

Industry Briefing

Marketing on the Web

Executive Summary

In the turbulent world of the Internet new technologies are constantly emerging, offering new opportunities. The web itself is evolving from a sales channel to a medium for building brands. In this briefing we consider the marketing strategies available and how to measure their effectiveness. We also look at the support needed – both offline and on – to ensure the success of your web marketing campaign.

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Introduction

The Internet is changing the way firms conduct their business. Whether you are trying to make it on the web, or use the web to push your offline brand there is a new imperative. Think like a customer. Nowhere does it become more essential than in marketing your company online.

The strengths of the Internet are its difficulties. It is immediate. It can be personalized. It can distribute complex information. Above all it is interactive – yet few of the tools for marketing online are.

So how, amidst the turbulence of constant innovation, do you get your company noticed? How you get people to go to your website – or indeed do you need one?

The fact that the web is coming of age as a marketing medium is shown by the way major companies are using it. They realize it need not just be a sales channel but can be used to build brands. There are essentially three main ways advertisers use the web:

1) Create destination sites

In the early days of the Internet it was thought that to be big online companies needed to have a powerful presence on the web. Advertisers were putting up sites to sell their products or services. But the web's effectiveness as a sales channel is relative to the market sector of the company involved. It works fine for hardware vendors such as Cisco but it's clearly not as useful for say fast moving consumer goods' (FMCG) manufacturers who can't readily sell online. For them a website is more a point of presence with general information about the company, investor information, job opportunities and perhaps some customer service functions. But the best avenue to sell a bottle of fizzy drink it is not. A destination site is only worthwhile if it enables you to offer your product faster, cheaper or better than a rival.

2) Create micro-sites

Instead of getting the audience to come to you, you go to the audience. It's a branded site within someone else's site, so for instance a food manufacturer could have a micro-site within an online grocery, or a jean manufacturer could set up a micro-site on a youth site.

Such sites work well with "considered purchases" such as clothes, household appliances etc.

3) Advertising campaigns

It is only recently that companies are recognizing the web's potential for brand advertising as opposed to direct sales. Even so net advertising is long on potential – but short on results, as yet. Hitherto there has been a reluctance to spend money on the web. For instance in the last year ('98) the US advertising spend online was just 1% of the total spend across all media (\$200 billion). Yet all this is set to change. By the year 2003 it is forecast that the online spend will have risen to \$11.5 billion ranking the net as the fourth biggest channel for advertising, behind TV, Newspapers and Radio but above magazines.

The phenomenal growth is fuelled by the fact that not only will there be a bigger audience (the number of people online will nearly double in the US with a forecast audience of 64 million households against 38 million now) but they will also be spending more time online (an average of 10.2 hours a week, against 7.1 hours currently).

As the web grabs their interest it will be at the expense of other media. In separate research Forrester has predicted that over the next five years the Internet will siphon nearly 10% of all US ad spend (that's around \$27 billion dollars) away from traditional media. Hardest hit will be spend on newspapers and direct marketing.

As the growth of the Internet mushrooms so, will the advertising possibilities. Increased competition for each dollar will lower advertising rates, making the web more cost-effective and more attractive to new marketers. What's more technology is emerging that supports rich media (audio, visual, animation) and offers new ways for advertisers to interact with their clients and build mutually beneficial long-term relationships.

The Banner Ad

Currently the most ubiquitous form of advertising on the web is the banner. For the most part this is just a simple HTML or picture file. The challenge it presents is to sell, in roughly seven words, the same message a company is putting over in a 30 second commercial or a page ad in a magazine. It is sold in terms of cost per thousand impressions (CPM) with an average cost of \$25-\$70 for popular sites. An impression (also called a page view) is when the page is sent to the screen and viewed, so the advertiser pays regardless of whether the ad is seen or not. Not surprisingly, this is a bit too hit and miss for some.

Given the interactive nature of the web it seems only natural to make online advertising interactive too. The initial approach to encourage viewers to respond was an enticement to click through – such as win a prize or gain some value added information.

How effective this is we look at later. But it was the first of the new breed of rich media ads, which could use audio and video as well as text. The ad on the front could be connected to an infinite number of applications behind – Shockwave, RealAudio, HTML forms, Java applets etc.

While interactive ads take longer to develop and are more costly, most studies show that they encourage greater recall (brand awareness) and responsiveness (click-through). Although demand for rich media ads is growing rapidly (Forrester predict it will feature in one in five banner campaigns this year) fears of a consumer backlash have held it back.

While advertising creative teams are anxious to take advantage of every technological advance, most viewers don't keep up. Even by the year 2002 it is forecast that 80% of Internet users will still be reaching the web through dial-up modems. Customers have less patience in this medium than any other and long download times for ads are only likely to alienate the audience advertisers want to attract.

FAST and loose

It is a concern that has already been acknowledged by the industry which has set up the FAST (Future of Advertising Stakeholders) forward scheme to agree on "consumer-friendly" guidelines for online ads.

The goal is not to replace banners but make them more effective – developing user-acceptable interactive formats. In particular this would mean that if a user's system cannot "accept an enhanced format, advertisers should use a default to a basic banner or other unit that can be received, or block the ad altogether".

So far the consumer-centric standard advertising models identified are:

- Banner
- Banner + Daughter Window - window has content related to the banner
- Pop-Up - comes in a separate window on top of the content, without an associated banner
- Transitional Pop-Up - appears in a separate window during the transition between content pages.
- Interstitial - a full-screen ad which loads in its entirety between two content pages

Web metrics

Whatever the format – how effective is your ad? There is no shortage of data about the audience or measurement tools. But unlike most other media there is no single rating for gauging how successful your online promotion is. Companies tend to use different measures, according to their needs. It is, in part, because of the evolution in advertising models and technologies.

