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Solving the Wannamaker Problem

*"I know half the money I spend on advertising is wasted, but I can never find out which half."
- John Wanamaker**

It is no secret that marketers, being dissatisfied by print, broadcast and other traditional advertising and marketing results, are slowly shifting ad dollars to the Internet, email, and to mobile technologies. In fact, 2005 Internet ad revenues were \$12.5 billion dollars, up 34% over 2004. \$4.3 billion was spent for display ads, and another \$5.1 billion for keyword searches. Interestingly, for the most part, neither of these advertising forms comes close to solving Wannamaker's problem.

This shift in spending is based on a desire to have more **efficient** advertising and marketing, but it is not really helping to **effectively** track spending as it relates to actual sales. So we don't really know how effective Internet and other high-tech advertising are compared to more traditional forms. In the business to business world we might know how many leads we receive from participation in a tradeshow, but can we track the sales back to these leads and can we determine an ROI? A business journal or magazine cannot tell you if anybody read your print ad, let alone, if anyone made a purchase. Google can tell you how many people clicked your ad to visit your website, but they cannot tell you how many of those people made purchases.

Perhaps, this is the reason that the shift from broadcast and print advertising to Internet and mobile media has been a slow transition. A recent *Adweek* article indicated that Internet usage is well beyond that of advertisers' use of that media.

"NEW YORK - Despite sharp increases in Internet ad spending, advertisers still spend far less of their budgets on the Web when compared to the time consumers spend online. The Online Publishers Association, a trade group of Web publishers, published a study that found the Web accounts for 17 percent of media consumption, while advertisers are estimated to have earmarked 8 percent of consumer ad spending to Web media."

One hundred thirty two years after John Wannamaker created the first ever copyrighted store advertisement, we still can not determine which half of our ad spending is wasted.

* John Wanamaker (July 11, 1838 - December 12, 1922) was a United States businessman, civic and political figure, considered the father of the department store and the father of modern advertising. Wanamaker was born in Philadelphia, Pennsylvania.

Can The Wannamaker Problem Be Solved?

In a perfect world, virtually everyone who uses the Internet would have a unique identifier such as, say, an email address. In that perfect future, mobile phone users could be identified by an integer such as a telephone number. Sorry; that was just a little tongue in cheek rhetoric. Of course, we already have these unique identifiers. We just don't use them very well.

In 1996, Seth Godin wrote a book called *Permission Marketing*, outlining a future in which we would ask permission to market to our targeted social verticals. Much of this concept is based on obtaining the person's email address and then sending relevant messages and building trust with that person. In other words, according to this plan, you obtain the person's unique identifier and hopefully a lot of other information was well. The same can be accomplished with mobile media. What Godin proposed then is a hundred times more effective today.

To be sure, it takes some work to track a click on an advertisement to an actual sale or to determine if a sale came from a lead generated at a tradeshow, but it can be done. And we can certainly do the reverse. We can convince customers to give us their email addresses or mobile numbers, and then market to them, with permission and then be able to track sales. Regardless of what marketing technique we use to reach people, we would be able to know how efficient and effective these efforts were.

Most advertisers would be ecstatic to have a demographic map of the people who click their ads. That technique provides the ability to test advertising in the real world and to tweak it to obtain the best format for the targeted demographic. It's a lot better than bringing a handful of people into a room, and asking which ad they like best. Tracking an ad click to a sale is a whole new level of knowledge, and it begins to solve Wannamaker's problem. After all, what we want most are sales, and being able to accurately know which marketing technique generates the most sales allows us to put more power in the market or to cut back, and increase our profits.

These techniques are not without shortcomings. There are people who will not want to know the results of such measurements. That would mainly be the people who sell advertising. Advertising has a soft measurement matrix. With most Internet, print, and television ads, we have to pretty much measure against how many people receive a magazine or newspaper and how many people view a television show. The closest we come to a reasonable measurement of an Internet ad is knowing how many people clicked the ad. The higher these numbers are, the more you pay. This doesn't take into account how many people buy your product or service, which is how you pay for the ads in the first place.

It is not my intention to suggest that we get rid of all non trackable advertising. This is not feasible, and there is certainly a place for branding to the large audiences which these media have to offer. On the other hand, we should be working a lot harder to create programs that incorporate the ability to determine what type of people are reacting to our ads and who is buying our offerings, based on the ads they have seen.

What I am suggesting is that we do a better job tracking the effectiveness of the various marketing and advertising techniques we use. Too many tradeshow are booked even though we have no idea of what the return on investment on the last one was. Print ads are placed even though we have no real idea of how many people are seeing the ad let alone responding to it. Salespeople send cold call emails to hundreds of prospects and clients without having any idea if the receiver opened it let alone visited a link provided in the email.

Wanamaker thought that 50% of his advertising was effective. He just didn't know which half. And most companies still don't know and may never really be able to determine this. But what if we could change that to 75% effective and you do know which techniques generated 25%? Certainly the results would be dramatic.

The first step is awareness. It's understanding where you are spending your money and what the sales results are and if they can be tracked. The second step is to come up with innovative techniques that allow you to track sales results. That may mean some internal operational changes or it might mean developing advertising and marketing techniques that allow you to more easily track.

Examples

A recently launched online social network has a unique method for tracking ads. They award members for clicking on ads to get more information. In the process of doing this they know who made the click. Advertisers are offered reports showing the overall demographic of there group that clicked the ad, and if the client can supply a list of email addresses from recent purchases they can run a report showing how many of these email addresses were members who clicked the ad.

Another new online service allows you to send emails to prospects that include a link to a web site or other online materials. If the prospect clicks the link you receive a report showing you exactly what the prospect looked at on your web site. Once you know if someone has or has not responded to your email you can more easily create a sales strategy to move the sale forward and the eventual sale can be tracked to this activity.

Most mass email programs can tell you how many people opened an email and who they were. Using the list of responders and cross referencing will show you the level of interest of people on your list and also can assist in tracking sales.

These are just several methods that are starting to help solve the Wanamaker problem.

As was previously mentioned, the first step is awareness. That is to understand how much you are spending on which marketing technique and whether you can track the results of those techniques back to actual sales. To assist you with this Hallman & Associates has created the Wanamaker

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<http://www.adobe.com/products/acrobat/readstep2.html> .

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