Coremetrics
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White Paper

Quantifying Your Returns from Online Advertising

Using Holistic Metrics to Improve Budgeting, Marketing Mix, and Customer Conversions

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Executive Summary

The marketing shift from traditional offline media to new online channels is gaining momentum due to the ever increasing popularity of the web, lower production and advertising costs, and the ability to measure online marketing performance and its impact on the business.

This shift forces chief marketing officers (CMOs) and their organizations to pay close attention to marketing performance data, articulate the return on their marketing investments, and clearly justify continued investment.

Yet, too many CMOs today still rely on outmoded marketing systems and processes to run their business. As a result, they often experience sub-optimal decision-making that results in ineffective budget allocation and marketing mix, and, therefore, fail to meet business objectives.

This paper outlines the root causes of ineffective budget allocation and marketing mix decisions. It demonstrates how siloed marketing and lack of advertising accountability in many organizations bring about fragmented messaging and inconsistent user experience, as well as lack of cooperation among departments that diminishes everyone's performance.

The paper introduces the concept of holistic metrics and how CMOs should leverage them to run their organizations. It explains how holistic metrics provide advertising accountability and help break down marketing silos by offering a bird's-eye view of what's driving the business, benchmarking marketing performance, measuring complete impact of impression-based campaigns, and sharing data and insight among different groups.

The key to success, as outlined in this paper, is a new marketing paradigm that puts the business customer at the center of attention, brings attention to the performance metrics that matter, and drives consistent messaging and user experience across marketing channels.

Ineffective Budget Allocation and Marketing Mix Decisions

CMOs and their organizations are shifting more budget and resources to online advertising. In the U.S., 85% of companies are increasing spend on search advertising, display advertising, social media, email, and other online marketing channels, according to a study by Forrester Research.[1]

The reason: online marketing is proving more effective than traditional channels. More people are spending more time online and expect an engaging, relevant experience. Rivals are raising the stakes with inventive campaigns on social media, targeted display advertising, and effective search advertising campaigns.

Given limited resources and pressure to deliver results, CMOs need to be spot-on in their decisions on budget allocation and marketing mix to drive customer acquisition, persuasion, and conversion. Often, however, these decisions often miss the mark.

CMOs may over-invest in campaigns that don't contribute to the top or bottom line. They may under-invest in campaigns that matter to the business. They may use the wrong channel, campaign, asset, or offer to pursue customer acquisition, persuasion, and conversion objectives.

Several factors affect the quality of these decisions. We will focus on two root causes: inability to measure advertising performance comprehensively and reliance on siloed marketing systems, processes, and structures.

Inability to Measure Advertising Performance Comprehensively

Online advertising can be divided into three audience segments—browsers, socializers, and searchers. Each user segment is distinguished by a different mindset and activity. Browsers may be reading news, checking sports scores, or researching a topic for a presentation. Socializers on Facebook, Twitter, YouTube, and other social venues are looking for exchange and engagement with friends and like-minded peers. Searchers, on the other hand, are distinguished by their actively researching a product or service for a particular problem or need and by having some level of intent to interact with the right solution provider.

[1] Forrester Research, "U.S. Interactive Marketing Forecast, 2009 to 2014," July 2009.

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Neither browsers nor socializers are necessarily looking to interrupt their activities and respond to an advertiser's campaign, visit a web site, and begin a transaction. This is partly the reason that click-through and conversion rates for basic, non-targeted display ads on third-party sites tend to be low.

A person researching kayaks on a search engine, however, is more disposed to click a paid search kayak ad than a socializer who stumbles across a kayak display ad in an outdoors sports user forum. Click-through rates are higher on paid search ads, and marketers can measure in a straight line how paid search drives sales. The measurability of search advertising is one reason it attracts the lion's share (61%) of all online marketing spend in the U.S., according to Forrester.[2]

Though display ad and social media click-through may be low, CMOs know they cannot abandon these vehicles. As CMOs recognize, display ads and social media generate value by view-through impressions (not unlike highway billboards). They are important in building and maintaining brand awareness and positive consumer sentiment.

