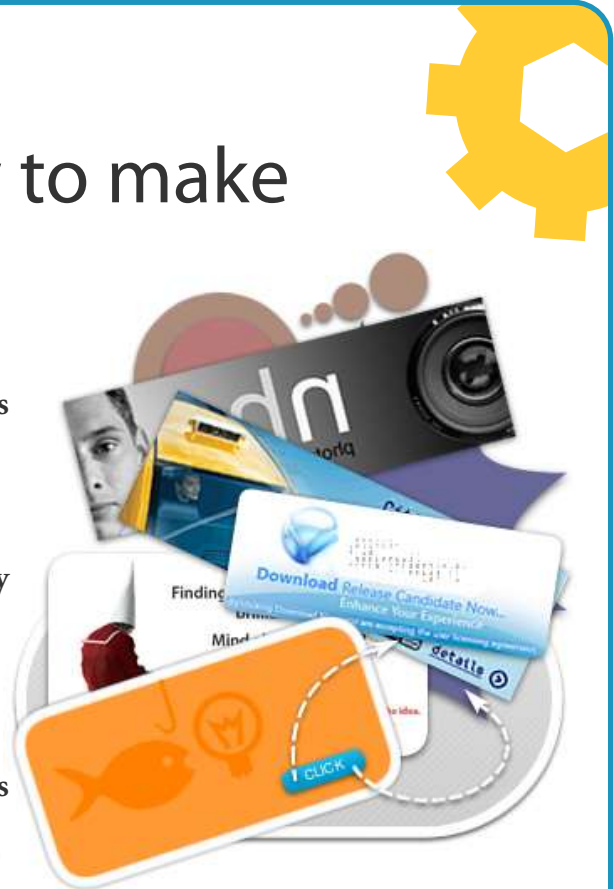


Banner Ads - How to make them effective?

Your website is live – now your work begins. If customers do not visit your site, your efforts will, most likely, be for naught and that is money down the drain. Fortunately the Internet provides many mediums for you to experiment with in order to acquire your customers cost effectively. We have previously discussed a number of these – blogs, viral campaigns, email advertising. Our topic of discussion today is the popular medium of Banner Advertisements.

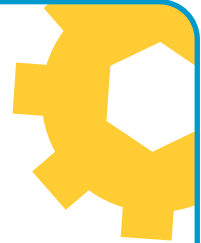
If you are going to adopt banner advertising as a key communications strategy, you should maximize your Return on Investments (ROI) and know that you are getting your money's worth.



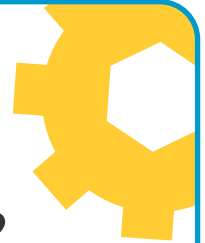
DEFINITIONS

First, let's introduce some terms we think you should familiarize yourself with:

- **Page impressions or page views**
This typically means the number of times a web page has been requested by a server.
- **Banner views**
Number of times the banner has been viewed, a concept similar to "page views," but certain server programs don't count the banner view unless the user stays long enough on the page for the banner to be fully downloaded from the server.



- **CPM**
Cost Per Thousand. A price of \$20 CPM means \$20 is spent for every one thousand times the banner is displayed.
- **Banner ad**
An ad graphic that is hyperlinked to the URL address of the advertiser. These could typically be animated GIF images or Flash units.
- **Creative**
The actual banner graphic.
- **Click Throughs**
Whenever a visitor clicks on a banner ad and is transported to the advertiser's site.
- **Click Through Rate (CTR)**
The ratio of click throughs to banner views. A 5% CTR means that 50 visitors of each 1000 visitors who viewed the banners clicked through.
- **Conversion Rate**
The percentage of viewers who transacted or fulfilled an activity on the site. It typically ranges between 1% to 5%.
- **Cookies**
Small data files written to your computer whenever a banner ad is being viewed, a website visited, or a product is being added to the shopping cart. These enable the banner server to track your preferences and show you ads that you are more interested in seeing.
- **Run of Site (ROS)**
Displays a banner ad throughout a website or a banner server with no target keyword or site category. Although this costs substantially less than targeted advertising, its results are not quite that fruitful.



