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# Advertising On The Internet: Perspectives From Advertising Agencies And Advertisers

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## **ADVERTISING ON THE INTERNET: PERSPECTIVES FROM ADVERTISING AGENCIES AND ADVERTISERS**

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### **Abstract:**

While a significant portion of companies have invested in Internet advertising and clearly digital media continues to grow in popularity, a noteworthy segment of corporations is still uncertain of Internet advertising efficiency. The purpose of this study is to gain insights into the perceptions of both advertisers and advertising agencies of the Internet as an advertising medium in order to record the factors that inhibit or reinforce the integration of new technology into their strategies and to spot future changes and trends. One hundred twenty-four managers participated in this study and their responses indicate that currently Internet advertising is a questionable and ineffective marketing channel; however marketers and media planners are willing to exploit the targeted nature of Internet advertising in the short run.

**Keywords:** *Internet Advertising, Advertisers, Agencies*

### **1 INTRODUCTION**

The shift away from old to new media is happening rapidly. While this change is already happening marketers are slow in investing in the Internet medium. Worldwide spending on Internet advertising represents nearly 10% of all ad spending across all media. Especially in U.S. online ad spending growth will hardly reach at double digits and at 10.9 percent according to emarketer.com. Nevertheless, Americans now spend fourteen hours a week online - as much time as they spend watching TV –and just three hours reading print. This fact indicates that marketers are still cautious toward Internet advertising effectiveness or are incapable of understanding the differences and the potential of this interactive channel in marketing terms. Figure 1 depicts the gap between consumer time spent online and advertising dollars spent online and highlight a change that is too fast to follow.

Although numerous studies have explored the consumer attitude toward Internet advertising (Guo, Cheung, Leung, & Chow, 2006; Schlosser, Shavitt, & Kanfer, 1999), few have explored the communicator perspective (Shij & Piron, 2002). This research gap results to a blurred view of how marketers and advertising agencies perceive the potential of Internet advertising. In order to tackle this phenomenon this research examines how advertisers and advertising agencies perceive Internet advertising.

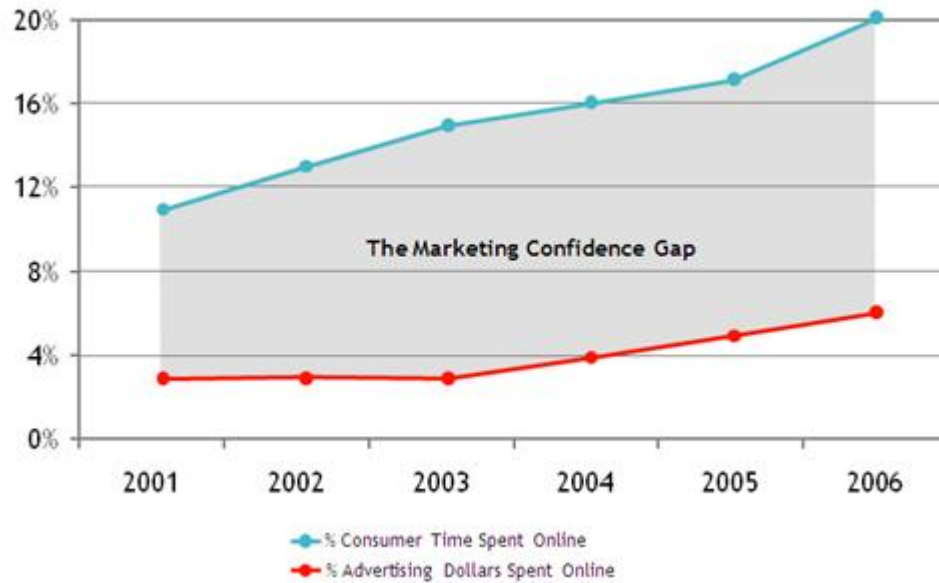


Figure 89 The marketing confidence gap (source: emarketer.com)

The goals of this paper are to identify the main roadblocks that discourage the marketing community to embrace the online medium and to gain an understanding of how it is perceived and incorporated into both agency and advertiser organizations. Investigating the factors that affect marketers and advertising agencies attitudes toward Internet advertising is important to provide direct managerial implications to the involved players on the one hand, while contributing to the evolving theory building on the other.

