

Effectiveness of Internet advertisement

SILVENA DENCHEVA
International university college
Dobrich

Abstrakt

The paper presents effectiveness of advertisement in the context of Internet. Effectiveness is a category, presenting the achieved result, compared to the resources invested for its achievement. Each manager wants to know what income will be achieved as a result of the advertisement. In the brick and mortar world it is extremely difficult to measure the effect of certain advertisement. However, Internet provides tools for quick and exact measurement of the invested money in advertisement. Factors, leading to effective advertisement in Internet are presented in the paper such as creative and media factors.

Key words: Internet, banner advertisements, effectiveness

JEL Classification: M31, M37

Introduction:

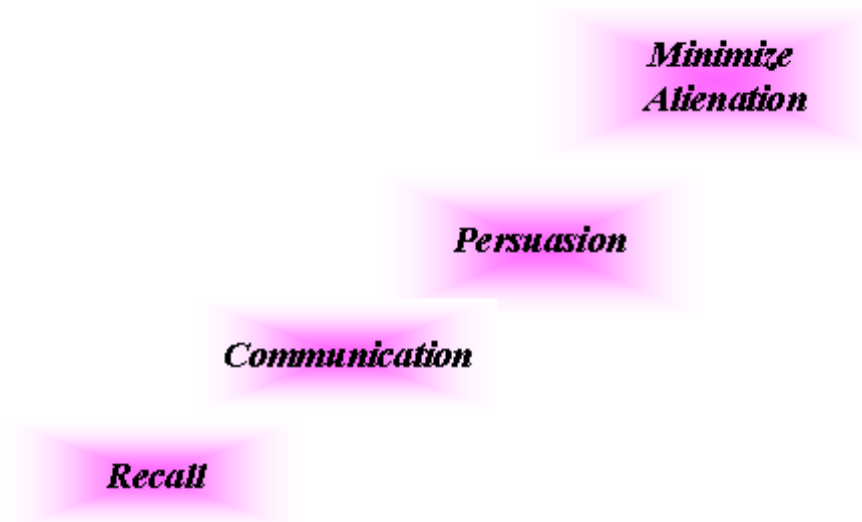
Internet advertising started in 1994 in the form of banner advertisement. Banners are most popular as Internet advertising tool, compared to pop-up-windows, interstitials. During that time, Internet becomes mainly used for company's marketing communication. That's why banners were integrated in the company's websites.

Banner advertisement is a section of online advertising space that typically consists of a combination of graphic and textual content and contains an internal link to the target ad pages (the advertiser's information on the host site) or an external link to the advertiser's website via a click through URL. Their function is to attract the attention of the visitor and take him/her to the main web page of company. Thus, banners are used a tool for bringing prospective customers to the site. The web advertisement has enormous potential in reaching million of users. Thus, advertisement on web has become the six element of the marketing mix and is of crucial importance for the success of each company.

The Interactive Advertising Bureau announced that in the first quarter of 2008 the advertising revenues reached 5, 8 billion USD, which is 18, 2 percent increase, compared to the same period for 2007. Thus, web advertisement is strong tool for company's growth and success, according to the data.

The effectiveness of the banner ad as an advertising unit in the Web medium has been debated since it was first used in 1994. Many academic and commercial researchers have highlighted the non-perception of most banner ads and the declining clickrates over time. Yet, others have pointed out that the measure used to quantify banner ad effectiveness for brand building objectives should not be clickrate but communication outcomes and banner ads are delivering increasing returns on those measures.

Measuring the effectiveness of the Internet advertising, we must take into account the Internet Advertising Consumer model(see fig.1)



Internet Advertising Consumer Model (Figure 1)

According to the advertising model, presented up, the Internet advertising performs several functions. At the first level, it minimizes the alienation by grabbing the attention of the customer, then comes the persuasion and the last step is recall. Recall is the final stage of interaction when the customer has already bought the product and has formed certain impressions of the company.

Regarding advertising effectiveness, it is necessary to set advertising goals and measure the advertising results. These issues are linked with the use of criteria of effectiveness. Such criteria of advertising effectiveness have been proposed in 1898 by Lewis-AIDA.

Other researchers Lavidge and Steiner, 1961 postulated a hierarchy of effects in a stair-step fashion with attention leading to conviction of action. The categories formulated by them are Cognition, Affection and Conation.¹

Cognition in the context of Internet advertising refers to that how much of the communication surrounding an ad in Internet is under the volition of the user and how much is the control of the advertiser. Regarding this, Pavlou and Stewart 2000 speak about:

- Process control;
- Outcomes.

