



GLOBAL Q3 2011

DIGITAL MARKETING

PERFORMANCE REPORT



CONTENTS

- 2** Q3 2011 Executive Summary
- 3** Outlook for Q4 2011 & 2012
- 4** Search
 - Spend & ROI Trends
 - Search Engine Landscape
- 5** DEEPDIVE: Search
 - Impressions
 - Clicks
 - Cost Per Click (CPC)
 - Return on Investment (ROI)
 - Google vs. Yahoo/Bing
- 7** Facebook
 - Cost Per Click (CPC)
 - Facebook Spend vs. Search Spend
 - Fan Growth
 - Fan Engagement
- 8** DEEPDIVE: Search Sector Data
 - Auto
 - Retail
 - Finance
 - Search Engine Landscape by Sector
- 10** DEEPDIVE: International Search Data
 - UK Spend & ROI
 - UK Spend Share
 - UK Click Share
 - UK Travel Sector
 - International Spend Share & Click Share (FR/DE/AU/JP)
- 12** Definitions
 - Methodology
- 13** About Efficient Frontier & Context Optional

Q3 2011 EXECUTIVE SUMMARY

SEARCH SPEND INCREASES 20% YoY IN THE US AND INCREASES 16% YoY IN THE UK.

Significant increases in ad budgets in the retail and financial verticals drove up overall search spend. ROI, however, trend did in opposite directions. US advertisers looking to scale and increase volume saw a decrease in ROI. UK advertisers upped budgets and increased ROI indicating that the UK market has room to spend more in search.

GOOGLE REGAINS MARKET SHARE FOR THE FIRST TIME SINCE THE YAHOO/BING ALLIANCE IN THE US.

As search spends increase and advertisers look to scale in volume, Google wins back market share because of its ability to offer more inventory, despite Yahoo/Bing's power to produce higher ROI. In contrast to the US and UK, Google is losing market share to Yahoo in France, Germany, and Australia due to a disparity in relative CPCs between search engines and between different countries.

FACEBOOK AD CPCs INCREASE 54% IN Q3 FROM Q2. This indicates that advertiser competition in Facebook marketplaces is rising. Facebook has become an essential marketing channel for many brands. Increased cost per clicks (CPCs) reflect both a higher volume of advertisers and more price competition on the platform.

FACEBOOK AD SPEND INCREASE 25% IN Q3 FROM Q2. Advertisers see the value in significantly increasing investments in social. Strategies to maximize fan reach with Sponsored Stories and acquire new fans with Facebook ads are contributing to spend growth. 84% of Facebook engagement can be attributed to Likes which are credited to Facebook advertising. Today, brands are increasing fan counts 9% per month on average, increasing fan base by 2x YoY.

TABLETS CAPTURE 77% OF ALL RETAIL MOBILE AD SPEND IN SEPTEMBER 2011. In a span of less than a year, mobile search spend went from 0.5% to 4.2%. For retail advertisers today, mobile spend is 7% of search spend with tablets representing 60% of all mobile impressions and clicks.

EXCHANGE DISPLAY SPEND INCREASES 7% QoQ. Advertisers' demand for display is rising as performance continues to garner additional investment. More modest gains on a same-advertiser basis are expected while new advertiser demands for exchange buying options remain high.

OUTLOOK FOR Q4 2011 & 2012

FACEBOOK AD CPCs WILL CONTINUE TO RISE 30-40% QoQ. Advertisers will continue to increase investments to acquire, engage and monetize Facebook users driving more competition on the Facebook ad platform. A steady rise in engagement rates YoY and the development of new Facebook analytics will allow advertisers to monetize and gauge ROI of Facebook users more effectively.

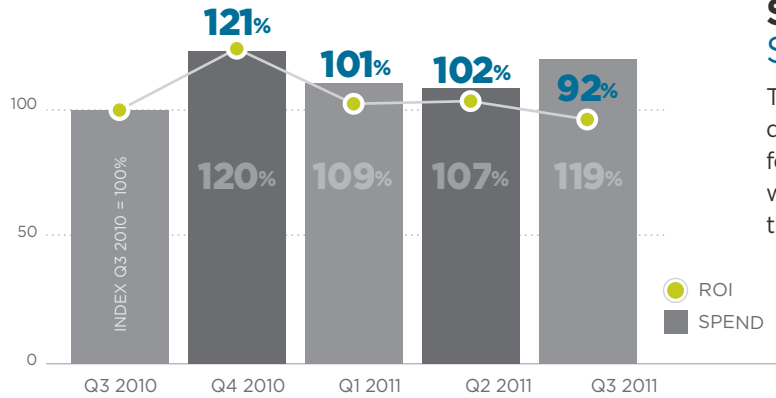
FACEBOOK EMERGES AS A MORE SIGNIFICANT PART OF MARKETERS' MEDIA MIX. An evolving platform and new success metrics that mirror traditional marketing channel metrics will allow advertisers to invest more comfortably in Facebook ads. New tools such as Context Optional Analytics integrated with Facebook's Insights API provide advertisers with clearer benchmark metrics and solid social KPIs making Facebook advertising more attractive to cautious advertisers.

