

**Course Book**

PERFORMANCE MARKETING:

AFFILIATES AND MAIL

**DLMOMPMAM01\_D**

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# LEARNING OBJECTIVES

After successfully completing the **Performance Marketing: Affiliates and Mail** course, you will be able to analyze and evaluate performance marketing tools used to achieve measurable transactions in online marketing and understand the characteristics of each type of performance marketing addressed in this script.

You will be able to evaluate the marketing tools covered in this script as part of a marketing mix and identify each tool’s potential and challenges. Furthermore, you will understand the benefits of these tools in a performance marketing context. You will also be able to measure and evaluate the results of individual marketing tools within the relevant performance marketing discipline.

# UNIT 1

## AFFILIATE MARKETING

##### STUDY GOALS

After completing this unit, you will be able to...

* describe affiliate marketing and how it works.
* name the parties involved in affiliate marketing.
* describe the accounting models used in the payment of commissions.
* explain the various tracking methods involved in affiliate marketing.
* comment on commission models.

**1. AFFILIATE MARKETING**

### Introduction

Legend has it that affiliate marketing was invented by Amazon founder Jeff Bezos at a party in 1997 (Lammenett, 2019, p. 12). A bookseller attending the party offered to advertise books that were available on his platform on her own website. By its own estimation, Amazon is now a provider of one of the world’s largest affiliate marketing programs with its PartnerNet program (Amazon n.d.-b).

It is probably more correct to say that affiliate partnerships already existed prior to the introduction of this program (Brear & Barnes, 2008, p. 4). The American entrepreneur William J. Robin, founder of the company Pike Creek Flower and Gifts, developed what was probably the first affiliate program back in 1994. The method he used for his flower and gift shipments allowed individual dealer transactions (flower sales) to be tracked and commissions to be paid on the basis of these transactions (Brear & Barnes, 2008, p. 4). By 1998, the company already had more than 2,700 affiliates.

The first part of this unit explains the opportunities that affiliate marketing can offer within the context of performance marketing, and how affiliate marketing can be incorporated into the customer journey. The second part covers the individual participants in the affiliate process, their relationships with each other, and current business models. The actual affiliate process is described in the third part, and the individual commission models used by affiliates to generate sales are explained in the fourth part. Finally, the fifth part describes the various tracking and evaluation methods, as well as the challenges faced by participants in the affiliate marketing process.

**Affiliate marketing** Affiliate marketing offers partner programs as a means of selling products for commission.

### Affiliate Marketing as Part of Performance Marketing

**Affiliate marketing** is also referred to as a digital “partner program or online-based sales cooperation” (Kreutzer, 2021, p. 264). It enables website operators (known as “affiliates”) to offer other providers of products or services (known as “merchants”) advertising space on their own online platforms. If the advertised products or services are then sold via this channel, the website operator receives a predetermined commission (Steireif et al., 2021, p. 427). This method can prove particularly advantageous if the subject matter of the affiliate’s website corresponds thematically to the promoted products or services. This way, the advertising does not appear clumsy, and it conveys an authentic appeal that is complementary to the website’s offerings. By way of example, let us look at the “Red currant crumble” recipe

on the Kochbar website, which seamlessly integrates affiliate links to sites on related topics, using the words “Kochbar recommends” (Kochbar, n.d.).

These links are placed directly between the list of required ingredients and the description of the preparation method. This enhances the recipe and provides the user with useful links to sites selling kitchen utensils and a variety of meal kits.

Affiliate marketing is classified as a classic discipline of online marketing, alongside disciplines such as e-mail marketing, display advertising, search engine optimization, and search engine advertising, as illustrated by the following figure:

Figure 1: Types of Online Marketing



Source: Holland, 2021, p. 395.

The continuous increase of internet users is giving many companies the opportunity to sell their products and services via an online platform. Consequently, the importance of online marketing and its associated tools is also increasing. Today, online marketing undergoes constant development, just as it did in the past. New online marketing tools and changes to old conditions are introduced at very short intervals. This presents all market participants with the challenge of developing an agile mindset and making constant adjustments to their materials and procedures (Kamps & Schetter, 2020, p. 3–4). Users’ ever-increasing focus on mobile devices is one example of this. As user behavior shifts, marketers are forced to adapt to new consumer habits and find new ways of addressing envisaged target groups (Kamps & Schetter, 2020, p. 4).

**Performance marketing** The aim of performance marketing is to trigger measurable reactions via the online marketing channels used.

**KPIs (key performance**

**indicators)** Key performance indicators are used to measure the progress or attainment level of key organizational goals, and should be specific, measurable, acceptable/achievable, and scheduled in the context of the SMART method (Hassler 2017, p. 365).

**Performance marketing** refers to the use of channels in online marketing that are intended to trigger a measurable reaction from recipients or target groups. For this reason, performance marketing is also known as reaction-driven online marketing. Its key features include measurability, interconnectivity with other campaigns, and the capacity for optimization through rapid adaptability. Within performance marketing, the success of individual online marketing measures can be quantified based on set goals, allowing goal attainment to be measured using **key performance indicators (KPIs)** (Kamps & Schetter, 2020, p. 4–5). For example, if a company runs an advertisement via Google Ads for a set period, it can then use absolute numbers to precisely determine whether the advertisement generated the anticipated number of conversions, clicks, or leads. If the results of the advertising measure are unsatisfactory, the advertisement should be thoroughly examined to determine potential improvements to its text, keywords, product images, etc., and these improvements should be incorporated into future advertisements. Conversely, if the desired goals were achieved as a result of the measure, the procedure for future ad placements should be adapted. Performance marketing can also be used in areas such as e-mail marketing, banner advertising, social media advertising, or affiliate marketing.

A core feature of performance marketing is the performance-based or transaction-based payment resulting from the target person’s defined and measurable response. Both performance and affiliate marketing share this characteristic (Lammenett, 2019, p. 43). This is because within the internet-based sales solution offered by affiliate marketing, providers (merchants) only pay their sales partners (affiliates) based on success. In practice, the process can be envisioned as follows: When a visitor clicks on an advertising link on the affiliate’s website, they are first redirected to the website of the company offering the advertised products or services. If, for example, a purchase is subsequently made on this target page, the affiliate then receives a payment, provided that the purchase was previously agreed upon as a payment criterion.

#### Types of affiliate marketing

In affiliate marketing, companies can engage external websites (content creators, publishers, etc.) via affiliate programs to market products on a commission basis. The operators of the external websites can monetize the traffic on their pages in this way. However, they only receive a commission upon achieving a specific, previously agreed-upon goal. In simple terms, affiliate marketing could be described as an indirect further recommendation made by a website operator to its users (Kamps & Schetter, 2020, p. 109).

Olbrich et al. (2019, p. 112) draw a distinction between link-based and integrative affiliate marketing. In the link-based model, a hyperlink in the form of a text reference or an advertising banner takes the user from the affiliate’s website to the relevant target page of the provider’s (merchant’s) internet platform. One disadvantage of this model for affiliates is that visitors who click on these links, and are directed to the provider’s site, do not return to the affiliate’s

website. They may then also be inclined to go directly to the merchant’s online shop in the future. For this reason, in many cases, the link-based model only provides affiliates with a one-off business opportunity. At the same time, this disadvantage for affiliates can act in the providers’ favor, as they only need to pay a one-off commission to the affiliate. Furthermore, providers will be able to generate direct traffic to their online shops and achieve higher margins from these transactions.

Integrative affiliate marketing, on the other hand, enables affiliates to market the provider’s products or services directly on their own website, by incorporating either the relevant provider content or an actual online shop into their internet platforms. With integrative affiliate marketing, products that are only referenced in the link-based model can be sold directly on the affiliate’s website, while transactions are handled by the providers (Olbrich et al., 2019, p. 112). The advantage of this model for affiliates is twofold: Firstly, customers may return to their website to make another purchase if they were satisfied, and secondly, affiliates do not have to stock, pack, and ship the marketed goods themselves. Providers also benefit from this arrangement by acquiring an additional sales channel, which allows them to sell their products in larger quantities. However, they have to pay a commission to affiliates for every product sold, which reduces their margin.

#### Development of affiliate marketing and associated trends

To assess the importance of affiliate marketing when compiling an individual mix of marketing tools, providers and affiliates should first determine what sales potential the channel has to offer. A study undertaken by the German Association for the Digital Economy (BVDW) shows that e-commerce sales generated through affiliate marketing in Germany increased from €6.24 billion in 2014 to €7.6 billion in 2016.

According to a recent survey conducted by the BVDW, sales generated by affiliate marketing had already reached €10 billion in 2019, representing a 7% sales share of total e-commerce sales (BVDW, 2021).

A study undertaken by CJ Affiliate, an affiliate network provider, takes an in-depth look at customer journeys in affiliate marketing. Among other things, the study highlights how this tool can lead to an average of 88% more sales per buyer compared with other marketing channels. During the study, CJ Affiliate also found that 83% of all customer journeys in affiliate marketing involve only one affiliate (CJ Affiliate, 2020) – a fact that should pique the curiosity of both merchants and affiliates regarding this specific stage of the customer journey, that is, the stage at which the affiliate comes into play for the relevant target groups. This knowledge can potentially lead to increased revenue for both parties.

#### Affiliate marketing in the customer journey

The customer journey describes the entire process that customers go through when making a purchase, including all touchpoints with the delivering company. This is a user-centered approach in which the company reviews and documents the purchasing process from start to finish, identifying aspects such as customer requirements and expectations as well as the various touchpoints and participants that customers encounter on their “journey” (Kuenen, n.d.). In order to appropriately tailor its response and optimize its choice of channels, the company must understand the needs and requirements of its defined target groups, the channels that these groups have to follow in order to complete the purchase, and the marketing tools that guided these groups to the company’s online or brick-and-mortar shop (Steireif et al., 2021, p. 430).

The various affiliate marketing tools can be arranged chronologically along the customer journey using the AIDA model. This classic stage model describes the four phases – Attention, Interest, Desire, and Action – that customers experience when contemplating making a purchase (Hassler, 2019, p. 424). The “Attention” phase represents the extent to which the tool can arouse and attract the attention of potential customers. The “Interest” phase reveals whether the tool’s intended message captures the attention of targeted individuals and can generate interest from them. “Desire” is the phase in which interested parties engage with the offered product or service and want to learn more. The final phase, “Action,” is concerned with transforming interested parties into actual customers, who will then make the desired transaction in the form of a purchase or download (Hassler, 2019, p. 424; OnlineMarketing.de, n.d.-a).

In order to obtain a holistic overview of the customer journey and understand the points at which interested parties come into contact with affiliate measures, the AIDA model can be combined with the marketing/sales funnel.

Figure 2: Allocation of Marketing Measures to the Phases of the Sales Funnel



Source: Bernhard Kessler, 2023.

A large number of people interested in the products or services offered by a company enter the funnel via the wide opening at the top because they have become aware of it, for example, through social media posts or Google Ads (“Attention”). In the second phase, various methods are used to arouse the interest of potential customers (“Interest”), including detailed product descriptions (SEO), blog articles, a list of the brands on offer, and attractively designed landing pages. Interested parties who cannot be convinced by the content provided terminate the information process in this phase and leave the funnel. As a result, a smaller number of potential customers proceed to the next phase, in which personalized newsletter content, informative and entertaining videos, or other interactive tools are used to create a desire for the product on offer (“Desire”). If interested parties cannot be convinced by the added value of the product at this stage, they too leave the funnel. However, if potential customers do develop a desire for the product in this penultimate phase, they enter the last phase of the funnel. By this point, the interested parties will already have extensive knowledge about the product or service on offer, and all that remains is to persuade them to make the actual purchase or execute the download (“Action”) (OnlineMarketing.de, n.d.-a). **Remarketing** measures and, in many cases, affiliate marketing tools are just some of the instruments that can be used for this purpose. For example, a coupon code from an affiliate site may be involved when integrating affiliate marketing within the last funnel phase. In this case, the interested parties already know what they want, and the offer of a discount or free delivery, etc., provides the final push that leads them to complete the product purchase. If affiliate marketing is assigned to this final phase, the company will assume that the final click is decisive for the transaction, meaning that this touchpoint carries the greatest weight in the conversion (Hassler, 2019, p. 434). The point at which affiliate marketing or other marketing tools are incorporated into the funnel must first be determined by each individual company based on their own business practices, then configured accordingly and optimized on an ongoing basis. There is no universal solution

**Remarketing**

Through the setting of cookies, users of an online sales platform are marked so that a web offer they have accessed previously can then be advertised to them over and over during their subsequent online activities. This is also known as retargeting (ryte.com, n.d.-b.).

that can be equally successful for every company. Every provider should monitor touchpoints between their users and their company (e.g., contact via the customer service center, website, online shop, contact form, newsletter, direct communication via social media, etc.) to determine the areas in which increases in potential customers are evident, and then derive optimization measures accordingly (OnlineMarketing.de, n.d.-a).

### Participants

At least three, and sometimes four, fundamental players must be involved in the affiliate marketing process in order for the affiliate program to work: providers, affiliates, customers, and affiliate networks. The four market participants in an affiliate marketing program are introduced below.

#### Providers/merchants/advertisers

The first group of participants consists of product or service providers, also known as merchants or advertisers. These can include classic online shops and websites offering specific products or services (Kamps & Schetter, 2020, p. 110). Merchants, together with the products for sale, form the origin of the affiliate process. To generate additional product or service sales, merchants add a link to the landing page or a page containing detailed product information (Schalling et al., 2015, p. 8). Upon finding suitable affiliates for their products, merchants enter into a contract with them or work via an affiliate network. Merchants consciously choose several affiliates to give their products high visibility (Kreutzer, 2021, p. 264).

One advantage of this method for providers is that they can achieve an appreciable advertising effect and/or direct sales without assuming significant financial risk, since commission is usually only paid in affiliate partnerships when customers express an interest in the product concerned and sales are achieved. The risk is reversed, since merchants do not pay a flat-rate commission to affiliates for ad placements or impressions. A payment is only made when a previously defined goal has been achieved, giving merchants full cost control thanks to the concept of commissions. Providers can also use this approach to attract customers that they would be unable to reach without their sales partners (WIN, 2018).

#### Affiliates/publishers/website operators

Affiliates are also known as publishers and operate a website or an online platform such as a **blog** or **price comparison website**, for example (AWIN, 2018). Affiliates make advertising space available to providers on their internet platforms (Kamps & Schetter, 2020, p. 110) and publish on their own websites the advertising media provided by merchants (e.g., advertising banners, video ads), referring users to products

or services on the merchant’s target page. Media can be published in practically any form online (blog, e-mail, YouTube, etc.), but one feature all forms share is the presence of a web link directing the visitor to the merchant’s desired website. If customers click on the link and carry out a predefined action on the provider’s website (e.g., completing a lead form, executing a download, registering for a newsletter, or purchasing a product), the affiliates receive a share in the form of a commission. The aim of the affiliates is thus to increase the number of visitors to their own website and foster a higher conversion rate from interested parties to customers, thereby increasing their own remuneration (Schaller et al., 2015, p. 52).

**Blog**

Abbreviation for Web Log and the term used to describe an online diary that is constantly expanded by the operator to include new entries, complete with links to other useful sites and articles (Kollmann, n.d.).

**Price comparison website** A website that collects information about the products available from affiliated dealers on the internet, which are then compared and offered to users as suggestions. This provides a clear comparison of prices, shipping options, and other aspects of the product or service package on offer (Breuer, 2021).

The advantage of affiliate marketing for publishers is that it requires comparatively little time and money on their part. Assuming they already have a website with content that can be used to promote third-party products, their task is to integrate the advertising media provided by the merchant into their site (Amazon, n.d.-a). Publishers create dedicated content that should match the products offered by providers as closely as possible. They must also register for affiliate programs or contact potential merchants directly in order to make their websites available to providers. However, as they only play an intermediary role, they are not required to stock or send any products or to handle complaints (100partnerprogramme.de, 2020). A disadvantage of this for affiliates is that they are at financial risk if they do not generate leads or sales for providers, as they only receive payment if a visitor to the site makes a transaction (Kreutzer, 2021, p. 265). Furthermore, affiliates have no knowledge about the exact quality of the products and are unable to influence this, which exposes them to the risk of potentially recommending an inferior product to their website visitors.

#### Customers/website visitors

Potential customers view the content (advertisement) provided by affiliates. Ideally, users who like a product and click on the corresponding link will be converted from interested parties to buying customers. Purchasers do not incur costs from using an affiliate link. As the affiliate’s commission is deducted from the revenue received by the provider, the customer is neither advantaged nor disadvantaged by the transaction (Klußmann, 2022).

#### Affiliate networks

Networks are used for mediation between affiliates and providers. They can establish contact, transmit advertising media, check all transactions, regulate contractual conditions, organize commission payments, track transactions, carry out evaluations, and provide the necessary infrastructure. In return, merchants pay a commission to the affiliate network for each completed transaction (Olbrich et al., 2019, p. 116; Kreutzer, 2021, p. 267–268). Membership in this type of technological platform is optional rather than mandatory in affiliate marketing. The best-known affiliate networks currently include AWIN, CJ Affiliate, Digistore24, Tradedoubler, Belboon, AdCell, and Rakuten Advertising.

Affiliate networks can be divided into public networks and private networks (Kamps & Schetter, 2020, p. 110). Public networks are similar in structure to marketplaces and assume all organizational and mediation-related tasks for the affiliated merchants, including mediation between merchants and affiliates, provision of the technical infrastructure, and payment of commissions. Private networks are operated by the merchants themselves, meaning that that there is no additional mediating party. Merchants take on organizational tasks and source suitable affiliates independently. Although this does require more administrative effort on the part of the provider, network costs are reduced (Kamps & Schetter, 2020, p. 110–111).

#### Affiliate business models

Affiliates use a wide variety of models to draw attention to partner landing pages. Depending on the subject matter and the type of proprietary internet platform involved, affiliate models can be used at various stages of the previously described AIDA model. Content websites attract particular attention here, as they can be used in a wide variety of ways in each of the four phases (Olbrich et al., 2019, p. 123).

Figure 3: Types of Affiliates Along the AIDA Model



Source: Olbrich et al., 2019, p. 123.

An overarching distinction is made within the affiliate business model between, on the one hand, advertising media distributed via the affiliate’s proprietary website or platform and, on the other, advertising media distributed via a partner network. The most successful affiliate business models of recent years can be broken down as follows (Olbrich et al., 2019, p. 123–125; Kamps & Schetter, 2020, p. 113–118):

1. Business models implemented via affiliate websites:

* **Coupon portals:** These portalscollect coupons and discount campaigns from various publicly accessible web shops and offer these to users in a promotional format on a proprietary portal. Coupon or discount campaigns can include free shipping or discounts on products. This model is primarily attractive to price-conscious consumers. Examples include Trustdeals or Rabattcode.
* **Deal pages:** These pages offer short-term deals and offers from other online shops daily on their own platforms. This model is primarily aimed at price-conscious users. Examples include Groupon or Mydealz.
* **Comparison portals:** These portalscompare directly comparable products such as electricity, credit, or insurance contracts. They draw particular attention to differences between products, product services, and prices. Examples include Verivox or Tarifcheck.
* **Product search engines:** These search enginesprovide an overview of product prices from various online and offline providers. Examples include Idealo or Ladenzeile.
* **Cashback models:** Affiliates reward their customers financially when they make a purchase via their website, paying a certain percentage of the earned commission to the customer only once the purchase has been made. Examples include Andasa or Getmore.
* **Bonus systems:** In return for making a purchase via the affiliate link, customers receive credit in the form of virtual currency such as points or miles, which can then be exchanged for rewards at a later stage. Examples include Payback or Miles-and-more.
* **Referral marketing:** An affiliate creates a platform with product or brand recommendations that users can send to other prospective customers via e-mail, instant messenger, or social media. If the addressed person makes a purchase, the affiliate shares its commission with the recommending party, e.g., Trellja or New.sobu.
* **Content websites:** An affiliate provides information on specific topics for its own target group. If the content and language of the topics match the interests of the merchants’ target group, a cooperation may be worthwhile. For example, blogs and forums often contain affiliate links.

1. Affiliate business models implemented through members of an affiliate partner network:

* **E-mail marketing:** Affiliates send subject-specific e-mails, which they specifically populate with affiliate links, to their own distribution lists via external sales partners.
* **Search engine advertising:** Affiliates place advertisements for merchant products in popular search engines at their own expense. Affiliates can refer directly to merchant websites or to their own website.
* **Banner advertising/retargeting:** Affiliates place clearly visible banner advertisements for merchant products on external websites at their own expense.
* **Social media marketing:** Affiliates publish subject-related pages on social media to promote merchant products and integrate the corresponding affiliate links. This is possible on sites such as Facebook, Instagram, or Pinterest.

