STUDY FINDS BEHAVIORALLY-TARGETED ADS MORE THAN TWICE AS VALUABLE, TWICE AS EFFECTIVE AS NON-TARGETED ONLINE ADS

Nine of Top 15 Ad Networks Participate in Study by Former FTC Consumer Protection Chief Howard Beales; Study Finds Behaviorally Targeted Ads Are A Significant Revenue Source for Web Content and Services Providers

Washington DC – March 24, 2010 -- The Network Advertising Initiative (NAI) today released the results of a first-of-its-kind study measuring the pricing and effectiveness of behaviorally-targeted (BT) advertising online. Based on proprietary data provided by twelve major advertising networks, the study found that in 2009, behaviorally-targeted advertising secured an average of 2.68 times as much revenue per ad as non-targeted “run of network” advertising.

The study also found that behaviorally-targeted advertising is more than twice as effective at converting users who click on the ads into buyers (6.8% conversion vs. 2.8% for run-of-network ads), and that behavioral advertising accounted for approximately 18% of advertising revenue. The study was commissioned by the NAI and conducted by economist Howard Beales, the former Director of the Bureau of Consumer Protection at the U.S. Federal Trade Commission.

“Over the past several months, policy discussion around behaviorally-targeted advertising has lacked a critical foundation, because there had never been an empirical assessment of the value of such advertising to ad networks, consumers, and publishers,” said Beales. “This study found that behaviorally-targeted advertising is a critical component of ad network, publisher, and advertiser success. Behaviorally targeted ads sell for twice the price and offer twice the effectiveness of normal run-of-network ads, significantly enhancing the advertising revenue engine driving the growth of the Internet.”

“This study demonstrates the increasing significance of behavioral advertising to the economic model supporting free online content and services for consumers, as well as the need for careful consideration of policies that would affect the current online advertising marketplace and the innovation it supports” said Charles Curran, Executive Director of the NAI. “Our members recognize the importance of responsible practices for online behavioral advertising, and we are pleased that more than 40 companies, including all ten of the largest ad networks, have adopted the NAI’s self-regulatory Code. We will continue to work closely with policymakers in Congress and the administration to give consumers better information, tools and choices, while making online advertising even more relevant to their needs.”
Key findings of the study include the following:

- The average relative cost of behaviorally-targeted ads in 2009 was 2.68 greater than that of standard run-of-network advertising. The weighted average cost per thousand ad impressions (CPM) for behaviorally-targeted ads was $4.12, as opposed to $1.98 for run-of-network advertising.

- Behaviorally-targeted ads accounted for 17.9% of respondents’ advertising revenue, with revenue increasing from 16.2% in Q1 to 19.4% in Q4 2009.

- More than half of the respondents’ advertising revenue – 54.6% - went towards the purchase of inventory and was therefore shared with publishers and content producers to support their businesses.

- Data from a smaller subset of the survey respondents suggested that users who clicked on a behaviorally-targeted ad were more than twice as likely to complete a transaction or sale with that site than those who clicked a standard run-of-service ad (6.8% vs. 2.8%).

- Total online ad revenue for the twelve companies who participated in the study was $3.323 billion in 2009.

The study was conducted from January to March 2010 with the participation of twelve online advertising networks and marketing analytics companies that belong to the NAI. Nine of those networks were among the top 15 in unique visitors as ranked by comScore in December 2009. Study participants provided proprietary data on the revenue, composition and effectiveness of different types of online advertising on their networks. Results were weighted by BT revenue to address the range in sizes of the participants.

The report is available at the NAI website: [http://www.networkadvertising.org/pdfs/Beales_NAI_Study.pdf](http://www.networkadvertising.org/pdfs/Beales_NAI_Study.pdf).

**About Howard Beales**

Howard Beales, author of the study, teaches in the School of Business at the George Washington University, where he has been since 1988. From 2001 through 2004, Dr. Beales served as the Director of the Bureau of Consumer Protection at the Federal Trade Commission. In that capacity, he was instrumental in redirecting the FTC’s privacy agenda to focus on the consequences of the use and misuse of consumer information. During his tenure, the Commission proposed, promulgated, and implemented the national Do Not Call Registry. He also worked with Congress and the Administration to develop and implement the Fair and Accurate Credit Transactions Act of 2003, and testified before Congress on numerous occasions.
About the NAI:

The NAI (Network Advertising Initiative) is a coalition of more than 40 leading online marketing companies committed to building consumer awareness and reinforcing responsible business and data management practices and standards, and which includes all ten of the largest online advertising networks in the United States. Its initiatives are piloted by a cooperative of the most significant online advertising companies including Akamai, AOL Advertising, Microsoft, Google, Yahoo!, AlmondNet, AudienceScience, BlueKai, Media6degrees, SpecificMEDIA and 24/7 Real Media. As increasingly sophisticated online advertising technologies evolve, the NAI works to enhance consumer confidence through effective self-regulatory practices and user choice. To learn more, visit www.networkadvertising.org.

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