Winning on the Web:

The Executive Pocket Guide to

SMARTER MARKETING

➲ **Get Smarter on how the web changes:**

– **Brand Building**

– **Media Mix**

– **Direct Response**

– **Understanding the 4 Ps**

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Contents

What is "smarter marketing"?

Smarter marketing is simple: marketing powered by clear, relevant and actionable insight—and more than likely, the richest source of that insight today comes from analyzing the activity and behavior of customers and prospects visiting your web site.

And whether you spend none, some or most of your marketing efforts on your web site isn't the point—it's likely most of your prospects and customers are visiting your site as their first, or next, point of interaction with you. And their activity on your site will deliver a wealth of "actionable insight," or insight that will demonstrate what actions you must take to increase the success of their web visits—for you as a business, and for them as a site visitor. Studying their web site activity and behavior is simply known as web analysis.

Studying this activity and behavior isn't new to marketers. Did you ever wonder why the milk is always at the back of the grocery store? It's the science of retail analysis in action. Store executives know that you'll walk through the aisles to get to the milk and probably see something else you need. It's logical, smart and built from the analysis of carefully tracked data patterns of activity and behavior.

Web analysis is really just Marketing 101 with a fancier name. It's the same set of basic concepts: audience segmentation, cost per thousand people reached, etc. You track where

4

people go, what they like and what they don't like—then plan strategies and campaigns or make adjustments accordingly. For example, in the online world tracking how a consumer wanders through a store and buys milk (or anything else) is termed "path analysis." Yet in the offline world, it's simply figuring out that consumers will likely buy some cookies on their way to the milk section.

Web site analysis is an absolute no-brainer to embark on, but it also creates a hurdle: without relevant information and clear reports, web site data is like all the books in the library dumped in one big pile on the floor. All the information is there—you just can't find it.

So, with every marketing program today starting with some form of analysis, the question is: What exactly do you analyze on the Web—and how do you market smarter with this rich insight?

This is where the "clear and relevant insight" terminology comes into play. Understanding what to analyze and what actions to take as a result is the new science of the new marketing world. Marketing campaigns today must be designed to be measured, analyzed and iteratively improved. The Web now makes sophisticated analysis much more possible and accessible to marketing organizations of all sizes and budgets.

The problem: Most marketers are not only unequipped to conduct analyses and interpret the numbers, but they also don't know what to measure and why. It used to be that marketers got away with campaign expenses that couldn't

Winning on the Web:

always be tied back directly to specific results, and if nothing else, it was labeled "branding value." Today, that world is gone.

5

Today's marketers have a really simple and powerful way to deliver much more insight with less effort than ever before without spending millions of dollars: the Internet. Because the behavioral data from all visitors, their sessions on your site and every link they click is captured, marketers can access the information they need. However, just because the data is captured doesn't mean that every marketer is analyzing it today. Since it's all so new, marketers don't know what insights the information is giving them and they struggle with what actions to take.

The basics of web analysis are simple. There are ***three levels of insight*** to choose from:

Web traffic reporting tells you bare bones activity information, such as how many visitors, sessions and page views your site is receiving.

1

Web visitor behavior analysis delivers more insight into multiple dimensions of visitor activity, such as conversion success by marketing campaign, so you can see where your quality visitors are coming from.

2

Web customer intelligence gives you individual visitor and customer data and merges it with web site activity so you get a complete view into customers' interactions with your organization.

3

Decide on which level of insight will lead to your marketing success. But remember, more insight leads to more action on your part and ultimately leads to more visitor conversions on your site—which means a more successful site.

At NetIQ WebTrends, we have embarked on a multi-pronged educational effort to get marketing folks up to speed on the power of making decisions based on web site activity, since it's likely the most powerful weapon in their marketing arsenal, and to educate IT on why this is so important to the entire organization.

As a sequel to our wildly popular "The 10 Reports Every eMarketer Lives For" (more than 30,000 copies distributed), we gladly present "Winning on the Web: The Executive Pocket Guide to Smarter Marketing." The goal of this guide is to dispel some of the marketing myths surrounding the Internet, as well as to educate on how basic marketing principles translate in the new web world. Between this, our new educational seminar series, "Getting Results with WebTrends," and our new web-based training, we are trying to evangelize the science of marketing based on fact—not just gut feel or intuition—aided by powerful web analysis.

So is this really important right now?
In talking about their highly-regarded book, *Counterintuitive Marketing: Achieve Great Results Using Uncommon Sense*, marketing experts Kevin Clancy and Peter Krieg proclaim, "Chief marketing officers, advertising directors and brand managers tell us that their decisions are intuitively appealing. To us this means that it is the same decision everyone else would make. It's the commonsensical thing to do. Yet our

research and experience suggest that decisions made on intuition alone rarely lead to successful outcomes. ***We instead believe that counterintuitive thinking grounded in rigorous analysis of unimpeachable data is the key to success in marketing."***

So, if you are now convinced of the need for analysis to fuel smarter marketing actions, where do you start? Well, if you accept that the web site is increasingly the hub for marketing activities today, then it's relatively simple:

Tune in to your R.A.D.A.R. as the process to follow

REPORT: Using WebTrends or similar products that give you rich insight into web site traffic and visitor behavior, you can get reports on the who, what, when, where and why of your web site. Generating and looking at the reports is the first step—but it's only the beginning.

ANALYZE: Look through the reports and distill what they are telling you. Focus on a few key reports that are relevant to your marketing efforts. Start benchmarking some key statistics like number of visitor sessions, new visitors versus repeat visitors, average visitor session length and whatever else you deem leading indicators for your business. Start watching the upward or downward trends over time. Do some problem solving with path analysis. Understand which content is really compelling and which isn't. And get the best insight into your marketing campaign performance possible—no matter which medium drove visitors to your site.

DECIDE: Looking at the reports and analyzing the information is only of value if you come to a decision or conclusion. For example: "People aren't converting from our campaigns because they get to our homepage and don't know where to go next." This is a tangible decision, or at least a strong theory, about why something is happening—and it's a theory that can be tested easily on the Web. Or perhaps you decide that 80% of your content is rarely viewed and isn't adding a ton of value to your site, so it's not worth the investment to update. Make a decision about what the analysis is telling you.

