March 2004

www.doubleclick.net

DoubleClick's YEAR IN Online Advertising 2003

With data from
DoubleClick's DART Ad Serving System
Nielsen//NetRatings, Monitor Plus and AdRelevance

by Kathryn Koegel,
Director of Research & Industry Development, DoubleClick

Strategic Data Analysis contributed by:
Ben Saitz, Senior Director, Global Operations, DoubleClick
Eric Kirtcheff, Technical Project Manager, DoubleClick
Charles Buchwalter, VP Analytics, Nielsen//NetRatings
Marc Ryan, Director of Market Research, Nielsen//NetRatings
David Martin, Project Manager, Nielsen//NetRatings

Table of Contents

Online Advertising Recovery?

After two years of negative growth and the struggle of many content websites to support themselves with advertising, Internet companies have been hoping – even praying – for an online advertising recovery. All indicators support that 2003 was the year online advertising came back. The Internet Advertising Bureau reported that ad spending grew 20% year-over-year to $7.2 billion. Nielsen//NetRatings AdRelevance reported that online advertising (not including search) rose to its highest levels of the year to 280 billion impressions in Q4. DoubleClick data, which does not represent the whole market, but rather the top publishers, marketers and advertising agencies that use third party ad serving in order to more effectively manage inventory and track performance, showed high levels of growth. From Q1 to Q4 volume was up 49%. *[See Chart 1]*

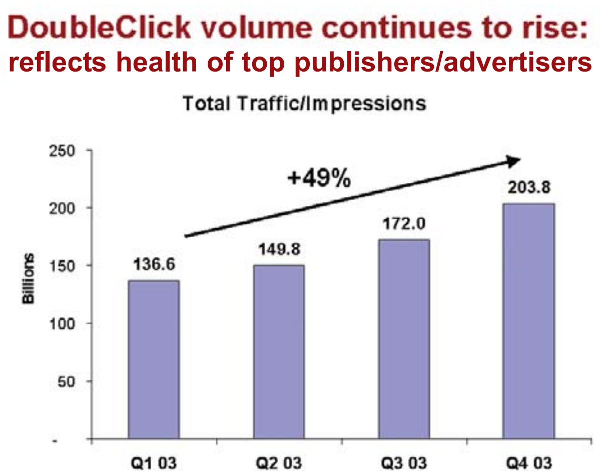

Chart 1 Source: DART for Advertisers and DART for Publishers Ad Serving Data Q1 -Q4 2003

What drove this growth? When delving into top advertisers and category trends, online reveals its relatively juvenile, unpredictable nature. It's impossible to yet forecast quarterly patterns on a category-specific basis as you might with offline media. Top advertisers typically buy so many impressions that if one decreases spending in a given quarter it can impact the entire advertising category. While Q4 in all other media is typically heavy with retail advertising, in online, retail dropped in volume from 80.7 billion impressions in Q1 to 51.5 billion in Q4 (Nielsen//NetRatings AdRelevance).

Early adopters decreased spend – they'd built their brands or suffered from burn-out (X-10, Casino On Net)

2003 Year-Over-Year Change in Top 25 Online Advertisers of 2002

Advertiser	% YOY Change	2002 Impressions (Billions)	Advertiser	% YOY Change	2002 Impressions (Billions)
1 – Amazon.com	-45.4	39.2	14 – X10 Wireless	-41.0	12.7
2 – Bertelsmann AG	-93.9	32.9	15 – Netstock	-56.0	12.1
3 – Classmates Online	-22.5	29.3	16 – eBay	-33.1	11.8
4 – InterActiveCorp	9.2	27.6	17 – AT&T Wireless	21.3	11.6
5 – Columbia House	-69.6	24.9	18 – Scottrade	26.7	11.6
6 – Barnes & Noble	-67.2	24.6	19 – Cassava Enterprises	-52.4	11.2
7 – eDiets.com	-38.1	19.7	20 – Bonzi.com	-88.0	10.9
8 – Bank One	-11.9	17.9	21 – Hewlett-Packard	-19.8	10.3
9 – Estee Lauder (Gloss.com)	34.2	15.3	22 – CMGI	-71.7	10.2
10 – Dell	27.3	15.1	23 – Netflix	198.3	9.9
11 – Sabre	-8.0	14.8	24 – Verizon	5.6	9.5
12 – Ameritrade	22.8	13.5	25 – TD Bank	-4.9	9.3
13 – AOL Time Warner	-31.4	13.1			

Chart 2 Source: Nielsen//NetRatings: AdRelevance

A look at top advertisers by volume of 2002 vs. 2003 tells the story: the top 25 in 2002 was heavily influenced by the remaining "dot-coms": Amazon.com, Classmates Online, AOL, eDiets, X-10 Wireless, eBay, Cassava Enterprises (owner of Casino on Net and other online gambling sites) and Bonzi Software. *[See Chart 2]* The advertising volume of this group was so dramatic, that when just one company decreased spending, it had impact on the entire retail category. The top 25 list of 2003 shows that X-10 and Cassava have dropped off entirely, while all of the rest of the above decreased spending. *[See Chart 3]* Strong online companies like eBay and Amazon.com have likely tapered off banner impressions due to the fact that they had built their brands, developed millions of loyal users, and didn't need as much advertising to continually drive traffic. A company like Netflix, a much less mature online player, continued to pump money into online advertising as they prepared to go public in 2003. They assumed the #1 advertiser slot in 2003. They also increased volume YOY by 198.3%.

Who took the place of the early adopters who dropped out? 2003 was the year of cell phone number portability and the return of the stock market in conjunction with low interest rates, all of which drove credit card, mortgage and debt consolidation pitches. SBC (+168.1% YOY), AT & T Wireless (+21.3%) and Verizon (+5.6%) all made the top 25 list as did Ameritrade (+22.8%), BankOne (-11.9%), Scottrade (+26.7%), Ameriquest (+352.7%), TD Bank (-4.9%), Citigroup (+3.8%) and LowerMyBills.com (+775%). General Motors was the first automotive company to make the list. In general, 2003 was the year that larger, traditional advertisers more fully embraced the online medium.

