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DoubleClick Q1 2003 Ad Serving Trend Report

Executive Summary

DoubleClick's Q1 2003 ad serving data reveals that online advertising continues to prove its effectiveness for marketers while becoming a more creative yet at the same time standardized medium. Rich media continues to increase as a percent of all ads served—an average of 10% increase in each of the last five quarters to nearly 28% of all ads served in Q1. More importantly, rich media has an impact on conversion rates: it generates higher rates of post-impression activity and higher rates of sale per those activities. Larger ad units like skyscrapers and large rectangles have doubled in usage over the past year while the number of ad sizes has finally declined: a positive sign in an industry with a vast array of creative units to choose from.

Overview of Data

The DoubleClick Q1 2003 Ad Serving Trend Report contains aggregate data from DoubleClick's DART for Advertisers and DART for Publishers online advertising serving technology. The data is based on more than 750 billion ads from thousands of clients served since Q1 of 2002. This data is useful as benchmarking statistics for advertisers as it represents one of the largest pools of information from both publishers and advertisers on ads served during a given period.

Rich Media Continues its Ascendancy —and Impacts Conversion

- Rich media increased from 17.3% of all ads served in Q1 of 2002 to nearly 28% (27.8%) in Q1 of 2003. On average, it continues to increase by 10% per quarter. At this rate, rich media, which includes pop-ups, dynamic ads that move across online pages and any ad that includes Macromedia Flash creative, should account for nearly 40% of all ads served by the end of the year.

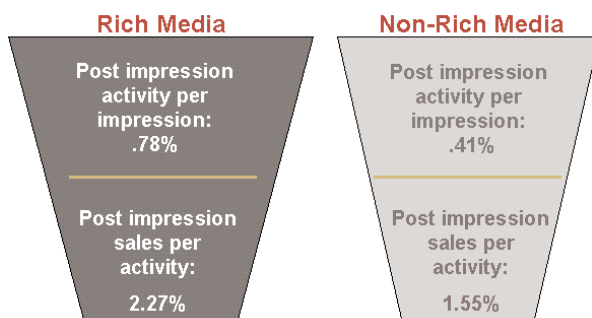
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- Rich media, often used for branding objectives by entertainment, automotive and packaged goods advertisers improves conversion rates. As compared to non-rich media, it generates higher rates of post-impression activity per impression (.78% vs. .41% for non-rich media) and post-impression sales per those activities of 2.27% vs. 1.55%: consumers are more likely to take some kind of action after viewing but not clicking on a rich media unit and those activities are more likely to result in some kind of a sale. (See note 3).
- For advertisers using direct response metrics (click-throughs), rich media click-through rates have declined slightly (-12%) from Q4 2002 (2.15% from 2.44%). This could be due to advertisers using rich media creative for branding (and thus not eliciting clicks from the consumer) or some of the novelty of rich media formats wearing off.

Projectable Response and Increasing Post-Impression Impact

- Click-through rates for all ads (rich media and non-rich media) have remained stable since the beginning of 2002: currently at .70% on average. While these rates fluctuated widely in the early days of online advertising, just like in other media, they are now predictable.
- When the subset of ads served and tracked purely by advertisers (some ads are served by publishers for advertisers) interesting patterns emerge: click-through rates have remained constant, while view-through rates have continued to rise until they are nearly equal to click-through rates (.61% vs. .62%). View-throughs assess some action observed within 30 days of a consumer viewing an ad (post the impression). These metrics are part of the larger picture of the impact of online advertising: click-throughs assess immediate response, while view-throughs reflect the potential latent impact of that online ad.

Rich Media impacts advertiser conversion



Rich media generates a higher rate of post-impression activity and higher rates of sales per activity than non-rich media

Source: DART for Advertisers Ad Serving Data Q1 2003

Prime Time is Worktime

- As Nielsen and ComScore consumer usage data has also shown, the online medium does have distinct dayparts, just like television. For online, primetime is worktime with impression volume peaking from noon to midafternoon and then gradually declining throughout the

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workday to a low point at midnight (see note 6).

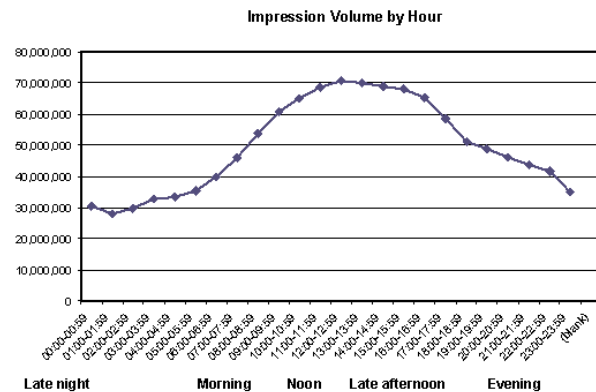
- Click-rate volume also peaks during this time.
- While dayparting (or planning advertising using specific times of day to reach specific audiences) has been much discussed as a potentially effective technique for online advertising, in reality it is little used: less than 3% of all ads served by DoubleClick use this targeting parameter.
- Publishers have taken better advantage of content targeting: its use has grown from 42% of all ads served by publishers last quarter, to nearly 50% in Q1. By tagging specific content areas of their site (and using this to provide an implied audience to advertisers or relevant contextual placements), publishers have been able to increase the value of their inventory and the effectiveness of it for advertisers.

