

The True Cost of a Click: B-2-B Online advertising

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Introduction

Similar to B-2-C, in most B-2-B industries there's been a strong shift away from print advertising to on-line advertising over the past few years. Part of the reason has to do with the fact that the target audience is increasingly moving from off-line to on-line in their buying cycle behavior, but maybe an even stronger factor has been because on-line advertising is easier to measure. For years marketing executives have been struggling with justifying marketing budgets and trying to figure out what the return on investment is in regards to print advertising. Often awareness and preference is cited, but these are lagging indicators and advertising is only one of the contributing components in the promotional mix. Finally, with the help of on-line, marketing can start to analyze the return, similar to direct marketing, on the dollars spend in terms of impressions, number of clicks, cost per clicks, number of views, number of downloads and in those cases where the transaction is made on-line, even get down to cost per order dollar. Unfortunately for many B-2-B businesses, the customers do not buy on-line, and the marketing contribution is often measured in terms of qualified marketing prospects or leads that can be handed over to sales. But, even in these non e-commerce environments, on-line advertising is a growing element of the promotional mix, due to readily available basic metrics, and funds are subsequently shifted to on-line ads from other areas of the promotional mix. However, although a quantitative metric seems like a great improvement at first, metrics such as click through rates (CTR) are often looked at in isolation. To understand the true return on the investment, marketing executives need to go beyond the basic indicators and look at all the elements of the on-line advertising campaign in order to understand the effectiveness of on-line compared to other elements in the promotional mix.

The following case study looks at an on-line advertising campaign example from an industrial B-2-B environment perspective. Although many different forms of on-line

advertising exist, such as search engine sponsored ads, the focus of this case study is focused on a specific banner advertising campaign in relation to a new industrial B-2-B product introduction. Furthermore the case study does not attempt to discuss the on-line advertising impact on branding, awareness and preference compared to print advertising.

The cost of on-line banner advertising

To understand the total cost one has to have an idea of the different elements that constitutes a banner advertising campaign. In this case this can be broken down into four different elements (figure 1).

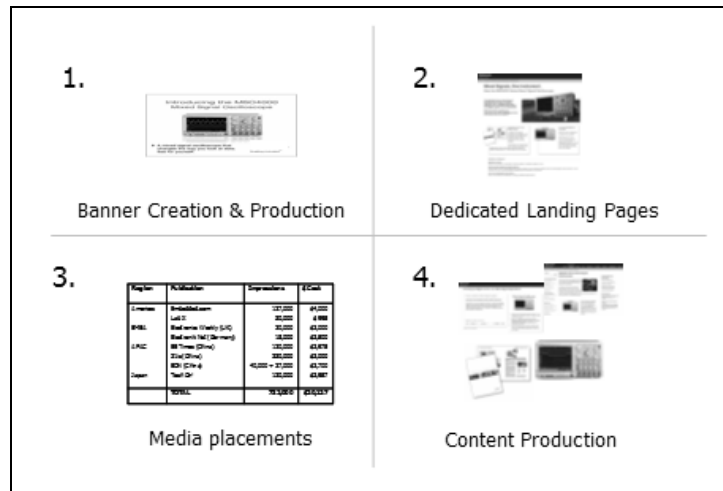


Figure 1 – Elements of a campaign

Banner creation and production

First a banner ad has to be created. While the production cost for creating a banner ad, generally keeps the cost reasonable, due to limited space for both creative elements and copy, testing the creative concept and / or the message, with potential customers, using for example focus groups will significantly drive up cost. This is true specifically for global campaigns where the testing has to be performed in various languages and locations. In regards to banner advertising a different approach can also be taken where no pre-testing is performed. Instead testing is performed on the fly, real-time, using different message, copy and creative. If the banner doesn't pull

the anticipated clicks, it's simply exchanged for another one, until the expected results can be achieved.

Media placement

Secondly media has to be purchased to place the banner. This typically consists of some sort of media planning, either internal or external using an agency, in addition to buying the media space. Typically media is purchased by number of thousand impressions. Unless budgets are unlimited, placing a banner on a site with thousands of visitors per day typically means that the banner rotates with other banners, thus decreasing the probability of being seen by a potential customer.

