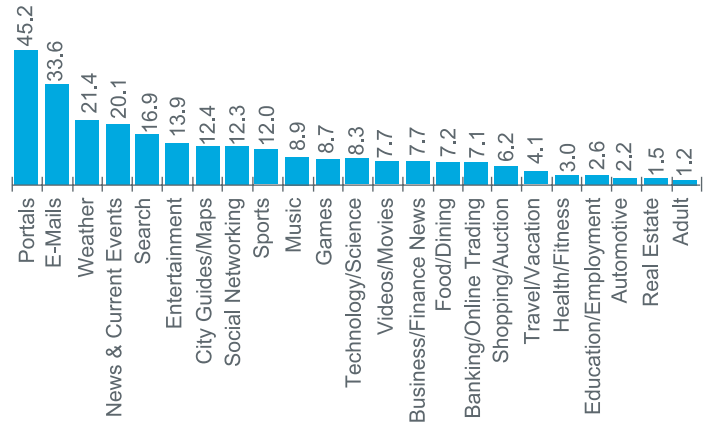
One of the most important categories of mobile Web use today is social networking—important not just because more than 12 million U.S. mobile subscribers access their social networks over their phone, but because social networking has the potential to be a bridge category that draws even more subscribers into the mobile Web experience. At the end of 2008, Facebook was just slightly ahead of MySpace in terms of unique mobile users: 7 million compared to 5.7 million. Mobile usage of social networking sites grew 260% during 2008 in the U.S. (**Exhibit 24**).

Mobile Advertising

While mobile media audiences have grown steadily in recent years, advertiser use of the platform remains primarily experimental. Still, exposure to mobile advertising is up. In our latest study of consumer reaction to mobile advertising in the second quarter of 2008, we found that 30% of U.S. mobile subscribers recalled seeing some form of advertising while using their mobile phone, up from just 18% one year prior.

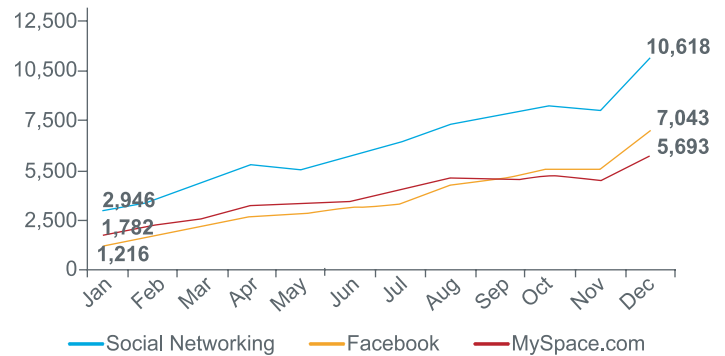
As consumers look to do more on their phones while maintaining or perhaps decreasing their overall wireless spend, we expect that consumers will continue to warm to the idea of ad-supported mobile content. Regulation and privacy concerns remain, however, and misuse of the platform could still lead to a wider consumer rejection of mobile as an ad medium. The need to tread delicately and add utility to the mobile experience through marketing engagement remains paramount to the growth of the medium from an ad revenue standpoint.