Blue chips increased spend: note also mortgage/finance

Year-Over-Year Change in Top 25 Online Advertisers of 2003

Advertiser	% YOY Change	2003 Impressions (Billions)	Advertiser	% YOY Change	2003 Impressions (Billions)
1 – Netflix	198.3	29.4	14 – AT&T Wireless	21.3	14.1
2 – InterActiveCorp	9.2	29.4	15 – Sabre	-8.0	13.6
3 – Classmates Online	-22.5	22.7	16 – eDiets.com	-38.1	12.2
4 – Amazon.com	-45.4	21.4	17 – Orbitz	48.8	10.7
5 – SBC Communications	168.1	20.7	18 – LowerMyBills.com	775.0	10.4
6 – Estee Lauder (Gloss.com)	34.2	20.6	19 – Verizon	5.6	10.0
7 – Dell	27.3	19.2	20 – AOL Time Warner	-31.4	9.0
8 – Apollo Group	237.2	16.9	21 – TD Bank	-4.9	8.8
9 – Ameritrade	22.8	16.5	22 – Citigroup	3.8	8.7
10 – CoolSavings	146.1	16.4	23 – Hewlett-Packard	-19.8	8.2
11 – Bank One	-11.9	15.8	24 – General Motors	19.4	8.1
12 – Scottrade	26.7	14.6	25 – Barnes & Noble	-67.2	8.0
13 - Ameriquest	352.7	14.4			

Chart 3 Source: Nielsen//NetRatings: AdRelevance

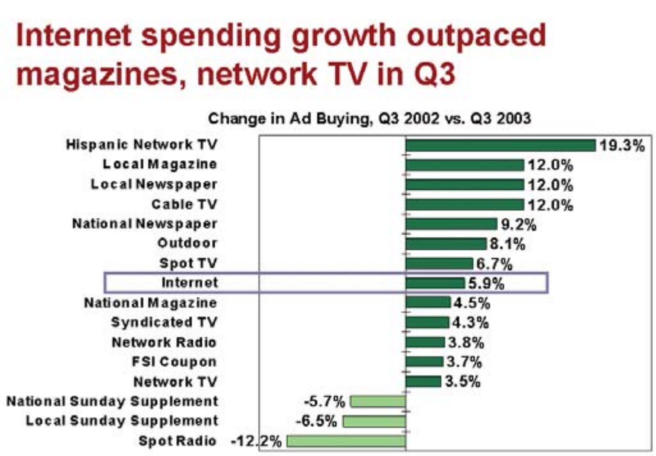

Chart 4 Source: Nielsen Monitor-Plus, and Nielsen//NetRatings

Growth Compared to Other Media and Category Performance

How does this kind of growth compare to other media? Ad spending is always a tricky business as reported "rate card" does not match up to reality, but assessing the Nielsen Monitor Plus data for Q1 2003 vs. Q1 2002, online spending growth (+11.3%) outpaced spot TV (+3%) and outdoor (+5.2%), as well as network television (-12.1%). Of course network TV was the media least impacted by the advertising recession and sailed through 2002 as other media suffered. Growth slowed for online by Q3 to +5.9% over Q3 of 2002, but once again outpaced television growth (+3.5%). *[See Chart 4]*

Online continues to show greatest strength compared to other media in categories where it has most transformed the point of sale or the business process itself. Online now accounts for 48.5% of business proposition and employment recruiting which reflects the impact of Monster.com and Hotjobs and bodes well for

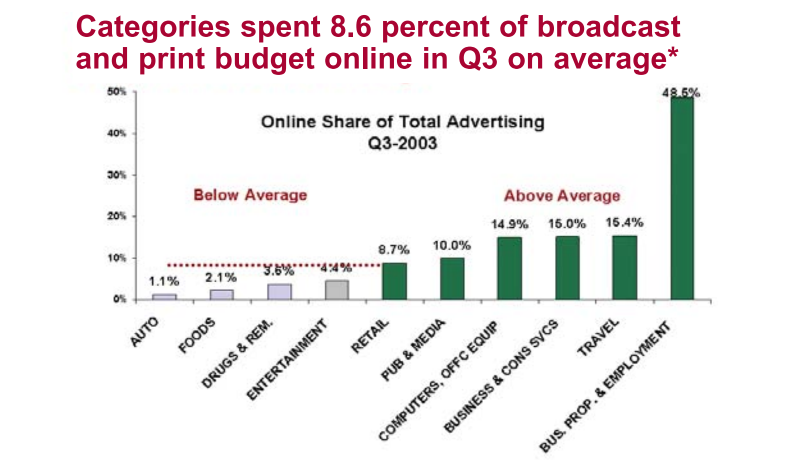

Chart 5 Source: Nielsen//NetRatings, Nielsen Monitor-Plus

*As the universe of measured media here does not include online search, direct mail, yellow pages and point of purchase displays, the figures may not be comparable to other overall spending data.

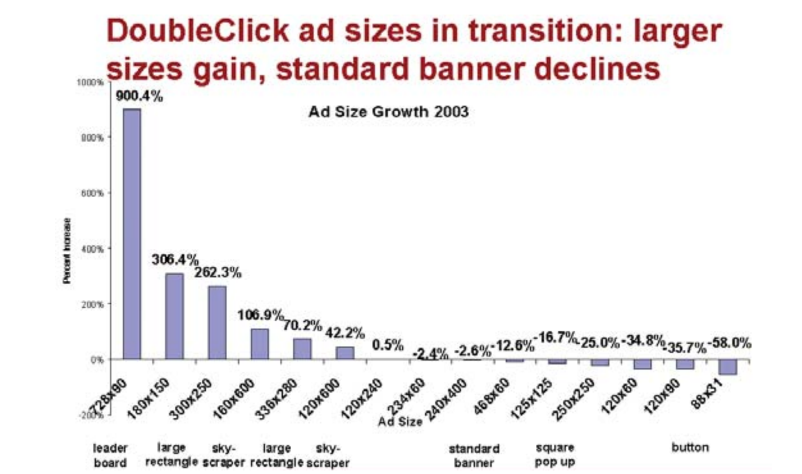

Chart 6 Source: DART for Advertisers and DART for Publishers Ad Serving Data Q1-Q4 2003

newspapers that successfully transitioned some of their classified business to online. In travel, an industry where online is supplanting the intermediary (the travel agent), 15.4% of all spending is now online. *[See Chart 5]*

Business and consumer services (which includes credit cards and financial services) devoted more advertising to online than to newspaper, magazines or radio. This category was clearly driven by the movement towards self-directed investing, online banking and low interest rates that encouraged re-financing and debt consolidation – all activities perfect for the informational environment of the online medium. Retail is another category dramatically impacted by online and 8.7% of total spend is devoted to it. Online continues to lag in categories where a direct connection to the sale is difficult to make. Automotive is an extremely low spending category at 1.1% of total budget, but as the incidence of online researching and purchase grows, (eBay has been noted as one of the largest sellers of used cars in the US) expect this one to increase.

What Was Online Advertising in 2003?

As a medium just approaching its second decade, online is not yet firmly established with the precise advertising units of print and television. That's both its pain point and its dynamic; as technology continues to evolve, expect online ad formats to become ever more engaging. What can be said is that ads just got bigger. Taking the AdRelevance data and coming up with an average of all impressions by unit size, the average ad area is now 71,834 pixels. As a point of comparison, the standard banner is 26,280 pixels (468 x 60). Looking at the change in popularity of ads served by DoubleClick, you can also see the shift towards larger sizes. *[See Chart 6]* While usage of the standard banner declined by 12.6% from Q1 to Q4, the 160 x 600 skyscraper grew by 106.9% and the 300 x 250 large rectangle grew by 262.3%. The biggest gainer was the leaderboard, a wide size that publishers found easy to implement across the tops of web pages:

its usage grew 900.4% during the year.

