Teaching Objectives

- Identify the major forms of online marketing communications.
- Explain the costs and benefits of online marketing communications.
- Discuss the ways in which a Web site can be used as a marketing communications tool.

Outline

1. Marketing Communications
2. Understanding the Costs and Benefits of Online Marketing Communications
3. The Web Site as a Marketing Communications Tool

Marketing Communications

- Two main purposes:
  - Sales—promotional sales communications
  - Branding—branding communications
- Online marketing communications
  - Takes many forms
  - Online ads, e-mail, public relations, Web sites
Online Advertising

- $53 billion in 2015
- Advantages:
  - Internet is where audience is moving
  - Ad targeting
  - Greater opportunities for interactivity
- Disadvantages:
  - Cost versus benefit
  - How to adequately measure results
  - Supply of good venues to display ads

Forms of Online Advertisements

- Display ads
- Rich media
- Video ads
- Search engine advertising
- Mobile and local advertising
- Social network advertising: social networks, blogs, and games
- Sponsorships
- Referrals
- E-mail marketing
- Online catalogs

Display Ads

- Banner ads: Rectangular box linking to advertiser’s Web site
  - May include animation
  - Link to advertiser’s Web site
  - Can track user
  - IAB guidelines
    - E.g., full banner is 468 x 60 pixels, 13K
- Pop-up ads
  - Appear without user calling for them
  - Provoke negative consumer sentiment
  - Twice as effective as normal banner ads
  - Pop-under ads: open beneath browser window
Online advertising spending for selected formats (in billions)

<table>
<thead>
<tr>
<th>FORMAT</th>
<th>2014</th>
<th>2018</th>
<th>AVERAGE GROWTH RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search</td>
<td>$22.9</td>
<td>$33.1</td>
<td>10.6%</td>
</tr>
<tr>
<td>Banner ads</td>
<td>$10.9</td>
<td>$16.0</td>
<td>10.5%</td>
</tr>
<tr>
<td>Video</td>
<td>$6.0</td>
<td>$12.7</td>
<td>25.2%</td>
</tr>
<tr>
<td>Rich media</td>
<td>$3.1</td>
<td>$9.5</td>
<td>35.7%</td>
</tr>
<tr>
<td>Classifieds</td>
<td>$3.0</td>
<td>$3.7</td>
<td>6.1%</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>$2.4</td>
<td>$4.2</td>
<td>17.1%</td>
</tr>
<tr>
<td>Lead generation</td>
<td>$2.0</td>
<td>$2.5</td>
<td>5.4%</td>
</tr>
<tr>
<td>E-mail</td>
<td>$0.25</td>
<td>$0.32</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Rich Media Ads

- Use Flash, DHTML, Java, JavaScript
- About 5% of all online advertising expenditures
- Tend to be more about branding
- Boost brand awareness by 10%
- IAB standards limit length
- Interstitials: Full-page ad between Web pages
- Superstitials

Types of display ads

Video Ads

- Fastest growing form of online advertisement
- IAB standards
  - Linear video ad
  - Non-linear video ad
  - In-banner video ad
  - In-text video ad
- Specialized video advertising networks
- Retail sites are largest users of video ads
  - Zappos—created video for each of 100,000 product
Search Engine Advertising

- Almost 50% of online ad spending in 2014
- Types:
  - Paid inclusion or rank
    - Inclusion in search results
    - Sponsored link areas
  - Keyword advertising
    - E.g., Google AdWords
  - Network keyword advertising (context advertising)
    - E.g., Google AdSense
- Nearly ideal targeted marketing

Search Engine Marketing Revenues

Search Engine Advertising (cont.)

