2.0 LITERATURE REVIEW

2.1 INFLUENCING FACTORS OF ONLINE ADVERTISING

2.1.1 Online advertising combines the ability of reaching the mass media with the interpersonal communications.

WWW shares characteristics with mass communication as well as interpersonal communication. The Web combines the ability of the mass media to disperse a message to a wider audience with some of the interpersonal communication possibilities of providing individualized information using feedback and interaction. The medium is interactive, and it showed that the users of the Web play a much more active role in the communication process than users of traditional mass media. Traditional mass media are characterized by an information push, whereas Web users have to do something active to access the advertising Web sites. It is able to provide large amounts of individualized information on demand to a self-segmenting audience, to process feedback, customer service, transactions and in some cases distribution with an ease hitherto unknown in mass media.


A new trend uses the interactive nature of the web sites to create ongoing relationships with potential customers on the Internet. This has led to "Relationship Marketing" becoming a new era in Internet promotion.


2.1.2 Lower cost of distribution

As the web users have to be active in the communication process, thus the costs of distribution on the Web are very low from the point of view of the advertiser.

2.1.3 Affluent and well-educated target group
The demographic characteristics of the users make it an attractive target group for many advertisers. Users of the Web are generally affluent and well-educated. (www.pg.dk/advertising/index.html, "Advertising on the World Wide Web", July 2001)

2.1.4 A secondary advertising medium to the traditional media
Comparisons between advertising spending on the World Wide Web and traditional media show that the Web is in its infancy as an advertising medium. Although there were large uncertainties associated with the figures for Web advertising spending, the figures did indicate it would take several years for the Web to become a major threat to the advertising revenues of traditional mass media. Hence, the Web is likely to remain a secondary advertising medium for the majority of advertisers in the short and medium term because of its low reach, limited intrusiveness, and low bandwidth. (www.pg.dk/advertising/index.html, "Advertising on the World Wide Web", July 2001)

2.1.5 Keeping online creative consistent with existing offline representation
First step in developing an Internet advertising strategy should always be to analyze the advertiser's offline presence. If an advertiser isn't looking to change or update his image, the cardinal rule of Internet Strategy is to keep online creative consistent with existing offline representation. Not only is consistency essential in the creative message, maintaining offline presentation with regard to the advertiser's marketing message and image is also crucial. (www.adsGuide.com, "Internet Marketing Strategy 101", August 2001)

2.1.6 Measurability and speed
Web has a huge potential for building customer relationships, measurability and speed. Advertisers like the medium because they can tell how well their ad is doing on a weekly basis — immediate statistical research.
2.1.7 Acceptance of online advertising is comparable to the traditional media
Study by Internet Advertising Bureau found that the consumer acceptance of online advertising is comparable to that of traditional media.

2.2 FACTORS TO BE CONSIDERED IN MAKING EFFECTIVE ONLINE PROMOTION DECISION

2.2.1 Four methods in measuring the effectiveness of online campaigns -
Click-through ratios, costs, conversion rates, comparing one's statistics to the average

A research in the Web Developer's Journal ("Banner Advertising Statistics" by Charlie Morris) suggested four methods to measure the effectiveness of online campaigns. The journal was generated on June 2000. The importance of hard facts and figures in assessing the effectiveness of online ad campaigns was discussed. The methods to measure the effectiveness of the online campaign are "comparing click-through ratios", "comparing costs", "comparing conversion rates", and "comparing one's stats to the average".

Even though click rate is one measure of the effectiveness of a particular banner, or of an entire campaign, the journal suggested as with any statistic, it is dangerous to make judgments based on click rate alone. To judge the effectiveness of advertising on a particular site, it's often useful to calculate the cost per click. And for sites that sell products or services, "conversion rate" is another very important bit of data. However, the various measures of effectiveness mentioned are of limited use by themselves. To really put them to work, the journal suggested trying to compare them to figures for other sites and for the industry as a whole.

2.2.2 Audience fit, product fit and general benefits

Basic issues the companies should consider contemplating to advertise on the Web include the issues of audience fit, product fit, and general benefits to the company.

Audience fit refers to the congruence between the campaign target group and Web users. Companies targeting young, well-educated, affluent, techno savvy users, and students are likely to find a high audience fit.

Product fit refers to how the product or service is suited to the medium, in terms of buyer involvement, information intensity, and possibilities of providing increased purchase facilitation. Therefore, high involvement products are more likely to gain significant exposure.

The decision whether to advertise on the Web should also consider the general benefits of advertising on the Web, such as image and learning effects. (www.pg.dk/advertising/index.html, “Advertising on the World Wide Web”, July 2001)

2.3.3 Value-based concept and customized reward

To briefly capture the attention of Web users is not enough, it must retain and reward their attention in order to get the right kind of exposures. Study showed that advertisers have to adopt a value-based concept of advertising which focuses on providing value for the receiver. The basic idea underlying this approach is that if the advertiser does not provide value for the customer, he will find it highly difficult to attract and retain an audience.

As different customer segments respond to different incentives and value proposals, the concept of value-based advertising also entails that the individual advertiser must focus on more specific segments and acquire greater knowledge about the needs and wants of these segments.
“People click on your ad if you give something away,” said Karl Seppala, director of marketing at Mitsubishi Display Products in Cypress, California, a unit of Mitsubishi Electronics America.


Offering free goods or services generally improves click-through.

