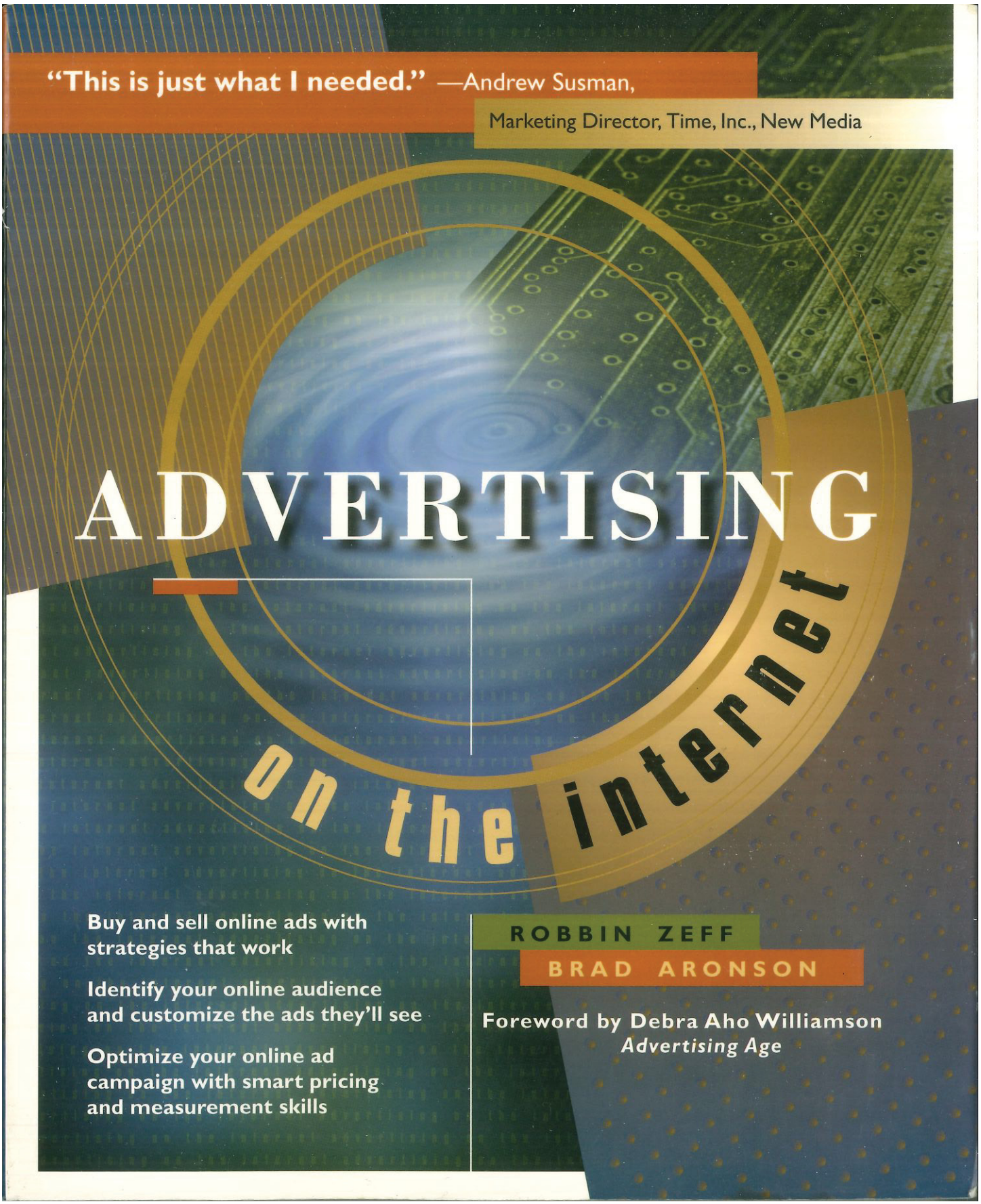


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Advertising on the Internet

Advertising on the Internet

Robbin Zeff
Brad Aronson

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About the Authors



Robbin Zeff (robbin@zeff.com) is president of The Zeff Group, a company devoted to helping businesses maximize their revenue generating potential on the Internet. Robbin has an expert's talent for being able to "follow the money": identifying who's making money on the Internet, and how they're doing it.

Robbin is a popular speaker and trainer on Internet marketing and advertising and is regularly cited in industry publications. She holds a doctorate in Folklore and American Studies from Indiana University, has taught business in Siberia, marketing in Bulgaria, and online advertising and fundraising throughout the United States. Her other publications include the *1997 Online Advertising Report* (Jupiter Communications, 1997) and *The Nonprofit Guide to the Internet* (John Wiley & Sons, 1996).



Brad Aronson (brad@i-frontier.com) is president of i-frontier, a Philadelphia-based Internet marketing agency. Brad is a recognized expert in the field of Web advertising and marketing and is a frequent speaker at Internet business conferences. Brad draws on his hands-on experience running Web marketing and advertising campaigns for his agency's clients.

He writes the monthly column, "Expert Advice," for *Interactive PR and Marketing News* and is the author of *Banners and Beyond: Trends in Online Creative,* published by Jupiter Communications.

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—Brad Aronson

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Foreword

Web advertising is the buzzword of the moment. Everyone wants to know what it is, how to do it, where to find it, and most of all, how to make money from it. Advertising is expected to foot the bill for countless Web sites, ranging from big-name magazines to local entertainment guides, but there are still significant concerns about online advertising.

While nearly all the leading national advertisers (as tabulated by *Advertising Age* and *Competitive Media Reporting*) have Web sites, most have yet to buy online advertising. Of the ad-supported Web publishers, few are profitable. Meanwhile, analyzing traffic to a Web site is a complicated procedure.

Are we holding the Internet to expectations that are far too high? When Internet industry executives gather, they talk about the rate of change in terms of Internet years—like dog years, there are several Internet years in one calendar year. Because technology turns over this quickly, the tendency is to assume that marketing and advertising will change just as quickly, but that's not always the case.

Advertising follows tried-and-true patterns: 30-second commercials, planned campaigns, a studied approach to buying and selling. The Internet, with its millions of linked documents, just doesn't lend itself to that kind of rigor. The tendency among many marketers is to impose boundaries and formats on the Net, when in reality, Internet advertising should be about creativity, open standards, and freedom of form.

If you're considering running an Internet ad campaign, this book is an excellent way to kick off your education process. It will teach you in plain, no-nonsense language, the basics about Internet ads, ad networks, creative, and more. Before you launch your campaign, take a step back. Don't just buy some banners and wait for the results. Think of ways to reach out to the people who see and interact with your ad.

When you feel the tendency to revert to tried-and-true methods of advertising, spend a few minutes surfing the Net. Click links and go where they take you. Don't feel like you have to follow a pattern or return to where you started. That's the beauty of the Net, and to consider it any other way is to erect boundaries where there are none, and fences where there should be open fields.

Read, learn, and understand the basics. Then, get ready to be creative. No other ad medium will offer you so much freedom to create your own path.

Debra Aho Williamson
Editor, Interactive Media & Marketing
Advertising Age

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CHAPTER 1

The State of Online Advertising

Since the emergence of modern advertising more than 70 years ago, members of the profession have recognized that it is a direct reflection of society at the time. "Day by day a picture of our time is recorded completely and vividly in the advertising in American newspapers and magazines," said a pamphlet produced in 1926 by the N.W. Ayer & Sons advertising agency. Today, the picture of our time would also be presented on a computer screen with the soundtrack played via a modem connecting to the Internet.

The Internet—the largest global network of networked computers—was founded on a tradition of free access to information. But with its transition from a platform used primarily by research and government organizations to a commercialized entity, publishers began jumping onto the Web to build online brands. They ranged from established companies like Time Warner to new businesses that were unique to the Web. And in the tradition of all great communication networks, advertising became the source for supporting these publishing ventures.

For advertisers, the first form of online promotions was the Web site. Then came advertisements—banners and buttons—whose goal it was to bring users from publishers' Web sites to the advertisers' Web sites. These ads followed the print model's clearly defined borders. The limited screen

real estate allotted for banners and buttons (less than 10 percent), as well as the advertisers' desire to reach more consumers without requiring users to come to their Web sites, inspired the development of new models. From sponsorships to interstitial to push technology, new online advertising models are blurring the lines between advertising and editorial, and providing advertisers with more obtrusive ads similar to television advertising.

By 1996, online advertising had grown to a $301 million industry, with revenue projections of $5 billion by the year 2000. The Internet's key applications, from the World Wide Web to e-mail, are becoming powerful tools for advertisers to reach and inform consumers. Of the hundreds of thousands of Web publishers, however, only a handful are generating significant revenues from advertising. In 1996, over 60 percent of online advertising revenue went to the top 10 sites. All other sites shared the remainder, with the majority of that going disproportionately to the top few on the list. This imbalance is not new; it is also the case in broadcast TV, magazines, and newspapers where the majority of ad dollars goes to a small select group. Ted Leonsis, president and CEO of AOL Studios, says that media coagulates, it doesn't disaggregate, the truth of which can be seen in newspapers where 88 percent of all circulation is generated by the top 25 newspapers. This is also true of magazines where, of the 6,000 in operation, only 31 receive in excess of $200 million in advertising revenues. Time Inc. alone commands one-third of the entire advertising market.

In many respects, the Web is merely following an age-old tradition whereby media buyers look for the biggest and most convenient bang for their buck. On the Web, the top 10 sites attracted the lion's share of advertising revenue simply because they are the high-traffic sites. Traditional advertisers are accustomed to working with a mass-market medium, and high volume fits that profile. The Internet can reach millions, but not the millions who watch TV, read newspapers, or listen to the radio. Not yet. But the future looks bright. The Internet is entering U.S. homes and spreading across the globe faster than any other medium in history.

Will advertising be a viable revenue source for all Web sites big and small? Smaller sites will never be able to deliver the high-volume audience of major publishing sites, but they can deliver a targeted audience. And it is this targetability that will interest advertisers in their advertising real estate. But the small publishers must generate enough traffic so that they can

sell their advertising inventory for a reasonable price and still earn enough revenue to survive. This is not to say that advertising is the only revenue model available to Web publishers. If the Web is like broadcast TV, then 100 percent of revenue will come from advertising. But if the Web is more similar to newspaper publishing then only 20 percent of the revenue will come from advertising. And if the Web is more like cable TV, then the revenue stream could be a combination of advertising, subscriptions, licensing, and merchandising. In many respects, the Web is like all media, as well as being its own digital beast. The Web's revenue model is still in the process of being formulated, but one thing is certain: it will be a multiple revenue stream.

Advertisers, too, are jumping online, but the industry has a long way to go before it will be a staple in the media budget of big consumer brands. Currently, over 50 percent of all ad spending on the Web comes from Web and computer-related companies. And many of the major advertisers are also the major publishers that advertise their sites to increase traffic to entice more advertisers.

Although major consumer brands, including Ford, General Motors, Lincoln Mercury, Procter & Gamble, Saturn, and Toyota advertise online, the amount they invest in this medium is merely a drop in their total advertising bucket. They are taking small steps, waiting for the industry not only to expand its reach but to offer the accountability tools they are accustomed to having from other media. These fall into four primary areas. First, advertisers want standardized measurement of the industry with third-party auditing. Second, they are waiting for more logical pricing of ads; today there are several pricing models in operation simultaneously. Third, advertisers are playing "wait and see" regarding which ad models will emerge that capitalize on the Web's remarkable technical capabilities. And, finally, consumer brands marketers want to know the benefits of advertising online, and this will come only as more research is conducted to document audience response information as well as performance indicators for advertising online. Nevertheless, consumer brands are coming aboard in encouraging numbers for such a young industry. Whereas in early 1996, computer and Web advertisers represented 63 percent of the total advertising inventory, by the end of the year it had dropped to just 57 percent.

In the past few years, the only constant in the Internet complex has been its phenomenal growth and development. Every year brings significant

technological developments. Every quarter sees rapid growth in the online population. Every month, new market leaders emerge in industry segments that did not exist before. This mind-boggling speed excites and energizes Web entrepreneurs, but baffles and intimidates the technologically shy. But as Nicholas Negroponte, MIT professor and online visionary, points out, no one can afford to be part of the digitally disadvantaged. The online mantra is supported in story after story in the press, with Web addresses plastered on everything from billboards to beer bottles. Even Superbowl Sunday 1996 commercials were a tribute to the Web, prominently featuring Web addresses in almost every ad. Indeed, Web advertising is center stage.

As the newest advertising medium, the Web presents challenges from measurability to auditing to customized ad delivery, but these challenges are being met with technological solutions that make the Web the most measurable, accountable, and targetable of advertising mediums. The excitement over the Web may seem like unrelenting hype. But in the advertising arena, the Web's potential cannot be regarded as a passing fad. Used properly, an advertiser could deliver the right ads to the right person at the right time and be able to measure its impact in real time.

