

Online Advertising Tactics:

Trends, Stats and Best Practices for Using
Banners, Rich Media, Search, Sponsorships,
E-Mail, Classifieds and More

July 2003

Executive Summary



Statistics, Strategies, Tools & Trends

The *Online Advertising Tactics* report from eMarketer provides marketing, media, advertising agency, and business professionals with an extensive analysis of interactive advertising's primary vehicles: banners, rich media, search engine marketing, classifieds, sponsorship, interstitials, and e-mail. From detailed spending statistics to an examination of why advertisers use some formats more and others less, this report will help marketers understand which tactics work best for which goals when advertising online.

For example, the chapter on search engine advertising looks at why this format can be highly effective for most types of enterprises—which is one rationale for its sharp growth from a mere 1% spending share in 2000 to 15% in 2002. The analysis includes research into why and how Internet users search, the three key options for search marketing, and making marketing choices among the top search engines.

The entire report offers strategies on how best to position online advertising by selecting formats that match up both with branding and direct response objectives, along with current company budgets. Further data and analysis in *Online Advertising Tactics* helps marketers understand consumer reactions to problematic elements such as pop-up ads—and why they still might consider including such formats in certain campaigns.

In addition to an array of statistics and accompanying analysis appraising the array of online ad vehicles, the *Online Advertising Tactics* report delves into e-mail marketing and advertising, from format choices and the dangers of spam to building an effective mailing list and engaging in viral marketing.

Online Advertising Tactics is part two of three interrelated eMarketer reports focusing on interactive advertising and marketing. The other two reports are:

- *Online Advertising Essentials: What Marketers Need to Know About Online Audiences, Dayparts, Branding, Direct Response, Context, Advertisers and Publishers*
- *Advertising Spending & Cross-Media Trends: Online and Offline Spending Forecasts in the US and Globally, along with the Latest Data on Cross-Media Integration*

The bottom line: With more format choices than ever before, effective online advertising tactics require knowing which formats to deploy, when to deploy them, and how consumers react to the various techniques of reaching them interactively.

Key Findings

“It’s a distributed system. You put tools out there and see what happens. You accept that things are going to be messy and somewhat unpredictable.”

— Tim Berners-Lee, creator of the World Wide Web; *The New York Times*, 11 May 2003

Within the pages of the *Online Advertising Tactics* report, the reader will find in-depth coverage and analysis of such critical topics as:

