U.S. DIGITAL FUTURE IN FOCUS 2013

Key Insights from 2012 and What They Mean for the Coming Year

comScore

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INTRODUCTION

EXECUTIVE SUMMARY

2012 was a milestone year in the life of digital as several watershed events brought the digital marketplace to new heights and laid the groundwork for the future of the industry. From the London Olympics to the Facebook IPO to the U.S. Presidential Election, this past year saw digital media's continued rise in prominence as part of Americans' lives and business pursuits. This report will examine how these events, along with the latest trends in social media, search, online video, digital advertising, mobile and e-commerce are currently shaping the U.S. digital marketplace and what they mean for the coming year, as comScore helps bring the digital future into focus.

SOCIAL MEDIA MARKET MATURES AS FOCUS TURNS TOWARD BUILDING BUSINESS MODELS AND FINANCIAL SUCCESS

Facebook's 2012 IPO signaled a maturation of the social media market where renewed focus on building strong business models and ongoing monetization streams would become front-and-center. Several social media players made waves in the public markets this year, with LinkedIn demonstrating continued strength, while a handful of others experienced their ups and downs. On the horizon, the next wave of notable social media players – Twitter, Tumblr, Pinterest and Instagram – have all posted strong user growth as they begin to develop revenue streams with the possibility of one day joining the public company ranks (and of course Instagram was acquired for $1 billion by Facebook).

GOOGLE MAINTAINS STRONG LEAD IN SEARCH, BUT BING CONTINUES TO GAIN GROUND

Google continued its strong lead in the U.S. search market, finishing the year with 66.7 percent market share, but Bing managed to gain ground as it extended its lead on Yahoo! as the #2 search engine in 2012. The desktop-based U.S. core search market saw its first ever signs of flattening as an increasing number of searches shift to vertical-specific searches and mobile platforms.

ONLINE VIDEO BRINGS TV DOLLARS TO DIGITAL AS CONSUMERS BECOME MORE PLATFORM AGNOSTIC

The U.S. online video market also shows signs of maturing from a consumption standpoint, but monetization is picking up steam as YouTube ramps up its advertising efforts, while traditional media players are finding success with carrying TV commercial content. With the demand for high-impact video advertising exceeding the available inventory, look for the online video market to continue its strong monetization momentum – particularly as targeting improves.

DIGITAL ADVERTISING IMPROVES ACCOUNTABILITY IN QUEST FOR PRINT AND TV AD DOLLARS

Nearly 6 trillion display ad impressions were delivered across the web in 2012 as brand marketers become increasingly comfortable with a medium capable of delivering strong marketing ROI. Despite delivering so many impressions, comScore research showed that an average of 3 in 10 ads are never rendered in-view, leading to significant waste, weaker campaign performance and a glut of poor-performing inventory that imbalances the supply-and-demand equation and depresses CPMs. Through the continued adoption of a viewable impressions standard, the market is beginning to embrace a digital scarcity model that better aligns monetization with the value created by the inventory. By moving to the same "opportunity-to-see" standard for ads as TV, digital campaigns are increasingly comparable across media and marketers can more accurately evaluate their performance and optimize their marketing mix.

SMARTPHONE AND TABLETS CARVE OUT SPACE IN MULTI-PLATFORM DIGITAL MEDIA LANDSCAPE

The rapid adoption of smartphones and tablets, and consumers' increasing use thereof, has resulted in a fragmented digital media landscape where the typical consumer now spends his time with multiple screens. Nearly 1 in every 3 digital media minutes are now spent on smartphones and tablets as we embark on the post-PC paradigm of this **Brave New Digital World**. With the majority of mobile content access occurring via apps rather than the mobile web, a new dynamic has emerged among media companies and retailers in their competition for eyeballs and wallets.

E-COMMERCE CONTINUES GAINS AT EXPENSE OF BRICK-AND-MORTAR WHILE CONSUMERS EXPERIMENT WITH M-COMMERCE

Despite the backdrop of continued economic uncertainty, 2012 was a strong year for retail e-commerce. Throughout the year, growth rates versus the prior year remained in the mid-teens to outpace growth at brick-and-mortar retail stores by a factor of approximately 4x. While consumers remained cautious in their spending habits, they increasingly turned to digital commerce due to three prevailing factors: price, convenience and selection. Total U.S. retail and travel-related e-commerce reached $289 billion in 2012, up 11 percent from 2011.

With each passing year, new startups and innovation will emerge in the consumer web.

More than 50 properties reached 5 to 20 million visitors in December and also grew at least 40 percent over the past year.

TOP WEB DESTINATIONS

GOOGLE OWNS LARGEST AUDIENCE, BUT FACEBOOK TOPS ENGAGEMENT

Google Sites continued its reign as the top U.S. web property with 191.4 million unique visitors in December, while Facebook maintained an edge in overall engagement with 10.8 percent of minutes spent online. The top six positions on both metrics were occupied by Google, Facebook, Yahoo, Microsoft, AOL and Amazon, while the next four spots were different on both lists. Perhaps most interesting is the emergence of Tumblr.com among the top ten web properties by share of overall engagement.

	PROPERTY	TOTAL UNIQUE VISITORS (000)		PROPERTY	SHARE OF TOTAL MINUTES
1	Google Sites	191,363	1	Facebook.com	10.8%
2	Yahoo! Sites	184,935	2	Google Sites	10.0%
3	Microsoft Sites	168,889	3	Yahoo! Sites	7.0%
4	Facebook.com	149,602	4	Microsoft Sites	4.9%
5	Amazon Sites	120,810	5	AOL, Inc.	2.5%
6	AOL, Inc.	110,139	6	Amazon Sites	1.0%
7	Glam Media	109,734	7	eBay	0.9%
8	Ask Network	104,080	8	Tumblr.com	0.7%
9	Wikimedia Foundation Sites	85,847	9	craigslist, inc.	0.7%
10	Apple Inc.	83,609	10	ESPN	0.6%

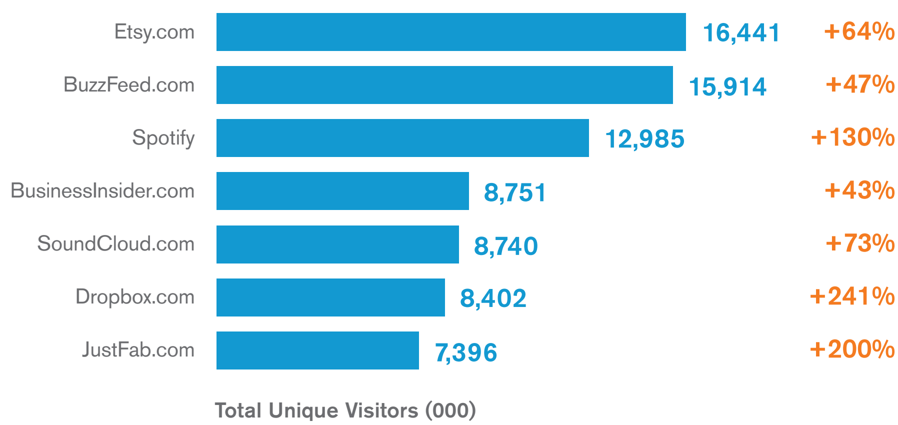
Top Web Properties by Unique Visitors (000) and Share of Total Minutes
Source: comScore Media Metrix, U.S., Dec-2012

BREAKOUT PROPERTIES ENTER THE MAINSTREAM CONSUMER WEB

If there is one constant in the digital space, it is that each passing year will bring us new startups and innovation in the consumer web. Very few startups gain mass consumer adoption right out of the gate, but over a couple of years they can begin to move beyond their early adopters and cultivate wider audiences. Each year a handful of breakout properties begin to take the leap into the consumer mainstream as they cultivate strong consumer brands, amassing audiences in the millions while delivering strong growth.

More than 50 properties registered between 5 and 20 million visitors in December while growing at least 40 percent over the past year – one set of criteria to help identify these breakout properties. The names on this list include some of the following brands that have either entered or significantly established their presence in the digital space in the past year: Spotify, Dropbox, Etsy, BuzzFeed, JustFab, SoundCloud and BusinessInsider. Each of these properties have in common (1) established consumer brands, (2) engaged user bases and (3) apparently growing revenue engines. In addition, each property has made a point of leveraging social media to disseminate content and attract new users.

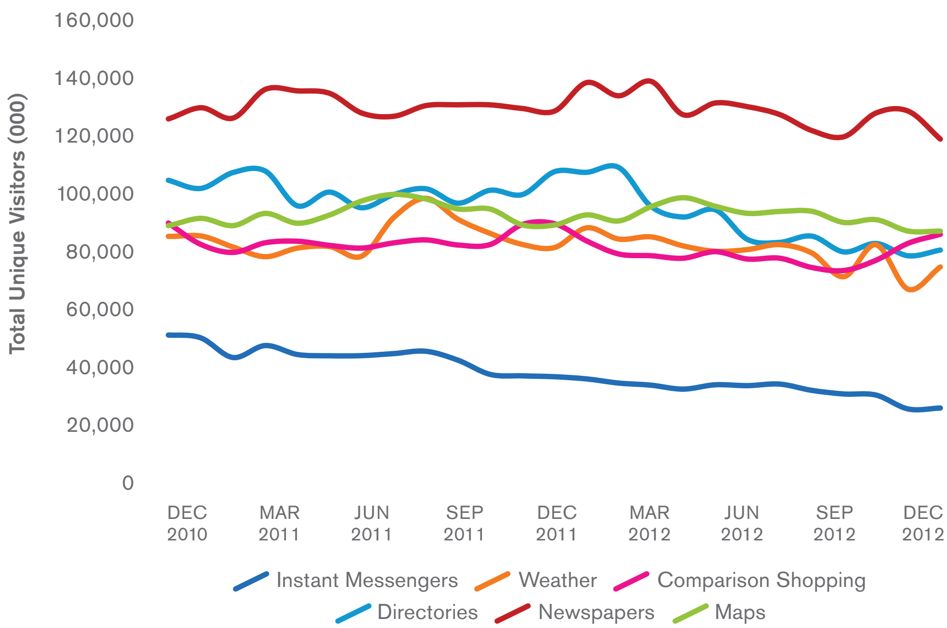
Selected Breakout Web Properties by Total Unique Visitors (000)
Source: comScore Media Metrix, U.S., Dec-2012 vs. Dec-2011



MOBILE PLATFORM SHIFT DRIVES SOFTENING IN DESKTOP USAGE OF SEVERAL CONTENT CATEGORIES

With smartphones surpassing 50 percent U.S. market penetration in 2012, we have begun to see a marked shift in usage patterns on the traditional desktop-based web. While most mobile content usage remains incremental to existing web behavior, certain content categories particularly well-oriented to mobile usage have witnessed material softness in top-line usage from desktop computers. Over the past two years, categories such as Newspapers (down 5 percent), Maps (down 2 percent), Weather (down 12 percent), Directories (down 23 percent), Comparison Shopping (down 4 percent) and Instant Messengers (down 52 percent) have seen declines despite a 5-percent increase in the total U.S. internet population over that time.

