

Integrated Interactive Marketing: Quantifying the Evolution of Online Engagement

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- **Executive Summary**

 - **A New Online Chapter**

 - **Engagement Guidelines**

 - **Engagement in the Online Environment: Who's Discovering the Trend?**

 - **Engagement in the Online Environment: Monitoring and Measuring**

 - **Conclusion**

Executive Summary

The past decade has been a roller coaster ride for the media business, a time of major upheaval and massive change for content companies, advertising agencies, television networks, print publishers, and sales forces. Two interrelated and underlying forces have been responsible for these changes. One is the rise of digital media, allowing consumers to take greater control of their media consumption. The other, closely related to the first, is the fragmentation of audiences. Television ratings continue to decline as audiences migrate to other media, spending hours playing with the Xbox, fast-forwarding through commercials with TiVo, instant messaging with friends, and looking up scores and paying bills on the Internet.

These two developments have had a profound impact on the advertising business, affecting the way space is bought and sold, the way ads are created, and the way marketers evaluate effectiveness. The Internet, as it reached a critical mass of users, became a legitimate platform for advertising. However, as the initial irrational exuberance around all things Internet swelled and then deflated, the online advertising

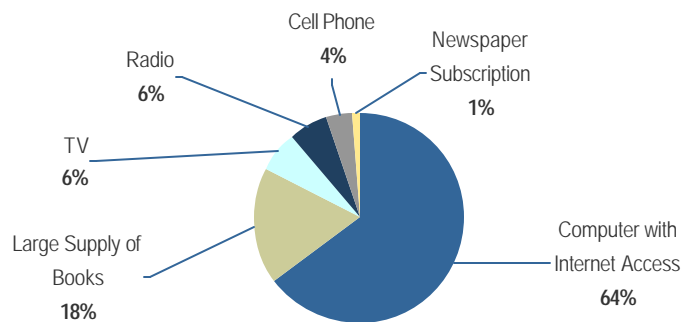
business suffered. Questions were raised about its efficacy, its cost, and the complexity of advertising on what was supposed to be a simple channel.

But online advertising rebounded. The continuing migration of audiences from other media became more and more compelling to traditional advertisers. Spending increased, the number of advertisers multiplied, audiences grew, and so did consumption. Yet the medium has struggled to achieve the recognition it deserves. Marketers are also struggling to discern the most salient metrics for gauging success. Although many marketers are still looking at metrics such as click-through and conversion rates, a primary metric is continually ignored—engagement.

Consumers are becoming more fully engaged with the Internet. It is becoming an indispensable part of their everyday lives. The recent Internet Deprivation Study conducted by Yahoo! and advertising agency OMD showed just how difficult it is for consumers to survive without the Internet. Participants in the ethnographic study were asked to abstain from using the Internet for two weeks and to keep a journal of the experience. According to the researchers, recruitment for the study wasn't easy, an indication in itself of the users' attachment to the medium. A related study conducted by Ipsos-Insight found that when consumers were asked to choose only one type of media to take with them to a deserted island, an overwhelming majority, 64 percent, would choose a computer with Internet access (Figure 1).

Figure 1
Consumers Cannot Live Without the Internet

If you had to live on a deserted island and could take only one of the following with you, which would you take?



Base = 1,000 online households
Source: Ipsos U.S. Express, August 2004

Many of the participants in the first study reported they felt frustrated and bored and experienced symptoms of withdrawal when they were deprived of the ability to email, surf, and chat via instant messaging. Participants also said they felt disconnected from their friends and family. Given this evidence of the psychological ties and behavior of online consumers, it is clear that quantifying usage alone is too simplistic a metric for evaluating the importance of the medium; engagement is fundamental to understanding the relationship between consumers and the channel.

Despite the fragmentation of audiences in other media, consumers of those media still show high levels of engagement with them. Smart marketers are finding ways to

integrate the Internet and other platforms, such as wireless, into holistic, multichannel campaigns. For instance, “American Idol” generates huge ratings for the FOX network and high levels of engagement with the audience, and that engagement spills into other media. Viewers are asked to vote for favorite contestants by phone or by text messaging. The web site for “American Idol” is updated often, with interactive polls, backstage information, recaps, and video outtakes. Additionally, FOX’s campaign for “American Idol” in January 2005, which coincided with the show’s season debut, garnered more than 27 million impressions on sites such as TV Guide, MTV, Seventeen, and E! Online, according to Nielsen/NetRatings AdRelevance.

Clearly, engagement with online marketing (particularly when it is presented in the form of content) is rising. As the Internet matures and growth in unique visitors begins to plateau, the concurrent sharp rise in consumption levels is striking. Simultaneously, the most traditional offline advertisers are becoming more fully committed to using the Internet as an advertising vehicle. This paper looks at quantifying some of the progress that has been made in online audience engagement levels and at how engagement levels impact online advertising today and will impact it in the future.

A New Online Chapter

Congenital Impatience

The online medium has been playing catch-up to mainstream media for the past decade, almost considered the ugly step-sister of the traditional media platforms. The naysayers found fresh reason for skepticism when the dot-com financial bubble burst.

