



# All Roads Lead To The Web

## The Critical Importance of Tracking Offline Advertising in a Digital World

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## Executive Summary

The proliferation of hundreds of cable TV stations, thousands of Internet radio stations, over 18,000 specialized magazines, hundreds of millions of personal computers, billions of Internet web pages, trillions of emails, and a dizzying array of offline and online technologies have resulted in a significant upheaval that affects all advertisers and media properties. Coupled with increasing costs and difficulty in reaching key demographics, advertisers of all stripes are quickly realizing that tracking ad response, wherever it occurs, in order to justify media spending, has become a major mandate, and in some cases, a necessity for survival and prosperity.

Advertisers have also recognized the emergence of the multi-channel shopper, a person that transacts business in more than one venue (retail, catalog, online), as being considerably more valuable than single-channel shoppers. To get the greatest value from these multi-channel shoppers, marketers need to be able to track their purchasing patterns and enable transparency between channels. These changes are happening at warp speeds: Forrester predicts that 2005 and 2006 will be the “cutover years” where web sales will exceed catalog sales for those catalogers who maintain web sites.<sup>1</sup> Already top catalogers like Bear Creek (David & Harry, Jackson & Perkins) and Drs. Foster and Smith generate over 45% of their sales on the web.<sup>2</sup>

The advertising landscape has also changed dramatically. According to Randall Rothenberg, Director of Intellectual Capital at Booz, Allen & Hamilton, “We’ve gone from the era of mass production, mass merchandising and mass marketing to the era of customized products and services. Media fragmentation is atomizing audiences.”<sup>3</sup> About half of the U.S. population has Internet access and over half are online when they are watching TV.<sup>4</sup> According to MediaPost columnist Adam Guild, “the Internet is the ‘comfort’ medium of the new millennium. It provides people with control...without having to deal with the traditional offline media’s mandate of what, where, when, why and how they should read or watch.”<sup>5</sup>

A recent study shows that “the web has become the most popular remote shopping method, with almost 100 million people making a purchase after using the web to research choices. That was head and shoulders above catalogs, direct marketing and telemarketing.” The study found that 114 million adults searched for

product information and 98.9 million actually made a purchase; and that 60 percent of adults use the Internet regularly, and most use the web to shop.<sup>6</sup> International orders can account for 10 percent to 20 percent of web sales.<sup>7</sup>

Websites have the most influence over purchasing decisions in 7 out of 10 categories; 64 percent of consumers say the Internet has changed the way they make purchases. And 86 percent of consumers purchasing travel purchased it online!<sup>8</sup> At holiday gifting time, the numbers are even more conclusive: 93.6 percent of surveyed consumers expect to use the ‘Net to research/buy gifts.<sup>9</sup>

**As more and more advertisers push people to transact business online in order to reap numerous benefits, they open up another Pandora’s box of problems that didn’t exist prior to the web. They cannot effectively and accurately track and allocate online activity (leads, orders) that results from offline advertising.**

Consumer habits have changed dramatically. 20-30 years ago consumers were largely controlled by the media and advertisers; today’s consumers are clearly in control of what they view, read and hear; how and when they obtain news, product information and entertainment; and where, when and what communications method they use to transact business. They consume media from multiple sources at the same time.

This shift from advertiser control to consumer control has occurred rapidly, and many advertisers are struggling to figure out just what happened, and how best to move forward in order to retain existing customers and find new ones.

An explosion of payment options further complicates the picture. Subscriptions, micro-payments, on-demand, pay-per-view, pay-per-download and others add another level of tracking required to help advertisers determine the optimal pricing model for their wares and services, which might differ based on the product or service, customer base and other factors. Daytime has now become prime time as consumers transact personal business while at work.

All of these developments have a great impact on the topic of this paper, the tracking of online response – web visits, registrations, inquiries and orders – that

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results from all forms of offline and online advertising. Never before in the history of advertising has it been as critical to track where people go across media to determine how best to reach them in the future and maximize their value.

**There's a new twist to a quote we've all heard many times in our careers. Early last century, retailer John Wanamaker said, "I know I'm wasting half my ad budget, I just don't know which half." If he were alive today, he might say, "I know I'm getting half my orders on the web, I just don't know where they are coming from."**

## The Web - The Center of the Universe

Most marketers have recognized the web's enormous value and have made varying degrees of efforts and expenditures in order to establish site(s) that serve as central hub of the enterprise, accessible 24/7 and loaded with information, prices, store locations, photos, product description, video, and much more. DaimlerChrysler's Director of Brand Communications Bonita Stewart, calls the web "a common waypoint among the different media in integrated campaigns."<sup>10</sup> Whether for TV or radio, "The Internet is the integrator for all campaigns."<sup>11</sup>

The web is unique in that anywhere a web address can be printed, spoken or viewed, a URL can be displayed, giving people an easy and instant way to learn more. In fact, we have identified over 75 top-level ways in which consumers arrive on web sites.

