Chapter 7

E-commerce Marketing Communications
Video Ads Cure Banner Blindness: String Master Class Discussion

● What advantages do video ads have over traditional banner ads?

● Where do sites such as YouTube fit in to a marketing strategy featuring video ads?

● What are some of the challenges and risks of placing video ads on the Web?

● Do you think Internet users will ever develop “blindness” towards video ads as well?
Marketing Communications

- Online marketing communications:
  - Methods used by online firms to communicate with consumer and create strong brand expectations

- Promotional sales communications:
  - Suggest consumer “buy now” and make offers to encourage immediate purchase

- Branding communications:
  - Focus on extolling differentiable benefits of consuming product or service
Online marketing can serve several purposes:
- Actual sales of products.
- Promotion/advertising.
- Customer service.
- Market research.
Online Advertising

- Paid message on Web site, online service or other interactive medium, such as interactive messaging

- Advantages:
  - Internet is where audience is moving
  - Ad targeting: Ability to target ads to narrow segments and track performance in almost real time
  - Greater opportunities for interactivity

- Disadvantages:
  - Cost versus benefit
  - How to adequately measure results
  - Supply of good venues to display ads
Online Advertising from 2001-2012

Figure 7.1, Page 423

SOURCES: Based on data from eMarketer, 2008a
Forms of Online Advertisements

- Display ads
- Rich media/video ads
- Search engine advertising
- In-game ads
- Social network, blog, and game advertising
- Sponsorships
- Referrals (affiliate relationship marketing)
- E-mail marketing
- Online catalogs
Display Ads

● Banner ads
  ● Rectangular box that links to advertiser’s Web site
  ● IAB guidelines
    ● Full banner is 468 x 60 pixels, 13K

● Pop-up ads
  ● Appear without user calling for them
  ● Provoke negative consumer sentiment
  ● Twice as effective as normal banner ads
  ● Pop-under ads: Open beneath browser window
Rich Media/Video Ads

- Use Flash, DHTML, Java, streaming audio/video
- Boost brand awareness by 10%
- IAB guidelines
  - Linear video ads
  - Non-linear video ads
  - In-banner video ads
  - In-text video ads
- Other types of rich media ads
  - Interstitials
  - Superstitials
<table>
<thead>
<tr>
<th>Format</th>
<th>Description</th>
<th>When Used</th>
<th>Used With</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linear video ad</td>
<td>Pre-roll; takeover; ad takes over video for a certain period of time</td>
<td>Before, between, after video</td>
<td>Text, banners, rich media video player skins</td>
</tr>
<tr>
<td>Non-linear video ad</td>
<td>Overlay; Web bugs; ad runs at same time as video content and does not take over full screen</td>
<td>During, over, or within video</td>
<td></td>
</tr>
<tr>
<td>In-banner video ad</td>
<td>Rich media; ad is triggered within banner, may expand outside banner</td>
<td>Within Web page, generally surrounded by content</td>
<td>None</td>
</tr>
<tr>
<td>In-text video ad</td>
<td>Rich media; ad is delivered when user mouses over relevant text</td>
<td>Within Web page, identified as a highlighted word within relevant content</td>
<td>None</td>
</tr>
</tbody>
</table>
Rich Media/Video Ads

- Interstitials: web pages that are displayed before an expected content page, often to display advertisements or confirm the user's age.

- Superstitials: The distinguishing feature of SUPERSTITIALs is that they load 'behind' a web site, which means a user doesn't see the ads until they're totally downloaded and ready to run.
Online Advertising Placement Methods

- Advertising networks (e.g. DoubleClick)
- Ad agencies with ad placement staff
- Direct dealing with publisher
- Banner swapping
  - Arrangements among firms allow each firm to have its banners displayed on other affiliate sites for no cost
- Advertising exchanges
  - Brokers between advertisers and publishers
  - Place ads and track all activity related to ad
Search Engine Advertising

- One of fastest growing and most effective forms of online marketing communications
- 40% of online ad spending in 2008

Types:
- Paid inclusion
  - Inclusion in search results
  - Sponsored link areas
- Keyword advertising
  - e.g. Google AdWords
- Network keyword advertising (context advertising)
  - e.g. Google AdSense
Search Engine Advertising (cont’d)

- Google, Yahoo, MSN are leaders in this technology

- Issues:
  - Appropriate disclosure of paid inclusion and placement practices
    - 62% users unaware of difference between paid and unpaid search engine results
  - Search engine click fraud
    - Competitor hires third parties to fraudulently click on competitor ads to drive up costs
  - Ad nonsense
    - Google AdSense ads that are inappropriate for content
Sponsorships and Referrals

