STATE OF THE ART IN ELECTRONIC COMMERCE and ONLINE ADVERTISING

TRENDS AND CONCEPTS

Dr. Deniz Aksen, Koç University

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Contents

- E-commerce Defined and Reviewed
- Stimuli Behind E-commerce in Türkiye
- Advertising Online vs. in Traditional Media
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- Current Trends in E-commerce
ELECTRONIC COMMERCE and ONLINE ADVERTISING

E-COMMERCE DEFINED AND REVIEWED
E-commerce Defined and Reviewed

- E-commerce Developments and Themes
- The Internet and the World Wide Web
- Era I and Era II in E-commerce and Prediction for the Future
- E-commerce vs. E-business
- Unique Features of E-commerce
- Types of E-commerce
- Revenue Models in E-Commerce

Source: Kenneth C. Laudon Carol Guercio Traver

E-COMMERCE : business, technology, society  (3rd Edition)

Pearson - Addison Wesley

URL: http://vig.prenhall.com/catalog/academic/product/0,1144,0131735160-IS,00.html

April 2, 2008  Deniz Aksen
More and more people and businesses are using the Internet to conduct commerce.

The e-commerce channel is deepening as more products and services come online.

Broadband and wireless Internet access are growing.

E-commerce business models are being refined to achieve higher levels of profitability.

At societal level, there is continued conflict over copyrights, content regulation, taxation, privacy, and Internet fraud and abuse.
E-commerce Themes 2006

- **Technology**: Development and mastery of digital computing and communications technology.

- **Business**: New technologies present businesses and entrepreneurs with new ways of organizing production and transacting business.

- **Society**: Intellectual property, individual privacy, and public policy.
Disciplines Concerned With E-commerce

- Sociology
- Computer Science
- Management Science
- Information Systems
- Economics
- Marketing
- Management
- Finance/Accounting
Growth of the Internet

- A worldwide network of computer networks built on common standards.
- Was created for military and academic data transfer in 1969 as ARPANET.
- Services include the Web, e-mail, file transfers, etc.
- Can measure growth of Internet by looking at number of Internet hosts with domain names.
Growth of the Internet

Number of Internet Hosts with Domain Names

Growth of the World Wide Web

- The most popular service on the Internet.
- Developed in early 1990s.
- Provides access to Web pages (documents created with HTML).
- Can include text, graphics, animations, music, videos.
- Web content in form of Web pages has grown exponentially, from over 2 billion pages in 2000 to over 8 billion pages in 2005.
Growth of the Web Content

Source: Based on data from Google Inc., 2005.
Origins and Growth of E-commerce

- Precursors to e-commerce include
  - Baxter Healthcare
  - Electronic Data Interchange (EDI)
  - French Minitel (1980s videotext system; still in use today)

- None of these precursor systems had the functionality of the Internet.

- For our purposes, we date the beginning of e-commerce to 1995.

- Since then, has been fastest growing form of commerce in United States.
The Growth of B2C E-commerce

The Growth of B2B E-commerce

Revenue (Trillions)

Potential Limitations on the Growth of B2C E-commerce

- Expensive technology
- Complex software interface
- Sophisticated skill set
- Persistent cultural attraction of physical markets and traditional shopping experiences
- Persistent global inequality limiting access to telephones and computers
E-commerce I and E-commerce II

- **E-commerce I**: A period of explosive growth and extraordinary innovation; key concepts developed and explored.
  - Begins in 1995, ends in March 2000 when stock market valuations for dot.com companies begin to collapse
  - Thousands of dot.com companies formed, backed by over $125 billion in financial capital

- **E-commerce II**: Characterized by a reassessment of e-commerce companies and their value.
  - Begins in January 2001; ongoing
E-commerce II: 2001-2007

- Crash in stock market values for e-commerce companies throughout 2000 marks end of E-commerce I period.

