Revenue Outcomes Matter To Online Advertisers

Advanced Automation Can Improve Efficiency And Results

January 2013
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Executive Summary

Marketers are using online advertising to drive revenue outcomes. However, many face challenges with doing so because they don’t have ample visibility into key performance metrics. Forrester believes that using advanced ad management platforms can help advertisers scale complex advertising programs, enable insight into customer and campaign data, offload operational headaches, and improve program performance.

Marin Software commissioned Forrester Consulting to study the challenges and opportunities that advertisers experience with their online programs. Between September and November 2012, we conducted an online study of North American marketers who spend a minimum of $100,000 per year on paid search.

Key Findings

Forrester’s study yielded three key findings:

- **Marketers value online advertising.** Online advertising is no longer an experimental medium. Advertisers value it because it’s flexible and targetable and drives immediate revenue outcomes.

- **Driving revenue outcomes is a critical goal.** Eighty-three percent of respondents are already held accountable for revenue outcomes and 79% say that driving revenue is a primary objective for their online initiatives.

- **Advanced automation can help overcome online ad challenges.** Seventy-four percent of study participants look to technology to alleviate online advertising headaches.

Marketers Prioritize Online Advertising

After a decade of experimental investment, online advertising has at last assumed a legitimate place in the marketing budget. Forrester expects that spend on display advertising and search marketing will top $60 billion by 2016 (see Figure 1). No doubt advertisers are shifting spend to channels that are relevant to users’ evolved media habits, but they also value the innate specificity and flexibility of technology-driven marketing channels (see Figure 2).
## Figure 1
Forecast: US Interactive Marketing Spend, 2011 To 2016

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social media</td>
<td>$1,590</td>
<td>$2,119</td>
<td>$2,760</td>
<td>$3,453</td>
<td>$4,217</td>
<td>$4,995</td>
<td>26%</td>
</tr>
<tr>
<td>Email marketing</td>
<td>$1,510</td>
<td>$1,694</td>
<td>$1,875</td>
<td>$2,666</td>
<td>$2,262</td>
<td>$2,468</td>
<td>10%</td>
</tr>
<tr>
<td>Mobile marketing</td>
<td>$1,652</td>
<td>$2,777</td>
<td>$4,238</td>
<td>$5,697</td>
<td>$7,057</td>
<td>$8,237</td>
<td>38%</td>
</tr>
<tr>
<td>Display advertising</td>
<td>$10,949</td>
<td>$12,860</td>
<td>$16,085</td>
<td>$19,783</td>
<td>$23,919</td>
<td>$27,600</td>
<td>20%</td>
</tr>
<tr>
<td>Search marketing</td>
<td>$18,756</td>
<td>$21,553</td>
<td>$24,613</td>
<td>$27,515</td>
<td>$30,433</td>
<td>$33,319</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34,457</strong></td>
<td><strong>$41,003</strong></td>
<td><strong>$49,571</strong></td>
<td><strong>$58,515</strong></td>
<td><strong>$67,888</strong></td>
<td><strong>$76,620</strong></td>
<td><strong>17%</strong></td>
</tr>
<tr>
<td><strong>Percent of all ad spend</strong></td>
<td>16%</td>
<td>18%</td>
<td>20%</td>
<td>22%</td>
<td>24%</td>
<td>26%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Forrester Research Interactive Marketing Forecasts, 2011 To 2016 (US)
We surveyed 104 North American advertisers about the challenges and opportunities they foresee with their online programs. Respondents:

- **Value targeted media.** When asked which online program types are most important for their business goals, most survey takers selected paid search ads, audience buying, retargeting, and contextual display ads — all targetable using behaviors, demographics, or context (see Figure 3).

- **Use agencies for program support.** Nearly half of respondents outsource management of paid search — the tactic most important to their business goals — to agencies (see Figure 4). Slightly fewer, 35%, manage paid search programs with free or proprietary tools. And 17% purchase third-party tools to aid search program management.

- **Prioritize revenue outcomes and brand awareness.** Seventy-nine percent of respondents indicate that driving revenue outcomes — such as generating leads, conversions, or sales — is the primary goal of their online advertising. Slightly fewer, 73%, designate generating brand awareness as a key objective as well.
Figure 3
Targeted Ad Formats Are Important

“On a scale of 1 to 5, how important are each of the following marketing programs in helping you achieve your business goals?”

