DISPLAY ADS & INBOUND MARKETING

How to Use Retargeting and Online Advertising Effectively

AdRoll   HubSpot

INTRODUCTION

It's long been thought that inbound marketing and display advertising techniques were incompatible—unable to work together to achieve campaign success.

More and more marketers are beginning to realize they can combine the methodologies of inbound marketing and online advertising to maximize their reach and find qualified potential customers. So how exactly is this done?

In this guide, we'll aim to answer just that. We'll discuss the basics of display advertising, defining the key terms marketers need to know and the most effective tactics marketers can use for online success. Then we'll cover the best ways to identify your goals and track success.

With a constantly changing digital world and an increasingly complex marketing environment, isn't it about time your campaigns included the best tactics from both sides of the aisle?

TYPES OF ADVERTISING

Even marketers who are already well-versed in SEO, content creation, email marketing, and organic social media can benefit from adding display and programmatic advertising into the mix. Display advertising refers to ads that appear on websites, social media, and apps across desktop and mobile devices. Programmatic advertising complements display advertising by using computer algorithms to serve your ads to the right customer at the right time.

Source: Adroll

Programmatic advertising refers to the buying and selling of the available ad spaces, or inventory, online. Today, programmatic advertising is typically bought through real-time bidding.

REAL-TIME BIDDING (RTB)

In programmatic advertising, an algorithm automatically makes the purchasing decisions for marketers. Originally, marketers would buy their online ads directly—kind of like newspapers advertising. A company would actually take the time to research how they should place their advertising across many specific publishers. From there, they'd spend a lot of time working with their creative department to craft ads that fit the look and feel of different sections within those sites. However, this method was incredibly time consuming and limited the ability of marketers to analyze the performance of their ads.

Now, programmatic real-time bidding (RTB) has evolved to let marketers spend less time placing their ads and more time analyzing them. With RTB, the majority of publishers offer available ad space to ad exchanges. These ad exchanges allow Demand Side Platforms, or DSPs, to bid on ad space for their clients. DSPs bid based on how likely it is that one of their client's customers will purchase a product. A winner is instantly chosen, and their ad is shown on the page. The process allows marketers to track how their budgets are being spent in real time, eliminating unnecessary contracts and helping them quickly determine which channels perform best. Need help understanding the basics of real time bidding? Check out this infographic from MarketingLand.

Real Time Bidding Image Source: Internet Marketing Team

PROGRAMMATIC ADVERTISING STRATEGIES:

Before we go even further, let's dive into a few of the most common tactics used for display campaigns:

Retargeting: Retargeting works by delivering personalized content to users who've previously visited your site. For example, say a prospect visits your site and puts one of your products in their cart but leaves without completing the purchase. Retargeting enables you to serve that visitor ads for the product they left behind as they travel across the web and social media. Recently, retargeting has also been used in email campaigns. As an inbound marketer, you'll be bringing brand new visitors to your website every month. If that visitor leaves your site without providing an email, retargeting can be a great channel to show them relevant content, or product offers, especially when they've already shown intent by visiting your website in the first place.
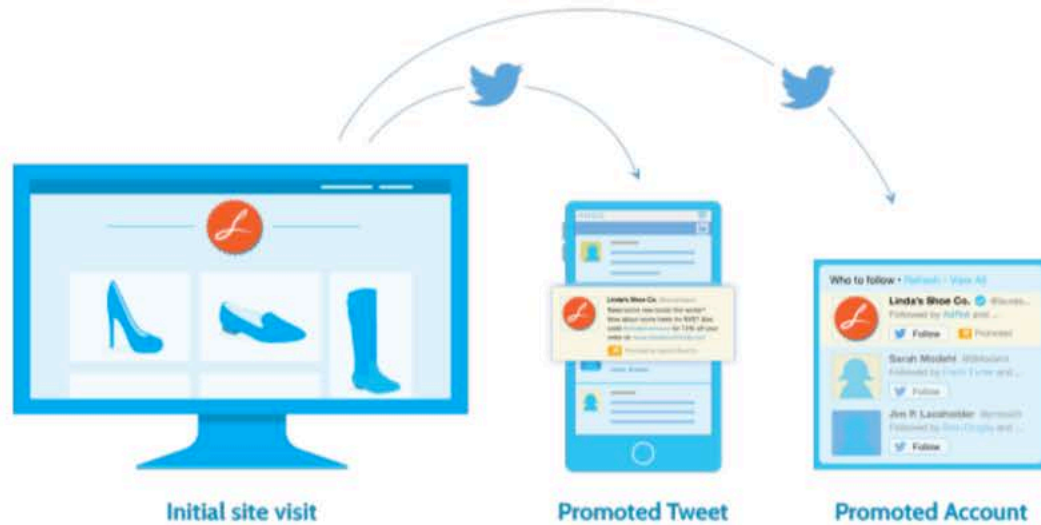
Image Source: Adroll

