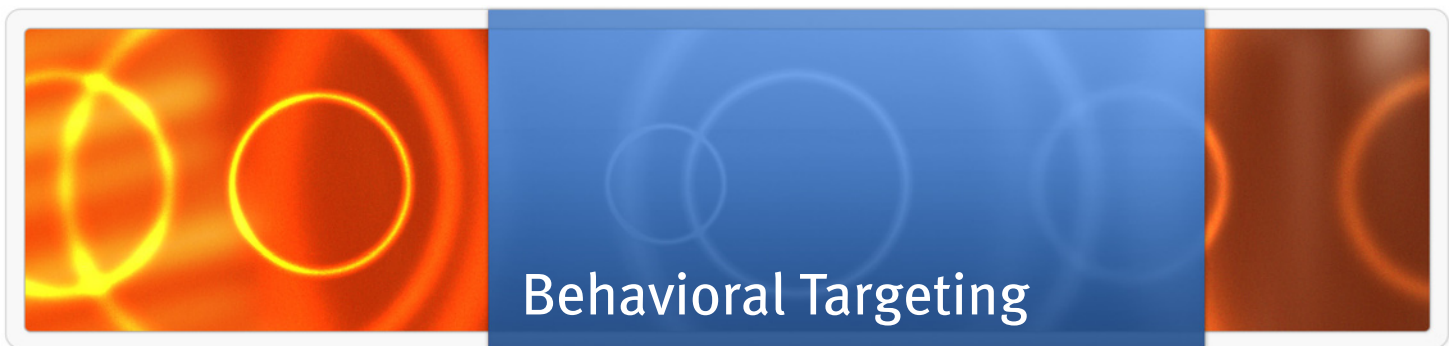


EMC PERSPECTIVE



Reader ROI

- Behavioral targeting allows marketers to more effectively reach in-market consumers.
- Behavioral targeting provides clear metrics for determining the effectiveness of online campaigns.

Behavioral Targeting

Overview

Spending on Internet advertising is expected to grow from \$16.4 billion in 2006 to a projected \$40 billion by 2010. Competition for these advertising dollars has sparked creativity in the use of technology for targeting online ads.

Most online advertising today is contextual advertising. The advertising message is mapped to the content of the web page on which it appears. Because the contextual advertising model relies on blind-bidding based on keywords or pre-determined categories, the advertiser does not have direct control over the placement of his ad.

In this age of marketing accountability, it is crucial for advertisers to minimize media waste and more effectively reach consumers who are actually in the market for their products or services. However, because the contextual advertising model makes the often incorrect assumption that all visitors to a given web page are equally qualified targets of the ad, it may not be any more effective than more traditional vehicles.

Enter behavioral targeting—a new model for online advertising which promises more efficacious results.

Unprecedented opportunity

Behavioral targeting provides realtime visibility into actions of individuals, enabling marketers to deliver relevant messages to individuals whose online behavior indicates an interest in a product or service.

Jupiter Research reported that, in 2006, 13 percent of advertisers used behavioral targeting to drive ads. An impressive 86 percent of these advertisers reported that they were “satisfied” or “very satisfied” with the results. Behavioral targeting enables advertisers to identify and reach prospective customers before they have made their purchases.

Although context drives the technology used to power behavioral targeting engines today, context is not a surrogate for behavior. While visiting a car enthusiast site may define a person as a “car enthusiast” in a contextual advertising model, it is only after visiting three luxury car sites that he or she may be considered an “in-market car buyer” in the behavioral targeting model.

Firms that specialize in audience segmentation have refined the use of behavioral targeting, thus optimizing advertising spend. Ten years ago, it would have been impossible for a marketer to reach an individual who lived in Seattle, enjoyed tennis, and tended to surf on a high-speed connection at 10 A.M. on Tuesdays. Today it is not only possible to identify the target, but it is also possible to reach the target with highly customized messaging. Behavioral targeting variables, or targeted schemas, are limited by only two factors: a marketer’s imagination and the advertising network offering visibility into web-wide behavior.

