

Optimizing Your Marketing Mix

Deciding where to spend your marketing dollars



Did you like this white paper? Tweet about it!  *Twitter.*

Table of Contents

Executive Summary	1
A Broad Marketing Portfolio	1
Challenges Presented by Existing Tools	2
An Integrated View Is Only the First Step	3
Addressing the “Multiple Visits to the Site Before Buying” Issue	4
The Right Marketing Analytics Solution	5
Coremetrics Addresses These Issues	5
Summary	6
About Coremetrics	7

Executive Summary

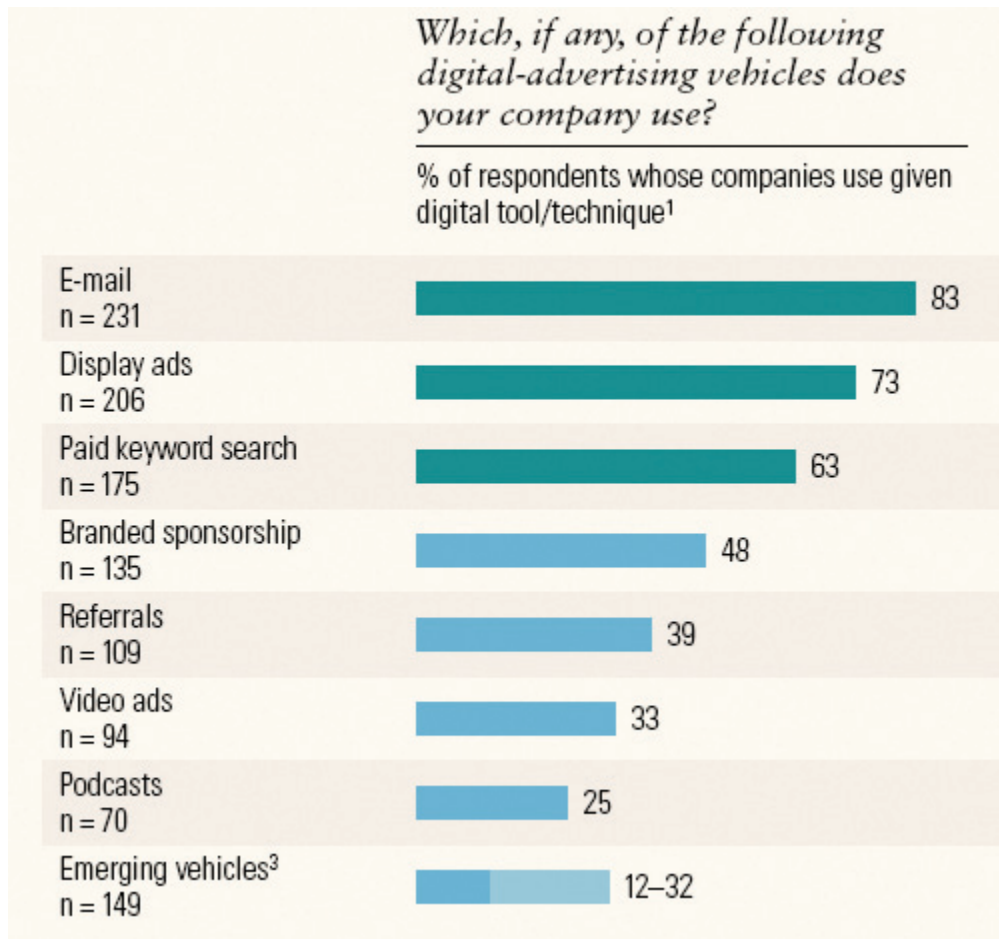
Marketers in online businesses are challenged to maximize the return on their budget in light of an increasing array of marketing opportunities and rising program costs. In addition, based on their marketing objectives, they need to suitably allocate their limited marketing dollars among programs that drive their acquisition, conversion, and retention goals. Current methods such as campaign analytics from their email or search vendor or click stream analysis provides information that is incomplete and in silos. Using partial information to allocate the marketing budget across various programs results in a suboptimal marketing portfolio. It is critical that marketers in online businesses obtain not only clear end-to-end visibility into the performance of any campaign individually, but also a comprehensive understanding of visitor behavior across all their campaigns and programs together. Armed with both types of information, and through the use of marketing analytics, marketers are better able to understand the complete impact of every dollar spent and create a portfolio that meets or exceeds marketing objectives.

