12-Sep-2012

Nielsen Holdings NV *(NLSN)*

Deutsche Bank Access Technology Conference

CORPORATE PARTICIPANTS

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

OTHER PARTICIPANTS

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Good morning. I'm real pleased to have with us this morning Steve Hasker from the Nielsen Company, and Liz Zale. Steve is the President of Global Media Products at the Nielsen Company. He's been in that role since 2009. He joined the company from McKinsey & Co. where he was partner.

At Nielsen, Steve is in charge of leading strategy and development for Nielsen's suite of media products and services that includes anything from television to online and mobile, advertiser solutions and cross-platform. We've got 35 minutes this morning. Steve is going to kick it off with a handful of slides that provides an overview on Nielsen and then goes through their point of view around what they call the 3 R's and then we'll turn it over to Q&A.

The one note about Q&A that I would mention is that it's probably not the best forum to talk about guidance, though that would be interesting, but rather take the opportunity to ask questions of Steve, and given that he's really close to clients and partners that are heavily involved in many of the investable themes that we're hearing about elsewhere at the conference today and that's a pretty good opportunity.

Without further ado, I am going to turn it over to Steve. Thanks.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

Thanks Matt. All right. Well, thanks, everyone for joining this morning, bright and early. I wanted to do a couple of things. Firstly, just give you a very quick overview of what Nielsen does day in, day out in 100 countries across the world. Secondly, do a little bit of a dive into the watch business, which is my side of the business otherwise known as the media business.

So in terms of what we do all day, every day, there are two parts to Nielsen. The first is we measure what consumers buy, which is the retail sales measurement of consumer package goods. We do that in 80 markets worldwide, and we have relationships with all of the major CPG players, all of the major grocery and retailers and we are the strongest player by many, many turns in that space. We've had relationships with players like Nestlé, like Procter & Gamble, Unilever and so forth for 50 or so years.

The second part of the business, which is the part that I'm involved with is measuring what consumers watch and what consumers watch really talks to four or five screens. So the way we think about it is it's measuring what people watch on television, how they consume content across connected devices, so Xboxes and [indiscernible] (02:27) and so forth, PCs, tablets and smartphones. That's how we think about the media world today. And increasingly we're taking our measurement metrics and our insights from our strong hold in TV across those other platforms and having quite a lot of success in doing it.

We serve media clients, technology clients and telecom clients. We also serve advertising agencies and we serve the advertisers directly with this information, which is one of the beauties of the watch business is that we do serve both sides of the advertising trade. And we measure programs, and we measure advertising. We have multi-year contract. 90% of our revenues are under contract in the watch side of the business. And with players like CBS, we've had a 70-year plus relationship.

The key point here is that on both sides of the business, our measurement and our analytics are embedded in the clients' operating disciplines. So, on the watch side of the business, the television ratings are the lifeblood of the television advertising industry, which is a $75 billion industry in the U.S. and another $75 billion internationally, firstly. And secondly, nobody trades advertising in the U.S. without the Nielsen rating. So that's the basis on which that trade is made. It's the basis on which make goods or accountability is held, firstly. And secondly, we're starting to see that in the digital world based on the metrics to principally online campaign ratings, which I'll talk about in a minute.

So just starting on the watch business for a second, this is how we basically break up our TVs and it describes our growth strategy. So we think about the 3 R's of advertising ROI and this relevant both to the chief marketing officer at the major advertisers across the world. It's also relevant to the heads of ad sales of the media companies. And so you think about the head of ad sales trying to understand the marketing objectives and you think about that CMO trying to get better effectiveness out of their advertising spend. We think about it in three ways.

Firstly, how many people did an advertisement reach? How many eyeballs and what was the cost efficiency of that reach of those impressions, firstly? Secondly, did the ad resonate? Did brand recall, purchase intent, some of the indicators go up? And then lastly in many cases most importantly what was the reaction of the consumers? Did they go and buy more product? Did they make a comment on a social network?