<table>
<thead>
<tr>
<th>Marketing Program</th>
<th>Total who rated item as important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional paid search ads (e.g., sponsored listings on google.com)</td>
<td>78%</td>
</tr>
<tr>
<td>Audience buying</td>
<td>73%</td>
</tr>
<tr>
<td>Retargeting</td>
<td>68%</td>
</tr>
<tr>
<td>Contextual display ads</td>
<td>65%</td>
</tr>
<tr>
<td>Mobile paid search ads</td>
<td>63%</td>
</tr>
<tr>
<td>Traditional display ads</td>
<td>57%</td>
</tr>
<tr>
<td>Product listing ads on sites like Amazon or eBay</td>
<td>54%</td>
</tr>
<tr>
<td>Pay-per-click ads on social networks like Facebook</td>
<td>30%</td>
</tr>
</tbody>
</table>

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software, December 2012
Online Advertising Is Held To Revenue Outcomes

Forrester believes that programmatic buyers — online advertisers focused on real-time buying of targeted and/or direct response media — will gain prominence over the next 18 months.¹ Survey respondents signify that this trend is under way, with their emphasis on driving immediate and quantifiable revenue outcomes. Specifically, study participants:

- **Are already responsible for revenue goals.** Eighty-three percent of respondents disclose that their online advertising efforts are currently held accountable to revenue outcomes (see Figure 5).

- **Observe greater emphasis on revenue goals.** Just 6% of survey takers believe that their organizations are less focused now on driving revenue directly from online ads than they were in 2011 (see Figure 6).

- **Anticipate more accountability for revenue in the future.** Eighty percent of study participants expect revenue targets for their online ad programs to increase at least slightly next year (see Figure 7).
**Figure 5**
Online Marketing Programs Are Held Accountable To Revenue Outcomes

“Are your online advertising efforts held accountable to revenue outcomes such as leads, purchases, offline sales, etc.?”

- No, 17%
- Yes, 83%

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software, December 2012

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**Figure 6**
The Focus On Revenue Outcomes Has Increased

“How does your organization today compare to last year?”

- More focused on driving direct revenue outcomes from online advertising: 71%
- Just as focused on driving direct revenue outcomes from online advertising: 23%
- Less focused on driving direct revenue outcomes from online advertising: 6%

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software, December 2012
Figure 7
Revenue Goals For Online Ad Programs Will Increase

“How do you expect your revenue targets for your online advertising programs to change in the next year?”

- Increase slightly: 55%
- Increase significantly: 25%
- Stay the same: 18%
- Decrease significantly/I don’t know: 2%

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software December 2012

There Are Challenges To Generating Revenue Outcomes
Although advertisers are already tasked with driving revenue outcomes, most have a number of challenges to overcome in order to successfully do so. Why?

- **Ad goals and metrics lack alignment.** Nearly two-thirds of respondents focus on driving sales or leads — 65% and 64% respectively (see Figure 8). And, while study participants do track conversions, their No. 1 metric is site traffic (see Figure 9). Online sales is commonly tracked by just 48%, and only a quarter measure offline or customer value metrics.

- **Many have limited visibility into value metrics.** Most marketers have high visibility into online traffic and sales data. But far fewer, less than 45%, have good insight into customer lifetime value or the multiple touchpoints that influence a user’s purchase (see Figure 10).

- **Marketers most frequently conduct operational tasks.** Most respondents also spend the most time managing operational tasks such as identifying keywords and placements or updating ad copy (see Figure 11). Some respondents marked “quarterly” or “never” for more value-add activities such as optimizing bidding. This focus
on operational tasks leaves marketers with little time for identifying new, valuable audiences or coordinating campaigns across multiple business units, channels, and publishers (see Figure 12).

**Figure 8**
Advertisers Look To Drive Sales And Leads

“What specific revenue outcomes are your online advertising efforts held accountable to?”

- Sales/revenues: 65%
- Leads/orders/calls: 64%
- Return on investment (ROI): 54%
- Cost-per-lead: 43%
- User activity (e.g., video views, app downloads, etc.): 36%
- Return on advertising spend (ROAS): 28%
- Profits: 26%
- Margin: 14%
- Other: 5%

Base: 104 North American marketers

*Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software December 2012*
Figure 9
Marketers’ Key Success Metric Is Still Site Traffic

“Which of the following metrics do you use to measure the effectiveness of your online advertising programs?”

