



U.S.
DIGITAL 2010
YEAR IN REVIEW

A Recap of the Year in Digital Media

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The 2010 U.S. Digital Year in Review

2010 represented yet another exciting year in the evolution of the U.S. digital media industry. It was a year that saw renewed optimism, continued innovation, and the increasing fragmentation of the media landscape.

As digital marketers strategize for success in the year ahead, we must begin by reflecting on the events of the past year if we are to make sense of the future. The many questions that will be addressed in this report include:

- Which consumer trends dominated the digital media landscape in 2010?
- How are people spending their digital media consumption time?
- Which new and emerging technologies and services are capturing the attention of the marketplace?
- What is the state of the digital advertising market?
- How is the rapid increase in mobile media usage changing consumer behavior?

The **comScore 2010 U.S. Digital Year in Review** offers an overview of the prevailing trends in digital media usage during the year and considers their implications for the year ahead. This report will examine the trends in U.S. Internet usage, search activity, e-commerce, online video consumption, online advertising, and mobile, as we offer a prognosis for which digital strategies will be most critical for success in 2011.

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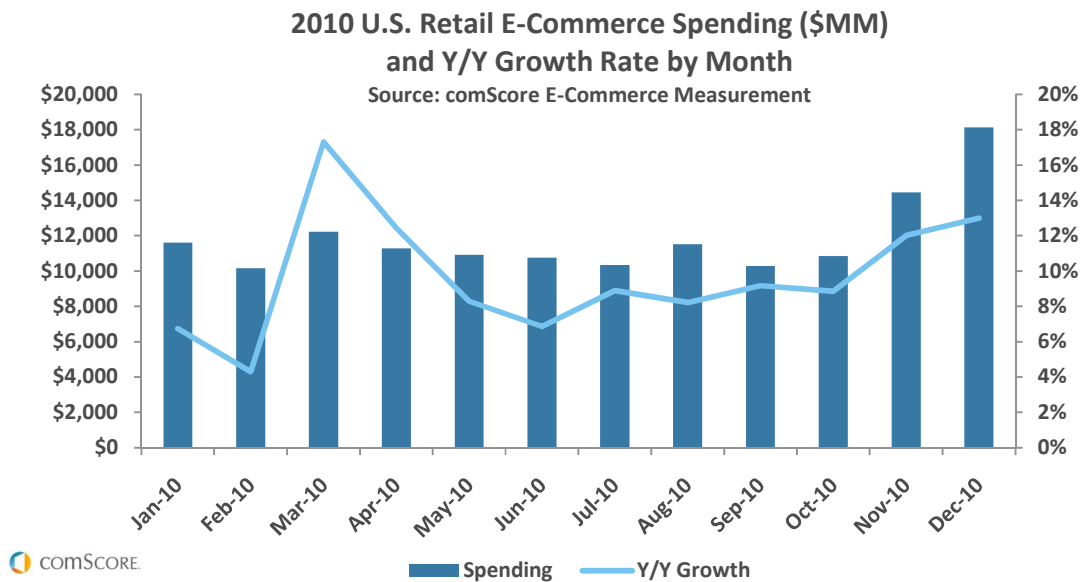
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U.S. E-Commerce 2010

Online Spending Growth Resumes in 2010

Following two years of dampened online retail buying due to the economic downturn, 2010 was a year to bounce back. Depressed consumer discretionary spending going back to the end of 2008 finally gave way to improving consumer sentiment, helping lead the U.S. e-commerce market back to consistent positive growth in 2010. Total U.S. e-commerce spending reached \$227.6 billion in 2010, up 9 percent versus the previous year. Travel e-commerce spending grew 6 percent to \$85.2 billion, while retail (non-travel) e-commerce spending jumped 10 percent to \$142.5 billion for the year.

The 2010 holiday season represented a high point in this bounce-back year for retail e-commerce, with growth rates surging to 12 percent – even outpacing comScore’s initial forecast of 11 percent for the season. While some of the holiday season growth can be attributed to consumers taking advantage of discounting and promotional activity online (most notably, free shipping), it is also a clear sign of improving consumer confidence. Not surprisingly, November (\$14.5 billion) and December (\$18.1 billion) were the heaviest online spending months of the year, and they also exhibited accelerating growth rates versus the preceding months (Note: November and December growth rates calculated based on comparable shopping days in 2009, not calendar dates.)

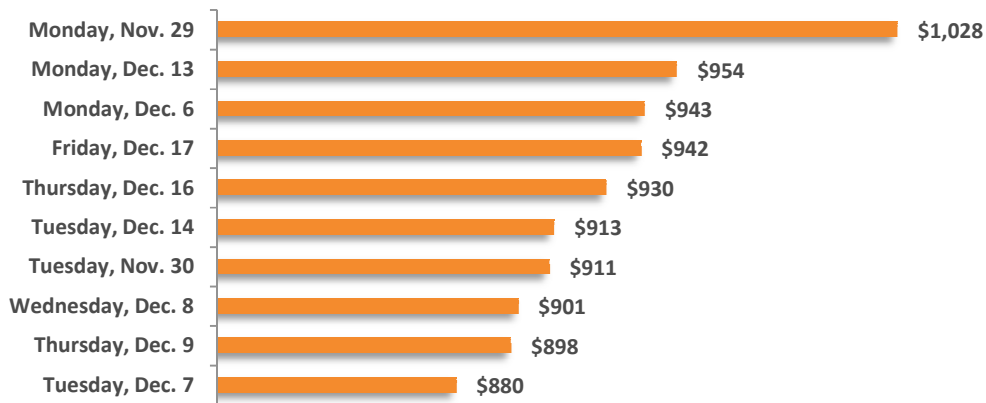


Cyber Monday Breaks Billion Dollar Threshold

The heaviest individual spending day of the year was Cyber Monday (Monday, November 29, 2010) at \$1.028 billion. This historic day for e-commerce was not only the first time on record that online retail spending surpassed \$1 billion, but it also marks the first time that Cyber Monday ranked as the heaviest online spending day of the season. In addition to Cyber Monday, eight different days saw at least \$900 million in spending, led by Monday, December 13 (aka “Green Monday”) with \$954 million, Monday, December 6 (\$943 million), and Friday, December 17 (\$942 million).

Top 10 U.S. Online Retail Spending Days in 2010 in Millions

Source: comScore E-Commerce Measurement



■ Spending (\$)

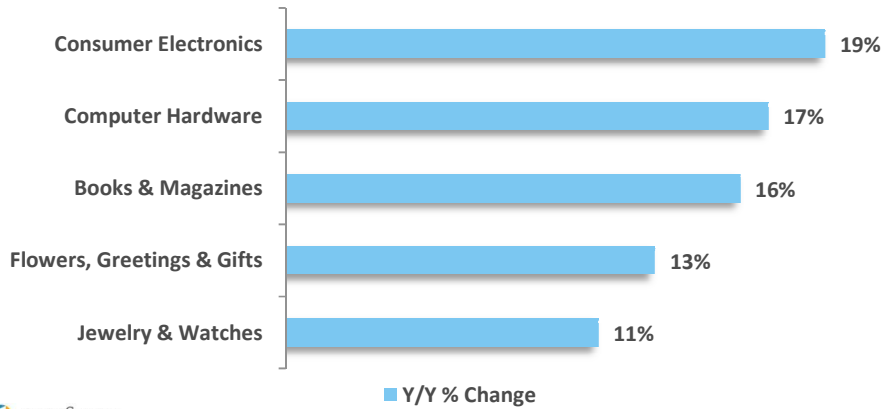
1, not calendar days

Consumer Electronics the Top Growing Online Retail Product Category

Several retail categories performed particularly well in 2010. Consumer Electronics ranked as the top growing category by dollar sales at 19 percent growth, bolstered by the popularity of flat panel TVs and mobile devices. Computer Hardware ranked second at 17 percent, with low-priced computers and the popularity of e-readers and netbooks contributing significantly to the gains. Books & Magazines (up 16 percent), Flowers, Greetings & Gifts (up 13 percent), and Jewelry & Watches (up 11 percent) rounded out the top five.

Top 5 Growing U.S. Retail E-Commerce Categories in 2010

Source: comScore E-Commerce Measurement, 2010 vs. 2009



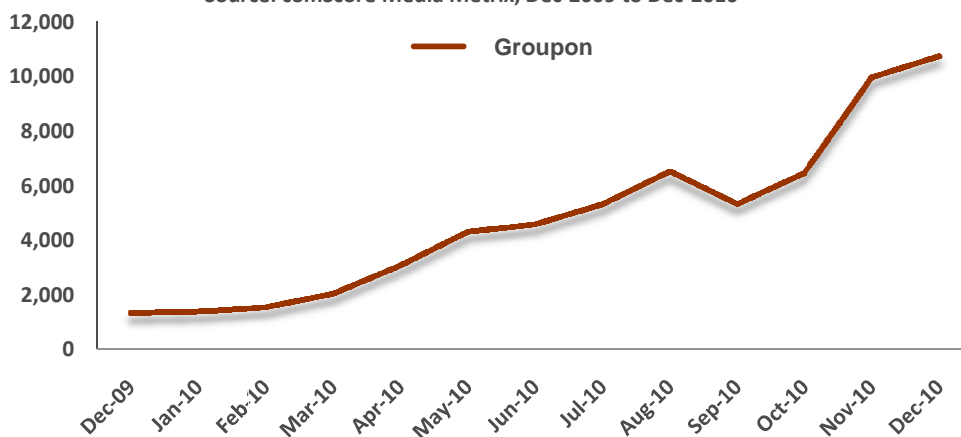
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Local/Group-Buying and Flash Sales Sites Take Off

One of the hottest trends in e-commerce in 2010 was the emergence and ascendance of local/group-buying and flash sales sites. On the local/group-buying side, Groupon – which pioneered this market – jumped out to a strong leading position, though LivingSocial has established itself as a strong second player. Groupon.com attracted 10.7 million unique visitors in December, up 712 percent versus year ago, while LivingSocial jumped 438 percent to 5.7 million unique visitors.

