

# STUDY ON THE EVOLUTION AND TRENDS IN ONLINE ADVERTISING IN THE EUROPEAN UNION COUNTRIES

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*It is estimated that the internet today has over 5 billion online pages. In this sea of internet, users search for products or services they require, compare them, then they choose. Worldwide, online advertising expenditure will increase, according to specialized studies, particularly with the attraction on the web of key traditional advertisers. They come mostly from the car industry, IT&C, tourism, financial services industry and healthcare. Experts estimate that the value of Internet advertising expenditure will grow in Romania from 15.06 million USD (2008), to 21.2 million USD (2009).*

*Worldwide, the online advertising market has exceeded the value of 65.2 billion USD and it's predicted that by 2011 the annual increase of investments made in online advertising will be of 15-20%. In the same year, the amount spent on promotion, will be somewhere around 106.6 billion USD.*

*Keywords: online advertising, website strategy, broadband services, internet campaign*

## **1. Online advertising – developments**

Online or interactive advertising is a method that uses online media, respectively Web pages, newsletters, e-mails, in order to send a message to the targeted audience, in the form of banners, contextual advertising, ads in search engines etc.

The following are among the most commonly used forms of advertising online:

- Advertising in search engines - 50% of last year's expenses with online advertising. Here we talk about Search Engine Optimization (SEO) and pay per click ads (PPC). The biggest players in this field are: Google, Yahoo and MSN. There are other smaller engines, but usually, for best results, use the big companies.
- Advertising on websites - 21% out of the total cost of online advertising. Advertising through banners or contextual ads is still quite widespread. One can rent some space on a website, the payment being usually negotiated for a certain amount for click per M(thousand) (CPM). Taking into account the success of search engine optimization and pay per click publicity, CPM is considered a bit risky, although in the case of the websites with quality visitors (possible clients) you can obtain good results.
- Online ads - 17% out of the cost of online advertising last year, summing up 4 billion USD; the online ads are very efficient, especially considering that they represent one third of the search engines' budget.
- Client generating/initiatives – over 1.4billion USD, this section has 6% of online advertising. For the advertiser this model is the perfect representation of client targeting on the internet: the advertiser pays only when a client that buys is sent to his website
- Media ads – with a number of one billion, it covers 4% of the online advertising market. Media ads refer to the integration of the ads in videos, this aspect helping to increase the conversions. It's no surprise Google bought YouTube for 1.5billion USD.
- Email – although it covers only 2% of the online advertising, should be noted that 500 million USD is still a large number.

Although online advertising offers a series of advantages (better targeting, large volume of information, the possibility of interacting with the potential client etc), the online environment still remains one of the advertising segments that doesn't attract major investments, due to the fact that the investors aren't completely certain of it. Even so, there is an increase in the investments made in this extremely dynamic environment

In 2008, net investments in online advertising were 2.6% out of the total of the investments, which is about 16 million euro.<sup>363</sup>

The biggest percentage increase of advertising in 2008 was the Internet, with an increase of over 50%, followed by television, with only 24%. The total amount is also confirmed by the official study conducted by The Interactive Advertising Bureau Romania (IAB), that shows that in 2007 the investments in online advertising were of 42.6 million lei, and in the first semester of 2008 33.9 million lei.

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363 Ardelean A., Double click on online advertising, Biz Magazine, No. 177, 18 - 31 March 2009, pg 27

This evolution is also determined by an escalating degree of internet use in all the world. The conclusions of the Eurostat Report say that 50% of the inhabitants and 9 out of 10 companies used the Internet in the first semester of last year in The EU (including Romania and Bulgaria). So, 47% of the Europeans with the age between 16 and 74 used the Internet in the first semester last year, out of which there were more men than women and more young people than older ones, the record being registered in the category of youngsters with the age from 16 to 24 – 75%. And for companies: in the beginning of 2008, 89% of the European companies were using the Internet, more than half of them having broadband connection.