A Broad Marketing Portfolio

Online marketers use a variety of techniques to acquire new visitors to their site, convert them to customers, and retain them so they keep coming back. Today's marketing portfolio includes:

- Email campaigns
- Newsletter sponsorships
- Natural search (SEO)
- Paid search (SEM)
- Banner ads
- Affiliate links
- RSS feeds
- User-generated content, such as reviews and blogs
- Syndicated content
- Personalization
- Context targeting
- Site content optimization
- Site merchandise optimization

A recent analysis by consulting firm McKinsey and Co. concluded that among online marketers, about half the companies invest in email, keyword search, display ads, and branded sponsorships. With limited budgets, marketers are challenged to identify the right investment levels in each of these techniques. However, to achieve that objective, these marketers need to have clear visibility into how effective a technique has been in the past. Using "gut feel" or partial data on the effectiveness of various techniques normally leads to too much investment in a less-effective technique, as well as a disproportionate amount of spending on acquisition, conversion, or retention at the risk of not being able to balance spending in all three areas. How can a marketer gain clear visibility into the past effectiveness of each technique and use that information to build an optimal marketing investment portfolio?



Source: McKinsey Quarterly Survey of Business Executives, July 2007

Before addressing that question, let's examine some of the challenges that marketers face in evaluating the success of various marketing techniques by using the traditional technologies at their disposal.

Challenges Presented by Existing Tools

Most online marketers use the analytics tools provided by their vendors (such as email providers and search vendors) to understand the impact of their campaigns. However, such tools provide only partial information about the campaign and are limited to only their portion of the overall program mix. These limitations make it very difficult for marketers to get an integrated and comprehensive view of the relative effectiveness of their overall marketing spend.

For example, search vendors provide information on the number of impressions and clicks for each keyword, as well as the cost per click. Using only the proprietary tools provided by search engines, however, a marketer cannot easily determine how clicks for a certain keyword group translate into customers across multiple search engine campaigns, or what the revenue contribution is from every dollar spent on the overall Search Engine Marketing (SEM) program. Similarly, email vendors provide information on opens and clicks, but do not provide insights into how these opens and clicks translate into revenue.

Similarly, using basic click stream analysis, merchandisers can determine where visitors are coming from, how much time they spend on various pages, and where they exit. However, merchandisers cannot easily identify which content is working well to drive revenue or hold browsers longer on the site, which keywords are delivering less-relevant search results, which products are the most popular, or how search relevancy can be tweaked to raise their rankings even further.

To get a complete picture about which marketing campaigns result in higher acquisition, conversion, and retention rates, a marketer needs to know end-to-end information about a campaign. This information answers these questions:

- Where are visitors coming from?
- What percentage of these are repeat visitors?
- How long are visitors staying and what percentage of them stayed for longer than x minutes?
- What is the correlation between longer stay and lead/revenue source?
- What are visitors browsing?
- What offers are they seeing and how are they responding to those offers?
- What percentage of browsers are buying?
- How does the dollar amount of a purchase correlate to the visitor's browsing history?

Existing marketing tools not only do not provide the end-to-end view of any individual campaign, but they provide information in silos. A marketer has to combine information from email provider reports, Google Ad Words analytics, Yahoo SEM Reporting, and click stream analysis to calculate the number of opens, clicks, unique visits, and cost/click data. Even after combining this data, the marketer cannot tell what visitors did on the site after they clicked.

An Integrated View Is Only the First Step

Web analytics vendors integrate click stream analysis—as well as data from search, email, ad server, and other vendors—to provide marketers with a clear and comprehensive view into the performance of their campaign. For example, using web analytics, marketers can now clearly see the customer's path from an email open to purchase, as well as everything the customer browsed along the way to the purchase. They can now get visibility into key campaign metrics, such as cost, revenue, new registrations, and revenue from first-time visitors or other visitor segments. This clear visibility enables marketers not only to evaluate the success of a campaign (and to conduct an A/B analysis on the creative within a campaign), but also to compare the effectiveness of various types of campaigns—such as emails, SEM, or banner ads—over time and evaluate which ones are working better.