Will the standard banner ever go away? Not likely. It is an easy size to implement, many publishers have configured their pages to incorporate these, and pure direct response advertisers tend to buy these types of units in bulk from advertising inventory aggregators like Advertising.com. The dramatic gap that used to be seen between the 468 and all other sizes has diminished dramatically, especially in terms of publisher acceptance: 78% of publishers assessed by AdRelevance now accept the skyscraper and 64% the large rectangle. *[See Chart 7]* The leaderboard was rapidly adopted by publishers: sixty-six percent of them feature it and it was the third most popular ad size served by DoubleClick at 4.5% of all ads served during the year.

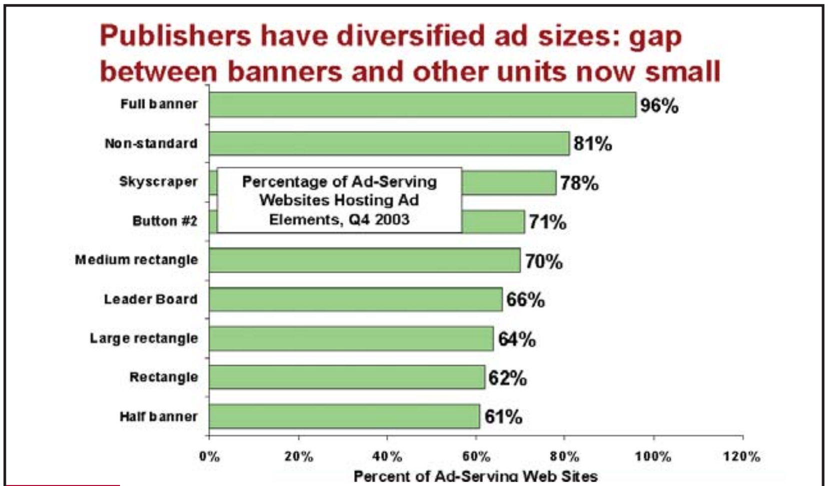

Chart 7 Source: Nielsen//NetRatings: AdRelevance

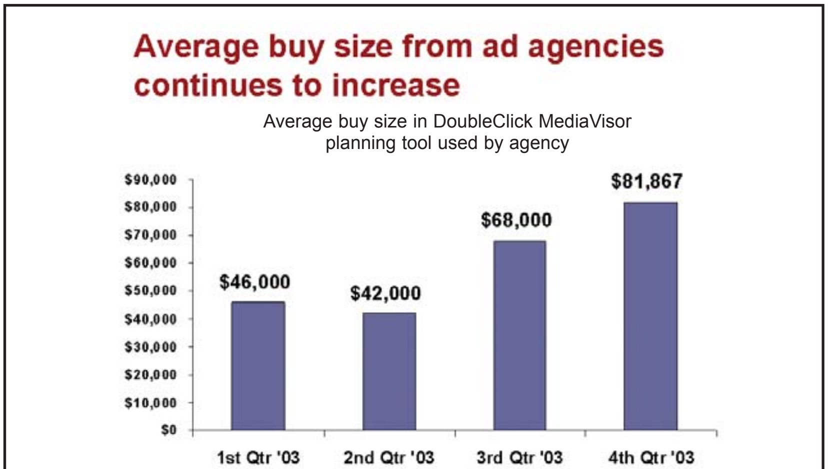

Chart 8 Source: DoubleClick MediaVisor Data Q1- Q4 2003

The number of ad sizes used by advertisers and publishers is still extremely high at 10,844 different pixel-sized units in Q4, but is down 6% from the high of Q4 2002, when DoubleClick served 11,500 different ad sizes in the quarter. Sixty-eight percent of all ads served in Q4 were IAB standard sizes; this percentage has been relatively constant since Q1 2002. AdRelevance data *[See Chart 7]* also reveals this problem: non-standard sizes are still served by 81% of publishers. Non-standard sizes cost agencies and marketers time and money in re-sizing creative.

Larger ads are certainly a positive thing for advertisers who have long wanted a bigger palette to display their message, but publishers have wanted to know that those larger sizes translate into increased sales. Judging by the campaign dollar volume flowing through DoubleClick's MediaVisor product, that has indeed proven true. The average buy size has increased every quarter since Q2 03 and is now at $81,867. *[See Chart 8]* It should be noted that MediaVisor does not reflect overall online advertising, but the higher, more brand-oriented end of the business that flows through top US advertising agencies that use this workflow tool to manage and buy campaigns.

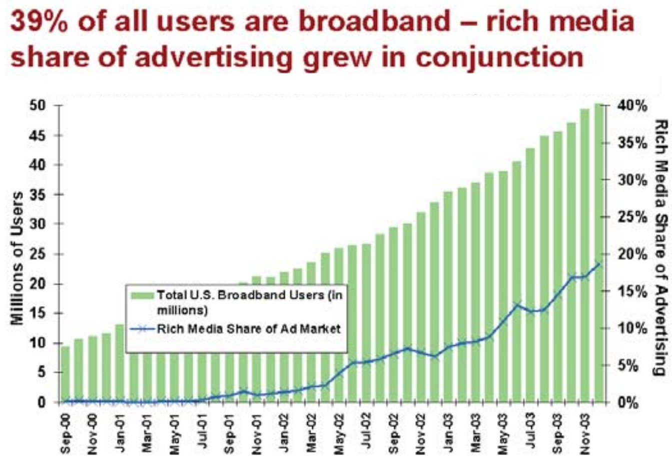

Chart 9 Source: Nielsen//NetRatings: AdRelevance

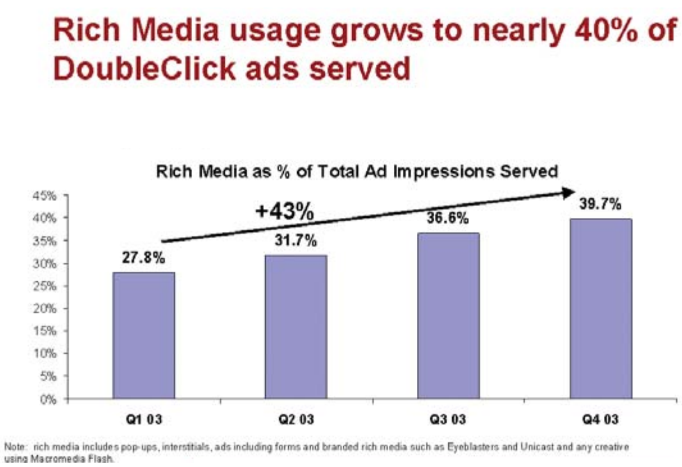

Chart 10 Source: DART for Advertisers and DART for Publishers Ad Serving Data Q1-Q4 2003

The Year of Rich Media

Rich Media, or ads made more dynamic through technology, has been discussed since 1997, when the term was coined by an Intel executive. Intel was an early proponent of both more dynamic content and advertising online, as both would drive the need for faster processor speed.

