

Internet Marketing *in Canada*:



The 24/7 Media Report

A strategic look at trends, benchmarks and best practices in the Canadian Internet marketing industry from 24/7 Media



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Overview

Welcome to the first [24/7 Media Report on Internet Marketing in Canada](#). At 24/7 Media Canada, we feel the best way to ensure a vibrant Canadian Internet marketing industry is to pool our knowledge, identify trends and share best practices with Canadian marketers.

As a leader in Canadian Internet marketing, with over 100 Web site advertising sales relationships and hundreds of advertiser and email clients, we have access to a wide range of formal research, and extensive hands-on learning from our client campaigns. Unfortunately, much of the available formal research we've encountered is based on a non-Canadian experience. In order to provide a truly Canadian perspective, we've created the first in a series of **24/7 Media reports on Internet Marketing in Canada**.

To help uncover benchmarks, best practices and lessons learned, we asked **Internet Marketing Decision-Makers** across Canada the questions our business partners ask us every day:

- How strong is Canadian business' commitment to Internet marketing?
- How are Canadian marketers measuring success online?
- How does email fit in the online marketing mix?
- What are the roles of the advertising agency, advertising network, Web site and client in Internet marketing?

The response we received from Canadian **Internet Marketing Decision-Makers** was overwhelming. The survey findings and comments contained in this guide are based on over 200 completed surveys! The participant pool was evenly divided between those who work on the client side and those who work for advertising agencies.

The survey clearly shows that the Canadian Internet marketing industry is vibrant and growing, yet still faces unique challenges due to the newness, fluidity and speed of the market. Among key lessons learned, the most common was that Internet marketers need to test, track and refine in order to be effective.

Successful marketers take advantage of the flexibility of the Internet through the testing of multiple creative concepts and continuous campaign re-adjustments. Respondents often note that there is no set formula, and that it is important to find the right balance between creative, media, offer and targeting.

As one respondent said, "*The most important lesson I've learned is to determine, for my company, what the right course of action is and why.*"

Like all good research, this report may generate more questions than answers; but I am certain that you will find the report helpful. If you have questions, comments or suggestions on what we should address in our next report, or would like more information about our services, please contact me at Aber@247canada.com or 1-800-258-6852.

Warm regards,



Jay R. Aber.
President, 24/7 Media Canada

Methodology:

Our [Internet Marketing in Canada](#) survey was emailed to 2,484 recipients in Autumn, 2000.

The survey consisted of a series of forced-choice and open text questions designed to probe the state of the Canadian Internet marketing industry today, and to make predictions for the future. Questions focused on purchasing and tracking practices and the use of email for direct marketing.

Participants were asked to indicate their objectives for online campaigns and their relative expenditures. Survey respondents were also given two opportunities to freely share their learning and experiences.

Of the 2,484 recipients, 203 respondents completed the survey, generating a response rate of 8.2%.

The participant pool was evenly divided between those who work on the client side and those who work for advertising agencies.

This executive summary is based on portions of the data gathered by MMSG, an interactive consulting and research firm, on behalf of 24/7 Media Canada. The survey is intended to provide direction, encapsulating the opinions and learning from a core group of Internet Marketing Decision-Makers. It is by no means representative of all Canadian business.

4 out of 5 Canadian marketers will strengthen or maintain their commitment to the Internet.

24/7 Perspective: Internet marketing has come of age in Canada. Marketers share an increasing commitment to the Internet, and are actively planning for it. While strong organizational commitment is important, it is simply the first step in building an effective Internet marketing plan.

Other key Internet & email marketing success factors include:

- Testing, tracking results and refining tactics to develop effective campaigns that deliver an acceptable ROI.
- Setting clear objectives and putting the systems in place to track results.
- Creating a corporate culture that rewards innovation and calculated risk-taking.
- Empowering people within organizations to take advantage of new Internet communication or media opportunities and to react quickly to competitive challenges.
- Finding the right media and marketing partners who add value.

