MEASURING ROI BEYOND THE LAST AD

Winners and losers in the purchase funnel are
different when viewed through a new lense

By John Chandler-Pepelnjak, *Atlas Institute*

Introduction

Consumers spend an average of 26.5 hours a month online[1] with the Internet serving
as a primary source for news, entertainment, research, connecting with friends and
family, and, of course, shopping. Yet in the face of this mass consumer migration, the
online advertising industry continues to struggle to shed its direct response reputa-
tion with marketers. For many, measuring the ROI for online campaigns has been
both a blessing and a curse. Although real-time performance metrics for online cam-
paigns deliver insight at unprecedented levels of granularity, those same reporting
systems fail to capture the complexity of the campaigns. As a result, publishers are
held to reporting standards that ignore all but the last digital marketing ad or click
before a conversion. Known as the "last-ad" reporting standard, this model gives
100% credit for a conversion to the last ad seen or clicked on by a consumer. This
reliance on last-ad conversion attribution often leaves publishers and ad networks
struggling to prove their value to advertisers simply due to the nature of their site,
not because of the quality of their audiences or ability to target.

Lost in translation is the marketing concept dating from 1898 known as the "purchase
funnel", in which consumers follow a path of Awareness, Interest, Desire, and Action
(AIDA). Certain channels, like out-of-home and television, build awareness and inter-
est while others—such as direct mail or point-of-sale—excel at turning prospects into
customers. The same concepts exist online with broad reach portals and ad networks
building awareness, online video and rich media excelling at branding, and search
serving as the greatest deal-closing invention since the Yellow Pages.

Microsoft® Advertising

In an effort to understand the bias created by the last-ad model, the Atlas Institute conducted a study based on campaigns across 1,000 sites and sales or registrations from 500 advertisers. The goal of the study was to understand which sites were delivering reach and engagement to converters yet not getting credit. In other words, which site categories have the most to gain from new conversion attribution paradigms like Engagement Mapping[2] that comprehensively share credit across all digital marketing messaging delivered to a customer?

For this study, conversions based on the "Balanced" Engagement Mapping model were compared to results based on the standard last-ad model. The Balanced Model blends the priorities of most direct response and brand advertisers and is the most popular model chosen by advertisers participating in our beta. We measured the change in conversion credit by site and advertiser, aggregating the results by site category.

Results

Figure 1 shows the distribution of the change in conversion credit within the broad publisher channels. Results varied widely as we found winners and losers in every category. The skew of each category, however, provides a sense of the potential gains or losses for publishers. The gray bars represent the interquartile range (the portion of data between the 25th to 75th percentiles) with the median indicated by the yellow stripe.

Figure 1:

This chart shows the shift in conversion credit seen by sites in various online channels. Each bar represents the interquartile range (the portion of data between the 25th to 75th percentiles) with the median represented by the yellow vertical stripe. Search and affiliate networks tend to lose credit under E-Map, indicated by their bars falling to the left-hand side of the zero line. Ad networks and vertical content sites tend to gain credit, indicating that the last-ad model undervalues their contribution to the conversion funnel. Note also that these two channels display right skew, indicating that many sites show improvement well above the median value.

Engagement Mapping Conversion Performance versus Last Ad Reporting

E−Map Improvement over Last Ad
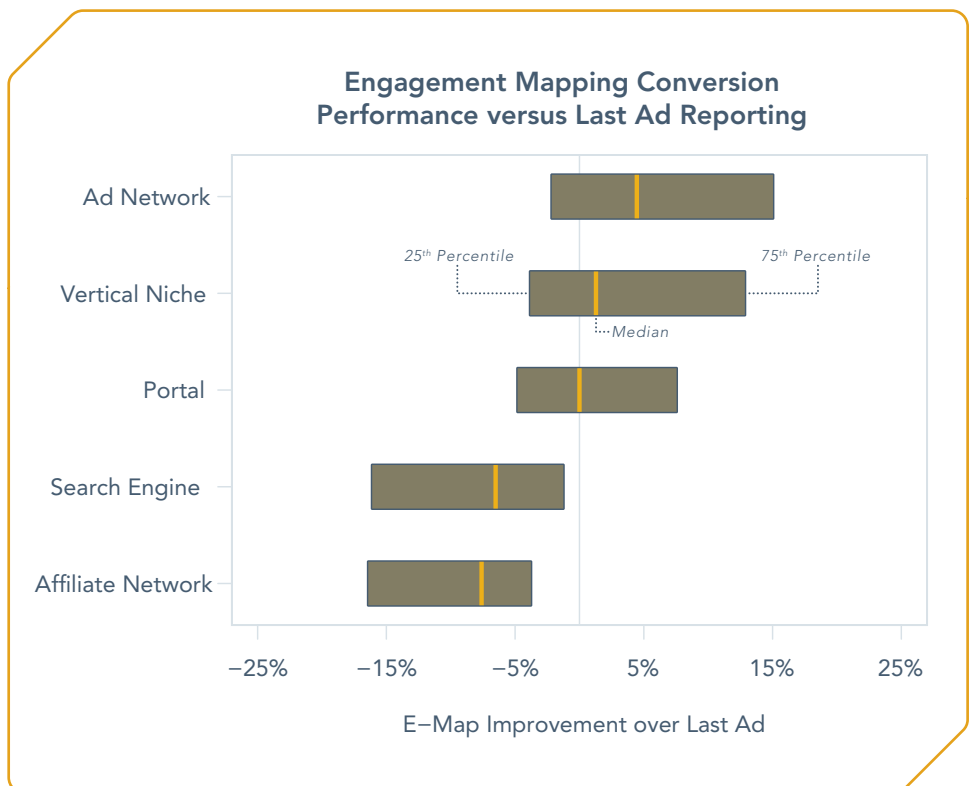
[2] Song, Young-Bean. Atlas Institute. "Engagement Mapping: A new measurement standard is emerging for advertisers." http://www.atlassolutions.com/uploadedFiles/Atlas/Atlas_Institute/Engagement_Mapping/eMapping-TP.pdf