U.S. Unique Visitor (000) Trend for Groupon

Source: comScore Media Metrix, Dec-2009 to Dec-2010

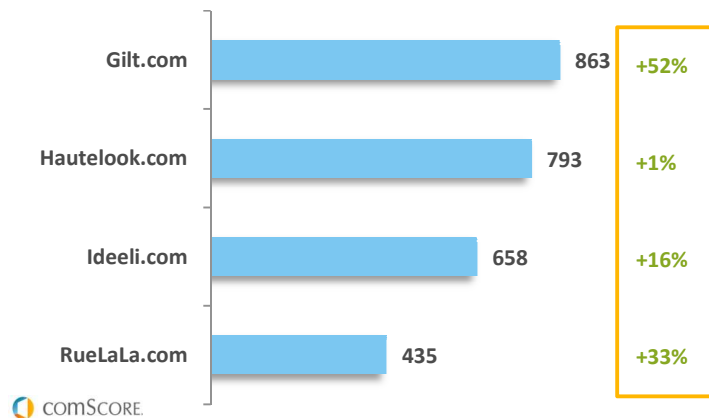


comSCORE.

Meanwhile, another “deal”-based segment of e-commerce – flash sale sites – continued to gain traction. Flash sale sites include daily deals of heavily discounted merchandise, often in the apparel and accessories segment. Among the most notable sites in this segment are Gilt Groupe, HauteLook, Ideeli and RueLaLa, with each of these sites growing their respective U.S. audiences strongly over the past year

U.S. Unique Visitors (000) to Leading Flash Sale Sites

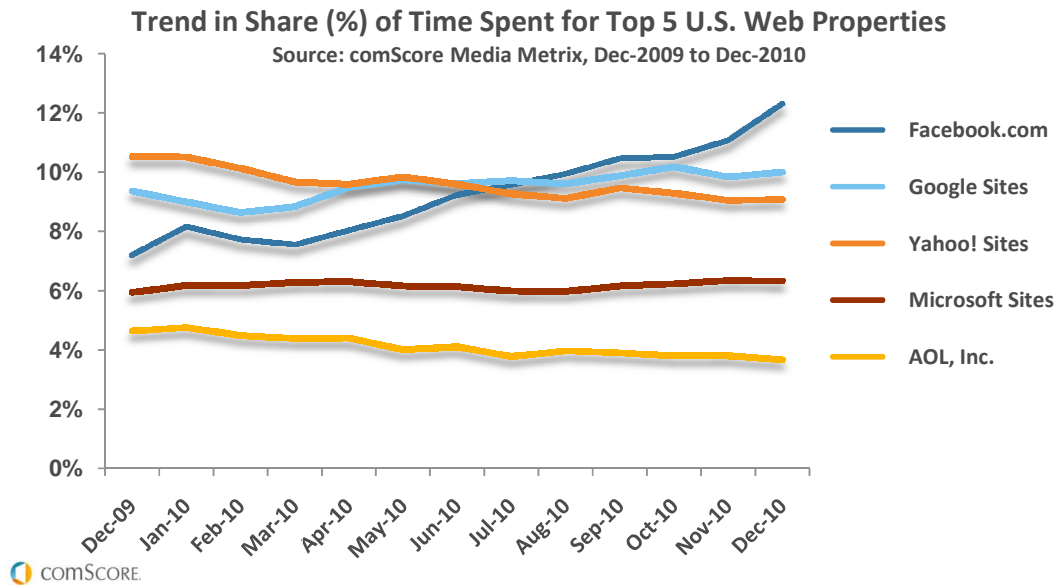
Source: comScore Media Metrix, Dec-2010 vs. Dec-2009



U.S. Top U.S. Web Properties and Site Category Trends 2010

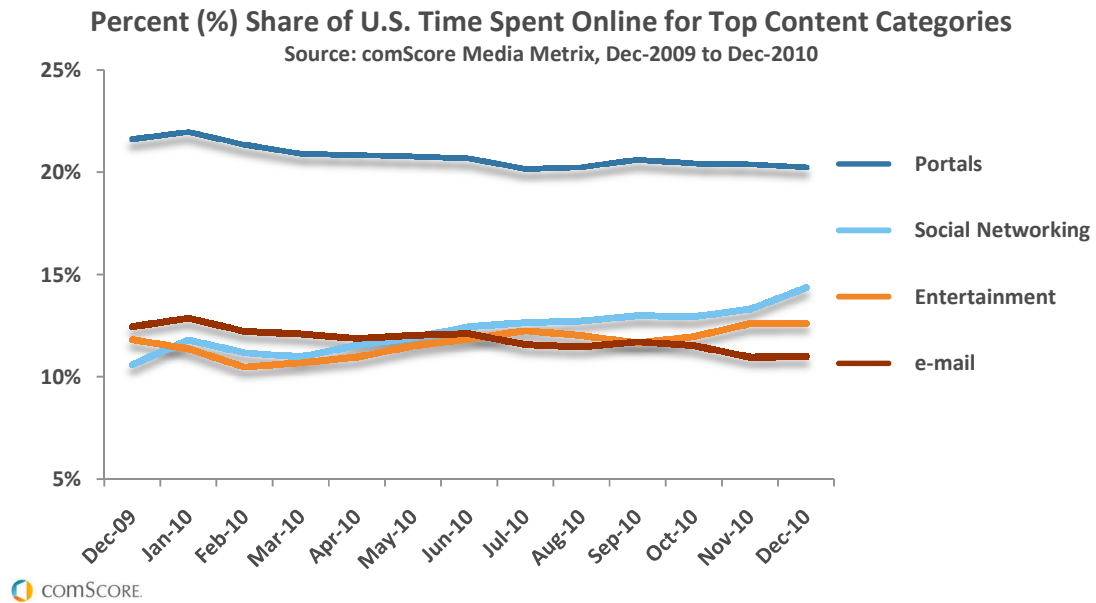
Facebook Takes the Lead on Engagement

Though Google Sites and Yahoo! Sites remain the most visited web properties in the U.S. with approximately 180 million visitors a month, Facebook is attracting an ever-increasing share of total time spent online. In the past year, Facebook has surpassed each of the top three largest web properties, capturing the #1 ranking by time spent in August 2010. Facebook now accounts for 12.3 percent of time spent online in the U.S., up from 7.2 percent just a year ago.



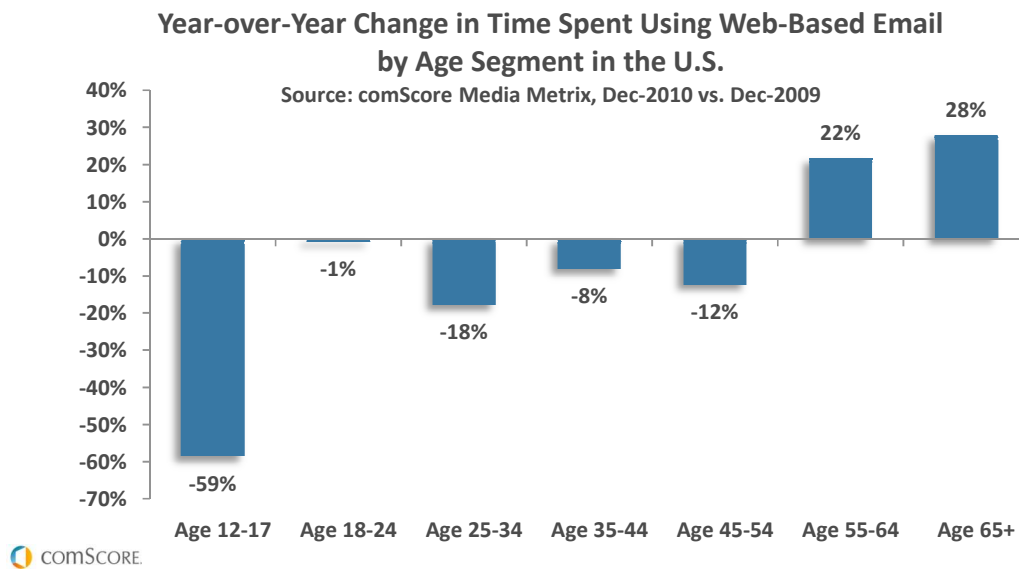
Shift from ‘Traditional’ to ‘New’ Entry Points Continues

Although the U.S. represents a very mature Internet market overall, online consumer behavior patterns continue to exhibit noticeable shifts over time. Most notably, we have continued to witness a shift in time spent away from portals toward online leisure activities such as social media and entertainment. Among the top four online content areas according to their share of overall time spent online, Portals remains the largest with 20.2 percent share of time spent, though that percentage has declined 1.4 points over the past year. Social Networking now ranks as the next most engaging activity at 14.4 percent of time spent online (up 3.8 percentage points), while Entertainment ranks third at 12.6 percent (up 0.8 percentage points). As communication continues to shift to other channels, including social media and mobile, usage of web-based email declined 1.5 percentage points to 11.0 percent of time spent.



Web-Based Email Usage Heads South

As communication platforms and devices continue to proliferate, the usage of web-based email has begun to decline, particularly among younger segments of consumers who are increasingly shifting towards instant messaging, social media, and mobile communications. Total web-based email usage declined 8 percent in the past year, with the most precipitous decline occurring among 12-17 year olds (down 59 percent). Usage also declined marginally among 18-24 year olds, while more noticeable declines were seen among 25-34 year olds (down 18 percent), 35-44 year olds (down 8 percent) and 45-54 year olds (down 12 percent). In contrast, however, usage actually gained among 55-64 year olds (up 22 percent) and among those age 65 and older (up 28 percent), most likely because of continued Internet adoption by these age segments.