- **Reasons for crash:**
  - Run-up in technology stocks due to enormous information technology capital expenditure of firms rebuilding their internal business systems to withstand Y2K.
  - Telecommunications industry had built excess capacity in high-speed fiber optic networks.
  - 1999 Christmas season provided less sales growth than anticipated and demonstrated e-commerce was not easy (eToys.com, Pets.com)
  - Valuations of dot.com and technology companies had risen so high supporters were questioning whether earnings could justify the prices of the shares.
### Table 1.5: E-commerce I and E-commerce II Compared

<table>
<thead>
<tr>
<th>E-COMMERCE I</th>
<th>E-COMMERCE II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology-driven</td>
<td>Business-driven</td>
</tr>
<tr>
<td>Revenue growth emphasis</td>
<td>Earnings and profits emphasis</td>
</tr>
<tr>
<td>Venture capital financing</td>
<td>Traditional financing</td>
</tr>
<tr>
<td>Ungoverned</td>
<td>Stronger regulation and governance</td>
</tr>
<tr>
<td>Entrepreneurial</td>
<td>Large traditional firms</td>
</tr>
<tr>
<td>Disintermediation</td>
<td>Strengthening intermediaries</td>
</tr>
<tr>
<td>Perfect markets</td>
<td>Imperfect markets, brands, and network effects</td>
</tr>
<tr>
<td>Pure online strategies</td>
<td>Mixed “clicks and bricks” strategies</td>
</tr>
<tr>
<td>First mover advantages</td>
<td>Strategic follower strength; complimentary assets</td>
</tr>
</tbody>
</table>
Quarterly Amounts Raised by Venture-Backed Firms

**Source:** Based on data from MoneyTree™ Survey, 2005
Predictions for the Future

- Technology of e-commerce will continue to propagate through all commercial activity

- E-commerce prices will rise to cover the real cost of doing business on Web and pay investors reasonable rate of return

- E-commerce margins and profits will rise to levels more typical of all retailers

- In B2C and B2B, traditional Fortune 500 companies will play growing and dominant role

- Number of successful pure online companies will decline and most successful e-commerce firms will adopt mixed “clicks and bricks” strategies

- Growth of regulatory activity worldwide
Predictions for the Future

Source: Serkan Yilankaya from Siemens, December 2004
E-commerce Defined

- E-commerce involves *digitally enabled commercial transactions* between and among organizations and individuals.

- *Digitally enabled transactions* include all transactions mediated by digital technology.

- *Commercial transactions* involve the exchange of value across organizational or individual boundaries in return for products or services.
E-commerce vs. E-Business

- E-business: primarily refers to the digital enablement of transactions and processes *within a firm*, involving information systems under the control of the firm.

- E-business does not include commercial transactions involving an exchange of value across organizational boundaries.
Seven Unique Features of E-commerce Technology

1. Is ubiquitous (available everywhere, all the time).
2. Offers global reach (across cultural/national boundaries).
3. Operates according to universal standards (lowers market entry for merchants and search costs for consumers).
4. Provides information richness (more powerful selling environment).
5. Is interactive (can simulate face-to-face experience, but on a global scale).
6. Increases information density (amount and quality of information available to all market participants).
7. Permits personalization/customization.
# Seven Unique Features of E-commerce Technology

<table>
<thead>
<tr>
<th><strong>E-Commerce Technology Dimension</strong></th>
<th><strong>Business Significance</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ubiquity</strong>—Internet/Web technology is available everywhere: at work, at home, and elsewhere via mobile devices, anytime.</td>
<td>The marketplace is extended beyond traditional boundaries and is removed from a temporal and geographic location. &quot;Marketspace&quot; is created; shopping can take place anywhere. Customer convenience is enhanced, and shopping costs are reduced.</td>
</tr>
<tr>
<td><strong>Global Reach</strong>—The technology reaches across national boundaries, around the earth.</td>
<td>Commerce is enabled across cultural and national boundaries seamlessly and without modification. &quot;Marketspace&quot; includes potentially billions of consumers and millions of businesses worldwide.</td>
</tr>
<tr>
<td><strong>Universal Standards</strong>—There is one set of technology standards, namely Internet standards. <strong>Richness</strong>—Video, audio, and text messages are possible. <strong>Interactivity</strong>—The technology works through interaction with the user.</td>
<td>There is one set of technical media standards across the globe. Video, audio, and text marketing messages are integrated into a single marketing message and consuming experience. Consumers are engaged in a dialog that dynamically adjusts the experience to the individual, and makes the consumer a co-participant in the process of delivering goods to the market. Information processing, storage, and communication costs drop dramatically, while currency, accuracy, and timeliness improve greatly. Information becomes plentiful, cheap, and accurate.</td>
</tr>
<tr>
<td><strong>Information Density</strong>—The technology reduces information costs and raises quality.</td>
<td>Personalization of marketing messages and customization of products and services are based on individual characteristics.</td>
</tr>
</tbody>
</table>
The Changing Trade-off between Richness and Reach

![Diagram showing the trade-off between Richness and Reach with two technologies: Internet Technology and Traditional Technology.]

