

Unit 6: Digital Marketing (7 Hrs.)

Digital Marketing: Introduction

- There are **four features** of online marketing that distinguish it from traditional marketing channels.
- Compared to traditional print and television marketing, online marketing can be more **personalized, participatory, peer-to-peer, and communal**.
- Not all types of online marketing have these four features.
- For instance, there's not much difference between a marketing video splashed on your computer screen without your consent and watching a television commercial.
- However, the same marketing video can be targeted to your personal interests, community memberships, and allow you to share it with others using a Like or + tag.
- Marketers are learning that the most effective forms of online marketing have all four of these features.

TABLE 6.3

THE DIGITAL MARKETING ROADMAP

TYPE OF MARKETING	PLATFORMS	EXAMPLES	FUNCTION
Website	Traditional website	Ford.com	Anchor site
	Search engine marketing	Google; Bing; Yahoo	Query-based intention marketing
	Display advertising	Yahoo; Google; MSN	Interest- and context-based marketing; targeted marketing
Traditional Online Marketing	E-mail	Major retailers	Permission marketing
	Affiliates	Amazon	Brand extension
	Social networks	Facebook	Conversations; sharing
	Micro blogging sites	Twitter	News, quick updates
	Blogs/forums	Tumblr	Communities of interest; sharing
	Visual marketing	Pinterest/Instagram	Branding; sharing
	Video marketing	YouTube	Engage; inform
Social Marketing	Game marketing	Chipotle Scarecrow Game	Identification
	Mobile site	m.ford.com	Quick access; news; updates
	Apps	Ford Mustang Customizer app	Visual engagement
Mobile Marketing		My Ford	Visual engagement
	Television	Apple/The Human Family: Shot on iPhone	Brand anchoring; inform
	Newspapers	American Airlines/The World's Greatest Flyers Fly American	Brand anchoring; inform
	Magazines	Apple Watch/Vogue Magazine	Brand anchoring; inform
Offline Marketing			

Online Advertisement

- Companies will spend an estimated \$195 billion on advertising in 2016, and an estimated \$72 billion of that amount on **online advertising, which includes display (banners, video, and rich media), search, mobile messaging, sponsorships, classifieds, lead generation, and e-mail, on desktop and laptop computers, as well as mobile devices.**
- In the last five years, advertisers have aggressively increased online spending and cut outlays on traditional channels.
- By 2018, the amount spent on online advertising is expected to exceed the amount spent on television advertising.

TABLE 6.4**ONLINE ADVERTISING SPENDING FOR SELECTED FORMATS
(IN BILLIONS)**

FORMAT	2016	2020	AVERAGE GROWTH RATE
Search	\$33.3	\$51.4	12.2%
Banner ads	\$14.4	\$21.5	12.6%
Video	\$10.3	\$16.3	18.8%
Rich media	\$8.0	\$14.9	22.1%
Sponsorships	\$1.9	\$2.4	6.5%
Lead generation	\$1.9	\$2.1	4.2%
Classifieds	\$1.8	\$2.4	5.9%
E-mail	\$0.31	\$0.41	8.4%

Ad Targeting

- The sending of market messages to specific subgroups in the population in an effort to increase the likelihood of a purchase, is as old as advertising itself, but prior to the Internet, it could only be done with much less precision, certainly not down to the level of individuals.
- Ad targeting is also the foundation of price discrimination: the ability to charge different types of consumers different prices for the same product or service.
- With online advertising, it's theoretically possible to charge every customer a different price.
- Theoretically, online advertising can personalize every ad message to precisely fit the needs, interests, and values of each consumer.
- In practice, as we all know from spam and constant exposure to ads that are of little interest, the reality is very different.
- Online advertisements also provide greater opportunities for interactivity—two-way communication between advertisers and potential customers.
- The primary disadvantages of online advertising are concerns about its cost versus its benefits, how to adequately measure its results, and the supply of good venues to display ads.

