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Advertising Online
Engaging Consumers with Web 2.0

The advertising landscape has changed dramatically in recent years, and nowhere is this more visible than online. When the Web was linked with Netscape, the first commercial Internet browser, its adoption as a communication channel was fast and furious (at least as adoption of new forms of media goes), and now about thirteen years later, the result is approximately 70% penetration in the United States. The penetration worldwide looks bleak in comparison at 17%, according to the statistics provided at Internet World Stats, but the figure belies intense penetration in some countries and regions with sparse reach in more developing areas.[1] Further, if one considers the Triad, the major trading areas of the globe, encompassing the European Union, Japan, and North America, the figures are quite consistent with the United States' 70% penetration level.

While the Internet's consumer reach does not yet compete with that of television (which has hovered at about 98% for decades) as a truly general population medium, its coverage well blankets all but the oldest of generational segments and reaches even the elderly in affluent markets. The advertising industry has long sought to go where consumers go. Indeed, the industry has followed consumers online, even developing new forms of advertising to relate to consumers in their virtual reality. In fact, the very philosophy of advertising has changed, not

wholly but in large part, as a result of the opportunities created online. Let's look at this shift.

◼ Changes in the Roles and Meaning of Advertising

Advertising is a staple of the promotional mixes used by brands to reach members of their target audiences (both for business-to-consumer products and for business-to-business products). Organizations rely upon strategically developed marketing mixes to ensure a strong value proposition for customers, meaning that the organization can offer a product the customer wants, at a price the customer perceives as reasonable, delivered at the right place and the right time. The promotional arm of the marketing mix is tasked with ensuring customers understand the brand's value proposition, recall the brand at the point-of-purchase, prefer the brand to competing brands (due to a perceived advantage, likability, image congruence, or a host of other persuasive factors), and know why they should buy the brand, where they can buy it, and what they can expect to pay. To accomplish these tasks, components of a brand's promotion mix, of which advertising may be a part, communicate brand messages to the prospects in the target audience. This is, of course, a simplistic description of marketing and the role of promotion, but it serves to set the stage for the changed environment in which advertising now operates.

Advertising is commonly defined as paid, one-way promotional communication in any mass media. The American Marketing Association defines advertising as ''the placement of announcements and persuasive messages in time or space purchased in any of the mass media by business firms, nonprofit organizations, government agencies, and individuals who seek to inform and/or persuade members of a particular target market or audience about their products, services, organizations, or ideas.''[2] Advertising remains a primary component of a brand's promotional mix, used to inform and/or persuade target audiences about products. However, advertising, when conceived for an online environment and given contextual differences in its capabilities, functions, and the medium's nuances, requires a new paradigm.

The first flaw in the current advertising model is tied to the ''mass media'' component of the definition. The traditional forms of media, those that qualify under the umbrella of mass media, include television, magazines, newspaper, outdoor, and radio. The Internet is composed of an infinite number of niche sites and a relatively small number of sites such as Google and Yahoo! with truly mass reach. Advertising online might mean one-to-one advertising through permission-based, targeted

e-mail messages, or it might mean mass coverage using a display ad on a behemoth search engine like Google. When defining advertising for online media, the size of the audience should not be used as a defining factor of advertising.

Even the varying forms of advertising change in a virtual environment. While mass media focuses on print and broadcast media, online advertising includes, among others, direct response tactics like permission e-mail and interactive, on-page rich media; targeted tactics like key-word or behaviorally targeted search engine advertising; and brand-building tactics that build upon social-media marketing.

Second, the current definition of advertising states that advertising must be paid communications. Certainly, that is the model by which advertising has operated since its conception. But now some of the most valuable advertising may be unpaid, or indirectly paid as in the case of CGM (consumer-generated media), some aspects of social-network advertising, and the viral spread of brand messages.