Landing page

Thirdly a dedicated landing page has to be created. This is the page where one wants the potential customer to arrive after clicking on the banner. Unique or dedicated landing pages have several functions, such as tracking visitors etc, but from a communications perspective the main objective is to serve up only the content relevant to the topic, thus minimizing clutter and distraction. The golden rule for any marketer is to have a good understanding of the target audience and be clear on what next steps the visitor should be encouraged to take.

Content

Finally one very important aspect of the four different elements is what content is featured on the landing page. Here's the real acid test. The prospective customers have been convinced to come this far, now what? It's relatively easy to drive readers to click on a banner using incentives etc., but while these types of actions can generate a large number of clicks, the quality is often compromised and it doesn't generate sustainable clicks. Sustainable clicks means that the click through rate in the various steps of the path can be maintained strong throughout the whole campaign. Unless the objective is purely to inform and create awareness, how can the visitor be encouraged to take the next step? In addition to visitors, interest needs to be maintained to raise their hand and potentially qualify themselves, as a prospect / lead

with their contact details to get further information, or engage in a conversation with sales, or show enough interest to have their details captured into a marketing database for follow up marketing activities. If the prospect is lost at this point, the end objective has not been achieved. Maybe some awareness and interest has been generated, which might eventually lead to future purchase, but for marketing the measurable marketing contribution will decrease.

Content is everything

Let's look a bit deeper into content. In this case content can be both electronic and print. It could be on-line tables, diagrams, pictures, videos, flash or downloadable product or technical documents. The depth of the content could be very basic or it could be in-depth, drilling down to the minute detail of the product / solution. So how does one know what needs to be on the landing page? The answer is that we don't. Having said that, most marketers probably have a reasonably good idea, after all what marketing is simply trying to do is mimic the sales process, in this case by taking a self servicing potential customer through a marketing conversation in the buying cycle. The fact that the potential customer is self serving means that it's a good idea to have several content alternatives on the landing page. The reason for this is that it can't be assumed that every potential prospect is in the same or a specific place in the buying cycle. Instead an attempt must be made to cater for several different scenarios. In addition, customers also consume information differently. Some like a short on-line demonstration, while others might prefer downloading a 30 page technical document, or even study a manual. In addition on-line advertising also provides a great environment to test what content works and what resonates best with the target audience.

One other aspect that is often overlooked is the cost of content. It might not be easy to measure, but it's definitely not free. The cost of the creation, production and publishing of content is often neglected, although it can be a major resource investment of both people and money, because the production of content is typically a cross functional process, involving many internal resources such as product marketing, outbound marketing, marketing communication professionals, technical

writers, web production and operations, and no function necessarily has the complete overall overview. The production (on-line) of a technical paper for example is estimated to be in the range of \$ 8,000 – 12,000. An on-line flash demo or short video can easily range from \$ 40,000 to \$ 60,000 excluding the time of internal resources.

Campaign example

Before looking at the details it's probably appropriate to make an overall comment about the success of an on-line advertising campaign. In principle the same old rules that apply to any direct marketing campaign also apply to on-line: the list (in this case media), the copy, and the call to action. Without paying attention to the above, and all three elements being in complete synergy, no campaign will be successful.

In the example we will be looking at the first month results of a seven month, on-line banner advertising campaign as part of the promotion activities for a new industrial product. The campaign includes banner creation, media placement, production of landing pages and unique content. The price of the product is in the range of \$ 20,000.

Path Analysis

In this case, the cost of creating the banner ad was \$ 11,000, excluding concept or message testing. In this instance message testing had earlier been performed as part of creating a print ad, and could be repurposed for the banner. Hadn't this been the case the cost of message testing would need to be added. As part of the campaign, 730,000 impressions had been purchased for \$ 20,000 for the month of April on various industry publication websites. Thus the cost per 1,000 impressions (CPI) was \$ 27 for media or \$ 42 including media and the creation of the banner. The target click through rate (CTR) from the banner was 0.2% which is considered an industry average.

The actual CTR turned out to be 0.3% thus generating 2,190 unique clicks at a total cost of \$ 14 per click. As a comparison if only media placement cost would be used in the formula the cost per click would drop to \$9.

