Topic 6 Display Advertising (retargeting and remarketing)

Chapter Objectives

Describe the **role of publishers and advertisers** in an ad network.

Distinguish among CPC, CPM, and CPA bidding strategies.

Use the **Google Ads platform to identify target audiences** for your ads.

Create a test to determine which of two ads is more effective.

Understanding Display Networks

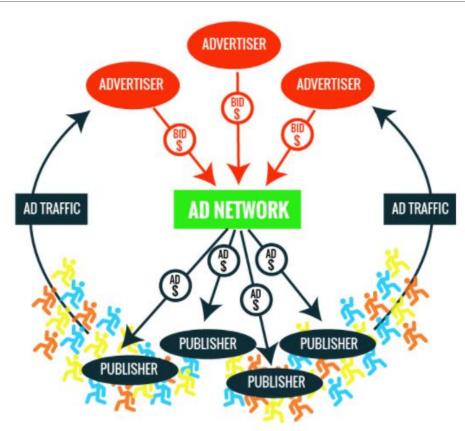


Figure 7.1.1

Display Network

- A display network consists of a group of online publishers (typically media websites) that agree to a set of advertising standards dictated by the company managing the ad network.
- The display network dictates ad sizes that can be displayed on publisher websites.
- The display network coordinates which ads are displayed on which websites at which time.
- The display network collects payment from advertisers and pays publishers their portion of the advertising revenue.
- The display network reports the ad performance metrics to the advertisers.

Publishers

- A publisher wishing to join the ad network must create an account with the display ad network.
- The website must fit the specifications dictated by the ad network, including correctly sized spaces set aside for advertisements.
- The publisher incorporates code provided by the ad network that enables the network to load ads into the allocated ad space every time a
 webpage loads.
- Publishers are paid a percentage of the revenue the display ad network charges advertisers.

Advertisers

- · Advertisers create and upload ads that meet the specifications of the display ad network.
- · Advertisers manage their ad budgets on the display ad platform provided by the display ad network.
- Advertisers set parameters regarding the types of internet users they want to see their ads (and possibly the types of websites on which they
 want their ads to run).
- · Advertisers receive reports on where their ads were displayed.
- · Advertisers earn traffic to their website from these displayed ads.

Through this method, all three parties can benefit:

- The advertiser makes money from the traffic to their website that comes from hundreds or thousands of different websites, but the advertiser
 only has to coordinate the ads with the one ad network.
- 2. The display ad network makes money by charging the advertiser to display the ads on the network.
- 3. The publisher gets paid a percentage of the revenue made each time the display network charges an advertiser, but the publisher also only has to coordinate with the ad network rather than hundreds of advertisers.

Paying for Ads — Display Ads Bids

In a display network, multiple advertisers are likely to want to advertise in the same ad space. To simultaneously resolve the dual problem of determining (1) who gets to advertise in that space and (2) how much the advertiser should pay to advertise there, ad networks use a bidding system, similar to the way ad placements on search engines are allocated. One important difference between the bidding for a search ad and the bidding for a display ad is that display advertisers have multiple bidding formats from which to choose. Whereas search advertisers typically pay on a CPC (cost-per-click) basis (some use a CPA [cost-per-acquisition] basis), display advertisers can pay CPC, CPM (cost-per-mille, or cost per thousand impressions), or CPA.

CPC bidding for display ads works in the same way as CPC bidding for search ads. The advertiser only pays when the displayed ad is clicked, which means the advertiser pays only when the ad brings a visitor to the website. So if an advertiser pays \$0.50 CPC, and an ad yields 50 clicks, the advertiser would owe \$25 regardless whether the ad was shown 1,000 times or 100,000 times.

CPM is the payment method of traditional advertising. If a magazine charges \$20 CPM for a full-page advertisement and it has a circulation of 250,000, an advertiser would have to pay \$5000 for a full page ad in the magazine (\$20 times 250). CPM advertising online works similarly. If an online advertiser pays \$2 CPM, the advertiser would owe \$2 every 1,000 times the display network displayed its advertisement. So if the ad were shown 10,000 times, the advertiser would owe \$20 whether the ad yielded 20 clicks or 200 clicks.

