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# Nielsen Holdings Plc (NLSN)

Needham Emerging Technology Conference

## CORPORATE PARTICIPANTS

Megan Clarken  
*President-Product Leadership*

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## OTHER PARTICIPANTS

Laura Martin  
*Needham & Co. LLC*

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## MANAGEMENT DISCUSSION SECTION

Laura Martin  
*Needham & Co. LLC*

We're going to get started. I'm delighted to introduce Megan Clarken, President, Product Leadership for Nielsen's – at Nielsen's Watch segment and all of measurement. Megan has over 30 years of global industry experience and currently leads Nielsen's Global team responsible for product strategy, development and management and Nielsen's leading measurement products for television, digital and cross-platform content and advertising.

Megan joined Nielsen in 2004 and has held several global executive positions. Her most recent position is as Executive Vice President for Global Product Leadership where she is responsible for product strategy, development and management of Nielsen's full complement of measurement offerings. Prior to Nielsen, she held senior leadership positions for large publishers and online technology providers including Akamai Technologies and News Interactive.

She's going to walk through some slides for us. And then, I'll come back up on stage, and we'll do a fireside chat.

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Megan Clarken  
*President-Product Leadership*

Thanks, Laura, and good morning, everybody. Thanks for the...

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Laura Martin  
*Needham & Co. LLC*

[Inaudible] (01:00).

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Megan Clarken  
*President-Product Leadership*

Can you hear me? I'll shout. How is that?

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## Laura Martin

*Needham & Co. LLC*

[Inaudible] (01:04).

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## Megan Clarken

*President-Product Leadership*

All right. What I thought I would do is give you some insight into the data that's coming out of our Total Audience measurement proposition. And hopefully, I will just sort of enlighten you to some of the things that we're seeing coming out of that program.

Let me remind you what that program is. The Total Audience for us is about responding to a need to measure consumer's consumption of media by four things. So, firstly, it is true cross-platform measurement, so making sure that we are measuring consumption of media across all devices regardless of the business model. So, linear advertising, digital dynamic advertising or no-advertising business model in the case of subscription on demand. So, it is true cross-platform measurement.

The second thing that it is, it is comparable measurement. So, making sure that as we're measuring across platform, we're measuring video or audio or static assets in exactly the same way to the way in which they're measured from a traditional measurement perspective. So, comparable measurement across platform. The third thing that Total Audience is is the measurement of ads as separated from content, so measuring ads and content separately. And the reason why this is important is that we believe that over time, content and ads will have less and less of a relationship to each other because of addressable advertising or targeting. So, two different measures here, content and ads. And the last thing that Total Audience is it's the creation of a ratings service which is no longer just the domain of a traditional broadcasters, but it's a ratings service which anyone can participate in, focus around content types: video, audio and text. So, four things that Total Audience is.

It comes to life through a number of products, and the two that we're working on right now is digital content ratings and total content ratings. So, digital content ratings being ratings for video assets that are viewed on digital devices that have a dynamic ad load. And total content ratings bringing that digital content ratings together with traditional TV ratings, the linear ratings, the [indiscernible] (03:13) the audiences and creating that true cross-platform comparable measurement of audiences to content truly across platform. So, Total Audience, digital content ratings and total content ratings.

I'm going to take a minute just to show you some of the insights that we're seeing right now from total content ratings, which was finished at the end of last year and is now in the hands of our clients as they're starting to see the data flowing through the system. And it's kind of interesting the insights that we're seeing.

The first thing that we were really interested in was the ratings service today is limited to a seven-day window. Is that the right [ph] stop gap (03:49), seven days? And so, what happens beyond seven days? What's going on in terms of time shifting? And what we're seeing is that for most all programming, there is time shifting. There is viewing going on, lists going on, in most all programmings beyond seven days. And so, the data that you're seeing here is for nine programs and nine episodes of those programs, measured over a period of 17 weeks to 18 weeks. And we're seeing that for all programming, there is list beyond seven days. Some is higher than others. So, some has a 4% lift, right up to over 50% lift beyond that seven-day window. And I'm going to give you some insights into some of the steps behind this. But for all programming, there is additional audience beyond seven days.

We then drilled into this to see whether or not there's some sort of pattern to that lift. Is it on the 10th day or the 13th day? Are people actually viewing a program closer to the next week's episode run? They're just kind of catching up and viewing it within that sort of 14-day period. Is there some trend here where we see an audience beyond that seven days, but it sort of tapers off pretty quickly after that. And so, what we did was we lined up those nine programs by the one with the smallest lift right up to the one with the greatest lift. And what we did see was that there was no one trigger. It was that over time, those audiences are actually stacking up. So, it's slow and steady wins the race. And so, by this programming – and we're going to genre in a minute – those audiences are just building. There's no pattern to how they're building. They're building over time.

