

An inside look at the eMarketer Methodology

eMarketer Estimates & Projections

eMarketer gathers and analyzes all the relevant information available. As a result, rather than viewing data from a single researcher, eMarketer clients see a wide perspective from over 3,000 worldwide sources.

THE FIRST PLACE TO LOOK



The eMarketer Approach: Unique

eMarketer’s research methodology is based on a simple philosophy: An accurate and reliable statistical picture can be painted only by aggregating and analyzing data from as many different sources as possible.

History and statistical theory confirm that a careful evaluation of numerous sources inevitably yields more accurate results than findings from any single source.

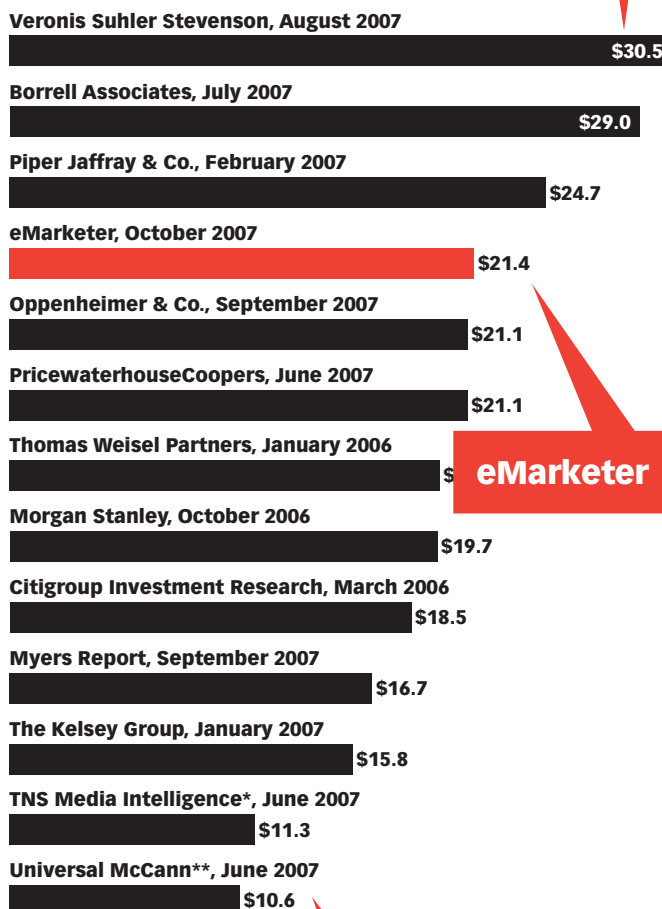
Unlike most market research providers, eMarketer has no data-gathering technique to defend, nor does it rely on a single survey population or respondent base.

eMarketer reviews all the relevant data on a topic to gain a perspective based on the collective wisdom of many diverse research sources. Adding its own objective analysis, eMarketer provides its clients with a wide variety of critical market estimates and projections, including trends in:

- Number and penetration of Internet users
- Online user demographics
- Broadband users, households and penetration
- Mobile subscribers and usage
- Online advertising spending, including search, display and video
- Mobile marketing and advertising
- B2C e-commerce
- B2B marketing
- Online shoppers and buyers
- PVR, VOD, HDTV and IPTV penetration
- Digital TV, by region and country
- Online video
- Social networking
- And other emerging digital marketing opportunities

eMarketer Shows You All the Numbers

Comparative Estimates: US Online Advertising Spending, 2007 (billions)



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The Business Need for Numbers

Quantitative data are important in business for many reasons. Business executives use statistics to:

- Make informed business decisions
- Address strategic planning questions
- Quantify market potentials
- Track trends
- Measure performance benchmarks
- Assess new markets
- Identify competitive threats
- Support key tactical proposals
- Justify a business case

With these needs in mind, eMarketer aggregates data from as many sources as possible. Then our analysts objectively assess the numbers and trends to generate independent market estimates and projections.

As a result, business professionals are better able to fill in data gaps and obtain a truer picture of both current and future business realities.

