Mobile-Local Performance Stats

2012 ⦿ YEAR IN REVIEW

xAd™

Why Location Matters

The rapid adoption of smart mobile devices is accelerating the usage and growth of local search to such a degree that by 2015 it is projected that more local searches will come from mobile phones than PCs. In fact nearly 6 out of 10 smartphone users search on their devices daily with 95% of these users having used their device to access locally relevant information (source: Google-Our Mobile Planet, May 2012)

A user's location is an essential component to the mobile experience as 68% of smartphone activity is conducted out of the home (xAd/Telmetrics Mobile Path to Purchase study, 2012). As a result, these on the go consumers want fast, relevant location details and information matching their needs. Considering only a portion of a mobile user's time is spent actively searching – locally targeted mobile advertising gives marketers a unique opportunity to inform customers of relevant businesses and offers surrounding them, while providing users a new and unique way of discovering and selecting local businesses.

In this report, we'll outline key trends that show the growing importance and focus on locally targeted ads by national advertisers while providing key insights into how consumers are leveraging mobile to find and interact with businesses along their path to purchase.

68% OF SMARTPHONE ACTIVITY IS CONDUCTED OUT OF THE HOME

95% OF MOBILE USERS ACCESS LOCALLY RELEVANT INFO

Defining Location Targeting

In mobile, location can mean many things – it can refer to a geographic boundary or a user's current, past or future locations. As a result, the local target area deemed most appropriate for mobile ad placement can be defined in three ways.
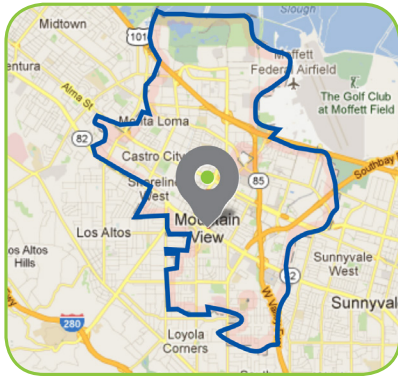
City Targeting

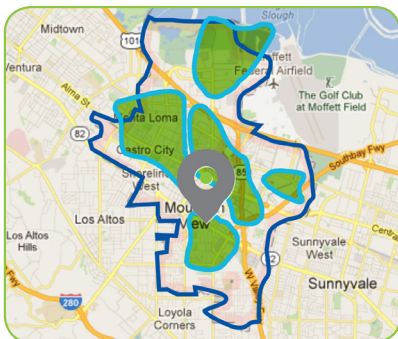### ◀ STANDARD GEO-BOUNDARIES

such as zip codes, cities and DMA's to define an area in which ads can be targeted. This method is common in desktop advertising as it is effective in raising local market awareness, but less effective in driving immediate online or offline actions.
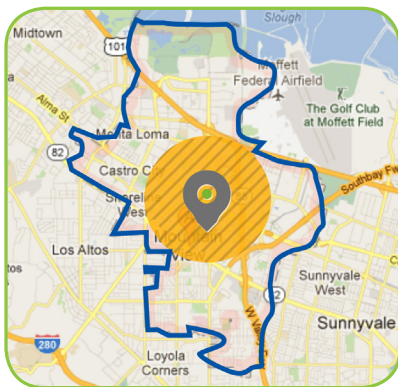
15 mile geo-fence around a target location

◀ GEO FENCES

which are targeting areas determined based on a set proximity or distance away from select places or points of interest. The goal of geo-fencing is to incite response from consumers who are near or around a specific location to try and drive in-store traffic and sales. This method is most effective in driving immediate action in the form of increased local store traffic.