While there are few established and proven ways of using the Internet as a marketing medium, its low cost, high speed and interactive benefits, make it an essential and challenging part of the marketing mix. With 65% of Canadian adults accessing the Web (Cybertrends, Fall 2000), few marketers can afford to ignore the Internet's reach of potential customers.

Verbatim Comments

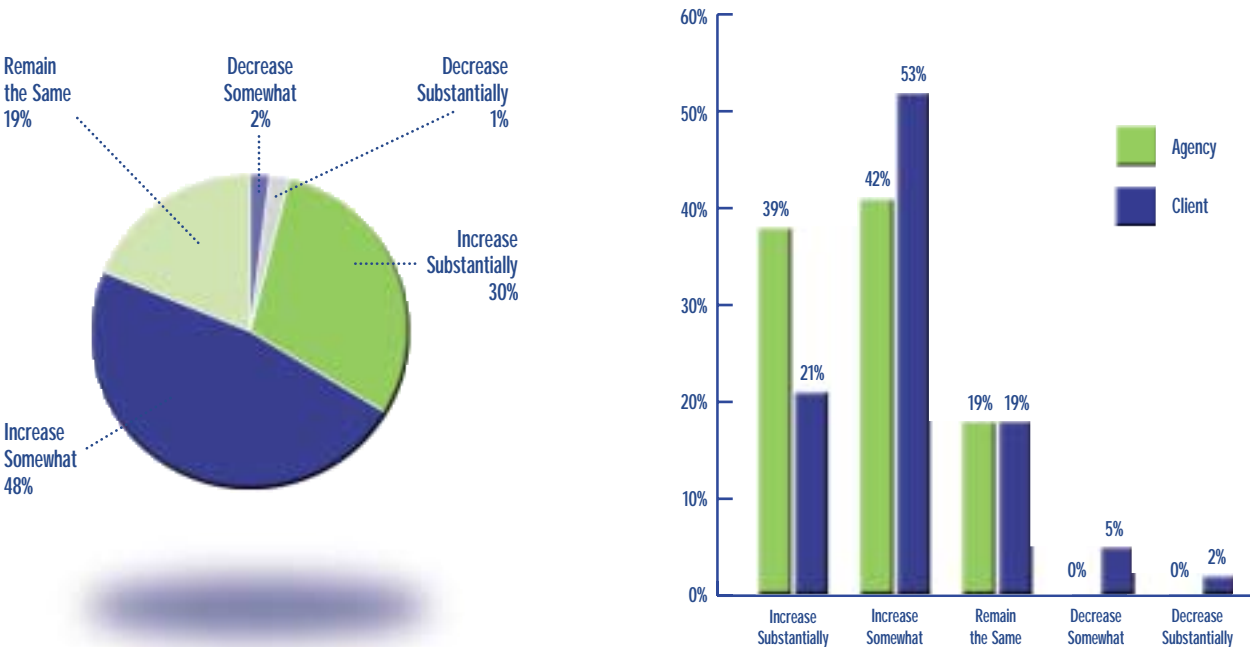
"Trial and error is the key – you must work with companies and campaigns that have extreme flexibility so that you can change on the fly. It's the nature of the Web and so must be the nature of using the Web as a marketing medium."

"The Web environment is changing fast, some strategies could be valid for a few weeks but need to be modified as the Web [changes]."

"Test, test, test."

"Take chances and test different sites and strategies."

How do you anticipate that your company's level of commitment to Web advertising will change over the next 12 months?



Canadian marketers believe their customers are online.

However, 62% say insufficient budgets and lack of understanding could thwart commitment to the Internet.

24/7 Perspective: In most organizations, it is small successes that will be the key to overcoming skepticism about Internet marketing. Budgets will then increase to fund much larger Internet marketing initiatives.

The best way to breed success is to run multiple campaigns with numerous creative executions and trackable, realistic objectives – then roll-out larger campaigns based on learning and successes.

Be clear in your goals: Is the campaign to generate awareness? Are you asking people to opt-in to receive more information? Are you trying to sell something right off the clickthrough?

Miracles rarely happen in business so it is important to stay realistic about your sales cycle. If it normally takes a year to make a sale, the Internet can speed up part of the process but will not shorten the cycle to an hour.

