What media companies and brand marketers can do to unleash the power of the Web to build brands online

In search of a premium alternative: an action plan for online brand advertising

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# What media companies and brand marketers can do to unleash the power of the Web to build brands online

As online advertising approaches maturity, it faces a major crossroads. The industry can continue down the path of commoditization driven by direct response, with its promise of high volumes but little room for differentiation. Or it can reinvent itself around brand advertiser needs and deliver more premium offerings. Making the right choice will not just ensure sustainable growth—it will redefine the industry's future winners.

On the surface, online advertising appears to be in good shape. It has weathered the downturn better than other media: Online adver-

tising revenues fell by just 3 percent in 2009, while print and television advertising saw double-digit declines.[1] Moreover, future growth prospects appear robust: Bain & Company forecasts that online advertising revenues will grow at an average annual rate of 12 percent between 2010 and 2014. Spending on online advertising will overtake print in 2010. Dig a little deeper, however, and some worrying trends emerge (see Figure 1). Consider:

- Much of the projected growth will come from *direct-response* advertising—in particular, search. This suits advertisers seeking an immediate, measurable return on investment (ROI), usually in the form of website traffic and sales transactions. However, response advertising is not geared to building long-term brand affinity for marketers and does not fully value the content and "premium environment" of specific sites on which ads are placed. For example, two sites offering comparable response rates

Figure 1: Brand marketers still rely on traditional media, while increasingly, the leading medium for response marketers is online

Percent of total advertising spend
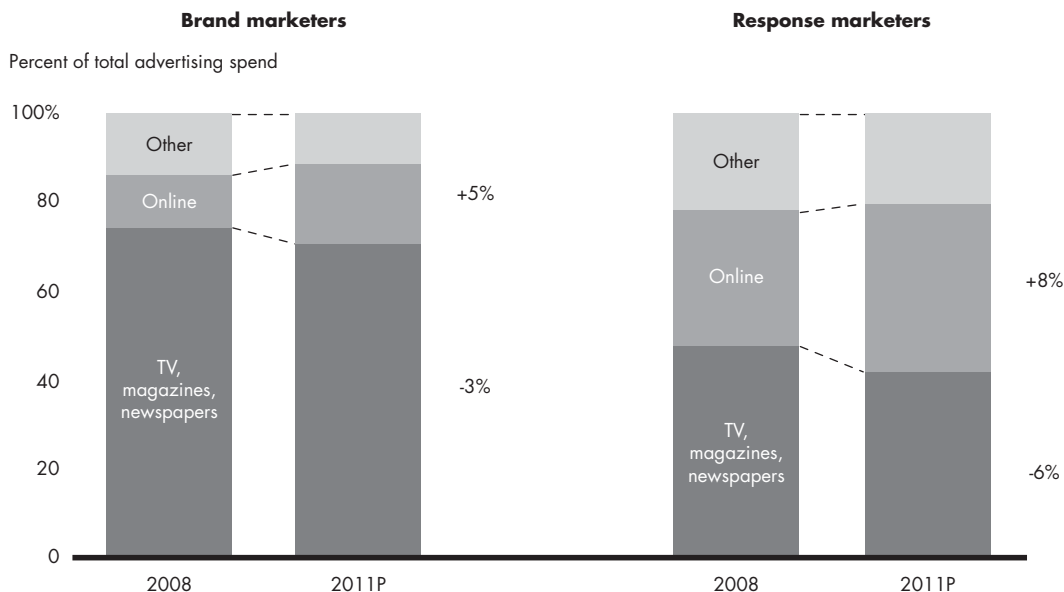
Source: Bain/IAB 2009 Marketer survey; N=700

[1] AB Internet Advertising Revenue Report: 2009 Full-year Results. Pricewaterhouse Coopers (PWC), April 7, 2010.

