Online Advertising Reinvents itself in order to Generate more Revenue
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The online advertising industry, with investment in excess of 9,467 million euros (1.5 billion pesetas) in the United States during 2000 and with this figure expected to be doubled in 2005, has still not shown its effectiveness. Even so, the average cost of 4.7 euros (782 pesetas) for a banner indicates that online advertising could obtain greater results than traditional advertising.

Although horizontal banners are the predominant form of advertising on the net (fifty percent), greater than sponsorship (28 percent) and classified advertising (nine percent), statistics show that people are not attracted by them. According to a study by eMarketer, more than 99.5 percent of banner adverts are not clicked on and eighty percent of Internet users ignore advertising altogether.

Although the Internet offers many advantages in the transmission of advertising messages, such as the possibility to segment consumers, to reach them at the appropriate moment and to do so in a direct manner, it nevertheless has clear disadvantages with regards to other forms of traditional advertising. In the traditional manner, the consumer has great control over the adverts he sees and, hence, is not merely a passive receptor of information. On the other hand, e-mail, considered by some as the most efficient means of obtaining a response to marketing, is one of the most promising advertising channels on the net. Jupiter Research expects the number of e-mails carrying advertising to reach 268,000 million in 2005, 22 times more than in 2000. This increase in e-mail advertising, however, may saturate consumers and lead them to take measures to avoid them. Such is the case with the filter systems which e-mail providers such as Yahoo! and Hotmail have begun to apply in order to protect their users for receiving spam (unsolicited e-mails announcing products or promotions).

Faced with this situation, the idea emerged of only sending advertising to those consumers who so authorise it. In this manner, better results can be obtained since it is not only possible to segment and personalise the advertising, but also the receptors of the message wish to receive it. The impact of permissive advertising is noticeable and has even led to the implementation, with very positive results, of e-commerce within the e-mails, so removing the need to go to the company's web site in order to make the purchase.

**Messages**
eMarketer forecasts indicate that this year more than one hundred billion authorised advertising messages will be sent by e-mail, which represents fifteen percent of all messages sent by e-mail in United States. At the same time as permissive advertising,
and as another way to capture consumers' attention, we have witnessed the appearance of companies who pay consumers who agree to receive advertising by e-mail, who visit their web sites or who answer their surveys. Likewise, they promote marketing among individuals by rewarding consumers who incorporate other consumers into the programme. Companies such as ConSuPermiso, Netels or Maximiles have created loyalty systems using points or virtual money which can subsequently be used to purchase products on the net.

The goal of the systems is to generate traffic and purchases at its members' web sites. And, although this traffic may be artificially created by the offering of rewards, these companies are achieving greater and greater brand recognition. Moreover, they use word of mouth amongst consumers to encourage other users to purchase on the Internet. This is especially important in countries such as Spain, where only twelve percent of users make online purchases.

In the New Economy, the technological advances allow new forms of advertising and allow consumers to be reached in ways which were previously unimaginable. Nevertheless, we need to recognise that consumer attitudes have changed significantly and that strategies which worked before may not work now. The consumer currently plays a very important role in the scope and success of the marketing of a product or service. Hence, those companies that understand the consumer and adapt to him are the ones who will be successful.

**The Question**

"Will online advertising be profitable?"

**Rosalía Castañeda, Senior Manager, PricewaterhouseCoopers**
Interactive advertising is one of the fundamental components in companies' e-business strategies. The birth of new techniques such as CRM (Customer Relationship Management), the integration of traditional companies with pure online companies and the greater use of the Internet and interactive marketing, as indispensable vehicles to customer loyalty and to the opening of new markets, have all brought new opportunities. Hence, we shall be able to witness the change and the revolution which will come about due to the updating of the business environment and the use of interactive marketing and advertising. There are three principal advantages for companies when advertising on the Internet: to capture clients, to be able to adapt communication more quickly and to make the company known. The change which the Internet is bringing about in business structures and in the application of new marketing techniques, in order to benefit fully from this connectivity, is thus obvious.

**Josep Valor, IESE Professor**
The profitability of advertising depends on the cost and the value obtained from it. The value obtained by advertisers using online advertising is difficult to assess. Until not long ago, this assessment was made by counting the number of people clicking on an advert and entering the advertiser's web. This is very valuable for the company and it is indeed what distinguishes the interactive form of advertising from the traditional one. Hence enormous amounts of money were paid to generate clicks, and those places on the Internet with a lot of traffic obtained a high level of revenue. Since many of the
companies which advertised on the Internet had rather dubious value propositions, their economic model no longer supported them and they became inoperative, so drastically reducing the revenue of the portals. This loss of popularity of Internet advertising does not mean that it cannot be effective in the future. The possibility to personalise and encourage are differential factors which, given their impact, make Internet advertising conceptually superior in effectiveness with regards to traditional advertising.