**Aalto University
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The effect of traditional advertising campaigns on online affiliate channel performance - a case of a leading international hotel booking website

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AALTO UNIVERSITY SCHOOL OF ECONOMICS ABSTRACT
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THE EFFECT OF TRADITIONAL ADVERTISING CAMPAIGNS ON ONLINE AFFILIATE CHANNEL PERFORMANCE – A CASE OF A LEADING INTERNATIONAL HOTEL BOOKING WEBSITE

OBJECTIVES

The main objective of this study was to examine how traditional advertising campaigns affect the online affiliate channel's performance. Even though there have been studies conducted on cross-channel marketing and how different advertising channels influence each other, little research has focused specifically on how advertising in multiple media channels influences the sales performance of other channels. The second objective of this study was to provide a better understanding of affiliate marketing, a specific form of digital advertising, as it remains a largely untouched area of academic research.

METHODOLOGY

The data consisted of two parts; an affiliate channel sales performance report and an offline advertising campaign calendar of the case company from January to September 2011. Using multivariate regression analysis, the effect of offline advertising campaigns on four different performance metrics was investigated. The data analysis was conducted in two stages. The first stage investigated how offline advertising campaigns affect the sales revenue generated by the affiliate channel. The second stage examined how advertising campaigns affect the total number of sales, the conversion rate and the average order value.

KEY FINDINGS

Based on the analysis it was found that overall traditional advertising campaigns have a significant positive effect on the affiliate channel when measured by sales revenue and the number of sales. Sale promotion advertising has an especially positive effect on the affiliate channel. In terms of the conversion rate and average order value, however, traditional advertising campaigns were not found to have a significant effect. The results suggest that as offline advertising and affiliate marketing create a significant positive synergy effect, the affiliate channel should be regarded as an important part of the overall marketing mix.

KEYWORDS: Internet advertising, affiliate marketing, cross-channel advertising.

PERINTEISTEN MAINOSKAMPANJOIDEN VAIKUTUS INTERNETIN KUMPPANUUSMAINONTAKANAVAN TULOKSIIN – TAPAUSTUTKIMUS JOHTAVASTA KANSAINVÄLISESTÄ HOTELLIVARAUSSIVUSTOSTA

TUTKIELMAN TAVOITTEET

Tämän tutkielman päätavoite oli analysoida, miten perinteiset mainoskampanjat vaikuttavat internetin kumppanuusmainontakanavan myyntituloksiin. Vaikka useita mainoskanavia hyödyntävää markkinointia ja eri kanavien vaikutusta toisiinsa on tutkittu aiemmin, harvat tutkimukset ovat keskittyneet erityisesti siihen, miten mainonta useissa kanavissa vaikuttaa eri kanavien myyntituloksiin. Tutkielman toinen tavoite oli parantaa erityisen digitaalisen markkinointimuodon, kumppanuusmainonnan, ymmärrystä, sillä tätä mainonnan muotoa ei ole juurikaan tutkittu akateemisesti aiemmin.

TUTKIMUSMENETELMÄT

Tutkielmassa käytetty materiaali koostui kahdesta osasta; kumppanuusmainonnan myyntiraportista sekä perinteisen mainonnan kampanjakalenterista ajalta tammi-syyskuu 2011. Perinteisen mainonnan vaikutusta kumppanuusmainonnan neljään eri tulosmittariin tutkittiin regressioanalyysin avulla. Empiirinen analyysi tehtiin kahdessa osassa. Ensimmäisessä vaiheessa tutkittiin, miten perinteinen mainonta vaikuttaa kumppanuusmainontakanavan myynnin arvoon. Toisessa vaiheessa puolestaan tutkittiin mainonnan vaikutusta myyntien lukumäärään, myyntikonversioon sekä keskioston hintaan.

KESKEISET TUTKIMUSTULOKSET

Analyysin perusteella todettiin, että myynnin arvolla ja myyntien määrällä mitattuna, perinteisellä mainonnalla on huomattava positiivinen vaikutus kumppanuusmainontakanavaan. Etenkin alennusmyyntimainonnalla on erityisen positiivinen vaikutus. Perinteinen mainonta ei kuitenkaan vaikuta myyntikonversioon eikä keskioston arvoon merkittävästi. Tulokset osoittavat, että perinteinen ja kumppanuusmainonta muodostavat positiivisen synergiavaikutuksen. Siksi kumppanuusmainontaa tulisi pitää tärkeänä markkinointikokonaisuuden osana.

AVAINSANAT: Internet-mainonta, kumppanuusmainonta, monikanavainen mainonta.

Table of Contents

List of figures

List of tables

1. Introduction

This study examines how traditional offline advertising campaigns affect the online affiliate sales channel performance. Using a leading international hotel booking website as a case study company, this study investigates the relationship between conventional advertising campaigns using print and television advertising and the sales performance of affiliate websites promoting the hotel booking website. The online affiliate sales channel refers to the concept of affiliate marketing, a form of performance-based digital advertising which is becoming an increasingly common way for firms to generate incremental sales online. Affiliate marketing is a form of advertising where a website promotes a company by placing a link on the site which redirects visitors to the advertised company's website. The link could be for example a banner ad or a text link. If the redirected visitor makes a purchase on the promoted company's website, the affiliate site receives commission for the sale.

This study begins by providing some background information regarding the central issues related to it. As this study focuses on the relationship between both off- and online advertising some statistical information is included to provide an understanding of the amount of money invested into advertising in general as well as the rising importance of the internet as an advertising and purchasing channel. The information relates particularly to Finland where this study is conducted. The information also demonstrates why it is increasingly important to understand how different advertising channels interact with each other and how this interaction may be reflected on the sales performance.

1.1 Background

Today, marketers commonly utilise multiple media channels within the same advertising campaign. With the rise of digital marketing over the last decade, the internet is more and more frequently one of those channels. This means the internet has become a key advertising channel for many advertisers and firms are consistently increasing the amount of money spent on online advertising. According to the IAB Europe (2010) 18% of all European media spend in 2009 was allocated to online advertising totaling 14.7 billion euros. Search engine and display advertising were the largest channels within digital advertising with shares of 46 and 30 per cent, respectively.

When considering the role of digital media in Finland specifically, its share of the total mass media market has grown significantly from 18% in 2000 to 29% in 2010. In contrast, during the same time

period the traditional media has lost market share with print media falling from 75% to 64%. (Official Statistics of Finland, 2010.) In 2010, a total of 1.3 billion euros was spent on all advertising in Finland. Online advertising covered 16 per cent of the total media spend with 206.2 million euros, growing by 14.7 per cent from the previous year. The most common forms of online advertising were display and search engine advertising with relative market shares of 34 and 32 per cent, respectively. Affiliate marketing falls under the display advertising category which grew by a staggering 35.9 per cent from 2009 with a total advertising spend of 70.4 million euros in 2010. Forecasts of online advertising in Finland are also not showing any signs of slowing down. According to IAB Finland (2011) online advertising is expected to grow by 15% in the first half of 2012 alone.

In comparison to online advertising, spending on traditional media in Finland also grew but at a more moderate pace. From 2009 to 2010, TV advertising spend grew by 12 per cent and newspaper advertising by 2.4 per cent. Magazine advertising on the other hand reduced by 2.2 per cent. (TNS Gallup Media Intelligence and IAB Finland, 2011.)

In terms of internet usage, according to the NetTrack study by TNS Gallup (2011), 86 per cent of Finnish consumers aged between 15 and 79 use the internet every week. Internet shopping is also growing and becoming increasingly common among consumers. In 2011, 67 per cent of consumers had bought something online in comparison to 50 per cent in 2007. (TNS Gallup Net Track study, 2011).

These figures indicate that even though online advertising is growing at a significant pace, the growth is not explained by firms simply transferring their advertising budgets from traditional channels to the internet. The amount spent on traditional advertising is still growing as well suggesting that firms are incorporating both off- an online advertising in to the overall marketing mix. Combining this information with the growing number of consumers using the internet as a purchasing channel highlights the crucial need to understand how different advertising channels influence each other.

When using several different channels in an advertising campaign it is vital to understand how the different channels work together and how they might affect each other. As one of the main reasons to use multiple advertising channels, also called cross-media advertising, is to increase advertising effectiveness it is important that the channels used support and complement each other. There have

been some studies investigating how different media channels affect each other including the combinations of television and the internet (eg. Chang and Thorson, 2004), television and print (eg. Havlena et al., 2007) as well as print and online advertising (eg. Kanso and Nelson, 2004; Wakolbinger et al., 2009). Previous studies on cross-media advertising have focused on various kinds of factors that influence the relationship and the potential complementary synergy effect between the channels used. The range of different measures used has been very broad. Some have focused on the effect on information-processing style (eg. McCullough and Ostrom, 1974; Harkins and Petty, 1981a, 1981b, 1987; Edell and Keller, 1989) whereas others have concentrated on ad or brand recall (eg. Wakolbinger et al., 2009).

There have only been a couple of studies that have focused on more behavioural responses. Havlena, et al. (2007) used brand attitudes and importantly purchase intent as measures to analyse the advertising effectiveness of print, TV and online advertising. They were able to make recommendations about media budget allocation based on cross-media advertising. Similarly, Naik and Raman (2003) also found that there are differences in the way media budget allocation should be carried out when there are evident synergy effects between different channels. However, there is still very little existing research that has investigated how different media channels affect the sales coming from other advertising channels. Assael (2011) also argues that there is great need for studies relating to cross-media effects, particularly regarding the combination of on- and offline exposure. The lack of research is even more evident when considering the increasingly often used channel of affiliate marketing which is now described in more detail from a practical perspective.

Affiliate marketing, first pioneered by Amazon in the mid 90's, is typically managed by an affiliate network that is a company linking firms who want to advertise online and websites who want to sell advertising space. Affiliate networks have in the last decade begun to compete with traditional media companies. The difference between them is that the affiliate networks consist of much larger networks of websites instead of relying on a few very large media sites. Affiliate networks provide an opportunity for websites to easily utilise their advertising space and to earn additional revenue. This is especially valuable for small and medium size sites that may not have the resources for a media sales department. For firms wanting to advertise online, affiliate networks offer a way of increasing visibility on a large number of websites that would be extremely time-consuming to negotiate individual advertising contracts with. (Viljakainen, Bäck and Lindqvist, 2008.)

From a managerial perspective, understanding the relationship between traditional advertising campaigns and affiliate channel performance is important for all parties involved in the affiliate marketing partnership: the advertiser, the affiliate network and the affiliate websites. From the advertiser's perspective, as many firms use both traditional and online advertising, including affiliate marketing, it is very important to understand how the different advertising and marketing activities may influence each other. By understanding this, firms can improve their overall marketing strategy and advertising effectiveness. From the affiliate network perspective, the network's key task is to achieve the best possible sales results for both the advertiser and the affiliate websites. If the advertised firm's sales revenue increases, the affiliate sites earn more commission which results in higher earnings for the affiliate network as well. Therefore, understanding how the advertiser's other marketing activities affect the affiliate channel is crucially important for the affiliate network. Finally from the affiliates' perspective, as the affiliates promote the advertiser on their website, it is very important for them to be aware of and to understand how the advertiser's other marketing activities affect the sales coming from their websites. This is because if the other marketing activities affect the number of sales generated from the affiliate's website the amount of commission earned is directly impacted. If the affiliate is aware of the other marketing activities and how it may affect their sales, the affiliate can take necessary actions and for example line up the promotional activities on their site.

In terms of existing literature, affiliate marketing has received little attention even though it is strongly linked to both cross-media and online advertising. Some studies have offered guidelines on how to select suitable affiliates (Papatla and Bhatnagar's, 2001; 2002) and how quality sites featuring brand and product information can function as quality guarantors for firms and brands (Hsu, Lai and Chen, 2007). As affiliate marketing is an important online advertising and sales channel for many firms, it is vital to understand how it fits in the overall advertising media mix.

1.2 Objectives and research questions

Before the emergence of the internet, advertising effectiveness was typically measured by focusing on each media channel individually. Today, the focus is much more on the interaction between different channels and particularly how off- and online advertising works together and how the channels reinforce each other (Assael, 2011). As mentioned earlier, even though there have been

studies focusing on cross-channel influences and advertising effectiveness, the focus has typically not been in the actual sales generated from the different channels. Assael (2011) also argues that there have not been many studies that link cross-media advertising effects to sales and the return on investment.

The main objective of this study is to add to the extant literature by focusing specifically on how advertising campaigns using traditional media channels affect the affiliate channel sales performance using a leading international hotel booking website as a case company. To date, there is also little academic research conducted on affiliate marketing. Therefore, the second objective is to gain a better understanding of this online advertising model and how it is impacted by other advertising activities.

This study is exploratory by nature as the aim is to understand *how* the offline advertising campaigns affect the affiliate channel's performance. As the influence of offline advertising campaigns on the affiliate channel has not been studied before there are no prior results predicting either a positive or negative effect. When a solely online firm, such as the case company, invests in offline advertising the aim is typically to increase sales. What is not necessarily clear is from which online channel the potential increase in sales comes from. It is possible that traditional advertising campaigns only increase the direct online sales where consumers visit the company website directly without visiting any other sites before, leaving the affiliate channel performance unaffected. It is also possible that offline advertising increases the amount of searches made in search engines for the particular company. This could lead to a higher number of sales coming from search engine advertising again potentially leaving the affiliate channel performance unaffected. What this study investigates is the possibility that traditional advertising campaigns influence the affiliate channel performance bearing in mind the aim of the ad campaigns are not specifically targeted at affecting that channel. Because there is no specifically intended link between offline advertising campaigns and the affiliate channel sales performance, it is possible that the advertising campaigns have no effect on the affiliate channel. It is also possible that the effect is negative if the increase in sales occurs for example through direct sales at the cost of the affiliate channel. This means that consumers might be more willing to visit the company site directly after seeing the offline advertisements instead of being motivated to go there only after visiting an affiliate site.

The effect of offline advertising on the affiliate channel is measured by four different performance metrics; the total sales revenue, the number of sales, the average conversion rate and the average

order value. The average conversion rate refers to the percentage of people who completed a hotel booking after clicking on an affiliate site's link and visiting the hotel booking website. The average order value on the other hand refers to the average cost of each hotel booking. Even though the total sales revenue and the total number of sales may be considered as the most important performance metrics, it is considered important to investigate the potential effect on the conversion rate and average order value as well. This is because it is possible that the effect on the different metrics is not similar. For example it is possible that sales revenue increases but the conversion rate reduces. Similarly, the number of sales could increase at the same time as the average order value decreases. Examining the effect of traditional advertising on all of these performance metrics will provide a more comprehensive understanding of the researched phenomenon especially when there is a lack of studies focusing on the direct effect on sales performance. The research question relating to these performance metrics can be stated as follows:

Research question 1: How traditional advertising campaigns affect the online affiliate channel's total sales revenue?

Research question 2: How traditional advertising campaigns affect the online affiliate channel's total number of sales?

Research question 3: How traditional advertising campaigns affect the online affiliate channel's average conversion rate?

Research question 4: How traditional advertising campaigns affect the online affiliate channel's average order value?

1.3 Research methodology

As mentioned, this study focuses on a leading international hotel booking website as a case company. The empirical part of the study is based on data provided by the case company and its affiliate network partner company, TradeDoubler. In order to rule out potential influence of cultural differences, this study focuses only on the Finnish market. The data includes traditional offline advertising schedule of the case company as well as the affiliate channel's sales performance report from January to September 2011.

The empirical part of the study is carried out in two stages. A total of six separate multivariate regression models are developed to analyse the relationship between the traditional advertising campaigns and the affiliate channel performance. The first stage involves developing three regression models that focus on how the advertising campaigns affect the total sales revenue. The models vary in the way the advertising campaigns are grouped as independent variables. This is done because different grouping styles may provide different answers to how offline advertising affects the affiliate channel. They may also vary in terms of how well they explain for the effect on the affiliate channel. By comparing the different groupings of advertising campaigns, it is possible to identify the grouping method that explains the effect the best and to gain a comprehensive understanding of the phenomenon.

The second stage involves developing three further multivariate regression models to analyse how the advertising campaigns affect the other performance metrics; the number of sales, the conversion rate and the average cost of a booking. The second stage uses the best advertising campaign grouping method identified in the first stage to ensure consistency across the numerous regression models.

1.4 Key concepts

Integrated marketing communications

Integrated marketing communications, IMC, have been defined in many ways. The different definitions vary in their focus. For example Pickton and Broderick (2001) argue that synergy is the principal benefit of bringing together the various aspects of marketing communications in a mutually supportive way. Keegan et al. (1992) on the other hand argue that "integrated marketing communications is the strategic co-ordination of all messages and media used by an organisation to collectively influence its perceived brand value". Finally, Duncan (2002) suggests IMC should be considered as "a cross-functional process for creating and nourishing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialogue with them." These examples of different definitions illustrate how some researcher focus on the similarity of the marketing message whereas others focus more on the overall management of the marketing communications process.

Synergy effect

Synergy effect is one of the key concepts of integrated marketing communications. Belch and Belch (1998) define synergy effect as a "phenomenon whereby the combined effect of multiple activities exceeds the sum of their individual effects".

Internet advertising

Internet advertising can be defined as "any form of commercial content available online, delivered by any channel, in any form, designed to inform customers about a product or service at any degree of depth" (Harker, 2008). Internet advertising includes many different forms of advertising. The most common types are display advertising, search-engine optimisation (SEO), search engine marketing (SEM), email advertising and affiliate marketing.

Affiliate marketing

Papatla and Bhatnagar (2002) define affiliate marketing as a process where "an on-line retailer places a link for its business at a host business' site. The host earns commission whenever a visitor clicks the link and consummates a transaction with the sponsor." This definition implies that both the advertiser "an on-line retailer" and the affiliate site "a host business" are online firms or retailers. This study extends the definition to include all kinds of websites as any website can become an affiliate and earn commission for the sales generated via the site.

1.5 Structure of the study

Following this introductory section, the next two chapters comprise the literature review of this study. Chapter 2 introduces the concept of integrated marketing communications and specifically how it is related to cross-media advertising. Previous research relating to cross-media advertising and synergy effects of different advertising channels are also discussed. Chapter 3 introduces internet advertising and the most common forms of online advertising including an in-depth discussion on affiliate marketing. This is followed by a discussion on advertising effectiveness and some key factors related to it.

Chapter 4 summarises the theoretical part and introduces the theoretical framework of this study. Chapter 5 begins the empirical part by describing the methodology, data and research design before moving on to chapter 6 where the results of this study are described. The results are further analysed and discussed in chapter 7 followed by summary and conclusions in chapter 8.

