Internet Marketing or Modern Advertising! How? Why?

Masoud Nosrati, Ronak Karimi, Mehdi Mohammadi, Kamran Malekian

1,2,3 Eslamabad-E-Gharb branch, Islamic Azad University, Eslamabad-E-Gharb, Iran.

ABSTRACT

Advertising is a form of communication used to encourage or persuade an audience (viewers, readers or listeners; sometimes a specific group of people) to continue or take some new action. With growing the new technologies, new forms of advertising came to exist.

This paper have a short survey on internet marketing. Internet marketing, or online marketing, refers to advertising and marketing efforts that use the Web and e-mail to drive direct sales via e-commerce as well as sales leads from Web sites or emails. Internet marketing and online advertising efforts are typically used in conjunction with traditional types of advertising like radio, television, newspapers and magazines.

In this paper, a short history of online advertising is offered. Also, the types of internet marketing are introduced in details. They include: Display advertising, Search engine marketing, Search engine optimization, Social media marketing, Email marketing, Referral marketing, Affiliate marketing, Content marketing, Inbound marketing, Marketing communications.

1. Introduction

Online advertising began in 1994 when HotWired sold the first banner ads to several advertisers [1]. Revenue in the United States grew to an estimated $7.1 billion in 2001 or about 3.1 percent of overall advertising spending. The dot-com bust destroyed or weakened many of the early online advertising industry players and reduced the demand for online advertising and related services.

The industry regained momentum by 2004 as the business model for “Web 2.0” came together [2]. A number of businesses emerged that facilitated the buying and selling of advertising space on web pages. Entities that operated web portals settled on the traditional “free-tv” model: generate traffic by giving away the content and sell that traffic to advertisers. Most web sites, with the exception of transaction ones such as eBay, generate the preponderance of their revenues from the sale of advertising inventory—the eyeballs that view space allocated for promotions—to advertisers. In the first half of 2007 alone, advertisers in the US spent more than $10 billion on websites [3]. That was about 14 percent of all advertising spending.

The portion of advertising that is done online will increase significantly over time as more devices such as mobile telephones and televisions are connected to the Internet and people spend more time on these devices. The valuations that the capital markets are placing on businesses related to online advertising are consistent with this prediction. Google has had a seven-fold increase in its market value from August 2004 when it was valued at $29 billion to $215 billion in December 2007. During 2007 several companies in the online advertising market were purchased at multiples of 10-15 times annual revenues [4][5][6].

The online advertising industry burst into the public eye in 2007. Google’s sky-rocketing stock price and its forays into industries such as word processing software, online payments, and mobile telephones drew significant attention. More than 500 articles on Google appeared in the New York Times, Wall St. Journal and the Financial Times during the year. The U.S. Federal Trade Commission and the European Commission launched in-depth antitrust investigations into Google’s acquisition of DoubleClick, which provides software technology and services to online advertisers and publishers [7]. Privacy concerns also came to the fore in 2007 as consumers, government agencies and the media started focusing on the massive amount of personal data that online advertising companies were storing and using [8][9].

Businesses began to move their advertising efforts into areas by making wide use of social media from 2009. The social media includes social networking tools such as Facebook, Twitter, Hi-5, social news tools such as Reddit, Digg Propeller, social photo & video sharing tools such as Photobucket, Flickr, YouTube and social bookmarking tools such as Del.icio.us, Simpy. One of the advantages of social media advertising is proper targeting of market through the use of the users’ demographic information provided. The disadvantage is measuring effectiveness of social media advertising, whether or not the number of ’likes’, ’friends’ or ‘follows’ could convert to actual sales [10].

The internet has become an ongoing emerging source that tends to expand more and more. The growth of this particular medium attracts the attention of advertisers as a more productive source to bring in consumers.

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* Corresponding author.
Email address: minibgs_m@yahoo.co.uk
A clear advantage consumers have with online advertisement is the control they have over the product, choosing whether to check it out or not [11].

Online advertisements may also offer various forms of animation. In its most common use, the term "online advertising" comprises all sorts of banner, e-mail, in-game, and keyword advertising, including on platforms such as Facebook, Twitter, and MySpace. Web-related advertising has a variety of ways to publicize and reach a niche audience to focus its attention to a specific group. Research has proven that online advertising has given results and is a growing business revenue [12]. For the year 2012, Jupiter Research predicted $34.5 billion in US online advertising spending.

