

PART I

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CHAPTER 1

Introduction

“The 2010s will be the Data Decade. Companies that understand how to harness it will win. Those that don’t will perish. The same goes for marketers.”

—Steve Rubel, Senior VP, Director of Insights
Edelman Digital (Advertising Age, January 4, 2010)

In an era of constantly evolving technologies and platforms, companies large and small need a bulletproof game plan for their digital marketing programs. *Digital Impact* answers that need by providing readers with a complete set of guidelines, along with practical strategies, for both engaging consumers online and ensuring maximum return on investment.

But you can stop reading this book now—unless you fundamentally identify with the two common challenges facing digital marketers today:

1. Lack of adequate metrics and measurement systems to drive marketing performance.
2. Frustration with how to effectively engage online consumers, who have short attention spans, face abundant choices, and are increasingly resistant to advertising messages.

In this book, we’ll explore solutions to both of these big challenges in considerable depth and explain two core strategies you can use to address them in every online channel you employ. You’ll learn:

1. The seven most important digital marketing metrics every marketer should know.
2. How to establish the right measurement system for your organization.

3. How to break through advertising clutter and engage with consumers on a deeper and more personalized level.
4. How to calculate a return on investment (ROI) for social media and other new media initiatives.
5. How to integrate offline and online marketing approaches for the best possible outcomes.

Along the way, we'll show you how to plan, execute, and optimize every facet of your online marketing programs. Even if you use only a few online channels today or have not yet explored some of the more complex measurement systems out there, you will find a variety of tips, tactics, and strategies that will help you move your business—and your career—forward.

Our more than 30 years of combined experience in digital marketing is supplemented here with insights by dozens of top-tier marketing professionals interviewed for this book. We bring you statistics, best practices, and practical advice culled from McCann Worldgroup's global analytic practices and from hundreds of other sources aggregated by eMarketer, the digital intelligence firm co-founded by author Geoff Ramsey in 1996. You'll benefit from all we have learned—and much more. All the cards will be on the table; there will be no smoke and mirrors, no sleight of hand.

That's not how it all got started, of course.

The Magic of Measurement and Engagement

GEOFF: Many people ask me how I got into the research business with my company, eMarketer.

I like to tell them this story. I was 15, living in the college campus town of East Lansing, Michigan. I was determined to turn my love for performing magic tricks as a hobby into a career. I had managed to get the occasional paid gig—a child's birthday party, a Lion's Club meeting, a Boy Scout event—but it was difficult to get sufficient steady work to even pay for the cost of the magic tricks I bought, and there was certainly no money for advertising in the local newspaper.

I began looking for an arrangement where I could get paid for doing my magic on a regular, weekly basis. I eventually came up with a plan to offer my magical services to the owners of local, fine-dining restaurants, who would pay me to entertain their dinner guests. I would perform what is called "table-top" magic, during the period between ordering the food and waiting for it to arrive or while waiting for dessert or the check. There was only one problem. How would I convince the managers that my entertainment offering would have a material impact on their businesses? This question was all the more

challenging considering that I was, for all outward appearances, a typical, bumbling, pimple-faced teenager.

Then I had an idea—to devise a small survey, an evaluation if you will—that I would hand out after each magic session at a guest's table. There would be three simple questions:

1. Did you enjoy having the magician at your table? (scale of 1 to 5)
2. Would this entertainment encourage you to return to this restaurant? (scale of 1 to 5)
3. Would you be likely to tell others about having a magician entertain you at this restaurant?

To create and mass-produce these little surveys, I resorted to the only technology available at the time: an old-fashioned manual typewriter, mimeograph paper (the kind that got your hands smeared with blue ink), and scissors to cut three sets of surveys off of each page.

I was able to convince a couple of restaurant managers to pay me the grand sum of \$30 cash each night for about two hours of service during the busy dinner shift. Payment, however, would be predicated on receiving positive feedback from the surveys.

The results were fantastic. Not only were the diners enthusiastic about the whole magic experience, the managers could see their marketing goals being achieved:

1. The patrons were delighted to have a magician appear at their table—and this experience positively affected their feelings toward the restaurant (increased brand favorability ratings!).
2. The diners said that having a magician personally greet them at their table would definitely encourage them to return to the restaurant (increased brand loyalty and intent to purchase!).
3. The diners were excited about telling their friends and family about the restaurant and their special experience there (viral marketing and peer-to-peer endorsements!).