By process control, they mean part of the communication through Internet that is under the control of the user or the consumer of the message. The user has the freedom to decide whether or not to be exposed to the message and the manner and the time to be exposed.

Thus, measurement of advertising effectiveness can be thought in terms of:

- 1) Process control

¹ Conation is a popular term for behaviour or behavioral intentions. Cognition means knowing. Affection refers to both emotional and attitudinal aspects of liking and disliking.

2) Results control.

Both process control and results control are under the control of the advertiser.

Internet advertising has the following formats, according to the Interactive Advertising bureau:

- keyword search;
- banner ad;
- classifieds;
- sponsorships;
- rich media;
- email;
- slotting fees;
- interstitials
- referrals.

Each advertiser is interested to know what revenues will be achieved as a result of the advertisement. In marketing literature it is considered as marketing effectiveness, i.e. the marketing revenues compared to the marketing costs. Advertisement is effective when it:

- Grabs attention of the prospect;
- Provokes his/her interest;
- Wakens desire in him/her;
- Turns the prospect to customer and leads to action.

Some researchers have investigated how consumers interact with banners. According to Li 2004, exposure to banner ad is incidental, in that way they occupy a very small proportion of the web page about 10 % of the visual field and have to compete with consumer's attention with content on the web page.

Regarding this, Chatterie 2001 proposed a model for processing of banner ads. According to him, the stages of customer interaction with the banner ad are the following:

- Preattention;
- Attention;
- Click decision;
- Finally comprehension and elaboration of advertising message in the advertiser's target ad page.

Resuming his position, consumers visit the websites to process content on web pages, hence attending to, clicking on and processing information in banner ads is a second task.

Banner ads remain unnoticed according to several researchers (Benway 1998, Dreze and Hussherr 2003).

Experts on usability dealing with eye fixation patterns on web page prove that eyes are trained to avoid these areas of web pages where banners are placed. They define the term "banner blindness" as nonperception of the banner ads. That's why click through rates are low, consumers have to notice the banner ad in order to click on it. Consumers are trying to avoid the banner ads while being in Internet. In other words, in order to be effective, banner ads need to be repeated several times, to be noticed, processed and clicked on. The banner ad serves the following functions by grabbing the prospect, taking him/her to the web site of the company. If the company is aiming to achieve only traffic to the web site, then the

banner ad can be used for achieving this goal. It is more important for companies to convert the traffic to buyers.

Some researchers propose banner ad as a tool helping for building and managing individual customer relationships. There are four stages in such a relationship- Awareness, Exploration, Commitment and Dissolution. There is evidence that banner advertising helps in the first two stages of CRM. In the awareness stage, customers recognize the company as a potential exchange partner but have not yet initiated a contact. For instance, the IAB online advertising effectiveness study showed that exposure to banner advertising increased advertisement awareness, brand awareness and purchase intention. Academics document in their studies that banner ads make ease customer acquisition from trial. However, for companies, it is more important the commitment. Companies are aiming to retain customers attracted to their web site as in the long run viability of the web site is based on the ability to retain a significant customer base. Another reason is that attracting new customers to the web site is not so profitable compared to retaining of the recent customers.

Li proves that banner ads are tool for customer retention, as banner ad is a relationship builder and has positive effect on purchase probabilities.

Measurement, metrics are topics of extreme interest in banner advertising. However, there is lack of certain model for measurement of Internet ad. In the paper we present a new method for dealing with the effectiveness of banner ads. Methodology for effectiveness of advertisement includes many factors. Some authors (Baltas, 2006) divides them into creative and media factors. Others present only CTR as a tool for exact measuring how effective is the banner advertisement can be done by click – through- rate - CTR). CTR represents the proportion of viewers who click on online ad to visit the advertiser's websites (Baltas, 2003), (Bayles, 2002), (Ya-Lin & Ya-Wen Chen, 2008).

The effectiveness of a click through rate as a valid measure for Internet advertising effectiveness has been criticized by some authors. Briggs 2001, as it is a measure of a visit to the web site. Since there is a little evidence that small part of the visit transfer to final purchases, click through rate is considered as imprecise to measure banner ads. In other words, banner ads influence the customer behavior during the exploration and awareness stages. To sum up, banner ad is more effective for customer acquisition rather than for customer retention.

