

Internet Advertising

Traditional vs Internet Ads

	Internet	Traditional
Passive	Yes	Yes
Interactive	Yes	Yes, few
Awareness	More	Less
Consumer acceptance	More	Less
Support	High	Low
Cost effectiveness	High	Low
Market	Worldwide	Limited
Personalized	Yes	No
Measurement	Various	Third party

Advertising on the Internet

Types of Advertising

- Banner Ads
- Rich Media
- Streaming Commercials
- Comet Cursor
- Opt-in Email

Types of Firms

- Banner placement (including ad servers)
- Full service (marketing and campaign management)
- Niche (Inexpensive, serving smaller clients)

Pricing Models

Impression based	Cost per 1000
Performance Based	Cost per click
Flat rate pricing	

Ad spending by media

1999 spending in \$ billions

Newspapers	47.0
Direct Mail	42.0
Broadcast TV	40.6
Other	27.4
Radio	16.2
Yellow Pages	12.8
Magazines	11.1
Cable TV	8.9
Internet	3.1

Advertising on the Internet

The Industry:

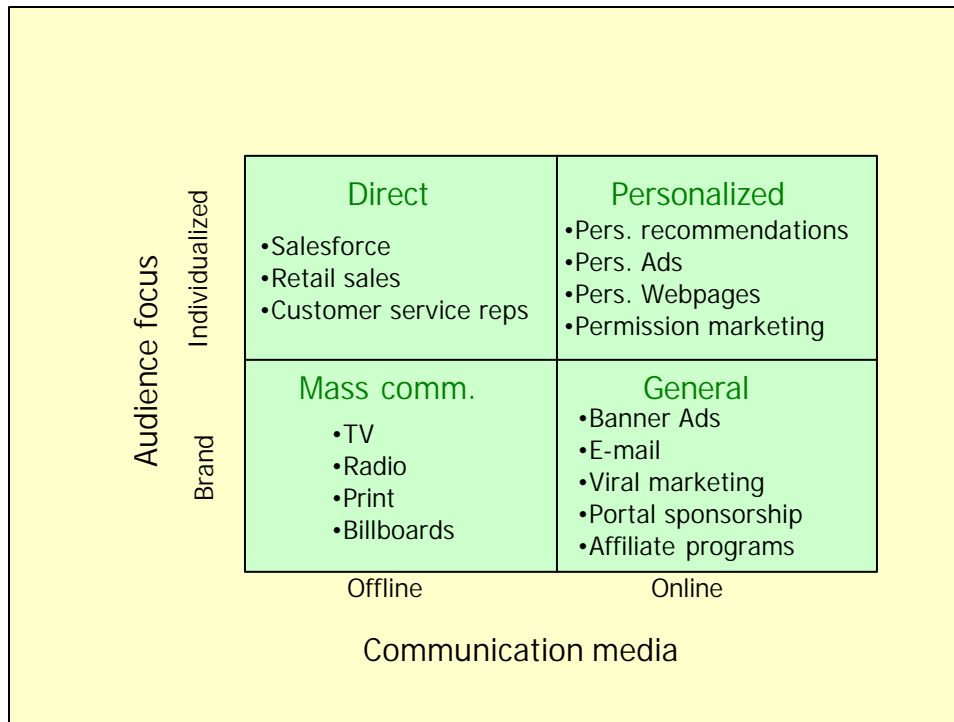
- Growth of internet advertising is remarkable:
1999 Internet ad spending approximately \$3.1B
2003 Internet ad spending estimated at \$13.3B
- Internet ad spending only 1.4% of total ad spending in 1999, will expand to 7% by 2003
- Currently, banner advertising makes up over 80% of ads, but decreasing click-thru rates will force alternative media

Growth

- In the next 6 years, internet ad will grow to 5-fold its current ratio.
- 2002 US estimates > \$17 billion
- 2002 Global > \$ 22 billion
- By 2005, Internet advertising will be 14% of total advertising

Four types of marketing communications

- General online
- Personalized online
- Traditional mass media
- Direct communications



Viral Marketing

Company developed products or services or information that are passed on from user to user

Examples

- Mountain Dew – offered cheap pagers
- Hotmail – Free e-mail, e-mail recipients also were asked to join.
- Washington Post – allows you to e-mail news to your friends
- Universal Studios – set up three webcams for visitors to take pictures and send to their friends.

