



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2016; 2(2): 200-204
www.allresearchjournal.com
Received: 11-12-2015
Accepted: 13-01-2016

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Online advertising and its impact on consumer behavior

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Abstract

Today's scenario is full of, up-to-the-minute need of contemporary future, which is becoming technically an inevitable part of our life. The size and range of online advertisement is increasing dramatically. Businesses are spending more on online advertisement than before. Understanding the factors that influence online advertisement effectiveness is crucial. An internet broadcast model is what many major advertisers have been waiting for. They want to make Internet advertising more like television advertising. Actually, they want to make it better than TV advertising: all visuals impact of traditional broadcast with the additional value of interactivity. The goal of advertisers is to make their ads more involving. Interactive advertising allows customers to become more involved because they initiate most of the action. Experiences during this interaction will drive brand attitudes. The purpose of this study is to analyze different types of online advertising and explore how online advertisements affect consumers purchasing behavior.

Keywords: Online Consumer, Online Advertisement, Online Purchasing, Brand Loyalty, Social Media.

Introduction

In the latest decades, one of the essential problems of Companies is the knowledge of how the consumer will respond to various things that will be used for achieving their ultimate goal. The study of consumer behavior became a concern for marketers, as they may learn how consumers choose their goods and services required to meet multiple needs, which are the factors that are influencing their choice. For this purpose Companies now attracts towards online advertising because online advertising has grown rapidly in the last decade. The numbers of peoples becomes very high day by day in connecting and spending more time online. Additional devices (such as mobile phones and televisions) are able to provide further internet connectivity. The rapid technology development and the rise of new media and communication channels tremendously changed the advertisement business landscape. However, the growing dependency on internet as the ultimate source information and communication, make it a leading advertisement platform. The beginning of online advertising was in 1994 when Hot Wire sold first Banner on the company's own site, and later online advertising evolved to become a key factor in which companies achieve fair returns for their products and services.



Source: <http://livertising.net>

Fig 1: Online Advertising

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Review of Literature

Neelika Arora has published research article entitled "Trends in Online Advertising" in Advertising Express, Dec2004. Neelika Arora, "Trends in Online Advertising", Advertising Express, Dec2004. The global online advertising revenues are expected to touch US \$10bn by 2006. In India, the revenues at present are estimated to be Rs. 80 cr. and are expected to increase six times more within the next five years. In India, Internet as a medium is accepted by a wider industrial segment that includes automobiles, telecom, education, banking, insurance, credit cards, FMCG, apparel/clothing, durables, media, business services and tourism. Out of these, it is estimated that the banking, FMCG and insurance sectors together account for 45% of the total advertising spend. In comparison to this, automotive, travel and retail spend 37% of the total advertising revenue and financial service companies spend 12% only. Some of the top spenders in India are automobiles, followed by brands like Pepsodent, Kellogg's, Cadbury, HDFC (Housing Development Finance Corporation Ltd.) loans and Sunilk. In addition to these the early adopters in the field of finance and IT are also increasing their spending. Globally, the trend is that almost 60% of the revenue goes to five firms- Goggle, Yahoo, Microsoft, AOL(America Online Launchers),and Overture. Approximately, 90% of the Goggle revenues come from advertising. In India, portals like indiatimes.com, exchange4media.com, rediffmail.com, etc are attracting major online spender. This article explains demographic profile of Indian users. It also gives the comparison between global trend and Indian trend, which is useful for my research work. Wikipedia (2012) defined online advertising as a form of promotion that uses the internet and worldwide web to deliver marketing messages to attract customers. Example of online advertising according to Wikipedia, include contextual ads on search engine results pages, banner ads, blogs, rich media ads, special networking advertising, interstitial ads, online classified advertising, advertising networks and e-mail marketing, including e-mail spam. Many of these types of ads are delivered by an ad server. Choi and Rifon (2002) were of the view that "rapid growth in online advertising revenues indicates the viability of worldwide web advertising as an alternative to that of traditional media considering internet advertising growth, there is little doubt that the internet is a powerful and viable alternative to traditional media advertising."