The usage of it was long hampered by either poor user experience due to slow connectivity or complexity of creation and reporting. Both issues were somewhat resolved in 2003. By the end of the year, 39% of all users in the US were logging on through broadband (Nielsen//NetRatings). Broadband has two dramatic impacts on consumers: it causes them to spend more time online and to consume more media as the experience is just so much faster. Consumers with DSL spend nearly twice the time per month (20:09:16) vs. those dialing up at 56K (10:59:31). The DSL folks consume 1549 pages of media, while the 56K people take in only 624 (Nielsen//NetRatings, December 2003).

With so much more media consumed at faster speeds, there has to be a correlation between the growth of broadband and the growth of rich media. *[See Chart 9]* Nielsen//NetRatings AdRelevance estimates 223% rich media growth Q1 - Q4 to 17.4% of all ads. Within the DoubleClick's system, rich media grew to nearly 40% (39.7%) of all ads served by Q4. *[See Chart 10]* The discrepancy between Nielson and DoubleClick numbers relates to a lack of consensus on what constitutes rich media. Nielsen breaks out ads with forms and above and behind-the-page formats separately. DoubleClick's definition relates to how ads appear in their system and anything that is not a static image (GIF, JPEG) is in some way rich media. DoubleClick data also reflects the fact that in July 2003 DoubleClick and Macromedia launched DART Motif, the fully integrated solution for creating, managing and measuring rich media advertising.

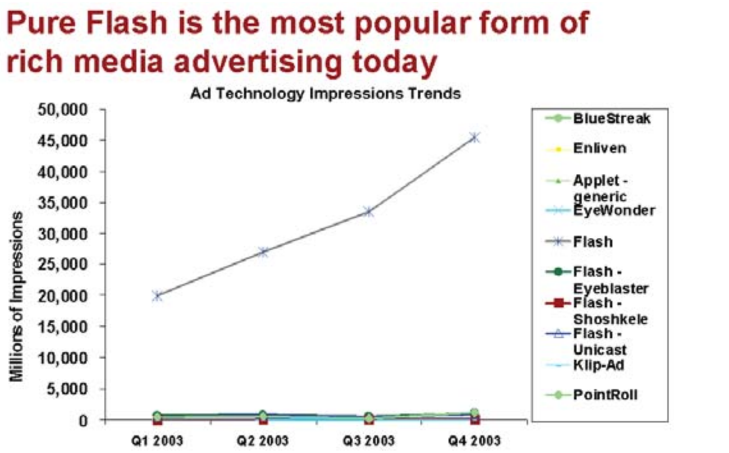

Chart 11 Source: Nielsen//NetRatings: AdRelevance

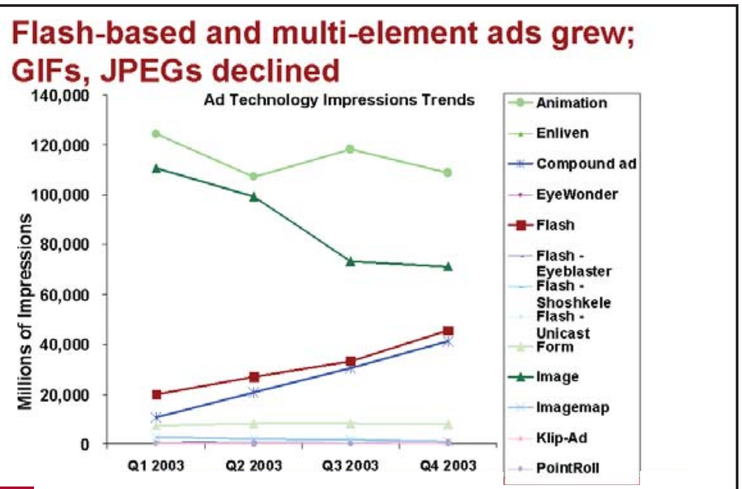

Chart 12 Source: Nielsen//NetRatings: AdRelevance

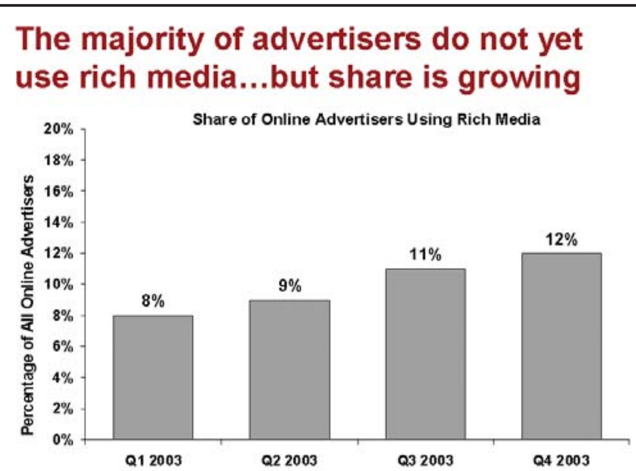

Chart 13 Source: Nielsen//NetRatings: AdRelevance

There are several companies in the market that specialize in rich media creation, but which are the strongest? The bulk of rich media is pure Flash, which grew to over 45.5 billion impressions in Q4 according to AdRelevance *[See Chart 11]*. But branded rich media types like Unicast, Eyeblaster and BlueStreak (which are also based on Flash authoring technologies) also experienced growth. What is more dramatic is the decline of image-based ads like GIFs and JPEGs, declining from 110 billion to 71 billion by the end of the year. *[See Chart 12]*

Rich media is certainly the impression-based advertising story of the year, but it has plenty of room to grow: one surprising factor is the relatively low percent of all advertisers who actually use it. The number grew 50% over the past year, but it is still used by only 12% of all advertisers. *[See Chart 13]* Of those who use rich media, some positive trends have emerged: the percent of advertiser portfolios devoted to it grew from 43.4% in Q1 to 61.0% in Q4. *[See Chart 14]*

Pop-ups: How Much of the Market are They?

