ATTILA BÁTOR – ZOLTÁN LENGYEL

PERFORMANCE BASED ONLINE MARKETING IN THEORY AND IN PRACTICE

Performance based marketing enables the marketing managers to promote a product or service on other people's web sites but to only pay when the advertisement initiates an action. The ability to directly measure the results of Internet marketing has transformed marketing models. Ever since 1905 when John Wannamaker, the founder of WalMart, lamented, "I know that half of my advertising dollars are wasted, I just don't know which half," it has been the merchants dream to make advertising accountable (Lingham, 2007). Nearly 100 years later, Internet technology, with its ability to track advertising all the way to the sale, has enabled a marketing model that makes this possible. On the Internet, marketers know which advertising works, and which does not. Banner advertising does not work, it has low click-thru rates. Until recently online advertising was a buyer's market with about 80 percent of inventory unsold. Now smart marketing pays only for advertising that provides a positive return on investment. Publishers, who can also measure the effectiveness of advertising, can now demand the true value of their audiences.

Introduction

This paper presents data in connection with online marketing activities and the old and new solutions in this field of the advertising. According to the experience of the huge marketing agencies the changes in our world have put the whole industry under pressure. If these agencies would like to manage the changes and keep their advantages they have to analyze the market and the behaviour of the customers. The managers have to monitor their advertising spending effectively, which means measurability and accountability has become more and more important in the marketing industry.

In the opening section of this paper we will review all of the opportunities within that field of advertising and then we provide some suggestions for how to go further and consider which ways could be the best for the companies to improve their marketing tools. The paper will take into account the influences of developments in performance based marketing, online functions, tools, trends, lead and affiliate marketing.

What is performance-based online marketing?

Before the Internet one of the main difficulties in the advertising industry was how to adequately address the question of effectiveness. In the traditional media the information flows only in one way, from the advertiser through the media to the costumer. There is a low number of options for the advertiser to obtain any response from the media consumer because of their indirect relationship therefore the advertisers cannot justify their budget opportunities (Yu Hu, 2005).

Contrary to traditional media advertising web marketing can be a much more accountable and measureable medium. The Internet gave the advertisers and publishers the opportunity to track the audience reaction to their advertisements through different interactivity metrics, such as click-through, unique visitors, average viewing time and purchasing. It creates direct relationships and allows for direct responses between the advertisers, publishers and the consumers. This, in turn, means that the advertisers can measure their direct achievements from their advertisements and they can pay just for them. Following Dainow (2008), this has been called performance-based advertising: *"The ability to record people's behavior online means advertising can be assessed in terms of the behavior people exhibit after being exposed to an ad. It then becomes possible to pay for the behavior instead of the mere delivery of the ad. This is called performance-based advertising."*

The Evolution of Performance-based Online Marketing

Nowadays the marketing managers are under increasing pressure to show measurable and positive Return on Investment (ROI) on their advertising expenditure. Over time, because of this pressure for financial accountability managers have become reluctant to speculate and have sought greater certainty, being willing to pay for advertising which would produce specific and accurate results. As Fenlon and Swartz (2012) wrote, the first pricing model in the early age of online marketing was the cost per thousand impressions (CPM). In practice this should mean that the advertiser pays the publisher a price determined by the number of views. This pricing model used to apply in the traditional media, such as magazines and newspapers.

The next step was the cost per click (CPC). In this pricing model the advertisers only paid if the advertisement was not only seen but provoked a response (in this case, a click). This method was able to guarantee that the consumer had made an initial reaction and acted on something in the advertisement.

The next evolutionary steps were the cost per action (CPA) and cost per lead (CPL). In case of CPA the advertisers pay only when the consumers make the desired action (purchasing) beyond the ads. CPA was suitable for increasing the measurement of cost efficiency to a higher level. In this case the consumers go through a process (it may mean more web pages, filling out a form, making a transaction) until they reach the final goal of the advertisements. This is a significant step because all the advertising expenditure which can generate desired action/purchasing can be monitored.

CPL moves the measurement forward because: "A lead is an expression of interest by a consumer in an advertiser's product or service offering and, in the online advertising world, is quantified by the completion of an online form on an advertiser's or aggregator's site" (Fenlon and Swartz, 2012). The advertisers are willing to pay an amount of money for these leads too, because these consumers express their interest in the product or service and rather than buying the advertiser's product or services immediately may be of future benefit because of their interests.

Cost per transfer (CPT) allows for the bridging of the gap between online advertising and offline sales. The consumers express their interest by completing an online form or calling a number which was given in the advertisement. The software gathers the information and transfers it to the advertiser's call centre in real time. The call centre agent calls the consumer and if it is necessary the representative transfers the call to the sales department. This model is known for its high efficiency (the same human resources reach higher sales in a given period of time).

The final stage in this evolution so far is the (mobile) pay-per-call (MPPC/PPC) where the advertisers place mobile advertisements and applications on smart phones or the publishers' websites. When the consumer sees the advertisement, they can click on it. This click makes a real-time call to the advertiser's call centre where the sales process starts. This method is very similar to CPT but the main difference is that it can reach the consumers anywhere (on the street, in their workplace or restaurants not just in front of their PCs or in their homes).

Nowadays marketers use the CPM in a lot of places, for example the CPM is perfectly suitable when the main goal of the marketing activity is not to simply increase the sales but to improve the awareness or to distribute information about the product or service to the entire or the greater part of the target group.

The future of performance-based marketing

Performance-based online marketing has a strong future. Companies with excellent marketing reputations are typically prioritizing their advertising budgets for the forthcoming three years according to ROI analytics and measurability. It is also worth highlighting that market leading companies appear to be more likely to invest in the variety of analytical tools which will help them to assess their marketing performance than non-leading companies (Gröne et al, 2010).

As the technology is developing, the advertisers have more and more methods and opportunities to measure the performance of their marketing activities. As Cowley (2012), wrote the "*brands are scrambling to adopt new ways to track and manage performance marketing campaigns, especially with the rise of social and mobile channels. The prevalence of mobile is reflected in recent projections that mobile devices will deliver 88 percent of online advertising by 2016, with revenues approaching $24 billion.*" We believe that this trend is likely to continue but as the new online marketing channels are created faster and faster, the advertisers and publishers have to face new challenges and more choices for advertising than ever.

Internet marketing definition and tools

There is no doubt about it – the Internet has changed almost everything in the world we live in. It has enabled an easy access to many kinds of information, changed the way we communicate with other people around the world, and it has also changed the media.

The spread of Internet access has led to an increasingly connected society, what is more, the greater Internet usage has resulted in a significant decline in the usage of traditional media, like television, radio and newspapers (Stokes, 2008). Marketing has also moved in to the online field, which has resulted in the birth of online-, or internet marketing, which became the fastest growing type of marketing (Stokes, 2008).

Online marketing – often referred to as e-marketing or Internet marketing – is actually any kind of marketing activity that is conducted through the use of Internet technologies. Just like any other advertising media, Internet marketing also involves a publisher, who shares the marketing material on their online platforms, and an advertiser, who provides the advertisement to be shared and displayed on the publisher's content. It is also worth mentioning that online marketing includes not only the advertising that is shown on websites, but we can label all other kinds of Internet activity as online marketing tools, for example e-mails or social networks (Jones, 2011).

The following definition of online marketing can be found in 2001's *Electronic trading* book: "The term of online marketing means a specific form of marketing activity connected to interactive business operations that communicates with individuals and crowds through networking information systems and electronic environment, and supports global trading with online tools" (Csuhai, 2001).

According to Pertulla (2012) Internet marketing is the combination of the creative and technical aspects of the Internet, including design, development, and advertising. He says that online marketing utilizes several methods, including engine marketing, display advertising, e-mail marketing, affiliate marketing, social media communications, and interactive advertising

The growing popularity of these techniques is caused by the numerous advantage of it. According to the basic theory (Kiang and Chi, 2001), marketing activity occurs through three types of channels - distribution, transaction, and communication – and all three of these channels have taken huge advantages from the usage and spread of Internet marketing.