On one hand this is a good thing, but it creates a big tracking challenge. The more ways in which people arrive at a site, the harder it is to track any one particular source, and it becomes next to impossible to properly and accurately allocate web activity to specific media placements, creative, offer, etc. For example, an appearance on Oprah can lead to a surge in web traffic, which might throw off the results of a banner or email campaign that was breaking at the same time.

Another recent phenomenon that complicates this issue is "simultaneous media consumption" in which people log onto web sites while watching TV or listening to the radio. News stations refer viewers to their sites for expanded news; during NFL games you can vote on the outcome of controversial plays. This is a trend that is not going away.

Advertisers are embracing this trend as well. In recent spots, Mitsubishi cut short a commercial in which two cars race towards the end of an uncompleted bridge. The spot stops when the cars are close to the edge, and viewers must visit a web site to see the end. Rather than simply sending people to MitsubishiCars.com, the company elected to create a new domain name (unrelated to the brand but definitely related to the content of the spot), [www.seewhathappensnext.com](http://www.seewhathappensnext.com) (no longer operational).

While the company was able to segregate traffic from this campaign, it could not measure traffic, registrations, test drives, etc., from specific media placements. This spot was a big success: the site received more visitors in its first 24 hours than MitsubishiCars.com does in a month.<sup>12</sup> It would have been a greater coup if they could have measured site visits and activity for each media buy.

While advertisers almost never think of web traffic coming from product packaging, perhaps they should: an astounding 65% of consumers learn about consumer package goods websites from product packaging.<sup>13</sup> Tracking and capturing people who arrive from product packaging can provide significant intelligence, even down to the level of consumer activity based on the size of the product purchased! It's yet another example of how the web adds value to customers, but also requires the need to track web activity.

## Pushing Activity to the Web

Marketers, and particularly direct marketers, have been encouraging people to transact business online for a number of reasons. This "push to the web" as we call it has had a profound effect on many industries, especially travel and real estate, and its effect on advertising and marketing is no exception.

### Lower Transaction Processing Costs

It costs significantly less to process an order on the web.

### More Orders and Inquiries

Since the web is self-service, companies can handle more inquiries and orders than by phone and mail.

### **Build Database Faster and Easier**

The web enables marketers to build customer databases faster and easier than other methods.

### **24/7 Presence**

The web breaks down time and distance barriers, allowing consumers to access web sites whenever they want to, from wherever they are, and using any device they prefer. Time zones become immaterial.

### **More Convenient for Customers, Prospects**

Today's younger generation who have grown up with the 'Net, as well as a large number of adults, are extremely comfortable with the web, and do not want to wait for information to arrive by postal mail.

### **Preference of Online to Telephone Operators**

Consumers prefer to order online in order to avoid talking to telephone sales representatives.

### **Special Opportunities**

The web affords marketers unique opportunities to generate multiple sales. The best example of this is online gift registries.

### **Apples to Apples Comparison of Advertising Across Media**

With proper tracking in place, advertisers can now accurately compare, for example, orders from a full page ad in *USA Today* vs. a 60 second TV commercial on *CNN* vs. a 4-color, 1/2 page ad in *TV Guide* vs a \$25,000 online spending including email and web banners.

### **Personalized Landing Pages**

One of the most exciting and underutilized technologies is personalized landing pages based on the media source, offer and creative. For example, a landing page based on the inbound URL can be dynamically created and served that might say something like this: "Thanks for responding to our 'One in a Million' promotion for the 'Millionaire's Seminar' advertised in *Money Magazine*."

### **Added Value for Advertisers and/or New Revenue Source**

As one example, magazine reader response cards could easily be replaced by a trackable, electronic service that delivers people right to the page on the web site corresponding to a product or service featured in an ad, giving the advertiser value-add, quite important in today's climate where advertisers

are questioning the value of their print media placements.

### **Language Navigation**

Global advertisers who use modified URLs can make it easy for people to go right to pages in their chosen language, rather than going to a site, choosing a language, and then searching for the desired page.

## **The URL Dilemma Facing All Advertisers**

In order to accurately track offline advertising on the web, the only way to achieve this is to modify the URL. That's the basis for the battle that goes on in companies large and small. Through extensive advertising and usage, brand managers have given the web URL untouchable brand status. In countless discussions, the most common response to the concept of modifying a URL is, "That's sacred. That's our brand. We can't change that."

Brand managers believe in the purity of the brand, and they extend that to the URL. Even a change like 25.llbean.com instead of llbean.com is a modification that they fight tooth and nail. Even if that URL is in the consumer's mind for only a few seconds!

At Disney's shareholder meeting in March, 2004, former board member Stanley Gold touched a nerve about the brand, as summarized by Ben McConnell in a post:

- Companies are often addicted to their brand(s).
- Executives show their addiction by talking about "brand awareness" and "brand equity."
- They bet worrisome amounts of money on ad campaigns whose measure of success is "increased brand awareness."
- They calculate the contribution of "brand equity" to the bottom line.

