Roadmap for Return Path Data:

Re-Contact Study 2012

An Update on the RPD Landscape 2010 to 2012

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The State-of-the-Art of RPD – An Update

Background

In 2010, CIMM commissioned a study on the state of return path data (RPD) in order to better understand its strengths and limitations as well as potential value and use for media companies. At the time, 85 top media executives from 58 companies were polled on their attitudes regarding RPD. The respondents represented a range of constituents from MVPDs to Data Processors to Software Vendors to end users at Advertising Agencies and Networks as well as other interested parties such as media industry Organizations.

As a result of the feedback from the 2010 whitepaper, CIMM recognized the following potential uses for return path data in their suggested order of roll-out:

1. As a method of measurement of local television.
2. As a granular analytics tool.
3. As a ROI analytic and advanced advertising tool through database matching.
4. As a potential national measurement currency or secondary currency

The following re-contact study was conducted to ascertain whether progress has been made in any of the above areas. What industry advancements have occurred and where, what is the rate of change, what are the areas of stasis and what are the important next steps in the roll-out process. Is RPD closer to achieving its potential as a media analysis tool? Has there has been any new benefits or unexpected challenges with the data and in what area of the industry do we see the greatest advancements?

To that end, we re-contacted 8 respondents to ascertain how RPD has impacted their part of the business, where they still see challenges and where they see strengths, the uses of the data, future opportunities and growth. This small subset spans all the types of media companies in the RPD space – MVPDs, Data Processors, Organizations, Software Vendors, Networks and Agencies. Their responses have been aggregated and anonymized like the data and the original whitepaper.

One change since the last year is that CIMM is now officially referring to the data as "Return Path Data" instead of "Set Top Box Data". As noted in the original whitepaper, the term "STB data" is a misnomer because clickstream data originates from several sources beyond the box.

Re-Contact Executive Summary

Despite the relatively small sample of re-contacts, general themes emerged. There has indeed been positive movement in the use of return path data, predominantly in the advancement of addressable advertising and also in local measurement, where some end users refer to it as a form of currency. There has been much more acceptance over the past year for the use of the data in various forms – both within companies and externally in the industry - although it should be noted that the recalcitrant companies of last year are still cautious and continue to be slower adopters and restrained advocates this year.

Those who were very positive about the data last year are even more positive now. These tend to be companies who enthusiastically embarked on RPD usage and applications early on. Those "middle" to "late" adopters who found challenges to the data and who were therefore cautious last year, continue to feel frustrated (partly because of diminished expectations, they say). Yet even these respondents stated that they are working with the data more frequently and as part of their business model. Notably a range of end user companies said that the "promise" of RPD continues to out shine the "reality" of the data today. This can be attributed to inflated expectations of the amount of data that would be available as well as the higher than expected cost of the data rather than the actual usability of the data currently available. There is a continued impatience at the speed of progress.

For those in the processing or vendor sectors, the nature of the data is constantly changing. There is more of it, some vendors say, and more dramatic changes are on the horizon, especially with the prospect of connected TV and its resulting cross platform IP data. For those who are knee-deep in the analytics and data hybridization, this is a goldmine of new data opportunity. For those who are working with RPD at the tail end of the business process – at agencies and networks - the introduction of IP data is discussed as separate from RPD. It is up to the data processors and vendors to educate the end users about the synergistic capabilities of return path data with IP data.

Among those who are looking to form standards around the data, there is a realization that while RPD remains an important component of media research measurement, it is not, unto itself, ready to become a primary currency (which is projected to be 5+ years away) and has, in fact, certain challenges within the data collection pipeline that need to be surmounted in the short term for the use of the data to move forward through the business pipeline.

Current Environment

We are pleased to note that since the whitepaper was first published, CIMM's assessment is tracking on schedule and in the suggested priority. Over the past year and a half, return path data analytics have enjoyed greater attention and adoption across media companies in the following ways:

- ✧ Its use in local measurement has advanced and expanded.
- ✧ Data matching to custom consumer segments is jumpstarting addressable advertising initiatives.
- ✧ More data partnerships are being forged that enhance database matching and "hybridization".
- ✧ New metrics have been created from processors and vendors.
- ✧ Industry committees have been formed to create foundational datasets for standardization purposes and these standards are about to be released publicly.
- ✧ Planning and buying software vendors such as Donovan are ingesting more of this type of data into their systems and thereby offering agencies the ability to compare across different datasets via their legacy platform. (Although some interviewees stated that this capability is not quite there yet.)
- ✧ There is more data matching with third parties, although standardization of techniques is still on the horizon.
- ✧ Some agencies have begun to accept return path data as a secondary measurement for stewardship posting purposes. (http://www.mediapost.com/publications/article/166837/cnbc-inks-deal-based-on-nielsen-rentrak-data.html?edition=42816)