Little did I realize back then that I had two powerful forces working in my favor. First, people really enjoyed my magic; I was able to entertain and *engage* them. Second, the measurement of those interactions, although crude by today's standards, allowed me to prove my worth to the restaurant managers and continuously improve my performances based on the survey feedback.

The restaurant owners, of course, were investing in experiential marketing. Their \$30 payments were coming back to them in the form of happier clients who were more likely to return and perhaps bring in new customers. Everyone involved was a winner, including me. Now let's turn our attention from the analog to the digital world.

Digital Impact: The Secrets of Performance Measurement and Magnetic Content

What are the secrets to digital marketing success?

There are probably a thousand and one answers to that question, and yet we propose there are just two key principles for achieving the impact you want from your online marketing efforts. They are Performance Measurement and Magnetic Content. Together, they represent a powerful, one-two punch to ensure your digital marketing gets the job done, proves itself, and improves over time.

In a Sea of Data, Be the Pilot

VIPIN: Ever since I can remember, I was really good at numbers and math. I especially enjoyed doing calculations in my head. Before Blackberrys and PDAs, I had trained my mind to remember phone numbers. I would have my friends test my memory, and I always felt a strong sense of accomplishment when they would ask, "How do you do that?"

When direct marketing was taking off in the 1980s, I was completely intrigued by the analytics behind these campaigns. For the first time, I saw my five years of rigorous engineering and quantitative courses being put to use in my marketing work. I remember building my first predictive model for a large cable company to identify consumers with a high propensity to buy Pay-Per-View movies. There was nothing special about the methodology of the model, except that it worked and drove really high response and close rates. I knew then that this area of marketing science, analytics, and technology driving marketing results was the space in which I wanted to make my career.

I have since then spent the past 20 years working with numerous Fortune 500 companies, consulting on metrics, uncovering data-driven insights, and building dashboards and models for all types of programs, including estimating ROI for marketing mix optimization. Essentially, I've been helping to drive true improvements in marketing performance for my clients.

What I see today is that marketers are drowning in an ocean of metrics. Through my measurement work at McCann, I have witnessed marketing executives being held up to increasingly high standards of proving the effectiveness of their spend—with metrics that relate directly to the bottom line.

A New Approach to Performance Measurement

The first secret centers on marketing Performance Measurement. The Internet allows for far greater measurement possibilities than any other media. But that's not enough. In fact, it's too much. If you are like most marketers, you are struggling to keep up with the array of metrics choices. There are far too many metrics. Just in social media alone there are more than 100 metrics to choose from.

Far too often you find that you are measuring the wrong things or in the wrong ways. Too many marketers, for example, are still using the highly flawed click-through-rate (CTR) as the primary metric for their online marketing efforts. Others are struggling to find the right metrics for linking social media mentions to purchases or grasping at methods to put a dollar value on a Facebook "friend" that might yield comparative ROI to some other channel. And then there is consumer "engagement," a marketing objective popularized in new media circles, which suffers not only from a lack of measurement protocols but also from a lack of agreement on the definition for what it is!

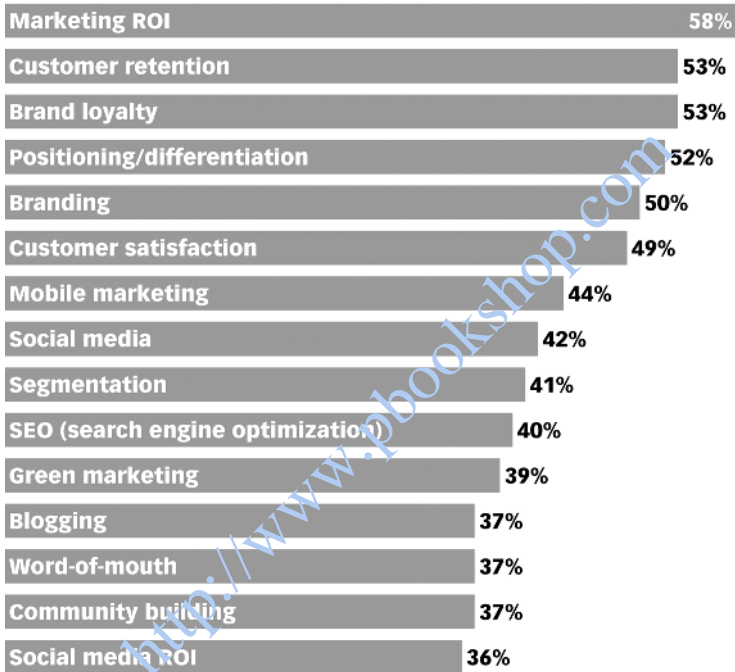
The executive suite is also demanding ROI on branding initiatives, even as the marketing industry struggles with new methods to calculate the value of a branding experience (Figure 1.1). Never before has marketing been held up to such a high standard to prove itself—and to drive accountable performance with metrics that relate directly to the bottom line. Along with this relentless drive toward marketing performance comes an unprecedented focus on data and analytics. Marketers now have numbers coming out their ears and may feel they need a PhD in statistics to merely do their job.