- **Internet Technology**
  - R1 to R2
- **Traditional Technology**
  - R1 to R2
Types of E-commerce

Classified by nature of market relationship

- Business-to-Consumer (B2C)
- Business-to-Business (B2B)
- Consumer-to-Consumer (C2C)
- Government-to-Citizen (G2C)
- Donor-to-Organization (D2O)

Classified by type of technology used

- Peer-to-Peer (P2P)
- Mobile commerce (M-commerce)
Revenue Models in E-commerce

- Describes how the firm will earn revenue, generate profits, and produce a superior return on invested capital.

- Terms financial model and revenue model often used interchangeably.

- Major types:
  - Advertising revenue model
  - Subscription revenue model
  - Transaction fee revenue model
  - Sales revenue model
  - Affiliate revenue model
Revenue Models in E-commerce

- **Advertising Revenue Model**
  - Web site that offers content, services and/or products also provides a forum for advertisements and receives fees from advertisers.
  - *Example*: Yahoo.com, Google.com, Hurriyet.com.tr, DoubleClick.com etc.

- **Sales Revenue Model**
  - Company derives revenue by selling goods, information, or services to customers.
  - *Example*: Amazon.com and its followers

- **Transaction Fee Revenue Model**
  - Company that receives a fee for enabling or executing a transaction.
  - *Example*: eBay.com, E-Trade.com, GittiGidiyor.com, Sahibinden.com
Revenue Models in E-commerce

- **Subscription Revenue Model**
  - Web site that offers users content or services charges a subscription fee for access to some or all of its offerings.

- **Affiliate Revenue Model**
  - Sites that steer business to an “affiliate” receive a referral fee or percentage of the revenue from any resulting sales.
  - *Example*: MyPoints.com, Milliyet Advertisings, Google Adwords

- **Hybrid Revenue Models**
  - Merges more than one revenue models in its e-commerce business model.
  - *Example*: Sanalsa.com, Altivi.com
## Five Primary Revenue Models

<table>
<thead>
<tr>
<th>Revenue Model</th>
<th>Examples</th>
<th>Revenue Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>Yahoo.com</td>
<td>Fees from advertisers in exchange for advertisements</td>
</tr>
<tr>
<td>Subscription</td>
<td>WSJ.com, Consumerreports.org, Sportline.com</td>
<td>Fees from subscribers in exchange for access to content or services</td>
</tr>
<tr>
<td>Transaction Fee</td>
<td>eBay.com, E-Trade.com</td>
<td>Fees (commissions) for enabling or executing a transaction</td>
</tr>
<tr>
<td>Sales</td>
<td>Amazon.com, LLBean.com, Gap.com, Sears.com, JCPenny.com</td>
<td>Sales of goods, information, or services</td>
</tr>
<tr>
<td>Affiliate</td>
<td>MyPoints.com</td>
<td>Fees for business referrals</td>
</tr>
</tbody>
</table>
ELECTRONIC COMMERCE and ONLINE ADVERTISING

STIMULA BEHIND E-COMMERCE IN TÜRKİYE
Stimula Behind E-commerce in TR

Population (Millions) – Top 20 Countries

- Young population with median age of 25
- 37% of population younger than 19
- 55% of population younger than 30

GDP (US$ in Billions - PPP) – Top 20 Countries

- GDP CAGR 7.5% (since 2001)
- $9.6 bn direct foreign investment
- Inflation down to less than 10%
- Fully developed financial markets
- 32 million Credit Cards
- 54 million mobile phone users

Source: CIA World Fact book

CAGR: Compound Annual Growth Rate
Stimula Behind E-commerce in TR

**Source:** CIA World Fact Book, Google Turkey, GittiGidiyor estimates, and [www.internetworldstats.com](http://www.internetworldstats.com) for Europe median
Stimula Behind E-commerce in TR

