

THE LONG ROAD TO CONVERSION: THE DIGITAL PURCHASE FUNNEL

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Introduction

Most marketers are familiar with the concept of the "purchase funnel," – and many online marketers plan and execute their campaigns with it in mind. They buy some sites for their ability to generate awareness and reach new customers, and others for their ability to persuade consumers to take action and make a purchase. For example, the messaging needed to draw a customer to your site from a search engine is vastly different from the messaging intended to build top-of-mind awareness on a portal. So knowing when and where consumers are exposed to advertising is invaluable to any media plan attempting to leverage each consumers place in the funnel.

Today, the reality is that media channels overlap and multiple sites reach consumers prior to conversion¹. Yet, the advertising metrics and models developed for online marketers largely ignore the question of when media exposure occurs. By measuring the last ad seen or clicked by a converter, they focus entirely on a brief time span at the bottom of the funnel. Evaluating only a single point of advertising contact oversimplifies the delivery and performance of any media channel.

This Digital Marketing Insight aims to answer the question of exactly when and where purchasers see online advertising, and what implications those discoveries may have on the process of planning and optimizing media.



¹Strong, Esco. Combined Impact of Search and Display, 2006.

Methodology & Data

The data for this DMI comes from over seventeen million conversions that occurred between May and September of 2008. These conversions represent the results of advertising campaigns run by 250 advertisers across thousands of sites. Each advertiser tracked both search and display campaigns simultaneously, and only conversions from revenue-producing (such as sales, lead, or registration) action tags were used. The study considered a full 90 days of advertising history prior to each conversion.

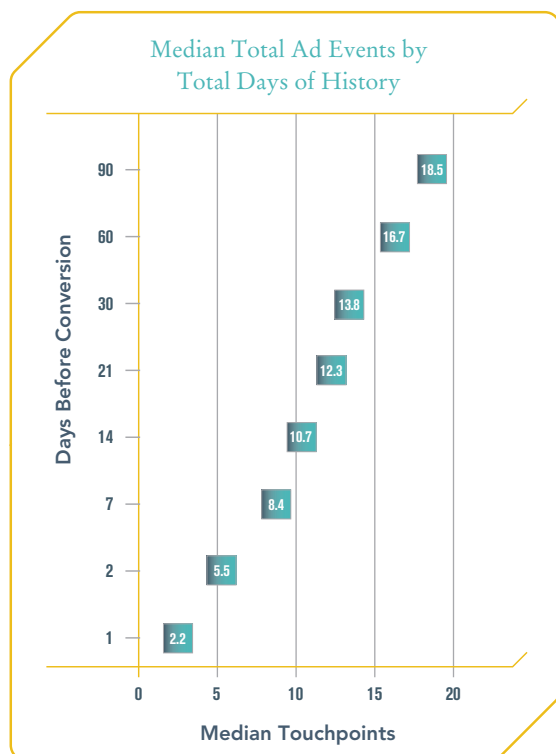


Figure 1:
Over half of advertising exposure occurred more than a week prior to conversion.

Media Consumption Over Time

Most advertisers made their first contact with converters months prior to the conversion. Figure 1 shows the median number of media touch points at different times in users' conversion histories. Unsurprisingly, the amount of advertising exposure is quite high in the last few days before a conversion. Consumers amass a median of 5.5 ad events in the final 48 hours before conversion alone. But this frequency amounts to less than a third of the total media events delivered over three months. Half of the total engagements with converters occurred between seven and sixty days prior to conversion, and after a full 90-day look back, converters experienced a median of 18.5 events.

The large number of ad exposures consumed prior to purchase may come as a surprise to marketers who are used to discussions of frequency that revolve around site or campaign metrics. Measuring only the last ad in a conversion history conceals the true length of the relationship an advertiser has with each consumer.