U.S. Social Networking Trends 2010

Social Networking Continues Growth in 2010 as One of the Web's Top Activities

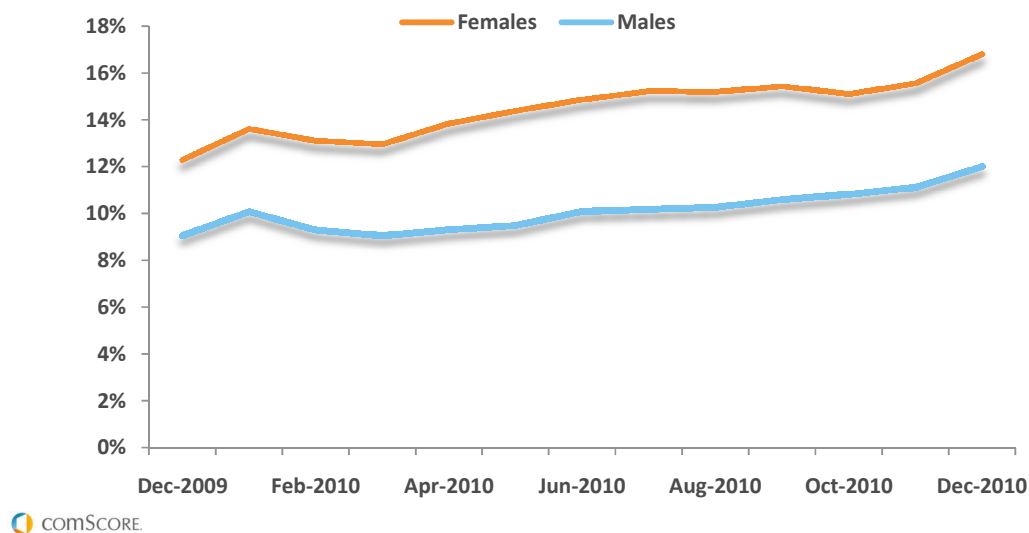
Social networking continued to gain momentum throughout 2010, with 9 out of every 10 U.S. Internet users now visiting a social networking site each month. Social networking sites accounted for 12 percent of all time spent online in 2010 with the average Internet user spending more than 4.5 hours on these sites each month. Globally, social networking accounts for 15.6 percent of online time among those age 15 and older. Among this same age population, social networking accounts for 14.4 percent of Americans' online time. It is clear that social networking has become an integral part of the fabric of the Internet and one that is increasingly becoming integrated into the experience of so many different activities online.

Women Extend Lead on Men in Social Networking Usage

One demographic trend that has continued in 2010 is women extending their lead over men in the share of their online time spent on social networking sites. Specifically, women spent 16.8 percent of their time – one out of every six minutes – on social networking sites in December 2010, up 4.5 percentage points from a year earlier. By comparison, men spent 12.0 percent of their time on social networking sites in December 2010, up 2.9 percentage points from last year. So women not only spend more of their time on these sites than men, but they are also accelerating their usage at a faster rate.

U.S. Trend in Share (%) of Time Spent on Social Networking Sites by Gender

Source: comScore Media Metrix, Dec-2009 to Dec-2010



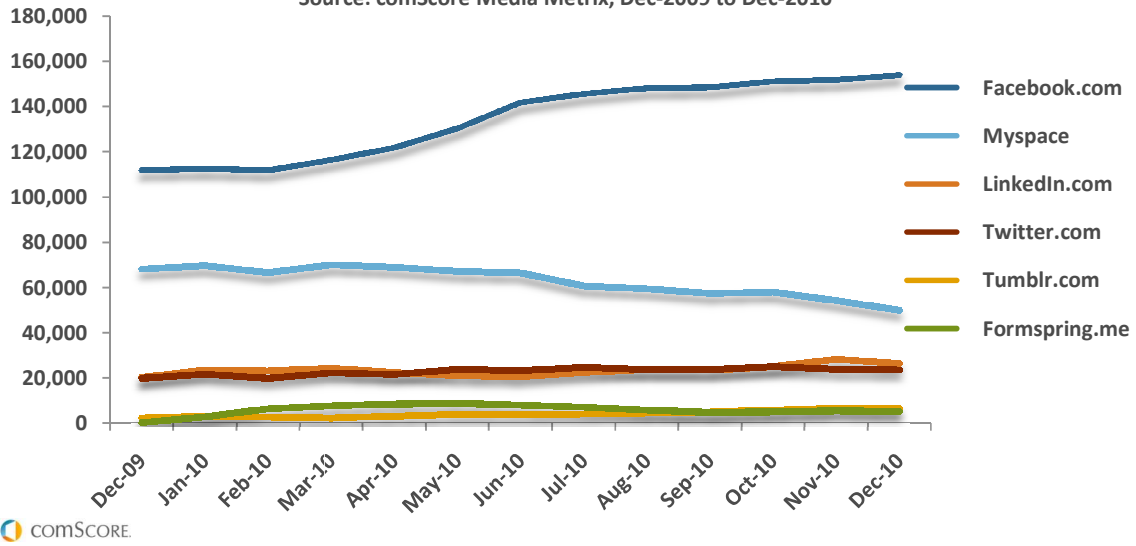
Facebook Surges, Upstarts Gain Traction

2010 was another year in which the social networking category flexed its considerable muscle. Category leader Facebook continued its momentum as it amassed millions of new users and people spent more and more of their time on the site. Facebook accounted for 10 percent of U.S. page views in 2010, while three out of every ten Internet sessions included a visit to the site.

However, beyond Facebook there were several other compelling stories to emerge from other social media sites in 2010. The past year was not quite as kind to MySpace as its user base saw some attrition. Although MySpace currently maintains its hold on the #2 ranking in the category with 50 million visitors in December, its audience declined 27 percent and total time spent on the site declined 50 percent. Business-oriented social networking site LinkedIn emerged as the third largest site in the category with 26.6 million visitors in December 2010, up 30 percent vs. year ago. Twitter.com climbed 18 percent to 23.6 million visitors in December (not including third-party app or mobile usage). A couple of surprise stars emerged in the social networking space this year, as Tumblr.com surged 168 percent to 6.7 million monthly visitors, while Formspring.me rose in popularity among younger social networkers. Formspring.me peaked in Q2 and slowed down as the year progressed, but even so, year over year growth was more than 1,000% with 5.3 million visitors in December.

U.S. Unique Visitor (000) Trend for Leading Social Networking Sites

Source: comScore Media Metrix, Dec-2009 to Dec-2010



Facebook Posts Gains Across Every Dimension of Usage

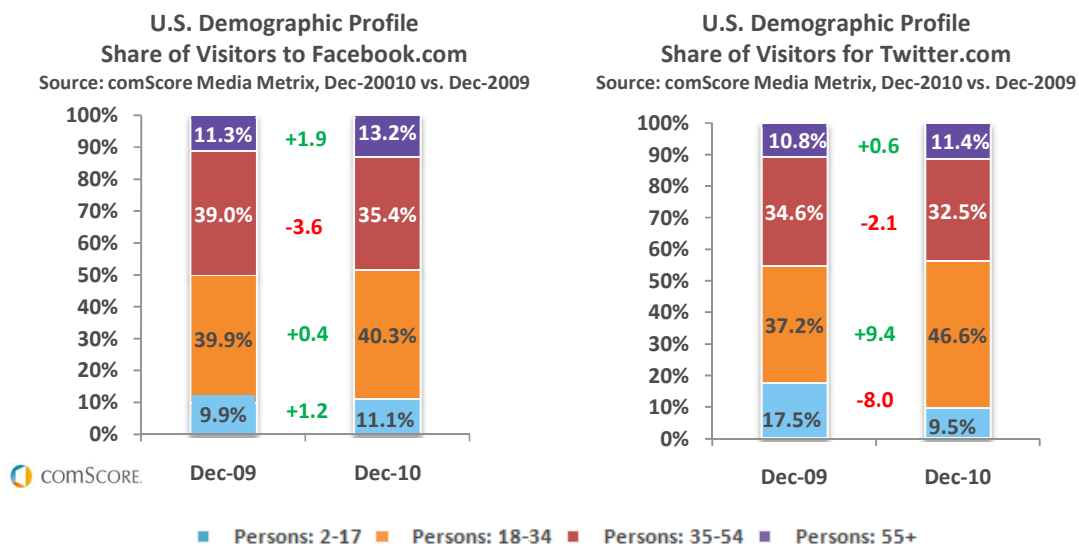
In addition to its snowballing user base, Facebook grew significantly across nearly every performance metric in 2010. Facebook’s U.S. audience grew to 153.9 million in December, an increase of 38 percent, as it became the 4th most visited web property, reaching nearly 3 out of every 4 Internet users each month. Engagement metrics fared even better, with Facebook’s total time spent surging 79 percent to 49.4 billion minutes and total page views growing 71 percent to 76.8 billion. Facebook’s overall growth in 2010 can be attributed to a growing number of people using Facebook, visiting more frequently, and viewing more content on each visit.

Facebook.com	Dec-2009	Dec-2010	% Change
Total Unique Visitors (000)	111,888	153,886	38%
% Reach	54.4	72.6	34%
Average Daily Visitors	37,679	63,656	69%
Total Minutes (MM)	27,624	49,339	79%
Average Minutes per Usage Day	23.7	25.0	6%
Total Pages Viewed (MM)	44,891	76,836	71%
Average Pages per Usage Day	38.4	38.9	1%
Average Minutes per Page	0.6	0.6	4%
Average Usage Days per Visitor	10.4	12.8	23%
Average Minutes per Visitor	246.9	320.6	30%
Average Pages per Visitor	401	499	24%
Average Minutes per Visit	9.0	9.0	0%
Average Visits per Visitor	27.4	35.5	29%
Average Visits per Usage Day	2.6	2.8	5%

comSCORE.

Shifting Age Profiles at Facebook and Twitter

An analysis of the composition of visitors to Facebook and Twitter revealed shifting user demographics over the past year. Facebook saw its 35-54 year old share of visitors decline 3.6 percentage points to 35.4 percent, while the under 18 year olds (up 1.2 points to 11.1 percent) and those age 55 and older (up 1.9 points to 13.2 percent) made the biggest gains. Twitter.com, meanwhile, saw a significant 9.4 point gain in the share of 18-34 year olds visiting the site (representing nearly 47 percent of its visitors), while those under 18 declined 8.0 points to 9.5 percent. This shifting composition may reflect, in part, a shift among younger Twitter users towards other communication vehicles, including mobile devices and third-party Twitter apps.