So if you think about this ideally, we'd be able to go straight from reach to reaction and show, someone saw a commercial and they went and bought more of a product. And we, in fact, do a lot of that through our own – with our own data in consumer package goods and with joint ventures around credit card data and automotive purchase data for other verticals.

And resonance is really an indication and it's very, very effective in some of the long purchase cycle categories like automotive, where I may have decided this weekend to buy a Buick, but I didn't do it based on watching a pre-season football game and seeing a Buick ad in that pre-season football game. I made the decision when I was 16 and my uncle bought a Buick. And so we have to get some measure short of reaction around those campaigns.

What we're seeing around the 3 R's, as we call them, is very extensive uptake of this framework and the product sets from chief marketing officers, increasingly from agencies and from the ad sales folks. So this is the framework that the folks at Facebook use. This is the framework that folks at a lot of the major digital media companies use.

So let me just take a minute to dive into each of the R's and it really will be just a minute. So the first R is measuring reach, measuring the true audience, and this is a combination of things. Starting at the bottom there on the left hand side, TV ratings, this is the business that, when I came to the company just under three years ago, I inherited and we've made lots and lots of investments to strengthen that franchise to make sure that it extends beyond TVs, interconnected devices into PCs.

We've also invented something called online campaign ratings. It celebrated its first birthday two weeks ago. And we invented this product effectively using the Facebook registration database as a panel in addition to our own cross-platform panel. And what it enables us to do is on a daily basis produce a rating that is unerringly accurate. So every single day we get age, gender, reach, frequency and DMA, the geographic area and we deliver that to the buyers and the sellers in the agencies of a particular campaign. And that product has enjoyed very significant uptake in its first 12 months.

And I think even more significant than that, what we're starting to see is both the buyers and sellers of advertising offering and demanding guarantees on the basis of those numbers, and for those of you who've gone deep in the digital advertising space, you'll have known that prior to OCR, nobody ever did that.

So what basically happened was they would plan on the basis of an estimate from Nielsen or somebody else, and then they would do the posting of the buying and drive accountability based on server log data from DoubleClick or from the publisher themselves. And so that there was a lack of independent third-party measurement and there was a lack of trust and, therefore, there was a lack of growth in digital advertising. Online campaign ratings is starting to change that in a meaningful way.

And perhaps most importantly, we've invented an online or digital rating that is directly comparable to our TV rating. We did a lot of work through the Olympics with a number of major advertisers to test their campaigns as they ran across TV, as they ran across PCs, and they ran across the tablets, the Web, the Web browsing on tablets. And we're going to go – we launch this product in its sort of full industrial-strength form on October 1.

And so we'll make an announcement at Adweek in a couple of week's time to talk about some of the founding advertiser responses and the founding media company responses to that product. But basically what it enables an advertiser to do for the first time ever is to look across a couple of different platforms for a particular campaign and understand how many people saw the campaign and what their demographic composition is and where they live. And that's a very significant breakthrough in terms of optimizing media spend across platforms. So we're excited about that.

And the other thing that's not mentioned here is we're making significant investments in mobile and making sure that beyond Web browsing on tablets, which we measure today, we're able to measure apps. We're able to measure apps on the smartphone and on a tablet.

And so as you see us go through this, we'll be increasing the volume of communication around some of that R&D and some of the IP that we have filed for patents and so forth in that area. We're going to be pretty measured about this because one of the things that Nielsen does, I think, better than anyone else is produce industrial-strength measures that are MRC accredited, the Media Ratings Council, and that become currencies across the industry. We also do analytics that are helpful for ad sales or helpful to drive insights for advertising agencies, but the mainstay of our business is currencies, and we need to be quite measured and thoughtful about introducing those metrics.

So that's the first R and it is about extending TV into other platforms. Resonance so this is the basic research measure around determining our effectiveness. Today, we offer this in TV. We purchased a business number of years ago called IAG, which is now called Brand Effect TV. We're seeing good growth in that business and we're excited about the prospects. We purchased a business a couple of months ago called Vizu, which is Brand Effect online, same story there and we pioneered this with Apple on the iAd platform for the mobile.