Ultimately, they do contribute to online conversion—the big question is by how much.

CMOs face increasing pressure from the executive suite to more tangibly justify all ad spend.

This demand for advertising accountability is prompting CMOs to expand their sets of metrics from click-throughs and page views to metrics more relevant to business performance—sales, orders, and conversion events. They have to clearly demonstrate the return on investment (ROI) of each marketing investment they make, whether customers directly click from those campaigns onto the advertiser's web site, or arrive at the web site on a later date via a different channel.

Advertising accountability requires that CMOs find a reliable way to account for the view-through impression value of display ads and social media and link it to business-impacting metrics.

Advertising accountability requires that CMOs find a reliable way to account for the view through impression value of display ads and social media and link it to business-impacting metrics. It requires an attribution model that credits each contributing online channel for a subsequent web site visits and conversions.

Without a reliable means of view-through measurement, the ROI of a campaign can only be guessed at—it cannot be empirically measured. CMOs are forced to make budget allocation and marketing mix decisions based on guesswork and gut instinct. Without accurate data, they are prone to overvalue click-based campaigns such as paid search and email, and undervalue view-through media like display and social media.

Siloed Marketing Systems, Processes, and Structure

The second root cause that can undermine the quality of budget allocation and marketing mix decisions is a siloed marketing organization with disjointed processes and standalone marketing tools for search advertising, email marketing, display ads, social media, and other online channels.

While standalone tools may be adequate within their confined scope, marketers often find it difficult to realize synergies between independent operations. For instance, interoperability of a pay-per-click (PPC) management system and an email marketing tool can range from limited to non-existent. Without the ability to identify segments in the PPC management tool and automatically push them to the email marketing tool, it can be difficult and time consuming to apply retargeting that can be more cost effective and better tailored to the visitor's profile.

Disparate technologies tend to build, or reinforce, barriers between marketing groups. They can render lines on an organizational chart as boundary lines, rather than potential areas of synergy. They can exacerbate the organizational and personnel management challenges inherent to a distributed environment. They don't promote the collaboration needed to provide consistent messaging and user experience as prospects and customers traverse different channels. In fact, siloed marketing departments tend to ignore the fact that customers must be exposed to several touchpoints before they convert.

[2] Forrester Research, "U.S. Interactive Marketing Forecast, 2009 to 2014," July 2009.

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Consequently, each campaign does not take into account prior interactions and is, therefore, generic, and ineffective.

Groups in siloed marketing organizations typically have their own independent metrics and objectives. This lack of coordination often results in arguments over the importance of each group's metrics and the budget that should be allocated against its objectives. Siloed marketing departments often experience:

- **Inconsistent performance measurements.** Reconciling the various and conflicting metrics generated by standalone email, search advertising, and other online campaigns is time-consuming and can generate misleading results that contribute to ineffective budget allocation and marketing mix decisions.
- **Inconsistent customer experiences.** Prospects and customers may encounter inconsistent and even contradictory content and offers as they traverse channels. For instance, a user who clicks through on a search ad that is managed by a siloed search advertising team may find irrelevant content on the landing page that is managed by a siloed web marketing team.
- **Redundant and inefficient efforts.** Siloed marketing groups are not well positioned to leverage assets or campaigns developed by peer groups, thereby duplicating effort, reducing efficiency, and curbing marketing scale.
- **Preoccupation with tactical issues.** Marketing leaders and managers spend more time addressing tactical issues at the expense of strategic planning that can yield step-function improvements for the business.

Empowering the CMO with Holistic Metrics

CMOs who lack advertising accountability and struggle with siloed marketing organizations and standalone systems must take action now or risk losing the battle to agile competitors who continuously optimize their budget allocation and marketing mix. To do so, CMOs must align their personnel, business processes, and technologies so that they all work in concert to meet and exceed the business's stated goals.

While the right marketing personnel is key to success, our focus here is on leveraging the right technologies to support silo-breaking business processes and on web analytics that deliver business-impacting metrics that enable accountable advertising.

