

Jefferies Media & Communications Conference - Panel Discussion

Company Participants

- Andrew Appel, President, CEO
- Brad Smallwood, VP Marketing Science
- Dave Morgan, CEO
- Steve Hasker, President, COO

Other Participants

- Craig Mineard, Analyst, Jefferies
- Unidentified Participant, Analyst, Unknown

Presentation

Craig Mineard {BIO 19074979 <GO>}

I'm excited to introduce today's panel. As someone that covers the media and information services collectively, I think the tracking, targeting. And measurement of effectiveness of advertising is certainly top of my list of important topics.

Before we get into it, just a couple of important housekeeping announcements. Firstly, this is being webcast. So I'd ask, when we get to Q&A, if people are patient and wait for a microphone so we can capture the audio of the question. Secondly, before we get into it, I'll go through a quick safe harbor statement, since we are webcasting this.

So on behalf of Facebook, I would like to take this opportunity to remind you that during the course of this conversation, Brad may make forward-looking statements regarding future events and the business strategy and prospects of Facebook. Facebook cautions you to consider the important factors that could cause actual results to differ materially from those in the forward-looking statements. These risk factors are described under the caption Risk Factors in Facebook's annual report on Form 10-K, filed with the SEC on January 28, 2016. In addition, please note that any forward-looking statements that Brad makes are based on assumptions as of today. And Facebook undertakes no obligation to update these statements as a result of new information or future events.

So maybe with that, just quick intros. Thanks, Brad. How do you follow that?

So to the left of me, Andrew Appel, President and CEO of IRI. Next to Andrew, Dave Morgan, CEO of Simulmedia. Then we have Steve Hasker, President and COO of Nielsen. And then Brad Smallwood, Vice President of Marketing Science, Facebook.

Maybe before we get into some of the discussion, I'd go from left to right, give a quick intro and just one or two bullet points about your organization, maybe focused on the topic to hand and where you play it. So media, measurement, targeting, effectiveness, et cetera.

Andrew Appel {BIO 21415142 <GO>}

Thanks, Craig. Andrew Appel, IRI. I think where we play is in amalgamating all of the purchase data assets necessary to measure the impact of media. So we're partnered with WPP and comScore. Effectively, comScore's role is in the media measurement, all the things that Martin was talking about. And our role in the partnership and ecosystem is, I think, building the data backbone and pulling all the datasets together and then, on the purchase side, measuring the impact of advertising on actual behavior.

Dave Morgan {BIO 16390685 <GO>}

Simulmedia is a television-based marketing company. We use data, science. And software to drive desired business outcomes for large brand marketers in a predictable, provable, profitable way. And we do that by closing the loop between what people view on television and what they purchase and being able to predict that in advance and actually running the campaigns and proving the results. And in this case, I'm talking about linear television, the old-fashioned part of TV, not the addressable part. So basically, it's taking a digital approach and applying it to linear TV.

Steve Hasker {BIO 16578627 <GO>}

So Nielsen measures what consumers watch and what consumers buy in over 100 markets. For this specific topic, we're very focused on measuring the total audience to a piece of video content or video advertising. And we're the only independent player in that measurement space.

Brad Smallwood {BIO 2214725 <GO>}

So the marketing science team at Facebook, our job is to help advertisers understand the value that they're getting from the marketing on Facebook. But also digital in general. So all of our data partnerships and measurement partnerships that we have is run through my team.

Craig Mineard {BIO 19074979 <GO>}

Terrific. Well I think we've been fortunate enough to get some great presentations during the course of today from a number of the world's largest media companies,

many of which are somewhat concerned with remaining relevant in an industry environment where we're seeing increasingly shift from traditional dollars into digital dollars.

Maybe I'll start with you, Dave, on this. How does television fight back, as someone that's really in the midst of that?

Dave Morgan {BIO 16390685 <GO>}

Television for 30 years could sell however it wanted to sell, because it was by far the largest media channel. And it just de facto delivered results. I think the way it has to fight back is first, it has to recognize that the audiences aren't escaping nearly at the level people think. I mean, actually, they've relatively plateaued. But it has to start selling more like digital buyers want to buy. It has to be more integrated to digital solutions. It has to stop selling just large programs on average rating points by day part. But actually selling people-based campaigns. It has to understand the actual results.

