Introduction to Advertising

Advertising Practices

MKTG 3809

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These materials have been adapted from the following OER resources:

Launch! Advertising and Promotion in Real Time by Solomon et al. 2009: <https://open.umn.edu/opentextbooks/textbooks/launch-advertising-and-promotion-in-real-time>

Principles of Marketing by Lumen Learning <https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016/>

Introduction to Marketing by USG Ecore <https://go.view.usg.edu/d2l/home/2366486>

# MODULE 7 - ROI and measures

*“Cool ad! But did it work?” -* That’s the million-dollar question (or often even more). Advertising serves many roles, from building awareness of a new acid jazz group to informing us of an asthma drug’s side effects. But at the end of the day, advertising is a call to action: it can be pretty, funny, sexy, or cute—but if an ad doesn’t sell the client’s product or service, or create the behavioral change a nonprofit hopes to achieve, it’s a loss for the company that paid for it.

The reality is that advertising is hard work—and it’s an essential part of doing business. It’s also expensive. There’s no question that advertising returns considerable value to the client. But how do you prove that to the bean counters? Unlike most other areas of business, alas, it’s not always so easy to assess the value of advertising and marketing activities. How does the “warm and fuzzy” feeling an ad creates translate into cold hard cash on the bottom line?

As competition for sales, eyeballs, souls, or whatever unit is in play continues to escalate in virtually every category (both profit and nonprofit), advertisers are under pressure as never before to justify their existence. This challenge is compounded by the way a firm traditionally states its objectives: a marketing strategy typically uses vague goals like “increase awareness of our product” or “encourage people to eat healthier snacks.” These objectives are important, but their lack of specificity makes it virtually impossible for senior management to determine marketing’s true impact.

## Return on Investment

Because management may view these efforts as costs rather than investments, advertising is often the first item to be cut out of a firm’s budget when money is tight. To win continued support for what they do (and sometimes to keep their jobs), advertisers are scrambling to prove to management that they generate measurable value by aligning what their work achieves with the firm’s overall business objectives[[1]](#footnote-1). The watchword in business today is return on investment (ROI). In cold, hard terms: what did I spend, and what did I get in return?

The race is on to generate metrics—quantifiable measures that gauge the direct impact of a marketing communication. Businesses increasingly mandate that their divisions create scorecards (or “dashboards”) that allow senior management to monitor what actions they’re taking and to see how these efforts affect the bottom line. And they’re not just asking for proof that advertising moves products—increasingly they demand to see a link between tactical actions, such as specific promotions, on a firm’s market share and even on a firm’s overall financial value (as measured by market capitalization)[[2]](#footnote-2).

This is no small task for advertisers, whose goals are often intangible and whose results may not be readily apparent in the next quarter. Another problem they face is the skepticism of many who hold the purse strings in companies. According to one study, six in ten financial executives believe their companies’ marketing departments have an inadequate understanding of financial controls, and seven in ten said their companies don’t use marketing inputs and forecasts in financial guidance to Wall Street or in public disclosures.

Marketers echo this pessimism; many acknowledge they have some distance to go before they understand (and quantify) the impact of what they do. In the same study, only one in ten marketer respondents said they could forecast the effect of a 10 percent cut in spending. Just 14 percent of marketing executives said senior management in their companies had confidence in their firms’ marketing forecasts. One of the analysts who conducted the study commented, “The thing that scared me most is that marketers don’t believe their numbers either.”[[3]](#footnote-3)

The difficulties in quantifying marketing’s contribution to the bottom line—and the growing pressure from CEOs to do so—helps to explain why a recent BusinessWeek survey of the shelf life of top-level functional executives revealed that the average job tenure of a chief marketing officer (CMO) is the lowest among the areas—26 months, compared with 44 months for CEOs, 39 months for chief financial officers (CFOs), and 36 months for chief information officers (CIOs). The pressure to provide tangible results is intense.[[4]](#footnote-4)

So, when a company looks to shave costs to improve its return to stockholders, advertising is a particularly easy target for cost cutting because few companies have developed reliable ways to track or predict the ROI for such spending. Lacking such measures, management often computes an advertising budget strictly as a percentage of revenues, or they base it on the previous year’s budget. As any fan of advertising’s impact (those who remain) can attest, this logic is seriously flawed: if revenues are falling, it may be because you’re not advertising enough! The last thing you want to do is reduce your investment to inform the market about your product or service.

