

# ONLINE ADVERTISING

Where the real money is made online. By a few. For now.

*Right now, the fastest evolutions online are being made in this arena, driven by an urgency to avoid a collapse of industries that have relied on advertising to survive. And for the top players, BIG money is at stake*

This chapter introduces the increasingly complex world of **internet advertising**.

To really understand this space, you'll need to draw on what you've learned in previous chapters on SEO, Internet fundamentals, analytics and social media to put it into context and know your tools.

We'll see why it refuses to be tamed by applying the traditional structures of advertising to it. From quickly spawning types of banners to mobile social games and how

audiences are responding to ads on different social platforms. We'll explain the three-letter acronyms that pervade the ways to pay for ads online along the way.

Reference your glossary (at chapter's end) if you encounter terms that need more explanation.

Who is winning currently and why does **context** trump content? And of course, upcoming trends.

**Finding a way for ads to work for all online is critical now.** Let's begin >>

In keeping with this rapidly shifting industry your chapter has been subject to changes to format to accommodate standard banners and content.

## THE AUDIENCE IS IN CONTROL HERE

- ☛ All forms of media are under **customer assault**, making ads are less effective & tuned out technically & mentally.
- ☛ The Internet is not a single medium or channel, its different platforms each require particular thinking, language and analysis.
- ☛ Digital impacts and changes all other media.


## INTERRUPTION INTERRUPTED

The greatest change as the Internet opened for advertising was that it could be separated from time and geography. Careful strategies formed around interrupting a captive audience's experience were faltering because online, the audience had control, from the beginning.

**Interacting rather than distracting** is a change that many advertisers haven't fully realised yet. Interruption through increasingly sneaky technology tricks seems to yield shorter and shorter periods of efficacy in this space, quickly leads to bad will and the adoption of technology to **block ads that devour bandwidth without adding value or are just really annoying**.

However the advantages are plentiful and not found elsewhere, like the instant publishing to a global or targeted audience, wealth of metrics at rich interactive platforms, unprecedented contact with customers and their direct reviews.

The urgency to get the balance of serving commercial ends without destroying brands and content quality online is at a tipping point.

 this pop-up ad blocked by user

180 x 150 rectangle



Something evidently *isn't* working because the Internet is taking ever more of our attention-share, yet advertisers aren't spending even *nearly* proportional amounts online. **WHY?**

**BAD DESIGN** - banners jostling for our attention all over the screen clutter and use up our bandwidth. Wedging headline, message and action into a small block just isn't doing the job for most brands.

**BAD BUYING** media buyers haven't got the hang of intelligent ad-purchases online and it's often the job of someone with a spreadsheet of cheap banner-rates, and brands only offering test budgets because of this inefficiency. Ad exchanges in agencies, may change all of this with real-time trading desks being applied to bulk online spend, treating this arena like a financial market

**BAD ASSUMPTIONS** we **act differently online** and without paying close attention to feedback, many have taken what they know of advertising and consumer behaviour in the traditional mediascape and ham-handedly applied it online. where brand damage can be amplified and in realtime.

you'll spot these blacked-edge boxes through your chapter. Each of these is the exact recommended banner size from the IAB (Interactive Advertising Bureau) Universal Ad Unit Guidelines circa 2010.

# CLASSIFICATION

## TYPES OF ONLINE ADS

**BANNERS** blocks of varying sizes embedded into web-pages that used to be solely graphics with a hyperlink to the advertiser's destination. Now banners can come in full rich-media, streaming video/sound. Most are distributed by ad-servers (see below), mostly charged either by click or impression

**TEXT-BASED** to combat 'banner blindness' text-based ads within the body of the content - related to the content (contextual) can be set up with a program like AdSense (see below) or manually added by the publisher of the site.

**ADVERTORIAL** paid reviews still happen online particularly through the blogosphere.

**AFFILIATE** formal revenue-sharing or commission based ads - where the publisher chooses banner, review or text links. Advertisers create or use an established affiliate network to serve ads and handle the cost-per-action or cost-per-click payment

**SPONSORSHIP** "this (content) brought to you by x" brands paying for specific valuable pieces of content/video/research or ongoing conferences/sites.