Verbatim Comments

“Need for adequate planning and strategic thinking. Power Internet can offer as a marketing tool/critical thought required to harness it.”

“Look beyond the obvious.”

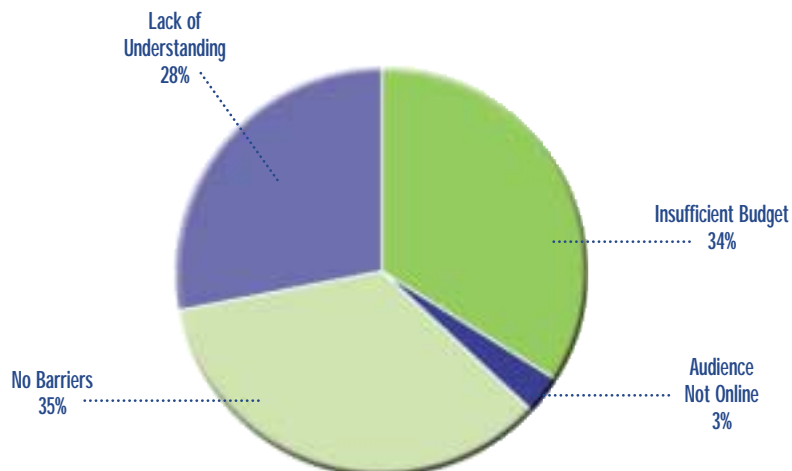
“Try strategies until you get it right for your company – there is no right formula.”

“Keep being creative.”

“Offer has to be something the customers want as in any other medium, and [be certain that] you are talking to the right customer with the right offer.”

“... Integrated marketing plans with traditional media as well as executive management support.”

What is the biggest stumbling block you face in terms of your company's commitment to Web advertising?



Brand awareness is the number one objective for Internet advertisers.

24/7 Perspective: With the huge growth in the number of Web sites, marketers are under constant pressure to keep their Web site top of mind with consumers. It's understandable then, that the majority of respondents ranked building brand/Web site awareness as their number one objective for online campaigns.

The Five Golden Rules for Online Branding (courtesy of 24/7 Media, Dynamic Logic and AdRelevance)

1. **Avoid Banner Clutter** – an excessive number of creative elements reduces a banner's ability to raise awareness and recall, so keep it simple
2. **Use Larger Logos** – The bigger the better.
3. **Choose Bigger Banner Sizes** – Bigger banners impact consumers more, so when your campaign goals include improving banner metrics, you should use larger format banners.
4. **Increase Frequency For Branding Purposes** – The more times an ad is viewed the greater the impact. A frequency of five times per target appears to be the most efficient.
5. **Put on a Human Face** – Banners with a human face increase consumer interest in learning more about the advertised products and services.

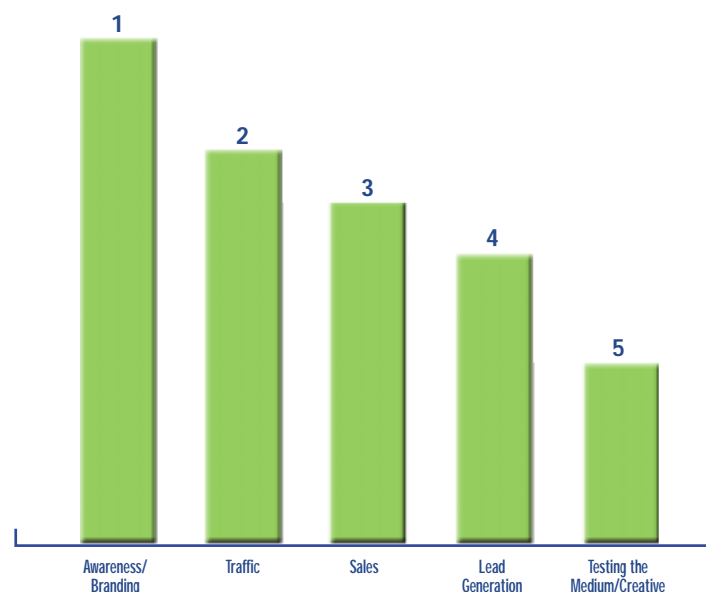
Verbatim Comments

"Internet marketing – at its core – is still marketing."