## Metrics

How can advertisers make that case credibly? As we’ll see, it depends on the type of advertising they do and how they measure its results. Typical metrics for traditional advertising (i.e., magazine ads, TV, etc.) include these:

* **Advertising awareness**: How many people saw your ad and recognized the brand?
* **Trial**: Did more people try the product after they saw your ads?
* **Qualitative evidence**: Working mothers in four focus groups absolutely loved the ads.
* **Sales volume**: Did sales increase from the time period before the ad campaign to the time period after it?

Warning: While it’s tempting to conclude that these are the only metrics you need, these measures can be deceiving. You need to consider other factors:

1. What else was going on in the external environment that might have influenced this activity?
2. How much did you have to spend to get the results?

A single best all-around ROI formula is the Holy Grail today, but in reality, companies vary widely in the way they tackle this issue (the notable thing is that many are tackling it at all). Some rely on sophisticated statistical analyses while others are content to track general changes in sales trends or brand awareness. General Mills decides how much to invest in marketing and advertising by examining the historical performance of the brand as well as market research metrics on previous advertising effectiveness, growth versus competition, and other changes in the marketplace.

Another approach is to use the statistical technique called **regression analysis**, which identifies the amount of an effect we can attribute to each of several variables that operate simultaneously. One analyst calculates the percent of total sales attributable just to a brand’s existing sales momentum and brand equity (the value of a brand name over and above the value of a generic product in the same category). He determines brand equity by identifying the financial value the brand contributes compared to product value, distribution, pricing, services, and other factors. He calculates the short-term incremental impact of advertising on sales by looking at several years of sales data and creating a sales trend line. Waving his statistical magic wand, he then looks at whether a specific promotion results in incremental sales, or sales over what would we expect based on normal conditions.

Indeed, consulting firms such as Corporate Branding LLC and Interbrand, as well as a few big ad agencies like Young & Rubicam (Y&R), develop their own proprietary methods to arrive at a brand’s financial value. They track these values over time to help clients see whether their investments are paying off.

Y&R’s Brand Asset Valuator is based on field research of consumers on thousands of brands. When the agency studied just what builds brand equity, it identified one crucial element: does the consumer believe the product is different in a relevant way—does the message offer a clear, memorable reason to buy the product, also known as a unique selling proposition (USP)? Y&R tracks how well various advertising campaigns differentiate brands and the degree to which they increase brand value as a result[[5]](#footnote-5).

The ROI for any campaign must relate to its original strategy. Every action the agency takes needs to tie back to the results it produced.

## ROI for Broadcast and Print Media

Traditional (broadcast) media struggle to demonstrate a direct impact on the bottom line. These advertising messages reach many consumers at the same time, and these receivers also get bombarded by a multitude of competing ads and other stimuli that vie for their attention. It’s not easy to connect the dots between a single commercial (or even an entire ad campaign) and the purchases of thousands of people who may or may not have noticed the message in the first place. As we’ve seen, it’s fairly easy for media planners to compute a metric that lets them compare the relative cost-effectiveness of different media and of spots run on different vehicles in the same medium. This metric is **cost per thousand** (CPM); it reflects the cost to deliver a message to one thousand people. Because it provides an apples-to-apples perspective, it’s very helpful to have this information in hand.

Unfortunately, CPM alone is not a great indicator of ROI: it tells us how good we are at getting our message to an audience but nothing about the impact that message has when it reaches the target. Let’s briefly review some of the other ways advertisers try to provide evidence that the messages they create actually generate value for the client and its stockholders.

### Network TV

For some time now network television has been in a defensive posture as the industry struggles to justify its existence. Some skeptics predict the demise of this medium as an advertising platform because our society is too fragmented for it to be effective. Note: this criticism certainly doesn’t apply to direct- response TV (DRTV), where sales are directly linked to on-air programming or “call now” ads. When a shopping channel like QVC puts that unique cubic zirconium ring on the air, the network knows within minutes whether it’s a winner.