xAd SmartFencing™

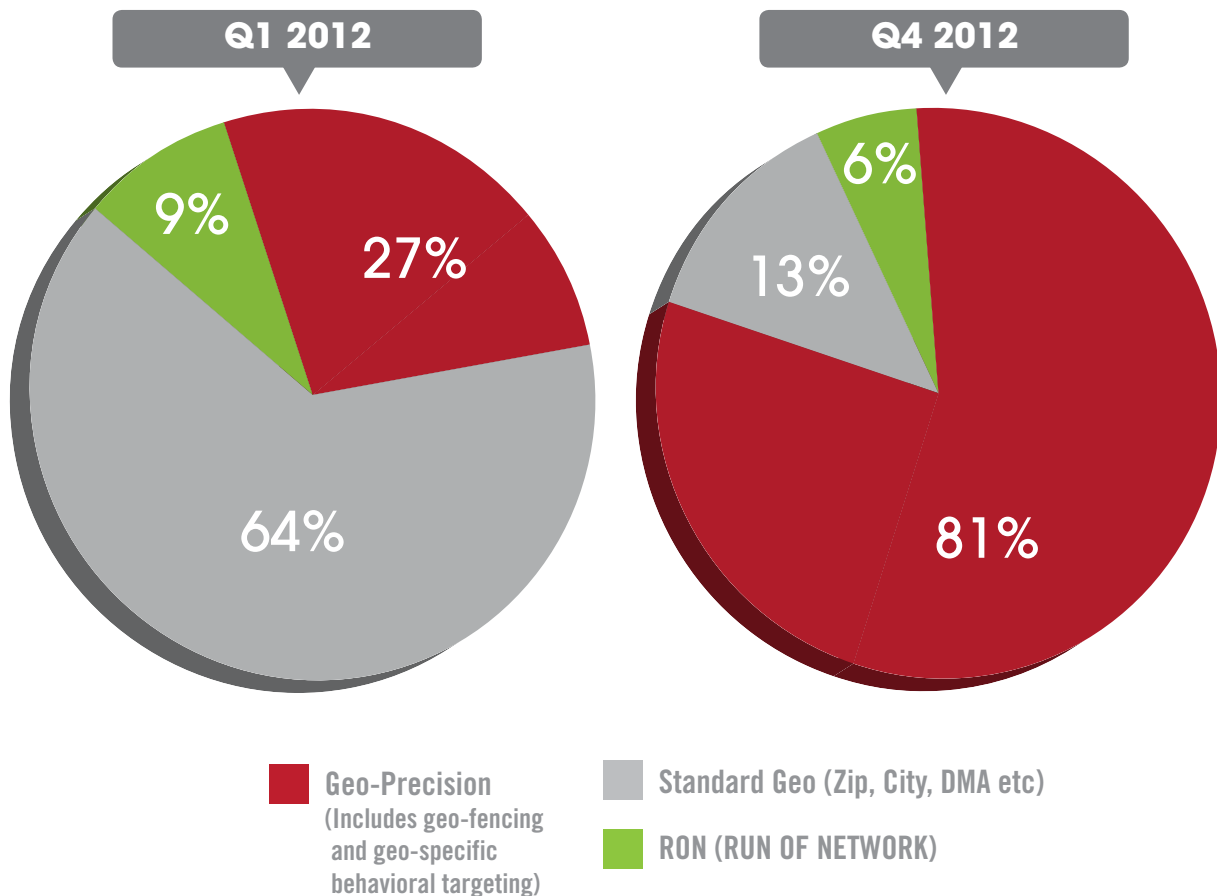Target Mobile Behaviors

◀ GEO-SPECIFIC BEHAVIORAL TARGETS

refers to targeting areas that do not conform to standard geo boundaries or circular fences. Instead targeting is more precise or dynamic as it is driven based on real-time or historical consumer behaviors. Like geo fencing, the goal of this type of targeting is to incite an immediate response from users – however, response may be in the form of both online and offline actions as targeting is based more on inferred intent vs. a geo boundary or postal address.

Marketers are Getting More Sophisticated in Their Targeting

Throughout 2012 we saw national advertisers shifting their focus from standard geo targets often seen in desktop or traditional marketing (based on standard geo boundaries such as zip, city or DMA areas) to more geo-precise targeting, which allows for the same reach but with 20-30% less ad waste. Through technologies such as geo-fencing or xAd's proprietary SmartFencing™ (which allows targeting based on geo-specific mobile search behaviors), ads can be served on a grand scale, but targeted to reach specific mobile audiences.

Shift in Mobile Targeting

Q1 2012

27%

9%

64%

Q4 2012

6%

13%

81%

- **Geo-Precision** (Includes geo-fencing and geo-specific behavioral targeting)
- **Standard Geo (Zip, City, DMA etc)**
- **RON (RUN OF NETWORK)**

Geo-precise targeting allows for the same reach as standard geo-targets, but with 20-30% less ad waste.

