

# *Advertising on the Internet*

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*Dissertation submitted to The University of Westminster  
For the Masters Degree in Marketing, September 1996*

## - Preface -

*Many companies believe they know how the Internet works after reading an Internet book. This is not possible. The Internet requires learning by doing. The best advice is, get on-line and get a feeling of what is happening on the Internet. That is the first step to becoming a successful advertiser on the Internet.*

*This dissertation is written for advertisers, advertising executives and marketers with the aim of helping them to understand the Internet's potential as an advertising medium. After experimenting the Internet and reading this dissertation the reader should have a general knowledge of interactive advertising strategies and be able to make effective persuasive and profitable Internet advertising.*

## - Acknowledgement -

I would like to thank the following people who were instrumental to the success of this dissertation.

- My supervisor, Peter Croissant for his time, contribution to and help with the dissertation.
- My previous boss from Lintas Werbeagentur GmbH in Hamburg, Sven Kuhlbrodt, now Marketing Director Continental Europe for Fidelity Investments. He encouraged me to write about Internet advertising. He has been a great support throughout the dissertation
- My friend Tamsin Edwards, previous Trade Mark Attorney in Australia, who throughout the Masters has been a great teammate. She helped me in my dissertation research, especially by introducing me to people, who worked in the fields of multimedia.
- My MBA teammate, Yoriko Matsuda, previous Account Executive in Dentsu Advertising Agency in Japan, with whom I shared and partly gathered my multimedia research with. Our discussions enabled me to get a better perspective of the technological world.
- My working colleges Lee Wills, Art Director at *Powerhouse Creative Services* for the art and design work of the front page.
- My friend Jean Philippe Roux, MBA, who not only shared his computer knowledge with me, but also managed to do the impossible - cutting down several thousands words to met the word limit.
- My friend Peter Gronne, whom I met through the Internet while conducting this dissertation. He has been a great help in all aspects.
- The 9 private Danish companies and funds, who financially supported part of my Masters in Marketing.
- All the people who participated in my interviews.



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# Executive Summary

The Internet is the fastest growing medium in the 90's with 25 million users with an average estimated growth of 10-20% per month. It has great potential as an advertising medium. Its feedback and interaction possibilities enable advertisers and Internet users to customise and differentiate the advertisement to meet the user's own requirements.

Internet advertising is becoming part of some companies marketing strategy. However it requires new strategies and thinking. The benefits of Internet advertising are its ability to cover all promotional objectives from awareness to action by leveraging all 5 elements in the promotion mix. The Internet is also a highly selective, cost effective media with greater measurability than any other media. Despite higher global reach Internet is not yet a local mainstream media.

The Internet offers companies targeting well educated, innovative, affluent males or students great potential for success as their segments are highly represented. Products with high information intensity and high buyer involvement are also appropriate for Internet promotion due to its large information capacity at low costs. Its distribution opportunity is especially suitable for the increasing channel of mail order products. Low product fit or low audience fit companies can benefit by building a brandimage to establish a userlink or simply to learn about interactive media.

Traditional advertising is consumed passively, yet on the Internet users have to actively select an advert. This changes the way advertisers generate and retain customers. To persuade visitors to revisit and spend time on the website advertisers must fulfil real customer needs on continuous basis. This requires clear objectives and targeting. Informative quality content, advertainment with interesting entertainment or direct sales possibilities can add value to the customer.

Internet implementation requires understanding, commitment and resource allocation from corporate management to operate successfully. The marketing department should be responsible in conjunction with advice from a competent advertising agency for Internet strategy development and implementation.





# 1.

## - Introduction -

*The effect of tomorrow's technology is consumer choice!*

The commercial industry is going through a rapid and radical development in the 90's<sup>i</sup>. Growth in disposable income, increased purchase information and alternative service and product offerings have expanded customers bargaining power. Tomorrow's advertiser must individualise, differentiate and customise to achieve advertising effectiveness<sup>i</sup>. Targeting and building a relationship with customers<sup>2</sup> on a individual basis is essential to be a successful advertiser in the 90's.

Meanwhile advertisers face other challenges in their communication strategies. The media industry has become more fragmented. To maintain share of voice, advertising expenditure has increased significantly without an equivalent ROI. Advertisers look for a more cost effective medium, meanwhile bringing them closer to their customers.<sup>ii</sup>

The dramatic change in technology and the development of the **Information Superhighway**<sup>3</sup> in the mid 90's has opened up new opportunities for advertisers. One popular term is the **multimedia** market, defined as the use of **digital technology** and intelligent access to information and entertainment services.<sup>iii</sup>

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<sup>1</sup> Due to the high number of referencies in this dissertation, endnotes are placed at the back of the dissertation to ease reading. Foodnotes will only be used for further explanation or referral to other parts of the dissertation.

<sup>2</sup> *Customers, visitors and users* are referred to as end consumers, who use the Internet. *Advertisers* are referred to as general marketers, who wish to advertise on the Internet.

<sup>3</sup> Highlighted text is further explained in the glossary appendix at the back of the dissertation.

The interactive development is expected to change advertisers marketing and communication strategies. The result of today's evolving technology is consumer choice. At the moment people consume advertising passively - someone other than the viewers devises the schedule.<sup>iv</sup>

But when the viewer's can select and de-select, advertisers faces the enormous challenge of meeting consumers demand. It will alter the way advertisers reach customers, how they catch their attention and what they offer.<sup>v</sup>

Advertising agencies are just starting to adapt to technology and build competencies in this field. Its impact on advertising has caught them by surprise, however it's effect is still unknown. Even those companies directly involved in tomorrow's technology are not sure about the pace of innovation and more important the likely rate of consumer acceptance. Andrew Grove, chief executive of Intel Corporation says: "...It will be a revolution...(with)...spectacular implications for the industry." Technological change might be overestimated in the short term, but is underestimated in the long term.<sup>vi</sup> No one can afford to wait and see.

The biggest multimedia revolution is the Internet. The Internet is the fastest growing medium in the 90's with 44.000 networks extending to 160 countries and including 26.000 registered commercial entities. Between 25-30 million computers were connected to the Internet host in 1995. It is estimated that it will grow by 10-20% per month.<sup>vii</sup>

The Internet has immense potential as a communication medium. Advertisers might even achieve their objectives of establishing a closer customer relationship. However, advertisers must develop new strategies and ways of thinking. The ability to utilise this medium successfully lies with those pioneers who understand, support and enforce the new rules of the emerging frontier.<sup>viii</sup>

From an advertisers perspective the focus has shifted from "How do we get on the Internet?" to "What do we do once we get there?."<sup>ix</sup> Having a homepage is now a "Must" in the 90's. Advertisers have rushed to establish a presence on the Internet, but often for the wrong reasons.<sup>x</sup> Companies are jumping on the bandwagon without enough corporate commitment.

Bjarke de Renovard at Mousehouse Multimedia Agency in Denmark claim that nine out of ten homepages are installed without any clear objectives or strategies.<sup>xi</sup> As McGookin, chairman of Hoskyns, says: “by the end of the century 94% of the US business world will be on the Internet, although only 12% will know why.”<sup>xii</sup>

Advertisers have not recognised that the traditional marketing approach does not work in this medium. They do not understand the great benefits and competitive advantage it can provide them with if handled skilfully. This is all due to a lack of knowledge of how the medium operates. To their excuse, they have had hardly any theoretical support or benchmark as this medium is still in its experimental stage.

Advertisers results have - of course - been poor and reinforced their belief, that the Internet is just another ineffective medium. This dissertation will try to prove that the Internet is and will be an effective media of the future. In fact many companies have achieved major success with the Internet. The aim of this dissertation is to provide the advertiser with a clear understanding of what differences there are between traditional medium strategies and on-line strategies and what specific benefits the Internet can provide. This should lead to some guidelines for advertising and implementing it on the Internet.

### **Problem definition**

- å What are the differences between Internet advertising compared to traditional mass advertising strategies?
- ç How is Internet advertising linked with the promotion mix?
- é What are the pros and cons of Internet advertising compared to general media?
- è What are the critical success factors for advertising on the Internet?
- ê How should Internet advertising be implemented?

### **1.3. Dissertation Plan**

- Chapter Three provides an overview of the Internet, from its history, development of the World Wide Web and current limitations to the various users and future trends.
- Chapter Four is partly theoretical; discussing the possible mode of communication, the promotion mix's relation to the Internet along with an comparison of traditional media to the Internet.
- Chapter Five contains an discussion of audience fit, product fit and general fit in order to see what type of companies will receive maximum impact of a Internet presence.
- Chapter Six gives certain guidelines for Internet strategies with an assessment of what the critical success factors are for generating traffic and retaining visitors at the website.
- Chapter Seven discusses how Internet strategies should be in corporated within the organisation, along with which agency to choose as competent Internet partner.
- The Conclusion

### **1.4 Limitations**

As the dissertation is written in relation to the MA Marketing course, technical issues concerning the Internet will only be described when found relevant. The consumer market is main focus, however reference to the business- to- business market will be made in instances where it is used as an indicator of trends and practices etc. The project attempts to provide a global perspective on the issue, but the UK and US markets are main priorities. Several issues will not be discussed in further detail due to the word limit. However, in line with my supervisors instructions, this dissertation exceeds the wordlimit of 10.000 words with 6.000 word. This has been allowed due to the novelty of the Internet and lack of theoritical research, which therefore requires further investigation and explanation. Furthermore this addition which is available on the Internet do not contain any appendix, due to the complexity by setting it up.

## 2.

# - Research Methodology -

*Internet knowledge is learning by doing*

Much has been written about the Internet over the last 6 months. However, due to the dramatic development over the last few years the process of both academic and commercial research in the marketing and advertising field has lagged far behind everyday practice.

### **2.1. Secondary Research**

External desk research is used in a subsidiary way, however primary research is the main thrust of the work. Secondary data provided a context within which to set the work. The secondary research is mainly based on articles from journals, newspapers and magazines because only few on-line marketing books has been published. None contain any academic/ theoretical research.

Through various contacts in the advertising industry it was possible to get access to confidential Internet material, surveys and briefings. New technology driven research methods like CD-ROM databases and library computer networking were both time saving, cost effective and efficient. During Internet research several good unpublished theoretical articles on advertising strategies was found. Press clippings from the IPA library was also useful.

### **2.2. Primary Research**

Certain research objectives especially concerning how Internet advertising works could not be covered through secondary research. They required a more analytical approach. Furthermore Internet development is so tremendous, that relying only on historic data will leave the dissertation with bias. The primary data was gathered through a combination of observation, experimentation and questionnaires.

Many hours have been spent surfing the net to get a understanding of how and what the people use the Internet for. Advertisements and company homepages were investigated and analysed. Several companies were interviewed through E-mail about their communication strategies. Marketing mailing lists and discussions groups were joined and a discussion group within *http:www.forum.dk* was set up to conduct this dissertation. Quick and free feedback from experts and users was thereby gathered.

In-depth interviews where carried out with people working with the Internet. Account executives and media planners in big advertising agencies, - well known for their new media expertise, were contacted along with Internet consultants from multimedia agencies.

They were asked to predict the future for the Internet as advertising medium and what effect it would have on media habits and communication strategies. The differences between this medium and traditional media were discussed along with what the critical success factors are. Companies present on the Internet were interviewed about their reasons for being there, what their strategies were and how successful they have been.

Net surfers and advertising experts were questioned through E-mail and **newsgroups** about their opinion of advertising on the Internet and what their requirements are. On-line suppliers were interviewed about the development of the net, security and control problems and Internet forecasting statistics. On-line trade mark lawyers were questioned about brand and trade mark registration problems. The interviews findings are incorporated throughout the entire dissertation either as direct quotes, main text or footnotes.

### **2.3. Construction**

The sample size was 20 interviews conducted over a period of 5 Months from January 96 to June 96 with an average duration of 1 1/2 - 3 hours. The qualitative research was mainly personal face-to-face interviews, however a few telephone interviews were carried out due to inconvenient distance problems. The personal interviews were gathered through an unstructured open ended questionnaire method. As no standardised questionnaire exist it has not been possible to attached any as appendix.

The risk of bias with a small sample has been reduced by a careful selection of quite well known experts<sup>4</sup> with the benefit of better quality of the research findings. The primary research findings have been compared to the secondary research findings. There is a clear positive correlation in the relationship between these two methods.

The secondary sources are mainly British or American. America is far ahead with the Internet and is therefore a important trend-setter. German, Danish sources also appear - mainly as primary sources. Using different nationalities sources may contradict and increase bias.

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<sup>4</sup> A list of the people interviewed is attached at the back of the dissertation.

## 3.

# - The Internet -

*Internet is more about people than about technology*

### 3.1. The History of the Internet

The Internet is a global computer network which is linked together by international telecommunications lines.<sup>xiii</sup> ARPANET (the original name) was founded in 1968 by the United States Defence Department to develop a world-wide communication system to connect government and military locations together. For safety reasons, there is no central computer and no central authority which controls the Internet.

The Internet then grew into an academic site. Science and education fields used it as an electronic library and for exchanging of information through discussion groups. This was made possible through interactive video-conferencing and E-mail. The construction was very basic, mainly textbased and very slow due to poor software.

### 3.2. The Development of the World Wide Web (WWW)<sup>5</sup>

In 1992 President Clinton and Vice president Al Gore spoke for the first time of the information superhighway as part of their US election campaign.<sup>xiv</sup> This required a lot of investment in better software and technology, which was sponsored by the US and the commercial industry. The WWW was founded in 1989 and was introduced commercially in 1993.<sup>xv</sup> By 1994 3 Million webpages of information, entertainment and advertising existed.<sup>xvi</sup>

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<sup>5</sup> Although Internet and the World Wide Web are two different issues, both terms will be used throughout the dissertation



The Internet changed from an individual communication site to a commercial environment. A survey in 1996 showed that 89% of the websites belonged to the commercial industry, the remaining 11% to individuals.<sup>xvii</sup> The WWW is compared to a cross between electronic trade show and a community flea market due to its openness, informality and interactivity.<sup>xviii</sup> The WWW made the Internet user-friendly and customised. Homepages can contain creative graphics, video clips for people to view and audio visual clips.<sup>xix</sup> By typing the **URL** homeaddress or through **hyperlinking** the user can in an unsequential way select, what and when to see specific information and to interact and visit other peoples homepages.

There are still only 16 million of the 25 million<sup>xx</sup> who can actually browse the web and not all computers have the capability to play the video and audio files. However, the web is believed to be the future standard and is improving daily. **Commercial On-line services** like Prodigy, CompuServe, America On-line etc. now provide their customers access to the WWW.

