

Presence-Aware Lead-
Generating Services
Enhance Online Advertising

Borrell Associates Inc.

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Online ads can now feature telephone icons that let viewers connect to advertisers by phone from the Web. This makes it easier for consumers to get their questions answered and more efficient for merchants to generate high-quality leads and develop relationships that turn into sales. The largest Web companies are beginning to roll out their own versions of these technologies. Publishers of local Web sites can compete with the national sites by using vendors that provide and help manage these services. One vendor has released a "presence-aware" capability that displays a contact icon in an ad only when an employee is available to converse with the viewer, which is especially helpful to small businesses.

Commerce Gets Personal – Again

In the earliest marketplaces, buyers and sellers met face-to-face to negotiate their trades, building personal relationships and trust in the process. But a merchant's only promotion was by face-to-face word-of-mouth. Barriers between people were high, and business was slow.

As communications media reduced those barriers, advertisements went along for the ride. Newspapers, radio and television became successful media because they conveyed information from individual companies to masses of potential buyers at low cost. It was mostly a one-way flow of information, but ... business was good.

The Internet, with its database and communication technologies, is reducing barriers between buyers and sellers even more. Consumers are no longer only passive targets for advertisers' messages. They can go online to search for and find the information they want, when they want it. Online advertisers can reach larger audiences with more targeted messages at lower cost and with greater accountability than ever before.

The Internet is bringing commerce toward a full circle in this sense. Using current solutions, merchants can once again build one-to-one relationships and personal trust with individual prospects as well as with existing customers on a global scale. For media companies and advertisers who take advantage of these developments, business is booming.

Online Advertising – Now Performance-Based

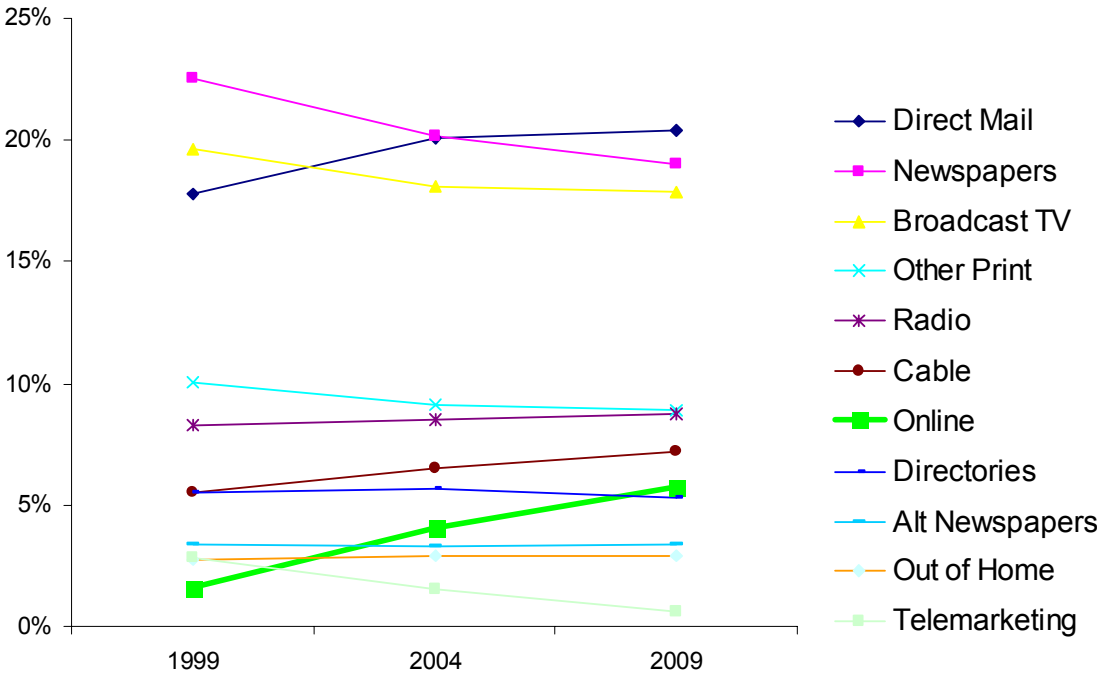
Advertisers have always wanted to deliver their messages to the right audiences and to know how effective those messages have been in generating sales. Cable television,

niche magazines and zoned editions of newspapers are examples of the media industry's response to these demands for more targeting and accountability for advertisers.

