# The Many Faces of Web Advertising

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*Web's definition of audience development is made up of two key components: the audience creation techniques, and paid media, also known as advertising. This two-pronged strategy of paid and nonpaid promotion is directly akin to how public relations and advertising are counterparts in most traditional marketing campaigns.*
*The Internet has already become a common tool now a day. Electronic commerce has the tendency to gain the place of the traditional trade. The advantages are quite important: removing space and time barriers, grater competitiveness, paying less for certain products. Low network security could be soon a memory of the past, if IT and biometrics would enforce their efforts towards a joint success.*
*At the end of this century, many persons and organizations are using the Internet for easy, quick and cheap worldwide communication. Using the Internet network as a vehicle for transportation, the WEB and multimedia joint system could lead to a hypermedia network, opening the way for huge expression and communication possibilities. If these possibilities become the real truth, every businessman of the world will no longer dream about a solid national or international business, but make these dreams become reality.*
***Keywords:*** *Web advertising, paid media, CPM, CTR, CPW, banner.*

## 1 CPM vs. CTR: Conflicting Measures

Most sites use banners to drive inbound traffic. Although there are clearly cases where this makes sense, the kinds of audience creation techniques are often more cost-effective for generating traffic. Furthermore, the strategic importance of banners for brand building is often overlooked by many Web marketers.
One reason more sites don't question the cost-effectiveness of using banners to drive traffic is a confusing incongruity between the two key measurements popularly used in Web advertising. For whatever reason, online advertisers have accepted the CPM (cost per thousand) measure as the standard for banner pricing. CPM comes primarily out of the broadcast and print worlds, where branding is the prevailing advertising objective. Yet at the same time these advertisers have deemed clickthroughs to be the most common measure of advertising success, which is a clear extension of direct marketing principles.
If you're paying for branding but you're measuring for direct results, it's hard to know if you're getting what you're paying for. To the extent that you're interested in paying for branding, it makes sense to quantify the costs in terms of sheer numbers of impressions registered with desired audience segments, as in other media. Measuring the success of branding is complicated. Clickthroughs are a poor measure of branding success, and this measurement shouldn't be forced to fit this objective. If driving traffic is indeed the goal, on the other hand, it is useful to translate the CPM rate into a cost-per-click measure to make sure you're getting a fair price.
For example, say an advertiser pays a typical $20 CPM and receives an approximate industry average 2% clickthrough rate (CTR). It makes for easy math: $1 per clickthrough. At this fairly typical ad cost, a company would pay $10,000 to generate 10,000 visits to its homepage.

## 2. Scalable and Complementary to Audience Creation

One way in which banner ads are clearly more effective than nonpaid audience creation techniques for driving traffic is their ability to scale their results proportionally to a company's spending. Marketers can try to target audience segments in only so many newsgroups without resorting to spamming. Companies such as Microsoft, Intel, and Procter&Gamble are committing multimillion-dollar budgets to online advertising. It would be hard to spend such amounts effectively just on search engine registration, sweepstakes, or even public relations, along with the other nonpaid techniques. However, successful banner campaigns delivering better-than-average CTRs can easily be expanded to the purchase of more impressions across more sites, and, theoretically, can continue to generate the same proportion of click-through traffic indefinitely.

Web advertising is also an excellent strategic complement to the unpaid promotional strategies of audience creation. Advertising with a publisher opens the door for additional levels of cooperation, including exclusive sponsorships of select content, joint promotions, affinity links with top sites, and so on.

Furthermore, the $1-per-clickthrough cost depicted previously is an oversimplification of the deeply nuanced strategies and rewards available in Web advertising today.

## 3. Online Ad Objectives

As in other media, there are two principal objectives in advertising online: branding and direct response. Both can be had online in a wide array of flavors and give you much greater control than other media over market segmentation, performance review, speed to execution, and other advantages. Most online marketers can benefit from a combination of the branding and direct-response characteristics of Web advertising, but it pays to appreciate the distinctions between the two.

### 3.1. Branding

By and large, marketers have been slow to embrace the brand-building potential of Web ads. It's not hard to see where some of that reluctance comes from. For one thing, page banners, the most common form of online advertising, are small. The most popular size, 468x60 pixels, fills about 10% of a Web browser window on a 14-inch or 15-inch monitor, and proportionally less on a larger monitor. For advertisers used to full-page newspaper ads, 17-foot-tall billboards, and 30-second TV commercials to achieve their branding objectives, a one-by-six-inch rectangle doesn't seem like much to work with.

Add to this the easy-to-measure click-through ability inherent in the ads, and the appeal of a direct-response model has generally overshadowed branding as the key online advertising objective for many sites.

### 3.2. Direct Response

One way to view the online advertising objectives of branding versus direct response is in terms of long-term versus short-term rewards. Although branding may translate into sales eventually, it's generally not an immediate cause and effect. When you want to take advantage of the Web's capacity for instant results, clicks are what count.

