

Crossroads in Cultural Studies, abstract for Session 15:5 **Cultural Consumption**

The Effect of the Internet on the Advertising Industry in a Consumer Culture

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A revolution is under way, possibly of the same magnitude as the 19th Century industrial revolution. The information age is upon us at an unparalleled rate of growth. The Internet spearheads the drive forward towards a world where knowledge that shapes our lives is truly common, affecting every culture on the planet.

Commercial advertising is the science of disseminating information in a meaningful way and it is therefore relevant to wonder how this new-world order will affect both advertising and the underlying cultures. When will it happen? Who will it affect? What form will it take? How will it affect our national cultures and what benefits or disbenefits will follow? What will happen to the advertising industry? Where will the opportunities be?

This study has aimed to answer these questions and to apply them to our underlying consumer culture, targeting the impact of the Internet on advertising and its' direction.

Introduction

The idea for this research stems from desire to investigate the potential emergence of what could be a new market borne from technological advancement. Empirical evidence will undeniably prove that the Internet itself is undergoing massive growth. Using advertising through this medium is in its youth and this research will aim to prove or disprove the null hypothesis:

"The Internet and associated technologies will have little or no effect in the future, on the current advertising industry."

The term, "associated technologies" in the title of the research refers to the fact that many commentators in the literature to be reviewed express an opinion that the dynamic nature of the Internet suggests that it may become superseded, expanded or engrossed by an Information Super Highway¹. This may consist of digital television and integrated personal communications. It is noted that advertising itself is a diverse and expanding subject covering areas such as dissemination of information by governments, for example "Anti Drink-Drive" campaigns.

The Internet, is a relatively new phenomenon, advertising is not. "It (the Internet) is a large inter-connected network of computer networks linking people and computers all over the world, via phone lines, satellites and other telecommunications systems."²

The roots of the Internet lie in a research network created by the U S Department of Defense in the early 1970's, this was known as ARPAnet, established by the Advanced Research Projects Agency. The key to allowing this form of communication was standardisation of a language most computers could use to transmit data known as Transmission Control Protocol / Internet Protocol (TCP / IP).

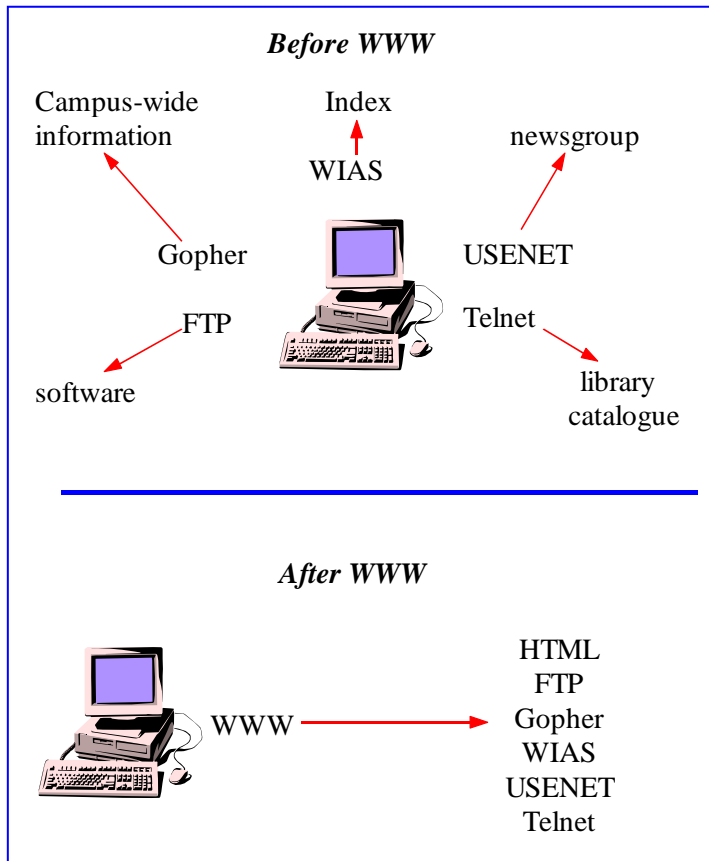


Figure 2.1 : WWW turning Internet chaos into Universal Readership

The National Science Foundation³ (NSF) was responsible for much of the early Internet expansion as the network began to encompass universities and research centres, quickly becoming a scientist's tool. The NSF is still active in promoting the Internet today.

The Internet itself is a series of tools such as FTP, Telnet,

WIAS and Gopher to name a few. The Internet also consists of email, a means of sending messages in the form of text or graphics to personal addresses and newsgroups. These newsgroups are discussion forums for anyone willing to join, debate and inform about thousands of subjects from origami⁴ to politics⁵. The diversity of these tools meant that use in general was limited to experts. To eliminate this problem, the World Wide Web (WWW) was first proposed in 1989 by the European Particle Physics Laboratory (CERN), in Switzerland⁶. The aim of WWW was to create a seamless network, in which information from any source could be accessed in a simple and consistent way, (see figure 2.1), leading to a range of users⁷ (See Figure 2.2).

Fig 2.2 Internet Penetration of Specific Consumer Segments

Target Group	% of Total Segment Size Using the Internet in the Past 30 Days
Students and Young Earners (18 – 24)	20
Young Women (25 – 34) earning more than \$20,000	21
Young Men (25 – 34) Earning more than \$40,000	26
Men (35 – 44) earning more than \$75,000	43

(Source : De Kare-Silver, M. *E-Shock, The Electronic Shopping Revolution*, Macmillan, London, 1998.p.219.)

Another important aspect is the culture of freely sharing information. This stems from the Internet's roots as an educational tool when any commercial use was initially frowned upon. The Internet is now accepted as a commercial marketplace but there is still a prevalent "stand-off" attitude with regard to approaching individuals with "sales" type information. Unsolicited, electronic emails are known as "spam" and have a poor reputation. As with "junk mail" by post, the practise is not illegal, but frowned upon. The difference is that in the UK, where the majority of users currently pay telephone charges for time on the Internet, these unsolicited messages incur a cost to the recipient. Whilst the prospect of being able to carry out a direct-mail exercise on the Internet will be attractive to advertisers, caution must be exercised to ensure that any message sent, is of enough value to the recipient to prevent a back-lash against the advertiser or product, termed "flaming". Currently, there is a problem with sending any information other than text as it often relies on the recipient's computer having the necessary software and hardware resources to view or listen to the content. As bandwidth increases and technology improves, it is inevitable that the Internet or its developments will be supplemented with "active" content. This will be targeted at a particular audience, as opposed to the situation today where advertisers are reliant on the user coming to their web pages to find audible and visually stimulating advertising.

These issues are central to the theme of this study (future advertising). Not charging customers for useful third-party information is a practise that most businesses would not initially embrace, so the current Internet culture may seem a little unattractive. A new breed of advertising business has developed along the lines of the free-ad newspaper, radio or commercial TV where potential customers are drawn by entertaining or useful information. The advertising must then be skilfully integrated to hold the customer's attention whilst giving value to the (advertising) customer.

In 1994, it was estimated that there were over 30 million⁸ people with Internet connections. Vinton Cerf, regarded as one of the founders of the Internet, testified in 1995 to the U.S. House of Representatives that, "there is reason to expect that the user population will exceed 100⁹ million by 1998." It has actually been estimated that the [number of users worldwide is 159 million](#)¹⁰. Clearly, use of Internet on a global scale has achieved a size, which has become hard to ignore from a business standpoint. The rate of growth seems to be phenomenal and difficult to quantify. Identifying any single reason for this level of growth is problematic, Gates¹¹ refers to this as a positive-feedback cycle where sales or usage reach a threshold level and multiply rapidly due to simple popularity. This could be equated to reaching critical mass in a nuclear reaction, resulting in wild, uncontrolled growth, as agreed by Moody¹².

As to what the future holds for the Internet, the title of this work refers to the term, "Associated Technologies". Gates looks at a future where a television becomes a personal computer and vice versa. He makes the distinction that retrieving information is best done through a monitor at close range whilst entertainment is more suited to distance viewing, such as some form of television screen¹³. This sort of technology is currently controlled in a portal manner which is referred to as a "walled garden,¹⁴", where broadcasters and advertisers steer users through the Internet, unavoidably passing their content on the way.

The overlap of technologies is providing discussion for the future of current industries with this convergence of Computing, Broadcast TV and Telecommunications. Carlton has started to include interactive content in their programming so for example, viewers can watch Coronation Street whilst calling up online information about products or programming without losing the plot. This will

be in terms of adding value to both the consumer (information of true value – to be referred to as “useful advertising”) and advertiser (message delivered only to a receptive market.) As with most theories, the practical situation is rarely that straight forward. In a US consumer study¹⁵, Jupiter Communications noted a high level of apathy with TV viewers. Jupiter stated that only 10% of viewers were interested in receiving supplementary material whilst watching comedy or drama. This level increased to 37% during news presentations. Jupiter believes there are three likely outcomes for this system: enhanced TV based on a one-way data broadcasting system; a closed-loop online model with restricted Internet access; and portal TV where viewers are given Internet access through a portal or digital funnel which directs them to certain areas.