When online advertising first appeared it immediately evoked irrationally exuberant expectations around companies that provided it. But when Web site "hits" didn't produce trackable sales, online publishers tried selling pageviews, and then unique visitors. Then they had to start talking more about "branding," "awareness" and "impressions" – the same benefits that "old media" had been offering for decades. The Internet wasn't an instant panacea after all, and people were disappointed. Business slowed down for a while.

Reality-based business models and improved technologies put online ad spending back on track after 2000 and 2001, and it is rapidly gaining market share. Online advertising in the U.S. has already passed telemarketing, out-of-home and alternative newspapers. Yellow Pages, Radio, Cable and "Other Print" are within its reach. (Figure 1.)

Figure 1. Ad Spending Shares by Medium, 1999 – 2009

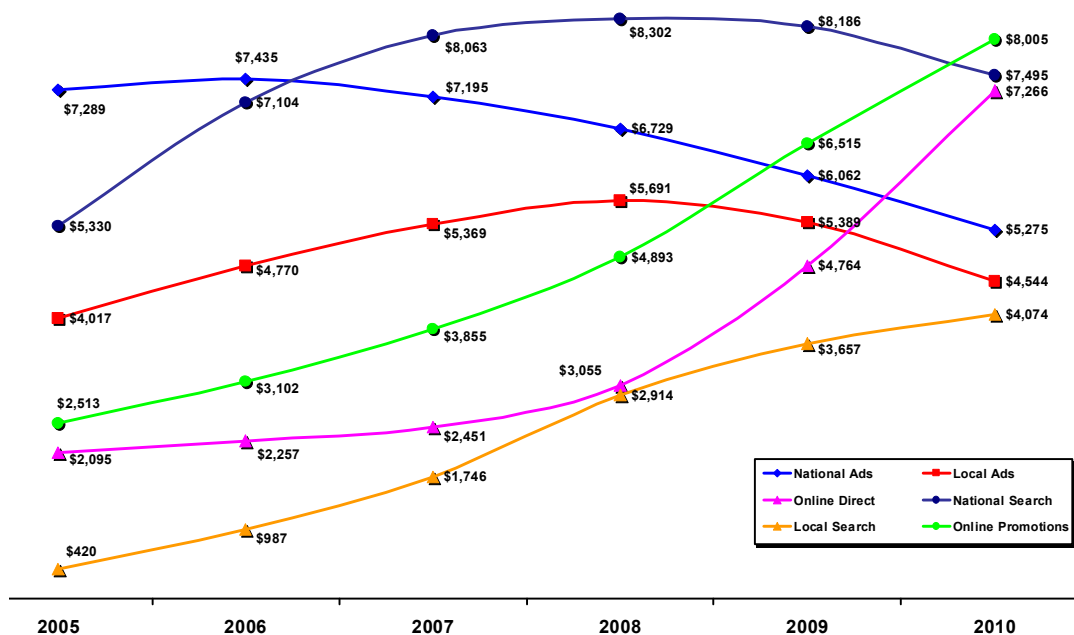


Source: Borrell Associates Inc.

"Online advertising" includes several components, each with its own growth pattern. Figure 2 shows that online ad spending will continue to migrate toward forms that provide more targeting and accountability, reflecting trends in the larger advertising marketplace. Nationwide search ads will be outpaced by searches that are focused on a

particular geographical area (“Atlanta dentist”). General banner-type ad spending will be overtaken by messages directed to specific individuals, such as people who subscribe to email notices of sales at their favorite stores. Online games and giveaways will create new venues for ads, and will be used to build consumer databases that will enhance revenue from online direct ads. The early promises of Internet advertising are beginning to be met.

