

# A Framework For Thinking About Online Advertising

Online advertising has been with us for 12 years now. As the medium has evolved over time, people have tried to define it as one big idea — from Web sites, communities, display ads, and email, to search, blogs, video, and social networking. While the hot topics keep changing, marketers have struggled with the bigger picture, which is how they should understand and use the online channel and how they can assess the results.



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While online advertising has grown significantly as an industry, to many marketers it is still relatively new. Some struggle to understand it in terms of an existing media frame of reference. Should online be viewed in a print paradigm since it employs small ads, mixed in with content, on a “page”? Or should a direct response model be applied to online because of its interactivity? Most recently, the burgeoning video capabilities of online have encouraged some advertisers to liken it to television.

Trying to force fit online advertising into a pre-existing, one-silo media model may sometimes be useful. For example, an advertiser planning to redeploy a print budget online might reasonably use print metrics for the purposes of comparison. But thinking about the online channel merely as an extension of print, and a way to reach people not hit by traditional media, obscures the larger opportunity that online represents.

Our existing advertising models (TV, print, outdoor, etc.) are predicated on a particular mode of message transportation and a send-receive approach. Traditionally, strategy and channel have gone hand-in-hand. A crude synopsis might be: Use TV and outdoor for reach and awareness, print for beauty shots and targeting, radio for deal-selling, and direct mail for a call to action. While a model could be cobbled together for online (print meets direct mail meets TV), the complexity would limit its usefulness.

Instead of a model, think of a metaphor: fishing from a boat on a digital ocean. You can't put a net in only one place, but you can cover only so much ground. Marketers have to be flexible about the fluidity of the medium and work with the different underlying currents. At this stage, the best approach to online marketing is to jump in, try some things, and see what works.

The marketers who have been most successful so far are those who have embraced the power shift that is occurring. Consumers have more control now, over both what gets to them and how they interact with it. Because of this ongoing transfer of power, the approach that worked last year might not work this year. As the climate changes and the fish get smarter, new approaches are required. Rather than continuing to monitor “send-and-receive” and impressions, marketers now need to be measuring engagement and digital dialogue.

## The Promise and Challenge of Engagement

Engagement is a hot topic right now, a subject of discussion for the ARF, the ANA, the 4As, and many prominent advertisers.

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**Online doesn't change the rules as much as it extends itself to multiple applications.**

No longer satisfied simply to know that someone saw an ad, advertisers now want to know if the exposure led to a change in attitude or behavior. David Cohen, Executive Vice-President at Universal McCann, says, "There is no doubt that we are moving rapidly from a world of passive receptivity to active engagement. . . . Accountable engagement innovation is the battlefield of the 21st century . . ."

And yet consumers don't have time to engage with every brand that wants their attention. In the United States, it is estimated that a consumer gets hit with over 3,000 marketing messages each day. One unfortunate by-product of media fragmentation, combined with the spray-and-pray approach taken by some marketers, is that consumers, needing ways to deal with this advertising onslaught, have developed mental and technical firewalls to help filter it all. Keeping that context in mind, the challenge for online advertisers is to understand what techniques are likely to penetrate these firewalls to engage consumers.

**Measure the Incremental Progress — Not Just One Step**

Ideally, your brand is so compelling that consumers will want to have a direct dialogue with you. They will not only be open to receiving your messages; they will talk back to you, telling you who they are and what they like and don't like. If you are really good (or just lucky), this digital dialogue will progress to the point where the consumer helps to spread the word to others, through email, blogs or other forms of consumer-generated content.

But the reality is that few messages will get past a consumer's firewall, and even fewer will elicit an immediate response. There is a misguided notion that online can instantly convert people, while other media take more time. Marketers need to factor in time and patience with online, too, adopting a courtship mentality to build trust with consumers. Instead of expecting one ad to immediately lead to conversion, they need to be satisfied with a series of small, incremental steps.

	Stages	ARF Media Model	Questions Answered	Metrics and Typical Sources
1	Getting the Opportunity to Deliver the Message	- Vehicle Distribution - Vehicle Exposure - Advertising Exposure	Did anyone see it and how often? Did it get through <u>technical</u> firewalls?	<i>Reach / Frequency</i> Sources: audience panels, ad servers, email providers
2	Building Brand and Message Awareness	- Advertising Attentiveness - Advertising Communication	Do they know of the brand and the message? Did it get through <u>mental</u> firewalls?	<i>Brand survey data points</i> Sources: most commonly third-party survey research companies; could also be inferred from search volume as a related indicator of awareness and interest
3	Increasing Positive Predisposition	- Advertising Persuasion - Advertising Response	Do they think favorably of the brand? Would they consider it?	
4	Causing Behavior	- Advertising Response - Sales Response	Did they take action on it? Did they: click/sign up/tell others/go to the store/buy it?	<i>A variety of behavior metrics (e.g., rollover, play, click-thru, view-thru, sales)</i> Sources: ad technology, ad/site/email server, retail sales

## *The challenge for online advertisers is to get past the consumer's firewalls.*

Therefore, in evaluating online advertising, we need to focus on the incremental stages of this process, which fit into the ARF Media Model, as illustrated in the table on the preceding page. All four stages are important and interrelated. For example, it is difficult to move people to persuasion (stage 3) if they have not received or noticed the message (stages 1 & 2). More importantly, direct response (stage 4), while a unique and powerful aspect of the online advertising opportunity, is not the whole story. Online can do more than generate traffic; it is able to contribute at various stages of the marketing process with unique strengths, formats and corresponding metrics.