Last Year vs This Year Trend

For those companies and executives immersed in RPD, there has been little surprise in the way the RPD landscape has evolved over the past 18 months. From the MVPD viewpoint, "Nothing changed in a year. Possibility to use data in a new way could emerge but broadly nothing has changed."

From the Agency perspective, there is some disappointment from the middle adopters (those agencies who have more recently begun to use the data): "I was much more hopeful that RPD could provide more answers. RPD has a role and a viability but now I am more aware of its limitations. My hope for a panacea is diminished." But among early adopters (those agencies

that have been using RPD for several years, "It is hugely positive. It is a critical leap forward for the industry to use and explore. In fact there is a greater willingness (within the agency) to explore ways to use it more."

From the perspective of Vendors and Processors, the advancement of RPD and its expanding hybridization capabilities has been a boon to their business. More third party datasets are now being combined with the data to help advertising campaigns in optimization, targeted reach and even touching the hem of ROI. Even those processors deeply entrenched with the current currency are hybridizing the data into their standard measurement systems, particularly on the local level where the need for improvement is the greatest.

Networks, specifically larger ones, continue to be ambivalent about the data. This is because there is not a pressing need to use RPD for audience measurement and the addressable advertising component of the data is still being evaluated on their side of the sales negotiating table. "Our decision to purchase is not for data quality but in the ability to grow our (sales) business." But they also concede that RPD is powerful as an analytics tool for marketing and to ascertain who is actually viewing promos. The challenge is that there are limited funds available to spend on internal marketing research when the mandate is on growing sales.

Uses of the Data

From the agency perspective, RPD has primarily found its niche in two areas – as a targeting tool integrated with third party data and, secondarily, as a form of local measurement currency. But it should be noted that much more effort is being spent on the targeting capability of the data in conjunction with third party datasets than in local measurement.

As a targeting tool, its value is in its granularity and consistency which brings the analysis closer to ascertaining ROI. The data can also be used to ascertain heavy, medium and light users, switchers, segments by usage and niche consumer groups such as Hispanics.

For early adopter Agencies, RPD is on the verge of becoming a form of currency. "Yes, it is becoming a form of currency on the local side. And nationally too, for unmeasured networks. This data may not replace Nielsen but even Nielsen will need to incorporate return path data into their processes. RPD is the currency in the addressable space. It is a tiny percent of the business now but it has potential."

But for some agencies, it is still not completely combined into the sales process because of continued limitations such as data access-ability (it still originates from limited sources), data calibration (which is not standardized) and data cost (perception by the MVPDs vs. the reality

of the marketplace). Yet RPD is becoming part of the advertising campaign as an ancillary insight tool in many cases and "could become a primary currency if the data becomes richer with a larger sample and more data consistency." In fact, even late adopter agencies admit that their use of the data has "expanded significantly (from last year) and will continue to expand."

Networks are using the data sparingly, usually as an additive sales tool. The larger national networks in particular are still focused on Nielsen and are less enthusiastic about incorporating RPD for measurement. Smaller national networks are tentatively exploring the use of RPD primarily for internal decision-making.

Vendors are having a field day with the data, especially as they expand into hybridization with other datasets such as JD Power, MRI and Experian. Interestingly, the ability to combine RPD with third party databases has sparked an "exploding Wild West of data" according to one Vendor. Expectations remain high within this group.

Even those processors who rely heavily on the current currency find great value in the data as a hybrid measurement to minimize panel bias (although they also point out that RPD, too, has its biases) and as a complement to meters. Their use of RPD has increased from a year ago as internal management is becoming more accepting. But there is no urgency on their part to roll return path data into the national data framework at this time. There is no "client mandate" in that area. The urgency is strictly local.

Strengths – New Ones? Old Ones?

RPD strengths remain as steadfast as ever across all company types. There was agreement that the data has become more granular, actionable and timely over time and is a powerful tool to better understand the consumption of video. Yet there is still not enough data available to users, it is sometimes not consistent and is often unwieldy.