Prospecting: Prospecting is a method by which marketers are able to target new audiences of users and drive them to their site. Think of it as one large inbound marketing technique. Over time, prospecting calibrates to become more precise—working to drive new users to your site who will subsequently be added to your high-performing retargeting campaigns.

Image Source: Adroll

Social Media: A display marketing vendor can help customers run retargeting and prospecting campaigns across social media channels like Facebook, Instagram, and Twitter. Social media campaigns are important because they allow marketers to meet their audience in apps and on mobile devices, where so many of us spend so much of our time.

Image Source: Adroll

Cross-device marketing: Cross-device marketing means reaching prospects across different devices, like desktop computers, mobile phones, and tablets. Cross-device campaigns are particularly helpful when creating effective full-funnel campaigns (something we'll touch on later), as they allow you to expand reach to multiple different devices that your prospects use on a daily basis.

CRM: Otherwise known as customer relationship management, CRM campaigns analyze your prospects' email addresses to serve them relevant ads in their inboxes. Marketers can also use their retargeting data to send their prospects emails with products tailored to what they viewed online.
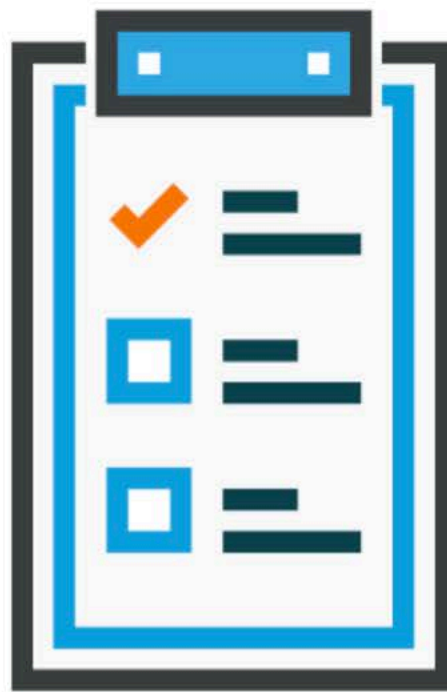
DON'T HAVE A CRM? USE HUBSOT'S - IT'S FREE.

ANALYZING AD PERFORMANCE AND SETTING GOALS

Before you dive into building your first ad campaigns, you'll need to ensure you understand what constitutes success for each ad, which performance indicators to track, and how to measure your progress in real time. In this section, we'll help you do just that.

SETTING CAMPAIGN GOALS

One of the biggest mistakes marketers make when setting up a campaign is using the same success metrics for every stage. This causes a number of problems:

- Under-investment in acquiring new customers
- Over-investment in campaigns for customers who buy again and again regardless of marketing efforts
- Limited investment in mid-funnel nurturing

Here are the key performance indicators (KPIs) you'll need to track in order to measure the success of your campaigns.

TOP OF THE FUNNEL

Also known as the "awareness" stage, where prospects are looking for answers, resources, and research.

New site visitors: The number of new visitors who came to your site after you launched a campaign. This KPI helps you understand how successful your campaigns are at increasing brand recognition and overall site traffic.

