

Targeting Online Ads: Aim for the Bulls-eye or Focus on Hitting the Target?

Among the significant and distinct attributes of online advertising is its ability to deliver relevant messages to specific targets. However, the range of available online targeting options is vast and becoming increasingly complex. How should advertisers choose among these alternatives to optimize their online ad effectiveness?



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To reach the right person with the right message at the right time is the holy grail of advertising. Theoretically, it seems that the targeting capabilities of online advertising—which include demographic, contextual, and behavioral options—would make that goal consistently attainable. But in reality, the precision promised by online targeting cannot always be delivered on a scale that's large enough for major advertisers. As a result, to obtain their desired levels of reach, advertisers sometimes adopt “mass-market” techniques such as homepage takeovers of major sites. These approaches, though not finely targeted, often offer cost savings that more than make up for some wasted reach.

What can advertisers realistically expect from online targeting, and how should they make their targeting decisions? Online targeting options are many and varied (see the **Targeting Topography** box on page 2), and the challenge of choosing among them is further complicated by the possibility of applying multiple targeting techniques in combination. To shed some light on what the various options have to offer for different brands and brand objectives, let's consider some of the major targeting types in a little more detail.

Demographic Targeting

In the online setting, the demographics used most often for targeting are age, gender and geography, though sometimes additional factors such as income come into play. Provided by many (but not all) online services, online demographic targeting can be based on the general demographic profile of a site or specific information provided by users.

Geographical targeting can be based on a computer's IP address or on information provided by users. User-supplied information is generally accepted as more accurate but is not always available, so most geographic targeting is IP-based. A campaign run by Playground, an outdoor equipment store in Sweden, illustrates the creative possibilities offered by geo-targeting. Rich media ads suggested a particular type of coat (from a selection of 70) for the day's weather conditions in a number of cities in Sweden.

Online media also hold out the tantalizing prospect of offering sophisticated attitudinal targeting based on the personal information Internet users share on blogs and social networks. But so far, sites such as Facebook have struggled to monetize this information. The challenge here is to convert this data into consistent and usable targeting information across a large population.

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Online Targeting Topography

Among the targeting types available:

- Attitudinal (interests, values)
- Behavioral (surfing and search behavior)
 - Inferred interests (e.g., car enthusiasts)
 - Predicted response (e.g., likely to click on car ads)
 - Impulse (e.g., car activity in past 30 minutes)
- Context (site-level, section-level or content-level)
- Daypart
- Demographic (age, gender, geography)
- Run of network (actually a type of non-targeting)
- Retargeting (for sequencing ads or for reconnecting with site visitors)
- Technographic (type of computer)

Contextual Targeting

Many online advertisers focus on context-based targeting: beauty ads on beauty sites, sporting goods ads on sports sites, tax software ads on finance sites, and so on. By using contextual targeting, advertisers increase the probability that their ads will reach people who are in the market for their products.

Contextual targeting can be very specific; for example, the large Google content network allows coffee ads to appear on Web pages where coffee is being discussed. This type of targeting is ideal for placing particular executions in a campaign. For instance, an ad underlining a brand's fair-trade credentials could be shown on pages where both "coffee" and "fair trade" appear. Combining such text-focused targeting with placement on specific sites is also possible, though the contextual approach is often particularly appropriate when you're more concerned about the mindset of the Web user than with the particular site you're on.

There are some obvious trade-offs associated with being in context. Ads that appear in context are often competing with other ads in the same category on the same page. Ads that are out of context may stand out better, but the downside is that they may reach the wrong people, or the right people in the wrong mindset.

We recommend using a research-based planning tool to identify the types of Web sites that provide the most appropriate contexts for your category.

Behavioral Targeting

Behavioral targeting — the practice of delivering ads in response to users' online activity — is now increasingly commonplace; *eMarketer* estimates that \$1.1 billion will be spent on behaviorally targeted ads in 2009. Behavioral targeting is practical only when using ad networks that can serve ads across many types of Web sites or on portals where many types of behavior are observed.

In its most common form, behavioral targeting infers interest in a category based on a user's surfing or search behavior. For example, someone who recently visited a car site would be served with a car ad. For a straightforward brand-building campaign, the timing of the interest-inferring behavior is not too critical. However, in some categories, such as travel and retail, a consumer may progress from researcher to purchaser in a very short space of time. For behavioral profiles to be useful in such categories, they must be updated frequently so that ads can be served based on the most recent mouse clicks. There is clearly limited value in serving a travel ad to someone who has just booked a holiday.

The contextual approach is appropriate when you're more concerned about the mindset of the Web user than with the particular site you're on.

Consumer attitudes toward behavioral targeting seem to be somewhat conflicted. In some surveys people say they appreciate ads that are relevant and personalized, but in others they express qualms about the idea that their online movements are being tracked. There will always be different perspectives on this issue, but as long as behavioral targeting is used sensitively and adheres to industry guidelines on privacy, the benefits should gradually become appreciated. For example, since a recent visit to Fiat.co.uk, I've been consistently "retargeted" with Fiat banner ads, and have been

impressed with both their creativity and persistence. My brand consideration is gradually increasing!

