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Beyond Impressions and Clicks: New Metrics for Measuring the Effectiveness of Display Advertising Campaigns

Last Updated: 6/19/11

Abstract:

With recent studies showing that fewer people are clicking on display ads, advertisers are looking for new ways to accurately measure the effectiveness of their display advertising campaigns.

Channel Intelligence has taken a fresh look at the traditional metrics and has developed several innovative methods for measuring the direct and indirect influence that display ads have on consumer buying behavior. These methods include measuring (1) the immediate response to display ads by consumers who do not click on ads, (2) the influence that display ads have on other marketing programs, and (3) the overall sales lift that occurs from consumers who were targeted with display ads.

Beyond Impressions and Clicks: New Metrics for Measuring the Effectiveness of Display Advertising Campaigns

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THE CURRENT STATE OF DISPLAY ADVERTISING METRICS

With few exceptions, most advertisers and/or their agencies use three metrics for measuring display advertising performance: impressions, click-thru rate and view-thru sales (also known as post-impression sales). Before diving deep into the new metrics developed by Channel Intelligence, it's important to analyze the strengths and weaknesses of each of these widely used metrics.

Impressions measure the number of times an ad is served in a web browser. The obvious flaw in this metric is that it doesn't measure whether a consumer actually saw the ad. For example, some ad placements on publisher sites are "below the fold", and consumers won't see those ads unless they scroll down to the bottom of that page. A more common issue, however, is that many consumers just ignore ads. The term "impression" is a misnomer because this metric doesn't capture whether the ad left an impression or had any "mental imprint" on the consumer.

Click-Thru Rate measures the percentage of ad impressions where a consumer clicks directly on the ad and is taken to the advertiser's site. The average click-thru rate for display ads is just 0.10% based on the 2008 DoubleClick Benchmarks Report¹, meaning only 1 of every 1,000 consumers click on an ad. A recent comScore study² showed that the number of consumers who click on ads has dropped 50% over the past two years, and that only 8% of Internet users represent 85% of all clicks. As such, the biggest flaw with this metric is that it fails to capture all of the types of immediate responses that display ads can generate – including consumers who just type the advertiser's URL in their browser or that navigate to the advertiser's site using natural search or bookmarks.

View-Thru Sales measures the amount of sales generated by consumers who were previously served a display ad, typically with 30 days or less between the impression and the order. While this metric is commonly used in the industry, it is a metric that requires further analysis and definition.

RE-INVENTING DISPLAY ADVERTISING METRICS

When Channel Intelligence entered the display advertising market, it had the advantage of a robust tracking platform called TrueTag™ which was already integrated into the websites of many major advertisers. It also had patented technology for organizing and understanding contextual data – especially as it relates to understanding products and categories. With this expertise and technology, the process of re-inventing display advertising metrics was not constrained by the technical challenges typically faced by other providers in this market.

¹ "2008 Year-in-Review Benchmarks", <http://www.doubleclick.com/insight/research>.

² "An Update of "Natural Born Clickers", http://www.comscore.com/Press_Events/Presentations_Whitepapers

The focus of these new metrics is on “ad effectiveness”, which measures the impact of display advertising in two ways:

1. **Immediate Response** – Measures whether the consumer saw the ad and took immediate action. This is the most valuable metric because it proves that the consumer saw the ad and expressed enough interest to interrupt their online activities to immediately visit the advertiser’s site.
2. **Longer-Term Sales Lift** – Measures whether the ad created a “mental imprint” that influenced the consumer’s buying behavior. This metric is valuable because it identifies orders that would not have occurred without the influence of the display advertising campaign.

The following table shows the new metrics now being used to measure display advertising campaigns. Each of these metrics is designed to provide complete transparency to the results so the advertiser can make specific, timely actions based on the analytics.