## 2 LITERATURE REVIEW

Online advertising has already a history of more than ten years. The two-way communication capability of the Internet and its accurate accountability creates a new environment that changes the traditional boundaries of mass communication (Hoffman & Novak, 1996; Prendergast & Hwa, 2003). Although Internet users' attitudes have been explored in depth (Bhat, Bevans, & Sengupta, 2002; Chang-Hoan & Cheon, 2004; McCoy, Everard, Polak, & Galleta, 2007; Schlosser, Shavitt, & Kanfer, 1999; Yang, 2004) still there is uncertainty about Internet advertising and what this modern medium has to offer to the marketing community (Paton & Conant, 2002). In the context of this study we define online advertising as "any form of non-paid interpersonal presentation and promotion of ideas, goods or services from an identifiable sponsor. Online advertising can take the form of banner ads, sponsorships, email ads, etc." Therefore, the website of a firm promoting its products on the web is not considered according to this research as internet advertising.

The study of Bush et al. (1998) was one of the first studies that shed light into the advertiser perceptions of Internet. They presented the results of a U.S. advertisers sample indicating that the Internet at that time was an important yet doubtful medium for advertisers to invest and consider as part of the total marketing mix due to its undetermined efficiency. Durkin and Lawlor (2001) examined the extent to which advertising agencies in Ireland offer advice and website design expertise as part of their value proposition to clients within the agency-client relationship. Their findings suggest that the agencies were not in a position to provide effective guidance regarding Internet communications to their clients.

Paton and Conant (2002) research on UK-based firms revealed that more than half of the firms in the survey advertised on the Internet and a significant segment reported that they planned to do so within 2 years. Over twenty-five percent of managers viewed the Internet as one of the most important advertising media for their firm and their results suggest that the probability of using the Internet is

higher for firms that have a main line facing a high level of competition, or for firms in the services sector and for firms that focus on international rather than national or regional markets. Shij and Piron (2002) investigated advertising agencies' and advertisers' perceptions of Internet advertising in Singapore. Their findings indicate that advertisers tend to give higher effectiveness ratings to communication tools than advertising agencies, while both groups consider Internet advertising to be least effective among and most distinct from all marketing communications tools.

Barwise and Farley (2005) empirically studied the state of interactive marketing in five large developed markets (United States, Japan, Germany, UK, and France) and two key emerging markets (China and Brazil). They indicated the rapid growth of interactive marketing, mainly at the expense of traditional media advertising. Finally, Brodie et al. (2007) results confirm Barwise and Farley's finding that there has been an increase in the diffusion of electronic marketing (e-marketing). They also show that the "coming of age" of e-marketing is mainly the result of its integration with other marketing practices.

Even though the use of online marketing is increasing rapidly, from this review it is obvious that little is known regarding the opinions of marketers and advertising agencies toward Internet advertising and how these organizations plan and implement their online strategies. When it comes to Greek reality, the IAB Hellas statistics have shown that for the period 1997 to 2001 many companies were rushing to create websites and get advertised in the web, but after 2001 numbers decreased and people started facing Internet more suspiciously. Expectations had fallen, and companies were thinking a lot before getting involved actively with Internet marketing. Nowadays, Internet ad spending in Greece is at one percent of the total marketing expenditure indicating the Greek companies are still uncertain of Internet advertising efficiency.

### **3 METHOD**

Judgment snowball sampling was employed as the sampling method, since it is a sampling technique appropriate for special populations (Churchill & Iacobucci, 2002). We identified marketing managers via an annual publication listing the top 100 marketers in Greece and agencies through directories from Greek portals. These companies served as informants to identify others with the desired characteristics for our study. A total of one hundred and twenty-four responses were collected; Eighty-nine were responses from advertisers while the remaining thirty-five were agencies' replies. The majority of the sample (87%) had a company website serving as a source for information on respective brands; fifty-four percent employed more than fifty persons in its personnel, while the greater part of the participating firms (74%) operated for more than ten years. The questionnaire used was designed to obtain information for a range of Internet advertising issues as well as some background details about the company itself. The data collection instrument for the advertising agencies was modified and the agencies responded on behalf of their clients for specific questions. The questionnaire contained 25 items aiming at capturing the (a) current position of Internet advertising in the marketing mix, (b) attitudes and beliefs of the market players and (c) future changes and trends. The last part of the questionnaire included items for the profiles of the respondents. Managers were requested to categorize their main activities within a particular sector B2B or B2C product/ service sector and to list the targeted geographical market. Fifteen percent of the respondents categorized themselves as business-to-business firms and thirty-seven percent were targeting at an international market.

### **4 RESULTS**

Concerning the first research objective, the current position of Internet advertising in the marketing mix, managers were initially asked to rank the Internet as an advertising medium in terms of

expenditure relative to other media.

