Digital Marketing: Paid Internet Advertising and Its Revenue Model

Ms. Anukriti Agarwal,
Scholar (Spring 2021), School of Business
Ph.D. Program, Sushant University, Gurugram (Haryana)

Dr. Naveen Nandal,
Assistant Professor,
School of Business, Sushant University, Gurugram (Haryana)

_____

Abstract

This review paper has explored literature review of 18 research papers and review papers to understand the various types of digital marketing techniques and the existing literature on their performance indicators which are used to develop a revenue model. The research shows the rise of digital media and has helped understand various aspects of customer engagement, which is helping the brands improve their marketing strategies, increase their presence and revenue in the market. The past decade has seen the rise of digital marketing strategies, but there is still a lot of research scope to identify models to measure the effectiveness of each strategy and identify an optimal level of investment in digital marketing techniques. Another area of research that is currently catching the attention of the business houses is the increasing involvement of government regulations and policies to govern the e-commerce segment, social media marketing and even the fintech world of cryptocurrency.

_____

Introduction

The second decade of the 20th century saw the rise of internet and a new channel of marketing emerged that is the digital platform. This platform today is being used not only to sell products and services but also used to communicate with the target audience at large. The communication can include various campaigns, displaying information about products/ services, showcasing visual images of the products, capturing post-purchase behavior of the users and optimizing the distribution channels. A latest report of Statista published in January 2021, 59.5% of the world population has access to internet out of which 92.6% have access to internet via their mobile devices. These statistics are evidence that the platform of digital marketing has been penetrated to almost 60% of the world population and has become mainstream. (Herbig & Hale, 1997) The web platform has helped the brands reach millions of potential customers in a short duration of time, some of the forerunners in this were GE, IBM, Procter & Gamble, Kraft and Ford who were the first ones to registered their domain names on the world wide web. (Gould & Nazarian, 2018) The digital marketing platform strongly influences the individual's sphere of mind, before the era of online marketing the impact of advertisement was minimal with limited reach.

_____

_____

The study has critically analyzed the 3 categories of Internet Advertising Paid Slots and Spaces model created by Aslam & Karjaluoto, 2017 i.e. Search engine advertising, Social Media Marketing and Display Advertisement. The paper has also critically analysed their uses and effectiveness. In the second part the paper has critically analysed the various key indicators used to measure the performance of the 3 categories through qualitative and quantitative indicators. (José Ramón Saura et al., 2017) The effectiveness of digital marketing can be measured by various metrics, where a company can assess if the strategy is helping them achieve the marketing objective. The importance arises because lately the digital media and social media has changed the way potential customers/ customers gather information, make purchasing decisions and the channels they use to make purchases.

Objectives

The main aim of the study is to study existing literature on the rise of digital marketing during the last decade, the future of digital advertising. The digital marketing works on the basis of various models, one such model which is studied in this research paper is internet advertising paid slots and the revenue models and its KPIs used by the brands or search engines to analyse the effectiveness of digital marketing investments.

Methodology

The main objective of the research was to analyze various categories of digital marketing and existing key indicators to measure the effectiveness/ performance of the platforms in terms of the investments made by the brands. Therefore, to achieve these objectives 20 research/ review papers were investigated using search terms such as 'Digital marketing', 'Key performance indicators', 'Social media marketing', 'Return on investment', 'measurement of social media marketing', 'Digital reinvention'.

Critical Analysis of Digital Marketing

According to the data published by Statista Research Department on 28th May 2020 advertising through digital marketing platforms that are laptop, desktop, mobile devices using internet accounts for 51% of total expenditure on media advertisements in 2020. Digital advertising spending was estimated to be 378B USD in 2020, the same is expected to reach 646B USD by 2024. Mobile advertising alone accounts to total spending of 276B USD in 2020 and it is expected to reach 495B USD by 2024 (Link)

(Ghoshal, 2020) Times have changed, a marketing activity is totally different from the traditional assignment where the brands had to identify the marketing objective, the target audience, mode of communication. The consumer of the 21st century has changed and brands need permission from the consumers to engage them in their marketing activities. Digital marketing helps reach a broader audience and the consumers are flooded with information through various touch points. Brands need to grab their attention in today's attention deficit world because the customer's decisions are spontaneous with instant action.