The key to online marketing success is holistic metrics. These key performance indicators serve two main objectives: they reflect the total impact that online marketing campaigns across all channels have on the business, including direct click-through and indirect view-through impact, and they assist CMOs in overseeing and comparing marketing performance across all channels, leading to effective budget allocation and marketing mix decisions and aligning their organizations behind common business objectives.

Holistic metrics are business-impacting measurements, such as sales, orders, hotel room bookings, conversion events, page views, and so on. They can be calculated metrics derived from a mathematical calculation. Most importantly, they are attributed metrics; they reflect the relative contribution that a given channel or campaign has made in a given period, from an acquisition (first click), persuasion (average clicks), conversion (last click), or a custom (weighted clicks) attribution perspective.

CMOs must incorporate holistic metrics into their management processes. They must use these metrics consistently and continuously. They must track marketing performance over time against stated objectives using those metrics. They must hold their groups accountable for these metrics and demand collaboration among groups to achieve their goals. CMOs should assess holistic metrics at three levels:

- Bird's-eye view level that aggregates and compares the relative contributions of all online marketing channels
- Benchmarking level that compares marketing performance to peers and competitors, as well as against the company's industry average
- Granular level that exposes the total impact of impression-based campaigns from both click-through and view-through perspectives

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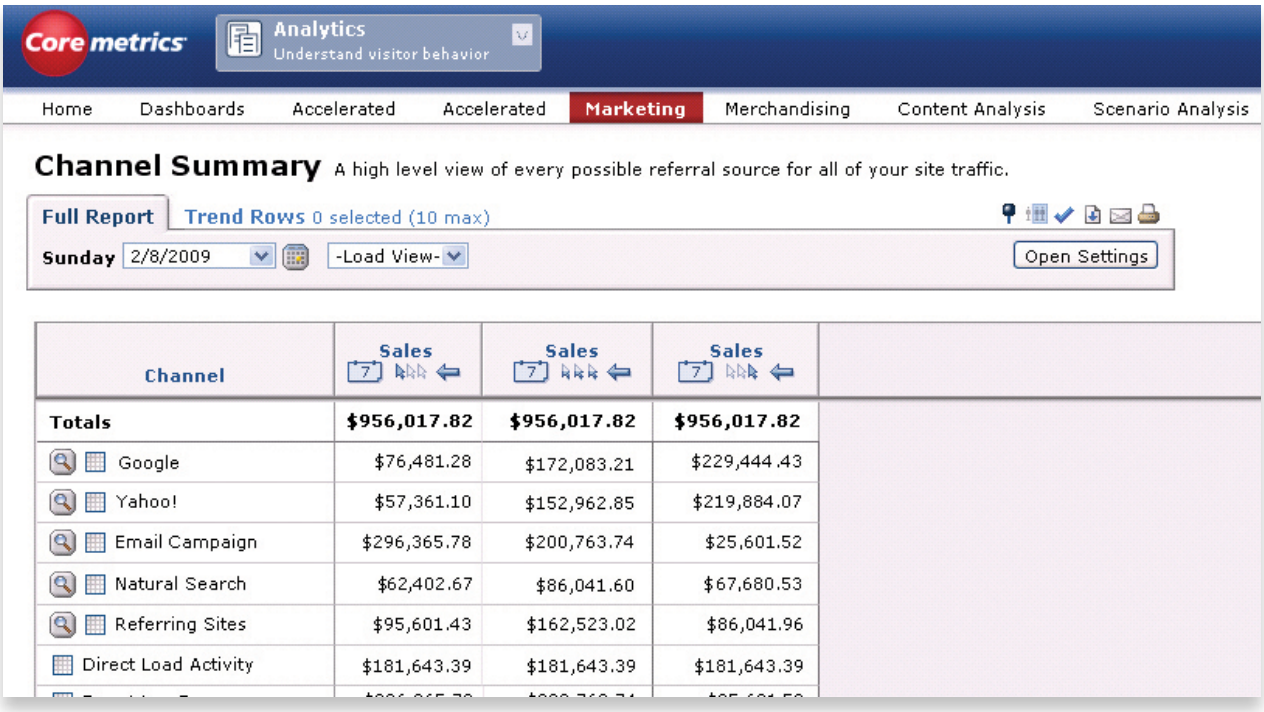
Holistic metrics are available only through an enterprise-level marketing optimization platform, powered by robust web analytics. The Coremetrics Continuous Optimization Platform™ leverages a set of unique proprietary technologies that capture granular web analytics data on individual web site visitors across sessions, channels, and devices. The platform offers analytics solutions that expose holistic metrics, as well as a comprehensive line of marketing optimization solutions that use granular web analytics data to optimize campaigns and offers.