New Metrics for Display Advertising

	Past Metrics	New Metrics
Ad Reach		
Impressions	✓	✓
Immediate Responses		
Direct Clicks and Sales	✓	✓
Effective Clicks and Sales		✓
Natural Leads		✓
Paid Leads		✓
Assists to Other Marketing Programs		
Direct Clicks		✓
Effective Clicks		✓
Sales Lift		
All Visitors		✓
All Buyers		✓
View-Thru Sales	✓	✓

MEASURING DIRECT INFLUENCE – THE “EFFECTIVE CLICK” METRIC

In theory, the best metric for measuring the immediate response for a display ad is the click. However, since consumers infrequently click on ads, Channel Intelligence has developed an additional set of metrics that measure the frequency with which consumers immediately visit the advertiser’s site without clicking on the ad. This metric, the “Effective Click”, has the same effect as if the consumer clicked on the ad (i.e., the ad delivered the consumer to the advertiser’s site).

Here is an example of a direct click and an effective click. Note that the results are exactly the same, but the path for getting to the advertiser’s site is slightly different.

Direct Click Flow

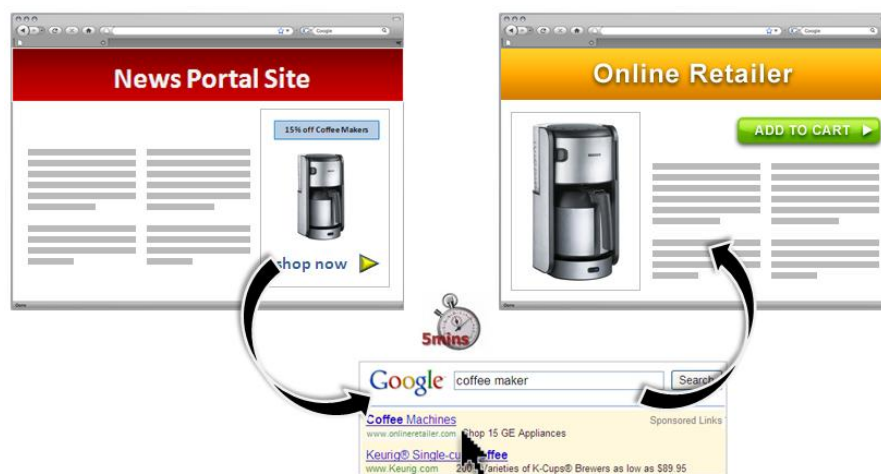


Effective Click Flow – Natural Leads



The Effective Click typically occurs when a consumer sees the ad, and then immediately navigates to the advertiser’s site by simply typing the advertiser’s URL, using an existing bookmark or performing a natural search. A consumer can also use paid search and other paid marketing programs to navigate to the advertiser’s site, as shown in the example below.

Effective Click Flow – Paid Marketing Leads



The Effective Click metric measures natural leads separately from paid leads because paid marketing programs are going to take credit for those leads and resulting sales. That same competition doesn't exist for natural leads. In either case, the display ad triggered an immediate response by the consumer and it is important to track the resulting sales in both cases so they can be properly valued.

The time period between the ad impression and the visit to the advertiser's site is typically defined between 5 and 15 minutes. Any shorter than 5 minutes doesn't give the consumer enough time to navigate, while a time period longer than 15 minutes starts to lack the immediacy of the response that this metric is designed to capture.

The interesting thing about this metric is that it typically represents **40% to 75% of the immediate responses** from display ads. A recent Forrester study³ confirmed this finding, showing that 61% of the immediate responses to ads came from Effective Clicks. This means that all existing display ad campaigns are **significantly** undercounting this immediate response (and resulting sales) because they only focus on the declining number of "clickers", while ignoring everyone else who takes immediate action after seeing an ad.