As a *communication channel*, online marketing has developed a great deal. This is not just because accessing, organizing, and communicating information became much easier by the strengthened and faster connections, but also because of the opportunity to use digital tools, which improved the interactivity and perceptual experience of the message and, what is more, enabled the marketing managers to gather more and more accurate information about the customers via the Internet (Kiang and Chi, 2001).

As a *transaction channel*, marketing gathered new advantages from the Internet, first of all, because this opportunity improved visibility and let the marketing reach a much bigger customer base, then secondly, because it gave a possibility to customize promotions, and to reach the individual customers with a more personalized approach. The Internet has created the conditions in which the revenues could be improved by exploiting cross-selling opportunities and furthermore it reduced the complexity, paperwork and transaction costs.

The field of marketing has developed through the Internet as a *distribution channel*, since the usage of the Internet has serve to shorten the supply chain, which has reduced the operating costs, storage costs and space rental (Kiang, Raghu and Shang, 1999).

The usage of the Internet as a marketing tool has changed a lot through the years. At first it was used only for communication with the customers by e-mails, and obtaining some response from them, which meant that companies had a chance to target their potential customers by building and maintaining a personal relationship with them (Shima and Varfan, 2008). However, nowadays online marketing includes a lot wider scale of options. The Internet might include any kind of paid advertising, like pay per click (PCC), or search engine

optimization (SEO), but using a You Tube video, or a buzz for viral marketing could be labeled as online marketing as well.

Marketing tools

As we have demonstrate the most common marketing tools and the usage of them has changed a lot during the past decades. The following section is going to define the currently most frequently used internet marketing tools.

One of the oldest methods of gaining the benefits of the Internet was *e-mail marketing*. E-mail marketing is a form of direct marketing, which uses electronic mails as a tool for communicating messages to the audience. Every single mail that is sent to a potential customer could be considered as e-mail marketing. This form of online marketing is regarded as one of the most cost-efficient marketing techniques, however, the rate of the responses are decreasing (Dhillon, 2013).

Another very common and widespread way to advertise or communicate on the Internet is an organization using their own *website*. Even if this technique is considered as the most common requirement for a modern company, we cannot underestimate its usefulness. For most companies their own websites are used as a selling/buying platform, properly speaking the most frequented channel of trade. Company websites are also used by the customers as a tool for comparing not just products or services, but the companies themselves, which is why websites are seen to play an important role in image building. (Pura, 2013)

As well as websites and e-mail marketing, *search engine marketing* (SEM) also has a huge tradition in online advertising. However, this technique is still considered as a very effective and useful method. According to the opinion of IMT Strategies (reference) *search engines have created more awareness for websites, than any other advertising form, including banners, newspapers, television, or radio.* The reason for this effectiveness can be found in numerous advantages the strategy offers: first of all search engines provide a worldwide audience, therefore there is no other way to target such a diverse group of people. Furthermore, SEM techniques are inexpensive. Both *cost per visitor*, and *cost per sales* techniques are much less expensive than any alternative method, including e-mails and banners.

Nowadays there are several types of search engines, but the most frequently used are the following:

- *Spiders,* like Google, or Yahoo. In these cases the engine sends out a "robot" or a "spider", which collects all the keywords from a website, and uses it as a database, categorized by keywords, and given a relevancy ranking. Then the higher relevancy keyword makes the site appear in a higher place, when a visitor looks for the word.

- **PPC, or pay per click engines**, like Yahoo Search Solutions, or Google Adwords. These engines sell rankings for keywords in an auction format. If a customer wants its website to appear in a higher place, then they could simply bid more for the particular word (bid-based PPC). These results appear at the top of the regular listings (Blue Avenue Design, 2007; Yalcin and Köse, 2010).

We also meet with online marketing on a daily basis in the form of **display advertisements**. A display advertisement – or often referred to as a banner – entails embedding an advertisement into another website. It is intended to attract traffic to a website by linking them on the web page of the advertiser. On the other hand, display advertising is not only a great way to build traffic and drive sales as recent trends show that one of the greatest advantages of banners is the possibility to build brand awareness (Dhillon, 2013).

Of course we cannot leave out **social network marketing** from the range of online marketing tools. This method seems cheap and easy to use and we have to declare that this technique is the most popular, and one of the most cost efficient ways to advertise and communicate. 'Social media is defined as a group of internet-based applications such as blogs, social networking sites, content communities, collaborative projects, virtual game worlds and social worlds that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user generated content' (Kaplan and Haenlein, 2010). It not only includes user generated content, but also company generated content. Since a company knows that their only task is to share a message in a form of a video, blog, or post, and wait to see if it attracts the users or not. If the users find it interesting or funny, they will probably share it too. That is why social networking – mostly through the most common sites like Facebook, or YouTube – has become a great way to develop company image. On the other hand marketing experts claim that social network marketing can be used as a selling platform, but only in case of emotion related products or services like sport or music events (Pura, 2013).

Online marketing trends

Since online marketing is still a young marketing technique, it is not a surprise that the usage of it has both changed and increased over the years. According to the latest statistics from eMarketer[1], the total sum of online marketing spending keeps growing all over the

---

[1] http://www.siliconcloud.com/Portals/55887/docs/internet%20statistics%20compendium%202.pdf

world. For example in the United States the total spending on the online advertisements seems to duplicate in a year as compared to 2010's spending, since in 2010 the USA spent 26.29 billion dollars on digital advertisements, and now it seems, that in 2015 this amount of money could top 52 billion dollars. On the other hand, we have to see that even if the total sum of spending is growing, the percentage of the increasing expenditure keeps declining. For example the sum of USA's spending on video advertising was about 2.0 billion dollars in 2012, then after an almost 50% growth it reached 2.93 billion, but next year it barely reached a 40% growth with the annual spending of 4.1 billion dollars.

The situation of online marketing in Europe seems fairly similar to the US's marketing when we look into Europe's annual spending on online ads in 2013 – it just reached the 34.8 billion dollars limit. But if we look behind these numbers, we could see the unevenness in Europe's online marketing usage: to this overall budget Eastern Europe contributed only 4.1 billion.

So what could the future bring to marketing? Despite the unevenness of spending and growth percentages, we can find some basic tendencies that seem to remain in the next period. Both in North America and Europe search engine marketing is still the most frequently used method – and the predictions say that it will keep standing in first place. The SEM marketing technique is followed by display marketing tools, like banners, videos, or rich media in both regions. Then comes classified advertising, lead generation marketing, and on the bottom of the list e-mail marketing and mobile messaging techniques.

Even if some of the main trends seem to remain constant in the next few years, online marketing experts predict some visible changes in the field of e-marketing. One of the most important changes is not even a so called change, but a continuation of a strengthening trend: the spread of cell phone-friendly content. According to DeMers (2013) 87% of connected devices by 2017 will be tablets and smartphones. So whether creating an alternate website for mobile devices, or optimizing the main site to serve them will be necessary in the near future (DeMers, 2013).

According to Conner (2013) 20% of the searches on Google are related to location and more than 56% of mobile users use their browsers for local searches. Therefore the recognition of the importance of maintaining and enhancing an online presence is going to be crucial for small and middle businesses. There are approximately 250,000 new claimed listings on Google every month, and this monthly amount does not seem to decline. To start a race for these listings, and to optimize a company's Google or Bing presence is one of the most vital points of business competitiveness. It is therefore not a surprise that small and local businesses are starting to recognize this opportunity: Boostability, an online marketing firm says, that

the growth of local SEO accounts is tremendous. In the first week of 2013 Boostability reported 3,347 SEO accounts with local content, then on November 27 they had almost the double of the earlier amount, 6,229 SEO accounts (Conner, 2013).