2. Integrated marketing communications

This chapter introduces the concept of integrated marketing communications (IMC) and extant studies conducted in this wide area of research. Integrated marketing communications have been extensively discussed since the 1990's. The use of integrated marketing communication strategies has become increasingly relevant due to marketing budget restraints, greater pressure for advertising effectiveness and trend towards segmenting customers into smaller groups in order to create more personalised communication strategies (Durkin and Lawlor, 2001; Eagle and Kitchen, 2000). New technology has also brought in new communication channels such as the internet and mobile in the last two decades. The concept of integrated marketing communications has been defined in many different ways (eg. Pickton and Broderick, 2001; Keegan et al., 1992; Duncan, 2002; Kitchen, 1999; Kliatchko, 2008). Some researchers have focused on the similarity of the advertising message. Pickton and Broderick (2001) for example argue that synergy is the principal benefit of bringing together the various aspects of marketing communications in a mutually supportive way. Others have paid more attention to the central management of the marketing communication procedures. Keegan et al. (1992) for example argue that "integrated marketing communications is the strategic co-ordination of all messages and media used by an organisation to collectively influence its perceived brand value". Duncan (2002) takes the definition even further by suggesting IMC should be considered as "a cross-functional process for creating and nourishing profitable relationships with customers and other stakeholders by strategically controlling or influencing all messages sent to these groups and encouraging data-driven, purposeful dialogue with them." This definition takes into consideration communications in all channels across functions as well as recognising the importance of customer and stakeholder relationship management and profitability. Stakeholders can include any groups that have an interest in the company such as employees, investors, media, resellers as well as online affiliates. Well-coordinated marketing communications can foster a more consistent brand image and more effective media planning. Implementing the IMC concept in practice though has proven to be very difficult as it does not tend to fit the organisational structure of many firms. Percy (1997) for example identified several barriers for its implementation such as the lack of horizontal communication, functional specialisation, decentralisation, lack of IMC expertise and experience, corporate culture and fear of change.

In today's market, multiple channels such as television, print and the internet are commonly used within the same advertising campaign. Especially, the rising importance of the internet is one of the

reasons why integrated multi-channel communication strategies are becoming an increasingly popular way to increase advertising effectiveness (Briggs, Krishnan and Borin, 2005; Diehl and Terlutter, 2006). The use of multiple channels is often also referred to as cross-media or cross-channel advertising. One of the key advantages of cross-media advertising is the ability to utilise the unique characteristics of each channel. For example newspaper or magazine advertisements can only vary in size and colour but the internet provides more varied opportunities such as the use of moving flash banners, video, in-game advertising and keyword advertising. Another key purpose of using several channels is to increase the persuasiveness of the advertising message. The phenomenon of combining two or more channels that achieve a greater effect than the sum of those channels individually is called the synergy effect which is one of the fundamental concepts of integrated marketing communications (Belch and Belch, 1998). It is argued that utilising IMC firms can attain synergy effects leading to enhanced performance (Reid, 2003). When planning cross-media advertising campaigns, marketers need to consider how to communicate the message to their customers in an engaging way and how to reinforce the message effectively in the different channels employed.

Researchers from the early days of internet advertising have argued for the need to understand the needs and preferences of people using different media channels. For example Bezjian-Avery et al. (1998) emphasise the need for cognitive matching. This means a person's preference for visual or verbal communication should be considered to maximise the persuasiveness of a message. In other words, some consumers prefer verbal presentation in print media over visual messages delivered via TV or internet advertising. Because consumers may have different kinds of information-processing styles and preferences, different users should be targeted with different kinds of message presentations. Yoon and Kim (2001) also argue that as well as understanding different consumers' message presentation preferences, it is crucial to know how a firm's target market varies in terms of media channel usage. In addition, they argue that it is vital to understand the customers' motives and preferences for specific product attributes and link these two pieces of information together to formulate an effective media strategy. Knowing more about the customers' use of different media enables marketers to understand for example how advertising in different channels affects brand image and purchase intention. It is also vital to consider the timing of different communications in relation to the stage that the consumer is in the decision-making process. Understanding the customers' media usage offers an opportunity to advertise more efficiently without wasting valuable resources into media combinations that offer no synergy effect. (Havlena, Cardarelli and de Montigny, 2007.)

One of the main assumptions of integrated marketing communications is that advertising message repetition creates an incremental effect with additional exposures (Pechmann and Stewart, 1988). Usually when using multiple channels within an advertising campaign, people are exposed to the same advertising message more than once. As mentioned, the phenomenon of exposure to coordinated advertisements that results in improved advertising effectiveness is called the synergy effect. Even though additional exposures to a message can increase persuasion and advertising effectiveness, it is important to bear in mind that the incremental effect does not carry on indefinitely. There is a point after which the synergy effect begins to diminish.

There is a lot of academic support for integrated marketing communications and its ability to improve advertising effectiveness. Many studies have suggested that people are more motivated to pay attention to and process advertising messages when received from multiple sources. For example, in a series of studies Harkins and Petty (1981a, 1981b, 1987) found that increasing the number of message sources intensifies the participants' information-processing activity. Furthermore, Edell and Keller (1999) found that using multiple sources generates an increased amount of ad evaluative thoughts, brand evaluative thoughts, overall evaluative thought and total thoughts when using a combination of print and television channels instead of using print or television alone. Several studies have also found that receiving advertising messages with slight variations instead of mere repetition can affect the recipients' cognitive responses. McCullough and Ostrom (1974) for example found that exposing participants to five similar magazine advertisements for two products with slightly different order and phrasing in the basic argument results in a significant and immediate positive effect on their cognitive response activity. In addition, Putrevu and Lord (2003) found that a second exposure to a new stimulus containing similar information attracts more attention in comparison to the same stimulus.

The above results suggest affiliate sites promoting an advertiser could also contribute to the increased advertising effectiveness as affiliate websites can act as an additional source of advertising messages. As different affiliate sites promote advertisers in differing ways depending on the type of website, the advertising message may often be presented in a slightly altered way which may have a positive cognitive effect on the consumer (McCullough and Ostrom, 1974). It can therefore be suggested that if affiliate sites can create a positive effect on consumers as they increase the number of messages sources and also vary the way the messages are presented, the resulting improved advertising effectiveness should also be reflected in the affiliate channel sales performance. The effect should be particularly evident at times when the advertiser engages in additional marketing activities such as television or print advertising.

2.1 IMC and the Elaboration Likelihood Model

The integrated marketing communications theory is closely linked with the Elaboration Likelihood Model, ELM (Petty and Cacioppo, 1986). The basic argument linking the two concepts is that when a consumer is exposed to an advertising message from a number of sources, he or she is more likely to pay more attention to the message and process it more extensively in comparison to receiving the message from one source only. Several researchers also propose that as the number of message sources increases, the message argument is perceived as more diverse and more credible (Petty and Cacioppo, 1986; Zimbardo and Leippe, 1991; Harkins and Petty, 1987). Even though the ELM model is not used in this study, the model is described here as it helps to understand how cross-channel advertising may affect consumers' decision-making process. This understanding may also be useful when interpreting the results from this study.

The ELM proposes that there are two ways a person's attitudes can form and change: via the central or the peripheral route to persuasion as seen in figure number 1 below.

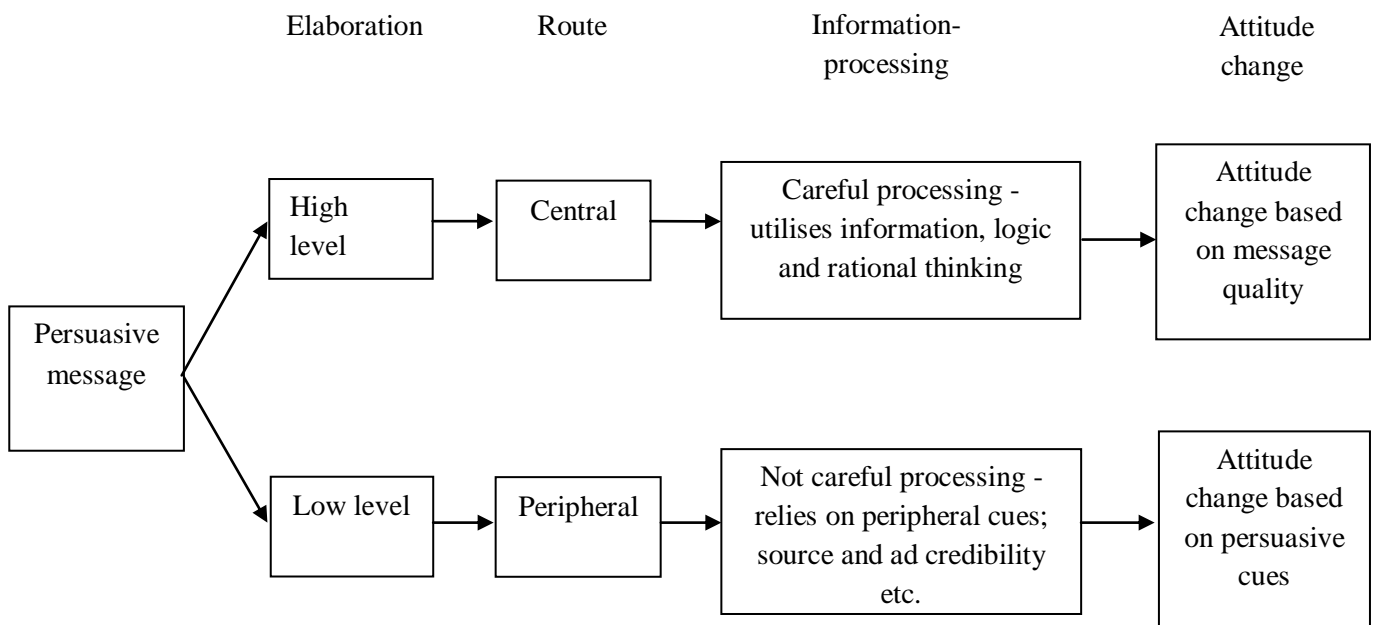Figure 1. The Elaboration Likelihood Model. (Adapted from Petty and Cacioppo, 1986; Vaughan and Hogg, 2005)

According to the ELM, when a person is motivated to process arguments, his or hers elaboration likelihood is high. In such a situation, a person pays more attention to the message arguments, evaluates their merit and attitude will change via the central route to persuasion. In contrast, when a

person's motivation to process the message is low, his or hers elaboration likelihood is also low and the person will focus more on the peripheral cues such as message source credibility. In such a case, attitude will change through the peripheral route to persuasion. (Petty and Cacioppo, 1986.)

As mentioned, a higher number of message sources can result in improved message credibility. There is also evidence that higher message credibility can affect the number of positive thoughts, which in turn can affect brand attitudes and purchase intention. Perceived message credibility has also been found to lead to increased ad and brand credibility. (MacInnis and Jaworski, 1989.) Many researchers have also found support for the idea that positive thoughts influence brand attitudes and this happens particularly via brand credibility (MacInnis and Jaworski, 1989; Olso, Toy and Dover, 1998; Petty and Cacioppo, 1979).

These findings suggest that as affiliate sites can act as additional message sources, they can also contribute to the overall message credibility. In addition, if increased message credibility can positively influence purchase intention, this effect should be reflected in the affiliate channel sales performance (MacInnis and Jaworski, 1989).

2.2 Cross-media advertising and synergy effects

This section aims to provide an understanding of previous research carried out in the area of cross-media advertising and synergy effects between different advertising channels. Being aware of the existing literature is considered important as this study aims to extend this area of research to the affiliate marketing channel. The channel combinations covered in this section include the television and internet, television and print, the internet with various other mediums.

2.2.1 Television and the internet

The integration of television and the internet in advertising campaigns is becoming increasingly common (Gilbert 2000; Riedman 1999). There is also evidence to suggest that combining these two channels can create a positive synergy effect. Chang and Thorson (2004) investigated the synergy effect of these two mediums by analysing the differences in people's information-processing when using a combination of TV and the internet as message sources in comparison to using only one of the channels with a repeated advertising message. Chang and Thorson (2004) found that people pay more attention to the advertisement, generate more positive thoughts and perceive both the message

and product information as more credible when exposed to the message from both TV and the internet in comparison to being exposed to repeat messages from once source only. Exposure to a message from multiple sources also improves brand credibility. Therefore, exposure to a message from both TV and the internet results in deeper processing of the advertising message. This means that when people receive messages from several sources, they process the message more extensively and attitude change happens via the central route to persuasion as explained by the Elaboration Likelihood Model (Petty and Cacioppo, 1986). In contrast, repeated ad messages received from only one channel are processed via the peripheral processing route and the positive thoughts related to the ads are a result of perceived ad and source credibility and not by the message itself. With this study Chang and Thorson (2004) demonstrate that combining TV and online advertising is more effective than receiving the message from one source alone. In addition the TV-internet synergy effect motivates a higher information-processing level.

Relating these results to affiliate marketing suggest that being exposed to advertising from both television and affiliate websites could motivate consumers to process the message more extensively and at a higher information-processing level. Therefore, the affiliates may play an important role in the TV-internet advertising combination and the resulting synergy effect. This positive effect could also be reflected in the affiliate channel performance when there are advertising campaigns running in television.

The above results are also supported by earlier research. Keller (1987, 1993a, 1993b) found that the more people pay attention to a message, the stronger the message encoding and associations become. In a further study Keller (1996) proposes that when viewing a TV advertisement followed by a corresponding online ad, the visual elements of the online ad activate and associate with the existing visual and audio brand memories of the TV ad. In contrast, when viewing a TV ad after being exposed to the corresponding online ad, the visual cues in the TV ad will activate the existing strongly encoded visual nodes of the brand memory. Seeing the TV ad combines the visual messages of the two media and adds the new audio elements to it. This means that the brand memory is extended enabling further processing. Using multiple channels in advertising can also lead to a better message recall. This is because exposure to messages in multiple contexts causes the information to be encoded in the memory in various ways. When the message has been encoded in more ways than just one, the likelihood of retrieving the message is also increased. (Tulvin, 1974.) Linking this to affiliate marketing, as different affiliate sites promote advertisers in different ways such as by using text links or banners the message can be encoded into a consumer's memory in different ways. Combining the received advertising message from the television advert and the

affiliate site could therefore lead to an improved advertising message recall. If a consumer remembers a particular company's marketing message better than those of competitors, the likelihood of that consumer buying a product from that particular advertiser may also be increased. This could also result in an improved performance of the affiliate channel.

Another explanation to the television-internet synergy effect is that both channels compensate for features that are missing in the other. Animations and flash banners for example can attract people's attention online. In addition, the internet is unique in its level of interactivity. The TV on the other hand offers both moving images and sound which can be very effective in gaining audience's attention (Blackwell, Miniard and Engel, 2001; Rossiter and Bellman, 1999). These different features can therefore complement each other and as a result form a powerful combination.

2.2.2 Print and the internet

The combination of using print and online advertising has also been studied by several researchers. In the same way as TV and the internet have different characteristics so do print and the internet. Eveland and Dunwoody (2002) for example suggest that the internet elicits more elaboration than print because its content structure has similarities with the human mind by making connections between related pieces of information. In one of the early studies in this area, Unger (1996) suggests that one way to increase awareness and motivate consumers to go online is to promote a website through traditional media. Sheehan and Doherty (2001) also suggests that since people tend to be exposed to offline advertising first, advertisers should consider integrating offline, especially print advertising, with the internet.

Studies that have compared the advertising effectiveness of print and the internet have provided somewhat contradicting results. Gallagher, Foster and Parsons (2001) found no difference in the advertising effectiveness between print and online ads. Similarly, Diehl and Terlutter (2006) also found in their study of emotional online and print ads, that there was no significant difference between the two channels. An older study by Sundar et al. (1997), however, found that people were able to remember advertising messages from print better than from online. This could perhaps be explained by the fact that at the time of the study people were not yet so accustomed to online advertising.

In a more recent study, Wakolbinger, Denk and Oberecker (2009) investigated the difference in advertising effectiveness when using print and the internet alone and when combining the two channels in the same campaign. The results showed no difference between using print or online channels alone in terms of unaided or aided brand recall. When combining print and online together there is also no significant difference in ad recall or recognition in comparison to using either medium alone. However, participants perceive the advertising message as clearer and more comprehensible in the cross-media condition in comparison to the print or online ad alone. Therefore, this study offers indications that the print-online combination could offer positive synergy effect and improve advertising effectiveness.

Dijkstra, Buijtels and van Raaij (2005) also studied the advertising effectiveness of print and online but included the television in the channel mix as well. They found in the comparison of these three mediums that TV ads produce better cognitive and affective responses than using print or the internet alone. In addition, even though the internet generates low affective responses, the consumer's ability to respond to the online ad facilitates greater behavioural responses. This suggests that different channels have a varying ability to facilitate different kinds of cognitive, affective and behavioural responses.

This finding by Dijkstra, Buijtels and van Raaij (2005) that the internet facilitates better behavioural responses is especially relevant to this study. This is because the behavioural responses in the online affiliate channel refer to an increased amount of clicks and potentially purchases on the case company's website. Combining the synergy effects of TV as well as print with the internet and adding the greater behavioural responses level online could be reflected in the affiliate channel performance.

2.2.3 The impact of the internet on other media channels

The possible synergy effects between different advertising channels are also linked with media displacement and reinforcement theories. Researchers have always been interested in the effects of media displacement (Kayany and Yelsma, 2000). For example when the television became commonly used in households, it was thought TV might replace radio as a medium. More recently, the internet has received similar attention and its potential to affect the use of other media channels has been recognised. From a marketer's perspective, it is vital to understand how different mediums might affect each other as information sources. More specifically, when planning cross-media

advertising campaigns, it is very important to understand the potential reinforcement and displacement effects that the fairly young channel, internet, may have on other media channels.

Previous research into media displacement effects has yielded three different views. Some findings support an increase-decrease effect, some a complementary relationship and some have focused on functional similarities between different mediums to understand how displacement effect takes place. (Kayany and Yelsma, 2000.) Each view will now be briefly explained in turn. The increase-decrease effect refers to the displacement of an old media in favour of a new one. This means that when a new medium emerges users may simply switch to using the new one and abandon the old one altogether. This theory has been supported for example by Lee and Kuo (2002) who found that an increase in children's internet usage resulted in an equivalent decrease in time spent watching the TV. The complementary relationship theory on the other hand suggests that different mediums can achieve an increase-increase effect on media usage. According to this view, a new medium may not negatively affect older ones but could even encourage their use. This view has received support from for example Stempel, Hargrove and Bernt (2001) who found that internet users are in fact more likely than non-users to be regular newspaper readers and radio listeners. This shows that different channels can share the same audience without having to fight for it. Lastly, the functional displacement view has focused on understanding why certain media would be displaced by another. Perse and Courtright (1993) found that cable TV and video players could displace television as they offer the same functional benefits of relaxation and entertainment. Similarly, Ferguson and Perse (2000) found that the internet offers the same benefits of entertainment, passing time, relaxation, social interaction and information as the television resulting potentially to the abandonment of the television. It is vital to understand the importance of people's attitudes towards different media as those attitudes also influence the attitude towards advertising in those channels. Individuals have different needs, such as cognitive and interactive needs, that influence their choice of media over others. (Severin and Tankard, 1988.) This argument has been supported by Dawidowska (2002) who found that internet users consider online advertising more useful than TV ads.

