

ELECTRONIC ONLINE ADVERTISING – THE “ECONOMIC CRISIS” IS JUST THE PRETEXT OF THE FALL

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ABSTRACT

The paper aims to present the actual online advertising environment during the world economic crisis, focused on some similarities with the spam concept used for the unwanted email messages. The vast majority of today online advertisements, as well as most TV advertisements too, are completely disregarded and even seen as intrusive and offensive by many people. Even though the trend has increased towards online advertising instead of classic TV and radio ads, the online environment is now facing the same decline in meaningfulness as any other media driven advertising.

Keywords: advertisements, online ads, spam, internet, crisis, algorithms, consumer, trends

1. INTRODUCTION

During the last five years, since 2007, the online advertising based on the webpages present on the internet has grown exponentially. Even the period of 2009-2011, the darkest side of the world economic crisis, has seen a great increase of the online advertising share related to the entire advertising market. This fact was not only based on the more preeminent level of the online environment for the medium consumer but also on the fact that online advertisements were cheaper and seemed more targeted, more sophisticated and more scientifically built.

For most companies it seemed like a sort of a magic thing the assurance of the media publicity sellers that their advertisements will go exactly to the right targeted consumer. As an example, instead of buying expensive large outdoor spaces inside the most driven-through crossroads in a busy city the companies are now offered the possibility to buy for a smaller amount of money online advertising space which is presented as “exactly targeted” to only those internet users that have been “chosen” as really potential buyers by some very advanced algorithms.

2. CONSIDERATIONS

The actual drop, actually the very much accentuated drop, in revenues generated by the internet advertisements is not at all a fact that came “out of the blue”. Even respected and widely available information sources have pointed out this fact on public articles and debates [1].

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This fact was quite predictable, and actually predicted precisely by quite a number of information technology specialists and commentators, and it was not all blamable on the ongoing economic crises. The extent of the issue is not as great as it was the case of the “dot.com” bubble in 2004 but nevertheless it might imply a lot of problems for all small and medium size online businesses that would rely on cashing in and streaming revenues based on their online marketing advertisements.

Taking into consideration the large numbers of people that now a days spend time on the internet, many companies are focusing their strategies on the online environment even before the start of the crisis. From a statistic calculated at the beginning of 2012, we can see that throughout the most developed regions of the world the internet access is already something as usual and normal as public transportation or cable TV.



Figure 1. The percentage of population that spends time online, by region²

In Europe, even another step has been made and the Internet Access is now considered as a fundamental right, enforced by law [2]. Starting from 2010, people in Finland for example, are guaranteed by the law the right to access the internet through a broadband connection of at least 1 Mbps.

The worldwide spread recession and the general decline in retail sales all over the business world had, of course, influenced this trend of lower income coming directly from advertisements but it was not the only one and in my opinion neither the most important reason. Online, internet advertisements are becoming quite fast irrelevant and lose their capacity of producing powerful impact and, more important, tangible results as hard-currency revenues for the companies involved.

Most of the time, the traditional advertisements have been ported to the online environment, as a sort of replacement for costly large spaces rented in national or local printed media. The today aggressive online campaigns are trying to replace the advertisements seen on TV or heard at the radio, with a lot of flash or html driven mechanism, lots of pop-ups, animated banners, applets or scripts. Most of times today, the internet user is actually annoyed by

² Source: eMarketer.com | comScoreDataMine.com; <http://www.go-gulf.com/blog/online-time>

these schemes and not at all charmed and driven to even see what the advertisements are talking about. If one follows the media we can see that all over the world the classic, printed media, is on decline – some might even say on the verge of collapse. Some of the most respected printed media products have disappeared during the last few years or survived just by entering a re-inventing process based usually on the migration to the online environment. Most of the problems faced by this classic printed media actually came exactly from the thing that made them viable as businesses before: the advertisements revenues.

If we are to be true to ourselves we have to see and understand that the media cannot survive without money – actually almost nothing can! The media mission and objective, described usually by the journalists as “feeding information to the public for their own good and for the society’s sake” is a very nice concept but nothing more than that. Most of the times, media is almost a 100% biased towards something, might it be something related to politics, ethics, nationalism, economic theories, art trends etc. And, even if everything is perfect from the moral and ethical point of view, completely neutral and fully balanced, there is always the problem of the money; no journalist will accept to help and educate the large public, the entire society, without getting paid for this fact. The profit source for the media businesses was never (at least not in the last 85 years, since before the great crisis of 1929) made of income streams coming from selling the printed copies. The real money that pumped the blood of the media organisms was coming in from advertisements - paid advertisements. At this moment, the failure of the classic media advertising is becoming quite obvious and this brings about the failure of the entire sustainable model based on money for advertising trade.