Chapter by Chapter Overview

The goal of this book is to provide a step-by-step guide to the ins and outs of online advertising. For those who find technology a bit intimidating, this book will take the mystery out of advertising on the Internet. For those early and eager proponents, who can't get enough of the online world, this book will give you all you need to know to sell or buy advertising on the Internet.

Advertising on the Internet is not the first publication to address online advertising. Several outstanding research reports on the industry have been produced by such respected market research firms as Jupiter Communications (http://www.jup.com), Forrester Research (http://www.forrester.com), and Morgan Stanley (http://www.ms.com). *Advertising on the Internet* is, however, the first how-to book on online advertising that incorporates the collateral material of a market research report—charts and graphs—in the format of a manual for novices. The material for this book was gathered by scouring the Web for information on online advertising; we interviewed advertisers, publishers, and software developers, and attended such outstanding industry

events as Thunder Lizard Production's Web Ad '96 (http://www.thunderlizard.com) and Jupiter Communications' Online Advertising '97.

This book has many intended uses. For those new to the industry, consider it a crash course on online advertising that will bring you up to speed on everything you need to know to understand this industry. If you are a Web developer or work in advertising and find yourself having to educate your customers on why they should go online, this book can help to answer all their questions. If you work at an ad agency and are trying to move into interactive work, this book will give you all the facts and figures you need to convince management that the time is right to invest in the Web. For Web site publishers, this book will help you determine the viability of advertising as a revenue stream for your site. And if you are already involved in online advertising, this book can serve as a ready reference on concepts, ad models, and contact information.

Chapter 2 sets the stage for understanding online advertising. The arguments for advertising online are followed by a discussion of how online advertising can enhance a campaign or serve as a revenue source for a Web site. The chapter then surveys the cast of characters involved in the industry, from those who sell the advertising to those who buy the ads to the producers of the tools and technologies that facilitate the process.

Chapter 3 surveys the advertising models in use today: from using the Web site itself as an ad to such structured ad forms as banners and buttons to full-screen animated ads that resemble television commercials. This dynamic medium is attracting some of the most creative technical minds in the industry, which is expanding on the ad models advertisers are familiar with and catapulting the medium to its full potential.

Chapters 4 and 5 cover the tools and technologies that drive online advertising. The infrastructure is explained, from measuring traffic to delivering advertisements to reporting activity. Chapter 5 delves into the subject of customized ad delivery, and examines if and how the Web can fulfill this promise.

Currently, there are a handful of online ad pricing models used regularly. The ins and outs of each of these are discussed in Chapter 6, to provide you with a framework for pricing the ads you buy or sell.

Who's online, their interests, and their activities, are the focus of Chapter 7. This chapter also surveys what we know about the cyberspace audience, and the firms and institutes that conduct this research.

Chapters 8 and 9 walk you through the process of buying and selling online advertising. Chapter 8 discusses the steps involved in planning and executing an online ad campaign. Chapter 9 covers the processes involved in selling advertising on your site. It begins by explaining how to set up the infrastructure to make your Web site advertising-friendly; it then presents all the issues and concerns involved in accepting advertising.

The book's appendices provide excellent tools for anyone involved or interested in the online advertising industry. Appendix A briefly overviews how the Web works for those in need of some quick technical grounding. Appendix B lists the number of Internet hosts worldwide by top-level domain. Appendix C presents Web rate cards for a slate of sites, to illustrate how they are put together and how ads are priced. If you are thinking of entering the field of online advertising, Appendix D provides a strategy for finding a job in the industry.

Appendix E is a resource directory of contact information, product descriptions, and company profiles for over 300 members of the online advertising industry. This directory represents precisely the material we wished had existed when we began researching the book, and constitutes the most comprehensive directory on the online advertising industry in print today. Other directories are just lists of links, without the vital offline contact information. Because of the fluidity of the industry—new sites and companies form, merge, and dissolve regularly—the material in a resource directory of this kind requires continual updating. To meet this need, you can find a weekly updated version of this directory in digital format on The Zeff Group Web site (www.zeff.com/advertising/resources.html).

Finally, Appendix F is a selection of banner ads, followed by commentary on their performance results. Although there is much talk regarding the need to move beyond the banner, for now, it is still the dominant ad model. Therefore, building the best banner possible remains an extremely valuable endeavor.

As the industry grows and matures, the material in this book will quickly become dated. This book represents the advertising landscape at the time of printing, but readers should be continually alert to the changes taking placing almost on a minute-to-minute basis.

CHAPTER 2

Setting the Stage

After fewer than three years as an industry, online advertising has grown rapidly and is expected to command an even larger portion of advertisers' media budgets within the next decade. This chapter lays the groundwork for understanding the Internet advertising universe. We will examine the online audience, compare online advertising to traditional ad models, summarize the history of online advertising, and review the players in this new media.

Why All the Commotion?

The Web has reached 10 million consumers faster than any other technology in history (Figure 2.1), and is expected to penetrate 50 million homes by the year 2000 (Figure 2.2). According to Jupiter Communications, a New York-based research firm, by 2000, online advertising will be a $5 billion dollar industry (Figure 2.3). The explosive growth has led everyone from marketers to agencies to publishers to try to understand and harness Internet advertising.

"I believe in the Internet because I've seen other media grow," explains Art Cohen, national advertising sales director of AT&T's online service,

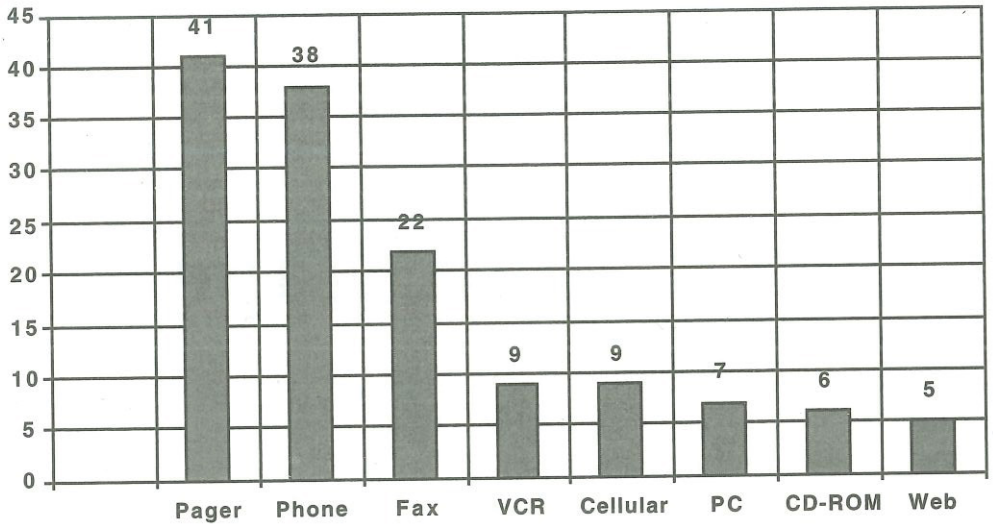


FIGURE 2.1 Number of years it took other technologies to reach 10 million consumers compared to Web's achievement.

Source: 1996 CyberAtlas

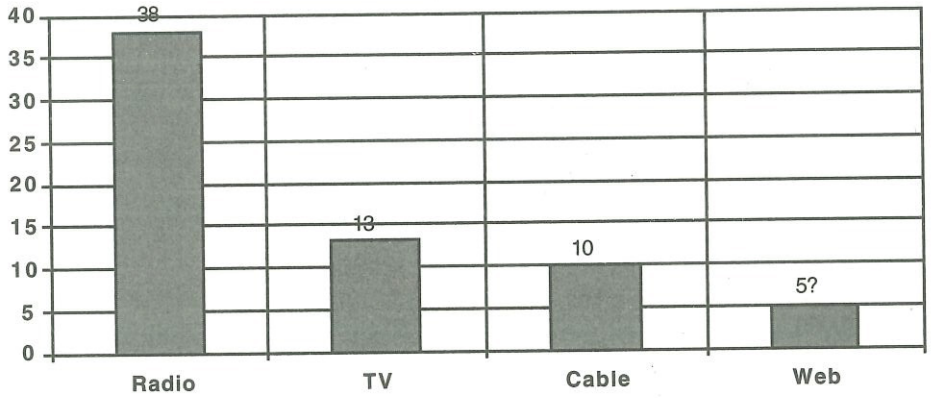


FIGURE 2.2 Number of years it took major media to reach 50 million U.S. homes.

Source: McCann-Erickson, Paul Kagan Associates, and Morgan Stanley Technical Research

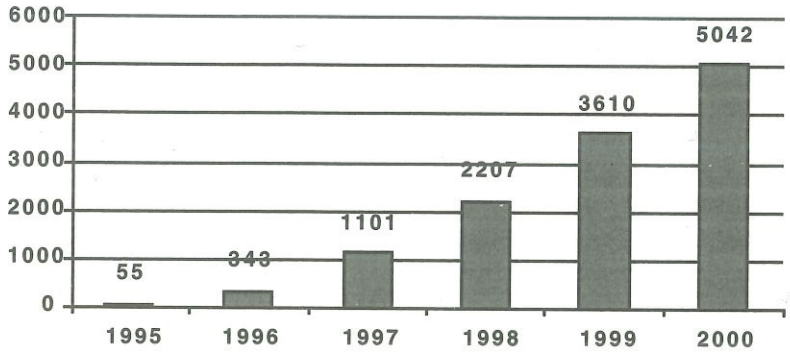


FIGURE 2.3 Online advertising revenue projections, 1995–2000.

Source: 1996 Jupiter Communications, LLC

WorldNet. "I came from the print world and cable television. As great as cable was in its development, advertising on the Web makes cable look like just a speed bump on the information superhighway."

Internet Encroaching on TV's Sacred Time

According to *InterActive Consumers,* published by Find/SVP, Internet usage is going prime time—8 P.M.–11 P.M. It reports that Internet and online usage is beginning to cut into prime time TV viewership among the 10 percent of U.S. households that have access to the Internet and online services. With 50 million households expected to be online by 2000, the Internet will become an important medium used by advertisers to reach consumers—perhaps ultimately more effective than prime time television advertising itself.

What Is Online Advertising?

Can we compare online advertising to a television commercial or an ad in a magazine? Should a Web advertisement be compared to a direct mail piece or a roadside billboard? Should we look to the cable TV or direct response industry for historic precedence? These are difficult questions to answer, because the Internet does not fit neatly into the mold of any traditional

Table 2.1 **Internet Use by Function**

(millions)	1995	1996	1997	1998	1999	2000
PC users	144	167	184	203	217	225
e-mail	35	60	80	130	180	200
World Wide Web	9	23	46	81	122	152
Online/hybrid	8	13	18	23	27	30

Source: Morgan Stanley 1996

advertising vehicle. And while the Web is by far the most talked-about aspect of the Internet, online usage encompasses more (Table 2.1). Today, advertising is occurring in all Internet applications, from online services to e-mail messages to the Web.

Online Advertising and Traditional Ad Models

Online advertising, like all advertising, attempts to disseminate information in order to affect a buyer-seller transaction. But Web advertising differs from other mediums by enabling consumers to directly interact with the advertisement. A consumer can click with his or her mouse on the ad for more information, or take the next step and purchase the product in the same online session.

Web advertising also gives advertisers the opportunity to precisely target an audience, enabling them to deliver advertisements that are customized to each user's particular interests and tastes.

Looking at online advertising in terms of traditional ad models will reveal the breadth and depth of this medium as an advertising vehicle. To that end, we'll discuss billboards, print, direct marketing, and television.

Outdoor Advertising: The Billboard. Web banner ads are often likened to roadside billboards. Like a billboard, which can refer passersby to an upcoming attraction or location, a banner may point Internet users to a Web site. But roadside billboards are static, whereas Web users can interact with a banner ad by clicking on their mouse, linking them to other sites and

more information; this also enables advertisers to accurately measure responses to their ads. They can determine exactly how many times their banner was clicked on; conversely, there is no real way to determine how many people respond to a billboard.

Print Advertising. In a newspaper or a magazine, a quarter-, half-, or full-page advertisement is clearly identifiable. Advertisements are formatted in a way that allows readers to easily separate them from the editorial content. On the Web, banner advertising corresponds to the print model because of its clearly recognizable borders.

Current screen real estate for banner advertising is limited—usually less than 10 percent of the viewable area, which is one reason advertisers are creating their own editorial areas that are not easily recognizable as advertising.

On the Web, every element of the interactive canvas can be made into an ad, from product placement (a product name or logo used in text or in a display) to wallpaper designs (background images appearing behind editorial content) made up of a corporate logo or any other product symbol, such as Disney's use of black-and-white background spots as sites like Yahoo! used to promote *101 Dalmatians*.

The traditional division between editorial and advertising becomes blurred on the Web because the major players are both advertisers and publishers. For example, both Netscape and Time Warner have popular Web sites on which they publish editorial material, and both advertise, spending significant amounts of money on Web promotions.