For now, estimates vary widely—one study found that the average ROI of TV advertising is 0.54 to 1 for packaged goods and 0.87 to 1 for nonpackaged goods. (The ROI of 0.54 means that for each 1 dollar the company spent on advertising, it earned 54 cents, which means that it lost 46 cents). According to this research, these media on average actually lose money for the advertiser![[6]](#footnote-6) Another estimate, by well-known media analyst Kevin Clancy, is a bit more sunny: he states that the average ROI of TV advertising campaigns ranges from 1 to 4 percent— still a small number, but at least it’s in the positive column[[7]](#footnote-7).

Traditionally the metric this industry uses is viewership ratings, particularly those Nielsen compiles. Again, these data have questionable relevance to ROI because they only show whether people watch the shows and not necessarily whether they use the commercial breaks to hit the bathroom or make a sandwich. And these ratings often get collected in a finite period of time—sweeps week—so networks pump up their schedules to attract as many viewers as they can during this window. There is widespread consensus among advertisers that the TV industry will need new audience metrics—other than reach and frequency information it uses to calculate CPM—to report commercial ratings.

With all that negativity, is network television dead? Don’t write its obituary yet. Although it’s undeniable that our world is a lot more fragmented than it used to be, there still are large-scale events that unite us and continue to command a huge mass television audience. These include the Super Bowl, or the Olympics (with an estimated four billion viewers).

Advertisers also are getting more creative as they search for ways to draw in audiences—and entice them to stay for the commercials. For example, some are experimenting with bitcoms that try to boost viewers’ retention of a set of ads inserted within a TV show (we call this a commercial pod). In a typical bitcom, when the pod starts a stand-up comedian (perhaps an actor in the show itself) performs a small set that leads into the actual ads[[8]](#footnote-8).

Finally, the networks are taking baby steps toward getting more credit for viewership that occurs in places other than people’s living rooms. Our mobile society exposes us to television programming in bars, stores, hospital waiting areas, and dorm rooms—current ratings systems don’t reflect this. In early 2008 Nielsen fielded a new service it calls The Nielsen Out-of-Home Report; this is a cell-phone based service that provides metrics for television viewing that occurs outside of the home in bars, hotels, airports, and other locations. CNN has already started to use this service. In addition, the Nielsen Online VideoCensus will measure the amount of television and other video programming people view over the Internet[[9]](#footnote-9).

### Radio

Radio stations design their programming to attract certain listeners and then sell those listeners to advertisers in tiny increments. As with TV, advertisers look carefully at listener ratings to determine who and how many listeners their ad will reach on a given station—the leading industry ratings are provided by Arbitron. The company used to collect these data by asking listeners to keep a diary of the stations they listen to, but now it uses a Portable People Meter to automate the process and deliver more reliable results[[10]](#footnote-10).

A radio station has an ad time inventory of about eighteen minutes per hour, which it sells in increments of fifteen seconds, thirty seconds, and sixty seconds (:15s, :30s, and :60s). But not all minutes are valued equally. Audience size shifts dramatically throughout the day, and radio rates vary to reflect the change in the estimated number of listeners your ad will reach.

The radio industry divides up the time it sells in terms of day-parts[[11]](#footnote-11):

* A.M. drive time, 6 a.m. to 10 a.m., has the most listeners. They tend to be highly receptive to learning about products (perhaps because they’re wired on their morning coffee!).
* Midday, 10 a.m. to 3 p.m.: This day-part offers fewer listeners, but they tend to be very loyal to a station. A good way to build brand awareness is to advertise at the same time each day with the same message.
* P.M. drive time, 3 p.m. to 7 p.m., also has a large number of listeners. They may be more inclined to buy what you’re selling than in the morning when they’re rushing to get to work.
* Evening, 7 p.m. to midnight, has fewer listeners but they tend to be highly loyal—they’ve made the conscious decision to switch on the radio rather than veg out in front of the TV.
* Late night lasts from midnight to 6 a.m. As you might expect, you’ll reach far fewer people at this time. But they may be more receptive to creative executions that capture their attention during those long, lonely hours.