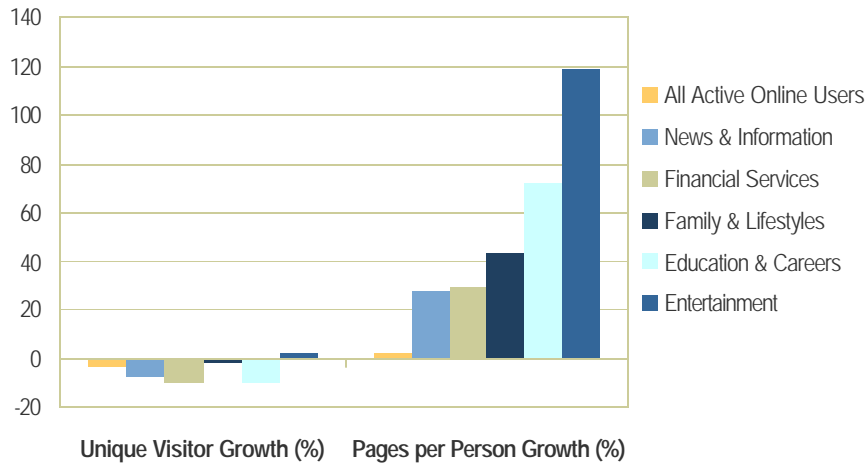
The medium appears to have gained a new-found legitimacy over the past two years, as leading national advertisers are allocating more and more of their media spend to online advertising. Yet this uptick in interest and spending still represents only a fraction of the attention given to traditional media.

As the online industry has matured, it acquired the appurtenances necessary to establish it as legitimate medium, including the accompanying industry associations. The membership dues, annual meetings, and specialized subcommittees were geared toward answering the industry’s insistent question: Are we there yet? This industry suffers from congenital impatience. The boundless expectations of the late 1990s gave way to unbridled pessimism following the bursting of the dot-com bubble, and now the industry is in the midst of a quest for the right metric to prove the relevance and efficacy of the medium. Many metrics have been offered as proof that the medium has finally arrived. Yet the one that is probably both the best proof and the most often ignored is consumer engagement.

Engagement

Engagement is the most essential measure of the success of any medium. Engagement speaks to passion, preference, and habit. When television was an untested medium for advertisers, it was the engagement of U.S. audiences, as they tuned in week after week to see “Texaco Star Theater” and “I Love Lucy,” that attracted advertiser investment.

Figure 3
The Shift from Unique Audience Growth to Consumption Growth
 February 2004 to February 2005, Year over Year



*Data is drawn from 10 representative sites in each category.
 Source: Nielsen/NetRatings, April 2005*

From February 2004 to February 2005, the gap between growth in unique visitors and growth in web pages consumed has been staggering (Figure 3). For the market as a whole, the picture is not entirely clear—unique visitors declined by 4 percent and web pages per person increased 2 percent, for a gap of 6 percent overall. However, engagement statistics vary significantly by web site category; those shown in the figure all saw significant growth.

Case Study: News and Information

In individual categories such as news and information, it is clear that engagement levels are increasing. Despite the industry's slow embrace of local media, much of this engagement is being driven by audience interest in local and community news.

The 10 news and information sites shown in Table 1 comprise a spectrum of news-oriented sites. Although the year-over-year growth in web page consumption for these 10 sites is lower than that of other categories (27 percent for news and information, compared to 119 percent for representative entertainment sites), they show a significant lift relative to the overall web universe.

It is in local news media that the most significant growth in engagement is occurring. One example is the Milwaukee Journal Sentinel. Growth in unique visitors to the site was actually fairly significant over the past year, with a 16.1 percent rise. However, the site saw an even more impressive 54 percent rise in web pages per person in the same period. What drove this growth in engagement? Two forces seem to be at work. One is the web site's coverage of the Green Bay Packers, particularly late in football season. The other factor is the significant percentage of its audience accessing the site from the workplace.

Table 1
Growth in Web Pages per Person for 10 Representative News and Information Category Sites
 February 2004 and February 2005

	Feb-04	Feb-05	Change (%)
Drudge Report ¹	4.7	47.3	906.4
Milwaukee Journal Sentinel	13.2	19.9	50.8
Ottaway Newspapers	10.2	14.8	45.1
Internet Broadcasting Systems	19.8	26.9	35.9
Knight Ridder Digital	10.3	13.8	34.0
NewsMax.com	11.6	15.3	31.9
Hearst Newspapers Digital	13.6	17.2	26.5
CNN	41.2	50.5	22.6
Pittsburgh PostGazette	13.2	15.2	15.2
MSNBC	17.9	20.0	11.7
Average²	38.6	49.2	27.5

Web pages per person calculated by dividing total web pages in a given month by the unique visitors to that site in the same month. ¹The significant uptick for the Drudge Report is explained by unusually high unique visitor numbers in February 2004. ²The average of the 10 sites is generated by calculating the unduplicated, unique audience that visited all 10 sites in each month.

Source: Nielsen//NetRatings NetView, April 2005

Case Study: Education and Career

Another category that has seen compelling empirical evidence of increasing audience engagement is education and career sites. The increase in distance learning and the networking opportunities for online learning show a significant trend toward deeper engagement with these sites and their software applications.