Maps, Weather and Directories are all reference categories that deliver significant utility when people are outside and on-the-go, and each category features several brands that rank among the more popular smartphone apps. Softness in web-based comparison shopping reflects the growing 'showrooming' phenomenon, in which people use their smartphones while in brick-and-mortar retail stores to obtain competitive pricing information. The decline in desktop-based instant messenger usage reflects a long-term shift away from that means of communication, as consumers have adopted other methods including social networking, texting and phone-based instant messaging. Perhaps the most interesting category shift is that of Newspapers, which has already witnessed a watershed platform shift from print to digital. Now, we are seeing mobile begin to eat into the traditional web. The good news for newspapers are that people are consuming more news than ever before and that this timely content continues to be very popular among people on their mobile devices. The speed of this platform shift will be worth watching carefully in 2013.



Total Unique Visitor (000)Trends to Selected Content Categories
Source: comScore Media Metrix, U.S., Dec-2010 to Dec-2012

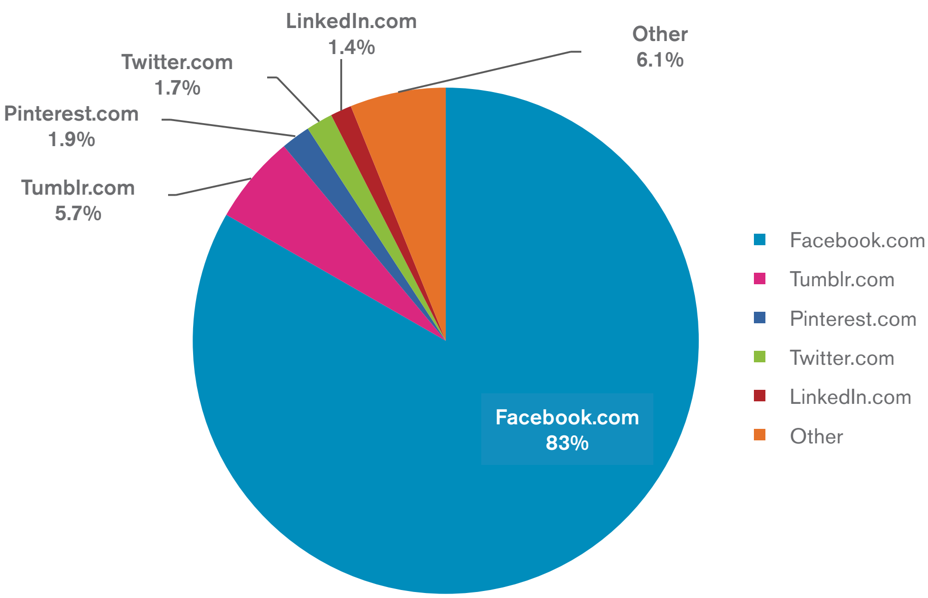
With the rise of the visual web, 2012 saw several new social networks emerge.

Tumblr, Pinterest, and Instagram each gained more than 10 million visitors last year thanks to eye-catching content.

SOCIAL NETWORKING

SOCIAL NETWORKING ENGAGEMENT STILL DOMINATED BY FACEBOOK, BUT OTHER PLAYERS CARVE OUT SPACE

Americans' usage of Social Networking sites continued to be dominated by Facebook, which accounted for 5 out of every 6 minutes spent in the Social Networking category. Facebook also grabbed headlines in May as the highest-profile tech IPO since Google. With the intense spotlight of being a public company, emphasis is beginning to shift from users and usage to revenue streams and financial performance. While Facebook has clearly built a strong multi-billion dollar display advertising business, many are now looking at mobile monetization, the Facebook ad exchange, social gifting/commerce and social search as areas promising new potential for further growth in Facebook's revenue per user.



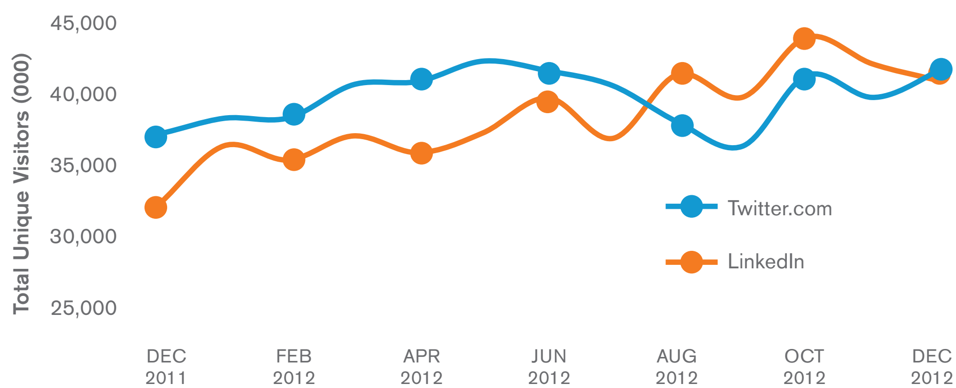
Share of Time Spent on Social Networking Sites
Source: comScore Media Metrix, U.S., Dec-2012

LINKEDIN SOARS IN 2012 FOLLOWING ITS IPO, WITH TWITTER ON DECK

While Facebook looks to diversify its revenue streams, another social networking leader – LinkedIn – has demonstrated early strength as a well-run company that is effectively scaling multiple sources of revenue. As the leading business-oriented social network, LinkedIn has realized the benefits of a strong network effect in this market segment while building three robust revenue streams with talent solutions, marketing solutions and premium subscriptions. By drawing its revenue from end users with a relatively high willingness to pay – businesses, advertisers wanting to reach business decision-makers and business professionals – LinkedIn is also able to build these revenue streams at very healthy gross margins.

The other leading social network beyond Facebook and LinkedIn is Twitter, which battled throughout the year with LinkedIn for the #2 position in the category, just barely capturing the spot in December. Twitter recently claimed an $11-billion valuation on private markets, and industry rumors suggest it is a viable candidate to IPO in 2013. Twitter has reportedly done an effective job scaling its advertising business through the use of Promoted Tweets, which are becoming increasingly popular among major advertisers.

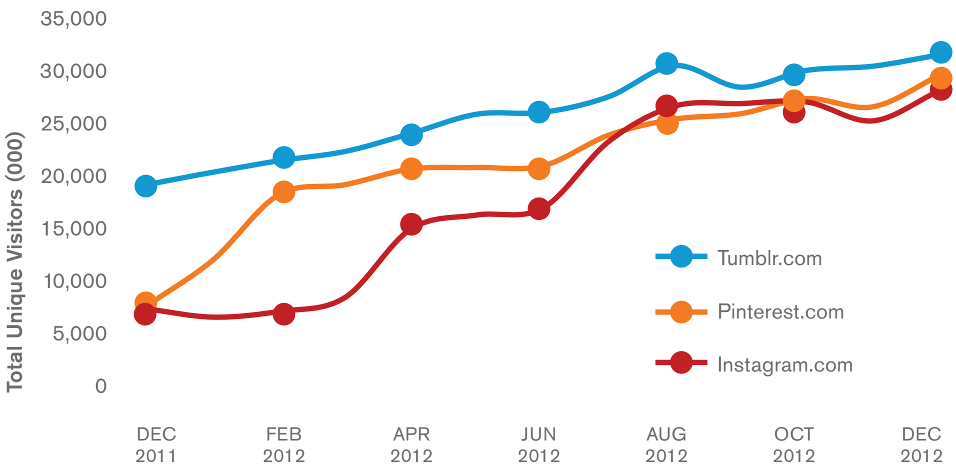
Twitter and LinkedIn: Total Unique Visitor (000) Trend
Source: comScore Media Metrix, U.S., Dec-2011 to Dec-2012



SOCIAL NETWORKING DRIVEN BY THE RISE OF THE VISUAL WEB IN 2012

While Facebook, Twitter and LinkedIn remain the established leaders in the social networking space, 2012 saw several sites competing for an increasing amount of attention and establish themselves as notable players in the market drawing tens of millions of visitors each month. Three social networks in particular – Tumblr, Pinterest and Instagram – each gained more than 10 million visitors over the course of the year in part by catering to a desire for more visually appealing content. comScore has called this phenomenon "the rise of the visual web." Of the three, Tumblr had the largest audience at 30.8 million visitors (up 64 percent from the prior year), while Pinterest (up 284 percent to 28.9 million visitors) and Instagram (up 284 percent to 27.4 million visitors) both shared the same outsized growth rate.

Now that each of these adolescent social networking sites have matured and become well-established players with loyal audiences, they too will begin shifting their orientation towards content monetization. Already Instagram signaled such a move with its December 2012 decision to change its terms of service, which seemed to indicate an intention to monetize through social advertising. Tumblr has begun talking more publicly about its native advertising content – Radar and Spotlight ads – as a means of generating revenue. And there is additional speculation that Pinterest is looking to develop its own native advertising content where brands would be able to pay for placement within the existing content stream.



Tumblr, Pinterest and Instagram: Total Unique Visitor (000) Trend
Source: comScore Media Metrix, U.S., Dec-2011 to Dec-2012

Although 2012 may have been a bit choppy for the business of social, the future looks bright with so many players demonstrating growth, scale and the realization of financial value.

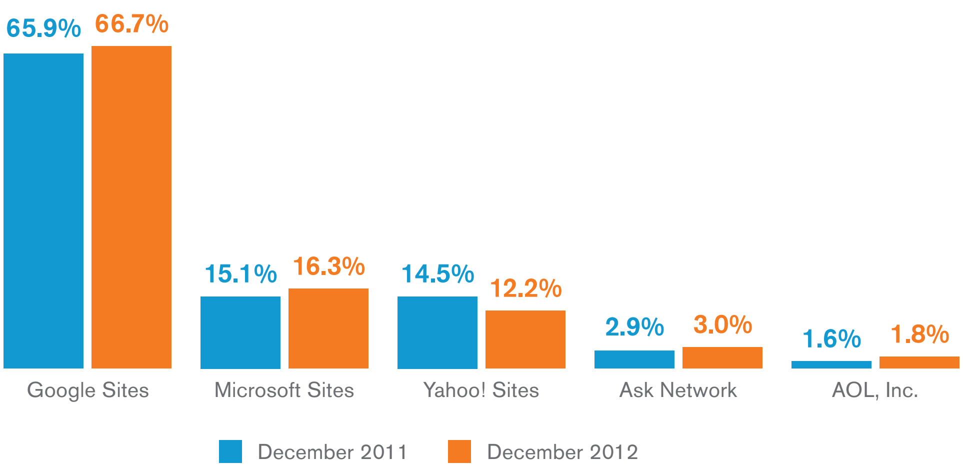
As the search market sees first signs of maturing, Bing shows steady gains.