- Social search
  - Reviews friends recommendations, searches, Likes, and Web site visits
  - Google’s +1, Facebook’s Like
- Search engine issues:
  - Disclosure of paid inclusion and placement practices
  - Link farms
  - Content farms
  - Click fraud
Importance of rank for customer viewing by type of search

Mobile and Local Advertising
- 122 million users access Internet from smartphones, tablets
  - Messaging
    - Especially effective for local advertising
  - Display ads
  - Search
  - Video
- Local advertising
  - Enabled by mobile platform
  - 50% of mobile advertising

A paid listing on Yahoo

Sponsorships and Referrals
- Sponsorships
  - Paid effort to tie advertiser’s name to particular information, event, venue in way that reinforces brand in positive yet not overtly commercial manner
- Referrals
  - Affiliate relationship marketing
  - Permits firm to put logo or banner ad on another firm’s Web site from which users of that site can click through to affiliate’s site
E-mail Marketing and the Spam Explosion

• Direct e-mail marketing
  – Low cost method
  – Primary cost is purchasing addresses
• Spam: unsolicited commercial e-mail
  – 72% of all e-mail purportedly is spam
  – Efforts to control spam:
    • Technology (filtering software)
    • Government regulation (CAN-SPAM and state laws)
    • Voluntary self-regulation by industries
      ▪ DMA
      ▪ Volunteer efforts

Spam Categories

Online Catalogs

• Equivalent of paper-based catalogs
• Graphics-intense; use increasing with increase in broadband use
• Two types:
  1. Full-page spreads, e.g., Landsend.com
  2. Grid displays, e.g., Amazon
• In general, online and offline catalogs complement each other
Social Advertising

- Social advertising
  - Uses social graph to promote message
  - Many-to-many model
- Social network advertising
  - Social network sites are advertising platforms
    - Corporate Facebook pages
    - Twitter ads
      - Promoted tweets
      - Promoted trends
      - Promoted accounts

Social Advertising (cont.)

- Blog advertising
  - Top tactic
  - 72 million read blogs
  - Blog readers are ideal demographic
- Game advertising
  - In-game billboard display ads
  - Branded virtual goods
  - Sponsored banners
  - Downloadable "advergames"

Behavioral Targeting

- Using consumer offline and online behavior to modify advertising message
- Personal information sold to third party advertisers, who deliver ads based on profile
  - Search engine queries, browsing history, social network data, offline data
- Ad exchanges:
  - Enable advertisers to retarget ads at users as they browse
- 75% of U.S. advertisers employ some form of behavioral targeting
Mixing Offline and Online Marketing Communications

- Most successful marketing campaigns incorporate both online and offline tactics
- Offline marketing
  - Drive traffic to Web sites
  - Increase awareness and build brand equity
- Consumer behavior increasingly multi-channel
  - 80% of consumers research online before buying offline

Outline

1. Marketing Communications
2. Understanding the Costs and Benefits of Online Marketing Communications
3. The Web Site as a Marketing Communications Tool

Online Marketing Metrics: Lexicon

- Measuring audience size or market share
  - Impressions
  - Click-through rate (CTR)
  - View-through rate (VTR)
  - Hits
  - Page views
  - Stickiness (duration)
  - Unique visitors
  - Loyalty
  - Reach
  - Recency

<table>
<thead>
<tr>
<th>COMMON MARKETING E-METRICS</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impressions</td>
<td>Number of times an ad is served</td>
</tr>
<tr>
<td>Click-through rate (CTR)</td>
<td>The percentage of times an ad is clicked</td>
</tr>
<tr>
<td>View-through rate (VTR)</td>
<td>The percentage of times an ad is not clicked immediately but the Web site is visited within 30 days.</td>
</tr>
<tr>
<td>Hits</td>
<td>Number of HTTP requests</td>
</tr>
<tr>
<td>Page views</td>
<td>Number of pages viewed</td>
</tr>
<tr>
<td>Stickiness (duration)</td>
<td>Average length of stay at a Web site</td>
</tr>
<tr>
<td>Unique visitors</td>
<td>Number of unique visitors in a period</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Measured variously as the number of page views, frequency of single-user visits to the Web site, or percentage of customers who return to the site in a year to make additional purchases</td>
</tr>
<tr>
<td>Reach</td>
<td>Percentage of Web site visitors who are potential buyers; or the percentage of total market buyers who buy at a site</td>
</tr>
<tr>
<td>Recency</td>
<td>Time elapsed since the last action taken by a buyer, such as a Web site visit or purchase</td>
</tr>
<tr>
<td>Acquisition rate</td>
<td>Percentage of visitors who indicate an interest in the Web site's product by registering or visiting product's pages</td>
</tr>
</tbody>
</table>
### Online Marketing Metrics