● Sponsorship
  ● Paid effort to tie advertiser’s name to particular information, event, venue in way that reinforces brand in positive yet not overtly commercial manner

● Referral (affiliate relationship)
  ● Permits firm to put logo or banner ad on another firm’s Web site from which users of that site can click through to affiliate’s site
E-mail Marketing and the Spam Explosion

- Direct e-mail marketing: E-mail sent directly to interested consumers who “opt-in” or have not “opted-out”

- Spam: Unsolicited commercial e-mail
  - Spam is exploding out of control: 70%–80% of all e-mail purportedly is spam
  - Efforts to control spam:
    - Technology (filtering software) (only partly effective)
    - Government regulation (CAN-SPAM and state laws) (largely unsuccessful)
    - Self-regulation by industry (ineffective)
    - Volunteer efforts (not enough)
Percentage of E-mail That Is Spam

Figure 7.6, Page 438

SOURCE: MessageLabs.com, 2008
Spam Categories

SOURCE: Symantec, 2008
Online Catalogs

- Equivalent of paper-based catalogs
- Graphics-intense; use increasing with increase in broadband use
- Two types:
  - Full-page spreads
    - Landsend.com, Restorationhardware.com
  - Grid displays
    - Amazon, LLBean, Gap.com
- In general, online and offline catalogs complement each other
Social Marketing

- Adopts many-to-many model
- Uses digitally enabled networks to spread ads
  - Blog advertising
    - Online ads related to content of blogs
  - Social network advertising:
    - Ads on MySpace, Facebook, YouTube, etc.
  - Game advertising:
    - Downloadable “advergames”
    - Placing brand-name products within games
Behavioral Targeting

- Web as “Database of Intentions”
- Behavioral targeting
  - Based on real-time information on visitors
  - Data used to develop profiles
  - Ads delivered based on profile
  - May be hundreds of versions of single ad for different profile groups
- 2008, U.S. firms spent $1 billion on behavioral targeting; one of fastest growing online marketing techniques
- Raises privacy concerns
Insight on Society

Marketing to Children of the Web in the Age of Social Networks

Class Discussion

- Why is online marketing to children a controversial practice?
- What is the Children’s Online Privacy Protection Act (COPPA) and how does it protect the privacy of children?
- How do companies verify the age of online users?
- Should companies be allowed to target marketing efforts to children under the age of 13?
Mixing Offline and Online Marketing Communications

- Traditional offline consumer-oriented industries have learned to use Web to extend brand images and sales campaigns
- Online companies have learned how to use traditional marketing communications to drive sales to Web site
- Most successful marketing campaigns incorporate both online and offline tactics
The Very Rich Are Different From You and Me: Neiman Marcus, Tiffany & Co., and Armani

Class Discussion

- Why have online luxury retailers had a difficult time translating their brands and the look and feel of luxury shops into Web sites?
- Why did Neiman Marcus’ first effort fail?
- Why did Tiffany’s first effort fail?
- Visit the Armani Web site. What do you find there?
Online Marketing Metrics: Lexicon

- Metrics that focus on success of Web site in achieving audience or market share
  - Impressions
  - Click-through rate (CTR)
  - View-through rate (VTR)
  - Hits
  - Page views
  - Stickiness (duration)
  - Unique visitors
  - Loyalty
  - Reach
  - Recency
<table>
<thead>
<tr>
<th><strong>COMMON MARKETING E-METRICS</strong></th>
<th><strong>DESCRIPTION</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Impressions</td>
<td>Number of times an ad is served</td>
</tr>
<tr>
<td>Click-through rate (CTR)</td>
<td>The percentage of times an ad is clicked</td>
</tr>
<tr>
<td>View-through rate (VTR)</td>
<td>The percentage of times an ad is not clicked immediately but the Web site is visited within 30 days.</td>
</tr>
<tr>
<td>Hits</td>
<td>Number of HTTP requests</td>
</tr>
<tr>
<td>Page views</td>
<td>Number of pages viewed</td>
</tr>
<tr>
<td>Stickiness (duration)</td>
<td>Average length of stay at a Web site</td>
</tr>
<tr>
<td>Unique visitors</td>
<td>Number of unique visitors in a period</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Measured variously as the number of page views, frequency of single-user visits to the Web site, or percentage of customers who return to the site in a year to make additional purchases</td>
</tr>
<tr>
<td>Reach</td>
<td>Percentage of Web site visitors who are potential buyers; or the percentage of total market buyers who buy at a site</td>
</tr>
<tr>
<td>Recency</td>
<td>Time elapsed since the last action taken by a buyer, such as a Web site visit or purchase</td>
</tr>
<tr>
<td>Acquisition rate</td>
<td>Percentage of visitors who indicate an interest in the Web site’s product by registering or visiting product’s pages</td>
</tr>
</tbody>
</table>
Online Marketing Metrics (cont’d)