While core searches declined 3 percent in the past year, vertical searches on specific sites went up 8 percent.

SEARCH

GOOGLE CONTINUES SEARCH LEADERSHIP WHILE BING GAINS

Google remains the strong leader in the U.S. core search market, accounting for 2 out of every 3 searches – up less than a percentage point in the past year. Microsoft Bing had the most significant share gain in 2012, increasing 1.2 percentage points to 16.3 percent to extend its lead on #3 Yahoo! at 12.2 percent. Ask Network remains fourth at 3 percent (up 0.1 percentage points), while AOL rounded out the list at 1.8 percent (up 0.2 percentage points).



Share of Explicit Searches Among Core Search Engines
Source: comScore qSearch, U.S., Dec-2012 vs. Dec-2011

PLATFORM FRAGMENTATION AND VERTICAL SEARCH EATING INTO TOPLINE CORE SEARCH GROWTH

As digital content consumption continues to experience fragmentation across platforms, the desktop-based U.S. core search market has begun to experience its first declines. The total number of core searches declined 3 percent in the past year, driven primarily by a decline in searches per searcher (down 7 percent) despite growth in the number of searchers (up 4 percent). Only Bing managed to generate an increase in searches per searcher (up 6 percent) over the past year.

	SEARCHES	UNIQUE SEARCHERS	SEARCHES PER SEARCHER
Total Internet	-3%	4%	-7%
Google Sites	-2%	6%	-8%
Microsoft Sites	4%	-1%	6%
Yahoo! Sites	-19%	-15%	-5%
Ask Network	0%	5%	-5%
AOL, Inc.	8%	26%	-15%

Explicit Core Search Percent Change
Source: comScore qSearch, U.S., Dec-2012 vs. Dec-2011

Two potential reasons for the decline in core search intensity are (1) the shift towards vertical search and (2) the shift to searching on mobile platforms. With respect to vertical search, consumers are increasingly likely to search for a product on Amazon or eBay, and search for people on Facebook or Whitepages.com. While core searches are softening, vertical searches are up 8 percent year-over-year.

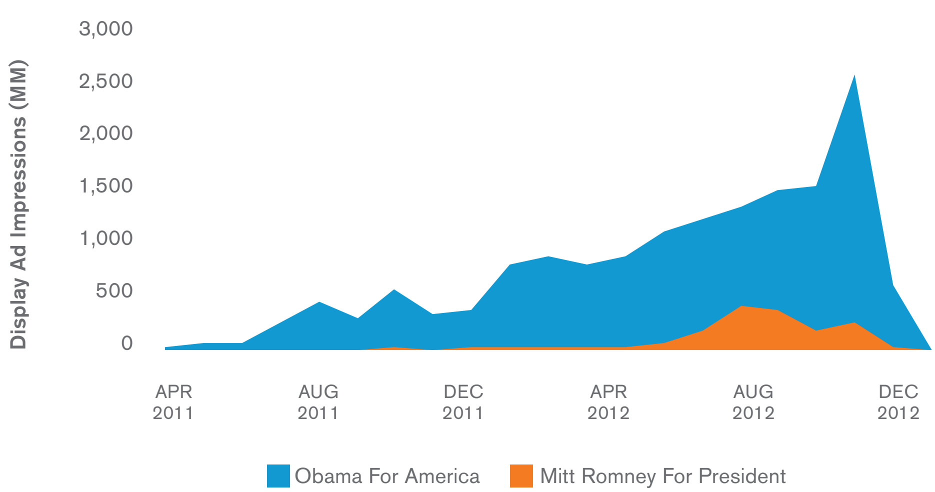
The search market is at a bit of a crossroads with the market having stabilized in many respects, and while it is still extraordinarily profitable, there seems to be a desire to see the market evolve and deliver new value to consumers. Current progress on social search suggests it will become a much bigger theme in the 2013 search market.

DISPLAY ADVERTISING

The past year saw the display advertising space continue to flourish, not just due to sustained investments in large display campaigns, but also due to growth in the impressions delivered by advertisers in the long tail. 2012 also brought with it the growing prevalence of programmatic ad buying, the rise in popularity of non-standard rich media ad units and the proliferation of tablets and other mobile devices providing added opportunities to reach audiences. Dominating the digital advertising airwaves for much of the year were the U.S. presidential primaries and general election, turning the display ad landscape into a digital battleground.

OBAMA CAMPAIGN DOMINATES DISPLAY LANDSCAPE IN 2012 U.S. PRESIDENTIAL ELECTIONS

Throughout 2012, the Obama and Romney campaigns spent deliberately on online display ad campaigns as the U.S. presidential election went underway. Despite delivering more than a billion display ads overall, the Romney campaign was still significantly outmatched by the Obama campaign. Both campaigns' ad impression trends also showed differences in strategy. Advertising for Team Romney peaked in July prior to the conventions (409 million ads), but the Obama campaign was already surpassing that volume in late 2011 to try and engage voters. By the beginning of 2012 the campaign was delivering nearly 1 billion ads per month and reached an eventual peak of 2.5 billion just before the general election in October.

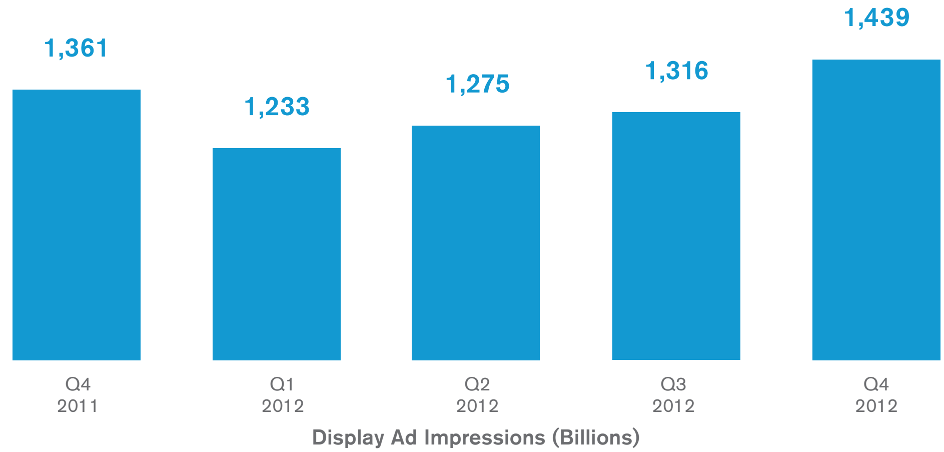


Obama and Romney Campaigns Display Advertising (MM) Trends
Source: comScore Ad Metrix, U.S., Apr-2011 to Dec-2012

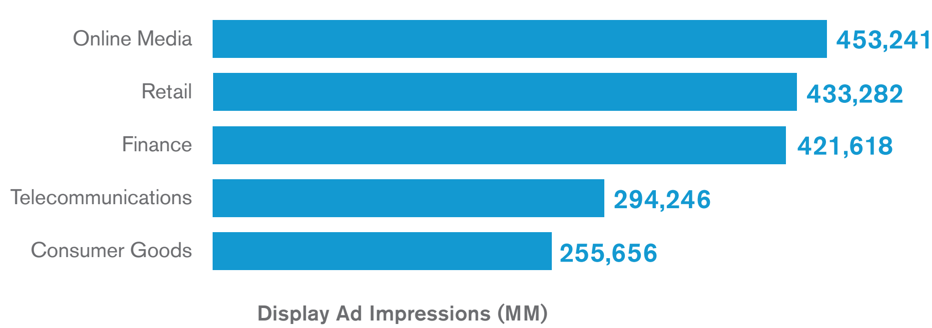
DISPLAY ADVERTISING SEES GAINS DRIVEN BY ONLINE MEDIA, RETAIL AND FINANCE ADVERTISERS

A staggering 5.3 trillion display ad impressions were delivered in the U.S. throughout 2012, with Q4 seeing the most at 1.4 trillion – up 6 percent from the previous year. Closing out the year with the greatest number of impressions delivered were advertisers belonging to the Online Media, Retail, and Finance categories, led by InterActiveCorp, Netflix and State Farm Group, respectively.

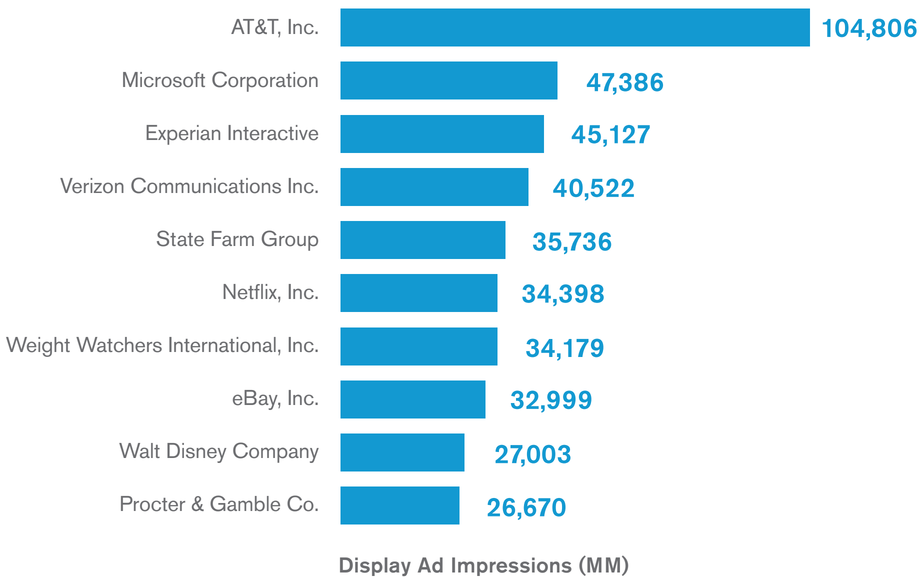
Total Display Ad Impressions (Billions)
Source: comScore Ad Metrix, U.S., Q4 2011 to Q4 2012



Top Ten Advertiser Categories by Impressions (MM)
Source: comScore Ad Metrix, U.S., Jan-2012 to Dec-2012



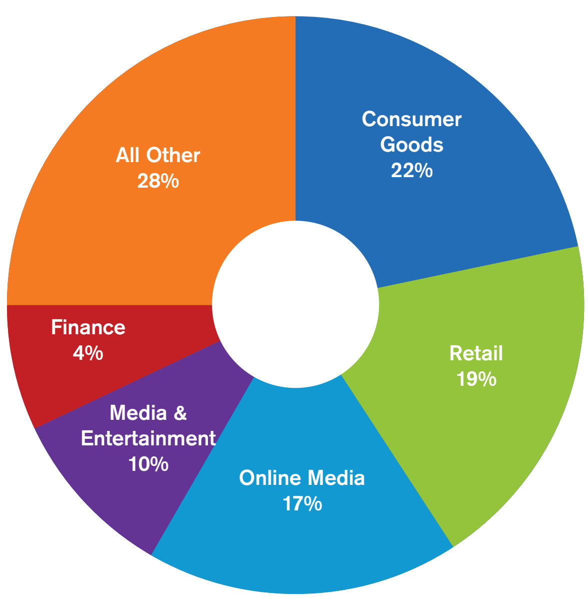
Among the top ten leading online display advertisers, AT&T ranked #1 with 104.8 billion ad impressions in 2012. Microsoft, which debuted Windows 8 and the Surface tablet this year, ranked second with 47.4 billion impressions, rising several spots from 2011. Experian Interactive ranked third with 45.1 billion impressions. Newcomers to the display ad leaderboard include State Farm (35.7 billion impressions), Weight Watchers (34.2 billion impressions), Walt Disney Company (27.0 billion impressions) and Procter & Gamble (26.7 billion impressions).



