

Digital Marketing

strategy & tactics

Instructor Lecture Guide

CHAPTER 5

Display Advertising: The Basics

1 or 2 sessions

Chapter Outline

- Display advertising overview
- The evolution of display advertising
- How display advertising works
- Ad networks, ad servers, and ad exchanges
- Digital display options
- Getting the most out of display

Key Objectives

- Understand why display is the second largest channel of digital marketing by revenue; experiencing new growth due to better targeting methods, media and mobile growth.
- Display started as the basic banner ad; but has evolved into rich media and video units providing more engagement and interactivity.
- Display is one of the few digital marketing mechanisms that can deliver both branding impact and direct sales.
- Know how display advertising works; planning an ad campaign involves identifying your audience, selecting the appropriate publishers and developing creative assets.
- Digital display options are standardized by the IAB for the industry; providing standard ad sizing and best practices for rich media, interactive techniques and native ads.
- Understand ad exchanges and ad networks; ad exchanges exist to facilitate transactions between two sides of the marketplace—advertisers and publishers—and make money on the transactions. Ad networks typically act on behalf of buyer or seller, facilitating best ROI.
- Creative best practices include integrating maps, calendars, leads, and other functionality into ads; sound and video; interactivity and engagement, and other rich media techniques.
- The most important thing in good creative is testing a variety of messages and approaches to yield best results.
- Targeting is the key to effective and efficient advertising in display; using demographic and behavioral research to identify potential customers.

Teaching Notes

- **Slides 1–7:** Display is the second largest channel by spend. It's been revitalized thanks to social and mobile, video and programmatic. Key terminology is different than search: CPM (cost per thousand) is a dominant payment method—rate per thousands of eyeballs looking as opposed to performance based. CPM is derived from metrics used in traditional media and branding to measure reach. Viewthrough is also important; its research that shows that the clickthrough as a metric *underestimates the impact* of display ads. Unlike traditional advertising, research shows that

40-50% more people take action after seeing a display ad than those who click in search. It's like a bonus of 50% on measured performance. (Much of the other definitions will be directly dealt with in the lecture.)

Better ads and better targeting has led to more spend especially from traditional media brands. The growth leads some to think display will pass search in spend soon.

- **Slide 8:** Banner ads evolved from traditional media as online magazine ads; the first weren't even always clickable as some companies didn't have websites to send them to or weren't looking for a clickthrough—just branding. Things evolved quickly as action (clicks), and engagement (interactivity and measures of impact) became available and important.
- **Slide 9:** Interactive ads appeared early in the form of a Shockwave file (precursor to flash technology)—a playable pong game. This increase in engagement from people interacting in the ad was worth the extra technology it cost HP to make it, a tradeoff for companies that continues to this day.
- **Slide 10:** The early ad ecosystem was simpler and much smaller: advertisers bought ads from publishers to reach consumers, and ad operations players like early entry DoubleClick (using its proprietary DART technology taking advantage of “cookies”) provided trusted 3rd party services such as servers, trackers and reporting authorities.
- **Slide 11:** As more players, particularly ad networks, began to enter the market, the ecosystem and tracking and monitoring became more complex. Making sure the ads were seen by the right people and tracked through more advanced analytics was tougher, as were tracking to ensure things were properly served, charged and compliant with new regulatory provisions.
- **Slide 12:** We've entered a world with lots more money at stake, much more complexity, and more of everything: pricing methods, creative types, exchanges and networks, and of course real time programmatic bidding. New tech players emerge constantly to help optimize parts of the value chain: DSP's (demand side providers) to help optimize the buy side, and Yield Optimizers on the sell side to help publishers make the most money from their inventory.
- **Slide 13:** Display has the highest impact branding ads and most novel ways of targeting and buying the right audiences, so growth is booming as traditional advertisers meet their customers online.
- **Slide 14:** This chart illustrates the complexity of the ecosystem today that collectively accomplishes all these wonderful things. (I usually make a nod to this with a bad joke about the “simple chart that explains it all”). Key points: complexity makes attribution hard and fraud difficult to track; working media (dollars for actual ads instead of technology is often less than the goal of at least 50%; and bad actors can flourish). See “The History of Online Advertising,” Adpushup Blog, <https://www.adpushup.com/blog/the-history-of-online-advertising> or <https://lumapartners.com/luma-content/> for additional background on today's landscape.
- **Slide 15:** Attribution. One of the biggest challenges is giving credit along the marketing funnel to the appropriate ad channels when prioritizing where to spend for impact. This chart is to show basic analytics; Path 1 and Path 2 look very similar but which makes attribution more difficult?
- **Slide 16:** It's also questionable whether clicks are the best measure of impact—companies like MOAT have explored other engagement and attribution measures to demonstrate display effectiveness. <https://www.inmobi.com/blog/2017/09/19/metrics-that-matter-the-new-viewability-standards-for-mobile-video>.

