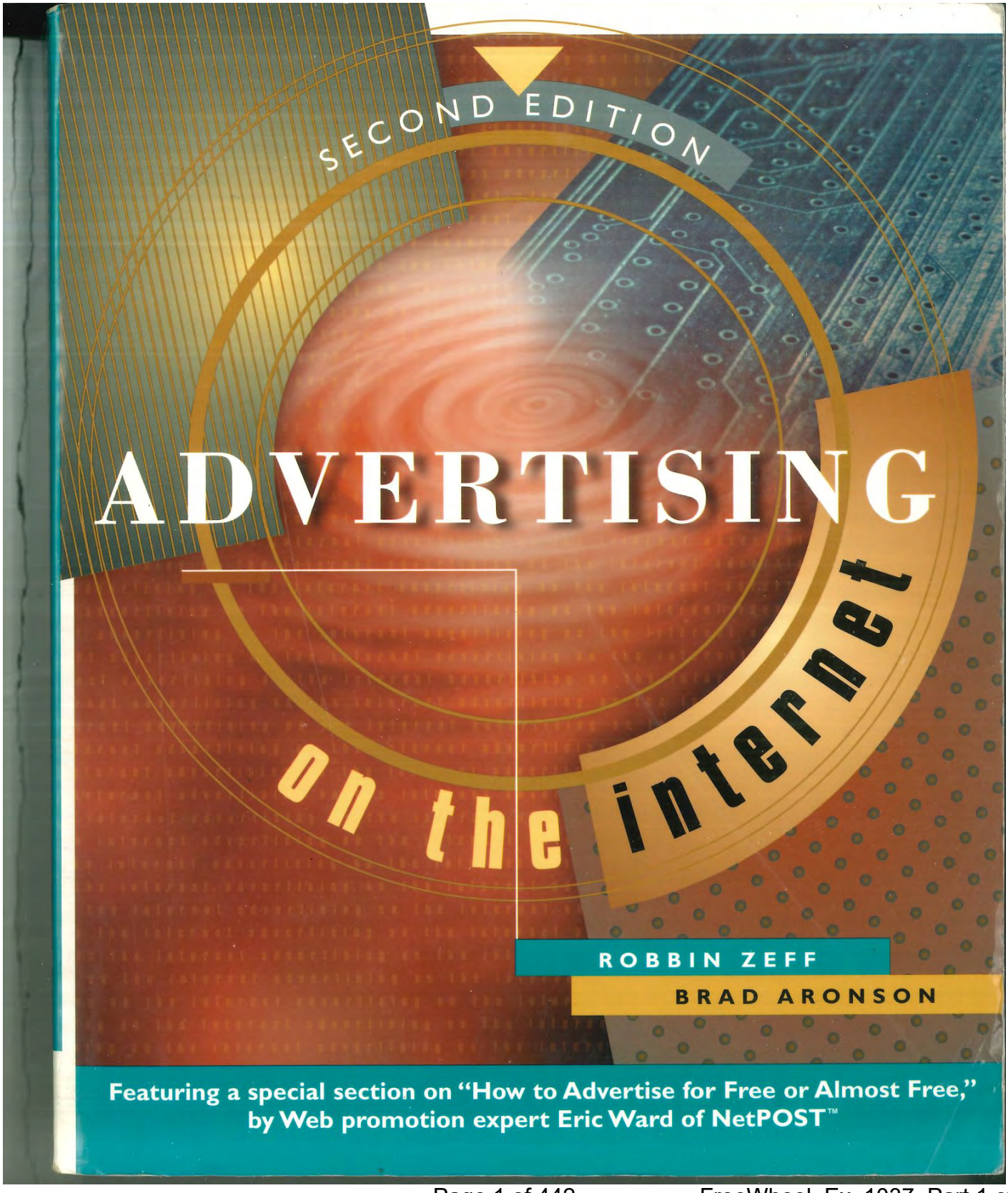

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ADVERTISING
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Advertising on the Internet

Second Edition

Robbin Zeff
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—Robbin Zeff

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—Brad Aronson

CHAPTER 1

The Internet Advertising Landscape

Since the emergence of modern advertising more than 70 years ago, members of the profession have recognized that it's 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 sound of a modem connecting in the background.

Setting the Stage

The Internet, the largest global network of networked computers, was founded in the spirit of free access to information. But with its transition from a platform used primarily by research, government, and educational institutions to a commercial entity, established business and entrepreneurial hopefuls have put up Web sites and begun using the Internet to make their mark—and their fortune—on the digital frontier. From established media companies like Time Warner to media companies that began as online business ventures such as Yahoo!, the Internet is following the American tradition of turning uncharted territory into opportunity. And, in the tradition of all great communication media, advertising has moved quickly to the forefront as a source for supporting online commercial ventures.

The first format of online promotion was the Web site itself. 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 standard of 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 interstitials 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 the end of 1998, online advertising had grown to a $1.8 billion industry, with revenue projections of almost $8 billion by the year 2002 (see Figure 1.1). Not bad for an industry that got its start just four years earlier in 1994. The Aberdeen Group (www.aberdeen.com) predicts that Internet advertising spending will reach $5.1 billion by the year 2000. It should be noted when evaluating online ad revenue figures that barter is a common practice in the North American online ad market and often miscounted as actual spending (see Figure 1.2).

In a February 1998 study conducted by the American Association of Advertising Agencies, 45 percent of those surveyed said Internet advertising already was or was expected to become a significant segment of their advertising budget. Of these, 23 percent said Internet advertising was already a major part of their advertising strategy, 50 percent projected that it would become so within two to five years, and the remaining 27 percent expected it to be within the next 5 to 10 years.

Indeed, with the growth in ad spending, we're also seeing a growth in the number of Web sites seeking advertising. According to AdKnowledge, in December 1998 there were 1,430 brand named sites seeking advertising that listed rate cards in AdKnowledge's database (see Figure 1.3). Since the AdKnowledge database primarily reflects major brands, the actual number is much higher. In reality, many more sites are accepting advertising. For example, LinkExchange alone has 400,000 members making the real number of sites seeking advertising more than a half million, with most of them small- to midsized sites.

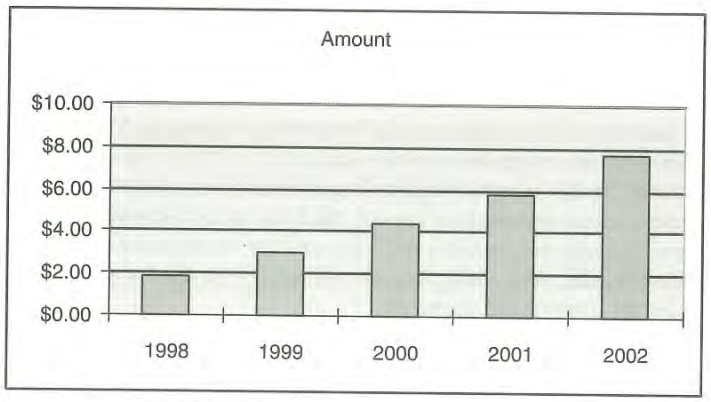


Figure 1.1 Web ad spending projections 1998–2002.
Source: 1998 Jupiter Communications (www.jup.com)

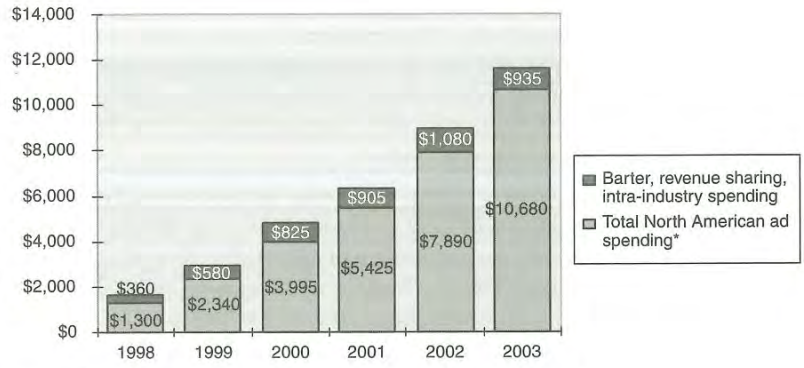


Figure 1.2 The North American online advertising market.
Source: 1998 Forrester Research and Zenith Media (www.forrester.com)

Why is ad spending increasing? Because online buying is increasing. During the 1998 holiday shopping season, AOL members alone spent US $1.2 billion with online retailers. AOL sees great similarities between the online world and the offline world when it comes to reaching consumers. "Marketers either have to create their own shopping mall or buy space in somebody else's," says Bob Pittman, AOL president. "Traditional marketers know that building your own mall is harder." Indeed, on the Web it is easier and more efficient to advertise on someone else's site.

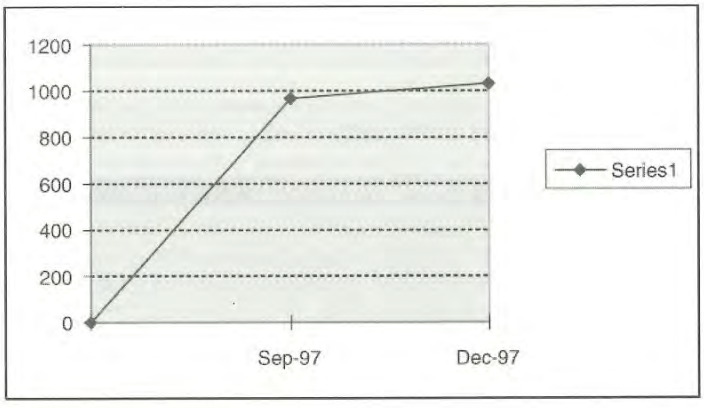


Figure 1.3 Total number of Web sites seeking advertising.
Source: AdKnowledge, Inc. (www.adknowledge.com)
Note: Data reflects the total number of unique sites tracked and included in the AdKnowledge Planner database.

Of the hundreds of thousands of Web publishers, only a handful are generating significant revenues from advertising. This imbalance is not unique to the online world. It occurs in broadcast TV, magazines, and newspapers, where the majority of ad dollars go to a well-defined group. For example, of the 6,000 magazines 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 have attracted the lion's share of advertising revenue simply because they are the sites with the highest traffic. Traditional advertisers are accustomed to working with a mass-market medium, and high volume fits that profile. Today, the Internet does reach millions. According to Nua Internet Surveys (www.nua.ie), there were 87 million people in the United States and Canada online as of November 1998, for a worldwide total of 150 million users (see Table 1.1).

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 and loyal audience. It is this targetability and loyalty that will interest businesses in advertising on smaller sites representing niche markets.

And small sites are making money from advertising. Ray Owens, president of the "Joke a Day" humor mailing list (www.jokeaday.com), is proud to talk about how he turned telling old jokes via e-mail into "a $150,000 a year job, enabling me to spend my day sitting around in my bathrobe, surfing the Net, quitting my 'real job,' and generally living the 'American Dream.'" The "Joke A Day" site sells out its ad inventory six months in advance and is the largest daily humor mailing list in the world, reaching 115,000 people in 137 countries, with an average of 400 new people signing up for the list every day.

Table 1.1 Number of People on the Internet

REGION	INTERNET USERS
Africa	0.80 million
Asia/Pacific	24.33 million
Europe	32.76 million
Middle East	0.78 million
Canada and U.S.A.	87 million
South America	4.5 million
World Total	**150 million**

Source: Nua Internet Surveys (www.nua.ie)

Table 1.2 Internet Growth Rate in Relation to Other Media

MEDIA	YEARS TO REACH 50 MILLION USERS
Radio	38
TV	13
Cable	10
Internet (estimate)	5

Source: Morgan Stanley Technology Research

Many smaller sites are extremely attractive to major advertisers because of their ability to provide access and exposure to a defined online community, but the small publishers must generate enough traffic so that they have enough advertising inventory to sell. Most do not have the inventory to earn significant sums from selling advertising on a CPM (cost per one thousand times an ad is seen). The average CPM is around $30. This means that if a publisher sells all of his ad inventory he will be paid three cents for every time he can deliver an ad. At that rate, a fairly significant amount of traffic is needed to create a solid revenue stream. This is not to say that advertising is the only revenue model available to Web publishers. The revenue stream can include a combination of advertising, subscriptions, licensing content, and sales and merchandising.

The Internet is entering U.S. homes and spreading across the globe faster than any other medium in history (see Table 1.2). According to Geoffrey Ramse, Statsmaster at eMarketer (a Web site that tracks Internet statistics, [www.estats.com]), "The net is growing at a rapid pace. In America, 36 new, first-time users jump online every minute of the day—one new net user every 1.67 seconds" (see Figure 1.4). By the first quarter of 1999, AOL reported 15 million users on its service alone. Indeed, the Internet is substantially influencing how Americans spend their time.

At the end of 1998, America Online commissioned a study to help better understand the impact of the interactive medium. The America Online/Roper Starch Cyberstudy 1998 found that online communication is now permanently imbedded into how we communicate at work and at home. The study found that two-thirds of Internet consumers have been online three or more years, with three-quarters believing Internet services have bettered their lives. Nearly 90 percent responded that they would miss the Internet if it were no longer available. How valuable is the Net? When asked what they would prefer if stranded on a desert island, over two-thirds said a computer with Internet access, only 23 percent said a telephone, and barely 9 percent said a television. "My, how times have changed!" exclaimed Steve Case, AOL CEO in his Jan 8, 1999 letter to AOL members in reviewing the results of the study.

Other findings include these:

- Approximately 90 percent of online consumers regularly or occasionally go online to communicate with friends and family.

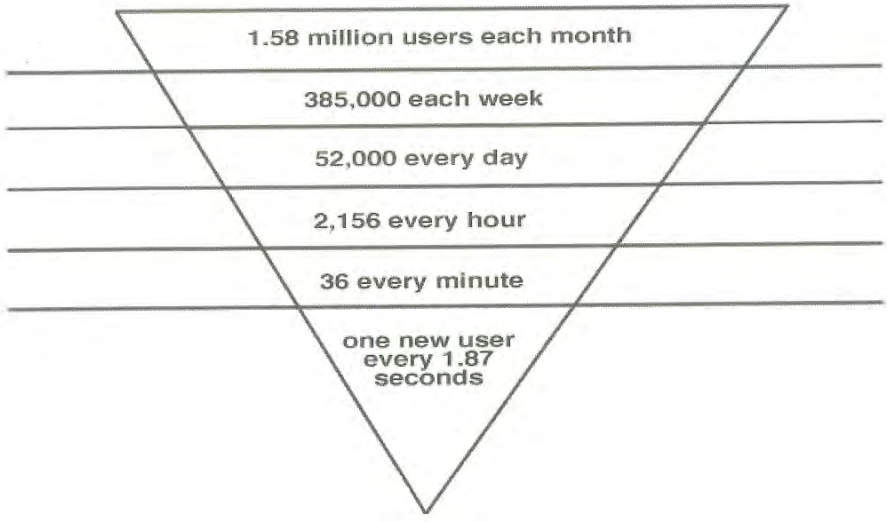


Figure 1.4 Rate of growth of new Internet users.
Source: 1998 estats (www.estats.com)

- In the workplace, more than 50 percent of online consumers claim e-mail is their preferred mode of communicating with colleagues, clients, and customers.
- The majority of online consumers feel that the areas the Internet will most greatly affect are education, work, media, and entertainment.

The impact of the Internet today is remarkable—even more so when we recognize that only one-quarter of American households are online, with nearly two-thirds of these getting online for the first time within the past two years.

Indeed, advertisers are jumping online, but the industry has a long way to go before it will be a staple in the media budgets of big consumer brands. Many of the major advertisers are also the major publishers that advertise their sites to increase traffic to entice more advertisers; compare the top 50 online advertisers in June 1998 (see Table 1.3) with the top 50 online publishers (see Table 1.4).

Indeed, the only constant in the Internet has been its phenomenal growth, development, adoption, and acceptance. As the newest advertising medium on the block, the Web presents challenges from measurability to auditing to customized ad delivery, but what was promise and potential just months ago is now practiced with quantifiable results today. 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. And consumers are spending more and more time online. Internet usage has skyrocketed. The AOL members' daily usage has

Table 1.3 Top 50 Advertisers Online (January–June 1998)

RANK	ADVERTISER	YTD SPENDING
1	Microsoft Corp.	$ 17,230,670
2	IBM Corp.	$ 14,864,940
3	Digital Equipment Corp.	$ 5,565,804
4	Excite Inc.	$ 4,918,606
5	General Motors Corp.	$ 4,725,033
6	InfoSeek Corp.	$ 4,515,489
7	Netscape Communications Corp.	$ 3,767,448
8	Lycos Inc.	$ 3,672,075
9	3Com Corp.	$ 3,493,988
10	Datek Securities	$ 3,489,768
11	AT&T Corp.	$ 3,438,059
12	Intel Corp.	$ 3,349,221
13	Walt Disney Co.	$ 3,330,960
14	Compaq Computer Corp.	$ 3,314,658
15	Yahoo Corp.	$ 3,148,160
16	Barnes & Noble Inc.	$ 3,111,673
17	Hewlett Packard Co.	$ 2,983,649
18	CBS Sportsline USA Inc.	$ 2,563,586
19	Honda Motor Co. Inc.	$ 2,511,553
20	Sony Corp.	$ 2,442,539
21	CDnow	$ 2,438,828
22	i-Village	$ 2,402,210
23	Toyota Motor Sales USA, Inc.	$ 2,284,458
24	VISA International	$ 2,236,762
25	Fidelity Investments	$ 2,099,978
26	Sun Microsystems Inc.	$ 2,046,611
27	Amazon.com Books	$ 1,997,383
28	Ford Motor Co.	$ 1,969,524
29	Charles Schwab Corp.	$ 1,907,353
30	SPRINT Communications Co.	$ 1,903,749

continues

Table 1.3 Top 50 Advertisers Online (January–June 1998) *(Continued)*

RANK	ADVERTISER	YTD SPENDING
31	Preview Travel Inc.	$ 1,773,367
32	OnSale	$ 1,698,380
33	Procter & Gamble Co.	$ 1,637,977
34	First USA Inc.	$ 1,592,040
35	Egghead Inc.	$ 1,534,144
36	American Express Co.	$ 1,531,462
37	Bell Atlantic Corp.	$ 1,524,291
38	Lotus Development Corp.	$ 1,489,550
39	Ziff Davis Inc.	$ 1,476,981
40	Hearst Corp.	$ 1,475,911
41	Donaldson Lufkin & Jenrette	$ 1,465,012
42	N2K Inc.	$ 1,452,203
43	SAP AG	$ 1,420,033
44	United Parcel Service of America	$ 1,416,423
45	Consumerinfo.com Inc	$ 1,410,167
46	Webnet Marketing	$ 1,390,208
47	CNET Inc	$ 1,349,890
48	Eastman Kodak Co.	$ 1,348,568
49	Verio Corp.	$ 1,335,851
50	Volvo North America Corp.	$ 1,310,878

Source: Jupiter Communications, 1998 (www.jup.com)

Table 1.4 Top 50 Publishers, Ranked by Advertising Revenue (January–June 1998)

RANK	PUBLISHER TITLE	YTD REVENUE
1	Yahoo	$ 54,161,508
2	Excite Network–Excite.com and Webcrawler	$ 47,114,500
3	InfoSeek	$ 33,640,584
4	Lycos	$ 24,775,500
5	Microsoft Network	$ 19,885,509
6	Netscape	$ 18,962,508
7	CNET	$ 18,584,000

Table 1.4 *(Continued)*

RANK	PUBLISHER TITLE	YTD REVENUE
8	ZD Net	$ 17,948,239
9	Altavista	$ 14,804,610
10	CMP Net	$ 9,461,446
11	CNN Interactive	$ 9,349,000
12	Wired Digital	$ 9,092,875
13	Sportsline	$ 8,547,500
14	Wall Street Journal Interactive	$ 8,491,023
15	IDG	$ 8,017,303
16	Pathfinder	$ 6,688,000
17	ESPN Sportszone	$ 6,117,331
18	Weather Channel	$ 6,010,000
19	Homearts Network	$ 5,760,000
20	USA Today	$ 5,107,314
21	Newspage (Individual Inc.)	$ 5,060,000
22	AudioNet	$ 5,034,943
23	GEOCITIES	$ 4,268,750
24	New York Times	$ 3,251,000
25	RealAudio	$ 3,246,000
26	Disney Online	$ 3,130,300
27	iVillage	$ 2,870,750
28	Windows95.com	$ 2,717,395
29	NBC	$ 2,635,000
30	Warner Brothers	$ 2,430,000
31	Quote.com	$ 2,312,500
32	Tripod	$ 2,130,468
33	Playboy	$ 2,074,544
34	Discovery Channel Online	$ 2,015,000
35	The Globe	$ 2,015,000
36	Women.com	$ 1,967,050
37	Riddler	$ 1,532,500
38	Car and Driver	$ 1,509,115

continues

Table 1.4 Top 50 Publishers, Ranked by Advertising Revenue (January–June 1998) *(Continued)*

RANK	PUBLISHER TITLE	YTD REVENUE
39	Sony Station	$ 1,475,000
40	Internet.com	$ 1,473,150
41	Morningstar	$ 1,400,000
42	MapQuest	$ 1,371,772
43	Epicurious	$ 1,334,500
44	E! Online	$ 1,307,500
45	Los Angeles Times	$ 1,235,250
46	Jumbo! The Official Web Shareware Site	$ 1,178,699
47	Attitude Network	$ 1,113,016
48	Stockmaster	$ 1,091,000
49	PC Quote	$ 1,081,666
50	Gamesville - Home of Bingo Zone	$ 1,055,000

Source: Jupiter Communications, 1998 (www.jup.com)

increased from 14 minutes per day in September 1996 to 45 minutes per day in July 1998 (see Figure 1.5).

The online mantra is supported in story after story in the press, with Web addresses plastered on everything and everywhere from billboards to beer bottles. Every movie, sports team, and beverage is marketing online. There is no question that Web advertising is starting to take center stage.

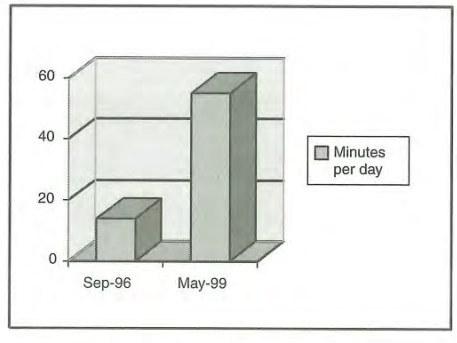


Figure 1.5 AOL member's daily usage 1996–1998.
Source: AOL Company Reports, July 1998

What Is Online Advertising?

Online advertising, like all advertising, attempts to disseminate information in order to affect a buyer-seller transaction. But Web advertising differs from other media by enabling consumers to interact with the advertisement. Consumers can click on the ad for more information, or take the next step and purchase the product in the same online session. Consumers can even purchase products from within Web advertisements.

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 brand imagery. For example, Disney used a black and white spotted background on Yahoo! to promote the release of the remake of *101 Dalmatians* (the ad concept was developed by i-traffic [www.i-traffic.com]).

Web advertising gives advertisers the opportunity to precisely target an audience, enabling them to deliver advertisements that are customized to each user's particular interest and tastes. Other media offer targeting capabilities, but as you'll see later in this book, the Web offers a level of targeting that advertisers can't find anywhere else.

Online Advertising and Traditional Advertising Vehicles

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? 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 ad 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 the ad to get to other sites and more information. Some banners even allow consumers to take an action (like playing a game) without leaving the ad—a huge difference between banners and billboards. With a Web ad, an advertiser can measure exactly how many times a banner was clicked. Unless the billboard is a direct response campaign with a special phone number, there usually isn't an accurate method for determining how many people respond to it.

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. If a magazine advertisement resembles editorial text, the magazine will place a banner across the top identifying the text as a "special advertising section." On the Web, banner advertising corresponds to the print model with its clearly recognizable borders.

Current screen real estate for banner advertising is limited—usually less than 10 percent of the viewable area. However, as you'll see in Chapter 2, Web advertising is not merely banners, and it is not always clearly identified as advertising; it can actually be quite difficult for a consumer to differentiate between advertising and editorial.

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

Should a Web ad be more like a TV commercial? Some think so. The idea of an ad commanding the entire screen has inspired the development of ad models that are more dynamic and intrusive, as will be discussed in Chapter 2.

Cable television advertising. Cable television traded the reach and frequency of broadcast TV for better access to niche audiences. The cable audience is more upscale and extremely attractive to advertisers. Increased targeting has lead to specialized commercials with targeted and provocative messaging. Like cable, the Web offers many targeted ad buys, in addition to the buys that allow for massive reach.

Direct marketing. From direct mail to telemarketing, 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 Internet's innate accountability has led advertisers to take a direct marketing approach to the Web—specifically, basing their campaigns on their cost per response.

Internet Advertising—A Definition

Defining Internet advertising has almost become a sport within the industry. At first people defined it in terms of whatever industry they came from. If a person came from cable, then Internet advertising was like cable. If a person came from print, then Internet advertising was like print. Then the debate shifted to whether Internet advertising was more like traditional advertising, which focused on building brand awareness, or direct marketing, which sought to generate leads or execute sales.

The days of always having to compare the Internet with TV, cable, or print for credibility are over. This either/or definition has shifted to one of overlap and inclusion. Internet advertising is the convergence of traditional advertising and direct response marketing (see Figure 1.6).

The AOL advertising team takes the definition one step further. "We don't look at Internet advertising as just brand building or direct marketing," says Steve Keenan, VP of marketing and operations at AOL. "You can have branding like TV, radio, print. You can also get vast amounts of information to people like print or direct marketing. And you can also make a transaction happen; it's just like going to the store or calling an 800 telephone number." For AOL, Internet advertising is the convergence of branding, information dissemination, and sales transactions all in one place.

Internet Advertising

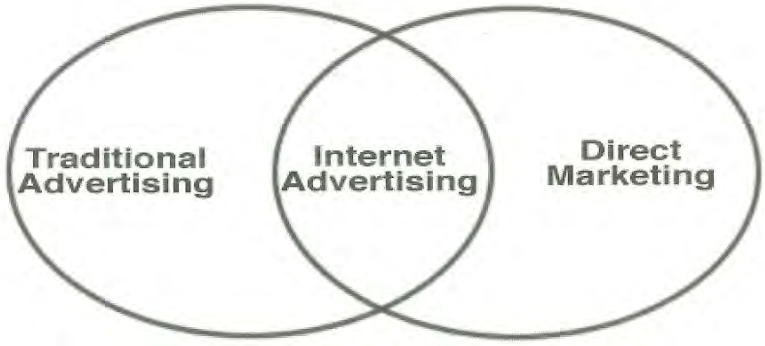


Figure 1.6 Internet advertising is the convergence of traditional advertising and direct response marketing.

Source: 1999 The Zeff Group (www.zeff.com)

The Online Advertising Advantage

Online advertising holds four distinct advantages.

Targetability

Online advertisers have an entirely new range of targeting capabilities They can focus on users from specific companies, SIC codes, or geographical regions and nations, as well as by time of day, computer platform, and browser. They can target using the databases that serve as the backbone of direct marketing. They can even target based on a person's personal preferences and actual behavior.

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 measure the response to an advertisement (through the number of times an ad is clicked on, the number of purchases or leads an ad generated, etc.), 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 2. This is a big difference from print, where an ad cannot be changed until a new edition of the publication is published; or TV, where the high costs of ad development make frequent changes prohibitive.

Interactivity

An advertiser's goal is to engage the prospect with a brand or product. This can be done more effectively online, where consumers can interact with the product, test the product, and, if they choose, 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 immediately. If the consumer likes the software, he or she can purchase it right then and there. No other medium moves the consumer from information seeker to purchaser friction free.

A Short History of Online Advertising

The history of online advertising spans a very short period of time, from the launching of the commercial online service Prodigy, through the so-called spam wars, and to the coming of age with the launch of HotWired, originally 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 experiment in this area; the other commercial online services shied away from incorporating advertising into their content mix. CompuServe went online in 1979 but did not sell its first sponsorship until 1995. Likewise, America Online (AOL) did not start addressing advertising seriously until the fall of 1995. Today, many members of Prodigy's original online advertising sales team head up advertising sales efforts at the top sites.

Setbacks: The Spam Wars

As Prodigy was testing advertising within the 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. Such unrelated and commercial posts, as well as unsolicited commercial e-mails, became known as *spam*. Spam was disruptive to the discussion group, polluting the topic of conversation, and often resulted in large volumes of e-mail complaints, known as *flames* sent to the spammer and his Internet Service Provider (ISP).

Although Canter and Siegel did receive requests for green card assistance as a result of the posts, the resulting outrage hurt the firm's reputation within the online community. Canter and Siegel's ISP crashed 15 times under the flood of 30,000 flames in only 18 hours. Their ISP subsequently canceled their account.

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

Acceptance

The Canter and Siegel spam wars occurred just before *Wired* magazine launched HotWired (www.hotwired.com), a Web property with an advertising business model. Fearing backlash from the cyberspace community, HotWired reduced the on-screen 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 launched its site on October 27, 1994 (see Figure 1.7). Its inaugural sponsors represented a cross-section of the advertising community, from such blue chip advertisers as AT&T and IBM to Pepsi's alcoholic beverage Zima.

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

Although HotWired hoped to profit from its advertising sales, it did not begin with a dedicated sales force. Instead, it used the national sales force for its print magazine *Wired*. This proved satisfactory because there were only two agencies buying the vast majority of online advertising: Modem Media (now Modem Media Poppe Tyson [www.modemmedia.com]) and Messner Vetere Berge McNamee Schmetterer (www.mvbms.com). Together, the clients of 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 significance 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.

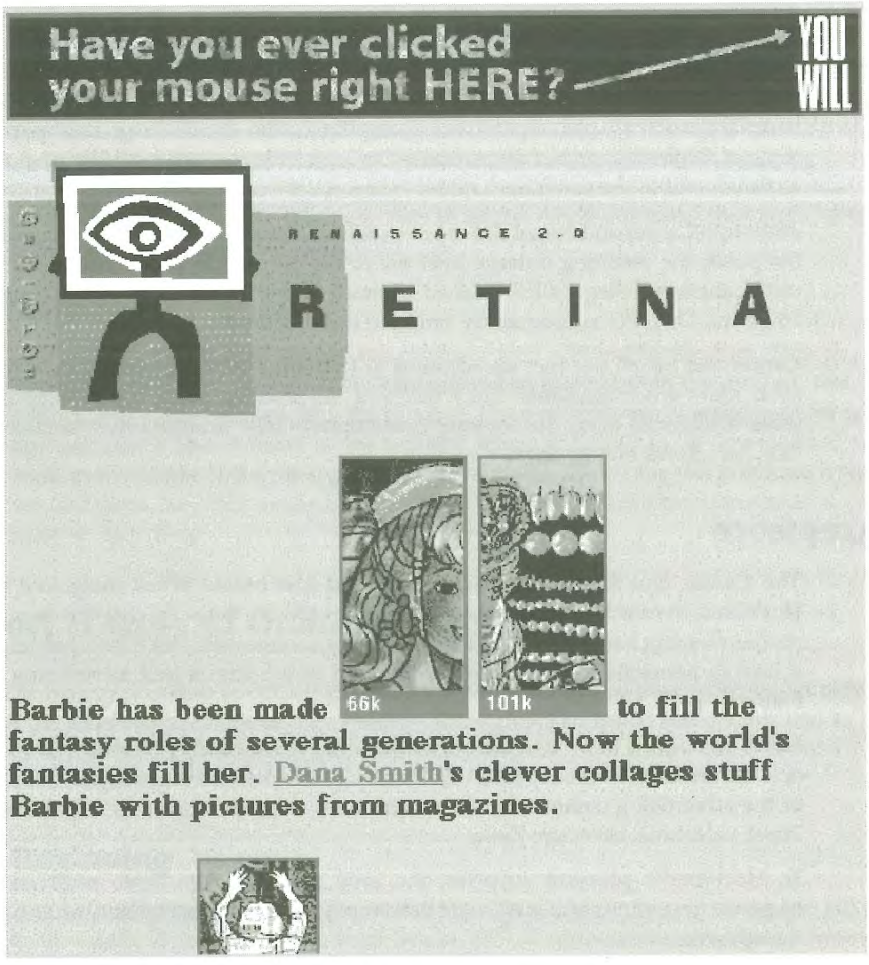


Figure 1.7 First banner ad on HotWired.
Source: HotWired (www.hotwired.com)

Word (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 hundreds of thousands of sites that accept advertising.

Wake Up, It's a Mass Market

From 1994 to 1996, some of the major advertising agencies on Madison Avenue maintained a wait-and-see attitude toward the importance and viability of Internet adver-

tising. The joke used to be that the mantra on Madison Avenue was "wake me when it's a mass market." Madison Avenue is awake now.

Over time there have been pivotal events that have cemented a medium's place to a particular decade in the history of communication. For the 1920s, it was the radio delivering Calvin Coolidge's State of the Union addresses into the home. In the 1960s, it was the televising of the Nixon-Kennedy debate that completely changed politics and campaigning. And for the Information Age of the 1990s, the pivotal event will surely be the release of the Starr Report, where over a two-day period 24.7 million unique visitors used the Internet to view the text of the report. And the Start Report even became an advertising issue, because sites sold ad space next to this high-traffic-generating content.

The Internet started out as a medium used primarily by the infamous early adopters, those consumers who will spare no expense to have the latest electronic or computer gizmo. However, in 1998 the number of current users started to extend into mass market turf. Indeed AOL, with its 15 million users and climbing, is in the same league as TV mass marketing heavyweights (see Figure 1.8). Correspondingly, Internet users accept online advertising as they do advertising on all other media.

A report conducted by Opinion Research Corp. International in 1998 found that Internet brands such as America Online, Yahoo!, and MSNBC are recognized by at least half of America's adults, with brands such as Netscape, Amazon.com, and Priceline recognized by at least a quarter of U.S. adults. "The most valuable real estate in the world is screen real estate," says Brewster Kahle, president of Alexa Internet.

Critics

Online advertising is not without its critics (see Table 1.5). There are several software products that block ads and promote themselves as speeding up Web page download time. These products include JunkBuster (www.junkbuster.com), @tGuard

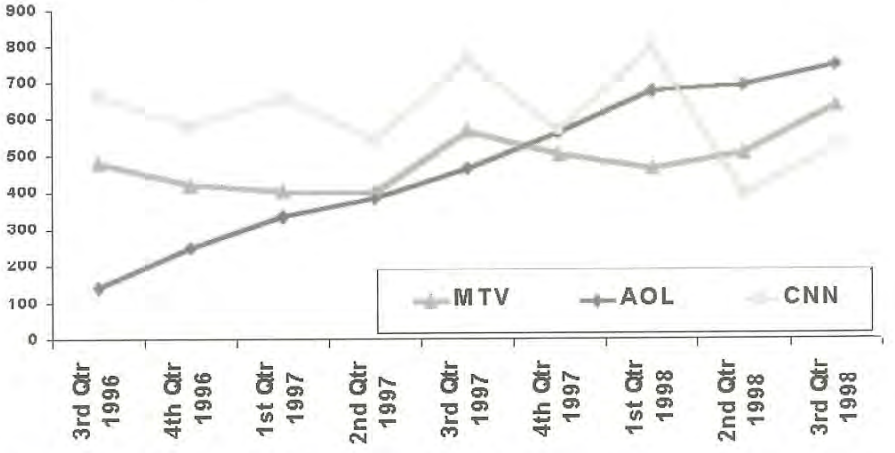


Figure 1.8 AOL is now in the same league as TV mass market heavyweights.

Table 1.5 Web Advertising Opinions

	DISAGREE	AGREE
Advertising is needed to keep content free	11%	53%
Targeted ads are fine if site or ISP doesn't give out my info	18%	50%
Web ads are less obtrusive than direct-mail offers	23%	43%
Web ads are less obtrusive than TV commercials	24%	43%
Would pay extra to subscribe to site without ads	37%	22%
ISPs should be able to sell subscriber lists, like magazines do	61%	16%

Source: 1998 INTECO survey of 2,500 U.S. adults.

(www.atguard.com), and WebWiper (www. webwiper.com), to name a few. Fortunately, these products are not taking off as vigorously as advertising. The online audience understands that there is a price to pay for free access to content, and that price is advertising support. Besides, the average consumer does not find Web advertising irritating enough to warrant taking the time to download and install software to block the ads.

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 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 that make advertising on the Internet work.

It is important to note that in the online advertising world, the line between the buyers and the sellers is narrow: Many publishers buy ads to promote their Web sites, and advertisers develop Web sites to promote their products.

The Sellers

The Web is now made up of hundreds of thousands of sites and the numbers are growing each minute. Young entrepreneurs, many of them college students with free Internet accounts, developed the first sites. Other early players were those folks ready to embrace technology or who looked to the Web as a place to express themselves.

Web Site Publishers

Today, major publishers are media companies. Some sites are produced by a single company, like Washingtonpost.com, which is the online version of the *Washington Post*

newspaper (www.washingtonpost.com). Other sites represent different channels of interest and are owned by one parent company such as Microsoft's Expedia (www.expedia.com) or Carpoint (www.carpoint.com). Still others are joint projects of two or more companies—for example, MSNBC (www.msnbc.com) is a joint project of Microsoft and NBC.

In 1997, AOL was limping into the advertising arena. But in 1998 alone, AOL had signed up more than 400 advertisers, with as many as 55 spending in excess of $1 million annually a piece. "Whether you're 6 or 60, we want you on AOL," says Steve Case, AOL Chairman. AOL hopes to sell advertising that targets a number of demographics—not simply the technically savvy males who were the majority of early Internet users. And though AOL was not the early leader in accepting advertising on online services, it currently dominates the advertising landscape.

Sales Channels

In the seller's camp, the key players are indeed the publishers, who produce the sites with advertising space to sell; but the facilitators of the sales are equally important and include ad networks, representation firms, and ad auctions that sell advertising for the publishers.

Ad networks. To assist sites in generating revenue from advertising, ad networks have formed to sell advertising. The ad network represents a slate of sites serving as a sales force for publishers who participate in their networks. These networks benefit the publishers by providing an aggressive and experienced sales force. 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. In addition, advertising agencies are often more willing to meet with a network rather than have dozens of meetings with individual Web site publishers.

Representation firms. Sites with advertising to sell can hire a firm to sell the ad space on their behalf.

Auctions. Publishers can offer soon-to-expire ad space on the auction block for quick sale. There are also ad networks that allow publishers to sell their excess ad inventory in real time.

The Buyers

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

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 1998 reads similarly to the list of top

publishers for that year (see Tables 1.3 and 1.4). Indeed, those with the most to gain from the growth of the Web invest the most money.

In 1998, one of the largest consumer advertisers in the world, Procter & Gamble, moved from the sidelines into the headlines. Procter & Gamble hosted a conference in Cincinnati to bring together major global advertisers, online publishers, interactive advertising agencies, leading technology companies, and others to discuss the best means to accelerate the growth and development of online advertising. Titled the Future of Advertising Stakeholders (FAST) Summit (www.fastsummit.com), the two-day meeting focused on three guiding principles:

> FAST will focus on developing action plans that accelerate the development and use of digital advertising models that are both effective and consumer-acceptable in order to enable interactive digital media to become more available, more useful, and more enjoyable for the end user/consumer.
>
> FAST must be driven by committed advertising, media, and technology firms determined to help achieve win/win solutions for the entire industry.
>
> FAST efforts will focus on both broadening acceptance of the current state of the space (through effective knowledge sharing) as well as accelerating the development of breakthroughs that will more rapidly enable its future potential.
>
> (Source: www.fastsummit.com/pages/index.cgi/principles)

The historic event resulted in the formation of the Fast Forward organization (www.fastinfo.org), a broad-based Internet industry coalition formed to accelerate development of online marketing with such committees as consumer acceptance, ad models, measurement, and media buying. Even more importantly, this event brought the major brand advertisers to the table to commit to investing in the Internet as an advertising medium, making advertising on the Internet part of every brand's marketing mix.

Interactive Agencies

The link between the advertiser and the publisher is often the interactive agency. 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.

In 1994, Ed Artzt, CEO of Procter & Gamble and president of the American Association of Advertising Agencies (a.k.a. 4As), 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 cyber culture, to make Web advertising a vehicle that worked.

Following in the tradition established by former P&G CEO Artzt, Denis Beausejour, vice president of advertising at P&G in 1998, proclaimed that in ten years there would be two kinds of agencies: digital agencies and dinosaur agencies.

Today's interactive agencies have their origins in 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 their companies full-service operations later. Agencies that came from the world of direct response marketing reacted to the Web's remarkable ability to serve as a direct marketing vehicle. 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.

These early roots are quickly becoming a distant memory, as traditional advertising agency giants try to catch up. Some have set up interactive departments within the company. Others have spun off their own interactive shops. And others have merely acquired the expertise. Whichever the case, traditional ad agencies are now in the interactive business, trying to regain their attractiveness with advertisers as full-service providers.

Advertising Infrastructure

A service and software solution infrastructure has formed to provide the tools to help publishers and advertisers deliver results through Internet advertising.

Traffic Measurement

The Internet's keen ability to conduct in-depth measurement of Web site and advertising activity has given birth to an entire measurement industry that includes the counters, the auditors, and the comparative measurement researchers. Today, Web publishers can measure everything that occurs on a Web site and everything that occurs within a Web ad. In other advertising media, measurement is based on sample. On the Web, however, measurement is done by census, every impression is counted.

Targeting and Personalization

Targeting and personalization are key advantages of Internet advertising and essential components of the advertising infrastructure for publisher and advertiser alike. The targeting and personalization software companies are central to the online advertising industry.

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, reporting, and billing—all the 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 ad models that are in use today and being developed for tomorrow.

It's That Simple. It's That Complex.

Tom Lix, President/CEO (tlix@newmarket.net)
NewMarket Network (www.newmarket.net)

The Internet is just like anything else, like print, like television, like radio, like billboards, like the insides of a book of matches. Except for one thing. People can talk back. They can have a conversation. They can ask questions. They can complain. They can compliment. They can suggest. And, they can demand. Not only "can" they do all these things, but they "will" do all these things and more, much more.

As marketers we've always talked about communicating with our customers, even in recent years when the mantra of "1 to 1 marketing" appeared. But in reality, we never really communicated with our customers. Rather, we talked "to" them—sometimes as a market, and sometimes as an individual—but always talking "to" them, not with them.

The Internet is changing all of that. While most people don't admit it, I'd venture a guess that most people in business are scared to death (by the way, my advice is, get over it real fast).

So here's the deal. Embrace this dialog; use it to your advantage and to your customer's advantage. Be willing to listen to all the problems, face the tough questions, deal with the irate customers, and use it to improve (just do it quickly).

Consider advertising as a means to talk with, not at your customers. Advertising is no longer a means to define or obfuscate your brand. It is no longer a manageable device to communicate "selected" attributes and benefits. Advertising is certainly not a simple tool to carefully portray or reinforce an image that "you" want to deliver. The Internet means we have to talk with our customers. We have to listen to them. We have to respond to them.

The Internet also means our customers not only talk to us, but they talk to each other quickly and in numbers that you never imagined. The old adage about dissatisfied customers telling ten of their friends is now about telling thousands. Traditional advertising just won't be adequate anymore. The only thing that will suffice is an open, honest dialog with our customers. It's that simple. It's that complex.

CHAPTER 2

Online Ad Models

The first form of Web advertising was the Web site itself. But as the Web became cluttered with commercial sites, simply building a Web site wasn't enough to reach Internet consumers. Advertisers needed a tool for driving users to their Web sites, and publishers needed a way to pay for their Web endeavors. The first Web advertising models were banners and buttons that resembled the traditional print advertising format by appearing within clearly defined borders. But, the limited screen real estate used for banners and buttons, along with an average click-through rate that is now under 1 percent (according to NetRatings [www.netratings.com]) inspired the development of new, more obtrusive types of Web advertising. In this chapter we'll examines the many advertising models used on the Internet today.

Web Site as Ad

For many companies, the first foray into Internet advertising was building a Web site. These sites were usually built because the company thought the Web was "cool," having a Web site would make the company look "hip" or the company was too afraid not to have a Web site and appear behind the competition. The first sites ran the gamut from "brochureware," which was nothing more than print material reproduced online, to the opposite extreme—a site that employed every technological and design feature available.

Both tactics were disappointing in failing to deliver results and caused advertisers to rethink their use of corporate Web sites. Brochureware didn't take advantage of the depth of information that could be presented in a user-friendly manner through the Web,

and so-called cool sites became prohibitively expensive to produce and lacked a clear objective other than showcasing new technology. Consequently, advertisers began to produce Web sites that contained product information potential customers actually needed. Web users are looking for information; when a person visits a company's Web site, that person expects product information. Buyers of large-ticket items—especially lifestyle items like cars and homes—usually want as much information as possible. This is not to say that advertisers are no longer trying to make these sites interesting and fun, but they are not investing hundreds of thousands of dollars in Web sites designed only to entertain and not educate the users on their wares. Web sites are required to fulfill clear business objectives.

Companies are learning to develop innovative Web strategies that move a potential customer from browser to buyer. For example, on the Cadillac site (www.cadillac.com), a consumer can plan every aspect of buying or leasing a new Cadillac through an interactive showroom. In the showroom, the consumer chooses the model of the car she is interested in and then the screen presents an image of that car. From that point, the user decides on the options she wants—from exterior color to interior design. Each time she chooses a feature, the sample car is redrawn on the screen to include the newly chosen option. After the user has composed her perfectly outfitted model, she is provided with a suggested retail price as well as financing options. From there the user can locate a dealer in her area. All of this is done in the comfort and privacy of the user's home; there are no set hours and no pushy car dealers.

Sometimes the product itself isn't conducive to a heavy information type site and a humorous approach works well. One of the first to succeed at this strategy was the Ragu spaghetti sauce site (www.eat.com). The site centers around Mama, the woman behind Ragu. The site offers humorous stories from Mama, interesting background information on Italy, and Italian lessons where Web-surfing parents can learn phrases such as "Clean your room, or no spaghetti for you tonight." The Ragu site was an instant hit receiving high traffic and tremendous publicity for blending content with the type of irreverent humor that the Internet audience adores.

The tradition of blending humor with information has progressed and we now have sites that are witty, informative, and successful. A good example of this genre is the Web site for the radio program Car Talk (www.cartalk.com). The Car Talk site uses irreverent humor to discuss the trials and tribulations of persistent car problems (see Figure 2.1a) as well as responding to letters from their audience (see Figure 2.1b). The site was designed and developed by Public Interactive (www.publicinteractive.com).

We're learning that brand credibility is most successful when the information offered is kept in context and on topic. An outstanding example of this is the site for Tide detergent, titled The Tide Clothesline (www.tide.com). One might think that there is little compelling content to place on a Web site for a laundry detergent. However, the designers of Tide kept clear of kitsch and instead came up with site features that have a high value to their customers. They start off by giving laundry tips and time-saving suggestions and then move on to one of the most valuable features of the site: "The Stain Detective" (www.tide.com/stainDet/) (see Figure 2.2). This page is a search

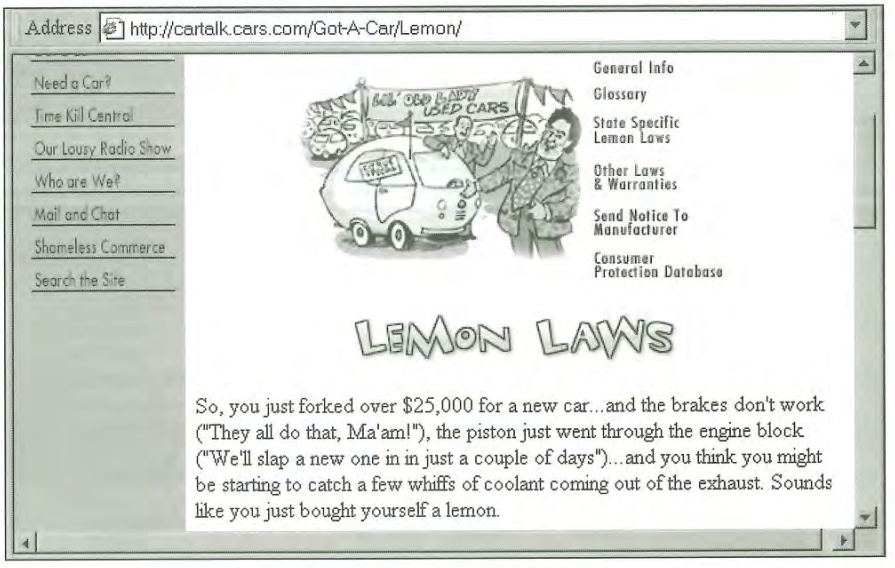


Figure 2.1a The Car Talk site uses humor to provide a wealth of information about "Lemon Laws."

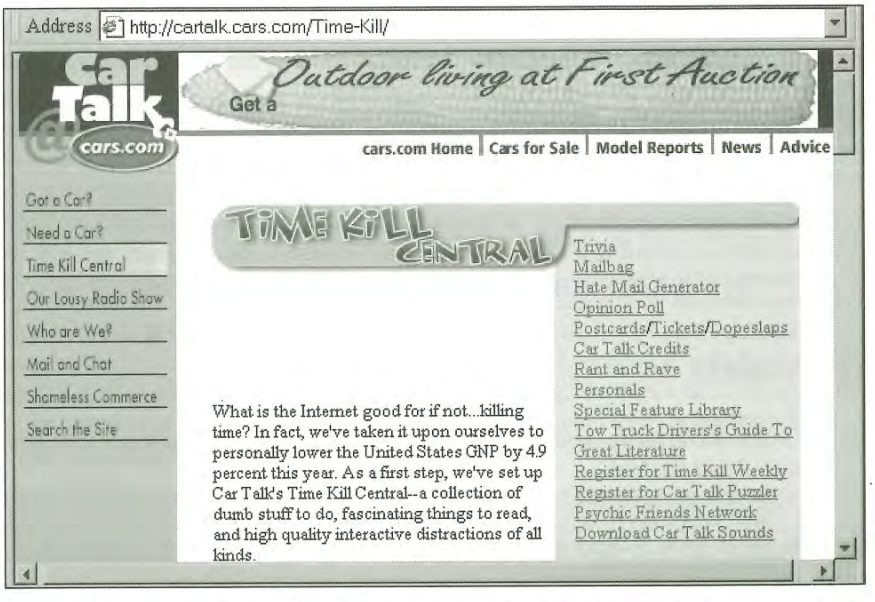


Figure 2.1b Humor goes a long way in branding the Car Talk style of interacting with their customers.



Figure 2.2 Tide adds value to its site through its Stain Detective feature.

engine providing extremely useful stain removal information, making the Tide site a valuable resource based on its own content alone.

Although our discussion has focused on Web site advertising, some brand/product sites fulfill other functions such as customer service. The Federal Express site (www.fedex.com), for example, does an excellent job of servicing its customers by offering package tracking; in that way, the site is an excellent tool for building brand loyalty and creating an image of a highly advanced delivery service—not to mention that the online service represents savings to the company (see Figure 2.3).

Ad Models

Online advertising models make use of the Internet's two most popular applications: e-mail and the Web.

Advertising via E-mail

What is the first thing people do after connecting to the Internet? They check their e-mail. Although e-mail is the most widely used Internet application, and an effective advertising vehicle, it is often overlooked by advertisers. When marketers hear about e-mail marketing, they often scoff at the idea, calling it spam. *Spam*, which is unsolicited



Figure 2.3 Federal Express makes customer service and ease of use top priorities.

e-mail messages and advertisements, is a dangerous marketing tactic that we do not recommend. However, there are many effective ways to use e-mail advertising, which we will discuss now, as well as in the next chapter, which covers Internet direct marketing.

Sponsoring Discussion Lists and E-mail Newsletters

An e-mail newsletter is a publication created by a business or individual and then sent out to people by request. An e-mail discussion group, on the other hand, is made up of "conversations" that subscribers are having on a particular topic. Anyone who wants to contribute to the discussion sends a message to a moderator or an e-mail address that automatically sends the message to all subscribers. Most good e-mail discussion lists have a moderator who reviews all of the messages and decides which are appropriate to be sent to the entire list. This protects the list members from being inundated with irrelevant or unintelligible posts.

In most cases, subscribers to e-mail discussion lists can choose between receiving each message individually or receiving digests (compilations of all messages sent each day or week). There are currently thousands of niche discussion lists and newsletters on every subject imaginable. Table 2.1 lists directories of e-mail discussion lists and newsletters.

E-mail discussion lists and newsletters offer inexpensive and effective advertising opportunities for reaching a niche market. Advertisers can sponsor e-mail discussion lists for a week or month at a time.

Table 2.1 Directories of E-mail Discussion Lists and Newsletters

DIRECTORY	URL
Yahoo List	(http://dir.yahoo.com/Computers_and_Internet/Internet/Mailing_Lists/Web_Directories/)
Liszt	(www.liszt.com)
Reference.com	(www.reference.com)
eGroups.com	(www.egroups.com/index.html)
The List of Lists	(http://tile.net/lists/)
Publicly Accessible Mailing Lists	(www.neosoft.com/internet/paml/)

The benefit of sponsoring a discussion group or an e-mail newsletter is that it reaches a precisely targeted audience. Participants are not casual surfers checking out the content of a particular Web site; they are people who have taken action to subscribe to the list.

E-mail newsletters and discussion groups can be delivered as pure text or as HTML files, which allow messages to look like Web pages. Whether or not the recipient of the newsletter receives an HTML version depends on two things. First, the user needs to be using e-mail software that can read HTML e-mails. Second, the sender has to send HTML e-mails. Figure 2.4 shows an e-mail newsletter with text formatting, and Figure 2.5 shows an e-mail newsletter with HTML formatting.

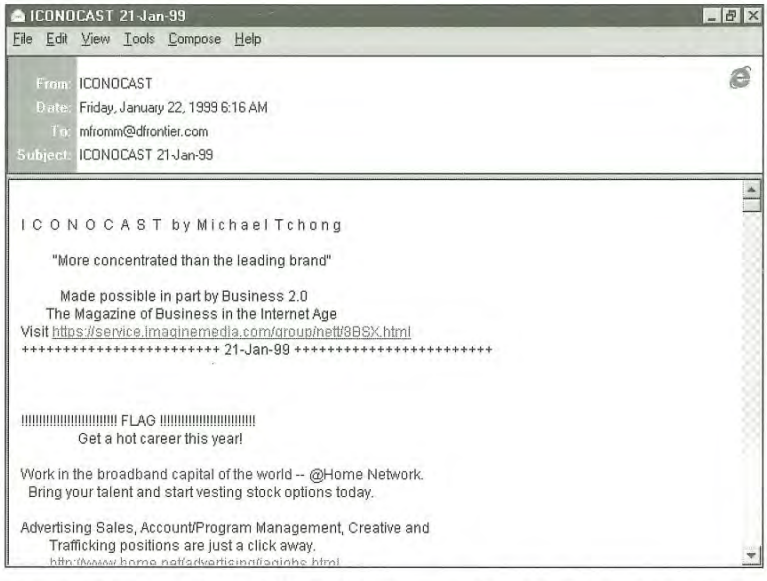


Figure 2.4 E-mail newsletter in text format. This is the beginning of the ICONOCAST e-mail newsletter.



Figure 2.5 E-mail newsletter as HTML, from ClickZ.

Tips for Maximizing the Usefulness of E-mail Sponsorships

Only sponsor moderated lists. This increases the likelihood that your ad will not run alongside (and therefore be associated with) irrelevant posts to the list.

Be introduced. If you're sponsoring a moderated discussion list, ask the moderator to send out a note to the list introducing you as the sponsor. This tip comes from Richard Hoy, moderator of the Online Advertising discussion list (www.o-a.com). Figure 2.6 shows an example of a note that Hoy sends to his list to introduce a new advertiser.