What marketers really need is a fresh strategy and a set of clearer guidelines for Performance Measurement and metrics in the digital space. In this book, you will find these guidelines. With the use of new data management and analytics capabilities, it is now possible for marketers to track the complete digital footprint of consumers to gain a 360-degree view of their interactions, preferences, and behaviors, often right down to the purchase level. Success ultimately involves tracking performance over time and then optimizing the inputs of media and messaging to the outputs of sales, cost-per-lead, or some other bottom-line metric of your choice. You'll get there faster once you understand that there are really only six or seven key metrics you can use to drive performance for entire campaigns.

Figure 1.1
Priorities for the C-suite

Marketing Buzzwords/Trends that US Marketing Executives Feel Are Most Important to Pay Attention to Currently, February 2010

% of respondents



Note: $n=533$

Source: Anderson Analytics and Marketing Executives Networking Group (MENG), "Marketing Trends Report 2010," provided to eMarketer, March 3, 2010

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Magnetic Content: A New Way to Think about Engagement

The second secret has nothing to do with metrics but everything to do with turning the entire conventional advertising model upside down. It involves systematically creating content and messaging—that may, or may not be, classified as “advertising” per se—that is unique, useful, well-executed and fun, such that it resonates with consumers in deeper, more meaningful ways than ever before. It’s designed to attract consumers, rather than shout for

their attention. It's also more effective and cost-efficient. Buying frequency becomes less important than creating compelling content that will draw the consumer in. Targeting becomes less of a headache when it's a two-way street: instead of constantly examining the inbound traffic for online leads, you make it easier for potential consumers to use their own considerable web research skills to beat a path to *you*.

Rather than *interrupting* consumers with ads, it's about *attracting* them, *engaging* them—with some kind of utility, entertainment, helpful information, or other valuable content that is actually welcomed by the consumer. We'll refer to this type of marketing communication as Magnetic Content, because it involves crafting content for consumers that attracts them like a magnet, as opposed to most ads today, which are seen as a distraction, or worse, a detraction.

Jim Stengel, the former global marketing officer of Procter & Gamble, a company that spends upwards of \$8 billion globally on advertising, has consistently argued that marketers adopt a radical rethinking of their approach to connecting with consumers in the digital age. He has been a long-time proponent of the engagement movement, notably saying in 2006, "What's changed is that the engagement level we can have with our consumers is just so much higher. We can have a two-way dialogue, a relationship. That means we will need more brand-enhancing, consumer-enhancing dialogue in more of our businesses. It's a different skill set—with different capabilities—than we required in the past."

Yet, five years later, we still find less savvy marketers are using great new tools in bad, old-fashioned ways. Tweeting out a random message about a product feature or a two-for-one offer is as scattershot a strategy today as many mass-market network television ads were thirty years ago.

This book offers insights on how brands can create Magnetic Content that answers the vital marketing question, "What can I do for you, the consumer, that is unique, valuable, fun and compelling?" We will show you how innovative companies are blending digital channels for messaging, experiences and services that delight consumers and create a deeper, more intimate connection with them. And you'll learn about measurement systems that allow you to continuously optimize your marketing for maximum impact online for every channel that you use.

A Crash Course in the New Marketing Landscape

You would not need this book were it not for the radical shifts that technology, consumer behavior, social and cultural dynamics, and, of course, the Internet have wrought upon the marketing landscape.

Recognize that the Internet has become the hub—the starting or pivot point for marketers in all industries.

