

Web Analytics: Demystifying Performance Marketing

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Marketing and sales have always been about connecting with potential customers and helping them buy well. These customers are increasingly online, and marketers should be too. In fact, more and more purchasing processes start online (this is often called the “zero moment of truth”). This opens up new tools and techniques, at an increasing speed. But the objectives and the big strategic alternatives remain the same. In essence, you want the right customers to know you, approach you, like you, and refer you to others. This is what your performance marketing tools should do for you. And this is what your web analytics should be keeping track of. In this note, we provide a simple guide to assess your company’s performance along these critical business phases. We keep concepts simple and stay away from unnecessary sophistication. Armed with this basic knowledge, you should be able to understand the principal goals, potential issues, and lines of work regarding your online presence.

What is Performance Marketing?

Digital marketing encompasses many things. As with offline marketing, one simple way of categorizing digital marketing is by thinking of brand marketing on the one hand and performance marketing on the other. Brand marketing is about long-term impact and relationship building. Performance marketing is short-term, more concerned with the generation of leads and sales. Uploading tutorial videos explaining how to use your product or working on your corporate blog are mainly brand marketing tools. Most likely, your main objective is not to obtain immediate sales. On the other hand, search advertising or banner ads with a promo code are performance marketing tools. You do expect short-term results, in the shape of more visits, more leads, or more sales. In fact, one of the key advantages of performance marketing is precisely the speed of impact: you invest advertising money with the expectation of generating some traction shortly after. Using the traditional marketing funnel analogy, brand marketing focuses on the upper part of the funnel, while performance marketing focuses on the bottom part of the funnel (see **Figure 1**). Certainly,

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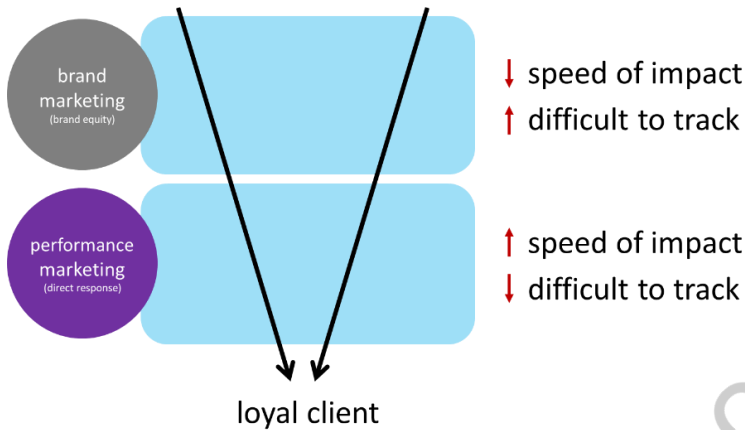
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brand and performance are not closed categories: some tools have a bit of both, and the strategies are complementary. An excellent digital marketing strategy will combine excellent brand marketing with excellent performance marketing.

Figure 1
Brand Marketing and Performance Marketing



A Preliminary Question

A basic but crucial question you want to ask yourself is what the goal of your online presence is. Is it selling online? The acquisition of leads for your physical channels (shops, phone, sales agents, etc.)? Improving brand awareness and distributing corporate information? As basic as it sounds, many businesses do not stop to think and decide what the goal of their online efforts is. Granted, no matter what your business model is, your online presence is crucial. But not all businesses will work towards the same online goals. And depending on what your goals are, performance will mean one thing or another. For example, if you own a local restaurant, the goal of your online presence could primarily be to provide online visitors with your telephone number so that customers can easily call to make a reservation. If, on the other hand, you sell online, then performance means people visit your site, check your offerings, and transact.

An Old-time Sequence

Performance marketing can be understood under the light of a classic marketing framework: the sequence of attraction, conversion, and retention of customers (see Figure 2). Imagine owning a small, traditional store. What do you really care about? First, you want as many people as possible to walk into your store: attraction of traffic. Second, you want as many of those visitors as possible to make a purchase: conversion of traffic. And third, you want as many of those buyers as possible to come back to make more purchases: client retention. What has always been true for commerce is just as true for e-commerce. As basic as it sounds, this sequence captures most of the discussions, projects, and investments your company is pursuing or should be pursuing. We use this sequence to structure the remainder of this technical note.

Figure 2
Performance Marketing Framework





Attraction of Traffic

Whether you actually sell something online, or you use online as a communication tool, you most likely want to have a large volume of good quality visitors to your site. When you lack good traffic, the negative consequences are obvious: you generate fewer leads or sales; you hurt your organic positioning, because the search engine infers you are not relevant enough; you cannot safely assess whether you have a good value proposition, a good user experience, or a good sales process. Keeping everything else constant, more traffic means more sales. In fact, most managers believe that they have to increase traffic to their site. Consequently, web traffic is among the two most-common measurements of success¹. But, is there a limit to this? Is there a point in which you can safely say that you have enough traffic?

How Much Traffic is Enough Traffic?

It would be ideal to have an estimate of how much traffic your website should get. But more often than not, it's simply not possible to know. Nevertheless, the following tools can help you evaluate whether you should be striving for significantly more traffic.

- **Competitors' traffic:** the first benchmark is how much traffic your main competitors are attracting. Your traffic should be comparable to theirs (and hopefully not lower than theirs). There are a number of tools that can do this for you (in 2020: Ahrefs, similarweb, Alexa, or SEMrush). Most of these tools work on a freemium model.
- **Estimating market size through Google Adwords Keyword Planner:** this tool gives you access to keyword search volumes in Google. You can create a spreadsheet with all the terms you think a user could search for that are related to what you sell, and get an estimation of how many people could potentially be searching for you. How does your traffic match up against that estimate?² Is the level of competition for those keywords low, medium, or high?³
- **Google trends:** this tool provides the relative popularity of a search term, in a given period and region. Trends won't give you the number of searches, but it will tell you whether a term is being searched more often or less often, and how that volume compares to other terms you match it up against.

Answering the big question of whether you attract enough traffic will be a combination of the different techniques presented above. If you conclude that you should be getting more traffic, the next critical analysis is to identify the root of the problem. Typical reasons include lack of awareness (not enough people know about you), poor organic positioning (you don't get good visibility in the search results pages), poor advertising quality (you get the impressions, but not the clicks: perhaps because you are bidding for keywords that are too generic, or your ads are not persuasive enough), or – and this would be the most concerning reason – the target market is simply too small. Once you have a better intuition of what the problem is, you can work on ways to increase the volume of traffic.

¹ Hubspot, 2020; Act-On and Ascend2, 2017.

² Unfortunately, Google may provide you with ranges of search volumes that are too wide to be useful for decision making (e.g., this specific keyword gets from 200 to 2,000 searches this month).

³ Keyword Planner will not tell who is bidding for those terms. For this you can (1) introduce the terms in the search engine yourself, and (2) activate Adwords campaigns using those terms: the report then will provide that information.