Figure 2. Components of Online Ad Spending, 2005 – 2009



Source: Borrell Associates Inc.

Advertiser demands for more targeting and accountability are relentless. In response, the online industry is moving toward an underlying theme of documented “pay-for-performance” (PFP) advertising vehicles. In these models, the advertiser is charged only when its ad produces a specified action by a viewer. Pay-per-click (PPC) is the basic example: a viewer who clicks on a Web ad is presumed to be more likely to make a purchase than one who simply sees the ad, so advertisers are willing to pay more to get a clickthrough than an impression – much more. [Google](#) has made a \$6 billion science of this model, one small text ad at a time. Every major Internet media company is on the PFP track.

Smaller Web site operators, including many of those affiliated with local newspaper and broadcast stations, are lagging on the pay-for-performance front, with rate cards that continue to emphasize cost per thousand impressions (CPM). These sites are in the race of their lives against the large Internet companies for the more than \$4 billion that local

advertisers spent in 2005 for online ads. Without an increased emphasis on successful pay-for-performance ad models, these sites will lose their shares of their local online ad markets.

Lead Generation Is Having Its Day

Of course, the performance that matters most for advertisers is sales, so the greater the chance that a prospect will become a buyer, the more an advertiser is willing to pay to establish contact with that prospect. Companies that can give advertisers a contactable lead that has a high likelihood of producing a sale are finding success – both in selling those leads to advertisers and in selling themselves to investors.

Advertisers who are most interested in acquiring leads rather than clickthroughs are typically those who don't (or can't) complete a sale online in a shopping cart environment. This universe is large, including, for example, businesses that

- Don't have a Web site (more than 14 million in the U.S. in 2005)
- Offer complex, high-value products or services (real estate, legal, medical)
- Have customers who do product research online but purchase offline (cars, appliances)
- Operate franchise locations (fast food, automotive services).

LendingTree.com exemplifies the model of a lead-generating firm. It attracts users to its site by promoting itself extensively online and offline as a way for people to find loans and real estate services. It offers content in the form of lender ratings, credit reports, educational materials and relevant tools (e.g., a mortgage calculator). It induces users to provide extensive information about their needs and relevant qualifications in exchange for giving them customized quotes from participating vendors that want to serve them. When the user selects a quote, Lending Tree puts the vendor and user together and collects a substantial fee from the vendor for providing a very qualified lead whose revenue can be precisely tracked and attributed to Lendingtree.com.

The fundamentals of the LendingTree.com model are replicated by hundreds of lead-generating companies operating in scores of business- and consumer-oriented market niches. Figure 3 shows the aggressive valuations placed on some of these companies in the past year – another indication that lead generation is the hot spot in advertising today.

Figure 3. Sampling of Recent Acquisitions of Lead-Generating Firms

Lead Generating Firm	Buyer	Deal Price (\$ million)
Shopping.com	eBay	\$620
Shopzilla	Scripps	\$525
LowerMyBills	Experian	\$330
eLoans	Popular	\$300
Homegain	Classified Ventures	\$100-\$125 (est.)
Automotive.com	Primedia	\$73
Loan Page	House Values	\$7

Source: Borrell Associates Inc., company reports

eBay paid 4.7 times 2005 revenue for Shopping.com, or 24.8 times 2005 EBITDA. Shopzilla went for 17 times earnings; LowerMyBills 18 times 2004 revenues – robust prices for young companies.

The Boom in Pay-Per-Call Lead-Generation

Most businesses, whether they advertise online or not, have well-practiced systems for handling incoming telephone calls from prospective customers. Their staffs are experienced in using phone conversation to move prospects toward becoming customers. Advertisers routinely promote their telephone numbers in every medium they use, from newspaper classifieds to radio spots to their office stationery, but they have never been sure which ad – or even which medium – produced each call.