2. Types of online advertising

Display advertising

It is a type of advertising that typically contains text (i.e., copy), logos, photographs or other images, location maps, and similar items. In periodicals, display advertising can appear on the same page as, or on the page adjacent to, general editorial content. In contrast, classified advertising generally appears in a distinct section, was traditionally text-only, and was available in a limited selection of typefaces.

Advertisement from early 20th century Display advertisements are not required to contain images, audio, or video: Textual advertisements are also used where text may be more appropriate or more effective. An example of textual advertisements is commercial messages sent to mobile device users, or email.

One common form of display advertising involves billboards. Posters, fliers, transit cards, tents, scale models are examples of display advertising.

Search engine marketing

SEM is a form of internet marketing that involves the promotion of websites by increasing their visibility in search engine results pages (SERPs) through optimization and advertising [13]. SEM may use search engine optimization (SEO), that adjusts or rewrites website content to achieve a higher ranking in search engine results pages or use pay per click listings [14].

There are four categories of methods and metrics used to optimize websites through search engine marketing.

1. Keyword research and analysis involves three "steps:" ensuring the site can be indexed in the search engines, finding the most relevant and popular keywords for the site and its products, and using those keywords on the site in a way that will generate and convert traffic [15].

2. Website saturation and popularity, how much presence a website has on search engines, can be analyzed through the number of pages of the site that are indexed on search engines (saturation) and how many backlinks the site has (popularity). It requires pages to contain keywords people are looking for and ensure that they rank high enough in search engine rankings. Most search engines include some form of link popularity in their ranking algorithms. The followings are major tools measuring various aspects of saturation and link popularity: Link Popularity, Top 10 Google Analysis, and Marketleap's Link Popularity and Search Engine Saturation [16].

3. Back end tools, including Web analytic tools and HTML validators, provide data on a website and its visitors and allow the success of a website to be measured. They range from simple traffic counters to tools that work with log files [15] and to more sophisticated tools that are based on page tagging (putting JavaScript or an image on a page to track actions). These tools can deliver conversion-related information. There are three major tools used by EBSCO: (a) log file analyzing tool: WebTrends by NetiQ; (b) tag-based analytic programs WebSideStory's Hitbox; (c) transaction-based tool: TeaLeaf RealiTea. Validators check the invisible parts of websites, highlighting potential problems and many usability issues ensure websites meets W3C code standards. Try to use more than one HTML validator or spider simulator because each tests, highlights, and reports on slightly different aspects of your website.

4. Whois tools reveal the owners of various websites, and can provide valuable information relating to copyright and trademark issues [17].

Search engine optimization

SEO is the process of affecting the visibility of a website or a web page in a search engine's "natural" or un-paid ("organic") search results.[jargon] In general, the earlier (or higher ranked on the search results page), and more frequently a site appears in the search results list, the more visitors it will receive from the search engine's users. SEO may target different kinds of search, including image search, local search, video search, academic search,[18] news search and industry-specific vertical search engines.
As an Internet marketing strategy, SEO considers how search engines work, what people search for, the actual search terms or keywords typed into search engines and which search engines are preferred by their targeted audience. Optimizing a website may involve editing its content, HTML and associated coding to both increase its relevance to specific keywords and to remove barriers to the indexing activities of search engines. Promoting a site to increase the number of backlinks, or inbound links, is another SEO tactic.

The plural of the abbreviation SEO can also refer to "search engine optimizers," those who provide SEO services.

**Social media marketing**

Social media marketing refers to the process of gaining website traffic or attention through social media sites [19][20].

Social media marketing programs usually center on efforts to create content that attracts attention and encourages readers to share it with their social networks. A corporate message spreads from user to user and presumably resonates because it appears to come from a trusted, third-party source, as opposed to the brand or company itself. Hence, this form of marketing is driven by word-of-mouth, meaning it results in earned media rather than paid media.

Social media has become a platform that is easily accessible to anyone with internet access. Increased communication for organizations fosters brand awareness and often, improved customer service. Additionally, social media serves as a relatively inexpensive platform for organizations to implement marketing campaigns.