**CLASSIFIED** micro-advertising through mostly text-based classified platforms free or on a pay-per-placement basis

**PAID-SEARCH** (in depth on the next page)

# CONTEXT MATTERS

## CONTEXT AFFECTS THE WAY WE VIEW IT

Online advertising is going through rapid evolutions and like nature's operating system we see that **different kinds of ads work or are tolerated within different environments**. Then specialise accordingly.

For example: pre-roll ads (advert snippet before a video) on short videos irritate and impede its share-ability, but on longer videos they're tolerated and sometimes even valued. Ads on maps via mobile apps, augmented reality layers or geotagged GoogleMaps have superb value for local business. Games are offering a whole new context to experiment in.

Testing and feedback (check back to your Analytics chapter) will help guide what's working to convert & gather the right audiences.

**AMBUSH** or **ATTACK ADS** like pop-ups, pop-unders, autorun video windows, sms spam, even floating ads are tolerated by some but are more likely to annoy your audience to the point that there's a bad association with the brand or worse that they implement ad-blockers and shut down ads completely.

**The lesson is try, test, tweak, try again.** New environments are opening all the time. The most adaptive always win, whether in nature or online.

**EMAIL** though email spam is a menace, 'opt-in' e-mail delivers some of the best results for online advertising along with contextual advertising. Double opt-in (confirmed subscription) email newsletters with targeted subscribers can offer 5-10% CTR, even higher in some cases.

**BANNERS BACK IN TIME:** The first clickable web banner ad appeared on the Global Network Navigator site for a now defunct firm of attorneys in 1993, though the most famous came in a year later in October 1994 on HotWired online magazine (who coined the term 'banner ad' for AT&T, with the prophetic text: "Have you ever clicked your mouse right HERE? YOU WILL!"



Despite the known ability to track how many people clicked on the ad back then, the conversion for sale was cost-per-impression CPI or "eyeballs". It also made it easier for media buyers to translate the model from traditional media here, where high site traffic meant high-priced banner ads. Google shifted the market with the contextual-adaptive AdWords service, using keyword filtering programs introduced initially by Overture. With keywords and paid search, ad targeting began in earnest.

**HOW BANNERS WORK:** in most cases banner ads appear on a page because there is a trigger code in that webpage that 'calls' an ad from an ad server (see below) to an allocated place on the page. Publishers do craft and insert their own ads that they host, but ad networks with centralised ad servers delivering context-appropriate ads according to the number of ads bought and frequency tend to be the norm.

'Impressions' are counted from how many times that page with the ad has been seen on the viewer's browser.

'Click-throughs' are counted when the viewer clicks on the ad and is directed to the advertiser's site. The more relevant the ad the higher the clickthrough, but as you'll see in the stats later, clickthrough rate or CTR isn't a perfect measure because few people actually click, but may search for the advertiser's site later because the branding message works but the timing wasn't right.

Cookies can track a delayed response after the ad has been seen and if viewer becomes customer for a few days, but many people delete their cookie cache for privacy, so that too isn't a foolproof tracking method.

### AdWords

The online advertising program offered by Google. The ads appear in the Google search engine results as "Sponsored Links". They are charged for on PPC (pay-per-click) basis.

### Ad Networks

A company brokering between site publishers and advertisers. Some offer targeted buys. The majority of banner advertisements on the Internet are sold and served by ad networks.

### Ad Servers

A computer server for advertisers to upload, storage and customisable delivery to websites. It also tracks clicks, traffic and cookies for payment and analytics. Some target ads to

specific audiences.

### AdSense

Google's contextual ad service between content sites and web advertisers. Advertisers can be by CPM (impressions) or CPC (cost-per-click). Essentially works as Google's content



# PAY-PER-CLICK

## TECHNICAL FOCUS



The reason AdWords remains a favourite is partly that being delivered in direct search on the world's most used search engine yields higher and more relevant click-through (CTR) but also that **it needs very little in the way of technical focus.**

It's like following a recipe with keywords as the special ingredient:

1. Find your **keywords**. Use a keyword tool to find words/ phrases best associated to your offering.
2. Sign up for AdWords and set up an ad, putting in your selected keywords and the **maximum amount you want to pay** per click. (you only pay when someone clicks your ad.
3. You can also **set the budget for your campaign** - daily, monthly or none. Once budget is reached the campaign is paused.
4. Check for **feedback on Google Analytics** and tweak your keywords to optimise your ad.