Affiliate networks tend to lose credit; the value of these buys is overstated using the last-ad model. Similarly, search reveals its role at the bottom of the purchase funnel. The median search buy loses 7% credit under the Balanced Engagement Mapping model. On the other hand, vertical content sites and ad networks tend to gain credit with the median improvement being 1% and 5%, respectively. Although these median values are rather modest, note the outer variance ranges of the 25th and 75th percentiles. The skew of each range indicates how sites can perform well above or below the median Engagement Mapping values. At a macro level, the losses by search and affiliate networks create the gains seen by content verticals and ad networks.

Why do we see the vertical and ad networks gain and search lose? For search the story is clear. Sponsored search disproportionately gets last-ad credit because of their proximity to the transaction. And since last-ad reporting rules dictate that clicks trump views, regardless of the influence of display ads, search typically will take sole credit. In a previous study, the Atlas Institute found that 44% of sponsored search clickers are exposed to display ads prior to the click[3]. With more advanced attribution models, the overlap between search and display typically shifts a portion of conversion credit from search to display campaigns. The limitations of the last-ad model are further amplified by advertisers bidding on their own branded search terms. Our research indicates that 71% of sponsored search clicks are navigational in nature[4]. Thus, display publishers, who are effectively targeting and engaging prospects, will often receive little credit given how common it is for consumers to click on search ads to navigate the Web.

On the other hand, ad networks see healthy gains due to their broad reach. The vast reach of ad networks means they have extensive overlap with many of the other channels and other ad networks. As a result networks generally gain credit because they can garner fractions of credit across more conversions, rather than only receiving credit when they are lucky enough to be the last. Their ability to target ads to likely prospects (e.g. behavioral and psychographic targeting) helps networks win even more incremental credit from all-inclusive models. The story for vertical content sites, such as city guides or travel, is also positive but for different reasons. Focused content enables niche sites to deliver targeted reach. And CPM pricing often translates to higher levels of frequency. Their campaigns also show overlap and synergy with search, but the winner-take-all nature of the last-ad model hides their effect. Portals fall squarely in the middle since they are an amalgam of other categories.

[3] Strong, Esco. Atlas Institute. "The Combined Impact of Search and Display Advertising." http://www.atlas solutions.com/uploadedFiles/Atlas/Atlas_Institute/Published_Content/dmi-CombinedImpactSearchDisplay.pdf
[4] Brooks, Nico. Atlas Institute. "Paying for Navigational Search." http://www.atlassolutions.com/uploaded Files/Atlas/Atlas_Institute/Published_Content/dmi-NavigationalSearch.pdf

A more granular view of the data reveals results of specific categories within each of the verticals. Figure 2 shows the same data as for Figure 1 with the vertical niche category expanded.

Figure 2:

This chart gives a much more granular view of the change in conversion credit within site categories. The same categories are represented here with the vertical niche group from Figure 1 expanded into its constituents. As you move up the chart, categories deliver more value than the credit they receive under the last-ad model. Most categories show an improved performance under Engagement Mapping. Music, City Guide and Auto seem to be losing a great deal of credit to buys lower in the funnel.

