MARKETERS

Pay for Performance, not Promises

Doing more with less is no longer just an option, it is a requirement for DTC marketers. Every dollar spent is heavily scrutinized, with each decision needing to be backed by a justifiable ROI. Utilizing efficient tactics, marketers can better manage their DTC performance.

BY ROB REBAK

Everyone reading this has unquestionably heard, and most of you have probably delivered at some point, John Wanamaker's legendary quote: "Half my advertising is wasted; I just don't know which half." If John Wanamaker lived in present day, well, tolerating 50% waste would not be the stuff of heroes.

Today's business environment calls for zero waste… or at least as close to zero as possible. Fortunately, the practice of marketing has evolved concurrently, giving marketers a lot more control, infinitely more data, and the ability to deliver far more accountability for marketing dollars. Marketers today reach consumers directly. We manage the consumer experience. We control the result of that interaction. We know when we make an impact. And we know what is most directly driving the impact.

We don't, however, put it all together. While brand managers are held accountable for delivering results – a pressure that has intensified in the industry's current challenged state – we don't buy based on results. We're still buying marketing based on a promise, and we may still be wasting half of our dollars. Enter performance-based marketing.

The premise of performance-based marketing is simple: the marketer pays only for measurable results. With other forms of marketing, you pay regardless of results. You pay for media space, agency hours, or creative output. You expect results and you plan to have results, but you pay whether or not they happen.

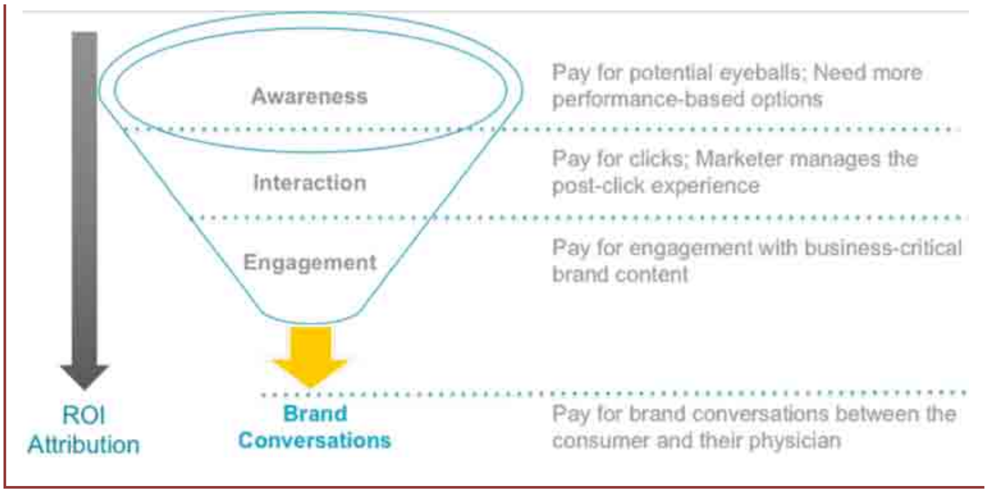
In a zero-waste world, marketers are expected to have a results-predicting lens. The reality is that although the technology and science exists, few of us have the time, money, resources, expertise, or organizational structure to leverage the decision sciences in day-to-day brand management. Buying based on performance puts this burden on the marketing service provider. They commit to a certain number and quality of brand actions; it is up to them to understand attribution to optimize their media and messaging models to drive the most success.

Although not a new concept in principle, performance-based marketing has become much more common with technology and electronic media, making it possible to directly attribute user actions to a specific marketing touchpoint. In fact, in many industries – but not in ours – 50% of digital marketing is now performance-based. While healthcare marketing is complex, making it hard to do real ROI management, there are still ways for pharma marketers to add more performance-based marketing into their mix.

The performance landscape

For marketers looking to buy based on performance, many levels exist in the digital space depending on what performance you want to drive. (See Figure 1.)

Figure 1: The Conversion Funnel



Awareness: At the top of the funnel, brands buy targeted advertising media (display) in health centers on health sites based on the number of (potentially qualified) eyeballs that (potentially) see your message. Campaign effectiveness is measured by lift in awareness; but very few media outlets charge based on lift. This is an area of heightened research and innovation in the advertising space. Brand marketers, working with their media agencies, have a role to play by working with display properties to drive the right research, benchmarking, and valuation analysis to create performance-based options for their brands.

Interaction: Further down the funnel, giving you more accountability is the cost-per-click (CPC) deal. You buy based on the number of consumers who interact with your ad. Many advertisers and all search engines offer CPC deals. The brand manager, however, needs to actively manage the post-click experience.

Engagement: If mere interaction isn't sufficient for you, marketing service companies create programs based on the right consumers engaging with your messaging. You can buy an email or microsite program where you pay only for those consumers who satisfactorily engage with your content (e.g., a doctor discussion guide or a disease management video). This option eradicates the waste associated with the raising of awareness, piquing of interest, and intent to engage that needs to happen prior to a consumer engaging with you.

Brand Conversations: The Ferrari of performance-based marketing, this is where you buy at the bottom of the funnel. The marketing service provider manages awareness, interaction, and engagement – at no separate cost to you – in order to drive the consumer to have a brand conversation with their doctor. The brand manager only pays when a brand conversation takes place.

