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WEB ADVERTISING : THE EFFECTIVENESS OF BANNER AD

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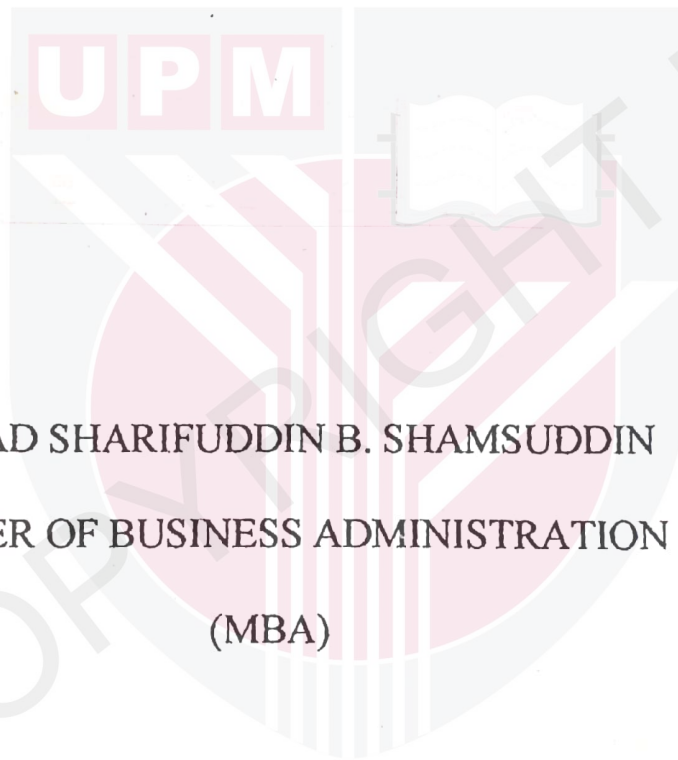
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Web advertising : the effectiveness of banner ad / Ahmad Sharifuddin b. Shamsuddin.



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DECLARATION

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Web Advertising: The Effectiveness of Banner Advertisement

An Empirical Study on The Effectiveness of Banner advertisement.

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Abstract

It has been suggested that the Internet represents the most significant development in communication technology since the advent of Television. With growing numbers of users at staggering rate worldwide, the implications of such medium are becoming increasingly significant for the marketing discipline.

Even though the IT industry in Malaysia is still in its infancy, the speed of growth has been accelerated by the development of the Multimedia Super Corridor. In accordance with the rapid growth of the IT industry in Malaysia, this paper attempt to study the power of the web as a marketing tool particularly in the field of advertising. So this paper is important because it tries to explain the characteristics of effective web advertising, the banner ad in particular.

To carry out this research, samples from the student of Universiti Teknologi Malaysia were selected. This group of people were generally perceived as heavy users of the Internet.

The findings of this research indicated that there are three main areas that need to be focus on whenever designing a web ad. Those are the graphics of the ad, the positioning of the ad and the correct size of the ad. Also highlighted are the differences between the web and traditional media.

Finally, while realising that there are no golden rules to be followed, web advertisers should not fail to put on more effort to study the web ad more thoroughly and perfecting the art of web advertisement.

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CHAPTER 1

1.1. Introduction

In accordance with popular belief, the Internet represents the most significant development in communication since the advent of television. With users worldwide currently estimated to be 57 million and growing at a staggering rate (Matrix information and directory services 1997) it is undeniable that the implications of such a medium are becoming increasingly significant for the marketing discipline. This technological breakthrough of the Internet or the interactive networks enable individuals to retrieve and deliver large amounts of information to one or more recipients, and unlike the communications of conventional mass media, the interactive networks are based on a two-way communication flow which gives a more active role to the user.

With the advent of MSC, many observers believe that the Internet will revolutionize the way people communicate, work, shop, and entertain themselves and eventually this will give a significant impact to the firm's marketing strategies.

One of the marketing functions for which the Internet has considerable implications is advertising. This is due to the ever-increasing popularity of the WWW (World Wide Web) – primarily of the user-friendliness of its browsers such as Netscape Navigator or Internet Explorer by Microsoft. . This engendered an abundance of new and innovative advertising opportunities in the electronic marketplace, better known as cyberspace.

