Online Advertising: Types, Measurements and Business in India

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Abstract
Advertising is also a way of informing to the consumers or even potential customers. Advertising starts with the need assessment of the customer and ends with the satisfaction of that need and by the establishment of long term relationship with the customer. Simply advertisement is also commercial information about product, service or an idea which fulfills the materialistic requirements of both the advertisers and consumers. All activities and strategies designed to generate and facilitate any exchanges intended to satisfy human needs and wants. The purpose of this whole exercise is to create exchanges and that satisfy consumer and organizational goals. The information is used to place the product and services in the market and to inform and persuade the current consumers and potential customers. Internet provides a wealth of information and also offers an instant platform for both the advertiser and customer to access information about goods and services advertised online. Internet has transformed the whole picture of advertising. In the 21st century, technology revolution significantly, leads to the modern mode of transferring the informative commercial messages via the Internet.

Keywords: Online Advertising, Relationship, Consumers, Technology Revolution, Internet, India

1 Introduction

Advertising is “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor” (Kotler, 2003, p. 590). In simple words advertising is a paid and mediated form of communication from an identifiable source, designed to persuade the receiver to take some actions now or in the future. In pure sense, advertising is a business term used to refer to any paid announcement offering ideas, goods or services through various mediums including print, radio, television, cinema, outdoor displays and on the Internet. Advertisement is a tool of marketing-communication which is customer-centered. The hidden and central purpose of an advertisement is to bring the attention of potential customers about the existence of a new product or service. Online advertising is targeted in nature with apt media like social media, the most active users and the most targeted potential consumers. Viral
marketing is the best way to reach thousands potential consumers. Online advertising is very cost-effective and impressive mode for the both customers and potential consumers’ in enriching awareness levels, and turning mindsets turning them into sale. A sound advertisement has the ability to persuade the potential customers to purchase and keep them motivated to do a certain action. The core intention of any advertisement is influencing the decision of the potential consumer and keeps updated to the present consumers. The intended desire of the advertiser practitioner is to drive consumer behavior regarding to the commercial offerings. Slow and steadily with the media development, advertising has changed its form from printed to non-printed or flier. Advent as well as the developments in Internet or World Wide Web is now a boon for the core activities of advertising. New technologies have opened the doors to a new era of interactivity and creativity. Internet provides vast scope for business and marketing. Internet has opened up a lot of opportunities for marketers in interactive and measurable ways. This is the latest medium in promoting any product, service or an idea worldwide. Internet usage has grown rapidly over the past few years and it has become common means for delivering and trading information, services and goods (Albarq, 2006).

2 Historical Background of Online Advertising

“Have you ever clicked your mouse right HERE? -- YOU WILL.” The first banner ad on Hotwired in 1994, for AT&T. The campaign cost USD 60000 ran for 24 weeks and got a 50% click through rate—probably the only time in the industry’s history a static banner did that well.

United States of America is the supreme technological power worldwide. Computer and World Wide Web, both are core requirements for online advertising, were introduced in America. This medium was adopted and utilized firstly by American agencies. The revolution in information and communication technology has come with the opportunities for advertisers and marketers. Online advertising is rooted from America. Advertising on the Internet started on October 27, 1994 in America. Hotwired, now Wired claimed that they invented banner advertisement. Hotbot, (search engine) sold the first ad (banner ad) to the advertisers. Hotwired, a part of Wired Ventures, was the first commercial web magazine, launched in Oct 27, 1994. First ad on the Internet was banner ad came in 1994 of AT&T (American Telephone and Telegraph company started in 1983) in 1994.

