Online Advertising Intermediary: How Online Advertising Works?

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ABSTRACT

Applying bleeding edge courses of action in advertising is always a case on the table of decision makers. In online case, lack of a practice to place right advertisement in a right time for the right user has been counted as biggest challenge. On the other hand, “ad clutter”, the key criticism on online advertising, is about to put online advertisement’s benefits away and annoying users more than before. Accordingly, this article aims at scrutinizing this critical problem by incorporating one of the next generation technologies, Lead Generation. This study introduces an e-business framework in advertisement intermediating in the form of a framework so that lets advertisers advertise in customized way. In this approach, the authors focused on displaying a personalized ad for each user by which marketers could redirect their visiting prospects into becoming their own consumers. At the end, the managerial implications are reported.

Keywords: Ad Clutter, Advertising, Framework, Lead Generation, Online Advertisement

ONLINE ADVERTISING: FORMING A NEW PLATFORM

In June 2012, the world population was about 7 billion from whom 2 billion were Internet users. This statistics shows a 566.4% growth from 2000. The Northern America with 78.6% Internet users, has the highest penetration rate of Internet and Asia with 27.5% users is in the seventh position (Internetworldstats.com, 2012). These statistics referring to the importance, penetration percent, and use of Internet among users from around the world, show the increasing trend of using this medium throughout the globe. On the other hand, statistics published in (2012) at the Internet World Stats indicate that the penetration of Internet in small countries like Iceland, Norway, Estonia, etc. is increasing. Hence, the medium of Internet has changed into one of the most powerful communication channel among countries.

On the one hand, other more congruent view are being formed among users that websites can be used for meeting daily needs like

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getting information about new products (Li et al., 2006). On the other, studies reveal that lack of six factors leads to breakdown of newly-emerging websites. According to Hanafizadeh and Behboudi (2012) factors like government support, inseparability of website management, marketing management of the website, and lack of an appropriate business model contribute to the failure of these websites. Lack of a business model makes websites that have managed to attract a good traffic accept advertisement in any way possible. This is the main problem, because although advertising initially creates incomes for them, after a while, due to excessive cluttering of the website (being full of ads), the companies will not be willing to place ads in those websites. In this process, both Internet advertising industry is damaged and loses its unique feature, i.e. “interactive and personalized advertising”, and companies offering ads will not be interested in using this channel. Although these companies seek a communication channel to their own websites (by placing their banner in a high traffic website), they have found out that users entering their websites (navigated from the advertising website to the advertised one) are not appropriate users of that website and leave it without showing any reaction to persuasive icons. In this regard, the problem is lack of a proper advertising mechanism which specifies how an advertisement appropriate to an individual is published, and how an appropriate individual is targeted rather than any person present in the website. This would reduce the boredom from ads and facilitate the navigation of appropriate individual to appropriate website. In other words, a specialized user is transferred to the specialized company offering ads, that is, a user who is ready for shopping surfs the web, not any users. Considering the necessity of an advertising intermediary e-business model, the present study tries to reach the following objective: Introducing an framework for online advertising intermediary.

WHAT IS ADVERTISING INTERMEDIARY E-BUSINESS MODEL?

E-business model is one of the concepts in the area of Internet about which users and even e-business owners have no clear understanding. This is also true about the definitions of e-business model, because these definitions have not been proposed from a comprehensive perspective including four bases of products innovation, infrastructure management, customer relations, and financial aspects. Researchers have proposed various definitions of e-business model. Some definitions are totally abstract and address the issue from an outsider’s view (e.g. Timmers, 1998; Hamel, 2000; Weill & Vitale, 2002; Hawkins, 2002; Rappa, 2006), while others take a real perspective. For instance, Peter Draker considers business model as the way an organization makes income, i.e. what is the income-making logic of an economic agency? Some common e-business models are B2B, B2C, and C2C. However, one of the most complex and innovative models with a bright outlook is the advertising intermediary e-business model (Hanafizadeh & Behboudi, 2012). In this model, there is an advertising intermediary which connects a number of advertisers to publishers (see Figure 1). The intermediary is the host and executer of all ads and introduces the ads to publishers, or directly, to the end users (DoubleClick Inc., 2004). In addition, the advertising intermediary, according to the content and type of the ad, aligns the selection of publishing website, and in more advanced stages, the geographical position of the ad and publishers. Finally, the intermediary appears as the advertising agency and benefits from marketing activities. Based on this model, several companies have been established since 1995 (Hanafizadeh & Behboudi, 2012). Double Click and Real Media can be regarded as some of the most influential and powerful companies of
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