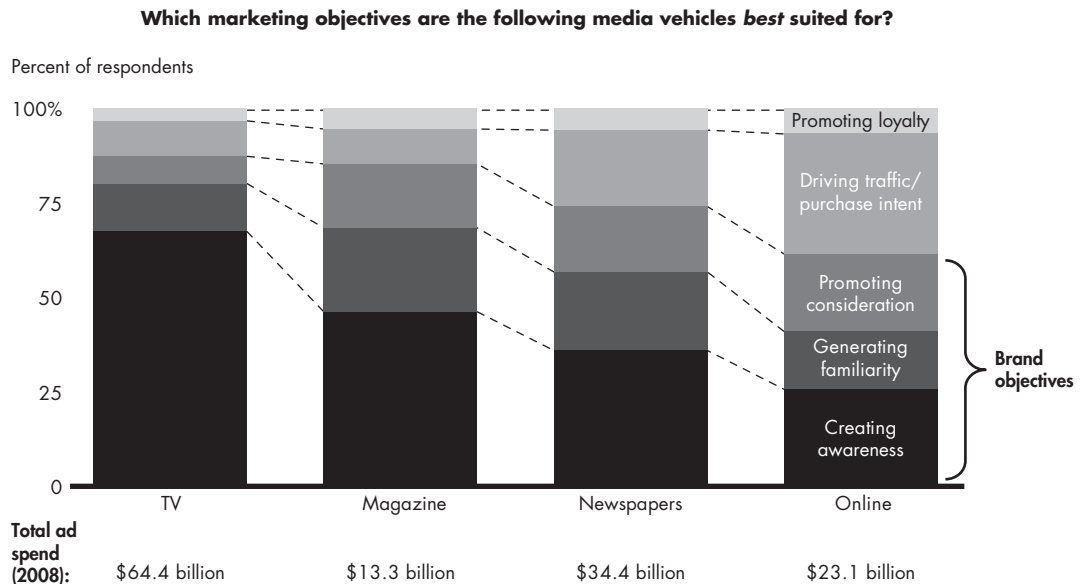**In search of a premium alternative: an action plan for online brand advertising**

(that is, click-throughs or transactions) become increasingly interchangeable— even if one is a top-tier content site such as *FT.com (Financial Times)*, and the other is a relatively unknown financial blog. Implication: Premium rates on "premium" publisher sites will be difficult to sustain.

- *Display advertising* is increasingly commoditizing due to excess inventory, lack of high-impact creative and the proliferation of low-cost ad networks. These developments have been devastating for online publishers. Their ability to charge for premium display advertising, measured in CPMs (cost per thousand impressions), has deteriorated— and shows no sign of a turnaround. Despite the potential for lower rates in the short term, brand marketers also have cause for concern. As sites grow more cluttered, marketers have less control over placement, the other advertisers adjacent to their ads, and the overall quality of the impressions

generated. Implication: As audiences shift online, advertisers and media companies face serious constraints in their ability to deeply engage consumers and build brands.

Little wonder that marketers seeking to build brands online have become disappointed with the medium. A recent survey of marketers conducted by Bain and the Interactive Advertising Bureau (IAB) highlighted brand-focused marketers' preferences: They spend about 75 percent of their advertising budgets on TV and print media, nearly three to four times as much as they advertise online. In our survey, marketers recognized that the Web is inherently more interactive and can address a broader set of marketing needs (see Figure 2). But despite the immense potential for online advertising, the current reality falls short. So, what will it take in this environment to build brands online? A first step is to recognize the obstacles.

Figure 2: The online medium is versatile, with the potential to influence the full set of marketing objectives

Which marketing objectives are the following media vehicles *best* suited for?

Percent of respondents

Total ad spend (2008):	TV	Magazine	Newspapers	Online
	$64.4 billion	$13.3 billion	$34.4 billion	$23.1 billion

Source: Bain/IAB 2009 Marketer survey; N=700

Barriers to building brands online

Through our survey, as well as interviews with brand marketers, agencies and media companies, we identified five major gaps that hold online back as a medium for premium brand engagement:

#1: Ad formats and creative execution are not evolving with the medium

Brand marketers are disenchanted that the online medium has not lived up to its potential for storytelling (see Figure 3). Static display "banners," originally inspired by newspaper and magazine ad formats, are still the primary unit of online inventory, and with surprisingly little innovation over the past 15 years. Banners are inherently limited for brand advertising, with marketers preferring more engaging, even interruptive, ads with sound and motion.