"Use the brand blue print for success and think short-term awareness and long-term sales."

"Stop worrying about clickthrough rates because branding is not measurable using traditional online statistic measurements."

What are your top 5 objectives for online campaigns?



Unlike traditional media, less than 1 in 4 marketers relies exclusively on advertising/interactive agencies to buy Internet media.

24/7 Perspective: From our experience, the primary goal for marketers is to learn from their online campaigns. Not surprisingly, Internet marketers seem to be more involved with campaign details, including media placement, than they might be when using traditional media.

Our survey respondents indicated that they opt for a variety of marketing partnerships, rather than one traditional AOR (Agency of Record) relationship for their Internet initiatives. Perhaps this is because the medium is so new that few suppliers are able to expertly provide all the different campaign requirements, all of the time. Some projects require technical knowledge; others may need previous Internet marketing experience; while for others, direct marketing skills or prior off-line experience with the brand are key. For larger media buys or long term sponsorships, media discussions involve many players including the client, their agencies, the Web site and the Web site sales partner.

It remains to be seen whether the AOR relationship will again surface as the preferred route for online marketers, once the Internet marketing metrics and skill sets are in place. Perhaps what we are seeing is that the Internet culture of partnering to accomplish a specific task is also redefining the client/advertising agency/Internet marketing supplier relationship.

Verbatim Comments

"Facing demands for sharper, more targeted and more compelling approaches to marketing online. Clients leading the charge."

"But you need to think like a direct marketer, not a technology provider to add value..."

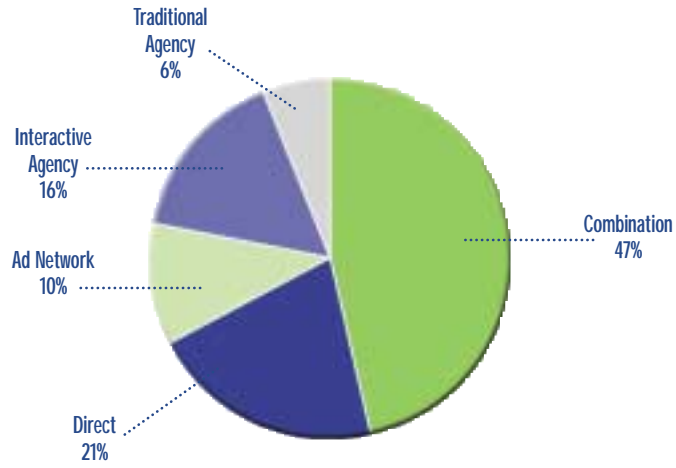
"Trial and error is the key (to successful Web marketing) – you must work with companies and campaigns that have extreme flexibility so that you can change on the fly. It's the nature of the Web and so must be the nature of using the Web as a marketing medium."

"Get someone who understands marketing online and not a . . . bean counter."

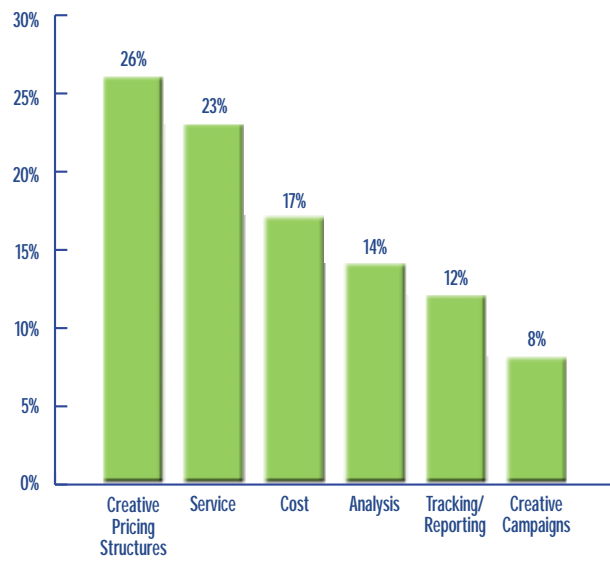
"Always use trusted sites . . ."

