MarketingSherpa

2008 Online Advertising
Handbook + Benchmarks

From big brand ideas to behavioral targeting, what you need to know to produce effective ads and buy media efficiently.

Note From the Research Team

Welcome to MarketingSherpa's inaugural Online Advertising Handbook with 2008 Benchmarks.

It's a first edition, but we believe this handbook is the most comprehensive of its type out there. Our focus is to offer strategies and tactics that will help your advertising results improve. Our goal is to make your job easier. We will continue to widen our research efforts, so please let us know if there is some marketing stat or finding we can look to add next year. Advertising can be a passionate forum for ideas. It can be micro-targeted. It can be efficient. It can sway large populations from one way of thinking to another. But online, there's a great deal of bad advertising. Where there could be genuine stimulation through interaction, there are bland, static ads. In a medium that allows micro-targeting, there is still mass advertising.

Before we get too hard on online advertising, however, we need to remember what a young medium it still is. Online advertising works when done correctly. The proof lies in these pages. And publisher technology will improve. Ad serving will get smarter. Real-time optimization will remove failures from the network before they are even able to do any damage. So, it will eventually become difficult for advertisers to do badly.

You've probably heard this before. You may even have grown cynical, but be patient. After all, it was only 2005 when people were up in arms over this new-fangled Gmail technology that "reads your emails." Despite the day-to-day frustrations, change is happening – and rapidly.

Advertising is different and harder than it used to be. New targeting technology is out there but still in its infancy. Networked, dynamic data has the potential to make the online experience infinitely richer and more rewarding for those who choose to harness its power, but it won't fall into your lap. You'll need to search out the technology and implement your own analytical and data-based advertising strategies. Your competitors aren't about to let you in on their secrets.

In the following pages, we have provided you with a practical guide to planning, designing, executing, and measuring an online ad campaign that actually works. In addition to some of the essential benchmarks you would expect, such as brand impact and clickthrough, we also include a number of new pieces of research in this book:

#1. MarketingSherpa Online Advertising Survey

577 online advertisers from a range of companies answered our extensive survey. They revealed:
- Tests and tactics that get the best ROI
- Major challenges to effective online advertising
- Budget-allocation strategies and looking ahead

#2. MarketingSherpa Online Advertising Eyetracking Study

In cooperation with Eyetools, we see how ad placement is a key variable in brand awareness, with a series of heatmaps showing how attention is gained ... and lost.

#3. Special Reports on the Impact of Rich Media, Online Video and Online Advertising and Brand

- With Unicast, a look at how rich media increases key brand and interaction measures
- From InsightExpress, essential metrics around branding and online advertising
- From ManiaTV, an investigation of how online video and advertising within it creates powerful brand moments and increases the understanding of marketing messages in its viewers

While all this new technology that drives efficiency is exciting, without sound strategy and great design, you'll simply be wasting your money. The most efficient campaign on the planet will still fail if no one cares about the message. We advise you to proceed, but proceed cautiously.

Question every piece of conventional wisdom about the business of advertising, but never forget that people pretty much stay the same. You still need to combine intellectually interesting messaging, usable design, intelligently networked digital marketing elements, and data-driven efficient media reach. Anyone can enter this new era of advertising.

We'll see you there.

Stefan Tornquist, Research Director, MarketingSherpa Inc.

Executive Summary

The majority of online advertisers are still misusing display ads by over-emphasizing clicks and de-emphasizing the power of branding.

Less than half of advertisers use online display ads for branding purposes, despite:

- Overall increase in branding effectiveness of online ads
- Low click rates and getting lower
- 80% of all clicks coming from the same 20% of all Internet users

Very tellingly, the marketers surveyed said the two tests they ran that were most likely to "significantly increase ROI" were online ad effectiveness studies and online focus groups. In other words, bad, unimaginative advertising doesn't work! Advertisers need to get better in two primary areas: 1) Choosing an advertising strategy that will affect ROI, not clicks, and 2) Matching the right display ad designs to their strategic objectives.