Search Engine Marketing and Advertising

- In 2016, companies will spend an estimated \$33 billion on search engine marketing and advertising, about 46% of all spending for digital marketing.
- Around 225 million U.S. Internet users (almost 85% of all U.S. Internet users) use a search engine at least once a month.
- Briefly, this is where the eyeballs are (at least for a few moments) and this is where advertising can be very effective by responding with ads that match the interests and intentions of the user.
- The click-through rate for search engine advertising is generally 1%–4% (with an average of around 2%) and has been fairly steady over the years.
- The top three search engine providers (Google, Microsoft/Bing, and Yahoo) supply more than 95% of all online searches.
- **Search engine marketing (SEM)** refers to the use of search engines to build and sustain brands.
- **Search engine advertising** refers to the use of search engines to support direct sales to online consumers.

Types of Search Engine Advertising

- Search engine sites originally performed unbiased searches of the Web's huge collection of web pages and derived most of their revenue from banner advertisements.
- This form of search engine results is often called **organic search** because the inclusion and ranking of websites depends on a more or less “unbiased” application of a set of rules (an algorithm) imposed by the search engine.
- Most search engines offer **paid inclusion programs**, which, for a fee, guarantee a website's inclusion in its list of search results, more frequent visits by its web crawler, and suggestions for improving the results of organic searching.
- Search engines claim that these payments—costing some merchants hundreds of thousands a year—do not influence the organic ranking of a website in search results, just inclusion in the results.
- However, it is the case that page inclusion ads get more hits, and the rank of the page appreciates, causing the organic search algorithm to rank it higher in the organic results.

- **Pay-per-click (PPC) search ads** are the primary type of search engine advertising.
- In **keyword advertising**, merchants purchase keywords through a **bidding process** at search sites, and whenever a consumer searches for that word, their advertisement shows up somewhere on the page, usually as a small text-based advertisement on the right, but also as a listing on the very top of the page.
- The more merchants pay, the higher the rank and greater the visibility of their ads on the page.
- **Network keyword advertising (context advertising)**, introduced by Google as its AdSense product in 2002, differs from the ordinary keyword advertising described previously.
- Publishers (websites that want to show ads) join these networks and allow the search engine to place “relevant” ads on their sites. The ads are paid for by advertisers who want their messages to appear across the Web.
- Google-like text messages are the most common.
- The revenue from the resulting clicks is split between the search engine and the site publisher, although the publisher gets much more than half in some cases.

Search Engine Optimization (SEO)

- Because search engine marketing can be very effective, companies optimize their websites for search engine recognition.
- The better optimized the page is, the higher a ranking it will achieve in search engine result listings, and the more likely it will appear on the top of the page in search engine results.
- **Search engine optimization (SEO) is the process of improving the ranking of web pages with search engines by altering the content and design of the web pages and site.**
- By carefully selecting key words used on the web pages, updating content frequently, and designing the site so it can be easily read by search engine programs, marketers can improve the impact and return on investment in their web marketing programs.

- **Panda was introduced in 2011 in an effort to weed out low quality sites from search results.**
- Those sites with thin content, duplicate content, content copied from elsewhere on the Web, and content that did not attract high-quality hits from other sources were systematically pushed down in the search results.
- Google introduced **Penguin in 2012 in an effort to punish websites and their SEO marketing** firms who were manipulating links to their site in order to improve their rankings.
- The Google search engine rewards sites that have links from many other sites.
- What some marketers discovered is that Google could not tell the quality of these back links, and they began to manufacture links by putting their clients onto list sites, creating multiple blogs to link to their clients' sites, and paying others to link to their clients' sites.
- Penguin evaluates the quality of links to a site, and pushes down in the rankings those sites that have poor-quality back links.
- Between 2012 and 2016, Google released four major Penguin updates and in September 2016 that it had become part of the core Google algorithm.

- Many search engines are attempting to capture more of what the user intended, or might like to know about a search subject.
- This is often referred to as **semantic search**.
- Google introduced **Hummingbird in 2013**. **Rather than evaluate each word separately in a search, Google's semantically informed Hummingbird will try to evaluate an entire sentence.**
- Semantic search more closely follows conversational search, or search as you would ordinarily speak it to another human being.
- Google introduced **Knowledge Graph in 2012 as an effort to anticipate what you might want to know more about as you search on a topic or answer questions you might not thought of asking.**
- Since 2013, results of Knowledge Graph appear on the right of the screen and contain more information about the topic or person you are searching on.
- Not all search terms have a Knowledge Graph result.
- Google displays information based on what other users have searched for in the past, as well as its database

Degrade the results and usefulness of search engines include

Link farms

- groups of websites that link to one another, thereby boosting their ranking in search engines