### **3.3. Internet Technology and its limitations.**

#### ***Basic Internet Equipment***

Access to the Internet requires a computer, a telephone line and a minimum 14.400 K **modem**. Bill Gates vision<sup>xxi</sup> of “a PC in every house” seem a bit unrealistic or at least distant. 54% of US households and 25% of UK households have a PC. However, the US is already facing stagnation in PC sales in 1996, only repeat sales to existing PC owners are growing.<sup>xxii</sup>

The reason for stagnation is, that many do not master the technology. This can result in a huge gap in the information society between computer users and non-users. Consumer may also find Internet too complicated, confusing and cold or simply prefer to be passively entertained. However, technology prices and on-line subscription fees are falling, modem speeds are increasing and thereby reducing the **bandwidth** problem, software is improving and information and communication needs are exploding, making Internet services accessible, affordable and attractive.<sup>xxiii</sup> This will increase the Internet volume, which is important for the advertiser.<sup>6</sup>

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<sup>6</sup> Appendix B display a forecast estimation of the consumer market for Internet Access- Services in the US.

### ***Bandwidth***

Most users surf at expensive day time rate. During peak hours<sup>7</sup> it takes longer to **download**. To watch an advert that plays for 10 seconds would take 20-50 minutes to download on a basic 14.4 **kbps** modem.<sup>xxiv</sup> A survey by J. Walter Thompson found that if nothing starts to appear, users start to wander elsewhere after 12-to-15 second.<sup>xxv</sup> Traditional TV spots are therefore not suitable to display on the Internet.

The use of great graphics are very popular among advertisers to reinforce brand image. However, many surfers do not see it as added value in the trade off with speed. They either select to surf without graphics or in worst case surf elsewhere. The latter, means loss of business. To avoid this small graphics are recommended. Another opportunity is to create two websites; a slower, with better graphics and a quicker purely text-based site.

Software is now available to make the surfer aware of, how long a website will take to download. This reduces their impatience. Advertiser can also offer to sponsor the transmission, which means the users access the site for free.<sup>8</sup> This may reduce the risk, that customers surf elsewhere if the bandwidth is too slow.

Both the US and the UK have invested in fibre-optic cable which in the near future should increase the speed significantly. However, transmission of large data with the current bandwidth problem can be solved by combining **CD-ROM** with the Internet. CD 's ability to carry Internet **HTML** language enables advertisers to offer customers to purchase the quicker CD with up to 630 MB of information (for instance car promotion), and up-date the version over the Internet.<sup>xxvi</sup>

### ***Security***

Microsoft, Visa and MasterCard work on securing credit card transactions, which might include digital signatures. **Firewalls** and **encryption** have already been developed to protect confidential material. Digital cash or virtual money like "E-cash" are also being tested as means of payment on the Internet.<sup>xxvii</sup>

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<sup>7</sup> Early evening hours and daytime peaks for business intensive users

<sup>8</sup> For further information please 4.5 *Cost section*

Many claim Internet transaction is just as safe as any off-line transmission. An article in Technology Review claimed 2.300 break-ins on the Internet in 1994<sup>xxviii</sup> However, there is still not a single recorded case of a card number being stolen during a transaction on the Internet.<sup>xxix</sup> Nevertheless people are still afraid of giving their credit card details. Researcher at the University of Michigan found that 56% of respondents claimed that security concerns were the primary reason for not shopping on-line.<sup>xxx</sup>

So far only 2.5 million people have purchased products and services over the WWW, but according to a Hermes pre-test programme in 1994 it is expected to grow by 85%.<sup>xxxi</sup> Direct selling will not be fully utilised, until the public is convinced that the Internet is safe for transactions. This means that the advertiser meanwhile should provide the surfer with other alternatives to exchange money e.g. through phone transfer. Advertising will not be able to “finish the sale”, until the security problem is solved.

### ***Control***

There is no central authority, no governing body and no official policies on the Internet. Every one is free to publish what ever they like. To trust sources can be difficult. A lot of irrelevant content is being published. Since the US government stopped sponsoring the Internet in 1995, there is a need for someone to fund the future development of the Internet.

The commercial industry now sponsor development and quality content, with the trade-off of allowing promotion. Also legal issues across borders are difficult to control. What might be legal in one country may be illegal in another.

### ***Property rights***

Digital transmission make it easy to copy and alter all sorts of information and art, from music to databases to computer software. “The Internet is one gigantic copying machine. All copyrighted works can now be digitised and once on the Net, copyrighting is effortless, costless, widespread and immediate” says David Nimmer, a Los Angeles lawyer in intellectual property rights. This is dire news to the commercial industry, which become very vulnerable to piracy to a vast number of people. Advertisers must be aware of this problem.

Current copyright law is based around national boundaries, which leaves the question what national law should be used. The European Union has created a green paper on copyright and related rights in a digital society, which may become a directive. Also the World Intellectual Property Organisation is working on a set of international standards for copyright laws.

Many products sell, not for what the physical objects costs to make, but for a price that reflect the heavy research costs (drugs) or an ingenious idea (software) or spending on branding (perfume). The erosion of copyright protection may end up as part of the price producers will pay.

A way is to charge customers to access sites or download content and the copyright holder will receive a tiny payment. However, this will require such a complex billing system that the costs might well exceed the revenue it produced.

The ultimate question is whether downloading is reproduction or distribution?. Without going in to further detail public reproduction requires the right holders permission. Distribution rights control the first sale of a copy, but not subsequent sales (e.g. a student can freely sell a second hand textbook, which can be copied again and again).

Tracking down piracy is difficult as people put it anonymously on the net. Second, who is liable?. The operator or the content producer? The current situation seem too diffuse to make any conclusion how to address this increasing problem.

### ***Trademark protection***

An other legal issue is trademark protection. Demand for catchy domain names (you@yourname.com) are rising and the process of name assignment and registration is becoming a contentious process. Currently 120.000 commercial domains are registered by InterNIC, a service which manage name registration and directories. It is growing with 3000 per week. Many companies pay the \$50 annual registration fee simply to protect their trademark, without using the domain name. For instance P&G has registered all its brandnames partly for this reason.<sup>xxxii</sup>

When trademark problems arise it is up to the courts to take decisions. At the moment domains are registered on a first come first served basis.<sup>xxxiii</sup> McDonald's fought for its trademark after a journalist registered it on a whim. A Webmagazine promoting the Barbie doll in compromising positions was taken to court by the Barbie company, who wished to protect its trademark.

Across the world there will be companies with the right to specific trademarks, but the name might be used elsewhere. The domain name might be the same, and only the country code different.<sup>9</sup> This increases the risk of trademark misuse. Advertisers can register in all countries, but it is expensive and takes time. People might misuse the trademark or publish something damaging about the company. According to David J. Richard, Partner in Boulton Wade Tennant - Trade Mark Attorneys, the role is, that it is the place/ country where the offended is situated, which counts (not where it is actually published).<sup>xxxiv</sup>

### **3.4. The Internet users**

Before creating an advertisement the media users must be surveyed and understood in order to target them efficiently. SRI International conducted in mid 1995 detailed research on the different segments on the Internet. CommerceNet/ Nielsen Internet Demographics Study released its first major US Internet survey in October 1995. Their findings were.....

#### ***Internet Demographics***

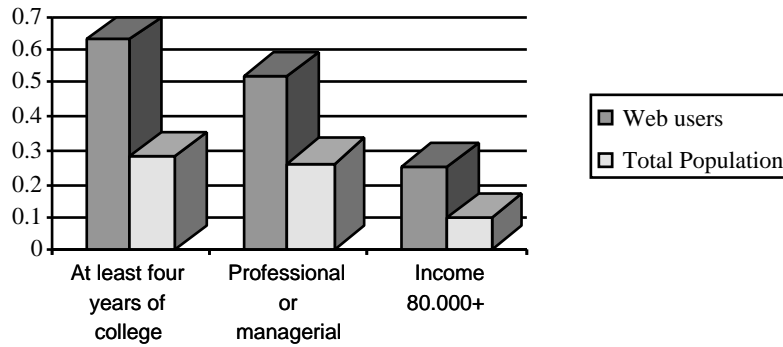
The user is an extremely attractive target due to his/her characteristics. They are well educated (64% have at least college degree), professional (50%) with a high disposal income - 25% have income over 80.000 dollars aged between 30 and upwards. Research results confirm that education and not income is the key to Internet participation.<sup>xxxv</sup>

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<sup>9</sup> Microsoft might register this domainname in the US as <http://www.microsoft.com.us> where as someone for instance in Denmark register the same domainname, but with a different country code <http://www.microsoft.com.dk>

Figure 3.1

Demographic Profile of Web Users



Source: AIM Nielsen (1995)

The users’ status and profile makes them often opinions formers. Reaching these segments have a great impact on word-of-mouth communication. They are information seekers, curious, active and innovative. They like interacting and being in control. They are more demanding, than advertisers expect<sup>xxxvi</sup>

Students

Most colleges and universities give free accounts to the students. They have a significant demographic component on the Internet. They are innovative and looking mainly for entertainment. To reach this segment at an early age could create the possibility of establishing a relationship with a life time value for the advertiser.

Gender differences

The Internet is primary male dominated with 60% of the total usage. However, women on the Internet are increasing significantly in numbers now accounting for approximately 40% up from 15% in 1995.<sup>xxxvii</sup> Researchers say there is evidence that men and women use media in different ways.<sup>xxxviii</sup> This will have implications of the future development of the Internet, which has previously been male focused. A recent study showed that females are more loyal and spend more time on specific Internet sites where as males surf around for “what’s cool?”<sup>10</sup> and entertainment. Men are more impressed by fancy graphics and

<sup>10</sup> Many homepages contain “what’s cool?” icons with links to the homepage owner’s favorit sites.

download games, where as women look for chat rooms or ways to make their lives more efficient.

More women in cyberspace could be a gold mine for advertisers. They are believed to make 75 percent of the general consumer decisions.<sup>xxxix</sup> However, a survey sponsored by Apple computer still shows, that 90% of on-line shoppers are men. Many believe this will change, once the woman become familiar with the net. Some companies such as Clinique or Toyota have realised this potential and target women directly with special female sites. However, only few have so far taken this initiative, either because they do not believe there is any difference or because they do not understand there is a difference.

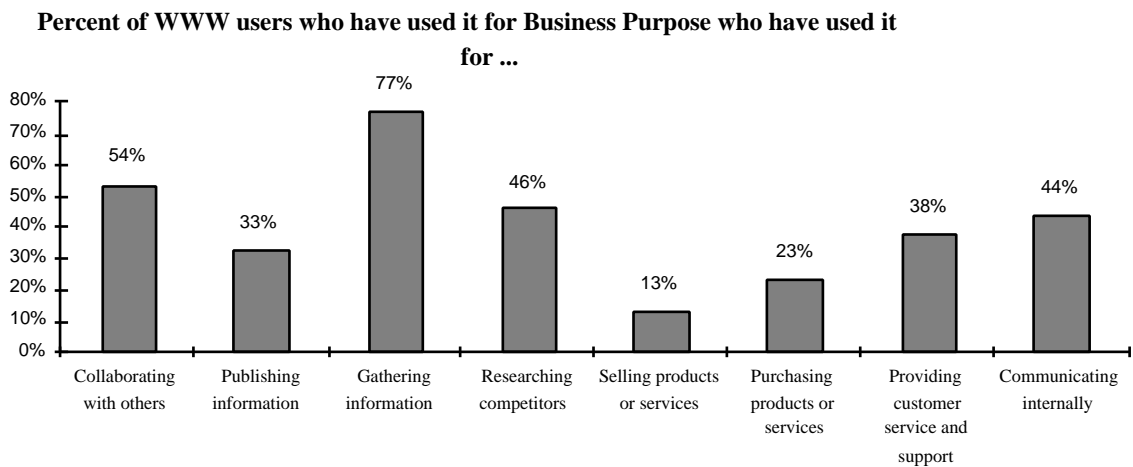
**Internet Usage**

17% (34 million) of the total US population have access to the Internet. 11% had accessed the net the past three months - 8% the WWW. They spend an average of 5 hours and 28 minutes per week on the Internet. In total the Internet is receiving 46% more usage time than on-line services.

US experience suggests that as media fragment, so do audience. If they are on the Net, they are not watching Television. In fact viewing drops by 25% when people surf the Internet. So as Mark Dickinson, new media development director at Lowe Howard-Spink says: "If we are not there (Internet) too, we're going to lose them."<sup>xi</sup>

62% have access from home, 54% from work and 30% from school. Despite a higher percentage of home access, people spend more time accessing the Internet from work. Either because they use it for work purpose or because work pays. They are researching markets and competitors, communicating and providing customer service support.

**Figure 3.2**



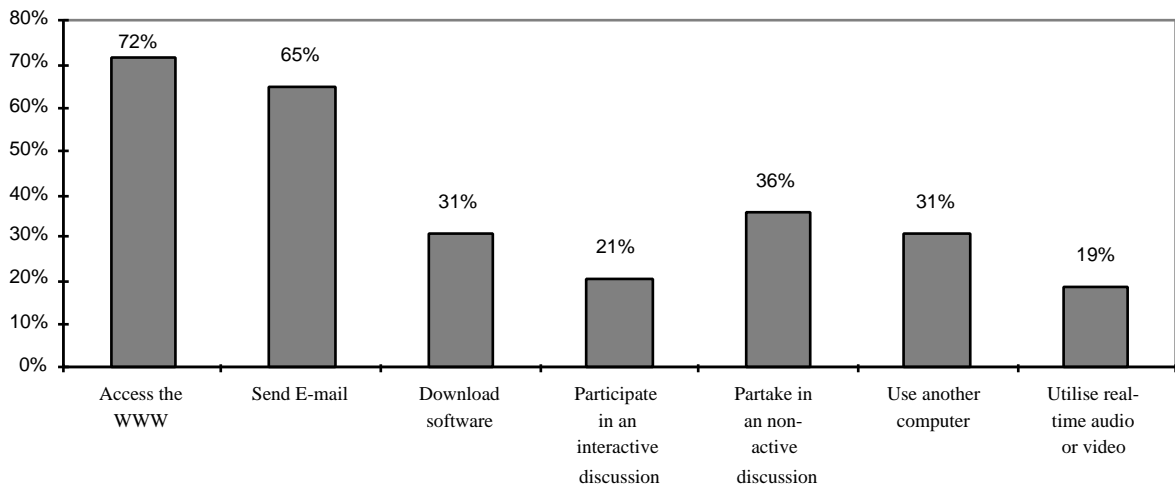
Source: AIM Nielsen (1995)



Users use the Internet to access the WWW, send E-mail, download software, participate in discussion groups and utilise real time audio or video.