The typical website is cluttered with too many banner ads, and the placement of low-cost response ads (for example, mortgage ads) alongside image-oriented brand ads is often jarring. Despite the early promise of online video and larger-format ads, marketers still perceive a lack of innovative, new creative ideas from agencies and media companies. Many marketers with whom we spoke believe that agencies are holding online back by not committing their best creative talent to the medium.

#2: The Internet is awash with undifferentiated, low-cost inventory

The recent exponential growth in online advertising inventory has not been matched by a proportional increase in demand. Without truly differentiated, premium offerings, the massive oversupply has forced content publishers to aggressively monetize "remnant" inventory

Figure 3: Despite its potential, online advertising falls short on meeting the key needs of brand marketers

Brand marketing needs		Perceived strength				Online advertising issues
		TV	Radio	Magazines	Online	
Engagement/ emotional response	• High-impact creative, customization • Audience attention, interactivity • Cross-platform					• Clutter • Static, small creative • Creative execution lacking
Targeting	• Precision: right customer, right time • Ad position, timing					• Often hard to target at scale • Less placement control
Measurement	• Reach and frequency • Ability to gauge brand awareness, equity • Link to sales impact					• Reliance on impressions • Lack of media comparability • Small scale
Sales/ support	• Pro-active solutions and packages • Cost and resources to plan/manage					• Less access/relationship, too reactive • Often small buys, subscale

Source: Synthesis of marketer interviews and surveys

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Brand marketers struggle to target specific consumer segments online, at a scale that is comparable to traditional offline brand campaigns.

and depend even more on less-premium, response-driven advertising and ad networks. In fact, Bain's 2008 digital pricing study, conducted with the IAB, highlighted that leading publishers were releasing excess inventory to ad networks at one-sixth to one-tenth the price of direct sales. This behavior further reduces the attractiveness of the online medium for premium brand marketers, worsens the supply-demand imbalance and conditions buyers to shift dollars to ad networks. Airlines typically create a premium experience for first-class passengers; they don't place them in the same seats as budget travelers paying a fraction of the cost. But this is essentially what online media companies have been doing, with costly results.

#3: Too many metrics, too few that brand marketers really need

Marketers are inundated with online tracking measures, from click-throughs to page views to unique visitors, and many more. These can be valuable metrics for direct response advertising, but marketers can't use them to answer branding questions, such as: What is the impact of the campaign on increasing brand awareness in my target audience? Does it influence purchase intent? While various survey-based alternatives (such as, Dynamic Logic, comScore, Brand.net) exist to track such measures, marketers indicate they are too expensive and don't allow for effective comparison across media. Also, as different vendors are often used, there is no standard "currency" on which buyers and sellers can agree. This limits marketers from comparing online with other media, and thus from making the decision online media companies want most: shifting more brand spending to the Web. A leading consumer packaged goods marketer summed up the problem: "What we need to see is: If we move 10 percent of our TV dollars to online, are we better off? There's no way to measure that today."

#4: Online offers unreliable targeting—especially on a large scale

Brand marketers struggle to target specific consumer segments online, at a scale that is comparable to traditional offline brand campaigns. While network TV can deliver a large audience watching a specific show in a specific time slot, websites have the much harder task of gathering traffic from across their pages and across different points in time. Consequently, marketers have difficulty accurately assessing the unduplicated reach of their ad, the frequency with which it is viewed and the gross rating points (GRPs) across multiple sites. Large marketers (such as consumer goods companies) told us that the complexity and uncertainty associated with targeting at scale on premium sites actually makes them recognize the value of mass reach with ad networks and portals. At least, these non-premium options can offer high unduplicated reach and delivery metrics which can be measured with a single cookie.

#5: Support from agency and media partners is underwhelming for premium brand campaigns

Marketers indicated in our survey that they want media and agency partners who understand their industries, develop innovative ideas, and help them execute consistent and integrated campaigns across media platforms. Instead, agencies are hindered by silos, both within individual agencies and among different agencies serving the same account. Online media companies also fall short in brand marketers' perceptions. Today, many sales teams use a selling approach that, unintentionally, further commoditizes their inventory: They focus on buying agencies, respond almost solely to requests for proposals (RFPs) and provide limited customization or innovation in offerings. In addition, online sales teams often lack

industry vertical expertise, interact with marketers too late in the media planning process and do not have the caliber of talent required to advise senior decision makers. Media companies with both online and offline operations often struggle to deliver integrated cross-platform ad campaigns; their respective sales teams tend to work in silos, too.

