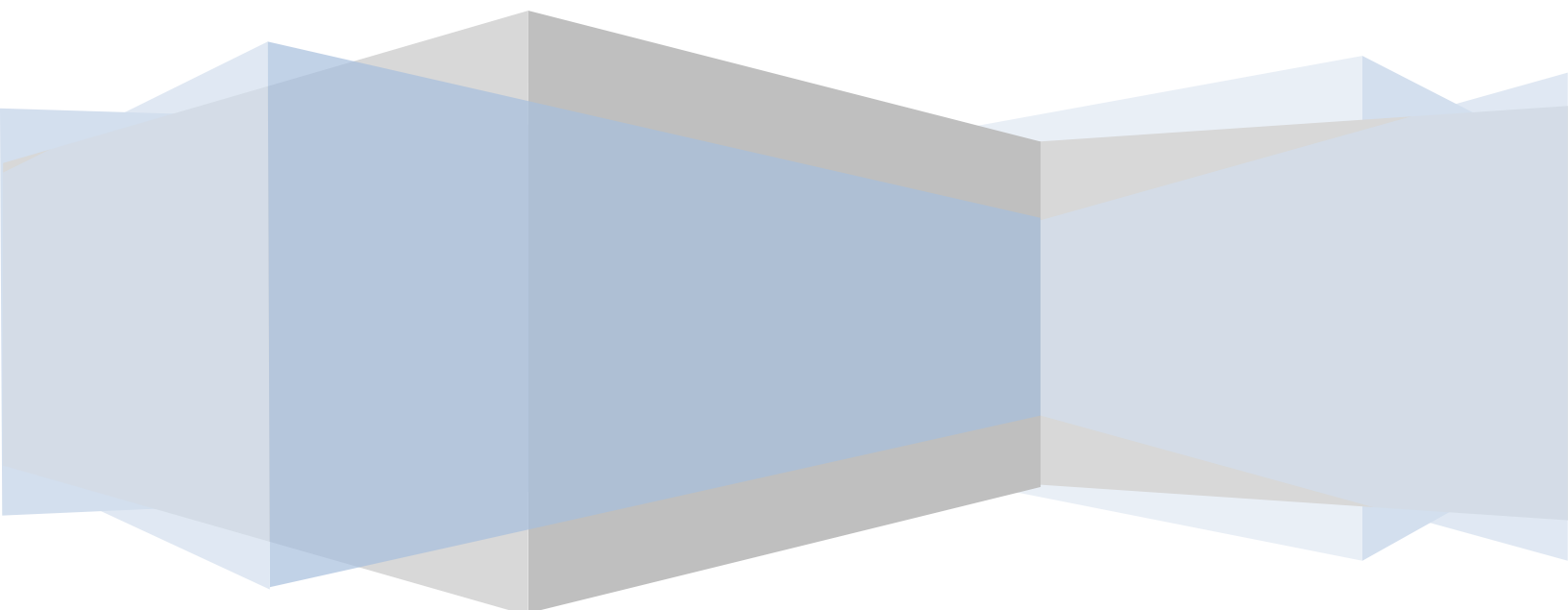


DIGIDAY

Online Brand Advertising

2012 Outlook

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Methodology

A survey of more than 450 digital marketing and media professionals was conducted in November and December 2011. Participants were contacted via email, and asked to take an online survey. Participants were first asked to identify themselves as a Brand Marketers, Media Agencies, or Media Sellers. Each participant was then presented with 20 questions specific to that classification. Results were then summarized and cross-tabbed, in order to identify consistencies or inconsistencies in each constituents' viewpoints regarding online brand advertising in 2012, and opportunities to improve the outlook. A synopsis of those results is presented in this whitepaper.