Chart 1: Tests That Improve Creative Are Most Likely to Improve ROI
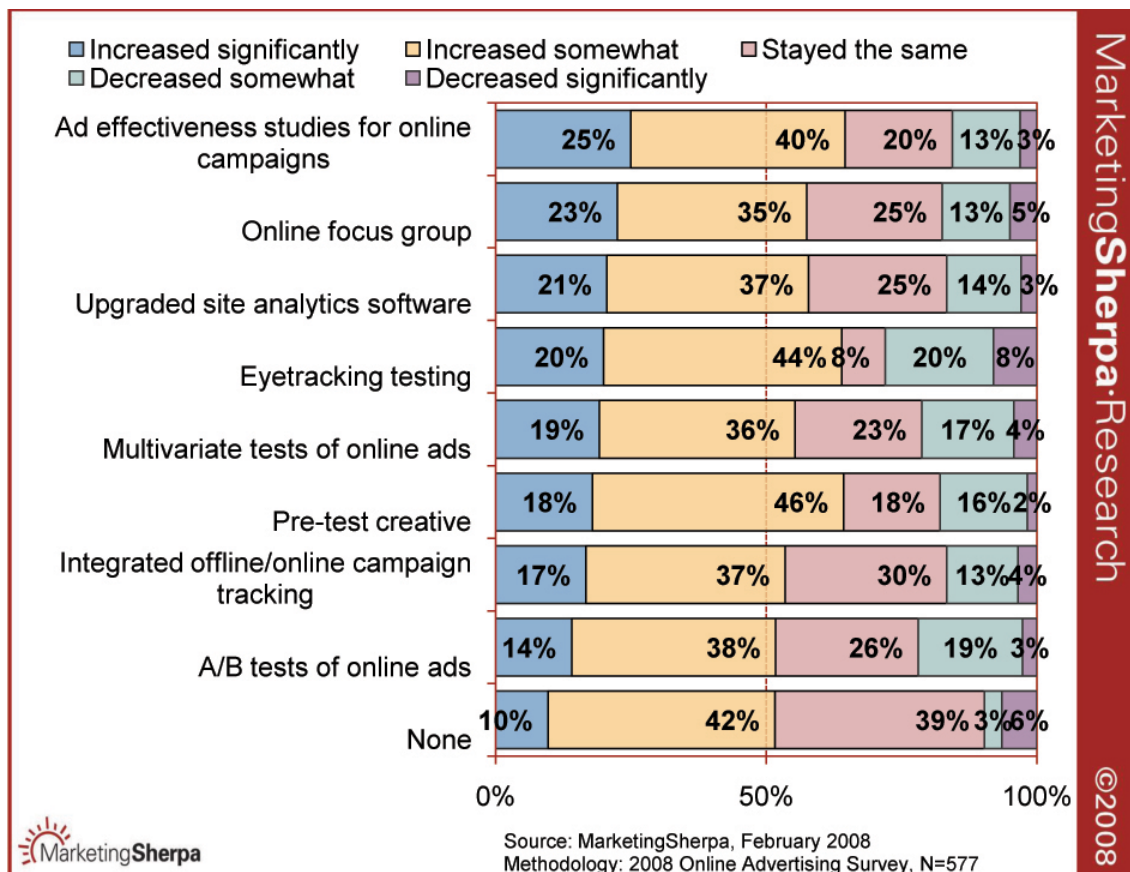
Placement on the page is an important and often missed metric.

This year's eyetracking study, conducted with Eyetools, shows that most individuals don't see most ads served to them -- especially ads served below the fold. Despite this result, media delivery reports rarely include information on whether, or what percentage of, a media buy was served above or below the fold.

On the chart below, the bottom of the blue area represents the percent of total viewers who see an ad; the top represents the percent of total viewers who scroll to a point where the ad is visible on their screen. Clearly, just being above the fold makes a huge difference.