On the other side of the fence, CFOs, media buyers, analysts, sales managers and others would welcome the ability to track offline to online, because it would make their lives easier and lead to increased revenues. The brand would still be intact, and marketing dollars would be much better spent. A recent survey of marketers clearly shows the division within companies:

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- 72 percent of marketing executives said the primary objective of marketing was to drive sales leads or directly influence revenue.
- 37 percent of non-marketing execs agreed.
- 31 percent said marketing is strategic but its effects cannot be measured.

Further, 55 percent said making marketing more measurable was their greatest challenge for 2004, and coordination of marketing programs across channels was one of their top 3 challenges.<sup>14</sup>

We view the URL that is in a TV spot or print ad as a disposable, short-lived “bridge” between the ad and the web site. When a consumer sees or hears tickle1.com, types in the URL, he winds up on tickle.com, not tickle1.com. For the few seconds that it takes for the page to load, he may have in his mind the URL he just typed, but when the page loads, the branding is intact and the bridge URL is gone. The modified URL has no bearing on the consumer’s actions – it’s just like a numerical phone number instead of a vanity number.

We’ve observed another interesting and strange phenomenon in our evaluation of TV commercials and print ads. Advertisers treat URLs as an afterthought, and are discouraging people to visit their sites. With the exception of direct marketers and companies like ditech.com and 1800flowers.com where the URL really is the brand, we have observed:

- 98 percent of TV commercials containing URLs displayed them for three seconds or less, giving people virtually no time to comprehend, remember and jot them down. Some commercials ran spots where the URL was seen for less than a second (lincolnmercury.com).
- In 94 percent of the TV spots viewed, the URL was never verbalized.
- In 92 percent of print ads, the URL was set in significantly smaller type, and difficult to read.

*By comparison, most direct response TV ads display the phone and/or URL for most, if not all, of the 60 or 120 second spots. This ensures that people have time to jot down ordering information.*

This raises several questions as to why advertisers

are treating their so-called “untouchable and incredibly value branded URLs” in this way:

- Why put a URL in an ad if you make it hard for people to remember or see the URL and visit the site?
- Would the URL being set in larger type or appearing on the TV screen for 10 seconds really damage the brand?
- If a displayed URL was slightly modified, would it really damage the brand?

The URL dilemma should not be a dilemma. If you believe that tracking all forms of advertising, publicity and promotions in the new digital world is important or even critical, then you must make the decision to modify URLs in order to track advertising. Sports Illustrated took a good first step by creating a URL for their TV offers: [www.sitvoffer.com](http://www.sitvoffer.com) -- that’s what smart marketers must do.

## Two Camps That Could Be At Odds - Budgets Wars Coming?

While the need for tracking offline advertising has in recent years been verbalized more often by C-level executives, not much has been done about it. That, coupled with the fact that most online advertising is 100 percent trackable, could lead to two camps at odds for budgets within a company. We’ve already observed budget shifts favoring online, and that’s likely to accelerate, especially for media vehicles where no tracking is present. The two groups likely to emerge are:

- The “trackers” back shifting dollars to online, claiming every dollar spent demonstrates a clear and measurable return.
- The “trackless” cannot compete against the “trackers” in terms of ROI. They can point to brand awareness studies and ad recall, but in this day and age, the bottom line hard numbers will force budgets to be shifted into media that’s trackable and that can be shown to directly affect sales. Certainly an intriguing possibility, especially when you consider that Internet advertising is projected to be \$8.3 billion this year.<sup>15</sup>

eMarketer’s Senior Analyst David Hallerman concludes that “without question, network television

and newspapers' piece of the ad spending pie will be cut in the next three to five years, with some suggesting it could be as much as 30 percent or 40 percent.<sup>16</sup>

## **Building Pressure on Branding Advertisers to Track**

There is now more pressure than ever on all advertisers to justify their ad placements on an ROI basis. Says Mohanbir Sawhney "If CMOs are unable to quantify the value of marketing, marketing budgets will inevitably get cut, and marketing spending will gravitate toward short-term demand generation initiatives at the expense of brand and relationship building initiatives."<sup>17</sup> The traditional branding advertiser is slowly adopting some of the tools direct marketers have used for decades.

For example, the auto industry spends heavily on TV. A Capgemini report showed that only 18 percent of consumers said TV advertising was likely to influence them in purchasing a vehicle, whereas 76 percent of dealers and 57 percent of OEMs thought that it would. About half the consumers said direct mail would influence them. The report concludes, "The Internet is a critical touchpoint that can—and should—be integrated with other consumer points of contact."<sup>18</sup> For advertisers to succeed in this new digital world, this adoption must accelerate, for these reasons:

### **Changing World of Advertising**

With more and more of their budgets being spent online, advertisers are living in a world that is close to 100 percent trackable. Any online placement, whether it is a banner, text link or paid search engine placement, is trackable. Because it takes very little effort, and because no modification to the URL is necessary to track online advertising, advertisers have begun tracking online ads with little resistance. In fact, DoubleClick's "TouchPoints II Study" concluded that "The Internet has turned all companies into direct marketers."<sup>19</sup>

### **Fragmented Media and Tracking**

With hundreds of cable channels and thousands of niche magazines and publications, reaching target audiences has become more difficult and fragmented. Certain demographics, like young men, have become more elusive as they spend a lot of time online. Today's media plan looks vastly different from those

of last century, so tracking the effectiveness of all these advertising vehicles becomes more and more necessary.