Direct Marketing. Direct marketers can accurately track the number of people who respond to a specific promotion and use this number to determine the profitability of each campaign. The ability to perform this same type of detailed evaluations of Web advertisements has led some advertisers to take a direct marketing approach to the Web, specifically basing their campaigns on their cost per response.

Television Advertising. The 30-second television commercial is one of the premier advertising formats. Television commercials allow an advertiser to completely "take over" the television screen, delivering a full-motion advertisement that can target a consumer's interests, needs, even emotions.

Most Web advertising is less obtrusive, in part because of publishers' reluctance to deliver advertising that may be regarded as intrusive to users, who are accustomed to a commercial-free environment online. Nevertheless, Web publishers and advertisers are beginning to test the viability of full-screen animation and video advertisements on the Web (see the section on interstitials in Chapter 3 for details).

The Web Advertising Advantage

Though online advertising spending is a mere fraction of what is spent on print and broadcast (Figure 2.4), its revenue is increasing significantly for a medium still in its infancy. As mentioned, the Web's targeting and tracking capabilities have the potential to make it one of the most responsive media available to advertisers.

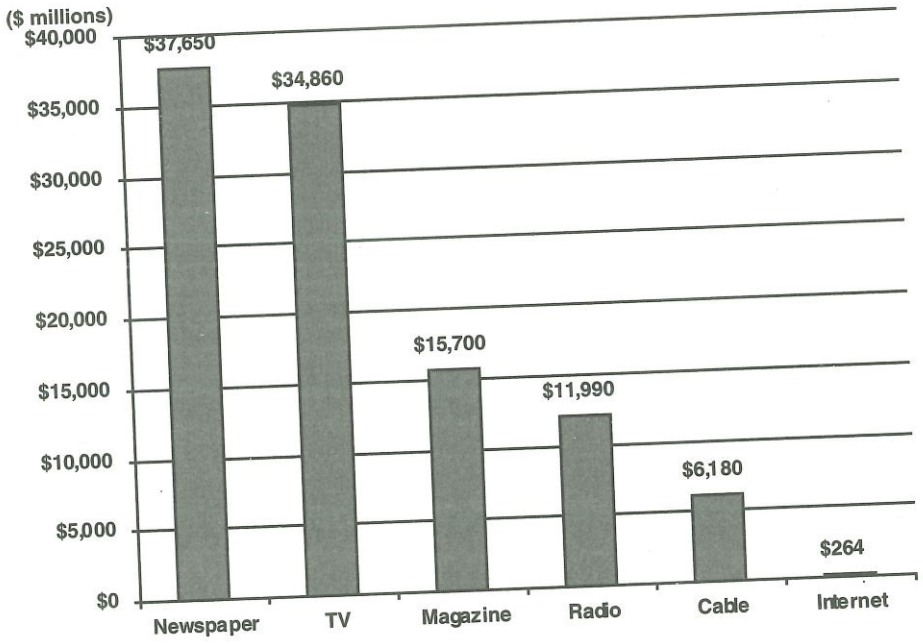


FIGURE 2.4 Comparing 1996 advertising revenue for various media.

Source: Veronis, Suhler Associates, Paul Kagan Associates, Jupiter Communications, and Morgan Stanley. (Internet revenue estimate based on annualized run-rate of industry's 3Q96 revenue of $66 million)

Targetability

Web advertisers have an entirely new range of targeting capabilities. They can focus on users from specific companies, SIC codes, geographical regions and nations, as well as by time of day, computer platform, and browser. Currently, however, they cannot accurately target gender and other demographic parameters. But in the near future, advertisers will be able to target much of their Web advertising based on users' preferences—something other advertising vehicles can't do (see Chapter 5 for a complete discussion of customized ad delivery).

Tracking

Marketers can track how users interact with their brands and learn what is of interest to their current and prospective customers. For example, a car manufacturer can track how a user progresses through its site to determine whether more users are interested in the safety information or the "extras" that come with a particular model.

Advertisers can also precisely measure the response to an advertisement (through the number of times an ad is clicked on), which is difficult to do with traditional television, print, and billboard advertising

Deliverability and Flexibility

Online, an ad is delivered in real time 24 hours a day, 7 days a week, 365 days a year. Furthermore, an ad campaign can be launched, updated, or canceled immediately. An advertiser can follow a campaign's progress daily, notice that a campaign is generating very little response in the first week, and replace it by week two, a big difference from print, where an ad cannot be changed until a new edition of the publication is published; and on TV, the costs of making frequent changes are prohibitive.

Interactivity

An advertiser's goal is to engage the prospect with a brand or product. This can be done more effectively on the Web, where a consumer can interact with the product, test the product, and, if she or he chooses to, buy the product. For example, an advertisement for software can take a user directly to

the location where a demo can be downloaded and tested. If the consumer likes the software he or she can purchase it right then and there. No other medium offers such immediate and easy accessibility.

The Online Audience

"You can't afford to let the digital revolution pass you by," admonishes Art Cohen of AT&T. As we've already noted, the Web has entered more U.S. homes faster than any other medium in history, not surprising considering the high penetration of the PC into U.S. homes. By 2001, it is speculated that over 50 percent of the American population will own a PC.

The Number of People Online

Over the past 10 years, the number of host computers connected to the Internet has increased steadily, with a veritable explosion of growth since 1995 (Figure 2.5). As of July 1996, there were an estimated 34.6 million people online worldwide (Figure 2.6). And by 2000, the number of house-

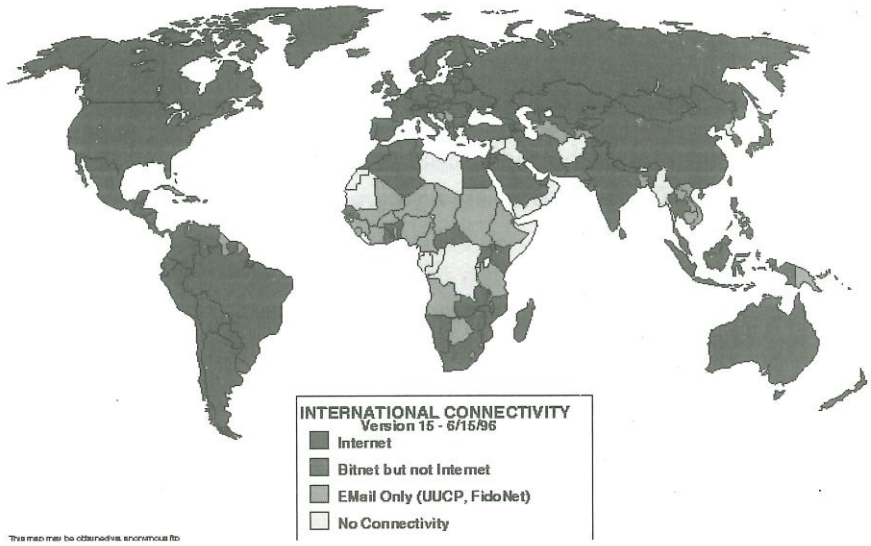


FIGURE 2.5 International connectivity map.

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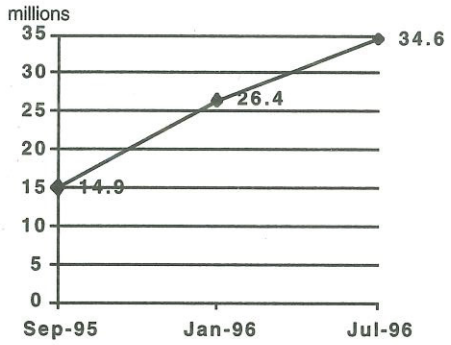


FIGURE 2.6 Number of people online worldwide as of July 1996.

Source: 1996 CyberAtlas Concensus Estimate

holds connected to the Internet in primary North American markets alone is predicted to reach 38.2 million (Figure 2.7).

Online Demographics. The demographics of the online audience are constantly changing as the Internet moves closer to becoming a mass-market medium. Still, demographic studies have revealed some generalizations

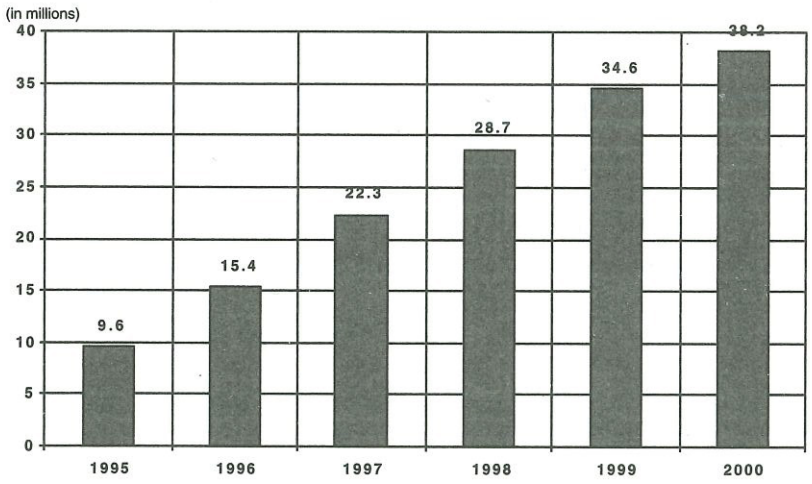


FIGURE 2.7 Internet usage growth in online households in primary North American markets, 1995–2000.

Source: Jupiter Communications/World Online Markets, Copyright 1996 Jupiter Communications

regarding the online community. (A more extensive discussion of user demographics is presented in Chapter 7). The average Internet user is 32 years old, with those under 18 making up about one-tenth (3 million-plus) of the user population. The majority of users online today are male (68 percent), of whom 64 percent have at least a college education and a median household income of $60,000. The vast majority of Internet users are Caucasian.

Short History of Online Advertising

The history of online advertising spans a very short period of time that began with the commercial online service Prodigy; it survived the so-called spam wars, and came into its own with the launch of HotWired, the online sister company of *Wired* magazine.

In the Beginning

Long before the commercialization of the Web, Prodigy was testing the online advertising waters. When the service went live in 1990, it adopted advertising as a revenue source. Prodigy was the lone experimenter in this arena; the other commercial online services shied away from incorporating advertising into their content mix. Point in fact: CompuServe went online in 1979 but did not sell its first sponsorship until 1995. Likewise, AOL did not start addressing advertising seriously until the fall of 1995.

Setbacks: The Spam Wars. As Prodigy was testing advertising within its subscriber-only environment, others were exploring the commercial implications of Internet applications. In 1994, the law firm of Canter and Siegel thought they had discovered the silver bullet for tapping the Internet as a cheap marketing medium and posted an advertisement for green card assistance to over 7,000 newsgroups (Internet discussion areas). Internet etiquette, known as netiquette, dictates that discussion forums not be used to post blatantly commercial materials that have nothing to do with the subject of the discussion group and labeled these posts spam. Spam was not only disruptive to the discussion group, polluting the topic of conversation, but also to the producer of the spam and his or her Internet service provider; spam often resulted in large volumes of e-mail complaints, known as flames.

Although Canter and Siegel did receive requests for green card assistance as a result of its ad, the resulting outrage hurt the firm's reputation

within the online community. The service provider that Canter and Siegel used, Internet Direct, crashed 15 times under the flood of 30, 000 flames in only 18 hours. Internet Direct canceled the Canter and Siegel account.

Canter and Siegel next set up accounts on two other providers insisting they would place even more advertisements. Canter and Siegel received tremendous press coverage, but they were blacklisted from the Internet community—service providers dropped their accounts rather than face thousands of angry e-mails.

Netiquette: Proper Internet Behavior

On the Internet, reputation is everything. The last thing a business wants is to ruin its online image through advertising that breaks the online code of proper behavior known as netiquette.

In the Internet's early days, when the user community was small and defined, users could monitor, control, and discipline anyone deviating from accepted behavior. For example, the response to spam, like the messages posted by Canter and Siegel, was immediate. Blacklist sites developed (Figure 2.8) revealing addresses of individuals and corporations that regularly spammed newsgroups.

As the Net grows ever larger and new users go online daily, the boundaries of netiquette are constantly being redrawn. Many online publications explain and coach the novice on how to travel the commercial spaces of cyberspace troublefree. For example, the interactive agency Tenagra has a document on its Web site titled "Acceptable Internet Advertising Practices" (http://arganet.tenagra.com/Tenagra/net-acceptable.html), which summarizes the do's and don'ts of advertising on the Internet

Acceptance. The Canter and Siegel spam wars occurred just before *Wired* magazine launched HotWired (http://www.hotwired.com), with an advertising business model. Fearing retribution from the cyberspace community, HotWired reduced the dimensions it had originally planned to use for its first advertising unit, the banner ad.