Engagement: Engagement, including time spent on your site, or number of pages viewed, is a good indicator of the quality of new traffic to your site. Be sure to compare engagement on a product-by-product basis, too. If your new visitors' bounce rate is high or their site duration is low, you may need to adjust your strategy.

MIDDLE OF THE FUNNEL

The middle of the funnel, also known as the consideration stage, is where prospects are evaluating whether your product or service is right for them. Marketers will want to start focusing on converting their customers into paying accounts in this stage.

Number of conversions: The total number of conversions driven by a campaign. Prospects at this stage are already aware of your brand and your content. Use retargeting to convince them to convert and adjust your campaigns based on how many of them actually do.

View-through conversions (VTCs): Conversions that resulted from customers who viewed ads but did not click. The truth is, no one likes clicking ads--but that doesn't mean they don't influence conversions. Once prospects arrive on your site, take a look at how many of them convert after being served an ad—even if they never clicked one—to get a fair and accurate picture of the effectiveness of each ad

Attributed closed deals and new sales: The total number of deals closed from prospective customers who interacted with an advertising campaign. In addition to the total number of conversions, you should measure campaigns at the middle of the funnel by the number and quality of deals they're closing—as well as the number of new sales and overall new customers that they drive.

Cost-per-acquisition (CPA): Your overall campaign spend divided by the total number of conversions. CPA is an important KPI to keep track of across the entire funnel, as a helpful proxy for how effective your teams are at closing, retaining, and cultivating customers.

BOTTOM OF THE FUNNEL

BOTTOM OF THE FUNNEL

Also known as the decision stage, this is the stage where prospects are deciding from whom they want to buy. As a marketer, you want to focus on closing deals that grow your customer base, while also up-selling or cross selling existing customers. KPIs at the bottom of the funnel help marketers evaluate the ultimate revenue consequences of their efforts.

ROI AND LTV.

- **Return on investment (ROI):** The net profit generated by your campaign, calculated as the difference between the total revenue the campaign generated and the total cost of running the campaign.

- **Lifetime value (LTV):** The net profit attributed to a customer over their lifetime. There are many ways to calculate LTV, but a model that is tailored to the specifics of your sales cycle will be most effective. LTV is important because it helps marketers calculate their ROI over time.

HOW TO CALCULATE LTV:

LTV = (AVERAGE MARGIN PER ORDER X REPEAT SALES FREQUENCY X AVERAGE RETENTION TIME)

Example: $300 = ($100 x 0.5 purchases per month x 6 months) - Lifetime value is $300.

In this first equation, we're shown how to calculate the lifetime value of a customer. Here we're looking at the average margin per order, the repeat sales frequency, and the average retention time. Let's break this down.

Average margin per order means the average amount of money a company brings in after processing and delivering a product. The next two metrics are meant to determine how often someone will purchase your products throughout the entire time they remain your customer. When combining these metrics, we were able to determine a LTV of $300.

Here is the formula to calculate ROI:

ROI = (LTV-CPA)

Example:

- LTV = $300 (calculated above)

- CPA = $50 (what we pay to "buy" high-quality customers)

- ROI = ($300-$50)

OVERALL ROI IS $250, A 400% INCREASE ON THE CPA.

For this example, the situation is reversed. Here we already know the LTV, but are looking at understanding the return on investment of our advertising efforts. For this equation, we'll look at the lifetime value minus the total cost to acquire a new customer (CPA). Here we see that it cost $50 to acquire one single new customer and this customer had an LTV of $300 (taken from above). Once we subtract the CPA, we reveal an ROI that is 400% higher. Quite an improvement.

By gaining a deep understanding of the LTV of your average customer, and using that metric to determine how much to spend to get them to convert, you can get a more accurate sense of what your ROI is for your ad campaigns.

WHY DO KPIS MATTER? THE SHORT ANSWER: ATTRIBUTION.

