

The future of Advertising on the Internet

By Trisha G. Moyer

March 29, 2001

Communications 461

Advertising, the economic basis through which all media exists. This is reality. Like it or not, the commercials that interrupt Survivor are the ones that pay for it. This translates to every medium. Even though everything online seems free right now, it costs money to put this ‘free stuff’ on the net. Radio, television, Newspapers, Magazines, and now the Internet, have had to learn to coexist with advertising in order to thrive. It’s a necessary evil. Advertising brings in the guaranteed revenue a media organization counts on for continued existence. In addition to the media, “regular” businesses also must advertise to generate brand image, name recognition, and of course promote the product. Businesses and Media are both currently at a loss, however when it comes to advertising on the World Wide Web. Many challenges face these two entities in developing strategies that will effectively solve the mystery clouding a successful Internet advertising presence. In order to determine the role advertising will take in the future, we must first understand its pros and cons and the function it has today.

The pros

There are many things that benefit web advertisers. There are 400 million Internet users right now, and they can be from anywhere in the globe. In addition, since most company’s target audience includes people with money to spend, the Internet is the

perfect place for any ad. “Sixty-five percent of Internet users have household incomes of \$50,000.00 or more . . . seventy-five percent of Internet users attended college. (Arens, 518).” Even if the audience does not go to the advertised site immediately, the audience will remember having seen your ad and hopefully visit another time.

When they do, businesses are prepared. Traffic to the business’s homepage is obviously already interested and desires more information. The homepage itself provides information; about the company, the company history, CEO’s, employment opportunities, legal issues, relevant news articles, how to invest in the company, how the company is working for you, and of course, products. Product safety concerns, uses, shopping carts to buy the product, toll-free numbers you can call to order the product, and emails of personnel who are, at this very moment, eagerly awaiting your questions or concerns to make your online shopping experience as enjoyable as possible. Wow. Special offers and closeout sales can be featured as well, and if the company has traditional brick-and-mortar stores, the website can even provide you with printable directions to the location nearest you. Advertising on the web can give you a virtual storefront, feedback and immediate response, in-depth information to a rapidly growing industry, as well as reach the ever-growing online community.

...And cons

However, to achieve the benefits of successful Internet advertising, one must advertise successfully on the Internet. Unfortunately, like all new media, the Internet must be tested through trial and error. When the first televisions appeared, journalists

would read the news from the daily newspaper. Now we all realize that television provides the immediacy and opportunity for live video that newspapers never could offer. Newscasts today are broadcast live and late breaking. The Internet, however, offers the immediacy and multimedia aspect that television possesses; yet in addition, it offers the depth of a newspaper article with the archival ability of a library.

“The Internet is plagued by a lack of knowledge of advertising effectiveness, market research, and standardization of measurements for both ad exposure and pricing. Although the medium promises enormous profitability, [these] unknown factors prevent an online campaign.” (Arens, 1999 p. 518)

This frenzied, confused approach is enhanced because of the tremendous amount of consumers switching from other media to the Internet. In 1997, the first year online advertising revenues hit the one-billion mark (Arens, 505), a Forrester Research study (Fig. 1) asked consumers: “What activity do you take time from to spend time on the computer?” Over three-quarters of respondents said Television (Arens, 513). Other popular answers included media, such as magazines and newspapers. Therefore, as America switches to the Internet to get its news and entertainment, advertisers must scramble to gain a foothold in this finicky new medium.

Lead, follow, or get out of the way

Many types of advertising have appeared on the Internet, and they all must evolve if they are going to survive. I believe, though, that two types are almost destined for failure. The first is a little-used device called a webmercial. Similar to the annoying Flash animations that some websites force you to watch before entering, a webmercial is a

pre-cached commercial that “plays” for 5 to 25 seconds (Kaye/Medoff, 42). This advertisement takes up the entire screen for part of the time instead of taking up part of the screen the entire time. These are surely attention grabbing, but users who encounter this type of “greeting” may not ever want to come back to your site. The other type we have all encountered. It is the infamous pop-up ad. Tripod and Geocities took up these types of ads, and (not surprisingly) the two portals have had considerably less success than their Yahoo and Lycos (banner-ad bearing) counterparts. The ad on geocities is small, and fits within the main window, but pop-up banners and webmercials are large, intrusive delays, which decidedly detract from an otherwise enjoyable Internet experience