Request multiple placements. In many cases an advertiser is the sole sponsor of a particular publication. If this is the case, the publisher of the list cannot place any other advertisers in the newsletters or discussion list posts that you sponsor. So, why not ask for multiple placements? Have different variations of your ad run in the beginning, middle, and end of the e-mail. You've just tripled your chances of getting a response.

Make an offer. Your ad is surrounding content that people want to read. A strong offer from a discount to a special give away will entice people to take action.

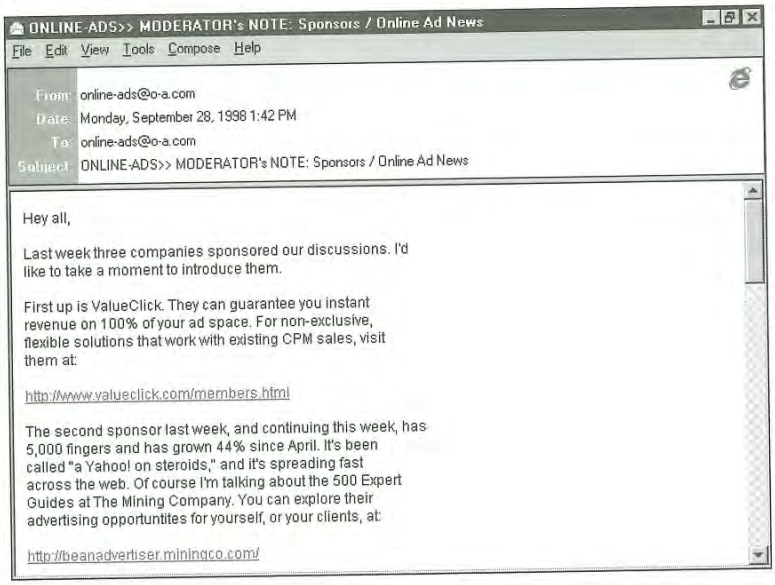


Figure 2.6 A note to the Online Advertising Discussion List sent by moderator Richard Hoy to introduce new advertisers.

When advertising in a text e-mail newsletter, the advertiser can know the total number of people who receive the e-mail message, because the sender can track exactly how many e-mails are sent. However, it is impossible to know how many people actually read the sponsorship text in the message. This is for two reasons. First, some people subscribe to a lot of newsletters and discussion groups that they don't read, because there isn't enough time in the day. And second, many people forward e-mail to others actually increasing the list's circulation. Another consideration is that in a text e-mail newsletter, an advertisement is plain text limiting the advertising to only a certain number of characters to convey its message. See Figure 2.7 for an example of a text sponsorship.

When you're sponsoring HTML e-mail, you can run the same banner and button advertisements that you run on the Web. Figure 2.8 shows an e-mail newsletter from Andover Update. This is an example of a banner ad within an HTML e-mail newsletter. There are benefits to sponsoring an HTML e-mail newsletter rather than a text newsletter. For starters, you can use a graphical advertisement, which will attract more attention than a text advertisement. Also, you'll know how many times the e-mail newsletter with your ad was opened. Every time an HTML e-mail is opened, the graphics are pulled from the publisher's ad server. By looking at the number of times your banner was pulled from the ad server, the publisher can give you an indication of the reach of your advertisement. (Text-based e-mail newsletters cannot provide this information, since they do not pull files from the server when the impressions can be counted.) On the

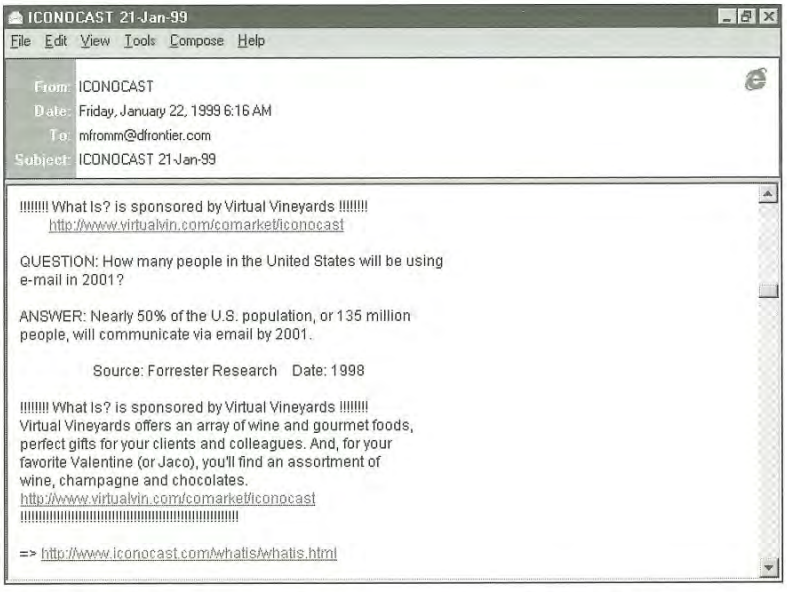


Figure 2.7 Virtual Vineyards e-mail sponsorships of ICONOCAST.

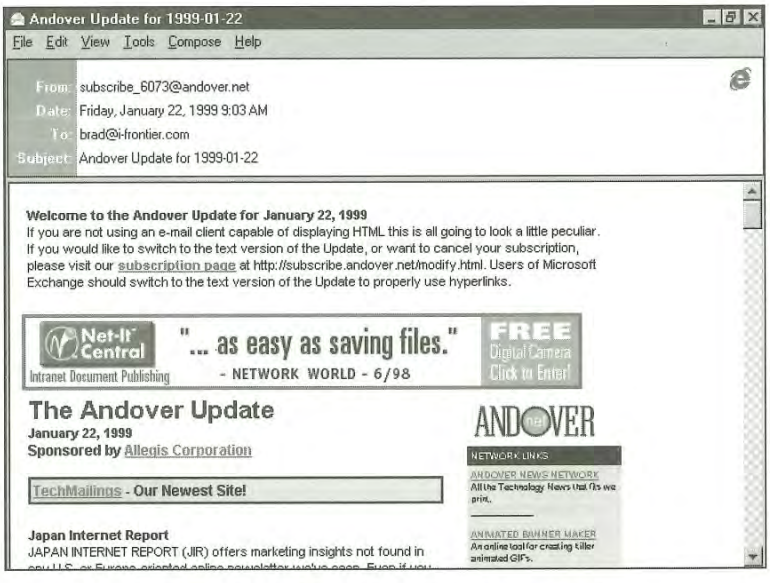


Figure 2.8 Example of an HTML ad in an e-mail newsletter.

other hand, HTML e-mail newsletters can be as cluttered as Web pages, making your ad less noticeable than an ad in a text-only newsletter.

Direct E-mail

In addition to sponsoring discussion lists and e-mail newsletters, which usually give the advertiser only one or two lines of copy, advertisers are using direct e-mail. Early attempts at direct e-mail took the form of spam. Although companies are still using spam, it has proven to deliver extremely poor results (not to mention causing people to hate companies associated with spam). Acceptable direct e-mail advertising is sent to folks who have requested e-mail solicitations on a particular subject. A more thorough discussion of direct e-mail is provided in Chapter 3.

Ad-Supported E-mail

Companies like Hotmail (www.hotmail.com), shown in Figure 2.9, Juno (www.juno.com), and USA.Net (www.usa.net) were some of the first marketers to offer free e-mail access to people who would use their e-mail readers, which display paid advertising. Now, most of the search engines and many additional Web sites offer free e-mail. For a list of free e-mail providers, you can visit:

http://dir.yahoo.com/Business_and_Economy/Companies/Internet_Services/E-mail_Providers/Free_E-mail/

Most of these services require users to visit their Web site (and therefore have Internet access) to use the free e-mail. The exception is Juno. Juno provides complete Internet e-mail access (from the software to the dial-in connections) to anyone with a Windows-

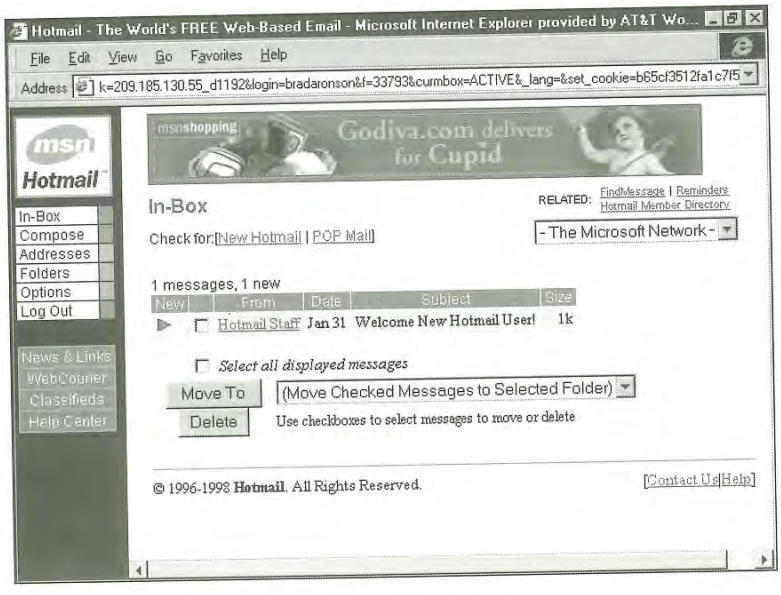


Figure 2.9 Hotmail interface and advertisements.

compatible PC and a modem. No other software or Internet access is needed. To set up a Juno account, all a user must do is complete a demographic survey. And, of course, advertisers can target based on the answers. When the user sends and receives e-mail, Juno advertisements rotate on a timely basis (see Figure 2.10).

Advertising via the Web

The bulk of online advertising is occurring on the Web. The Web, with its audio, video, and interactive capabilities, provides tremendous opportunity for effective and creative ad development.

Banners

As we mentioned in Chapter 1, Web advertising began with banners, those rectangular graphics located on Web pages (Figure 2.11 displays a banner ad on PriceSCAN). Banners come in a range of sizes, but are usually around 7 inches wide by 1 inch deep or 468 × 60 pixels (see Figure 2.12 for a graphical representation of the standard banner ad units). Although advertisers and publishers have been saying that advertising must go "beyond the banner," this format currently receives the vast majority of Web ad spending and will continue to be a Web advertising staple for the foreseeable future.

The industry has now come to realize that we need banners; the key is to learn how to build better banners. There are three primary categories of banners: static, animated, and interactive.



Figure 2.10 Juno interface and advertisement.

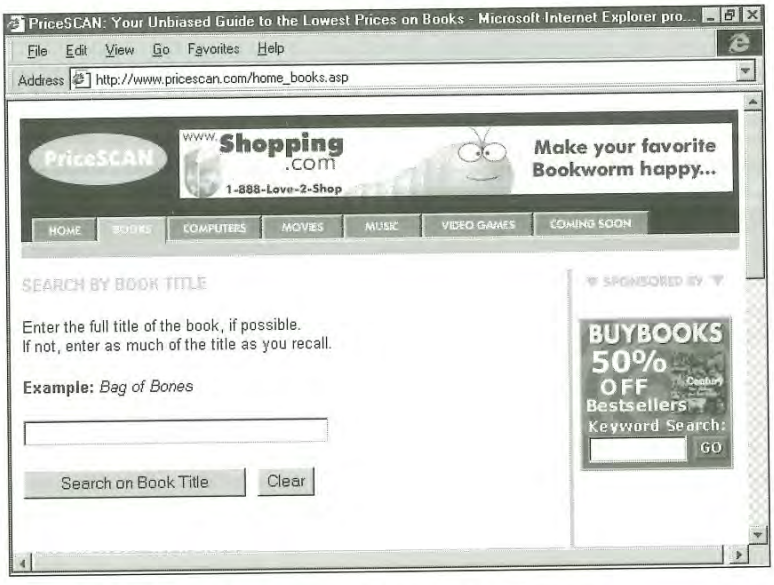


Figure 2.11 PriceSCAN displaying a banner advertisement.

Static banners. Static banners are fixed images on a site and were the first type of banner used in the early years of Web advertising. The advantages of a static banner are its ease of production and its universal acceptance by all sites. Its drawback is that with all the new innovations in banner ad technology, a static banner looks stale and boring. Additionally, static banners generate less user response than animated and interactive banners.

Animated banners. These are banners that move or spin or have some form of action. They most often use GIF89 animation, which operates like the old flip books full of consecutive images. Most animated banners have from 2 to 20 frames. Animated banners are extremely popular, and with good reason. Animated banners pull higher click-through rates than static banners. With multiple frames, an animated banner can deliver more information and graphical impact than a static banner. Moreover, this type of banner is relatively inexpensive to produce and small in size, usually under 15 kilobytes.

Interactive banners. When the call rang out for better banners, the interactive banner emerged. Interactive banners serve to engage the user in some way, either by playing a game, inserting information, answering a question, pulling down a menu, filling out a form, or making a purchase. These are ads that require direct interaction, which is more involving than a mere "click." Interactive banners are divided into two types: HTML and Rich Media.

HTML banners. HTML banners are a low tech option that allows the consumer to enter data into the banner or make a choice from a pull-down or radio button menu

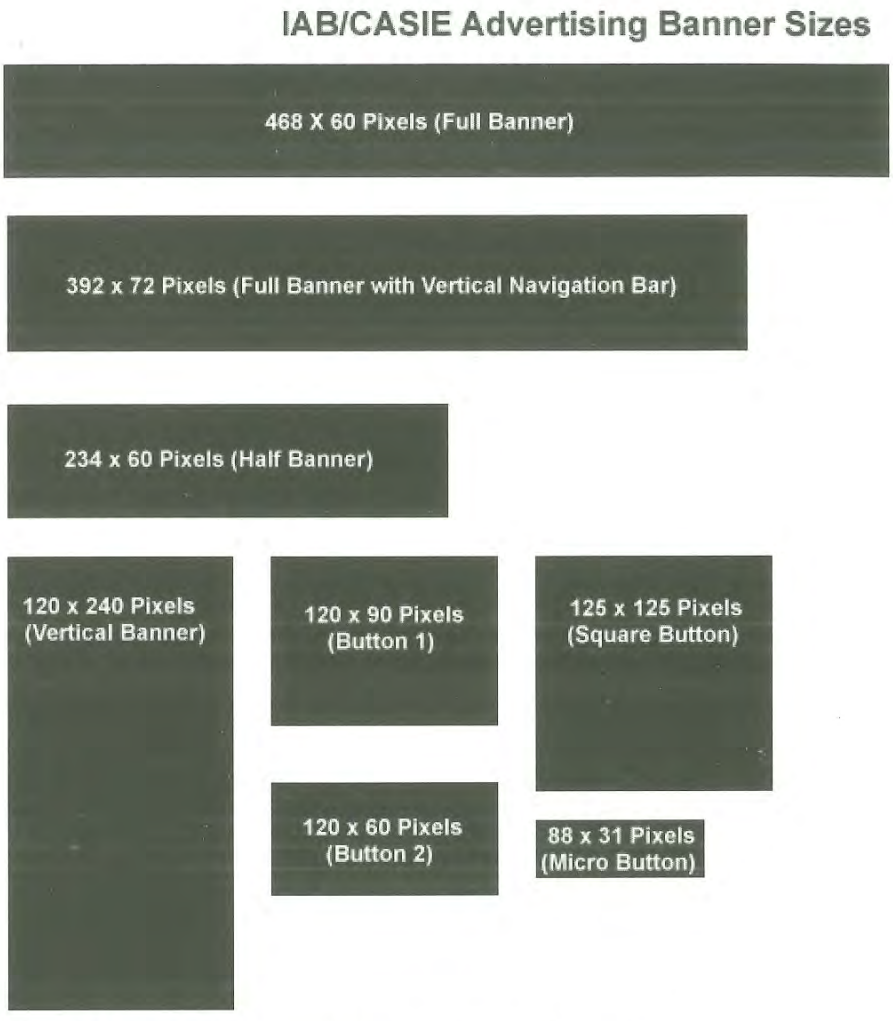


Figure 2.12 Graphical representation of the standard banner ad units.

within a banner. In our experience, HTML banners have had much higher response than animated banners. HTML banners allow a user to get involved: to choose which section of the site to visit, or to ask a question in the form, or to participate in a game (see Figures 2.13 and 2.14 for examples of HTML banners). This type of banner can be seen by a user with a low speed connection and an early version of a browser. The banner requires a few additional steps on the site's part to serve it up, but is quickly receiving broad acceptance.

Rich media. This is the incorporation of advanced technology into the banner ad itself.

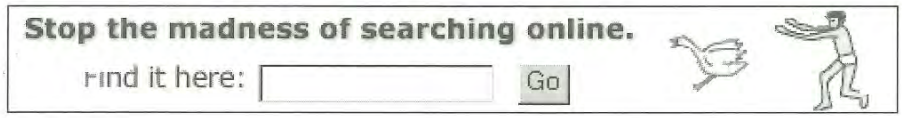


Figure 2.13a This is an HTML banner for the Internet portal site 4anything.com. The banner's text plays on the frustration of searching online and the graphic ties into 4anything's television advertising, which compares searching on most portals to a wild goose chase. In this advertisement, the user can type a search query into the banner, instead of having to click on the banner and start searching after arriving at the site. See Figure 2.13b to see what happens after a search query is entered.

Rich Media Banners

When we wrote the first edition of this book, push (discussed later in this chapter) was the hot topic that everyone was discussing. As of the writing of this book, rich media is the current craze. Tom Hespos, media manager of K2 Design, defines rich media as: "any new technology that allows for either a more detailed advertising message to be presented, or for a higher level of interactivity than you might get in a standard GIF banner." Rich media is considered higher bandwidth advertising that delivers more of a brand impact than a GIF-animated banner advertisement.



Figure 2.13b After typing in the query, the user goes to a search results page. This example is the search results page for "finance."

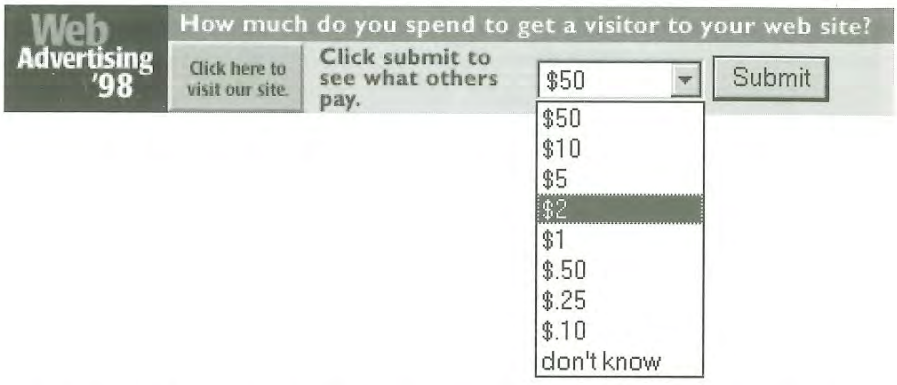


Figure 2.14a This banner asks the question that is on the minds of many media buyers: "How much do you pay to get a vistor to your Web site? After the media buyer chooses an answer from a pull-down menu, she goes to a page that is a real-time tabulation of all the answers so far. Response rates can be high in a banner like this, because it allows for user interactivity.

Rich media banners allow a consumer to complete a transaction within the advertisement without ever leaving the publisher's Web site. A consumer usually visits a Web site to read the content, which makes it difficult to lure the consumer away—even with an enticing banner. However, if an advertiser can make a great offer in the banner, and

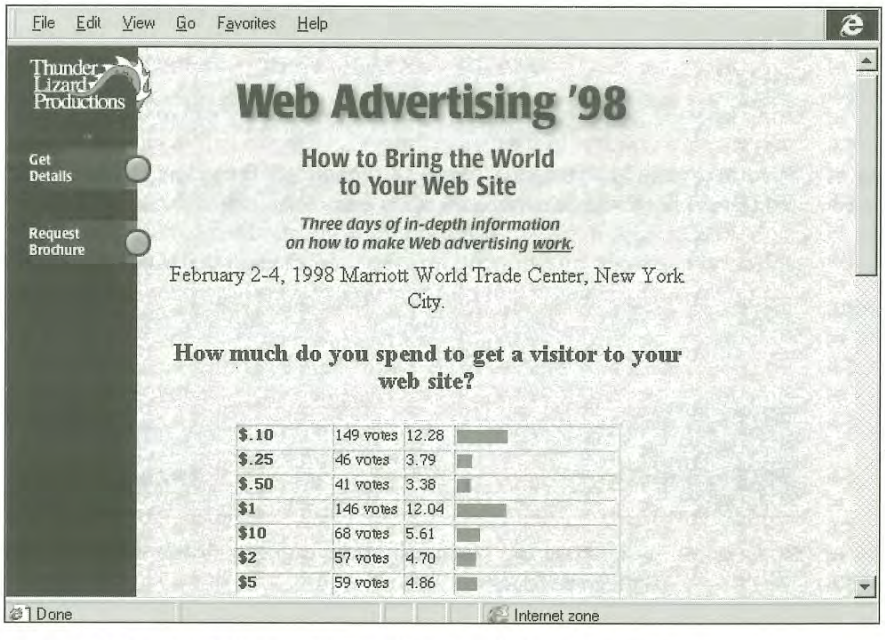


Figure 2.14b This is the results page that a media buyer receives.



Figure 2.15 The Hewlett Packard Java pong game ad.

the consumer can complete a transaction or receive the entire advertising message through the banner without leaving the Web site, it seems logical that the consumer will be more responsive. One of the early rich media banners used java programing to bring its banners to life and was developed for Hewlett Packard. The goal of the ad was to deliver the message: "HP is a high tech company that is on the cutting edge." To convey this message, HP didn't need to drive traffic to its Web site. HP created a banner advertisement that was actually the game Pong (see Figure 2.15). Consumers could play the game within the banner, which contained the HP logo. To our knowledge, HP's ad was the first banner that contained a game. The game was incredibly popular, and HP's target audience spent a lot of time playing this game and thinking about how "cool" HP was.

Java ad banners can also allow consumers to order a product from within the banner. This feature is ideal for taking advantage of consumers' impulse-buying habits by facilitating the entire buying process from the banner ad itself. Figure 2.16 is the Java banner for 1-800-FLOWERS that allows customers to order Mother's Day flowers directly through the banner ad.

Rich media as a general term is used to denote ads that make use of advanced technology. Let's look at some of the technology used to enhance banner ads.

InterVU

Using InterVU (www.intervu.com) technology, a banner can display a short video clip from within a window in the banner. InterVU calls this its V-Banner. The looping video clips are usually 3 to 5 seconds. Despite the quality of the video, advertisers have found that InterVU banners can increase response rates; probably, this is because a video banner has the potential to stand out more than an animated banner. InterVU hosts these high bandwidth ads (and content) for Web publishers so that the publishers don't have slowdowns on their sites when a lot of people request high-bandwidth, rich media ads. Figure 2.17 shows an InterVU V-Banner for Cobra Golf. The right side of that banner has a video clip of a golfer swinging.



Figure 2.16 1-800-FLOWERS ad that allows consumers to order Mother's Day flowers through the banner.

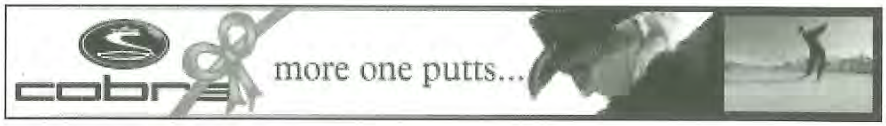


Figure 2.17 InterVU V-Banner ad for Cobra Golf.

Another good example of an InterVU banner is the one that was developed for the movie *Air Force One*. The looping video on the right side of the banner catches the viewer's attention. The video certainly stands out more than any of the animated GIFs that might be on the page competing for the user's attention. It is important to note that InterVU banners are GIF banners that include a video portion. The video takes more time than a GIF to load. This means that even when users leave the site before the video in the ad has loaded, they will still see the GIF ad.

RealAudio and RealVideo (www.real.com)

RealAudio and RealVideo (www.real.com) technology allow vibrant audio and video to be incorporated into the banner. Advertisers can use a variety of combinations of audio and video in these ads. For example, an advertiser can have the banner play audio when the a is downloading or after it is clicked. Figure 2.18 shows a RealAudio/Video ad developed by Modem Media.Poppe Tyson for Reebok. In the middle there is video of Allen Iverson playing basketball (something sure to attract the attention of surfers of NBA.com, which is where this ad ran). There is also audio of him talking about basketball with a commentator. The combination makes it enticing for a user to click through on the ad.

Narrative Communications' Enliven Technology

Narrative Communications' Enliven technology (www.enliven.com) delivers a small Java applet allowing for transactions to be completed within a banner.

Figure 2.19 is a Hewlett Packard Enliven ad. This ad allows users to print out spec sheets for HP's LaserJet 3100. Figure 2.20a-b shows an Enliven ad used by Eddie Bauer. This ad allows a consumer to order from within the banner; the order is tied directly into Eddie Bauer's system.

One of the benefits of an Enliven ad is that surfers can complete a transaction (requesting something or even making a purchase) without leaving the content site, encouraging the consumer to buy on impulse. However, these banners can take a long time to load. Some publishers have even complained that ads like Enliven slow down their site. In any event, as the technology to make the downloads faster improves, this will be a great means of making banners more interactive.

Macromedia's Flash

Macromedia's Flash (www.macromedia.com/software/flash) is a series of audio-visual players that allow a user to view streaming content, which means the user can



Figure 2.18 Reebok's RealAudio/Video banner ad.

see the ad as it is downloading instead of having to wait for the entire ad to download before seeing anything. Because the content is streamed, it doesn't take long to download the ad, so a banner ad that utilizes Flash will have more animation than an animated GIF that is the same file size. However, a user must have the plug-in to view this ad. As with other rich media ads, the publisher can serve the ad in such a way that only surfers who have the plug-in will receive the rich advertisement, while other folks will receive an advertisement that they can use with their plug-ins and browser.

Thinking Media's ActiveAds

Thinking Media's ActiveAds (www.thethinkingmedia.com/activeads/activeads.html) allow advertisers to create banner ads with which users can have a high level of interactivity and complete transactions. ActiveAds banners can include features such as secure, in-banner credit card transactions, subscription forms, games, animation, and streaming audio—delivered in a basic "player" file of 5 KB. Thinking Media's Java-based ads can be created with a software developer kit (Sonata). Sonata consists of a number of reusable Java components for such features as text animation, image animation, streaming audio, real-time polls, real-time auctions, subscription forms, frequent flyer miles, SSL credit card transactions, decision trees in-banner, clickable news tickers, games, quizzes, and timers. Thinking Media also provides a tracking feature, ActiveTrack, which reports what happens *inside* the banner: how long a banner was visible to the user on the screen, how much time surfers actually spent on average interacting with it, as well as information specific to tracking an individual banner.

Figure 2.21 is an example of an ActiveAds banner for HomePC. The first frame is an offer for a free issue of the magazine. A user is instructed to drag the sticker to the other side of the banner. This makes the offer pop onto the screen, and then an order form appears. The user can order right from within the banner.



Figure 2.19 HP's Enliven banner, which allows people to print a spec sheet from the banner.



Figure 2.20a Eddie Bauer's Enliven banner presents the consumer with an offer to purchase pants within the banner.

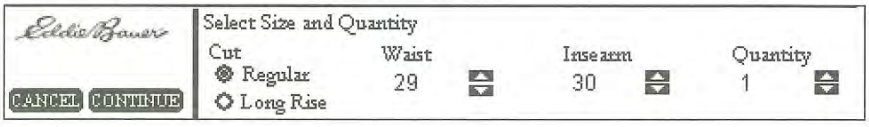


Figure 2.20b After a consumer clicks the banner, he can answer various questions within the banner to complete the purchase.

Figure 2.22 is an example of an ActiveAds banner from CDnow. This ad offers users a chance to win a $10 discount. As you can see from the pictures, users can choose a quiz category and answer the question in the banner. If they get the question right, the banner congratulates them and offers them a discount. If they get it wrong, they are encouraged to "try again." This is a fun banner that encourages people to interact with the advertisement. We think it's great for promoting a brand or service. However, e-commerce advertisers with the goal of selling products should test this carefully. The ad, while it can certainly be great for a branding experience, can create the appearance that there are additional barriers to overcome before simply purchasing a product; users may fear that they have to participate in a game or some other process, when they really want to take advantage of a discount and continue surfing.

Both Sides of Rich Media

Many publishers and advertisers see rich media as the way to get more advertising dollars committed to the Web. These marketers have primarily expressed an interest in using rich media to improve Internet advertising's branding efforts. A banner is usually only the size of six postage stamps, and the file size is usually only around 10 KB. This doesn't leave much space for a message, or much KB size to use video or audio to better convey a message. Marketers often say that TV is much more powerful, because the full motion video and audio allow for more emotional advertisements. Marketers are



Figure 2.21 ActiveAds banner for HomePC.



Figure 2.22a ActiveAds banner for CDnow (introductory animation).

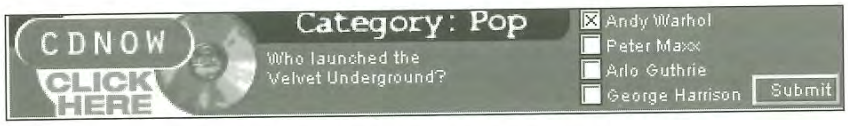


Figure 2.22b ActiveAds banner for CDnow (quiz question).



Figure 2.22c ActiveAds banner for CDnow (discount offer).

hoping that rich media will provide a step towards better branding opportunities through Internet advertising. Rich media's market penetration is growing, as presented in Table 2.2.

Rich media is not without its critics. There are many who feel that since most users still connect to the Internet through low bandwidth, the push toward rich media is premature. AOL, which connects more people to the Internet than any service in the world, refuses to use rich media for this very reason. Some interesting arguments for

Table 2.2 Rich Media Penetration

PLAYER/FILE TYPE	PENETRATION	SOURCE
Java (Director, Flash, Emblaze, Enliven, AdController, Microsites, etc.)	76%	InterVU
QuickTime	86%	Apple Computer
MPEG	80%	Microsoft
AVI	79%	Microsoft
RealPlayer	65%	RealNetworks
Shockwave	20%	Macromedia
Flash	35%	Macromedia
Cosmo Player	20%	Cosmo Software

Source: Rich Media Handbook produced by InterVU, 1998

Beware the Cost of Implementation

High technology banners, which use rich media, can be great for increasing response. However, a lot of time must go into technology-enhanced banners, and we're not just talking about the creation of the advertisements. Getting Web sites to display your advertisements correctly and getting their ad serving software to work with these ads is very time consuming. In some cases we've found that the cost of the additional time actually surpasses the value in the increased responsiveness from the ad.

Another note of warning is that many rich media ads require a user to have a particular plug-in. In those cases you want to make sure an alternative ad is delivered to the users who don't have the plug-in. Otherwise a good number of people may not see anything. Also be sure to check the download speeds of technology-enhanced banners. They're often much slower than is desirable. Keep in mind that few people will wait for an ad to download. To determine the percentage of sites that will take your rich media advertisements, look at Figure 2.23. This chart was created by AdKnowledge from their database of Web sites that accept advertising.

Ad Technology	Accepting Sites
• Active Ads	52
• Enliven	215
• HTML	606
• Java	535
• JavaScript	275
• MicroSites	66
• RealAudio	178
• Shockwave	304
• V-Banner	133
• VRML	87

Data from January 1999.

Figure 2.23 The ChannelSeven.com rich media Report Card provides a summary of Web sites and the rich media formats they accept. This information is provided by AdKnowledge, a directory of Web sites that accept advertising. The data is self-reported by the sites.

Building Better Banners

Advertisers can precisely measure the response to their banner advertisements via the aforementioned click-through determinations. (Chapter 4 has more on Web measurement and tracking.) This tracking capability has led advertisers to continually test new banners to see if they will achieve higher response rates. Here are some hints for creating a responsive banner ad:

Pay attention to placement. Some sites will outperform others for an advertiser. The more focused a site is on the target audience, the better the response. In addition to finding a focused site, advertisers should pay particular attention to finding the best pages within a site. Performance on two pages of the same site can differ enormously. As Kevin O'Connor, CEO of DoubleClick, an advertising network, points out: "The best-performing page on a poor-performing site will outperform the worst page on a good-performing site."

Chart frequency—how often a particular user sees a particular ad. According to research performed by DoubleClick and I/Pro, users are most likely to respond the first one to two times they see a banner ad. Response drops significantly after the second time.

Call to action. Why should users click on the banner? Do they win a prize? Receive a discount? Without a reason to click, there is no incentive for a user to leave a publisher's Web site. The incentive should be relevant to the site on which you're advertising. Obviously, a sports offer will work better on ESPN's Web site than on the Epicurious food Web site. "Free" works well, but you won't always get the most qualified audience.

Add "click here" to your banners. Banners with "click here" consistently pull better than those without. There will always be new users of the Web, many of whom won't know where to click. This may also explain why some advertisements have a better response rate when there is hyperlinked text underneath the ad. Hypertext links signal to even the newest users that something is clickable.

Create a sense of urgency. Give users a reason to "click now."

Do not use too much text. Encourage users to look at the banner with a simple offer and design.

Incorporate animation. The banner is a small portion of the Web page, and there are a lot of other graphics and text competing for a user's attention. Animation makes a banner stand out.

Try HTML and rich media banners. Rich media banners tend to have higher click-through rates. So, if the sites on which you advertise accept rich media, give it a try.

Make good use of colors. Use colors that stand out. These will differ depending on the colors used by the site on which you are advertising.

Rotate banners. Using multiple banners throughout a campaign almost always increases response.

and against rich media are presented in the editorials at the end of this chapter by leaders in the online ad industry: Ali Partovi, product manager and original partner of LinkExchange, and Richard Hopple, chairman and CEO of Unicast Communications.

A nice resource for rich media information is ChannelSeven's TurboAds site (www.turboads.com/index.shtml). This site, which is built for the advertising community, has numerous case studies and information about rich media technologies.

The Branding Power of Banners

The role of banner advertisements is changing. Banner ads used to be used for the sole purpose of getting a Web surfer to click and go to an advertiser's Web site. Consumer responsiveness to banners has been dropping. When we wrote the first edition of this book, the average click-through rate (the number of times someone clicks a banner ad divided by the number of times the ad is seen) was 2 percent. According to NetRatings (www.netratings.com), the click-through rate has been steadily dropping, and, as of this writing, it is below 1 percent. To maintain the effectiveness of their advertising, advertisers and agencies must either negotiate lower rates or find Web advertisements that will supplement banners to increase the overall response to a campaign. Advertisers have realized that they need to get a benefit beyond clicks from their banner ads.

Advertisers are now looking to derive a branding value from their ads. For example, most advertisers do (and all advertisers should) keep at least a corner of their banners for a brand image. This allows advertisers to deliver some sort of a message to those people who don't click! Advertisers have also begun to purchase more sponsorships and advertorials, which allows them to integrate their message or call to action within the content, and, in some cases, to deliver their message without forcing the user to leave the site. Studies, such as those conducted by Millward Brown Interactive (www.mbinteractive) and the Internet Advertising Bureau (www.mbinteractive.com/site/iab/study.html) are showing the strong branding ability of banners. And according to a 1999 study by Ipsos-ASI and AOL, consumers are as likely to remember an online banner ad as a television commercial.

Testing

In the early days of banner development (1994 to 1995), very little was known about the dynamics of banner ads on the Web. The same banner would be sent to every site, though admittedly the list of sites was short. Today, the rigorous testing of banners by advertisers and publishers has helped maximize response rates. Rich Boyce, VP of advertising at HotWired, advises, "Be prepared to test, learn, and evolve. Make adjustments as needed. And remember that a Web advertisement is always a work in progress. It's a continual process of refinement. Unlike a television commercial that once produced is done, with Web advertising, the creative is never done."

One of the benefits of advertising on the Web is the ease, accuracy, and speed with which you can conduct a performance test. Ad management software facilitates real-

time reporting for banner testing. Most banner campaigns begin with several ads that are tested over a 24-hour period before they are refined and tested again. Consequently, the resulting banners used in the full campaign have been well researched for maximum click-through effectiveness. Conducting banner ad testing is relatively inexpensive—a banner ad test costs a few thousand dollars, whereas a test of a TV commercial costs tens of thousands of dollars.

Banners only give advertisers limited space with which to promote their brands or sell their products, so it is essential to make the most of that real estate. No doubt we will continue to see major changes in banner creatives as advertisers strive to effectively use a banner's space. Advertisers will also begin to use other forms of advertising, such as sponsorship (which we discuss later in this chapter), that give them the opportunity to use more online real estate to promote their brands.

Buttons

Buttons are small banner-type advertisements that can be placed anywhere on a page and are linked to the button sponsor. Buttons were embraced by consumers and advertisers throughout the Web faster than banner advertisements—probably because they always led to free downloadable software.

One of the first of these campaigns was the "Download Netscape Now" button. Scott Heiferman, CEO of i-traffic (www.i-traffic.com), helped get that campaign started, and brought a grassroots enthusiasm to the program. The i-traffic team surfed the Web for sites that posted text stating that they were "optimized for Netscape." Hundreds of sites with this listing were contacted by i-traffic and offered a T-shirt if they switched to the button. Hundreds of T-shirts later, the Netscape Now button is a standard on Web sites. If imitation is the greatest form of flattery, button campaigns are flattering indeed. Proof positive is that the Microsoft Internet Explorer launch had a strong "download button" component.

The benefit of buttons, especially download buttons, is that they are simple in what they offer. A person clicks on a download button because he or she wants to download the software immediately. And, since the Web community is a strong market for software, buttons have resulted in millions of software downloads.

Buttons can also help advertisers build brand awareness. The ubiquitous Download Netscape Now button not only led to large numbers of software downloads, but also helped familiarize Web users with Netscape and establish it as the first leader in browser market share.

Buttons are commonly used as a way to have a constant presence in specific Web content without paying the high fee of banner advertisements. Figure 2.24 shows a Lycos page with two buttons: one for CDnow and one for barnesandnoble.com. These ad placements work well for the publisher and the advertiser. The publisher can offer advertisers button ads on every page of the site. This builds a nice brand awareness for the advertiser, and with the correct offer, these buttons can generate high response



Figure 2.24 Button ads for CDnow and barnesandnoble.com go down the right column of the page.

rates. The publisher can have multiple buttons on a page (since they don't take up a lot of space) and still have 100 percent of the banner inventory left to sell. To increase the response rate of button advertisements, advertisers often include text specific to the content alongside the button. For example, Figure 2.25 shows a button ad for Amazon on Yahoo! Above the button ad there is always text related to the search performed by the user. In this case, the Yahoo! search was for "goats" and the text above the button reads, "Buy Books on Goats." This type of customization based on the user's search query will significantly increase response rates.

Some button advertisements are large enough that they are the most noticeable advertisement on the page. Figure 2.26 shows a page from PriceSCAN (a price search engine). The button advertisement stands out more than any other element on the page. Not surprisingly, PriceSCAN said that their button advertisements are in higher demand than any of their other ad units. In general button advertisements are good for publishers because it gives them additional inventory to sell—another ad unit on each page. Of course, this has to be balanced with issues of page clutter and number of ads, both of which can reduce advertising effectiveness.

Text Links

Text links are some of the least intrusive, yet most effective advertisements. In the online advertising industry most of the commotion is related to finding new ways to

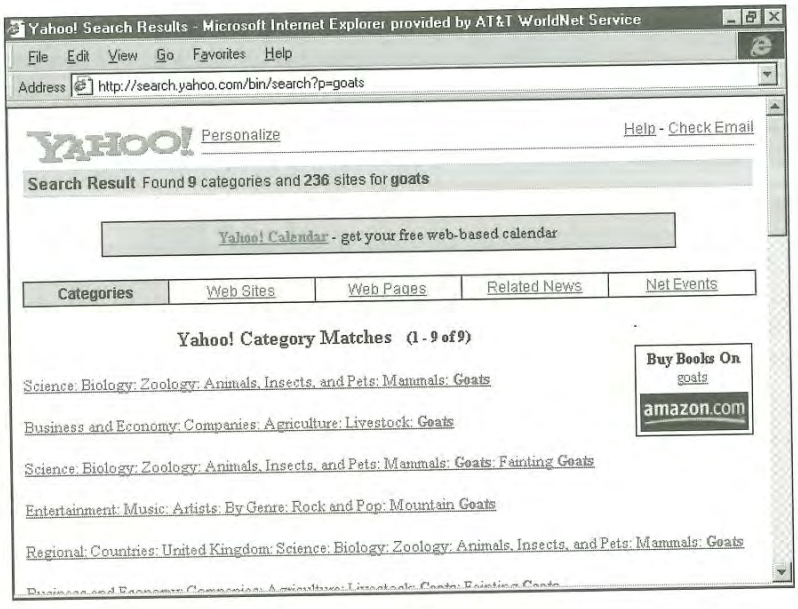


Figure 2.25 Button ad on the right for Amazon.com with customized text on Yahoo!

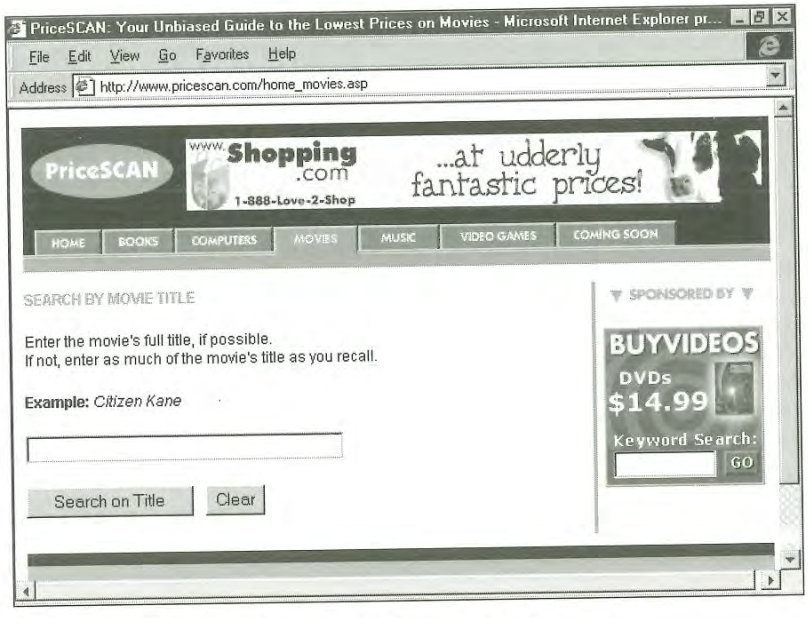


Figure 2.26 PriceSCAN identifies its button ads as sponsors.

advertise at a higher bandwidth. However, sometimes the least bandwidth-intensive and simplest of advertisements can be most effective.

One example of a text link is Figure 2.27. Here you see an AltaVista search that was performed for the keyword "superman." To the right of the search results is a text advertisement paid for by the bookseller Amazon.com. The advertisement tells users to go to "Books about superman." Amazon has the text link change to match whatever search the user performs. The power of these text ads is that they can be tailored to any search a consumer performs on AltaVista; this would be impossible through a banner campaign. As we mentioned in the previous section, a button ad along with a text ad can also be very effective.

Another text link example is from the search engine Lycos. Lycos sells a text link that will appear as the first search result when someone performs a search. In Figure 2.28 we have performed a search for allergy medicine "Claritin." The text ad that pops up says, "Bullseye! The Claritin relief zone." This is a paid advertisement from Claritin even though it looks very much like it's the first text listing that Lycos found, rather than an ad.

Many folks in the online ad industry believe that this is a compromise of editorial integrity. We believe it will become commonplace as Web sites search for more advertising revenue streams and advertisers search for more effective means of reaching consumers.

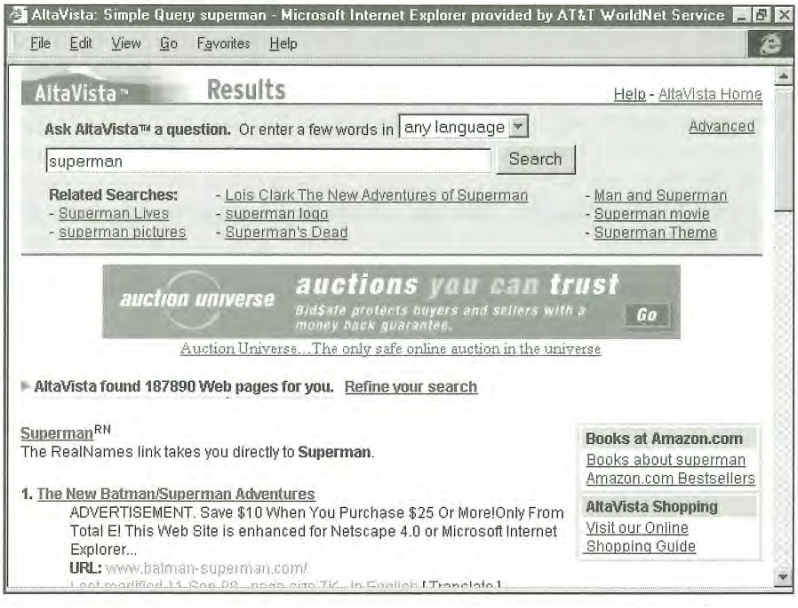


Figure 2.27 A text ad from Amazon.com on AltaVista.

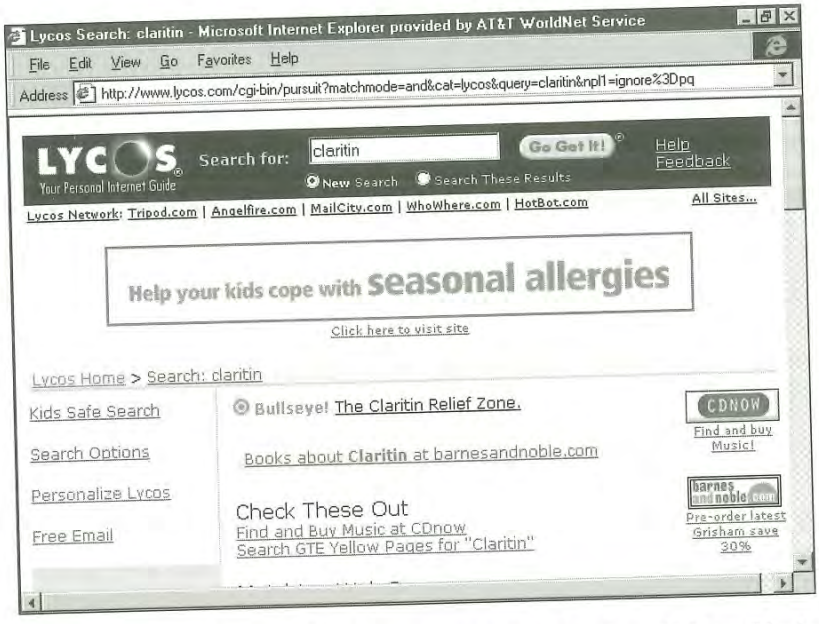


Figure 2.28 The "Bullseye" text ad on Lycos for "The Claritin Relief Zone" looks very much like editorial content, which is why it is so effective.

Some sites sell text listings as one of their main advertising staples. One example is the Year 2000 Web site (www.year2000.com), which is published by the Tenagra Corporation. This site is a comprehensive resource for people who have to deal with the computer problems that will be caused by the Y2K. If you look at Figure 2.29, you'll see the extensive amount of text link advertisements that they sell; all of the listings on the left side of the Web page are paid advertising. These text ads serve as a resource for Web site users; folks visiting the Web site want to find computer companies that address the Y2K problem. If this resource list had been in a graphical format rather than a text format, it would have been much more difficult to use. This is, in effect, a directory like Yahoo!, but all listings are purchased.

Sponsorships

Sponsoring a Web site can take many forms, most of which lead to placements that are beyond typical banner buys. Sponsorships allow an advertiser to have a successful ad campaign without necessarily having to drive traffic to its Web site. Consumers trust the brands that they visit repeatedly to get information. So, delivering your message within such trusted brands can often make that message more powerful. Indeed, sponsorships are on the rise.

An early, very effective sponsorship (an example from the first edition we couldn't possibly remove; it's one of our favorites) was Dockers' sponsorship on HotWired. HotWired was able to smoothly integrate Dockers' content into its Dream Jobs

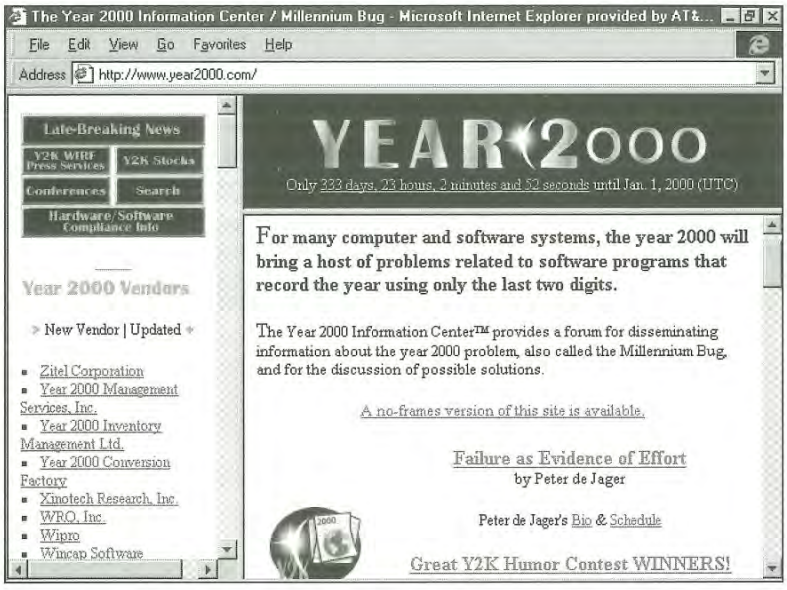


Figure 2.29 The Year 2000 Web site has text advertisements running down the left side of the page.

(www.dreamjobs.com) Web site. (Dream Jobs has since been fully integrated into the HotWired Web site.) Dream Jobs lists employment openings that are considered ideal for its hip, technologically savvy audience. Next to the job descriptions is a meter that rates the jobs based on the dress code. The meter includes the categories "cut off khakis," "stone-washed khakis," and "monkey suit." Dockers clearly conveys a message: Dockers are cool—at cool jobs you can wear them. Levi's doesn't need to drive anyone to the Dockers Web site to succeed with this campaign.

Many sponsorships relate to a specific aspect or feature of a site. Chapstick, a product associated with both cold and hot weather, sponsors the Intellicast Weather site (see Figure 2.30). Charles Schwab sponsors the personal stock tracker on Excite (see Figure 2.31). Excite lets users create their own home pages. Users can choose to have a number of stock quotes appear on their home pages. Those quotes will then appear as stock tickers incorporating advertisements for Schwab. This is a perfect placement; if a user sees that the stocks he is tracking are rapidly moving, he can click the Schwab link to open an account and start trading. Schwab is targeting folks at the point where they will be likely to switch from an imaginary portfolio to actual trading.

Advertorial

An advertorial is a sponsorship that looks more like an editorial than like an advertisement. In print publications, advertisements that resemble editorials have a clear



Figure 2.30 Chapstick sponsorship on the Intellicast Weather Site.

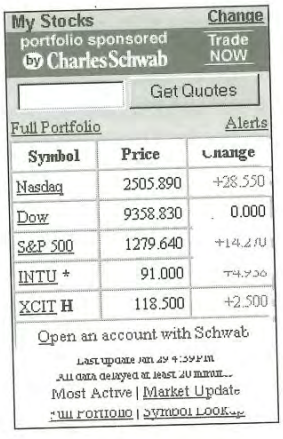


Figure 2.31 Charles Schwab sponsorship of the stock ticker on Excite.

label that usually reads something along the lines of "special advertising section." On the Web, there is usually no clear indication that advertorial areas aren't editorial

Because consumers trust editorials, advertorials will often have a higher response rate than other Web advertisements. However, advertisers must be careful not to create a negative brand impression by causing consumers to feel deceived; they clicked on something that looked like editorial content, only to discover that it was actually an ad. (Publishers also need to be careful. You don't want to upset your greatest asset: the people who visit your Web site.) Advertorials will be very effective if they deliver the content a consumer expects to receive. On the other hand, if the consumer does not receive that content, the ads will backfire and probably cause a negative brand impression.

A great advertorial example is accessed when a user conducts an Infoseek search for the keyword "health"—and a link to go to the "health news and info" area on Infoseek appears (see Figure 2.32). This area has various text listings, including "Conditions A-Z" and "-in-depth reports" on specific problems. These all look like editorial links, but the links go to OnHealth (www.onhealth.com), a health site that advertises on Infoseek.



Figure 2.32 Results of a Search on Infoseek using the keyword "health."

Another example comes from Better Health (www.betterhealth.com, see Figures 2.33a and 2.33b). One editorial option on the Better Health site is "Skin care options for aging skin. . . ." Clicking on the link takes the user to a co-branded site that is actually sponsored by Renova, a product to help aging skin. The benefit to Renova is that it gets the credibility of teaming with the respected Better Health site, which already reaches its target market.

Push Technology

Advertisements delivered through *push* technology are sent (usually with content) directly to a user rather than waiting for the user to appear. Push technology includes e-mail, which was already discussed in a previous section of this chapter. The push technology explored here includes other systems that enable Web users to sign up to receive information broadcast to their computers.

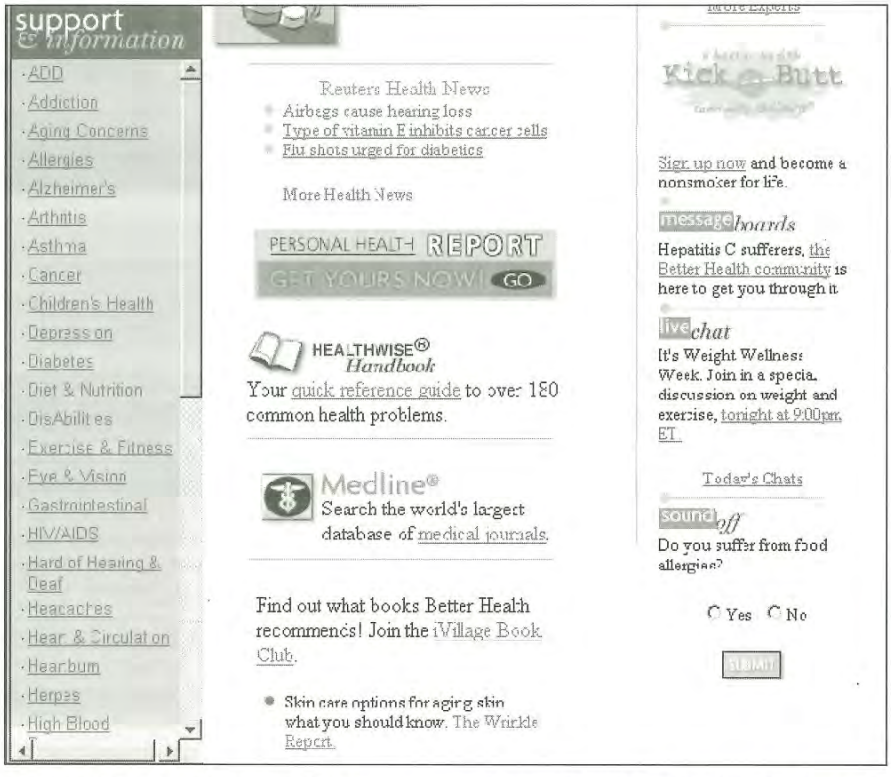


Figure 2.33a Renova text ad on the bottom of Better Health for "The Wrinkle Report."

