Company Name: Nielsen NV
Company Ticker: NLSN US
Date: 2015-06-18
Event Description: Telsey Advisory Group Advertising Trends Symposium

Market Cap: 16,790.72
Current PX: 45.62
YTD Change($): +.89
YTD Change(%): +1.990

Bloomberg Estimates - EPS
Current Quarter: 0.640
Current Year: 2.630
Bloomberg Estimates - Sales
Current Quarter: 1554.625
Current Year: 6221.294

Telsey Advisory Group Advertising Trends Symposium

Company Participants

- Megan Clarken

Other Participants

- Thomas W. Eagan

MANAGEMENT DISCUSSION SECTION

Thomas W. Eagan

Great. Thanks, Dana. We're very excited about our line-up today. We have a great series of companies in the media space, and seasoned and senior executives from all those companies. Advertising and measurement is probably the most complicated and dynamic part of the overall media space and we hope to talk a lot about all the issues that are in this sector today.

And we're thrilled to start off today's conference with Nielsen. Today from Nielsen, we have Megan Clarken, EVP of Global Product Leadership with the Watch division. She's been in Nielsen since 2004. Is that right? Before that, she held leadership roles in interactive technology and publishing.

So, I guess we'll just start off with some questions and towards the end of this session, we'll open it up to the floor for questions.

Q&A

<Q - Thomas W. Eagan>: Megan, you spoke recently about the interest of Nielsen of moving away from the C3, C7 ratings towards a more comprehensive rating service called Total Audience. Could you describe a little bit of that, please?

<A - Megan Clarken>: Yeah. So C3, C7 is a set of rules basically that governs what's eligible to be included in the ratings. And that set of rules was a negotiation between the buyers and the sellers in 2006. And the highlight of those rules are that the programming that is eligible to be included in the C3, C7 ratings is TV-originated programming, so it doesn't include anything that doesn't originate from TV networks or TV studios; doesn't include things like YouTube, AOL content, and Amazon content. It must be aired – it must be only added if it's within three days and, most recently, extended up to seven days of when it was live aired. So, it doesn't include anything that is time-shifted beyond seven days. And it only includes programming that carries an ad load, which does not change from the day that it was aired. So, anything where an ad load has – had an ad pulled out or they've dived dynamically in certain ad load, doesn't get included into the ratings. And so that was how the landscape was in 2006.

So, roll forward to 2015 and now we have time-shifted viewing going on all over the place beyond seven days, we have digital platforms, we have new video providers coming in that are not TV-originated, and we have dynamic ad insertion going on all over the place. So C7, C3 ratings are not representative of all of the viewing that's going on.

And so, what we're asking industry to do is revisit that set of rules and flex it in a way that it includes more viewing that is relevant to 2015. What we're doing in the background is making sure that through our Total Audience framework, we are measuring all of that viewing, the whole lot of it in a comfortable way. And then in the meantime, working with the industry to redefine the C3, C7 ratings to be able to flex to include more viewing, more relevant viewing, to today's consumer.

<Q - Thomas W. Eagan>: And so, as part of that effort, you recently redefined OCR.

<A - Megan Clarken>: Correct.

<Q - Thomas W. Eagan>: So, is there any changes to the definition of what that service is?

<A - Megan Clarken>: No, it's absolutely the same. We just changed the name.

<Q - Thomas W. Eagan>: Yeah.

<A - Megan Clarken>: So it's now called Digital Ad Ratings...

<Q - Thomas W. Eagan>: Right.

<A - Megan Clarken>: ...which is more relevant. Online Campaign Ratings, online is probably a bit of a 1990s term...

<Q - Thomas W. Eagan>: Right.

<A - Megan Clarken>: ...for what's going on. But now, we are truly defining the difference between the linear ad ratings and the Digital Ad Ratings. And so with that, came a name change [ph] from another name change (03:49).

<Q - Thomas W. Eagan>: There is likely pressure both from the sell side and from the buy side, meaning from those who want to buy the space and time, and those who want to sell their networks, the TV network sell their space and time to create one metric, but there are others who want a series of metrics. So, where do you think we'll end up? Will we get one metric for all the audience or will it be a series of metrics?

<A - Megan Clarken>: Well, I think it's important that there is a single metric GRP full reach. So when we think about how we measure the environment from a Nielsen perspective, we talk about it in terms of answering three questions. The first question is, did I reach the target audience and what was the frequency of that. And that is the reach metric, that is the GRP, that is the currency. The second question is always did that advertising campaign or that content resonate with that audience, which is another set of metrics. And then the third question is did they react. So did it cause a return on investment. Did they convert in some way, shape, or perform, which is another set of metrics.

The currency always starts with that first one, who did I reach and how often did I see it. So, reach and frequency, and demographic, which is able to be projected to the population as age and gender. So, that is in its most basic form.

