

Out with the old

New ideas light up online display ads, bringing gee-whiz to a ho-hum marketing format

By Bill Siwicki

“Traditional online display advertising is dead.”

So says Eric McCoy, founder and CEO of Heels.com, and quite a few of his retailer colleagues. McCoy means that in a good way, because display ads have forever been the black sheep of the online marketing family, rarely producing the desired results and always getting far fewer dollars than search engine, e-mail and other forms of marketing.

Results like this could lead retailers to take another look: a 379% return on ad spend improvement over previous display advertising campaigns, a return just 3% less than that of paid search.

Heels.com achieved those results with a recent campaign it conducted using a new online display advertising technique. The e-retailer belongs to a co-op launched in September by ad network and technology provider Permuto Inc. in which hundreds of content sites, retailers and consumer brand manufacturers volunteer their web site visitor activity data, made anonymous. Permuto combines the data into a Buyer Index, a collection of 40 million cookies that can pinpoint an Internet user's interests and thus, the company says, what kind of display ad would most appeal to her.

Say she has been reading articles on Jessica Simpson on celebrity magazine sites within the co-op and browsing the online shops of competing shoe merchants. On a subsequent visit to a site in the ad network, Permuto serves her a Heels.com ad for Jessica Simpson shoes that it creates on the fly using information from the merchant's product feed.

“Permuto profiles our shoppers and other Internet users and shows them highly creative ads they piece together that show people precisely what they are interested in,” McCoy says. He points to another company, Alvenda, that lets consumers make a purchase from within a banner ad. “These are examples of the future of online display,” McCoy says. “I hate to even say the word ‘display’ because technologies coming out today are nothing like traditional online display ads, that's how much better they are.”

In with the new

The offerings from Permuto and Alvenda are just the start of what's new in online display ads. There are ads that incorporate video. There are display pieces that include up-to-date, on-message tweets from Twitter. There are services that prevent placement of ads on undesirable sites, preventing wasted spend.

All of these have the potential to increase the efficiency of web display ads, and retailer spending on a format that many have viewed as an afterthought.

In a survey last year by Forrester Research Inc., only 9% of retailers rated banner ads as an effective online marketing tactic versus 83% for search engine marketing. And their spending reflected those preferences: while big retailers in the survey spent 5.8% of their marketing budget on display ads, they devoted 41.2% to paid search.

But the new techniques and technologies available today are making more ads catch more people's eyes, experimenting retailers and ad agencies say, and they're making online display, finally, a more profitable venture.

Custom social ads

When SocialMedia.com approached 1-800-Flowers.com Inc. and told the retailer of its new display ad technology, the retailer jumped at the chance to test it. SocialMedia.com aggregates geographic data from users' Internet Protocol (IP) addresses and messages from social networks including Twitter and Facebook to customize ads it displays to Internet users.

"You need to get folks engaged," says Kevin Ranford, director of web marketing at 1-800-Flowers.com. "We have had some significant wins with our social media programs, and social media just screams engaged. So how do you get that type and level of interaction in our various ad buys? When SocialMedia.com approached us, we thought it was a great way to achieve this."

SocialMedia.com serves these custom social ads in two ways, both using overlays that appear when an Internet user mouses over the display ad.

In the first instance, the goal is to foster a sense of community and encourage people to buy. By collecting data on the number of times on which an ad is clicked and on where the viewers are from based on their IP addresses, SocialMedia.com is able to create messages for 1-800-Flowers.com such as, "Over 157 people in Chicago thought that someone in their life deserves flowers." Below that is a button that reads Send Flowers to Someone Special, which leads to 1-800-Flowers.com.

In the second instance, the goal is to get ad viewers in the spirit of buying a gift through comments from fellow flower fans on Twitter. SocialMedia.com searches for keywords established by the merchant, in this case "flowers," filters comments for relevance and to screen out inappropriate language, then manually reviews the comments to find ideal matches.

Below the Send Flowers button on the overlay with the geographic pitch is another button that reads "See what others are saying..." Clicking on this transforms the display ad into a mini-Twitter feed, with the images of the tweeters and their comments, such as, "I'm looking at the most stunning bouquet of flowers ... from a certain someone on the East Coast."

