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Andre Benjamin

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MANAGEMENT DISCUSSION SECTION

Andre Benjamin

Analyst, Goldman Sachs & Co.

Well, good morning, everybody. Welcome to the – thank you for sticking around for the last day of the conference. My name is Andre Benjamin. I know a lot of you, and for those of you I don't know, I am the research analyst that covers all the information service companies, so all the companies including Nielsen and some of its competitors, here at Goldman.

I am pleased to have with me today, Ms. Megan Clarken, President of Global Product Leadership at Nielsen; along with her colleague, Mr. David Wong, SVP of Product Leadership. So, thank you both for joining us today.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Thanks, Andre.

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

Thank you.

Andre Benjamin

Analyst, Goldman Sachs & Co.

So, I'll definitely go through a number of questions that are top of mind for both investors and a lot of people in the industry, and then try to save a few minutes for some questions from the crowd.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah.

QUESTION AND ANSWER SECTION

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

So, I guess, first, I would love to start with maybe talking a bit about what type of traction you've been getting with some of the more recently launched products like Digital Content Ratings, syndicated product or the Adobe – or the measurement of streaming video that was launched early this year as well.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. So, I'll talk about three, if that's okay.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Sure.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

So, Digital Content Ratings went into an extended proprietary mode halfway through this year. What that means is that it's a measurement of digital video, digital assets as compared to TV. And we have over seven brands, eight brands now participating in that. They've got access to the data. They're getting comfortable with that data very, very quickly. And we're soon to announce the full syndication of that product, which will mean that the data will be available to everybody, to the entire market to use – for use for planning and for sales. So that's Digital Content Ratings, fantastic traction there.

The SVOD service that you're talking about is the ability to measure Subscription Video on Demand providers like Netflix, who do not carry our watermarks across onto the content that stream through Netflix service. And we are – we produced the work around – this is going back probably 12 months now, whereby we used audio matching. So we're able to – if the studio or the broadcaster gives us an audio copy of the program, we put it into our audio library and our panels are able to actually pick up the viewing inside the home. What they can't do is associate it with a channel, with any kind of brand or owner. And so, what we do is we report back to whoever has asked us to report on the programming, what we're seeing, what we're hearing. And they're able to attribute it to the SVOD provider themselves because they know the deals that they have with those providers.

That product has turned out to be incredibly successful. So, we now have over 8,000 episodes of Netflix type or SVOD type content in the library. And when you think about it, SVOD now is happening across about 52% of U.S. households. So the need for those studios and those broadcasters who are licensing that content has never been more important to make sure that they understand and have comparable metrics between the viewership to that programming and to the programming they hold back for advertising. And we can see that by the fact that Lionsgate, earlier on in the year, published their numbers for a program that we were measuring, Orange is the New Black, which compared them to Game of Thrones. And this was just incredibly important for them to be able to stand up and say, we're producing this content which, compared to traditional television, is performing at this level, so they can command the sorts of prices for licensing of that content. So that's proving to be a pretty powerful product.

The last product I'll talk about is the Total Content Ratings product, which is the connection of the TV program ratings and the Digital Content Ratings, and that we announced last week is going into a rolling syndication mode to be opened up early next year.

This one is really important because, again, the broadcasters and publishers who are participating in this are now taking very careful attention to the data that's being produced inside of Total Content Ratings because once it is syndicated, it will influence trade. And so they've asked us to tread a little slower in terms of their ability to get their head around that data before it's actually made available to the agencies. Because when it's made available to the agencies, the buying side, then they need to make sure that they're ready to trade against it.

So three really important products that are in the play right now.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

So to be clear, I know you talked about syndicating, now that sounds like the customers have requested that you [inaudible] (05:23)?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah, exactly. Yeah. So we built the product. It was finished at the end of last year. And we knew that 2016 was a year for getting all of the clients instrumented for the measurement as fast as possible, and then getting them comfortable with the data. And that's – we always said that, that would take the better part of 2016 to do with our – our idea would be that, that data would influence currency for the 2017 upfront. And we feel very good that we're on track and on plan against those commitments.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

So, I guess, on the SVOD that you mentioned, like you said, the content players that ask you to do the measurement know who they struck deals with, so...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

...do you think that ultimately being able to do that and matching to whatever the platform delivered the show yourself becomes critical going forward, or is the fact that the key customer that wants this done can do it themselves, meaning that, that's not a key focus area?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. It's not – you're exactly right. I mean, as long as we're producing the data that they need to be able to trade on, I think that we're in good shape. We're doing what our clients are asking us to do. Ideally, what would be great is if we could light that data up, if we could identify the SVOD provider as part of that process and then syndicate

that data for all to see, that would be an ideal state. In order for us to do that, we have to go down one of two tracks. The first one is that the SVOD providers need to – want to participate, which to-date, they have not wanted to. And the obvious sign if they wanted to participate is that they would retain their watermarks across the content.