One thing that all models have in common is that they publish an affiliate link in various environments, referring visitors to the products or services offered by merchants. Such links are usually configured as follows: [http://provider](http://address/) address/affiliate passcode

### Affiliate Marketing Process

Product and service providers should look at the planning process for affiliate marketing on an overarching basis first, before deciding how to configure their affiliate marketing. The various steps involved are shown in the following table.

Table 1: Planning Process for Affiliate Marketing

**Task environment**

**Marketing goals**

Definition of goals in affiliate marketing

Definition of target groups for affiliate marketing

Planning the sales network

* + - Selection and design of advertising media
    - Definition of remuneration models
    - Selection of affiliate networks
    - Selection of affiliates

Implementation of affiliate marketing

Monitoring goal attainment and adjustments to the individual planning stages

Source: Olbrich et al., 2019, p. 115.

According to Olbrich et al. (2019, p. 114–117), merchants should derive dedicated, specific affiliate marketing goals from their overarching marketing goals, and establish these specific goals as the basis for further action. The interests of the stakeholders in the company’s **task environment** must be taken into account when setting goals. In particular, this includes customers, investors, employees, and suppliers. Merchants then define the target groups to be addressed using affiliate marketing tools. **Demographic data** and **psychographic criteria** are among the tools that can be used in target group segmentation.

Once the goals and target groups for affiliate marketing have been defined, the next step is to plan the affiliate sales network. The fundamental question that must be answered at this stage is whether the provider should implement affiliate marketing independently or involve an affiliate network. Suitable affiliates are identified in this phase of the planning process, regardless of whether merchants have decided to collaborate with an affiliate network. With an affiliate network, providers have a large pool of affiliates at their disposal. Merchants aiming to carry out their affiliate marketing independently must research, contact, and negotiate with suitable affiliates individually on the internet. Merchants select affiliates not only based on suitability (website, target groups, user appeal, etc.) but also on the basis of their objectives. Conversely, affiliates select the merchants they want to collaborate with based on reputation, advertising media design, and remuneration model offered. As a result, choosing advertising media and remuneration models is also part of planning the sales network. During this phase, providers should decide which advertising media they are going to use to promote their products, services, or company on affiliate sites. Merchants design these advertising media themselves and make them available to affiliates. However, some consideration must be given to what in-house personnel capacity and specialist expertise the offering company can provide, and whether the required advertising media fit both the advertised product and the affiliate website. The exact placement of advertisements on the website should also be agreed upon with affiliates in advance. As for remuneration models, merchants should decide during the planning phase which transactions they are willing to pay the affiliates a commission on and what the commission value will be. Here, there is a distinction between **cost-per-order (CPO)**, cost-per-lead (CPL), **cost-per-click (CPC)**, and cost-per-install (CPI) models. The parties can also agree to increase the commission value per transaction as the affiliate’s performance increases.

Once merchants have planned the sales network and all the fundamental criteria, the planned affiliate marketing is implemented. The performance of advertising media on affiliate websites and their contribution to the achievement of previously defined goals is monitored at all times, both while the affiliate measures are in progress and afterwards. This information is then used to optimize the configuration of the advertising materials and the actual offer, with a view to improving performance.

#### Process flow in affiliate marketing

During the planning phase of the sales network, providers must decide whether to organize their affiliate marketing themselves (private network) or have this managed via an affiliate network (public network) (Kamps & Schetter, 2020, p. 110–111). These two concepts are explained below.

The basic concept of affiliate marketing does not include affiliate networks: only merchants, affiliates, and customers are involved in the process.

**Task environment** The task environment

includes the perspectives and actions of company stakeholders, and it is the polar opposite of the general or macro environment (Macharzina & Wolf, 2008).

**Demographic data** This data provides information about entire groups of people or target groups, e.g., age, gender, language, profession, marital status, income, etc. (Ryte, 2021b).

**Psychographic criteria** Psychographic data contains subjective information about individuals, such as

motivating influences, needs, attitudes, values, hobbies, etc. (Advidera, n.d.).

**Cost-per-order (CPO)** Aremuneration model in which costs are only incurred when an order is placed or a purchase is made.

**Cost-per-click (CPC)** A remuneration model in which costs are only incurred when the advertiser’s advertising medium is clicked.

The expanded affiliate marketing concept allows for the inclusion of an affiliate network in the form of a communication platform for merchants and affiliates. Once merchants and affiliates have registered with a network (which is normally free of charge), the process flow for this concept is as follows (Kreutzer, 2021, p. 267–268):

**Step 1:** The platform puts merchants in touch with suitable affiliates.

**Step 2:** The merchant makes the self-prepared advertising media available to the affiliate network. The network grants selected affiliates access to these advertising media and to a customized affiliate link so that they can incorporate both into their website.

**Step 3:** A user visits the affiliate’s website, sees the merchant’s advertising media, and clicks on it.

**Step 4:** As a result of clicking on the advertising media on the affiliate’s website, the user is redirected to the merchant’s landing page or a page containing detailed product information, and makes a transaction (e.g., a purchase). A cookie is simultaneously set in the user’s browser, enabling user and purchasing behavior to be tracked.

**Step 5**: Based on this tracking, the network pays the affiliate the agreed-upon commission for the completed transaction.

**Step 6:** The merchant pays the network the transaction-based commission for the affiliate, as described in Step 5, and a percentage share of this commission as remuneration for the network’s services (Olbrich et al., 2019, p. 116).

**Step 7:** All facilitated transactions are tracked via the affiliate link and can be viewed and assessed by the merchant and affiliate in a report supplied by the network.

Figure 4: Implementation of Affiliate Marketing with the Inclusion of an Affiliate Network



Source: Kreutzer, 2021, p. 267.

In summary, the services provided by affiliate networks include mediating between merchants and affiliates, transmitting advertising media, tracking transactions, paying commissions to affiliates, processing cancellations, and reporting on the performance of merchants and affiliates (Kreutzer, 2021, p. 267–268).

There are, however, advantages and disadvantages associated with such networks:

* Advantages of the networks from the provider’s/merchant’s perspective:
  + The network already contains numerous potential affiliates, thus providing rapid access to suitable partners that the provider/merchant would otherwise have to source independently.
  + Affiliate platforms handle the entire process, meaning that the merchant does not have to pay commissions or bill a multitude of affiliate partners.
* Disadvantage of the networks from the provider’s/merchant’s perspective:
  + The network often retains a surcharge of 30% per commission paid (Steireif et al., 2021, p. 432).
  + In some cases, the network also charges a basic monthly fee.



**EXAMPLE**

Mr. Flower Arranger has his own blog in which he publishes interesting articles on building raised beds. He has expert knowledge in this field and operates as a publisher. In his last article, “Important things to consider when building raised beds,” he had the opportunity to include appropriate and useful product placements. As a result, Mr. Flower Arranger recommended a specific film for building a raised bed and created a direct link to the product on Amazon using an Amazon affiliate link. The first part of the link contains the address of the affiliate company (in this case, www.amazon.com), followed by the article designation and number, and finally Mr. Flower Arranger’s customized Amazon passcode. Customers are identified via this passcode and Amazon pays a commission for every purchase that is attributable to Mr. Flower Arranger.

Other online shops, insurance companies, banks, hotels, and media platforms in addition to Amazon also offer affiliate partner programs in the B2C sector. There are also various affiliate packages in the B2B sector, including business customer contracts in areas such as mobile communications, office equipment, workwear, business software, and marketing services.

#### Scaling of affiliate programs

Merchants and affiliates can opt for smaller or larger affiliate networks, depending on their goals. Affiliate programs can often be run relatively easily using proprietary software. They are usually cloud-based and offer an extensive range of functions in affiliate management, fraud prevention, analysis, and billing. Larger affiliate programs tend to be implemented via a platform. AWIN is the world’s largest affiliate network, with more than 241,000 merchants, an average of 260 affiliate registrations per day, around 21,200 brands, and around 194 million sales in 2021 (AWIN, n.d.-a; AWIN, n.d.-b).

Regardless of whether they opt for a proprietary affiliate program (private network) or an affiliate network (public network), merchants should handle the acquisition of affiliate partners themselves. Although networks do make this task considerably easier, providers should still be actively involved. By searching for suitable affiliates in parallel, providers can achieve greater reach and, consequently, increased sales, while avoiding additional payments to the network that will reduce their margin.

### Commission Models

As previously explained, a core feature of affiliate marketing is the transaction-based payment resulting from the target group’s defined and measurable response (Lammenett, 2019, p. 43). Unlike other performance marketing channels such as e-mail, video, or search engine marketing, a striking element of affiliate marketing is that the click itself is not a relevant indicator in remuneration (Olbrich et al., 2019, p. 118; OnlineMarketing.de, n.d.-b). Although a click on an advertising medium within the affiliate website does provide a valuable point of entry for interested parties, it does not necessarily mean that they will be converted, securing sales or leads. This is something of an advantage for merchants.

Typical billing models used in affiliate marketing are described below (Kamps & Schetter, 2020, p. 120–123; Kreutzer, 2021, p. 270–271). The contract between the partners determines the types of remuneration and customer actions that are of actual relevance to this process. The question of who assumes the greater risk – affiliate or provider – depends on the type of model chosen.

#### Cost-per-order (CPO)

Also known as cost-per-sale, this is the most common billing model in affiliate marketing. With this model, affiliates only receive the agreed-upon commission if the user actually completes the predefined transaction, e.g., a purchase, download, or subscription, and contributes accordingly to sales. Full risk is assumed by the affiliates. The CPO is calculated by dividing the overall sales costs by the number of sales.

#### Cost-per-lead (CPL)

Also known as cost-per-sign-up. With this model, affiliates receive their remuneration (usually a fixed commission) as soon as the user expresses interest in a merchant’s product and has been converted into a lead – for example, by registering for a merchant’s newsletter or entering their contact data in some other way (e.g., in a contact form or when downloading a whitepaper). In these instances, the risk is shared between provider and affiliate, because users have expressed an interest and can be contacted for other marketing activities, but have not yet made a purchase and, as a result, have not generated any sales. The CPL is calculated by dividing the overall lead costs by the number of leads generated.

#### Cost-per-install (CPI)

This billing model is predominantly applied to download products, in particular software and mobile apps. Affiliates usually receive payment in the form of a fixed commission as soon as the customer has downloaded a product or app. This can also include just a demo version. The CPI is calculated by dividing the overall installation costs by the number of installations.

#### Cost-per-click (CPC)

This model is used relatively infrequently in affiliate marketing. With the CPC model, affiliates still receive a commission even if the customer only clicks on the affiliate link. Full risk is therefore assumed by the providers, as a commission is paid regardless of whether the visitor immediately leaves or takes any further relevant action on the website. The CPC is calculated by dividing the overall click costs by the number of clicks.

A clear distinction between these remuneration models is not always possible in affiliate marketing. Where they occur in combination, for example if the cost-per-click and cost-per-sale remuneration models are combined, they are referred to as hybrid billing models (Kreutzer, 2021, p. 271; Lammenett, 2019, p. 77).

The billing models presented are based on tracking that is as reliable and consistent as possible for both merchants and affiliates.

### Measurement and Evaluation

Now that the various affiliate marketing remuneration models have been presented, it is important to address the tracking methods that can be used to determine when a customer has converted. For merchants, it is also highly important to gain an overview of the routes that users follow on their customer

journeys, the touchpoints they encounter, and the channels they ultimately use to make their purchase. Merchants can use various tracking methods for this purpose.

#### Tracking methods used in affiliate marketing

**Tracking** Collection and storage of data on user behavior.

**Cookie**

“Small text files that are stored locally on the user’s computer or other end device when the user visits a website” (Affiliate Deals,

2019).

**Cookie consent banner** A banner that appears when a user visits a website for the first time. It provides an overview of all cookies collected and allows cookies to be explicitly allowed or blocked (180° data

protection, 2020).

**Tracking** is important for calculating commissions based on transactions and for carrying out accurate evaluations of all user activities. Tracking is the collection and storage of customer data, which provides the basis for proper remuneration (Kamps & Schetter, 2020, p. 112). The various tracking methods that can be used in affiliate marketing are described below.

###### URL tracking

The relevant affiliate ID is recorded in the HTML source code as soon as the user reaches the affiliate website. The affiliate ID is then automatically added to the URL. A payment is made when the user carries out the desired transaction on the merchant website and the affiliate ID is transmitted to the offering party. This is a reliable method that works independently of the user’s browser settings (Lammenett, 2019, p. 64–65; Kreutzer, 2021, p. 272).

###### Cookie tracking

A **cookie** is stored on the visitor’s computer as soon as the visitor clicks on the affiliate’s advertising link. As a result of clicking on the link, the visitor is redirected to the merchant’s target page. The affiliate ID can then be read out and assigned after a predetermined action. The advantage of using cookies for tracking purposes is that any transactions that were not completed in the same session but at a later stage can still be assigned to the correct affiliates, given that most cookies have a lifespan of around 30 days. However, the disadvantage of this tracking method is that cookies may be blocked by the user, as a result of **cookie consent banners**,or may be deleted from the user’s browser. Users also have the option of surfing in incognito mode, which prevents cookie tracking (Affiliate Deals, 2018).

###### Database tracking

This method is technically based on other tracking methods. “With this method, the partner ID from the URL or cookie is stored in a database together with the customer ID” (Lammenett, 2019, p. 67). This ensures that subsequent transactions can still be assigned to the affiliate in the future. However, one disadvantage of this method is that the user can delete or block cookies, for example. Furthermore, when new affiliates successfully refer customers, these customers are not necessarily assigned to them, since the customers may already be stored in the database with an earlier affiliate ID (Lammenett, 2019, p. 67; Kreutzer, 2021, p. 272).

###### Session tracking

A session begins when the user visits a website. User data is recorded on a server and then tracked with a session ID, but this is only for a defined period immediately after clicking on the advertising medium. This allows all transactions such as clicks, newsletter registrations, filling out of forms, adding of items to the shopping cart, aborted purchases, and orders to be registered and combined to form a session. The advantage of this method is that it still works when cookies are deactivated. However, session tracking has the disadvantage of ending as soon as users close their browsers or switch off their computers, or when their sessions expire (Affiliate Deals, 2018; Lammenett, 2019, p. 66).

###### Postview tracking

Users can be assigned to a specific affiliate as soon as the cookie is set when an advertisement (impression) is displayed. The affiliate receives the commission simply as a result of the advertisement being viewed when the user visits the merchant’s website. This is achieved through the use of cookies, which is why the disadvantages associated with cookie tracking also apply here. Postview tracking is now largely restricted in affiliate marketing due to its frequent misuse via cookie dropping. Cookies are usually stored in the user’s browser when the user actively clicks on an advertising medium. With cookie dropping, however, these clicks are generated artificially. This does not require any specific action on the part of the user and can result in artificial commissions (Kamps & Schetter, 2020, p. 124).

###### Fingerprint tracking

Fingerprint tracking relies on the fact that certain user system data (IP address, operating system, web browser) is recorded, saved, analyzed, and stored in the network system as a fingerprint. Fingerprints are compared with order data and assigned every time an action is performed. The advantage of this method is that it works across different browsers (Affiliate Deals, 2018). Fingerprint tracking (also known as “fingerprinting”) is a “type of online tracking used across websites, which is more invasive than ordinary cookie-based tracking” (Mozilla, n.d.). If a user visits a website that uses fingerprint tracking, a unique and personalized profile is created for them. This can be based on various data such as operating system, web browser used, installed fonts and plugins, screen resolution, etc. The data that is actually tracked is dependent on the type of tracking technology used and the user’s browser settings (Mozilla, n.d.; ePrivacy, 2020). A distinction is made in fingerprinting between implicitly available data and explicitly available data. Implicitly available data is sent to the server automatically as soon as the user opens a website, whereas identifying explicitly available data requires additional technical effort. Once again, there is a distinction to be made between data that was originally intended to be identified in JavaScript (e.g., screen resolution) and

data that is identified using conventional means through additional JavaScript adjustments (e.g., installed fonts) (Meffert, 2023). Although fingerprint tracking is a relatively reliable way of counting visitors, since multiple visits by one person using one end device can be reliably assigned to that same person, an individual who uses different end devices to visit a website cannot be identified as one and the same (ePrivacy, 2020). Furthermore, there is the risk of violating the General Data Protection Regulation (GDPR). Significant penalties may be incurred as soon as personal data, including IP addresses, is collected, stored, and processed to create a specific user profile. This is because such data may only be stored “if security or functionality interests outweigh the site visitor’s data privacy,” which should not apply to an affiliate website that is operating commercially (Datenschutz.org, 2023). Mozilla also warns that fingerprinting is considered a detrimental tool, as there will always be site operators who continue to track user data over long periods, even if users have not consented to this, have deleted their browser history, or surfed in incognito mode (Mozilla, n.d.).

###### Pixel tracking

This method is concerned with proof of transaction for the affiliate network. First, a small image – the size of a pixel and therefore not perceptible to the user – is inserted as an image tag in the HTML code of the merchant’s website. This pixel represents the transaction tracking code and can usually be found on the “thank you page” that appears following the completion of a purchase in an online shop. The affiliate network requests this transaction tracking code and, as a result, learns that a purchase has been made for which the affiliate is to receive a commission. The code contains all important information about the transaction. The exact assignment to the affiliate is made via cookie tracking (Lammenett, 2019, p. 67).

When considering the different tracking methods, it is essential for merchants, affiliates, and affiliate networks to address data protection requirements thoroughly in the preliminary stages. Personal data such as names, addresses, and account details, in particular those of natural persons, is collected in the course of identifying user behavior and processing purchases in online shops in the B2C area. For this reason, particular consideration must be given to EU GDPR requirements when carrying out tracking in affiliate marketing.

#### Challenges in affiliate marketing

In affiliate marketing, tracking methods, billing models, and cooperation between the parties involved must all be addressed. This means that there are numerous challenges to overcome.

The business model used by coupon portals represents one such challenge for merchants. With this model, the prospective customer receives a coupon code on a coupon page, which is operating as an affiliate, that they can then use to make an intended purchase from the merchant. Affiliates often become involved in the purchase process just before a transaction

is completed via the merchant’s online shop. They then receive the agreed-upon commission without having prompted the purchase or having influenced it positively in any other way. However, the margin achieved by merchants is reduced by affiliates as a result.

The tracking process and the assignment of sales to the correct affiliates pose a challenge for affiliates. For example, if a user clicks on a merchant’s advertising material within the affiliate website and then deletes the cookies from his/her browser, it is then extremely difficult to assign the transaction to the right affiliate. Furthermore, if the merchant’s target page is not adequately aligned with the customer or geared toward achieving a conversion, this also negatively impacts commissions to affiliates. If the landing page or page containing detailed product information does not include helpful article descriptions, attractive product images, competitive prices, and a user-friendly checkout process, potential customers will terminate their purchases. Consequently, the affiliate does not receive a commission, despite referring a promising user, even though the termination of the purchase was not caused by them and even though they are unable to influence the content and technical functions of the target page.

Cookie tracking is the most common method of all and predominantly uses the “last cookie wins” principle, which is found on coupon portals or with cashback models, for example. Here, the affiliate who last had contact with the customer in an advertising context receives the full commission. All affiliates who also had prior contact with the same customer (e.g., when the customer clicked on the advertising material on the affiliate’s website) do not receive any remuneration. For this reason, affiliates tend to focus their attention on the last point of contact with the customer and deliberately ignore other key contact points along the customer journey, such as those that serve to generate attention or arouse greater interest. The original aim of affiliate marketing was, however, to acquire new customers for merchants that they would otherwise be unable to reach with their own marketing measures. As a means of counteracting this challenge, it is recommended that merchants use **attribution models** other than the “last cookie wins” principle (Kamps & Schetter, 2018, p. 106–107). However, implementing this in practice requires each merchant to examine the individual customer journeys of its target groups in detail. The growth factor for customer journey tracking, which is forecast in the 2021 Affiliate Trend Report, creates the essential basis for this. The following models represent further attribution methods (Kamps & Schetter, 2020, p. 171–174):

* **First cookie wins attribution:** The affiliate to establish initial contact with the customer in an advertising context receives the entire commission for a transaction.
* **Linear attribution:** All affiliates who are in contact with the customer in an advertising context along the customer journey receive an equal share of the commission for a transaction.
* **Ascending attribution:** All affiliates who were in contact with the customer in an advertising context receive an increasing share of the commission with increasing proximity to the point of conversion.

**Attribution models** Attribution models are used to determine which touchpoints are assigned a certain value in conversions (Google, n.d.).

* + **Descending attribution:** All affiliates who were in contact with the customer in an advertising context receive a decreasing share of the commission with increasing proximity to the point of conversion.
  + **Bathtub attribution:** Affiliates who were the first and last to establish contact with the customer in an advertising context receive the commission in equal shares.