Objectives of the Study

1. To understand the core concept of Online Advertising.
2. To Study the effect of Online Advertising on Consumer Behavior.
3. To know the importance of Online Advertising.

The Core Concept of Online Advertising

Online advertising is a type of mass communication which is based on traditional form of advertising but develops its own communication strategies in correlation with the new technical and medium based requirements. Broadly, online advertising is about delivering advertisements to Internet/online users via Web sites, e-mail, ad-supported software and Internet-enabled smart phones Examples of online advertising include contextual ads on search engine

result pages, banner ads, Rich Media Ads, Social network advertising, interstitial ads, online classified advertising, advertising networks and e-mail marketing, including e-mail spam etc.

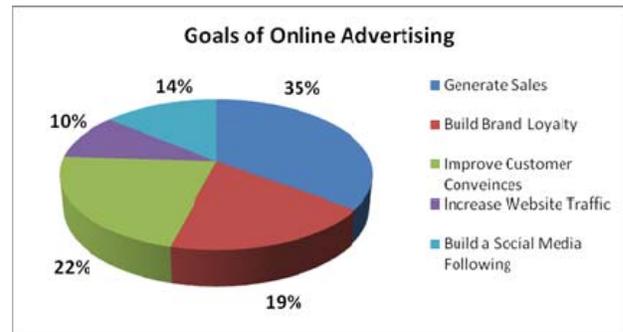


Fig 2: Goals of Online Advertising

Types of Online advertisement

- **Floating ads:** A floating ad is a type of rich media Web advertisement that appears uninitiated, superimposed over a user-requested page, and disappears or becomes unobtrusive after a specific time period (typically 5-30 seconds). The most basic floating ads simply appear over the Web page, either full screen or in a smaller rectangular window. They may or may not provide a means of escape, such as a close button. More sophisticated versions can come in any shape or size and include sound, animation, and interactive components.
- **Expanding ads:** These are ads that expand when users click on them. The ads do not expand just from mousing over hyperlinks, which is a technique used by some other advertisers. They often take a long time to download, which in turn can negatively impact the visitor's experience on that page. Polite ad formats were developed to address this challenge by enabling advertisers to serve larger file formats without disturbing the load time for the rest of the images on the page. A polite ad format is loaded in two phases:
 - **Phase One:** The initial load is a compact image or SWF file that is smaller in size, so there is no delay in loading other contents on the page. This could be the first few frames of the ad, or a teaser.
 - **Phase Two:** The main load is the full version of the ad. The full ad can have a larger file size. It is loaded only after the whole web page has finished loading into the visitor's browser.
- **Wallpaper ads:** An ad which changes the background of the page being viewed.
 - a. **Trick Banner:** A banner ad that attempts to trick people into clicking, often by imitating an operating system message.
 - b. **Pop-up:** A new window which opens in front of the current one, displaying an advertisement, or entire webpage.
 - c. **Pop-under:** Similar to a Pop-Up except that the window is loaded or sent behind the current window so that the user does not see it until they close one or more active windows.

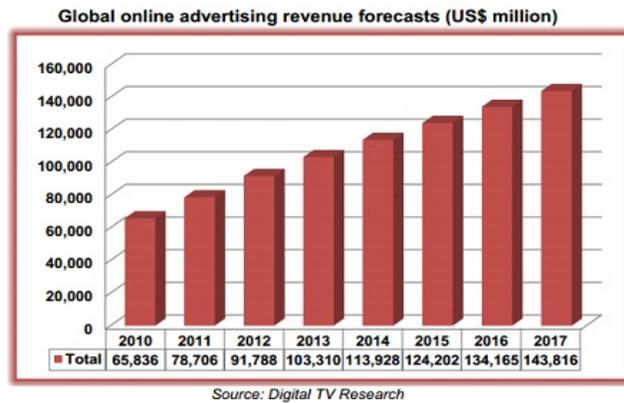


Fig 3: Forecasting of Online Advertising Revenue

Benefits of Online Advertising

Online advertising, however, is much less expensive and reaches a much wider audience and will probably give you more profit than traditional advertising. It has a lot of advantages that traditional advertising haven't even dreamed about. This new form of advertising gives such wide possibilities, that it makes your head spin: video advertising, advertising on social networks, mobile advertising, e-mail advertising, banner advertising, Google Search advertising and a lot more. These are the benefits of online advertising:

- 1. Less Expensive:** A main benefit of online advertising is that it has a much affordable price when compared with the traditional advertising costs. On the internet, you can advertise at a way more inexpensive cost for a much wider audience.
- 2. Wider Geographical Reach:** Online advertising gives your campaigns global coverage, which helps your online campaigns reach more audiences. This will definitely help you achieve superior results via your online advertising strategy.
- 3. No Rigorous Payment:** This is another appealing benefit of online advertising. In traditional advertising you have to pay the full amount of money to the advertising agency, no matter the results. In online advertising however, you have to pay only for the qualified clicks, leads or impressions.
- 4. Easy Result Measurement:** The fact that it's so easy to measure makes online advertising more appealing than the traditional advertising methods. You can find a lot of effective analytics tools in order to measure online advertising results, which helps you know what to do and what not to do in your following campaigns.
- 5. More Targeted Audiences:** In comparison with traditional advertising, online advertising helps you to easily reach the targeted audience, which leads to your campaign's success.
- 6. Speed:** Online advertising is faster than any of the offline advertising activities and you can start sending out your online ads to a wider audience, the moment you start your advertising campaign. So if you have a large targeted audience online at the time of triggering your online advertisements, then your ad will be served to majority of the audience in no time.
- 7. Informative:** In online advertising, the advertiser is able to convey more details about the advertisement to the audience and that too at relatively low cost. Most of the online advertising campaigns are composed of a click-

able link to a specific landing page, where users get more information about the product mentioned in the ad.

- 8. Better ROI:** Since online advertising is mainly focused on performance based payment, your ROI is sure to be far better when compared with offline advertising. You can also easily track and analyze the performance of your online advertisements and adjust them so as to improve your ROI.
- 9. Easy Audience Engagement:** Most of the online advertisement platform makes it easy for the audience to engage with your ads or products. As an advertiser we would be able to get more feedback from the audience and thereby improve the quality of our ads going forward.
- 10. Better Branding:** Any form of advertising helps in improving the branding and online advertising stands a notch high in improving the branding of your company, service or product. If your digital advertising campaign is well planned, you have the chances of getting your brand name spread virally over a larger audience.

Disadvantages of Online Advertising

The biggest disadvantage of advertising on the Internet is that your marketing materials are automatically available for anyone in the world to copy, regardless of the legal ramifications. Logos, images and trademarks can be copied and used for commercial purposes, or even to slander or mock your company. This is not the case with television and magazine advertising, wherein images must be replicated rather than simply copied electronically. Another disadvantage is the fact that the Internet-advertising gold rush has begun to introduce ad clutter to the Web. Web users are so inundated with banner ads and spam email that they have begun to ignore internet advertising just as much as ads on traditional media.

Effects of online advertising on customers

Online advertising techniques such as banners, pop-ups, and pop-unders are quite annoying to Internet users (McElfresh, C.; Mineiro, P. and Rodford, M. 2007). This is surprising because traditional media like television commercials has been long been criticized as being intrusive and the leader in advertising annoyance. However, research indicated that online consumers are more goals oriented and judge online advertisements even more harshly than those in other media. The negative perception that users develop towards intrusive ads leads them to not return to that website. A Jupiter Research survey showed that 69% of users consider pop-ups annoying, and, further, 23% said they would not return to the site simple because of the ads (McElfresh, C.; Mineiro, P. and Rodford, M. 2007)^[8]. With users needing instant gratification not being able to complete their goals while online is starting to diminish their feelings towards advertisements, company's brands and website environments. Abernethy describes intrusive online ads to being a television viewer who cannot leave the room or change the channel during a commercial, the user are deterred and feel helpless because there is little they can do to escape these ads other than interrupt their task, scroll past ads, or close the pop-up/pop-under windows.

