THE ONLINE ADVERTISING PLAYBOOK

Proven Strategies and Tested Tactics
from
The Advertising Research Foundation

JOSEPH PLUMMER
STEVE RAPPAPORT
TADDY HALL
ROBERT BAROCCI

John Wiley & Sons, Inc.

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>
> —Rick Bruner, Director of Research and
> Industry Relations, DoubleClick

DoubleClick enables agencies, marketers, and publishers to work together successfully and profit from their digital marketing investments. Its focus on innovation, reliability, and insight enables clients to improve productivity and results.

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> The ARF has always been a trusted third-party provider of interesting and timely insights to our complicated marketing industry. I often refer to the ARF research in both current client engagements and new business pitches. [x+1] is proud to be participating in this year's *Playbook*.
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> —Jason Shulman,
> Chief Revenue Officer, [x+1]

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> As WebTrends has grown over the past 12 years along with the online advertising industry, we have experienced the excitement and innovation of this rapidly changing marketplace. WebTrends salutes the ARF for providing the valuable insight and direction as we anticipate the next wave of amazing growth in the years to come.
>
> —Tim Kopp, Chief Marketing
> Officer, WebTrends

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THE ONLINE
ADVERTISING PLAYBOOK

CHAPTER 1

Introduction

Pat McGraw of Gillette started the ball rolling. Sitting down to lunch two years ago he huffed, "I really don't need another highly charged sales pitch on the power of internet advertising. What I would like to know is *how* it works and *why* it works." There were eight people at the lunch table, so the sample was decidedly small, but the consensus that day perked up our ears, and we started snooping around. As our sample expanded, the consensus solidified. A sampling:

- "Marketers cast around on the internet, but it's still a fishing expedition." —Rance Crain, *Advertising Age*
- "Many marketers do not yet know how to create effective advertising online." —Greg Stuart, Interactive Advertising Bureau
- "Online advertising offers unique advantages, but what's missing is an *understanding* of which executions will have a desired impact." —Joe Gillespie, CNET Networks, Inc.
- "Everybody's doing it, but they don't feel confident it's going to produce results." —Al Ries, consultant

With characteristic flair, and perhaps a bit of hyperbole, Colgate's Jack Haber concluded, "What do we *know* about online advertising? Well, we know that the brand should be present and persistent throughout the ad. Ten years and $15 billion of experience, and that's all we've learned!" Okay, maybe we've learned a bit more, but what? After a decade-plus of experience and a significant amount of spending, *what do we really know* about using the internet to advertise effectively?

Scratching our heads, we at The Advertising Research Foundation (ARF) began to wonder, "Where's the knowledge? What is *known* about using the internet for effective advertising?” Because it is the mission of our foundation to create, aggregate, synthesize, and share the knowledge that marketers require to do their jobs effectively, our interest was more than a passing curiosity.

We began to search for answers.

As with any worthy adventure, there’s good news, bad news, and a little luck in the unfolding.

The good news: *Lots* of research has been performed on online advertising.

The bad news: Much of that research is purely confirmatory, with output limited to “it worked,” “it didn’t work,” and shades in between; learning is scattered far and wide in the files of internet providers, advertisers, and researchers.

The luck: Lots of smart leaders, sharing our belief that the power of knowledge increases when it is shared, and willing to share their knowledge to move the industry forward, worked with us to create this book.

Chief among these leaders are the members of *The Online Advertising Playbook*’s Advisory Board, who hail from agencies, media companies, research firms, industry organizations, and advertisers:

Agencies

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Patrick McGraw, Gillette Company
Robert DeSena, Masterfoods USA
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These leaders did not sit idly with rubber stamps at the ready. Advisors helped us get the story right by providing research content, expert commentary, and painstaking editing. The authors thank them, especially.

Indeed, it was one of the *Playbook*'s advisors who provided the metaphor for this project. In one of those spectacularly rare sports analogies that actually sheds light, Tom Lynch of ING noted, "We're like a bunch of football players before the season starts, studying our

X's and O's and learning all the new plays. Well, all those X's and O's make sense only if you have a good idea for how the game is played—10 yards for a first down, six points for a touchdown, four quarters in a game, and so on. But we're all out here in the internet advertising world calling plays with no idea of how the game is played: 'Hey, last time we did these five things and they worked pretty well, so let's repeat that approach,' 'I heard that somebody else had success with search optimization, so let's try that, too.'"

The Online Advertising Playbook is The ARF's attempt to clarify how the game is played. More specifically, what we have done is to examine the enormous wealth of research on online advertising—thousands of studies across categories, geographies, and business objectives—some published, but most in private files. We asked specifically what the research tells us about *what we know and how practitioners can use the knowledge to more successfully advertise online*.