And I think there's companies like Nielsen that are trying to pull them forward. At the same time -- which you can't say. But I can say -- but being held back by people that still want to sell how they used to. And I think TV's at a really important time. It now has to prove its way through. And it didn't have to before.

Craig Mineard {BIO 19074979 <GO>}

But is it really possible to maybe reconfigure the metrics and change the landscape? So we had Joe Marchese from Fox on this morning. And someone said -- well, he made the comment, "TV let digital set the metrics." Then the question was, "Well can that genie be put back in the bottle?" The answer was no.

Dave Morgan {BIO 16390685 <GO>}

I disagree. I think that -- I don't think that the future of TV is only the gross rating points and cost per thousands in demographics. I think they will become lesser and lesser factors. But I think if you listen to the message of Facebook in the market, it's about people, it's about outcomes. And I think TV will do very well in that environment. I think TV just has to take leadership in this next level of measurements. And there's a lot of new companies that are coming in with measurements, doing things on their own. And there's the incumbents like Nielsen, providing Nielsen Buyer Insights, Nielsen Catalina, proving it to sales. And so I think if it's about sales and outcomes, we're going to find TV is very well positioned to help drive that currency.

Craig Mineard {BIO 19074979 <GO>}

Steve, what are you doing specifically around changing the currency? As someone that's really been at the forefront of currency over the years, how do you view the landscape today and how will it evolve?

Steve Hasker {BIO 16578627 <GO>}

So Craig, there are two things we're doing. The first is we have developed a total audience measurement system which measures any piece of content, be it advertising or programming, no matter where it is seen, when. And by whom. And we have developed that system, we have launched that system, it's in place, it's fully functioning. We are in the process of instrumenting clients, more and more clients, be they media companies, agencies, or advertisers, to be able to see that data on a daily basis. And we're very happy with where that's going. That's the first part.

The second part is to coordinate and conduct a set of conversations with buyers and sellers with traditional media companies, with digital media companies, with agencies, to update the metrics. So today, the national television currency trading metric is something called C3. And in many cases, that's what national advertising on a TV is traded on. Occasionally it's traded on seven days. So live plus three and live plus seven.

And we've developed a system to be able to supersede that. The question is, what is the metric that will supersede that? We've got all the capabilities in place to move on that today. But what we need is for the buyers and sellers to agree on the right metrics. And anybody who thinks that Nielsen or anybody else can wake up one morning and say, "Good news. We're going to move from C3 to C35. We're going to include all devices. And we're going to include dynamic ad information," is crazy, because the uproar that would cause would be tremendous.

So we're in a process now, pulling together buyers and sellers to help redefine that metric so that headed into these upfronts and next year's upfronts, there is a new metric which reflects the fact that TV content and all video content is viewed across all devices, it's viewed in very, very different time periods. And it includes the same ad loads, linear ad loads and dynamic ad loads. And in some cases, no ad loads.

Andrew Appel {BIO 21415142 <GO>}

I think the challenge is scale and speed. So in the end, the world is getting personalized, right? The digital world has brought personal, addressable interactions with consumers. And the challenge of additional measures and metrics is that they're still effectively modeling out the behavior of the world when the world is effectively moving to real-time addressability of scale. And so if you think about what the system needs, it needs the ability to be able, at scale -- and that's one of the benefits, I think, of what comScore is trying to do -- is to try and do it at scale -- 40, 50, 60, 70, 100 million households -- and have all the participants somehow play in the ecosystem that allows you to get a census scale-based view of what each individual consumer is exposed to.

That is the challenge that I think is going on in media around viewability, is as it fragments, it becomes increasingly difficult to figure out who's exposed to what. And you can try and come up with another proxy metric with a sample as one mechanism. And that may work; it may work. Or the system just may outgun it. And

in the end, you come down to -- hold on, Steve -- you come down to -- from our view it's about what exposures does each and every person have. And then more importantly, what impact does it have on their behavior?

Because in the long run, the reason you create demand, you do advertising, is you want to create purchase and maybe purchase intent. But in the end, it's about sales lift. If you had to pick one measure that you would use for the entire ecosystem of advertising, we would assert it would be impact. It wouldn't be viewership. Viewership is a means to an end.