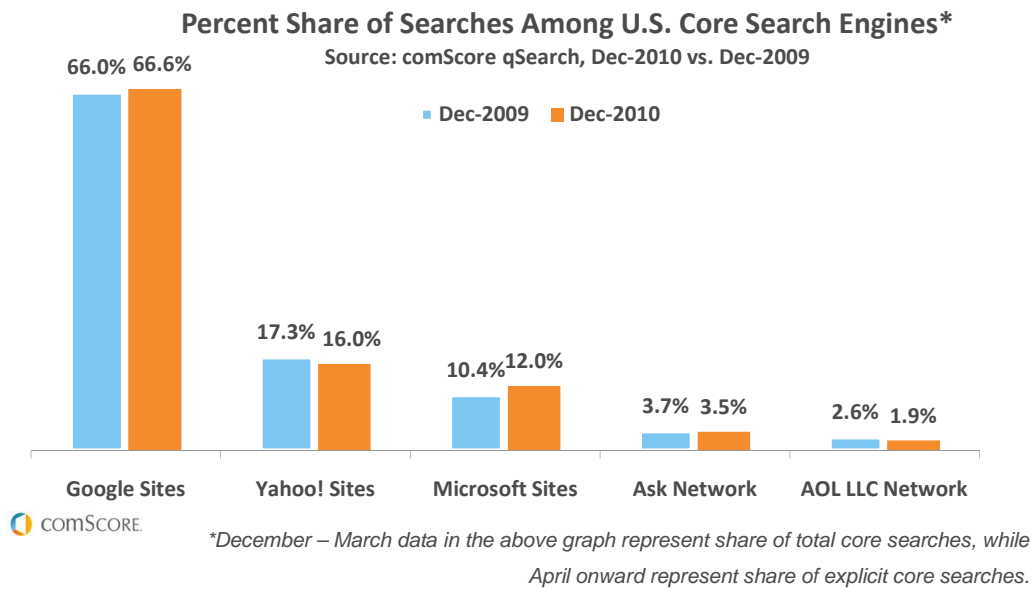


U.S. Core Search Market 2010

Contextually Driven Searches Shake Up Search Market

The search user experience underwent some significant changes in 2010, beginning with the emergence of contextually driven searches, which occur when users engaged with related, non-search content as part of the browsing experience. In response to this change, comScore began reporting an additional view of the U.S. core search market known as ‘Explicit Core Search’, defined as engagement with a search service with the explicit intent to retrieve search results. Another innovation in the search market was Google’s introduction of Instant Search in September, a major enhancement to its search experience that allows users to see a full results page as they are typing a query.

Google remained the clear market leader in 2010, accounting for more than 3 out of every 5 U.S. searches throughout the year. The property peaked in December 2010 with 66.6 percent of explicit core searches, while Yahoo! Sites ranked second at 16.0 percent. Microsoft Sites also reached its 2010 high point in December, representing 12.0 percent of explicit core searches conducted. Ask Network and AOL LLC ended the year with 3.5 percent and 1.9 percent of searches conducted, respectively.



The U.S. core search market grew 12 percent overall in 2010, driven by a 4-percent gain in unique searchers and an 8-percent gain in searches per searcher. Google Sites’ search query volume grew 13 percent, driven mostly by gains in searches per searcher (up 10 percent). Microsoft Sites saw the largest growth in search volume at 29 percent, propelled by sizeable gains in both unique searchers (8 percent) and searches per searcher (20 percent).

U.S. Explicit Core Search Percent Change			
Source: comScore qSearch, Dec-2010 vs. Dec-2009			
	Searches	Unique Searchers	Searches per Searcher
Total Internet	12%	4%	8%
Google Sites	13%	3%	10%
Yahoo! Sites	4%	8%	-4%
Microsoft Sites	29%	8%	20%
Ask Network	5%	8%	-3%
AOL LLC	-18%	-25%	8%

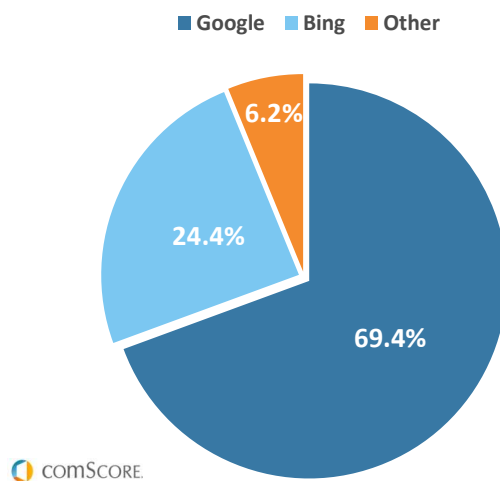
“Powered By” Reporting

In the latter half of the year, comScore began providing insight into the share of Explicit Core Searches that are powered by the two major providers of algorithmic search results – Google and Bing. Google’s “powered by” share is composed of searches conducted at Google entities, as well as searches on AOL and Ask’s MyWebSearch, where Google branding is present. Bing’s “powered by” share is composed of searches conducted at Bing entities, as well as Yahoo! searches where Bing branding is present. This primarily consists of queries at Yahoo! Web Search, Yahoo! Image Search and Yahoo! Video Search. Some of Yahoo!’s in-channel searches, such as Movies or Finance, are still provided by Yahoo!

In December, 69.4 percent of all searches carried organic search results from Google, while 24.4 percent of searches were powered by Bing organic results.

"Powered By" Share of Explicit Core Searches in the U.S.

Source: comScore qSearch, Dec-2010



Top Search Terms in 2010

An analysis using comScore Marketer™ revealed the top search terms overall in 2010, as well as the top search terms that generated paid search clicks, across the 5 major search engines. The top search phrase overall in 2010 was ‘facebook’, which accounted for 1.9 billion search queries over the course of the year. ‘Youtube’ ranked second with 790.7 million searches, followed by ‘google’ with 615.9 million searches and ‘yahoo mail’ with 562.2 million searches. Also ranking among the top search phrases for the year were ‘Craigslist’ with 546.9 million searches, ‘MySpace’ with 360.1 million searches and ‘eBay’ with 311.1 million searches. The prevalence of popular websites among the top searches indicates the heavy use of search for navigation, even in favor of typing in a URL into the browser’s navigation bar.

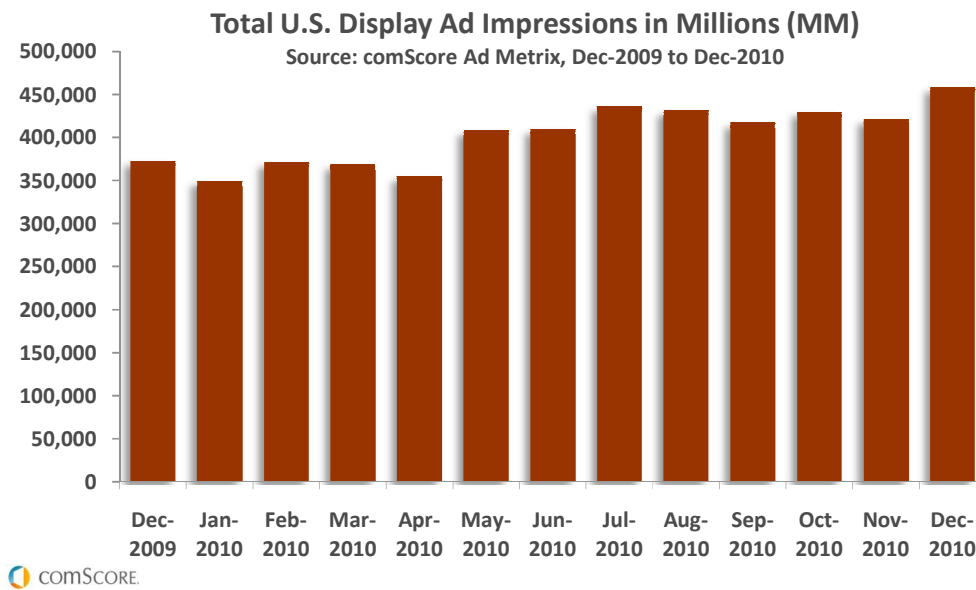
In terms of phrases generating the most paid search clicks in 2010, 'ebay' was a clear leader with 99.2 million clicks, suggesting a heavy paid search marketing strategy. 'Netflix' took second place with 43.1 million clicks, followed by 'yellow pages' with 36.2 million clicks and 'Verizon wireless' with 29.8 million clicks.