Our intended audience is brand managers, their agency counterparts, and company leaders who want to see their business grow: more precisely, as we call them, "the curious fence-sitters," folks who've dabbled enough to pique their interest but who have yet to dive in whole hog or, to put it less metaphorically, who still see online advertising as a bit of a sideshow for the "interactive department" and not a core component of an integrated advertising plan. Their instincts say that this new technology or medium should be a cost-effective way to build their business, but what evidence exists beyond stories in *Advertising Age* about Burger King's Subservient Chicken or press releases announcing today's latest campaigns and novel creative approaches?

Our approach is to let the data speak rather than to theorize baselessly. Fortunately, our research found that quite a bit is *known* about how and why the internet works—how advertising online is evolving with new learning and new technological advances like broadband. It is this knowledge that we share in the book, enabling marketers to use the internet with confidence.

The *Playbook* is designed to be used in two ways:

1. Read it cover to cover for a comprehensive view of what's known.
2. Shoot to a particular chapter based on an immediate need for actionable knowledge.

Consequently, the chapters have been chosen to address the key areas of knowledge need and executive decision making. Or, to put it in a more visceral way, we cataloged the points of discomfort and uncertainty that marketers feel when confronting internet advertising, and we responded by exploring the available research to impart data-based answers.

While research is at the root of the entire book, and we are indebted to all who contributed, the positions expressed are the sole responsibility of the authors. A "hold harmless clause" applies to the innocent.

A final disclaimer and caution: To those who dismissively assert that the marketplace is changing too fast for a book to be of value—not true. We have conducted our research and drafted this book with an eye toward *principles* and proven strategies. There is no question that new tactical opportunities arise daily, but the core principles of effectiveness are more solid, though hardly unchanging. In cases where there is a shelf-life issue, we've tried to highlight those areas with a note.

Additionally, this book has an online "smart" twin that we encourage readers to visit for the latest knowledge and discussion. Go to www.thearf.org for the latest, or email the authors directly: playbook@thearf.org.

Joe Plummer
Steve Rappaport
Taddy Hall
Robert Barocci

CHAPTER 2

Targeting Approaches

A UNIQUE ELEMENT IN ONLINE ADVERTISING

"In our experience," Lee Sherman, Vice President of Global Solutions at Avenue A | Razorfish, relates, "selecting the right audience is a much larger driver of online campaign performance than is . . . creative theme" (Sherman 2004). Creative folks would most likely disagree, but they and Sherman would agree on the fundamental principle: Know the customer.

Today we can routinely track how people connect online, collecting the service providers people use for their on-ramps (e.g., AOL, Earthlink, NetZero); internet protocol (IP) addresses used for internet access; connection types (dial-up, broadband) and speeds; and browser names and versions (e.g., Internet Explorer 5.5, FireFox 1.0, MSN 8, Safari 1.2). Behavioral data gets stored, too: date and time of logins and clicks; pages visited; entry and exit pages; length of time people interact with the ads (relevant for rich media); ads served and their page placement; and cookie-based actions that indicate site visitors' status—prospect, shopper, or buyer. Couple that information with traditional targeting variables, data mine the combination to create rules that personalize ad delivery, and you can see why the industry is excited about online advertising's unique targeting power.

And what is the potential? It's delivering relevant messages more precisely to your customers whenever and wherever they are in the buying process for your product or service. Whether the advertising's goals are direct response, further information through search, or brand building, efficient targeting is, as Sherman says, a critical element of success. We're going to discuss the newer online targeting approaches now—demographic, contextual, behavioral, geographic, daypart, affinity and purchase-based targeting—and review a number of cases in which these targeting strategies were used to achieve specific marketing objectives. These targeting methods can be combined for further fine-tuning. Some focus on the individual (a person's actions, gender, age, location, attitude, desires, and acceptance). Contextual and daypart targeting, by contrast, assume that external factors—the contents on the page or the time of the day/week/year—will serve well to target ads to segments of prospects or customers.

It's worth noting that *ad targeting* is marketer language. From the audience perspective, *relevance* would better describe well-targeted advertising; furthermore, when individuals are presented with ads that speak to them, the relevance is more subtle and in product or service categories they are interested in it tends not be as aggressive as the language of targeting implies.

Expert Insights on Targeting

Lynn D'Alessandro, Vendare

"Targeting isn't an either-or decision, so it's best to mix and match targeting tactics—especially when it comes to educated, prosperous consumers who simply won't respond to messages that aren't personally relevant."