Even more interesting is that consumers who immediately respond to ads without clicking on them are disproportionately more likely to purchase. For some advertisers, as many as **92% of orders resulted from Effective Clicks** and only 8% from Direct Clicks. On average, 64% of all orders and 77% of all sales come from Effective Clicks vs. Direct Clicks. While there are several theories about why this occurs, the mostly likely one is based on a 2008 comScore study⁴ that indicated that consumers who frequently clicked on ads had a household income less than \$40,000 and had different Internet usage patterns than non-clickers. But the bottom line is that consumers who immediately respond to display ads without clicking on them **buy more and buy more often**.

³ "Search Engine Marketing and Online Display Advertising Integration Study (May 2009)", http://www.iprospect.com/about/researchstudy_2009_searchanddisplay.htm.

⁴ "New Study Shows that Heavy Clickers Distort Reality of Display Advertising Click-Through Metrics", http://www.comscore.com/Press_Events/Press_Releases/2008/02/Display_Ad_Click-Through_Behavior.

The combination of Direct Clicks and Effective Clicks provides a more accurate Click-Thru Rate metric that measures the immediate response generated by a display ad. In addition, the resulting sales from these two types of “clicks” are a better way to measure the true ROI of the display advertising campaign because it captures all of the sales that resulted from consumers who immediately responded to these ads.

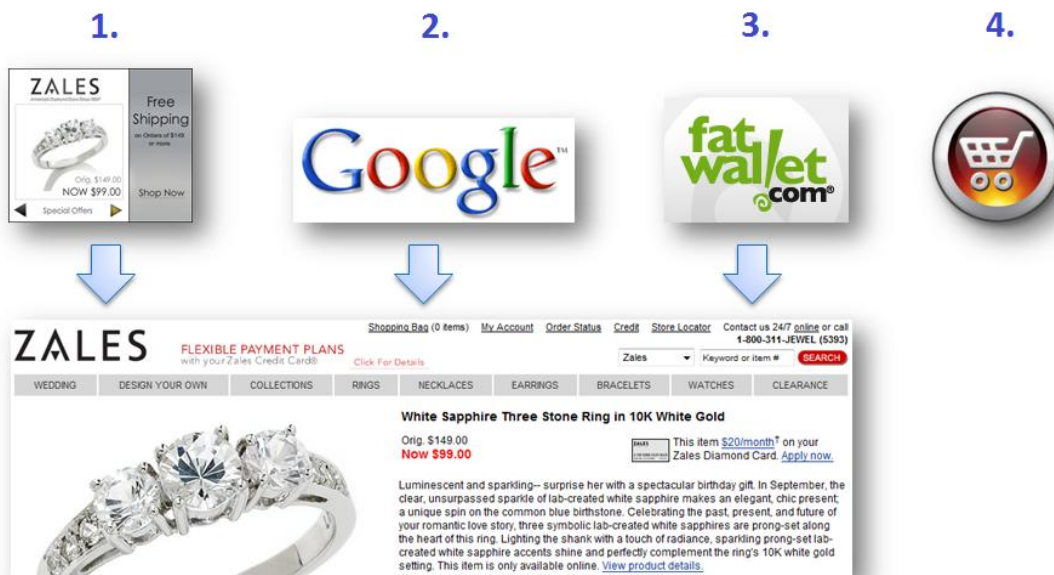
MEASURING INFLUENCE ON OTHER MARKETING PROGRAMS – THE “ASSISTED SALES” METRIC

Every advertiser has multiple marketing programs in place to influence consumers to purchase their products or services, and those marketing programs are all competing for the sales that result. Most advertisers use a “last-in wins” methodology, meaning that the last marketing program used by a consumer prior to a purchase is considered the “winner” and is credited with the sale. While this is a necessary approach to avoid double- and triple-counting sales, it is important to recognize the value of marketing programs that do not get credit for the sale but assisted with the sale. Since display ads are often used for customer acquisition and rarely include coupons or other techniques that result in impulse purchases, display ads are far more likely to be assisting other marketing programs than taking credit for sales using the “last-in wins” methodology.

The solution to this issue is to measure both the “credited” and “assisted” sales that result from display ads. The basis for this metric is the sales attribution rules that are used by an advertiser.

