# Proof That Online Advertising Works

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## Atlas DMT and Other Industry Leaders Prove the Effectiveness of Online Advertising

Online Advertising has been much maligned in recent months. Following the tumble of the NASDAQ, many in the industry are scrambling to prove the viability of their advertising-supported business models. Ironically, the Internet's own accountability has been its downfall. Due to reports of declining click-through rates (CTR), banner advertising is suddenly the black-sheep marketing channel.

The problem is that focusing on click-through rates misses the point of advertising. Atlas DMT clients have known for years that there is little correlation between click-through rates and sales conversion rates.[1] Companies advertise to build brand and increase traffic and sales. If these are what matter, why not measure brand metrics, traffic volumes, and sales to evaluate the effectiveness of online campaigns? This is exactly what several recent studies by Atlas DMT and others have done. The findings definitively demonstrate that Online Advertising *does* help marketers achieve their marketing objectives.

## Online Advertising Boosts Sales and Traffic

A common argument against online marketing effectiveness is that sales and traffic would have increased anyway, and that other marketing efforts were responsible. There was no definitive evidence to disprove this until Atlas DMT published a scientific analysis of the true effect of Online Advertising in December 2000. The study was based on the results of a well-branded online travel company and proved that Online Advertising does work. It showed that conversions, beyond those directly following clicks, represent significant value –which most advertisers are ignoring.

Atlas DMT used anonymous cookies to compare the actions of a group of Internet users who saw ads against a control group of those who did not. The control group methodology allowed Atlas DMT to measure "what would have happened anyway". The results showed that the group who saw ads generated 10% more sales and traffic than the control group. Additionally, the study showed there is an "awareness conversion" effect that is many times greater than the direct-response conversions (conversions following click-throughs) that are attributed to most campaigns. Eighty percent of the overall sales increase resulted from customers who didn't click on any ads, but eventually converted on the advertiser's site.[2] Any offline advertising would have affected both test and control groups equally.



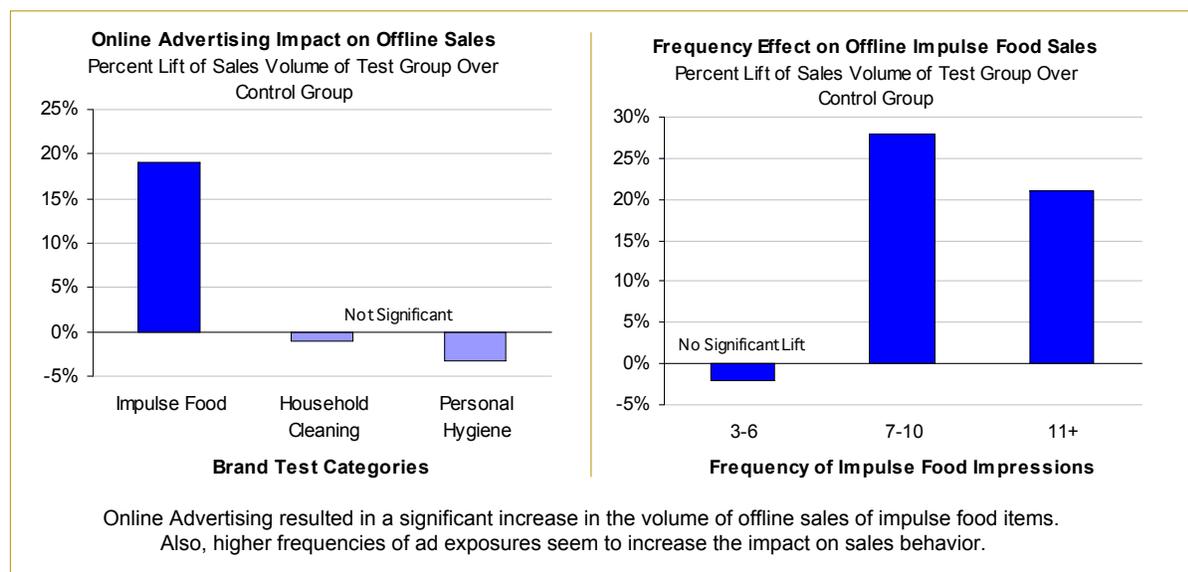**Online Advertising Impact: Online Travel Sales**
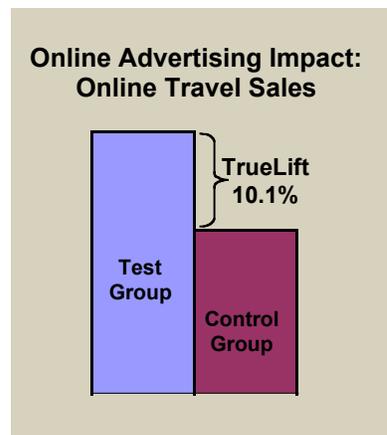
These results should not be confused with other studies that have shown ad campaigns resulting in users who have viewed ads, never clicked, but ultimately converted (homepage visits, registrations, and sales). These previous studies use a control group methodology.