Top Search Phrases on 5 Core Search Engines in the U.S.			
Source: comScore Marketer, Jan-2010 to Dec-2010			
Search Phrase	Organic Searches (000)	Search Phrase	Paid Search Clicks (000)
facebook	1,933,467	ebay	99,235
youtube	790,735	netflix	43,132
google	615,945	yellow pages	36,242
yahoo mail	562,167	verizon wireless	29,796
yahoo	553,125	home depot	27,460
craigslist	546,872	google	24,893
facebook login	503,093	mapquest	24,860
myspace	360,055	lowes	21,071
ebay	311,109	white pages	20,891
gmail	303,182	walmart	18,800

U.S. Online Advertising 2010

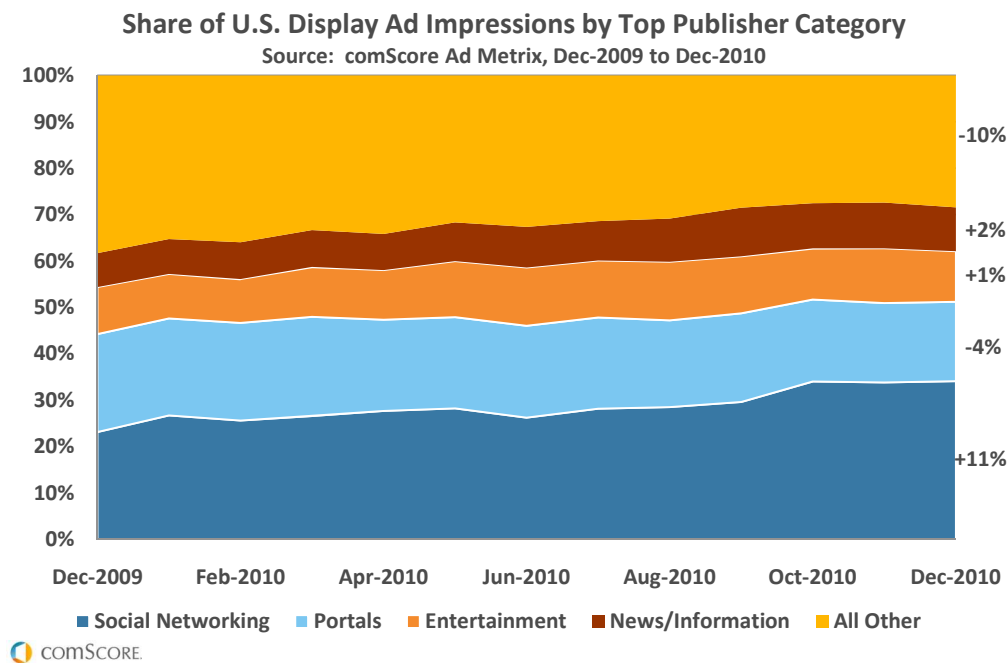
Display Advertising Continues to Climb

Over the course of 2010, U.S. Internet users received a total of 4.9 trillion display ads (standard and non-standard IAB ads, includes both static and rich media, but not video). The total number of ads grew 23 percent from December 2009 to December 2010, as the online advertising market rebounded strongly from the impact of the recession.



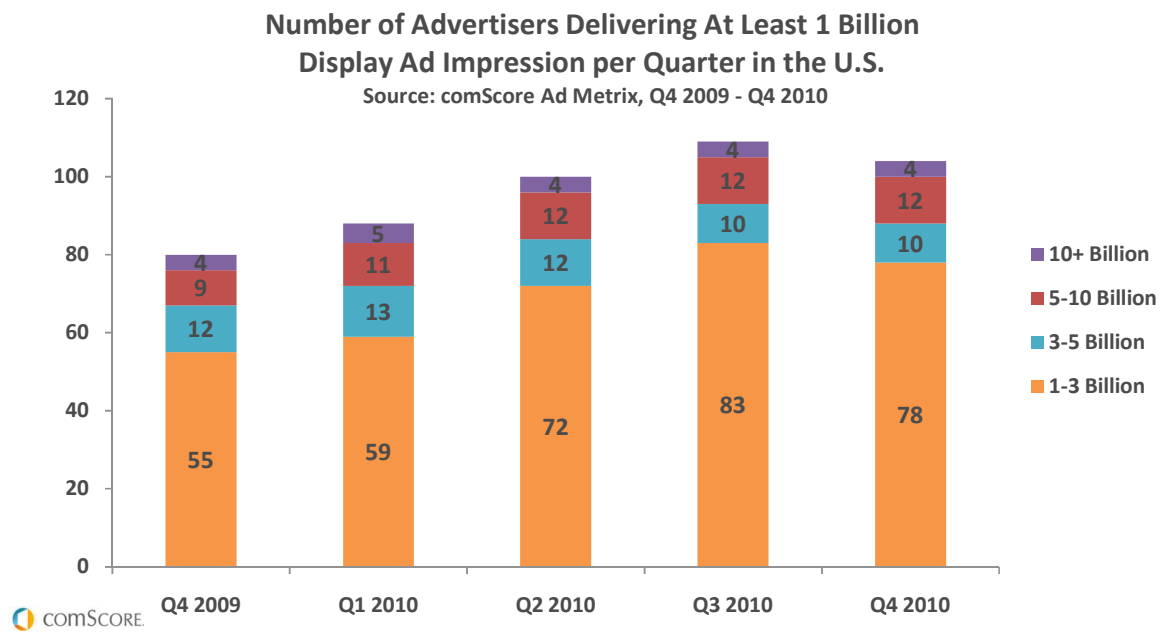
Social Networking Publishers Drive Display Ad Market

An analysis of publisher categories delivering the largest volume of display ad impressions during the year found that Social Networking publishers were responsible for 34 percent of the display ads served in December 2010, an increase of 11 percentage points from the previous year. Portals served 17 percent of display ad impressions during the month, down 4 percentage points, while Entertainment publishers served 11 percent of display advertisements, up 1 percentage point from the previous year.



Brand Advertisers Continue Shift to Digital

2010 also saw a continuing shift of advertising dollars online as more major brand advertisers continue to invest in the medium. In Q4 2010, 104 different advertisers delivered more than 1 billion display ad impressions, up from 80 in Q4 2009. Nearly all the growth came from those delivering between 1-3 billion impressions, while the number of advertisers delivering at least 3 billion remained more consistent.



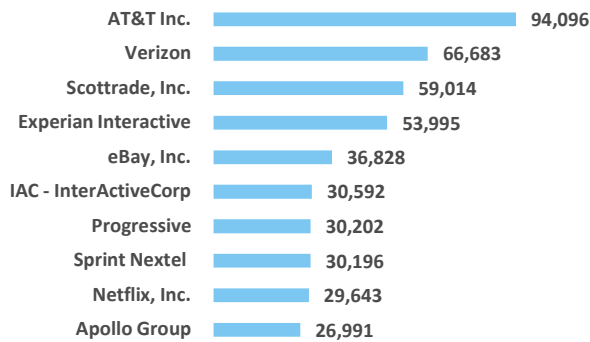
Top Display Advertisers and Publishers

Telecom companies were represented well in the ranking of top display advertisers for 2010. Network providers AT&T Inc. (94 billion ad impressions) and Verizon (66.7 billion impressions) ranked as the top U.S. online display advertisers in terms of total ad impressions served between January 2010 and December 2010. Fellow carrier Sprint also made it into the top ten with 30.2 billion impressions, ranking #8. Online trading company Scottrade ranked #3 with 59 billion impressions, while Experian Interactive secured the #4 position with nearly 54 billion views, and eBay, Inc. rounded out the top five with 36.8 billion impressions.

From a publisher perspective, Facebook.com delivered the most display ads with more than 1 trillion ads in 2010, setting an all-time record for ads delivered and the first to eclipse the 1 trillion ad threshold. Yahoo! Sites, last year's top display ad publisher, ranked second with 529.4 billion ads, followed by Microsoft Sites in third place with 243.9 billion ads. Fox Interactive Media (200 billion ads) and AOL, Inc. (130 billion ads) rounded out the top five.

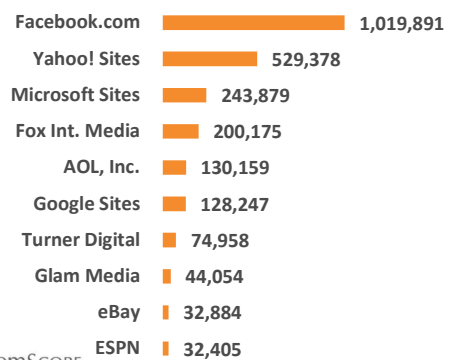
Top Ten U.S. Online Display Advertisers by Number of Impressions in Millions

Source: comScore Ad Metrix, Jan-2010 to Dec-2010



Top Ten U.S. Online Display Publishers by Number of Impressions in Millions

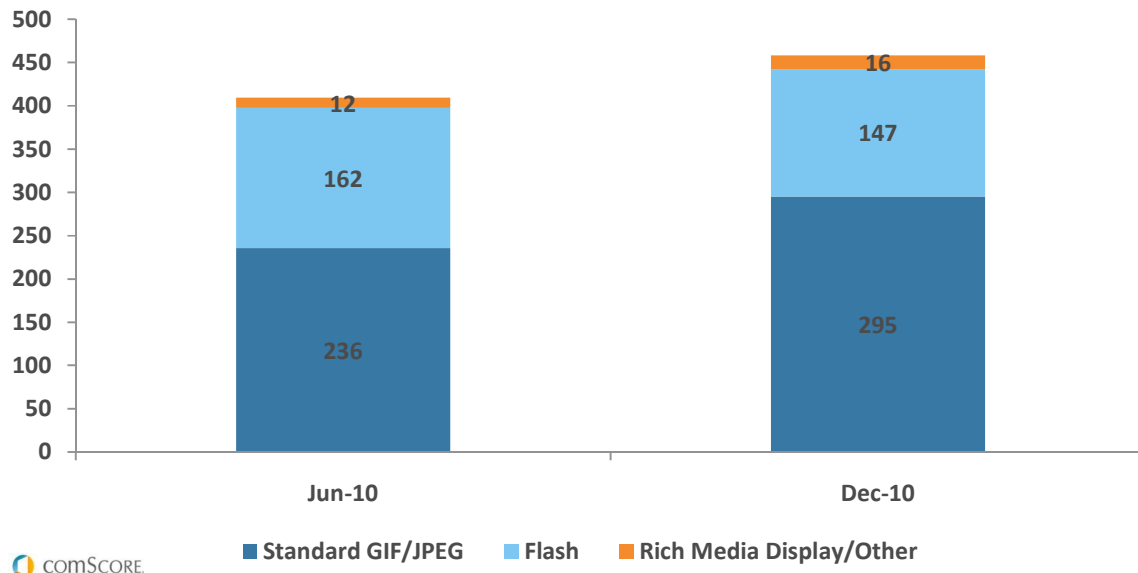
Source: comScore Ad Metrix, Jan-2010 to Dec-2010