Paying for Ads – Display Ads Bids

Advertisers competing for the same ad space on an ad network may be bidding using different methods, some using CPC, others using CPM, and still others using CPA. As a result, ad networks need to be able to compare bids of different types to determine which advertiser has the highest bid. To make these comparisons, ad networks track the click-through rates (CTRs) of advertisers so they can convert CPC bids into CPM bids. For example, consider the following two advertisers:

Table 7.1.1

	Advertiser 1	Advertiser 2
Bid	\$3 CPM	\$0.75 CPC
Past Click-Through Rate	.1%	.2%

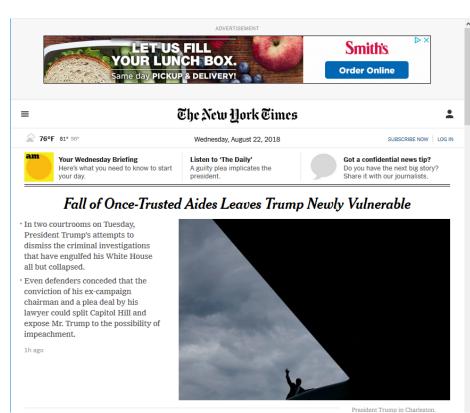
The first advertiser bids \$3 CPM, so the ad network knows it will earn \$3 every 1,000 times it displays advertiser 1's ad. Advertiser 2 bids \$0.75 CPC. In the past, this advertiser earned a CTR of .2%, or one click every 500 impressions. The ad network calculates that it can expect to earn about \$1.50 every 1,000 times it displays advertiser 2's ad (because those 1,000 impressions should yield about 2 clicks, so 2 x \$0.75). In this case, advertiser 1 would be awarded the ad space over advertiser 2. The ad network will perform a similar conversion for any advertisers bidding CPA.

Effective Display Ads

Consumer must:

- (1) See the ad
- (2)Process the ad
- (3) Decide to investigate (i.e., click)
- (4)Convert

How can we as advertisers prevent (to the extent possible) the problems that cause nonresponse to our display ads?



How to reduce Display Ads Nonresponse?

- (1) Only advertise on reputable ad networks. There have been a number of dishonest ad networks (or dishonest content providers within an ad network) that record impressions from bots, or inflate impressions by recording impressions from fake page loads and when the ad was not seen by the user. Verify that the ad network only records impressions when (1) the ad loads on the page and (2) the ad appears on the browser (i.e. the user scrolled to the right portion of the page where the ad was visible) and (3) the user is a real person.
- (2) Display ads should employ little text to make them "unconsciously readable" (i.e., the message is short so that even an inadvertent glance at the ad will cause the user to fully process the message). Use attractive and attention-grabbing imagery.
- (3) Optimize the ad's message, offer, call to action, etc. But even more important than that, the advertiser needs to target the right audience. The *click-through rate on display ads is quite low (less than 1%)*, so it's quite a high bar to generate sufficient interest to yield a click. Only a small proportion of people will have interest in our product and offer at the current time, so finding those people is the most influential factor in our ads' success.
- (4) Make sure the landing page matches the ad (same value proposition, same call to action, same design elements). Use good web design and ensure the site has no technical problems. Verify that mobile visits are not fat-finger clicks. Have a streamlined conversion process.

Section 3: Banner Ad Design

An effective display ad must do all of the following:

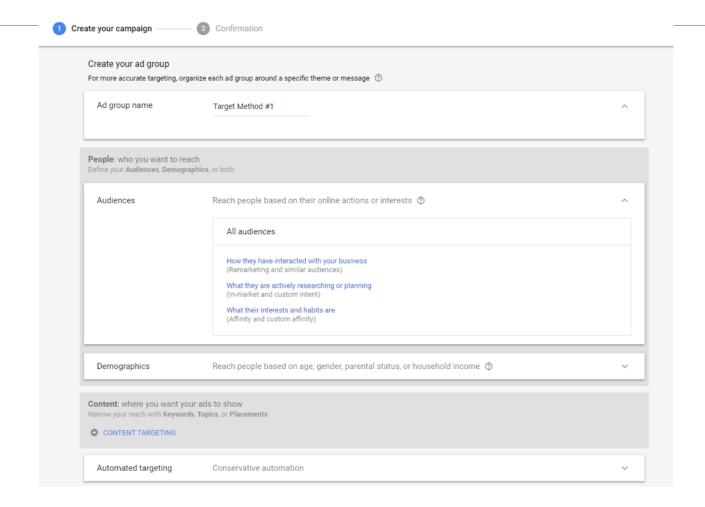
- 1. Attract attention The website visitor the ad hopes to reach is reading/watching/browsing other content. The ads are (figuratively and literally) a sideshow. An effective ad must attract the visitor's attention away from the main content of the page.
- Communicate a value proposition The ad can only induce action from the potential customer if it communicates to the customer why the product or service being advertised is worth purchasing/adopting.
- 3. Invite action Effectively communicating a value proposition might be enough to invite a web user to click on the ad or to purchase the product later, but effective banner ads typically feature a call to action (CTA), an explicit invitation to click the ad.