HotWired signed its first ad contract with AT&T on April 15, 1994, and the site launched on October 27, 1994 (see Figure 2.9). Its inaugural sponsors

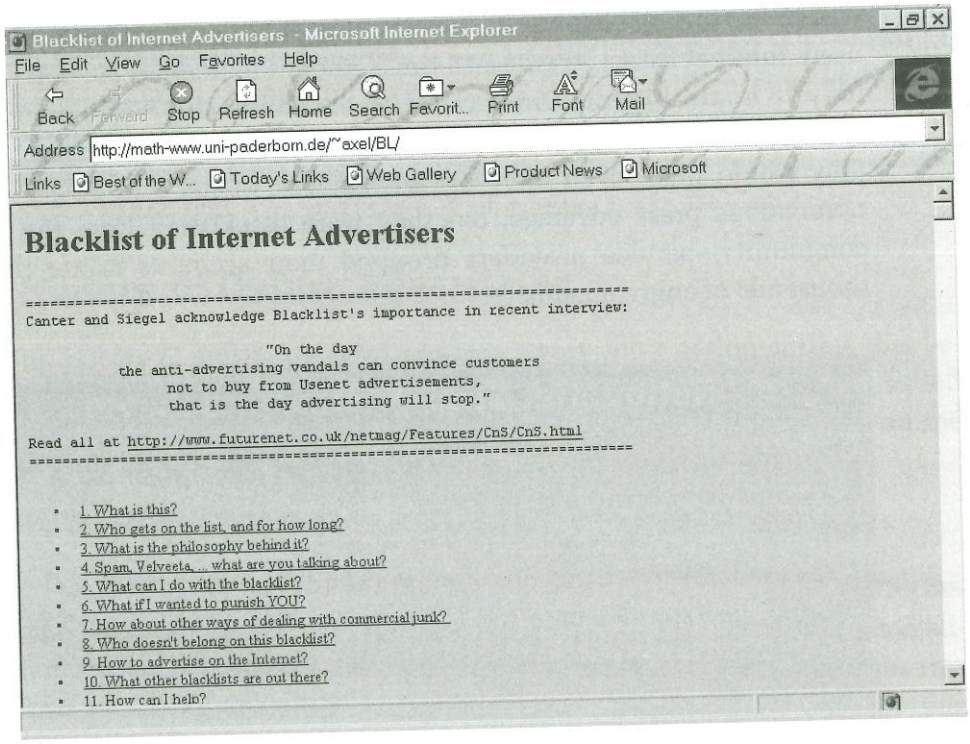


FIGURE 2.8 Blacklist site on Internet targeting repeat spammers.

represented a cross-section of the advertising community, from such blue chip advertisers as AT&T and IBM to Pepsi's new alcoholic beverage Zima.

To HotWired's pleasant surprise, the only negative comments received were in response to portions of their Web site that were still under construction; no one criticized the advertisements.

Although HotWired had hoped to profit from its advertising sales, it did not begin with a dedicated salesforce. Instead, it used *Wired*'s national salesforce. This proved satisfactory because there were only two agencies buying the vast majority of online advertising: Modem Media (http://www.modemmedia.com) and Messner Vetere Berger McNamee Schmetterer (http://www.mvbms.com/). Together, these two agencies accounted for almost half of HotWired's charter advertisers. "Our charter advertisers were visionaries," recalls Rick Boyce, vice president of advertising at HotWired. The story goes that the folks at Modem Media were so convinced of the sig-

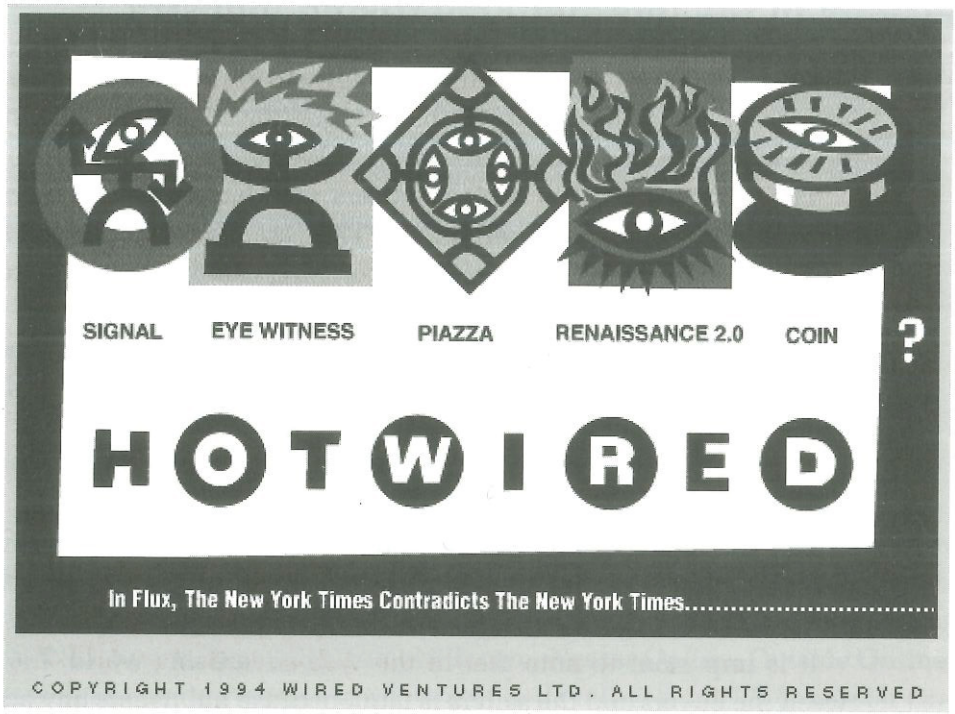


FIGURE 2.9 HotWired's first home page.

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nificance of being a charter sponsor of HotWired that they bought ads before they had final approval from AT&T, since no one at AT&T was ready to take responsibility for online ad buying. Modem Media's gamble paid off; the charter sponsors received tremendous press coverage as part of the site's launch.

Word (http://www.word.com) was the second "zine" (Web magazine) to sign sponsors. It too received its first sponsorships—Zima and MasterCard—from the Internet advertising visionaries at Modem Media. Soon, other sites were scrambling to accept advertising, and today there are thousands of sites that accept advertising. Recent projections indicate that advertising will play a large role in revenue generation for Web publishers.

Players in the Internet Advertising Industry

The cast of characters in the Internet advertising industry can be divided into three camps: the sellers, the buyers, and the advertising infrastructure, those who develop the tools that support Web advertising.

The buyers consist of the advertisers who have products, services, or Web sites to promote and sell online. They are often represented by interactive agencies that design online advertising campaigns and purchase ad space.

In the sellers' camp, the key players are the publishers, who produce the sites with advertising space to sell, but include ad networks, which often sell advertising for the publishers.

The third camp consists of the advertising infrastructure, those companies that make Internet advertising possible by developing the tools to deliver the ads, measure the ads, audit the ad campaigns, and complete the other tasks essential to making online advertising acceptable to the industry.

It is important to note that in the Web advertising world, the line between the buyers and the sellers is faint, because publishers buy ads to promote their Web sites and advertisers produce sites to promote their products.

The Sellers: Web Site Publishers

The Web is made up of hundreds of thousands of sites. Young entrepreneurs, many of them college students with free Internet accounts, developed the first sites. Other early players were those ready to embrace technology or who looked to the Web as a place to express themselves. Initially, the popularity of various sites spread through word of mouth. From zines to search engines, these publishers developed content that began challenging television's dominance as viewer's source of information, education, and most important, entertainment (of the 10 percent of television viewers who have online access).

Today there are more than a quarter-million Web sites, and over a thousand of these accept advertising (see Table 2.2). And the top publishers are beginning to earn enough advertising revenue to near profitability (see Table 2.3).

Table 2.2 **Growth of World Wide Web Sites**

Month	Number of Web Sites
6/96	230,000 (est.)
1/96	100,000
6/95	23,500
12/94	10,022
6/94	2738
12/93	623
6/93	130

Source: Mathew Gray, MIT 1996

Some sites are produced by a single company such as the *Washington Post*, which publishes an online version of its daily paper (http://www.washingtonpost.com). Other sites are part of a corporate network of sites, such as the Starwave family (Figure 2.10), which includes the sports sites ESPNET SportsZone, NBA.com, NFL.com, Nascar Online, Outside Online, as well as Family Planet, Mr. Showbiz, Castle Infinity, and Ticketmaster Online. Microsoft, too, has its own network of sites from its online service Microsoft Network (MSN) to the zine Slate and the news service site MSNBC.

Table 2.3 **Top 10 Web Publishers Ranked by Ad Revenue**

Rank	Company	1996 Revenue*
1.	Netscape	$27,704.8
2.	Yahoo!	$20,560.7
3.	InfoSeek	$418,054.4
4.	Lycos	$12,809.7
5.	Excite	$12,228.3
6.	C/net	$11,391.6
7.	ZD Net	$10,237.7
8.	WebCrawler	$7,282.1
9.	ESPNET SportsZone	$6,500.8
10.	Pathfinder	$5,808.0

Source: 1996 Jupiter Communications, LLC
*revenue in thousands



FIGURE 2.10 Starwave network of sites.

These site networks can be likened to a television network with its suite of shows. Some analysts predict that the Web will go the way of TV and cable, where a handful of major networks dominate the landscape.

Ad Networks. To assist sites in generating revenue from advertising, ad networks have formed to sell advertising for publishers who participate in their networks (Table 2.4). These networks benefit the publishers by providing an aggressive salesforce. Also, a publisher's inventory may be more difficult to sell individually than when it is part of a larger inventory pool. The networks make it possible for advertisers to extend their reach into a variety of sites with one media buy.

The Buyers: Advertisers

The first advertisers to jump on the Web en masse were the Internet publishers themselves. In fact, the list of the top advertisers for 1996 reads sim-

Table 2.4 **Ad Networks**

@dVenture http://www.ad-venture.com	eAds http://www.eads.com/	Softbank Network http://www.softbank .comInteractive
ADSmart.net http://www.adsmart.net	InfoSeek Network http://www.infoseek .com/network	Petry Interactive Network http://www .petrynetwork.com/
Ad-One http://www.adone.com/	Internet Link Exchange http://www .linkexchange.com	Real Media Network http://www.realmedia .com/oasmark.html
Burst! Media http://www.burstmedia.com	Narrowcast http://www .narrowcastmedia.com/	Web Wide Media http://www .Webwidemedia.com/
Commonwealth Network http://commonwealth .riddler.com	Net Ad Net www.cybertail.com .au/NetADNet/adindex .htm	WebConnect http://www .Webconnect.net
DoubleClick http://www.doubleclick.net	New Century Network http://www.newcentury.net	WebCounter http://www.digits.com/

ilarly to the list of top publishers (Table 2.5). Those with the most to gain from the growth of the Web invested the most money, and no one invested more in 1996 than Microsoft.

But by 1996, large consumer advertisers like Procter & Gamble began to get their feet wet. And if the Web advertising industry is to grow, Web publishers need to entice other such large companies to invest significant advertising dollars.

Interactive Agencies

The link between the advertisers and the publishers is often interactive agencies. The birth of interactive advertising did not take place on Madison Avenue, the home of the ad agency. Instead it bloomed in Multimedia Gulch in San Francisco and New York City's Silicon Alley.

Table 2.5 **Top 10 Web Advertisers Ranked by Ad Spending**

Rank	Company	1996 Revenue*
1.	Microsoft	$13,002.2
2.	AT&T	$7,286.1
3.	Excite	$6,937.7
4.	IBM	$5,861.0
5.	Netscape	$5,702.6
6.	InfoSeek	$5,082.1
7.	NYNEX	$4,009.5
8.	Yahoo!	$3,948.6
9.	Lycos	$3,910.8
10.	C/net	$2,653.8

Source: 1996 Jupiter Communications, LLC
*revenue in thousands

In 1994, Ed Artzt, CEO of Procter & Gamble and president of the American Association of Advertising Agencies, scolded his association for not embracing the possibilities of the new technology. Though at the time Artzt was referring to interactive television, it soon became clear that the Internet was the dominant medium on the horizon. While traditional ad agencies took a wait-and-see approach to the Internet's potential, "boutique shops" pioneered online advertising. These shops did not look at online advertising as new wine in old bottles, but embraced the nuances of cyberculture to make Web advertising a vehicle that worked.

The roots of today's interactive agencies have three sources: Web site development, direct marketing, and traditional advertising agencies. The agencies that began as Web site development shops had strong technical backgrounds. These shops built the first corporate Web sites, and brought in the marketing and advertising expertise to make themselves full-service operations. On *AdWeek*'s list of the top 10 interactive agencies (Table 2.6), Organic Online (http://www.organic.com) and Avalanche Systems (http://www.avsi.com) fit into this category.