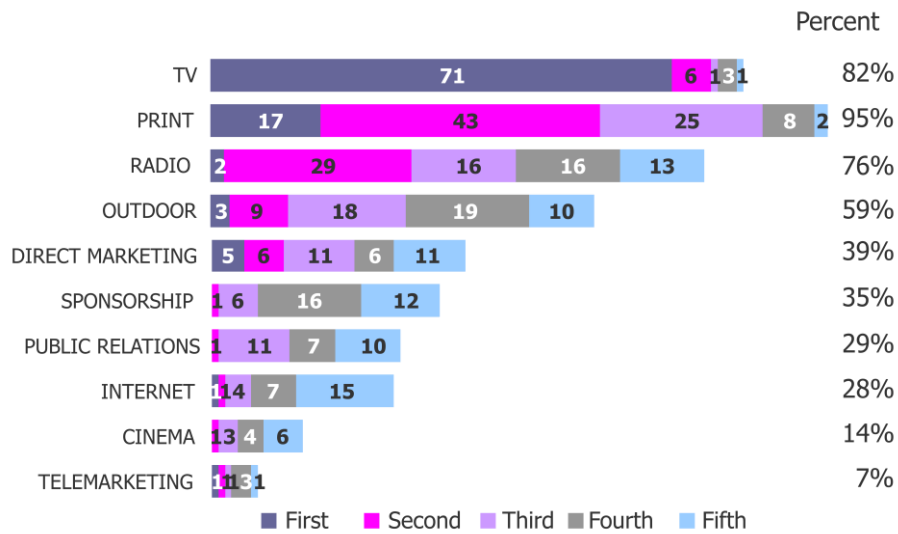


Figure 90 depicts the corresponding results signifying that only a third of the participant companies integrate Internet in their top five advertising activities. As expected, TV advertising is by far the first choice in expenditure terms while print, radio and outdoor follow.

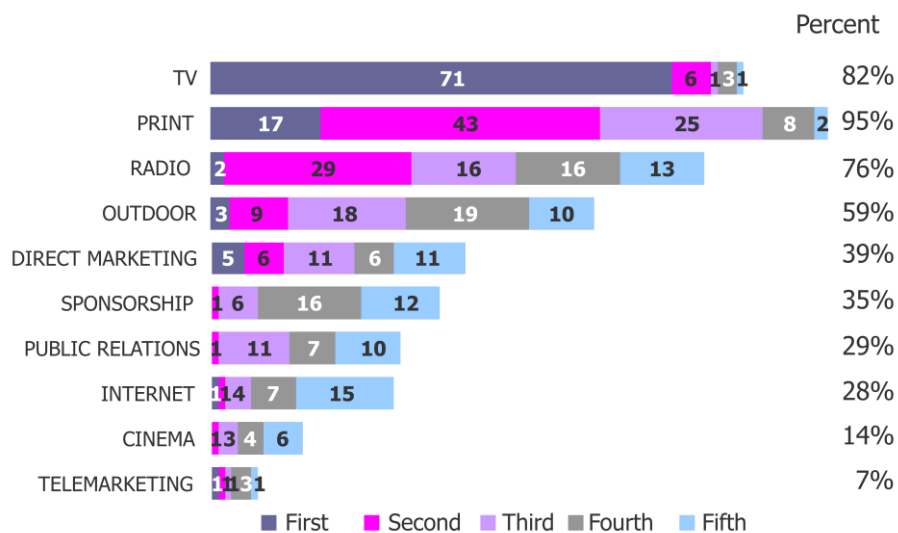


Figure 90 Advertising expenditure

The weak position of online advertising compared to other media is also confirmed by the answers of managers when they were asked to indicate their beliefs toward the significance of Internet advertising to the total marketing mix. A mean of 2.2 on a five-point Likert scale confirms that this interactive

