

# EXHIBIT 3

# Advertising Effectiveness:

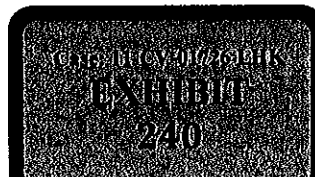
## Understanding the Value of a Social Media Impression

APRIL 2010



### INSIDE:

- How social networking and consumer engagement have changed how brand marketing works
- An approach for understanding the value of earned and paid impressions in a social context
- How creating a Facebook fan base can drive social advocacy within paid media, thus increasing its effectiveness
- Data and insights that directly measure the effectiveness and reach of paid media, paid media with social advocacy, and earned media



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## ABOUT THIS REPORT

- With the advent of social media, consumer conversations about and with a brand have become more measurable. Marketers are seeking to better understand this new form of engagement with their brand
- This engagement—also known as "earned media"—can be measured with the same metrics as traditional paid media: lifts in brand awareness, message awareness, and purchase intent
- New analysis from Nielsen and Facebook that directly measures the effectiveness and reach of paid versus earned media shows that the two are linked and complementary
- In a social media context, earned media is highly effective, but often has limited reach and can be highly variable between campaigns
- "Social ads" that contain social advocacy are a lightweight form of endorsement on ads, and can drive increased brand lift while delivering reach on a similar scale as paid campaigns
- These insights provide an understanding of the various components of value of a social media campaign (paid impressions, paid with social advocacy, and earned media)

The data and insights in this report are compiled from a range of Nielsen and Facebook resources. Please source all data in this report accordingly.

For more information about Nielsen, visit [www.nielsen.com](http://www.nielsen.com), or Facebook, visit [www.facebook.com](http://www.facebook.com).



# EXECUTIVE SUMMARY

## The Importance of Valuing Earned vs Paid Media

The emergence of social media has supercharged an age-old consumer activity: chatting about favorite things like books, cars, cell phones, and babies. This established consumer behavior, now enabled by new platforms, is driving a potentially fundamental change in the way brand marketing works. Marketers are moving from a broadcast-based marketing relationship with consumers to a relationship that more explicitly considers how traditional paid media drives "earned media"—where consumers directly engage with the marketing messages and pass them along to their friends. The Web-based aspect of this engagement has also made it much more measurable, which has inspired new ideas and research on the relationship between "paid" and "earned" media and their respective impact on brand perceptions.

Nielsen and Facebook have heard from countless brand marketer clients that they need guidance on how to quantify the value of social media advertising relative to their brand goals and how to understand it in terms that align with their overarching brand metrics. Because Nielsen is committed to providing clients with the most complete view of what consumers "watch" across all platforms, including how they engage with social media, we have made a major investment in helping advertisers understand how to achieve their brand goals in a social context.

We have now conducted six months of research consisting of surveys of over 800,000 Facebook users and more than 125 individual Facebook advertising campaigns from 70 brand

advertisers. As a result of this research, Nielsen and Facebook have uncovered new findings that hold important implications for advertisers.

### Valuing "Earned" vs. "Paid" Media

There are several different frameworks for thinking about the value of "paid" versus "earned media," and in particular we often hear the question "what is the value of a Facebook fan?" We believe the right way to approach these questions is simple. For each of the types of impressions enabled by social media, including paid media or earned media enabled by a Facebook fan base, we ask, "how many people do those impressions reach?" and "how effective are they in changing attitudes and behaviors?"

This report takes a deep-dive into a body of research that quantifies the extent to which three kinds of impressions drive reach and brand impact: standard paid impressions, paid impressions that contain social information, and "earned" impressions that happen as a result of a Facebook user engaging with an ad. Most "earned" impressions have the highest level of impact out of the formats tested, but because this subset of consumers is small, reach is difficult to achieve solely with these impressions. Thus, the key to success for marketers is creating a mix of social impressions that incorporate both paid and earned media. How to do that with your brand? Read on.