- Metrics that focus on conversion of visitor to customer
  - Acquisition rate
  - Conversion rate
  - Browse-to-buy-ratio
  - View-to-cart ratio
  - Cart conversion rate
  - Checkout conversion rate
  - Abandonment rate
  - Retention rate
  - Attrition rate
## Table 7.4: Marketing Metrics Lexicon

<table>
<thead>
<tr>
<th>COMMON MARKETING E-METRICS</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion rate</td>
<td>Percentage of visitors who become customers</td>
</tr>
<tr>
<td>Browse to buy ratio</td>
<td>Ratio of items purchased to product views</td>
</tr>
<tr>
<td>View to cart ratio</td>
<td>Ratio of “Add to cart” clicks to product views</td>
</tr>
<tr>
<td>Cart conversion rate</td>
<td>Ratio of actual orders to “Add to cart” clicks</td>
</tr>
<tr>
<td>Checkout conversion rate</td>
<td>Ratio of actual orders to checkouts started</td>
</tr>
<tr>
<td>Abandonment rate</td>
<td>Percentage of shoppers who begin a shopping cart purchase but then leave the Web site without completing a purchase (similar to above)</td>
</tr>
<tr>
<td>Retention rate</td>
<td>Percentage of existing customers who continue to buy on a regular basis (similar to loyalty)</td>
</tr>
<tr>
<td>Attrition rate</td>
<td>Percentage of customers who do not return during the next year after an initial purchase</td>
</tr>
</tbody>
</table>
Online Marketing Metrics (cont’d)

- E-mail metrics
  - Open rate
  - Delivery rate
  - Click-through rate (e-mail)
  - Bounce-back rate
  - Unsubscribe rate
  - Conversion rate (e-mail)
### E-MAIL METRICS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open rate</td>
<td>Percentage of e-mail recipients who open the e-mail and are exposed to the message</td>
</tr>
<tr>
<td>Delivery rate</td>
<td>Percentage of e-mail recipients who received the e-mail</td>
</tr>
<tr>
<td>Click-through rate (e-mail)</td>
<td>Percentage of recipients who clicked through to offers</td>
</tr>
<tr>
<td>Bounce-back rate</td>
<td>Percentage of e-mails that could not be delivered</td>
</tr>
<tr>
<td>Unsubscribe rate</td>
<td>Percentage of recipients who click unsubscribe</td>
</tr>
<tr>
<td>Conversion rate (e-mail)</td>
<td>Percentage of recipients who actually buy</td>
</tr>
</tbody>
</table>
An Online Consumer Purchasing Model

Figure 7.9, Page 457
How Well Does Online Advertising Work?

- Effectiveness measured by ROI, including cost of production
- Highest click-through rates: Permission e-mail campaigns
- Video interaction rates high
- Online channels compare favorably with offline
- Most powerful marketing campaigns use multiple channels, including online, catalog, TV, radio, newspapers, stores
Click-through Rates by Format 2005–2008

SOURCE: DoubleClick, 2007a, b; eMarketer, Inc., 2008h; author estimates.
Comparative ROI

How effective is online ads compared to offline?
Business to Consumer Marketing Best Practices
The most powerful marketing campaign used multiple forms of marketing including online, catalog, TV, radio, newspapers and retail stores.

Traditional media (TV & print material) remain the primary means for consumers to find out about new products.
The Costs of Online Advertising

- **Cost per thousand (CPM):**
  - Advertiser pays for impressions in 1,000 unit lots

- **Cost per click (CPC):**
  - Pre-negotiated fee for each click ad receives

- **Cost per action (CPA):**
  - Pre-negotiated amount only when user performs a specific action

- **Hybrid:**
  - Two or more models used together

- In general, online marketing more expensive on CPM basis, but more effective
<table>
<thead>
<tr>
<th>PRICING MODEL</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barter</td>
<td>Exchange of ad space for something of equal value</td>
</tr>
<tr>
<td>Cost per thousand (CPM)</td>
<td>Advertiser pays for impressions in 1,000 unit lots</td>
</tr>
<tr>
<td>Cost per click (CPC)</td>
<td>Advertiser pays pre-negotiated fee for each click ad receives</td>
</tr>
<tr>
<td>Cost per action (CPA)</td>
<td>Advertiser pays only for those users who perform a specific action, such as registering, purchasing, etc.</td>
</tr>
<tr>
<td>Hybrid</td>
<td>Two or more of the above models used together</td>
</tr>
<tr>
<td>Sponsorship</td>
<td>Term-based; advertiser pays fixed fee for a slot on a Web site</td>
</tr>
</tbody>
</table>
Software for Measuring Online Marketing Results