Jefkins¹⁶ gives the Institute of Practitioners in Advertising definition saying,

"Advertising presents the most persuasive possible selling message to the right prospects for the product or service at the lowest possible cost."

Whilst this definition is a basic catch-all, it fails to recognise the advancement and complexity of the subject. One aspect contributing to the intricacy of modern advertising is the global challenge. Whilst cultural differences still exist over the Internet between its users (or potential customers); the geographical barriers practically disappear (subject to the nature of products to be distributed.) Through better communication, potential opportunities appear for many markets to become global which may previously have struggled. De Mooij¹⁷ notes what Marshall McLuhan referred to as, "the global village" in 1964. Castells¹⁸ refines this definition when referring to the Internet and circulating commercial messages,

"We are not living in a global village, but in customised cottages globally produced and locally distributed."

One obvious problem to be overcome with cultural differences is the language barrier. Whilst software packages are available that will convert text between languages, it must be questionable as to the feasibility of translating, for example an English advert into Chinese, (potentially the world's largest market in terms of population) where the

alphabet structure is totally different. Even if this were technically possible, given that advertising messages are usually constructed with very particular detail, it is unlikely that the exact meaning of the message would carry. This can result in an adverse reaction, as with President Kennedy's now infamous "ich bin ein Berliner" – I am a sausage! speech.

Technically, with regard to the Internet, global advertising becomes a viable possibility. The nature of the Internet is that communication with a person in the next room is as quick and easy as with somebody on the other side of the world. The reality is that an electrical signal travels through cables or the ether at an approximate speed of [299,000,000 metres per second](#)¹⁹ (subject to slight delays via electronic switchers) therefore the difference between 20 metres (next door) and 20,000 kilometres (the other side of the world) is negligible.

Arguably, the Internet provides the first possibility for relaying a message to the mass global market, although it is unlikely that a single message would be appropriate to the whole market. Potentially, through the use of interactivity between the content provider and the computer user, this market can also be easily and effectively segmented to the benefit of an advertiser and the consumer. That is to say the advertiser only sends a message to interested parties and the user only receives information which may be of direct interest or even personalised. This is a direct contrast to most current advertising spend and the attitudes of target markets, many people regard advertising as an intrusion. Yeshin²⁰, points to research by Lowe Howard-Spink which claims that as many as 44% of consumers claim to avoid advertising, resulting in a waste of 13% (£500 million in the UK) of TV advertising spend each year.

Gates theorises on the global concept, stating that whilst television reaches the masses and advertisers aim to reach a target market through the type of programme they are displayed around or in, broadcast advertising reaches many people who aren't interested in the products. Gates obviously has a vested commercial interest in this area and it is reported²¹, that he is considering moving his Microsoft empire into the TV industry. It is said that he is concerned that new TV's integrated with the Internet could mean the end of his Windows PC empire.

Shimp's analogy of current advertising media is extended to include the possibility of speculating about Internet advertising on a comparative basis. From Shimp's model it is obvious that no single media is able to fulfil all roles best. A trend seems to be that performance is inverse to cost. For example, television comes out best in many aspects but not costs. Whilst not being the worst of the study group in terms of cost, television is noted to only be cost effective due to the large number of people it manages to reach. The trouble with drawing this conclusion is the previously noted point that many of the recipients of the message may not be interested in receiving it. To apply this model to the Internet could be interpreted as redefining advertising limitations. For example, demonstration is taken to a new level when the communication has the ability to answer questions. Features are not only what is available but also what the consumer demands. Personal and one-on-one advertising are in a new dimension when they communicate to a predetermined specification of the recipient which is automatically modified to suit during the communication. News may be absolutely current and we are led to believe that price has the ability to be very low. Whilst using this model, it is obvious that the Internet has limitations such as low quality potential, tradition and authority (it could be perceived that something anyone could produce has limited credibility). The same could be said of quality if related to the cost of production. This could be equated to the US cable television multi-channel market where TV production costs are relatively low and channels proliferate but quality is generally perceived to be low. In contrast, this new opportunity certainly pushes the boundaries in several of the defined categories when speculating about comparisons.

The main aspect, which this model fails to address, is the perennial advertising adage; "what difference does advertising really make to a product?" Whilst media providers currently monitor usage and take up, such as independent viewing figures and verified circulation numbers, none can accurately assess the impact the advertising the media can provide in terms of a direct linkage to sales. Ultimately, the best an organisation can manage is to implement and monitor advertising to assess its impact on sales from an historical perspective. Feedback from this process is retrospective.

Lowe Howard-Spink's²² research concluded that as many as 56 percent of the potential advertising target market avoid advertising, despite ready exposure. This is

from 54 percent claiming to ignore posters while 44 percent change channel or pursue another activity in response to TV adverts. Their survey claimed that as much as 13 percent of the £500 million spent in the UK on TV advertising was simply wasted in what they referred to as “advertising avoidance”. One form of accountability is the ability to directly monitor usage through automatic counters, which update a log in the server’s memory called a cgi-bin. This counter can be applied to a page, which contains some form of advertisement. The advertiser can then make the figures available to the client to prove effectiveness. Rick Kreyser²³, Chief Executive of Accrue, one of the leaders in Web Site Tracking Software says, “traffic analysis is fundamental to doing successful business on the Web. It provides the empirical data you need to make a Web business more effective and profitable”. This information is invaluable to marketers in gauging the effectiveness of their Internet advertising and determining how to improve their efforts²⁴.

A method gaining ground is the use of banner advertising. Here, the advertiser has some form of text or a picture and when the user points at the picture and clicks the mouse on that area, the counter is incremented. A study conducted by [IAB](#)²⁵, (Internet Advertising Bureau) found that “click through” type advertising accounted for 4% of advertising awareness whilst banner ads captured 96%. Their research showed a dramatic awareness after exposure to a single ad, a significant impact on brand awareness and a positive impact on intent to purchase.

Despite this optimism, conflicting research by Bill Doyle of [Forrester Research](#)²⁶, interviewing 50 advertisers who spend over \$100 million annually, found that they considered web advertising to be highly inefficient compared to other media. The trouble with measuring effectiveness by gauging opinion, such as the primary research of this work, is a lack of empirical evidence available to the advertiser when making the response. The only way to accurately prove this particular assumption is by a comparable method such as comparing cost-per-thousand (CPT). Given the previously noted significant awareness factors, this should show the medium to be effective however it is undeniable that the medium is not yet accepted as being an obvious alternative, competing for a share of the advertising budget.

Gates²⁷ suggests that in the future, advertisers will pay their target audience a fee to acknowledge the communication. This would be through the use of technology, which will make this a commercially viable possibility. Gates suggests that even 1-cent reward sites will be profitable for the vendors or the new breed of advertising agencies. He uses the example of consumers having a constant “on-line account” which is credited when the viewer takes some form of registered action such as reading a promotional document and clicking the screen at strategic points to prove usage. This would be combined with encryption techniques to ensure “truth” of communication, electronic tracking and other marketing database information to ensure the advertiser is “speaking” to the right person. The example he gives is Ferrari, the car manufacturer paying \$1 to car enthusiasts, (or \$50 to current owners! – authors note) to examine their latest product whilst the advert would be free of charge to a sixteen year old “car crazy” child, thereby giving credibility to the distribution of the advertising budget.

One US on-line retailer has an alternative answer. Buy.com (<http://www.buy.com>) is said to be selling consumer goods at cost²⁸ and obtaining its profit from selling the advertising space it attracts from manufacturers and distributors. This aspect places a different angle on the neoclassical economic perspective of perfect information. Here the assumption is that the most current pricing of homogeneous products or services, available to everyone all the time, (with the previously noted equally world wide capability) will lead to increased competition and lower prices to the consumer, with sellers producing (or selling) at marginal levels.