HOW DO YOU MEASURE SUCCESS?

Measuring success in advertising is part science and part art. On one hand, advertisers want to see how many sales these advertising avenues bring. On the other hand, it is almost impossible to quantify the amount of value add these advertisements bring to your brand. Hence the more experience one has in this realm the more accurate the results.

There are some measurements that you can use to gauge how your ads are faring.

- **Click Through Rate (CTR)**

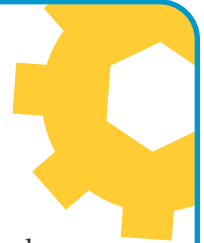
The number of times the banner has been viewed, a concept similar to "page views," but certain server programs don't count the banner view unless the user stays long enough on the page for the banner to be fully downloaded from the server.

- **Cost Per Sale**

This measure has been regarded to be more relevant in tracking advertising results. You may not care how high the CTR is if it doesn't translate into a proportionate number of sales. You can only calculate this when you use tracking methods that use cookies to separate the viewers from the purchasers, and determine exactly which sites and which banner ads gave you the best result. This kind of precision can be done by using the [Dart Tool from DoubleClick](#) or [Google Analytics](#).

- **Branding**

- Branding effects are also an aspect not to be neglected. They create brand awareness and top of mind recall, whether or not the viewer actually clicks through on the ad. Ideally, when the viewer is ready to purchase, those impressions will translate into actual sales for the brand.



- **CPM Banner Economics**

While brand marketers may assess effectiveness in their own ways, direct marketers look at calculation methods in terms of how many sales it produces immediately. Let us provide you with an illustration on how to do the math. Your results will vary, depending on where you advertise and how effective your ad is. Here are some arbitrary numbers to use in our calculation:

CPM = \$10 (a normal rate for generic, not-very-targeted websites)

CTR = 0.5%

Conversion Rate = 1%

Cost per Visitor = $CPM / 1000 * CTR = \$10 / 1000 * .005 = \2

In our example, the \$10 spent to show 1000 people your banner ad probably gets you 5 visitors to your site. This means it uses \$2 to get a visitor there. Seems rather affordable. But now let's see what your advertising cost is for every sale.

Cost per Sale = $Cost\ per\ Visitor / Conversion\ Rate = \$2.00 / .01 = \$200$

Yes, it costs you \$200 to bring in one sale. However, if you had a 20% conversion rate rather than a 1% conversion rate, it only costs you \$10 to get a sale. Thus, this is really why we advise advertisers to carefully plan advertising strategy in order to obtain a higher conversion rate.

FLEXIBILITY

Advertising can be a risky yet equally rewarding. It is especially hard when you are not quite sure which option is best for you. Ideally, you will have enough budget to place your banners in different places. Together with rigorous data for every banner unit and media, you will be able to see which ads at which site best helps you achieve your desired results. Then, you can channel all your remaining resources and leverage on your best combination of banner ad and site.



TARGETED vs. RUN OF SITE

In our opinion, an average Internet user will only be compelled to find out more about what you provide if they are truly looking for a service or product in that area. Hence, doing a targeted banner ad placement would probably generate more sales. But this benefit definitely comes at a higher price than doing a cost per view (run of site) analysis (which is more useful for branding purposes).

LOW COST APPROACHES

Banner advertising on a CPM basis can be expensive. If you have a fantastic banner with a 5% click through rate, that can greatly change the economics. It would also help if the price you pay for banner ads drops to \$2 CPM. If you can pay a modest cost per click through, or only pay a commission of 5% to 15% when a sale is made, then these banner ads may not seem like such a heavy burden. You could look into how to manipulate each of the factors to create a more favorable position for yourself.

One important take away for any advertiser is to understand that the important element is not really how much it costs to put up an advertisement but how much it costs to MAKE A SALE. Please keep this in mind when deciding your marketing mix.

If you are keen to embark on a banner advertising campaign or wish to track the effectiveness of your current campaign, please contact us!

PS: Found this newsletter informative and useful? Email us with your comments, questions or other topics you would like covered at custservice@designdepot.com.sg

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