



Contents include:

How do you know?

How do you know whether people have actually noticed your ad? This applies to your ads in the print press and on TV just as much as it does to your online advertising.

Brand advertising and direct marketing

Very little advertising is even expected to result in substantial, immediate and incremental sales. You can only expect that to happen with door-to-door sales, and even there the hit rate will be a small fraction of sales calls. Yet companies spend huge sums of money on advertising.

You need to test it

Online or offline advertising should generate additional sales. You rarely get to know the results automatically – unless you do systematic surveys to find out.

Poor clickthroughs, great branding!

Successful online advertisers worldwide (**Intel, Novell, Procter & Gamble**) have not been deterred by poor clickthrough rates – that's because online advertising resulted in higher sales and improvement in consumer perceptions of their brands over a period of time.

Success with online advertising

Branding, not clicks, is the issue

KIRON KASBEKAR

Managing Director, The Information Company Pvt Ltd

Success with online advertising

*Kiron Kasbekar**

If you listen to the sceptics, you'd think there is no point to online advertising. But visit online magazines and portals worldwide, and you'll see the ads of some of the most successful companies in the world. Names like Citi, Compaq, Dell, Ford, GE, IBM, Intel, Merrill Lynch, Microsoft and Toshiba keep cropping up on banners, vertical ads and stamp ads.

These big companies go for online advertising because it makes business sense. (See examples of success – Novell, IBM and Procter & Gamble – at the bottom of this paper under the sub-heading Poor clickthroughs, great branding!)

Most Indian companies have missed the advantages of online advertising. This is partly because of the confusion created by the dotcom rush. That has passed with the complete shakeout of the fly-by-night operators and the well-funded ventures built on shaky business plans.

How do you know?

It's also partly because many companies have, inadvertently, been swayed by print and TV media propaganda proclaiming that the success of online advertising must be measured by clickthroughs.

At domain-b.com, India's first and biggest online business magazine, we refused to accept payment on the basis of clickthroughs. We told potential advertisers and ad agencies, "If you can convince *The Times of India* or *India Today* to accept payment by the number of coupons filled up and submitted, or Star TV or Sony to accept payment by the number of calls to the advertiser's call centre, we'll gladly accept payment by clickthroughs." Checkmate!

They say, if you don't go by clickthroughs, how do you know whether people actually notice your banner ad on a website? By the same token, how do you

Advantage online

Online advertising has an advantage over the TV and press ad campaigns. While the good TV ad arouses curiosity, and the effective print press ad offers a little more information, the impact gets dissipated over the days. When people are actually ready to buy, your campaign may be off and a rival's campaign may be on, and your potential customers have no way of retrieving your earlier ads.

Advertising bookings for online advertising are usually made for entire months or quarters if not for an entire year. The ads can be seen every day and every hour of the day or night during the period for which the booking is made.

There are online media in India that are powerful vehicles for your advertising message – sites like **indiatimes.com** and **rediff.com** for a general audience, especially NRIs, and for mass/FMCG products, **domain-b.com** for a premium business and investor audience, specialised sites like **prdomain.com** to address media persons and investors, **naukri.com** if you want junior level IT vacancies, and so on.

* **Kiron Kasbekar**, Managing Director of The Information Company Pvt Ltd, is a former Editor of *The Economic Times*, Bombay, Business Editor of *The Times of India*, and Managing Editor of *Business India*.

Are you missing an opportunity?

A myth was created in the advertising community – that online advertising made sense only if you got lots of immediate purchases or enquiries or at least clickthroughs from the ads to your website.

This myth was based on a complete lack of understanding of how advertising – including offline advertising – works.

Global leaders like Intel, Microsoft, IBM, and Citi have found it worthwhile doing online advertising even though there is no relation between online ad spend and clickthroughs.

By 2005, Forrester Research expects, companies like Procter & Gamble will spend **as much as 23 per cent** of their marketing budgets on Internet ads.

In India, companies like ICICI, Citi, and others have exploited the online medium to strengthen their branding. They are in a minority. That's because of wrong perceptions about how to measure the success of online advertising.

know whether people have actually noticed your ad in *The Economic Times* or *Business India* if they haven't filled up coupons and sent them to you? Most readers may not even have opened the page on which your ad has appeared.