### **Rising Media Costs**

As media costs continue to rise, the need to determine which media is the best investment becomes paramount.

### **Multi Channel Marketing Requires Tracking to be Effective**

The multi-channel buyer has emerged as an extremely valuable customer, and everything must be done in order to find, attract, cultivate and keep that customer. Forrester reported that while the average annual grocery bill is \$6,769, consumers who access product information online spend up to \$8,161 per year – 26 percent more than consumers who do not engage in any online CPG activities.<sup>20</sup> Tracking between media is essential, so that advertisers can track individual patterns such as:

- Consumer sees ad in magazine
- Goes to web site
- Calls 800# with questions
- Purchases product online
- Picks up at store
- Buys additional product while at store

In addition to the basics like buy-on-the-web, return-to-the-store, consistent pricing across channels and consistent messaging, Gap Inc. (Gap, Old Navy, BananaRepublic) strikes strong partnerships between online operations and the stores that enable promotions that otherwise would not be possible. For example, web content was coordinated with a TV commercial that resulted in the sale of tens of thousands of monogrammed cords.<sup>21</sup>

The problem is even more exacerbated when you consider that many web operations were, or still are, separate divisions or even separate legal entities, each with their own "silo" and differing agendas.

### **Marketing Performance a High Priority**

In a recent survey of over 320 top-ranking senior marketing executives, The CMO Council, a non-profit association of senior marketing executives, revealed:

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- Over 80 percent expressed dissatisfaction with their ability to benchmark their marketing programs business impact and value.
- 72 percent say their primary role today is to drive leads for sales.
- 50 percent of CMO's are under a direct mandate to provide better metrics and measurement (IDC).
- Over 90 percent said marketing performance management is a significant priority and imperative in their organization.
- Only 17 percent had a formal measuring system in place.

The study concluded, "More than half of the companies surveyed do not measure performance for marketing activities surrounding branding or sales and marketing collateral, and nearly half do not measure the performance of channel marketing and market research programs."<sup>22</sup>

The Interactive Advertising Bureau's Greg Stuart, who has purchased hundreds of millions of media dollars on behalf of blue chip clients, said in a keynote address: "We didn't, and still don't, have tools for objective measurement that will guide media planners in their decisions. And trust me, R/F [reach and frequency] is not it."<sup>23</sup> Greg later talked about how much money the ad industry is wasting by not optimizing – his estimate was as high as \$85 billion per year.

### Downsides for Not Tracking Advertising

The ramifications of not tracking online and offline advertising in today's new digital world affect every company's bottom lines:

### Canceling Profitable Ads Which Leaves Money on the Table

Marketers who evaluate the profitability of a TV spot, for example, solely on phone orders with no ability to track web orders, may actually cancel spots that are profitable if web orders had been properly allocated. If 40 percent of orders occur online (not uncommon today) and they are "lost" in terms of allocating to a specific TV commercial, it is likely that the commercial will be viewed as unprofitable and cancelled.

### Media Losing Advertisers Who Can't Track

The inability to track offline to online affects not only advertisers, but the media in which they advertise. Major advertisers are questioning the effectiveness of their print ads. Advertisers don't want to cancel ads in publications and in other media if they are working. Publishers certainly don't want to lose revenue when advertisers conclude ads are unprofitable and cancel. Both groups need to work together to implement offline to online tracking so that these relationships do not fall apart.

### Losing Track of the Customer

Even though a customer may eventually buy from an enterprise, it is easy to lose track of them, especially multi-channel shoppers. Some web sites are designed to push people back into retail stores, but if they are not tracked, it is problematical to determine if that use of the web site is optimal. Further, if a customer is online and can't find a product, he or she will want to be directed to where the product is available, whether it's in a store or catalog.

### Building Pressure on Branding Advertisers to Track

Based on the numbers, we project a dramatic shift from orders placed by phone to orders placed on the web:

Time Period	Phone Mail Orders	Web Orders
Up to 2002	95%	5%
2002 to 2004	60% – 80%	30%
2005 and beyond	20%– 40%	70%

Here's what this means in terms of the profitability of a given TV spot, print ad, a direct mail list or any other media placement: Company XYZ has a \$20 cost-per-order (CPO) ceiling for a consumer product. A 60-second spot on Lifetime costs \$1,000. Through a unique 800 number, there were 35 orders directly attributable to this spot, which is a \$28.57 CPO (\$1,000/35), some 43 percent over the ceiling. This spot on Lifetime would probably be cancelled for future airings.