Exhibit 23: U.S. Mobile Internet Users by Category (in Millions), February 2009



Source: Nielsen Mobile

Exhibit 24: Mobile Social Networking (U.S.), Unique Audience



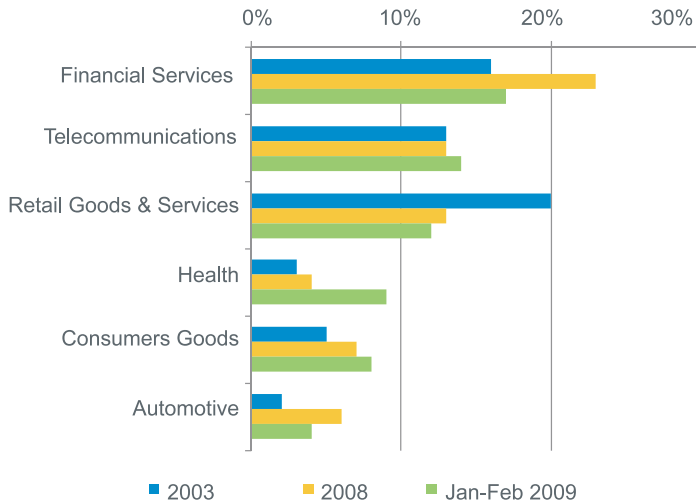
Source: Nielsen Mobile



ONLINE DISPLAY ADVERTISING

Traditional to Online Shift Keeps Display Alive

Exhibit 25: Share of Impressions By Industry



Source: Nielsen AdRelevance, 2/09

Exhibit 26: Top Company Advertisers

Industry	Company	Impressions
Telecommunications	Vonage Holdings Corp	9.9B
Health	Medifast, Inc.	7.6B
Financial Services	Scottrade, Inc.	7.5B
Retail Goods & Services	Netflix, Inc.	5.5B
Automotive	Toyota Motor Corporation	1.5B
Consumer Goods	PepsiCo Inc.	1.5B

Source: Nielsen AdRelevance, 2/09

Funeral dirges for online display advertising were heard throughout 2008, and things went from bad to worst in the fourth quarter when the bottom fell out of the economy and all forms of advertising were hammered. As the dreary holiday season came to a close and 2008 ended with a wimper, many were wondering if the days of online advertising's favorite child status may be at an end.

Well, the full year 2008 IAB numbers are in and while many other metrics registered all time worst numbers, online advertising overall did a bit better than the doomsday sayers thought. Q4 showed a 4.5% uptick from Q3, and a 2.6% increase from Q4 2007. And for the full year, online ad revenues grew more than 10%. Despite the slightly-better-than-expected year-end performance of online advertising, the true impact of the deep recession will be told in the 2009 numbers.

The IAB numbers show that within the overall numbers, search's share continues at around 45% and display advertising's share continues to be pegged at around 20%. And while pessimism regarding the future of online display advertising continues to run rampant, the numbers we see point to some positive trends. In the same way that we observed the changing trends in online usage, it is notable that several industries are significantly stepping up their involvement with the online medium—including industries that consistently led spending in traditional advertising over the last 30 years. At the same time, several industries' wings have been clipped as a result of the market meltdown.

Exhibit 25 zeroes in on six industries that highlight the current highs and lows of online display advertising. Three industries have grown since early last year (Healthcare, Consumer Products and Telecommunications), and three industries have declined (Financial Services, Auto and Retail Services). Exhibit 26 lists the largest display advertiser for each of these industries during February 2009.

Exhibit 27: Impressions, Top Financial Services Brands

Financial Services Advertisers

Over the last five years, financial services advertisers have dominated the online display advertising field, but their retreat has been fast and furious early this year. **Exhibit 27** points to the fact that the Top 10 financial services online advertisers pulled back their impressions count by a staggering 75% from early 2008 to early 2009.

While auto advertisers were one of the industries who were slower to jump into the online fray, their trajectory was similar: a significant increase through 2008, but a retreat early this year. And finally, retail advertisers are continuing their downward trend.

Healthcare Advertising Alive and Well

The online display ad declines in financial services, retail and auto could certainly be expected by the unusually difficult external economic conditions. But who would have forecast that the healthcare industry, one of the largest broadcast, cable and print advertisers, would have moved so aggressively online over the last year? And early results for 2009 indicate that their foray into the online space is continuing unabated (**Exhibit 28**). The current burst in online display activity is led by Medifast, Inc. whose weight-loss ads increased throughout 2008 and ramped-up considerably late in the year. The rest of the industry is picking up as well, including ads by Waterfront Media (Jillian Michaels), Weight Watchers, Glaxo SmithKline (alli), P&G (Vicks), Bausch & Lomb (Crystalens), and Johnson & Johnson (Acuvue).