A further challenge of affiliate marketing arises when customers use different end devices within their customer journeys, which hampers measurability. This problem is also found in cookie tracking, since cookies are stored on the user’s computer, smartphone, or tablet. For example, a user clicks on the corresponding advertising medium for the first time from a local computer but does not make a purchase. Upon visiting the affiliate website a second time, the user uses their smartphone, clicks on the banner ad, and carries out the desired transaction. Although the first visit, which did not lead to a transaction, and the second visit, which resulted in a purchase, were made by the very same customer, this individual cannot be identified as one person because different devices were used. As a result, the entire customer journey undertaken by the target person can be neither tracked nor traced.



**SUMMARY**

Online marketing is developing at a rapid rate in the digital world due to the introduction of new technologies and ever-changing consumer behavior. Affiliate marketing provides partner programs in this area, which can benefit all parties involved. Website operators make their internet platforms available for third-party advertising and earn commissions with relatively little effort. Merchants also benefit, as they are only required to pay a commission upon completion of the defined transaction. Affiliate networks serve as a platform enabling numerous merchants to interact with numerous affiliates, with participants performing many tasks in return for commission. The affiliate process is fast becoming a sales machine, thanks to its transparency with respect to participants, flexibility, tracking methods, and commission billing. Nevertheless, affiliate marketing does require close and extensive monitoring and calls for a good level of know-how.

Affiliate marketing also offers merchants numerous implementation options. For example, they can establish a proprietary partner program as part of a private network, giving them greater freedom, or they can operate via public networks and register with affiliate networks, which will help them find suitable publishers as well as relieving them of many other organizational tasks. Affiliates can also take numerous paths into affiliate marketing.

Regardless of whether they are running a content or blog page, a coupon portal, or a comparison portal, there are various ways in which affiliate marketing can be incorporated into an existing concept in order to earn commissions.

Individual billing models are largely determined by the merchant’s business model and specific goals. The cost-per-order model is predominantly used for online shop sales, the cost-per-lead model for new customer acquisition, and the cost-per-install model for software and app developers. Cost-per-click billing models are particularly advantageous for affiliates as they reward the actual referral service. However, to ensure that affiliates receive their commissions in the correct amount for executing the agreed-upon transactions, reliable tracking processes must be implemented. Cookie and URL tracking methods are often used in this context, but database, session, postview, fingerprint, and pixel tracking methods may also prove beneficial for various business models. As part of this process, it is important for merchants to monitor the customer journey undertaken by their target groups so that they can learn and pinpoint areas in which to improve their affiliate marketing. In terms of affiliate remuneration, merchants should also strive to extend the payment of financial rewards to anyone who introduces new and valuable users to their online shops, rather than providing payment based on the last customer touchpoint alone.

# UNIT 2

## E-MAIL MARKETING

##### STUDY GOALS

After completing this unit, you will be able to ...

* explain the process and the significance of e-mail marketing.
* describe e-mail marketing types.
* understand the concept of permission marketing.
* use appropriate measurement methods and carry out evaluations of e-mail marketing.

**2. E-MAIL MARKETING**

### Introduction

E-mails were introduced as early as the 1960s with the original aim of improving networking between scientific and military institutions and protecting them robustly against attack (Kulka, 2013, p. 27). Ray Tomlinson is regarded as the inventor of the internet; he sent the first e-mail to his employees in 1971. The first e-mail was received in Germany in 1984. Around 85 percent of Germans now use the internet to send and receive e-mails, with Denmark recording the highest proportion of e-mail users in Europe: 94 percent. The number of e-mail users worldwide is predicted to reach 4.59 billion by the year 2025 (Rabe, 2021).

Even though the majority of e-mails are deleted without being read, significant turnover is still generated from search engines and e-mails. In 2016, for example, 18 percent of the sales generated by US online retail was attributable to the use of e-mails, compared with 22 percent of sales through search engine optimization and 17 percent through text advertisements. The social web generated just two percent of the sales achieved (Schwarz, 2017, p. 17).

Because of these developments, more and more companies are stepping up their e-mail marketing activities. The success of e-mail marketing is partly due to the fact that, although only 20 to 30 percent of private e-mails are actually opened, the subject lines and the sender are read before the e-mail is deleted (Schwarz, 2017, p. 17).

In order to explain and classify the principles of e-mail marketing and the options it provides, the following section explains the importance and the role of e-mails as part of performance marketing.

### E-Mail Marketing as Part of Performance Marketing

E-mail marketing refers to the targeted distribution of e-mails to customers or potential customers for marketing and advertising purposes. It is used to transmit information (Holland, 2009, p. 71). The core aim of e-mail marketing is to intensify existing and new customer relationships.

Performance marketing encompasses electronic, success-oriented advertising (Schwarz, 2017, p. 25). These electronic advertising options include various online marketing channels, which trigger measurable reactions from advertisement recipients: for example, a click leading to a transaction, such as the purchase of a product. Campaigns based on performance marketing are usually built on modular models, which include various performance channels. The performance of each channel is measurable,

usually with **KPIs (key performance indicators)** (Kamps & Schetter, 2020, p. 3). Website traffic, shares, likes, comments, turnover, sales, customer contacts (leads), conversion rate, customer costs, customer acquisition costs, customer loyalty, and the return on ad spend (ROAS) are all examples of possible KPIs (Kamps & Schetter, 2020, p. 7). The following KPIs are examples of metrics used to measure the success of e-mail marketing (Kamps & Schetter, 2020, p. 79–82):

* **Delivery rate:** E-mails received by the actual recipients.
* **Bounce rate:** Verification of reachable e-mail addresses through proof of non-delivery.
* **Open rate:** Indication of how many e-mails have been opened.
* **Click-through rate (CTR):** Measurement of the clicked links in the e-mail.
* **Unsubscribe rate:** Number of users who unsubscribe from the e-mail distribution list after receiving the e-mail.
* **Spam rate:** Number of e-mails reported as spam.
* **Website traffic:** Increase in website visitors after sending out an e-mail containing the corresponding link.
* **Time on site:** Time spent by the user on the website after clicking on the link contained in the e-mail.
* **Time to purchase:** Elapsed time between distribution of the e-mail and purchase of the product offered therein.
* **Social media growth:** Increase in the number of followers on social media as a result of advertising via the recipient list.

An ongoing improvement in campaign results can be achieved based on these success measurements (Kamps & Schetter, 2020, p. 3).

The advantages of e-mail marketing lie in its low costs, high degree of relevance, and simple success monitoring. For users, the relevance of the transmitted information, the speed of transmission, and the inclusion of a simple response option are paramount (Holland, 2021, p. 398).

The goals of a performance marketing campaign must be precisely defined to remain aligned with the given target groups, and KPIs must be defined in parallel.

E-mail marketing strives to contrast with **spam** by adopting a targeted approach with high-quality content. In order to avoid automatic classification as spam by e-mail programs, advertisers must consider factors such as subject lines and sending frequencies. While people do not normally accept spam, advertisers’ e-mails are only aimed at individuals who have an explicit interest in their content and who have consented in advance to receiving these messages (Kamps & Schetter, 2020, p. 73).

**KPI = Key performance indicator**

A KPI is a metric used to assess how a company is performing and implementing its strategic vision. A KPI, or a group of KPIs to be precise (as KPIs rarely exist in isolation), is a form of language that can be used not only to measure the effectiveness of web projects, but also to state their prospects of success (Warren, n.d., p. 5).

**Spam**

Spam, often referred to as junk, primarily describes unsolicited messages that are sent electronically and frequently contain advertising (IT Service Network, n.d., n.p.).

E-mail marketing can take a variety of different forms. For example, e-mails can be sent on a one-time or regular basis and can consist of purely text or a mixture of text and images. Some e-mails can even contain rich media elements (videos). The success of this form of advertising can be easily measured by counting the number of clicks on the video (Kamps & Schetter, 2020, p. 73).

A distinction is made between the following market participants in the context of e-mail marketing:

Table 2: Market Participants in E-Mail Marketing

**Advertisers**

These are advertising companies who are looking to sell their products and services and therefore send e-mails based on customer data or place advertisements in third-party newsletters.

**Agencies**

Collect extensive address data from various areas of interest and offer the data to advertisers for a fee. Unlike address dealers, agencies send the e-mails on behalf of the advertisers.

**Address dealers**

Address dealers sell or rent e-mail addresses for various target groups, enabling advertisers to send messages outside of their dedicated target groups. The advertisers must send the e-mails themselves, once the addresses have been provided.

Source: Kamps & Schetter, 2020, p. 74.

**Recipients**

A group of people who have consented to receiving newsletters and promotional e-mails.

E-mail marketing can be used throughout the customer relationship life cycle and is a suitable means of doing the following (Kreutzer, 2021, p. 187–198):

* contacting potential customers, for example, using rented e-mail addresses,
* establishing contact with interested parties (by including their e-mail address on a website, for example),
* providing services in the pre-sales, sales, and after-sales phases,
* delivering digital products such as information, e-books, and certain data and files,
* enhancing customer relationships by sending out surveys to identify needs and levels of satisfaction.

#### Innovations

As part of an experimental study, e-mail marketing was analyzed to determine how videos affected selected constructs of consumer behavior (Hampel et al., 2013, p. 58). The use of online videos expands e-mail marketing to include an active element, thus expanding consumers’ attention and perception via “narrative, selling, teaching, motivating, instructing, and/or entertaining components” (Holland, 2008, p. 19).

The results of the study show that integrating videos combines entertainment, advertising, and information, which generates greater attention and has a positive effect on consumer attitude. Advertisers thus achieve considerably higher success rates with video e-mails than with purely text-based e-mails (Hampel et al., 2013, p. 67).

#### Problems associated with e-mail marketing

The problems and issues associated with e-mail marketing are extensive, ranging from content-related to conceptual and legal. The core problems associated with e-mail marketing are (Lammenett, 2021, p. 86–101):

* acquiring addresses,
* solving spam filter and blacklist problems,
* recognizing content-related and conceptual problems,
* making allowances for technical problems,
* clarifying legal problems.

The subject of acquiring addresses will be dealt with in greater detail later. Spam filter and blacklist problems arise when dispatched e-mails fail to arrive in recipient inboxes because they were removed or intercepted by **firewalls**, blacklists, and spam filters (Lammenett, 2021, p. 86). According to US filter specialist Message Labs (which has since been taken over by the company Symantec), more than 89.4 percent of all e-mails sent worldwide in 2010 were spam. Therefore, firewalls, blacklists, and spam filters seem to be entirely appropriate deterrents. Spam filters, which check “the content of an e-mail based on certain criteria, expressions, or keywords” and simultaneously check whether the sender appears on a blacklist, are used to prevent the arrival of spam (Lammenett, 2021, p. 87).

These spam filters do pose a problem for legitimate companies sending e-mails, however, since they often block newsletters. Thus, the newsletters are rejected as spam rather than reaching the inbox and cannot be read. This leads to a fall in the average e-mail open rates. In fact, the open rate fell from around 56.5 percent in 2003 (Lammenett, 2021, p. 87–89) to around 20.6 percent in 2020 (Kinsta, 2022, n.p.). According to lists generated by Spamhaus, billions of e-mails are intercepted by spam filters. Well-known **Spamhaus** lists are SURBL and URIBL (Lammenett, 2021, p. 87–89).

#### Legal principles

The German Association for the Digital Economy (BVDW) draws on expert knowledge in an effort to eliminate development-inhibiting barriers among e-mail service providers, dialog agencies, and companies using e-mail marketing. This includes creating a sustainable customer relationship that aims to avoid simple “impulse purchases” (Bauer et al., n.d., p. 1) as well as, simultaneously, developing adapted and sustainable digital concepts in accordance with data protection law. These sustainable concepts include the scope of planned data collection, the documentation of recipient subscription and unsubscription

**Firewall**

A firewall monitors access on the basis of identity, carries out filtering, modifies data, conceals structures, and audits events that have security implications (Roedig, 2002, p. 9).

**Spamhaus**

A non-profit organization that generates and maintains blacklists of e-mail marketers who have attracted negative attention. Their lists contain servers which have been declared as spam.

processes, the scope of the required consent, and the formal and technical safeguarding of the requirements developed. A holistic approach is adopted, focusing on three pillars: e-mail marketing, service communication, and business communication (Bauer et al., n.d., p. 1).

In Germany, e-mail marketing is regulated by the following laws (Schwarz, 2021, p. 99):

* “Civil Code (BGB),
* Unfair Competition Act (UWG),
* Teleservices Act (TMG),
* General Data Protection Regulation (EU-GDPR).”

The current version of the GDPR was published in 2018 (dejure.org, n.d., n.p.). The General Data Protection Regulation applies to the processing of personal data in the European Union as well as the legal regulation of e-mail marketing. The following aspects of these data protection requirements must be observed in relation to e-mail marketing (Intersoft consulting, n.d., n.p.):

* The processing of personal data is only deemed lawful if the persons concerned have given their consent or if there is a legal reason for doing so.
* According to the GDPR, a legal reason constitutes a legitimate interest on the part of those responsible for certain types of customers (e.g., existing customers).
* In principle, the persons concerned can always reject the processing of personal data after viewing information about the use of their data. By law, this information must be provided.

### Types of E-Mail Marketing

E-mails are used in different ways and forms. The key forms of e-mail marketing are:

* + - “The stand-alone campaign/e-mail,
    - newsletters,
    - enhanced newsletters, and
    - the e-mail responder” (Lammenett, 2021, p. 84–86).

The stand-alone campaigns that are often used for market launches are usually of limited duration and are used to advertise new products, services, or companies with a specific target group in mind. Stand-alone campaigns are also used successfully for market launches, or to step up advertising for seasonal goods and services. The stand-alone e-mail can be regarded as a counterpart to traditional direct marketing and is usually composed of one or multiple mailings (Lammenett, 2021, p. 84).

**Newsletters** are regularly used as a means of engaging customers and potential buyers for the longer term. This often involves creating communication opportunities in order to make new offers available to customers. Magazines and service agencies, for example, issue newsletters on a daily, weekly, or monthly basis. Implementing a newsletter campaign calls for a professional e-marketing tool and a considerable degree of effort (Lammenett, 2021, p. 85).

The enhanced newsletter summarizes information from several companies and is generally used when the costs associated with a regular newsletter are too high for the individual companies involved (cooperation partners). For an enhanced newsletter to be successful, the companies involved should not be in competition with each other, an interesting mixture of news should be created for customers, and a high degree of acceptance should be created, so that there is a significant increase in the click rates (Lammenett, 2021, p. 86).

In the case of the e-mail responder, the required information is transmitted automatically, with the customer leading the activity. Customers enter their e-mail address in a request form and receive the required information within minutes (Lammenett, 2021, p. 86).

Holland (2021, p. 398–399) expands the forms of e-mail marketing to include multi-stage e-mail campaigns, transactional e-mails, **trigger e-mails**, and interactive e-mails.

In multi-stage e-mail campaigns, e-mails that build on each other are sent out at a given interval with the aim of achieving cross- and up-selling following a purchase, for example (Holland, 2021, p. 399).

Transactional e-mails are used in connection with business cases and can be used to acknowledge receipt, send out satisfaction surveys, or distribute information on caring for and using purchased products, for example. Transactional e-mails serve to build trust and aim to prevent, or minimize the risk of, a business relationship being terminated (Holland, 2021, p. 399).

Trigger e-mails, which are controlled by rules and relate to specific events, are used for birthdays, anniversary mailings, and cross-selling campaigns. These e-mails tend to receive greater attention due to the fact that their content is highly relevant to their recipients (Holland, 2021, p. 399).

The advantage of interactive e-mails is that they encourage users to take action, and readers no longer have to exit the actual message, thus removing the previous click hurdle (Holland, 2021, p. 399).

**Newsletters**

These have “established themselves as an effective customer acquisition and retention tool” (absolit, 2019, p. 4), although sending generic e-mails, which are not targeted at specific individuals, remains popular (Episerver, 2019, p. 17).

**Trigger e-mails**

These are rule-controlled or event-related mailings or cross-selling campaigns, which receive greater attention from recipients due to their relevance (Holland, 2021. p. 399).



**EXAMPLE**

Uber’s e-mail marketing is convincingly straightforward. The transport company informs its customers and users about offers and promotions by e-mail. The core message is introduced with a brief description. This is followed by a clearly visible CTA (call-to-action), allowing subscribers to quickly skim through the e-mail. Subscribers wishing to know more about the e-mail or offer need only scroll down to find precise explanations about how they can use the offer. Brand design is seamlessly adopted in Uber’s e-mails, website content, app, and social media. The traditional color scheme and geometric patterns are used in all messages, giving a uniform appearance to all the company’s marketing and communication media (Cox, 2023).

### Permission Marketing

Godin, the vice president of Yahoo Direct Marketing, describes permission marketing in a single sentence: “Turning strangers into friends and friends into customers” (Godin, 1999).

The development of an e-mail marketing campaign requires certain things, the most important of which is the generation of addresses. In order to generate addresses, future recipients must give their explicit consent.

E-mail addresses can be obtained and procured in a number of different ways (Kreutzer, 2021, p. 18–19):

* + - customers visiting a proprietary website,
    - orders and surveys,
    - brick-and-mortar businesses,
    - telephone contact.

The acquisition of e-mail addresses should be rigorous and take place via various routes and channels. Every dialog with interested parties and customers should be used to acquire new e-mail addresses (Kreutzer, 2021, p. 19).

Quality of customer data is also of great importance to the subsequent campaign. Wand and Wang (1996) describe four requirements that high-quality data must fulfill: the data must be correct, complete, unambiguous, and meaningful (Wolters, 2020, p. 31).

The customer’s active and clear consent (permission) serves as the basis for promotional messages. The aim in permission marketing is to obtain this consent via various channels. Permission marketing is a method used by companies to expand customer contact, with a view to individualizing and personalizing the customer relationship (Wissmann & Theisen, 2012, p. 4).

Consent to receiving electronic communication is both a necessary element and a basic requirement in ensuring that e-mail marketing can be used sustainably and legally (Strzyzewski & Karpa-Tovar, 2019, p. 287). Strzyzewski and Karpa-Tovar (2019, p. 287) view permission as a core principle composed of the following points:

Table 3: Permission as a Core Principle

*Point(s) Explanation(s)*

|  |  |
| --- | --- |
| *Consent* | A clear and explicit declaration of intent about the recipient’s consent is required. |
| *Choice* | Recipients can determine the content, frequency, and preferences themselves. |
| *Clarity* | The subscription process is straightforward and clear. |
| *Confirmation* | The subscription process is verifiable and must be confirmed. |
| *Control* | Recipients must be able to unsubscribe at any time. |
| *Confidence* | Senders must be identifiable at all times and the messages transmitted must be neither intentionally distracting nor illegal. |

Source: Strzyzewski, 2014, p. 287.

Wissmann and Theisen (2012) examined the determining factors that increase consumers’ willingness to consent to dialog marketing measures, conducting extensive literature research in order to present the most relevant measures and factors. The results of this study can be summarized as follows: The internet, direct mailings, and e-mails have proven to be indispensable measures and channels. Confidence in the provider and offered benefits are the most important factors. The elimination of concerns about privacy, basic attitudes toward direct marketing, and possible previous experiences with the company are all decisive factors for consumers when considering giving consent (Wissmann & Theisen, 2012, p. 6–7).

Consent given via the internet cannot be accepted in the same way as consent given in person or by telephone and requires confirmation that the specified individual is indeed the correct person. The method used to obtain this confirmation is referred to as the “double opt-in,” in which the consenting person receives an e-mail containing an activation link. If this link is clicked, the activation process is regarded as complete. Although there are, in fact, four methods available for giving electronic consent,

only the double opt-in method is recommended. However, for the sake of completeness, the other three methods will be described in brief. First, there is the opt-out method. Usually displayed below an e-mail, it is mandatory in the same way as the opt-in method and prevents users from being exposed to uninteresting spam (ePharmalnsider, 2019, n.p.). Second, with the single opt-in method, consent is obtained via a website, but the customer does not receive a confirmation e-mail. Finally, the confirmed opt-in method requires the customer’s consent; a confirmation e-mail is sent, but contains an unsubscribe function (Schwarz, 2005. p. 3).

The customer’s permission is only temporary, since Permission Marketing accepts the applicant’s freedom of choice, and the consumer can withdraw their permission at any time. For this reason, recipients must be given the opportunity to opt out, i.e., to unsubscribe, each time they are contacted. This function can usually be found in the small print at the end of the e-mail (Sagebiel, n.d., n.p.).