Table 2
Growth in Web Pages per Person for 10 Representative Education and Careers Category Sites
 February 2004 and February 2005

	Feb-04	Feb-05	Change (%)
Columbia University	14.4	44.3	207.6
Florida State University	8.5	20.2	137.6
University of Nebraska, Lincoln	7.4	13.9	87.8
Johns Hopkins University	5.6	10.2	82.1
Virginia Polytechnic Institute	8.5	14.1	65.9
University of Pittsburgh	22.3	33.2	48.9
Blackboard	99.8	147.4	47.7
University of California, Berkeley	14.5	19.5	34.5
Michigan State University	15.7	20.5	30.6
College Board	27.9	36.3	30.1
Average¹	23.3	40.1	72.1

Web pages per person calculated by dividing total web pages in a given month by the unique visitors to that site in the same month. ¹The average of the 10 sites is generated by calculating the unduplicated, unique audience that visited all 10 sites in each month.

Source: Nielsen//NetRatings NetView, April 2005

Table 2 shows a representative group of 10 sites from the education and careers category that includes a spectrum of education institutions, public and private, as well as collegeboard.com, one of the leading college admission information sites, and

blackboard.com, a leader in the elearning and distance learning phenomenon. For this group of 10 sites, web pages consumed per person increased over 70 percent over the past year.

The numbers for education site blackboard.com show similar trends in online engagement. The web site, a proxy for the company's software solution, saw unique visitors decline 2 percent, yet web pages per person increased 47 percent. Blackboard.com is one of the top sites leading the development of distance and online learning, providing a technological response to the cultural and social evolution taking place in colleges and universities.

Another site in found in the Family and Lifestyles category that capitalizes on consumer engagement is thefacebook.com, which is transforming the traditional pastime of perusing photos of incoming students into an online activity. In a very short period, thefacebook.com has become the site most frequented by college students, providing a perfect refuge for procrastinators and bored students. Engagement levels tend to be high because the site is an easy, unobtrusive, and acceptable way to meet people. Members can add their profiles, find out who is in their classes, connect with friends and friends of friends, and see a visualization of their social network. Essentially, the site provides a specialized Friendster for college students.

Engagement Guidelines

The evidence is clear that audiences are becoming more and more engaged with their favorite web sites, but a question arises: How can publishers and marketers capitalize on this behavior? There are three rules for lifting consumer engagement.

Align Content with Passion

The success of the Milwaukee Journal Sentinel in raising its engagement quotient is most likely attributable to the passion of its Green Bay Packers fan base. Its coverage goes beyond simply reporting on games and players. The site offers deep content on the team—polls, fan blogs, message boards, statistics, and salaries. In some ways, the site offers Packers fans more than the official Packers site, because the Journal Sentinel provides more criticism, analysis, and community-driven content than the official site.

Other sites exploit similar types of passion. For instance, iTunes's robust music management service has built a dedicated audience. The service lets users organize their music into playlists, edit information, record their compact discs as digital files, and purchase music over the Internet. The iTunes site also lets users share their music with other members and synchronize a music library with an iPod. As a result, users have downloaded more than 300 million songs since the music store was launched in April 2003.

The blogosphere also offers high levels of engagement. Although the great majority of blogs are only read by a few devoted readers, some have approached a critical mass of engaged readers. The snarky wit and gossip of sites Gawker and Defamer have brought them a large, dedicated audience.

Appeal to Kindred Spirits

Audiences aren't passionate only about news or music or sports. They are also passionate about connecting or reconnecting with like-minded individuals. Sites that harness the "tribe" mentality or that facilitate networking are also successful at increasing engagement, as evidenced by dating site match.com and social networking sites such as friendster.com, thefacebook.com, and myspace.com.

Like blogs, social networking sites succeed at aggregating compatible individuals. MySpace has been particularly successful at attracting advertisers who want to reach its engaged and passionate audience. The site has partnered with entertainment companies to promote new releases. For instance, in September 2004, R.E.M. offered an album preview on myspace.com for two weeks before the album was physically released. MySpace members could also visit the R.E.M. home page to read lyrics, pre-order a copy of the CD, see tour dates, and download wallpaper and mobile ring tones. Major acts such as Green Day, Black Eyed Peas, and Weezer have also been using the site to promote their work.

Build a Better Mousetrap

Although technology is not typically a strategy for maintaining a competitive advantage, in some cases, a better technology, a more intuitive interface, and a strong brand are factors that create greater consumer engagement. There are many examples of companies that have pulled ahead of their competitors by building a better mousetrap. Google, for instance, has used its technological expertise to compete not only with Yahoo! and other search engines but also with MapQuest, local yellow pages, LexisNexis, and even Merriam-Webster. Google Maps, introduced in February 2005, reached almost 1.7 million visitors for that month, a phenomenal rise in a short time.

Blackboard offers a specialized academic course management tool that gives instructors more flexibility and control than the type of collaborative group software available for free on many of the portal sites. Likewise, companies such as Intuit, Expedia, and eBay have managed to pull ahead of their competition by offering their sites' users simplicity and control along with robust capabilities.

Engagement in the Online Environment: Who's Discovering the Trend?

Although the advertising industry as a whole has suffered from upheavals and a sluggish stock market since 2001, the past couple of years have seen healthy growth.