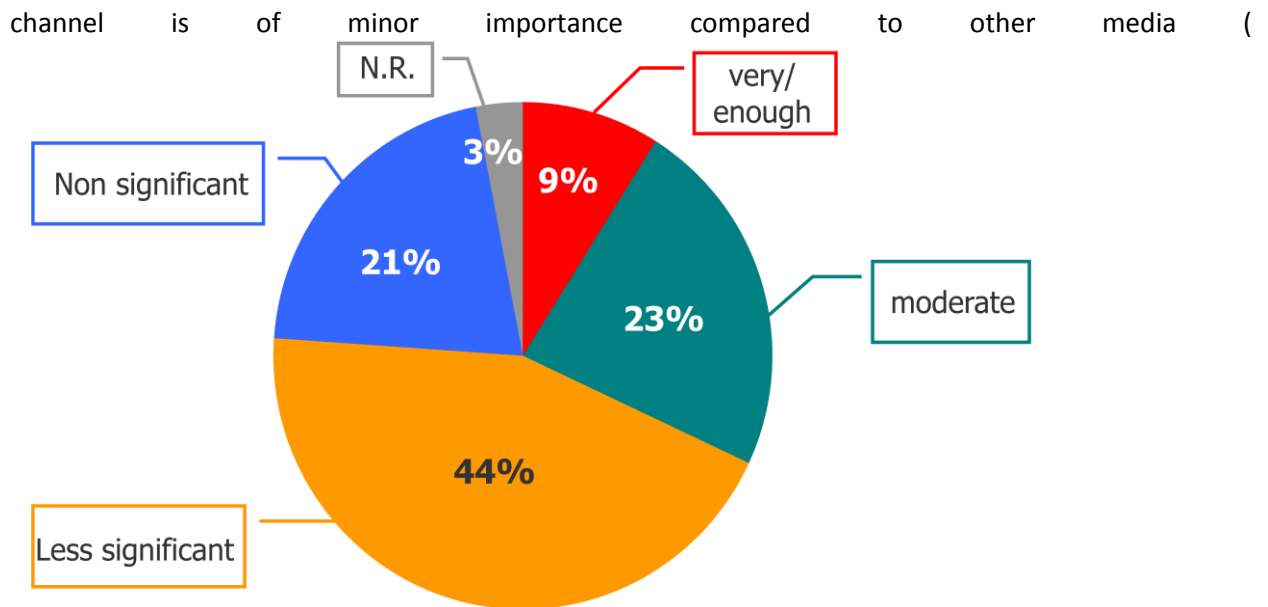


Figure 91). Although, online advertising can be perceived as a complementary medium supporting the advertising goals of a firm, still has to compete with other traditional advertising media, a position that is also supported by the small amount of money spent by companies advertising on the Internet that accounts only for 3.2% of overall advertising spending.

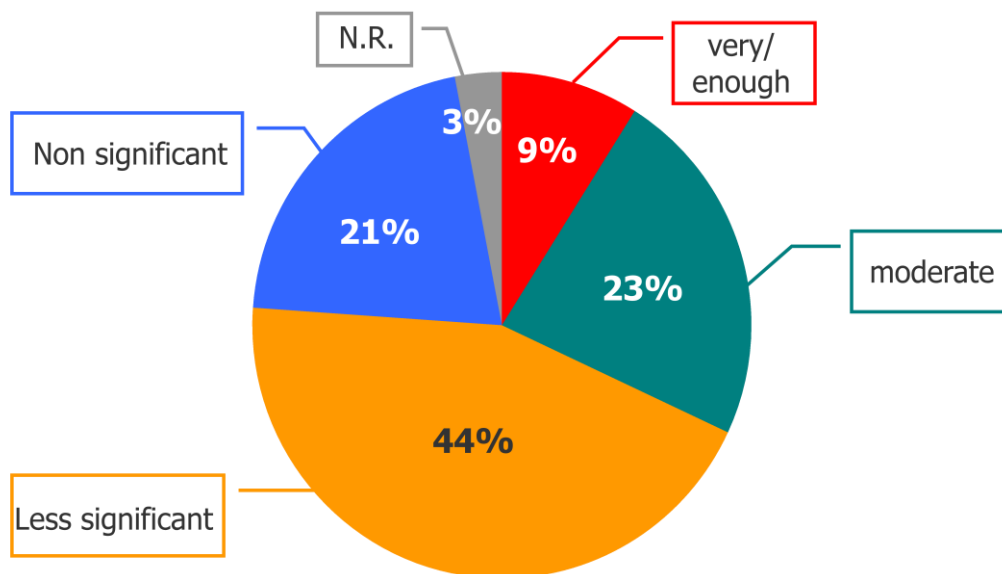


Figure 91 Internet advertising significance on the marketing mix

In relation to the second research objective the most important advantages of Internet advertising is the precise accountability, interactivity and targeting. A notable response is that only fifteen percent of the managers believe that this promotional method can facilitate and lead to purchase. On the other hand the main disadvantages of online advertising are the low Internet penetration in Greece (approximately 30%), the fact that users do not click on banners, a small number of consumers buy online, advertisement clutter and difficulty to effectively find the target audience. Concerning the factors that may influence advertising effects and lead to a successful campaign the majority of the

participants believe mostly in the targeting process and consecutively in the ad creativity (

