

Decisions About Digital Marketing Channels¹

An online fashion retailer has been using both display and search advertising as a key component of its digital marketing initiatives for a few years. The latter has been operationalized on a pay-per-click model with two search platforms, Google and Bing as adopted channels. When consumers search for certain terms online, it responds by releasing advertisements for those terms. The marketing team divides these terms into two groups: branded and nonbranded. Branded keywords are those that contain the name of the retailer. Nonbranded keywords are words like "shirts" and "trousers" that don't contain the retailer brand name, but reflect product categories or brands. With the exception of the fact that their Bing campaign is significantly smaller than their Google campaign, the company uses the same targeting techniques for ads, selects the same keywords to advertise on, and uses the same ad copy for both Google and Bing. As a result, the mix of potential customers visiting the company's website from both search engines is essentially identical. Two marketing team members Amit and Renu are discussing the recent data related to these ads. Their focus is assessing the return on investment (ROI) on these PPC adverts, given the recent emphasis on result-oriented marketing spending by the retailer. Further, their next task is to assess the introduction of influencer marketing in their digital channel mix. In the last meeting, the marketing head had pushed for adopting the influencer model and committed a separate budget for the same.

ROI Assessment

Amit had looked at the data prior to the meeting and was personally happy with the way PPC advertising was going for them. He began by showing his satisfaction with the numbers for Google (Exhibit 1, Table 1). The data they had gave them 9 weeks information for branded keyword searches on Google and 12 weeks information for Bing. The retailer advertised largely on the former, with the latter supplementing its efforts. The Google data was for 9 weeks as a technical issue forced them to stop their ads on this platform from the beginning of week 10. This issue did not occur for Bing and for it, the entire period data was available. These weekly numbers denoted the number of clicks generated for sponsored links and organic links separately, whenever consumers searched for the branded keywords. An example of how to differentiate between sponsored and organic search results is reproduced in Exhibit 2.

¹ This writeup is compiled from the instructor's reading of multiple articles and cases and is not original. It is intended purely for academic discussion.

Amit started presenting the numbers. On this advertising investment, the ROI is fantastic. We are aware that a sponsored click typically costs \$0.70 per click. Customers have a 10% chance of making a purchase from us after they arrive, and the average profit per conversion is \$25. This results in a ROI of $(\$2.5 - \$0.70) / (\$0.70)$, or around 257% basis an average revenue per click of $0.10 \times \$25$, or \$2.5. Renu expressed her apprehension that these numbers appeared too good to be true. Were they missing something? She further said, “The fact that our company name appears in these keyword searches is my biggest worry”. These people appear to already be aware of and actively seeking out our website. I doubt that they even need to see the sponsored advertisements. Amit asked her to clarify this further. Renu reiterated that when a user searched for "(retailer name) shirts" and then clicked on their sponsored link, he/she would have probably just clicked on the link in the organic list if there were no advertisement, which would have provided them the same consumer for free. This was subject to the assumption that all consumers have the identical conversion probability and conversion margin numbers, which was a fair one and also impossible to relax, given the data capabilities they currently had.

Amit’s view was to incorporate the understanding of their competitors and he believed more in the imperative of running a PPC campaign to avoid losing potential customers. Renu was still convinced that there were consumers specifically looking for them and they would click to reach their website organically, even when a rival sponsored advertisement appeared alongside. Further, she argued that rival retailers often would use non-branded keywords to bet on, rather than keywords based on a rival firm name.

Influencer Marketing

Their first objective was to determine whether using influencer marketing was practical and if yes, which specific social media platform should they choose. Since this would be a brand-new promotional tool for the business, which has previously relied on billboard, print, and search advertising, they were cautious. Further, while the variety of research studies, industry reports, and advertising reports they had individually read, pitched Instagram as the platform to go for, they were sceptical for its suitability to their target market. They had also discovered a lot of research pointing to an intriguing development in influence marketing. Advertisers specifically suggested that it could be preferable to use numerous tiny Instagram influencers or micro-influencers for endorsements rather than a single major celebrity or macro-influencer.

These thorough analyses persuaded Amit, who then began compiling information on regional influencers. He eventually reduced the possibilities to two: either hiring a large influencer, Nandini, who had 2 Million followers, or going with two influencers Vineet and Nidhi, who had 1.5 Million followers each. Vineet and Nidhi had comparable average impression rates of around 4%, while Nandini's was 2.25%. He further found that the former two influencers had a "click through rate" (CTR) of 1.25% whereas Nandini had a CTR of 1.75%. The combined cost of Vineet and Nidhi to the retailer would be USD 100,000, whereas Nandini demanded USD 80,000. Based on the quantitative analysis Amit had done, he supported going for Nandini, whereas Renu separately had her calculations that favoured going for the other duo. Further, they were conscious that merely relying on numbers would not be right in this comparison.

Toward the end of this interaction, both of them knew there was merit in each other's arguments for both PPC and Influencer marketing decisions but they needed to find common ground. Their combined presentation on these issues was fast approaching. They began working on the numbers collectively.