Making brand marketing work online

In the battle for advertising dollars, online publishers, portals and other sellers of premium-priced inventory face the most significant challenges. To better meet the needs of brand marketers and enhance the prospects for premium CPMs, we suggest the following action plan:

1. Develop "triple play" capabilities

Online media companies must develop and effectively deliver three distinct product and service models that address different marketer objectives (see Figure 4). At the same time, they need to determine which model, out of the three, will be their "core" business.

Strengthen direct-response offerings. This is the proven "killer app" of online marketing today. It focuses on specific customer actions and satisfies a marketer's critical need for immediate "transactions" and "traffic," both on the Web and in the bricks-and-mortar world. The Web as a medium for direct-response marketing is becoming more cost-effective than ever before, and continues to grow rapidly. While search captures the majority of this spending, billions of dollars are still up for grabs in direct-response display and other formats.

Determine the right "brand reach" strategy. Recently, brand marketers have seen the opportunity to "scale up" investments in high-cost campaigns on premium content sites, as well as increase impressions through a broader swath of

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Figure 4: "Triple play" offerings will help media companies serve three distinct marketer needs

	Response	Brand reach	Brand engagement
Marketer objectives	• Drive customers to site • Generate transactions and immediate ROI	• Supplement buys in other media • Generate wide exposure at low cost	• Build brand awareness and purchase intent • Deliver custom, high-impact campaigns
Online product offerings	• Banners, rich media • Mix of premium and non-premium positions	• Banners, rich media • Mix of premium and non-premium positions • Content/placement control	• Digital video, rich media • Premium position banners • Social/UGC applications • Cross-platform integration
Key decision maker	• Buying agency (downstream) • Creative agency (large clients only)	• Brand marketing team • Creative agency (upstream) • Buying agency	• Brand marketing team • Creative agency (upstream) • Buying agency
	Larger-scale, more-automated, efficiency model	**Larger-scale, reduced-service, efficiency model**	**High-touch, higher-priced, premium model**

The third leg of the triple play—and the one with the most growth potential—is to create emotionally compelling online brand advertising that builds long-term brand affinity.

lower-priced online advertising opportunities. Mercedes-Benz, for example, supported its premium ads in top-tier newspaper websites with low-cost placement through ad networks to expand the reach of its E-Class launch campaign. The difference from direct-response ads is that brand reach advertising still values the brand "environment" and is focused on impressions as opposed to click-throughs. It's an opportunity for online publishers to extend their offerings, but can be a double-edged sword if not managed carefully. Online publishers can sell less desirable inventory at $3–$5 CPMs for brand-reach applications, but if they cannibalize other brand sales, they can quickly erode a publisher's ability to charge $8–$12 CPMs for premium units and services.

Develop premium engagement skills. The third leg of the triple play—and the one with the most growth potential—is to create emotionally compelling online brand advertising that builds long-term brand affinity. Today, that remains largely the domain of television and magazines. But it's a huge untapped opportunity for online media companies, as the vast majority of national advertising dollars reside with large, brand-oriented advertisers seeking deeper engagement with consumers. To make that happen, online media must recognize that a transformation of their current offerings and sales approach will be required.

2. Re-commit to delivering a "premium" offer

Online publishers who want to increase their share of premium-priced brand advertising dollars must put their house in order and build a truly premium value proposition for brand marketers. They must:

"Wall off" premium ad inventory. In our survey, marketers consistently expressed frustration with clutter, unreliable context and seeing

their full-priced ads alongside heavily discounted remnant ads. Sites must clearly designate their premium placements, limit the clutter around them and restrict access solely to brand-oriented ads. Bottom line: premium means offering fewer, but better, inventory units.