And so whether it's Facebook or Google or Simulmedia or any participant in that ecosystem, the goal is ultimately to figure out what each and every person is exposed to and what each and every person then does with that information. And that's the angle we come from -- let's build a dataset of 100 million households, link it to Rentrak's 50 million or 40 million set-top boxes. And actually be able to then not just measure conceptually from an analytic and insight standpoint. But from an actual behavior standpoint for those actual people. What are they actually seeing and what are they actually doing?

And the more the system can support it. And the more you can then move to that next, ultimately, real-time environment -- because that's what you want to do, right? You want to basically then be able to move in real time, not look backward at what happened and then reinvent the next year. That's what the digital world taught us, is you want to reinvent the next minute. And right now, programmatic is on views. And most of the players are basically optimizing on viewership. Our view is if we can get sales measures and lift and impact measures and scale, you could optimize on that.

Craig Mineard {BIO 19074979 <GO>}

So Andrew, do you see two complementary solutions operating in parallel, or is this a race to the finish line and winner takes all?

Andrew Appel {BIO 21415142 <GO>}

Well I think they'll have to live in complement for a reasonable period of time because of the legacy way in which TV has been bought. And so it's an ecosystem that has existed for a long time that has to do with upfronts and lineality. And so it will be, until the system changes, the secondary system, which will effectively be the ability to adjust in real time the exposures at an individual level based on their behavior, not just based on what they see, will run in parallel.

It will become an optimization engine for that first. And then, as I think TV becomes addressable, the more television becomes addressable, the more the idea of sample-based or metric-based -- you know, you'll end up buying the inventory based on did it actually change the behavior of the consumer in my product? And I think someday Facebook will move. You know, if they could get measurement and scale, I think -- I don't know, I can't speak for Brad. But I would imagine that you would sell inventory based on --

Steve Hasker {BIO 16578627 <GO>}

Before Brad jumps in, I suppose we have a slightly different point of view on how this will evolve in terms of the broader measurement space and your question about coexisting measures, Craig. We believe that, from the point of view of exposure or reach, there is real benefit to having a single, independent referee on the field. So that is someone who has the capability and the scale and the independence to form a view as to how many people saw a particular piece of content or a particular advertising at one period of time.

We also believe that on top of that, the effectiveness measures, whether they be basic research measures like brand recall, purchase intent, which is still important for some categories of cars that are purchased with a cycle that's very long, or whether it's ultimately to Andrew's point about purchase, that those metrics will become more and more important.

However, you can't get to those without a common view of exposure. That view needs to come from one place. That view needs to be provided by an independent player, not someone who's selling media and not someone who's buying media because of the integrity and the trust that's required there.

On top of that, every marketer wants a slightly different flavor. They're coming to Simulmedia, they're coming to Facebook asking for different things. And every media seller wants to tell a slightly different story. So I think to have one independent standard in effectiveness will not happen. But we can't see a world where you move away from one standard.

And the last comment I'd make is if you compare media markets across the world where there is one independent third-party measure and you compare the growth rate of the media compared to where there is either an industry committee that sits as an intermediary or there are multiple metrics in the marketplace, the growth rate of the media where there is one referee on the field is always higher than the growth rate where there isn't, like for like.

Craig Mineard {BIO 19074979 <GO>}

Brad, as someone maybe on the outside looking in. But the beneficiary of measurement targeting having been at the forefront for a lot of that, what would you say to some of the arguments put forth today. And what advice would you give or coaching to maybe guys that are more focused on linear?

Brad Smallwood {BIO 2214725 <GO>}

Well maybe we could take a slightly different slant. Instead of focusing on the measurement answer, we'd focus on the actual problem, which is how our advertisers, like how should they be buying media? What's the most effective way for them to be mining media? And if you look back many years ago, their only choice

was to buy large television shows. It made total sense to do what they're doing, which is they'd buy media and they'd look at that.

Increasingly with digital and more and more forms and addressable TV, there's now the ability to actually buy consumers. And buy consumers that maybe have certain buying behavior; to understand consumers across all of the media that they're consuming. So TV, online, all that together. And actually manage the buy at a consumer level instead of looking at it like television, digital, mobile, social -- you have all these different silos -- it's actually tying that all together.