"Developing strong partnerships with sites is key – often they go the extra mile."

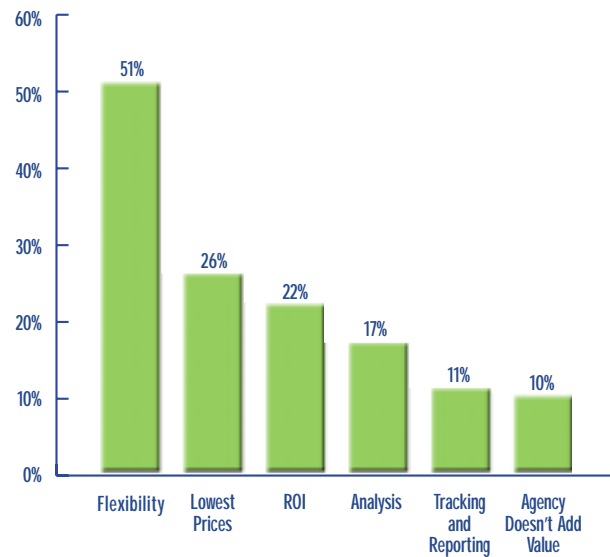
Who do you use to purchase Web advertising?



What is your number 1 consideration when choosing online advertising suppliers?



If you buy direct, why?



Marketers will spend more on promoting their Web sites and less on building them.

24/7 Perspective: As the number of URLs and Web sites on the Internet grows, Internet marketers in Canada are shifting spending from building Web sites to promoting them. In this intensely competitive environment, marketers have come to realize that attracting targeted traffic is the key to ROI. Companies therefore are focusing resources on generating brand awareness among relevant market segments to encourage visits, leads and orders.

Verbatim Comments

"We use Internet advertising as a brand exercise..."

"Know your target."

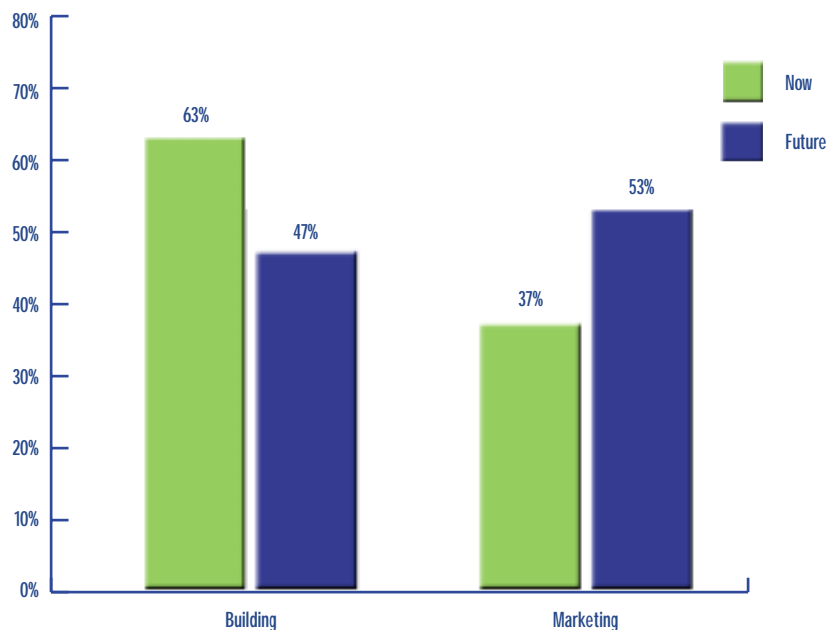
"You must ensure you 'talk' to the right people."

"Flexibility, creativity and resourcefulness are musts!"

"A shift to the Web for promotion... an emphasis on the business model."

"A return to the use of traditional marketing principles when planning Web-based marketing activities."

