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<tr>
<td>Author(s)</td>
<td>Becker, Andreas</td>
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Management Consultants to Media, Printing and Packaging

**Advertising on the Internet**

1. Publishing and advertising on the Internet
2. Different forms of advertising
3. Characteristics of Internet advertising
4. Advertising agencies vs. Internet agencies
5. Conclusions
1.1 A direct link to the consumer

"Advertisers spend billions of dollars every year to communicate their messages to potential customers. Now businesses are discovering that they can advertise to the Internet community at a fraction of the cost of traditional methods... When (...) there are 100,000,000 consumers on the Internet, we may see many ad agencies and advertising-supported magazines go under as businesses learn to communicate directly to consumers in cyberspace".

Michael Strangelove, Canadian “Internet Guru”
1.1 A direct link to the consumer (continued)

- Traditional approach

- Internet approach
1.2 The changing culture of the Internet

Over the years, the Internet has grown rapidly.

- The Internet is currently growing faster than television, radio or the printing press ever did; estimates: year 2000 ==> 500 million consumers will be online.

- The Internet has left its academic roots behind, i.e. it has become more open to companies and commerce.

- Already more than 500,000 companies are present on the Internet, a figure which is growing at an estimated rate of 90% a year.

- The average Internet user is under 35 years, has higher education and a degree, earns more than US$ 70,000 a year and is open to new trends, products and ideas.
1.3 Statistics about Internet advertising

- Prime clients for Internet advertisements are computer and Internet related companies; no. 1 spender: Microsoft
  
  63%!

- About 800 companies worldwide use Internet advertising; about 6000 brands appear on American TV alone each year

- About 60% of net's advertising revenue goes to the site owners, about 40% to the site creators, search engines attract most ads

  ![Yahoo!](https://example.com/yahoo.png)

1.4 Internet publishing and advertising

- Publishing of information on the Internet is primarily financed by advertising

  ![Revenue Sources](https://example.com/revenue.png)

  - Ads will remain the main source of revenue; estimates for revenue generated by ads vs. subscription fees are about 10:1
1.4 Internet publishing and advertising (continued)

- More and more money is spent on Internet advertising each year

other estimates: US$ 6 billion

![Graph showing Internet advertising growth from 1995 to 2000]

<table>
<thead>
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<th>Year</th>
<th>Estimate (US$ million)</th>
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<td>1995</td>
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2. Different forms of advertising

2.1 Non-WWW advertising

2.2 Advertising on the WWW

2.3 A bad example - and how to improve it
2.1 Non-WWW advertising

- Apart from the WWW (i.e. the multimedia section of the Internet) there is a variety of other forms of advertising on the Internet (e.g. via e-Mail, newsgroups, mailing lists etc.)

Which PC manufacturers can you recommend?

IBM offers the following advantages:

- Although these product endorsements might be appropriate for certain products, these approaches face the following limitations: text-based, limited audience, difficult to transfer

2.2 Advertising on the WWW

- By far the most common means of advertising is placing hypertext links on homepages on the WWW
2.2 Advertising on the WWW (continued)

- These hypertext links lead the reader to the homepages of the advertising company, which usually include the following elements:
  
  - company history
  - services
  - added values
  - online order forms
  - search facilities
  - latest news
  - product descriptor

2.3 A bad example - and how to improve it

- Club Med:

- Although multi-media elements such as music, video-clips and pictures are included, the Internet ad is basically an online version of a print brochure.
2.3 A bad example - and how to improve it (continued)

- Improvement potential: develop an online interactive travel magazine
- Internet postcards
- Recipe collection
- Special interest groups
- My favourite holiday story
- Links to related countries

Visitors will have an incentive for frequent visits and participation; the link to the ad and - resulting - to Club Med would be much stronger.

3 Characteristics of Internet advertising

3.1 Some basic differences...
3.2 Advantages of Internet advertising
3.3 Disadvantages of Internet advertising
3.1 Some basic differences...