- **Conversion of visitor to customer**
  - Acquisition rate
  - Conversion rate
  - Browse-to-buy-ratio
  - View-to-cart ratio
  - Cart conversion rate
  - Checkout conversion rate
  - Abandonment rate
  - Retention rate
  - Attrition rate

- **Social networking**
  - User insights
  - Interaction insights

- **E-mail metrics**
  - Open rate
  - Delivery rate
  - Click-through rate (e-mail)
  - Bounce-back rate
  - Unsubscribe rate
  - Conversion rate (e-mail)

### An Online Consumer Purchasing Model

![An Online Consumer Purchasing Model Diagram](image)

**Figure 7.7, Page 471**

### How Well Does Online Advertising Work?

- Use ROI to measure ad campaign
- Highest click-through rates: search engine ads, permission e-mail campaigns
- Rich media, video interaction rates high
- Online channels compare favorably with traditional channels
- Most powerful marketing campaigns use multiple channels, including online, catalog, TV, radio, newspapers, stores
The Costs of Online Advertising

- **Pricing models**
  - Barter
  - Cost per thousand (CPM)
  - Cost per click (CPC)
  - Cost per action (CPA)

- **Online revenues only**
  - Sales can be directly correlated

- **Both online/offline revenues**
  - Offline purchases cannot always be directly related to online campaign

- In general, online marketing more expensive on CPM basis, but more effective

**TABLE 7.6** DIFFERENT PRICING MODELS FOR ONLINE ADVERTISEMENTS

<table>
<thead>
<tr>
<th>PRICING MODEL</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barter</td>
<td>Exchange of ad space for something of equal value</td>
</tr>
<tr>
<td>Cost per thousand (CPM)</td>
<td>Advertiser pays for impressions in 1,000 unit lots</td>
</tr>
<tr>
<td>Cost per click (CPC)</td>
<td>Advertiser pays pre-negotiated fee for each click ad receives</td>
</tr>
<tr>
<td>Cost per action (CPA)</td>
<td>Advertiser pays only for those users who perform a specific action, such as registering, purchasing, etc.</td>
</tr>
<tr>
<td>Hybrid</td>
<td>Two or more of the above models used together</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>Term-based; advertiser pays fixed fee for a slot on a Web site</td>
</tr>
</tbody>
</table>

**TABLE 7.5** ONLINE MARKETING COMMUNICATIONS: TYPICAL CLICK-THROUGH RATES

<table>
<thead>
<tr>
<th>MARKETING METHODS</th>
<th>TYPICAL CLICK-THROUGH RATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Display ads</td>
<td>.06%—.35%</td>
</tr>
<tr>
<td>Interstitials</td>
<td>.02%—.16%</td>
</tr>
<tr>
<td>Superstitials</td>
<td>.02%—.16%</td>
</tr>
<tr>
<td>Search engine keyword purchase</td>
<td>5%—15%</td>
</tr>
<tr>
<td>Video and rich media</td>
<td>.5%—2.65%</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>1.5%—3%</td>
</tr>
<tr>
<td>Affiliate relationships</td>
<td>.2%—.4%</td>
</tr>
<tr>
<td>E-mail marketing in-house list</td>
<td>5%—6%</td>
</tr>
<tr>
<td>E-mail marketing purchased list</td>
<td>.01%—.1.5%</td>
</tr>
<tr>
<td>Online catalogs</td>
<td>3%—6%</td>
</tr>
</tbody>
</table>
Outline

1. Marketing Communications
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### Table 7.7
**AVERAGE COST PER CUSTOMER ACQUISITION FOR SELECT MEDIA IN THE UNITED STATES, 2009**