Consider the ads of two different diet companies that target a similar market: Nutrisystem (Figure 7.3.1) and Weight Watchers (Figure 7.3.2).





Display Ad Targeting



Targeting the Right Audience

We can target ads based on (1) the person or (2) the website.

We can target the person in one of four ways.

- (A) Based on their interests. How does the display network determine a person's interests? (Browsing history and other data sources indicate their interests. The display network's determination of these interests can be faulty. These measures of interest are based on the device history, which might be shared among several people in the household.)
- (B) Based on what they are currently shopping for. How doe the ad network determine this? (Google knows their search history and most recent browsing behavior to judge what they are currently researching for a purchase. The same problems with shared use of home computers leads to inaccuracies in these estimates. Another downside of this targeting method is the small size of this population. A very small proportion of people are actively looking for, say, a mattress at any given moment, and of those who are actively looking for a mattress, only a portion of them would have an online footprint that provided reliable evidence of that fact.)

Person Based Targeting (Cont.)

(C) Past visits to your website. Google calls this remarketing; the rest of the digital world calls it retargeting. How does remarketing work? (If someone has visited your website, the ad network can observe your website's cookie on their browser. If you have active remarketing campaigns, Google will show ads to people who have visited your site.) What are the advantages of remarketing relative to other methods of display ad targeting? If they have already visited your website, they have a demonstrated interest in your product, which is a much more reliable signal of potential purchase than any other targeting method.)

What are the disadvantages of remarketing?

In the last topic lecture, we discussed that many first-time visitor make their way back to a website, either through direct traffic or through branded searches. If we invest heavily in remarketing, we might be paying for conversions that would have occurred anyway.) Later, in the lecture slides, we will discuss the "similar audiences" portion of remarketing.

(D) Demographics. Demographics are typically used to narrow down targeting; e.g., we have a set of interest targets and add a demographic target so that the ads only show to women, thereby narrowing down our targeting by removing potential male ad exposures. Demographics are also unreliably measured on shared computers.

Website Based Targeting

We can target websites in one of three ways.

- **(A) Keywords.** We can make our ad show up on a webpage that uses specific words or phrases. Keyword targeting is convenient in that if you have a search ad with a list of keywords. But most advertisers who are designing a display campaign from scratch would not use keyword targeting. It is typically not as effective as other targeting methods.
- **(B) Topics.** We can choose to make our ads show up on webpages that discuss a particular topic. How might this targeting method be effective? (If you own a website that sells pet snacks, anyone visiting a pet forum is highly likely to have a pet and thus is probably a worthwhile target.
- **(C) Placements.** Advertisers can select specific websites on which to show their ads. The advantage of placements is the greater control over where advertisements show up. Topic targeting will make the ads available on any pages discussing the selected topic, which could be thousands or millions of webpages, many of which might not be good targets. The disadvantage of placements is that it is hard to accumulate a large volume of ad impressions when websites are selected individually.