The Internet as “media hub” makes sense for a number of reasons, not the least of which is that the web has become a central place where consumers like to hang out and spend their time—and their money. When shopping or buying a product, a majority of consumers will look to the web as a primary influencer and as a decision tool. This is even true in the analogue world: go into any appliance store, for example, and you’ll find prospective customers surfing the web on their smart phones in search of lower prices at competing stores or online outlets. (“I tried it out in the store, but I bought it on Amazon” is the bane of many a retailer.) In the business-to-business realm, your customer is probably familiar with online exchanges and can collect pricing data from your competitors around the globe.

For many product and service categories, the Internet is used by upwards of 80 percent of those considering a purchase. In addition, the web is unique in that it can impact every stage along the consumer buying cycle. It can be used to create awareness, interest, or consideration for a product (e.g., banners, video ads, online sponsorships); facilitate information-gathering (e.g., search, product or brand websites); enable a transaction (e-commerce); offer post-sales support (e.g., e-mail); reinforce brand loyalty (e.g., e-mail, social media); accelerate referrals (e.g., social media); and so on.

From a media measurement perspective, too, the Internet earns its place as the center of attention. The Internet promises far greater potential when it comes to measuring the impact of advertising and marketing. Indeed, its very interactivity creates built-in measurement possibilities galore!

Agencies are taking notice of the web’s primacy, too. Every major ad agency holding company, in fact, is jockeying for the title of being the most digitally centric, that is, having the highest proportion of media dollars supporting digital initiatives. Agencies see their future growth in digital.

Let’s next look at a fundamental marketing question: Where is your money and your competitors’ money going today?

It’s a Trillion-Dollar Marketing Pot

In the United States alone, marketers will shell out over \$170 billion on advertising in 2011, according to eMarketer. But that sum is just a bite of the enchilada. Although advertising—placing advertisements on media properties—represents a \$170 billion outlay, other marketing expenditures dwarf that figure.

In fact, ad media dollars comprise less than one-quarter of total marketing expenditures in the United States. In most organizations, the so-called below-the-line spending, which typically includes trade and consumer sales promotion, events marketing, public relations, and a variety of other nonmedia expenditures, represents the lion's share of spending.

When these nonmedia expenditures are included, the total marketing spending pie balloons to \$700 billion to \$900 billion, depending on which sources you trust. What's more, in just a year or two, the aggregate spending figure for marketing communications will pass the trillion-dollar mark. That's if you credit merchant bank Veronis Suhler Stevenson (VSS) and their estimated total communications spending in the United States at \$878 billion in 2009, with projected growth to more than \$1.4 trillion by 2014.

Research firm Outsell, using a more restricted definition, estimates that U.S. marketers spent \$368 billion on advertising and marketing programs in 2010. Business-to-business spending, including in-person events, print media, online advertising, webinars, search engine optimization (SEO), and corporate websites was \$129 billion in 2010, according to Outsell.

Outsell also estimates that marketers now invest more than \$60 billion each year on building and maintaining their websites, almost as much as they spend, in aggregate, on television advertising.

Of course, like many marketers, you may not care what the aggregate figure is. Your concern is more focused on this question: How much money is *my* company spending on marketing, and how much is it wasting? Or even more to the point: How can I spend my marketing dollars so as to waste as little as possible? And within the particular scope of this book: How can I best spend my digital marketing dollars for the greatest possible impact?

To answer these questions, we offer our two solutions. Performance Measurement systems that do not task your resources, and are simple and easy to execute across channels, will answer the call for better marketing performance. Directing your creative efforts to focus primarily on Magnetic Content (for customer attraction) will give you a competitive edge in a consumer-driven digital marketplace.

The New Digital Consumer: Trends and Challenges for Marketers

Let's face it, you can't simply buy demographics, such as women 18 to 34, and hope to effectively and efficiently hit your prime audience target today. Fragmentation has exploded. The average American has hundreds of channel choices on their high definition television system. There are roughly 11,000

different choices in consumer and business magazines. The average radio listener in a given market can access more than two dozen local stations from the more than 10,000 commercial outlets on the broadcast band and can access many thousands more if you count satellite radio, blog radio networks, time-shifted podcasting, and Internet radio websites.