EXHIBIT 1

Clicks Generated Each Week Via Google and Bing

TABLE 1: Data for Google for Branded Keywords Only

Week	1	2	3	4	5	6	7	8	9	10	11	12
Organic	167,654	165,280	160,763	162,980	170,545	171,546	165,656	167,765	170,104	190,789	189,454	187,768
Sponsored	42,280	45,436	41,654	40,897	43,767	44,987	42,850	43,981	43,789	0	0	0

TABLE 2: Data for Bing for Branded Keywords Only

Week	1	2	3	4	5	6	7	8	9	10	11	12
Organic	19,375	18,798	18,253	19,978	21,345	18,098	19,078	20,108	19,543	18,899	18,564	17,905
Sponsored	4,345	4,246	4,167	4,390	4,652	4,089	4,280	4,575	4,490	4,343	4,289	4,098

EXHIBIT 2

Screenshot Depicting the Appearance of Paid vs. Organic Search Results on Google

Paid Links

Organic Links

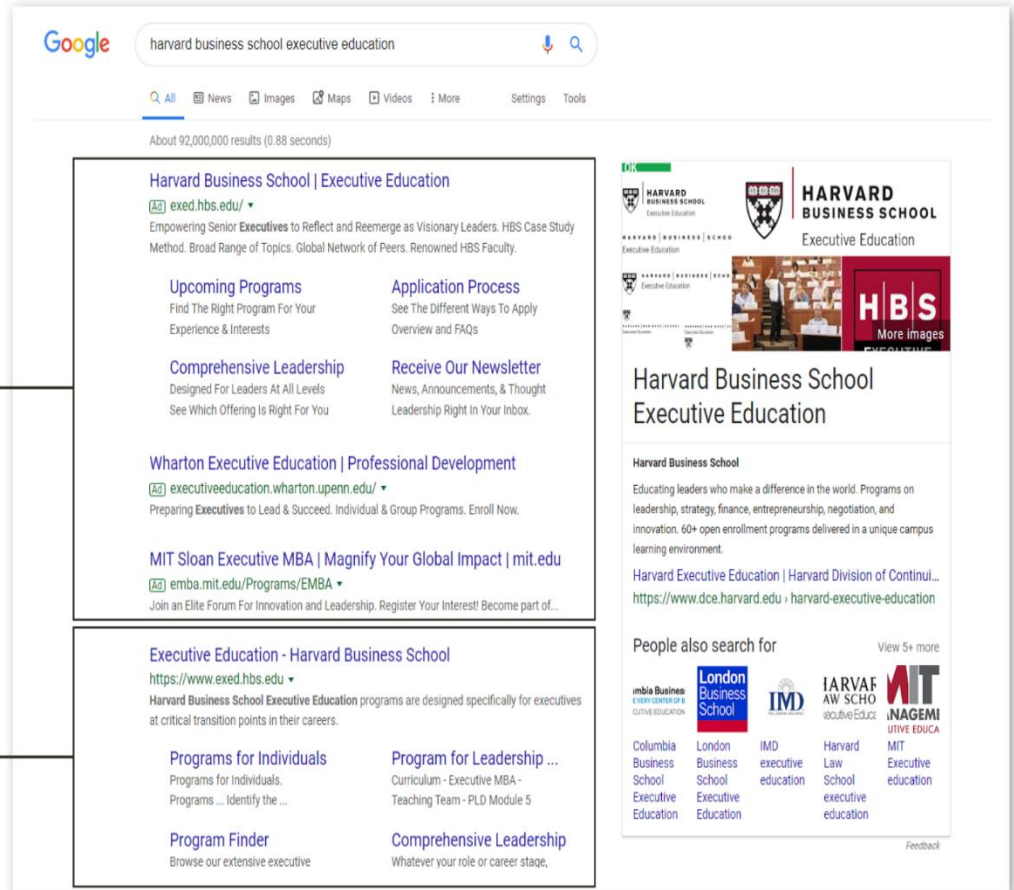


EXHIBIT 3

Some Relevant Terms Pertaining to Influencer Marketing

Click through rate (CTR): In online advertising, this conversion metric is frequently used to gauge success. The number of people that visited the advertised company's website or product page after seeing the post is referred to as "visitation" in the context of influencer marketing on social media platforms.

Engagement is a metric used to measure how followers responded to a post. The majority of social media platforms offer viewers and followers some way to express themselves, such as likes, comments, sharing, etc.

Followers: The number of accounts or users that followed an influencer's social media account

Hashtags: Posts can be tagged on social media networks. An influencer might, for instance, use the hashtag #cricket to aid in search and discovery. For example, if a user wishes to find posts about cricket, she can utilise the platform's search function to get all the articles that have the hashtag #cricket. In order to maximise discovery, it has recently become crucial to employ the proper set of hashtags for a given content.

Impressions: Impressions refer to how many times a follower sees a social media post. A user does not have to interact with the post in any way, such as by clicking, commenting, or liking. It is essentially the same as exposure.

The term "**post**" refers to the presentation of content "posting" as a means for the influencer to develop a social relationship with their audience on social media. A social influencer's followers can receive communication from the post in the form of a picture, text, or video.

Social media influencer: The influencer may be a person or a company with a supposedly high level of expertise, experience, or clout in a certain field.