1.0 INTRODUCTION

Online advertising

Global e-Commerce Report by an international marketing research company, Taylor Nelson Sofres in June 2001 across 36 countries showed the following statistics:

1) Integrated offline and online shopping activities continue to contribute to revenue opportunities: 15% of all users have shopped offline as a result of the information they found online.

2) There has been an increase of 50% in the proportion of Internet users that shop online compared to last year (2000).

Research by Taylor Nelson Sofres also reveals that in 2001, Malaysia has recorded the results of 24% Internet Penetration and 1% of e-Commerce Penetration among the whole populations in the country (www.tnssofres.com, Jan 2002).

With the wide penetration, Internet promises a great potential as an advertising medium. Its interaction possibilities enable advertisers and Internet users to customize and differentiate the advertisement to meet the users' own requirements. The benefits of online advertising are its ability to cover all promotional objectives from awareness to action by leveraging all 5 elements in the promotion mix.

The five main elements of the promotional or communications mix can be considered to be advertising, sales promotion, personal selling, public relations, direct marketing (Louis E. Boone, David L. Kurtz (1999), Contemporary Marketing 1999, US: The Dryden Press, 571-590).

Promotion is the element of the marketing mix that is concerned with communicating the existence of products or services to a target market.
The Internet is also a highly selective, cost effective media with greater measurability than any other media. Products with high information intensity and high buyer involvement are also appropriate for Internet promotion due to its large information capacity at low costs. However, advertiser must individualize, differentiate and customize the advertisements to achieve advertising effectiveness. Only by doing so, the advertiser can make the users aware of the web site's existence to generate and attract visitors.

**Banner advertising**

It can be contended that each web site is in itself an advertisement since it can inform, persuade and remind customers about a company or its products and services. However, advertising on the Internet is generally acknowledged to take place when an advertiser pays to place advertising content on another web site. The advertisements placed on sites usually take the form of banner advertisements. Companies will pay for banner advertising for two main reasons. It is either in the hope that the customer will click on the advertisement and then will be exposed to more detailed brand information on the company's web site; or all visitors to a page will see an advertisement, either noting it consciously or viewing it subconsciously. This can help to establish or reinforce a brand image.

According to most Internet timelines, it all started in 1994 when the first banner ad appeared on HotWired, symbolizing the dawn of Internet marketing ([www.adsguide.com](http://www.adsguide.com), August 2001). Since then, banner ads have been viewed as a promotional vehicle.

Banner is a rectangular graphic measured in pixels (generally 468 wide by 60 high) displayed on a web page for the purpose of advertising. It is normally possible to perform a click-through to access further information. Banners may be static or animated.
Before the Dot Com bonanza was over by mid-2000, and the latest Sept 11 incident, the Internet was becoming a medium that every advertiser in Malaysia has to seriously consider. Increasing, traditional audiences, which previously spent much of their discretionary time viewing print or electronic media, are spending more and more time surfing the Internet, to the extent of even reading newspapers online. Internet audiences are typically young, well educated and have high disposable income, making them increasingly attractive to advertisers.

However, a sluggish economy and fears provoked by the Sept 11 attacks has bridled marketers' desires to spend more money on Web advertising.

Observations from the report by Forrester Research revealed that global digital marketers – including those using the Web, e-mail, interactive television and other digital methods to promote their businesses – plan to increase online advertising by just 6 percent in 2002. Dot-com picture will remain complicated, the report indicates. There are barriers holding the market back. And, they felt that these are not the issues that are going to be solved overnight. The real driver here may not have anything to do with the technology, it's about psychology and behaviour (www.forrester.com, September 2001).

**Banner Exchange**

Owing to the cautious advertising budget of most of the companies now, promotion mix such as Banner Exchange can be a good channel in delivering the desired advertising result. Putting aside the direct contribution to the sales revenue, Banner Exchange may help to solidify an advertiser’s brand image online in a more cost effective manner.

Usually, a Banner Exchange works like this: any company can exchange their banner with another company where their site is normally having related content with each other. This is customer-to-customer direct exchange.
The second method is to have the service from a Banner Exchange service provider. A company or web site can locate a Banner Exchange site and register with it, e.g. Cari Dot Com. Normally, customer A will need to display let’s say customer B and the host’s banner once to get his banner displayed at B's web page.

The ratio that decide on the exchange rate ranging from 2:1, 3:1, 10:7, 1:1, etc. The rate can be arranged between the two exchange sites. However, if a company is using the service from a Banner Exchange service provider, the ratio is always pre-determined by the exchange service provider, base on the popularity and profile of its list of customers. The above scenario shows the ratio exchange at 2:1.

The exchange service provider will provide basic statistics to the customers. The statistics will show the following essential items. First, credits – a credit is the number of displays you’ve earned by displaying someone else’s banner on your site. Second, impressions – an impression is the number of times your banner
has been shown on someone else's site. Third is "click-through" – which is the number of times an Internet user has actually clicked on your banner and been transferred to your site.

Also, a good exchange service provider also offers targeting. Targeting means choosing a category or "type" of web site to display one's banner advertisement. If the banner ad is about music, then the ideal web sites for the advertisement will be web pages in related categories, such as entertainment, music, concerts, etc.

In short, Banner Exchange provides free banner advertising.

1.2 OBJECTIVES OF THE STUDY
The objective of this thesis is to provide an understanding of the online advertising using Banner Exchange among Malaysian Dot Com companies. First and foremost, this thesis will attempt to understand the factors influencing online promotion mix which includes its strengths and weaknesses over offline promotions. Secondly, it will study the factors to be considered in making effective online promotion decision.

Next, the research will try to study the Dot Com's perceptions towards banner advertising and particularly Banner Exchange as an effective advertising technique. Their perceptions will include the perceived popularity of banner advertising and banner exchange, the respective advantages and disadvantages, and the issues to be addressed before making advertising decisions.

As a conclusion, the study will discuss the managerial implications of the above various issues.
1.3 SCOPE OF THE STUDY
Judging from the importance of Internet and online advertising, it is worth further investigating in details how Banner Exchange is perceived and used as an effective advertising means in the Malaysian context.

Owing to the financial and time constraints, this study covers only perceptions and opinions from the Dot Com companies in Malaysia. It is somehow meant to focus in certain industry and Dot Com has been selected as the scope of the study.

1.4 LIMITATIONS OF THE STUDY
As the thesis is written with a focus on the usage of the Banner Exchange in Online Advertising, technical details of Banner Advertising will only be described when it is found relevant. The project attempts to provide a national perspective from the Dot Com companies in the country, but owing to the time constraints, only selective Dot Com companies have been selected as the targets of the study. Banner Exchange is the main area of study, however, other promotion methods will be compared and contrasted in order to have a better picture of the future trend of the promotion mix. Besides, as this is a new area of study, not much data been found especially in the Malaysian context.

1.4 ORGANISATION OF THE STUDY
This thesis has been organized into five chapters with chapter one for the Introduction. Topics of discussion under this chapter include some background studies, objectives of the study, scope of the study, limitations of the study and organization of the study. Chapter two has been allocated for the Literature Review, followed by chapter three for the Research Methodology. This chapter will basically discuss on the selections of measures, sampling design and the data collection procedure. Chapter four will analyze on the Research Results or findings. Last but not least, Conclusions which include Managerial Implications, Recommendations and Implications are the contents for chapter five.