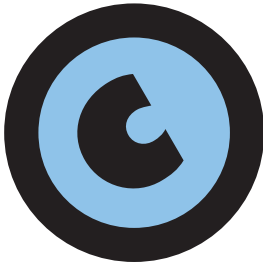


# 2008 ChoiceStream Personalization Survey



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## Consumer Trends and Perceptions

The ChoiceStream Personalization Survey provides insight into consumers' interest in, and perceptions of, personalization. The Survey was first fielded in May, 2004. Each year the Survey is re-evaluated and, where appropriate, new questions are added to ensure that it stays relevant and addresses the current issues of the day.

This year, new questions address advertising and online privacy. Specifically, the Survey delves into the value of personalized advertising; how aware consumers are of advertising's affect on their purchase decisions; and what types of concerns consumers have about their online privacy with respect to personalized advertising.

This survey research brief provides the findings of the study.

## Survey Overview and Respondent Profile

The survey was completed by 504 respondents who were invited to participate via email by MarketTools, an online survey services provider. Respondents were:

- Adult Internet users, 95% of whom have made at least one online purchase within the past year
- U.S. residents
- Distributed across 4 age categories (18-24, 25-34, 35-49, 50+)
- 54% female; 46% male

The margin of error is +/- 4.37% with a 95% confidence level.

## Key Findings

Key findings of the 2008 survey are listed below.

### Online Shoppers Indicate Strong Interest in Personalized Advertising; The Better the Prospect, the Greater the Interest

- **Personalized ads are more likely to capture consumers' clicks than non-personalized ads.** 39% of consumers indicate that they are more likely to click on an ad if it is personalized based on their tastes and interests. And, there is a strong correlation between customer value and the desire for personalized ads. **58% of frequent shoppers – those who shop online at least several times a month – are more likely to click on personalized ads** than non-personalized ads, while only 22% of infrequent shoppers make that claim. And, **50% of the biggest spenders indicate that they are more likely to click on personalized ads** than on non-personalized ones, vs. 32% of the smallest spenders.
- **Personalized ads are also more likely to capture consumers' attention than non-personalized ads.** Large numbers of consumers (41%) indicate that they will pay more attention to advertising if it is personalized based on their tastes and interests. And, again there is a direct correlation between the customer value and their interest in personalized ads: **the bigger the spender, the greater the interest.** For example, 49% of consumers who spent more than \$250 online over the past six months are more likely to pay attention to personalized ads; of consumers who spent between \$1-100, the number falls to 36%.
- **Interest in personalized ads is strongest online and on television.** A large majority of consumers are interested in personalized advertising distributed through their television (72%) or online (73%). The number of consumers interested in personalization on their mobile device is relatively low (35%).

### Consumers Well Aware of Advertising's Affect on Their Purchase Habits

- **Surprisingly large numbers of consumers (70%) admit that their purchase decisions are at least sometimes influenced by advertising.** Only 5% indicate that they are never influenced by advertising.
- **Consumers admit to being influenced by brand advertising as well.** 39% agree that they are more willing to purchase from vendors that they have seen advertised than from ones they have not seen.

### Consumers Also Aware that eCommerce Sites Use Shopping Data to Influence Ads

- **60% of consumers are aware that their click and purchase data is used to determine which ads they are shown.** Of those who are aware of this, 55% more express concerns over the *security* of their personal data than their *privacy*.
- **A slightly smaller percent of consumers, 50%, are aware that ecommerce sites share shopping data with other sites to help those other sites determine which ads to display.** The greatest concern of these consumers is that their data might be shared with retailers that they don't know or may not be comfortable with.

### Poor Quality Recommendations Plague Consumers Who Continue to Show Little Tolerance for Them

- **Overall, 45% of consumers reported receiving personalized recommendations that were a poor match** based on their tastes and interests in 2008 (vs. 46% in 2007).
- The most often cited reasons for why recommendations were considered to be poor were 1) **they were inappropriate** such as evening bags for men (51%), or 2) **they didn't match their preferences** (48%).

### Interest in Personalization Remains Strong

- The 2008 survey finds **78% of consumers interested in receiving personalized content**, which is consistent with last year's response.
- **The types of content consumers want personalized are relatively consistent with the previous survey findings**, with music, books and DVDs being the most popular categories.
- **Consumers continue to recognize the value of personalization in social networking** with 71% believing that personalization would improve their experience by introducing them to other members with similar interests and preferences.