Approximately what percentage of your overall Web budget do you currently spend on Creating/Maintaining your Web site vs. Promoting/Marketing your Web site?



In a medium many consider to be direct marketing-based, few track the value of the clickthrough on their ads.

24/7 Perspective: Cost-effective response defines all direct marketing activities. If you ask an offline direct marketer about response rates or costs per lead or sale, you are sure to hear an accurate answer, instantly. Most direct marketers track and test their campaigns so closely, that they can tell you which letter and mailing list, or direct response television time slot and commercial generated the most valuable customers.

Therefore, it is troubling that only a minority of Internet marketers track what happens after someone clicks through to their site. Do the people who click ask for more information, buy immediately or simply realize that they clicked through in error and quickly leave the site without doing anything?

As many of our survey respondents noted, devising an Internet marketing plan that delivers a positive ROI requires testing, tracking and refining. Yet, tracking what happens after someone clicks through to your site needn't be an onerous exercise. Many of the same people who sell you ads on their Web sites or networks can also track how many of the people who clicked on your ads became customers or "warm" leads.

Whatever tracking mechanism you use, be certain that it is accurate. After all, how else can you tell if your online campaign generates customers that cost you \$1 or \$100 to acquire?

Verbatim Comments

"If you develop the right campaign you can lower your cost per lead substantially over a traditional campaign."

"Realization that more Web marketing budget can be gained with better tracking."

"Post-click tracking works."

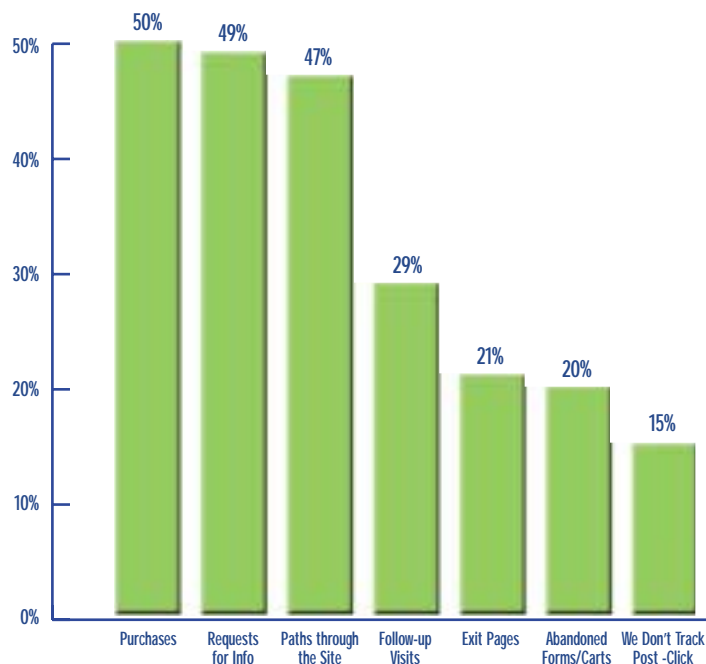
"Better ROI tracking (not just looking at clicks but view-based conversions, post-click activity, etc.)"

"Ability to track activity from medium to sales and to adjust strategy accordingly."

"Using Web advertising as a means of collecting prospects more than as a means of finding new accounts."

"...Less emphasis on clickthrough rates as an effective measure of ROI."

Which of the following types of post-clickthrough activity do you or your suppliers monitor?



86% say email is an important part of the marketing mix for customer retention and acquisition.

24/7 Perspective: There are many reasons why opt-in or permission-based email has become so popular for customer acquisition and lead generation. Permission-based email marketing offers huge cost advantages over traditional direct mail including: no outbound or inbound postage; no printing costs; and sharply reduced creative development costs. Instantaneous results, quick creative development, exceptional targeting, flexibility and high clickthrough rates round out some of the top email advantages.

It's not just traditional direct mail marketers who are flocking to email. So are many Web-based businesses and traditional marketers who appreciate email's pinpoint targeting and the ability to send a longer, more informational message to prospects than is currently available in other Internet advertising formats.

