LOG 206

M7.2: Digital Marketing

Department of Logistics
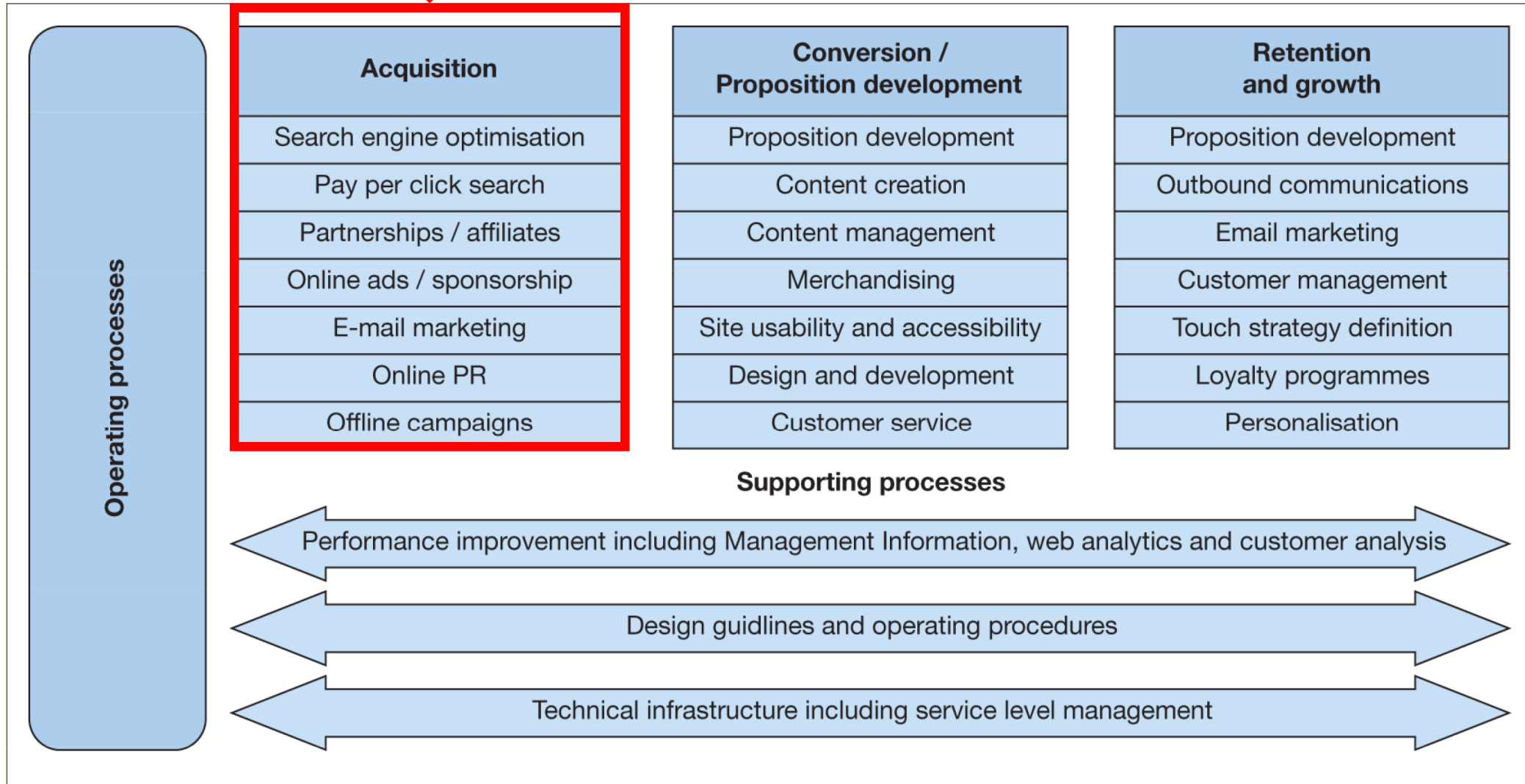
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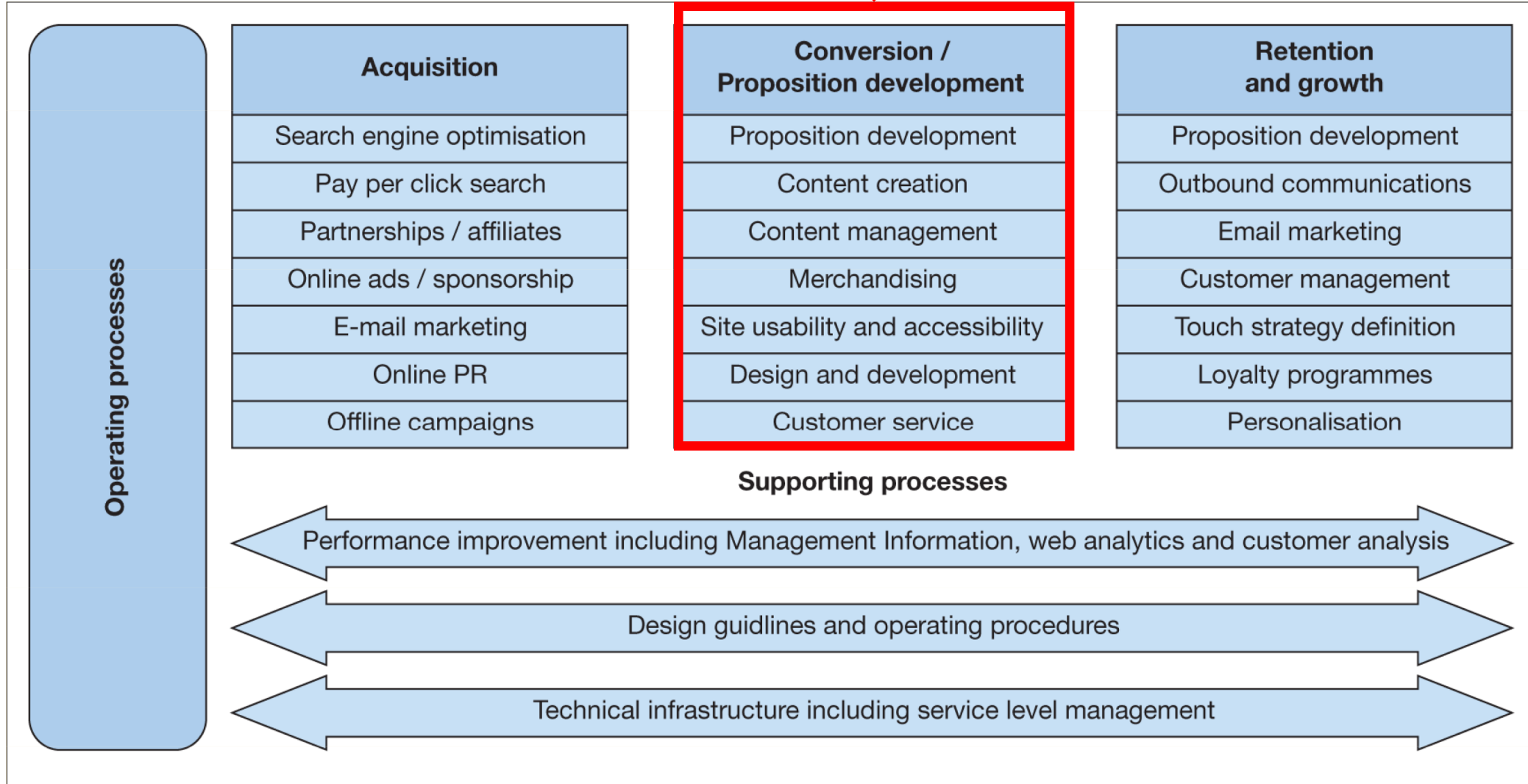**Spring 2018**