ACT: This is the pivotal step. It showcases your marketing genius resulting from your analysis and decisions. And it really isn't that hard to do, or even very risky, because if you're wrong, you can always undo it. That is the beauty of the Internet. When you really "get" this action-orientation, you really "get" the interactive nature of the marketing power of your web site. You've made a decision, now take action! Go ahead and redesign the homepage to indicate a clearer path to conversion. Place the rarely viewed content deeper into your site and promote the popular and compelling content more aggressively. What will happen as a result of your action? Stay tuned.

REACTION: Once you take decisive action, you will hardly be able to contain yourself. What happened? Were we right? Did people notice the change? Did it work? What were the visitors' reactions to our changes? What can we do next? When you being to understand the power of leveraging the fluid and interactive Internet as a marketing vehicle and start taking advantage of that, the reaction is amazing. It's so addictive,

you'll wonder why you waited so long to start realizing the impact it can have on your business. This is why customers have literally told us that they "eat WebTrends for breakfast every day." They want to see the reactions that their actions have stimulated.

Ready to get smarter?

With this simple R.A.D.A.R. process, marketers can make a tremendous difference in their businesses with minimal budget impact. And the greatest thing for you personally is that every step forward is a learning process towards a career-enhancing skill set. This is marketing's future. Those who know how to leverage web analysis will be in extremely high demand—and, in fact, already are.

brand_building

CHAPTER ONE
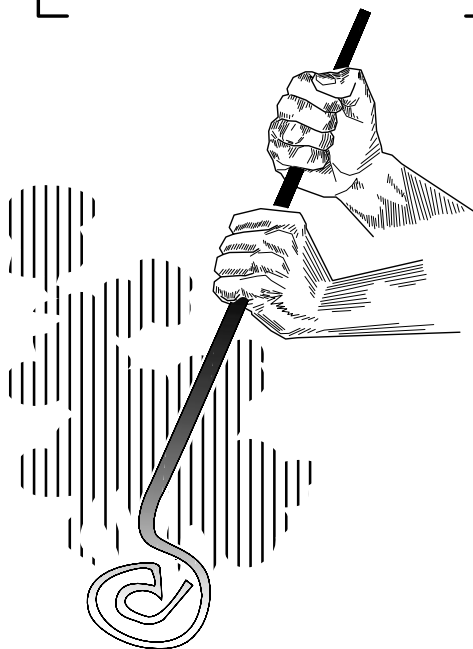
Brand Building

✂ MYTH: BRANDING IS TOUGH TO MEASURE.

WRONG

Fact: Every single time a visitor comes to your web site, a brand interaction occurs.

Whether their web site visit results in a brand building or brand eroding opportunity depends on your visitors' experience on your site. For marketers to dismiss the Web as a direct response medium alone, or a glorified electronic brochure, and not understand the larger brand impact of these collective visits, is a huge mistake.

Why?

Because to customers and prospects, all brand interactions are not equal—and yet they all have a long-term impact on brand perception. Certain interactions are weighted more heavily than others. A quick glimpse at a poorly executed print ad or view of a broadcast ad can be quickly dismissed and the brand impact is not large from that single exposure. However, an unsuccessful visit to your web site is interactive and intentional on their part, and thus can have a stronger negative branding impact. Imagine the result of one million unsuccessful web site visits per day on a brand over just a few months.

Visitors come to your site for a variety of reasons, from a variety of places. Let's take a look at some different web site visits and the brand lessons we can take away:

Lesson One: How to make brand awareness even worse

The opportunity: A potential customer on a mission finds you in a search engine. He doesn't know you, but assumes that since you are highly ranked he should get to know you. He clicks the link to your site. There is a split second of expectation and anticipation. "Maybe this is exactly the solution I need," he thinks….

The visit: Whammo! He hits your site and instantly feels disappointed. Your web site has let him down. Poor design, no obviously relevant content. He makes a mental note never to come here again.

The brand buster: Brand erosion hits like a landslide. The potential customer went from feeling neutral about you to feeling negative—in just one visit. You've just made your job a whole lot harder: it's unlikely you'll be able to undo the harm of this negative first impression. But if you learn from visits like this and take action to deliver what your visitors want and expect, hopefully you can stop eroding your brand click by click.

Lesson Two: How to kill offline brand awareness in a single click

The opportunity: Another customer on a mission. This time, though, she knows you. She assumes that since you are a known player in the field, your site will deliver value to her. So she types www.yourbrand.com into her browser.

The visit: She hits your site, and scratches her head. Your site is skimpy, confusing. It doesn't seem to have what she wants, or what she figured you would offer online. She reflects on the situation: "These folks don't understand what their web site should offer. I guess they're not the players I thought they were. Hmm…who else might have what I am looking for?"

The brand buster: Though not quite as bad as Lesson One, this sort of thing doesn't exactly give your brand a boost in the arm. Another mission not accomplished. While recovery is possible with swift action, understanding the basic reasons visitors come to your site (visitor scenarios) and understanding their success (visitor conversion) ensures that your site will allow them to complete their missions satisfactorily—growing your brand with each conversion.

Lesson Three: How to build and exploit your brand

The opportunity: A visitor comes to your site, either from a search engine or by typing www.yourbrand.com into his browser. He knows what he's looking for. Will he find it?

The visit: Ahhh! The site is well designed and consistent with your offline brand use. A clear navigation system immediately leads him to what he's looking for. He starts reading your web copy. You are answering his questions! Your calls-to-action ask if he wants targeted and relevant information. Of course he does! He clicks the link, sees a brief form and instinctively completes it, clicking "submit" cheerfully—also choosing to opt-in to your weekly newsletter. He gets access to advanced information and loses himself in your content. Time flies by. It's been 23 minutes—he has

to get to a meeting. But, he quickly sets up a favorites bookmark for this excellent site and closes his browser.