Furthermore, careful analysis tells us a deeper story and provides the right course for action. Web analytics solutions can now show marketers that when Joe Bartell, for example, got an email with two offers—a 15 percent discount on button-down shirts and a “buy one sweater and get another at 30 percent off”—he clicked on the offer for button-down shirts. Once he clicked on that offer in the email, he entered the website where button-down shirts on sale were displayed. He browsed button-down shirts, placed a blue oxford shirt in the shopping cart, and immediately was offered a navy blue cashmere sweater that goes with the shirt at a 20 percent discount. (This offer was based on past history of customer behavior.) Joe browsed the sweater and then placed it in the shopping cart.

From this analysis, marketers learned that while the email campaign was very effective in acquiring customers, the cross sell offer converted the browser into a buyer of even higher spend. This example shows that marketers need to make continued investments within their marketing portfolio, not just in

email-based acquisition campaigns, but also in website-based cross sell campaigns. The website-based cross sell campaigns came from the contextual targeting engine within the web analytics solution, which has figured out that men who buy blue button-down oxford shirts are also likely to buy cashmere sweaters, if offered an attractive discount.

Armed with these insights, marketers are well on their way to invest in a more optimal portfolio of online marketing techniques. Even with such insights, however, one major dilemma remains to be resolved in order to create an optimal marketing portfolio.

Addressing the “Multiple Visits to the Site Before Buying” Issue

When a visitor comes to the site multiple times, marketers face a major dilemma in deciding which campaign was the most effective—each visit is driven by a campaign that moves the customer a bit forward in buying the marketer’s products and services. Each campaign did the trick, but only the last one led to a sale. Consider the example of an online travel site that runs a variety of marketing campaigns to acquire visitors and convert them into customers. Jane is searching for a vacation package for her family.

- The travel site first reaches Jane by way of a paid search ad for Hawaiian Vacations. Once she clicks through to the site, she browses packages and signs up to receive emails with alerts for her desired destinations.
- The day after signing up for the email alert, Jane receives an email with deals for Hawaii. She clicks through to the site, browses the deals, reads some reviews, and leaves.
- A week later, Jane is further researching vacation destinations and comes back to the website by way of a paid search ad. Once again, she browses destinations and this time prices out some packages, but ultimately leaves.
- Finally Jane returns to the site again by way of a branded paid search term, www.yourbrand.com. In this session she purchases a vacation package to Hawaii.

Based on this scenario, let’s look at the conclusions a marketer is likely to reach from the various data dimensions:

- If the marketer were making investment decisions based on a first-touch attribution model, he or she would invest solely in the Hawaiian Vacations keyword.
- If the marketer were making investment decisions based solely on a last-touch attribution model, he or she would invest solely in the www.yourbrand.com keyword.

Neither of these models is incorrect, but they provide only partial views. Based on the scenario, each touch held value, and each touch should receive investment. The initial banner ad was how Jane came to know about the site, the results of her visits from the email alert and paid search tightened the relationship with her, and the final branded keyword ad triggered the booking. Only by looking at all three objectives—which campaigns drove acquisition, which ones triggered conversion, and which ones influenced—can a marketer make the right investment decisions.

Long Tail Success Story—Creating Demand

In a 2005 presentation, the chief financial officer (CFO) of Netflix explained that the company’s goal was to create demand for content and own the gross margins associated with that demand. He explained that there are many movies a customer would enjoy if the customer only knew they existed. By making the customer aware of these movies, the company created demand.

The CFO also talked about how Netflix differs from Blockbuster. At the time, the breakdown of Blockbuster’s online rentals showed that 70 percent were new releases and 30 percent were back catalog. Netflix rentals, on the other hand, were about 70 percent back catalog. The difference wasn’t because Netflix had a different subscriber. It was because Netflix created demand for content and helped people find great movies they really like. “We do it algorithmically and we do it with recommendations and ratings,” he explained.

The Right Marketing Analytics Solution

It is critical that marketers not only obtain clear end-to-end visibility into one campaign, but they also need to obtain clear visibility into each visitor's behavior across multiple campaigns. Only by looking at response across all marketing touches can a marketer decide which campaigns are being the most effective in acquiring, converting, and retaining customers. Without an online marketing analytics solution, marketers will find it difficult to get all the data points in one place and then look at them in an integrated manner.

Coremetrics Addresses These Issues

Coremetrics, a leading provider of digital marketing optimization solutions, enables marketers to optimize their online marketing efforts. More than 1,200 online business sites are now using Coremetrics' Software as a Service (SaaS) solution to acquire customers more cost effectively, increase conversion rates, and increase lifetime customer value. The Coremetrics solution set includes web analytics, as well as digital marketing applications for search engine bid management, behavioral email targeting, and cross sell recommendation.