Affiliate marketing

- A way for retailers to pay-for-performance
- “Referral, Partner, Associate, Affiliate Programs”
- A variety of pay scales
 - Commission on sales
 - Pay per click
 - Pay per download or search
 - Multi-level

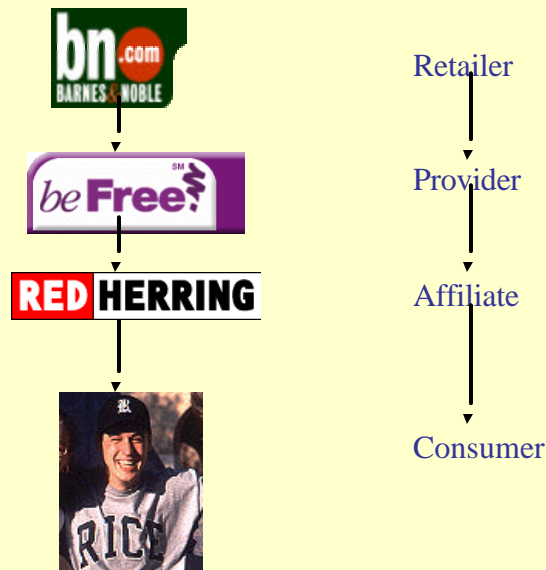
Examples of affiliate programs

- [Amazon.com](#) pays [E*Trade](#) 5% of converted sales
- [CDNow](#) pays [Country.com](#) 7% of converted sales
- [TheSmokeShop.com](#) offers affiliates 7% commissions and \$.07 per clickthrough
- [Lycos](#) pays [Tripod](#) members \$.03 per search

Who is involved in affiliate marketing?

- Retailers/ Partners– eToys, Amazon.com, Barnes and Noble, GoTo, Ask Jeeves, Petstore.com
- Providers – [BeFree](http://BeFree.com), [Linkshare](http://Linkshare.com)
- Affiliates – RedHerring.com, [Prezemek's Godzilla page](http://Prezemek'sGodzilla.page), Golf.com
- Directories/ Ratings – [Clickquick](http://Clickquick.com), Adability, Refer-It!

The New Value Chain - Be direct?



Why use affiliate marketing?

- "Business-to-consumer market is projected to swell from 7.8 billion in 1998 to 108 billion in 2003. This nearly 1400% growth will be attributed, in large part to affiliate sales." Forrester Research
- "The top 15 percent of affiliates drive 85 percent of total sales." Jupiter Communications
- "By 2002, 25 percent of the expected \$37.5 billion in Internet retail sales, will have originated on affiliate sites" Nicole Vanderbilt, Jupiter Communications

Why use affiliate marketing? (Retailers)

- Drive traffic to your site
- 5-10% commission of one sale is a relatively small price to pay for new customers
- Brand building
- Understanding of advertising effectiveness
- Time lag minimizes payment

Why use affiliate marketing? (Affiliates)

- Create new revenue streams where previously none existed
- Add free content to your site (i.e. search boxes, stock quotes, product reviews)
- Partner with big name companies

What types of programs are out there?

- **Books, Music, Movies** – Amazon.com, BN.com, Reel.com, MP3.com, CDNow
- **Clothing and Accessories** – Jos.A.Bank, Espirit, J.C. Penney
- **Computers and Electronics** – Beyond.com, Dell, Outpost.com, 800.com
- **Drugs, Health and Beauty** – Avon, drugstore.com, PlanetRx, Beauty Buys
- **Financial Services** – Compubank, NextCard, LendingTree, OneCore.com
- **Food and Drink** – Liquor.com, SendWine, Food.com, Whole Foods
- **Gifts and Flowers** – FTD, 1-800-Flowers, theGift

What types of programs are out there?

- **Home and Living** – Furniture.com, BabyFurniture.com
- **Internet Search and Services** – About.com, Lycos, TSN Fantasy Challenge, GoTo, CNET Shopper, MySimon
- **Office** – OfficeMax, Stamps.com, Staples
- **Pets** – Petopia, Pets.com, PETsMART
- **Sex, Dating, Gambling** – Kiss.com, One and Only Network, Betmaker, 18 Plus
- **Sporting Goods** – Fogdog, Soccer.com, igoGolf
- **Toys and Games** – eToys, Toysmart
- **Travel** – Travelocity, Priceline

And many, many more...