# METHODOLOGY REVIEW: NIelsen BRANDLIFT AND FACEBOOK

The Nielsen BrandLift product measures advertising effectiveness using lightweight polls and a true test/control paradigm, allowing advertisers to receive data about the effectiveness of their ad quickly and efficiently. (Note: Nielsen reports data only in aggregate to clients and receives no personally identifiable information from Facebook) Studies are also compared against a normative Nielsen database to determine overall effectiveness and awareness results. With this product, Nielsen is developing a large body of research that shows how Internet display campaigns drive brand lift, as well as online and offline sales.

## How Nielsen BrandLift Works

Nielsen BrandLift measures the impact of an advertising campaign on the attitudes of consumers following ad exposure.

Nielsen BrandLift polls are simple, one or two question surveys that are an integrated part of the Facebook experience. Facebook's scale and the willingness of its members to participate in these polls drives high response rates and a high volume of response data.

A Facebook ad campaign is served to 99% of the users who fit the defined targeting parameters, while 1% of that audience is randomly assigned to serve as a control group. Only users who were within the target segment and would have been shown an ad during the course of the campaign (but were prevented from seeing that ad) are assigned to the control group. Twenty-four hours following ad exposure, a sample of both exposed and control users are served Nielsen BrandLift polls, and the impact of the ad campaign is measured.

In this analysis, we examined three metrics important to brand advertisers: Ad Recall, Awareness, and Purchase Intent.

## Types of media on Facebook

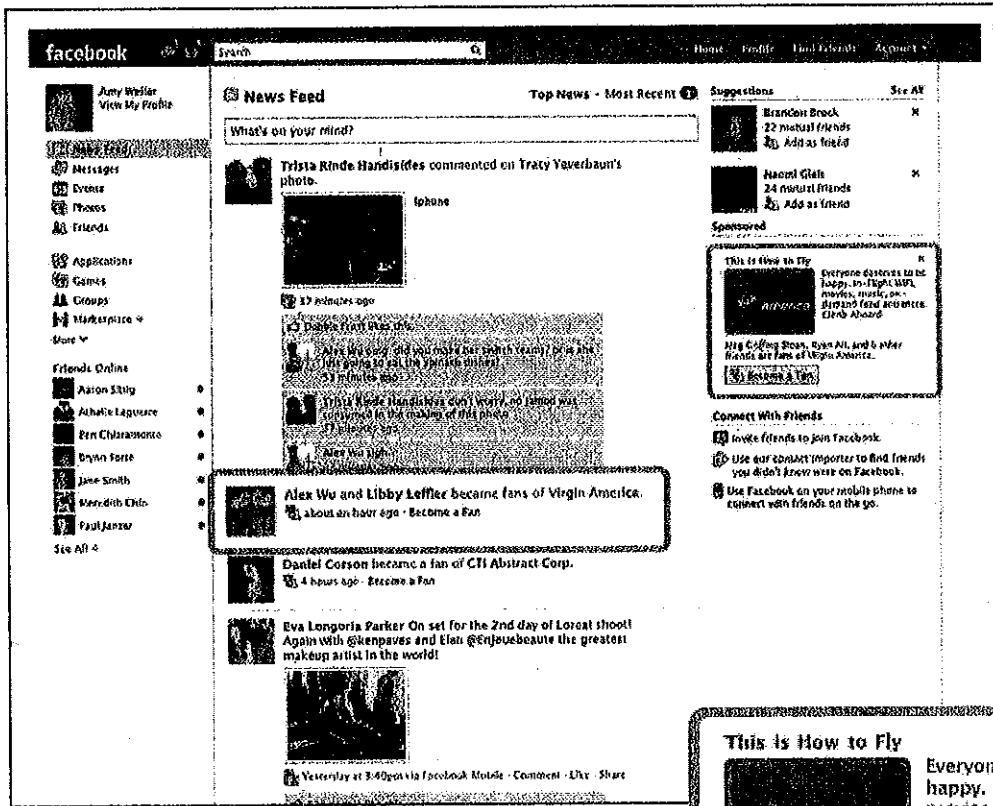
In this paper, Nielsen examines three types of media on Facebook and uses the BrandLift methodology to evaluate their impact. (Exhibit 1)