Audience Targeting Tactics & Trends

In mobile, advertisers have multiple ways to define and reach desired audiences that have never before been available in other media channels. The power of reaching a consumer at the exact moment when they are in or near a specific location or point of interest cannot be understated. Through the power of mobile targeting, advertisers now have the power to reach audiences in the following ways:
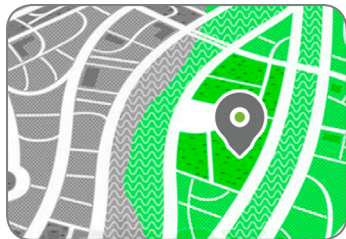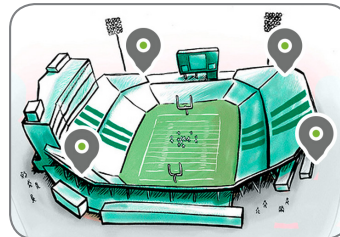
PLACE-BASED
When users are in or around specific businesses or locations.
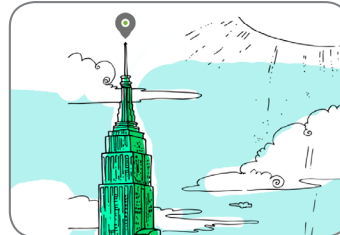
POI (POINTS OF INTEREST)
Ability to target users that are in or around areas of interest which may or may not have a stated postal address available for the entire target area such as airports, colleges and universities, marathon routes, etc.

BEHAVIORAL
The ability to leverage anonymous geo-specific behavioral data, such as past mobile searches and visitation behaviors to target users at the exact moment when they are in need of your products or services.

EVENT TARGETING
Ability to serve targeted ads to audiences that are attending a specific event such as baseball game, concert or industry conference.

Place-Based Targeting Most Popular Among National Advertisers

Throughout 2012, xAd found that the most popular form of audience targeting was in fact Place-Based (targeting users that are in or around specific places of business) followed by behavioral targeting - which includes xAd's real-time and historical search behavioral data as well as 3rd party data sources.

POI 3%

BEHAVIORAL 20%

NO ADDITIONAL AUDIENCE TARGETING ON TOP OF LOCATION

GEO 8%

PLACE 67%
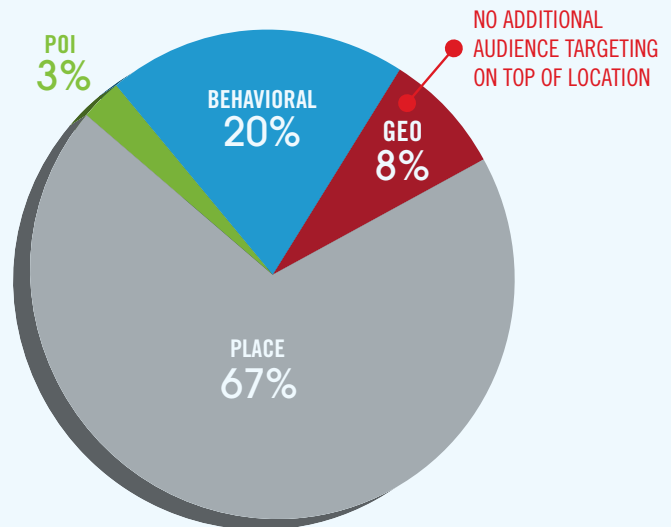
Note: Graph does not equal 100% as campaigns could leverage multiple audience targeting factors in one campaign.

Calvin Klein Leverages Place-Based Targeting to Drive Key Shopping Behaviors

26% Lift

Place-Based Performance

Benchmark

CAMPAIGN GOAL

To increase local market awareness of the brand's latest line while driving in-store traffic and sales to local retail outlets (i.e. Macy's) during store hours and online traffic after hours.