Together with the usage percentage, the Eurostat report also watched the frequency of the broadband connections and e-commerce and e-government solutions. In the first semester of 2008, the highest degree of usage in The EU was registered in Sweden (82%), Denmark (76%) and Finland (70%), while the lowest percentage was registered in Greece (20%), Hungary (28%), Lithuania, Poland and Portugal (29%, each).

On average, in the 27 countries members of The EU, men used the internet more often (51%), women (43%), but in some countries, like Estonia, Letonia, Lithuania or Finland, the percentage was almost the same.

At the beginning of 2008, most of the active companies on the Internet were registered in Denmark and Finland (both with 97%), in Belgium and Sweden (with 96%), and the least attracted to Internet's utility were Portugal (77%), Hungary (78%), Lithuania (81%) or Cyprus (82%).<sup>364</sup>

Ensuring a much faster connection, and possibilities to use the Internet definitely superior to other Internet solutions, broadband services have won numerous supporters in the EU. Out of all the EU members, a larger number of households with broadband connection were registered Denmark (36%), Finland (21%) and Estonia (20%). The same type of connection used 53% of the companies in The EU, most of which are in Denmark (80%), Sweden (75%) and Spain (72%).

The most recent IAB study concerning the optimization of the mix media has proven how a higher percentage allocation from the marketing budget for online advertising determines an increased efficiency of the campaign. Among the companies that participated in the previous campaigns were Unilever, McDonalds and Colgate-Palmolive. Ford announced that it will take part in one of the next stages.

The main conclusion of the studies conducted so far was that, ideally, every advertiser should allocate 10% of the company's budget to the Internet.

Referring to Romania, the information quality of the information and services has convinced the Romanians that the Internet deserves attention: the number of users has grown and the advertisers turn their attention more and more to the online media.

Romania has one of the highest increasing rates of internet usage in the Central and Eastern Europe comparative to the Western market, a study of the Romanian internet market, conducted by Roland Berger Strategy Consultants shows.

The Internet is mainly used by the Romanians for the email (49%), chat (46%) and information finding (37%). Most users access the internet from public spaces (50%), from the office (25%) or/and from their home (20%). The study, based on a survey conducted among internet users, also shows that the users are mostly young people between 18 and 29 and adults between 30 and 39.

The internet sector is characterized, according to the analysis completed by Roland Berger, through the increase in the number of users and the number of registered domains, the improvement of the quality of the contents, of the information and services offered by the Romanian websites, the increase of the volume and the sophistication of the online advertising, together with a growing interest of the advertisers for the Internet medium

The development of the access to the internet through cable and mobile internet, the appearance of additional services with added value at the main ISP's (online protection of emails, Customer Centers, VoIP), the definition of a group of important players with business activities online, that develop website networks in order to attract publicity or to offer online applications and services, like recruitment, e-markets, etc., elaboration and adoption of the legislation in ITC domain have also contributed to the increase of users.

The number of users is in continuous growth and the quality of the content is enriched, so that the online advertising is also going to expand, the study shows. The advertisers opt for the online advertising due to the advantages that it presents:

- the targeted audience has attractive attributes: it's young, dynamic, modern.
- an online advertising campaign can reach the audience in the working hours, when it's not targeted by any other media channel, has relatively low costs compared to other media channels, can be monitored shortly after its launch, implies a direct and personalized communication with the consumer;
- the advertisers can access precise segments of consumers, due to the existence of specialized websites.

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364 Eurostat - Report concerning the use of the Internet in the EU, [www.adspace.ro](http://www.adspace.ro) / inside - news & articles

## 2. Online advertising – trends

The spectacular growth each year of online advertising in European countries, including Romania, had, as an effect, a dynamic of the advertisers that invested in this media channel.

