MANAGEMENT PREFERENCES IN PERFORMANCE-BASED ONLINE MARKETING

ZOLTÁN VERES

University of Pannonia, Veszprém, Hungary
Email: zveres@gtk.uni-pannon.hu

Abstract - The ability to directly measure the results of internet marketing has transformed marketing models. For a long while it would be important for the companies to be able to measure marketing activities precisely and it has become possible thanks to internet technology, with its ability to track advertising all the way to the sale. On the internet, marketers know which advertising works, and which does not. Now smart marketing pays only for advertising that provides a positive return on investment. Who can measure the effectiveness of advertising, can now demand the true value of their audiences. Nevertheless, the question arises, how managers accept these instruments. Do they utilize their opportunities properly?

Keywords - Performance-based Marketing, Management, Expert Interviews.

I. ANTECEDENTS

The most important factor in corporate operations is effectiveness, what is a determining factor for corporate goals, strategy and tools at all levels. Web 2.0 has made an opportunity for active relationship between companies and consumers. The companies, with this connection, can communicate directly and continuously with their customers and they can get direct feedback from them [1]. They are increasingly aware of how they can reach, motivate their customers, and how to develop their services [2]. In the recent past years, the online marketing has continued to grow, because advertisers have been turning from offline to online media [3]. Basic reason is the much lower advertising cost and better measurability [4]. In addition, companies with online supplies can be more helpful regarding their individual customer's needs, accurately follow their customers' activity, and improve interactive relationships. Byallowing companies to measure their costs and to compare it with the effectiveness of marketing actions, they can design and build their online strategy more accurately making them more successful in the competition.

II. PROBLEM STATEMENT

Many of studies have dealt with how to optimize spending on advertising in our digital world. Most of them focus on the well-integrated use of online and offline channels [5],[6],[7]. Nowadays more and more platform are concerned with marketing (performance-based marketing) supplies [2],[8]. However, there are only few publications about the role of performance-based ads, so in our article we would like to give a comprehensive picture on the performance-based activity and how management of the companies handles this question.

Companies are more and more frequently applying online marketing supplies to reach their customers, in order to stimulate exchange of information, communication and purchasing decisions. Companies make serious efforts to make their ads more efficient and try to optimize integration of their communications across media platforms. Are there any industry specifics? How does management think all about these, and how they can manage performance-based online marketing (hereinafter: PBOM) on their part? Our paper tries to find answers to these questions.

III. BUSINESS OUTLOOK

In this section, we would like to show how PBOM plays in more significant role and how it is applied.

Who can use performance-based marketing supplies?

The performance-based marketing is useful for those companies which want to reach their customers across the Internet. As far as external communication is concerned the company is not only connected with consumers, but with the media, their competitors, the government and - more broadly -, with the society. Performance-based marketing can be particularly attractive for small businesses with smaller budgets.

Which industries use the online channel and what is their purpose?

The online channel means two different things at the same time. On the one hand it is an interactive communication channel and, on the other hand, it is a sales acquisition channel. There are some industries where direct sales is the only aim of that online channel. These industries are where the product is easy to sell, main driver of sales is price, and products are easily comparable: insurance industry, travel agencies (including flight-ticket sales), webshops, telecommunications.

There are also other industries where the aim is to get contact to potential customers for further processing.

call center operator is to put a few questions to a potential customer to get help for the evaluation and attempts to assess whether or not clients really want to buy the particular product or service, as well as checks the availability if there is any terms for the purchase. Most of the processes start online and complete offline. As a closing of the process, the company tries to connect to each other offline sales to the online marketing sales process, then to analyze the entire conversion funnel this way. These industries: banking, telecommunications, public utility companies and car dealers.

In some industries, the only purpose is to send a communication message. In this case, the main goal is to show some parameter of the product, sales are only offline and the advertiser evaluates only some key performance indicators (KPIs) for communication efficiency. Related industries: FMCG, brand distributors.

III. THE RESEARCH

Research question: How can handle performance-based online approaches be accepted by decision-makers, what opportunities do they see and with what sort of reservations do they apply it?

Research design: Data has been recorded during two weeks at different appointments by Skype in an average 40 minutes. In selecting interviewees, we considered it as an important point, that interviewees know and apply PBOM methods, they perform tasks at the management level, and they also represent different industries. As a criterion, we have selected them from an online advertising agency, an online service provider, and profit vs. nonprofit oriented institutions, hoping we have better insight into the research area. During the investigation, we were asking the participants in three different question groups. The first question group was to examine generally the current opinions about PBOM. The second question group was searching PBOM participants's partnership. And third one was analyzing that how PBOM takes effects to management.