The decade of 2011- 2020 has been a decade of FANGS (Facebook, Amazon, Netflix, Google), Instagram, Linkedin, Twitter, digital platforms took over the world in all aspects of human life. (Alalwan et al. (2016)) These have engaged people in all aspects of life be it education, social life, commercial life, political and business life, these become an important part of daily life interactions. (Bughin et al., 2017) There is deep penetration of digital technologies in media, retail and social communication, but on average digitalization is less than 40% and the actual

_____

force of digital media is yet to be seen. (Gould & Nazarian, 2018) Digital advertisement, social media marketing amplifies the sphere of influence of the marketing activities on the target audience. It has increased the transparency between the brand and consumer, the consumers can interact with the brand, the existing users, and look for more content related to products/ services.

(Aslam & Karjaluoto, 2017) A very crucial segment of digital marketing is the framework of Internet Advertising Paid Slots and Spaces (IAPS) which acts like a stock exchange for various advertising platforms around the world wide web and significantly contributes to internet advertising revenue. This framework covers a diverse area of internet advertising. The relevant research and conference papers have organized the IAPS into 3 categories: 1) Search engine advertising, 2) Social Media Advertising, 3) Display advertisement. There 3 are mutually independent of each other in terms of campaign costing, pricing, and initial setup.

1. **Search Engine Advertising:** This category helps a brand to occupy an advertising slot, which will appear as a response to the targeted keyword. This category is also known as sponsored search advertising, a very standard example for this is Google which helps in reaching the potential customer and landing them on a relevant page. In this technique a user enters a search query using the right keywords on Google, and the search engine lands them on a page where there are sponsored and non- sponsored links listed. In this mode of advertising the selection of keywords is very important for an effective campaign. The shorter and longer length of keywords also have an impact on the search results.

2. **Social Media Advertising:** (Iankova et al., 2019) The last decade has seen the rise of FANGS, Instagram, LinkedIn, Twitter. This platform for marketing activities has the ability to reach millions of potential customers by engaging them in brand related content and this also helps in developing a 2-way communication channel for the brands with the potential customers. This platform of digital marketing can be used by organizations of any size to meet the branding and marketing goals at a convenient cost. (Parveen et al., 2015) Social media advertising helps to communicate with the customers at various touch points such as information search, branding, advertising, promotions, build customer relations and (Rambe & Jafeta, 2017) also lets the customers share their experience, opinions, insights and gives a platform to interact with the user generated content. (Bonn, 2018) Online social networks (OSN) target the intention of a group rather than individuals, this develops the interest of the potential buyers towards certain products. To target customers through OSNs it is important to consider the practicality, cost, price and returns.

3. **Display Advertisement:** The traditional method of advertising gave birth to internet display advertising. (Aslam & Karjaluoto, 2017) there are 2 types of display advertisements i.e. display ads and search ads. Display ads are displayed on the websites a viewer is browsing, whereas the search ads are displayed based on the keywords searched by the viewer on the search engine. The display ads provide scope of customization of ad format, content, duration and occurrence, managing these in the interest of catching the attention to achieve conversion. (Lee et al., 2015) Animated and flash animated advertisements have a positive impact on attention and are considered to be more attractive than a static advertisement. Such advertisements do not grab the attention of the buyer initially, but are considered to be more effective than static ads when exposed repeatedly for short duration. The effectiveness of the ads also depends on

_____

the placement of the content for example: fashion related ads should be displayed on related websites, ads related to sports should be displayed on sports related websites.

Revenue Model and Performance Indicators of Digital Marketing

(José Ramón Saura et al., 2017) An organization has allotted budgets for various marketing activities such as campaigns, below the line marketing activities, above the line marketing activities, which help a brand to showcase the brand, products, and services offered to communicate with the potential customers or existing customers. The performance of digital marketing is to analyse whether the money invested in the activities generates business, and the return on investment is to be calculated. There are some techniques identified to calculate the ROI of Digital Marketing, the 2 measures are:

1. ROI (Return on Investment)
   The measurement helps in evaluating the efficiency of the investment incurred by the brand. It is calculated by comparing the spending on digital marketing with the sales increase. The formula is mentioned below:
   $$ROI = \frac{Gain\ from\ Investment - Cost\ of\ Investment}{Cost\ of\ Investment}$$

2. CTR (Click- Through Rate)
   This helps to check the reach of an advertisement through the number of clicks received on their advertisements.
   $$CTR = \frac{Number\ of\ Clicks}{Impressions}$$

There are various qualitative and quantitative analytical approaches to understand the consumer behavior of the target group, check the performance of the actions, understand the consumer trends and help the brands to make strategic decisions. (Migiro, 2010) The web analytics today tags small data called cookies which are installed in the search engines which track activity of the consumers, segment the audience based on their choice and help in defining strategies to implement web analytics tools. Google analytics is the most prevalent one used by the brands and research organizations which help the brands develop strategies.