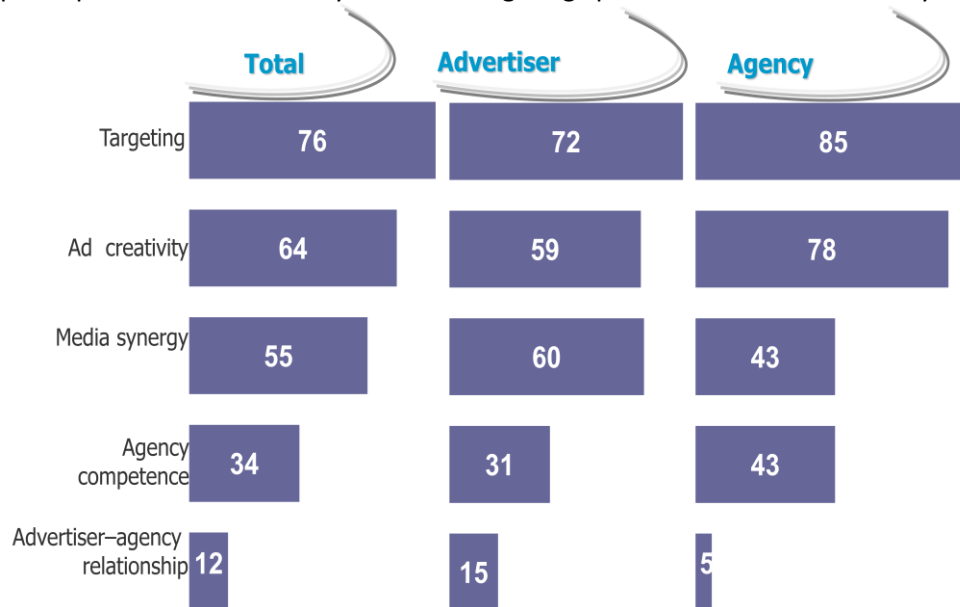


Figure 92). To reach the right person with the right message at the right time is the ultimate goal of advertising. Theoretically, it seems that the targeting capabilities of online advertising—which include demographic, contextual, and behavioral options—would make that goal attainable.

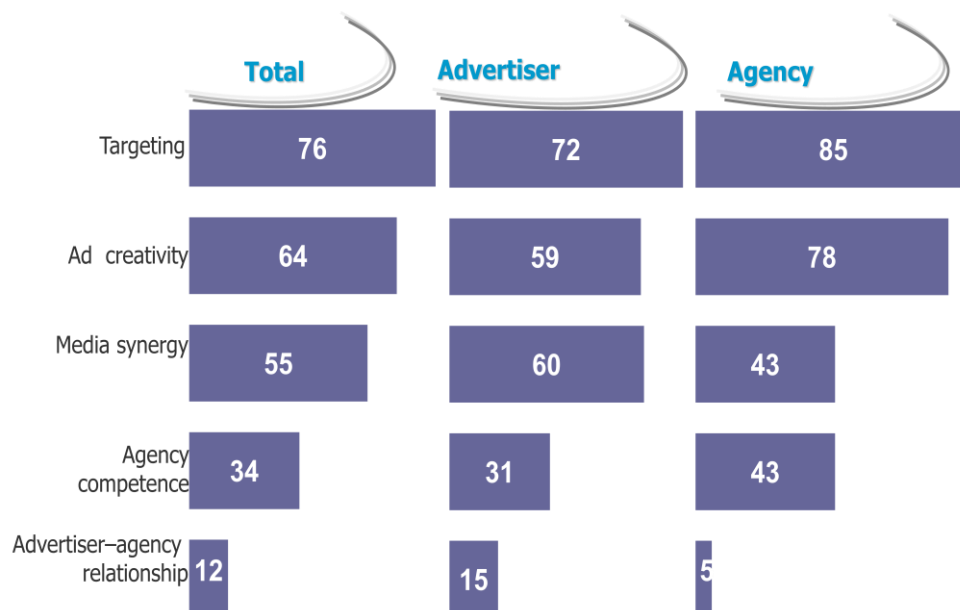


Figure 92 Factors that may lead to successful Internet advertising campaigns

The inexperience with this type of advertising is revealed when both advertisers and agencies were asked for the type of company that will best develop and execute an online advertising campaign. Companies that specialize in website design are perceived as the most suitable for creating and running an interactive campaign. Even ad agencies believe that they are not responsible for implementing an

