

Online Advertising Basics

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Online advertising and search engine advertising in particular has experienced significant growth over the past few years. Unlike during the early tech boom when both the business models and tools were evolving, online advertising has finally matured into a serious advertising medium by providing high quality tools and information to both publishers and advertisers at a reasonable cost.

Essentially, the largest search providers, including Google, Microsoft (MSN) and Yahoo, are each building a complete platform for online advertising by connecting advertisers and publishers and by providing robust tracking tools to calculate your success rates, usage, conversions and ROI.

For publishers, the large search engines are creating massive networks open to anyone with a website where advertising revenues are shared between publishers and the search engines themselves. For advertisers, the search engines provide valuable access to highly targeted consumers through search engine advertisements and contextual ads.

In later articles we will cover more advanced topics, however it is useful to cover the basic terms and concepts:

Contextual Advertising

Most modern online advertising is delivered based on the context and content of the specific medium. For example, if you search for information on "golf clubs" you will see advertisements for various companies who sell or manufacture golf clubs. The search engine uses your keyword terms to



deliver these specific advertisements embedded in your search results. Likewise, if you visit one of their content network partners these same ads would come up where the context and content involves golf. It stands to reason that someone searching for information on golf clubs would be the preferred audience in this case over someone searching for information on "sewing machines". The more relevant the ads and audience, the more value you create as a publisher. Contextual advertising facilitates highly targeted exposure to the desired prospects.

The Cost Per Impression Model

Online advertising costs are often determined by the number of impressions, or CPM (Cost per Thousand Impressions). This is the model behind

the standard website banner ad. The concept of the "impression" underlies most advertising, online and offline. In most cases, each exposure to the individual consumer is considered an "impression" of sorts. In radio, your ad buy is based on the number of listeners who should hear your advertisement based on demographic measures of listenership. In television or print, a similar measure is used. In the CPM model, you buy space on a web page and pay for a certain number of impressions. Since your cost is based on the number of times your ad is displayed, you will want to make sure your ads have the best placement

in terms of their visual placement on a web page as well as their contextual placement. You will also want to make sure your ads attract attention since you pay whether they do or not. This is the reason why many websites have such headache-inducing advertisements fighting for your attention with animation, sound and desperate ploys to get your clicks. Banner ads have their place in your advertising campaigns, however new models are beginning to add additional value by addressing some of the criticisms to the CPM model.

The Cost Per Click Model

When you use a search engine to find information, you will notice text ads placed above and around the normal search results. These advertisements are generated based on the keywords you

used for your search, as we explained above. These contextual advertisements are generally priced according to the Cost per Click advertising model.

Essentially, your ad can be showed an infinite amount of time and can result in an infinite number of impressions, however you only pay when someone actually clicks your advertisement. This is the beauty of CPC (Cost Per Click) advertising. In other words, you only spend money when someone is interested in your advertisement and decides to click through to your website. Once someone clicks your ad, the challenge then becomes how to convert that visit to your website into a lead. (See our previous article: January 2007: "Filling the funnel: Online Lead Generation Strategies and Tactics").

One of the well-published downsides of the CPC model is that it is more susceptible to fraud since individual actions can increase your ad spend. This is not the case with CPM-based advertising. For example, while the search providers claim to have potent anti-fraud tools, there is nothing to keep anyone from clicking on the ads of competitors to cost them money or to click ads embedded in their own websites to generate fraudulent gains. Some researchers estimate click fraud to account for up to 10% of all paid clicks. However, even if these estimates are true, the benefits still outweigh the costs in terms of reaching targeted consumers and bringing them to your website.

Ubiquitous Media and Involvement

The Internet is an interactive medium accessible to everyone, anywhere, at any time. New and better models and tools are developed every day to help more efficiently monetize media consumption on the web. As the Internet grows into the glue connecting all media, an infinite number of opportunities will emerge for businesses to reach out to their prospects and this will add tremendous value for both publishers and advertisers.

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