**Figure 3.3**

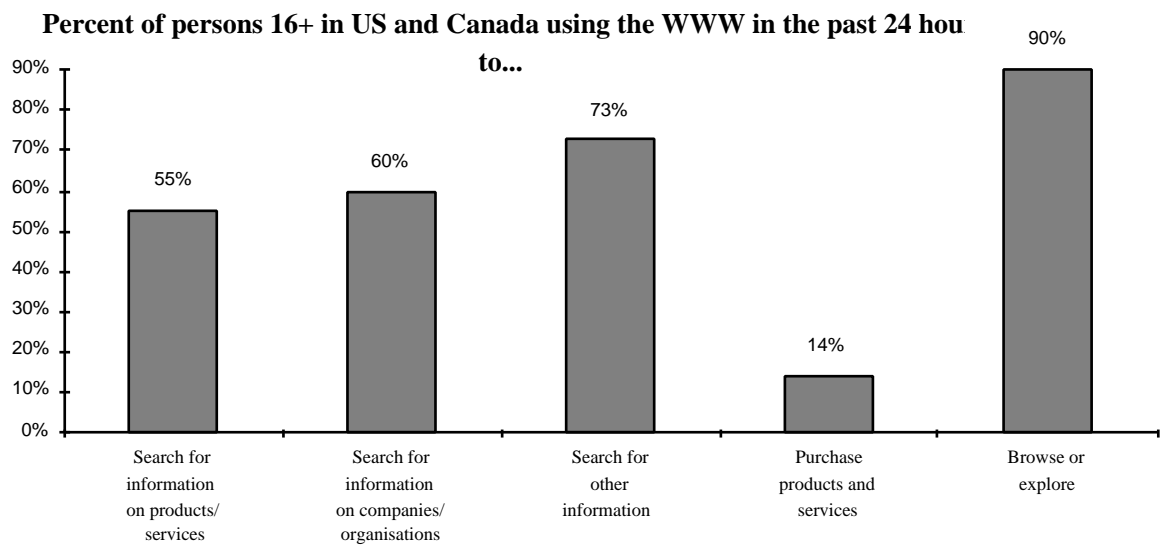
**Percentage of persons 16 + in US and Canada using the Internet in the past 24 hours to...**



*Source: AIM Nielsen (1995)*

Once they have access to the WWW they search for information on products and services, on companies and entertainment. However, 90% just browse or explore.

**Figure 3.4**



Source: AIM Nielsen (1995)

Figure 3.4 shows there are different search motives. Hoffman and Novak (1995) define these motives as goal directed flows and experiential flows, which is summed up in figure 3.5. Experiential search activities are not guided by goals or outcome, but by the process itself. *Surfers* surf for increased learning, perceived control, exploratory behaviour and positive subjective experiences.

*Searcher* choice in Goal-directed flow is based upon a clearly definable goal hierarchy. This hierarchy will involve choices among products and services, information sources and navigational alternatives. Searchers are more motivated and involved with their goal destination and spend more time on the particular site.

**Figure 3.5**  
**Goal directed vs. Experiential activities**

Search motives:	Involvement	Flow:
Task completion	Situational involvement with goal	Goal-directed (specific goal)
Prepurchase deliberation	Situational involvement with product	Goal-directed (information gathering)
Build information bank	Enduring involvement with product	Experiential (for future purpose)
Opinion leadership	Enduring involvement with product	Experiential (up-to-date news)
Recreation	Enduring involvement with process	Experiential (CME interaction)

*'Source: Hoffman D. and Novak. P (1995)*

The two defined flow motives can be a base for segmentation. However, some users experience both. High involvement products are visited more by searchers, whereas entertainment's sites provided by mainly low involvement products attract surfer.<sup>11</sup>

The central dilemma confronting Web advertisers is how to turn surfers into interactors, meaning attracting the surfers to the extent that they become interested, ultimately purchasers and, staying interactive to become repeat purchasers<sup>xii12</sup>

<sup>11</sup> For further information see chapter 5 & 6.

<sup>12</sup> For further information see chapter 6.

### 3.5 Netiquette

Advertising has until recently not been tolerated due to Internet's past history as a highly reliable academic information-exchange pool. Advertising is becoming more accepted now, if it adds value to the users, where relevant.

Research and net' etiquette knowledge is a prerequisite. The neo democratic (anarchistic) culture and unwritten rules has remained strong. As a public resource, the Net's technology has enabled it to escape the capitalistic dynamics of privatisation and as a mass medium, it has escaped the censorship of the present mass media "king".<sup>xiii</sup> Since there is no central authority, the users themselves have taken to policing the Internet. The advertiser has to live by these rules. Otherwise they may be "**flamed**", which is a nasty note containing threats and curses or in worst case be boycotted.

Two lawyers "**spammed**" the Internet by sending a advertising message to thousands of newsgroups. The reaction was very aggressive with thousands of "flames" and their subscription was withdrawn by the Internet provider. There even exists a blacklist of companies, who are black-banned for sending out unsolicited commercial e-mail or posting unrelated commercials to newsgroups or mailing lists. Their name is on the list. for 3 months. They are notified by the private blacklist provider to correct their behaviour.<sup>xiii</sup>

Dramatic levels of growth and rapid shift in the Internet's population might create new on-line rules or weaken existing ones.<sup>xiv</sup> However, it will not remove rules. There will be a shift toward secure privately-ruled communities within the net. The move to electronic commerce will demand new communities and support new rules. In cyberspace the real power will lie with those who make the rules.<sup>xiv</sup>

### 3.6 Future trends and their impact on the Internet

#### *Consumer trends*

Demographic, social and technological changes influence consumers lifestyle, value and beliefs. By paying close attention to today's signs in consumer moods an advertiser can predict coming trends.

The dramatic change in technology has altered the way customers live, shop and interact with each other. The computer screen will become a window to the outside world. People will be staying at home more, in what Faith Popcorn<sup>xvi</sup> calls her first future trend “cocooning” with the cocoon central for operations like shopping, security, consumption and work. This will have a major impact on the potential of the Internet as a distribution channel. Penetrating the cocoons will, according to Faith Popcorn, be the primary challenge for advertisers in the future.<sup>xvii</sup>

This prediction may be exaggerated and more relevant for America than Europe, but Europe is following America to some extent. On-line shopping and increased Internet subscription in the UK support this assumption.

### ***On-line shopping***

When on-line shopping was introduced in 1984 customers were suspicious about this new purchasing opportunity. However, technology has become more user-friendly and customers have become accustomed to its opportunities. The more customers realise the benefit of on-line shopping the better for Internet advertisers. Advertisers get an additional distribution channel, while getting closer to knowing their customers. On-line sales counted for £200 million in 1995 and is expected to grow to £30 billion in year 2000<sup>xviii</sup>.

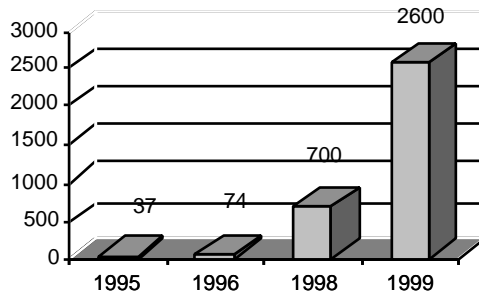
### ***Advertising Forecast***

Exact figures are difficult to estimate, but Investment banker Alex Brown expects Internet based advertising will reach 1.4 billion dollars in 1998. Forrester Research predicts that advertising on the web will generate 74 million dollars in revenue this year and reach 2.6 billion dollars by 2000.<sup>xlix</sup>

To take advantage of this profit centre advertisers must start developing competencies in this field, but it requires a fundamental change in their communication strategies.

Figure 3.6

Web based Advertising Revenue Forecast



Source: Forrester Research Inc (1996)

Key findings

- The Internet is the fastest growing medium in the 90's with 25 million users with a average estimated growth of 10-20% per month.
- The World Wide Web is attractive as commercial site as it allow documents containing text, images, sound and video to be sent across the Internet at low costs.
- Bandwidth, control, security, property rights and trademark protection are still problems advertisers face on the Internet.
- The users are highly attractive target for advertisers due to their socio-demographic profile and their status as innovators and opinion leaders.
- Advertisers must respect and follow the Netiquette's rules and restrictions to operate successfully.
- The Internet offer advertisers an additional distribution channel for online shopping.

## 4.

# - Communication Strategies -

*A new interactive paradigm*

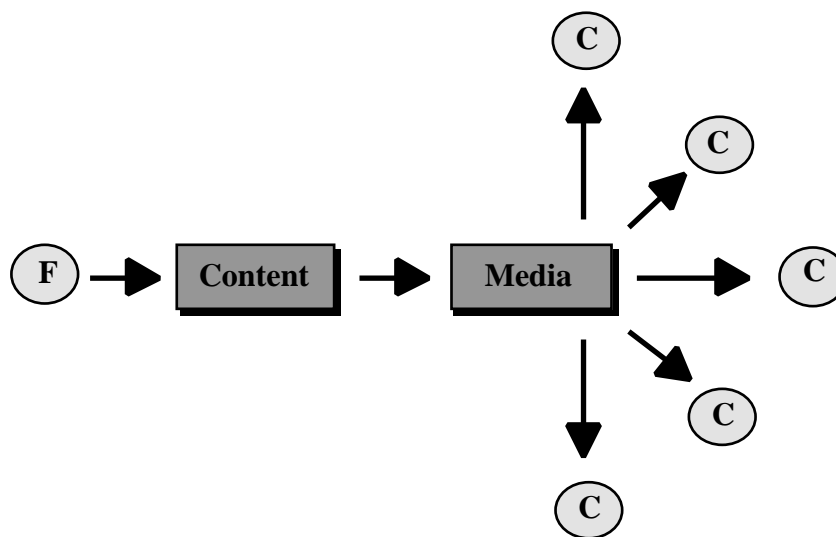
### 4.1. One-Way Communication

#### *Mass Communication*

Mass communication was very popular in the 1970s and 1980s with the advantage of reaching a wide audience. Traditional mass advertising through television, radio or magazine is normally a one-to-many passive communication strategy. It carries a simple standardised message, regardless of the audiences individual needs and wants. Mass communication requires heavy advertising expenditure and involves wasted exposures to people who are not potential consumers.<sup>1</sup> Niche marketing in the early 80's reached more defined targets through specialised media and tailored adverts, but it still fails to develop any dialogue with the customer.

**Figure 4.1**

**Traditional One-To-Many Marketing Communication Model for Mass Media**



Source: Hoffman and Novak (1995)

Traditional mass advertising will still be important to generate awareness, but its dominance will steadily erode once interactive media gets a foothold in the market place. Customers of the 1990s look for advertisers, who can customise their products and communication to meet individual requirements. New communication strategies are therefore necessary.

## 4.2 Two-Way Communication

### *Direct Marketing*

Today's marketing manager sets high standards for achieving efficient and accurate targeting and effective monitoring the performance levels of the media used. He looks for improvement in the control of expenditure, diminishing the potential for wastage and encouraging customer dialogue.<sup>11</sup> Direct Marketing seems to be the answer. Advertisers started in the mid 1980s to focus on direct response advertising with development of customer databases, direct mail etc. to meet the above requirements. A Henley Centre survey recently showed that 75% of advertisers surveyed expects to increase their direct marketing expenditure as a proportion of their total marketing expenditure over the next five years.

#### *1. Interpersonal communication:*

The Internet is part of **hypermedia**, which enables advertisers to go beyond general direct response.<sup>13</sup> The Internet alter traditional advertising and communication strategies. It provides the opportunity for a one-to-one personal interaction in real time where individuals engage in flows of communication which partly reflects the diversity of their needs. Advertisers can tailor precisely to individual customers. Furthermore the interaction process allows the advertiser to obtain relevant information from customers for the purpose of serving them more effectively in the future.<sup>14</sup>

(Interactivity):

The interaction process is explained by Barker and Gronne as: "*Feedback* exists when person A after receiving a message (X1) from person B returns a message (X2) to B. If the exchange continues, and B sends another message (X3) to A which is influenced by message X2 it can be said that A and B *interact*."

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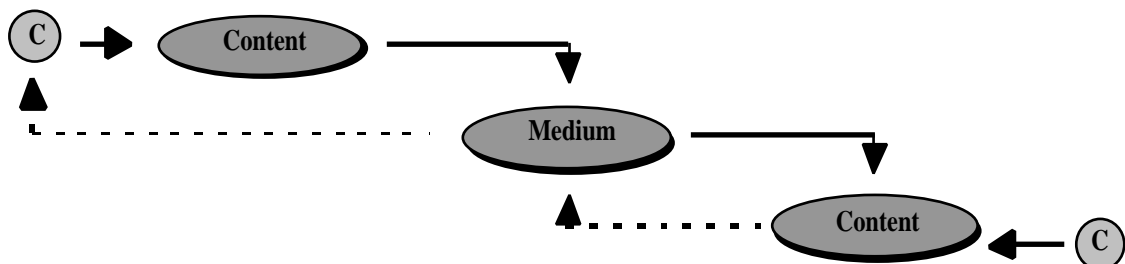
<sup>13</sup> For further information see 4.3 Targeting and relationship building



The key distinguishing feature is the dialogue opportunity, which does not exist in traditional advertising. According to AT&T interactivity will mean that barriers of time and space disappear. Information will flow from anywhere to anywhere. Anytime<sup>iii</sup>

**Figure 4.2**

**Interpersonal and Computer-Mediated Communication**



Source: Hofmann & Novak (1995)