This was a fact that certain specialists from well reputed universities and professional organizations have heralded even since before the end of the twentieth century! If you step back and think about it – be honest and try to remember how many advertisements have you read and studied in newspapers (we let alone the issue of job advertisements, as this is socially related to other cause-effect processes). Go even deeper, remember last time that you were actually watching TV and did not change the channel the moment the advertisements block came on or left the room to solve other issues while the ads were on. The traces of reactions to such a behavior were there for us to see (and so we can understand that the media business actually new this fact in advance) – this was one of the back-end causes for the larger and larger advertisements blocks on TV, blocks that can go up to 15 minutes per hour in some cases... a quarter of each hour we are forced to watch something that we did not want or need. Also an effect of this consumer behavior was the actual correlation of the air time for those advertisements blocks – now, many of the most important TV channels in an area have set their timings as to air the advertisements at the same time; in such a case they know we change the channel but we usually end up in another streak of advertisements.

The radio advertising reports are a little bit different. In more than 67% of the cases the radio listeners do not change the channel when advertisements are aired. But this behavior has some under-the-table causes – first of all, in many cases the radio listeners are those on the move, in cars, busses, taxis and so on. For them it is difficult or inappropriate to change

channels very often so they keep listening to the advertisements but the attention shifts from the message to some other focus points much more easily than in other media channels' cases.

Going back to the online environment – all this above mentioned issues seem to have been met way sooner than in their classic counterparts. Sending an ad message to an internet user surfing the web, at a moment he did not request such a message, at a time when he is doing something else or trying to find something else, will most surely fail in transforming that user in a customer. This thing will bring about the most important issue – these advertisements will fail to become an important revenue source for the company that had paid for the media campaign. Due to the many less ethical thing available on the internet (let us not get into more details at this moment) the web surfer is even more cautious than a newspaper reader for example. He knows that online is very easy to post almost anything and that the company that paid the advertisements just wants to lure him over and he thinks that nobody has somehow checked the information being advertised. In order to really become lucrative and rival the earning of the highest moments of the printed media advertising era, the online advertisements paradigm must finds its own monetization models, improve them continuously and develop newer and newer systems; this fact was also true for the monetization issue of the film industry, of sport events, live shows etc.

The explosive development of the online environment has brought death to lot of classic businesses but it will also bring something that most of the internet fans are not thinking about. Now there is a lot, if not a majority, of the online content that is available for free. Even the surviving newspapers are an example – if you want to read the newspaper you have to buy it, everyone knows this is how it is supposed to be and is fine. But, at the same time, for those surfing the internet, the same newspaper is available for free – most of the times in an even better form, updated throughout the day every moment something happens anywhere in the world. Probably the best (and the widest spread) sample of such a case is the sports media newspapers.

If Steaua Bucharest has a Champions League game starting at 22:00 hours on Wednesday, the Thursday sports newspaper that we buy on the morning will not have even the result of the match, let alone any other comments, analyses or additional information. We can surf the webpage for free at any time after the match's end and see all that information.

This thing is great but is directly related to the fact that the newspaper offers this possibility because it wants to keep or increase the number of readers of the paid, printed, product. The moment the printed product that earns money becomes completely obsolete and disappears we will all have a great problem – either the website of the newspaper will become extinct too or the content will be available only online but it will not be for free, we shall have to pay for it because those journalists building the content have to find a way to get some revenue instead of the revenues that were associated with the deprecated printed products.

Even if we like it or not, I am very much sure that this is the way the things are going to happen. In order to address this issue of monetization of the online content through

alternative forms of producing revenue streams I will present some of the widest spread ideas throughout the online environment specialists.

3. REVENUE STREAMS POSSIBILITIES

The online environment is for certain the most free and liberal media channel that has ever existed. Anyone can be part of it, anyone can interact with anyone else, it has a huge number of technical possibilities to present and protect the content, it is the best solution for comparisons on costs, selections, availability, specifications and image galleries.