### Print

The **Starch test** is a widely used metric that measures the performance of print advertising. Starch Research conducts quantitative research with magazine readers to identify what type of impact an ad had on them[[12]](#footnote-12). The service calculates these scores:

* Noted: The percentage of readers of the specific issue of a magazine who remember having previously seen the ad. This metric indicates whether the ad made an initial impact.
* Associated: The percentage of readers who can correctly associate the ad with the brand or product name.
* Read Most: The percentage of readers of the specific issue of the magazine who read 50 percent or more of the copy contained in the ad. This score shows how well the ad impacted the reader by engaging them with the copy.

Another metric that can be useful is **pass-along readership**. A magazine that readers share with others most likely displays a higher level of engagement, so it’s probably a good environment in which to place a relevant message. Research shows that readers have positive feelings about pass-along copies. Those who receive a magazine from others exhibit the same levels of recall and brand association for the issue’s ads as those who initially received the copy (plus, they get a “freebie,” so perhaps that puts them in a good mood)[[13]](#footnote-13).

What makes a print ad effective? One recent study reported that we are far more likely to remember spectacular magazine ads, including multipage spreads, three-dimensional pop-ups, scented ads, and ads with audio components. For example, a Pepsi Jazz two-page spread with a three-dimensional pop-up of the opened bottle and a small audio chip that played jazz music from the bottle’s opening as well as a scratch-and-sniff tab that let readers smell its black cherry vanilla flavor scored an amazing 100 percent in reader recall[[14]](#footnote-14).

Unfortunately, that kind of multimedia treatment is very expensive; not every ad can mimic a Broadway production! Still, there are basic principles that increase a print ad’s likely impact on the reader[[15]](#footnote-15):

* One popular dimension is the ad’s position in the magazine or newspaper. The industry refers to the ideal placement with the acronym FHRHP: first half, right hand page.
* Ads that appear in key cover positions (inside front cover, inside back cover, outside back cover) on average receive a Starch Noted score that is more than 10 percent higher than those that appear inside the magazine.
* Double-page spreads and bound multiple page inserts have significantly greater impact than full-page ads. Readers also are more likely to remember the brand name associated with the ad and to actually read the copy.
* A scent strip increases both the immediate impact of the advertisement and also the brand name association.
* Color has a significantly greater impact than monotone.
* Large advertisements on average have greater immediate impact than smaller ads.
* Sampling opportunities engage a reader with the product for a longer period of time. This strategy also shows that you are prepared to support your advertising claims.
* Placing an ad near editorial content that is relevant to the product enhances the ad’s impact.

Traditional broadcast media platforms are under great pressure to demonstrate that they contribute to a client’s bottom line. Unfortunately, there’s no consensus regarding the single best way to do this— especially because these messages often intend to shape opinions or slowly evolve or reinforce a brand’s image over time rather than motivating an immediate purchase. For now, most metrics estimate the number and characteristics of consumers who get exposed to the message, while in some cases focus group or survey data based upon a sample of these people can suggest that these messages are likely to result in the desired action. Media companies in the television, radio, magazine, and newspaper industries continue to work on innovations that will allow them to show more direct results to advertisers who need to decide where to place their dollars.

## ROI for Alternative Media

It’s no secret that traditional advertising venues no longer provide the punch they used to. Advertising clutter makes it more difficult to get noticed in a crowded media environment, and even if people see or hear your ad, they are so busy multitasking that they may not react to it as you’d like. For this reason many advertisers look to alternative media either to replace or, more likely, to supplement their broadcast efforts. These options can be especially powerful for the client who needs short-term results (buy something now) rather than a longer-term brand building effort.

### Point-of-Purchase

As the effectiveness of traditional media platforms continues to come under scrutiny, a lot of companies are allocating a greater proportion of their advertising dollars to point-of-purchase advertising (POP, also called *marketing-at-retail*). U.S. companies spend more than $13 billion each year in this category. A POP can be an elaborate product display or demonstration, a coupon-dispensing machine, or even someone giving out free samples of a new cookie in the grocery aisle.

Coupons and other short-term sales promotions (e.g., “buy one, get one free”) are forms of POP that are extremely trackable—it’s fairly easy to monitor redemption rates to the *n*th degree so an advertiser knows exactly which offers resulted in purchases. The eventual impact on the bottom line? Not always so obvious—a rush of purchases in the short-term to take advantage of a big price reduction ironically might decrease the brand’s long-term value if these cuts cheapen its image! And you thought this was going to be easy.…

As we all know, the experiences we have in a retail environment exert a big impact on the likelihood we’ll purchase—though, again, these can be hard to quantify. However, POP industry experts claim that a well- designed in-store display can boost impulse purchases by as much as 10 percent. One study that compared short-term sales increases among a number of different media across three hundred campaigns reported that in-store fixtures yield an average of 160 percent, and in-store posters delivered a 136 percent return[[16]](#footnote-16).