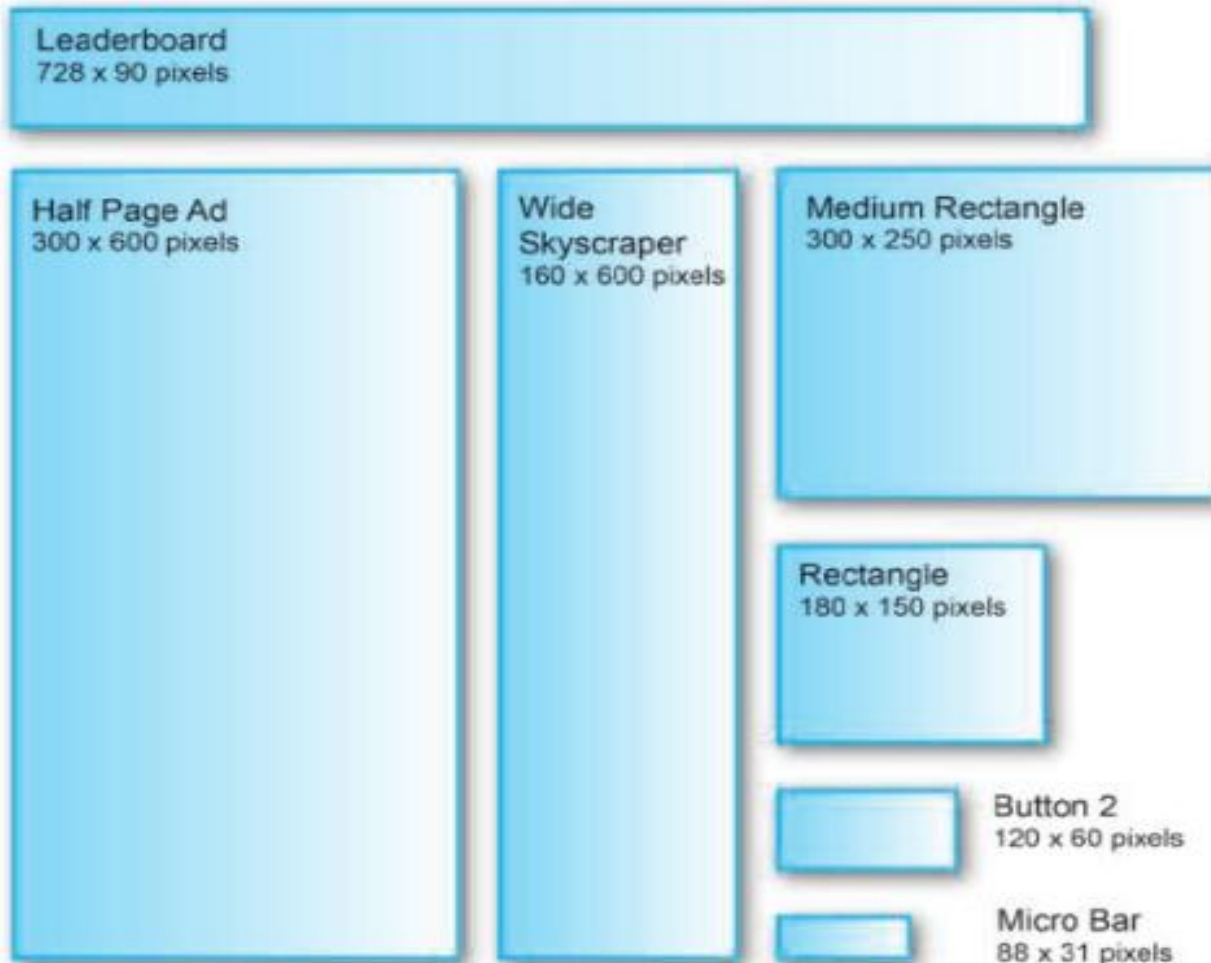
Content farms

- companies that generate large volumes of textual content for multiple websites designed to attract viewers and search engines

Display Ad Marketing

FIGURE 6.6

TYPES OF DISPLAY ADS



Banner Ads

- **Banner ads are the oldest and most familiar form of display marketing.**
- They are also the least effective and the lowest cost form of online marketing.
- A banner ad displays a promotional message in a rectangular box on the screen of a desktop computer or mobile device.
- **A banner ad is similar to a traditional ad in a printed publication but has some added advantages.**
- When clicked, it brings potential customers directly to the advertiser's website, and the site where the ad appears can observe the user's behavior on the site.
- The ability to identify and track the user is a key feature of online advertising.
- Banner ads **often feature video and other animations.**
- It's important to note that, although the terms banner ad and display ad are often used interchangeably, banner ads are just one form of display ad.
- Despite their limited effectiveness, advertisers will still spend about \$14 billion on banner ads in 2016, about 42% of all spending on display ads, and 20% of total online ad spending.