The electronic content specialists agree that the online environment is not exactly replacing classic advertising, instead is actually cannibalizing it. To better explaining this concept I have chosen an informal definition publicized by Eric Clemons³ in 2009:

“Advertising is using sponsored commercial messages to build a brand and paying to locate these messages where they will be observed by potential customers performing other activities; these messages describe a product or service, its price or fundamental attributes, where it can be found, its explicit advantages, or the implicit benefits from its use.”

It might not be the most scientific definition but I think it is very clear, concise and actual for the most of us that surf the web waves.

While some people think that the advertising gurus of the best agencies in the field will be able to innovate enough in order to compensate the massive losses of advertisements inside classic printed media, I rather incline to agree with the other side that considers that this thing is not exactly possible. I still think that interrupting someone that wants to do something else in order to feed him an unwanted advertisement, arguably the same case as the issue of spam email, is not a right and winning solution for monetization level increase. Of course that no online internet user, and I reluctantly include myself here too, ☺, is not an all-around know everything wizard that never needs any help. But I rather think that most of the web surfers are, and the percentage will increase more and more in the future, capable of finding their relevant information on their own. For example, let us consider of an advertisement for buying a car; I am sure that 99% of the customers are not buying a car just like this, after seeing an advertisement and that when one wants to buy a car (or actually anything more expensive than a fiction book) he can take his time and find online or offline all the information regarding all the producers and products he might be interested in. So... why put billions in advertising each year when most buying options are not exactly based on those ads? I think an awareness level of marketing should be maintained by every company, related to its products on the market and their characteristics, but the marketing budgets can take huge cuts without us losing anything relevant.

In fact, even during these last year that the crises was rampaging on, the marketing spending was actually not decreased, at least in absolute numbers because if we take into account the inflation processes and the different buying-power indexes the image might be somewhat

³ Eric Clemons – professor of Operations and Information Management, Wharton School – University of Pennsylvania.

different. As you can see below, the sums of money involved in online advertising are huge and ironically, some of the most crisis hit countries are leading in the spending top. The figures present actual data only for the 2011 year – for 2011 the figure is an educated prevision and for 2013, 2014 and 2015 of course is a complete prediction. If the United States of America was the undisputed leader of the field for some time now, China is the seen as a sort of a new hope for the world economy, Germany and France are the main pillars of the European Union economy and its EURO monetary system, UK is still one of the leading countries regarding the financial status - it is somehow disturbing to see the huge numbers spent on this issue by (companies from) Italy, Spain or Japan – countries that have been taking hard hits on every budget topic during these last years.

	2011	2012	2013	2014	2015
 USA	32.0	39.5	46.5	52.8	57.5
 Canada	2.16	2.54	2.86	3.23	3.56
 UK	7.13	7.91	8.70	9.70	10.43
 Germany	5.61	6.59	7.42	8.62	9.37
 France	2.88	3.20	3.50	3.95	4.22
 Italy	1.52	1.78	2.01	2.27	2.64
 Spain	1.20	1.41	1.48	1.67	1.84
 Japan	7.21	8.10	8.91	9.58	10.17
 China	4.57	6.21	7.63	9.46	11.36

Figure 2. Countries spending the largest amounts of money on online advertising⁴, all numbers represent figures in US dollars, billions

In order to see a more comprehensive, birds-eye view of the spending on online advertisements at international level, we can focus on the below graphic:



⁴ Source: eMarketer.com | comScoreDataMine.com; <http://www.go-gulf.com/blog/online-ad-spending>

Region	2011	2012	2013	2014	2015
North America	41.7%	41.8%	41.5%	40.7%	40.2%
Western Europe	28.8%	28.0%	27.3%	27.0%	26.5%
Asia-Pacific	24.1%	24.6%	25.1%	25.8%	26.2%
Eastern Europe	2.7%	2.7%	2.7%	2.8%	2.8%
Latin America	2.2%	2.3%	2.5%	2.8%	3.1%
Middle East and Africa	0.5%	0.7%	0.9%	1.1%	1.3%

Figure 3. Online Advertisements Spending, by region⁵

After seeing these numbers is more than obvious that something must be done in order to gain something more meaningful from the online advertising. One way to obtain a better and more reliable monetization result is to better target the ads. The online environment should feed the advertisements based on each individual’s interests and behavior; very sophisticated and smart algorithms must be developed and implemented in order to obtain such a degree of integration between the web user’s needs and ads he is fed. This fact will address the issue of unwillingness of the user to see a certain ad but it cannot address the issue of the mistrust induced by the online environment in junction with the marketing.