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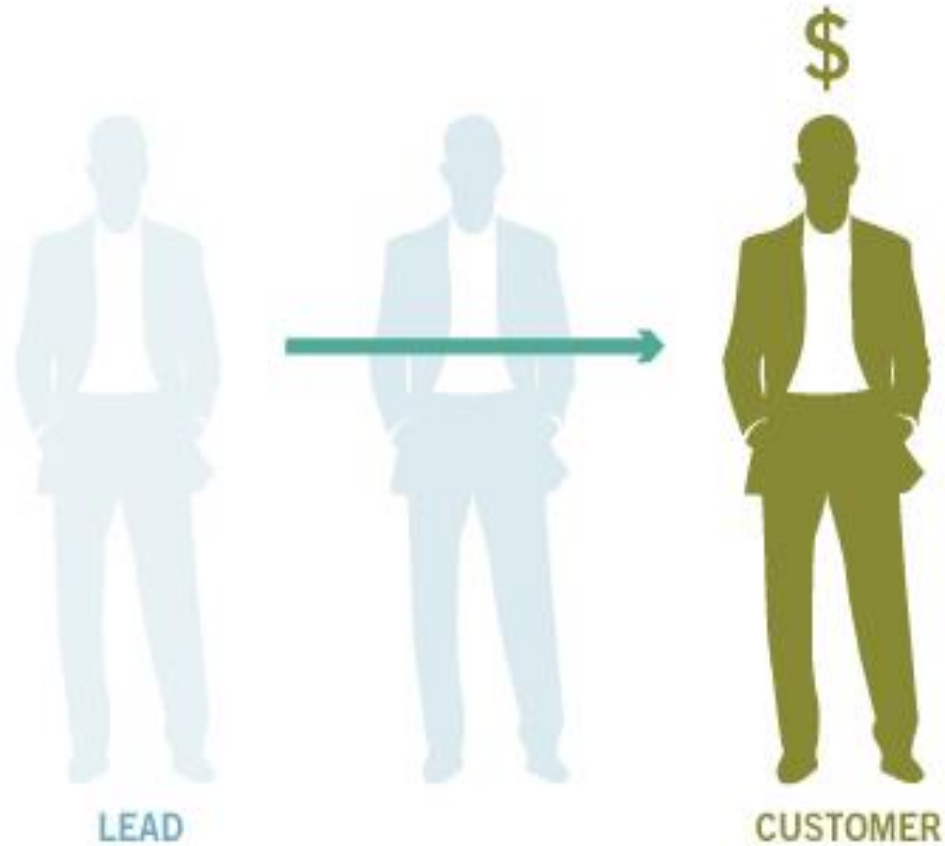
# The operational processes of digital marketing

Operating processes

Acquisition	Conversion / Proposition development	Retention and growth
Search engine optimisation	Proposition development	Proposition development
Pay per click search	Content creation	Outbound communications
Partnerships / affiliates	Content management	Email marketing
Online ads / sponsorship	Merchandising	Customer management
E-mail marketing	Site usability and accessibility	Touch strategy definition
Online PR	Design and development	Loyalty programmes
Offline campaigns	Customer service	Personalisation

Supporting processes

Performance improvement including Management Information, web analytics and customer analysis

Design guidlines and operating procedures

Technical infrastructure including service level management

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Conversion marketing

LEAD → CUSTOMER $

Conversion marketing ....

- Conversion marketing refers to using marketing tactics that encourage customers to take specific action of value.

- In an online context, this involves efforts to convert:

  ✓ Web browsers or offline audiences to site visitors;

  ✓ Site visitors to engaged site visitors who stay on the site and progress beyond the home page;

  ✓ Engaged site visitors to prospects

  ✓ Prospects to customers

LEAD
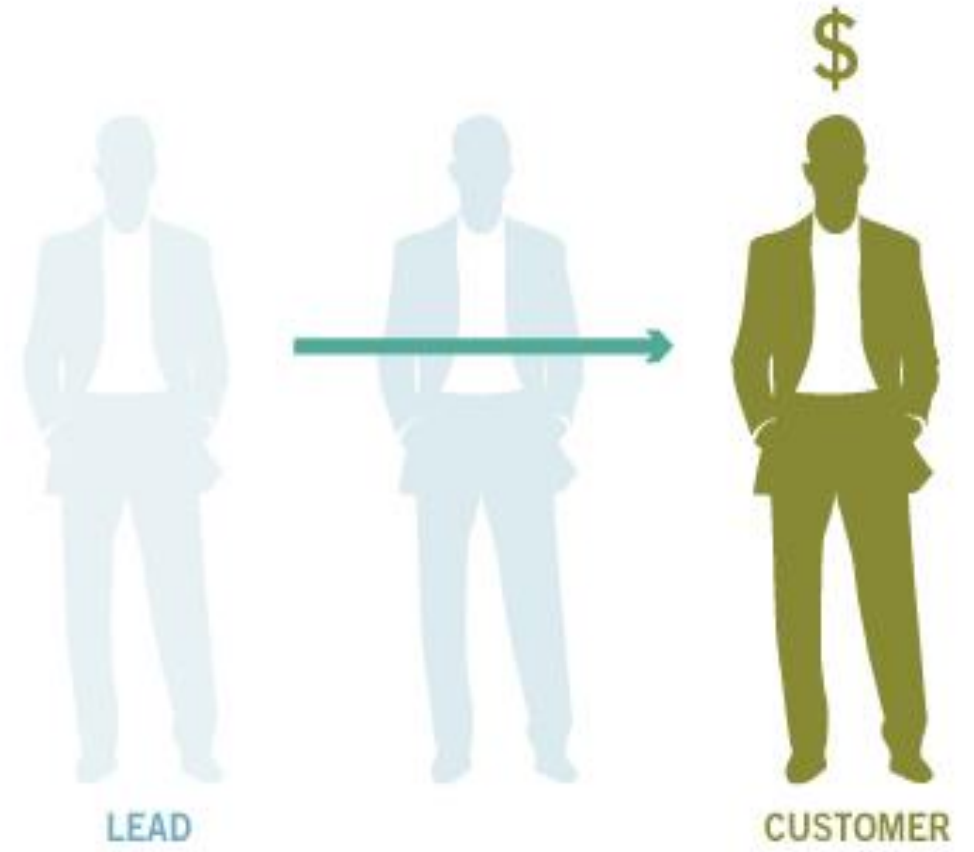
CUSTOMER

Conversion marketing ....

- High conversion rates mean more sales, fewer lost customers, and a greater return on advertising investment

Factors affecting conversion

Site Visitors

Challenge

Bounces 30-70% ← Site Relevance

Browsers 30-60% ← Motivation (Site & Content Quality)

Early Waverers 10-20% ← Offer Quality, Persuasion

Late Waverers 5-10% ← Conversion hurdles

1-5% ← Conversions

Conversion rate optimization (CRO)

- CRO is an approach for increasing the percentage of visitors to a website that convert into customers, or more generally, take any desired action on a webpage

- CRO is critical. Studies suggest that 2% - 3% increase in conversion rates will result in a sales growth of 50%.

Improving CRO through A/B/n testing

- A/B/n testing (or A/B or "split" testing) is a type of testing where your web traffic is split randomly and evenly between your existing web page (the baseline or "Control") and several completely different variations of the same page.
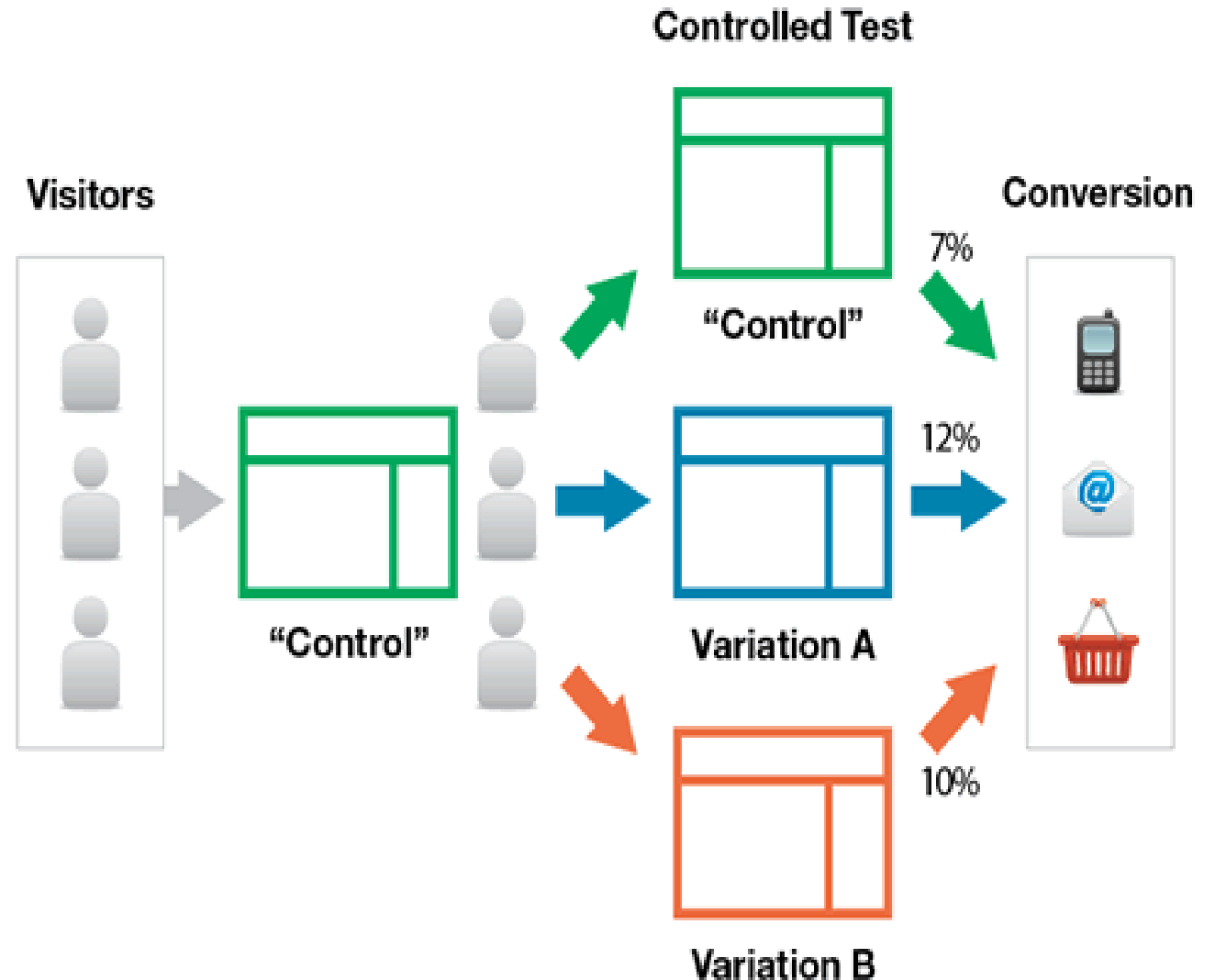
A/B/n testing