Increasing Standardization of Sizes

One of the longstanding conflicts of online advertising has been innovation vs. standardization. In comparison to television, which has three basic ad units (the :60 spot, the :30 and the :15), online has a nearly infinite creative palette. This has made the medium particularly costly and complex for advertisers. But as the industry matures, some patterns of standardization are emerging.

- For the first quarter since DoubleClick began releasing these

Dayparting Online



Source: DART for Advertisers Ad Serving Data Q1 2003

Primetime is late afternoon: Impressions peak during the workday and gradually decline until midnight.

statistics, the number of ad sizes used declined from 11,500 to 10,529, an 8% decline from Q4 2002. In addition to the fact that on average 70% of all sizes are now Internet Advertising Bureau standard, this is a positive sign for the industry: agencies now must alter creative to fit the myriad of options provided by publishers.

- Skyscrapers—of which the IAB sanctioned two sizes in 2001—now account for 7.2% of total volume, up 67% from Q1.
- The standard banner (468 x 60 pixels) is still nearly half of all ads served (46.7%), while the 120 x 600 skyscraper is the next most popular size, accounting for 6.9% of all ads served. New larger sizes make the “top 10 sizes used” list each quarter: in Q1, the “leaderboard”, a very

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wide unit (728 x 90) made its debut, at 1% of all ads served.

- Skyscrapers and rectangles are the fastest growing units in the system: skyscrapers (120 x 600 and 160 x 600 pixels) have nearly doubled since Q1 '02 (+195%), now accounting for 8.4% of all ads served. Large rectangles (336 x 280 and 300 x 250 pixels) have more than doubled (+214%). They now account for 2.2% of all ads served.
- Is bigger better for advertisers? For those that measure effectiveness in clicks, the 250 x 250 square—which is often used for pop-ups—has the highest average click through rates (1.45%). Skyscrapers, which are often used for branding, have lower click rates at .60% for the 120 x 600 and .32% for the 160 x 600.

Conclusions

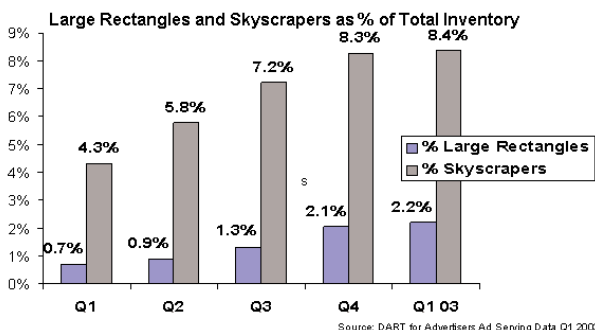
DoubleClick's Q1 2003 ad serving data points to the continued effectiveness of the medium and sophistication in use of it. Rich media has not only been proven to be better for branding, but it can also positively impact conversion rates. Advertisers need to set up their campaigns properly to make sure they are capturing the full picture of response to their campaigns, including view-through metrics.

Online has become more like other ad media with increasingly standardized units and targeting techniques adopted from both print and television (contextual targeting and dayparting, respectively). The usage of larger, more dynamic formats has increased, while as predicted last quarter, rich media usage has settled into a pattern of 10% growth per quarter. Larger, more dynamic advertising has helped to stabilize the click-through, while the view-through, which gives a picture of the post-impression impact of an ad (action taken on recall) continues to rise.

A note on data included:

1. Certain data, such as view-through rates, is available only from ads served by advertisers, and does not represent the entire pool of data, as it is collected only from advertisers who choose to use specific tracking tools (DoubleClick's Spotlight Tags).
2. View-through rates assess users who have taken action within 30 days (on average) of having viewed, but not clicked on, a banner. This metric can be used to assess post-impression response and optimize based on a more complete picture of conversions rather than just clicks.

Usage of Skyscrapers and Large Rectangles continues to grow



Skyscraper volume nearly doubled over the past year (+195%), while large rectangles more than doubled (+214%).

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View-throughs are an observation of consumer behavior—it cannot be determined precisely what portion of these metrics are related to the online impression and what are related to offline marketing. DoubleClick is undertaking research on a campaign basis that attempts to develop guidelines for this issue: for more information, contact Kathryn Koegel, kkoegel@doubleclick.net.

3. Post-impression activity is any activity taken by a consumer subsequent to their viewing an online ad, but not clicking on it. These activities could include visiting an advertiser's web site, downloading a document or filling in a form to receive more information. Post-impression activity rates are derived from the total of post-impression activities divided by the total of DART for Advertiser impressions. Post-activity sales rates are the number of sales occurring divided by the number of post-impression activities. The total universe for this metric is derived from impressions served by advertisers who are tracking impressions to sales.
4. Click-through rates comprise overall impressions from DART for Advertisers and DART for Publishers/overall clicks. Click-throughs are only one measure of response, and not all campaigns are designed to solicit a direct response.
5. Rich media click-throughs are derived from overall rich media impressions/rich media clicks. Not all rich media campaigns are designed to solicit a click, and not all clicks in rich media are trackable.
6. All dayparting data is calibrated at Eastern Standard Time and reflects that the bulk of DoubleClick impressions are served in North America.

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