**2. Computer mediated Communication:**

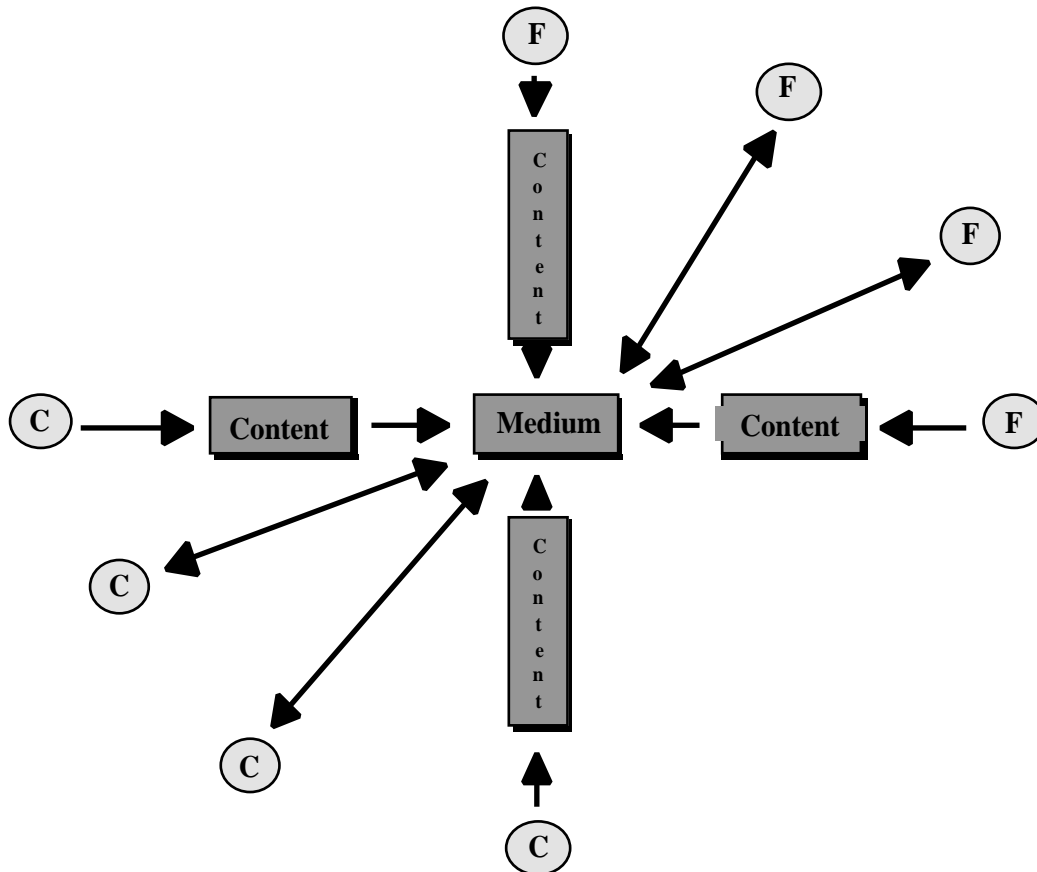
The web also offers a many-to-many process for instance through chatrooms, where there are many senders and many receivers interacting with each other and the medium. In interpersonal communication the personal interaction is distributed *through* the medium, however in machine interactivity the interaction can also be *with* the medium. It is “the extent to which users can participate in modifying the form and content of a mediated environment in real time.”<sup>iv</sup> The user can choose between interaction with the medium alone or with more people including the medium at the same time.

Consumers and companies can surf the WWW while contributing content to the medium. They can set up their own homepages, publish articles or provide product related content to the medium. E.G. individual consumers have established web pages for automobiles (e.g. Ford, Porsche) toys (e.g. Lego and Barbie dolls).

That consumers can provide content is a radical change. This has its pros and cons. As more and more users become information producers as well as information consumers, the noise ratio in the medium also increases. Gatekeepers of traditional mass media serve to maintain a minimum quality level and a certain editorial style, which is not currently present on the Internet.<sup>lv</sup>

Figure 4.3

New Model of Marketing Communications in a Hypermedia Computer-Mediated Environment



Source: Hoffman and Novak (1995)

*All in One*

Internet advertising can utilise all three of these communication strategies. The **banner ad**<sup>14</sup> can be used as a mass medium to generate traffic (mass communication). The user can then choose to interact with the medium by looking up the website (machine interactivity). The user can place orders or ask questions by sending E-mail to the company (person interactivity).

<sup>14</sup> Banner ads will be described in detail in 6.2: *Generate traffic to the site*

### **4.3. Interactive Marketing**

#### *Targeting and Relationship building*

Targeting is essential! As Fidelity's Internet Specialist Ronald Raikula put it "It is not the quantity, but the quality of the users which matters. We are not interested in large exposures to our website. We want to qualify customers, who have a general interest in our products. Otherwise it is a waste of time and money. It may even destroy our reputation if we are not able to provide the necessary feedback or quick customer service we promise." Fidelity was one of the first investment companies to have a webpresence. In 6 months it had 3 million **hits**.<sup>hi</sup>

Financial service pages aim to tailor their information deluge to individual needs. Personal portfolio recommendations are popular, based on Internet questionnaires. Customers can even look up their funds performance at any time. The interactive feedback mechanism enables the advertiser to identify the customer and analyse his individual needs and wants. The information is of great value for the advertiser.

Software like Firefly 2.0 allow advertisers to target consumers based not only on criteria such as age, gender and domain, but also customers taste and needs. The new communication enables the advertiser to customise his advert to the receiver on a segment basis. Software can adjust specific advertisements to different segments through recognition of the users data.

The advertiser must consider how, what, when and at what cost he can add value to a specific customer's perceived experience. By adding value the chances of establishing a close relationship with the customer will increase.

The longer a customer remains loyal, the better the advertiser gets to know the customer. The advertiser can tailor his advertisements better to the benefit for both parties. A loyal customer is 5-10 times cheaper to keep and has a life time value.<sup>hii</sup> However, loyalty needs a reason to come back.

Figure 4.4 shows that there are different levels advertisers can take in developing a relationship with their customers.

**Figure 4.4.**

**Levels of interactive Market (JWT Detroit Model)**

Level	Type	Description
1	Mass Communication ▼	Advertiser promotes: Consumer listen
2	Response communication ▼	Advertiser promotes: Consumer respond
3	Direct response ▼	Advertiser promotes: Consumer respond; Advertiser fulfils, refer:
4	Informational communication ▼	Advertiser promotes, informs Consumer respond, questions
5	Transactional marketing ▼	Advertiser announces, informs Consumer question, purchases
6	Electronic relationship marketing ▼	Advertiser integrates into media Consumer develop, dialogues
7	Electronic dialogue 1:1 marketing	Continuing communication ensures purchase, contracts electronically

*Source: Our New World, Interactive Workshop (1995)*

Advertisers are now in the “Information communication” stage, but once Internet security problems are solved they can move to “Transactional marketing.” On a long term basis this medium has potential to establish a relationship with continuing dialogue with customers.

#### **4.4. Internet and the Promotion mix**

##### ***Promotional objectives***

Internet advertising requires promotional objectives. Promotional objectives provide means of communication and co-ordination between groups (e.g. client and agency). A shared understanding raises the performance and eliminate those strategies that have no chance of allowing the advertising firm to meet its objectives. It acts as guide for decision making. Furthermore objectives provide a benchmark so that the relative success or failure of the programme can be determined.

There are different models to describe the promotional objectives. The following illustration refers to the most commonly used AIDA model (*Awareness, Interest, Desire, Action*). This model assumes that there are a series of steps a prospect must pass through, in sequential order from awareness to action. The choice of promotion mix depends very much upon the promotion objectives.

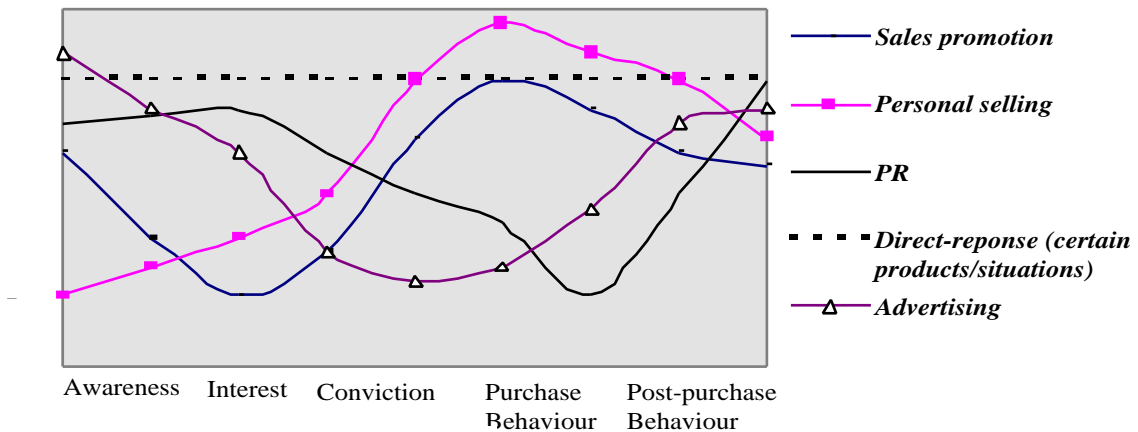
##### ***Promotion mix***

Promotion is one of the four basic elements of the marketing mix. Promotion is responsible for the communication of the marketing offer to the target market. Product quality, price and place also communicate a variety of messages to the consumer which should be consistent with the promotion strategy. The promotion mix is traditionally perceived to consist of four elements: *advertising, sales promotion, public relations and personal selling*.

However, the traditional groupings of promotional tools are no longer assumed to be the most effective forms of communication.<sup>viii</sup> Due to changes in the marketplace a fifth element Direct Marketing has evolved. As already described it is a important way of developing personal relationships with customers. Furthermore Direct Marketing offers the opportunity to cover all the promotional objectives in one step compared to traditional promotion mix which normally only covers one or two stages.

Figure 4.5

## The relative effectiveness of the tools of the promotional mix



Source: Fill, Chris (1995)

**The relationship between promotion mix and Internet promotion.**

- **Advertising:** A banner advert<sup>15</sup> on popular websites can create *awareness* and *interest* to attract and reach the mass market like traditional advertising at fairly low rate.

- **Sales promotion:** Competitions, club memberships, money-off vouchers, quotations, sampling of digital goods like downloading free software are ways advertisers can generate visitors, obtain visitor data and increase *desire* for the brand.

- **Personal selling:** Internet advertising returns to the oldest form of commerce: buying and selling in the context of inter-personal relationships. The interaction process enables the advertiser to give a personalised service. Customers can e-mail questions to support their informational search in the *desire* stage or even take *action* by placing the order.

- **Public Relations:** The advertiser can publish third source press releases on the website. It has a high credibility effect on the target audience. This can increase *awareness* and *interest* for the product or reinforce the persons "post purchase decision". Own press releases can add to customers knowledge of the company and its new product. Many journalists use the Internet for new stories. They may then cover the companies press

<sup>15</sup> Banner ads will be described in detail in 6.2: *Generate traffic to the site*

r e l e a s e   i n   t r a d i t i o n a l   m e d i a .

Stakeholders including shareholders, employees, suppliers, public organisations also have a general interest in how a company is performing. E.g. Coca Cola's website contains their annual report, financial figures and new product realises.<sup>ix</sup>

However, PR can also have a negative impact on the Internet. Intel was forced into a product recall of its new released Pentium chip because of consumer agitation on the Internet, generating negative PR. It soon spread to conventional media.

- **Direct Marketing:** As discussed in 3.4, Internet advertising offers a great opportunity to build a relationship with the customer being a continuous process which goes beyond the post purchase stage. The advertiser can maintain contact through E-mail, mailing lists or up-date websites. It has a high level of effectiveness throughout the whole purchase decision process from *awareness, interest, desire to action*. Actual sales are usually separated in time and space from traditional advertising exposures. However, with the Internet it has become easy to place the order immediately after exposure and makes it easier to measure advertising success.



## 4.5 Internet and traditional Media

Sepstrup (1991) argues “The advertisers ideal is the best possible reach within a well-defined audience (selectivity) with good possibilities of feedback and low costs, while mass communication often forces the advertiser to accept high reach with a low selectivity and no feedback opportunities in order to achieve a reasonable cost-effectiveness.” He has set up the following five criteria to evaluate the effectiveness of the different media.

<b>Reach:</b>	How large is the audience that can be reached?
<b>Selectivity:</b>	How precisely can the audience be reached and how precisely can each segment’s particular information needs be addressed?
<b>Feedback:</b>	How easy is it for the receiver to provide feedback to the advertiser?
<b>Cost:</b>	How expensive is it to convey the message through the particular medium?
<b>Information Capacity:</b>	How much information can be processed through the medium?
<b>Measurability:<sup>16</sup></b>	How well can the success of the advertisement be measured in the media?

Figure 4.6 provides a general overview of the different media’s characteristics. As this figure shows the Internet has great potential as media carrier compared to traditional media.

**Figure 4.6**

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<sup>16</sup> Measureability has been added to the list, as it is a very important factor. The company must determine if the promotional effort reached the stated objectives. Own assumption

**Characteristics of the Main Advertising Media**

	<b>Reach</b>	<b>Selectivity</b>	<b>Feedback</b>	<b>Information capacity</b>	<b>Cost</b>	<b>Measurement</b>
<b>Newspapers</b>	high	moderate	low	moderate	high	low
<b>Magazines</b>	moderate	high	low	moderate	high	moderate
<b>Radio</b>	high	low	very low	very low	low	very low
<b>TV</b>	very high	low	very low	low	low	low
<b>Direct Mail</b>	low	very high	moderate	high	high	high
<b>World Wide Web</b>	low	high	very high	very high	potentially very low	potentially very high

Source: Adapted from Barker and Gronne, (1996)

### ***Reach***

- Primary medium?

The Internet is still not mature enough to offer a wide reach within certain geographic areas compared to traditional media. But forecasts of up to 200 million web users in year 2000 makes Internet an attractive media for global reach in the future.

As previously concluded the Internet is not suited for certain segments such as less educated people. Nevertheless, the Internet has high reach with in certain demographic segments and might reach new segments e.g. foreign segments which advertiser would normally find difficult to reach. A survey found the mediums ability to reach new customers as the greatest competitive advantage within the value chain.

The low reach indicates that the Internet is not suited (yet) as primary advertising media, although companies like Netscape use it. Whether it will be in the future is difficult to predict. It is probably more likely to be part of a integrated media selection. If the advertiser communicates to a mass market, Internet solution alone will probably be insufficient.

However, big advertising spenders like the trendsetting Levi Corporation recently fundamentally changed its promotion strategies.<sup>ix</sup> Levi has surprised the media industry by allocating a high percentage of its media spendings in 1996 to interactive media like the Internet, CD ROM etc. Many other commercial industries are now likely to follow. Levi's decision is founded on their target segment -young people, who are likely to be on the Internet. Furthermore Levi's want to build up early experience with this medium and reinforce the image of being innovative.

- Global audience

If the company operates on a global scale it becomes difficult for the advertiser to reach them effectively through traditional advertising. Internet advertising can be an effective way of communicating with a global audience. Any company that establishes a site on the Internet automatically becomes an international company. Intercultural complications such as language barriers, legal systems may require interculturally adjusted advertising strategies.

International consistency becomes difficult, possibly confusing the audience and diluting the brand. This also applies to general global advertising, but with the Internet it is even more difficult. In this case the message is carried through the same medium so a viewer in Japan will see the same Internet advert as an American viewer. Where as in traditional media it is possible to have adjusted adverts in e.g. two different national newspapers. However, some companies have found a way around these problems.

