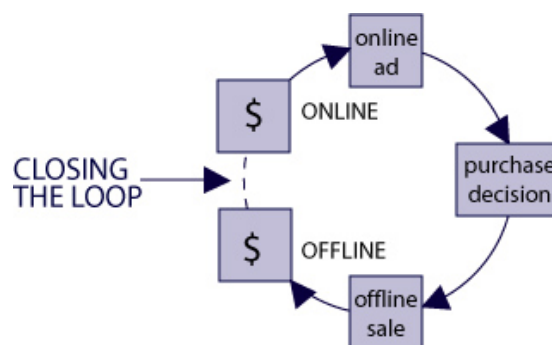


## Closing the Loop

For some time, research houses have been pointing out that the potential of online consumer retail is vastly overshadowed by 'online influenced offline retail' – that is offline sales that are driven by online marketing and consumer activity. In the last few years, online retailers have made significant advances in tracking and quantifying the effect of online marketing in driving sales. Where purchases occur online, the cost of advertising can be very effectively measured against the value of sales resulting from a campaign.

Unfortunately, this is not the case when purchases are made offline. The irony is that when discussing offline retail, the effect of online marketing is no harder to measure than most other forms of marketing. However, the highly data-rich environment of the Internet leads to an expectation that it 'should' be measurable.



The core challenge is linking online activity (the marketing and advertising) to offline activity (the sales). That is, proving that the individual who visited the website or read the email is the same individual who walked into the store a couple of days later and made a purchase. This is the challenge of 'closing the loop'. While little progress appears to have been made in this area, it is definitely worthwhile reviewing the current approaches and looking at some of the more powerful alternatives that leading edge marketers can begin to employ.

The most basic method has been to measure change in sales over the duration of an online campaign. This is limited, in that the most effective campaigns are integrated, which makes it difficult to distinguish the effects of online and offline activity. Even if an online-only campaign can be justified, the evidence is at best circumstantial.

One significant step forward that marketers can take is using statistical tools to analyse cross-platform campaigns. Where the activity in each channel can be measured on a regular basis, and the sales can be measured accurately on that same basis, conclusions can be drawn as to which marketing channels are having the greatest impact on the sales volumes. Unfortunately, this requires application of complex statistical techniques such as regression analysis, as well as accurate tracking, preferably on a daily basis. It must also be conducted over a length of time to eliminate as much noise as possible.

A much more straightforward method is couponing. By offering coupons online, purchasers can then be tracked when they redeem those coupons in-store. Coupons are usually printed, as in the case of current Hoyts promotions, though SMS coupons (including POS-scannable barcodes) are an interesting alternative. While couponing does not provide accurate overall

performance measurement (due to incomplete redemption), it can be effective in quantifying the relative performance of a series of online campaigns.

Perhaps the ideal would be double data-capture. By capturing identifying details (such as email address) both online and offline, accurate tracking can be achieved. This is quite an intrusive approach and will be of use in a limited number of situations. An example would be users providing email details to receive an online brochure, then providing email address again in-store as part of the warranty process.

Similar to this is use of the Internet as a lead generation channel. Initial contact is made online, then details provided are used to follow up the lead offline. Suitable for high value, complex decision process products, this allows leads to be tracked back as the initial contact actually occurs online – presuming adequate tracking is in place to track sales to leads. Volvo using online to drive sign-up for test drives was an excellent example of this approach.

An old chestnut from offline is the use of source surveys – the “where did you hear about us” approach. While there may be flaws in this, it is definitely worthwhile adding ‘website’ and ‘online ad’ to any existing source-capture lists so that you can start to get an indication of how salient this channel is for customers.

For softer data, many companies are using secondary indicators – actions performed online that indicate movement toward purchase. While it may not be possible to track the volume of product purchase online, it is straightforward to assess the volume of online product research. This is relevant for measuring the success of online media campaigns – it will provide an indication of how well your ads are driving users to the relevant part of your web site. If possible, you may go further and assess success at driving sign-up for related newsletters or downloads of trial software.

If you are limited to running promotions and tracking offline sales, there are a couple of ways that you can make this approach a little more robust. The first is only to promote specific product lines online. In this way, you can distinguish between the impact of your campaign (affecting only that product) and other extraneous variables (more likely to affect your product range as a whole).

Should that not be possible, you may also be able to leverage the highly targeted nature of the Internet using a ‘split’ technique. If you restrict your campaign to high involvement areas (such as email and membership sites) you can target it to only reach demographically defined groups. In this way you could advertise only to women, only to people in specific postcodes, or only to those who drive a specific brand of automotive. The technique relies on a sales process capable information capture of distinguishing which purchasers fit that criteria. In this way, if your campaign only targets women, you can measure its effect by charting any changes in purchasing ratios of men to women during and following the campaign.

As with all of the techniques described above, this has numerous weaknesses and inconsistencies. The fundamental nature of the task makes tracking online influence of offline sales complex and challenging. However, for those marketers responsible for online activity, it is becoming a more and more important part of measuring the success of online marketing activity.

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