- Homepage ads are above-the-fold homepage ads that contain ad creative (image + text) as well as an option for users to engage with the brand (e.g., "Become a Fan")
- Homepage ads with social context (e.g. social impressions), which include the names of a user's friends, if any, who are already fans of the brand
- Organic impressions, which are social stories that appear on the homepage of friends of users who have engaged with a brand or become a Fan of that brand


	Paid Media*	Earned Media*
Homepage Ad	●	○
Social Impression	●	●
Organic Impression	○	●

\*As defined in sidebar, page 6

Exhibit 1: Nielsen BrandLift on Facebook (Three Types of Facebook Ad Executions)



**This is How to Fly** X



Everyone deserves to be happy. In-Flight WiFi, movies, music, on-demand food and more. Climb Aboard.

51,930 people are fans of Virgin America.

[Become a Fan](#)

1. Homepage Ad

**This is How to Fly** X



Everyone deserves to be happy. In-Flight WiFi, movies, music, on-demand food and more. Climb Aboard.

Meg Griffing Sloan, Ryan Ali, and 6 other friends are fans of Virgin America.

[Become a Fan](#)

2. Homepage Ad with Social Context

**Alex Wu and Libby Lefler became fans of Virgin America.**

about an hour ago · [Become a Fan](#)

3. Organic Impression



## What is "Earned" Media?

The concept of earned media is not a new one; it's been part of public relations for years. Historically, we looked at the number of times a brand or press release was mentioned on the nightly news, the front page of a newspaper or even in a movie or TV program. The key is that the brand did not pay for the placement and that the brand message was interesting, entertaining, or newsworthy enough that the media outlet used it as part of its product voluntarily.

Now that the era of social media is upon us, we've extended the concept of earned media beyond the traditional PR sense. Today a media outlet broadcasting a brand is not the only form of "earned" distribution. The consumer is now invited to broadcast, and hopefully endorse, the brand to their online friends. As a result, brands are turning to the tools and advertising opportunities provided by social media outlets, such as the organic impressions used by Facebook.

To meet these needs, many publishers are creating ad formats that are a hybrid of earned and paid media. In these cases (such as the Social Impression discussed in this paper) a consumer's endorsement is carried with the traditional ad unit, allowing the reach that can be gained through paid media impressions to be combined with the impact associated with an earned endorsement.

These new opportunities have some advantages that differentiate themselves from traditional earned media. They are designed to have a controlled message passed along. If a news outlet talks about a consumer brand, the brand relies on the guy watching TV at home to pass along the message through word of mouth. Unfortunately, like a game of "Telephone" this message can be degraded. However, using earned media tools, this message can be controlled more directly by the brand. Additionally, the brand can "sense and respond" to earned media – creating a customer service feedback loop, where the brand can interact directly with consumers. Finally, the endorsement of a professional reviewer is always good, but study after study has shown that consumers trust their friends and peers more than anyone else when it comes to making a purchase decision.

New forms of earned media do not replace the older ones. A mention from a far-reaching news organization still packs an impressive punch. Brands need to start broadening their view from traditional outlets and take advantage of the new opportunities made available through the growing variety of social media outlets.

# CASE STUDY

For the purposes of this case study, we examined the impact of Facebook advertising on 14 campaigns using the Nielsen BrandLift methodology. Campaigns selected were representative of more successful campaigns that included the "Become a Fan" engagement unit, and included advertisers from a range of categories, including CPG, entertainment, and retail. Results were aggregated across the fourteen campaigns in order to provide more generalized findings and to ensure the confidentiality of advertiser-specific results.