And where I think the ultimate currency is going, at least on this reach measure, is what we need is consistency across all of those. And the more that we can bring that consistency so it's not us measuring ourselves or others measuring themselves, it's actually a third party doing that. As Steve mentioned, that floats all boats within the market. And that actually ends up being a really good thing for the market.

So we see that that consistency is a really important part of driving overall media effectiveness. But we do think that it needs to become more and more granular over time. And honestly, like some of the work that Nielsen's doing with total ad ratings and digital ad ratings and DCR and all that is certainly a step in that direction, which is great.

Craig Mineard {BIO 19074979 <GO>}

So do you see a real line of sight to cross-platform measurement? There was an e-Marketer article toward the end of last year where I think that topic ranked extremely highly. And yet most of the respondents said that that wasn't being met today and wasn't coming any time soon.

Brad Smallwood {BIO 2214725 <GO>}

It's certainly happening today. Is it at the end line? I don't think it's at the end line. But it's certainly happening today. And with TAR, it's certainly happening and lots of campaigns are going that way.

I think there's a lot of places still to go there. But we've made major strides over the last four or five years, which I think is, again, good for the entire digital and the TV ecosystem, because what we do know from all the studies that everybody's run across all media, is that as people are exposed to media across different platforms, it actually makes both forms of media a lot more impactful.

Craig Mineard {BIO 19074979 <GO>}

So a rising tide lifts all boats.

Steve Hasker {BIO 16578627 <GO>}

Yes, one of the things you've got to look at in that sort of study like that e-Marketer is study is who are the respondents? I think there are digital publishers. And Facebook's not one of them. But there are digital publishers who like to tell a story about their size based on, to Andrew's point about based on views or uniques or something. When you actually calibrate that back to time and attention, they're tiny. So they have benefited from the Wild West of many, many metrics.

I think there are also TV companies for whom they're getting a price point for their digital inventory because of lack of supply that is higher than their TV CPMs. And therefore there's a level of trepidation about true cross-platform measurement. So you've always go to go a level beneath and look at whose ox is gored if we truly move to true cross-platform measurement.

As Brad said, that's what we've enabled. And now the question is how fast do people move? And that is answered by who wins and who loses.

Dave Morgan {BIO 16390685 <GO>}

So Craig, I think one of the ways to think about it is, having spent most of my career in the pure digital world. But now the last seven years in a pure linear TV world, the adult table that we never got to sit at was the TV money. And it always sat in its own silo under its own metrics and its own buyers and its own measurement. And it never had to be accountable to anything else. And that's changing. And it's changing pretty quickly. And it's changing because there's now massive amounts of direct measurement being brought to bear.

There is a lot of pressure on the industry. There's a pricing model that, the fact that you're worth one-fiftieth as much at 11.01 watching ESPN Sports Center as you were at 10.59 because you moved out of prime time is pretty ridiculous when you really should be focusing on what customer you're buying.

And because there's enough digital back-end and digital data, you can now actually start matching this to a lot of the other datasets. I mean, Nielsen now has Arbitron in the same household and can start really thinking about radio and TV and how they work together.

And so I think what's going to happen is you are going to have a lot of change very quickly. You're going to have the digital channels will work together well. But the TV is now going to be pulled in and have to contend with everybody else. And that didn't happen before. And that's going to put a lot of dynamism in the marketplace. And it's not going to just sort out because Nielsen puts a number out. You're going to see a lot of individual companies.

And we've got Turner, NBCU, Viacom, each with their own new efforts, which is great. There's probably going to be five more companies by this upfront that will have press releases out, because there's about eight paid companies. So five more. And the three that have them out will have five more press releases. And we're going to see a lot of different flavors of innovation that will lead to some more change.

Andrew Appel {BIO 21415142 <GO>}

Yes, I'll blend a little bit of what Brad said and a little bit of what Martin said. I mean, in the end, you do all this to target an individual person to change their behavior or their perception of your brand so they actually do something. And so anything that amalgamates an audience to a group, right? The people that are watching that show at 11.01, those 3 million people, have incredibly different behavioral characteristics. And so as long as you keep aggregating and looking at the media as big --

Dave Morgan {BIO 16390685 <GO>}

I can't disagree. It's quite different than when they were a 15 million block. Because actually, at 11.01, it's probably about 1.1 million. And they are actually carrying -- I mean, with their own data, they're carrying a lot of characteristics that are quite different than the 400 other choices available at that time.