The brand builder: What just happened? A great brand building experience. You delivered consistent brand usage through your site's graphics and design. You presented a site that delivered what he hoped for…and accomplished his mission. Relevant, useful and engaging—you created a bookmark-worthy site that he wants to return to again and again. When your newsletter goes out in three days, it will trigger a positive brand recollection, likely drawing him back for another visit. Boom! Brand loyalty is being built click by click.

Imagine this happening thousands, hundreds of thousands or millions of times a day. The Web is powerful; its reach extensive. Online brand building is happening more than ever because it's interactive. Potential customers are spending more time and getting more intimate with your brand online than through any other medium. Plus, they are selling themselves—no salesperson is working them over.

Measuring branding, offline versus online

To do a branding study offline, you have to hire a market research company and spend quite a bit of money. And what do you get? A snapshot of brand strength at that point in time that could change tomorrow, next week or next month. How often can you survey and take snapshots? Well, how large is your budget?

In the online world, there are several easier (and cheaper) ways to gauge brand strength. Sure, it's not comprehensive across all of your media and geographies. Buts it's close. Since the Web is worldwide and is part of most marketing efforts these days, it's about as good as it gets for understanding brand trends.

So what do you watch?

How about starting with the quantity of brand interactions: the number of visits over time (whatever time period you care about: daily, weekly, monthly).

And perhaps you want to compare this to another similar time period for more context.

How many individuals have you touched, or, rather, have touched you? The number of unique visitors will tell you this. How many of these visitors keep coming back? New visitor versus returning visitor metrics can clearly show off visitor loyalty benchmarks. You need to decide what your targets are: Are you focusing on new prospects, or does your business require four or five visits to get a "conversion"?

And the nice thing is that all of this is available whenever you want it without spending more money. Just determine how often you want to get the analysis and which time periods to compare, and then see the information—daily, weekly, whenever.

Also, if you don't like the results, you can do something about it. You can analyze the situation, decide what is causing it, take action and see the reaction to your changes in a matter of days—maybe even hours. Just try doing THAT with a print campaign.

2 ▶ *Discover HOW people are getting to your site: because of, or in spite of, your brand?*

Is your brand awareness growing, with more and more people coming to your site by typing in your URL (www.yourbrand.com) directly? Is brand loyalty growing, with more customers coming to your site from a personal bookmark they created? Or is it just that a really awesome site that happens to be linking to your site is driving most of your traffic (gulp)? Site traffic drivers (referrers) are excellent gauges of your brand strength, or lack thereof, and understanding their impact on your visits is essential. In addition, understanding how that is changing over different time periods is telling to your success.

And what about your own marketing campaigns and how they are doing to drive traffic? We certainly aren't saying you shouldn't run that killer print campaign or mail out those clever direct mailers. By all means do—in fact, we do, too. But be sure to include a measurable URL—some of the people who see that campaign will want to check out your site, and you will want to see exactly how they got to your site— whether from online or offline media.

Even without a unique URL and visitors coming directly to your main homepage, you can measure the impact of an offline campaign to your online brand:

- How has your site traffic changed since the campaign broke? (number of visits compared to a similar time period before the campaign broke)
- Do you see a spike that suggests a new pool of visitors? (number of new visitors)
- Does a new trend coincide with the ad publishing schedule? (number of visits by day of the week)

Figure out what your visitors think of your brand today. 3

We all know that in branding, singularity is critical. What single mental image comes to your customers' minds when they think of your brand? It's not too hard to get a good sense for this, by looking at the exact keywords and phrases visitors search for to find your site.

- Are they typing in your brand name to find you? Or that of one of your products?
- If they are typing in multiple products, which ones are most popular?
- What about your category name? Is that driving traffic to you? (Hopefully, yes.)
- Are people finding you by searching for things you'd rather NOT have associated with your site? Is old content drawing the wrong customers? Are they using words and phrases you really don't want associated with your brand?

You could know the answers to these questions tomorrow by understanding the activity occurring at the search engines most important to your site.

Search engines can be a major brand builder

Performing better on search engines could boost your brand through a nice snowball effect:

[1] If you rank higher on key search engines, more people will discover and visit your site.

[2] When more people find your site and like it, they set up a link to it.

Guess what happens next?

[3] Some search engines use link popularity (the number of pages on the Internet linking to your site) as their underlying ranking methodology. So as you get higher rankings across more search engines, these types of engines will rank you higher. Think of it as guerilla brand building.

Online branding recap

If you want to build a stronger brand (and we all must!) you need satisfied, repeat customers. Even if you have this in the offline world, neglect it online and your brand will certainly suffer. So, your web site has to give visitors the quality content they're looking for, include a logical navigation system and be consistent with your offline brand. In short, your web site has to make visitors want to come back. The Web can do big things to boost your brand—but it needs insight, analytics and action to make the magic work.

Whether their web site visit results in a brand

building or brand eroding opportunity depends on

your visitors' experience on your site.

media_mix

Direct Mail

Online

Print

Email

Radio
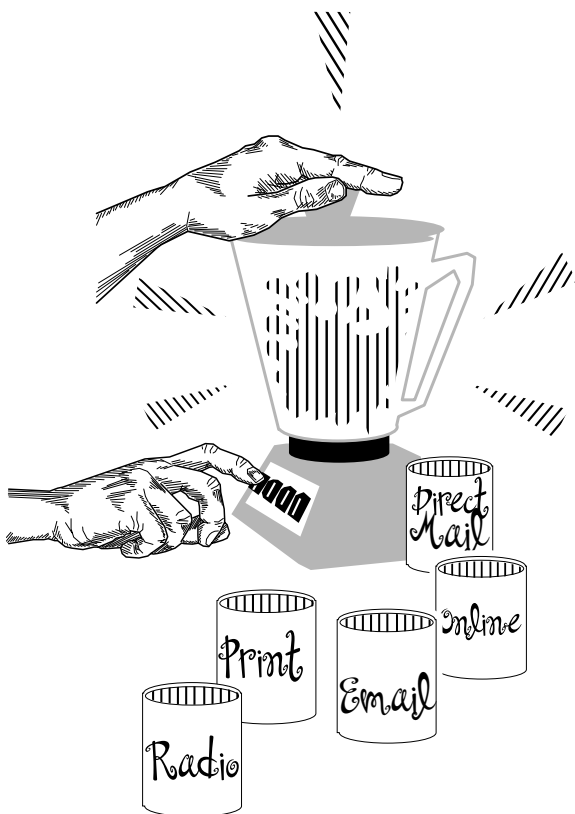
CHAPTER **TWO**
Media Mix

MYTH: THE WEB WILL NEVER BE A SIGNIFICANT PIECE
OF THE MEDIA MIX.