For any firm using the internet as an advertising or sales channel, it is vital to understand how the internet may work as a reinforcement or displacement channel in relation to other channels. Tsao and Sibley (2004) investigated the extent to which consumers use the internet to displace or reinforce other media as a source of advertising information. Their aim was to understand if the internet would be used as a complementary information source or would the internet replace some other channels completely as information sources. By understanding which mediums work well together, advertisers are able to implement improved cross-channel advertising campaigns. One of

Tsao and Sibling's (2004) key findings was that there are some internet users who do not reject any other media. These positive attitudes could be important in terms of media reinforcement effects. It was found that internet users have more positive attitudes towards billboards, direct mail, TV and radio. This could be explained by the fact that online advertising has similar functionalities in terms of entertainment value and as an information source. All of these channels also offer rich visual or auditory cues similar to the internet. Tsao and Sibley (2004) also found a positive linked between billboards and online advertising that could be explained by the fact that billboards may be perceived similar to banner ads (Grimes, 1999; Russell and Lane, 2002). Relating these results with the displacement and reinforcement effects, Tsao and Sibley (2004) found that several channels have a positive reinforcement effect with the internet. These channels were billboards, direct mail, magazines, radio and television. A displacement effect only occurred with free community papers and weekly newspapers. Tsao and Sibley (2004) demonstrated that even though the internet has many features that differentiate it from traditional media, it seems to serve primarily as a complementary channel and it does not have a strong displacement effect on other channels. This finding strongly supports the use of the internet in cross-media advertising campaigns.

If the internet is primarily a complementary channel, this has strong implications for affiliate marketing. This suggests that the online affiliate channel could be particularly strongly utilised as a supporting part of multi-channel advertising campaigns. If the affiliate channel can complement the more traditional advertising campaigns, this support may also be reflected in the affiliate channel sales performance.

2.3 Message repetition and advertising effectiveness

When planning any advertising campaign, marketers must always consider the question of advertising effectiveness. This question becomes even more challenging when it comes to cross-channel advertising campaigns as consumer may be exposed to repeated advertising messages from several different sources. Therefore, it is important to understand how long the multi-channel communications increase the advertising effectiveness and when does the incremental impact wear out. Researchers have for long tried to understand the relationship between advertising message repetition and people's reception of the message. The most supported theory is that there is a curvilinear relationship between message repetition and message effectiveness (Anand and Sternthal, 1990). This means that the message effectiveness is believed to increase at low levels of

repetition but as the repetition increases the effectiveness eventually starts to decrease. This leading explanation of repetition effect is based on the two-factor theory (Berlyne, 1970). According to this theory, message repetition affects the recipient's response to the message in two phases. In the first wear-in stage, the recipient experiences habituation to the unfamiliar message. The initial repetition of the message causes positive habituation and reduces negatives responses to the new stimulus leading to increased effectiveness (Cox and Cox, 1998). In the second wear-out stage, the continuing repetition results in tedium caused for example by boredom and reduced opportunity to learn (Anand and Sternthal, 1990; Blair and Rabuck, 1998; Calder and Sternthal, 1980).

The two-factor theory has been supported by many researchers (eg. Batra and Ray, 1986; Pechmann and Stewart, 1988). There have, however, also been contradicting findings suggesting that such curvilinear relationship does not exists or that the relationship between message repetition and advertising effectiveness is not as simple as suggested (eg. Belch, 1982; Mitchell and Olson, 1977; Rethans, Swasy and Marks, 1986; Calder and Sternthal, 1980). Therefore, it seems that are may be other factors that influence the connection between message repetition and advertising effectiveness. Suggested other mediating factors include ease of message processing (Anand and Sternthal, 1990) and message complexity (Cox and Cox, 1988). Anand and Sternthal (1990) suggest that when the advertising message is more complicated and requires deeper processing, the habituation and tedium responses are delayed. This means that the wear-out point occurs later than it does with a simpler advertising message that requires lighter processing. In other words, when the advertising message is more complicated, it takes longer for recipients to become bored of the message and the advertising effectiveness begins to decrease later in comparison to advertising messages that are easy to process. Further studies based on Berlyne's (1970) two-factor theory have found that in the early stage of message repetition, support arguments for the message increase and then begin to decrease as message repetition carries on. In contrast, counterarguments decrease at the early stage of repetition but then begin to increase as the amount of repetition increases. (Cacioppo and Petty, 1979.)

A contradictory finding by Campbell and Keller (2003) suggests that when consumers engage in more extensive information-processing, support arguments start to decrease faster and counterarguments increase sooner in comparison to light processing. They suggest that specifically consumers' thoughts about the marketer's persuasion tactics might increase with ad repetition leading to a faster wear-out effect. These particular kinds of thoughts are likely to occur at a high-level of information-processing as those thoughts cannot be accessed at low levels of processing.

This is an important finding as brand reputation has been shown to decrease if consumers perceive persuasion tactics inappropriate (Campbell, 1999).

Campbell and Keller (2003) also propose brand familiarity as an important variable influencing the relationship between message repetition and advertising effectiveness. Brand familiarity refers to the extent of experience a person has with a brand, including both direct and indirect experiences (Alba and Hutchinson, 1987; Kent and Allen, 1994). Direct experience could include personal use of the product whereas indirect experience can refer to a friend or relative who has used the product and shared information about it. Brand familiarity includes all the possible associations that a consumer has in their memory relating to the brand. Campbell and Keller (2003) suggest that a consumer's information-processing style is different when exposed to advertising messages from unfamiliar and familiar brands. When consumers see an ad for an unfamiliar brand, they are likely to process the message more extensively as they are keen to learn about the brand and to formulate an accurate impression of it (Hilton and Darley, 1991). In contrast, when exposed to an ad from a familiar brand, consumers tend to process it less extensively since they are simply updating their existing knowledge of the brand and the processing is more based on confirming what they already know (Keller, 1991; MacKenzie and Spreng, 1992). More extensive information-processing increases resource availability and excess resource availability has been suggested to result in faster wear-out effect (Cacioppo and Petty, 1979; Calder and Sternthal, 1980). This means that exposure to ads from unfamiliar brands may lead to the wear-out effect with less repetition in comparison to ads from familiar brands.

In terms of habituation, when being exposed to ads from unfamiliar brands, a consumer is faced with two types of unfamiliarity; the ad itself and the unknown brand. Seeing ads from familiar brands on the other hand, exposes a consumer to only one new thing, the ad itself. When processing information from ads of familiar brands, a consumer has existing knowledge of the brand stored in memory which he or she can also include in the information-processing. Therefore, the information-processing can continue for a longer time (Britton and Tesser, 1982). In contrast, because of the lack of prior knowledge of unfamiliar brands, when a consumer processes the information from ads for unfamiliar brands he or she runs out of information to process quite quickly after ad repetition. This means that the processing requirements for unfamiliar brand ads are lower which can also lead to faster wear-out effect (Anand and Sternthal, 1990). Ad familiarity can also relate to brand attitudes. With unfamiliar ads, a consumer's attitude towards the ad tends to affect the attitude towards the brand because of no other knowledge of the brand exists. In contrast, with familiar

brands a consumer's attitude towards the brand is based on all existing knowledge of the brand, not just the new information received from the ad (Machleit, Allen and Madden, 1993).

Campbell and Keller (2003) confirmed these effects in a study of ad repetition using both television and print as advertising channels. They found that for unfamiliar brands ad repetition leads to a faster wear-out effect and faster formation of negative attitudes towards the ad as well as the brand than it did for familiar brands. The attitude towards the ad also had a stronger influence on the attitude towards the brand when the brand was unfamiliar. In terms of cognition, the decrease of support arguments and increase of counterarguments was also faster with unfamiliar brands and those thoughts included more negative persuasion-tactic related thoughts. This was due to the higher information-processing levels involved with unfamiliar brands. These results provide evidence that ads from unfamiliar brands wear out faster than those of familiar brands leading to faster decrease in advertising effectiveness for unfamiliar brands. Campbell and Keller's (2003) go on to suggest that familiar brands with higher brand equity in comparison to unknown brands may be able to maintain more positive responses to advertising messages even when the messages are repeated. In other words, familiar brands are not as sensitive to the negative ad wear-out effects as unfamiliar brands. This means that well-known brands may achieve higher advertising effectiveness than unknown brands.

For the case company used in this study, a well-known leading international hotel booking site, these findings suggest that consumers may tolerate a high number of messages relating to the case company in comparison to other less well-known brands. This is especially important when using a combination of traditional and online advertising where consumers are likely to be exposed to advertising messages several times. Therefore, it is possible that brand familiarity also influences the way offline advertising campaigns affect the affiliate channel performance.

This section ends the chapter number two on integrated marketing communications. The next chapter moves on to discuss another highly relevant area of internet advertising.

3. Internet advertising

As this study analyses how traditional advertising affects the online affiliate channel, it is considered important to include a chapter that covers some of the main areas of research conducted in online advertising to date and how this study compares to them. In addition, it is regarded vital to understand how the key concept of affiliate marketing is related to the larger area of internet advertising and its various forms.

This chapter begins with a discussion on the unique characteristics of the internet and how these characteristics influence the role of consumers as well as advertising carried out online. Then, the most common online advertising forms are introduced followed by a more detailed description of affiliate marketing. Finally, different factors that influence advertising effectiveness in the online environment are discussed. Each section also includes a variety of examples of prior research and how these topics relate to affiliate marketing.

3.1 Unique characteristics of the internet

The internet has many unique characteristics that differentiate it from traditional media. It offers an almost unlimited amount of information unrestricted by time and space from an unlimited number of sources (Yoon and Kim, 2001). Online consumers can easily search, select and access information of their interests by using for example search engines, price-comparison sites, news portals, blogs and social media sites. One of the key differentiating features of the internet is its interactivity which has drastically changed the role of the consumer. Before, consumers were in quite a passive role but the internet has enabled people to become much more proactive. They can contact organisations and other individuals more easily by using email, feedback forms, chat and social media. In addition, they can express themselves in a more visible way in for example chats, discussion forums and social media sites. (Gurau, 2008.) This means that both individual consumers and firms are much more networked together than ever before. This network relationship requires a new style of coordinated marketing communications.

The interactivity of the internet also has a big impact on marketing communications and advertising as consumers can immediately respond to advertisements of their liking. Importantly, the responses can also be measured. This means that calculating online advertising effectiveness is much easier in comparison to traditional media. (Yoon and Kim 2001.) For example, the amount of banner

impressions, clicks, unique visitors and sales generated from every online advertisement can be measured and analysed. This kind of information can be used to compare advertising effectiveness for example from different websites, different locations on a website and different online ads.

With the rapid development of the internet many firms have adopted it as a marketing and sales channel. Embracing the internet as an important channel has been particularly significant in the travel sector. For several years, experts have believed that tourism has the potential to adopt the internet as the main communication channel (Kim and Han, 2007). One of the unique features of the internet is that it is both an advertising and sales channel. When people see or hear an ad from a traditional advertising channel such the radio or billboard they need to physically go to a store to purchase the product. In contrast, when a person sees an online ad, they can immediately go to the website and buy the product. Therefore, internet has the ability to encourage impulse buying. (Wu, Wei and Chen, 2007.)

3.2 Forms of internet advertising

Online advertising can be defined as any form of commercial content available on the internet, delivered by any channel, in any form, designed to inform customers about a product or service at any degree of depth (Harker, 2008). Even though the internet is often considered as a single channel, online advertising can be divided into many different categories. The most common types are display advertising, search engine optimisation (SEO), search engine marketing (SEM), email marketing and affiliate marketing each of which will now be described. Special attention is paid to affiliate marketing as it is a central concept in this particular study.

3.2.1 Display, SEO, SEM and email advertising

Display advertising refers to banner ads as well as pop-ups and is one of the most common forms of online advertising. This is because banners ads are fairly easy to develop and inexpensive in comparison to traditional advertising (Papatla and Bhatnagar, 2002).

Search engine optimization (SEO) refers to the optimisation of a website's ranking in a search engine's organic (unpaid) search results such as in Google or Yahoo. The website ranking is

calculated by each search engine's own algorithm which essentially estimates how useful the website would be based on the keywords that a user has entered in the search query.

Search engine marketing (SEM) on the other hand is a term used for paid advertising in search engines. In SEM firms buy keywords and when a user makes a search query using that keyword, the firm's advert appears next to the search result listings. SEM works on a pay-per-click basis (PPC) which means that firms only pay for their adverts if a user clicks on them. In other words, if the ad appears but the user does not click it, the firm incurs no costs for the advertising.

In email advertising, firms use email marketing softwares to send mailings to consumers. The recipients of email advertising need to have opted in to receive such emails. Firms also often buy lists of email addresses from third parties that have compiled email address data from for example competitions, surveys or registration to different kinds of services during which the consumer has given consent for the email addresses to be used for marketing purposes.

3.2.2 Affiliate marketing

Affiliate marketing differs from the other online advertising types described above as it is a much wider concept. It can include all of the abovementioned advertising formats as well as other additional ways of advertising. The advantage of affiliate marketing for advertisers is that it is performance-based. This means that the advertiser only pays for the objective that they have set and that is how the appropriate payment model is decided. The most common payment models of affiliate marketing are:

1. CPM (cost per a thousand ad impressions)
2. CPC (cost per click)
3. CPA (cost per action or cost per sale)

The CPM and CPC payment models are most frequently used in short-term advertising campaigns. If the objective is the increase awareness such as during product launches and to maximise the number of people exposed to the advert, the CPM model is suitable as the advertiser pays based on how many times the advert is viewed. If the objective on the other hand is the increase the number of website visitors such as during sales campaigns, the CPC model is more appropriate. With the CPC model, the advertiser only pays for the amount of clicks generated and the number of people that have been directed to their website. (IAB, 2003.)

The CPA model is the most common payment model in affiliate marketing. When an advertiser utilises affiliate marketing on a CPA basis it means the advertiser only pays commission for the generated sales (IAB, 2003). Here, the objective is to generate incremental sales via the affiliate sites and it is based on a more long-term approach in comparison to the CPM and CPC campaigns. This study focuses on affiliate marketing based on the CPA model. In other words, the affiliates promoting the hotel booking website only receive commission for the actual bookings they generate.

In practice, the concept of affiliate marketing, pioneered by Amazon.com, refers to partnerships between advertisers and websites (affiliates) where a website promotes an advertiser by placing a link on their own site. Affiliate marketing is based on cookie-tracking technology and typically managed by an affiliate network that connects the advertisers and affiliates with each other. When a user sees an ad or clicks on a link (usually a banner or a text link) on an affiliate site, a cookie is saved on the user's computer and the user is redirected to the advertiser's website. If the user then completes a purchase on the advertised company's site, the saved cookie is identified and confirmation of the sale is sent to the affiliate network's reporting system. The information about the affiliate who directed the user to the advertiser is saved and this is how the sales commission can be awarded to the right affiliate. The commission is typically a fixed amount of money per sale or a percentage of the order value. The affiliate marketing process is illustrated in the figure number 2 below.
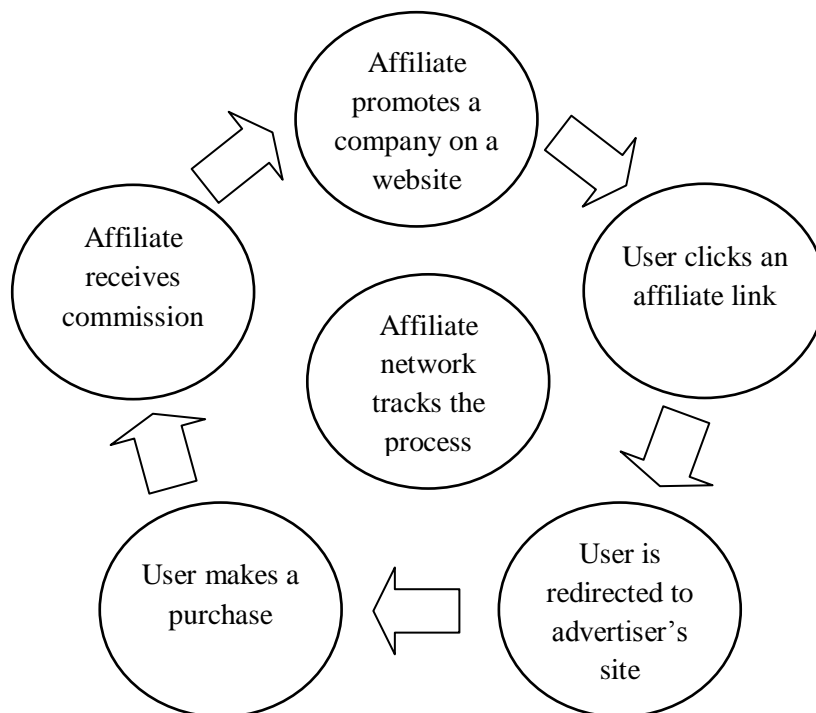

Figure 2. The affiliate marketing process

Bhatnagar and Papatla (2001) argue that online advertising should be more precisely targeted rather than simply placed on sites that attract the most traffic. They propose that affiliate marketing offers a good way to improve the targeting of online advertising. In addition to improved targeting, affiliate marketing offers benefits to both advertisers and affiliates. Affiliate marketing via an affiliate marketing network offers advertisers a way to increase visibility on a large number of websites and to open up a completely new sales channel as it would be very difficult and time-consuming to make advertising agreements with each site separately. Another important benefit of affiliate marketing is that there are no initial costs for either the advertised company or the website (Zeff and Aronson, 1997). Therefore, advertisers can have an unlimited amount of websites promoting them without paying anything in advance as commissions are based on sales only. This makes affiliate marketing a very low risk advertising option and much more cost effective than other advertising channels that offer no guarantee of increased sales.

The benefits from the affiliate perspective include for example that essentially any website can become an affiliate. Affiliate marketing offers websites an opportunity to increase revenue and take advantage of unsold advertising space on the site. Registering a website as an affiliate with an affiliate network enables affiliates to promote a large selection of different firms and to choose the type of companies that best suit the particular site. For affiliates as well, negotiating advertising deals directly with individual companies would be very time-consuming and often requires resources these firms may not afford. For some websites, affiliate marketing is a way of monetising advertising space that has not been sold to any advertiser directly. But there are also many websites to which affiliate marketing is the primary source of revenue. These sites are dedicated solely to affiliate marketing and the whole business model is built around it. There are many different kinds of affiliates. They include news, price-comparison and review sites, blogs, social media sites, loyalty such as cashback or reward sites, voucher code and discount sites as well as affiliates specialised in search-engine or email marketing.

It is very important for companies to identify and work with the right kind of affiliates that are able to generate sales for them. Even though having affiliates that generate no sales incurs no costs for advertisers, managing the affiliates becomes more challenging and time-consuming as the number of them increases. Similarly, it is crucial for the affiliates to choose the right companies to promote as they only have limited amount of advertising space available on their site. If an affiliate advertises a firm but is not able to generate any sales and thereby receives no commission, the advertising space has been wasted. (Papatla and Bhatnagar, 2002.)

To date, there has been little academic research focusing on affiliate marketing. In addition, the extant studies have been made from varying perspectives that differ from this study. A couple of examples are now briefly introduced relating to affiliate selection and quality endorsement. Even though this study has a different focus and perspective, it is considered valuable to offer insight into what kind of studies have been conducted in this area previously.