To address this accountability issue, publishers often provide advertisers toll-free phone numbers to place in their ads. When prospects call these numbers, the calls are typically forward to the advertiser’s regular phone. The calls are tallied to measure the effectiveness of the ads in which the phone number appeared, and the advertiser receives a performance report from the media company.

A popular model in the pay-per-call segment of the lead-generation space is offered by [Ingenio](#), which provides services to advertisers on AOL and some online directory sites. For online search engine and directory consumers, Ingenio’s pay-per-call service works like this: Consumers search for merchants or service providers in a designated geographic area. Relevant ads appear in the search results. When a business's ad appears in the search results, consumers can talk to that advertiser directly by calling the toll-free numbers that Ingenio provides in the ad. These toll-free numbers forward calls directly to the business’s regular phone number, and Ingenio tracks the calls for billing and reporting purposes. Advertisers bid for the right to receive these calls, paying an average of \$10 per call.

As telephony and the Web become more intertwined, online advertising is beginning to borrow a technology that has been working in the customer service and support departments at numerous (typically larger) companies for more than five years. The Web sites of these companies include telephone icons inviting viewers to connect by telephone with "the next available service representative." When the viewer clicks on the icon, a browser window opens and asks for the viewer's phone number. The system then calls that number while it simultaneously calls the company's help desk, connects the parties, and collects a variety of call tracking data. The more sophisticated versions of this service make the phone icon disappear from the support site when the customer service department is closed.

Telephone Icons

Some of the major players in online advertising have generated a great deal of publicity lately around their plans to turbocharge the performance of these call-tracking mechanisms. In addition to upgraded reporting and accounting features on the back end, these systems are enabling advertisers to place an icon in their Web ads that viewers can click to be connected by phone with a person from the advertiser.

Google, for example, is testing a service in some search results ads that displays a telephone icon. It works the way the customer support phone icons work: when people click on the icon they are asked to key in their telephone number (at least the first time they use the service). When they then click "Connect for free," Google calls their number and simultaneously calls the advertiser. When the consumer picks up the phone, he or she hears the advertiser's phone ringing. Someone from the advertiser's business picks up, and the two of them talk as they might normally. Google logs the connection and charges the advertiser for the lead. The key difference is that the phone icon "travels" with the ad as it appears in different search results. Like the phone icon in the support applications, it can be turned off manually by the advertiser or automatically outside of business hours.

This type of service is essentially an extension of the pay-per-click ad model, delivering a "hotter" lead at a higher price. It may also be a more trustworthy model. Providers of pay-per-click advertising services are facing a growing chorus of advertisers who suspect that many of the clicks on their ads are from competitors trying to cost them money, or they are from site publishers who participate in the provider's ad network and are trying to increase the clickthroughs that come from their site in order to "earn" more money from the provider.

[eBay](#) is another company that sees a major future in connecting buyers and sellers with a combination of online and telephonic channels. Late last year it announced it was paying \$2.6 billion to acquire [Skype](#), a Voice over Internet Protocol (VoIP) provider of free long distance calls. While some analysts question the wisdom of an online auctioneer putting itself into the phone business, the deal makes sense in the context of eBay's strategy of reducing marketplace friction for its users. With the Skype service integrated into a seller's listings on the eBay site, buyers will have one more way to

reach a purchase decision. As more people migrate to VoIP, talking to eBay sellers while you are looking at the eBay site will become seamless.

Shortcomings of Current Pay-Per-Call Services

A phone icon in an ad is intended to motivate viewers to reach out through their browser and make a connection to the advertiser. The novelty of this feature probably accounts for some of the interest surrounding its recent introduction and makes up for the clumsiness of pay-per-call mechanisms at this stage in their development: they still require viewers to pick up a phone and call a number displayed in the ad, or to key their own phone number into an online ad so the service can have the advertiser call them back. From the consumer's point of view, the advantages of the Web-mediated pay-per-call models compared with the old-fashioned method of simply calling a toll-free number displayed in an ad may be difficult to discern.