Other agencies came from the world of direct response marketing. These agencies formed as a result of the Web's remarkable ability to serve as a direct marketing vehicle. Strategic Interactive Group (http://www.sig.bsh.com) is a

Table 2.6 ***AdWeek's* "Best Interactive Agencies for 1996"**

Interactive Agency	Location
Agency.com	New York, NY
Avalanche Systems	New York, NY
CKS Group	Cupertino, CA
Dahlin Smith White	Salt Lake City, UT
i-traffic	New York, NY
Modem Media	Westport, CT
Organic Online	San Francisco, CA
Poppe Typson	New York, NY
Red Sky Interactive	San Francisco, CA
Strategic Interactive Group	Boston, MA

subsidiary of the direct response powerhouse Bronner Slosberg Humphrey Company.

And, finally, some interactive agencies were built by visionaries from the ad agency world who set up interactive divisions or formed their own boutique shops. This group's representation on the *AdWeek* top 10 list includes CKS Group (http://www.cks.com) and Poppe Tyson (http://www.poppe.com).

Now that the online advertising industry is getting noticed in corporate boardrooms, traditional ad agency giants are waking up. In 1996, several chose not to build interactive divisions but to buy expertise; they invested in existing operations. For example, True North acquired Modem Media, and Omnicom brought five interactive agencies under its umbrella: Agency.com, Interactive Solutions, Razorfish, Red Sky Interactive, and Think New Ideas.

Advertising Infrastructure

An infrastructure has formed that provides the tools to help publishers and advertisers deliver results via advertising.

Traffic Measurement

"Advertisers want accountability for their money being spent," says AT&T's Cohen. "The Internet will fill that bill better than any medium that

Table 2.7 **Web Measurement Industry Leaders**

Counters	Auditors	Rating	Comparative Measurement
WebTrends (e.g. software)	ABVS	PC Meter	Cyber Measurement Index (Next Century Media)
NetLine (I/Pro)	BPA	Relevant Knowledge	
Market Focus (Microsoft)	I/PRO, Nielsen		
Net.Analysis (Net.Genesis)			
NetCount (NetCount)			
Statisphere (O'Reilly)			

has come before it." Measuring Web site traffic is essential to marketing a site to the advertising community. The measurement industry includes the counters, the auditors, and the comparative measurement researchers (Table 2.7). Currently, publishers and advertisers can precisely measure what is referred to as click-through response to an ad, but advertisers still need effective ways to determine their reach (the number of different users who see an ad). Web auditing also needs improvement. Both measurement and auditing are discussed in detail in Chapter 4.

Ad Management

Software solutions that coordinate the logistics of ad placement are available for the online advertising industry. The software takes care of the daily management of ad placement, rotation, and reporting, all required components of a Web advertising campaign.

The technological infrastructure of online advertising sets it apart from traditional advertising. Chapters 4 and 5 explain how these tools work. But before we jump into a discussion about the tools of the trade, we will examine the types of ads that are being developed to better understand their requirements for measurement and delivery.

CHAPTER 5

Learning about Your Customers and Delivering Targeted Ads

Advertisers dream of delivering the right ad to the right person at the right time. The realization of this dream is touted as the true potential of online advertising. The question on everyone's mind is "When and how will we get there?" As we discussed in Chapter 4, we can discover some information about users—the Web site that referred them, which computer platform they're using, their domain, and their browser. But this is not the same criteria advertisers use to delineate a target market, and it is this criteria that this chapter pursues, by examining the current tactics and technology that publishers are using to learn more about their audience. We'll also discuss technological developments that will move the industry closer to delivering ads customized to individual users.

Ad Management

An important tool necessary to deliver targeted advertising is ad management software, which tracks available inventory, ensures that the ad runs for the appropriate number of impressions, tracks ad activity, and compiles activity reports. Banner advertising campaigns are most successful when the content changes frequently, therefore, a media buy often consists of

several creatives. Clearly then, ad management software is essential to ensure that the proper creative is delivered to the correct number of people in a given time period.

Ad Scheduling and Placement

Many sites, when they first began to accept advertising, used a whiteboard calendar method to manage placements. Not surprisingly, this turned ad management into an administrative nightmare. As you can imagine, keeping track of numerous creatives, running for various campaigns, with different impression levels, can be a daunting task to perform manually. Some ads never went live simply because the yellow sticky representing the ad fell onto the floor and went unnoticed until long after the advertiser's flight was finished.

Fortunately, it was only a matter of time before someone developed a technology-based delivery solution—especially since they already existed for traditional advertising vehicles. Few such tools existed in 1995, but by 1996, the market included numerous ad management software solutions that made it possible for publishers to give advertisers professional ad management results.

NetGravity's AdServer (http://www.netgravity.com) was one of the first products developed specifically for Web sites. AdServer enables a site to manage numerous elaborate advertising campaigns and generate online performance reports for each advertiser. NetGravity's user interface is based on the a whiteboard, thereby creating a comfortable environment for users while providing the efficiency and security of robust software, as shown in Figure 5.1.

Value of Ad Management Reporting

Prior to the development of ad management tools, reports were created by sifting through log files and manually compiling the results. This approach took three weeks to a month to deliver reports to advertisers. Thankfully, as for Web traffic reports (discussed in Chapter 4), ad delivery reports can now be generated as frequently as needed—some larger publishers provide advertisers with daily reports.

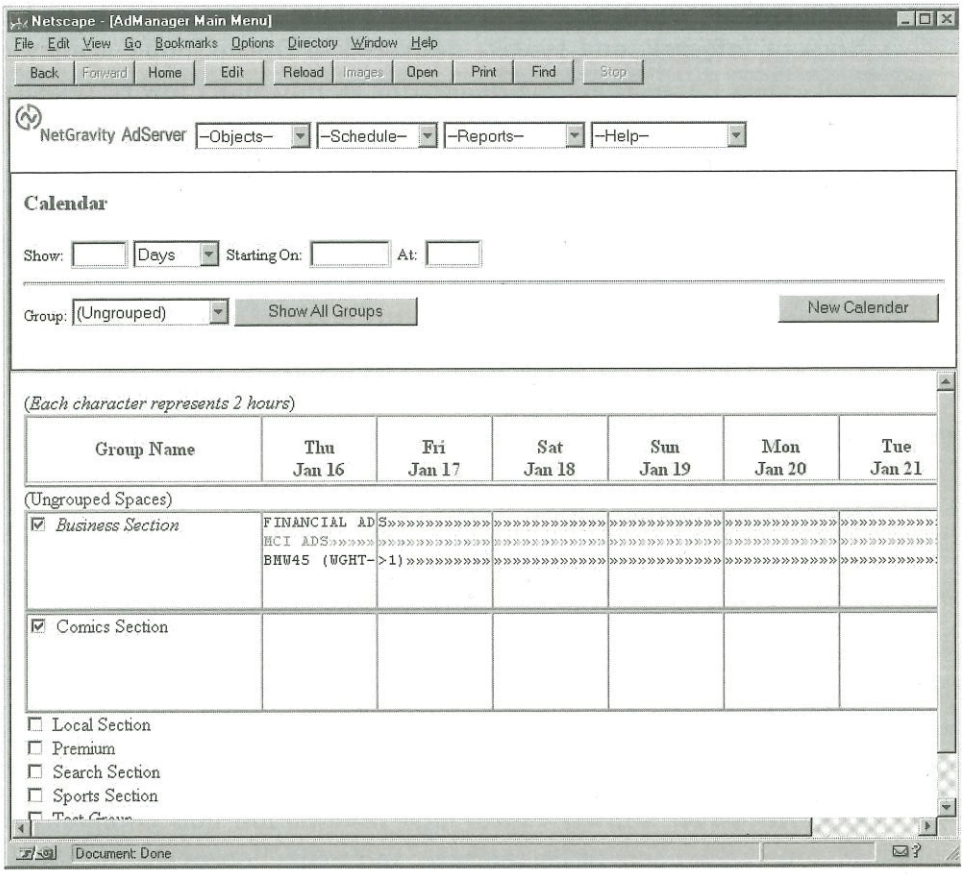


FIGURE 5.1 NetGravity mimicks a whiteboard design concept in its AdServer graphical user interface.

The ability to monitor advertising results on a daily basis helps advertisers maximize response to a campaign. In the tradition of the "best defense is a good offense," advertisers can use these tools before a campaign even begins, by running a creative test to discover which banners generate the greatest response. Subsequently, the advertiser can use the test results to choose the best creative for the actual campaign.

Daily reports also make it possible for advertisers and their agencies to make timely adjustments to ongoing campaigns. For example, during a

1996 campaign, Time Warner's DreamShop placed banners in a few sections of Infoseek, and reports delivered to DreamShop's agency revealed that one of the sections was generating an unusually low response rate. Using this insight, only a few days into the campaign, the agency was able to stop rotating that creative through that section. Final campaign results would have been significantly less successful if DreamShop's agency had not received this up-to-the-minute information.

Enhanced ad management tools do more than deliver reports and manage advertising campaigns. They also make it possible for an advertiser to buy impressions that pinpoint an audience—for example, all users of AltaVista who are surfing from Macintosh computers, connected through AOL, and living in the northeastern section of the United States. This form of targeting helps advertisers better reach their market and allows publishers to charge higher CPMs.

Targeting Capabilities of Ad Management Software. When users visit a Web site and request a document, their requests contain certain information. As explained in Chapter 4, that information includes host name (for example, www.ibm.com), date and time of the request, browser used (Netscape, Internet Explorer, etc.), computer platform used (Windows 3.1, Windows 95, Mac, etc.) and the Web site that referred them to the current site. Ad server software takes this information and compares it to the advertising banners in its database, and then chooses the most appropriate banner for the user based on the advertisers' targeting requests.

Good ad management software allows for targeted ad delivery and provides advertisers with timely reports. Accipiter (http://www.accipiter. com), one such provider, describes its mission as delivering targeted ads to customers and offering advertisers real-time feedback on response to the ad. Figure 5.2 demonstrates how Accipiter works. An overview of the ad management process for targeted ad delivery can be explained in four steps:

1. AdManager collects data about the current ad impression from several sources.
2. AdManager matches this data against the active ad schedules and selects an ad from its library.
3. AdManager delivers the ad to the user's browser.
4. AdManager records the user, ad, time, and site location in its log.

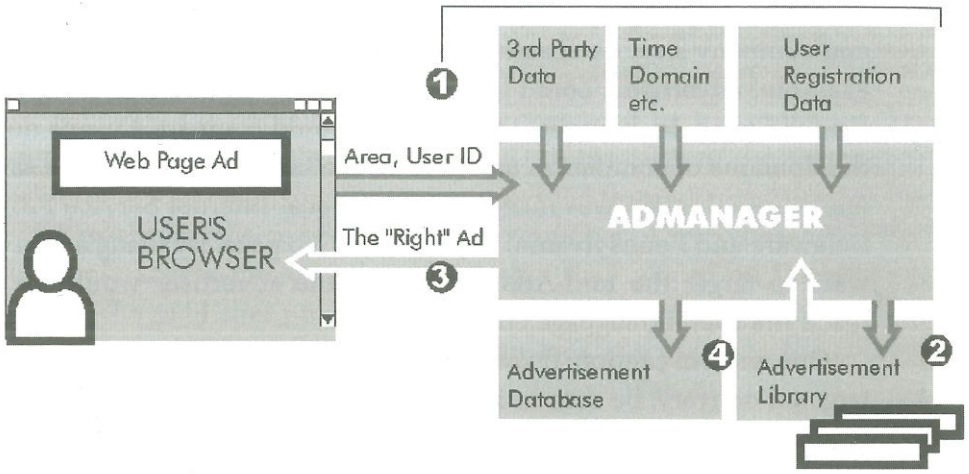


FIGURE 5.2 Accipiter ad management process for delivering targeted ads.

Source: Bill Burden, Accipiter

Targeting by Brower and Computer Platform. One targeting possibility is ascertained from the browser software and computer platform a person is using. Let's assume Microsoft is looking to promote its browser software, Internet Explorer. Microsoft could, for example, choose to deliver advertising only to users of competitors' browser software. Furthermore, Microsoft could target the users' specific platform: to Macintosh users, a banner encouraging them to download Microsoft Explorer enhanced for Macintosh; to PC users, a banner promoting a version of Internet Explorer enhanced for that platform.

Targeting by Company. Using certain ad server software, publishers can take advantage of the information revealed when a user requests a Web page to a database. For example, when a user from www.ibm.com requests a page, the server knows immediately that the user is from IBM. This database can translate that piece of information to the following: the surfer is from a Fortune 500 company with a particular SIC code. By then employing a database that matches company names to SIC codes and size, advertisers are able to target employees of specific industries and of specific sizes. Of course, the advertiser cannot yet make the important distinction of identifying precisely who that IBM user is—it could be a student intern or the CEO.

Targeting by Geographic Location. In addition to targeting by SIC code and company size, databases enable advertisers to target by geography. For example, advertisers could aim at users in the mid-Atlantic region of the United States. In this case, the software would compare a user's domain to the domains of companies and ISPs in the targeted region. Let's say someone whose domain was magpage.com (a local Internet Service Provider in Delaware and Pennsylvania) requested a Web page. By using ad server software to target the mid-Atlantic region, the advertiser would be sure to reach the user of magpage.com.