Third, advertising has traditionally been viewed as one-way communication, delivered from the marketer using ads through some media vehicle to a receiver, the target audience. Thinking of advertising as one-way communication limits what is possible, particularly online. In a world with Web 2.0, advertising encounters the ''perfect storm.'' Web 2.0, loosely defined as developments in technology employed online that enable interactive capabilities in an environment characterized by user control, freedom, and dialogue, brings a new degree of interactivity and consumer involvement to advertising applications. It truly enables two-way (or multi-way) communication between brands and consumers.

Online, advertising becomes more about conversations, connections, and shared control and less about passive consumption of packaged content. Advertising via traditional media relied on a model of interrupting and disrupting consumer lives. Consumers accepted these interruptions, served in the form of advertising, because they accepted that it was a necessary price to pay for what was otherwise free content broadcast on television and radio, and printed in magazines. In that world, established content publishers controlled the distribution of content targeted at consumers. The interruption-disruption model is dying in the world of Web 2.0, where consumers control their media content. In fact, they may create the content! According to Deloitte & Touche's ''The State of the Media Democracy'' report, 40% of Internet users create some form of content whether it be editing videos, posting photos, or writing blogs, and 51% acknowledge reading and watching the content of other users online.[3] With younger consumers, the consumption of user-generated

content is even higher with 71% reporting watching and/or reading user-generated content online. User-generated content, known by several phrases, including CGM, user-created content, and conversational media, basically refers to any content produced by end users and made public (typically online). The OECD (Organization for Economic Cooperation and Development), in its report entitled ''Participative Web: User-Created Content,'' defines user-generated content as content that (1) is made publicly available online, (2) reflects some creative effort on the part of the user, and (3) is created outside professional practice.[4] User-generated content encompasses many forms, ranging from videos, photos, blogs (personal commentary published online) and vlogs (blogs with video content), blog responses, podcasts, posts on message boards, product reviews on opinion sites, contributions to wikis, news stories, and consumer-generated advertising.

Consumers have embraced media democracy, and the industry has responded by creating and encouraging consumers to create and cocreate content. Consequently, a host of new phrases have entered the industry lexicon. Phrases like ''crowdsourcing,'' ''digital dialogue,'' ''citizen marketing,'' and ''brand democratization'' reflect this new paradigm. Crowdsourcing, the use of the general public to accomplish professional work, cuts across the media and advertising industry with journalists relying upon video captured by witnesses to events and marketers turning to consumers to create advertising spots. All the other phrases capture the essence of shared control over the development and distribution of content. Importantly, the democratization of media (and advertising) could not have occurred without Web 2.0 as a platform.

As marketers adjust to these changes, they have recognized that it isn't sufficient to simply accept that consumers can and will create and share content online. For brands to benefit from this phenomenon, they must invite consumer participation and encourage consumers to engage with their brand. Brand engagement, accepted now as the holy grail of advertising, is defined by the Advertising Research Foundation as ''turning on a prospect to a brand idea enhanced by the surrounding context.''[5] Engagement occurs as a ''subtle, subconscious process in which consumers begin to combine the ad's messages with their own associations, symbols, and metaphors to make the brand more personally relevant.''[6] How does engagement differ from brand democratization? Engagement is the outcome of democratization. Brand democratization is the *invitation* to consumers to participate in creating and then experiencing a brand's meaning. Ultimately, though, all of these concepts share the same foundation.

One brand serves as the exemplar of the brand-engagement movement: Converse. Converse's Brand Democracy campaign (yes, they so embraced the concept of citizen marketing that the very name of the campaign reflected its intent), created by Butler, Shine, Stern, and Partners, centered around the notion that the shoe is an American icon, possessed by the public. John Butler put it succinctly, saying, ''People own this brand, not Converse.''[7] Seeking to position the Converse brand as original, it sought out people with original views and asked them to create films that said something about the brand in twenty-four seconds of footage. The best work was featured on television, and other selections were posted in the Converse Web gallery.

