CHAPTER

8

Advertising and Internet Usage: A Perspective From Time and Media Planning[1]

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In 1995, what appeared to be an urgent integration of cable television, computing and telephone technologies seemed to be able to completely modify the media landscape (Pérez-Latre, 1995). The announced—and even hyped—*convergence,* technically feasible, has not been possible yet from a commercial point of view. The most relevant development has taken place on the Internet, especially the World Wide Web and e-mail.

The Internet has experienced a unique evolution, different from the rest of the media because of its fast-growing pace, faster than the media that came before it. According to Internet analyst Meeker (1996), it took radio 38 years to reach 50 million homes, TV 13 years, and cable as an advertising and entertainment medium 10 years. In contrast, it has taken the Internet only 5 years to reach 50 million homes. Even though the rate of adoption of the Internet as a new communication tool has accelerated faster than any previous medium, the rate of adopting it as a new method of shopping ap-

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pears to have lagged. Retail sales on the Internet represented only 2% of all U.S. retail sales in 1999.

Traditional retail stores have also been slow to adopt the Internet as a vital retail outlet. As late as February 1999, well-known retailers such as the Gap, Sears, and Bloomingdales were not among the top 25 web shopping sites in the country. Perhaps, the slow pace of consumers' and retailers' adoption of the Internet as a shopping outlet helps to explain why little published empirical research has focused on ordering merchandise on the Internet.

INTERNET USAGE AND ADVERTISING EXPENDITURES IN TELEVISION

At the beginning, the Internet looked like a natural competitor for television and print media. But, in a way analogous to what happened in the very beginning of cable television, the Internet has become a new mode of presenting television, radio, and print media—a distribution channel for new media content. It has also served to remarkably accelerate advertising spending in conventional media, at least until the dot.com stock slowdown that started in the spring of 2000.

Significantly, the effect of portals, search engines, and online media has been an increase of advertising expenditures in conventional media, especially television. The advertising of Internet-related brands was notably increased in the first half of 2000 in the United States. However, a change later occurred that could have impact in the future: Internet and World Wide Web brands reduced their advertising expenditure after the stock exchange decline. Space sellers in the Internet benefited from this new situation, as Internet brands put more emphasis in online advertising.

Internet advertising, including Internet-only brands and traditional companies online, accounted for 6.4% of all advertising in the first half of the year 2000. This category became the advertising sector with highest share in the overall advertising market. The increase was significant compared to the first half of 1999, when Internet advertising market share was just 1.8%.

In television, the market has some unique characteristics. Internet advertising cluttered television during 1999 and the first half of 2000, but decreased by June 2000. The category reached its highest market share at 8% in November 1999, in a period of intense expenditures marked by the Christmas season. That reality was apparent in the number of spots related to dot.com companies that were broadcast in the 2000 Super Bowl (arguably the most important advertising event in the year in the United States when a number of high-profile campaigns are rolled out). However, by June 2000, market share had decreased to 5.4%.

It was during the Super Bowl, in January 2000, when Internet brands reached their peak level of spending on network television. As much as 8.6% of total advertising expenditures on ABC, NBC, CBS, Fox, UPN, and WB came from Internet-related companies. By June, the figure had gone down to 6%. When Super Bowl 2001 came, trade magazines were positing questions about how advertising inventory was going to be sold by ABC/ESPN, the network in charge of the event. Out of 23 advertisers in the Super Bowl, just 3 were Internet-related brands (E-Trade, Hotjobs.com, and Monster.com), in sharp contrast with the year before. Conventional advertisers Federal Express, Anheuser-Busch, Frito-Lay, MasterCard, Philip Morris, Coca-Cola, Sony, Levi Strauss, Subway, Visa, Universal, and Warner Bros. dominated the advertising for the 2001 Super Bowl.