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet search engine</td>
<td>$8.50</td>
</tr>
<tr>
<td>Yellow pages</td>
<td>$15.00</td>
</tr>
<tr>
<td>Online display ads</td>
<td>$25.00</td>
</tr>
<tr>
<td>E-mail</td>
<td>$10.00</td>
</tr>
<tr>
<td>Direct mail</td>
<td>$50.00</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$25.00</td>
</tr>
<tr>
<td>Magazine</td>
<td>$19.00</td>
</tr>
<tr>
<td>Television</td>
<td>$11.00</td>
</tr>
</tbody>
</table>

**Sources:** Industry sources; authors’ estimates.

### Table 7.8
**TRADITIONAL AND ONLINE ADVERTISING COSTS COMPARED**

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Traditional Cost</th>
<th>Online Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local television</td>
<td>$45,000</td>
<td>$15-30</td>
</tr>
<tr>
<td>Network television</td>
<td>$0-600</td>
<td>$0-40</td>
</tr>
<tr>
<td>Cable television</td>
<td>$15,000</td>
<td>$15-30</td>
</tr>
<tr>
<td>Radio</td>
<td>$5000-15,000</td>
<td>$500-1500</td>
</tr>
<tr>
<td>Newspaper</td>
<td>$120-2000</td>
<td>$10-100</td>
</tr>
<tr>
<td>Magazine</td>
<td>$500-2000</td>
<td>$50-250</td>
</tr>
<tr>
<td>Direct mail</td>
<td>$15-2000</td>
<td>$10-25</td>
</tr>
<tr>
<td>Billboard</td>
<td>$2000-25,000</td>
<td>$100-500</td>
</tr>
</tbody>
</table>

### Web Site Activity Analysis

**Shopping Cart Executive Counts Summary**

- **Visits:** 24,134
- **Engagement rate:** 16.7%
- **Total shoppers:** 4,021
- **Abandonment rate:** 97.4%
- **Conversion rate:** 0.4%
- **Total buyers:** 103

**Shopping Cart Executive Summary — Help Card**

- **Abandonment rate:** The percentage of shoppers who did not become buyers. This includes both cart abandoners and checkout abandoners.
- **Conversion rate:** Percentage of visitors who became buyers.
- **Total buyers:** Number of buyers who visited your site. Buyers are visitors who reached a page that you configured as an order complete page.
- **Total shoppers:** Number of shoppers who visited your site. A shopper is a visitor who reached a page that you configured as a shopping page.
- **Total visits:** Number of times a visitor came to your site.

Figure 7.9, Page 477
The Web Site as a Marketing Communications Tool

- Effective use requires
  - Appropriate domain name
  - Proper Web site design
  - Search engine optimization
    - Search engines registration
    - Keywords in Web site description
    - Metatags and page title keywords
    - Links to other sites

Web Site Functionality

- Main factors in effectiveness of interface
  - Utility
  - Ease of use

- Top factors in credibility of Web sites
  - Design look
  - Information design/structure
  - Information focus

- For first-time users, organization is key
- For return users: Information is major factor

Factors in the Credibility of Web Sites

Figure 7.12, Page 477

Table 7.9, Page 478

TABLE 7.9 WEB SITE DESIGN FEATURES THAT IMPACT ONLINE PURCHASING

<table>
<thead>
<tr>
<th>DESIGN FEATURE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compelling experience</td>
<td>Provide interactivity, entertainment, human interest; site is fun to use.</td>
</tr>
<tr>
<td>Editorial content</td>
<td>Provide helpful content, opinions, and features on subjects of interest.</td>
</tr>
<tr>
<td>Fast download times</td>
<td>Quicker is better; if longer, provide amusement.</td>
</tr>
<tr>
<td>Easy product list navigation</td>
<td>Consumers can easily find the products they want.</td>
</tr>
<tr>
<td>Few clicks to purchase</td>
<td>The shorter the click list, the greater the chance of a sale.</td>
</tr>
<tr>
<td>Customer choice agents</td>
<td>Recommendation agents/configurators help the consumer make quick choices.</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Personal e-mail response; 1–800 phone capability shown on Web site.</td>
</tr>
</tbody>
</table>