1. **Quantitative Analytical Indicators:** (José Ramón Saura et al., 2017) There are 3 basic types of results from quantitative analysis that are conversion (increase in revenue), conversion rate (cost per conversion should reduce), customer satisfaction and loyalty. Indicators:
   - Impression: The number of times an organic or sponsored ad is being opened on a web page and number of times a display ad is being clicked upon
   - Traffic: Number of perspective customers/ customers who visit the website
   - Unique Users: A count of new/ unique users hitting the website URL during a specific time duration
   - Lead: A lead is when a new customer signs up on the website, downloads content or fills out a form on the website. This gives a database to the website of the new potential customer.
   - Conversion: The conversion depends on the objective of marketing, a click, a form or a purchase can be counted as conversion depending upon the strategy.

_____

2. **Qualitative Analytical Indicators:** (Hwangbo et al., 2017) There are various techniques to identify the behavior of a user, their actions on a webpage. Web analytics does not collect user data but it captures the actions of the user on a web page. (José Ramón Saura et al., 2017) Qualitative information can be collected from the user in 2 different ways (i) Asking the users directly through focus group discussion, expert interviews and surveys, (ii) By analyzing the consumer behavior, their response to timely questions and other techniques. Below are some listed qualitative indicators of digital marketing:

   - Conversion Rate: The number of conversions are divided by the number of ad clicks/ actions which lead to conversion in a specific time period.
   - Goals Conversion Rate: The conversion rate of a completed activity like making an e-commerce purchase, submitting a contact details form (lead generation) on a website
   - Type of Users: *New Visitors* (viewers visiting a website for the 1st time), *Returning Visitors* (second time viewers visiting the website), show interest of the viewers in the website, products and services
   - Type of Sources: Every visitor of a website has a source such as through campaign, organic search, email, referral. This tracks the source from where a viewer is reaching the website
   - Keywords: The keywords help a viewer reach a website via search engines. There can be branded or non- branded keywords which lead to a visitor reach a website
   - Keyword Ranking: The ranking is an estimate of the position of a website on a webpage. The lower the rank of the website, the easier it is to find the website. A website can get a lower rank by either having high popularity or by bidding for keywords on the search engine.

Conclusion

The platform of digital marketing is capturing the behavioral response of the consumers and trying to influence their preferences/ purchase decisions through various domains i.e. sponsored search advertising, social media advertising and display advertising. These advertisements can be easily found on the top, lower or left side of web pages of all mediums such as social media web page, search engine page, sometimes even on particular websites.

The calculation of return of investment of digital marketing techniques is a topic of interest for the researchers but there is not much literature around that. The traditional marketing tools have defined revenue models but since digital marketing is an evolving domain, the marketing executives are still struggling to answer questions like 'how to measure the effectiveness of digital marketing?', 'the return on investment on digital marketing' and 'an ideal model to optimize investment strategy for digital marketing'. There is a lot of data that has been gathered on the web portals, but the real challenge is to convert that data into right information which can help conclude on the consumer behavior and optimize the marketing spend on digital marketing techniques.

References

1. Alalwan, A. A., Rana, N. P., Dwivedi, Y. K., & Algharabat, R. (2017). Social media in marketing: A review and analysis of the existing literature. *Telematics and Informatics*, *34*(7), 1177–1190. https://doi.org/10.1016/j.tele.2017.05.008
2. Aslam, B., & Karjaluoto, H. (2017). Digital advertising around paid spaces, E-advertising industry's revenue engine: A review and research agenda. *Telematics and Informatics*.

_____

https://doi.org/10.1016/j.tele.2017.07.011

3. Bonn, H. K. M. A. (2018). Advertising in Online Social Networks: the role of perceived enjoyment and social influence (Information) [. *The Eletronic Library*, *34*(1), 1–5.