Due to the high stakes involved, several initiatives are under way to employ high-tech methods that more precisely measure just what happens in the store when consumers encounter advertising messages. The industry trade association POPAI (Point-of-Purchase Advertising Institute) is spearheading a major initiative with the Association of National Advertisers (ANA) to establish measurement standards for the industry[[17]](#footnote-17).

In addition, an alliance of major marketers including Procter & Gamble, Coca-Cola, 3M, Kellogg, Miller Brewing, and Wal-Mart is using infrared sensors to measure the reach of in-store marketing efforts. Retailers have long counted the number of shoppers who enter and exit their stores, and they use product barcode data to track what shoppers buy. But big consumer-products companies also need to know how many people actually walk by their promotional displays so they can evaluate how effective these are.

Although it’s possible to fool these sensors (they still can’t tell if someone is simply cutting through to reach the other end of the store), this sophisticated measurement system is a valuable first step that many advertisers eagerly await[[18]](#footnote-18).

Finally, the marketing research company TNS is about to launch a new system to measure POP in grocery stores. The *TNS Insight Dashboard* will be a syndicated service that provides a report each quarter on the effectiveness of in-store marketing strategies. The Dashboard monitors where shoppers are in a grocery store at any given time, tracks the number of seconds they spend at any display and the amount of time they spend with other products, and then overlays these results with sales information so TNS can determine which displays actually lead to purchases. As a TNS executive observed, “A display’s stopping power is a good thing when it generates a lot of purchasing, but if people are spending many seconds there and not buying, something isn’t speaking to customers properly.”[[19]](#footnote-19)

### Out-of-Home Media

Surprise—there is no standard metric for traditional billboard advertising. However, common sense suggests that these messages are more useful in some contexts than in others. Because passing motorists only see a billboard for a few seconds, this medium is more effective to convey a quick visual message than substantial information. Billboard messages need to be kept to five or six words at the most. In this case a picture truly is worth a thousand words. Again, it’s awfully hard to quantify the impact a vivid picture can make, though this could be substantial if it’s sufficiently interesting and differentiates the product (especially when people see it repeatedly).

Outdoor advertising is quickly moving to more sophisticated digital technology that people can see at a greater distance and that can present more detailed verbal information. In research conducted by OTX, a global consumer research and consulting firm, 63 percent of adults said that advertising on digital signage “catches their attention.” Respondents consider advertising in this media to be more unique and entertaining and less annoying than both traditional and online media. The study also reports that awareness of digital out-of-home media is high—62 percent of adults have seen digital signage in the past twelve months—and is at levels comparable to billboards, magazines, and newspapers. On average, people notice digital signage in six different kinds of locations during their week, giving advertisers the opportunity to intercept people with their brand message at various touchpoints during their weekly routines as they work, play, and socialize. It’s even more effective at reaching eighteen- to thirty-four- year-olds, who rate this medium higher than the general population[[20]](#footnote-20).

### Product Placement

In 2008 advertisers spent $3.6 billion to place their products in TV shows and movies. Until fairly recently, product placement was a casual operation where prop masters made informal arrangements to procure products they needed to dress a set. Today, it’s big business—but the effectiveness of these placements is anyone’s guess.

Nielsen, the company that compiles TV program viewership ratings, is working on a process with another company, IAG, to quantify when products appear in shows. IAG currently produces product placement ratings that are based on viewer recall; it asks 2.5 million people to respond to surveys online after they watch their favorite shows. These ask whether viewers remember the brand, think more positively about it, or want to purchase it, and whether the placement disrupted their viewing experience. Another firm called ITVX uses a system that measures up to sixty variables to determine a placement’s effectiveness,

including whether a product appears in the foreground or background, whether a viewer is aware that a brand is on screen, and whether the show’s commercials are coordinated with the product placements[[21]](#footnote-21).