There has been a GRP in place for linear advertising, traditional TV. And there has been multiple providers providing GRP, or reach and frequency, by age and gender for a digital environment. We believe that both have to come together to form a single GRP. The digital environment has to contain a GRP, which includes viewability. So, once the ad actually is seen by a human being before you can give it a rating. And those numbers have to be comparable.

And the reason they have to be comparable is that the content owners need to distinguish incremental reach between their linear advertising of a linear content that carries linear ad load and their digital dynamic content. So, it is one GRP, they may split it and say this is my GRP for my digital content; this is my GRP for my broadcast, or linear base content. But they must – it must be a comparable metric, so they can be deduplicate audiences and understand reach.

<Q - Thomas W. Eagan>: So, you don't think of – at least I don't think of viewability in a linear kind of perspective or format. Is that something that you guys look at?

<A - Megan Clarken>: Well. What we do do is we make sure that the ad was aired. So, we assume that if the ad was aired, then it was seen. And that's always been the standard within the television landscape is was it aired. It's very different – the TV screen is very different to what you're confronted with on a digital device where an ad could be below the phone, it could run for one second, it could be somewhere down the video stream and you've never seen it, it could be in the forefront, it could be running in the background. So, the digital environment brings sort of dynamics to the screen, which asks for or call for more detailed viewability metric.

<Q - Thomas W. Eagan>: Right. So, what have you heard from the clients? What is the – have you heard pros, cons. I remember there being bugs in an earlier software version.

<A - Megan Clarken>: Yeah. So, what we've heard is, hurry up, we need this pretty quickly. So, we started rolling out the software at the end of last year and it was the first for us to roll out SDK or digital software that's embedded into the video. And it was the first for a lot of our TV broadcaster clients as well to implement that or embed that into their video streams.

TV guys are not necessarily digital guys and they sort of moved their ownership of that around their organization. And so, we had hiccups with that initially, that [ph] got bedded (07:44) down at the end of January this year. So, the software is really stable. It's being implemented inside of four of the big MVPDs. Right now, in fact, it is implemented and certified and what they're doing is doing the second part of that. The MVPDs have to do another set of things to be able to enable it.

The broadcasters, there are a number of big broadcasters now that had the SDK implemented, and are starting to measure their C3-eligible mobile content. And then there is another set of broadcasters that are waiting for the Adobe integration, because they have an Adobe SDK already in their video and they want to utilize that as opposed to upgrading or implementing another SDK. And those broadcasters are broadcasters who typically are inserting digital dynamic ad loads into that video content as opposed to linear ad loads. And so, they're waiting for the Adobe integration.

<Q - Thomas W. Eagan>: By broadcasters, do you mean ABC and CBS, or do you mean station groups or – when you kind of categorizes different broadcasters, is that by network or...?

<A - Megan Clarken>: Yeah, by network.

<Q - Thomas W. Eagan>: By network, okay. With all the cable operators are rolling out new boxes. And with the new boxes, there are new guides. There's the X1 at Comcast. There's the World guide at Charter, the Worldbox at Charter. Does that pose complications?

<A - Megan Clarken>: No, because the architecture is an architecture that is based on the digital video itself, so the app. And so, it's about implementing the SDK into the app. And so, it's not hardware specific. It's doesn't matter what hardware it is. In a digital world, the Digital Ad Ratings' architecture is agnostic to any of that. It's a digital video. We don't care where it comes from. We don't care what box it's sitting on or where it's distributed through, we just embed the software into the ad.

<Q - Thomas W. Eagan>: So, back in 2006, we saw C3 rating came on the scene, right, that was playback after three days. And there likely were catalysts that helps that to be formed among the agencies and the TV networks and everybody else and the advertisers, I guess. So what catalyst will help us come to a discussion over the next 12 months about what the new currency should be?

<A - Megan Clarken>: I think the biggest catalyst is that for the first time, we're seeing those TV ratings declining. So, the C3, C7 ratings are declining. Now, it's important to note that of all of total video content being consumed, 90% of it is linear content; it's C3, C7 eligible. And so, it's still the biggest chunk by far. But it's declining at different rates for different networks. And so, that is a catalyst for making sure that everything that they're producing is being measured.

And our job in the background is to make sure that everything is being measured in a comparable way while we steer the industry towards working out whether or not they will flex C3 to C7 to C10 to C20 to C35, and in that, are they going to stick to the roll around it must be a linear ad load that doesn't change or are they going to flex it to allow content in that has a dynamic ad-load. And it's really those two questions that we need to get some guidance from, and those conversations are happening now.

<Q - Thomas W. Eagan>: So, which network do you think would pose a bigger obstacle, the network whose ratings are declining or the network whose ratings are not declining, or declining less, I should say?

<A - Megan Clarken>: Yeah, it is the former. So again, everybody is looking for it. Everybody wants to use it. I think where we'll see obstacles is when the data is produced and it isn't reflective of perhaps the story they've been telling. So, the very big networks that are doing very well, they are comfortable that their audiences are there. They're telling a story which is comparable to probably what the data will produce, and what they're really wanting to do is understand those audiences more through that data so they can position their advertising. So they are well ahead. Those I think that will struggle are those that when the data is produced perhaps doesn't line up to the story that they've been telling.