Attribution is critical because it allows marketers to evaluate what ads or marketing efforts are driving results and measure the impact of their advertising. Yearly trends continue to show that marketers (and their bosses) are placing more and more importance on marketing analytics and attribution. AdRoll's recent State of Performance Marketing Report found that almost 75% of marketers believe attribution is critical or very important to marketing success. Over 40% said that they spend the lion's share of their yearly budgets on campaign measurement.

Attribution [Image Source: HubSpot Blog]

Despite this influx of interest, many marketers continue to exclusively track ad clicks to measure their campaigns. Tracking ad clicks alone completely misses a large portion of your audience—those who don't click on ads, but may still be influenced to convert later.

WHY LAST CLICK DOESN'T TELL THE WHOLE STORY

- A small portion of people click on ads: Only 16% of users click on ads, and half of those—8% —account for 85% of all clicks on display ads. This means that this pool of what the industry calls "natural born clickers" is the only audience you track.

- Last-click tracking incentivizes finding users who would buy without advertising: Last-click attribution models are fundamentally incentivized to find users already likely to purchase—a practice referred to to as "funnel jumping." Ideally, advertising should influence users to consider purchasing a product or service they wouldn't otherwise have been exposed to.

- Credit is not accurately assigned across publishers; last-click gives all the credit to the final click and ignores any other marketing that occurred before the purchase. This means any previous messaging users were exposed to, in addition to any content they consumed that discussed your brand, isn't appropriately valued.

In fact, in the same survey almost 65% of respondents said that they currently employ a click-based attribution model. However, over 90% of them said that they plan to or are considering changing their attribution model in 2017—signifying a large shift away from click-based attribution in the coming year.

THE ALTERNATIVE

Unlike click-based attribution models, blended attribution allows marketers to take into account both views and clicks when measuring the success of their campaigns. This metric retains the simplicity and immediacy of click-based attribution while accounting for the cumulative effect of views. More importantly, it takes into account what advertisers have always known: that viewing ads influences consumer behavior.

By combining views and clicks, we reveal a more nuanced, and ultimately more accurate, picture of how advertising affects users. This helps marketers allocate their budget and take into account all the effort that goes into both media planning and creative development.

INBOUND MARKETING AND RETARGETING WORK TOGETHER TO FILL THE FUNNEL

When combining inbound marketing best practices with ads, the two marketing tactics can become a lucrative way to nurture current prospects into customers and turn current customers into continuous upsells.

Your inbound efforts begin the process by bringing new visitors to your site. However, there's a chance that those visitors won't convert on your site. If they do leave without providing an email, retargeting can be a great channel to show them relevant content or product offers— especially when they've already shown interest in your brand.

Inbound Methodology

ATTRACT	CONVERT	CLOSE	DELIGHT

Strangers »» Visitors »» Leads »» Customers »» Promoters

HubSpot
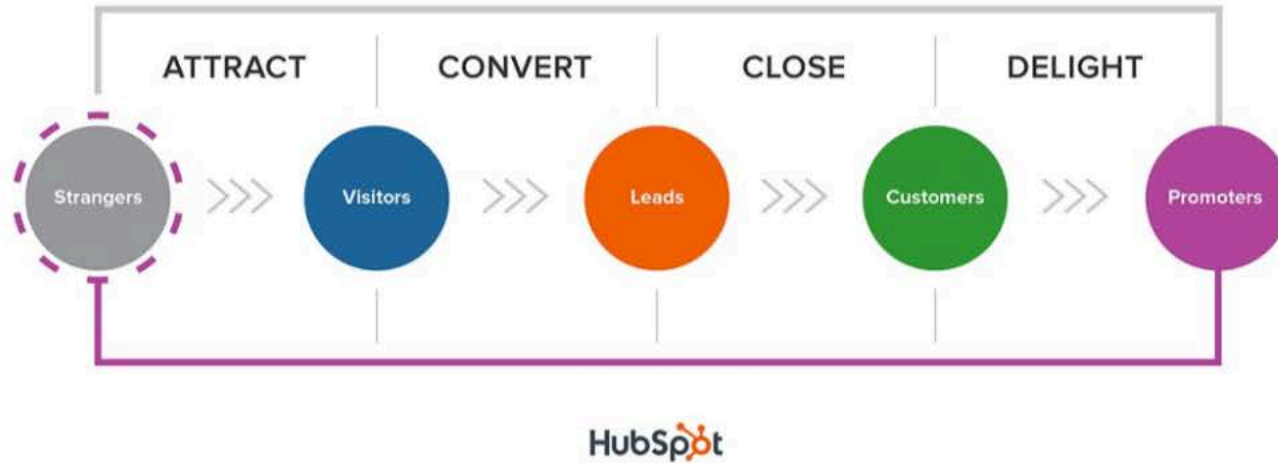
Before jumping headfirst into the world of ads, it's important to take a step back and think about that funnel again. Many marketers' inbound marketing efforts probably already align in a way that nurtures your prospects and customers; so your ads will simply mirror this.