The spot also featured a generic web address (www.xyz.com) but no orders could be allocated accurately to the spot that occurred on the web site. Making the assumption that 30 percent of all orders took place on the web, XYZ really had 15 additional orders, for

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50 total orders, which would be exactly a \$20 CPO (\$1,000/50). Had the web orders been properly allocated, this spot would be a winner. No one in the direct marketing field likes to cancel ads that are actually profitable.

Based on client data using iFactz, SendTec's proprietary offline-to-online tracking system, this chart shows the effect of accurate allocation of web orders from offline television commercials.

- Actual results from a live campaign
- Target allowable is \$12
- Green = profitable; red = unprofitable

Media Source	ATV	BTV	CTV	DTV	ETV	FTV	GTV	HTV	ITV	JTV
<b>Daypart</b>	<b>6a-9a</b>	<b>9a-4p</b>	<b>4p-6p</b>	<b>6p-11p</b>	<b>11p-1a</b>	<b>8a-4p</b>	<b>4p-6p</b>	<b>NA</b>	<b>NA</b>	<b>ALL</b>
Media Cost	\$910	\$180	\$1,200	\$300	\$360	\$300	\$255	\$1,705	\$1,305	\$1,200
Total 800#	37	8	19	22	18	11	18	13	14	7
800 # Leads	30	2	12	8	11	5	6	13	14	7
Web Leads	1	4	30	11	2	2	2	44	41	19
<b>Total Leads</b>	<b>31</b>	<b>6</b>	<b>42</b>	<b>19</b>	<b>13</b>	<b>7</b>	<b>8</b>	<b>57</b>	<b>55</b>	<b>26</b>
Target Ad Allowable	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30
<b>CPL</b>										
Only Looking at 800 #	\$30.33	\$90.00	\$100.00	\$37.50	\$32.73	\$60.00	\$42.50	\$131.15	\$93.21	\$171.43
Adding Web Leads (even distribution)	\$19.96	\$10.23	\$43.48	\$12.71	\$13.53	\$14.56	\$11.81	\$59.62	\$44.09	\$53.10
Adding Web Leads (Media Exp. distribution)	\$18.80	\$31.92	\$33.09	\$21.33	\$19.69	\$27.11	\$22.86	\$35.91	\$32.31	\$38.38
Adding Web Leads (Total Call distribution)	\$14.09	\$19.00	\$40.34	\$10.51	\$12.94	\$19.64	\$11.18	\$67.81	\$48.19	\$88.63
Adding Web Leads (iFactz distribution)	\$29.35	\$30.00	\$28.57	\$15.79	\$27.69	\$42.86	\$31.88	\$29.91	\$23.73	\$46.15

## Conclusions

- If you ignore web orders and look only at 800# orders, 10 out of 10 spots are unprofitable and would be cancelled.
- If you add in web leads and distribute them evenly across all media sources, 4 of 10 spots are unprofitable.
- If you allocate web orders based on how much you spent on media, 5 of 10 spots look unprofitable.
- If you allocated web orders based on inbound calls, 4 of 10 look unprofitable.
- If you use a system like iFactz to properly allocate orders, only 3 of 10 are actually unprofitable, and you can feel assured that the information on which you're making decisions is the best possible.

Further, if you properly track orders, you can allocate back orders to a spot, even if it happens weeks or months later.

## What Exactly Needs to be Tracked?

Basic tracking of web activity resulting from offline and online advertising encompasses tying back inquiries and orders to specific media placements. But that's only the beginning. A tremendous amount of intelligence can be learned when you have the ability to track these variables:

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### Media Variables

Including media source, category of media, position, frequency, daypart, size, length, etc.

### Creative Variables

Including offline creative (ads), online creative (emails, landing pages), copy, graphics, color, etc.

### Offer Variables

Including offer, price, payment terms, premium, upsell, etc.

### Site Variables

Including number of visitors, registrations, inquiries, newsletter signups, orders, shopping cart abandonment, pages viewed, links clicked, etc.

### Other Variables

Including geographic, demographics, psychographic, etc.

## The Big Payoff

Being able to track each of these variables can lead to valuable learning. These “what if” scenario examples not only impact the bottom line but can lead to wide sweeping changes in advertising and/or site design:

- Which offline media source produces the highest/lowest average order size?
- Which ad creative produces the highest/lowest shopping cart abandonment rate?

Shopping Cart Abandonment <sup>24</sup>	
\$5.30	Amount left in abandoned carts for every \$1 in revenue
60%	Percentage of total carts abandoned
52%	Percentage of customers who started checkout process actually completed it

- Which offer results in the highest credit card fraud rate?
- Which product shown to people based on where they live yields the highest profit?
- Which combination of media, creative and offer yields the greatest time spent on the site? The least?