Online advertising offers direct marketers substantial advantages over traditional telemarketing and mailing campaigns, chiefly in terms of keen targeting and cost savings.

You can increasingly target banner ads to Web surfers by using the same demographic data used in traditional direct marketing--ZIP code, age, gender, income, and education, as well as shopping history and other known factors. You can further layer other targeting criteria on top of these demographics, such as editorial affiliation, time of day, and immediate user behaviors (for example, intercepting users as they search topical keywords or browse shopping directories).

## 4. Quantifying Clicks

More and more sites are giving in to pressure to charge for advertising not only on a CPM basis of impressions shown to visitors but also on a cost-per-click or cost-per-transaction basis. Our favorite jargon for this type of pricing, be it cost-per-click, cost-per-lead, or cost-per-sale, is CPW: cost-per-whatever.

Publishers are frequently reluctant to fix the pricing of a banner to its performance, which is understandable. They argue that many factors that might impact the CTR are out of their control, such as the quality of the banner's design and copy writing or the promotion on offer. It's a bit like a department store paying a newspaper for advertising based on how many sales the ad generates.

*The Math:*
2% CTR of 1000 impressions = 20 visitors.
20 visitors divided by the expense of $20 per thousand ad impressions = $1 per visitor.
5% of those visitors spend $50 a year.
5%, or 1 in 20 = $20 acquisition cost.
Bottom line = $30 net revenue per acquisition.

When you're measuring the success of advertising by a CTR or other CPW criteria, it is critical to do the math on the bottom-line worth of the "whatever" in "cost per whatever" in order to calculate the return on the investment of marketing expenses.

An online commerce site, for example, may be paying the equivalent of $1 per clickthrough, either on a straight CPW basis or as $20 CPM with a 2% CTR. By tracking visitors over time with cookies, the site may calculate that, on average, 5% of those who hit the homepage make a purchase worth $50 within a year. That means it costs the site $20 to acquire a $50 purchase. Considering that the customer may become a regular shopper, and balancing that against other overhead, marketers at such a site may decide that's a profitable acquisition cost.

It may be harder to make the same argument for using banner ads if a site survives off ad revenue. Using the same $1-per-clickthrough ad cost, a site would spend $10,000 to attract 10,000 visitors. If it sold its own banner spaces at the $20-per-thousand rate, it would immediately earn back only $200 in ad sales from those initial clickthroughs. (A site charging $20 CPM effectively earns 2 cents per banner shown.) In order for the site to break even on its advertising expenses, every one of those 10,000 visitors would have to click an additional 49 pages beyond the homepage to earn back the cost of the original ad campaign.

*The Math:*
2% CTR of 1,000 impressions = 20 visitors.
20 visitors divided by the expense of $20 per thousand ad impressions = $1 per visitor.
$10,000 spent divided by $1 per visitor = 10,000 visitors.
$20 CPM earned = $0.02 per impression.
10,000 initial homepage impressions x $0.02 per impression = $200 earned.
$10,000 recouped divided by $0.02 per impression = 500,000 impressions must be shown.
500,000 impressions divided by 10,000 visitors = 50 impressions per visitor.
Bottom line = Every last visitor of the 2% who originally click through the ad banner must eventually view another 49 banners at the destination site for site to break even on the ad expense.

For many sites, justifying this math may be a tall order. Put yourself in the Web surfer's place: When you click on a banner, how likely are you to become a loyal user of that site and to visit it again 50 times over the course of several months? Probably not that likely. Most of the time you click a banner, take a quick look at the homepage it leads to, decide you're not interested, and never go back again.

## 5. Stimulating Clicks

In cases where clickthroughs are an important and well-considered objective, there are a few rules of thumb for design and ad management, in addition to the most critical factor of targeting the right audience:

- Bold colors
- Top of page placement
- Animation
- Call to action (for example, "click here," "buy one, get one free," or even the standard blue hyperlink border around the banner)
- Limited frequency of exposures

Because the Internet is an amalgamation of several media experiences – text, images, sound, video, 3D, chat, and so on – online ads also come in many varieties. Other than scratch-and-sniff magazine ads, advertising on the Web can come close to matching the experience of promotions in every other media, and then some.

## Resources

- **www.iab.net**, The IAB is the leading association for companies concerned with Web advertising, whose members include leading online publishers, advertisers, software makers, ad agencies, and others.
- **www.the-dma.org**, The Direct Marketing Association doesn't have a particularly strong Web site yet, but it's a leading association for direct marketing in the real world, so maybe it will become a better resource with time.
- **www.aaaa.org**, "The Four As," as it's known, is a leading association in the traditional advertising world. The site offers many useful links and services.
- **www.adweek.com**, Adweek has a site featuring online ad news.
- **www.internetnews.com/iar**, One of the many properties of Mecklermedia's Internet.com site, the Internet Advertising Report also covers the online industry closely.
- **www.mbinteractive.com/site/iab/study.html,** This URL is a direct link to the free study.