YAHOO/BING WILL FOCUS ON INCREASING INVENTORY TO REGAIN SPEND SHARE FROM GOOGLE. We believe US search spend will increase 15% YoY in Q4 2011. Advertisers love the stronger performance and high ROIs they are getting from Yahoo/Bing, but as they look to scale with larger ad budgets they will not be able to increase volume due to a lack of inventory. Yahoo/Bing will need to focus on expanding inventory, while maintaining high quality traffic.

MOBILE IS PROJECTED TO BE 7-10% OF ALL PAID SEARCH SPEND BY THE END OF Q4 2011. Recently, Google announced that keyword quality scores for mobile campaigns will be influenced by websites' mobile optimization. The ability to attribute conversions across devices (mobile, tablet, desktop) is now possible with the development of the Google+ network that keeps users logged in to the Google ecosystem. Advertisers should prepare for this trend by investing time into looking at tablet traffic and conversions, while optimizing websites for mobile.

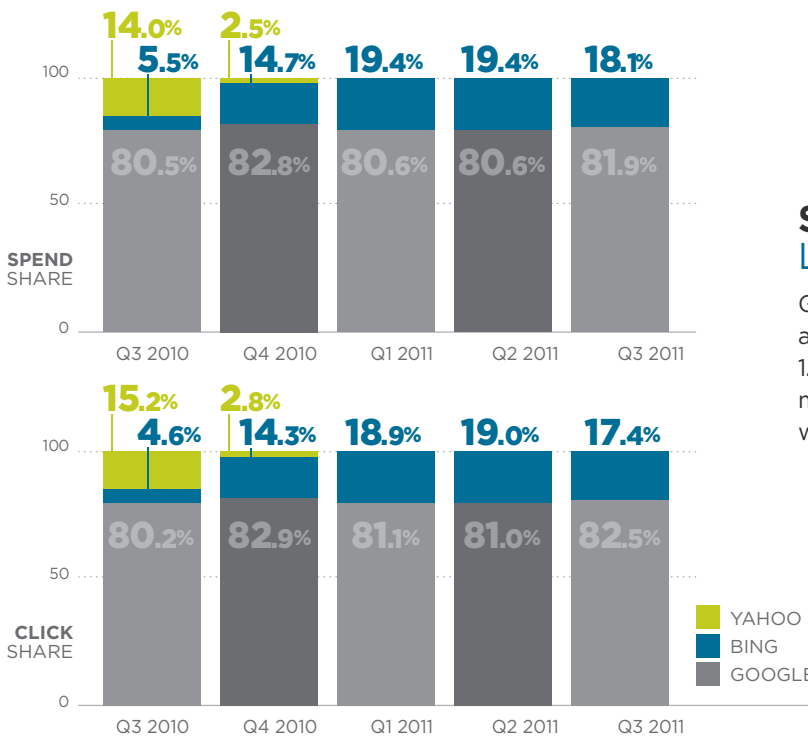
UK SEARCH SPEND WILL TIP IN GOOGLE'S FAVOR. UK advertisers are exhibiting behavior that is focusing on Return on Ad Spend (ROAS) rather than volume, likely due to constrained overall ad budgets. Google's higher spend share, combined with efforts to improve CTRs and ad formats, results in greater ROI for advertisers over Yahoo. UK advertisers will move search spend towards Google; Bing and Yahoo need to implement the Search Alliance to reverse this trend, though the European zone financial crisis could dampen overall growth.