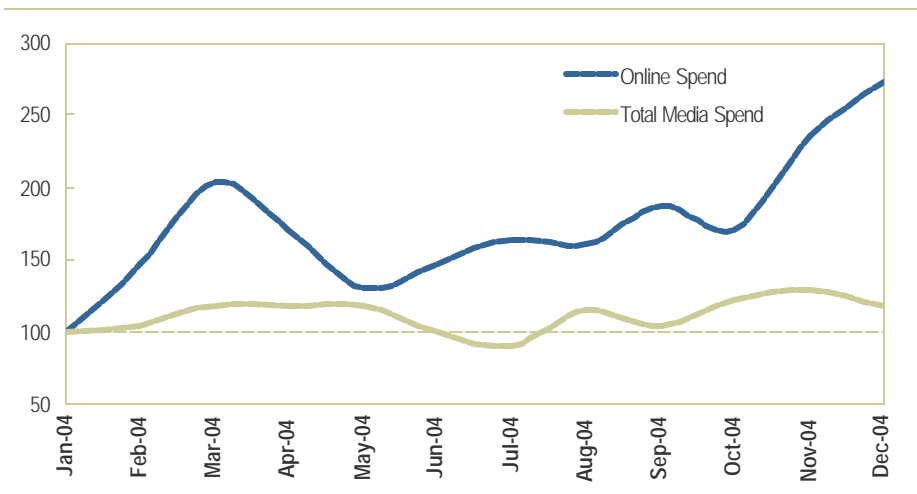
A look at the top 10 advertisers for all media, shown in Table 3, reveals few surprises. The group consists mainly of the automotive, entertainment, and consumer packaged goods giants. The top 10 advertisers spent almost double the industry average, with growth of 11.1 percent, compared to 6.3 percent of the total market.

Table 3
Nielsen Media Research Top 10 Advertisers in 2004
 Total Advertising Across All Media

Advertiser	Total Ad Spend, 2004 (000)	Growth from 2003 (%)
Procter & Gamble	\$3,030,361	9.5
General Motors	\$2,581,413	19.2
DaimlerChrysler	\$1,800,778	34.6
Ford	\$1,549,347	18.0
Time Warner	\$1,511,243	0.6
Walt Disney	\$1,352,743	-2.1
Johnson & Johnson	\$1,313,599	10.6
SBC Communications	\$1,312,372	10.1
Pfizer	\$1,101,352	2.4
Altria Group	\$1,091,128	2.6
Top 10	\$16,643,336	11.1
Total Market	\$107,986,627	6.3

Source: Nielsen Media Research Monitor-Plus and Nielsen//NetRatings AdRelevance

Figure 4
 The Top 10 Advertisers Increased Their Online Focus in 2004

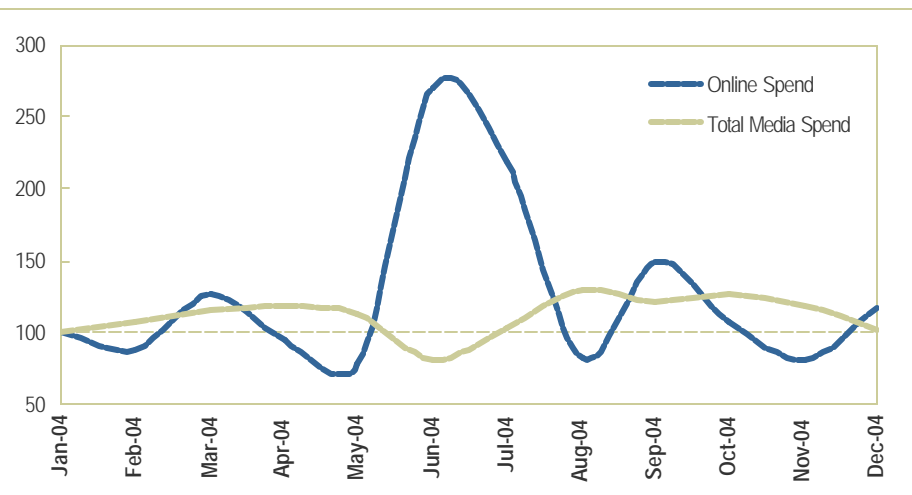


Indexed: January 2004 = 100

Source: Nielsen Media Research Monitor-Plus and Nielsen//NetRatings AdRelevance, April 2005

The online media will achieve legitimacy when the nation's largest advertisers start allocating more of their spending to online advertising. There was evidence of this transformation in 2004: Although online advertising constituted a small, single-digit share of their total marketing spend, the top 10 advertisers showed significantly higher growth in their online spend than in their total spend in 2004, picking up the pace significantly toward the end of the year (Figure 4).