Detailed information concerning these and other findings is located in the following sections of this document.

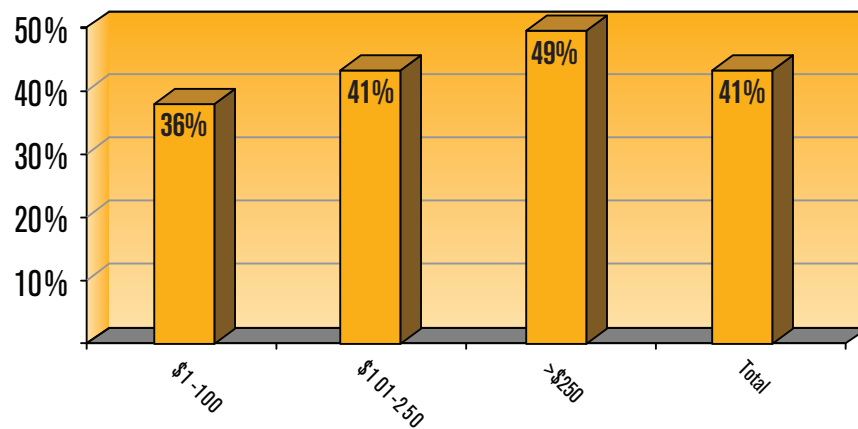
## Personalized Advertising Captures Mindshare and Drives Consumer Behavior

**Online shoppers want personalized advertising and are more likely to pay attention to, and click on, ads that are targeted to their personal tastes and interests.**

A key new area explored in the 2008 ChoiceStream Personalization Survey is the impact of personalized advertising on consumer behavior. The Survey finds *41% of consumers are more willing to pay attention to advertising if it is personalized based on their tastes and interests.*

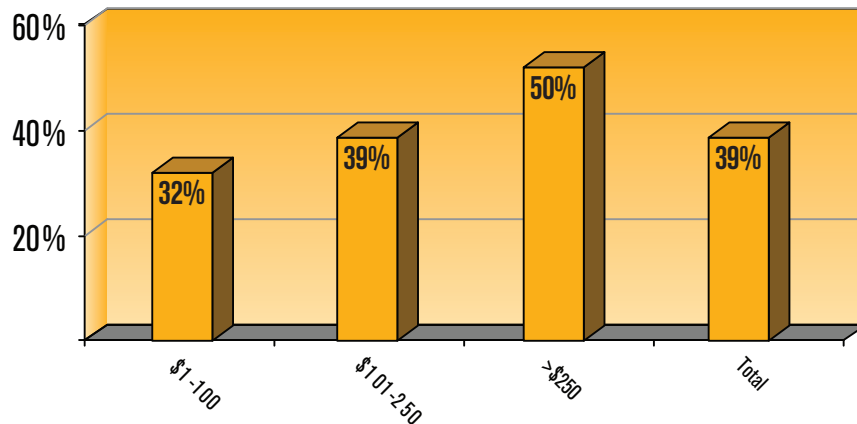
The Survey also finds that *the more consumers spend online, the more likely they are to pay attention.* Of consumers who spent more than \$250 online in the past six months, 49% would be more willing to pay attention to personalized ads than non-personalized ones. Of those who spent between \$1-100, that number dropped to 36%.

**More Willing to Pay Attention to Advertising if Personalized  
By Past 6 Month Online Spending**



And, consumers are not simply paying attention to those ads, they are clicking on them as well. The Survey finds that 39% are more willing to click on a personalized ad than a non-personalized one. And, again, the bigger spenders are the ones most interested in having those personalized ads.