Andrew Appel {BIO 21415142 <GO>}

Yes. But I think their actual behavioral propensities are very different. And unless you can get the datasets together, it's kind of meaning -- and the only dataset that has scale right now on TV is the Rentrak data.

Dave Morgan {BIO 16390685 <GO>}

That's not true. We have more data than Rentrak. We have more data than Rentrak. So that's not true.

Andrew Appel {BIO 21415142 <GO>}

And linking it to the actual, you know --

Dave Morgan {BIO 16390685 <GO>}

Which we do -- 110 million households, credit card and debit cards.

Andrew Appel {BIO 21415142 <GO>}

At a granular individual level?

Dave Morgan {BIO 16390685 <GO>}

Name and address.

Andrew Appel {BIO 21415142 <GO>}

And you group it up and evaluate it across platforms? Well why is it that none of the advertisers that we touch have a clue about that? Because my sense is that there's --

Dave Morgan {BIO 16390685 <GO>}

Because agencies don't have an interest in them having a clue about it. I mean, we're working with 90 of the top brands of the top 250. We're doing some work together. So -- we're doing a campaign together right now, I think.

Craig Mineard {BIO 19074979 <GO>}

You guys should exchange business cards.

Andrew Appel {BIO 21415142 <GO>}

No. But I think the end state is at the individual level, to understand the exposure and then to understand the impact. And everything that goes in between is just interim steps. And the variation is extremely high. And the level of accuracy of the data is getting worse, not better.

Dave Morgan {BIO 16390685 <GO>}

I agree with that. My only --

Andrew Appel {BIO 21415142 <GO>}

Fragmentation is making it more difficult.

Dave Morgan {BIO 16390685 <GO>}

But I do agree that reach matters, because I think you need to know who's actually been exposed to the messages to understand the different behaviors and the behavior changes and how propensity is created that you can then convert. But we're much more in agreement than in disagreement.

Steve Hasker {BIO 16578627 <GO>}

I had one other comment on it. I think we do as much work with big data as anybody. We've been working with the Facebook registration dataset now for six or seven years. We've been working with the Catalina loyalty card data for about the same period of time. We have 80% of the credit and debit card purchases, where we process them every day.

Here's the downside. And I think we've done a lot of work with Simulmedia on this as well, which is these big datasets have, as Andrew said, tremendous precision for those who actually are producing the data. So in other words, what about the people who purchase products using cash? What about the 20% of Americans who don't have cable or satellite? You have to include them. If you're going to be representative of the population, you have to include them.

If you're going to produce analytics to show what happens when a particular person is exposed to a message, that's a different task. And that's an interesting task. I think that's a good business to be in. It happens not to be the one that we spend much time on. But there's a lot of fact and a lot of fiction about the data out there. There's a lot of fact and a lot of fiction about the roles of the different metrics that are produced. And I think everyone's at fault, including us.

I think what I'm looking forward to over the next 12 months is just much more illumination of what data sources do, how they can and can't be combined. And what purposes they serve. Because I think that is going to make, to Brad's earlier point, life much easier for arguably the most important constituent in any of these conversations, which is the advertiser.

Brad Smallwood {BIO 2214725 <GO>}

And just one little last piece on there. We're describing advertising as somebody sees an ad and they go all the way through the process. And then they love a brand and then they purchase. And that happens on an ad or it doesn't happen on an ad. The reality is, the actual impact of an ad is the attribution of many different touchpoints that an advertiser has. And so like you can't just track every impression to either convert or non-convert. There's always -- there's like this complicated modeling that goes on that is not deterministic. It's a science. But it's not deterministic. And I think we have to be careful about setting people's expectations that that's what measurement is, that you're going to be able to follow an impression all the way through to a transaction or an end outcome every time.

Craig Mineard {BIO 19074979 <GO>}

But Brad, don't you think there's merit in chasing that dream. So the Holy Grail of connecting those dots. And if you can only do that for a subset of the audience and you catch everyone else through more generic --

Brad Smallwood {BIO 2214725 <GO>}

It's looking at that lift that's created. But it's always -- it's not one person. It's always you're always looking at groups of people and understanding, on average, with like test and control or all this kind of stuff. So I won't go into the details.