So we produced Brand Effect, Brand Effect of this metrics or Brand Effect metrics for TV, online and mobile. We've been doing it for sometime across platform with the ARF, the Advertising Research Foundation and Google. We formed the original online with Facebook and, as I said, we've acquired Vizu. We've also acquired NeuroFocus which gives us a next generation version of this. And then last but not least we're working with Apple.

One of the things that's been I think most interesting for me since I joined Nielsen just under three years ago from McKinsey was the extent to which the major digital players have come to us, the extent to which the major digital players have come to us. And basically, the reason they come to us is they understand that in order to get growth in their branded advertising spend, they need independent third-party measurement and endorsement and what better place to get it from than the folks who've been in the standard TV for over 70 years.

And so this has been a nice surprise for me and it's something that we've worked very, very hard at the last two and a half years, three years to make sure that we are highly relevant to these players and we are helping them compete in the marketplace. We're also helping out our traditional TV clients go cross-platform. Then last but not least, we're helping advertisers to put the whole picture together. So I really view us as at the center of that digital transition and it's a very nice place to be.

So last but not least reaction, this really is simply put combining data on media exposure. So did you see a particular ad with did your behavior go and change, your purchase behavior, did you go and buy the product? And we do this in a couple of different ways. We do it for TV and we do it for digital. We combine our ratings information with our own data sources from CPG, obviously measure or the consumer package goods sales across the U.S.

We also have a joint venture with Catalina who have 80 million households with the loyalty card data, which enables us to produce a daily read on whether a commercial is working or not and whether consumer package goods sales are rising or falling as a result of the ad, the placement it created.

And then last but not least, we're doing this with one of the major credit card processing players who have about 75% of all credit and debit cards processed transactions in the U.S. and that enables us to extend this product into consumer electronics, into entertainment and quick service restaurants and so on and so forth that will be on CPG. And we've been doing that now for a year, and we are starting to see some interesting results from that and certainly some pretty healthy demand from our client base on both the media side and the advertiser side.

Geri Wang from ABC led her upfront presentation with this particular product which we call Nielsen Buyer Insights. So she talked about her program which is Modern Family, and CBS' program Two and a Half Men. She said the Nielsen ratings were about the same on a program-by-program basis. However, in that audience for Modern Family, she has about two and a half times as many heavy Marriott users based on this data.

Now if you think about her ad sales, giving that to her ad sells people, that's pretty rich information for both Marriott and Hilton whereas I think about fighting it out to getting those players. So that's the kind of space that we're getting into and seeing some good results.

So with that, I'll sit down and be a little bit quieter and let Matt ask some questions.

Matt T. Chesler

Analyst, Deutsche Bank Securities, Inc.

Great. Thanks, Steve. That's a good place to start. We're at a tech conference so it seems only fitting that we talk about the way that technology is impacting the business that you operate in. From the consumer side, and the media behavior side, there's been tremendous amount of fragmentation and one of the offshoots of that, from the way I see it, is that there's been this development of an entire ecosystem of platform companies and enablers that as result of the businesses that they're in, have access to generate proprietary data and a lot of the data we saw.

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Right.

Matt T. Chesler

Analyst, Deutsche Bank Securities, Inc.

And in many ways, this sits alongside the metrics and information, that's important part of your business. So maybe you can help us understand the relative value between these data streams and the metrics that you provide?

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Yeah, so the trends you described, we all see them in every place we look, are actually real positives for Nielsen in a couple of different ways. The first is, as the world gets more complicated, so in another words it is you and I not only consume a piece of video on our TV, we also consume it through an Xbox and an iPad, and a smartphone, and we are watching it not only in the home, but on the train, and also sitting on the tarmac like waiting for the plane to take off. Very few if any other players in the measurement space can keep up with that.