The changed landscape prompted *Advertising Age* to explain to their readers that "last year's prices were inflated by the dot-com frenzy, in which some seventeen dot.coms bought Super Bowl spots. At least one, Netpliance.com, paid a shocking $3 million-plus for its ad, according to executives—the most ever by a Super Bowl advertiser. Following the dot.com collapse, this year's bowl will get off almost dot.com free, with only Net vets E-Trade, Hotjobs and Monster.com making a return appearance" (*Advertising Age,* January 15, 2001, p. 42). It seems that Internet brands are trying to reduce advertising costs and thus are looking for advertising spaces more suited to their target audiences. Such brands show some degree of reluctance to mass advertise on the networks.

Cable television presents a different kind of picture. Advertising expenditures remained pretty stable after peaking in November 1999, when Internet brands amounted to as much as 12% of overall advertising expenditures for cable. However, from April to June 2000, the advertising share of the market in cable television went down to 10%. Obviously, cable television is a medium better suited to reach targeted audiences than is network television.

Building a consistent brand image is still a major goal to most dot.coms. In an environment of clutter with a large number of brands, advertising in cable networks seems to be a fair strategy. News channels such as MSNBC, CNN, and Fox News Channel and business and financial channels like CNNfn, CNBC, and Bloomberg are in a good position to broadcast advertising with potential for communicating with investors and Internet users who work in managerial settings.

Nevertheless, a trend to reduce Internet advertising expenditures appeared. On the 2001 Oscars Award ceremony, just one online ad campaign was shown (*Advertising Age,* March 19, 2001). A Merrill Lynch survey significantly played down previous expectations for Internet expenditures. In 2001, Merrill Lynch forecast a decline in online ad spending of 25%, to $6 billion (still a large figure) from an earlier estimate of $8 billion. Ads from dot.com companies comprised 65% of online ad spending in 1999. By 2001, the figure amounted to 20%. The first quarter in year 2001 was the worst. A modest rebound was expected for 2001's second half (*Advertising Age,* March 19, 2001).

THE DIGITAL DIVIDE

When share of advertising market is analyzed and an assessment is made about how many people are online in the world, a reality appears. It has been classified as "the digital divide" and is depicted in Table 8.1. By August 2001, 65% of the Internet population lived in the United States, Canada, and Europe. Latin America, Africa, and the Middle East lagged in Internet households with less than 6% of the Internet population. In 2001, Denmark had the highest proportion of households connected to the Internet at 54%, closely followed by the United States (50.9%). Singapore, Taiwan, and Korea took the remaining positions in the top five, with household penetration rates of 47.4%, 40%, and 37%, respectively (Net value, March 26, 2001. www.nua.net).

In a good part of the world, communication speed is still a scarce resource. Internet services tend to shape themselves initially as electronic information systems—new ways of providing media content to users. The Internet is a medium that challenges conventional rules and integrates sound, image, and text. It is also present in the rest of media, because it allows for frequent calls to their web pages.

In terms of demographics, the Internet attracts males with higher education and incomes. Women have been increasing online usage rapidly, as shown in Table 8.2. In the United States, women make up the majority of the Internet audience. In Canada there is a virtual tie in gender composition, with countries like Australia and Brazil, rapidly reaching similar levels. However, in the largest European countries, males remain a clear majority, with figures higher to 60% of the Internet universe.

Although sharing some elements of the overall European landscape, Spain provides a different framework for Internet audience analysis. In 2000, 7% of the Spanish population used the Internet. The general audience for the rest of the media is remarkably higher: for newspapers it is 35.2%; magazines, 53.3%; radio, 53%; television, 89.4%, and movies, 10.2%. Therefore, we should not exaggerate the influence of Internet, although its growth is remarkably fast. In 1996, only 1% of the Spanish audience reported using the Internet, increasing to 2.7% in 1997, 4.6% in 1998,

TABLE 8.1
Internet Users in Selected Global Regions (August, 2001)

Area	*Internet Users*	*% Total Users*
United States & Canada	180.68	35
Europe	154.63	30
Asia/Pacific	143.99	28
Latin America	25.33	5
Africa	4.15	.008
Middle East	4.65	.009
World total	513.41	100

Source: How Many Online? NUA Internet Surveys, www.nua.net.