As Converse boldly illustrates, brands should develop, maintain, extend, and intensify relationships with consumers. Yes, yes, of course, the ''relationship marketing concept'' has been around for decades now. The difference is that then marketers wanted to tell consumers what the brand stood for and what the rules of the relationship would be. By any definition of the term *relationship,* it wasn't one. A relationship presupposes an emotional connection. It assumes communication between the involved parties. Importantly, the nature of a relationship is interdependent; its characteristics, expectations, and outcomes are jointly created by the parties involved. This interdependence and cocreation is at the heart of every buzz word used in advertising right now.

Today's online advertising landscape is a product of the power of Web 2.0 combined with a genuine desire among brand innovators to converse with consumers. Bruner, in a report entitled ''The Decade in Online Advertising, 1994–2004,'' captured the Internet's power in the lives of consumers.[8] He writes, ''Unlike those other media, the Internet is literally a hands-on experience, where consumers, with their hands on mouse and keyboards, can read, research, watch, listen, write, send, meet, organize, post, program, purchase, and much more, all through various simple devices across a vast network of millions of collaborators and destinations.''

Consequently, advertising is far more expansive that it once was. The old paradigm is too limiting for what is now possible because of the technological advances and social trends of the Internet.

■ Investments in Online Advertising

Online advertising got its start in the early 1990s. As companies embraced the potential for electronic commerce, the dot-com boom occurred, soon followed by a decline, the dot-com bust. Recent years were

characterized by new advances in technology, growth in Internet penetration, domestic and abroad, changes in consumer media consumption, and challenges associated with advertising via other media. These factors converged to make for a rich landscape for advertisers as evidenced by the shift in advertising expenditures across media types. Mass media still account for the bulk of ad spending. TNS Media Intelligence, a company that tracks competitive ad spending, reports that television receives 44.1% of all advertising expenditures, magazines 21.1%, newspapers 17.2%, radio 7.0%, and outdoor 2.6%.[9] The Internet accounts for 8.0% of all spending. This might seem like a small amount given the chatter about online advertising. But, it is easily explained when one considers the shift in spending across media categories over time. Internet advertising has grown each year, while allocations to other media categories have consistently declined. Indeed, online advertising achieves the highest growth rate of any media and pulls spending from television, magazines, and newspapers into the online category. For instance, total online ad spending grew by 30% in 2005 reaching $12.5 billion, and continued to increase in 2006, reaching $16.9 billion. It hit $21.4 billion in 2007 and is predicted to reach $27.5 billion in 2008 and $42 billion by 2011.[10] This trend is not likely to end any time soon. Advertisers generally follow consumer media consumption patterns in allocating ad dollars. The Internet accounts for 20% of consumer media consumption. Given the current allocation of 8% of ad spending, continued growth in online advertising is practically a certainty.[11]

eMarketer, a leading provider of online market research, claims confidence in projections of continued growth, citing several reasons for its optimism:[12]

- Even if the economy slows down, continued growth in the online audience and the need for advertising to follow that audience will drive an ongoing shift away from other media, most notably newspapers and radio;
- The opportunities for better targeting and more accurate tracking offered by online advertising relative to other media makes spending on the Internet even more appealing in a soft economy;
- As online video advertising becomes more widely used, large brand marketers who have up to now only dipped their toes online will devote increasingly greater budget shares to the Internet.

Online advertising is diverse with numerous possible formats. These include paid search ads, display ads, classifieds, rich media, referrals or lead generation, promotional e-mail with embedded ads, and

sponsorships. Paid search ads, sometimes thought of as pay-per-click ads, are the juggernaut of online advertising, commanding 40% of all ad expenditures. They refer to ads delivered on Web sites in response to specific search words or phrases entered by visitors to the search site. The search terms serve as a proxy for the consumer's interests. When the consumer enters the search term, it triggers relevant text ads with links to retail Web sites, which appear alongside the organic search results on the search engine. Organic search results are the listings generated by a search—not paid advertising. There are three categories of paid search: (1) paid listings, (2) contextual search listings, and (3) paid inclusion. Paid listings refer to text links that appear near organic search results, for which the ranking of a listing is determined by the amount paid for the key word. Contextual search is based upon the concept of contextual targeting. This means that the text ads appear on the site based on the content, and not from user searches of key words. For example, a visitor to the Web site Edmunds.com might see paid search ads from Ford because of the contextual content. Paid inclusion does not directly refer to text ads but, instead, guarantees that a link is indexed by the search engine. It aids in the ranking of search listings, betting on more clicks when listings are near the top. Google is the industry leader in search, parlaying its expertise in the ''long tail effect,'' the ability online to reach small, niche markets efficiently, into the highly effective delivery of ads to relevant consumers.