According to Baltas, banner success is result of the acquisitions, branding and image change. The mere fact that the prospect clicks on the banner indicates its interest. In this manner, banners are tools for exact and prompt self targeting of the customers. The targeting in the brick and mortar world is time consuming and cannot be so effective even though the exact criteria for targeting and the relevant media used by the company.

We present input and output variables in the metrics for the effectiveness of Internet advertisement. The input variables are creative and media factors, combined with factors, leading to effective web site. Effectiveness of web site is a category, connected with customer satisfaction from the web site. The input factors are the following:

1. Size of the banner. It is an important characteristic regarding its function to grab the attention of the prospect. The most popular is dummy for 480x 60 or larger.
2. Length of the message. The number of words in the message presented in the banner is crucial characteristic also. The more words are included, the less are remembered.
3. Puzzle. This factor is described by Baltas as necessary as banner always displays enigmatic message. If the prospect wants to get deeper knowledge, cliché must be used.
4. Cliché. It is a stereotypical message. Its function is to push customer to act. The action is achieved by use of phrases like „click now” or “click here”.

5. Company logo as element is presented always in the banner. Its function is to provoke associations with the company, its image.
6. Interactivity of the advertisements. In order to measure interactivity, assessment of colors used in the ad should be done. By interactivity we mean number of colors in the banner ad, animation. The visual stimulus of the animation motion creates positive effect regarding the focusing of attention. Research about the effect of advertising exposure has found that the longer the customer is exposed to the stimulus, the more he can remember of it. (Krugman, Kameron & White, 1995).
7. Time spent with a web site. The role of spent time with a web site can be emphasized that the longer a person is exposed to web page containing a banner ad, the more likely they remember that banner advertisement (Danaher & Mullarkey, 2003).
8. 3 D visualization.
9. Virtual experience. It is examined by Griffith and Chen 2004 that if the company provides online experience it reduces the perceived risk by the consumer.

Media factors leading to effective banner ad are the following:

1. Media dispersion. It means how many sites host the banner ad.
2. CPM. This characteristic display the cost per thousand impressions.
3. Log of banner production cost. This factor displays what is the cost for developing the banner.
4. Offline media. In order to be effective and achieve great traffic, company can combine offline media channel in its marketing communication strategy.
5. Length of the campaign. Duration of the banner campaign is a factor, affecting its effectiveness.

Research showed that the bigger banner ads, the better attention is captured and response by customers. Some authors (Baltas, Lothia) prove that full banners (460x60) or even larger are more effective than smaller types, such as half banners, vertical banners.

Besides the size of the banner, the number of times the customer is exposed is important for his interaction and action. Studies on effectiveness of banner ads indicate that after 3 exposures, consumers are not likely to click at all. The click through rate after the first exposure tends to decline fast and reach less than 0,5 percent at the fourth exposure (Chatterjee, Hoffman and Novak 2003). On other words, customer must see the banner ad at least 4 times in order to be attracted by it. Then how banners can be effective?

Studies show that color, design and position of the banner ad did not have great effect on its recognition. Creative executions of banner ads with animation, audio and video, search capability, rich media, pop-ups and pop-unders are effective in grabbing customers' attention but can be also irritating and annoying. The use of incentives, emotional appeals, color, interactivity, animation and message length are used as an online coding tool. The banner advertisements are assessed also for the presence or absence of incentives to click. Researchers found that emotion is a variable, influencing on banner advertising effectiveness.

Interactivity of the banner advertisement can be evaluated for the presence or absence of interactive elements.

Regarding the animation, it has a positive effect on focusing of attention. The longer the consumer is exposed to the stimulus, the more he can remember it. In other words, the role of spent time with a web site can be emphasized that the longer the person is exposed to web

page containing a banner ad, the more likely they remember that banner advertisement (Danaher & Mullarkey, 2003).

3 D visualization lets the customers interact with stimulated products on the web. For example, consumers, can inspect a product by rotating it for view from any angle, zooming it and out for details, and even trying some product (e.g. digital camera or laptop). Research shows that 3 D visualization compared with graphical presentation of products on web, results in better product knowledge, more positive brand image and purchase intention for products for which touching is not essential for purchase decision (Li, Daugherty and Biocca, 2003)

Schlosser find that object interactivity, which allows user to directly manipulate with objects in the virtual world led to higher purchase intention than if the same product is presented with text or graphics.

The number of words, according to Baltas has a negative coefficient. In other words, the longer messages are complicating for consumers and reduce direct response. Long message need close attention, which visitors are rarely inclined to do. Internet consumers wants to find all he needs as fast as possible. Regarding this, long messages used in banner ads prove to be ineffective in grabbing consumer's attention.