TABLE 8.2
Percentage of Internet Users, by Gender, in Selected Countries (December 2000)

Country	*Male*	*Female*
United States	48.9	51.1
Canada	50.7	49.3
Australia	53.3	46.7
Brazil	57.3	42.7
Netherlands	60	40
Japan	60.2	39.8
United Kingdom	60.7	39.3
Germany	62.1	37.9
Italy	63.6	36.4
France	64.1	35.9

Source: Adapted from *Advertising Age,* March 5, 2001, p. 29.

and 12% by 2000 (Asociación para la Investigación de Medios de Comunicación, 2000). The media has almost doubled its audience every year. In the most densely populated urban areas, the amount of users is even higher, with 11.5% in Catalonia and 9.7% in Madrid.[2]

The sustained growth of personal computers among Spanish households is also remarkable. In 1999, the number of households connected to the Internet reached 27%. The Internet will continue to grow rapidly, reaching new sectors in Spanish society. The growth of Internet audiences have also had an immediate impact on advertising expenditures, which grew 600% between 1998 and 1999. Still, the Internet accounts for only 1.6% of total advertising expenditures in Spain (Lozano, 2000).

INTERNET ADVERTISERS

Internet advertisers are mostly companies directly related to hardware, software, and the Internet itself. The incorporation of other advertisers to the Internet is slower than expected. In the United States, dot.com companies continue to buy more online advertising than do traditional companies, and smaller companies buy more advertising than do large companies. Although

[2]In this case, *Madrid* refers not only to the capital but also to the overall Madrid region

large companies increased their online advertising in the fourth quarter of 2000, the average number of ad impressions purchased amounted to only 135 million impressions. The average number of impressions bought by small companies[3] topped 167 million, whereas the average number of impressions bought by mid-sized dot.coms reached 453 million.

Online ad placement shows a similar pattern in the United Kingdom. In 1999, there was a concentration of spending in computing and Internet-related brands, which made up 33% of overall advertising placement. Entertainment (23%), financial services (22%), and news and reference (22%) were also key sectors.

It should be remembered that the Internet is the first medium that emerged without advertiser sponsorship, which came later (Strangelove, 1994). At the beginning, the Internet was used to build and keep brand image. Every company seemed to need to be there, without thinking about the business model that could make Internet presence cost efficient. By and large, advertisers came to the Internet by imitation; they couldn't afford not to be present in this new medium.

According to eMarketer, almost 85% of U.S. advertising and marketing companies believe that the most important reason for using online advertising is to drive traffic to websites. Other reasons for using online ads include brand building, branding, and sponsorship opportunities. By the end of 2000, 77% of marketers and ad agency executives were planning to increase ad spending in online media, whereas only 5% intended to decrease their spending, in spite of slower economic conditions. The major obstacles preventing companies from increasing their spending on Internet ads included budget limitations, low click-through rates, and the high cost of ads (*eMarketer,* February 28, 2001. In www.nua.net).

The present challenge resides in commercial transactions. It seems obvious that the Internet will increase revenues (Grant, 1999). The most visited websites in the United States—the pioneer country in the Internet's development—are usually portals, as shown in Table 8.3.

It is interesting to realize that besides overall audience, time is a significant factor. Audiences grant to portals a degree of time that is not uniform. On average, people spend approximately 27 minutes at Yahoo, 19 minutes at Microsoft Corp., 17 minutes at AOL/Time Warner, and 7 minutes at Terra Lycos (*Advertising Age,* April 10, 2001). In portals more directly linked to commercial transactions, like eBay, audience time averages 47 minutes. If portals are ranked according to time spent, a different picture emerges, as shown in Table 8.4.

Among different countries, a mixed reality appears. In the countries with the largest active Internet universe, users already spend a significant amount of time online. However, there is still notable room for growth (as shown in Table 8.5), especially when time dedicated to other media is taken into account.