Display ads, sometimes referred to as banner ads, are boxes presented on Web sites, which contain text and graphical images. They are similar to traditional print ads, though published online, with the enhanced capability of incorporating a response device with the ability on the part of interested consumers to clickthrough to the subsequent Web site. The IAB (Interactive Advertising Bureau) dictates three categories of display ads including (1) rectangles and pop-ups, (2) banners and buttons, and (3) skyscrapers. Within each category, several standardized ad unit sizes exist. These are detailed further on the IAB Web site.[13] Primarily, the terms refer to the shape of the display ad. For example, skyscrapers are tall, thin rectangles. However, pop-ups also encompass interstitials. Interstitials are the most intrusive of online ads and, frequently, the source of irritation among Internet users. Like traditional advertising, they rely heavily on the interruption-disruption model by forcing exposure. The use of this specific type of online ad is on the decline, having become less effective due to the use of pop-up blockers. Display ads command a relatively large portion of online ad spending, at 21.5%, but some criticize them suggesting that consumers suffer from ''banner blindness.'' Enid Burns explains that banner blindness refers to the lack of attention

consumers pay to display ads online; they are instead focused on site content and do not cognitively process the display ads.[14] The most effective ads are simple ones with text that highlights why the ad is relevant to the consumer.

Classified ads make up 17.0% of online ad spending. These are brief ads with small type that are typically presented by product category. They mirror the traditional form of classifieds published in newspapers and often appear on online newspaper Web sites. Popular community sites, like Craig's List, are available as well (though they feature free classified postings).

Rich media accounts for less than 10% of online ad spending but is among the fastest-growing format. As technology and broadband capacities have expanded, advertisers have been able to launch online ads that approximate the qualities of television commercials, including audio, streaming video, and animation. They also enable audience interaction with the ad. These video ads can be delivered in a variety of ways from placement on a Web site (akin to the placement of display ads) to pre- or post-roll delivery affixed to some content.

The category of lead generation, also known as referrals, accounts for 8.3% of online ad spending. This refers to fees that advertisers pay to advertising networks that refer qualified purchasers to the advertiser. These are charged using a cost per lead model. Many online sweepstakes are designed as lead generation devices.

Sponsorship accounts for just 2.0% of online ad spending. It includes a range of devices including (1) microsites or spotlights, custom Web sites branded with a particular campaign, (2) advergames, branded video games, (3) content or section sponsorships, for which an advertiser sponsors specific content on a third-party site, and (4) branded contests. Tide successfully used the microsite tactic as part of its 2008 Super Bowl ad. The television commercial directs viewers to visit Tide's www.mytalkingstain.com, a microsite, which then demonstrates the merits of Tide's Tide To Go Instant Stain Remover. The use of sponsorships may be on an upswing with many brands seeking to direct traffic to sites related to a specific campaign. Using a microsite benefits the brand by enhancing measurability for the campaign's effectiveness while preventing the campaign from interfering with retail traffic on the brand's primary site. Mentos used its microsite, www.mentosintern.com, to inspire viral buzz about the candy. During the campaign's run, visitors to the microsite could view and interact with an intern, even submitting work assignments. Perhaps the most famous microsite, though, is Burger King's Subservient Chicken. Created by Crispin Porter + Bogusky, the

subservient chicken, an actor dressed in a chicken costume, performed a range of actions based on commands, such as dance, dust the furniture, and play air guitar, submitted by visitors to the site.

