October 2003

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DoubleClick Q3 2003 Ad Serving Trends

Executive Summary

DoubleClick's Q3 2003 ad serving data reveals that online advertising continues to display its dynamic nature and evolution as a marketing medium. Rich media as a percent of all ads served increased even more rapidly than in previous periods — an increase of 15% over Q2 to nearly 37% of all ads served. Newer, very large units — such as leaderboards — which began to appear at the beginning of 2003, are taking off while older, smaller formats continue to decline. Response rates overall are stable, while those for rich media show a decline that normally accompanies maturing formats.

Rich media is now 37% of all ads served by DoubleClick

Overview of Data

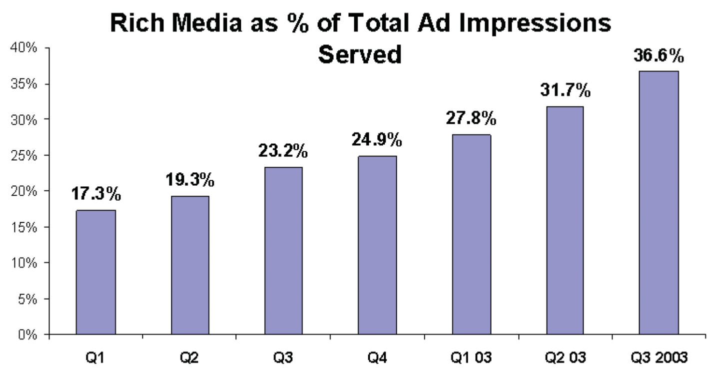
The DoubleClick Q3 2003 Ad Serving Trend Report contains aggregate data from DoubleClick's DART for Advertisers and DART for Publishers online advertising serving technology. The data is based on nearly 1.1 trillion ads globally from thousands of clients served since Q1 of 2002. This report includes global numbers (North and South America, Europe, Middle East, Africa, Asia Pacific) and with this quarter we begin to break out global vs. EMEA/APAC numbers for a truer picture of international trends. This data is useful as benchmarking statistics for advertisers as it represents one of the largest pools of information from both publishers and advertisers on ads served during a given period.

Rich Media Continues Its Ascendancy

- Rich media increased from 17.3% of all ads served in Q1 of 2002 to nearly 37% (36.6%) in Q3 of 2003. While on average, it has been increasing 10% per quarter, it increased 15% from Q2 2003.
- For advertisers using direct response metrics (click-throughs), rich media click-through rates are more than five times higher than those for non-rich media (1.57% as compares to .29%).
- Rich media click rates have continued to decline each quarter. This trend could reflect maturity of response rates (click rates for non-rich media such as GIFs/JPEGs are currently stable, but will never again see the highs they experienced when the standard banner was first introduced in the mid '90s).

Rich Media usage grows to nearly 37% of ads served: increase of 15% from Q2

- Since DoubleClick integrated rich media creation into ad serving platform (Motif) in Q2, rich media growth rate faster than average

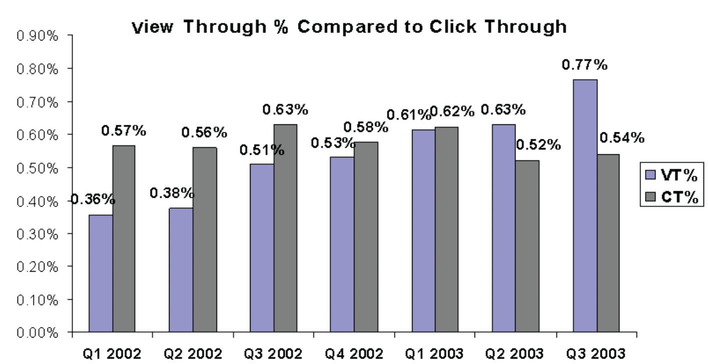


Increasing Post-Impression Impact

■ When the subset of ads served and tracked purely by advertisers are analyzed (some ads are served by publishers for advertisers) interesting patterns emerge: click-through rates have stabilized at .54%, while view-through rates have continued to rise until they surpass click-through rates.

Advertiser served view-throughs continue to rise: latent impact more significant than direct

Rate of action after viewing an online ad without clicking is higher than click rates. Reflects more memorable nature of creative.



DART for Advertiser Ad Serving Data Q1, 2002 - Q3, 2003.

View-through rates are currently averaging .77% and rose 22% from Q2. View-throughs assess some action observed within 30 days of a consumer viewing an ad (post impression impact). These metrics are part of the larger picture of the effectiveness of online advertising: click-throughs assess immediate response, while view-throughs reflect the latent impact of that online ad.