The next thing we looked at is, what about the platforms? So, the platform is playing a role in this. As we looked at two platforms, we looked at DVR and we looked VOD. So, VOD is – DVR is where you've recorded the program and then you watch it later on. And VOD is the platform which is defined by accessing programming through apps. So, maybe at CBS All Access that you've gained access to that program through an IPTV or connected device, an Apple TV or Roku box, or it's also VOD can also be a library, a program library that is being curated by your cable provider, so here in New York, Time Warner, your Channel 1000, that sort of catch-up service is defined in VOD as well.

And what we found was that DVR is really an extension out to seven days and then it drops off. The DVR is sort of an extension of same day of live viewing. But then, post seven days, it drops off. And what kicks in is VOD viewing.

So, VOD really comes into play post seven days, and it continues to contribute to audience lift. And that's really important because VOD is a platform that attracts a younger audience. And you can see that younger audiences are coming to programming – is coming to a program much, much later than a seven-day window.

So, then we look at genre, and we look across of all these of program types just to see whether there was some pattern there. Program A, the reason why you can't see what the program is here by the way is because the state is still in a proprietary mode. So, the networks are seeing their own data, but they're unable to look at each others at this point in time. So, I can't share what this programming is.

But Program A was a reality show. And it's obvious that reality post seven days see a lift much, much smaller, so that 4%. Because really, people are viewing reality on the [ph] day live (07:28). They may see it the next day, but usually reality is day-by-day viewing. And we don't have a sports genre there but if we did, we would imagine that sports follows exactly the same pattern, really is [ph] life behavior (07:41).

But then, we start to see a shift here when we look at serial drama. But that shift is kind of small because serial drama, you have to watch it on a consecutive manner. So, you really have to watch it with that 7-day or 14-day window before the next one airs. And so, we see less of a shift, but there is a shift beyond the seven-day for a serial drama. But then, we start to see bigger shifts, episodic drama and then into sitcom, and there's one more here, I think.

Yeah. So, animated comedy. So, anywhere where you can catch up at any time, and it doesn't need to be seen in a sequential order, we see VOD kicking in. We see audiences just looking at a library of content and saying, I actually feel like watching, and it doesn't matter where they fall in terms of the sequence of the episode. Anything that falls out of sequence, we see really being affected by time-shifted viewing.

This is very important data because what happens is that the media owners who own those assets now can see that they have an audience here for a particular genre, which they can monetize well beyond that seven-day window. And they may have access to that data themselves for themselves, but they've never had access to it in a manner where they can use for trade to the actual ratings numbers. And they never have had access to other people's data.

So, now they can see if there – if they're a media owner that owns an asset like a sitcom, they can take a look at this data for sitcoms owned by other media owners and be able to compare themselves and differentiate themselves compared to their competitors. That's just really important stuff.

We then look at age, and age plays a big part here because VOD attracts a younger audience. And what stands out here is that – this is not age, by the way – this is age, yeah – is that program Don live TV there is actually a program that attracts an older audience. And so, the network owner, the media owner of this asset has always sold this as a program that attracts an older audience because the ratings reflects that. But as we measure out beyond seven days, we're seeing that that audience to VOD gets younger and younger. And if you looked at the previous data set, it shows that VOD audience grows over time. And so, what happens now is that media owner who's always sold that asset as an asset that attracts an older audience has now got the ability to sell that asset as an asset that attracts a younger audience post seven days and over time.

So, these sorts of insights are eye-opening to the media owners, and it's giving them more and more fuel to differentiate themselves in their assets to further monetize against. The last thing we look at was the actual digital viewing. So, you can see that VOD piece there, the difference between that and total digital, the number there is actual viewing off the TV screen, the viewing on digital devices. And we look deeper into that to see if we could see any insights into lift.

And what we did see was that there was small lift there across all of – we grabbed a handful of those properties and had to look at their digital viewing. There was a small lift there anywhere between 1% and 4%, but what was significant was that this was on a very big base. So, these programs are very, very, big programs. And so, the absolute number of viewers inside of that 4% is actually a very a big number.