**Email marketing**

It is directly marketing a commercial message to a group of people using email. In its broadest sense, every email sent to a potential or current customer could be considered email marketing. It usually involves using email to send ads, request business, or solicit sales or donations, and is meant to build loyalty, trust, or brand awareness. Email marketing can be done to either cold lists or current customer database. Broadly, the term is usually used to refer to:

- Sending email messages with the purpose of enhancing the relationship of a merchant with its current or previous customers, to encourage customer loyalty and repeat business. Sending email messages with the purpose of acquiring new customers or convincing current customers to purchase something immediately.
- Adding advertisements to email messages sent by other companies to their customers.

Researchers estimate that United States firms alone spent US $1.51 billion on email marketing in 2011 and will grow to $2.468 billion by 2016 [21][22].

There are both advantages and disadvantages to using email marketing in comparison to traditional advertising mail.

- **Advantages**
  - Email marketing (on the Internet) is popular with companies for several reasons:
  - An exact return on investment can be tracked ("track to basket") and has proven to be high when done properly. Email marketing is often reported as second only to search marketing as the most effective online marketing tactic [23].
  - Email Marketing is significantly cheaper and faster than traditional mail, mainly because of high cost and time required in a traditional mail campaign for producing the artwork, printing, addressing and mailing.
  - Advertisers can reach substantial numbers of email subscribers who have opted in (i.e., consented) to receive email communications on subjects of interest to them.
  - Almost half of American Internet users check or send email on a typical day [24], with email blasts that are delivered between 1 am and 5 am local time outperforming those sent at other times in open and click rates [25][26].
  - Email is popular with digital marketers, rising an estimated 15% in 2009 to £292m in the UK [27].

- **Disadvantages**
  - A report issued by the email services company Return Path, as of mid-2008 email deliverability is still an issue for legitimate marketers. According to the report, legitimate email servers averaged a delivery rate of 56%; twenty percent of the messages were rejected, and eight percent were filtered [28].
  - Companies considering the use of an email marketing program must make sure that their program does not violate spam laws such as the United States' Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM) [29], the European Privacy and Electronic Communications Regulations 2003, or their Internet service provider's acceptable use policy.
Referral marketing

Referral marketing is a structured and systematic process to maximize word of mouth potential. Referral marketing does this by encouraging, informing, promoting and rewarding customers and contacts to think and talk as much as possible about their supplier, their company, product and service and the value and benefit the supplier brings to them and people they know.

Referral marketing takes word of mouth from the spontaneous situation to one where maximum referrals are generated.

Online referral marketing, using digital marketing as a platform, is the internet based approach to traditional referral marketing. Given the advances in tracking customer behavior online through the use of web browser cookies, online referral marketing provides a high degree of tracking and accountability.

A study conducted by the Goethe University Frankfurt and the University of Pennsylvania, on referral programs and customer value which followed the customer referral program of a German bank that paid customers 25 euro for bringing in a new customer, was released in July 2010 [30]. According to Professor Van den Bulte, this is the first ever study published on the financial evaluation of customer referral programs[31]. The study found that referred customers were both more profitable and loyal than normal customers. Referred customers had a higher contribution margin, a higher retention rate and were more valuable in both the short and long run.

On whether customer referral programs are worth the cost, the study says that it records "a positive value differential, both in the short term and long term, between customers acquired through a referral program and other customers. Importantly, this value differential is larger than the referral fee. Hence, referral programs can indeed pay off." [32]

Affiliate marketing

Affiliate marketing is a type of performance-based marketing in which a business rewards one or more affiliates for each visitor or customer brought about by the affiliate's own marketing efforts. The industry has four core players: the merchant (also known as 'retailer' or 'brand'), the network (that contains offers for the affiliate to choose from and also takes care of the payments), the publisher (also known as 'the affiliate'), and the customer. The market has grown in complexity to warrant a secondary tier of players, including affiliate management agencies, super-affiliates and specialized third party vendors.

Affiliate marketing overlaps with other Internet marketing methods to some degree, because affiliates often use regular advertising methods. Those methods include organic search engine optimization (SEO), paid search engine marketing (PPC - Pay Per Click), e-mail marketing, content marketing and in some sense display advertising. On the other hand, affiliates sometimes use less orthodox techniques, such as publishing reviews of products or services offered by a partner.

Affiliate marketing is commonly confused with referral marketing, as both forms of marketing use third parties to drive sales to the retailer [33]. However, both are distinct forms of marketing and the main difference between them is that affiliate marketing relies purely on financial motivations to drive sales while referral marketing relies on trust and personal relationships to drive sales [33].