So just by virtue of our size and scale and the investments that we're able to make in terms of metering, in terms of panels and get and integrating third-party data like the Facebook data, very hard for the smaller players to match that and to actually provide metrics that marketers and media companies need to go cross-platform. So that's the first thing.

The second thing is as more and more third-party data comes out, so data form players like Google and Apple and Facebook and Twitter, and for that matter, some of the more traditional media companies that we all know like CBS, as they get data from their own websites, Hulu and so forth, is there's this explosion of data, the value of independent third-party verification actually goes up because everyone's got access to some form of data that can help them tell an ad, sell a story. And basically, what you're seeing from both the agencies and the advertisers is growing confusion as to actually what's happening and more reliance on the independent third-party measurement players.

So you look at those trends and you say, okay, this must be making life more complicated for the measurement players. And undoubtedly it does, but it actually plays to our strengths. And we're very comfortable with those trends. We're embracing them and we're innovating around them. Just this week, we were named as one of the top 100 most innovative technology players, which for us is a step forward and something we're very proud of.

Matt T. Chesler

Analyst, Deutsche Bank Securities, Inc.

But how do you navigate the reality of that many of these platforms that you're now being charged with measuring consumers on tend to be or some of them tend to be the closed platforms that aren't exactly friendly towards third-parties dropping a meter under device and measuring that assumption.

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

Yeah.

Matt T. Chesler

Analyst, Deutsche Bank Securities, Inc.

So how do you approach those partners and try to become a source?

Steve Hasker

President-Global Media Products, Nielsen Holdings NV

So Apple is a great example, right. They're sort of the definition of the closed platform. And our engineers developed a smartphone meter that works on the Android platform and it also works on the iOS platform. And we did it outside in so we didn't do it with any cooperation from Apple. And we faced an interesting decision, which is we should go and talk to Apple about this and show them what we've done. And that really very much to the values of the Nielsen company about being very transparent.

So we went to the very senior levels of Apple and we said, look, we developed this meter and we think it's pretty robust, and here's how it reads the iOS platform and here is the data it produces. And that's obviously quite a high risk thing to do. But Apple being an engineering-driven company were fascinated by that and that was one of the things that led to a very strong partnership with Apple around measuring everything that's going on on their iAd platform because I think they saw Nielsen not only as the independent third-party player who can help verify what the iAd platform is providing. They also saw us as a technology partner of some merit.

So there's an example with a very close system that we've been able to partner with I think in a meaningful way. They are always going to be players who say, we don't need independent third-party measurement. We don't need someone looking over our shoulder and grading our hard work. And I think we'll always see examples of that. But what I'm also equally confident in is that eventually when those players understand the realities of the branded advertising space in the way Madison Avenue works, they realize that to get a significant amount of General Motors' product launch spend around advertising or Proctor & Gamble's that they need to have independent third-party verification to provide a metric which is themselves grading their own homework only takes them so far into the branded advertising space.

Matt T. Chesler

Analyst, Deutsche Bank Securities, Inc.

Okay. We have a question in the back.

QUESTION AND ANSWER SECTION

Q

Yeah, can you just provide – so the TV market's obviously well understood and quite large especially compared to the online video space.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yeah.

Q

And some of your largest customers there have been customers for decades.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yeah.

Q

And I don't think any customer is more than a couple percentages of revenue. So with that context, I mean, how material and how to think about what the real top line drivers to the online video space is because even if Apple or other customers become significant at some point, it doesn't seem like it would really move the top line much or can you just put some context on that?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yeah, I mean, I won't to sort of get into our estimates versus your estimates on where online video might go. What I will say is that every number I look at and every conversation I have says that of the various digital advertising formats, video is the one that's showing the best growth. And we're seeing more and more pressure on sort of static display banners and so forth, and our position in TV as the sort of standard in TV positions us very well in that online video space.