Papatla and Bhatnagar's (2002) study was the first of its kind in offering advertisers some guidelines on how to choose the right kind of affiliate partners. It proposes a model that advertisers could use to identify suitable affiliates to promote their products or services. Papatla and Bhatnagar (2002) argue that affiliate partnerships should be established between companies whose products are related to each other. They suggest that an ideal affiliate site attracts the same or similar customers that the advertised company is interested in. Often such websites would, however, be direct competitors. As it would be highly unlikely that direct competitors form such relationships, identifying firms that offer occasional substitute or complementary products is a more realistic strategy. Especially if the products are strict complements, meaning that they need to be used at the same time, it is likely that user's would be interested in both products at the same time. Often though, any given firm would sell a strict complementary product themselves and would not want another firm to steal their own up-selling opportunities. Identifying sites that offer occasional substitutes or complements may not be quite straight-forward to identify as different customers perceive the functionality of products in various ways. Papatla and Bhatnagar (2002) suggest that if consumers perceive two products as related, they may search for information on them in similar places making the extent of search and search patterns similar. If the search patterns are better understood, those patterns can be used to group products together that are substitutes and/or complements. The ideal affiliates would include sites offering such products. Using this approach Papatla and Bhatnagar (2002) identified for example a cluster of recreation, concerts and travel services. In this cluster, each service category could be a potentially good affiliate for the other categories. For example, concert sites could be good affiliate sites for travel related firms as if a person is travelling to concert this person might be interested in accommodation near the concert venue as well. Other clusters identified were for example music, video and books as well as computer hardware, computer software and electronics. Papatla and Bhatnagar (2002) also point out that if a firm offers a wide variety of different product categories it might be best to identify several different kinds of affiliate sites and each type could promote a different product category. In other words, some firms may need many different kinds of affiliate sites.

It is important to note that Papatla and Bhatnagar (2002) focus on affiliate partnerships between firms. Today, many websites operate primarily as affiliate websites and do not sell any products or services themselves. In other words, many websites' primary business is to be an affiliate who promotes several different firms and the majority of revenue comes in the form of affiliate commissions. Examples of this kind of sites are loyalty sites where users can earn point or receive cashback from sales made through the site.

The relationship between advertisers and affiliates can also be looked at from the trust perspective. Affiliate websites typically offer consumers valuable information about different companies and their products within one site saving the consumers a significant amount of time. Hsu, Lai and Chen (2007) conducted a study about how a reputable website (often an affiliate) can act as a quality guarantor. They suggest that a website that provides information about various firms' products and services can act as a guarantor of quality by evaluating a number of different products and services, filtering information and by reducing the number of alternatives that are relevant to consumers' preferences. Because the affiliate site may be considered as an independent third party, the information provided about companies and products may be perceived as more credible and unbiased than if received directly from the company.

When it comes to searching for product information online, Hsu, Lai and Chen (2007) propose that consumers' information sources can be divided into intrinsic and extrinsic clues. Intrinsic clues refer to the physical elements of the product but because evaluating those elements online is often difficult, consumers may rely more on extrinsic clues which include for example price, brand name, retailer name, packaging and the return policy. The motivation to use both kinds of clues is the same as in information search in general, to reduce the uncertainty perceived in making a purchase. The perceived risk tends to be even higher for service products, such as hotels, because evaluating them in advance of purchase is even more difficult in comparison to physical goods. Hsu, Lai and Chen (2007) argue the perceived risk associated with a purchase may be reduced if the product is evaluated by a reputable website. Many of these kinds of sites such as price-comparison and review sites are in fact affiliates. Even if a consumer may consider a brand as a good alternative, this perception may not be strong enough for a consumer to move into the purchasing stage in the decision-making process. But if a website that the consumer trusts provides information about that brand's product, the website may confirm the original positive evaluation of the brand, reduce the perceived risk and also increase purchase intention. Hsu, Lai and Chen (2007) found that both well-known and less well-known brands could benefit from visibility on a highly reputable website in terms of increased purchase intention but for well-known brands the benefits are even more

significant. It was also found that a reputable website is able to build trust towards the featured brand which can lead to reduced price-sensitivity. This suggests that affiliate sites may have an important role in affecting consumers' trust towards different brands as well as products and services.

3.3 Online advertising effectiveness

This study investigates how offline advertising affects the affiliate channel performance, a topic strongly related to advertising effectiveness. Advertising effectiveness is a very wide area of research and can be analysed from various different perspectives. For example there are various factors that affect how much attention people pay to an ad and how much they evaluate and process the message. These include for example the advertising stimulus itself (eg. Cho, 1995; De Pelsmacker and Geuens, 1996; De Pelsmacker and Van den Bergh, 1998), the characteristics of the person (eg. Chaudhuri and Buck, 1995; De Pelsmacker and Geuens, 1996) and situational factors.

The aim of the following sections is to provide a general understanding of how online advertising effectiveness has been studied previously and to demonstrate the variety of research around this topic. The factors influencing the effectiveness of online advertising covered in this study are divided into ad- and decision-making process related factors which are described in the following sections. The discussion also takes into account how these factors are related to the central concept of this study, affiliate marketing. Even though these factors are not directly included in the empirical part of this study it is considered important to discuss them in the literature review as they are among the key factors related to online advertising effectiveness. Understanding the importance of these factors will also improve the understanding of the wider phenomenon this study relates to.

3.3.1 Ad-related factors

The ad related factors include ad and ad context congruity as well as ad formats and characteristics which are discussed in the following two sections.

3.3.1.1 Ad and ad context congruity

As mentioned above, one of the very important situational factors relating to advertising effectiveness is media context. It refers to the characteristics of the content of the medium in which the advertisement is placed (De Pelsmacker, Geuens and Anckaert, 2002). Some contexts may be more suitable for some ads than others. In addition, certain contexts can also increase the motivation to pay attention to specific kind of ads such as flight or hotel advertisement on a travel guide website (MacInnis and Jaworski, 1989; Petty and Cacioppo, 1986).

De Pelsmacker, Geuens and Anckaert (2002) studied the effects of ad and ad context congruity in print and television contexts. They found that people with low involvement perceive ads significantly more likeable and clearer when the ad and the context are similar. In contrast, people with high involvement consider ads more likeable and clearer when they do not match the context. This means that involvement level and the match between the ad and context may influence the likeability and clarity of the ad. De Pelsmacker, Geuens and Anckaert (2002) also found that ads in contexts that are highly appreciated are considered more likeable, more informative and clearer than ads in negatively appreciated contexts. Furthermore, the effect is much stronger in the print medium than in television. This finding can be explained by the excitation transfer hypothesis (Cantor, Zillman and Bryant, 1975; Tavassoli, Schultz and Fitzsimons, 1995). According to this theory a good feeling that results from a highly appreciated context is transferred to the attitude towards the ad.

The findings by De Pelsmacker, Geuens and Anckaert (2002) imply that it is very important for marketers to understand the involvement level of their customers as it may affect where ads should be placed. Relating the results to the case company used in this study, firms in the travel industry should target consumers with high involvement with ads in contexts that are dissimilar to the ads. In contrast, people with low involvement might respond better to ads placed in a similar context. People are typically considered to be highly involved when making holiday and travel purchases as the decisions are considered as important and often also relatively expensive. The finding by De Pelscmacker, Geuens and Anckaert (2002) that people would respond more positively to ads shown in contexts that are dissimilar to the ad goes against the very common affiliate advertising practice where travel sector companies are promoted particularly in travel related websites where the ad and ad context congruity is high. It also contradicts the suggestion of Papatla and Bhatnagar (2002) that firms should develop advertising partnerships with websites that attract visitors with the same or

similar interests. It is important to bear in mind though that De Pelsmacker, Geuens and Anckaert (2002) results are related to print and TV mediums, therefore they may not be directly applicable to the online environment. It could be that the ad and context congruity has a different effect on the internet.

3.3.1.2 Ad formats and characteristics

The ways different types and formats of online ads influence advertising effectiveness have also been widely studied. Even though this study does not focus directly on online ad format effectiveness but on how offline advertising affects the affiliate channel, it is important to bear in mind that all affiliate sales are generated via some form of online ads, many of them being banners. As banners play a vital role in the affiliate channel, an overview of how banner ad effectiveness has been previously studied is considered important. This section provides an overview and examples of the various existing studies and the different approaches used.

The most common online ad format is still the banner ad as they are relatively easy and cost-effective to develop (Papatla and Bhatnagar, 2002). There have been varying views regarding how banner advertising should be categorised in overall marketing communications. The academic researchers widely consider banner ads as a type of communication that aims to increase brand awareness. Another view, largely among empirical researchers is that the internet is a type of direct marketing medium and therefore banners should be seen as similar to coupons in print media. These contrasting views are reflected in the way online advertising effectiveness has been measured in different studies. Examples and findings of studies from both perspectives are now discussed.

The academics who consider banners advertising to aim for increased brand awareness argue that even if consumers might avoid banner ads, they might still perceive them in their peripheral vision (Dreze and Hussherr, 2003). Janiszewski (1998) also argues that peripheral vision allows individuals to recognise objects even if they are outside their focus area. These studies suggest that banner ads may still be effective and affect consumers even if they do not click on them. The supporters of this view tend to use memory-based measures such as brand recall or ad content recall to evaluate advertising effectiveness online. An early study by Leong et al. (1996) for example found that consumers recall advertisement better if they include both images and text. In contrast, Cho (1999) found that animations can gain consumer interest more effectively than static ads. Similarly, Bayles and Chaparro (2001) found that dynamic banners produce better recall rates in

comparison to static ones. In a later study Bayles (2002), however, found that even though animations improve ad recall, they do not necessarily increase advertising content recall. In terms of affective responses, Yi (1990a, 1990b) found that ads that facilitate a positive response are more likely to generate a positive response towards the brand, too.

The other perspective on the other hand argues that advertising effectiveness online should be evaluated by using more behavioural measures such as the total number of banner clicks or the amount of clicks the banner receives in comparison to the total number of people who saw the banner, also called the click-through-rate, CTR. (Robinson, Wysocka and Hand, 2007.) This study is similar to this latter view as the focus is also on behavioural responses. However, this study takes the approach beyond the number of clicks or click-through rates by focusing on the actual sales generated.

There have been many studies concentrating on the behavioural responses with the CTR being the most common measure of advertising effectiveness. Various factors have been proposed to influence the CTR. Briggs and Hollis (1997) argue that CTR might be affected by online user's inherent interest in the product category and their motives. Briggs and Hollis (1997) and Chatterjee et al. (2003) suggest that successful ad targeting improves CTR. These findings are related the Papatla and Bhatnagar (2002) argument that affiliate marketing offers a good way to improve targeting online. Involvement has also been proposed as an important factor influencing the CTR. Cho (2003) suggests that high product involvement level increases CTR but in addition site visitors that are interested in the site itself and who are shown ads for related products and services are also more likely to click on an ad.

In terms of banner characteristics' effect on CTR, the results have been somewhat conflicting. Baltas (2003) suggests that bigger banner ad sizes are more effective than smaller ones. In contrast, Dreze and Hussherr (2003) and Cho (2003) argue that larger banners are no more effective in generating click-through responses than smaller ads. Studies on the effect of price or promotional information on banners suggest there is no direct relationship between them and CTR (Chtourou et al., 2001; Baltas, 2003). Chtourou et al. (2002) even found that price information on a banner reduces CTR. Similarly, Rettie et al. (2004) found that banners that do not mention price or promotional offers have the strongest effect on CTR. Perhaps even more surprisingly, Baltas (2003) and Chandon et al. (2003) found that unbranded banners generate higher CTR than branded ones. It could be suggested that the absence of price or promotion information and unfamiliar brand name stimulates curiosity resulting in higher CTR (Chandon et al. 2003). It can, however, be argued that

unbranded banners conflict with the idea of brand building through banner exposure (Briggs and Hollis, 1997). In addition, the above studies were carried out several years ago. Consumers are now much more used to banner ads and therefore people might respond very differently to ads that do not mention the brand name or price information.

In terms of the actual message presented in a banner, Dreze and Hussherr (2003) found that people are affected more by the actual message than the artistic way in which it is presented. They found that artistic execution has in general no effect on CTR. Baltas (2003) on the other hand found that ads with long messages and animations receive less clicks. Baltas (2003) proposes this is because both of those factors increase the complexity of the ad which could lead to more negative attitudes and responses. Burke et al. (2005) also found that animated banners may be more difficult to remember than static ones. In contrast, Chandon et al. (2003) and Lothia et al. (2003) found animated ads to generate higher CTR. Similarly, Chung and Zhai (2003) as well as Chochrane and Quester (2005) found that engaging and entertaining banner ads are more likely to facilitate clicks. In conclusion, these conflicting results suggest that there may be many other factors that influence the CTR rate. It is possible that the product category and the industry also have a strong affect.

As mentioned, this study takes the behavioural response approach regarding advertising effectiveness even further by focusing mainly on the sales performance. This is in general the approach that is absolutely central to affiliate marketing. Firms using affiliate marketing only pay affiliates commission for the actual sales they generate. Therefore, firms engaging in affiliate marketing only really consider online advertising effective if it generates sales. According to this view it is not enough if an ad has a good CTR or that many people have clicked on it unless those consumers also convert to buying customers. This study does, however, also analyse the effect of offline advertising on the affiliate channel conversion rate. Even though it is a different metric than CTR, it may offer some results that could relate to these previous studies focusing on CTR.

3.3.2 Decision-making process related factors

For any firm operating on the internet, it is vital to understand how the consumer decision-making process works online. This is because the way traditional advertising campaigns affect the affiliate channel performance is influenced via consumers' decision-making process.

The following sections focus on the decision-making process related factors that influence the advertising effectiveness in the online environment. These include online buying predispositions,

involvement, perceived intrusiveness, perceived risks and trust. Previous research relating to these topics as well as how they relate to affiliate marketing is also discussed.

3.3.2.1 Shopping predispositions

With the emergence of online shopping, questions about the decision-making process and the types of people buying over the internet have been raised. Early research indicated that online shoppers tend to be older, less risk averse, convenience-oriented, have higher than average income and also male (eg. Donthu and Garcia, 1999; Korgaonkar and Wolin, 1999). As the internet has become more widely used and the number of people making purchasing online continually increases, the issue of understanding the users' decision-making becomes even more relevant.

Naturally, different types of people tend to have different shopping preferences and orientations. Gehrt et al. (1992) defines shopping orientations as general predispositions that consumers have towards the act of shopping. These predispositions can vary in terms of information search, alternative evaluation and product selection. The different attitudes, interests and opinions that people have are reflected on those predispositions. Based on the varying predispositions, previous literature has identified a varying number of different shopper types. For example Stone (1954) identified the economic, personalising, ethical and apathetic shopper. The economic shopper is price-conscious and primarily interested in getting a product for the best possible price. A personalising shopper prefers to shop in familiar and often local stores where he or she knows the staff and where one can receive personal service. The ethical shopper type is strongly linked to loyalty and typically also to local stores. The apathetic shopper on the other hand is someone who is quite an inactive shopper and not particularly interested in the shopping process. Stephenson and Willett (1969) identified an additional shopper type, the recreational shopper, who enjoys the shopping process regardless of whether a purchase is made or not. Gehrt and Carter (1992) have also identified convenience-oriented shoppers especially common among those buying from catalogues.

Brown et al. (2001) compared the formerly identified shopper types with those found among online users. It was found that multiple shopper types can be identified among online shoppers contradicting some earlier suggestions that convenience is the main driver of online shopping (eg. Donthu and Garcia, 1999; Korgaonkar and Wolin, 1999). In fact, different people buy online for different reasons and online shopping can suit people with varying shopping predispositions and preferences. The findings also support those of previous non-store shopping orientations studies

(Gehrt and Carter, 1992; Shim and Mahoney, 1996). Out of the seven shopper type clusters identified by Brown et al. (2001) the largest groups were those who enjoyed online shopping in general, recreational shoppers, and those who were motivated by finding the best possible price. Other shopper types identified were involved-shoppers enjoying every aspect of shopping, convenience-shoppers, community-oriented shoppers and apathetic, convenience-oriented shoppers. These results suggests that it is very important for online companies to understand what kind of shopping styles their customers have in order to suit their wants and needs better. For example the recreational shoppers who enjoy the shopping process in general are likely to prefer visually attractive websites with high amount of product information, competitions and other entertainment factors as well as opportunity to share information with other customers. The economic shoppers on the other hand, the other large group, values easy price-comparison, information of promotions and sales, voucher codes and other kinds of discounts. (Brown et al., 2001.)

The above research findings suggest that consumers with different kinds of predispositions towards shopping have different preferences and styles when it comes to information search, alternative evaluation and decision-making process overall. Relating this to affiliate marketing, different consumers may prefer different kind of affiliate websites when for example searching for information about products and when evaluating alternatives. The economic shopper for example is more likely to prefer price-comparison websites where the cost of different products and services can easily be found. This shopper type may also enjoy offer and voucher code websites where information about the best discounts and deals is provided. The recreational shopper on the other hand might prefer content sites where a lot of information, pictures and reviews from other customers can be found. When comparing these different shopper types, a recreational shopper interested in booking a hotel may prefer a travel guide website with detailed information about the city and its different areas and attractions, whereas an economic shopper would simply base the decision on a best deal found on a price-comparison site. Therefore, different affiliate sites may serve the varying needs of different shopper types.

3.3.2.2 Involvement

Interactivity is one of the key benefits of internet advertising but it is also creates challenges for advertisers. The difference between online advertising and traditional advertisings, using for example TV and print as advertising channels, is that in traditional media the whole advertising

message is presented at once. Internet ads on the other hand usually only have little information that is immediately visible. In addition, online ads are typically in forms that require sufficient interest and motivation from the consumer to actually interact with them, usually by clicking, and to access more information about the product or service. The users are therefore in control and can decide whether or not they want to find out more information. This means that consumers are not passive recipients of the message (Hanson, 2000; Ries and Ries, 2000). The challenge with the most common form of online advertising, banners, is that as they have become so widespread they have also begun to lose their effectiveness as people tend to automatically ignore them. This can lead to advertisers finding it difficult to stand out from competitors. It has long been argued that online advertising is only effective if it motivates consumers to go to the advertised company's website. For example Hanson (2000) argues that successful banner ads must include some mechanism that motivates the consumer to interact with the ad and move to the advertised firm's website to find out more information. This means that if a company wishes to be effective in increasing traffic to their site the banner needs to attract enough interest for consumers to click it (Bhatnagar and Papatla, 2001). To overcome this challenge, companies must develop advertising campaigns and online ads that catch consumers' attention better than those of their competitors'.

Menon and Soman (2002) suggest that one way to solve this motivational challenge is by generating curiosity. Based on Loewenstein's (1994) knowledge gap theory, a difference between what people would like to know and what they actually know creates discomfort which can only be solved by seeking information. Applying this theory into online advertising, Menon and Soman (2002) suggest that presenting consumers a knowledge gap can be done for example by including new or surprising information about the product or by asking questions. The ad also needs to include a cue about the new information which will help guide the consumer's search for more information. Importantly, the searched information should not be found too easily or the curiosity will diminish too quickly. Menon and Soman (2002) found that presenting a knowledge gap in an online ad results in more extensive and goal-orientated elaboration of the product as well as improved learning of product information. In addition, the information-processing resulting from increased curiosity leads to better product evaluation. It seems that curiosity generation is an effective way to increase people's motivation and involvement. Interestingly, Menon and Soman (2002) found that even though curiosity generation does not necessarily increase the amount of information search it can improve the quality of it. The participants that clicked on the ad and went on to search for more information spent more time and attention on the information they found. This resulted in more efficient information-processing and comprehension of the information. Due

to the improved information-processing, better product recall and evaluation can occur without a significant increase in the amount of clicks. Menon and Soman (2002) therefore argue that judging advertising effectiveness online should not only be based on the amount of clicks or click-through rates. Menon and Soman (2002) findings also confirm the results by Cho (1999) who found that people who have high product involvement are also more likely to click an ad.