Among major Internet advertisers, brand building is now recognized as a critical accompaniment to direct response. Even search, a fast-growing part of the market and an area that is, by and large, only bought and sold for causing behavior (stage 4), has started to position itself as a brand play (stages 2 & 3).

### Search and Brand

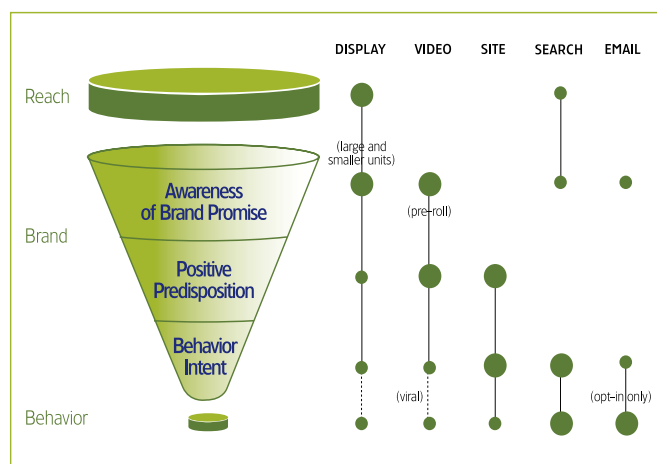
While there is no denying that search is an excellent direct-response medium, it should not be evaluated independently of brand advertising. While the text-link ad itself will probably have some messaging power, the bigger battle in search may very well be won before the search is even conducted.

Think about how search is used. A typical Yahoo or Google search presents about 10 paid links in addition to the organic results. Before clicking on a link, the person searching thinks about the source behind the link, and whether that brand is worth the time it takes to click on it. There is a quick assessment of the brand and what it offers in relation to this search. The decision on which links to click first, second or third, and which ones to ignore, relies heavily on a brand decision.

### Overview of Online Effects

The diagram below depicts the major types of online marketing and where we perceive the sweet spots (larger circles) to be, as of late 2006. The major online marketing formats, as examined against the same staged process mentioned earlier, are represented here in the form of the standard purchase funnel — sometimes called the hierarchy of advertising effects.

### Online Marketing Goal/Measurement Hierarchy



The diagram suggests that if cost were no object and all online options were available, the optimal path might be to:

- 1) Start at the top. Get reach and increase awareness of the brand's promise with display advertising. This should be easy — just brand and shoot the message to millions of people (with adequate frequency). Paid online video ad inventory is in tight supply right now so that may limit its reach. Search could help you in the short term, but its brand building power may be quite small. Advergaming can also be useful here if your target overlaps with gaming demos.

## *The battle in search may very well be won before the search is even conducted.*

- 2) Move down through the funnel. This is where rich media and online video can use their storytelling power to build favor toward the brand. Likewise, online sponsorships of unique content or events can push the middle funnel metrics. Of course, your own site will likely do great things for your brand, provided you can get people there; search plays a critical role in driving traffic.
- 3) Use search as the best way to get converts among those who were not already visiting your site nor getting your email. The next stage is for the Web site to do one of the following — close the sale then and there, push visitors to a retail dealer, or get an email address to continue the digital dialogue.



### **Conclusion**

Despite the boom–bust–boom, online advertising is still relatively small in terms of overall spend. As long as there is a significant gap between where consumers are spending their media time and where advertisers are spending their media

budgets, we can feel confident that there is still plenty of room to grow. (As big as Google is, they still have less than one percent of major advertising budgets.)

At this point in late 2006, we suggest:

- Instead of “traffic” and “hits,” use more meaningful metrics and goals that reflect the stages: terms like “uniques,” “brand building,” and “conversions.” Yes, it’s great to have lots of people using your site, but many of your customers will make their brand decision before they get there. Therefore, your online strategy should look at all stages and measure incremental progress. Consider getting your message to people in the places where they are already going (even before search) so they know you well.
- Be prepared for uncertainty. Digital media changes fast; therefore you must continually evolve your tactics. As comfortable as it may be to rely on what has been proven to work, you must continue to experiment and learn. It’s a good idea to put aside 10 to 20 percent of your online budget each year for trying new things and measuring the effects.
- Embrace the control shift. Part of the appeal of digital is that consumers gain more control in the marketing dialogue. They like it — so why fight it? Your strategy should include the objective of building trust as a brand attribute. If the future of digital marketing is anything like spam, and the growth of mobile marketing makes consumers feel the need to protect themselves, you don’t want your brand to end up on the “block” list.

For more about online marketing, see <http://www.mb-blog.com>