Top 10: Impressions by Brand in Financial Services Industry During Jan-Feb 2008

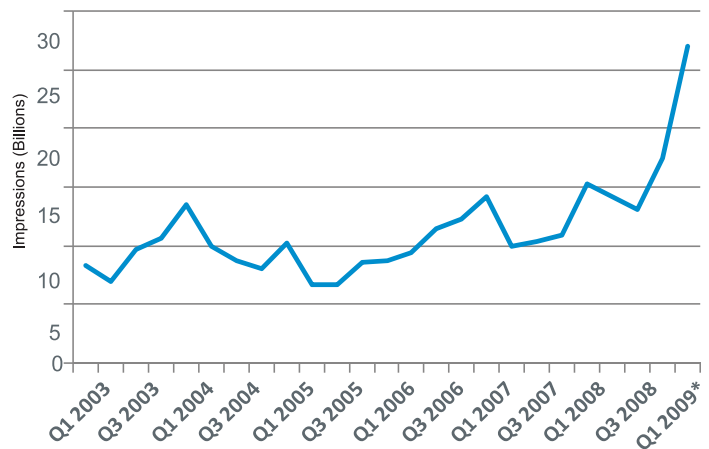
Brand	Impressions
LendingTree.com	7,102,587,000
GetSmart	3,146,130,000
LowerMyBills.com, Inc.	2,079,711,000
ConsumerInfo.com	1,546,808,000
Citibank, N.A.	1,163,221,000
Orchard Bank	785,641,000
Washington Mutual, Inc.	718,657,000
Countrywide Home Loans, Inc.	571,346,000
GMAC Mortgage	333,794,000
Household Bank	275,064,000

Top 10: Impressions by Brand in Financial Services Industry During Jan-Feb 2009

Brand	Impressions
LowerMyBills.com, Inc.	1,968,822,000
ConsumerInfo.com	869,059,000
Citibank, N.A.	630,858,000
TrueCredit	357,224,000
LendingTree.com	203,927,000
Travelers Insurance	166,594,000
Countrywide Home Loans, Inc.	149,095,000
Allstate	118,959,000
Citi Credit Cards	99,322,000
MBNAmerica Bank	63,704,000

Source: Nielsen AdRelevance

Exhibit 28: Healthcare Advertising Online



*Q1 2009 includes estimates for March 2009

Top 10: Ad Impressions by Company in Health Industry During Jan-Feb 2009

Brand	Impressions
Medifast, Inc.	7,600,258
Weight Watchers	1,988,735
Waterfront Media, Inc.	900,054
Sensa Products	599,890
Rodale, Inc.	551,905
NutriSystem, Inc.	415,327
Kaiser Permanente	398,303
Medical Hair Restoration	366,752
Lilly ICOS	318,775
GlaxoSmithKline	316,757

Source: Nielsen AdRelevance, 2/09

What to do About Web Advertising's Lack of Recall?



John Burbank, CEO,
Nielsen Online

Want a firsthand lesson in the health of the Internet? Ask a friend a simple question: "What's your favorite online ad?"

Chances are they'll have a tough time giving an answer. Some may mention a dancing girl seducing you to refinance a mortgage; others may bring up one of the online executions of the Mac vs. PC television campaign.

But many people cannot recall any online advertising, despite all the time each of us spends on the Web and the thousands of ads we've all seen.

Why isn't there more memorable advertising on the Web? The answer is multifaceted, but the bottom line is simple: While the Web is working fine for search and direct response advertisers ("What's your credit score?"; "Rent from Netflix!"), it has yet to blossom for products that aren't regularly searched for or purchased online.

So, what is to be done?

First, sites must devote better — not necessarily more — real estate to advertising, and reduce page clutter. As long as publishers offer small ads in a cluttered environment, advertisers will continue to invest elsewhere.