Chart 2: Eyetracking Shows Importance of Ad Placement

Source: Eyetools for MarketingSherpa, February 2008
Methodology: Eyetools Eyetracking Study
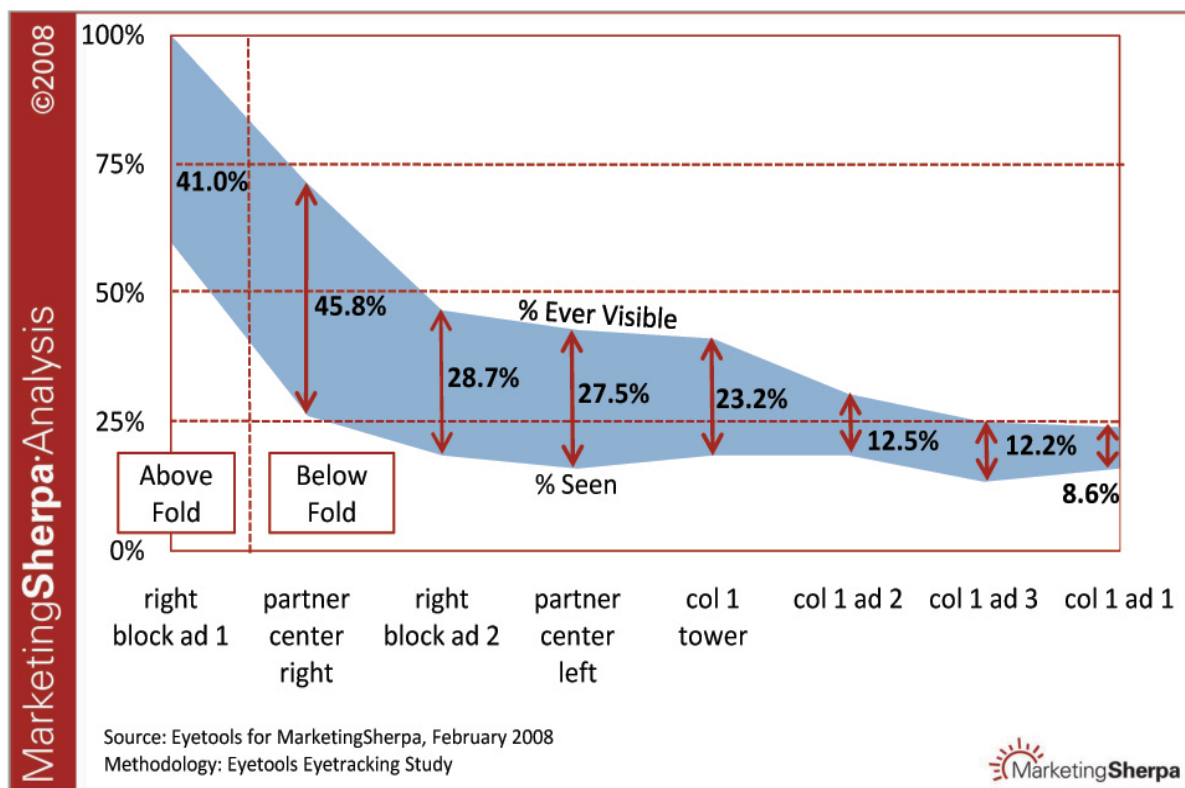
Tighter targeting is by far the best way to increase media efficiency.

Advertisers rate the ability to use behavioral and contextual targeting as key ROI drivers. InsightExpress also cites targeting as a key driver of effectiveness and shows that ads are getting more effective in 2007 than they were previously.

The nature of targeting itself is rapidly changing as technology enables real-time logic when deciding which ad to serve when. The reach of large ad serving and publisher networks also allows for niche audiences to be pulled from the crowd and treated differently. For advertisers seeking tiny vertical niche sites, services from comScore, Nielsen, or Quantcast allow marketers to quickly and easily find obscure targets.

The key takeaway for advertisers is that the context in which an ad is served is just as important as the ad itself. Think about direct marketing in the traditional world; the list is the most important variable in success. If the consumer is not in the proper state of mind, or simply does not fall into the group of people who would ever have reason to consider a product, the impression is wasted.

From an ROI perspective, eliminating wasted impressions, then making a good impression by serving up great advertising, is consistently the best option for advertisers.