- The end goal is to create a page that beats the conversion rate of the Control

- A minimum of two variations are usually tested against the Control,

- You can test many more provided you have enough traffic to still get valid test results.

- The "/n" in "A/B/n" stands for the many alternative pages that can be tested

A/B/n testing

Controlled Test

"Control" — 7%

Variation A — 12%

Variation B — 10%

Conversion

Visitors

Winner!

Variation can base on: layout, headline and copy, offer, images or design
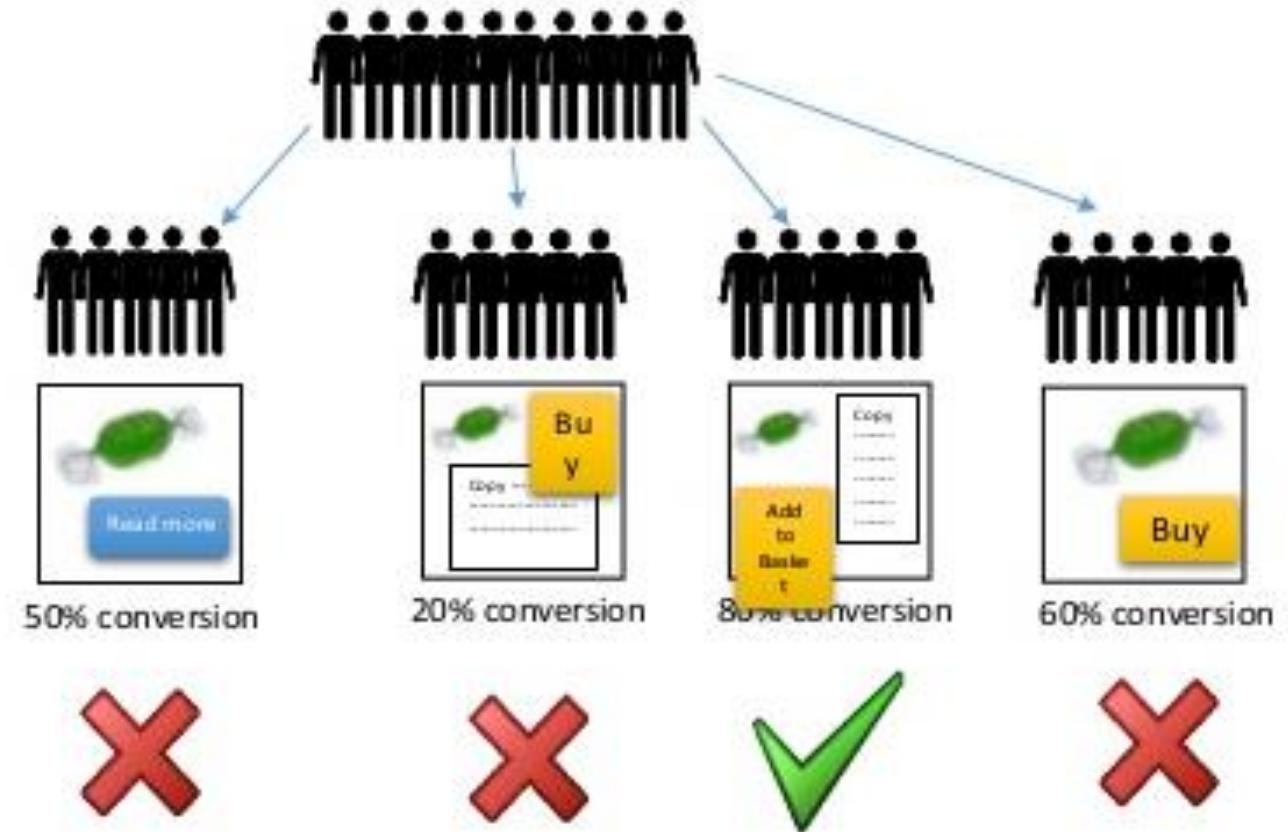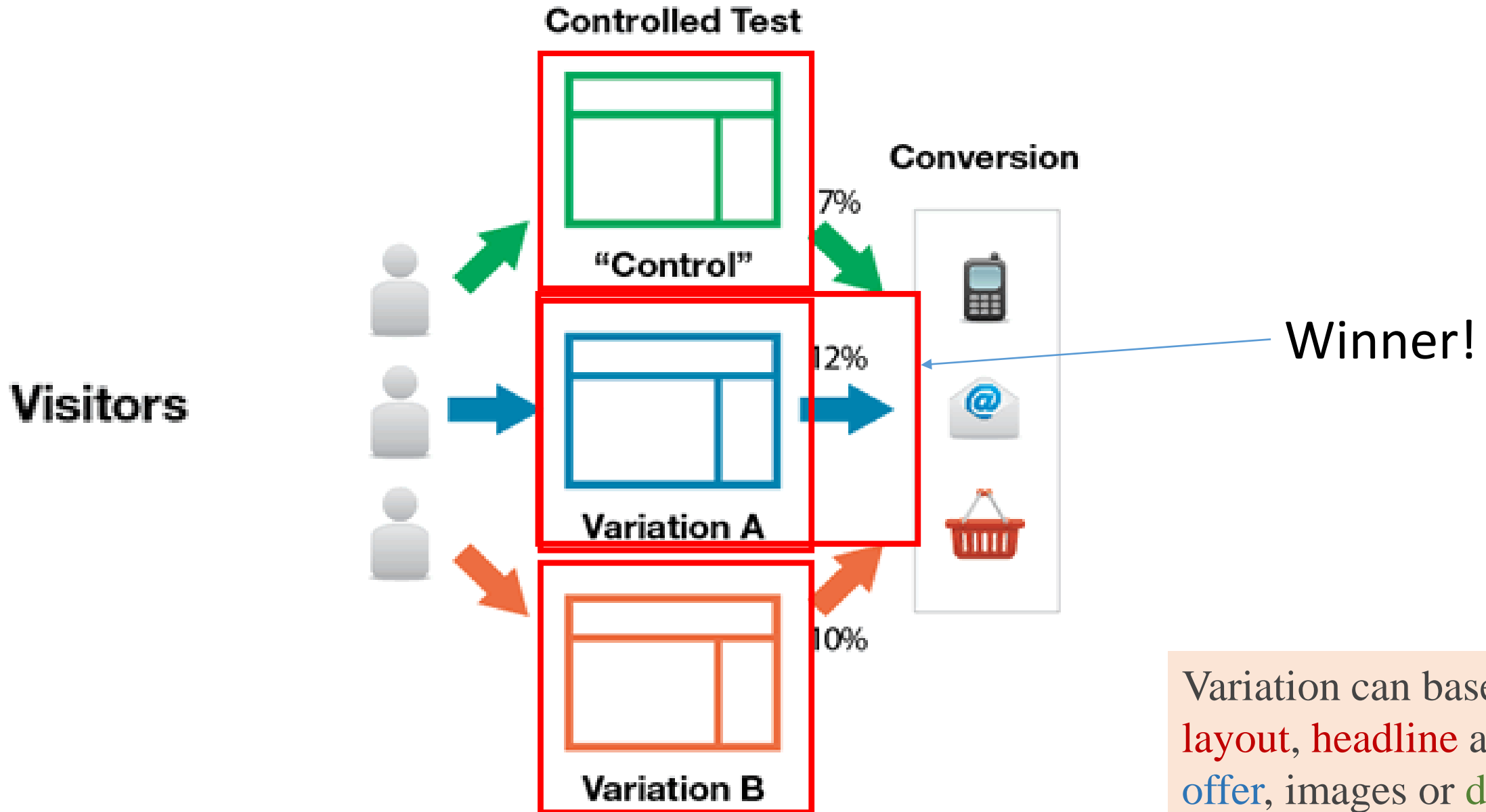
Assessing effectiveness of marketing communications

Assessing effectiveness of marketing communications

- A campaign will not be successful if it meets its objectives but the cost of achieving this is too high

- This constraint is usually imposed simply by having a campaign budget

- However, in addition it is also essential to have specific objectives for the cost of getting the visitor to the site

- To control costs, it is important for managers to define a target allowable cost per acquisition: for example one may set 30kr as target cost for generating a business lead

Assessing marketing communications effectiveness

Volume or number of visitors

- This is usually measured as thousands of unique visitors.