The Problem of Conflicting Numbers

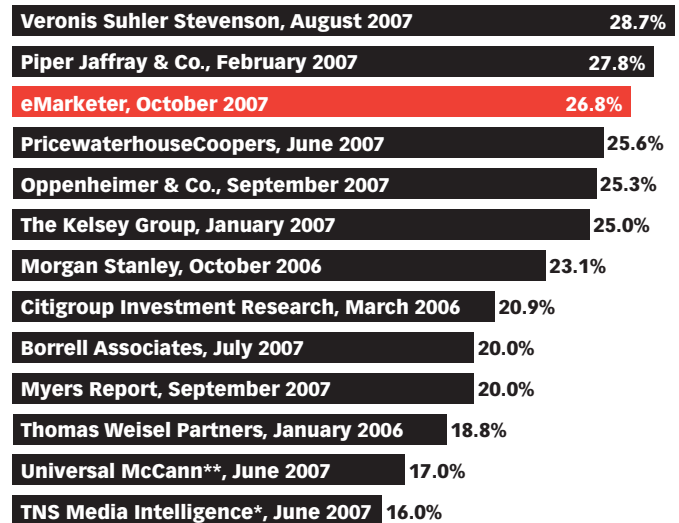
Statistics can sometimes be confusing because estimates and projections from different research and analyst firms vary. There are three broad reasons for the disparities.

1. Different Definitions

Much of the variance among researchers' numbers is due to the use of conflicting definitions. Even when the same name or term is used, the exact variable being measured may not be the same.

For example, although most research firms and banking analysts include online paid search in their estimates for online advertising, two of the leading researchers do not. Since search is the largest and fastest-growing segment of online advertising, it is no wonder that the estimates from those companies are the lowest among over a dozen sources.

Comparative Estimates: US Online Advertising Spending Growth, 2007 (% increase vs. prior year)



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Another example is online commerce. In this area, the estimates from research firms can vary by billions of dollars because they either include or exclude various sales segments such as travel, auction sales or event tickets, each of which can swing total figures significantly.

2. Different Methodologies

Not all research is created equal, so it is not surprising that research firms employing different methodologies and measurement techniques arrive at different results.

A nationally conducted telephone survey using random digit dialing to reach 10,000 respondents will typically yield more accurate results than a 30-person survey conducted among a self-selected group of people online. That is why eMarketer evaluates all components of a study or survey, including:

- Sample size
- Population characteristics
- Respondent recruitment procedures
- Use of incentives
- Statistical sampling methods
- Timing of survey or study
- Sponsorship or vested interests that might influence results

As an example of how different methodologies can create divergent results, one measurement firm found that 74.2% of online panel respondents view Internet video on a monthly basis.

Top 10 Online Video Properties among US Internet Users, Ranked by Unique Viewers, July 2007 (thousands and % reach)

1. Google sites	67,782	37.6%
2. Fox Interactive Media	35,834	19.9%
3. Yahoo! sites	35,325	19.6%
4. Time Warner Network	26,571	14.8%
5. Viacom Digital	22,652	12.6%
6. Microsoft sites	18,847	10.5%
7. Disney Online	13,907	7.7%
8. ESPN	7,733	4.3%
9. MLB.com	7,671	4.3%
10. Photobucket.com	6,684	3.7%
Total Internet	133,646	74.2%

Note: includes video content (streaming and progressive download) Web sites, excludes video server networks. Source: comScore Video Metrix as cited in press release, September 12, 2007

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In contrast, another researcher estimated that only 29% of Internet users watch online video monthly.

US Internet Users Who Watch Streaming Video, 2007

	Total	% of Internet users
Watched streaming video in last 30 days	41,667,000	29%
Watched streaming video yesterday	21,148,000	14.7%

Note: via computer only; does not include downloaded video
Source: Nielsen Online @Plan, provided to eMarketer, October 2007

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What accounts for the large disparity? Using a panel, the first numbers are based on physical measurement of online viewing behavior, while the second set of figures was derived by surveying consumers—and people are not always accurate in self-assessing their behavior. In addition, the wording of the survey question may have dampened results. Respondents were asked if they had “watched streaming video in the last 30 days.” The phrasing excludes video downloading, which is a popular way of watching video online. Survey respondents also may have been confused by the meaning of the term “streaming video,” and therefore assumed they did not engage in the activity.

Finally, while the first estimate was based on measuring all Internet users ages 3+, the second did not include children and teens under 18 years old; excluding this younger demographic, known to be heavy users of online video content, naturally lowered the average penetration level.

Based on evaluating these methodological differences, and incorporating data points from other research firms, eMarketer pegged the penetration of online video viewing in 2007 at 72%.

