

## AdMark

# Online advertising made easy – kind of

Online advertising may be racking up a massive spend worldwide, but what does all the jargon mean? **William Mace** takes the plunge.

There is no doubt online advertising is growing. In New Zealand, the Interactive Advertising Bureau (IAB) expects it to take a 10 per cent share of all ad spend by the end of the year. Its sister organisation in Britain says online has already overtaken television as the country's largest media, with 23.5 per cent of market share as of June 2009.

The statistics say it all and marketers are being urged to jump on the bandwagon, but which bandwagon, and how much will it cost? And what do all those acronyms actually mean?

□ **Search Engine Optimisation (SEO):** Anyone who hasn't been in cryogenic storage for the last 15 years knows that search engines such as Google, Yahoo and Bing are the first stop for internet browsers. Less well known is the web of HTML-based development behind search engines and sites. The relevance of your website's content to the search terms a consumer enters into the search field dictates whether they see your site or not. SEO is crucial. Do it, or get someone to do it for you.

□ **Search Engine Marketing (SEM):** While SEO soaks up a lot of advertising spending, one quick way to the top of a search engine's listings is to pay. Sponsored listings appear as prominent



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**Samuel Stadler,**  
First Rate chief  
operating officer

links on the results page. Google's search system dominates the marketplace and entire marketing firms are founded on getting the most cost-effective return from Google AdWords' paid-for listings.

publisher sells advertising space based on the site's popularity, much like a television audience. Pricing is based on a **cost per impression model (CPM)** – that is, you pay when someone looks at the page that

traditional display ads on a cost-per-click basis across a group of online publishers.

One such performance network is run by search marketing company First Rate, which was established in 2001 and is now owned by Australian stock exchange-listed company Q Ltd. It includes the likes of [nzcity.co.nz](http://nzcity.co.nz), [nzwomansweekly.co.nz](http://nzwomansweekly.co.nz) and the New Zealand Listener website. Advertisers can bid to place their display advertising on the network, although not on specific sites. They pay on the basis of cost per impression, cost per click, cost per sales "lead" (CPL) or cost per acquisition (CPA) on the advertiser's website.

First Rate chief operating officer Samuel Stadler says impression-based deals are no longer the most cost-effective way of advertising.

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Microsoft is also delving into performance advertising by setting up its own network, Microsoft Direct Response (MSDR), including the MSN.co.nz family of sites, as well as [ticketek.co.nz](http://ticketek.co.nz), [seek.co.nz](http://seek.co.nz) and certain placements on Facebook.

Coming from a traditional publisher background and with the experiences of its parent NineMSN in Australia to learn from, MSN New Zealand is wary of endangering the market's demand for premium display advertising, business manager Liz Fraser says.

"In Australia, the entire market started going in a downward spiral, where more and more budgets were going towards performance advertising, so the yields

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**Premium or performance:** The science of online consumer behaviour is keeping advertisers and web publishers on their toes.

SEM (not including SEO) sucked up 36.3 per cent of the local online ad-spend at last count (\$19.06 million in the second quarter of the year, according to the IAB).

In Australia, it's 50 per cent, and in Britain, it's 62.6 per cent – nearly £1.1 billion (NZ\$2.5b) in the first half of 2009.

The ad dollars are spent based on the value of each search term, which is designated by a **cost per keyword** bidding system, and **cost per click (CPC)** basis. That is, you pay only when a punter picks that link from the bunch. Hence, this form is also called **performance advertising**, because it provides measurable results on each ad link.

□ **Premium Display Advertising:** A more traditional model, where a website

contains your ad, regardless of whether the viewer responds to it.

Paying per impression is less certain and less measurable than SEM, but provides the creative content advertisers think is necessary to set their brand apart and reach a wide and targeted audience.

In New Zealand, the IAB says display advertising accounted for 31 per cent of total market share in the second quarter of this year. In Britain, that number was at 18.1 per cent in the first half of 2009, down from 21.5 per cent in 2007.

□ **Performance Display Advertising:** A relatively new form of display advertising, which combines the cost-per-click model with the targeted reach of popular publisher websites. Advertisers can place

performance advertising, so the yields kept dropping on the [the publishers' website] inventory and that's what they've had to stem. For us to introduce a performance network ourselves, we've got to make sure the way we're selling [CPC] performance advertising is alongside the [CPM] display advertising."

□ **Classified ads** are the final piece of the online advertising pie – think anything from Trade Me to *The New Zealand Herald* online personal ads.

Interestingly, in New Zealand, while display and search advertising categories are growing, classified advertising's share has fallen from 44 per cent in the second quarter of 2007 to 32.5 per cent for the same period this year.

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