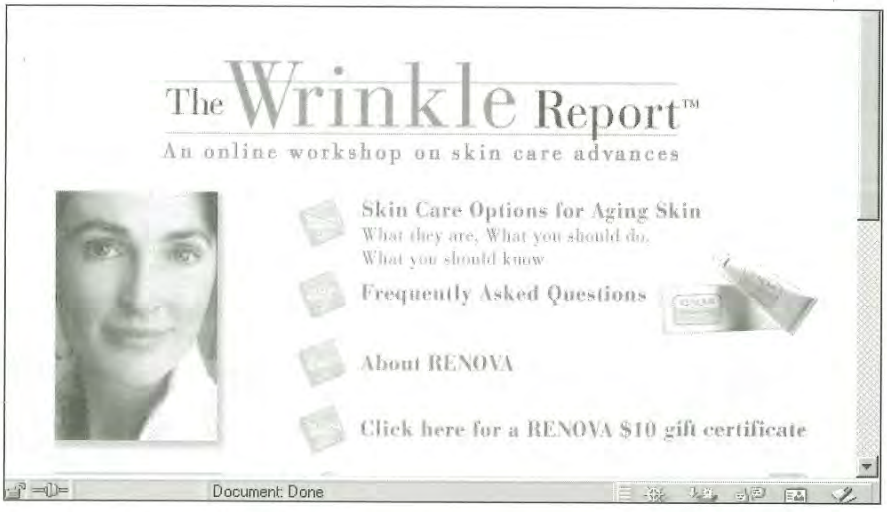


Figure 2.33b "The Wrinkle Report" is a Renova co-branded Web site on Better Health.

PointCast (www.pointcast.com) is one of the many players offering push technology. After downloading the PointCast client (software), users can request that PointCast send them news updates on specific topics. When they register, consumers choose what types of information are of interest to them (stock quotes, news headlines, etc.). Then, when the consumer's computer is idle, a PointCast screensaver appears, containing the information the consumer requested, along with advertisements. This system works best when the computer is always connected to the Internet, such as with a direct connection. But it can work on a dial-in basis.

The main problem some advertisers have with PointCast is that the ads only appear when a computer is idle, and an idle computer often means that the monitor is not being watched. On the other hand, the ad could be seen by many more people in the same office.

Interstitials

Interstitials are advertisements that pop onto the screen and interrupt users. They are sometimes called "pop-ups," "e-mercials, or "intermercials." This ad model is similar to television ads in that the ad interrupts programming. Interstitials come in different sizes (taking up all of the screen or only pieces) and with different levels in interactivity, from static to fully animated productions. Users can sometimes dismiss the interstitial by clicking out of it (which they can't do with television ads), but there is no warning as to when the ads will appear or reappear.

Advertisers like the prospects of using interstitials because these advertisements are sure to be noticed. Indeed, every AOL user can attest to the fact that one can't help but notice the static pop-up ads that greet the user upon opening AOL (see Figure 2.34).

Some interstitials give advertisers an opportunity to use animated or full-motion video (full-motion video is usually limited to interstitials delivered through push vehicles). Advertisers certainly have a better opportunity to get their brand message across when they are not competing with anything else on the screen and can use more images and screen real estate (see Figure 2.35 for an example of an interstitial advertisement).

The downside to interstitials is that publishers and advertisers need to be very cautious not to upset consumers. The Internet began as a medium for the free exchange of information, and at the beginning, there were no advertisements. There's a small minority of people who feel that the commercialization of the Web is bad and that all advertising is bad. Those aren't the people we worry about (unless they're your target audience). We worry about the average consumers who are accustomed to controlling their Web experience; they choose what sites to visit and what to click. These consumers are often upset and bothered that a site and advertiser will force them to see an interstitial. To avoid this, many sites are now using interstitials that are daughter windows (small windows that pop up over the browser and only take up 1/8 of the screen).

Here are some rules that will help ensure that your interstitials don't upset consumers:

Choose sites already using interstitials. Interstitials usually have the best response when they're placed on a site that has run this type of advertisement in the past; con-

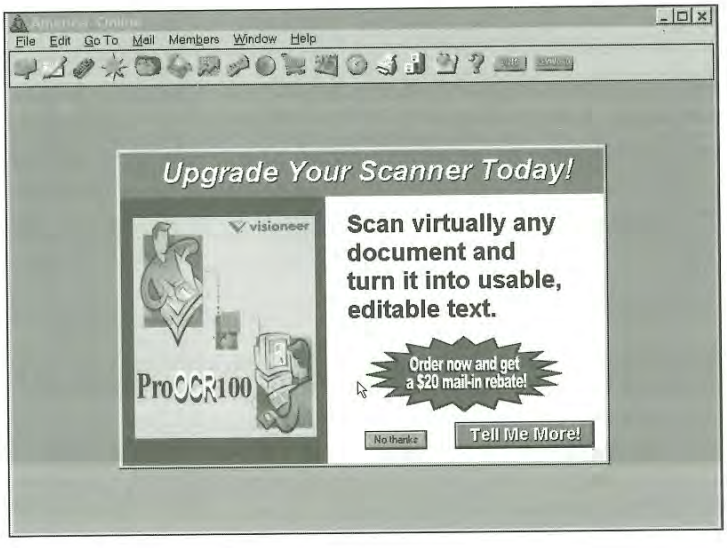


Figure 2.34 Pop-up ad on AOL.

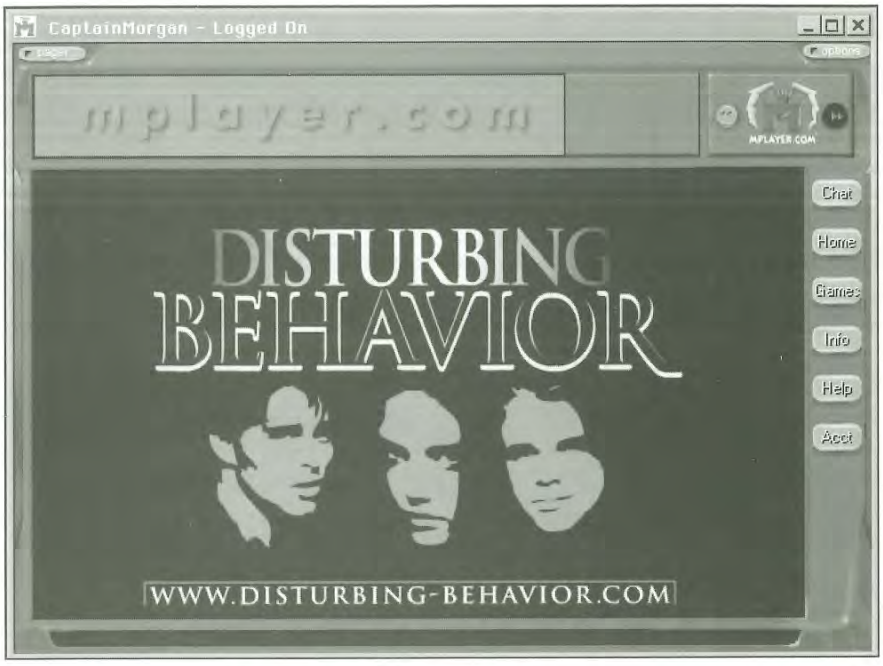


Figure 2.35 Interstitial for the MGM release of the movie *Disturbing Behavior* using MPath technology.

sumers are expecting them. For example, consumers know that Berkley Systems' "You Don't Know Jack" Web site has had interstitial ads since its inception, and interstitials are accepted there.

Try interstitials that are smaller than a full page. These are less obtrusive than a full-page interstitial and seem to be better received by consumers. These small pop-ups take only a quarter of the page and appear in a separate window on top of the browser.

Use interstitials when a user's screen would otherwise be idle. The interstitial shown in Figure 2.36 appears while software is downloading. This eliminated negative feelings about the ad, because it was not preempting any content; it appeared while their screen was idle.

Interstitials can be interactive. Unicast (www.unicast.com) is being used for some exciting interactive campaigns, from sample requests (see Figure 3.12) to other transactional pop-ups.

The interaction can be made into a game, as happens on BoxerJam, a game show site (www.boxerjam.com) where users actually compete against each other in a format

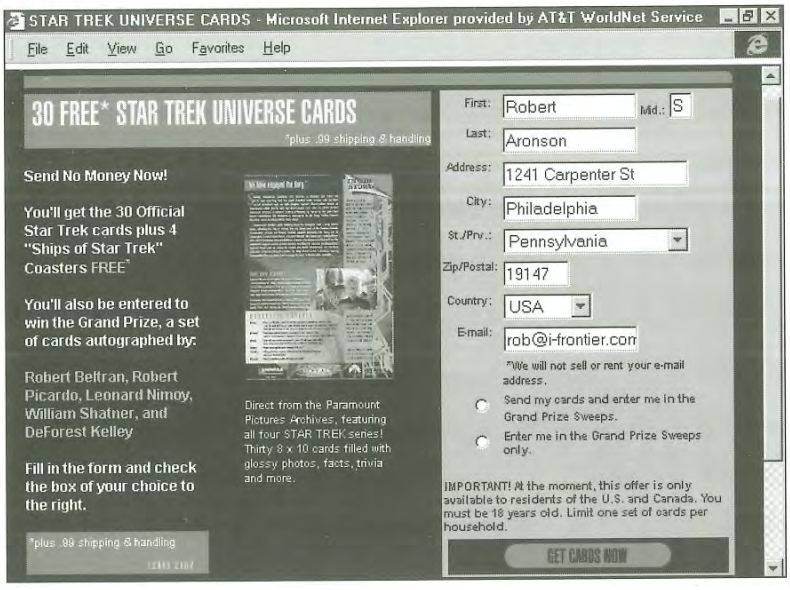


Figure 2.36 Star Trek Universe cards interstitial.

resembling a traditional TV game show. BoxerJam GameShow uses "intermercials" (another term used for interstitials) before the game and between rounds. The ads are used to build brand awareness, drive traffic to a site, and to offer the player an interactive experience through the ad, as demonstrated in Figure 2.37, an ad for Omaha Steaks on the BoxerJam site.

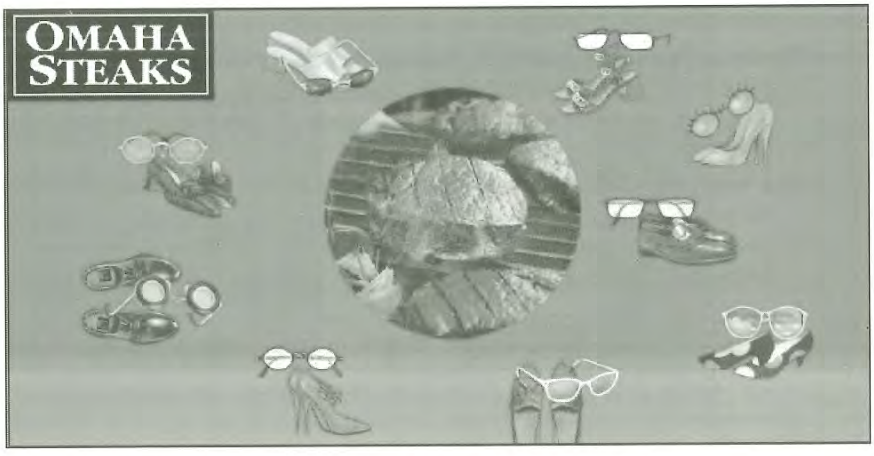


Figure 2.37 Omaha Steaks "intermercial" on the BoxerJam site.

A Few More Ad Models outside the Box

Not all ad models can fit neatly into the categories we've listed in this chapter, so we've written this section to cover those new ad models that that are outside the current category box.

New Screen Real Estate

The first ad model that breaks the mold is delivered through Alexa (www.alexa.com). Alexa is a Web navigation service that works with your browser and accompanies you as you surf, providing useful information about the sites you are viewing and suggesting related sites. Alexa isn't so much a new ad model as a redefining of available ad real estate. The Alexa toolbar travels with users as they surf the Internet. Alexa sells advertising on its toolbar, which is visible to users no matter what site they are visiting, giving advertisers a presence on any site on the Web (see Figure 2.38) In fact, using Alexa you can place your advertising "on" any site on the Web whether that site accepts advertising or not. "Alexa lets you do a competitive stealth play," explains Doug Hansen, Director of Advertising Sales with Alexa. "For example, if you're a major bookseller, you can advertise on your chief competitor's site by advertising on the toolbar

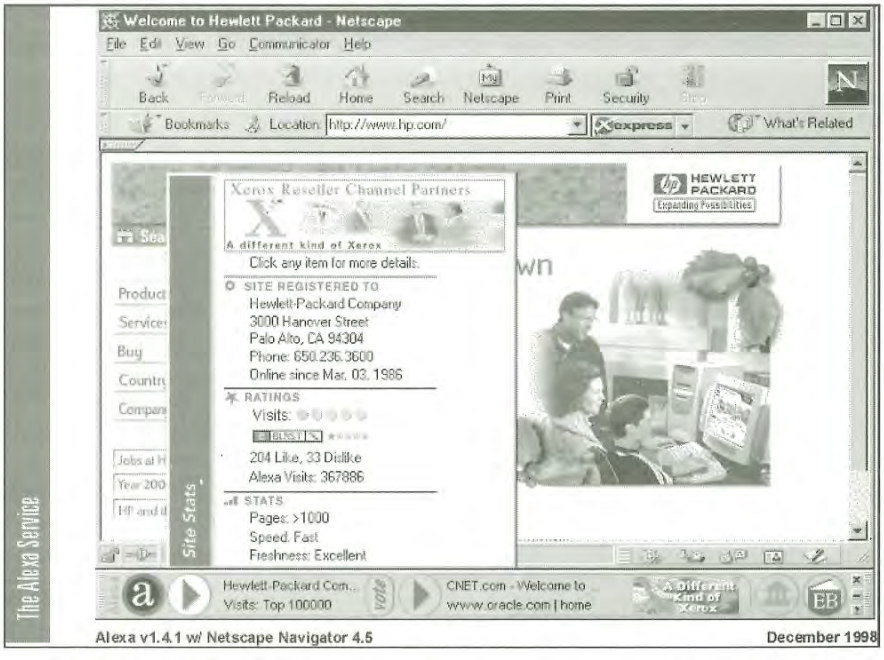


Figure 2.38 The Alexa toolbar lets you place advertising on any site on the Web.

just as the consumer is about to purchase a book. This advertising approach cannot be replicated in traditional site-based ad models." The only limit to the reach of Alexa is the number of people who use their service. As of the writing of this book, Alexa has said that over 1 million people have downloaded their software.

Another exploration of new real estate for advertising space comes from Aureate Media (www.aureatemedia.com), which puts banner ads on software programs themselves. Aureate also hosts the AdSoftware Network, which is composed of a group of software products that have the ability to display electronic advertising.

Screensavers

The entire screensaver itself can be an advertisement. SaveScreen.com (www.savescreen.com) allows consumers to build their own personalized screensavers containing integrated advertising.

Bookmarks and Toolbars

Bookmarks and toolbar buttons on the browser are now available for sale for advertising. Advertisers are paying for premium placement on a user's browser. Advertisers can also be found on browser toolbars. 100hot SurfBoard (www.web21.com/surfboard/), a product of Web21 and AdNet Strategies, allows users to download a toolbar that they can add to their browser window (either Netscape or Explorer) which contains the advertiser's logo as a link (see Figure 2.39).

Cursors

Everything on the screen is fair game as an ad vehicle. Even the cursor can be turned into an ad, for a unique form of branding. Comet Systems (www.cometsystems.com) has pioneered a way to customize the mouse cursor, substituting any graphic or animation for the conventional arrow. In this way, you can put your product's image on a user's browser for continual branding. For example, a flower shop can have its cursor be a flower, and when the cursor moves over flower arrangements, it can change to display special discounts. Another example, provided by Comet, is a weather map where the cursor changes as it moves over the map to reflect the weather conditions in each city (see Figure 2.40). The custom cursors will only work for users who have downloaded the Comet Systems software. The download is an easy process, but because users must download this software, it will be a challenge for Comet Systems to get significant reach—unless their software comes bundled with future versions of Netscape and Explorer. Once the software is on your system, you can see the advertising curser when you go to a site that uses the Comet curser.

Undervalued Web Space

Nothing is wasted on the Web, not even a page that could be considered a dead end. Columbus Group (www.columbus-group.com), out of Vancouver, British Columbia,

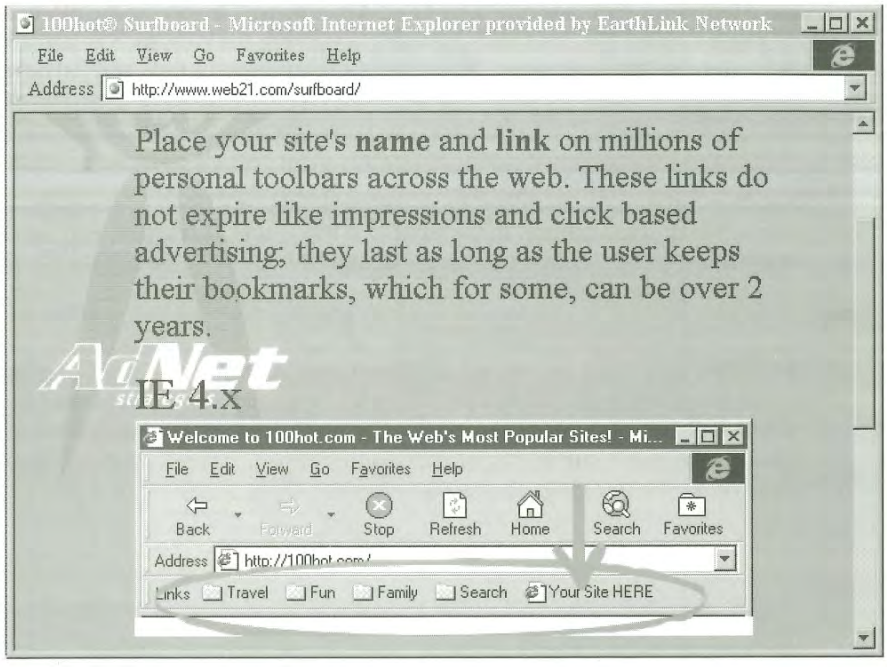


Figure 2.39 100hot SurfBoard lets an advertiser buy a link on a user's browser toolbar.



Figure 2.40 A weather technology map using the Comet cursor displays an umbrella by Denver to denote rainy weather.

has a technique that they call "Dead End Advertising," involving the placement of ads on pages that are like dead ends for users navigating the Web, such as thank you pages or receipt-for-payment pages. "The user has just finished a task, and [is] now mentally ready to see something else and go somewhere else," explains Darren Zwack, Director of Online Advertising at Columbus Group. It is on this page that the user is presented with the ad, completely unobstructed by any other content except a link back.

Another variation of redefining the screen real estate is ZDNet's "extramercial," which uses a 3-inch-wide column to the right of a Web page. This screen real estate is available for use with Netscape Navigator 4.0 and IE 4.0 (see Figure 2.41).

ISPs

Even ISPs are getting into the act. NetZero (www.netzero.com) is offering free Internet access for viewing ads. When a user signs up for the service, the demographic data collected will be used for ad targeting. Ads are served in a window that stays open whether the user is surfing the Web or reading e-mail. Figure 2.42 shows an example of an advertisement through the NetZero service.



Figure 2.41 Extramercial on ZDNet adds an extra column after the Web page for advertising space.

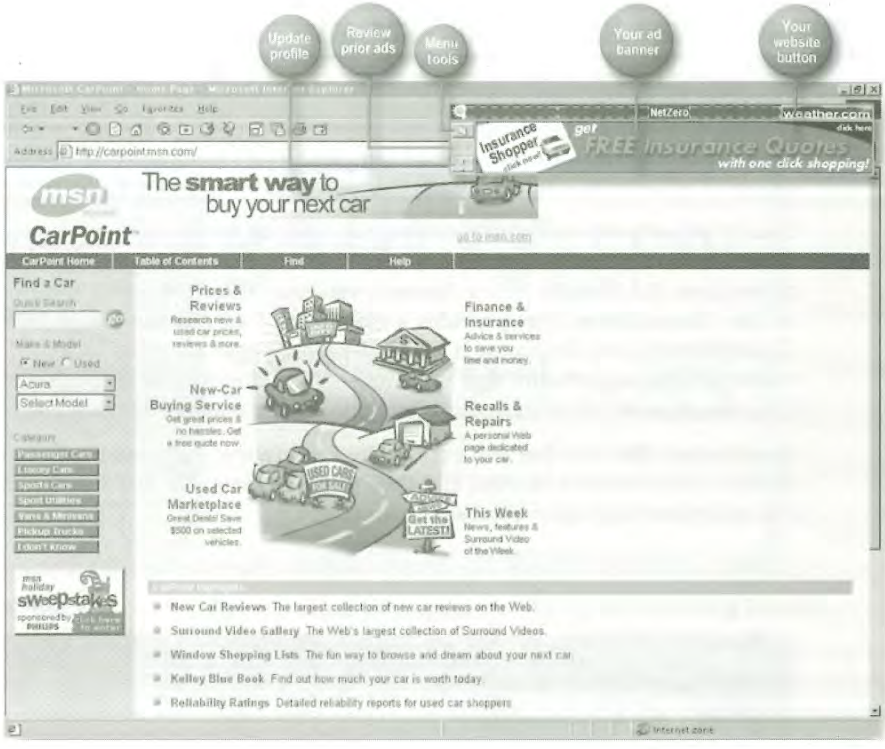


Figure 2.42 NetZero offers free Internet access for the price of viewing ads.

Other Formats

Online ads are moving to even smaller screens, the palmtops. Wired Digital has designed ads for PalmPilots and other Windows CE–compatible hand-held computers. With 13 million units in use by 2001, it makes sense that the ads could subsidize the content.

Guarding Your Domain

"People treat their domain name as their brand," says Douglas Wolford, Network Solutions senior vice president of marketing. Indeed, a good domain is an ad; that's why some domains have been sold for hundreds of thousands of dollars. And, companies are taking seriously the risk that sites will be created to challenge their brand, by buying up possible domains of "anti" sites. For example, Bell Atlantic bought the domains bellatlanticsucks.com and bigyellowsucks.com. One of the earliest "anti" sites was www.aolsucks.com. How AOL would like that domain now!

Resources for Reviewing Ads and Ad Campaigns

There are numerous resources online that highlight successful ads, review ad campaigns, and locate ad development shops. Microscope (www.microscope.com), a ClickZ network site, features a new ad campaign every week and invites leaders in the online ad industry to critique the ads themselves (see Figure 2.43).

ChannelSeven's network of sites (www.channelseven.com) cover a cross-section of the online creative industry. TurboAds (www.turboads.com/index.shtml) is a rich media ad resource. Ad/Insight (www.channelseven.com/adinsight/index.shtml), a section on the ChannelSeven site, provides a collection of ad campaign case studies. AdsGallery (www.adsgallery.com) is a visual yellow pages for creative resources in the online advertising industry and is comprised of a directory of agencies and contractors, as well as an interactive online portfolio of their work (see Figure 2.44).

Four Corners Effective Banners from White Palm (www.whitepalm.com/fourcorners) offers a look at various banners and their response rates. The site also suggests methods for improving responsiveness of banner ads.

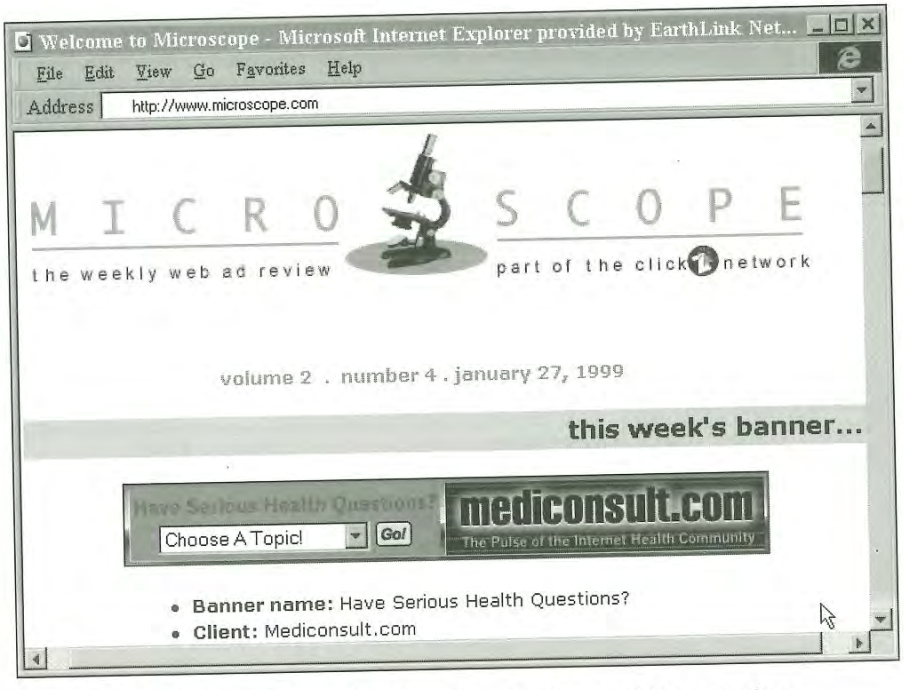


Figure 2.43 Microscope does a weekly review of web advertising campaigns.



Figure 2.44 AdsGallery is a virtual yellowpages for the digital advertising industry.

In this chapter we've discussed a lot of the different types of ads, from text to banners to sponsorships. Indeed, the types and formats that make up the matrix of online advertising are extremely exciting and dynamic, and constantly pushing the entire industry in new directions. Online users vary as to whether they find ads informative, entertaining, or irritating (see Figure 2.45). However, one thing is certain: online ads are here to stay. In the next chapter, we're going to dive deeper into some of these models and see how they are being used by direct marketers.

	Banner	Shared Real Estate	Banner with DW	Interstitial
Like Very Much/Somewhat	42%	48%	45%	50%
Disliked Somewhat/Very Much	8%	14%	18%	18%
Irritating	7%	9%	15%	15%

Figure 2.45 Percentage of surfers who find ads irritating.

Source: Study conducted by IPSOS-ASI 1998.

Note: Results aggregated from an online copy-testing survey of 180 ads.

Think "Reach," Not "Rich"

Ali Partovi, Product Manager and Original Partner (apartovi@linkexchange.com)
LinkExchange (www.linkexchange.com)

Have you seen a "rich media" ad on your favorite Web site lately? Neither have I! If you're like the majority of users, your connection is not even fast enough for the practical needs of your busy day. You're frustrated and have no patience for an audio or Java ad distracting you from what you want to get done. Your favorite Web site probably knows this, too.

Web designers are finding that graphics-intensive, "beautiful" Web pages are less effective than light, simple ones. Sites like Yahoo! and Amazon that have focused on speed and simplicity have been rewarded with success, and others are now dropping their works of art for more functional designs. The same applies to advertising. Why try to force a multimedia ad on an audience that has clearly voted for simplicity and speed?

Web users are regular people, not technology enthusiasts. They're here to find things, learn things, buy things. They'd prefer to do so quickly and simply—without learning a new interface, without waiting for new technology to download. Every time we put new technology between our users and what they want to do online, we lose some users. So, think about the trade-off between rich media and reach. The smarter path is to aim for reaching the most people, even if we're not reaching them with as "rich" a medium as we'd like.

The vendors of rich media tools and software would like us to believe that rich media ads are the wave of the future. The technology enthusiast in me wishes this were true. However, in the meantime, fortunes are being won and lost on simple text and graphics. I'd rather have a text-only site with zillions of users today, than a "rich media" Web site with the hope of many users tomorrow. And I'd rather advertise with regular text or graphics ads and reach zillions of users, than shrink my advertising audience and impose a frustrating "rich media" experience on them.

People say that brand advertising is handicapped without video and audio, like TV. This might be true (and there are many ad agencies that hope it's true, as their business thrives on producing TV/radio ads). However, it's also true that the Web simply doesn't support rich media well. If your branding strategy is critically dependent on rich media, think about whether you can adapt your strategy for a world where zillions of users watch less TV and spend more and more time on simple text-and-graphics Web sites.

You don't need a rich audiovisual experience to influence consumer purchasing. The best form of advertising is word-of-mouth, and word-of-mouth can come in the form of a simple text-only e-mail. However, the Procter & Gambles of the world are holding their breath and holding their wallets while they wait for the Internet to re-create the rich audiovisual experience that made their TV branding strategy a success. How long can they wait?

It's Just Better Advertising

Richard Hopple, Chairman and CEO, (rhopple@unicast.com)
Unicast Communications (www.unicast.com)

Many argue that the Internet and its users are simply not ready for "rich media," or a more sophisticated form of advertising, and that bandwidth remains . . . a major problem and the solution to today's online advertising needs is "smaller, less intrusive banners."

Smaller, less intrusive banners? Isn't that regressing back to a form of advertising that research has proven to be ineffective? Static Internet banner ads, as a standard, have actually depressed or at least delayed interest in investing from big name advertisers. Since advertising dollars makes the Internet economy go round, this solution needs to be rethought. Without big name advertising funds, the user will ultimately pay.

We've Come Too Far

We've come too far to revert back to an advertiser's worst nightmare: a static banner delivering minimal information that many users choose to ignore. Let's take into consideration the progress that has been made in the world of Internet advertising. After years of skepticism, the Web has revealed itself as a viable medium to risk-averse, traditional advertisers—the advent the online ad industry has been awaiting. With the support of mainstream advertisers like Procter & Gamble, McDonald's, and Coke, the Internet as an advertising medium has the capability to deliver greater returns for both advertisers and publishers and maintain the delivery of free content to the user.

In addition, we've even come so far as to say that the bandwidth bottleneck is no longer an excuse for publishers to dismiss more attractive and effective advertising. Today, there are technologies that begin to solve this ever-vexing problem. In fact, some solutions enable the most innovative advertising concepts to be quickly delivered to users over a 28.8 modem.

The Time Is Now

The time to "sit back and ponder" the medium has passed. It is time to take action and find a better, more effective form of advertising on the Net.

According to research conducted by Grey Interactive and ASI, larger, more complex and sophisticated online ad units are much more effective than standard banner ads. They are more memorable, have higher click-through rates, offer increased communication and the potential for branding.

Which leads us to a solution—the badly misnamed, and in some circles surprisingly controversial, rich media. Essentially, rich media gives the advertiser[s] the opportunity to begin using some of the creative techniques that have been successful for them in other media. It enables animation and sound to capture

It's Just Better Advertising *(Continued)*

the nature of television advertising and the interactivity of the Web. It's not richer advertising. It's just better advertising.

Publishers should be working more aggressively to deploy the existing technologies, understand how they can best be used and how they can be improved going forward. It is in their interest to see that these solutions succeed.

Advertisers should begin paying at least as much attention to the creativity of the advertisements themselves as they have to the buying of the media—the kind of creativity that has powered the advertising industry in other media.

The technologies are here now. It is time to learn how to put them to best use . . . to begin pushing the creative parameters and show ourselves just how effective advertising on the Internet can be. If we don't learn to use them effectively, the big money will be left on the sideline . . . and that would be too bad for everyone.

CHAPTER 3

Internet Direct Marketing

Internet direct marketing is coming of age. The proof is everywhere, from the proliferation of online direct marketing campaigns to the formation of the Internet Direct Marketing Bureau (www.idmb.org), a trade association dedicated to servicing and building the industry (see Figure 3.1). Why is direct marketing on the Internet so appealing? Because the Internet can deliver everything traditional direct marketing delivers and more.

A 1998 study by Gruppo, Levey & Co. found that 73 percent of direct marketers now conduct transactions online, with an impressive 43 percent reporting a profit from their online campaigns. The study examined such direct marketing heavyweights as Avon and L.L. Bean. According to Gruppo, Levey & Co. vice president Karen Burka, "The Web really taps into the same type of direct-to-end-user marketing that direct marketers have always known how to do."

The basis for effective direct marketing is being able to sell products or services at a certain cost per sale. The Internet's ability to track purchases back to a specific ad on a specific site makes it very easy for direct marketers to use the Web; as with traditional direct response vehicles, they're able to evaluate every advertisement based on the number of sales it generates. From an ad pricing perspective, there are many great opportunities for direct marketers. Since many Web sites are struggling to generate adequate ad revenue, they will often sell ad space on a cost-per-action basis. This makes the buy very safe; the direct marketer knows exactly what the cost will be for every sale or lead.

In this chapter we're going to discuss the many forms of direct marketing on the Internet: direct e-mail advertising, banner advertising, loyalty programs, and more.

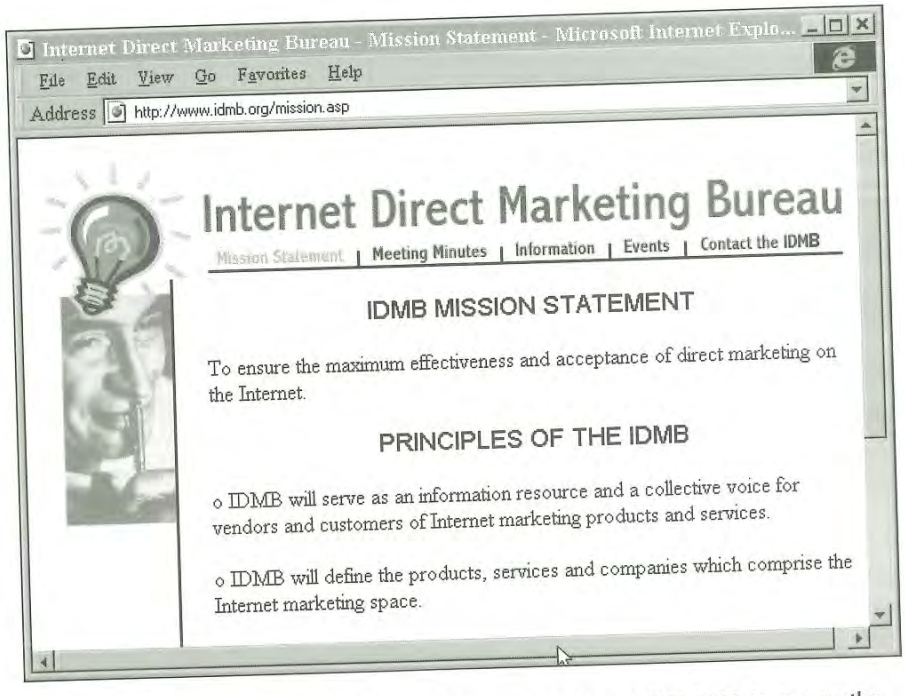


Figure 3.1 The Internet Direct Marketing Bureau was founded in 1998 to ensure the maximum effectiveness and acceptance of direct marketing on the Internet.

Direct E-mail

Forrester Research estimates that about 55 million American homes now have e-mail and send over 150 million e-mail messages every day. Moreover, Forrester predicts that 50 percent of the U.S. population or 135 million people will communicate via e-mail by 2001. Indeed, more Americans use e-mail than surf the Web. The Web may be sexy, but e-mail reaches more and more people every day. To an advertiser, the bottom line is the results, and direct e-mail is producing results.

What advertisers are using e-mail? The travel industry, for one. Airlines and destination resorts are building e-mail lists to deliver messages regarding unsold rooms and last-minute deals on tickets. In fact, it is reported that Club Med is bringing in from $25,000 to $40,000 every month from its e-mail database of 34,000 people, who receive messages about last-minute specials (see Figure 3.2).

"Companies are increasing their e-mail marketing efforts because it clearly works," says William Park, president of Digital Impact (www.digital-impact.com). "Our clients are not only building brand loyalty with their e-mail marketing, but are also experiencing triple-digit ROIs and big click-through rates." A campaign that Digital Impact designed for ClickRewards resulted in an unprecedented 50 percent response rate to

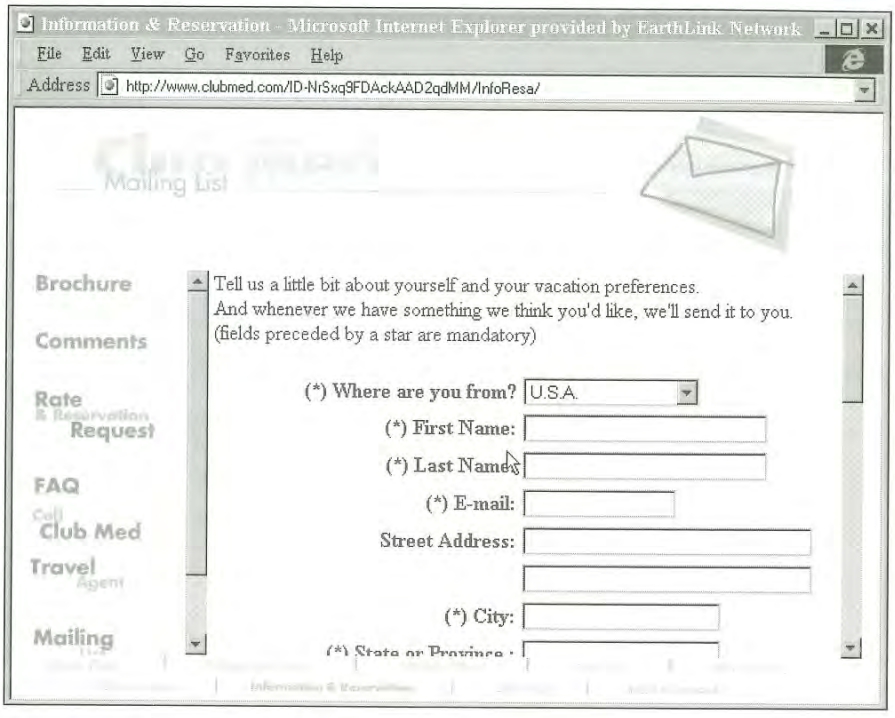


Figure 3.2 Sign-up page for Club Med's e-mail list.

opened HTML e-mails. "Our formula is to always personalize the content, customize the e-mail format to fit the software being used, and track everything that happens with each customer," explains Ray Kaupp, VP of marketing at Digital Impact.

And e-mail is not just in text and HTML format; there are even multimedia e-mail options, such as Mediasynergy's @loha e-mails (www.mediasynergy), that are veritable e-mail multimedia productions.

E-mail advertising is gaining strength around the globe. A 1998 user survey conducted by the Japanese company Nikkei Multimedia found that e-mail advertising has a high approval rating among Japanese online users: 74.3 percent of respondents had a positive attitude towards e-mail advertising, with over 50 percent rating e-mail ads as providing the necessary information and details about a product, and with 31.2 percent saying that links to Web sites in e-mail ads make them more useful than other forms of advertising.

E-mail Lists

There are two ways to get e-mail lists. One option is to rent lists from list brokers. The other option is to develop a list yourself through a registration process on your own

site, as was done by Club Med in the example mentioned above. The value of the do it yourself option is that the list becomes your in-house property.

Renting E-mail Lists

The most important factor in renting an e-mail list is making sure the list is "opt-in." This means that everyone on the list has agreed that they want to receive e-mail solicitations. To make sure a list is opt-in, you should ask the list owner how the names were gathered. This is essential to avoid using a list put together by software that surfs the Web looking for e-mail addresses, exactly what you don't want.

You should also ask for references of other advertisers who have used the service. When you check with the references, you'll be able to confirm that the list is truly opt-in. If not, the advertisers probably would have received numerous angry e-mails from the folks to whom they sent e-mail advertisements. Sending e-mail advertisements to lists that are not opt-in is spam. Therefore, check list broker references to make sure you don't become a spammer because you chose a bad list.

Just to be on the safe side, when using a list for the first time, you should test a small direct e-mailing prior to e-mailing the entire list or a large part of the list. Although the references may be good, it's still better to be safe than sorry. See Table 3.1 for a list of list brokers that have opt-in lists. The bottom line is: rent lists from reputable companies.

In-House Lists

In addition to renting lists, advertisers can build their own in-house lists for direct e-mailings. We strongly believe in the value of building your own e-mail list. Especially since it's so easy; all you need to do is invite people who visit your Web site to sign up for an e-mail newsletter or e-mail updates. Figure 3.3 shows how Tenagra (www.tenagra.com), an interactive agency, provides a way for people to sign up for their e-mail list. In addition to using these forms, any time someone enters a contest, purchases a product or requests information from your Web site, you can give them the

Table 3.1 E-mail List Brokers

COMPANY	DESCRIPTION
BulletMail (www.bulletmail.com)	BulletMail offers targeted opt-in direct e-mail marketing services.
Direct Marketing Online (www.directmarketing-online.com)	Full array of online and off-line direct marketing services such as opt-in e-mail list rental.
PostMaster Direct Delivery (www.postmasterdirect.com)	Offers e-mail list rental, list management/ brokerage, and e-mail list delivery.
Sift, Inc. (www.sift.com)	Sift's Net-Lists opt-in e-mail network allows clients to reach more than 3,000,000 recipients in thousands of categories—business-to-business or consumer.

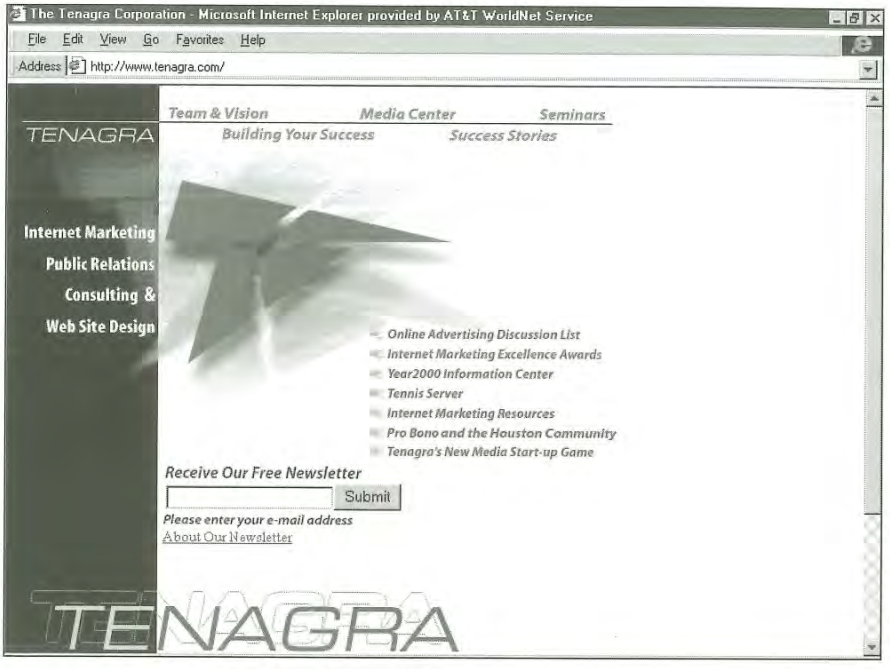


Figure 3.3 Tenagra's home page, with a place for visitors to sign up for their e-mail list.

opportunity to join your e-mail list. Also, if you are in contact with your customers or prospects through retail locations, phone calls, or other means, you can use these opportunities to build your own e-mail list as well. Sending an e-mail solicitation to customers and prospects who specifically request the solicitations from you will almost always work better than using a rented list.

Sites can quickly build lists by offering visitors incentives. For example, Preview Travel (www.previewtravel.com) asks users when they register for an account if they want to "receive a variety of special e-mails designed to help you get the most for your travel dollar, and to make your travel planning easier" (see Figure 3.4a). In a campaign developed by direct e-mailing firm Digital-Impact (www.digital-impact.com), users then receive special e-mails that are customized to their travel interests and e-mail program type: if their e-mail program can only read text, then they receive text-only e-mail (see Figure 3.4b); if their e-mail program can read HTML, then they receive graphically enhanced e-mail (see Figure 3.4c).

You should not rent your in-house list to other marketers. Seth Godin, founder of Yoyodyne (an e-mail marketing company purchased by Yahoo!), looks at it this way: "Permission rented is permission lost." He feels that the value in these lists is that the users gave you permission to correspond with them, making this "permission-based marketing."

Effective Direct E-mail Advertising Tips

- **Check references to make sure your e-mail list source is providing names of folks who have asked to receive advertisements via e-mail.**
- **Have an interesting subject line. People get a lot of e-mail—especially people who are on direct e-mail lists. When these consumers look at their e-mailbox they see the subject lines of all of their e-mails. Come up with a subject interesting enough that it will make people open your mail. At the same time, make sure you're not being deceiving. You don't want to anger potential customers with misleading titles like, "information you requested."**
- **Keep your message short and to the point.**
- **Avoid sending attachments. People don't like to receive attachments unless they requested them.**
- **Make an offer. Consumers need a strong reason to respond.**
- **Provide the user a choice in how to respond: an e-mail address, a URL, a phone number, and a fax number.**
- **Code your URLs so that you know which e-mail list generated the most (and highest quality) responses.**
- **Test different offers to see what works best.**

Managing an in-house mailing list can be done in-house or through a service provider. Table 3.2 provides a list of e-mail list management software, and Table 3.3 lists e-mail list management providers.

Spam

E-mail direct marketing, done right, can be extremely effective. Done wrong, it can be worse than doing no advertising at all. In fact, it can ruin a company's reputation. That's why we're mentioning spam several times in this book. Spamming is considered a high crime by the online community, whose retribution can be firm and swift. On the most basic level, spammers lose customers. More directly, they can be blacklisted by the online community. Indeed, monitoring spammers is almost as old as spamming itself. The grand-daddy list of spammers is the "Blacklist of Internet Advertisers" (see Figure 3.5), which began in 1994 following the antics of Canter and Siegel (discussed in Chapter 1).

What exactly falls under the rubric of spam? In his article "It's a Fine Line Between Legitimate E-mail Marketing and Spam" published on ClickZ (www.searchz.com/clickz/051098.shtml), Cliff Kurtzman, president and CEO of Tenagra Corp., identified five categories of spam:

- Unsolicited advertisements distributed via e-mail (even if not mass e-mailed).

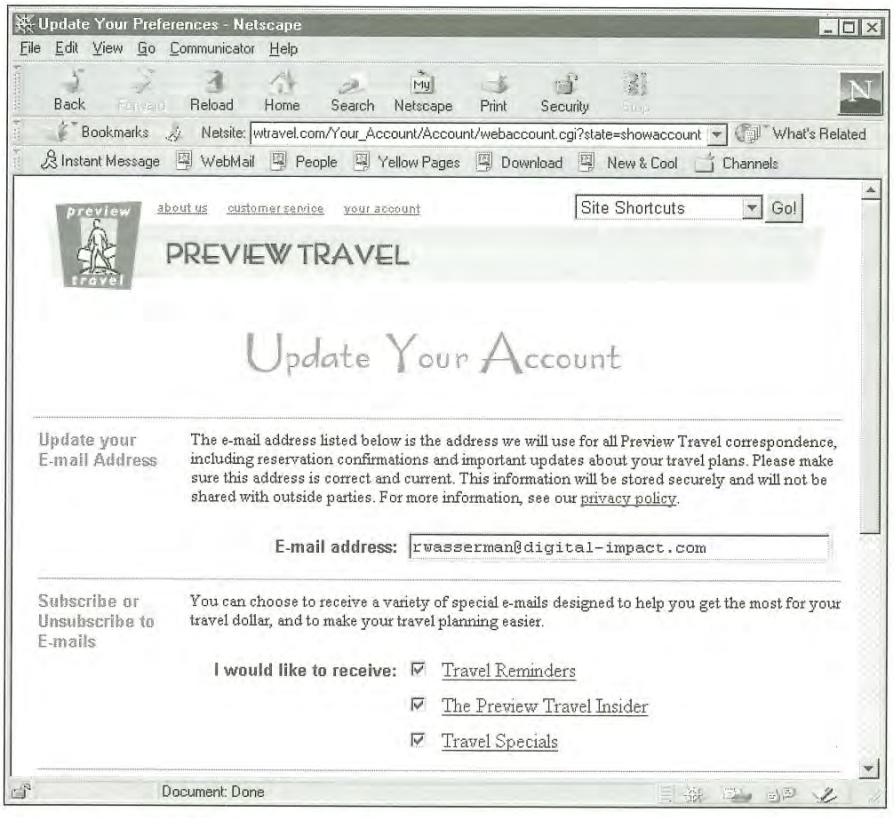


Figure 3.4a Preview account set up.

- An unsolicited mass e-mail (commercial or not).
- An out-of-context mail list, newsgroup, or forum posting.
- Using a mail list or newsgroup or forum in a manner that is outside of the volume or frequency that readers have signed up for.
- Putting users on a mailing list without their consent and requiring them to "opt-out."

Today, spamming is not only a violation of netiquette, but it is also a crime. For more on the legal aspect of spamming, see Chapter 13.

Opt-in

The best way to avoid falling into the spam trap is to only use "opt-in" lists. "Opt-in" means that a person has to ask to receive the e-mails. At any time, that person can just as easily choose to opt out and stop receiving the e-mail messages.

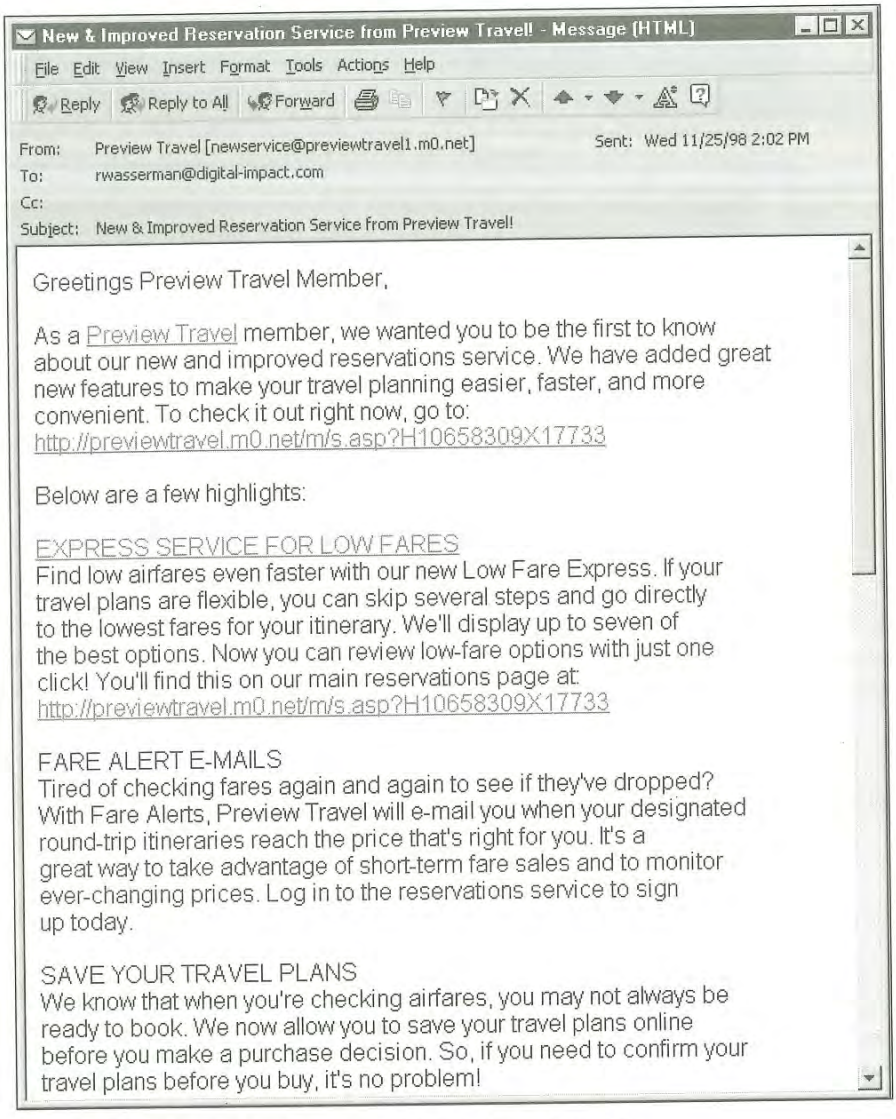


Figure 3.4b Preview Travel text-only e-mail of travel specials.

One of the largest e-mail direct marketers is NetCreations (www.netcreations.com), with its PostMaster suite of products and services. PostMaster Direct Response (www.postmasterdirect.com) targeted e-mail service now has 8 million e-mail addresses (more than 1.8 million unique names) in over 9,000 topical categories, from



Figure 3.4c Preview Travel HTML e-mail of travel specials.

consumer lists to business-to-business. Their lists are opt-in only and they diligently protect list members' privacy by never releasing their names or e-mail addresses to the marketers who rent the lists.

PostMaster Direct places advertising on other Web sites to convince consumers to sign up to receive e-mail advertisements on topics of their choosing. Advertisers can then

Table 3.2 E-mail List Management Software

COMPANY	DESCRIPTION
Cuenet (www.cuenet.com)	Provides list servers, auto-responders, document distribution, and other services.
LISTSERV (www.lsoft.com/listserv.stm)	System that allows the creation, management, and control of electronic mailing lists on corporate networks or the Internet.
Lyris (www.lyris.com)	Software for running Internet e-mail mailing lists, such as newsletters, announcements, and discussion lists.
MailKing (www.mailking.com) (owned by Revnet)	Offers an e-mail merge tool for Windows. It allows companies to open most popular databases directly, filter data into targeted e-mail lists, and then send personalized e-mail to members of the lists.
Revnet Express (www.revnetexpress.net)	Offers a full range of e-mail management and delivery functions, as well as advanced options, allowing companies to target demographic or interest groups, personalize messages, track click-through behavior, or deliver e-mail campaigns.

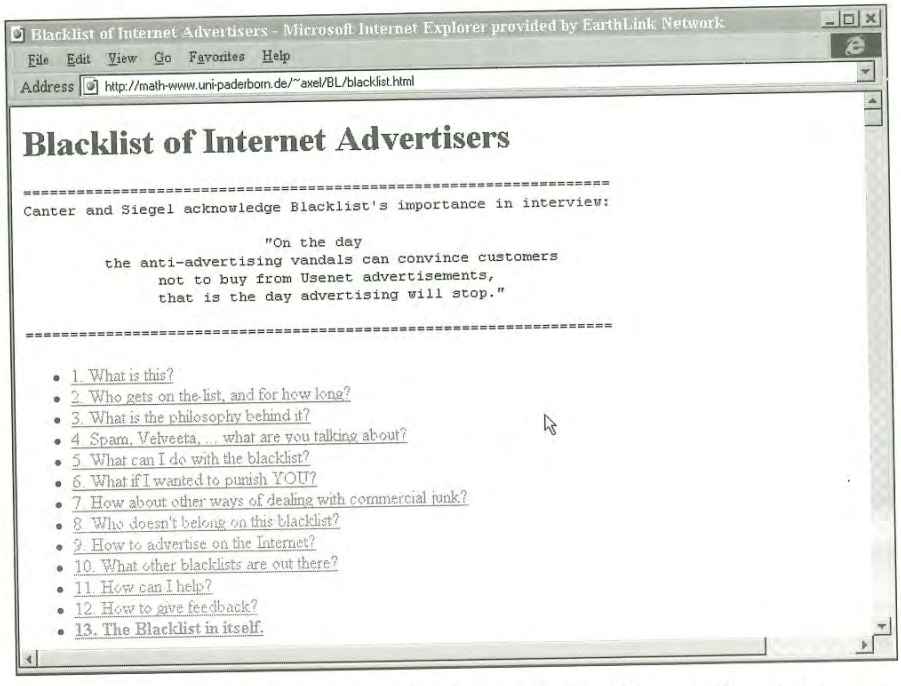


Figure 3.5 The Blacklist of Internet Advertisers, started in 1994, monitors spammers.