And so again, it gives another channel, another story for the media owners to say that digital is actually extending onto their audience. It's a very particular demographic that is viewing a content on digital devices, and it's another way to monetize those assets to those audiences that they may have not been able to represent in the past.

So, this is a snapshot of some of the things that we're seeing and the importance of these data now for media owners to find new and interesting stories and bigger ways to monetize their audiences that they have never had access to before.

All of these data, by the way, is really important to Nielsen because it flows back into our product suite. So, you'll see that our product suite is geared towards making sure that we have planning tools available across platform and all of the Total Audience data flows through to those planning tools that we can activate buyers to a one-to-one audience through the activation source that we have available. Most recently, the acquisition of eXelate plays a very important part in that activation capability, and then measure against those buys, so either a one-to-one buy, and that's our case of targeting or one-to-many buy in the case of big brand advertising to broad populations. And we measure that, and all of that data flows back through the service again.

So, it's a very important asset both out to the marketplace but to continue to drive the products and services that Nielsen provides back to our clients. So, I'm going to pause there. Laura?

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**Laura Martin**  
Needham & Co. LLC

Okay. Great.

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Megan Clarken  
*President-Product Leadership*

Great.

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## QUESTION AND ANSWER SECTION

Laura Martin  
*Needham & Co. LLC*

Q

So, I got no questions. I didn't open the slides.

Megan Clarken  
*President-Product Leadership*

A

Where do you want me to go, here?

Laura Martin  
*Needham & Co. LLC*

Q

Yeah. I want you to go there please [inaudible] (13:02).

Megan Clarken  
*President-Product Leadership*

A

Okay.

Laura Martin  
*Needham & Co. LLC*

Q

[Inaudible] (13:03) I don't have – this one but what is the orange column, why TV had a 49 of your average age – and then when you add all these digital platforms – I'm sorry. Are you webcasting this? Are you webcasting me now?

Okay. So, I have to talk into the mic then. Okay. So, my question on this chart, I don't know what number, page 17 maybe, I can't tell. Anyway, 49 for years only got down to 47 years, which would imply that all these other platforms were tiny, because it really didn't bring down the average age, brought down the – other blue line by like three years, but the other one was like two years. So, basically none of these other platforms, even though they do skew younger, which is a higher-CPM audience, actually don't have much effect on top of live TV.

Megan Clarken  
*President-Product Leadership*

A

Well, they do. So, over time, they do. So, it's additive to live TV. The bulk of the audience, you're right, is happening on live TV. So, most of the viewing is happening on live TV. But what we're interested in and what's additive to that post that seven-day period because, remember, live TV is defined really by within that seven-day window. DVR is part of that, which we noticed through the Total Audience Measurement. But then, beyond that, there's additive audiences there that the media owners really haven't had that much access to before and they skew younger because of VOD.

Laura Martin  
*Needham & Co. LLC*

Q

So, your point would be, even though it only brings it down by two or three years, A, they're all additive and they're all more valuable people.

Megan Clarken  
*President-Product Leadership*

A

Well, they're valuable in different ways. So, this is a new audience that you may not have known that you had. It's a new audience that you can monetize different. So, the audience that you have been used to monetizing before.

Laura Martin  
*Needham & Co. LLC*

Q

Much of it.

Megan Clarken  
*President-Product Leadership*

A

Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. Thanks for telling us though. And then, my question on this one, Megan, is this. Look at these programs, so episodic drama C, 16% lift after seven days; episodic drama F, 30% lift after seven days. I don't get it. Why the huge difference?

Megan Clarken  
*President-Product Leadership*

A

Well, we've masked the show. But if you looked at the show, you may be able to work out what the difference is.

Laura Martin  
*Needham & Co. LLC*

Q

Why after seven days? Why some – why is one so lazy compared to the others?

Megan Clarken  
*President-Product Leadership*

A

Well, maybe that one of them, program C, attracts an older audience. So, maybe that the shift is happening on VOD. It's being done by a younger audience since I was saying that it take longer to play a role.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. So, the implication is that episodic drama F plays to younger audience who uses more video-on-demand and digital platforms to catch up [indiscernible] (15:35) or something.

Megan Clarken  
*President-Product Leadership*

A

[indiscernible] (15:35), from that result, yes.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. Yeah. Okay. That's interesting. Okay, that's helpful actually. I'm surprised on the animated comedy, the 50%. And then, this, I guess my point would be even though this doesn't look like it's much of a lift to economics, these people are much more valuable because they're all super young. I'm surprised you used 18 to 49 because I bet you could've used 18 to 32, and this number wouldn't change pretty much.