Top Ten U.S. Online Display Advertisers by Impressions (MM)
Source: comScore Ad Metrix, U.S., Jan-2012 to Dec-2012

1 IN 8 ADS ACROSS THE WEB ARE SOCIALLY-ENABLED AS BRANDS BECOME MORE SOCIAL

As brands deepened their investments in connecting with customers on social platforms, a greater number of ad impressions were "socially-enabled," meaning that they directed consumers to "Like" or "Follow" brands at social media destinations. Advertisers for Consumer Goods, Retail and Online Media delivered the greatest number of socially-enabled ad impressions. Within the Consumer Goods category, nearly 1 in 5 ads were socially-enabled with Nestle, Procter & Gamble and Kellogg leading the way.

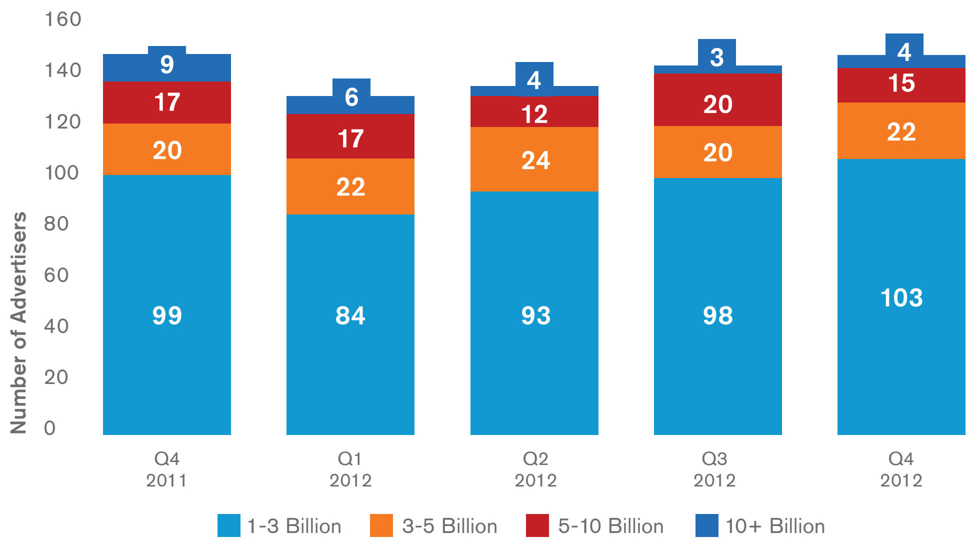


Advertiser Industry Share Among Classified Socially-Enabled Display Ads
Source: comScore Ad Metrix Social, U.S., Jan-2012 to Dec-2012

NUMBER OF HIGH VOLUME ADVERTISERS STABILIZES AS LONG TAIL DRIVES GROWTH

The number of advertisers delivering at least 1 billion display ad impressions per quarter remained relatively constant from Q4 2011 to Q4 2012, suggesting that the overall growth in the display ad market noted earlier is being driven by an increase in small and mid-sized advertisers.

Number of Advertisers Delivering at Least 1 Billion Display Ad Impressions per Quarter
Source: comScore Ad Metrix, U.S., Jan-2012 to Dec-2012



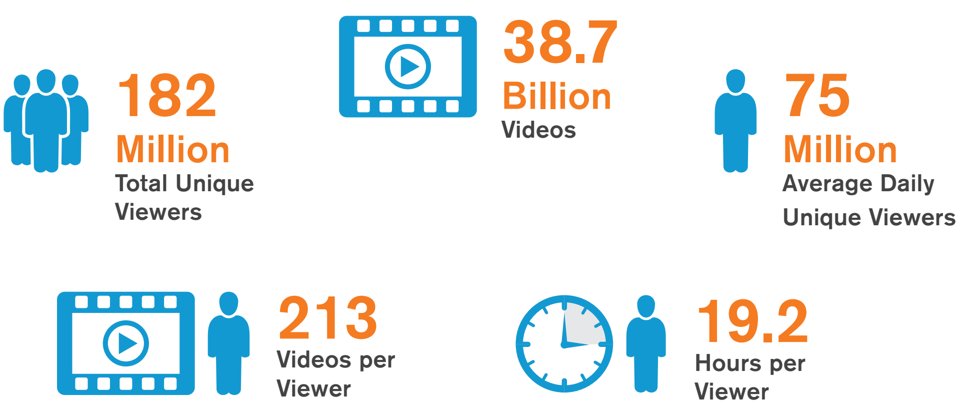
As the display ad landscape increasingly leverages programmatic buying and enhanced targeting techniques, large advertisers may have less need to ramp up ad volume as they had in previous years. While delivering advertising at scale remains important, an increased premium on accountability and performance means advertisers are sacrificing quantity for quality – whether that means leveraging more rich media, experimenting with larger ad units or demanding ad viewability. With an average of 3 in 10 ads never actually seen by their target audiences, it is more important than ever for advertisers to evaluate campaign viewability to improve optimization and maximize the return on their media spend. Look for advertisers to demand more accountability and publishers to reconfigure their site design and ad inventory to improve performance in the coming year.

ONLINE VIDEO

ONLINE VIDEO FUELED BY ON-DEMAND VIEWING

Digital video content is rapidly migrating across platforms as more consumers are valuing on-demand and on-the-go video viewing. The past twelve months saw Americans engage with online video content via desktop computers at consistently strong levels. This was a pivotal year for video media as premium video services continued to draw new customers to digital TV formats. Additionally, the London Olympics were the video highlight of the year as millions of people worldwide logged on to watch the Games live or catch up on the replays, resulting in a flood of additional video views that allowed the media to reach record-breaking levels.

The U.S. online video market attracts an average of 75 million viewers every day and streams nearly 40 billion videos per month. Meanwhile, the rise of Web TV and other long-form video content is keeping engagement levels high as more people turn to digital media to watch their favorite shows whenever it's most convenient for them. The year ahead is sure to be defined by an evolved consumer with high expectations for a flexible multi-screen viewing experience.



Online Video Vital Signs
Source: comScore Video Metrix, U.S., Dec-2012

YOUTUBE DRIVES LION'S SHARE OF VIDEO VIEWING ACTIVITY

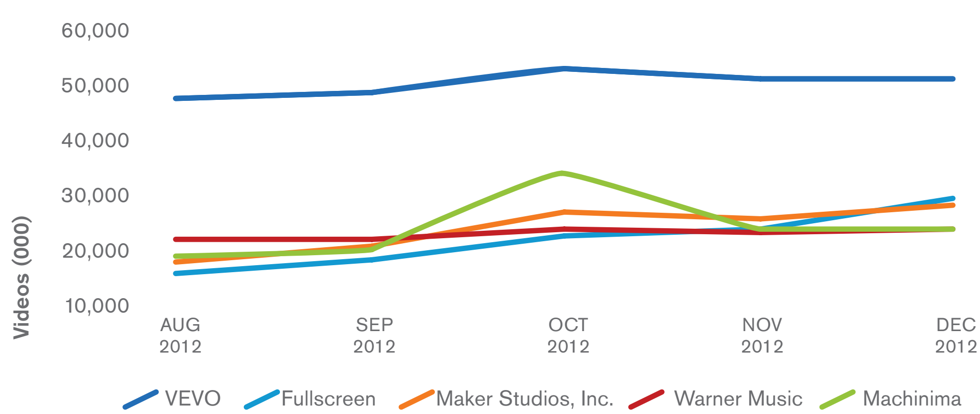
In 2012, more than 450 billion U.S. content video views occurred via a desktop computer, representing an all-time high and an increase of 7 percent over 2011. Google Sites – primarily driven by YouTube.com – once again delivers the highest volume of video streaming activity with more than 188 billion videos during the year, representing 42 percent of the market. Hulu ranked #2 for the second year in a row with 8.9 billion video streams throughout the year, followed by VEVO with 7.6 billion, Yahoo! Sites with 7.3 billion and AOL, Inc. with 7.2 billion.

TOP VIDEO CONTENT PROPERTIES RANKED BY VIDEOS VIEWED (MM) SOURCE: COMSCORE VIDEO METRIX, U.S., JAN-2012 TO DEC-2012	
Google Sites	188,758
Hulu	8,875
VEVO	7,626
Yahoo! Sites	7,330
AOL, Inc.	7,199
Microsoft Sites	5,744
Netflix.com	5,431
Viacom Digital	5,361
NDN	3,649
Facebook.com	3,372
ESPN	3,290
Turner Digital	2,904
DailyMotion.com	2,778
Blinkx	2,687
CBS Interactive	2,557

YOUTUBE PARTNER CHANNELS BATTLE FOR HIGHER GROUND IN TOP 5 RANKING

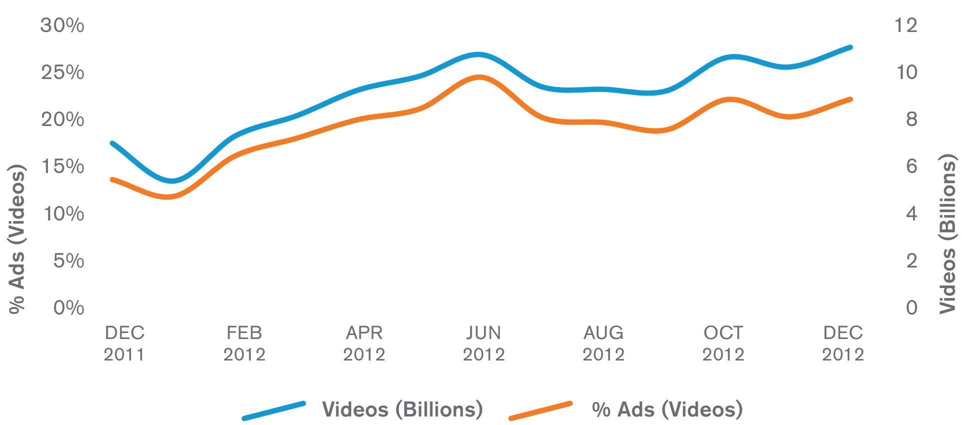
With YouTube functioning as a market within a market, it has invested in delivering more premium content through its partner channels. VEVO consistently ranks as the #1 YouTube partner channel, but the rest of the top five positions are anybody's game month-to-month. Fullscreen, Maker Studios, Warner Music and Machinima competed with each other in the back half of the year for the other top spots, making for a very exciting unfolding scene to watch as these partners creatively generate new ways to draw more viewers each month. Fullscreen managed to edge out the #2 ranking in December, but time will tell if others are able to reclaim the mantle.

