

Online Media Conversion Rates by Daypart

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A number of factors play into the effectiveness of advertising in generating sales. Some of the primary determinants include the targeting of the media, the relevancy of the creative, and the clutter and frequency of impressions. One of the most interesting and actionable factors is time of day. This Digital Marketing Insight is dedicated to understanding the impact of daypart in the context of direct response interactive marketing. More specifically, how does time of day affect an impression's ability to generate conversions? Are users more likely to respond to impressions delivered at particular times of the day? Do surfing habits vary enough from hour-to-hour to justify paying higher CPMs for better hours of delivery?

For this study, six widely different advertisers were analyzed over a period of three months. These advertisers encompass such distinct product offerings as online social services, brick-and-mortar retailers, information services, and consumer electronics. Conversions were attributed to the last impression or click for the user prior to the conversion. Conversions were then grouped into dayparts using the delivery time of the media. In the context of analyzing dayparts, view and click conversions are essentially equal, and analyzing both types of conversions separately yielded very similar patterns of behavior. All times identified in the data are expressed in Eastern Daylight Time (EDT). As a final note, the conversion data was indexed and averaged among all advertisers to avoid biasing the aggregate results towards any one particular advertiser's data.

Time (of Day) is Money

Hourly conversion rates can vary as much as 50% from the overall average.

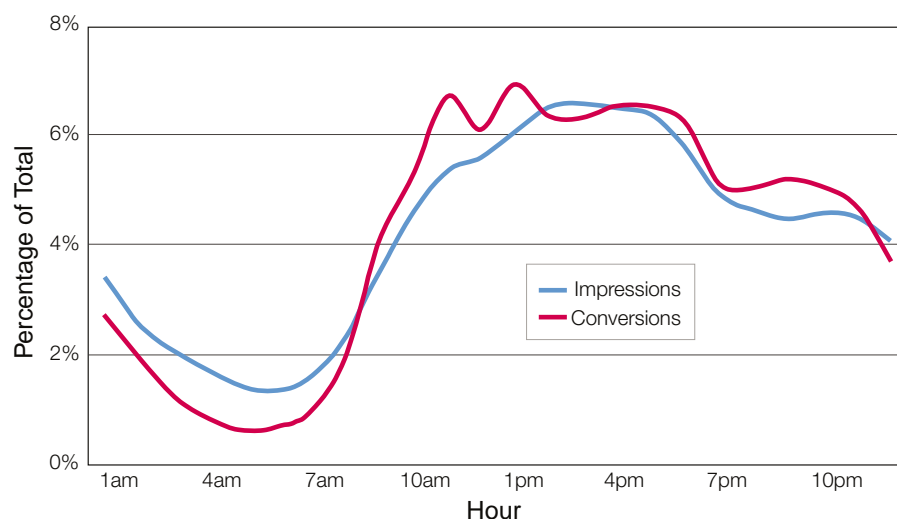


Figure 1: Impressions and Conversions by Hour of Day (EDT)
Figure 1 below shows impression delivery and conversion occurrence over the course of the day.

The majority of impressions were delivered during daytime hours, with the early morning showing the least activity. Although conversions also follow this trend, they show a much more amplified effect during both the early morning drop and the midday peak. The key observation here is to note that although fewer impressions are served during the early morning, even fewer conversions occur during this period. The conversion volumes are so low here, in fact, that based on performance these advertisers are still probably serving too many impressions to this daypart. On the other hand, the hours of 8:00 am to 11:00 pm show the opposite effect—greater impression percentages and even greater conversion contribution.

Given both of these metrics, we can now begin to calculate conversion rates for each hour of the day. Actual performance by hour of day has been speculated upon in a number of different ways. Some have hypothesized, for example, that late night and early morning impressions are more valuable because the segment of the Internet population that surfs very late at night is a more ‘hardcore’ audience that would be more likely to make purchases online, register for a website, or consume certain goods. Although this philosophy could prove true for some advertisers, it proves false when examined under the lens of this study. As figure 2 demonstrates, there is a large drop in conversion rates that occurs during the early morning.