So as it grows we will too. But I can't predict sort of how fast that will look. I think you're going to see – we're already seeing very significant investments from a number of the digital players in online video, but in terms of acquiring and developing their own content, and also fleshing out their ad sales forces. So I think we will continue to see growth. It may actually tick up pretty handsomely, but your call is as good as mine on what that actually looks like.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Q

It seems that the industry is still trying to get their footing around how exactly online video is going to get measured.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

You've had a product in the marketplace for a number of years called extended screen, which certain traditional media companies have adopted and tested. But it does have certain requirements.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

in terms of distribution. And so, what's your sense in terms of what business model the historical media companies are going to adopt?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

So Matt we've been very diligent about coming at this from two different directions, and I feel very comfortable about that, even if they eventually end up in a little bit of conflict because what I'm not here to do is predict and make a bet on one particular business model in and around online video. So here's what we've done. We've taken our C3 rating, which is the commercial rating plus three days, okay. And basically the way the industry formulated that was to say, we'll give you the – we want Nielsen to measure the average impressions across a commercial pod. So it's not a pure commercial rating, live plus all of viewing that occurs times shipped in three days. That's the national Nielsen television rating here in the U.S.

What we've done, the first thing we've done is to extend that into a PC environment and connected devices. So in other words, if a content player puts the same program in the same commercial load, effectively swings that content to a PC or a connected device that viewing will be credited back into the Nielsen rating. We will extend that into the tablet or in the process of doing that and eventually we will extend it into the smartphone or whatever other device that Apple and Samsung and so forth come up with. In other words, if a TV client and an advertising agency and an advertiser wants to measure that viewing using the existing sort of accepted standard of the realm, C3, then we are ready, we will be ready to that.

In addition to that we've invented XCR, right cross-platform campaign ratings, which actually measures the specific campaigns and on average across the commercial load and regardless of where on a website, in an app or on a television program they add runs right we can also measure that. So in other words, this is the Nestlé launch of the new espresso machine, right.

Wherever that ad goes we can measure it. And where I'm comfortable with having these two measures out in the marketplace is it doesn't matter what the business model is. Nielsen are ready to measure it. And so if the market decides that they want to put more and more through the TV measure and make the online video world look like

TV, we will be ready with C3. If the market decides, now we want a much more flexible set of rules around where we place ads and how we price them and so forth, we'll be ready with XCR.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Q

Other developments in sort of media and distribution is the ad and searching technology is finally coming online to enable distribution on DoD.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Right.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Q

Do you have a capability set that you're deploying

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Q

that enables that?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

A

Yes, I don't know whether anyone noticed, but a couple of weeks ago we did a deal with a player called DG FastChannel. And DG FastChannel one of those sort of interesting players in the media ecosystem, they basically do all of the sort of the content idea around TV and increasingly video ads. So in other words they identify the ad and they do some of the trafficking and processing of that ads on behalf of the media companies. And we did a deal with DG whereby the Nielsen watermark or the Nielsen code will automatically be embedded in those commercials.

So unless an advertiser opts out of that and decides not to be measured, all of the TV commercials from the first quarter next year on will be measured with a Nielsen code. Now the beauty of that is it means that as the industry moves toward more sort of pure commercial measures, if indeed they do, we'll be ready to measure them. And then to your point, Matt, as that ad travels from the linear feed on CBS on Monday night to a time shifted or VOD play three weeks later, we're still able to measure that, because as soon as that appears on a screen, our meters pick it up and it gets fed back as an impression.

So we think, we're pretty well placed for that. I mean the world's always going to – there's always going to complexities to it, but ideally every commercial, every video commercial will have a Nielsen code on it, and we'll be able to pick it up no matter who sees it and where they see it and when they see it. And that's ultimately what the advertisers want and the advertisers to some extent are an in charge here, in terms of what they need measured and how they need it measured. So we are pretty comfortable in that one.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

Okay. That concept about the advertiser in charge, there is a transition to a discussion I want to have around OCR. You said it's been in the marketplace for about a year.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

And it would be helpful to hear you talk a little bit about the go-to-market strategy, where that company has spoken about how the advertisers are going to drive this. It's my impression that your initial thought is that the agencies are going to be buying this and packaging it along with what they're selling to the advertisers and perhaps maybe one day the media companies will pay the freight on that much like takes place in the television world.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Right.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