(www.webreference.com, “DoubleClick”, November 2001)

2.3.4 Nature of the audience is the drivers for click-through

The primary drivers for click-through is the nature of the audience. The inherent interest of the product category, or brand, to the audience appears to be the most salient factor driving click-through. The appeal of the creative may also play a role, but the role seems to be secondary in nature.


2.3 BANNER ADVERTISING AS AN EFFECTIVE ADVERTISING TECHNIQUE

2.4.1 Banner advertising in getting advertisement awareness

The impact measured was generated without a “click-through” to the advertiser’s site, proving the power of the ubiquitous banner. A single Web ad banner exposure enhances positive perception of advertised brands and improves the likelihood of consumer purchase. Ad banner exposure was found to be responsible for 96% of advertisement awareness, compared to click-through contributed only 4%. The engaged state of the users, which the Web encourages, also helps to provide higher attention to banner advertising. Thus, they are powerful advertising communication vehicles.

The impact of a single web banner exposure on the Consumer Loyalty ranged from a 5% increase to over 50% whether or not the viewer actually clicked on the banner.

(www.webreference.com, November 2001)

2.4.2 Generating brand awareness

Another interesting finding from the study showed that "online advertising is more likely to be noticed than television advertising". Web advertising compares favorably to television in its ability to create a brand-linked impression. It was suggested that advertising banners performed so well because of the lower advertisement-to-editorial ratio on web pages (typically 90% text to 10% advertising for a single banner ad on a page).

(www.iab.net, "Advertising Effectiveness Study", December 2001)

Banner advertisement also leads magazines, newspapers, and television in brand recall. After seeing an ad on the Internet, consumers showed a 27% greater ability to recall a brand than before. This compares to 26% for magazines, 23% for newspapers, and 17% for TV.


Internet performs well across branding measures, but it was believed that it is better for those who already have a brand than those who are trying to develop one. It also revealed that the level of a consumer's brand awareness does indeed appear to be related to the number of times that the consumer is exposed to a banner ad.


2.4.3 Banner advertisement can be accepted to keep sites free

In general, consumers feel advertising is necessary to keep sites free. Eighty-five percents of the respondents agreed to the above statement. The result
demonstrated that consumers recognize value in online content and feel that advertising is necessary to access online content at no charge.  

2.4.4 Cost effectiveness 
Dynamic Logic's branding related report showed that Internet advertising banners are a cost-effective branding tool when compared to TV and print advertisements.  

Banner advertising has fallen out of favor with some Web marketers who say it is expensive and ineffective.  

2.4.5 Generating product interest 
In terms of generating product interest, consumers were 44% more interested in learning more about a product after seeing a banner ad than before. This number is similar for magazines but slightly lower than TV. In other words, it is competitive to some traditional medium in generating product interest.  

People are more likely to click to find out about a product than to find out about the company.  
(www.forrester.com, September 2001) 

2.4.5 Direct marketing tool 
Report showed that banners are cost-effective in generating brand recall and brand interest, but they were only moderately effective direct marketing tools.  
2.4.6 Burnout rate is faster

Burnout rate for an ad is faster on the Internet. People go back to the same page on the Web more than they do to the same page in a magazine.

(www.forrester.com, September 2001)

Advertisers in general are finding that while some ads are initially well-received, they wear out quickly. Research shows the response to banner ads drops significantly after as little as two weeks.

(Jonathan Gaw (1999), "Web advertisers clicking with online customers", The Star, 11 July 1999)

As frequency of exposure increases, there are both incremental benefits and diminishing marginal returns.

(www.webreference.com, "Hot Wired", November 2001)

2.4.7 Interactivity function of banner advertising

Billboard banner ads are not enough, direct marketing and interactivity must play a role. The more interactivity created by the banners, the higher the click-through rates and the deeper the involvement consumers will have with the brand.

(www.advertisingage.com, "Banners that move make big impression", November 2001)

2.4.8 Banner advertising tops the list of online promotion mix

A study conducted through an online survey, aimed to measure general consumer's attitudes towards online advertising and the perceptions of different forms of online advertising. Findings showed that banners generate the most favorable opinions. Over half of the consumers in the study (53%) have a positive attitude towards the banner format of online advertising.

2.4.9 Advertising effectiveness

Four most powerful letters in direct response is "FREE". Simplicity sells, graphics should enhance the message, not distract from it. Good banners must contain an attention-getting element, a call to action and a reason to click-through, need content that ignites clicks. (www.webreference.com, "Who's marketing online", November 2001)

More people notice and pay attention to the ad with animation, especially of the animation is done in an effective way (emphasize what product is about. Besides, an ad must have a strong, well-crafted message and a clear call to action. (www.webreference.com, "Study shows big lifts from animated ads", November 2001)

Dotson's 7 rules to successful banner advertising – use color, use animation that does not slow downloading of the ad can attract attention, use key words, keep it simple, keep it relevant, include a call to action, test the performance of the banners even during the first day of placement. (www.webreference.com, "Sun-sentinel", November 2001)

Put banner at the top of the page. Banners down the sides don't as well in terms of generating click-through.

Put banners on the home page as it generates more click-through.

Keep the advertising message close to the content of the page. Ads that relate closely to the content get more hits.

Make banners big. The more pixels, the more likely surfers are to click-through. (www.webreference.com, "Banner advertising rules", WebWeek, October 23, 1996)