



Online Advertising Has Value, Dammit!

March 31st 2008 | [Mason Wiley](#)

“Half the money I spend on advertising is wasted; the trouble is I don’t know which half.”
– John Wanamaker

ADOTAS EXCLUSIVE — This quintessential quote about advertising raises a compelling question: What’s a brand ad really worth? Before now, we have never had a quantifiable answer.

For the past half century, advertisers have been using impression-based metrics (reach, frequency, impressions) to gauge the success of brand ads. Agencies have worshipped these stats because they prod clients to hand over large buckets of cash without any accountability to producing the end desire action, i.e., growing sales. Witness a typical conversation from the magical year, 1979:

Client: How was our branding ad received?

Agency: It aired during “Dallas” and 45 million people saw it. It was great. Really. Trust us.

The biggest worst-kept secret in advertising was how brand ads — those meant to change perception over time — could never be definitively linked to sales results. So advertisers had to settle for testing their campaigns for things like Awareness, Recall and Purchase Intent to predict effectiveness. And they had to try to control waste as best as they could by using cost-per-thousand (CPM) to measure efficiency.

While it seemed logical that the more people who saw, remembered and liked the ad, the greater the potential rewards. Yet, at the end of the day, an advertiser still had to make a leap of faith that it would translate into actual consumer action and positive business results. But one need only look at the size of the product graveyard to see the limitations of that faith.

Fortunately (or unfortunately depending on where you stand), the ad agency joyride is over. ROI-obsessed C-levels have been going toe-to-toe with agency folk demanding accountability. While they were sold the purpose of a brand ad, sales — that pesky bottom line — could not be tied back to it. When economics intervened, advertising had to accommodate the transition to shorter cycles and demands for visible results. That’s why the pendulum has been swinging away from branding and towards direct response, where success can be measured by the number of responses and beloved transactions.

One major catalyst for this transition? The advent of The InterWeb. It finally gave us marketers the tools to measure an ad’s success. Web tracking technologies can tell us what ads consumers click on and where they go what they do after they click — further refining media buys.

But now – ta da! – these tracking technologies —performance-based models like CPA and the newer CPE (Cost Per Engagement) —measure action that leads to sales in ways we never imagined.

Sure, we know that repeated exposure to an ad increases the chance that a consumer will click and register, buy or participate. CPE is really promising since it's based on data that determines the value of each exposure. In a PR release from Microsoft, Senior Vice President, Advertiser and Publisher Solutions Group Brian McAndrews succinctly explained: "The 'last ad clicked' is an outdated and flawed approach because it essentially ignores all prior interactions the consumer has with a marketer's message."

Such an "approach conveys how each ad exposure — whether display, rich media or search, seen multiple times on multiple sites and across many channels — influenced an eventual purchase," McAndrews continued. This is an important concept — and timely — because for the first time a model isn't based on an insubstantial measurement (recall), but on a tangible action (purchase).

Though exact details have yet to emerge, engagement mapping promises to quantify an ad's monetary value which could herald a new era of brand advertising. CPA works in the same way, with advertisers paying only if the desired action occurs in the form of a sale, sign-up ... whatever.

Imagine buying a brand-building display ad pegged to one result! Online, there is a colossal shift toward tying value to brand advertising to results — and not just audience size. And the day's not far off when television, too, becomes interactive and thus able to be tracked with online precision. Imagine. Advertisers won't have to pay ever-rising CPM costs. And corporate suspicions will vanish when dealing with an agency because there is finally a reliable means to measure brand ads. No fantasy, it's happening already. The days of reaching as many eyeballs as possible are waning.

In the end, CPA and CPE help advertisers lose their addiction to (ultimately worthless) impressions and focus solely on the action that buoys the bottom line. CPE and CPA give advertisers scientific tools to link brand advertising to results with the same precision as direct response. Advertisers also use these metrics to put pressure on agencies to be — you heard it here — more accountable.



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Prior to joining Hydra, Wiley was VP of Tonic L.A., serving as a senior consultant on projects for clients such as WellPoint and First Marblehead Co. Previously he was Vice President and Creative Director at Cimarron Group, the leading creative agency, and VP of Marketing at CU Shopper, the online shopping community for members of credit unions.