Executive Summary

Since its inception, and even in recessionary times, Internet advertising has grown every year but one. This growth, however, has been driven primarily by direct response advertising; brand advertising has stubbornly resisted the medium's allure. Going forward into 2012, however, digital brand advertising appears poised to take the lead, with marketers responding to our State of the Industry Survey predicting brand advertising will represent nearly 60 percent of their digital spend in the coming year. Selected highlights:

- Brand advertising is also growing more quickly than direct response: 64 percent of marketers plan to increase their online brand advertising budgets in 2012, with 22 percent saying they will increase spending by more than 20 percent
- Additionally, 60 percent of marketers responding indicated that they are allocating dollars away from direct response to brand advertising initiatives, indicating online brand advertising is finally coming into its own
- Some channels will grow faster than others; 69 percent of brand marketers are increasing spending in mobile, 63 percent in social, and 57 percent in video
- The outlook for online brand advertising could be further improved if brand marketers had access to better metrics: When marketers were asked what would lead them to increase spending on online brand advertising:
 - Nearly 7 in 10 (68%) said "Improved clarity around the actual return on brand advertising investment."
 - A majority also cited the "Ability to verify my brand advertising created the desired result (56 percent) and "Ability to use the same metrics to evaluate brand advertising effectiveness online as are used offline" (53%)
 - When asked specifically about which metric they would most prefer to use, eight in ten of both agency and brand respondents said: "Brand Lift generated as a result of the advertising."
- Other opportunities to improve the outlook for online brand advertising include:
 - Alignment between brands, agencies, and media sellers around the primary marketing objective of the campaign
 - In-market optimization against appropriate brand metrics (e.g. Brand Lift) to create the best possible results
 - Real-time performance reporting against market and client specific benchmarks in order to provide greater context for results
 - Focus on a few relevant metrics, and a reduction of the overall amount of data reported with campaigns
 - Third-party verification of audience reached and the impact of the advertising on that audience
 - Brands taking more direct ownership of their digital media investment and ecosystem

Since its inception, and even in recessionary times, Internet advertising has grown every year but one. This growth, however, has been driven primarily by direct response advertising; brand advertising has stubbornly resisted the medium's allure. Going forward into 2012, however, digital brand advertising appears poised to take the lead, with marketers responding to our State of the Industry Survey predicting brand advertising will represent nearly 60 percent of their digital spend in the coming year.

Online brand ad spending is also growing faster than direct response advertising. Some 64 percent of brand respondents forecast a boost in interactive brand ad spending in the coming year, with 44 percent projecting the increase at greater than 10 percent, and 22 percent putting their projected increase at greater than 20 percent.

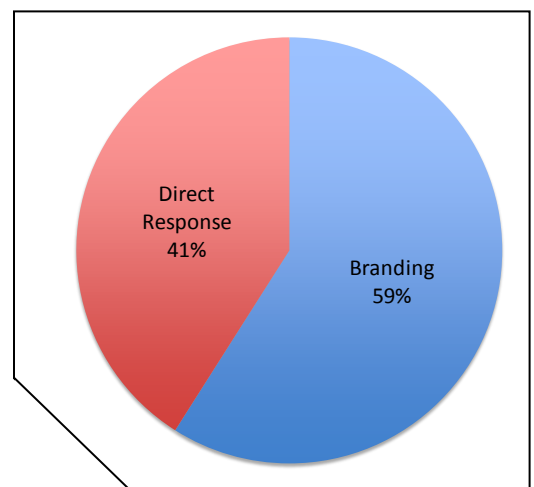
Digital direct response advertising is also projected to increase, but by just 49 percent of respondents, and only 13 percent projected a rise of greater than 20 percent.

As further indicator that online brand advertising is finally coming into its own: 60 percent of brands responding indicated that they are allocating dollars away from direct response to brand advertising initiatives.

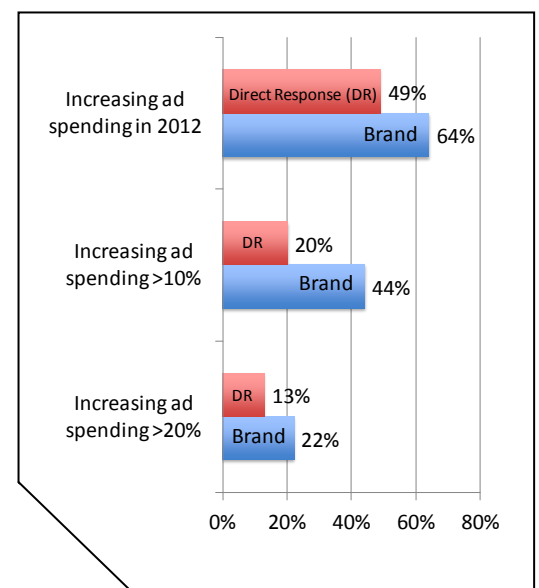
Agencies mirrored brand marketers' comments, saying 54 percent of digital ad dollars would be spent on brand advertising, designed to foster or shift consumer perception, with the remainder spent on direct response advertising. Agencies were even more bullish on growth projections for brand advertising, with 71 percent projecting overall growth in 2012.