Another really interesting prediction refers to social media marketing. Since a few years ago, presence on the most common social networking sites like Facebook, or Twitter almost became the synonym of social network marketing. But since then the world of social websites has become a great deal more diverse: such sites as Google+, Instagram, Tumbler, or Pinterest stepped into the fight for the user's attention and loyalty. The increasing usage of these sites also means a more concentrated, segmented user base: for example 97% of Printerest's user base are women, mostly with Latin ethnicity (DeMers, 2013; Conner, 2013).

There is an interesting survey[2] which shows the e-mail read rates by sectors in Q4 2012. The average rate was 17% in 2012. In the business/finance sector that rate was above the average, 25–27% compared to 17%. In travel and shopping sector that per cent was 15, in education and entertainment was 10%. Interesting fact in the news and social networks sector the e-mail read rate was 6–8% which is barely half of the average per cent. All of these statistics show that the e-mail read habits in some sectors are low (Jamison, 2013).

We can observe a trend that the CMOs and marketing managers are under growing pressure to show their marketing activities accountable and measurable results (ROI) (Gröne et al, 2010). Because of that demand the online marketing tools are perfectly suitable to deliver measurable gains. We can assume the technology will develop further that deliver with itself several solutions to make easy the accountability. This advantage of online marketing changes the structure of advertising spending from traditional advertising to the web advertising.

Lead generation marketing definition and model

In marketing, lead generation is the generation of consumers who have interests or inquiries into products or services of a business. Leads can be created for such purposes as list building, e-newsletter list acquisition or for sales leads.

Single definition: Lead is a qualified potential buyer – or a group of buyers – who shows some interests in purchasing a product or solution.

Complex definition: *"A lead is an expression of interest by a consumer in an advertiser's product or service offering and, in the online advertising world, is quantified by the completion of an online form on an advertiser's or aggregator's site"* (Fenlon - Swartz, 2012).

---

[2] http://landing.returnpath.com/email-intelligence-report

The main aim is to raise the interest in a product or just create a customer's need which does not exist at all at the moment and can be seen as starting with a search process which can generate a "lead" to create a customer group or base. After that the marketing managers can control and pull the customers to a direction in which we want and we can create the need in their minds. The surprisingly quick technological change which happened in the past decades shocked the market and the customers too. All customers can find and collect information and they can become "*self-directed*".

The customers at present collect information about the product which they want to buy before the purchase. They check everything on the internet between when the need arises and the purchase happens. In the last years, social media has changed the base of everything in the field of advertising, selling processes, social behaviour and society. The whole purchasing process changed, the customers had access all of the necessary information which they need to make a right decisions. The "*pre-communication*" is much more important now than ever. The marketers, factories, sellers have to find and learn new ways to reach the right customers and not just find these new customers, but keep all of them – with the help of loyalty – and continue to gather new ones. The customers have the opportunity to deny or ignore all types of advertisements and they have created a new skill. With this skill they can easily ban every noise – advertisements – in the day by day communication and information transfer. Once we have reached the customers it is really essential to keep in touch with them – using email, social media etc. – and keep their attention through these contacts. It is now no longer enough to assure the opportunity for the customers to find and get in contact with the companies or products or even assure that they found it and pay attention to it. The customers have to face a lot of information everyday so the filtering is really important to them. The marketing managers have to find the customers and have to identify them as efficiently as possible to create more effective ways of advertising and to create leads - through SEO, social media and other online channels. Nowadays the digital offers precede the personal meeting with the customers so it is essential to reach the customers through the online channels on time.

The customers might be everywhere before the needs arise. If we appropriately position the advertisements they can raise the desires to purchase anything so this method is suitable to create demand in this way. When the customers meet the seller or the product they have much more information then they need so they just need a last verification to make a purchase decision. We have to find the way to communicate with the customers creating the appearance of the need – now using mainly online methods. The exact target market definition and the applied marketing strategy are really essential for the marketing managers. They have to pos-

sess the attention of their customers and creating interests and driving their attention and needs to our product or service.

Marketing managers and advertisers must fill their online surfaces with reliable, real, and interesting content to ensure that they reach their target audience and the people who could became customers in the near or far future. If we can create a trustworthy lead for ourselves we can expect a huge amount of income. It is important to take the attention of the customers in the direction of the lead and try to maintain it. The quality of the content is essential to reach the appropriate customers and develop an addiction in connection with the lead, product, company etc. It is not enough to reach them, but the marketing managers must build a relationship between them and the customers. Where ever the customers see the advertisements and where ever they move day by day, the advertisers have to put the advertisements there and the really difficult challenge is to find these places or surfaces – but if we take into account the online surfaces, these possibilities are easily measurable. TOFU and MOFU (and the third, BOFU) are really essential expressions in this field.

1.1 Sections of the funnel

TOFU means Top Of The Funnel and MOFU means Middle Of The Funnel (BOFU means Bottom Of The Funnel). They are associated with the buying behaviour funnel and the different sections of it. The top point of this funnel is the surface where the customers
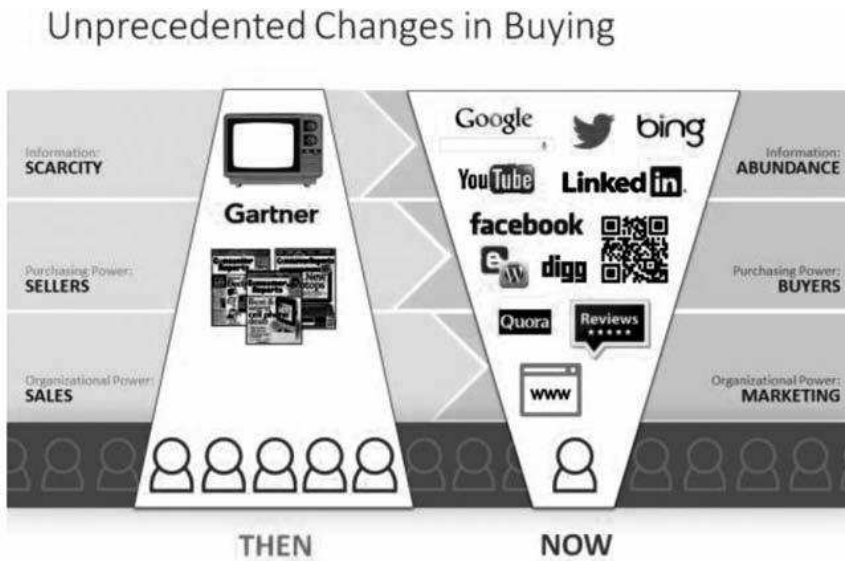
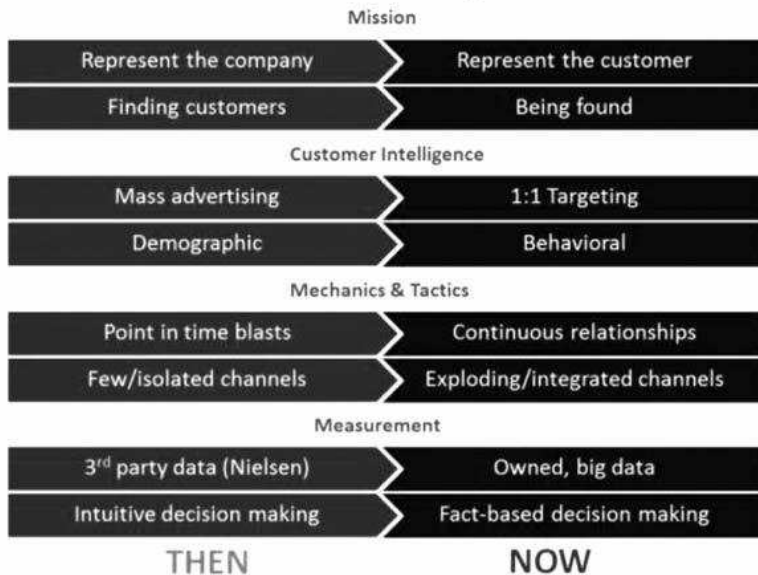1. Figure: Unprecedented changes in buying

meet with the product or the company and the lower points of the funnel are the deeper sections of the purchasing process. It is really difficult to define where the customer is located in the first two sections (TOFU, MOFU). We can exactly identify customers only in the bottom section (BOFU). Many can generate leads well, but the problem is that most new leads are not ready to buy something from them at that moment. Impactful content is a critical point in this method to ensure lead generation. The companies must update their information and say something that continues to be interesting to the customer and not merely send commercial messages to the customers, including the business customers and partners to maintain their levels of interest. The first and easiest step is to draw their attention, the second step and the more difficult one is to maintain their interest. If you are to serve interesting and up to date information to your lead members you can completely keep out all noises which surround you and to reach your goal then the quality of the content is vital. The members who are in connection with you have to feel that your reason to keep that contact is the need to inform them not to control or drive them. The search engine in Google uses the same method to decide which pages are more popular and useful and which are less popular - the main indicator what Google use is the number of visitors on the page. Everybody use Google or at least one Google product. So if you have better points in Google members who you want to find you can more easily find your content.