Affiliate marketing is frequently overlooked by advertisers [34]. While search engines, e-mail, and website syndication capture much of the attention of online retailers, affiliate marketing carries a much lower profile. Still, affiliates continue to play a significant role in e-retailers' marketing strategies.

Content marketing

Content marketing is any marketing format that involves the creation and sharing of media and publishing content in order to acquire customers. Content Marketing’s basic premise is to “provide some valuable information or entertainment – “content” – that stops short of a direct sales pitch or call to action, but which seeks to positively influence a customer in some way.” [35] This information can be presented in a variety of media, including news, video, white papers, ebooks, infographics, case studies, how-to’s, Q&A’s, photos, etc.

Content Marketing has steadily risen in popularity with marketers. According to a study by the Content Marketing Institute, over 90% of Business-to-Business (B2B) and 86% of Business-to-Consumer (B2C) marketers use one or more methods of Content Marketing [36], including social media, eNewsletters, and articles on a company website.

By embedding information that refers to the Brand, often with a “brought to you by” message, persuasion occurs because the media consumer’s experience with the content is positive, and so becomes associated with a positive experience with a Brand.

Other forms of advertising, particularly online, may be intrusive. One study notes that 61% respondents noted that banner ads “distract them and take them away from what they are doing” [37], in addition to fears of spam, viruses, or simply receiving content that is not engaging.

Content Marketing provides an alternative to intrusive advertisements by offering branded content endemic to a users browsing experience. By intertwining the content with a brand’s equity, users are engaged by and create a positive correlation experience with the Brand, making them more likely to purchase the Brand.
Another advantage of Content Marketing is that the Millennial Generation (the largest, currently composed of 1.8 billion people) has expectations of media that are often better met by Content Marketing than by traditional advertising. In an Edelman Survey, 8 in 10 millennials expect brands to entertain them, while 31% expect brands to create “online content, such as videos, photos, games, and blogs” [38].

The following examples demonstrate early use of content to disseminate information about a brand, and build a brand's reputation:

- 1895 - John Deere launches their magazine, The Furrow, providing information to farmers on how to become more profitable. The magazine, considered the first custom publication, is a success and is still in circulation today, reaching 1.5 million readers in 40 countries in 12 different languages [39].

- 1900 – Published in France, Michelin develops the Michelin guides, offering drivers information on auto maintenance, accommodations, and other travel tips. 35,000 copies were distributed for free in this first edition [40]. Eventually, the company began selling these books, yet the publication set a precedent for both informative guides and content marketing distribution.

- 1904 – Jell-O salesmen go door-to-door, distributing their cookbook for free. Touting the desert as a versatile food, the company sees its sales rise to over $1 million by 1906 [41].

**Inbound marketing**

Inbound marketing is advertising a company through blogs, podcasts, video, eBooks, enewsletters, whitepapers, SEO, social media marketing, and other forms of content marketing. In contrast, buying attention [42], cold-calling, direct paper mail, radio, TV advertisements [43], sales flyers, spam, Email marketing, telemarketing [44] and traditional advertising [45] are considered “outbound marketing”. Inbound marketing earns the attention of customers [42], makes the company easy to be found [43] and draws customers to the website[45] by producing interesting content [44].

David Meerman Scott recommends that marketers “earn their way in” (via publishing helpful information on a blog etc.) in contrast to outbound marketing where they "buy, beg, or bug their way in" (via paid advertisements, issuing press releases, or paying commissioned sales people, respectively) [46]. The term is synonymous with the concept of permission marketing, which is the title of a book by Seth Godin [44]. The inbound marketing term was coined by HubSpot’s Brian Halligan [43][44][47], in 2005 [48][49].

According to HubSpot, inbound marketing is especially effective for small businesses [50] that deal with high dollar values, long research cycles and knowledge-based products. In these areas prospects are more likely to get informed and hire someone who demonstrates expertise [51].

In one case inbound marketing was defined by three phases: Get found, Convert and Analyze [42]. A newer model illustrates the concept in five stages: [48]

1. 1. Attract traffic
2. 2. Convert visitors to leads
3. 3. Convert leads to sales
4. 4. Turn customers into repeat higher margin customers
5. 5. Analyze for continuous improvement

Complex inbound marketing practices target potential customers at various different levels of product/brand awareness. The most scaled tactics attempt to funnel customers from semantically related market segments, who have no product awareness or intention to purchase. This is usually achieved by taking the customer through a structured informational path, that builds awareness and increases interest over time.

