Online marketing

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Summery

Online marketing is a powerful tool when used correctly. The main benefits are the relatively low cost, various pricing models, and, the possibility of instant conversion. This combined with measurable results and easy access statistics, provides the opportunity for optimizing marketing to achieve the best results.

Introduction

Whether online or off, the main objective of marketing is to increase sales. As well as this, marketing aims to increase brand awareness. Marketing is based on the simple economics of supply and demand. Marketing aims to stimulate a consumer need, and then satisfy that need.

Estimating the relationship between marketing and response is fundamental to marketing and related business decisions. One of the immediate advantages of online marketing is the availability of real time statistics.

E-mail marketing

E-mail marketing is a form of direct permission based marketing which utilizes electronic means to deliver commercial messages to an audience. It is one of the most powerful online marketing tactics available. The power comes from the fact that it is:

- Extremely cost effective due to low cost per contact
- Highly targeted
- Customizable on a mass scale
- Completely measurable
- Often based on a previous contact

There are two types of commercial e-mails. Promotional e-mails are more direct and are aimed at attracting the user to take immediate action.

Retention based e-mails, also referred to as newsletters; these may include promotional messages but should be focused on providing information of value to the user, geared at building a long term relationship with the user.

Key factors for consideration

Define your e-mail lists to correspond with the strategic planning of your campaign, tailor the message to your different categories of recipients, in order to stay relevant.

Creative execution of the different elements in the message, such as: technical platform, header, body, and footer. Also consider the ability to personalize the message.

E-mail content that is relevant is vital to ensuring the success of an e-mail marketing campaign. Valuable content is informative and should address the problems and needs of the readers.

The e-mail should be *tested for display and deliverability* to ensure that it will pass spam filters, and to ensure that it renders clearly in as many clients as possible.

Reporting and analyzing the result. Key performance indicators for understanding of the performance of e-mail campaigns:

- Number of unique *e-mails opened*: an e-mail can be delivered, but not opened.

- *Unsubscribers* : significant or consistent loss in subscribers is a key indication that you are not meeting the needs of your subscribers

- *Pass on rate*: high pass on rate (forwarding) indicates that your recipients value the content enough to share it with others.

- *Click-through rates*: These measure the effectiveness of an e-mail via the links placed in the content. When a reader clicks through to a web page, these can be easily measured as a percentage against the number of delivered, opened or sent e-mails.

- *Conversion rate* measures the percentage of a defined group who took the preferred action.

Akelius example of e-mail marketing

During 2008 Akelius Spar acquired an e-mail marketing client, this allows us to do creative design, test for visual display and deliverability. The e-mail client also provides a reporting tool enabling us to evaluate the results.

The main sources of recipients originate from former and existing clients within the group, such as tenants (Group #1) and investors from Akelius Insurance and Akelius Invest (Group #2).

The main objective of this campaign was to introduce the new deposit company to the public and to convert as many potential clients as possible.

Let us look at the results from two similar mail shots.

	Mail shot 1 Group #1	Mail shot 1 Group #2	Mail shot 2 Group #1	Mail shot 2 Group #2
E-mails opened	14.6%	28.7%	15.0%	30.0%
Pass on rate	12.4%	19.3%	9.3%	21.2%
Click-through rate	31.7%	49.7%	28.0%	56.17%

The average conversion rate for both mail shots was 2.3%, which can be considered as high. The content was identical in the two mail shots, but the subject line was different. We can conclude that the second mail shot had a more attractive subject than the first one. The difference was just two words: *You get*

On the other side it is also clear that group #2 was more attracted to the message. At the second mail shot the table shows a decline in both "pass on rate" and "click through rate" for group #1, showing us the importance of staying relevant.

E-mail marketing is cost effective and highly measurable. However, with the increasing number of companies and individuals using e-mail marketing, many consumers are worn out. An example of this can be a part of the decline in response rate in the second mail shot for group #1. It requires originality, focus and dedication to maintain an e-mail database and consistently deliver useful quality e-mails that will generate results.

Online advertising

One of the greatest benefits of online display advertising is that the messages are not restricted by geography or time. Online advertisements are also much more interactive. We see its true advantage when we realize how traceable, and therefore measurable, Internet advertising is.

Create customer demand / Satisfy customer demand

Online advertisement provides an interactive way of communicating the USP´s of a product, thereby stimulating the customer demand.

At this point, it is important to show the consumer how their particular brand or product will best meet that need. Unlike traditional media advertising, online advertising can turn the potential customer into an actual customer right there and then.

Formats

There are many different ways to display messages online, but there are some common approaches: interstitial banners, pop-ups, pop-backs, floating advert and banner advert. All these formats are basically different ways of exposing the potential customer to your message.

Pricing and costs

As well as a variety of formats, there are also a number of different payment models for online display advertising. The most commonly used pricing models are explained below. Publishers often use a variety of pricing models for the same format.

- **CPM** Cost Per Thousand impressions. This is how a campaign is normally priced when brand awareness or exposure is the primary goal.

- **CPC** Cost Per Click. This means that the advertiser only pays when their advert is clicked on by an interested party. CPC advertising is normally associated with paid search marketing; banners can be priced this way when the aim is to drive traffic.

- **CPO** Refers to Cost Per Order. This model means the advertiser only pays when an advert delivers an enquiry/order. Definitions of orders/enquiry vary from site to site and may be a user filling in a form, downloading a file or buying a product.