The second path would be that we produce – is that we roll out what we have been doing for the last 12 months, which is a piece of technology that plugs into the back of the meters that we have in the homes, and actually looks at the Wi-Fi traffic that's going through the home and isolates the streaming that's happening, so that we can match it to what our panels are showing. It's able to see that it's actually originated from Netflix or Amazon and be able to attribute that. Rolling out of that device takes a long time though because it affects the panel that's in place in the market, and so we have to be very careful about how we're doing that. But we've made very good progress across that as well, and we've rolled that piece of technology out across a subsection of today. So, we'll continue down that path.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Got it. And what are some of the key areas of pushback that you're receiving on this? I think, we've been here for the last two and a half days...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

...hearing from the media companies, everyone talks about fragment – the same things fragmenting consumer, but it seems like everyone's being more aggressive about OTT delivery strategies, everyone is confident that measurement is getting better but not quite where it needs to be. So I guess as you're having conversations about these topics, I guess, it sounds like progress is being made, but what are the key sticking points that remain?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

I think we've gotten over many of the hurdles in terms of how we're actually collecting and reporting the data. One of the early hurdles was the implementation of code itself, which we call the SDK. If you go back two years when we started to get that implemented or a year and a half, it was – we were learning, both sides were learning. We were learning about the technology, and so was – so were the broadcasters and publishers. But that seems to have settled well down and gone away. So, the fact that we have now over 70 brands participating is testament to the work that we've done to make sure that, that's a smooth transition.

I think what we're hearing though is – or what you may be hearing is the time it takes to understand the data and make some sense of the data. It's not that the data is not there. It's that now, our clients are looking at a very different and extended set of data, which covers not just their traditional properties, but their digital properties; not just their properties that they're selling linear advertising on, but their properties that they're selling dynamically inserted ads on. And for them, there's a lot of work that they need to do to try and sort of make sense out of that, put those things together, and have these tools work for them and their existing business models. And that takes time. So, I think that these things are coming very quickly for our clients. And what we're focused on is making sure that we can provide them as much training and as much counsel, and as much help as we can to get them very familiar with the data before it's syndicated.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

And you've mentioned 70 brands using the SVOD product, I believe? [indiscernible] (10:32)

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

No, sorry, that – they're using the Total Content Ratings and Digital Content Ratings, yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Got it. So, the 70 applies to the Total Content Ratings. Is there any comparable metric for how many – I know you said 8,000 shows being measured, but how many people are using the SVOD?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

So, on the SVOD shows?

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Yeah.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

SVOD is about 8,000. If we were to look at the amount of shows that I think we're capturing through Total Content Ratings and Digital Content Ratings, which is not SVOD, that is something like 50,000. It's measuring every – most everything that's watched today.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Just trying to get a sense of how the [indiscernible] (11:13)...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

...scope there. As – in terms of the importance of mobile in consuming video, could you maybe talk a little bit about how the mobile measurement capabilities compare to desktop and...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

... some – and how that gets built into these products?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Let me pass it to David. David is our Head of Digital Measurement, so he's probably well placed to give you an answer.

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

A

Sure. So I think for Nielsen, one of the exciting things is that our mobile measurement technology is very much comparable to our capabilities in desktop. So, there isn't a big fundamental difference between what we can do there.

I'd start with the SDK or kind of census-based measurement, where we have the same underlying census platform and third-party data and other sources of information to be able to calibrate and produce ratings quality data for mobile and desktop. And so, for Digital Content Ratings and Digital Ad Ratings, and for Total Contract Ratings, that underlying infrastructure for mobile is just the same as for desktop.