Table 3.3 E-mail List Service Providers

COMPANY	DESCRIPTION
Acxiom DirectMedia (www.directmedia.com)	One of the largest list brokerage and management companies in the country. They offer off- and online solutions for direct marketers, including CatalogLink and E-mail Campaign Management.
CMG Direct (www.cmgdirect.com)	Provides database management services, analytical services, and targeted "opt-in" e-mail lists to clients.
Digital Impact (www.digital-impact.com)	Develops customized electronic marketing campaigns.
MatchLogic (www.matchlogic.com)	MatchLogic's DeliverE campaign management service includes fielding a target e-mail audience, coordinating the e-mail content and URLs, managing the campaign push, and monitoring the lifecycle of the campaign.
PostMaster Direct Delivery (www.postmasterdirect.com)	Offers e-mail list rental, list management/brokerage, and e-mail list delivery.
Revnet Express (www.revnetexpress.net)	Offers a full range of e-mail management and delivery functions, as well as advanced options, allowing companies to target demographic or interest groups, personalize messages, track click-through behavior, or deliver e-mail campaigns.
WebPromote (www.webpromote.com)	Sends clients' e-mail messages to a targeted list of individuals who have asked to receive announcements about sites that cater to their specific interests.

Tips for E-mailing Your In-House List

Remind recipients that they requested the e-mail updates. People sign up for numerous e-mail lists, and often forget. You want to ensure that they don't think you're spamming them.

In the beginning of the message, let people know that there will be instructions for getting off the list at the bottom of the e-mail. An automated procedure for getting off the list is important; otherwise you may be inundated with phone calls and e-mails from people who no longer want to subscribe.

Provide some sort of value in every mailing—it can be a discount, great information, or something else. The point is to give people a reason to read the next mailing and feel good about your company.

Keep it short. A person's attention is a valuable commodity online.

send their solicitations to different segments of the PostMaster Direct list. For example, a high-tech publication would probably be interested in sending subscription advertisements to anyone who signed up to receive e-mail advertisements related to year 2000 computer problems. PostMaster Direct usually charges between $.15 and $.20 per name. One of PostMaster Direct's big success stories was for ichat, as described in the section, "PostMaster Direct Helped ichat Ring Up $50,000 in Sales in 5 Hours."

In case you still don't believe what we've said about junk e-mail (spam), here's what your prospective customers say. In 1998, World Research conducted an online survey on junk e-mail (www.survey.com/junkresults.html). Some of the results are provided below.

How much junk mail have you experienced in your e-mail account?

ANSWER	RESPONSE
None	12.02%
Very Little	20.41%
Some	28.05%
Quite a bit	23.95%
Tons	15.55%

How do you feel about the junk e-mail you get?

ANSWER	RESPONSE
Hate it	42.95%
It's bothersome	24.90%
Don't care	16.40%
It's O.K.	8.68%
Love it	7.04%

On a scale of 1 to 5, how useful has junk e-mail been to you?

ANSWER	RESPONSE
1-Not useful at all	68.43%
2	16.93%
3	8.37%
4	2.02%
5-Totally useful	4.23%

Do you feel that junk e-mail should be regulated in some way?

ANSWER	RESPONSE
Yes	66.60%
No	33.39%

PostMaster Direct Helped ichat Ring Up $50,000 in Sales in 5 Hours

Selling on the Internet isn't easy, and nobody knows that better than Bruce Dietzen. That's why Dietzen, director of corporate sales for ichat, Inc. (www.ichat.com), a leading supplier of Web-based real-time communications software, turned to PostMaster Direct Response for help. Within four weeks of mailing to PostMaster Direct's 30,000-member Web Design and Promotion List, Dietzen saw ichat's sales quadruple.

"We sent out e-mail at 10 A.M. one day and, by 3 o'clock, we had hundreds of visitors on our site, where we interacted with them directly via our software and then called them immediately afterwards," Dietzen says. "In five hours' time, we closed $50,000 in sales, including a single order for $20,000."

For most companies trying to market products on the Internet, this kind of success is practically unheard of. "Simply having a great product is not enough," Dietzen says. "The key is well-targeted promotion, not spamming. E-mail lists that you choose must be select decision makers that have already indicated an interest in hearing about whatever it is that you are promoting."

Using PostMaster Direct, ichat was able to contact a highly qualified list of Web developers and Internet marketers that have "opted in" to receive commercial announcements. Ichat's first PostMaster Direct mailing yielded a 7 percent response. Subsequent mailings yielded 4 percent response rates. And, because PostMaster Direct lists are not only voluntary, but self-cleaning, the company's mailings generated little negative feedback from the Net community.

"At 15 cents a name, this is the best price/performance tool that I have ever encountered," Dietzen says. "There's another benefit, too. The time it takes to cycle a targeted e-mail marketing campaign is only two days. I was used to print marketing campaigns that took two months!"

Using direct e-mail, ichat can create a campaign one day and book orders the next. "Faster cycles at lower costs mean a lot more campaigns are possible," Dietzen says. "That's what drives sales growth."

Banner Advertising

The banner ad model can be likened to a direct mail piece with the banner itself representing the envelope. Just as on an envelope, there is limited real estate on a banner. And, within that limited space, an advertiser needs to convince a consumer to take action. With a direct mail piece, that action is opening the envelope. With a banner, the

Sample Direct E-mail Piece by PostMaster Direct for DELL Computers

Date: Wed, 15 Apr 1998 16:06:01 -0400
From: "DELL" <mailbox@netcreations.com>
To: <rosalind@netcreations.com>
Subject: Introducing the fastest PC ever from Dell - only $2499

This mail is never sent unsolicited. This is a PostMaster Direct mailing! UNSUB ALL: -forward- this entire message to deleteall@postmasterdirect.com (be sure to *forward* the ENTIRE message, or it will not unsubscribe you!) To review your subscription: http://www.postmasterdirect.com/review MAIL TO LISTS: http://www.PostMasterDirect.com 100% OPT-IN(tm)

SPECIAL ** SPECIAL ** SPECIAL

Dell Dimension(r) Desktops...The most award-winning line of desktops PCs in 1997.(+)

Introducing the fastest PC ever from Dell—the NEW Dell Dimension(r) XPS R-series. New leading-edge technology announced today from Dell at aggressively low prices!

With the NEW Dell Dimension XPS R400, you get a powerful 400MHz Intel(r) Pentium(r) II Processor, announced by Intel today. And, NEW 100MHz SDRAM memory which bursts data up to 50% faster than previous 66MHz SDRAM technology. With the Dell Dimension XPS R400, you get system performance up to 33% faster than our Dell Dimension XPS D333. Plus the largest EIDE hard drives—up to 16.8GB available—gives you plenty of room to store your critical data. Order yours today!

DELL DIMENSION XPS R400

400MHz Pentium II Processor with MMX(tm) Technology
Mini-Tower Model
64MB 100MHz SDRAM Memory
512KB Integrated L2 Cache
8.4GB Ultra ATA Hard Drive (9.5ms) with Disk Performance Driver
1000LS 17" (15.9" vis) Monitor
NEW Diamond Permedia 2 8MB 3D AGP Video Card
32X Max.* Variable CD-Rom Drive

3.5" Floppy Disk Drive
NEW Turtle Beach Montego A3D 64 Voice PCI Sound Card
Altec Lansing ACS-90 Speakers
Microsoft(r) Office Small Business Edition plus Bookshelf 98
McAfee VirusScan
Microsoft Windows(r) 95
FREE Microsoft Windows 98 Upgrade Packet(1)
Microsoft Internet Explorer 4.0
Dell QuietKey(r) Keyboard
Microsoft IntelliMouse(r)
3-Year Limited Warranty(2) / 1-Year Next-Business-Day On-Site Service(3) 24-Hour Toll-Free Telephone and Online Technical Support

Order Code 590423
$2499
$95/36 MO. BUS. LEASE(4)

Recommended Upgrades:
Upgrade to 128MB 100MHz SDRAM Memory, add $199
Upgrade to a NEW 16.8GB Ultra ATA Hard Drive (9.5ms), add $299
Upgrade to a 1200HS 19" (17.9" vis, .26dp, 95KHz) Monitor, add $289
*32X Max/14X Min.

To customize this system to your exact needs and to order online, visit http://www.dell.com/smallbus/hotprice6.htm or give us a call at 1-888-617-9680 and mention keycode 61622.

IF YOU'RE IN BUSINESS YOU SHOULD BE DOING BUSINESS WITH DELL. (+)According to the top 4 PC publications. Promotional pricing is not discountable. Prices and specifications are valid only in the U.S. and are subject to change without notice. (1)Each Dimension XPS R-series with Microsoft Windows 95 factory installed, shipped after 4/1/98 and prior to 7/31/98 will be eligible for a free upgrade to Microsoft Windows 98 when available, subject to terms and conditions contained in Microsoft Windows 98 upgrade packet shipped with system. Length of offer subject to change. (2)For a complete copy of Guarantees or Limited Warranties, please write to Dell, One Dell Way, RR1 Box 12, Round Rock, TX 78682, Attn: Warranty. (3)On-site service guarantee provided pursuant to a service contract an independent, third-party provider. May not be available in certain remote areas. (4)Business leasing arranged by Dell Financial Services, L.P., an independent entity, to qualified customers. Lease payments based on 36-month

Sample Direct E-mail Piece by PostMaster Direct for DELL Computers *(Continued)*

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Seven Tips to Get Users to Fill Out Forms

Like the *BYTE* magazine example, many Internet direct response campaigns are focused on getting users to fill out forms and order products. Below are some tips for improving the number of people who fill out your forms.

Make your privacy stance clear. People will be more likely to give you information if they know that you will not rent or resell their names and addresses.

Be clear and explicit that you won't rent or resell e-mail addresses. Otherwise, people may provide incorrect e-mail information.

Ask as few questions as possible. Unless there is some benefit to the consumer (for example, they'll get detailed health information if they fill out a lengthy profile), every additional question you ask the user will decrease the number of completed forms.

Explain why you need the information. Next to each question you should explain how providing this data benefits the consumer.

If this is an order form, also offer phone and fax numbers as contact options. Many consumers are fearful of ordering online.

If your offer is open to international customers, make sure they can fill out the forms. Either have fields that accept international addresses, or provide additional language versions. See Chapter 12 for a full discussion of the value of translation and localization.

Have a "thank you" page. After users fill out a form, they should go to a page that indicates that their form was received. Otherwise, they may submit their form numerous times to make sure it gets through. This causes added work for you and frustrates the users.

action is either clicking on the ad or interacting with the ad. The site on which the banner is placed is similar to a mailing list. With a direct mail piece, you mail the letter to the list. With a banner ad, the people who come to the site represent the list. Clicking the banner is the equivalent of opening the envelope. A prospect is transferred to a Web site or mini-Web site or page (a stand-alone Web page developed just for a specific ad campaign) that is serving the same role as a traditional direct response piece; it is designed to entice prospects to take a particular action (buy a product, sign up for a sample, etc).

Depending on the type of banner advertisement, some banners can even serve as the envelope and the mail piece. Rich media banners (discussed in Chapter 2) allow prospects to complete a transaction—from filling out a form to ordering a product—within the advertisement.

Banner to Web Site or Mini-Page

When the action is linking to a Web page, the page needs to convince the consumer to take a specific action.

An example of a direct response banner campaign is one that i-frontier developed for *PC Computing* magazine. The purpose of the campaign was to generate magazine subscriptions. Once people clicked on the banners, they went to a form that resembled the magazine's direct mailer (see Figure 3.6). The campaign was paid for on a cost per subscriber basis, which meant that the advertiser only paid Web sites that generated subscriptions—a very safe type of campaign for the advertiser. However, paying on a cost per subscription basis will limit the number of sites on which the advertising can be placed. First, not all sites accept cost per action campaigns. And second, advertising can be preempted by CPM (cost per thousand) paying advertisers, which is what most publishers prefer since the publisher is only responsible for delivering an audience, not results.

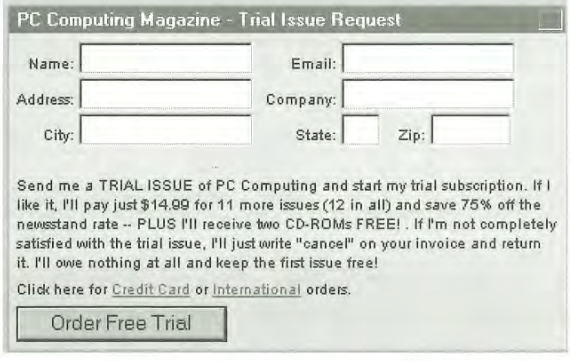


Figure 3.6 The banner ad leads users to this form to fill out to receive a trial magazine subscription.

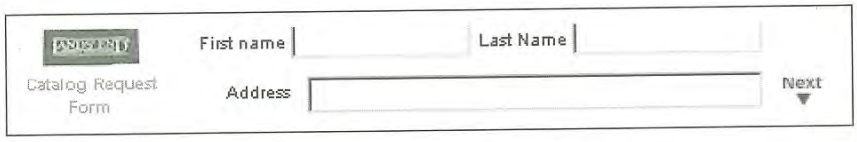


Figure 3.7 Lands End banner invites users to request a catalogue.

Banner as Direct Response Piece

Some direct marketers use the banner as the entire direct marketing piece. Figure 3.7 shows a banner used by Lands End to get customers to request a catalogue without ever leaving the banner. Figure 3.8 shows a banner ad in which a sale can be completed.

Loyalty Programs

What is one of the most valuable marketing resources for an airline? Its rewards program. Frequent flyer programs sell tickets and keep customers coming back to a particular airline. Understandably, loyalty programs are jumping online, mirroring their off-line counterparts. See Table 3.4 for a list of online loyalty programs.

One of the first loyalty programs to hit the Web was Cybergold (www.cybergold.com). Nat Goldberg, founder and CEO, made an early discovery that one of the most valu-

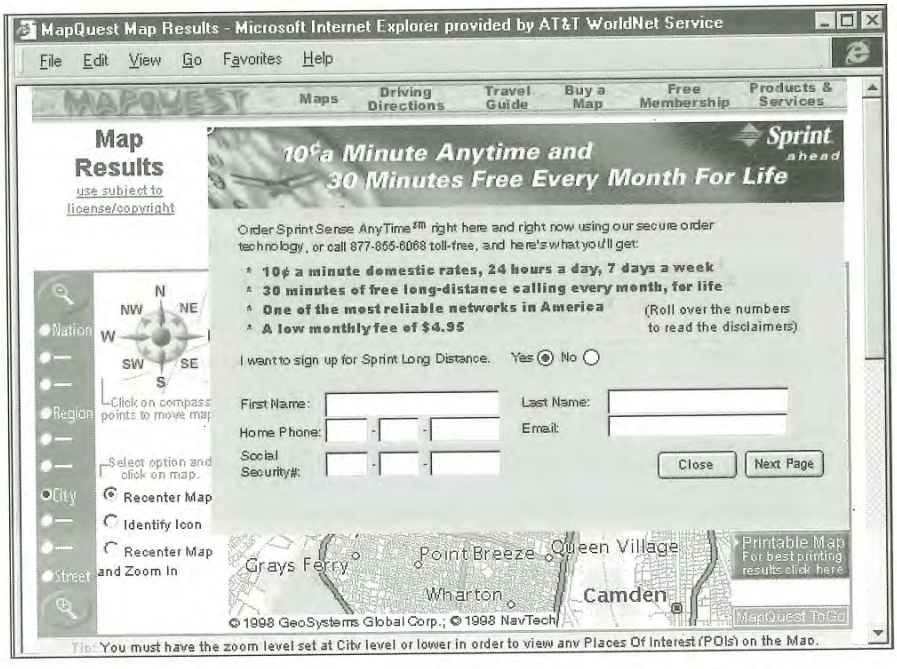


Figure 3.8 E-commerce banner for Sprint which allows consumer to purchase the long-distance service from within the banner without having to go to a Web site.

Table 3.4 Loyalty Programs

COMPANY	DESCRIPTION
AOL Rewards (www.aol.com)	Gives members points—redeemable for products from AOL merchant partners—when they view ads or purchase products.
Cybergold (www.cybergold.com)	Allows marketers to pay consumers for viewing ads and promotions, visiting a Web site, or purchasing a product.
ClickRewards (www.clickrewards.com)	Allows members to earn ClickMiles for shopping at their network of retail sites. ClickMiles are redeemable for miles on leading airlines and other rewards.
FreeRide (www.freeride.com)	Members collect points, redeemable for free Internet access and other products and services, by browsing sponsor Web sites, answering surveys, and shopping sponsors' stores.
BonusMail/MyPoints (www.intellipost.com)	BonusMail allows companies to send targeted e-mail offers and Rew@rds points to an opt-in audience of consumers. Rew@rds points may be redeemed for frequent flyer miles and name brand merchandise. MyPoints members earn points by filling out surveys, visiting Web sites, reading and replying to e-mail, making purchases, and more. The points are redeemable on the Internet for merchandise, travel, and entertainment.

able commodities online was a person's attention. He recognized that an efficient way to secure this attention was to pay for it directly. Cybergold members get paid for viewing ads, making purchases, or visiting sites of program partners.

One of the most basic programs is AOL Rewards. AOL automatically enrolls every one of its members in the program. Members get points for buying products and responding to advertisements. These points are redeemable for items from designated AOL merchants.

ClickRewards (www.clickrewards.com) is a travel-oriented program. Members earn ClickMiles through purchases from partnering merchants and can redeem points at participating airline, hotel, and car-rental agencies (see Figure 3.9). ClickMiles are good towards the frequent flyer programs of most major airlines, as well as Marriott Hotels and Resorts, National Car Rental, and others. Sites that offer ClickMiles include 1-800-FLOWERS, barnesandnoble.com, Microsoft Plaza, and Preview Travel. Another varia-

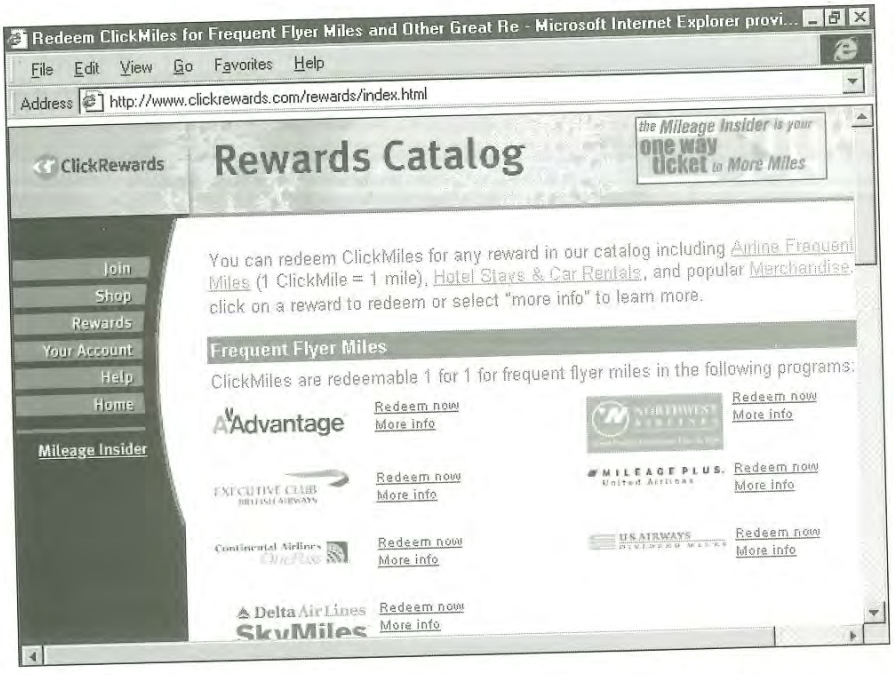


Figure 3.9 ClickRewards lets you earn points for airline tickets or hotel rooms by making purchases from partnering merchants.

tion is FreeRide (www.freeride.com), which offers points for visiting sites or making purchases at partner sites (see Figure 3.10).

What is the value of these programs? The value of these programs to the users is clear—if they purchase from particular merchants, they will earn points redeemable for merchandise or frequent flyer miles. The value to an advertiser is to grow a loyal customer base through incentives.

As in all online categories, a whole host of players have emerged in the loyalty arena. Slowly, merger mania is creeping in and consolidation is building marketing leaders.

Coupons

Many people receive the Sunday newspaper for one reason: the coupons. Discount coupons drive traffic to retail stores and motivate purchases. Online couponing is making its mark through its ability to target customers by geographic location, interests, and tastes.

Online coupons are everywhere. Sites now offer printable coupons. For example, if you go to the Lane Bryant (women's clothing) site, your reward for filling out a survey is a 15-percent-off coupon.

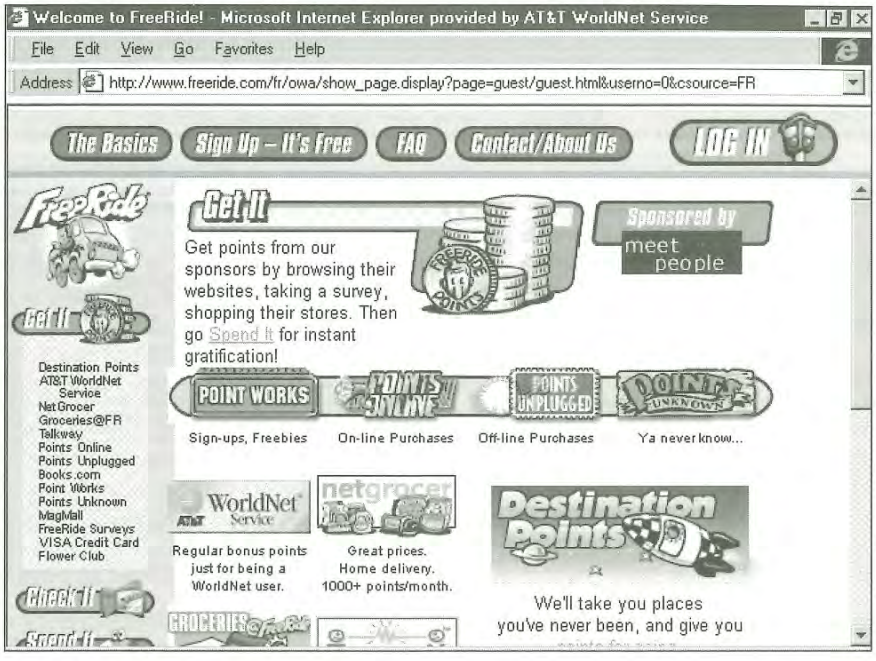


Figure 3.10 On FreeRide, you earn points for visiting sites or making purchases.

There are online only-coupon ventures such as Coupon Central (www.couponcentral.com, an online site for local and Internet coupons) and CoolSavings (www.coolsavings.com, see Figure 3.11).

Direct marketing coupon giant Val-Pak (www.valpak.com) is now online and allows users to search for coupons for local products and services by business name, location, and keyword. Val-Pak mails to some 40 million people and sees its Web presence as complementary to direct mail by expanding the company's ability to reach consumers everywhere they go. See Table 3.5 for a list of online coupon companies.

Online coupons can help a retail store reach its local audience online. For example, JCPenney lacked a means for customers to purchase directly online through their site, so their interactive agency, Proteus (www.proteus.com), designed a campaign that included coupons customers could use at Mid-Atlantic stores. The campaign goal was to drive traffic to the stores, and the coupon gave the advertiser a way to measure success.

Free Samples and Trials

Earlier in this chapter we discussed using banner advertisements to get users to request products or free samples. In this section we're going to go into a little more detail regarding generating free sample requests online.

For starters, there is a large risk that you will generate free sample requests from thousands of unqualified people. There are hundreds of Web sites and a number of e-mail

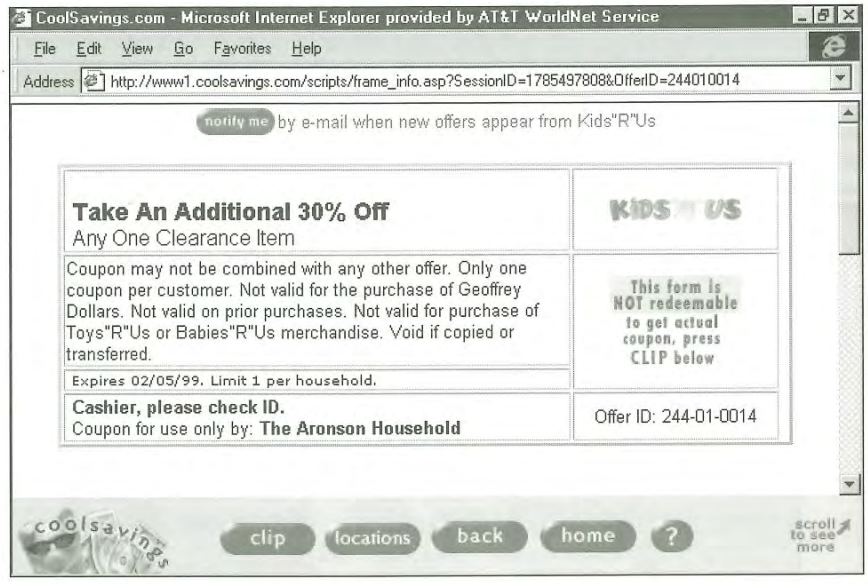


Figure 3.11 CoolSavings lets you print coupons right off your printer.

Table 3.5 Online Coupon Companies

COMPANY	ONLINE ONLY	COUPONS AVAILABLE ONLINE AND OFF-LINE
Val-Pak (www.valpak.com)		X
America's Coupon Explorer (www.couponx.com)	X	
Action Pack of America (www.actionpack.com)		X
E-centives (www.e-centives.com)	X	
CouponClipper.com (www.couponclipper.com)	X	
Coupon Central (www.couponcentral.com)	X	
Internet Coupon directory (www.coupondirectory.com)	X	
CoolSavings (www.coolsavings.com)	X	
Storecoupon.com (www.storecoupon.com)	X	
ValuPage (www.valupage.com)	X	
PlanetU (www.planetu.com)	X	

newsletters that are centered around distributing information about free stuff that is available on the Internet (samples, contests, etc). And, these information vehicles are powerful. We've seen thousands of responses generated from mentions in these publications. So, you need to be careful—if you offer something free, you may have to deal with throngs of respondents just after the free product with no intention of ever being a future paying customer.

There are a number of ways to reduce the problems associated with unqualified respondents. For starters, you could offer a freebie that would not be of interest to those outside of your target audience. If you give away a $50,000 prize, it's something that pretty much everyone will sign up for. Then, if you ever want to use the list of entrants for a direct mailer, you could have a pretty hard time figuring out which folks are actually qualified.

On the other hand, if you're reaching a niche audience, you can have a niche giveaway. The Alexander Hamilton Institute (www.ahipubs.com), a publisher of information for business managers, is an example of finding qualified respondents and limiting fulfillment costs for a campaign. The Alexander Hamilton Institute offers a series of free reports (samples of the high quality information that they publish), including "Conducting the Disciplinary Interview" and "Top Tips for Avoiding Performance Appraisal Mistakes."

As you can imagine, only their target audience would be interested in receiving these reports. To get the reports, a prospect must submit name, address, and other information that helps this company qualify a prospect. Then the prospect can download the report as a PDF (Acrobat) file, which eliminates shipping and handling costs.

Of course, not all free samples or trials are as focused on a niche audience as this example. Many are interested in general branding—trying to reach as wide an audience as possible. This was the case for a campaign by Unilever for Mentadent toothpaste. Using Unicast ad technology (www.unicast.com), Modem Media.Poppe Tyson created a direct response campaign using a transitional pop-up ad that resulted in an impressive 10% click-through for product sample requests (see Figure 3.12).

Contests and Games

Contests and games are popular online, and some marketers are using them as a means to generate traffic to their Web site. These contests can be both Web- and e-mail–based. Yoyodyne, now part of Yahoo!, was an early producers of custom e-mail games for companies to help build brand and generate site traffic. Webstakes (www.webstakes.com) produces contests that drive traffic to sites. See Table 3.6 for a list of companies that build online contests.

Some have tried to use contests to generate leads, and this can be risky. Many consumers enter contests just to win and are not interested in the sponsor. For this reason, contests can be a poor tool to build a targeted mailing list.

Games are also used a great deal and can double as a brand-building tool. For example, an ad campaign developed by Ketchum Advertising for Zippo lighters has a game



Figure 3.12 Transitional pop-up using Unicast ad technology to collect product sample requests for Mentadent toothpaste.

Source: Courtesy of Chesebrough-Pond's USA Co.

Table 3.6 Companies That Build Online Contests

COMPANY	DESCRIPTION
Yoyodyne Entertainment (www.yoyo.com) (acquired by Yahoo!)	Produces online sweepstakes and contests to drive consumers to client Web sites.
Webstakes (www.webstakes.com)	Webstakes' member-based site features a Prize and Savings Club with 11 targeted consumer channels. Webstakes members receive exclusive savings, special offers, discounts, and samples through the Savings Club, while Prize Club gives consumers the chance to win gift certificates, shopping sprees, and new products.
Pickem Sports (http://corp.pickem.com)	Creates interactive contests and games as promotions or engaging new content to add to Web sites.
Prizes.com (www.prizes.com) (RealTIME Media)	RealTIME Media develops online sweepstakes and also operates prizes.com. Prizes.com was launched in 1994 and receives millions of visitors each month. They offer members the opportunity to win cash and prizes.
High Altitude Promotions	Can manage all aspects of sweepstakes and contests via any medium.

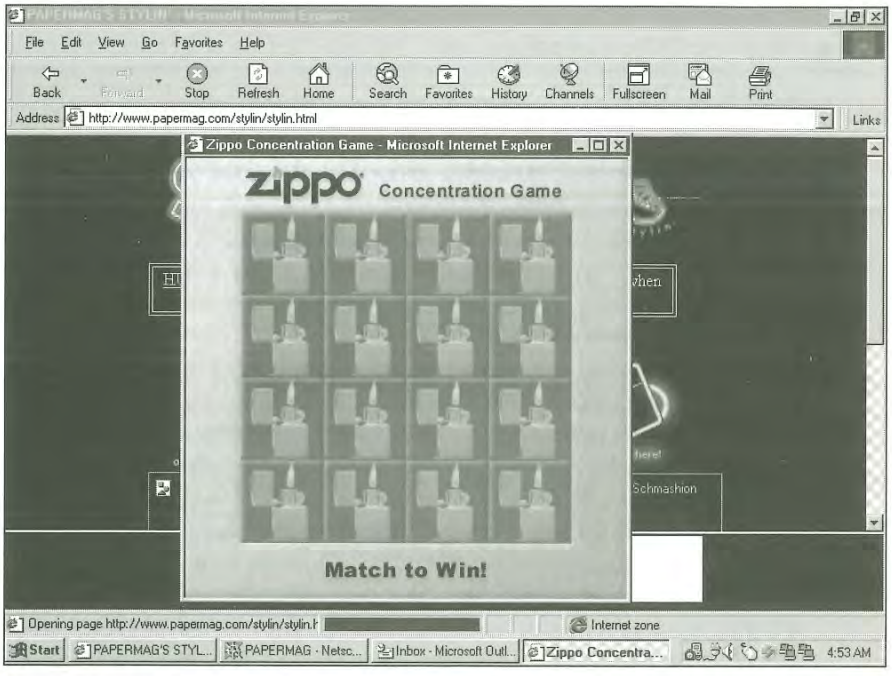


Figure 3.13 Zippo game, which serves as a brand building tool.

that runs on the AdSmart Network. The game, created with Java, has players match up different Zippo lighters (see Figure 3.13). At the end of the game users are linked back to the Zippo site (www.zippo-usa.com), where they can fill out the sweepstakes registration form. "This campaign targeted the 18- to 24-year-olds," says Patrick Grandy, manager of Zippo Marketing Communications. "It's a brand-building tool that builds on the concept that this younger age group responds best to interactivity."

Internet Direct Marketing Agencies

As Internet direct marketing grows and expands, a new breed of agencies are emerging that specialize in designing and implementing these campaigns. Some of the early leaders include WebPromote (www.webpromote.com), Webconnect (www.webconnect.com), and InterActive agency (www.i-agency.com).

The Web vs. Other Media

David Zinman, Founder, Director of Business Development
(dzinman@adknowledge.com)
AdKnowledge (www.adknowledge.com)

The Web became a $2 billion medium in 1998? *Big deal.* That's only 1% of the $200 billion media pie in the U.S. What's the Web going to do to the other $198 billion? Now that's a question worth pondering. A new medium always forces change upon existing media. Radio redefined itself with the rise of television advertising. The Web will be no exception.

It's already becoming clear why ad dollars are flowing to the Web. The biggest reason is accountability. Using tools available today, marketers can track exactly how much it costs to generate a lead or sale. E-commerce marketers, the drivers in this new medium, are aggressively pursing Web advertising because the return is easy to calculate. What does this mean for some familiar traditional media?

Direct mail: The biggest loser. The Web offers all the accountability with no postage or printing costs. Direct marketers will simply compare returns from direct mail with that of Web advertising. Direct mail will shift to focus more on the less affluent, as the Web begins to offer comprehensive coverage of higher incomes. Don't hold your breath for a moratorium on catalogs and credit card weighing down your local postal carrier. Much of the Web's growth is likely to come at the expense of direct mail, however. Greenpeace will learn to love the Web!

Television: Television advertising is driven largely by branding needs, and will therefore be most insulated from the Web's initial impact. The effects of branding on the Web are still difficult to gauge and largely unproven. With 98% household penetration, and full motion video to paint a picture, television's appeal for advertisers will not fade soon.

Magazine: A true battleground media. They are geared to affluent audiences and relying on considered purchase advertising will find the Web a daunting competitor. Just flip open *Business Week* to see a list of advertisers that will find a huge percentage of their audience online. Another subtle strength of the Web is that its audience is not passive, but information hungry. How many of those *Business Week* advertisers can afford to ignore such an audience when they are in the information seeking mode?

Should the folks at Publisher's Clearinghouse start jumping out of windows? Hardly. They should just take their act online. How about the media barons of print? Do they need to swallow the dangerous end of a revolver? We've seen many new media evolve this century. It's an incontrovertible fact, however, that no new media has ever killed an old one. If radio can survive the advent of television, existing media should find their places alongside the Web as well. It's clear that no one can afford to ignore the impact of the Web, though, and that's saying a lot for 1%.

CHAPTER 4

The Art and Science of Web Measurement

The growth of the Web advertising industry is closely tied to the development of tools for measuring audience size, behavior, and demographics. In traditional advertising, the measurement unit used to determine the cost of reaching an audience is CPM (cost per thousand), based on circulation for print media and projected viewing audience for television. With the Web, the number of times an ad is delivered and clicked is not projected—it is fairly accurately measured. The Web can measure audience behavior by counting the number of times an advertisement is seen, as well as the number of times an ad is clicked.

This chapter will cover the cornerstone of Web advertising, its measurability: what can be measured, how this measurement is conducted, and the products and services available for measurement, as well as the obstacles to effective measurement.

A common myth about the Web is that everything is measurable. As you'll learn in this chapter, the Web is far from the perfectly measurable medium people claim, but it is certainly more accurate than all other media.

Building Blocks

The foundation of Web measurement comes from the information captured by the computer housing a Web site—the server. When you visit a Web site, your browser has a "conversation" with the site's server, and much of that conversation is recorded by the server in a log file. Your browser first requests the HTML page from the server. The code in the HTML page directs the browser as to which graphics it should also request, and from where those graphics should be received. The server records the following user information from each request:

- Date and time of the request.
- What was requested: a specific GIF, HTML page, etc.
- IP number of the computer making the request.
- Browser used by the surfer: Netscape 4, Internet Explorer 3.0, etc.
- Computer platform used by the surfer: Macintosh, PC, etc.
- Referring URL: If you clicked on a hyperlink to get to the Web site, the site from which you came will be recorded in the log files.

A log file records one line for every request. So, if you visit a home page with five graphics, there will be six requests recorded in the log file—one request for the HTML page and one for each of the graphics. For each request the log file records the IP number, specific item requested, browser used, time and date of request, and so on. As you can imagine, since all of this information is recorded for every request, log files become quite large. A busy Web site can generate many megabytes of data in the daily log file alone.

A lot of very useful information is housed within Web site log files. Figure 4.1 shows a raw log file, which should give you an idea of the difficulty of gleaning useful infor-

What Is an IP Number?

An IP (Internet Protocol) address is a numeric code that uniquely identifies a particular computer on the Internet. An IP address is static. An IP number, on the other hand, can be dynamically generated for an Internet user by an ISP (Internet service provider). Every surfer on the Internet has an IP number that is recorded in the log files of the sites that surfer visits. Here's how a surfer's IP number is determined:

- **Surfers using an ISP have IP numbers dynamically assigned to them by the ISP each time they dial in. Suppose your ISP is AOL. You dial into AOL to access the Internet. AOL has a batch of IP numbers that are assigned to customers as they dial into AOL. Now when you surf the Web, you are identified in log files by the IP number you were just assigned. Every time you dial into AOL, you can be assigned a different IP number from AOL's batch of numbers.**
- **If the surfer is accessing the Internet through a direct connection, the surfer's computer will have an IP address. The IP address is static; every time that computer is used to access the Internet, the same IP address is recorded in log files.**
- **If the surfer is accessing the Internet through a server at the office (which is how most business users access the Internet), the office server (like AOL) will dynamically assign an IP number to the office worker. It is important to note that folks accessing the Net through a company connection or an ISP may be going through a proxy server. Depending on how the proxy server is set up, it can assign each user an IP number, and/or all users can be given the same IP.**

```
marco2.riccione.net - - [01/Feb/1999:04:54:51 -0500] "GET /advertising/newadbook.jpg HTTP/1.0" 200
marco2.riccione.net - - [01/Feb/1999:04:54:49 -0500] "GET /advertising/resources.html HTTP/1.0" 20(
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:41 -0500] "GET / HTTP/1.1" 200 - "-" "M
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:44 -0500] "GET /finally.gif HTTP/1.1" 3(
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:45 -0500] "GET /clearpixel.gif HTTP/1.1'
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:45 -0500] "GET /Home_GreenButtonOn.gif 1
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:45 -0500] "GET /services_GreenButton.gi:
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:45 -0500] "GET /events_GreenButton.gif 1
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:45 -0500] "GET /Publications_GreenButto
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:45 -0500] "GET /Classes_GreenButton.gif
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:46 -0500] "GET /About_US_GreenButton.gi:
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:46 -0500] "GET /Contact_GreenButton.gif
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:46 -0500] "GET /zdu6U.gif HTTP/1.1" 304
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:46 -0500] "GET /button.gif HTTP/1.1" 30
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:03:46 -0500] "GET /a_bottomGreenLine.gif H
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:12 -0500] "GET /wiley HTTP/1.1" 301 242
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:13 -0500] "GET /wiley/ HTTP/1.1" 200 59
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:14 -0500] "GET /icons/blank.gif HTTP/1.
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:14 -0500] "GET /icons/back.gif HTTP/1.1'
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:14 -0500] "GET /icons/dir.gif HTTP/1.1"
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:24 -0500] "GET /wiley/chap_2_graphics/ 1
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:25 -0500] "GET /icons/blank.gif HTTP/1.
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:25 -0500] "GET /icons/back.gif HTTP/1.1'
sdn-ar-002varestP286.dialsprint.net - - [01/Feb/1999:05:04:25 -0500] "GET /icons/image2.gif HTTP/1
```

Figure 4.1 The contents of a log file.

mation by just looking through the unformatted text. Fortunately, special analysis tools will crunch all of this data to produce Web site activity reports.

Key Terminology in Web Measurement

Before we dive into the different types of log analysis reports and how they can help you, we will review some of the common terms that you'll see in Web site analysis reports. This new vocabulary blends technology and traditional advertising terms. The following are some of the key terms that will serve as the foundation for understanding the language of Web measurement. For a comprehensive assessment of the concepts and metrics in Web ad measurement, see this book's companion Web site, which includes a reprinting of the Internet Advertising Bureau's "Metrics and Measurement" white paper compiled by the Media Measurement Task Force. This white paper is a fantastic resource when it comes to explaining the intricacies and problems of Internet advertising measurement and reporting.

Ad request. The request of an ad from the server. This happens when someone visits a Web page that has an advertisement and the surfer's browser asks the server to deliver the ad. For a variety of reasons, the ad may not always be successfully served.

Ad view. Technically, the delivery of an ad by the server.

Cache (pronounced *cash*). The temporary storing of a Web page on a user's computer following the page downloading. This speeds up downloading on repeated use, so that the next time you request that page, it is accessed from the cache on your computer instead of from the Web server. Proxy servers and ISPs also cache pages to make access easier for their customers, and to reduce their bandwidth expenses (they don't have to use extra bandwidth every time a page is requested if they have cached that page).

Click rate. Clicks divided by ad requests.

Click-throughs. The number of times an ad is clicked.

Domain name. A naming system that translates the IP number given to computers on the Internet into user-friendly addresses. Domain names are read from left to right, going from specific to general. For example, the domain name for Yahoo! is www.yahoo.com, of which *www* indicates the type of server (World Wide Web), *yahoo* is the general domain name for Yahoo!, and *com* is the top-level domain (commercial). There are two types of top-level domains: categories (com, edu, org, etc.) and countries (uk-United Kingdom, au-Australia, etc.).

Exposures. The number of times that an advertisement is viewed. "Exposure" is commonly used interchangeably with "impression."

Gross exposures, ad views. These are advertising terms that denote the total number of times an ad is seen.

Hit. A hit is a record of each time a file is requested from a server. If a home page consists of eight graphics, nine hits would be recorded each time the home page is requested (one hit for the HTML text and eight for the graphics). Ten people going to that home page would result in 90 hits. Obviously, hits do not reflect the number of people viewing the site, just the number of files requested. Moreover, an increase in hits may be the result of more material on a site (let's say, a redesign of the home page added three new graphic elements) rather than an increase in users visiting the site. Sites still boast about their number of hits, but this basic unit of measurement isn't something that advertisers regard seriously.

Impressions. The number of times an ad is delivered. When an advertiser buys advertising on a CPM basis, the advertiser is paying for every 1,000 impressions that the site can deliver. Different sites measure an impression differently. Some sites count an impression when an ad is requested; others count an impression only when an ad is fully downloaded; and there are other definitions that are used as well. Savvy advertisers will ask the publishers how they define impressions.

Log file. This records all activity on a server. It records the items that are requested (Web pages, graphics, etc.), at what times they are requested, the browser used by the surfer, and other information. Traffic analysis software crunches log files to produce reports that are easy to understand and use as a basis for measuring Web site success.

Page view. This is commonly referred to as viewing all of the elements that comprise a Web page (graphics, text, etc.). It is generally agreed that if someone looks at a Web page that has frames, a page view will be looking at all of the elements of the page. However, some advertisers will count each frame as a separate page view to boost their level of traffic. Number of page views is a common metric for measuring traffic.

Response rate. The number of times an ad is clicked divided by the number of impressions that ad received.

Visitor. A person who goes to a specific Web site. Sites often define their traffic levels in terms of the number of visitors they've had in a given time period.

Visits. This is another term for comparing and measuring Web site traffic. A visit is activity on a Web site from a specific individual. That activity usually counts as a

new visit if the individual has been away from the Web site for a period of thirty minutes or longer.

What Can Be Learned from Log Analysis

Marketers can use Web site analysis software that they either purchase or custom build, or they can use a third-party service to take all of the data in their log files and produce analysis reports. The reports can be used to understand how customers are using the Web site and to help determine action items for improving the effectiveness of the Web site. Successful Web advertising goes hand in hand with an effective Web site. Below are some of the reports that can come from Web site analysis and how we suggest using those reports to improve your Web site.

Most Frequently Requested Pages

This can indicate a few things. First, you may discover that there are certain placements of navigational links that increase traffic to specific sections of your Web site. For example, we have seen that the highest traffic pages are often the ones that are the first navigational options listed on the home page, or those with buttons that are above the fourteen-inch point on the screen. The fourteen-inch point is the place where even material on the screen is visible even on a fourteen-inch monitor (one of the smaller desk top size monitors in use). Buttons above the 14-inch point have worked better than lower placements on the page, because they are seen by the greatest number of people. As we've seen time and time again in focus groups, Web surfers rarely scroll. Almost all Web users (even those with small monitors) can see everything within the first 14 vertical inches of the screen. This can be likened to putting the most important news above the fold on a newspaper

Assuming that the different sections of your site have equally prominent navigational options, you can use this statistic to learn what is most interesting to your audience. It's probably a good bet that your hot content could generate great ideas for advertisements to which your target audience would respond well. You'll also know what content is worth adding to and where you shouldn't be allocating your resources.

If some pages deep within your site have unusually high traffic, you should consider pushing these pages more towards the front of the site. If they have significant traffic when they're buried, imagine what would happen if they were easier to access.

Number of Visits

This gives you a general idea of your traffic levels; it's a good benchmark of your site's popularity. A visit is most often defined as activity on your Web site from one IP address. If the IP address is not active on your Web site for a period of thirty minutes, then any new activity from that IP address will be counted as a separate visit. Since IP addresses are dynamically assigned by ISPs and proxy servers, and more than one person can have an IP at the same time, activity from one IP can actually be from a variety of folks.

Pages Viewed Per Visit and Length of Visit

This gives you an idea of how interested users are in your content. The number of visitors in a given time period is a good benchmark of overall traffic, but you need to know if you're actually getting good traffic—people who are interested in the content. For example, if 50 percent of your visitors look at one page of your site and then leave, you're in trouble. Watching these numbers will also be a good measure of the effect of new content and redesigns. If redesigns and new content increase the number of pages viewed, then you're succeeding at interesting people in what you're offering.

It's important to note that the length of visit can be deceiving. If your server is slow, visit length may go up because surfers have to wait longer for your content to download. Also, an increased visit length can sometimes be the result of a poor redesign that makes it harder for users to find the content that interests them. Of course, these increases in visit length would be far from an indication that the quality of your site is improving, so it's important to carefully determine why changes in the visit length occur.

Distinction Between First-Time and Repeat Visitors

This measurement is not going to be accurate unless folks have to register at the site or the site employs cookies (both cookies and registration will be discussed later in this chapter).

Most Popular Usage Times

This lets you know at what time a daily update is early enough to reach the most users. It also tells you the best times to perform server maintenance (when you have the least traffic). You can also learn about your consumers. Is your site receiving its heaviest traffic during business hours or on weekends and evenings?

Popular Paths Followed through the Site

This gives you a framework for testing navigational changes that influence how a surfer uses your site. You can answer questions like, "if I move the 'current news' button to the top of the page, will there be a greater number of people clicking that option?" This is great for determining what navigational options and copy will influence the path users take through the site.

Click-through Rate

This provides you with data to give to advertisers. Although the click-through rate isn't as important as actually reaching the right audience, a majority of advertisers use click-through rate to measure success, so this is an important measurement. You'll be able to see how different placements and navigational changes affect your click-through rate. You'll also notice what types of ads work best for your audience.

Browser Used

This will help you to determine what design elements are appropriate. If you want to use Java, you want to make sure that a majority of your Web users are using browsers that work well with Java. You should test-view your Web site with the various browsers that your consumers are using.

Referring URL

This tells you where your users are coming from, which is a good way to track the effectiveness of link trades and advertising. High referrers that are not from advertising are usually sites worth investigating for advertising opportunities. Many marketers think it isn't worthwhile to advertise on sites that deliver them a lot of traffic, because they're already getting that traffic for free. But we've seen that the increase in response from actual advertising usually makes the ad buy well worth the investment.

Domain and Host of the User

Log analysis software can use the IP address that is recorded in your log files to figure out the actual domain and host name. In the case of AOL, the name is www.aol.com. An IP address coming from a direct connection at IBM would be www.ibm.com.

Marketers can obtain good information from this data. For example, for one of our U.S.-based clients we found high amounts of traffic from countries outside the United States. In particular we noticed a lot of traffic from Brazil (.br). To accommodate the Brazilian customers, we recommended modifying the order page to make it easier for taking Brazilian orders. The orders from Brazil rolled in, and the client was glad we had uncovered this traffic pattern from their log files.

User Computer Platform

This provides valuable information for computer or software vendors and manufacturers.

User Entrance Page

This lets you know which pages need to serve a home page function and offer the look and feel of a "welcome." Users will not always enter through your home page, and knowing where they do enter will alert you to design those pages in a manner that draws users deeper into the site.

User Exit Page

It's important to know the last page your users view before leaving. These are pages that you want to redesign to keep users from leaving.

Web Measurement Tools

As we've mentioned, the information contained in log files is presented in a raw format. The ability to organize this information into actionable reports is a function of a variety of software solutions. There are three options available. The first is to build the measurement software yourself. This is what many of the early sites had to do before there were commercial products available. Today, the products are so good that this is relatively uncommon. The second option is to purchase the software and manage the process in-house. And the third option is to outsource the entire process. We will discuss the in-house management and outsourcing options below.

Third-Party Outsourcing

Web publishers with a bank of servers or with servers in different geographic locations can save considerable time and effort by hiring a firm to analyze all of their Web site usage data. Such vendors collect and process the data from a company's server logs to generate analysis reports off-site. The leading company for outsourcing Web measurement is I/PRO (www.ipro.com, see Figure 4.2). Using a third party for the time-consuming usage analysis leaves your company more time to focus on other aspects of the business. And, in addition to traffic reports for your own site, I/PRO provides reports on how your traffic growth and patterns compare to the Internet at large. This is useful for determining if your site's growth is faster or slower than the growth of the Internet as a whole. Moreover, many advertisers like the appearance of objectivity that comes from outsourcing to a third party. Since log files are just text file, one could easily tamper with the file. Having a third party handle the analysis places an extra layer between the publisher and the report.

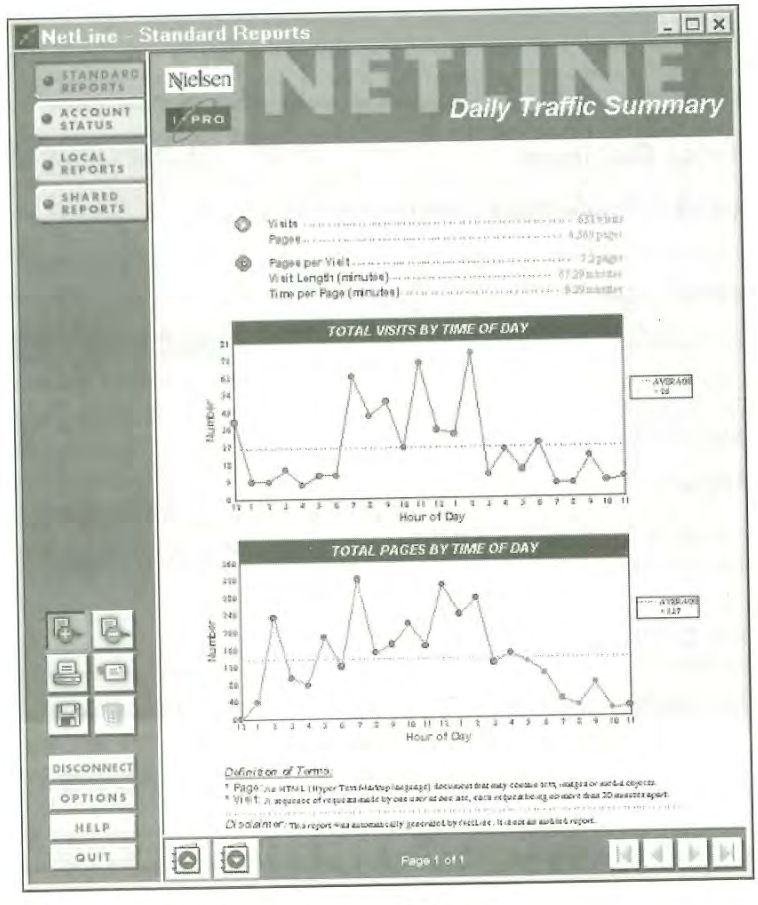


Figure 4.2 I/PRO NetLine Daily Traffic Report.

The disadvantages of using such a service are that Web publishers lose control of their usage information. When using a vendor for measurement, a publisher contracts for services on a monthly basis. Payment models vary based on size and frequency of reporting requirements.

In-House Management of Software

Publishers can also purchase their own tracking software. Table 4.1 provides a list of leading Web measurement software solutions. Almost all of these companies will let you download a free trial version of the software from their Web sites, which is a great way to figure out which software will work best for you. Some of these products can service the smallest sites, and others can provide the horsepower to measure traffic on large commercial ventures. Off-the-shelf versions of the software can cost as little as $300. For example, WebTrends Log Analyzer is a popular choice for small businesses on a limited budget (see Figure 4.3). WebTrends Log Analyzer is easy to operate and does not require that the software reside on the server. Instead, the log file is downloaded to the user's computer and the reports are generated there.

Table 4.1 Web Measurement Software

COMPANY	PRODUCT LINE	SAMPLE CLIENTS
Marketwave (www.marketwave.com)	Hit List Pro Hit List Commerce Hit List Enterprise Hit List Live	Microsoft, Intel, IBM, Apple, Disney, AT&T
I/PRO (www.ipro.com)	NetLine	Dell, InfoSeek, NBC, USA Today, Excite, Netscape, Geocities, Kraft
net.Genesis (www.netgenesis.com)	net.Analysis	Lucent, Sun, 3Com, Xerox, Astra
WebTrends (www.webtrends.com)	WebTrends Log Analyzer (popular inexpensive product) WebTrends Enterprise Suite WebTrends Professional Suite WebTrends for Firewalls and VPNs	IBM, Netscape, Microsoft, Compaq, Novell
Andromedia (www.andromedia.com)	Aria 2.5	U.S. Postal Service, 3Com, Sony Online, Earthlink
Accrue Software Inc. (www.accrue.com)	Accrue Insight 2.5	Warner Bros., Hearst New Media, FedEx, Sun, Qualcomm, Motorola

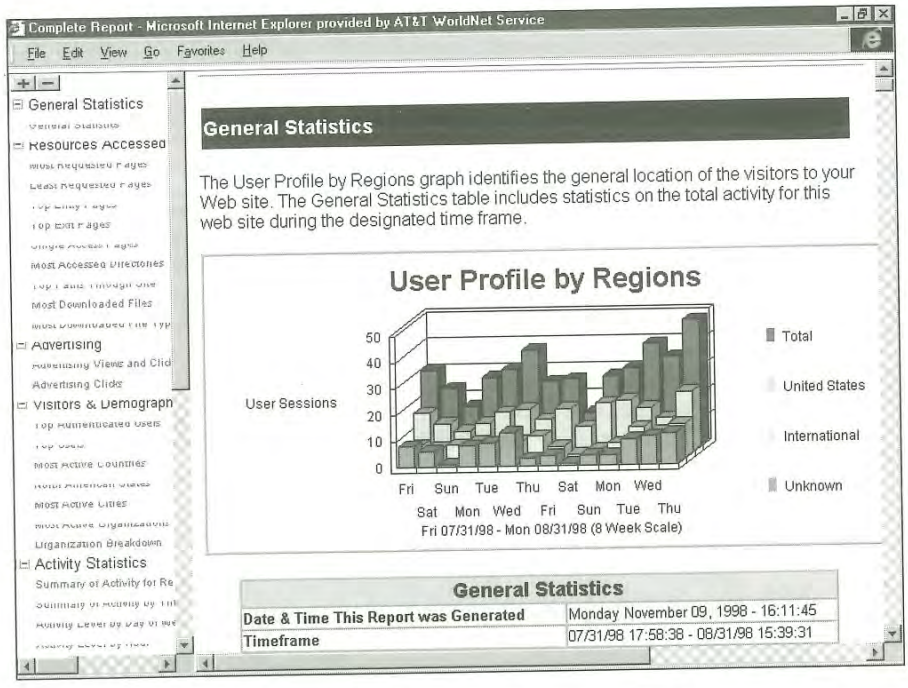


Figure 4.3 WebTrend's report of User Profile by Geographic Location.

For higher traffic sites, the cost can be thousands of dollars. Leaders in this industry include software from Accrue, Andromedia, Marketwave (see Figure 4.4), net.Genesis (see Figure 4.5), and WebTrends.