It sounds like your CEO acknowledged that you guys have underestimated the role of the agencies and played in that process.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

It just would be interesting to hear a little bit about it looks that that you're an agency and you're evaluating the corporate data into a campaign. How do you think about the ROI on the.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Right.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

on the data?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah. So just on the agency point first, what we did was when we invented it, we ran six-month worth of sort of trials and we were pretty aggressive about going. I personally had a lot of these meetings, about going to the senior agency executives and the researchers and the buying groups and the planning groups and so forth and saying, look, this is what we've invented. We think it's really compelling for your clients. And by and large, we got a very polite, good for you, come back to us when you got some of that clients interested.

And then we did that. So we went direct to the clients and because of the buy side of our business, we're able to do that. We have a lot of relationships particularly in the CPG space. We tend to be the more sophisticated marketers. So we're able to very quickly get to the chief marketing officers, get to the senior brand managers and say, this is what we've invented and they got excited about it. And invariably they didn't call their agency and the agents came back to and say, what the hell are you doing, right. And so that's how we got the agencies involved.

So when Dave says we underestimated, I think – I don't know that we necessarily underestimated so much as we needed to get the end consumer which was the advertiser, excited about it before the agency moves because in a sense this is more worth for the agency. It's more data. It's much richer than anything else they've seen before and it points to, in a lot of cases and this is the second part of your question, real frailties in the media plan. So the example I give and there are lots and lots of these and they're growing by the day was of a major heck here to launch for targeted women. And we' found that three days into the campaign, this particular campaign was being delivered to mostly young males, which is already we know it's pretty difficult to reach anywhere including on the Web.

And so the brand manager, we had a meeting with the brand manager and she was very, very upset because she was spending a vast amount of money launching this product targeting women 18 to 49 and she is getting a whole lot of guys. And so we had a meeting with the agency and with the brand manager and that's a very interesting conversation, because the first question we asked was can we see the creative? Is it video or is it as a banner ad and we measure both equally. And we found it was a picture of a very, very, very attractive woman, beautiful hair, smiling at the camera, okay.

Second question was to the agency, how are you optimizing the campaign, because as you know unlike TV, it can be done on a minute-by-minute or daily basis and the agency executive [indiscernible] (29:25) said, well, we're doing it on click-throughs. So then we're able to analyze the click-through data, which of course we have and we found that the people who are clicking on this was sort of weird young dudes sitting on their basement, playing World of Warcraft and on Motocross sites and so forth. And that's where they were being delivered. So the ad servers are delivering more and more ads to that campaign.

You can imagine the brand manager, she literally turned pale and said, right, stop it right now, like literally stop the campaign right now. I'm not spending another cent. We're going to reset around a delivery mechanism other than click-throughs. Now that saved her millions of dollars, literally millions of dollars. So that's one example.

The other examples we see is you line up all the website that the campaigns running across and you find that a couple are performing really well. So you'll have let's say there are 10 websites in the flight. There will be a couple who are delivering 70%, 80%, 90% on target day in and day out. And there will be a number who are sort of bouncing around but they're in a reasonable territory. And then you'll have a couple that are in the high teens, 20s, 30s. And it's just a very simple process to say okay, we're going to buy more of the ones that are delivering and less the ones that aren't.

And it's highly beneficial to those media properties who actually have a good sense for who their audiences are and who they are delivering to. And it's deleterious to those who are selling air. But it's highly beneficial to the advertising. The agency has always been a little bit reserved about this because if they've been serving this client for a couple of years and then basically the campaign strategy will stay the same, this for the first time says, hold on. There's a fair amount of wastage in here and why didn't you know there is before?

Now with the benefit of hindsight, it's a wonderful thing but that's to just give you a sense of how that data is being used and why it's of such great value to both ends. And what's been sort of a nice maybe not a surprise. The smarter people in the organization predicted this, but the very aggressive ad sales folks on the publisher side have actually picked it up and offered guarantees.