WRONG!

Fact: Your web site is already a critical piece of the pie.

Marketers for decades have been on the prowl for the
foolproof recipe for success. Start with a base of print
advertising; add a dash of online marketing, a pinch of direct
mail and just a smidgen of radio. In other cases, marketers
have scrounged through the various media options looking
for the silver bullet. It's newspapers. No, wait; it's magazines,
definitely magazines. Or is it television? What about bill-
boards? No, I know. It's the Web, stupid! The Web is the mar-
keting cure-all. Get the CEO on the phone; we're going to rev-
olutionize the way we do marketing!

Ridiculous generalizations, right?

Maybe, but that shouldn't stop us from asking the broad
questions. Are billboards more effective than television?
Is e-mail better than direct mail? Are newsletter sponsorships
better than online banners? There simply is not a definitive
answer to these questions. However, if you use the general

guidelines outlined below and diligently analyze every campaign, you'll have the insight to determine the right media mix for your business.

As a starting point to every campaign, look to define these three criteria: objectives, audience and timing.

Objectives

This seems an obvious first step, but it's easy to get caught up in the details of a campaign and lose sight of the primary objective. Strip it down to one thing: What are you trying to accomplish with this campaign? Are you striving to build brand awareness? Or are you trying to evoke a specific and immediate response from a specific audience? Get your objective clear.

There are some logical advantages of different mediums depending on your specific objectives.

For example, if broad reach brand building is your objective and your budget is substantial, then television is a better medium than online newsletter sponsorships. If lead generation to a niche audience is your objective and you're on a shoestring budget, then targeted e-mail is likely a better option than a print campaign.

Audience

Who is your target audience? What is the best way to reach them?

Some media are better for targeted direct marketing as opposed to broad reach advertising. For example, television, radio and outdoor media (billboards, busboards, etc.) are effective means for reaching many people but are not the best options for targeted placements. On the flipside, online marketing options such as newsletter sponsorships and keyword buys can be effective tools for targeted impressions.

For example, a report recently published by Forbes.com and eMarketer.com shows that online marketing is the most effective means to reach C-level executives while at work. Why? Because executives are active Internet users and 62% regard online advertising as an influencer of what they buy. According to a survey by Research.net (Feb. 2002), 55% of C-level executives visit more than ten web sites in an average month in search of business and financial information. More than 70% of corporate executives spend more than 10 hours per week online, and 15% spend more than 30 hours. In other words, executives spend more time on the Internet than with any other medium.

Timing

The element of time is two-fold.

First, the time frame you have to produce the campaign is important.

Do you have several months or just a few weeks to implement the campaign? This can dictate your media plan. Ideally, you would always have ample time for planning so that the selection would be based primarily on objective and audience. But most of us don't have this luxury because we work in the time-compressed world of business where deadlines influence decisions. If this is the case for you, then there are some advantages to online marketing based on the speed of implementation.

An online campaign can be designed and deployed within a matter of days if needed. Also, not only can you initiate a campaign quickly, you have the ability to make changes on the fly. This is critical in terms of optimizing your campaigns based on analysis. If you see that one ad has a higher con-version rate and lower cost-per-lead than other ads you're testing, you can quickly shift the remaining impressions to the campaign with the highest return for the remainder of your flight schedule.

2 Secondly, the timing of your campaign flight dates, specifically the duration and frequency of impressions, is important.

Do you want your impact to hit on a single day, or over several weeks or months? How many impressions does it take to most effectively influence brand awareness and recall with your audience? Based on branding studies by Dynamic Logic, four or more exposures lead to the highest brand awareness in multiple case studies. Also, similar studies by Dynamic Logic and the Interactive Advertising Bureau (IAB) showed that four exposures lead to higher brand recall and purchase intent.

Advantages of the Web

25

What are the strengths of the Web compared to other media? It's key advantages are interactivity, targeting, cost and measurability.

1 - INTERACTIVITY

The web experience is proactive, compared to the passive nature of other media. The visitors choose where to go, what to see and how much time to spend with you. Despite this being the single most over-hyped characteristic of the Web, it's still true that a hyperlink provides an easy and immediate means to interact.

2 - TARGETING

Personalization technology aside, the Web provides many ways to reach a specific target audience. For example, implementing a keyword strategy with search engines and directories (such as Google, Yahoo and Overture) allows you to reach specific users searching for the specific terms and phrases you've associated with your line of business. Therefore, the precision of reaching a targeted user with every impression is much higher than with other offline media.

3 - COST

The Web is a cost-effective medium on a cost per thousand impressions (CPM) basis. According to the Morgan Stanley Dean Witter report, "Internet Direct Marketing & Advertising Services," the average discounted CPM for online marketing for 2000 was $5 - $15. Compared to newspapers at $19 and

prime time television at $16, this is very competitive. Also, according to research from Digital Impact, the average cost per unit for e-mail is $0.10 - 0.15, whereas the average cost per unit for direct mail is $1.00.

With all other factors such as response rates the same, this cost advantage leads to a higher return on investment (ROI) as measured by direct response metrics like cost-per-lead and cost-per-acquisition. The lower the marketing investment, the greater the chance you give yourself for success without having to hit a home run.

4 - MEASURABILITY

The Web is, without a doubt, the most measurable medium. As we have discussed, savvy marketers are realizing the potential that web analytics holds. You can obtain critical insight into your visitors' interactions with your web site, measure campaign performance, evaluate the effectiveness of your site's navigation and content—and more.

