e-Ad Attack: The Need to Calculate ROI in an Online World

by Bianca Wright

When Blue Cross Blue Shield of Massachusetts launched its website, ahealthyme.com, it approached a Boston interactive advertising firm, HookMedia, to handle its campaign. TV spots and a variety of banner ads promoting the site were used. Traffic to the site grew considerably, but HookMedia's post-click data revealed some interesting information that helped them create an even more effective campaign for the Blue Cross Blue Shield.

HookMedia's research showed that people who clicked on banners advertising specific features of the ahealthyme.com site explored the site much more deeply than those who clicked on the more generic banners. In particular, banners advertising "Ask Dr. Anne," a regular column on the site, generated especially strong, productive traffic. Blue Cross used this post-click insight to adjust its TV campaign, filming new spots featuring Dr. Anne (Meneghetti) herself. As a result, visits to the site promptly doubled to more than 30,000 per week, with newsletter subscriptions numbering in the tens of thousands.

For online retailers and click-and-mortar companies, proving that advertising campaigns are paying off is a great concern. While Blue Cross Blue Shield was able to justify their ad spending on the ahealthyme.com campaign, other websites are not as fortunate. How can online companies prove a return on investment to their investors with regard to advertising? Is it possible to link a specific campaign with increased sales?

Ad Spend Frenzy

In September 2000, Internet advertising expenditures in the U.S. increased to $1.6 billion, up 13.2 percent from the previous month, according to New York research firm, AdZone Interactive. This increase in spending is indicative of the types of expenditures that online companies need to justify to their investors.

"[Online retailers] shouldn't be spending such a large percentage whether or not they are profitable. The idea last year was to build brand recognition, with the conviction that revenues would surely follow," says Quinn Mills, Professor of Business Administration at Harvard Business School. "They didn't [build brand recognition], in many cases, so more effective ways to generate sales are required, regardless of profitability. Advertising in high-cost venues just to build brand recognition isn't a winner."

Rob Utzschneider is founder and VP of market development at Torrent Systems. Torrent allows e-businesses to process and analyze unlimited volumes of clickstream and transaction data. Utzschneider believes "Proving the ROI of advertising to investors is a critical concern because so much of their cost structure and their equity capital is allocated to this single source of expense."

This is a fairly new concern for companies. "In the early days of online advertising, it was much less of a concern than it is today. With the gold rush mentality of the time, many advertisers simply flocked to the new channel to try to gain the first mover advantage," says John Ardis, VP of Marketing at ValueClick Inc., an international pay-for-performance advertising network.

Views on online ROI are numerous. Marc Braunstein, Senior VP of marketing strategy for FireBrand has still a different opinion. "Any start-up business needs to invest in advertising to exert brand pressure and create awareness. But it has to be rational, nothing like the wholesale nonsense that dot-coms have been putting out there," he says. "One reason for this is that these companies had been trying to attract the attention of investors, and not paying customers. They have names and logos, but really no deep brands at all."

A Way Forward

ValueClick's Ardis feels that things are changing in the online world. "As online advertising matures--and it's doing so much more quickly than its offline brethren--marketers are finally understanding that there isn't anything mystical or magical about this medium," he says. "Rather, it is another very important part of a marketer's media mix, and it needs to be evaluated just as other media purchases are."

The result, according to Ardis, is two different classes of marketers:

a) Those who have advertised online before and, after having learned the hard lessons of being the trailblazers, now want more assurance of what they're getting for their money.

b) Those who haven't advertised online before and who want to avoid the pitfalls of the first group, therefore, they are looking for accountability and ROI.

Additionally, investors who previously poured money into the bottomless pit of dot-com companies are starting to demand some type of justification for the huge ad budgets that they are fronting. "Investors have the right and responsibility to know whether or not their investment in advertising is yielding a healthy return," says Daniel Anstandig, general manager and program director for Internet-Radio DAER. "At DAER, we're aware of the difficulty most e-tailers experience in conveying a sense of value and return on their advertising efforts. We work with our clients on making the case and providing proof of results and increased brand awareness or sales as a result of their marketing on DAER."

Ad spending is not the only investor concern, according to FireBrand's Braunstein. "Retailers should be figuring out how to validate the overall business plan in the first place," he says. "Something is clearly not working, and just throwing advertising dollars at the problem is certainly no solution. Perhaps there is insufficient brand depth, the result of a lack of heat, central focus and brand pressure--marketing tactics beyond advertising."

Method to the Madness
Proving that advertising dollars are well spent can be beneficial to online retailers themselves as well as investors. HookMedia's Senior VP Evan Grossman explains that "In the current economy, online retailers have to fight harder to gain investment dollars. By demonstrating that their advertising pays out they can justify incremental investments. All online retailers are trying to reach a substantial scale so that they can be profitable. By demonstrating the viability of online advertising, online retailers can show potential investors that it will be possible to achieve their size goals in a cost-effective manner."

So how can online marketers at e-tailers prove that their advertising methods are paying off? In the online environment, proving ROI is much easier than ever before. There are many products on the market to meet such a need.