**It's easy to setup, built to be trackable and has good CTR.** So far so very good.

**Overwhelmed with choice, most people choose the crowd favourite.**  
[Recall the Attention Economy].

For online advertising the default choice is **outsourcing to Google** <http://google.com/ads>

Tracking various statistics since 2008 **Google is estimated to control close to 69% of all online advertising.**

The downside of PPC advertising is **clickfraud**, Either by unethical website owners (remember it's pay *to the publisher* per click) or by someone out to dry up a competitor's ad budget. Each of the three major search engines (Google, Yahoo!, Bing) has its own PPC advertising platform, namely AdWords, Yahoo! Search Marketing and adCenter, and each takes clickfraud very seriously and offers solutions for combatting it, and recompense.

## OTHER WAYS TO PAY

### BY WAY OF THREE LETTER ACRONYMS

The world of online advertising is cluttered with CPM, CPV, CPV, CPE, PPC, CPC, CTR and so forth that indicate the contractual agreement between advertiser and publisher. [Your glossary has the definitions, keep it handy for media planning]. Or between advertiser, (a whole string of intermediaries each taking a slice of the value-chain) and publisher.

The big 3 most used are CPC cost-per-click, CPM cost-per-mille & CPA cost-per-action. Used for display, email, nasty attack ads, map ads you name it, you WILL see these if you're buying ads online.

One of the highest value ROI, but rare ways of paying is sponsorship. It's kept rare due to the effort of negotiation with the publisher rather than using an ad-service. Good association (and credibility) can make it a good (if oldskool) option for brand ads.

## TARGETING vs. your PRIVACY



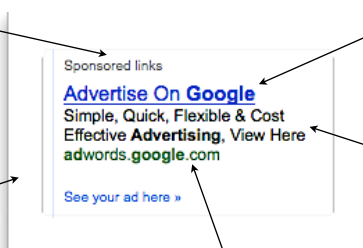
Thanks to cookies (recall your Internet chapter) advertisers can follow our clicktrail and slice & dice our data to serve up ads targeted at us by what we've searched for, where we live, our social sharing, our emails! and increasingly our matched realworld data. **Buying media or buying a made-to-order audience?**

Ad targeting methods by age:  
**DEMOGRAPHIC** where we (innocently) began  
**CONTEXTUAL** the keywords used in search (or in your email if you use Gmail for example)  
**BEHAVIOURAL** aka the "ads that stalk you" our online trail is trackable with cookies. Patterns emerge to determine ads served. Peeks into our social graph get even richer yields of useful data.  
**GEOTARGETING** more of us are happy to share *exactly* where we are with mobile apps. IP addresses were the fuzzy version of this new crisp localised focus.  
**ONLINE + REALWORLD** collaborations between online data networks, and entrusted holders of sensitive identifiable data like credit history, car, address, health status..  
*Here be dragons.*

No tricky advertorial - it's made clear that these are paid-for listings. Heat maps show less activity and lower credibility for paid results, but money can buy the chance to be seen, faster than SEO could deliver.

Compelling headline. Offer a simple solution relevant to the search query keywords to stand out.

Paid links on the right side of the search page. Organic search results in the main body of the Search Engine Result Page (SERP).



2 lines of text. Relevant, interesting and action-orientated - all in 2 lines! No pressure.

the hyperlink to your chosen page. This link can have tracking added for your feedback analytics but can still be a vanity URL for the campaign



# 10 TRENDS

## SHAPING THE FUTURE NOW

Look out for innovation as **brand advertisers** start moving greater slices of their marketing budget online. And demand better working conditions. These areas are in for a shake up:

1. Ad formats and creative are not innovating with the medium.
2. We are awash in undifferentiated, low-cost inventory.
3. Metrics, metrics everywhere... but not the ones that brand marketers really need.
4. Media companies lack ideas, strategic expertise and engage too late in the planning process.
5. Marketers want cross-platform campaigns; instead they get a model rooted in platform-specific silos.