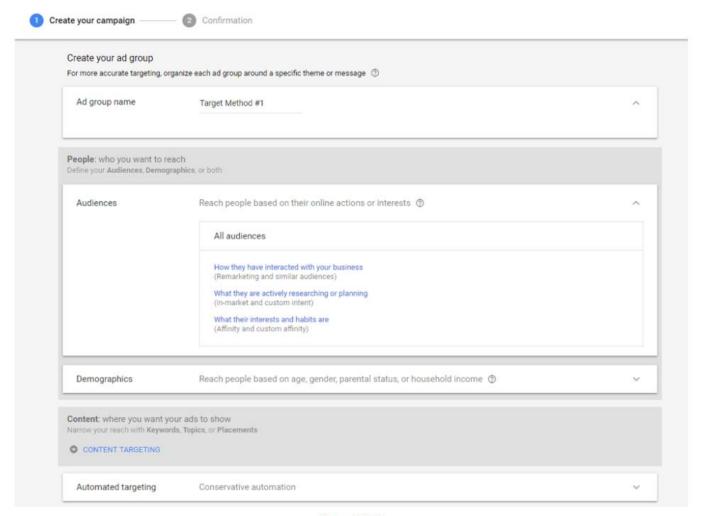


Figure 7.2.2

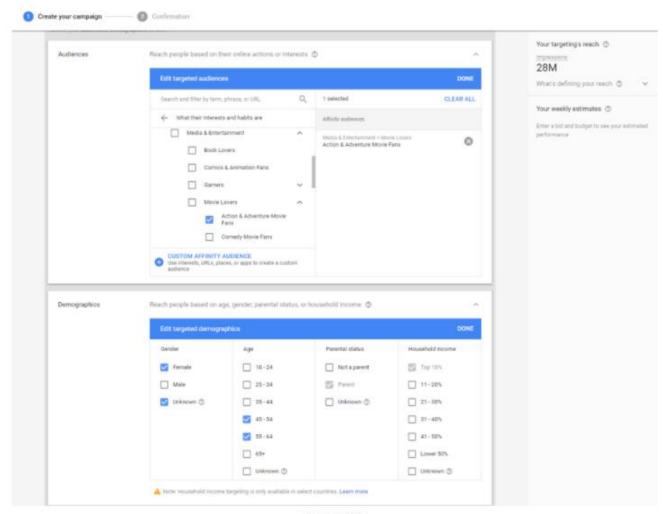


Figure 7.2.3

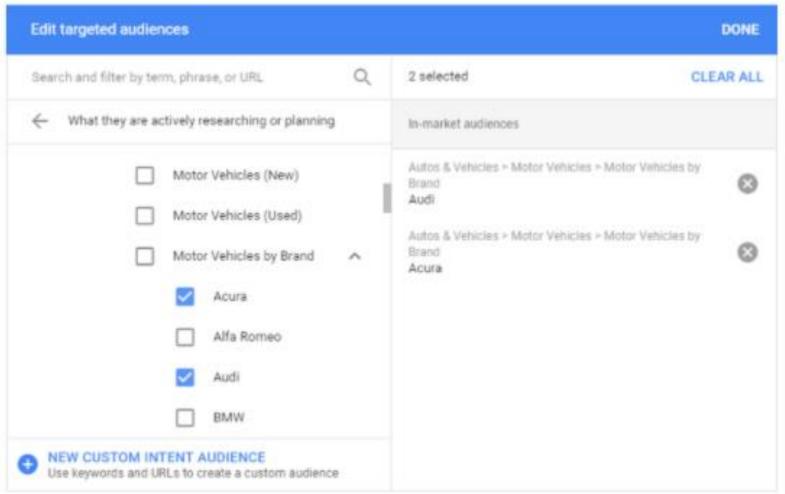


Figure 7.2.4

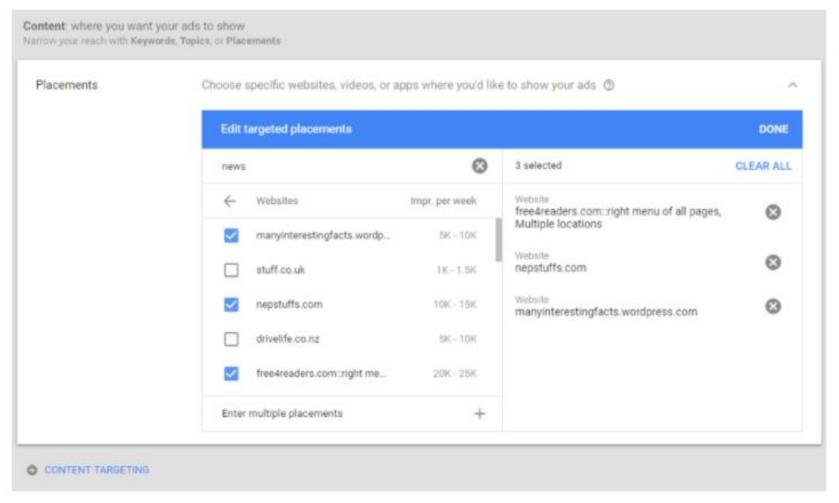


Figure 7.2.5

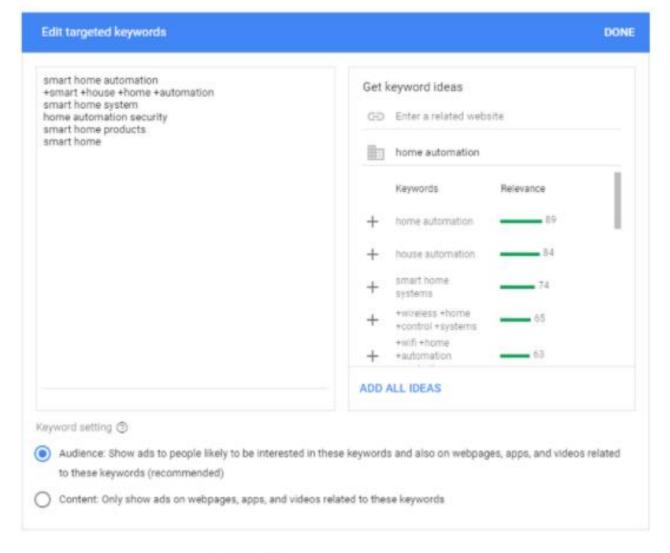


Figure 7.2.6

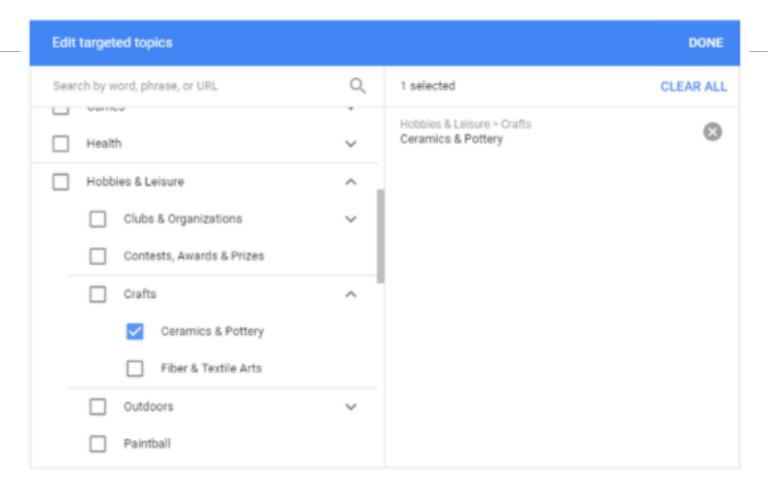
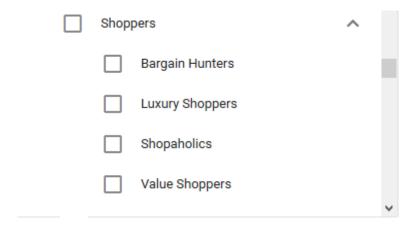


Figure 7.2.7

Affinity a	udiences	^	
	Banking & Finance	~	
	Beauty & Wellness	~	
	Food & Dining	~	
	Home & Garden	~	
	Lifestyles & Hobbies	~	
	Media & Entertainment	~	
	News & Politics	~	
	Shoppers	~	
	Sports & Fitness	~	
	Technology	~	
	Travel	~	
	Vehicles & Transportation	~	~

Lifest	yles & Hobbies	^	^
	Art & Theater Aficionados		
	Business Professionals		
	Family-Focused		
	Fashionistas		
	Green Living Enthusiasts		
	Nightlife Enthusiasts		
	Outdoor Enthusiasts		
	Pet Lovers		
	Shutterbugs		
	Thrill Seekers		

	Media & Entertainment			^	
		Book Lovers			
		Comics & Animation Fans			
		Gamers	~		
		Movie Lovers	^		
		Action & Adventure Movie Fans			
		Comedy Movie Fans			
		Family Movie Fans			
		Horror Movie Fans			
		Romance & Drama Movie Fans			
		Sci-Fi & Fantasy Movie Fans			
		South Asian Film Fans			
		Music Lovers	~		
	П	TV Lovers	~	Ų	