Media sellers are also predicting that online brand advertising will become increasingly important to their businesses in 2012 – 67 percent say most of their online ad dollars will be generated by brand advertising in the coming year, and just over half say they expect brand advertising sales to grow. Just under a third – 32 percent of media sellers – said they expect sales growth in direct response advertising.

Brands: Allocation of 2012 budgets



Brands: Projected spending increase over 2011



Channel Shifts Also Projected

Among available interactive channels, brands anticipate the greatest growth in digital advertising will occur in mobile advertising – with 69 percent saying spending in that channel will rise next year. The next fastest growing channel is social media advertising, with 63 percent predicting a rise. Video follows with 57 percent of respondents predicting increased usage of the medium.

Interestingly, it appears that online video may finally be cutting into television budgets; 57 percent of brand respondents said they will be shifting at least some of their advertising dollars from television to online video, and 11 percent saying it will be a “material amount” of their TV budget. Rich media advertising and standard display look to “stay about the same,” according to 57 percent and 60 percent of brand respondents respectively.

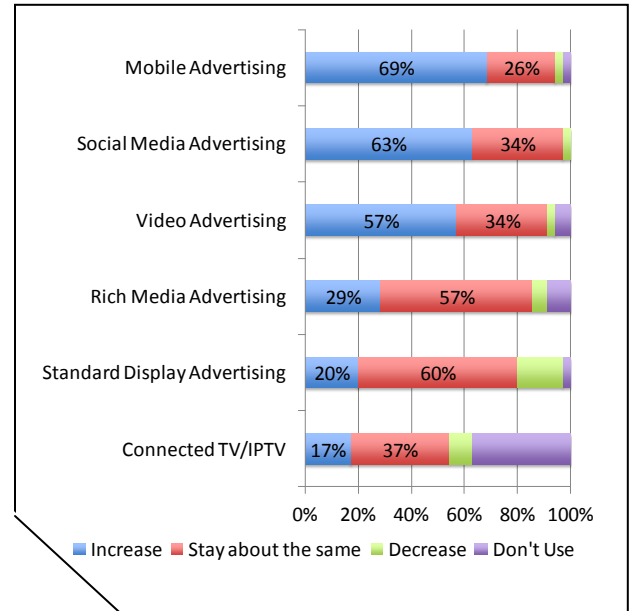
For agencies, mobile is also predicted to experience the greatest increase in digital ad spending, although they expect digital video advertising to exceed the growth of social media. Agencies also believe their client’s will be shifting TV dollars to online video in the coming year.

Better Metrics on Brand ROI Would Speed Growth

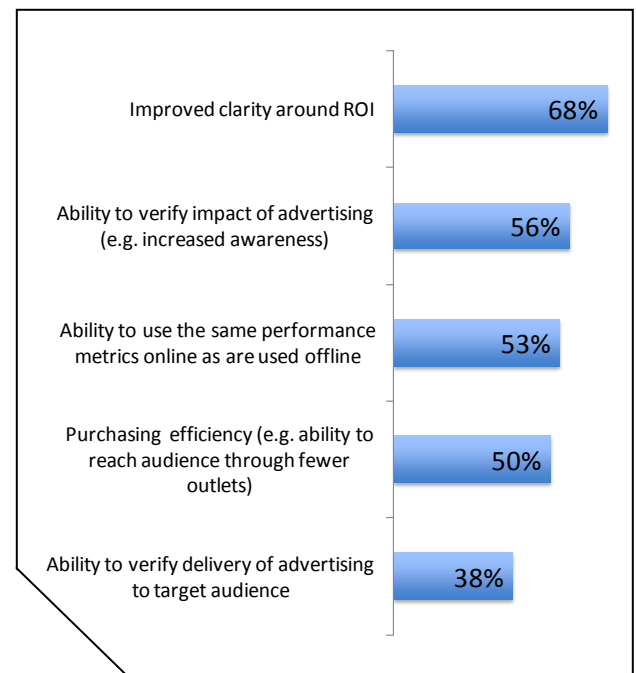
While the outlook for online brand advertising is positive for 2012, respondents noted that it could be even better if some of the hurdles which stand between marketers and their ability to fully leverage the medium were removed. Primary among these is the need to clean up the “metrics morass,” or the overload of data that prevents marketers from clearly understanding the efficacy of their online brand campaigns.