Manage "non-premium" inventory better. While not all ad placements offer the equivalent of NBC TV's Thursday primetime position, the key is having a clear definition for what isn't premium and creating disciplined processes to manage that inventory. One online publisher we interviewed created packages of second-tier "run-of-site" ad inventory that sells at a 30 percent to 50 percent discount compared to the CPMs of higher-end inventory on the site. These less expensive packages are clearly separated from more premium placements and are sold with minimal sales support. Net result: the publisher cost-effectively monetizes less premium inventory, minimizes cannibalization and maintains the premium positioning of the website.

Invest in ad-format innovation. Protecting premium ad inventory is good, but rejuvenating the ad units themselves is even better. In our survey, brand-oriented marketers identified formats utilizing video, sponsorship and social media as exciting options that go far beyond typical display ads. Apple's "Mac vs. PC" campaign on the *New York Times, Yahoo!* and *Wall Street Journal* sites showed a willingness to experiment with new formats—using video as well as custom ad units that interact across the page. Similarly, the creative for Nintendo's "Wario's Land: Shake It!" on YouTube was a sophisticated execution that appeared to break apart the actual page. The ad hooked visitors and eventually generated several millions of views through word-of-mouth publicity. Today, such custom efforts are expensive, but by developing more standards and tools in the future, the online ad industry can increase this type of business.

3. Become a strategic partner for marketers

Brand marketers are accustomed to receiving a high level of support from television and other offline media providers. In the future, online media sales teams too will feel the pressure to meet and exceed the emerging needs of brand marketers for "partnership" and consultative selling. But this will require different selling and serving models—ones that offer more senior client contact and more value-added support throughout the media planning process. Key requirements include:

Delivering new ideas and category expertise. The number one capability marketers want in a partner is category-specific knowledge (see Figure 5). Just as with their agencies, marketers expect media companies to understand their businesses and bring innovative ideas to the table. Says one CMO, "We want to sit down once or twice a year with our key media partners and hear their best thinking on how to improve what we do. But we'll only have time to do that with a handful of partners."

While this raises significant change management challenges, we believe change is critical. Developing "category-focused" sales teams will help media companies in several ways. Sales teams with higher-caliber talent and category expertise interact directly with marketers earlier in the planning process, are able to offer more custom solutions and influence the creative aspects of the campaign. For these reasons, Google invested in a multi-year effort to develop category expertise in selling and services, and hired from the ranks of traditional marketers. Similarly, the New York Times integrated its online and offline sales organizations to offer advertisers a category-focused, custom and cross-platform approach. Such efforts have raised the bar for media sellers and are delivering substantial benefits for brand marketers.

Figure 5: Brand marketers seek category expertise, customization and a relationship mindset from online media companies
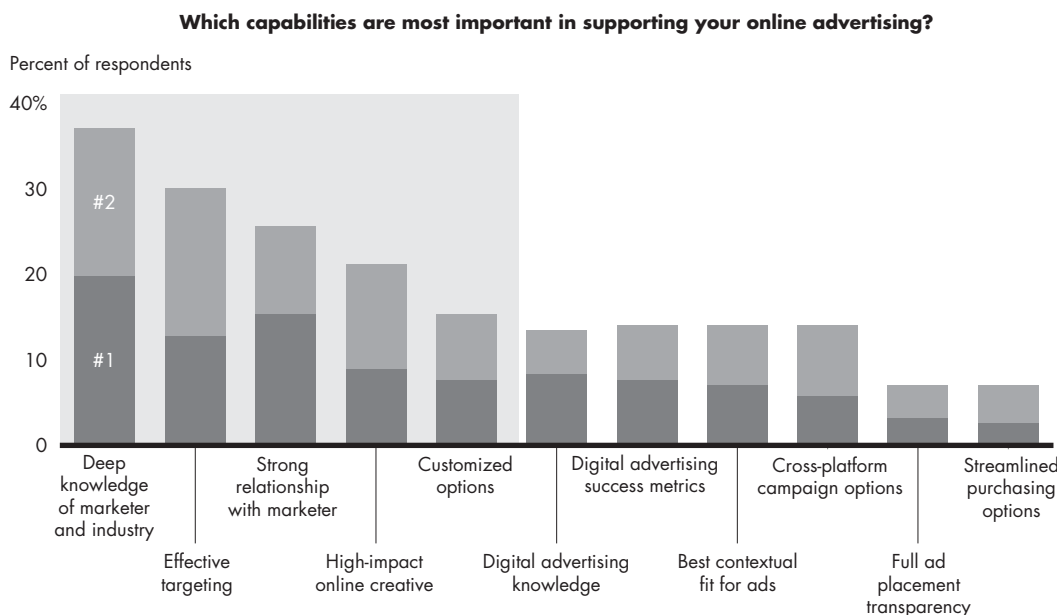
Source: Bain/IAB 2009 Marketer survey; N=700