Figure 5
The Largest Advertiser Overall in 2004: Procter & Gamble

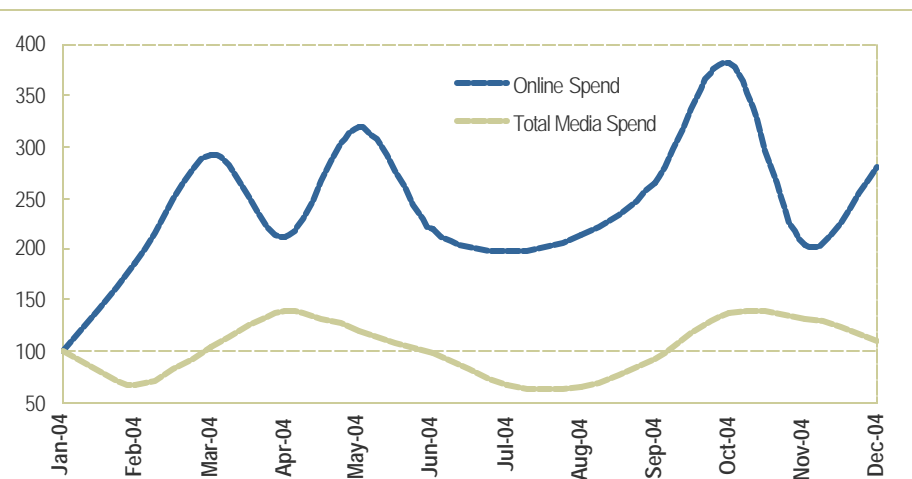


Indexed: January 2004 = 100

Source: Nielsen Media Research Monitor-Plus and Nielsen/NetRatings AdRelevance, April 2005

The largest overall advertiser in 2004 was Procter & Gamble. Building a campaign around the launch of the Pampers line of Feel ‘n Learn Diapers, Procter & Gamble stepped up its spending significantly during the summer, with the bulk of the campaign appearing on Yahoo! (Figure 5).

Figure 6
The Fastest-Growing Top 10 Advertiser in 2004: DaimlerChrysler

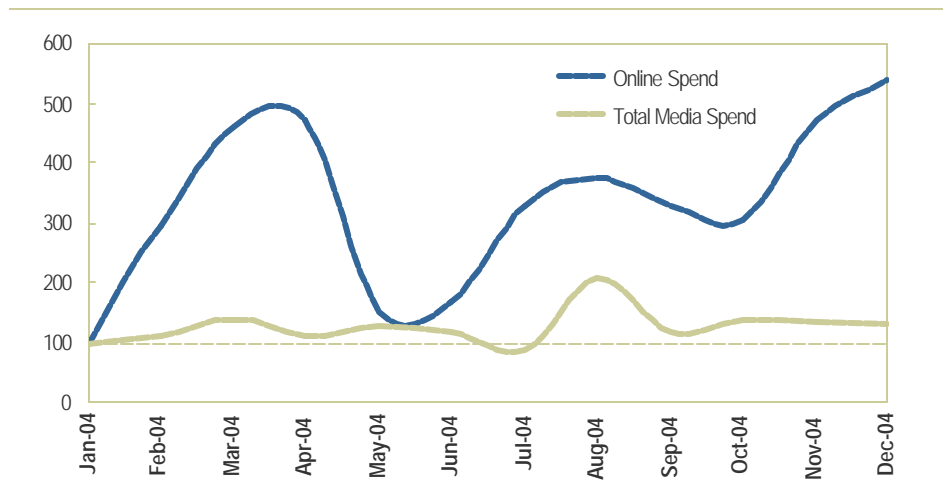


Indexed: January 2004 = 100

Source: Nielsen Media Research Monitor-Plus, Nielsen/NetRatings AdRelevance, April 2005

The fastest-growing top 10 advertiser, whose overall spend increased by more than a third in 2004, was DaimlerChrysler. The company’s online advertising increased significantly over the year as well (Figure 6). As shown in the figure, an index of DaimlerChrysler’s spending shows that its online advertising following a trend similar to its offline advertising—spending steadily, particularly in the spring and fall.

Figure 7
The Largest Online Advertiser in 2004: SBC Communications



Indexed: January 2004 = 100

Source: Nielsen//NetRatings AdRelevance and Nielsen Media Research Monitor-Plus, April 2005

Interestingly, we are finally beginning to see some alignment between the top 10 overall advertisers and the largest online advertisers. SBC Communications qualifies as a top 10 advertiser for total spend but is also the largest online advertiser for 2004. Although its ad spend growth dipped during the summer months to levels similar to overall spend, the last quarter of the year saw explosive growth (Figure 7). During the winter holiday season in particular, Cingular ran a campaign with a rich media leaderboard enticing consumers to try three Motorola phones for free.

These examples provide compelling data on brand and banner advertising, but it is clear that leading advertisers are doing much more than deploying banner ads. Advertisers are closely integrating marketing with content, either creating original content or partnering with other sites. They are also allowing consumers to create their own advertising, exploiting the trend toward greater consumer empowerment. For instance, MoveOn sponsored an online contest encouraging visitors to its site to submit their own ads, to be voted on by other visitors. KFC and Ringo sponsored a similar contest. FOX, building on its strong animation legacy, called for animators to submit their work online, hoping to uncover the next “Simpsons.” It is clear that smart marketers are exploring different ways to extend their brands and increase audience engagement. Their efforts involve greater complexity and require more management oversight, but these programs have proven to be highly successful.

Engagement in the Online Environment: Monitoring and Measuring

Over the past decade, marketers have struggled to define the best metrics to measure online advertising success. The early promise of the Internet was increased accountability, but it soon became clear that most marketers were being buried under a mass of data, unable to identify the most salient metrics. The early metrics, click-through rate and conversion, while still relevant, tell only a small part of the online

story because they pertain only to immediate actions. Broadening metrics to include delayed actions offers a better sense of online advertising's actual impact.