Rich Media Ads

- **Ads that employ animation, sound, and interactivity, using Flash, HTML5, Java, and JavaScript are referred to as rich media ads.**
- **Rich media ads** expected to account for about \$8 billion in online advertising expenditures (about 11% of total online advertising but one of the fastest growing formats) in 2016.
- They are far more effective than simple banner ads.
- For instance, one research report that analyzed 24,000 different rich media ads with more than 12 billion impressions served in North America over a six-month period found that exposure to rich media ads boosted advertiser site visits by nearly 300% compared to standard banner ads.

Interstitial ad

- An **interstitial ad** (interstitial means “in between”) is a **way of placing a full-page message between the current and destination pages of a user.**
- Interstitials are usually inserted within a single website, and displayed as the user moves from one page to the next.
- The interstitial is typically contained in its own browser window and moves automatically to the page the user requested after allowing enough time for the ad to be read.
- Interstitials can also be deployed over an advertising network and appear as users move among websites.

Video Ads

- **Online video ads are TV-like advertisements that appear as in-page video commercials or before, during, or after a variety of content.**
- **Table 6.5** describes some of the IAB (Interactive Advertising Bureau) standards for video ads.
- The most widely used format is the “pre-roll” (followed by the mid-roll and the post-roll) where users are forced to watch a video ad either before, in the middle of, or at the end of the video they originally clicked on.
- In 2014, the IAB released additional standards for five new in-stream and linear interactive video ad formats that enable advertisers to provide additional opportunities for consumer engagement.

TABLE 6.5**TYPES OF VIDEO ADS**

FORMAT	DESCRIPTION	WHEN USED
Linear video ad	Pre-roll; takeover; ad takes over video for a certain period of time	Before, between, or after video
Nonlinear video ad	Overlay; ad runs at same time as video content and does not take over full screen	During, over, or within video
In-banner video ad	Rich media; ad is triggered within banner, may expand outside banner	Within web page, generally surrounded by content
In-text video ad	Rich media; ad is delivered when user mouses over relevant text	Within web page, identified as a highlighted word within relevant content

Advertising Exchanges, Programmatic Advertising, Real-Time Bidding

ad exchanges

- auction-based digital marketplace where ad networks sell ad space to marketers

Programmatic advertising

- automated, auction-based method for matching demand and supply for online display ads

Real-time bidding (RTB)

- process used to match advertiser demand for display ads with publisher supply of web page space

Display Advertising Issues

ad fraud

- falsifying web or mobile traffic in order to charge advertisers for impressions, clicks, or other actions that never actually occurred
- Large advertisers have begun to hire online fraud detection firms (a growth industry) to determine the extent of fraud in their campaigns.
- Verizon Wireless, L'Oreal, and Kellogg are among the firms that found millions of dollars of ad fraud in recent campaigns, and have demanded advertising networks to either reimburse them or generate real web traffic in the amount of the fraud.

Viewability

- Recent research by Google revealed that 56% of the impressions served across its display advertising platforms, including DoubleClick, are not viewable.

Ad Blocking

- Over the past several years, use of ad-blocking software, which can eliminate display ads, pre-roll video ads, retargeted ads, and some types of native ads on desktops and laptops, has been growing.
- Ad blockers operate in a manner very similar to a firewall, recognizing and eliminating content based on IP address.