4. Bughin, J., LaBerge, L., & Mellbye, A. (2017). The case for digital reinvention. *McKinsey Quarterly*, *2017*(1), 26–41.

5. Ghoshal, N. Das. (2020). Digital marketing: The opportunity and the imperative. *International Journal of Public Sector Performance Management*, *6*(2), 246–259. https://doi.org/10.1504/IJPSPM.2020.106733

6. Gould, D. J., & Nazarian, S. (2018). Social Media Return on Investment: How Much is it Worth to My Practice? *Aesthetic Surgery Journal*, *38*(5), 565–574. https://doi.org/10.1093/asj/sjx152

7. Gupta, S., Agarwal, A., Chauhan, A., (2018). Social media and its impact on consumers buying behavior with special reference to apparel industry in Bareilly region. https://www.indianjournals.com/ijor.aspx?target=ijor:sjbms&volume=14&issue=2&article=003

8. Herbig, P., & Hale, B. (1997). Internet: The marketing challenge of the twentieth century. *Internet Research*, *7*(2), 95–100. https://doi.org/10.1108/10662249710165226

9. Hwangbo, H., Kim, Y. S., & Cha, K. J. (2017). Use of the Smart Store for Persuasive Marketing and Immersive Customer Experiences: A Case Study of Korean Apparel Enterprise. *Mobile Information Systems*, *2017*. https://doi.org/10.1155/2017/4738340

10. Iankova, S., Davies, I., Archer-Brown, C., Marder, B., & Yau, A. (2019). A comparison of social media marketing between B2B, B2C and mixed business models. *Industrial Marketing Management*, *81*(January 2017), 169–179. https://doi.org/10.1016/j.indmarman.2018.01.001

11. Krizanova, A., Lazaroiu, G., Gajanova, L., Kliestikova, J., Nadanyiova, M., & Moravcikova, D. (2019). The effectiveness of marketing communication and importance of its evaluation in an online environment. *Sustainability (Switzerland)*, *11*(24), 1–19. https://doi.org/10.3390/su11247016

12. Lee, J., Ahn, J. H., & Park, B. (2015). The effect of repetition in Internet banner ads and the moderating role of animation. *Computers in Human Behavior*, *46*, 202–209. https://doi.org/10.1016/j.chb.2015.01.008

13. Leguina, J. R., Rumín, Á. C., & Rumín, R. C. (2020). Digital marketing attribution: Understanding the user path. *Electronics (Switzerland)*, *9*(11), 1–25. https://doi.org/10.3390/electronics9111822

14. Michaelidou, N., Siamagka, N. T., & Christodoulides, G. (2011). Usage, barriers and measurement of social media marketing: An exploratory investigation of small and medium B2B brands. *Industrial Marketing Management*, *40*(7), 1153–1159. https://doi.org/10.1016/j.indmarman.2011.09.009

15. Migiro, L. N. (2010). No Google Analytics Intelligence for Information Professionals Title. *Thesis*, *34*(May), 1–29.

16. Parveen, F., Jaafar, N. I., & Ainin, S. (2015). Social media usage and organizational performance: Reflections of Malaysian social media managers. *Telematics and Informatics*, *32*(1), 67–78. https://doi.org/10.1016/j.tele.2014.03.001

17. Rambe, P., & Jafeta, R. J. (2017). Impact of social media advertising on high energy drink preferences and consumption. *Journal of Applied Business Research*, *33*(4), 653–668. https://doi.org/10.19030/jabr.v33i4.9977

18. Saura, José Ramón, Palos-Sánchez, P., & Cerdá Suárez, L. M. (2017). Understanding the Digital Marketing Environment with KPIs and Web Analytics. *Future Internet*, *9*(4), 76. https://doi.org/10.3390/fi9040076

19. Saura, Jose Ramon, Palos-Sanchez, P., & Herráez, B. R. (2020). Digital marketing for sustainable growth: Business models and online campaigns using sustainable strategies. *Sustainability (Switzerland)*, *12*(3), 3–7. https://doi.org/10.3390/su12031003

20. Yurder, Y., & Akdol, B. (2019). *Social Media as a Communication Channel*. *June*, 115–131. https://doi.org/10.4018/978-1-5225-9416-1.ch007

Websites:

https://www.statista.com/statistics/617136/digital-population-worldwide/

https://datareportal.com/global-digital-overview

_____