

Contextual Marketing

Increasing campaign effectiveness by meeting customer expectations for relevant, targeted messaging

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Executive Summary

Customers are taking control and dramatically changing the way they find what they need on the Internet. Consequently, you have less and less control over and visibility into how people reach your site.

- 70 percent use Google instead of site search to find your products
- 40 percent bypass your home page
- 25 percent view only a single page before continuing to browse other sites
- 95 percent don't click through on your email messages

The number of channels continues to increase, with RSS feeds, in-game ads, and blogs joining the list of traditional online channels such as banner ads, paid search, affiliates, and email.

Competing for the customer's attention is costing you more than ever. The price of email distribution, banner ads, and other marketing channels continues to rise. The average cost of search keywords, for example, is increasing more than 50 percent per year.

Rising costs and intense competition for mindshare are driving up marketing spend. According to Gartner, Inc., online marketing investments will grow from \$15.6 billion in 2006 to \$28 billion in 2008.¹

With this increase in spending comes increased scrutiny. Senior executives want proof that online marketing dollars are being invested wisely. This is creating demand for increasingly sophisticated marketing applications, including web analytics. Such applications are essential to measuring the effectiveness of campaigns and meeting customer expectations for relevant, targeted messaging on the customer's terms.

The demand for increasingly sophisticated applications has given rise to an innovative approach to online marketing called contextual marketing. Contextual marketing has evolved from the more traditional behavioral marketing, which responds to simple customer actions to target marketing programs. Customer A, for example, abandoned a blouse.

Contextual marketing requires far more detailed information than behavioral marketing and has much greater return. It creates and maintains a detailed profile of the activities of each customer while on your site, noting not only customer actions but also the context of those actions in terms of lifetime behaviors. It also takes into account visitor attributes such as age, gender, or location. A contextual marketing solution would note details—for example, customer A is female, 25-35, is using onsite search with bathing suit as a keyword, has looked at cover-ups in the past, and is currently in the overstocks section of the site. The contextual marketing solution can leverage this information to create highly individualized and personalized marketing programs.

This paper describes the evolution from mass marketing to contextual marketing, examines the criteria for an effective software solution to support contextual marketing, and briefly explains how Coremetrics solutions address these criteria.

Climbing the Online Marketing Maturity Ladder

In the early days of online marketing, virtually no data was available about the customer. Targeting was essentially impossible, and mass marketing was the only choice available. Today, new marketing and analytics tools are giving online marketers far richer information about online events and deeper insight into customer behavior.

As Figure 1 illustrates, the more data you have about your customers and their behavior, the more sophisticated and more effective your marketing can become, delivering higher conversion rates and greater lifetime value. As the figure shows, the ability to collect visit or data session enables you to create campaigns based on one-time events. This is typical behavioral marketing. For example, you could create an email campaign targeting all visitors who came from a given source and registered on your site, viewed a digital camera product page, or clicked on a Pacific Isles travel package. While the cost per email message may be higher for this type of targeted campaign than for mass marketing, the return per message is also higher.