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[3]Small companies are defined here as those with quarterly sales of under $75 million.

TABLE 8.3

Top 10 Visited Properties in the United States (February 2001)

Website	*Unique Audience*
AOL Time Warner	27,997,000
Microsoft Corp.	23,612,000
Yahoo!	21,353,000
Terra Lycos	6,736,000
Excite@Home	6,546,000
eBay	4,745,000
Walt Disney Internet Group	4,736,000
eUniverse Network	3,593,000
Amazon.com	3,454,000
About.com	3,414,000

Source: *Advertising Age,* February 12, 2001, p. 26.

TABLE 8.4

Average Time Spent in the 10 Most-Visited Websites in the United States (February, 2001)

Website	*Average time spent (minutes:seconds), by Adults Age 12 and Up*
eBay	47:53
Yahoo!	27:16
Microsoft Corp.	19:07
AOL Time/Warner	17:07
Excite@Home	15:55
Walt Disney Internet Group	13:44
Amazon.com	8:53
eUniverse Network	7:41
Terra Lycos	7:23
About.com	6:11

Source: *Advertising Age,* February 12, 2001, p. 26.

TABLE 8.5
Average Online Time Spent per Month Among Top 10 Countries (December 2000)

Country	*Average Time Spent per Month on the Internet (hours:minutes:seconds)*
Canada	9:24:08
United States	8:41:36
Germany	8:15:54
Japan	7:41:36
Brazil	7:08:08
Netherlands	6:51:08
Australia	6:43:49
Italy	6:05:56
France	5:56:10
United Kingdom	5:24:56

Source: *Advertising Age,* March 5, 2001, p. 29.

Most Internet advertising spaces are known as *banners,* a peculiar kind of outdoor advertising applied to the Internet, complete with animation and more information access. Best-performing banners can reach 13.5% of the U.S. population (*Advertising Age,* February 12, 2001). The Internet is still a medium for small audiences. The percentage of banner ads that are clicked through is low—click rates are typically below 1%. The countries with the highest click rates are shown in Table 8.6.

Online newspapers are also part of the Internet. A comparison of audience versus time spent could also be made looking at the number of visitors in Spanish online newspapers and comparing it to the number of visited pages. It presents a different picture, as shown in Table 8.7.

The number of pages visited may be a good indicator of time spent with each website. The table indicates no direct correlation between the number of visitors and number of visited pages. Perhaps this reflects the dedication of audiences toward online newspapers. Sometimes dedication can be a useful variable that could overcome a lower number of visitors to a web page. More time in a particular website also allows advertisers more opportunities for readers to notice an ad.

The analysis of online newspapers in Spain reveals one trend: The business and financial press have an online presence that is proportionally higher than the strength of their paper editions in the overall press market.

TABLE 8.6

Percentage of Banner Ads Clicked Through in Selected Countries (December 2000)

Country	*Click Rate*
Ireland	0.82
Hong Kong	0.63
Germany	0.58
Spain	0.55
Denmark	0.52
Singapore	0.51
Netherlands	0.50
Japan	0.49
Sweden	0.49

Source: *Advertising Age,* March 5, 2001, p. 29.

TABLE 8.7

Daily Visits to Online Spanish Newspapers, and Average Pages by Visit (July 2000)

Online Newspaper	*Daily Visits*	*Average Pages by Visit*
El País Digital	108,103	7
Marca Digital	81,433	15
El Mundo	81,115	10
ABC	32,370	10
As Digital	23,682	4
Expansión Directo	15,181	20
Cinco Días	12,002	6
La Vanguardia Digital	12,235	10
El Periódico online	11,096	11

Source: www.ojd.es. *Oficina de Justificación de la Difusión* (Spanish Audit Bureau of Circulation), July 2000.

Such a situation makes sense, because a significant number of readers of financial and business press used computers to gain valuable insights on the economy and business before the Internet became a relevant medium. Expansión Directo, the online newspaper with the highest number of visited pages in the period studied, is a business and financial newspaper. One other daily in the category, Cinco Días, also fares well in comparison with its overall number of readers.