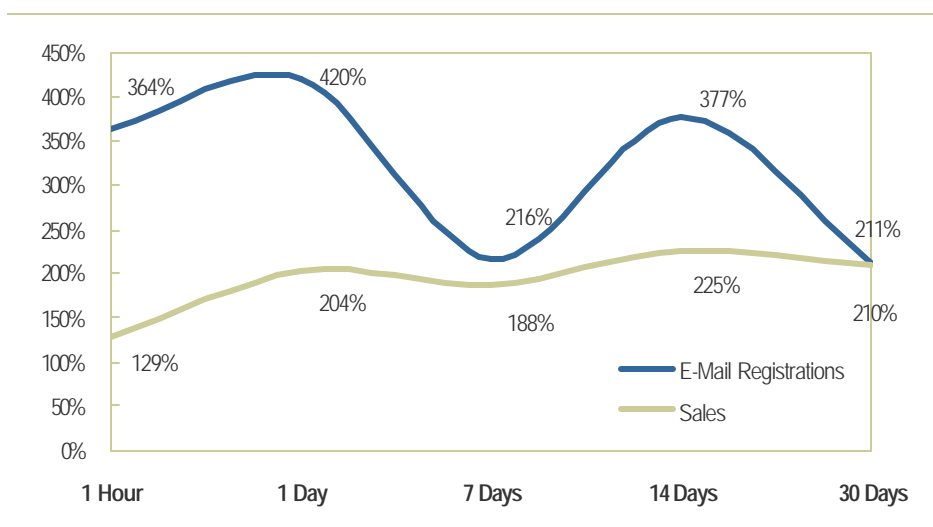
The search for the “right” metric has been frenetic—and it is continuing. Engagement levels are a demonstrable metric that shows longer-term behavior. The following section discusses three ways of monitoring and measuring engagement levels for advertisers: view-through, web analytics, and return on sales. Note that it is far from clear that these are the ultimate metrics for all advertisers, but these metrics do fuel ideas about how to quantify the efficacy of online advertising.

View-Through

One metric that has quickly gained currency is view-through, used to assess the “in-direct response” contribution of online advertising. View-through is a metric currently used by DoubleClick's DART for Advertisers system that enables advertisers to capture response over time to online advertising. The advertiser tags certain pages or activities on a site as conversions, and then the system derives a metric that associates the ad impression to these conversions. View-through, while useful, does face some challenges. One has been determining whether activity counted as view-through is directly attributable to online advertising or some other factor. Additionally, if it is attributable to online advertising, how much can be attributed to the campaign and how much would have occurred naturally? Marketers can also find it difficult to understand which factors affect the in-direct response of online advertising.

To answer some of these questions, Continental Airlines teamed with DoubleClick to assess the in-direct response of its advertising campaign. Users were exposed to either test ads or control ads. Both advertisements ran during the same period as part of the same media buy. Sales and email registration activity were tracked and measured at 1-hour, 1-day, 7-day, 14-day, and 30-day intervals after exposure. The control group was used as a baseline to measure the effects of the test ads. Continental Airlines had a large exposed audience, with 3,588,870 unique users in the study. Of those, 1,467,239 users were in the control group, and 2,121,631 were in the exposed group.

Figure 8
Time Lag and View-Through Activity



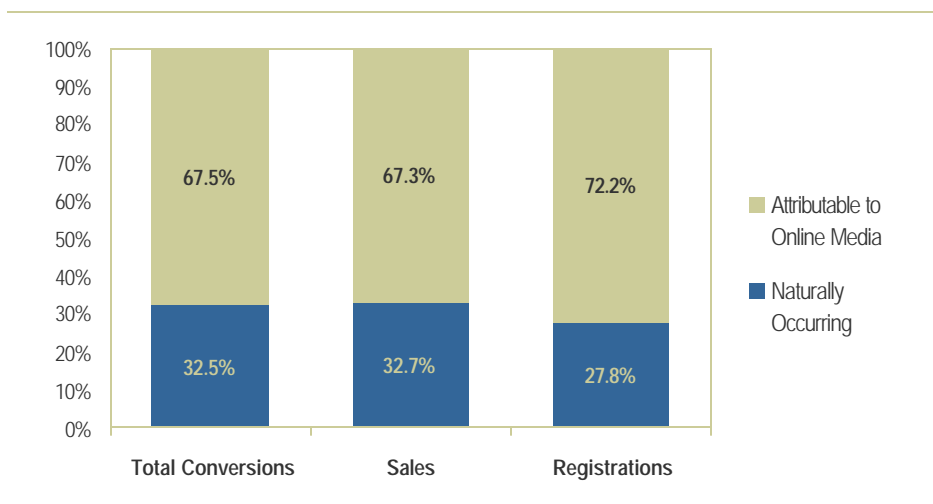
Source: Nielsen//NetRatings, April 2005

The results were an impressive corroboration of what many marketers have suspected: Online advertising significantly increased conversions in almost all time increments (Figure 8). At 30 days, the impact of online advertising on registrations had decreased by 50 percent since day 1; the impact on sales increased by 3 percent during the same period.