How do you know that when your ad is running on prime time TV most people are not in the toilet or have not switched channels to deliberately avoid the commercial break – as many people in fact do?

What experts are saying: This is what the cover feature of the 21 July 2002 issue of *Business Week* says: "... experts in the field now say that advertisers ought to forget about clickthroughs, the widely used measure that determines how many times visitors respond to an ad. Online ads aren't meant only to spawn direct sales, according to this line of thinking: They're also for establishing or burnishing a brand, encouraging repeat purchases, and gathering customer information."

So, much as the advertising company might want every web surfer to click on its banner, it doesn't happen that way. No TV ad motivates hordes of people to dial toll-



free numbers to order the things they have seen on the idiot box – because people are not idiots. A minuscule number of readers actually go and buy a car the same day on which, or even the same week or month in which, the ad appears in *The Times of India* or *Hindustan Times* or *The Hindu*. Many can't afford it; many others already have a car. And the few (as a proportion of readers) who are considering buying a car, and can afford it, want to wait and watch and take a considered decision.

The fact is you don't expect people to respond instantaneously to offline advertising. Not everybody even *sees* every ad in the newspaper or on TV. And even people who do see an ad don't immediately pull out their chequebooks and order your product. Why should you expect any different results from online advertising?

Brand advertising and direct marketing

Very little advertising is even *expected* to result in substantial, immediate and incremental sales. You can only expect that to happen with door-to-door sales,

and even there the hit rate will be a small fraction of sales calls. Yet companies spend huge sums of money on advertising.

That's because advertising influences people both subconsciously and consciously. You remember an image, a jingle, a phrase, and it comes back to you when you are in the mood to buy.

Not everybody is ready to buy at the exact time when a product is advertised. But the ad creates awareness, it also reminds people once, twice or many times (depending on the frequency of the advertising), that here's a brand that may be worth buying. That's all it does; it doesn't guarantee a sale.

Brand building works differently: Direct marketing aims to get people to make an immediate purchase. In contrast, brand-building advertising campaigns assume that potential customers may or may not respond immediately – and may take weeks or months to come to a decision. They look forward to delayed responses of a positive kind.

With most product advertising, it is impractical to expect immediate purchase. People don't buy cars, computers, air-conditioners, TV sets, or even garments, every day. What brand-building advertising

does is to try and plant the brand message into people's subconscious so that it increases the chances of their selecting the brand when they are actually ready to buy.

Also, people are not spurred to purchase actions by one ad or one ad campaign. They are also influenced by rival ads, *their* brand recall, and the price and features that these rival brands offer the consumer.

Advertising aims to create and strengthen key brand perceptions about the advertiser's products over a period of time so that when the consumer is ready to purchase, the brand is among those that are short-listed for the final consideration.

You need to test it

The final test of any advertising is how much sales it has generated. Very few Indian companies do systematic research into the efficacy of their advertising – including press and TV advertising. Most are happy with impressions like “Our sales picked up after we started our advertising.” If they have done a campaign across various media and also used point-of-sale promotions, they are not sure which of these investments paid off best.

So, when you think of the effectiveness of online advertising, consider this. Online (or offline) advertising should generate additional sales (or maintain

Online works better

A February 2001 Morgan Stanley report suggests that even the much-maligned banner ad is more effective at generating brand recall and brand interest than ads on TV or in magazines or newspapers.

According to the report, consumers show a 27 per cent greater ability to recall a brand after seeing an Internet ad than earlier – compared with a 26 per cent increase with magazines, 23 per cent with newspapers, and 17 per cent with television.

What's more, advertisers are finding that the cost of advertising online is considerably lower than advertising in other media. Morgan Stanley's analysis shows that the price of online advertising works out to about \$3.50 per thousand ad impressions or page views (also known as cost per mille, or CPM), for sites with broad general audiences and about 10 or 20 times that amount for sites with more desirable audiences.

The corresponding rates are \$19 for daily newspapers and \$16 for prime time TV.