Sports & Fitness		^	^	
	Health & Fitness Buffs			
	Sports Fans	^		
	American Football Fans			
	Baseball Fans			
	Basketball Fans			
	Boating & Sailing Enthusiasts			
	Cycling Enthusiasts			
	Fight & Wrestling Fans			
	Golf Enthusiasts			
	Hockey Fans			
	Motor Sports Enthusiasts			
	Racquetball Enthusiasts			
	Running Enthusiasts			
	Skiing Enthusiasts			
	Soccer Fans			
	Swimming Enthusiasts			
	Tennis Enthusiasts			
	Water Sports Enthusiasts			
	Winter Sports Enthusiasts			

Mobile Display Ads

As was mentioned in the previous chapter, advertisers often find that their ads perform worse on mobile devices than on desktop computers. Poor performance on mobile devices can be acute for display ads. Some mobile applications and websites are created with the express purpose of maximizing fat-finger ad clicks—accidental clicks on display ads that occur because website navigation is located right next to a display ad. Because finger-tapping on a small mobile screen is less precise than mouse clicks on a desktop computer, an advertiser may find that traffic from mobile devices has a bounce rate of 90% or higher and a conversion rate of 0%. Clearly, mobile display ads are not profitable for an advertiser seeing these results.

If mobile display ads are found to be unprofitable, an advertiser has two ways to turn off mobile advertising. First, in the Device settings of the ad campaign, the advertiser can deselect mobile devices. Second, also in the Device settings, the advertiser can adjust the bid amount by a percentage. If the advertiser bids \$2 CPC, he or she can set the mobile bid to -70%, so the bid will only be \$0.60 for mobile devices. (Setting a mobile bid adjustment at -100% will have the same effect as deselecting mobile devices entirely.)

Retargeting and Remarketing



How Retargeting Works

Retargeting occurs through an ad network. When Overstock.com determines it wants to display ads to previous visitors, it will instruct its ad network to display ads to these previous visitors. These previous visitors to Overstock.com will have a cookie in their browsers, placed there by Overstock on their previous visit. Whenever one of these Overstock visitors navigates to a website within the ad network, the ad network will be able to see this Overstock cookie and display Overstock's ads to these targeted visitors. (Refer back to chapter 1 for a quick refresher on internet cookies.)

In examining the Overstock.com ads from the earlier example, note an additional level of sophistication being used in these ads. These ads did not display random assortments of Overstock.com products. Rather, every ad displayed necklaces—the same product category the visitor had just been browsing. Overstock.com's retargeting ads, in addition to simply targeting previous visitors, are able to target those visitors with the products in which they have shown interest. The cookies Overstock.com placed on this visitor's browser included enough information to instruct the ad network which types of products this web user was interested in purchasing.

Quick Tip: A company's ad should not show too often. The advertiser can set up frequency capping to avoid his ad being displayed too many times to the same person in the same day.



Figure 7.4.5

Remarketing Groups You Can Target

- Everyone that has visited any page on the advertiser's site
- Anyone that has visited only the advertiser's homepage
- Visitors that did NOT make a purchase
- Visitors that added an item to the shopping cart
- Customers that made a previous purchase that the advertiser would like to up-sell or cross-sell
- Visitors that have been to the advertiser's site within a specific time period (usually 30-90 days)

Dynamic Retargeting

Dynamic Retargeting Ads

Consider a consumer who visits a travel search engine like Expedia or Priceline and searches for hotels in Mexico. After browsing hotels for several minutes, the visitor leaves the site. The travel site can now target this visitor with remarketing ads on Google's ad network. Which of the following ads is more likely to result in a click and conversion from this consumer? A generic ad for the site (Figure 7.4.6), a slightly more relevant ad focused on hotel deals (Figure 7.4.7), or a highly specific ad focused on hotel deals in Mexico (Figure 7.4.8)?