Relating these results to affiliate marketing, it can be suggested that high involvement and the resulting increased quality in information-processing and positive product evaluation could also increase the sale conversion rate and total sales. This could mean that presenting curiosity generating information on affiliate sites and banner ads could motivate consumers to search for information more actively and ultimately enhance the number of sales generated from affiliate sites.

Wu, Wei and Chen (2007) also found involvement to be a key factor in affecting advertising effectiveness in their study of the travel sector. They suggest that the most important variables influencing advertising effectiveness are product involvement and attitudes towards the ad. They argue that product involvement has a significant and direct influence on advertising effectiveness. The more involved a consumer is, the more positive the attitude towards the ad. Furthermore, the more positive the attitudes are, the more effective advertising also becomes. The suggestions imply it is important that travel industry marketers design online ads that gain people's attention and that increase involvement. This is because if involvement is increased and attitudes become more positive, the advertising effectiveness may also increase. From the affiliate perspective, this means that it is important the advertisers provide advertising materials for affiliates that help enhance consumer's involvement level.

The issue of involvement was also discussed in chapter two relating to integrated marketing communications. The key finding was that receiving advertising messages from a variety of sources can result in higher information-processing, improved ad recall and also enhanced involvement (Chang and Thorson, 2004; Keller, 1996; Tulvin, 1974). Linking these previous findings to the above discussion shows that both cross-media advertising as well as involvement enhancing online ads may be a powerful combination that could explain how offline advertising campaigns affect the affiliate channel sales performance. Therefore, both topics are highly relevant for this study.

3.3.2.3 Intrusiveness of online ads

The intrusiveness of online advertising is a very relevant topic for all marketers because at worst it can lead to ad avoidance. An overview of prior literature on this topic is also covered here because ad intrusiveness can have severe consequences on advertising effectiveness. Even if there might be positive synergy effects between offline advertising and the affiliate channel, if the ads used by affiliates are perceived as intrusive by consumers the potential positive effect of offline advertising campaigns could be diminished.

Early studies suggested that online advertising was less intrusive than TV ads (Rust and Varki, 1996). Online advertising has also been suggested by some studies to be more effective than print advertising in building positive brand evaluation (Sundar and Kim, 2005) and purchase intention (Kimelfield and Watt, 2001). Choi and Rifon (2002) and Shamdasani, Stanaland and Tan (2001) found internet advertising to improve the perception and credibility of a product if linked with relevant content or a credible website. On a more negative note, banner and pop-up advertising have been found to be perceived as intrusive, interrupting and intruding (Li et al., 2002). In terms of banner advertising Newman et al. (2004) found that consumers expect a balanced state of consistency between the product featured in the banner ad and the website where the banner is shown to ensure positive brand associations. This is something that affiliate marketing is especially good at. Affiliate websites tend to choose advertisers to their sites based on how well the ads balance with the content of the site in order to serve the interests and needs of their visitors. This follows a clear logic that if a consumer is interested in a topic and comes to a website that offers information about it, they are also likely to be interested in related products.

As mentioned, the intrusiveness of online advertising is directly linked with advertising effectiveness. The importance of reducing the potential intrusiveness of online advertising is supported by Truong and Simmons (2010) who found that there is a clear distinction between helpful and misleading online advertisements. For example permitted emails with detailed product information are considered helpful whereas banner ads containing incorrect product information or attention capturing prices when in fact there is no stock left are perceived as very misleading. Truong and Simmons (2010) also propose trust as a major determinant of perceptions relating to internet advertising. Truong and Simmons (2010) found the internet is perceived as less regulated and controlled in comparison to other marketing channels which strongly relates to the feeling of potential intrusiveness. Truong and Simmons's (2010) also found that people tend to have a

negative perception of the internet as a channel that offers impersonal, one-way and irrelevant advertising. On a more positive note, Truong and Simmons (2010) found consumers prefer online sources perceived as objective. Using such sources also has a positive effect on product and service evaluation. In other words consumers prefer to pull information from third-party sources instead of being pushed information through ads alone. Truong and Simmons (2010) found that especially comparative sites and forums where users could find reviews and expert information are considered impartial and objective. In addition brands featured in such third-party sites are evaluated as trustworthy. These findings by Truong and Simmons (2010) are very positive from the affiliate marketing perspective. Many affiliate sites are these kinds of third party sites that consumers consider as objective and credible.

3.3.2.4 Perceived risks

Perceived risks are still one of the main challenges relating to online shopping. Even though many people might use the internet to find out information about products, they might not actually purchase the product online but prefer to buy offline. The reason for not completing a purchase online can be due to perceived risks associated with internet shopping. Forsythe and Shi (2003) define perceived risks of online shopping as subjectively determined expectation of loss by an internet shopper in contemplating a particular online purchase. Perceived risk of any purchase decision, online or offline, is usually caused by the feeling of uncertainty of the purchase achieving the desired buying goals (Cox and Rich, 1964). In other words, perceived risk relates to uncertainly about the potential outcomes of a particular behaviour and the possible negative consequences of those outcomes. Even before the emergence of the internet, consumers perceived some ways of buying riskier than traditional in-store buying. These included telephone shopping or mail ordering (Akaah and Korgaonkar, 1988). These shopping channels were perceived higher risk than traditional shopping due to the inability to see or try the products before buying, difficulty of returning the products and doubt about the company selling the products (Spence et al, 1970; Gillett, 1970). The same reasons tend to apply to online shopping today as many people are still unsure of using the internet as a shopping channel.

The most common perceived risks relating to online buying are financial, product performance, psychological and time/convenience loss (Forsythe and Shi, 2003). Financial risk refers to the risk of losing money when buying online including the risk of the shopper's credit card details being

stolen and misused (Hoffman et al., 1999; McKnight et al., 2002). Product performance risk refers to the possibility that the product does not perform as expected (Horton et al., 1976). Because consumers cannot try or feel the product or service in advance of purchase and due to potential lack of information on product quality, people may experience this kind of performance risk. Psychological risk on the other hand refers to the internet user's privacy. People may perceive providing personal information online while making a purchase too risky due to fear of their personal details being misused. Lastly, time/convenience risk refers to the loss of time and/or inconvenience experienced due to time taken to find suitable websites, searching for product information, submitting orders and waiting for the products to be delivered.

In a study comparing risk perceptions of online browsers and shoppers, Forsythe and Shi (2003) found that the most common reason for not buying online is perceived product performance risk. This risk also influences the frequency of buying online. This is particularly important for service providers, as services are even harder to evaluate in advance than physical products. In terms of financial risk, Forsythe and Shi (2003) found that the more financial risk the online users experience, the less likely they are to buy online. The perceived financial risk also makes people more selective of the online stores they use as well as influence the amount of money spent online. This means that users avoid making large purchases online. Importantly, the perceived financial risk reduces as online shopping experience increases. Importantly, Forsythe and Shi (2003) found that even though internet shoppers perceive several risks in online shopping, these risks do not significantly affect their online buying behaviour in a systematic way. The risks perceived by internet browsers on the other hand actually deter them from buying online. Therefore, it may be more important to understand the risks perceived by non-shoppers, as reducing those perceived risks could convert them to future online shoppers. Reducing perceived risks could also result in existing customers spending more money online.

The perceived risks and uncertainty related to the purchase decision and product choice can, however, be reduced by information search which is commonly used to support decision-making and to ensure the right decision is made (Bloch, Sherrell and Ridgway, 1986; Moorthy, Ratchford and Talukdar, 1997). Before making a purchase decision people tend to feel uncertain about which product to choose. This feeling of uncertainty motivates people to search for information. The more uncertainty consumers perceive, the more willing they are to spend time seeking information. The willingness to search depends, however, on the balance between the perceived benefits and cost of search. Perceived benefits can include for example saving money or feeling confident about making

the right choice whereas the costs of search refer to for example time and effort spent. This means consumers will only search for information if they feel they will benefit from it.

Most product purchases are preceded by at least some type of information search. The internet in particular is a very search-oriented environment as information from a huge number of sources is readily available to consumers. Therefore, the costs of search for consumers are low as information can be found easily. It could be suggested that the availability of information online increases the amount of time spent searching for information before making the purchase decision in comparison to search efforts made in stores. Alba et al. (1997) suggest that because finding out different prices online is easier than in stores, consumers may also become more price sensitive.

Information search, conducted both on- and offline, can be divided into internal and external search. Internal search refers to using one's own memory for relevant information. External search on the other hand is used when internal search cannot provide sufficient amount of information to make a decision (Engel, Blackwell and Miniard, 1990; Fodness and Murray, 1997, 1998.) External sources can include anything from advertising and word of mouth to various different websites such as price-comparison sites, review sites, blogs etc.

Searching for information is especially important in travel related purchase decisions. This is because decision making and consumption are separated in time and space and this issue of distance can only be solved by seeking for information (Wethner and Klein, 1999). This is why it is crucial for firms operating in the travel sector to provide enough information that is also considered high quality by consumers. Fodness and Murray (1997) define information search in the travel sector context as "a dynamic process where individuals use various amounts and types of information sources as a response to internal and external contingencies to aid travel planning". As consumers have a wide variety of sources available to them to search for information about different travel alternatives, Fodness and Murray (1998) argue that different individual needs and search habits influence the information sources used. With regards to searching information online, Dhokalis and Bagozzi (2001) argue that the unique characteristics of the internet affect consumer behaviour in a dramatic way due to the speed and scope of access to information, interactive features and flexibility of representing information in different ways such as text, still images and moving graphics.

Teo and Yeong (2003) examined the decision-making process and choice behaviour in the online context and found that perceived benefits of search positively influence the search efforts. Applying this to the travel industry and service products, consumers typically find hotel services difficult to

evaluate as they cannot be properly seen or tested before consumption. The increased perceived uncertainty can therefore trigger more search behaviour as the consumers may feel there are significant benefits in searching for more information (Teo and Yeong, 2003). As searching online is also easy and fast it is possible to search through various websites in a much shorter time than it takes to visit several traditional stores. When consumers gain more experience searching online and if they are purchasing products they have bought before, they might search less because they do not feel the same kind of need to search as the perceived risks are reduced.

Interestingly, Teo and Yeong (2003) found that the amount of search did not have a positive relationship with the overall evaluation of the deal. This means that searching for more information does not keep on improving the overall evaluation of the deal indefinitely. There is a point in the search where extra information will no longer benefit the consumer. Teo and Yeong (2003) also found that perceived risk has a negative relationship with overall deal evaluation. Perceived risk relating to online buying can include for example financial, performance or psychological risks as discussed earlier. The higher the perceived risk, the more negative effect it can have on the overall deal evaluation. This means that marketers should be aware of the risks that customers typically perceive their products to entail. If the perceived risks are known, then information and reassurances can be communicated to the customer to lower those risks. For example financial risks could be reduced to money-back guarantees, no booking fees and clear information on payment security. Product performance risks on the other hand could be influenced by offering detailed quality information, pictures and reviews.

Teo and Yeong (2003) also found that perceived search benefits improve the overall evaluation of the deal which in turn is positively associated with willingness to buy. This is because if consumers feel they benefit from searching for more information they are also likely to think the information gained will help them to evaluate the purchase. The more benefits the consumers perceive to gain from the purchase, the more likely they are to buy the product. Different consumers will, however, value different things. Some for example are very price sensitive where as others are might be more interested in quality features. The need for different kind of information will also influence where consumers search for information (Fodness and Murray, 1998). This means that different consumers may find their way to different types of affiliate sites that offer information in various ways.

One of the benefits of affiliate marketing is that there are many different sites that promote the same advertiser. Different types of sites focus on different kinds of benefits of the product. Therefore different affiliate sites will cater for consumers with varying needs for different kind of information.

A price sensitive consumer searching for a hotel for example might prefer a price focused comparison site whereas a consumer still considering different holiday destinations might prefer using a travel guide site. Linking this with Teo and Yeong's (2003) finding that perceived benefits of search influence the overall evaluation of the deal and willingness to buy suggests that if consumers consider searching for information on different affiliate sites as beneficial, they are also more likely to buy via the affiliate site.

3.3.2.5 Trust

Trust is an important factor for any company as without trust customers will not buy any products or services. The issue of trust is especially critical in the online environment as customers cannot touch, feel or test the products or services before the purchase (Lee and Turban, 2001). In addition, when making online purchases the seller is always unobserved and often also unknown (Salo and Karjaluoto, 2007). Customers have to also accept that the products may not be as they expected or they may not receive them at all (Pavlou, 2003; Ratnasingham, 1998). When a consumer makes a purchase online it is a sign that he or she has accepted the potential risks and must trust the firm sufficiently to buy a product or a service. Completing a purchase also shows the customer has perceived the gains of the purchase to outweigh the potential risks.

The concept of trust can be defined in many different ways. Zaltman and Moorman (1988) define trust as a belief that one party can rely on a word or promise given by another party, and it can also help to develop or maintain a relationship between the two parties. Boeyen and Moses (2003) suggest that trust can be divided into direct and third-party trust. Direct trust is trust between two parties. Third-party trust on the other hand is trust that develops between two parties that may not know each other but are willing to trust each other because of a reliable third party. This kind of third-party trust is especially important in the online environment where transactions often happen between previously unfamiliar parties. From the affiliate marketing perspective this could refer to a situation where an online user trusts the affiliate site but is not familiar with the advertised online store. Due to the trust towards the affiliate site, the user may transfer that trust on to the advertised firm to the extent that they are willing to purchase products from its website.

Ganesan (1991) suggests that trust also plays an important role in facilitating long-term customer relationships as it develops over a series of transactions. If the customer has positive experiences trust will stabilise and grow which in turn can encourage the customer to make further purchases.

Furthermore, trust can increase the end-user's motivations to cooperate with the trusted party in uncertain situations (McKnight and Chervany, 2002). Salo and Karjaluoto (2007) suggest this is because users usually prefer to cooperate with a party they trust instead of someone they have no relationship with, and this tendency is even stronger in unfamiliar or uncertain environments.

According to Pavlou et al. (2003) third parties are becoming the most important channel for enhancing end-users' confidence to take part in online activities. Salo and Karjaluoto (2007) suggest third parties can include brands, peers and experts. In addition, known brands can compensate for the lack of personal contact and act as a form of quality assurance, especially if the online vendor is previously unfamiliar to the user. (Salo and Karjaluoto, 2007.) The use of third parties can help firms develop their reputation which is one of the most important signs of trustworthiness for consumers (McKnight et al., 2002).

Relating these arguments to this study, it is suggested that affiliate sites can also be considered as trust enhancing third-parties. Many affiliate sites are so well-known and attract a large number of visitors that they can be considered as brands in their own right. Therefore, Pavlou et al. (2003) suggestion that trusted brands can encourage consumers to participate in online activities including shopping could be extended to affiliate sites, too. Affiliate sites are also important sources of information for many consumers in the search stage of the decision-making process. From affiliate sites consumer can find general information as well as peer and expert reviews which can have a strong influence on the choice of online product or service provider especially if the user is unfamiliar with the firm. Therefore, Salo and Karjaluoto's (2007) argument that third parties can include peers and experts could also be extended to include affiliate sites. Affiliate may also play an important role in facilitating long-term customer relationships. If an affiliate site is able to add value to the user and aid in successful purchase decisions it is quite likely that the user will revisit the same affiliate site in the future as well.

This section ends the chapter 3 related to online advertising and the key factors that influence the advertising effectiveness online. This is also the final part in the literature review. The next chapter summarises the theoretical part of this study before moving on to the empirical section.

4. Theoretical framework

The previous two chapters focused on the theory and extant literature related to this study. The topics included integrated marketing communications, cross-media advertising, internet advertising and factors that influence advertising effectiveness in the online environment. Even though some of those topics are not directly analysed in the empirical part of this study, they were discussed as they are still considered to be relevant to the wider phenomenon surrounding this research area. They also help to form a wider understanding of issues related to this study, namely cross-media advertising, internet marketing and advertising effectiveness. The figure number 3 below illustrates the theoretical framework of this study.
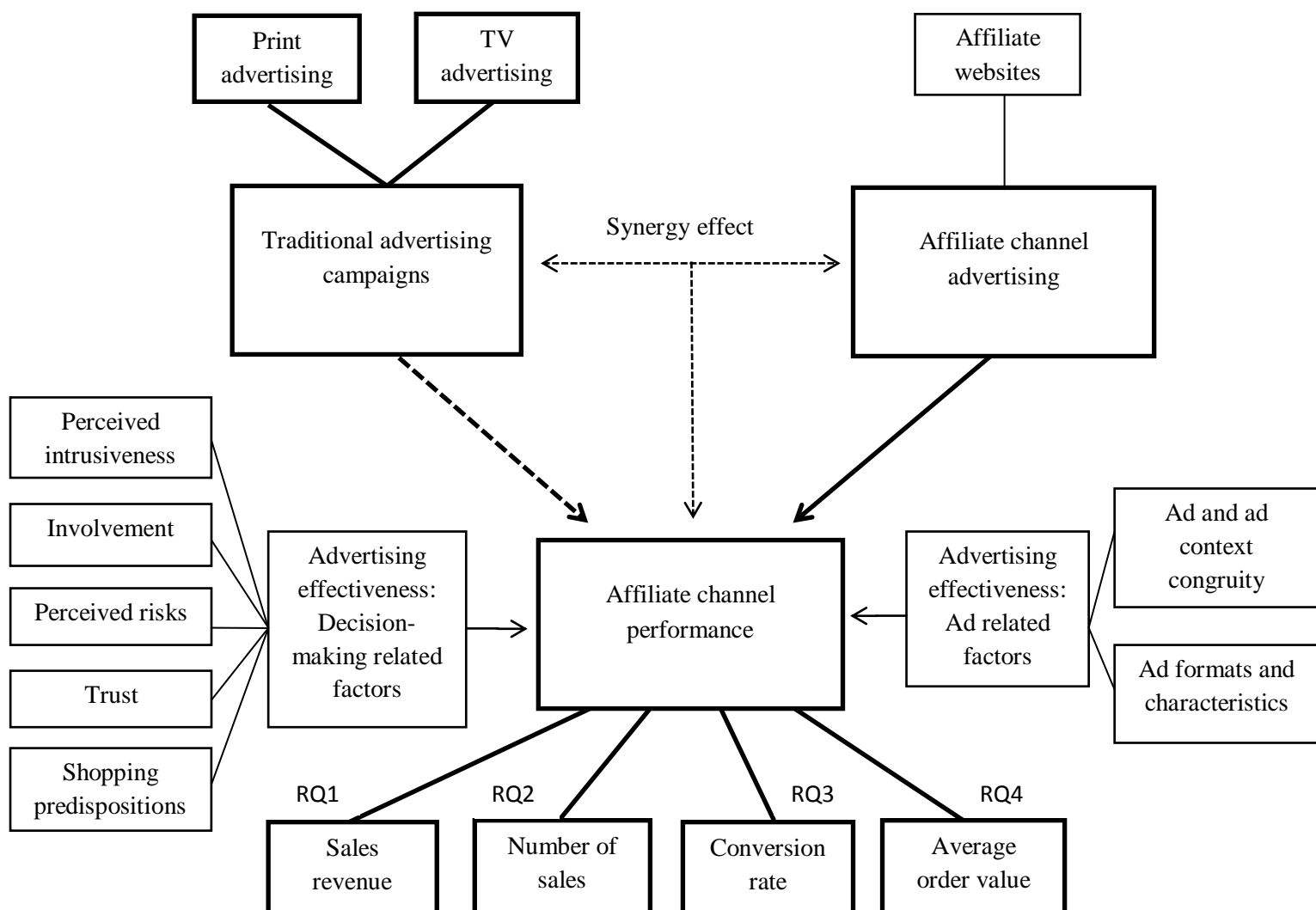
Figure 3. The theoretical framework

The theoretical framework illustrates the key topics discussed in the previous chapters and also highlights the focus of the empirical section of this study. The arrows indicate relationships with the different elements. The solid arrow from affiliate channel advertising to affiliate channel performance shows the direct and known relationships. The dotted arrows on the other hand indicate a potential influence between the different elements that are the focus of this study. The overall research question is how the traditional advertising campaigns affect the affiliate channel performance, marked with the dotted arrow. The performance is measured by four different metrics; sales revenue, number of sales, conversion rate and average order value, each representing one of the research questions (RQ 1-4). The dotted line between the traditional and affiliate advertising on the other hand indicates the possible synergy effect between the two channels that may explain the results.