I think where there is often more conversation is for panels. And Nielsen has been investing and continuing to grow our mobile panels over the past years. Right now, our mobile panel, which is inclusive of tablets, smartphones, Android, iOS devices, has now reached 12,000 devices, which is a continued growth within that panel, probably one of the largest in the world. And we recently actually made increased investments into a company called Informat, which has expanded our global footprint for mobile panels across the world. And there, we can provide a comprehensive market-wide view with those panels of consumption and time spent with mobile apps and then services.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Yeah. But one thing I will say about our mobile measurement as well, there's, I think, two things that get lost when we're talking about panels and panel sizes; is that for our digital measurement, there's two panels that are involved in getting to the end result. And the first panel that we pass through is the Facebook panel. And the Facebook panel is, in this market, somewhere between 180 million and 200 million. And that panel is used to do the first path of associating age and gender to the device ID that we scrape off the mobile device. And we often will hear a criticism that people aren't necessarily honest, the Facebook data is not as robust, but we can tell you, having looked at all of the datasets we've looked at, that, that data is incredibly robust, because when people sign up for a relationship with Facebook, they're not signing up for a e-mail account or some sort of software service. They're signing up to have a relationship with their friends and family, so they tend to be very honest about their age and when their birthday is. And even if that panel – even if half the people were dishonest, which is highly, highly unlikely, that panel would still be 100 million. So there's many panels that are involved in getting us to the end result. The panels that we have in-house are used to correct and calibrate, and make sure that the data that's coming through from Facebook is corrected.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Just to make sure, I heard there's 12,000 devices or people. I know there's a [ph] key sticking point (14:53) [indiscernible] (14:54) people on multiple devices in the panel, but you said there were 12,000 devices, so I want to make sure I...

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

It is approximately 12,000 people as well, actually.

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

Thanks. And so, I guess, in terms of how we think about the push to update the methodology, and it's been another key topic in the industry, I guess, where do you currently stand? I know there've been multiple industry-level discussions that Steve Hasker has mentioned in the past. I guess, where does that stand and, I guess, how far are we away from, in your opinion – I know you don't have a crystal ball – but how far away are we from actually getting to some kind of resolution?

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah. You're talking about the C7s of the trading metric, the currency metric...

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

Yeah. The trading metric and updating it for some of the...

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah.

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

...additional products that you're rolling out.

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah. So, there's been a lot of industry discussion around the evolution of C7 from where it is today to me, to be more inclusive and relevant based on the changing consumer behavior. And so that conversation has been going on for the last 18 months.

A

Last week or like the week before, Rino Scanzoni, who has been involved in those discussions, made it very public that GroupM would be trading on totality in stature coming into the upfronts 2017. And so, you don't get a better endorsement than that, is that he is close to those discussions, he feels confident that those discussions are making good traction. He knows now what he wants to see as the end result, and he is confident enough to say that he'll be trading on that for the upfronts in 2017.

So, I'll leave it at that. I think watch that space, but there's certainly a high level of engagement and now, commitment from sort of one of the biggest buyers – the biggest buyer in the country to move the currency.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

I think the other thing that people have talked a fair amount about, the size of the panel and the tradeoff between scope and depth of data. So I know one push on the part of your firm has been to build out the size of the local market in particular.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Right.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

As a big push was completed, I believe it's end of last year or early this year, is that – should we consider that to be – nothing that we're static, I'm sure you will continue to evaluate it, but is that mostly done for the foreseeable future or do you guys feel like there is more to do there?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. Look, we effectively doubled the size of the panel, the beginning of this year. We do a lot of it now through utilizing our assets and modeling to, in effect, increase the size of the panel, alongside putting in more hardware. We believe very much in a model, a methodology going forward, which is that the panels become used more and more to calibrate, to weight and balance big data sets. And we see that, that's the methodology that we use on the digital side. We have a very big data set coming in from digital measurement that is corrected, weighted and balance using the digital panel. And on the TV side, we believe ultimately, because of fragmentation, we need to move to the same model.