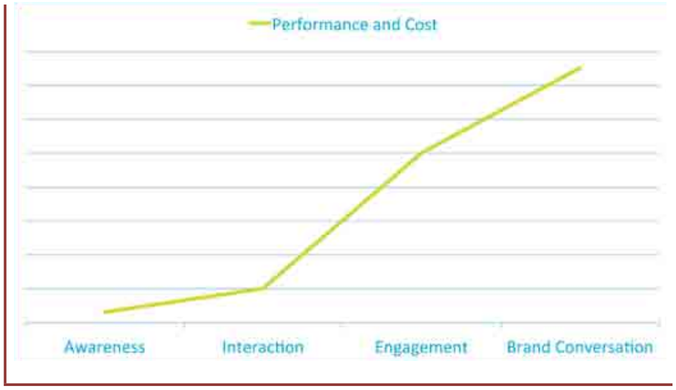
Total funnel management

Like most good things in life, there are two faces to performance-based marketing. The developments in pay-for-performance marketing in the shape of impressions, clicks, content consumption, and action, all along the conversion value chain, come with a premium on cost. But the higher the cost, the higher the performance and the lower the risk – that is what makes it a winning proposition all around. If the buyers are smart (buy at the right risk level and negotiate a cost that is justified by the value) and the sellers do it right (deliver the value, at scale), both sides get what they want. (See Figure 2.)

So where should your brand be on this spectrum? Brands should pay for performance at the stage in the conversion funnel where they feel they have the most to gain. This requires acknowledging what your brand team cannot do well with the available resources and then delegating that responsibility. The single most important objective is total funnel management. If the delegation of risk happens higher up in the funnel, someone still needs to manage the bottom of the funnel where ROI is realized. In other words, performance-based marketing does not guarantee a positive ROI if you aren't managing to an ROI.

Paying for performance higher in the funnel: Take two brands, Brand A and Brand B. Both brands buy $1MM worth of qualified consumer prospects on a performance basis at $20 per consumer prospect. Through a variety of communications, Brand A is able to motivate 2.5% of their prospects to have a brand discussion with their doctor. Their effective cost per conversation is $800 and their ROI is only 0.34:1. The situa-

Figure 2: Performance Value Chain



	Brand A	Brand B
Media Spend	$1,000,000	$1,000,000
Qualified Consumer Prospects (@ $20 Cost Per Qualified Prospect)	50,000	50,000
	↓ 2.5% conversation rate	↓ 8.5% conversation rate
Consumers Who Talk to Doctor	1,250	4,250
Cost Per Conversation	$800	$236
Requests Granted (65%)	813	2,763
Requests Filled (70%)	570	1,935
Revenue (@ $600 Annual Patient Value)	$342,000	$1,161,000
ROI	0.34:1	1.16:1

	Brand A	Brand A Alternate Reality
Media Spend	$1,000,000	$1,000,000
Qualified Consumer Prospects (@ $20 Cost Per Qualified Prospect)	50,000	
	↓ 2.5% conversation rate	
Consumers Who Talk to Doctor	1,250	8,000
Cost Per Conversation	$800	$125
Requests Granted (65%)	813	5,200
Requests Filled (70%)	570	3,640
Revenue (@ $600 Annual Patient Value)	$342,000	$2,184,000
ROI	0.34:1	2.18:1

tion with Brand B is far more positive. Brand B has developed deep CRM expertise and has mastered bottom-of-the-funnel management with segmented communications, the right offers, and high-yield calls to action through cycles of researched iterations. They are able to motivate 8.5% of their prospects to have a brand discussion with their doctor. Their effective cost per conversation is $236. Their ROI is 1.16:1

Paying for performance at the bottom of the funnel: Here is an alternate reality for Brand A: They buy based on performance lower in the funnel. Rather than buying media to generate awareness and interest, or buying interested consumer prospects, they buy based on brand conversations. They pay the marketing service provider $125 per conversation, thereby buying 8,000 conversations with their $1MM media budget. The marketing service provider buys the media, attracts the opt-in, activates the consumer, and drives the conversation. Brand A only pays for brand conversations that take place. By paying at the bottom of the funnel, Brand A has removed the inefficiency in their conversion funnel, and has increased their ROI from 0.34 to 2.18.

A buying manual

There are four things to look for when buying performance-based marketing services:

Drive to Action: Does the marketing work? Are consumers effectively being driven to perform the desired action? Sure, with performance-based marketing, you don't pay if it doesn't work, but you need it to work.

Scale: Can the marketing service provider deliver performance at scale? While the prospect of paying, say, just $125 per brand conversation sounds great, if you only get 20 conversations – no matter how efficient each one – it isn't worth the effort.

ROI Attribution: Can the marketing service provider verify that their program is responsible for driving the consumer conversion and therefore the associated ROI? Marketers with closed loop systems have the clearest view on ROI attribution, but other methods exist.

Pay-for-Performance Terms: Do you know your total funnel management cost and your effective cost per conversation with your current DTC? With this information, you can then design the performance-based marketing value proposition to deliver better marketing return.

In a survey conducted by QualityHealth in 2011, three times as many pharma marketers agreed that performance-based marketing would be a bigger part of their spend in the future vs. what it is today. Marketing service providers are ready for that future. Many have the data to improve the efficiency of their marketing. Pharma marketers need to take inefficiency out of their marketing. With performance-based marketing, this promises to be a win-win. DTC

Rob Rebak *is currently CEO of QualityHealth, a leading targeted customer acquisition solution for healthcare marketers. Rebak is a 20-year healthcare and interactive marketing industry veteran, bringing a broad range of strategic and operational experiences from Fortune 500 companies to early stage ventures. He can be contacted by email at RRebak@QHperform.com.*