Interviewees:
Albert - online advertising agency
Barbara - business sector
Zac - business sector
Anette - non-profit sector
Bill - online service provider

Coding
The management identified five key-elements in relationship between corporate strategy and marketing. In our research, these five elements have been defined as the highest level codes, and we were looking for the answer, how PBOM meets these expectations, and how respondents from different business areas assess them.The interpretation of the five main elements is the following:
***Measurability and efficiency*:** A general problem for a company's management is how they can measure activities spent on marketing (advertising) and how efficient it was. In online and offline marketing aims are decisive, that people be not only visitors, but also buyers. How can PBOM help the above-mentioned goals?
***Time horizon*:** In the long run, exclusively response-based activities are not sufficient. Can PBOM support this? Can also PBOM be involved to build brand?
***Flexibility*:** In an accelerating world, short and flexible strategies and trust relationships define the future. Can this be a solution by PBOM?
***Integration*:** Importance of integrated strategies and activities is indisputable. Can PBOM deliver a well-integrated solution to marketing and corporate strategies as well as in the communication process?
***Success*:** What kind of obstacles limit to getting spread? What can be the key to success of PBOM?

IV. ANALYSIS

4.1 Measurability and efficiency

The biggest benefit of performance-based online marketing is measurability. It has been observed that PBOM was identified with almost the same characteristic during the interview, although they formulated it in different ways: *very accurate measurability; the measurement of performance, which means the response; the measurability of the impact of marketing expenses on sales and profits; the real measurable result.* In addition, the role of measurability is strongly reflected in PBOM's philosophy. While the aim of classical marketing is to provide the highest access value, which means what is our budget, we spend it all, PBOM is different, because in this case budget size is not important, the main thing is PBOM's result. In this case, we can calculate our budget for goals, and measure its effectiveness accurately. However, this focus may raise the question of how much these tools are limited to advertising and promotional elements and can be used, for example, in brand or image building. Classic approach can help brand building, while PBOM wants to produce sales results. A further disadvantage may be the strength of activity, i.e. measurability, for increasing expectations or improper application may result often in weak efficiency. Performance measurability is provided by KPIs for managers. The chosen tools are fundamentally project-specific, but their spectrum is broad from theclickthrough rate, through conversion rate, time spent on the page to basket dropout rate. It is suggested however to examine how managers of the company accept these metrics. It is known that PBOM provides good and accurate measurability, but this can be a disadvantage as mentioned above, as

there are many "soft" factors, and often the client does not look behind the figures.

4.2. Time horizon

The role of time horizon in connection with PBOM is, on the one hand, closely related to measurability. It's not only sufficient for managers to get accurate data, but also to get them in right time. With PBOM we can measure during the whole process of a campaign and realize these at the moment of activity. This not only helps the decision maker to follow the campaign momentarily, but it also has the potential to change processes. It means a very flexible tool in terms of time. Flexibility could be the biggest advantage and disadvantage at the same time, for a quick tracking can easily discover a failure of a campaign in the initial period, but merely rely on figures, as it can be flawed because of a badly crafted message. The trend is increasing to provide direct feedback between the company and consumers. This in social sites means post-post interaction, which is the primary measurable conversion data as a function of time. Examining the role of clients and agencies the potential for conflict of interest can be the tightly defined deadlines and high corporate expectations, as a result of which deficient campaigns can be observed. Due to inaccurate scheduling, there is a lack of conscious introduction to the market.

4.3. Flexibility

It can be stated that flexibility is strongly related to the success of the process and to the support and preparation of managerial decisions. The performance-based method is based on the response results (subscriber, email address, order). It can undermine effectiveness that actors have a different interest in running the campaign, since from a client's point of view, successful campaign means a lucrative period, from agency position, however, primary aspect is the implementation of the campaign and its success is only a secondary or an additional factor. As a resolution of the conflict a campaign contract based on response results can be a good a solution. The main risk-holder of response-based paid campaigns is the agency, since its own costs cannot be passed to the client, who is just after the specified response indexes will pay. The a/m investment vs realizable profit can probably be resulted in fall of orders.

4.4. Integration

Based on expert opinions, it can be stated that PBOM can be well integrated. A company in a typically offline market is also interested in getting a high online like, as it may raise a sense of confidence in the consumer. This trust can be further strengthened by online reviews and comments. Although a perfect product with a few thousand likes is able even to raise a distrust in the customer. The method can be effective in itself, but it is more likely to be suggested with other types of marketing elements such as e.g. branding. Of course, in these advertising systems different measurements cannot give the same value. The know-how, i.e. to what extent is the campaign optimized; how successful is it; how much can it bring customers to the clients, this all is the agency's competence. So the agency gets the fee to optimize, to target, to narrow, to extend, to analyze keywords, and to make re-marketing campaigns on these surfaces conforming to the target group.