CPO is the best way for an advertiser to pay because they only pay when the advertising has met its goal. CPO model is not commonly used for banner advertising and is generally associated with affiliate marketing.

- **Flat Rate** i.e. at a fixed cost per month/week regardless of the amount of traffic or impressions.

Distribution of your message

There are several ways of handling and distributing your online campaigns. In addition to buying your preferred formats from each publisher's sales organization, you can also use distribution networks.

Advertising networks

An advertising network is a group of web sites, on which adverts can be purchased through a single sales entity. It could be a collection of sites owned by the same publisher, or it could be a group of sites that share a representative.

The advertising network acts as an intermediary between advertisers and publishers, and provides a technical solution to both parties. The networks offer tracking and reporting, as well as targeting. Advertising networks are also creating advertising exchanges, where publishers can place unsold space for bidding.

This allows publishers to fill unsold space at the highest available price, and at the same time give smaller advertisers access to this space.

The advertising network also allows sophisticated targeting of display advertising. Self-optimizing software handles the distribution within the network, taking in consideration the click rate and conversion rate from previous impressions.

In addition to this, advertising networks also offer "*frequency capping*" meaning that the network will limit the number of times a user sees the same advert in a session.

Sequencing: the network can ensure that a user sees adverts in a particular order.

Exclusivity: ensures that adverts from direct competitors are not shown on the same page.

Geo-Targeting: ability to target markets by country, province, or city.

Contextual Advertising: the software optimizes adverts to be published based on the content of the page.

Affiliate programs

Affiliates are paid for performance, so affiliate marketing is also referred to as performance based marketing. Affiliate programs connect advertisers and publishers, the affiliate lets space on their site and are compensated if the visitor takes preferred action. The core of affiliate marketing is a simple process:

1. An affiliate refers potential customers to a merchant's web site.
2. Some of those customers perform a desired action.
3. The merchant rewards the affiliate for each desired action resulting from the affiliate's referral.

When signed up in the affiliate network the advertiser specifies the preferred action, the commission to the affiliate is based on this action. The preferred action is categorized and priced according to one or a mix of the below.
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- **CPA** (Cost Per Action) – a fixed commission for a particular action

- **CPL** (Cost Per Lead) – a fixed commission for a lead (i.e. a potential sale)

- **Revenue Share** (also CPS or Cost Per Sale) – an agreed percentage of the purchase amount is awarded

- **CPC** (Cost Per Click) –the merchant pays a fixed amount for each click through to their web site.

The key to affiliate marketing is being able to track the whole process from potential customers being sent to a web site through to completed action, so that the merchant is able to award the correct affiliate with the correct commission. This is handled by the network who generally takes a percentage of the turnover in the network.

The most essential element to affiliate marketing is tracking. Affiliate networks provide tracking solutions, reporting and support to both affiliates and merchants.

Tracking software places a cookie on a user's browser when that user clicks on an affiliate link. The cookie period is determined by the merchant. If the user performs the desired action within the cookie period, the affiliate is awarded commission.

Search engine marketing

Search engine marketing (SEM) has two arms: search engine optimization (SEO) and pay per click (PPC) advertising. These correspond to the two types of search results.

SEO aims at improving the ranking of a web site, in the natural search results. PPC advertising involves bidding for placement in the paid search results section of the SERP (search engine results page).

Both SEO and PPC advertising are based around keywords. Keywords or key phrases are what a user enters into a search engine query to find web sites. Both SEO and PPC advertising involve selecting the keywords that are relevant to a company's web site, and are used by potential customers.

SEO aims at having a web site ranking in the natural results for its target keywords. In PPC advertising, the advertiser bids on desired keywords to achieve rankings in the paid results.

Search engine optimization

Search engine optimization (SEO) is the practice of optimizing a web site so as to achieve preferred ranking on the search engine results pages (SERPs). Search engines need to help users find what they are looking for. To make sure they list the best results first, they look for the following signals:

- Relevance
- Importance
- Popularity
- Trust
- Authority

SEO, involves optimizing web sites to achieve high rankings on the search engines for certain selected key phrases. The optimization can be broken down in to the following categories:

- A search engine friendly web site structure
- A well researched list of key phrases
- Content optimized to target those key phrases
- Link popularity
- Usage data

Optimizing a web site for search engines should lead to optimizing the web site for users ensuring that search engines index and rank the web site well.

Search engines update their algorithms regularly, in an attempt to improve search results. This can lead to a drop in the SERPS telling us that SEO are a continuous process.

Pay per click

Pay Per Click (PPC) advertising is an advertising system where the advertiser only pays for each click on their advert. Advertisers target those keywords for which they want to appear.

For the advertiser, the main idea of PPC advertising on search engines is that their adverts are displayed when potential customers are already expressing intent – they are searching for a product or service. It allows advertisers to present their offering to a potential customer who is already in the buying cycle.

The search engine or search network allows you to target specific geographical arias or languages. The pricing of PPC and the ranking on the SERPS depends on different factors.

The price is set in a continuous auction with the other advertisers. You will typically decide on a Max CPC, that you are willing to pay for the click. You will not necessarily pay the max CPC for each click since your max CPC is compared with your competitor during each search. You will only pay what it takes to out bid the competitor.