Among the MVPDs, the data offers three distinct areas of benefit, although some areas are more important to them than others:
1. For internal use for decision-making and to drive the current business model.
2. As a tool for advertisers especially as ad exposures move towards iPTV
3. And to a lesser extent, for audience measurement. "We feel like we are an arms dealer in that game. We are not competing with Nielsen."

There appears to be general consensus regarding RPD for audience measurement and that is that RPD for national measurement is still far off but its application for local measurement is approaching a currency.

Vendors stated that their marketplace for the data in its various forms has expanded and solidified, especially so in sales applications. "Top advertisers, agencies and networks are now making decisions based on (our) data, dropping and adding networks, programs, dayparts, creative executions, and in other ways changing their actions in the national and spot marketplace."

Networks, some of who remain the most pessimistic about the data, admit that the use of RPD on a local level has been an improvement to local measurement. They also aver that the increasing number of partnerships where more data can be collected and combined is an advancement from a year ago. As one national Network executive said, "I am a little more positive than a year ago, especially using RPD as a planning tool and especially because of data partnerships. But we are not as desperate for a Nielsen substitute. (The data is) promising for planning but as anything to do with currency, it falls far short because of the lack of demo and representativeness."

Agencies who have begun to use the data for addressable advertising campaigns find a myriad of advantages. "It can be used to provide insight into how people use TV or viewing households, guidance on how TV is used in planning and buying. Link to purchase is huge as a database application. Using RPD in that context impacts the decision-making process. (Product) purchasing HH have impacted us in particular. It optimizes decision-making."

Processors have found that RPD is much more accepted now and clients are more interested in seeing what the data can do. "A year ago, there was hesitancy at agencies to accept RPD. Now they are more accepting because even Nielsen is hybridized. In three years, all agencies will work with return path data." Even those Processors with a stake in the current currency speak of the market interest in RPD as reaching a "fevered pitch" for analytical applications

Challenges – New Ones? Old Ones?

The appetite for RPD remains strong and unabated. Because of this pent up demand, many respondents continue to be frustrated at the pace of data roll-out and the deepness of the data available for analysis. Compared to a year ago, challenges have generally remained the same with price of the data mentioned most often as a barrier to greater usage from the end users – agencies and networks. But these end users are also finding that the data, matched to other datasets such as Experian and JD Powers, creates a valuable sales tool that can be monetized.

MVPDs and some Processors spoke of data inconsistency, the continued challenges of fault rates and outages as well as box changes and updates that may create data inconsistencies at the

delivery level. Privacy also continues to challenge MVPDs especially as it impacts internal business and legal policies to access and release the data. As one MVPD stated, "There are no challenges that I didn't already anticipate such as privacy and technology, but I did not see how hard it would be to convince my organization to harvest the data and that is because it is not their business model."

The slow movement of the data roll-out is an industry-wide challenge. This is due to MVPDs' technology and privacy concerns that continue to limit the amount and choice of RPD available in the marketplace. Despite the demand, there are no new MVPD return path datasets offered in the past year. This could potentially impede progress and data quality as more modeling is required from the currently available datasets.

Vendors seemed satisfied that major challenges concerning the data have been overcome this year. In fact, some of the historical objections to the data such as set top box On/TV Set Off turned out to be red herrings. However a new challenge is emerging on a methodological level, as per the opinion of one Vendor; "Conventional fusion works in small panel measurement but not in census measurement."

Companies that are concerned with the creation of standards and edit rules spoke of the difficulty of harnessing the data from the boxes because of data gaps, for example. "The boxes were made for content and not for measurement data. The deeper you get into it, the scarier it becomes." Yet there has also been considerable progress made in this area from a year ago and the appreciation for what the data can offer remains high.

Networks asserted that the RPD challenges stated last year have not yet been overcome this year. There is still a lack of representativeness, demos and edit rules. In addition, suppliers' universe size claims only add to the confusion. "They say they have 15 million homes or 70 million cards but then, with the data match, it is really only 50k. Fifty thousand is bigger than Nielsen but lower than expected. And there still is a big margin of error. Samples are not as robust as suppliers lead you to believe especially when you cross three databases."