3 Online Advertising Market in India

Indian advertising industry is now experiencing a significant transformation of pricing dynamics, given changes in the supply and demand of ad inventory. At least for premium inventory categories such as auto, tech and business, what once seemed destined always to be a buyer’s market is in fact turning into a seller’s market. Online advertising is an increasing business over the Internet and it continuously grows together with the expending use of Internet services in countries like India. In 1995 when Internet in India
was new and not as highly recognized as is today. No one had thought of it as a viable medium for advertising and promoting any commercial message, product or service. But today companies are now spending huge amounts on advertising on the online medium that helps them to target their specific group of consumers. Advertising practitioners and marketers prefer to go through an online ad agency instead of handling advertising traditionally. The size of a business will also play a big role in the choice of advertising media. Advertising is an expensive venture and may not be affordable to all advertisers, marketers and entrepreneurs. This means that the choice of a media may not necessarily be determined by its effectiveness but rather by the investment capacity of any advertiser. Online advertisements are on a pay-per-click basis, an entrepreneur only pays when a potential customer clicks on the advert and ends up on the entrepreneur’s website. This ensures that businesses only pay for leads. Online advertisement enables businesses to target their markets more efficiently than other media. The range of advertising options has expended since the commercialization of the Internet. The ever-increasing audience of online users will likely continue to be a major advertising market. Therefore online advertisements typically involve at least two separate firms: the advertiser or agency which purchases or sponsors the advertisement and the publisher or network which distributes the ad for display. In capitalizing on the increasing importance of the Internet as a marketing medium, the online advertising industry has developed specialized technical systems to manage the ways ads are distributed and viewership totaled. It is clear that web advertising just will not fit the old mold. "On an average, the digital ad spends have been growing at 25% year-on-year basis,". The online advertising is expected to reach Rs 7,000 crore (USD 1.6 billion) by 2015," latest 2013 IAMAI report said.

“Online ad spends will touch Indian rs. 4391 crore by March 2013”: IAMAI. According to the Annual Online Advertising report published jointly by the IAMAI (Internet and Mobile Association of India) and IMRB (Indian Market Research Bureau), the market currently pegged at 2851 crore, sees spends skewed towards online classifieds and search advertising. The report states that the continuously growing market will touch Rs 4,391 crore by March, 2013. As of March, 2012, the market is pegged at Rs 2,851 crore. In 2012, the majority of more than 50% was spend on online classifieds and search advertising at 20% of the total spends, social media spends form only 3% and the lowest spends in the pie is online video (2%). It is seen reaching Rs 3,535 crore by the end of the calendar year. By March 2013 spends on online classifieds are seen at Rs. 2686 crores (of the estimated market size of Rs. 4391 crore), search advertising at 723 crore and display ad spends at Rs. 838 crore. The total size of the offline advertising market, including print, television, OOH, radio and cinema, is seen at Rs. 26501 crore in the year 2012. Comparatively, the online market is at its current valuation is almost 11% of the conventional medium. The report states that
Online ad spends have been growing at 25% year-on-year basis from Rs. 1623 crore in March 2010 to Rs. 2277 crore in March 2011 and to the current level. Travel, banking, financial services and insurance sectors continue to be the highest spenders on display advertising and followed sectors are telecom and automobiles, education, electronic media and print media. With the base figure rising from Rs. 571 crore in year 2011 to Rs. 676 crore in year 2012, the display ad spends by automobile companies have increased significantly. Its overall share has continued to rise steadily from 9% in 2010 to 13% in 2011 and 14% in 2012. Another stats released by Comscore for July 2010 revealed that more than 33million Internet users in India visited social networking sites, representing a whopping 84% of the total Internet audience visiting social media sites. This was a growth of 43% over a 12 months period. So social media is here to stay and will have continued interest in online advertising. Among the various online ad categories, display advertising has always been the leading segment. Sectors such as travel, Banking, Financial Services and Insurance (BFSI), telecom, auto and online publishers dominated the display advertising segment. The biggest spenders for Internet advertising in India include the biggest industries in the country namely, Banking, Financial Services and Insurance (BFSI); Fast Moving Consumer Goods (FMCG); and the retail industry. Other industries include education, telecommunication, travel and the auto industries.

4 Factors Influencing Internet Advertising in India

While Internet penetration may be low in countries like India, China, Mexico and Brazil, with users coming somewhat late to the social media party, they certainly have embraced that party with some of the highest social media engagement figures in the world. In these emerging markets, users aren’t signing up for their social media accounts and forgetting all about them. A minuscule 7% of online users in these countries are inactive social media members, in comparison with 14% in the US and 21% in Europe. The growing usage of social media indicates a potentially effective new platform for advertisers. With advances in technology and the growth in digital media usage (Cheong and Morrison, 2008), advertisers are seeking new ways to reach consumers. Numerous studies indicate an increase in social network usage (Goldsburgh, 2009). While teenagers were primarily the first users of social networks, a growing population of 25 to 34-year-olds and white-collar professionals now also use them (Kim, 2008). Social media are another example of one of the many platforms included under the umbrella of Web 2.0. Social media are commonly associated with social networks. Boyd and Ellison (2007) define social networks as “web-based services that allow individuals to construct a public or semi-public profile within a bounded system. A few of the most popular social networking sites include the following: MySpace, Facebook, Twitter, LinkedIn, Flickr, and YouTube. Users create personalized profiles with pictures, interests, and
favorite songs, and invite others to join their personal network. MySpace users access the site to search for music, old classmates, or new friends, creating a personal online community.

