

A Primer on Behavioral Marketing

This paper is the first in a series examining the concept of behavioral marketing. In this Primer on Behavioral Marketing, we explain what defines behavioral marketing, how it is different from traditional marketing, why it works and how to begin adapting behavioral marketing into your company's online presence.

Lessons Learned

As we enter the second decade of the Internet explosion, it is finally safe to say that lessons were learned. Most advertisers looked at the Internet consumer and saw just another big, broad demographic. They entered the Internet market relying on traditional advertising campaigns, trying to adapt them for the Internet and hoping—fingers crossed—for results. Most were disappointed.

All lessons, it seems, are learned the hard way, and Internet advertising is no exception. As the industry evaluated its advertising strategies and looked for the successes, more and more advertisers said out loud what many people were thinking: Traditional marketing and advertising on the Web are not working well.

Applying traditional marketing techniques to the Web—direct response or brand awareness—usually results in infinitesimal response rates. A 1% response rate came to define success. For many marketing professionals, this claim could—in polite terms—be called absurd.

The Learning Curve

Advertisers are now looking at new strategies, and more and more

they are embracing the concept known as behavioral marketing. Behavioral marketing encompasses a more refined approach to Internet advertising, one that treats the Internet consumer as an individual, not as part of a mass demographic.

Adopting behavioral marketing as



a strategy requires coming to terms with what is perhaps the hardest lesson: Advertising needs to move away from its conventional (and comfortable) marketing categories—direct response or brand awareness—and see the Internet for what it is: a very different animal that needs a different approach.

Understanding Behavioral Marketing

Behavioral marketing allows companies to reach the consumer as an individual, one with personal preferences and buying cycles. Behavioral marketing taps technology to make

direct, real-time marketing to the individual possible, thus blending traditional marketing, such as specials or discounts, with a company's complete online presence.

Behavioral marketing also rejects the conventional wisdom that the Internet shopper is somehow "elusive." Quite the contrary, no shopper provides more information about his or her preferences than the online shopper, and behavioral marketing targets those preferences.

Columnist Larry Everling of iMedia Communications explains it this way, "Behavioral marketing endeavors to provide an increasingly efficient and effective online experience towards maximizing purchase satisfaction and the likelihood of repeat purchase. No other marketing vehicle allows individuals to control and manipulate their media consumption while also furnishing consumers with the connective tissue between consideration and intent, leading to acquisition."

The Power of Behavioral Marketing

One company at the forefront of behavioral marketing is Claria, which began creating strategies in the late 1990s. Developing a permission-based system of profiling anonymous Web-surfing behavior, Claria, through its extensive GAIN Network, was able to create advertising strategies that delivered the right message at exactly the right moment in the consumer's buying cycle.

Behavioral marketing, as defined by Claria, is based on three basic strategies:

- Market to the individual, not to a mass demographic, based on his or her unique Web-surfing behavior

- Develop insights into the consumer's preferences, based on anonymous profiling
- Blend promotional advertising with brand awareness campaigns.

These strategies are commonly delivering higher click-through and conversion rates, some 20 to 40 times higher than traditional banner ads.

Behavioral targeting ensures that advertising messages are displayed only to consumers whose online behavior indicates an interest in an advertiser's product category, increasing likelihood of the consumer making a purchase.

For example, a consumer planning to visit Chicago and viewing a car rental site may receive an ad targeting his specific need—discount car rentals in the Chicago area. Combining demographic and lifestyle profiles with behavioral and historical targeting is key to discovering and marketing to the Internet consumer.

The Hardest Lesson: Changing Minds

Although it seemed everyone agreed long ago that the Internet isn't simply a giant online catalog that will draw in consumers, it is still treated as just that. The biggest obstacle facing behavioral marketing is changing the mind-set. It requires acknowledging that conventional advertising doesn't translate well to the Internet, despite all the best efforts and good intentions.

Behavioral marketing defines the Web as a company's central lead dispatcher, requiring multiple engagement options to match consumers' explicit online actions. It also requires advertisers to stop trying to choose between a direct

response campaign and a brand awareness campaign. Behavioral marketing blends the two, capturing the Web surfer as an individual consumer, not as part of an all encompassing, hope-for-the-best brand awareness or direct response campaign.

Beginning the Discussion

If you are one of those responsible for a company's advertising, you face some tough challenges as you try to shake up traditional approaches and move to behavioral marketing. But the discussion can begin with these points:

1. Begin by auditing your online strategy. What was your company's online advertising strategy in 1996? In 2000? And now in 2004? If you have simply added banners or other rich media designs to your advertising without targeting the individual consumer, you are missing many opportunities to optimize your online presence.

2. Be ready to toss out the status quo. Given what is spent to maintain your company's online presence, what are you getting? Are you really willing to continue to ignore the 96% or 99% of consumers who never click through to your advertising?

3. If your company is resisting behavioral marketing, ask why. Has your company settled for "good enough" returns or vague promises of "brand recognition?" Is your company entrenched in turf battles, dividing dollars between direct response and brand awareness departments? Can those divisions be overcome by results?

4. Behavioral marketing is not a criticism of the enormous success of traditional advertising strategies. It is, however, a recognition that the tried-and-true advertising staple of putting direct response in one cor-

ner and brand awareness in the other isn't working for the online market. It is the acknowledgement that over the years, lessons have been learned, and those who are willing to adapt and change will be served well.