This phenomenon is a sign of the beginning of market maturing and, at the same time, it's a sign of recognition of internet value and the modern mix media in Romania, possible effects that will be induced in short and medium terms as a result of this phenomenon, are as follows:

- increase in prices in the news/business segment. This effect is immediate and natural, over the internet manifesting itself pretty strikingly as an expression of a balance between demand and offer, and shouldn't be regarded as a speculative game, but as a market evolution and a value recognition and reach of audiences by the Romanian websites.
- orientation of the advertisers towards other website categories. The appearance of quality specialized websites will make the advertisers concentrate a part of the online budgets towards less crowded websites where their brands would be more visible and where the affinity for their products can overcome the affinity registered on general websites.
- orientation of the advertisers towards "beyond the banner" solutions. They bring in more feedback than banner advertising, creating an association with certain brands and online communities, avoiding the competition on that website and having a cost per person lower than the banners, where the transmission is harder to control
- the appearance of new business and news websites. This phenomenon will be doubled by the growth and development of already existing websites.

Concerning the biggest investors in online advertising, today they come from the telecommunications field, banking and the auto industry.

But an online advertising campaign can have very specific objectives. With its help, one can obtain notoriety (for a brand, product, offer, service, etc.), customer relationship (for example, an online free service develops a long term relationship with the targeted audience), sales leads (the user can be brought to the point of offline or even online sale if we speak of an online shop), direct data about users can be collected and generated content about the consumer can be obtained.

Concerning the efficiency of the website strategy to which the user has been sent by clicking on the banner, one can make several conversions, depending on the objectives. This way, one can see how many users continue browsing the site after clicking on the banner versus how many close it immediately, how many of those who got on the website by clicking on the banner use the interaction options on the website (detail information, send to a friend, print information, show online content, sign up for an online service), how many decide to buy (contact online a seller/dealer or buy online). And, in fact, these are the details that matter.<sup>365</sup>

Even if the internet doesn't have as many measurement instruments as television, radio or written press, there are measurement instruments of efficiency for the campaigns conducted on the internet. In many cases, the measurement of the results stops only on counting the clicks on banners. Very few look at what happens to the users after they click the banner. If they did, they could know if the banner was placed in a good spot, if they sent a good message, if the site sustains or not their campaign.

### *Advantages of online advertising:*

For those who know how to use the internet, this communication presents unthinkable advantages:

- Of them, the interactivity is the most evident, the internet being the only channel that permits this way of communicating.
- The cost of an internet campaign is much lower than in the case of other means of advertising. The internet is, mainly, a complementary media vector, that adds value to the classically conducted media campaigns. But we shouldn't forget that in order to have a single full-page insertion in three or four women's magazines in a media plan (Unica, Avantaje, Tabu, etc), one has to pay at least 10-15,000 euro, but in order to target the same number of women, the same targeted audience on a website visited mainly by women, the cost is about 50% lower for an online monthly campaign.
- Also, these communication ways offer extensive creative possibilities, measurement of exposure, control of targeting, high affinity for young and modern targets, extremely low production and media costs, compared to classic media, possibility to test the reaction of visitors to different messages or executions, in different hours of the day, in different contact points.
- On the other hand, the companies that advertise have the possibility to get instant feedback, and based on that, the marketing people can build interesting projects. Plus the way of targeting is fast and an online advertising campaign can reach its audience during work hours, an option that other media channels don't have. Prime time on the internet is between 9am and 6pm, in this period, online represents the best way of reaching a few millions of

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<sup>365</sup> Study regarding the market value of online advertising in Romania, July 24 2008, IAB Press Release - Barbados

educated users, with above average income, that know how to use a PC, that have a mobile phone, etc. Also, from our studies we see that online users consume less and less the traditional media.

- But maybe the most important is that when in front of the computer and browsing the Internet, the consumer has a different behavior. His attention level is high, is distributed differently, because he is there with a certain well-defined purpose.

For 2009, specialists are more reserved in estimations concerning the value of online advertising, due to the financial crisis, estimating an increase of only 10-15%.

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