Pop-ups and pop-unders are perhaps the most controversial form of online advertising in terms of consumer reaction. Surveys have shown that they are just above spam in terms of user annoyance factor (Planet Feedback, April 2003). Not surprisingly, their usage did not grow dramatically in 2003. Within DoubleClick's system they account for under two percent of all ads served, and AdRelevance shows them as fluctuating between five and seven percent of the total

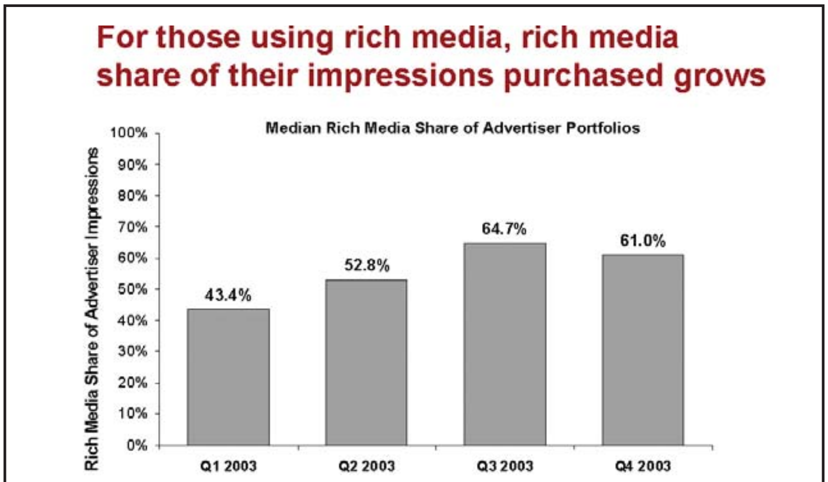

Chart 14 Source: Nielsen//NetRatings: AdRelevance

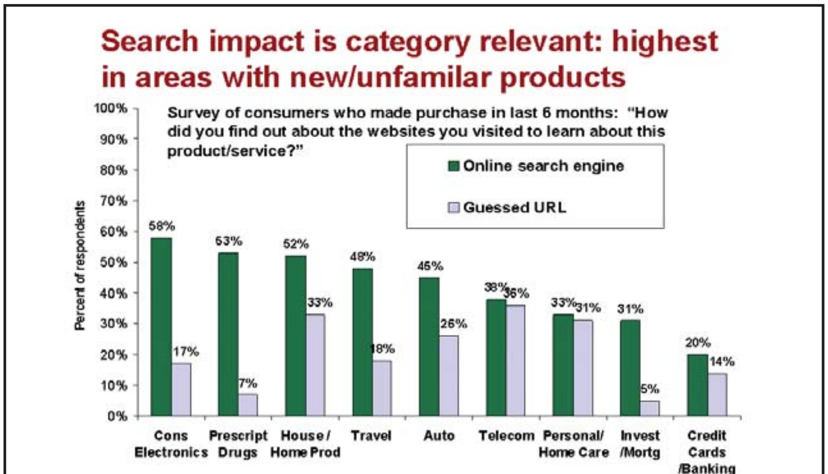

Chart 15 Source: DoubleClick Touchpoints II, March 2004

market. There are many arguments for and against these ad types, but they have clearly been effective, especially for travel, mortgage and credit card rates advertising, which all increased spending during the year. The big brand advertisers continue to shy away from them; Fortune 500 share is lower than average at 3% of all Fortune 500 advertising devoted to pop-ups (Nielsen//NetRatings: Ad Relevance).

Search: What it Can and Cannot Do

The other growth story of 2003, especially from the standpoint of performance-based advertising (advertising purchased based on some direct response, most often clicks) was search. Nielsen//NetRatings noted that in January 2004, 36% of people in the the US used a search engine. eMarketer reported 123% year-over-year growth in spending and Jupiter noted that paid search – or ads placed opposite search results and sold on a cost-per-click basis -- has taken five points of share from impression-based buys (Online Advertising Through 2008, August, 2003). Marketers surveyed by Forrester were particularly bullish, with over 60% saying they would increase spend on all forms of search (Searching for Digital Marketing's Growth, October 2003).

While search is clearly "hot" among online advertisers, it is interesting to note that its impact is category relevant. An annual survey sponsored by DoubleClick (Touchpoints II, March 2004), of over 2,000 consumers who have made purchases of particular types of products in the last six months, showed that their usage of search varied by the product type. *[See Chart 15]* Of those who visited websites to learn about products and services, 58% of those searching for consumer electronics used a search engine and 53% of those looking for prescription drugs did so. But for products like telecommunications, only 38% did so. For credit cards and banking, only 20% did so. In categories with lower usage of search, consumers were more likely to guess URLs, probably because these categories have more established brand or product names. In a category like prescription drugs where hundreds of new products are released a year, consumers are likely to type in a symptom or malady to find information – an extraordinary example of how online can delivery qualified consumers to marketers through search. But in terms of something like cell phone services, consumers probably already know what company/product they are investigating. In this instance, dollars could be better spent on brand or offer-oriented advertising.

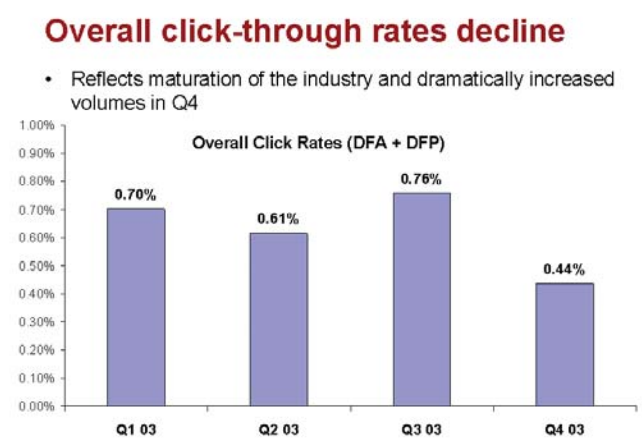

Chart 17 Source: DART for Advertisers and DART for Publishers Ad Serving Data Q1-Q4 2003

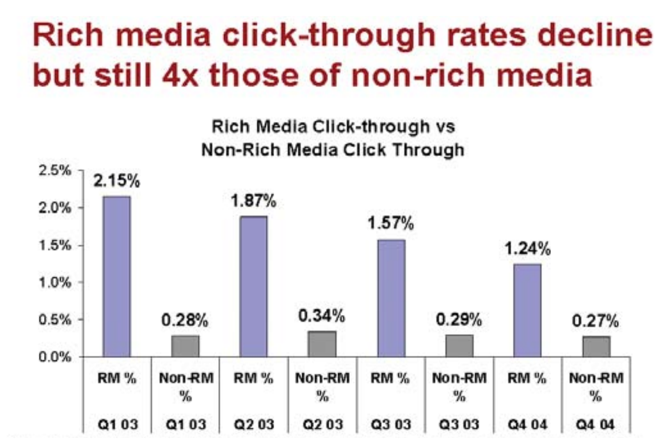

Chart 18 Source: DART for Advertisers and DART for Publishers Ad Serving Data Q1-Q4 2003

Search clearly works for a direct response objective of driving traffic to web sites, but what kind of branding impact does it have? Because any marketer can outbid another for a paid placement opposite search results, in can pose a threat to established brands.