Obtaining the Bird's-Eye View

As we see in the image below, CMOs can leverage the Coremetrics platform to aggregate and compare their marketing channels, such as paid and natural search, email, and referring sites, using business-impacting metrics, such as sales. CMOs can examine how the various channels influence holistic metrics for any given period, such as a day, a week, a month, or a custom date range.

A robust attribution system that goes beyond the last-click model is critical to understanding how each channel is performing from acquisition, persuasion, and conversion perspectives. As we see in the image below, CMOs can evaluate their channel performance from a first-click, last-click, and average-clicks perspectives. They can additionally open custom attribution windows based on their own attribution weighting.

Coremetrics recommends that CMOs review channel performance reports regularly, depending on their business cycles and the frequency in which they can change budget allocation and marketing mix across channels.



Coremetrics Analytics shows channel sales performance from first-click, last-click, and average-clicks perspectives.

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Benchmarking Marketing Performance

The second level of holistic metrics that CMOs should use is competitive benchmarking, which allows CMOs to compare key performance indicators against aggregated and anonymized metrics of peers and competitors, as well as against the industry overall.

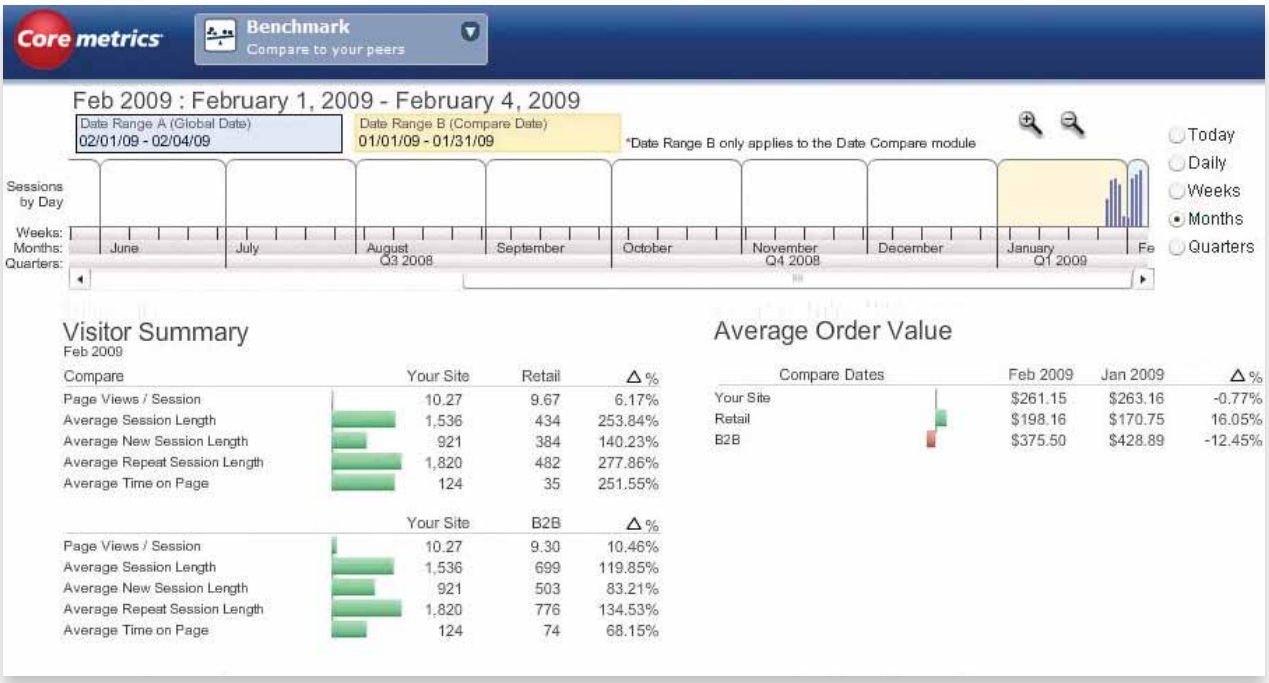
Competitive benchmarking allows CMOs to zero in on specific areas of strengths and identify opportunities for optimization. In a way, benchmarking acts like a great leveler, normalizing the data against the impact of seasonality or other macro-level influences, by comparing performance data against similar companies that experience similar business conditions.

