

Advertising on the Web, For the Web, By the Web

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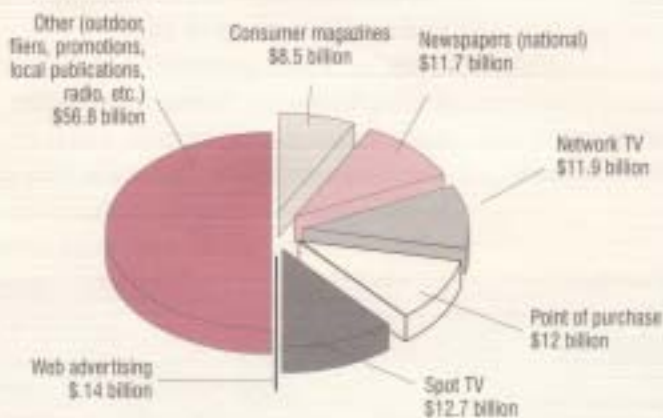
The Internet has added another advertising vehicle to the advertising media mix, and while Web advertising revenue is still small by comparison to more traditional media, as shown in the graph below, it is growing quickly. In 1994, only a small number of Web sites were selling advertising; by the end of 1995 it was possible to purchase advertising on 300 sites. That number will probably quadruple by the end of 1996.

At the current level of development on the Web, advertising usually appears as either banner advertising or environmental advertising. Banner advertising is essentially a Web billboard linked to a site and designed to attract the viewer's mouse click to the advertiser's Web site.

be integral to the design or content of the site. The viewer finds and clicks on the advertising in the process of exploring or reading the site. For instance, Warner Bros. Online has a new section under development (<http://www.tv.warnerbros.com/tvtemp/index.html>) that integrates advertising into its site so smoothly that viewers are barely aware they are even looking at it.

A version of environmental advertising can be found at *Power Quality* magazine's site (<http://www.powerquality.com>). Visitors register information about their businesses and then are shown advertising at random intervals that matches their profile. The advertising is presented as a full screen and is tagged "Webvertisement."

U.S. Advertising Dollars Spent — 1995



PointCast Network (<http://www.pointcast.com>) displays its banner ads in an interesting way — the ads are often animated and are designed to look like part of the PointCast page.

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Target Your Audience

The Web makes it possible to buy advertising that targets an audience with pinpoint accuracy and avoids much of the waste factor present in other ad buys. It is possible to buy a banner or a sponsorship to run near exactly the keyword or words that will attract the best qualified buyers to a site.

A quick swing through the Business and Economy section of Yahoo finds a banner for Quicken's Quick Tips financial newsletter, Micron Computers is at the top of *Internet Life's* home page, and Grand Marnier's site is atop the keyword "wine."

Affinity links are another way to do the same thing, and increasingly it is possible to link a home page to other sites that attract viewers of similar demographics and interests. Sometimes this is done through a simple barter of links and sometimes the link is purchased.

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Ad Pricing on the Web

The pricing model for Web advertising is still evolving. The first attempts at arriving at a realistic price structure were based on the print/broadcast model of cost per thousand (CPM). Since each Web site has the ability to measure the traffic it receives, it is possible to construct a pricing model based on these numbers. This model was originally based on raw hits, but it has rapidly evolved into a system based on visits which are defined as a combined single user page view. Pageview CPM allows at least a rudimentary comparison among Web sites and makes it possible for media buyers and advertisers to relate buying Web advertising to buying print or broadcast advertising. Currently Web CPM ranges from a low of \$20 to rates as high as \$150.

CPM pricing, however, has severe limitations when applied to the World Wide Web. For example, AOL and the other online services cache Web sites and then make them available to their subscribers. It is difficult to determine pageviews from Net surfers when only one hit is recorded at the site. The valuable targeted environment offered to the advertiser by a particular Web site has to be factored into the equation as well. Pageview counts may not accurately reflect the value of the site to a particular advertiser who is truly only interested in the click-through rate to its site.