<Q - Thomas W. Eagan>: Right. So, in 2016, we have the election and we have the Olympics. Two events that draw a lot of advertising dollars to the space. I would think that the TV networks will want to get this kind of somehow in place before then, maybe by the 2016 upfronts. So, there's not a lot of time left. There is less than 12 months.

<A - Megan Clarken>: Yes.

<Q - Thomas W. Eagan>: So, do you think we'll get something in place by spring upfronts?

<A - Megan Clarken>: Well, I think what we'll see is that the measurements will roll out the end of this year. So, we're on track to have Total Audience done by the end of this year. From there – the thing about the elections and the Olympics is they are events that are probably more – they're more centered around being able to be captured inside the C3, C7 ratings because they're not time-shifted.

<Q - Thomas W. Eagan>: Yeah.

<A - Megan Clarken>: What they will want is a push on Digital Content Ratings, so they can tell a comparable GRP story for the content that they move across onto the digital devices. So, there'd be a very big push to make sure that Digital Content Ratings and the capability for them to use that is installed.

<Q - Thomas W. Eagan>: Right.

<A - Megan Clarken>: And so that they can line up with their Nielsen story across both sets of content.

<Q - Thomas W. Eagan>: When you say roll out by end of 2015, is that – how would you describe that? Is that by market? Is that by platform? And how should we expect that rollout to occur?

<A - Megan Clarken>: Yeah. It's a good question. So, from a – I'll put my product hat on. Product hat is that the instrumentation is done. So, everybody is able to be reported inside of the interface, that the interface is built, that the numbers are produced and that our clients can use that data for selling. From a – whether or not they use that for selling, comes with that decision around how they're going to use that data and what currency starts looking like. And that – sometimes typically what we saw in 2006 is that took a while. That took a while for that dust to settle and for them to settle in on a set of metrics that they were prepared to sell against. And that shifted from C3 to C7.

So, I think what we'll see at the end of this year is that the numbers are available. You'll start to see them being pulled out and used in the selling and buying. We – they need to get those numbers into the actual processing systems, the Mediaoceans of the world. And with that comes that agreement on what set of numbers we actually put into those platforms. So, there will be a way that they stand back and talk about themselves and then there will be the automation of that through the buying platform.

<Q - Thomas W. Eagan>: And it's – and the rollout, so to speak, is not – it's nationwide immediate?

<A - Megan Clarken>: Yes.

<Q - Thomas W. Eagan>: It's not staggered in any way.

<A - Megan Clarken>: Correct.

<Q - Thomas W. Eagan>: How would you describe the most recent change in metrics to C3 in 2006 with the most recent C3 in 2014, like, was that – was it a similar kind of migration?

<A - Megan Clarken>: I think so. Yeah. I think – I wasn't around here in 2006, so I didn't see it. But it was – there are very – there are a few very big players that help make those decisions, and I think back at the time, it was a CBS, GroupM, sort of...

<Q - Thomas W. Eagan>: Yeah.

<A - Megan Clarken>: ...that sort of forced the rest of the industry to go with it and it made a lot of sense. And I think what we'll find this year is it will be similar. It will be a couple of very big players that say, okay, here's what we're going to settle on and then the industry will sort of get behind that. And I got to tell you, that conversation is actually happening right now in the audio space.

So, Total Audience – the Total Audience framework is exactly the same framework. When we talk about it for video, it's exactly the same framework we use for cross-platform audio, the traditional radio market with the digital radio market, and for text or static content as well. And the audio piece is actually coming together right now. So, those conversations with the market place to a greener line on what numbers they're going to use, how they're going to use that measurement to trade on, is happening as we speak. We're very close to coming out with a solution on that.

<Q - Thomas W. Eagan>: So, it could be that you may have three of the four networks deciding on a metric and you may have three of the four or four of the five major entertainment houses agreeing, and the others just have to agree or get out of the barn. I mean, how does that work?

<A - Megan Clarken>: It's not usually a consensus [ph] across the board (16:57). I mean, there are a lot of industry groups. I mean, we spend a lot of time with big industry groups that thrash this around and come out with a consensus. And not everybody is aligned all the time, because there are winners and losers. But generally, there is a consensus and that consensus drives what we bring to market.

<Q - Thomas W. Eagan>: Right. Okay. You've talked a lot about – Nielsen has talked a lot about investing in its panels. So – and I guess that's both investing in the quality and in the quantity of the panels. So, if you could take some time, talk a little bit what's happening there?

<A - Megan Clarken>: Yeah. Sure. The panels are incredibly important to make sure that they're always representative. So, as we move into a world where we get access to big data sets sometimes census data sets, sometimes very big samples, we always need to make sure that we calibrate them back to a representative sample so that we can account for biases and account for things that those samples are missing.