The top three improvements that brand respondents said would lead them to increase spending in online brand advertising were: 1) improved clarity around the actual return on their brand advertising investment, 2) the ability to verify that their brand advertising created the desired result and 3) the ability to use the same metrics to evaluate brand ad effectiveness online as are used offline.

Brands: Growth projections for various channels



Brands: What would lead you to increase brand ad spending?

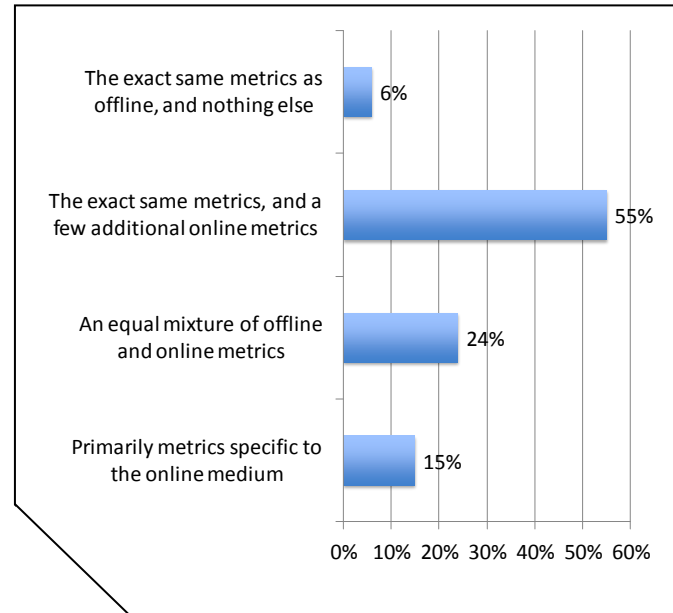


Offline Metrics Preferred

When it comes to metrics used to calculate ROI, brand marketers clearly indicate by a wide margin that they'd prefer to use "the exact same metrics used in the offline medium, and a few additional metrics specific to the online medium." This is indicative of brand marketer's desire to evaluate advertising effectiveness in a consistent manner, regardless of the channel. It also demonstrates, however, that brand marketers recognize the opportunity to leverage unique aspects of the online medium to their advantage – for example, the opportunity to directly validate the impact of the advertising on the target audience.

Significantly fewer brand marketers responded that their preference was to focus equally or predominately on online metrics, perhaps echoing the "metrics morass" previously mentioned. Ironically, and indicative of the challenge, media sellers, by a large margin (77 percent) say that they're most likely to report only metrics related to the online medium.

Brands: Preferred metrics



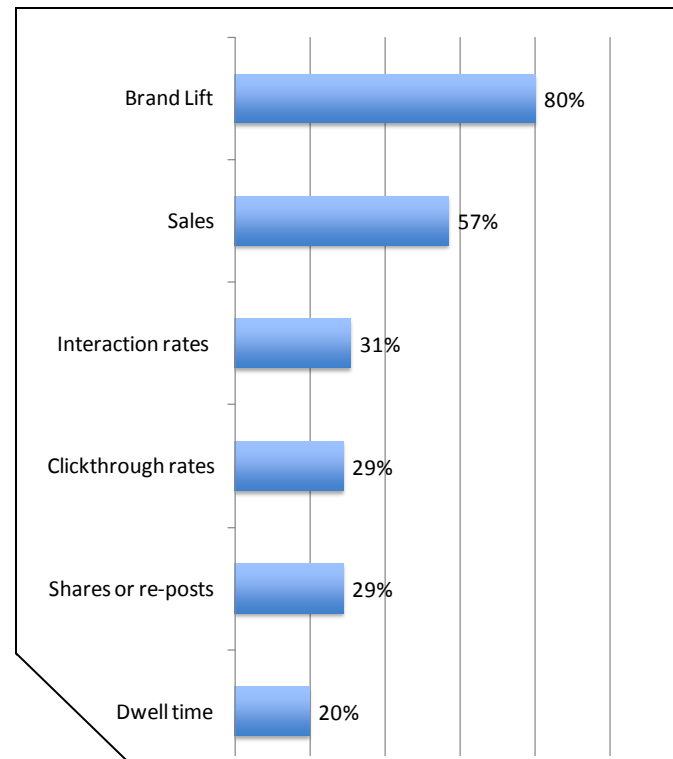
Brand Lift Seen as Most Appropriate Metric

Overwhelmingly (80 percent of respondents), brand marketers and agencies said that the most appropriate metric for determining the effectiveness of their online brand advertising was Brand Lift.