And so, we think that the panel is not about – it's not about getting the panel bigger and bigger and bigger and bigger because we'll be chasing that forever. Fragmentation means becomes harder to find individual viewers and make any sense of it. What's important for us is those panels are representative. The key is that they're representative of the demographics, the population and the DMAs, the locality that we have to report to, particularly in the local market. And so, our push now is to continuing to make sure that we reinforce those panels, that they're not just the right size, but they're representative, and then bring in other data sets, big data sets that give us coverage and volume that we can use the panels to weight and balance and correct. So, the methodology becomes more of a modeled methodology over time. And you'll notice that in the last six months, we announced set top box data deals with Charter and Dish, and you can anticipate a couple more of those as we bring in the right return path data that gives us coverage and volume that we can use the panels to weight and balance to create the metrics from.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

So, there may not be a definitive answer here, but I think we heard a lot and we talked with various media companies that one of the main criticisms was the size of the panels. How can you possibly come to these conclusions around hundreds of millions of households based on thousands of people? And you doubled the size, it sounds like you – well, we all know you're more committed to return path data, which we'll talk about in a moment.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

But does the commitment to building out the volume of return path data and taking on a more hybrid methodology quiet some of the criticism of the size of the underlying panel or do you still hear a lot of that complaint from your customers as well?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Well, we always hear complaints.

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

Yes.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Like, I guess...

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

Which ones do you hear more about? I know those shift up and down.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

I think what we're trying to get to is stability. What I think we hear mostly from clients is around panel sizes cause instability or fluctuations because of the sizes of them. With larger volume data coming in, and we've seen this already from the data that we've looked at, the analysis that we've done using the return path data, it fills in gaps where we had gaps before and it creates more – it creates less fluctuation and more stability. And I think that our clients are really looking for something that doesn't – isn't as volatile, doesn't change from day-to-day because of the panel sizes. More than criticism about the size of the panels because of the numbers produced.

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

That's right. So you, guys, started to talk about the set top box data partners that you said...

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin
Analyst, Goldman Sachs & Co.

Q

...to are inked, we should expect more of. Can you maybe just maybe expound a little bit on kind of the thought process there, how much further you think you need to go?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah.

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

You publicly said you don't feel like you need to ink a deal with every single one...

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah.

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

...so what's the rationale behind why total coverage is not necessarily the best?

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah, because we just need enough. We need enough that the panels can do the rest. And that doesn't mean taking every single one. That – return path data is just a sample, it's just a very big sample of which always needs calibration, always needs weighting and balancing to make sure it's representative of the rest of the population. And so, we need sample enough to make sure that we have coverage for the 210 DMAs that we're covering, and that we've got coverage for different types of access models, be that cable or satellite. So, we just need enough, we don't need it all. And while we talk about set top box data, there is also other sources. So return path data are coming from the back of IPTVs and other places where we can get enough sort of – not census, but it's a sample-based usage data that we can use to help formulate a representative result for our market using the panel to model and weight and balance.

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

So I know there's been indication that this data is being digested, [indiscernible] (23:21) to best work with it.

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah.

A

Andre Benjamin

Analyst, Goldman Sachs & Co.

Any indication of when we can start to hope to see this information used in more of a commercial syndicated product like the others that you offer?

Q

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. We're putting together, our timelines now, starting with the local market for RPDs, RPD introduction. And you will have noticed we made an announcement last week around – about retiring those diaries. And so the diary markets are the first port of call for replacing the diaries with RPD data informed by our viewer assignment models and our assets like Scarborough. So, I think the first scab off the rank, we said that we would start to see that data flow into the market in the middle of next year, the May timeframe next year, with a hope that we could turn the diaries off completely, the beginning of 2018. And so that's the place that we're starting first, is replacing the diaries.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Got it. I guess there's always a lot to be done, and not only it can be made public, but I guess just broad strokes, we have an understanding that the thing that will dictate that timeline, what is that, that still needs to be done? Is it more on your end or is it communicating with your customers and giving them time to adjust?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. It's both of those things. So, we've – while we've inked the RPD deals that will get us – certainly get us moving, they still hold up the work involved in making some sense out of that data, things like – what we're seeing from that data is, it is very volatile, it comes through to us whether the TV set was on or off, it's – and so the panels have to be used to model actual TV viewing, what was actually seen inside the home.