And so, our investment is consistent and constant into the panels. And they're both about making sure that those panels are the right size because of fragmentation and the changes in population and the demographics around population, and that they're always of the highest quality. So, there is always an investment in making sure that the meters are doing their jobs and that we have – we're able to use those meters to collect as much data as possible.

So, for us, it's about making sure that the panel is always stable. We're using the data more and more to make sure that we can use it to expand the size of the panel. And we're always rolling out and keeping the panel representative. Always.

<Q - Thomas W. Eagan>: And I recall you're also making changes in the panels in some of the markets, right?

<A - Megan Clarken>: Yeah

<Q - Thomas W. Eagan>: So, looking just – looking at the local market measurement, you guys talked about changing the methodology in the local markets. And if you could describe a little bit of what we should expect there as well?

<A - Megan Clarken>: Yeah. So, there is a number of things going on in the local markets at the moment. One is rolling out a larger sample. So, we're extending 10 markets at the moment, in terms of the size of the panels. We are also in a process of eliminating our diary markets or the markets that we have diaries and lower-cost meters. And we're doing that by assigning viewers from other markets where we have sort of the high-end meters to the data that we're getting from the diary. So, we're utilizing the meters across a broader set of DMAs out into the local market. So, that's an initiative going on at the moment, it's called viewer assignment.

And then the last initiative that we pull forward on and then have pulled back on and we'll go forward on again is one where we're doing ratings stabilization. And ratings stabilization has been about trying to normalize, I guess, some of the peaks and troughs you get from some smaller markets with smaller panels. They tend to spike a little bit and they tend to dip a little bit too much, and they become difficult for the market to be able to predict actual audiences.

And so, what we did was we applied some methodology to smooth those peaks and troughs out as much as we could and stabilize the ratings. And what we discovered taking that out to market, because again we always take these things out to market well in advance to look for consensus on the data, was that some of those peaks were very legitimate. They were doing programming that did have actual spikes in their viewing, and we were smoothing them out a little too much. So, for the networks who were trying to program full spikes, they weren't too happy with it.

<Q - Thomas W. Eagan>: Yeah.

<A - Megan Clarken>: So, go back and have another go. And so, that sort of stuff happens all the time.

<Q - Thomas W. Eagan>: Right. But the idea there is that you – it helps the stations to have lower highs and higher lows...

<A - Megan Clarken>: Yeah.

<Q - Thomas W. Eagan>: ...because easier for them to give a guarantee.

<A - Megan Clarken>: Exactly.

<Q - Thomas W. Eagan>: It's hard to give a guarantee when you're...

<A - Megan Clarken>: Yeah, exactly.

<Q - Thomas W. Eagan>: When you're...

<A - Megan Clarken>: When you're out.

<Q - Thomas W. Eagan>: Yeah, okay. Nielson made a couple announcements recently, one on Roku and one on BrightRoll. Everyone's asking about measuring over-the-top, you should be able to do that with Roku. Give us a sense of when and how?

<A - Megan Clarken>: Yeah. So, the Roku announcement was really exciting because it extends Digital Ad Ratings onto the TV screen. And Digital Ad Ratings has been seen as something that is bringing accountability to the digital space centered around PCs and mobile devices. So, this actually brings that accountability to digital advertising happening on the TV screen.

So, Roku, first cab off the rank in that area are embedding our software into their operating system of their boxes, and they are allowing for clients who are running advertising through that content that is being streamed or distributed via those boxes to turn on Digital Ad Ratings, and the measured using Nielsen's Digital Ad Ratings. It has caused quite a spark in that space, and so we look for bringing more clients onto actually start to measure Digital Ad Ratings across the TV screen. So, that is a very big win for us, and a big win for the industry.

The second part of that is measuring the content. So, measuring the ads is well underway. Measuring the content by those devices is – and I focus around Netflix, because they make up such a large percentage of the viewing through over-the-top devices. It's still tracking reasonably well for us. So, we launched the capability in February of this year to measure Netflix for those studios and networks who give us audio files for their content and through our meters in the homes we're doing audio matching, so that we can detect that that viewing has taken place. And then we're supplying that data back out to those studios and networks, and they identify it as their Netflix content. And that is proving to be incredibly popular.

For those people that don't understand the context here, Netflix strip out watermarks of their content. And then their contracts with the studios and with the networks, it actually says that they will strip off the Nielsen watermarks, because they don't support third-party independent measurement. And so, our clients have asked us to try and work around that as best as we can. And the first sight is that has been audio signature matching, which is proving to be really, really popular.

<Q - Thomas W. Eagan>: How do you – I don't want to use the word verify, because verify means so many different things in this space. How do you verify that, like, what you get out of the measurement of that?

<A - Megan Clarken>: Well, the interesting thing is that the networks and the studios help us verify that because they're getting a number from Netflix, some kind of number, and then they get a number from us. They're able to reconcile that that number is actually their Netflix content, because they know what their Netflix deals are.