- It is preferable to using page views or hits *as a measure of effectiveness, since* it is opportunities to communicate with individuals.
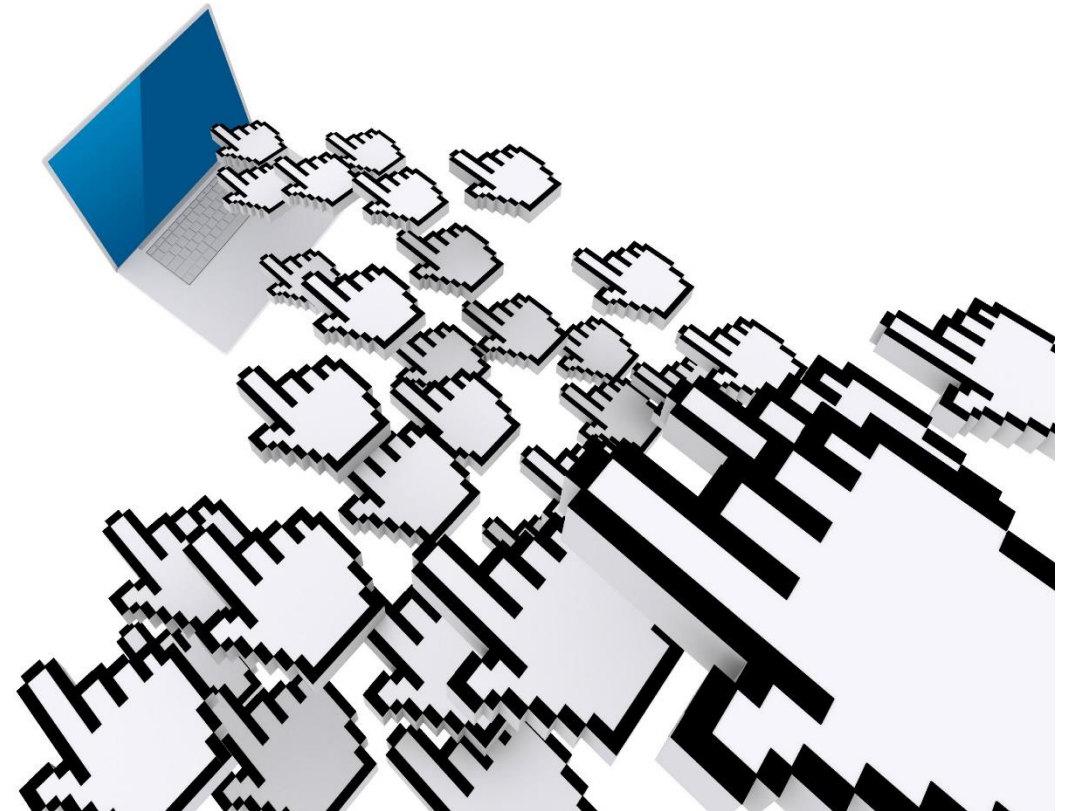
Assessing marketing communications effectiveness

Conversion rate

- This shows what proportion of visitors from different sources take specific valuable action on the web such as sale or subscription.

- Bounce rates can also be used to assess the relevance and appeal of the page that visitor arrives on.
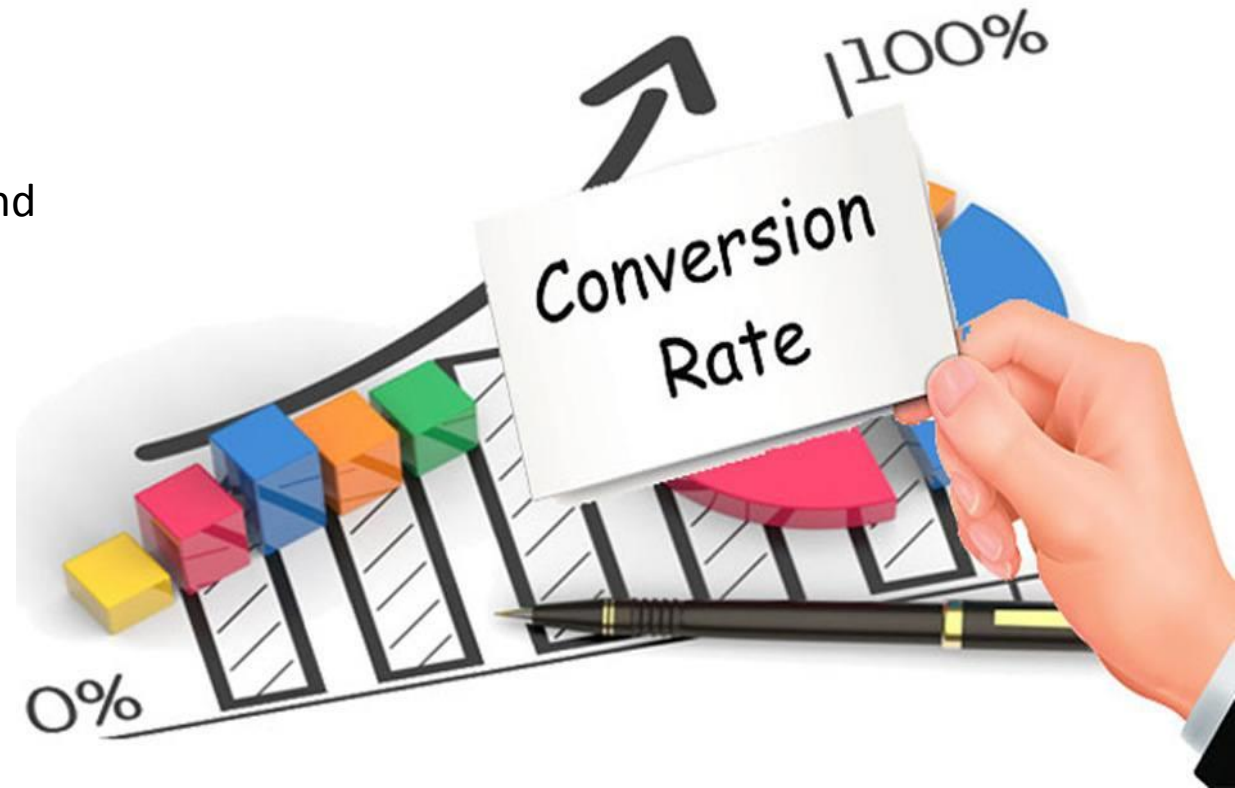
Calculating conversion rates

1. Goal conversion rate

$$Goal\ conversion\ rate = (\frac{Total\ goal\ cmpletions}{Visits\ from\ the\ whole\ world})*100$$

4 Google Analytics Goal Types Critical To Your Business

1. **URL Destination Goals**: Number of people that go to specific URLs, for example, thank you page, confirmation page etc

4 Google Analytics Goal Types Critical To Your Business

2. Visit Duration Goals. Number of people that stay on your site for a certain amount of time.

4 Google Analytics Goal Types Critical To Your Business

3. **Pages/Visit Goals**. Number of pages each visitor sees before they leave

4 Google Analytics Goal Types Critical To Your Business

4. Event Goals. Tracks Elements that your visitors interact with on your website. Examples of elements:

- External links
- Downloads
- Time spent watching videos
- Social media buttons
- Widget usage

Goal conversion rate: Example

If 100501 visits/sessions are registers on your website and out of these 10652 visitors have completed a goal (such as, downloading a report report, spending 5 minutes on your website, reaching order confirmation page, or visited 4 pages) then goal conversion rate is given as:

$$Goal\ conversion\ rate = (\frac{Total\ goal\ cmpletions}{Visits\ from\ the\ whole\ world})*100$$

$$Goal\ conversion\ rate = (\frac{10652}{100501})*100 = 10.60\%$$

Calculating conversion rates

1. Ecommerce conversion rate

$$Ecommerce\ conversion\ rate = (\frac{Total\ transactions}{Visits\ from\ the\ whole\ world})*100$$

Ecommerce conversion rate: Example

If 200601 visits/sessions have been registers on your website
and out of these 822 transactions have been completed,
then Ecommerce conversion rate is given as:

$$Ecommerce\ conversion\ rate = (\frac{Total\ transactions}{Visits\ from\ the\ whole\ world})*100$$

$$Ecommerce\ conversion\ rate = (\frac{822}{200601})*100 = 0.41\%$$

Problem with this formula

$$Goal\ conversion\ rate = (\frac{Total\ goal\ cmpletions}{Visits\ from\ the\ whole\ world}) * 100$$

The problem with the above formula is that, **Google Analytics takes every person in the planet into consideration while calculating the conversion metric**. For example the website in question may sell clothing only in Scandinavia but gets visits around the world because of SEO and huge social media presence. Since people from other countries can't buy, it won't be right if you consider them as a major part of your total conversion rate.