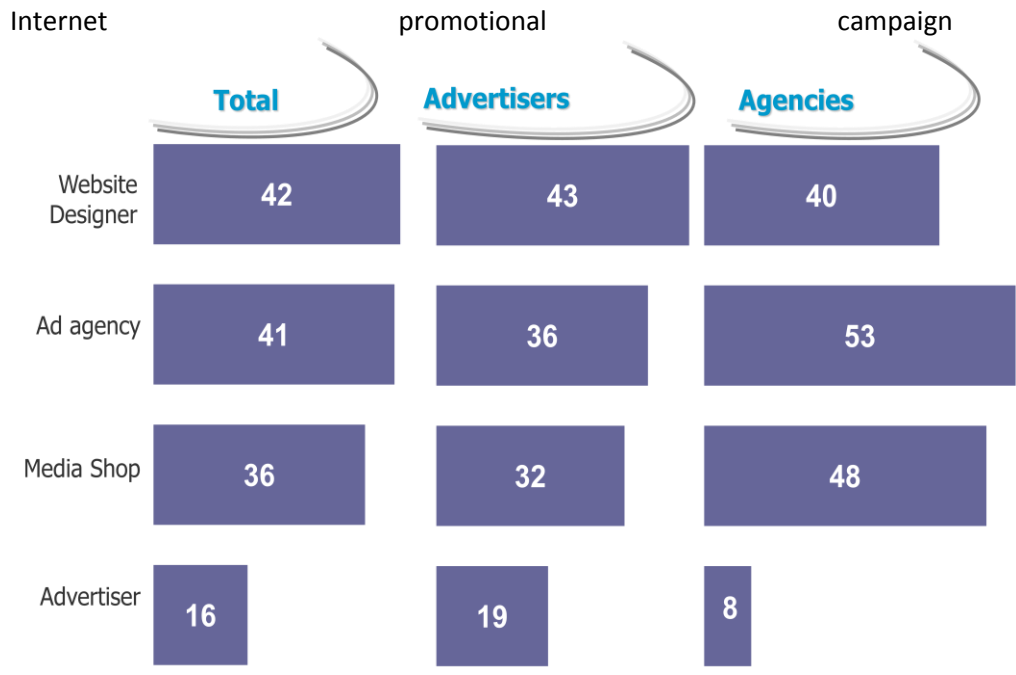


Figure 93).

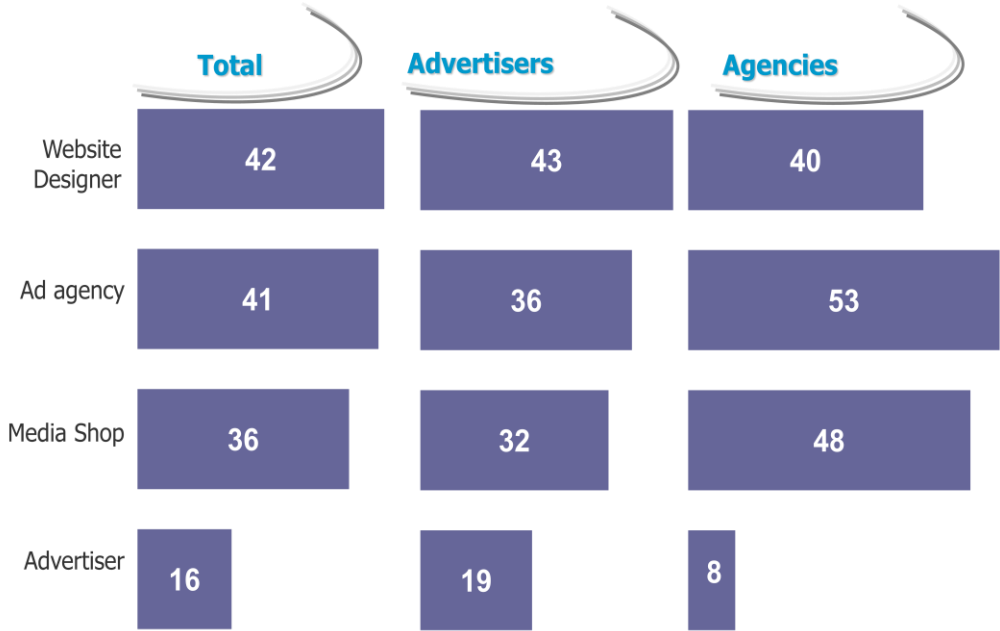


Figure 93 Types of companies that are capable of developing and executing an Internet advertising campaign



Most of the managers are aware of the existing online advertising tools. Over eighty percent of the participants know online banners, email advertising, pop-ups and micro-sites.