And it is ratings quality. So, its measured through the panels, it's projected, and they're able to look at it and go, okay, this is Nielsen ratings number for my Netflix viewing. And it's – again, it's lining up with – or not lining up with [ph] anything (24:48) from Netflix.

<Q - Thomas W. Eagan>: So, I would imagine that would be very important for the studios that are licensing their content to Netflix.

<A - Megan Clarken>: Yes.

<Q - Thomas W. Eagan>: And I guess the larger entertainment groups that are licensing the content to Netflix, does it have wider applications as well?

<A - Megan Clarken>: I think what's important about it is this – is that when I talk to the networks, at the moment, those deals are sweet for them. They're good. They're incremental revenue for them, but they will get to a place they suspect where they have to start to try and reconcile and understand what is the right return on investment, that subscription dollar versus the advertising dollar. And right now it's good, it's good for them to do that, but there will come a time when the checks will get smaller...

<Q - Thomas W. Eagan>: Like now.

<A - Megan Clarken>: That allow – they'll pull back on what they are buying from them, and those studios are going to start asking questions about, am I better off showing it for subscription dollars or advertising dollars.

<Q - Thomas W. Eagan>: Right.

<A - Megan Clarken>: And when you are asking those questions, it's absolutely imperative that the data that you're getting to make those assumptions, to make those comparisons, is comparable data; is data that they can reconcile against each other, understand incremental reach, their subscription reach, versus their advertising reach and make impactful decision.

<Q - Thomas W. Eagan>: So, for example, and I'm just throwing out a network here, if you are Nickelodeon, and you license your programming to Netflix and your ratings fall by 10%, say, are you better off economically with the value of the licensing deal, or are you better – and the resultant ratings decline or are you not?

<A - Megan Clarken>: Correct. Absolutely.

<Q - Thomas W. Eagan>: And so, does that mean that ultimately all the over-the-top will be, I mean, Amazon programming will all be measured?

<A - Megan Clarken>: Well, I would hope so. What I think will happen is we are getting more and more interest in measuring them through the audio matching. So, we're getting more and more the ability to do that. The question I think will be, while we can do that in a proprietary fashion now, one network at a time understanding each other, is whether or not there will come a time where they want to understand them compared to somebody else.

And that point in time, we syndicate that service. And to syndicate that service is either using the same signature matching and having them agree to show each other the data via that vehicle or actually having Netflix come onboard and sign-up for third-party independent measurement. And I'm not sure which route that will take, but for us it's about making sure that when that happens, we're ready to go.

<Q - Thomas W. Eagan>: And so one question there might be is Netflix interested in having an ad revenue element to its...

<A - Megan Clarken>: Yeah.

<Q - Thomas W. Eagan>: ...revenue structure. So, to the degree Netflix decides to become ad supported, they may be interested in having third-party measurement. So, just stemming off of the Digital Ad Ratings, so you're launching DCR, Digital Content Ratings.

<A - Megan Clarken>: Digital Content Ratings.

<Q - Thomas W. Eagan>: And so, I think you've talked about how that should support the Digital Ad Ratings at the same time. Talk about how those support each other?

<A - Megan Clarken>: Yeah. It's a good question. So, Digital Ad Ratings launched four years ago and then last year, we extended that from PCs into mobile devices; and this year, onto TV screens through the Roku deal. The question that we get – so that is an accountability measure for the advertisers. Using Digital Ad Ratings, they know that they got what they paid for basically. And what we keep getting back from the digital publishers, and that includes the TV networks who have a digital arm is, gosh, I'm being held accountable now, using Digital Ad Ratings and I'm having to do make-goods and guarantees.

And I don't have a planning set. I don't have a comparable content to get that lined up. So, I'm trying to sell against the guarantee that I don't have any data to support whether or not I can actually stand behind that. And so, that's a digital – that's using the same methodology that we use for Digital Ad Ratings to also align – put across the top of their content and so, this has been a call from our clients for the last sort of 12 or 18 months.

And so, with this, it will give them the confidence to be able to stand behind. What they sell. And know that the numbers that they're getting will line up better with the numbers that we produce when we actually measure what happens, so post – the pre and post and both numbers line up.

So, it's very complementary to each other, it gives us a new revenue stream on the digital content side. And it's incredibly helpful and powerful to have that partnership with Adobe, to bring that to life.

<Q - Thomas W. Eagan>: Right. So, with the Adobe partnership, could you talk a little bit about the rollout, the launch and the rollout and how you'll measure, I guess, how you'll assess the success of it? And then on Adobe, how does the Adobe partnership here work, are they compensated, how long – what is the term of your arrangement with them?

<A - Megan Clarken>: Yeah. So firstly, there is no monetary compensation with Adobe. It's purely a relationship where we both benefit from it. So, the way that we benefit is that we're able to utilize their software and their SDK to measure mutual clients, those clients who have got that software and SDK embedded.

And it's important to note that Adobe have a massive penetration of that software already in place across the market, and that's a hurdle in terms of if you were to try and start from scratch, that would be a big hurdle. The reason why Adobe had that in place is that Adobe acquired one of the probably the world's largest web analytics company some years ago called Omniture, and Omniture has that measurement in place already.