## Who is Tracking What Now

For this section SendTec analyzed TV, print, direct mail, banners, email and other types of offline and online advertising to determine what was being tracked. The results are instructive.

Offline Media Type	Percent of advertisers not using any URL tracking:
Non-DRTV	98.11%
DRTV	54.55%
Print	90.57%
Newspaper (Display)	96.97%
Direct Mail	92.50%
Radio	100%
Consumer Magazine	96.15%
Tech Magazine	75.00%

Online Media Type	Percent of advertisers not using any robust URL tracking:
Email	6.45%
Banner Ads	14.71%
Paid Search	12.90%

Key takeaways:

- With the exception of direct marketers, offline advertisers are using untrackable URLs 90+ percent of the time.
- The opposite is true of online advertisers, whose robust tracking capability is very high.

Further supporting the lack of tracking is a WebTrends and Emarketer Report (5/04) showing how online results are measured:

- 35.4 percent use a complete ROI analysis
- 24.2 percent use click through rates only
- 18.7 percent use conversion metrics
- 21.7 percent don't measure at all

The conclusion here is that almost half of all marketers surveyed are not able to measure online conversion rates effectively, nor attribute them to specific media placements.

The negative ramifications of poor tracking continue beyond the obvious. An article in *Response Magazine*<sup>25</sup> concluded that consumers will often go to search

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engines to find the product or site, especially in those cases where there is no URL (30.3% in our research, see table above) or it is vastly overshadowed by the phone number. If you are doing paid search, this will most likely incur additional search fees, thus costing advertisers twice (cost of TV spot plus cost of paid search).

In May, 2004, for example, there were 113,464 searches on Bowflex (REVshare, in *Response Magazine*) and according to Overture on 7/17/04, Bowflex was bidding over \$2.00 per click on their own "Bowflex" keyword. If, for example, 10% of the people who clicked on the link came from TV, that would add some \$22,000 plus to the expense of their TV spots – and that's just Overture – there are many other search engines including Google. Over the course of several months, this could become a substantial expenditure.

To further muddy the waters, while online-to-online tracking is almost at 90%, it is likely that the many advertisers are using different tracking systems for their various online advertising – perhaps one system for paid search, another for banners, etc. One system is needed that covers not only all online tracking but offline as well, so that true apples-to-apples comparison can be produced that compares all media and promotional outlets.

### Analysis of a Print Ad with Response Card

One good example of the tracking issue is an Aricept ad that appeared in the July, 2004 issue of National Geographic. The full-page ad with a perforated mail in card featured three ways to respond:

- Phone. The number had "ext. 55" which is a common method of tracking incoming phone calls.
- Mail. The card had a key code, AR117930, an established method of tracking.
- Web. The URL was [www.aricept.com](http://www.aricept.com) -- no tracking capability at all.

Clearly the marketers of Aricept wanted to build a database, evidenced by the response card that asked detailed questions and requested a phone number and date of birth. We can assume they are spending a lot of money to build this database, but clearly cannot track web inquiries. The question is why track phone and mail but not web?

## A Short History of Ad Tracking

Marketers have successfully used a number of tracking techniques. These are effective as shown, but very limited when tracking offline-to-online.

### Offline-to-Offline

- Marketers use the DNIS system for determining how incoming toll-free numbers are matched with media placements. For example, 800-123-4567 at 10am might be from ABC in Chicago, while 800-123-4569 at 10am might be from Discovery national cable.
- For direct response, marketers use "key codes" which are those codes found on the backs of catalogs or in direct mail pieces. These codes need to be captured by telephone operators for their value to be fully utilized.

### Online-to-Online

- Redirect URLs. URLs are sent through an intermediary server that captures the origination information.
- CGI scripts. A script reads a code on the inbound URL and adds it to a cookie or other device so that the media placement code is tied to that person.
- Pixel codes. Invisible 1x1 GIFs are placed on confirmation pages, so that the site or email from which the customer came can be tracked.

### Offline-to-Online

With the exception of SendTec's iFactz system, we know of no system that is over 95 percent accurate in tracking and allocating web activity from offline advertising. Existing methods are reviewed in the next section.

## What Methods are Used to Track Web Activity from Advertising

There have been a number of methods used to track online results from offline advertising, to varying degrees of success. Most involve some change or addition to the typical URL, while others involve allocation of web orders based on some formula.

## URL Changes/Additions

### **Suffix URL**

A URL suffix is anything that follows the “.com” such as the “/tv” in xyz.com/tv. This structure indicates that a separate sub-directory of the web site has been set aside for those people who type in the entire URL correctly. SendTec research and discussions with marketers indicates that less than 10 percent of consumers just do not bother to type in the suffix. They know they will get to the site even if they omit the suffix. We suspect people look at a URL like a sentence, with the “.com” being the period, and anything after it is unnecessary. Another risk with suffix URLs is that if people mistype it, such as xyz.com/tb, they may get a “page not found” error.