- Building Brands Online: An Interactive Advertising Action Plan - IAB and Bain report 2009

**1 LOCALISATION** evolutions like advanced mapping, geotagging and reviews, geo-targeted search or mobile place-sharing apps, contextual advertising can now serve very specific local areas.

**2 MONEY ON THE LONG TAIL** “hyper-niching” - focussing on micro-communities with very specific targetable needs, has been born of the search for lower-cost keywords that get better CTR and conversions on contextual PPC ads.

**3 SOCIAL MEDIA PLATFORMS COMMERCIALISE** popular (free) social networks are experimenting with more interesting ways to tap into the very valuable social graph to pay for their services without charging users or experience-draining ads.

**4 SMART PHONE APPS** are changing mobile advertising as is more accurate mobile measurement. Games, tools, mapping, augmented reality + more developed by brands are rewarded with goodwill and opt-in personal engagement.

**5 DATA DARLINGS** are quietly overtaking creatives in the online ad services. Big agencies are buying up, skilling up and taking search, targeting and analytics very seriously.

**6 ADVERTISERS GOING DIRECT** brands are finding that social media is best done inhouse for authenticity, and even better that they can build relationships (and do sales, research and feedback) with their customers directly.

**7 ADS ON THE DARK SIDE** bigger, more intrusive ads showing either desperation or disregard for data, from brands that should know better, yielding at best short-term wins and definitely more ad-blockers and ill-will word-of-mouth by offended users. Truly evil ads spawn in ad networks can do harm to sites that deploy them or act as spyware. Beware.

**8 MULTICHANNEL CAMPAIGNS** transmedia storytelling and recognising the easy flow of online to offline realities will see more of the kind of integrated campaigns that drew delight at Cannes this year.

**9 DEMAND-SIDE PLATFORMS** the freshest offering from online ad-services enables aggregation of data, reporting and personalisation from ad networks and exchanges into a “trading desk” for realtime bidding on available ad spots online for more efficient media planning and buying. It becomes another link in the value-chain of those getting their slice between advertiser and publisher, but very desirable for agencies to take in-house.



**10 VIDEO** nothing short of complete broadband collapse will hold video from getting in on the advertising act now. Pre-rolls, placements and more to come!

These are very interesting times in the online advertising world. Expect turf wars across sectors not just regular competitors, experimentation, and many new services emerging, being bought up or failing. Publishers have to find a way of increasing ad income, ad agencies have to show they add value and advertisers have to ensure they have strong ROI on their spend - they aren't happy anymore with just eyeballs and hits. Expect the future of advertising to get even more experimental, data-driven & complex.

## THE BIG 3 ESSENTIAL IDEAS

*(the least you'll need to know)*

**Idea #1** there isn't another medium that has better metrics to **track advertising actions than the Internet**, but there is still a huge disparity between its popularity and ad-spend

**Idea #2** audience, *not* advertiser, has **control over the experience** and annoying ads that suck up bandwidth, slow down pages, demand attention can be blocked.

**Idea #3** context matters. People are willing to tolerate, engage with and even value ads (*and give up some privacy*) where the reward is matched to their needs

## REFERENCE WORKS

### & RECOMMENDED RESEARCH LINKS

#### Trends

Top 5 Advertising Trends. Nielsen Wire <http://blog.nielsen.com/nielsenwire/consumer/talking-back-top-five-advertising-trends>  
IAB Bain Report (2009) Building Brands. [http://www.iab.net/media/file/IAB\\_Bain\\_Building\\_Brands\\_Summary.pdf](http://www.iab.net/media/file/IAB_Bain_Building_Brands_Summary.pdf)

#### Recommended reference and readings:

IAB Guidelines for Advertising Online [http://www.iab.net/iab\\_products\\_and\\_industry\\_services/508676](http://www.iab.net/iab_products_and_industry_services/508676)  
Advertising for with and Around Advertising. K. McGrane. [presentation] (2010) <http://www.slideshare.net/KMcGrane/designing-for-with-and-around-advertising>  
How I learned to stop worrying and love the pre-roll ad. (accessed August 2010) <http://newteevee.com/2010/02/18/how-i-learned-to-stop-worrying-and-love-the-pre-roll-ad/>