SOLUTIONS

» **Location Targeting Solutions –** 10 mile Geo-Fence around Macy's locations

» **Audience Targeting Solutions –** Place Based + geo-specific search behavioral targeting
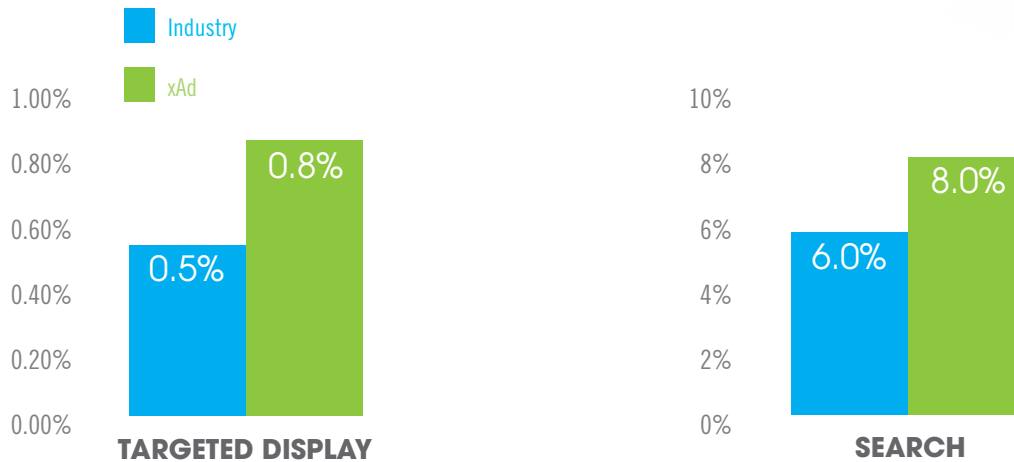
RESULTS

Through the use of geo-fencing combined with search behavioral targeting, the campaign **exceeded the clients CTR benchmark by 26% while helping to increase local sales during the campaign period.**
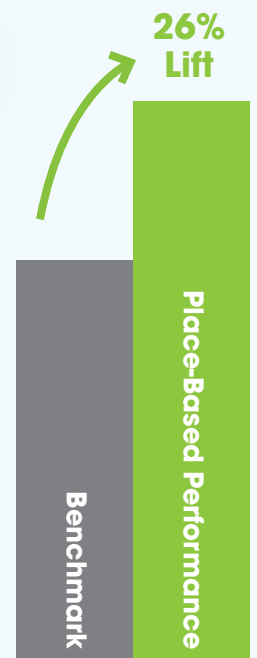
Location-Driven Performance

Throughout 2012, locally targeted campaigns performed well above the industry standard 0.5% for display ads and 6% for search ads - true indication that location relevance is key in driving mobile ad performance.

Industry
xAd

1.00%
0.80%   0.8%
0.60%
0.40%   0.5%
0.20%
0.00%
TARGETED DISPLAY

10%
8%   8.0%
6%   6.0%
4%
2%
0%
SEARCH

Of all of the audience targeting tactics available, Behavioral targeting provided the highest lift over industry standard performance metrics - **on average increasing performance 60% over industry benchmark rates,** though Place-Based targeting was a close second performing 55% over the industry benchmark.

Lift Over Industry Average Performance by Audience Targeting Type

BEHAVIORAL   60%

PLACE/POI   55%

GEO   40%

0%   10%   20%   30%   40%   50%   60%   70%
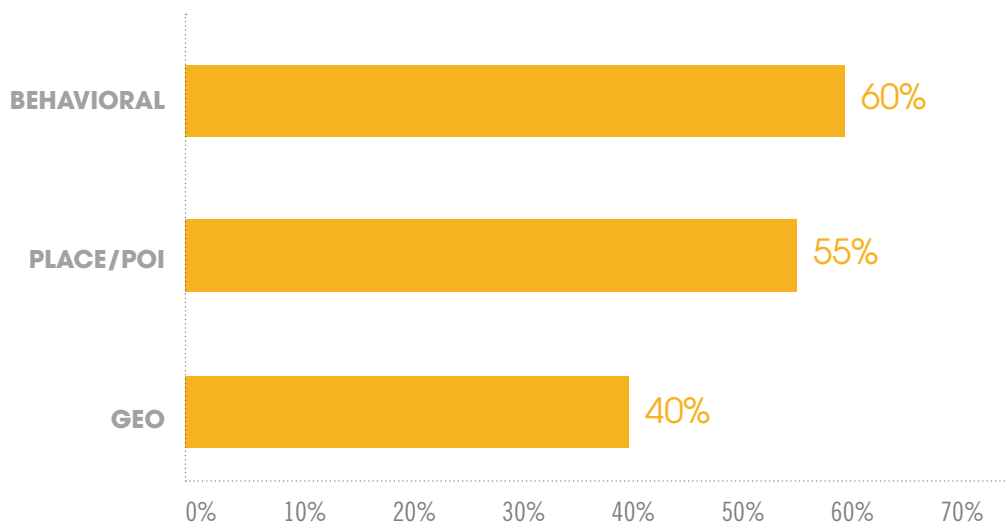
Industries Leading in Local

Because mobile users are typically on the go, the top businesses searched via mobile throughout the year continued to be local Restaurants and/or businesses related to Travel such as gas stations, transportation and hotels.