E-commerce Volume \(^{(1)}\) (\$ in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value ($ millions)</td>
<td>$175</td>
<td>$429</td>
<td>$910</td>
<td>$1,574</td>
</tr>
</tbody>
</table>

03 - 06 CAGR: 108%

Relative Growth Rates

- Gravy
- eCommerce
- Users

GittiGidiyor continues to gain market share with above average (both users and e-commerce) growth rates

\(^{(1)}\) Transactions over Virtual Point of Sales (VPOS) reported by local banks

CAGR: Compound Annual Growth Rate

Transactions over Virtual Point of Sales (VPOS) reported by local banks

CAGR: Compound Annual Growth Rate

MSN Turkey
Hemal
Hemsat.com
July 2004

Nevaria.com
Sep 2005

Google Turkey
June 2006
Stimula Behind E-commerce in TR

Growth of the Internet access in Türkiye

- Jakob Nielsen’s Law of Bandwidth
  
  [Maximum] available bandwidth increases every year by 50%.

- Lowest nominal ADSL bandwidth in late 2004
  
  128 Kbps for 49 YTL/month

- Lowest nominal ADSL bandwidth since end of 2006:
  
  1024 Kbps (1 Mbps) for 29-49 YTL/month
Stimula Behind E-commerce in TR

Growth of the Internet access in Türkiye

In Türkiye:

- Total bandwidth provided by Türk Telekom
  - In 2004: 8.5 Gbps
  - In 2005: 19.5 Gbps
  - By the end of 2005: 33 Gbps
  - Today: 157 Gbps as of March 4, 2008
  - Planned for the end of 2008: 350 Gbps

- But still broadband Internet access is a premium commodity for home users in TR.
## Broadband Internet Access in TR

### Penetration of Broadband Internet Access in Europe

<table>
<thead>
<tr>
<th></th>
<th>2007 Q1</th>
<th>2007 Q3</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. broadband access lines</td>
<td>84 million</td>
<td>92 million</td>
<td>10%</td>
</tr>
</tbody>
</table>

### Broadband Access Services received by

<table>
<thead>
<tr>
<th>Service</th>
<th>Europe</th>
<th>Türkiye</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Carriers’ Share</td>
<td>46%</td>
<td>97%</td>
</tr>
<tr>
<td>Other Telecom Operators’ Share</td>
<td>54%</td>
<td>3%</td>
</tr>
<tr>
<td>Subterrain Copper UTP Wires</td>
<td>~67%</td>
<td>~100%</td>
</tr>
<tr>
<td>Fiber Optic, Coaxial Cable, Satellite, Wi-Fi</td>
<td>~33%</td>
<td>~0%</td>
</tr>
</tbody>
</table>

### Source:

European Competitive Telecommunications Association Report

## Penetration of Broadband Internet Access in Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Percentage of population with Broadband Internet Access in 2007 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>1</td>
<td>34.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2</td>
<td>33.9</td>
</tr>
<tr>
<td>Finland</td>
<td>3</td>
<td>29.9</td>
</tr>
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<td>.</td>
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<tr>
<td>.</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Turkey</td>
<td>23</td>
<td>5.1</td>
</tr>
</tbody>
</table>

**Source:** European Competitive Telecommunications Association Report  
**Stimula Behind E-commerce in TR**

- **New Internet technologies in Türkiye**
  - GPRS, 2.5G, EDGE, Blueberry by the GSM operators
  - Cable Modem by Kablonet, ADSL and G.SHDSL by TTNet
  - Wi-Fi (IEEE 802.11b and IEEE 802.11g protocols)
  - WiMAX by SuperOnline
  - VoIP by numerous telecom companies
  - IPTV by SuperOnline
  - Metro Ethernet, ADSL2 and VDSL (planned for 2009)
ELECTRONIC COMMERCE and ONLINE ADVERTISING

ADVERTISING

ONLINE vs.