**EXAMPLE**

A company is looking to acquire additional customers. As a financial institution, the company offers continuous information on stock trading. As a special bonus, customers are gifted “a manipulation budget of €25” for initial stock trading with the institution when they subscribe to the newsletter. Customers are free to use this budget as they see fit when stock trading with the institute. The offer is presented on the financial institute’s website in combination with a very brief but eye-catching video, which shows and introduces successful customers of the company engaging in stock trading. Many new customers and e-mail addresses are acquired as a result of the offer.

### Measurement and Evaluation

The responsibility for measuring and evaluating e-mail marketing falls to Controlling. Key performance indicators play a key role in this process: various KPIs are used to evaluate the success or failure of e-mail campaigns. The data used in these evaluations can be recorded quickly, usually in real time, and powerful software programs can display the corresponding key performance indicators immediately. Several key performance indicators used in e-mail marketing controlling are shown below (Kreutzer, 2021, p. 52):

Table 4: Selected Key Performance Indicators Used in the Controlling of E-Mail Marketing

**Key performance indicator  
(in %)**

**Formula**

|  |  |
| --- | --- |
| Delivery rate | = Dispatch volume*−*Bounces \* 100 Dispatch volume |
| Bounce rate (total) | = Number of hard and soft bounces \* 100  Dispatch volume |
| Hard bounce rate | = Number of hard bounces \* 100  Dispatch volume |
| Soft bounce rate | = Number of soft bounces \* 100  Dispatch volume |
| Net open rate | = Opens \* 100  Delivery quantity |

Source: Kreutzer, 2021, p. 52–53.

**Bounce management** is based on specified work instructions, which determine, for example, whether each hard bounce should be deleted immediately or re-delivered at a later stage (Kreutzer, 2021, p. 39). If an e-mail address is rejected as undeliverable, for example, checks can be carried out to determine whether it is up-to-date and correct. Depending on the results, the address is either kept in the database and updated if necessary or deleted from the database.

**Bounce management** Not all e-mails and e-newsletters are deliverable. If a message is undeliverable, a bounce message is generated by the relevant e-mail server.



**CALCULATION EXAMPLE FOR AN E-MAIL CAMPAIGN**

A municipal sports center sent 4,870 e-mails to its customers as part of a customer advertising campaign offering an extension of the validity period at a particularly favorable rate. A total of 892 e-mails were hard and soft bounces. The delivery quantity is calculated using the following formula:

*Dispatch volume*

*Delivery rate* = 4,870*−*892/4870 \* 100

*Delivery rate* = *Dispatch volume−Bounces* \* 100

The above calculation gives a delivery rate of 81.68 percent.

Of the e-mails sent, 576 were opened. The open rate must be calculated. It is important to note that the delivery quantity is equal to the dispatch volume minus the bounces (not the gross dispatch volume). The formula for the open rate is:

*Net open rate* = Openings \* 100

*Delivery quantity*

*Net open rate* = 576/3978 \* 100

(Kreutzer, 2021, p. 39).

The net open rate is 14.48 percent.

A/B tests are often used to optimize e-mail campaigns. In an A/B test, slight changes are made to individual elements of the original version and the target group is divided into a Group A and a Group B. The reactions of the respective groups are measured and the results of the comparison show which of the versions received a more positive response from the customers (Digital Guide Ionos, 2016, n.p.).



**SUMMARY**

Due to the increasing use of e-mails as advertising media in both the private

and business arena, e-mail marketing is playing an increasingly important role.

By specifically addressing customer target groups, wastage can be kept to a

minimum. Thanks to a variety of available application types, e-mails can be

tailored specifically to particular target groups. Permission marketing is

based on customer consent and is helpful for categorizing recipients in a

campaign context, as it can be used to identify certain interests and

preferences. The advantages of e-mail marketing lie in its low costs,

high degree of relevance, and simple success monitoring. For users, the

relevance of the transmitted information, the speed of transmission, and

the inclusion of a simple response option are paramount.

# UNIT 3

## CONTENT MARKETING

##### STUDY GOALS

After completing this unit, you will be able to...

* analyze the importance and the process of content marketing.
* describe types of content marketing.
* assess approaches and goals pursued in content marketing.
* name measurement and evaluation methods.

**3. CONTENT MARKETING**

### Introduction

Our previous understanding of marketing and its associated information overload is almost at its limits, particularly in modern industrial societies. An increasing amount of capital is needed to operate the marketing machine and keep it running over the long term (Olbrich et al., 2019, p. 1–4).

The current situation can be compared to a fisherman trawling the ocean with large nets, forced to cover ever-increasing distances and use increasingly large nets to achieve the same success at the end of the day, that is, to head back to port with a similar yield of fish. This form of fishing corresponds to classic or traditional marketing measures.

**Content marketing** Content marketing consists of informational, advisory, and entertaining content.

**Customer centricity** The company thinks through the entire process from the customer’s perspective and bases its decisions on the needs, desires, and attitudes of the target group.

By contrast, if the fisherman were to use **content marketing**, he would no longer need to go out to sea. He could sit and relax on the jetty, throw his fishing rod into the water, and the fish would come entirely of their own accord. How does this work? The fisherman has to choose the right bait, i.e., the right content, as an attractant. Cost and time outlay are significantly reduced as a result: the angler simply sits there, waits until a fish takes a bite, and then reels it in (Heinrich, 2020, s.v.). Naturally, this begs the question of what the right content is. This is precisely where the benefits and function of performance marketing come into play. With this new form of marketing comes an understanding that, contrary to original marketing views, gut instinct and intuition are no longer sufficient to survive in a large shark pool of countless competitors offering practically interchangeable products. Focusing on customers and their needs is essential for efficient and effective marketing. **Customer centricity** is the most effective concept when deciding on the right bait. Leaving the jetty as the most successful fisherman at the end of the day calls for more than just the offer itself; although it is important to underline the benefits of the products and services offered, this represents just a small part of the target person’s wide range of interests. Consumer interests should be addressed in their entirety in order to generate enthusiasm, even if the product on offer can only serve a miniscule part of their overall interests (Heinrich, 2020, p. 17).

### Content Marketing as Part of Performance Marketing

Companies have numerous opportunities to make contact with consumers in order to draw attention to themselves, their new products, or their services. In the early days, companies primarily used mass media channels to spread their communication to a very wide audience. In today’s **digital** age, however, there are numerous other channels at their disposal in addition to TV, posters, radio, and newspapers, such as the broad spectrum of the social media world, search engines, banners, and websites, to name just a few. The saying “Content is King” is paramount today. This new form of marketing is much more than just a buzzword: it has been a popular and established practice for several years and, according to Heinrich (2020, p. 1), it has cost many a top dog valuable market shares that they were forced to concede to unprecedented newcomers. But what exactly is content marketing? According to the definition provided by the German Association for the Digital Economy (BVDW), it is “the data-supported planning, creation, distribution, measurement, and optimization of content that is sought, required, and valued by clearly defined target groups in an individual moment of attention, and which triggers an action that is in keeping with the overarching corporate goal” (BVDW, 2022). A brief summary of important milestones and historical developments is provided below, explaining why a change in thinking is needed and why, according to Heinrich (2020, p. 1), conventional marketing is becoming less important, particularly in an age of progressive digitization.

#### History and development

There has been a significant change in framework conditions since the 1970s, caused by the transition from a seller’s market to a buyer’s market. Companies are facing new challenges, due not only to the constant emergence of new providers but also to the introduction of numerous new distribution channels. These channels have emerged in large part because of the advent of the internet and smartphones combined with the resulting changes in consumer behavior. Today, pure sales obtained through cut-throat competition between competing providers offering almost interchangeable product ranges is no longer the name of the game. Instead, it is about offering the right customer the right product at the right time, in the right place, and in the right way (Hoffmann & Akbar, 2019, p. 6; Solomon, 2018, p. 44). However, this is no mean feat! Although the number of contact options or touchpoints between consumers and companies may have reached an unprecedented high, the attention span of **hybrid consumers**, who are at home in both the online and offline worlds and can switch seamlessly between various options, is now shorter than ever. It should therefore come as no surprise that around 98 percent of all advertising measures do not achieve the desired effect (Esch, 2018, p. 30). But what specifically has changed and how did this change come about? Current megatrends brought about by technical progress, such as globalization and digitization, combined with growing sustainability awareness, have led to an inflation of brands and products. These new brands and products make it possible to cover a wide variety of consumer needs and break the market down into segments step by step, continuously giving rise to new innovations and internationalized markets. The range on offer

**Digital**

In contrast to the analog sector, people, technology, and machines are being increasingly networked within the framework of digitization.

**Hybrid consumers** Consumers use both online and offline channels and switch seamlessly between the analog and digital worlds.

has never been greater, and there is currently no end in sight to this diversification (Esch, 2018, p. 25–26). Another recent phenomenon is the inflation of communication options (Esch, 2018, p. 27), which has resulted in 24/7 availability and virtually unlimited access to information becoming the new norm for 21st-century consumers (Solomon, 2018, p. 6). Particularly in saturated markets for interchangeable products with consistently high quality standards, competition seems to be shifting increasingly toward communication (Esch, 2018, p. 27). The divided attention of overwhelmed customers, combined with the secondary phenomenon of **customer confusion,** means that companies’ advertising initiatives go unnoticed, miss their target, and burn large holes in marketing budgets. Unsurprisingly, therefore, the extreme flood of stimuli and overabundance of information quickly pushes end consumers to their limits and generates increasing confusion and overload rather than providing relief (Esch, 2018, p. 30; Uhl, 2020, p. 7). What do consumers do to avoid getting lost in the sea of communicative measures? Unconsciously, they have developed various strategies and mechanisms to escape “customer confusion” and bring simplicity to inflated communication options:

* **Isolation**: Consumers turn their backs and try to escape the entire flood of brands and communication.
* **Sidestepping or dodging**: Consumers choose well-known and proven brands or ranges, and either postpone purchasing decisions until a future date or abandon them.
* **Simplification**: Consumers rely on seals of approval (e.g., from the German Stiftung Warentest organization), trust in recommendations from friends, or consciously base their purchasing decisions on certain criteria, such as the most attractive price.
* **Picking**: Consumers only pay attention to information that draws their attention, that they like, or that they find interesting.

This is precisely where “new marketing” – a term coined by Heinrich (2022, p. 2) – comes into play. This is a revolutionary form of marketing that adapts to current developments and behavior patterns, principally on the part of consumers, and is “unobtrusive and only instigated when the interested party requests content. It becomes dormant again at the consumer’s request. The interested party is thus responsible for controlling the intensity and quantity of marketing messages” (Heinrich, 2020, p. 2). As a result, Uhl (2020, p. 7) concludes that a change from a push-based to a more pull-based form of communication is required. One-way street communication composed of ready-made content distributed via **paid media** is reaching its limits in terms of attention, credibility, and effectiveness, particularly in today’s fast-paced, overstimulated, and inflationary world. It is precisely under such conditions that attention is generated by subjectively relevant content, not the mass of contact points. Credibility has to be worked for and earned; it is continuously developed through the build-up of trust, which is gained by generating journalistic and valuable editorial content and by obtaining recommendations from trusted individuals. For this reason, paid media is constantly being expanded to include, and in some cases is even being replaced by, **earned media**. Nonetheless, paid media does play a key role in new customer acquisition and in increasing both visibility and reach. In contrast to public relations, which can be assigned to the category of earned media, the company assumes full control of content in paid formats. A company can even become a media company itself through the use of **owned media**, such as a proprietary homepage, Facebook account, or blog. Tropp explains the impact on brand communication, for example, as follows:

“Brands generate media: Instead of buying advertising time and space, more and more brands are investing in their own information and entertainment packages known as brand media (‘owned media’). They are marking the dawn of a new evolutionary era in brand communication” (Tropp, 2013, p. 4, quoted in Uhl, 2020, p. 7). It should therefore come as no surprise that companies are increasingly jumping on the content marketing bandwagon and reallocating their budget from classic measures to the numerous new forms (Uhl, 2020, p. 8).

**Customer confusion** Increasing confusion and disorientation among consumers caused by the high number of incentives and extensive stimuli from the environment.

**Paid media** This includes all forms of paid advertising.

**Earned media**

Here, companies draw on multipliers such as influencers who communicate on independent channels.

**Owned media** This includes all channels that belong to the company.

#### What is Content Marketing?

The first step to clarify the actual meaning of content marketing and its classification in the context of performance marketing.

Over time, participants from various disciplines have developed their own understanding of the topic, carved out a definition specific to an area, and recorded the corresponding core elements that constitute content marketing. Ultimately, it is insufficient to describe everything that has content as content marketing (Uhl, 2020, p. 32). Five core elements can be derived from the conceptual work based on the various approaches adopted by internationally active experts, which summarize content marketing as we understand it (Uhl, 2020. p. 34):



**CORE ELEMENTS OF CONTENT MARKETING**

1. Content marketing is regarded as a basic principle of communication work and can be used “in dialog with all internal and external stakeholders.”
2. In content marketing, the aim is to pursue both economical and communicative goals, such as increasing turnover or brand awareness.
3. Content marketing focuses on content that is relevant to the recipient and works based on the **pull principle** (it attracts the fish).
4. In content marketing, content is edited using journalistic forms of representation.
5. The positive effect of content marketing can be used online, offline, and across media, as not only channel-specific requirements such as search engine relevance and **targeting** are taken into account, but also the haptic effects of analog measures and physical sales channels.

**Pull principle**

In contrast to the push principle, which tries to bring products to the consumer, the products attract the consumer with the pull principle.

**Targeting**

Measures are tailored to individual users based on existing customer data in order to avoid wastage and increase conversion.

**NOTE**



Content marketing is a strategic marketing approach that creates added value by supplying users with relevant content. Against this background, the aim is to address clearly defined target groups and convert them into long-term, profitable customer relationships (Lammenett, 2019. p. 318). Due to the highly journalistic way of working, which allows for promising customers benefits and substantiating them with evidence and content, repeated reference is made to “branded journalism,” particularly in the US (Hilker, 2017. p. 3).

**SEO**

“Search engine optimization is a method of increasing access to a website, both quantitatively and qualitatively, via unpaid placements in the results pages of a search engine” (Grunert,

2019, p. 44).

Content marketing refers to informative, advisory, and entertaining content that is used to address the aforementioned segment of the target group (Lammenett, 2019, p. 318), in order to convince the target group of the brand, the company, and the range of products and services on offer. The presence and hype surrounding the topic arose mainly due to online marketing and particularly **SEO** (Lammenett, 2019. p. 318), since the algorithms used by large engines also work on a user-oriented basis. To be listed as a top ranking, it is now crucial to provide customers with relevant content that meets their expectations and thus provides satisfaction. It no longer suffices to simply optimize the heading of page title using certain frequently searched key terms. The big picture – i.e., the added value of the entire content of a website – is what matters (Lammenett, 2019, p. 319).

Content marketing is by no means a new concept, nor should it be regarded as such. The pharmacist Oetker was one of the first entrepreneurs to apply the principle of gifting valuable content. He included baking recipes on his Backin baking powder packaging in a bid to inspire his customers to bake (Heinrich, 2020, p. 2). The same approach was also adopted by agricultural machinery manufacturer “John Deere,” who published a newspaper containing practical tips for farmers (Heinrich, 2020. p. 3). Michelin is, however, viewed as the main founder of this form of marketing.



**DIGRESSION: MICHELIN**

The company Michelin is essentially known for two things; car tires and restaurant stars. Although many people may have regarded these as two completely different beasts, the two companies are in fact related. The tire manufacturer Michelin faced the challenge of selling more tires at a time when driving a car was expensive and therefore reserved for the richer population groups. In order to encourage more people to drive and thus increase the wear on their tires, Michelin published a street

map containing picturesque driving routes. This map has been expanded over time to include top restaurants that could be found along the route. This ultimately formed the basis of the subsequent Michelin Guide, containing today’s star ratings. As you can see, the Michelin Guide was originally just a marketing measure targeted at selling car tires (Heinrich, 2020, p. 3).

Herein lies the idea of content marketing: Rather than relying solely on direct advertising messages and sales promises, content marketing uses useful content that works as stimuli, establishes contact, and ultimately aims to win over customers (von Hirschfeld & Josche, 2018, p. 4). Consequently, content marketing is based on the fundamental principles of inbound marketing, according to which the company is actively sought and found by the customer. In contrast, classic advertising, which is classified as outbound marketing, tends to draw attention more forcefully (von Hirschfeld & Josche, 2018. p. 4).

Naturally, things are not always clear cut. Depending on the objective and starting point, it may be appropriate to adapt certain classic advertising measures and integrate them into the individual content strategy. A startup wishing to achieve high degrees of penetration in a very short period of time could, for example, generate awareness much faster in the short term by using paid advertising (von Hirschfeld & Josche, 2018, p. 4–5). Accordingly, a strict line between “classic” and “new marketing” is not required in distribution – the sweet spot often lies between the two and extends the range of possibilities.



**DIGRESSION**

A description of the basic characteristics of content marketing and how these differ from classic marketing is provided below (Koop, 2022; von Hirschfeld & Josche, 2018, p. 4)

* Topics and content instead of messages,
* Attention and interest based on relevance instead of communication pressure,
* Generating beneficial value for the customer instead of internal value,
* Multi-channel instead of single-channel,
* Pull instead of push,
* Dialog instead of one-way information,
* New customer acquisition via search engines and social media instead of paid media,
* Unobtrusive and indirect instead of direct sales intention,
* Social networking and interaction instead of pure **distribution**.

**Content distribution** This refers to the distribution of content.

#### The content marketing process

Evidently, content marketing is about much more than just creating and distributing editorial content. Success requires a strategy and a concept. Therefore, successful content marketing is based on a five-step process that helps to make decisions easier, save resources, and avoid poor investments – in other words, to be more successful and efficient in achieving set goals, as is inherent in performance marketing (Heinrich, 2020, p. 71; von Hirschfeld & Josche, 2018, p. 15).

1. Everything starts with the **analysis phase**, which examines the current situation. First, the target group of the content and the goals or purpose of the content marketing should be clearly defined. Existing keyword research from search engine marketing may also prove helpful here. An important question to consider during this phase is what purpose content marketing ideally serves. It is advisable to view the situation from the target group’s perspective when answering this question (Heinrich, 2020. p. 71).
2. The topics and content to be covered are then defined in the second **conception** phase. Once again, the needs of the target person must be reflected upon in this step and form the focal point of the analysis, as only the topics that are relevant to them will provide actual added value. Cost factors alone are irrelevant here and should be avoided in this context. A clear topic also gives the entire strategy greater depth and breadth (Heinrich, 2020, p. 72). Managing the balancing act between topics that are relevant to the target group and those that are suitable for positioning is probably the biggest challenge here, particularly as brand dilution would also waste money unnecessarily and have undesirable long-term effects. Ideally, companies should aim for the so-called “sweet spot” when selecting topics, which forms the intersection between the expert knowledge available in the company and the information requirement of the target group (von Hirschfeld and Josche, 2018, p. 26).

Figure 5: The Sweet Spot



Source: von Hirschfeld and Josche, 2018, p. 26.

1. The **production phase** involves the concrete creation of the content that was roughly planned in the conception phase. The content is now regarded as a product that needs to be developed and marketed (von Hirschfeld & Josche, 2018. p. 29). This involves giving the approximate construct a face by selecting specific formats and media and deciding on the design and method of implementation. This step requires close cooperation between the strategy department and – depending on resources and chosen media – copywriters, graphic artists, designers, video producers, editors, and even programmers, who organize the production of videos, texts, images, or other media and prepare them for distribution. (Heinrich, 2020, p. 73).
2. In the **distribution phase**, the created content is finally disseminated. The primary consideration here is to establish how the content can be made available to the relevant target group efficiently, i.e., simply, quickly, and cost-effectively (von Hirschfeld & Josche, 2018, p. 30), and who should communicate and publish the content (Heinrich, 2020, p. 73). In most cases, a combination of distribution channels is used, usually a mix of organic and paid formats. The aim behind many content marketing measures is viral dissemination, which makes distribution a matter of course. To increase the chances of achieving this, a procedure known as **seeding** must be implemented at the start of the distribution process. This involves specifically defining which content is displayed to whom first in order to increase the chance of maximizing distribution. Many companies work with bloggers or influencers, for example.
3. The final step in the process is the **evaluation** phase, which uses web analysis systems such as Google Analytics and evaluations of social media and e-mail marketing systems to determine whether the goals have actually been achieved.

**Seeding**

This is the specific distribution of content on the internet, for example in social media.