Figure 7.4.6





Figure 7.4.8

Dynamic Retargeting

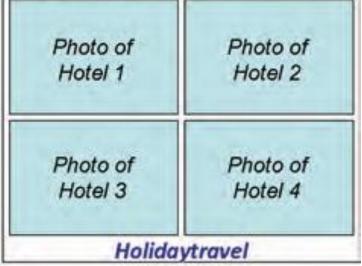


Dynamic Retargeting Experiment

Generic Retargeting

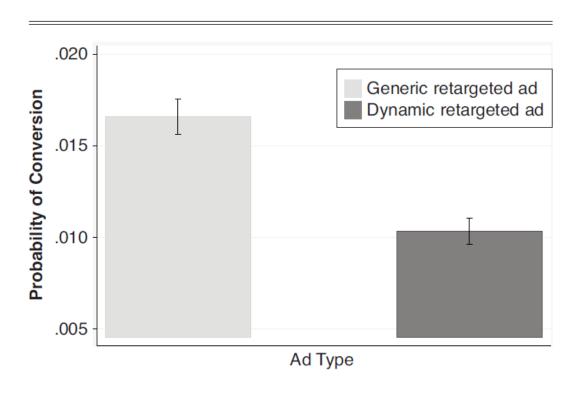


Dynamic Retargeting (Specific)

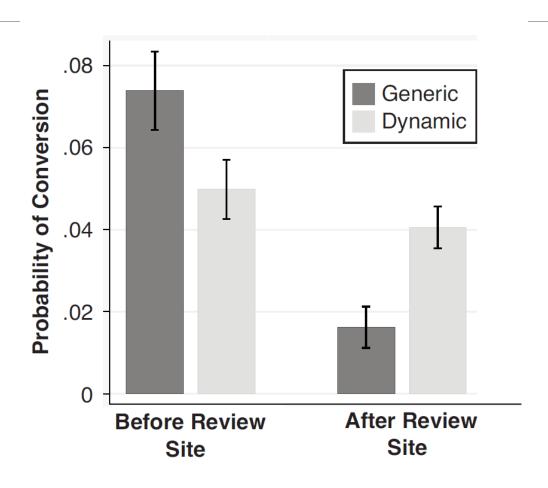


Experiment Results

COMPARISON OF CONVERSION FOR GENERIC VERSUS DYNAMIC AD EXPOSURE



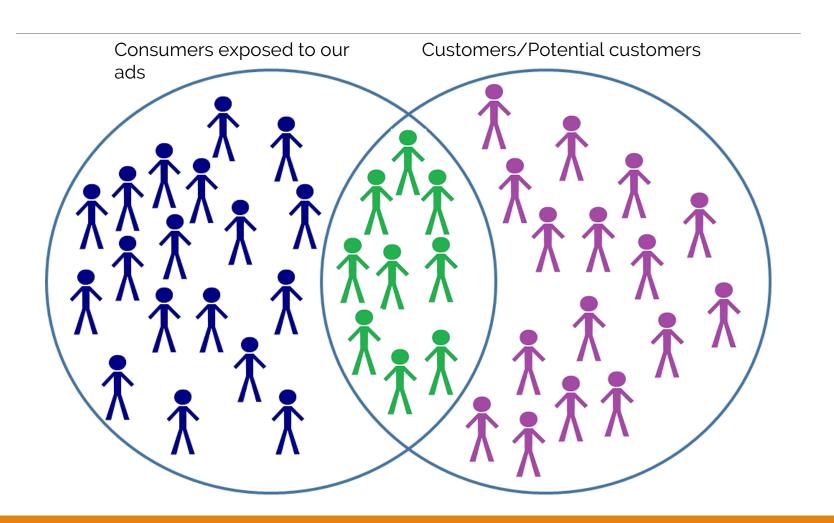
Experiment Results



Broad vs. Narrow Construal



Similar Audiences



Increasing Banner Ad Effectiveness

Context Matching

150%

Obtrusiveness

175%

Context Matching + Obtrusiveness

0% and decreased

Optimizing Banner Ads (A/B Testing)



Your FREE DEMO
Starts Today!

Unlimited Users
Unlimited Cases
Unlimited Clients

Simplicity
Collection software

Your FREE DEMO Starts Today!

Description

Your FREE DEMO Starts Today!