Top YouTube Partner Channels by Videos (000)
Source: comScore Video Metrix, U.S., Aug-2012 to Dec-2012



VIDEO ADVERTISING COMES OF AGE

Historically, there has been a noticeable gap between the number of video ad views versus video content views, with consumer demand for video content outpacing the movement of ad dollars. Video ad monetization clearly accelerated in the past year, however, with the volume of monthly video ad impressions surging 59 percent to 11.3 billion in December. The percentage of videos accompanied by a video ad jumped from just 14 percent in 2011 to nearly 23 percent in 2012. Despite online video's high CPMs, brands have found these ad units to be particularly effective components in their marketing mix and are willing to pay for their performance. The key to continued monetization in this channel will be freeing up safe, high-quality inventory to carry video ads.



Video Advertising as a Percentage of Total Online Video Consumption
Source: comScore Video Metrix, U.S., Dec-2011 to Dec-2012

Despite economic uncertainty, the retail e-commerce sector showed robust growth.

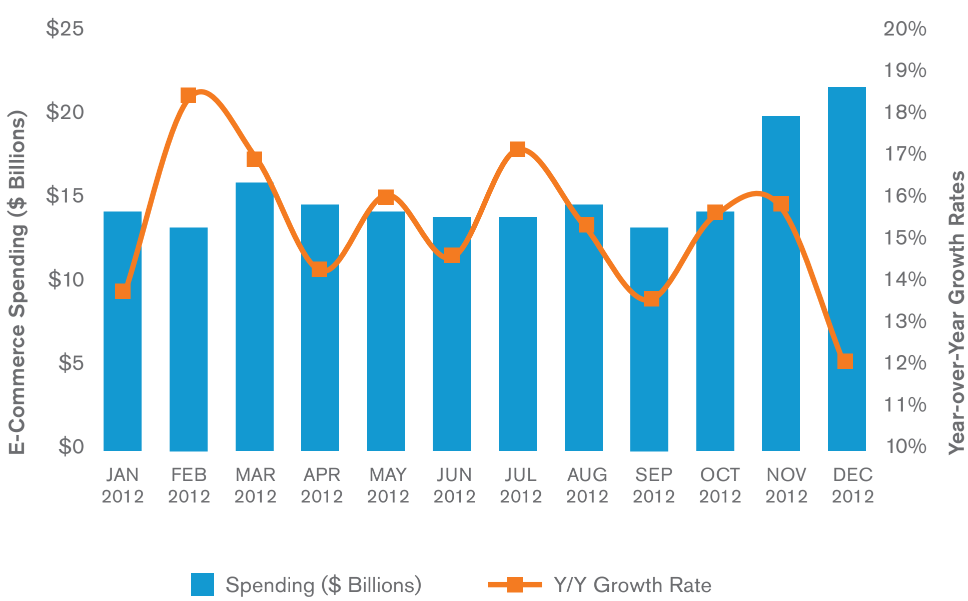
Total U.S. e-commerce spending reached $289.1 billion in 2012 – an increase of 13 percent from 2011.

E-COMMERCE

CHANNEL SHIFT ACCELERATES E-COMMERCE GROWTH DESPITE ECONOMIC UNCERTAINTY

2012 was another year of slow progress as the U.S. economy worked its way out of the recession. Despite unemployment hovering at or around 8 percent for much of the year and a sputtering economic engine, the retail e-commerce sector was a relative bright spot with year-over-year growth rates in the mid-teens throughout most of the past twelve months. Total U.S. e-commerce spending reached $289.1 billion in 2012, representing an increase of 13 percent from 2011. Travel e-commerce spending grew 9 percent to $103 billion, while retail (non-travel) e-commerce spending jumped 15 percent to $186.2 billion for the year.

The 2012 online holiday shopping season posted a solid growth rate of 14 percent to $42.3 billion in spending for the November-December period, but the season actually fell short of initial expectations due to a marked drop in consumer sentiment in December as fiscal cliff concerns began to wear on the American consumer. As a result, December marked a low-point for the year in terms of year-over-year growth rate despite November's strong start to the season.[1]



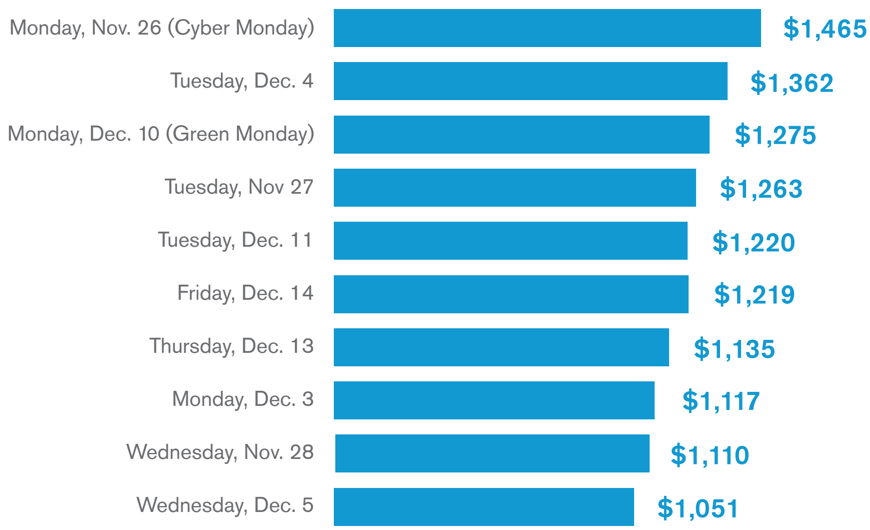
2012 Monthly E-Commerce Spending and Year-over-Year Growth Rate
Source: comScore E-Commerce Measurement, U.S., Jan-2012 to Dec-2012

[1] November and December growth rates were calculated based on comparable shopping days in 2011, not calendar dates.

$1.465 BILLION CYBER MONDAY RANKS AS TOP ONLINE SPENDING DAY OF 2012

The heaviest individual spending day of the year was Cyber Monday (Monday, November 26, 2012) at $1.465 billion, marking the third consecutive year in which Cyber Monday has ranked as the top online spending day of the season. Cyber Monday led this past year's onslaught of billion dollar spending days, with twelve individual days surpassing that threshold in the holiday season alone. Tuesday, December 4 ranked second with $1.362 billion in spending, followed by Green Monday (Monday, December 10) with $1.275 billion.

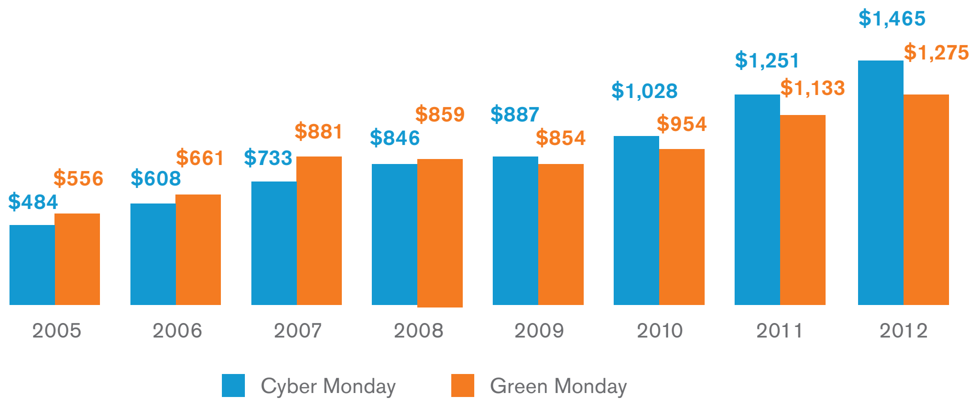
Top 10 Online Retail Spending Days in 2012 (MM)
Source: comScore E-Commerce Measurement, U.S., Jan-2012 to Dec-2012



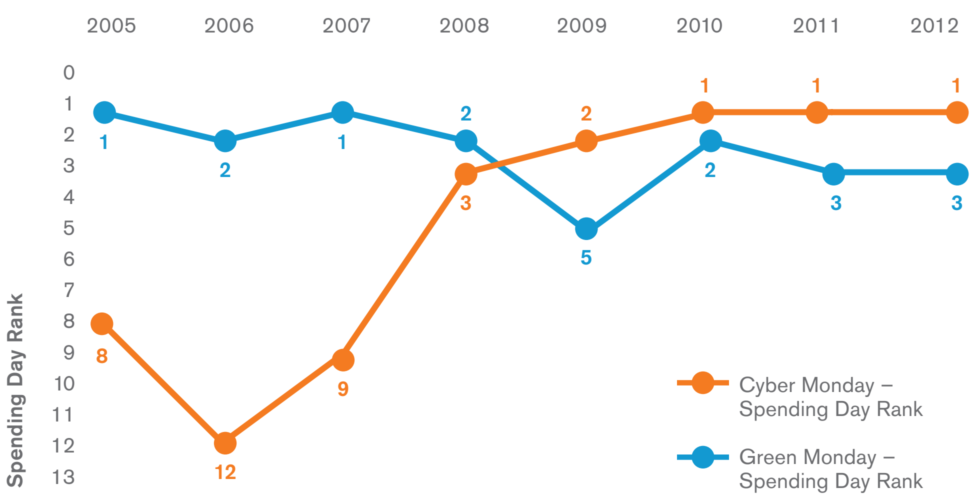
CYBER MONDAY AND GREEN MONDAY COMPETE FOR ONLINE SPENDING DOLLARS

Two of the most important days of each holiday spending season are Cyber Monday, which occurs the Monday following Thanksgiving, and Green Monday, which occurs on the Monday in mid-December with at least 10 days prior to Christmas when holiday spending tends to peak for the season. When the term 'Cyber Monday' was first coined in 2005, there was a widely-held misconception that it was the heaviest online spending day of the year. In reality, it simply marked the kick-off to the heavy part of the online holiday season. At the time, 'Green Monday' was the individual day where spending tended to peak.