When we focus our view on individual converters' histories and apply the funnel concept to their ad consumption, we discover that their histories are much longer and richer than typically assumed. These results confirm other research showing that advertising reaches consumers from multiple advertising campaigns and across channels².

The Purchase Funnel

With such a large number of ads being delivered before conversion, it's common that most converters are reached by an advertiser across multiple sites. Figure 2 lays out the median time that different categories of publishers reach consumers prior to conversion. Notably, affiliate networks and search engines often reach customers for the first time just a few days or hours prior to conversion. But categories like Entertainment and News tend to reach in-market consumers weeks or months before conversion, and deliver their frequency over a longer period of time. The reason why these sites reach consumers at such different times becomes clearer when we consider where they might

²Fowler, Jed. *The Impact of Overlap*, 2006.

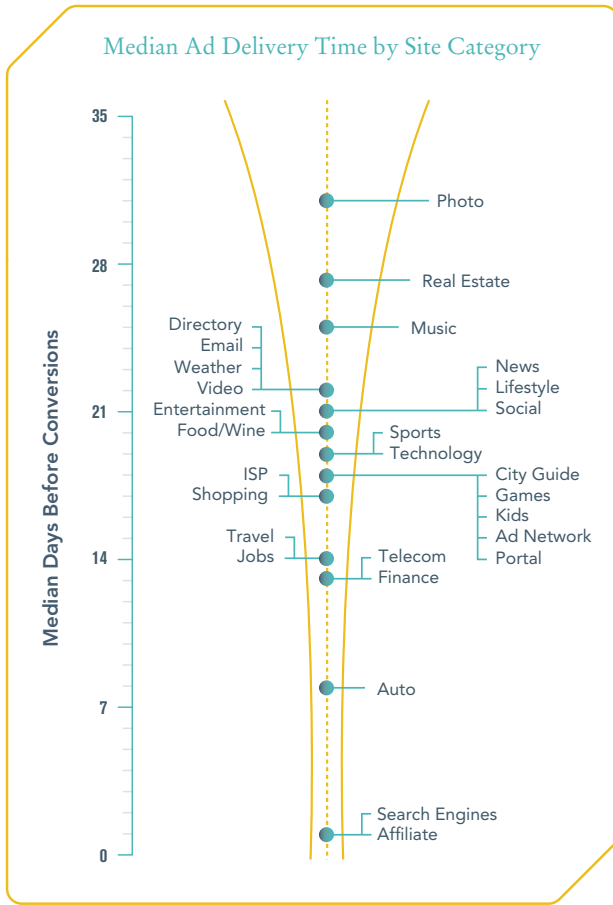


Figure 2:
Most publishers live in the middle and upper funnel.

Implications For Campaign Measurement

When a site reaches a user prior to conversion, it has serious implications for how we measure and plan online campaigns. This is especially true when it comes to measuring campaign ROI using the last-ad standard. Over half of the views or clicks that are credited by the last-ad methodology occur within five days or less from the time of conversion, even though only a fraction of the total ad consumption by converters occurs during this period. But more importantly, as Figure 2 shows, only a few site categories dominate the lower reaches of the purchase funnel. Assigning credit to the last click or view disproportionately favors those few publishers at the expense of the publishing majority, whose contributions are spread out over more time.

Other common industry practices can further obscure the contributions a publisher made to a sale. Advertisers whose action tags use shorter view or click windows are also devaluing many publishers, since publishers that appear in the final week prior to conversion are often different from those appearing three or four weeks prior. These sites are bought for different reasons than the publishers further down the funnel, such as to generate awareness or reach a particular audience. Publishers higher in the funnel are valuable sources of new prospects that are used to feed traffic to lower-funnel

logically reach a consumer who is traveling through the sales funnel.

The interplay between three factors appears to influence when a publisher is likely to reach a converter: site function, audience, and advertiser mix. Search engines are an interesting example of this phenomena. The information gathering and navigational functions of search draw an audience of consumers with a high probability of making a purchase³. Consequently, search has attracted a number of direct response and lead generating advertisers pushing messages designed to get consumers to "act now."