Coremetrics Online Analytics provides the most accurate and complete record of visitor behavior—capturing every click of every visitor over time, and storing this information in Coremetrics' LIVE (Lifetime Individual Visitor Experience) Profiles secure database. As a result, marketers can build a comprehensive and accurate record of online visitor behavior—a record that connects visitor behavior over time so it's easy to see all the marketing interactions each visitor has with the company. This unique approach provides marketers with the most up-to-date and actionable insight in the industry, giving them the intelligence needed to guide critical marketing decisions and raise the bar for digital marketing success. LIVE Profile data includes:

- Every web page viewed by visitors
- Specific paths that visitors take through key site processes
- Web page point of entry, navigation path, and departure path taken by visitors
- Every banner ad, email campaign, affiliate link, search engine keyword (paid and organic), blog, news article, and any other source that brings visitors to the web site
- Every product, room, flight, or merchandise item that visitors click on, view, or interact with, and reserve, book, buy, or abandon
- Every newsletter signup, customer registration, and opt-in identification action taken by visitors indicating that they wish to be contacted
- Every important attribute of the visitor's browser, including screen resolution, plug-ins, time zone, language, IP address, and domain name

All individual actions are recorded in the warehouse and associated with the visitor's lifetime ID. In addition, Coremetrics, through its partnerships with vendors such as email providers, search engines, and ad servers, brings relevant metrics such as opens, clicks, and costs per click to provide marketers with an integrated end-to-end view into the entire campaign. This integrated information is then provided back to these systems to enable them to optimize their interactions and drive closed-loop marketing.

Striking while the iron is hot

By coupling contextual marketing and analytics software with services from an email vendor, a travel site can improve conversion rates. A data feed to the email vendor includes contextual data on customers that indicates those who abandoned the booking of a hotel/theme park package the previous day. The email engine sends these customers a message regarding the package along with similar packages—perhaps even some the visitor viewed in other seasons.

This method is proving to be highly effective in creating incremental revenue in excess of \$8.00 per message sent—even when the message does not include an offer as an incentive.

Through LIVE Profiles, Coremetrics uniquely offers a flexible solution that provides marketers with unbounded capabilities in evaluating the effectiveness of every marketing campaign, across various touch points, to build the right marketing portfolio.

Summary

To optimize the marketing mix for a limited marketing budget, it is critical that marketers in online businesses obtain not only clear end-to-end visibility into one campaign, but also clear visibility into each visitor's behavior across multiple campaigns. Without an analytics solution, such visibility and insight is not possible. Coremetrics, a leading provider of digital marketing optimization solutions, enables marketers to gain the necessary insight and optimize their marketing spend portfolio.

Giving credit where credit is due

An online retailer wanted to account for the contribution to sales of paid search, affiliates, comparison shopping engines, and other paid marketing channels. The marketing staff began by using the last marketing link clicked before conversion as the basis for attribution.

With this approach, the staff determined that paid channels drove about 7.7 percent of sales over a 90 day period. When the marketers also took into account the second to last link before conversion, they found that the contribution of paid channels jumped to 9.4 percent—an increase of 22 percent. This information helped justify larger budgets for paid channels, enabling the retailer to compete for better placements. The retailer now plans to go back even further into history to refine attribution accuracy.

About Coremetrics

Coremetrics is the leader in marketing optimization. Its products help businesses relentlessly optimize their marketing programs to make the best offer, every time, anywhere, automatically. More than 2,100 online brands globally use Coremetrics' Software as a Service (SaaS) to optimize their online marketing. Coremetrics' integrated marketing optimization solutions include real-time personalized recommendations, email targeting, display ad targeting across leading ad networks, and search engine bid management. The company's solutions are delivered on the only online analytics platform designed to anticipate the needs of every customer, automate marketing decisions in real time, and syndicate information across all customer channels. The company is privately held with funding from Accel Partners, FTV Capital, Highland Capital Partners, and W Capital Partners, and is headquartered in San Mateo, California.

Find more information at coremetrics.com or 866-493-2673.

Coremetrics has strongly supported online privacy since its inception. To learn more, visit www.coremetrics.com/privacy.

###

Did you like this white paper? Tweet about it!  *Twitter.*

