How to measure success of online marketing –

concepts and challenges

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Abstract

This paper addresses the issue of performance measurement of online marketing, which is an important research topic and obtains more and more attention. We explore various online marketing tools, including online marketing channels, social marketing, search engine advertising, affiliate marketing, e-mail marketing, and display marketing. We also point out that mobile marketing and location-based marketing are becoming the new trend in marketing. At the end, we propose a marketing performance measurement framework to timely assess the effect of marketing so that the top management can adjust marketing strategy and operation in time.

Keywords: marketing, performance measurement, online marketing

I. INTRODUCTION

Online Marketing is a very fast growing area and is getting more important every year. The most important difference to conventional marketing lies within the ability to measure the success of an online marketing campaign in real time. Therefore the campaign results can be viewed instantly which makes it much easier to see how a campaign performs. Also the data is available on every device with an internet connection and is ffialways current. Advertising agencies are able to show their clients the success of their campaign instantly and can discuss the next steps. Using conventional marketing advertising agencies and their clients have to wait several weeks or even month to figure out if a campaign is working or needs realignment. Furthermore the campaign can be changed much faster relating to the results of the measurement and adopt to new challenges or changed expectations.
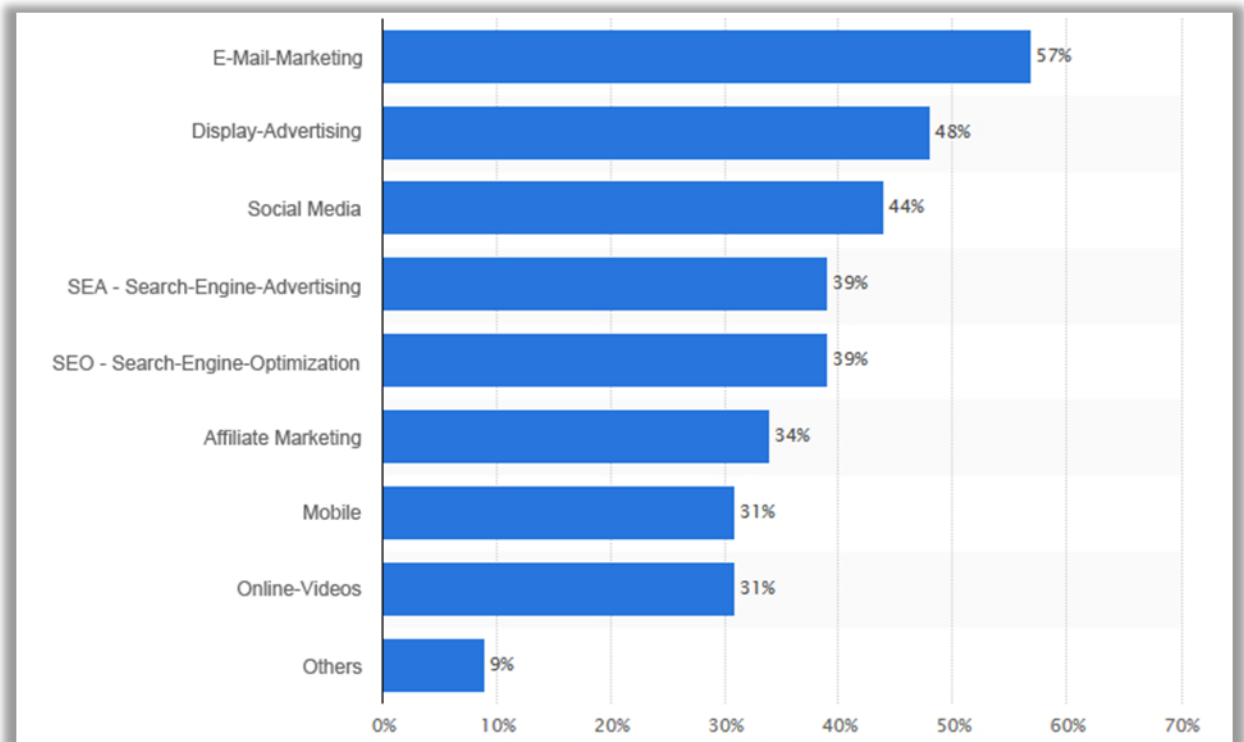
Figure 1. Popular online marketing channels (Statista, 2011)

II. ONLINE MARKETING CHANNELS

There are a lot of different channels for online marketing but this paper will concentrate on the most important ones and give a short overview about them and how to measure their success. The main channels are social marketing, search engine optimization (SEO), search engine advertising (SEA), E-Mail marketing, affiliate marketing and display advertising. Figure 1 is showing the usage of the different online marketing channels in Germany.