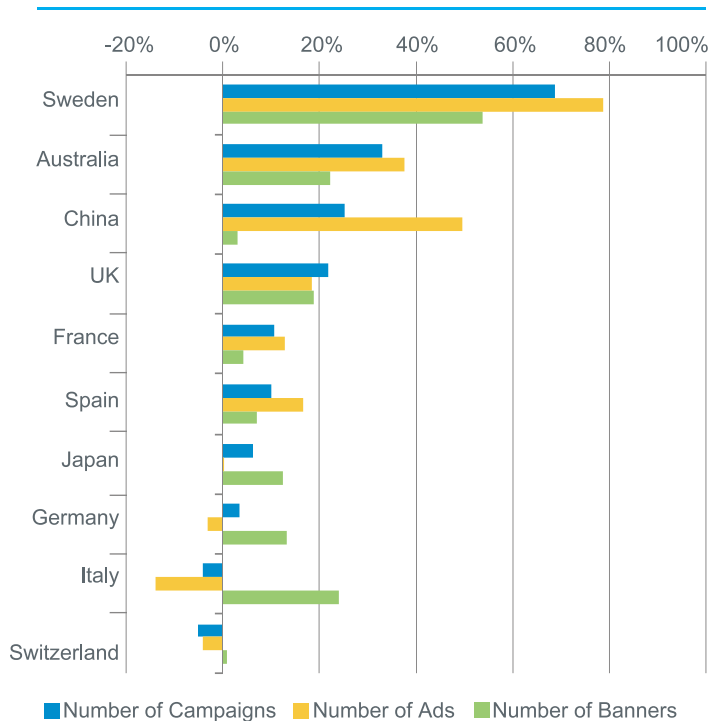
Second, publishers need to consider selling on the basis of time, not just impressions. A small ad blinking away for a few seconds may be optimal for direct response advertising, but it won't help Oil of Olay convince you of the benefits of its latest age-defying formula. Sure, video advertising may help solve this in the future, but it cannot drive enough revenue to support the rest of the Web. And frequency — showing the same weak ad 12 times — doesn't make Web advertising more compelling.

Lastly, the industry must avoid pinning shortfalls in revenue on the bad economy. Sure, the economy will have some effect. But unless more of us can easily name our favorite online ads, the problem is clearly more fundamental. Let's use 2009 as the year to set the Web on the right course for long-term profitability by improving its effectiveness for brand advertisers.

Online Ads Increase Worldwide

When scanning the globe, the country-by-country online advertising experience is a true patchwork quilt. The Scandinavian countries, Australia and China are clearly in the fast lane, while U.K., France, Spain and Japan are moving ahead but at a slower pace. Germany, Switzerland and Italy are barely growing, and the Benelux countries appear to be moving backwards. It's clear that the global economic downturn is having an effect on all markets, and while online ad volumes appear to be brisk in some quarters, online ad rates are under such pressure that many advertisers are finding that rates from publishers are essentially rates they're receiving from ad networks. As many of these international markets are starting from a significantly lower base of online advertising, their growth rates will outstrip the U.S. in many cases as the global economy picks up again.

Exhibit 29: Online Advertising Increases Worldwide



Source: Nielsen AdRelevance, 2/09

Areas of Growth Represent Future Opportunities

While retailer display online advertising presence is declining, the online retail channel continues to grow, even in the midst of the market downturn. The leading online sales categories continue to be apparel, home & garden, consumer electronics, computer hardware, office supplies and toys, games & hobbies.

Perhaps one of the most significant e-commerce developments is that the large packaged goods manufacturers are focusing on the online channel more than ever before. For many reasons the CPG industry has been slow to embrace the online medium, but this appears to be changing (Exhibit 30).

As packaged goods manufacturers seek ways to sell directly to consumers online, the challenges to retailers continue to mount. Retailers can respond in several ways.

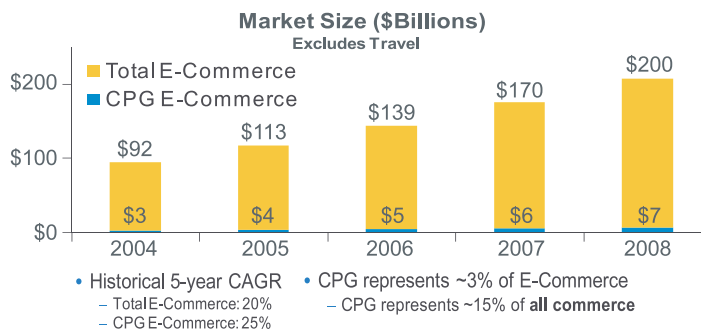
Though convenience remains the key reason consumers shop for packaged goods online, the popularity of coupon sites is growing significantly. This is being driven by two factors:

1. Consumers are looking for deals in a tough economy, whether they intend to make the purchase online or offline
2. With declines in newspaper circulation, a key channel for distribution of printed coupons, manufacturers and retailers are looking for new ways to move product volume (Exhibit 31).