By clicking on the banner the visitor landed on the dedicated landing page. The landing page was built in-house and the cost estimated at \$ 6,000 (80 hours). Any

visitor that gets to the landing page, regardless of taking any further action is considered a reader. The cost per reader including the production cost of the landing page is therefore \$ 17.

On the landing page the visitor was then presented with five different options as a call-to-action, although the first three were considered the primary for the campaign: Download a White Paper, Watch an On-line Product Simulation / Demo, Request a Live Demonstration OR Navigate to the Product Family Hub Page / Product Advisor (on-line dialog).

The production cost for the five different options were: White Paper = \$ 2,400; On-line Demo = \$ 48,000; Product Hub Page / Product Advisor = \$ 5,000 / \$ 8,000; and a Live Demonstration

Of the 2,190 visitors 350 took a further step resulting in an overall CTR of 16%, which can be considered an excellent result. The distribution however for the 350 visitors among the three primary calls to actions were uneven, with the Product Simulation clearly providing the biggest CTR representing almost 14% of the overall: Watch an On-line Product Simulation = 297; Download a White Paper = 28; Request a Live Demonstration = 17.

The cost per action was therefore: Product Simulation = \$ 162; White Paper = \$ 85; Request a Live Demonstration = \$ -, or looking at the complete path: White Paper = \$ 1,400; Product Simulation = \$ 290; Request a Live Demonstration = \$ 2,180.

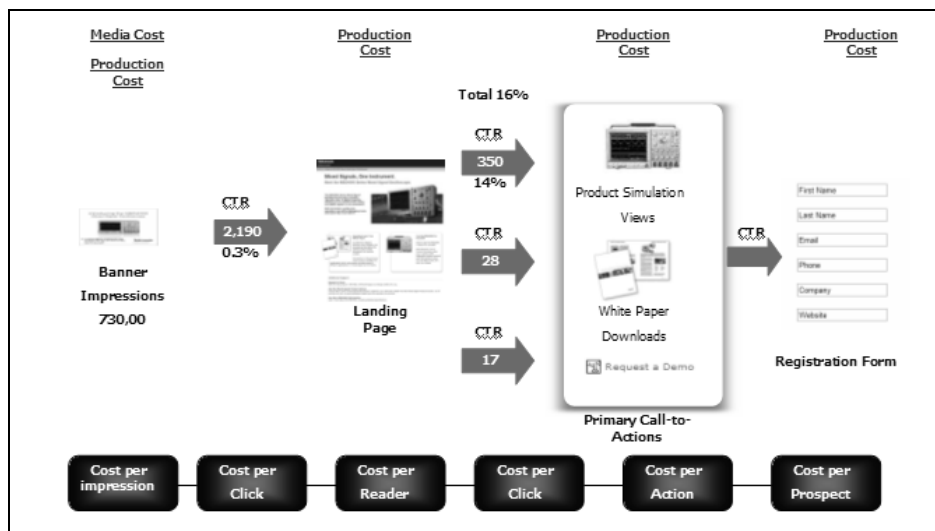


Figure 2 - Path Analysis

As can be seen from the above looking in isolation at the various steps in the path can be deceptive. In the above example the cost per click could simply have been calculated as the cost of the media divided by number of clicks. The true cost however needs to include all the elements of the campaign. The product simulation clearly outperforms the other call to actions in terms of number of clicks, providing a ten fold better result compared to the white paper. From a return on investment perspective however it seem like the live demonstration or white paper download outperforms the product simulation, but considering all the steps and costs in the path, the simulation provides the best return on the marketing investment and still being reasonable from a cost per order \$ perspective, assuming the different call-to-actions convert to prospects at a comparable rate.

Finally, one has to keep in mind that the above results only represents one month of a seven month campaign, so therefore the return on marketing dollars spend will further increase.

Conclusion

While there's a vast amount of information available for B-2-C, looking into the return on investment for on-line marketing, B-2-B cases are scarce. This paper provides some insight and a potential thought process into various areas of consideration for marketing executives in trying to understand the true cost of on-line advertising for comparison with the other elements of the promotional mix. The final decision on how much budget to spend on on-line has to be considered based on what the overall objectives are and what one is trying to achieve, and ultimately be based on conversion rate from a qualified marketing lead to an order. Only when this loop is closed the marketing executive can move on to the next step, understanding how much a click is worth paying for.