Significant resources are needed for in-house reporting for Web sites that generate a high volume of traffic, including enough disk space to maintain log files, the computer to run the analysis, and someone to manage the software and the process. The process becomes even more complicated when a Web site is spread over several servers across the country.

The Problems with Web Measurement

As a new and rapidly growing industry, it is only natural that there are some problems with Web measurement. One challenge is a technological hurdle—certain developments in this area can skew the accuracy of numbers. Problems also arise as a result of the lack of standardization in the industry, which can cause measurement numbers to be misunderstood and difficult to compare.

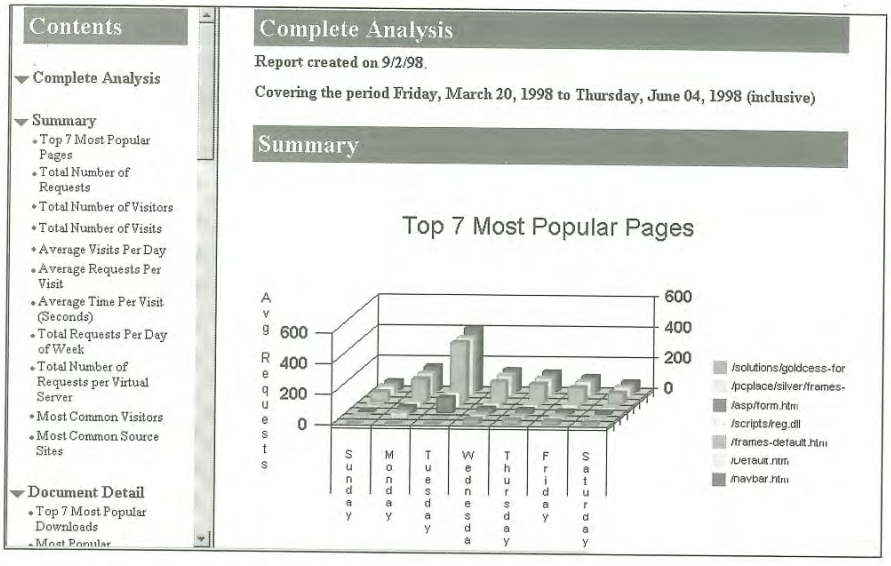


Figure 4.4 Marketwave's Hit List Pro report of most popular pages on a site.

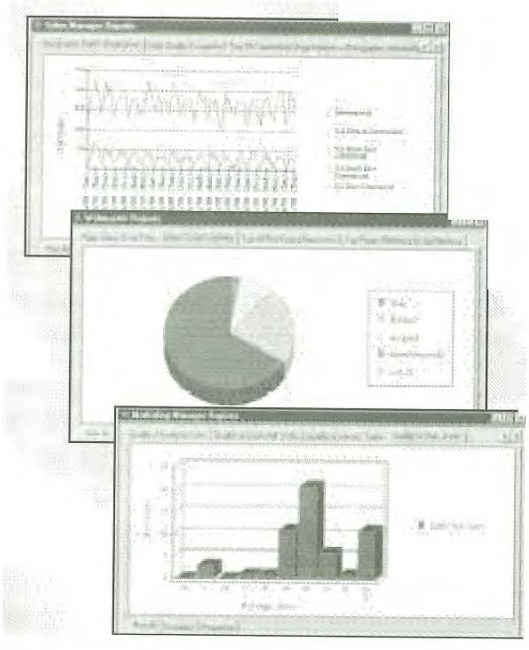


Figure 4.5 net.Genesis's net.Analysis series of Web site usage reports.

Technological Hurdles

Some of the very same technological developments that assist in speeding up Web delivery and facilitating corporate security can skew measurement numbers.

Caching

Caching describes the process of storing Web pages on a hard disk or server to decrease the download time; it eliminates the need to download the same pages each time they are requested. Most browsing software caches recently viewed pages on a user's hard disk, and the larger commercial online services and ISPs, such as AOL, store particularly popular Web pages on their server to expedite the loading of those sites for its members. This also occurs at many large corporations.

Although this process allows users to access information more quickly, publishers cannot track the usage of their Web sites when that usage occurs on someone else's server. For example, thousands of AOL users can surf a Web site, but if it is cached on AOL's servers, the publisher would not know about this activity. This is a problem for two reasons. First, the publisher does not have the correct usage data of the Web site. Second, if the publisher is selling advertising based on impressions, he or she is unable to charge for impressions delivered through cached pages, because no record exists of the impressions in the log files. Note that although impressions aren't recorded, clicks are—when someone clicks a banner it triggers a script that runs through the publisher's server, so sites that are cached will report inflated click-through rates.

The caching server does keep usage records of sites it has cached; this information is recorded in the caching server's log file. Publishers are not against caching, but they would like to have access to the log files of cached sites so they can accurately measure the activity on their Web sites. Help is on the way. There are now software products, such as MatchLogic's TrueCount (www.matchlogic.com), that can measure impressions even when caching occurs.

Proxy Servers and Multiple Users of One Machine

In an effort to maintain security on corporate computer systems, proxy servers act as the gateway from inside a company's firewall to the outside world. Requests for information from the Internet generated inside the firewall must first go to the proxy server, which then gathers the material from the Internet. Proxy servers usually use only one IP address, though larger systems may use several. The result is that a publisher's log file may have identified only one user (the proxy server) when in fact hundreds of computers at a company requested information from the site. This obstacle will be hard to overcome for obvious security reasons.

Another similar situation occurs when several people share a machine. This happens at businesses, academic institutions, and in home environments. For example, at a small company, only one computer may be connected to the Internet, and all employees wishing to surf the Web have to use that machine. This also occurs in an academic

setting where many students may use the same computers in the school's computer lab. And, in the home, every member of a family might use the same PC. The result is that the same IP address will appear several times, giving the impression that one person was returning to the site (or visiting a lot of pages) when in fact it was several. This demonstrates the shortcoming of defining a user by unique IP; the IP identifies the computer, not the user. Also, as we mentioned earlier, proxy servers cache publishers' pages.

Robots

Whereas caching and proxy servers can deflate the true number of requests, robots can inflate the traffic numbers. A robot can be programmed to request a site hundreds or thousands of times a day. A robot may also be a search engine that requests every page of a Web site in order to add those pages to its database. Fortunately, most measurement analysis software is sophisticated enough to identify this measurement aberration for known spiders (the ones used by the major search engines). However, if someone is tracking your site through a spider or an unknown search engine is spidering your site, it can be difficult to detect.

Industry Standards

Without a doubt, one of the growing pains of any industry is that standardization comes on the heels of invention. And in many respects, Web measurement—from terminology to technology—is still developing. With new measurement software coming on the market virtually every month, the lack of industry-wide standards accentuates the confusion. And this confusion extends from terminology to design to pricing structures.

In terms of reporting, standards are needed so advertisers can compare ad performance reports from different publishers. As Richy Glassberg, VP/general manager of Turner Interactive Marketing & Sales and founding member of IAB, puts it, "Standardizing Web measurement in general will make it easier for agencies and clients to buy so that everyone does well."

Any growth industry generates its own terminology, and the Internet is no exception. The Internet has a vocabulary for applications, procedures, and products. Though terms exist to describe the processes and procedures in Web advertising, what is lacking is industry-wide acceptance of the meanings of those terms. Fortunately, organizations like the Internet Advertising Bureau (IAB) (ww.iab.net) have developed standards for Web terminology. Unfortunately, not everyone uses their metrics yet.

One example of a term with different meanings is "impression," which is the basis of a majority of ad buys. The methodology for measuring impressions actually differs from site to site. Some sites count an impression as every time a request is made of the server for an advertisement, whereas others count impressions only if the ad is actually delivered. Also, some sites might have ads rotate while the consumer is on the page. In that case, an impression on one site may be a presence on the page for 10 seconds, whereas on other sites an impression is the ad's presence on the page for the user's entire time spent on that page.

Cookies

A discussion about Web measurement isn't complete without a discussion about cookies. This is a topic about which many people fuss, but with which few are actually familiar.

A cookie is text that can be written to a text file on the user's hard drive when visiting a Web site. In most cases, that text will be a unique string, allowing the person to be identified.

Earlier in this chapter we talked about the discussion that a browser has with the server when someone visits a Web site. That discussion can entail the server asking the browser if the user has a cookie from the Web site. If the user has a cookie, the browser will present that information to the server. (Please note that the server can only access cookies that it has placed; it cannot access cookies from other servers.) If the user doesn't have a cookie, the server will try to place one in the user's cookie file (see Figure 4.6 for a look at an actual cookie file).

For example, a site may assign you a cookie with the text string "123." Every time you access a page on the site, the server can request the cookie it placed and recognize that "123" is back again and track where "123" goes on the site. Maximum information can be gained by using cookies in conjunction with a database. For example, the site that

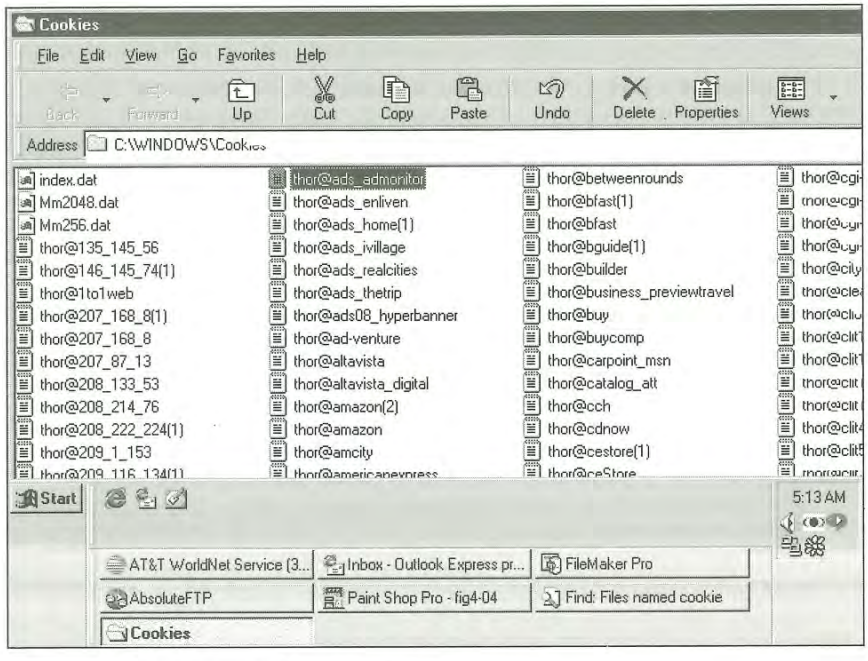


Figure 4.6 A Windows folder of cookie files.

gave you the "123" cookie may have a corresponding "123" record in a database. Every time you do something on the site, your actions can be recorded in the database.

People are often against cookies, because they believe that cookies are an invasion of privacy. In reality, a cookie can't find out anything about you unless you give that information to the Web site. The site knows that "123" is visiting, but not who "123" is or your address unless you provide that information. As we mentioned earlier, there can be a back-end database that is tied to your cookie ID. Then, each time you click on an advertisement or fill out a survey, enter a contest, or otherwise interact with a site, the actions can be recorded in a database as those performed by "123." But unless you fill out a form with your address, the site can't use a cookie to figure out who you are. And, if you fill out a form, the site will know who you are even if it isn't using cookies. The cookie ID tag resides on your hard drive, so the next time you visit the site, that information can be used again.

There are clear benefits for advertisers and publishers to using cookies. For example, if a publisher checks an ID tag, and discovers that according to its database the user visited the auto section of its Web site three times, the publisher can deliver an advertisement to the user for a car manufacturer. To take that scenario a step further, 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 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

What Determines If a Cookie Is Placed?

Cookies are supported by 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 HTTM Cookies": it is available at www.netscape.com/newsref/std/cookie_spec.html. Although the server can try to set a cookie, there are situations in which the cookie cannot be placed on the user's hard drive.

The 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 (we disagree, as we discuss in the text). 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. All you have to do is delete the text within the file, or delete the entire file, and you remove the cookie.

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.

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.

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 browser. 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 2, and so on.

And finally, cookies can also retain other information about users that might be useful. 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. There are a number of reasons why a server cannot place cookies on a user's hard drive. In fact, only about eight out of ten Internet users can be cookied.

Moreover, 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. The same problems (although to a lesser extent) are also caused by family computers that are used by more than one person.

Auditing of Web Site Traffic

Like any other advertising medium, Web advertising needs impartial third-party verification of numbers. Independent third-party audits will provide the foundation for confidence in the Web as a legitimate advertising medium. Web measurement is the timely tracking of all activity on a particular site. At this stage of the Web's evolution, there are a multitude of Web measurement solutions available, and most folks are using them. However, auditing Web measurement reports is mostly being done only by the large commercial sites with blue chip advertisers.

When advertisers are considering a site for ad placements, the advertisers want to know about the site's traffic. As an example, a site might say that it has 30 million page

views each week. How does the advertiser know that this is a true number? How does the advertiser know that the site is actually counting page views correctly? We have seen that sites both purposely and accidentally miscount traffic numbers, which is why audits are important. Audits are also important simply because advertisers are accustomed to receiving them from other advertising vehicles. Currently, most advertisers and their agencies aren't demanding audits, but we think that audits will be expected as the Internet advertising industry matures.

An audit usually tells an advertiser the total traffic of the site as well as the traffic the advertiser's ads receives (see Figure 4.7). An audit will also define the terms as the publisher's site uses them so that an advertiser can be certain what an impression really is. If an advertiser uses third-party ad serving, which we mentioned earlier in this chapter, the advertiser will have a third-party measurement of impressions and clicks, but will not have an audit of total site traffic. Just because something is done by a third-party does not mean it was audited. Also, auditors look for foul play, such as programs that will click on all advertisements to increase click-through rates.

The following are the main audit services currently available for Web sites:

Audit Bureau of Verification Services, Inc. (ABVS) (www.abcinteractiveaudits.com) was established on January 1, 1996. It is a wholly owned subsidiary of the Audit

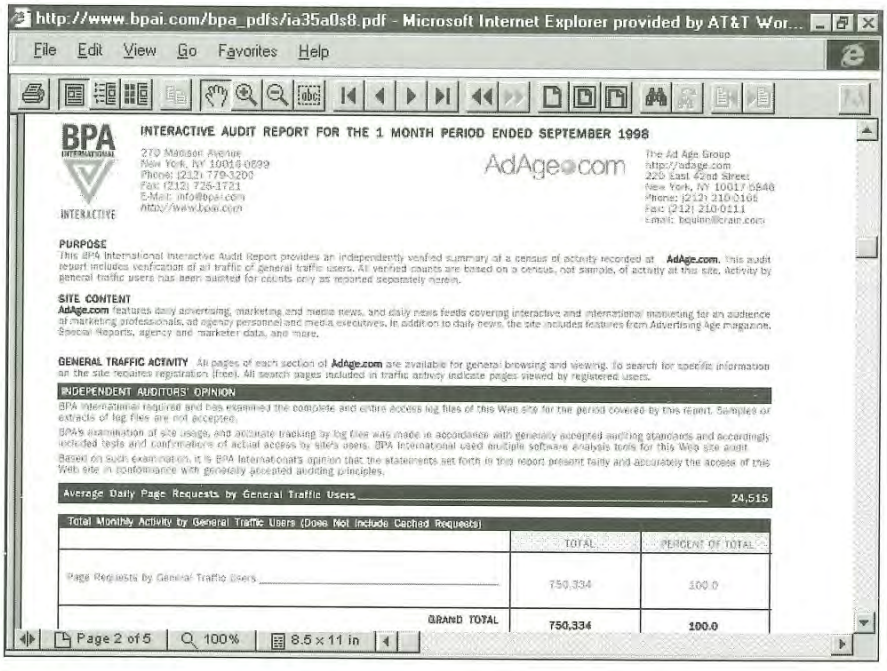


Figure 4.7 An Interactive Audit report by BPA for the AdAge.com Web site.

Bureau of Circulation (ABC). ABC—with over 82 years of circulation auditing experience—formed ABVS "to provide verification requirements of new and nontraditional advertiser-supported media."

BPA International (www.bpai.com), a global leader in magazine auditing since 1931, established an interactive auditing division because "as advertising on the Web grows into a commercially viable medium, advertisers need to know they are buying 'cyberspace' on the basis of accurate numbers that have been verified by an independent third party."

Nielsen, the television rating firm, has teamed with I/PRO (www.ipro.com) to offer a Web site analysis service for auditing and reporting Internet activity.

Rating the Web One Click at a Time

In advertising, broadcasters sell time or space to advertisers to disseminate their message to a particular medium's viewership. And, every medium—print, TV, radio, and so on—has a means to judge this viewership. Viewership is determined through ratings; that is, the number of people exposed to the message. Ratings equal the percentage of a given population group (for example, U.S. households for television) engaged with a medium at an identifiable moment in time.

There is nothing dull about rating Web sites. Whether you are referring to the act of profiling site audiences or to the firms that rate the sites, this is a field full of surprises. In 1998, the rating field shrank from four players to only two teams as the result of mergers. The two biggest players in the field, Media Metrix and RelevantKnowledge, merged into a new bionic Media Metrix ("The Power of Relevant Knowledge") (www.mediametrix.com). The other team consists of the strategic alliance between Nielsen Media Research (www.nielsen.com), the company that owns TV ratings, and NetRatings (www.netratings.com).

How are sites rated? Media Metrix offers coverage of over 15,000 Web sites and online properties, with monthly, weekly, and real-time data reporting, from a representative sample of over 40,000 people measured at home, work, and school. Media Metrix uses a suite of patented software "meters" placed on participants' computers to measure actual Internet and digital media audience usage behavior. The meters capture real-time, actual behavior of Internet users at the time it occurs—minute-by-minute, page-by-page, click-by-click. Tables 4.2–4.6 present the top 25 Web sites in a variety of categories, from Media Metrix. These ratings reflect the integration of the Media Metrix and RelevantKnowledge samples following the merger.

Table 4.2 Top 25 Web Properties
Media Metrix, Inc.
November 1998 Measurement Period
(11/1/98 through 11/30/98)

COMBINED AT HOME AND AT WORK			
RANK	WEB PROPERTY	% REACH	UNIQUE VISITORS (000)
Total Web Universe		100.0	56,781
1	AOL Websites	53.5	30,350
2	Microsoft Sites	48.9	27,751
3	Yahoo Sites	48.0	27,283
4	Lycos	45.2	25,656
5	GeoCities	32.0	18,158
6	The Excite Network	30.0	17,015
7	Netscape	29.9	16,987
8	Disney Online	25.6	14,510
9	Infoseek	20.2	11,488
10	Altavista Search Services	19.2	10,907
11	Time Warner Online	18.6	10,580
12	Bluemountainarts.com	16.0	9,087
13	Xoom Sites	15.4	8,759
14	Amazon	13.8	7,812
15	RealSite Portfolio	12.9	7,326
16	ZDNet Sites	12.6	7,170
17	BroadCast.com Consolidation	11.8	6,691
18	CNET	11.7	6,670
19	LookSmart	10.5	5,982
20	Snap.com Search Services	9.5	5,377
21	Switchboard Network	9.2	5,218
22	Infospace Impressions	8.0	4,554
23	eBay	7.7	4,382
24	Viacom Online	7.7	4,374
25	Go2Net Network	7.5	4,263

Table 4.3 Top 25 Web Sites
Media Metrix, Inc.
November 1998 Measurement Period
(11/1/98 through 11/30/98)

COMBINED AT HOME AND AT WORK			
RANK	WEB SITE	% REACH	UNIQUE VISITORS (000)
Total Web Universe		100.0	56,781
1	aol.com	48.7	27,630
2	yahoo.com	47.0	26,690
3	msn.com	32.7	18,544
4	geocities.com	32.0	18,158
5	netscape.com	29.9	16,987
6	excite.com	25.1	14,237
7	lycos.com	23.2	13,192
8	microsoft.com	22.9	12,991
9	infoseek.com	19.3	10,963
10	Altavista Search Services	19.2	10,907
11	tripod.com	18.5	10,488
12	angelfire.com	16.8	9,533
13	hotmail.com	16.7	9,509
14	bluemountainarts.com	16.0	9,087
15	xoom.com	14.6	8,280
16	amazon.com	13.8	7,812
17	real.com	11.7	6,647
18	zdnet.com	10.8	6,112
19	hotbot.com	10.4	5,898
20	Snap.com Search Services	9.5	5,377
21	switchboard.com	9.1	5,156
22	Disney Online	8.6	4,875
23	icq.com	8.5	4,850
24	simplenet.com	8.5	4,846
25	msnbc.com	8.3	4,693

Table 4.4 Top 25 Web Properties
Media Metrix, Inc.
November 1998 Measurement Period
(11/1/98 through 11/30/98)

TOP 25 WEB PROPERTIES–AT HOME			TOP 25 WEB PROPERTIES–AT WORK		
RANK	WEB PROPERTY	% REACH	RANK	WEB PROPERTY	% REACH
1	AOL Websites	49.2	1	Yahoo Sites	49.6
2	Yahoo Sites	43.7	2	Microsoft Sites	48.7
3	Microsoft Sites	43.1	3	Lycos	39.3
4	Lycos	39.1	4	AOL Websites	36.3
5	GeoCities	27.9	5	Netscape	36.0
6	The Excite Network	25.0	6	The Excite Network	27.5
7	Netscape	24.8	7	GeoCities	24.2
8	The Walt Disney Company Online	21.0	8	The Walt Disney Company Online	23.8
9	Infoseek	15.8	9	Altavista Search Services	21.8
10	Altavista Search Services	15.3	10	Infoseek	20.4
11	Time Warner Online	14.5	11	Time Warner Online	19.5
12	Bluemountainarts.com	14.1	12	Amazon	14.4
13	Xoom Sites	13.3	13	ZDNet Sites	14.0
14	Amazon	10.8	14	RealSite Portfolio	12.4
15	RealSite Portfolio	10.3	15	Bluemountainarts.com	11.5
16	ZDNet Sites	10.1	16	CNET	11.4
17	BroadCast.Com Consolidation	10.1	17	Xoom Sites	10.1
18	CNET	9.7	18	BroadCast.com Consolidation	9.7
19	Snap.com Search Services	8.6	19	Weather Channel	9.3
20	LookSmart	8.5	20	LookSmart	9.3
21	Switchboard Network	7.2	21	Switchboard Network	8.3
22	Viacom Online	7.1	22	Infospace Impressions	7.6
23	eBay	6.7	23	Snap.com Search Services	7.4
24	Go2Net Network	6.3	24	Miningco.com	7.1
25	Infospace Impressions	6.2	25	eBay	7.0

Table 4.5 Top 25 Web Properties
Media Metrix, Inc.
November 1998 Measurement Period
(11/1/98 through 11/30/98)

TOP 25 WEB SITES–AT HOME			TOP 25 WEB SITES–AT WORK		
RANK	WEB SITE	% REACH	RANK	WEB SITE	% REACH
1	aol.com	44.5	1	yahoo.com	48.9
2	yahoo.com	42.8	2	netscape.com	36.0
3	geocities.com	27.9	3	aol.com	34.0
4	msn.com	27.7	4	msn.com	32.0
5	netscape.com	24.8	5	microsoft.com	24.6
6	excite.com	20.8	6	geocities.com	24.2
7	microsoft.com	19.4	7	excite.com	22.8
8	lycos.com	18.6	8	Altavista Search Services	21.8
9	tripod.com	16.3	9	lycos.com	20.9
10	hotmail.com	15.7	10	infoseek.com	19.7
11	Altavista Search Services	15.3	11	amazon.com	14.4
12	angelfire.com	15.0	12	zdnet.com	13.2
13	infoseek.com	15.0	13	tripod.com	12.5
14	bluemountainarts.com	14.1	14	hotmail.com	12.2
15	xoom.com	12.7	15	real.com	11.6
16	amazon.com	10.8	16	bluemountainarts.com	11.5
17	real.com	9.3	17	cnn.com	10.8
18	Snap.com Search & Services	8.6	18	angelfire.com	10.1
19	hotbot.com	8.3	19	msnbc.com	9.5
20	zdnet.com	8.3	20	weather.com	9.3
21	icq.com	8.2	21	hotbot.com	9.3
22	simplenet.com	7.2	22	xoom.com	9.2
23	Disney online	7.2	23	switchboard.com	8.3
24	switchboard.com	7.0	24	infospace.com	7.6
25	ebay.com	6.6	25	espn.com	7.4

Table 4.6 Top Shopping Web Sites
Media Metrix, Inc.
WWW Audience Ratings
November 1998

RANK	DOMAIN NAMES	% REACH	UNIQUE VISITORS (000)
total Web users		100.0	56,781
Shopping		62.7	35,583
1	bluemountainarts.com	16.0	9,087
2	amazon.com	13.8	7,812
3	ebay.com	7.6	4,327
4	Barnes & Noble	6.6	3,769
5	CNET Software Download Services	5.9	3,327
6	etoys.com	5.2	2,957
7	cdnow.com	4.5	2,539
8	columbiahouse.com	4.5	2,536
9	musicblvd.com	4.0	2,262
10	valupage.com	3.7	2,109
11	classifieds2000.com	3.6	2,018
12	coolsavings.com	3.3	1,851
13	spree.com	3.0	1,718
14	bmgmusicservice.com	2.5	1,445
15	onsale.com	2.4	1,359
16	123greetings.com	2.3	1,296
17	beyond.com	2.2	1,277
18	CNET Commerce Services	2.2	1,251
19	netmarket.com	2.1	1,202
20	surplusaction.com	2.1	1,180
21	qvc.com	2.0	1,148
22	wal-mart.com	2.0	1,131
23	carpoint.com	1.9	1,076
24	freeshop.com	1.9	1,075
25	ezspree.com	1.9	1,067
26	egghead.com	1.8	1,003
27	reel.com	1.8	995
28	outpost.com	1.7	939

Table 4.6 *Continued*

RANK	DOMAIN NAMES	% REACH	UNIQUE VISITORS (000)
29	messagemates.com	1.6	913
30	cdw.com	1.6	910
31	priceline.com	1.5	880
32	tucows.com	1.5	851
33	bestbuy.com	1.4	809
34	landsend.com	1.4	809
35	autoweb.com	1.3	763
36	mypoints.com	1.3	758
37	firstauction.com	1.3	747
38	egreetings.com	1.3	739
39	supermarkets.com	1.3	712
40	ubid.com	1.2	691
41	winfiles.com	1.2	660
42	warehouse.com	1.1	628
43	autobytel.com	1.1	625
44	surplusdirect.com	1.0	595
45	netgrocer.com	1.0	575
46	jcrew.com	1.0	554
47	netcart.com	1.0	545
48	ezbid.com	0.9	520
49	worldremote.net	0.9	520
50	filez.com	0.9	516

Chart definitions:

Top 25 Web Properties: The top 25 World Wide Web properties are based on unduplicated audience reach. "Web Properties" include the largest single Web site brands as well as consolidations of multiple Web domains that fall under one brand or common ownership.

Example of "Web Properties": An example of a "Web Property" (i.e., one that offers more than one site) is the Excite Network, which encompasses city.net, excite.com, mckinley.com, and webcrawler.com.

Top 25 Web Sites: The top 25 Web sites are based on unduplicated audience reach. Top sites are from Media Metrix's At Home and At Work samples.

Reach definition and example: The percentage of Web-active individuals (i.e., individuals in the Media Metrix sample) that visited a site once in the given month. Individual visits are unduplicated (not counted twice). For example, if a site has a 2% reach, that means that 2% of Web-active individuals visited that site within the given month.

Unique visitors: The actual number of total users who visited the Web site once in the given month. All Unique Visitors are unduplicated (only counted once) and are in thousands.

Questions to Consider before Choosing a Web Measurement Solution for Your Company

What information do you want to track? Factor in the goals you have set for your Web site, the needs of your advertisers, and the reporting needs of upper management, to determine what information a measurement solution must provide.

Is it more efficient to perform the analysis in-house or should you outsource the process? In-house analysis is less expensive if you have a low to medium traffic site. If, on the other hand, your Web site generates high volume traffic, you need appropriate resources: disk space, adequate computer capabilities, and staff to generate reports. Moreover, the solution must be scalable for continued growth. Note that you need not only enough disk space for your current log file, but enough to archive log files so you can generate long-term trending reports.

What is the volume of traffic at your site? Can the products or service bureau handle it? Specifically, ask software vendors how much disk space and what type of a process you need to generate reports from log files to accommodate the traffic level (usually you will be asked to provide your log file size in megabytes).

How sophisticated does your traffic analysis need to be? Consider your current and future needs in your decision-making process.

How frequently do you need reports? Every day, every week, every month? Daily reports can be expensive when provided by a third-party provider. Also, if you do reports in-house, do you have the staff to put the reports together?

How many different departments need to use the data (marketing, IT, financial, etc.)? Does each department need different report configurations? It is a mistake not to check with all of the departments that will need reports before choosing a solution provider. If they all have different needs, and you

learn what they are, you have a better chance of finding a product that meets all or most of them.

What reports will your advertisers need? If you're a publisher, before you invest in a measurement solution, make sure it meets the needs of the companies footing the bill—your advertisers. Advertisers usually want to know how many times each creative is seen and how many times each is clicked. Advertisers prefer to get these statistics daily so they can tweak their campaigns to get maximum response rates (for example, daily reports will allow an advertiser to drop a poorly performing creative at the beginning of the campaign). Advertisers also want to compare how their ads perform on different pages of your Web site. Please note that unless your site is fairly low in traffic, you will benefit significantly from using adserving software rather than log analysis software to track advertising.

How private do you want to keep your tracking information? Will you allow your traffic statistics to be used in aggregate for industry-wide analysis by the tracking company? If you use a third party to generate traffic usage reports, your data is often used in aggregate for industry-wide analysis, such as I/PRO's analysis of click-through rates.

Will you need to have your reports audited? If so, check with the company that you want to perform the audits. They may recommend a measurement solution that makes the auditing process easier.

After you've considered these questions, you can conduct further research to ensure that you're making a smart purchasing decision. Find out whether any of the measurement solutions you're considering are already serving members of your industry. Ask how the solutions are working. Another alternative is to download a demo or trial version of the software. This gives you a chance to see how products work and how easy it really is to generate the reports you need.

CHAPTER 5

Ad Management

The ad management landscape can be dissected into a continuum of features that go from the most basic to highly complex and sophisticated. The first feature is advertising inventory rotation software. The next concerns reporting on ad delivery with the differentiation among products on the issue of fixed report templates or report customization capabilities. The third feature is optimization for advanced technical delivery options such as delivering rich media ads or delivering geographic targeting. And the final feature is profiling where the ad management is married with personalization and targeting such that clickstream data and demographic data is combined to deliver the right ad, to the right person, at the right time.

The key to choosing ad management technology is knowing the features available and putting together the package that best fits the needs of your company. The difficulty in differentiating products and services in the ad management arena is that it is not uncommon for every product to claim it can do just about everything. The differentiation is in the details.

When you talk about ad management, it's important to be specific as to which hat you are wearing. Ad management is an issue for publishers on the one side and agencies and advertisers on the other. The tasks and tools are driven by different immediate questions and concerns, although the goals are the same—delivering online ads efficiently, accurately, and cost effectively to achieve a campaign's objective. This chapter will look at ad management from both sides. First we'll examine ad management and how it services publishers. Then we'll look at how ad management services the agency community.

Ad Management for Publishers

When we were researching the first edition of *Advertising on the Internet*, we were told a story by a major Web publisher that demonstrated the importance of ad management tools. It turns out that in this publisher's early days they used to manage their ads by making a yellow Post-it note for each ad that was supposed to run and placing the Post-it on a big whiteboard that served as the schedule for ad flights (placement and length of run for each ad). This worked fine until they started running dozens of ads, each for different numbers of impressions and lengths of time.

One day they found a Post-it on the floor behind a chair and discovered that it represented an ad that was supposed to have run weeks before for one of their major sponsors. Now they were going to have to confess that the ad never ran. They couldn't fake it because every ad run had a report showing its activity, and this one obviously didn't. That's all it took for this site to take down the whiteboard and develop an ad server/management tool to automate and organize the process so that no ads could get lost because a yellow sticky fell on the ground.

Publishers realized that they needed a tool to help them manage ad inventory. They also realized they needed software that could tell them how many impressions they had to sell and organize the delivery and rotation of the ads. In the Internet industry, if there is a need, it is not too long before there are many software options.

Publishers now have two approaches they can take in dealing with serving and managing their ad inventory: they can mange their ad inventory in-house or use a third-party outsourcing solution. We will cover the full range of options, whether you are a small site or a large commercial venture, and whether you have a budget of $50 or $50,000 to invest in managing your ad inventory.

In-House Ad Management

There are a number of choices for in-house ad serving software, and they differ greatly in terms of ease of use, price, and features (see Table 5.1).

For those with more time than money and who have the technical know-how to use bare-bones options, there are freeware and shareware banner rotation scripts available. Scripts such as Bannermatic (www.getcruising.com/crypt/banmat.html) and WebAdverts (www.awds.com) can do the job of rotating banners, but require a great deal of technical competency to set up and maintain. This is a popular choice for the small site on a tight budget.

The second option, popular with small to mid-size sites, is inexpensive ad serving software such as Ad Café Professional (www.infohiway.com/adcafe) and Central Ad PRO (www.centralad.com). These software options manage ad inventory, rotate ads, and provide ad delivery reporting. They can cost from $200 to $1,000, depending on features.

For the large sites, more robust and feature-intensive ad management solutions are needed. These tools don't just traffic your ads, making sure the right ad goes up for the right amount of time; but the software also reports on the activity of the ad (number of

impressions and click-throughs). Products in this category include NetGravity's AdServer (see Figures 5.1 and 5.2), the Accipiter line from Engage Technologies (see Figure 5.3), and Real Media's Open AdStream. They are used by major commercial Web sites that are some of the highest trafficked sites on the Internet, and deliver thousands of ads per hour. These companies, of course, offer extensive customer support.

Purchasing software for in-house use is much less expensive than buying both the software and management services of a third party, but the savings must be balanced against the cost of staffing the management and operation of the software in-house. Both the largest and smallest sites have chosen to manage the ad delivery process on their own.

Ad Management Service Bureaus

A site can choose to outsource the delivery of its ads to a service bureau (see Table 5.2). This option allows the publisher to delegate the entire ad servicing process, allowing him to focus on the business of running the site.

One of the leading Web-based services for delivering ads is DoubleClick's DART (www.doubleclick.com) (see Figure 5.4). This service manages all ad serving and reporting functions for a site and runs the entire process through DoubleClick's central servers. This means that a site has two T3 lines, with redundant service providers delivering ads,

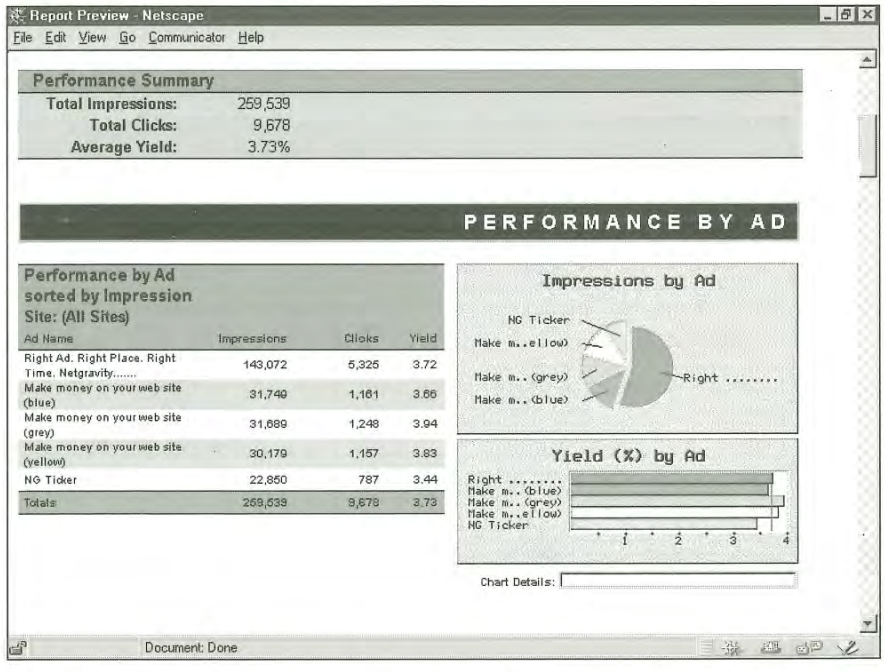


Figure 5.1 NetGravity's AdServer 3.0 gives advertisers insights into their ad performance.

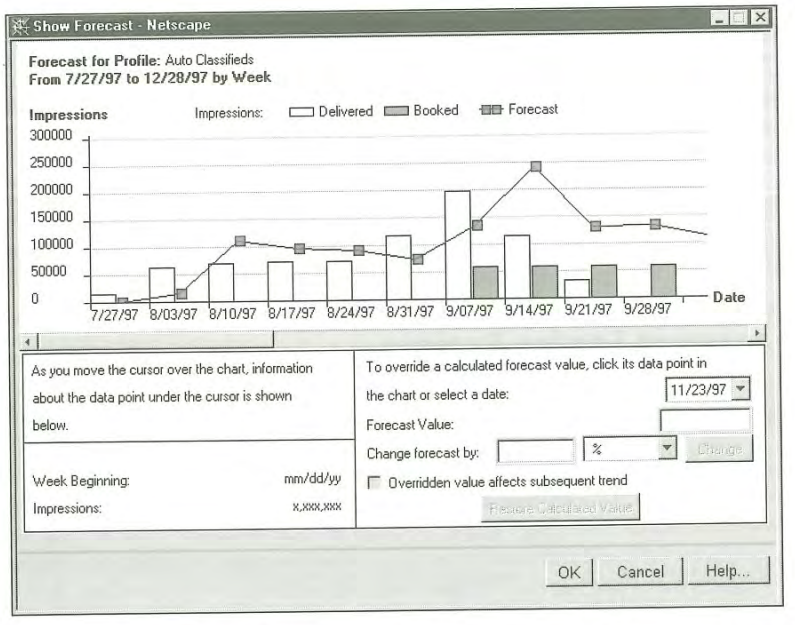


Figure 5.2 NetGravity's AdServer forecasting uses historical data to project traffic growth.

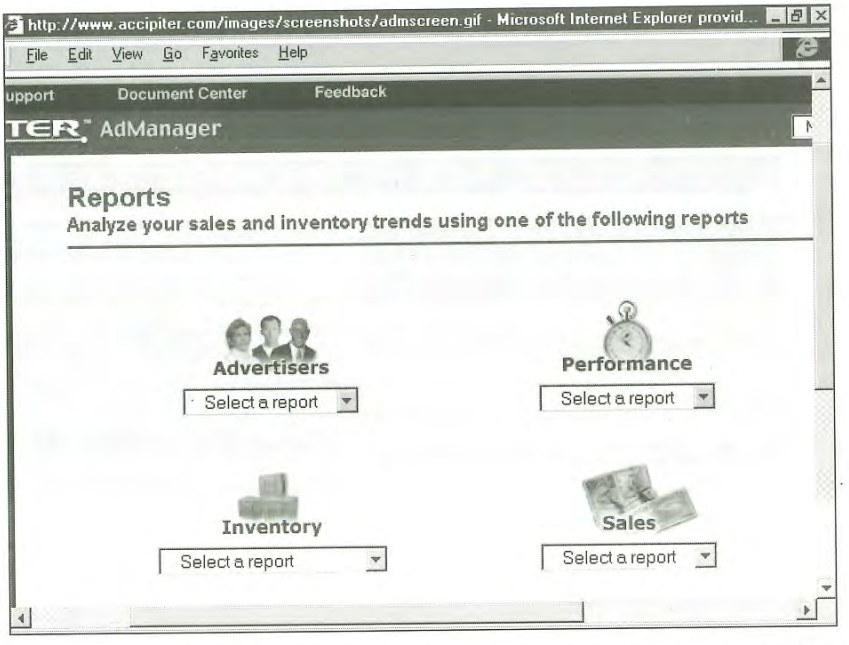


Figure 5.3 Accipiter's system assists you in analyzing your sales and inventory needs and trends.

Table 5.1 Ad Server In-House Software Options

	FREEWARE OR SHAREWARE	INEXPENSIVE OPTION	FULL-SERVICE SOLUTION
Bannermatic (www.getcruising.com/crypt/banmat.html)	X		
WebAdverts (www.awds.com)	X		
Ad Café Professional (www.infohiway.com/adcafe)		X	
Ad Juggler (www.adjuggler.com)		X	
Central Ad PRO 3.0J (www.centralad.com)		X	
Engage Accipiter (www.accipiter.com)			X
NetGravity AdServer (www.netgravity.com)			X
Real Media Open AdStream (www.realmedia.com)			X

not to mention a setup that is expensive and complicated, and outside of the capabilities of many sites. The technical benefits to the publisher are the following:

- No hardware or software installation, just the addition of a few lines of HTML
- Delivery of rich media creatives
- Delivery of multiple ads per pages and different ad sizes

Indeed, for some sites, the convenience of outsourcing is well worth the price of the service.

Ad Management for Advertisers

Ad management is also very much an issue for agencies and their advertisers. An agency needs to know who saw the ad, if that person clicked on the ad, and if any further action was taken. Agencies have two options: they can evaluate the ad campaign themselves or use a third-party ad management solution.

What does it mean for an agency to do it in-house? It means dealing with each site individually for all requests, from flighting creatives to making changes to collecting reports. For example, if your ads are running on 12 sites and you need to change one banner on each, you'll have to e-mail each of the 12 sites with a request to change the ad

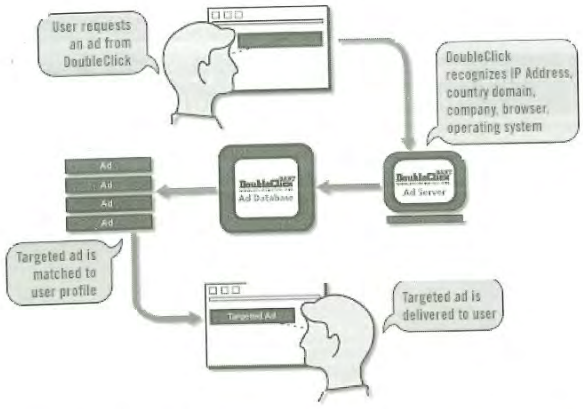


Figure 5.4 How DoubleClick's DART Web-based ad delivery service goes from request to delivery.

Table 5.2 Ad Management Service Bureaus

SERVICE	FUNCTION	PRICING	SELECT CLIENTS
Accipiter's AdBureau	Service includes all hardware and software to serve and track ads 24 hours a day. Does not aggregate click-through data.	Based on number of ads served each month	Microsoft; ChannelOne; BabyCenter; Bank Rate Monitor; Tripod; WebTV; ZDNet; WiseWire; Prodigy; Policy.com
NetGravity's AdCenter	Full-service ad serving solution for small and mid-size sites.	Monthly usage cost based on number of ads served	N/A
AdForce's AdForce	Full-service ad management solution for ad networks and large Web sites.	Based on ads delivered	AdAuction; FortuneCity; TN Technologies; Modem Media.Poppe Tyson; Eisenberg Communications; GeoCities; Netcom; Hachette Filipacchi
DoubleClick's DART	Web-based service; allows a site to manage all of its ad serving and reporting functions using DoubleClick's central servers.	Based on ads served	Wall Street Journal Interactive; NBC; Excite Europe; Reader's Digest; RealNetworks

Source: 1998 Jupiter Communications

and so on. It also means gathering ad campaign reports from dozens if not hundreds of sites and evaluating the effectiveness of the campaigns. In many cases, this becomes a case of comparing apples and oranges. Indeed, one of the many hurdles in front of the online ad industry is developing standards in ad delivery reporting.

There are several agencies who have developed excellent in-house tools for ad serving: Thinking Media (www.thethinkingmedia.com) developed ActiveTrack; Modem Media.Poppe Tyson and TN Technologies developed TNToaster; Organic Online (www.organic.com) developed Borscht; and ORB Digital Direct (www.orb.net) developed ORBit3.0. Some of these agencies are even selling their ad servicing technology commercially, as i33 (www.i33.com) is doing with their AdMaximize product.

Third-Party Ad Management

A more popular option is to use a third-party ad management solution that facilitates the buying, placement, and analysis of the campaign. This allows advertisers to have consistent reports, a single source for managing ads on every site on which they advertise, and more control over targeting. For example, if an advertiser is running advertisements on Yahoo! and using her own ad management option, she can have the ad server deliver different advertisements to users depending on whether they are from an educational institution or a business. These services save the agencies headaches and significant amounts of time.

Moreover, ad management tools are also taking the next step and facilitating ad planning, processing the insertion orders, and performing post-buy analysis. For example, AdKnowledge's Planner automates the entire Web advertising process from pre-planning to billing. AdKnowledge has a suite of products that includes Planner, a solution for researching and planning online media campaigns (see Figure 5.5a); Campaign Manager, for trafficking, reporting, and post-buy analysis of media campaigns as well as one-to-one database marketing (see Figure 5.5b); and Administrator, which integrates Web ad buy data and performance analysis with agencies' existing accounting and billing systems (see Figure 5.5c).

The costs of these services can be up to $2 CPM on the impressions you deliver through their service, plus additional fees for special services.

Before you make a long-term commitment to use one of the ad management services, be sure to test them. Some may have problems working with the sites on which you advertise and may not be able to serve ads perfectly.

Closed Loop Reporting

In addition to factors measuring Web advertising effectiveness (such as the number of times an ad is served and the number of times the ad is clicked), an advertiser needs to know deeper measures, such as which ads drove the people who purchased a product, requested a catalog, or looked at four pages. This is known as *closed loop reporting* because it goes beyond the measurement of clicks—closing the loop to measure actual effectiveness.

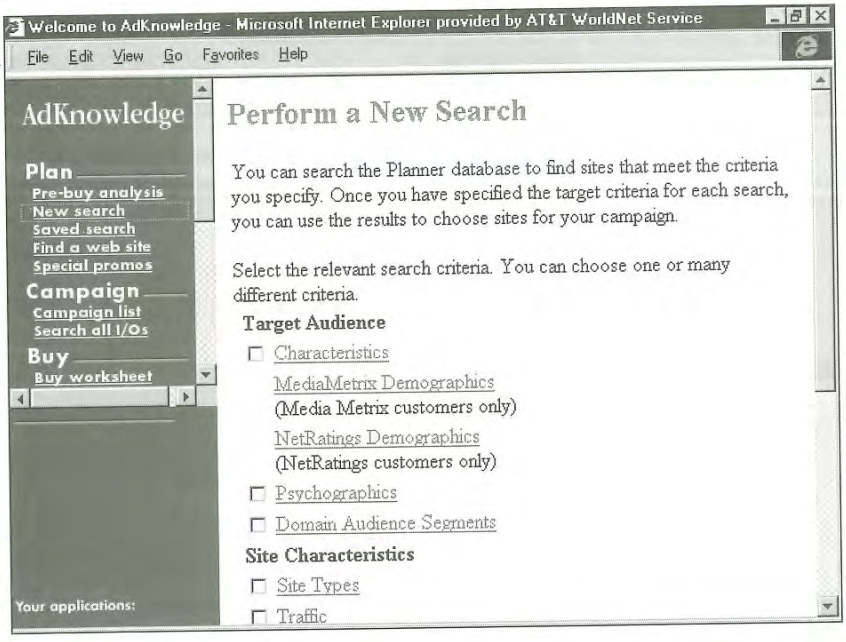


Figure 5.5a AdKnowledge's Planner lets you search their database to find the best sites for your campaign.

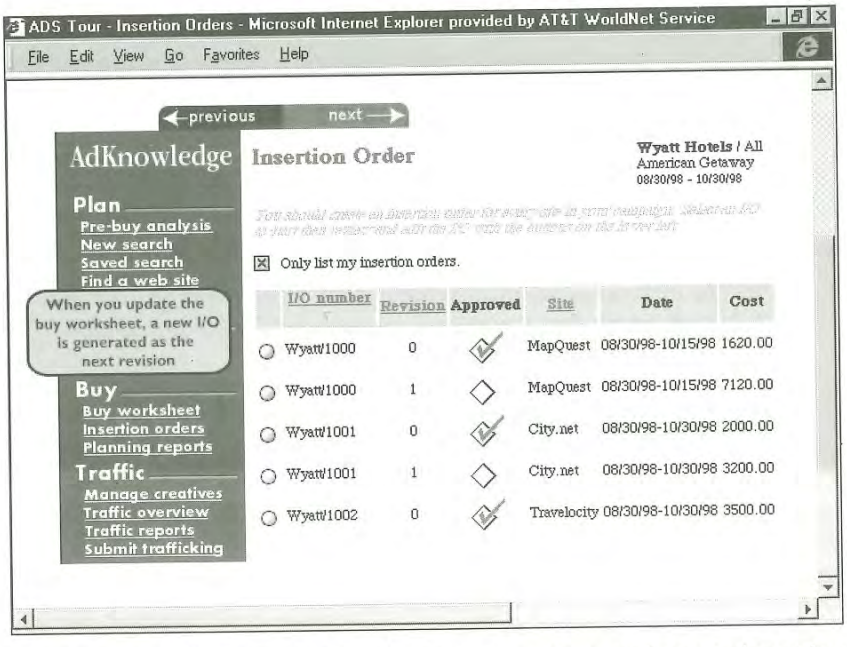


Figure 5.5b AdKnowledge's Campaign Manager assists in placing insertion orders.

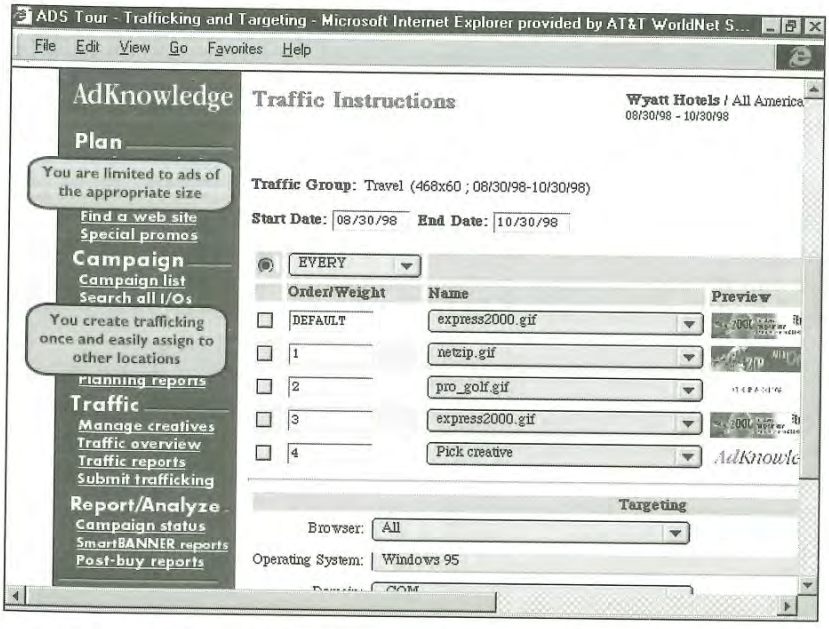
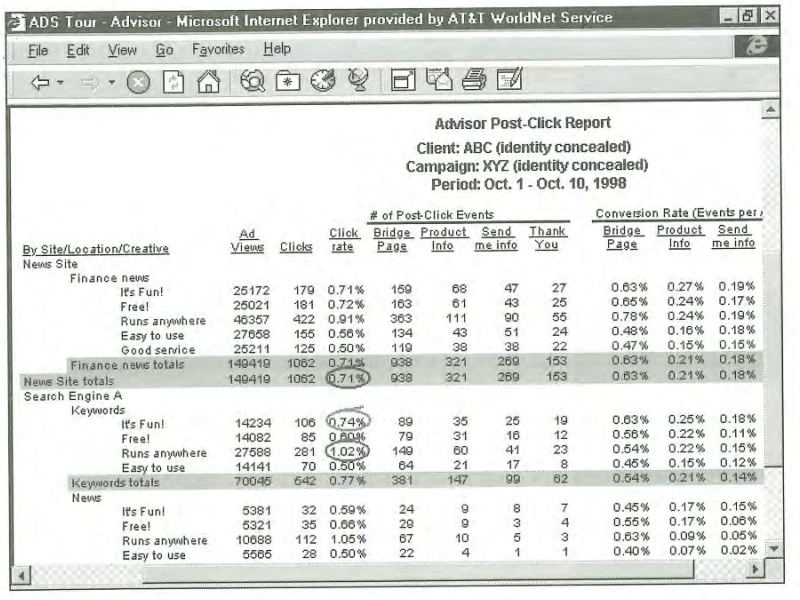


Figure 5.5c AdKnowledge's Administrator manages the flight dates of each ad.

Many companies develop custom closed loop reporting solutions. For those who can't or don't want to develop their own solutions, there are some third-party services that offer closed loop reporting, such as AdKnowledge (www.adknowledge.com) and MatchLogic (www.matchlogic.com) (see Figure 5.6).

Products for Both Publishers and Advertisers

When you line up all the products and services on the market for ad management, it's clear that the movement is to have products from one company that can meet the needs of publishers and advertisers alike. Having one company with products that can wear both hats eliminates compatibility and comparability issues. One company moving in this direction is AdForce (www.adforce.com) (see Figure 5.7).



By Site/Location/Creative	Ad Views	Clicks	Click rate	# of Post-Click Events: Bridge Page	Product Info	Send me info	Thank You	Conversion Rate (Events per): Bridge Page	Product Info	Send me info
News Site										
Finance news										
It's Fun!	25172	179	0.71%	159	68	47	27	0.63%	0.27%	0.19%
Free!	25021	181	0.72%	163	61	43	25	0.65%	0.24%	0.17%
Runs anywhere	46357	422	0.91%	363	111	90	55	0.78%	0.24%	0.19%
Easy to use	27658	155	0.56%	134	43	51	24	0.48%	0.16%	0.18%
Good service	25211	125	0.50%	119	38	38	22	0.47%	0.15%	0.15%
Finance news totals	149419	1062	0.71%	938	321	269	153	0.63%	0.21%	0.18%
News Site totals	149419	1062	0.71%	938	321	269	153	0.63%	0.21%	0.18%
Search Engine A										
Keywords										
It's Fun!	14234	106	0.74%	89	35	25	19	0.63%	0.25%	0.18%
Free!	14082	85	0.60%	79	31	16	12	0.56%	0.22%	0.11%
Runs anywhere	27588	281	1.02%	149	60	41	23	0.54%	0.22%	0.15%
Easy to use	14141	70	0.50%	64	21	17	8	0.45%	0.15%	0.12%
Keywords totals	70045	542	0.77%	381	147	99	62	0.54%	0.21%	0.14%
News										
It's Fun!	5381	32	0.59%	24	9	8	7	0.45%	0.17%	0.15%
Free!	5321	35	0.66%	29	9	3	4	0.55%	0.17%	0.06%
Runs anywhere	10688	112	1.05%	67	10	5	3	0.63%	0.09%	0.05%
Easy to use	5565	28	0.50%	22	4	1	1	0.40%	0.07%	0.02%

Figure 5.6 MatchLogic closed loop reporting gives a comprehensive analysis of a campaign's performance on each site.