What Adobe does get out of this deal – so what we get out of the deal is instant penetration for mutual clients. What Adobe gets out of the deal is that Adobe – the Adobe Analytics platform, which previously was Omniture, now becomes lined up with the ratings numbers in the marketplace, and no other web analytics platform is lined up to the market ratings.

Now, being on the other side of the fence, I've been on the publisher side and it is headache when you've got internal analytics being given to you about the performance of your content, and those numbers aren't lined up to the market ratings. That is actually a headache every single day to try and justify the difference between the numbers. With this arrangement in place, those numbers will line up. So, it takes that headache away. It makes Adobe Analytics much more sticky, and gives them a differentiating factor in the marketplace compared to any other web analytics provider.

<**Q - Thomas W. Eagan**>: So, they don't become a competitor...

<**A - Megan Clarken**>: No.

<**Q - Thomas W. Eagan**>: ...to you guys?

<**A - Megan Clarken**>: No. The web analytics is internally understanding the performance of your own website. As opposed to what we do, which is to rate it and rate it as compared to the rest of the marketplace.

<**Q - Thomas W. Eagan**>: There's been some commentary written recently about Adobe and Flash being yesterday's technology not tomorrow's technology. Any impact here for you guys, for this partnership?

<**A - Megan Clarken**>: No. I mean their – Adobe Primetime, their Heartbeat library, all the things that we see Adobe producing is – it's state-of-the-art. But these guys are very clever. They are in front of themselves in terms of their development. We are not – Adobe is a partnership which enables us to get penetration of it quickly. We're not completely – so, if you're not a mutual Adobe-Nielsen client, you'll take the Nielsen SDK; and if you're a client who doesn't want to implement any SDK, we use that digital panel.

So, from day one, we'll have a marketplace view regardless of the Adobe relationship and regardless of whether or not clients are implementing the SDK, because we'll measure them through the panel anyway. So, there are kind of three stages. The ultimate would be for clients to be both because their web analytics would the line up and we wouldn't have to have them instrument our own SDK. But we get around that, we're not weighted to the Adobe partnership. It's just incredibly helpful and powerful for us.

<**Q - Thomas W. Eagan**>: And that rolls out...

<**A - Megan Clarken**>: So beta is end of July, and then we go proprietary end of September. So, my product leadership hat on again and say last quarter of this year and then the minute we get some consensus that the numbers look good then that'll go syndicated, which we assume will be at the end of this year or early quarter one next year.

<**Q - Thomas W. Eagan**>: So, it's a rather important second half of the year.

<**A - Megan Clarken**>: Yeah. We have a lot going on.

<**Q - Thomas W. Eagan**>: So, how do you expect to manage all the rollouts? I mean, it is – I know it's not your table completely because you have others that help manage the process, but there is a lot going on there.

<**A - Megan Clarken**>: Yeah. There is a lot going on. I mean, we have a team of people that are just best of breed in this sort of stuff. We have a massive data center down and development team down in Tampa and Florida. I have a team that are just absolutely fantastic. They're just the best I've seen in the industry and they're tirelessly working on getting the stuff done.

It is a massive effort across the entire company. Our sales arm, the people who are client-facing, everybody is aligned on this mission, on this vision and is absolute fit to get this out during this year. Because to your point, 2016 is a very big year. We have clients that are wanting to see this happen now. And they're lining up and willing to work with us. The Digital Content Ratings rollout now has about – we have six beta clients but we have another 16 lined up wanting to be beta client. So, there is tremendous interest on both sides to get it done.

<**Q - Thomas W. Eagan**>: Now, this isn't really what you do, but financially, is there any – with all these rollout, I mean, are you – you must be cognizant of the cost of the roll out. Is that an issue, should we be looking at that?

<A - Megan Clarken>: No. I'll tell you why it's not. It's because it's all built on top of the architecture we built for Digital Ad Ratings. That's the beauty. That's the genius of this entire thing, is that when we struck up that architecture, and when we decided on a hybrid sensors and panel-based architecture, which is – back then was state-of-the-art and still is. When we struck up the relationship with Facebook, which is an incredibly powerful relationship in bringing big data and the biggest panel in the world in supply. We put an architecture in place that not only supports ratings for digital content and ads now, it will support it for the next 10 years.

There is nothing that we have to build on top of that as separate; all of these things are sitting on top of that same infrastructure and architecture to bring them to life. So, they're not new builds, they're just giving – they're just adding to the architecture that's in play.

<Q - Thomas W. Eagan>: Okay. You also made an announcement about BrightRoll.

<A - Megan Clarken>: Yeah.

<Q - Thomas W. Eagan>: So, what's happening there?

