WWW MARKETING: advertising is information

Gary B. Wilcox

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At the turn of the twentieth century, a new advertising industry came of age in America. At the turn of the twenty-first century, new global media and audiences are reshaping the industry and the advertising we see. The next frontier is worldwide, and the new media are as open-ended as cyberspace.

Today, more and more advertisers are combining brand/image, direct response, and interactive principles. The reason is that the new advertising has to give the consumer a credible reason to like and believe in the product, and also provide a way to make a direct connection.

Many companies are looking to the Internet as the next great advertising medium. Supporting this assumption is research that estimates the Internet will capture 50 million users in five years. It took television thirteen years and radio thirty-eight years to reach this level of market penetration. Despite the fact that advertisers and marketers still invest over 45% of their media budget in newspaper and television, the Internet is changing the way they think about advertising.

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The tremendous growth of the Internet as an advertising medium has been widely documented in a variety of published articles and reports. The Internet Advertising Bureau (IAB)(1998) estimates that over $900 million was spent on Internet advertising in 1997. By the end of 1998, the IAB projects that advertisers will spend at least $2 billion on Internet advertising. *Business Week* predicts that ad spending on the Internet will be close to $8 billion by 2002 (Web..., 1997).

One important reason why revenue is increasing at such a fast rate is that many of the more established and popular Web sites are charging more for their ads. In general advertisers pay for their ads on a "cost per thousand" (CPM) basis. For every 1,000 times their ad is viewed advertisers pay a fee. The average cost for banner ads is $17 but more popular sites can charge a premium of $20 to $22 per thousand to have access to their visitors. Compared to CPM rates for TV in the $5 to $6 per thousand range, Web sites charge higher rates than TV because they are able to deliver a more targeted audience.

ADVERTISING AS INFORMATION

One of the first things to understand about the Internet is that consumers are actively engaged in the process of seeking information and that advertisers are in the processing of compiling information about the audience. On the Internet, consumers are not a captured audience. Unlike a television or magazine ads, the consumers can easily compare information about competing products with one click or two of their mouse. At the same time the consumers are searching for information, the advertisers are recording their actions for future use.

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As early as the 1940s, economists and consumers noted that advertising occupied an important informational role in the marketplace. Because products are available in such wide varieties, new products are offered in such great numbers and existing products must be targeted to new consumers, this informational role was pivotal in the development of American economy. At that time the information role of advertising was concisely summarized by Stigler when he noted "information is a valuable resource," and that advertising is "the obvious method of identifying buyers and sellers" which "reduces drastically the cost of search" (Stigler, 1961). This market perspective became known as Advertising as Information. Much of what Stigler and other economists asserted about the informational role of advertising is even more true today with Internet advertising.

One important aspect associated with advertising on the Internet compared to traditional media is the access to greater amounts of dynamic information as a resource for both the consumer and advertiser. From the advertisers point of view, it is information about the consumer. Historically, advertisers dominated mass media channels in the late 1960s and early 1970s and these media messages helped create demand for their products through a fragmented distribution channel. In addition to profits, the advertisers also amassed information about the consumers' purchase behavior.

RETAIL INFORMATION DOMINANCE

By the late 1980s, the marketplace power shifted from large mass media advertisers to a consolidated network of retail chains. Information about purchase behavior became the property of the retail outlets through technological advances such as the UPC product scanners and networked distribution centers. In a consolidating industry, retailers and mass merchandisers controlled a larger portion of sales and possessed the most accurate information about the consumer. By collecting precise data about specific products being purchased and profits generated by product categories, retailers were able to exercise a great amount of control of information that translated to substantial influence in the marketplace.

INFORMATION IS KING

Today, the interactive nature of the Internet provides the advertiser with the opportunity to develop new consumer relationships that were never before possible. This potential for consumer interaction facilitates a one-to-one relationship to a greater degree than ever before possible with traditional media. By using the interactive component of the Internet, advertisers entice the consumer into a relationship that occurs at both parties' convenience. New possibilities exist to tailor communications precisely, allowing individual consumers to request the amount of information that each desires.

Much of this information retrieval is done through a technology called "cookies". A cookie is information about an individual's browser that gets stored on a his Web browser to help provide an identity that can be accessed on a return visit. It might contain what ads were viewed or what pieces of information were sought. During the next visit to the same Web site, the server reads the cookie and gathers more information that can then be shared with the advertisers. It allows the manufacturer to gather relevant information from consumers for the purpose of targeting salient product information more effectively in the future. The objective of such continuous relationship building is to give consumers information about the manufacturer and its products as well as to receive information from consumers about their likes and dislikes.

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From the consumer's point of view, the Internet not only provides access to a vast amount information about the products that advertisers have to offer but is also an environment in which consumers are actively engaged in the process of seeking information. One survey of Web users found that gathering purchase related information was the most preferred Web activity (Gupta, 1995). Moreover, the interactive nature of the Internet allows for searches initiated and controlled by the consumer. Therefore, advertising on the Internet is more consumer-driven than those provided by traditional media.

CONCLUSION

As can be noted from the discussion above, the control of consumer information has been a valuable commodity in the marketplace. The power this information holds has shifted from the advertiser to the retailer over the past three decades. With the rise of the Internet, it is increasingly evident that the power of information is shifting from the retailer to the consumer and to the advertiser.

The consumer has access to greater and more credible information than ever before. With increased access to better and more useful information and a stronger say in the final decision about what products are offered in the marketplace, consumers can now become more informed about the purchases they make. A better-informed consumer will be able to assume a more powerful position in the distribution channel.

Likewise, the advertiser now has the ability to interact with the consumer and craft messages based on actual consumer response. The insight provided by this interactivity will provide new communication opportunities for advertisers never before realized. Updating an old phrase, with Internet Advertising, we can truly say that Advertising **is** Information.

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Gary B. Wilcox is John A. Beck Centennial Professor in Communication.
E-mail: burl@mail.utexas.edu