

## Internet Advertising - What Went Wrong?

By Sam Vaknin

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The decline in Internet advertising - though paralleled by a similar trend in print advertising - had more serious and irreversible implications. Most content dot.coms were based on ad-driven revenue models. Online advertising was supposed to amortize start-up and operational costs and lead to profitability even as it subsidized free access to costly content.

A similar revenue model has been successfully propping up print periodicals for at least two centuries. But, as opposed to their online counterparts, print products have a few streams of income, not least among them paid subscriptions.

Moreover, print media kept their costs down in good times and bad. Dot.coms devoured their investors' money in a self-destructive and avaricious bacchanalia.

But why did online advertising collapse in the first place? Was it ineffective?

Advertising is a multi-faceted and psychologically complex phenomenon. It imparts information to potential consumers, users, suppliers, investors, the community, or other stakeholders in the firm. It motivates each of these to do his bit: consumers to consume, investors to invest and so on.

But this is not the main function of the advertising dollar. Modern economic signal theory has cast advertising in a new and surprising - though by no means counterintuitive - light.

According to this theory, the role of advertising is to signal to the marketplace the advertiser's resilience, longevity, wealth, clout, and dominance. By splurging money of advertising, the advertiser actually informs us - the "eyeballs" - that it is here to stay, sufficiently affluent to finance its ads, stable, reliable, and dominant.

"If firm X invested a million bucks in advertising - it must be worth

more than a million bucks" - goes the signal. "If it invested so much money in promoting its products, it is not a fly-by-night". "If it can throw money at an ad campaign, it is stable and resilient".

This signal is missing in online advertising. It drowns in noise. The online noise to signal ratio was unacceptable to advertisers - so they stopped advertising. When the noise to signal ratio tops a certain level - ads cease to be effective. The readers or spectators become inured to the messages - both explicit and implicit. They tune off.

The noise in online advertising stems from two sources.

A critical element in the signal is lost if the ad is not paid for. Only paid advertising conveys information about the purported health and prospects of the advertiser. Yet, the Internet is flooded with free advertising: free classifieds, free banner ads, ad exchanges. The paid ads drown in this ocean of free ads. There is often no way of telling a paid ad from a free one - without reading the fine print.

Moreover, Internet users are a "captive audience". It is easy to flip ad-besieged channels on TV, or turn the ad-laden leaf of a newspaper. It is close to impossible to avoid an ad on the Net. Banner ads are an integral part of the page. Pop-up ads pop up. Embedded ads are embedded. One needs to install special applications to avoid the harassment.

This leads to desensitization and a revolt of the user. Users resent the intrusion, are incensed by the coercive tactics of advertisers, nerve wrecked by protracted download times, and unnerved by the content of many of the ads. This is not an environment conducive to clinching deals or converting to sales.

There is also the issue of credibility. The bulk of online advertising emanates from dot.coms. Even prior to the recent stock exchange meltdown, these were not considered paragons of rectitude and truth in advertising. People learned to distrust most of what they read in Internet ads. Scorched by scams, false promises, faulty products, shoddy or non-existent customer care, broken links, or all of the above - users learned to ignore Web advertising and relegate it to their mental dust bins.

More about credibility on the Web here:

The In-Credible Web

Will the medium ever recover? Probably not. As the Internet is taken over by brick-and-mortar corporations and governments, online fare will come to resemble the offline sort. Online ads will be no more than interactive renditions of their offline facsimiles. The revenue model will switch from advertising to subscriptions and "author-pays". The

days of free content financed by advertising are over.

This does not mean that the days of free content are over as well. It only means that new, improved, realistic, and clutter-free revenue models will have to be found. There are some interesting developments in scholarly online publishing as well as in the fields of online reference and self-publishing. But these are early days and the medium is dynamic. Ad-driven content was a failure. The next model may be a roaring success - or yet another dismal defeat.

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The Problem with Advertising

By Christopher Given Dip in Bus Admin, Cert in Mgt, ACMI

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Advertising can be a highly effective way to increase your customer or client base when it's done well.

But for many businesses it's ineffective, because either ads are badly written, not advertised in the right media - or the ad is okay, but you're paying way too much for the ad space.

Yet, businesses keep promoting in the same media, over and over again. This is insane!

You must check, and measure an advert's success.!

Let's get one thing perfectly clear. Advertising is about making money. Now, there's nothing wrong with that - just as long as the advertiser provides a great service for the client, if a client is happy - they should return to use the service again. Alas, many web sites DON'T.

Here lies the problem with the internet. Basically Advertising is like a Diet - it's built on failure.

Most diets fail, you then have the scenario of the victim, moving on to the next diet which surprise surprise - fails.

Problem is Businesses advertise where their competitors advertise. Why are you all advertising in the same Directories and Search Engines?

Because you have no choice in the matter.

Use a different Search Engine or Media.

Here endeth the lesson!

Christopher is a Sales Promotion Expert and owner of Vital Vortal Web Media."We care about our clients, and are set up to serve"www.vitalvortal.co.uk

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