

# Marketing gone mad: How Internet marketers found fool's gold at the end of the rainbow

By Steve Lundin



From 1998-2000 virtually anyone involved in marketing was looking at the Internet as if they had discovered King Solomon's mine. Best selling books like the "Cluetrain Manifesto" observed that, "Companies can now communicate with their markets directly. If they blow it, it could be their last chance." Guess what, companies blew it. It only took marketers with big, venture fueled budgets a couple of years to learn that customers and consumers had a finite capacity for online advertising, banner ads, pop ups, microsites, e-mail assaults, webinars, five minute flash presentations and all the other cyber tricks that marketers choked down the pipes of this new medium.

Now that some of the dust has settled, some of the

blood has been hosed off the field, and a few of the survivors have sobered up enough to make lucid comments, it's time to review what did and didn't work in online marketing.

## The great promise of online advertising

First there was the website. Then came the eyeballs. Then came the marketers who tried to lure the eyeballs into their dens with banners, buttons and pop ups. Then came the auditors who reported on click through rates to explain to advertisers why they were spending more than they were bringing in. Then came the consumer backlash.

A one-two punch that the marketing and advertising industry is still talking their way out of.

"The ad industry felt that Internet Advertising was going to be the Great Hope. They thought it would be just like television, a medium driven by big ad dollars. They were wrong. The "give content away, make money on advertising" business model does not work on the Internet. Why? Interactivity. People can choose what and how they view material on the Internet. And most people will choose to avoid advertising at all costs," said Laura Ries, of Ries & Ries Consulting ([www.ries.com](http://www.ries.com)).

Al and Laura Ries seem to have one of the clearest crystal balls in the marketing industry. Al Ries coined the term "positioning" back when most of today's marketers were still being influenced by the "Sell Grit" ads in the back of comic books. As the co-authors of "The 11 Immutable Laws of Internet Branding" and the soon to be released "The Fall of Advertising and the Rise of PR," the Ries and Ries team is not shy about calling trends or making waves.

"Internet advertising is like the holy grail. Everybody wants it, but nobody will ever find it. We keep talking about it, but nothing much ever comes from it. The Internet will never be a medium driven by advertising. The Internet will be driven by information and interactivity," said Al Ries. "Like many situations, some feel online advertising hasn't worked (not because it is a bad idea) but because they haven't got the technology right. There is still hope that the latest pop-up or banner format will unleash a huge online advertising market. They are just chasing a pipe dream. People don't want advertising; the Internet gives control to the user. And invariably the user will choose to turn off the advertising," he added.

This Dynamic Duo is not ready to write off all online advertising completely.

"There will be a small market for some online advertising, just like there is a small market for toilet and elevator advertising. Some specialized and niche products might do well using the Internet. But remember that advertising in general is not what builds brands or changes minds. Advertising can only reinforce what is already in the mind. PR is what is really needed to build brands," said Laura Ries.

## What is this sexy beast anyway?

"Despite the web's awesome potential to bring people together, the business community has managed to turn it into one humongous barn door that everyone's throwing their communications cow pies up against to see what will stick," said Guy Gangi, managing partner with Mobium Creative Group ([www.mobium.com](http://www.mobium.com)), an integrated business branding communications agency.

"Unfortunately, this technology gives any business marketer with a PC and some cheap software the sudden power to speak to the world and populate their communications with all kinds of irrelevant contents and digital gewgaws. Because they can, they do."

"The Internet is a place," posited Gangi. "To call it a medium or distribution channel or a platform denies its fundamental human hospitality," he added emphatically.

"The web changed everything and the web



changed nothing,” said Gordon Hochhalter, managing partner with Mobium Creative Group. “For thousands of years markets were essentially conversations between people who sought out others who shared the same interest. Technology is making markets conversations again. Interactivity is the defining characteristic of the web.”

## The numbers game

Like everything that costs money, advertising and marketing have measurement systems to quantify their effectiveness and justify their expense. In the pre-Internet days, marketing assessments involved measures like units sold, impressions made and levels of raised awareness. Shortly after the placement of the first online ads, marketers came up with a new term to measure success: ‘click through rate.’ Virtually overnight, impressions were out and clicks were in. A click meant that someone had been called to action based on an ad. “Imagine that,” the marketers boasted, “We made someone do something!” Time would prove that that “something” was an action to remove the advertising from their screen.

