Corrected Transcript

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MANAGEMENT DISCUSSION SECTION

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Right. Let's get started with our next session. I'm George Tong, I cover business services at Goldman. I'm very pleased to be joined by Megan Clarken. She is the President of Nielsen's Watch business. Megan has been with Nielsen since 2004 and previously has held product leadership roles at the company. So we're really pleased to have Megan with us.

As many of you also had probably seen this morning, the company has announced that the board is broadening its strategic review beyond just the Buy segment to include a strategic review of the entire company as well as all of its businesses.

So everything that the company is prepared to say at this point is contained in the press release. Megan will be primarily focused on talking about business trends in the Watch segment and I won't be addressing the specific topic of the strategic review in her comments or in Q&A. But as always if there are any questions around the topic, feel free to address them to Investor Relations.

So with that, let's go and get started. Megan, thank you for joining us.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

Thank you, George.

QUESTION AND ANSWER SECTION

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

I'd like to start at a high level. As you know, the Watch business or the industry, more broadly, is undergoing some pretty fundamental changes with the fragmentation of media consumption. Can you talk about your longer term strategic priorities for the Watch business and what your milestones are over the next one, three and five years?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah. Fragmentation is, I think, is a friend of ours. And what it brings is more opportunity and not less. So if we start by talking about the strategy to create an environment that measures the consumer across all devices, all access points and regardless of the advertising model, then we've done that in what we call Total Audience, and Total Audience doesn't stop; it's an evolving infrastructural framework that makes sure that for every piece of the ecosystem that starts to get lit up is the Total Audience environment enables us to measure. So, whether or not that'd be linear advertising across video that moves across the TV screen, onto digital devices, whether or not that'd be the addressable advertising world and the work that we do there, whether or not that'd be subscription-based video-on-demand where there is no advertising, or whether or not that'd be embedded brand advertising that sits inside of content, it's those opportunities that the Total Audience framework is being built to go after and monetize where the money goes.

So, we are laser-focused on making sure that we continue to build out that framework and give ourselves a strategic advantage to be in the right place at the right time as those different business models evolve. So, that's number one.

The second is to make sure that we continue to evolve and invest in our core measurement capabilities, and that world is evolving as well. So, if you look at fragmentation or the change in viewer behavior on the TV screens, we acknowledged some years ago that a panel-based environment on its own would never be enough to manage all of the coverage or to make sure that we're seeing everybody in all places. And so, the investments that we've made there and bringing in Return Path Data and retiring our diaries in longer-tail markets and to introduce assets that we've acquired over time, one of them being the Personal People Meter (sic) [Portable People Meter] (00:03:52) out of our Arbitron acquisition. All of these things now being used inside of the core television measurement is an ongoing focus for us as well.

The next piece of that is clearly to use the ACR technology that comes with the Gracenote acquisition to enhance the coverage that we have across the TV environment, and to ultimately be in a place where we can replace the RPD data and the dependency on those providers with something that is either complementary to it or in some places able to play the same or a bigger role. So that's another area.

And then the other area is – there's two more. One is around the continued evolution of our digital measurement and move from the position that we are today into a growing need of the marketplace to create a comparable measurement ratings pipe service across the digital environment, and we continue to work towards that with many different pieces that are going on to play and evolve that role.

And then the fourth area is in marketing effectiveness. And the move from reach measurement – to maintain reach measurement because it is the core, but focus more and more and more on outcomes measurement, on

ROI measurement and be able to provide the marketplace with ways in which they can differentiate themselves against others by proving the effectiveness of their advertising campaigns just over and beyond reach.

So it's a flexibility play for us that I think comes with the strategic investment in the first instance of Total Audience, where we're able to provide comparability that nobody else can, and flexibility to give both advertisers and media owners what they need to be able to do their businesses. And we're laser-focused on those things.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. In the second quarter earnings release, the company took down its guidance, as you know, for the Watch business in terms of revenue growth from 5% to 6% down to 2.5% constant currency, mainly because of privacy issues related to GDPR.