It comes to us at all different times of the day, and we have to get it to a point where we're reporting overnight ratings, and so we have to work with the provider to speed up delivery and how we process the data. So, there is an awful lot of stuff that needs to be done, but we feel pretty comfortable with the timelines that we've put out for it in terms of our diary markets. And then the second part of what you said is absolutely right, is that, while we're doing all of that, we always have a very big job to make sure that our clients are comfortable with the numbers, that they're looking at the numbers, anything that they see as not being – not making sense, we're going back and correcting or trying to work out what's been the cause of that. So, it's enormous effort that goes into bringing anything to life at a ratings quality because so many – so much is at stake when it comes to ratings data.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

So, without naming names, and doesn't even have to be about the ones which you signed deals with or that you're evaluating, but just generally speaking, could you maybe speak to the differences in the quality of data just generically among some of the different providers so we can understand some of the issues of why you might choose to work with some versus others, or some of the issues that you're working through with them?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. Again, it's not the quality of the data because most all of them are the same in terms of what they send. They send – what they're sending us is what they send out to the set-top box. And what they send out to the set-top box is not necessarily what was viewed on the TV. And when they give us any information about it, it's at a household level. And, the ratings are reported at an individual level. So, we have to do an enormous amount of work to turn household level data into individual viewing because that's what the ratings demand.

And, there is no – they're all – that's the way that, that data set is. There is no difference between the data that's coming from any of them. It's more about coverage. It's more about making sure that we're not – we're doing enough deals, we're not doing too many deals. We're just getting enough data in order for us to use our panels to discern the ratings from. And so there's obviously very big providers, there's very small providers. It doesn't necessarily matter about the size because if we're covering one set of the market through one set of data, we may be just doing a whole lot of smaller deals to fill in the gaps. And so I can't be clearer and speculate about the rest of the deals that we're doing, but it's more about coverage than it is about data quality.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Got it. I guess from a financial standpoint, I know that you've talked in the past about having more of the STB data allows you to offset some of the cost, so constantly having to invest in panels and...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

...so while I think investors are understandably concerned about the large check that you may have to write for some of the larger STB guys, I guess, as we think about the financial impact is, is that the right way to think about it, it's pretty neutral because the two should completely offset each other or...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. I mean, we spent a lot of money on maintaining the panels for obvious reasons. And what we don't want to do is have that become uncontrollable because we're having to continue to invest in expanding the panels. What we're looking for is how to optimize our investment over time and make sure that it's neutral. And for us, neutrality is making sure that the panels are there to do their job of calibrating and making sure that the data is representative of what we call the universe, and then bring in the big data sets to do the rest of the job as opposed to having to build out the panels, doubling the size of the panels. If we were to do it through physical means, putting more meters in more homes, would be incredibly costly.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Yeah. You mentioned starting with local, which makes a lot of sense, but does it mean that you would naturally, eventually try to get to national...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yes.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

...and more importantly, I guess, are the national customers indicating that, that's where they want you to get to and you're just being careful about how you get there? Is that more you're just assuming that would be the case in [ph] connectivity (30:06)?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

They are the – all of the clients are – everybody wants everything. The RPD data is important, the use of the PPM data is important to understanding out-of-home viewing. All of these things are important. The national clients, however, are in really good shape. The viewer assignment, the doubling up the panel size, that service is looking really good. Where we need to focus on now is the local markets and, in particular, the diary market. So, that's where we're starting. But make no mistake, you're absolutely right, instead over time and at the right time, it's a staged approach and we will get to a national business.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Okay. Just trying to think through where I want to go next. As you said that there is no indication that the SVOD players have wanted to put the watermarks in to date, I guess, to a degree that you can share, have there at least been discussion about whether or not that might make sense for them? Is there any indication that they'll ever change their mind if the commercial implications are right? I guess, is that just a standstill that we should not expect to change at all or is there actually some thought process and conversations happening around that?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. We can't influence that change. I mean, certainly, as far as our conversations go, and I'll focus on Netflix, we can't influence that change. But what can influence that change, if they will ever change, is those studios and broadcasters who are doing those deals. And what we can do is try to do everything we can to produce comparable metrics enough for them to see the importance of pushing very hard towards Netflix supporting a currency model. And that's exactly what we're doing, is we're trying to give them the data that we're – that they're looking for, and we'll see. Only time will tell whether or not they will enforce that Netflix use Nielsen measurement.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

And cord cutting, cord shaving has been something that's been discussed. I'm seeing it a lot, that's going to increase maybe over the last...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

... call it, 12 months to 18 months. Clearly, clients are trying to find new ways to monetize the content, different business models, I guess. From your standpoint, you clearly have worked to roll out Total Audience. Are you finding that these issues are – it's hard to say because you say you get complaints all the time, but are they straining the relationship more or less that you're seeing any impact on – whether they're having any impact on

financial results, or is this just okay, like this is a tough time, you've been through these before, and so, you kind of take your lumps and then you go back, and then maybe just try to do your best to just make them happy?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Well, one thing that clients aren't complaining – blaming us for is cord cutting.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Yes. Hell, yes