Display Ad Creative Stays Static... For Now

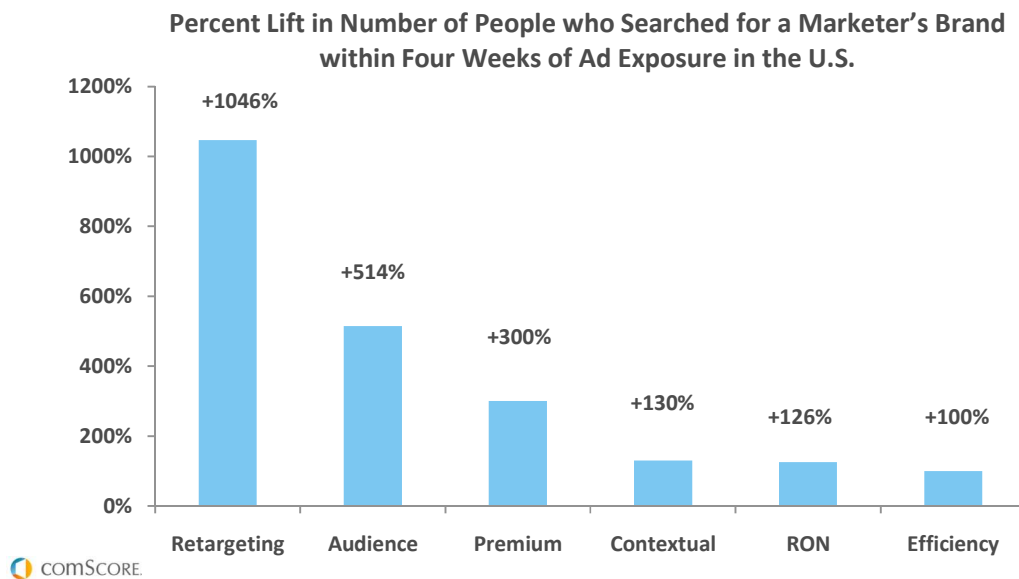
In 2010 comScore introduced the Ad Metrix Creative Summary report to illustrate which types of ad units are being delivered on various sites around the web. While significant innovation occurred in terms of the different creative ad units being used in the display market, the increase in advertising volume actually came from more static ad formats. Standard GIFs and JPEGs grew from 236 billion impressions in June to 295 billion in December, while Flash ads actually declined from 162 billion impressions to 147 billion. (Rich media display, though considerably lower in volume, did increase from 12 billion to 16 billion impressions). This phenomenon in part reflects the emergence of Facebook, which primarily hosts static ad units, as the leading display advertising channel. Despite this somewhat counterintuitive trend in the use of different creative formats, more advanced formats are appearing online and should be deployed on a larger scale in 2011.

U.S. Online Display Advertising Impressions (Billions) by Creative Format
 Source: comScore Ad Metrix Creative Summary, Dec-2010 vs. Jun-2010



Display Ad Placement Strategies Increase in Sophistication

2010 saw the rapid emergence and acceptance of ad exchanges, demand-side platforms and other sophisticated tools for the buying and selling of online advertising. With the emergence of these new markets came an increasing focus on the effectiveness of various display ad placement strategies, such as retargeting, efficiency pricing, contextual buys, run-of-network buys and premium buys. A 2010 comScore report, entitled *When Money Moves to Digital, Where Should it Go?* evaluated the relative impact of several of these media-placement strategies on the Valueclick ad network to help begin to answer some of these important questions. One of the key learnings from this research was that retargeting (i.e. serving an ad to an audience who has previously visited an advertiser’s site) consistently out-performed the others, making it a strong option for both direct response and longer-term branding objectives.



*Based on 103 campaigns running July 2009 thru March 2010, which were delivered by ValueClick Media
To download the full report, entitled *When Money Moves to Digital, Where Should it Go?*, please visit: <http://bit.ly/gdspzb>.*

Retargeting generated a 1046-percent lift in branded search, far surpassing the lift generated by the other strategies. Audience targeting followed at 514 percent lift, followed by premium placement (+300 percent), contextual targeting (+130 percent), run-of-network (+126 percent) and efficiency pricing (+100 percent). It should be noted that the other strategies have their own merits and therefore should be considered depending on the campaign objective. For example, placements that optimize to quickly deliver traffic, such as efficiency buys (i.e. buys that are based on cost-per-click engagement with creative) and run-of-network/RON buys (i.e. buys that appear anywhere in the network and that are often optimized by conversion) do not always encourage search activity or sustain audiences to a site over time, *but* they do provide massive scale and some long-term branding effects.

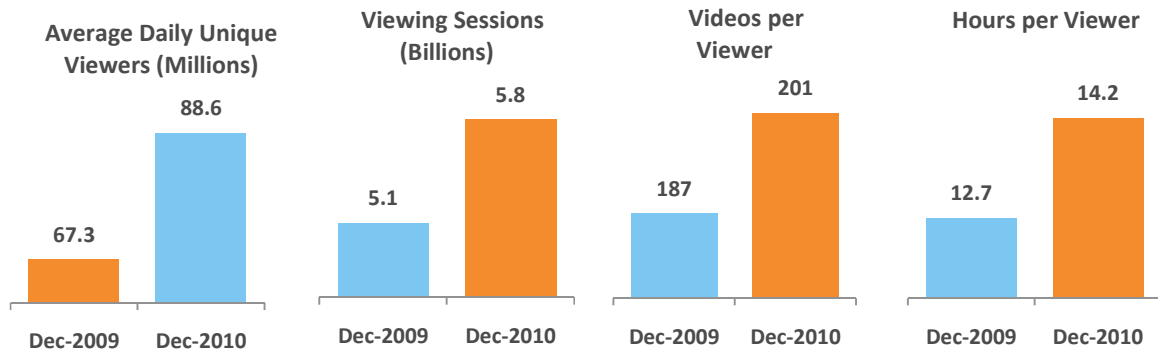
U.S. Online Video Market 2010

Online Video Gains Momentum in 2010

The online video market continued to gain momentum in 2010, with an average of 179 million Americans watching video each month. Engagement levels also rose during the year, with viewers watching online videos more frequently. More than 88.6 million people watched online video on an average day in December 2010 (up 32 percent from December 2009), while viewing sessions totaled 5.8 billion for the month (up 13 percent). Americans also spent a significantly higher number of hours viewing online video in 2010 versus the prior year due to increased content consumption and more video ad streams. The average American spent more than 14 hours watching online video in December, a 12-percent increase from last year, and streamed a record 201 videos, an 8-percent increase.

Growth in Total U.S. Online Video Market

Source: comScore Video Metrix, Dec-2010 vs. Dec-2009

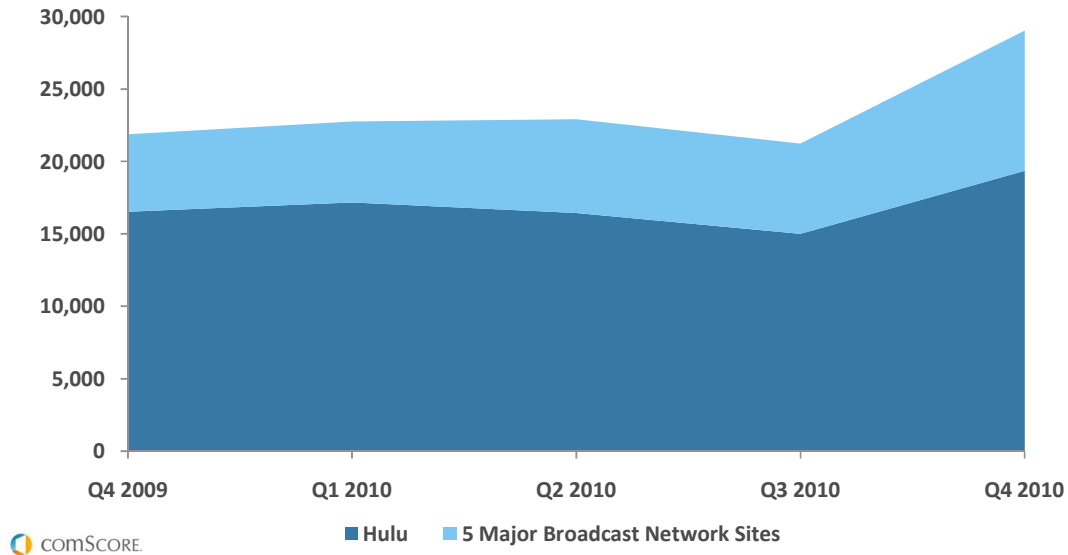


Online TV Viewing on Upward Trajectory

The world of online video has seen a continued increase in adoption of viewing originally scripted TV content. While Hulu continues to drive a large portion of this online TV viewing activity, other major broadcast TV sites are playing an increasing role. In Q4 2010, Hulu accounted for 19.4 billion minutes (323 million hours) of online TV viewing, up 17 percent from the previous year. The five major broadcast TV sites (ABC, CBS, NBC, Fox and the CW) combined to account for 9.7 billion minutes (162 million hours), which equates to half of the total time spent viewing video on Hulu, but grew at approximately five times the rate at 82 percent. The total combined time spent viewing online TV on Hulu and the five network sites grew 33 percent over the past year. This strongly growing market represents one of the most significant opportunities for advertisers with this attractive advertising channel generating both high engagement from viewers and high CPMs for publishers.

Online TV: U.S. Trend in Minutes (MM) Spent Watching Hulu & Top 5 Broadcast Network Video

Source: comScore Video Metrix, Q4 2009 - Q4 2010



Video Ad Networks Prove Far-Reaching

Video ad networks also performed strongly in 2010 due to the continued proliferation of video advertising, with video ads now reaching 7 out of 10 Americans online and nearly 1 out of 2 Americans nationwide each month. In December 2010, video ad networks served 5.9 billion ads, averaging 40 ads per viewer and 0.4 minutes per ad. Tremor Media Video Network took the top spot among video ad networks in December, delivering 1.0 billion ads to reach 40.8 percent of online video viewers, an average of 12 ads per viewer. BrightRoll Video Network reached 31.8 percent of online viewers, while ADAP.TV reached fewer viewers (27.1 percent) but delivered a higher number of video ad streams (681.5 million).