Figure 1: Marketing Maturity Ladder

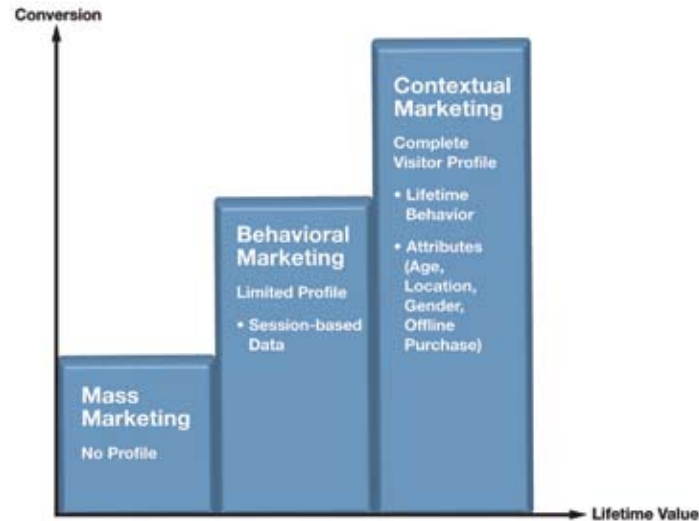


Table 1: Marketing Maturity Ladder

Stage	Data Requirements	Example
Mass Marketing	None, everyone gets the same offer	Send standard promotions to your entire list
Behavioral Marketing	Session-based data	Data: Someone abandons an item from their shopping cart Offer: Send a targeted promotion for that item, or comparable item
Contextual Marketing	Complete profile, including lifetime behavioral data and static information about visitor attributes (e.g. geographic, demographics, club status)	Data: <ul style="list-style-type: none"> Someone abandons a blouse in session 1 purchases a tee-shirt in session 2 and browses jeans in session 3 is female over 35 Offer: target them with an offer for jeans that match the tee shirt that are best sellers for women over 35.

Behavioral marketing, based solely on event or session marketing, however, is based on a single interaction. It ignores the fact that visitors typically have multiple interactions with you over time. A visitor might find your site by searching on a specific keyword, view information about a hotel/theme park vacation package, then leave. A targeted email campaign based solely on an event or session, such as who looked at this theme park vacation package but didn't buy, would include this visitor.

The payback is substantial. Marketers who target emails based on behavior drive higher revenues and profits from email campaigns than marketers who use only visit and visitor data. According to JupiterResearch, messages targeted based on clickstream behavior deliver superior results, averaging 33 percent open rates, 14 percent clickthrough rates, and 3.9 percent conversion.²

The problem with this approach is that your email message may reach that visitor after he or she has returned to your site and booked a trip. Unless you have visibility across sessions, you have no way of knowing this visitor has already converted to a customer.

The ability to capture data about your customers over their lifetime, as well as understand other attributes addresses this problem. With this additional information, you move up the marketing maturity ladder to contextual marketing. Contextual marketing involves tailoring messages to the specific interests or needs of an individual or group of visitors as evidenced by their onsite behavior and attributes. A growing number of sites are doing this by identifying affinities for specific visitor segments, evaluating their clickstream behavior, and leveraging clickstream data to improve campaign relevance.

To move to the top of the marketing maturity ladder—contextual marketing—it's necessary to capture comprehensive, detailed customer profiles that include contextual data in addition to behavioral data. These profiles provide rich data on customer response to campaigns, products, pages, and onsite search, enabling marketers to analyze and understand how all these facets interrelate. Consequently, they can enhance their ability to deliver the right message through the right channel at the right time.

Striking while the iron is hot

By coupling contextual marketing and analytics software with services from an email vendor, a travel site can improve conversion rates. A data feed to the email vendor includes contextual data on customers that indicates those who abandoned the booking of a hotel/theme park package the previous day. The email engine sends these customers a message regarding the package along with similar packages—perhaps even some the visitor viewed in other sessions.

This method is proving to be highly effective in creating incremental revenue in excess of \$8.00 per message sent—even when the message does not include an offer as an incentive.

Characteristics of an Effective Solution

To move up the online marketing maturity ladder to contextual marketing, you need the right marketing and analytics solutions. Major characteristics to consider when evaluating solutions include:

- Comprehensive, multifaceted data
- Role-based reporting
- Accurate value attribution
- Cross-session segmentation
- Incorporation of offline behavior
- Integration with industry-leading marketing services

Comprehensive, Multifaceted Data

Summarized or sample data don't provide the depth required for contextual marketing. Contextual marketing calls for deep insight into your customers through detailed profiles that log customer behaviors as well as the context of those behaviors. These profiles provide multiple perspectives, including:

- The links that bring customers to your site
- The campaigns that drive conversion
- The products and categories customers view
- The onsite search terms and other techniques they use to navigate while on your site
- The products they order in any given session and over time
- The revenue they generate for you in any given session and over time

A solution that provides insight from these different perspectives helps you to make decisions that increase return on your marketing investment.