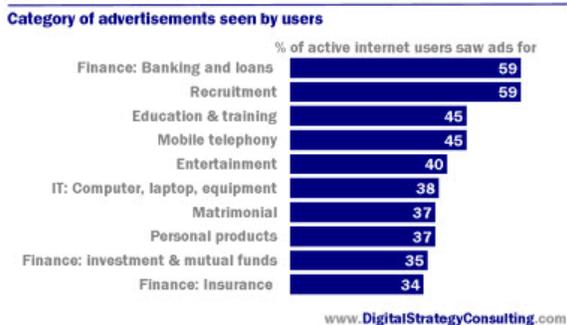
Most important online advertising opportunities in India

- Mobile Marketing:** This year we will see access to websites by mobile devices rival and surpass access by

desktop and laptop environments. Marketers are already taking advantage of this – \$32 million was spent on mobile advertising alone for the three months to September quarter in 2014, representing a 190 per cent year on year increase, and a 34 per cent increase on the June 2014 quarter. It's no longer enough to have a website that "looks ok" in a mobile environment – your website should be responsive and targeted towards what people may want to see on the go. Utilising search for mobile advertising and developing unique campaigns for these environments is crucial.

- **Social Media Marketing:** Social media will become an effective tool in the hands of discerning advertisers. Facebook in its promotional posts and offers last year, allow marketing within the mobile environment, which is where the majority of users access Facebook. Promoted posts provide businesses with the ability to push a post out to not only fans, but 'likers' of fans, increasing the reach dramatically. Offers allow businesses to present advertised offers which spread virally as people "accept" the offer acting as brand advocates for your brand by pushing this to their friends. This is really only the tip of the iceberg. Social media is projected to ramp up its revenue generating activities.

Online advertising sectors: India



<http://www.digitalstrategyconsulting.com>

Fig 4: Indian Online Advertising Sectors

- **Pinterest:** Pinterest has seen massive growth – Pinterest now drives more traffic to business websites than YouTube, LinkedIn and Google + combined. It's been a quiet achiever when it comes to businesses, as businesses discover ways they can harness this opportunity. For ecommerce sites, the opportunity is obvious – posting images of products, listing prices and including a URL to the site works well. For other businesses, it's about thinking strategically with regards to imagery that could help support the brand e.g. home builders showing interior shots of their homes, restaurants posting food images and so on.

Conclusion

With the increased adoption and fission of the Internet, World Wide Web is becoming gradually a standard advertisement platform. The Web is offering business advertisement world with more rich media tools, interactive services, and global reach. The need is to understand the target consumers and then strategize wisely in order to gain maximum out of this new medium. The actual impact of advertising is hard to track and quantify for both mass media and the Internet,

although interactive technology presents new possibilities for the entire advertising industry. In the case of mass media, there are companies that measure the size of the audience per commercial message, for instance Nielson TV and radio ratings, and efforts are underway to further evaluate the economic impacts of advertising by correlating advertising and an increase in sales. But broadcast advertising is fundamentally inefficient because of its redundancy. It sends messages regardless of whether people are interested, receptive, or relevant to the product. In comparison, selecting an audience and verifying the number of people who received a message is relatively easy on the Internet. However, the advertiser still does not know whether the receiver actually read the message or not. Refined measures and methods are being proposed for the Internet. Proctor & Gamble, for example, limits payment for its ads on the Yahoo! Search engine to the number of people who actually request more information by clicking on their advertisement rather than paying based on the number of Yahoo! customers to whom its advertisement is presented on their search pages. This is in contrast with the traditional method of measuring viewer-ship, and payment—based on "eyeballs," equivalent to the number of connections to Yahoo!. As more and more sellers begin to doubt the effectiveness of broadcast advertising on the Internet that simply flashes banner advertisements, have to rely on different revenue sources. As a result, there will be reduced outlets for broadcast-based advertising in the future. An alternative is targeted advertising.

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