III. SOCIAL MARKETING

As Facebook is the most used network worldwide, this paper will concentrate on how to measure the success of a Facebook campaign. An own recent survey (Figure 2) supported this worldwide statement as well for the young German population. Most companies measure their success on how many fans they have and how much people like them. They compare their fans at the beginning of the campaign and at the end to measure the success of the campaign. The number of fans and people who talk about a site can be increased dramatically in different ways e.g. by using a prize competition.
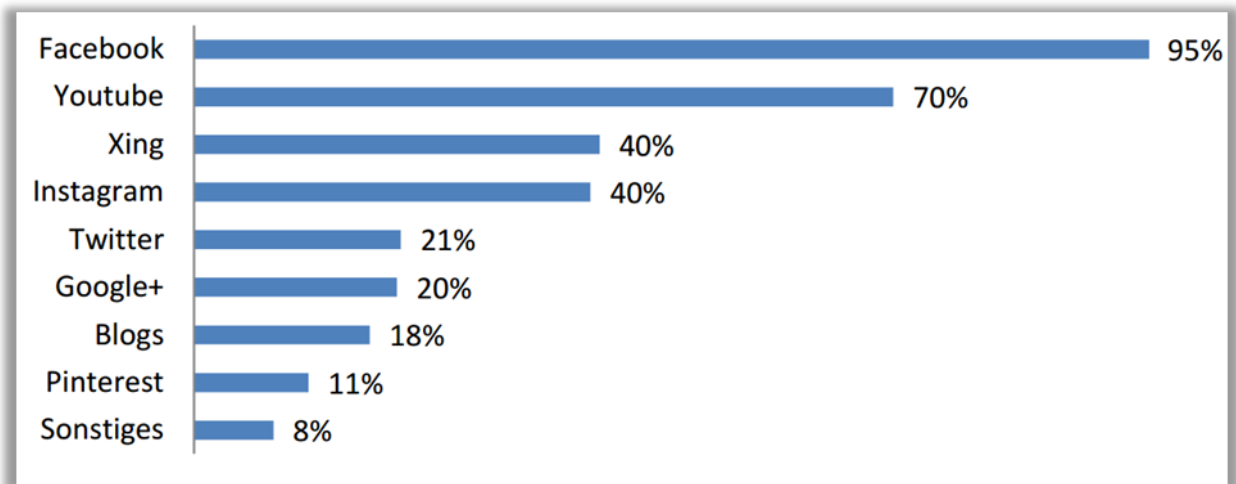
Figure 2. Popular social networks