Megan Clarken  
*President-Product Leadership*

A

Yeah, that's true. I would say that the younger as well. Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

So, that means they're more valuable than just the 4% would indicate, maybe they're 8% to economic addition. But like you said, they're all additive, so it's all extra. Okay. Let's put this back here. So, let's start with NBC. So, NBC – the head of sales for NBC walks into here upfront Monday morning, 10 in the morning, 11 in the morning, and she said, you know, NBC is not a measurement company. NBC is not a research company. But we can't wait anymore, and we're going to start measuring and selling. Our ad sales are going to start selling against these sort of – more siloed, more targeted ads.

Talk to me about a world where Viacom is doing its own measuring. Now, NBC is doing its own measurement. I think it was Fox. Somebody else said we're going to deliver – might have been Turner – guaranteed results, not just measurement. We're going to guarantee outcomes which means they're measuring them themselves because they have to agree on what outcomes they're coming out with. So, talk to me about environment where your traditional customer is going in the competition a little bit with third-party measurement like yours.

Megan Clarken  
*President-Product Leadership*

A

Well, firstly, let me say there's a big difference between targeting and measurement.

Laura Martin  
*Needham & Co. LLC*

Q

Okay.

Megan Clarken  
*President-Product Leadership*

A

So, the platforms which they have are platforms in which they can plan against, they can sell, they can differentiate themselves, create stories around, and they can target against them to an audience that they know. But there's a big difference between that and measuring. What we do is we measure. So, two different things. What we do is we bring accountability to the table. So, in a world where everybody is measuring themselves, then they're marking their own homework. And what we forget about here is the advertiser. The advertiser is, at the end of the day, not going to tolerate that. And we've seen that over and over and over again where the advertiser says, I can't trust you to mark your own homework. I need third-party validation that I actually got what I paid for. And that's where we step in.



So, there's a difference between a world where each media owner has a big great data set, and they're positioning themselves differently, and they're targeting particular audiences. And they're sending out and telling their own story between – there's a big difference between that and actually being able to prove that you've got what you paid for to the advertisers. And the advertisers want consistency. They want comparability, and they want an independent third-party validator to be able to tell them whether or not they got what they paid for. And that's where we step in.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. So, that by implication, what that means to me then is NBC can go and they can sell in the upfront market against these demos or these targets. But at the end of the day, the advertisers can say, look, in order to figure out whether you delivered, I'm not going to be willing to just take NBC's numbers. I want Nielsen to validate.

Megan Clarken  
*President-Product Leadership*

A

Correct. Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

That's where you delivered.

Megan Clarken  
*President-Product Leadership*

A

Correct.

Laura Martin  
*Needham & Co. LLC*

Q

And can actually Nielsen do that if they're not selling GRPs? Like, let's say they want to sell some other thing, like, I don't know, something more narrow, more targeted. Does Nielsen go in and actually agree to whatever they sold in their contract, you'll go in and then measure that thing that they've sold to P&G in their upfront contract?

Megan Clarken  
*President-Product Leadership*

A

People are in the market for garden hoses.

Laura Martin  
*Needham & Co. LLC*

Q

Exactly. But that's what they've told us. I mean, does Nielsen go down to their level or whatever NBC creates?

Megan Clarken  
*President-Product Leadership*

A

We can do. We can do. But again, for consistency and comparability, we like to keep to the most basic metric which is age and gender. And typically in those buys, at the most basic, it is age and gender. They're selling age and gender, and then they do a secondary guarantee.

Let's say that on top of the age and gender, I'm going to get to that very specific audience. And we can measure that if we're asked to measure that. But really, it's about validating that basic buy, that basic currency metric which is age and gender.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. And so – so, your feeling is that when NBC sells that, garden hoses, I like your example the re, they're going to allow NBC to say when they – this advertiser you don't think is going to demand Nielsen measurement on the garden hose thing, it's just not enough money?

Megan Clarken  
*President-Product Leadership*

A

Well, yeah. I mean, and they don't typically. So, what we've seen over and over again is we're – I mean, you see this a lot in digital. And digital have wised up to it, instead they can't guarantee – they won't get away with marking their own homework. And so, they've actually come back to Nielsen and said, Nielsen jump in the middle and be the broker here because it's not working for us. We see that with Google. And Google bringing DAR to the table, Facebook was wise to that a long time ago.

And so, it's because of this drive from the advertiser to make sure there is consistent measurement, it's comparable, and there's a third-party independent who's in the middle of it doing the referee, being the referee.