If you're going to derive the maximum benefit from this wealth of data, you need sophisticated analytics tools that reveal such information as the top items sold, the major conversion events, the most effective referring channels, and the success of campaigns in terms of revenue. In-depth analysis provides insights that help you tune your marketing efforts for maximum effectiveness, such as adjusting landing pages for better results or modifying the content of a paid search ad or email message based on how customers are responding.

You can look at the interrelationships of various channels and campaigns to determine the best time to serve a particular ad or landing page. In addition, you can look at behavior over time, across multiple sessions. With the right solution, you can accomplish all of this quickly, so that you can turn a losing situation into a winning one or make a winning situation even better.

Role-based Reporting

People in different functions in your organization need different slices of the detailed profiles you have collected. Role-based reporting delivers the right data, and only the right data, to the right people, whether they are merchandisers, search marketers, email marketers, retention marketers, site designers, or other members of your marketing team. With a well-architected contextual marketing solution, your marketing professionals can tailor dashboards and reports to get the data they need to be effective.

- Search marketers can generate reports that compare spend allocation with actual revenue breakdown across leading search engines and investigate which natural search entries are most successful in leading people to your site.
- Email marketers can view metrics on how many visitors an email campaign converted, how much revenue it influenced, and how many repeat visits and transactions it drove.
- Merchants can set performance targets for each piece of real estate on a page, use dashboards to monitor against these targets throughout the day, and change or eliminate items that are underperforming.
- Site designers can get detailed reports on site navigation to determine when and where customers abandon the site, enabling them to improve navigation and increase conversion.

Accurate Value Attribution

With more scrutiny on how marketing funds are spent, the need to fully understand the tracking and valuing of online marketing investments has intensified. Inadequate customer profiling techniques and limited methods of attribution make it impossible to accurately measure the performance of marketing channels. Consequently, online brands might under-invest in valuable campaigns and visitor groups, or erroneously shift investments to marketing either early or late in the sales cycle, and away from high-value customer groups.

Multiple influences come into play in the conversion of a visitor to a customer, including email, banner and in-game ads, paid search placements, natural search clickthroughs, blogs, rich media, shopping portals, RSS feeds, and content. Traditional solutions allow marketers to attribute value only to a single influence—typically, the first or last touch.

To truly understand the impact of each channel, you need a solution that lets you leverage multiple tracking methodologies to attribute conversion across a broad array of digital media and touch points at various times in the customer lifecycle. With this capability, you can accurately measure how these marketing channels and programs contribute to attracting new customers, driving conversions, and encouraging deep, meaningful sessions. As a result, you can give appropriate credit to all marketing channels that influence a sale, a registration, a booking or other conversion to get a true picture of the value of each channel and program.

Giving credit where credit is due

An online retailer wanted to account for the contribution to sales of paid search, affiliates, comparison shopping engines, and other paid marketing channels. The marketing staff began by using the last marketing link clicked before conversion as the basis for attribution.

With this approach, the staff determined that paid channels drove about 7.7 percent of sales over a 90 day period. When the marketers also took into account the second to last link before conversion, they found that the contribution of paid channels jumped to 9.4 percent—an increase of 22 percent. This information helped justify larger budgets for paid channels, enabling the retailer to compete for better placements. This retailer now plans to go back even further into history to refine attribution accuracy.

Cross-session Segmentation

Segmenting customers appropriately is vital to creating effective marketing campaigns. Accurate segmentation is possible only when you have a long-term, cross-session view of each customer. Assume, for example, you're creating an email campaign targeting high-value customers. You define high value as spending in excess of \$500. By that definition, the customer described in the chart below, who spent \$350 in one session and \$450 in a second session a month later falls into the high-value segment. If you view sessions in isolation, however, you'll miss this customer in your segmentation process, and you'll miss an opportunity to drive more high-value sales. With this in mind, make sure the solution you choose offers cross-session segmentation.