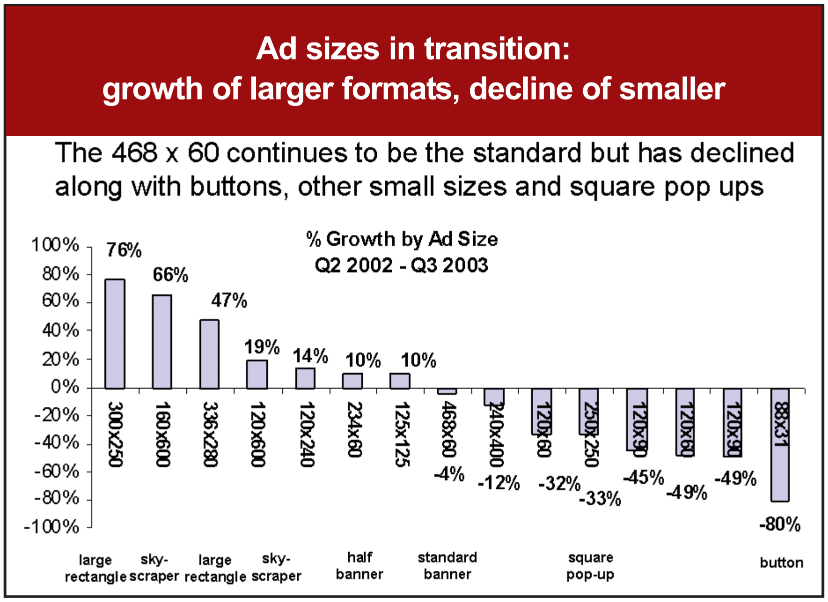
■ Average click-through rates for all ads served by both advertisers and publishers rose to their highest number since Q1 2002 (.76%), which is an increase of 24% from Q2 2003. Overall, click rates have stabilized quarter to quarter within a range of .61 to .76%.

High Fluctuation in Sizes of Ads Used — Large Sizes Win to Detriment of Small, But Not Always

■ The standard banner (468 x 60 pixels) still accounts for the largest portion of all ads served (58%), but has been losing ground to other, larger sizes. Since Q3 2002, the standard banner declined in volume by 4%, while larger ad units like large rectangles (300 x 250 and 336 x 280) increased 76% and 47%, respectively.

■ Skyscrapers, which had been one of the fastest growing ad sizes, have started to taper off as a percent of all ads served: they declined from 9.0% of total volume in Q3 2002 to 6.3% in Q3 2003. Large rectangles have continued to grow, and currently represent 2.9% of all ads served.

■ The leaderboard, a wide unit (728 x 90) that often appear at the tops of pages of content, first made the "top 20 sizes" list in



Q1 2003. It's now the third most common size and now accounts for 8.8% of total ads served.

■ Sizes that lost ground over the past year are typically smaller than standard banner units, including the 88 x 31 button (-80%) and the 120 x 90 (-49%). There are two notable exceptions: the square (250 x 250), which is most often used for behind or top of the page creative that "pops up," has lost ground by 33% as has the 240 x 400 rectangle (-12%).

■ The number of ad sizes used by advertisers is still extremely high at 10,359 different pixel-sized units, but is down 11% from the high of Q4, when DoubleClick served 11,500 different ad sizes in the quarter. Sixty-eight percent of all ads served were IAB standard sizes; this number is relatively constant and fluctuated between 68% and 70% each quarter since Q1 2002.

■ Click rates vary by size, and these numbers have fluctuated dramatically each quarter, which reflects the assumption that click rates relate more to creative intent and specific placement than actual ad size. The square pop up (250 x 250) had the highest click rates at .87% while the standard banner came in second at .69%.

Targeting: Content-Based Placements Win Over Technology, Dayparting Holds Promise

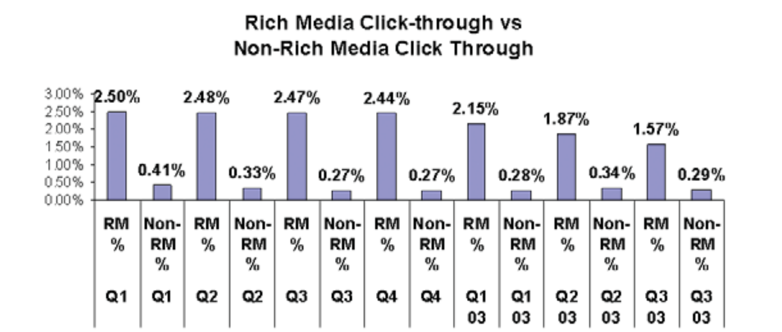
Technological forms of targeting, such as by browser type, ISP, domain or operating system targeting all account for less than 2% of all publisher served ads. (Most targeting is done at the publisher level.) Geo-targeting accounts for 4% of all publisher inventory. Content targeting (called Key Word, Key Value in the DoubleClick system), continues to increase dramatically each quarter and now accounts for 62% of all ads served. Publishers use this technique to tag specific pages of their site so that they can sell these (at differentiated rates from "run of site" inventory) to specific, relevant advertisers. Dayparting is not yet a reality for most publishers. This technique, widely used in television, has been much discussed for its online applications, but accounts for only 1% of all publisher inventory. Dayparting certainly holds promise for the industry, as DoubleClick data shows that impression volume peaks during the noon to mid-afternoon hour — no other medium specifically cumes its audience during that period of time.