Chart 3. Online Advertising Is Improving – Thanks to Targeting

Source: MarketingSherpa, February 2008
Methodology: 2008 Online Advertising Survey, N=577
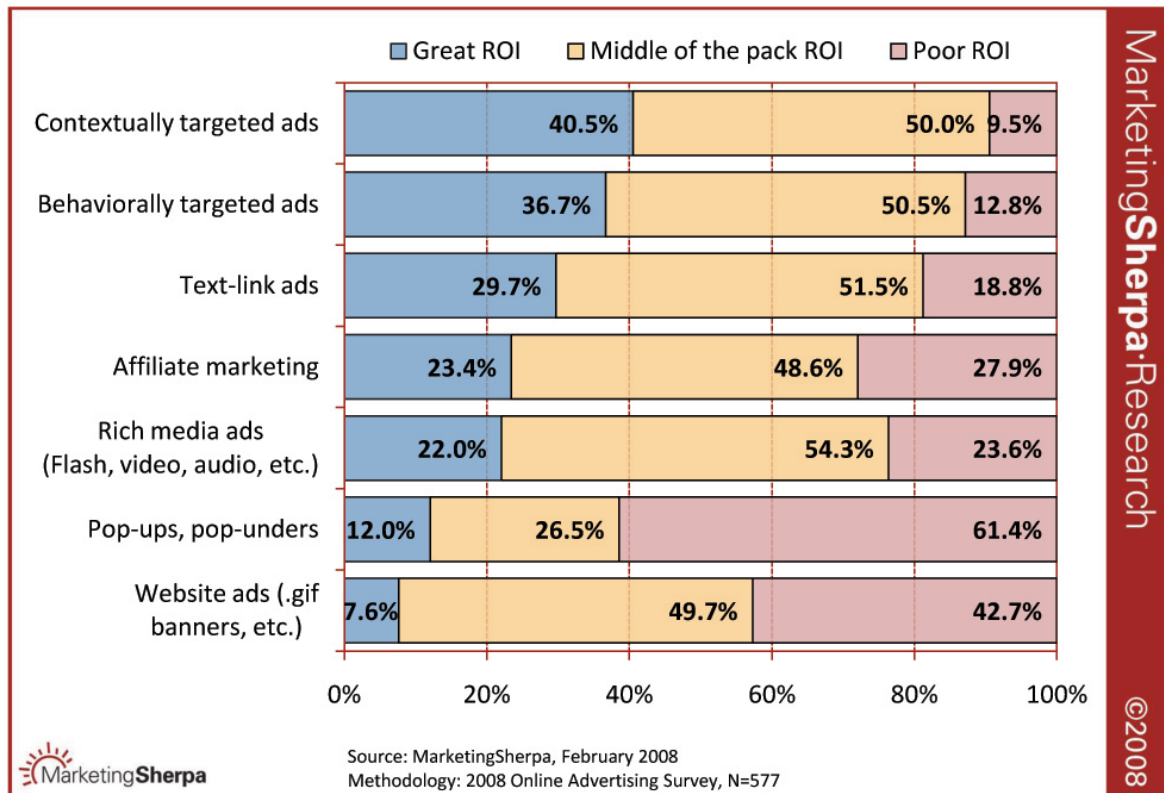
Frequency is a major factor in achieving effectiveness.

Too much frequency and the advertising burns out quickly; too little frequency and the advertising never gets noticed. We explore the multitude of factors that go into getting frequency right, including actual results from an InsightExpress ad effectiveness case study.

As you can see in the chart below, more exposures meant much greater lifts in awareness metrics. All four numbers represent the difference between an exposed audience and an otherwise identical unexposed control audience. Obviously, these are huge jumps.

Because of the power of frequency, frequency capping is an extremely important consideration for any advertiser. If a campaign is served without frequency capping, it will be distributed according to natural web page consumption patterns. What this means for frequency is that heavy consumers will eat up the majority of the impressions and get too many ads. This group will be the first to experience creative burnout. The rest of the site's audience will be underserved and often see too few ads, spawning the anemic results we see below among the aggregate audience.

This is an easy problem to correct with frequency capping, enabled by ad server technology. What the magic frequency number is will vary for each advertiser. But by exploring which frequencies work best against each strategy and tactic, it's possible to get close to the right number and then perfect it through testing.