Make cross-platform the norm, not the exception. Over the next three years, brand marketers expect nearly 40 percent of their ad budget to be spent on integrated, cross-platform campaigns—with another 25 percent on advertising that is at least coordinated across platforms. Media companies that have both online and offline properties can develop fully-integrated packages with online and offline components, often providing customization of inventory units and creative input. For pure-play online media companies such as portals, cross-platform can involve developing ways to extend offline campaigns to online and link them to their sites. While such cross-platform solutions are still far from the norm, they are growing in popularity among all the publishers we spoke to. And while online might represent as little as 5 percent to 10 percent of the overall deal value with brand marketers, it might account for half of the sales discussion and most of the customization and creative support. In other words, online capabilities are increasingly the key differentiator in gaining share of offline brand ad dollars.

How might the typical sales structure change to make all this a reality? We believe it requires a fundamental shift from an online-versus-offline model to one organized around the customer's needs, offering brand-focused and direct response-focused sales teams with deeper category expertise (see Figure 6).

4. Speak the marketer's language

For online advertising to mesh seamlessly into the brand planning process, content sites need to go beyond "hits," "clicks" and "gross impressions" as the primary means to measure impact.

Talk GRPs. Brand marketers plan their advertising around gross rating points (GRPs)—reaching a certain target audience with a certain frequency within a defined time period. In the online world, that audience is typically shared across multiple sites, making measurement even more challenging. At the non-premium end of the online advertising market, ad networks are able to track overall consumer reach by using common cookies. For premium sites, however, the challenge is complex: their approach of a separate cookie for each site complicates the evaluation of the reach and frequency of an ad served to consumers across multiple sites. "De-duplicating" the audience across multiple sites is difficult and will likely require new industry standards and publisher collaboration. Larger online publishers and the IAB can use their influence to lead this industry-level collaboration.

Measure what matters. Marketers are clear that traditional brand metrics—especially brand awareness, favorability and purchase intent—will help guide their decision to shift dollars online from other channels (see Figure 7). Today, these metrics are delivered in part by custom service providers like Dynamic Logic and Nielsen IAG. But the lack of an ongoing, syndicated common "currency" and standards means that marketers are unable to compare across campaigns and across media platforms; nor can they assess impact over extended periods of time. Industry forums such as the Association of National Advertisers and the IAB have a leading role to play in defining specifications for such metrics—and helping move existing players toward a more comprehensive, cross-platform offering.

5. Gain scale

Traditional brand campaigns often need to reach what are, by online standards, very large audiences. For example, a leading women's magazine might reach 30 million to 40 million readers monthly. In contrast, the website for the same title might deliver only 5 million to 10 million unique visitors a month. And a