E-mail marketing, once popularized by its ability to send direct mail via a cheaper channel, represents a small portion of online ad spending. Table 1.1 illustrates the relative spending in each category of online advertising based on 2008 estimates from eMarketer.[15]

A relatively new development is the use of social-media marketing. eMarketer estimates that social-media marketing will account for about 10%, or $2.9 billion, in online advertising spending. Social-media marketing is a broad category of advertising spending, including advertising using social networks, virtual worlds, user-generated product reviews, blogger endorsements, RSS feeds of content and social news sites, podcasts, games, and consumer-generated advertising. A recent study from Manning Selvage & Lee, a public relations agency, found that 16% of marketers had used social networks for advertising, 18.3% had pursued blogger endorsements, 13.6% had used consumer-generated advertising, and 49.8% had drawn on online consumer feedback and reviews. Increasingly, social-media marketing is considered a necessary component of an interactive marketing communications campaign. While search advertising might make up a large portion of media spending for an online campaign, social media is seen as a valuable complement to a host of advertising tactics.

Importantly, while some online advertising options are response driven, meaning the goal is to drive traffic to brand Web sites where consumers can get product information and purchase products, others, like social media, are desired for their ability to build brand equity. Brand equity is basically the financial value of the brand. It derives from consumer preferences for the brand and is a function of the brand's level

Table 1.1   Online Ad Spending by Category

Format	Spending (%) (2008 estimates)
Paid search	40.0
Display ads	21.5
Classifieds	17.0
Rich media	9.5
Referrals/lead generation	8.3
Sponsorships	2.0
E-mail	1.8

of awareness among the target audience and the strength, favorability, and uniqueness of the brand's image.

Growth in advertising spending over the next five years is expected in both response-driven tactics (due to their inherent accountability) and brand-building efforts. The industry will focus spending on search engine advertising, behaviorally targeted advertising, social-media marketing, video/rich media advertising, and video game advertising.[16] Search is expected to grow in part because of the following: (1) the adoption of embedded search toolbars in Web browsers; (2) the increase in local search; and (3) advances in video search. Toolbar search queries grew more than 70% in the past year and represent 16% of all search queries in the United States.[17]

■ Reasons for Growth in Online Ad Spending

Why are marketers increasing appropriations dedicated to online advertising? It is not difficult to explain the shifting of ad dollars to the Internet medium. Several factors influence growth: (1) measurement and accountability, (2) consumer reach, and (3) technology-driven engagement opportunities.

Measurement and Accountability

The ability to measure response has certainly encouraged ad spending online. The early history of online advertising offered limited metrics, like page views and clickthrough rates for banner ads. Today we continue to use those metrics but also benefit from the ability to track consumer behavior online. We can monitor the length of time a visitor spends at a site, the specific pages that he or she views, where on the screen the mouse moves, the number of times a streaming video is played, how frequently a visitor comes to a site, purchase conversion, and more. Metrics now include measures such as cost per conversion, average frequency of ad exposures, interaction rate with rich media, brand impact lift, delayed site visits, share of voice, and cross-media econometric modeling, among others. Tracking technology provides enormous databases of customer behavior online, thereby enabling testing and refinement of every aspect of an online ad.

The possibility of accounting for advertising effectiveness is clearly a factor driving growth in online advertising. It is certainly a reason for the belief that online advertising is primarily a direct-response medium (though, fortunately the paradigm shift in the industry is pushing brand

building to the forefront). It is no wonder, then, that search engine advertising with its pay-for-performance model represents the largest chunk of online ad spending.