So those who have confidence in their own targeting abilities and confidence in their own media properties have actually stepped in and said we will offer guarantees on the basis of online campaign ratings through the new front. You saw a couple of big publishers do that. And it was bold but what they did was they worked with us to figure out how this measurement system worked and then they optimized their own systems to perform well and they're able to step up to advertisers and say this is what we will deliver and if we don't you will get a make good.

And that positions them like one of the marquee television networks. And if you're on the other side of the table as an advertiser and you hear that you can't help but think these guys are for real and I've got more and more confidence every day in what they are delivering.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

All right. A few examples that you're giving are on the display side.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Well, display and video.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

And videos?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah, right.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

Does the ROI from an advertiser agency perspective change when it involves video of, XCR or is it more or less.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Does the ROI change when you've got XCR?

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

Some of these [indiscernible] (32:31) can be substantially larger?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

Just to trying to get a sense, should we anticipate that the industry adoption and the pace of that and the industry needing comfort with a new metric the ramp might be any different. Once you have XCR in place or can we still expect the industry to.

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

Reduce the moderate testing and ultimately put more of campaigns?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

It's a great question. So, today a couple of the agencies are geared to having their TV and their online video, the digital video buying run up through the same organization. So GroupM is an example have all of that buying in the U.S. going through a gentlemen called Rino Scanzoni, who is the biggest buyer of TV in the world. And so they're very aggressive about saying, okay, we want measurement that brings it together and that's the single biggest reason that they got in behind OCR and XCR when we originally launched.

There are other agencies, who are still quite solid. So in other words, the digital group doesn't necessarily communicate well or at all with their TV group, and they think about those things differently. Now I think we're going to see that increasingly go away in favor of cross-platform because that's what the advertiser wants. But it's those kinds of things that we keep an eye on that help guide us as to how fast is XCR going to be picked up.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.
Q

I promised that there will be time for Q&A. We do have a little bit of time available if there are any questions. In the mean time, I wanted to ask about local, local television. It's been the source of a lot of my inbound call flow over the past year or but now it seems that you're at a point where you are introducing innovations around local television that involve hybrid measurement including data from set top boxes and your own proprietary source, which is called Code Reader how does this change the durability of your metric?

Steve Hasker
President-Global Media Products, Nielsen Holdings NV
A

Yeah, so it's been the source of many inbound calls for me too, Matt. And one of the things we wanted to do was come up with a methodology that we are very confident will represent a very significant step forward in terms of measurement of local television in the U.S. And the constraint has always been and the constraint is grown in it's severity – the size of our panels relative to the fragmentation of viewing. So in other words it works very well on a national basis, no concerns there, but when you get down into an individual market, you need very large panels to cope with the fragmentation of viewing.

And basically, what we have done is we have announced and are now rolling out a two to four increase, two to four times increase in our sample sizes using the Code Reader, which is a new innovation in measurement. It's basically wireless. It's very easy to install and set top box data. We're going to roll that out. We're going to be providing introductory data to the clients for the six-month period and seeking MRC accreditation. And as soon as we get client acceptance and MRC accreditation, you will see us move very fast throughout the whole 210 markets.

Matt T. Chesler Q
Analyst, Deutsche Bank Securities, Inc.

Does this change the revenue trajectory of that division at all or is it just a product innovation [indiscernible] (35:57)

Steve Hasker A
President-Global Media Products, Nielsen Holdings NV

Yeah, we'll be cautious about the sort of increases in revenue we can get. What I will say is that it will drive significant stability in the ratings and that will drive greater confidence in local television as a medium. And so, our clients ought to see some growth and we want to participate in that growth.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Okay. With that, we're out of time. I wanted to thank you Steve for being here. [indiscernible] (36:24)

Steve Hasker
President-Global Media Products, Nielsen Holdings NV

Okay. Thanks, everyone.

Matt T. Chesler
Analyst, Deutsche Bank Securities, Inc.

Thank you.