A major transition is occurring in online marketing around metrics and how to effectively measure the success of the Web as a medium. Specifically, the focus now is on "conversion" and understanding whether your campaigns and web site are successful in leading visitors through your desired scenarios. Counting clicks via the click-through rate (CTR) metric isn't meaningful.

Understanding the quantity of unique individuals who respond to your ads and the paths they take to register, purchase, download or whatever your business

scenario—now that's useful information. You can use the analysis to test messaging, offers, media and other elements within a campaign—all with the intent of optimizing conversion, lowering acquisition costs and increasing ROI.

No other medium measures up to the Web when it comes to measurability. Use it to your competitive advantage. Others are already.

Disadvantages of the Web

What are the weaknesses of the Web compared to other media? The main disadvantages are penetration and mindshare.

1 - PENETRATION
Even though online advertising spending is projected to be $8 billion in 2002 (eMarketer.com, March 2002), it only represents about 3-4% of the total advertising dollars spent in the U.S. (Morgan Stanley Dean Witter, Feb.2001). What contributes to the slow adoption by large U.S. advertisers? Lower penetration is one theory.

Despite the rapid growth of new users (19% per year worldwide), the Internet still lags behind television in penetration within households. While televisions are in 99% of U.S. households, the Internet is in 54%. Even though the Web gives a company worldwide exposure simply by its nature as a worldwide network, we still haven't reached the point where the Internet is easily accessible and widely adopted by everyone, everywhere.

2 - MINDSHARE

There's no denying that online ads are still small and non-exclusive to the user. Meaning, your ads compete for mindshare with other content and ads on the same viewable screen. You have to worry about file size restrictions and different ad unit specs, which limit the creative. The same interactivity that makes the Web great for direct response creates a challenge in that your target audience could just as easily ignore your message and click away to numerous other paths.

New technology and more intrusive ad units are being developed every day, but data shows that more intrusive may not be better. According to a Dynamic Logic report, 53% of users surveyed liked banners ads, but only 6% liked pop-ups. So are you willing to risk long-term credibility with the 94% who don't like pop-ups by using them based on the promise of higher short-term response rates? Gut feeling alone shouldn't dictate this decision. Take a test run and determine if your audience is tolerant to these intrusions and whether you see better performance against your objectives.

Integrated approach

So what's a marketer to do? How do you build a smarter media plan? The best approach is to build an integrated marketing plan. Remember, people don't interact with just a single medium.

Based on your criteria, create a balanced media plan that gives you the best opportunity to reach your audience whenever and wherever you can within the confines of your budget. A prevailing strategy is to use both online and offline vehicles for promotion—and then direct responses from those to your web site, where you can effectively measure response.

Remember: Develop a set of key performance metrics for your business and leverage web analytics to measure performance against them.

Fact: Your web site is already a

critical piece of the pie.

direct_response

CHAPTER THREE
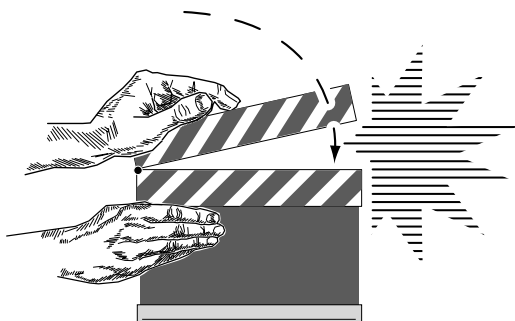
Direct Response

> **MYTH: ONLINE MARKETING ABSOLUTELY DOESN'T WORK FOR DIRECT RESPONSE.**

WRONG!

Fact: If you do it right, the Web can be an effective channel for direct response.

True, the top traditional U.S. companies spend less than 4% of their total marketing budgets on online marketing. True, click-through rates have declined from an average of 2-3% in 1997 to less than 0.3% in 2001. But is this data enough to conclude that the Web is an undeniably poor direct response medium? No.

Online marketing, having ridden shotgun with the dot-coms on the new economy roller-coaster the last few years, has seen its share of skepticism and has been prematurely marked with a scarlet letter. What caused this misperception? History shows that this pattern isn't exclusive—it happened with radio, it happened with television and it is happening with the Web. Traditionalists become naysayers, and naysayers spread doubt. The reality is: the Web as a medium is still maturing. Despite its rough adolescence, there's plenty of published research from the last few years that supports the position that the Web can be a cost-effective channel for generating demand and executing direct response campaigns.

Analyze this!

As James Spansfeller, president and CEO of Forbes.com recently wrote in the "Online Advertising Update" on eMarketer.com, "The data is in. The proof is persuasive. The Web is a powerful communication tool that more and more smart advertisers are using to their competitive advantage with each passing day." In addition, the click-through rate, as the standard metric for evaluating success, is out. Conversion is the new king of metrics.

As Leslie Laredo, president and founder of The Laredo Group, Inc., said at the Internet Media Dynamics Conference, "What happens after the click is much more important than the click-through rate itself."

The Law of Five Rights

Whether offline or online, the Law of Five Rights still applies: Send the **right** people the **right** message with the **right** offer at the **right** time and you'll get the **right** response.

The trick is knowing who the right people are and being able to reach them through targeted marketing. The Web accommodates these two criteria well, since it has the measurement capabilities to identify your core audience and since it's a highly targeted medium.

Key metrics

What are your key performance metrics? Each company has different objectives so your metrics might vary, but below we've provided a summary of six key metrics you can use as a guide for measuring the effectiveness of online direct response. Web analytics enables you to capture these metrics to evaluate the specific performance of each campaign.

- ◆ **Total unique visitors.** How many individuals responded to the campaign and came to your web site?
- ◆ **Total desired actions.** How many individuals completed the call-to-action? Your call-to-action will be defined by your objectives. A few common examples of a call-to-action include: registering for a white paper, newsletter or trial; purchasing a product online; signing up for a service or seminar; or subscribing to expanded content.
- ◆ **Cost per desired action.** How much did it cost to generate each desired action? This is measured by dividing total campaign expense by the number of desired actions generated.
- ◆ **Conversion rate.** What percentage of unique visitors completed the desired action? This is measured by dividing total desired actions by the total unique visitors.
- ◆ **Total revenue.** How much revenue did this campaign generate?
- ◆ **ROI.** What is the return on investment for this campaign? This is determined by subtracting total costs from total revenue.