IN TRADITIONAL MEDIA
Forms of Online Advertisements

- Display and rich media ads
  - Banner ads
  - Pop-ups and pop-unders
  - Employ Adobe (Macromedia) Flash, DHTML, Java, streaming audio and/or video (Shoutcast), AJAX
  - Interstitial Ads and Superstitial Ads
  - Online catalogs

- Search engine advertising: Paid search engine inclusion and placement
  - Paid inclusion
  - Paid placement
  - Keyword advertising…………..(Google Adwords)
  - Network keyword advertising ..........(Google AdSense)
Forms of Online Advertisements

- Sponsorships
- Referrals (*affiliate relationship marketing*)
- E-mail marketing
  - *Reason why 70% of email traffic is made of spam despite anti-spam databases, anti-spam filters and anti-spam websites.* Online catalogs
- Online chat
  - IM (*instant messaging, IRC*) and voice chat via VoIP
- Blog and Vlog Advertising............ YouTube.com, Facebook.com
Forms of Online Advertisements

Average global ratio of spam in email scanned by MessageLabs

Source: Based on data from MessageLabs.com, 2005.
Forms of Online Advertisements

Spam Categories

- Financial services (Mortgages and loans) 19%
- Product advertising 22.3%
- Scam/Fraud 18.5%
- Internet services 9.3%
- Leisure 8.3%
- Health remedies 12.3%
- Pornography 10.3%

Source: Based on data from Symantec, 2005b, 2005c; Dunn, 2005.
Internet Advertising in the USA

BACK IN AUG 2001

JUPITER MEDIA RESEARCH

“The Internet audience and the time it spends on the Net have continued to grow at low double-digit rates. This will, like a force of nature, attract more ad spending and increase rates.

Despite the lack of standards, advertisers have been incorporating the Internet into their overall media mix.”

VERONIS SUHLER

“The double-digit growth, particularly of time spent online, has nonetheless been slowing. Advertisers won't open their wallets wider until they are better able to gauge the effectiveness of Internet advertising.”

Source:
“Internet Advertising: Looking For How Low Is Up”
by David Simons from Forbes, Aug 15, 2001
Internet Advertising in Europe

Sources:
1. AGB Nielsen Media Research AdRelevance
2. JupiterMedia / JupiterResearch

Cited in “Online advertising rising quickly in Europe,”
by Rob Rose from Internet.com
Veronis Suhler Stevenson, Inc. (vss.com):

*a private equity and capital firm that invests buyout and structured capital funds in the media, communications, information and education industries in North America and Europe.*

• Total communications spending expanded at a CAGR of 5.9% in the 2001-2006 period to a record US$ 885.2 billion.

• Overall communications spending is projected to grow 6.4% in 2007, exceed US$ 1 trillion in 2008, and post a CAGR of 6.7% from 2006 to 2011.

• The U.S. market for Internet advertising was approximately $18 billion in 2006, and was expected to grow 20% annually over the next 5 years.
Veronis Suhler Stevenson Estimates in 2007

• If pure-play online advertising were combined with advertising on traditional media online platforms, overall Internet advertising is expected to capture US$ 62 billion and become the largest ad segment in 2011.
  — corresponding to 21.2% CAGR during the 2006-2011 period,
  — surpassing newspapers and magazines’ US$ 60 billion print advertising.

• Broadcast television and cable and satellite television combined will continue to take the biggest share of advertising dollars, and are forecast to reach US$ 86 billion in 2011.

• **James Rutherfurd, managing director at VSS:**
  “The path of online advertising and newspaper advertising is a continuation of what we’ve been observing for many years, but it is finally getting to the point where the lines will cross.”
Veronis Suhler Stevenson Estimates in 2007

• The shift in advertising spending from traditional media to online and digital alternatives is taking place across the globe. Already, some forecasters expect newspaper advertising to be overtaken by online spending in the UK and Sweden in 2007.

• The survey also measured the time spent on different media, and in 2007 the amount of time spent reading newspapers is expected for the first time to be overtaken by time spent online.
Veronis Suhler Stevenson Estimates in 2007

• In 2006, media usage per person per year declined 0.5% to 3,530 hours. The study found that while people typically watched television for at least 30 minutes per session, they tended to watch user-generated video clips on the web for five to seven minutes.

• The use of media in the workplace increased, however, up 3.2% to 260 hours per employee per year, VSS found.