1.2. Interactive surfaces

The next step is to create a blog or other type of interactive surface – social media etc. – for your content, which you can update easily and frequently. This is as significant as well as your web page. Converting browsers in to leads is honestly a good result. The main goal is when customers not only look at the content, but they can see it. In this case they will follow the blog and talk about it with each other. It contributes to strengthening your relationship with businesses, customers and business customers, helping to build loyalty between you and these members. This is a way to keep in touch with mass of consumers and stay up to date. It helps a lot to optimize the keywords in SEO and drives the new (potential) customers in a direction which is great for the company.

Thanks to the social media there is a new information abundance factor which carries lots of information from every field and on every topic. We can talk about influencers and peers, these two categories are so significant because the success of the communication depends upon them – shaping how the process becomes successful, creating and developing leads. The influencers bring and persuade the new members. The peers are the new members who help us to drive the attention of the other ones. The influencers try to convince them

Transformation of Marketing

Mission

| Represent the company | Represent the customer |
| Finding customers | Being found |

Customer Intelligence

| Mass advertising | 1:1 Targeting |
| Demographic | Behavioral |

Mechanics & Tactics

| Point in time blasts | Continuous relationships |
| Few/isolated channels | Exploding/integrated channels |

Measurement

| 3rd party data (Nielsen) | Owned, big data |
| Intuitive decision making | Fact-based decision making |

THEN   **NOW**

2. Figure: Transformation of marketing

too. We can talk about business partners as private customers. The most critical element is the trust, we have to ensure that the old members and the new ones of the lead will trust in the companies.

These elements are the TOFU elements like branding. To educate and help the customers are principal tools of the MOFU section. If we can be effective in this part, it is certain that the customer will go further into the funnel to the BOFU section. The other two key categories are those of inbound and outbound marketing. Everything which communicates actively with the customers is inbound marketing – this includes almost every online surface, but mostly those involving two way communication lines. The outbound marketing helps the participants to reach the inbound level. When we say outbound marketing, for example we think of these sorts of events: expos, shows, social events where we can get in to contact with people.

With this activity we can strengthen the public connections and influence the public judgment, by trying to avoid the advertisements and the commercial content or using them indirectly rather than directly. The focus is on talking about our aims, the higher reasons why we are there and why we produce a certain product and what are the reasons which justify

the purchase of our product. On this stage, do not say that this is our product that is just a product. It helps to avoid creating the commercial feeling in the audience. The outbound elements borrow the attention but this is just a "one minute" attention. After this we will recognize the importance of inbound marketing in that the person who goes further – if we gain their attention they will do it – can reach and stay in connection with one of our interactive surfaces. All in all outbound marketing is an essential supplement of inbound marketing. (Outbound can easily multiply your visitor's number if your inbound is highly suitable.) You have to use a lot of keywords on your online surfaces but also you have to find the golden mean, if you use the same words too often it will cause frustration for the readers so you have to plan carefully. Google and other online search engines scan your content as they use keywords to find appropriate content so they do not like the accumulation of similar words - in order to gain visitors number - on the site.

We can collect data from a third party and we can get lot of useful information for instance mail addresses to send direct mails, newsletters etc. Social events where we find a lot of people are essential places for generating leads. Personal connections and experiences can pull members down from the TOFU section to the MOFU or BOFU, and word of mouth is a great channel to promote or even create a lead.

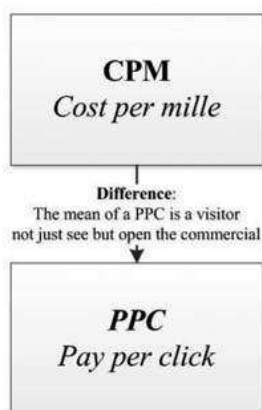### Affiliate marketing definition, model and categories

Affiliate marketing is a type of performance based marketing. Affiliate marketing is a kind of online marketing which uses many tools to bring the advertisements to the customers. The concept of affiliate marketing on the Internet first appeared and applied in 1989. Put into practice and patented by William J. Tobin, the founder of PC Flowers & Gifts. Affiliate marketing has grown quickly since its inception. The total sales amount by the affiliate marketing method in 2006 was £2.16 billion in the United Kingdom, The most active fields or sites of affiliate marketing were the adult, gambling, retail industries and file-sharing in 2006.

Old marketing methods for example newspapers, magazines, huge public displays are not enough effective. Thanks to the fast development in the electronic industry we have a lot of new technical inventions like light notebooks, tablets or even smart phones. Of course there are huge wireless networks which assure customers the opportunity to connect to the internet from everywhere with an adequate bandwidth. Affiliate marketing contains intermediaries who help advertisers to promote their products and they earn commission for this activity. This is good for the advertisers and good for the publishers too. Of course it is really profitable

for the intermediary because they just use their contacts and organize some meetings or make contact through mailings and phoning (Collins, 2007).

Sometimes they have to negotiate to ensure the parties that the result will be good for both of them. Big industry leaders have to win back customers after every single purchase because a huge part of the customer base are well informed and in this digital age they can find easily the other companies in every fields. Amazon.com (Amazon) started an association program in July 1996 with individual books. Amazon associates could place banner or text links on their site for these books, or link directly to the Amazon home page. The associate websites work as an intermediary and after the real purchases they get commission (Collins 2000).

CPM vs. PPC system

CPM
Cost per mille

Difference:
The mean of a PPC is a visitor
not just see but open the commercial

PPC
Pay per click

3. Figure: CPM vs. PPC

Affiliate marketing has grown really quickly since the beginning. When the web 2.0 started to be widespread it had a huge effect on affiliate marketing as well. Blogs and social media had a powerful impact on the affiliate system or method. It brought better communication lines and better surfaces to keep in touch with their customers. It had many positive effects, for example affiliates can reach their potential customers easily with the contextual advertisements. This method(s) caused the creation of new procedures to advertise a specific brand or product. Eighty percent of affiliate marketing adopts the PPS (pay per sale) solution and this is followed by the PPA (pay per action) with nineteen percent and the rest of one percent is covered by PPC (pay per click) and CPM. CPM means that much more enough is to put the content on a site or other surface and reach to show it at least 1000 people. PPC is a bit more difficult because it drives the visitors to click on the content (ads, banners any displays etc.).

There were critical problems with the click frauds. This behaviour or technique is a really simple one. Some people sit in front of computers and make "fake" click on the targeted banners, sites or other advertisements. As a result of it the advertiser and the affiliate think that the advertisement is effective but in reality it is not working as well as it seems to be doing. It causes huge costs for the companies and the affiliates too so they try very seriously to avoid it. Thus PPC and CPM are not the most famous advertising methods because nobody can

tell how many real customers meet their advertisements and how many of them will purchase something from the company. Fortunately, thanks to the technology we can now easily establish this information on the big net, the World Wide Web. Google and other service providers can record the exact data of the click – location, computer type, browser type, if the user logged in a specific service the user data etc. – to define the connection with the right layer of target audience (Alexandrou, 2007)

In practice

In the case of PPA – pay per action – if the visitors buy something the affiliate line (publisher and even the advertiser) will get commission. That is the reason why sometimes we refer to *performance based marketing* as affiliate marketing – the payment is based on the performance of the channel of advertising.