So there are three areas I'd like to focus on. The first is sort of security for consumer data. We've seen large digital platforms adjust their own internal products to react to that. How has that changed the demand for Nielsen's Watch data?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah. So, firstly, let me say it doesn't affect the Audience Measurement business, which is clearly the biggest part of business. What it does have an impact on is the portfolio of marketing effectiveness and the work that we do there, both on our ability to provide segments for targeting and our ability to provide ROI measurement or multi-touch attribution measurement. And I do want to spend a minute on this because I think it's worth sort of explaining the dynamics that are in play here.

We see this as there are two different things going on here. They're separate, but they're similar. The first one is the impact of GDPR, which did take us by surprise and I think did take the marketplace, by and large, by surprise. Firstly, many, including us, thought that it would be isolated to Europe. But the multinational clients clearly feel the impact of it and want to make sure that they're ready in the U.S. market as things move across to the U.S. market.

So I think it took a lot of people by surprise. It was leading up to sort of the flicking of the switch of GDPR compliance day. It did tend to appear to be a moving target in the eyes of those that had to create compliance within the platforms or the way in which they were doing business. And we saw that as sort of a moving target right up until the last minute. And then what happened was that on the day that the GDPR regulations were put into place, it was literally like a light switch.

And what happened was for those platforms that were affected by it, particularly the large digital platforms, they protected themselves, rightly so, by literally also switching things off because they wanted to make sure that everything was in place and that they were not at risk.

And because there were sort of moving parts right up until that point, they literally sort of stopped. And so they turned off the ability for us to get any data from any part of their advertising platforms that would potentially be compromised in terms of GDPR.

On that day, we had 120 campaigns being measured, 120 campaigns, and it was literally switched off. And so the knock-on effect to that is that we had specs leading up to that time in terms of what it would take for us to get compliance.

But again, they were moving and changing around that time. And so, now, we're doing a bunch of work to make sure that we have compliance in place so that we can reactivate our measurement capabilities on those platforms.

And we have a timeframe in place for when that work will be done, but that pretty much stops the business during that time while you're putting those things in place. And then you've got work to do to get your pipeline reinforced to get back to where you were before. So it's a blip; and because of that blip, we de-risked the second part of the year.

The second thing that happened was around privacy. So again, they're similar but different. And what happens around privacy was very similar in terms of slowing down or stopping some of the measurement capabilities that were going on while there was compliance being demanded and therefore being built and put in place. But this had sort of a further effect because it affected third-party data that was coming into the system from advertisers directly.

And what was being – the rules that were being put on advertisers were and still are that they must have consumer compliance in order to introduce that data – sorry, consumer consent to introduce that data. And so for some advertisers, they already had that, they're in good shape. So they had literally asked the consumer if they could use that data in practices like targeting or advertising, and some [ph] hadn't (00:11:06).

So again, because it's such a volatile environment and nobody wants to be at risk, the marketers or advertisers themselves pulled back and have gone through a process of making sure that they have consumer consent which again slows everything down for us.

The thing that we can control there is the work that needs to happen to make sure that we are compliant for those platforms and that work is again still under way. But then the second piece which is less in our capability to control is that the marketers get consumer consent to use their data.

There's many different moving parts. I just want to spend a little bit of time on it because it is complicated and it is important that it's understood. It is why we've de-risked the second part of the year.

It is something that we're watching constantly to see whether or not something else emerges. It is a hot topic in the industry at the moment and it's the right thing for the industry to do as well is to pull back and make sure that we look after the privilege of having personal information from consumers and that we use it or it's used in the right way.

One last thing I will say is that Nielsen is very proud of the way in which we protected our panelists or our consumers for many, many, many years. And we have best practice in this area and we can implement and understand those needs very, very quickly. And so, we're in a very good position when it comes to being first in line in terms of being reimplemented on those platforms.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Great. Yes. I think that makes sense. In addition to having increased need for security for consumer data, the two other pieces of GDPR I think are the third-party targeting, which you touched a little bit about...