Over the years, however, the heavy promotional activity around Cyber Monday has raised the day's importance considerably, as it first surpassed Green Monday spending in 2009 and hasn't looked back since. For each of the past three seasons, in fact, Cyber Monday has ranked as the top online spending day while Green Monday has had to settle for a spot in the top three.



Cyber Monday and Green Monday Online Spending (MM)
Source: comScore E-Commerce Measurement, U.S., 2005-2012



Cyber Monday and Green Monday: U.S. Online Spending Day Rank
Source: comScore E-Commerce Measurement, U.S., 2005-2012

DIGITAL CONTENT & SUBSCRIPTIONS IS #1 GROWING ONLINE RETAIL PRODUCT CATEGORY

Digital Content & Subscriptions, a category predominantly composed of digital content downloads such as music, movies, TV shows and e-books, ranked as the top-gaining retail e-commerce product category for 2012, its second consecutive year to claim that distinction. The increasing proliferation of devices like smartphones, tablets and digital music players has accelerated consumer demand for digital content downloads, contributing to the 26-percent gain in the category.

Consumer Electronics ranked as the second fastest-growing category this year at 19 percent, with tablets contributing significantly to the category growth while flat-panel TV sales finally began to level off after several years of driving strong category growth. Apparel & Accessories ranked third with a 17-percent increase, the highest the category has ever finished on this list. Event Tickets (up 16 percent) and Computer Software (up 16 percent) rounded out the top five.

Mobile commerce begins to make a dent in e-commerce.

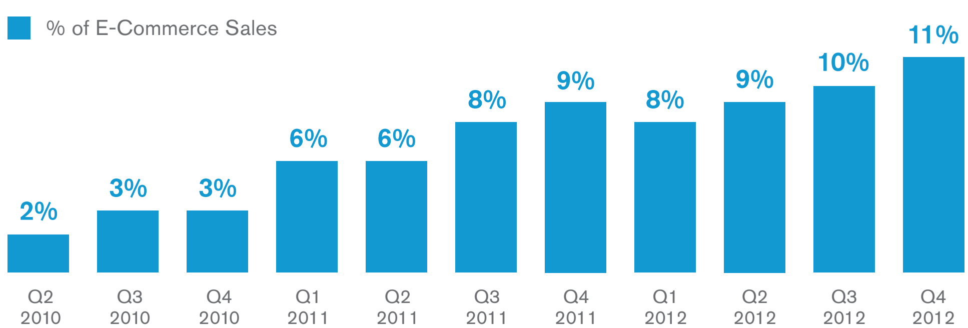
M-commerce transactions now represent approximately 11 percent of e-commerce spending.

Top 5 Gaining Retail E-Commerce Categories of 2012
Source: comScore E-Commerce Measurement, U.S., 2012 vs. 2011

Americans' collective obsession with the latest electronic gadgets will likely continue to drive the hottest trends in e-commerce over the coming year. And while smartphones and tablets will continue to account for the lion's share of that activity, look for a variety of other electronic gadgets to begin breaking into the mainstream. Elegantly-designed household and personal gadgets – including the Nest Thermostat, Nike+ Fuelband, Fitbit and Pebble – will prove popular with consumers and turn early adopters into evangelists that will drive adoption among the early majority.

M-COMMERCE BEGINS TO MAKE A DENT IN E-COMMERCE

While e-commerce continues to shine and gain share from traditional retail, we are also beginning to see the first signs of mobile commerce affecting the digital commerce landscape. Smartphones have become an important device for "showrooming" behavior, where in-store shoppers use their phones to compare prices and end up transacting via digital channels, which is disrupting established brick-and-mortar retail. Conducting purchases via smartphones is not a widespread phenomenon yet, but it is happening – while tablets are proving to be a bit more transactional given their larger screen size. In the fourth quarter of 2012, comScore estimates that m-commerce transactions (from both smartphones and tablets) now represent approximately 11 percent of corresponding e-commerce spending – a notable percentage worth keeping an eye on in the coming year.



Percentage of U.S. Retail E-Commerce Dollars Spent via Mobile Device
Source: comScore M-Commerce Survey, U.S., Q2 2010 to Q4 2012

Smartphones now form the mobile majority, with tablets gaining traction.

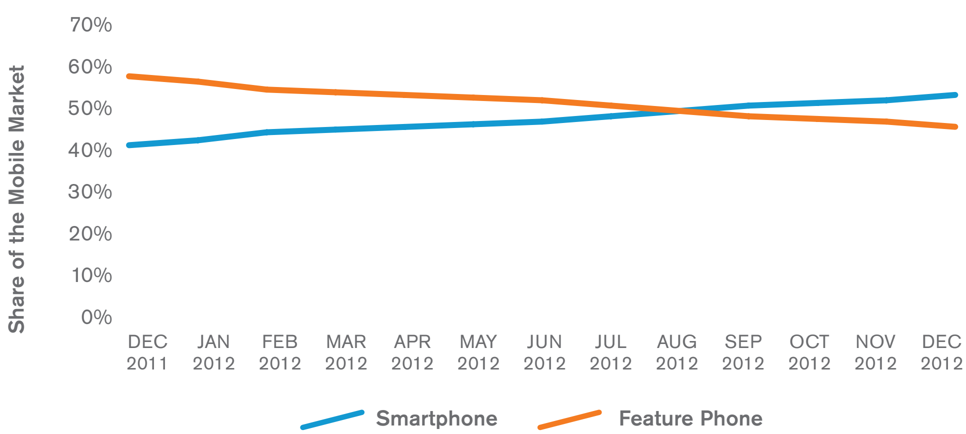
Smartphone adoption surpassed 50-percent market penetration in Q3 2012.

MOBILE

Smartphones continued to drive the mobile landscape in 2012, finally reaching 50-percent market penetration at the end of Q3. The Android platform also hit a 50-percent milestone in 2012 as it captured the majority of the smartphone market for the first time. Meanwhile, tablets continued to gain traction, with comScore reporting 52.4 million U.S. tablet owners owning nearly 58 million tablets as of December 2012. Between smartphones and tablets making their way into the hands of so many consumers today, multi-platform media consumption is fast becoming the norm.

SMARTPHONES NOW FORM THE MOBILE MAJORITY, LED BY ANDROID

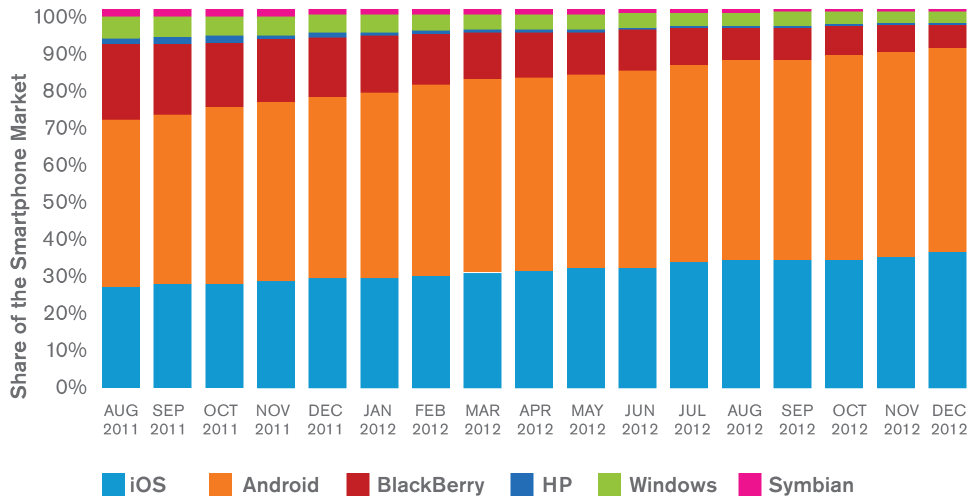
Smartphone adoption continued to increase strongly in 2012 and by September there were more smartphone users than feature phone users for the first time. This important threshold now signals that we are in the 'late majority' part of the technology adoption cycle, where attributes such as price and features become more important drivers of device usage than brand. This dynamic will be especially important in 2013 as iOS and Android battle for platform market share supremacy.



Smartphone Share of the Mobile Subscriber Market
Source: comScore MobiLens, U.S., 3 Month Avg. Ending Dec-2011 to Dec-2012

Android currently owns the smartphone market share lead at 53.4 percent while iOS is a strong #2 at 36.3 percent. The two leading platforms now combine to account for 9 in 10 smartphones. Despite the combined dominance of Android and iOS, other platforms – most notably, Windows and BlackBerry – have not given up the fight and are still looking to assert themselves in the mobile space with new device models and operating systems.

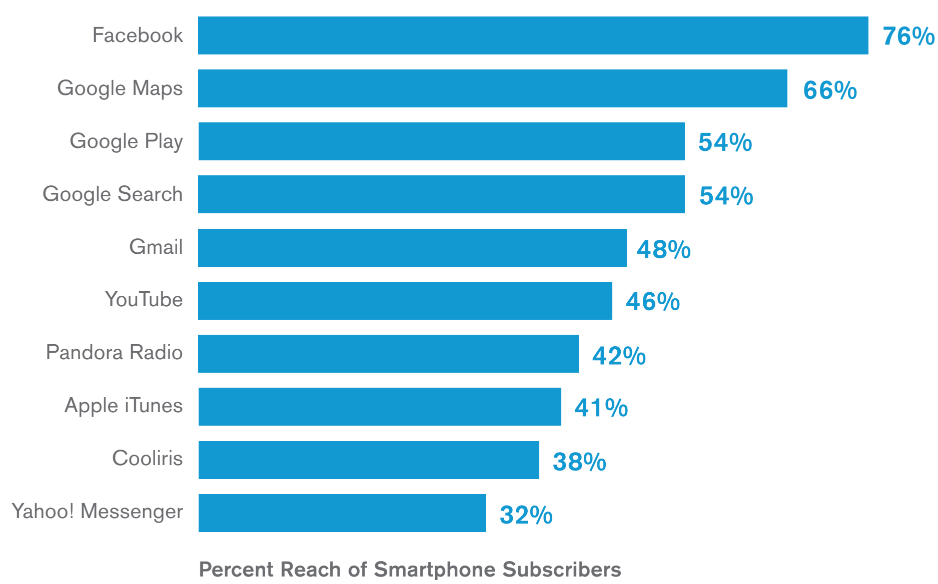
Smartphone Platform Market Share
Source: comScore MobiLens, U.S., 3 Month Avg. Ending Aug-2011 to Dec-2012