The extraordinary growth of search in 2003 does make one point very clear to sellers of online media: if given an easily quantifiable return on investment, marketers will indeed flock to interactive.

Response Rates: The Decline of the Click-Through and Rise of View-Throughs

Just as there was a maturing of the type of advertiser using the web, response rates – typically high when a new advertising type appears – are also stabilizing and in some cases declining. As an example of this, when online advertising first appeared, average response rates of 5% were not uncommon. During the course of 2003, DoubleClick data shows click-throughs averaging .62%: for every 1000 impressions, 6 clicks result. This number suffered a notable decline in Q4 to .44%. *[See Chart 17]* There is most likely a relationship between the dramatic growth in volume of DoubleClick's ads served in Q4 and this number: with more ads in the market, response rates are likely to decrease. The same phenomenon was observed with rich media response rates: they declined throughout the year to 1.24% on average, but are still at more than four times those for non-rich media. *[See Chart 18]* This decline is likely due to both volume increases and the novelty of

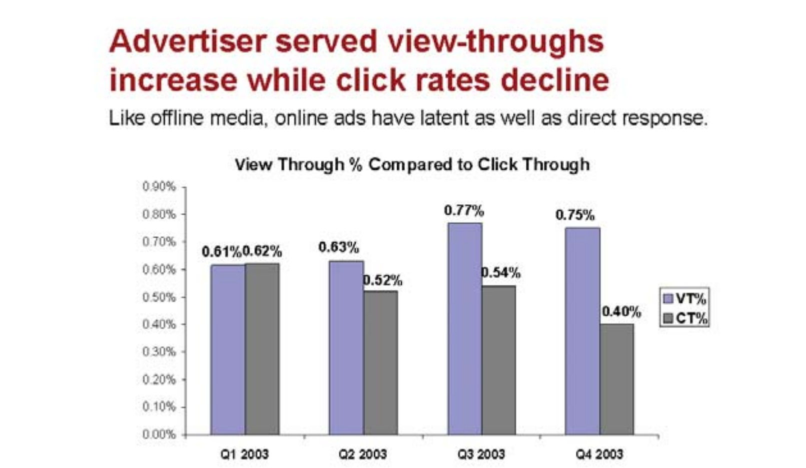

Chart 19 Source: DART for Advertisers Ad Serving Data Q1-Q4 2003

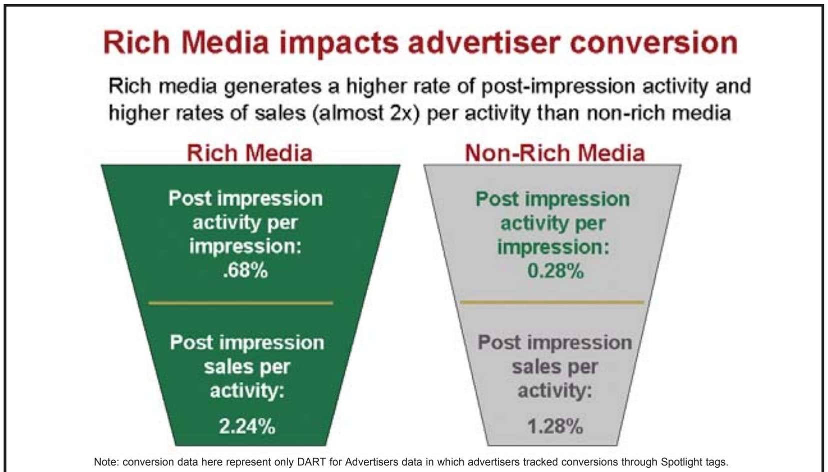

Chart 20 Source: DART for Advertisers Ad Serving Data Q1-Q4 2003

formats wearing off. It could also be reflective of the adoption of rich media by brand-oriented advertisers who focus on engagement rather than clicks.

A more interesting phenomenon than click rates is the growth of view-through rates. When the subset of ads served and tracked purely by advertisers are analyzed (some ads are served by publishers for advertisers) interesting patterns emerge: click-through rates have declined to .40% on average, while view-through rates currently average .75%. *[See Chart 19]* View-through rates have increased 42% from Q4 2002, while click-through rates declined 45%. View-throughs assess some action observed within 30 days of a consumer viewing an ad (post impression impact). These metrics are part of the larger picture of the effectiveness of online advertising: click-throughs assess immediate response, while view-throughs reflect the impact over time of that online ad. Of course not all of that impact over time can be specifically tied to online advertising. DoubleClick is currently conducting campaign-specific research to determine guidelines for what percent of the view-through rate can be attributed to online vs. offline marketing. This research will be released in Q2 2004.

In addition to long-term impact, advertisers can also measure conversions to determine the effectiveness of their online advertising. For advertisers who track through to some kind of sale conversion, rich media was nearly twice as effective (1.78x) as non-rich media during 2003: it generated higher rates of post-impression activity per impression (.68% vs. .28% for non-rich media) and post impression sales per those activities of 2.24% vs. 1.28%. *[See Chart 20]* Consumers are more likely to take some kind of action after viewing but not clicking on a rich media unit and those activities are more likely to result in some kind of a sale.

Of course not all online advertising is designed to drive a direct response (a click) or generate an online conversion or a sale. One of the ongoing problems of online advertising is that while the idea of using online for branding-related messages continues to grow, advertisers typically assess performance in click rates. Companies like Dynamic Logic do post-impression recall studies through pop-up surveys, using methodology similar to what is done with television advertising. Dynamic Logic now has such depth of data on branding impact that in 2003 they released a normative database product, MarketNorms, that enables advertisers to compare their branding results on a category and advertising-type basis.

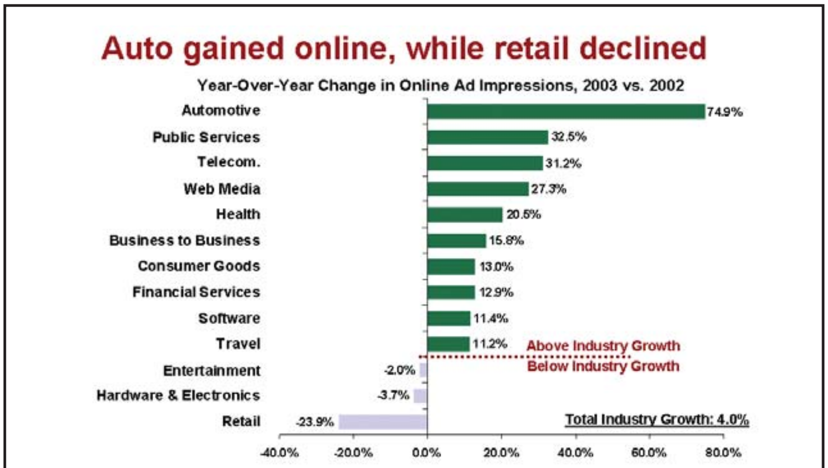

Chart 21 Source: Nielsen//NetRatings: AdRelevance

Estee Lauder glossed the 'Net with ads in Q1

Top Fortune 500 Advertisers, Q1 2003

Advertiser	Impressions (Billions)	Fortune 500 Rank
Estee Lauder (Gloss.com)	11.095	349
Amazon.com	9.359	407
SBC Communications	6.804	27
AT&T Wireless	4.319	119
Barnes & Noble	3.865	318
Charles Schwab	3.661	364
Bank One	3.543	79
Verizon	3.296	10
Dell	3.080	36
Hewlett Packard	2.428	14
Pepsi	2.181	62
Avon	1.995	280
Cendant	1.873	133
General Motors	1.873	20
AOL Time Warner	1.625	29