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

...on and also data usage rights where customers are essentially revisiting their internal policies and procedures around those areas. Can you talk about those other areas and how it could impact the business, maybe not just over the next several quarters but longer term, beyond 2018?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Look, I think what's important to note is that all of those things are being addressed and will be addressed and nobody can speculate where this is going. However, there is an absolute need. It's not going – the need for understanding consumers and for providing contextual content and advertising to consumers and the need to understand the return on investment is never going to go away. And so what's important in this world is take a step back and understand that the measurement of that needs to be done in a way that protects the consumer. But it doesn't for one second mean it's going to go away.

So, both platforms, the media industry and advertisers, I can't imagine and I ask everybody to try and imagine a world where they didn't want to understand the consumer, that they didn't want to understand what the consumer would enjoy and react to, and what would be context that would keep the consumer engaged, and that they wouldn't want to understand the return of their investment. That world to me seems sort of like – doesn't seem to be one that will exist for very long. What will exist until it's fixed is making sure that it's all done in a respectful way to the end user. And I think that's exactly the right approach, and it causes what it has and will do in the industry, but ultimately it will result in a better industry for everybody.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. You had indicated that the privacy regulation changes won't have much of an impact on your core Audience Measurement business, mainly isolated to marketing effectiveness.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Can you talk about why and what pieces of marketing effectiveness might actually not be affected by GDPR?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah. Well, in terms of Audience Measurement, we don't collect any private information. It's a count. It is impressions-based reach measurement counting how many times something was seen, whether that be content or advertising. The currency in this market is advertising.

So, it's a count. It doesn't use or target. It's not used in that way. It's a flat ratings count. It does de-duplicate audiences, so it does understand in segments where we think it's one person being – watching a TV network and being on a digital platform and then being on another digital platform. It does de-dup across, but it uses practices that don't require any personalized data or identity or doesn't use that in any other way but to try to recognize an effective and accurate count. So I don't see it and it hasn't impacted Audience Measurement, and I can't see why it would because of what I just said.

In terms of the marketing effectiveness portfolio, there's a lot that we do there, and we see it as – we've spoken before about the strategy of measuring Reach, Resonance, and Reaction, and marketing effectiveness is about those second two R's, so Resonance, did somebody recognize the ad? Did it have an impact on them? Did it change their behavior or give them some sort of nudge to buy a product? And then Reaction is clearly outcomes. Did they buy it? What was it worth to the advertiser?

And so there's a lot of products in that portfolio. The ones that are sort of less affected are where we don't use third-party data. So the Catalina joint venture is a really good example of where it had much less of an effect, and we can adapt very quickly to any regulations that come at us.

And some of the effectiveness measurement that we do, so some of the ROI measurements, some of the effective measurements, some of the techniques that we do, the marketing mix modeling that we do, which is not about targeting but more about measurement and getting ideas of – or being able to provide analytics on strategic planning, so there's many products that aren't affected. The place that it was – that it affected most was in, again, anything to do with targeting, anything where third-party data was used, like a multi-touch attribution platform. And actually it spilled over into our digital portfolio as well, not around Audience Measurement, but around some of the segments that we provide to the platforms in that ecosystem, or, clearly, our relationships with the big digital-first players.

George K. Tong
Analyst, Goldman Sachs & Co. LLC
Q

Right. Nielsen has been developing the Total Audience measurement framework for quite some time now since 2015 in response to this fragmentation of media consumption. Can you talk about what your recent milestones and achievements have been with this initiative and what your upcoming initiatives are over the next 12 to 18 months?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc
A

Yeah. Look, we're really proud of that investment. I think it's – well, I know it's been effective and continues to be effective, and it gives us the ability to expand our television franchise into digital and some of the other areas that I outlined before in terms of where the money is moving, where different advertising methods or non-advertising methods are taking place.