Laura Martin  
*Needham & Co. LLC*

Q

I mean, what's – the most interesting to me about our first quarter earnings is that all of the ratings – okay, let's stop there – most of the ratings for a lot of these cable networks, and there are a lot of them, were down. But yet, the numbers for U.S. advertising growth were astronomical and the business is supposed to be growing to 2% to 4%, we had scripts with six channels up 14%, in its U.S. ad growth, Now, it had ratings up for across that six channels. CBS up 12% excluding the Super Bowl. So, we're getting very robust ad growth in a market where ratings are deteriorating. Any guess as to why that's happening?

Laura Martin  
*Needham & Co. LLC*

Q

Well, TV advertising is valuable. It's worth a lot. So, there's a – I guess, there's a play here on price and scarcity. And so, I think we're seeing that play itself out. What we have seen happening is that there is a shift back from digital back to TV, and this goes to your first point, it's because I think that that shift from digital to TV has come because TV offers a very stable environment that is well measured that shows comparability, no confusion and...

Laura Martin  
*Needham & Co. LLC*

Q

No fraud.

Megan Clarken  
*President-Product Leadership*

A

And no fraud, and it's a really big thriving tried platform for them, of which digital has still got a bunch of things to work out.

Laura Martin  
*Needham & Co. LLC*

Q

Yeah, and I do wonder, I mean, as a branding company, I do wonder whether the brand of digital video has been tarnished by all the fraud that's shown up as – that they've been buying on tax. They've been buying on tax for years on essentially better data, but the data turned out to be fraudulent. It was fraud or non-human or non-viewable, and so I wonder if that sort of damaged the brand of the benefit of data on the digital platforms.

Megan Clarken  
*President-Product Leadership*

A

Well, I think data is great if it's used effectively.

Laura Martin  
*Needham & Co. LLC*

Q

Accurate.

Megan Clarken  
*President-Product Leadership*

A

If it's accurate and used effectively – exactly right. So, it's – digital is tough because there's a lot of data out there. And if you're not a mastermind of being able to take that data and turn it into real people – real people, then you're not going to get the results that you are looking for. And so, that's the role that we play, and we are very good at being able to take a big data set and actually turn it into real people representative of the population. That's what we're doing – we've been doing forever.

And so, I think there was a sort of scurry around big data sets. They're great. Let's go and use them as best we can, and now I think, wow, the results are not coming through, and so let's pull back and go, spend the money on things that are well measured, tried and true, and use experts to make sure that we are actually advertising the most environment, we have accountability in place and we know that what that we're getting what we've paid for.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. Let's go to [ph] strategies (23:35), C3, C7. Okay. So, on the stage today, Les Moonves said that CBS is going to be signing all C7 contracts. Your slides here, you have six slides – were all about 7-plus, like 7 to 119. So, the question is tell me – let's talk about currency, where are we in the negotiation for currency? Is it just days but we're going to sit with GRPs? Because I sort of got the sense that it might not just be days, it might be including tablets, including like the currency might start including smartphones. Tell us where we are in the currency discussion as these different factions try to redefine currency and you, guys, are stuck in the middle of that. You just have to measure whatever they decide.

Megan Clarken  
*President-Product Leadership*

A

Well, firstly the Total Audience initiative is about creating a data set which helps influence the evolution of currency, because the rules around currency were set in 2007. So, they're now nearly 10 years old, and audiences have changed dramatically. So, the idea of Total Audience is to make sure that we're measuring everything to influence this discussion around currency. What we are seeing from here, though, is that there is a sort of – there is a change in platforms being used beyond seven days.

So, seven days is really about live TV to the TV screen and DVR catch-up which blends itself very well to linear advertising. Beyond that, we start to see a move on to digital platforms or VOD services which blend themselves really well to digital dynamic advertising. And so, it's hard to speculate how this thing will play out. But I think those two factors are really important in that discussion. Is it seven days? Is it beyond seven days? Is it for sports and reality, one day, two days, three days? Are there multiples here of which different genre has traded on different days? It's hard to speculate. Is it that...

Laura Martin  
*Needham & Co. LLC*

Q

It's complicated.

Megan Clarken  
*President-Product Leadership*

A

It's complicated. And so beyond that, how do you manage in a world where the rules today are very strict around that linear ad loads and that it can't be broken in any way, shape or form, and yet the distribution of those programming – of that programming is happening across digital devices and beyond seven days which now, your ad load is starting to be affected.

