

UNDERSTANDING INTERNET ADVERTISING

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This research investigates the Internet-based services offered by television stations. Internet services may be directly or indirectly tied to the content of broadcasts or they may be stand-alone products. While TV stations have rushed to develop such services, there is little evaluation of their impact and revenue potential. This paper provides a starting point for research by developing and testing a model of the factors involved.

Private television stations generate revenue primarily by selling advertising time. While this advertising is mostly on their traditional broadcast channels, they now have the scope to offer advertising “space” on the Internet. Web-based services may contribute to TV stations’ economic performance in one of four ways. First, efficiency enhancement: the Internet may be used to improve internal and external communications. Second, effectiveness: these services may contribute to effectiveness by (1) increasing the price and/or volume of broadcast advertising time, (2) providing space on the web pages offered to third parties, which may itself be a source of advertising revenue, and (3) selling stand-alone on-line services. This research addresses the effectiveness issues, concentrating on the first and second of these as content trading is not yet popular and security problems currently restrict Internet trading.

The price that can be charged for advertising time depends on audience size. For TV stations offering both traditional broadcasts and Internet services, audience size comprises viewers and “hits” on web pages. However, the relationship between audience share and web hits is complex. There are interdependencies between audience share and program-specific advertising revenue, between hits and program-specific advertising, and between hits and Internet-specific advertising income. The nature of these interactions is investigated.

This research models the problem by developing a three-dimensional On-line-Success-per-Program-Typology (OSPT). The three dimensions represent, first, TV program types, which may be either information or entertainment, and transmitted regularly or irregularly. The second dimension reflects success factors for TV stations. Success implies higher audience and therefore revenue. The success factors identified are contemporaneity—how up-to-date and accessible the content is, the extent of viewers’ emotional ties to the station or program (a form of relationship building), the degree to which services may be individualized and interactive, and the station’s image. The success factors vary in their importance for each program type. The third dimension of the OSPT is a new classification of on-line services offered by TV stations, which may be program-specific, channel-(but not program-) specific, or independent of both program and channel. Again, the impact of the different types of on-line services on the success factors will be analyzed.

Consideration of these interactions gives rise to seven propositions of the impact of on-line services on TV stations’ financial performance. These propositions provide a basis for real-world investigation of the issues. A primary validation and use of the propositions is demonstrated by case studies of two German television stations. Finally, conclusions as to the usefulness and applicability of the OSPT are discussed and the implications for future research analyzed.