Some of the things to highlight are – well, one of the things I'll say is that that platform has always been around flexibility and allowing – giving access, giving data to our clients that enables them to monetize, it's metrics to monetize.

It gives them the ability to take the data and differentiate themselves as compared to others, so not just a flat ratings service but something – but more around how they can say, I'm different because of this. So it's provided much more flexibility.

And some of the places that we thought were going to be incredibly important to clients have proven to be important internally, but not something that they want to broadly share. So they use it internally to make sure that they understand where they stand in the marketplace, but they want to make sure that they protect their interests and use it to their benefit.

Other places where we were really surprised that we got more traction in, which, in hindsight, we shouldn't have been surprised, but one of them was digital and TV ratings, what we call DTVR. Why? I have no idea, but it's an extension of traditional linear television measurement onto linear broadcasts that happen on digital devices. So it's truly cross-platform measurement in a linear environment.

And that has been adopted by most of the skinny bundles, by YouTube, by Amazon, by Sling, by all that want to make sure that they have their content stand up in a TV ratings environment because it is comparable and be measured. And that was a place within hindsight of course. Everyone [ph] has been looking (00:20:45) for cross-platform measurement, but it really stood out.

And then the ability to light up more coverage, so our Out-Of-Home Service, so taking the measurement from just what happens inside of the homes to what happens in pubs and clubs and public environments has been extremely beneficial to clients of Total Audience as well.

The two examples of where we didn't expect necessarily them to be the most important have proven to be really, really beneficial to clients. So, again, I'm saying that this is about flexibility and everything we can do on top of that platform we'll do, that we find clients most interested in at that time.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Yeah. Makes sense. And part of that framework, as you know, is Total Content Ratings, TCR, that represents the most comprehensive de-duplicated measure of content consumption. Can you talk about what needs to happen for TCR to get accredited and syndicated? Because right now, it's still not yet fully in the marketplace.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Well, yeah. So accreditation is one thing. TCR uses exactly the same infrastructure and methodology as Digital Ad Ratings and Digital Content Rating. So the stamp of approval from the MRC is important, but it's not seen as being something that needs to happen.

The question of syndication is an interesting one. We've pushed for that for some time, and there was a whole lot of dynamics in the marketplace that caused those issues. And so we pushed it to – it will be something very transparent, will be these upfronts, will be these upfronts, and there'll be these upfronts, and it's been pushed down the road, and it's been pushed down the road because, when you look at it, it's content rating, so the monetization, the currency is ad ratings.

So what's more important in the marketplace is a syndication of an ad ratings service because it's an extension of currency. That's what we trade on, more important than the syndication of content ratings. And while we believe it's still important and we think it's important for the marketplace, we have to be very careful not to push it for the wrong reasons.

It's still something that's used extensively by our clients to assess their performance as compared to others internally, so that they can get their story straight, so that they can make strategic decisions around what content's working and what's not. And it's still difficult for them to get to a point where they feel comfortable, not just being compared in terms of their advertising results, but being compared in terms of their content results to actually make that a syndicated service as well.

So while we continue to think that it's important and continue to push for the market to open it up, it's – again, we would never do it unless it was something that the marketplace [ph] felt (00:24:11) was important or the majority of the marketplace felt it was important and it was the right time to do it.

And in the meantime, to my point before, other things have percolated to be something that the marketplace has wanted to see. The measurement of SVOD in the measurement of Netflix proved to be very important. So for us again, having that flexible framework in place that we can light these things up as we see that the marketplace understands that there needs to be comparable measurements and everybody needs to see everything is what's most important to us.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. We've seen a rapid proliferation of alternative means of video viewership: OTTs, skinny bundles, apps, online. Can you talk about how Nielsen is currently positioned in terms of coverage of all these different avenues of content viewership and what still needs to be done to expand your coverage?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah. So again, I'll go back to the capabilities there with Total Audience. And for all of those things that you mentioned, we both have the capability to measure it and are measuring some of it, if not all of it. And some of it is important because I think that goes to your question. Particularly around digital is the place in which it is really important to understand that that's a team sport.