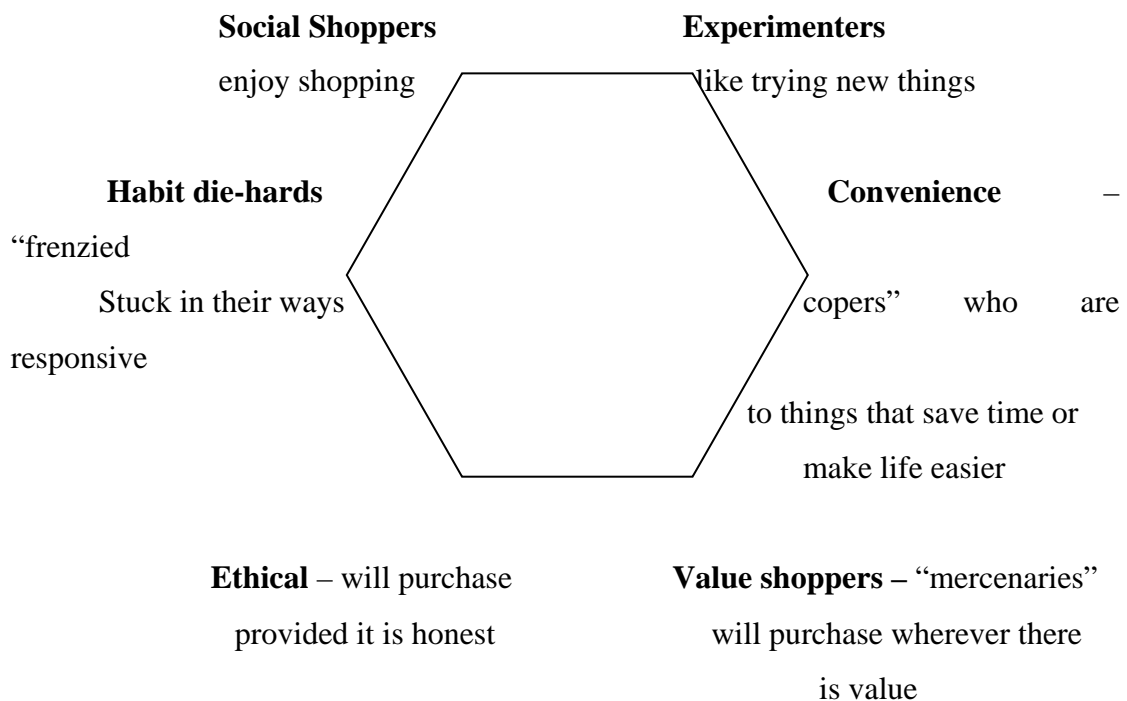
In an [interview with the BBC](#)²⁹, Jeff Bezos the founder of Amazon.com³⁰ cited two important aspects linked to his success. Bezos noted that consumers took on a different attitude when buying via the Internet. Along the lines of mail order, there is a different process of appealing to an audience who had the ability to answer back, but the physical or even verbal separation, which exists, reduces the intimidation factor. This is a very important psychological fact that future online advertisers will have to note and address. In Amazon.com’s situation, Bezos considers this type of feedback useful as a selling tool using the example of comparing buying a book in a store as opposed to online. In the store, few people would tap him on the shoulder and ask,

“what’s this book like?” whereas online, since this barrier exists, buyers are much more “vocal” about their views and preferences.

The second fact cited was the fact that the Internet gave him the advertising power to offer an almost unlimited range of books in a market where variety of selection was the most important aspect to the customer. Amazon.com use this argument to lay legal claim to being “the world’s largest book store,” this is despite having about 1000 employees whereas the biggest bookseller in the US employs 28,000 with a turnover of \$2.8 billion. Coming from outside the book retail industry, Bezos approached his primary business plan with a “what’s the best product to sell online” attitude. After making a list of 20 different products, he chose books according to several different criteria. The main reason being that they were the largest physical category, with around 3 million different titles in publication.

The third step in De Kare-Silver developed the ES test³¹ is consumer attributes, represented by De Kare-Silver’s research into the work of the A.C. Nielsen, Mintel, Henley Centre in Figure 2.4.

Figure 2.4 Consumer Categories



(Adapted from, De Kare-Silver, M. *E-Shock, The Electronic Shopping Revolution*, Macmillan, London, 1998. P.82.)

This model is used to determine which sort of consumer is most likely to purchase from the Internet. It is suggested that the experimenters, convenience and value shoppers will be the most likely to purchase online whilst the remaining groups will be harder or impossible to attract, certainly in the short term.

The track record of companies like Amazon.com suggests that advertisers will have most success in promoting particular types of goods and services initially. The profile of a typical buyer will need to fall into certain categories to produce acceptable results. Companies whose existing products and services meet the outlined criteria have an opportunity to produce additional revenue and advance quickly by advertising on the Internet straight away to build their own online brand as usage rapidly expands. In the long term, marketers will be faced with the task of advertising products and services on the Internet, which have a less than perfect ES fit. New and innovative strategies along the lines of “try / return for free” as with mail order catalogue clothing will have to be devised.

The one thing that all of De Kare-Silver’s work points to is an issue identified by [Bezos](#)³²; the importance of branding. Companies, which invest in their brands, will be in the best position to overcome problems with product characteristics and uncertainties. Consumers will be more willing to buy food, clothing, financial services, household appliances from somebody they trust and recognise to minimise the risk of an online purchase.

The concept of being able to measure advertising effectiveness in such a reliable way represents huge leaps forward. Shimp³³ states that some observers have gone so far as to claim that traditional advertising is on its deathbed and this form of advertising is a seismic shift within the industry, comparable to the introduction of television in the late 1940s. Could the Internet become the first example of truly “accountable” advertising?

3.0 Methodology

One of the weaknesses identified in this study is the youth of the subject area. This necessitated compiling the opinions of a group of interested parties to devise projections for the future. Whilst this group is undeniably informed with an interest in the subject, their views, as with any others, are subject to constructive criticism within the context of the questionnaire and the parameters imposed.

It was decided to produce primary data from the results of a questionnaire, with the minimum return for validity set at 50. In keeping with the theme of the research it was decided that part of the questionnaire would be sent by email (electronic mail), that is a text message sent to individuals within companies by an inter-connected network of computers, linked by telephone connections. It was deemed that sending the questionnaire by this method in its entirety would produce a biased report, as the recipients were already familiar with the technology and perhaps converts. To counter this perceived reaction, it was decided that 50% of the questionnaires would be sent by email with the remaining 50% being sent by conventional mail.

The questionnaire, (appendix 5.1) aimed to identify trends in order to draw conclusions. It was necessary to simplify the questionnaire by giving category ranges such as 10% – 20%, so as not to discourage recipients by requesting specifics, which would require in-depth research by the respondent. It is noted that some questions could be regarded as “closed” but this was considered necessary to send out the questionnaire by email. Any strong trend identified was further investigated. Questions 1 to 3 aimed to categorise the business surveyed, questions 5 and 6 further this by identifying a potential advertising segment. Questions 6 and 7 identify the composition of advertising spend to indicate the method of communicating with customers and provide a test on a comparative basis for current and projected positions. These two questions were extensively compared in isolation by individual spreadsheet analysis of each component. The data gathered was used to target important groups such as the top 25% of respondents, who expected to increase their Internet advertising budget by 37% or greater. The data was broken down into the previously notes categories to see which types of business most expect to be affected by Internet advertising. The data gained from comparing these two questions also

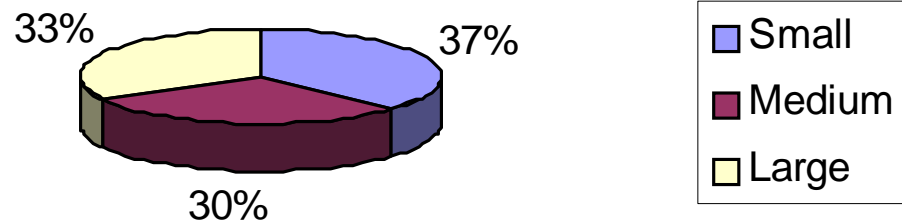
gave an indication on how the market expects the composition of advertising will change with respect to current types and the Internet. From these narrow categories, the most commonly regarded barriers to development were collated and assessed. Much of the information gathered from primary research can be verified against secondary information of a similar nature, available in abundance on the Internet. Areas of data, which had common links, were analysed for correlation.

4.0 Primary Research Results

Response to the questionnaire was pleasing. Fifty-four useful, completed responses were received, out this thirty-seven were via mail and seventeen were by email. Five polite rejection letters were sent by post and seven similar responses were received by email.

The manner of response is worthy of analysis as it contributes to the issues examined. It could be assumed that business people have high regard for external, formal written communications and consider a written response a necessity of protocol. The lower level of return via email could indicate that this relatively new medium does not yet carry the same weighting. Other explanations could include a lack of trust and acceptance, through ignorance, or a fear of disclosing additional information by replying electronically. These fears could be justified as the potential exists to gain direct access to senior personnel, as a reply to the questionnaire would include the individual's email address. The rejection letters emphasise the sensitive nature of the study area.

Fig 3.1 Companies Responding to Questionnaire

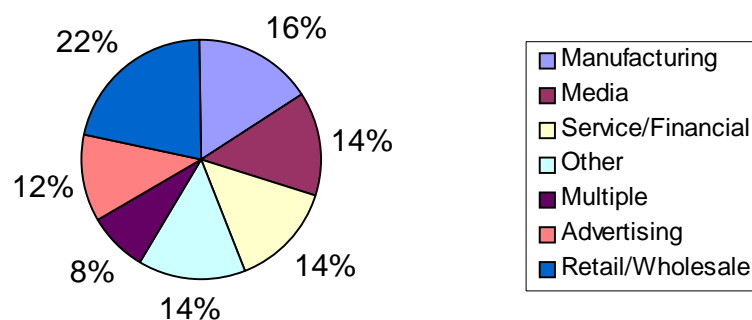


Another possible reason for a lower level of response by email is indicated by one recipient from an Information Technology (IT) department, explaining that the Marketing Director did not understand how to use their company's email system. Whilst not directly criticising the capabilities of this individual, this is an issue concerned with the growth of electronic communication and Internet advertising, echoed by one respondent (in the "barriers to development" question, number 8) who identified problems with acceptance by senior management, practising caution.