Despite this clearly structured process, not all customers will remain engaged from the point of initial contact through to completion of the transaction, i.e., they will not remain with the company from start to finish. Some customers will drop off the radar repeatedly over time and unsubscribe from newsletters or other similar communication media, as the content they receive is no longer interesting to them. This will almost certainly be the case in the majority of all initial contact scenarios. It is, in any case, the small proportion of recipients who are willing to “pay” for content of interest (Heinrich, 2020, p. 4). The aim is to engage this group in a further sales process, for example, by sending them vouchers or an invitation to an event, or asking them to provide a review of their experiences to date (Heinrich, 2020. p. 5).

#### Content distribution

Distribution is particularly important because it determines how the content and ideas reach the end users. This makes distribution a key player in the success of content marketing. No wonder, then, that the saying “Content is King” is increasingly being expanded to include “but Distribution is Queen” (Kopp, 2021). Companies essentially have numerous means at their disposal for spreading and distributing messages, particularly given the increase in available channels. Kopp (2022) classifies distribution according to media type as well as content form and content type.

###### Classification according to media type (Kopp 2021)

In order to achieve the previously defined sales goals, content distribution is primarily interested in the reach of the acquisition model. Companies can opt for owned media, paid media, or earned media as a means of increasing visibility (Grunert, 2019, p. 240).

###### Owned media

Owned media are private distribution channels, such as a proprietary website, for example. These offer the advantage of full control over published content, allowing the clear pursuit of goals. Further advantages include the development of long-term and sustained customer loyalty, and greater credibility. Distribution via owned media such as a proprietary website, blog, or social media, for example, is regarded as highly efficient, as no effort is required to convince third parties (Grunert, 2019, p. 241).

###### Paid media

With paid media, the company must pay for the distribution of content and specifically selects media that will publish content on their channels. These include impressions on other websites, top-position search engine listings, links to a blog article, or mentions in a third-party e-mail. Targeted addressing of the target group, immediate availability of reach, and clear success monitoring are among the advantages of paid media.

###### Earned media

**Earned media** is the most beneficial means of distributing content, as third parties share proprietary content without the need for financial investment, purely because the content has earned it through its genuine added value and credibility (Grunert, 2019, p. 242) – in other words, if other market participants deem it worthy of sharing. One can also speak of a reputation gain or a recommendation. Compared to owned media, considerably greater reach and visibility can be achieved much more quickly. Earned media can also take many different forms: a free recommendation from a YouTube user, a blog article, or even a single Like on Facebook all fall into this category.

Maintaining relationships with the respective multipliers who distribute content without receiving payment in return is one of the key application areas. Another important area of earned media is the control of algorithms in the context of search engine optimization. A major disadvantage of earned media is the lack of scalability, as growth is controlled externally by users rather than by the actual content provider. This lack of controllability is also associated with the risk of negative news spreading very quickly, which, in the worst case, can end in a shitstorm (Grunert, 2019, p. 242).

###### Classification according to distribution type

1. **Content outreach**

Content outreach is the process of sharing content in cooperations with influencers, bloggers, editors, and other multipliers, who then share the content with their target groups. In this context, the core tasks of the outreach process include media cooperations, influencer and blogger relations, and press and media work. Formats such as guest contributions, lectures at third-party events, or editorial contributions on radio and television also form part of the outreach process.

Content outreach is advantageous in that it provides access to new target groups via third-party media and increases the company’s own reach. Furthermore, the company can benefit from the familiarity and credibility of the third-party medium, which also has a positive effect on the distributed content.

Lack of measurability, scalability, and control are among the disadvantages of content outreach. This is due to the dependency on third-party media, which means that the figures are not collected by the company itself but by the distributing parties such as influencers (Kopp, 2022).

###### Content seeding

**Earned media**

Earned media can also be referred to as a recommendation.

As previously mentioned, marketing is one of the elementary tasks of content marketing, which not only requires the content to be produced but also distributed (Heinrich, 2020, p. 204). This requires the content to be scattered or “sown” to some degree (Heinrich, 2020, p. 204). Various paid and owned media channels are available for this purpose.

Proprietary edited content can be distributed accordingly via owned media or internal profiles can be distributed in third-party media. Examples of owned media include

* + a proprietary website,
  + a proprietary blog,
  + a proprietary newsletter.

Examples of third-party media with proprietary profiles can be found on various social media channels including Facebook, Twitter, YouTube, and Google+.

Maintaining complete control of the content is one of the major advantages of content seeding. A further advantage is that there are no additional costs involved.

**Organic reach**

Organic reach describes the reach of a profile that can be achieved without additional costs.

A disadvantage of this method is the limited reach of proprietary channels. In the case of third-party media, the restricted organic reach of proprietary social media profiles presents a disadvantage. On social media platforms, both the strict monetization guidelines for content creators and the conditions governing monetization models present the greatest challenges when it comes to the full scope of possible uses. Larger providers such as Facebook, for example, have increasingly restricted the use of **organic reach** in recent years (Kopp, 2021).

###### Content promotion

This is the distribution of content via paid media. Any form of pay-per-click advertising can be used. Text/image ad formats are the most commonly used form of content promotion. They have an advantage over display banners in that they are less likely to be associated with advertising.

### Types of Content

Just like a good whiskey, which only gains its quality and distinctive taste through the process of cultivation, harvesting, distillation, and maturation (Heinrich, 2020, p. 43), the various types of content must also first be sown and cultivated in the right fields so that they grow and bear fruit. Heinrich (2020, p. 43) refers to various fields in this context, which are made up of both the type of content and the contact points between companies and target groups. Once again, digitization has significantly expanded the range of possibilities here, with the result that the variety of combinations are now practically limitless (Heinrich, 2020, p. 45). This list is constantly expanding due to new options made available by the power of technical progress and the continuous stream of

new innovations. Formats such as gifs, reals, or memes, for example, would have been inconceivable at the turn of the millennium, but for **Generation Z** they are considered part of the “new normal.”

Various options for classifying and structuring content, which have proven useful in practice, are discussed below. These include:

* + - media formats,
    - benefits.

#### Media formats

Today, companies have an extensive range of formats at their disposal through which they can distribute or communicate their content. It is vital to select the appropriate medium for their target group at the right point in the customer journey, ensuring that this is a suitable means of conveying the message adequately and that it can be implemented to full effect with the resources available (von Hirschfeld & Josche, 2018, p. 63). Hörner (2022, p. 9) equates the media format with the basic types of communication. These can be divided into five different types: text, image, video, audio/sound, and interactive content (von Hirschfeld & Josche, 2018, p. 63).

###### Text content

This includes all pure text formats that are readable. The carrier of the content is not important. Text is of immense importance to every company as it ensures that the content can be found in search engines such as Google. This type of content also offers advantages such as low time and financial investment, and a versatile scope. Text can work as a short post in social media to increase attention, but also as a long format, such as in the form of white papers to generate leads.

###### Image content

This format includes informational graphics, photos, and videos. But this category also includes diagrams, comics, and **memes**, which have been popular for some years now, particularly among the younger target group. The immense advantage of this content type lies in the speed at which it can be digested by its target group (von Hirschfeld & Josche, 2018, p. 63). For this reason, it is advisable to enhance the text with images, which reinforce the message and thus contribute to its effectiveness. As has been demonstrated, images not only increase the interaction rate of posts on Facebook; posts with images are also retweeted much more frequently on Twitter.

**Generation Z**

Also known as post-millennials, this term refers to people born between 1997 and 2012.

**Memes**

Creative content, such as text, image, video, or combinations thereof, which is primarily distributed via the internet and is usually humorous, critical, or satirical.

###### Video content

This has become one of the most effective and widespread content formats and is therefore an integral component of the content marketing mix. The combination of audio, text, and images makes it possible to convey not only pure information but also emotions and feelings, which have proven to be a pivotal means of increasing effectiveness in marketing (Esch, 2017). Unsurprisingly, video is now used as standard on all social media. The format varies considerably depending on the target group and the options available in the company. Videos do not necessarily have to be elaborate or highly professional. In fact, even homemade short videos distributed via TikTok or Instagram can also have positive effects.

###### Audio content

For a long time, audio content was mostly offered as a supplement to text-based content. However, this purely audible medium has since established itself as an independent format (von Hirschfeld & Josche, 2018, p. 64). In addition to classic radio, podcasts, in particular, have become increasingly important recently. Thanks to smartphones, which make content available on the go (Heinrich, 2020, p. 65), companies can gain access to new radio listeners and also tap into the classic form of reading. As podcasts are usually only available via subscription, listeners will generally only include people with a genuine interest in the subject (Heinrich, 2020, p. 135).

###### Interactive content

Users are involved in this type of content and are required to be actively engaged. Common formats include games, configurators, and quizzes. The advantage of this content type is that the customer is actively involved. Therefore, information can be conveyed in great detail and in a sustained manner (von Hirschfeld & Josche, 2018, p. 64).

A company’s choice of format is determined by both the strategy and the goals derived from it. As is so often the case, the best results are achieved by mixing and switching between formats (Puscher, 2017).

#### Classification according to the Usefulness of the content for the consumer

Targeted and, above all, effective content marketing focuses primarily on influencing consumer behavior. Ultimately, this is also used to measure the much-discussed subject of added value. In this context, usefulness refers to the effect the content has from a consumer perspective. The potential usefulness of specific content can be described by the following attributes (Kopp, 2021):

* “Entertaining (Emotional)
* Support/promoting self-efficacy (Rational)
* Building relationships (Emotional)
* Supporting purchasing decisions
* Navigation/orientation (Rational)”

Table 5: Classification of Content by Usefulness

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Entertaining** | **Building**  **relationships** | **Support / promoting self-efficacy** | **Supporting purchasing decisions** | **Navigation/**  **orientation** |
| * Entertaining or funny spots and films * Funny and/or entertaining images * Entertaining games * Sweepstakes * Raffles | * Interviews * Columns * Polemics * Donation appeals * Reports on collaborations * Employees’ ideas * Music * Investigations and studies * Testimonials * Podcasts * Videocasts * Image films | * Technical articles * Free tools * Tutorials * How-tos * Non-product-related apps * Engagement in forums * Workshops * Checklists * Slide shows * Webinars * Configurators | * Sales presen- tations * Case studies * FAQs * Product instructions * Support * Test versions * Product apps * Product information * Product demos * Compet-itive com-parisons * Product tests * Product videos * Coupons * Conditions | * Home page * Magazine home page * Blog home page * Glossary home page * Site maps * Other forms of distribution pages |

Source: Alexandra Krämer, 2022, based on Kopp, 2021.

### Generating Content – Approaches and Goals

Good content is based on the following three criteria: informative, entertaining, and advisory. Given the daily media overload to which consumers are exposed, it is vital to use the right material as an attractant, i.e., the right content for the right target group (Hilker, 2017, p. 169–171). Companies that use content marketing instead of classic marketing appreciate that people buy solutions rather than products. They look at their customers’ requirements or problems and support them in finding solutions. The guiding principle “Stop selling and start helping” formulated by Zig Ziglar (in: von Hirschfeld & Josche, 2018, p. 1) represents the demands placed on companies in today’s market environment. Successful content marketing is therefore needs-oriented and based on the following three questions:

1. What special characteristics, features, and qualities does our package offer?
2. How can we solve, remedy, or alleviate certain customer problems? Which pain points can we reduce?
3. How can we assist customers in organizing their everyday lives? What gain points can we address?

We can take a well-known German DIY store as a brilliant example in this context: Although customers can also access the provider’s various products on the company website, it is primarily the DIY store’s homepage that makes the biggest impact by providing information on best practices and numerous

tips relating to home and garden. As a result, the retailer is available to DIY enthusiasts with varying levels of experience to provide help, advice, and support, and advise on product searches. They can assist with decision-making in response to relevant questions, and even offer interested parties the opportunity to plan their premises virtually based on their wishes and preferences. In addition to deckchairs and charcoal grills, customers will find self-assembly instructions for their pallet furniture, information on grill trends for this year’s summer season – complete with cooking recipes – and, not least, advice on rearing and caring for their four-legged friends. This requires companies to change their perspective and view the world through the eyes of the target group, so that they can identify and address the latter’s preferences, requirements, and interests (von Hirschfeld & Josche, 2018, p. 1). By adopting this approach, companies can convince with competence and win the trust of both existing and new customers. This is precisely the goal of a successful content strategy (von Hirschfeld & Josche, 2018, p. 2).

#### Approaches

Heinrich (2020, p. 4) proposes an eight-step process for creating suitable content that generates added value, inspires confidence, and therefore draws attention. This process serves as a roadmap and a guide to marketing success:

* 1. Define the core target group: What specific problems does this target group have?
  2. Speak the customer’s language: What is their typical language? What words do they use or rather cross their mind in relation to their problem?
  3. Generate helpful and valuable content that is not directly related to proprietary products but solves or at least brings about an improvement in one of the numerous problems faced by the core target group. This establishes initial contact.
  4. Offer to the customer: valuable content in exchange for contact data.
  5. Build trust and the relationship by delivering more valuable content reliably, regularly, and at no cost.
  6. Only ask for feedback once a basis of trust has been established.
  7. Position as a problem solver by continuing to send valuable content. Gradually and cautiously, an attempt can now be made to introduce a prospective customer to a paid product or service. This can be used to determine whether the prospective customer is generally interested, as well as the extent to which they are willing to spend money to solve the problem, even if the amount involved is initially only very small.
  8. Identify the right time to handle customers deeper within the sales funnel based on analyses.

The very resource-efficient lean content strategy has proved highly successful in content production for some time (Genau, 2023). This is an iterative process based on the principle of “Learning by Doing,” which can maintain an extremely lean structure and be quickly implemented, but still delivers maximum chances of success. The secret to achieving success is to start with “minimum viable content” (von Hirschfeld & Josche, 2018, p. 60) that does not aim for perfection, but involves publishing content that is just good enough to meet the requirements of the

target group as quickly as possible. The resulting process is of much greater importance: Courtesy of these lean and low-budget contributions, proximity to the customer is established and an attempt is made to engage them in some sort of dialog. Ultimately, our aim is to establish their viewpoint and obtain their feedback. Rather than revealing too much about our company, which is of no interest whatsoever to the customer, we are looking to understand their perspective on things and develop a feel for what they actually need from us (von Hirschfeld & Josche, 2018, p. 60–61). This allows us to gradually improve the content in a manner that is tailored to our customer, and develop content as part of a learning curve that will ultimately hit the mark. As can be seen in the figure, currently distributed content is repeatedly evaluated, optimized on a step-by-step basis, and adapted until the end goal is in sight.

Figure 6: Content Development According to the Lean Principle



Source: von Hirschfeld and Josche, 2019, p. 60.

In classic **content creation**, carried out as part of production, a highly conceptual approach is adopted and a precise plan is developed during the preliminary stages. This takes account of various facets and gives all participants information on responsibilities, competences, and timings, as well as selected subject areas and specific content. Afterall, this is the kind of project in which investments need to be made so that it achieves the desired long-term effects and consequently leads to success (Leopold, 2019, p. 25; Grunert, 2019, p. 95, Petifourt, 2019, p. 7). Ultimately, the aim of good content is to make a further contribution to the entire marketing mix, to support customers on their customer journey, and thus guide them, step by step, through the **marketing funnel** or sales funnel.

The following table shows what constitutes good content and what key aspects need to be considered in content creation, with reference to Hirschfeld and Josche (2018, p. 97–100).

**Content creation**

Content creation is concerned with generating clearly understandable content that presents the desired content.

**Marketing funnel** The marketing or sales funnel consists of five phases – Awareness, Interest, Consideration, Action, Loyalty, and Advocacy – and ultimately describes the customer’s purchasing decision process, from the first encounter to completion of the purchase, customer retention, and after-sales behavior.

Table 6: Content Creation and its Effect

**Question Effect**

|  |  |
| --- | --- |
| Is the content urgently needed?  What problems does the target person have? What are the needs/wishes/motives/pain points/gain points? What is the target person’s initial situation? | Relevance |
| Does the content move the recipients? | Emotion |
| Can the content contribute to a lasting relationship? | Relationship |
| Does the content tell an exciting story? | Story |
| Does the content have a specific benefit? What purpose does the product and the content have for the target person? | Benefit |
| Does the content motivate dialog? | Interaction |
| Does my target group view me as an expert? | Contribution |
| Can I present my content in the right environment for the target group? | Context |
| In which format does the content reach the target group the fastest and in the most comprehensible form? | Conversion |

Source: Oliver Lonkwitz, 2021, based on Hirschfeld and Josche (2018, p. 97–100).



**DIGRESSION**

**Practical example**

Mr. Fisherman is looking to create some content for an online advertising campaign for his medium-sized company, which manufactures and distributes fishing equipment. At the heart of the concept is a new and innovative fishing hook.

The first question he needs to answer is whether the content is actually needed at all. As his customers are always looking for new and innovative equipment, he can answer yes to this (Relevance). He designs the content as a pictorial representation of the product in a story (Storytelling), to trigger positive emotions among his customers (Emotions). The core point of his statement is how the fish hook will benefit his customers (specifically users) and its USP (Content).

He is also trying to build a lasting relationship with his customers by entering into a dialog with them and maintaining it for as long as possible. The point at which Mr. Fisherman calls on his buyers to interact with a call-to-action button usually constitutes the start of this.

For Mr. Fisherman, the selection of the right target group (Context), the content of the advertisement (Contribution), and the optimum choice of channel for reaching the target group (Conversion) are key to successful advertising.

The target group of “fishermen” spans a wide age range. Methods such as blogs and social media are ideal for younger fishing enthusiasts, whereas an article in a technical journal, for example, would prove suitable for older fishermen.

The aim is to sell the new fishing hook and build up a dedicated loyal community, which can contribute to extending the reach through a multiplier function.

#### Producing appropriate content

The FISH method developed by Mirko Lange (2015), for example, is suitable for creating appropriate content that addresses the attitudes and values of the target audience (Heinrich, 2020, p. 76). Good results have also been obtained with “content radar” in this context, which facilitates the production of suitable content with genuine added value.

###### The FISH concept

This acronym is made up the terms Follow, Inbound, Search, and Highlight.

* **Follow – Content for detached spectators:** This is about developing reach and visibility, and generating likes. Providers seek to address a particularly large group of people, primarily new prospective customers, using fairly quick, brief, and light content (Heinrich, 2020, p. 76).
* **Inbound – Content for identifying problems:** The entire aim here is to obtain new addresses and build trust among long-term prospective customers (Heinrich, 2020, p. 76). The focus is on people who can identify with a problem that has been addressed, but who are not explicitly suffering from this problem at the present time. In other words, a foundation is laid for future customers. To this end, the content should be a little more specific and substantial. Suitable formats include studies, white papers, and even webinars (Heinrich, 2020, p. 76).
* **Search – Content for answering clear questions:** People who experience a problem look for quick solutions. With this in mind, the content should be suitable for offering specific solutions to specific problems, in order to receive a contact or the address of the problem-seeker in return. Typical formats include instructions or explanatory videos (Heinrich, 2020, p. 77).
* **Highlight – Generate attention:** The primary goal here is to increase the attention and excitement of high-volume consumer target groups (Heinrich, 2020, p. 77). As advertisers are very keen to ensure that their content

is shared, commented on, and, ideally, goes viral, this needs to be something quite exceptional. Short films or professionally produced promotional films are ideal choices here.

While the primary focus of the FISH model is on the benefit to the advertiser or provider, the content radar focuses on the benefit to the consumer (Heinrich, 2020, p. 78). As can be seen in the figure, the content radar spans four fields. These are generated from the x-axis, which indicates how much time the reader has to invest in reading and whether the content is superficial or profound, and the y-axis, which differentiates between functional and emotional content.

According to Mirko Lange (2015), this results in the following four fields (Heinrich, 2020, p. 78):

* + “News/information (“I am informed.”)
  + Knowledge/learning (“I have learnt something.”)
  + Entertainment/fun (“I find this fun.”)
  + Relationship/meaning (“I have understood this.”)”

Table 7: **Content Radar According to Mirko Lange (2015)**

**Story**

|  |  |
| --- | --- |
| **Information** (superficial/functionality)   * Relevance/trends * Newsworthy/new * Event-related * Speed/real time * Can be quickly consumed * Short and snappy | **Knowledge** (functionality/profound)   * Decision-making tool * Orientation aid * How-tos und do-hows * Context/connections * Detail and depth * Competence |
| **Stimulation** (emotional/superficial)   * Unusual and “different” * Sensational (often contrived?) * Curious * Attention-grabbing * Funny/humorous * Enabling self-expression | **Meaningfulness** (profound/emotional)   * Values, motives, convictions * Acknowledgment and recognition * Character and identification * Sympathy and empathy * Transparency and truthfulness * Community and tribe |

Source: Heinrich, 2020, p. 78.

With the help of the content radar, a clear focus can be established within these four fields (Heinrich, 2020, p. 78). The company can then determine its roadmap accordingly for the ideal content strategy, establish its unique selling point, and plan all of the necessary resources.