This is one way to measure a campaign, but the company then just knows how much new fans they won but this number doesn`t allow them to measure how much money the company earned with the campaign and therefore to calculate the ROI. The collection of the necessary data is much more complicated and takes more time. To really see how successful a campaign in terms of money was, they need to set up two control groups. One gets E-Mails to be informed about the campaign and the other group is targeted by the Facebook campaign. When the campaigns are finished the data collection should continue a short time to also include the stragglers.
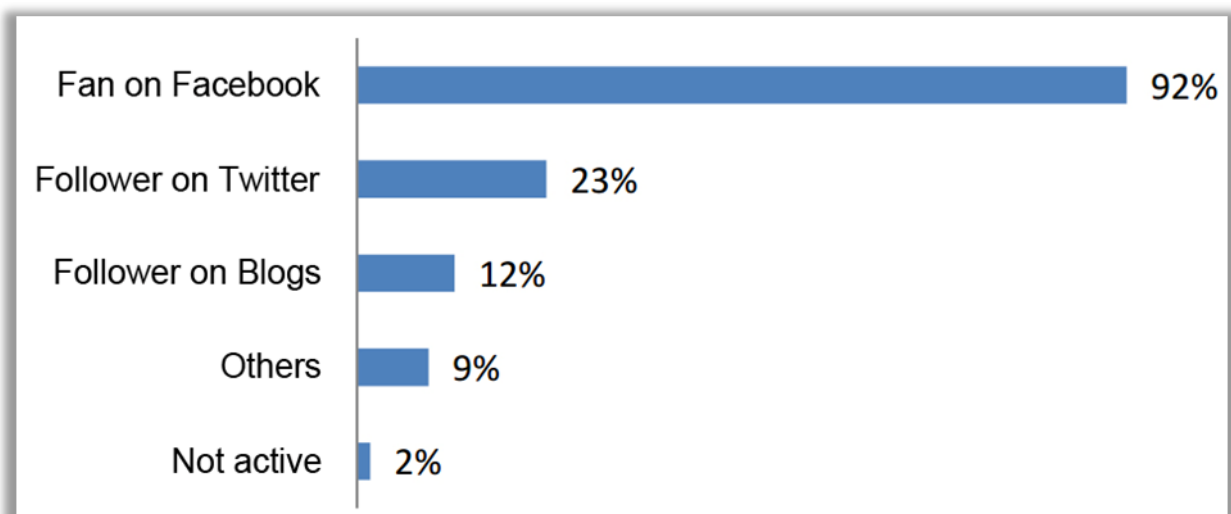

Figure 3. Interaction with favorite companies in social networks

Then the company can compare how much more money they earned with the Facebook group and calculate their ROI (Meierhoff, 2011).

$$Campaign\ success = ROI_{Facebook} - ROI_{E-Mail} = \frac{Turnover_{FB\ Group}}{Cost_{FB\ Campaign}} - \frac{Turnover_{E-Mail}}{Cost_{E-Mail\ Campaign}}$$

IV. SEARCH ENGINE OPTIMIZATION

When searching a phrase on Google some links are on the first page and some are far behind. The first few links get the most attention so everyone wants to be on the first page. Websites can be optimized with search engine optimizations (SEO) to get a better ranking by a search engines (SE) like Google or Bing. The algorithms behind SE rankings are secret and differ from search engine to search engine so nobody exactly knows what influences the ranking. But there are a lot of indicators which have been proved to influence the position. To measure the success of an optimization is pretty easy by looking at the position of a site before and after the optimization. But the process itself takes a lot of time and the results can`t be seen in a few hours or days. Normally the influence of an optimization will first pay out after months. The site also needs to be improved constantly to appear alive and interesting to climb up the ranking so it`s no one time job (Fichter, 2014, p74-76). The real value of a better position in the ranking can hardly be determined by solid figures. But with a better ranking a site gets more hits which allows an improvement in sales. Another important figure in case of the Google SE is the PageRank which shows how important a website and her content is for the internet. The algorithm was patented by the Google founder Sergey Brin and Larry Page and used to rate and rank the results of their SE Google.

V. SEARCH ENGINE ADVERTISING

Another way to market a website or a product through a search engine is to use SEA. The process itself is pretty easy. First keywords have to be chosen which determine when an ad will be shown. When somebody types in these keywords the ad will appear over the normal search results (Google AdWords, 2015). Of course for famous keywords there are a lot of competitors who bid for these keywords. The ads with the highest bids will then be shown and the ones not offering enough won`t be seen by anyone. The ad itself consists of a headline, a link text and a short description. Each parameter can be edited and changed. After launching an ad you can see the click-through-rate of an ad which tells you how often an ad has been shown and how many times people clicked on the ad.

$$click\text{-}through\text{-}rate = \frac{clicks}{impressions}$$

With that information you can figure out if an ad should be optimized because a lot of people see it but no one is clicking. A/B Tests are a great way to figure out which ads work best and compare the ads to each other. For one keyword a few ads are made and each ad has their own conversion rate. That way you can measure which ad is most successful and optimize the bad ones. It`s trial and error. Actually the whole process itself is a bit more

complicated and leaves a lot of room for optimization within the ad itself and the selection of keywords.