5 Formats of Online Advertising: The Technical Aspects

Internet advertisers used a variety of advertising formats. The largest form of online advertising is paid search or search engine advertising, commands about 40% of all advertising formats. Other forms of online advertising are much smaller in terms of revenue generated. The following presentation provides a current treatment of online advertising formats. Novak classify Web advertisements sites into three major categories: (1) Sponsored Content sites such as Hotwired and ZD Net, (2) Sponsored Search agents and directories such as Yahoo! and InfoSeek and (3) Entry Portal sites such as Netscape and Microsoft. Online ads are classified in two parts names Pull advertisements and Push advertisements. “Pull ads” are those which appear on Webpages selected by a user. A user can interact with the ad and click on the ad for further information or just ignore the advertisement. “Push ads” are the new way of delivering information to the Web users using push technology. Push technology allows publishers to broadcast to the user (push) rather than wait for the user to initiate. This is also called Webcasting. A popular push vehicle is the e-mail, which is used to send promotional information to a list of users appearing on an address list. Following are the major popular “pull advertisements” below.

5.1. Websites Sponsorship

Company’s website is itself an advertisement for the company. In this case entire website is sponsored by an advertiser. These sites are usually content or service based. Beyond being a form of advertising, Websites represents a venue of generating and transacting exchange between organizations and their customers. Websites can be considered the centerpiece of companies’ online advertising efforts, with other advertising formats simply serving to drive traffic to their websites. Users seek out websites in a goal-oriented fashion to learn more about a company or brand, to play game.

5.2. Banner or Display advertisements

The most popular advertising format in the Internet’s short history has been the static advertisement, known as a display, or banner advertisement usually rectangular boxes appear near the top of the Webpage. The format can be considered analogous to a static print advertisement in a magazine or newspaper. Banner ads are a staple of Internet advertising. These are typically small, static ads placed in frequently visited websites. Banner ad is form of online advertising that is hot linked to the advertiser’s site or homepage to transfer the surfer for more information at the click of a mouse. A standard image displayed on a website. A banner ad is a graphical display that is used for advertising on a web page. Banner ads are graphical units of Internet advertising that can be animated and clicking on the banner takes the user to another web location. Banner ads are horizontal, rectangular
shaped graphical elements found on the WebPages. Banner ads come in numerous sizes but are often rectangles 460 pixels wide by 60 pixels high. IBM introduced banner ads in 1994. Advertisements on websites are usually banner advertisements.

### 5.3 Rich Media advertisements

Rich Media is a term used to describe a variety of online advertising media experiences, including high quality animation, streaming audio and video and software like features that can be embedded in relatively small ad files, such as games, registration forms and detail marketing information. A user can explore all of those features in the ad unit without ever living the content page on which the ad appears. Rich media is appealing to advertisers for several reasons. For brand–oriented advertisers, features such as video, audio, animation and a framework for immersive marketing content are effective for achieving brand objectives such as awareness and message association. For direct marketers, rich media ads can help better prequalify leads by presenting information rich ad contents that consumers can read before they click through to the advertiser’s site. The display advertising portion of online advertising is increasingly dominated by rich media, generally using Macromedia Flash. Rich media advertising techniques make overt use of color, imagery, page layout and other elements in order to attract the reader’s attention.

1. **Pop ups and under ads** are ads that appears in separate window, on top of the site content that materializes on the screen seemingly out of nowhere while a selected web page is loading. These type of ads burst open on the computer screen either in front or behind the opening page of the website, appears in front of the active window.
2. **Interstitials ads** are based on the word interstitial, which describes the space that intervenes between things are, by comparison, ads that appear between two content web pages. These ads are like the television ads with video and audio. Interstitials appear in a window on your screen while you are waiting for the webpage to load. When user clicks on a specific topic at a site a separate window pops up with the advertisement related to that topic. These ads are short-lived for about 5-10 seconds. These ads are presented automatically to users when they move between the content pages. An interstitial is a page or box that appears after a user clicks on a link. When you go from one page on a website to another, a 20 second animation appears in a window. These ads interrupt a person on the Internet without warning. These ads now run on more than 350 websites.
3. **Superstitials** are animated ads that play over or on top of web pages.
• **Skyscrapers ads**: These are vertically located on the margins of a Webpage. The extra-long skinny ads running down the right or left side of the web site are called skyscrapers. Response rates for skyscrapers can be ten time higher than for traditional banner ads.