- Language

Some companies allow the user to state a language preference. IBM promotes its goods over the Internet to 15 countries, with sites not only written in local language but also tailored to products available in the target markets<sup>lxi</sup>

- Product restriction

The American Investment company Fidelity are restricted to selling only part of their US product portfolio in Britain. To avoid this when British customers place an enquiry on funds not available in the UK, visitors are asked on the homepage to **click** a world map of the region the visitor is from. Fidelity thereby ensure that the right customer gets the right message.

- Pricing

Reaching a global audience raised the problem of price discrimination. Companies with overseas distributors charging different prices in different countries face high hurdles. Customers will not tolerate a huge price gap or might shop in foreign countries. A pair of Levi's 505 jeans, which cost DKK 600 in Danish retail shops, can be ordered on the web and delivered express from US for DKK 400 within 24 hours.<sup>lxii</sup> This might lead to more standardised pricing across borders or at least narrower price spread across country markets.

- Business size

What makes the Internet such a powerful tool for the world of the small business is that it provides the ability to communicate with a global audience. Even low volume products efficiently marketed to small global consumer groups. Small business growth has been restricted because they have not had access to the funds necessary to advertise global.

- Local markets

Companies targeting a local audience might find other media more effective due to higher reach. However, in America some areas have a high Internet penetration. Companies like take-out services such as fast food and grocery stores benefit mainly from a local audience reach as their distribution is restricted to a certain distance.

### ***Selectivity***

The Internet offer higher selectivity than any other media. The individual actively exposes himself to the advertisement. The user customises the advertisement to his own needs by choosing hyperlinks to navigate him around. A survey by J Walter Thompson found that the most popular site <sup>ixiii</sup>are those that allow the customer to customise the site himself. No other media gives this user control. However, the advertiser must make the site easy to navigate and provide a content which attracts the user to spend as much time as possible on the site.

### ***Feedback***

Traditional media offer low feedback possibilities. A consumer has to make a effort to provide the feedback since it has to be channelled through media other than the advertising medium. E.g. phone or mail back. The Internet makes it easy for the consumers to e-mail questions or order with the same medium in real time. The same J. Walter Thompson survey as decribed above also confirm, that those websites which allow webusers a feedback possiblility are among the most popular sites.

### ***Information capacity***

The famous advertising agent Ogilvy wrote “Long copy sells more than short copy, particularly when you are asking the reader to spend a lot of money.” Traditional media has limited information capacity due to either limited space, very high costs, limited duration (30 second Television spot) etc.

The Internet has unlimited space. The costs of adding an extra site is very low. This provides the opportunity to give breadth and depth of information. The current users are information seekers so this will add value to their perception of the advert. 99 websites linked to one homepage is not unusual.

### **Costs**

Initial conjectures on effectiveness generated by on-line efforts suggest that marketing on the web results in 10 times as many units (sold) with 1/10th the advertising budget<sup>biv</sup>. The fact becomes especially critical in the face of decreasing technology and product life cycles and increasing technological complexity. Sun Microsystems saved by establishing On-line over \$4 Million in **FAQs** alone since they reengineered information processes around the WWW<sup>bv</sup>.

Compared to traditional media, costs on the Internet are very low. Anyone can set up a homepage almost free. It is the cost of strategic planning, creative work, production, installing and especially maintaining the homepage which requires capital and time. The costs of putting up a site on the WWW ranges from several hundred dollars to as much as \$10 million, with spendings by national brands between \$100.000 to \$500.000 per year<sup>bvi</sup>.

The expenses of creating and maintaining a website vary enormous depending on requirements. Prices are rising sharply as demand increases. Novelty is very important in attracting visitors and repeat visitors. Finding new ways of tempting the customer to interact is a continual challenge. Innovation is advancing the quality of sites, but also increasing costs.

The cost structure depend on what option/s the content provider chooses or combines. Four basic options have been identified<sup>17</sup>.

#### **1. Free-based content**

The content is free for the user. The advertisers investment might pay off in terms of added value for the customers, which will reinforce the image and increase sales in the long run. However, the web user still pays the phone-line transmission, when watching the content/ advertisement. This means that the advertiser must provide content which attracts the user, otherwise it will not generate any traffic.

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<sup>17</sup> Own assumption

**2. Total free-based content - or give away.**

The difference between free based content and total free content is that advertiser pays for the transmission, offer rebates or gives away goods to generate traffic. This option has still not been truly implemented, but will be a future option.

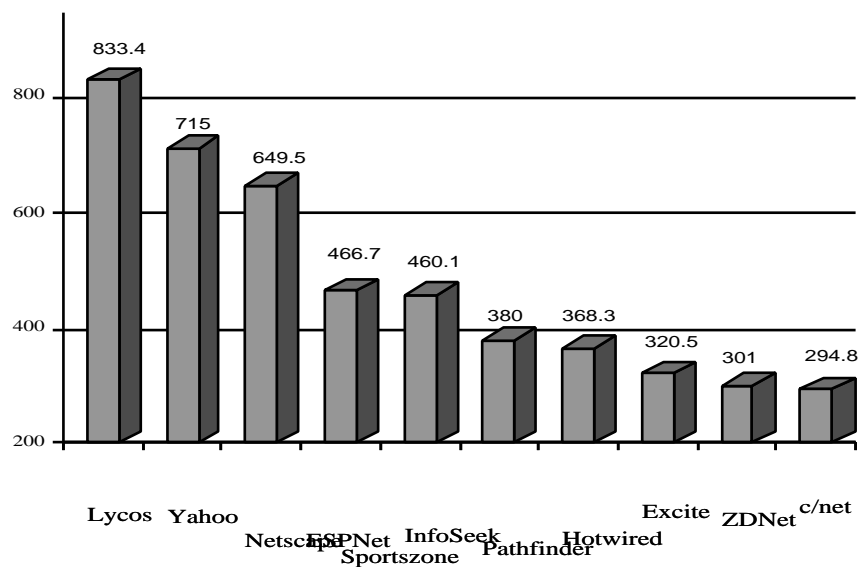
This increases the advertisers expenses. AT&T is setting up a on-line network where it will turn off the meter, when the viewer is watching commercials<sup>kvii</sup>

**3. Sponsor-based content**

The content is financed with advertising revenues from mainly banner ads.<sup>18</sup> Popular website such as ESPNET Sportzone, Playboy and Pathfinder charge between 10.000 and 30.000 dollars per month. Also Newspapers (e.g. The Economist) and Search Engines (e.g. Yahoo, Lycos) utilise this opportunity to provide a free service for users.

**Figure 4.7**

**Leading sponsored Web ad sites in January 1996  
(Revenue in 1000 dollars)**



Some web operators have started to accept a “click through” basis, where advertisers only pay for the actual number of users who click on their banner ads.<sup>kviii</sup> Cost per click ads are usually sold at about \$0.25 per click, 10 times more than average cost per impression.

<sup>18</sup> Banner adverts will further discussed in 6.2: *Generating traffic to the site*

Procter & Gamble were the first to make that deal with Yahoo, which caught the media industry by surprise, creating uproar. This could well mean more joint partnerships between content providers and advertisers, as the content provider now has a direct economic interest in the advertiser's success.

Commonly-quoted **CPM** rates for premium sites are around \$30 per thousand. Less trafficked sites must do with CPM that range from \$15 to \$10.<sup>lxix</sup> It should be noted, that advertisers rarely pay the official list prices. The real prices are usually significantly lower.<sup>lxx</sup> Traditional media typically charge from \$5 and up, for network television, and \$40- plus for magazines and newspapers. Highly-targeted trade publications charge more than \$100 per thousand readers. The Internet's ability of high targeting at fairly low costs could meet advertisers demand for better ROI.

#### **4. Fee-based content**

Until now, most content has been free. But as content providers e.g. newspapers have become accustomed to the media and realised the potential for profit they have started charging for the service. The user pays subscriptions or per visit. Since the start of the Communication Decency Act in February 1996 some adult content has been put behind firewalls and paid subscriptions.<sup>lxxi</sup> E.g. Playboy now charge for some of their on-line service.

An advertiser will probably use options one or two. They are more than happy that visitors are interested in looking up their webpage. To summarise the WWW cost structure, it appears to have the following properties:

- Low marginal cost of providing information
- Low marginal cost of providing extra information
- Low fixed cost of setting up a server
- Low cost of providing customisation
- Low cost of interactivity<sup>lxxii</sup>



Furthermore Internet offers savings on productivity, marketing and sales plus incremental or new revenue streams. Productivity savings arise from reduction in order and processing costs as web users place their own orders, maybe without any customer service except the webpage site. Marketing and sales expenses decrease by reduced brochure printing and distribution costs. Incremental revenues may be achieved for those firms who use the web to expand into new channels of distribution and new market segments.

### ***Measurability***

The current advertising cost structure is expected to change as the medium matures and measurement improves. Furthermore the current cost per thousand is less suited to the Internet. The question is how do advertisers measure advertising success on the Internet? It is a hot topic in newgroups and among media and advertising agencies.

At the moment there are no third party agencies making traditional media measurements on the Internet.<sup>lxviii</sup> Research agencies like AIM Nielsen will soon offer this service. Content providers are the only ones, who by use of special software, can measure how many hits a web site achieves.

But hits are only a relative measure of audience reach. Any request made of a web server - including button clicks, graphic, etc. are recorded in a web site as "hits". Hits have therefore no predictable relation to the number of users, visitors or web pages viewed and leaves doubt about its valuability to measure success.

Many people click icons for curiosity only. This does not indicate they have an interest or that they are actually exposed to the website. They might choose to surf immediately before or after arrival without even having spent time on the web site. A much better measurement is the number of visits, which I/PRP defines as "a sequence of hits made by one user at a site within a set period of time."<sup>lxix</sup>

Another way to measure Web exposure is page views. NPD Research Group found that a user visited 21.7 different homepages on average in January 1996. Each individual looked at 3.7 different pages per homepage.<sup>lxv</sup> Page view is a much better indicator than hits. It enables the advertiser to see instantly *how* interested the user was in his products or services. A cost/benefit structure could well in the future be depended on the following measurements

How many hits  
How much time spend on the advertisers web sites  
How many pages does the user visit  
How many request material  
How many order any product or service

Berthon, P, Leyland, F.P and Richard T Watson (1996) have developed a conceptual framework for marketing communication on the Web. They have modelled the flow of surfer activity on the web site as a six stage process with measurement of the success the of each stage. (this appendix is not available on the Internet).

### **Key findings**

- Customers are looking for advertisers who understand their individual requirements.
- Fragmented media and lower ROI make advertisers look for more cost effective media.
- Direct marketing with a two-way communication flow meet both advertisers and customers needs and wants.
- Internet offers advertisers feedback and interaction with one or many customers in real time independent of place.
- Internet advertising has great potential for building customer relationships.
- Internet advertising can cover all promotional objectives from awareness to action
- All 5 elements in the promotion mix can be utilised on the Internet.
- Although Internet advertising requires new strategies and thinking, it should be tied in with the overall marketing strategy.
- The Internet has great potential as future media carrier compared to traditional media.
- The Internet is not (yet) suitable as primary medium.



## 5.

### - Internet Fit -

*Internet fit to company needs depends on product portfolio, target audience or general objectives*

Almost any company can establish a website and generate success. Success is not necessarily measured in direct sales request. Increased brand awareness or reinforcement of an image can also be the objective of an Internet presence. Barker and Gronne suggest three dimensions which companies should consider before establishing a WWW presence; *audience fit, product fit and general benefit*

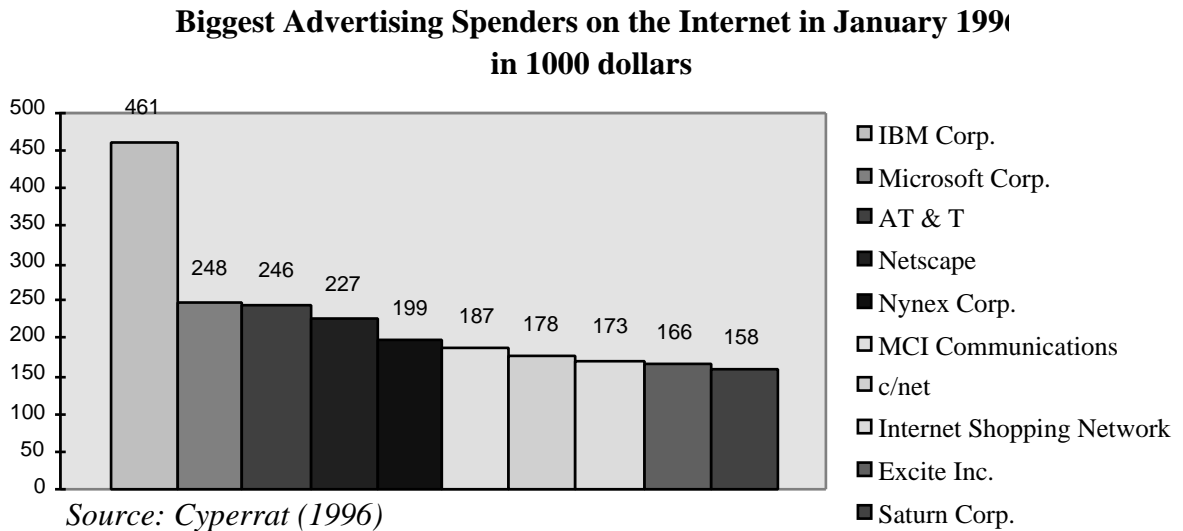
#### **5.1 Audience Fit**

Audience fit refers to the extent the company's target group uses the Web and how effectively they can be reached through the medium.

The web audience is generally very attractive due to their high income, well educated status, with a high representation of male innovators and opinion formers. Computer products, sports equipment, cars, financial services are just some of the products and services with high audience fit. It is therefore not surprising that computer-related companies are among the biggest advertising spenders on the Internet (figure 5.1).

Students account for a great proportion of the Internet audience. Entertainment services, music, beauty aids, branded clothing, books, fast food create audience fit.

Figure 5.1



## 5.2 Product Fit

Product fit refers to how suited products or services are for the Internet in terms of information intensity, buyer involvement and possibilities of providing increased purchase facilitation.

### *Information intensity*

Due to the unlimited space possibility, this medium is well suited for informative advertisements for products and services which require detailed and extensive information. Quality content is essential. The user is an information seeker and curious. He likes to be up-to-date. News providers like newspapers and television stations therefore have a high product fit.

### *High involvement*

High involvement purchases are generally perceived to be high economic or social risks. The consumer, devotes a great deal of time researching the intended purchase and collecting as much information as possible in order to reduce levels of perceived risk. Houses, insurance policies, cars etc. have a high perceived risk and require high information content, which the Internet can provide.