Calculating real conversion rates

$$Real\ goal\ conversion\ rate = \left(\frac{Total\ goal\ cmpletions}{Visits\ from\ your\ target\ market}\right) * 100$$

$$Real\ Ecommerce\ conversion\ rate = \left(\frac{Total\ transactions}{Visits\ from\ your\ target\ market}\right) * 100$$

Real Ecommerce conversion rate: Example

Imagine the target market for your company is Scandinvia. If 200601 visits/sessions have been registers on your website and out of these, 822 transactions have been completed. However, only 56000 visits were from Scandinavia. Then the real Ecommerce conversion rate is:

$$Ecommerce\ conversion\ rate = (\frac{Total\ transactions}{Visits\ from\ the\ whole\ world})*100$$

$$Ecommerce conversion\ rate = (\frac{822}{56000})*100 = 1.53\%$$

Assessing marketing communications effectiveness

Return on investment (ROI)

- Return on investment is used to assess the profitability of any marketing activity or indeed any investment.

- It is typically the most important measurement for advertisers because it shows the real effect a campaign has on your business.

- To calculate ROI, take the revenue that resulted from your ads, subtract your overall costs, then divide by your overall costs:

WHAT WE GIVE (INVESTMENT)

ROI (WORTH)

COSTS BENEFITS

WHAT WE GET (RETURN)

ROI = (Revenue - Cost of goods sold) / Cost of goods sold
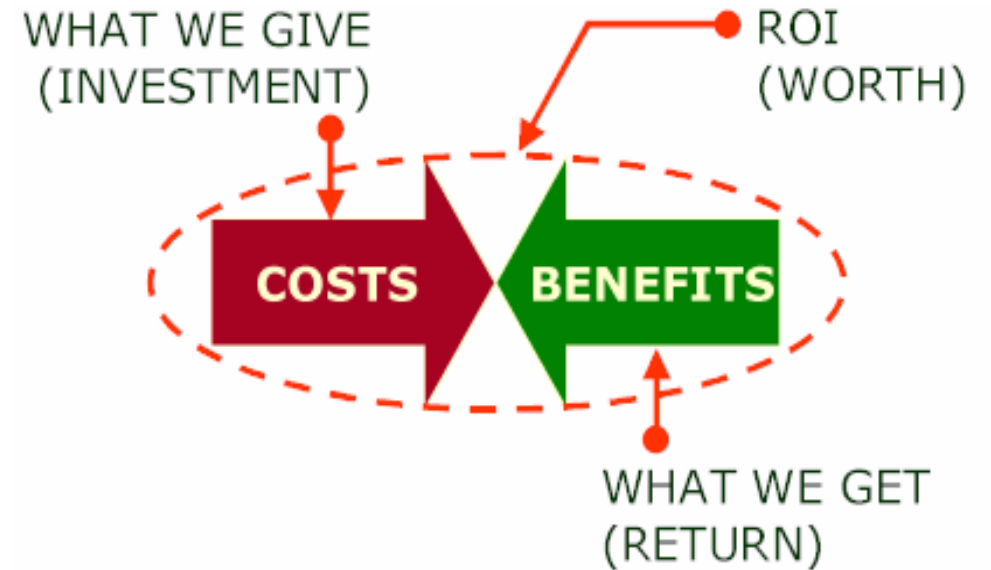
Assessing marketing communications effectiveness

Why care about ROI?

- ROI is typically the most important measurement for advertisers because it shows the real effect that a campaign has on your business.

- While it's helpful to know the number of clicks and impressions you get, it's even better to know how your campaigns are contributing to the success of your business.
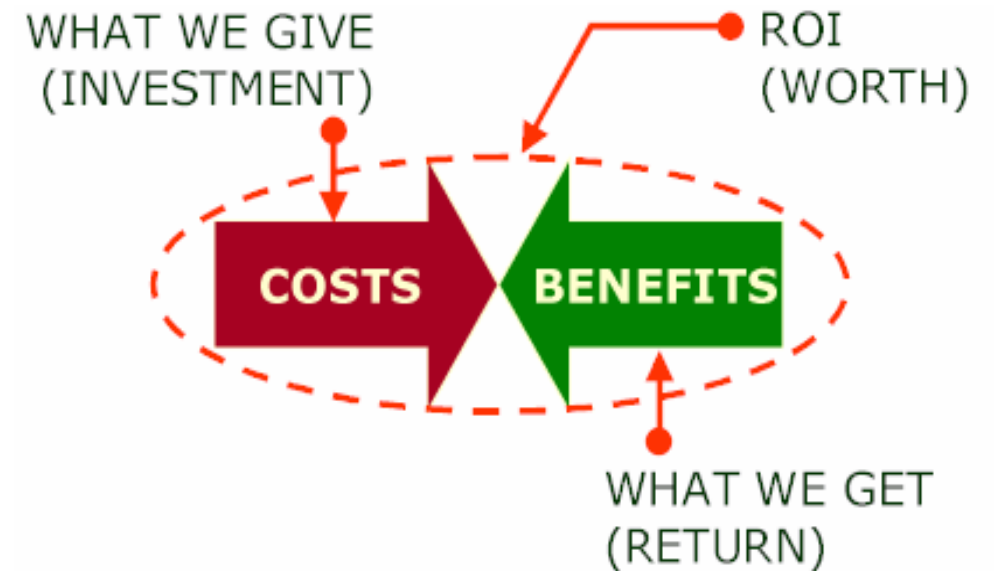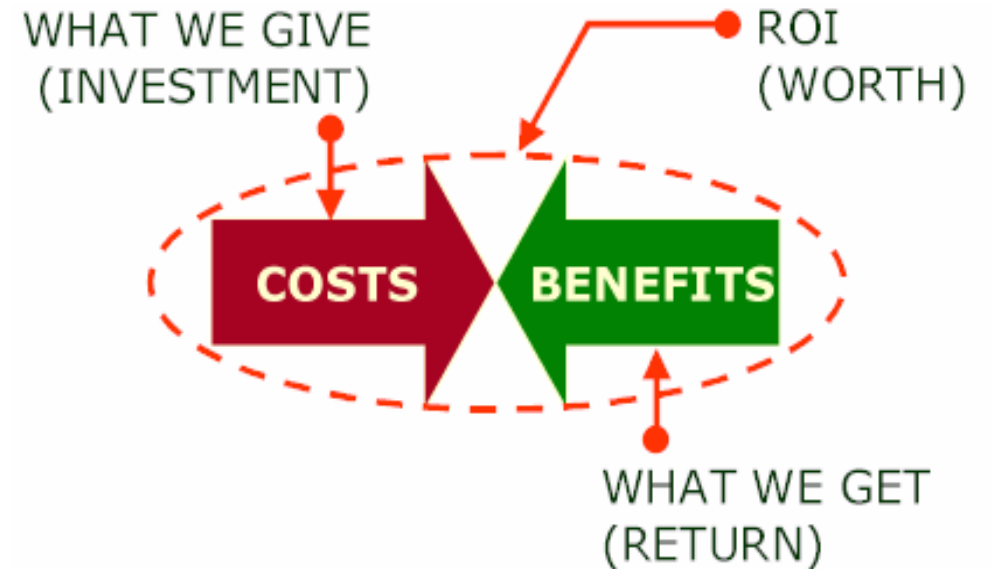
Assessing marketing communications effectiveness

Example

Let's say you have a product that costs $100 to produce, and sells for $200. You sell 6 of these products as a result of advertising them on AdWords. Your total sales are $1200, and your AdWords costs are $200.

ROI = (Revenue - Cost of goods sold) / Cost of goods sold.

WHAT WE GIVE (INVESTMENT)

ROI (WORTH)

COSTS

BENEFITS

WHAT WE GET (RETURN)

$$\textit{Ecommerce conversion rate} = \left(\frac{\$1200-(\$100*6+\mathbf{\$200})}{\$600 +\$200}\right)*100 = 50\%$$

Assessing marketing communications effectiveness

Lifetime-value-based ROI

- Lifetime-value of a customer is the total tangible and intangible value got out of a customer in his/her lifetime.