Trends

An important point to make is that these metrics are most valuable when establishing trends over time and watching for increases or decreases in performance. Establish benchmarks for your company and start evaluating performance against your running averages. Have you improved conversion this month versus last month? Is your cost per desired action lower since you changed the creative on your campaigns? In terms of your own direct response campaigns, have you found e-mail and online marketing more or less effective than direct mail?

The bottom line is that for you to know whether this medium works or not, you have to run your own test campaigns and measure them diligently.

Set-up

To be able to accurately capture and analyze this data, you need to set up a unique entry page URL for each campaign or segment you wish to track response against. For those with technical savvy, this can be accomplished by using a redirect URL or by passing a unique campaign ID parameter. Not that technical? Take your Webmaster to lunch. You could use the quality time together anyway.

Send the right people the right

message with the right offer at

the right time and you'll get

the right response.

4_Ps

CHAPTER **FOUR**
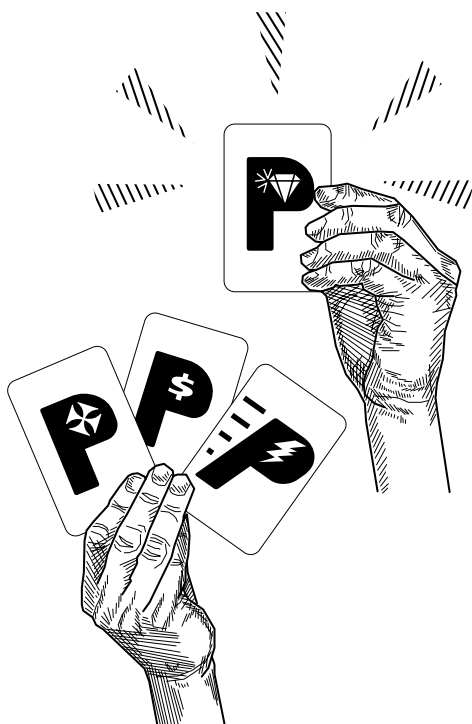
Understanding the 4 Ps—on the Web

MYTH: THE WEB CHANGES EVERYTHING AND THE 4 PS NO LONGER APPLY.

WRONG!

Fact: The 4 Ps are still relevant—you just have to update your thinking.

Every marketing student understands the power of the 4 Ps. Get these right and you will be a successful marketer. The concept is simple but powerful: Build a **product** that meets a market need, set a **price** that consumers will pay and derive value from (and that delivers a profit so you can stay in business), figure out the best **places** and the best channels to sell these products and with some good **promotion**, you are in business.

So with the Web now an essential part of business, is the gospel of the 4 Ps being rewritten? Well, not really rewritten—but a good updating is definitely in order.

In fact, all 4 of the Ps are being transformed due to a major shift in the power structure of commerce with the adoption of the Internet. Today, the consumer has more information to make decisions and access to sellers globally, with almost

real-time market pricing information. With this fundamental power shift from producers to consumers, the way in which marketers think needs to adapt. And understanding the impact of this change is what can make you market smarter.

Phil Kotler, the legendary father of modern marketing, recently said: "Intelligent management of information and the use of technology-supported customer interactions are among the e-marketing rules for the New Economy." Understanding and managing this information is how marketers get smarter.

The first P: Products

Why they're in business isn't something most companies ever think about. They're already in business and they already sell what they sell. So how does the Internet change this? Well, the critical thing to understand is that customers now expect greater influence in the purchasing process. They expect to influence what you offer and how it gets presented. With online supply chains growing, production times are also being dramatically shortened and consumers demand much faster fulfillment.

Let's address our thinking about the Web's impact on your product strategy on two levels:

[1] Your web site as a "product" in and of itself; and,
[2] Your web site as a "product test lab" of what consumers want from you in products and services.

Your web site as a "product"

Let's start with the first idea: Your web site as a product. When you consider the time value of money, you quickly realize that the time your visitors spend on your site is a substantial investment on their part.

Let's do some quick math. Say you get 100,000 unique visitors a day, each spending on average 7 minutes per visit. Assuming that each visitor's time is worth $20 an hour (white collar worker assumptions here), that is $233,333 per day in your visitors' time spent on your site, or $1,633,333 dollars per week. If you want them to come back again, the "product" (your web site) has to be worth it—it has to fulfill a need they have.

This is why tracking basic statistics like new versus returning visitors is such a critical benchmark and why tracking the upward or downward trend of time spent on your site or number of page views is so key. These can be indicators of whether your site is being perceived as worth further investment as a "product" by your visitors.

Obviously if you are a content site, this is even more critical since your site is, literally, your product. But the best way to think about the role of your web site as a product and whether it's "time investment-worthy" or not is to come up with all of the possible reasons your visitors would want to visit your site, i.e. their "visit scenarios."

There are really only three types of business models for organizations' web sites today: commerce sites, content sites (media sites) and informational sites. The objectives of each type vary from both the organization's and the visitor's points

of view. The "visit scenarios" of your visitors will be different depending on which type of site (or what combination of the three) you offer. Visitors could come to your site to:

◆ Research product details
◆ Register for something – brochures, collateral, newsletters, updates, sweepstakes, etc.
◆ Check the status of their online or offline order
◆ See when the next versions of your products are coming out
◆ Join an online community
◆ Purchase your product online
◆ Place an order or purchase again
◆ Read the "news"
◆ Catch up on information for a special niche they follow
◆ Check out accessories to something they bought or might buy
◆ Get tips and tricks for using a product
◆ Troubleshoot a problem they are having
◆ Search for customer service

Once you identify which of these scenarios (or the unique scenarios offered by your site) are relevant, you can use path navigation analysis and what's now being termed "scenario analysis" to track how successfully your site is working to accommodate the scenarios. For the visitor, this represents a mission accomplished; for the business, it's called visitor conversion. Since the Web is so measurable, every step (or click) of the way can be tracked to see where visitors are failing in their missions. Then, you can take action on your site to make their navigation easier—ultimately increasing conversion and satisfying more visitors.