The elements with thinner outlines seen on the right and left hand side of the graph relate to the other topics that were discussed in the literature review but are not focused on in the empirical part. These elements, linked to advertising effectiveness, are grouped as ad- and decision-making process related factors. The graph illustrates their relevance in the overall phenomenon and that they are among factors that influence advertising effectiveness and the affiliate channel performance. However, including them in the empirical part is beyond the scope of this study.

The next chapter begins the empirical part of this study starting with the methodology before proceeding to the results.

5. Methodology

This chapter begins by describing the chosen research methodology before moving on to the case company profiles and data description. At the end of the chapter issues relating to the validity and reliability of the chosen method are also discussed.

5.1 Research methodology

This study investigates how different types of offline advertising campaigns affect the affiliate channel performance. All of the research questions will be addressed using multivariate regression analysis. Regression analysis is a quantitative method that enables to determine whether an independent variable explains a significant variation in the dependent variable and if there is a relationship between the variables. Multivariate regression analysis enables the inclusion of several different independent variables and investigation of their effect on a dependent variable. This method also helps to establish how much variation each of the independent variables can explain in the dependent variable. (Hair et al., 2010. p. 162). This is important as the different independent variables may have a different kind and size of effect on the dependent variable. It would have also been possible to investigate the relationships between traditional advertising campaigns and affiliate channel performance by using T-tests and analysis of variance, ANOVA. These two methods can also reveal if there is a relationship between independent and dependent variables by comparing the means and testing for statistical significance. (Hair et al., 2010. p. 444). However, these two methods do not reveal the power of the effect. This study aims to understand how the different types of advertising campaigns affect the affiliate channel performance and if different types of advertising have a different kind of effect. Therefore, multivariate regression analysis was chosen as the best method to answer all the research questions in this study.

5.2 Case company profiles

This study is conducted in partnership with a case company, a leading international hotel booking website, and TradeDoubler, the case company's affiliate network partner. As the case company wishes to remain anonymous, only a brief overview of its business is provided here.

The case company is a leading provider of hotel accommodation worldwide. It offers hotel booking services through its network of localised websites and telephone call centers. This hotel booking site offers customers one of the widest selections of accommodation available on the internet, including both independent and major chain hotels as well as self-catering in over 140,000 properties worldwide.

TradeDoubler is the affiliate network company that manages the case company's affiliate marketing activities in Finland and across Europe. TradeDoubler is an international performance-based digital marketing company founded in Sweden in 1999. TradeDoubler operates in 18 markets across Europe with over 550 staff located across the local offices. TradeDoubler has expanded its business over the past 12 years and today offers an integrated digital marketing portfolio including affiliate marketing, display and performance-based online campaigns and technology to manage cross-media marketing. TradeDoubler serves clients across multiple industry sectors such as travel, retail and finance. TradeDoubler's relevant expertise and technical capability in digital marketing enables it to help clients deliver their online marketing strategies from direct response to brand awareness. The company is headquartered in Stockholm and listed in the Stockholm stock exchange.

5.3 Data description

The data for the study consisted of two separate parts; affiliate channel sales performance report and traditional offline advertising campaign calendar. The data was provided by both the case company and TradeDoubler.

The performance report showed of all the sales generated by the affiliate channel from 1st January until 30th September 2011. The key information included the number sales, total sales revenue, average conversion rate and average order value broken down by day. The total number of days in the investigated time period was 273. In order to protect the anonymity of the case company, no details of the sales report are disclosed here.

The advertising campaign calendar included information of all the traditional advertising campaigns carried out in 2011. The advertising activities included both brand and promotional sale advertising using print and TV as media channels. The difference between the brand and sale advertising was that the brand advertising focused on the brand and providing general key benefits of the hotel booking website whereas the sale advertising promoted specific sale campaigns live at the time of

advertising. In other words, the brand advertising aimed to build awareness and brand image whereas the sale advertising aimed at motivating consumers to book a hotel immediately. The brand focused advertising included advertising in magazines, newspapers and television. The sales focused advertising on the other hand included newspaper and television advertising. The total number of brand and sale advertising campaign days broken down by media channel is shown in table number 1 below.

Type of advertising	Advertising channel	Number of days with advertising	Number of days without advertising	Total days
Brand advertising	Magazine	63	210	273
	Newspaper	98	175	273
	TV	119	154	273
Sale advertising	Newspaper	4	269	273
	TV	12	261	273

Table 1. The total advertising campaign days by advertising type and channel.

Before any data analysis could be carried out the sales report and the advertising calendar data were merged together. All the offline advertising campaigns were added into the daily performance report based on the dates given in the advertising calendar. The vast majority of the advertising campaigns were marked in the offline calendar per week. It was assumed that each advertising campaign marked for any given time period would have a consistent impact every day throughout that particular time period. In addition, advertising in different channels was assumed to have the same kind of impact and marked in to the data in the same way. The different types of advertising campaigns were marked as either 0 = no advertising or 1 = advertising. Different advertising channels and types of advertising campaigns were used to form sums of for example total print advertising, total TV advertising, total all advertising and total brand or sales advertising campaigns. In order to control for the possibility that the results may be influenced by new affiliates starting to advertise the case company or existing ones stopping advertising during the study period, the sales report only includes affiliates that were active throughout the whole period. This means that a sudden increase or decrease in the number of affiliates does not affect the results and potentially skew the effect of advertising campaigns.

There were periods when there were no advertising campaigns as well as periods when several different campaigns were running simultaneously. At the most, there were five different advertising

campaigns running at the same time. The total number days for all the varying number of live advertising campaigns at any given time can be seen in table number 2 below. On average there were either one or two advertising campaigns running at any given time (mean = 1.43).

Number of live advertising campaigns	Number of days	Per cent of days
0	102	37.4
1	74	27.1
2	24	8.8
3	38	13.9
4	21	7.7
5	14	5.1
Total:	273	100.0

Table 2. The total number of days with different number of live advertising campaigns

5.4 Research design

The empirical part of this study is carried out in two stages. The first stage aims to investigate how the offline advertising campaigns affects the affiliate channel performance measured by total sales revenue. In the second stage, the effect of offline advertising campaigns on the other important performance metrics is measured. These metrics include the number of sales, conversion rate and average order value. Both stages are now explained in more detail.

5.4.1 Stage 1

The advertising campaign data provided for this study can be grouped in many different ways including by the number of ad campaigns running simultaneously (0-5), number of advertising campaigns running at the same time by media channel (TV 0-2, print 0-4) and by type of advertising (brand or sale promotion). As the different grouping methods may yield different results, it was decided to develop three different regression analysis models to see which grouping method explains the effect on the affiliate channel performance the best. This also enables the comparison between the different models. All models include independent, control and dependent variables. In the first stage, the different advertising campaign groupings represent the independent variables in the different regression analysis models. The dependent variable is the total sales revenue. This

variable was chosen as it represents the concrete financial impact of the advertising campaigns on the revenue generated by the affiliate channel. Control variables in any regression model should include variables that are known to or are suspected to have an effect on the dependent variable. This is because leaving out any variables that may have some explanatory power in the model could have a misleading effect on the results. (Hair et al., 2010. p 180-181). The variables controlled for in the first stage of this study include the lagged sales revenue variable and the different days of the week. Both are now explained in turn.

This study utilises time series data which carries a risk of serial correlation. It means that there is a risk that previous sales performance influences current sales performance. This potential problem can, however, be addressed by using lagged variables (eg. Jacobson, 1990; Boulding and Staelin, 1995). Because the sales performance data in this study is broken down by day, a one-day lag variable is used. In this first stage of the data analysis, the lagged sales revenue variable represents the effect of yesterday's sales performance on today's sales performance. Including the one-day lag as a variable controls for the possibility that current sales performance is the affected by the previous sales performance rather than by the offline advertising campaigns.

The other control variables are the different days of the week. They are controlled for as preliminary data analysis using the analysis of variance, ANOVA, revealed that the mean values for sales revenue are significantly different depending on the day of the week ($F = 7.254$, df = 6; $p < 0.01$). This means that the day of the week has a statistically significant effect on sales revenue. In order to protect the anonymity of the case company, the results of the ANOVA test are not disclosed here. The days of the week were included in the data as dummy variables. This is required when the variables are nonmetric and have two or more categories. In the transformation procedure, each dummy variable represents one category of the nonmetric variable. This means that each variable represents one day of the week. The variables can be represented as k-1 dummy variables, where k stands for the number of categories. (Hair et al., 2010. p. 177). This means that seven different days of the week can be entered by only including six days of the week as the effect of the omitted day can be derived from the other six variables. The six selected days of the week were entered using indicator coding where each variable is represented by either 1 or 0. For example Mondays were marked to each of the data points as either 1 = Monday and 0 = not Monday. The same was repeated to all the days of the week. Saturday was chosen as the omitted day and to represent the reference category as the total sales revenue on Saturdays tended to be lower than on other days. When interpreting the regression coefficients in the results section it is important to note

that the coefficients for the dummy variables represent the difference on the dependent variable for each day of the week from the reference category. (Hair et al., 2010. p. 177). In other words, the regression coefficient of any other week day shows the difference in comparison to the reference category, in this case Saturday.

The three multivariate regression models in stage 1 and the variables included in each are shown in table number 3 below.

Model	Independent variables	Control variables	Dependent variable
1	Number of advertising campaigns (0-5)	Lagged sales (€) Day of week	Sales revenue €
2	Number of TV (0-2) and print (0-4) advertising campaigns	Lagged sales (€) Day of week	Sales revenue €
3	Number of sale (0-2) and brand (0-5) advertising campaigns	Lagged sales (€) Day of week	Sales revenue €

Table 3. Variables in the regression models 1-3.

5.4.2 Stage 2

The aim of stage 1 was to understand which offline advertising grouping variable is the best at explaining the effect of advertising campaigns on the affiliate channel performance. Based on the results the second stage of the data analysis involves using that best identified offline advertising variable as the independent variable to investigate how offline advertising affects the other important performance metrics; the number of sales, the conversion rate and the average order value. This is carried out by developing three further multivariate regression models in which each of the additional performance metrics represent the dependent variables. Similarly to stage 1, lagged variables and the day of the week are used in stage 2 as control variables. This is to ensure consistency in the data analysis and to make sure all potentially relevant variables are included in the regression models.

The lagged variables used in stage two are again used to control for the possible serial correlation issue when using time series data (eg. Jacobson, 1990; Boulding and Staelin, 1995). In the same

way as in stage 1, the lagged variables are always related to the dependent variable in the particular model using the one-day lag structure. In other words, when for example investigating the effect of offline advertising campaigns on the number of sales, the lagged variable is the number of sales on the previous day. Similarly when investigating the effect of offline advertising campaigns on the conversion rate, the lagged variable is the conversion rate on the previous day. The three additional models 4-6 and the variables included in them in stage two can be seen in table number 4 below.

Model	Independent variable	Control variables	Dependent variable
4	Offline advertising (the best variable from stage 1)	Lagged number of sales Day of week	Number of sales
5	Offline advertising (the best variable from stage 1)	Lagged conversion rate Day of week	Conversion rate
6	Offline advertising (the best variable from stage 1)	Lagged average order value Day of week	Average order value

Table 4. Variables in the regression models 4-6.

5.5 Validity and reliability

When conducting the data analysis, various regression diagnostic tools were used to ensure the regression model assumptions were sufficiently met. Especially that fact that this study involves time series data imposes several potential issues that need to be carefully considered when interpreting the results.

One of the potential problems that using time series data carries is the non-independence of error terms. With time series data, it is possible that the error terms are correlated with each other at different points in time (eg. Kraatz and Zajac, 2001). The homoscedasticity of all the regression models was ensured by analysing the residual plot graphs in SPSS software. The plot graph shows the residuals against the predicted values and compares them to the null plot. The error terms of all of the models had the required constant variance and the plot graphs appeared sufficiently random without any specific patterns. (Hair et al., 2010. p. 185).

Another possible issue with time series data is the risk of serial correlation. As already explained in the research design section, this risk means that it is possible that the dependent variable (affiliate channel performance) could be affected by the past performance and not by the independent variable (offline advertising campaigns). This risk can, however, be controlled by using lagged variables (see eg. Jacobson, 1990; Boulding and Staelin, 1995). As the unit of analysis in this study is one day, one-day lagged variables are used in all of the multivariate regression models. The lagged variables are always related to the dependent variable used in each model. In stage 1 models 1-3 the lagged variable is lagged sales revenue on the previous day. In stage 2 models 4-6 the lagged variables are the lagged number of sales, the lagged conversion rate and the lagged average order value, respectively. Using lagged variables also offers another advantage. If the lagged variables have a positive effect on the dependent variable, it usually means that there is some other unknown variable that is affecting the dependent variable but that has not been taken into consideration in the model. However, this unknown variable does not have an effect that changes rapidly across different points in time. Including the lagged variable controls for the omitted unknown variable. (Jacobson, 1990).

This potential issue of serial correlation was also controlled by checking the Durbin-Watson value for all of the models which is another test used to detect auto-correlation (Durbin and Watson, 1950; 1951). With the lagged variables included, the Durbin-Watson value was close to the 2 in all of the models which is considered acceptable (eg. Gandia and Archidona, 2008). This means that there was no severe serial correlation in the models. Performing the Durbin-Watson tests for the regression models with and without the lagged variables showed that including the lagged variable improves the Durbin-Watson value and thereby increases the validity of the models. The Durbin-Watson values with and without the lagged variables are also reported in the results section.

Non-normality of the error term is also one of the most common violations of the regression analysis assumptions (Hair et al., 2010 p.185). This assumption was checked by visual inspection of the residual histograms of all the models which showed that the error term was normally distributed. However, the simple visual check may not be sufficient on its own especially in the case of smaller samples. Therefore, a further diagnostic tool, the normal probability plot, was also used for all the models. In these plots the residuals are checked and compared with the normal distribution which forms a straight diagonal line. The residual line followed the diagonal line closely in all the models demonstrating the normal distribution of the error terms. (Hair et al., 2010 p. 183-185).

Multicollinearity is another critical issue when conducting analysis with multivariate regression. It refers to the correlation among three or more independent variables. If there is high multicollienarity between the variables in the regression variate, the predictive power of any individual independent variable is reduced by the extent that the particular variable is correlated with the other variables. This may mislead the results and cause interpretations issues. That is why it is fundamentally important that the independent variables used have low multicollinearity with each other and high correlation with the dependent variable. (Hair et al., 2010. p. 165-166). To ascertain that the variables used in all of the models did not suffer from severe multicollinearity, the collinearity tolerance and the variance inflation factor (VIF) values were checked. Multicollinearity tolerance values of lower than 0.10 and the VIF values over 10 would raise concern that the variables in the regression model may too highly correlated reducing the validity of the model. However, depending on the sample size VIF values of over three can already cause interpretation issues. (Hair et al., 2010. p. 200-205). In order to maximise the validity of the results, this study aimed for VIF values of less than two. All the collinearity tolerance values in this study were above 0.5 and the VIF values under 2. This means that all the values were at acceptable levels and they are also reported in the results section.

In terms of generalizability, it is very important that the sample size is sufficiently large. This is because the sample size has a direct effect on the statistical power of multivariate regression. The minimum desired level of observations for each independent variable is 15 to 20 (Hair et al., 2010. p. 175). The lowest numbers of observations for any independent variable used in this study is 16 which is the number of days observed for sale promotion advertising. Importantly, even this one low value meets the minimum required number of observations.

When considering the reliability of using multivariate regression models, three main issues should always be considered; strong theory, measurement error and specification error. The choice of variables should always be based on theory and their appropriateness should be carefully considered (Hair et al., 2010. p. 172). In this study the choice of independent and dependent variable was fairly straight-forward and based on the extant literature, particularly on cross-channel advertising and synergy effect, as well as the research questions. The measurement error on the other hand refers to the degree to which the variables, especially the dependent variable, are accurate measures of the phenomenon being studied (Hair et al., 2010. p. 172). All the dependent variables used in this study are the direct measures relating to each of the research questions. For example, the effect of offline advertising campaigns on the sales revenue is measured directly by comparing sales revenue

generated during advertising campaigns against times with no advertising using the sales revenue as the dependent variable. Similarly, the effect of advertising on the conversion rate uses the conversion rate as the dependent variable. The lagged variables are also used according to the same logic as the lagged variable is always related to the dependent variable. Therefore, the dependent variables do accurately measure the research topic in question. Lastly, the specification error is concerned with the inclusion of irrelevant variables or exclusion of relevant ones in the regression variate. Including irrelevant variables may in the worst case hide or alter the effects of other relevant variables. Omitting relevant variables may have even more serious consequences as the results may be biased and interpretation invalid. (Hair et al., 2010. p. 172-173). In other words, leaving out important variables that might have an effect on the dependent variable can significantly distort the model and seriously question the results. This important issue of specification error was carefully considered in this study. That is why many separate models were produced in stage 1 and the previously discussed control variables were included in the models.

This discussion on validity and reliability ends chapter number 5 on methodology. In chapter 6, the results from the data analysis are presented followed by a further analysis and discussion in chapter number 7.

6. Results

This section covers the results of the data analysis. The results from stage 1 of the analysis are reported first followed by stage 2. In order to protect the anonymity of the case company, only standardised coefficients of the regression models are reported. When analysing the effects from standardised coefficients, it is important to bear in mind that they should only be used as a guide to the relative importance of each individual independent variable and only when the collinearity is minimal. In addition, they should only be interpreted in the context of the other variables in the particular model. (Hair et al., 2010. p. 200.)