#### Statistics

Ad Industry Metrics. ClickZ report (2010) <http://www.clickz.com/type/stats/category/ad-industry-metrics>  
Internet the UK's Biggest Advertising Sector. The Guardian (sept 2009) <http://www.guardian.co.uk/media/2009/sep/30/internet-biggest-uk-advertising-sector> referencing PriceWaterhouseCoopers annual report Digital Year in Review. (2009). [PDF] [http://comscore.com/Press\\_Events/Presentations\\_Whitepapers/2010/The\\_2009\\_U.S.\\_Digital\\_Year\\_in\\_Review](http://comscore.com/Press_Events/Presentations_Whitepapers/2010/The_2009_U.S._Digital_Year_in_Review)

**84% picture:** Will-Lion on Flickr. <http://www.flickr.com/photos/will-lion> Shared under Creative Commons

## THE FLIP-SIDE

### *Ads gone bad*

For users: it's still those **pop-ups**, **pop-unders**, annoying **bouncy animations**, **unsolicited sound** or video that haunts us when we have 73 tabs open. Newer orders of pestilence include **pre-roll ads on short videos**, and **screen-takeovers** whose bad-will high clickthrough is from hurriedly trying to get rid of the damn ad. We know that we **need ads to keep content free**. It's part of the online ecology. But ads that force the user away from their intended task enter the cross-hairs of bugged users, who then bring on heavy-handed pesticide by way of ad-blockers. So they see no display ads.

No ads mean quality content (expensive to produce/maintain) either has to find a new business model for support - like paywalls - or dies off. Thereby limiting the good stuff on the Web, opening economic and cultural disparities. So advertisers, do your bit for humanity: make **value-adding ads** that don't ruin our joy & keep the Internet free. please. and quickly.

The future of ads online? We've developed banner blindness, use plug-ins to blocked attack ads, loud ads, Flash ads. Disallow cookies so that tracking is impeded and our privacy more protected. The task of advertising is **not to find trickier ways to assault attention** or fine-slice our personal data. Keep the Web free, and (even more) awesome.

This work is licensed under CCAttribution.NonCommercial. ShareAlike License



The **curse of the Internet** as "the most measurable medium" is perpetuated by continued industry reliance on "the click" as a relevant measure of display advertising efficacy. **The industry simply needs to get off this click crack** in order to earn a rightful place in marketers' budgets and mindsets.

## STATS & SOUNDBITE SOCIAL CURRENCY

- ☛ The UK has become the first major economy where advertisers spend more on internet advertising than on television advertising, 2009. Denmark was the 1st globally
- ☛ We're spending 29% of our time on the web, but advertisers are only putting 8% of their ad spend on the web. Meanwhile, newspapers only get 8% of our attention but 20% of the ad dollars.
- ☛ 20% of online media spend includes forms of ad targeting. With larger agencies buying up data-tracking services expect growth here.
- ☛ Only 16% of internet users account for all clicks on display ads - down from 32% 2 years ago 8% of users account for 85% of all clicks (ComScore 2009 report: Natural Born Clickers)
- ☛ Advertisers in 2009 paid a record \$14.2 billion for clicks to online ads, research firm IDC says. Google took in 55% of that ad revenue, Yahoo, 9%, Microsoft, 6%.
- ☛ 17% to 29% of clicks to online ads were fraudulent
- ☛ Approx. 4 500 000 000 000 (ie. 4.5 trillion) ads were served in 2009. It averages out at 2000 ads per person per month.



## BUZZWORD COMPLIANCE GLOSSARY

### Online Social Media

**Acquisition Cost** cost to the advertiser to gain a new customer.

**Adspace** the space on a Web page available for advertisements.

**Ad server** a computer, normally operated by a third party, that delivers and tracks advertisements independent of the web site where the ad is being displayed.

**Ad Network** a network representing many Web sites in selling advertising, allowing advertising buyers to reach broad audiences relatively easily through run-of-category and run-of-network buys.

**Ad Exchange** online platform for buying and selling online ad impressions more transparently than traditional PPC bidding. The online media version of the stock exchange where inventory can be bought and sold easily and free of additional middleman fees for publishers.

**Banner** a graphical web advertising unit: typically measuring 468 pixels wide and 60 pixels tall

**Banner Exchange** a service that provides free banner impressions to those willing to place free banners on their sites.