So in a TV environment, it's something that is completely under the control of Nielsen and you saw that by our ability to measure Netflix regardless of whether or not they wanted to partner with us to do that because the way in which we measure is completely under the control of Nielsen.

In the digital space, it's not. In the digital space, it could be but it would be a substandard. It would be using panels only and in that environment, yes, it is under the control of Nielsen. But in order to do an accurate job there, it needs the marketplace to play. And so it needs the advertisers or the platforms, the media owners to actually implement something. And we've referred to it before as an SDK, many people know it as a tag or a sophisticated tag onto that environment to be able to measure. So it's a team sport of which they have to play, they have to do some work.

And so where they don't do that work or where they don't want to play, there's a coverage gap. What we rely on there is that in the digital environment, we have sort of three areas that can act as friction levers if you like to push for compliance or push for measurement. It's not just on the media owner, it's on the agency and it's on the advertiser that can do what they need to demand if you like third-party independent measurement across their campaigns, across their assets.

And so, while it is a team sport, there are many players on the field that can influence and where they don't influence or they haven't influenced yet, or where there's non-participation, that's the gaps that you're talking about. It's less about the capability and more about the willingness and the friction in the marketplace to comply or not comply.

George K. Tong
Analyst, Goldman Sachs & Co. LLC
Q

Right. And is there anything that you can see that Nielsen doing to help further or encourage this broad-based market adoption or compliance?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc
A

Yeah. I mean, for us it's funny. In this market, I come from the land of hobbits, as you can tell. In markets – international markets, there is what's known as a joint industry committee which pretty much mandates, okay, these are the rules. Everybody gets measured. If you're not participating, you're not going to get the advertising dollars. In the U.S. market, that sort of committee doesn't exist. And so we have to do what we can to lean on the marketplace, and we have to leverage the friction points that I raised before.

And so what we're seeing, though, is – and what's beneficial to us clearly is that there is a need to make sure that there's comparable measurement between TV and digital, and there's more and more and more of a need to make sure there's comparable measurement across the walled gardens. And we see that in the pressure that's coming from the advertisers to get that done.

It's public knowledge about the pressure that Marc Pritchard or P&G have been putting on, and Marc moved to commentary at Cannes around tech tax and the fact that was every dollar that was spent on advertising actually going all the way through the process to be that dollar that actually came out the other side, and he's talked about the tech tax that happens along the way and how much of that dollar actually sees itself to the end consumer.

And one of the places where there is tax is in an area of what we call waste, and let me explain that for a second. Unless you have a measurement provider, and this is something only Nielsen can do because we have the panels that we have in place and we have the TV currency, is the need to de-duplicate audiences. So, advertisers advertise across multiple assets at one time. They're not just advertising across one place.

And what they get without a Nielsen measurement on top of it is five different answers to the same questions. So, they get data from all of those assets, let's say, I got to 100 million new moms, and they can't de-duplicate. I don't know if that consumer to that TV program was the same that went to that walled garden – is the same that went to that walled garden.

And so what they end up with is where they might have an ultimate frequency cap or an ultimate place in which a number of ads that you see before you get a diminishing return might be seven. But when they get all of the data from the different players, it says that the consumers saw it 52 times and unless they have a capability like Nielsen who can de-duplicate those audiences and say that was the same person, then they have no idea, they're running blind.

And worse, they are creating a whole lot of waste because they might have actually got to 52 people and they don't understand how many people they actually got to. So, long story short is in this environment, there is even more of an acute need for somebody to sit across the top who's able to be the source of truth, de-duplicate audiences and help the marketer understand their advertising spend.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. Nielsen is currently involved in various initiatives related to or including Open AP and Project Thor which is designed to evaluate a marketing campaign's effectiveness. Can you talk about your role with these initiatives and if you see any risk that they could potentially disintermediate Nielsen?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

So we provide into those services the same services that we provide into most platforms. These ones I think are really interesting and important, and I applaud the consortiums that have put them together because they are a response to a growing competitive marketplace. So into those platforms, we provide segment data and we provide ROI measurements on the other side of those campaigns.