SEARCH



SEARCH SPEND & ROI TRENDS

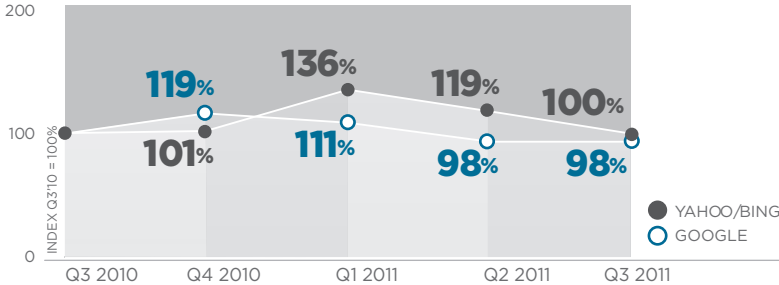
The growth rate of search spend picked up this quarter with a **19% increase YoY** although ROI fell slightly by 8% YoY. This reflects an increased willingness by advertisers to pursue campaigns that gain market share and volume over pure ROI.



SEARCH ENGINE LANDSCAPE

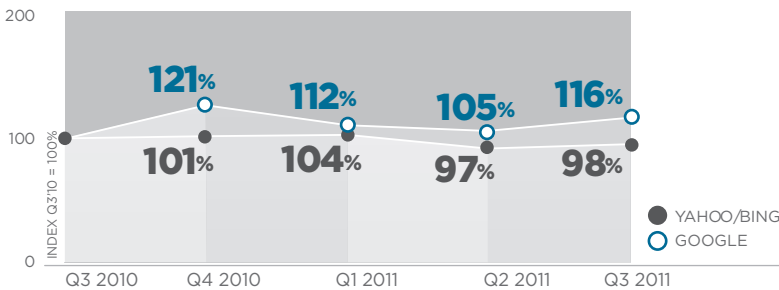
Google has regained both spend and click share after losing ground in the previous two quarters at 1.6% and 1.9% QoQ respectively. This indicates that marketers are refocusing on opportunities to scale with Google more than Yahoo/Bing.

DEEPAIVE: SEARCH



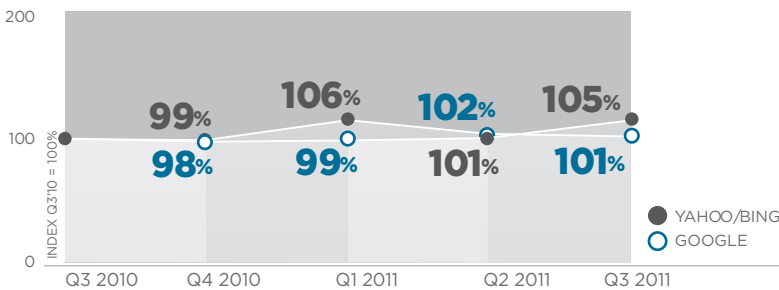
IMPRESSIONS TRENDS

Impressions remained steady YoY. Google is showing a slight drop of 2%.



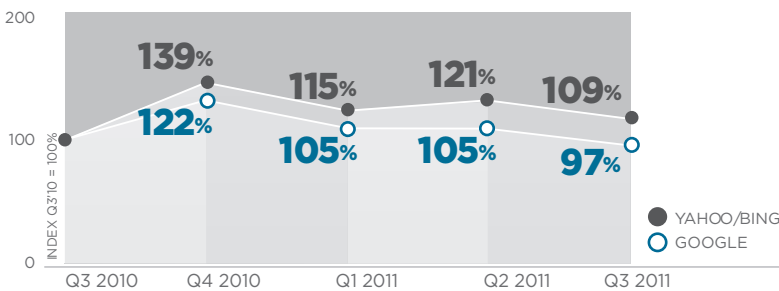
CLICKS TRENDS

For yet another quarter we see that Google has a greater increase in click growth than impression growth indicating a continued improvement in CTRs. This is a result of augmented implementation of sitelinks, various extension innovations by advertisers and improved ad delivery by the search engine.



COST PER CLICK (CPC) TRENDS

CPCs have increased for both Google and Yahoo/Bing with a higher YoY increase on the Yahoo/Bing engine reflecting advertisers' willingness to pay more for higher ROI/RPC from the platform.

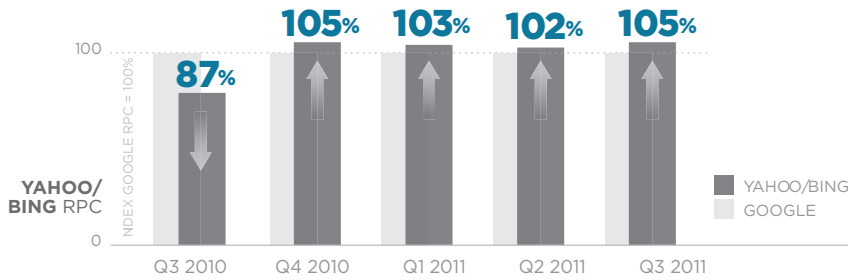


RETURN ON INVESTMENT (ROI) TRENDS

ROI on Yahoo/Bing rose 9% YoY reflecting its continued attention to delivering high quality traffic to result in higher ROIs. Google's ROI fell by 3%.