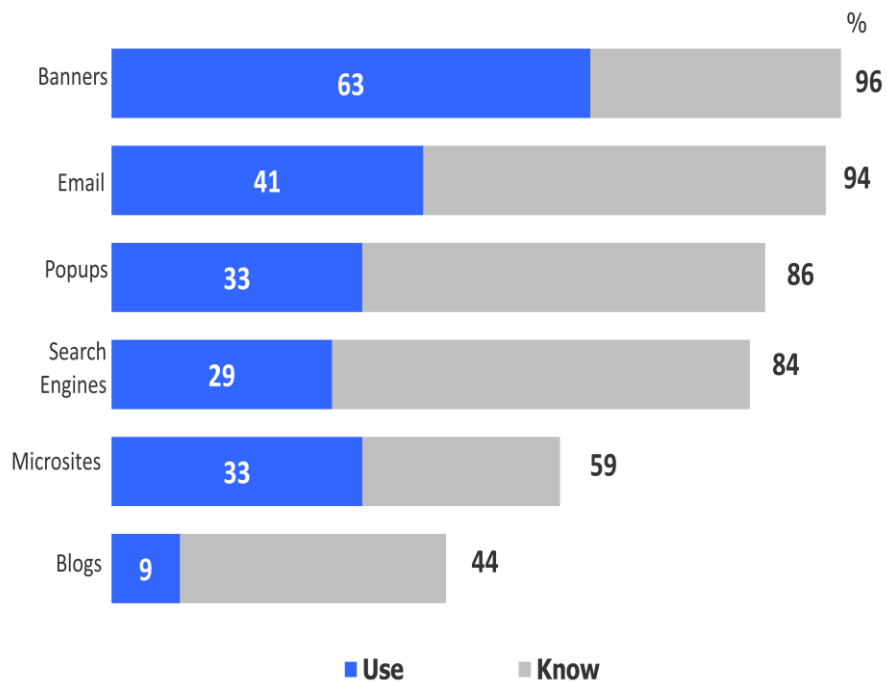


Figure 94 illustrates the level of knowledge and usage of online promotional tools. Managers are familiar with the use of banners and e-mail advertising, while blogs are still an unexplored promotional tool.

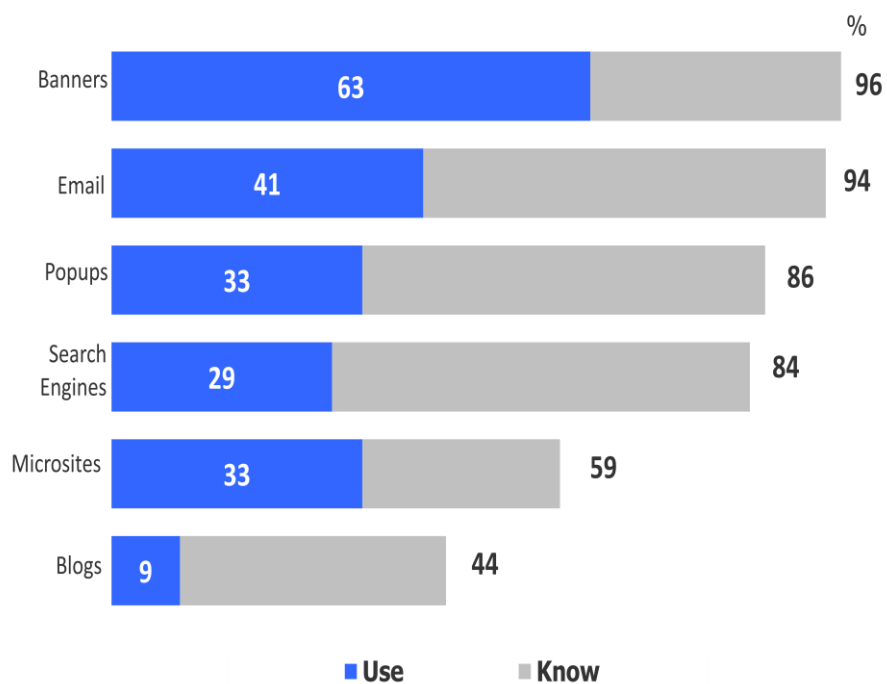


Figure 94 Promotional tools that participants are aware of and use

Moreover, only twenty-nine percent of the participants evaluate ad effectiveness based on ad server statistics and interaction metrics (e.g. click-through-rate, pay per click etc.). On the contrary half of the sample indicates site server statistics (e.g. page impression, views, visits etc.) as the primary source of the campaign evaluation process and only a quarter examines surveys and data from third party

studies. Finally, portals and portals are the favored sites for effective advertising followed by search engines, online directories, newspapers and magazines.