The web's ability to deliver not only text based product information but also visual images and the ability to interact with viewers is the underlying factor that offers marketers the golden opportunity to take advantage of the Web. The Web is rather like a cross between an electronic trade show and a community flea market (Berthon, Pitt & Watson 1996). As a trade show it can be thought as a gigantic exhibition hall where all potential buyers can visit prospective sellers, and wander around passively. Alternatively, they can vigorously interacting with the sellers in their search for information or even engaging in sales transaction with the exhibitor. While as a flea market it possesses openness, informality and interactivity. However the fundamental problem of this nature (trade show and flea market) is to convert the strolling, wandering visitors into customers. Similarly in the case of advertising in the Internet, surfers (those who browse the web) may come across the ad but it may not be able to attract the surfers due to the shortcomings of the ad itself. The main objective of the Web advertisers is to convert the surfers into interactors-who ultimately would be purchasers, and staying interactive. The key term here in web advertising is interactive, which do not exist in the conventional advertising. The central dilemma is how to turn surfers into interactors. In order to do so an effective web ad has to be developed.

1.1.1. Internet in Malaysia

Even though the Internet is a new medium for communications, it is estimated that users tapped into it have increased 40 to 50 million globally. In Malaysia, the Internet community has increases more than 40,000 users and the numbers are increasing constantly. *Jaring* (a computer network operated by MIMOS) subscribers are growing

on an average of more than 20% per month. It is estimated that there are about 223 000 users of Jaring network, including 3500 users in organizations as at August 1999, while there are 380 000 of Tmnet subscribers as at July 1999. That makes up of a total of 602 300 Internet subscribers as at August 1999. According to International Data Corporation (IDC), Malaysia is estimated to have 774 000 Internet subscribers by the end of this millennium. From the figures above, it showed that the Internet community is very large and offers a lot of opportunities to be exploited. As the Internet gain its popularity with a growth rate unparalleled with the more conventional media, and as Malaysian society begins to move itself from an agricultural based society to informational based, the Internet now emerge as an important channel for producers to advertise their product more efficiently and most important, at a fraction of the cost of a conventional media. As such, there is a need for this study to be conducted to determine the effectiveness of web advertising in order to ensure it will be most beneficial to future advertisers who choose Internet as medium of advertising.

1.1.2. Web Advertising

Early web advertising involved simply using the graphics support provided by the web to include a logo on the most popular pages, showing that the advertiser sponsored the content. In fact this is the only type of content payment-model widely available and used within the Internet, unlike conventional print ad, instead of consumers paying for the information, corporate sponsors pay for it. Web users downloading the popular pages would be presented with the sponsor's advertisement in a passive manner: the advertisement required no interaction or activity from the user. The 'legitimacy of presence' for the advertising message was assumed on the basis that viewers would

appreciate that the popular page was in fact paid for and supported by the advertisers, just as the magazine or TV programme is supported. A particularly useful aspect of the web is the ability to engage the user in a more active marketing message than can be achieved through the passive 'witnessing' of a magazine spread. The advertiser's objectives therefore gradually shifted from exposing the user to a simple impressions, to enticing that user into visiting the corporate website of the advertiser and therefore to be exposed to a more complete marketing dialogue. A commercial Web site, can contain graphics, sound clips, applets and so fourth but, in this case these elements are intended to serve a commercial purpose rather than simply to demonstrate a level of technical competence (Barret, 1997). The most obvious application of advertising skill in the web is now in the creation, placement and operation of these 'active advertisements'.

Web advertising or **webvertising** comes in a variety of forms. However the most visible and most talked about form of webvertising is banner ad. These small, rectangular ads appear on numerous sites through out the Web and are responsible for most of the advertisement revenue currently generated in cyberspace (Barker & Gronne 1997). Introduced first on the pages of a Web-published magazine *HotWired*, companion to the traditional-media publication *Wired* in October 1994, the banner advertisement has spread rapidly throughout the web. In the first three quarters of 1996, US\$156 million was spent on web advertising, of which US\$138 million went on to banners. It is estimated that around 11% of web sites carry advertising, the overwhelming majority of it in the form of a banner.

Many experts suggested that banner ads have led the way in advertising growth on the web and represent the dominant advertisement paradigm of the day (Barker & Gronne

1997). The banner is so well accepted by viewers, that a survey done by *Byte Magazine* in November 1996 found that only 31 % of readers surveyed found web advertisements annoying. In a separate survey by *Advertising Age* found that over 10 % of users 'often looked' at advertisements, and that over 45% 'sometimes looked'.