That's challenging enough, but in a web world, the number of media, entertainment, news, and communication choices is mind-boggling—millions, to be more specific. What's more, consumers, particularly teens and *millennials* (20-somethings born in 1980 or later), seem to effortlessly flit from one site or channel to the next, from social networking sites to mobile apps to YouTube videos, to Twitter and instant messaging—all in a matter of milliseconds. They will seamlessly switch not just channels within mediums, but across mediums—from their computer, to their cell phone, to their wide-screen TV. And, yes, they expect marketers to keep up with them throughout all this activity. Your problem—and your pain—is that your methods, and likely your advertising agency, can't keep up with these consumers or engage them fast enough to meet your goals. So, where can you find the digital consumer today?*

- More than 60 percent of all Internet users regularly visit social network sites, and well over three-quarters of teens and millennials do so.
- Well over half of Internet users regularly read blogs, and about 12 percent write them.
- Nearly 70 percent of all Internet users in the United States are active watchers of online video, and more than 90 percent of millennials stream and/or download videos.
- Nearly 15 percent of Internet users are Tweeting or participating in some other kind of microblogging activity.

The growth rates for these technologies and consumer activities have been nothing short of astounding. It's all the more amazing when you realize these new media platforms are in addition to—if not a partial replacement of—traditional media outlets, such as television, radio, magazines, and newspapers. Generally, a new medium does not replace the old; it just gets squeezed in. That's why daily consumer time spent with media has continued to rise over the past few years. In the United States, total time spent with media rose from 635 minutes to 660 minutes daily, from 2008 to

*All figures are from eMarketer.

2010. According to eMarketer, over the same time, television viewing rose by 10 minutes daily, even as web video viewing increased as well.

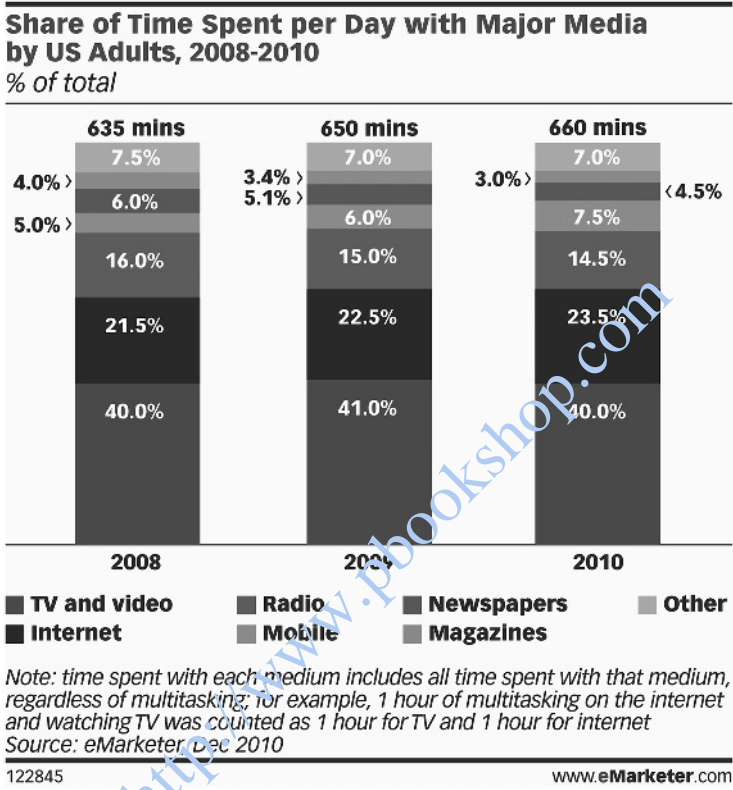
The Balance of Power Has Shifted Even More to the Consumer Although all of these activities and new technologies are very exciting, they have fundamentally shifted the balance of power between the consumer and the marketer. Consumers have gained the upper hand with their unprecedented control of what they watch, when they watch it, and how they watch it—not to mention who they share it with. It is truly a consumer *on-demand* world. Getting your organization to recognize that advertisers no longer control the entirety of the message is a critical step to appreciating the importance of Magnetic Content.

Multitasking Means Divided Attention The proliferation of media, content, and communication choices, particularly on the web and mobile devices, leads to an increasingly granular fragmentation of time (Figure 1.2). That means as a marketer you have to work harder to reach an ever smaller consumer audience that is often watching different things, on different devices, at different times, and even for different reasons.

Consumers of all demographics split their media time, such as by simultaneously watching television or listening to the radio while browsing online. We all know that younger generations take this to a higher level. Have you ever watched a teenager IM her friend while simultaneously browsing online, updating her Facebook page, playing a mobile game, and chewing gum? With the Internet, attentions are being divided, subdivided, and often subdivided again. As a result, at any given point in time, your carefully crafted, highly targeted ad message is likely attracting only 3.4 percent of the consumer's attention. That's a made-up statistic, but the point is clear: the more engaging your message, the more attention you'll get.