Stepping to the perceptions for the potential of Internet advertising, a thirty-five percent of the participants stated an increase in Internet advertising expenditures for the year to come. Key points for this increase would be an enlargement in Internet penetration, an increase in online buyers and suppliers, advancement in effectiveness standards, and proliferation of broadband connections that will allow rich media advertising. Finally, nearly half of the participants who had never advertised via this channel indicated that they will proceed to online ad campaigns in the next eighteen months. However, fifty-three percent of the managers stated that will not enter the world of interactive electronic markets in the near future.

## 5 CONCLUSION

The first conclusion is that managers prefer one-way media to advertise and still marketers have not shifted a noteworthy fraction of their budgets to digital channels. TV advertising is currently up and plenty of top executives say that they cannot see efficiency to online advertising up till now. The main reasons for this reluctance toward Internet advertising are the low Internet penetration, low percentages of click-through-rates, few consumers buy online, and the difficulty to implement an Internet marketing plan. The Internet market is not clear and the procedures to advertise online are not yet standardized as in the case of traditional media. As the results depict advertisers are not adequately educated in interactive channels and even ad agencies believe that web designers are responsible for the implementation of online campaigns.

However, the majority of the respondents is aware of the basic capabilities of Internet advertising such as accountability and interactivity and knows the fundamental online advertising tools (e.g. banners, micro-sites). The most promising outcome of this study is that a thirty-five percent of the participants stated an increase in Internet advertising expenditures for the year to come. This means that those who have at least once advertised on the Internet have seen benefits to this type of advertising. Another positive statement is that the participants who had never advertised via this channel indicated that they will proceed to online ad campaigns in the next eighteen months. Thus most companies understand that the Internet is becoming a vital tool in the lives of their customers, who are using the Web to locate, research and purchase products and services even on a daily basis. Although consumers have become actively engaged with Internet services and products the marketing sector is not yet convinced to invest in this interactive form of marketing. This is the overall feedback from the corresponding survey. Advertisers and agencies remain unconvinced of the brand building potential of interactive advertising and value this medium only for its direct response capabilities and its targeting potential. This an argumentation well documented in the literature since in a review of online news journals conducted in 2000, Hollis discovered a 2:1 ratio in favor of the conclusion that online advertising could not build brands (Hollis, 2005). In this study it is clear that managers are still unsure of the potential of Internet advertising.

Another interesting point of this research is that both advertisers and agencies perceive each advantage and disadvantage of Internet advertising as of equal importance. Statistical differences between these groups were insignificant. This finding may indicate the tight relationships between advertisers and agencies and the fact that these two groups face a common challenge neither of them has a history with (Elliott, 2006).

In overall, the one side of the coin, the consumer, suggests that Internet usage is rising constantly: In the last 5 years, the penetration in the age of thirteen to seventy years old in Greece has trebled and broadband penetration achieved last year the highest speed of growth in the EU, with a growth rate of over 150%. However, managers on the other side of the coin take a *"wait and see"* approach. All are waiting to see the movement from somebody else, advertisers from advertising or media shops, agencies from the client or the specialized companies and together are waiting for the improvement of

Internet infrastructure and usage. The truth is that the one side of the coin is related and affects the other. The increased penetration of broadband will turn the web into a far more attractive setting for advertisers and in turn engaging forms of interactive advertising will lead to optimum delivery rates and to a shift of marketing budgets to digital media.

## 6 LIMITATIONS AND FUTURE RESEARCH

This paper has reported on a large-scale study of the practices and perspectives of both advertisers and advertising agencies. However, the validity and generalizability of our results are of course limited by a number of factors. First, while the snowball sampling technique can dramatically lower the overall cost of this research, it comes at the expense of reducing the likelihood that the sample will represent a good cross section from the population under examination. Another reason that interpretation of these results should be cautious is that this study is based on a Greek sample. In Greece usage of online advertising still lags in correspondence with USA and other developed European countries. So these results may not apply to other countries and therefore it might be interesting to cross-examine perceptions of Internet advertising in different countries based on their level of Internet penetration and maturity.

Finally, a qualitative research would offer the opportunity to delve into managers' perceptions for Internet advertising. In depth interviewing will answer "why" a manager rejects or accepts interactive advertising and this combined method approach could provide a richer understanding of how Internet advertising is implemented and integrated in the marketing mix.

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