- The value of gaining the customer is not just based on the initial purchase, but the lifetime value (and costs) associated with the customer.

- The basic ROI formula does not factor customer life time value, that is, the net profit attributed to the entire future relationship with a customer.
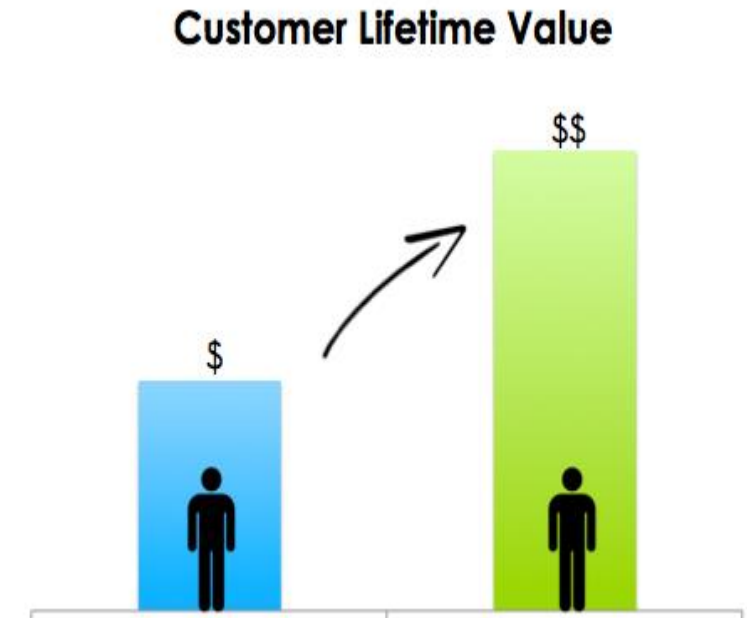
Customer Lifetime Value

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ROI = (**customer lifetime value** – **marketing investment per acquisition**) **/** **marketing investment per acquisition**

Calculating lifetime-value

A simple Customer Lifetime Value formula is given by:

Average Transaction ($) **X** **Annual Purchase Frequency** **X** **Expected Number of Years of Relationship**

Lifetime-value: Example

Imagine Terje's subscription customers generates profit of 40 NOK each month per customer with an average customer lifetime of 5 years and a per acquisition of 800 NOK for each customer. (Assume profit per month and value of money remain the same and no costs are incurred to maintain the customer)
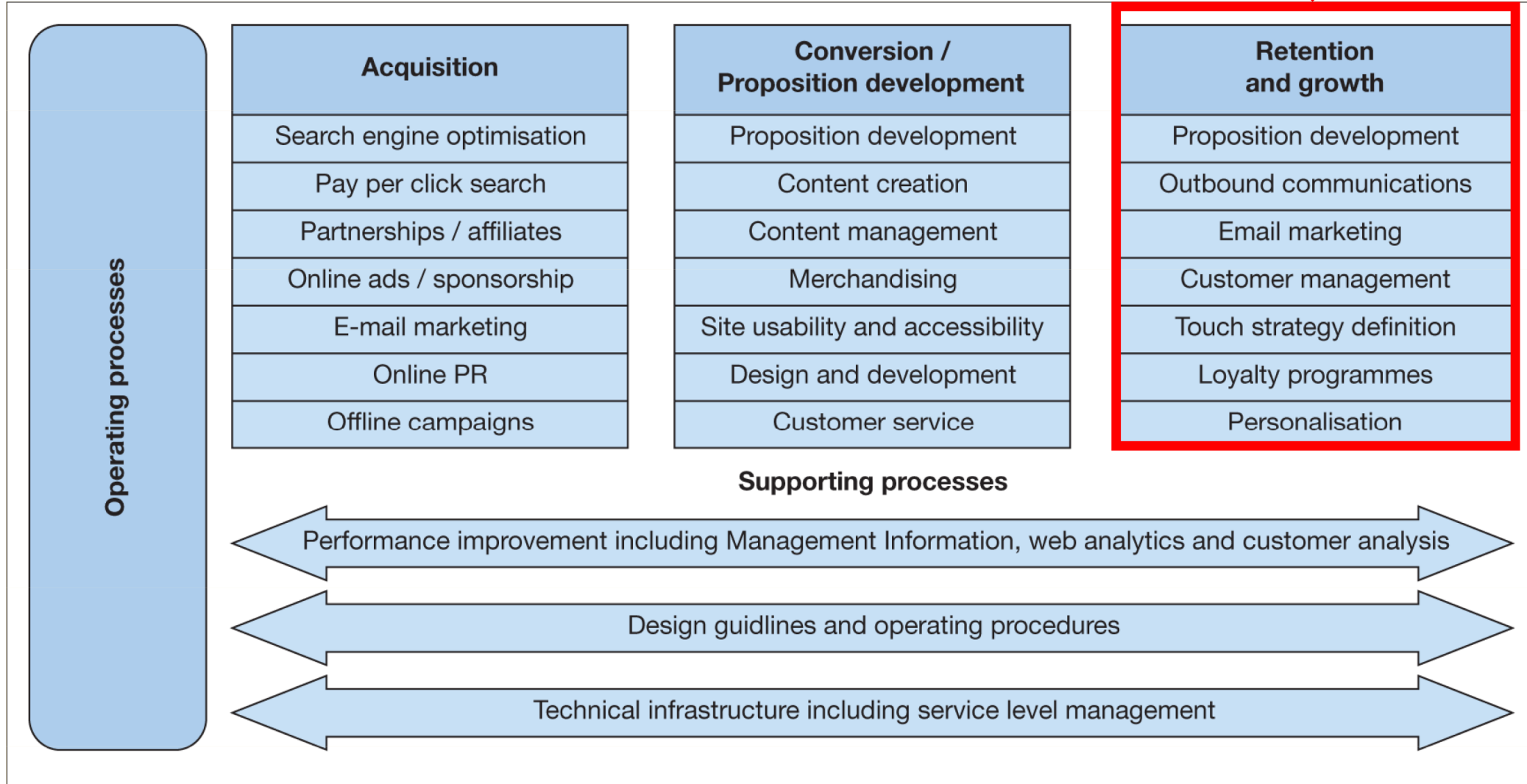
$$\text{Lifetime} - \text{value} = 40\text{NOK} * 12 * 5 = 2400 \text{ NOK}$$

LTV ROI = (**customer lifetime value** – **marketing investment per acquisition**) **/ marketing investment per acquisition**

$$\text{Lifetime} - \text{value based ROI} = \left[\frac{2400\text{NOK} - 800\text{NOK}}{800\text{NOK}}\right] * 100 = 200\%$$

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Customer retention management

- For an e-commerce site, customer retention has two distinct goals:

  ✓ To retain customers of the organization (repeat customers)

  ✓ To keep customers using the online channel (repeat visits)

- Ideally marketing communications should address both aims.

Customer retention is critical

- Acquiring online customers is so expensive (20%–30% higher than for traditional businesses)

- But research shows that by retaining just 5% more customers, online companies can boost their profits by 25% to 95%

Benefits of repeat customers

✓ Cheaper to serve

✓ Less price sensitive,

✓ Effective at bringing in new business.