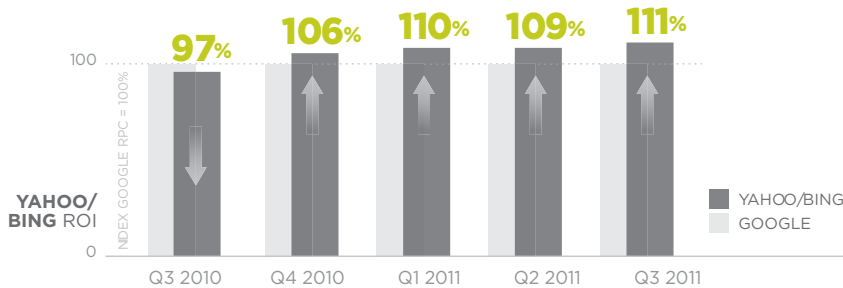
GOOGLE vs. YAHOO/BING

Revenue Per Click (RPC) disparity between Yahoo/Bing and Google has widened this quarter now showing a 5% gap. Yahoo/Bing has pulled ahead indicating a stronger delivery of higher quality traffic.

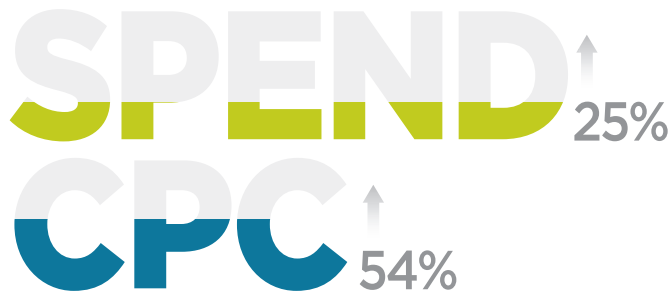


GOOGLE vs. YAHOO/BING

Return on Investment (ROI) on Yahoo/Bing continues to maintain roughly a 10% gap from Google for three consecutive quarters positioning Yahoo/Bing as a very attractive platform for advertisers seeking better ROI. We surmise that Yahoo/Bing is challenged with the ability to scale their platform while maintaining high quality traffic. As a result, Google has continuously increased its market share as advertisers look for more volume.

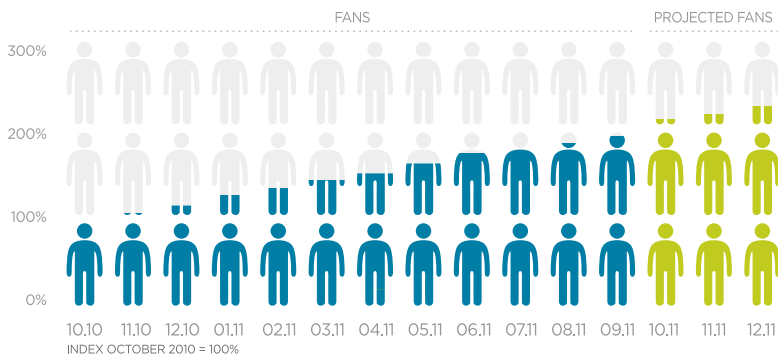


FACEBOOK



FACEBOOK SPEND & CPC

As marketers see more value in social media marketing, advertisers increase spend in social by 25% QoQ to acquire and engage more Facebook users. This increase indicates advertisers' willingness to spend on the ad medium. The extraordinary 54% QoQ rise in CPCs on Facebook reflects increased competition on the platform.

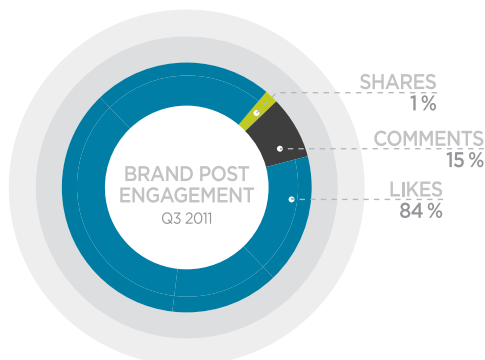


FAN GROWTH

Brands that are active on the Context Optional platform continue to aggressively acquire Facebook fans at a 9% rate per month on average. The linear fan growth is in line with our prediction last quarter that brands would double their fan base YoY by October 2011.