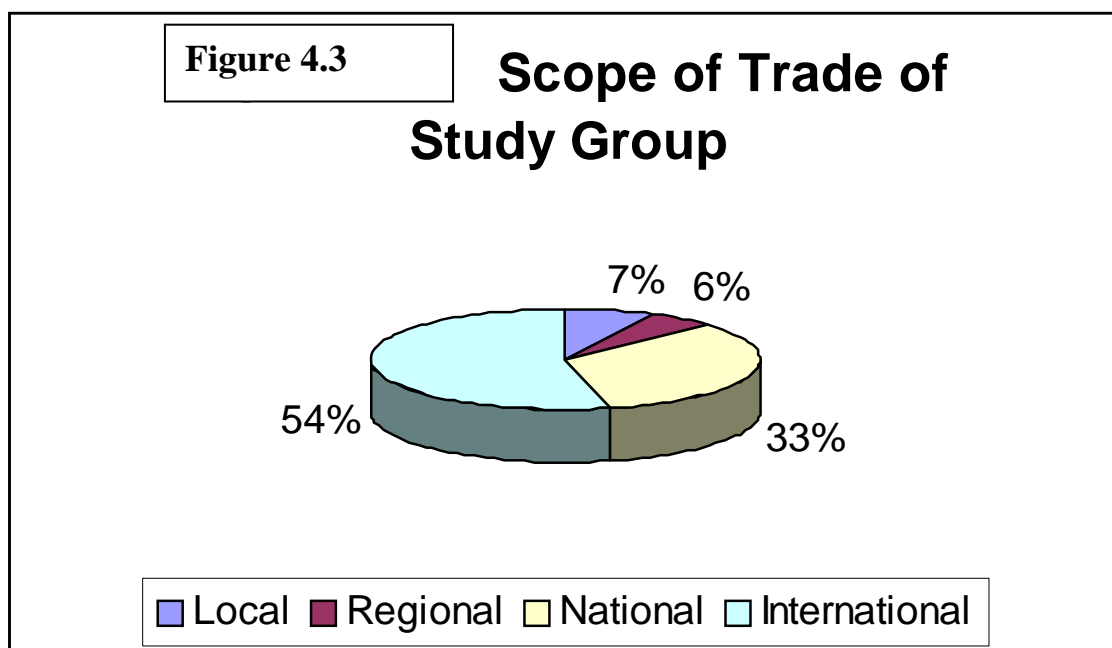
Figure 4.1 shows a fairly even level of response by small medium and large companies whilst figure 4.2 represents the type of activity undertaken. This spread indicates the study has a wide-ranging level of respondents who gave a balanced view when results were averaged. This means that consensus of opinions is unbiased, thus giving credibility to the methodology aims. Figure 4.3 shows a predominance of

Figure 4.2

Business Areas of Respondants



businesses claiming to undertake international trade. Initially this would indicate that the study was not representative of businesses conducting trade within a localised geographical area. The questionnaire may be criticised in that it is unable to quantify these levels of trade and some respondents may have claimed international trade capabilities whilst the majority of their activity was elsewhere, with occasional international trade taking place. This aspect is useful for examining the possibilities for advertising on a global scale using the Internet, but initially seems to provide little empirical evidence to substantiate Gates's³⁴ claim that the medium will be feasible as

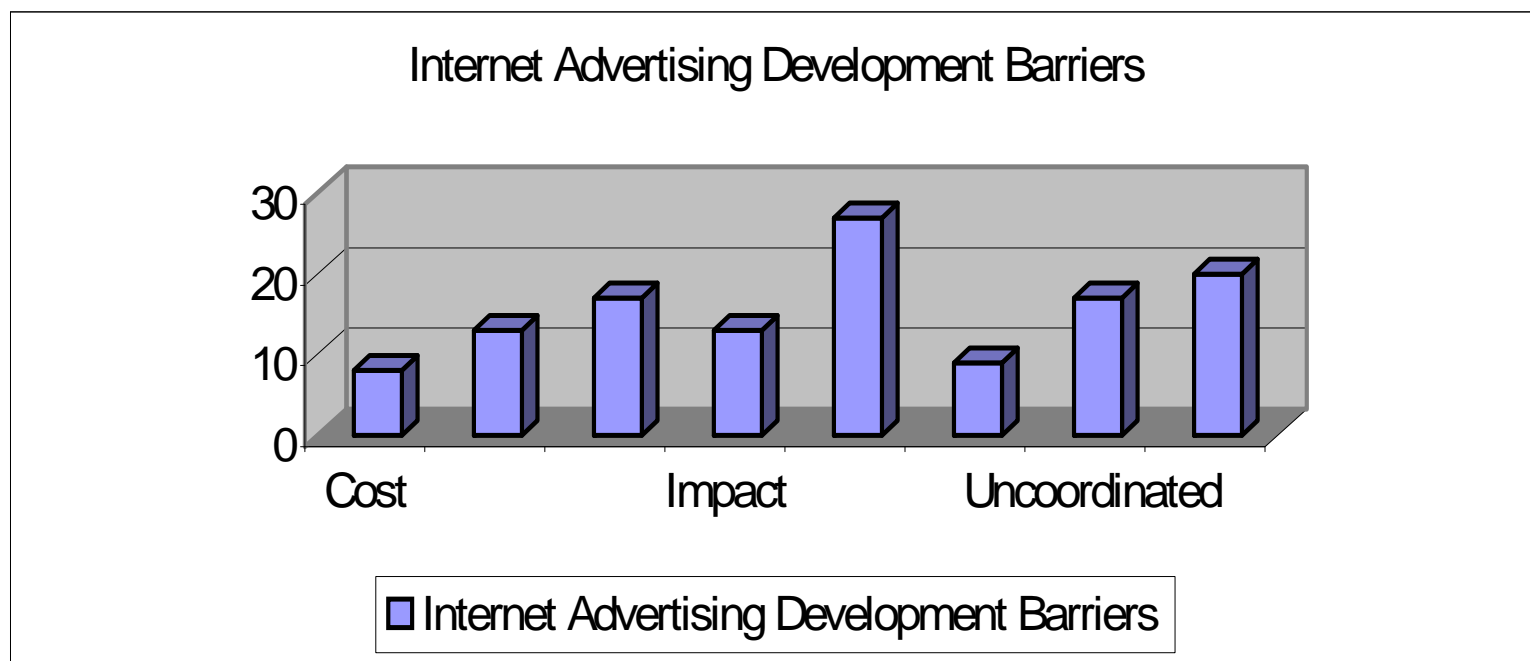


a low-cost alternative for television advertising by local traders, appealing only to a local audience. Further analysis of the data will present some interesting contradictory information worthy of note.

This widespread variation indicates that acceptance is far from universal and no real standards of communication exist as yet. 14% of respondents noted the current uncoordinated nature of the Internet as a barrier to development. This will be indicative of advertising on the Internet with a plethora of varying attempts exposing vast canyons of opportunity. These discrepancies will undoubtedly lead to innovation and inventiveness, so embraced by the advertising fraternity. This will contribute to “shock tactics” used to gain attention and increase impact.

Business is traditionally conservative by nature and relies on dependability and stability therefore some standardisation will inevitably arise in communication methods. The major problems to be overcome, will be general acceptance by the masses with 22% (the highest level of single response) indicating that an unreachable segment of non-users being the biggest barrier to development. Despite these problems, the research showed that not one respondent, when replying to question 8 (e) identified that “the medium may be short lived,” as a barrier to the development as an advertising medium. This suggests that some form of regulation through either formal or informal channels, or more likely free market forces is necessary to allow efficient business communication and indeed accepted Internet advertising. The question, therefore, is not if, but how and when, the Internet will come of age as a mainstream advertising medium. This view is unequivocally compounded by the response to the question (10) where not one respondent identified the Internet having no future as an advertising medium.

Figure 4.4 Internet Barriers to Development



The barriers to development of the whole study group were representative also of the people who represent the most prolific (top 25% expecting to increase Internet spend – see later) future of Internet Advertising. This group identified the problems as

security, uncoordinated nature and an unreachable segment of users as their main three concerns.

Moore's Law⁴⁸, which refers to an analogy by Gordon Moore, co-founder of Intel Corporation which says that the capacity of a computer chips with regard to a constant cost level would double every eighteen months. This was simply based upon a price / performance ratio of computer chips with regard to performance per dollar in 1965, compared to the previous three years. This was then projected forward. Remarkably, the prediction has held true ever since. The technological progress of this area will ensure that such purchases are only current for a very limited period of time. This factor may cause a problem as advertisers develop innovative on-line campaigns, only to find that only a certain segment of the population can receive the benefit, as a proportion of the target audience will have outdated equipment and limited budgets.

The current structure in the United Kingdom is that Internet Service Providers give local call rate access to the Internet, regardless of location. This encourages Internet usage through relatively low telephone call charges but still introduces a psychological barrier to users through cost. One UK respondent gave a qualitative response in relation to barriers to development. This person suggested that the Internet would not truly develop in the UK until a US-type call pricing structure was in place. This has been apparent in recent weeks, as BT and other ISP's begin to offer non-metering Internet access.