... between traditional and Internet advertising

- Traditional advertising
  - one-way
  - narrow content
  - inflexible
  - broadcast

- Internet advertising
  - interactive
  - multifaceted content
  - customised
  - on demand

---

3.1 Some basic differences... (continued)

... between traditional and Internet advertising (continued)

- INFORMATION CONTENT
  - high
  - III printed material
  - IV personal sales, WWW ads
  - low
  - I traditional ads
  - II phone sales

- INTERACTION WITH CUSTOMER
  - low
  - III printed material
  - IV personal sales, WWW ads
  - high
  - I traditional ads
  - II phone sales
3.1 Some basic differences... (continued)

- ... between traditional and Internet advertising (continued)

Traditional advertising

Internet advertising

... is intrusive ... is non-intrusive

- As a consequence, the reader must have a good incentive to follow a hypertext link

3.2 Advantages of Internet advertising

- High involvement level of the user as he/she has actively to search for ads (i.e., clicking on a hypertext link)
- The amount of information which can be offered is almost unlimited and can easily be updated
- Customers can give feedback and opinions by sending e-mails thus enabling companies to gather qualitative data
- The inclusion of questionnaires, which are linked to competitions, allow detailed analysis of who is visiting the homepage
- The cost of providing contents for ads - compared to conventional media - is best described as trivial
- There is virtually no time gap between the creation and the execution of a campaign on the Internet
3.3 Disadvantages of Internet advertising

- Even in developed countries only 10% of the total population will surf the Net, but 85% can and do read a paper based publication.
- Insecure online payment methods prevent online ordering and shopping.
- The volume of information stored on the Internet may prevent many user to effectively "surf" the Internet.
- Slow data transfer causes traffic jams on the Internet and will induce many users to stop downloading pages.
- The dominant language of the Internet is English - although 80% of all people world-wide do not speak English.
- There is only a limited range of products that can be effectively advertised on the Internet.

4 Advertising agencies vs. Internet agencies

4.1 Research conducted
4.2 Advertising agencies
4.3 Internet agencies
4.4 Future co-operations?
4.1 Research conducted

- Over a period of three months, Illert & Partner conducted some primary data research in the United Kingdom, in order to find out the attitude of the traditional advertising industry towards the Internet.

4.2 Advertising agencies

- “Do you offer Internet advertising?”
4.2 Advertising agencies (continued)

- "Do you think the Internet is an appropriate advertising media?"
  - "no - it is just hype, the flavour of the month"
  - "we are not convinced at all"
  - "no good whatsoever"
  - "complete waste of time and money"
  - "lack of regulation"
  - "only for computer-related products"
  - "too big"
  - "too overwhelming"
  - "no - the only people who watch these ads, are the creative people in the agencies"

4.3 Internet agencies

- Primary service: creation and maintenance of WWW pages
  - PIZZA ONLINE

- People: usually from a computer / business administration background, not marketing

- Additional services: consultancy about and access to the Internet
4.3 Internet agencies (continued)

- "How do you view Internet and its potentials for advertising?"
  - "companies must undergo a focus shift"
  - "the Internet will lead to a shake-up of the advertising industry"
  - "Internet advertising is the cutting edge of technology"
  - "you must create a stable relationship with your customer"
  - "people who are responsible for marketing and advertising do not understand the Internet"
  - "advertising agencies are not aware of the opportunities of the Internet"
  - "impressive cost-effectiveness; unmatched by any other media"

4.4 Future co-operations?

- Two of the interviewed Internet agencies have already formed a partnership with advertising agencies
  - Perfect match with regard to skills, people and customers
5 Conclusions

5.1 For advertising / Internet agencies

- Both agencies need each other in terms of client base and skills

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<th>weak</th>
<th>strong</th>
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<td>contact to clients</td>
<td>advertising agencies</td>
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<td>Internet skills</td>
<td>Internet agencies</td>
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- If traditional advertising fails to co-operate with newly established Internet agencies it will risk losing substantial business

- If Internet agencies do not seek alliances with established players they will be restricted to small segments of the advertising world
5.2 For publishers

- Make sure to include advertisements in your Internet sites - they are the easiest way to generate revenue and attract visitors.

- Make sure to include only ads that follow the "rules of Internet advertising" - otherwise this will diminish the impact of your own pages.

- Make sure to include ads that go beyond your own target group - the Internet is a world-wide community.

5.3 For clients

1. Provide content
2. Offer interactivity
3. Make use of multi-media features
4. Take your visitors seriously
5. Do not copy your print or TV ads
6. Offer added values
7. Update frequently
8. Offer exclusive material
9. Use latest technology
10. Be ready to handle inquiries
5.4 Time, money and the Internet

"If you don't have money for advertising, the Web is the medium to choose.

But if you don't have time, you better have money."

Thomas Dollinger, American Internet Researcher
MultiMedia Creation Company: A Case Study of Off-line Multimedia Business

Surachet Vetchapitak

Workshop on The Impact of the New Multimedia Environment on Newspapers and Magazines
25-26 Oct. 1996
Bangkok