2. “Online ads to overtake US newspapers,” by Aline van Duyn, Financial Times, 7 Aug 2007,
Advertising Online vs. in Traditional Media

• Basically, online video is poised to hit a tipping point similar to that which online advertising is. Granted, with 77.5% and 62.2% of users find it intrusive and disruptive respectively, the future of ad supported video doesn't look great.
  — But ad supported video isn't synonymous with online video.
  — Just because the videos themselves won't be ad supported, that doesn't mean that online video as a medium isn't going to intensify the growth on the online advertising industry.

• This is why the new media is multi media. Basically, online media can support mediums that can compete with all of its conventional counterparts simultaneously.
  — Online publishers have thrice the opportunity to appeal to advertisers than their mainstream counterparts.
Advertising Online vs. in Traditional Media

- If users/consumers are spending less time with media because of online media, then, it stands to reason that the latter is going to begin capturing a larger and larger share of the potential audience. What that means for advertisers is that they'll have more of an opportunity to reach that audience via online media than they would through network, cable, or satellite television because online media can do video and more.

- It is, therefore, not unreasonable to conjecture that the gap between the size of television advertising and online advertising may be considerably smaller than VSS has projected.

Source: “Online advertising may grow quicker than projected,” SearchAnyway.com, 7 Aug 2007,

http://blog.searchAnyway.com/2007/08/online_advertising_may_grow_qu.html
http://gypsybandito.com/new-media-is-multi-media/
# Internet Marketing and Advertising In TR

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Advertising Expenditures</th>
<th>Internet Advertising</th>
<th>Share</th>
<th>Source of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>-</td>
<td>US$ 7.5 mn</td>
<td>0.5%</td>
<td>Mynet.com’s estimate</td>
</tr>
<tr>
<td>2003</td>
<td>US$ 870 mn</td>
<td>US$ 8.12 mn</td>
<td>0.9%</td>
<td>Turk.internet.com</td>
</tr>
<tr>
<td>2006</td>
<td>-</td>
<td>US$ 20-22.5 mn</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>-</td>
<td>US$ 40 (est.)</td>
<td>1.2%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>US$ 200 mn (est.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>US$ 160-180 mn (est.)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Turkish Internet Advertising Expenditures in 2003

<table>
<thead>
<tr>
<th>Branch</th>
<th>Budget Allocated for Internet Advertising [million US$]</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casino, Gambling</td>
<td>1.40</td>
<td>17%</td>
</tr>
<tr>
<td>GSM Services</td>
<td>1.25</td>
<td>15%</td>
</tr>
<tr>
<td>Banking Services</td>
<td>1.07</td>
<td>13%</td>
</tr>
<tr>
<td>Other</td>
<td>1.05</td>
<td>13%</td>
</tr>
<tr>
<td>Automotive</td>
<td>0.75</td>
<td>9%</td>
</tr>
<tr>
<td>IT</td>
<td>0.50</td>
<td>6%</td>
</tr>
<tr>
<td>Mobile Phones Sellers</td>
<td>0.50</td>
<td>6%</td>
</tr>
<tr>
<td>Tourism and Transportation</td>
<td>0.50</td>
<td>6%</td>
</tr>
<tr>
<td>FMCG</td>
<td>0.25</td>
<td>3%</td>
</tr>
<tr>
<td>Food</td>
<td>0.25</td>
<td>3%</td>
</tr>
<tr>
<td>Green Card Companies</td>
<td>0.20</td>
<td>3%</td>
</tr>
<tr>
<td>Political Parties and Org.</td>
<td>0.20</td>
<td>3%</td>
</tr>
<tr>
<td>Alcoholic Beverage Prod.</td>
<td>0.20</td>
<td>3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>8.12</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Source:** Elmira Tunga, Turk.Internet.com

Interactive Advertising Bureau Estimates in 2006

Greg Stuart: CEO of Interactive Advertising Bureau (IAB) in the USA

- IAB founded in 1996 in the USA, operating today in 26 countries.
- ROI of Internet advertising is high.
- U.S. market for Internet advertising: 12 billion US$, 30% annual growth.
  - used to be 9.9 billion US$ in 2005.
- Internet advertising market in TR: 12 million US$, 50% annual growth.
- Internet is the medium for SMBs to make international marketing.
- IAB Türkiye will be founded soon to create, regulate, measure, and finally audit Internet ads and ad standards in TR.