New Solutions for New Media

Clearly, new solutions are needed for Internet advertising pricing. The Web requires a way to buy advertising that takes into account the fact that the Web is an interactive and dynamic media. The Web makes it possible to have a two-way flow of information, and a visitor to a Web site can respond in real-time to an advertisement. Further, a Web site can be

personalized for each individual visitor, making sure that only targeted information is received. These unique characteristics make Web advertising very different from print or broadcast, and a pricing structure is needed that reflects these differences. Tom Morgan of IDG has dubbed these three unique Web characteristics community, personalization, and response — CPR.

The CPR Model

There are already companies selling advertising using the CPR concept rather than the CPM model. Doubleclick.net (<http://www.doubleclick.net>) has established a system by which a banner can be displayed to a targeted Internet visitor at an affiliate site. Doubleclick.net member sites include Dilbert, HollywoodandVine (the Capital Records site), SportslineUSA, and many others. The advertiser only pays for the number of times a target clicks through on the ad. The advertiser can control the number of exposures to the ad and the timing of the ad — business hours, leisure time, etc.

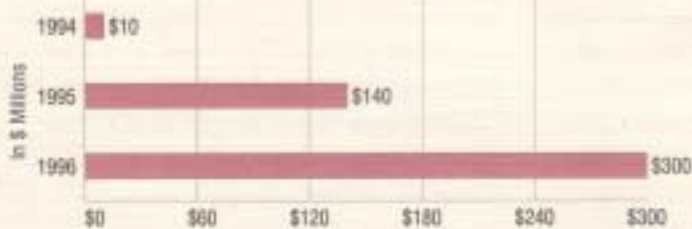
Using the environmental placement approach, an advertiser purchases URL links that are included in related articles or other types of copy and then pays a fee when someone clicks on the URL. "Gumball machine billing" was pioneered by Open Book Systems (<http://www.obs-us.com>). The advertiser is only billed for the number of hits its URL receives.

The Audit

It is also necessary to rethink the auditing systems that verify the numbers pricing is based on. Print and broadcast media are audited by outside firms such as the Audit Bureau of Circulation (ABC) and Business Publications of America (BPA). Broadcast is monitored by the Nielson rating system. Audit firms verify



Web Advertising Revenues



Magazine Publishers of America has established an Internet Advertising Measurement Task Force to work on formulating policy and has issued a preliminary set of standards.

circulation records — postal receipts, ledgers, etc. — kept by publications at least once a year. Nielsen monitors by using families who record their viewing habits. All three companies are establishing systems to monitor the Internet and ensure that the numbers being used for pricing are accurate. Magazine Publishers of America (MPA) (<http://www.magazine.org/guidelines/guidelines.html>) has established an Internet Advertising Measurement Task Force to work on formulating policy and has issued a preliminary set of standards. ABC, in conjunction with WebFacts, is beta testing a system that monitors Web sites on a continuous basis. Software resident on the server creates an independent log and then ABC compares that log to the Web site's log using auditing procedures. Reports are created on a monthly basis. BPA (<http://www.bpai.com>) is auditing member sites by verifying data created in Web logs and testing Web software to

make sure that it is recording data accurately. BPA also checks Web registration files by doing confirmation mailings.

Monitoring Results

Finally, every company purchasing advertising wants to know what the results will be — Web advertising is no different. Since the Web can provide response in realtime to an advertising program, it is important to monitor ads with tracking software. Doubleclick.net allows advertisers to test their ad for frequency and effectiveness and then set the optimum number of exposures. Advertisers are given reports that show click-over in great detail. The system used by *Power Quality* magazine keeps track of how many times the advertiser is shown an ad and makes sure that the ads are not duplicated until the visitor has seen all the ads targeted to their profile.

Points to Consider

- Web advertising has different characteristics than either print or broadcast advertising.
- Pricing, auditing, and measurement methods are still evolving to handle this new media.
- The relationship between companies, their customers, and their prospects is being totally reshaped as this new advertising medium becomes ubiquitous. ■