There are, nonetheless, advertising methods that show promise. Advertorials and infomercials have flourished from newspaper to television, and still look promising online. Hard to distinguish as an “ad,” their primary goal is to inform and recommend while under the (hidden or not) guise of a different source. In addition, direct (aka. snail) mail has enjoyed a longtime reputation of being the most expensive yet most effective way to market to an audience. This translates straight to your in-box, where early studies have shown cyber mail, too, has a high rate of response. And how can we forget the banner ad? A tangible area of property to buy and sell, they appear in many forms, styles, file sizes, and dimensions. In fact, since their debut in '94, so many styles materialized, that the Internet Advertising Bureau emerged in '96 to bring peace to the banner ad frontier. The deemed seven sizes, measured by pixels, to be acceptable banner sizes (Fig. 2). The percentage, unfortunately, of people who actually click on banners has been low.

In 1996 the click through ratings were 2%, and a year later they were down to 1% on average (Berst, 1998). One percent! Yet banner ad sales continue to grow. Forecasters estimate that online marketing per company would rise from \$500,000 in 2001 to \$1 million in 2003 (Mariano, 2001).

“So why do the Web’s biggest advertisers continue to throw billions at banners for such a crummy return?

Because, says a defensive group of media directors, ad agencies, and marketing executives, there are other ways besides click-through advertising’s effectiveness. And, they add, not all online ads are designed to drive traffic to a site or goose online sales.”

-Sweeney, 2000

This is true in all instances right now. Until we have the proper procedures and standards to measure ad successes, any method of advertising online is a hit-or-miss guess.

The future of online advertising

Many consider banner ads the cornerstone of advertising on the web, but many other forms exist which could be very effective in their own ways. As mentioned before, email is a very effective way of getting to the audience, but unsolicited email gets thrown in the deleted folder. When marketers realize that they just cannot simply steal, buy, or otherwise obtain an email list through an outside source, the online world will be a better place. A website which offers special promotions or daily/weekly emails should have a list users can sign onto (for free or for a fee) to receive said email. Why will this gain in popularity? It’s simple; valued customers will receive special offers, news, and information, which is tailored to their specific wants. Email will contain pictures, movies,

audio, animations etc. all of which comes with the convenient postage rate of \$0 for businesses. In the same month that e-marketing stocks went down 10%, a direct email marketer, MAIL, advanced 34% (Boyle, 2000). Email marketing will prove to be a powerful force in the future.

Also, a company's homepage itself will grow in interactivity and streamlined design over time.

“It's not that our spending on online advertising is getting diminished; but as our overall Internet spending is growing, the slices of the pie for our own Web sites and email marketing are growing”

-Vivienne Bechtold, Proctor & Gamble's head of web advertising (Hansell, 2000)

The New York Times currently has articles from the past two weeks free to view, but archives beyond that cost \$2.50 to view. Major League Baseball announced in March 2001 that it would charge users \$9.99 for a full season of games, following the National Basketball Association's lead, which charges \$29.95 for a full season of audio broadcasts (Gaither, 2001). Granted, anyone could put the audio up on the Internet for free, but not with the live synchronized statistics and written play-by-play that these large corporations can provide.

Other frontiers that may prove to be useful include Internet-ready cell phones and PDA's. The screens on these devices are small, and the initial cost may deter many from buying them right away, but these smaller, portable connections to the internet signify a growing urge to stay connected, and PDA/mobile phone users will be “willing to put up with ads if advertisers make it free for them to do what they want to do on the phones”(Rewick,

2000). This includes trading stocks, checking weather, and checking email.