Facebook ads from these campaigns are "cutting through" and being remembered quite well by users. Exposed audiences are registering nearly triple the lift of the ad recall of control groups (a delta between control and exposed of 10% on average). This is despite the strict Nielsen methodology, which enforces a 24-hour delay between ad exposure and measurement (to ensure the recall is genuine and not prompted by an ad still on the screen).

These campaigns were also successful at changing exposed audiences' attitudes about these brands and products. At the top of the marketing funnel, awareness increased on average by 4% between exposed and control audiences. Purchase intent also increased on average by 2% following ad exposure on Facebook. **(Exhibit 2)**

## Encouraging Brand Advocates

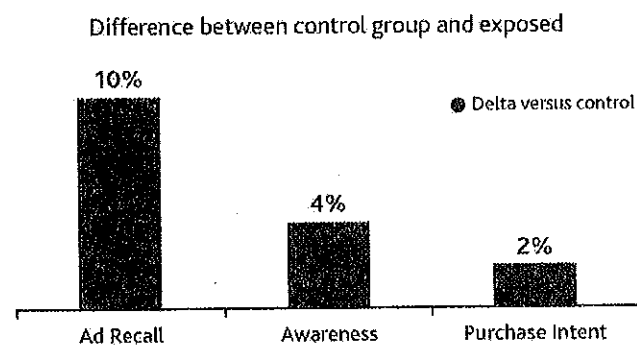
Almost universally, advertisers seek to create and encourage brand advocates—those consumers who become champions for their brands and influence the perceptions and purchasing behaviors of other consumers.

One common and lightweight form of advocacy on Facebook is through what are known as social ads. For example, if a user's friends are fans of a brand on Facebook, the ad unit itself will contain the names of those friends when it is served to the user. But does this lightweight form of endorsement actually impact the effectiveness of the advertising?

Using BrandLift, we compared the responses of those users who had seen ads with social context against users who saw ads with no social context from the same campaign. A user would be eligible to see social context if one of their friends had previously "Become a Fan" of the brand running the advertisement.

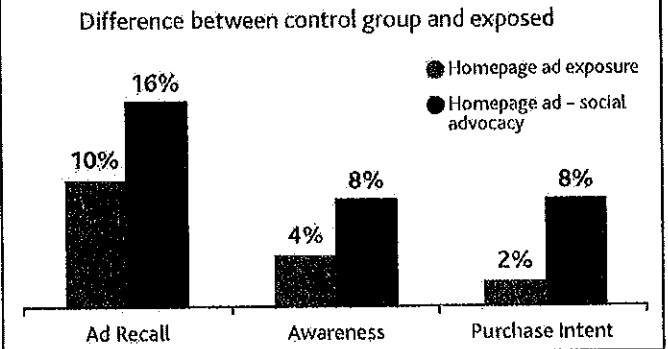
Social advocacy on ad units appears to strongly impact all three metrics. Ad recall is substantially higher at a delta of 16% (versus 10% for non-social ads) and social coverage doubles the delta versus control for awareness. Interestingly, purchase intent increases from a delta of 2% to nearly 8%. **(Exhibit 3)**

**Exhibit 2: Impact of Ad Exposure on Facebook**



Source: Nielsen BrandLift

**Exhibit 3: Homepage Ads with Social Advocacy Can Improve Campaign Effectiveness**



Source: Nielsen BrandLift



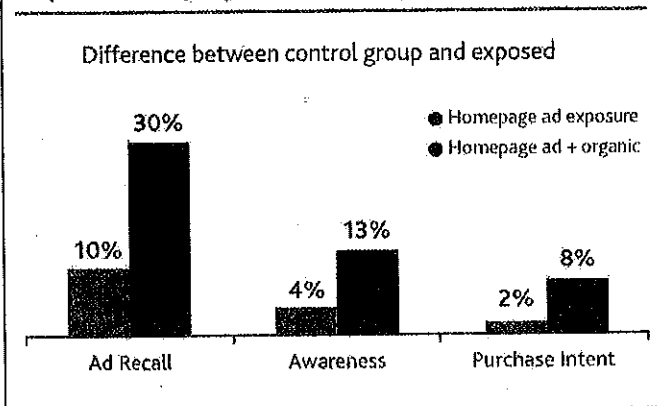


### Organic Exposure

Many of our clients are attracted to social media as an advertising platform because of the ability to use an ad campaign to "seed" the creation of "earned" or "viral" media, meaning derivative branded content created or passed along by those exposed to the ad campaign. On the Facebook platform, one such form of earned media is the newsfeed stories that are sent out to friends of users who engage with advertising on Facebook, which we have termed "organic" impressions.