Contrary to its popularity, there has been relatively little empirical, academic research conducted into the effectiveness of banner ads, although some studies have attempted to determine which features of the banners generate greater response.

In many ways, banner advertisement is perhaps the 'purest' application of traditional advertising skills in the web. Like any other advertisement, it must provide persuasive enticement in a very small amount of space. Unlike the print advertisement, banner ads have an effect that is discretely and precisely measurable: users who clicked on the banner can be easily counted. Web advertising, specifically banner ad is maturing and progressing. Although it is still far from perfection, a sufficient number of other advertisers have begun to use the facilities ensuring that a steadily more useful set of definitive measurements is emerging.

1.1.3. Traditional Vs Web Ad: A quick comparison.

Advertising comes in many forms: from relatively simple messages proclaiming the advantages or unique aspects of a given product, to complex stories reinforcing the brand image of a well established favourite. (Barrett, 1997). The Chambers Twentieth Century Dictionary defines advertising as:

To draw attention to; to give public information about the merits claimed for

Clearly advertising is about telling the product to the public and it exists for one simple purpose, that is to increase the number of sales of the advertised product by supporting an established, articulated marketing programme (Barrett, 1997). However, an advertisement can only serve its purpose if it is backed by a good, well prepared marketing plan/programme. The marketing programme/plan revolves around the target market: the people to whom the product is sold. Essentially, the person who prepares the marketing plan/programme must understand two elements of the target market: who they are; and how they buy. Advertising then supports the marketing plan/programme by influencing through impressions a well-defined and measurably quantifiable subset of the target market called an audience.

An advertisement for example might be seen by millions of individuals, none of who are parts of the target market; its reach is therefore zero and its effectiveness is negligible.

The traditional advertising world is dominated in a number of ways. Firstly, it is an immense economy. Secondly, there are a handful of very large corporations involved in the business of creating, placing, and tracking the effectiveness of the conventional media. Thirdly, it has evolved a set of measuring concepts and established rules of thumbs i.e. effectiveness is assessed by impressions counted.

There are inherent problems in comparing advertisements in different media. For instance, it is still difficult to determine whether TV ad is more effective than print ad or vice-versa. The advertising media generally opted for the cost per thousand people reached (CPM) model. The web however, may actually represent the first real opportunity to collect accurate measurement data about who sees an advertisement, who responds to it, and even in some cases, who purchases a product through it (Modahl and MacQuiddy 1996).

The advertiser, therefore will be able to gain from the opportunity to obtain more information about an advertisement's effectiveness. This has led to the arguments that sellers of advertising space should now be required to justify every advertising dollar charged in terms of cost per customer. In a survey of 126 members of the Association of National Advertisers (Williamson 1997) found that 45% of them believed measurement techniques to be inadequate and were the main reason why they did not spend more on web advertising.

Conventional advertising is predominantly measured using the concept of 'reach' (Pawluk 1997). 'Reach' is the number of individuals or households are likely to be exposed to an advertisement. Prices are usually based on cost per thousand individuals reached. In the case of print ads, this often includes 'pass-on' readership, which assumes that perhaps three or four individuals will view the same publication. Sellers of web advertising, however predominantly charged on a cost per thousand impressions basis. An impression is defined as the number of times an ad banner is downloaded and presumably seen by visitors (CyberAtlas 1997). This means that an advertiser is paying for the total number of times that an individual is exposed to an ad. Web ad sellers may

levy the same rate for 1000 people who each see a banner 5 times as a magazine that reaches 5000 different individuals (Brown 1996).

Another major difference between advertising in conventional media and on the web is that on line ads are cheaper to maintain and lack the delays associated with other media (Hoffman, Novak, and Chatterjee 1995). As a result, on line information can be updated quickly and easily (Cronin 1994). The traditional media on the other hand often related to high cost. The below table summarises the yearly advertising expenditure in Malaysia for conventional media.

	TV	Radio	Redif	Video	Cinema	Press	Magazine	POS	Total
Year	RM '000s	RM '000s	RM '000s	RM '000s	RM '000s	RM '000s	RM '000s	RM '000s	RM '000s
1994	528,327	42,158	9,232	9,507	6,426	909,723	105,583	13,868	1,624,823
1995	653,896	59,314	8,614	11,403	7,105	1,129,018	117,502	14,447	2,001,300
1996	772,468	71,483	5,920	10,191	6,853	1,407,749	121,515	17,364	2,413,542
1997	780,224	84,222	2,769	10,150	9,266	1,584,757	136,918	20,862	2,629,194
1998	699,684	65,507	NA	9,711	10,651	1,261,200	111,328	20,628	2,178,689

Table 1.1. Summary of Yearly Advertising Expenditure: Malaysia

(see appendix)

(Source : ACNielsen AdEx .)