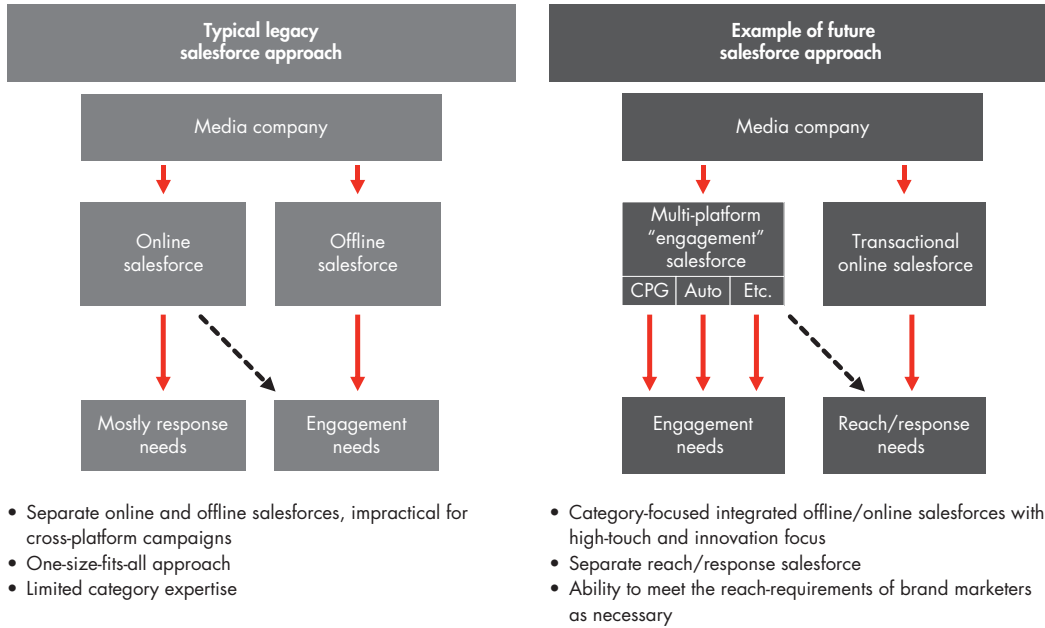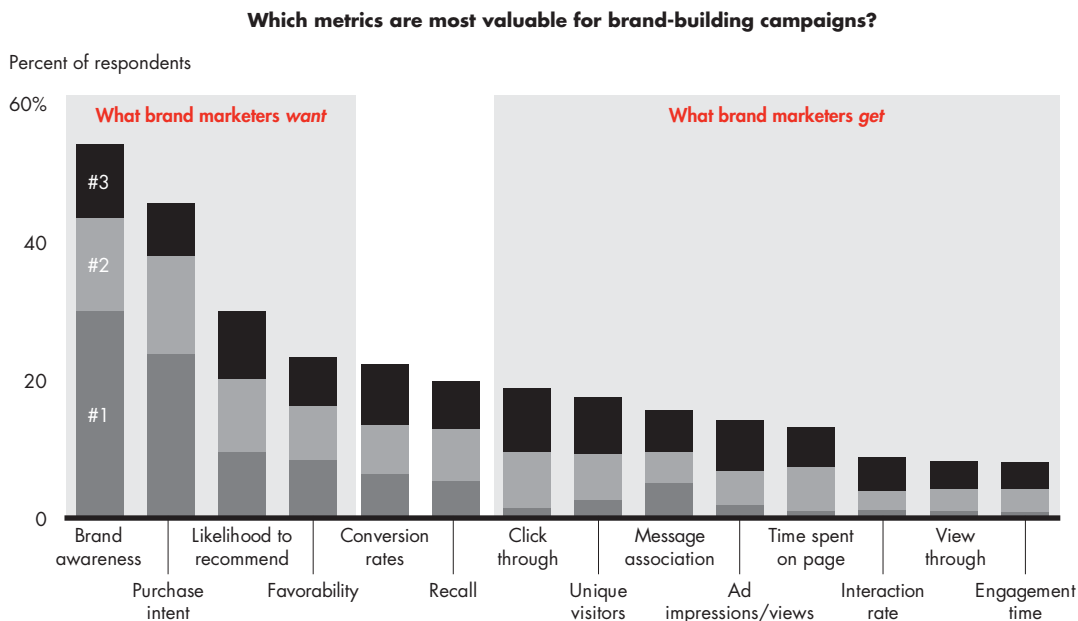Figure 6: Media sales teams need to reorient from a platform-centric structure to a category-based approach

Typical legacy salesforce approach	Example of future salesforce approach
Media company	Media company
Online salesforce / Offline salesforce	Multi-platform "engagement" salesforce (CPG | Auto | Etc.) / Transactional online salesforce
Mostly response needs / Engagement needs	Engagement needs / Reach/response needs

- Separate online and offline salesforces, impractical for cross-platform campaigns
- One-size-fits-all approach
- Limited category expertise

- Category-focused integrated offline/online salesforces with high-touch and innovation focus
- Separate reach/response salesforce
- Ability to meet the reach-requirements of brand marketers as necessary

Note: Illustrative

Figure 7: Brand marketers want traditional brand-impact metrics to gauge online ad effectiveness

Which metrics are most valuable for brand-building campaigns?

