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Pricing Banner Ads



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Abstract

This paper helps shows the reader what a banner adv is, the advantages of using it as a marketing tool and how to calculate the price that he would have to pay in case he wants to display propoganda using this media.

The reader requires no previous knowledge of the topic to understand this paper, but after reading it he/she will be able to read any other article related to the topic and understand it with no problem.

The goal of this is to show the variables that affect a banner ad campaign and the terms that anyone who is in charge of this sort of campaigns for a specific company needs to know in order to create brand of its product or sell it through the web.

Introduction to Banner Ads

A banner ad is a tool that allows advertising on a page contained on the web. Its main goal is to attract traffic to a specific website. This happens whenever a web surfer clicks in this banner ad, by doing it, he will be redirected to the webpage of the banner ad on which he clicked.

This is important because in this way a company can attract people to know their mark and get in touch with it by just clicking on a button, moreover they can sell products to the web surfers who were redirected to their site.

The banner can be static or dynamic. In case it is static, the banner ad will use an image of the format gif, jpeg or png. If it is dynamic it will be animated using Flash or Java for example.

Types of Banners

Banner ads can be displayed into a web page in different formats, but all with the same goal: attract surfers and generate traffic on a web page. The most classic types of banners a company can find to promote its products are listed in the next lines. Anyway it is important to mention that they are actually not the only types of banner ads that can be found on the web.

Traditional banner ads

Banner ads are typically rectangular in shape, contain text, and are comprised of gif or jpeg images. Traditional banner ads are the most common and are popular because they load quickly, are easy to design and change, and are easily inserted into a web page.



In-line ads

These ads are formatted in a column down the right or left hand side of a Web page. As with traditional banners, in-line ads can be a graphic and contain a link, or they can feature text only, with hyperlinks highlighted with font colors or borders.



Pop-up ads

These ads are generated onscreen when you click a link or button on a web page. After you click, you see a small, distinct window that opens over the page you are viewing. Some viewers find these ads intrusive because they have to click to remove them and return to the original page.



Pricing a Banner

Prices of banners depend on different factors as for example the traffic of the site where the banner is showed, the size of the banner and the location of it on the web page.

The bigger the traffic of the web page where the banner is displayed, the bigger the price that must be paid for advertising on that page. The same happens with the size and location, as bigger the banner ad is and as better it is located on the web page it will cost more money to the company who wants to buy it. Therefore it turns important to optimize the effectiveness of banners, this means, to generate more traffic on a web page with the fewer quantity of money invested on the campaign.

The way in which banner ads are sold is by giving a price to the number of times a banner will be displayed on a certain web page, this is called banner

view. Normally web sites sell the banner views in multiples of 1000. In this way a company will be paying a defined amount of money for showing his banner ads 1000 on a certain web page. This is called CPM (cost per thousand). This and other important concepts are easily explained on the next lines.

Page views. This term refers to the number of times that a page within a website has been displayed on a website.

Banner view. Like a page view, a banner view is the number of times that a banner has been displayed on website.

CPM. CPM is an acronym for cost per M, where M is the ancient Roman numeral for 1,000. In other words, CPM is the price a business will pay to have its banner advertisement displayed 1,000 times on a website.

Click through. A click through is the number of times a website visitor has clicked on a particular banner ad and was transferred to the website of the banner advertiser.

CTR. It is the acronym for click through rate, which is the ratio of the number of banner view versus the number of times visitors have clicked through a website. CTR is expressed as a percentage.

While the first three concepts are useful for determining the price of a banner ad, the last two concepts are useful to determine the effectiveness of them. With the click through rate we can see how many web surfers were really interested on clicking on the displayed banner. This means that if along one thousand banner views, fifty surfers clicked on our banner ad, the click through rate of it was 5% ($50/1000$). Even though this may be considered a low number, it is important to mention that usually the CTR fluctuates around 0,1% and 1%. And in the best cases it can reach from a 2% to a 3%.

With these values it is possible for a company to calculate the cost of bringing surfers to its web page by using banner ads. If for example, the CPM is €20 and in a certain month the company wants to buy 150 thousand impressions they would have to pay €3000. And then, if they are estimating to have a CTR of 1%

in that month, this means they will have 1,500 views out of the 150,000. By dividing the €3000 by the 1,500 views they can conclude that each visit to their web page generated by a banner ad will cost them €2.

Conclusion

Banner adv is a powerful method to promote products in the world wide web. It is being used by companies to advertise their products or services to the online community. This type of advertising is an effective marketing tool that is being used in marketing campaigns and is considered to be one of the best ways to market a product. Many companies choose this method to build their brand awareness and increase the traffic to their site and with this, increase their sales.

Whenever the banner adv tool is not correctly managed it can turn to be a very cost full tool. That is why it is important to evaluate the costs of working with this marketing tool before using it. If it has already been decided that the company will use this tool then it becomes also important to decide the kind of banner adv that will be used and the web page where it will be showed in order to optimize the banner efficiency.

Sources

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