Despite the complex processes involved in SEO (search engine optimization; a key reason we feature search in this book), search engine advertising is, in principle, quite straightforward. Advertisers bid on key words. The bids ensure that the ads appear on search results pages when consumers use those key words, and the relative placement of the value of one bid versus other bids on those same key words determines the rank positions of their ads. Best of all, advertisers pay the bid amount only when someone clicks on the ad. Even without the performance component, search engine advertising is a powerful influence on purchase behavior. A study commissioned by DoubleClick showed that about 50% of people who make a purchase online conducted a search for information sometime prior to the actual purchase visit.[18]

Consumer Reach

As consumers have allocated an increasing amount of their time to online activities, advertisers have followed! This explains growth in: (1) total online ad spending, (2) specific forms of online advertising (e.g., advergaming and search), and (3) specific online vehicles (e.g., social-networking sites).

What are the characteristics of Internet users? Demographically, who can we reach with online advertising? The most recent Pew Internet & American Life Project Tracking Survey provides a demographic snapshot of Internet users.[19] The percentages in Table 1.2 reflect the percentage of the population in each group who use the Internet. Clearly, Internet penetration is strong in the most pursued target markets, including all but the most elderly age categories, middle-income and affluent consumers, and those with moderate to high levels of education. The growth in Internet penetration among minority ethnic markets will make online advertising, which targets those markets, more viable in the very near future.

What are these consumers doing online? In Table 1.3, we highlight a few of the activities identified in the Pew Internet & American Life Project's Tracking Study, emphasizing those activities that relate to developments in online advertising.

Looking at this list of Internet activities, it is easy to see how user behavior drives online advertising. Internet users spend much of their time online e-mailing, and advertisers send permission e-mails and embed display ads in some e-mail sites. Searches using search engines like Google

Table 1.2 Demographic Characteristics of Internet Users

Category	Percentage of Internet users
Total adults	**70**
Women	69
Men	71
Age	
18–29	83
30–49	82
50–64	70
65+	33
Race/ethnicity	
White, non-Hispanic	72
Black, non-Hispanic	58
English-speaking Hispanic	69
Household income (per year)	
Less than $30,000	49
$30,000–$49,999	75
$50,000–$74,999	90
$75,000+	93
Educational attainment	
Less than high school	36
High school	59
Some college	84
College+	91

and Yahoo! are primary activities, and search engine advertising follows that behavior. Searching classified ads online is a popular activity, and local search and local display ads reflect this trend. Web users are increasingly playing online games, downloading podcasts (digital audio and video files used to broadcast content for play on mobile devices and computers) and widgets (small applications that interact with users), and visiting social-networking sites. At the same time, the advertising industry is rich with innovative, brand engagement devices like ARGs (alternate reality games), podvertising (branded, downloadable digital audio and video content), and social-network advertising. There is an online advertising device

Table 1.3 Online Activities

Activity	Participation reported (%)
Send or read e-mail	91
Use a search engine	91
Research a product before purchase	78
Search the Web for fun	62
Watch a video clip or listen to an audio clip	56
Download games, videos, or pictures	42
Send instant messages	39
Read a blog	39
Play games online	35
Search classifieds online	30
Rate a product online	28
Create content	19
Use social-networking site*	16
Download a podcast	12

* Results of the Pew study differ from those cited in recent reports of social-networking activity, which suggest that social networking is used by 45% of Internet users.

appropriate for practically every online consumer activity. In fact, Geoff Ramsey, CEO of eMarketer, insightfully notes that the Internet is becoming the central hub of most marketing campaigns.[20]

Likewise, advertising is placed on channels and in vehicles that are populated by online consumers. Data from Hitwise identifies the popular types of Web sites visited.[21] The top ten types of Internet properties are shown in Table 1.4.