Percent of respondents

Source: Bain/IAB 2009 Marketer survey; N=700

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Scale represents a major advantage for large media companies and online pure-plays. But it is surprising how few online content companies utilize their full potential to offer scale.

marketer would need to place numerous ads on that website to reach any significant number of those unique users. Marketers and agencies therefore often find it inefficient to try to reach a large number of consumers across many small websites.

If you've got scale, use it. Scale represents a major advantage for large media companies and online pure-plays. But it is surprising how few online content companies utilize their full potential to offer scale. We believe many online publishers can offer more consumer insight, creative services and innovation/experimentation than they currently do. That will require them to bring their existing capabilities closer together when pitching to marketers and be involved much earlier in the campaign planning process. Recognizing this, larger players are increasingly bringing smaller sites together to create branded "networks." In some cases, publishers are integrating their own sub-brands into packages that offer marketers more scale. MTV Generation Tribe, for example, targets young adult consumers. Similarly, Meredith's online BHG Network integrates cooking, home improvement, gardening and beauty content from Better Homes and Gardens and other related Meredith brands.

If you don't have scale, get it. As online advertising continues to mature, brand marketers and ad agencies are becoming more selective— and ad networks allow them to efficiently place their ad on many sites with a single buy. Large brand marketers therefore have a diminishing interest in dealing directly with small content sites—unless these sites bring a distinctive audience or are truly a perfect fit for their brands. This does not mean, however, that smaller sites are running out of options. Instead, we believe that at the one end, they should

double-down on serving their base of "natural-fit" advertisers and at the other, forge links with compatible media companies to gain scale and broaden the base of advertisers they can attract. One such approach is to create premium "mini-networks" with exclusive membership. Another is to establish a relationship with a larger media company for sales representation. As an example, the Rubicon Project helps smaller content publishers gain scale and better monetize their unsold inventory.

Online advertising as we know it is long over-due for change. As direct-response advertising continues to commoditize inventory and erode pricing, media companies are under pressure to provide more value and transform the sales model. Those who are first to deliver more compelling and integrated brand campaigns, offering the full "triple play," are likely to build premium portfolios and pull away from the rest of the industry. The change won't be easy or quick. But for those who lead in online marketing innovation, there are billions of brand advertising dollars waiting to move online.

The role marketers can play

Advertisers also have a significant stake in cracking the code for building brands online. Brands such as Apple and Unilever's Axe are beginning to point the way forward. Their experience, and that of other progressive online brand advertisers, suggests some practical steps for marketers:

Develop and utilize more innovative ad formats

Marketers who have been successful in driving online brand engagement challenge the constraints imposed by "standard" display advertising formats and instead push for larger, innovative formats that incorporate video and sound. The goal: mirror the attention-grabbing potential of traditional television advertising.

Cast a wider net for creative ideas

The most progressive online marketers actively collaborate with media companies to create custom ads that best utilize the layout and capabilities of their specific media properties—and resonate closely with the site's target audience. Clearly, there are limits to how many online media companies a marketer can deal with directly, but these are increasingly valuable endeavors to pursue with their most important media suppliers.

Drive cross-platform campaign integration

Marketers are increasingly aspiring to integrate campaigns across different media platforms in order to create "surround sound" effects for the consumer, stretch more expensive advertising investments in certain platforms such as network TV across multiple platforms, and better maintain brand consistency regardless of the platform being utilized. Further, pointing to the importance of cross-platform integration, we found that brand marketers who use the same creative agency for online and offline work were 40 percent more likely to be satisfied with the results than those using separate agencies for online and offline. Whether through a single agency or coordinating efforts through an inter-agency team (IAT), cross-platform integration is increasingly becoming the norm for effective brand advertising campaigns.

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