**Banner blindness** The tendency of web visitors to ignore banner ads, even when banners contain information visitors are actively seeking.

**Behavioural Targeting** ad strategy that uses information collected on an individual's web-browsing behavior, the pages they have visited or the searches they have made, to select which ads to display to that individual.

**Contextual Advertising** ads specifically targeted to reflect the content of the website.

**CTR** - Click through Rate The percentage of people who see an advertisement and click on in through to the web site The percentage of impressions that resulted in a visitor. Calculated by dividing the number of clicks by the number of impressions. Also note: the CTR measures what percentage of people clicked on the ad to arrive at the destination site; it doesn't include the people who failed to click then, yet arrived at the site later as a result of seeing the ad.

**Click Tracking** Counting clicks on links via a redirected counter program that counts the clicks.

**Cookie** a little piece of identifying code downloaded to a users machine to recognise repeat visitors or track their online activity

**CPA** - Cost per Acquisition is one of the online payment methods by which advertisers pay for every sale or acquired client.

aka.**CPA** - Cost per Action Cost to an advertiser for each visitor that takes a specific action in response to an ad, such as subscribing, requesting a free trial, or making a purchase. When getting paid for actions, the site assumes the risk of low-converting offers by the advertiser.

**CPC** - Cost per Click where PPC indicates payment based on click-throughs, CPC indicates measurement of cost on a per-click basis for contracts not based on click-throughs.

**CPC bid** The amount of money you're willing to pay for a keyword ad

**CPE** - Cost per Engagement same as cost-per-action

**CPM** - Cost per Mille (as in a thousand Roman-style, not distance) or cost-per-thousand impressions. The amount you'll pay for every 1,000 impressions. Paying per impression, the advertiser risks low-quality traffic generated by the site.

**Flat Rate** buying ads on the site for specific period of time as you would with traditional magazine booking. This method is mostly used for sponsoring or partnership campaigns and particularly good for niche markets

**Floater** An ad appearing to "float" over the top of the page, on top of the page's normal content.

**Frequency Capping** restricting the amount of times a specific visitor is shown a particular ad

**Geo-Targeting** ads distributed based on geographic location

**Impressions** the number of times a banner or text ad was requested from the ad server, and theoretically seen by users.

**Interstitial Ad** (intrusive) ad that loads between 2 web pages without having been requested by the visitor.

**Keyword** A word or phrase that your targeted audience is likely to search for.

**Landing Page** the page on a web site where one is taken after clicking on an ad.

**Long tail** longer more specific search queries, rather than shorter broad queries. With increasing online sophistication, a larger percentage of all searches are long tail searches.

**Organic search** listings on SERPs that aren't paid for. The listings for which search engines do not sell space (main body of Google search results vs. paid-for right side)

**PFI** Pay for Inclusion. Used by various search engines that guarantees that your site will be listed in a search engine database. Google is a notable exception that does not 'offer' such a service.

**Polite ad** the method by which larger ads are downloaded in smaller bits to minimize the disruption of the site's content

**Popup** an ad that displays, uninvited, in a new browser window. Be aware that above-average click-throughs on popups are mostly unintentional because the popup gets in the way of the browsing experience. Not loved.

**Popunder** a popup that loads under the active browser window and you find it lurking there once you've closed that window.

**PPC** Pay per Click the online ad payment model where payment is based solely on qualifying click-throughs. Sometimes seen as a good middle ground between per-impression and per-action.

**Quality Score** Google's basis for determining the minimum bids for keywords, based on relevancy clickthroughs and historical data. What you pay and where you place is determined by this score.

**Remnant** space that remains unsold on a site just before a page is published, often sold at last minute for deep discount through an ad network or exchange.

**SEM** search engine marketing - The combination of SEO with paid search marketing through PPC, paid inclusion or paid appearance

**Skyscraper** ad significantly taller than the 120x240 vertical banner.

**SERP** - Search Engine Results Page that page of results you see after you run your query on a search engine

**Trick banner** A banner ad that looks like a dialog box with buttons. It simulates an error message or an alert.

**Wallpaper** an ad embedded into the background of a site, static and not clickable