Unbeatable advantage:
Your customers can retrieve
your online ad anytime they want

Viable for ad agencies

Advertisers have also become more aggressive and innovative in their online campaigns as users realise they can only get free information if it is subsidised by advertising. You now find – pop-ups, flash animations, interactive banners, ‘superstitials’ (TV-style ads that pop up and play 20-second animation or video) and larger-format ads that you cannot miss.

This, in turn, has made previously reluctant advertising agencies more willing to support online advertising. That’s because they can charge more for the new-style ads than they could for static banners. In the US, for example, the average banner ad costs less than \$10,000 to create, compared with \$340,000 for the average TV spot. The higher cost of the latest media banners makes them more viable for ad agencies to get involved.

There is another trend that is contributing to the growing acceptability of online advertising. Advertisers have realised that online ad campaigns cannot remain static, and must refine, refresh and change their ads frequently in order to retain visitor interest. This too means better volumes for ad agencies.

existing sales against intensified competition). You rarely get to know the results automatically – unless you do systematic surveys to find out.

Survey it: You have to do surveys to gauge many things. For example:

- how many people actually saw the ad
- how many remember the ad
- how many remember the brand even if they do not remember the ad (because the message has got through in a subliminal manner)
- how many people feel they know more about the brand than they did earlier (including product features)
- how many people’s perceptions of the brand coincides with the image the advertiser wants created in the public mind (the branding objectives)
- and so on.

Branding objectives vary from product to product, depending on the specific characteristics of the product category and its competitive position vis-à-vis other brands. This is clearly much more complicated than counting how many people clicked on a banner and sent an enquiry or purchase order.

Usually how market researchers measure these things is to get

responses from different sets of people – those who have been exposed to your ad and those who have not. If the responses of those who have been exposed to your ads are better than those of people who have not been exposed, then the campaign is likely to have worked.

I say “likely to have worked” because when you measure these things you cannot separate the medium from the message. The ad agency that did the creative work for the ad may have done a brilliant job or it may have botched up and garbled your message. If the message has been garbled by poor creative work, don’t blame the medium (whether it is online or offline) for lack of success.

Consider this too – even with the best creative inputs and the right choice of media, your advertising could fail if your product’s performance does not match that of its rivals in the market.

The question, then, is how do you measure the effectiveness of online advertising? It's the same as how you measure the effectiveness of offline advertising. Research can help you separate these issues.

Poor clickthroughs, great branding!

In the US, according to a survey conducted by the Internet Advertising Bureau, even when consumers see an online banner about a product they want, most of them do not click and go for a purchase or enquiry. Why? That's exactly what happens with your print press or TV advertising. Nobody rushes out and buys your product the moment they see the ad in the newspaper or TV serial. With online advertising too, most people remember or note down the name of the company or brand with the aim of finding out more about it later.

Another interesting finding, made in December 2000 by Avenue A, an interactive ad agency, showed that only 20 per cent of consumers who made a purchase at a popular travel site had clicked an online ad to get there – the remaining 80 per cent saw the ad, didn't click through, but returned later to the travel site to make a purchase. In short, even with direct marketing, online advertising works.

There are similar success stories in other industries, where the branding objectives are different. In the computer industry, for instance, examples abound of successful branding by companies such as IBM, Intel and Novell.

Intel: When chipmaker Intel checked out whether its online ads worked, it found that they did. Research showed that online advertising improved top-of-mind awareness 13 per cent, and perceptions of Intel being "cutting edge" by 15 per cent.

Novell: A similar study done for Novell showed a whopping 75 per cent improvement in audience top-of-mind perception of the company's brand, a

Following the US example

While Indians adopted the internet quickly, most Indian business groups have so far learned only very superficially from their American counterparts. Most Indian corporate and product websites are streets behind those of leading American companies.

Indian companies are equally backward in their approach to online advertising. There is, generally, much confusion about the internet. The confusion is perhaps an effect of the dotcom disaster. While it was necessary to reject and debunk the hype created by the dotcomers, most Indian companies ended up throwing the baby out with the bathwater.

Confusion was also caused by some half-baked learning from America. An example is the talk of web visitors' reluctance to click on banner ads to reach advertisers' sites. American companies quickly learnt how to analyse problem and how to deal with it. Indian companies have generally missed out on the opportunity.