Most of the specialists that follow the same pessimistic side regarding the online marketing revenues tend to agree that there are three main issues that go together with the online advertising, and with all advertising channels in my opinion.

A. The majority of the web surfers (potential clients) do not need advertisements

In most cases the internet users tend to search in advance information of their possible acquisitions, either directly on dedicated search engines (e.g. Google, Bing, Yahoo! etc.) or by looking out for details on dedicated forums or professional and semi-professional specialized websites (e.g. tripadvisor.com, gsmarena.com, tgdaily.com, dpreview.com etc.)

B. The web surfer does not trust the ads usually

Many professional studies have proved time and again that most users do not really believe the commercial ad messages. A professional or semi-professional website focused on a special topic is much more appreciated and its message is better perceived than that of an advertisement, followed closely by the word of mouth recommendations and other buyers’ reviews [3].

C. The web surfer does not wish to be spammed by advertisements

If one really wants to just read the news on “Evenimentul Zilei” website he will not buy a car eve if fed a thousand ads on the topic. Even worse, some websites precondition the loading of the content by firstly seeing for a mandatory amount of seconds some online ads. As a sort of an anti-ads-spam measure we can see a widespread use of special add-ons or

⁵ Source: eMarketer.com | comScoreDataMine.com; <http://www.go-gulf.com/blog/online-ad-spending>

plugins for every available browser on the web, all those small applications having only one task to do: stop the ads.

I agree with the idea that online environment caught somehow by surprise the marketing companies. At the beginning, most of the people involved in this field just considered that the low direct results of the classic marketing campaigns were due to the fact that the average consumer moved from the printed universe to the digital one... and they just tried to flood the new medium with the adapted versions of the previous advertising messages. But, as I have repeatedly mentioned, I think the main problem is not the way the message is sent to the online dweller but its content and specifications – the average internet user does not need or want or believes the online advertisements.

4. CONCLUSIONS

I think that the online business environment has to meddle more with different models of monetization and providing revenue streams rather than force the web surfer to see more and more advertisements. It becomes obvious that the revenues produced as a direct result of the marketing advertisements are not going to be enough for supporting most of the internet online businesses.

Among the models that are now considered viable from the point of view monetization capabilities we can find three upon which the majority of the specialists agree [4]:

D. Selling actual, real products

This category comprises for example the well-known online stores which became preminent during the last years even in Romania (emag.ro, pcgarage.ro, okian.ro etc.)

E. Selling virtual things

This category comprises e-content and information paid access, for example access to video or audio files, to online scientific databases or to specialized information (e.g. iTunes, Business Week etc.). Also into this category we include the virtual communities' access and accessories that can produce huge amounts of money, usually by using small charges from lots of customers (e.g. Second Life, World of Warcraft etc.)

F. Selling access

This category is very broad, not being exactly only about direct access to a website. It comprises the business model that search engines employ – they direct the web surfers to certain destinations as “search result” based on the fees and marketing money involved. Another possible use of this choice is related to well trusted and recognized sites that can sell their expertise related to evaluating and validating certain third party data.

Another plausible way for monetization from the online environment I think is not yet fully used. During the last years the computer industry, mainly the hardware advancements, has really been driven on by the gaming community. Most of the time the average user, the normal web surfer or the office applications user are more than happy and do their job very well on a quite old equipment, at least several years old. But, for being able to play the latest

and fanciest computer games a user needs to upgrade his PC even twice a year, with the most powerful and expensive components such as CPUs, video cards, SSDs or ultrafast RAM modules. Actually, some of the video processing units today are way more powerful than most of the only several years old main CPUs and can be used to perform many more tasks than mere video gaming display [5]. Inside these modern games there can be a niche of advertising messages that could be integrated inside the own story of the video game; although, based on the analysis of the game itself and of the way the players behaves in the game there might be a possibility to feed relevant ads based on the calculations of some specific algorithms. As a plus for the advertisers, the category of users playing those games comprises in majority young people, with above average incomes or family resources and more susceptible to ads suggestions that came through an unusual channel of distribution.

From the data available in 2011, there are at least 500 million people on the planet that play a video game for at least an average of one hour a day. In United States of America alone, no less than 183 million people are reported to be playing video games on such regular bases. Based on the same statistics, around 3 billion hours a week are passed by the Earth population while playing video games – this numbers sure contain a huge potential for a smart advertising system capable of monetizing on this number of potential customers [6].

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