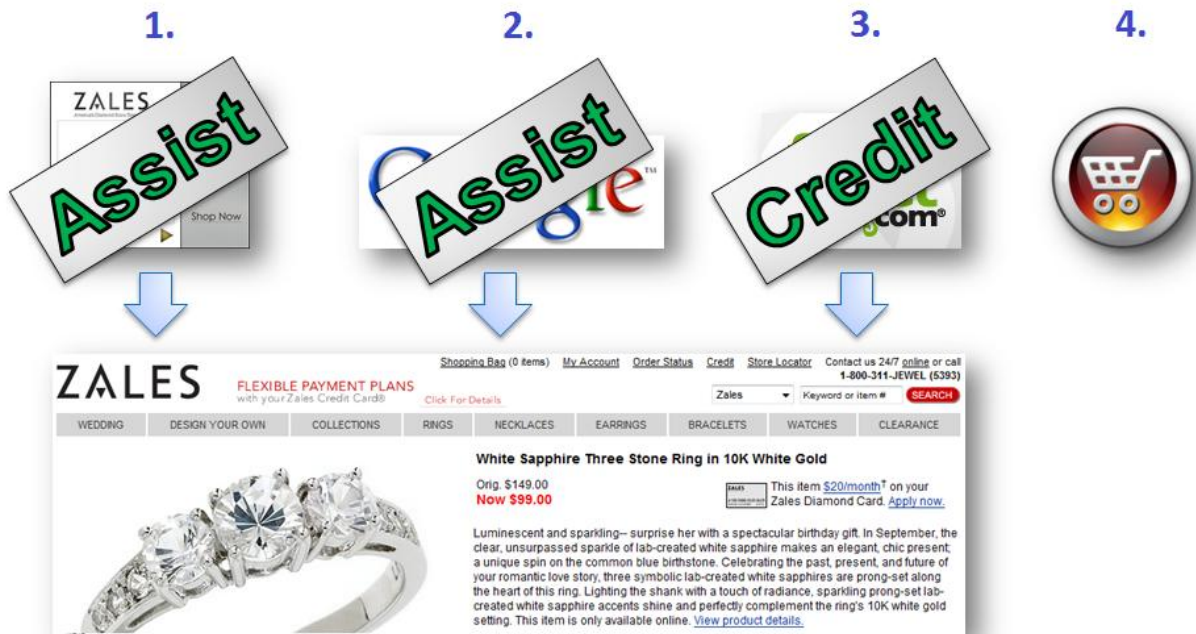
For example, the following scenario shows that a consumer (1) clicked on a display ad, (2) later did a search and clicked through to the advertiser’s site, (3) later checked for coupons or cashback, and (4) purchased the product.

Multiple Marketing Touch Points for an Order



Using the traditional “last-in wins” approach, the affiliate network is given credit for the order while the display ad and the Google search are given an “assist”. Since the order would probably not have occurred without the assisting touch points, it is important to capture and associate value to the assisting programs.

Multiple Marketing Touch Points: Assists and Credits



(Note: The following section gets a little technical, but the concepts are important to understand as most companies in this market simply ignore these details and overstate the value of display advertising campaigns.)

The rules for attributing an order to a marketing program are based on three parameters that an advertiser must define:

- **Competing Collection** – This parameter defines which marketing programs compete to get credit for an order. A typical competing collection used by advertisers is “all paid marketing programs”, which excludes natural traffic. For example, if a consumer clicks on a display ad and then later clicks on a natural Google search to return to the advertiser’s site to make a purchase, the display ad is credited with the order because natural search is not part of the competing collection. Some advertisers may choose to limit the competing collection to just display advertising and paid search, for example, to prevent double-counting just between those two programs.
- **Attribution Methodology** – This parameter defines how orders are attributed to marketing programs, and the traditional “last-in wins” methodology is by far the most common. Some

advertisers use the “everyone wins” methodology, which makes all marketing programs look far better than they really are. There really isn’t an ideal methodology, but the recommended approach is to use the traditional “last-in wins” methodology while looking at both credited and assisted sales to get a true picture of how marketing programs work together to drive sales.