AVERAGE ↑ **31%**
ENGAGEMENT
PER POST

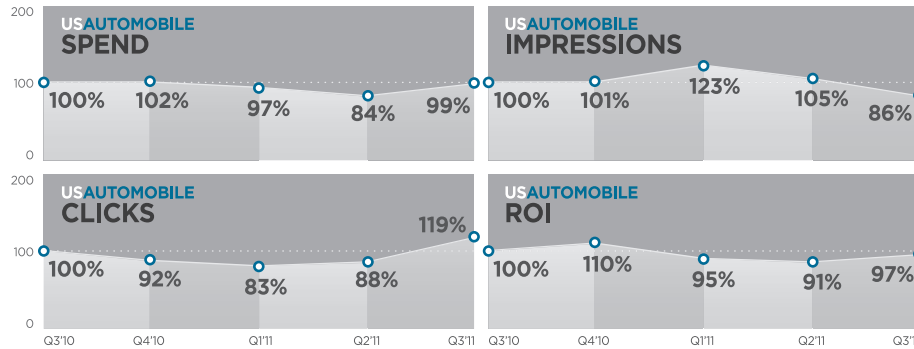
AVERAGE ↑ **24%**
IMPRESSIONS
PER POST



FAN ENGAGEMENT

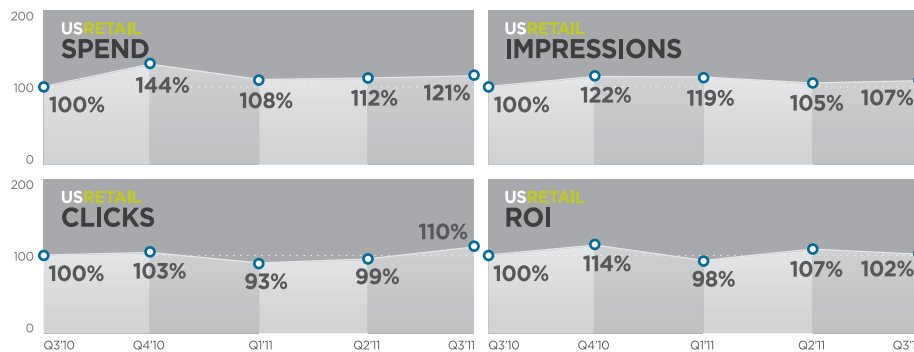
Marketers significantly improved their ability to engage their fan base on Facebook in Q3. Engagement (Likes, comments and shares) per post increased 31% on average QoQ and impressions per post increased 24% on average QoQ. Because of the viral nature of the channel, publishing engaging content drives not only more direct responses (from existing fans) but more indirect responses (from friends of fans) as well, resulting in an increased volume of impressions. It is because of this scalable virility that makes Facebook an efficient and attractive medium for advertisers.

DEEPPDIVE: SEARCH SECTOR DATA



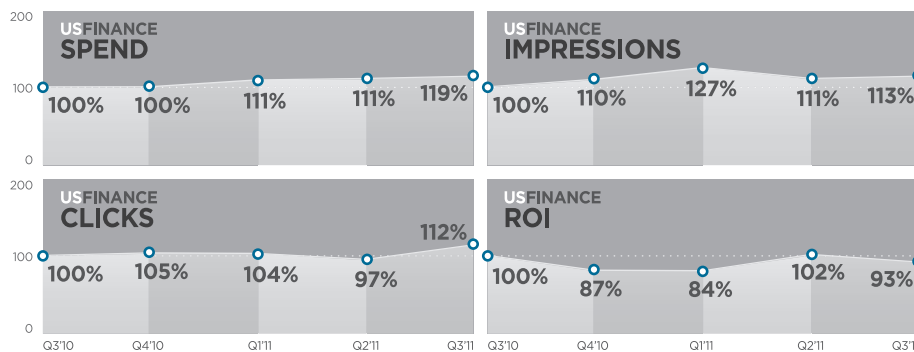
U.S. AUTOMOBILE SECTOR TRENDS

The downward trend of consumer interest in the automobile sector seen last quarter continues in Q3 with a 14% drop YoY. CTRs has improved markedly by 19%, while the search spend has remained relatively the same YoY.



U.S. RETAIL SECTOR TRENDS

Retail is seeing a 21% growth in spend resulted from a rise in impressions YoY and CTR. This bodes well for the retail sector as the Q4 retail peak is approaching.