And so, it's a difficult set of conversations for the industry, but it's one that is going on and will result in evolutionary change to the ratings service. And so, we're right in the middle of those discussions at the moment at a very broad level across the marketplace and at a very narrow level. And I feel really good about the fact that, A, the Total Audience data is right in the middle of those discussions being used to try to navigate that change in currency. I feel great about that. I feel great about the urgency that's coming from the marketplace to actually resolve this, which means there's momentum around it and it will get resolved. And I feel great about the industry's cooperation with us and each other, between the buyers and the sellers, the cooperation between the agencies and the media owners to actually come to the table and discuss this and get it resolved.

Laura Martin  
*Needham & Co. LLC*

Q

And your point would be C7, we're still talking about essentially the TV device. It's live TV plus DVR. The minute we go past seven...

Megan Clarken  
*President-Product Leadership*

A

No. It's actually – so, today, this programming with linear ad loads that are coming across on to digital devices, and today, they are already measured by us and included in the ratings. So, if there's a program, CBS All Access has a linear ad load and we're seeing viewership to that programming with a seven-day window on a tablet, it's measured and credited to the ratings. So, it's not stacked at the TV screen, and even today it goes beyond that.

Laura Martin  
*Needham & Co. LLC*

Q

Right. As long as it stays linear.

Megan Clarken  
*President-Product Leadership*

A

Correct.

Laura Martin  
*Needham & Co. LLC*

Q

But I thought you were making this distinction where VOD is new platform and it's digital...

Megan Clarken  
*President-Product Leadership*

A

VOD has a linear ad load included in the ratings. The minute it can't be included in the ratings is when that ad load changes, any way, shape or form. If an ad is pulled out or if the ad load is changing in a way, it's not allowed to be included. It's measured, but we can't include it. And so, again, the discussions for the industry is, are we going to be flexible around that ad load, can one ad change and be included?

Laura Martin  
*Needham & Co. LLC*

Q

Okay. In the actual ratings that people got paid on

Megan Clarken  
*President-Product Leadership*

A

Exactly. Correct.

Laura Martin  
*Needham & Co. LLC*

Q

Okay. Got you. Timing, Megan, when do we get a resolution? Is it this calendar year? Is it next calendar year? You said there is this urgency.

Megan Clarken  
*President-Product Leadership*

A

Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

In your business, it doesn't feel like it's Silicon Valley urgency. So, does that mean we get it done in a year? I assume that's not weeks like the way the Silicon Valley works.

Megan Clarken  
*President-Product Leadership*

A

Well, remember that the TV sales cycle is kind of an annual cycle, right. So, it's not something that all of a sudden you can make happen in August of this year because it's kind of irrelevant during the next upfront...

Laura Martin  
*Needham & Co. LLC*

Q

Okay.

Megan Clarken  
*President-Product Leadership*

A

Yeah. So, what we've always said is that during 2016 – during 2015, we would finish the build, so we would have the products available. And then, during 2016 is a year of the industry seeing the data participating, getting all of the software included installed, and getting used to the data and getting used to the stories and having the currency discussions. And the aim has always been that at best, we would have an evolution or change of new definition of currency ready for the 2017 upfront season.

Laura Martin  
*Needham & Co. LLC*

Q

[indiscernible] (29:08). So, they can look at the data to figure out do we want phone, do we want dynamic to add in, what's it going to cost us? Because everybody has to have that data before they know what side they're on at these discussions.

Megan Clarken  
*President-Product Leadership*

A

What's the implication. It's correct.

Laura Martin  
*Needham & Co. LLC*

Q

Yeah. That makes a ton of sense. Okay. Great.

Megan Clarken  
*President-Product Leadership*

A

It's a big year.

Laura Martin  
*Needham & Co. LLC*

Q

Yes, sir.

Q

Yeah. So, I have just one very quick question. You mentioned like the value proposition combining video on demand with DVR and how you measure [ph] fast update (29:30). In terms of like total content time, like how much time has been spent viewing content in the first seven days versus the [inaudible] (29:41) tail of all these different platforms. If you add them up, what was the split?

Megan Clarken  
*President-Product Leadership*

A

It's about – so, live is – about 80% of the viewing is still live. Now, again, it's complicated because it's by genre – if you look at genre, you could say that most of the viewing for sport is live. It will be well above 80%. So, I'm talking as a sort of a medium. It's about 80%. Some is much, much higher.

Q

And the typical number of platforms in video on demand now like how many different devices or platforms [inaudible] (30:16)?