A NEW PARADIGM IN COMMUNICATION: BIDIRECTIONALITY AND USE OF TIME

The Internet brought a change in the paradigm for spreading messages and the capacity to interact with audiences, which has given hope to researchers, advertisers, and audiences alike. Internet users tend to be oriented to content. Their culture is oral; nothing impedes you to send a message. Spam and unsolicited advertising can lead to many complaints among Internet users.

Conventional media and commercial communication are notably unidirectional. They decide how we should be informed, educated, or entertained, with a limited ability to respond to t he audiences. On the other hand, internet users answer, react, and struggle to participate in message configuration. Probably this reality has also had an impact on conventional media like broadcasting and print, where a trend to foster audience participation is also apparent.

It is anticipated that a new media landscape produced by Internet development will be defined by a set of messages, texts, and images. The objective of this competition is readers' and viewers' time. Needless to say, time is not unlimited. One who dedicates more time to a medium will be dedicating less time to the rest. Audience growth with the Internet since 1996 coincides in time with a certain decline of newspaper audience and even the stabilization of television audience. In Spain, between 1996 and 2000, television lost 2 rating points after decades of continuous growth propelled by a certain liberalization of the market (first when commercial terrestrial television debuted, followed by the initial development of cable and digital platforms that broadcast via satellite).

A well-publicized study conducted by Nielsen and released by America Online in August 1998 reported that people with Internet access watched 15% less television than did those without Internet access. Typically, more educated and affluent people using the Internet tend to watch less television. Other studies, such as one released by Price Waterhouse in October 1998, contend that America Online is underestimating the damage that the Internet is inflicting on TV. Price Waterhouse suggested the Internet is eroding the TV audience by as much as 34% (Frankel, 1998).

Nieto expressed this idea quite lucidly several years ago: "The main consumption made by the consumer of information does not belong to the media company but to the consumer ... the consumption of his time ... the struggle to gain time is the most notable goal in the information market" (Nieto, 1990, p. 81).

Bogart expressed a similar idea: The public consumes the media much "in the same way that consumes some other products and services, paying for them not only whit money but also with their time" (Bogart, 1994, p. 11). The present situation looks perplexing and uncertain. Globally, media consumption has increased, but less time is dedicated to each medium. At the same time, one medium does not substitute for another: they adapt and readapt, as history has taught us. For example, in Spain, all conventional media except cinema had higher global audiences in 1999 than in 1980 (AIMC, 2000).

Worburg (1999) called attention to the scarce research that advertising has devoted to time. It should be noted that Worburg's research focuses on television and not the Internet, but some of its conclusions can still be applied here. Television facilitates time ratings because it imposes on the viewer its own rhythm of advertising and programming. These tactics will not work with print media and the Internet, because users' control and freedom to choose is higher. Time, as Worburg said, is "finite merchandise" (Worburg, 1999, p. 419). It could well be stated that time, even though it may have connotations that reflect commercial use, is more than just merchandise.

On the other hand, Internet advertising poses new challenges. The audience is attracted to very specific information and, being active, tends to avoid advertising. Advertisers understand this new reality and are becoming suspicious of Internet advertising, which in this stage of development is mirroring the advertising practices of conventional media by using banners. Even though banners are to some extent interactive, they resemble conventional print media or outdoor advertising spaces. New problems of advertising measurement are found. The audience of the Internet is not, by any means, the audience of advertising on the Internet.

The public decides about the kind of Internet content it considers interesting, of value, and trustworthy. The era of captive audiences—of distinct and recognizable advertising time slots in to which the audience was pushed while watching a program or waiting for it—seems to have come to a close with the Internet. The public has, at the very least, a new ability to choose.