Top U.S. Video Ad Networks* by % Reach Web Population**					
Source: comScore Video Metrix, Dec-2010					
	% Reach U.S. Web Pop	% Reach Total U.S. Pop	Video Ads (000)	Ads per Viewer	Minutes per Video
Video Ad Networks (Actual Reach)	70.0%	49.1%	5,910,646	39.8	0.4
Tremor Media Video Network	40.8%	28.6%	1,021,693	11.8	0.5
BrightRoll Video Network	31.8%	22.3%	587,946	8.7	0.6
ADAP.TV	27.1%	19.0%	681,543	11.9	0.6
TubeMogul Video Ad Platform	20.2%	14.2%	174,062	4.1	0.6
BBE	15.0%	10.5%	126,321	4.0	0.4

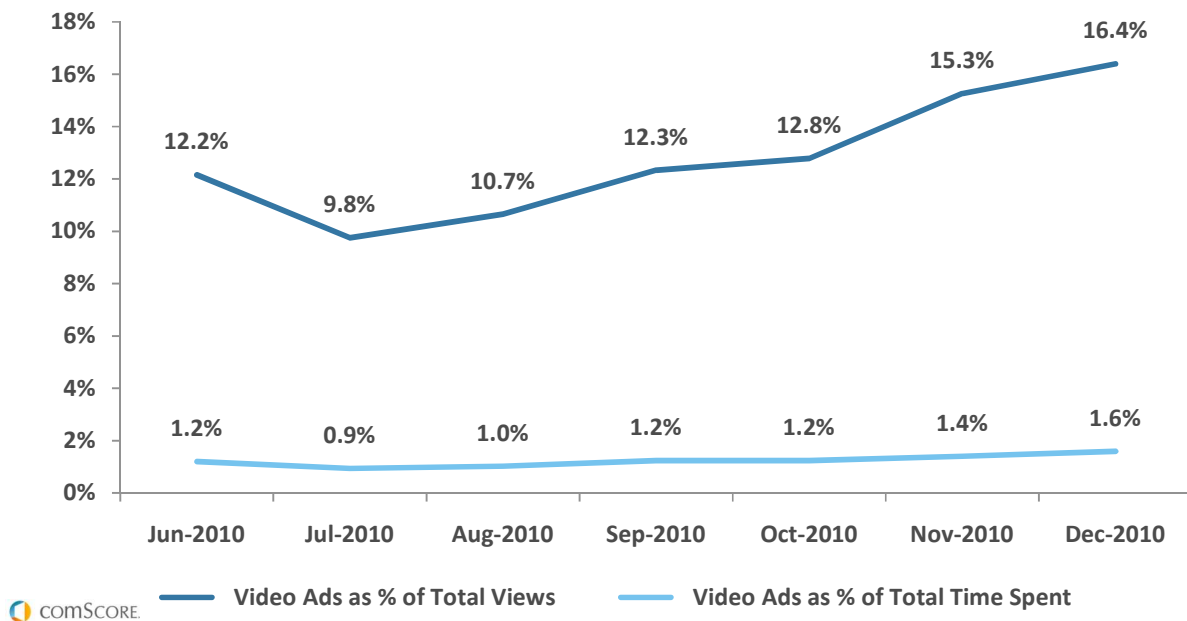
*Based on video ads served

**Based on actual reach measures

Video Advertising Market Takes Shape in 2010

The launch of comScore Video Metrix 2.0 with June 2010 data provided enhanced visibility into the viewing of video content vs. video ads. In the half year of this new view of the online video market, there has been a consistent increase in video advertising as a percentage of total online viewing – a sign of the improving monetization of the medium. According to December 2010 Video Metrix data, video ads comprised 16.4 percent of all videos streamed, up from 12.2 percent in June. Although video ads now account for approximately one in every six videos viewed, they do not yet represent a significant interruption to the online viewing experience, as they only account for 1.6 percent of all time spent viewing video (up from 1.2 percent in June). While monetization of online video is increasing quickly, it is clear there is still significant opportunity when considering that TV content has approximately 25 percent advertising coverage compared to just 1.6 percent online.

U.S. Video Advertising as a Percentage of Total Online Video Consumption
 Source: comScore Video Metrix, Jun-2010 to Dec-2010



U.S. Mobile Market 2010

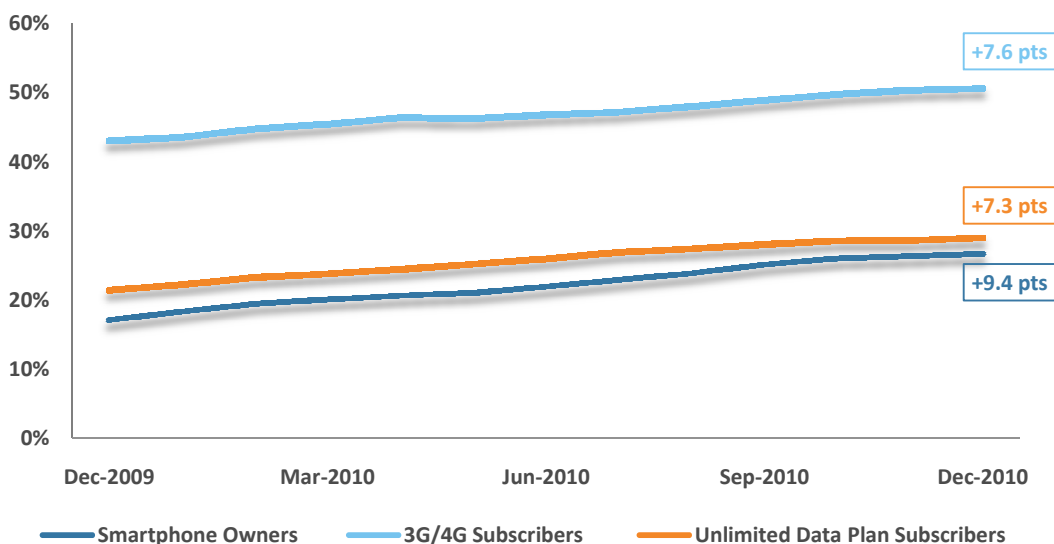
A Game-Changing Year for Mobile

2010 was a year of undeniable progress in the mobile arena. A wide variety of increasingly advanced devices were introduced to the market, mobile content options continued to increase with an ever-growing library of applications paired with improvements to the mobile browsing experience, while the definition of the word “mobile” evolved with the introduction of tablet devices such as the iPad. Major milestones in mobile were crossed during the year as smartphones reached 1 in 4 mobile Americans and 3G penetration crossed the 50 percent threshold, signaling the maturation of the mobile industry.

In December 2010, nearly 47 percent of mobile subscribers were connected media users (used browsers, accessed applications or downloaded content), up 7.6 percentage points from the previous year. The growth in mobile media usage is largely attributable to the growth in smartphone adoption, 3G/4G device ownership and the increasing ubiquity of unlimited data plans, all of which facilitate the consumption of mobile media. From December 2009 to December 2010, the percentage of mobile phone subscribers with unlimited data plans increased from 21.7 percent to 29.0 percent, with more phones now requiring an unlimited data plan subscription at the time of purchase. During the same period, smartphone ownership increased from 17 percent to nearly 27 percent, while 3G/4G phone ownership reached the 50 percent threshold in November 2010.

Growth of Mobile Market Enablers in the U.S.

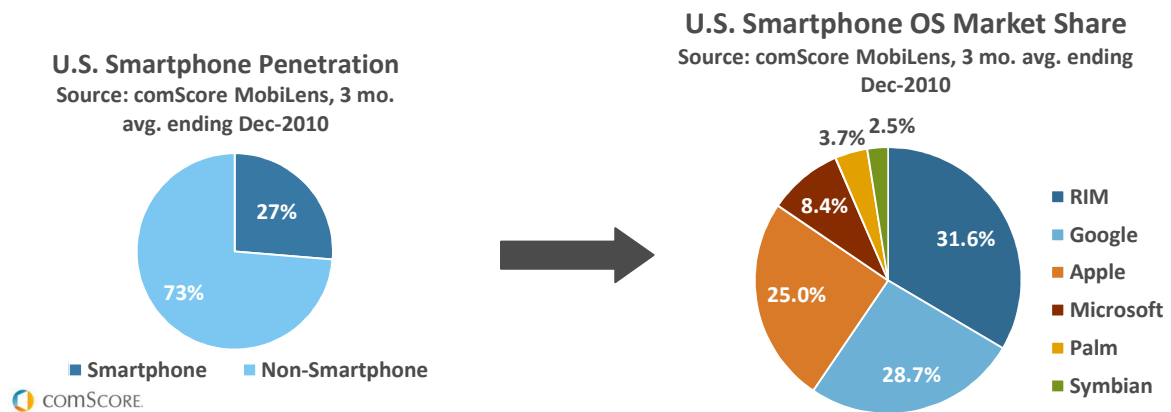
Source: comScore MobiLens, 3 mo. avg. ending Dec-2009 to Dec-2010



comSCORE.

U.S. Smartphone Adoption Surges Past 25 Percent Penetration

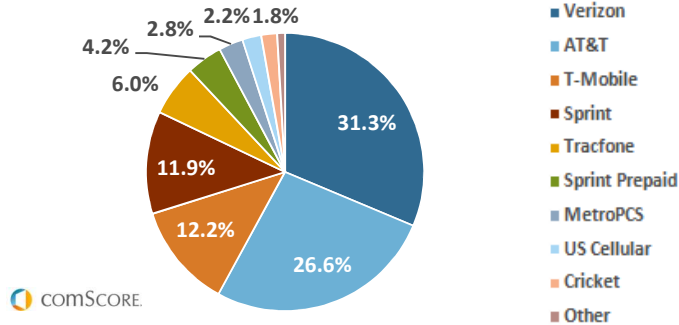
The smartphone market continued to see strong growth in 2010 with an increasing number of smartphone devices introduced to the market, giving consumers a wide variety of options to choose from when purchasing a phone. Among the high-profile smartphone introductions in 2010 were the iPhone 4, Windows Phone 7, Droid Incredible by HTC, Motorola Droid X, RIM BlackBerry Torch, T-Mobile G2, Samsung Epic 4G and others. In September 2010, smartphone ownership crossed the 25 percent threshold, marking a significant milestone in smartphone adoption in the U.S. By December 2010, smartphone penetration had reached 27 percent of the mobile market. One of the most talked about stories in mobile during 2010 was the rapid adoption of Google Android devices, which made Google the second largest operating system (OS) by the end of the year, trailing only market leader RIM. Among smartphone OS platforms, RIM retained its lead with 31.6 percent market share in December 2010 (although decreasing 10 percentage points from the previous year), followed by Google at 28.7 percent (surging 23.5 percentage points in the past year), Apple's market share remained mostly flat at 25 percent, while Microsoft followed at 8.4 percent (down 9.5 percentage points).