Megan Clarken  
*President-Product Leadership*

A

Well, all devices, so tablet, smartphone, PC, and TV screen. And then, it includes access points as well. So, apps and in-browser and access through connected devices like Roku boxes, Apple TVs, the whole gamut is included in there.

Q

[Inaudible] (30:36).

Laura Martin  
*Needham & Co. LLC*

Q

[Inaudible] (30:41).

Megan Clarken  
*President-Product Leadership*

A

Oh, I thought you were giving us time, five minutes. You're actually putting your hand up.

Q

[Inaudible] (30:48-30:57) for example, how are you [inaudible] (30:59) the \$40 million in question that are [inaudible] (31:03) across the media network? [Inaudible] (31:06)? How are you measuring the [inaudible] (31:10-31:15) advertising?

Megan Clarken  
*President-Product Leadership*

A

Yes, for the ads. So, we're measuring it through digital ad ratings. And where there's a tag or an STK present in that advertising campaign, we measure it through digital ad ratings. The best example for that is Roku. So, Anthony was in here before me, yeah, is that Roku have now got digital ad ratings or have had for a little while the digital ad ratings componentry built into their operating system. So, they offer digital ad ratings to any advertiser. He's pushing their advertising campaigns on a dynamic basis through the Roku box. It requires a software. Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

And you have to have a business deal to get it in there, right?

Megan Clarken  
*President-Product Leadership*

A

With either ourselves or with Roku in that case, in that particular case. Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

Right, the platform. What else for Nielsen? Well, I have another one. When I think about guarantees on the Internet. So, we've never – since every – like, Facebook measures itself and Google measures itself and AOL measures itself, do you see [indiscernible] (32:25) coming to the digital world?

Megan Clarken  
*President-Product Leadership*

A

Well, they're here.

Laura Martin  
*Needham & Co. LLC*

Q

I didn't know that.

Megan Clarken  
*President-Product Leadership*

A

Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

I didn't know they'd arrive.

Megan Clarken  
*President-Product Leadership*

A

[indiscernible] (32:29) video.

Laura Martin  
*Needham & Co. LLC*

Q

Okay.

Megan Clarken  
*President-Product Leadership*

A

Digital ad ratings is a currency metric across most digital video today. And it's a currency that is resulting in guarantees being made.

Laura Martin  
*Needham & Co. LLC*

Q

Unlike AOL, like Digital First platforms, like YouTube, and I didn't know that.

Megan Clarken  
*President-Product Leadership*

A

Right.

Laura Martin  
*Needham & Co. LLC*

Q

That's sort of new.

Megan Clarken  
*President-Product Leadership*

A

Well, I mean, it's – we've had digital ad ratings in the market now for six years. And it's taken a while. But again, the power of the advertisers who come and say I want to know that I'm getting what I'm paid for and I don't want



to pay for it if it's going to [ph] bother a spider (33:07) or it's not being sane, I don't want to pay for it if it's going to a demographic that I didn't buy.

And so, they're asking for digital ad ratings to be put in place to be either validate that buy, and they're placing guarantees against that. And the guarantees are – not often in the form of money back but continue to serve the ads, yeah, until I actually get what I paid for.

---

Laura Martin  
*Needham & Co. LLC*

Q

Paid for.

---

Megan Clarken  
*President-Product Leadership*

A

Yeah.

---

Laura Martin  
*Needham & Co. LLC*

Q

I'm going to give a question that I couldn't answer as it because it's an operating question, but I'm interested in your answer. Somebody said look, we do digital first – digital first premium content maker, three- minute to five- minute videos. You would have heard of the company, and the guys said, look, we're getting killed because people show the Nielsen ratings, they'll show the comScore ratings, they'll pull up the Moat ratings and they just use the lowest end. And so, we just keep getting hammered away that advertisers pay us whatever the rating services said we delivered the least in their target. We – they pay us that.

So, what are we supposed to do? So, do you have an answer to that? Because I didn't have an answer to that.

---

Megan Clarken  
*President-Product Leadership*

A

Well, I think what it does, is it makes a very clear message, sends a very clear message that there needs to be a standard. There needs to be a single currency provider that provides that single standard. Now, Moat is – remember Moat is different. Moat is about measuring viewability. We use a partner called Integral Ad Science, we partnered with both actually Moat and Integral Ad Science. And so, when we produce a GRP inside our digital ad ratings for guarantees for video buys. It's a viewable GRP, so it got either Moat or Integral Ad Science integrated in it.