- **Latency Window** – This parameter defines the amount of time that can lapse between the click and the order, and is sometimes referred to as the “cookie length”. For example, if a display ad generates a click on the first of the month and the order occurs on the 17th of the month, the ad would get credit for the order if the latency window is 30 days but not if it’s 15 days. Most advertisers use a latency window of 30 days, while a few are longer if the product or service sold has a very long buying process. For advertisers selling products or services that are typically an impulse purchase, a 7- or 14-day latency window is more typical.

Once these parameters are defined, each order is then credited to one marketing program if it meets these criteria. All other marketing programs that preceded the credited program, but otherwise met these criteria, are considered assists. There can be more than one assisting program per order, but only one credited program.

The result of this process is that orders are accurately attributed to marketing programs without double-counting, and the influence of each marketing program is clearly defined especially when there are multiple marketing touch points in the buying process. As it relates specifically to display advertising campaigns, the credited orders are typically much lower than the assisted orders for the reasons mentioned above. However, the ability to differentiate between the two types of orders is critical in understanding the true value of display advertising campaigns based on both the direct orders that result and the influence they have on other marketing programs.

For remarketing campaigns, the ratio of credits to assists is typically 1:1. This indicates that remarketing is effective at closing leads without help from other marketing programs. For non-remarketing campaigns, the ratio of credits to assists is typically 4:1, indicating that display ads are more effective at lead generation than closing leads. Paid Search is the biggest beneficiary of assists from display ads, followed by Affiliate Networks.

BRINGING IT ALL TOGETHER – THE WEIGHTED SALES METRIC

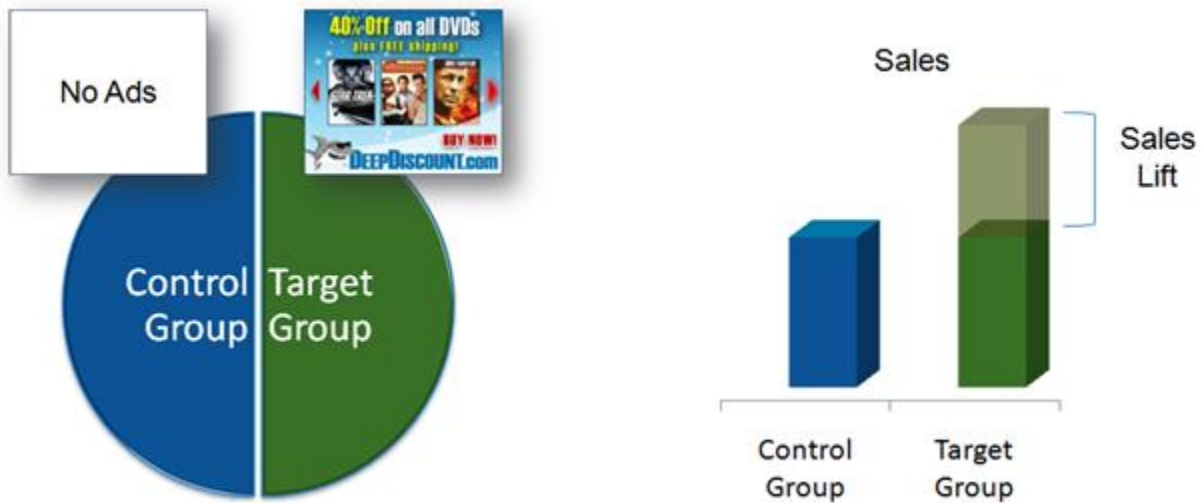
In the end, each advertiser needs to decide how to value its display advertising campaigns. The new metrics introduced above can be used independently, or they can be combined into a Weighted Sales metric by assigning a weighting to each type of sales.