Players

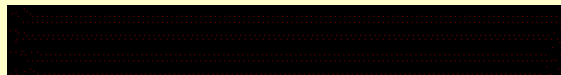
- **Sell side companies**
 - Portals
 - Ad networks (Double Click, Engage, L90, 24/7 Media)
 - Email newsletters (LifeMinders)
- **Buy side companies**
 - New media buyers (Avenue A, Mediaplex)
 - Traditional (Interpublic, Omnicom, Young and Rubicam)
 - Direct e-mailers (Digital Impact, MessageMedia)

Basic Banner/Button Ads

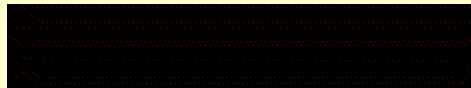


IAB/CASIE Advertising Standards

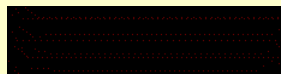
■ Standard Sizes of Ad Images



- 468 X 60 Pixels (Full Banner)



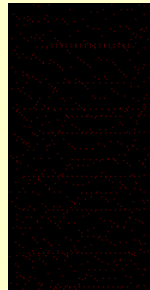
- 392 x 72 Pixels (Full Banner with Vertical Navigation Bar)



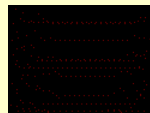
- 234 x 60 Pixels (Half Banner)

IAB/CASIE Advertising Standards

Standard Sizes of Ad Images



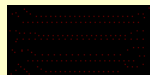
▪ 120 x 240 Pixels (Vertical Banner)



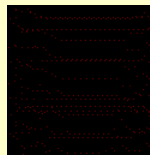
▪ 234 x 60 Pixels (Half Banner)

IAB/CASIE Advertising Standards

Standard Sizes of Ad Images



▪ 120 x 60 Pixels (Button 2)



▪ 125 x 125 Pixels (Square Button)



▪ 88 x 31 Pixels (Micro Button)

Common Rich Media Types

- Interstitials/intermercials & Pop-up Windows
- Steaming commercials
- Cursor advertising
- Click-within advertising

Interstitials (Pop-Up Windows)



Voice woman: Well "beer A" has sort of a stale, skunky, yeasty flavor



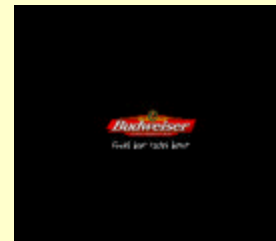
Voice man: Disgusting?
Voice woman: Nauseating!
Voice man: Try "beer B"



Voice woman: Okay, Ahh, that's FRESH!
Voice man: That's Budweiser
Voice woman: Get out o' here, I don't believe it

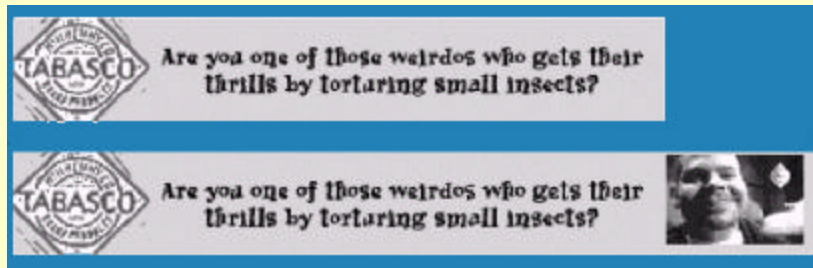


Voice man: Tasting is believing
Voice woman: Wait 'till I tell my husband, he's going to totally freak



Streaming Commercials

- Do not have to wait for entire file to download but requires plug-ins



Cursor Advertising

- Cursor builds brand awareness and increases brand recall
- Vendor
 - COMET Systems – www.cometsystem.com
 - Product
 - Comet Cursor



Click-Within Advertising

- Face image is usually small (7k to 10k) so it is initially downloaded quickly
- Allows direct transaction processing from within the Advertisement banner
- Currently only used by as little as 2 or 3 percent of online ads



Ad metrics

- Hits
- Pageviews
- Visitors
- Impressions – Cost per thousand (CPM)
- Click through rate (CTR)
- Leads – Cost per action/lead (CPA/CPL)
- Sales (CPS)

What does CPM mean?

- CPM refers to "cost per thousand" and is used by the advertising industry to describe how many people have viewed the banner ad ("page views" they call it), or received an "impression" by seeing the ad.