US Online Video Viewers As a Percent of Internet Users, 2006-2011



Note: ages 3+; online video viewer defined as an individual who downloads or streams video (content or advertising) at least once a month
Source: eMarketer, August 2007

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3. Guesswork and Subjectivity

When researchers measure Internet, e-business or digital marketing activities, inevitably they supplement raw data with qualitative judgments. That involves varying levels of interpretation, extrapolation or prediction—in other words, guesswork. And whenever any degree of subjectivity is introduced, there is the possibility of bias—and even potential conflicts of interest.

The effects of subjectivity are amplified when researchers attempt to predict the future. The further out the forecast horizon, the more assumptions have to be made concerning unknown, interrelated future events. Predicting the number of wireless Internet users next year is hard enough, but forecasting a 2012 number can be a shot in the dark. Such projections are based on a set of related assumptions about future events. Without a clear explanation of those assumptions—and their relevance to the forecast—their use to business decision-makers is limited.

How eMarketer Makes Projections

eMarketer employs a five-step forecasting process that takes into account all the available research on a given market or trend.



The importance of viewing all available data:

- No single research study or survey is perfect or complete
- No single source can provide all the answers
- A careful evaluation of multiple sources leads to a more accurate picture of reality
- Critical business decisions should be based on complete, up-to-date and reliable information

Step 1: Aggregate

eMarketer aggregates data from more than 3,000 sources, including research firms, consultancies, government agencies, nonprofit organizations and investment banking firms. The breadth and depth of this data yields a richer and more complete picture of the market than any single source can provide.

Step 2: Normalize

Rather than lumping together raw numbers from various research firms, which results in apples-to-oranges comparisons, eMarketer “normalizes” the data by adjusting for the different definitions used by each firm.

For example, when estimating online consumer retail spending, some research firms include travel, but some do not. Similarly, although most researchers include paid search in their estimates for online ad spending, at least two widely quoted research firms do not. This makes a significant difference in overall estimates because paid search accounts for some 40% of the spending on online advertising.

Step 3: Assess

eMarketer analysts assess the methodologies and findings of different research firms based on a number of factors, including:

- Reputation and credibility of each source
- Historical accuracy of the sources, based on a comparison between projected and actual results
- The sophistication and sample size of each study or survey, as well as the overall research design and respondent recruitment techniques

In the process, eMarketer also assesses the degree of convergence between different estimates. In some cases, numbers from different sources line up closely, indicating a high degree of confidence. For example, even though leading research firms consistently estimated that e-mail advertising spending in the US was roughly \$338 million in 2006, their projections for the following years increasingly diverged.

Comparative Estimates: US E-Mail Advertising Spending, 2006-2011 (millions)

	2006	2007	2008	2009	2010	2011
eMarketer, June 2007	\$338	\$412	\$518	\$578	\$585	\$616
Morgan Stanley, October 2006	\$339	\$417	\$488	\$551	\$601	-
Oppenheimer & Co., June 2007	\$338	\$425	\$525	\$625	-	-
Veronis Suhler Stevenson, August 2007	\$338	\$403	\$494	\$583	\$702	\$821

Note: E-Mail advertising consists of ads embedded in third-party commercial e-mails

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Step 4: Evaluate

Focusing only on data from researchers does not necessarily take into account all the pertinent information in the marketplace.

So before creating its estimates and projections, eMarketer looks at broad economic, technological, market and cultural trends. Individual company data are also taken into consideration.

For instance, when measuring broadband households, eMarketer tabulates subscriber figures from the leading broadband providers in each market to create a “reality check” for the total number of broadband households. Similarly, when estimating the online paid search market, eMarketer analysts examine the revenue figures from leading industry players such as Google, Yahoo!, MSN, Ask.com and AOL.

Step 5: Estimate

After factoring in all the variables above, eMarketer analysts build an integrated statistical model to create projections that represent the best fit with all the available information.

The process is ongoing, too, forming a continuous and self-improving feedback loop. With each new data point that becomes available, eMarketer analysts compare the new information with the existing body of evidence to either verify or, if necessary, reassess their findings.

As a result of this rigorous five-step process, eMarketer’s estimates and projections are consistently among the most accurate available.

Benchmarking and Accountability

Without standards of measurement, any researcher could claim that its projections are accurate.

eMarketer seeks out certain government departments, nonprofit organizations and other respected, impartial sources that consistently provide reliable numbers that can be tracked over time. Most of these sources, however, measure only past results. They do not predict the future.

eMarketer has identified a number of these reputable third-party sources as “benchmarks” for future projections.