E-mail Marketing

- When e-mail marketing began, unsolicited e-mail was not common.
- **Direct e-mail marketing (e-mail marketing messages sent directly to interested users)** was one of the first and most effective forms of online marketing communications.
- Direct e-mail marketing messages are sent to an opt-in audience of Internet users who, at one time or another, have expressed an interest in receiving messages from the advertiser.
- By sending e-mail to an opt-in audience, advertisers are targeting interested consumers.
- By far, in-house e-mail lists are more effective than purchased e-mail lists.
- Because of the comparatively high response rates and low cost, direct e-mail marketing remains a common form of online marketing communications.
- Other benefits of e-mail marketing include its mass reach, the ability to track and measure response, the ability to personalize content and tailor offers, the ability to drive traffic to websites for more interaction, the ability to test and optimize content and offers, and the ability to target by region, demographic, time of day, or other criteria.

Affiliate Marketing

- **Affiliate marketing is a form of marketing where a firm pays a commission, typically anywhere between 4% to 20%, to other websites (including blogs) for sending customers to their website.**
- Affiliate marketing generally involves pay-for-performance: the affiliate or affiliate network gets paid only if users click on a link or purchase a product.
- According to Forrester Research, spending on affiliate marketing in the United States is expected to reach around \$4.8 billion in 2016).
- Industry experts estimate that around 10% of all retail online sales are generated through affiliate programs (as compared to search engine ads, which account for more than 30% of online sales), and affiliate programs run by the Internet Retailer Top 500 have a median of 2,000 participating affiliates.
- Visitors to an affiliate website typically click on ads and are taken to the advertiser's website.
- In return, the advertiser pays the affiliate a fee, either on a per-click basis or as a percentage of whatever the customer spends on the advertiser's site.
- Paying commissions for referrals or recommendations long predated the Web.

Viral Marketing

- Just as affiliate marketing involves using a trusted website to encourage users to visit other sites, **viral marketing is a form of social marketing that involves getting customers to pass along a company's marketing message to friends, family, and colleagues.**
- It's the online version of word-of-mouth advertising, which spreads even faster and further than in the real world.
- In the offline world, next to television, word of mouth is the second most important means by which consumers find out about new products.
- And the most important factor in the decision to purchase is the face-to-face recommendations of parents, friends, and colleagues.
- Millions of online adults in the United States are “influencers” who share their opinions about products in a variety of online settings.
- In addition to increasing the size of a company's customer base, customer referrals also have other advantages: they are less expensive to acquire because existing customers do all the acquisition work, and they tend to use online support services less, preferring to turn back to the person who referred them for advice.
- Also, because they cost so little to acquire and keep, referred customers begin to generate profits for a company much earlier than customers acquired through other marketing methods.

Social Marketing and Advertising

- Social marketing/advertising involves the use of online social networks and communities to build brands and drive sales revenues.
- There are several kinds of social networks, from Facebook, Twitter, Pinterest, and Instagram, to social apps, social games, blogs, and forums (websites that attract people who share a community of interests or skills).
- Next to mobile marketing, it is the fastest growing type of online marketing.
- Social networks offer advertisers all the main advertising formats, including banner ads (the most common), short pre-roll and post-roll ads associated with videos, and sponsorship of content.
- Having a corporate Facebook page is in itself a marketing tool for brands just like a web page.
- Many firms, such as Coca-Cola, have shut down product-specific web pages and instead use Facebook pages.
- Blogs and online games can also be used for social marketing. Blogs have been around for a decade and are a part of the mainstream online culture. Blogs play a vital role in online marketing.
- The online gaming marketplace continues to expand rapidly as users increasingly play games on smartphones and tablets, as well as PCs and consoles.
- The objective of game advertising is both branding and driving customers to purchase moments at restaurants and retail stores.
- In 2016, around 180 million people play games on their mobile phones, about 52 million play on consoles, while about 122 million play on tablets. Of the online gamers, about 95 million play social games, such as Jackbox Games' You Don't Know Jack.

Mobile Marketing and Advertising

- A number of factors are driving advertisers to the mobile platform, including much more powerful devices, faster networks, wireless local networks, rich media and video ads, and growing demand for local advertising by small business and consumers.
- Most important, mobile is where the eyeballs are now and increasingly will be in the future.
- Mobile marketing includes the use of display banner ads, rich media, video, games, e-mail, text messaging, in-store messaging, Quick Response (QR) codes, and couponing.
- Mobile is now a required part of the standard marketing budget.
- Display ads can be served as a part of a mobile website or inside apps and games.
- Facebook is the leader in mobile display ad revenues, followed by Google and Twitter. Search advertising is also popular.
- Format Apps are a nonbrowser pathway for users to experience the Web and perform a number of tasks from reading the newspaper to shopping, searching, and buying.
- Apps provide users much faster access to content than do multi-purpose browsers.
- Apps have begun to influence the design and function of traditional websites as consumers are attracted to the look and feel of apps, and their speed of operation.