### Video Advertising

Odds are you’ve watched a clip on YouTube recently. Advertisers want more access to viewers like you as online video advertising comes into its own. Some companies including CBS and Electronic Arts have reversed their positions about prosecuting users who post unauthorized clips of their content and have instead started to sell advertising on these spots.

The Interactive Advertising Bureau (IAB) developed a set of guidelines to help the industry determine at what point a piece even qualifies as a video commercial. It defines a video ad as a commercial that may appear before, during, and after a variety of content including streaming video, animation, gaming, and music video content in a player environment. For now, the industry still uses CPM as its primary metric. The majority of video ads are repurposed fifteen- and thirty-second television commercials, but as yet there is little data about how these translate to the online environment, which length is most effective, and so on.

### Advergaming

Advergames, as you learned, are custom-made videogames specifically designed around a product or service, such as Sneak King by Burger King. Many advertisers are intrigued by the possibilities they see here, especially since the elements within an online game can be changed over time. Videogames also can show digital video ads before play, during breaks in a game, or following completion of the game. A client can introduce its products directly into the game in the form of beverages, mobile phones, cars, and so on.

The Interactive Advertising Bureau (IAB) is at work to define standard metrics for this new medium. The videogame platform shares some characteristics of online ads because when people play online, clients can track which specific elements in a game yield a response (e.g., when a player clicks on a sponsored link). The IAB has identified basic metrics that include[[22]](#footnote-22):

Cost per thousand (CPM)—Advertising inventory is sold on the basis of “number of impressions delivered.” But just what constitutes an “impression” has yet to be agreed upon. For example, it may be defined as ten seconds of cumulative exposure to an ad format or element within a game session. In order for each one second to be counted, the scene the gamer sees must meet defined parameters for the angle of view to the ad in addition to the size of the ad unit on the screen. Other measurement methods count “interactive impressions” once there is an interaction between the gamer and the interactive ad unit[[23]](#footnote-23).

* **Cost per click** (CPC)—A media company or search provider is paid only when the user or visitor clicks on an ad.
* **Cost per action** (CPA)—Performance ad networks often use this model where the revenue event is triggered only when the user or visitor takes the desired action with the advertiser (i.e., makes a purchase).
* **Cost per view** (CPV)—This relatively new model triggers the revenue event only when the user or visitor opts in to view the ad, often by clicking on a prompt or “bug.”
* **Cost per session** (CPS)—A session-based sponsorship where the user or visitor’s play experience is branded.

### Direct and Online Advertising

The Direct Marketing Association (DMA) claims that each dollar spent on direct marketing yields, on average, a return on investment of $11.69[[24]](#footnote-24). The strength of direct marketing is that it allows the advertiser to track the impact of a mailing or online ad directly. As direct marketers like to say, “What gets measured, gets managed.”

E-commerce marketers often use a metric they call the conversion rate—the percentage of visitors to an online store who purchase from it. Because each action online is trackable, it’s possible to go even further by breaking down the Web experience to understand which aspects of it are effective and which are not. For example, IBM computes microconversion rates to pinpoint more precisely how companies can improve their online shopping process[[25]](#footnote-25). This technique breaks down the shopping experience into the stages that occur from the time a customer visits a site to if or when she actually makes a transaction:

* Product impression: Viewing a hyperlink to a Web page that presents a product
* Click-through: Clicking on the hyperlink and viewing the product’s Web page
* Basket placement: Placing the item in the “shopping basket”
* Purchase: Actually buying the item

These researchers calculate microconversion rates for each adjacent pair of measures to come up with additional metrics that can pinpoint specific problems in the shopping process:

* Look-to-click rate: How many product impressions convert to click-throughs? This can help the e-retailer determine if the products it features on the Web site are the ones that customers want to see.
* Click-to-basket rate: How many click-throughs result in the shopper placing a product in the shopping basket? This metric helps to determine if the detailed information the site provides about the product is appropriate.
* Basket-to-buy rate: How many basket placements convert to purchases? This metric can tell the e- tailer which kinds of products shoppers are more likely to abandon in the shopping cart instead of buying them (believe it or not, this is a major problem for e-commerce businesses). It can also pinpoint possible problems with the checkout process, such as forcing the shopper to answer too many questions or making her wait too long for her credit card to be approved.