Marketers are also developing their own email lists to communicate with existing customers and prospects. The key to ensuring that recipients welcome email from your company and that your company is in compliance with Canadian law, is to receive their permission prior to sending them email. Once your list is properly "opted-in" (i.e. you have received permission from recipients) you can begin sending product updates and newsletters, and implement a range of cross-sell, up-sell and retention strategies through email.

Handled properly, and with the recipient's permission, many marketers allow third party organizations to rent their email lists. This list rental income can be quite significant and is often positioned as added value to the recipient. List owners approve the copy and the advertiser before the email is deployed, and control how many times a specific person can be emailed during the month or the year.

Indications from our clients and survey respondents, suggest that email use will increase dramatically over the next year or so.

Verbatim Comments

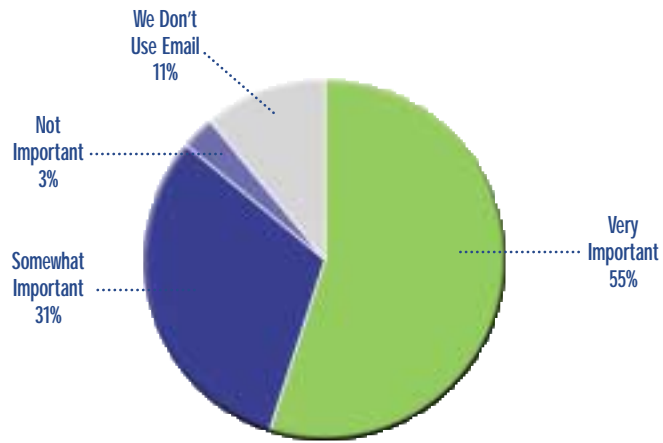
"People talk about opt-in email being the "killer ap" but it hasn't fully taken hold yet. I think we will see major corporations – generally more traditional – be willing to move more of their marketing budget into email campaigns."

"... Evolution in how companies are getting their message out on the Web and increase in CRM, cross-selling and up-selling from existing customer databases. Customer loyalty will be the theme."

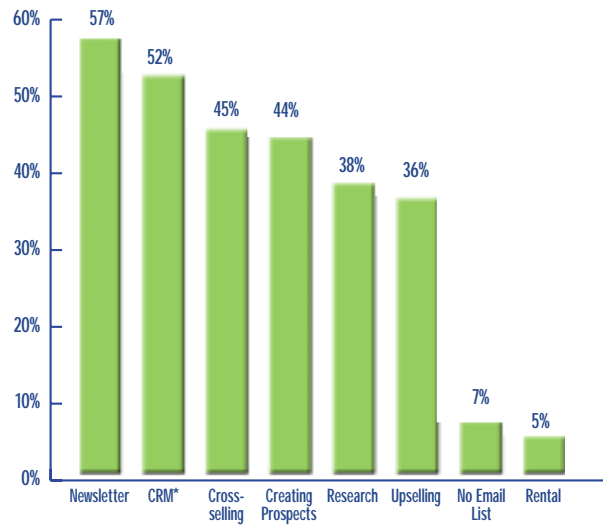
"More permissive marketing using email addresses."

"Protecting customer privacy will be huge."

How important is email in achieving your overall marketing goals?



For what purposes does your organization maintain an email list?



*CRM = Customer Relationship Management

In closing...

We hope that you found the first **24/7 Media Report on Internet Marketing in Canada** informative and helpful. You can count on us to continue to provide research, white papers and other relevant information for Canadian marketers.

Overall, the survey results indicate an ever-increasing commitment to the Internet as an essential part of the marketing mix. Several themes continue to emerge from respondents:

- The importance of testing, tracking and refining to ensure reasonable ROI's on Internet marketing and email investments.
- The value in forging strong, productive partnerships with creative, media, Web sites, email list brokers and managers, advertising agencies and technology partners.
- The need to create a corporate culture that encourages innovation and quick decision-making, as Internet marketing opportunities are difficult to plan months in advance.