For example, eMarketer selected the Interactive Advertising Bureau (IAB) / PricewaterhouseCoopers (PwC) as the benchmark for US Internet advertising forecasts. The IAB/PwC has been measuring US Internet advertising spending since 1996 and is regarded as a trusted, impartial source of Internet advertising spending statistics.

The use of independent benchmark sources for historical data ensures that eMarketer estimates and projections are measured against widely recognized standards.

There is little point in making predictions without a means of measuring them against actual results.

Examples of eMarketer Benchmark Sources:

Internet Users: International Telecommunication Union (ITU), US Department of Commerce

Online Advertising: Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC)

US Media: Universal McCann

US B2C: US Department of Commerce

Mobile Subscribers: CTIA



Data Models

eMarketer's estimates and projections are based on complex, interrelated data models.

eMarketer data models are regularly updated with a continuous flow of new information compiled from dozens of research and government sources. Each research source provides varying amounts of information on interrelated metrics.

For example, eMarketer has built demand-side models for consumer online buying in several countries, including the United States and Canada. Each country model relates total Internet users to users who shop and buy online (as well as to average spending and total dollar purchases). The model includes:

- Country population
- Number online in the country
- Number of online shoppers
- Number of online buyers
- Percentage of Internet users who shop online
- Percentage of Internet users who buy online
- Percentage of the entire population who shop and buy online
- Average annual online spending per buyer

eMarketer analyzes this information, accounting for differences in definitions and methodologies, to construct models for Internet purchase behavior. Here is a sample grid of eMarketer's online buying model for the US from 2006 to 2011:

US Retail E-Commerce Consumer Demand Model, 2006-2011

	2006	2007	2008	2009	2010	2011
Internet users ages 14+						
US population (millions)*	241.7	244.3	246.7	249.0	251.2	253.4
Internet users (millions)**	170.6	176.4	182.0	187.1	191.2	194.7
% of US population	70.6%	72.2%	73.8%	75.1%	76.1%	76.8%
Online shoppers ages 14+						
Online shoppers (millions)	133.1	138.5	143.8	148.6	152.4	155.7
% of Internet users	78.0%	78.5%	79.0%	79.4%	79.7%	80.0%
Online buyers ages 14+						
Online buyers (millions)	111.9	116.9	121.8	126.3	130.0	133.2
% of Internet users	65.6%	66.3%	66.9%	67.5%	68.0%	68.4%
% of online shoppers	84.1%	84.5%	84.7%	85.0%	85.3%	85.5%
Retail e-commerce sales and consumer spending (excludes travel)						
Retail e-commerce sales (millions)***	\$108,729	\$131,345	\$155,775	\$182,568	\$211,779	\$243,546
Average annual retail spending per online buyer	\$972	\$1,123	\$1,279	\$1,445	\$1,629	\$1,829

Note: *eMarketer benchmarks its population figures against US Census projections; **eMarketer benchmarks its Internet user figures against US Department of Commerce 2003 estimates of Internet users ages 3+ who had access to the Internet in the last month; ***eMarketer benchmarks its retail e-commerce sales figures against US Department of Commerce data, for which the last year fully measured was 2006
Source: eMarketer, May 2007

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In Summary:

The Benefits of eMarketer's Aggregation Approach

The information eMarketer provides—in analyst reports and presentations, articles, graphs and comparative charts—is:

- More comprehensive, objective and accurate than any single research source can provide
- Available all in one place, making it easy to locate, evaluate and compare
- Presented with clear analysis, explaining disparate figures and interrelated trends
- A uniquely powerful decision-support tool

About eMarketer

eMarketer is the first place to look for research and analysis on digital marketing and media

Products

eMarketer aggregates and analyzes digital marketing and media research from more than 3,000 sources and brings it together in analyst reports, daily research articles and the most comprehensive database of e-business and online marketing statistics in the world.

A Trusted Resource

Corporations around the globe rely on eMarketer as a trusted, third-party information resource because it cuts through the clutter and hype to help them make sense of ever-shifting digital marketing and media trends.

eMarketer helps marketers make better decisions by:

- Eliminating critical data gaps—and reducing business risk
- Providing an objective overview of the digital landscape
- Collecting the hard data for solid business cases
- Gathering the raw material for effective presentations
- Sharing information across an enterprise
- Saving time
- Reducing costs

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