Coremetrics clients can access competitive and industry-specific benchmarking data via Coremetrics Benchmark™. The solution directs clients' attention to areas they should explore further with Coremetrics Explore™, an advanced ad hoc reporting solution. In the graphic below, Coremetrics Benchmark measures average order values and visitor summary metrics for a client against others in its industry.

Capturing Granular Data to Measure Complete Campaign Impact

Businesses are investing heavily in social media marketing and other impression-based campaigns, but measuring the return from those investments remains elusive. Because social media assets are often deployed on third-party web pages, marketers have been unable to draw straight lines between impressions, or un-clicked social media exposures, to subsequent visits to and conversions on the marketers' web sites.

To address this challenge, Coremetrics has developed a lightweight direct image request tag, called the Impression tag. As advertisers deploy display ads, videos, blog posts, widgets, or other assets, the Impression tag is deployed alongside each asset. When a user views a web page containing the asset, the Impression tag fires and deploys a third-party cookie on the user's machine, and reports the impression to Coremetrics.



Coremetrics Benchmark enables comparisons against competitors and within industries by such metrics as average order value.

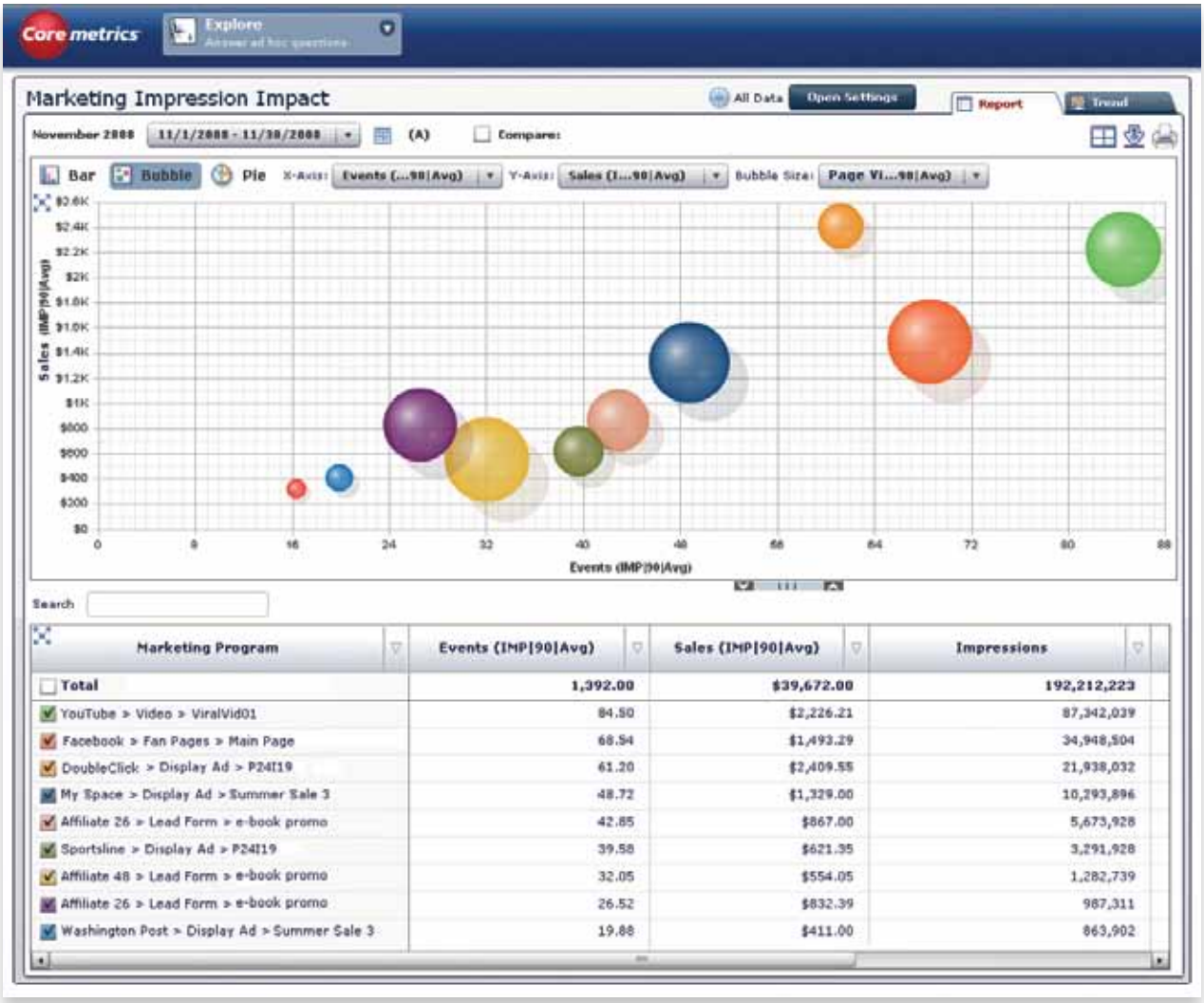
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When the user subsequently visits the advertiser's web site, Coremetrics makes the connection. With Coremetrics Impression Attribution™, CMOs can credit offsite impressions for influencing web site visits, sales, conversion events, and other metrics.