CPM: measuring correctly

Medium	Vehicle	Cost	Reach	CPM
TV	30 sec Network primetime	\$120,000	10 m Households	\$12
Mags	Page, 4 -color cosmopolitan	\$86,155	2.5 m readers	\$35
Online	Banner CompuServe	\$10,000 per month	750,000 Visitors	\$13
Website	Banner Infoseek	\$10,000 per month	500,000 pageviews per month	\$20

CPM: measuring correctly

Target	Audience	CPM
US TV Households	8,526,000	\$12.52
18-49	6,361,200	\$16.78
18-49 & >40K	3,796,200	\$28.12
18-49 & >50K & 1+ yr. College	2,171,700	\$49.15

Nielsen

Economics

- Cost per thousand (CPM) = \$45
- Click through rate (CTR) = 1.5% - 2.0 %
- Click-throughs per thousand = 15-20
- Cost per click-through = \$3 - \$2.25
- Conversion rate = 10%
(% of CT that purchase from you)
- Cost of ad per purchase = \$25.00
- Average purchase = \$100
- Cost as a % of purchase = 25%

Banner size

- Standard - 468 pixels by 60 pixels
- File size - 12 K
- Cost per banner \$150, if concept is clear
- \$ 500-1500 if not clear

Banner burnout

- For Direct Response driven campaigns, there is an optimum frequency on the Web. After the fourth impression, response rates dropped from 2.7% to under 1% - **banner burnout**, the point at which a banner stops delivering a good Return On Investment (ROI).

The ability to control your frequency can extend your reach and maximizes your ad dollar.

Research Findings: Banner Effectiveness Tips

- **Target, Target, Target**
- **Pose Questions**

Don't just make statements or show pretty pictures. Use questions ("Looking for free software?", "Have you seen?"). They initiate an interaction with the banner by acting as a teaser. They entice people to click on your banner. More importantly, they can raise click-through by 16% over average.
- **Use Bright Colors**

Blue, green and yellow work best, while white, red, and black are less effective.
- **Home is Not Always Sweet**

Certain pages can deliver a more targeted audience than others. Analyze these pages, and increase your response by placing your banner on a page that better attracts your target audience.

- **Location, Location, Location**

According to research, banners that appear on first page load are more likely to be clicked on. Negotiate ad placement on the top of page when buying space. Better : Have banners placed both on the top and on the bottom of a page.
- **Use Animation**

Using simple Java or .gif animation can increase response rates by up-to 25%.
- **Use Cryptic Messages**

What did that ad say? What did that mean? Cryptic ad banners can help involve a user in the message. Because the "sponsor" of the message is not revealed, cryptic messages can be very intriguing.

But there is a downside. Branding is forfeited on the ad. This may not be an issue if branding is not your main objective. Cryptic messages typically increase click-through 18%.

- **Call to Action:**

A call to action is known to raise response rates. "Click Here", "Visit Now" and "Enter Here" tend to improve response rates by 15%. Preferably on the right side.

- **Avoid Banner Burnout:**

- **Measure Beyond the Click:**

If you are simply trying to drive traffic, the click-through is great.

If you are trying to gather leads, the best measurement is the number of people who clicked through and filled out a lead form. 3% click-through and 80% lead fulfillment is better than 10% click-through and 20% fulfillment.

If you are trying to measure brand impact, conduct an online brand awareness study, or measure user interaction with your site.

The Ad Server

- **Definition of an ad server:** The software that controls the placement and rotation of advertising on a publisher's Website.
- **Software functionality**
 - Sets the number of impressions an ad should receive
 - over a certain time period.
 - Then places the ad on the Website at intervals to match this number.

The Ad Server

- Web publishers may either run their own ad server or they can outsource this function to ad management firms.
- Ad server software varies greatly in complexity and cost.
 - Shareware versions exist, such as [Central Ad](#), that have a limited set of features.
 - More complex software, such as AdServer 4.0 from DoubleClick, can cost as much as \$40,000.

The Rise Of The Ad Network

- As ad management grows more complex, Websites are increasingly outsourcing their ad management to larger firms and ad networks.
- *Ad networks are firms which have partnered with other Websites in order to sell their advertising space.*
- Most of these firms have grown to offer a variety of services such as campaign management and tracking.
- The major ad networks are [DoubleClick](#), [24/7 Media](#).

How Ad Networks Function

- The networks run large ad servers, which are capable of delivering billions of ads a month to the various sites in their network.
- Payment model depends on degree of targeting requested.
- Filter designation is an option . . . but it will cost you.
- Ad server software generates reports of various levels of data depending on how much information was captured from the viewer.
- Collected info. can be used for consumer profile building.

Ad Management Packages

- **DART (Dynamic Advertising Reporting and Targeting)**
 - ✓ Allows for targeting based on several factors including: ISP, time of day, keyword, and geographic location
 - ✓ DART consists of 120 ad servers world-wide in over 20 countries
 - ✓ Currently the number one ad management tool with over 10,000 sites using the service including: eBay, WSJ.com, iVillage.com, and infoseek.com
 - ✓ DoubleClick offers the DART service to firms who wish to outsource all of their ad management and ad serving needs .