	Conservative	Moderate	Aggressive
Credited Orders			
Direct Clicks	100%	100%	100%
Effective Clicks (Natural)	100%	100%	100%
Effective Clicks (Paid)	0%	50%	100%
Assisted Orders			
Direct Clicks	0%	33%	100%
Effective Clicks (Natural)	0%	33%	100%
Effective Clicks (Paid)	0%	33%	100%
View-Thru Sales	0%	0%	25%

An advertiser may choose a very conservative approach by weighting sales from direct and effective clicks at 100%, and everything else at 0%. The Weighted Sales would then reflect the sales that were directly attributed to an immediate response to the display ads from direct clicks or other natural methods. Or, an advertiser could provide partial credit for assisted sales and even view-thru sales using a moderate or aggressive approach as shown above. The key factor in this decision is to use a weighting that is agreed to be a valid assessment of the value of the display advertising campaign, which may be different for each advertiser.

MEASURING LONGER TERM INFLUENCE – THE “SALES LIFT” METRIC

Even if a consumer doesn't immediately respond to an ad, there are ways to measure the influence that the ad had in the consumer's buying process. The best method is to measure the lift in sales that resulted from consumers who were served one or more display ads (the "Targeted Group"). There are some similarities to View-Thru Sales in this metric, but the primary difference is that the Targeted Group is compared to a Control Group of consumers who were not served any ads during the selected time period. The incremental sales from the Targeted Group would not have occurred if the display ad campaign did not exist.



The process of calculating the sales lift is complicated, but the concept is simple and the results are very compelling. By isolating the one variable between the Targeted Group and the Control Group (i.e., whether an ad was served), it becomes easy to measure the value of the display ad campaign simply by measuring the incremental sales that resulted from the campaign.

There are two types of Control Groups used to analyze the Sales Lift: **Targeted Consumers** and **Purchasers**. The first type compares consumers who could have been shown ads vs. those that were shown ads. This is an excellent metric for both targeting and retargeting campaigns.

The second sales lift metric compares consumers who purchased without being served an ad vs. consumers who were shown one or more ads and subsequently purchased. Analysis of this metric shows whether consumers who were shown ads were more likely to make multiple purchases, include more items in each order, or purchase higher priced products or services. This metric typically shows that all three aspects of the purchase are larger for consumers who are served ads, although the results vary based on the content of the ads.

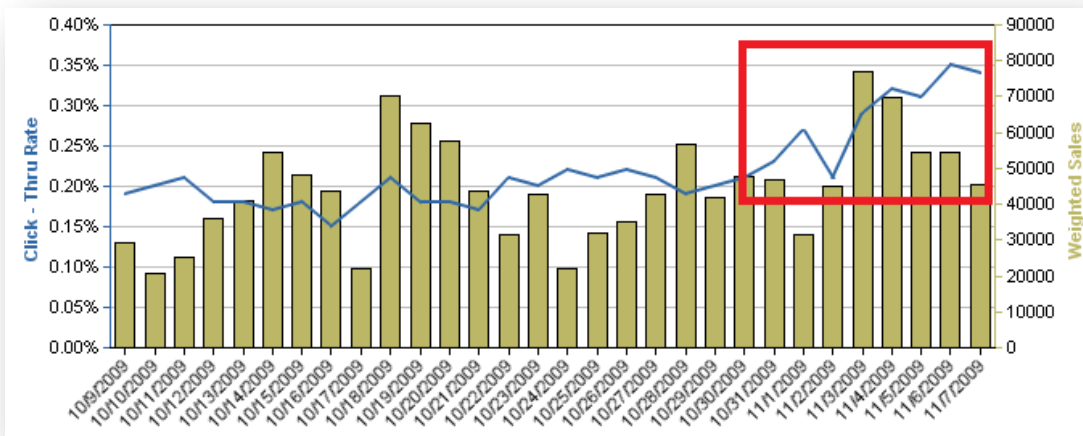
In the end, the sales lift metric is one of the best indicators of the “mental imprint” that a display ad has on a consumer. It measures both the immediate and longer term influence the display ad has on the consumer's buying process.