Using a similar methodology to the way we measure the impact of paid media, we can determine the impact of these organic impressions. While exposure to the homepage ad itself increased ad recall by 10%, those users exposed to both the "paid ad" and the organic impression remembered the ad at three times the rate of those just exposed to the paid homepage ad. We see a similar effect for the other two metrics evaluated. Homepage ads increased awareness of the product or brand by 4% on average, but exposure to both homepage ads and organic ads increased awareness by a delta of 13% versus the control group. Exposure to organic impressions also impacted purchase intent as well, increasing the impact of the ad from 2% to 8%. (Exhibit 4)

**Exhibit 4: Homepage Ads with Organic Exposure Improve Campaign Effectiveness**



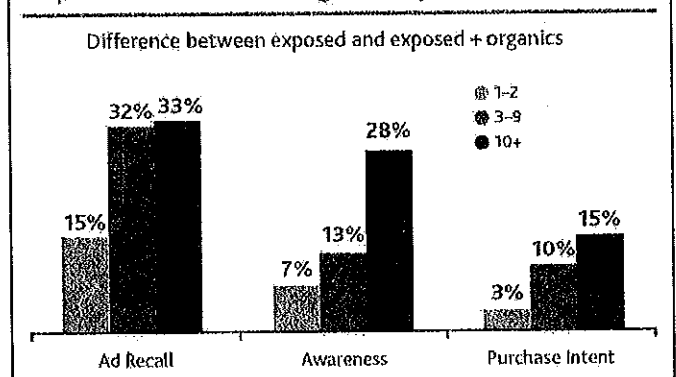
Source: Nielsen BrandLift

### How Organic Frequency Drives Impact

Taking the look at organic impressions one step further, recall, awareness and purchase intent were still rising after 10 or more exposures to the message. These results stand in strong contrast to the scant four impressions that usually influence growth in these dimensions for standard display campaigns.

What's more, the jump in awareness between the consumers who were exposed to between three and nine organic messages and those were exposed to 10 or more was a considerable 15 points. This underscores the strong ability of organic impressions to impact users, as well as consumers' willingness to continue to absorb the messages over longer periods of time and through many exposures than in other, more traditional forms of advertising. (Exhibit 5)