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Not yet. But, look, we – what we do is measure, we measure the consumer. And David's business is all about if consumers are accessing the content through IP, that's what he's focused on. And the products that we're producing to measure digital is – are picking up that viewing, and we've made great traction with the powerhouses in that area to introduce measurement to them, including Hulu, who have accepted digital ad writings for their properties, their advertising that appears on TV screens. So, we work across all of that, regardless of the particular industry that – the industry that may be affected by that. Our job is to follow the consumer, measure the consumer, and inform the marketplace about what's going on there in the form of the ratings measurement plus the insights and analytics that we produce.

And so, it's – we can see that cord cutting – the interesting thing about cord cutting, I think the numbers that came out last week has said it's bumped another 2%, 3.5%, I think, to 5.5%. It's early days to know whether or not that will stabilize at some point, whether or not those people who are cord cutting, if they are millennials, will go back to multichannel subscriptions if they move through their life stages. We're looking at those things really carefully to help the industry understand what's going on there. And so, we do that across the insight side of our business.

The measurement side, it doesn't matter to us, it will measure it anyway.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

And how should we think about the rollout of all these digital products on the underlying margins and the operating leverage? You get that question a lot in terms of the pricing of the digital product versus the cost of digital product. And as the mix changes, what should that do to a business that's had very healthy...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

... profitability...

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

...over the years?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

We don't see or we don't separate our digital revenue from the rest, so we don't break that out. What we have seen is that there's been extraordinary growth, particularly in Digital Ad Ratings. I think the amount of campaigns that we're measuring is growing by somewhere between 50% and 60%.

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

A

That's right

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

58%, something like that, in the last 12 months. So we continue to see growth in terms of usage. And what we've always said is that we've built a platform and an architecture that just gets better with scale. So as these things grow, the underlying costs don't necessarily grow with it. So then, – so with that sort of model, we see margins increasing over time as we get volume. And then a lot of the digital capabilities are built into the MSAs that we have with our larger clients, which justify the price increases that we get from them every year. And so it's embedded into what we see happening there, which is supporting that ongoing growth.

But it also creates a broader moat for us around that traditional TV business. It becomes harder and harder to compete when you've got strong MSAs in place that we continue to provide value to those clients, particularly as they're trying to get their head around their digital strategies. So we look at it like that.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Two more quick ones, and I'll let the crowd pipe in here. Just one would be TV is still trying to figure out how it competes in the digital space of programmatic directed advertising, whatever nomenclature you want to put on it.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

You've done a fair amount of deals to try to build up your ability to help targeting on the digital space. Just how will you think about Nielsen competing, assuming that eventually – I'm not going to predict how quickly it happens when eventually, TV starts to have the ability to do more targeted advertising, particularly as like TVs get smarter.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

So, we look at the market as a video market. So, a couple of years ago, we made a very conscious effort to talk about our measurement capabilities as measurement capabilities across video. And we're very focused on the two advertising – well, the three models that exist to return investments to the sales side. One is the brand advertising, some big brand advertising model. The second is the addressable or targeted model, and the third is the subscription model. So, everything that we do is about providing comparable metrics across all three models so that those people on the buy side can understand – or the sell side can understand where to place their bets. What programming on what device should I hold back for brand advertising, what programming should I move across post seven days or post 20 days onto a digital platform and do dynamic ad insertions, how should I price for that, what programming should I license out to Netflix on day seven. So, our focus is on making sure that we can provide comparable metrics for those – the sell side to make those decisions.

We think that regardless of the model or the method, brand advertising or addressable, both will become programmatically driven, by the way; addressability, so targeting and brand advertising, is that the underlying trading platform – or trading metric will be reach by age and gender. We think that it will be. And while at the moment, we see targeting deals going on based on beer drinkers or auto intenders as measured by the broadcaster or publisher who is actually doing the selling, we think that, that model will subside over time as advertisers wise up to, I don't want you marking your own homework, I need independent measurement. I need to put the pieces together, therefore, I need comparability, therefore, I need reach by age and gender. That is, I think, that is a really important transition that the market will go through over time.