For brands, sales are the next most important success metric for online ad campaigns. For agencies, it's interaction rates with the advertising, highlighting a potential disconnect between marketers and their agencies.

Although online brand advertisers state clearly that "Brand Lift" is the best measure of brand advertising effectiveness, the "click-through" conundrum persists. While just three percent of brand advertisers and 2 percent of agencies say "click-through rates should be the primary metrics used to assess the performance of online brand advertising campaigns," and more than a quarter of brands and 30 percent of agencies say that they're irrelevant, 71 percent of brands and 68 percent of agencies still say this measure has "some relevance" to brand advertising.

Brands: Preferred metrics



Further Opportunities for Improvement

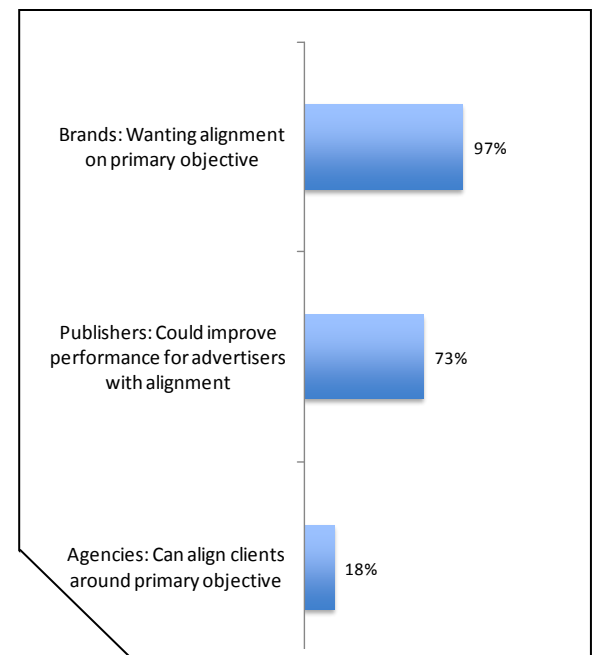
In addition to addressing the “metrics morass” in the online medium, this study also identified additional gaps between the expectation of brands and their partners in the digital media ecosystem that, if addressed, could materially improve the digital brand advertising outlook.

Everyone needs to be on the same page

- Nearly all – 97 percent – of brand advertisers want their primary marketing objective to be well defined in advance of the campaign
- Three quarters (73 percent) of media sellers also highlight the importance of this alignment; saying agreement around “what constitutes success” for the campaign was the number one thing that would help them improve results for advertisers
- Unfortunately, only 18 percent of agencies said they are able to establish a single objective against which ROI will be measured with their clients in advance of a campaign

Takeaway: Better communication and goal-setting represent an obvious opportunity for industry-wide improvement.

Opportunity: Alignment on primary marketing objective

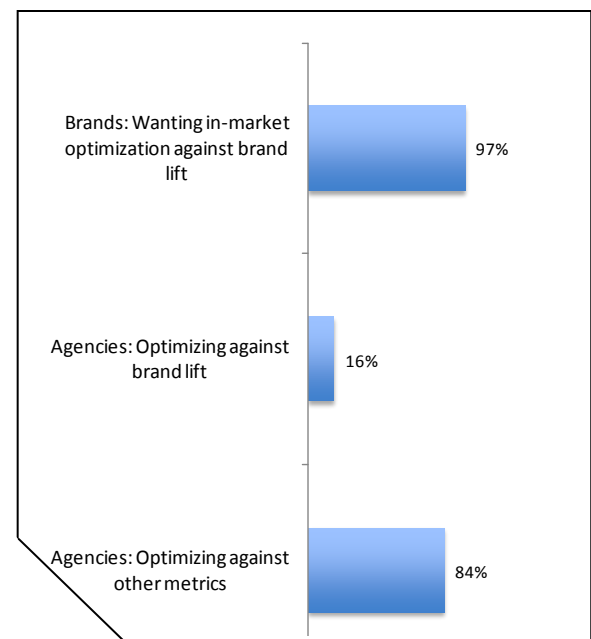


In-market optimization is a must

- Nearly all brand marketers ranked “in-market optimization of campaigns against brand metrics” as “very important”
- Agencies, however, said they are primarily optimizing against various measures of engagement (58 percent of the time) or even click-through rates (19 percent), as opposed to Brand Lift (16 percent)
- Not surprisingly, media sellers’ answers mirrored those of the agencies with whom they work