**Exhibit 5: Higher Organic Frequency Drives Impact: Incremental Organic Exposure**



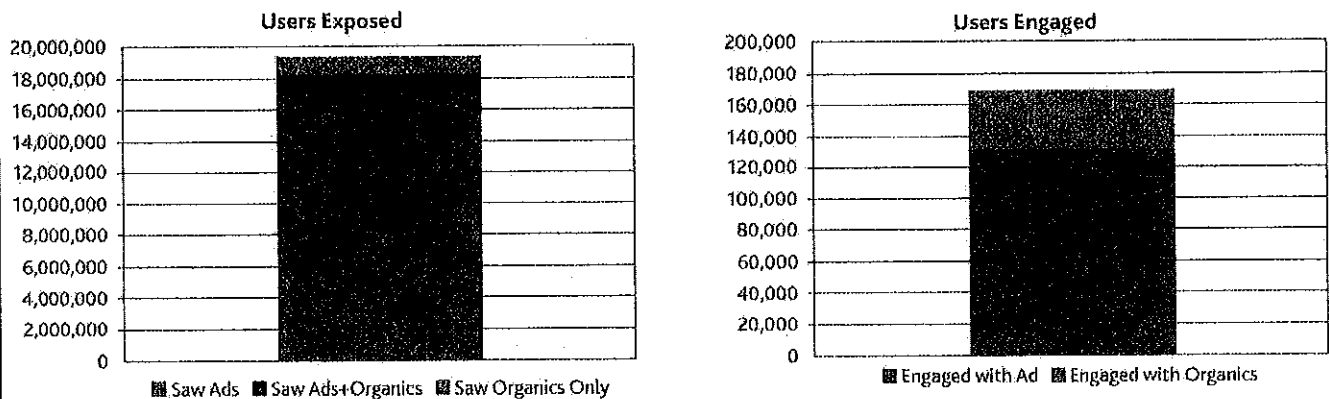
Source: Nielsen BrandLift

### "Earned Media" Engagement and Reach

To maximize the reach of earned media, advertisers must start with interesting and engaging paid homepage impressions. Because the organic impressions are generated through interactions with the ad unit (which are then posted as stories in friends' feeds), there is a strong relationship between the engagement rate of an ad campaign and the number of organic impressions (.72). (Exhibit 6)

It's one thing to be highly effective, as organic ads clearly are. But the problem is that organic impressions are tough to scale, and marketers need to reach a lot of people – a characteristic of paid advertising campaigns ads, not organic ads. The number of organic impressions generated by a campaign can vary widely, but by its very nature as a relationship that must be initiated by the consumer, it's a relatively small percentage of a campaign's total reach.

Exhibit 6: Organic Reach and Engagement



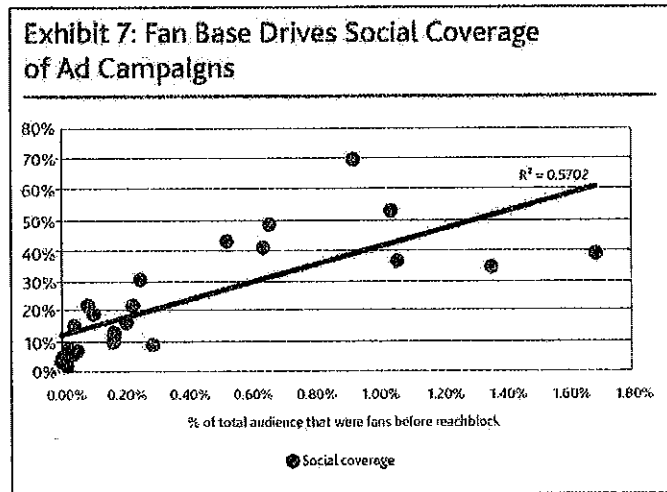
- The amount of organic impressions generated by a campaign can vary widely, but is typically a fairly small percentage of the reach of a given ad campaign
- Organics are a strong driver of engagement; however, we see on average a 24% increase in the number of users engaging with the ad campaign due to the organics

Source: Facebook Internal Analysis



### Fans as Social Advocates

In contrast, social impressions display the reach characteristics more in line with paid impressions than organics. We've observed campaigns for well-connected brands that include social impressions for upwards of 40% of their audience. Social impressions, which carry an added layer of influence by naming which of the user's friends also have a relationship with the brand, are strongly related to the size of the brand's fan base before the start of their ad campaign. (Exhibit 7)