Online Circulars

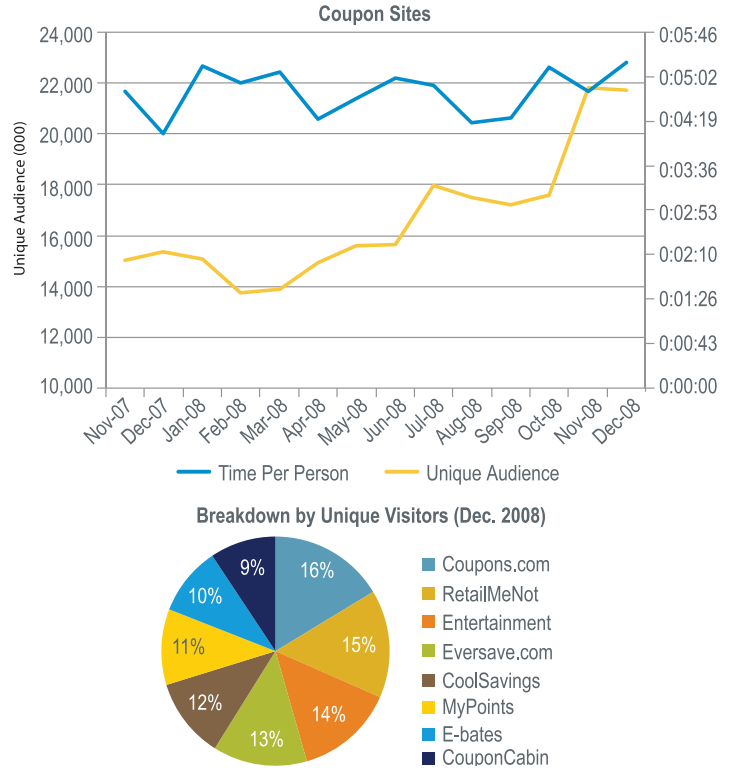
Driven by similar forces, online circulars have been growing in traffic as brick and mortar retailers seek to drive online shoppers into the store. November is traditionally the peak month for traffic to circular sites, driven by Black Friday. Despite the recession circular sites still drew a 26% increase in traffic in November 2008 relative to 2007 (Exhibit 32).

Exhibit 30: Market Dynamics: CPG Under-Developed Online



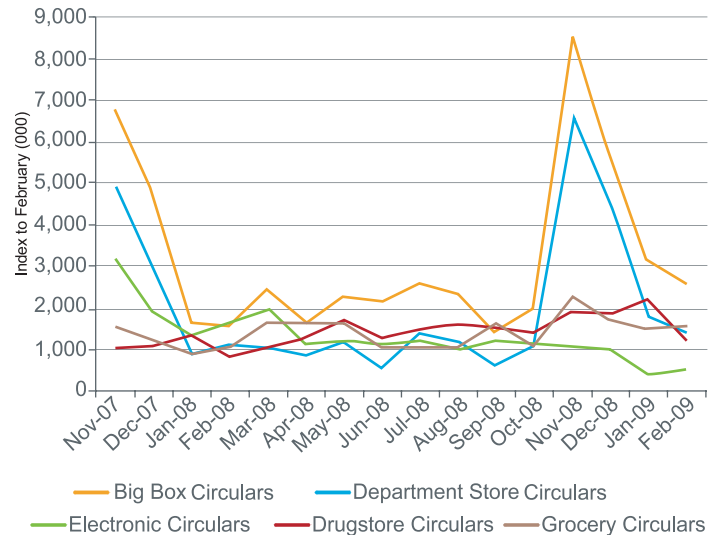
Source: Nielsen custom analysis, including Forrester, Internet Retailer, U.S. Census data

Exhibit 31: As Newspaper Circulation Declines, Visitation to Online Coupon Sites has Grown