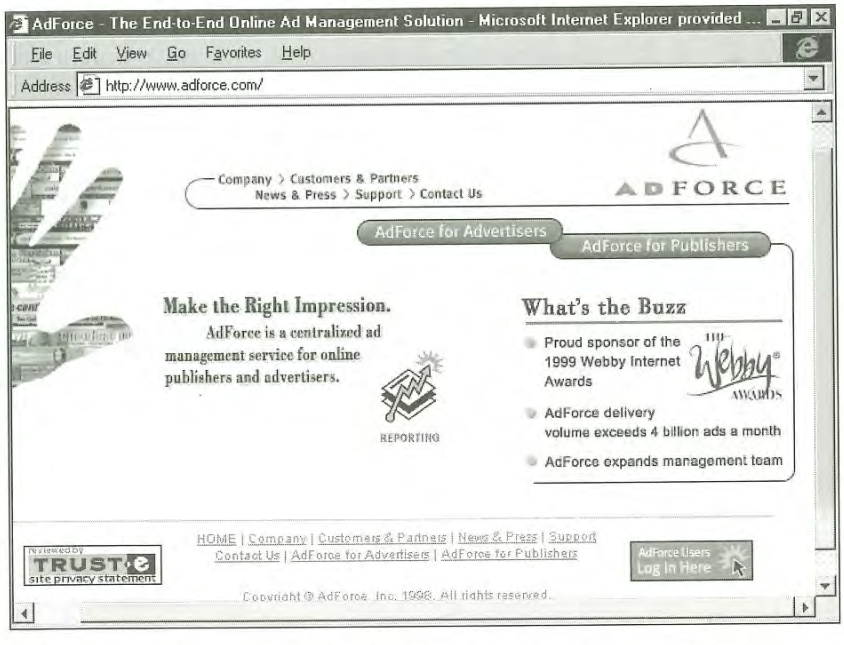


Figure 5.7 AdForce offers their suite of products to both advertisers and publishers for added compatibility and comparability of reporting.

Objects Are Closer Than They Appear

Rex Briggs, Vice President, (rex@mbinteractive.com)
Millward Brown Interactive (www.mbinteractive.com)

The advancements I'll refer to come with a warning similar to the one on an automobile's side-view mirror: Objects are closer than they appear. Translation: We will soon see highly precise systems that will allow marketers and e-commerce sites to accurately assess the impact of their messages.

The way it stands upon the writing of this book is that marketers have a lot of loosely associated information, but nothing that helps them track marketing effectiveness from beginning to end. This is a *big* problem. Most of us expect marketing to be as predictable as a science; after all, you'd think that when you visit a company's Web site and enter your name or when you make a purchase from a company using your credit card that this information would be organized in the database, ultimately making the entire process more efficient and customer support more effective. While this technology exists, the follow-through has been lacking.

Today, the bits of information that marketers have gathered look more like an abused hallway closet: You open the door cautiously, so as not to disturb all the stuff that is precariously stacked. A lot of so-called marketing databases look like that dreaded hallway closet—plenty stuffed into it but rarely organized to find anything useful when you need it. But the good news is that those loosely associated bits of marketing data—ad exposure, visitation to a store, purchase of a product, etc.—are getting tied directly together in a tightly defined profile of purchase flow. This is not about advertising versus direct marketing; it's about selling and relationship management. The new tools will organize the information and put the data to use to make the marketing systems more efficient and effective.

This means marketers will have a meticulous scorecard letting them track their messages from establishing the stage in which creative is tested, to understanding how consumers are processing the message psychologically, all the way to determining what percentage of the people who saw an ad for a specific product actually purchased it. Marketers will be able to track not only who purchased their products and services once, but those who purchased repeatedly over a longer period of time; this means they will be able to treat the consumers who are most profitable differently than those who are less profitable. And beyond measuring online purchases, off-line purchases will be measured as well. Systems like Millward Brown Interactive's VOYAGER Profile, DoubleClick's Closed Loop, and AdKnowledge's Advisor are here, but in their infancy. As marketers become accustomed to these more precise systems at their disposal they will be able to more accurately assess the impact of their marketing—both on- and off-line.

CHAPTER 6

Targeting—The Online Advertising Advantage

For a long time Internet advertisers dreamed of delivering the right ad to the right person at the right time. In the early days of online advertising, the realization of this dream was touted as the true promise and potential of the industry. What was once just promise is now a reality. Various strategies are now readily available to capture the demographics, tastes, and preferences of users to better target content and advertising. In a broadcast television campaign, advertisers can target by geographic location, time of day, and the audience watching a particular show. With a direct mail campaign, marketers can target as finely as Fortune 500 employees who have attended safety and health conferences. Internet advertising can offer an advertiser all the targeting capabilities of other media plus a lot more. Indeed, on the Internet an advertiser can finally target every ad so that it goes out to just the right prospective customer at precisely the right time.

Advertisers use targeting to ensure the efficiency of their campaigns. Online publishers have a variety of targeting options to offer their advertisers (see Figure 6.1). In fact, online targeting moves up a continuum from the most basic means of reaching a customer up to extremely technologically sophisticated methods of learning about customers. The continuum starts with ad placement based on content and context. Next comes targeting gleaned from information received from the users themselves through site registration systems. Then there is targeting based on information available through Web measurement and ad serving tools. Targeting also occurs through database mining, collaborative filtering, behavioral analysis, and personalization tools. Today, these advanced tools are readily available and remarkably accurate. Advertisers are taking advantage of these targeting options to increase the effectiveness of their online ad campaigns.

The industry's intense interest in targeting rests on its benefits. First, targeting eliminates wasted impressions by only delivering ads to interested persons or those in the

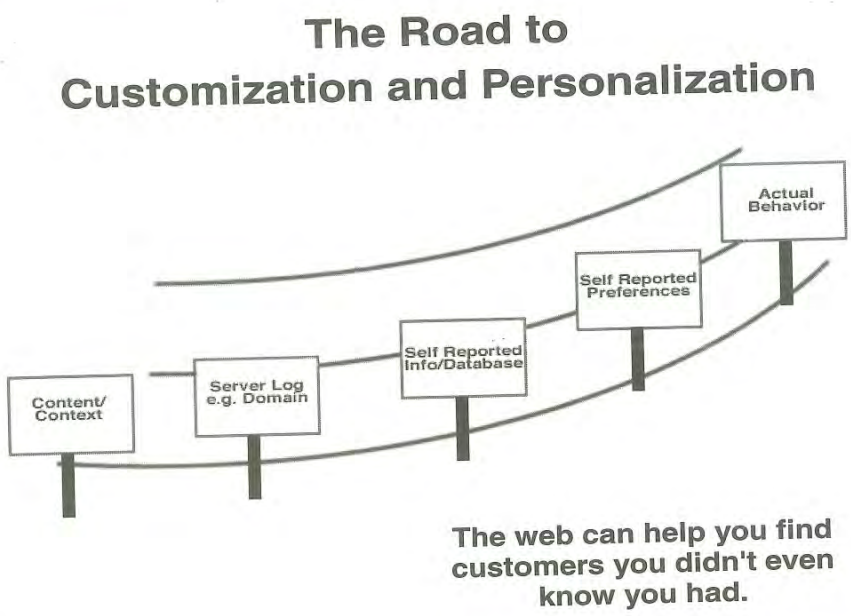


Figure 6.1 Internet advertising targeting continuum.

right target audience. Second, an ad is not considered a nuisance when it is information a person wants. Targeting ads to the right people increases interest and response.

How does the ad targeting actually occur? Targeting is facilitated through ad serving solutions. In the early days of targeting, the ad servers were separate from the targeting technologies, especially those providing personalization and customization. In 1998, these tools began to merge and form alliances to better facilitate ad delivery. In this chapter we're going to discuss the targeting continuum and demonstrate how targeting is the online advertising advantage.

Targeting Based on Content and Context

The most basic form of targeting is through content and context. This is how the bulk of targeting is done in traditional media. In magazines an advertiser can appeal to a particular gender or age group or niche market, by advertising in *Sports Illustrated* or *Teen People* or *Cat Fancy*. Using context to target, you can take your targeting a step further—for example, by advertising a car dealership on the classified ad page listing automobiles for sale, or a sporting goods store in the sports section of the newspaper.

This also holds true for radio, broadcast TV, cable, and even billboards. Targeting through content and context, of course, is also an option for online advertising.

On the Web there are thousands of content sites from which advertisers can choose. And, each of these sites offers a variety of targeting opportunities. There are probably few Web sites as good for reaching sports enthusiasts as ESPN (www.espn.com). And, if advertisers wants to further target within ESPN they can do so. For example, Mercedes-Benz runs advertising in the golf area instead of the basketball area (Figure 6.2 shows a Mercedes ad running in the golf section of ESPN and targeted towards golfers).

Similarly, advertisers can target through keywords on search engines. This is a much more focused buy than simply running an advertisement across a search engine.

Another example of content and context targeting is advertising for Prilosec on the health site InteliHealth (www.intelihealth.com). Although the entire site is about health, it is much more effective for Prilosec, a drug for persistent heartburn, to run advertisements in the heartburn area rather than throughout the site. Figure 6.3 shows the ads running in the targeted heartburn section.

Targeting Based on Registration Information

The simplest and often most accurate way to find out about a user is to ask the user directly. The key here is that users need to provide that information. The publisher



Figure 6.2 Mercedes-Benz ad on ESPN targeting the high-income demographic of golfers.

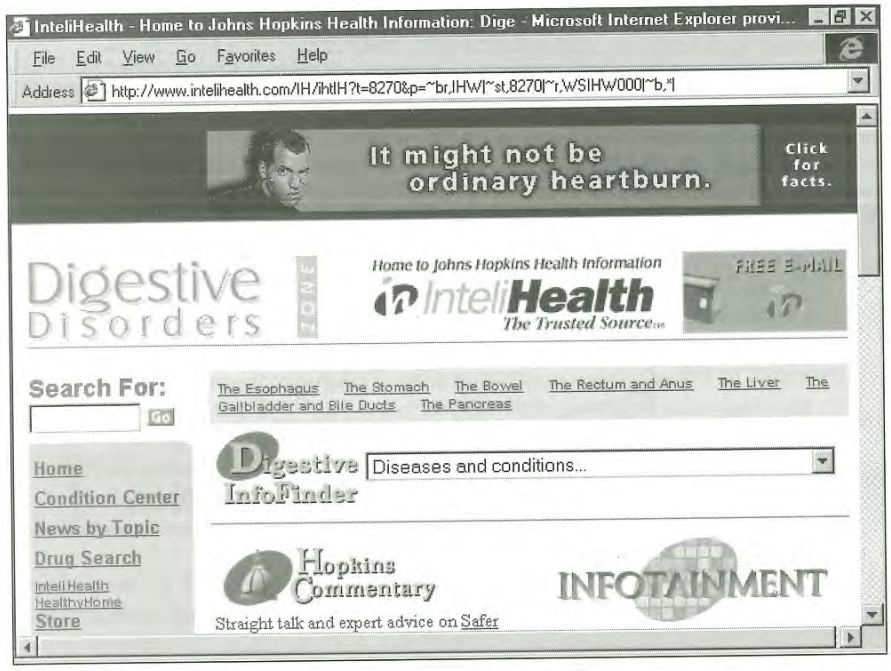


Figure 6.3 Prilosec targets its banner ads for heartburn medication in the "Digestive Disorders" section of InteliHealth.

may be able to get users to provide personal information by offering the opportunity to customize the Web site, enter a contest, receive a discount, or some other means. Basically, the publisher needs to give the user a very good reason to provide demographic data. If the Web surfer provides that data, the ad server can work in conjunction with the database that stores customer profiles and targets ads accordingly. For example, if a pet site asked users to register for a drawing for a year's supply of pet food and the consumers list their type of pet, the dog food makers would know they weren't wasting advertising inventory; they could target only those people who said they had dogs as pets. (Often, if a publisher can get the user to provide a zip code for customized news, weather, or other information, other demographic data can be pulled based on the zip code.)

One of the main misconceptions in the use of ad serving software is that publishers believe the software will make this type of targeting a reality. The software will enable this type of targeting, but the publisher needs to collect the data from the consumer to make it work.

Since targeting can always be improved with user-supplied information, we thought we'd go through some tips for getting your customers to give you that information.

Provide value. In general, users have expressed that they do not want to provide information to Web sites. However, they will provide information, if there is value. In Figure 6.4 users are asked to submit their zip code to The Weather Channel



Figure 6.4 Weather.com provides customized weather reports to users who supply their zip code.

(www.weather.com) to get customized weather information. Most visitors to weather.com will probably provide this information, because they want the weather for their geographic area. After getting zip code information, weather.com can use a database to determine the household income, geographic area, and basic demographics about the user.

Tell people how they will benefit from providing you information. MSNBC also requests a zip code for news, sports, and weather. Instead of simply saying "customize this site," MSNBC entices the user by explaining the benefits of customization as the carrot for providing information. If your site asks for multiple pieces of information, it is good to explain how each piece of user-provided information will improve the user's experience on the site.

Only ask users to provide information that will play a part in delivering them value. The more a site asks of a consumer, the less likely the consumer will be to provide information. Therefore, if a question you ask isn't absolutely critical to your business or to providing value for the consumer, don't ask it.

It is interesting to note that there are some exceptions to this rule. We have found specifically that consumers visiting healthcare sites, when given an option, will choose to fill out a long form over a short form, if they think it will help them get information that is more customized to their needs.

Ask consumers for information in a fun way. The Excite home page often asks an interesting poll question. Users can enter their answer and then go to a page to see the cumulative tally from everyone who has answered the poll. In Figure 6.5 you can see a sports poll. This is fun for users, who are voicing their opinions, probably without even realizing that this can add to the user profiles that the site is building based on their behavior and answers to poll questions.

Privacy statement. Consumers are very concerned with what will happen to their information after they provide it. Response rates will improve if you have a clear privacy stance linked from every page on which the user is asked for data. The Direct Marketing Association provides resource information on building a privacy statement (www.dma.org).

Give users a reason to be truthful. This goes back to providing value. If each question doesn't lead to value for consumers, it is very likely that many of the responses you receive will be lies.

In trying to gather consumer data, it's important to keep in mind how the consumer feels. A 1998 Jupiter/NFO Interactive survey of consumers found that only 16 percent of respondents reported that they were "very likely" to register at a site that requires registration. The study went on to ask what factors would encourage them

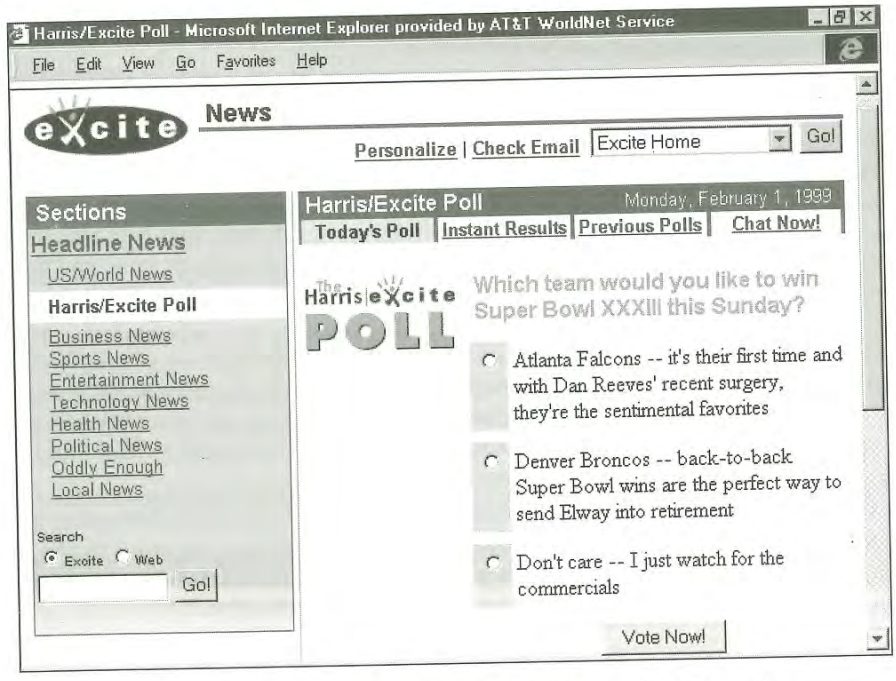


Figure 6.5 Excite uses surveys and polls to gather demographic information.

to fill in a registration form (see Figure 6.6). Over half of the consumers (56 percent) said that their willingness to register would increase greatly with a guarantee that their personal information would not be misused. Other reported important factors included content of higher value (41 percent) and a less time-consuming registration process (32 percent). Incentive programs ranked lower in this survey, with only 23 percent saying affinity points would serve as an enticement, and 21 percent that sweepstakes would.

In addition to putting up a registration page, there are software options like Lead Spinner 2.0 (www.leadspinner.com), which tries to make the registration process more friendly for consumers. The software installs a program so that when the site is loaded, visitors receive a message on the screen that asks them if they wouldn't mind if their visit was logged. If they accept, then the data about the user is sent via e-mail into a database. If the user says no, then nothing is taken and the user can continue through the rest of the site without any further bothers. "As you can see, this is a great tool and service for people to use to find out 'who' is visiting the site as well as turn visitors into potential sales," says Brian Kilcrease, vice president of Glass Spider Designs, Inc.

Using Cookies for Targeting

In the conversation between browsers and servers, cookies can be exchanged, which makes them useful for targeting. As we mentioned in Chapter 4, cookies are a way to identify browsers on a Web site. (A brief refresher: a server can place a cookie on a hard drive. The cookie most often contains a unique string of text that allows the user's browser to be recognized if the user returns to the Web site.) A cookie can track what visitors do on the site and target accordingly. For example, site visitors that go to the sports section numerous times could be "tagged" as sports people and delivered an NFL ad the next time they came back to the Web site.

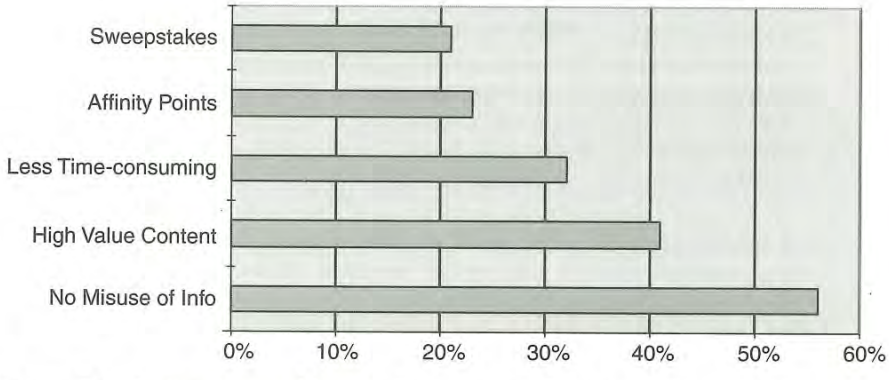


Figure 6.6 Factors that would greatly increase an online user's willingness to complete an online registration form.

Cookies can be used to facilitate user behavioral targeting. Behavioral targeting entails having enough content on your site that you can determine a user's preferences based on his or her actions on your site. For behavioral targeting you can create rules. For example, if a user goes to hiking content, that person should be profiled as an outdoors person. Or behavior-based targeting can be controlled by the software, which gauges a user's likeliness to want certain content or click particular ads based, for example, on the actions of previous users who took similar navigational paths.

An interesting use of cookies for behavior-based targeting is through a service that builds a user profile across those Web sites that use the service. There are a number of ad serving services that cookie users and track them across all participating sites. As users make decisions about what ads to click, or fill out registration forms, the software builds profiles that advertisers can use for targeting. A service like MatchLogic, which tracks users across high-traffic sites like Excite and WebCrawler, can generate a very large database of profiles, which will help advertisers deliver ads to the right people. As of the writing of this book, Engage Technology, another targeting service, had 30 million profiles. When advertisers or publishers deliver an ad through one of these services, they can target based on these profiles. In the future, this type of targeting will allow non-targeted buys to become targeted. For example, an advertiser could run an advertisement on Yahoo! and ask that the ad be delivered to users who request gardening information and who live in zip codes that indicate a certain income level. Later in this chapter we'll mention other companies that provide this type of targeting. It's important to note that a company like MatchLogic can only get registration information if that information is shared by the site on which they're delivering the ads. In the case of Excite, since the company owns MatchLogic, it's clear that the two share data.

Targeting through Database Mining

Combining ad management software solutions with consumer profiling technology is a hot targeting technique that appeared on the scene in late 1998. One example, NetGravity's Global Profile Service (www.netgravity.com), enables advertisers and publishers to target Internet advertising and marketing messages based on comprehensive consumer profiles. NetGravity is working with such industry-leading data providers as MatchLogic (www.matchlogic.com) and Aptex (www.aptex.com) to build a flexible and anonymous consumer profile data source. "By aggregating multiple data providers," says Rick Jackson, vice president of marketing at NetGravity, "NetGravity's Global Profile Service will enable the thousands of Web sites powered by NetGravity to better understand their audience, and target advertisements and direct marketing offers with greater precision and insight." The Global Profile Service is based on using cookies to recognize users and build profiles of their interests. The service allows advertisers to unlock the value of their inventory by analyzing and segmenting audiences more acutely. "Precision Internet marketing and targeting requirements differ greatly from site to site and advertiser to advertiser. Since no two customers require the same data, a flexible solution is required," said Mark Peabody, a senior analyst with Aberdeen Group.

Targeting through Profiling and Personalization

Now we're going to discuss technologies that usually work in conjunction with an ad server to help profile prospects and deliver them customized advertisements or content (see Table 6.1).

Recommendations as Ads

Creating profiles to personalize content and make recommendations to consumers helps sites to secure sales, especially retail sites like CDnow and Amazon.com. The better these sites can service the customer by recommending appropriate products, the more likely the customer is to purchase. Retailers like these can use engines that make recommendations based on previous inquiries and purchases. The engines can also make recommendations by asking users about their tastes. For example, CDnow has incorporated NetPerception's (www.netperceptions.com) recommendation engine into its site. Users are asked to provide a a list of artists they like. The engine then searches its database for people who listed the same artists and recommend their recent purchases. If consumers rate a list of products, they can get recommendations when the engine cross-references their ratings with other users. Engines can also make recommendations by tracking what the user does on the site and comparing it to rules developed by the publisher or to other visitors.

Table 6.1 Personalization Companies

COMPANY	COMPANY TAG LINE	SELECTED CLIENTS
Art Technology Group (ATG) (www.atg.com)	Manages online relationships from advertising to commerce through personalization technology.	BMG Music, Kodak, Newbridge Networks, Sony, Sun Microsystems
BroadVision (www.broadvision.com)	Internet application solutions for one-to-one relationship management across the extended enterprise.	American Airlines, Liberty Financial, Softbank, Sony Communication Network, Sun Microsystems, US West
Net Perceptions (www.netperceptions.com)	Developer and supplier of real-time recommendation solutions.	Amazon, CDnow, E!online, Ticketmaster
GuestTrack (www.guesttrack.com)	Tailors content "on the fly" based on the interest profile of each member of the client's audience.	

Personalization

Personalization helps a company send relevant messages to different target audiences that are visiting their Web site. For example, age-sensitive ads can be dynamically delivered to customers fitting the age profile. And this is exactly what American Airlines is able to do using Broadvision's (www.broadvision.com) Dynamic Command Center. Once American Airlines knows that a user on its site is over 21 years of age, a beer or wine ad can be shown. Another use of personalization is through action-based targeting to offer purchasing incentives. For example, if an online shopper places an item in a shopping cart and then removes that item, you can offer a discount when she comes back to that item as an incentive to complete the purchase. By knowing the customer's activity history, you can move browsers into buyers.

Art Technology Group's (www.atg.com) Ad Station uses sophisticated behavior tracking to create a profile on each visitor, and uses this profile to deliver targeted and compelling ads (see Figure 6.7). "In the Internet business world, time, ease of use, accessibility, and performance is everything," says Nancy Morrisroe, Director of Public Relations, at Art Technology Group. "We created the Personalization Control Center so that business users don't have to rely on programmers to specify targeting rules for personalization."

Another personalization option comes from Net Perceptions (www.netperceptions.com). Their Ad Targeting technology can be deployed from within the framework of most leading ad server platforms and starts learning about each site visitor's interests and tastes from the first visit and keeps learning with every repeat visit. Tracked variables include recency/frequency, behavioral information, page ID, time of day, demographic information, keywords entered into search engine, and other categorical information. "This product increases Web site advertising revenues by increasing clickthroughs for advertisers," says Steve Larsen, Net Perceptions' VP of marketing and business development. "It does this by automatically learning the individual interests and tastes of site visitors, then putting the right ads in front of each visitor in real time." The software deploys different ad targeting technologies at different times, so that it dynamically adjusts between new visitors, about whom it has minimal information, and repeat visitors, about whom it has learned much more. According to Larsen,

Benefits of Personalization and Customization

Segmenting users. **You can segment your users into affinity groups for better targeting of promotions.**

Matching promotions to users. **You can match time-sensitive and topic-specific promotions to users.**

Integrating legacy systems with current customer databases. **You can customize every contact a user has with your company.**

Tailoring the Web site. **You can customize a Web site to each user's interests and tastes.**

Tailoring the sales copy. **You can customize sales copy to each user's interests and tastes.**

"Targeting gets increasingly personalized as the software continually learns about each visitor's individual interests and tastes." Although speaking for his own company, Net Perceptions, Larsen is really talking about the goal of all the services we've discussed in this chapter.

Net Perceptions' software learns continually and gets smarter with each customer interaction. Like most software of this kind, NetPerceptions can also integrate user-provided information (as in the cases of Amazon.com and Cdnow who both use Net-Perceptions) to customize their content. Net Perceptions' recommendation engine works like a salesperson, recommending products that match a person's tastes and interests (see Figure 6.8a and 6.8b).

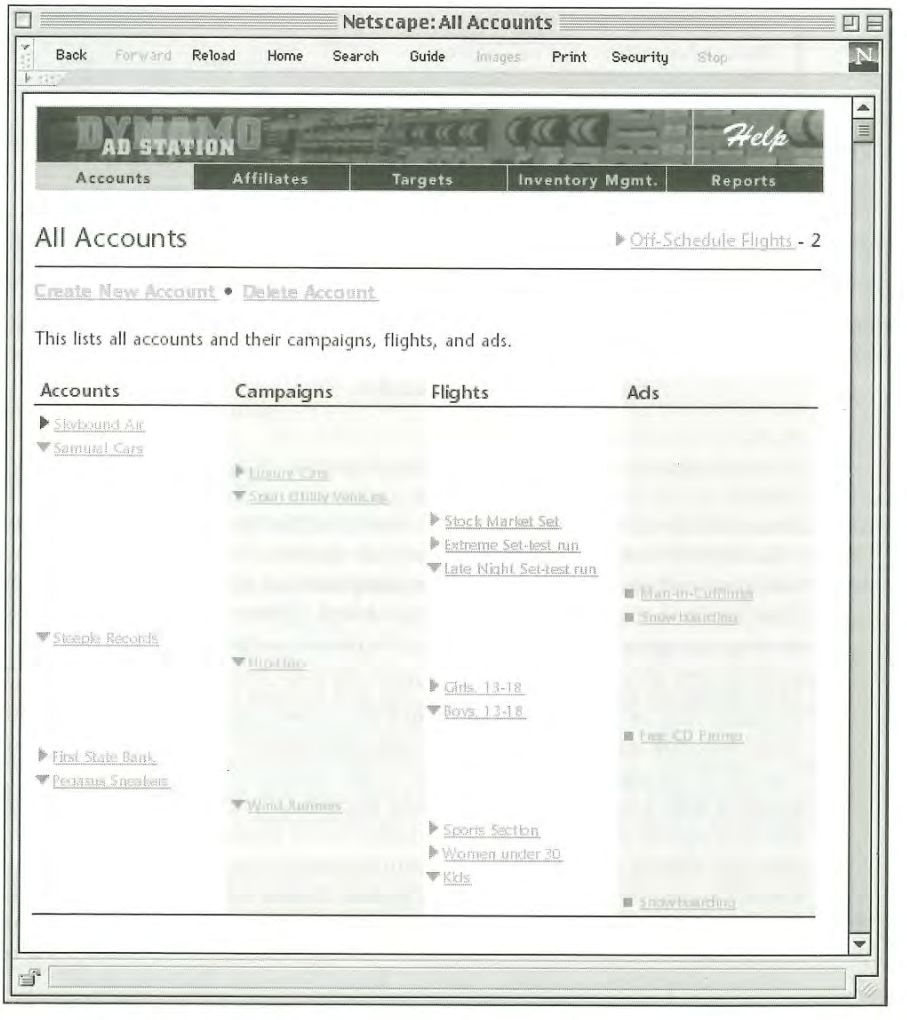


Figure 6.7 ATG's Ad Station.



Figure 6.8a CDnow's "Album Adviser" uses the Net Perceptions' recommendation engine. The "Album Adviser" asks a customer to supply names of three of their favorite artists or albums.

Personalization is not language- or cultural-specific. BOL uses Net Perceptions' software extensively as an online bookseller to consumers in the United Kingdom, Germany, France, Netherlands, and Spain (each version of the site in the appropriate language). BOL employs both implicit and explicit data gathering in order to generate highly specific customer ratings. The site offers customers an array of personalization choices, allowing them to get ratings quickly with a *Book Chooser* function, and then continues to develop a long-term relationship using the BOL Recommendation Center.

Personalization doesn't stop on the Web; it is moving off-line as well. Personalization products such as BroadVision's One-to-One (www.broadvision.com) can be integrated with corporate data warehouses that store all kinds of customer information. One-to-One can be accessed by a corporate call center, account executives, or sales staff, whether working with a customer online or over the phone. With this system, the personalization that started online continues no matter how a customer contacts the company. For example, when a customer calls the company, the call center operator can access the customer's record, which lists what that person bought online and the customer's entire contact and purchasing history. This eliminates the need for customers to begin from scratch each time they contact the company. BroadVision sees personalization as a means of integrating all the available customer data to better service customers.

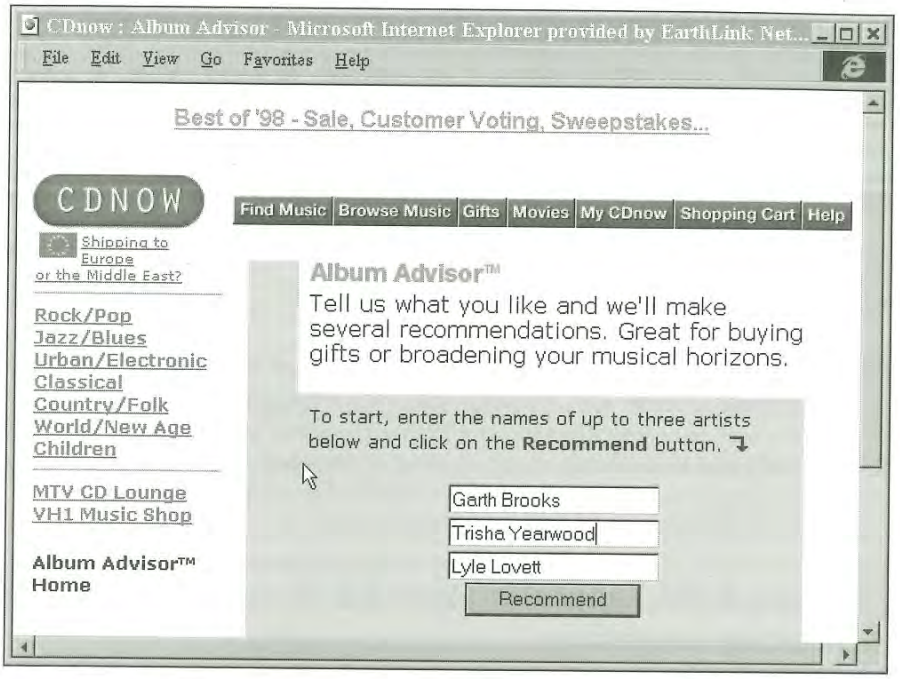


Figure 6.8b The "Album Adviser" then makes recommendations of other artists and albums.

Collaborative Filtering

Another type of personalization is based on collaborative filtering. The company who perfected this technique is Firefly (www.firefly.com). A Firefly-enhanced site works by offering users the option to get a "passport." Users who register for a passport provide personal information building a personal profile. Drawing on each user's profile, Firefly can make recommendations based on its knowledge of passport users with similar profiles. Businesses can then leverage this information to provide each individual with highly personalized service and customized ads. Sites can also use Firefly to build community; users with similar profiles can find and communicate with one another. Users have an incentive to use their passports because it will mean customized content and recommendations. Sites that use Firefly can choose to have a passport exclusively for their site or to be part of the network of passport sites sharing profile information.

Behavioral Targeting

And finally, the last stage on the continuum is targeting based on a person's actual behavior at any moment in time. One of the companies offering this services is Aptex (www.aptex.com) with its SelectCast for AdServers. SelectCast acts as an "intelligent

observer," mining the context and content of all actions—including clicks, queries, page views, and ad impressions. No explicit user feedback or "taste" judgments are ever required. No cookies are used and the information is not captured or saved. SelectCast unobtrusively profiles all user actions, learning the detailed interests of each user, and applying this knowledge to every ad selection. Designated ads can be delivered consistently to selected groups, and new audiences can be automatically identified as they emerge. By correlating updated user and audience profiles against ad inventory, SelectCast continuously fine-tunes ad delivery. Aptex also offers products that help to personalize a Web site by using profiles to deliver custom content and e-commerce promotions. In short, SelectCast compiles demographic and taste information without registration or database mining. Sites that utilize SelectCast have become the secret weapon for successful banner ad campaigns for such noted interactive agencies as Anderson & Lembke and Left Field. Brent Hall, Internet Active Media Planner at Anderson & Lembke says "I use it on the majority of my campaigns." Infoseek uses SelectCast for its UltraMatch service and Brian Monahan of Left Field has found that placing ads on Infoseek's UltraMatch has resulted in better targeting making all their buys as targeted as keyword buys. In short, SelectCast can help you find customers you didn't even know you had.

Putting It All Together: How Ad Management Solutions Facilitate Targeting

As we mentioned in Chapter 4 on Web measurement, information is shared between a site's server and the user's Web browser. Advertisers use this information for ad targeting. As a brief refresher, here are some of the targeting abilities that result from this technology-based conversation:

- IP address: domain and host (once the company name is determined, some services allow for SIC and revenue targeting).
- Geographic location: national, local, etc. (For issues regarding local targeting, see Chapter 11.)
- Browser used: Internet Explorer 4, Internet Explorer 3, Netscape 4, etc.
- Date and time of request.
- Computer platform: Mac or PC, and version of operating system.

Ad management server software now integrates targeting with ad delivery. Below is a list of the ways ad management software integrates targeting into the delivery of ads.

Frequency capping. An ad server can limit the number of times an ad is seen by the same person (usually through the use of cookies). Along those lines, an ad server can also manage the delivery of a sequence of advertisements.

Targeting based on the standard industry code (SIC) of the browser. The SIC represents the sector of the economy in which a company falls. For example, there is an

SIC for ad agencies. When a user goes to a Web site, the browser reveals its IP number. The SIC can be determined by looking up the company at the IP number (let's say it's i-frontier) and then determining that company's SIC from a database (in this case, advertising agency). The same system can be used to target by company size and revenues.

Profiling/personalization. As we mentioned earlier, this allows the advertiser to target based on the user's behavior (what content he chooses to view, etc.) or user-provided registration (or customization) data.

Profiling base wider than site. Some services build profiles of users from all of the sites that use their programs or services. Advertisers can benefit from profiles that have already been developed across other sites.

Research company partner. Many of the services have partnered with database firms to bundle already existing customer databases and database profiles with information gathered online.

Closed loop reporting. A system to provide advertisers with a means for measuring which ads produce specific results.

Auditing. If you're a publisher and you want to provide audited numbers to your advertisers, all of these services can be tied into audits.

Types of ads that can be delivered. We haven't included this information in Table 6.2, because it is constantly changing. However, it is important to make sure that your service can deliver the types of ads you want to use. For example, currently, not all services can deliver all types of rich media ads.

Privacy

As we mentioned earlier in this chapter, a strong privacy policy is important for getting users to provide information. Here is Firefly's privacy policy:

Firefly Network Privacy Policy

Your e-mail address will not be shared outside of the Firefly Network for marketing purposes without your consent.

Profile information will be used to create personalized content, services, and advertising on sites in the Firefly Network. In addition, Firefly and third-party licensees may use your profile to generate aggregate reports and market research.

You may inform Firefly Network, Inc. at (www.firefly.com) at any time if you would like to cancel your account and have your contact information deleted from Firefly's records.

In addition to the Firefly Network Policy, we also take the following steps to ensure your privacy on sites operated by Firefly Network Inc.:

1) Firefly Network Inc. does not require an end-user to provide a name and address to use the service.

Table 6.2 Ad Management Targeting Capabilities

COMPANY, TECHNOLOGY NAME	NAME OF SERVING SOFTWARE THAT CAN BE INSTALLED	NAME OF SERVING SERVICE	PROFILING/ PERSONALI-ZATION	PROFILE BASE WIDER THAN SITE	RESEARCH COMPANY PARTNER FOR ANALYSIS	CLOSED LOOP REPORTING	COMMENTS
AdKnowledge (www.adknowledge.com)	Not offered	SmartBanner	Yes	Yes	Yes	Yes	For advertisers and ad agencies. Also offers functionality that assists an advertiser in planning an ad campaign and executing a buy.
Double Click (Doubleclick.com)	DART	DART	Yes	Yes	Harris Black International	Yes	Offers a service for tracking e-mail advertising.
Engage Technologies (www.engage.com)	Engage Technology	Accipiter AdBureau	Yes	Yes. They currently have 30 million profiles.	VOYAGER Profile from Millward Brown Interactive	No	Over 2000 Web properties currently use Engage, allowing for an extensive profiling base.
AdForce	Not offered	AdForce	Starpoint	Yes	VOYAGER Profile from Millward Brown Interactive	Yes	
MatchLogic (www.matchlogic.com) (owned by Excite)	Not offered	MatchLogic	Yes	Yes	Harris Black International	Yes	Offers unique technology for counting cached impressions.
NetGravity, AdCenter (www.netgravity.com)	NetGravity AdServer	NetGravity AdCenter	Yes	Yes	Yes	Yes	Gets their profiling information from MatchLogic and Aptex. Plans to use other vendors as well.

2) All profile data stored by Firefly Network Inc. has been entered solely by the respective end-user.

3) End-users can modify registration data associated with their account, and can control the amount of this information that is disclosed on their member page.

4) Firefly Network Inc. does not provide functionality to perform "reverse searches" which find individual names from address, e-mail, or phone number information.

5) Conversational transcripts of online chat are not retained except for moderated chat sessions.

6) Firefly Mail communications are only accessible by the designated recipients, except that Firefly Network Inc. personnel involved in maintenance of the system may have access to e-mail communications.

7) Recommendations are generated solely based on an end-user's rating preferences and the preferences of other end-users, and are not generated by Firefly Network Inc. or its advertisers.

Some Web sites that use Firefly include barnesandnoble.com, Ziff Davis, and Yahoo! Figure 6.9 shows a page where users of the Barnes and Noble site can sign up to get a passport. After they receive their passport, users can enter titles of books they've enjoyed and books they haven't liked. Based on that information, a user's profile

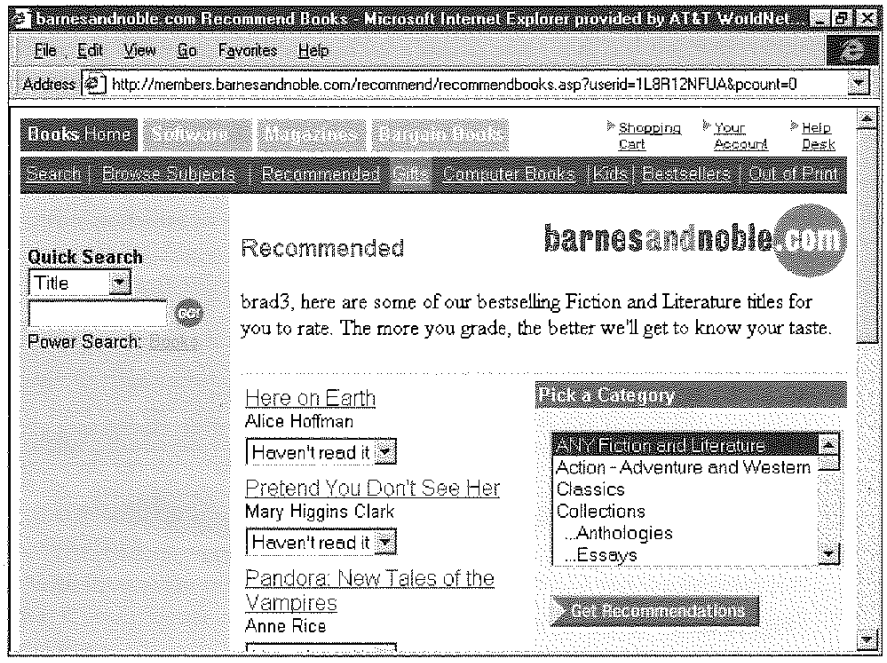


Figure 6.9 Barnesandnoble.com recommendations based on Firefly.

will be compared to those of similar users to determine other books that the user would enjoy.

Privacy is a big concern when it comes to personalization issues. When BOL (the online book-selling venture of Bertelsmann AG) decided to employ Net Perception's personalization technology for its European customer base, it had to address the heightened privacy concerns of European customers. The site developed a unique privacy policy element to allow customers to update their personalized profiles as well as their BOL purchasing history, making the customer master of his profile information. For a full discussion of privacy issues, see Chapter 13.

Keeping Customers Is a Continuous Process

Interestingly enough, companies will develop very sophisticated personalization systems like the ones we mentioned in this chapter, but fail to take the time to respond to customer e-mails. Ken Allard, group director at Jupiter Communications, notes that companies often make sizable investments in personalization technology to derive what users want and then ignore the users when they communicate directly with the company to tell them. In a 1998 study Jupiter found that only 38 percent of major sites respond to customer inquiries within a day (see Figure 6.10). Personalization means being able to reach a person and retrieve an answer, not just fancy profiling systems.

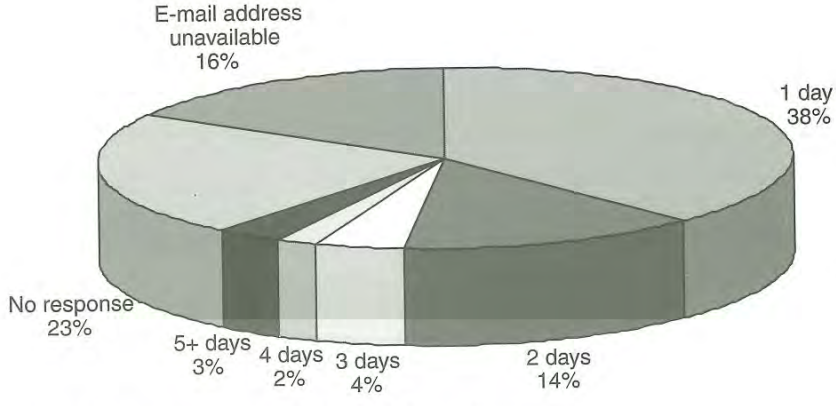


Figure 6.10 Response time to e-mailed questions.

Interactive Marketing: An Unparalleled Opportunity to Reach the Right Customers at the Right Time

Ann Burgraff, Director of Corporate Marketing (ann@netgravity.com)
NetGravity, Inc. (www.netgravity.com)

1998 saw the Internet universe mature dramatically. For online advertising—everywhere, not just in Silicon Valley—there was a revolution. With more and more eyes on the Internet each day, major brands began to recognize the tremendous potential of online advertising to drive online business. Some trends that emerged were partnerships to create standards; initial public offerings; ad agencies taking more control over their online advertising campaigns; and publishers, merchants, and agencies demanding a range of solutions, both service and software, to fit their specific online advertising management needs, and maximize their efforts.

If 1998 was the year of revolution, 1999 will be the year of evolution. The Web has become a 24/7 customer interaction channel capable of delivering a personalized and targeted individual experience for each customer. It is closer to in-person interactivity than any other marketing channel and needs to be treated as such. We see online advertising expanding to tap into this opportunity. Mere online advertising will not be enough. Interactive marketing will be the demand for an even better approach to reach the right people at the right time. Interactive marketing will introduce the need for a whole new set of requirements to meet the needs of publishers, merchants, and ad agencies:

The right fit. It will be key for online marketing solution providers to provide the most appropriate solution for each customer, whether it be a customized solution for a market segment, software, service, or the ability to migrate from software to a service.

Customer intelligence. Offering the means to pinpoint the most profitable audience will be critical in ensuring that our customers' business is successful. It is our job to provide publishers, merchants, and ad agencies with the ability to collect different categories of data, both implicit and explicit, integrate a solution with existing corporate data, and offer the tools to analyze the data and make intelligent decisions based on the results.

The ability to meet the needs of the Global 2000. This means having unlimited scalability, global operations, full range of service, and enterprise-level partners. Interactive marketing will be a critical element of successful Internet strategies.

With interactive marketing maturing, we can begin to see the Internet for what it really is—an unparalleled opportunity to reach the right customers at the right time.

CHAPTER 7

Pricing Online Ads

The Web was born into a dichotomous environment: the Internet culture was founded on free access to information, but its content is extremely expensive to produce, especially if it is expected to rival TV, radio, and print for the public's attention. In the United States, commercial broadcast TV and radio are supported 100 percent by advertising, newspapers 80 percent, magazines 63 percent, and cable TV 50 percent. Naturally, Web publishers are hoping that advertising will cover the lion's share of the costs for their publishing ventures (and ideally even generate some profits). The results look promising—top publishers are beginning to tally significant ad revenues (see Table 1.4), and advertisers are concomitantly increasing their Web advertising budgets each year (see Table 1.3).

When advertising on the Web first began, no one knew how to price. The only known figure was the fee HotWired decided to charge for its first ads in 1994: $30,000 for banner advertising that ran for 12 weeks. "It was a bottom-up approach," recalls Rick Boyce, VP of advertising for HotWired. The figure was derived from the amount of revenue HotWired needed to generate. At that time, there was no pricing model and no precedent, so other sites quoted that same amount.

Modem Media, an interactive agency (now known as Modem Media.Poppe Tyson) based in Norwalk, Connecticut, was one of the first agencies to begin placing banners on Web sites. John Nardone, director of Media and Research Services at Modem Media, was not satisfied with the unaccountable pricing structure, so he developed his own method for calculating an online advertisement's value, which he called the Internet Reach and Involvement Scale. Word spread about Nardone's system, and soon he was getting a dozen calls a day asking him to help determine costs. Nardone remembers, "What I used to tell people was that I'll help you price your ad if you give my client

Zima.com an ad for half price. It was a really fun time. We were out on the Internet frontier." Before long, his scale had become the de facto pricing model.

But as more ad models developed, different pricing structures rapidly evolved with them. Currently, pricing models range from flat-fee to paying for the number of times an ad is seen to paying for the number of people who clicked on the ad to paying on a cost-per-lead or cost-per-purchase basis. The purpose of this chapter is to explore all of these models in use today.

Pricing Models

Current pricing models are as varied as the ads themselves. As an industry, Web advertising is looking to other industries for role models; direct parallels cannot always be drawn, but in general, both a mass market and a direct marketing approach apply. The Internet can still be measured based on impression, just as TV, radio, and print can, but many believe that the Internet is actually more applicable to direct marketing, where clicking on an online ad can be likened to opening a direct mail envelope.

CPM

The most dominant pricing model, which has been briefly mentioned throughout this book, is cost per thousand, or CPM. CPM delineates the price charged for displaying an ad one thousand times. This is the unit of measure used in traditional advertising, which is why advertisers and agencies are comfortable with a CPM model.

The calculation to determine CPM is:

- Price ÷ (number of impressions ÷ 1000)

For example, if a site charges $10,000 per banner and guarantees 500,000 impressions, the CPM is $20 ($10,000 divided by 500).

But how do you determine the appropriate CPM for an online ad? Is it $1, $10, $30? Internet advertising CPMs range from $1 all the way up to $200. The price for Web advertising varies across sites, but, in general, similar types of sites are charging rates in the same general range. The types of sites we're going to cover in this chapter include search engines, content sites, online services, and ad networks.

Keep in mind that prices are constantly changing, so the figures you read here should be regarded only as "ballpark" for different sites. Figure 7.1 shows the average CPMs over time from AdKnowledge, a company that maintains a database of sites that accept advertising. As you can see from the chart, ad rates varied significantly during the time period covered by this chart. And, these are gross prices; usually, advertising agencies receive a 15 percent discount off gross prices, paying the *net price*. Publishers are constantly adjusting their rate cards, and prices also fluctuate depending on the number of impressions purchased and over what time period they are delivered. To look at some actual rate cards, refer to information in the accompanying Web site at www.wiley.com/compbooks/zeff.

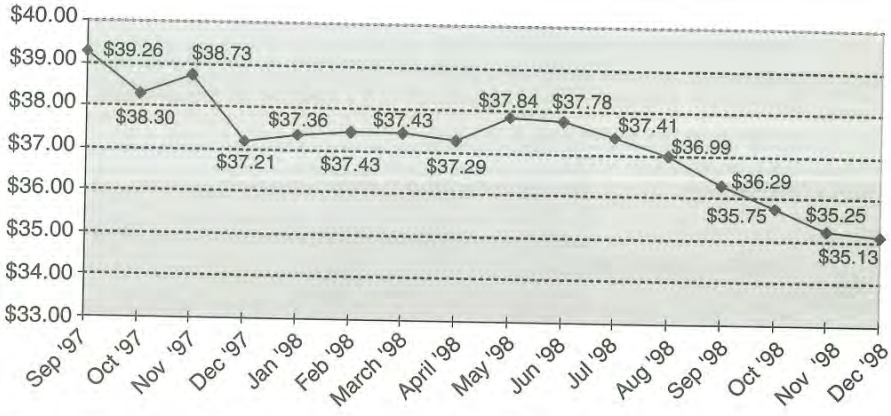


Figure 7.1 Average CPM rate chart from AdKnowledge.
Source: AdKnowledge, Inc.

Search Engines

Search engines and directories are receiving a large portion of advertisers' budgets; in fact, according to Jupiter Communications (see Table 1.4), the top four Web publishers by ad revenue are search sites. It is easy for advertisers to spend a large chunk of money on a high-traffic search engine rather than spreading the ad budget among many smaller sites that will deliver the same audience. The ad buyer only has to deal with one person instead of negotiating with multiple sites, sending ads to each of the sites, and so on. Search engines offer several pricing categories, each distinguished by its level of targetability.

General rotation. A banner will randomly appear during searches. General rotation prices usually range from a $15 to $25 CPM. On buys over $50K advertisers can sometimes get rates in the single digits.

Run of category. Advertising will rotate throughout a category such as arts, entertainment, or sports. Yahoo! (www.yahoo.com) charges a $20 CPM for run of category with a minimum of 500,000 impressions. It is interesting to note that Yahoo! is one of the few sites that does not offer a discount to advertising agencies.

Keyword targeting. Search engines also allow advertisers to "buy keywords"; this means the banner appears only when a user searches using specific keywords. Because the audience is more highly targeted, the CPM is higher. For example, the search engine Excite (www.excite.com) charges a $24 CPM for general rotation, a $60 CPM for advertising in a specific Excite channel, and a $70 CPM for keyword targeting. Keywords are in limited supply (unlike general rotation impressions) and in high demand by advertisers. Therefore, many of the search engines charge an additional fee to have exclusive rights to a keyword. (For example, at the time of this writing, the search engine Snap! (www.snap.com) charges a $1,000 fee for exclusivity for a keyword.) In many instances, the exclusive right to a keyword also means that the advertiser has the first right to purchase future inventory of that keyword.

As we mentioned under "Text Links" in Chapter 2, the search engine Lycos (www.lycos.com) has created additional keyword inventory by charging for the banner impression as well as a text impression; this is an ad placement that they recently developed. Because of the high demand for keywords, we think keyword prices will continue to rise faster than any other ad inventory (Excite is already at a $70 CPM), and we will see more sites following Lycos's lead and developing additional keyword type placements.

Online Services

AOL offers a variety of CPM rates based on ad placement. At AOL, rates for run of service are a $30 CPM (250,000 minimum impressions). AOL sells much of its advertising inventory in packages. One type of package they offer is an industry package—an ad buy that they recommend for a specific industry. For example, AOL has packages for parenting, real estate, shopping, and sports. The price for these packages ranges from a $13 to a $17 CPM, with costs from $9,000 to $24,000 for one month. These buys will include some non-targeted placements. AOL also has targeting of specific site areas like movie reviews, record labels, and game shows online. The CPM for these buys is about $60.

Content Sites

Content site advertising typically costs more than search engine general rotation because the audience is more targeted; users are interested in the specific content that is presented. For instance, ESPN's SportsZone (www.sportszone.com) sells a promotional package that costs $100,000 for 1.2 million impressions per month ($83.33 CPM). A targeted sports package is $250,000 and includes sponsorship of the area of choice and a guaranteed delivery of 1 million impressions ($25 CPM). A general rotation through SportsZone costs $15,000 per month for 500,000 impressions ($30 CPM). Content sites generally charge a $20–$45 CPMs. However, if the content is of a general nature, or it is not high quality, CPMs could drop below that price point. And, ad sites that are extremely targeted can charge more than the $45. An example is ClickZ, a site targeted toward media buyers, which charges up to a $70 CPM.

Ad Networks

DoubleClick (www.doubleclick.net) is an example of an advertising network (see Table 10.2 for a list of ad networks). A media buyer can make one purchase with DoubleClick and have an ad placed on dozens of sites. For example, an advertiser who purchases impressions in DoubleClick's Sports/Leisure/Entertainment affinity would be able to run banners on the various sites that DoubleClick represents in this category. Put another way, a network gives an advertiser much greater reach than most individual sites. The CPMs for the DoubleClick network run from $30 to $70 depending upon the category. Technology is at the high end, with a $70 CPM, and the entertainment affinity is at the low end, with a $30 CPM. For an additional price, advertisers can also target by geography, domain name, SIC code, and company name and size.

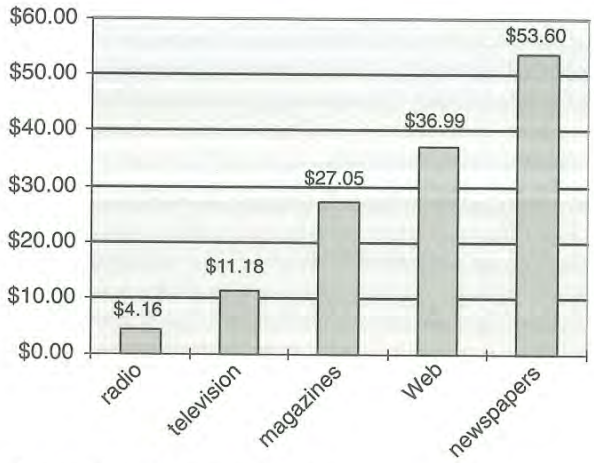


Figure 7.2 CPMs across media.
Source: AdKnowledge, Inc.

CPM Comparisons

How do these prices compare to the CPMs of traditional media? Take a look at Figure 7.2, and you'll see that Web CPMs tend to be higher. There are two justifications for this: not only is this is a new industry with no fixed market rate, but more importantly online advertising allows for a sophisticated level of targeting as demonstrated in Chapter 6. On the Web, advertisers can target by keyword, SIC code, company, geographic location, and time of day. Advertisers also have opportunities to target by preferences. Indeed, prices will continue to fluctuate as new targeting opportunities and new advertising units are developed.

Click-Through

The term *click-through* refers to the action of a viewer clicking on an ad. Paying per click-through is one of the pricing models derived from a direct marketing perspective.

Advertisers and publishers began debating the merits of the click-through model when, in late spring 1996, Procter & Gamble (P&G) negotiated with Yahoo! to purchase ads for five P&G brands on a click-through basis. This was a big move because it negated the value of Web advertising for brand building and put all the weight in Web advertising's direct marketing appeal. In effect, P&G was saying two things: first, that there was no value to simply having its banners seen—no brand-building value; they were putting a premium only on getting clicks. And second, that the burden of getting a banner clicked was on the publisher as much as on the creative. The online advertising world took notice because P&G is the nation's largest advertiser, and prior to its move, most pricing was CPM-based. Furthermore, the model held publishers accountable for response, but the publishers weren't producing the creative; and wasn't there some branding value in having a user see a banner?