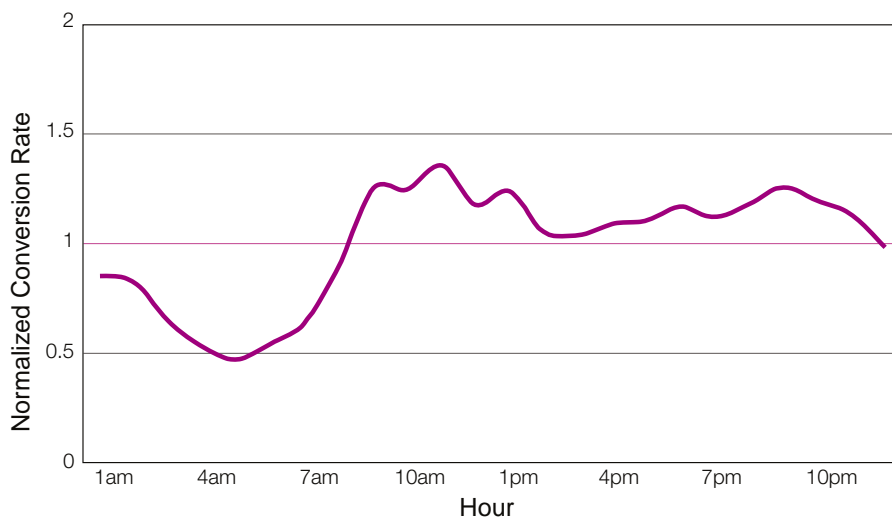


Figure 2: Conversion Rates by Hour of Day (EDT)
Charting conversion rates by daypart shows that noontime conversion rates reach a peak 35% higher than the overall average, while 4-5am struggles, converting at less than half of the day’s mean rate.

Again, this measure is a result of the two previously seen factors—impressions and conversions—and shows that despite the slowing of impression delivery in the early morning, conversions slow even more significantly during this time such that they drag the conversion rates down to the depression we see in Figure 2. In contrast, some of the day’s highest conversion rates appear in the late evening where we see a larger proportion of conversions occur compared to impressions. This is likely an indication of the fact that most web users save their purchases, registrations, and other such activities until the late evening—possibly after dinner or before going to bed. This same increased conversion rate is also seen as we approach the noontime hour, where we observe the highest conversion rates for the entire day. This peak is almost certainly the result of increased activity during lunchtime breaks from work or school.

What This Means for Advertisers

Given the large dips in conversion rates that are seen during the early morning, it may be a good idea—particularly for direct response advertisers—to avoid delivering impressions during this time period. Targeting impressions to other hours such as the late evening and lunch hour can help advertisers realize savings in cost-per-acquisition (CPA) by delivering more effective impressions that generate more conversions. However, there are several key factors to take into account when choosing to daypart according to these recommendations:

- 1) When negotiating daypart buys, keep in mind that if a daypart media buy is significantly more expensive than regular media, it may offset the potential gain in CPA. As a general rule, paying more than a 35% surcharge for daypart buys will negate any gain in efficiency and should be avoided. Any advertiser using a third-party adserver can analyze their own campaign data to accurately determine this threshold.
- 2) Although early morning hours display a poor conversion rate, they still account for about 10% of the overall conversion volume. Simply cutting out these hours will increase efficiency and raise conversion rates, but will also sacrifice conversion volumes. Advertisers can try to increase impression volumes to more effective times of day; however, they may reach some point of diminishing return due to increasing impression frequency.
- 3) These savings will only be realized for advertisers that have contracted CPM deals with their publishers. CPA and CPC deals need not worry about daypart, since they are negotiated on a pay-for-performance basis, irrespective of hour.

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