Remember that they're servicing an addressable market for TV which is still very, very small, and of that addressable market that are inside of those platforms, our data is used comprehensively for helping them understand those segments while measuring on the other side, and most importantly in providing things like that are unique IP for us, our universe estimates to help them understand the size of a potential audience to an ad campaign.

So, we like them. We're deeply involved in them. We want to continue to be involved with them, knowing that they're nascent and knowing that that marketplace and the ecosystem is evolving, is adapting, is going to continue to grow, and is going to – continue to be more complex. As for us being at the right place at the right time is important to make the right investment, to influence in the right way is most important [ph] we're (00:32:59) not taking our eye off or running towards it, not taking our eye off which is what is the bigger part of the marketplace at the moment which is traditional linear advertising.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. We've seen a good amount of media consolidation recently. Can you talk about how consolidation in media could potentially influence demand for Watch data?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Look, consolidation has always been around. It's always been there, it's always going to happen. It's never going to go away. It's interesting because I think, so you guys have all got a better perspective than me, but it seems to – it becomes harder and it's slowed down because of how hard it is to consolidate.

But for us, traditionally and the way in which we structure our business is that consolidation doesn't affect us. We have long-term contracts in place with our clients that cover consolidation and in fact what we see is that as entities do consolidate, there is just as much if not more of a need for data to help them understand the effect of that consolidation, the opportunities for that consolidation, how it compares to the rest of the marketplace and how they're performing.

So if anything, it drives sort of more an awareness, or more of a need for data. The place where it can affect us is if networks as part of that consolidation go dark because for us, just because they have consolidated, it's a bigger network and so it's the same contract put together. But where they turn something dark is that they have less of a need for the service. But what we've seen over many, many, many years and still continue to see is that anything that goes dark is usually a small and non-performing network that they have decided to divest and then and so it affects us less or to nothing. They're very, very small tail-end networks that don't affect the overall contract that we have with the larger entity.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. Thanks, Megan. Would you expect these larger conglomerates to have better bargaining or negotiating power with Nielsen, the deals with the Watch business?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

We haven't seen that because, again, we provide the same service to the same entities. When you add them together, it doesn't change the fact that we still provide the same service to those entities brought together. Again, I'll say, in fact, it's – the conversation is more based on, okay, what more? What do we need now that we have a more complex environment, a much bigger business to be able to benefit from that consolidation as much as we can?

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Switching gears to talk a little bit about the recent investment initiatives that have been happening in the Watch business, nanometers, you guys have been pushing that out, a lot more streamlined, smaller device to measure who's watching what in the panelists' household. Can you talk about your progress in rolling out the nanometers and what kind of efficiency gains we hope to achieve from this?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

Yeah. So the nanometer is alive in Sweden. So we often use a smaller market to make sure that we understand the implications and how they perform. So we're really proud of what's happened there. It's a remarkable device that provides a remarkable service, and it's in testing in other countries as well. It's in testing in the U.S. across a number of different markets where we break out testing panels to be able to do this kind of work on.

And the rollout of nano is starting in full force from next year. A couple of important things to know is that, firstly, it takes time to get the nano in place across the entire market. You can't just switch one out to the other. It takes MRC accreditation of the device or the data that's coming out of the device. And then because it may have an effect on the numbers, the end numbers, the ratings numbers itself, and it takes time for the marketplace to actually accept it and adopt it.

So, there's a difference between being able to roll it out next week if we put a million trucks on it to actually the work that goes into making sure that it doesn't disrupt the way in which we provide data. It doesn't disrupt our panelists in any way, shape, or form and that it's got MRC accreditation and our clients are happy with the data that comes out the back of it.