This also explains why major advertisers are reluctant to invest in high Internet advertising expenditures. They tend not to be content with banners alone but also require click-through rates in those banners, a deeper indication of audience involvement with advertising messages and higher potential for recall. Advertisers know that most banners are a hassle for the audience and are passed by accordingly. Still, the Internet is here to stay: "The mainstreaming of the Internet is inevitable, but it will not happen easily" (Ephron, 2000, p. 52).

The consequences of Internet development for advertising media planning are slowly becoming apparent. Nielsen has published a study called

Multi Media Mentor. The study tries to provide a level playing field of measurement for five media: television, radio, newspapers, magazines, and the Internet. People over age 12 spend an hour of a day on the Internet in the United States, which is hardly a surprising finding.

However, direct comparison to other media is worth mentioning. The Internet gets 12% of media consumption time—double that of newspapers (5%) and three times that of magazines (4%). Time spent with media is shifting to more time spent online. Cable television provided a good lesson. At its start, cable attempted to tie its share of dollars to its share of television viewing, arguing that advertisers had to follow the consumer. What began in 1981 as a proposal that advertisers put 5% of their television dollars into cable has grown to 30% by 2000 (Ephron, 2000). The time spent by U.S. audiences on the Internet suggests that national advertisers may underutilize the medium.

Ephron argued that the main obstacle to Internet advertising media planning evolution has been the branding approach utilized to advertise in the Internet:

> The Internet preempted branding—an old agency buzzword—in an attempt to escape trial by click-through. Web sellers used branding to focus advertisers on the value of banners that is not captured by measuring click-throughs. This includes creating awareness, improving brand imagery and increasing purchase intent. But "branding" was an unfortunate choice, because agencies think that banners, with their limited message, can not be used for branding. ... A priori, long-message [media] such as television print and radio are better able to brand than are short-message media, such as out-of-home, point-of-purchase and the Internet. The Internet is not for branding. Reminding makes more sense. (Ephron, 2000, p. 52)

CONCLUSION

The variety of options in the communications arena has provoked a situation in which it is difficult for one to stand out, point up, or be original, which seems to be the goal in a very competitive field. The capacity to adapt to changes that occur at a faster pace each day is going to become a true competitive asset (Law, 1994).

Therefore, it is important not to lose sight of the background environment that seems key in advertising media planning and utilization of the Internet. What is more crucial is the decision-making process. This challenge of being original may become dangerous if the more dramatic and spectacular configurations prevail in a landscape of message inflation. If the intent of advertisers resides only in provoking interest, then the Internet has its limitations.

Media and education are at a crossroads. New technologies widen our intellectual horizons and also grant rapid access to powerful information resources. But the computers of the digital and interactive revolution do not think. They cannot be substitutes for personal decision making. Philips put it eloquently: "[It] is impressive. Is magic. The possibilities are infinite. And, nevertheless, if is not usable to his own master—the adequate idea—it will suddenly become something terribly boring. It simply strikes our attention, but then we feel disappointed" (Philips, 1994, p. 30). The attraction that the new media provokes shouldn't make us forget the primacy of ideas—the "grey matter" that is the very core of communication activities.

The conclusion that may be extracted from the diffusion of the Internet and new media development has dimensions of hope, but also concern. The new technologies offer technologies for freedom, with new opportunities for public participation and free discussion. But quite often this leads to the prevalence of data without analysis, the concentration of information sources, or the incapacity to present information in its historic context and manipulation. Nieto got to the core issue underlining content quality: "Technological innovations provide easy access to more information in less time. However, it is not so important to reach more people in a shorter period of time than to satisfy their information needs in an adequate way" (Nieto, 2000, p. 11).

The new technologies of communications offer new forms of making us reflect or preventing us to think, to obstruct reflection or make it easier. And that confirms once again the secondary value of technical aspects in communication, and the key consideration deserved by advertising content.

It is not so relevant through which medium we are having a dialogue; what is important is what we are saying. It is crucial for communication to promote dialogue, peace, coexistence, and human dignity. The Internet, in this regard, offers fresh and interesting possibilities, especially for advertising.

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