MLM and systems like that are not accurately defined as affiliate programs so we will not want deal with this area in this paper.

After a login or a registration on a site you get offers to send to you an information letters about the discounts or coupons in connection with everything, product services and every kind of purchasable item. This solution serves only one goal that is to build the data base, either for their own use or for resale to other customers. It is really good for the merchants because they will not have any costs or expenditures without any income. There is real traffic behind every cost unit so this is actually measurable for the companies. There are two big affiliate programs: rogue affiliates who use spamming, trademark infringement, false advertising, cookie stuffing, etc. These methods are not illegal but are not seen as being too ethical. The other way is OPM (Outsourced Program Management) which often have their own affiliate managers and network program managers. OPM adopts a more sociable method, as the job that they do is really similar to the activities of the offline marketing agencies (Brown, 2008).

There are several types of the websites which we can categorize in the affiliate section:

1. Search affiliates (pay per click)
2. Price comparison service
3. Loyalty websites
4. Cause Related Marketing tools on the internet
5. Coupon sites
6. Content sites
7. Personal websites
8. Weblogs
9. E-mail marketing
10. Registration
11. Shopping directories
12. Cost per action networks
13. Websites using ad bars
14. File-Sharing

As we have mentioned, affiliates has a lot of partners but not only from the side of the advertisers. They have a huge base of advertisers. They must handle this problem and try to provide chances for all of its partners on both sides. Sometimes it is difficult but it is well worth it. There cannot be any too strict control over this advertising method because everybody needs it and this is the reason why it includes some non-ethical ways or solutions for instance spams, forced clicks, cookie "hacks" ad wares, or many other methods to drive or steer their visitors to their sponsors. Every participant tries to use new ways which are more acceptable for their visitors or customers. Let us illustrate this by giving an example, we get less spam but we see advertisements everywhere where we look. In search engines there are little boxes which contain advertisements every time and from every category. Some members of these affiliate networks try to "hack" the engines and method and Google has to improve its algorithm to filter more strictly these attempts. We can meet many solutions in the field of affiliate marketing thanks to the endless design elements that we can use on the web surfaces. The keywords and the site content have a crucial role in this field too. If the site content and the affiliate site content match the process will be more effective. So we might say adware and trademark bidding are two most effective ways of affiliates.

Summary

In summarizing this section we can say that the lead generation and affiliate marketing are two really similar marketing tools. They supplement each other and help the other to reach its aim. Lead or affiliate marketing does not just work alone but where they work in cooperation, together they can do really great things. This is not seen only as making profit, but also developing and improving the marketing communication lines. If we find the way to apply these methods accurately we can reach higher levels of marketing communication and message forwarding.

Future Prospects

Everything is changing around us. The end of the 1990s and the start of a new decade brought a lot of technological and, of course, many of other inventions in all sorts of fields and the future will bring much more than we can imagine. Every walk of life will completely change and every field of marketing which is really a huge "science" with many-many subcategories will have to adapt to these changes. At present, we see most of the marketing activities running on online surfaces. In the near future it will not be just most of these activities, but

all of them that have moved to "cyberspace" (Lingham, 2007). So the processes and methods mentioned above will be essential to keep businesses alive and to carry on working at an effective level in the marketing industry. Advertising will move forward but it is essential to prepare ourselves and our companies to change, even completely, their marketing tools. There are new ideas in connection with future marketing tools and we have to make the most of all of our opportunities. Nobody knows in which direction marketing take on its new route but everybody feels that we have to follow it and walk on it. Every participant of this field has to observe the market and the changes in the world and imagine new ideas, creating new solutions to reach their aims, to convince the customer and to sell something.

Business sectors where online performance marketing works and is needed

a. Online business effectiveness depends on industry.

Online effectiveness is highly driven by criteria given by the industry, the company it is working in. It is relevant that the company sells a product or provides a service. Most of the time services are much more complicated to advertise, as they are complex and they do not have a tangible layout. In most cases, service contracts have to be signed physically, which is a problem online as the service provider and the customer may be far from each other, which makes the encounter difficult and expensive. It is also a question as to how strict the legal background of the industry is. Financial services are often overregulated and specify various rules to follow: for example in the case of Hungarian banking products, the contract has to be signed with a wet signature, which means that the Bank needs to meet the customer personally, so the selling process has to include an offline part after the online lead has been generated. Another difficulty is that the person who meets a potential customer has to be authorized officially to identify a financial customer, and has to have the proof of the relevant trainings, which were fulfilled successfully. It is also very important that the offered physical or non-physical product by the company needs to be easy to deliver. All of these and other non-mentioned industry specific characteristics determine drastically the level of online effectiveness.

b. Which industries we examine and why?

We examined very different industries to see how different the online business can be. Factors such as the nature of the offered product, related processes, delivery methods etc. are very different from sector to sector. We also took into consideration advertisement budgets so we concentrated on those industries where there are key players involved in online adver-

tisement. Driven by this thinking we identified the following industries for examination: Banking, Insurance, Telecommunication, Service providers / Utility companies, Web shops, FMCG companies, Car dealers, Travel agencies /Air ticket sellers, and Brand dealerships.

c. Which industries are using online for what purpose?

From industry to industry online marketing is used for various purposes. We have to point out that online has two different meanings at the same time. On one side it is an (interactive) communication channel and on the other side it can be a channel for acquisition as well. Online can achieve communicational purposes and sales targets, too. The goal, which is linked to online, depends on the given industry. There are some industries where acquisition is practically the main goal of the online activities. In these industries the services or the products are easy to sell, the selling process is driven mainly by the price and products are easy to compare. These industries are the: Insurance, Travel agencies/Air ticket resellers, Telecommunication (product) and web shops.

There are industries where the goal is to get the first contact point (lead) for further processing. In these kinds of industries the main goal of the online communication is to get the customer's attention and convince her/him to register. After registration, a Call Center operator will contact the customer, in most of the cases. The operator asks several questions from the potential customer and tries to assess if the potential customer is really interested and if they are part of the target market of the company. In case the potential customer is really interested and is a target market customer, call center operator discuss a personal meeting with them. The customer meets the salesman of the company and they make the business online. In this case the company tries to analyze the whole conversion tunnel and link online campaign with offline conversion. Relevant industries are: Banking, Telecommunication (service), Service providers / Utility companies and Car dealers.

There are industries where the main goal is to send the communication message. The online campaign concentrates mainly on product details here. In this case there is a fully offline process regarding product selling and the advertiser company measures the communication KPIs only most of the time, they do not want to link online advertisement to offline conversion. Relevant industries are: FMCG, Brand dealerships.

d. What determines the online success in the industries?

There are several key factors for online success. The first factor is the presence of the fully optimized effective online campaign with harmonized creative and well balanced media plan.

The second key factor is the well optimized conversion funnel where there are limited numbers of touch points, related drops are relatively small and the funnel is not too long in time. The third key factor is measurement. Measurement systems are difficult in online marketing. There are numerous possible errors which are not easy to investigate. Linking offline conversion to online activities is also not easy.

e. Where online acquisition is tend to be successful?

Online acquisition can be seen to be successful where
- sales transactions are easy to make,
- conversion points generate real sales,
- products are easy to communicate,
- price is clear and comparable,
- legislation is clear and not overcomplicated,
- campaign measurement is easily linkable to the selling point,
- product logistics are simple.

Based on these criteria and the nature of the product or service, online acquisition is most probable to succeed in:
- Web shops and Telecommunications (Product) - as conversion point is real sales, product delivery is made as a well-known physical or non-physical logistics process, and measurement system can track the whole sales process, as final online conversion point is sales and the sold products are easily comparable and price is obvious.
- Travel agencies / Air ticket sellers - as the conversion point results in real sales, complicated logistics processes are not needed, the whole conversion funnel can be easily tracked, prices and service are clear.
- Insurance - as conversion point is real sales, logistics process is easily handled via email and mailing, whole online conversion funnel can be easily tracked and measured, prices and service are clear.