6.1 Stage 1 results

Stage 1 of the empirical investigation involved three different multivariate linear regression models that examine how offline advertising campaigns affect the affiliate channel sales revenue. The models varied in the way that the offline advertising campaigns were used as the independent variables in order to identify how the models vary in their explanatory power (R^2).

Model number 1 was used to investigate how the total number of different offline advertising campaigns affects the sales revenue generated by the affiliate channel. The results from model 1 are shown in table number 5 below.

Table 5. Multivariate regression model 1: The effect of total number of ad campaigns on sales revenue

Variables	Standardised coefficients β	T	Sig.	Collinearity tolerance	VIF
Number of ad campaigns	0.146	2.590	0.010	0.957	1.045
Lagged sales €	0.203	3.356	0.001	0.825	1.212
Monday	0.212	2.860	0.005	0.552	1.810
Tuesday	0.318	4.322	0.000	0.559	1.788
Wednesday	0.261	3.493	0.001	0.540	1.852
Thursday	0.156	2.097	0.037	0.548	1.826
Friday	0.014	0.186	0.852	0.565	1.769
Sunday	0.310	4.273	0.000	0.575	1.740

Notes: F = 8.449, p < 0.001, R^2 = 0.204, adjusted R^2 = 0.180, Durbin-Watson = 2,075, dependent variable = sales (€)

As seen in the results table above, model 1 has an explanatory power (R^2) of 20.4 per cent at a very significant confidence level (p-value < 0.001). The total number of advertising campaigns has a significant positive effect on the total sales revenue at 99 per cent confidence level (p-value < 0.01).

In addition, the number of ad campaigns has a very high collinearity tolerance value (0.957) indicating that this variable is only very weakly correlated with the other variables. In terms of the control variables, all week days apart from Friday are statistically significant (p-value < 0.05) and positive. This means that all weekdays apart from Fridays have higher sales in comparison to the reference category, Saturdays. On Fridays the sales do not vary from the sales revenue generated on Saturdays. The highest sales performance in comparison to Saturdays is achieved on Tuesdays and Sundays. The lagged sales revenue also has a significant positive effect on the sales performance (p-value < 0.001). It is also important to point out that the explanatory power of the model (R^2) and the Durbin-Watson value were improved by including the lagged sales variable in the equation. Without the lagged variable the model had an explanatory power of 17.5 per cent and the Durbin-Watson value was 1.595.

Model number 2 was used to investigate how the offline advertising campaigns affect the sales revenue generated by the affiliate channel when divided by media channel into TV and print advertising. The results from model 2 are shown in table number 6 below.

Table 6. Multivariate regression model 2: The effect of the number of print and TV campaigns on sales revenue

Variables	Standardised coefficients β	T	Sig.	Collinearity tolerance	VIF
Number of print campaigns	0.098	1.705	0.089	0.924	1.083
Number of TV campaigns	0.097	1.702	0.090	0.927	1.079
Lagged sales €	0.201	3.320	0.001	0.824	1.214
Monday	0.212	2.866	0.004	0.552	1.810
Tuesday	0.316	4.285	0.000	0.559	1.790
Wednesday	0.259	3.461	0.001	0.539	1.854
Thursday	0.154	2.065	0.040	0.547	1.829
Friday	0.014	0.192	0.848	0.565	1.769
Sunday	0.310	4.270	0.000	0.575	1.740

Notes: F = 7.576, p < 0.001, R^2 = 0.207, adjusted R^2 = 0.179, Durbin-Watson = 2,069, dependent variable = sales (€)

It can be seen from the results that model number 2 has an explanatory power (R^2) of 20.7 per cent at a very significant confidence level (p-value < 0.001). In terms of significance levels in model 2, the TV and print advertising only have a marginally positive effect on the affiliate channel sales revenue at 90 per cent confidence level (p-value < 0.1). Both TV and print advertising account for nearly the same amount of variation in the sales revenue with standardised coefficients of 0.097 and

0.098, respectively. Both advertising channels also have a very high collinearity tolerance value of over 0.900. Similarly to model 1, all days of the week apart from Fridays are statistically significant (p-value < 0.05) and have higher sales revenue than on Saturdays. Tuesdays and Sundays generate again the highest sales revenue when comparing the different days of the week against Saturdays. The lagged sales variable has a statistically significant positive effect on sales performance in this model as well (p-value < 0.001). The explanatory power of the model (R^2) and the Durbin-Watson value were again improved by including the lagged variable. Without the lagged variable the model had an explanatory power of 17.8 per cent and the Durbin-Watson value was 1.593.

When comparing the explanatory powers (R^2) of the first two models, it is found that dividing the ad campaigns into TV and print instead of looking at the advertising without channel distinction improves the model by 0.3 per cent. But as this second model has one more independent variable than model 1, it is important to note that the model 2 has an adjusted explanatory power (adjusted R^2) of 17.9 per cent whereas the same value for model 1 is 18.0 per cent. This means that dividing the advertising campaign by media channel does not make a significant improvement to the model when also taking into account the number of independent variables in both models. However, model number 2 does provide the possibility to compare the size of effect of print and TV advertising on the affiliate channel sales revenue. As mentioned, the size of the effect is nearly the same for both media channels.

Model number 3 was used to investigate how the offline advertising campaigns affect the sales revenue generated by the affiliate channel when dividing the type of campaigns into brand and sale promotion advertising. The results from model 3 are presented in table number 7 below.

Table 7. Multivariate regression model 3: The effect of the number of brand and sale advertising campaigns on sales revenue

Variables	Standardised coefficients β	T	Sig.	Collinearity tolerance	VIF
Number of sale ad campaigns	0.166	2.860	0.005	0.883	1.132
Number of brand ad campaigns	0.142	2.548	0.011	0.959	1.042
Lagged sales €	0.171	2.801	0.005	0.791	1.264
Monday	0.219	2.994	0.003	0.551	1.813
Tuesday	0.287	3.895	0.000	0.546	1.833
Wednesday	0.254	3.429	0.001	0.539	1.856
Thursday	0.148	2.003	0.046	0.546	1.832
Friday	0.019	0.260	0.795	0.565	1.770
Sunday	0.308	4.291	0.000	0.575	1.740

Notes: F = 8.398, p < 0.001, R² = 0.224, adjusted R² = 0.197, Durbin-Watson = 2,061, dependent variable = sales (€)

The results show that the model 3 has an explanatory power (R²) of 22.4 per cent. Similarly to the previous models it is also very significant (p-value < 0.001). This model shows that the number of brand advertising campaigns has a significant positive effect on the affiliate channel sales revenue (p-value < 0.05). The number of sale promotion advertising campaigns has a positive effect as well and even at a higher confidence level of 99 per cent (p-value < 0.01). When comparing the sizes of the effects, sales advertising campaigns have a stronger effect than brand campaigns with coefficient values of 0.166 and 0.142, respectively. Both brand and sale advertising are only weakly correlated with other independent and control variables (collinearity tolerance > 0.800). Similarly to the previous models, all other week days apart from Fridays are statistically significant (p < 0.05). Sundays and Tuesdays have the highest sales revenue in comparison to Saturdays in this model as well. The lagged sales revenue control variable has a positive effect on the sales revenue at a 99 per cent confidence level (p-value < 0.05). The explanatory power of the model (R²) and the Durbin-Watson value were once again improved by including the lagged variable. Without the lagged variable the explanatory power (R²) was 20.5 per cent and Durbin-Watson 1.665. When taking into account the number of variables, the third model has an adjusted explanatory power (adjusted R²) of 19.7 per cent which is also the highest of the three models.

As the model number 1 had one less independent variable than models 2 and 3, the models can be best compared to each other by looking at the change in the adjusted explanatory power (adjusted R²). The adjusted explanatory power values show that model number 2 did not offer any improvement to model number 1, the explanatory power was even weakened by 0.1 per cent. But as

mentioned above, model number 3 has the highest value of 19.7 per cent which is 1.7 per cent higher than in model number 1 and 1.6 per cent higher than in model number 2. In other words, dividing the advertising campaigns by type into brand and sale campaigns provides the highest explanatory power when also taking into consideration the number of independent variables. This means that dividing the advertising campaigns into brand and sale advertising provides the best explanatory power (adjusted R^2) when investigating how offline advertising campaigns affect the sales revenue generated by the affiliate channel.

6.2 Stage 2 results

Based on stage 1 results it was found that dividing the offline advertising campaigns into brand and sale promotion campaigns offers the best explanation of how the traditional advertising campaigns affect the affiliate channel performance. Based on this and to also ensure consistency, it was decided to use the brand and sale promotion division in the stage 2 regression models 4-6 as well which focus on examining how the offline advertising campaigns affect the other affiliate channel performance metrics; the number of sales, the conversion rate and the average order value. The results of those models are now explained in turn.

Model number 4 was developed to investigate how brand and sale advertising campaigns affect the number of sales generated by the affiliate channel. The results from model 4 are shown in table number 8 below.

Table 8: Multivariate regression model 4: The effect of brand and sale advertising campaigns on the number of sales

Variables	Standardised coefficients β	T	Sig.	Collinearity tolerance	VIF
Number of sale ad campaigns	0.126	2.335	0.020	0.900	1.111
Number of brand ad campaigns	0.082	1.593	0.112	0.989	1.011
Lagged number of sales	0.365	6.381	0.000	0.798	1.253
Monday	0.271	3.963	0.000	0.557	1.795
Tuesday	0.322	4.630	0.000	0.538	1.858
Wednesday	0.158	2.255	0.025	0.529	1.889
Thursday	0.194	2.832	0.005	0.557	1.795
Friday	0.021	0.314	0.754	0.561	1.781
Sunday	0.348	5.150	0.000	0.572	1.748

Notes: F = 13.443, p < 0.001, R^2 = 0.316, adjusted R^2 = 0.292, Durbin-Watson = 2,187, dependent variable = number of sales

It can be seen from the results that model 4 has an explanatory power (R^2) of 31.6 per cent and the model is very significant (p-value < 0.001). The adjusted explanatory power (adjusted R^2) is 29.2 per cent. The number of sale advertising campaigns has a positive effect on the number of sales generated by the affiliate channel at 99 per cent confidence level (p-value < 0.05). The total number of brand advertising campaigns, however, does not have a significant effect on the number of sales. Both variables have again only very weak correlation with other variables (collinearity tolerance > 0.900). In terms of the different days of the week, all days apart from Fridays are significant (p < 0.05). Tuesdays and Sundays have the highest effect on the number of sales when comparing against the reference category of Saturdays. The lagged number of sales has a statistically significant effect on the number of sales at 95 per cent confidence level (p < 0.05). Similarly to the previous models the lagged variable improves the model. Without the lagged variable the explanatory power (R^2) was 21.4 per cent and the Durbin-Watson value 1.294.

Model number 5 was used to investigate how brand and sales advertising campaigns affect the affiliate channel's average conversion rate. The results from model 5 can be seen in table number 9 below.

Table 9. Multivariate regression model 5: The effect of brand and sale advertising campaigns on the conversion rate

Variables	Standardised coefficients β	T	Sig.	Collinearity tolerance	VIF
Number of sale ad campaigns	-0.052	-0.884	0.377	0.924	1.082
Number of brand ad campaigns	0.066	1.161	0.247	0.987	1.014
Lagged conversion rate	0.369	6.395	0.000	0.966	1.036
Monday	-0.001	-0.010	0.992	0.576	1.736
Tuesday	-0.033	-0.428	0.669	0.553	1.807
Wednesday	0.086	1.135	0.257	0.565	1.770
Thursday	0.081	1.077	0.282	0.570	1.753
Friday	0.059	0.787	0.432	0.576	1.736
Sunday	0.097	1.297	0.196	0.575	1.741

Notes: F = 5.515, p < 0.001, R^2 = 0.159, adjusted R^2 = 0.130, Durbin-Watson = 2,190, dependent variable = conversion rate

The results of model 5 show that the model has an explanatory power (R^2) of 15.9 per cent at a very significant confidence level (p-value < 0.001). The adjusted explanatory power (adjusted R^2) is 13.0 per cent. The independent variable significance levels, however, show that the brand and sale

advertising do not affect the conversion rate significantly. Sale advertising even has a negative effect (-0.052) but again, this effect is not significant. The lagged conversion rate on the other hand has a very significant positive effect on the conversion rate (p-value < 0.001). In contrast to the previous models, the different days of the week are not statistically significant. This means that the conversion rate does not vary on other days in comparison to the reference category Saturdays' conversion rate. Without the lagged variable the explanatory power (R^2) of the model was 3 per cent and Durbin-Watson 1.267 indicating again an importance of including the lagged variable.

Finally, model number 6 was used to investigate how brand and sale advertising campaigns affect the affiliate channel's average order value. The results from model 6 are shown in table number 10 below.

Table 10: Multivariate regression model 6: The effect of brand and sale advertising campaigns on the average order value.

Variables	Standardised coefficients β	T	Sig.	Collinearity tolerance	VIF
Number of sale ad campaigns	0.086	1.361	0.175	0.924	1.082
Number of brand ad campaigns	0.059	0.969	0.334	0.992	1.008
Lagged average order value	0.033	0.527	0.599	0.964	1.037
Monday	-0.065	-0.817	0.414	0.575	1.740
Tuesday	-0.065	-0.792	0.429	0.554	1.806
Wednesday	0.086	1.068	0.286	0.570	1.754
Thursday	-0.068	-0.839	0.402	0.567	1.762
Friday	-0.013	-0.157	0.875	0.576	1.737
Sunday	0.046	0.573	0.567	0.576	1.736

Notes: F = 1,061, p = 0.392, R^2 = 0.035, adjusted R^2 = 0.002, Durbin-Watson = 1,919, dependent variable = average order value

The results of model 6 show that the model is not statistically significant and none of the variables including brand and sale advertising as well as control variables have an effect on the average order value. Without the lagged variable the explanatory power (R^2) of the model was 3.4 per cent and Durbin-Watson 1,925 which are not very different or are even improved without the lagged variable. But as the model as a whole is not significant, these values are less important.

As the models 4-6 in this second stage of the empirical investigation include different dependent variables, they cannot be compared to one another in the same was it was possible with models 1-3

in the first stage. Overall, stage two produced 2 statistically significant multivariate regression models 4 and 5, but the effect of offline advertising on the different affiliate channel performance metrics was only statistically significant in model number 4. The results from both stages of the empirical investigation will be further analysed and discussed in the following chapter number 7.

7. Analysis and discussion

This chapter covers a deeper analysis and discussion of the results presented in the previous chapter. The focus is especially on how the results answer the research questions of this study and how they relate to previous research. The analysis and discussion are divided into two parts. The first section discusses how the results answer research question 1, how offline advertising affects the affiliate channel sales revenue. The second part discusses how the results relate to research questions 2-4, how traditional advertising campaigns affect the other performance metrics; the number of sales, the conversion rate and the average order value.

7.1 Analysis of models 1, 2 and 3

Regression models 1-3 were all designed to address research question 1 which was how traditional advertising campaigns affect the affiliate channel performance measured by sales revenue. The difference between the models was how the advertising campaigns were grouped as the independent variables.

Model number 1 showed that the total number of advertising campaigns has a significant positive effect on the affiliate channel performance in terms of sales revenue. This result provides a good starting point indicating that overall traditional advertising campaigns have a clear positive effect on the affiliate channel performance. The positive result is especially significant as the offline advertising campaigns are not specifically aimed at influencing the affiliate channel performance. The results indicate that the positive effect of traditional advertising can trickle to the affiliate channel as well. In this first model, the advertising campaigns were not divided by advertising channel or by type of advertising making it the most simplified of all of them. This positive effect supports the assumption that integrated marketing communications create an incremental effect with additional exposures to advertising messages as the sales revenue is increased when there is offline advertising in comparison to when there is not (Pechmann and Stewart, 1988). The results are also in line with the argument that receiving messages from multiple sources enhances persuasion leading to improved advertising effectiveness (Harkins and Petty, 1981a, 1981b, 1987). The suggested explanation for this effect is that multiple message sources foster deeper information-processing and stronger message encoding (Keller, 1996; Chang and Thorson, 2004). Tulvin (1974) also argues that multiple message sources can improve message recall which is also a

possible explanation for the positive effect between traditional advertising campaigns and affiliate channel performance. The results of model number one suggest that the affiliate channel can successfully act as an additional advertising message source. In addition, Dijkstra, Buijitels and Raaij (2005) finding that the internet generates high behavioural responses could also explain the positive effect when combing TV, print and online advertising. Furthermore, the results confirm Tsao and Sibley (2004) finding that the internet has a positive reinforcement effect with TV and print. In short, the results from model number 1 indicate that combining any kind of traditional advertising campaigns with affiliate channel promotion creates a positive synergy effect leading to enhanced affiliate channel performance when measured by sales revenue in comparison to periods when the affiliate channel is not supported by offline advertising.

Model number 2 on the other hand divided the ad campaigns by media channel into TV and print advertising. This model also showed a positive effect, even though it was only marginal (p-value < 0.1). In terms of the size of positive contribution, TV and print advertising both had a nearly equal effect on the affiliate channel sales revenue (standardised coefficients 0.097 and 0.098, respectively). This means that both media channels account for nearly the same amount of variation in the affiliate channel sales revenue increase and that both have a justified place in the marketing mix. However, the total amount of TV and print advertising was not identical. Of the total number of 273 days in the investigated time period there were 131 days of TV and 165 days of print advertising. This means that there was 25.9 per cent more days that included print advertising. If the size of the effect for both channels was almost the same but the amount of advertising for TV advertising was lower, this suggest that TV advertising was relatively better at contributing towards the positive effect on the affiliate channel sales revenue than print. This could perhaps be explained by the fact that TV is more likely to reach a wider audience than print advertising. In addition, TV advertisements are not as easy to avoid as print ads.

Model number 2 indicates that the positive effect on the affiliate channel sales revenue is clearer when the advertising campaigns are considered as a whole set of activities rather than by media channel. This is because the explanatory power (adjusted R²) of model number 2 is 0.1 per cent lower than in model number 1 when the number of independent variables is taken into account. In other words, offline advertising as a whole without channel division better explains the positive effect on the affiliate channel performance in terms of sales revenue. However, model number 2 provides valuable insight into the relative contributions of the different media channels.

The positive results of model number 2, even though only marginal, are also supported by prior research. The positive effect of TV advertising on the affiliate channel is in line with Chang and Thorson (2004) finding that repeated ads from both TV and the internet lead to improved message processing in comparison to receiving messages from only one channel. The results could also be explained by Keller (1996) finding that receiving messages from both TV and online improves message encoding which in turn can result in better recall and advertising effectiveness. In terms of prior research on the relationship between print and online advertising, Wakolbinger et al. (2009) suggest consumers perceive messages received from both print and online channels as clearer and more comprehensible. Model number 2 confirms the positive relationship between print and online. Furthermore, the results indicate an even stronger relationship and that combining print advertising with the affiliate channel can also improve sales revenue not just enhance message comprehension.