• **Floating ads**: An ad which moves across the users’ screen or floats above the content.

• **Button Ads**: Button ads are smaller than banner ads usually at the bottom of Webpage. Squares ads that are usually at the bottom and contain only corporate or brand name. An ad that looks like a dialogue box with buttons. Clicking on the button takes the web visitor to the corporate website of the company or brand. Buttons initially were from software companies and allowed Web users to freely download software by just clicking on the button like Netscape Now button.

• **Video advertisements** referred to as streaming video, are audio-video ads that are similar to standard 30 second TV commercials but are often shortened to 10 or 15 seconds and compressed to manageable file sizes.

5.4 **Web Logs** Simply known as blogs. Blogs are everyman’s way of communicating with others and establishing digital communities wherein individuals, mostly of like mind, can exchange their views on issues of personal relevance. In blogs products and brands are sometimes discussed. Brand marketers can develop their own blogs or simply place advertisements on blogs that are appropriate for advertiser’s brand. For example Google offers a service that enables small ads to be placed on blog’s sides. Only after a blog visitor clicks on the ad is revenue generated. Advertisers can turn to Blog ads (http://blogads.com) which is a network of bloggers who accept advertising. The network matches advertisers with appropriate blogs at which to place their advertisements.

• **Podcasting**- Podcasting is an audio version of blogging. Podcast is derived from name iPod, are MP3 audio files that are available for free online. Podcasting is a way of publishing sound files to the Internet, allowing users to subscribe to a feed and received new audio files automatically. Podcasting enables advertisers the to target messages to consumers who share similar life style characteristic as revealed by their self-selection to particular podcast.

5.5 **E-mail Advertising** The primary reason many people use the Internet is to send and receive e-mail message. Word email was used for the first time in 1982. With millions of people online and the numbers substantially increasing every year, the marketing communicators have turned to email as a viable advertising medium. Email advertising is simply the use of Internet for sending commercial messages. A popular way to advertise on the Internet is to send company or product information to people and companies listed in mailing lists via electronic mail (e-mail). However this means of communication
is increasing mainly because of the rampaging growth of social media. E-mail generates 15% of online sales in North America and is on the increase.

- **Opt-in e-mailing** - It is the practice of marketers asking for and receiving consumers’ permission to send them messages on particular topics. The consumer has agreed or opted in to receive messages on topics of interest rather than receiving messages that are unsolicited.

- **Phishing** - Illegal email practices is known as phishing. These phony websites attempt to extract personal data from people such as their credit card and ATM numbers.

- **E-mail Magazines (E-zines)** - A growing form of online e-mail advertising is known as e-zines, or sponsored e-mail, is the distribution of free magazine-like publications. They are distributed on a local rather than national basis.

- **Wireless e-mail advertising** – The growth of wireless advertising was made possible with the advent of wireless fidelity technology, commonly known as Wi-Fi. Wi-Fi is a technology that enables computers and other devices such as cell phones to connect to the Internet via low power radio signals instead of cables. Hence, users can have Internet access at base stations, or so-called hotspots, that are Wi-Fi equipped.

- **Mobile Phone and Text Messaging** - Mobile phones are common audio-visual devices for receiving information, entertainment and advertisements. Mobile ads are most popular medium to interact with the potential consumers. Multimedia messaging service (MMS) is a more advance technology that permits transmitting messages along with graphics and sounds. Technology and advertising executives have been talking up the potential of the ads on mobile handsets since before Apple introduced the I Phone in 2007. A boom in mobile advertisements that can target individual Smartphone and tablet users is raising deep concern over the protection of private data. Mobile advertising is growing fast in tandem with sales of Smartphone and tablets. The vast majority of these devices now are equipped with Internet browsers, which allow firms to offer advertisements that dovetail with users’ viewing habits. In addition, ads containing streaming video or audio are becoming very popular with advertisers. Short message system (SMS) allows users to send and receive text messages on their mobile phones of up to 160 characters.