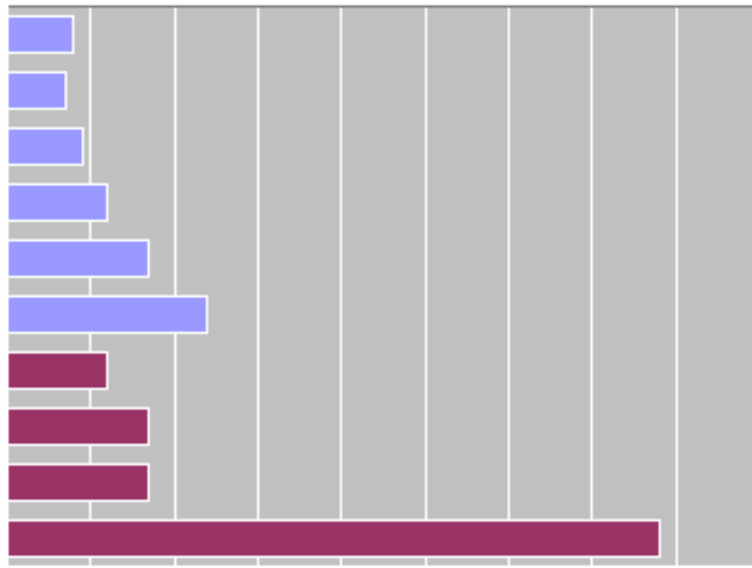
The banner, too, will change in order to thrive- and already, it has. The original seven sizes for banners have had so many objections that the number of vertical online ads increased by 70% during the fourth quarter of 2000 (Cyberatlas, 2001). The IAB consequently came out with seven new sizes, and advertisers seem happier. Some of these sizes are more than twice the size of the original “large” 468 x 60 banner. A banner’s placement directly influences its click-through rate. In 1997, ads placed 1/3 down the page generated a 77% higher rate than ads at the top; while ads in the lower-right corner generated a 228% higher click-through rate than ads at the top (Doyle, Minor, & Weyrich). In 2001, studies are still showing that ads integrated into pages generate more response than ads at the top (Kaye, Medoff, p.128). Streaming media ads also show promise. Generally more than five times more effective, many advertisers look at these animated banners as the wave of the future. However, 86.9% of users today still dial up to the Internet (Snyder). This 89.9% can be stopped in their modem-using, low bandwidth tracks by advertisers who feel the need to show off their animated banners with enormous file sizes. But banners do excel naturally at promoting some products, namely impulse food items. Sales of these types of products increased by 19% after users were exposed to banner ads. And since 23% are giving up mealtime and sleep time for Internet activity (Fig 1), chips, soft drinks and candy sales and advertising on the web will have a bright future.

Summary: Darwinism

The future of advertising on the web will be defined and redefined using feedback and statistics. Direct email may still arrive; banners may not disappear. These forms of advertising and more will simply adapt through the help of frequent surveys and studies. Cell phones and personal organizers will enter the equation when they have realistic, accessible, and affordable benefits to consumers. No one in the future will ever encounter an irrelevant banner; they will be interactive, informative, and cater to your demographic group's changing tastes and needs. Trends will be reflected in banners, so will current events. Banners will become more targeted, useful, and less flashy. They will work with email to promote special offers and create interest. They will be interactive, providing surveys, quizzes, interesting facts, and mini-searchable databases. Banners will seem less intrusive; conforming to the style of the site they are located on. Media and Businesses will each find their own online advertising niche, or way to make money. Businesses will sell products and offer promotions online, while media will charge for live events and archived articles. Expect to start paying for sports broadcasts and music files. The "everything online is free" chapter online has passed; reality has set in.

Appendix:

Fig. 1



Banner Ad Size Voluntary Guidelines

As proposed by the IAB (Internet Advertising Bureau.)

"The original IAB banner guidelines were a landmark for the online advertising industry and helped to create an atmosphere in which advertisers and agencies could logically and efficiently utilize the Internet as an effective ad medium."

-IAB CEO Robin Webster

Existing Banner Units

463 x 60 IMU Full Banner
234 x 60 IMU Half Banner
120 x 240 IMU Vertical Banner
120 x 90 IMU Button #1
120 x 60 IMU Button #2
125 x 125 IMU Square Button
88 x 31 IMU Micro Button

New Interactive Marketing Units (2-26-01)

120 x 600 IMU Skyscraper
160 x 600 IMU Wide Skyscraper
180 x 150 IMU Rectangle
300 x 250 IMU Medium Rectangle
336 x 280 IMU Large Rectangle
240 x 400 IMU Vertical Rectangle
250 x 250 IMU Square Pop-up