According to John Nardone of Modem Media, Yahoo! did not simply agree to P&G's new model of paying per click-through without some concessions on P&G's part as well. P&G agreed to give Yahoo! input and veto power on the creative P&G submitted. Since Yahoo! was responsible for click-through, it wanted to be able to modify the banner ads if necessary to ensure their success. And by this time, Yahoo! knew a great deal about what worked creatively in a banner ad.

The ability to accurately measure click-through response to Web banner advertising has led many advertisers to push for pricing models based on these performance measures. The benefits of click-through are clear for the advertiser. The advertiser knows from the start what the Internet advertising campaigns will cost per click. "A saving grace for our small-site online advertising has been cost per click model," says Scott Sizemore of New Media Consulting. "Without arguing the merits and drawbacks between CPC [cost per click] and CPM, it has been our experience that many clients feel more comfortable beginning paid advertising campaigns in the Cost Per Click arena."

The benefit to publishers using click-through pricing is not always so clear. Some say that the advantage is that a pay-per-click model entices advertisers who otherwise wouldn't place ads on their site. However, the concept of paying per click-through has met with harsh criticism by many publishers for several reasons:

- A click-through pricing structure requires publishers to rely on the quality of advertisers' creatives to generate revenues. Traditionally, the role of a medium is to offer access to an audience, not to share in the responsibility for the quality of the advertisement itself. Since many advertisers are new to the medium, the publishers are being asked to gamble on the advertisers' learning curve, a burden Web publishers are reluctant to take on.
- This model encourages a publisher to run a banner until the advertisement receives the number of clicks an advertiser purchased. This could result in a publisher compromising its inventory and ultimately the user's experience on the site.
- This model completely dismisses a banner as having brand-building value.

The pricing for cost per click can run anywhere from $2 to five cents. As an advertiser, it's nice to buy on a cost-per-click basis because you have some level of security. However, advertisers need to remember that a click probably isn't the real goal, so they've got to come up with a metric to determine the quality of those clicks. For publishers it's important to maintain the right to veto creatives for cost-per-click campaigns. Publishers will know what works best on their site, and there is no reason to accept a creative that will have a low response rate for a cost-per-click campaign.

For those advertisers who are interested, there are some Web properties that generally accept advertising on a cost-per-click basis. One is the ad network ValueClick (www.valueclick.com). ValueClick has more than 10,000 member sites, and sites are generally paid fifteen cents per click by ValueClick (which of course then charges advertisers a higher rate). Advertisers can target based on affinities to better qualify their prospects (for example, targeting sports sites that are members of the network). ClickTrade (www.clicktrade.com) is a program in which advertisers can post the cost-per-

click advertising for which they would be willing to pay. Then sites that are part of the ClickTrade network can decide if they want to accept that deal. ClickTrade manages the process and charges a 30% fee on top of the price set by the advertiser. ClickTrade also offers cost-per-order and cost-per-lead advertising options. We discuss ClickTrade in more detail later in this chapter under "Affiliate Programs." Figure 7.3 is an offer as it would appear to a ClickTrade member site deciding what advertisements to accept.

GoTo.com (www.goto.com) is a pretty interesting cost-per-click search engine. Advertisers can buy keyword advertising on a cost-per-click basis. The advertiser who pays the most has her listing appear first. The interesting thing is that next to each search engine result, GoTo.com lists the amounts that the various advertisers have offered to pay per click to come up first. So, anyone using the search engine can see who is paying to come up early in the search results and how much they are paying. Figure 7.4 shows the search results on GoTo.com for the phrase "Star Trek."

There are many cost-per-click opportunities on the Web, but it's not always easy to find them. Mark Welch's Web Site Banner Advertising site (www.markwelch.com/bannerad/baf_click.htm) has a page where many cost-per-click opportunities are listed and evaluated (see Figure 7.5).

Flat Fee

Some publishers are charging a flat fee for advertising—a set amount charged either monthly or yearly for ad placement on a site. Thus, the fee is tied to a time period, not impressions or visitor activity. Flat-fee pricing is used in several circumstances.

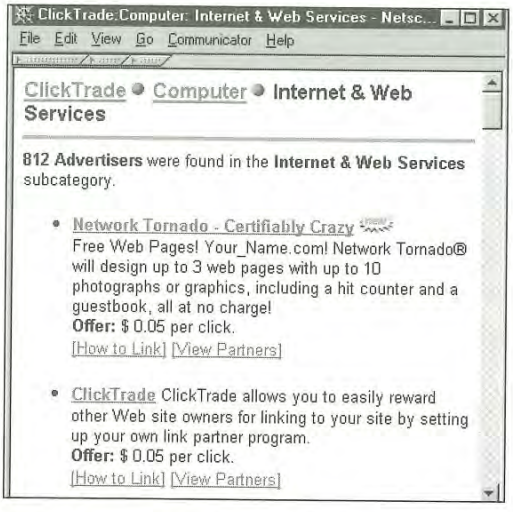


Figure 7.3 An offer as seen by a ClickTrade member site.

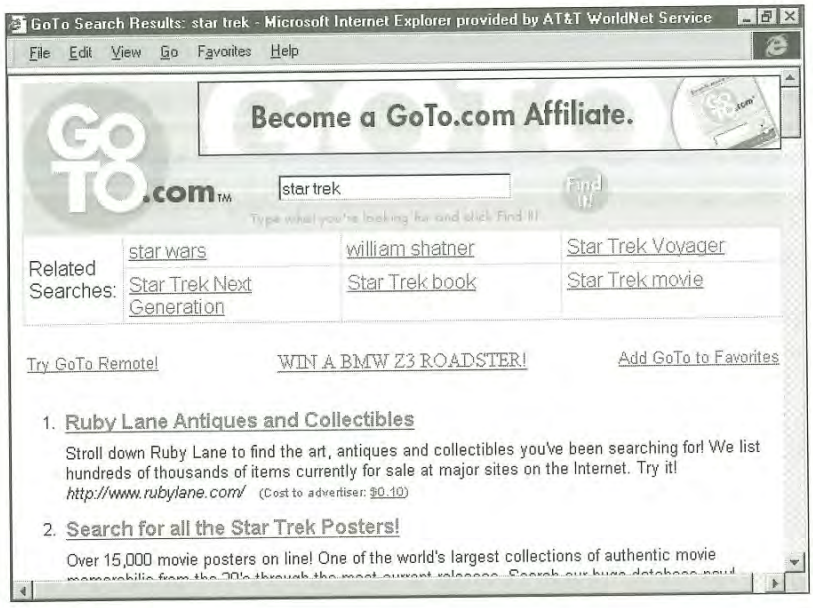


Figure 7.4 GoTo.com search results show users how much the advertiser pays for each click.

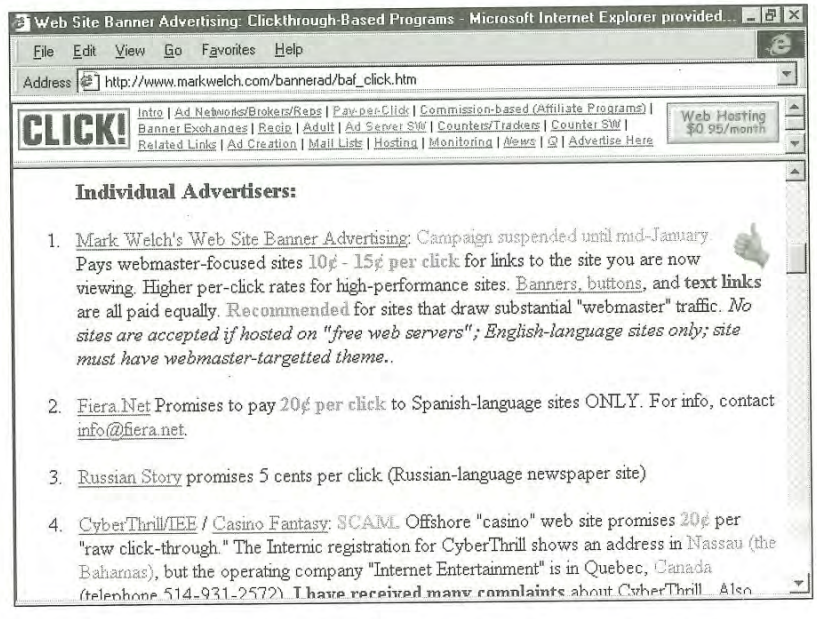


Figure 7.5 A page from Mark Welch's Web site on banner advertising.

Seed money. Flat fees are often used when a publisher needs seed money, in which case the publisher often determines rates based on the amount of money needed. Clearly, this was the reason HotWired charged what it did for its first ads back in 1994. PriceSCAN (www.pricescan.com), a search engine that finds the lowest prices on goods, will often add new categories of products when an advertiser comes to them and offers sponsorship money in return for creating the content. Since PriceSCAN does not know the traffic of the category they are adding, they charge the sponsor an amount that will cover the cost and that they think will be reasonable given past traffic patterns. If the sponsor had not come forward, that specific category would not have been placed in the front of the development schedule.

Sites that are developing new content areas also charge a flat fee for seed money. These properties need to sell sponsorships before they know the amount of traffic the site will generate. Advertisers run the risk of paying a lot of money for a low volume of traffic, but there is also the potential to receive much more traffic than anticipated. Also, if the advertiser has a good relationship with the publisher that is creating the new content area, the advertiser can often get make-goods if the new property underdelivers on expectations.

Low pricing. The Year 2000 site (www.year2000.com), which covers the information systems problems that are predicted to arise when we reach the year 2000, is commercially supported by advertising that is bought on a flat fee. On the Year 2000 site, a large number of sites pay a low fixed price. The site is designed in frames, and each advertiser is given a text link on the home page in a sponsorship frame; the 100 advertisers are accessible on the home page, as shown in Figure 7.6. The Year 2000



Figure 7.6 The Year 2000 site uses flat rate pricing.

site has three packages, which range from $2,000 to $6,000 per year, depending largely on the type of link provided. The full package, which is the most popular, offers a link directly to the advertiser's home page. For clients without a home page or on a limited budget, there are less expensive options that offer links to mini-pages with an e-mail link. Charging a yearly fee reduces the time the site needs to administer the accounts. The effort to deliver traffic reports, renew, and bill advertisers on anything less than a yearly basis is not worthwhile when the advertising rate is so low (it would only be $166 to $500 per month). By implementing pricing policies in a manner that precludes significant administrative labor, the Year 2000 site can also charge less money. "We have been on solid financial ground since day one," reports Cliff Kurtzman, CEO of Tenagra, publisher of the site. The Year 2000 format generates a high volume of advertisers at a low fixed rate.

Premium placements. Flat-fee pricing is also used for premium placements on a particular Web site. For example, Netscape charges a search engine a flat fee to have a search listing on its popular search page. The amount, a dollar value over $5 million (both cash and barter), is now the norm for such high-profile premium placement opportunities.

Pay Per Viewer

Another model is to charge advertisers every time a user interacts with their brand. The new services that sell this type of advertising offer users money and other incentives, often similar to frequent flyer miles, to read advertisements and participate in interactive experiences with the advertiser's brand. Users can get paid for everything from visiting advertiser sites to filling out surveys to purchasing products. The philosophy is that the most valuable commodity on the Web is a person's attention and that the best way to acquire that is through direct incentives.

Pay Per Purchase

Taking the payment-per-response model one step further, some advertisers have negotiated to pay only when purchases result from their advertising. This places publishers at the mercy of both the ad creatives supplied and the consumers' interest in purchasing a particular product. This arrangement can be favorable to both the advertiser and the publisher in a few situations when the item is highly targeted, but in most cases, this model clearly benefits the advertiser. The publisher assumes all risk for the advertiser's campaign, and there is no value placed on the brand exposure that advertisers receive through ads that aren't clicked. But, if the advertiser has to choose between no ad revenue and pay-per-sale ad revenue, the pay-per-sale model isn't all that bad.

In 1996, Orb Communications & Marketing, an interactive agency in New York, negotiated one of the first large-scale pay-per-purchase deals, for Nabisco Direct. The arrangement placed advertising for four Nabisco holiday gifts: Oreo and Mr. Peanut cookie jars, a holiday gift basket, and chocolate-covered Oreos. The advertising ran on such sites as Excite (www.excite.com), as well as on entertainment sites like MovieLink (www.movielink.com), Comedy Central (www.comcentral.com), and Entertainment

Drive (www.edrive.com). Nabisco paid only a percentage of sales generated by each publisher's site.

Publishers are reluctant to accept this type of deal because they feel that it underestimates the brand-building capabilities of advertising on the Web, but some sites will accept a pay-per-purchase negotiated price.

Affiliate Programs

Another variation of this model is paying per sale through affiliate programs. Affiliate programs go by numerous names, including *partner* and *associates* programs, but they are most commonly referred to as affiliate programs. The typical affiliate program is run by an advertiser who would like publishers to run advertising on a cost-per-action basis. Instead of a usual ad buy that is negotiated on a site-by-site basis, most affiliate programs are automated. A publisher will go to a merchant site, fill out a form to become an affiliate, and then have access to instructions for how to set up links, ads, or a virtual storefront that points toward the merchant. Figure 7.7 shows a sign-up page for an affiliate program. The merchant tracks the success of the advertising, and pays the participating publishers accordingly. The process is automated, so that the advertiser can have thousands of sites promoting his business, without having to invest the resources in negotiating with each site. To publicize affiliate programs, advertisers will often run an advertising campaign. They will also list their affiliate programs on the sites that have directories of these opportunities (see Table 7.1).

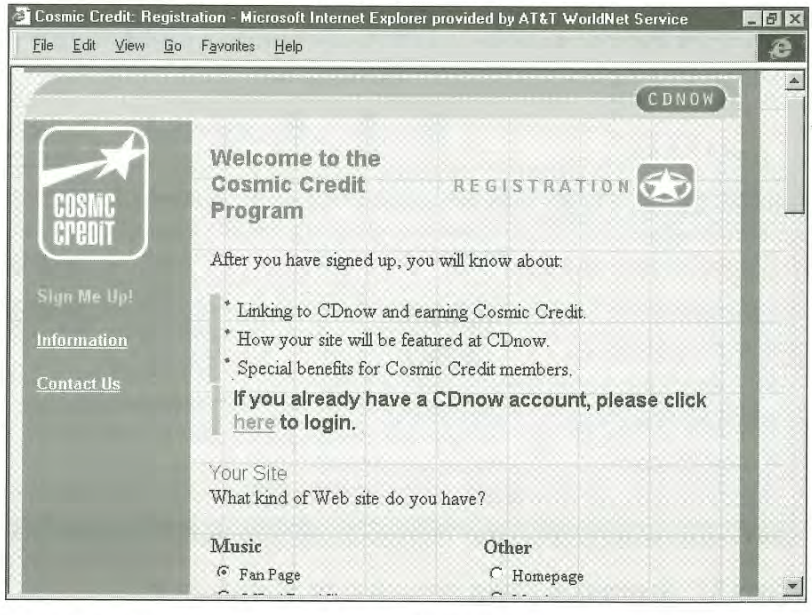


Figure 7.7 A sign-up page for the Cosmic Credit affiliate program.

Members of an affiliate program most often get paid a percentage of sales. This is a great way for advertisers to extend their reach with very little expense; advertisers only pay for orders that are generated. Also, the products can be sold within context. For example, a newspaper that belongs to Amazon.com's affiliate program can allow consumers to purchase a book right after they read the review. The newspaper will receive a percentage of the sale, and Amazon will probably successfully sell books through that type of contextual advertising.

"Affiliate marketing is simply direct marketing. In the cyberworld it allows marketers to be much more one-to-one, and products are marketed in context," says Gordon Hoffstein, COO of affiliate software maker Be Free. "There's no overhead. If it doesn't work, you don't pay."

However, advertisers must be aware that when publishing sites become affiliates, they can start to play a hand in promotion. The affiliate will try to promote the advertiser's store or products by running various ads. Instead of a logical link from a book review to purchasing the book, a site may place Amazon.com logos all over their site, and run Amazon.com banners that they create, to help generate more revenue. Since most merchants view sales as their primary objective, this isn't usually a problem, but the merchants must be prepared to occasionally have their brand advertised in a manner that they wouldn't choose themselves. As we mentioned in the newspaper example, affiliate programs usually go beyond a publisher simply running adver-



Figure 7.8 Amazon.com affiliate store within the Women.com site.

Table 7.1 Affiliate Program Resources

SITE	DESCRIPTION
ChannelSeven's Ad-Guide (www.ad-guide.com/Affiliate_Programs/)	Directory of advertising affiliate programs
Mark Welch's Web Site Banner Advertising (www.markwelch.com/bannerad/baf_commission.htm)	An annotated list of all affiliate programs, both domestic and international
ClickQuick (www.clickquick.com)	A listing of affiliate and pay-per-click programs
Associate Programs.com (www.associateprograms.com)	Directory of associate programs
Revenue Avenue (http://revenue.linkexchange.com)	Listing of affiliate programs

tisements. Publishers often create their own store within their site for the merchant. For example, Figure 7.8 shows the Women.com site, an affiliate of Amazon.com. Women.com built a store within their site. As you can see, the promotion is especially effective, because the advertisements are for books that are going to be of interest to Women.com viewers. Also, the site has the Women.com brand on it serving as a direct endorsement of the books.

The first granddaddy of all affiliate programs (and of of the very first) is online bookseller Amazon.com. They offer 15 percent of sales on most books and 5 percent of sales on out-of-print books and other items. Like most affiliate programs, Amazon.com provides the graphics and technology for publishers to set up their own bookstores. Information on Amazon.com's affiliate program is available at www.amazon.com (click on the "join associates" link).

Some affiliate programs pay on a sliding scale. Bookseller Barnes and Noble (www.barnesandnoble.com) pays commissions between 3 and 7 percent depending on the amount of sales an affiliate site generates. Table 7.2 provides some examples of affiliate programs. A list of affiliate programs resource sites is available in Table 7.1.

We've listed some of the larger affiliate programs in Table 7.2, but there are literally thousands of affiliate programs with all sizes of sites and all types of product offerings.

There are hundreds of topic-specific affiliate programs: everything from Lobsternet (www.thelobsternet.com) (see Figure 7.9) to Viagra sales at KwikMed (http://kwikmed.com/viagra/101985/affiliate.html) (see Figure 7.10). For example, CarPrices (www.CarPrices.com/join.html) has an affiliate program for cars price quote requests, insurance quote requests, and other inquiries. They pay between $1 and $12.50 per information request or information purchase. A complete breakdown of CarPrices' pricing is given in Table 7.3.

Table 7.2 Sample of Affiliate Programs

COMPANY	DESCRIPTION	COMPENSATION PROGRAM (PERCENTAGES OF SALES UNLESS OTHERWISE SPECIFIED)
Amazon.com (www.amazon.com)	You can build a virtual bookstore based on each section, and recommend books, music, and magazines.	5%–15%
(www.barnesandnoble.com)	You can build a virtual bookstore based on each section, and recommend books, music, and magazines.	3%–7%
beyond.com (www.beyond.com)	An online software superstore. They have a large section of educational software to which you can link and recommend specific titles for specific curriculums, or even offer a "recommended tutorial" list for parents.	5%–10%
ClickTrade (division of LinkExchange) (clicktrade.linkexchange.com)	Offers a unique program where you can actually get paid for simply sending visitors to another site. ClickTrade will serve up the ads of the partners you choose and track how many visitors from your Web site clicked on the ad. They also pay on a per-lead and per-sale basis.	Varies depending on the company, ranging from $0.01 per click to $0.25 per sale or click.
Cyberian Outpost (www.outpost.com)	"The world's largest online computer store." They sell hardware, software, and associated technologies.	Terms are discussed after they review the site and are assured of a demographic fit.
Etoys (www.etoys.com)	Toys, toys, and more toys. This online toy store is growing in popularity.	They pay a huge 25% commission.
FileSafe (www.filesafe.net)	Online filing of your IRS returns for a low price. The site is known to be very safe and secure.	Variety of plans, $4.00 and up for referrals.

Table 7.2 (Continued)

COMPANY	DESCRIPTION	COMPENSATION PROGRAM (PERCENTAGES OF SALES UNLESS OTHERWISE SPECIFIED)
iPrint (www.iprint.com)	Online ordering for stationery, business cards, and printed novelty items. Lower cost than many local quick print stores, and you can do some amazing fine-tuning of the images and text online.	4%–8%
LandscapeUSA (www.landscapeusa.com)	Grow your garden online? Not exactly, but everything you need to plan, and plant, and grow your garden can be purchased here.	8% of total sale (average order is $65, some over $500, according to the site)
MapQuest Map Store (www.mapstore.com)	The people who developed the most popular online map system also sell maps of all shapes and types, including USGS topographic maps, historic maps, and maps of planets and countries.	8% of sales during clicked session (program in transition)
Music Boulevard (www.musicblvd.com)	They sell . . . music. A large site dedicated to selling CDs online. Since Amazon also sells books, you may want to focus your efforts on the one-stop shopping of Amazon, but this could be a good alternate resource if there are not contract conflicts.	5%–15% depending on the method by which you link them, and the item itself
Reel.com (www.reel.com)	This site sells and rents movies.	8% of gross revenue (probably more likely on net revenue after they remove credit card fees, shipping, etc.)
Seattle's Finest Gourmet Coffee (www.seattlesfinest.com)	Buy Seattle's Finest coffee online.	20%

Continues

Table 7.2 Sample of Affiliate Programs *(Continued)*

COMPANY	DESCRIPTION	COMPENSATION PROGRAM (PERCENTAGES OF SALES UNLESS OTHERWISE SPECIFIED)
SportsSite.com (www.sportsite.com)	An online superstore of sporting goods.	20% (program in transition)
Wall Street Journal Online (www.wsj.com)	Offers some special promotional programs where they will provide you with access to news elements to keep your site up to date daily, while also providing a revenue opportunity to you for referring customers to them for their subscription service.	$5.00 for every trial subscription you generate that results in a subscription
Ziff Davis University (ZDU) (www.zdu.com)	This online distance learning service focuses on high technology and other training programs. Some courses are independent training programs and others are instructor-led.	10% referral fee for those who sign up for one year of unlimited training

Source: 1998 InternetAdvocate.com (www.internetadvocate.com)

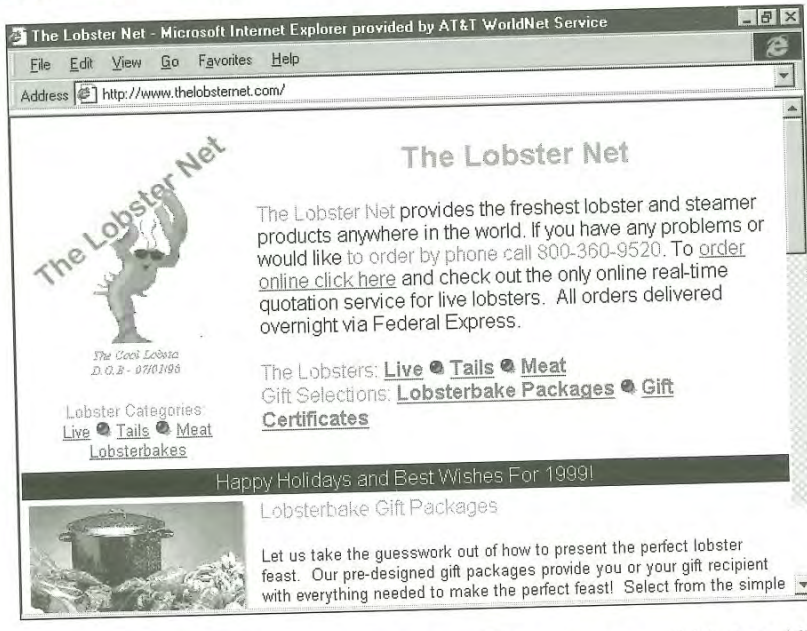


Figure 7.9 Lobster Net is one of the many affiliate programs available to publishers.

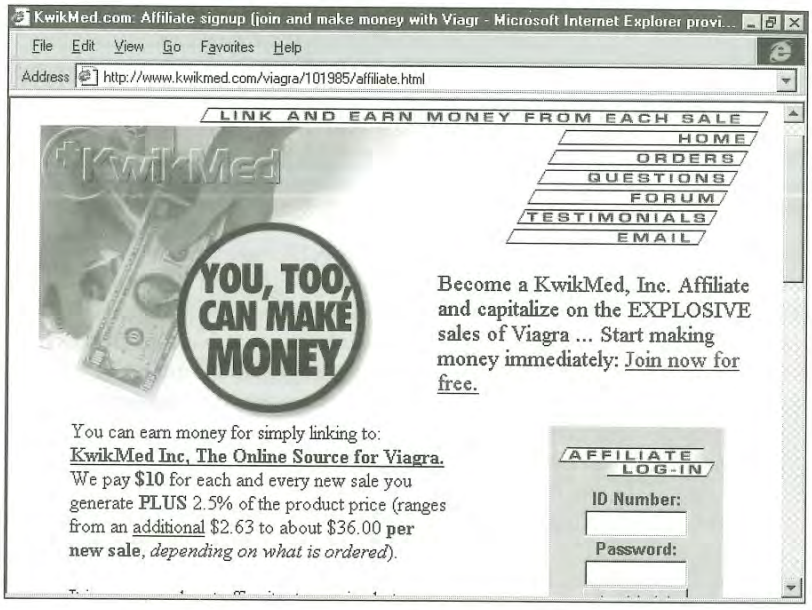


Figure 7.10 The screen to sign up for the KwikMed affiliate program for Viagra. The program pays $10 per order and 2.5% of the product price for a new sale.

Managing an Affiliate Program

To implement an affiliate program, publishers need software that (in addition to other capabilities) will manage the process of tracking orders, leads, or clicks back to a specific referring Web site. The ideal software package will also calculate how much each site is owed, handle the addition and subtraction of affiliate

Table 7.3 CarPrices Affiliate Payment Rates

ITEM	COST TO USERS	YOUR COMMISSION
Insurance Quote	Free	$1
Finance Quote	Free	$1
New Car Price Quote	Free	$3
Used Car Purchase Request	Free	$0.80
Personal Credit Check	$10.95	$1
Warranty Purchase	Varies	$12.50
Car Title Check	$12.50	$1
Custom Window Sticker	$12.95	$0.75
Car Secrets Book	$27.95	$4

sites, and other tasks associated with running an affiliate program. There are several solutions for managing an affiliate program outlined below. A comparison of features is provided in Table 7.4.

Some folks use home-brewed solutions. Unless you have a large technical staff or an ad agency that can handle this type of development, you're better off using packaged software. It's almost always cheaper, and it will allow you to focus on getting orders rather than on software development.

ClickTrade (www.clicktrade.com) (see Figure 7.11) is an affiliate manager that matches buyers and sellers of Web advertising (ClickTrade is part of the LinkExchange, now owned by Microsoft). Web advertisers can place cost-per-click, cost-per-lead, or cost-per-sale advertising through this affiliate program. An advertiser begins by signing up at the ClickTrade Web site and then entering information about the affiliate offer. For example, a merchant might list $10 per sale as the amount she would want to pay for the advertising. ClickTrade charges a 30 percent commission, so in addition to paying the sites a $10 fee for every sale, she'd pay a $3 fee to ClickTrade. ClickTrade lists the offer in their database of ad offers. Sites go through the database and choose affiliate programs in which they want to participate. If the advertiser chooses, the system can be set up so that after the site chooses a specific advertiser, the advertiser has to approve the site. ClickTrade tracks the clicks, orders, or leads. The advertiser pays ClickTrade in advance, and ClickTrade pays the sites. There is no sign-up fee for ClickTrade's affiliate program. They do ask that advertisers make a minimum $100 deposit for starting a pay-per-click program and $500 if they are starting a pay-per-lead/sale program. ClickTrade has affiliates generate revenue through banners, buttons, and text links that drive traffic to the merchant's site. The advertiser can send an e-mail to publishers (who choose to receive it) through ClickTrade's interface; the advertiser does not have direct contact with the publishers.

All ClickTrade advertisers automatically get featured in Revenue Avenue (http://revenue.linkexchange.com), a directory of revenue-generating offers from Web merchants. In addition, ClickTrade delivers information about the offer to over 50,000 sites who participate in their affiliate programs.

If a Web site wants to participate in an affiliate program run by ClickTrade, the site will sign up with ClickTrade and then be able to choose the affiliate program that is of interest. Participation entails placing merchant banners, buttons, and text links on their site.

LinkShare (www.linkshare.com) manages the entire process for sites and their affiliates. They have software that merchants install on their e-commerce engine. As with ClickTrade, merchants can benefit from having their affiliate program broadcast to LinkShare's network of affiliate sites. Merchants who use LinkShare pay a $5,000 setup fee and 2–3 percent of revenues from sales. The merchant sets up various stores from which the affiliate can choose. The affiliate can also choose a specific product, if there is one that the affiliate decides is best suited for his audience. This allows the merchant some control over how the affiliate's store will look. This differs from ClickTrade in that affiliates can set up complete stores, instead of using only banners, buttons, and text links.

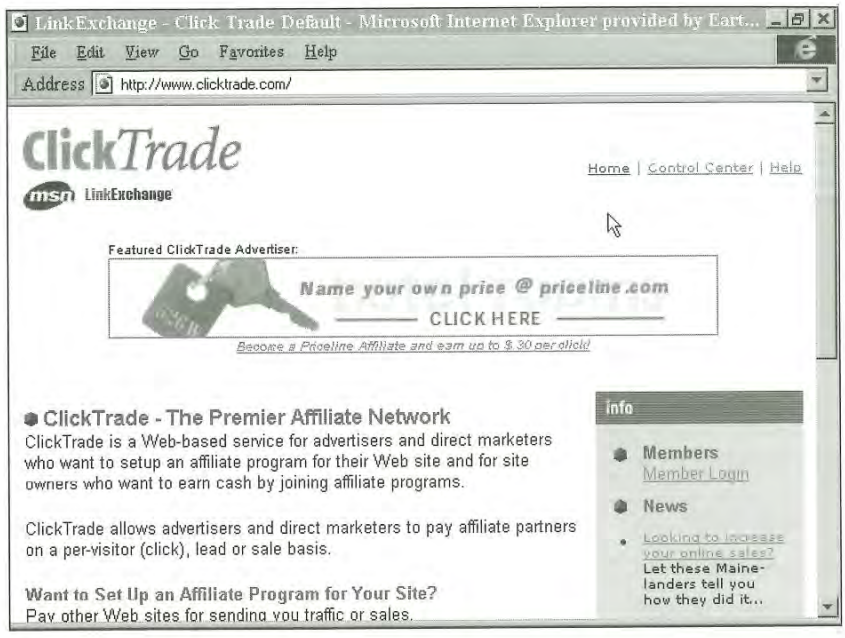


Figure 7.11 The ClickTrade affiliate program network.

LinkShare's clients range from the largest e-commerce retailers like 1-800-FLOWERS (www.800flowers.com) to smaller retailers like Bulldog Store (www.bulldogstore.com), which sells products for bulldog owners. The advantage for merchants using LinkShare is that they are able to control how the Web sees their brand. The merchant, and not the affiliates, serves the banners and whichever store the affiliate chooses through LinkShare's service. This ensures that the merchant can remove old creatives and offers from affiliate sites. When a merchant signs up affiliates, the affiliates join the LinkShare network and then they can join the merchant's program. This means that as with ClickTrade, the merchant's affiliates will be exposed to many offers.

Be Free (www.befree.com) manages the enrolling, supporting, and tracking of affiliate networks. Be Free functions a little differently than LinkShare and ClickTrade: when an affiliate joins the network, that affiliate can either sign up through the merchant or through Be Free. If the affiliate signs up through the merchant, Be Free receives no information regarding that affiliate. Be Free generally charges 2 percent of affiliate sales revenue for these services, and focuses on large and medium-sized commerce sites. Clients include barnesandnoble.com, American Greetings, and GeoCities.

Be Free lists two components to its affiliate software: Be Free Affiliate Serving Technology (BFAST) and Be Free Intelligent Targeting (BFIT). BFAST manages the process of enrolling, supporting, tracking, and managing affiliate networks. BFIT is an engine that tracks sales from the advertisement to the point of purchase. If merchants want, they can also pay Be Free to manage the payment of affiliate sites.

Table 7.4 Comparison of Affiliate Vendor Features

	BE FREE	LINKSHARE
Key Clients	barnesandnoble.com, Travelocity, Reel.com	Cyberian Outpost, FAO Schwartz, Clinique
Number of Clients	30	100
Setup Fee	$5,000 to $7,500 for one-year contract; free of charge for three-year contract	$5,000
Percentage of Transaction	2–3 %	2–3%
Affiliate Outreach	Merchants receive 5,000 affiliates free of charge; fee of $14 for each additional affiliate Be Free generates for you.	6,326 affiliates; merchants have free access to all affiliates
Allows CPM Payment	Yes	Yes
Allows Click-through Payment	Yes	Yes
Allow Bounty Payment	Yes	Yes
Allow Loyalty Points (Click Rewards, My Points) Payment	No, but in development	Yes
Allow Hybrid Payment	Yes	Yes

Source: 1998 Jupiter Communications (www.jup.com)

With hundreds of affiliate programs out there, it is difficult to determine the right price to pay affiliates. Merchants generally give their affiliates a 5–15 percent revenue share. If there are a lot of merchants in your category, you will want to offer a higher revenue share to encourage sites to join your affiliate program instead of your competitions' affiliate programs. If you're a merchant of a very high-priced product (like a car), you might want to give a flat fee per car sold rather than a commission.

Auctions

Auctions are big on the Internet and are a good place to buy and sell excess ad inventory. Because the auctions are selling excess inventory, advertisers can usually get pretty good prices on well-recognized sites. For publishers it's a way to generate revenue on inventory that would otherwise go unsold.

The leader in this area is Adauction.com (www.adauction.com, see Figure 7.12). "Adauction.com is building a Web-based exchange for buying and selling media," says David

Tips for Running a Good Affiliate Program

Research pricing of other merchants in your market and be competitive. If you don't pay enough money, you won't have a high number of respondents.

Payments should be sent in a timely manner. When affiliates receive checks, they remember you and work harder to promote your offer. Remember, they can quadruple the sales they generate for you by giving you better positioning on their site. They often just need to know that they'll get paid.

Provide an area for affiliates to download advertisements that they can use to promote your merchandise. You know what works to help sell your products. And, the affiliates may not run their own advertisements to promote the special offer because they don't have time to design the ads. If you provide the ads, affiliates are usually happy to run them in an effort to generate more revenue.

Help your affiliates sell. In addition to providing graphics, work with them to create promotions and to teach them what helps sell your products. This can be done through an e-mail newsletter that reaches all of your affiliates, or a special Web site. Barnesandnoble.com has set up a Web site to help affiliates succeed, at www.affiliate.net.

Give affiliates a way to check the status of the revenue they've generated through online reporting. It is a nice bonus.

Wamsley, CEO and president. It's "an online marketplace where price is determined dynamically based on a real-time supply and demand model." Adauction.com:

- Creates an alternate channel for media companies to move additional inventory without conflicting with direct sales.
- Evolves from auction to exchange—rather than participating in periodic events, advertisers around the globe can always find quality inventory at the best price possible.
- Offers just-in-time buy opportunities based on selling media days before it expires.
- Attracts buyers—large and small—with a valuable price proposition.

Some of the sites that auction inventory through this service are Yahoo!, Netscape, E! Online, Jumbo, and TUCOWS. Advertisers who purchase inventory have a choice of serving ads through AdForce or DoubleClick's DART. As of the writing of this edition, Adauction.com was auctioning CPM buys and had plans to start offering cost-per-click, sponsorship, and package buys. Adauction.com gives sites a means to sell excess inventory; they sell ad campaigns that begin the month after the auction (if the auction is in January, the flight is in February).

"Adauction.com has earned high marks for uniquely offering much-needed help to Web publishers in optimizing banner inventory. We are committed to using their service

to generate revenue which we'd otherwise forfeit," said Ruth Chang, of Student Advantage Network (www.studentadvantage.com).

There are three ways to buy at Adauction.com:

Tune-In. Topic-specific auctions (finance, women's interests, travel, computers, etc.) two or three times each week. This is targeted inventory, featuring exclusive packages and special inventory for the target- and the brand-focused buyer.

MarketPlace. Features 15 categories and over 100 million impressions for sale, held the third week of each month. Great values on ROS inventory.

LastCall. For the buyer looking for plenty of eyeballs. A network buy at low CPMs. The biggest bang for the buck for broad reach and frequency.

The Internet ad auction has gone so well that Adauction.com is launching a similar trading platform for auctioning ad space for print, radio, cable, and infomercials.

Real-Time Ad Buying Through Networks

Auctions are not the only means for real-time buying. Flycast (www.flycast.com), an ad network with over 700 sites that reaches more than 12 million people each month, also sells ads in real time. Unlike ad networks like DoubleClick, Flycast does not focus on branded high-end CPM sites. Instead, they've amassed a large number of sites, and they're focused on selling this low-priced inventory to direct marketers. Buys on the Flycast network fall into four categories: Run of Network (all sites), Run of Category (specific affinity), Category Select (affinity and additional targeting like geographic area), or Site Select (choosing a specific site).



Figure 7.12 The Adauction.com bidding floor.

The Flycast philosophy, according to their Web site, is as follows:

> We begin with what we call zero-based media planning. This is where we use the actual results from a campaign, run without any targeting considerations, to create a response baseline. This baseline is used to determine where on the Flycast Network the ad campaign should be focused. The results from this first level of optimization form a behavioral targeting model. These real-time advertising responses provide our media consultants with the behavioral results to continue to optimize as needed to maximize the success of your campaign.

The run of network rate card price is a $6 CPM, and there are additional costs as advertisers choose more targeting options. Flycast's proprietary ValueTrack software enables advertisers to track the performance of a campaign from banner serve, to the "click," and then through to any type of back-end transaction, such as registrations, orders, or downloads.

Advertisers can negotiate with a Flycast representative and buy inventory weeks or months before a campaign begins, or buy inventory in Flycast's real-time bidding for space. In the real-time bidding, the site sets the minimum bid on the inventory, and the price increases if an advertiser needs to bid higher than someone else to secure the space. The real-time bidding usually occurs 48 hours before the ad buy will commence, so an advertiser has to be flexible; however, since this is a last-minute buy of inventory that would not otherwise be sold, the price is often reduced as much as 75 percent from rate card.

A Flycast network site can use Flycast's Site Registry to register the site and control what inventory is available on the Flycast Network, and at what price. The site can also control what types of ads it will accept (rich media, GIF, etc.). Plus, publishers can block any advertisers they do not want on their site.

Here is how Larry Braitman, vice president of business development and co-founder of Flycast, explains the system:

> At the top of every Web page is code that directs the server on how to fill the page. Every Web page that carries advertising is delivered with one or more holes in it. Code at the top of the page tells the site to fill the hole with a banner ad that has been purchased in the up-front market. If no banner ad has been sold up front, additional code tells the ad server to fill the hole with a banner ad that's sold in the real-time market, via an ad network like Flycast. If no one buys a banner to serve on that page in real time, a PSA (public service announcement) or other default banner can be served.

Like Adauction.com, Flycast is a good way for publishers to sell inventory that would otherwise go unused; for the sites who use these services, it's better to get something for these ad spaces rather than nothing.

Hybrid

Because online advertising can achieve various ad campaign objectives, many publishers are finding that a tiered pricing model makes the most sense. For example, a site could offer one price for impressions, a higher price for click-through, and an even higher price if an advertiser pays only when the click-through results in a sale. If publishers offer only one model, they are going to lose those advertisers who are determined

to use a different one. A hybrid of these models is one solution. Often a Web site will charge a low CPM as well as a cost per action. This is a compromise that will often make both sides happy.

Trends in Pricing

Since the first edition of this book was published, we have seen several significant pricing trends. Prime real estate is costing a lot more than it ever has, and less desirable ad inventory is cheaper than ever. As we mentioned earlier in this chapter, keywords are an example of prime inventory. The price for keywords has more than doubled on many sites over the past year. And, some search engines will only allow advertisers purchasing a certain level of advertising to purchase some of the most popular keywords. Hot, well-targeted content sites have also been able to command very high prices. iVillage is one example; their network of Web sites will rarely allow advertisers who won't commit to spending $100K or more on their site.

On the other hand, non-targeted sites that reach the same audience as a search engine have had real difficulty in maintaining their pricing. An untargeted buy of $50K on a search engine can get a CPM as low as $5. Search engines have enough excess inventory that they can offer these low CPM deals to entice advertisers. This makes it difficult for smaller sites to charge high rates. Unless they're very narrowly targeted, how can they justify to advertisers charging more than what the advertisers would pay to run on a search engine?

Problems with Comparing Value

Some of the same problems that impact Web measurement also stymie advertisers who try to compare the value of advertising on different Web sites.

One problem that must be solved is really one of semantics: There must be consistency in the definitions used by publishers' sites. For example, it is difficult to compare impressions when one site counts an impression only when the ad is fully downloaded before the user leaves the page, another site counts an impression when a user accesses the page (regardless of whether the ad is fully downloaded), and yet another counts an impression when an ad has been on the page for 8 seconds before another ad is rotated into its position.

There is also little comparative demographic data available, which makes it difficult to distinguish among the audiences of different Web sites. For example, what distinguishes users of the search engine Yahoo! from users of the search engine Excite? When buying traditional media, an advertiser knows the profile of the target audience—from age, gender, and zip code to such detailed information as single mothers in their thirties with average incomes over $50,000. At this point, Web publishers are only beginning to learn about their audiences. Moreover, these audiences are growing at such a quick rate that even accurate data seem outdated as soon as they are published.

Flexibility Is the Key

The slate of pricing models conforms to the specific goals of an advertiser's campaign. There is no one pricing model that is the best; instead, the model should reflect the campaign's objective and the site's revenue needs. The rule of thumb in ad pricing, as in everything Internet, is to be flexible.

How Much Do You Need to Spend on an Ad Campaign?

People are always trying to figure out how much they should budget for Internet advertising. Is $5,000 enough? Is $50,000 a month the magic number? The answer lies in your goals.

If you're trying to sell products or generate leads, there is no minimum budget. You can run a month-long test for as little as $1,000 to $5,000. Then you can use results to determine your cost per lead or cost per sale. If your cost per sale is lower than for your other media channels, you should start ramping up your advertising spending. However, keep in mind that as you increase spending, you need to watch your buys carefully to make sure your conversion rate doesn't decrease.

The determination of your budget will be based on the number of sales or leads you want to generate (assuming you have the budget to reach those goals). The cost per lead or sale will also determine if you should move some of your traditional advertising dollars to the Internet. This strategy also works if your goal is to build traffic.

If you are doing a serious direct marketing campaign to a very specific niche audience, you should expect to pay $10,000–$20,000 per month, buying on a cost-per-click and low CPM basis.

If you're doing a branding campaign to a small niche audience, you can do so with a budget of $150,000–$200,000 per year (we'd also recommend some print and direct mail to deliver your message).

If you're trying to reach a large consumer audience, that budget should be increased to $100,000 per month at the minimum.

If you want to dominate a specific category or appear under keyword placements, you'll have to spend more money. Many of the major search engines require minimum buys of $4,000 to $5,000 per month to purchase keywords. In general, branding campaigns take large amounts of money. A major branding campaign across the Web, buying premium CPM, can run from $250,000 to $600,000 a month.

If your budget is small—under $5,000 for the entire year—buying ads may not be the best use of your money. A better strategy would include banner exchanges and other more grassroots methods such as those discussed in Eric Ward's special section in this book, "How to Advertise for Free or Almost Free."

Challenges Dictating Our Long-Term Success

Liddy Manson (mansonl@washpost.com), VP of Advertising and Marketing
Washington Post Newsweek Interactive (www.washingtonpost.com)

In the online news world, we are watching advertising demand explode, as advertisers and agencies become more strategic and varied in their approach to media placement. As a medium we are discovering that the Web works extraordinarily well as a promotional and branding vehicle for a broad range of businesses from construction companies to diamond dealers to car dealers to employment agencies. We currently face several challenges that will dictate our long-term success in a highly competitive and innovative market:

1. Our single challenge as a medium is to perfect the art of matching buyers with sellers. The accountability and trackability of Internet advertising combined with the newness of the medium puts significant pressure on our medium to deliver measurable results in a quick time frame. One result of this trend is a rapid proliferation of advertising products, and I expect that this creativity will continue for quite some time.
2. Currently advertising supply outpaces demand by a factor of roughly 50 to 1. As a result, pricing is extremely volatile, buyers have a tremendous amount of power, and sites without renowned brands are struggling to survive. My prediction is that there will be a shakeout in 1999 of those less well capitalized sites, whose staying power will start to fade.
3. The medium is advancing so quickly, both creatively and technically, that media sales reach far beyond devising creative advertising solutions in a static world; sales reps must reach beyond what is possible today, and devise new products and services in order to stay on the forefront of the industry.

CHAPTER 8

Market Research—Information Is Your Competitive Advantage

What's the value of market research? It's critical. "You wouldn't go sailing across the ocean without a map," says Evan Neufeld, director of Online Advertising Strategies at Jupiter Communications. "When it comes to making online advertising decisions, market research is an essential aspect of charting a road map for any campaign."

Information is power in conducting an effective and successful online advertising campaign. The technology, which serves as the very essence of the Internet, is the tool that allows the Internet to be information rich, both in the dissemination and the collection of data. In developing an advertising and overall marketing program for your site, it is essential to keep abreast of new technologies, techniques, and tactics. Equally important is monitoring the changes in the online audience in terms of gender, income, interests, language, and location. And finally, it's imperative to continually evaluate the programs and strategies of your competition. As Neufeld puts it, "Fortune favors the bold, and the bold do their homework with market research."

There are a multitude of resources both online and off that assist the online advertising professional to stay abreast of all elements affecting the industry and to gauge the online audience. These include the sites that list facts, statistics, and industry figures, and the bound reports compiled by market research firms. There are e-mail discussion lists galore for observing or conversing with others in the industry as well as conferences and seminars for face-to-face interactions.

A quick caveat: The only thing that grows and changes faster than the industry that covers and studies the Internet is the information itself. Indeed, surveys and studies are almost out of date a month after they're published. Keep in mind that the specific survey findings presented in this chapter will be outdated long before the concepts and techniques presented in this book outlive their usefulness. Therefore, we recommend

using the specific data presented in this chapter as examples of the types of information available and where to go to keep up to date on a continuing basis.

Building Your Body of Knowledge

To begin building your body of online advertising knowledge, there is no better place to start than by subscribing to some of the industry's e-mail lists. There are three types of lists. The first are discussion lists, where participants pose questions and comments and members of the community respond freely (see Table 8.1). These lists are moderated to keep the conversation rolling in a friendly and productive manner. The second type of lists are the newsletters, where the editor puts the information together and distributes it via e-mail (see Table 8.2). And the third type are specialty newsletters and lists on very specific industry topics such as building better banners or search engine registration (see Table 8.3).

Industry Events: Where the Hunters and Gatherers Meet

With the Internet's global reach, an advertiser can be in one country, the agency in another, and the site on which the advertising is being placed in a third location. The geographic neutrality of the Web is great for getting work done, but nothing is better than face-to-face interactions for networking. The primary places people in the online advertising industry go to network are the myriad of conferences and seminars. A list of key online advertising events is presented in Table 8.4.

Conferences are also held outside the United States. A good global listing of conferences and trade shows can be found in The Internet Times (www.euromktg.com/eng/ed/it/current.html). The Internet World (events.internet.com/) series is held in most major countries and always has sessions on Internet advertising and marketing. Moreover, Jupiter Communications (www.jup.com) hosts events in Europe.

Trade Associations

You know an industry has come of age when it has a handful of trade associations. Online advertising has reached this first stage of maturation. The development of the industry's trade associations started with special working groups from already established organizations, such as CASIE (Coalition for Advertising Supported Information and Entertainment, www.casie.org) and the New Media Federation of the Newspaper Association of America (www.naa.org). Then came the formation of an association out of the online advertising industry itself, the Internet Advertising Bureau (IAB) (www.iab.net). Now we have a host of associations addressing key issues and concerns of the industry, from privacy and taxation to measurement and reporting standards. Moreover, the associa-

Table 8.1 E-mail Discussion Lists

LIST	MODERATOR	DESCRIPTION
Internet Advertising Discussion List (www.internetadvertising.org)	Adam Boettiger ia@eyescream.com	An e-mail discussion list focusing specifically on Internet advertising, Internet marketing, and the successful promotion of businesses on the Internet. Over 5,000 subscribers in 72 countries around the globe receive the list.
Internet Link Exchange Digest (www.ledigest.com)	John Audette ja@ledigest.com	A moderated discussion list meant to provide meaningful and helpful information to those engaged in building traffic to their Web sites. Discussions center on Web site promotion on the Internet and World Wide Web, which will of course include banner advertising.
Online Advertising Discussion (www.o-a.com)	Richard Hoy richard@tenagra.com	Focuses on professional discussion of online advertising strategies, results, studies, tools, and media coverage. The list also welcomes discussion on the related topics of online promotion and public relations. The list encourages sharing of practical expertise and experiences between those who buy, sell, research and develop tools for online advertising, as well as those providing online public relations and publicity services. The list also serves as a resource to members of the press who are writing about the subject of online advertising and promotion.

tions are funding important research in the interest of the entire industry. Table 8.5 presents a list of online advertising trade associations.

Market Research Firms

Market research firms are conducting studies to help define, analyze, and understand the inner workings and implications of this medium. These studies include online and

Table 8.2 E-mail Newsletters

LIST	DESCRIPTION
ChannelSeven NarrowCast Newsletter (www.channelseven.com)	Covers Internet advertising news and commentary.
ClickZ (www.clickz.com)	Daily newsletter with links to articles written about Internet advertising and marketing.
ICONOCAST (www.iconocast.com)	A free weekly e-cast (mail list) that chronicles the Internet's impact on traditional marketing. It contains data-rich market overviews designed to help readers understand key trends, plus "The Jacobyte," an insider column.
Web Digest for Marketers (www.wdfm.com)	A fortnightly review of about 15 marketing sites.
Internet Advertising Report (www.internet.com)	A weekly update on Internet advertising news.

telephone surveys as well as industry trend analysis and forecasting. Market research firms actively conduct and publish studies and reports on some aspect of the Internet, including demographic information, usage patterns, and ad spending projections. Table 8.6 provides a listing of the market research firms specializing in the Internet and the online audience.

To keep up on the volumes of new research being conducted, there are a host of sites that consolidate the findings. Table 8.7 lists some of the sites most applicable to the online advertising industry.

Table 8.8 compiled by eStats demonstrates how different research firms can have different numbers for the same topic, such as Web advertising projections. The November 16, 1998, issue of the *Industry Standard* offered a brutally honest quote from journalist Evan Schwartz on the widely varying predictions of Internet research companies: "We know that there's a lot of hocus-pocus involved in those numbers, but they're better than nothing."

Stats, Facts, and Figures

If we were to describe the average Internet user prior to 1998, it would have been a college-educated, financially comfortable, 34-year-old U.S. male with a strong technology comfort level. But these "early technology adopters," who were the majority of the Net population until now, are quickly being edged out by a user base that more accurately reflects American society. A study released in September 1998 by Market Facts (www.marketfacts.com) reported that American Internet users and the general Ameri-

Table 8.3 Specialty Topic Newsletters and Listservs

NAME	MODERATOR	DESCRIPTION	SUBSCRIPTION PROCESS
Banner Tips (www.whitepalm .com/fourcorners)	n/a	Monthly newsletter of information on how to increase site traffic by making a more clickable banner.	To subscribe, send mail to: BannerTips-request@lists.best.com with the body of the message as: Subscribe yourName@yourDomain.com
FrankelBiz (www.robfrankel.com/ frankelbiz/fbintro.html)	Rob Frankel	Listserv devoted exclusively to doing business on the Web, instead of talking about it. List members exchange discounts, offer business leads, and do business with each other. Sponsors offer products and services at discounts to members.	Subscription form available at www .robfrankel.com/frankelbiz/form.html
i-sales (www.mmgco.com/isales/)	John Audette	Formed in November 1995; the goal of the Internet Sales Moderated Discussion List is to provide a forum for meaningful and helpful discussion of online sales issues by those engaged in the online sale of products and services.	Subscription form available at www.mmgco.com/isales/
Search Engine Report	Danny Sullivan	An e-mail companion to the site Search Engine Watch (searchenginewatch.com), which keeps you informed of how you can improve your Web site's listings in search engines.	Subscription form available at home page at searchenginewatch .com/sereport/
WEBCMO DIGEST (www.webcmo.com/ mis/disc.htm)		The digest covers three main themes: Web marketing strategy, Web marketing research, and free Web marketing research software.	To subscribe, send an e-mail to: subscribe@webcmo.com
Web Marketing Today	Dr. Ralph Wilson	Contains articles about Internet marketing and doing business on the Web.	www.webmarketingtoday.com

Table 8.4 Key Online Advertising Events in the United States

CONFERENCES IN THE USA	PRODUCER	DATE AND LOCATION	DESCRIPTION
@d Tech	ConEx (www.ad-tech.com)	Held multiple times each year.	Several events rolled into one, with tracks on public relations, advertising creative, media, etc.
Advertising & Marketing on the Internet	The Zeff Group (www.zeff.com)	Held in cities around the country.	A one-day regionally focused event on Internet advertising and marketing.
AdWeek Forum at Internet World	AdWeek (www.adweek.com) and Internet World (events.internet.com/)	Held in conjunction with the NYC (fall) and Los Angeles (spring) Internet World conferences.	A two-day event of sessions covering the hot topics in online advertising.
Camp Interactive (www.4interactive marketing.com/camp99/ index.html)	Interactive Marketing (www.4interactive marketing.com)	Held in the summer.	Following the philosophy that as much happens outside of the session rooms as inside, this event brings industry professionals together to schmooze in the great outdoors.
Ebiz (www.4interactive marketing.com/ebiz/)	Interactive Marketing (www.4interactive marketing.com)	Held once a year in a different location each time.	Focuses on e-commerce perspectives and solutions for interactive marketers.
Online Advertising Forum	Jupiter Communications (www.jupiter.com)	Usually held once a year in August in NYC.	The oldest of the online advertising events. This is the place were the CEOs go to see and be seen. A very high-level event both in terms of sessions and attendees.
Variety's Interactive Marketing Summit	Interactive Marketing (www.4interactive marketing.com)	Held in the spring.	Focuses on online marketing and advertising to and by the entertainment industry.
Web Advertising	ThunderLizard Production (www.thunderlizard.com)	Held once a year in a different location each time	A nationally focused training-style conference on Web advertising.
Web Marketing	ThunderLizard Production (www.thunderlizard.com)	Held various times a year in different locations.	A nationally focused training-style conference on Web marketing.

Table 8.5 Online Advertising Trade Associations

ASSOCIATION	CONTACT INFORMATION	MEETINGS	MISSION STATEMENT
Internet Advertising Bureau (IAB) www.iab.net	Barbara Sweetman IAB Administrative Director c/o 38 Tyler Circle Rye, NY 10580 (914) 921-6988 (914) 967-2538	West Coast Meeting (spring) East Coast Meeting (fall)	Global association devoted exclusively to maximizing the use and effectiveness of advertising on the Internet.
Internet Direct Marketing Bureau (IDMB) www.idmb.com	Note: voluntary organization with no official headquarters.	Currently meets in conjunction with other major advertising events.	Association ensures the maximum effectiveness and acceptance of direct marketing on the Internet.
FAST www.fastinfo.org	Note: voluntary organization with no official headquarters.	Currently meets in conjunction with other major advertising events.	A coalition formed as a result of the FAST Summit hosted by Procter & Gamble (Aug. 1998), with four primary working groups: advertising models, media buying, measurement, and consumer acceptance.
Direct Marketing Association (DMA) www.the-dma.org	1120 Avenue of the Americas New York, NY 10036-6700 Phone: 212-768-7277 Fax: 212-302-6714	NetMarketing held in spring.	Serves as the primary trade association for the entire direct marketing industry.