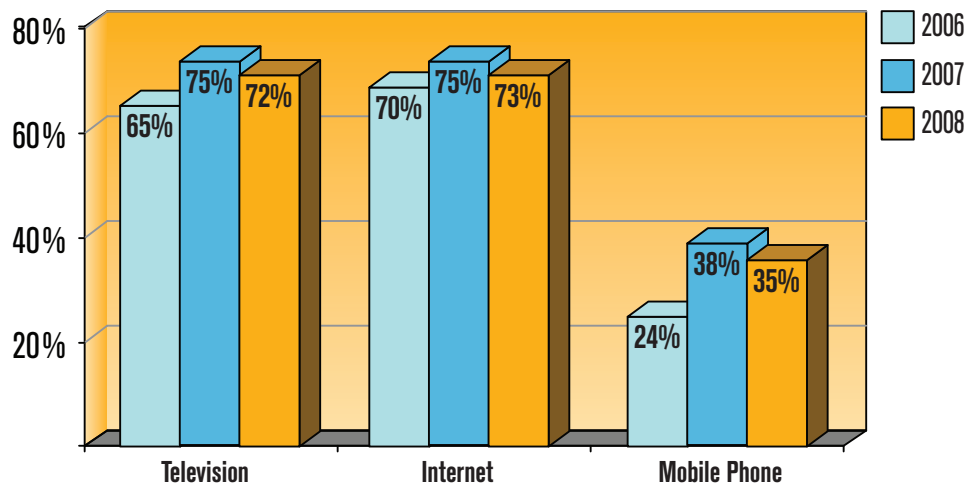
**More Willing to Click on an Ad if Personalized,  
By Past 6 Month Online Spending**



**Interest in personalized ads remains strongest on TV and online.**

Similar to what was found in the 2006 and 2007 surveys, the 2008 Survey finds interest in personalized advertising to be strongest on TV (72%) and online (73%). Interest in targeted advertising on mobile devices remains lower at 35%.

**Percent of Consumers Interested in Receiving Personalized Ads Via...**



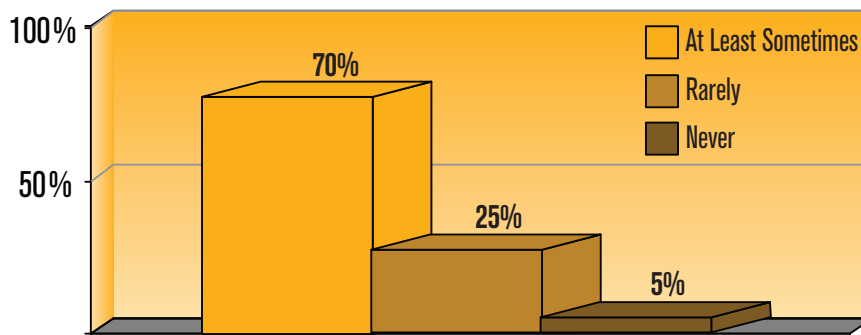
## Consumers Admit to Being ‘Under the Influence’

**Consumers are more aware of advertising’s effects on their behavior than previously thought.**

It is widely held that consumers believe that while advertising may influence *others’* opinions or purchase decisions, it has no significant impact on their *own* thoughts or actions. In other words, it is believed that consumers think of themselves as being largely immune to the effects of advertising.

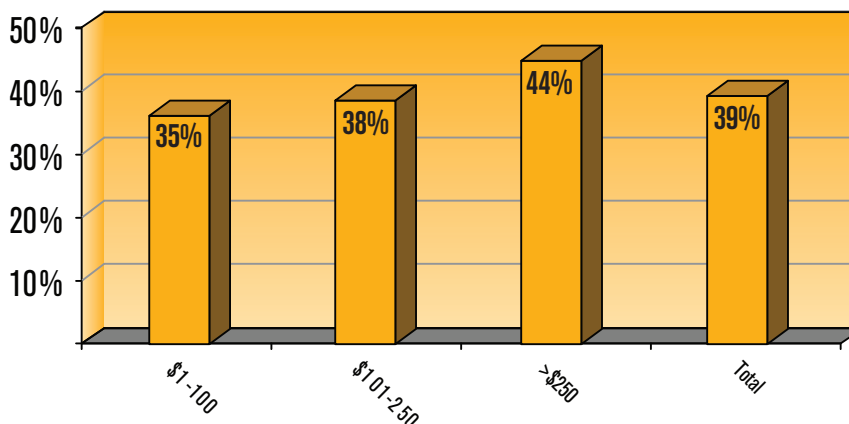
This year’s Survey finds this not to be the case. In fact, *large numbers of consumers admit that their own shopping decisions are affected by advertising. 70% of consumers admit that their purchase decisions are at least sometimes influenced by having seen an ad for an item.*