Jim Meskauskas, Underscore Marketing

"Though the media available online stretches out to nigh infinity, the number of hours in the day, or the relevance of a particular product or service to an individual at a particular time in that individual's day, does not. Grocery shopping lacks certain relevance just as I'm arriving to work. Pork resonates more around dinnertime. . . . It is this kind of additional value that can be extracted from the [online] medium if and when it is packaged in dayparts."

Demographic Targeting

Demographic targeting is, arguably, the longest-running, most widely used concept for targeting advertising. Defining audiences according to their age, gender, income, occupation, and household size is deeply ingrained in marketing. As Jeremy Helfand, a former senior vice president at Advertising.com, wrote for iMedia Connection, "Demographic targeting has its place. It tends to work best for advertisers in broader product categories where links to specific behaviors are less clear. For broad-interest advertisers, such as those selling travel services or consumer electronics, demographic targeting will perform nearly as well as behavioral—and cost less" (Helfand 2005).

Demographic targeting could do a better job when combined with other types of customer characteristics. For example, Microsoft AdCenter offers the ability to serve ads based on consumer demographics, location, or daypart. Google also recently added demographic targeting along with keyword selection to AdWorks, its paid search advertising program. Richer targeting criteria increase the potential for reaching consumers with better-aimed brand advertising.

Contextual Targeting

Contextual targeting is a new concept for targeting, especially online. It places ads on web pages that have a relationship to the content of the page. For example, shampoo ads are placed in the hair care section of health and beauty sites. Financial products are placed on money sites, and hotel ads on travel sites. Well, you get the picture. Collectively, section pages within such properties, called contextual inventory, sell quickly, sometimes years in advance for prime locations.

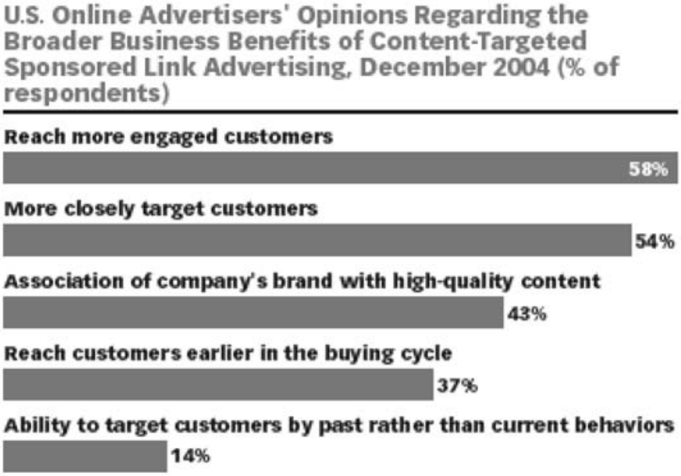
Contextual targeting's appeal is straightforward—be seen in places where large numbers of shoppers go to catch up on events or news and look for information about a specific product category or activity like traveling or cooking. Contextual locations are like a specialized shopping district, such as those in New York City for diamonds, garments, musical instruments, theater, and restaurant supplies, or auto malls in suburban towns. Concentrating buyers and sellers allows for efficient markets and enables the sellers to understand their customers and differentiate themselves.

Besides the expected business benefits of contextual targeting, such as reaching actively shopping consumers, online advertisers value the context, the location, and the editorial environment their ads appear in. According to an eMarketer study, 43% of online advertisers cited the association of the company's brand with high-quality content as a key benefit (eMarketer 2006f). Figure 2.1 shows what online advertisers think about the benefits of contextual targeting in particular.

Obviously, the great interest in online contextual targeting stems from a belief that it is effective. Over the years, basic research studies have shown that advertising context influences ad effectiveness in offline media. A relevant context matching brand to a related advertising environment is assumed to put shoppers in receptive frames of mind, increasing the potential impact of the brand's message. Offline studies reveal that the credibility of the source in which an ad appears (think *New York Times* versus a supermarket tabloid for advertising diamond jewelry) and the fit between the editorial environment and the ad affect branding measures ranging from recall to purchase intent. Customers and shoppers are more likely to trust ad messages in reputable media that they deem are relevant to their interests and tastes.

Is the same true of online advertising? Little systematic research exists to prove the high value of contextual targeting online. Fortunately, we have some early guidance from Prem Shamdasani and colleagues (2001), who researched the question experimentally.

FIGURE 2.1 Advantages of contextual targeting.



Note: n = 725 online advertisers who use or are interested in using sponsored links.

Source: JupiterResearch sponsored by Kanoodle, February 2005, data provided by eMarketer (063228).