"We're running a test now in advance of Mother's Day," Ranford says. "We're fighting users' tendencies to just glaze over everything on the right rail by tying into display ads engagement with community. We've seen such success in social media that this seems like an obvious strategy to port over."

Early results of the test are in, and Ranford says there has been "a strong uptick in click-through rates" in A/B testing of ads with social media versus ads without it.

The right place

To get strong click-through rates, an ad needs to be in the right place. If it's in the wrong place, it not only can be a waste of money but a vehicle for trouble.

That's the premise on which AdSafe Media is building its business. Launched last year, it has partnered with 25 ad networks and site publishers and at any given time, it says, is a part of 30 to 50 online display ad campaigns for retailers and other advertisers. The goal is to ensure that display ads only appear adjacent to appropriate online content.

AdSafe Media collects more than 50 data points on every web page within an ad network, explains Kent Wakeford, co-founder and chief revenue officer, data on everything from content and images to meta-tags that

describe a page. And it's looking for everything from subject matter to obscenity to hate speech to danger of malware. It then creates a rating for each page to reference during the ad serving process.

"And a brand can tell us any term or phrase they don't want to be associated with," Wakeford adds. "For example, if you're an airline and don't want to run an ad next to an article about a plane crash."

The new technology has gone over well at ad agency Hill Holliday, which uses it with four clients.

"A major consumer packaged goods seller we work with has an objection to games of chance," says Adam Cahill, senior vice president of digital media at Hill Holliday, which uses AdSafe to weed out pages that fall into this category. "Anything that could be considered a cousin of gambling, even playing Wheel of Fortune online, even if there is no money involved, they don't want to be associated with it."

Block and tackle

Once an ad campaign is launched, the agency receives reports of the number of impressions AdSafe blocks.

"We then can quantify the dollar value of that media—those would have been wasted impressions so we prevented that from happening," Cahill explains. "And if we see a site or network has lots of impressions being flagged we can ask them what's going on and consider changing the parameters of our buy."

Hill Holliday was attracted to AdSafe because it prevents problems before they occur, Cahill says. "This has become a solution we are very proactively bringing to our clients as something they should be aware of, and that in our opinion is very reasonably priced for what it does," he says.

The standard cost for AdSafe's Brand Safety Firewall is 4 cents per thousand ads served, "similar to what we pay for ad serving and tracking," Cahill says.

Rich video

While it's key where an ad is being seen, what's being seen is just as critical. A new trend in online display ad content is the use of video and other compelling imagery to drive better engagement with consumers.

Undertone Networks, an ad network with 400 site publishers and an ad technology provider with numerous Fortune 500 clients, has created a suite of online display ads that enable significant interactivity between consumer and ad.

For instance, Undertone can link a retailer's product feed to an ad and enable ad viewers to scroll from left to right and back through the retailer's product catalog, all within the confines of the ad. They then can select the product videos they want to view or share information with social network friends. And they can select a product and be sent to the retailer's checkout page. Plus, they can sign up for an e-newsletter or mobile coupon.

In the fourth quarter of 2009, Undertone says, it worked with a major national retailer to bring its catalog and existing video assets to bear within online display ads.

"They were very interested in solving a problem: How do we show more of what we offer and differentiate ourselves when there are a lot of competing ads out there," says Alan Schanzer, chief strategy officer at Undertone. "They wanted to have the option for consumers to see their selection of merchandise, see the depth of that selection, see how broad the catalog is, the choice to see more in video, and then be able to share with friends or family."

Undertone ran online display ads across its ad network, targeting women primarily, using its full suite of technology for six weeks at the end of the year.

“We saw a very high interaction rate of 12%,” Schanzer says. “And we only count the secondary interactions. Scrolling over content could happen by accident, so we don’t count that. Someone then choosing to look at content, that’s an interaction.”

Save the day

And it’s interaction that every advertiser wants with their online display ads. New technologies and techniques are driving interactions, click-throughs and return on ad spend for retailers and ad agencies testing them out. And many think it’s such new technologies that could save the day for online display.

“An evolution in online display is very necessary,” says Ranford of 1-800-Flowers.com. “It’s important to be talking with up-and-coming companies that have new ideas to figure out new ways to get the biggest bang for your online display buck, now more than ever.”

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