Privacy concerns also limit the appeal of clicking on an advertiser's Web ad and keying in one's home telephone number – never mind that conventional toll-free numbers routinely deliver the caller's phone number to the recipient.

When the computer and the telephone are more fully integrated, the awkwardness of this process will diminish, and advertisers and consumers will enjoy a more seamless connection. Companies like eBay and Google are nowhere near finished developing these technologies. Meanwhile, advertisers should analyze the value of having another torrent of data to analyze when they might get the same number of phone call leads by displaying a dedicated toll-free phone number in their "normal" search results and display ads.

Instant Messaging Bridges the Gap

A variation on the pay-per-call model that may have more immediate relevance for advertisers – as well as for search engines and local Web site publishers – uses an instant messaging (IM) session instead of a phone call. The advertisement contains an icon inviting the viewer to IM a company representative with any questions. When the viewer clicks on the icon, a new browser window opens in his or her screen, displaying the transcript and text entry windows characteristic of instant messaging programs. The advertiser is notified of the session and simultaneously given data about the ad that generated the "click-to-IM."

The salesperson and the prospect can then engage in an online conversation that carries very low risk for the prospect. The perceived anonymity of instant messaging compared with a phone call or email, and the opportunity to easily get quick answers to critical questions make it more likely that some people will use this type of channel to contact an advertiser for the first time. From there the conversational nature of IM lets the salesperson attempt to develop a relationship with the prospect and steer the session into a phone call or meeting appointment.

A potentially important performance advantage to a “pay-to-IM” service over a “pay-to-call” service is the fact that many people spend their days in job situations where a phone conversation with an advertiser during work hours would be awkward, whereas an IM session is easier to conduct in private.

Instant messaging occupies an important niche on the continuum of communication intimacy, between the asynchronous nature of email correspondence and the “next-best thing to being there” nature of telephone calls. Both of these media are well-established methods for companies to communicate with potential customers. It makes sense, then, that instant messaging would also be useful as another way to generate sales leads.

“Presence-Aware” Icons – the Next Step

Icons inviting viewers to “Contact us now!” by email, phone or instant messaging imply – even more than with a traditional phone number – that someone is currently available to respond to an inquiry. When a viewer clicks a contact icon, especially one in an advertisement, and does not connect with a person in short order, the advertiser has lost trust and rapport with a sales prospect. Companies that include these icons in their ads should explicitly balance the risk of disappointing prospects against the reward of engaging them.

As a result of this calculus, larger companies with established call centers tend to be better candidates for this level of “click-to-talk” service. For smaller companies, where phone staffing is intermittent or is able to handle only a small number of simultaneous callers, the risk of generating a tsunami of contacts from an ad with an icon is an issue.

A Roswell, Ga., company named [ContactAtOnce!](#) has knit together the lead-generating capabilities of ads that incorporate telephone, email and IM response mechanisms and has added a “presence-aware” feature to the icons that overcomes the “call tsunami” threat. When a “Contact us now!” icon appears in an ad with this service, it means that someone is actually sitting at their phone or computer, ready to respond to the next sales prospect who clicks that icon. When no one is available, the icon automatically disappears.

This technology works only on publisher Web sites that have been enabled with ContactAtOnce!. Since an ad is made “presence-aware” by simply embedding an HTML tag that references the ContactAtOnce! service, publishers need not install hardware or software. The HTML tag presents, in real-time, the “presence icons” on the publisher site; publishers choose the presence icon artwork appropriate for their site design. ContactAtOnce! presence management continually monitors availability of advertiser sales reps and thus can instantly present the appropriate icon(s) when a presence-aware ad is displayed. The browser window that pops from these icons can include multiple ways for the viewer to contact the advertiser (email, IM, phone), depending on what the advertiser is prepared to handle.