I'll give you an example. If we were to go mad tomorrow and just walk into homes – not walk into homes but be introduced into homes and switch out their current hardware device for a smaller device, there may be some homes that actually don't want it, or they like what they've got for whatever reason. And so, for us, one of our secret sauces is making sure that our panels are truly representative of the population of the U.S.

And so we can't compromise that. We can't do anything that might shake that balance and cause us to lose a panelist or do anything that upsets that balance. And so we're very careful about how we make changes to Nielsen family homes, whether that'd be through the introduction of hardware devices or software devices or anything else that we do.

George K. Tong
Analyst, Goldman Sachs & Co. LLC
Q

Right. In addition to rolling out the nanometer, you have in the Watch business several other efficiency initiatives like remote maintenance or use of AI, more use of machine learning, platform consolidation. Can you talk about which of these initiatives you have most confidence in in terms of improving the overall efficiency of the segment?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc
A

I'm actually very proud of the one that was switched on last week which was the retirement of our paper diary service in the long-tailed local networks. It's efficiency on so many fronts. It provides accurate data at much regular intervals than the paper diary services. It takes the hard work away from the panelists themselves, it takes the hard work away from the call centers and the way in which we deliver and process paper diaries. And it's a great example of investment for productivity. It's a great example of investment for a better service. And we do a lot of these things, but I think that one would be a standout for this year as being something that really has done the job that we set out to do and ultimately has such an impact – positive impact on our clients.

George K. Tong
Analyst, Goldman Sachs & Co. LLC
Q

Right. If you look at the margin performance of the Watch segment, in 2017, EBITDA margins contracted by about 80 bps; in the first half of 2018 contracted by about 30 bps year-over-year. Can you talk a little bit about what your longer-term margin outlook is for the segment?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc
A

Now, look, I think it's a complicated question because it's affected by different changes in the portfolio which it's hard to look at, compare previous years to this year or future years because of the changes in the portfolio. And so as we introduce acquisitions, as we make productivity plays, as we make investments, these things don't necessarily correspond to any kind of path that's usually talked about.

So again, without unpacking it in a very detailed way, it's very difficult to address the question. What we do strive for is healthy margins and that comes through a balance of our investments for growth, the productivity investments that we make, the acquisitions that we make to try to maintain or grow what we currently have.

George K. Tong
Analyst, Goldman Sachs & Co. LLC
Q

Great. Any questions in the audience? With another month having passed since the last comments on GDPR, do you still feel that this new 2.5% growth guidance fully encompasses the headwinds and should we infer this continues on into the first half of next year?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

The guidance is the guidance. I think we de-risked the second half of the year in light of what we saw, and for the most part what we believe will happen and we feel good about that. The guidance is the guidance. Into the first part of last year, I can't speculate. I think as we get closer to being able to guide for 2019, we will have a better – we'll know much, much more because of the time between now and then which gives us much more insight into what we might see coming at us in 2019.

What we do feel good about is the work that we're doing to get in front of the requirements to accommodate GDPR and privacy. We feel good about our timelines to have most things in place. We feel good about our pole position in terms of being one of the, if not the first cap of the rank, in terms of being turned back on again by those end clients. And we do feel good that this is a blip in the market as much as – if you – as I said before, if you believe that the marketplace needs this kind of measurement, which is hard to believe that it doesn't, then this is a place and time of which it will be overcome. And we'll know much more about that as we get into – getting our plans in place and being able to give our guidance for 2019.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Right. Other questions?

Q

Following into that, how will that have an effect on your dividend policy in 2019?

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

A

You're asking the wrong person. I'm sorry. I think that's a better question for our new Chief Financial Officer, Dave Anderson. I think he would be in a much better position than I am to give you the answer to that or our IR team. You could direct that to our IR team.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Okay. It looks like we're just about out of time. Thank you, Megan.

Megan Clarken
President-Product Leadership, Nielsen Holdings Plc

All right, pleasure. Thank you.