Customer loyalty and profitability

Customer retention through customer satisfaction

- Satisfaction drives loyalty and loyalty drives profitability

- To create long-term online customer relationships, we need to analyse the drivers of satisfaction among e-customers
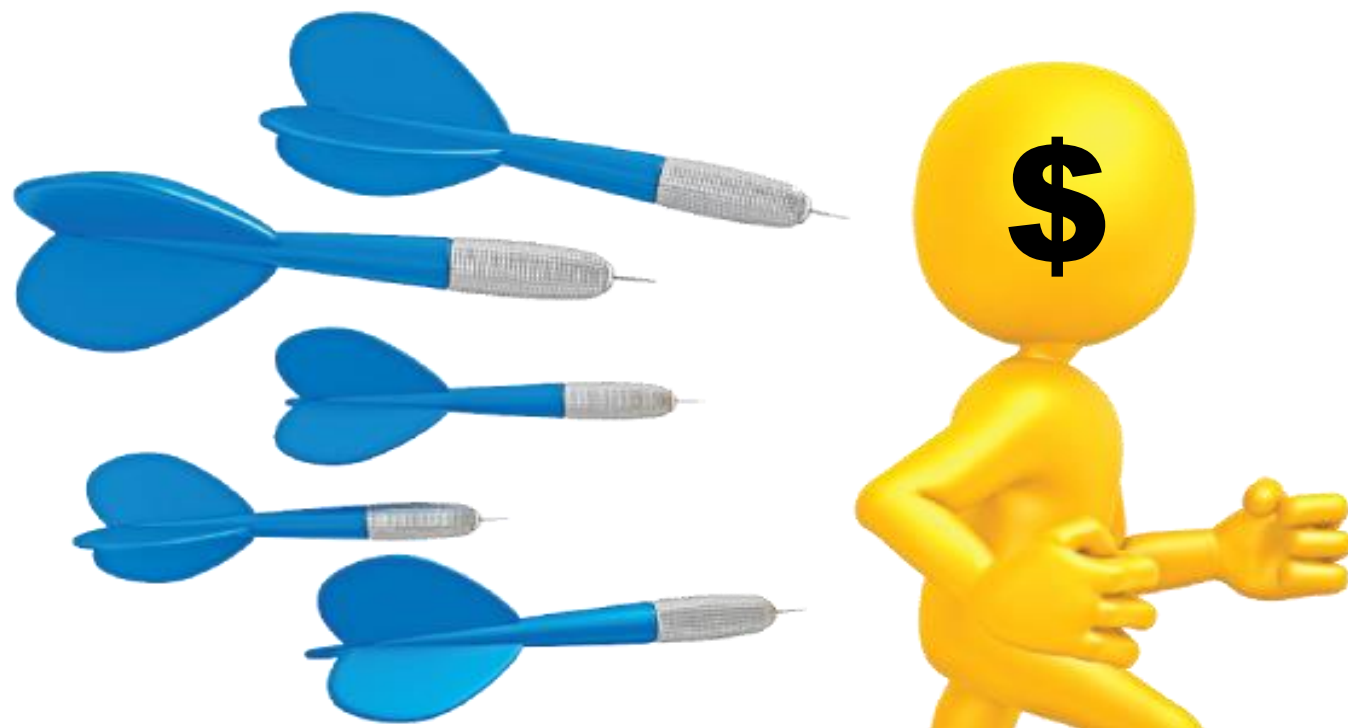
E.g.
- ✓ For years Xerox polled 480,000 customers per year regarding product and service satisfaction using a 5-point scale from 5 (High) to 1 (low).

- ✓ Dell has created a customer experience council

Create a Loyalty Program to drive CLV

Retarget Your Most Valuable Customer Type

Customer retention through personalisation and mass customization

- Deliver individualized content through web pages or email

- Sometimes mass customisation can be applied that is, delivering customised content to groups of users with similar interests.

- In both cases users' preferences are stored in databases and content is taken from a database

E.g.
Typical personalization service is that provided by the portals such as Google,Yahoo! and NetVibes that allow their users to configure their home page so that it delivers the information they are most interested in

Customer retention through service quality

- Delivering service quality in e-commerce can be assessed through reviewing existing frameworks for determining levels of service quality

- Those most frequently used are based on the concept of a 'service-quality gap' that exists between the customers' *expectation* and their perception of the *actual level of service delivery.*

Dimensions of service quality

- Reliability – the ability to perform the service consistently and

  accurately;

- Responsiveness –a willingness to help customers and provide prompt

  service

- Assurance – the knowledge and courtesy of employees and their

  ability to convey trust and confidence;

- Empathy – providing caring, individualized attention

Customer Relationship Management

CRM…….

An approach to building and sustaining long-term business with customers

Activities that comprise CRM

Customer extension
- 'Sense and Respond'
- Cross-selling and up-selling
- Optimise service quality
- Use the right channels

Customer retention
- Understand individual needs
- Relevant offers for continued usage of online services
- Maximise service quality
- Use the right channels

Customer selection
- Who do we target?
- What is their value?
- What is their life cycle?
- Where do we reach them?

Customer acquisition
- Target the right segments
- Minimise acquisition costs
- Optimise service quality
- Use the right channels

Extend · Select · Acquire · Retain · Customers

Digital CRM

e-CRM is:

Applying…

Internet and other digital technologies
(web, email, wireless, iTV, databases)

to…

acquire and retain customers
(through a multi-channel buying
process and customer lifecycle)

by…

improving customer knowledge, targeting,
service delivery and satisfaction.

Benefits of Digital CRM

- Targeting more cost-effectively

- Achieve mass customization of the marketing messages

- Increase depth, breadth and nature of relationship

- A learning relationship can be achieved using different tools throughout the customer lifecycle

- Lower cost

CRM systems

- Customer relationship management (CRM) system is a system for managing a company's interactions with current and future customers.

- It often involves using technology to organize, automate, and synchronize sales, marketing, customer service, and technical support

- CRM systems come with many features and tools and it is important for a company to choose a product based on their specific organizational needs.
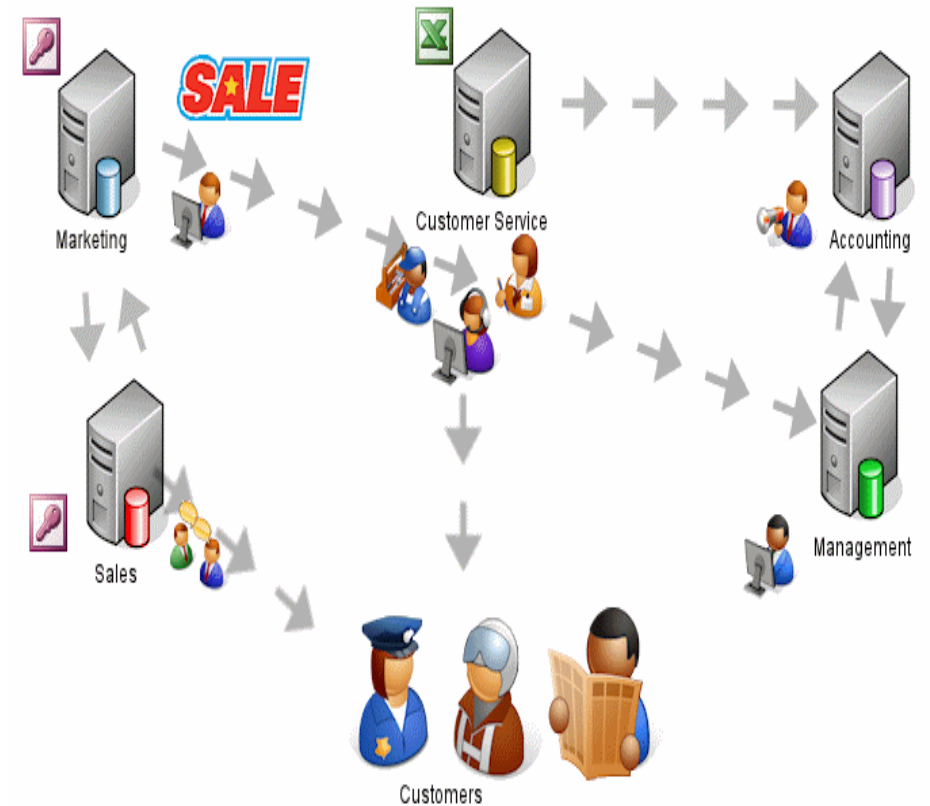
Marketing applications of CRM sytems

A CRM system supports the following marketing applications:

1. Sales force automation (SFA)

2. Customer service management

3. Managing the sales process

4. Campaign management e.g. Managing ad, direct mail, email etc

5. Analysis. E.g. Data mining, customers characteristics, etc

Best CRM Software 2018

EDITORS CHOICE				
p Pipedrive	14-day free trial	★★★★★ Read More	Accelerate Sales & Deliver Projects with Ease	"The Best" **9.9**
///. Monday	14-day free trial	★★★★⯨ Read More	Visualize your team's work on one single board	"Excellent" **9.7**
↓ Freshsales	30-day free trial	★★★★⯨ Read More	AI-Based Lead Scoring to Boost Your Sales	"Great" **9.1**
> ActiveCampaign	14-day free trial	★★★★⯨ Read More	Powerful & Easy-to-Use Marketing Automation	"Very Good" **8.9**
⊂⊃ Salemate	15-day free trial	★★★⯨☆ Read More	Sales CRM for Small Businesses Big Ambitions	"Good" **8.7**

Social CRM

- Social CRM is use of social media services, techniques and technology to enable organizations to engage with their customers.

- Social CRM integrates social media platforms with customer relationship management (CRM) systems to provide insight into customer interactions with a brand, and to improve the quality of customer engagement.