The introduction of a no-cost Internet Service Provider, such as that operating through the "[Freeserve](#)³⁵" site is a revolution in the way companies that provide Internet services to the public generate revenue. Freeserve claims to have attracted more than 400,000³⁶ users in its' first six months.

As the bandwidth available on the Internet increases, it is inevitable that duplex speech will become practical, at the same level as the current telephone. It is improbable that the telecomm providers would be able to distinguish digital telephone conversations from the "packets" of audio, video, data and text that were being sent. This would inevitably lead to a fall in revenues from long distance calls. Could it be that this revenue would be replaced through advertising in the form of "portal" access provided

to the internet where the provider would allow connection whilst having some form of control to supplementary material placed on the user's screen and selling this space in the form of advertising. It is unlikely that the UK method of not giving free local rate will change organically and is beginning to do so. Any one company trying to subsidise free local rate calls by increasing the price of long distance calls would immediately be uncompetitive. The catalyst for change could be global convergence as the two systems met and consumers were given a choice in provider, from anywhere in the world, selling telecommunication space.

To conclude this analysis of costs as a barrier to Internet development, there are costs involved, including those outlined in the section later about the speed of connection. Only 6% of respondents identified this as a barrier to development and it is therefore not significant or insurmountable. It is unclear if the respondents were referring to the cost of system infrastructure and development costs to the consumer or costs to the advertiser. This would be an area for future in-depth research.

10% of respondents identified the speed of operation as a barrier to development of Internet advertising. The majority of users will sit in front of their computer, connected to the Internet through their modem and POTS (Plain Old Telephone System). Text-based services such as email have almost reached an acceptable level but anyone who has browsed around commercial web sites will testify that the speed ebbs and flows as the users population swells and decreases throughout the day and night. Additionally waiting for graphics, photographs or the limited video, animation and audio content can be annoyingly slow. This is not conducive with holding an unwitting viewer's attention while attempting to extol a product's virtues through the advanced techniques, which we now expect.

Figure 4.6 Types of Connection to the Internet

Connection Type	Speed (000 bits per second)	Time to download A megabyte (Mb)
Copper telephone line	14 –28	4 –10 minutes
ISDN	64 – 128	1 – 2 minutes
Cable TV modem	1,400	5.5 seconds
ADSL	2,000 – 9,000	1.5 seconds
Advanced Cable TV modem	40,000	0.2 seconds
Optical Fibre	80,000	0.1 seconds

Adapted from De Kare-Silver, M. *E-Shock, The Electronic Shopping Revolution*, Macmillan, London, 1998. p145.

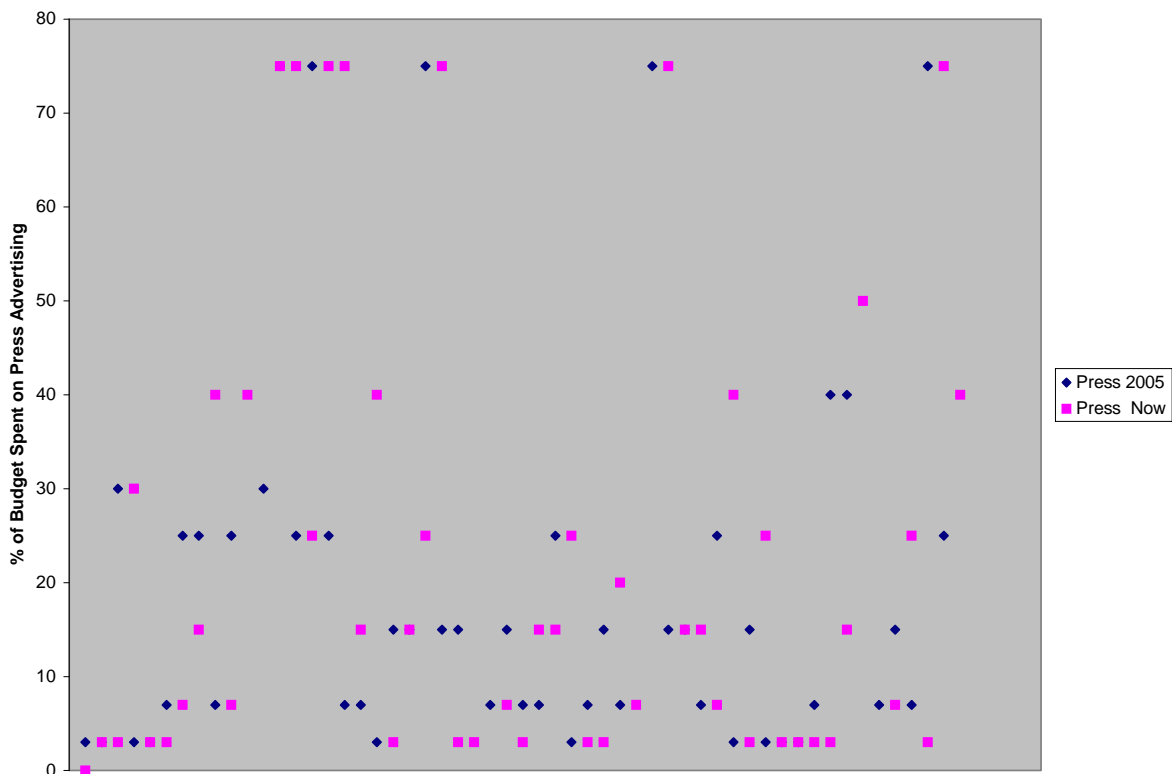
The relevance of the speed of the Internet, identified as a barrier to development of Internet advertising by 10% of the study group really relates back to Shimp's work on different types of advertising media. To compete with television advertising, the Internet, or other associated technologies must be able to consistently deliver sound and video of comparable quality. Until this issue is resolved, Internet or "Information Age" advertising will not compete as a mainstream medium. Another significant issue with regard to any comparison with television is that any assumption that the current Internet can be viewed as a substitute for TV must consider the viewing population.

14% of the study group listed fear or mistrust of the technology as a barrier to development. This aspect has an obvious link to the 16% who identified security of transactions as being a barrier. Correlation of the study data proves this link with 41% of those identifying fear along with security of transactions. Interestingly though, the average score to the question "what extent do you believe the Internet will change the nature of advertising.....", of the "fear" respondents was 8.1 (total average 7.54.) from this it could be assumed that the study group consider the problem important but not insurmountable.

Gates³⁷ identifies the key to security as being a digital signature. Should any form of transaction have the ability to be confirmed by an indelible and guaranteed, unique authorisation, the user population would likely be converted and reassured. One of the problems with this statement, is the perceived or real expectations (by lesser knowledgeable users) of unscrupulous users or “hackers” who spend their time circumventing, deciphering, entering or extracting information or generally disrupting established computer networks. These fears must be proven unfounded, by content providers or vendors to produce consumer confidence.

Taking into account the adoption rate of new products or services by consumers and national cultures, it is therefore quite understandable, noting the potential of increased information the Internet offers, that the study group considers the press to be the media to loose ground substantially, whilst the Internet gains. It is unlikely that the Internet will replace paper-type publications entirely. This view is compounded by the differences in response to this questionnaire (see Figure 4.7) where there is a prevalence of “loyal” supporters maintaining their proportion of spend. The scatter diagram shows these stalwarts who do not expect to change. This happens whilst the segment takes a significant average fall of 4.9% Despite this, the study group expects a decline in the use of the press as an advertising medium, to the gain of the Internet.

Figure 4.7 Distribution of Responses to the Changes in Press Advertising Budget



The important aspect to be borne in mind, is the essence of advertising, the transfer of information. To really evaluate the future of “outdoor” advertising, integration with the Internet and its implications must be explored. Currently we utilise the Information Super Highway from a single aspect – in front of a computer screen. Electronics have encroached into the poster arena, such as the dual (or more) facility, which allows more than one product to be displayed alternatively, as the poster display changes electro-mechanically. Imagine the concept of “accountable” and “useful” advertising advances, along with technology. If an advertiser could detect an individual’s presence through use of biometrics, digital CCTV recognition, vehicle tracking etc, (all technology which is under advanced development or available) a suitable message could be displayed to the correct person in the relevant location.