- Site traffic: 69%
- Online conversions: 63%
- Online sales and revenues: 48%
- Performance by product line and business unit: 25%
- Influence along a user’s path to conversion: 23%
- Customer lifetime value: 20%
- Offline conversions and revenues: 20%
- Competitive benchmarks: 19%

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software December 2012
**Figure 10**
**Visibility Into Key Metrics Could Be Better**

<table>
<thead>
<tr>
<th>Metric</th>
<th>4 (%)</th>
<th>5 (high visibility)</th>
<th>Total who responded 4 or 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site traffic</td>
<td>21%</td>
<td>57%</td>
<td>78%</td>
</tr>
<tr>
<td>Online conversions</td>
<td>35%</td>
<td>42%</td>
<td>77%</td>
</tr>
<tr>
<td>Performance by product line and business unit</td>
<td>35%</td>
<td>42%</td>
<td>77%</td>
</tr>
<tr>
<td>Online sales and revenues</td>
<td>34%</td>
<td>38%</td>
<td>72%</td>
</tr>
<tr>
<td>Competitive benchmarks</td>
<td>40%</td>
<td>25%</td>
<td>65%</td>
</tr>
<tr>
<td>Offline conversions and revenues</td>
<td>33%</td>
<td>29%</td>
<td>62%</td>
</tr>
<tr>
<td>Customer lifetime value</td>
<td>24%</td>
<td>19%</td>
<td>43%</td>
</tr>
<tr>
<td>Influence along a user’s path to conversion</td>
<td>17%</td>
<td>17%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software December 2012
Figure 11
Regular Activity Focuses On Campaign Operations

“Based on your current approach to managing online advertising, how often do you do the following?”

<table>
<thead>
<tr>
<th>Activity</th>
<th>Never</th>
<th>Quarterly</th>
<th>Monthly</th>
<th>Weekly</th>
<th>Daily</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast bid scenarios to do “what-if” analysis</td>
<td>37%</td>
<td>30%</td>
<td>23%</td>
<td>8%</td>
<td>3%</td>
</tr>
<tr>
<td>Optimize bids to latent / offline conversions or customer lifetime value</td>
<td>31%</td>
<td>37%</td>
<td>19%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Vary bids by time of day or day of week (i.e. Day-parting)</td>
<td>28%</td>
<td>11%</td>
<td>24%</td>
<td>22%</td>
<td>11%</td>
</tr>
<tr>
<td>Optimize bids for “long-tail” ads based on limited historical data</td>
<td>27%</td>
<td>25%</td>
<td>32%</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>Update ad copy dynamically based on changes in inventory</td>
<td>20%</td>
<td>10%</td>
<td>24%</td>
<td>28%</td>
<td>9%</td>
</tr>
<tr>
<td>Optimize across multiple touch points in the conversion funnel</td>
<td>21%</td>
<td>27%</td>
<td>33%</td>
<td>18%</td>
<td>1%</td>
</tr>
<tr>
<td>Apply multivariate tests to ad copy or landing pages</td>
<td>10%</td>
<td>20%</td>
<td>29%</td>
<td>22%</td>
<td>3%</td>
</tr>
<tr>
<td>Recalculate bids in real-time based on competitive or seasonal shifts</td>
<td>10%</td>
<td>25%</td>
<td>20%</td>
<td>26%</td>
<td>13%</td>
</tr>
<tr>
<td>Adjust campaign structure to improve Quality Score</td>
<td>15%</td>
<td>34%</td>
<td>30%</td>
<td>20%</td>
<td>1%</td>
</tr>
<tr>
<td>Manage match types or negatives to increase relevance</td>
<td>12%</td>
<td>22%</td>
<td>30%</td>
<td>31%</td>
<td>6%</td>
</tr>
<tr>
<td>Identify profitable new keywords, placements, or audiences</td>
<td>9%</td>
<td>26%</td>
<td>31%</td>
<td>31%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software. December 2012
Figure 12
There Are Many Challenges In Online Program Efficiency

“What are the greatest challenges in regards to efficiency that you experience today with your online advertising programs?”