Hit count

First came the hit, which meant little as every request for data from the server was counted.

It was followed by the page impression that was more effective as it tracked the number of individual pages displayed. It is an impressive statistic to offer – a hub site like Yahoo can register a daily page impression rate of some 250 million. However, context is important to. A high page view is great, but only if a relevant audience sees it. What is more given that most people will visit several pages on a site the number of actual visitors is likely to be considerably less. And as mentioned before the only certainty the advertiser has is that the page was viewed, not his ad.

Even so, advertisers paying by CPM are currently getting a good deal as conventional impression measurement technology underestimates web traffic by an average of 76% according to a survey by Ernst & Young.

The main way it happens is through caching and site-mirroring. Many major corporations routinely cache the home pages of popular sites on their internal networks to avoid the drain on their bandwidth of multiple downloads. This hits page-view tracking measures, as the page with the ad is stored locally on the company's computer or that of the Internet service provider.

So some major websites have developed cache-busting techniques to ensure they get the page view count – to maintain ad rates and user ranking. This in turn has led companies to develop cache-buster busters etc. and so it spirals on.

Click through

If counting page impressions is not reliable another measure is to track the number of people who responded to an ad by clicking through. But there are a number of difficulties with this model.

First, you have to have an interactive ad, which many companies, if they are just building brand awareness, might not want.

While the studies do show that click through sites generate response, click through rates (CTRs) generally are dropping. Once the average click through rate was 1-3% now it has fallen to 0.5%. It is an indication of the increasing demand for users time and attention.

The advert's effectiveness in encouraging click throughs also depends on the message presented. Win a prize, or money, will send click rates soaring but may not convert into the other sort of actions an advertiser might want – such as a sale or registration.

A more targeted ad – say a discount on a book - will not encourage as many click throughs but may lead to more sales. It is this conversion rate (the rate at which people are converted from a view of an ad on the web to a desired response, such as buying something or giving personal details) which is a much more effective measure of ROI.

Research has shown that most of the time it is not the ad with the highest click through rate in the campaign that has the highest conversion rate.

New Measures

Consequently, other measures have evolved. Where there are no personal details of visitors to the site the number of unique visitors can at least be worked out by tracking individual IP numbers.

Going on from this some advertisers try and project a site's reach. This is based on user-group samples. If 65% of the sampled users visit a page on a specific site within a given month the site is said to have a 65% reach.

As tracking procedures become more sophisticated new techniques are emerging to measure user behavior. The length of stay, the number of registered users and the percentage of repeat visits within a given time frame, can all be used to help decide the most effective site for advertising. In short, web advertising is becoming more accountable, with the effect that it will lead to a greater demand for payment by performance.

Winning strategies beyond advertising

Offline support

Paradoxically the best way of promoting a business online, can be offline. It is necessary in Patricia Seybold's phrase to "hurl the URL". The fragmented viewing habits of consumers today means that they have to be targeted through many channels – TV, radio, magazines, printed media such as catalogs, direct mail etc. The reasoning is that offline advertising and promotion fosters brand awareness among those new to the Internet or just about to join. As they are familiar with the ads offline they register disproportionately higher brand awareness when they see it online.

It is one reason for ensuring some consistency between offline and online campaigns

Online campaigns should look recognizably similar to off-line and be viewed as part of the core business.

Indeed, they are the core business for companies like Amazon.com, which spends more marketing itself offline than on – in total about 22% of revenue. But it is effective. The American lingerie firm Victoria's Secret had a TV and print push for its website during the Superbowl and boosted online traffic by 48%.

Online support

Email

Email is the new direct mail. It is very quick and cost-effective. One US firm mailed out a message to one million current and prospective clients for just \$11,000. But such broad-based mailings have only limited effectiveness. They also carry the danger of alienating people who receive it and see it as little different from spam (junk mailings). It is much more effective to send response-oriented messages to specific customers, such as special offers, promotions, discounts etc that push them to your website. If you encode the URL you can track the responsiveness of the message and it will also establish the higher ROI that such targeted mailings deliver.

Co-marketing/strategic alliances

Good content will always help to draw people to your site. But don't reinvent the wheel. In the early days of the web some manufacturers spent vast sums creating lifestyle zones, to help sell their products, for which they generated their own content. They rapidly discovered that they couldn't do it as well, or as cheaply, as existing publishers. If you do want to have content on your site it's best to license it (such as the portals do with FT.com, Teletext, ZDNet etc.). Alternatively sponsor the sites where the content exists and link your product to their expertise.

Affiliates program

Let others do your promoting. A discount given to an affiliate now is nothing against the lifetime value of gaining an extra customer. EToys is the company that pursues this approach most competitively. Commercial websites which sign up as affiliates get 25% of every order placed while personal website owners can get 12.5%.

Tag it

However well you've hurred the URL about a third of your site visitors will still be referred by a search engine. To ensure you come up on relevant searches its important that your site has the right Meta tags – that is key words about your site and its content.

Above all, be bold. The technology is there to help you develop long-term, increasingly profitable relationships with customers but first they have to know you exist – online. Innovation is also key to the Internet. Technology is changing rapidly and it opens up greater and greater opportunities. Your campaign needs to be flexible enough to adapt to what is happening in the online marketplace and the best way to establish that is to keep an eye on what your rivals are doing.