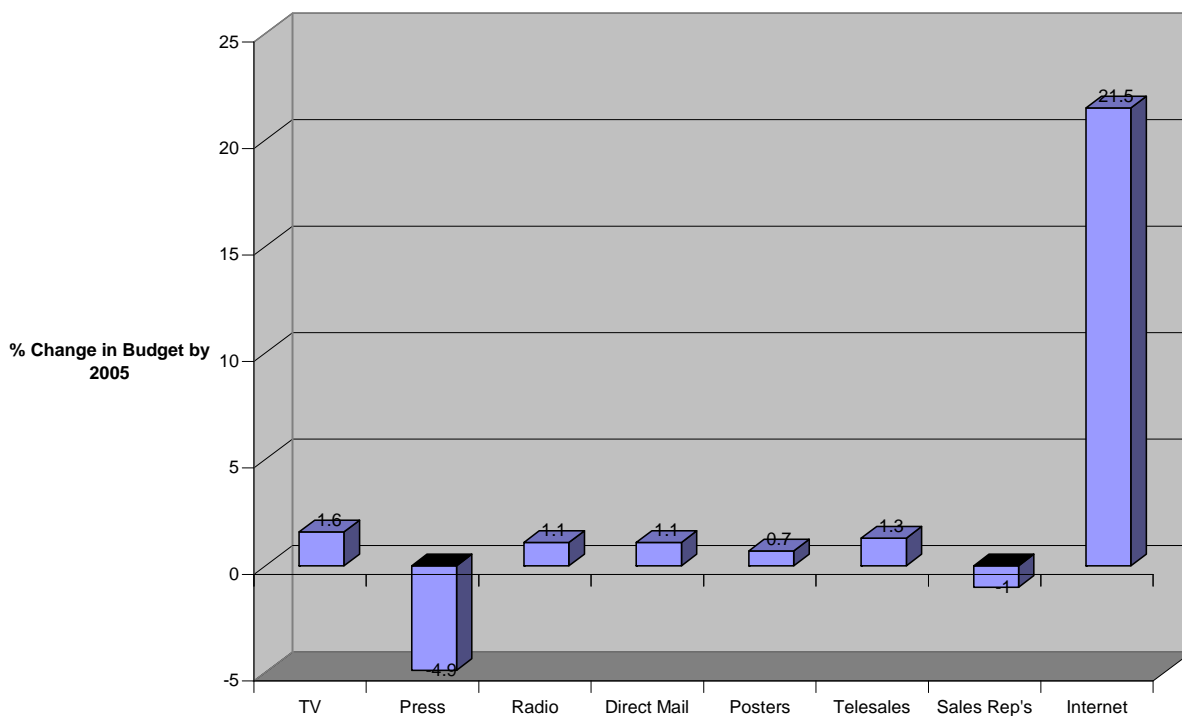
Consider going to the ATM, (Automatic Teller Machine) or “cash machine” before a Saturday evening of entertainment. Your cash is presented with a simple message, picture of your favourite food or video presentation and a suggested restaurant where you may obtain it, (within your usual budget of course) all to your personal specification. Consider interrogating your on-board car computer for interesting events for a family outing, on a Bank Holiday afternoon. Which route do you follow? Is it congested? Where is the nearest garage open, stocking a fan belt for your particular vehicle and how much will a replacement cost at this premium time? As you approach your chosen repairer, an electronic billboard, directed to the enquiry by the ISP dealing with your request will show details of another outlet who will supply a fan belt at a slightly increased price but fit the item for free, with a five year money-back guarantee.

The study group identified the poster (used here to represent “outdoor” advertising) as remaining fairly static medium, as opposed to the Internet. It is undeniable that the Internet will struggle to match the physical presence of certain circumstances, the effect of outdoor advertising can be captivating due to it’s unique quirky nature. Whilst being a poor medium with regard to economic return³⁸ it has been demonstrated that this medium has extremely attractive possibilities for advertisers if technology progresses and becomes widely accepted. To be effective, this idea would require a large degree of consent from consumers in allowing release and distribution

of personal information to allow the concept of “useful advertising.” This will be a tremendous challenge for advertisers.

The research undeniably reveals the expectation of large-scale growth of Internet advertising. Whilst there are clearly defined losers in the press and personal representation areas, the scale of the reductions does not match the size of the increase in Internet advertising. Small levels of growth in other advertising areas compound this. Several plausible reasons could exist to explain the discrepancies. Possibly, many of the companies claiming a current spend of less than 5% of budget on the Internet may not actually be spending anything at all on Internet advertising at the moment but indicated a future increase through a lack of true understanding. Noting the general interest and speculation about the subject area, they might decide it was a factor that would probably require addressing.

Figure 4.8 How All Marketing Directors Expect Their Advertising Spend to Change



Data gathered from Jupiter Communications corroborates the trend of phenomenal growth as indicated in figure 4.9.

Figure 4.9 Growth of Internet Advertising Revenue

Year	US (\$,000)	Non-US (\$,000)	Total (\$,000)
1997	1,101,146	24,919	1,126,065
1998	2,206,578	138,179	2,344,757
1999	3,610,318	350,272	3,960,590
2000	5,041,647	703,614	5,745,261

(Adapted from http://www.cyberatlas.com/segments/advertising/market_forecast.html dated 3 April 1999.)

To place this information into perspective, in order to attempt to assess the scale of the potential growth of Internet advertising, it is necessary to compare data about the total world advertising market as in Figure 4.10.

Figure 4.10 Size and Growth of World Advertising Market

Year	USA		Overseas		Total World	
	Billion	% Change	Billion	%	Billion	%
	US \$		US\$	Change	US\$	Change
1997	187.5	+7.0	210.0	-1.0	397.5	+2.6
1998	200.3	+6.8	218.4	+4.0	418.7	+5.3
1999	212.3	+6.0	228.2	+4.5	440.5	+5.2

(Adapted from Coen, R.J. *Insider Report, Advertising Expenditures, June 1998*.)

Internet site : <http://www.mccann.com/res/inside/0698.pdf> dated 6 April 1999.)

From these two data sources, it can be deduced that in 1999, the Internet only accounts for around 1% of total advertising expenditure worldwide. From figure 4.10, using simple linear regression the worldwide advertising market will be worth around \$570 billion by 2005. Similarly projecting the data from figure 4.9, the Internet advertising will have risen to \$13.3 billion, yet even with this huge increase, it would still only represent around 2.3% of a total world market. The 21% average increase in Internet advertising budget by Marketing Directors, with regard to other mediums as

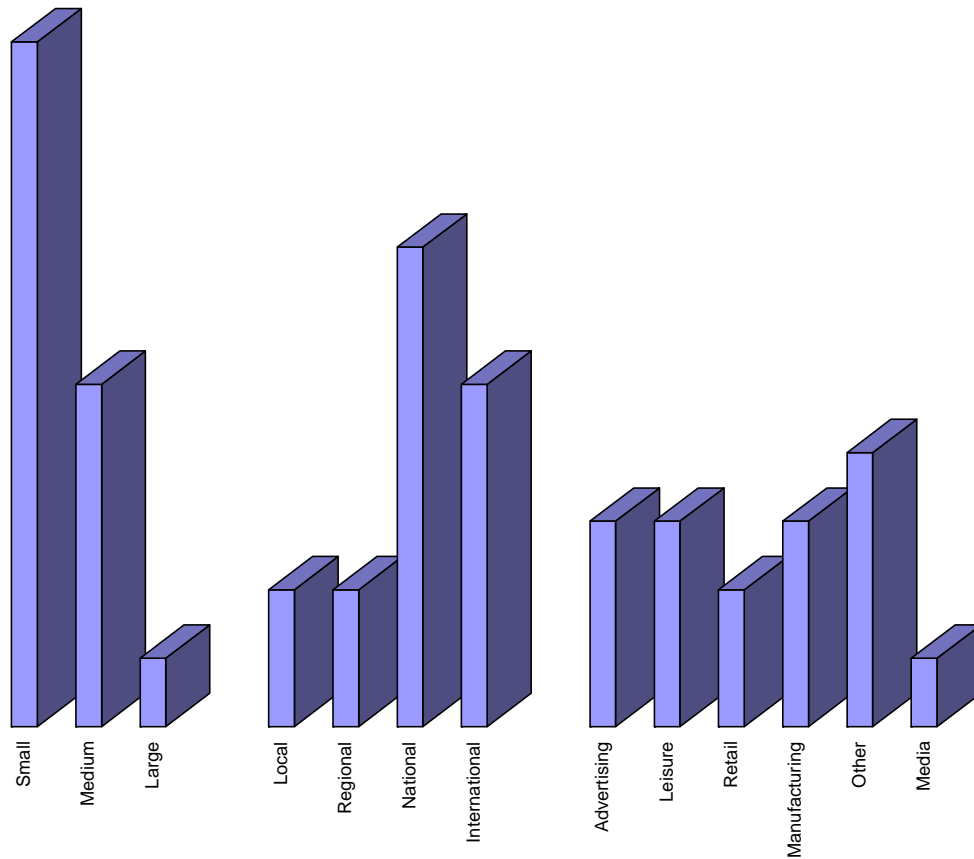
indicated by this primary research, would seem to suggest that the Internet is heading for a much larger share of the worldwide advertising market.

The press themselves have been early adopters of the Internet as a business medium with many publishing free online editions such as the [New York Times](#)⁴⁰ noting the potential threat to their current position and the logical extension into online newspapers. If the quality of their content attracts readers and is free, this progression will rely on their ability to draw revenue from online advertising.