Based on the criteria and the nature of the product or services offered online acquisition success depends on the fine tuning and design quality of related processes in the following industries:
- Banking - as conversion point is a lead (registration), following related processes are complicated and long, last obvious online measurement point can be linked to lead only, product is very complicated in most of the cases, price of the product is not easily comparable to other similar products.

- Telecommunications (services) – as conversion is a lead only, measurement point can be linked to lead only, product is complicated, and price is not obvious.
- Service providers / utilities - as conversion is lead only, measurement point can be linked to lead only, product is complicated, and price is not obvious.
- Car dealers - as conversion is a lead only, measurement point can be linked to lead only, selling process is complicated and long, buying decision is difficult and it is problematic to link buying to lead.

There are certain industries where online acquisition is not a goal. In these cases main target of online campaigns is to deliver a communication message. This message can be a promotional message, a product message or a brand message. In these cases following processes are fully offline, online channel works only as a communication channel delivering the message. This type of usage of online is specific mainly to the FMCG industry and Brand dealerships.

Industry	Communication focus	Conversion Point measured & linked	Sales Transaction nature / Logistics
Banking	Sales (Promotion)	Lead	Difficult
Insurance	Sales (Comparison Product and price)	Sales	Easy
Telecommunication	Sales (Promotion)	Lead (Service)/ Sales (Product)	Difficult (Service) Easy (Product)
Service providers / Utilities	Brand / Send offline message	Lead	Difficult
Web shops	Sales (Comparison Product and price)	Sales	Easy
FMCG	Sales / Send offline message	Deliver a Message	Offline – non target
Car dealers	Sales / Send offline message	Lead	Offline – non target
Travel agencies/ Air ticket	Comparison (Product and price)	Sales	Easy
Brand distributor	Brand / Send offline message	Deliver a Message	Offline – non target

1. Table: Marketing specifics in main industries
Source: Created by Zoltán Lengyel

General online advertising trends in companies in the last 10 years

Following up on the Top Tech Trends Of The last decade, we are going through the evolution of online advertising[3]. Beside these detailed trends we have to admit in the big picture that Online has continuously gained space from Offline in the last decade. The TV advertising market share has been eaten up by YouTube; printed media is shrinking, giving its place to online media as well. Online is highly dominant in the advertising market – it is supported by new advertisement formats, more effective buying methods and sophisticated measurement systems.

Detailed trends are the followings:

1. Organic Search became more and more important:
    Marketing decision makers are to understand the importance of organic search. Almost 90% of the entire Web's search traffic flows through organic search. Search Engine Optimization (SEO) became an independent service line at online agencies.

2. Paid Search dominates:
    No matter how we call it - Pay per Click (PPC) or Search Engine Marketing (SEM), this is the most effective advertising form on the Internet. Google dominated the past decade with paid search advertising Price of keywords became expensive in some cases, but if you know what you want, you can find cost effective ways of PPC.

3. Social Media Advertising is Rulez:
    Social networks became the most intimate partner of our lives. We share a lot of information with our friends and, during this time, with social networks too. Social networks like Facebook, Twitter, and LinkedIn use this information to make their advertisements well addressed so today they became a well-functioning advertisement channel. It depends on the country which social network (mainly Facebook) dominates the market but social networks became an unavoidable online advertisement surface.

4. Rebirth of Display Advertising through Vertical Advertisement Networks:
    Display advertisement is the best known online advertising form. It is practically as old as the Internet itself. In the last decade the Internet started to decentralize with a lot of

---

[3] http://www.sramanamitra.com/2011/01/11/top-10-online-advertising-trends-of-the-decade/

small websites, blogs etc. Vertical Advertisement Networks offer a very effective way to do brand advertising across the fragmented spectrum of the Internet including social media. In the coming 10 years, these advertisement networks will bring more value to advertisers through advanced technology for measurement, analytics and optimization, as well as richer engagement capabilities such as interactive and video ads.

5. *Mobile Advertising is getting inevitable:*

In the last 10 Years smart phones became our most private gadget. We spend hours a day playing with them, giving a lot of information about ourselves to different places like our service provider and many-many others through mobile apps. On the top of this, mobile web traffic surpassed desktop traffic this year, so we also consume the web contents on our mobile phones[4]. This is a good opportunity for advertisers to assess effectively their potential target market - in particular with location-based advertising, coupons, and special offers.

6. *Better Analytics, Optimization, and Targeting:*

In the last decade campaign analysis has become more and more important. Now we have many and much more sophisticated analytics, optimization methods and targeting infrastructure that had not even existed several years ago. Using these sophisticated tools we can optimize our campaign activity much more effectively.

7. *More powerful video advertising:*

In the last decade YouTube has become the dominant video sharing portal in most countries. It is a video sharing site and also a social channel where a viral effect can easily help advertisers achieve their goals. YouTube created its environment with sophisticated tools for advertisements and analysis. We can easily choose among a lot of advertisement forms depending on our goals. YouTube's sophisticated environment requires well developed ad content so it revolutionizes video ad formats and related contents.

8. *More and more dominant In-Game and Apps Advertising:*

Consumers are spending a lot of time with playing games online. This creates a good opportunity for marketing people to catch them in the Games through targeted ads. Mobile is getting more and more dominant among online players. Beside the games mobile apps give chances for advertisers to send their messages effectively.

---

[4] http://netonomy.net/2012/08/09/mobile-internet-trend/

In the next 10 years without doubt online will remain the most innovative and effective advertisement channel and offline will continue to shrink.

Online budget optimization and related online sub channel strategy possibilities

After the financial crisis of 2008 the main trend has been to link every dollar spent in the sales figures directly on online marketing. This resulted in the emergence of campaign analytics and related systems, which have dominated online discussions which is very useful and effective unless over optimization happens. A campaign works well if it is well equilibrated and builders and drivers are in the right balance. "A driver is any marketing activity that drives business in the short run; a builder is a long-term activity that builds web traffic or brand equity over time"[5]. Of course, it is easier and at the first sight seems more effective to focus on short-term strategies. But it is better not to ignore builders even if the temptation is always present. It can happen to consumers concentrating on brands instead of searching for specific services and in this case our well thought lead generation strategy might fail. In order to avoid this situation we had also better be investing in brands besides focusing on real sales. It means companies have to invest not only into those online sub channels which convert well in a last click attribution model, but into those which have a brand build effect.

Main online sub channels and their characteristics are the followings:

Display – most traditional way of online advertisements. This builds the brand and delivers the message but its direct sales conversion can be poor, which is why decision makers easily cut display costs based on the evidence of last click model figures.

Affiliates – this is a new method where advertisers can include small websites and blogs. Advertisers can easily set the desired paying method linking to the wanted conversion point. It can build the brand and also concentrate the sales but it depends on the strategy applied regarding conversion points and the basis of payment.

eDM – a lot of big databases have been built recently that can be used for effective mailing. This sub channel concentrates on sales mainly and the brand building effect is known to be poor.

Google PPC – Google's PPC solution has two big areas. One is Google AdWords which can be very effective in sales, although the brand building effect is marginal. The other big

---

[5] http://www.makeitbusiness.com/thrive-optimizing-budget-online-marketing/

area of Google's advertisement service, Google Display Network, is very effective both in brand building and sales.

Social networks – Using Social services people are concentrating on their personal life so they are less open for direct sales message but with indirect well designed creative and conversion models these channels might be good both for brand building and sales.

SEO – Concentrating on Search Engine Optimization sub channel we can have a very effective sales sub channel especially combined with Google's PPC elements.