The greater perceived involvement the more likely the user will actively look up product and service adverts on the Internet. It also reduces time and money spent in the information gathering and enables the searcher to compare different offers at the same time. General Magic has developed the software Telescript, which includes a new technology called software agents. These “agents” can be sent out on the Internet to hunt the best deal on a loan and return with the relevant application forms<sup>lxxvi</sup>

#### - Tangibility

The Internet offer the possibility to present excellent colour graphics, animation, music, voice-over and sound effects to make impact, increasing retention by affecting more than one sense. Moving images are more appealing than still images. To gain maximum acceptance the visual appearance of interactive services needs to be more television-like than computer-like.<sup>lxxvii</sup> In the near future, software will even allow the customer to touch products. This is all helpful in persuading the customer, meanwhile reduces the perceived risk as it becomes more tangible.

#### -Service Industry

Services are perceived to have higher risk due to their intangibility<sup>lxxviii</sup>. Internet advertising make them more tangible. E.g. the Travel Industry is well presented on the Internet providing the customer with the opportunity to view the preferred destinations, hotel rooms, road maps and show videos with sounds to persuade them. Travel companies can constantly up-date and add new destinations, without the huge expenditure on brochure reprints. Customers can look up available bookings and flight times, which saves the travel company telephone and counter-customer handling. The company can then focus on better customer service, once the customer decides to make an enquiry or purchase.

#### ***Purchase facilitator***

General mail order products such as books, clothes, fashion accessories, jewellery, gadgets are well suited to this medium. Customers can shop from home and select the items they like and purchase. Even non-general mail order companies can benefit from this extra distribution channel. The laser printer and fax manufacturer Rank Xerox’s site has already generated sales worth \$300.000.<sup>lxxix</sup>

### 5.3 General Benefit

General refers to extent to which it is possible to build or reinforce brand and image effects or generate a learning effect.

#### Low product fit

Low involvement products and services typically FMCG like soft drinks, chocolate or fast food chains require little information or support and seem therefore less suited for the Internet. As individuals assume a passive problem solving role, messages are kept simple and short. Repetition becomes more important to reinforce awareness and interest. Promotion gives cues to stimulate individuals into trying or re-trying the product.

Some low involvement products induce a strong sense of ego risk through the self gratification that is associated with consumption of these products. Hirschmann and Holbrook (1992) define this approach as “those facets of consumer behaviour that relate to the multisensory, fantasy and emotive aspects of one’s experience with the product. The image of the product becomes more important than the product itself”<sup>lxxx</sup>

These products have a low chance of success on the Internet if they involve traditional advertising techniques. None will actively select their website. These companies must add value to their customers perceived experience with the brand by sponsoring quality content or “**advertainment**”.<sup>19</sup> Advertainment does not necessary provide any information about the advertisers products, but reinforces the brandimage by adding value to the brand experience.

The beer manufacturer Guinness is a good example of a *low product fit*, but has a high audience fit due to the mainly male dominated Internet. Guinness achieved more than 100.000 hits within a few months and 20.000 users downloaded the free screensaver showing a clip from current television advertisement.<sup>lxxxi</sup> The whiskey manufacturer Dewar tempts users to play a interactive game. The popular two hours tour takes users to the distillery, offer on-line tasting, meanwhile inform about the company’s history. No other media offers the opportunity to spend so much quality time interacting with the brand.

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<sup>19</sup> A word put together from *advertisement* and *entertainment*

Nike sponsored Olympic sports information, which attracted a major audience. The choice of sponsor content depends on what positioning and brand attitude the advertiser wishes users to develop. These approaches give customers a reason to return. However, image campaigns like these require large resources and innovative approaches to attract visitors.

#### Low audience fit

The women lingerie chain Knickerbox has developed the innovative idea to overcome the obstacle of a *low audience fit*. Knickerbox persuades the mainly male visitors to send a love letter to their beloved together with a Knickerbox catalogue. Addresses are collected in Knickerboxes Direct Mail database for future purpose<sup>xxxxii</sup>. This all adds value to the users experience with the brand.

#### **Branding**

As the amount of product offers increases on the Internet, it becomes even more difficult to get share of voice. Share of voice is essential - no player can drown out others. Branding is also essential. Kotler defines a brand as a seller's promise to consistently deliver a specific set of features, benefits and services to the buyer.

Established brands have a competitive advantage on the Internet for several reasons. They have an established customer base and consumer awareness. Customers are therefore more likely to search for the brand. A searcher may type in the brandname in the **search engines** or use the **URL address**, which is normally easy to guess e.g. *http://www.microsoft.com*. If a searcher types in the product category on the search engines, the database is likely to have a long list of companies promoting the particular products. The customer will first look up the branded products as these reduce the customers perceived risk. Due to the low entry barrier and anonymity on the Internet it becomes more difficult to identify and trust the advertiser. A well established brandname indicates guaranteed consistency and reduced risk.

Branded products must ensure the standards of its Internet efforts are at least as high as that of general media. If not, it risks undermining current brand equity. Advertisers have two choices to evaluate their new media brand efforts. *One* is to look on whether their web ad messages really drive consumers perceived value of the brand. The other, more practical choice, is to use their sites to learn how to personalise their business relationships with valuable customers.



Further options for new age brand promotion include; evaluating a brand's potential for interactive marketing, learning to create interactive messages, developing new media planning strategies and forming strategic alliances with other brands.<sup>lxxxiii</sup>

- Co- promotion

Internet based co-promotion will become important. McDonald's and Toys R US can co-promote as both giants attract the same target audience. They can jointly create hotlinks to each other's home page. Complementary products can benefit from co-promotion as well. In this new virtual medium all kinds of temporary alliances, relationships and deals are possible. The barrier of entry to new forms of co-development, co-marketing and co-distribution are already being tested. Those brand which has a marketable alliance, such as Snickers and Euro 96 can offer consumers something they really want to see - while at the same time getting a brand message across.

***Learning Effect***

Another key reason for many companies to be on the Internet is to learn and build up competencies in communicating in an interactive context. This is believed to be the essential future communication strategy. "Get on the Internet or get left behind, says Snyder. Those who master interactive media now will gain a valuable strategic advantage. It is more about gaining experience, than making profits.

Most of the companies on the web are not making profit - yet, on a long term basis this will probably change once users become familiar with the medium. As Ann Balboa, media director at Lutat & Battey, says "Interactive advertising is about educating yourselves and educating your clients about opportunities<sup>lxxxiv</sup>

The soap manufacturers Unilever and Procter & Gamble both have low product fit and low audience fit. They are present mainly due to the learning experience with the medium. Lever promote across all its brand, offering households who subscribe coupons and promotional offers via the Internet<sup>lxxxv</sup>. The learning curve associated with the Web advertising is much steeper than traditional media, because of the media's novelty, it's dramatic change, it difference compared to other media etc.

This shows, that almost any products and services, no matter product fit or audience fit, can take advantage of an Internet presence. However this requires different objectives and strategies. Some companies might have different advertising and marketing objectives for establishing and maintaining a web presence.

**Figure 5.2**

**Should a Company Advertise on the World Wide Web?**

High potential product	Moderate potential product	Low potential product
Yes	Yes, in many cases, but the web site must be designed innovatively	Only if the learning and image  effects are perceived to be

sufficiently important. Requires

**Key findings**

- Companies who target highly educated wealthy males or students have due to high audience fit great potential for Internet success.
- Products or services with high information intensity, higher buyer involvement or direct sales potential are suitable most for Internet promotion.
- Even companies with low product fit or low audience fit can benefit by building or reinforcing a brandimage or developing a learning experience with interactive media.



## 6.

# - Internet advertising -

*Add value!*

### 6.1. Push-Pull-Interact strategy

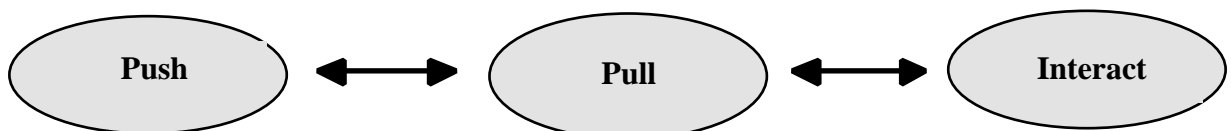
Information push will alter into an information pull, which goes beyond traditional pull strategy. At the moment pull advertisements are generally consumed *passively* by the audience. The audience has to do something actively to avoid being exposed e.g. change channel when adverts are shown. With Internet advertisement the user has to actively select the site.

Hoffmann and Novak (1995) define network navigation as *the process of self-directed movements through a hypermedia CME*. This non-linear search and retrieval process provides both essential unlimited freedom of choice and greater control for the consumer than any other media. The consumer pull the advertisement on demand. This means advertisers are having to alter the way they reach customers, how they catch their attention and what they offer.

Internet advertising is a push-pull-interact strategy. The advertiser makes the advert available on the net (push), the user select the advert (pull) and if he is further interested he can for instance E-mail the advertiser (interact)

**Figure 6.1**

#### **Push- Pull- Interact Strategy**



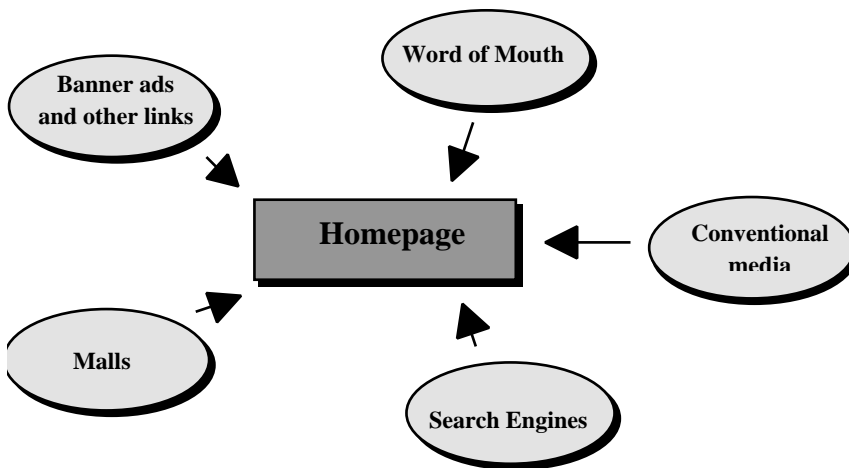
*Source: Own Source (1996)*

No matter what objective the advertiser has chosen for Internet advertising he must add value to the user. As Scott Kurmit, President of MCI Business Information Systems Co says, “ A commercial presence on the Internet should offer 80-90% value and 10-20% ad.<sup>lxvii</sup>” The main challenge in designing advertising for the Internet is to determine how to capture and retain attention of the user.

## 6.2. Generating traffic to the site

The advertiser must make the user aware of the web site’s existence to generate and attract visitors. However, the enormous amount of web sites available makes navigation sometimes difficult and confusing. There are 5 options to attract visitors which can be combined.

**Figure 6.2**  
**Generating traffic to web site**



Source: Own source (1996)

### ***Banner ads***

The CEO of Webconnect, Roy Schwedelson defines banner ads “like the outer envelope of a direct mail piece.” The hyperlink can be compared to a two-step lead generating, where users click the banner ad if interested. Banners are small pictures measured in pixels (generally 468 wide by 60 high, limited 7.5 K) placed on popular sites for a fee. The fee depends on the actual site and placement. If the banner ad is on the first page of

e.g. Yahoo millions of people will see it, however the advertiser can only expect a low click rate of between 1-2%.

As Schwedelson put it, users are not ready to “jump” yet. He stresses the importance of “verticality” to precisely target the kind of people who might visit a particular web site and who might have an affinity with the advertisers product or service. More closely targeted sites might bring click rates of 8% to 13%, or even higher.<sup>lxxxvii</sup> For \$1000 per month the search engine Yahoo offer advertisers to “purchase” a “word” on their search engine. E.g. the user type in *Airline*. All Internet present airline companies show up with the airline advertisers banner ad on the top.

Hyperlinks make it easy to access the advertisers website and can generate a large amount of traffic. However, its small size limit the advertisers creativity and text opportunity. It must therefore be eye-catching and interesting, perhaps with moving pictures. Price drawing, competitions or free information/ gifts can increase the appeal.

#### - Smart banners

Smart banners enables the advertiser to tailor the ad directly to the visitors demographic or psychographics profile. The advantage is a precise and customised adverts, which a higher chance of exposure. This is done either by registration or “memberships” with the content provider or carried as a file associated with the **browser**.<sup>lxxxviii</sup>

Banner ads purchase comes closest to traditional media buying in terms of placement, size, exposure etc. Advertainment adverts should be placed under locations frequently visited by surfers such as hotlists or entertainment sites. Banner ads for informational websites should be on place with relevant content such as search engines or specific product/ service malls.

#### ***Malls***

Malls like *Internet Mall* contain several on-line storefronts, which attract high traffic due to the diversity of offers. Customers can choose to shop for several products and services at the same time. However, they might be frustrated by the clutter offers and therefore not choose to actually view the advertisers products.

#### ***Search engines***

Search engines like Yahoo and Alta Vista were set up to make navigation easier. They enable the user to easily find the company, brand or product category they are looking for. Alone Yahoo contained in Marts 1996 a list of over 50.000 companies.<sup>lxxxix</sup>

The service is free for users and advertisers can register their websites for free. Search engines are sponsored by banner adverts. Yellow pages are present as well.

### ***Conventional media***

To make people aware of the website traditional media should be utilised. The **URL address** should be integrated in all above- and below-the-line activities from business cards to TV adverts etc. It reinforces the appearance and makes it easier to recall the URL address. The URL address should be short and easy to remember, because the user types it manually. The longer URL address (max. of 27 characters) the bigger chance of error.<sup>xc</sup>

### ***Word of mouth***

The open community, high self involvement combined with interest in sharing information, make the Internet a great place for word-of-mouth communication. Users even set up their own hotlists and ratings with hyperlinks to e.g. interesting and valuable advert sites. The more hyperlinks the larger expose.

Users are often opinion formers and early adopters of new products and services. To target these segments will speed word-of-mouth recommendation. Its impact should not be underestimated. However, it is outside the advertiser's control.

## **6.3 Retraining the Visitor:**

### ***Repeat visit - up date is essential!***

Sites will only be successful in the long run if they generate repeat traffic, which is even more difficult to achieve than trial. To build on-line customer relationships the advertiser must provide them with a reason to revisit. This requires the advertiser to have in-depth knowledge of target users needs and wants. As Barker and Gronne puts it "it is better to be everything to someone than something to everyone." The first positive impression is not enough, the site must add value on a *continuous* basis.