Negative effect is provoked also by the company logo, used in the banner ads. Briggs show that unbranded banners lead to higher click-through rates. Unfortunately, there is lack of research regarding this factor. We may conclude that the consumer is not attracted by company's logo as he knows already what to expect and knows what the banner is going to reveal.

Regarding the cliché, it is now also effective and significant factor for researchers (Baltas, 2006, Briggs 2003). Clichés has been useful for advertisers in the foundation of the Internet advertising when consumers were induced by some words and enigmatic phrases. It concerns also the promotional incentives placed in banner ads. With the advent and blooming of Internet as marketing communication tool, people have become very critical about promotional incentives. If these tools were effective before, nowadays they seem to provoke no effect for customers.

Virtual experience as another factor affecting the banner ad effectiveness is important as it results in better product knowledge, brand attitude and purchase intention. It is connected with mental image effects as the act of manipulating with a virtual object should produce clearer mental image than if the information is provided passively. Schlosser proves that vivid mental imagery more closely resembles the actual experience and affects intentions.

Conclusion

Effectiveness of Internet advertising can be achieved if the company has defined certain goals to be achieved. For advertisers, internet is perceived as a new channel for reaching customers and in accomplishment of certain advertising goals. On the other hand, benefits for consumers must exceed its costs before the internet can become a channel for information, entertainment, and shopping and buying activities. In order to be effective, the Internet advertisement should fulfill the goals set by the advertisers and customers. In the paper we have presented the factors affecting the effect of banner advertising as the most popular of all advertising tools.

References:

- [1] Baltas, G. "Determinants of internet advertising effectiveness: an empirical study" *International Journal of market research*, 2003, vol.45, p.505
- [2] Benway, J.P. (1998) "Banner blindness: The Irony of Attention Grabbing on the World Wide Web". *Proceedings of the Human Factors and Ergonomics Society 42nd Annual Meeting*, 1, 463-467.
- [3] Briggs and Hollis (1997), "Advertising on the Web: Is There Response Before Click-Through?" *Journal of Advertising Research*, 2, 33-45
- [4] Chatterjee, Patrali, Donna L. Hoffman and Thomas P. Novak (2003), " Modeling the Clickstream: Implications for Web-Based Advertising Efforts," *Marketing Science*, 22 (4) Fall, 520-541.
- [5] Chatterjee, Patrali (2001), "Beyond CPMs and Clickthroughs: Understanding Consumer Interaction with Web Advertising " *Internet Marketing Research: Theory and Practice*, ed. Ook Lee, Hershey, PA: Idea Group Publishing, 209-216.
- [6] Cho, Chang-Hoan and John D. Leckenby (1999), "Interactivity as a Measure of Advertising Effectiveness: Antecedents and Consequences of Interactivity in Web Advertising,"
- [7] Proceedings of the 1999 Conference of American Academy of Advertising, Marilyn S. Roberts, eds., Pullman, WA: American Academy of Advertising, 162-179.
- [8] Dahlen, M. (2001). "Banner Advertisements Through a New Lens." *Journal of Advertising Research*, 41(4), 23-30.
- [9] Danaher, Peter and Guy Mullarkey (2003), "Factors Affecting Online Advertising Recall: A Study of Students," *Journal of Advertising Research*, 43, 3 (September), 252-267.
- [10] DoubleClick (1996) "Research Findings: Banner Burnout" [Announcement] A summary of the results of this study can be found at <http://www.webreference.com/dev/banners/research.html>
- [11] DoubleClick Ad Serving Trends (2003)
http://www.doubleclick.com/us/knowledge_central/documents/trend_reports/dc_q303adservingtrends_0310.pdf
- [12] Dreze, Xavier and Francois Hussherr (2003), "Internet Advertising: Is Anybody Watching," *Journal of Interactive Marketing*, Vol. 17 (4), 8-23
- [13] Janiszewski, C. (1998). "The Influence of Display Characteristics on Visual Exploratory Search Behaviour." *Journal of Consumer Research*, 25(December), 290-301.
- [14] Hairong Li, Internet advertising formats", ssrn.com
- [15] Madigan, Stephen A. (1969), "Intraserial Repetition and Coding Process in Free Recall," *Journal of Verbal Learning and Verbal Behavior*, 8(6), 828-35.
- [16] Novak, T., D. L. Hoffman and A. Duhachek (2002), "The Influence of Goal-Directed and Experiential Activities on Online Flow Experiences," *Journal of Consumer Psychology*.