### How Often Does Advertising Influence Your Purchasing Decisions?



A smaller, but still significant percent of *consumers admit that they are influenced by brand advertising as well with 39% admitting that they are more likely to buy from vendors or retailers that they have seen advertised than from unrecognized sources. The bigger the spender, the more likely they are to admit to being influenced by brand advertising.*

### More Likely to Purchase from a Vendor/Retailer Seen Advertised, By Past 6 Month Online Spending



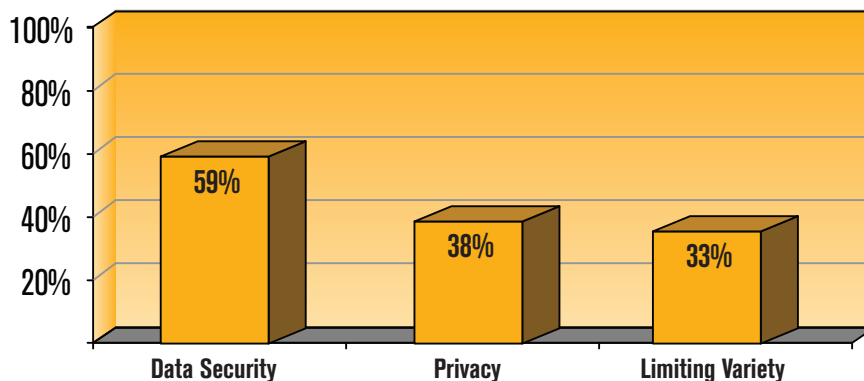
## Consumers Care More about Security than Privacy with Personalized Advertising

**Consumers are aware of how retailers use their shopping data to target ads, and care more about data security than privacy.**

One of the more surprising findings of this year's survey is how savvy consumers have become about how online retailers use their information to tailor their advertising and merchandising. *60% of consumers are aware that retailers use their click and purchase data to target advertising to them.*

Perhaps even more surprising is the fact that of those who are aware of this, *the greatest concern is over data security and not the privacy of their shopping information.* 59% of consumers express concern over data security, while only 38% indicated that they don't want retailers to 'know too much about' them. 33% expressed concern over not wanting retailers to limit the variety of content and products they see.

**What Concerns Respondents About Retailers Using Shopping Data to Influence Ads**



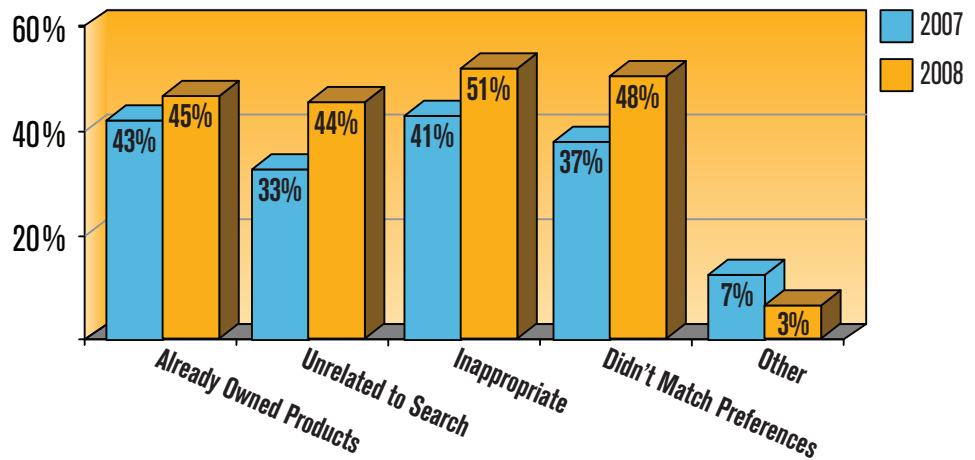
## Poor Quality Recommendations Continue to Frustrate Consumers

**'Inappropriate' tops the list of reasons for why recommendations were considered poor.**

2008 finds almost half of consumers (45%) complaining about having received poor quality recommendations online. While overall the number of consumers complaining about recommendations remained relatively stable from 2007 (46%) to 2008, the reasons for why those recommendations were poor have grown.

51% of consumers received recommendations that were inappropriate, such as children's DVDs for an adult or an evening bag for a man. This represents a 24% increase from 2007. And, 33% more consumers received recommendations completely unrelated to their shopping (44% in 2008 vs. 33% in 2007).