VI. AFFILIATE MARKETING

Large dealers like Amazon have another interesting way to market their products. They use contractors to do the marketing, the promotion and also advise the customer which product fits best to their needs on their own website and then lead the customer to the dealer's site to fulfill the order. There the customer buys the product and the contractor gets a premium (Amazon, 2015).

$$premium = sales\ value * advertising\ fee$$

This kind of marketing is called affiliate marketing and is growing strongly in the past few years. Sadly a lot of bad sites appeared which obviously only try to get the premium and don`t add a value for the customer. The measurement of the success of the individual contractor and therefore it`s marketing value is very easy. When the customer clicks on the link of the contractor's website, the link contains a reference number which tells the dealer who promoted the product. The contractor then only gets paid when the customer actually buys. That way the contractor and the dealer can measure their success and try to improve their marketing concept. They can figure out which products sell well and which ones need more marketing. The dealer has the advantage of getting new marketing for a relatively cheap price because he only has to pay for a realized sale. The contractor also has a huge advantage because he can concentrate on the marketing and don`t need to worry about the storage or delivery of the products. But for the dealer always stays the risk of fraud if the contractor claims a premium for a sale which would have happened anyway (Edelman, et al., 2015, p. 1-12).

VII. E-MAIL MARKETING

Marketing via E-Mail is very popular because it`s relatively cheap and the success can be easily measured. The easiest figure is the bounce rate which indicates how many mails got sent but couldn`t be delivered.

$$bounce\ rate = \frac{undelivered\ mails}{sent\ mails}$$

There are many reasons e.g. full mailboxes but if it happens regularly this address should be removed from the mailing list. A bit more difficult but also more interesting is the opening rate of E-Mails. This number shows how many receivers actually opened the E-Mail and read their content. The next measurable number is the click rate which points out how many people got interested and clicked on the link of the Mail to get further information (Mies, 2013).

$$Campaign\ success = \frac{clicked\ links}{sent\ mails - undelivered\ mails}$$

VIII. DISPLAY MARKETING

Another very important marketing channel is display marketing. The company is advertising their product or their website through e.g. banners on other websites. This can be done through individual contracts with the other website or through marketing software like Google AdSense. The banner will appear on the other website mostly on the side or on top over the websites own content and tries to motivate the user to click on it. If the user interacts he will be forwarded to the advertising company`s site. The success of a banner can be measured pretty easy by customizing the link. The advertisers then are able to figure out which banner is working best and which site brings them the most customers.

$$click\text{-}through\text{-}rate = \frac{clicks}{impressions}$$

Of course the content of the other page on which the ad will be displayed should be related to the company`s product to meet the users interest and increase the click rate. The selection of a page with fitting content can be done manually or automated by software like Google AdSense (Google AdSense, 2015).