Based on the sub channel characteristics companies have to find the right mix of the listed tools. First companies have to know what their expectations are from online channels. The most obvious expectation is to drive sales, but what does matter is whether we want to have business today or we expect sales also tomorrow. If the goal is to maximize today's sales figures and the marketing budget has to be justified severely in these terms then we have to apply only those elements which generate sales. In this case the marketing communication mix has to base mainly on: SEM, SEO, eDM, Affiliates (a payment model linked to sales figures). If it is important to maintain sales figures continuously on a high level, we have to optimize all sub channel tools individually and have to find the healthy mix across all of them. They have to be optimized based on their individual nature recognizing their specific different creative strengths and weaknesses. On builder type sub channels brand type messages should be sent while on driver type sub channels product and promotion messages are needed. Conversion points also need to be set individually sub channel by sub channel. After the sub channels are optimized with the most effective creative and conversion points are adjusted a healthy media mix has to be found. Most experts suggest that the most effective mix is to have 30% builder and 70% driver.

For best campaign optimization we have to find the best attribution model for our company and product[6]. Driven only by last click optimization model we can easily drive our business into a crisis producing worse and worse sales figures as we overuse driver channels without building our market with builders.

---

[6] https://support.google.com/analytics/answer/1662518?hl=en

Measurement questions in performance based online marketing – campaign evaluation

One of marketing's biggest challenges is to prove that marketing budget spent was effective. A hundred years ago American businessman John Wanamaker, famously said "half my advertising is wasted; I just don't know which half"[7]. Business decision makers are convinced that in the online world where everything is measurable, we know which half is the waste. The bad news about it: we only know it more or less. Let us have a look at the problems and problem solving! What can we do with them?

Problems outside the advertiser's company:

Online advertisements are served by very complex advertisement systems nobody knows in details, where problems are common. So if a problem occurs it is difficult to identify and takes time to investigate because there are too many players in the game and there is no owner of the problem in most cases.

Problems inside the company:

Most advertisers are bigger size companies with 100+ employees, complicated processes, fragmented organizational charts, different motivations and most of the time with silo thinking. This situation does not help when you have to link complex external systems to the company's internal one. This is needed because information about campaign effectiveness is coming from external systems and related sales figures are coming from the internal one. Both are necessary to optimize the campaign properly.

Complex customer behaviour vs. simplified measurement:

People think in very complex and unpredictable ways. Sometimes they make decisions immediately, at other times they make a rational decision based on facts. At the same time business decision makers want to see customers as simple creatures, driven by their marketing. This situation ends up with customer behaviour having to be simplified to the level of the measurement system, which can lead us to false conclusions.

---

[7] http://www.theguardian.com/media-network/media-network-blog/2013/sep/20/online-advertising-measurement-viewability

Set up of a conversion funnel:

To have the best results we have to map a full conversion funnel, starting with ads up to sales conversion. To be successful we have to map and reshape all related processes inside and outside of the company. We have to optimize the product itself as well. If the product is not for online, it has to be developed, supported by online promotion. Most advertisers commit the error of optimizing the advertisement part of the funnel often called "top of the funnel" and at the same time they do not concentrate on the sales fulfillment part of the funnel, which is called "Bottom of the funnel" inside the company. The optimization is not easy – most of time internal process optimization is even more complex than the external part but without this our funnel remains leaky and our money will flow out through it.

What to measure?

These days as technology is evolving we can measure more and more things – perhaps too many things, which is why we have to find out what we think is meaningful for us. First we have to find those points in our funnel, which predict the potential future business success because in most cases (except the purchase of some non-physical products, like airplane tickets) the transaction is not immediate: it takes time. We also have to find the way how we want to link the business transactions to the campaign. It is also important not to lose the necessary measurement codes, throughout the whole funnel as campaign optimization can be done only if we have them.

Campaign optimization techniques:

After we have designed the whole funnel, found the best conversion points to measure, we have to operate the measurement process on a daily basis. We have to think all the time and often read between the lines to get to the right conclusions. During the campaign we have to optimize continuously through A/B testing, where we implement and measure two different versions of a given problem and chose the one which performs better. This is probably one of the best techniques if used well. We have to see always the big picture – it is a dead end to get lost in the details. Details are important but only to support us in seeing the big picture more clearly.

Conversion points and related processes

What are the conversion points?

The definition which we have worked with is: "The point at which a recipient of a marketing message performs a desired action." It means indeed conversion is simply getting someone to respond to your call-to-action[8]. To get someone to open an email or to click on the call to action button or to fill out a registration form is a conversion. And finally to sell a product is also a conversion.

How to reach a conversion?

It seems to get somebody to convert is easy, but in reality it is often not that simple. The difficult thing is to reach the optimized operation and to maximize the conversion from a given creative. It does not matter whether it is an email or a landing page or any other form of creative that they send through complex messages. We have to know: the difference between a poorly converting creative and a successful one might be ridiculously small. There are better and worse converting synonyms for the same thing; there are better converting layouts and colours we have to test. To find the best creative we made a test plan for the best 3 creative layouts concept and variations. We do not need to have a big sample database but we have to make a representative one. We do not need to run the test over a long time, as we can specify shorter terms only. What is important in all cases is that we need to know exactly what we are testing. For successful testing we can test only one or two things at once to know what causes the differences exactly. If we test three or more things at the same time we will not know exactly how to measure it and in this case we risk losing the right path.

How to improve conversion points?

Targetmarketingmag.com says "Conversion points are at the top of the list as the most effective areas for a marketer to improve."[9] It is not a coincidence that they suggest to improve conversion points as the conversion point improvement can easily deliver quick results. We can say it is one of the "Low hanging fruits" of online marketing. First we have to make a list of conversion points by identifying all possible conversions people can do. We have to be aware of all the different things that people can do on our site. Second we have to prioritize what is important to us. Do we want people to sign up for our newsletter or do we want to

---

[8] http://sherpablog.marketingsherpa.com/marketing/conversion-defined
[9] http://www.targetmarketingmag.com/article/3-steps-improving-online-conversion-points-400628/1

push them towards sales conversion? We have to know the exact role of each page or creative of the planned customer journey. We have to know where we want what and we have to design the layouts and based on the priorities we have to design the conversion points accordingly. As a general rule, no page should be without a call to action point and it is recommended that two to three conversion points can be found on every page.

What happens after the conversion points?

As we clarified, conversion points may relate to different things we want customers to do. It can be a registration, a product order, or else after the conversion the internal processes will determine the customer experience. Here we have to start to serve our customers and implement such processes which are aligned with our promises. Most companies make the mistake at this stage of thinking that the deal is done. But this is true only in case of the companies selling nonphysical goods and where the customers pay online. Only in this case can we say more or less the deal is done, otherwise the company has to organize the product delivery or in several cases they have to ensure that the contract has been signed offline which is a challenging task. This part of the process is the first step to build the trust in the company and to create loyalty.

Optimization possibilities based on different attribution models

What is an Attribution Model?

"In advertising, an attribution model will allow marketers to look at the **team of ads** that contribute to a sale or conversion over an extended period of time. So instead of the traditional method of crediting a sale or conversion to the last ad clicked or viewed, an attribution model will attribute **credit** to each ad or "touch point" within the sales funnel."[10]

There is a logical need for marketing managers behind the modeling as they want to understand fully customers' behaviour. Marketing managers want to understand how each online marketing sub channel contributes to the final decision. Using this thinking managers can obtain new insights and they can optimize their campaigns more fully.