One area of their business, which has huge potential, is classified advertising. This type of advertising is particularly effective with current press publications, readers know that one of the best places to look for a house, car, job, used lawn mower and many more diverse items is in a local or national newspaper. The advertising is cost effective, current and reaches a target market. As adoption expands, the Internet can greatly enhance this sort of advertising. One of the major benefits the Internet has to offer is its non-linear nature. Instead of having to scour non-relevant classified adverts to find a desired item, software can direct the user straight to the item they want by the use of filtering. This works by defining search parameters such as type of item, price range, geographical location etc. An example of this is the [Pressplus](#)⁴¹ web site. Once the selected item has been found, the potential exists to give additional information, such as a photograph of the car, a prerecorded sound of the engine, or a copy of the service history log. In its infancy, this type of advertising usually only consists of a text-based description, but the potential to go much further exists and will probably be adopted as competition increases.

With reference back to De Kare-Silver's ES Test, it was relevant to discover what sort of clients the research indicated would be employing Internet advertising by analysing the answers to questions 6 and 7. Figure 4.11 represents the upper 25% of business types, which expect to spend more on Internet advertising, through a re-distribution of their budget. The minimum amount that this group expects to spend is 37% of their total advertising budget on the Internet.

Fig. 4.11 The types of business who will devote more of their advertising budget to the Internet by 2005



The interesting and obvious observation from these results is the bias towards extensive use of Internet advertising by small and medium sized companies. Clearly these sectors, particularly those conducting business on a predominately national basis (taking into account the previously noted bias towards international trade) have high expectations for the potential of this medium. An obvious link with this sector is the low cost, high exposure potential the Internet presents, combined with flexibility through a high level of user control and rapidly updated information. Flexibility is an area where small businesses excel, having the potential to adapt to rapidly changing markets, free from cumbersome structures and decision making processes. With a trend towards segmentation of markets and short product life cycles, this would seem to be a logical progression and compliments this view.

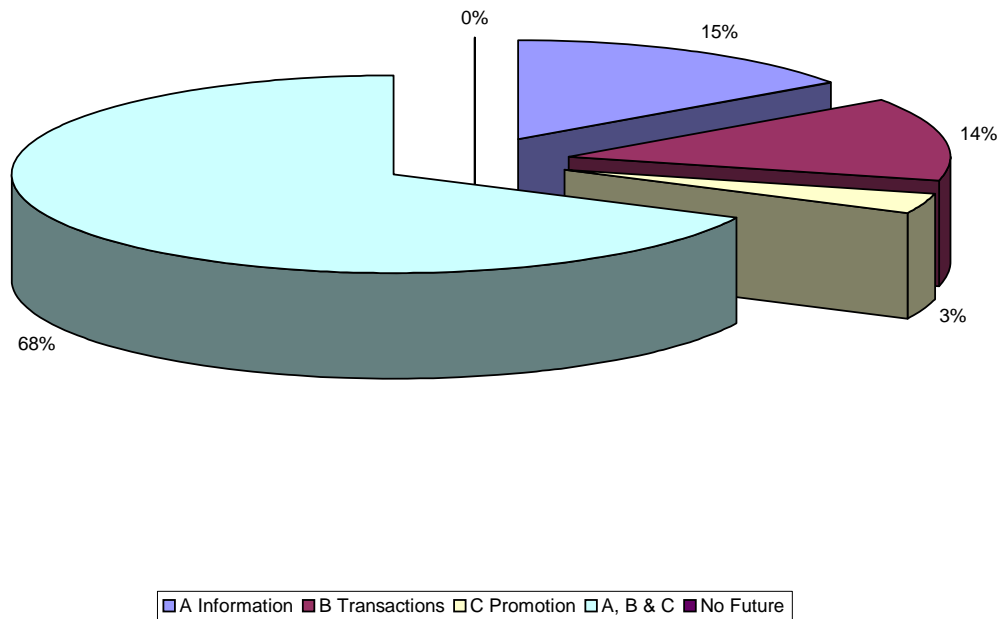
No particular area of business is highlighted singularly for an increase but there does seem to be a disproportionate bias towards service-type industries. Significantly, the

advertising industry believes in the future of the medium itself as it intends to use the Internet to promote itself, with this medium becoming a significant area of budget expenditure. As well as directly affecting certain types of business, it is conceivable that many business, which act as middlemen, primarily due to having market knowledge will suffer in the same way as the decline of the insurance broker. This occurred, as the insurance companies became more accessible to the public through telephone call centres. If manufacturers in certain industries had the ability to effectively advertise themselves, wholesalers, agents or even retailers would need to add extra value to justify their existence. This could be in the form of becoming a place of consumer convergence and promoting manufacturer's goods, thereby earning a commission or discount.

As to the nature of use of the Internet within advertising, the research shows that it will be used for a combination of reasons as shown in Figure 4.12, including disseminating information, facilitating sales transactions and to a lesser extent sales promotion. The dissemination of information via the Internet is the most prominent aspect at the moment. There has been a rush for companies to have an Internet presence, for fear of being left behind. One of the first issues to be tackled is a "corporate presence". These are then uploaded to a chosen server. Companies obviously recognise the low-cost, low-risk potential of disseminating information such as range of products, key personnel, forthcoming developments and past successes. [Shell](#)⁴², the oil conglomerate has a homepage which is a good example of this. It is hard to imagine such a company, due to the nature of its products, being one of the early success stories in the same manner as Amazon.com. Even so, its homepage conveys specific information about the company, in a manner no other medium can match in terms of geographical coverage or cost.

Figure 4.12

The Future Of Business Advertising on the Internet



This form of disseminating information could augment many forms of below-the-line advertising such as sales literature and shareholders reports.

One of the problems to be overcome with sales transactions in a global market is that of currency differences. Whilst exporters and importers are well appraised in such transactions, exposing consumers to the same issues is a different situation. Currently, credit cards fulfil the role but it still relies on the purchaser being able to manipulate exchange rates to determine price. De Kare-Silver⁴³, predicts the emergence of a common form of electronic cash or e-cash. This virtual currency would be linked to some form of bank account and would allow anonymous purchases of even very small amounts whilst incurring minimal transaction costs.

Gates⁴⁴ envisages a more subtle form of transaction-related advertising which could encompass the small proportion of respondents (3%) who expect the Internet to be used for sales promotion. He uses the example of the time when a broadband network will allow transmission of movies (pay-on-demand) across the Internet, significantly

demonstrated by the recent merger of Time-Warner and AOL. A viewer might be watching “Top Gun” and admires Tom Cruise’s RayBan Aviator sunglasses. Stopping the film and clicking on the sunglasses would bring up further information about the product including price, where to purchase or even a method of instant online purchase. Significantly, every respondent expects the Internet to modify advertising, in some manner in the future.

5.0 Conclusions and Recommendations

The Internet or technologies which arise as a result of current Internet activity, will significantly change the future of advertising. Internet advertising, measured by spending levels is increasing a dramatic rate and Marketing Directors of all types and sizes worldwide expect it to increase at an even greater rate by the year 2005. Advertising is a theme central to the majority of businesses, including the advertising industry itself, therefore the ability to determine the path which is to be followed, during a period of major change will be a competitive advantage to practically all businesses. To others it will be a source of survival. Companies need to assess how the changes detailed affect them and determine how they can adapt. Individual business need to choose what criteria they need to assess the important question of “at what point do we act to modify our advertising activities?” Alternatively if they consider the information presented suggests they should have already acted or be in the process now, they need to consider the practical resources currently available and how they are suited to their individual business.

Research has shown that the direction of the anticipated change is uncertain. A variety of technologies, controlled by diverse industries, are being drawn into common areas. The combination of technology companies (perhaps WebTV or telecomms?) and the controlling organisations, (perhaps Search Engines or Internet Service Providers?) which prevail will become business leaders. The answer to this crucial question is beyond the scope of this work and would be an obvious associated area for further research. The businesses, which fail to adapt to the new opportunities will diminish, as demand from their traditional markets shifts, having higher expectations. The outcomes are likely to be driven by a free market due to a truly global nature which is difficult to police across national boundaries, with a “regulation-free” culture and

speed of change which governments may struggle to control despite having a vested interest. Internet advertising may result in significant benefits to the consumer with regard to choice, information, convenience and price.

A major shift in current position is a possibility of a decline in soft-sell advertising where the advertiser plays on the sub-conscious emotions of the customer to instill a utopia-like desirable image of the product, resulting in de-sensitised sales. This may be replaced by an “informed” customer making logical decisions, with the sale being awarded to the content provider who manages to convey a combination of rounded information, appropriateness of message and a trusted solution at an acceptable price. This may seem a retrograde step, but it is inevitable that a move towards perfect information will increase competition and highlight the importance of price, as the driver of value. This is likely to be in a world where competition is only a “right click of the mouse” (or any other dexterity, spoken word, or ultimately beyond 2005, any thought, we choose) away. Despite this, developing and maintaining brand image will be essential to win consumers’ trust and also to initiate purchases of products, which are not ideally suited to being sold at a distance. Branding will remain as a valuable source of profit. Initially it will only be economically viable to advertise certain types of products and services, which lend themselves to distance sales through postal or electronic distribution. Even then only certain segments of consumer will respond, or be exposed to the advertising. Interestingly, this will expand into “knock-on” sales in areas such as leisure.