The Coremetrics Impression tag works the same way for any type of media—not just social. Coremetrics clients deploy Impression tags together with displays ads and gain new insights into how ad view-through drive web site visits and conversion.

As the graphic below demonstrates, Coremetrics Impression Attribution provides the freedom to ask hard-hitting questions that go well beyond impressions and clicks:

- Where are we getting better view-through results—Facebook or MySpace?
- Do syndicated videos drive more conversion events than widgets?
- Are our ads on cnn.com more effective than our ads on nytimes.com—both clicked and un-clicked ads?
- Which version of our ads best performs for our business? (You answer this question by assessing effectiveness by such asset attributes as content, color, size, location, etc.)



Coremetrics provides a comparison of events, sales, and impression across a variety of social media and third-party web sites.

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Breaking Down Marketing Silos

CMOs can benefit by stepping back and assessing the cohesiveness of their online marketing groups, business processes, and technologies. The exercise should be aimed at identifying strengths, but more importantly, opportunities for improvement.

Achieving consistent messaging and user experience across channels, as well as increased performance from synergies among groups, may require adjustments in business processes, organizational and personnel structures, and the underlying technology. Defining holistic metrics that tie directly to stated business objectives of customer acquisition, persuasion, and conversion is essential to begin breaking down the silos that exist in many online marketing organizations.