Based on the table presented above, the advertising expenditure in Malaysia increases every year particularly from Press and magazine ads. Although there is a slight decrease in 1998 (due to economic downturn in the Asian region) the overall spending is still high and reaches billions of Ringgit.

1.2. Background of the problem

Despite its massive growth in popularity, many companies are still reluctant to use webvertising particularly banner ad as a medium to introduce or sell their products. It has been suggested by many that this phenomenon occurred due to lack of studies and researches have been conducted to measure its effectiveness compared to studies of conventional advertising.

Most advertisers prefer to use conventional advertisement because it has been tested and proved to be effective.

There are also large uncertainties about who the web users are and how they use the medium. Not to mention the lack of researches being done on the strengths and weaknesses of certain features of the banner ads.

1.3. Objectives

Since response rate is a key aspect of webvertising, the features of banner ads will be under close scrutiny.

Thus the objective of this study is to investigate how certain features in a banner ad design can generate higher response rates and can ultimately convert the surfers into interactors.

A study by I/PRO and Doubleclick (CyberAtlas 1996) claims that using animation that moves appears to generate higher response rates.

Doyle, Minor, and Weyrich (1997) found out that banners placed in the right spot could generate twice as much response. They suggest that the best spot be in the bottom right hand corner.

Several of the web advertising organizations under the Internet Advertising Bureau industry body proposed a small set of standard banner sizes. In most cases the 468 x 60 pixels or approximately 10% of the screen is preferred.

Thus having looked into the above discussions, this paper therefore would conclude that:

-
Effective banner = f (Graphics + placement + size)

Therefore this paper would examine the relationship of these features with an effective web ad.

1.4. Statement of problem

Specifically, this study aims to address the following questions: -

- 1) Can the features discussed above be the correct measurement of an effective banner ad design?
- 2) How can it generate higher response rate?

1.5. Specific Objectives

In order to answer these main questions, the report will address the following research questions: -

- 1) What are the creative elements that can boost response?
- 2) What guidelines can be established for designing banner ad ?
- 3) What measurement tools should be used to measure the effectiveness of the ad?

1.6. Significance of the study

A successful advertisement, be it printed media or interactive should be able to reach its target audience widely and effectively. Most advertisers would likely prefer to reach more first time viewers than have smaller number of people view the same ad several times and suffer from the law of diminishing returns if repeated exposure.

1.7. Scope of study

The study will concentrate on the elements that constitute an effective banner ad by the viewers. These elements will greatly influence the success of banner ad and webvertising as a whole.

1.8. Hypotheses

Graphics

A study by ZD Net in 1996 found out that animated ads with gratifying graphics generated click-through rates at least 15% higher than static ads and in some cases as much as 40% higher (Marx 1996). Thus the first hypothesis would be:

H1: Graphics play an important part in generating click-through rates

Placement

Placement or positioning of an ad is also very important in determining the effectiveness of the ad. Researchers at the School of Business Administration at the University of Michigan in cooperation with Athenia Associates have found that ads next to the right scroll bar outperformed top of the page ads by 228%. As such we hypothesized that,

H2: A banner ad that is placed next to the scroll bar would generate more click-through rates.

Size

Barret (1997) suggests that several of the web advertising organization proposed a small set of standard banner sizes that is 468 x 60 pixels or approximately 10% of the web page size. Therefore the third hypothesis,

H3 : The most effective size of banner ad would be not more than 10% of the size of the web page

1.9. Definition of terms

- I. Webvertising: advertising in the World Wide Web (WWW)
- II. Banner *ad*: relatively small, predominantly rectangular ads appear on numerous sites through the web. Barker and Gronne (Brown, 1997).
- III. Web: World Wide Web, graphically displayed collection of documents, through which users can navigate using a point-and-click interface. (Barker and Gronne, 1997).
- IV. Hit: how many times the site has been accessed. E.g. 10 hits, meaning the site were accessed 10 times.
- V. Graphics: creative elements including cartoon characters, use of attractive colours and animated text.
- VI. Placement : position of ad

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