### **Multiple Suffixes on URLs**

Multiple suffixes are even more cumbersome than a single suffix URL as described above. An example from an IBM print ad is: ibm.com/shop/m425 – ostensibly the “425” is a specific media placement. If you mistype “425” you get a “page not found” error.

### **Prefix URL**

To combat the problem of suffix URLs, SendTec has experimented with using prefixes, such as: 25.sharksweeper.com. This method results in the lowest number of omissions because people feel that the “25” is necessary to get to the site. This method enables the tracking of specific media placements, creatives and other variables. Like the cobranded URL (next), the tracking mechanism is to the left of “.com” and is therefore more of a part of the core URL. If you type anything to the left of sharksweeper.com, you will arrive at the right page, thus eliminating the “page not found” problem that exists with suffix-based URLs.

### **Cobranded URL**

The cobranded URL is a slight variation on the advertiser’s main URL, such as RhinoLiningsTV.com vs. RhinoLinings.com. The “TV” is added to the left of the URL so it becomes a part of the domain, and thereby less likely to be omitted. However, this method can separate TV web activity from all other web activity as long as the cobranded URL is used only for TV; further, using this method does not enable a marketer to track specific media placements.

### **Unrelated URL**

In this case, the URL in the ad is completely different from the branded URL. As discussed earlier, rather

than simply sending people to mitsubishi.com, the company elected to create seewhathappensnext.com

for traffic resulting from a specific ad campaign. While they were able to segregate traffic from this campaign, they could not measure traffic, registrations, test drives, etc., from specific media placements.

### **Campaign Based URL**

Burger King uses haveyourway.com and subservientchicken.com that are campaign-specific. Viagracard.com (not viagra.com) pushes a discount purchasing program.

### **Branded Numerical Domain**

The online dating service Tickle.com, for their radio campaign, wanted to use URLs that were the easiest to remember since people listening to radio often do not have paper and pen to write down a phone number or URL. They purchased domains including tickle1.com, tickle2.com, etc. Each domain was used for a different media source. This method makes sense for campaigns with a fairly small number of media sources and creatives, but if there are hundreds of media sources and creatives, each one requires a separate domain and correlation with the main site, a fairly significant undertaking.

### **Numerical Domain**

We have not seen any advertisers use this method, though it is as close to 100 percent accurate as possible. It involves assigning a numerical domain, such as 48905.com, for each media placement/creative/offer combination. People would view this URL in the same way they view a non-vanity phone number: simply a set of numbers that leads to the web page they want to view. Because of the cost of potentially numerous domains and managing the cloning of sites for each, this method is not practical for marketers with numerous media placements.

### **Match back**

This method is used primarily in direct mail and by catalogers, where people who appear on a specific database are sent a mailing piece with a URL that leads to a web site. The advertiser matches the list of people that the piece was sent to against a file of people who placed online orders and therefore can determine where the online orders coming from direct mail should be allocated. This process takes time and is only valid if the identity of the web visitors are known in advance.

### Checkout codes

This method requires people to insert a “discount” or “priority” code into a box at the time of checkout on the web site. This code is provided in ads, and theoretically a different code can be provided for each media placement. This method will most likely backfire because people who check out and do not have the code will abandon the site. Research from Vanderbilt University’s Owen Graduate School of Management showed that 76% of test shoppers were likely to check out if they had such a code; only 19% would check out if they were prompted for the code but didn’t have one.<sup>26</sup> This is a risky situation, because a buyer ready to check out suddenly has second thoughts and says to himself, “Let me see if I can find a code and save money...” and may never come back.

### Allocations

Many companies attempt to allocate web orders to various forms of advertising and while in certain cases they may be somewhat useful, they all have flaws that prevent them from being a recommended approach. They typically involve two steps:

- Allocate a certain percentage of web activity (leads, orders, etc.) to a given advertising campaign – i.e. TV. If the advertiser is using a unique URL just for that TV campaign, then 100 percent of web activity coming into that URL would be credited to the TV campaign. If they are not using a dedicated URL, the percent of web activity allocated to the campaign is pretty much arbitrary.
- In an attempt to further allocate the web activity to specific ad placements, marketers use these allocation methods:
  - o Even Distribution: web activity spread evenly amongst all ad placements.
  - o Advertising Expenditure: percentage of ad spend for a specific placement = percentage of web activity allocated to it.
  - o Telephone Call Volume: percentage of calls from a specific placement = percentage of web activity allocated to it.
  - o Other: some other formula for allocation.

The overriding problem with allocations is that it is not scientific, most likely not valid in most cases, and does not account for web traffic and activity coming from other sources.

### How Did You Hear About Us? Input Boxes/Pulldown Menus

People are asked to indicate how they arrived at the site via an input box or pull-down menu. Most of these are very general, i.e. “TV commercial” rather than something more specific, i.e. “60 second ad on Oprah, 6/25/04, 4:11pm”. As a result, the information learned from this method is too general to be used in any meaningful manner, except to learn about new ways in which people have reached the web site.