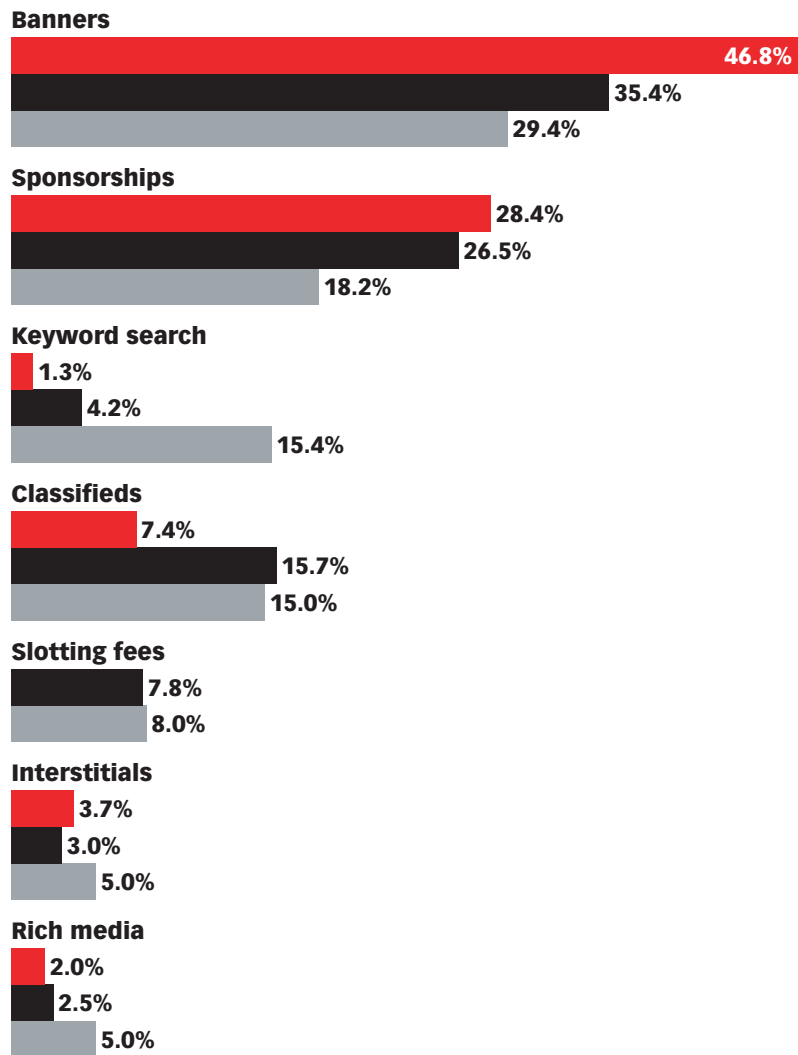
- How to define various online advertising vehicles
- Why spending on banner ads is decreasing
- How the multiplicity of banner formats is both blessing and bother
- Which types of banners work best to boost clicks and brand metrics
- What the growth curve will be for rich media ad spending, and why rich media is bound to become a bigger part of online advertising than it is today
- How rich media improves consumer responsiveness
- Why search engine advertising is the “new gold”
- How search engine advertising’s low cost and broad reach makes it fit into nearly any company’s marketing goals
- What the pros and cons are for the three main search marketing methods
- How patterns of people’s searches influence how and when to use that ad vehicle
- Which search engines work best for online marketing, depending on the marketer’s audience
- How to make the most of the slow-growth online classified market
- What are some of the newer interstitial formats, and how they work well for branding purposes
- Why people loath pop-ups—and why advertisers use them
- How online sponsorships help enhance various branding objectives
- Why the mix of spam and increasing e-mail volume threatens e-mail marketing
- Why, despite those threats, e-mail continues as an effective marketing tool
- When rich media and HTML e-mails make the most sense—and when to stick with plain text
- What elements make for an effective in-house e-mail list
- How e-mail contributes to viral marketing
- What are the most effective ways to block spam

Transformation Time

What was mighty has now fallen. What was weak has now grown strong. While the diverse vehicles that make up the online advertising universe have not quite reached some Biblical the-first-shall-be-last stage, they have been going through diverse sea changes during the past three years.

The share of US online advertising spending devoted to banners shrank from 46.8% in 2000 to 29.4% in 2002, a 17.4-point fall. Meanwhile, spending on keyword search (also called paid search) rose from a 1.3% share to 15.4%, or a 14.1-point gain.

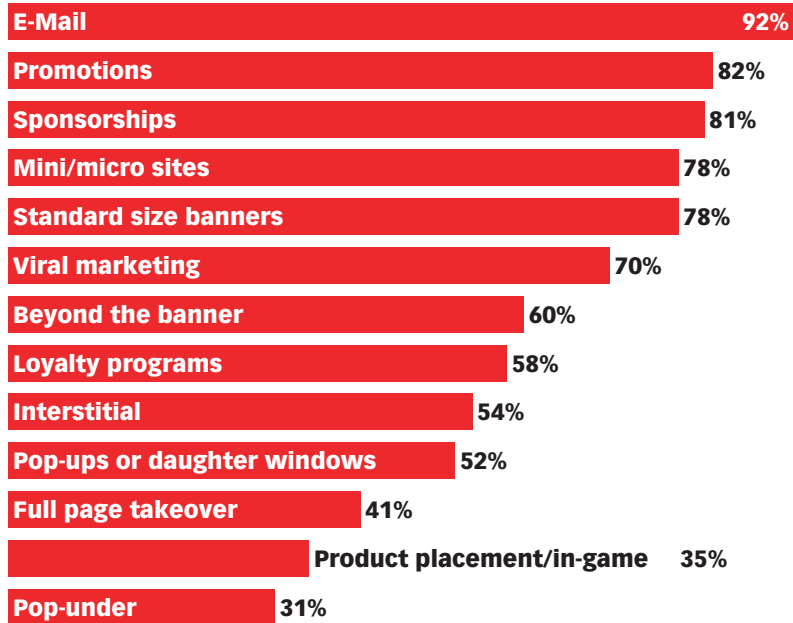
US Online Advertising Spending, by Vehicle, 2000-2002 (as a % of total spending)



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Brian McAndrews, president and CEO of Avenue A, told eMarketer in early February that rich media and paid search were the two ad vehicles that Fortune 500 companies are looking to more and more. Research from the Myers Group on marketing expectations among US ad executives highlighted other ad formats—both online and offline—such as e-mail and standard-size banners, at 92% and 78% of respondents, respectively.