U.S. FINANCE SECTOR TRENDS

Finance is trending similarly to retail in terms of high spend growth YoY, showing a 19% increase. Consumer demand and CTRs are also showing positive trends. Unlike the retail sector, the finance sector shows a 7% drop in CPC.



AUTO

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Google	74.6%	77.7%	77.8%	75.6%	78.3%
Bing	8.0%	18.6%	22.2%	24.4%	21.7%
Yahoo	17.4%	3.8%			



RETAIL

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Google	86.4%	86.4%	84.9%	85.1%	86.0%
Bing	4.3%	12.3%	15.1%	14.9%	14.0%
Yahoo	9.3%	1.4%			



FINANCE

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Google	82.0%	83.8%	79.8%	80.9%	81.3%
Bing	5.0%	13.5%	20.1%	19.1%	18.6%
Yahoo	13.0%	2.7%			

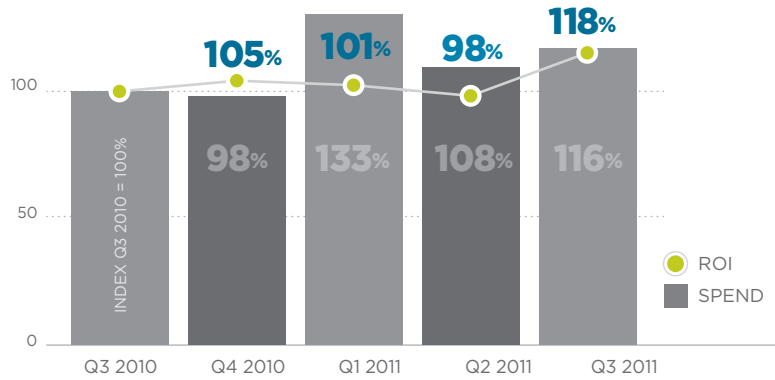
SEARCH ENGINE LANDSCAPE BY SECTOR

This quarter Google’s spend share ranged from 78% for Automobile to 86% in Retail. It is the first quarter that Google has gained more spend share from Yahoo/Bing across sectors since the Yahoo/Bing alliance. This can be a result of improved CTRs on Google. This can also be attributed to the shift in marketers looking for more volume as they head into the Q4 retail peak.

DEEPPDIVE: INTERNATIONAL SEARCH DATA

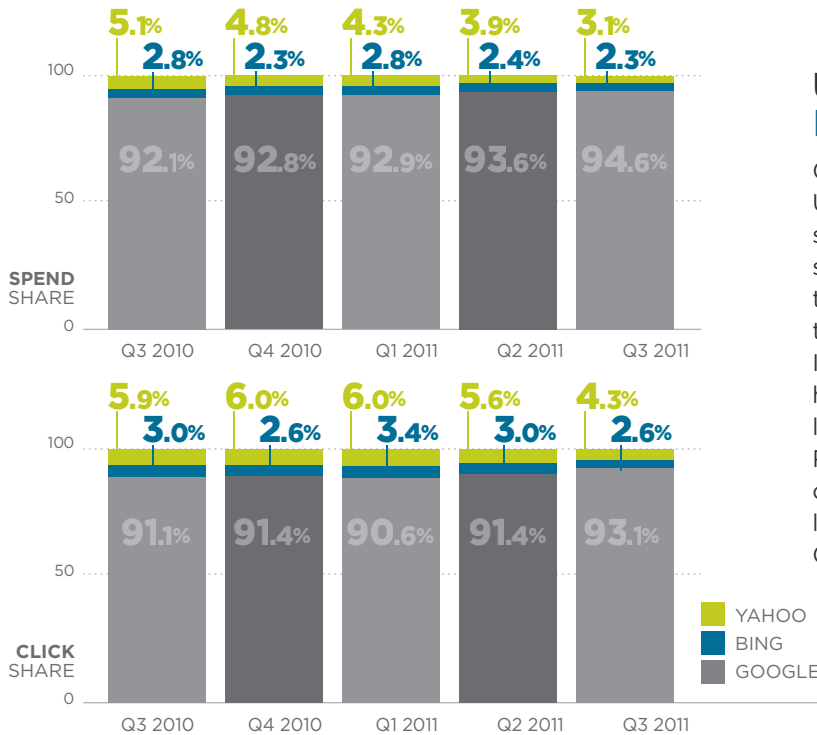
UK SEARCH SPEND & ROI TRENDS

YoY search spend increases 16% and ROI rises 18% in Q3. This indicates that UK advertisers are shifting ad spend to online media where they are able to better measure ROAS. ROI appears to remain relatively steady over the last four quarters showing a significant jump in Q3. After a closer look at all three months of Q3, this spike is likely a result of a rise in ad spend and late bookings from the travel sector.

