



## When R-O-I Can Lead To R-U-I-N. Jaffer Ali - MediaBizBlogger

The world is in economic chaos, and everybody is looking for terra firma to make sense of it all. With so many things spinning out of control, it's as if we were never really in control in the first place...

This is an article about online advertising, so why am I speaking about financial-market chaos? Because, as Jeff Einstein has recently published on Jack Myers' [MediaBizBloggers](#), the same ill winds responsible for this financial maelstrom are blowing the online media ship straight into a rocky shore.

In the world of high finance, mathematical models and computers have taken over trading and, virtually absent human intervention and comprehension, produced the horror that now confronts us. To put this into perspective, the NYSE experienced its first million-share trading day back when Ronald Reagan practiced voodoo economics. Typical daily share volume has now increased by more than a thousand-fold! Similarly, the online world has ceded control to mysterious computer algorithms and mountains of consumer data, all calculated to eliminate waste while placing the exact right ad in front of the precise demo at the most opportune time. Whew...try saying that three times fast.

Advertising is now synonymous with algorithm. Case in point: Google recently announced a platform whereby anyone with an online connection could create their own ads, regardless of their marketing acumen or lack thereof. Instead of *paint by numbers*, we now have *create by the numbers*. In effect, creativity has now been reduced to the lowest common denominator.

The financial meltdown was fueled by companies doing whatever they needed to do to make the numbers work. The almighty quarterly financial 10-Q report card -- an exercise in smoke and mirrors governed by a three-month time horizon -- had the tail wagging the dog as never before. Miss a quarter's profit expectations and the demon computer trading models would punish your stock price. Bad dog...bad, bad dog.

To compensate and stay a step ahead of the analysts, many companies simply dummied up their balance sheets by burying worthless assets in computational minutiae. This created a house of cards, and each quarter it became more difficult to paint a rosy picture -- despite the fact that everyone was wearing rose-colored glasses. For all practical purposes, the time horizon for prudent return on investment was suddenly truncated to three months.

Anybody who invests money, from corporations and hedge funds to kindly old grandmas, has the expectation of a fair return on their investment, to wit ROI. But the shorter the time horizon

for that return, the more unstable the system becomes. The shorter the time frame, the more intricate, detailed and complex (euphemisms for "nobody has a clue") the algorithm must be to calculate the return.

These same seeds of our own destruction are now driving online advertising. Google has narrowed the ROI time horizon down to the immediate transaction. A return on your investment no longer takes five years, a year or even three months. You can now calculate the return on your advertising investment IMMEDIATELY! ROI by the nanosecond!

Online advertising, done right, holds the promise to restore relationships between brands and consumers. Why? Because the cost of online communication -- true brand building -- is lower than with any other medium. Advertising is all about building connections. But just as Rome wasn't built in a day, relationships can't emerge from an immediate transaction.

It is now painfully clear that those who embraced the data gods were placing their faith in false idols. Immediate gratification became an obsession. The transaction came first, the relationship an afterthought at best, if at all. Simply put, the online media industry inverted the order of things (the nice way to say we got it completely backward) and bit ourselves in the ass. Exactly what happens when we follow our tails.

Discussions of relationships seem foreign to those who create the algorithms. But who needs relationships when we have better accountability? The sober truth, however, is we have far *less* accountability than ever, despite spending all of our time measuring it. We have worse relationships than ever because we spend no time developing them. But we sure have a good-looking balance sheet!

Let me say this again: Advertising is an investment that should deliver a return. But if the time horizon for the return is reduced to the immediate transaction, there's no time to develop the relationship -- the only true measure of ROI, and the only thing worth investing in. I can hear the quants now: "What's the ROI du jour?" "I don't know, but they got it every day!"

To paraphrase the old Roloids commercial: How do you spell ROI? R.U.I.N.

About Vidsense Jaffer Ali is CEO of [Vidsense](#), the Web's largest video advertising network. With more than 80,000 advertiser-friendly video clips licensed from major film and TV studios, the Vidsense network of more than 20,000 safe-for-work partner websites delivers millions of qualified visitors directly to advertiser websites on a pure Pay-Per-Click (PPC) basis. Vidsense is to AdSense what video is to print -- a far more engaging and compelling environment for consumers and advertisers alike.

**Find this article at:**

<http://www.jackmyers.com/commentary/media-business-bloggers/32402544.html>

Check the box to include the list of links referenced in the article.

Copyright 2008 Jack Myers. All Rights Reserved.