<A - Megan Clarken>: BrightRoll – what BrightRoll are doing with us is really innovative. So, they have an always on deal with us where anybody that wants to be rated through the BrightRoll platform will get Digital Ad Ratings. So, they have also built into their system really sticky applications that allow clients to get easy access to Digital Ad Ratings. And now, we're in the fabric, now we're in the DNA of one of the world's largest platforms.

So, they have built a tagging environment, so this is very easy to tag for Digital Ad Ratings into their platform. They've also built a planning suite that wraps around the Digital Ad Ratings data to make it easy for their clients to be able to use the normative database that's been generated through Digital Ad Ratings to make better decisions. And they're also subscribing to some of Nielsen's segments that are behavioral segments to provide more data for better targeting optimization. So, they really are embracing the data set and bringing that to life for their clients, which really sets them aside from their competitors.

<Q - Thomas W. Eagan>: You mentioned Facebook. Nielsen has a lot of partnerships. Should we expect more? What should we expect in terms of, either big or small, either major attack or smaller partnerships through the next 12 months?

<A - Megan Clarken>: You should expect more always, because in this world, we believe in a philosophy where big data is good, big data needs to be calibrated by the panel; always be calibrated by the panel. And big data means that we have to strike partnerships for access to that. So, there will always be the right partners brought in at the right time.

And then on top of that, we are producing a powerful platform that enables us to have our data accessible at the right time in the right format for programmatic transactions, and that was through the acquisition of eXelate earlier this year.

And so, with eXelate comes a whole suite of smaller ad tech players that we're looking at to complement that service to make sure that that service does its job and is set up to be successful in fueling and underpinning a programmatic environment into the future. So, we're always on the lookout for the right ad tech companies to support that environment, and always on the lookout for the right data partners for big data assets.

<Q - Thomas W. Eagan>: Should we expect that programmatic penetrates the TV space at some – obviously it will.

<A - Megan Clarken>: That's a good question.

<Q - Thomas W. Eagan>: What is the adoption rate that we might...?

<A - Megan Clarken>: Yeah. So, programmatic, in its most sort of rudimentary definition from our perspective is the buying and placement of advertising using data and – machines and algorithms. So, it's really about the pipes rather than whether or not – I wouldn't define it as programmatic advertising or dynamic ad insertion, it's just the activation of those pipes into a real time machine-driven algorithm environment.

So, the question is whether or not the placement of advertising on the TV screen will be managed through algorithms and machines. Yes, probably into the future, that those pipes will become – the current system will become overtaken by the ability to use programmatic environment to do that.

Will the TV screen be a screen where you would target advertising, dynamically insert ads, and target advertising? That remains to be seen. I think some folk are very bullish on it, think that absolutely we're going to reach – we're going to get to a world where you sitting in front of The Good Wife on CBS at 10 o'clock on Sunday will be identified and they'll be a target ad sent to you. Some people will say that, that's a world that we will move into. I don't know. I don't know if the TV screen is a personal device, is a device where targeted advertising makes sense, and we get to see.

<Q - Thomas W. Eagan>: Any thoughts on penetration rates or – I mean, obviously, it's going to be – it's accelerating on digital...

<A - Megan Clarken>: Yeah.

<Q - Thomas W. Eagan>: ...so the question is might it get to 10% by 2016 or...?

<A - Megan Clarken>: Well, we think it will be – get bigger than that. So, the data that we've pulled together in the background would say that about 50% of the dollars spent will be serviced or distributed using a programmatic environment.

<Q - Thomas W. Eagan>: Right. And so, how does Nielsen benefit from that?

<A - Megan Clarken>: Well, it's about – the way that I think about it is, it's just a new environment from what we have always done. So, in the past or even today, so much of that buying and selling is done through meetings and large software systems where you're going in and doing sort of big strategic plans and then you make decisions and you have a look at schedules and you create virtual schedules and you compare them to each other and you make decisions and then you send a fax through to somebody and you place an order and all of that stuff. It's just the way that it works today.

<Q - Thomas W. Eagan>: Right.

<A - Megan Clarken>: For us, the acquisition of eXelate sets us up to – and our data by the way is used in that process today, right, through to making the decisions and being a line item on a fax. The programmatic – the eXelate acquisition was just simply taking that and making it available in a real-time programmatic environment. So, all of those decisions that are made through algorithms and machines are made using Nielsen's data at the core.

And what we love about eXelate is that that's what they do, they have the relationships in place already. They have the pipes in place already. And for us, it's just about taking sort of an older environment and speeding it up for a new environment. Now today, it's very big in the digital space that services the digital space, it will service the TV space as well. So, we're at the right place at the right time.

<Q - Thomas W. Eagan>: So, it's about inserting Nielsen into that process?

<A - Megan Clarken>: Correct.

<Q - Thomas W. Eagan>: Yeah. I have two more questions, and then I will open it up to – I mean, we – maybe we'll do that now. Just five minutes left. I think we have a mic, if anybody has any questions.

<Q>: Good morning. Thank you so much for doing this. It's very interesting. Can you talk a little bit more about the relationship, the partnership that you have with Facebook. I mean, you've mentioned them – pardon me, you mentioned them as being the largest panel in the world.