**Marketing communications**

Marketing communications (or marcom or integrated marketing communications) are messages and related media used to communicate with a market. Marketing communications is the "promotion" part of the "marketing mix" or the "four Ps": price, place, promotion, and product.

Traditionally, marketing communications practitioners focused on the creation and execution of printed marketing collateral; however, academic and professional research developed the practice to use strategic elements of branding and marketing in order to ensure consistency of message delivery throughout an organization - a consistent "look & feel". Many trends in business can be attributed to marketing communications; for example: the transition from customer service to customer relations, and the transition from human resources to human solutions and the trends to blogs, email, and other online communication derived from an elevator pitch.
3. Discussion on advantages and limitations

Advantages

Internet marketing is inexpensive when examining the ratio of cost to the reach of the target audience. Companies can reach a wide audience for a small fraction of traditional advertising budgets. The nature of the medium allows consumers to research and to purchase products and services conveniently. Therefore, businesses have the advantage of appealing to consumers in a medium that can bring results quickly [52].

Internet marketers also have the advantage of measuring statistics easily and inexpensively; almost all aspects of an Internet marketing campaign can be traced, measured, and tested, in many cases through the use of an ad server. The advertisers can use a variety of methods, such as pay per impression, pay per click, pay per play, and pay per action. Therefore, marketers can determine which messages or offerings are more appealing to the audience. The results of campaigns can be measured and tracked immediately because online marketing initiatives usually require users to click on an advertisement, to visit a website, and to perform a targeted action.

Problems

- **Privacy**
  The use of online advertising has implications on the privacy and anonymity of users. Hosting the banner images on its servers and using third-party cookies, the advertising company is able to track the browsing of users across these two sites.

  Third-party cookies can be blocked by most browsers to increase privacy and reduce tracking by advertising and tracking companies without negatively affecting the user's Web experience. Many advertising operators have an opt-out option to behavioral advertising, with a generic cookie in the browser stopping behavioral advertising.

- **Malware**
  There is also a class of advertising methods which are considered unethical and may even be illegal. These include external applications which alter system settings (such as a browser's home page), spawn pop-ups, and insert advertisements into non-affiliated webpages. Such applications are usually labelled as spyware or adware. They may mask their questionable activities by performing a simple service, such as displaying the weather or providing a search bar. These programs are designed to dupe the user, acting effectively as Trojan horses. These applications are commonly designed so as to be difficult to remove or uninstall. The ever-increasing audience of online users, many of whom are not computer-savvy, frequently lack the knowledge and technical ability to protect themselves from these programs.

- **Limitations**
  One of the challenges that Internet marketers face (as does the general public) is that many internet products are outright scams or promoted with deception making it difficult to know which one is worth buying. This is especially the case with products that are supposed to train or aid Internet marketers in making money. While the quality of products has improved in the past few years, ethics are often still missing in online marketing. Many so-called money making products are "empty boxes" in which there is essentially nothing there, yet a buyer is to make money by reselling this empty box to others. Pyramid schemes are also still prevalent.

  The consumer is unable to physically feel or try on the product which can be a limitation for certain goods. However, a survey of consumers of cosmetics products shows that email marketing can be used to interest a consumer in visiting a store to try a product or to speak with sales representatives; from here a purchase decision can be made [53].

  The marketer will not be able to use personal interaction to influence the audience as the marketing is completely based on the advertisement and the information that the advertisement might lead to (websites, blogs and other channels).

- **Security concerns**
  Information security is important both to companies and consumers that participate in online business. Many consumers are hesitant to purchase items over the Internet because they do not believe that their personal information will remain private. Some companies that purchase customer information offer the option for individuals to have their information removed from their promotional redistribution, also known as opting out. However, many customers are unaware if and when their information is being shared, and are unable to stop the transfer of their information between companies if such activity occurs. Additionally, companies holding private information are vulnerable to data attacks and leaks. Internet browsing privacy is a related consumer concern. Web sites routinely capture browsing and search history which can be used to provide targeted advertising. Privacy policies can provide transparency to these practices. Spyware prevention software can also be used to shield the consumer.

References