Outside of the top search categories, the top growth categories in local-mobile search were Entertainment (including bars and clubs, theatres and sporting events / venues) which grew 184% and Health & Beauty (including beauty salons & spas, gyms as well as hospitals and other health services such as dentists and nutritionists) which grew 50% during 2012.

In terms of advertising, only one of the top 3 search categories made it into the top advertising categories – showing a slight misalignment between mobile user demands and specific advertising penetration by vertical.

TOP SEARCH CATEGORIES
(all of 2012)

1 Restaurants
2 Travel
3 Health & Beauty
4 Retail
5 Professional Services
6 Financial/Insurance Services
7 Auto
8 Real Estate
9 Entertainment
10 Business Services
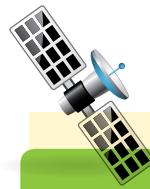
TOP AD CATEGORIES
### (all of 2012)

1 Telecommunications
2 Financial Services / Insurance
3 Travel
4 Restaurants
5 Retail
6 Home Services
7 Auto
8 Business Services
9 Health & Beauty
10 Education

Most Active Mobile Cities of 2012

The South leads with 4 out of the top 10 cities for active mobile search activity throughout 2012. The South also comes in tops, tied with the Midwest, for most targeted cities for mobile advertising throughout the year.

TOP CITIES (Mobile Search)	TOP TARGETED CITIES (Mobile Impressions Served)
NEW YORK, NY	SAN FRANCISCO, CA
LOS ANGELES, CA	HOUSTON, TX
CHICAGO, IL	LOS ANGELES, CA
MOUNTAIN VIEW, CA	CHICAGO, IL
HOUSTON, TX	BROOKLYN, NY
MIAMI, FL	DALLAS, TX
SAN FRANCISCO, CA	PHILADELPHIA, PA
ATLANTA, GA	DETROIT, MI
DALLAS, TX	ATLANTA, GA
WASHINGTON, DC	SAN ANTONIO, TX
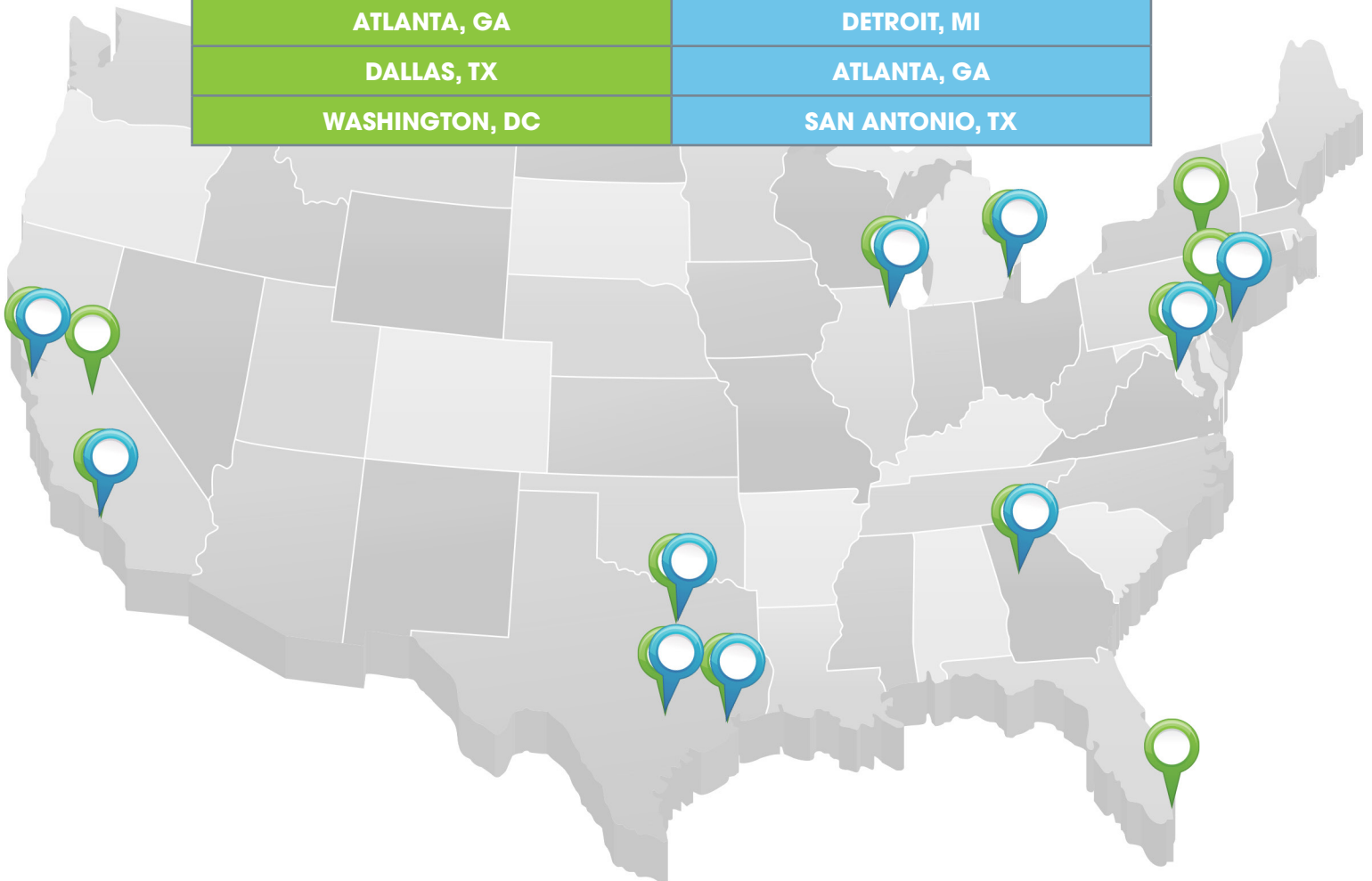
Coming in 2013...