In addition, the data is not considered national and is therefore still not representative. "Fundamentally none of the RPD providers can be national. So the data is qualitative in that respect. Hard for some to get their head around the fact that it is quantitative because of the data but fundamentally it is qualitative data – not projectable, not representative." They do not see RPD becoming a national currency any time soon. "Nielsen still works despite all of its problems. It is frayed at the edges with OOH etc. But I don't see RPD replacing it because advertisers won't give up demos. "Some estimate that it will take close to ten more years for an RPD-based national measurement capability.

Some Agencies were "disappointed that we have not been able to build a data infrastructure to aggregate RPD." Also, there is "not as much data as we hoped. And we are frustrated by the various ways the data is delivered." Yet these same agencies stated that there is increasing

interest in the data and a desire to partner with companies to further explore the data's assets. And there has been a "greater realization of the utility of RPD, understanding that utility and where it needs to go."

Other Agencies, especially those who have been early advocates of the data, say that cost is a barrier. "The price of the data holds us back because the proposed cost is high. So the data value cannot be demonstrated because we cannot test the price barrier. The data needs to be affordable." Other issues with this sector include "Access as well as an internal challenge because it is not a currency and there are no demos. Let's just say that it is a 'mindset' challenge to get them to view data in a different way from the currency. There is a fear of change - both internal and external." Also, the data needs to be executable so the integration of RPD into agency buying and planning systems is essential.

MVPDs expressed frustration at the pace of RPD usage and implementation, which is more a case of internal management reluctance than external cautiousness. But the MVPD executive we spoke to recognized that the slower than expected pace is due to a range of root causes and previously recognized challenges:

- The "funkiness" of the boxes which sometimes drop data before the back haul can access.
- The huge amount of data to be downloaded.
- The slowness of their internal management to embrace the value and implementation of a data-based business. Understandably, it continues to not be a main focus.
- The lack of edit rules and standardized processes.
- And there continues to be a great concern about privacy, especially now that the White House is examining a change in American privacy rules to possibly replicate European rules about the requirement of opt-in. (Note: Many MVPDs are taking a pro-active approach to privacy concerns by first vetting policies and procedures with consumer interest groups who are concerned about privacy infringement.)

There was a fear that if resources were committed to RPD, these efforts could soon become obsolete because of the continuously advancing technologies. "I fear that there will be some technology that comes out of left field and we will have nothing to do with it. Tuning on ipads and iphones – is there a data play? Traction? Adoption? We could be cut out of the process."

But the future – particularly with the roll out of iPTV - could also bring new opportunities for MVPDs. "iPTV will make all data look the same because it will be all through the IP, whether tuning to a tv or on a computer or via mobile. Now we are hesitant about combining RPD and the internet traffic but eventually it will be the same data."

What is a challenge to one company is a non-issue to another. While most companies wanted more RPD, one Vendor seemed satisfied with the status quo. "We won't need as much data in the future. Having data for every TV is unnecessary. We have a sophisticated sample so need

less. Right now we are working on better balancing." There are also new data sources entering the marketplace. "We now have a new entry of new category of return path data – device manufacturers which will dramatically change market. LG, Samsung, Visio, Sony, smart connected TV, auto video detection. More comprehensive than MVPD data. And there are new boxes to deliver programming - Xbox, Roku, Blu Ray. This delivery is incremental video to TV and grows industry of total TV usage through companies such as Youtube, DVR, HULU, Netflix."

Conclusion and Next Steps

What does the future hold for return path data? To some, such as Vendors, certain Processors and some early adopter Agencies, the future is already here: RPD is an essential, actionable form of currency whose attributes improve the measurement of the media industry. Its value is greatly enhanced by third party dataset hybridization and its granularity and sample size greatly contributes to local measurement. Even Processors steeped in the current currency, RPD adds value to the current methodology, albeit as an ancillary tool.

To those seeking to standardize the data with the creation of foundational data sets and edit rules, the process that began last year continues apace this year with some marked movements towards a common vernacular. There are still some bumps in the road but gains are still apparent.

To others, such as Networks, MVPDs and late adopting Agencies, RPD offers great possibilities but in some cases the reality is still lagging the promise. The challenges of last year remain this year and some of the perceived strengths have yet to manifest in an actionable form. Some felt strongly that RPD will not become a national currency any time soon. And yet, the specter of IPTV creates a sense of excitement and possibility because it is perceived as a game-changer that will enable a more complete, 360 degree look at how a viewer uses media.

One thing is clear, now that return path data is a presence in the industry, its very existence would be missed even by its detractors. And for those who embrace the data, the future of media measurement has never looked so bright.