Andrew Appel {BIO 21415142 <GO>}

Yes. And I agree with that. I think it's a portfolio of exposures for individuals or very small segments. I mean, it's not segments of 10; it's segments of 2 million over time. And they have a portfolio of exposures. And the analytics need to be fast enough and sophisticated enough to be able to model out how that portfolio of exposures and experiences changes their behavior. But in the end, the datasets today are fragmenting so quickly, it's becoming difficult just to figure out the portfolio of exposure.

Brad Smallwood {BIO 2214725 <GO>}

So I agree it's fragmenting. But the data integrity issues are real. When you look at like the cookies, I guess how digital measures, right, or used to measure, or still does. When you look at like the actual -- like you look at cookies and how they operate on mobile and how you tie them across devices, it's a very complicated process. And it is very difficult to tie all that together. And we see lots of conversions disappearing into the ether because of that. And so Steve's point about the data integrity issues are real and need to be dealt with as well.

Dave Morgan {BIO 16390685 <GO>}

And I think one of the things that's important, living in a world of the highly granular data, I mean, one of the things that happened when we started working with Nielsen more than six years ago, when we got the data and we compared all of this actual viewing data to their data. And we're going to show it at an Advertising Research Foundation event, I mean, immediately, it was like, "Oh, my god, this is going to be embarrassing and they're going to try to shut us down and the contract -- "

Then we found out that the panel held up. It did what you would have expected, in that it actually very well mirrored the actual viewing. And obviously, there was granularity you could see in the direct viewing. And so I think one of the things that's going to be really critical is going to be when you can have integrity in panels and groups of people where you've got no fraud, no box, no cookie-changing all of the time, those components are going to be critical. They'll be parts of. And whether at the center or on the side, of how all of the measurements are going to be, whether it's going to be at the conversion or otherwise.

Because as we know, the last thing we want is a supply chain that looks like the (inaudible) non-walled garden digital world, because it's just pollution. And I feel responsible. I built a couple of the companies that are part of that.

Craig Mineard {BIO 19074979 <GO>}

I'm conscious of time. I want to leave some time for Q&A. Given that there's a number of public investors, public company investors in the room, I thought maybe just to close the panel discussion before we open it up, to go down the panel. And if there's a company out there that you see that's interesting and to the specific theme that you would want to highlight for the benefit of public company investors in the room, what would that be? Andrew?

Andrew Appel {BIO 21415142 <GO>}

Well I can't speak to a specific thing. But I keep coming back to the fragmentation of viewability and what people, what audiences and what exposures they see. So there's a company out there. And maybe it's yours, that is able to pull together at scale across all the platforms what exposures. And then what impact it has on the actual behavior. Because in the end, the behavior change, the sales lift, or the brand

measures are what matters. That's what you do it for. And all the data that we look at shows that there's a massive amount of variation in any program or any campaign on the actual sales lift associated with the campaign. So all the targeting, all the work it's doing, does not have any impact. So if you can find a company that's doing that, then it's highly valuable.

Dave Morgan {BIO 16390685 <GO>}

Well I love these two public companies, by the way. So I'll say them. But my view on the television ecosystem is that TV is going to face a lot of headwinds. It will matter who's running it. And it matters what they do. I mean, you would note -- and just look at Les Moonves in the last 10 years. I mean, he made a difference. And so I think -- I mean, the companies I called out before -- NBCU. So Comcast NBCU, TWX, Turner. And Viacom -- all three of them are taking at least pioneering steps in making massive investments in data and technology and new sales organization to sell in a different kind of way. How successful they are, we'll see. But if you look at six, even, or eight companies there, you've got three that are at least saying, "We don't want to be caught by the bare behind."

Steve Hasker {BIO 16578627 <GO>}

Yes, I'll make -- I'm not going to name a specific company. But I think I'd build on Dave's point. I think there's an acute need for some leadership in the TV industry. And it's specifically to tell their story. One trivial example is the use of the word TV. I don't think they can quite figure out, "Are we TV or are video?" because everyone loves video. Everyone wants to invest in video companies. The TV networks have the best video out there. They still have the best video. And they probably will for a period of time. And yet the story is not a sexy one and it's not a coherent one across the industry to the advertiser and to the rest of the ecosystem. So I think that's one.