Behavioral advertising networks (e.g., DrivePM or Tacoda) provide a piece of tracking code to be placed on one or more pages of a marketer’s website. That code is used to identify a visitor to the site as a person eligible to receive a targeted message elsewhere on the Web, at a site which is a part of the advertising network. This approach, which is called re-messaging, is the most common and most effective behavioral targeting approach sold on the Internet today.

As no advertising network can see 100 percent of web behavior, re-messaging cannot be universally applied. However, networks such as DrivePM and Tacoda may be visited by 25-75 percent of the web-wide audience at least once in a given 30-day period. Re-messaging allows marketers to efficiently engage consumers whose behavior indicates they are interested in specific products and services.

It is noteworthy that some large portal websites such as Yahoo! do not need a “network” to define behavioral segments across their thousands of content categories.

The advent of behavioral targeting and the continual evolution of advertising campaign managers (e.g., Atlas Solutions and Doubleclick DART) provide unprecedented opportunities for marketers to tell their story at critical points in the consumer buying cycle. Sequential messaging can improve the effectiveness of a campaign.

Consider this example of two different web surfers:

Prospect A visits a car enthusiast site twice in a month with one visit to the Auto Company X site.

Prospect B visits a car enthusiast site five times in 15 days and visits the Auto Company X site four times, viewing three different pages. He visits an opinion site for reviews, and then returns to the Auto Company X site to customize a vehicle and save a profile.

Because Prospect B's behavior has indicated he is more serious about purchasing a new vehicle, there is an opportunity to provide a different, compelling message at every step in his purchase process.

The ad for the first visit might be a general message about the Auto Company, while the second visit's ad could highlight a product or set of features that have been well received. If the prospect abandons his profile and visits a totally unrelated site on Tacoda's network, he might see a reminder ad, or an incentive to get him into a dealership.

Campaigns that do not tailor messages to speak to prospects during critical steps in the buying cycle miss the opportunity to convert prospects to customers.

Behavioral Targeting Fast Facts

- Tacoda reports that virtually every one of the top 100 online advertisers has run a Tacoda-enabled campaign.
- An increasing number of the ads that appear before or during Internet videos are based on a user's interests, rather than on the channel being watched.
- Mobile companies seeking additional income from ad sales are well positioned to use behavioral targeting to develop highly effective campaigns. Many plan to provide customized ad buys that will deliver ads to mobile users based on specific demographics.
- After using an online mortgage calculator or visiting a page containing a story on mortgages, web viewers in one advertising network were tagged and placed in the "mortgage" behavioral targeting segment for the next 120 days. During that time, they received a mortgage ad each time they visited a site within that network.
- As more people turn to the Internet for information on health and drugs, pharmaceutical companies have shifted ad dollars to search engine marketing and behavioral targeting. As life expectancy rises, relatively tech-savvy baby boomers will be more likely to buy prescriptions online than today's seniors, who are not as comfortable using the Internet. This will precipitate an increase in the current rate of online drug purchases.

Improved accountability

Close attention must be paid to balancing the cost of precise targeting and overall campaign goals.

Adding targeting variables to a behavioral profile reduces reach—a "car enthusiast" profile is broader than an in-market luxury car buyer profile—at the same time that it increases costs of the campaign. It is important to resist the temptation to overly segment the market. Micro-segmentation may yield too many segments, resulting in higher production costs and undifferentiated messaging.

In the past, it has been difficult to measure the effectiveness of online advertising. However, behavioral targeting improves accountability because it enables tracking of the number of people who purchase a product after seeing an ad.

A study by Next Century Media reported that the cost to reach each potential buyer using behavioral targeting was 50 percent less than the cost using contextual targeting. People receiving behavioral targeting ads showed a 67.6 percent higher preference for the advertised brand than those reached by contextual targeting.

Behavioral targeting displays fewer, more relevant ads to individuals who are more likely to make a purchase. Thus, overall effectiveness of a campaign is heightened.



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