- **Slide 17:** Most ads these days are deployed dynamically, meaning that three simultaneous decisions/auctions are happening in a split second for any ad: where to show the ad; who to show it to; and what ad to show them for maximum impact. There is also a back end of data to better identify targets. This happens in real time, impression by impression, so rules must be established so computers can decide this—in other words, real time bidding on programmatic decisions.
- **Slides 18–21:** Standards were created to make sure advertisers could create an ad once and use it everywhere, encouraging industry growth. Without them, it would be like having to create a different TV commercial for every channel—it would make mass campaigns much harder. These standards have evolved, but 4-6 (Universal package, often called the 4 pack or 6 pack) have been widely adopted and have the most inventory, leading to a commoditization. The IAB has designed new standards (LEAN) to encourage impact and maintain higher pricing for ads with more sophisticated media, native ads and other high engagement placements. The standard sizes continue to be the source of volume and commodity pricing.
- **Slides 22–27:** Ad exchanges versus networks. An exchange facilitates transactions; a network actually makes money from the sale and therefore has the seller's interest in mind—the commission is higher with the higher price. Both exist to help clear the enormous amount of inventory generated at market prices. This means that the pricing models can often be performance based and provide an opportunity for arbitrage if there is an auction. The video demonstrates this evolution and its worth showing to point out all of these things co-exist in the market—often the same banner inventory can be sold through several places.
- **Slide 28:** High performing creative shows one of several characteristics: relevant ads (good targeting); integrated into the place its seen (good context); rich media (multimedia has impact) and unfortunately annoyance and intrusion can work too.
- **Slide 29:** Examples of common rich media types; use an example live in class as an alternative.
- **Slides 30–31:** Research shows that there is a relationship between intrusion and impact—but it's possible to be impactful without being annoying. It's harder to be better—but don't be annoying. Users vastly prefer control over sound and video etc.—it can negatively impact a brand otherwise.
- **Slide 32:** Now we shift to creative. The first topic is “viewability”—whether an ad can be seen—has become a selling point as more tracking shows many ads paid for are never seen due to the page never scrolling down that far etc. Advertisers don't want to pay for those ads, but the rates reflect the blended viewability, so better metrics would increase the prices on the ones that are viewable.
- **Slides 33–35:** Using rich media features in a relevant way can cut through the clutter and improve the performance—look at the IKEA ad, which jams the whole store into a small space –reinforcing their message!
- **Slide 36:** Targeting online can take the work brands have done understanding the customer through personas and target these customers directly online segmenting them using a wide array of variables—not just broad audiences with a lot of the target attributes like a mass media campaign (think TV, magazines or direct mail).
- **Slide 37:** There are many ways to get the data to target, but digital allows us to move away from the demographic (what a customer usually looks like) to behavior (who is interested). “Our targets aren't

people who look like X; but they are people who want to buy from us.” Digital allows niches to be reached (Long Tail).

- **Slide 38:** In theory, addressable targeting means a win win-win for all; advertisers spend less money to reach only the desired audience; publishers get more for more targeted audiences; and the audience sees relevant ads they might actually care about.
- **Slide 39:** One great example of targeting behavior is re-targeting: following someone who showed up at a store or site once (behavior) with relevant ads. It’s a high ROI method on a small population.
- **Slide 40:** A good initial strategy is to use demographics to identify target audience, and behavior to target likely buyers; campaign performance can inform what creative executions are most effective.
- **Slides 41–43:** These are just for fun to exemplify the importance of placement. Computers don’t always get it right—these humorous ad placements are rare but can be bad if they are the one your boss or client sees. With all the handoffs between networks and exchanges, it’s hard to keep things safe.

Class Exercises

- *Metrics review:* Use this tool to set benchmarks and expectations for display ad campaigns. This works as a live demo in class, leading to assigning individuals or teams time to set up their own campaigns (<https://www.richmediagallery.com/learn/benchmarks>).

Tools and Resources

- Extensive History of Online Advertising on HubSpot; <https://blog.hubspot.com/marketing/history-of-online-advertising>.
- The IAB (Interactive Advertising Bureau) resource guide: http://www.iab.com/wp-content/uploads/2015/11/IAB_Display_Mobile_Creative_Guidelines_HTML5_2015.pdf.
- Ad galleries and search tools: <https://www.iab.com/guidelines/universal-ad-package/>; <https://www.richmediagallery.com>; <http://showcase.sizmek.com/>; <https://moat.com/>.
- Double Click, Viewthrough conversion tracking resources: <https://support.google.com/adxbuyer/answer/166342?hl=en>.
- Doubleclick Ad Gallery—good source of ideas and inspiration: <http://www.richmediagallery.com>.
- Sizmek Showcase—another source of inspiration: <http://showcase.sizmek.com/>.