### Measurement and Evaluation

Unlike pure publishing, content marketing does not end once a stylistically successful piece of text has been created or a new video has been produced. Content marketing has a precise purpose – namely the economic interests of a company. For this reason, content marketing should not be viewed as just an additional service and added value, rather we should remember that the added value for the customer should primarily also serve the company. This can be achieved by building awareness and trust, but also by triggering purchasing impulses. After all, marketing has to refinance itself and what does the company gain in the long term if a certain video goes viral, receives a million likes or more, and the engagement or conversion remain more or less unchanged? This is precisely where the potential of content marketing lies (Eick, 2014, p. 211). There has never been a greater opportunity to gain access to customer reactions and behavior than on the internet. Every customer contact leaves traces and generates data that has turned out to be the new gold. In this way, each individual measure can be placed in the big picture, its effectiveness can be deduced, its efficiency can be evaluated, and it is also possible to forecast and plan which resources and budget will have to be used in the future in order to be successful.



**DIGRESSION: GOAL FORMATION ACCORDING TO THE SMART RULE**

If goals are formulated according to the SMART concept, this connection becomes even more obvious. This acronym indicates that, on formation, the goals need to be specific, measurable, acceptable, realistic, and time-bound. If increasing brand awareness and generating leads, derived from marketing and company goals, are among the core tasks of content marketing, then smartly formulated goals could look like this (von Hirschfeld & Josche, 2018, p. 19):

* Our aim is to trigger 1,100 leads via our company website in the next four months.
* Our aim is to achieve a 15% increase in the number of newsletter subscriptions by December 31 of this year.

In accordance with this plan and the “Testing and Measuring” philosophy (Heinrich, 2020, p. 69), the aim is also to measure the effect of content marketing and record this in the form of key performance indicators. Key performance indicators serve as a control tool for making decisions on further action plans (Hörner, 2022, p. VIII). To this end, it possible to measure the success of each individual measure and also to determine the success of content marketing as a whole. For further decisions, it should therefore be determined which metrics should be used to measure success (Heinrich, 2020, p. 96).

All key parameters are described below:

#### Traffic

**Traffic** This is the number of visitors to a website, which can be broken down by source (Heinrich,

2020, p. 206)

**Link juice**

Link juice describes the power or value of a link, i.e., the better known and more important the company behind the link, and the closer the link is to the subject matter, the more potent a link will be.

The number of individual users accessing a website or blog is defined as **traffic** (Heinrich, 2020, p. 97). The number of “visits” (Heinrich, 2020, p. 96) made during a specific time period is measured.

#### Conversion

Our fundamental aim in content marketing is to take customers one step further, i.e., to influence them in some manner in their decision to remain with us. In marketing, when a customer reacts to one of our measures, i.e., makes contact with us, this is known as conversion. This number is often given as a quota, known as the conversion rate (CR) (Heinrich, 2020, p. 98). Conversion can take a wide variety of forms:

“For example, the percentage of newsletter registrations compared with the visitors to a registration page” or “the quota of people requesting a checklist,” that they were offered “in a blog article as extended content” (Heinrich, 2020, p. 98).

#### Ranking by keywords

Anyone wanting to be found in search engines has to be ranked as highly as possible on the results page. The aim is always to be among the ten blue links, i.e., the ten first organic links that are displayed without paying for advertising. The exact algorithm that search engines base their rankings on is not known, however, there is clear evidence to suggest that the most important factors are the content, the keyword within the text, and the meta description as well as the number and the **link juice** of the external links.

#### Leads

A lead is a newly acquired contact with a prospective customer. Ultimately, the priority is to persuade prospective customers to make a purchase (Heinrich, 2020, p. 208). Consumers expressing a genuine interest should be directed to a human sales representative or even to an online shop (Heinrich, 2020, p. 208). When users click on an advertisement and leave their e-mail address, this is described as a lead (Heinrich, 2020, p. 208).



**SUMMARY**

Content marketing focuses on topics and content in order to inform, entertain, and advise in the process. The aim is to create added value, which is used to gain customers and secure them for the long term. The content can be distributed using various types of media (owned media, earned media, and paid media)

involving various content types. A further distinction can then be made between the features of topic, benefits for the consumer, purpose for the company, and even the content format. In content creation, it is important to create clearly understandable content, preferably in the form of a story. This is the basis and prerequisite for clear measurement, which again is one of the great advantages of all performance marketing instruments.

# UNIT 4

## ADVERTISING IN A KNOWN ENVIRONMENT

##### STUDY GOALS

After completing this unit, you will be able to ...

* understand the meaning of native advertising.
* use options and forms of advertising in a known environment.
* differentiate between open and closed platforms.
* explain which methods can be used to measure and evaluate advertising in a known environment.
* cite the differences between content marketing and native advertising.

**4. ADVERTISING IN A KNOWN ENVIRONMENT**

### Introduction

Online marketing is becoming more and more important, as marketers have recognized that the internet is becoming increasingly significant in purchasing decisions and represents an essential part of the customer journey. For this reason, increasing amounts of advertising money are flowing into the online sector. Due to its specific forms, online marketing is classified as a marketing management process and is already a key area of activity for most companies.

Online marketing covers all forms of advertising distributed over the internet. Global investments in online advertising totaled around $417 billion in 2021, with display advertising accounting for a significant amount of this. Investments in online advertising are expected to increase to $561 billion in 2024 (Statista, 2022b, n.p.).

**SEO – Search engine**

**optimization** SEO is a method of increasing access to a website, both quantitatively and qualitatively, via unpaid placements in the results pages of a search engine (Gruner, 2019,

p. 44).

Online marketing comes in many variations and forms; the company’s presence in the form of a website is an important form of online marketing. The various forms, such as **SEO search engine optimization**, are illustrated in the following figure according to visibility and invisibility for end users (Kreutzer, 2018, p. 2):

Table 8: Forms of Online Marketing

|  |  |  |  |
| --- | --- | --- | --- |
| **Visible to the end customer** | * Online advertising * Corporate website * Forums/communities * Online competitions * Social bookmarking | * Keyword advertisements * Apps * E-mails * Newsletters * E-commerce * Location-based services * E-sampling * Corporate blogs | * E-customer retention programs * Online PR * Social media * Viral marketing * Media-sharing platforms * Microblogging * E-coupons * M-coupons * Messenger services |

**Online marketing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Invisible to the end customer** | * Search engine optimization (SEO) * Affiliate marketing * Influencer marketing | * Keyword advertising (SEA) * Web analytics * Targeting * Rating and review marketing | * Web monitoring * Real-time advertising * Content marketing |

Source: Johannes Hollerer, 2022, based on Kreutzer, 2018, p. 2.

### Advertising in the Known Environment as Part of Performance Marketing

Content marketing is considered a key factor in competitiveness and occupies a central position within performance marketing (CEMEX, 2015, p. 2). Stories that inspire and touch the audience are a constituent part of content marketing; they motivate the addressees to take action and enable the achievement of marketing and sales goals (Grunert, 2019, p. 1).

Although content marketing and native advertising go hand in hand, they are, in fact, quite different. Furth (2021) describes the difference between content marketing and native advertising in simple terms: Content marketing is the strategy, while native advertising is an efficient marketing channel for the content.

#### Native advertising

Native advertising originates from the United States and initially took the form of product placements in comics or informative articles in magazines, soap operas, and radio (Grunert, 2019, p. 54).

Classic advertising has reached a critical point, as more and more users are becoming irritated by the increased use of banner advertising and, as a result, are ignoring it or installing ad blockers (Sauermann, 2015, n.p.). **Ad blockers** in particular are creating new challenges in the online advertising. The transition from free online editions of daily and weekly newspapers to subscription-based models has not only created a further hurdle for advertisers but also for publishers, who generate most of their revenue from placed advertising (Tuna & Ejder, 2019, p. 15).

The challenges in today’s marketing therefore consist of bridging this excess of advertising contacts, banner blindness, and ad blockers, while simultaneously meeting consumer requirements based on emotions, experiences, and content (Felser, 2015, p. 5—7). The non-promotional guise of native advertising seeks to achieve precisely that. Native marketing is used to disseminate topics subject relevant to the company and to increase brand awareness (Unicum-media, n.d., n.p.).

33 percent of German internet users use ad blockers – and the trend is rising. Over 95 percent of Germans use smartphones, tablets, and mobile phones in their daily lives, giving them constant access to visual and verbal communication and information (text, image, video) on the go. The variety of available end devices means that this mobile area cannot always be reached by advertising. Smartphones, for example, are always online, offer flexibility, and enable the rapid use of content, while tablets are often used in Wi-Fi mode. Since users are preventing banner advertising by installing ad blockers and ignoring banner advertising on social media platforms, marketing strategies are becoming necessary (Tuna & Ejder, 2019, p. 19).

**Ad blockers** Software programs that are contained in many browser extensions and block annoying advertisements (DIM, 2022, n.p.).

**Native advertising** This term refers to the advertising effect in the digital environment and states that advertising adapts to the environment, for example the website, both in terms of content and appearance, and is perceived as natural, familiar, and context-sensitive (Tuna & Ejder, 2019, p. 24).

**Publisher** A publisher is regarded as a sales partner to advertisers. Publishers advertise native advertising content and make the reach of their websites available to advertisers (Online Marketing Praxis, 2015).

The content of **native advertising** is barely distinguishable from editorial information. Dan Greenberg, the American CEO of the AdTech company Sharethrough, is credited with inventing the term native advertising (Tuna & Ejder, 2019, p. 29). The buzzword “charts” put the terms content marketing and native marketing at the top of the marketing world, with the two words being used interchangeably or as synonyms.

Native advertising sits between the conflicting priorities of journalism and marketing, and between storytelling and information transmission (Tuna & Ejder, 2019, p. 2). Customers want to avoid the effects of subliminal stimuli as they don’t wish to be influenced. Their priority is to be informed and well advised (Rosch & Frey, 1997, p. 301–303).

Internet users feel disturbed by forms of advertising that interrupt their usage behavior (BVDW, n.d., p. 13). In addition, media consumption is becoming faster, particularly among the younger target groups, and content has to be available quickly, at any time, and in small doses. The advertising sector is adapting according to these changes in user behavior and developing an increasing number of content marketing and native advertising campaigns (BVDW, n.d., p. 9).

As a result of this development, **publishers** are increasingly offering native and content formats with a variety of formats and technologies (BVDW, n.d., p. 14). As publisher credibility plays a key role in native advertising, the content must be designed in a way that generates significant added value for the user and avoids disappointment. Design steps, which are appropriate to special requirements such as credibility, must be taken into account when creating a campaign.

Native advertising differs from display advertising in that the information offered is integrated into a publisher platform and matched to the surrounding content of users without seemingly interrupting the surrounding content (Grunert, 2019, p. 54).



**DIGRESSION**

Native advertising has been more recently defined as follows:

Native advertising is a vehicle for content that is created during content marketing and distributed via paid media channels. The content is embedded in a native advertising format, which is identified as advertising and, in terms of form and content, is integrated into the editorial environment and into the context of the publisher’s offer. The advertisement blends seamlessly into the publisher’s medium, where it operates without causing disruption or interrupting the flow of reading. Some native advertising formats can be shared via social media (Tuna & Ejder, 2019, p. 31).

An optimized advertising design in native advertising assumes that the participating parties unconsciously register signals and stimuli (within an **editorial environment**), reproduce them with positive motivation, and forward them on to other participating parties (Baecker, 2015, p. 12). Native advertising formats of this type transport content that is positioned below or between article headings, for example. It is assumed that these publications contain proprietary editorial content (Tuna & Ejder, 2019, p. 32).

Unlike display advertising, the content of native advertising does not require universally valid height and width standards for formats. The three key requirements for native advertising are (Tuna & Ejder, 2019, p. 46):

1. The content must be consistent with the concept of content marketing.
2. The placements are made in the editorial environment.
3. The formats must neither disrupt nor interrupt the flow of reading.

#### Legal framework conditions

A native advertising format must always be flagged as advertising. Failure to do so means that it is neither native advertising nor an advertisement, but an editorial journalistic article or covert advertising. Covert advertising is an advertising activity that violates the requirement to separate advertising and editorial content and is therefore punishable. From a marketing perspective, it is a harmonious and non-disruptive means of embedding advertisements in an editorial text (Tuna & Ejder, 2019, p. 32—33).

Various manifestations, such as the perfect integration of native advertising into a publisher’s context, enable grey zones between editorial and advertising content, if corresponding references to native advertising are absent. The UWG (Unfair Competition Act) lists a series of practices that are deemed unfair and deceptive, such as making misleading statements, withholding facts, concealing fundamental information, or presenting and providing information in an unintelligible or ambiguous manner (Furth, 2021, n.p.). There are essentially two legal ways of integrating native advertising into print media (Fürth, 2021, n.p.):

1. By using a clear design so that the customer can clearly recognize the publication as advertising.
2. By using the term “advertisement” if the publication cannot be recognized as an advertisement at first glance.

**Editorial environment**

“The editorial environment” has two meanings: It refers to the editorial part of a website in which the advertisement is placed, i.e., content articles for example, but also to the adapted placement of the advertisement on the page itself. The advertisements should neither appear in areas where banner advertisements are placed nor disrupt the flow of reading.

### Forms of Advertising in the Known Environment

Forms of advertising in the known environment include content that is not noticed immediately by potential customers and may appear as part of a familiar web page, for example. By contrast, classic advertising is becoming increasingly difficult to convey, as effects such as banner blindness are evidently leading to falling click and interaction rates due to the fact that they are often perceived as “paid foreign bodies” (Tuna & Ejder, 2019, p. 53). Native advertising offers solutions to this problem, albeit with different instruments and framework conditions previously used in online marketing. The most widespread and well-known native advertising formats are the text/image advertisement, the native advertorial, and true native advertising (Tuna & Ejder, 2019, p. 45).

#### Text/image advertisement

Text/image advertisements are used in almost all digital offers, be it on websites, in social media, in search engines, or in newsletters and apps. An advertisement combined with a heading or a short piece of text and/or an image is referred to as a text/image advertisement. Users are linked to an external website, a landing page, or a target page upon clicking on the image (Tuna & Ejder, 2019, p. 47).

Table 9: Advantages and Disadvantages of a Text/Image Advertisement

**Advantages Disadvantages**

* + - Rapid creation possible, as the text/image advertisement only has a small number of components.
    - Performance-based
    - Definable and plannable click contingent, which should be generated as a target.
    - Scalable due to extensive reach (over multiple media).
    - Different text/image advertisements can be exchanged within a campaign due to rapid interchangeability.

Source: Tuna & Ejder, 2019, p. 49.

#### Native advertorial

* Advertising media can only be delivered within a native environment up to the point of clicking.
* Ad blockers can block text/image advertisements.
* Often offers big promises, which the content of the landing page does not then fulfil.

Native advertorials are among the successful online marketing models. They are paid articles whose content and appearance are based on the respective medium in which they are published. According to Tuna & Ejder’s description, they are clearly categorized as an advertisement (e.g., sponsored post) and are published for a limited period only (2019, p. 52). They are based on the traditional advertorial, the original affordable article from the world of print, TV, and radio, which

has been in use since the 20th century. As a neologism, “advertorial” is an artificial word produced from the English terms “advertisement” and “editorial” (Furth, 2019, n.p.).

The difference between the two forms lies in the authentic presentation of the native advertorial as part of the editorial content, while the ‘classic’ advertorial has the appearance of a visually recognizable advertisement (Tuna & Ejder, 2019, p. 53). The native advertorial is thus a hybrid form of the original advertorial and (newer) native advertising, and simultaneously proves that native advertising stems from an editorial environment (Tuna & Ejder, 2019, p. 52).

Table 10: Advantages and Disadvantages of Native Advertorials

**Advantages Disadvantages**

* + High degree of customization, as the native advertorial can be adapted to the respective medium.
  + The credibility of the booked medium is applied to the advertiser.
  + The flow of reading and user behavior is not interrupted.
  + Can be shared on social media.
  + Not blocked by ad blockers
  + The reach is consistent with that of the booked medium.
  + Not scalable to other media.
  + Billing is not performance-based.
  + Changes to the content must be clarified with the publisher.

Source: Johannes Hollerer, 2022, based on Tuna & Ejder, 2019, p. 57.

#### True native advertising

True native advertising is regarded as the pinnacle in native marketing, as it combines the advantages of text/image advertising with those of native advertorials. The two-part advertising format consists of one or more text/image advertisements and an advertorial, which presents the content that **teasers** are linked to. This advertising package is delivered to the connected media via an ad server. To clarify, a text/image advertisement is based on a visual component, but stands out from the embedded editorial environment. It is not tailored to the medium in terms of content or context and only redirects to the advertiser’s landing page. In addition to the appealing visual component of the text/image advertisement, true native advertising does, however, tailors itself in content and graphical terms to the medium in which it is placed, thus acting as a “true” part of the editorial content.

Both components, i.e., the text image advertisement and the content, are created by the advertiser and forwarded centrally to various publishers via a technology distributor, such as Seeding Alliance for example (Tuna & Ejder, 2019, p. 71). This contrasts with the native advertorial, where there is a direct bilateral relationship between advertiser and publisher (Tuna & Ejder, 2019, p. 87).

**Teaser**

A teaser

is a short advertising element, which is usually characterized by a direct heading, short text, and image component, and serves to promote and forward the main content (Tschirne, 2021,

n.p.).

True native advertising thus allows an advertorial to appear simultaneously on several media such as Facebook and Twitter, or as content marketing, which contributes to a scalable increase in reach, as the advertorial can also be shared via social media (Tuna & Ejder, 2019, p. 59). Achieving this to such a customized extent was not previously possible from a technological perspective and thus represents a significantly modernized approach to online marketing (Tuna & Ejder, 2019, p. 59). The marketers operate as managers in this context, managing the placed advertisement on a central and yet tailored basis via the bilateral campaign system. The scalable variant of true native advertising has a more neutral language and content, allowing the native ad to work in harmony with the stream of different media (cope, 2022, n.p.).

Table 11: Advantages and Disadvantages of True Native Advertising

**Advantages Disadvantages**

* Central control via an ad server solution across multiple media.
* Uniform delivery reporting.
* Billing is performance-based.
* The retention time (attention), i.e., the amount of time consumers spend reading the message (across all media or for each individual medium), is measurable.
* Content can be changed on a live basis.
* Users remain in the medium simply by clicking on the teaser.
* Many interactive features such as forms, image sliders, etc. can be accessed courtesy of central control.

Source: Based on Tuna & Ejder, 2019, p. 61.

* Design cannot be determined exclusively for just one medium.
* Blocks can be imposed by ad blockers.
* The content must be organized by the advertiser.

#### Other forms of advertising from the field of native advertising

There are different theoretical perspectives on which other advertising formats make up the core types of native advertising. In addition to the core formats presented by Tuna & Ejder, there is also a well-known classification by the IAB (Interactive Advertising Bureau), a globally active trade association from the online advertising industry. This classification includes the following formats for native advertising: Feed units, paid search units, in-ad with native element units, recommendation widgets, and promoted listing (Tuna & Ejder, 2019, p. 36).

###### Feed units

Feed units are continuous content that is presented in list form and is scrollable. A feed can be a list of articles, news, or even product and service entries, for example. The advertisements are customized to match the remaining content. Feed units are divided into the following three types (Tuna & Ejder, 2019, p. 36):

* + Content feeds, which usually appear repeatedly on news and publishing service sites, are the most common types of advertising used, such as paid articles or video advertisements.
  + Product feeds in the form of apps and product advertisements are predominantly used on sales sites such as Amazon or eBay. Social feeds can be found on social media such as Facebook and Instagram. These are usually paid articles, apps, product advertisements, and videos.

###### Paid search units

Paid search units are search engine advertisements, which are inserted, both in terms of appearance and content, between the normal search engine results. Other advertisements in search engine results that do not meet these criteria are not considered as such. The IAB classifies paid search units as common formats of native advertising, while authors like Tuna & Ejder describe them as too superficial and inadequate due to the lack of substantive content and therefore reject them (Tuna & Ejder, 2019, p. 62).

###### In-ad with native element units

In-ad with native elements units are banners that differ from conventional banners in that their content is thematically appropriate to the publishing service. An example would be an advertisement for car tires on a specialist website offering wheel rims, meaning that the content of the advertisement matches the editorial environment.

Special tailor-made solutions and special forms of in-ad formats, which cannot be categorized and are tailor made for specific customers, such as sponsored infographics for specific topics or stand-alone newsletters, for example, are known as customer units.

Recommendation widgets are used on the overview and home pages of news-specific or subject-specific media, for example. However, it is also possible to compare the recommendation widgets with the user’s already recorded behavior history and take their specific interests into account (iab-austria.ast, 2020, p. 10).