As technology progressed, marketers become more aggressive and bold in their uses of online advertising. Banners begat pop ups that just wouldn’t go away. They were everywhere, and surfers furiously clicked the little X in the corner of every box in an effort to escape. Some sites were so insidiously designed that the only exit was control-alt-delete. When enough bad press was visited on enough advertisers, the message began to resonate throughout the industry: maybe this isn’t working out the way we planned.

“The biggest disappointment for online advertising came with the false promise of the importance of the click through rate. It just wasn’t there,” said Jeffrey Graham, VP of client development for Dynamic Logic, a third party research group that specializes of researching online marketing effectiveness ([www.dynamiclogic.com](http://www.dynamiclogic.com))

“The interaction in clicks [a measurement of the click rate and the interaction rate of ads] plummeted and completely bottomed out. There was just too much advertising. People got more savvy using the Internet and became more selective on what they clicked on. Unfortunately this was misread as a failure of the medium [the Internet] itself. It wasn’t the medium that

failed, it was the metric for measuring it,” said Graham.

Graham’s argument mirrors the sentiments of many analysts who reflect back on what has tarnished most online marketing efforts: the greed of early marketers. “The original users were basically strip mining the Internet. Ask anybody what they think about advertising and they will tell you that they don’t like it. The early efforts just reinforced this,” he added.

“The fatal mistake that marketers made was in assuming that online advertising was somehow completely different than other types. Advertisers now realize that online is like any other advertising and needs to be a piece of an integrated approach. The industry is slowly absorbing this. The Interactive Advertising Bureau came out with a cross media study that compared on and offline advertising. Guess what, the online approach proved more effective. The Internet can work, if it’s done the right way,” said Graham.

What’s working now? “Well planned out branding campaigns that utilize the Internet to associate brands with good content. Sponsorships are working terrific. Smart advertisers are finding good sites with good metrics and utilizing the site’s content to get their advertising out. Take GM on ESPN.com for example. GM does a lot of sponsoring on this site because they want their cars and trucks associated with ruggedness and sports. Those types of advertisers are measuring the branding effect, not relying on click-throughs. They are using research that compares people who are exposed to the ads to people who are not exposed to the ads. Internet advertising should be focused and thoughtful, not just a shotgun approach. You can find anything annoying, which doesn’t mean that the medium itself is annoying,” explained Graham.

## From the ashes

Who hasn’t received an e-mail coupon from Border’s offering 20 percent off, free shipping from Amazon.com or a free pemmican jerky stick from Otto’s Sports Emporium? And do we welcome and use these little offers? It depends. If the recipient has opted-in to an email coupon program, such as that offered at Chicago-based coolsavings, and these offers represent a savings on purchases that consumers typically make, then everyone is happy. This is almost a line extension of the logic

behind the newspaper coupon, dating back to the turn of the century, evoking Hochhalter’s maxim that “the web changes everything and the web changes nothing.”

“Clearly banners were the biggest online marketing failure. They were sold as having direct results, then people clicked through and received a branding message with no call to action. Ironically you can get more people online during the workday than you can at night watching TV,” noted James Crouthamel, CEO of Performics, a performance based online marketing company based in Chicago ([www.performics.com](http://www.performics.com)).

“The big retailers and direct marketers are figuring out what works. Look at the offers from clothing stores and telecoms. They may come in the form of an e-mail solicitation, an offer banner or a website placement. We’ve seen a lot of growth in paid placement searches. This means that a retailer or distributor purchases a keyword. When a search is conducted with keywords the purchaser’s name comes up. For a company with a retail or catalogue operation that has multiple channels to the consumer, the sales can theoretically be activated at that moment,” Crouthamel added.

## Where do we go from here?

Marketers have spent millions in traditional advertising alone (print, billboards and broadcast) to drive the success of their online efforts. According to data collected in the new Ries & Ries book, Art.com spent \$15 million, CarsDirect \$30 million, Living.com \$20 million and Rx.com \$13 million, all in a single year! Yet ironically two of the Internet’s biggest success stories were the result of vastly less expensive viral marketing and effective public relations work: Amazon.com and eBay.

As with all attempts to define something new, techniques will be honed through the loss of blood and dollars. It’s like the old adage of bringing a knife to a gunfight: online marketers have been showing up at the roundtable discussion carrying bullhorns and wearing earplugs. Until these marketers realize that the one-way communication they’ve been accustomed to is now a dialogue, the full potential of the Internet will elude them, and more importantly, their customers. **f**

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