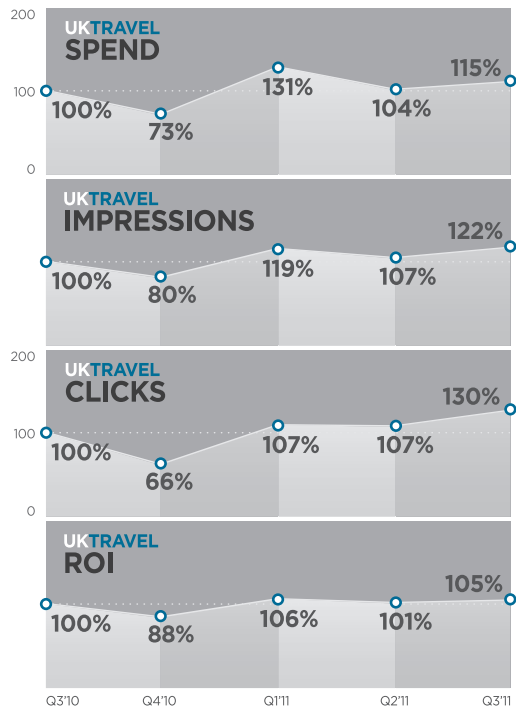


UK SEARCH ENGINE LANDSCAPE

Google maintains a higher spend share in the UK even though Yahoo exhibits a higher click share indicating lower returns on Yahoo. Google's spend share increased 2.5% YoY as a result of the announcement and subsequent delays of the Search Alliance between Yahoo and Bing. Interestingly, both Yahoo and Bing exhibit a higher click share than spend share, signifying less expensive CPCs. This may also imply lower ROIs on Yahoo and Bing meaning a greater share of clicks are being driven by Brand terms with lower CPCs as the ROI from building out extensive Generic campaigns is minimal.



DEEPAIVE: INTERNATIONAL SEARCH DATA



UK TRAVEL SECTOR TRENDS

In the UK, the travel sector shows a 15% increase in spend and a 5% increase in ROI YoY, reflecting a later booking market. Changes in user behavior, more targeted and relevant ad copy, and Google's continued efforts to make SEM look more natural have likely contributed to a 22% increase in impressions and a 30% increase in clicks driven by a 6.5% increase in CTR YoY. This improved CTR has resulted in an 11% decrease in CPC YoY, likely contributing to improved ROIs despite higher spends.

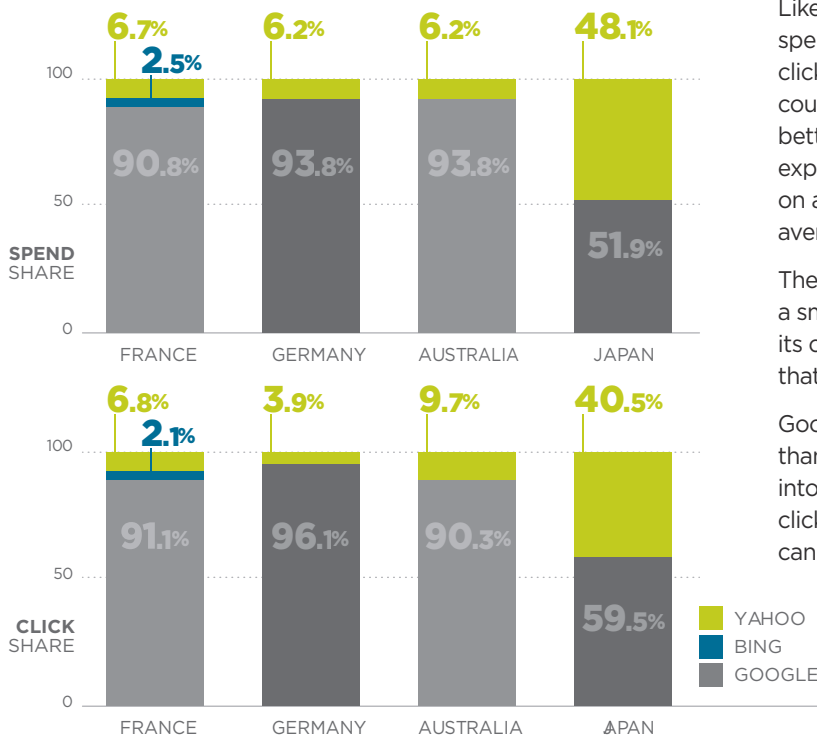
OTHER INTERNATIONAL SEARCH MARKETS

Contrasting the UK, Google has seen spend share reverses in some international markets. In France, Google's spend share is down nearly 4% QoQ, most of which was lost to Yahoo. Click share broadly reflects spend share impl parity in CPCs across the engines.