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Table 8.6 Market Research Firms

COMPANY
Market Facts (www.marketfacts.com)
Aberdeen Group (www.aberdeen.com)
ActivMedia 'Net Marketing Research (www.activmedia.com)
Cowles/Simba Net (www.simbanet.com)
Cyber Dialogue (www.cyberdialogue.com)
Jupiter Communications (www.jup.com)
Laredo Group (www.laredogroup.com)
Matrix Information and Directory Services, Inc. (MIDS) (www.mids.org)
MBInteractive (www.mbinteractive.com)
WebCMO (www.webcmo.com)
Zona Research (www.zonaresearch.com)

can consumer population are now mirroring one another in most buying habits, behaviors, and attitudes. The study concluded that the two populations are finally corresponding because 30 percent of the U.S. population that is 16 and older is online. "People using the Internet today are no longer just a group of early adopter techies," comments Wally Balden, vice president, ISG. "They are clearly more mainstream, everyday people." Let's take a look at the face of the online audience in terms of gender, age, race, language, income level, and usage patterns to get a more up-close-and-personal view of the online audience (see Table 8.9).

Table 8.7 Information Consolidator Sites

SITE	DESCRIPTION
CyberAtlas (www.cyberatlas.com)	The first site to provide short summaries of Internet advertising and marketing studies.
eStats (www.estats.com)	Compares the figures and statistics compiled by all the top Internet marketing firms.
ICONOCAST (www.iconocast.com)	Consolidates industry studies and research in its weekly newsletter.
The Industry Standard (www.thestandard.com/metrics/)	The online version of the weekly magazine.
Nua (www.nua.ie/surveys)	Ireland firm that is not United States–centric in its numbers and monitors Internet user numbers around the globe.

Why Study Findings Differ

As Mark Twain is quoted as having said, "There are three kinds of lies: lies, damn lies, and statistics." It is not unusual for studies on similar subjects to produce different results, especially in the Internet industry. Many factors contribute to this phenomenon. First and foremost is the time frame of the study. The rapid growth of the Internet has resulted in different sampling groups almost every 90 days, a particularly problematic element in any Internet study. Second, studies that examine the entire Internet universe will expose findings very different from those that focus only on Web users. Third, the answers received are a reflection of the questions asked, and even slight differences can result in widely variant answers. Fourth, bias can't be overlooked. As the site eMarketer (www.estats.com/estats/welcome.html) explains:

> **Any research firm reporting statistics on the Internet will have built-in biases, not to mention methodological weaknesses. Figures pertaining to the size of the Net, for instance, are often inflated by research outfits which have received funding from companies who, in turn, have a vested interest in hyping the numbers (big numbers attract big dollars).**

And finally, it must be taken into account that people do not always answer questions truthfully when filling out a survey or even an online registration form. People admit that they sometimes provide misinformation for reasons ranging from security (women who are single report they are married) to issues of social status (men report earning higher incomes).

Table 8.8 Comparison of Web Ad Revenues Projects Through 2002 (in millions)

YEAR	1996	1997	1998	1999	2000	2001	2002
IDC	260	550	1200	2000	3300	NA	NA
Forrester	NA	500	1000	1750	4100	5600	8100
Cowles/Simba	236	597	976	1580	2460	NA	NA
Jupiter	301	940	1900	3000	4400	5800	7700
ActivMedia	NA	400	1700	4700	11200	23500	43300
IAB	267	906	NA	NA	NA	NA	NA
Yankee Group	220	630	1200	1820	2200	3800	6500
eStats	175	650	1500	2200	3800	6500	8000
Global Internet Project	310	NA	NA	NA	5000	NA	NA

Source: eStats (www.estats.com)

Table 8.9 Ongoing Internet Surveys

GVU User Surveys (www.cc.gatech.edu/gvu/user_surveys/User_Survey_Home.html)
Internet Domain Survey (www.nw.com/zone/WWW/top.html)
Survey-Net (www.survey.net/)
The Netcraft Web Server Survey (www.netcraft.co.uk/survey/)

Academic Studies

Among the longest running surveys of online users are those conducted by the Graphics, Visualization, & Usability Center (GVU) at Georgia Tech University (www.cc.gatech.edu/gvu/user_surveys/). Begun in January 1994, the surveys have been running continuously, with the tenth survey results announced in January 1999. The GVU surveys track usage patterns, interests, and demographic shifts over time. Each survey has approximately 10,000 participants. To be a part of the most current survey, register on the GVU survey site (www.gvu.gatech.edu/user_surveys/). For consistency, GVU survey results will be used as the benchmark for most of the demographic information in this chapter because of the program's longevity, reliability, and size of participation pool.

Another center for academic studies on online marketing is Project 2000 (www2000.ogsm.vanderbilt.edu), directed by Professors Donna Hoffman and Tom Novak. Founded in 1994 as "Research Program on Marketing in Computer Mediated Environments" at the Owen Graduate School of Management, Vanderbilt University, to study the marketing implications of commercializing the World Wide Web, today this scholarly effort has emerged as one of the premiere research centers in the world for the study of electronic commerce.

Psychographic Studies

Psychographic analysis attempts to segment consumer lifestyles into identifiable characteristics. One of the first major consumer segmentation systems was developed by SRI in 1978 and is known as VALS (Values and Lifestyles). In 1989 VALS 2 (http://future.sri.com/vals/vals2desc.html) was launched, modifying the segmentation system to incorporate more contemporary lifestyle trends, and improving the survey's applicability for advertising and marketing purposes. As a marketing tool, VALS can assist a company in finding out:

- Who to target
- What the target group buys and does
- Where concentrations of the target group lives
- How best to communicate with the target group
- Why the target group acts the way it does

There is now an Internet VALS (iVALS) to better understand the psychographics of the online consumer (http://future.sri.com/vals/iVALS.index.html). To participate in the survey and find out your VALs type, visit (http://future.sri.com/vals/ques-nt.html).

Another company doing important lifestyle segmentation is Claritas. The Claritas PRIZM lifestyle segmentation system defines every neighborhood in the United States in terms of 62 demographically and behaviorally distinct clusters. PRIZM offers an easy way to identify, understand, and target consumers down to the block level. Claritas introduced its PRIZM lifestyle segmentation system in the 1970s and has continued to update and refine its segmentation systems so that today marketers can combine detailed demographics with product, media, and lifestyle preferences to create a complete portrait of their target to answer the important marketing questions:

- Who are my customers?
- What are they like?
- What do they buy?
- Where can I find them?
- How can I reach them?

Claritas has both a direct dial-in online service and the Web-based Claritas Connect service (see Figure 8.1). Claritas Connect offers 127 different profiling reports. For example, a business can get a demographic report of a five-mile radius of a new store location. All this can be done over the Internet. "The design of the architecture of Claritas Connect,"

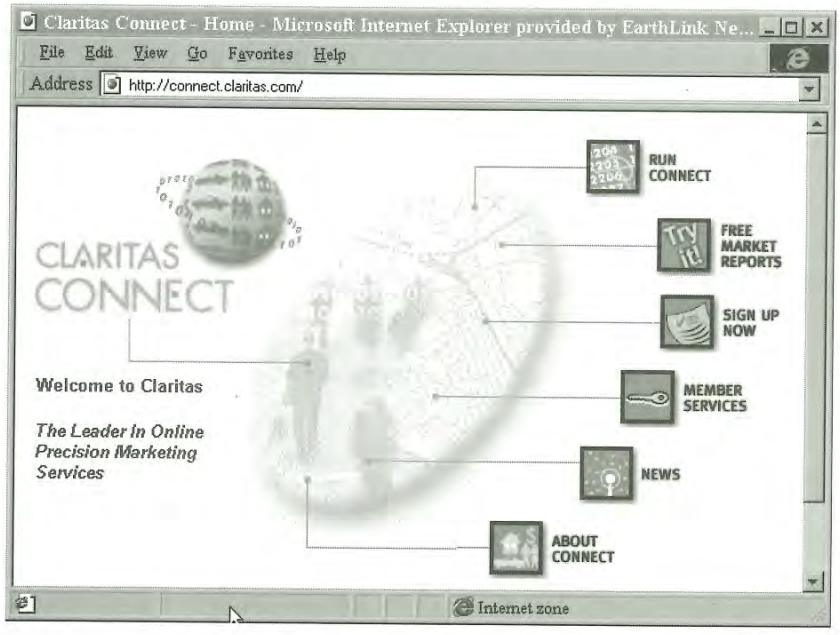


Figure 8.1 Claritas Connect offers Web access to Claritas' demographic reporting capabilities.



Figure 8.2 Claritas Connect offers a variety of reporting options through its Web site.

says Heather Oles, senior director of Claritas, "is to have the ability to partner with other databases." Claritas is partnering with Media Metrix to add Web rating data into the mix. At $195 per year, the service is reasonably priced, making it accessible to the small business; and signing up for the service can be done online in a matter of minutes. "The idea is to make it affordable, flexible, and easy to use," says Oles. See Figure 8.2 for a look at the different profiling report options.

Age

The average Internet user in 1998 was 35 years old, putting the Net generation at the tail end of the baby boomers. When the first GVU survey was conducted in 1994, 56 percent of respondents were between 21 and 30. Eight surveys later, the average rests at 35 (see Figure 8.3).

What has changed the most over the past four years is the age spread (see Figure 8.4). There are more seniors online than ever before. According to a study conducted in 1998 by SeniorNet (www.seniornet.com) and Charles Schwab Inc. (www.schwab.com), there are over 13 million U.S. adults over the age of 50 with Internet access, representing 16.5 percent of the total online population in the United States. This random telephone survey found that 40 percent of all U.S. adults over the age of 50 have a computer at home, up from 29 percent in 1995.

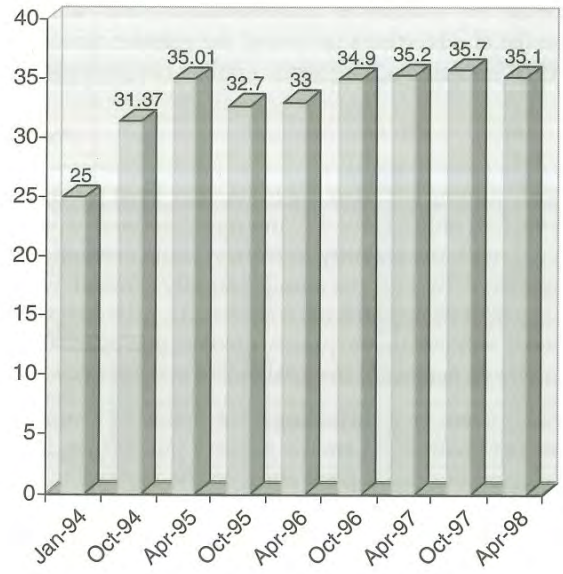


Figure 8.3 Average age of net user over time

Source: GVU's WWW User Survey (www.gvu.gatech.edu/user_surverys) Copyright 1994–98. All rights reserved.

What do seniors do online? The study found that 72 percent use e-mail, 59 percent conduct research, 53 percent access news and current affairs, 47 percent make travel arrangements, and 43 percent check the weather. And sites that cater to the senior

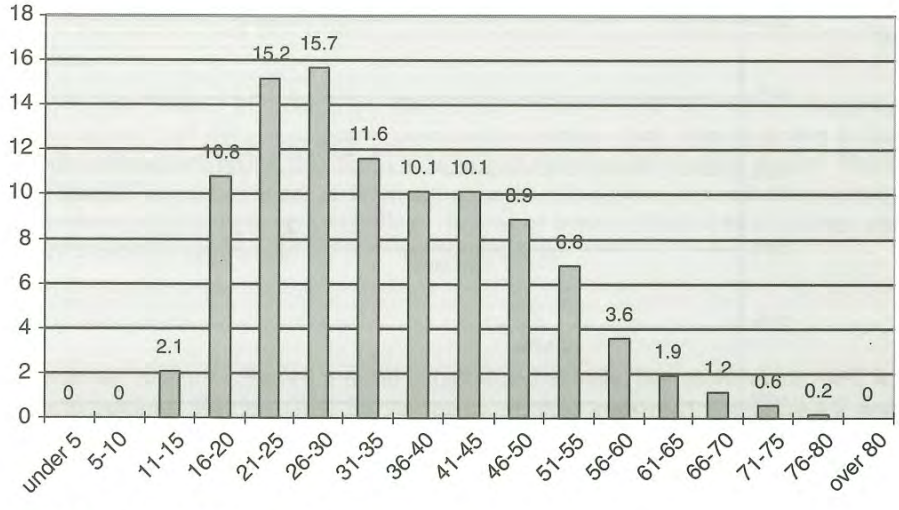


Figure 8.4 Age distribution of Internet users.

Source: GVU's WWW User Survey (www.gvu.gatech.edu/user_surverys) Copyright 1994–98. All rights reserved.

audience are growing, as are the number of advertisers using the Net to reach this audience. Just look at the list of advertisers on one of the premier senior sites, Third Age (www.thirdage.com), to see that reaching seniors online has gone mainstream.

Gender

The gender of the Internet is shifting as fast as the technology itself (see Figure 8.5). In 1994, the first GVU survey found only 5 percent of Internet users were women. By 1996 that number was 38 percent, with the majority of women using consumer online services like AOL and CompuServe. By 1998 the number rapidly climbed, with the GVU study finding that 41.2 percent of its respondents were female. All signs point to a continuing rise in the number of women online. Jupiter predicts that by 2000 the number of women online will jump to 44 percent of the total online audience (see Figure 8.6).

This proliferation of online users is contributing to a boom in e-commerce. It is believed, since female heads of household are the primary purchasing decision makers, that the increase in women has had a great effect on the increase in online sales.

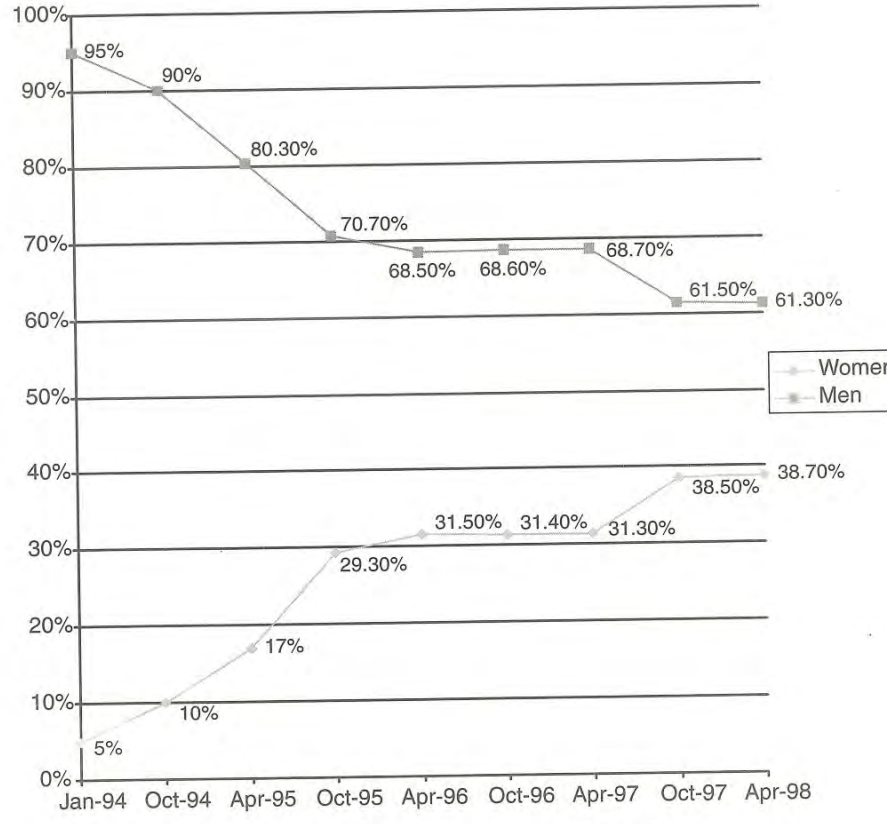


Figure 8.5 Percentage of men and women online 1994–1998.

Source: GVU's WWW User Survey (www.gvu.gatech.edu/user_surverys) Copyright 1994–98. All rights reserved.

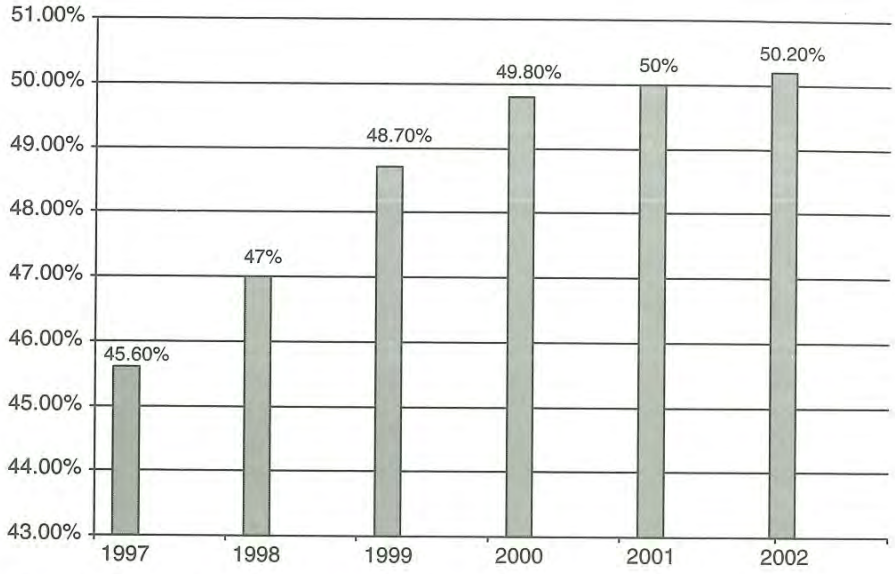


Figure 8.6 Number of women on the Internet.

A 1997 study by NetSmart Research on "What Makes Women Click" profiled the average women online as:

- 41 years old
- Household income of $63,000
- Online 6+ hours each week

The report summarizes that women go online because it is convenient, empowering, and fun.

By 1998, the number of women and their effect on the growth of Internet shopping demonstrated that there is economic power when women click. Sites that cater to the female audience are on the rise. From women.com (www.women.com), the first major site directed toward women, to Womenconnnect Online (www.womenconnect.com) for businesswomen, to the entire iVillage channel of female-oriented sites, women are a very important segment of the Net user population.

Race

Internet use has not achieved a racial balance, and it looks like such balance will be slow in coming. The 9th GVU Survey distribution is presented in Figure 8.7 and reflects that the majority of Internet users (87 percent in 1998) continue to identify themselves as "Caucasian/White." It should be noted that the GVU surveys are beginning to show that younger Internet users are more racially diverse.

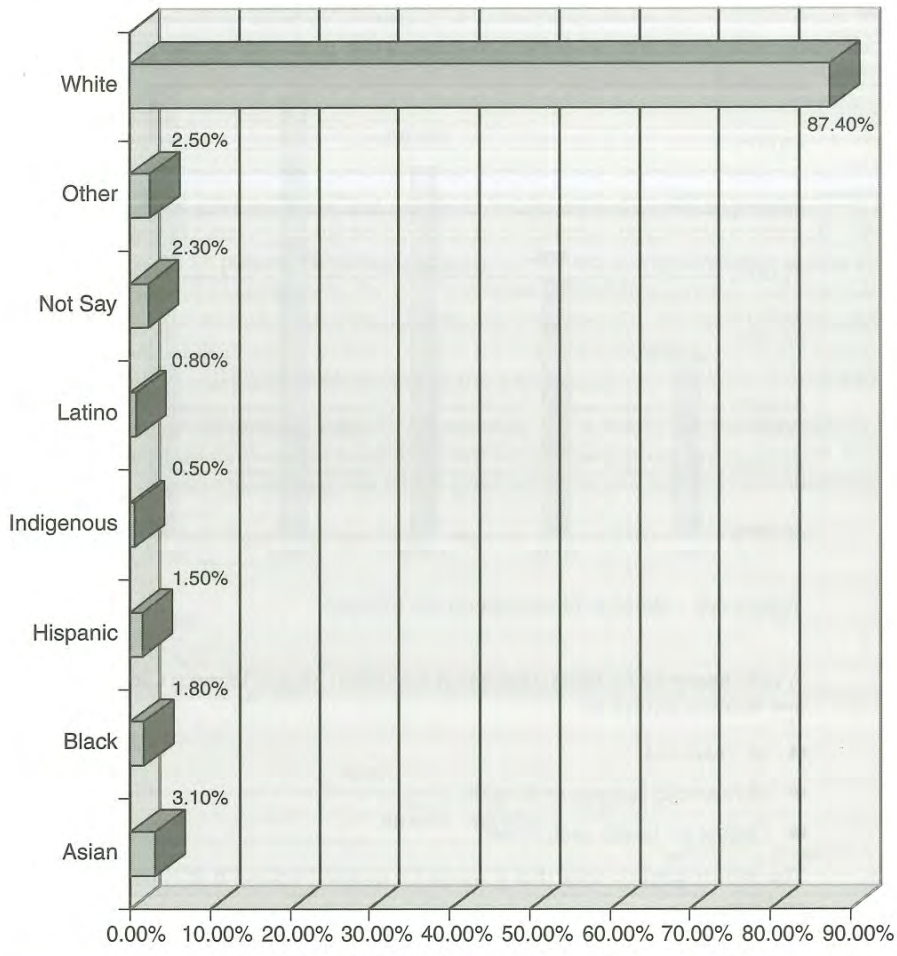


Figure 8.7 Race distribution in U.S. Internet users.

Source: GVU's WWW User Survey (www.gvu.gatech.edu/user_surverys) Copyright 1994–98. All rights reserved.

The Internet may not be racially balanced, but, as we said before, it works well to reach niche markets, no matter how large or small. Much of the issue of race comes down to the issue of accessibility and acceptance. Internet access is dependent on PC availablity. If one can't afford a computer or the monthly service charge for an ISP, then Internet access is inaccessible, making economics a part of the accessibility equation.

Equally important, the Web is becoming more accessible in terms of multicultural content. Different ethnic groups are finding content and community of interest online. There are now a host of sites and services for the African-American community, from portal type sites like NetNoir (www.netnoir.com) and Black Voices (www.blackvoices.com) to e-mail lists like Unity First (an outgrowth of the weekly newspaper

Unity First News, published in Boston), which is one of the direct e-mail news services targeting an ethnic group.

The Latino online community is also growing and producing its own sites. For example, LatinoLink (www.latinolink.com) services the Hispanic community and distinguishes itself with its bilingual approach to content and e-mail.

Asian Americans as well have a whole host of sites. For example, for Chinese-speaking Americans, there is Chinese.yahoo.com or Chinese Cyber City (www.ccchome.com).

Language

The majority of users who access the Internet are English speakers, but this is rapidly changing. Just as the age and gender of the Internet is changing, so too are the language preferences. According to the figures put together by the firm Euro Marketing (www.euromktg.com), as presented in Figure 8.8, 75 million people access the Internet in languages other than English. See Chapter 12 for an overview of the international online landscape.

Household Income

As the Internet comes to reflect more of the general population, the average household income is decreasing from the early Net days of primarily high income users to the 1998 GVU Survey results of $52,000, a slight decrease from the 8th Survey of $53,000. Figure 8.9 shows the GVU findings of average household income across gender, location, age, and Internet experience.

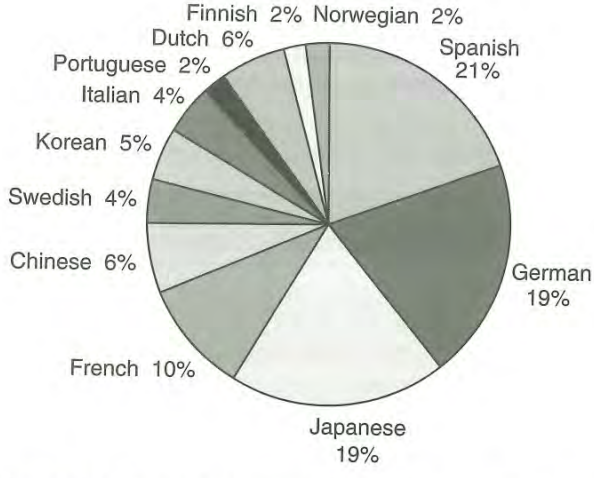


Figure 8.8 75 million people online who access the Internet in other languages.
Source: Global Reach (for latest update to this chart, go to glreach.com/globstats/).

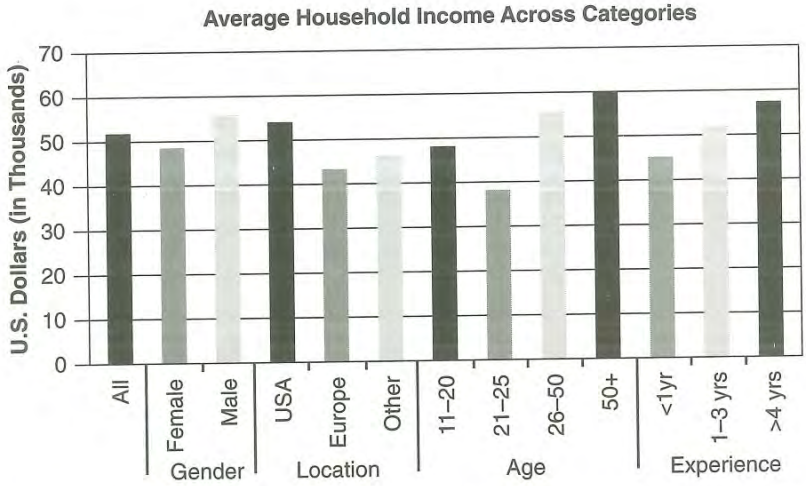


Figure 8.9 GVU findings of average household income across gender, location, age, and Internet experience.

Source: GVU's WWW User Survey (www.gvu.gatech.edu/user_surveys) Copyright 1994–98. All rights reserved.

Usage Patterns

No matter the source of the study, all agree that the usage patterns are pretty much the same: the majority of Net access occurs at home, with the primary uses of the Net for gathering information, whether news or personal. Figure 8.10 shows the primary uses of the Net, and Table 8.10 shows Internet usage patterns 1997–1998.

One doesn't need to be a scientist to realize that the larger the online user base and the more time that community spends online, the less time they are spending at other activities. In 1998, a series of studies were released investigating if online users were spending less time watching television as a result of the Net. Veronis, Suhler & Associates reported that consumer use of television in the past five years has dropped 9 per-

Table 8.10 Internet Usage Patterns 1997–1998

STATISTIC	GVU 9 (APRIL 1998)	GVU 8 (OCT. 1997)	GVU 7 (APRIL 1997)
Primary place of Web access: Home or Primarily Home	62.6	65.2	60.4
Frequency of Web Use: Daily	87.9	85.4	85.2
Hours of Web Use: >20 hrs. per week	26.4	23.7	22.2

Source: GVU Survey Results

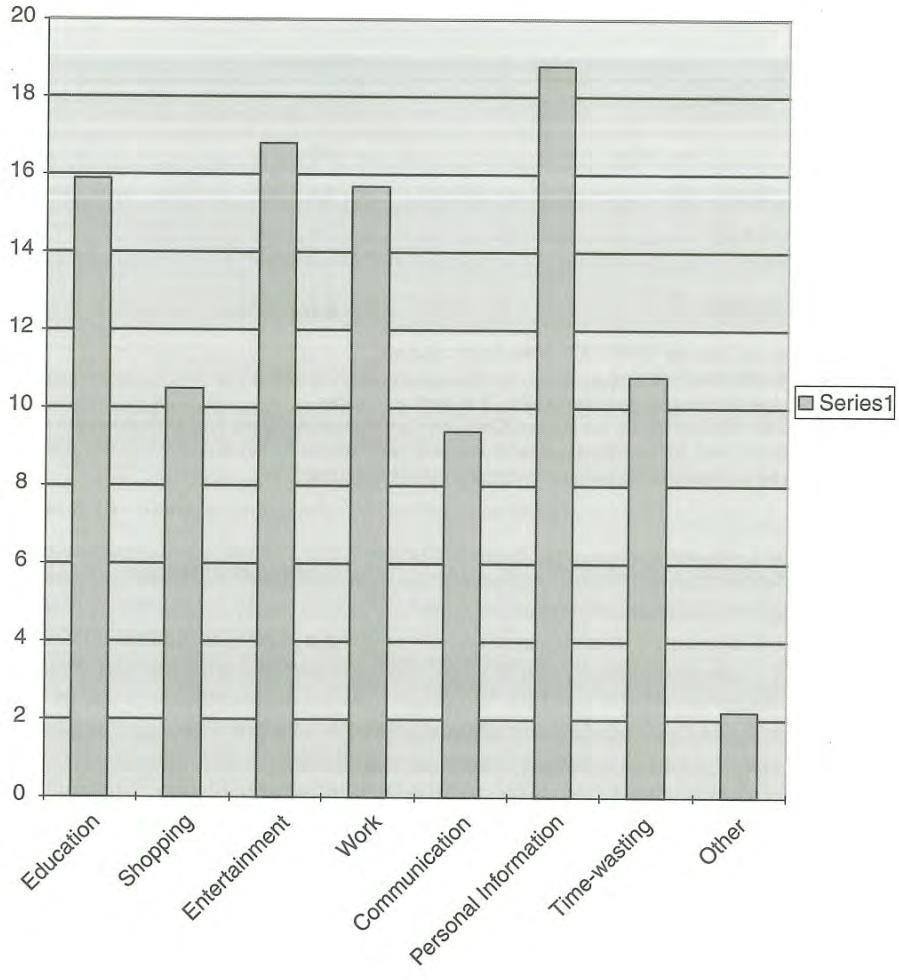


Figure 8.10 Primary uses of the Internet April 1997–April 1998.

Source: GVU's WWW User Survey(www.gvu.gatech.edu/user_surverys) Copyright 1994–98. All rights reserved.

cent, while cable TV and online services have gained 33 percent. But the one-to-one correlation between online use and the decline in TV audience is not so clear. A December 1998 Nielsen Media (www.nielsenmedia.com) study concluded that the Internet does not affect TV viewing habits. The study found that U.S. households that go online were already light TV users before they gained Net access. eMarketer (www.e-land.com/e-stat_pages/usage_net_vs.html) reviewed several studies and found that in most cases Net users actually read more magazines and newspapers than their non-Net-user counterparts. ICONOCAST put all the studies together into one table to show the variation of results (see Table 8.11).

Table 8.11 Percent of Users Who Spend Less Time Watching Television

STUDY	STUDY DATE	DECLINE
Nielsen PC Ownership Study	Jun. 1998	4%*
Nielsen/America Online	Aug. 1998	6%*
ICONOCAST	Sep. 1998	17%
Hambrecht & Quist/LinkExchange	Mar. 1998	22%
PricewaterhouseCoopers	Oct. 1998	34%
GVU9	Apr. 1998	36%**

Source: Table by ICONOCAST (www.iconocast.com)
* In primetime viewing.
** Use the Web instead of watching TV at least once a day.
So far only one survey, the Nielsen/Discovery Communications study, found television use actually rose 2% [ICONOCAST 30-Sep-98] in online households. While the media tide is unquestionably shifting, there seems to be an insatiable appetite for swimming against the current.

How do users find out about Web sites? The conventional wisdom is that search engines direct all traffic. But no one medium exists in a vacuum, and people use information gained through one source for another. A study conducted by NetSmart in July 1998 found that users learn about sites online and off (see Table 8.12). There is no better example of this than the flood of TV commercials, radio ads, direct mail, bus signs, billboards, and print ads for Web sites. Moreover, simultaneous use of the computer and TV is growing. According to a report by Media Metrix released in November 1998, 47 percent of PC Windows homes have a television set in the same room as the computer, and in most cases both are running simultaneously. This is up from 40 percent in 1997. In fact, we can say that Net users are often multimedia taskers (Table 8.13).

General Online Advertising Resources

The online advertising industry now has a whole host of sites that cater to the online advertising and marketing professional providing a variety of resources from data-

Table 8.12 How Users Learn about Sites

METHOD	PERCENT
Search engines	56%
Magazines	38%
Newspapers	36%
TV news	26%

Source: July 1998 NetSmart IV

Table 8.13 Multimedia Tasking–Juggling Other Communication Media While Online

	MEN	WOMEN
Listening to the radio	66%	62%
Watching TV	49%	47%
Talking on the phone	46%	53%
Doing household chores	22%	32%
Paying bills	24%	18%

Source: July 1998 Yankelovich Partners

bases of interactive agencies to case studies of ad campaigns. Table 8.14 includes a list of these valuable resource sites, which should be bookmarked by everyone involved in buying and selling online advertising.

Table 8.14 General Online Advertising Resource Sites

SITE	DESCRIPTION
Ad Resource (www.adresource.com)	A collection of Web advertising and promotion resources.
Channel Seven Network (www.channelseven.com)	This site is a bit of everything for Internet development, marketing, and advertising executives.
ClickZ Network (www.clickz.com)	A network of Internet advertising and marketing sites. Three of them are: ClickZ, an online advertising and marketing daily news site; Microscope (www.microscope), a weekly banner ad review site; and SearchZ (www.searchz.com), the most complete search engine of online marketing resources.
Media Central (www.mediacentral.com)	Advertising and marketing media news, but for online and traditional advertising.
Tenagra's Marketing Resources (http://marketing.tenagra.com)	A resource area with lists and links to Internet advertising and marketing books and periodicals, from the company that hosts the online ad discussion list.
University of Texas "Advertising World" (http://advweb.cocomm.utexas.edu/world/)	The self-proclaimed "most extensive collection of advertising-related links on the Web!" Includes online and offline resource information.
Web Marketing Info Center (www.wilsonweb.com/webmarket)	Wilson Internet Services resource area, with links to hundreds of articles on Web marketing.

Source: July 1998 Yankelovich Partners

Learning from Yesterday As We Look Toward Tomorrow

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The Web has evolved rapidly in the past few years. It has evolved from its nascent days as a communications tool, used mainly by scientists and researchers, to a well-developed, multidisciplined marketing tool used by marketers around the globe to reach millions of end users. It has given birth to new business models (the virtual store), a new lexicon (hits, page views). It has created new companies who have grown larger than many industrial companies in less than two years. Along the way, it has been driven by consolidation, mainstreaming, and commerce.

Consolidation

If we look at an early 1996 top 50 list of Web sites and compare them to today's, we see how dramatically the Web has changed since then and why. The 1996 ranking mostly consists of "adult content," technology-related, and university Web sites. And, while the category of adult content has maintained a steady 30 percent reach among all Web users, there are no adult sites among the top 50 today; instead, categories such as news/information and entertainment have increased their presence with a combined reach of over 80 percent. This comparison provides a clear picture of site and traffic consolidation as well as, or, perhaps, *because of,* the mainstreaming of the Web. The top 50 list today consists of many large media properties, and while many of them have grown organically—riding the general wave of Web growth—we have seen many grow through consolidation.

Mainstreaming

The second significant evolutionary characteristic we have monitored is the mainstream of user demographics. That is, in 1996 Web users were predominantly

educated, affluent men age 18 to 34. Today, however, the male/female gender break closely mirrors the U.S. demographic—for the first time ever there are more women than men online in the 18-to-34 age range. Further, with specific segments, such as shopping, women account for more traffic than their male counterparts. This mainstreaming has helped bring new/more commercial investment to the Web as marketers realized that the Web is a cost-effective way to communicate with their customers and prospects.

Commerce

Last, the Web is a commercial vehicle. It was less than five years ago that news groups and IRC rooms were full of debates about the commercialization of the Internet. Today, online ad spending is projected to grow from $1.5 billion in 1998 to $15 billion in 2003. Industry experts predict e-commerce growth will also soar over the next few years. In fact, the 1998 holiday shopping season, which exceeded even the most optimistic predictions, saw traffic at many sites selling consumer goods double and triple in the week just before Christmas.

Looking Ahead

Will we see more of the same? Will Web sites continue to grow organically or through consolidation or both? We know that analysts expect there to be more players and more industry consolidation. They also predict Web portals to be all the rage as more traditional media companies enter the fray. Looking back on the last three years, the Internet seems to have evolved very naturally toward profitable business models, and a mainstream audience, but at breakneck speed compared with other media. So, what does this rapid evolution over a relatively short time period tell us? We can't know for sure, but, someone did once say that the only true measure of future behavior is to look at past behavior.

CHAPTER 9

Buying Online Ads

Many marketers jump into online advertising without a clear plan of action. Internet ad buying entails more than merely calling Yahoo! and placing a few banner ads. An online advertising campaign, like any media campaign, requires strategic planning to ensure that money is well spent and that objectives are achieved.

As in all marketing endeavors, it is best to start with the basics. In the case of an online ad campaign, this means being able to answer the following question in the affirmative: Is the targeted market online, and if so, where online? While there may be discrepancies regarding various statistics on the Internet, no one disputes that there are many millions of online users. However, if none of these surfers fall into your target market, then an online advertising campaign makes no sense; likewise, if the target audience's online whereabouts cannot be pinpointed, an online ad campaign is probably doomed to fail. Thus, the advertiser's challenge is to discover, first, whether there is an online audience for the product or service, and, second, where online this audience congregates.

This chapter is a guided tour through the ins and outs of running an online advertising campaign. It begins by discussing the steps you need to consider before you should spend a single cent on Internet advertising, and then spells out the step-by-step process of buying and running an online ad campaign.

Determining Campaign Goals

It is impossible to develop an effective marketing campaign if you don't have objectives. Every print, broadcast, or radio campaign has clearly defined goals, and interactive campaigns are no different. The key question you need to ask yourself is, "What do I want my audience to do?" Simply getting people to click on your ad is not enough.

One of the great misconceptions about Internet advertising is that click-through rates are a measure of how well a campaign performed. A company can't gauge a campaign's success by click-throughs alone. As an advertiser, you are looking for something more. You may want to sell products, generate leads, or build brand. When we mention building brand, many marketers think that click-through is an effective measurement of brand impact. This is not true. What if 50 percent of the people who click on your ad leave your site after they get to the home page? You may have a great click-through rate, but we'd argue that 50 percent of the people who clicked may actually be getting a negative brand impact. They're clicking on an advertisement because they expect something. When they get to the jump page they don't see what they expected and may even feel deceived, so they leave. Now, we'll go through various campaign goals and various ways to measure success for each goal.

Traffic Building

Many campaigns are aimed at driving traffic. For example, Yahoo! wants people to use their Web site, so that they can sell more advertising and boast about their large number of visitors. Of course, their campaign isn't simply looking at the cost per visitor as a metric of success. Their real goal is to maximize the value of each visitor by reaching folks who will frequently return to their site. They try to accomplish these goals with advertisements that mention their customized options, free e-mail, auctions, and other features that tend to give consumers a reason to return. Yahoo! even runs advertising on its own site (called "housed ads") that entices users to try new features (like free e-mail) and to encourage visitors to return frequently (see Figure 9.1).

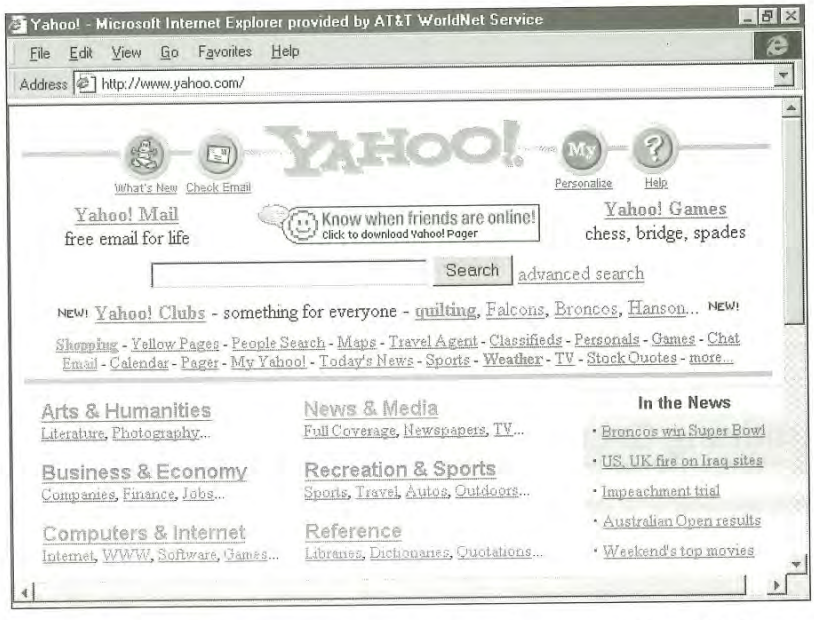


Figure 9.1 Yahoo! advertises its free e-mail service on the top left of its home page.

Preparing Your Web Site for Increased Traffic from Advertising

After you determine your goals, you still may not be ready to spend money on advertising. If you're planning to use a Web site to achieve your goals—by driving traffic to the site—prior to spending any advertising money, you need to ensure that your site is effective. Before launching a traditional campaign, advertisers test everything related to the campaign to ensure that they're using their budgets efficiently. The same process must be followed on the Web.

"I have spent many hours trying free banner exchanges, low budget promotional offers, link strategies, and yes, I even tried bulk e-mail, only to realize I hadn't spent the time to make my site appealing enough to hold anyone's interest," says Kevin Frazier, VP/ COO of Focus On U (www.focusonu.com). "This should be your primary goal. Develop your own business, cater to your customers, focus on improvements, so when you do get the results from your advertising, your business is there to support the demand. The irony is that many people believe that bigger is better, when the truth is, better will make you bigger."

Here are some ways to ensure your Web site is ready for success:

- **Analyze data in your log files. As we mentioned in Chapter 4, all activity on your Web site is recorded in your log files. You can use this data to test the wording of different buttons. If you want people to register on your site, is it more effective if you say "register" or "register free"? Log data can also tell you what pages are the most frequent exit pages—the pages from which people leave your site—so that you can find out what can be done to retain more visitors. Since you can track how changes to your Web site affect user behavior and navigation, it is important to test and implement the most effective design prior to launching the campaign. Find the design that generates the most orders, leads, and other activity, and then invest in Internet advertising.**
- **Use a focus group to see how consumers react to different implementations of your Web site.**
- **Use an expert panel to review your site. Find people in your field who are experts on the Web and ask them to review your site and provide feedback.**

Selling Products

E-commerce sites are growing quickly, and sales are one of the leading revenue sources for companies advertising on the Internet. A company selling products doesn't need as many people as possible visiting its Web site. That company needs the right traffic—consumers or businesses who will buy its products.

Businesses selling products also have the opportunity to achieve their goals without having to drive people to their Web sites. For example, Roxy Systems, a reseller of DIRECTV, doesn't always need to drive people to the Roxy Systems Web site. Sports fans are usu-

ally good prospects for DIRECTV, because DIRECTV allows them to watch any sports game that is televised. As you can see in Figure 9.2, Roxy Systems has placed its product in the CBS SportsLine store. This is the perfect way to reach sports consumers, who will probably also have a higher comfort level buying the product from a known brand like CBS SportsLine instead of lesser known technology brand like Roxy Systems.

CDnow is another example of a Web property with the goal of selling products. Figure 9.3 shows one of their banner advertisements containing an offer regarding a music sale. CDnow is focused on getting consumers interested in the sale (and purchasing music) and not just on click-through.

Generating Leads

Many direct marketers have found that it's easier to get prospects to request information online than it is to get them to order. Some consumers are fearful about giving their credit card information online or don't want to make a purchase at the time they see an advertisement or visit an e-commerce site. That has pushed many marketers to use their Web sites for lead generation. Prospects usually have the choice of requesting to receive a phone call, fax, or postal mailer with more information. Like sales, generating leads can be done through a marketer's Web site or through the site on which the marketer advertises. Often it is easier to generate leads through the advertiser's Web site, because you don't have to force consumers to leave the site if they want to request



Figure 9.2 Roxy Systems sells its satellite TV, DIRECTV, directly through CBS SportsLine by targeting the sports fanatic who wants to have access to all sports channels.



Figure 9.3 CDnow banner for "Music Lovers" promoting a discount through text right below banner.

more information. Figure 9.4 is an ad for Star Trek Universe that ran on fastWEB (www.fastweb.com). Consumers were able to request a free set of cards without leaving the fastWEB site. Figure 9.5 is an example of a lead generation banner that brings users to a form on the Star Trek Universe site.

Building Brand

Many companies are using Web advertising to build the brand recognition of their product or service, which may eventually lead to sales. To measure your brand-building efforts through banner advertising, you can conduct a focus group to determine how your banner ads affect brand recall. If your banner ads positively influence the impression customers have of your brand, you can assign a value to the number of impressions your advertisements receive. You may also decide that a good brand impact is made if someone looks at more than two pages of your Web site, and that a great brand impact is made if someone stays for more than 10 minutes on your Web site. Then you have two more measurements for success.

Building brand recognition does not require driving consumers to the advertiser's Web site. In fact, we believe that some of the most successful branding campaigns have involved advertising that integrates with the editorial and doesn't require a click. Our favorite examples of this type of advertisement are the now classic Dockers' sponsorship of HotWired's DreamJobs (see Figure 2.33), and the Maxwell House Coffee sponsorship of the crossword puzzle on NYTimes.com.

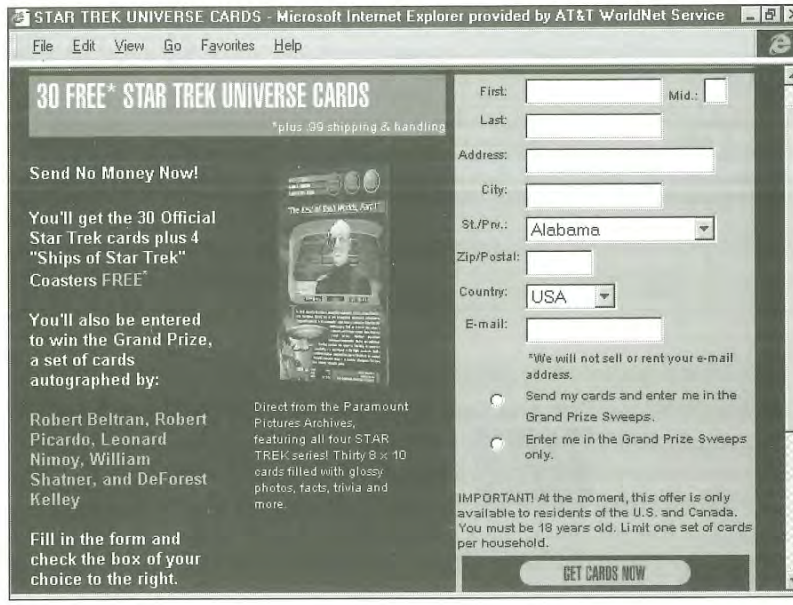


Figure 9.4 A lead generation form placed on fastWEB by Star Trek Universe.

Regardless of which goals you choose for your advertising campaign, every aspect of your campaign must be wrapped around those goals: your Web site or jump page design, measurement system, banner design, and site selection.

The Site Selection Process

There are thousands of Web sites and a variety of methods for paying for advertising on those Web sites. One of the most important factors in reaching your goals is choosing the best places to run your advertising. In this section we'll review some of the factors you should consider when choosing a Web site for your advertising.

Audience

The first and most important factor is whether or not your target audience can be reached through the Web site. The best advertising in the world won't be successful



Figure 9.5 Lead generation banner.

unless it reaches the right people. There are different tools for measuring who is using a Web site, which will be mentioned later in this chapter. We just wanted to point out that although the factors below are important in finding the best placement, they are all secondary to the audience on a site.

Reporting

A great benefit of the Internet is the flexibility to adjust campaigns to maximize performance. For example, if one banner isn't performing well, you want to be able to remove it from your campaign as soon as possible. To determine what actions will increase performance, you need frequent and timely access to advertising performance reports. We believe it is also critical to have your own method for measuring performance (determining sales and leads and other measures beyond what the clicks and impressions measured by the site). Moreover, you want to make sure that your reporting method works well with the site's system for delivering advertisements.

Ability to Quickly Rotate Creatives

The fastest ad reports in the world are ineffective if you can't make timely creative changes. Although it seems crazy, some sites require that you wait a certain number of days before they implement a creative change. Also, some sites claim they will make banner changes within one day, but it actually takes them at least a week to make the changes correctly. You'll learn which sites have these problems as you purchase advertising, and you will probably want to negotiate lower rates with these sites or avoid them altogether.

Banner Size and Placement on the Page

There are many different opportunities to buy advertising. One factor that contributes to the value of an ad placement is the size of the ad and its placement on the page. In each case, test what works best for your campaign. Here are some general guidelines to follow.

First, bigger ads tend to have a greater response rate. This may seem obvious, but sometimes in advertising stating the obvious is important.

Second, ads on the very top of the page, like in Figure 9.6, don't pull as well as those near the top. An ad at the very top can be mistaken for the top of the page instead of a clickable advertisement. Figure 9.7 is an example of an ideal placement: the ad is not the first element on the page but is near the top. Of course, all placements should be within the first fourteen inches of the screen, so that no one has to scroll to see your advertisement. Since many people don't scroll, ads below the fourteen-inch point are not usually worth purchasing. (You want your advertisement to be viewable at 640-by-480 resolution, because that is usually the lowest resolution at which someone will be viewing the Web.)

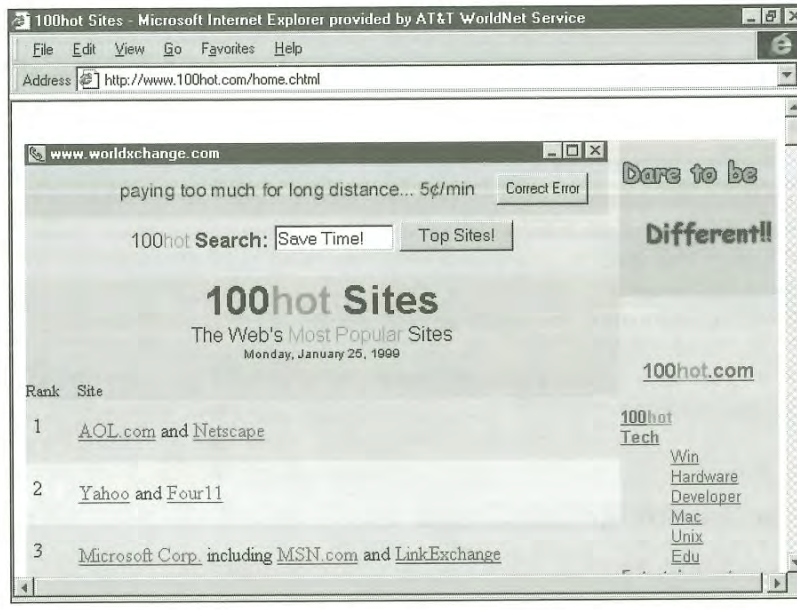


Figure 9.6 Ads placed too high on the screen that blend into the page often don't produce significant results.

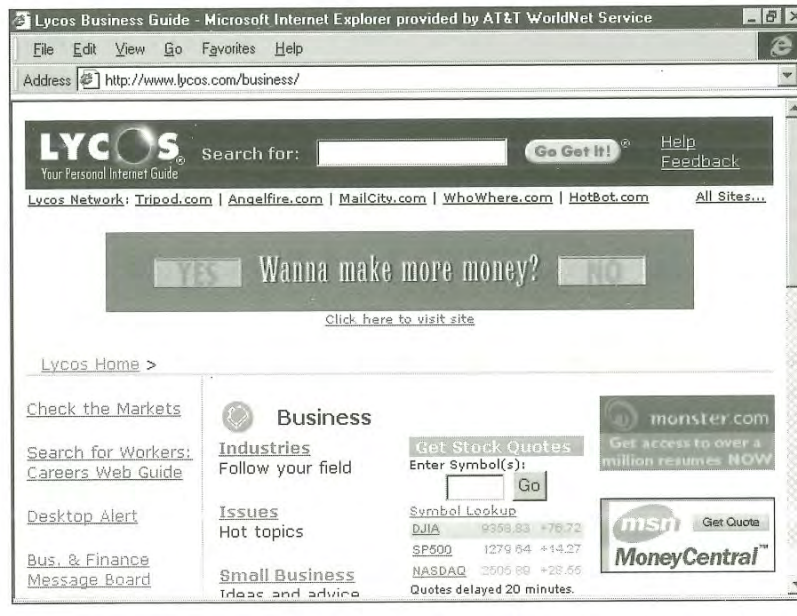


Figure 9.7 This banner ad in the top portion of the Lycos page has good eye-catching placement.

In evaluating the placement on the page, you also want to know how visually busy the page is, because that will determine whether or not your ad gets noticed. Figure 9.8 shows Infoseek Spain's layout, an ideal page for placement; the page is very simple, so the ad has a high visibility. On the other hand, Figure 9.9 shows a strategy employed by ClickZ, which has many different advertisements on the page. The high number of ads for a single page makes it difficult for one advertiser to really stand out; but for those who want to reach the niche audience of online advertisers, ClickZ is important as one of the few sites to reach this market; so, the site can place a lot of ads on the page and even charge a premium for ad space.

Amount of Ad Inventory Available for Purchase

Depending on your goals and the specific site on which you're advertising, you may want to purchase anywhere from 10 to 100 percent of a site's inventory. Someone who is a category leader will want to purchase 100 percent of certain Web site inventory. For example, Claritin is the leading prescription allergy medication. They should purchase all of the allergy keyword inventory on search engines, because they will want anyone searching for allergies to always see an ad for Claritin. There are also allergy areas of medical sites, like the Mayo Clinic's allergy area, that Claritin should "own." These are targeted areas where they will reach their best prospects—people searching for information and solutions regarding their allergies.

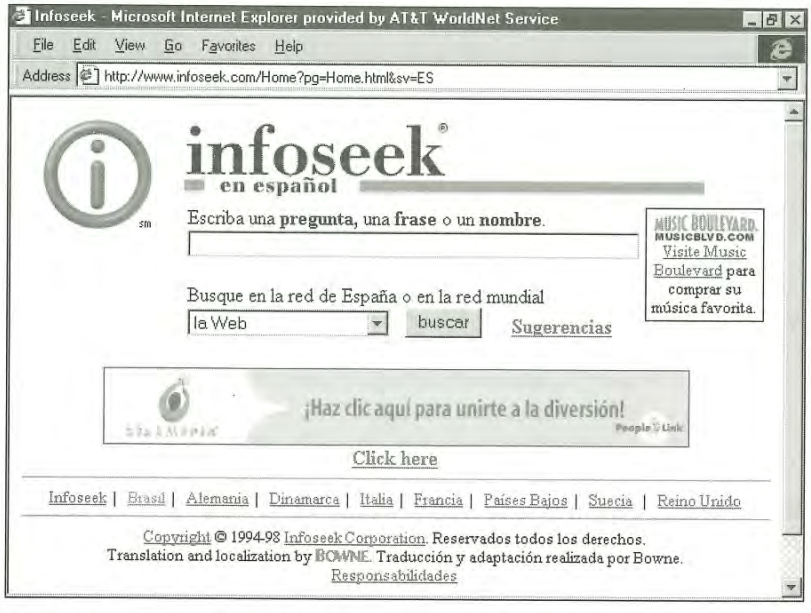


Figure 9.8 Infoseek Spain has a simple layout that helps bring attention to the ads on the page.