- WebTrends: Software program that automatically calculates activities at site, such as abandonment rate, conversion rate, etc.
- Visual Sciences: Web service that assists marketing managers
Web Site Activity Analysis

Figure 7.12, Page 464

Shopping Cart Executive Counts Summary

<table>
<thead>
<tr>
<th>Visits</th>
<th>Shoppers</th>
<th>Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,400</td>
<td>1,800</td>
<td>1,000</td>
</tr>
<tr>
<td>4,000</td>
<td>1,600</td>
<td>900</td>
</tr>
<tr>
<td>3,600</td>
<td>1,400</td>
<td>800</td>
</tr>
<tr>
<td>3,200</td>
<td>1,200</td>
<td>700</td>
</tr>
<tr>
<td>2,800</td>
<td>1,000</td>
<td>600</td>
</tr>
<tr>
<td>2,400</td>
<td>800</td>
<td>500</td>
</tr>
<tr>
<td>2,000</td>
<td>600</td>
<td>400</td>
</tr>
<tr>
<td>1,600</td>
<td>400</td>
<td>300</td>
</tr>
<tr>
<td>1,200</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>800</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>400</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sun 02/14 – Sat 02/20 (1-Week Scale)

Shopping Cart Executive Summary

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total visits</td>
<td>24,134</td>
</tr>
<tr>
<td>Engagement rate</td>
<td>15.7%</td>
</tr>
<tr>
<td>Total shoppers</td>
<td>4,031</td>
</tr>
<tr>
<td>Abandonment rate</td>
<td>97.4%</td>
</tr>
<tr>
<td>Conversion rate</td>
<td>0.4%</td>
</tr>
<tr>
<td>Total buyers</td>
<td>103</td>
</tr>
</tbody>
</table>

Shopping Cart Executive Summary – Help Card

- **Abandonment rate** — The percentage of *shoppers* who did not become *buyers*. This includes both *cart abandoners* and *checkout abandoners*.
- **Conversion rate** — Percentage of visitors who became *buyers*.
- **Engagement rate** — Percentage of visitors who became *shoppers*.
- **Total buyers** — Number of buyers who visited your site. Buyers are visitors who reached a page that you configured as an *order complete page*.
- **Total shoppers** — Number of shoppers who visited your site. A shopper is a visitor who reached a page that you configured as a *shopping page*.
- **Total visits** — Number of times a visitor came to your site.
Insight on Technology

It’s 10 P.M. Do You Know Who Is On Your Web Site?

Class Discussion

- What are some of the services offered by Omniture’s SiteCatalyst?
- Why would you as a webmaster be interested in these services?
- Why is site analysis and customer tracking so important to online marketing?
- How did HP use SiteCatalyst?
The Web Site as a Marketing Communications Tool

- Web site can be viewed as extended online advertisement

- Domain name: First communication e-commerce site has with prospective customer

- Search engine optimization:
  - Register with as many search engines as possible
  - Ensure that keywords used in Web site description match keywords likely to be used as search terms by user
  - Link site to as many other sites as possible
  - Get professional help
Web Site Functionality

- Main factors in effectiveness of software interface
  - Utility
  - Ease of use
- Top factors in credibility of Web sites:
  - Design look
  - Information design/structure
  - Information focus
- The way information is organized is important for first-time users, but declines in importance over time as information content becomes the major factor attracting further visits
Factors in the Credibility of Web Sites

Figure 7.13, Page 469

Web Design Features That Impact Online Purchasing

- Compelling experience
- Editorial content
- Fast download times
- Easy product list navigation
- Few clicks to purchase
- Customer choice agents
- Responsiveness
## Table 7.9 Web Site Design Features That Impact Online Purchasing

<table>
<thead>
<tr>
<th>Design Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compelling experience</td>
<td>Provide interactivity, entertainment, human interest; site is fun to use.</td>
</tr>
<tr>
<td>Editorial content</td>
<td>Provide helpful content, opinions, and features on subjects of interest to visitors in order to increase stickiness.</td>
</tr>
<tr>
<td>Fast download times</td>
<td>Quicker is better; if longer, provide amusement.</td>
</tr>
<tr>
<td>Easy product list navigation</td>
<td>Consumers can easily find the products they want.</td>
</tr>
<tr>
<td>Few clicks to purchase</td>
<td>The shorter the click list, the greater the chance of a sale.</td>
</tr>
<tr>
<td>Customer choice agents</td>
<td>Recommendation agents/configurators help the consumer make quick, correct choices.</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>Personal e-mail response; 1–800 phone capability shown on Web site.</td>
</tr>
</tbody>
</table>