To create a cohesive experience with display ads and inbound marketing, you'll have to ensure your ads are designed to be relevant and to effectively attract, convert, and close your target audience.

- **Top of the Funnel**: The top of the funnel includes everything you already know about inbound marketing. This includes creating awareness through SEO initiatives, new content, events, social media, and perhaps even display advertising. At this stage, use display ads to target new users who act like your existing customers to help boost the amount of high-quality traffic visiting your site.

- **Middle of the Funnel**: At the middle of the funnel, you should aim to convince your audience to take a desired action, like filling out a form, contacting sales, downloading a piece of content, and more At this stage, use ad technologies like retargeting and CRM to analyze your site visitors' behavior and make calculated decisions on when and where to show them your ads.

- **Bottom of the Funnel**: The bottom of the funnel targets users who are ready to buy, or who have already become a customer or a client. Middle-of-the-funnel ad technologies like retargeting and CRM can be repurposed at the bottom-of-the-funnel to drive buying rather than simple conversion decisions. Once you've earned their trust and a prospect has become a customer, you can use ads to educate them about new product offerings and use cases. The main goal is to increase lifetime value through consistent customer education.

CASE STUDIES

There's no foolproof way to build compelling, high-performing ads--you'll need to experiment with different combinations of copy and design to determine what works best for your audience. Take a look at the examples below of real ads that drove value for real companies to get inspired, and compare what stands out to you with our analysis of why they performed so well.

ALIENVAULT

AlienVault's site traffic was increasing exponentially quarter over quarter, but they wanted to convert a larger percentage of visitors into paying customers. They built ads to help reel prospects back onto the site and nudge them toward purchase, and achieved a 53% higher retargeting click-through rate (CTR) than their industry average.

WHY THESE ADS WORKED:

- Both ads incorporated the company's logo organically, without making it seem out of place. Doing the same in your own ads will help establish your brand identity as your prospects are exposed to more of your ads.

- Each ad has actionable CTAs with copy that explains the content of the offer and how to get it now.

- The unique animation style, brand-friendly "robot" character, and clear CTA of the ad on the left help draw the eye. Integrating the title of the offer into the image itself, rather than as a separate CTA, also draws attention and saves space.

- The unique animation style, white space, and bold colors of the ad on the right help draw the eye. The ad on the right positions the copy on the left, juxtaposed with an image that intuitively relates to it, which eliminates the unnecessary work of having to guess what the ad is trying to say.

PANTHEON

Looking to ramp up their retargeting and drive digital marketing success for their clients, Pantheon coupled campaigns that ran across many different channels with ads that stayed true to their brand in order to achieve success. The ads below helped them beat their retargeting CPA goal by 22%.

WHY THESE ADS WORKED:

- Both ads have clear brand identity and tangible copy. They keep fonts, spacing, and colors consistent. The images are always to the right and the copy and logos are always to the left. Maintaining strong brand consistency will help reduce the amount of time it takes for prospects to recognize, remember, and take action on your ads.