Takeaway: With real-time Brand Lift metrics now as readily available as ad server based metrics (like engagement and click-through), this also represents a significant opportunity for improving brand advertisers comfort with the online medium.

Opportunity: Optimization against relevant metrics



Real-time, relevant reporting is table-stakes

- Brands expect interim reports on campaign performance from their agencies, and the ability to compare campaign performance relative to market and client specific benchmarks
- Agencies expect the same from their media suppliers

Takeaway: Post-campaign reports no longer provide sufficient feedback in an increasingly real-time medium; relevant benchmarks are a must

Data prioritization is overdue

- 34 percent of brands and agencies say they're "drowning in data," indicative of the need for a few, relevant metrics with which to evaluate the effectiveness of online brand advertising
- Media sellers mirror this view

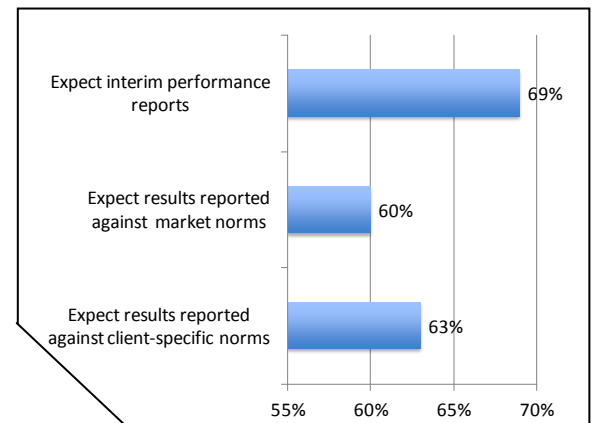
Takeaway: If the data collected doesn't enhance the marketer's understanding or effectiveness, it should end up on the cutting room floor

Prepare for greater scrutiny

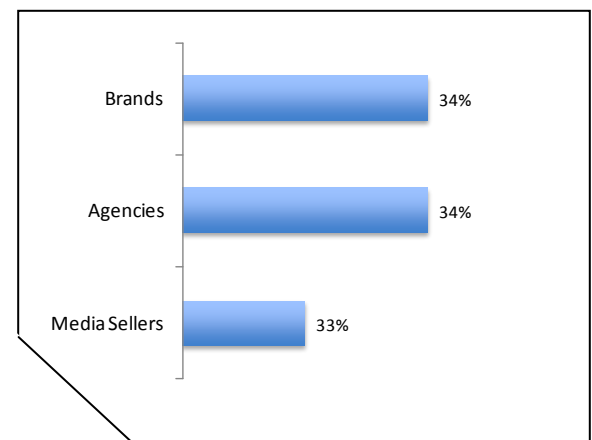
- Media sellers' claims that they can reach the "niche/custom audiences advertisers are targeting" are being met with skepticism. Only 6 percent of brands and 16 percent of agencies surveyed said they "strongly believe" media sellers' claims that they can reach the custom or niche audiences that brands seek
- Even if that target audience is reached, nearly all brand and agency respondents want proof that consumer opinion has shifted as a result of their advertising
- The number of agencies who will require publishers to provide third-party brand ad effectiveness studies in their media buys is projected to double from this year to next

Trust is the new currency of the brand-centric media buy. Third-party audience verification and campaign performance metrics could spell the difference between being on the buy or an also-ran.