Finally, we share the opinion of many respondents who indicated that the best is yet to come. As we head into 2001, we believe that interactive marketing solutions working across multiple electronic platforms - including the Web, email, broadband, wireless, and convergence technologies - will allow marketers to create dynamic campaigns that acquire and retain customers more effectively than ever before.

Interestingly enough, most respondents share our view that Internet marketing is simply marketing using new communication channels. With a sound marketing plan, well thought-out strategies, great creative, and a strong offer, the Internet can provide incredible marketing opportunities - an idea that was unthinkable just five years ago.

We look forward to discussing the issues that are identified in this report, and hope that it will foster increased dialogue among Canada's Internet Marketing Professionals. If you have any questions or comments please don't hesitate to contact us at **1-800-258-6852** or **surveycomments@247canada.com**.

Verbatim Comments

"I hope that research becomes somewhat more standardized then it has been and that Web advertising becomes more creative in its use... I don't have the answers, but I know the Web has far more potential as an advertising vehicle than it does currently."

"Digital marketing (interactive) moves beyond the hype into test mode for innovative, forward thinking marketers."

About 24/7 Media Canada

24/7 Media is Canada's leading provider of interactive marketing solutions, offering innovative media placements on over 100 Canadian Web sites; permission-based email recommendations and list management; wireless advertising programs; and state of the art technology solutions.

We earn our leadership position by providing convenient one-stop shopping, unbeatable customer service, leading-edge technology and expert Internet marketing advice to customers in over 27 countries. We can help you:

Advertise to audiences on the world's most popular Web sites

Our network includes hundreds of high-profile, high-traffic sites in Canada, the US, Europe, Asia and Latin America – making it easy to reach your customers on the Web no matter who or where they are.

Reach millions of Canadians worldwide through "permission-based" email

Through our database of today's most active "permission-based" email lists and newsletters, you enjoy interactive access to millions of prospects in hundreds of categories across Canada and around the world.

Earn revenue from your email lists and newsletters

If you own your own customer registration data, newsletters, opt-in client or prospect databases, we can help you tap every rental opportunity and get the maximum ROI from your database.

Create unique customer retention tools

Whether you want to build traffic, upsell or cross-sell existing customers, or promote new products and services, our promotional experts can help you develop customized incentive marketing solutions including premiums and sweepstakes.

Test the emerging medium of wireless advertising

Our unique wireless campaign capabilities and WAP ad-serving technologies let you target consumers on wireless devices worldwide.

Optimize your Internet Marketing campaigns with state of the art technology

24/7 Connect, our advanced ad targeting and delivery system, integrates online ad delivery with highly-targeted email, sponsorships and wireless components to deliver comprehensive, flexible campaigns.

To find out more about 24/7 Media Canada and how our interactive marketing and technology solutions can work for you, contact us at 1-800-258-6852 or sales@247canada.com



"This report from 24/7 Media is the only one I've seen that offers a Canadian marketer's perspective on Web and email marketing. Not only is the benchmarking information valuable, many of the findings and verbatim comments will be helpful in refining our 2001 Internet marketing plans."

*Grant Rasmussen - Chief Strategy Officer,
Royal Investment Services*

"With this report 24/7 Media continues to be a leader in helping to move the industry in new directions. It's about time we started talking to each other and addressing the challenges that we all face."

*Sara Ross - Internet Marketing Manager,
HMV.com*

"It's great to finally have Canadian data that challenges Canadian marketers to take a closer look at the way we all use Internet marketing."

*Linda Fox - Online Marketing Strategist,
Future Shop*

"The 24/7 Media report is a valuable contribution to the Canadian Internet Marketing industry. It has helped us understand how other marketers at different stages are viewing and using the Internet and confirms many of the trends we've been noticing as we continue to grow and move forward."

*Jason Sikora - Director, Strategic Relations,
Chapters Online*

"For the first time we're getting a good overview of what Canadian Internet marketers really think about this growing industry, with all of its opportunities and challenges. The 24/7 Media Report provides useful information for both newcomers and seasoned Internet marketers, alike."

*Erin Gold - Marketing Manager,
Advertising and Affiliate Programs, TELUS*