IX. TREND

In the future mobile marketing is getting more important because more people will connect to the internet with mobile devices (see Figure 4). Also most people, especially the younger generation, always has their mobile phone with them and look at them several times a day to check e.g. Facebook and Whatsapp. Therefore advertising on these devices gets more interesting and opens new opportunities. Facebook recognized this trend very early and offered advertising space on their mobile app for their clients. Nowadays Facebook makes more profit with their mobile ads than with their desktop marketing. The amount of people using Facebook only on their mobile devices is also growing and will increase further in the future. Facebook made $3.59 billion from advertising in the fourth quarter of 2014, 69% from mobile ads alone (Fitzpatrick, 2015).
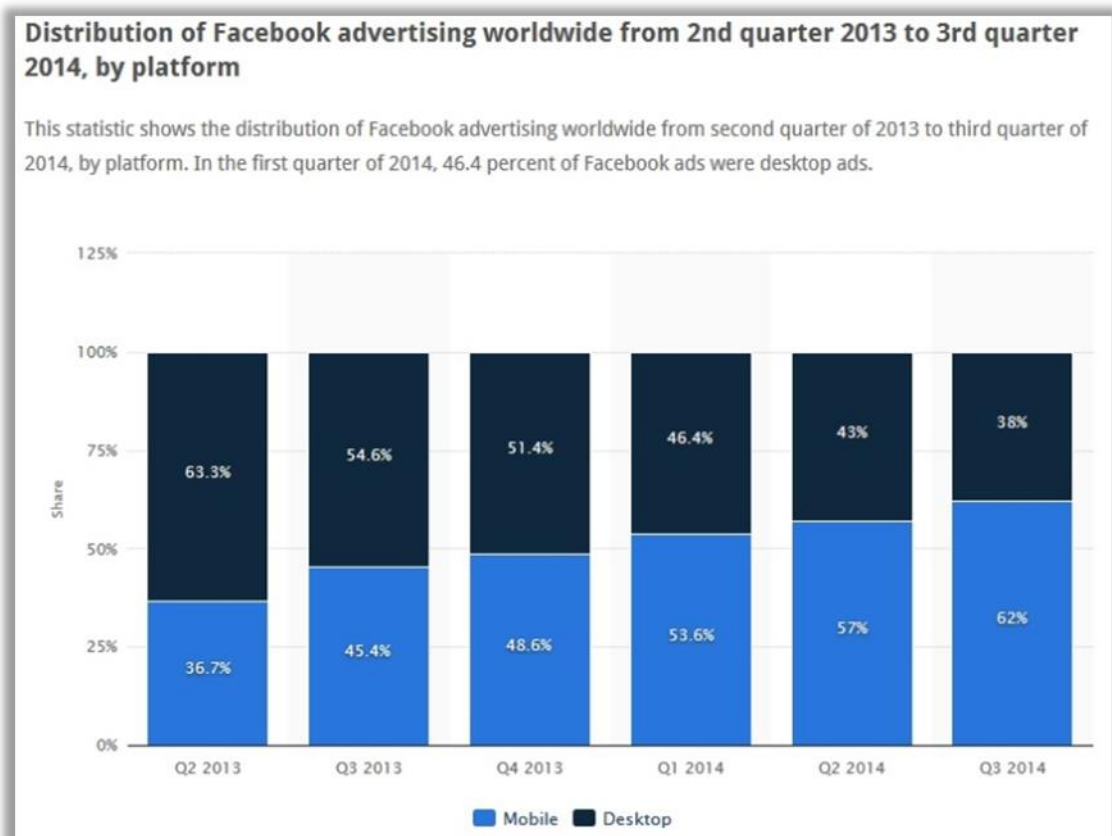
Figure 4. Distribution of Facebook advertising worldwide (Statista, 2015)

Another very interesting opportunity lies within location-based marketing. Through new technology companies can advertise their products only in a designated area and target a specific group of people (Dow, 2013). For example, a bar can target young people who like rock music from a certain part of the town and advertise on their phone for a concert next Saturday. This allows a more personalized and much more effective way of marketing because only probably interested people in the area near the concert will get the message. In this way the success of the campaign can be increased and also the costs can be lowered.

X. PERFORMANCE MEASUREMENT FRAMEWORK

A commonly used tool to identify and specify successful options in social media marketing is the balanced scorecard (BSC). The BSC helps to break down the corporate goals and turn them into social media marketing goals (Niven, 2010). Therefore the BSC measures financial and nonfinancial figures and divides them into the four sectors client perspective, employee based development perspective, business process perspective and the financial perspective. The financial perspective focuses mostly on how successful a marketing campaign went in terms of turnover and profit. The client perspective analyzes how satisfied the clients are and how to get them even more satisfied. Especially in social networks it`s important to keep the clients happy in order to keep them loyal to the company and their products. The business process perspective focuses on the processes of a company itself to

determine which ones are crucial for further success. This processes need to be checked and updated in the fast changing environment of social media marketing constantly. The employee based development perspective evaluates how successful the employees handle their tasks and how motivated they are. To keep the staff motivated is very important to keep them effective and even more important creative.

It`s important for every company to check the different dimensions of a BSC in order to keep up with their competition and recognize trends early. But for social media marketing due to its very fast changing environment it`s even more crucial. On that score the online marketing department has a very challenging role and needs to be fast, flexible and very well organized.

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