In some cases, advertisers evaluate how much they spend on various ads compared to the visits or clicks they each create and then reallocate their ad spend to the ones with the highest ROI, as measured by cost per visit or cost per click. This method is easy to implement, but it can be misleading because it’s short- term oriented: one execution may result in a low cost per action, but customers may be “one-timers” who don’t return. Another execution might be more expensive, but customers may respond to it repeatedly over time, generating additional profits with no additional costs[[26]](#footnote-26).

Online advertising formats have historically faced problems with declining response rates over time. Banner ads debuted with click-through rates above 50 percent but faded to about 2 percent after their novelty wore off. Today, banners get fewer than five responses for every thousand advertisements shown, a response rate of about 0.5 percent[[27]](#footnote-27). That’s why advertisers now resort to other methods to capture surfers’ attention, such as pop-up ads that open on top of the Web site a person visits (also on their way out because they tend to be more annoying than entertaining) and, more lately, pop-under ads that open a new browser window under the active window so they allow the user to continue browsing at the intended site.

Numerous Web sites provide online calculators to determine ROI—of course these assume that you have accurate information to use (garbage in, garbage out). They typically consider these inputs:

* **Site traffic**: How many people visit your site in a typical month?
* **Investment:** How much do you spend on Web development, hosting, search engine marketing, or other advertising?
* **Responses**: What percentage of visitors do you expect to request more information, request a quote, or place an order?
* **Conversions**: What percentage of those who make one of the responses above do you realistically expect will buy?
* **Average sale**: How much do you expect each buyer to spend?
* **Gross profit margin**: What is the average percentage margin of your sales?

With this information in hand, you can calculate how much you spend to attract each visitor, how much you spend to attract each visitor who actually buys from you, and your net return on your investment[[28]](#footnote-28).

### Buzz, PR, and WOM

Public relations campaigns traditionally measure impact in terms of the extent to which the client obtains media coverage. A basic metric is media impressions; as you learned in earlier chapters, this is an estimate of the number of people who see the plug in a magazine or newspaper or on a talk show or who hear about it in a radio interview. A PR firm typically delivers a comprehensive list of media citations to the client, and it may rank these in terms of the prestige or circulation of the outlet or how prominent the mention was in this outlet. Again, this metric doesn’t really speak to any impact the citations have on actual purchases or attitude change[[29]](#footnote-29).

As WOM (word-of-mouth) assumes a greater role in many advertisers’ strategies—especially online buzz—the pressure is on for agencies to demonstrate that this approach does more than just make people talk about a brand. In fact, one prominent WOM agency called BzzAgent recently took a bold step to back up its claims that its buzz campaigns yield attractive ROI. With its “WOM Impact Guarantee” program the agency invites any brand marketer and its agency partners to take part in a challenge in which BzzAgent and the agency partner will run competing campaigns. If BzzAgent does not top the competing agency by 20 percent across four metrics—brand awareness, consumer opinion, purchase intent, and actual sales— the agency will refund the marketer the cost of its word-of-mouth campaign and measurement costs[[30]](#footnote-30). That’s putting your money where your (word-of-) mouth is.

The explosion of blogs, chat rooms, and Web sites that let consumers spread the word about products they love and hate opens an entire new realm of possibilities to develop metrics for WOM. Contrary to the assumptions of many students who brazenly post embarrassing photos of themselves on Facebook, the Web is forever—most content that goes online can be traced and analyzed long after it’s been put there. That photo of you from last weekend’s wild party might come back to haunt you someday!

BuzzMetrics, a subsidiary of the Nielsen Company, offers marketers research services to help them understand how this consumer-generated content affects their brands. BuzzMetrics’ search engines identify online word-of-mouth commentary and conversations to closely examine phrases, opinions, keywords, sentences, and images people use when they talk about a client’s products. The company’s processing programs then analyze vocabulary, language patterns, and phrasing to determine whether the comments are positive or negative and whether the authors are men, women, young, or old to more accurately measure buzz. BuzzMetrics’ BrandPulse and BrandPulse Insight reports can tell advertisers how many people are talking about their products online, the issues they’re discussing, and how people react to specific ads or other promotional activities[[31]](#footnote-31).

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