The second one is our view of the future. And we've invested against this in the last five or six years, is a combination of highly representative, very high-quality, in-person recruited panels, where all of the media exposure is measured, not just TV or not just radio, combined with big data. It's not one or the other. And we do not believe that one or the other sufficiently works. And I think the guy to my right figured this out many years ago. It was one of the reasons why he started working with Nielsen and also one of the reasons why he's accumulated the largest repository of return path data in the world. I think he'd say what he's done is a proxy for that combination of panel data and return path data. He's not your public --

Brad Smallwood {BIO 2214725 <GO>}

We don't comment on specific competitors. I will say the concept of buying across all different forms of media is a very interesting space. And I think there's a lot of development there.

Craig Mineard {BIO 19074979 <GO>}

Great, thank you. Let's jump to Q&A.

Unidentified Participant

I just wonder what you guys think in terms of whether WeChat has gotten closer to the Holy Grail of being able to show an ad impression and then actually provide payment and track the payments, i.e., they run ads and they can say, "Sales went up this amount because of it"?

Brad Smallwood {BIO 2214725 <GO>}

I actually can't comment directly on WeChat stuff.

Steve Hasker {BIO 16578627 <GO>}

I think it's a great example. I think, for everyone in the room who hasn't had a look at it, I think it's worth looking at. There is the problem that Brad talked about, which is attribution, right? People who are on WeChat are also on many other platforms. They're also getting many other exposures. And you've always got to be careful about some of these metrics which say, "If you spend a dollar on our platform, sales will go up by the following." Because if you add all those claims up, the GDP in China or the GDP in the US, whatever the geographic territory is, will double or triple or times 11 in a period of time. So you need that multi-touch attribution and that comprehensive market view.

Unidentified Participant

One is on the attribution. I mean, TV always seems to get a slack on it. All the new digital ad guys get asked, "What's your ROIC? What's your ROI? What's your ROI?" TV just says, "Hi. we're just catching up to them. We're there."

The second is, what's the difference between, on the privacy issues in following and tracking in Europe versus US, especially just given all the changes? So two disparate questions. But --

Dave Morgan {BIO 16390685 <GO>}

I'll jump on the first. One of the reasons that TV's been behind in the ROI game is that virtually all of the measurement historically was done in media mix or marketing mix models, which slipped last year. And was only based on a gross rating point by a network basis, sometimes broken out by day parts. So there was no granularity in the data. And then you had to make a human judgment. And so it -- and it didn't care, because it didn't have to prove itself.

Unidentified Participant (inaudible ? microphone inaccessible) should be held to the same standard as digital guys. That's all.

No, no, they're not, because in most cases, it's done for channel, channel driving and management. And if McDonald's takes the spend down in Milwaukee by 20 points

on TV, they lose three points of market share that week. And they get yelled at and they put it back up. And so it is held to a different standard. It's not been held to an empirical standard.

Unidentified Participant

Is there anyone else that wants to comment, whether it's the same standard or different standard and why?

Andrew Appel {BIO 21415142 <GO>}

You know, I think the standard is changing quickly and that television is going to have to be held to the same standard as digital. So I think we do a ton of the mix modeling. And I think historically, to my colleague's point, they were retroactive. And I think going forward in the next 12 months, I think by attributing impact and sales lift and other measures directly to each and every ad exposure on television, we'll end up with the same level of measure. Although it may not be view, it will be ROI.

Steve Hasker {BIO 16578627 <GO>}

So I think that when it comes to reach exposure, TV has had a much higher standard than digital ever has -- much higher, since the first days, right? As a digital publisher, I can claim just about anything, or I could until digital ad ratings came along. I could claim just about anything. And as long as it wasn't completely haywire against a monthly audience estimate and/or a server log information, I was fine. I went on to the next campaign.

TV, if I didn't hit the audience as measured by Nielsen, I had to make good. I think where your point comes in as to around attribution, TV has not historically been held accountable to move a product -- not explicitly. As Dave said, implicitly it's always been there, whether a hard-edged form or not.

And the digital folks have been much quicker to go there. But I think you're starting to see the TV folks catch up. Simulmedia is driving a lot of this. Dave will offer to advertisers a guarantee and a make-good based on ROI number. And I think you're seeing players like CBS, with their campaign performance audit, do the same.