Before Internet advertising radically alters markets, major technological and (human perception) market barriers must be overcome. The content provided must be delivered in a manner which stimulates the mind and senses. Methods will have to be devised to take the information to the customer, in the way that TV currently does, as opposed to the current Internet which relies on the user making a concerted effort to search or merely stumble across it. To disseminate advertising information to all intended markets, the Internet will develop into a true Information Superhighway, which delivers a diverse range of content in an intelligent manner by a variety of methods. This is as opposed to our current single medium of computer screens. Time will be needed for a new generation, brought up with email, browsing and Internet content to adjust and accept the changes as a normal way of life. Despite the prospect of having many

forms of stimulating and instant global communications available, advertising will still be segmented by cultural disparities.

New technology will have to compete with the highest levels of media, such as TV, not only matching audible and visual performance, but giving the user additional benefits by the way of control over information. This will require not only the improvement of technology but widespread and common adoption. This may involve integration beyond what we perceive as today's Internet, into all manner of technology which currently forms part of life's daily routines as this may be the only method of reaching all segments of an intended advertising market. The major current use for Internet advertising's use is dissemination of information to customers and employees; this segment will also grow and replace some activities, which form part of today's below-the-line advertising budget. The interaction the user will achieve will enable instant sales transactions. There is an obvious attraction in using advertising to change a consumer's mind and influence a decision that will result in the desired goal, a sale, before the next advertiser has the chance to. This will make advertising more cost effective. Additionally, the ability to accurately and instantly measure advertising effectiveness, either through direct sales or technology to register consumer awareness, will be a significant move forward for the advertising industry, which often struggles to justify its existence, commonly being amongst the first areas of budget reduction during a downturn.

The Internet will not supercede or engulf all current media but will gain ground much quicker than the existing expanding advertising market as a whole to become a mainstream alternative. It is not proven that this "critical mass" will have been fully achieved by the year 2005 and the crucial question of "when" is an area suitable for further detailed research beyond the scope of this work, involving many external factors. The size of the Internet advertising market will be such, that it will become a significant consideration of the majority of business managers, but particularly those in small and medium sized companies who expect to benefit to the greatest degree. Some forms of media will lose market share to the Internet, principally the press, whilst it will be no substitute for other forms of obtaining sales such as personal selling in industries where advertising is not particularly effective. Despite this, the Internet has a

leading role to play in advertising for these companies, as a PR tool, disseminating information both internally and externally.

One of the major challenges for the advertising industry, is the opportunity to become efficient and desired by consumers. This is opposed to the current position where a large proportion of client's money is wasted on advertising, which reaches inappropriate segments, and even when it hits the target, it is largely avoided. Consumers on the whole, dislike advertising. They are constantly bombarded by many messages, with the advertiser hoping that a required percentage will be successful. Most are consciously or subconsciously disregarded, resulting in consumer apathy. Clients continue advertising because whilst they are rarely sure exactly how effective it is, they recognise that if they stop, sales will inevitably fall. The Internet or technologies which, are developed from it will have the ability to supply information, targeted to very specific new levels, which is useful to consumers and will often feedback rapid information about effectiveness. Undoubtedly, there will always be discrepancies between what vendors think consumers want and what consumers actually think they want but any method of narrowing this gap significantly would be to the benefit of all that embrace value. The Internet is going to have a significant effect on advertising in the future, could this be the major element that the Internet will change?

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Please note that Internet content may change periodically.

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Glossary ⁴ (Adapted from Moody, Glyn, *The Internet with Windows*, Butterworth-Heinemann, Oxford, 1996.)

ASDL : Asymmetric Digital Subscriber Line. A high speed method of transferring data by telephone lines which utilises the existing copper telephone line infrastructure.

Bit : From **binary digit**. A single piece of computer information, the smallest component, represented by a 0 or a 1, which equates to an “on” or “off” state in the computer’s electronic circuitry.

Byte : A number of bits which collectively represent a “word” or instruction in the computer’s software.

Bandwidth : Digital messages travel between physical locations by being superimposed upon a high frequency electrical carrier signal. The digital information varies the size of the composite (carrier plus data) signal being sent. Bandwidth is this difference, measured in terms of megahertz (Mhz.) or incorrectly in conventional terms in millions of bytes. A good way of simply equating this idea is the road analogy. There is a limited amount of roads that can be build due to physical space. A narrow bandwidth road is a single lane track where traffic moves slowly. A wide bandwidth road is a multiple lane high-speed motorway, where a high volume of differing traffic can travel in the same or different directions.

ISDN : Integrated Services Digital Network. A high speed method of transferring data by telephone lines which utilise the existing copper telephone line infrastructure. The cost of this medium is falling dramatically to levels where it is economically viable for many businesses and homes.

FTP : File Transfer Protocol, common method for transferring files of most types between two or more computers

Firewalls : Computers acting as a network security mechanism for repelling intruders attempting to damage, corrupt or extract information.

Gopher : A menu-based Internet navigation tool.

Homepage : The first screen of information to be viewed when accessing a particular Internet Web site. This usually acts as an introduction and as a navigational aid to finding information.

ISP : Internet Service Provider. Companies that provide users with access to the Internet by linking the individual's computer to their own host computers, with specialist software which allows them to act as relays to other host computers.

LAN : Local Area Network, could be a hard wired computer system as opposed to connection via telecom systems

Modem : An item of equipment which may either form an integral part of a computer or be a standalone item which acts as an interface between the computer's information and that of other computers connected by telephone lines. The MODulator DEModulator provides a carrier signal to transmit the data and similarly removes the carrier signal when receiving information for interpretation.

Server : A computer, usually having large storage capabilities which is available to distribute information to other computers. Alternatively a server may be the processing hub of a computer network.

Telnet : Internet tool for controlling computers at a distance

USENET : Electronic bulletin board circulating the world

WIAS : Wide-Area Information Systems, a search tool

Appendix – Results of Questionnaires

Size of business	Business type	Scope of trade	Consumer sales %	Business sales %	Anticipated barriers to Internet development	Anticipated level of change of advertising due to Internet	Future business use of Internet
Large	Manufacturing	International	A	E	F G I		6 D
Medium	Media	International	A	E	DH		8 D
Small	Advertising	Regional	A	E	A F		10 D
Small	Media	National	A	E	I		10 F
Small	Advertising	National	A	E	A F H		10 A
Large	Multiple	International	A	E	G		9 D
Small	Leisure	National	D	C			10 D
Small	Leisure	Local	D	B	I		7 A
Small	Advertising	National	A	E	B F		9 D
Small	Retail/Wholes	Local	D	C	H I		10 D
Small	Other	International	A	E	C F		5 A
Medium	Serv/Financial	International	E	C			7 D
Small	Serv/Financial	International	B	E	F		7 D
Large	Manufacturing	International	A	E	F G I		6 D
Large	Serv/Financial	National			I		8
Small	Retail/Wholes	National	C	E	G H		4 A
Large	Manufacturing	International	A	C	C H		9 D
Small	Advertising	International	A	E	B H		8 D
Small	Advertising	International	A	E	C D F G H		10 A B
Medium	Serv/Financial	International	A	A	B C D		8 D
Large	Other	International	A	E	C D G H		6 D
Small	Other	National	D	C	I		7 D
Medium	Other	International	C	C	C		10 D
Large	Multiple	National	E	A	A F H I		10 D
Medium	Retail/Wholes	International	E	A	A B C I		7 D
Small	Retail/Wholes	Regional	C	C	F I		9 D
Large	Serv/Financial	International	A	E	G H		6 D
Medium	Other	National	A	E	F H		6 D
Medium	Retail/Wholes	National	D	C	B F I		8 A B
Large	Retail/Wholes	National	E	A	D F H		5 D
Medium		International	E	A	B C F I		8 D
Medium	Media	National	E	A	D F		7 D
Small	Retail/Wholes	International	A	E	C D F I		7 A B
Medium	Manufacturing	International	A	E	C F		10 A B
Large	Multiple	International	C	D	C D E H I		10 D
Small	Retail/Wholes	National	A	E	A B C		5 D
Large	Other	International	E	C	F H		7 D
Large	Manufacturing	International	A	E	B C D F I		8 D
Large	Retail/Wholes	National	A	E	F		7 D
Large	Retail/Wholes	National	E	A	A B F I		6 D
Small	Advertising	Local	C	D	F H		4 C
Large	Media	International	A	E	D F H		7 D
Small	Manufacturing	International	A	E	C F H I		6 D
Small	Retail/Wholes	International	D	C	A F		1 D
Large	Serv/Financial	National	B	D	B		10 D
Large	Manufacturing	International	A	E	D G		5 B C
Medium	Media	International	E	B	C D I		9 D
Medium		International	D	B	A B D		10 D
Medium	Manufacturing	International	C	B	B I		5 A B
Medium	Serv/Financial	National	A	E	B F		5 A
Medium	Other	National	B	E	C		10 D
Large	Multiple	International	A	E	C		10 D
Small	Media	Local	A	E	G I		8 D
Medium	Media	Regional	A	E	F I		7 A

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