The results could also be explained by McCullough and Ostrom's (1974) finding that slightly varied messages in ads have a positive effect on cognitive responses. In addition to receiving ads from multiple sources, the messages are also different because the TV and print ads may differ from each other in terms of style and message argument. In addition, the different affiliate sites can use different types of ads. As suggested by Putrevu and Lord (2003) a new stimulus, such as a different kind of ad or message, attracts more attention. Therefore, when a consumer is exposed to ads from print, TV and affiliate sites and all the ads and messages are slightly different, this kind of repetition with message variation could form a powerful combination that explains the improved affiliate channel sales revenue. In addition to the possibility that repeated and varied messages could improve persuasion, it can also be suggested that varying messages may suit different consumers with varying preferences. By presenting messages to consumers with varying styles as well as from numerous sources, it is possible that the advertisements reach a wider audience with varying preferences for different kind of advertisement styles and advertising messages. In other words, increasing the number of message sources and advertisement styles, the likelihood of persuading different kinds of consumers may be increased resulting in improved sales revenue generated by the affiliate channel.

The third model varied from the first two as the offline ad campaigns were divided by type into brand or sale promotion focused advertising. The results show that both types of advertising have a significant positive effect on the affiliate channel sales revenue. The sale promotion advertising had an even higher confidence level than brand advertising (p-values < 0.01 and < 0.05, respectively). In terms of the effect size, sales promotion advertising had a stronger effect (0.166) than brand

advertising (0.142). One possible explanation for this is that the affiliate channel is heavily sales orientated. As affiliates are paid commission only for the sales they generate, they tend to focus directly on promoting strong offers and sale campaigns on their websites. Details of current sale promotions are also regularly communicated to the affiliates because these kinds of promotions provide a good reason to advertise a company and help affiliates generate more sales and earn commission. Whereas the aim of brand focused advertising is to increase brand awareness and improve brand image, sale promotion advertising aims at generating immediate sales. This means that the main objective of both sale promotion advertising and the affiliate channel is identical. Therefore, it may be that the combination of offline sale advertising and affiliate channel promotion, both focusing on promotions and great end-user deals, creates a powerful synergy effect which emphasises the marketing message in the consumers' minds. In other words, receiving the same kind of message off- and online highlighting great deals available right now may increase the persuasiveness and credibility of the message and motivate the consumer to visit the company website. In terms of actual online ads used, the banners available for affiliates tend to also include messages that emphasise a particular current sale promotion or great deals. This means that many affiliates may use banners that include the same marketing message used in the offline advertising campaigns. Even though it was suggested earlier that varying advertising messages could explain the positive effect of traditional advertising and the affiliate channel performance, it could be that repeating the same message could also have a positive effect as the message source is still different. The repetition of the same message in the traditional advertising channels as well as online could therefore also have a positive reinforcement effect.

Linking this with prior research, it has been suggested that message received from multiple sources can improve message credibility (Petty and Cacioppo, 1986; Harkins and Petty, 1987; Zimbardo and Leippe, 1991). Increased message credibility on the other hand is also linked with positive ad and brand credibility, positive attitudes as well as enhanced purchase intention (MacInnis and Jaworski, 1989). This study confirms that utilising multiple message sources, traditional advertising and the affiliate channel, not only improves purchase intention but also enhances the sales revenue generated by the affiliate channel. These results indicate that harnessing off- and online advertising together can form a strong positive synergy effect resulting in not only more positive attitudes or purchase intention but a clear increase in sales revenue. The improved sales revenue also means that advertising effectiveness is enhanced.

The third model had the highest explanatory power (adjusted R^2) of 19.7 per cent in comparison to the models 1 and 2 when taking the number of independent variables into account. This means that dividing the offline advertising campaigns by type into brand and sales promotion advertising best explains for the variation in the affiliate channel sales revenue when there are traditional advertising campaigns running in comparison to time periods when there are not.

The next section moves on to discuss the results relating to regression models 4, 5 and 6.

7.2 Analysis of models 4, 5 and 6

The multivariate regression models 4-6 related to the research questions 2-4 which were concerned with how traditional advertising campaigns affect the other important affiliate channel performance metrics; the number of sales, conversion rate and the average order value.

The results from model 4 show that sale promotion advertising has a significant positive effect on the number of sales generated by the affiliate channel whereas brand advertising does not, answering research question number 2. These results support the findings from model number 3 that sale promotion advertising has a stronger effect on the affiliate channel performance than brand advertising. The model 4 findings, however, differ from model number 3 in the sense that in model number 3 both sale and brand advertising had a significant positive effect on the sales revenue. But when looking at the effect on the number of sales, brand advertising no longer explains a significant variation whereas sale promotion advertising does. Therefore, it seems that sale promotion advertising is especially effective in generating a higher number of sales, whereas brand advertising is not. It could be that during sale promotions, the internet's tendency to generate high behavioural responses is particularly evident (Dijkstra, Buijitels and Raaij, 2005). In addition, it could be that the combination of offline sale promotion combined with affiliate channel sales focused advertising is especially effective in facilitating impulse buying leading to a higher number of hotel bookings. This suggestion is related to the unique characteristic of the internet and the ability to encourage impulse buying (Wu, Wei and Chen, 2007). It seems that the effect of brand advertising is not as immediate on the number of sales in comparison to sales advertising. It could be that brand advertising increases the number of sales over a longer time period, which would not be evident in the results of this model. It is, however, important to highlight that brand advertising did have a

positive effect on sales revenue. Therefore, the positive effect was simply not visible when looking at the number of sales. It could be suggested that brand advertising is important in developing and also maintaining a positive brand image in the long run. In addition, brand advertising may work as a reminder of the brand and the company keeping it closely in the mind of the consumer. If brand advertising has done this kind of long-term reminding work well, it may be that when the consumer faces sale promotion advertising combined with affiliate advertising, the consumer is already convinced enough by the brand and therefore ready to make a purchase. It could also be that the sale promotion advertising usually with a clearly communicated end date gives the consumer a stronger sense of urgency to buy in comparison to more generic brand advertising. This kind of feeling of urgency and knowledge of the sale promotion ending soon could make the advertising message more compelling and motivate the consumer to make a hotel booking during the campaign. Especially if a consumer is considering making a booking for an upcoming holiday for example, the sale promotion advertising combined with affiliate advertising could speed up the decision-making process as the consumer would not want to miss the offer prices and end up paying more after the promotion.

In terms of the conversion rate, model number 5 shows that neither sale promotion nor brand advertising have a significant effect on the average conversion rate. This answers the research question number 3. The sale promotion advertising even has a negative effect on the conversion rate but as the effect is not statistically significant the interpretation of this finding must be taken with caution. The negative effect of sale advertising campaigns on the conversion rate could be caused by an increased number of people going to the website due to general interest in the promoted sale campaign. It is possible that more people visit the site during the sale promotion campaign but not as many of them book a hotel during the campaign in comparison to times when there is no sale advertising leading to a lower conversion rate. In other words, during the sale promotion campaigns some consumers may visit the hotel booking site simply out of curiosity towards the sale even if they do not intend to make a hotel booking or because they are only in the beginning of the decision-making process. In contrast, at times when there is no sale promotion advertising it is possible that people who visit the hotel booking site may be further in the decision-making process and have a relatively stronger intention to make a booking. Therefore, it may be that during sale promotion campaigns there are more simply curious people visiting the site in comparison to more booking focused site visitors during times when there are no offline advertising. This difference in the consumers' stage in the decision-making process could offer a possible explanation for the reduced conversion rate during the advertising campaigns.

In contrast to the brand and sale promotion advertising, in model number 5 the effect of the lagged variable relating to the conversion rate on the previous day was very significant. This suggests that advertising cannot explain for the possible variation in the conversion rate. Instead there are other factors affecting the conversion rate but they are more stable and do not vary rapidly across different points in time. It seems the conversion rate is affected by other variables not taken into account in this study or that the conversion rate is a more stable metric. Interestingly, all previous models have indicated that there is significant variation in the affiliate channel performance depending on the day of the week. Especially, Tuesdays and Sundays have had the best performance in comparison to the other days. But for the conversion rate the different days of the week did not have a significant effect. This provides further support that the conversion rate is a rather stable metric at least when examining the affiliate channel. This result could be related to the Briggs and Hollis (1997) suggestion that click-through-rate is largely affected by consumers' inherent interest in the product category and personal interest. Perhaps, the conversion rate is also affected by similar more stable factors. Menon and Samon (2002) suggest that advertising that triggers curiosity can lead to higher quality information processing and positive product evaluation even when it is not reflected in the number of clicks. Applying this finding to this study, it is possible that receiving advertising from multiple sources could also facilitate curiosity and deeper message processing even if it is not evident in the conversion rate. The potential positive effect on deeper message processing could perhaps be discovered by studying the advertising effects over a longer time period.

Finally, model number 6 was related to the research question number 4, how traditional advertising campaigns affect the average order value. The results show that the regression model aimed to answer this question was not significant and none of the independent or control variables had a significant effect on the average order value. Similarly to the findings from model number 5, it seems that also the average order value is a more stable metric and not easily affected by advertising activities, at least not in the affiliate channel. It appears that the average order value is affected more by other factors not taken into account in this study. The previous models have shown that offline advertising combined with affiliate channel advertising increases the sales revenue but model number 6 shows that the increase occurs without a change in the average order value. This suggests that cross-media advertising increases sales but those sales in terms of order value are not any different from the sales generated during times when there is not any advertising. Therefore, the types of hotel bookings consumers make during offline advertising campaigns are

similar to the ones made at other times. In other words, during traditional advertising campaigns consumers do not make significantly cheaper or more expensive bookings than they otherwise would. Perhaps more broad factors such as consumers' traveling habits such as the number of days usually taken for holidays or a usual amount of money allocated for holiday accommodation may influence the average order value more than advertising campaigns.

As most extant literature on online advertising effectiveness is related to the number of clicks or CTR rather than conversion rate or average order value, this study provides results that cannot easily be compared to previous research (eg. Baltas, 2003; Chtourou et al., 2002; Chandon et al., 2003; Chochrane and Quester, 2005).

To summarise, the regression models 4-6 show that offline advertising campaigns have a positive effect on the number of sales generated by the affiliate channel but not on the conversion rate and average order value. It could be argued that the positive effect on the number of sales is more important than an improvement in the other two variables as the number of sales has a more direct impact on the total sales revenue. In addition, a higher number of sales indicate that either a greater number of individual customers are booking hotels as a result of the combination of offline and affiliate advertising or that the same number of customers is making more bookings in comparison to periods when there is no offline advertising.

The final conclusions and managerial implications based on the results are discussed in the following chapter. The limitations of this study and suggestions for future research are also provided.

8. Summary and conclusions

This chapter begins by summarising the main findings of this study followed by managerial implications. Finally, limitations and suggestions for future research are discussed.

8.1 Conclusions

The main finding of this study is that offline advertising campaigns have a significant positive effect on the affiliate channel performance when measured by both sales revenue and the number of sales. Due to the lack of prior research of this kind, the analysis included examining the overall effect of advertising as well as dividing the advertising campaigns by media channel into print and television advertising and by type into brand and sale promoting focused advertising. Regardless of the different types of advertising activity groupings, there was a positive relationship between traditional advertising and affiliate channel sales revenue. Dividing the advertising into brand and sale promotion advertising, however, offered the best explanation of how advertising positively affects the sales revenue generated by the affiliate channel. Sale promotion advertising had a stronger effect than brand advertising on affiliate channel performance in terms sales revenue as well as the number of sales. Brand advertising on the other hand had a significant positive effect on the sales revenue but not on the number of sales. The stronger positive effect of the sale promotion advertising on the affiliate channel could be explained by the affiliate channel being very sales orientated by nature. Therefore, the combination of sale promotion advertising offline and the similar sales focused promotion by the affiliate channel may work especially well and form a strong cross-channel synergy effect. In terms of the average conversion rate and average order value, neither offline brand nor sale promotion advertising had a significant affect.

In conclusion, there is clearly a positive relationship between offline advertising activities and affiliate channel performance when measured by sales revenue and the number of sales. This means that the affiliate channel should not be considered as a separate channel from the other more conventional advertising and marketing channels. Instead, the affiliate channel should be regarded an important part of the overall marketing mix as it is influenced by other marketing activities. The results of this study are especially significant as traditional advertising campaigns are not specifically aimed at influencing the affiliate channel performance. Instead, the objective of offline advertising campaigns is typically to increase sales in general. Even though there is no specifically intended link between traditional advertising campaigns and the affiliate channel, the campaigns

have a clearly positive effect on the affiliate channel performance when measured by sales revenue and the number of sales. Therefore, traditional and affiliate advertising should not be regarded completely separate marketing activities as together they form a positive synergy effect. Taking this positive synergy effect better into account and improving the coordination of different marketing activities could further strengthen the positive relationship between the offline advertising campaigns and the affiliate channel.

This study provides a valuable addition to the literature regarding cross-channel advertising and synergy effects between different media channels. It supports the argument that integrated marketing communications can create positive synergy effects and improve advertising effectiveness. This study focuses specifically on the linkage between cross-media advertising and the actual sales performance which makes it distinctively different from most existing studies that concentrate mainly on cognitive responses. This study also contributes to the largely untouched area of affiliate marketing, a specific form of digital advertising. The results show that the concept of integrated marketing communications and positive synergy effects between different media channels can be extended from other more traditional advertising channels to affiliate marketing as well.

8.2 Managerial implications

The findings from this study have managerial implications for all parties involved in the affiliate marketing activities including the advertising firm, the affiliate network as well as the affiliates.

For the advertising company, the result that traditional advertising has a positive effect on affiliate channel performance has important managerial implications. Different kind of advertising and marketing activities are often managed by different departments. Because traditional advertising has a positive effect on the affiliate channel, it is important that communication between different departments and teams works well and that different departments are aware of different advertising and marketing activities. Specifically, the department managing the affiliate channel should always be aware of the offline advertising activities so that the activities in both traditional advertising and affiliate channels can be well coordinated and the positive synergy effect maximized. The affiliate team should also ensure that information about offline advertising campaigns is communicated to the affiliate network and further to the affiliates so that they can take it into account when planning the advertising activities on their sites. As the sale promotion advertising campaigns had an

especially strong positive effect on the affiliate channel sales revenue and the number of sales, particular attention should be paid to ensure affiliate have access to sale promotion focused advertising material. This will help affiliates link the site promotion to the simultaneous offline advertising campaigns.

For the affiliate network, the positive synergy effect between offline advertising and the affiliate channel means that its share of revenue can also be increased. This is because if the advertising campaigns generate an increased amount of sales revenue for the advertiser it also means that the affiliate network earns more commission as the network's revenue is directly linked to sales performance. Therefore, it is important that the network understands and is aware of the advertiser's marketing plans and activities. The affiliate network should also encourage advertisers to share their marketing plans by educating them about the possible positive synergy effects between traditional and affiliate channels. If the information regarding advertising campaigns is openly shared between the advertiser and the affiliate network, the information can also be communicated to the affiliates.

The managerial implications are equally important for the affiliates as they are in practice the ones who generate all the sales for the advertiser. Since offline advertising campaigns have a positive effect on the advertiser's sales revenue and the number of sales, it is crucial that affiliates are aware of those campaigns. Knowing when there are specific types of traditional advertising campaigns running can help affiliates coordinate the promotional activities on their site accordingly to match the timing and type of promotion. This could mean for example using banners and promotional text that repeat the same advertising message used in the offline campaigns. Furthermore, the affiliates are in the key position to maximize the positive synergy effect and to promote the advertiser especially at times when the affiliate activities are supported by wider traditional advertising. The positive synergy effect also means that knowing which advertisers invest in offline advertising can be a significant competitive advantage when the affiliates choose which advertisers they will promote on their sites. This is because affiliates are much more likely to choose advertisers that invest in offline advertising if this enables the affiliates to earn more commission. Communicating openly with the affiliates about different marketing activities can also help to foster trust and tighten the relationship between the advertiser and the affiliates.

In conclusion, it is important to understand that the positive synergy effect between traditional advertising and affiliate channel performance provides financial benefits to all parties involved including the advertiser, the affiliate network and the affiliates. The affiliate channel performance is ultimately the outcome of good and close working relationship between all these parties. In order to

maximize the positive effect of offline advertising and affiliate channel performance, it is crucial that all parties communicate openly and work together closely.

8.3 Limitations and suggestions for future research

This study focused on how offline advertising campaigns affect the affiliate channel performance of only one case company, a market leading international hotel booking site. Therefore the results are very specific to this case company alone and it is not possible to generalise the results to other travel related companies or especially firms from other industries without significant caution. As Campbell and Keller (2003) suggest, consumers may have a higher tolerance for ad repetition from well-known brands. As the case company enjoys high brand awareness it could be that the positive effect is also influenced by brand familiarity. The results for more unfamiliar brand could therefore be different. It is also possible that other company related factors such as age influence the results, too. Therefore, case studies involving firms with varying amount of brand awareness and maturity are needed in order to make comparisons between them. This research also focused on only one market, Finland, and results from other markets might be different. Therefore, more studies involving both other travel firms and companies from other sectors across different markets are needed to investigate how traditional advertising may affect their affiliate channel performance.

The objective of this study was to provide a general understanding of how offline advertising campaigns affect the affiliate channel performance. This study did not take the result further to calculate the return on investments and to make budget recommendations on what type of traditional advertising offers the bests results for the case company which could offer deeper managerial implications. It would also be valuable to compare how the effect of advertising on the affiliate channel performance compares with the effects on the sales generated through other channels such as direct sales or search engine marketing.

There may also be many other factors that could influence the results but that were not taken into account in this study. For example, it is possible that the age and the size of the affiliate channel may influence how offline advertising affects it. In addition, the affiliate channel includes many websites that are very different in terms of style. The different types of categories in the affiliate channel include for example price-comparison sites, travel guides, discount focused sites such as voucher code sites as well as general travel sites offering very broad travel related information. The

consumers that visit the different kind of affiliate sites may have very different information needs and they might be at very different stages of the decision-making process. Therefore, there may be significant differences in how cross-channel advertising influences different consumers visiting different kind of sites. The different types of sites also differ significantly in terms of how active they are promoting advertisers such as the case company in this study. Some affiliates promote current sale campaigns and offers very prominently on the site whereas other sites' content is more static with only little information available about the different companies being promoted. The style of promotion and the varying focus on providing information to visitors about current offers may also influence the specific affiliate site's sales performance during simultaneous traditional advertising campaigns. Therefore, further studies considering these possible factors are required to increase the understanding of this phenomenon.

This study also did not take into account what kind of advertising materials such as banners ads the affiliates were using. Therefore, further studies that consider how different types of banners and messages or their similarity to the offline ads might influence the results.

The amount of offline advertising and the specific combination of advertising activities may also impact the results. In this study, the offline advertising involved print and television advertising. However, using different marketing mix combinations and total amount of advertising could yield different results.

This study provides clear answers to research questions 1 and 2 relating to sales revenue and the number of sales. Further research is, however, needed particularly relating to research questions 3 and 4, what factors affect the conversion rate and average order value. This study found no relationship between traditional advertising campaigns and the affiliate channel conversion rate and average booking cost. Therefore, more studies are required to understand what influences those performance metrics.

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