Chart 4: Frequency Plays a Key Role in Advancing Brand and Ad Awareness

Source: Insight Express and Fox Interactive for MarketingSherpa, October 2007
Methodology: AdInsights Survey, N=2,131
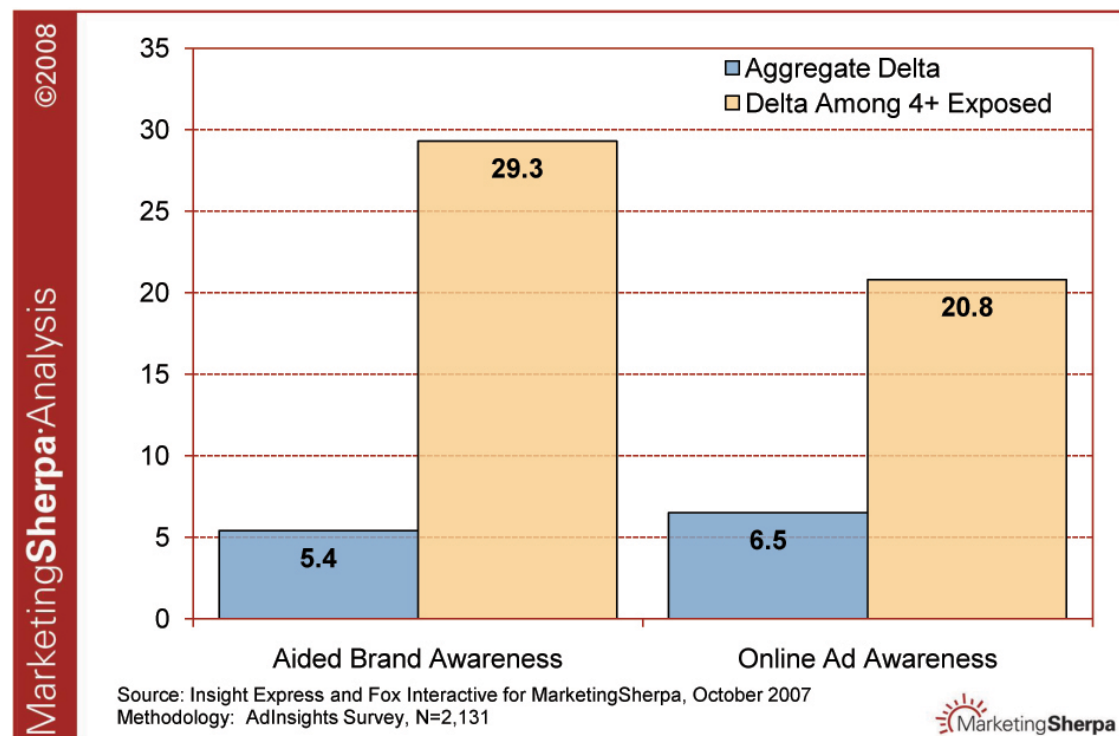
Video advertising isn't simply hype for the 'next big thing'.

By offering greater communicative power, the addition of video is having a real impact on the overall effectiveness of online ads. InsightExpress ad effectiveness studies show that in-stream ads that force exposure have a significant impact. ManiaTV's audience survey shows that consumers are open to this sort of advertising; they understand that ads are a necessary prerequisite to getting high-quality free video content.

This bodes well for the trend of full-length ad-supported TV shows moving from broadcast to online delivery.

Chart 5: Video Messages Are More Likely to Be Understood

Source: Insight Express and Unicast for MarketingSherpa, December 2007
Methodology: Premium Rich Media Study, N=900

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MarketingSherpa

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Part Handbook, Part Benchmarks – All New and Practical to Make Sure You Maximize the Effectiveness of Your Online Advertising

Includes:

- Fact-based data for online advertising strategy, tactics, and general know-how
- 577 advertisers and marketers surveyed
- Filled with common sense design and scientific targeting
- 30 Images/Creative Samples
- 116 Tables and Charts

☐ **YES!** I want to generate real value from my online ads with practical data from MarketingSherpa's 2008 Online Advertising Handbook + Benchmarks. Please email me my PDF instant download, plus ship my bonus printed-and-bound 213 page copy via Priority Mail. I'll pay $497 plus $6.80 shipping and handling ($22 shipping if outside the US) . My order is risk-free because it's covered by MarketingSherpa's 100% satisfaction guarantee.

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