FACEBOOK AND GOOGLE LEAD MOBILE APPS IN AUDIENCE AND ENGAGEMENT

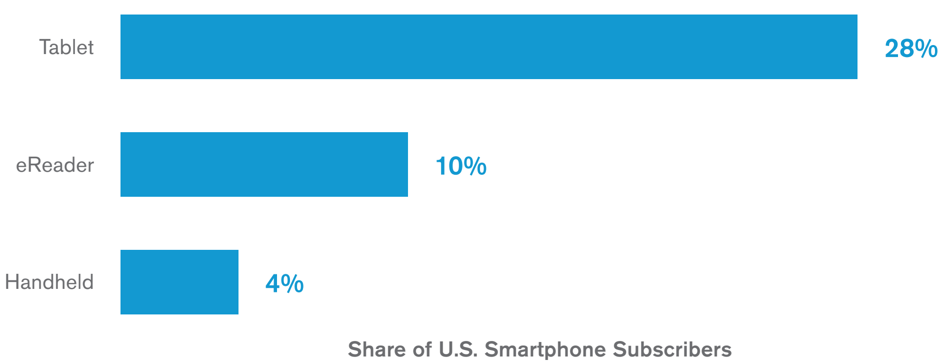
Smartphone media usage is dominated by apps, which account for 4 out of every 5 minutes spent on smartphones with mobile web usage accounting for the remainder. Facebook finished the year in the #1 position among apps, reaching 76 percent of the smartphone market after pulling ahead of the previous #1, Google Maps, in October (after it was pulled from iOS 6.) Facebook also garnered the heaviest engagement from smartphone users, accounting for 23 percent of all time spent on mobile apps. Despite Facebook's leadership in the app market, Google apps dominated the rest of the list of top apps visited in the U.S., with Google Maps, Google Play, Google Search, Gmail and YouTube ranking as the most heavily visited apps next to Facebook. Combined, Google apps also accounted for approximately 10 percent of all time spent on apps in the month.

Top Mobile Applications Ranked by Percent Reach of Smartphone Subscribers
Source: comScore Mobile Metrix, U.S., Dec-2012



1 IN 4 SMARTPHONE OWNERS NOW OWN A TABLET AS CONSUMERS GO MULTI-PLATFORM

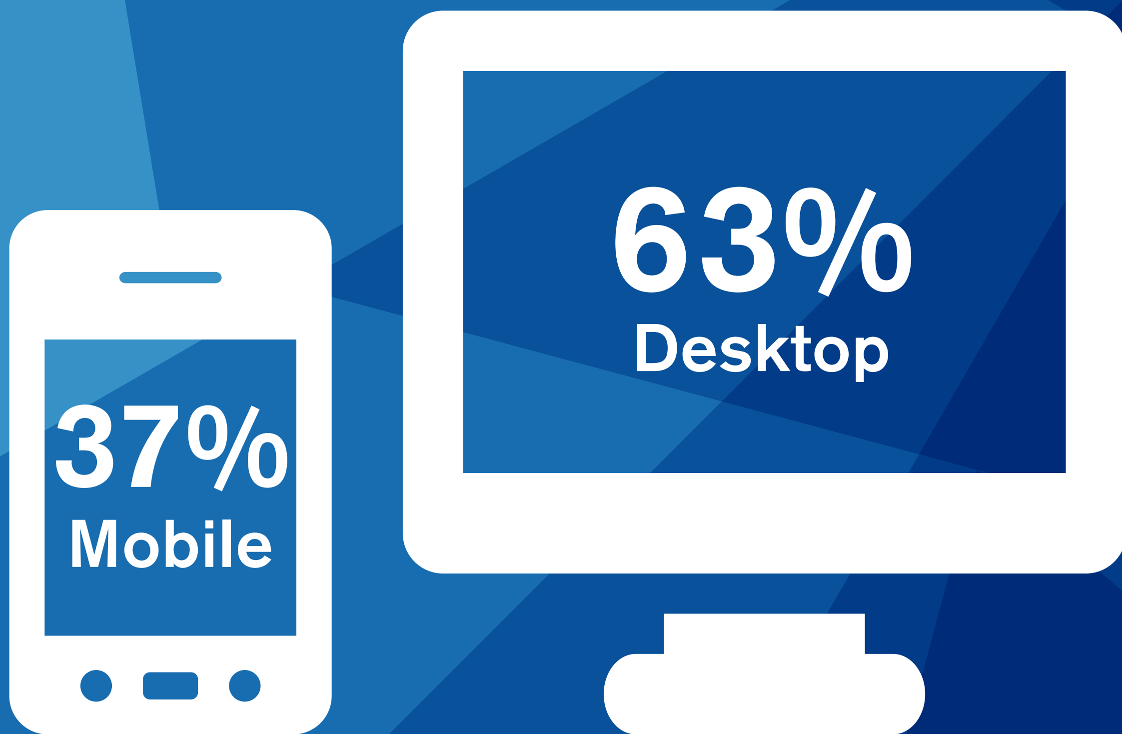
Tablets emerged as a critical piece of the multi-platform digital landscape in 2012 as device penetration moved beyond early adopters and into the early majority with 52.4 million Americans owning tablets by the end of 2012. Currently, more than a quarter (28 percent) of smartphone owners also reported owning a tablet, highlighting the continued rise of the 'digital omnivore,' as more consumers access the Internet through multiple platforms throughout the course of a day. Nearly 4 out of 10 smartphone owners have a secondary digital device, whether it's a tablet, e-reader or other handheld device.



Share of Smartphone Subscribers Owning a Connected Device
Source: comScore MobiLens, U.S., 3 Month Avg. Ending Dec-2012

Although tablets initially gained popularity as entertainment devices, tablet owners now use them for a wide range of activities. Many tablet owners use their tablets to communicate, with 73.6 percent using their tablets to e-mail others and 67.5 percent using their tablets for social networking. Half of tablet owners report watching video and TV programming on their tablets. Increasingly, tablets are also being used for e-commerce activities, such as researching product features (39.1 percent), comparing product prices (38.7 percent) and actually purchasing goods or services online (38.2 percent).

As tablets become more commonplace, accessible and familiar to consumers in 2013, we will likely see a rise in these behaviors, as well as changes in consumption patterns due to having multiple devices. For more insights into the outlook for mobile in 2013, stay tuned for the accompanying **2013 Mobile Future in Focus** report.



Share of Digital Media Time Spent: Desktop Computer vs. Mobile (Smartphone + Tablet)

Source: comScore Media Metrix Multi-Platform (Beta), U.S., Dec-2012

MULTI-PLATFORM

SMARTPHONES AND TABLETS NOW DRIVE 1 OUT OF 3 MINUTES SPENT WITH DIGITAL MEDIA

With smartphones and tablets completely reshaping the way we connect with content and experience media, audiences are fragmenting even further and attention is getting shared across platforms. In this **Brave New Digital World**, the fundamental economics of digital media are at stake if shifting between platforms means trading dollars for dimes. However, with an overall increase in time spent with different screens, there are more monetization opportunities for media companies and optimization opportunities for marketers. Digital businesses still have a chance to effectively navigate this transition and maximize their opportunities while mitigating their costs. However, it requires a firm grasp of the multi-platform landscape and an understanding of how consumer usage patterns are shifting. Without an effective multi-platform strategy, many companies will be left behind.

The digital media landscape is already well into this transition, and no longer can smartphone and tablet usage be considered a mere rounding error in digital consumer behavior. **comScore Media Metrix Multi-Platform (Beta)**, which provides an unduplicated view of digital media audiences and consumption across desktop computers, smartphones and tablets, reveals that more than one out of every three minutes (37 percent) is now spent beyond the PC.

As digital consumers become more reliant on their smartphones and tablets for everyday content consumption, we can expect this share to rise over time and perhaps take over majority share during the course of the next year. Envisioning this reality places a premium not only on getting the mobile channels right, but also on proving their value in short order.

MORE PLATFORMS MEANS EXTENDED REACH FOR MEDIA COMPANIES

While desktop-based Internet usage has not seen notable declines for the majority of content categories and leading digital properties, usage does appear to be leveling off as incremental usage shifts to smartphones and tablets. By accounting for these incremental audiences, media companies are able to demonstrate significantly wider scale to advertisers, along with the ability to provide unique marketing experiences according to the medium.

The average Top 25 digital media property extended its reach via mobile channels by 29 percent. Certain mobile-oriented properties such as Pandora (+155 percent reach), ESPN (+59 percent) and Twitter (+46 percent) are extending their reach

More platforms extend reach for media companies.

The average Top 25 digital media property extended its reach via mobile channels by 29 percent.

by an even greater percentage. Even those with a relatively modest incremental reach in the teens are recognizing that mobile channels represent more than a mere rounding error.

The future revenue streams of these media companies depend on effectively delivering content and commerce to their consumers through these channels, and demonstrating why they are an important part of the marketing mix. Failure to meet consumer expectations and aggressively prove the value of these additional channels in 2013 could spell a very rocky economic transition by the time 2014 comes around.

	TOP 25 DIGITAL PROPERTIES	TOTAL DIGITAL POPULATION (000)	PC (000)	MOBILE (000)	% INCREMENTAL AUDIENCE VIA MOBILE
1	Google Sites	223,445	193,757	113,650	15%
2	Yahoo! Sites	206,830	185,847	92,218	11%
3	Facebook.com	185,335	150,294	97,739	23%
4	Microsoft Sites	178,737	170,947	55,190	5%
5	Amazon Sites	159,630	128,227	80,476	24%
6	AOL, Inc.	140,252	117,628	62,360	19%
7	Glam Media	128,317	110,555	50,428	16%
8	Ask Network	121,833	104,148	47,972	17%
9	Apple Inc.	108,580	83,722	51,548	30%
10	Turner Digital	104,897	85,666	44,675	22%
11	CBS Interactive	104,415	87,121	42,135	20%
12	Wikimedia Foundation Sites	103,644	85,883	41,700	21%
13	eBay	95,498	77,725	39,489	23%
14	Demand Media	89,208	74,924	33,406	19%
15	Comcast NBC Universal	88,586	71,091	37,300	25%
16	Viacom Digital	80,614	71,695	22,312	12%
17	Federated Media Publishing	78,680	64,639	30,105	22%
18	The Weather Channel	69,749	48,928	34,877	43%
19	Wal-Mart	66,208	52,203	26,734	27%
20	Pandora.com	65,838	25,863	52,595	155%
21	Answers.com Sites	64,931	49,171	28,006	32%
22	Gannett Sites	63,573	48,228	27,523	32%
23	ESPN	61,505	38,660	34,616	59%
24	VEVO	59,790	56,793	5,504	5%
25	Twitter.com	59,323	40,659	29,629	46%

Top 25 Digital Properties by Digital Population (000)
Source: comScore Media Metrix Multi-Platform (Beta), U.S., Dec-2012

CONCLUSION

2013: PUTTING THE FUTURE INTO FOCUS

MULTI-PLATFORM PARADIGM WILL DRIVE AD AND CONTENT INTEGRATION STRATEGIES

With the platform shift in full swing, businesses will be challenged in the coming year to stay ahead of consumers' usage curve and deliver them with the content they want, when and where they want it. It will also be imperative to maintain revenue streams in the core digital channels while capturing market share and monetizing emerging channels. Doing so will require businesses to get even smarter in how they scale their content to other platforms by developing integration strategies that deliver unique offerings to advertisers.