The company implemented the first version of a presence-aware icon service in mid 2005, which can offer (and track) IM sessions as well as phone calls. Four newspaper

Web sites in the Atlanta area, including the *Atlanta Journal-Constitution's* AJC.com, were its initial customers. The publishers have in turn rolled the service out to numerous local car dealers.

A dealer that advertises on AJC.com or the other newspaper sites equipped with the ContactAtOnce! service has a customized icon appear in its ads when – and only when – it has a salesperson at the dealership who is online and available to interact via instant messaging or phone. When none of the dealer's employees can IM or talk, the presence icon automatically disappears from that dealer's ads on the sites on which they appear.

Wayne Ussery, director of Internet marketing for [Jim Ellis Auto Dealerships](http://JimEllisAutoDealerships.com) in the Atlanta area, runs "presence-aware" IM icons in his ads on the four participating Web sites in their market. The challenge for him with this product is basic to sales managers everywhere: "having a constant presence of people, and then having these people ask the right questions." Ussery invests time in analyzing the transcripts of the IM sessions that are produced by the service to find opportunities to help his staff improve their online relationship-building skills.

Ussery was skeptical of the service at first because of an earlier experiment he did with an IM application that let his salesperson "pop up" with an IM window onto the personal computer screens of prospects who were browsing the dealer's Web site. Having their computer hijacked unexpectedly by a car salesman drove people away from the site more often than not. The "opt-in" feature of the ContactAtOnce! approach convinced him to give it a try. He now has 41 salespeople using the service and terms it "pretty successful," adding that it generates eight to ten IM conversations per week that result in solid leads (i.e., prospects who provide their names and contact information), and "almost all" of those turn into sales. The vendor claims that the number of leads coming from ads equipped with the presence-aware icons is 25 percent higher than from ads without the icons.

ContactAtOnce! also says that roughly 10 percent of the email leads that the car dealers would otherwise have received are being converted to IM conversations – which, because they are more interactive than email, are more valuable to the dealers.

Ongoing training may be required for the advertiser's staff to get the most from the leads that are attracted by this service. There is an art to conducting an IM session with a prospect so that it will result in further contact and an eventual sale. Until the world is run by people who grew up using IM, there is higher potential for missed sales opportunities with IM than there is with telephone or face-to-face conversations.

Conclusions

The Internet landscape is just emerging from the "Wild West" phase of its history, and the rate of change in its technologies and marketing opportunities remains high. Companies competing for advertising share must run hard to keep up, or risk losing market share permanently.

With “the big boys” building and acquiring large-scale lead-generating capabilities for their advertisers, local Web site publishers need to find ways to keep up with the feature sets that advertisers are being conditioned to expect. For these site operators, employing a pay-per-lead service developed by a vendor will probably make more sense than trying to build one themselves. Marketing, deploying, and selling Web-mediated lead-generation tools across all classified, directory, local search and banner advertisers will be difficult enough for these publishers without them also having to build the underlying engine, at least while they are learning the ropes.

Web publishers that sell ads to small and medium-sized enterprises (SMEs) should hesitate to offer contact icons that are not sensitive to the fluctuating availability of employees for one-on-one contact with prospects. Even if a small advertiser supplements its ads with a presence-aware contact icon only occasionally, it will be reaping some of the lead-generating and relationship-building benefits that larger companies with call center staffs are already beginning to enjoy from this technology.

Borrell Associates Inc.

Borrell Associates Inc. is a Virginia-based research and consulting firm that tracks local Internet advertising. Its WebAudit™ service, offered in conjunction with Ad Audit Services Inc., delivers detailed online spending data for any local market. In addition to the expertise offered by our top-level associates, our primary strength is fact-based analysis. Additional research reports can be found on our Web site, www.borrelassociates.com.

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