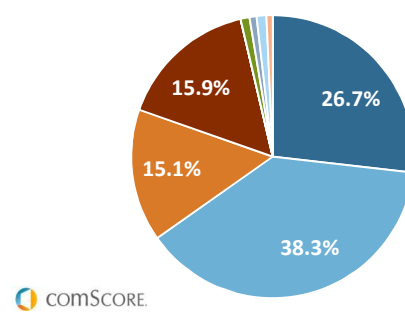
Verizon Leads as America's Largest Network Operator, AT&T Home to More Smartphone Users

The largest four mobile network providers, Verizon, AT&T, T-Mobile and Sprint, combined to account for 82 percent of the U.S. mobile subscriber market (age 13+) in December 2010. Verizon led the U.S. mobile market as the carrier for 31.3 percent of mobile subscribers, with AT&T accounting for 26.6 percent share, followed by T-Mobile (12.2 percent) and Sprint (11.9 percent). When looking exclusively at the smartphone market, AT&T holds a solid lead with 38.3 percent market share, compared to Verizon's 26.7 percent. However, as an increasing number of smartphone options have become available across carriers, AT&T has seen its smartphone share decline 6 percentage points since December 2009. Meanwhile, Verizon has climbed 3.5 percentage points during the same time period as Android devices using Verizon have penetrated the market at a rapid clip. With the recent iPhone/Verizon announcement, the industry is waiting to see how this deal will shake up the operator market in 2011.

U.S. Network Operator Share
Source: comScore MobiLens, 3 mo. avg. ending Dec-2010



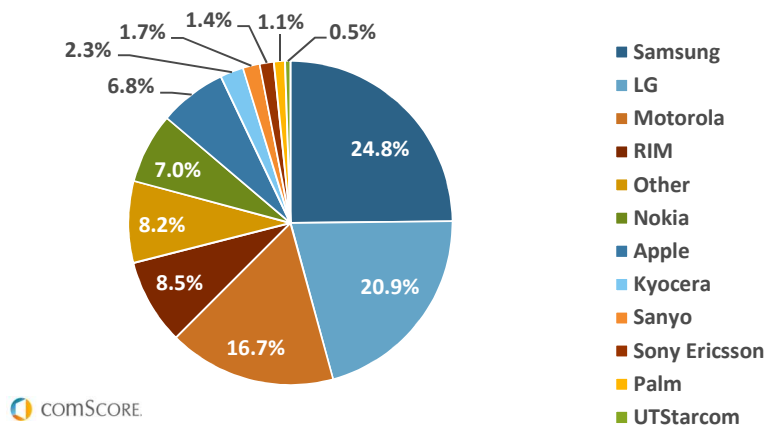
U.S. Smartphone Operator Share
Source: comScore MobiLens, 3 mo. avg. ending Dec-2010



Samsung Leads Device Manufacturer Market

Samsung unseated last year’s OEM (original equipment manufacturer) leader, Motorola, to rank as top OEM provider with 24.8 percent of devices owned by mobile subscribers in December 2010, up 3.6 percentage points from the previous year. LG captured the second largest share of the handset market with 20.9 percent (declining 1.0 percentage points versus the previous year), followed by Motorola with 16.7 percent (down 6.7 percentage points) and RIM with 8.5 percent (up 1.5 percentage points). Apple captured 6.8 percent of the OEM market, up from 4.3 percent share the previous year, as the introduction of the iPhone 4 bolstered its growth.

OEM Installed Base U.S. Market Share
Source: comScore MobiLens, 3 mo. avg. ending Dec-2010



Top Mobile Activities: One-third of Americans Access Mobile Browsers and Applications

Consumers turned to their mobile devices in growing numbers and increasing frequency throughout the year. A look at some of the top mobile activities in 2010 demonstrated consumers' need for communication, information and entertainment. Text messaging led as the top mobile activity with 68 percent of American mobile subscribers texting in December 2010, while more than half (52.4%) took a photo with their mobile device and 39.5 percent of subscribers accessed news and information. Although application usage continued to grow in 2010, slightly more Americans (36.4 percent) used their mobile browser than accessed applications (34.4 percent). Other top mobile activities included emailing (30.5 percent), accessing weather information (25.2 percent), and using social networking or blogs (24.7 percent).

Top Mobile Activities in the U.S.

Source: comScore MobiLens, 3 mo. avg. ending Dec-2010



Looking Ahead to 2011

Time for Marketers to Seize Opportunities in the Economic Upswing

2010 was a year of renewed optimism and excitement in the digital media industry, with many sectors seeing strong rebounds from 2009. While the forthcoming year promises continued innovation and a multitude of new opportunities, effective marketers will need to focus their energy and resources on the highest value endeavors. They must realize that it is not wise to chase every shiny object emerging on the digital landscape, as not every innovation is the right fit for a given company or brand. Rather, marketers should understand not only *what* is happening in the broader marketplace, but *why* a certain company has been successful in that market and – perhaps most importantly – what it says about consumer behavior. The companies that adapt these learnings most effectively to their businesses and leverage them appropriately will be the ones that get ahead in 2011.

With that in mind, the following is a summary of the key digital media trends that businesses should consider as part of their broader strategies if they want to position themselves for success in the coming year:

- **E-Commerce:** After two years of sluggish online spending, retail e-commerce bounced back to double-digit growth rates in 2010, as consumers opted for the convenience and lower prices enabled by the medium. As an advertising medium, the online channel also continues to be an important driver of offline buying, so marketers in all industries must not only have an online presence, but understand how it drives both online and in-store purchase behavior. With group-buying and flash deal sites rapidly creating new sectors in online retail, brands have more opportunities to attract new customers -- but it is important to meet the expectations of these consumers if there is any chance of engendering long-term loyalty. Many consumers continue to be very price-sensitive, but others have simply become accustomed to getting deals, so retailers must understand their prospective consumers' psychology and have a strategy that enables them to maintain margins while delivering long term customer value.
- **Social:** 2010 represented yet another huge year for social media, and it can safely be assumed that 2011 will see a continuation of this trend. Businesses that have no social media presence in 2011 are likely to be left behind; however, social media may not necessarily be worth significant investment for every company or brand. To promote your product or brand through social media or to use it as a means of obtaining customer feedback, it is important to understand how consumers may (or may not) use the medium. Every brand should, at a minimum be listening to what consumers are saying and most should probably engage directly with them. Developing more advanced social media tools should be a function of whether or not your customers are likely to be strong brand ambassadors or not. It should also be noted that (mainly due to

Facebook) social networking sites now account for more than one-third of all display ads delivered online, while Twitter expects to become a bigger player on the advertising stage with “promoted tweets” in 2011. Social media ads often tend to be priced lower than many other display ads across the web, which can mean the opportunity for very cost-effective advertising that can reach tens of millions of consumers.

- **Search:** From a consumer experience standpoint, the U.S search market continues to evolve, with Google and Bing both making strides in the past year. Through Bing’s partnership with Yahoo!, it now controls nearly 30 percent of the search market making it more able to compete with Google, and helping to push forward new innovations. We have seen the integration of real-time search, improved blended search results and other new search modules, all of which have enriched the search experience. 2011 promises to give a clearer view of how the integration of social data may further enhance the quality of search results.
- **Advertising:** Throughout 2010 we saw the display advertising market become increasingly advanced, requiring a similar level of sophistication in the measurement of its effectiveness. With more dollars than ever before moving to digital and the introduction of several new media-placement strategies, marketers increasingly require deep, accurate and holistic insights to guide their pre- and post-campaign strategies. In 2011, look for an increasing demand from marketers for end-to-end measurement across the digital advertising ecosystem. In order to maximize the value of advertising in the channel, marketers will seek solutions that answer all of their measurement questions, using consistent data sources and holistic measurement techniques.
- **Video:** Online video viewing continues to account for an increasing amount of consumers’ time online, as content options, quality and convenience drive people to this channel. Video ads will continue to offer advertisers an engaging venue to reach their target audience and will be an important aspect of the development of the online video industry. In 2011, look for cross media relationships to take center stage as the convergence of traditional TV and online video viewing continues to blur the lines between media channels.
- **Mobile:** The perfect storm aligned for mobile in 2010, as smartphone adoption, device innovations (including tablets) and improvements in network speeds all took hold – and it can be expected that these factors will continue to be strong drivers of mobile media consumption in 2011. One can expect to see continued growth in the use of mobile devices to obtain real-time price and product information in support of an intended in-store buying decision and the likelihood that the information obtained will drive some of that buying activity to actually occur online. While still in its infancy, mobile advertising will also become an increasingly important component of the mobile landscape in 2011, as the convenience and nearly ubiquitous nature of mobile make this platform potentially extremely valuable for advertisers. Importantly, there will likely be an early

industry focus on higher click-through rates on mobile ads, but this metric is somewhat of a red herring as curious consumers will be more likely to engage with new ad units in the early days of the mobile ad industry. It will be essential to understand the view-through impact and longer term brand-building that mobile ads can deliver. Brands must also remember that mobile media is not just an extension of PC-based Internet usage, but is itself a unique platform that by its nature will influence the how, what, where, why and when of consumers' media consumption. As competition heats up across operating systems, device manufacturers and carriers, consumers stand to reap the benefits of a growing number of attractive options in their mobile decisions.

Each year brings new hope, and it's clear that the opportunities in digital media in 2011 are virtually limitless. But, only with a firm grasp on the rapidly evolving landscape will companies be able to employ the most sound business strategies, leverage their strengths, and maximize the returns for both their customers and for themselves.

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