Chart 22 Source: Nielsen//NetRatings: AdRelevance

DoubleClick and Macromedia released a new reporting package for their DART Motif rich media solution tool in Q4 that can help marketers develop a broader picture of the performance of rich media. Audience Interaction Metrics enable advertisers to assess how consumers interact with rich media: for branding advertisers, these time and interaction-related metrics are more important than direct response. As an example, in Q4, the average amount of time a Motif ad displayed in a user's browser was 41.9 seconds and the average amount of time a user interacted with the ad was 21.9 seconds. With the growth in usage, DoubleClick expects to begin releasing benchmark data for these and other metrics by Q3 of 2004.

Top Users of Online

If you asses year over year change, a dramatic story emerges. Automotive, a category which started with a small base of spend, had the largest growth on an impression basis (+74.9%). *[See Chart 21]* Telecom connected with consumers online in 2003, as the FCC portability ruling inspired a wealth of service offering advertising. The only category to show dramatic decrease was retail, which has been previously explained: when huge ad buyers like Amazon lower spend, it impacts the entire category.

A very useful indicator of the health of online media is growth in usage by Fortune 500 companies. Their usage was relatively stable during the year at an average of 28.5% of all online advertising. Just as with top online spenders, one significant advertiser can

Cellular and banking dominate F500 in Q4

Top Fortune 500 Advertisers, Q4 2003

Advertiser	Impressions (Billions)	Fortune 500 Rank
Dell	8.029	36
AT&T Wireless	4.747	119
SBC Communications	4.520	27
Bank One	3.846	79
Amazon.com	3.645	407
AOL Time Warner	3.089	29
General Motors	2.805	2
Citigroup	2.555	6
MBNA	2.169	179
Hewlett Packard	1.822	14
Microsoft	1.707	47
Target	1.666	25
Schering-Plough	1.636	187
American Express	1.576	69
Verizon	1.402	10

Chart 23 Source: Nielsen//NetRatings: AdRelevance

Fortune 500 advertisers accounted for more than one third of all rich media

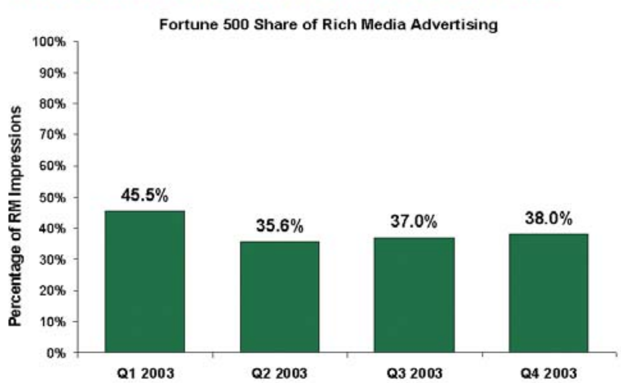

Chart 24 Source: Nielsen//NetRatings: AdRelevance

Telecom leads Fortune 500 for rich media

Top Rich Media Advertisers in the Fortune 500, Q4 2003

Advertiser	Impressions (Millions)	Fortune 500 Rank
SBC Communications	2,251	27
AT&T Wireless	1,963	119
Hewlett Packard	1,061	14
Cendant	820	133
AOL Time Warner	792	29
Morgan Stanley	699	40
Microsoft	601	47
Verizon	576	10
Walt Disney	571	61
General Motors	454	2
Best Buy	450	91
American Express	448	69
Bank One	359	79
Gateway	300	387
Dell	292	36

Chart 25 Source: Nielsen//NetRatings: AdRelevance

impact a quarter. Case in point is Estée Lauder, which flooded Q1 with over 11 billion impressions to become the top Fortune 500 advertiser of that period. *[See Chart 22]* Estée Lauder was clearly looking to drive customers to Gloss.com, which retails its many brands including Clinique and MAC. For Q4, Dell was in the #1 slot with over eight billion impressions *[See Chart 23]*. Dell, a direct merchant and early adopter of online advertising, was marketing to holiday purchasers and nearly doubled the spend of the next advertiser on the list, AT & T Wireless. The rest of the list was dominated by cellular services and credit advertisers who were likely out to appeal to consumers charged by low interest rates and eager to make holiday purchases at those low rates. Aside from the usual players like Amazon and AOL, some new faces appeared such as Target and Schering Plough.

The Fortune 500 voted in favor of rich media during the year, accounting for 45.5% of all rich media advertising in Q1 and 38.8% in Q4. *[See Chart 24]* Who in the Fortune 500 liked it best? Cell phones, once again: SBC lead the category at 2.2 billion impressions, followed by AT & T Wireless at 1.9 billion impressions. *[See Chart 25]*

Conclusions: Growing Up, But Not Quite

Online advertising, which is just about to enter its second decade, has experienced the hiccups and growing pains of any developing medium. Particularly hard hit during the economic recession of the early years of the century, it has emerged a stronger and more standardized medium, but still has great developments to come. Advertising units did get bigger but are no closer to any set-in-stone units. New sizes such as the leaderboard, were adopted rapidly and the stars of 2001 and 2002 like large rectangles and skyscrapers, became even more common. 2003 was the year that rich media – until recently much talked about but little seen – finally began to take off. Ad units emulated the dynamism of television and the interaction of video games. Search took yellow pages advertising to a new level (and turned some brand marketers into direct ones) forcing marketers to optimize their sites as well as evaluate the efficiencies of paid placements.

The growth of search has definitely pointed out one thing to online publishers: online advertising can grow rapidly if it has easily proven return on investment. Impression-based online advertising still suffers from poor/insufficient metrics used to judge effectiveness. While branding impact studies are more commonly used, advertisers are still optimizing on click-throughs. The growth of DoubleClick's view-through metric – and the clients who now set up their campaigns to assess impact over time – is one indicator of more sophisticated measurement and indeed, more memorable online creative. Rich media is proving to be dynamic enough to get brand advertisers on board, but it must be measured beyond clicks. We now know that on average a Motif rich media ads displays for 41.9 seconds and is interacted with for 21.9 seconds. Figures like these will help marketers make comparisons with broadcast media where a typical unit can engage a consumer for 30 seconds. DoubleClick is encouraging its clients to use the new Audience Interaction Metrics and develop a broader picture of how consumers are interacting with the newer formats.