MOBILE
PATH TO PURCHASE

Last year xAd and Nielsen joined forces to release the Mobile Path to Purchase study which provided first to market insights on mobile user behavior and purchase driven interaction within 3 key categories – Travel, Restaurants, and Automotive. Due to the success of the 2012 research, we are expanding the Mobile Path to Purchase study this year to include user insights surrounding 4 new categories:

- **RETAIL – May**
- **GAS & CONVENIENCE – July**
- **BANKING – September**
- **INSURANCE – November**

And building up on the unprecedented interest in last year's categories, xAd, Telmetrics and Nielsen are bringing the Travel, Restaurant and Auto studies to the UK!

Visit **www.mobilepathtopurchase.com** for more information and stay tuned for much more to come in 2013!

About This Report

- Published quarterly, this report provides trends and insights from the current mobile landscape, particularly how consumers are using mobile to search for, find and interact with local businesses. By juxtaposing consumer demographics with mobile behaviors, devices and platforms, the data contained herein will help businesses make informed decisions about their current media strategies and future initiatives.

- Metrics and insights provided are based on xAd's network and campaign data (January 2012–December 2012) from over 1.5 million advertisers.

- For questions or to provide feedback, please contact us at 888.234.7893 or getlocal@xad.com.

About xAd

Mobile is inherently local – therefore user location and local context becomes the ultimate proxy for targeting and reaching mobile audiences. Mobile users are in constant motion, and so contextual factors are ever-changing and have a direct impact on mobile user intent and engagement. xAd understands these intricacies and has developed targeting technology that not only addresses these factors – but uses them to serve the most relevant and meaningful ads to users at the precise mobile moment in time when they are most receptive of the message. And while our campaigns can be narrowly targeted for better campaign relevance, our extensive network of high-traffic mobile sites, apps, and mapping and navigation partners, ensures scale. We have what advertisers need to maximize national brand exposure and awareness across a host of mobile properties, while honing in on specific markets for local relevance.

xAd Network Audience Reach

• Reaches over 100 million mobile users monthly (source: comScore MobiLens, November 2012)

• Serves the most accurately targeted ads with access to 20 Billion ad impressions per month

• The only network that offers the ability to target audiences by location + search context

SmartLocation™

Technology that allows us to determine the accuracy of each publisher impression. This ensures your ads not only appear in the right location- but the right publisher traffic ensuring relevancy while decreasing ad waste.

SmartFencing™

SmartFencing™ utilizes historical and real-time mobile search behaviors as well as other data variables to pinpoint where your ideal target is at any given point in time. As a result, the fence continually moves... as your audience does.

Go Beyond the Geo-fence with Smarter Technology

- Standard Geo-fence
- Target Mobile Search Behavior
- xAd SmartFencing™
- Ad Waste