###### Promoted listing

The final format is promoted listing, in which products on a website are described and evaluated in the form of a content review. Promoted listings can often be found on sites such as Amazon, Etsy, Foursquare, and Google. Unlike native advertorials, the special feature of promoted listings is that they are generally used on websites that specialize in the direct sale of products or services (technotopia, n.d., n.p.).

### Platforms

Companies wishing to open up new markets and customer segments, offer new products, and automate exchanges with customers, use digital platforms. There are various types of platforms such as social media platforms (Facebook, Instagram, YouTube), trading platforms (Amazon, eBay, Alibaba, Airbnb, Uber), and data analysis platforms (Gull & Lundborg, 2019, p. 6). These digital platforms act as service providers and offer solutions for individual company goals according through their specific orientations in the context of native advertising.

Ritzel et al. (2013) distinguish between various forms of native advertising on platforms, which generally operate in accordance with their target environment consisting of open or closed platforms.

Platforms are referred to as open if the content of the native advertising operated on them can be shared across multiple platforms and can be visually adapted to the context of the respective medium or website. In other words, the advertisement is not specifically tailored to the respective channel. The same content is shared on multiple platforms such as sponsored posts on news websites, where advertising posts (articles) are often widespread and identified as “paid advertisements,” “advertisements,” or “promotions” (content.de, n.d., n.p.).

In the case of closed platforms, the advertisements must be adapted in line with the guidelines of the respective platforms, so that they satisfy the requirements of Twitter or Facebook, for example.

A closed platform is a form of advertising that is driven by a proprietary account and has therefore been created for a specific environment (ryte.com, n.d.-a, n.p.). Examples of native advertising on closed platforms include video ads on YouTube, sponsored stories on Instagram or Facebook, and paid tweets on Twitter, which appear in the feed without requiring a subscription. Another typical example of a closed platform besides Twitter is Facebook, where the design of the posts must satisfy the structural and formatting requirements of the target environment (content.de, n.d., n.p.). Suggested posts in the Facebook timeline also count as closed platforms. Closed platforms can be broken down into promoted videos such as YouTube and Facebook, promoted posts and stories (Facebook), promoted music and playlists (Spotify, iTunes), promoted images (Pinterest), and promoted websites (Google) (content.de, n.d., n.p.).



**EXAMPLE**

Advertorials make a frequent appearance in online media, in which bloggers present themselves as experts in a certain subject such as cosmetics, technology, housekeeping, or weight loss, and recommend certain products in return for payment. In the area of diet products, for example, these individuals talk enthusiastically about their approach and positive experiences

with these products. If these sponsored posts appear centrally, but blended for native use, in multiple channels of news websites and online magazines, this is referred to as publication on open platforms. If these experience-based reports are to then be placed in a medium such as Facebook, Twitter, or YouTube, their content and appearance must be individually designed by the respective brand and advertised on a native basis. This would be referred to as advertising on closed platforms.

### Measurement and Evaluation

The increasing focus on online business increases the need for comprehensive and transparent methods of evaluating performance, as agencies, publishers, and advertisers require an in-depth analysis so that they can measure their campaigns based on hard facts. The high media budgets must be transparent and there must be a means of verifying whether the devised advertising strategies are profitable or not. Strategy, creativity, and accurate media planning determine the success or failure of a campaign. The results of a **benchmark study** on potential for improvement in online advertising show that there is great potential for optimization in this area (Horn, 2017, p. 42). In fact, Horn mentions an optimization potential in online advertising of 40 percent (Horn, 2017, p. 44).

The different native advertising formats each require specialized key performance indicators, which are matched to the respective application and method. A number of measurement factors are shown and explained below. These measurement factors are also used in the offsetting of advertising measures (Tuna & Ejder, 2019, p. 82).

For text/image advertisements, the calculation is carried out on a **CPT basis**, however, calculation models based on CPO or CPC are also used. The following table provides an overview of the success-based calculation models used in digital advertising.

Table 12: Effective Costs in Digital Advertising

|  |  |  |
| --- | --- | --- |
| **Abbr.** | **Definition** | **Explanation** |
| CPT | Cost per thousand | Refers to the cost incurred per 1,000 views. |
| CPM | Cost per mille |
| CPT | Cost-per-click | Cost associated with each click |
| CPA | Cost-per-action | If the user executes a download, makes a webinar entry, or submits a form, for example, agreed costs will be charged for this click. |

**Benchmark study**

This is also referred to as benchmarking and describes a procedure in which the company concerned, its products, services, processes, or methods are compared with other measures so that optimization measures can be derived (index research, n.d., n.p.)

**CPT basis**

The cost per thousand (CPT) is a model that allows prices to be calculated for advertising media.

This is the price that has to be paid for 1,000 views of this advertising media (onlinemarketing.de, 2022, n.p.)

|  |  |  |
| --- | --- | --- |
| **Abbr.** | **Definition** | **Explanation** |
| CPL | Cost-per-lead | If potential customers fill out contact forms or register for a newsletter, for example, then a lead has been generated. |
| CPO | Cost-per-order | If customers place orders, certain agreed costs are incurred for each order. |
| CPV | Cost-per-view | Price for each individual view involving the advertising media. |

Source: Tuna & Ejder, 2019, p. 13.

The KPIs used in native advertising formats are shown in the table below:

Table 13: KPIs in Native Advertising Formats

|  |  |  |  |
| --- | --- | --- | --- |
| **KPI** | **Native advertorial** | **Native text/image** | **True native advertisement** |
| Ad impressions | Number of impressions: teaser and advertorial (Content) | Number of impressions: Teaser | Number of impressions: teaser and advertorial (Content) |
| Clicks | Number of clicks on teaser | Number of clicks on teaser | Number of clicks on teaser |
| CTR | Click rate: Impression to click ratio | Click rate: Impression to click ratio | Click rate: Impression to click ratio |
| Social shares | How, where, and when the content was shared on social media | Not divisible | How, where, and when the content was shared on social media |
| Retention time | The length of time that a user spends viewing the content | No retention time | The length of time that a user spends viewing the content |
| Clickouts from the content | Clicks on links leading out of the content | No clickouts as there is no content | Clicks on links leading out of the content |

Source: Tuna & Ejder, 2019, p. 82.



**EXAMPLE(S)**

The CTR (click-through rate) is calculated as follows in practice. If an advertisement is displayed a total of 550 times, for example, and clicked on 15 times, the CTR is calculated using the following formula:

*CTR* = Number of clicks \* 100%

Number of impressions

550

*CTR* = 2.73%

*CTR* = 15 \* 10%

**SUMMARY**



Classic online advertising is perceived as annoying by users and is often ignored. For this reason, of ad blockers are increasingly being used, which automatically suppress advertisements. Users also likely ignore banner advertisements.

Native advertising, which adapts to the editorial environment and is rarely perceived as advertising, is seen as a promising solution to this issue. Native advertising can be adapted to the respective medium in various ways. The key forms of native advertising are the text/image advertisement, the native advertorial, and true native advertising.

The use of journalistic texts and advertising texts overlaps with native advertising; the latter makes use of these common features by imitating newspaper articles. With regard to the recognizability of advertising, however, it seems necessary to create clear legal regulations in order to maintain media integrity and avoid a loss of trust on the part of readers.

If editorial and advertising posts are combined, there is a risk that the medium will lose its credibility. In order to minimize this risk, behavioral guidelines must be established for advertisers in order to provide a high degree of transparency and ensure self-regulation. If the criticism and damage becomes too great, a legislative decision must be made in relation to these assessments and the facilitation of a stronger distinction between advertising and journalistic content in cases of doubt.

# UNIT 5

## DISPLAY ADVERTISING

##### STUDY GOALS

After completing this unit, you will be able to ...

* understand the meaning and process of display advertising.
* name the types of banners and graphic advertising media used.
* assess the potential and limitations of display advertising.
* name the methods used in measurement and evaluation.

**5. DISPLAY ADVERTISING**

### Introduction

Everyone is familiar with the situation of visiting a website and suddenly, out of nowhere, being bombarded with banners or displays that have absolutely nothing to do with the actual website. For example, holiday offers from a recent search may suddenly appear on the website of a sports shoe provider. In some cases, pages containing informative articles such as a post on dog training, may suddenly become populated with pictures of dog food or toys. Anyone wanting to watch a video of a cooking recipe on YouTube will find it practically impossible to do so without being subjected to advertisements. The viewer usually has to watch a short commercial before the video of the beloved cooking instructions will open. This form of advertising is all about being seen in the digital world and acquiring new customers who were not even aware of these providers previously, or had forgotten about them. Similar to the advertising pillar in towns and posters in city centers, advertising banners are also distributed using the digital infrastructure in the online world. More and more site operators are turning to this method as a lucrative source of income, selling valuable space on their websites that is filled with graphical advertising content from other providers – creating something of a win-win situation. Welcome to the world of display advertising!

This marketing instrument can be traced back to the 1990s, although it was already on the decline at that time due to weak dialog rates and the somewhat random selection of target groups. Display advertising only recovered and established itself as a significant performance marketing channel with the development of data-supported models, which allow target groups to be addressed in a targeted manner (Kamps & Schetter, 2018, p. 88).

### Display Advertising as Part of Performance Marketing

Display advertising emerged from so-called banner advertising around the turn of the millennium, making it as old as the internet itself (Kamps & Schetter, 2018, p. 88). Ultimately, as a counterpart to the analog world, it is concerned with classic advertisements and billboard advertising (Olbrich et al., 2019, p. 100). However, it is clearly distinguishable from the classic form of advertising courtesy of significantly higher range of applications, direct integration options, and considerably more extensive reach.

Display advertising has become increasingly complex over time due to the increasing number of online advertising options and progressive technical developments involving subject areas such as targeting, social ads, **rich media**,and video ads – to name just a few examples (Lammenett, p. 34). While it had almost disappeared without a trace due to its low effectiveness and weak

interaction rates, it has since experienced a resurgence in the context of data-supported models (Kamps & Schetter, 2018, p. 88). **Programmatic advertising**, which grew to become the main player in display marketing, played a considerable role in this. The digital channels, which provide new access points for users and thus enable evidence-based control of individual advertising measures, are the reason for this, and have resulted in the development of display advertising into one of the most important performance channels (Kamps & Schetter, 2018, p. 88). Display advertising is also often referred to synonymously as display marketing or even banner advertising (Ahrholdt et al., 2020, p. 9). In general, this form of advertising involves the “placement of graphical advertising media on websites or applications on mobile devices for commercial purposes” (Ahrholdt et. Al. 2020, p. 9). As a typical example, such media should positively influence the increase in sales (Ahrholdt et al., 2020, p. 9).

On visiting a certain website, such as that operated by a news provider, a visitor will often encounter services or products unrelated to the content of the page (Kamps & Schetter, 2018, p. 88). As a rule, the purpose of these advertisements, which usually take the form of boxes at the start or side of the page, is to draw the visitor’s attention to third-party providers. It is not uncommon for these advertisements to appear right in the middle of the text or to span the entire content of the page (Kamps & Schetter, 2018, p. 88). They can take the form of static advertisements, moving images, pure text, or videos. With the exception of **sticky ads** and **layer-based** advertisement formats, which are oriented toward the screen position, they occupy a specific location within the page (Kamps & Schetter, 2018, p. 88).

#### The various market participants in display marketing

Various marketing participants come into contact with each other in display marketing (Kamps & Schetter, 2018, p. 93).



**DIGRESSION**

The company RunZ is looking to publicize its new running shoe and achieve the greatest possible reach. For this reason, it is planning a display advertising campaign. The advertiser RunZ needs a publisher – an external company – that will make its resources, such as the website and **ad server**, available (Ahrholdt et al., 2020, p. 9). The website contains placeholders, which are subsequently filled with the display content. The publisher is reliant on both a website and the advertising content in the form of display advertising from the advertiser RunZ. For RunZ, the streaming service provider WatchIT seems to be an ideal partner for broadcasting its campaign – RunZ is hoping that the publication of a short video will significantly increase awareness of the company and its sales figures.

**Rich media**

These are highly sophisticated advertising formats that are based on new technology and usually contain animations and moving or interactive elements in order to increase conversion and interaction rates. Typical examples include flash animations, film sequences, overlay advertisements, or expendables (Greve & Scheibe, 2017, p. 109–110).

**Programmatic advertising**

This is the data-supported trade of online advertising spaces, which is largely automated.

**Sticky ad**

Sticky ads have a fixed position and do not disappear from the picture, even when the user scrolls down the screen.

**Layer**

Individual parts or objects are displayed on different levels and, as a result, can have different properties, be moved individually, or even hidden.

**Ad server**

This refers to both the physical server and

the software used

to place, deliver, and measure the success of internet advertising. The

term “ad server”

can be used to describe both the physical server on which the ad server software runs and the software itself.

A more detailed description of the individual participants in display advertising is provided below (Kamps & Schetter, 2018, p. 93–95:

**Cookie** Website operators can store small data packets on the hard drive of visitors to the site, in order to identify them during subsequent follow-up visits.

**Targeting** Advertising aimed at a precisely defined target

group.

* **Advertisers:** These are advertising companies that are looking to sell a product or a service and use display advertising for this purpose. In the previous example, the company RunZ would be the advertiser.
* **Publishers:** These are the issuers of content offers (publishers or website operators, for example) on which advertising space is made available. In the previous example, WatchIT would be the publisher.
* **Advertising networks:** Marketplaces in which advertisers and publishers come together to coordinate supply and demand.
* **Data management platform:** This is a form of data warehouse that stores all data, e.g., **cookie** IDs, and saves and sorts them for further use.

#### Targeting

The rapid, positive development of display advertising can only be explained by the possibility of programmatic advertising, i.e., the data-based trading of online advertising space. Data belonging to potential customers form the basis of this. More specific data enables more precise control of future advertising (Offierowski, 2017, p. 10–12).

The decisive further development of display advertising over previous methods is primarily due to the fact that advertisers can reach their respective target groups better as a result of the better data situation, allowing them to focus fully on these groups. The shift from environment to user enables the user concentricity that is so important today (Kamps & Schetter, 2018, p. 91). And this is precisely what **targeting** is all about:directing advertisements at precisely defined target groups. For this reason, the content of individual display advertisements varies significantly for different users as it is based on their demographics, surfing history, and behavior. The more targeted the online advertisements, the more effective and successful they will be (Kingsnorth, 2022, p. 80). Advertisers have various targeting methods at their disposal, which are often combined in practice (Kamps & Schetter, 2018, p. 91–96).

###### Audience targeting

This describes the isolation of target groups based on socio-demographic criteria such as age, gender, and income, but also on interests and any search queries performed. Google Analytics is one example of an available evaluation tool that enables an analysis of visitors to the respective website based on socio-demographic criteria. This can then be used to address all consumers with a similar profile to the other people in the target group.

###### Contextual targeting

This is a form of online advertising that reacts to keywords or is based on the context of a specific editorial environment. The advertiser looks for pages in which the respective keyword is stored. The advertisement is displayed in such a way that it fits the target group thematically.

###### Semantic targeting

With this method, the focus is no longer on a single keyword, but on analyzing meaningful contexts contained within the text. As a result, a broader range of terms is covered and made accessible to the target group. It can also prevent the advertiser’s advertising from being broadcast in an inappropriate environment (Olbrich et al., 2019, p. 92). A manufacturer of sugary soft drinks may not necessarily want to appear on an information page that looks at the consequences of unhealthy eating, such as diabetes and obesity.

###### Social targeting

The focus of social targeting is on isolating and reaching the target group in social media. The aim is to supplement existing user profiles with information from social media (Olbrich et al., 2019, p. 92). The profiles of social media users provide substantial socio-demographic data, which is combined with the geodata that is generated when mobile devices are used. This allows an advertisement targeting 15- to 21-year-olds on a mobile device to connect to a new pop-up store opening in the area (Olbrich et al., 2019, p. 92).

###### Cross-device targeting

This describes the assignment of a person to a target group based on personal identifiable information such as e-mail addresses, device IDs, or even customer accounts. As the variety and number of end devices per head is currently on the rise, the process of assignment is becoming increasingly complex (Olbrich et al., 2019, p. 92). The aim is to counteract this complexity by using personal identifiable information such as log-in details or even e-mail addresses and customer accounts.

#### Practical example of targeted advertising:

Ms. Varnish places advertisements for her cosmetic products in various daily newspapers, albeit with moderate success. Although she is happy about the wide reach, unfortunately, not every reader is interested in her product. At this point, she remembers a newspaper article she had recently read about targeted advertising, i.e., online advertising that focuses on clearly defined target groups. From this point on, Ms. Varnish places different advertisements on different channels for different target groups. She plays the advertisement for the anti-aging cream to older people and the advertisement for the latest eyeshadow products to young women. This soon proves successful and advertising wastage is reduced, i.e., only the right target group is addressed and the conversion rate increases.

**Pop-up** Elements of a graphical user interface that are used to display additional content

or query a specific interaction.

### Banners and Graphical Advertising Media

Everyone is familiar with ad banners – the large and prominent pop-ups that take up parts of the entire screen and interfere with the actual use of the website – they are part of everyday internet life (Kingsnorth, 2022, p. 80). The world of banners is diverse – they appear in various forms, formats, and sizes (Ahrholdt et al., 2020, p. 10). From humble beginnings as simple, small banners, they now incorporate various media types such as images, animations, videos, and even immersive experiences such as games, a short survey, or an interesting question. Sometimes they can only be found at the top of the page, on other occasions they may be integrated into videos or appear as **pop-ups** (Kingsnorth, 2022, p. 80). However, they all have the same joint aim of inviting users to interact (Kingsnorth, 2022, p. 80) and can therefore be clicked on. This redirects the user to the advertiser’s website, known as the “landing page” (Ahrholdt et al., 2020, p. 10). Every time a user is invited to visit a website through a banner advertisement, a “banner impression” or “ad view” is recorded for the advertiser. The success of banner advertising can be measured by recording individual impressions and clicks, although the number of impressions is no guarantee of a successful campaign (Ahrholdt et al., 2020, p. 10).

Virtuality, multimediality, interactivity, and individuality are typical characteristics that describe the internet as a medium (Olbrich et al. (2019, p. 101). Although the range of possibilities that have arisen from this have led to a multitude of different banner types and formats, they have also contributed to sensory overload and banner blindness on the part of the user (Olbrich et al. (2019, p. 101). This effect of banner blindness and the use of ad blockers requires banners to be designed in a way that allows them to be integrated homogeneously into their content and visual environment (Vogel, 2018).

In order to reduce the effort required for the creation and use of display advertising, to ensure better planning and structure, and at the same time to increase transparency and comparability between different providers and also campaigns, the Interactive Advertising Bureau (IAB) has created standards on the placement and formatting of display advertisements. Based on these standards, animations should not run for more than 15 seconds and fixed sizes now exist for the formats, which apply to everyone involved. As an example, the leaderboard, as shown in the figure, can be displayed using a format of 90 pixels x 728 pixels. All other formats, such as the skyscraper or rectangle, are derived from this format.

Figure 7: Size Ratios of Selected Banners



Source: Olbrich et al., 2019, p. 103.

It is not uncommon for a display or motif to be broadcast on different pages in different formats. The figure shows how the same content can be presented in different banner formats (Olbrich et al., 2019, p. 105). While the leaderboard extends over the entire width of the page, the wide skyscraper is more vertically aligned and can be found at the edge of the page.

The design of the banner plays a key role in online advertising and choosing the right banner is of no less importance. It is currently important to use banner formats that can also be displayed appropriately on mobile devices. The main forms of banner advertising used are described below (Olbrich et al., 2019, p. 105–106; Kollmann et al., 2013, p. 191):

* **Static banners** are usually a combination of image and text. Clicking is the only available action and directs the user to the linked page. In contrast, there are also dynamic banners, which can be changed dynamically according to usage or targeting.
* In the case of **text banners**, only text is used in the design of the banner.
* Fake banners are a form of static banner designed to entice users to click by disguising scroll bars and similar controls as functions.
* In the case of **video banners**,the sequence of complete films in the banner is shown.
* **Streaming banners** are characterized by the fact that they ensure live streaming in the form of audio or video files without longer download times. This is a form of small commercial that is shown as part of a banner format, for example. Unlike rich media banners, these files are not loaded from the banner itself, but are

streamed from external sources. This gives advertisers considerably more flexibility, as the content shown can also be easily replaced and changed afterwards.

* + **Rich media banners** are a combination of multimedia content such as animations, audio, video, or other interactive elements. In these cases, the multimedia elements are integrated directly into the banner with the intention of promoting increased interactivity and attractiveness of the advertising content.

#### Graphical advertising media and design guidelines

There is clear agreement that providing the right content at the right time and with the right choice of target group is a crucial factor in the success of display advertising (Vogel Communication, 2018).