### 5.6 Search Engine Advertising

There are thousands of companies with websites on the Internet promoting their goods and services and encouraging prospective customers to place orders. It is the term preferred as the text focuses on marketing communicator rather than all aspects of marketing. It appears

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on search-results pages. Search advertising is contextual so it leads to better response and secondly and more important the entire cost is based on performance (clicks) i.e. an advertiser only pays when someone clicks on his advertisement. Placing ads on business sites is a new method of targeting ads to interested buyers. When users are searching for products information Internet ads will often be clicked on to see what is offered. Business buyers seeking product information pay more attention to ads they encounter while searching. Internet ads allow individual companies to advertise their services.

- **Keyword-Matching Advertising** – these are specific words and short phrases that describe the nature, attributes and benefits of a marketer’s offering.

- **Content-Targeted Advertising** – Google has a program called Adsense. With this program Google enables Internet advertisers to run ads on Websites other than Google’s own site. Advertisers pay Google to run ads on selected websites and then Google pays these websites about 80% of the revenue generated from advertisers. In a sense Google operates as an advertising agency, placing ads on other sites taking as commission about 20% of the revenue.

### 5.7 Advertising via Behavioral Targeting

It is a matter of directing online advertisements to just those individuals who most likely are interested. Websites increasingly are tracking (known as audience management system) their users’ site selection behavior so as to enable advertisers to serve targeted ads. The basic aim of targeted marketing communication is to “aim where the ducks are flying”. Behavior graphics approach embodies hare. Ads for American airlines accordingly are placed on the website of The Wall Street Journal.

### 6 Online Advertising Pricing Models

As the understanding the about the medium is improving, the focus is on employing the characteristics of the web to generate revenues from direct sales responses or from advertisers, thus shifting the utilities of websites from being a promotional tool to a revenue generating model. A variety of different models exists now. Basically all the revenue generating models can be categorized into two groups viz., the provider based revenue models and the user-base revenue models. In the provider based model, the revenue is generated by the providers who attracts viewers on the site and then sells the space to others interested in these viewers. In case of user-based revenue model the revenue is generated by selling to customers. These are not new business model as media companies have been using provider based models for the last several decades. They attract viewers, listeners by providing valuable content at no or nominal charges. The other marketers, who want to reach out these groups, pay for the space/time. These
categories are below described. The payment is usually relative with customer’s response. Three most common models or ways of online advertising are CPA, CPC, CPM and CPE.

- **CPA (cost per action or cost per acquisition):** Advertising is performance based and is common in the affiliate marketing sector in the business. In this payment scheme, the publisher takes all the risk of running the ad and the advertiser only pays for the media on the bases of the number of users who complete a transaction, such as a purchase or sign-up, linked to an advertisement. As opposed to brand marketing, direct response advertisers consider CPA, the optimal way to buy online advertising, as an advertiser only pays for the ad when the desired action has occurred. CPA sometimes referred to as “cost per acquisition” which typically has to do with acquiring new consumers with advertising. Existing advertisers demand CPA model instead of CPM.

- **CPC (cost per click)** is often known as pay per click (PPC), in this scheme an advertisement may be displayed many times, but advertiser only pays based on the number of user click. Simply PPC is a system of advertising in which an advertiser only pays for an online ad if the web user clicks on the advertisement. This performance based online advertising model is used to direct traffic (human eyeballs) to websites, where advertisers pay the publisher (website owner) when the ad is clicked. Among CPC/PPC providers Google AdWords, Yahoo! Search marketing and Microsoft AdCenter are the three largest network operators. Pay per clicking advertising methodology is designed to help clients achieve their search engine marketing goals.

- **CPM (cost per mille):** The term per mille means per thousand impressions or loads of an advertisement. The M, roman numerical denotes for one thousand. CPM is a simple alternative to click-through rates that assess how much it costs to place ad on a particular website. CPM, the impression based model, is the cost of an online ad per thousand views. For example in banner advertising advertiser pays for each 1000 ad views, the banner ad receives. It is used for most display advertising and rich media. CPM costs are priced per thousand, so that a $1 CPM means that the advertiser pays $1 for every thousand impressions. Average CPM rates for Indian portals are between 100-125 Rs. The cost of CPM may drive down in case of low performance delivery.

- **CPE (cost per engagement):** It is a form of cost per action pricing first introduced in March 2008, different from cost per impression or cost per click models, a CPE model means advertising impressions are free and advertisers pay only when a user engages with their specific ad unit. Engagement is defined as a user is interacting with an ad in any number of ways.

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