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# Advertising in the Internet era

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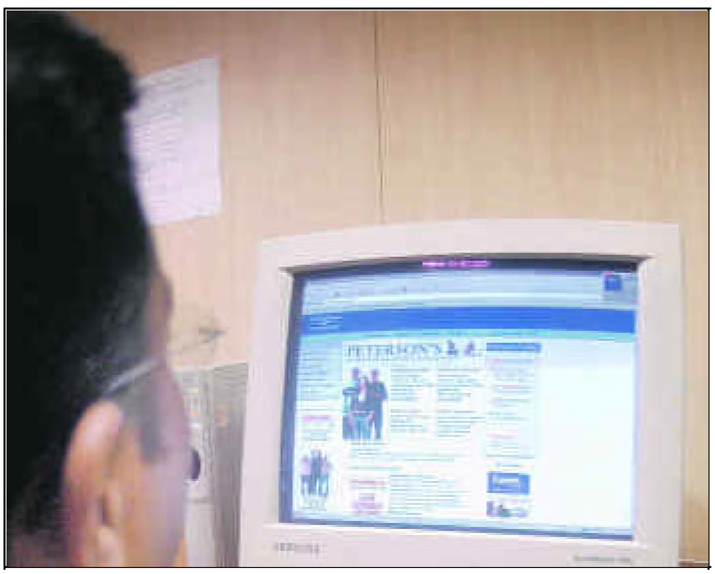
*Marketers can use the Internet to reach consumers effectively in an age when traditional advertising finds it hard to attract audiences.*



ADVERTISING faces new challenges in the Internet era. The Internet has empowered customers significantly by enabling them to get information about whatever they want and whenever they want. The Internet world has both opportunities and threats for marketers. A strong brand in one segment can enable a company make a smooth entry into another. At the same time, in some industries, commoditisation is a big threat.

The Internet is slowly but surely making an impact on purchasing behaviour. Surveys indicate that many automobile customers in America have already decided what they want to buy on the Internet before they arrive at a showroom. Some of them even come with precise specifications of the car they want from the dealer's stock, together with the price they are prepared to pay.

In this environment of growing consumer power, marketing communication is facing new challenges. In the past, companies would keep airing advertisements and look at reach frequency. But today consumers are taking control of the way they learn and hear about products. Ensuring that consumers absorb the message is more challenging than ever. Pressure is increasing on advertisers to ensure that the money they spend on advertisements yields commensurate returns.

During 2004, in the US, as much as $264 billion was spent on national and local advertising and other marketing activities, such as direct mail (a $50-billion business), 7.4 per cent more than the previous year. Ad spending in that country is expected to grow by more than 6 per cent in 2005. While this shows that advertising is as relevant as ever, the expenditure is shifting from mainstream media such as television, radio and print to new media such as the Internet and cell phone and other forms of sales promotion, such as direct mail, public relations and sponsorship.

Take the case of online advertising. The expenditure incurred on Internet advertising in America in 2004 was about $10 billion, 32 per cent more than in 2003. And that growth seems to be accelerating. According to some estimates, the online ad market could double in value this year, thanks to the growing sophistication of the Internet. For example, in search advertising, companies can buy words. If they appear in searches made on sites such as Google or Yahoo!, they will bring up a link to the company's Web site, displayed alongside the search results. The advertisers pay only if someone clicks on their links. This makes the results of search advertising measurable. After people watch an advertisement, tracking how many of them go on to make a purchase is also relatively easy on the Net.

Meanwhile, television, for several years the main advertising vehicle, is facing new challenges. Now people may switch on the TV, but their attention may be diverted by the computer screen, the magazine or the iPod. In Japan, in the past, one could be fairly sure that 90 per cent of the potential targets would be watching TV at some point between 8 p.m. and 10 p.m.; but now only 70 per cent might be watching, 60 per cent might be using the Internet and many viewers might be doing both at the same time. But advertisers can seize the opportunity, for example, by designing TV ads that encourage consumers to go straight to a Web site.

Customers are getting tired of ads and are actively looking for ways to avoid them, using tools such as pop-up blockers on Web browsers and digital video recorders (DVRs). A recent survey by Forrester found that 60 per cent of the programmes watched by DVR users are recorded, and 92 per cent of the ads on such programmes are skipped. The firm expects that by the end of 2008, 36 million households in the US will be using DVRs. The $60-billion American TV advertising industry has never been so seriously threatened.

Companies are trying to exploit the new media opportunities. Unilever America's latest attempt to sell Axe deodorant body spray to young men is a good illustration of the new approach. Unilever has been using streaming video, downloads to cell phones and Sony (SNE) PlayStations, a video game, blogs and chatrooms to help Axe retain its position as the top-selling male body spray, with 80 per cent of the market. When Unilever first launched Axe in the US in 2002, it relied heavily on racy television ads to catch the attention of young men. It also deployed girls who roamed store aisles lifting men's shirts and spraying them with Axe. But soon, Unilever began to increase its commitment to the Internet. Next came too-racy-for-TV video clips on an Axe Web site, which included graphic content aimed at getting young men to e-mail clips to their friends. Now, Unilever is counting on videoblogs to keep the buzz going.

Another example is Ford. Four years ago, Ford spent most of its advertising money on traditional media. Non-traditional forms, such as the Net, accounted for only 2 per cent of the total. Now the share has risen to 20 per cent.

Unilever and Ford illustrate the need for a flexible approach. . Advertisers must not spend a disproportionately large part of their resources on television, which has been the most powerful advertising medium in the past two decades. While television may have the ability to reach out to the mass market in quick time, it is important to examine its relevance. Especially so with evolving technology and the availability of new media options.

Consumers and brands interact with one another in more ways and many more places than before; in-home, out-of-home, traditional and digital media. The pressure to maximise the returns on ad spending is also increasing. So it is important to examine non-traditional options. Media planners will have to go beyond reach and frequency to measure the impact of the campaign and the probability of achieving marketing objectives. One of the attractions of the Internet is that its impact can be measured. Gmail, a free online e-mail service offered by Google, highlights the tremendous potential of online advertising. Gmail has several features and offers 1,000 MBof storage space. In return, users agree to allow small text ads to be placed in their e-mails. The ads are selected to match the subject matter of the e-mail, with Google's ad placement software picking up certain key words. An e-mail exchange about digital cameras, for instance, is likely to attract links to companies selling them. Advertisers need to appreciate that consumers today want to decide the time and place they engage with the brand. While customers hate being talked to or instructed, there are excellent opportunities to invite them to a dialogue. Most traditional media don't give this opportunity to customers but the Internet does.

Integrated communications is becoming the buzzword. Advertising agencies will have to be good at knowing how to craft communications in each sector and be flexible about how to put all the pieces together for a particular client in a particular market. As advertising enters a new phase, marketers must know how to allocate their spending across media carefully. Only then will the heavy investments they make in brand building yield acceptable returns.

*(The writer is Dean, ICFAI Knowledge Centre, Hyderabad.)*