# Performance marketing can generate high returns

"Poor conversion is among the leading reasons why online businesses fail. This could be due to myriad reasons: its user experience is poor, the brand does not have a strong enough offline presence, its online marketing lacks commitment or its founders believe that now they have built it, customers will come," says Daniel Gross, CEO of AdMarula.


Daniel Gross

While they all play a role in an etailer's performance, he believes the source from which the traffic is generated is critical, yet often misunderstood. "Traditional marketing channels that increase eyeballs are the mainstay among online advertisers and media buyers. So while brands are exposed to hundreds and thousands of consumers every day - where the average click-through rate is around 0.15% - this does not make a booming business."

Instead, he suggests that rather than fishing in the biggest pool, etailers fish in a smaller one that has a better quality catch. "While media and their advertisers are becoming increasingly comfortable with online channels - as evidenced by PWC's entertainment and media outlook study which suggests that online is the fastest-growing advertising segment and is enjoying double-digit growth thanks to an increase in internet usage - they're largely using a buying model that was developed for traditional media."

## CPM vs CPL or CPA

Known as CPM - or cost per 1,000 impressions - it gives advertisers access to a massive audience base via online banners or interactive buttons - yet under-delivers on call-to-action. "It's a great way to build a brand, but not to make a sale."

What is the alternative? "Performance-based models like CPL (cost per lead) and CPA (cost per acquisition) are increasingly attractive as they deliver tangible business results. The problem is they are not that well known."

For instance, the company's clients - either direct or via an agency - advertise their brand via a network of pre-approved publishers including bloggers or online influencers but only pay when the campaign performs. "This eliminates their risk, but conversely increases ours. Our campaigns have to work. If they do not, we do not make money."

As such, its approach is strategic and must align to business objectives - aka sales forecasts. Publishers also need to deliver against strict criteria and rules of engagement. "We screen everyone before they sign-up and - using a transparent online dashboard - give clients access to who the publishers are, and how their campaigns are performing."

This visibility is likely what has attracted big brands such as Spree.co.za to the network. Since coming on board, Spree has seen an average increase in month-on-month sales of 148%, generated via the company's channel, with 125% growth in new customers from the marketing efforts. As a lead generation channel, it has also shown to be 59% more cost effective than other generation tactics.

So what is the catch? "The status quo - advertisers and media buyers are used to and comfortable with CPM and CPC. To change that is not quick or easy, even when the commercial advantages are clear. However, as they say, when eating an elephant, take one bite at a time. The same applies to performance marketing; as more and more brands try and enjoy its financial returns, it will in time make a mainstream impact," concludes Gross

For more information, go to www.admarula.com.