### Why Recommendations Were a Poor Match



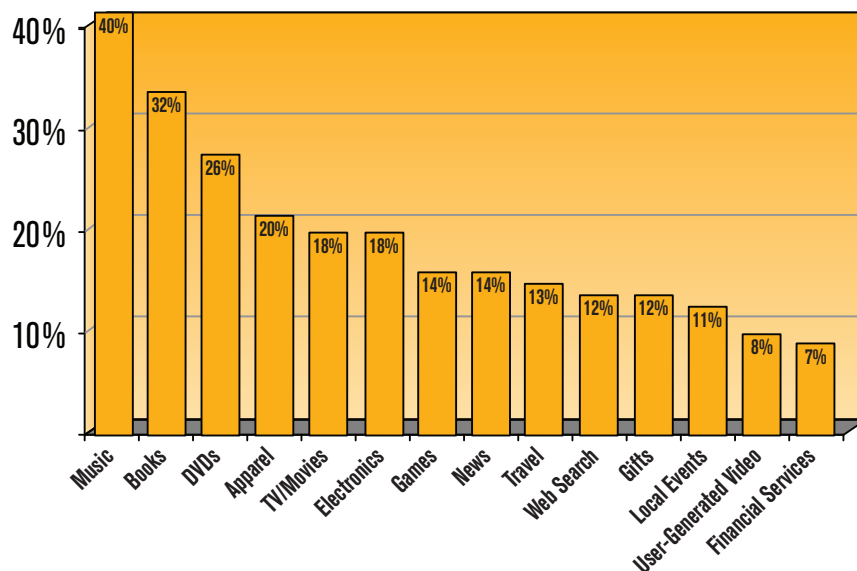
### Interest in Personalized Recommendations is Strong

Overall, the survey finds that interest in personalization continues to be strong with 78% of consumers expressing an interest in receiving some form of personalized product or content recommendations. Given the margin of error, this is consistent with last year's finding of 76%.

**Types of content consumers want personalized are relatively consistent with 2007 findings, but new growth areas emerge.**

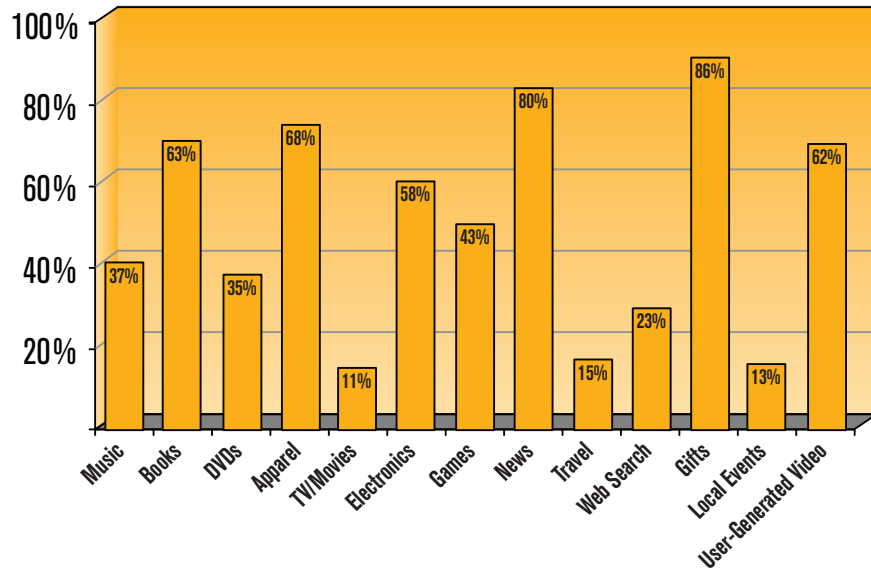
The most popular types of content that consumers want personalized continue to be music, books and DVDs.

### What Types of Content Would You Like Personalized?



But, other content areas—namely gifts, news and apparel—are the biggest gainers in terms of percent increase in interest level between 2007 and 2008.