Figure 2: Comprehensive, Cross-Session, Customer Profile

Customer ID: jsmith	
Session 1: (Medium Value) Page Views: 5 Sales: \$350 Source: google.com Content: Home, Pants, About Us, Shirts Products: GoreTex Pants, Oxford Shirt	Session 3: (Low Value) Page Views: 1 Sales: \$0 Source: RSS Content: Home Products: - -
Session 2: (Medium/Low Value) Page Views: 4 Sales: \$0 Source: Direct Load Content: Registration, Home Products: Field Guide	Session 4: (Medium/High Value) Page Views: 11 Sales: \$450 Source: Email Content: Home, Fishing, Outdoor Sports Products: Fishing Rod, Tackle Box, Wading Boots

Profiling and Targeting Tools

An effective solution lets you profile not only customers but also products, pieces of content, marketing campaigns, and more. Reporting constructs should enable you to zoom in for more details on relationships so you can understand the effectiveness of all marketing and site initiatives, including marketing sources, products and content, elements, events, onsite search, site promotions, real estate, geography, technical properties, and attributes.

Incorporation of Offline Behavior

Customers may also interact with you through offline facilities such as stores, business offices, and call centers. You need to deploy a solution that captures complete, accurate, precise data across all facilities, accurately attributes conversion to any or all campaigns, and performs analyses across all channels—including offline channels. Only in that way can you get a true, detailed, and complete picture of each and every customer.

Moreover, you need a solution that is able to easily merge online data with offline data sources, such as your CRM database or your customer loyalty database. With this complete picture of customer behavior, you are able to understand customer behavior holistically and better target and serve your customers. In order to merge seamlessly, it is imperative that the data is organized in customer-centric profiles. Moreover, for a complete and accurate picture it is important that you track all visitor behavior.

Integration with Industry-leading Marketing Services

Effective online marketing leverages the capabilities of a broad range of marketing services, including ad serving, affiliate marketing, search networks, surveys, email engines, and more. An effective marketing and analytics solution provides integration with these third-party solutions to gather additional information and automate your marketing campaigns. Here are a few examples of how tight integration can enhance your online marketing efforts:

- Integration with search engines permits you to combine keyword performance data provided by the search vendor—such as keyword impressions, average position, and keyword click-through rate—with post-click behavior data gathered from your site—such as landing page bounce rates, conversion rates, and items they viewed and purchased. Analysis of this combined data allows more informed decisions about bidding strategies, creative, keyword selection, and landing pages.
- Integration with shopping portals, marketplaces, and affiliate networks can consolidate the management of online shopping feeds and automate cost-per-click (CPC) bids, product assortments, and category management.
- Integration with email engines enables you to reach customers with uniquely individualized messaging by automatically targeting messaging based on in-depth behavioral segmentation. For example, you can segment based on such customer behaviors as cart abandonment or response to purchase event campaigns.

Coremetrics and Contextual Marketing

Coremetrics' comprehensive online marketing and analytics solutions include complete profiles of all online data a business produces, actionable intelligence, automation and optimization, industry benchmarking, and a value-driven delivery model. With this unique combination, you can bring contextual marketing to your ecommerce initiatives.

Our web analytics platform captures and stores all customer and visitor clickstream activity to build LIVE (Lifetime Individual Visitor Experience) Profiles. This multifaceted data—collected for every visitor on every visit—can include:

- Every web page a visitor views
- Specific paths that visitors take through key site processes
- Web page point of entry, navigation path, and departure path
- Every banner or in-game ad, email campaign, affiliate link, search engine keyword (paid or organic), blog, news article, and any other source that brings visitors to the web site
- Every product, room, flight, or merchandise item that visitors click on, view, or interact with, and reserve, book, buy, or abandon
- Every newsletter signup, customer registration, and opt-in identification action taken by visitors indicating that they wish to be contacted
- Every important attribute of the visitor's browser, including screen resolution, plug-ins, time zone, language, IP address, and domain name
- All individual actions are recorded in a data warehouse and associated with the visitor's lifetime ID

Business logic is applied to the individual profiles of all site visitors to transform this rich data into meaningful information. By storing every click and applying advanced business logic to the collected data, Coremetrics has created a cost-effective solution with almost limitless flexibility.