Ad and Marketing Vehicles US Advertising Executives Plan to Use in the Next 12 Months, August 2002 (as a % of respondents)



Note: n=186

Source: Myers Group, October 2002

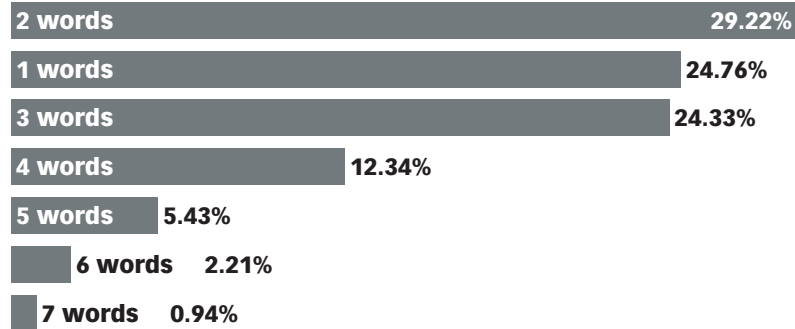
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How People Search

When conducting a search, 29.22% of people worldwide use two-word phrases, according to OneStat.com. One-word and three-word search terms were about equally used at 24.76% and 24.33% of respondents, respectively.

Breakdown of the Number of Words Used in Search Phrases* Worldwide, March-April 2003



Note: *via search engines
Source: OneStat.com, April 2003

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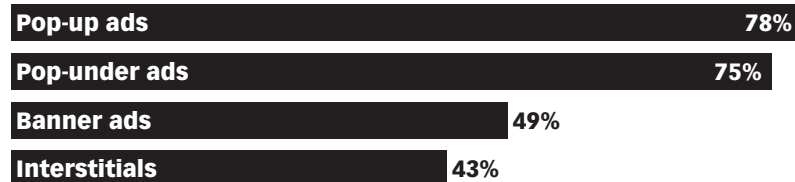
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One result from an iProspect survey found that nearly half of users (48.0%) go no further than the first page of search results before clicking on a listing. This user reluctance to dig deeply into results points to why optimizing search positions is essential for most companies.

Pop-Ups: Pernicious & Profitable

In a GartnerG2 consumer survey conducted last year, 78% of respondents cited pop-up ads as a “very annoying” online ad format. In contrast, only 43% said the same thing about interstitial ads.

US Internet Users' Opinions Regarding Which Online Ad Formats Are “Very Annoying”, 2002 (as a % of respondents)



Source: GartnerG2, December 2002

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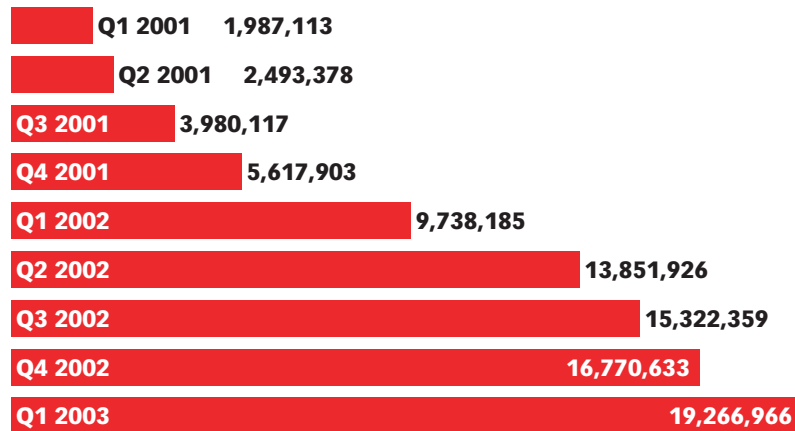
So with such consumer distaste, why aren't pop-up ads going away? First off, many online publishers like how they receive at least twice as much for pop-ups as they do for banners. "Pop-up ads can cost between \$15 and \$35 per thousand impressions, according to Gartner, while the average banner ad costs between \$3 and \$7 per thousand impressions," reports Dow Jones Business News.