Existing Banner Units

Figure 2

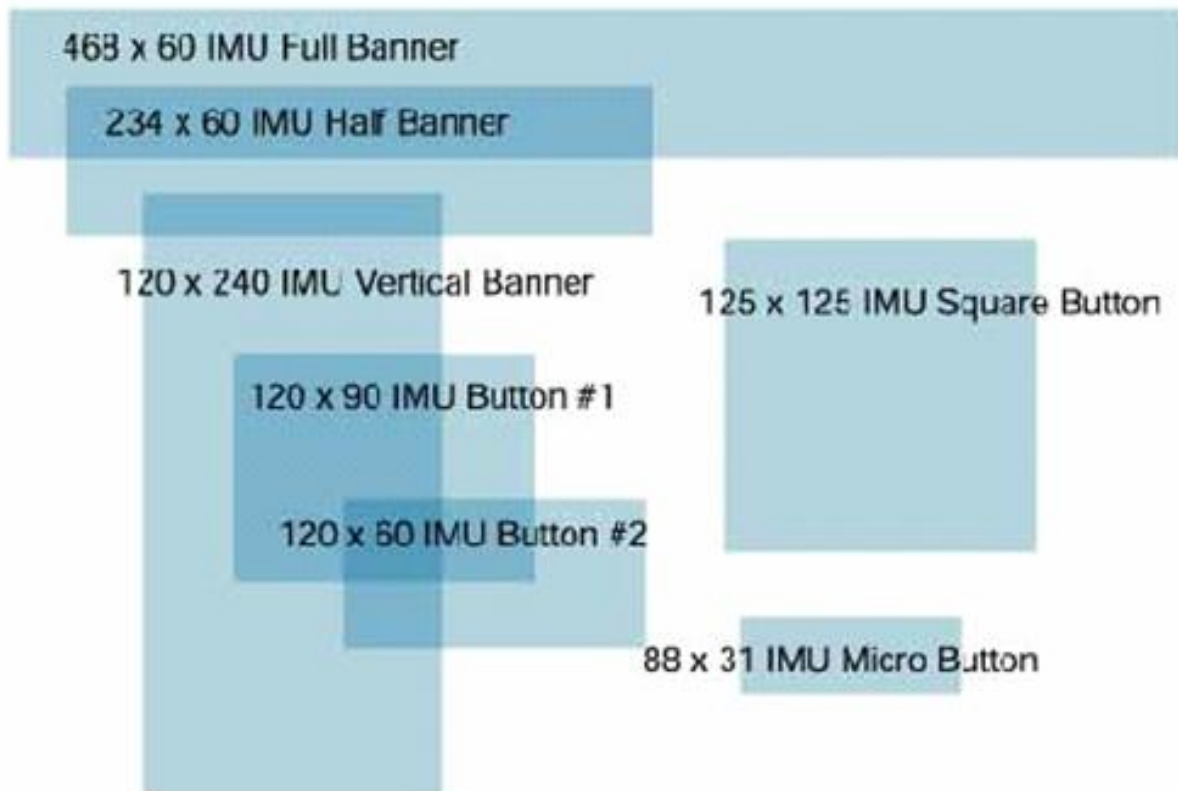
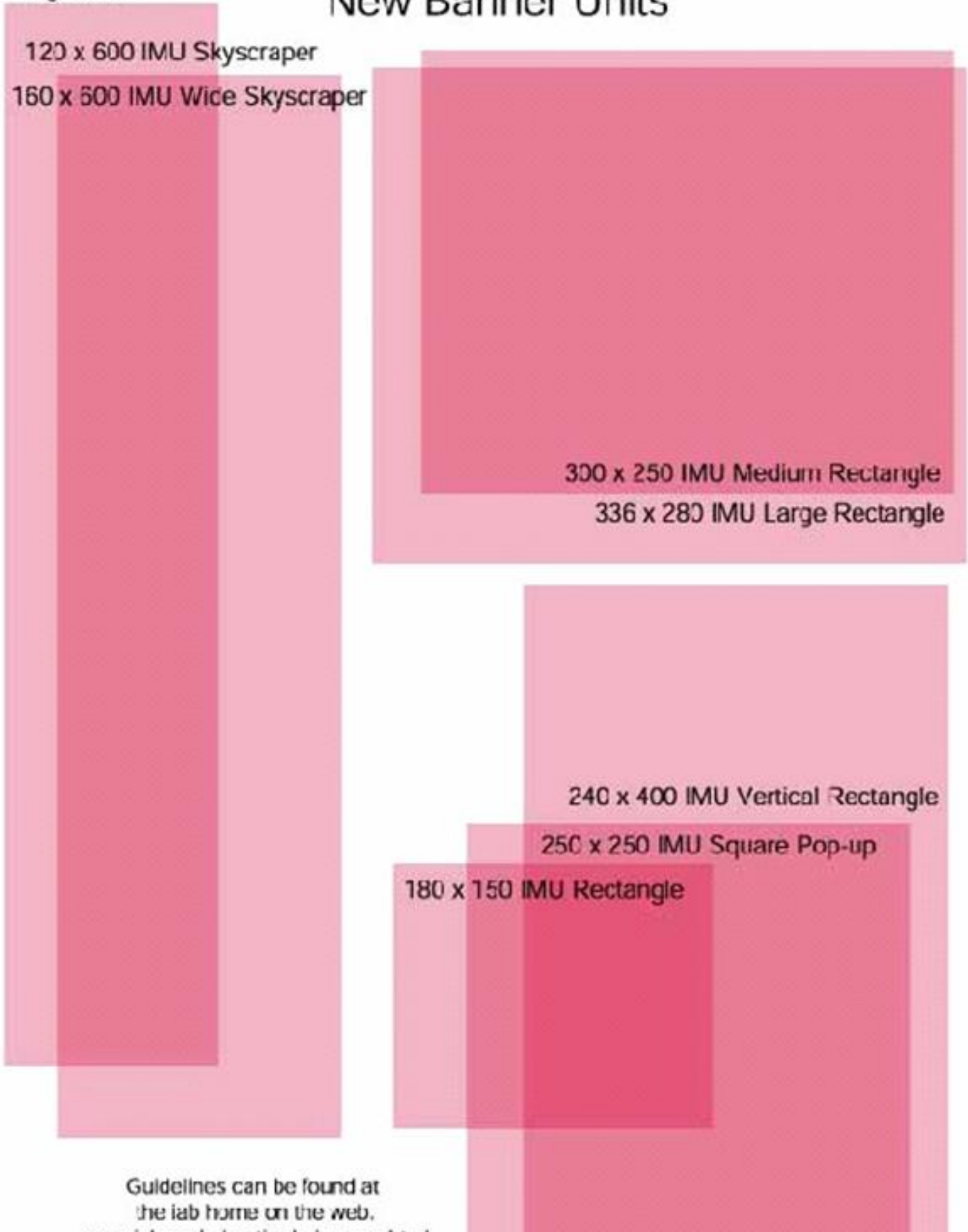