Coremetrics Online Analytics provides a comprehensive set of tools to help you leverage profile data to improve site navigation, content and tools; increase initiation of key activities such as adding to shopping carts, booking travel, starting an application, and registration; reduce abandonment rates; and maximize lifetime customer value.

Coremetrics Precision Marketing Suite leverages Online Analytics to provide such capabilities as automatic tailoring of email campaigns with highly targeted and compelling offers; search engine marketing management to increase customer acquisition; and intelligent targeting of cross-sell and up-sell offers to build customer value.

You can easily tailor standard reports or build custom reports to serve specific roles in your marketing organization, presenting the right data to each member of your staff. Out-of-the-box dashboards enable at-a-glance access to key performance indicators (KPIs) for quick insight and action. Your marketers can tailor metrics to their needs and map them to specific campaigns to monitor KPIs in real time.

Unlike other solutions, Coremetrics uses highly sophisticated techniques to summarize data in ways that deliver true unique calculations. Visitor summaries, for example, take into account repeat visits across time to avoid double-counting them.

Coremetrics LIVE Profiles give your marketers unbounded capabilities in applying credit to marketing campaigns. Using business logic and rules, you choose how to attribute conversion to the first touch, the last touch, and any or all sources in the visitor profile. Attribution matches business needs and user behavior patterns and provides you with the ability to adjust the types of analysis will be done based on your changing business environment.

Segmentation capabilities allow you to identify specific customer groups using just about any criteria you choose, from purchasing frequency and conversions completed to browsing history. These capabilities help you accurately quantify the value of customer segments and target customers based on product or content affinities.

Online marketing often drives customer purchases through offline channels such as call centers and storefronts. You can integrate Coremetrics LIVE Profile data your enterprise data to measure the impact of online marketing on your offline channels, creating a 360-degree view of your customer.

Conclusion

The challenge of online marketing has increased dramatically over the last decade. Customer behavior has become more complex. Costs have soared. The number of channels you have for reaching customers has risen dramatically. To be successful in your online marketing efforts today, you need to move up in marketing maturity level to contextual marketing.

With Coremetrics solutions, you'll have the luxury of a wealth of data regarding your customers. You'll have the power of sophisticated analysis tools at your fingertips to leverage that data to make faster, and more intelligent marketing decisions. And you'll have the ability to act on those decisions through integrations with industry-leading marketing services.

Through contextual marketing, you can get the most from your marketing dollars, and demonstrate the effectiveness of your marketing campaigns to senior management.

Additional Resources

¹ “E-marketing Becomes Strategic to the Marketing Organization,” Adam Sarner, 2006, page 1.

² The ROI of Email Relevance: Improving Campaign Results through Targeting, JupiterResearch, May 25, 2005

About Coremetrics

Coremetrics is the leading provider of online marketing optimization solutions. Its solutions generate high return on online marketing investment and continue to pay daily dividends in improved marketing performance. Over 1,000 online business sites, transacting over \$15 billion this year, are now using Coremetrics’ Software as a Service (SaaS) solution to optimize online marketing efforts. Coremetrics’ solutions encompass advanced online analytics and precision marketing applications, including search engine bid management, email marketing and cross sell applications to acquire customers more cost effectively, increase conversion rates, and increase lifetime customer value. Clients have recognized over \$300M in documented ROI and 87% of clients recognize ROI in 12 weeks or less. The company is privately held with funding from Accel Partners, FTVentures, and Highland Capital Partners and is headquartered in San Mateo, California. To learn more about Coremetrics, visit <http://www.coremetrics.com> call 877-721-CORE.