Additionally, some design guidelines should be observed, as these can influence the effectiveness of the banner. The most important guidelines on the subject of banner design are listed below (Vogel, 2019):

* + Keep text to a minimum, pack all arguments into 15–20 words.
  + Call to action – calling on the user to take action or to become active, such as clicking on a link, making a purchase, or just giving a rating.
  + Use strong visuals to create emotional moments and a high recognition value that are appropriate to the target group.
  + Use of a corporate design that is in keeping with the identity of the brand and is tailored to the preferences of the target group.
  + The banner should follow the rules of the AIDA principle, in order to pick up and accompany customers appropriately at the individual touchpoints along the customer journey.
  + The banner should be viewed as a player in a team of media that needs to be integrated into the existing communication.

### Potential and Limits

A limitation of banner advertising lies in the low click rates, which are largely attributable to the fact that the banners direct the user away from the website visited and thus represent an interruption to the current interaction by the user (Olbrich et al., 2019, p. 107). It is, therefore, unsurprising that they are constantly perceived as disruptive and annoying and that the use of numerous animations leads to irritation. There is also a risk that this will cause potential customers to terminate their visit or project prematurely (Olbrich et al., 2019, p. 107).

This relationship is clearly illustrated using the example of a pop-up banner. Pop-up banners interrupt the surfing experience and draw the user’s attention directly to the banner, since the banner has to be closed first before the activity can be continued (Olbrich et al., 2019, p. 15). Programs developed specifically

for this purpose, which aim to prevent the displays from appearing, hamper the advertising effect (Olbrich et al., 2019, p. 107). The effect of **banner blindness** represents a further obstacle, as well as so-called **wear-out effects**, which refer to the decreasing attractiveness of a banner: As time goes by, each banner becomes boring (Esch, 2020) and loses its impact, hence the use of the term “wear-out effect.” This effect can be counteracted with a high degree of creativity, the use of animations – which has been proven to have a positive influence on the learning effect – but also a suitable advertising environment, i.e., the products offered on the banner are a match for the subject matter of the remainder of the website (Kroeber-Riel & Gröppel-Klein, 2019, p. 366–367).

Another major difficulty of display advertising is the lack of success monitoring (Kams & Schetter, 2018, p. 101) – not in the sense that this does not take place, but more in terms of accountability. As the use of display advertising as a channel can produce vague results, ultimately companies do not know whether the banner itself led to the purchase or whether the customer’s first contact with the company may have taken place at a much earlier stage, for example, as a result of a recommendation by a good friend.

Unfortunately, display marketing has been increasingly targeted by scammers in recent years. According to Kamps and Schetter (2018, p. 284), around a double-digit percentage of display marketing is of unnatural origin. **Impression fraud** makes up the majority of this. This is advertising that is paid for by the advertiser but is not visible to the visitor to the page. Scammers use methods known as “ad stacking” or “banner stuffing” to superimpose different banners, which are all loaded when the page is called up, but do not have an advertising effect as the user does not get to see the advertisements beneath them (Kamps & Schetter, 2018, p. 284). Another popular method of artificially driving up costs for advertisers is “non-human traffic,” in which click farms and bots perform fake clicks on banners that never actually appeared (Schweiger & Beck, 2019, p. 495).

Basically, “the primary goal of display advertising is to increase brand awareness and reach” (Ahrholdt et al., 2020, p. 9). It increases visibility, thereby paving the way to both existing and numerous new customers (Kingsnorth, 2022, p. 82). Due to the possibility of clicking on banners, the thus promote the generation of new leads as well as an increase in conversions (Ahrholdt et al., 2020, p. 9; Kingsnorth, 2022, p. 82).

Perhaps the greatest opportunity presented by banner advertising is the option to connect it with ad servers, which allows display advertising to be used in a targeted manner, according to geographical, temporal, and language criteria, based on the use of data from the ad server. This type of advertising is known as “behavioral targeting.” Here, the advertising that is displayed to users on the internet is selected based on their online chronology. An example of this is a user who has recently searched for a soccer ball and, in the next step, also receives advertising for the corresponding soccer shoes. In this way, display marketing not only works for products that everyone needs, such as shoes or mobile phones, but also allows smaller niche products to be

**Banner blindness**

This describes an obliviousness to banners, which results in users not reacting to advertisements at all or only rarely.

**Wear-out effect** Decreasing advertising effect caused by repetition.

**Impression fraud**

A scam relating to counted impressions; the term “impression” refers to a key performance indicator that reflects the visual contact that a user has with an advertisement.

**Upper-funnel channels** The upper funnel is the part of the conversion funnel in which the user develops brand awareness and possibly also an interest in the brand.

**Landing page** This is a website that users find themselves on after being redirected, for example, after clicking on a text link or an advertising banner. The landing page is often aligned with and configured to the specific needs of the target group.

sold successfully to the right person at the right price in the right placements due to the ability to specifically target the correct end user. However, to remain on course for further long-term success, topics such as content recommendation banners and dynamic bannering should also be factored into the equation alongside in-depth technically programmed experiences, because according to Philipp Westermeyer from Online Marketing Rockstars, display advertising has great potential and is one of the most exciting **upper-funnel channels** (Kamps & Schetter, 2018, p. 101).

### Measurement and Evaluation

As with all other performance marketing tools, the measurement and evaluation of results constitutes a significant advantage and an important step in equal measure. The core key performance indicators used in online advertising, along the decision-making process, are shown and described in the following figure: At the start of the decision-making process – usually a purchasing decision – the first step in display advertising is the display of a banner or an advertisement, which is also known as an impression. If this arouses interest, a successful reaction on the part of the user will be to click on the advertisement. This usually guides the user to the advertiser’s website or a **landing page** and exits the original page on which the number of clicks is recorded. All other user activities and events, on the other hand, are measured by the advertiser who commissioned the display. As a result, very different customer reactions and actions can be recorded according to the objective of the display ad. Typical variables include activities that took place prior to the purchase, such as new customer registrations or requests for information known as leads, or activities associated with concluding transactions such as sales (Olbrich et al., 2019, p. 77–78).

Figure 8: Key Performance Indicators Used in Online Advertising Along the Decision-Making Process



Source: Olbrich et al., 2019, p. 78.

Particularly in the pre-purchase phase, **lead generation** is a crucial variable. There are various measures that advertisers can take to increase this which must, of course, undergo an effectiveness and cost evaluation in accordance with the cost/benefit principle. For this reason, the conversion rate of a display, i.e., the number of leads generated by a special advertisement or campaign, and the costs-per-leads, i.e., the costs incurred per new lead, must also be analyzed in conjunction with the leads gained.

Cost-per-mille, or the price for 1,000 pop-ups, is the standard form of billing used in display advertising (Kamps & Schetter, 2018, p. 97). It displays the amount of money required for an advertising measure to reach an audience of 1,000 people in a target group. In banner advertising, one **ad impression** counts as a contact.

The cost-per-click can also be measured or billed in addition to the cost-per-mille. In this case, the advertiser always pays an amount when the user clicks on the advertising media.

By contrast, the cost-per-action (CPA) only incurs costs when the user performs a specific action, such as making a purchase in an online shop (Kamps & Schetter, 2018, p. 97). With this key performance indicator, the total cost of the actions is set against the number of actions.

Ideally, an online banner works with minimal wastage as its subject matter is matched to the target group. Ultimately, digital displays are the real-world equivalent of billboards, which means that a good online banner helps to promote a brand and **brand awareness**, but it can also be used in a considerably more targeted manner (Vogel Communication, 2018, p. 17).

In this context, there is the option to optimize the graphic design through the use of A/B tests, for example, which can be used to measure different click rates (Vogel Communication, 2018, p. 17). This makes it possible to check whether, for example, a red or blue banner is preferred by the target group, whether an Easter banner with a white or grey rabbit is more successful or is clicked more frequently, or whether an animated Santa Claus is more effective than a static image. While clicks measure the number of advertisements that are clicked on, the click rate represents the percentage of ads clicked versus ads displayed (Olbrich et al., 2019, p. 159).

Performance marketing is essentially based on the **ROI** concept, with the result that display advertising is also highly success-oriented. To this end, promising measures are expanded and less successful elements (text, images, videos, formats, etc.) are optimized or completed eliminated from further planning. According to the ROI approach, expenses are not viewed as costs but rather as investments (Lammenett, 2018, p. 493).

**Lead generation** This refers to the acquisition of prospective and potential customers with the aim of increasing sales, thus representing a crucial variable in the sales process.

**Ad impressions**

This refers to the individual views of advertising media on an ad server.

**Brand awareness** Indicates what percentage of people survey are familiar with and remember a brand.

**ROI**

The “return on investment” describes the profit generated from one euro of advertising budget used. This value can be viewed per campaign, per component of a campaign, or per individual advertising medium (Lammenett, 2018, p. 494).

In a bid to sell its e-bikes, company Y invests €60,000 in an online campaign that results in the sale of 100 bicycles. A profit of €1,000 is generated for each bicycle sold. In this case, the ROI from the investment amounts to €40,000 (100 x 1,000-60,000). As a result, the campaign has generated an ROI of 66.67 percent (40,000/60,000 x 100).

As a rule, it is not the entire campaign but the individual components and elements that are evaluated based on the ROI. The ROI approach thus serves to evaluate each measure and element based on their effectiveness and to optimize or eliminate them as necessary in order to focus on success and performance (Lammenett, 2019, p. 493).

**Programmatic advertising**

A form of auction between the supply side and the demand side.

**Cookies** These are small text files that are installed on a computer by websites, allowing detailed data about a person’s behavior and online actions to be

collected.

### Programmatic Advertising

The first advertising banner was placed by AT&T back in 1994, although at that time it still had to be inserted manually into the advertising page (Rondiell, 2016). The lack of accuracy in reaching the target group due to late adaptation to consumer needs led to reduced acceptance over time. As mentioned several times, the primary focus must be on the users, not on the pure advertising measure or the offer (Olbrich et al. (2019, p. 4–5). Displaying just any banner to the consumer is by no means a solution; banners will only be successful and promote interaction if they show users offers that they find interesting, i.e., things that they actually want to see. The key to this lies in **programmatic advertising**. This novel technology can make advertising more relevant for users again and tailor it to their expectations and requirements (Offierowski, 2017, p. 6–8). In this way, certain advertisements will only appear when a page is visited if the user fits the corresponding model based on their data such as demographics, interests, and also surfing history or past shopping behavior (Olbrich et al., 2019, p. 5; Greve & Scheibe, 2017, p. 108). This is not only of huge benefit to the user but also to the advertiser given the more efficient cost distribution, wouldn’t you say?

This method of advertising is only possible through data stored in the form of “**cookies**”and provides an insight into the behavior, wishes, and interests of users (Geve & Scheibe, 2017, p. 108). Other sources used to identify user needs and provide personalized advertising content include GPS location, current activities, and weather conditions. McDonalds, for example, could advertise ice-cold drinks instead of food offers when temperatures are particularly high.

#### Programmatic advertising as part of performance marketing

Programmatic advertising is interpreted as “advertising in real time.” The advertising space is no longer purchased manually, but on an individual and needs-oriented basis for the respective application, thereby achieving a targeted approach

to customers and more efficient use of the advertising budget (Henkel & Hirsch, 2015). Through the use of large data quantities, programmatic advertising consequently enables personalized advertising approaches, which significantly reduce costs and risks for advertisers (Greve & Scheibe, 2017, p. 107).

This involves the automated purchase and sale of advertising space (inventory) via digital platforms. The advertising space is placed in the respective channels such as desktop, mobile, audio, and video. The automated auction process for the advertising space, which runs in real time, is offered by the advertisers (demand side). The advertising space is automatically sold by the publishing services (sell side) based on the optimum bid value and campaign goals. The “sell side” then displays the desired advertising media (Gohr, 2019).

In principle, the entire programmatic advertising process can be described as a form of auction between the supply and demand side. The supply and demand sides are known as SSPs, or “sell-side platforms,” i.e., the publishing services, for example. Agencies and advertisers, on the other hand, are known as “demand side platforms” (DSP). There are also so-called “data management platforms,” which are usually operated by data providers and collect, manage, and order data, but also the data available to participants if required. A further participant is the ad server, which takes on the task of managing, delivering, and tracking online advertising media (Offierowski, 2017, p. 11–13).

Table 14: Programmatic Advertising Ecosystem

|  |  |  |  |
| --- | --- | --- | --- |
|  | **DEMAND SIDE** | **SELL SIDE** |  |
|  | **Demand-Side Plat-** | **Sell-Side Platform** |  |
|  | **form (DSP)** | **(SSP)** |  |
|  | Technological basis | Technological basis |  |
|  | for the automated, | for the supply |  |
|  | data-driven purchasing of individual advertising | side, to make the advertising |  |
|  | contacts and the control | inventory accessible for |  |
|  | of advertising | automated ad |  |
|  | placements on the | trading. The SSP, |  |
|  | demand side. | following its process |  |
|  | Advertising contacts | logic, always acts on |  |
|  | are received and | behalf of the website |  |
| **Advertisers/Agencies** provide budget and advertising content to purchase advertising contacts on an automated basis. | evaluated based on data and historical values at their time of their creation. | operator or marketer and optimizes the revenue according to defined rules for each individual advertising contact. | **Website Operators or Marketers** make their advertising inventory available for automated sales. |
|  | |
|  | **Data Management Platform (DMP)** | |  |
|  | Technical infrastructure which enables online and | |  |
|  | offline data to be collected in real time across channels and providers (“measurement”), | |  |
|  | managed (“management”), and can be used to | |  |
|  | provide target group segments for the customized | |  |
|  | addressing of a user (“provision”). | |  |
|  |  | |  |
|  | **Ad Server** | |  |
|  | Management, delivery, and tracking of online | |  |
|  | advertising media. | |  |

Source: Offierowski, 2017, p. 12.

#### Programmatic advertising process

At the start of every advertising campaign, goals are set and the target group is selected. Data that has already been collected is used to develop a strategy and serves as the basis for drawing up a draft of the advertising media (Offierowski, 2017, p. 25). The process of getting an advertisement to a consumer takes just a few milliseconds, but is described in small steps below:

Consumers call up a website that the respective publishing service has released for the open market. This access is registered and transferred to the connected ad server, which forwards the information relating to the individual use on to the supply-side platform on a customized basis. The demand-side platform now checks whether it has any campaigns in its system that would fit the user. If this applies to several participating bidders, an auction will start. The highest bidder (advertiser) wins the bid and pays one cent more than the second-highest bidder (“second-price auction”), regardless of the offer. In a “first-price auction,” the price actually bid is required.



**EXAMPLE**

In a first-price auction, person A bids €100; person B bids €150 and therefore wins the auction.

In a second-price auction, person A bids €100 and person B again bids €150. Person C bids €155. Person C wins the auction and pays €150.01.

On completion of the auction, the auctioned advertising banner is finally delivered via the ad server and thus displayed to the respective user (Offierowski, 2017, p. 52).

This method of auctioning, in which advertising space is auctioned off in real time, is also known as “real-time bidding.” In this instance, the advertising space is sold to the highest bidder. The increasing size of the respective markets, rising number of participants, and progressive technological options has led to increasingly complex auctions. The solution to a successful auction lies in the use of programmatic advertising – a form of automatic advertising that runs throughout the entire process, i.e., from the user visiting the website through to delivery of the advertisement to the user (Online Marketing Practice, n.d.-a). The full automation, standardization, and networking of programmatic advertising enables exact targeting, as the data-driven ad server is capable of much more precise and objective segmenting than humans. Accordingly, marketing specialists no longer purchase any placements for their inventory, banners, and displays on a selective basis, but rely on an automated process that provides a considerably higher degree of accuracy (Greve & Scheibe, 2017, p 108). Furthermore, when bidding is carried out in real time, it is on all of the available advertising space, with the result that different prices can be generated for each part of the divided advertising space. This means that real-time bidding only covers one element – virtually the pure auctioning part – of programmatic advertising. Real-time bidding allows bids to be submitted automatically and in real time, while programmatic advertising also includes delivery to the prospective customer.

#### Retargeting in programmatic advertising

In the case of retargeting, users who have clicked on a specific website are addressed at a later stage with the appropriate advertising. Retargeting can also be viewed as a form of reminder function (Kamps & Schetter, 2018, p. 94).

The **site retargeting** process can be described as follows:

**Site retargeting**

Users who have visited a specific website are subsequently addressed using online advertising.

“In a somewhat expanded variant, the placement of retargeting advertisements is linked to a specific user action on the website” (Kamps & Schetter, 2018, p. 95).

**Dynamic**

**retargeting** This is a complex process that involves the processing of user information, and the creation and targeted placement of personalized advertisements across ad networks.

* **Step 1:** User visits a website and then leaves it without taking any action.
* **Step 2:** The website sets cookies and marks the user.
* **Step 3:** The user visits other websites, which are running the display advertising from the original website.
* **Step 4:** As a result of the advertisement, the user returns to the original page.
* **Step 5:** The user carries out the action/conversion requested by the provider.

Dynamic retargeting, e-mail retargeting, search retargeting, and CRM retargeting can also be used in addition to the site retargeting described above.

With **dynamic retargeting**,the advertisement that is later displayed to the user is generated dynamically, which means that exactly the products viewed but not purchased by the user are displayed. The aim of this measure is to persuade prospective customers to then buy the product. It is not uncommon for such advertising media to include a call-to-action, such as a voucher for free shipping (Kamps & Schetter, 2018, p. 95).

It is with good reason that data is regarded as the new gold – after all, targeting would be practically inconceivable without it (Solomon, 2018). Data is essentially divided into three different types (Kamps & Schetter, 2018, p. 90–94), which are explained in greater detail below.

###### First-party data

This is the company’s own data that is available to or collected by the company. An example of this is usage behavior on the proprietary website, such as log-in data, registrations, and CRM data, which are collected using website analytics and CRM systems. This data is highly valuable due to its origin, but at the same time is pretty much limited to existing customers. It is predominantly used to win back customers for cross-selling potential or for the purposes of customer retention, as it provides information about which products are viewed, which products are added to the shopping cart, and also the point at which the purchase process is terminated, or other such examples (Kamps & Schetter, 2018, p. 90).

###### Second-party data

This is external address data that is purchased from or exchanged with other companies for the purpose of enriching proprietary data. The data is of a high quality, as it usually comes from strategic partnerships, has already been used, and is therefore qualified. As a result of sharing with partners, the quantity of data is increased and the reach is thus extended.

###### Third-party data

This is external data that is either collected or purchased by service providers known as data brokers. The data is also analyzed according to demographic criteria, for example, and segmented into homogeneous groups.

In principle, the use of such resources opens up the opportunity for companies to significantly increase their reach. Due to its high level of detail and scope, third-party data is superior to first-party data to some extent. If third-party cookies are used, this data is also passed to third parties abroad. For the protection of personal data, rules governing outsourcing (abroad) must be observed. The aim of “cookie banners” is to make internet users aware of the importance of cookies, to inform them, and also to raise their awareness in order to give them the opportunity to deactivate cookies and thereby uphold their rights (Sury, 2021, p. 306–307).

According to **GDPR**, the storage and transfer of personal data without active consent has been prohibited under the data protection law since 2018. The introduction of stricter conditions for consent to data processing, obligations for both data processors and managers of this data, and mandatory contractual terms between the two parties are among the key changes to this data protection regulation. The GDPR also obligates companies to integrate data protection as soon as work starts on creating systems, a concept known as “Privacy by Design” (Sury, 2021, p. 307).

**GDPR**



**SUMMARY**

The development of display advertising began as early as the 1990s and, after experiencing a series of lows, is now seeing something of a resurgence. This is largely attributable to programmatic advertising, the data-supported trade of online advertising space that carries out the purchase and sale of advertising space in real time on an automatic and customized basis. Another crucial development in display advertising is the fact that advertisers can reach their target groups better due to the improved data situation. Advertisers have various targeting methods at their disposal here, including social targeting, audience targeting, and semantic targeting. A distinction is made between the banners based on format, activation, placement, and appearance. As with all performance marketing tools, display advertising is also easily measurable using certain key performance indicators (price per 1,000 views, ROI, etc.).

An unimaginable number of advertisements are placed on the internet every day under the umbrella of online marketing. Programmatic advertising enables this to be done efficiently, in precise alignment with the target group, and practically, in real time. In the case of programmatic advertising, there is a supply side and a demand side on the market for online advertising space. The advertising space is auctioned off using various programmatic transaction methods.

The General Data Protection Regulation, which was passed in 2016 and came into force in 2018, harmonizes and modernizes the data protection rights of citizens at EU level in response to new technological developments such as clouds, social media, and the internet. The aim is to achieve greater transparency and control in order to protect consumers.

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