The difference is both of those companies are leaning into independent measures. So they're not captive metrics. They're not grading their own homework. And that is where the market needs to go. And when we get everybody to that point, the same reach metrics and the same accountability metrics, then this whole conversation goes away.

Unidentified Participant

Privacy.

Craig Mineard {BIO 19074979 <GO>}

Who wants the privacy question?

Brad Smallwood {BIO 2214725 <GO>}

Europe versus US, digital, maybe digital might have a tougher time over the next 10 years in Europe.

Andrew Appel {BIO 21415142 <GO>}

I was a privacy lawyer in a previous life. I wouldn't be operating in Europe. I just, I don't think -- I mean, A, you're operating against, you're not going to be able to operate personalized data businesses in Europe. I mean, you just can't. And you won't have a predictability against it.

And I should have called out CBS as one of the TV companies before. Dave (Holback) would kill me for having forgotten that. Their CPA measure was really strong independent measure. So I'd put that as the four public companies I would have mentioned.

Craig Mineard {BIO 19074979 <GO>}

Do we have time for one more? Or do we have one more?

Unidentified Participant

You talk about tracking a third-party service to be able to track people, track conversions. It seems like Facebook has a real advantage of that on their own because they have the logged-in user. They can follow them across devices. So how do you straddle that line of a third party coming in and helping you grow the overall business versus having that competitive advantage?

Brad Smallwood {BIO 2214725 <GO>}

I think there's no question that we have our identity asset with 1.59 billion people is an advantage. But as Steve mentioned, people don't want a media company measuring itself. And so the question -- and what we've done with DAR and TAR and we've done it with more than just Nielsen, with other companies as well -- is having third parties come in and leverage some of our assets in order to do the third-party measurement, because people don't want us measuring ourselves. And so that's really been our strategy, is using, like enabling third-party measurement by using our data assets.

Unidentified Participant

Just one last one there. And then we should wrap.

Most of the conversation has been about affecting or causing transactions, yet at least in some of the businesses I've been in, there's an awful lot of advertising that's done in order to retain customers, particularly when there's recurring revenue streams, as well as to generate brand loyalty, which leads to transaction down the line. So how do you deal with the impact that advertising has on both -- on the issue of loyalty and customer retention as opposed to transactions?

Steve Hasker {BIO 16578627 <GO>}

So we can probably all take a crack at that. I think it's a great question. So the framework that we put in place a number of years ago that's been picked up as a primary ad sales tool in many major media companies is we provide metrics on three dimensions. Firstly, how many people did your campaign reach? Those are the ratings. Secondly, did that campaign resonate? So in other words, did some of the basic research metrics move brand recall, purchase intent. We use neuroscience as one of the measures there. Did your brain react to a message? Then last but not least, to Andrew's point, reaction. What was the ROI? Did the consumer go and buy more of the product?

And the fact of the matter is different marketers lean in differently to those three metrics. Some are very, very focused on rates for the reasons you outlined. Others are exhaustively focused on reaction, on the actual purchase because they're in the transaction business, because they have fast purchase cycles. And many are still in the middle.

And I'll tell you, a lot of the automotive guys are still in the middle because they're building brands over decades, for better or worse. And they recognize that their campaigns, to be successful, need to continue to further those brands.

Andrew Appel {BIO 21415142 <GO>}

Yes, I think I would add that -- we have a set of measures that you build towards each and every one of those against the actual exposure. So the goal on our side is to build a real-time measure of sales lift, a real-time measure of the impact on brand effect, which is still work in progress. Think of it as a penetration. Then an actual metric of its intent. So in the auto world, if a KPI is, "Hi. did that person then go on to visit an auto-related site based on exposure?" then that becomes the measure. And the idea is that, one, you can get the cross-platform exposure. And then you have a portfolio of measures that are available in real time against each and every exposure and link it back to the same modeling science that has been used for mix, except do it in real time. And to do that, you've got to aggregate data in one platform to be able to measure it in real time. And then adjust, optimize against it.

Craig Mineard {BIO 19074979 <GO>}

Well thank you to the panel. I'm delighted that we could get such a terrific group here today. I really thank you for the support. And thanks to the audience.

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