A single online marketing platform atop which disparate groups can collaborate and share information and best practices is a significant step in the right direction. With holistic metrics that are relevant to all groups and enable measurement and optimization across all channels, online marketers will be better able to take practical steps to improve performance:

- **Share reports among stakeholders.** With holistic metrics that measure performance across groups, CMOs can better demonstrate value to CXOs and line of business owners. Similarly, sharing cross-channel measurement reports can engage and inspire group managers. Visibility into performance, with a focus on continuous optimization, can be a powerful catalyst for improvements across the board.
- **Cost-effectively retarget visitors.** With a siloed structure, it's difficult to leverage complementary technologies to retarget visitors who dropped off the radar screen. A platform approach enables practitioners to identify expensive paid-search visitors, whom they can retarget with more cost effective campaigns such as email or display ad directly from the PPC management solution. Cost-effective visitor retargeting is increasingly important as paid search cost-per-click (CPC) rates steadily rise.
- **Think outside the keyword box.** If a paid search program is its own silo, it can get boxed in to bidding on keywords recommended by search engines. A platform enables practitioners to track how well natural, onsite, and original search queries influenced sales and other conversions. Search managers use these proven recommendations to augment keyword lists and increase the reach of their search advertising programs.
- **Ensure continuity across the conversion cycle.** Suppose a customer clicks on a paid-search or promotional email only to reach a landing page featuring a different price, another product, or some other discrepancy? It happens often and it causes customers to click away. Marketers benefit when they collaborate with merchandisers or other landing page owners to ensure continuity across the conversion cycle.

Benchmarking the Direction of Online Advertising

Just as a company should benchmark its online marketing performance against competitors and within its industry, CMOs should be tuned into what other CMOs are doing. A recent survey[3] by the CMO Council of 650 senior marketers revealed some intriguing trends of interest to CMOs:

- Just 8.2% of respondents were planning to build new linkages with line-of-business executives
- Only 9% planned to work more closely with the CIO and IT staff
- Most planned to invest in tactical and point solutions; less than 15% were looking at more comprehensive operational and data management systems

"Oddly, senior marketers aren't seeking to forge stronger ties with line-of-business executives, finance, the CIO or IT groups," the CMO Council study said. "Marketers'… investment plans in simple, task-specific marketing software applications and lack of spend on more comprehensive operational and data management systems, suggest a critical disconnect in how they hope to achieve executive goals."

[3] CMO Council, "Marketing Outlook 2009," March 2009.

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In other words, the survey found that greater cross-enterprise collaboration and use of a unified online marketing platform aren't high on the agenda of most CMOs, despite their obvious advantages. Forward-thinking CMOs who do transition to a more collaborative, comprehensive technological and organizational infrastructure stand to gain significant competitive advantage.

Conclusion: Put the Customer at the Center

Your marketing organizational chart may draw lines of demarcation between the different groups that manage search advertising, email, display advertising, social media, and other channels. Your organization may use disparate technologies to drive each of those functions.

But those disparate groups don't cater to different customer segments. They cater to one customer. That customer interacts with your brand across various online channels, clicking an average of 5.5 links before converting.

Using holistic metrics gives you a single view of your customer, not five separate views. Holistic metrics enable organizations to better understand the full cross-channel customer lifecycle and deliver a relevant, engaging experience. With holistic metrics, you can put the customer at the center of your online marketing efforts, rather than focusing on tactical improvement in practitioner efficiency.

And with holistic metrics, you have a means of quantifying online advertising performance by each channel to obtain the reliable data needed to make informed budget allocation and marketing mix decisions.

About Coremetrics®, an IBM Company

Coremetrics®, an IBM Company, a leading provider of web analytics and marketing optimization solutions helps businesses relentlessly optimize their marketing programs to make the best offer, every time, anywhere, automatically. More than 2,100 online brands globally use Coremetrics Software as a Service (SaaS) to optimize their online marketing. Coremetrics integrated marketing optimization solutions include real-time personalized recommendations, email targeting, display ad targeting across leading ad networks, and search engine bid management. The company's solutions are delivered on the only online analytics platform designed to anticipate the needs of every customer, automate marketing decisions in real time, and syndicate information across all customer channels.

Find more information at **www.coremetrics.com** or call +1-866-493-2673.

Coremetrics has strongly supported online privacy since its inception. To learn more,visit, **www.coremetrics.com/company/privacy.php**

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