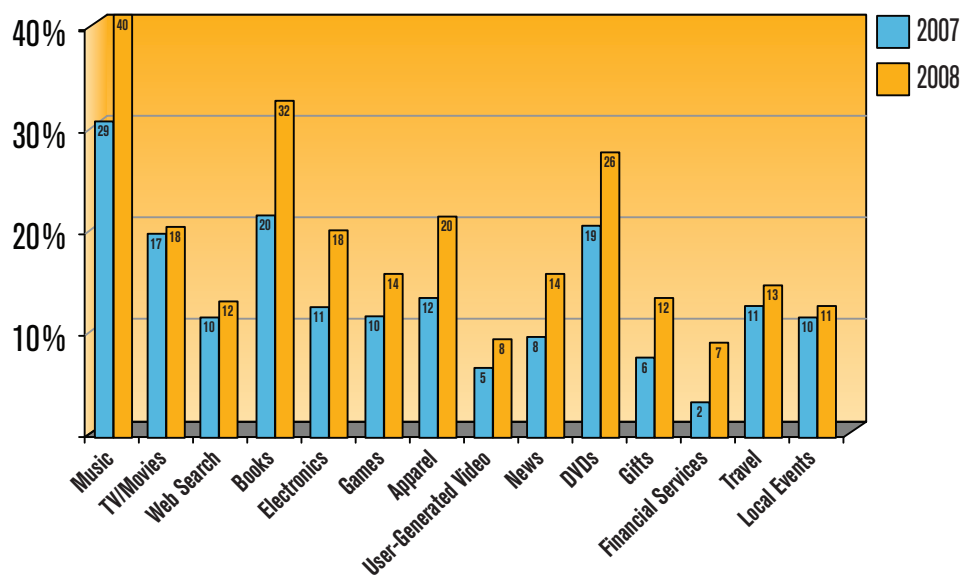
**Percent Increase in Interest Level  
2007 vs. 2008**



\* Note: Financial Services growth is not shown because it is based on too small a sample to be significant.

Another interesting finding in this year's results is that on average, each consumer wants more content areas personalized this year than last year. This can be seen in the chart below which shows the percent of consumers that chose each of the various content areas. Across the board, the percent of consumers interested in the various content areas has increased between 2007 and 2008.

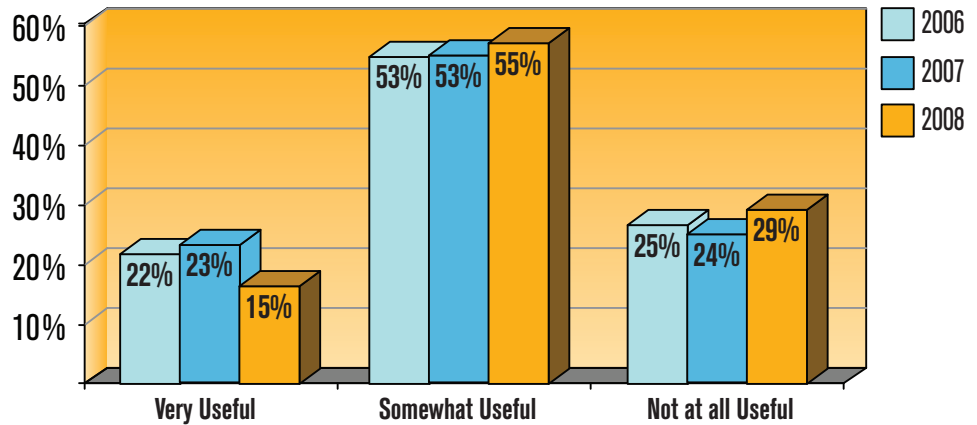
**What Types of Content Would You Like Personalized?  
2007 vs. 2008**



**Consumers recognize the value of personalization in social networking.**

The current survey finds that consumers continue to be interested in improving their social networking experience through personalization. Specifically, 71% indicate that it would be either very useful or somewhat useful if their social network introduced them to others with similar interests and preferences.

**Usefulness of Social Networks Introducing You to Members Who Share Your Tastes and Preferences**



**About ChoiceStream, Inc.**

ChoiceStream delivers dynamic, personalized product recommendations and display ads that increase purchases and customer engagement for today's biggest brands, including Overstock.com, Tesco, Borders, Blockbuster, AT&T, and Yahoo!. Recently named the company with the "deepest experience" of the 'pure-play' personalization engines" by a leading independent research firm, ChoiceStream enables retailers to put the right content and products in front of the right people at the right time to maximize the value of every interaction with consumers.