Source: Forrester Research

Ad Management Packages



▪ DART Boomerang

- ✓ Allows advertisers to re-market their sites to past visitors.
- ✓ Through a cookie, the software automatically recognizes those people who visited a specific site and sends further advertisements to them, which vary depending on whether they made a purchase and which section of the site they visited.
- ✓ Limited to the sites within the DoubleClick Network.

▪ Adserver 4.0

- ✓ Ad service software, originally created by NetGravity.
- ✓ For large sites who want to manage their own advertising.
- ✓ Currently used by Netscape and Pathfinder.

Source: Forrester Research

Ad Management Packages



▪ Engage's AudienceNet

- ✓ Based on [Engage's](#) database of 35 million anonymous profiles.
- ✓ Allows for highly refined targeting by assigning interest levels to surfers, based on recency and frequency of visits as well as duration of stay.
- ✓ When a viewer's cookie is recognized as an Engage profile, a specific ad can be served to that viewer based on their interests, regardless of what type of site they are visiting.

▪ Accipter's Ad Manager

- ✓ Ad server software which can be licensed by websites wishing to manage and serve ads themselves.
- ✓ In direct competition with AdServer 4.0
- ✓ Currently used by Microsoft and CNET.

Current And Future Problems

▪ Privacy Software

- Growing in popularity and could be a real threat to ad tracking software development.
- Numerous software packages exist that can block Websites from reading viewer cookies. [Luckman's Anonymous Cookie, Cookie Cruncher, and Anonymizer](#).
- Without the ability to read and place cookies, most profiling and tracking software becomes useless.

Current And Future Problems

▪ Ad Blocking Software



- Software that can remove the advertisements from Websites and not allow them to load.
- Currently Symantec has licensed AtGuard from WRQ, Inc. The software filters out advertising banners and cookies. It will be included in Norton's Internet Security 2000 Suite.
- Could become very popular with Web surfers because it frees up bandwidth by blocking animated ads and allows Web pages to load much quicker.

Current And Future Problems

- **Legislation**
 - Debates on Internet privacy are ongoing on Capital Hill.
 - The Internet Privacy Bill would allow surfers the ability to explicitly control the amount of data that Websites can capture.
 - Increases in privacy could translate into decreases in the ability of websites to deliver advertising effectively.

Web Results

Top Advertisers On The Web

For the week ending October 17, 1999

<i>Company Name</i>	<i>Impressions</i>	<i>Unique Audience</i>	<i>% Reach</i>
1 TRUSTe	211,005,261	6,535,788	13.7
2 Microsoft	92,562,798	11,794,916	24.7
3 Yahoo!	64,013,354	9,896,559	20.7
4 Amazon	46,090,927	9,660,173	20.3
5 Next Card	35,508,040	6,844,703	14.4
6 Discount Brokerage	27,373,679	2,191,706	4.6
7 America Online	27,171,891	5,516,180	11.6
8 TD Waterhouse	26,612,990	1,526,678	3.2
9 E*TRADE	23,515,369	1,858,392	3.9
10 Wingspan	21,565,416	5,597,642	11.7

Source: Advertising Age and Nielsen/NetRatings

Web Results

Top Properties

For the week ending October 17, 1999

Property	Unique Audience	Average Time Spent
1 AOL Websites	21,115,762	0: 09: 43
2 Yahoo!	18,959,977	0: 25: 02
3 Microsoft/MSN	15,162,454	0: 17: 41
4 Lycos Network	10,118,074	0: 07: 34
5 GO Network	7,089,887	0: 13: 19
6 Excite@Home	4,875,558	0: 17: 48
7 Time Warner	4,396,890	0: 08: 35
8 AltaVista	3,488,699	0: 06: 26
9 Amazon	3,279,858	0: 07: 49
10 eBay	3,232,252	0: 58: 54

Source: Advertising Age and Nielsen/NetRatings

Web Results

Top Internet Banner Ads

For the week ending October 17, 1999



Columbia Pictures Unique audience: 2.5million Reach: 5.2%



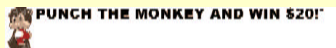
Bonzi Software Unique audience: 1.8million Reach: 3.8%



ShopNow Unique audience: 1.7million Reach: 3.5%



Acceleration Software Unique audience: 1.6million Reach: 3.3%



TreeLoot Unique audience: 1.5million Reach: 3.1%

Source: Advertising Age and Nielsen/NetRatings