Technology-Driven Engagement Opportunities

The opportunities created by technological advances affect the way in which advertising is created, targeted, and delivered as well as the manner in which consumers interact with those opportunities. In terms of the creative realm of advertising, it is far more than art direction and copywriting in online advertising. *Brandweek* predicts that advertising agencies will employ ''engagement planners'' in creative and strategy departments in the very near future. Engagement planning better reflects

Table 1.4   Web Site Categories as a Percentage of All Site Visits

Web site category	Percentage of all Web site visits
Adult	11.6
E-mail	9.9
Entertainment	8.6
Search engines	7.8
Business/finance	7.8
Shopping	7.6
Social networking	6.0
News	3.5
Education	2.8
Travel	1.8

Note: Percentages do not add up to 100 because only the top ten categories are shown.

the creative and strategic development of advertising, involving multimedia ARGs, contests for and distribution of consumer-generated advertising, and the execution of brand personalities in social networking. The ability to track consumers online and merge this valuable behavioral data with vast databases on demographics and off-line behaviors makes targeting, online, a veritable gold mine. Delivery, perhaps, represents the point at which efficiency is maximized. Google's success has largely come from its ability to access many smaller sites and connect those sites to advertisers through its AdSense program and its AdWords search program. It, in fact, meets the directive issued in Chris Anderson's book, *The Long Tail,* in that it enables advertisers to systematically reach beyond the most visited sites to access consumers who are literally ''in the long tail'' of millions of small, niche sites.[22]

As for consumer interaction, social-media marketing embodies the very notion of democratization and engagement. The many forms of social-media advertising (e.g., consumer-generated advertising; opinion-giving through message boards, review sites, and blogs; social networking; and social news, virtual worlds, ARGs, and video games) provide the opportunities for consumers to ingest aspects of a brand's persona, assess what the brand means to them, interact with that brand or even cocreate the brand's meaning, and distribute it to other consumers online. Looking back over the last few years of major Internet developments, technological advances, trends, and new site formats set the stage for the prevalence and desirability of social-media marketing. The history

illustrates the birth of Web 2.0, albeit an extended development over time, and the accompanying entry of opportunities for consumers to freely engage in and control a multitude of activities and forms of expression online. Figure 1.1 provides a visual depiction of the key developments in the history of online advertising, particularly those that gave rise to brand democratization, brand engagement, and social-media marketing. For these reasons, this book focuses on online advertising opportunities, specifically in the realm of social media.

■ Consumer Challenges on the Road to Engagement Online

Clearly, the industry desires to go beyond the goal of simple ad exposure to a model by which brands engage consumers. And while Web 2.0 and online consumer behavior provide the necessary foundation, there are challenges to be addressed. The first challenge is the media context affecting consumers online. The second is the consumers' perceptions of online advertising.
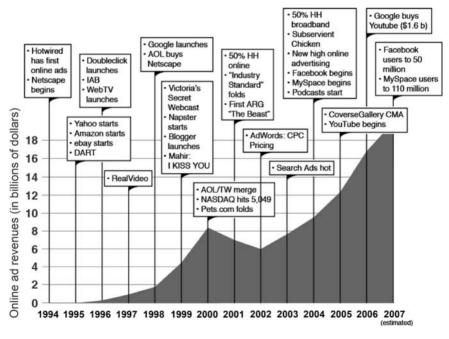

Figure 1.1   A brief history of online advertising.

Media Context

What is the context of media usage? It is one of media fragmentation (both macro and micro fragmentation), multitasking media usage, and media usage beleaguered with clutter. Media fragmentation is the breaking up of large audiences into smaller audience fragments due to the increase of media choices available. Every medium has experienced fragmentation within its own field, with hundreds of television channels, satellite radio, and magazines available for every interest group imaginable. Richard Fielding and Judy Bahary provide a comparison of the change in the media landscape, which perfectly highlights the challenge of media fragmentation (see Table 1.5).[23] Online media buying must successfully reaggregate fragmented audiences to provide advertisers with the ability to precisely target ads to hypersegmented audiences without sacrificing large reach. This is the essence of the "long tail effect," and it is increasingly achievable with the use of search engine advertising and media placement via advertising networks.