Right Message — Executional

Regardless of how well a campaign is targeted, its overall success will depend heavily on the strength of the creative. In multiple regression models we typically see creative quality accounting for more than half of the overall effectiveness. We also know from pre-testing experience to expect varying reactions to ads among different audiences; segmenting your target audience into appropriate sub-groups can often increase campaign impact. Some ads may appeal more to particular demographics and work better in particular contexts or among people at different stages in the purchase process. If these creative variations are understood in advance, the campaign can be planned accordingly.

Some clever online techniques, such as those offered by Tumri, even allow the delivery of “dynamic” ads built around online profiles. Tumri’s system allows ads to be deconstructed into several elements (e.g., logo, picture, message and offer); the ad delivered will then depend on the targeting information available. While some ad agencies may despair at this automation of the creative process, such dynamic technology could well be useful for brands looking to deliver distinct messages to multiple discrete sub-audiences.

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Optimization: Combinations and Evaluation

Returning now to the ideal of targeting every message perfectly, let’s consider the possibilities of **combining** various targeting techniques. Advertisers can run two or more tactics alongside one another (e.g., both behavioral and contextual, so people see some ads in context and some out of context), or they can apply techniques simultaneously (e.g., only people with appropriate behavior are shown your ads **and** they’re always shown in context).

Combining demographic and contextual targeting simultaneously often makes sense, as when a financial service geared toward women is advertised on a finance web site with a “demo = female 18+” overlay. A demographic overlay on a behavioral plan may also be helpful — for example to advertise a family car to a middle-aged audience. However, it is less appropriate to combine behavioral targeting with a context-based approach, since both techniques are effectively trying to reach people in-market. Some small lift in impact may be observed, but it is not likely to justify the extra cost involved.

Not all targeting approaches are equally efficient, so ongoing **evaluation** of success is strongly recommended. We sometimes see discrepancies between the profile of the intended target audience and those who actually saw the ad. Survey-based in-market monitoring can be used to supplement click data in determining whether the intended audience was delivered.

In-market evaluations can also determine whether a targeting approach is cost-effectively generating the desired brand impact. In the example shown in Table 1, the tightly targeted campaign costs twice as much but impacts three times as many people. Since its overall cost per impact is lower, its higher CPM is justified.

Table 1: Tight Targeting may offset increased CPM with lower CPI

	Tightly Targeted	Loosely Targeted
The Buy		
CPM (Cost per 1000)	\$10	\$5
Total Impressions	10 Million	10 Million
Total Campaign Cost	\$100,000	\$50,000
The Results		
Reach	3 Million	3 Million
% Impacted (Ad Index)	12%	4%
Impacted Reach	360,000	120,000
Cost Per Impact	\$0.28	\$0.42



Behavioral targeting is often useful when appropriate contextual inventory is sold out or considered too expensive.

What's right for your brand?

There is clearly no such thing as the “right” way to target, so each individual brand will need to determine what works best for them and their specific messages. Based on our broad evaluation experience and our MarketNorms® database, we would suggest the following guidelines in applying online targeting techniques:

Demographic Targeting

For mass-market consumer packaged goods, demographic targeting is usually the best option for meeting both awareness and persuasion goals. It is less likely to be useful for other types of categories, except when specific products are used primarily by a particular demographic.

Contextual Targeting

For durable goods and services, contextual targeting can help increase the chances of reaching people who are in the market for a particular product. However, appropriate contextual sites may be hard to find for some categories such as telecommunications. In those cases, blogs might provide the most relevant setting.

Behavioral Targeting

Behavioral targeting is not a particularly relevant option for mass-market consumer packaged goods, but can be very effective for specialized products. Behavioral targeting is often useful when appropriate contextual inventory is sold out or considered too expensive. Targeting based on search behavior can be particularly helpful for tech products, such as consumer electronics, or categories where good contextual sites are rare.

Summary

Online advertising offers exceptional targeting opportunities, but also challenges marketers to balance potential complexity with practical and cost-effective implementation. A comprehensive research-based approach that addresses the following questions can help guide targeting decisions:

- Do you have a clear definition of your target audience? How concerned are you about spillover outside your core target?
- Have you developed a hierarchy of targeting importance based on your brand objectives and research learning?
- Have you used pre-testing to understand the likely variations in creative response so that executions can be placed accordingly?
- Are you comprehensively monitoring in-market performance of your targeting (clicks, brand impact and sales) to understand cost-effectiveness?
- Are you feeding learnings back into future planning and buying decisions?

As marketers ask these questions of the online advertising industry, let us also hope that further integration and consolidation of targeting techniques make the logistical exercise simpler and more cost-effective for everyone involved. That should bring us ever closer to our ultimate targeting goal of maximum response with minimal waste.

Special thanks to Ken Mallon of Dynamic Logic who contributed significantly to this Point of View.

To read more about online targeting, visit www.mb-blog.com.