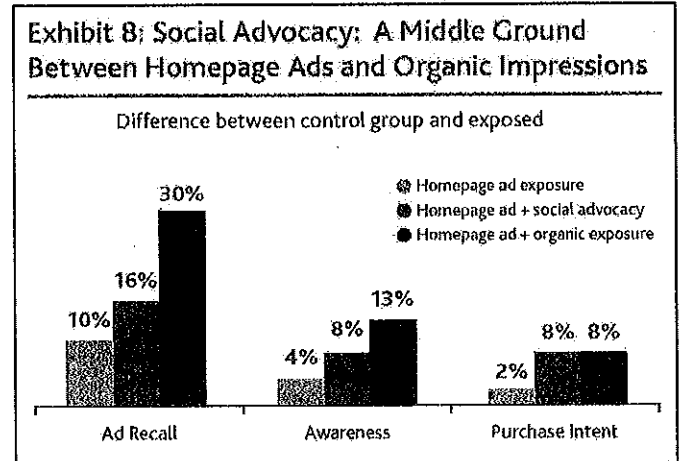


Source: Facebook Internal Analysis

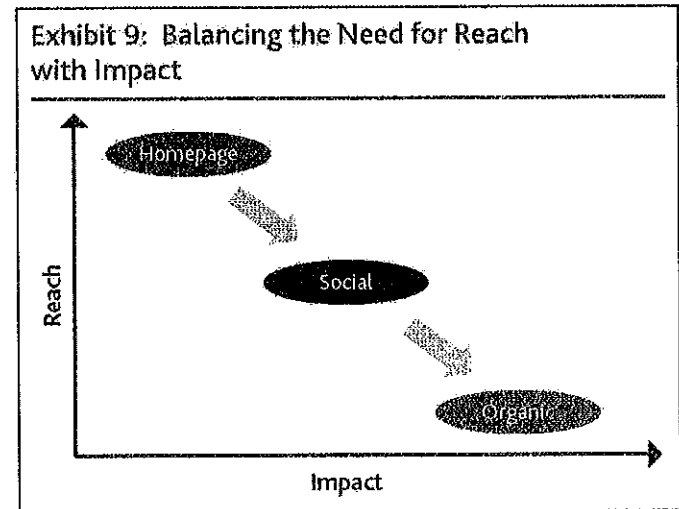
Those social ads are the middle ground between the reach of the generally directed profile homepage ads and the impact of the highly effective organic messages, and achieving buy-in from consumers at that level is a worthy goal. And while you can buy a homepage ad, you can't buy the influence that's inherent when a consumer sees a list of their own friends featured on a social ad.

The key take-away is the high and long-lasting impact of "earned media" messages in the social arena. But advertisers can't buy earned media; it has to be earned through user engagement and connections between users and brands. Paid impressions on consumers' homepages are a key opening to the more impactful social and organic impressions, but driving these more valuable impressions requires advertising that sparks engagement and connections between brands and users.

Rather than viewing social media as a platform only for "earned" media, there is significant benefit to both "seeding" social networks with paid ads, as well as maximizing lightweight forms of social advocacy such as social impressions that demonstrate significant reach. (Exhibit 8) The "right" social media campaign is a balance of reach and frequency across homepage, social, and organic impressions. (Exhibit 9)



Source: Nielsen BrandLift



Source: The Nielsen Company



## CONCLUSION

As you've no doubt already concluded in your own media strategy sessions, buying social media is different than buying standard online media. It's critical that we understand advertising not just in terms of paid media, but also in terms of how earned media and social advocacy contribute to campaigns.

Social advocacy and earned impressions can impact consumers in three important ways: by making them more likely to notice an ad (ad recall), to take away its message (awareness), and to increase their interest in making a purchase (purchase intent). The next step is to expand this understanding to offline sales and long-term brand value.

### About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and business publications. The privately held company is active in approximately 100 countries, with headquarters in New York, USA.

The Nielsen Company's online and mobile solutions deliver comprehensive, independent measurement and analysis of digital audiences, advertising, video, consumer-generated media, word of mouth, commerce and consumer behavior. Nielsen enables clients to make informed business decisions about their digital and mobile strategies.

Visit Nielsen at: [www.nielsen.com](http://www.nielsen.com)

For more online data and analysis, visit:  
<http://blog.nielsen.com/nielsenwire/>

### About Facebook

Founded in February 2004, Facebook's mission is to give people the power to share and make the world more open and connected. Anyone can sign up for Facebook and interact with the people they know in a trusted environment. Facebook is a privately held company and is headquartered in Palo Alto, Calif.

For more information, visit [www.facebook.com](http://www.facebook.com)



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