Using regression analysis, DoubleClick and Continental discovered that the key influencers of view-through were exposure to the campaign creative, ad placement, and impression volume. Regression analysis revealed that creative placements on regional sites related to Continental’s hub city and home page placements generated more transactions.

DoubleClick and Continental drew several conclusions from this experiment. Clearly, a significant portion of view-through activity is directly attributable to online advertising, with more than two-thirds of conversions attributable to online advertising (Figure 9). Additionally, the in-direct response of online advertising is significant over a period of at least 30 days. Lastly, the effect of online advertising on in-direct response varies by exposure, impressions, and ad placement.

Figure 9
Online Advertising and In-Direct Response: What Can Be Directly Attributed to Online Ads
 Percentage of View-Through Conversions



Source: DoubleClick and Continental Airlines

Web Analytics

View-through is one metric among several that help marketers evaluate the success of their campaigns. Many online campaigns require “outside the banner” placements such as site integration, text links, and guerilla marketing. Fox Home Entertainment, for an integrated campaign on UGO, a leading men’s lifestyle site, used sophisticated web analytics to assess the success of its campaign. Fox and UGO have created a successful partnership over the past four years; Fox aligns with UGO for the extensive 18-to-34 male reach, custom production, and creative execution that UGO makes available. In this case, UGO developed a custom section of its site to promote the “top 50 DVDs of all time” (Figure 10). This promotion provided an opportunity for Fox

Home Entertainment to tap into the engaged audience at UGO and simultaneously promote its DVDs being released at that time.

UGO drove results using a variety of techniques, including promotional media units, guerilla marketing outside of the UGO network of sites, and seeded text links. To measure the effectiveness of this campaign, UGO used Nielsen/NetRatings SiteCensus to monitor all aspects of the Top 50 DVDs feature. One of the issues UGO sought to understand was the effect of story placement, such as the day-to-day effectiveness of top story placement for driving traffic to the feature.

Various sites across the UGO network were also used to drive traffic to the Top 50 DVD feature. Using the SiteCensus technology, UGO was able to determine the paths that consumers took to find the feature. UGO was also able to account for the number of views that promotional units on each of the sites received. Using the SiteCensus External Referring URLs technology enabled UGO to determine how much traffic it received from sites that linked to its feature as a result of its guerilla marketing efforts. In particular, the SiteCensus External Referring URL technology revealed a rather large spike in traffic after a link appeared on slashdot.org, a site outside of the UGO network. The same technology provided the company with the ability to monitor the overall performance (including audience time spent with the feature and the Fox brand), quickly identify trends, and rapidly resolve any traffic issues.

Figure 10
UGO and Fox Home Entertainment



Source: UGO

Return on Investment

The ultimate goal for any organization is to efficiently increase sales. ACNielsen Homescan and Yahoo! have partnered to develop a program, called Consumer Direct, that gets closer to discerning the impact of web surfing behavior and advertising exposure on actual sales.

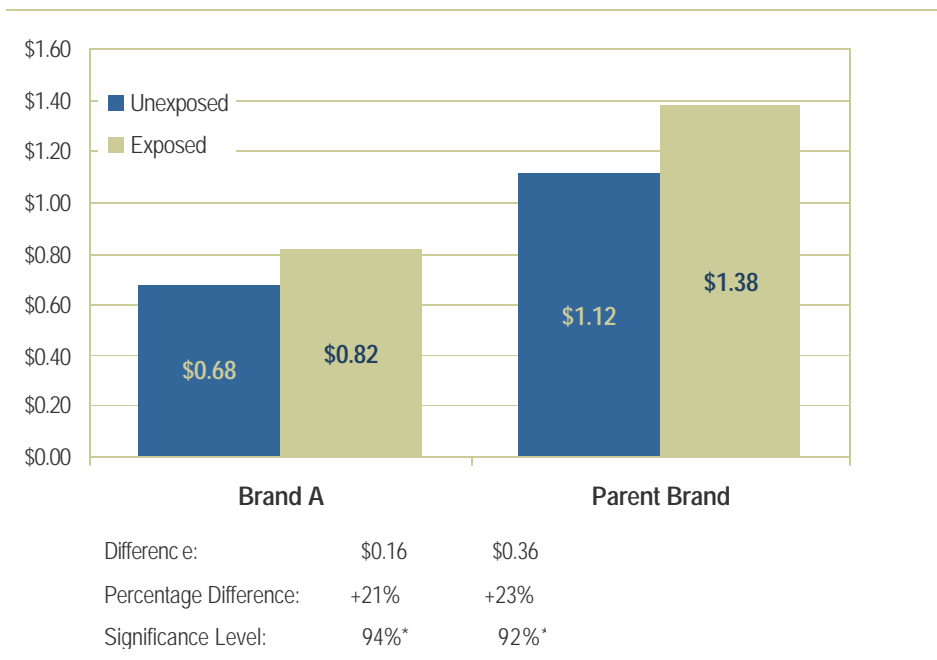
A subset of ACNielsen's Homescan panel (23,000 households) gave permission to track their surfing behavior across the Yahoo! network of websites. The target households are chosen based on their purchasing or shopping behavior. For instance,

a marketer can pre-select consumers who are heavy category buyers or competitive brand buyers.