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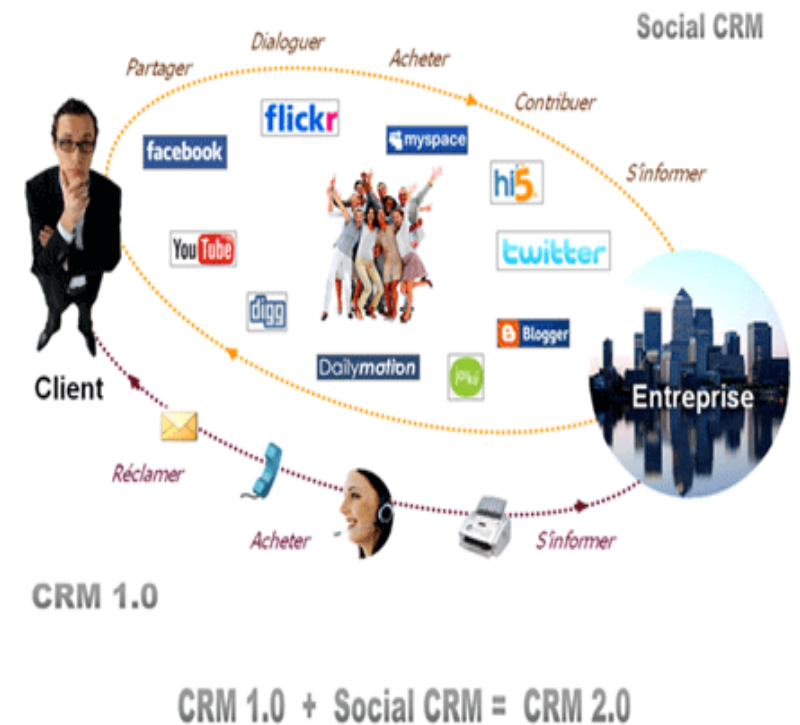
Customer engagement

Winning customer attention

- In the information age, presence in the minds of customers is becoming more important than being present physically.

- Grabbing mindshare has become critical to business success.

- However, winning attention from customers has become increasingly difficulty.

Media fragmentation is increasing.

In 1971, the average person encountered approximately **500** ad messages a day

Bluse 39.90

DESIGNED BY

David Schenk, Marketing Smog

Today, that number is almost 5,000 making it harder to engage consumers.

David Schenk, Marketing Smog

Bluse 39.90

DESIGNED BY

Customer engagement

- Customer engagement is a business communication connection between a customer and a company or brand through various channels of correspondence.

- Customer engagement is about encouraging your customers to interact and share in the experiences you create for them as a business and a brand.

Customer engagement on Facebook

- On Facebook customer engagement refers to the activity of fans such as likes, comments and shares.

- Customer engagement rate is the ratio of customer ativity per day and fan during a certain period.

- It is a reliable indicator of the activity on a Facebook page.
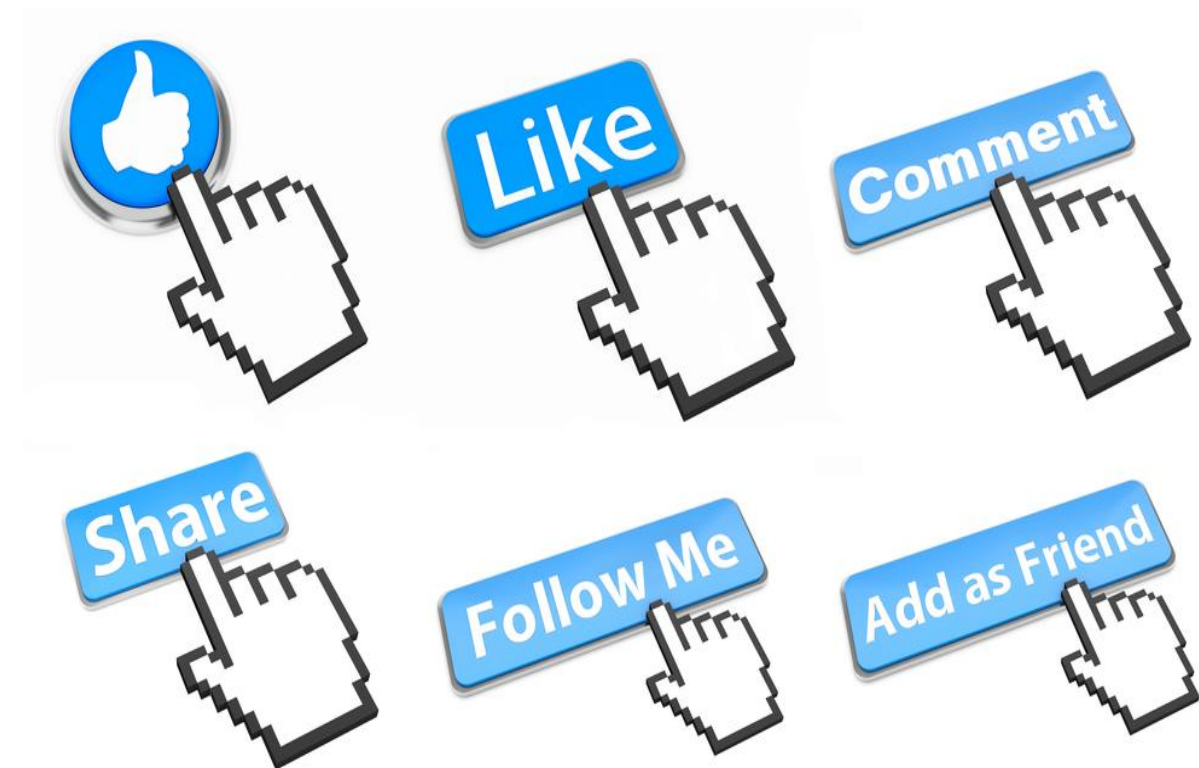
Lead generation

- Lead generation is the initiation of consumer interest or enquiry into products or services of a business.

- Leads can be created for purposes such as list building, e-newsletter list acquisition or for sales leads.

- Lead generation should bring you closer to a sale because you have the opportunity to market to them and hopefully sell them something that makes sense for them. That's what marketing is all about.
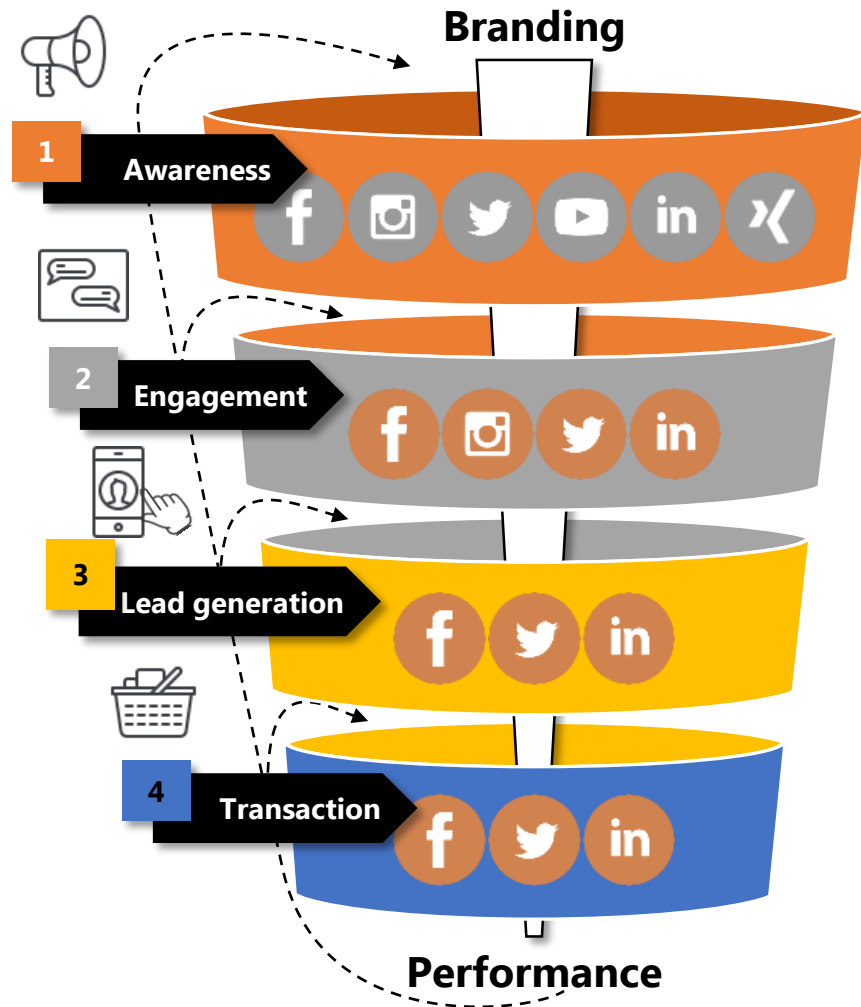
Power of Social Media across purchasing funnel

Social Media Advertising is for every industry!

SM is efficient media chanel to use accross every step of purchasing funnel

Branding

1 **Awareness**

2 **Engagement**

3 **Lead generation**

4 **Transaction**

Performance

Fashion/Beauty — KPIs

Engagement-Maximizing for cosmetics and care products

11,2% engagement rate in interest cluster

370% target overachievement

Automotive — KPIs

Lead-Generation for test drives over Facebook

35% lower CpL

27% higher CtR

42% higher CVR

Telco — KPIs

Sale Generation for Pre and Post Paid mobile phone packages

212% higher CVR

73% lower CpA

93% higher CtR