Filtering, Zapping, and Clicking Away Are Not Going Away In an on-demand media world, the consumer can filter out, zap, eradicate, tune out, and generally obliterate ad messages faster than you can blink an eye. Truth be told, most consumers don't exactly like ads. Oh sure, they put up with them, and once in a Super Bowl moment, they actually enjoy them. And sometimes, though not nearly often enough, they can come at just the right time—when the consumer is actually in the market for the product advertised. But for the most part, consumers see ads as the necessary evil to get what they really want, which is great content. And particularly in digital channels, consumers can bypass ads easily, even if it's simply by ignoring a static banner ad.

Figure 1.2
Share of time spent with major media, 2008–2010



Erosion of Trust Erodes All Messaging—Including Yours Just to make matters worse for marketers, there’s the declining trust issue. Over the past decade, consumer trust levels in marketers, advertising agencies, and marketing in general has continually drifted downward. It’s likely no coincidence that this erosion of trust has occurred along with the rise of the Internet, which both empowers consumers and makes information about companies, products, and brands more transparent than ever before. We knew something was deeply wrong when, in 2005, popular marketing speaker and author Seth Godin published the book *All Marketers Are Liars*.

This dwindling of trust phenomenon is especially bad news for brand marketers because trust is central to a brand’s equity. Consumer trust in a brand is what keeps it strong and growing. Social media, one of the newer channels for marketers, offers opportunities to burnish, encourage, mitigate,

or restore brand trust on a global platform. But it can also accelerate a brand's demise.

A New Approach: The Two Secrets to Online Success

With these challenges in mind, eMarketer issued a report in June 2009 exploring many of these familiar problems in detail. The report relied heavily on interviews with experts from all sides of the online advertising industry, including marketers, digital agencies, market research firms, and a host of vendors in the digital space.

The two secrets described in this book represent a new approach to solving the two basic issues that were found to be the heart of the dilemma for marketers today. One major obstacle that marketers now recognize is their own tendency to measure only what can be easily measured, resulting in an overemphasis on direct response. Click-throughs on banner ads are simple to measure, and so are open rates on e-mails. On the other hand, when it comes to measuring the branding impact of social media efforts, most marketers remain completely stymied. They have also failed in their attempts to accurately measure a return on their digital media investments (ROI), despite spending large sums on branding initiatives.

The second most mentioned obstacle to improving performance, in the eMarketer report, was attributed to a lack of focus on digital data, from the level of chief marketing officer (CMO) and down! And this, in turn, was linked to a lack of understanding of "how digital works" from top-line management as well as creative staff.

By combining the most proven measurement techniques with the magnetized pull of engaging content, it is possible to find new customers and develop and nurture existing relationships that will grow your brand and sell your products. This book will help you concentrate on the right approaches and strategies that will create a real, lasting, and measurable difference in your marketing.

How This Book Is Organized

We realize that there are many aspects of web marketing that you will delegate and quite a few that you will wish to manage on your own. To make it easy to organize and educate your teams, this book is divided into three sections, or phases, by function.

In this first section, Phase I, we outline the two keys to your online marketing success and explain how this system, which we use ourselves, can be utilized and adapted to organizations large and small.

In Phase II, we present six chapters that deal with specific digital marketing channels:

- Search (Chapter 4)
- Online Display Ads (Chapter 5)
- E-mail Marketing (Chapter 6)
- Social Media (Chapter 7)
- Mobile (Chapter 8)
- Online Video (Chapter 9)

In each of these six chapters, and for each respective channel, we'll walk you through how to measure and optimize marketing efforts and engage with consumers. In addition, we will provide context and perspective about the consumer trends and best marketing practices related to each channel.

In Phase III, we help you manage the process. Two chapters concentrate on the nitty-gritty of measurement systems and metrics, including best practices and ways to drive online marketing performance:

- Integration across Online and Offline Channels (Chapter 10)
- Digital Dashboards (Chapter 11)

Finally, we help you integrate all key learnings in a final chapter called:

- Putting It All Together (Chapter 12)

We understand the pressures you face as a digital marketer today. Within this book you will find new tools, new strategies, and new approaches that will give you a critical edge to move your initiatives, your organization, and your marketing career, forward and into the future.