The surfing behaviors of the households in the panel are compared to the surfing behaviors of all visitors to Yahoo! The households with the surfing patterns that best match those of the target households are then chosen to receive the media event. Ads and promotional offers are served directly to these consumers as they travel through the Yahoo! network and are tracked via cookies. After the campaign, the sales impact is analyzed. The result is a targeted and measurable media campaign.

Yahoo! and ACNielsen Homescan have now completed 25 campaigns and are currently running several more. The campaigns generally run 6 to 8 weeks and reach an average of 7 million Yahoo! users. The offline sales differences between exposed and non-exposed households has averaged approximately 20 percent. Most of the campaigns have promoted consumer packaged goods products, but credit card companies, and national retailers have also participated in Yahoo! Consumer Direct.

Figure 11
Post-Campaign Sales
 Average Dollar Purchase per Panel Household



The average dollar purchase per panel equals total dollars divided by number of households per panel (includes non-buyers).

**Significant at the 90 percent level.*

Source: Yahoo! and ACNielsen

The findings are impressive. Exposed groups typically purchase 20 percent more of the advertised brand (Figure 11). This increase generally translates into approximately a \$1 million difference in sales as a result of the exposure to advertising.

Toward the Next Generation in Non-Traditional Planning

It is clear that patterns of media engagement are changing and that engagement has a direct impact on sales. Of course, consumers are still engaged by traditional media—enjoying favorite TV shows or morning newspapers—but their attention is clearly being challenged as non-traditional media compete for mindshare. While the investment in non-traditional media remains a small part of the resources and manpower of most media companies, forward-looking companies are devoting more money, time, and attention to the Internet. According to Starcom MediaVest Group EVP Rishad Tobaccowala, his agency is already investing 40 percent of its management time and 20 percent of its capital investment in non-traditional activity, even though non-traditional business accounts for only 7 percent of revenue currently. By developing early expertise, SMG expects to gain a competitive advantage over agencies that will have to struggle to adapt as non-traditional media become mainstream.

The ACNielsen and Yahoo! example represents a preliminary step toward integrating the Internet into current media mix modeling, a process born in the early 1990s, fueled largely by the need to understand the volume impact of advertising. Scanner data and digital technologies were suddenly providing a wealth of new information on the impact of marketing. Today's technology continues this trajectory, examining the impact of online exposure to offline sales. Leading advertisers are taking the next step toward formalizing the process between advertising and store sales with media mix models that incorporate non-traditional media. Online advertising has finally reached the volume and spending necessary for inclusion in media mix models: 2005 is shaping up to be the year that sees online marketing integrated into overall media mix models.

Conclusion

For marketers wrestling with the dramatic changes caused by the technology-driven changes in audience media preferences, there are four points to bear in mind.

Online marketing is entering a new era as the medium becomes mainstream.

Despite its ups and downs, consumers continue to migrate to online media from traditional media. This migration has become increasingly compelling to traditional advertisers. Online consumers are becoming more intensely engaged with the medium. It has become an indispensable part of people's lives, and users report that when they are disconnected from the Internet, they feel disconnected from friends, family, work, and the ability to transact efficiently.

Engagement is increasing as unique visitors plateau. Until quite recently, advertisers continued to focus on unique visitors and audiences as the definitive metric for the online industry. In the past year, however, growth in online visitors has slowed as the number of new users in the United States has started to plateau. Rather than look toward growth in unique visitors, smart marketers are looking at online engagement by comparing growth in unique visitors to growth in web pages consumed. By any metric, the engagement quotient is rising and becoming one of the defining developments for the medium for 2005.

The rules of engagement are becoming clear. Increasing consumer engagement is usually related to three tactics. The first is to feature content that aligns with the audience's passion. Sites that feature depth of content, interactivity, and the participation of others with the same passion typically succeed in increasing engagement. Second, sites that aggregate "tribes" of like-minded people and allow them to network with each other show high levels of engagement. Third, sites that are able to build a better mousetrap, offering a service that is faster, more efficient, or easier to use than their competitors offer, show deeper engagement among users.

New metrics for gauging success are emerging. Companies have been seeking success metrics that offer a broader view of their online marketing efforts. View-through, or in-direct response, metrics demonstrate that online advertising affects sales and conversions long after a consumer has been exposed to an ad. Web analytics show the types of paths by which audiences reach a site, the amount of time they spend consuming content, and the impact that online guerrilla marketing techniques have on their traffic. Finally, the ultimate return on investment from online advertising will be calculated as online spending finds its way into the marketing mix models that have been used by leading national advertisers to allocate their marketing budgets across media.

Technology Changes, Human Nature Does Not

There is little evidence demonstrating that changes in technology translate into changes in human nature. Technologies come and technologies go, but for as long as media has been consumed, engagement has truly been the sine qua non of success. It is precisely because engagement in the online environment is on the rise that the era of "proving" the efficacy of the online medium is over.

We have seen only the tip of the iceberg in audience fragmentation, and we are all in for a long, bumpy ride. Marketers choosing to cling exclusively to traditional media will miss the mark in two critical areas. First, and most obvious, they will miss opportunities to meet today's customers where they are spending more and more time. But more important, participating in the online environment today will give marketers a deeper appreciation of how changing media preferences will impact their sales tomorrow.

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