ANALYZING RESULTS USING THE NEW METRICS

Metrics that accurately capture the value of display advertising campaigns open up new types of analysis that can be performed on the data. Even traditional analysis based on geography or time-of-day becomes more interesting because they're based on an accurate, complete reporting of the results.

For example, the following trend line shows that the click-thru rate increased significantly over the previous week. The drill-down data provides specific details to help identify what caused this increase, including whether the click-thru rate increased for Direct Clicks, Effective Clicks or both.

Summary Trends: Effective Click-Thru Rate and Weighted Sales



The analysis of sales lift reports identifies whether the lift occurred because of more orders or a larger average order size. In this example, the lift occurred in all three areas (orders, units sold and total sales).

Sales Lift Summary

Sales Lift Summary

8/1/2009 to 9/30/2009

Has Impressions	Unique Users	Orders per 1000 Unique Users	Units per 1000 Unique User	Sales per 1000 Unique User	% Orders Lift	% Units Lift	% Sales Lift	Total Orders Lift	Total Units Lift	Total Sales Lift
No	486,816	8.56	16.02	\$4,699.65	-	-	-	-	-	-
Yes	15,217	20.11	45.41	\$14,593.73	136.47%	183.75%	210.53%	177	448	\$150,558.96
Summary: (2 records)		502,033								

Furthermore, if the number of orders in the Sales Lift report seems unusually high, there are drill-downs available to show exactly which orders were attributed to sales lift:

Sales Lift: Drill-down to Individual Orders

Date	Order No	Total Units	Total Sales	User Id
11/6/2009 1:58:03 AM	H109292329	1	\$869.99	90344334
11/6/2009 5:17:17 AM	H109293357	3	\$1,168.97	125313510
11/6/2009 9:13:18 AM	H109294890	1	\$329.99	116208214
11/6/2009 11:36:05 AM	H109296186	1	\$1,083.99	53890698
11/6/2009 11:31:17 AM	H109296805	1	\$499.99	110868297
11/6/2009 12:58:12 PM	H109297938	1	\$624.98	120413105
11/6/2009 4:18:28 PM	H109299757	1	\$299.99	111778445
11/6/2009 4:07:00 PM	H109300159	1	\$319.99	103183298
11/6/2009 4:37:10 PM	H109301808	1	\$73.59	2178189
11/6/2009 6:10:02 PM	H109302717	1	\$624.99	82779355

And even a drill-down to see every activity for a consumer that led to each order:

Sales Lift: Drill-down to Consumer Activities Leading to Each Order

Date	Type
11/4/2009 1:38:29 PM	Impression
11/5/2009 3:17:00 PM	Search
11/6/2009 10:56:47 AM	Lead
11/6/2009 11:01:41 AM	Lead
11/6/2009 11:26:01 AM	Lead
11/6/2009 11:36:05 AM	Sale

This level of transparency and detail provides the basis for insightful analysis and timely decisions necessary to effectively manage display advertising campaigns.

ABOUT PERFORMANCE ADVERTISING FROM CHANNEL INTELLIGENCE

Channel Intelligence is a Performance Advertising company that provides a complete range of display advertising services from a full agency relationship – including media buying, creative development, robust reporting and day-to-day management – or an à la carte selection of services. For example, an advertiser could focus on defining its marketing goals and strategies, but completely outsource the execution of the display advertising program to Channel Intelligence. Or, an existing display advertising program could simply be enhanced to include the metrics and analytics described above.

All of the metrics and analytics described above are available immediately, and a significant number of other innovative metrics are in development or beta release. The pricing model for these services is typically performance-based using the accurate measurements of performance defined above.

For more information about these services, please contact Channel Intelligence at performancemarketing@channelintelligence.com.