Source: Nielsen NetView

Exhibit 32: Traffic to Circulars has Been Growing



Source: Nielsen NetView

Exhibit 33: Using Search to Drive Circular Traffic: Stop & Shop

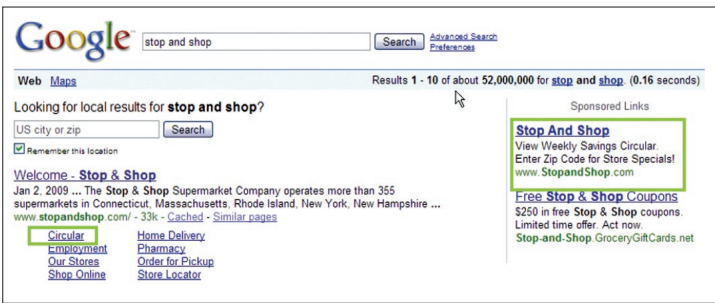


Exhibit 34: Using Search to Drive Circular Traffic: Target

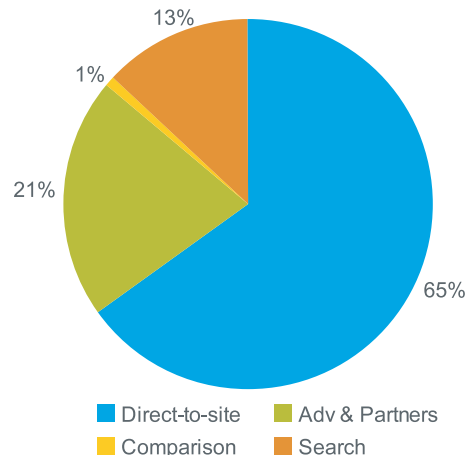


Stop and Shop is one retailer that is effectively directing searchers to the circular/coupons on their site. The fact that Stop and Shop is trying to drive people that search on the term 'Stop and Shop' to their store circulars as prominently as they are is a good example of what we think is to come: That brick and mortar retailers are going to increasingly exploit opportunities to use the Web as a marketing channel, rather than exclusively as a selling channel (Exhibit 33).

Carrying this concept even farther is Target, which is buying search sponsored links against specific items in its weekly circular. In Exhibit 34, a search on 'sony handycam' led to a sponsored link directing the searcher to Target's weekly circular, which had a Sony Handycam on sale. Expect to see more retailers incorporate store sales into their SEM strategies in the months and years to come, particularly as the tools that allow them to quantify the impact of online marketing on offline sales disseminate.

In addition, it appears that retailers are cutting back on online advertising at precisely the time they should be bulking up. The exhibit below reflects that visitors to online retail sites are predominately drawn by an intimate knowledge of the retailer brand: the lion's share of consumers get to a retail site by entering the retailers' URL, as opposed to searching for the site, or clicking on an online ad to get to the site. The retail industry is one where brand recognition is more pervasive, and arguably more important than other industries (for example, Exhibit 35 would look entirely different for the pharmaceutical industry where search plays a considerably more important role as most consumers can't remember the complex names of most medications). But even where brands are well recognized, there is a battle for mindshare, as many brands may be familiar.

Exhibit 35: There is Value in Examining How your Competitors Attract Consumers



Source: Nielsen Retail Effectiveness Analysis

About this Report

The data and insights contained in this report are compiled from a range of Nielsen resources, including Nielsen NetView, AdRelevance, @Plan, MegaView Retail, MegaView Search, VideoCensus, TV/Internet Fusion (2/09), BuzzMetrics and custom research and analytics. For more information, please e-mail your client services representative, or sales.us@nielsen.com.

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About Nielsen Online

Nielsen Online, a service of The Nielsen Company, delivers comprehensive, independent measurement and analysis of online audiences, advertising, video, consumer-generated media, mobile, commerce and consumer behavior. With high quality, technology-driven products and services, Nielsen Online enables clients to make informed business decisions regarding their Internet, digital and marketing strategies.

Nielsen Online's global footprint includes the US, UK, France, Spain, Italy, Germany, Brazil, South Africa, Switzerland, Sweden, Australia, New Zealand, China, Taiwan, Singapore, Japan, and Russia.

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For more in-depth insights into global social networking trends, download Nielsen's recent "Global Faces and Networked Places: Social Networking's New Global Footprint" at www.nielsen.com

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