### Tracking Systems and Mistyped URLs

Our analysis of 2 million transactions shows that 30 percent of URLs are mistyped in some fashion. We estimate that 90 percent of those mistyped URLs will end up with a “page not found” message, which is the last thing an advertiser wants to happen. Many of the tracking methods do not account for this problem, while some have resolved this issue by algorithms that look at other activity and logically assign mistyped URLs based on a number of factors.

This is critical because if advertisers elect to use a suffix system, they could be losing tens of thousands of people who get page not found errors because it would have been a substantial undertaking to create a system that prevents that.

### Elements of a Great Tracking System

Whether tracking online-to-online, offline-to-online or offline-to-offline, a robust tracking system needs to be comprised of these key components.

- Real time reporting
- Multiple reporting formats
- Combines web and non-web data
- Compares data across all media types
- Ability to implement easily in advertising
- Ability to implement easily on the web site
- Produces meaningful information to answer “what if?” questions
- Has algorithms and processes to deal with unique situations
- Ability to track numerous variables
- Produces meaningful and actionable information

## Make Tracking Advertising a Company-Wide Mandate

Everyone within the organization, advertising agencies that the enterprise employs, direct mail list brokers and other vendors need to understand and embrace the critical importance of tracking customers as they criss-cross between offline and online media, and shop in stores, through catalogs and on the web. CEOs need to make sure everyone is on the same page.

While reach and frequency, gross rating points, audience demographics and other factors are still valid points in choosing media placements, they need to be supplemented with back-end tracking that proves whether or not those placements are viable.

All advertisers need to start acting more like direct marketers in order to reap the ROI benefits of analyzing specific media placements in addition to evaluating the entire campaign. This is critical as we move from a few dominant media outlets to tens of thousands of media outlets.

### Summary - A Wake-Up Call

By nature, the digital world moves extremely quickly, changes constantly and collapses time and space severely. The traditional offline world has traditionally moved much slower, was resistive to change and did not display a sense of urgency that is prevalent in the online world. As advertisers play more and more often in the online sandbox, they, and their agencies, must adapt to the quickened pace that comes with the territory.

Changes in culture, the role of advertising, treating consumers, dealing with fragmented media, etc., all need to be addressed from the top down. Executives in all areas need to get on the same page and resolve open issues like accountability of advertising, how to track it, and brand purity.

Top management needs to decide just how important accurately measuring and allocating web activity from all media is. If it is as critical as most say it is, this requires making hard decisions to implement bullet-proof tracking systems. As Mike Donahue of the American Association of Advertising Agencies said in 2003, "In this era of accountability, agencies are being asked to make absolutely sure that every dollar

a client spends is spent in a valuable way and the way it was intended." Without proper tracking, agencies cannot definitively meet this client mandate.

Advertisers that do not embrace "Jack be nimble, Jack be quick" will increasingly see their market shares decrease to their brick and mortar competitors and to online upstarts that didn't exist just a few short years ago. Just look at how online travel, web florists and Amazon.com have permanently altered those industries. Says Forrester, "If your company does not have a person in charge of multichannel strategy and projects, you're going to be left in the dust in 2010."<sup>27</sup>

Today, not tomorrow, is the time to address marketing accountability and the need to measure results from advertising of all kinds to determine where money is best spent. It's time to solve the "Wanamaker paradoxes" – the original one and the 21st century version.

### About iFactz and Sendtec

iFactz, a patent-pending technology from of SendTec, is a proven offline/online advertising tracking technology guaranteed to improve ROI by correctly allocating online activity to offline and online media placements. It is a turnkey solution that tracks leads, visits, sales, and analyzes media costs from any offline advertising campaign including DRTV, direct mail, print, catalogs, radio and many others. It is the only technology that can track media, creative, offer, price and dozens of other variables for some 75 different ways in which people arrive at advertisers websites, allowing marketers to see the most comprehensive picture of where their prospects and customers are actually originating.

iFactz is extremely easy to use and features a client-side ASP desktop interface. All activity is reported in real-time, and just like a DNIS based telemarketing system, iFactz tracks unique media sources, and related consumer activity including unique website visits, the hourly time-slot of each site visit, the consumer action (i.e. purchases, lead, subscriptions, etc.).

All activity can be automatically downloaded into an advertiser's media tracking system or viewed online in real-time. iFactz is particularly useful for multi-media campaigns in creating an apples-to-apples comparison across media channels.

## All Roads Lead to the Web

Since 1996, SendTec has provided end-to-end services for marketers that drive their businesses both offline and online, with ROI always in mind. SendTec offers a totally unique suite of technology and services that deliver, track, and optimize direct marketing campaigns across all communication platforms. We're known for highly effective and award-winning creative, as well as a culture built on high energy and partner accountability in performance based emarketing, direct response TV, media buying, website design and DR print and radio.

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## Footnotes

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