Likewise in Germany, Google lost just over 1% of spend share to Yahoo. But unlike France, Yahoo's click share is much less than its spend share. This could be attributed to higher CPCs on Yahoo due to better quality traffic, or a heavier reliance on more expensive head terms. Advertisers on Google may bid on a broader set of cheaper tail keywords that lowers average CPCs.

The reverse is true in Australia. Again Yahoo has made a small gain in spend share to 6.2% (from 5.5%), but its click share is far higher at 9.7%. The implication is that CPCs are lower on Yahoo compared to Google.

Google made gains however in Japan, taking more than half the spend share (51.9%) and pushing Yahoo into second place. There's a considerable disparity on click share, with Google taking 59.5%, from which we can assume that CPCs are lower compared to Yahoo.



DEFINITIONS

CLICK SHARE – Amount of share received by a particular engine of all paid clicks as calculated by the formula: paid clicks on a particular search engine/total paid clicks across all engines.

COST PER CLICK (CPC) – Amount paid by a marketer per user click on a paid search ad. CPCs are determined by an auctioning process and are a good indicator market conditions. Increases in CPCs indicate advertisers are willing to spend more on advertising and a decrease in CPCs indicate that advertisers are willing to spend less.

IMPRESSIONS – Number of views of an ad by a consumer on a particular search engine. Impressions indicate consumer interest in a product. The more consumers search the higher the impression volume, the less consumers search the lower the impression volume.

RETURN ON AD SPEND (ROAS) – A measure of profitability based on how much an advertiser received in terms of results compared to how much ad budget was spent.

RETURN ON INVESTMENT (ROI) – A measure of profitability based on how much a marketer received in terms of results compared to how much was invested. Also known as a measure of efficiency.

SPEND SHARE – Amount of share that marketers spend buying paid search on a particular search engine as calculated by the formula: particular search engine spend/total search engine marketing spend.

METHODOLOGY

This analysis was completed based on data from Efficient Frontier search engine marketing customers and the resulting Efficient Frontier's Customer Index. The Efficient Frontier Customer Index represents a subset of Efficient Frontier clients who have spend data for six consecutive quarters or more whose resulting SEM metrics are then normalized to average industry category contributions established by multiple third party data providers. The Efficient Frontier Customer Index consists of a fixed sample of large scale search engine advertisers across multiple sectors, including finance, travel, retail and automotive. The Efficient Frontier Customer Index sheds light on trends in search engine spending and performance on a year-over-year (YoY) and quarter-over-quarter (QoQ) basis.

Our analysis of Facebook performance was based on data from both the Efficient Frontier and Context Optional platforms. A client index representing over 15 advertisers and 20 million fans from a multitude of verticals including retail, entertainment, CPG and Finance was built from a subset of advertisers, brands and fans managed through the platforms. Advertiser and user behavior was then analyzed for three quarters beginning Q1 2011.

ABOUT EFFICIENT FRONTIER & CONTEXT OPTIONAL

Efficient Frontier is a leader in online digital marketing, managing search marketing, display and social media campaigns for advertisers and agencies around the world. Efficient Frontier currently manages well over \$1 billion in annual digital marketing spend on behalf of its clients globally.

In May 2011, Efficient Frontier acquired Context Optional, the leading provider of social marketing management solutions for global brands on the leading social networks, Facebook and Twitter. Context Optional's Social Marketing Suite enables global enterprises to build, manage and measure their brand presence, and engage their fans to increase mindshare, word of mouth, customer loyalty and website traffic. Together, Efficient Frontier and Context Optional offer a complete solution for brands to acquire, activate and drive value from fans on Facebook and Twitter.

Efficient Frontier is headquartered in Sunnyvale, California, with offices in New York, Chicago, the United Kingdom, France, Germany, and India, and technology licensing partnerships in Japan, Hong Kong, Australia and Russia. Context Optional is headquartered in San Francisco. Efficient Frontier is a privately held company with funding from Redpoint Ventures and Cambrian Ventures. For more information on Efficient Frontier, visit www.efrontier.com and for Context Optional visit www.contextoptional.com.