The site should therefore be constantly up-dated. Forgetting to up-date the website can also cause problems. Virgin Atlantic Airlines was fined 14.000 for putting misleading advertising on the Internet. It failed to up-date its airfare on-line, where a consumer claimed the right to pay the lower listed Internet price.<sup>xci</sup>

As put by the editor of a Danish on-line magazine “On-line means that you are never finished.”<sup>xcii</sup> CNN updates its website every 10 minutes, providing a good reason to come back. Even product companies should up-date the product information and general content such as tips, press releases or offer on-line chatrooms. Customers can be encouraged to subscribe to electronic mailing lists, so every time the webpage is updated, the user will be informed.

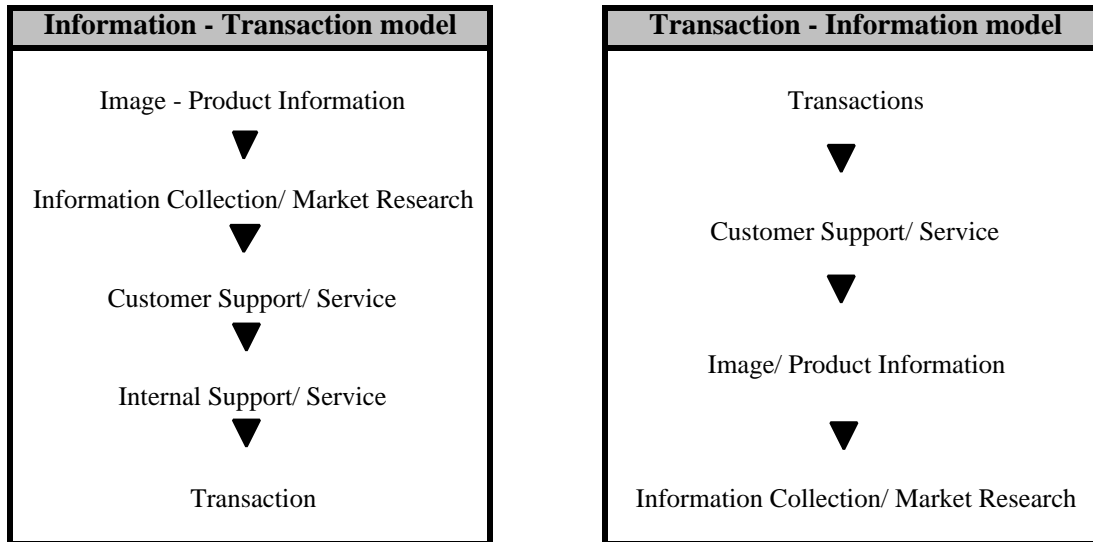
Mailing lists are an effective low cost way of generating customer retention. The advertiser e.g. lets people fill out a questionnaire about themselves and thereby obtain valuable information for future purpose. In exchange the customer subscribes to a mailing list, where they receive E-mail containing information about their interest on for instance a monthly basis. It could contain new promotions, price discounts, new content on the website etc. Up selling (sell more) or cross selling (offer other products or services) are thereby possible.

### ***Existing or new companies***

The choice of web site strategy depends on different issues. One is whether it is a established company or a start up company created to do business solely on the Internet. Existing companies tend to adopt the information to transaction model, whereas start-up companies tend to use the transaction-to-information model.

**Figure 6.3**

**Existing and start-up companies web strategies**



*Source: Sloane Research (1996)*

Existing companies start by offering information to address the needs of its existing customers. 3M's Web site gives information on a growing number of its nearly 60,000 products, news of innovation in its products markets and directory of its worldwide operations, but has only recently begun offering items for sale.

On the other hand Internet start-ups begin with transactions and then continue to use the medium to build a brand image, provide product support and win repeat purchases. Companies such as Software.net and CD Now have followed the transaction model. They allow customers to purchase and download software directly from its website. The company has since added a database of links to product reviews and software manufacturers and created product discussion bulletin boards to help customers choose software.

Whichever business model a company pursues it needs to assess what their objectives are. Whether they wish to target domestic or global users the web presence has both revenue-generation and cost reduction potential (figure 6.4).

**Figure 6.4**

**Drivers of Internet Business Models**

Primary Business Impact		
<i>Cost Reduction</i>	<i>Revenue Generation</i>	
Technical, Legal and Administrative Support, Database Management, Internal Research, <b>Company Information</b>	<b>Marketing and Sales Support/Information</b>	<i>Internal</i>
Customer Service <b>Transactions</b>	Product Information Promotions Database Development Market Research <b>Transactions</b>	<i>External</i> Customer Focus

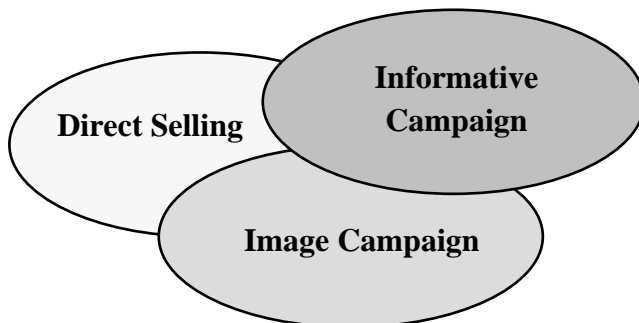
*Source: Sloan Review (1996)*

***Campaign strategies***

Three main approaches have been identified to create value to the user which depends on the campaign strategy, which can be integrated with one another.

**Figure 6.5**

**Three Internet advertising strategies**



*Source: Own Source (1996)*

### ***1. Informative advertising***

This suits especially high involvement products which requires a great deal of information: Provide quality content. This can not be stressed enough. Once the target audience is identified, the web site should be designed with several icon options to look up relevant information. The Internet offers unlimited space, which the customer can customise to his own needs and wants.

\* **Corporate home page:** Creative use of **hypertext** icons, with a clear structure. Balance speed versus graphic complexity by placing small graphics.

\* **Foreign language versions:** If the audience is global

\* **Help wanted bulletins:** Educate the customers how to use the website optimal.

\* **Corporate History and Identity:** Customers of the 90's are increasing valuing non-functional information, where company identity become a main discriminator. That is, consumers choice of what they buy will depend rather less on an evaluation of the functional benefits to them of a product or service, rather more on their assessment of the whole company culture. They are looking for real values (e.g. Body Shop)- not superficial styling.<sup>xiii</sup> The Internet provides great possibility to provide detailed company information.

Furthermore customers want to know who they are dealing with in order to build up trust. Low entry barriers and anonymity can make the advertiser difficult to identify. Customers might think twice before giving the advertiser their money. Branded products and strong identity companies will therefore have a competitive advantage. A Testimonial icon could increase credibility.

\* **Frequent asked Questions** enables the consumer to find the information they need without drawing on the company's personal resources. This is a great way of delivering customer service at low expense.

\* **Interaction with user** could include answering specific individual questions which are not answered in “FAQ”. General custom is 12 hours reply time<sup>xciv</sup>. This changing timeframe has implications for resource allocation and consumer loyalty.<sup>xcv</sup> However, the dissertation research showed that only very few company provide feedback. This is poor customer service. If customers goes through the trouble of filling out a form and E-mail it, customers expect to get feedback. If not, customers get a negative perception of the company.

Advertiser should set up a user forum like Microsoft and BT have done, where customers can describe their experience with the products or discuss related issues. Results show that while on-line consumers are quick to discuss products and product performances, manufactures and **service providers** - many of them having invested heavily in establishing a presence on the Internet - are silent, in stead of shaping the discussions and building up knowledge about their customers.<sup>xcvi</sup> Volkswagen e.g. has a whole discussion group dedicated on the Net, but fail to participate.

The company should even encourage customers to complain if they are dissatisfied with the product or service. If the company handles the complaint well, it is likely to get even higher customer retention.<sup>xcvii</sup> If not, he might have lost a customer for life.

\* **Marketing function** should contain relevant product information and perhaps a on-line catalogue or database. The customer can view the products of his interest through easy search navigation. The Danish House Estate *Home* offers users to fill out a form of preferred location, accommodation expenditure etc. The database will then search and list the specific requirements. This customised advertising adds value to the customer.

## ***2. Image advertising.***

Image sites appeal more to customers emotional than rational senses. Informative advertising can be combined with image advertising. A Internet presence will to some extend effect the brand image, as the media is part of the message. Internet presence indicates that the company is dynamic, innovative and moving with the times.

Advertisers with low audience and product fit choose mainly an image strategy, as defined in General fit. Kellogg's mission is to get kids to spend time with its characters to build brand image. As users have low interest in the product as such advertisers have to attract visitors by adding value to the consumer through a innovative novel website. This is done through advertainment.<sup>xviii</sup>

These websites contain hardly any product related information. Visitors are more exposed to entertainment offers such as games, competitions, quizzes, sponsoring of quality content like the Olympic games etc. This attracts especially the male dominated users, who likes to participate and interact with the medium. Advertainment are more likely to be visited by Surfers than Searchers. Word-of-mouth, links and general curiosity seem to be the way, customers find their way to these sites at first.

### **3. Direct Selling**

As described earlier, the Internet provides the possibility to take the customer through all the various steps in the AIDA model from awareness to the final action stage. As Carol Wallace, program manager, communication for Prodigy puts it "you are never going to get more attention from any customer than when they are on-line. Both their hands are on the keyboard and both their eyes are on the monitor. You are interacting with them. They have pre-selected you. They want to see you. This is a very intimate selling situation."<sup>xix</sup>

Consumers invite advertiser in. It is a just in-time-marketing situation<sup>c</sup>. The consumer says "This is what I want, do you have it?" They are ready to buy. However, web advertising is soft selling! Soft sell, where the advertiser must give the potential customer something of value before he can capture them. The original hard selling approach does not work in this medium.

The online direct purchase method adds value to the customer and has several advantages over shopping in person. On-line shopping is quick and easy. Customers can order directly from the comfort of their homes or office, 24 hours a day from anywhere in the world. There are no traffic jams, no parking fights and no waste of time. Delivery varies by merchant, but carrier like Federal Express or UPS usually deliver within 72 hours.

Federal Express 15.000 daily web visitors have the possibility to track down their receipts through the Internet.<sup>ci</sup> In addition, this service alone save Federal Express almost \$2 million annually, as the web site takes the place of more expensive human operators.<sup>cii</sup> The lowered cost of doing business on-line increases some advertisers profit margin - others might chose to pass it on to the consumer, who benefit by lower prices e.g. Samsonite sell its products via the Internet at discounts between 40-50% below normal retail prices.<sup>ciii</sup>

A survey in 1995 showed that only 18% of a random sample of 290 Web sites served as online store fronts. The remaining 82% were information or image based Internet presence sites.<sup>civ</sup> Not all products are suitable for direct purchase and not all advertisers and consumers are yet prepared for on-line shopping.

Another recent survey of Internet shoppers reported that 64 percent of purchases were software, books, music, hardware and magazines. Low priced products sell better. People were still concerned of the transaction security and would therefore not place high volume orders.<sup>cv</sup> Consumer should be encouraged to order in other convenient but related ways. They can phone, e-mail, print out the order form and fax it. Make it as easy as possible.

All three strategies can to some extend be combined, but as they require different approaches it is wise to choose one main strategy to follow. Figure 6.8 sum's up, how advertisers can add value to the customers.

**Figure 6.8**

**Three ways to create value for the customer**

	<b>Informative advertisement</b>	<b>Image advertisement</b>	<b>Direct selling</b>
<i>How is the value created?</i>	By providing product-related information.	Through original/innovative entertainment or non product related information.	By facilitating transactions/ order processing, and, in some cases, distribution.
<i>Product constraints</i>	Products must be high involvement products and preferably information intensive.	Can be used for all products, including low-involvement products.	Especially low involvement products, but if well executed also high involvement products. Products suited for online sales and distribution.
<i>Which users will visit</i>	Mainly Searchers, especially users who already have category need.	Mainly Surfers.	Mainly Searchers, especially users who already have a category need.
<i>Main success factors</i>	Providing useful information. Detailed, updated, customised and easily accessible information.	Providing high entertainment value for example through competitions, quizzes, games, or interesting non product related information.	Facilitating the purchase, for example through increased choice and variety, lower prices, speedy delivery.
<i>Benefits to the company</i>	Providing positive information about the company's products. Creating customer loyalty.	Improving the company's image and knowledge about the company's products.	Increasing sales. Reducing transaction and distribution costs.
<i>Example</i>	Fidelity Investment Limited.	Guinness.	CD Now.

Source: Adapted from Barker & Gronne (1996)

**Key findings**

- Traditional information push alter into information pull..
- Internet advertising is a push-pull- interact strategy.



- Unlike traditional advertising users have to do something actively to select an advert.
- Banner ads, malls, search engines, word of mouth combined with traditional media can generate visitors to a website
- Advertisers must *add value* and constantly up date the web site to retrain the visitor.
- Informative quality content, advertainment with interesting entertainment or direct sales possibilities adds value to the customer.

## 7.

# - Implementation -

*Internet is about life long commitment*

### **7.1 Company Commitment**

The Internet is a demanding medium, which requires vision and commitment. Internet advertising is closer to creating customer dialogue than any other media. The communication strategy requires commitment throughout the organisation from management level down to the people who handle it.

Resource allocation is determined by management so it is necessary that they understand the requirements in order to generate success in this medium. Too many companies underestimate the content and administrative resources needed to keep their site up to date and interesting.

Investment must be made in up-to date computer equipment and experienced people. Other staff must be trained in direct customer handling and quick response. As the Internet becomes more of an accepted distribution channel job roles may change to become full time occupied with Internet customer handling.

#### ***Responsibility***

The company has to decide, which department should be responsible for Internet handling. This issue can cause internal power conflicts between the IT department (if such a department is present) and the marketing department. Many companies have placed the responsibility on technicians, but according to the interviews with Internet experts this approach is unwise. Technicians are not marketing educated and might not have the necessary understanding of customer needs and wants.

All interviews confirmed that the only logical place to handle Internet advertising is the Marketing Department. They have a better understanding of customers, plus Internet advertising as part of the promotion mix should be integrated in the general advertising mix. Consistency in the message is important so that the consumer does not get confused. It is important that the various communication vehicles are co-ordinated to create a single, strategically appropriate marketing effort to maximise customer response.<sup>cvi</sup>

On the other hand, marketing people have little knowledge of the technology behind it and need assistance from the technicians to implement it. If the company is big enough a technician should be allocated to the marketing department.