Social media, on the other hand, often reaches consumers much earlier. Users of social media visit those sites in order to connect and share experiences with friends and family over the web. Most of the functionality provided by these sites does not lead directly to a commercial transaction. Rather, advertisers find these publishers valuable for their reach to a broader audience and ability to build awareness. As a result, social media sites tend to live high in their advertisers' purchase funnels.

³Brooks, Nico. Paying for Navigational Search, 2007.

channels. Yet, over three-fourths of advertisers' primary actions use a view window of fourteen days or less. These shortened view windows undermine the intentions of a campaign by throwing out the contributions of any site that reached a converter more than two weeks prior to conversion, effectively dismissing the assistance of the middle and upper ranges of the funnel in driving conversions.

Site Name	Median Days Prior to Conversion
Hotwire	3
Priceline	4
Kayak	6
Shermans Travel	10
TripAdvisor	12
SideStep	12
Expedia	17
Travelocity	17
Travel Ad Network	18
Cruise Critic	18
Orbitz	22
Virtual Tourist	25

Differences Between Travel Publishers

The combination of audience, function, and advertisers also creates variance between the time when publishers in the same category are likely to reach a consumer. Large categories such as Travel can contain publishers that inhabit all sections of the sales funnel. Sites with audiences intent on purchasing travel in the near future such as Priceline and Hotwire are productive for advertising directed at soon-to-act consumers. Conversely, Virtual Tourist and Cruise Critic focus on aspirational travel and so live higher up in the funnel. Traditional travel search sites like Expedia, Orbitz, and Travelocity also live higher in the funnel than budget aggregators, since they attract a broader mix of advertisers. These sites carry advertising for non-travel related products in addition to the travel mainstays like airlines and hotels, which dominate the budget aggregators' advertiser mixes.

Figure 3:

Selected travel publishers inhabit very different parts of the funnel.

What This Means For Advertisers

- > **Take advantage of the rich data contained in conversion histories.** Many different ads from varied publishers are reaching converters prior to the sale. This makes the last-ad standard a poor proxy for measuring the value delivered by media in the purchase funnel. Consider using advanced ROI methods like Engagement Mapping to efficiently reward all publishers that deliver effective advertising within a user's sales funnel.
- > **Expand the amount of history used for ROI calculations by opening up conversion windows.** Short windows can penalize publishers with large reach that feed the sales funnel. If you are concerned about the increase of conversions that will result from longer windows, consider implementing a discount rate to adjust your conversion levels. This will result in much higher quality campaign performance data without changing the number of overall conversions counted.
- > **Remove silos and barriers to measurement across channels by having as much of your advertising centrally tracked as possible.** Make sure impressions, not just clicks, are part of your conversion attribution reporting. Accurately measuring campaign performance across the funnel is not possible when different channels are tracked separately and reporting is unconsolidated.

What This Means For Publishers

- > Consider where your site lives in each of your advertisers' sales funnels. If you are not sure, then suggest that they perform a Conversion Funnel analysis on the campaigns you are running for them from the data they are collecting from their third-party ad server. Compare this data with the methodology the advertiser is using to measure campaign performance. If your site lives in the middle or upper reaches of their purchase funnel and your advertisers are using a last-ad methodology, your site may not be getting the credit that it deserves.
- > Find out how long a time period each advertiser is considering for their conversion windows. If your site is reaching converters early in the sales process and your advertisers are using short windows, ask them to lengthen their conversion windows to properly capture these touch points. Even advanced ROI metrics like Engagement Mapping won't reflect the contributions of your site to the sales funnel if the conversion window is only a few days in length.

About Microsoft's Atlas Institute

Microsoft's Atlas 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. Microsoft's Atlas Institute also provides education in digital marketing to Atlas customers.

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