Greater integration between delivery of content and the ability to deliver campaigns in a multi-platform fashion remains a challenge, but the companies who facilitate this form of platform agnostic strategy will enhance value to marketers, simplify campaign management for agencies and foster greater pricing equilibrium between their content channels. As the bridge between traditional and digital platforms, online video will play an important leading role in how these integration strategies materialize.

RENEWED FOCUS ON BUSINESS PERFORMANCE & CONTENT MONETIZATION

This past year saw previous years' lofty valuations in the technology sector begin to come back to earth with several growth companies now trading on the public markets. As certain stock prices softened following their public offerings, funding of technology companies became more selective with a bias towards companies demonstrating strong user growth and developing revenue streams. Newly public companies are also adjusting to life under the Wall Street spotlight as they are asked to meet quarterly revenue benchmarks and profit forecasts without the luxury of being able to rely on future growth expectations alone to drive their valuations. Such renewed sobriety is an indication that 2013 promises to be the year of "show me the money" in the technology sector, not only for publicly-traded companies but also those that are privately funded.

MEDIA COMPANIES WILL FIGHT BACK WITH DIGITAL CPMS UNDER PRESSURE

The continued downward pressure on CPMs resulting from the rapid adoption of programmatic ad buying is beginning to meet with stronger resistance in the industry, particularly among media companies delivering highly engaging content and coveted audiences that warrant higher CPMs. Premium publishers will take several measures to protect the value of their inventory, including (1) putting it on private exchanges with reserve prices to ensure their $5 inventory does not get sold at a $1 CPM, (2) demonstrating through metrics that their ads have higher viewability and ad engagement and (3) proving the effectiveness of their ads to drive consumer behavior, including in-store sales.

Certain large, premium publishers are also beginning to experiment with and implement native advertising-based models to deliver unique branded content at scale. Facebook and Twitter have already successfully implemented such ad units that leverage the unique value of their platforms, with the added benefit of being units that work as well on mobile devices as they do on desktop computers. Look for others to follow suit as a means of enhancing the value of their platforms, increasing the value of their inventory and improving the scalability of their content.

SOCIAL STRATEGY = SIMPLICITY, SCALE AND SUCCESS METRICS

As marketers continue to get a better handle on social media strategy, they will look for ways to deliver impact at scale via integrated strategies rather than rely on fragmented efforts. While Facebook can deliver impact at scale for many large brands, other channels such as LinkedIn, Twitter, Pinterest and Tumblr are gaining in importance for different segments of marketers. The need for simplicity and the ability to efficiently run social programs will mean an increasing reliance on social marketing platforms that can feed multiple channels and deliver content at scale. But running the programs will not be enough, as marketers will be called upon to prove the value and ROI of their efforts and show how this media channel fits into a brand's marketing mix.

SOCIAL SEARCH READIES FOR PRIMETIME PUTTING FACEBOOK AND GOOGLE ON COLLISION COURSE

Facebook's recent foray into the search market with Graph Search may signal the future of how social search is likely to evolve. Since the introduction of Google Plus, Google has been increasingly integrating social elements into their search results from when Google users click the +1 button. Much of social search's early value is likely to reside in local search, when people seek restaurant or event recommendations while out and about in a particular city. Facebook's Graph Search, which incorporates users' "likes" into search results, will have enough similarities to Google's social search elements that the two companies appear to be on something of a collision course in this nascent segment of the search market.

MOBILE PLATFORM WARS SET TO INTENSIFY

The battle for mobile platform supremacy will intensify in the coming year with the potential for expansion from two major players to as many as five. While iOS and Android currently own 90 percent of the smartphone and tablet markets, Windows has made it clear they are renewing their push for platform share with major investments on the smartphone and tablet fronts. Continued adoption of the Windows 8 platform on PCs may provide enough cross-platform synergy to drive greater mobile adoption of the platform, while BlackBerry looks for a turnaround with BlackBerry 10.

Other possible entrants into the platform wars include Amazon and Facebook, both of which have the potential to make a splash. With an established position in the tablet market and rumored development of a smartphone, Amazon's complementary commerce ecosystem and content assets could be parlayed into a meaningful segment of the smartphone market. Facebook represents another sleeping giant in this market given its heavy user engagement on desktop and mobile channels, along with an existing developer ecosystem. This potential for greater platform fragmentation means the possibility of a multi-player dynamic in the smartphone market, resulting in more competitive marketing strategies and accelerating innovation that could further yield rapid share shifts.

MOBILE DISRUPTION OF TRADITIONAL RETAIL SALES FUNNEL FINALLY COMES TO A HEAD

Smartphones have become consumers' most valued shopping companion as showrooming quickly becomes standard practice for in-store shoppers. And not only do the majority of Americans now own smartphones, but more recent adopters are learning how to use them in different ways. Mobile commerce is a threat on multiple fronts: to brick-and-mortar retailers who are now competing with e-commerce retailers by way of people's mobile devices, and to less established e-commerce retailers who must compete for mobile transactions despite being unlikely to own app real estate on people's smartphones. As the e-commerce and m-commerce channel shifts continue to accelerate, we can expect 2013 to one challenging for those companies unable to maintain their market shares from one channel to the next.

BIG DATA EXPLOSION PUTS PREMIUM ON BIG INSIGHTS

Digital businesses today are accumulating an exponentially increasing amount of data with the potential to translate into significant business value. But many will admit that this deluge of data far exceeds their ability to meaningfully process the information, which leaves a considerable amount of value on the table. The core challenge in the coming year will be developing the tools and competencies needed to turn big data into big insights. Anyone would be challenged to find a needle in a haystack (especially when the haystack keeps growing), but the task becomes more manageable when the right equipment – like a metal detector or high-powered magnet – is introduced. Similarly, big data can be managed and made useful with the right architecture to ingest unstructured information, the right technology to process it quickly, and the right integration with other data sources to deliver much-needed insights. Many executives have excitedly proclaimed that big data is the new oil, and while it certainly wields the potential to power the future of business, it must first be extracted, cleaned and refined before being used as fuel.

ABOUT COMSCORE, INC.

comScore, Inc. (NASDAQ: SCOR) is a global leader in digital measurement and analytics, delivering insights on web, mobile and TV consumer behavior that enable clients to maximize the value of their digital investments.

A preferred source of digital audience measurement, comScore offers a variety of on-demand software and custom services within its four analytics pillars: Audience Analytics, Advertising Analytics, Digital Business Analytics and Mobile Operator Analytics. By leveraging a world-class technology infrastructure, the comScore Census Network™ (CCN) captures trillions of digital interactions a month to power big data analytics on a global scale for its more than 2,000 clients, which include leading companies such as AOL, Baidu, BBC, Best Buy, Carat, Deutsche Bank, ESPN, France Telecom, Financial Times, Fox, LinkedIn, Microsoft, MediaCorp, Nestle, Starcom, Terra Networks, Universal McCann, Verizon, ViaMichelin and Yahoo!.

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METHODOLOGY AND DEFINITIONS

This report utilizes data from the comScore suite of products, including comScore Media Metrix Multi-Platform (Beta), comScore qSearch, comScore Ad Metrix, comScore Video Metrix, comScore MobiLens, comScore TabLens, comScore Mobile Metrix, and comScore E-Commerce Measurement.

▪ comScore Media Metrix

The comScore Media Metrix suite of syndicated products sets the standard for digital audience measurement and media planning. Powered by Unified Digital Measurement™, a revolutionary measurement approach that bridges panel-based and website server-based metrics to account for 100 percent of a site's audience, Media Metrix delivers a highly accurate and comprehensive suite of audience metrics, providing valuable demographic measures, such as age, gender, household income and household size. Media Metrix reports on more than 70,000 entities, with audience measurement for 43 individual countries and 6 global regions, as well as worldwide totals.

The comScore Media Metrix product suite includes individual products utilized within this report including **comScore Media Metrix Multi-Platform (Beta), comScore qSearch, comScore Ad Metrix and comScore Video Metrix.**

For more information, please visit:
www.comscore.com/Products/Audience_Analytics/Media_Metrix

▪ comScore MobiLens

comScore MobiLens provides market-wide insight into mobile digital media consumption, brand-level audience metrics, and details of device ownership and technology penetration. Using proprietary data collection methods, we survey nationally representative samples of mobile subscribers age13+ in the U.S., UK, France, Germany, Spain, Italy, Canada and Japan. The MobiLens sample is substantial enough to provide projected data for sub-segments as small as 1 percent of mobile subscribers. The MobiLens' sampling and survey methods undergo extensive analysis and market validation including comparisons to known network operator market shares, leading handset model shares, downloading activity and other usage metrics. For 2012, the estimated monthly survey completes utilized for this report are 10,000 mobile phone owners in the U.S. For the following analysis, the three-month average figures amount to a sample of 30,000 mobile users.

For more information, please visit:
www.comscore.com/Products/Audience_Analytics/MobiLens

▪ comScore TabLens

comScore TabLens provides monthly U.S. data on tablet usage based on trusted sampling and survey methodology. OEMs, operating systems and carriers rely on TabLens to understand device adoption and trends in the tablet market. Publishers, app developers and advertisers use TabLens data to understand digital content consumption and how it varies by consumer segment, device, OS and browser versus app access.

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▪ comScore Mobile Metrix

comScore Mobile Metrix brings Unified Digital Measurement™ to smartphone devices by combining on-device metering with census-level data. This provides advertisers, agencies, publishers and app developers with unparalleled access to U.S. usage statistics across apps and the mobile web.

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▪ comScore E-Commerce Measurement

comScore E-Commerce Measurement provides the most accurate, timely and comprehensive view of consumers' online shopping and spending behavior. The product leverages the comScore panel of 2 million Internet users to understand actual purchase behavior from shoppers' checkout pages rather than simply relying on URL-specific page counts or measuring secure sessions. This approach gives comScore the unique ability to report e-commerce sales figures weeks before the U.S. Department of Commerce.

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