If your site is like most, it will fail in most scenario conversions because it was likely developed from your internal goals outward, rather than letting your visitors' goals drive the site design and navigation. The good news is that it's all fixable. And if you start tracking these critical navigation paths, you will quickly find out what needs to be tackled first.

Your web site as a "product test lab"
Let's move on to the second level of thinking about the Web's impact on your product strategy—your site as a "product test lab." Visitors vote with their clicks about the content, letting you know what they like, don't like and don't even care about. Understanding content effectiveness is akin to understanding what's hot and what's not in the offline world. Watching what products visitors are drawn to by looking at top pages visited, and which products they care least about by looking at lowest visited pages, can be very insightful.

Where do you invest your online efforts? The content that visitors are responding to positively would be a great place to start.

It gets even more interesting when you start segmenting your visitors into different qualification segments. You can assign qualification levels to individual visitors based on their activity (i.e., assign a higher level of qualification to visitors who go deeper into your product information) and then see if "qualified visitors" care about different content than the "tire kickers." Perhaps the people who are most likely to buy really scrutinize your ugly, text-heavy pages about warranties and

return policies. With a little sprucing up, perhaps you could compel even more visitors to buy directly from those pages. Only by segmenting your visitors into different levels of qualification can you really understand what products, pages and content are best for driving the highest conversion.

The other thing to consider is cause and effect in terms of online placement for that product. If certain products get the prime real estate (i.e., a link off the home page), that great placement could be the cause for the popularity rather than the product itself. Another product with less desirable placement may get less visitor interest—but is it the product, or the placement, that's causing it? Analyzing any of this in a vacuum can lead to the wrong conclusion. Once you consider and experiment with placement, you can draw a pretty firm conclusion about what is driving the interest (or lack thereof) for products and adjust your strategy accordingly.

If your site is large and complex, the idea of getting to the individual product granularity may be overwhelming. If you have many hundreds or thousands of pages, how do you spend time discerning which specific products are the real interest drivers? Top pages viewed is important to watch, but likely not broad enough to truly manage a large number of products. Tying together your different categories of content into "content groups" becomes critical in gauging what is working on a higher level.

Think of content groups as a high-level rollup of your business or product categories. For example, if you were a grocery store trying to decide where best to invest expansion dollars, thinking in terms of investing in individual products such as bags of frozen corn versus fresh chocolate croissants

43

would be too granular. You really need to think about it at broader level: Do customers value you more for your vast frozen food selection or your fresh bakery goods?

Content groups provide these higher-level categories. Once you have your web visitor behavior tied to the pages on your site in these content group categories, you can really see at a more significant level which products are most valuable and worth your attention and investment.

The second P: Pricing

Pricing has been greatly impacted by the growth of the Web, with greater pricing fluidity than ever before being part of the new dynamic. Online markets and auctions have led to a bidding and negotiating mentality through business models such as eBay and online travel sites, where prices can drop to fill seats that would generate zero revenue if left empty. Almost limitless global competition (a competitors' information is a mere click away), increased production efficiency and a proliferation of new channels are all certainly having an impact on pricing as well.

So how does a marketer adjust to these new dynamics and make smarter decisions?

The good news is that the increase in information flows both ways. Online, you don't have the problem of needing to set pricing far in advance so that price tags and point of purchase signage can be printed and shipped. If your prices today aren't working, you can change them almost instantly to determine your customers' price elasticity.

A great thing about the Web is that you can test the impact of pricing on checkout conversion rates: Do conversions go up if prices are dropped? By tweaking the price and watching the visitor clicks, you get a clear picture quickly. Long term, you can watch paths to and from pricing information to make strategic decisions about the role pricing plays in your marketing and in what your customers are looking for.

The online shopper and offline buyer

On the Web, pricing information varies greatly with what you are selling. The closer to a commodity product, the more likely people are price comparing before buying. If you have offline stores and sell online, then you realize that people often research price online but come in and buy in your store, so they can touch the item, discuss it with a salesperson and feel comfortable about the company they are doing business with. Correlating popular items or pricing promotions online with results offline can lead to a more complete and accurate understanding of the impact the web site has on offline sales. This is where integration of customer information from different sources can be especially helpful: merging online web visit behavior with geographic sales information can show the true picture of the purchase process—and even the success a promotion can have in driving online visits and offline purchases.

The when and the who of pricing

Another important role of pricing online is understanding when it plays a factor in a site visit. How quickly into a visit do your visitors look at your pricing pages? If it's within the first few page views, this tells you a lot about your visitors' sensitivity to pricing. If you know that they should be less price sensitive, perhaps you are attracting the wrong

segment of visitors or perhaps your business category is getting more competitive. We mentioned assigning different levels of qualification criteria to visitors in the Products discussion earlier. By understanding which customer segments are more price sensitive, you can determine if it's the tire kickers who check the price page so early, and more qualified visitors who look at other information first.

Remember: Price is just one factor
Before changing your pricing strategy, it's important to differentiate customer segments so you set your price based on the customers who are your long-term targets. Think about all of the dot-coms that went under because their business model was to always be the lowest price provider—no matter how much money they lost in the process. Just as in the offline world, customers still make a purchase based on several factors, such as brand strength, convenience, trustworthiness, etc. The role of pricing online is just one of many things to consider.

The third P: Place

In the offline world, place stands for location, location, location, and also means what channels you should sell through for efficiency. Do you sell directly to the customer? Do you use resellers to expand your reach? How does the Internet expand or complicate your place?

With the advent of 24 x 7 x 365 visitation, you are never closed.