Rise in Volume:

DoubleClick's volume of ads served has risen to its highest levels since 2001. DoubleClick served 172 billion ads during the quarter — an increase of nearly 19% from Q3 2002 — which reflects the health of the DoubleClick serving technologies along with an increased advertising volume noted throughout the industry.

Rich Media click-through rates 5x those for non-rich media

Recent declines could be due to format burn out or usage of rich media for brand experience, rather than direct marketing objectives



Note: rich media click-through rate includes pop-ups, interstitials and ads with forms. Use with caution: not all rich media creative is designed to elicit clicks and not all rich media clicks are tracked by publishers.

International Trends Broken Out:

Ads served by DoubleClick in EMEA and APAC overall mirror the global numbers with some notable differences:

- Rich media as a percent of all ads served is lower at 31.9%, but is expected to rise along with the introduction of the DoubleClick/Macromedia product Motif to the European market in November. Motif integrates the creation, serving and tracking of rich media ads into the ad serving platform. Motif was launched in the US in July.
- Click-through rates are higher than in the global data at an average of .96% and have risen 45% from the beginning of 2002 which could reflect growing sophistication of online advertising creative and placement. As online advertising matures internationally, expect rates to fall and then stabilize as they have in the US.
- The standard banner accounts for a much smaller percentage of total volume: 33.3% as compared to 58.5%. In contrast, other newer sizes like leaderboards (.3% of total) and skyscrapers (4.2%) make up a much smaller percentage of total ads served than in the global numbers.

Conclusions

DoubleClick's Q3 2003 ad serving data points to the dynamic nature of online as an advertising medium. While click-through rates have achieved a level of stability, sizes, response rates by size, and by media type are all in a state of flux. Rich media grew even more rapidly as a percent of total volume than in previous quarters due both to market demand and DoubleClick's introduction in Q3 of Motif, a product developed with Macromedia (creators of the Flash technology) that integrates the creation, serving and tracking of rich media into the DART ad serving platform.

Ad sizes used continue to defy any standard growth pattern. The 468 reigns as the most commonly-used size, especially during this particular quarter, while the often hot "skyscraper" decidedly cooled off. Large intrusive formats like the leaderboard, which most often sits on top of the page, is moving up the top sizes chart and could at some point challenge the standard banner. At the same time, we may say farewell to the button over the next year or so.

More interesting is the continued rise of the "view-through" metric. This metric, which assesses the latent impact of online advertising that is never clicked on but eventually generates a response, shows that online advertising is like that of most other media: response occurs not immediately, but over time. The view-through metric in its current state is not a perfect one as it does not correctly attribute online vs. offline advertising activity, but DoubleClick is currently conducting research that will help provide future benchmarks for appropriate rate attribution.

A note on data included:

1. Certain data, such as view-through rates, is available only from ads served by advertisers, and does not represent the entire pool of data, as it is collected only from advertisers who choose to use specific tracking tools (DoubleClick's Spotlight Tags).

2. View-through rates assess users who have taken action within 30 days (on average) of having viewed, but not clicked on, a banner. This metric can be used to assess post-impression response and optimize based on a more complete picture of conversions rather than just clicks. View-throughs are an observation of consumer behavior - it cannot be determined precisely what portion of these metrics are related to the online impression and what are related to offline marketing. DoubleClick is undertaking research on a campaign basis that attempts to develop guidelines for this issue: for more information, contact Kathryn Koegel, kkoegel@doubleclick.net.

3. Post impression activity is any activity taken by a consumer subsequent to their viewing an online ad, but not clicking on it. These activities could include visiting an advertiser's web site, downloading a document or filling in a form to receive a newsletter or more information. Post-impression activity rates are derived from the total of post-impression activities divided by the total of DART for Advertiser impressions. Post activity sales rates are the number of sales occurring divided by the number of post impression activities. The total universe for this metric is derived from impressions served by advertisers who are tracking impressions to sales.

4. Click-through rates comprise overall impressions from DART for Advertisers and DART for Publishers/overall clicks. Click-throughs are only one measure of response, and not all campaigns are designed to solicit a direct response.

5. Rich media click-throughs are derived from overall rich media impressions/rich media clicks. Not all rich media campaigns are designed to solicit a click, and not all clicks in rich media are trackable.