One word of caution: If you're planning to purchase this type of regionally targeted delivery, be sure to inquire how the publisher determines the geographical origins of users, otherwise you might launch far afield of your target. An example of mistaken targeting would be a system that counted all AOL users as coming from Virginia, where AOL is headquartered. This could happen because users of a major ISP, like AOL, all have the same domain name (in this case aol.com). Obviously, though, they're not all from Virginia.

Targeting through an Ad Network. An advertising network sells advertising for a group of publishers. A leading player in this field is the DoubleClick Network (http://www.doubleclick.net), which sells advertising for over 35 high-traffic sites including *USA Today*, Dilbert Zone, AltaVista, and others. By managing the advertising on all of its member sites, DoubleClick extends an advertiser's reach to a niche audience—let's say a specific SIC code. DoubleClick delivers the advertisement to users who meet the criteria across its entire network.

Using targeting capabilities, advertisers can better delineate who receives their message, for example, Mac users from Fortune 500 companies. As advertisers identify more of these targeting criteria, they will buy fewer ads on any one site, which is why large advertising networks will offer the best reach for targeted ad delivery—especially as technology improves targeting capabilities.

Cookies

In addition to the targeting capabilities offered by the information that is revealed when a user makes a request for a Web page, there are more intru-

sive means of gathering demographic information for pinpoint targeting. Cookies are one such technique. A cookie is a text file inserted on a user's hard drive when the user requests a Web page (Figure 5.3).

A cookie file contains information generated by the user's interaction with a Web site, from a unique user ID to the URL of the Web site from which the user came to information provided through a registration form.

A user may receive cookies from any number of Web sites, but Web sites can only access the specific cookies that they placed on the user's hard drive. The publisher programs his or her server for when it should request to see the user's cookie; a publisher can look at a user's cookie every time the user requests a new page on the publisher's Web site.

Cookies are supported on most browsers from Netscape 1.1 to more current software. The full specifications on using cookies are provided in a document from Netscape titled "Persistent Client State HTTP Cookies"; it is available at http://www.netscape.com/newsref/std/cookie_spec.html.

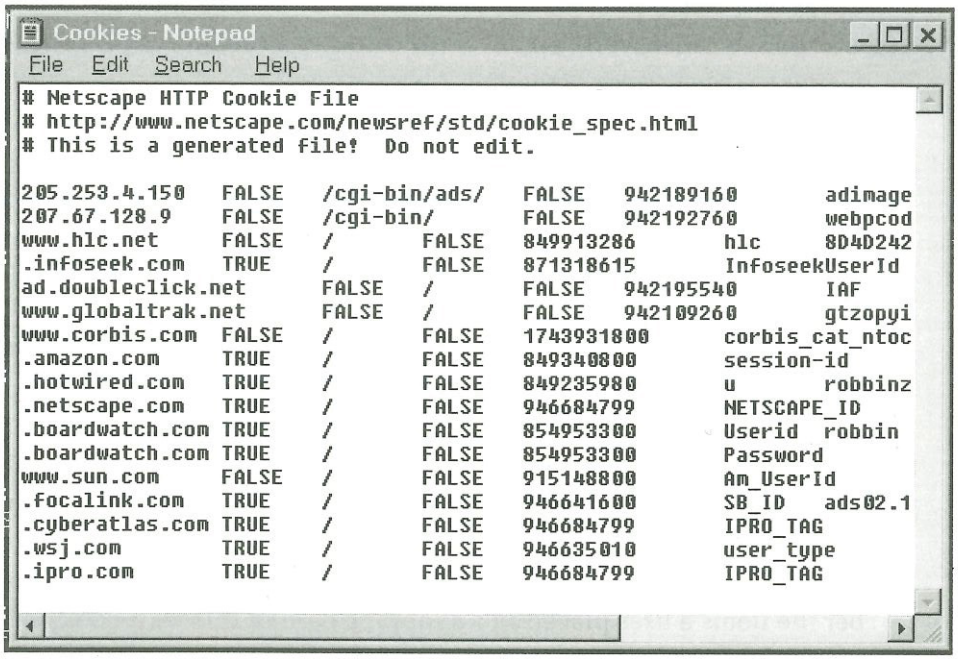


FIGURE 5.3 Information captured in a cookie file.

Cookies Store User Interests. A cookie is most often used as an identification tag. For example, when a user goes to a site, he or she is issued a unique ID, that is, a cookie. Each time the user accesses another page on the Web site, the server requests the ID tag. Then the user (for example, ID#345243) is recorded as he or she moves throughout the site. Each time the user clicks on an advertisement or fills out a survey, the actions can be recorded in a database as those performed by that user. This ID tag resides on the user's hard disk so that the next time that person visits the site, information already gathered can be used again.

If a publisher checks an ID tag, and discovers that according to his or her database, the user visited the auto section of his or her Web site three times, he or she can deliver an advertisement to the user for a car manufacturer. If the user then clicks on the ad and goes to Ford's Web site, Ford can place its own cookie (containing a unique ID) on the user's drive. If, for example, Ford enables users to design their dream car on its Web site and a user chooses to do so, Ford can record that user's dream car in a database record that corresponds to the user's cookie. Then, the next time the user visits, the server can recognize the user based on the ID tag in his or her cookie and deliver an advertisement with the user's dream car. The possibilities for such targeting are obvious.

Using Cookies to Limit Ad Frequency. A publisher using cookies can record when a specific unique ID number saw an advertisement, and use that information to ensure that the same ad is not delivered multiple times to the same person. This also gives advertisers an opportunity to deliver a series of advertisements to a particular user. After a user sees the first ad in a series, it is recorded in a database. The next time the server recognizes that user, it delivers ad number two, and so on.

Cookies can also retain other information about users. For example, when a user registers at a Web site, the cookie can retain the user name and password so that registration is required only once. When the user returns to that site, the server will automatically check the cookie it gave to that user to determine his or her name and password. A cookie can also remember the items a user placed in a shopping cart. In this way, cookies help create a relationship between the content, the advertiser, and the visitor, without forcing the visitor to repeatedly fill out forms. However, cookies are far from perfect.

When the Cookie Crumbles. Unfortunately, the cookie picture is not all rosy. Although this tool would seem to be invaluable for learning about users and delivering targeted advertising, you should be aware of the cookie impasses:

- **Latest browsing software can block cookies.** The press has been reporting that cookies invade a user's privacy by clandestinely placing a file on the user's hard drive. To address the concerns of users in this regard, both Netscape 3.0 and Internet Explorer 3.0 offer users the option to block cookie files. These browsers also have a feature that alerts users when a cookie is being attached.
- **Users can manually delete cookie files.** As noted, cookies are text files that usually reside on the hard drive in the same directory as the Internet software, and there is a site (Figure 5.4) that will tell users exactly how to

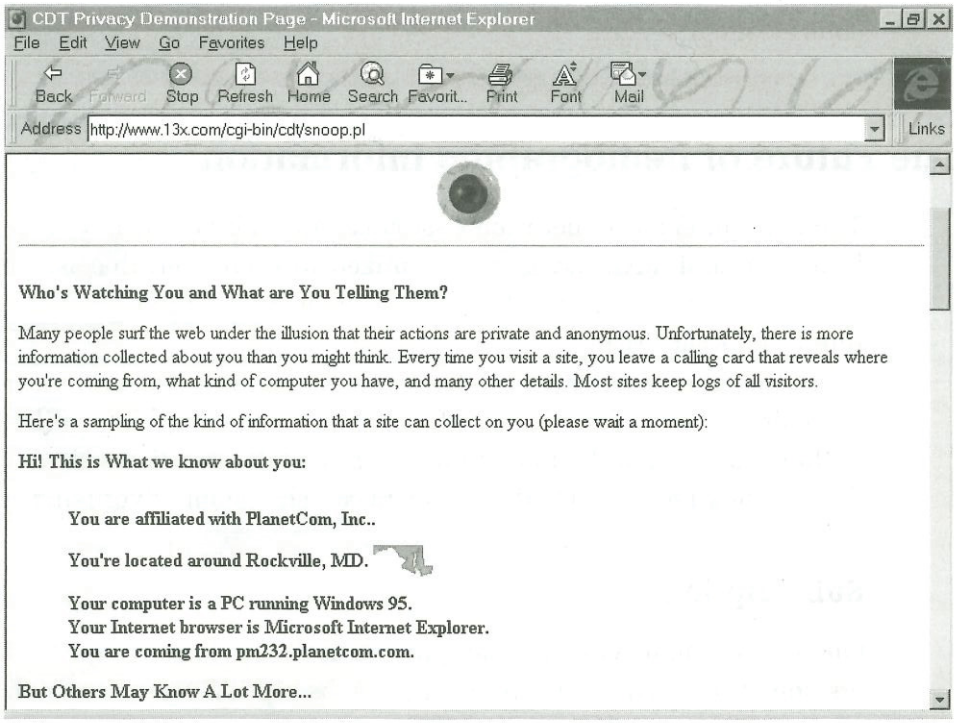


FIGURE 5.4 Devices used to obtain user information are raising concerns over privacy issues.

find their cookie files, as well as what is in them. All you have to do is delete the text within the file, or delete the entire file as you would delete any text or file to remove the cookie.

- **Cookies are mapped to the browser, not to the individual.** The hard drive on which cookies are placed may be used by several people, thus opening the door for profile distortions. For example, at a college computer center where many students may be accessing a particular Web site through the same computer, the first time a student accesses the site from that computer, the computer will receive a cookie file. (In this case we'll assume that the publisher placed a unique ID in the cookie file, to learn more about the user.) Unfortunately, what the publisher thinks is one user is actually 100 different students using the same machine.
- **Proxy servers may preclude cookie use.** These computers, which serve as gateways between the company's internal network and the Internet, do not always allow cookies to be placed on individual computers. Like academic computing centers at universities, hundreds of people—or more—code as one individual.

The Future of Demographic Information

The ideal interaction between customers and the Web is one in which information and advertising is customized to each user, that is, putting in front of the customer exactly those items or information he or she is most interested in accessing.

To this end, publishers ask their users to answer surveys, fill out questionnaires, and register in an effort to form demographic profiles. It goes without saying that the more publishers can tell advertisers about their audience, the higher the CPM publishers can charge for advertising space.

Subscription

One way of identifying demographic statistics is via subscription. Publishers sometimes require users to pay a subscription fee to enter their Web sites or certain sections of their Web sites; in addition, users must fill out a registration form. Other sites offer a partial subscription plan, whereby a

subscription fee is charged for certain high-value information. ESPN SportsZone and Playboy are two publishers that have implemented such plans.

One example of the successful implementation of a subscription service is the *Wall Street Journal*, which in 1996 rolled out its interactive edition as a subscription-only service (Figure 5.5) and has succeeded in building a paying subscriber base. This is partially due to the fact that there is significant added value to the customizable online edition of the *Wall Street Journal*. Moreover, it must be remembered, its readers are used to paying a premium for the print version of the publication.

The subscription model has value beyond the revenue stream. Because subscribers register every time they enter the site (otherwise anyone could have access) publishers can use back-end tracking systems to identify particular users. This allows publishers to deliver advertising to subscribers

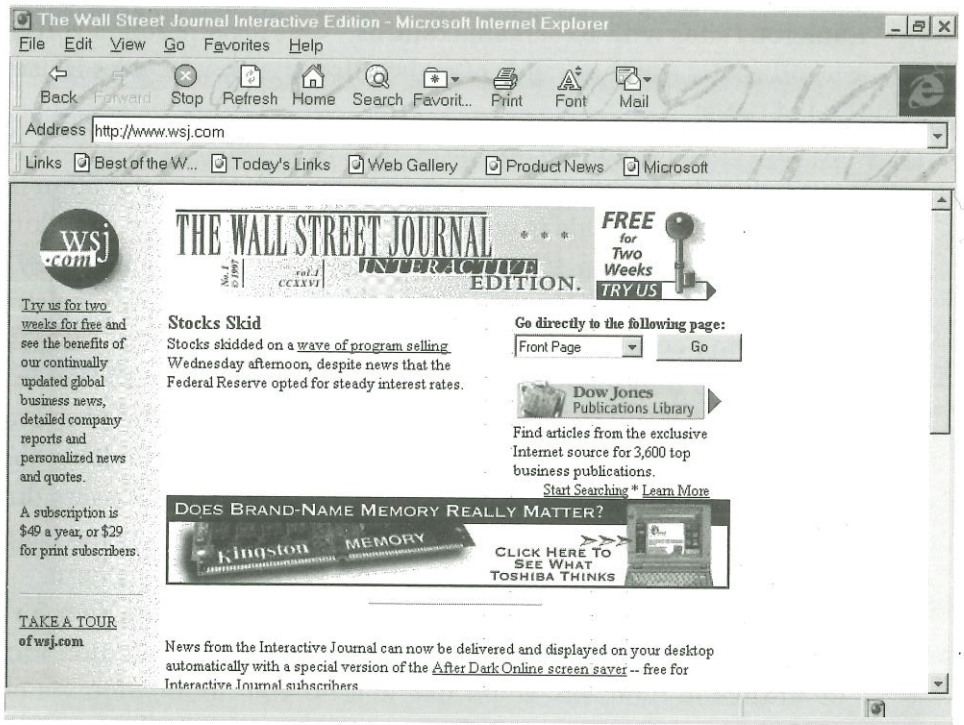


FIGURE 5.5 The *Wall Street Journal* is an online subscription publication.

based on the subscribers' answers to the demographic questions they answered as part of the subscription process. For example, Jane Successful-Broker, who has indicated her household income is over $250,000, might get the BMW advertising banner. On the other hand, Joe Drivesatruck, a subscriber with a household income of $25,000, might get the credit card offers.