Probability of Gaining Conversion Share from Engagement Mapping

Shift in Conversion Credit
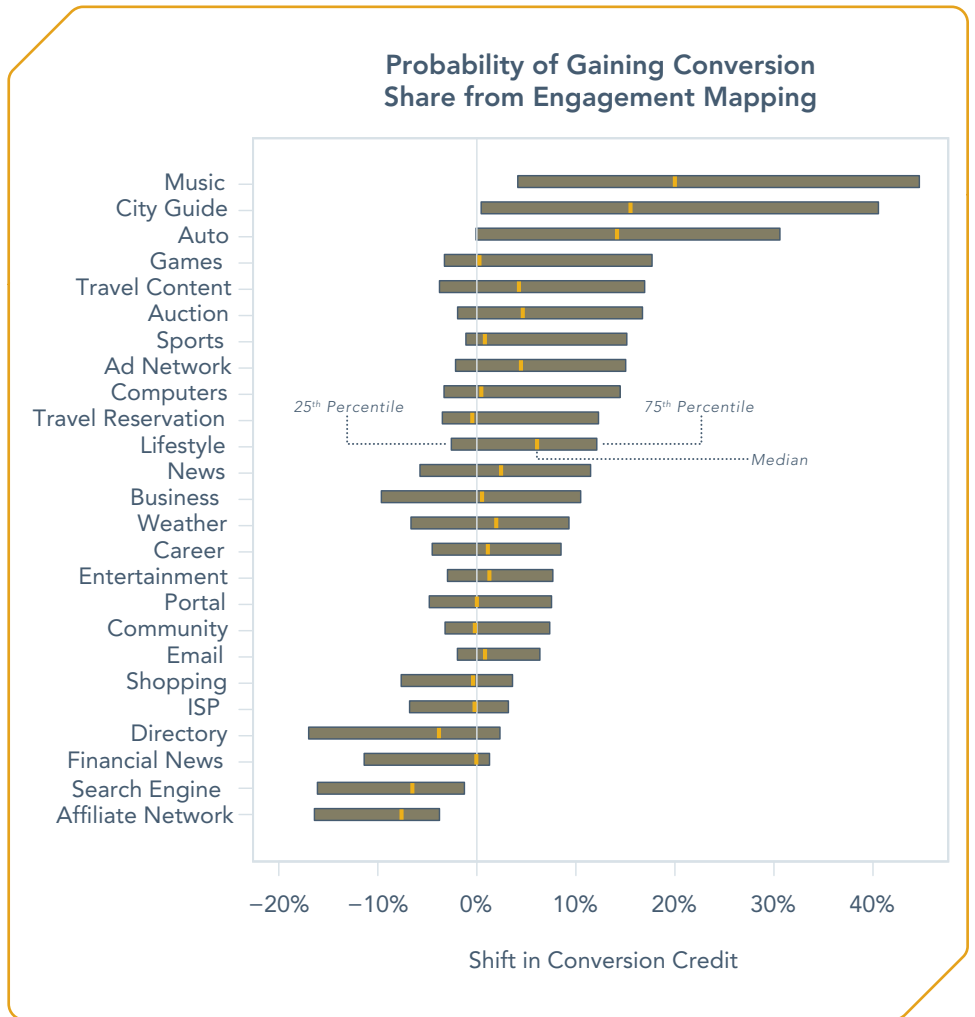
At the top of this chart we see site categories that are losing a great deal of credit to buys lower in the funnel. The chart is sorted by categories that have the highest potential gains from Engagement Mapping. The top five gaining categories (Music, City Guides, Auto, Games and Travel Content) share a common trait—they are all leisure and research related. These sites engage users in a context that does not yield immediate conversions and are therefore handicapped by last-ad reporting. At the other end of the spectrum, the bottom five categories (Affiliate Networks, Search, Financial News, Directories, and ISP) skew towards the bottom of the funnel. Users are looking for something specific and these types of sites either help them find it or act as gatekeepers in the process. The area of the bars in the positive sector proves that vertical content sites have a lot to gain from more comprehensive conversion reporting methods.

What this means for Publishers

Where is your contribution in the funnel? The majority of display campaigns have an opportunity to improve performance using conversion reporting models that go beyond the last ad. Publishers who deliver high-value impressions to future con-verters but fall towards the top of the sales process are penalized by the last-ad model. Ask your advertising partners to compare your performance using a model like Engagement Mapping. Every Atlas client now has the ability to produce an "Engagement Mapping Factors Report" that reveals how much engagement your site is delivering to the advertiser's customers. The analysis calculates alternative ROI metrics, and scores each site on variables like reach, frequency, recency, ad format and ad size. This new capability may help justify budgets for media buys that appear to be underperforming through the last-ad lens, yet are reaching customers in the upper part of the purchase funnel. Insights from the Factors Report will also help you understand the key drivers of success for the advertiser and how your inventory can be packaged and optimized to better attain their goals.

What this means for Advertisers

Optimize with reporting that shares credit with all touchpoints. Media plans today are increasingly dominated by search, affiliate deals, and a handful of networks. This may be a strategy preferred by direct response advertisers, but for many marketers our research shows that vertical content buys have a greater role to play in today's media plans. Advertisers with a highly considered purchase or a long sales cycle will experience particularly pernicious exposure to the last-ad bias. Identify which buys are cost-efficiently contributing to the upper part of your purchase funnel by using more sophisticated conversion reporting like Engagement Mapping. The Engagement Mapping Factors Report can be run on any campaign tracked by Atlas, and will provide a snapshot of which sites are delivering reach and engagement to your customers beyond the last ad.

About the Atlas Institute

The Atlas Institute is the research and education arm of Microsoft Advertising. The Institute publishes Digital Marketing Insights (DMIs), a series of publications by 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 DMI 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. The Atlas Institute also provides education in digital marketing to Atlas customers.

To view a full listing of the Atlas Institute's Digital Marketng Insights, please visit

www.AtlasSolutions.com/insights.