So, it says, the ad was seen, it was viewable and it was seen. And it was seen by the demographic that you paid for. And that's really important. We need to make sure that we take the confusion out of the marketplace because advertisers – and we're seeing it already, they'll pull back if there's confusion, if they don't get it. If it's not answering the questions for them. So, they want a single provider, and they want comparable metrics across platform, and that's what Total Audience is aimed to resolve.

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Laura Martin  
*Needham & Co. LLC*

Q

And so, you just think this is a transitional period. There's so many guys measuring that, of course, the advertisers going to use those data metrics to get the lowest possible price because it's just in an economic interest?

Megan Clarken  
*President-Product Leadership*

A

Yes. It creates tension and confusion.

Megan Clarken  
*President-Product Leadership*

A

Yeah and complexity. Yes, sir.

Q

So, do you think that once this sort of, as you said, [indiscernible] (32:52) and confusion and complexity surrounding digital measurements and surrounding guaranteed use of viewability and what have you, do you think once that is more transparently dealt with would mean more clear advertisers that the shift that we've seen sort of first wave massive shift to digital and now we're seeing it sort of pull back, back towards traditional media, do you think there's a third wave of kind of a phase of movement back towards digital as it becomes more [ph] accredited (36:04) and easier to sort of bear upon?

Megan Clarken  
*President-Product Leadership*

A

Yeah. So, the pendulum will swing, and so I think what you're describing. And there's two factors for that. We measure digital across 31 markets around the world and I come out of the Australian market where there is a standard, so there's a joint industry committee that selects one provider and what we've found – and we've done studies on this across the markets that there is one provider is that when there is one stable currency in place, the advertisers get more comfortable and the ad spend grows. And we've seen it with – we've seen that actually happened.

So, that's one factor. It's stability and taking the confusion out. The other factor around driving dollars back into digital is that I think that with getting the power of the screen, right. And so, the TV screen is a screen that really attracts big broad brand advertising. There is no other screen that competes with that. And the digital environment is one-fourth targeting. It's an environment that really attracts a direct response to dollar and a one-to-one targeting dollar. And I think this becomes sort of confusion between the two worlds about what kind of advertising I should run on what sort of platform and ignoring the fact that there is screen there that has somebody sitting on the end of it with a particular psyche.

And I think that when advertising sort of really recognizes the psyche of the person at the end of the screen and what that means in a digital environment, it's a one-to-one model. It's a younger audience. They're viewing particular content.

Laura Martin  
*Needham & Co. LLC*

Q

Shorter.

Megan Clarken  
*President-Product Leadership*

A

They've got shorter attention span. They're on the train or – then we'll see sort of that fit itself up and say, this is my world, I own it, and that's the advertising that I'm going to attract instead of trying to be everything, and then the pendulum will swing. It'll find its niche. [indiscernible] (38:07).

Laura Martin  
*Needham & Co. LLC*

Q

And I would build on this because one of the things we hear coming out of the content side of the business, which is where I spend most of my time, is people are now saying you must make different content for Snapchat...

Megan Clarken  
*President-Product Leadership*

A

Right.

Laura Martin  
*Needham & Co. LLC*

Q

...versus YouTube versus Facebook. Because if you try to take one piece of content, it will be successful on one of those platforms and not viewed on the other. And where we see it as in the YouTube influencers, they are doing different content for every digital device. The advertisers are slower to catch up with that. But as content figures out what works on Snapchat, which is sort of perishable versus YouTube versus a Facebook Live, its content makes these granular, the advertisers will follow and they'll figure out 30-second spots probably don't work on Facebook Live.

Megan Clarken  
*President-Product Leadership*

A

Exactly. It's a huge opportunity for the agencies, the creative agencies because now you've got a campaign, and it's not one set of creative, it's a 100 different sets of creative. And you're trying to drive them to the right audience at the right time.

Laura Martin  
*Needham & Co. LLC*

Q

The guy that gets it right first is selling more products first.

Megan Clarken  
*President-Product Leadership*

A

Right. Yeah.

Laura Martin  
*Needham & Co. LLC*

Q

So, I agree with that. I think content and ads need to be different by platforms and the platforms are proliferating.

Laura Martin  
*Needham & Co. LLC*

Okay. I'm going to call it there. Thank you very much, Megan. It was really a pleasure.

## Megan Clarcken

*President-Product Leadership*

All right. Pleasure. Thank you.

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## Laura Martin

*Needham & Co. LLC*

Thank you, guys.

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