Furthermore, subscription sites like the *Wall Street Journal* can provide advertisers with demographic data about their online users—something most Web publishers can't do. And those publishers who can offer targeted advertising buys can usually charge higher advertising rates. A site without a paid subscriber base must compile its user profiles through a variety of means, which are outlined next, but 100 percent participation is not achievable.

Registration

Registration—either voluntary or mandatory—is another method for obtaining demographic information. Voluntary registration has been used on numerous sites with remarkable returns. "Our registration is voluntary and we still get tens of thousands of registrations per week," says Halsey Minor, CEO of C/Net.

Mandatory registration is a bit riskier, even when the "fee" is the act of completing the registration. In any guise, mandatory registration does turn some people away. This is why Time Warner's Pathfinder abandoned compulsory registration in 1996. But some sites have used mandatory registration successfully. The *New York Times* CyberTimes requires registration before granting access to its Web content (Figure 5.6). The process gathers demographic information about users. Like subscribers to the online edition of the *Wall Street Journal*, users who register with the *New York Times* must either sign in every time they return or accept a cookie that stores their name and password. This allows the paper to track users through its site and deliver customized advertising based on how they navigate the site and answer the demographic questions on the registration form.

The New York Times registration process also opens the door for the publisher to follow up with registrants via e-mail. The registration form states: "From time to time, we would like to send you information via electronic mail about new features with the *Times* on the Web," which is followed by two boxes already checked yes; one for receiving e-mail on new CyberTimes features and the other for information from advertisers.

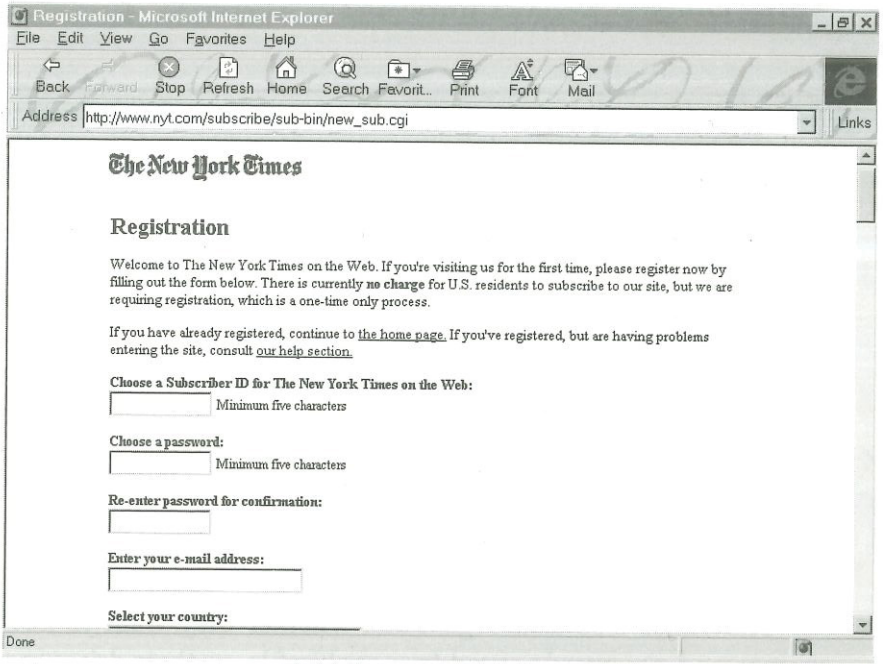


FIGURE 5.6a *New York Times* online registration form.

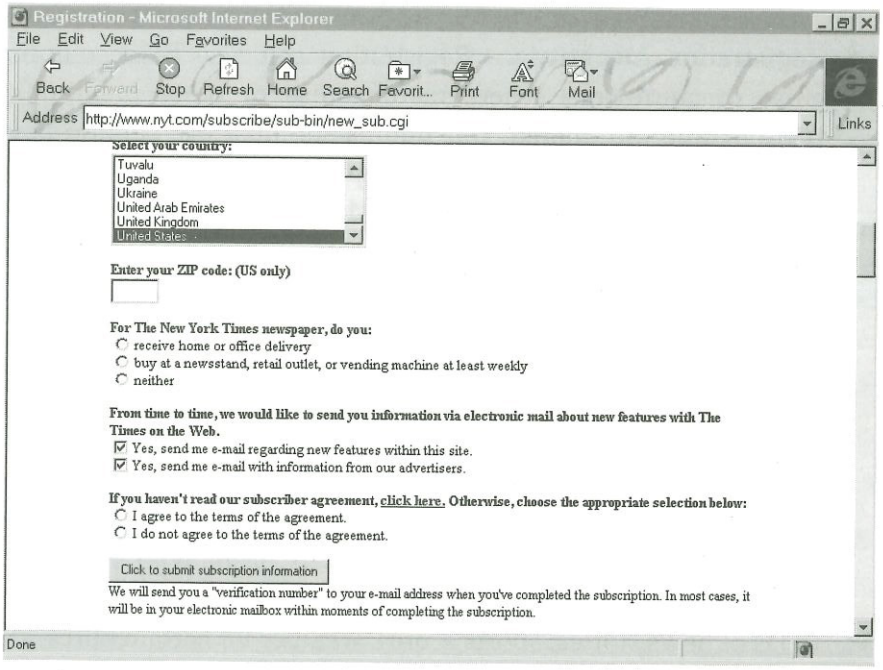
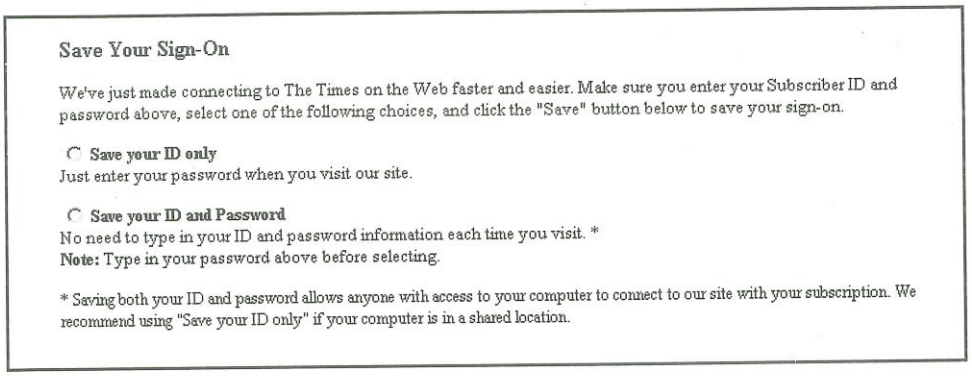


FIGURE 5.6b Inquiries that determine when a user wants to receive e-mail about the online service are prechecked.


Save Your Sign-On

We've just made connecting to The Times on the Web faster and easier. Make sure you enter your Subscriber ID and password above, select one of the following choices, and click the "Save" button below to save your sign-on.

C Save your ID only
Just enter your password when you visit our site.

C Save your ID and Password
No need to type in your ID and password information each time you visit. *
Note: Type in your password above before selecting.

* Saving both your ID and password allows anyone with access to your computer to connect to our site with your subscription. We recommend using "Save your ID only" if your computer is in a shared location.

FIGURE 5.6c Users who request that their subscriber ID and password be saved are accepting a cookie file.

The *Times* also asks registrants whether they want to have their user names and passwords saved in a cookie file on their drive so that they do not have to remember or type in this information each time they visit. This makes accessing *The New York Times* easier for the users.

Registration Incentives. Registration can also be accomplished in the guise of guestbooks where merchandise or other premiums to inspire participation are offered. But publishers must use caution before offering incentives; they must be targeted appropriately. For example, if a publisher of a human resources site offered cash, no doubt that would encourage a lot of users who were not representative of the regular audience to fill out the form. The publisher would be wiser to offer a booklet filled with human resources management tips. There are Web sites and user groups that are devoted to announcing places to win money and receive "free stuff," and these places are frequented by professional sweepstakes entrants. By offering a cash prize, a publisher's site gets on this list, and probably precludes the site getting accurate demographic information from users.

A good incentive to offer registrants is customized information. Excite offers customized home pages only to users who register. The surfer chooses the information he or she wants on his or her home page: certain types of news stories, sports scores, weather for certain cities, stock reports, etc. It's a win-win situation: The user gets value, and Excite has more information that they can use to give advertisers targeting opportunities. Other tips for successfully implementing registration include:

- Make your stance on privacy clear. Users want to know that the information they provide will not be released to third parties.
- Only ask questions whose answers are essential to you. The more questions you ask, the lower the likelihood that a user will fill out the registration form.
- Offer value. Users will not register unless they are getting something in return.

Game Time

Contests are sometimes used as incentives for registration. For example, NetStakes, Inc. (http://www.netstakes.com) is an Internet Sweepstakes Marketing firm that creates customized sweepstakes. At the heart of each one is a registration system that enables NetStakes to easily capture, track, and deliver demographic information (Figure 5.7). Unfortunately, the demographic

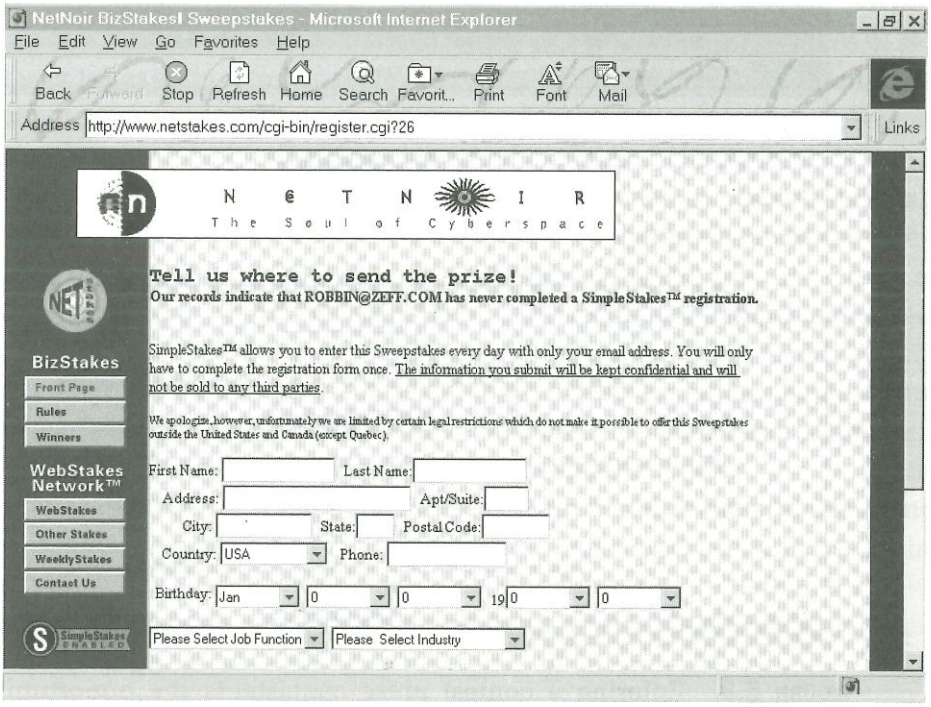


FIGURE 5.7 A contest registration form acts as an enticement to give general information.

data generated by contests is driven by the type of prize offered, and may generate one-time surfers—unless there is another contest (Figure 5.8).

Surveys

Another way to gather audience profile data is through user surveys. Surveys vary from product or service evaluations to customer profile data. The Interactive Agency Site Specific offers a syndicated spot survey in the form of a banner they call "He Said/She Said." The survey questions attempt to elicit gender preferences, and can be used to determine the gender population of a site. The incentives used to get users to complete surveys revolve around the interactive nature of asking for a user's opinion (the online community likes to give its opinion) and the enigmatic phrasing of questions.