The customer is more in charge than ever—products are being "sold" less and being "bought" more. Now, customers dictate how they want to buy. So, allowing them to buy the way they want to is more important than ever. Customer self-service is now expected. If they can't make a purchase decision after a few site visits, they might go elsewhere. How many site visits it takes to facilitate a purchase is a pretty important thing to know today. Customers coming to your web site to accomplish a mission can be very disappointed if your site doesn't deliver—and they may not return. Likewise, if people expect that they can buy in a certain way but find that they cannot, they might use the content on your site to make their decision but find someone else to transact with.

Think about cars as an extreme example of the shift in power in the purchase process. Today, customers can do everything online, even transact, and merely go to the dealer for delivery. Gone are the days of the dreaded showroom visit and the back and forth haggling that took hours and left customers exhausted and with buyers' remorse. Today you often hear, "I got a great deal on this baby, and I did it all online."

So how does this change how you sell?
Watch your visitor behavior and see what they expect from your web site. Analyze the paths they take, where they enter your site (bookmarked pages) and where they leave your site (mission accomplished? or mission aborted because frustration levels went too high?). Experiment with different purchase options and watch which pages are most and least popular in this area. If you want to know if you should set up a new dealer network as a channel, create a section online

that asks for input and then see if people go there. If they do, it's likely that there is interest. Visitors will communicate with you if you give them the option.

Do people expect to buy from you online?

Again, test it. And don't just think about first purchases. Like most businesses, you probably get a hefty amount of your revenue from repeat customers. How can your web site serve your loyal customers better? Do customers expect to place a repeat order online without hassling with a sales person? Would they like to upgrade their products automatically on your site? How about adding accessories to something they already bought?

This insight can tell you how customers want to buy and that's getting more and more important. Companies that figure this out can see a rise in market share by making their online and offline places more complementary.

The fourth P: Promotion

◀ 4

Marketing without measurement isn't marketing—it's pretty pictures and prayers.

Let's step back and understand the role of the Internet in promotional strategies today. Although relatively few marketing dollars are overtly spent on online marketing as a medium, online response and promotion mechanisms are becoming the key part of most online and offline calls-to- action today. Even if you're promoting in traditional

offline ways such as print advertising, direct mail, broadcast ads or public relations, chances are you're driving them to a web site URL someplace in the promotion. If you're not, you should be.

Add to this the power of viral marketing and the marketer's promotional world has greatly changed—and all for the better!

On the Web there are two areas of promotion to consider:
[1] Getting people to your site (awareness).
[2] Once the people are there, generating an experience that engages them to do what you want them to and satisfies their need for visiting (conversion).

"Numbers of Eyeballs," the infamous term that was all the rage in the late 90s that would literally raise stock prices by the millions, is a dead term today. No one cares about promotional eyeballs anymore. Or, at least no one spends money just to generate them anymore. Today the Web is like any other strategic marketing promotional medium: it has to fit into the overall plan (remember Chapter 2 on Media Mix?).

What's changing is that the Web is becoming the hub for all marketing activities. Everything drives to a URL, which starts the call-to-action. The number of people who respond shows the effectiveness of your promotional efforts in getting visitors to your site. The percentage of those visitors who actually complete the call-to-action becomes your conversion rate. If both the number who respond and the conversion rate are good, then you are a successful marketer.

49

Using the Web for promotions can be extremely effective, since it allows for interactivity and image building not possible ten years ago without multimillion-dollar campaigns. Running sweepstakes where visitors can log in to see if they have won or play a game to try to win generates both site visits and interaction—and doesn't need to cost very much. Even simply running a seminar series and having online registration is a win-win: prospects register and get information at their fingertips; you get a registered visitor or, at a minimum, a site visit.

Again, the conversion rates of these scenarios are a telling measure of their success. Perhaps the creative and the promotion sounded interesting, drawing visitors to your web site, but when they got there, they were underwhelmed by your site and left. Or maybe they started to explore your site, but left when they saw how much information they had to fill out. Some critical web reports, such as top exit pages, path navigation and scenario analysis, can give you insight into this information so you can determine where falloffs are occurring and take action to fix it.

To determine your promotional strategy, you need to understand your target visitor. Understanding how visitors are finding specific products can be very telling. Traffic referrers are some of the most important pieces of the marketers' site analysis today. How do people find the destinations you deem important?

Setting up what is called "destination path analysis" to certain key product pages will tell you many things, such as how those visitors found your site and what things they looked at along the way to your product pages (which

features did they really care about?). Combining this with "forward path analysis," you can tell what those visitors did next, whether they converted or not and where they left. Looking at repeat visits to those product sections gives you some insight into their stickiness. Maybe it takes an average of five visits to a product area for a visitor to get comfortable enough to purchase a product. Once you know this, you can adjust your promotional strategy to encourage repeat visits rather than driving primarily new traffic.

Some more about viral marketing

Viral marketing is a relatively underutilized marketing promotion today, but it will grow in its importance over the next few years. Think of it as word-of-mouth on steroids. We know that word-of-mouth is the most powerful form of promotion possible. Imagine if you could jumpstart that and measure the results in a short period of time. The connectivity of the Internet means that people can quickly and easily share things with a simple e-mail, driving astounding results. In his bestseller, *Unleashing the Ideavirus*, Seth Godin states, "Marketing by interrupting people isn't cost effective anymore…. The future belongs to marketers who establish a foundation and process where interested people can market to each other. Ignite consumer networks and then get out of the way and let them talk." The two critical factors in a successful viral marketing campaign are engaging e-mails that can be passed around easily, attracting visitors to your site, and a web site that facilitates conversion.

The 4 Ps wrap-up

The 4 Ps have become significantly more complicated with the rise of the Internet—but they still apply and warrant constant consideration. What has changed is the window of time to adapt to market changes. Watching and analyzing site traffic and visitor behavior daily will lead to marketing success today as much as the normal diligence and attention to the creative and prospect lists traditionally drive promotional success. Marketers today have to be able to analyze information, translate it into decisions and take action. Knowing which exact action to take from the analysis is where experience separates the smarter marketers from the "pretty pictures people."

"Intelligent management of information and the use of technology-supported customer interactions are among the e-marketing rules for the New Economy."

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