<A - Megan Clarken>: Yeah.

<Q>: What are they getting from you and what are you giving them essentially?

<A - Megan Clarken>: Okay. So, it is the largest panel in the world. So, if I – if the world spins just around the U.S. let me talk about the U.S. in terms of a comparable. And you can tell from my accent that, I'm allowed to do that. So in the U.S., their panel size is 118 million registered users. And there is no other digital panel that looks anything like that, and I've been in the digital space for long enough to know that that is extraordinary.

The other extraordinary side of that is that that panel is of incredibly high quality. And particularly, for age and gender, which is the crux of the GRP. And it's high quality because very little people – well, certainly your gender, it would be very strange for you to lie about your gender on Facebook, because your friends would catch you out, and it would look a little odd. So, the gender information is highly, highly accurate, and the age information is very accurate as well.

So, we've got access to a data set, which is of very high quality and it's huge. So, that is powerful for us. That's what we get out of it. What does Facebook get out of it. Facebook gets out of it the fact that they are a source, not the only source, but they're source in supplying the – part of the GRP service. And so, they can feel more comfortable that when they sell advertising that they're going to the accountability metric, Digital Ad Ratings, are going to line up better to what they know about their audience.

So, if we weren't using Facebook, if we were using either our panel only or another source from somewhere, Facebook would be more blind, I guess, perhaps to what they know that they've got access to and the way in which they sell their audiences. So, they like the fact that they've got some visibility into making sure that the data that's produced is what they suspect it to look like.

<Q - Thomas W. Eagan>: And I would think also, Megan, that for Nielsen it creates a third-party kind of neutral verification for their data. I mean...

<A - Megan Clarken>: Exactly.

<Q - Thomas W. Eagan>: ...if they want to sell that, then now they're saying, this is now a third-party data in a way.

<A - Megan Clarken>: Exactly.

<Q - Thomas W. Eagan>: Yeah.

<A - Megan Clarken>: Now, it's important to note, because we do get a lot of questions around the panel on why do we need the panel if we've got 180 million panel out there. Why do we need the Nielsen panel is that, there are gaps and there are things that we get back from Facebook, which need to be corrected or need to be filled in.

For instance, Facebook don't have kids. So, we have to use the panel to create kids data. Facebook sometimes will get it wrong where it's a device that's shared. So, it's your iPad and we get a read back from Facebook that SpongeBob SquarePants was actually being watched by the 35-year-old male. And our panel will tell us that maybe – I'm giving you the most simple example, that that sort of stuff we correct for, because we know human behavior through what we know about people in the panel.

<Q - Thomas W. Eagan>: Any other questions? I guess just one last question on Social. So you guys have been busy in Social as well. So, maybe just a minute – maybe a minute or two on social.

<A - Megan Clarken>: Yeah. What we do do in Social is that we write social engagement through Nielsen's TV Twitter (sic) [Twitter TV] (47:59) Ratings. Clearly, we're looking to grow that business, expand that business, to make sure that it is relevant to the ever-changing social environment. So, there is work going on there to make sure that that is – retains its relevance.

What we do, which is pretty powerful, is we don't just rate the social – the initial social interaction, we're able to look at their re-tweets. So, we're able to look at the entire impact of a particular tweet to a TV program or to a piece of media, and understand its reach. So, it's knock-on to affect. And the clients that are using that are really using that to understand, again, the social impact of their programming and how widespread that is compared to their competitors. And so, that's what the Social TV Twitter (sic) [Twitter TV] (48:58) Ratings does, and there is a lot of work to make sure that that is – becomes a number that can be used as a currency metric across social.

<Q - Thomas W. Eagan>: But the numbers get so big. I mean, if you are a – if you're – if you work on a television show or in a movie, part of your contract might be that you have to tweet about the show that you are in, x number of times a week.

<A - Megan Clarken>: Right.

<Q - Thomas W. Eagan>: So, that's it's a lot of tweets.

<A - Megan Clarken>: Yeah.

<Q - Thomas W. Eagan>: You have to count?

<A - Megan Clarken>: Well, it is that and the re-tweet.

<Q - Thomas W. Eagan>: Right.

<A - Megan Clarken>: So, that creates – if you think of it as an iceberg, that first tweet is the top of the iceberg.

<Q - Thomas W. Eagan>: Right. Right. Right.

<A - Megan Clarken>: Then all of the stuff goes on underneath. So, for us, it's understanding and be able to report on the impact of that tweet, and the reach of that tweet. And, yeah, that's a lot of data.

<Q - Thomas W. Eagan>: Is that syndicated?

<A - Megan Clarken>: It is syndicated.

<Q - Thomas W. Eagan>: Okay.

<A - Megan Clarken>: Yeah.

Thomas W. Eagan

Great. Well, that's all we have time for now. With that, I want to thank Megan from Nielsen for being here today. Thank you, everybody.

Megan Clarken

Thank you.