Figure 3

New Banner Units



Guidelines can be found at
the iab home on the web.

Resources:

Arens, William F. Contemporary Advertising. Boston: Irwin/McGraw-Hill, 1999.

Berst, Jessie. "Web Advertising woes (and how to survive them.)" Zdnet.com 16 June 1998 <http://www.zdnet.com/anchordesk/story/story_2172.html>.

Boyle, Perry H. Jr. "The weekly click through" Tweisel.com 20 October 2000. Vol. 2; No. 30 <<http://www.tweisel.com/client/public/click/click65.pdf>>.

Doyle, Kim; Minor, Anastasia, % Wetrich, Carolyn. "Banner ad placement study." Webreference.com Winter 1997 <<http://www.webreference.com/dev/banners>>.

Gaither, Chris. "Major league baseball to charge for web broadcasts." New York Times 27 March 2001: C 2.

"Going up? Vertical ads gaining popularity with sites, advertisers." Cyberatlas 14 March 2001.
<http://cyberatlas.internet.com/markets/advertising/article/0,,5941_713131,00.html>.

Hansell, Saul. "Marketers find Internet opens new avenues to customers." New York Times 26 March 2001: C1, C13.

Internet Advertising Bureau. 26 February 2001. Banner Ad Voluntary Guidelines. 18 March 2001. <<http://www.iab.net>>.

Kaye, Barbara K, and Medoff, Norman J. Advertising on the Internet. Boston: Allyn and Bacon, 2001.

Mariano, Gwendolyn "Studies find an increase in online advertising." Cnet News 22 Jan 2001. 18 March 2001. <<http://news.cnet.com/news/0-1005-200-4563504.html>>.

Rewick, Jennifer. “Ads heading towards your cell phone.” Zdnet.com 7 Feb. 2000
<<http://www.zdnet.com/zdn/stories/news/0,4586,2434097,00.html>>.

Snyder, Kim. “One year later: more access to more mainstream Americans.”
(Graphic Illustration.) USA Today.

Sweeney, Terry. “Why online advertisers spend the money” Internetweek.com 4
October 2000 <<http://www.internetweek.com/lead/lead100400.htm>>.