Local Marketing

- Local marketing is the third major trend in e-commerce marketing in 2016–2017.
- The growth of mobile devices has accelerated the growth of local search and purchasing.
- New marketing tools like local advertisements on social networks and daily deal sites are also contributing to local marketing growth.
- The most common local marketing tools are geotargeting using Google Maps (local stores appearing on a Google map), display ads in hyperlocal publications like those created by Patch Properties, daily deals, and coupons.
- The most commonly used venues include Facebook, Google, LinkedIn, Yahoo, Bing, and Twitter, as well as more specific location-based offerings such as Google My Business, Yahoo Local, Citysearch, YP, SuperPages, and Yelp.
- The “daily deal” coupon sites, Groupon and LivingSocial, and location-based mobile firms such as Foursquare are also a significant part of this trend.

Online Marketing Metrics

- Concerns about how well online advertising really works and about how to adequately measure the costs and benefits of online advertising.
- Some terms commonly used to describe the impacts and results of “traditional” online marketing such as display ads and e-mail campaigns.
- These measures often substitute for solid information on sales revenue as e-commerce entrepreneurs seek to have investors and the public focus on the success of the website in “attracting eyeballs” (viewers).

DISPLAY AD METRICS DESCRIPTION

Impressions

- number of times an ad is served

Click-through rate (CTR)

- the percentage of people exposed to an online advertisement who actually click on the banner

View-through rate (VTR)

- measures the 30-day response rate to an ad

Hits

- number of http requests received by a firm's server

Page views

- number of pages requested by visitors

Viewability rate

- percentage of ads that are actually seen by people online

Unique visitors

- the number of distinct, unique visitors to a site

Loyalty

- percentage of purchasers who return in a year

Reach

- percentage of the total number of consumers in a market who will visit a site

Recency

- average number of days elapsed between visits

Stickiness (duration)

- average length of time visitors remain at a site

Acquisition rate

- percentage of visitors who register or visit product pages

Conversion rate

- percentage of visitors who purchase something

Browse-to-buy ratio

- ratio of items purchased to product views

View-to-cart ratio

- ratio of “Add to cart” clicks to product views

Cart conversion rate

- ratio of actual orders to “Add to cart” clicks

Checkout conversion rate

- ratio of actual orders to checkouts started

Aabandonment rate

- % of shoppers who begin a shopping cart, but then fail to complete it

Retention rate

- % of existing customers who continue to buy

Attrition rate

- % of customers who purchase once, but do not return within a year

VIDEO ADVERTISING METRICS**View time**

- how long the video ad actually stays in view while it plays

Completion rate

- how many viewers watch the complete video ad

Skip rate

- How many viewers skipped the video

E - MAIL METRICS**open rate**

- % of customers who open e-mail

Delivery rate

- % of e-mail recipients who received e-mail

Click-through rate (e-mail)

- % of e-mail recipients who clicked through to the offer

Bounce-back rate

- percentage of e-mails that could not be delivered

Unsubscribe rate

- Percentage of recipients who click unsubscribe

Conversion rate (e-mail)

- Percentage of recipients who actually buy

Pricing Models for Online Advertisements

TABLE 6.9

DIFFERENT PRICING MODELS FOR ONLINE ADVERTISEMENTS

PRICING MODEL	DESCRIPTION
Barter	Exchange of ad space for something of equal value
Cost per thousand (CPM)	Advertiser pays for impressions in 1,000-unit lots
Cost per click (CPC)	Advertiser pays prenegotiated fee for each click ad received
Cost per lead (CPL)	Advertiser pays only for qualified leads or contacts
Cost per action (CPA)	Advertiser pays only for those users who perform a specific action, such as registering, purchasing, etc.
Hybrid	Two or more of the above models used together
Sponsorship	Term-based; advertiser pays fixed fee for a slot on a website

Case Studies: Home Assignment (Any one only)

- Facebook Marketing Tools, Twitter Marketing Tools, Pinterest Marketing Tools, Location Based Marketing Tools: Google AdSense