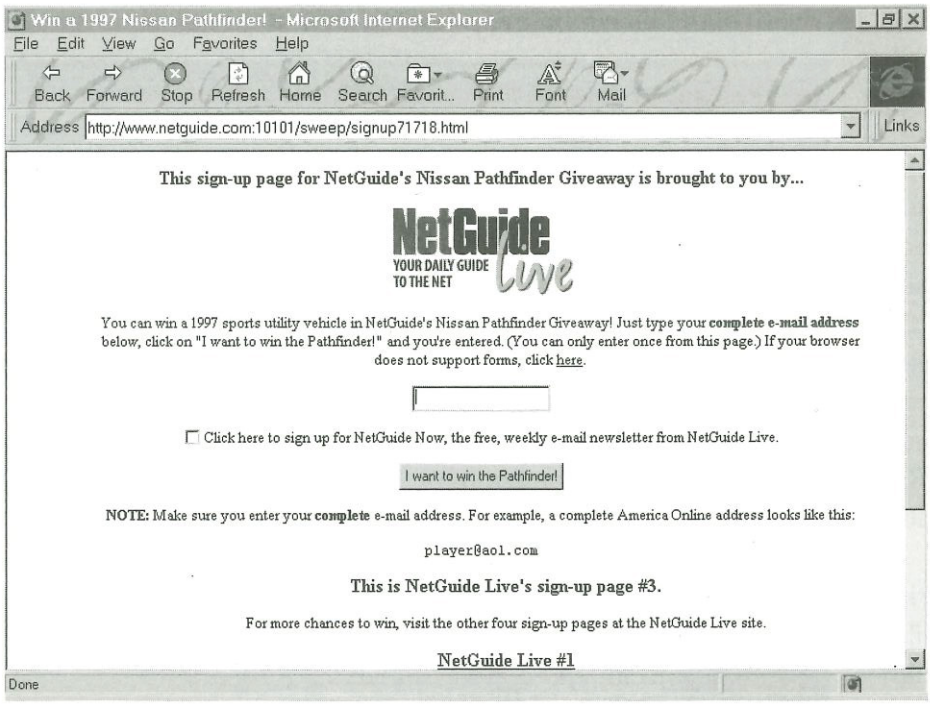


FIGURE 5.8 Entering a contest gives contestants the opportunity to get something in return for filling out the form. But if that value is not targeted—for example a $25,000 prize—publishers will get skewed results.

Tantilizing questions inspire curiosity. And online, curiosity delivers clicks and responses.

Personalization and Targeting Tools

Emerging technologies are helping publishers better target and personalize the ads and content they deliver by cataloging and anticipating user actions and preferences. These tools, together with the Web's measurability and ad management software solutions, should make Web advertising more effective and accountable in the near future. Cookies, already discussed, fit into this category. Others, specifically Firefly, Aptex, and StarPoint, are examined in this section.

Firefly

A technology known as a smart or intelligent agent combines information provided through registration with the capability to make inferences based on user tastes and preferences pooled from a group. Pioneered by Firefly, this technology leverages human experiences from its network of members to make this possible. Firefly CEO Nick Grouf explains, "The hypothesis is that many of the things we do in our lives are being repeated by other individuals across the globe. Firefly uses group experience so that preferences are determined by comparing different users with one another to identify which of them have similar tastes. The agent then makes recommendations to one user that are based on the opinions of like-minded users." In short, Firefly's agent technology allows you to make use of the experiences of other people. Grouf summarizes, "Intelligent agents allow consumers to control and share their experience. The more you tell your agent, the smarter it gets."

Currently, the technology is being used on Firefly's sites BigNote and FilmFinder and My Yahoo! with 1.5 million registered users. In 1997, the technology will be found on many locations from AOL to Barnes & Noble. Users are enticed to register and become a part of its preferences database with the promise of delivering the types of information people want—movie and music recommendations to name two.

When a user joins the Firefly network, he or she is issued a Firefly Passport. Users must log in each time they return to Firefly's site. Firefly uses

this to track a user's actions and learn the user's preferences; the Passport stores demographic and preference information, and follows the user on any Firefly-enhanced site that he or she visits. Nearly a million consumers registered for a Firefly Passport in 1996.

Any site can be enhanced to be part of the Firefly network. For an advertiser, this means going beyond general demographic targeting and delivering ads to individuals who have indicated (through their actions) an interest in the product. For the individual, this means that the ads he or she sees are more likely to be for products of interest. A list of targeting options through the Firefly network is provided in Table 5.1. "Firefly software will enable businesses to identify and serve a network of 'smart consumers' who actively and confidently exchange their preferences with a business in return for a more personalized and relevant experience," said Grouf. Firefly-enabled applications will provide business with the ability to intelligently target ads and content based on each consumer's tastes and preferences. Through Firefly's extensive targeting and back-end reporting, each click will represent an identity tied to a rich stream of preference data.

Aptex. Another personalization tool, this one from Aptex (http://www.aptex.com), examines user behavior to determine tastes and interest. Aptex is a subsidiary of HNC Software, makers of credit card fraud detection software that identifies abnormal credit card purchases for the purpose of

Table 5.1 **Targeting Options through Firefly Network**

Minimum age
Maximum age
Gender
Platform: Mac, UNIX, or PC
IP address
Domain: com, net, edu, gov, etc.
Browser type: Netscape Navigator, Microsoft Explorer
Zip code
Zip code range: geographic regions, metropolitan areas
Country
Tastes: artists, albums, music genres, movies, actors, directors, movie genres
Predicted tastes: may like artists, albums, etc.

identifying fraudulent use. Aptex uses its experience in behavior analysis to optimize relationships between users and content. Its SelectCast ad server develops profiles for all site visitors and then delivers ads or content that fit the profile for the behavior exhibited. For example, if a person visits pages on the site that are typically visited by teens, SelectCast sends that person ads and content targeted to the teen market.

SelectCast describes itself as a "bolt-on brain" to improve real-time ad selection by providing comprehensive sitewide user profiling. The personalization process is not done based on user feedback or "taste" judgments; rather the software works as an "intelligent observer," mining the context and content of all user actions instantly. The user profiles compiled are not saved, which eliminates privacy concerns.

StarPoint. StarPoint (http://www.starpt.com) is an ad management tool and a personalization technology which provides a solution for publishers who want to begin delivering customized ads even before gathering background data on their users. StartPoint's affinity engine technology automatically assembles individual profiles; StarPoint combines an analysis of the information immediately available from click-stream data along with any demographic data provided by the user (registration, surveys, cookies, digital signatures) and http connections (such as platform, domain, and browser compatibility), as shown in Figure 5.9. From this, a site can progressively build a profile of a user's interest as he or she browses through the site; it requires no initial input from the user.

StarPoint provides a framework for customization that can employ other personalization technologies like Firefly and Aptex. Employing several technologies results in a better understanding of the audience, which enables more precise targeting. In short, StarPoint's Affinity Engine technology uses whatever information is available to match ads to users. "The StarPoint ad server delivers ads to people, not pages," says Michael Tanne, president of StarPoint.

Addressing Privacy Concerns

Ideally, collecting demographic information and developing and using consumer databases for direct marketing purposes should be done without irritating consumers. To that end, personalization technologies and sites

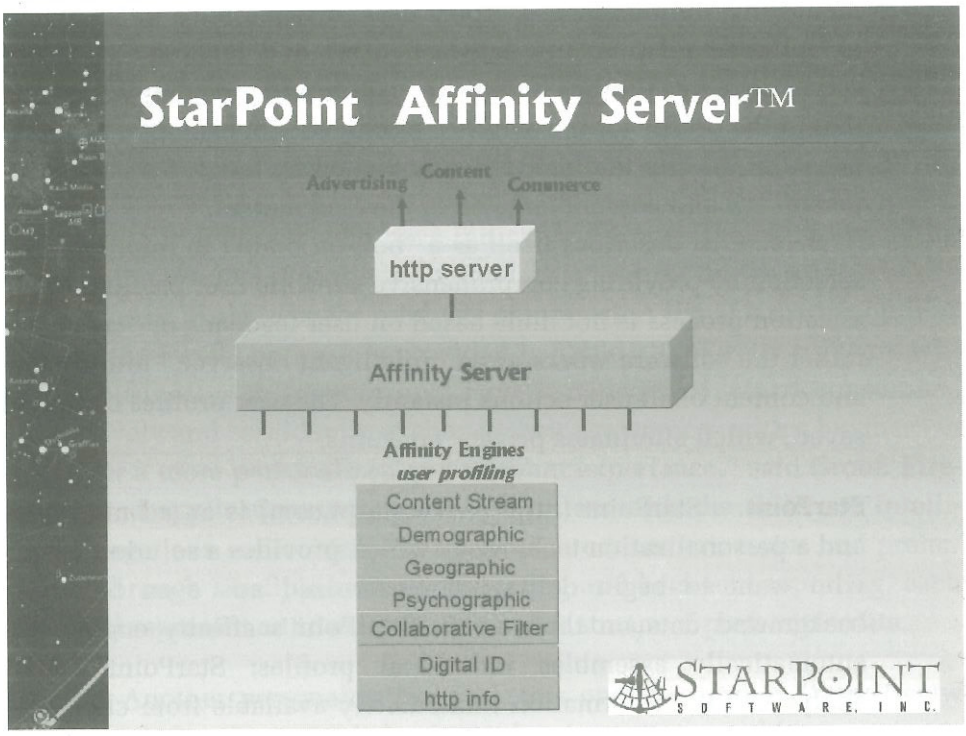


FIGURE 5.9 Diagram of how the StarPoint Affinity Server profiles user interest for personalized ad and content delivery.

employing these technologies are taking steps to reduce user concerns over unbridled access to and use of personal information. For example, Firefly regards its customers as members of a community and is taking a proactive approach to assure its members that their privacy is protected through the Firefly Community Policy (see Figure 5.10), which delineates the following assurances to all members:

- Actual name and address is not required.
- E-mail and/or Firefly address will not be disclosed without consent.
- Individual information collected by Firefly will be used only to provide personalized content, recommendations, and advertising. (Firefly does reserve the right to use the information in aggregate form for usage reports—percentage of male and female, click-through, and so on.

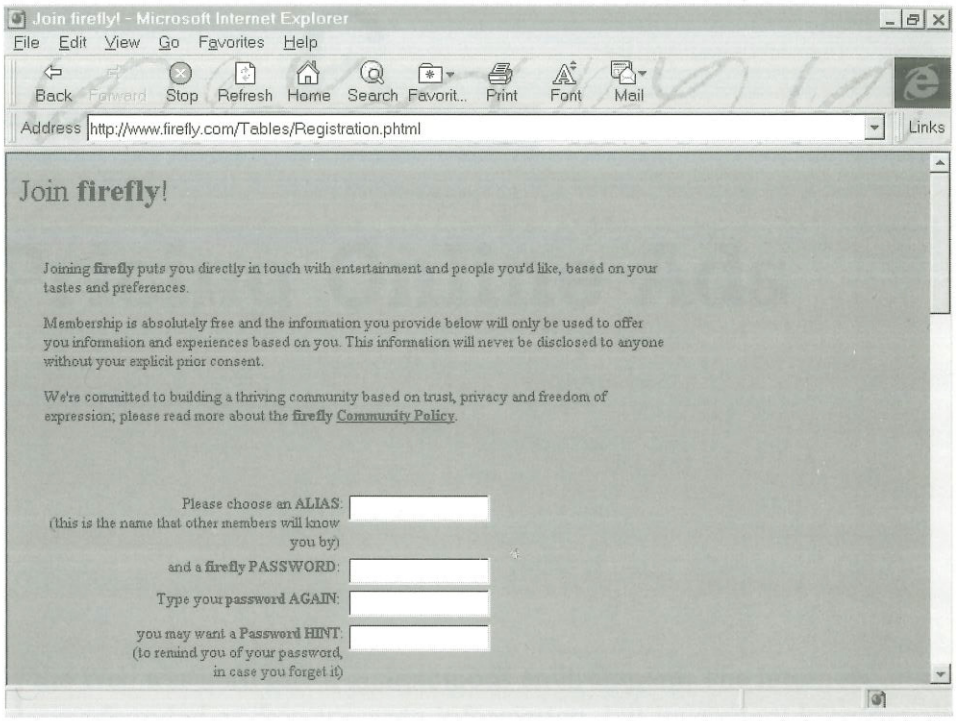


FIGURE 5.10 Firefly regards its members as part of a community built on trust and respect for individual privacy.

To prove to users that it is committed to privacy, Firefly has retained the services of the audit firm Coopers & Lybrand to verify that the information Firefly collects is only used as Firefly states on their Web site.

Are We There Yet?

The pieces are falling into place for customized ad delivery. Today's technology has moved online advertising from placement on a Web site based only on general behavior and demographic information to targeting based on preferences and quantifiable demographic data. Although these technologies are new and need improvement, with the speed at which these technologies are being developed, it's safe to say: "We ain't seen nothing yet!"

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(robbin@zeff.com) is President of The Zeff Group, a firm specializing in strategic Internet planning and advertising.

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(brad@i-frontier.com) is President of i-frontier, a leading Internet marketing and advertising agency.

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