2003 ad spending figures bode well for the continued growth of online, but unlike advertising in other media, online has not yet developed predictable seasonal fluctuations. Large volume advertisers can still dramatically impact quarterly numbers. There has, however, been a continual trend towards the early adopter advertisers reducing or eliminating online spending. These companies either successfully used online advertising to build a brand, or in the case of an advertiser like X-10, experienced product burn-out, a natural part of the direct response cycle. Blue chip companies, including many of the Fortune 500, have stepped in to fill the void.

Online advertising in 2003 did begin to reflect big offline spenders as well as economic shifts like the resurgence of the stock market: auto advertising grew dramatically as more consumers researched online, while brokerage companies came back as they fully embraced the direct-to-consumer business model that has emerged over the past few years. Banks lured their customers away from ATMs and tellers onto banking sites. Mortgage and credit card companies offered debt consolidation and great rates all with one click. Cellular services took advantage of the FCC's portability ruling to encourage service swapping. Even an entirely image-based company like Estée Lauder stepped into online to entice women to their ecommerce site. Online might not offer the glamour of television or the stunning visuals of print ads, but it can encourage already loyal customers to shift their repeat purchase to online.

What stage in the maturation process is the online medium currently going through? Full blown adolescence. It's clearly of a height in terms of consumer usage that demands respect, but not quite there in terms of physical development (standardization of units used and measurement tactics). While publishers and advertisers are eager for it to "just grow up," it won't until more advertisers have depth of experience (by increasing the size of their buys and the sophistication of their creative) and the process itself just gets simpler.

Marketing dollars have always followed audiences. Expect each year to bring more normalcy and predictability in online advertising: last year's "toe in the water" spenders will refine their strategies and broaden their scope. More importantly, the marketers who really do develop cross media plans (and the cross functional organizations demanded by this) will reap the rewards of comprehensive marketing that engages consumers at all possible touchpoints and makes best use of the unique capabilities of online.

About the Data

DoubleClick augmented its own data derived from ad serving tags with data from Nielsen Monitor-Plus (all offline media spending) and Nielsen//NetRatings AdRelevance (online spending) in order to gain a more complete picture of the relative growth of ad spending both in aggregate and by key industry segments. As the universe of measured media here does not include online search, direct mail, yellow pages and point of purchase displays, the figures may not be comparable to other overall spending data.

DoubleClick Data Notes

- DoubleClick data is derived from the tags (strings of code) assigned to each ad that is "served" on behalf of either web publishers or advertisers through DoubleClick's third party ad serving system, DART. This data represents actual counts of ads delivered to consumers through web browsers and is one of the largest pools of data available from both a publisher and advertiser perspective. It does not represent the entire universe of online advertising, but only the ads served by either publishers or advertisers who demand the more sophisticated inventory management and reporting and tracking capabilities of a third party system.

- Certain data, such as Post Event Data (post click and post impression), is available only from ads served by advertisers, and does not represent the entire pool of data, as it is collected only from advertisers who choose to use specific tracking tools (DoubleClick's Spotlight Tags).

- View-through rates assess users who have taken action within 30 days (on average) of having viewed, but not clicked on, a banner. This metric can be used to assess post-impression response and optimize based on a more complete picture of conversions rather than just clicks. View throughs are an observation of consumer behavior – it cannot be determined precisely what portion of these metrics are related to the online impression and what are related to offline marketing. DoubleClick is undertaking research on a campaign basis that attempts to develop guidelines for this issue: for more information, contact Kathryn Koegel, kkoegel@doubleclick.net.

- Post impression activity is any activity taken by a consumer subsequent to their viewing an online ad, but not clicking on it. These activities could include visiting an advertisers web site, downloading a document or filling in a form to receive a newsletter or more information. Post-impression activity rates are derived from the total of post-impression activities divided by the total of DART for Advertiser impressions. Post activity sales rates are the number of sales occurring divided by the number of post impression activities. The total universe for this metric is derived from impressions served by advertisers who are tracking impressions to sales.

- Click-through rates comprise overall impressions from DART for Advertisers and DART for Publishers/overall clicks. Click-throughs are only one measure of response, and not all campaigns are designed to solicit a direct response.

- The DoubleClick system defines rich media as any sort of ad unit that is not a GIF or a JPEG (image-based ads). Thus, compound ads (ads with more than one type of element), ads with Html forms (often used to create a pull down of options effect) and ads that appear below or above the page (popups and pop-unders) are seen in the DART system as rich media. There is great variance in industry projections of rich media volume due to both lack of standard definition of rich media and difficulty in capturing the data other than through disparate ad servers. DoubleClick rich media data reflects the DART system definition as well as the fact that it now incorporates Motif, a rich media authoring product developed with Macromedia, the creator of Flash.

- Rich media click-throughs are derived from overall rich media impressions/rich media clicks. Not all rich media campaigns are designed to solicit a click, and not all clicks in rich media are trackable.

Monitor Plus Methodology

Nielsen Media Research collects advertising information and expenditures for the following media: Network TV, Cable TV, Syndicated TV, Hispanic TV, Spot TV, National Consumer Magazines, and Free Standing Inserts (FSIs). Outside vendors and networks provide the data for the following media: Local Magazines, Local Newspapers, Local Sunday Supplements, National Newspapers, Outdoor, and Spot Radio. Additional media and markets are added to the service each year, thus contributing to increases in advertising expenditures.

AdRelevance Methodology

Online advertising is one area where traditional methodologies do not lend well to measurement. Each day, thousands upon thousands of electronic advertisements appear and then disappear from millions of web pages. The transitory nature of online advertising activity warrants a unique methodology to accurately measure it.

AdRelevance utilizes traffic data from a variety of sources and complimentary methodologies to fuel its intelligent agent, known as the Cloudprober. Furthermore, traffic data plays an important role in the calculation of advertising impressions.

AdRelevance applies a robust methodology to continually seek out the most significant and influential websites to monitor. Moreover, AdRelevance carefully defines which pages comprise each website to ensure that complete, singularly branded entities are reported as such. AdRelevance developed proprietary algorithms to direct its intelligent agent technology to web pages at varying rates to obtain a representative sample. Cloudprober can then accurately assess how frequently any ad appears. Once the Cloudprober fetches a web page, AdRelevance invokes Automatic Ad Detection (AAD) to automatically extract all advertisements.

After the advertising content is extracted, AdRelevance analyzes it via machine classification techniques and then human encoders.

The combination of traffic and ad frequency data allows the AdRelevance system to calculate impressions for advertisers by industry. When paired with site rate card information a rate card ad spending figure can be produced. The AdRelevance numbers are then scaled by calculated scaling factors to determine net ad spending.