Access FREE Demo

Simplicity
Collection software

Impressions: 20,000

Clicks: 160

CTR: 0.8%

Conversions: 4

Conversion Rate: 2.5%

Impressions: 20,000

Clicks: 185

CTR: 0.925%

Conversions: 5

Conversion Rate: 2.7%

Impressions: 20,000

Clicks: 225

CTR: 1.125%

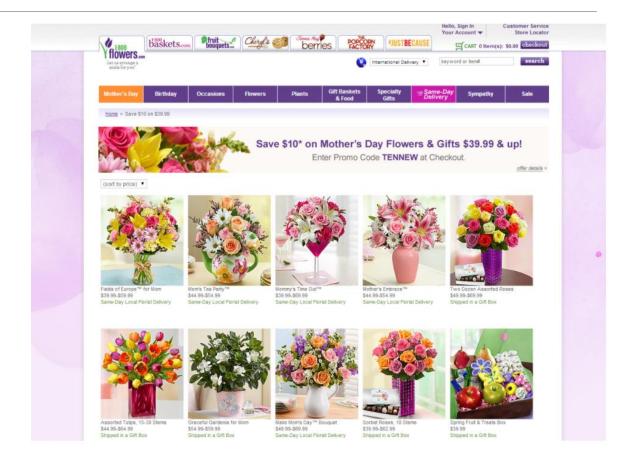
Conversions: 8

Conversion Rate: 3.55%

Three ways to stay consistent with ads and landing pages:

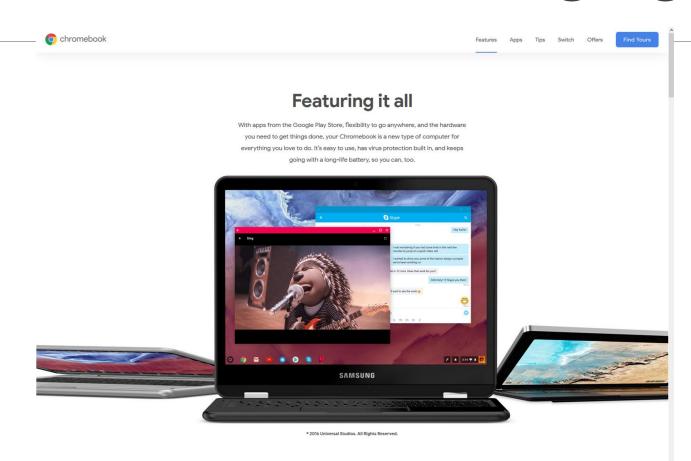
- Tout the same value propositions.
- Use similar calls to action.
- Enact the same design elements (color scheme, characters, fonts, imagery, etc.)



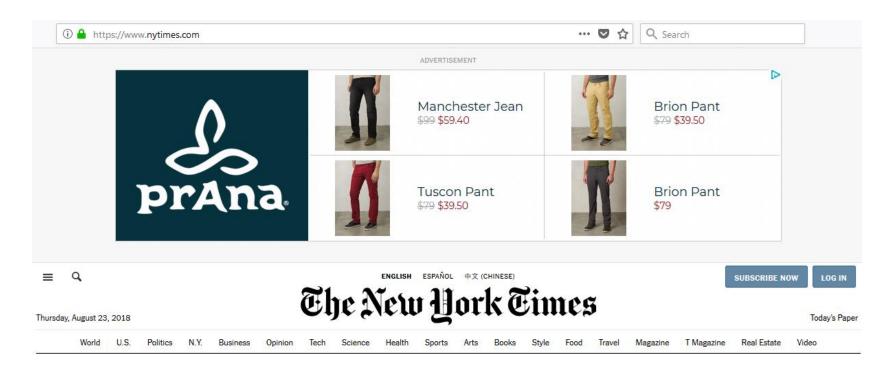


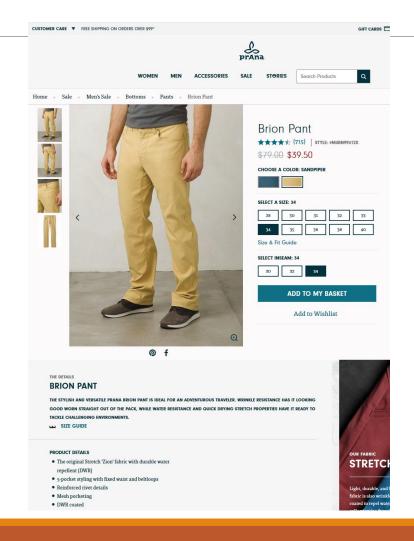
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