According to PricewaterhouseCoopers, American advertisers spent \$8.2 billion online in 2000. Which is impressive compared with the \$11.2-billion advertising on cable TV, which has been around much longer, and far better than the \$1.8 billion on outdoor advertising. The key thing is that online audiences are growing. So is the amount of time people spend on the Internet both at home and at office. Advertisers know they have to be where the audiences are.

162 per cent improvement in top-of-mind total perceptions, a 21 per cent improvement in “higher opinion than others”, a 32 per cent improvement in perceptions of Novell being industry leader, a 26 per cent improvement in perceptions of the company meeting the respondents’ needs, and a 26 per cent improvement in perceptions that Novell “offers something different”. Online advertising increased the likelihood of consumers purchasing its product and brought about a 33 percent reduction in negative views of people saying they would “definitely not buy” Novell.

Clearly there are vast differences between how much success different companies achieve through online advertising. See how Novell achieved steeper improvements than Intel. That was possibly because Intel was already better known at the popular level than Novell, thanks in part to huge investments in advertising across all media.

It could well be argued that Novell, which is not so visible through TV advertising, has made a more cost-effective decision by spending on online advertising. That could be misleading – because the market segments the two companies are addressing are different. Intel needs to use the electronic media more than Novell because it needs to reach a wider, lay audience compared to Novell, which needs to address a business/technical audience.

Does all this mean that online ads always work? It doesn’t. What applies to offline advertising applies to online advertising too. In both kinds of media, some ad campaigns work, some don’t.

Intel, for example, had an online ad that required users to interact with the ad before getting the Intel branding message. Most users didn’t interact with the ad. When it re-worked its online advertising approach, it succeeded.

Procter & Gamble: There is the example of Procter & Gamble in the US, which got IRI to measure the impact of online advertising on later sales. It found that over a 16-week period, online advertising banners resulted in a 19 per cent growth in sales for its snack food brand. This in spite of the fact that the clickthrough rate was a pathetic 0.27 per cent. The advertising worked because it aimed to increase brand awareness and top-of-the-mind recall rather than clickthroughs.

What do you think?

That’s the way all advertising works. If there are failures in online advertising, the offline advertising scene is littered with flops too.

According to the US-based Internet Advertising Bureau, of the 28 ways in which to use interactive ads, only one – driving traffic to a marketer’s website – bases success on clickthroughs.

According to the *Business Week* article, the industry is starting to break free of metrics such as number-of-unique-visitors and clickthroughs, and online advertisers are beginning to use traditional testing to gauge the effectiveness of their ads – including brand-awareness and intent-to-purchase studies.

The onus of doing such research is on advertisers. And they will never find out until they try out online advertising in a serious way. The costs are not all that high, if you plan your ad placements well. The returns could be astounding!

Tell us what you think.

The Information Company Pvt Ltd

Founded in 1999, The Information Company Pvt Ltd has four divisions – web solutions, software, media & content, and design.

Clients of the company's web solutions and business services divisions include reputed organisations, including the Tata Services, Tata Consultancy Services, Tata Chemicals, Godrej Industries, Citibank, Mahindra & Mahindra, and ICICI Infotech.

The company's media division consists of www.domain-b.com, India's first online business magazine and one of the largest websites published from India; www.prdomain.com, a website for journalists, investors and communicators; and a daily business newsletter, a weekly economy newsletter, and monthly newsletters for consumers in the areas of automotive, personal finance, information technology, and telecommunications.

domain-b.com gets a very high level of traffic, and figures very high in search engine results with popular search engines like Google. The site has been cited for its quality by reputed organisations like Britannica.com and KPMG.

prdomain.com is widely acknowledged as by far the best site in its category in India, and among the best in the world.

The company's websites are:

www.domain-b.com, www.prdomain.com, and www.ticworks.com.

Marketing contact:

Marketing Manager
The Information Company Pvt. Ltd.
606, Tower A
Chandermukhi Estate
Plot No. 62, Sector 11
CBD Belapur
Navi Mumbai - 400614

Telephones: 91-22-2756 4536 / 4537 / 4538

Fax: 91-22-27571998

E-mail: marketing@ticworks.com