ValueClick, for example, recently acquired StraightUP!, a marketing analysis firm with powerful, patented technology for tracking and reporting both immediate and long-term marketing results across all media channels.

HookMedia's strategy is similar. It links specific cookies with certain URLs, allowing the company to associate each sale to the originating advertising message at the site, placement and creative level. "For example, we can say that the red ads running in the Finance section of Yahoo! yesterday generated $5000 in revenue across 20 orders, whereas the blue ads in the same placement generated $6000 in revenue across 18 orders," says Grossman.

Calculating ROI on online advertising is not as easy as it sounds, however, as Torrent's Utzschneider explains. "One of Torrent's customers is ZDNet, [which] generates revenue by building a site with attractive content, attracting visitors to the site and keeping them there, and then charging advertising clients to place ads to well-qualified prospects. ZDNet actually needs to report on approximately 100 million ad events each day," he says. "If they can report and analyze data on these ad events more precisely, they can charge higher fees for placing ads for their clients. This requires an enormous amount of computing processing power and complex reporting and analysis applications."

Offline Options
While online advertising might be able to provide demonstrable results, online retailers and click-and-mortars are also turning to traditional media to build brand awareness and draw customers to their websites. But these media are more difficult to track and less likely to create demonstrable ROI. "Because the interactive and direct marketing professions have been able to quantify marketing and ad effectiveness, the burden has been shifted to the traditional offline media like TV, radio, magazine and outdoor to likewise quantify an ROI," says Don Carlin, COO of Pro Media, a New England media buying firm.

While it is difficult to quantify the effectiveness of offline media, it is not impossible and can be quite simple, according to Torrent's Utzschneider. "In traditional store retailing, it is possible to measure ROI with regard to advertising in a straightforward manner. Most chain store retailers are organized into store regions [with] each store region spending most of its advertising dollars by placing large advertisements in local newspapers," he says.

For these retailers, says Utzschneider, it is easy to measure the results of these ad campaigns. If you run a sale on Colgate toothpaste over a weekend, you can count how many packages of Colgate toothpaste you sell during the following week because you are collecting that information in the point of sale transaction data in your cash registers. More sophisticated analysis systems can also measure the increase in sales of items that tend to sell with the items on sale. Sales of Colgate toothbrushes might increase when you put Colgate toothpaste on sale.

"It is only a matter of time for interactive TV, CAT-SCANs for print, satellite radio and other media forms to become more accountable. One of the promises of cable TV in its infancy was knowing the viewer. It is coming one day, and both advertiser and agency will embrace it. Today, both CommerceTV and WebTV can enable advertisers to better gauge their programs' effectiveness," he says.

Companies with strong brands in the offline arena are executing some elegant campaigns that can only strengthen their position. Braunstein cites the example of Hallmark. "Hallmark is using the web to bring greater customization and immediacy--two of the Internet's strong suits--to their card offerings," he says. "For example, you can now order personalized cards for the holidays online, upload your address list, and they will stamp and mail them for you, along with gift certificate inserts if you like. It's all a testament to the power of a deep brand to excel on the Internet, just as they do offline, once they figure out how to make all their channels work in synchrony."

Costs are also easier to justify if the medium is lower cost with a wide audience. "We're finding that low cost, broad reach campaigns are outperforming targeted niche buys in terms of ROI. Although the niche buys deliver higher response and conversion, the premiums associated with these buys negate this Performance," says HookMedia's Grossman.

Conversely campaigns that have failed to produce returns do so as a result of a lack of what Braunstein terms "heat." The ads themselves reflect their lack of uniqueness and clear direction to profitability. "One could argue that the Pets.com sock puppet campaign was a success because of its high awareness and good commercial execution, but how could you possibly support that statement given that the company is dead?" he says.

Gimmicks are not necessarily good investments. "Wacky offline campaigns that do not establish either a reason for being, or a meaningful point of difference for the brand always fail," Pro Media's Carlin adds.

The answer for marketing professionals looking to justify their ad spending lies, perhaps, in diversification. "I like how Amazon is making use of many pressure-points to stress the convenience and quality of their service over the holiday season, everything from magazine ads to TV to newspaper inserts," says Braunstein. "Multi-channel retailers, such as Ross Simons jewelers, are also able to leverage their investment in all channels to the benefit of their online stores."

And so while investors and e-tailers alike demand a demonstrable product for their money, marketing professionals can choose from a range of technologies to prove ROI on advertising budgets. This trend is set to grow. ValueClick and Ardis believe "This is not going to go away. It's up to marketing professionals to find ways to be more accountable to their companies and clients."

Bianca Wright has had her business and marketing writing appear in a variety of magazines and online publications in South Africa and the U.S., including Office.com, Acadio, YBN, Pro2Net, Business Start-ups and Cosmopolitan. A former public relations professional, she also writes about health, nutrition and wedding planning, and has ghostwritten two books on the health community in South Africa. She also lectures in Media Studies part-time at her local university.