In addition to media fragmentation, multitasking media usage also affects the environment of online advertising. BIGresearch's Simultaneous Media Usage Study found that 70.7% of Internet users report consuming other forms of media while they are online.[24] This was similar to the figure for television; 67.9% watch television while using other media. What other media are consumed when users are online? The study found that 37.7% also watch television, 21.0% listen to the radio, and the remaining multitaskers are reading magazines or newspapers.[25]

Table 1.5 Consumer Media Options, Pre-Web and Now

Media option	1980s	Mid-2000s
Number of commercial TV stations	700	1,345
Average number of TV sets per home	1.8	2.6
Average number of channels available per TV household	11	103
Network prime-time market share (%)	75	36
Cable penetration (%)	40	92
VCR penetration (%)	1	87
Number of radio stations	8,748	13,838
Home computer penetration (%)	5	66
Number of consumer magazines	1,500	5,340
Number of place-based media options	–	Infinite

Advertising clutter exists in all forms of media, but perceptions of ad clutter online are second only to television clutter. Mindshare Online Research found that 62.6% of consumers felt the Internet was too cluttered with advertising.[26] Television had the highest perceived clutter with 81.0% stating it was too cluttered. What does the cluttered landscape mean for online advertisers? With the growth in online ad spending, it is not likely that sites will decrease advertising inventory. At the same time, advertisers can influence perceptions of value and relevance, which should act to decrease perceptions of clutter.

Consumer Perceptions of Online Advertising

Research suggests that advertising online is viewed positively by a lower percentage of consumers than any other advertising medium. The Magazine Publishers of America, in its report entitled ''Engagement: Understanding Consumers' Relationships with Media,'' notes that only 30% indicated a positive attitude to Internet advertising, while 52% felt positively about television advertising and 61% reported a positive attitude toward magazine advertising. Only 21% felt that advertising aids their enjoyment of the Internet, while 32% said advertising on television is enjoyable and 48% said advertising in magazines provided enjoyment. Why might online users feel this way? The same report explained the following: (1) 49.2% of Internet users felt that ads appear at inconvenient moments, and (2) 47.4% felt that the same ads are repeated too often.[27] Other common reasons offered included a lack of credibility in the ads and similarity of advertising. What's important in this research is that consumer perceptions of online advertising primarily reflect Web 1.0 advertising, which emphasized display ads with heavy rotations on the same heavily trafficked sites. In the Web 2.0 world, we have the opportunity to develop advertising that is engaging, entertaining, informative, fun, credible, different—advertising that consumers invite into their lives.

■ What Online Advertising Can Accomplish for Marketers

Advertising online can accomplish all of the objectives commonly tasked to advertising in any media. Brand-building objectives like increasing brand equity, developing brand awareness, improving attitudes toward a brand, increasing brand likability, differentiating the brand from competitors, minimizing brand self-image incongruence and sales-related objectives like generating trial, improving repeat buying rates, providing

pre-purchase information, building customer databases, driving retail site (on- and off-line) traffic, and providing a path to an online sales function can all be accomplished through online advertising. It further works to expand a brand's reach in some demographic markets (like the youth market) and reduce overall advertising costs by optimizing the efficiency of the brand's media plan. That is what online advertising does for brands.

What can it do for consumers? Rick Bruner, director of DoubleClick's research division, identifies a list of advertising functions that benefit consumers.[28] He dreams of a world of invertising (which he defines as using advertising in such a way that consumers invite advertising into their lives); invertising would:

- Help people make purchase decisions when they are seeking advice;
- Provide regular product and category information when requested by consumers;
- Underwrite the cost of premium content for consumers;
- Offer advertising that does not just passively await but encourages user engagement by being something consumers seek out; and
- Delight consumers with content that is entertaining, funny, inspiring, intriguing, challenging, and beguiling.

■ Getting Started

The remaining chapters of the book will take you on a journey through the social-centric realm of social-media marketing. Beginning with a deeper look at the phenomenon of social media, we'll cover social-network advertising, branding in virtual worlds, branding with ARGs, game advertising, user-generated product reviews, social news marketing, and consumer-generated advertising. In addition, because the Internet is ripe with opportunities to study consumer behavior, and nowhere is this truer than within social communities, conducting online research is featured. Lastly, no book on advertising would be complete without a discussion of the measurement of advertising effectiveness.