

The Human Touch

Online media auctions may get buzz, but the “old” way is hard to beat

The Internet continues to change the way we do business. My company specializes in helping businesses to leverage the Internet to engage consumers and develop profitable relationships.

Clients frequently come to us through search engines and online media programs and our transactions are done entirely online through our MarketTraq software. As our clients mature along with their online infrastructure, we further integrate and collaborate with them entirely online. All of which brings us to the latest Internet technology: the online media auction.

The auction strategy for media buying has some obviously attractive aspects: Transparency, efficiency and the ability to isolate price as the key variable of the media buy.

Based on the eBay model, vendors promise to revolutionize the way advertisers purchase media and the way media companies—online media as well as traditional outlets—price their products. To many, it's the best thing since sliced bread.

We've advised our clients to think before they leap into the auction model as a panacea for all the prospective ills of customer acquisition and brand advertising. If any company is making a decision based on price alone, that's not a wise maneuver.

Advertising has evolved since the days when buys were based on a flat commission and a handshake. It didn't come overnight. Over a decade ago, upstart media shops got lots of business by positioning themselves outside the gentleman's agreement and lowering their commissions. Creative shops winced when they saw the dollars they were losing. This new business model worked well and saved money.

There was a downside: In order to charge such low rates, these same media firms scrimped on experience. Advertisers got what people always get when they think they're getting something for nothing: The service wasn't great, the media mix was so-so and the strategy wasn't there.

Fans of the auction model suggest media auctions are just extensions of the natural order. But does it usher in the next generation of media buying or improve its quality? I don't think so.

In a competitive marketplace, it makes sense to buy from companies that provide the best prices. But buying media by relegating it to the lowest bidder takes away a vital component: The tacit knowledge that experienced planners and buyers have amassed. It disregards the vital human touch, one element of an intelligent buy.

Those in the know are well aware there are ways to shape the price/benefit ratio by loading up on lower value media formats and selling the “blended CPM,” a trap that a digitized auction could easily miss. In order for the auction to really seduce publishers into a price-crippling frenzy, the auction has to promise a sale will be made. This means time has been squeezed from the equation—the important time needed to evaluate all criteria.

There are too many assumptions. The media auction model assumes that media planning exists in a near-perfect universe, that all desirable media outlets will participate in the auction, as well as some “neediness” in a sales organization at a quality media outfit. Nowadays, that's becoming increasingly scarce. Online advertising is again the darling of the ad world. It's widely expected that media demand will outstrip the supply when the big brands really open up their budgets to the Web.

The auction model cannot help if you're bringing anything new to the market that

needs careful testing. It's exclusively for larger “strip” buys that only stand to work when matched with a substantial strategy and planning phase to the process. While it does squeeze cost, that's at the risk of giving up quality. It does nothing for media strategy, planning and optimization.

Recently a client suggested that the online auction model was the future and all other forms of media buying would soon dry up. Then he said, “just look at what Google did with it.” I suggested he compare MSN and Google—because that model isn't working so well for the former.

The search engines auction comparison to online advertising auctions has a gaping hole in its logic. Search engines had one thing really working in their favor when they created the CPC click auction...they controlled the publishing and they owned the content. They didn't need to convince anyone to jump in with their most targeted and precious inventory, which they owned.

Here are three truisms advertisers should consider in evaluating auctions:

The best media isn't cheap: The auction model is going to eventually bid the cost of it up.

If you don't really know what you're getting from the auction, you probably can guess what you're going to get.

If it sounds too good to be true, it is.

The same holds true for traditional media auctions. Who wants to see their billboard facing oncoming traffic on the other side of a four-lane highway? An electronic auction won't catch this but a strong agency will.

If you decide to go the media auction route, keep your expectations in check or you will be sorely disappointed.



By Michael Ferranti

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