SHIEKH SHOES

With less than a month before Black Friday, Shiekh Shoes need to shake up their holiday promotions develop a plan for advertising their newly acquired sites. They saw a 20% lift in ROI by running prospecting and retargeting campaigns on Facebook, Instagram, and the web.

WHY THIS AD WORKED:

- This ad is successfully focuses on copy instead of design. Shiekh identified that their audience would be most interested in joggers, and convinced them to take action by letting the 50% discount dominate the space. This ad proves that direct value propositions can be extremely effective.

PEERSPACE

Looking for ways to leverage their brand online in order to optimize their campaigns and identify their target audiences, Peerspace used ads like this one to reduce their cost per acquisition (CPA) by 32%, while increasing conversion volume by 73%.

WHY THIS AD WORKED:

- In order to engage with their audience, Peerspace decided to run dynamic ads, using first party data to serve users ads containing content specific to the actions they took online. These highly relevant ads drive 2x higher CTR and 50% lower CPA than static ads.

- Advertisers should use copy sparingly, and Peerspace did this well. They made sure the majority of their ad was an image while calling out the fact that they had rental spaces available in each user's desired market.

- The ad also has a large CTA with background colors that pop out from the surrounding space to capture attention.

NEXT STEPS: HOW TO SET UP CAMPAIGNS

Before you begin setting up your ad campaigns, it's important to consider the purpose of your ads. One of the biggest mistakes a marketer can make is to create campaigns based on unfounded assumptions, rather than data, about their audience. Retargeting and inbound marketing can help you move past these assumptions to ground the direction of your marketing campaigns in tangible data.

Once you've defined your success metrics and decided on an initial budget, you'll need to decide whether you're interested in spending your entire budget or getting the best performance possible.
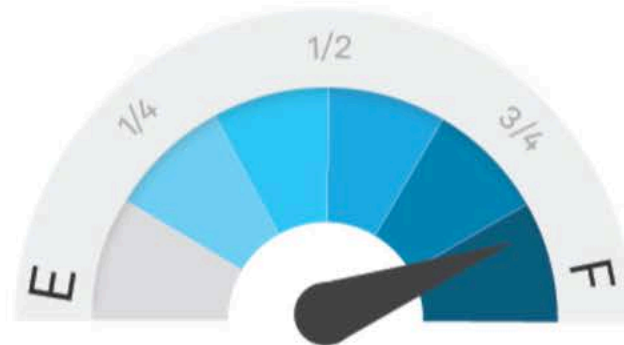
Optimizing for performance is a great way to make sure that every ad dollar you spend returns the highest yield possible. However, in order to get the best performance, you might end up limiting your audience to the most likely people to convert and avoid spending to reach anyone else. It's great for ROI, but can often limit your audience size and budget fulfillment.

On the other hand, optimizing for spend is a great way to reach the widest audience possible. Since they're not strictly focused on performance, these campaigns have more flexibility to reach different segments of visitors you might have otherwise missed. By widening your audience, you're better able to spend your intended budget and achieve greater reach.

It's a balance. Once you understand how much each customer action is worth to you, you can seek to drive as much reach as possible while staying below budget.

If you're completely new to display marketing, it's always best to cast as wide a net as possible —at least at the beginning. Your goal should be to reach as many users as possible in order to figure out who your base audience is. As more and more conversions come in, you'll be able to narrow down your scope and target prospects who are mostly likely to convert on your site.

CONCLUSION

Combining inbound marketing techniques and ads might seem like a relatively new approach, but together the two methods can offer a powerful way to nurture prospects into customers and customers into up-sells.

Marketers need only keep in mind that each customer is different, and they'll already be on their way to success. Take the time to understand the goals and the purpose of your ads. Then use KPIs to effectively measure your results and optimize your campaigns for the best possible results.

It's time for inbound and display to join together to align ad efforts across the entire marketing landscape. Once this is done, any marketer will be able to attract, convert, and close their target audience faster than ever before.

SOURCES

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