The ubiquitous pop-ad ad accounted for 3.5% of all US online ads in Q4 2002, based on impressions, according to Nielsen//NetRatings. That number nearly doubles the previous year's figure (1.9%). In addition, Nielsen says that publishers served 13.4 billion pop-up ads in Q1 2003 (not counting house ads), a 24% increase from the previous quarter.

The Spam Disaster

The exact number of unique spam attacks in the US is hard to nail down. But as measured on Brightmail's network over the past nine quarters, the trend is one-way only, from less than 2 million in Q1 2001 to over 19 million in this year's Q1.

Unique Spam Attacks in the US, by Quarter, Q1 2001-Q1 2003



Note: as measured by Brightmail's Probe Network
Source: Brightmail, May 2003

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According to Ferris Research, 39% of spam's costs to US corporations comes from lost user productivity, while 44% is due to the unwanted messages consuming IT resources. In total dollars, Ferris estimates the loss at \$8.9 billion in 2002. "It's about \$10 per user per month," according to the San Francisco-based market research company. "That's a considerable cost."

Benefits of Aggregated Data

Drawing upon eMarketer's unique store of aggregated statistical data, the *Online Advertising Tactics* report helps readers appreciate the essential issues behind choices for interactive marketing, including banners, paid search, rich media, e-mail, and sponsorships. With the extensive array of statistics and our analysis in hand, the reader will better understand how to best allocate online marketing budgets to optimize both branding-oriented and direct response objectives.

List of Sources for Online Advertising Tactics

Advertising.com
Arbitron
Assurance Systems
Belden Associates
Bigfoot Interactive
Brightmail
Burson-Marsteller
comScore qSearch
Corzen
Direct Marketing Association
DoubleClick
Dynamic Logic
e-Dialog
Edison Media Research
Eyeblander
Ferris Research
Forbes.com
Forrester Research
GartnerG2
Grunwald Associates
Harris Interactive
Hitwise
IDC
IEG Inc.
Interactive Advertising Bureau
Interbrand
iProspect
Jupiter Research
Kelsey Group
Market Facts
MediaPost
MessageLabs
Morgan Stanley Equity Research
Myers Group
Net Future Institute Research
Newspaper Association of America
Nielsen//NetRatings
NPD Group
OneStat.com
Oneupweb
Osterman Research
Overture
Pew Internet & American Life Project
PlanetFeedback
PricewaterhouseCoopers

List of Sources Continued

RoperASW
Search123
SearchEngineWatch.com
Silverpop
Society for Human Resource Management
SurfControl
Symantec
The New York Times Job Market
Unicast
US Bancorp Piper Jaffray
US Federal Trade Commission
Valentine Radford
WebSideStory
Yankee Group

eMarketer Methodology

The methodology for all of our statistical reports is founded on a simple philosophy of aggregation:

The key to approaching quantitative truth on the internet is to consider data from as many reputable sources as possible. No one has all the answers. But taken together, multiple sources, coupled with healthy doses of common sense and business intelligence, create a reasonably accurate picture.

Unlike other research organizations, eMarketer does not conduct primary research. eMarketer has no testing technique to protect, no research bias and no clients to please.

The eMarketer research team first aggregates data from hundreds of published, publicly available sources; we then filter, synthesize and organize the information into easy-to-read tables, charts and graphs. For each topic, we provide comparative source data along with our own analyses, estimates and projections. As a result, each set of findings reflects the collected wisdom of numerous research firms and industry analysts.

Online Advertising Tactics

For more information on Online Advertising Tactics, visit:

http://www.emarketer.com/products/report.php?advert_on_tact_jul03

To view the complete table of contents for Online Advertising Tactics, visit:

http://www.emarketer.com/products/report.php?advert_on_tact_jul03&view=toc

To view the complete index of charts for Online Advertising Tactics, visit:

http://www.emarketer.com/products/report.php?advert_on_tact_jul03&view=charts

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