4.5. Success

As for the success of the system as a key determinant the management's attitude can be selected. However, management expectations often face a conflict due to ignorance or lack of information. The conception of PBOM is only approximately known, while they agree with the expectations created by the system. In an agency contract, not only necessarily the cost is the main question but also the goal and the efficiency. With PBOM, companies can use a methodology for managing marketing that is "not waste of money", because it makes it measurable. As a result, long-term online marketing strategy must be a part of the long-term marketing strategy.

As a general problem, the lack of an online or even a complete marketing strategy can be observed. It is also not recommended to automate processes because there are many soft factors arising during a campaign planning process and the decision process cannot be accelerated or facilitated. From general managerial viewpoint the profit rates or the rate of returns are more important indicators. Agencies often have to cope with less conscious, self-directed managerial decisions, and self-will regarding the goals and expectations of the clients. Their expectations are determined by tables, calculations, and planned indicators that must be fulfilled on multiple media channels. It is the most effective way to optimize it by their PBOM system.

SUMMARY

The online performance marketing toolbox is very rich, but the tools included in the supplies serve different purposes. There are some that supports the sales conversions, while others have a direct impact on sales conversion.

The paper discussed how different online techniques work in different industries and what industries can expect from their use. For corporate management performance-based online marketing methods are indispensable for many reasons. On the one hand, the methods and techniques outlined ensure the optimal spending of the online marketing budget with a maximum profit focus, and on the other hand, by continuously measuring the applied means, there is a measurable link between sales of marketing online and sales figures.

Our investigation revealed that corporate management considers performance-based methods as fundamentally important and useful, but the simplicity and exact measurement values inherent in the system do not mean that they properly use these solutions or interpret the data correctly. In the research, we identified five key elements, which framed the views of selected managers about performance-based online marketing.

Based on the results, we can conclude that the attitudes of business decisionmakers toward performance-based marketing are influenced by many factors, and in many cases managers are not aware of the role of this tool or it is in many cases not applied appropriately. On the one hand, its role is simplified to the resulted indicators and the underlying content is not taken into account. On the other hand, online and offline media are often inadequately integrated during the campaign, hindering by the conflicts between the different actors.

The lesson of the research is that the role of performance-based online marketing has been accepted by the management, but it does not work well. The lack of knowledge and the resulting uncertainty, the narrow-minded assessment of figures, the conflicting interests between actors and the inadequate use of the tools may lead to limitations of the potential of performance-based online marketing and to lower effectiveness.

ACKNOWLEDGMENTS

The research is supported by Hungarian Scientific Research Fund (No. OTKA K 116040) of National Research, Development and Innovation Office.

REFERENCES

[1] Y. Liu, L.J. Shrum, ”A Dual-Process Model Of Interactivity Effects”, Journal of Advertising, vol. 38, no. 2, pp. 53-68, 2009.

[2] C. Chao, C. Corus, and T. Li, ”Balancing traditional media and online advertising strategy”, International Journal of Business, Marketing, & Decision Science, vol. 5, no. 1, pp. 12-24, 2012.

[3] B. Edelman, W. Brandi, ”Risk, Information, and Incentives in Online Affiliate Marketing”, Journal of Marketing Research, vol. 52, no. 1, pp. 1-12, 2015.

[4] G. Fulgoni, M.P. Morn, ”Whither the Click? How Online Advertising Works”, Journal of Advertising Research, vol. 49, no. 2, pp. 134-142, 2009.

[5] V. Lingham, V. ”Profit Sharing - The Performance Marketing Model of the Future”, VinnyLingham’s Blog, http://www.vinnylingham.com/special-report-profit-sharing-the-performance-marketing-model-of-the-future.html, 2007.

[6] L.M. Wakolbinger, M. Denk, and K. Oberecker, ”The Effectiveness of Combining Online and Print Advertisements”, Journal of Advertising Research, vol. 49, no.3, pp. 360-372, 2009.

[7] I.M. Dinner, H.J. Heerde, and S. Neslin, ”Driving online and offline sales: the cross-channel effects of digital versus traditionaladvertising”, http://mba.tuck.dartmouth.edu/pages/faculty/scott.neslin/docs/drving_online_sales_110411.pdf, 2011.

[8] P.J. Danaher, T.S. Dagger, ”Comparing the Relative Effectiveness of Advertising Channels: A Case Study of a Multimedia Blitz Campaign”, Journal of Marketing Research, vol. 50, no. 4, pp. 517-534, 2013.

★★★