## Online Advertising Can Boost *Offline* Sales

A challenge for all digital marketers is quantifying the effect of *online* marketing on *offline* sales. As brick and mortar and consumer packaged goods companies increase spending online, the impact on offline sales becomes significant.

Proctor & Gamble and Information Resources, Inc. (IRI) teamed up to measure the effect of Online Advertising for several established offline brands. This 16-week test compared a test group that was exposed to at least three ads versus a control group that saw none.

Offline sales from households that were served online advertisements for an impulse food product increased 19% over the control group. What's more, the study revealed that households with increased ad frequencies resulted in higher volumes of total sales. (With 7-10 exposures, there was a 28% increase over the control group.)[3] The same study did not find a significant impact on "planned purchased goods" –in this case a household cleaning product and a personal hygiene product. However, it is important to note that the short time window of the experiment does not suit testing products with longer purchase cycles.

**Online Advertising Impact on Offline Sales**
Percent Lift of Sales Volume of Test Group Over Control Group

**Frequency Effect on Offline Impulse Food Sales**
Percent Lift of Sales Volume of Test Group Over Control Group

Online Advertising resulted in a significant increase in the volume of offline sales of impulse food items. Also, higher frequencies of ad exposures seem to increase the impact on sales behavior.
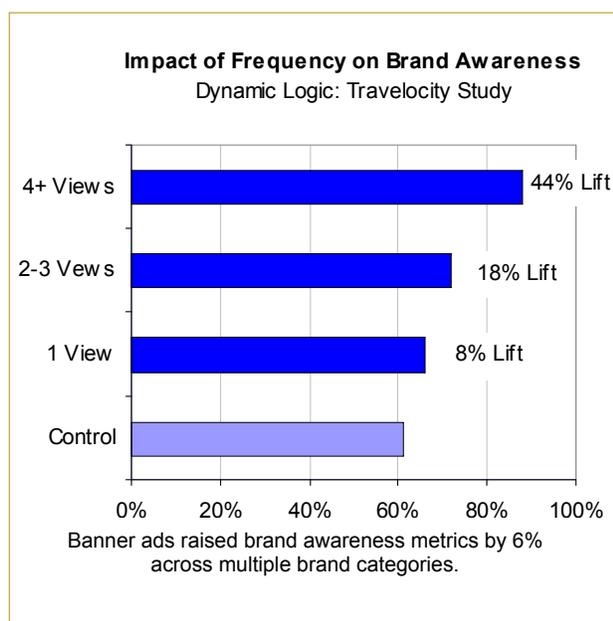
This study is great news for advertisers, and underscores the importance of integrating online and offline campaigns. As more brick and mortar dollars flow into digital media, undoubtedly there will be more experiments studying the effects of offline sales from online marketing efforts.

## Online Advertising Is an Effective Branding Vehicle

Can Online Advertising affect brand awareness? Three independent studies have shown conclusive evidence that banners make a difference in branding.
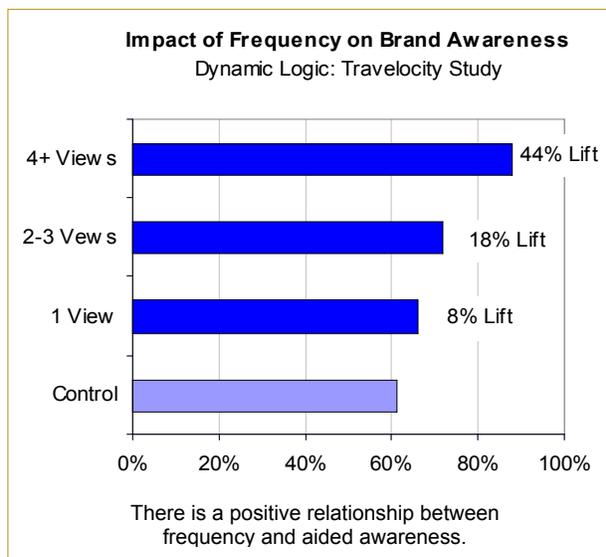
Dynamic Logic, an online research company specializing in measuring Online Advertising effectiveness, found that online banner advertising raises brand awareness on average by 6%.[4] This finding was based on more than 18,000 surveys and covered multiple product categories.