Identifying and targeting multiple audiences and customer segments | 45%
Coordinating campaigns across business units, brands, and product lines | 38%
Managing campaign execution across multiple publishers | 36%
Maintaining customer data quality across campaigns and/or channels | 35%
Building out geo-specific campaigns for different regions, cities, and Zip Codes | 34%
Implementing tracking codes and technologies | 33%
Stitching cost, revenue data, and performance metrics across systems | 31%
Building out device-specific campaigns for desktop, tablet, and mobile users | 29%
Automating repetitive marketing processes | 21%
Working with multiple ad-buying technology platforms | 18%
Dealing with privacy issues and laws regarding cookies | 18%
Incorporating new publisher ad formats and targeting options into programs | 10%

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software December 2012

Advanced Automation Will Help

Respondents look to technology to help improve program performance and confront the broader challenges facing marketing organizations today (see Figure 13). Specifically, study respondents turn to technology to improve their (see Figure 14):

- **Agility.** More than half of respondents, 55%, struggle to respond to rapidly changing market conditions, and 46% don’t have staff capable of managing online ad programs in a dynamic environment.

- **Visibility.** Study participants also lack visibility into customer and campaign insights. Forty-four percent work to get insights that will help improve program performance; 38% have trouble both proving program results to executives and measuring results across business units.
• **Performance.** About one quarter of respondents want for more-sophisticated optimization approaches, such as dayparting, to improve results. A similar percentage would also like to better harness publisher innovations such as advanced ad formats to create better ad experiences.

**Figure 13**
Marketers Believe Technology Can Help Overcome Challenges

“How do you plan to address the following challenges to acquire more revenue from the online advertising channel?”

- Leverage technology solutions to manage online ads: 74%
- Experiment with new publishers and ad networks: 41%
- Increase media budgets: 38%
- Invest in employee education: 33%
- Increase staffing/headcount for online advertising programs: 32%

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software December 2012
### Figure 14
Measurement And Insights Is Not The Only Challenge Online Advertisers Face

What are the greatest challenges you face as you work to meet the revenue targets for your online advertising programs?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responding to rapidly changing market conditions and competition</td>
<td>56%</td>
</tr>
<tr>
<td>Having the right skills internally to manage online advertising</td>
<td>48%</td>
</tr>
<tr>
<td>Obtaining insights to optimize campaigns</td>
<td>44%</td>
</tr>
<tr>
<td>Proving results to the executive team</td>
<td>38%</td>
</tr>
<tr>
<td>Measuring collective business results from across multiple business units</td>
<td>38%</td>
</tr>
<tr>
<td>Optimizing bids to maximize revenue outcomes (e.g., dayparting bids by time of day)</td>
<td>28%</td>
</tr>
<tr>
<td>Keeping up with the pace of publisher innovation</td>
<td>25%</td>
</tr>
<tr>
<td>Managing multiple stakeholders</td>
<td>19%</td>
</tr>
</tbody>
</table>

Base: 104 North American marketers

Source: A commissioned study conducted by Forrester Consulting on behalf of Marin Software, December 2012
KEY RECOMMENDATIONS

If you’re an online advertiser tasked with facing growing revenue goals, then likely the above challenges sound eerily familiar to you. Here is our guidance for how to approach your online ad programs in 2013:

- **Embrace technology.** Ad management technologies today aid program scale, visibility, and performance. Automating currently manual processes will prevent errors and free you up to focus on innovation. Wary? Push your agency to adopt more or better technologies on your behalf.

- **Apply more interactive tools.** In our experience, the most advanced interactive marketers are those who apply a broad mix of interactive tools. Follow this example. Doing so exposes you to your users across a spectrum of touchpoints, provides learnings from one medium to the next, and forces you to manage the data and technology complexity that comes with using multiple channels.

- **Don’t give up on branding.** No doubt the ability to drive and measure immediate revenue from marketing efforts has a strong appeal. But we would encourage online marketers to not swing so far toward revenue outcomes that they neglect the long-term value of good old-fashioned brand building. Millward Brown Optimor calculated that more than 30% of market capitalization of S&P 500 companies was derived from the intangible asset of their brands.²
Appendix A: Methodology

In this study, Forrester surveyed 104 North American marketers to evaluate the challenges associated with being held accountable to revenue outcomes. Question themes included publisher relationships, metrics, spend, and measurement. The study began in September 2012 and was completed in December 2012.

Appendix B: Supplemental Material

Related Forrester Research


Appendix C: Endnotes

1 Media buying technology and operations are undergoing a dramatic transformation — marketers are replacing traditional relationship-marketing tactics and opaque ad networks with programmatic media buying that includes transparent, real-time biddable media and audience targeting. Source: “The Future Of Digital Media Buying,” Forrester Research, Inc., September 7, 2012.

2 In the age of the customer, brands that forge an emotional connection with empowered consumers will enjoy the only sustainable competitive advantage. Source: “Invest In The Brand Building Experience,” Forrester Research, Inc., November 5, 2012.