### ***Service Provider***

Once the company has allocated resources and determined the objectives the company has to confront other issues such as what service provider to choose<sup>20</sup>, whether the company should outsource the actual creative work and in that case to whom?

Service providers vary in price, offers and service. Depending on the company, the Internet objectives and the allocated money, companies should spend time researching the best suitable service provider. Some multinational companies might choose to buy a server in-house. Once the initial costs has been met, it does not cost anything to up-date or create new sites. However, it requires a lot of resources like capital and people. On the other hand if the advertiser is renting server space, he might have to pay for up-dates and more disk space.

### ***In-house or out-source?***

A company may choose to handle the whole Internet implementation themselves. This is likely to be either very small companies who cannot afford professional help or multinational companies, who have the resources in-house. However, it is more likely that the strategy and creative service will be done in conjunction with a professional agency.

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<sup>20</sup> In the UK alone there is more than 160 Service Providers

## **7.2 Advertising Agency or Multimedia Agency ?**

### *Advertising agencies*

The advertising industry has been very slow to adapt to the technological changes. It was only in 1994-1995 that advertising agencies realised, what great impact today's technology have on advertising strategies. Client demand has pushed traditional agencies into action. Clients want Internet advertising to be fully integrated with the brand marketing and search for agencies who provide the full service.

Agencies understand that multimedia, though still in its infancy stage, will hold one of the keys to their growth or decline in the coming years.<sup>cvi</sup> In approaching multimedia, some ad agencies are changing their corporate organisation structure to facilitate the growth of multimedia. But big US agencies still seem unsure of what to do. Some have set up interactive department while others have bought in expertise. The industry is merging, forming strategic alliances and investing in technology expressed companies such as multimedia agencies. However, most agencies continue to farm-out substantial parts of their work to specialised multimedia agencies. The majority still do not provide their clients Internet implementation. - and thereby missing the advantages of the learning curve.

Part of the problem is that for most agencies, interactive media still do not generate significant income contribution. No agency which was interviewed for Advertising Ages survey in 1995 was generating more than \$10 million in revenue from interactive work, with most making far less.<sup>cvi</sup> Agencies are afraid that clients will force agencies to produce for free and instead pay percentage of sales off the site. Advertisers using agencies conventionally have already partially abandoned the commission system and are looking for a rewards related to result solutions. This will suite the advertisers and scare the agencies. Another problem is, that agencies are not familiar with advertising on demand and computer screen advertising. They are used to thinking in creative pictures.

Agencies are fighting to keep control over client business with fear of losing clients to new media agencies. It is very competitive. The agencies are believed to be winning the battle, because technology will not drive interactive success - strategic marketing will.<sup>cix</sup> Ad agencies are well equipped to gauge consumer needs.

### ***Multimedia agencies***

Multimedia agencies have a great knowledge of technology, but do not have the large client base and lack knowledge in strategic marketing. The multimedia companies who are going to succeed will offer a combination of design, technical programming, marketing and interactive utility.<sup>cx</sup> It will be more likely that multimedia agencies are working close together with the agencies and thereby share each others competencies.

As concluded Internet advertising is part of a integrated marketing strategy. In order to have consistency in the message, there is a need for an agency, which is fully responsible for the overall communication strategy. Advertisers should utilise advertising agencies, who have the strategic knowledge in marketing, meanwhile a highly experience in-house with the Internet. This will eliminate the search enormously. The reason being is that strategic planners must understand the Internet opportunities and limitations, before developing any interactive strategy. Otherwise the communication is likely to fail.

### **Key findings**

- Internet implementation requires understanding and commitment from corporate management.
- The marketing department should be responsible for Internet handling.
- Internet strategy and creative implementation is likely to be handled by an agency.
- Advertising agencies is expected to win the battle over multimedia agencies.
- Advertising agencies will have to change and build up competencies in this field or to some extend buy expertise from the multimedia agencies.

## 8

# - Conclusion & Recommendations -

### **What are the differences between Internet advertising compared to traditional mass advertising strategies?**

The performance levels of existing standardised *mass communication* are insufficient in fulfilling today's advertisers high requirements of efficient and accurate targeting which encourage a dialogue with the customers. This report point to interactive marketing as a future standard, decreasing the role of traditional mass advertising.

The interactive Internet could be the solution to advertisers requirements. But new advertising strategies are needed in this medium. The Internet is a two-way *interpersonal communication* flow. The key distinguishing features are the interpersonal feedback and interaction process in real time, which traditional advertising cannot provide.

This interaction process provides relevant customer information in order to serve them more effectively in the future. Users can also interact with the Internet medium itself through *machine interactivity*. Compared to traditional media the user is fully in charge of the information pull.

Internet is a hybrid medium which can combine all three identified communication strategies including *mass communication*, *interpersonal communication* and *machine interactivity communication*.

### **How is Internet advertising linked to the promotion mix?**

Despite Internet's idiosyncrasies this advertising is recommended to be integrated into the overall promotion mix. This will ensure consistency whilst leveraging the company's marketing knowledge. Internet allows advertisers to utilise all five elements in the promotion mix. It therefore provides the means of covering all promotional objectives from awareness to action. No other media can utilise the promotion mix as such.

### **What are the pros and cons of Internet advertising compared to general media?**

The Internet has great potential as media carrier compared to traditional media. It offers higher selectivity with tailored adverts to the users profile. The customer can also customise the advert as he is in charge of his own navigation. Through the Internet the advertiser can get easy, quick and inexpensive feedback in real time, which no other media offers, providing a higher feedback rate. However, research reveals that not many companies take advantage of this opportunity.

The Internet offers unlimited low cost space compared to the expense and limited capacity found in traditional media. Breadth and depth of customised product information assist customer purchase decisions. Nevertheless, the original company brochure is unlikely to generate success if it has not been adjusted for interactive purpose. However, many companies have not recognised this.

Compared to traditional media, costs on the Internet are fairly low. The costs of setting up a web site ranges from several hundred dollars to as much as several million dollars depending on the companies objectives and resources. This means that even a small company can take advantage of the Internet. But prices are rising sharply as demand increases. Novel webpages are very important in attracting new or repeat visitors.

The Internet offers high measurability by the use of software registration processes. But which criteria should be used to measure Internet success is still being debated. This also depends on the companies objectives as well as the measurability options the company requires. Without any clear objectives, investment measurability seem pointless.

### **What are the critical success factors for advertising on the Internet?**

The advertiser must assess what he wants to achieve through an Internet presence. Initially this calls for an evaluation of how well the advertisers target audience and product portfolio suit the Internet. Companies targeting well educated, innovative, affluent males or students have great potential for success as their segments were found highly represented on the Internet. Products and services with high information intensity, high buyer involvement were also found suitable for Internet promotion due to its ability to carry large customised information at low costs. Mail order companies can also take advantage of Internet purchase facilitation. Low product fit or low audience fit companies can still take advantage of building or reinforcing a brandimage or getting a learning experience with interactive media.

Traditional advertising is consumed passively. On the Internet, users have to do something actively to select an advert. This alter the way advertiser generate and retrain customers. Banner ads, malls, search engines, word-of-mouth combined with use of conventional media can generate visitors to a website.

Since users are in charge of the navigation, advertisers must persuade users to revisit and spend time on the website by fulfilling real customer needs. This requires clear objectives and targeting to *add value* on a continuos basis while retaining the user. Informative quality content, innovative advertainment or direct sales possibilities can add value to the user's site visit.

### **How should Internet advertising be implemented ?**

Both secondary and primary research confirmed that many companies lack Internet missions and vision. Homepages and customer handling were in many cases poor and did not take advantage of the opportunity for feedback, interaction and customisation. Advertisers cannot expect any success when they treat the Internet like any other media. Internet advertising demands management understanding and commitment for success. Management must determine Internet objectives and strategies to allocate efficient resources such as capital, equipment and people.

Research validated that the Internet should be integrated in the companies overall marketing strategy. The marketing department together with a competent advertising agency should therefore manage the site. The IT departments together with multimedia



agencies lack the strategic marketing knowledge which is required for Internet implementation. However, their competencies in technology should be utilised and be incorporated which calls for a closer working relationship across departments and industries.

Understanding the Internet, following the guidelines and recommendations should ensure that Internet advertising works effectively in the future.

## *Glossary*

**Advertainment** is a word put together from advertisement and entertainment

**Banner ad** an ad graphic, usually a GIF image, measured in pixels (on Lycos the size is 468 wide by 60 high, limited to 7.5 K)

**Baud** is the speed at which modems transfer data. The speed is listed in BPS or bits per second.

**Bandwidth** is the capacity of a communications channel measured in cycles per second (mHz) by the highest and lowest frequencies that can be transmitted by the channel at one time.

**CD-ROM** is the compact disc format for digitally encoded data and has become a major electronic publishing platform for business information. The CD-ROM is also capable of holding vast amounts of data (text, graphics, pictures).

**Click** measurement is when a visitor clicks his or her mouse on a banner ad.

**Click-throughs** measurements is the number of people who click on a banner ad and get to the advertisers Web site.

**Commercial Online Service** is a computer network composed of information, libraries, shopping and commercial services and e-mail that can be used by consumers who have personal computers, modems and software. Every online system has its own personality, rules of procedure, advertising policies and target audiences. CompuServe, Prodigy and American Online are examples of commercial online services. The Internet is a network of networks.

**CPM** Cost per thousand impressions or page views

**Digital Technology** breaks the constant flow of data from the natural world into a series of discrete "samples", extracted at regular intervals. The more frequent the samples the higher the quality of the reproduction, whether of alphanumeric data, sound or pictures. Digital technology can thus capture and manipulate a variety of data. Many facilities now exist to convert data from conventional media into digital forms. Digital technology tends to be more stable than analogue. It is more efficient in speed, volume and quality of data captured, stored, transmitted and reproduced.

**Download** means retrieve files from a computer.

**Encryption** is the coding of data to enable its transmission without the possibility of it being hacked into.

**FAQ** (Frequent Asked Questions) is a file that contains questions and answers about specific topics.

**Fire walls** protects a company's internal network from outside users by establishing physical filters between networks .

**Flamming** means jamming an offenders net site, by sending e-mail to it continuously so that it becomes impossible to operate.

**Hits** is number of files downloaded.

**Homepage** is the initial information users see, when they arrive at someone's Web site.

**HTML:** Hypertext Mark-up Language is the standard format for documents on the World Wide Web.

**Hyperlinking** is a written software code that links an item on-line document with other information else where on the net. Clicking on the item tells the HTML software to transfer the user over to new information.

**Hypertext** is the highlighted text that appears on the web page. By clicking on the text another page is accessed.

**Hypermedia** is a dynamic distributed network, potentially global scope, together with associated hardware and software for accessing the network, which allows consumers and firms to 1). provide and interactively access hypermedia content (i.e. "machine interaction") and 2). communicate through medium (i.e. "person interaction").<sup>cxii</sup>

**Information Superhighway** is broadband telecommunication service with the ability to carry enormous quantities of information at high speed, the capacity for a two way communication and the ability to deliver ant media inclusive video, audio and text. Broadband refers to the speed and data capacity of the links in the network. The Internet is part of the development of the Information Superhighway.

**Interactivity** is an expression of the extent that in a given series of communication exchanges any third transmission (or later) transmission (or message) is related to the degree to which previous exchanges refereed to even earlier transmission".<sup>cxiii</sup>

**Internet** is a network of computer networks.

**Kbps:** Kilobytes per second.

**ISDN:** Integrated Services Digital Network is technology that makes it possible to move multiple digital signals through a single, conventional phone wire.

**Modem** is a device that connects a computer to a phonline and enables users to transmit data between computers.

**Multimedia** is a synthesis of still and moving pictures, graphic text, audio, animation and computer data with *interactive* features

**Newsgroups** is a collection of discussion areas on the Internet

**Page impressions or page views** The number of visitors who view a page or a banner ad on that page.

**Raw hits** measurements is the number of files downloaded, using a combination of graphic images and HTML pages. To be accurate we need to subtract the images, which may account for 5 out of 6 “raw hits”.

**Searcher** choice in Goal-directed flow is based upon a clearly definable goal hierarchy .

**Service Provider** is a company that provides connections to the Internet. Service Providers buy access to the Internet in the same way as general web users do. The only difference is that they pay for big direct connections rather than dialup accounts

**Spamming** is the indiscriminate posting of a message to every newsgroup, bulletin board and e-mail facility in the Net.

**Surfers** surf for increased learning, perceived control, exploratory behaviour and positive subjective experiences.

**URL:** Uniform Resource Locator is a type of address (*http://www.what-ever. whatever*) that points to a specific document or site on the World Wide Web.

**Videoconferencing** is Teleconferencing which provides the capability of participants viewing each other over a long distance.

**Web browser** is software that enables the user to utilise various search engines to locate information anywhere by entering key words, etc.

**World Wide Web** is a hypertext and hypermedia system that enables users to find information and interact with companies and other webusers.

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Hauge, Birger	Multimedia Key Account Executive, Young & Rubican, Denmark	August 1996
Lauritsen, Bo	Multimedia Assistance, Young & Rubican, Denmark	January 1996
Matsuda, Yoriko	Previous Account Executive, Dentsu Advertising Agency, Japan	On-going
Munk, Marianne	Art Director, TJ Communication, Denmark	On-going
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### *Clients*

Raikula, Ronald M.	Information Technology Consultants, Fidelity Investment, UK	January 1996
Hammilton, Richard	Computer Consultant, Reuters, UK	On-going
Jensen, Dorthe	Marketing Assistance, KD, Denmark	On-going
Kuhlbrodt, Sven	Marketing Director for continental Europe, Fidelity Investment Limited, UK	On-going
Stenfeldt, Martin	Marketing Assistance, Radio Meter, Denmark	April 1996

### *IT Professionals*

Bernholm, Kenneth	Editor and text Director, On-line Internet Magazine and Defactory Multimedia Agency, Denmark	April 1996
Gronne, Peter	IT Consultant, IT & Kommunikation, Denmark	On-going
Rasmussen, Claus	Multimedia Agent, Multimedia studio, Denmark	January 1996
Renovard, Bjarke de	Internet Consultant, Mousehouse Multimedia Agency, Denmark	April 1996

*On-line Service Provider*

Prehn, Jannie	Marketing assistance, Dana Data Online Service Provider, Denmark	April 1996
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*Trademark Lawyer*

Rickard, David J.	Partner, Trade Mark Attorney Boult Wade Tennant, UK	May 1996
Edwards, Tamsin	Previous Intellectual Property Lawyer, Australia	On-going

*Others*

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People from Cybernet cafe, UK	March 1996
People from Newsgroups, World Wide	On-going
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