Possible attribution models

Up to now, online campaign measurement has been based on last click attribution model. This means that the conversion was linked 100% to the last action. In fact this last action

---

[10] http://www.bluefountainmedia.com/glossary/attribution-modeling/

was considered as the only action which contributed to the transaction. Almost all marketing managers knew this was not true, but decision makers wanted to see in an excel spread sheet how other actions added any value to the final conversion. The problem was there was not a measurement method which could prove how things are working until these days. Fortunately Google noticed the gap and included the models in their system as of the followings based on support.google.com relevant article[11]:

- The Last Interaction model attributes 100% of the conversion value to the last channel with which the customer interacted before buying or converting.
- The Last Non-Direct Click model ignores direct traffic and attributes 100% of the conversion value to the last channel that the customer clicked through from before buying or converting.
- The Last AdWords Click model attributes 100% of the conversion value to the most recent AdWords advertisement that the customer clicked before buying or converting.
- The First Interaction model attributes 100% of the conversion value to the first channel with which the customer interacted.
- The Linear model gives equal credit to each channel interaction on the way to conversion.
- If the sales cycle involves only a short consideration phase, the Time Decay model may be appropriate.
- The Position Based model allows you to create a hybrid of the Last Interaction and First Interaction models.

What to do with attribution models?

To be capable to choose the best model companies needs to be aware of their customers' behavior – based on what criteria they choose products or services. Knowing this and based on the business nature companies can chose among the attribute models and using the right one, companies can get much closer to our customers than before and can optimize the campaign on real customer behaviour ending up in such situation where customers, decision makers and marketers are all satisfied with the campaign effectiveness.

Conclusion

To have a successful and continuously delivering online channel we have to optimize not only the top of the funnel but the bottom of the channel in all cases. During the optimization

---

[11] https://support.google.com/analytics/answer/1665189?hl=en

we have to look at the industry specific processes and characteristics furthermore we have to avoid sub channel over optimization. At the same time we have to find the right mix of the various sub channels. We have to operate a well-designed and well working measurement system measuring the appropriate conversion points set deliberately and we have to optimize the creative through A/B testing, whilst remembering to fine tune the whole system continuously. For the best results we have to find the best suited attribution model. In cases where we do the things above cautiously and thoughtfully we will have well working eBusiness channels delivering real sales and building brands.

References

Brown, B. C. (2008): *The Complete Guide to Affiliate Marketing on the Web: How to Use It and Profit from Affiliate Marketing Programs*. Atlantic Publishing Company, Ocala (FL)

Collins, S. (2000): *History of Affiliate Marketing*. ClickZ Network, http://www.clickz.com/showPage.html?page=832131

Collins, S. (2007) *Affiliate Millions - Book Report*, AffiliateTip Blog

Conner, C. (2013): *The 5 Top SEO And Online Marketing Trends For 2014* (http://www.forbes.com/sites/cherylsnappconner/2013/12/21/5-top-seo-and-online-marketing-trends-for-2014/)

Cowley, M. (2012): Build it or Buy it: The Future of Performance Marketing Technology, *Mthink.com Article, August 13* (http://mthink.com/article/build-it-or-buy-it-the-future-of-performance-marketing-technology/)

Csuhai I., (2001): *Elektronikus kereskedelem* (E-commerce), Krea Kft. 2001, 95.o

Dainow, B. (2008): *The rise of performance-based advertising*, Emedia connetion.com Article, March 26 (http://www.imediaconnection.com/content/ 18805.asp#multiview)

DeMers, J. (2013): *The Top 7 Online Marketing Trends That Will Dominate 2014* (http://www.forbes.com/sites/jaysondemers/2013/09/17/the-top-7-online-marketing-trends-that-will-dominate-2014/)

Dhillon, J. S. (2013): Understanding Internet Marketing: Foundation of Interactive Marketing - A Tool for Success. *International Journal of Management and Social Sciences Research*, Volume 2, No. 2, 17-26.

Prussakov, E. (2007): *A Practical Guide to Affiliate Marketing: Quick Reference for Affiliate Managers & Merchants*, AM Navigator LL Blog

Fenlon, S. and Swartz J. (2012): The Evolution of Performance-based Online Marketing, *Leadsconcuil.com Article, April 25* (http://www.leadscouncil.com /news/90260/The-Evolution-of-Performance-based-Online-Marketing.htm)

Gröne, F., Kammer, K., Kinsheneder. J. and Peterson, M. (2010): *Performance-Based Advertising Models Extending the Principles of Profit-Driven Marketing*, Booz&Company Inc.

Internet Statistics Compendium (2007): Pages 149–150, e-Consultancy,

Jamison, K. (2013): Internet Marketing Trends (and How They'll Affect Your Organization), *at Content Marketing at Content Harmony, Feb. 14*

Jones A. T., Malczyk A. and Beneke, J. (2011): *Internet marketing – a highly practical guide to every aspect of online marketing,* https://vula.uct.ac.za/access/content/group/ 95dfae58-9991-4317-8a1d-e2d58f80b3a3/Published%20OER%20UCT%20Resources/Internet%20Marketing%20textbook.pdf

Kaplan, A. and Haenlein, M. (2010): Users of the world, unite! The challenges and opportunities of social media, *Business Horizons*, 53 (1), 59 - 68

Kiang, M. Y. and Chi, R. T. (2001): A framework for analyzing the potential benefits of internet marketing, http://www.csulb.edu/web/journals/jecr/ issues/20014/ paper3.pdf

Kiang, M. Y., Raghu, T. S. and Shang, K. H.-M. (1999): *Marketing on the Internet — who can benefit from an online marketing approach*? www.elsevier.com/locate/dsw

Alexandrou, M. (2007): *CPM vs. CPC vs. CPA*, All Things SEM. http://www.allthingssem.com/cpm-cpc-cpa/

Pertulla, W. (2012): *How internet marketing changed over the years and what the future will bring.* http://holisticmarketingmanagement.ro/RePEc/ hmm/v1i1/9/2.pdf

Pura, R. (2013): *Effectiveness of online marketing tools.* http://run.unl.pt/ bitstream/10362/9813/1/Pura_2013.pdf

Shima, A. and Varfan, M. (2008): Traditional marketing vs. internet marketing, A comparison. http://mdh.diva-portal.org/smash/get/ diva2:121411 /FULLTEXT 01.pdf

Stokes, R., (2008): *The essential guide to online marketing*, 2nd edition. http://archive.p2pu.org/sites/archive.p2pu.org/files/document/14384-week-4/quirkemarketing.pdf

Lingham, V. (2007): Profit Sharing - The Performance Marketing Model of the Future, *Vinny Lingham's Blog*

Yalcin, N. and Köse, U. (2010): *What is search engine optimization: SEO?* http://www.researchgate.net/publication/235763091_What_is_search_engine_optimization_SEO

Hu, Yu (Jeffrey) (2005): *Essays on Internet Markets and Information Goods,* Massachusetts Institute of Technology, Cambridge

Attila Bátor was born in Hungary. He received his university degree from the Janus Pannonius University in Pécs (Masters degree in Marketing). He obtained his Ph.D. in marketing, at the Western Hungarian University.

He worked as a manager at a commercial firm between 1993 and 1999. He was responsible for marketing activities and sales process.

Since 1999, he has actively participated in the higher education programmes at the University in Veszprém, where he has taught marketing communication, service and bank marketing, strategic marketing, and marketing management. Between 2010 and 2013 he worked at University Babes-Boyai in Cluj-Napoca. He is currently Associate Professor in the Marketing Department of the University of Pannonia, Veszprém, Hungary.

He has had consultancy practice and conducted some research projects on services marketing, bank marketing and project marketing.

He has published scientific articles in service marketing, bank marketing, and online marketing.

Zoltán Lengyel was born in Hungary. He received his university degree from the Janus Pannonius University in Pécs (Masters degree in Marketing).

He started his career 17 years ago at Deloitte as BPR consultant - he was working on several Business Process Reengineering projects for multiple clients. He continued at Generali Insurance in various managerial positions for 7 years in the field of marketing; later he moved to MKB Bank where he led the Online Marketing Department for 3 years. His next challenge was to manage Proposition Department for non-traditional products at Magyar Telekom where he spent two years. After that he managed Citibank's regional online acquisition in Citi's Central Europe Cluster as Vice President for 3.5 years.

His main specialization is performance based online marketing at financial institutes.

Currently he works as strategic consultant for clients from Financial Institutions and Online Agencies where he helps them to reach better online efficiency and higher conversion. He also works for Google as a Business Development Partner.