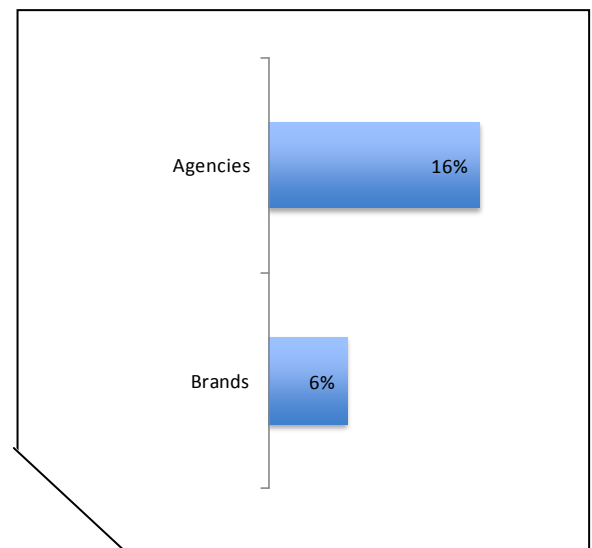
Opportunity: Alignment on primary marketing objective



Opportunity: Address the "metrics morass"



Opportunity: Provide proof-points and increase trust

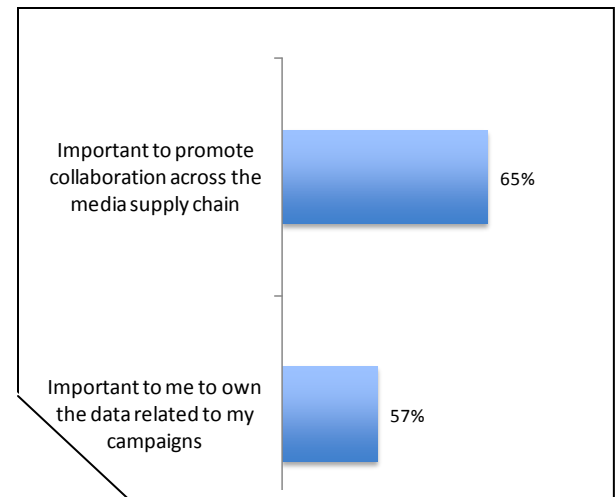


Brands will take a more direct role

- 57 % of brand respondents say it's "very important" to them to own the data related to their online brand advertising campaigns
- 65% of brand respondents identified "Having everyone collaborating directly" in executing the campaign as "important" or "very important"

Brands may increasingly invest directly in the technology needed to manage the sharing of data required to increase collaboration across their media supply chain.

Opportunity: Brands taking the lead



Conclusion

While internet advertising has historically focused on direct response marketing, recognition of the brand-building potential of the medium has been growing year over year, and in 2012 that trend will continue. Savvy brand marketers are embracing this opportunity, as they well should be - consumers are migrating online at an accelerating pace. Coupled with the convergence of television and online video, and an explosion in social media, this trend is transforming traditional thinking around advertising effectiveness. Not surprisingly, digital media is the fastest growing portion of most brand marketers' advertising investment. It is thus imperative that brand marketers master the digital channel, and collaborate more directly with their agencies and media providers to help address some of the challenges highlighted in this study in order for the medium to reach its full potential.

Benchmark Your Own Organization

Wondering how your online brand advertising practices measure up to those of your peers? We've created an online benchmarking tool that brands, agencies, and media sellers can use to compare their approach to the best practices identified in this paper that can be accessed at:

<http://brandlift.vizu.com/knowledge-resources/brand-ad-ig/>

About Digiday

Digiday is a media company and community for professionals who work in the digital media, marketing and advertising industry. Our mission is to connect the industry with insightful analysis and perspective, as well as each other. We provide key insights and information through our online publications and conferences that cover the changes, trends -- and why they matter. The focus is on quality, not quantity, and honesty instead of spin. We cover the industry with an expertise, depth and tone you won't find anywhere else. The entire team at Digiday is driven to produce the highest quality publications, conferences, and resources for our industry.

About Vizu

Vizu (www.brandlift.com) brings the same metrics used to measure and optimize brand advertising effectiveness in the offline world to the online medium. By providing the first real-time, enterprise technology platform that allows brand advertisers and their partners in the digital media ecosystem – publishers, ad networks, exchanges, and demand side platforms – to collaborate around measuring and optimizing Brand Lift metrics, Vizu enables its customers to move their target audience through the purchase funnel, from building awareness to creating intent and preference. Vizu's brand advertising effectiveness platform is used by over 60% of Advertising Age's Top 100 Brand Advertisers and Top 50 Media properties to support all key aspects of the advertising lifecycle, including media buying, audience profiling, and Brand Lift optimization.