They found even more dramatic results for Travelocity, a leading online provider of travel services. Travelocity's banner campaign significantly lifted aided brand awareness by 16%. (Aided brand awareness refers to the

**Impact of Frequency on Brand Awareness**
Dynamic Logic: Travelocity Study

Banner ads raised brand awareness metrics by 6% across multiple brand categories.

percentage of respondents who indicated that they are aware of Travelocity when presented with a list of travel service providers.)

Similar to the IRI findings, Dynamic Logic's research showed that the more times a person saw the banners, the greater the impact on awareness. Among those who saw ads four or more times, the lift in awareness of Travelocity was 44%.[5]

**Impact of Frequency on Brand Awareness**
Dynamic Logic: Travelocity Study

| | |
|---|---|
| 4+ Views | 44% Lift |
| 2-3 Views | 18% Lift |
| 1 View | 8% Lift |
| Control | |

There is a positive relationship between frequency and aided awareness.

According to the Internet Advertising Bureau, site sponsorships account for more than one quarter of the online ad market. An ongoing study by media consultant Next Century Media revealed that viewers of a sponsored site (with multiple placements) are more likely to consider a purchase of the sponsor's product.

Research from Ipsos-ASI further found that the more heavily distributed a sponsor's message throughout a site, the more easily visitors remember the brand.[6] All evidence suggests that the branding effect of Online Advertising is a function of frequency, recency and impact –as in traditional media.

## Online Advertising Helps Retain and Grow Current Customers

There is a general belief that web advertising is a tool for customer acquisition (a medium to create awareness, drive traffic, and promote brand interaction). Rarely is it mentioned as a retention vehicle. Atlas DMT conducted a study across several advertisers to determine whether users continue to click on banners after an initial site visit. The study revealed that over 13% of users who clicked on ads were users who had already been to the advertiser's site. Additionally, the conversion rates (rate of purchase following the click) from previous visitors were almost 250% higher than those of first-time visitors[7] –compelling evidence that web advertising can be used to effectively increase the lifetime value of customers.

A deeper look into the previously discussed P&G/IRI study reveals more evidence regarding the power of Online Advertising on retention. Of the increase in offline sales of impulse foods due to Online Advertising, the analysis showed that 60% of the increase came from repeat buyers.

Advertisers need to consider how their online efforts can be used to bring customers back to their sites. Creative design and targeting is especially important. Technologies serving advertisers are now able to identify customers, even differentiating first-time users from loyal customers. As technology evolves, advertisers will have access to more tools for building individual relationships with every customer and prospect.

## Online Advertising Works

Headlines that say CTRs have fallen over the last several years are accurate. However, it is also true that more ads are being served than ever before. The growth rate of ads being served far exceeds the number of new users coming online. The efforts of publishers to grow their inventory has much to do with this. Many now put ads at the tops *and* bottoms of pages. Another popular strategy is to split content that was contained in one page (resulting in one ad impression) into many pages (resulting in multiple ad impressions).

Calculating click-through rates as a function of impressions (CTR = clicks/impressions) has resulted in a downward trend. But are people really clicking less, or is simple mathematics the culprit for declining click-through rates? Internet users are not necessarily clicking on fewer ads –there are just a lot more ads to choose from.

In light of all the studies reviewed, every marketer needs to question whether "click-through rate" is the right metric to use in evaluating the effectiveness of Online Advertising. As we discussed, click-throughs provide only a small, often misleading, indication of the true effectiveness of Online Advertising. Third-party ad tracking allows optimization of campaigns by measuring the effect of placements and creative on actual traffic and sales conversions.

Companies that gauge their success solely on the number of clicks resulting from their advertising may see a dubious future. For those focused on building brand and increasing traffic and sales, Online Advertising has proven itself to be a powerful marketing vehicle.

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## About the Atlas Institute

The Atlas Institute is the research and education arm of Atlas DMT. The Institute publishes Digital Marketing Insights, a series of publications by Atlas DMT's senior marketing analysts and digital marketing experts, that help our customers improve their digital marketing effectiveness. Many of these findings are also made available to the digital marketing industry at large. Each Digital Marketing Insight report is designed to help marketers more successfully build value with their customers, throughout the customer lifecycle: from awareness to acquisition and from retention to growth. Atlas Institute also provides education in digital marketing to Atlas DMT customers and partners.

## About Atlas DMT

Atlas DMT is a provider of digital marketing management systems and an operating unit of Avenue A, Inc. Atlas DMT offers a system of services and technologies that helps advertising agencies and other marketing professionals deliver efficient, profitable digital marketing programs –over the web, e-mail, wireless and the digital media of the future.

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