And our focus is on being able to provide that, but also servicing an area that is looking for targets, segments to be able to sell against. And we're surfacing those segments inside of the Nielsen Marketing Cloud, and we're developing Digital Ad Ratings to be able to measure and report on whether or not you actually reached the target segment that you went out to reach.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Q

Great. Well, let's make a note of that tons more questions, but I'm sure someone in the audience does as well. There is one in that way first. Can we get another microphone here for that [inaudible] (41:02)?

Q

Thank you. Hello.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Hi.

Q

In 2013, I think you bought Arbitron. And one of the objective was also to go to have data about the radio industry, but also in the digital radio, and have the combination with the data metric. What is the evolution in that area?

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Yeah. So, you're talking about Arbitron and you're talking about extending that out to be – when I talk about video, also talk about audio and connecting it to its digital side, big traction in terms of the measurement of digital. Do you want to talk about...

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

Sure.

A

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

...what we're doing there?

A

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

So about now, I think, almost two years ago, started to introduce digital audio measurement to our clients on the audio business. I need to stop you from the Arbitron name, but on the audio business. And now, most – virtually all of our clients are using that data, looking at that data right now. I think there are, I think, a few channels we're working through, and the platform we developed with Digital Content Ratings, it's really there to be able to create that next generation, to create an evolution of the initial digital audio measurement that we made out there.

I'd point to one particular innovation investment, which is our Nielsen Cloud API, which is a new method of collecting data from what I would consider nontraditional connected devices. So, we're seeing so much growth there. And so what Nielsen has been doing this year has been developing new technology to increase our coverage, particularly of the new Sonos, Echo, et cetera, devices, which are now starting to actually shift the balance of digital audio consumption away from traditional mobile devices.

Q

I have two questions. The first is, for the Watch business, I'm still unclear about the impact of these new ratings modalities on your top-line growth and your margins going forward over the longer-term, so if you could expand on that, that would be helpful. That's one.

And then, two, can you speak to how the Watch business integrates with the Buy business? Because retail trade is undergoing the same kind of fragmentation that video consumption had undergone. And so I assume that your clients are trying to figure out that as well. So I just want to understand more clearly, the relationship between the two aspects of the business at Nielsen.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Yeah. So, on the first question, the numbers that we've given the Street, I'm going to look to my colleague [indiscernible] (43:45), is a continued 5% to 6% top-line growth for Nielsen. And so our digital business is part of that contribution. So, again, a lot of the digital deals are inside of the large broadcaster MSAs, which have pretty good price increases embedded into them every year, and part of being able to command those price increases is by adding value. And so, the value is to help extend the coverage, if you like, from traditional TV to include the digital viewing as well. So it's part of the 5% to 6% range that we give to the market.

A

The good thing about the digital business is that the building out of the underlying architecture has been done. So, what we like about it is that over time, that volume will create more margin. And so it's early days yet, we're a couple of years into this, but we're seeing healthy usage and healthy growth, which contributes to our overall top-line growth in margin.

On the second part of the question, I've gone blank.

Andre Benjamin

Analyst, Goldman Sachs & Co.

[inaudible] (45:10)

Q

Q

[Ritz] (45:11)

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

A

Watch and Buy, yeah. So there is a huge effect going on, on the Buy side of our business at the moment to connect all of the applications that we have across there in a cohesive way on top of a single platform in order to be able to help our Buy side clients actually follow a journey with us as opposed to having many, many different touch points and many different applications that they're using, and that's called our connected buy system. And so that's coming together quite nicely.

Each built on a data set, which is a SKU level data set, so a product level data set. And our Watch business inside of the Marketing Cloud is built on a data set, which is a personal server database. So they're very difficult – integration becomes hard. Where we can integrate is by increasingly adding applications that source both. And I'll give you two examples, the room is filling up with the next crowd.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Yeah. We're in between session, we may have to complete it offline.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Okay. You want a quick chat? Oh, let me tell you. Mix is one, market mix modeling, and the other is the creation of segments, a consumer segment based on their retail purchase. The two starting points.

Andre Benjamin

Analyst, Goldman Sachs & Co.

Thank you both for your time, I really appreciate it.

Megan Clarken

President-Product Leadership, Nielsen Holdings Plc

Sure. Perfect. Thank you.

David Wong

SVP of Product Leadership, Nielsen Holdings Plc

Great. Thank you.

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