Source: Cüneyt Uzunoğulları, Hürriyet USA, Jan 16 2006
http://www.hurriyetusa.com/haber/haber_detay.asp?id=7255
Arrival of the Interactive Advertising Bureau in TR

• IAB Türkiye has been founded with 23 members on 20\textsuperscript{th} October 2007 and made its first board meeting on 22\textsuperscript{nd} October.

• With IAB Türkiye founded, now not only domestic but also international ad givers are expected to turn their attention to the Internet ad market in Türkiye.

• Ratio of Internet Advertising Expenditures in 2007 (estimates of IAB)
  
  UK ......................................................... 11.4%
  USA and France .............................. 5.9%
  Germany ........................................... 4.4%
  Türkiye  .................................................. 1.2% (used to be 0.5% in 2002)

\textbf{Source}: IAB press release published on Sporx.com,

[Link]

http://www.sporx.com/detail.php?Type=1&kategori=134&go=84913
Arrival of the Interactive Advertising Bureau in TR

- An example regulation enforced by IAB: **BANNER AD DIMENSIONS**

  *Explained by Hakan Kalmış at Grafikerler.net:*
  

<table>
<thead>
<tr>
<th>Rectangles ve Pop-Ups</th>
<th>Banners ve Buttons</th>
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<tr>
<td>• 300 x 250 IMU - (Medium Rectangle)</td>
<td>• 468 x 60 IMU - (Full Banner)</td>
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<td>• 250 x 250 IMU - (Square Pop-Up)</td>
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<tr>
<td>• 240 x 400 IMU - (Vertical Rectangle)</td>
<td>• 88 x 31 IMU - (Micro Bar)</td>
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<tr>
<td>• 336 x 280 IMU - (Large Rectangle)</td>
<td>• 120 x 90 IMU - (Button 1)</td>
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<tr>
<td>• 180 x 150 IMU - (Rectangle)</td>
<td>• 120 x 60 IMU - (Button 2)</td>
</tr>
<tr>
<td></td>
<td>• 120 x 240 IMU - (Vertical Banner)</td>
</tr>
<tr>
<td></td>
<td>• 125 x 125 IMU - (Square Button)</td>
</tr>
<tr>
<td></td>
<td>• 728 x 90 IMU - (Leaderboard)</td>
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<tr>
<td><strong>Skyscraper Banners</strong></td>
<td></td>
</tr>
<tr>
<td>• 160 x 600 IMU - (Wide Skyscraper)</td>
<td></td>
</tr>
<tr>
<td>• 120 x 600 IMU - (Skyscraper)</td>
<td></td>
</tr>
<tr>
<td>• 300 x 600 IMU - (Half Page Ad)</td>
<td></td>
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</tbody>
</table>

**Source:** *IAB Standards and Guidelines - Universal Ad Packages*

[http://www.iab.net/iab_products_and_industry_services/1421/1443/1452](http://www.iab.net/iab_products_and_industry_services/1421/1443/1452)
ELECTRONIC COMMERCE and ONLINE ADVERTISING

PHARMACEUTICS ADVERTISING AND THE INTERNET
Pharmaceutics Advertising and the Internet

INTERNET
— the only gateway to pharmaceutical promotion

- Drug advertising on the TV, radio, billboards, and other printed media forbidden.
- Only informational web sites called E-DETAILING WEBSITES geared towards doctors and patients allowed.
  - Also about specific diseases and disorders
- Most active advertising company in this field: MAGICCLICK
  - Delivering ad campaign projects for the last 10 years
INTERNET
— the only gateway to pharmaceutical promotion

Murat Kalaora from MAGICCLICK (http://magiclick.com.tr/)

“We support pharmaceutical companies in the fields of promotion, PR, and online marketing campaigns.”

“We provide e-business consulting, website design and development, and website content management services to them.”

“Our websites address both the public and the doctors with interactive infotainment content.”

INFOTAINMENT: information and entertainment

“The portals prepared for the promotion of a drug or a group of drugs also serve as a reference point for the public as well as for the health professionals.”
INTERNET
— the only gateway to pharmaceutical promotion

Murat Kalaora from MAGICCLICK :: ADVERGAMES with MEDICINE

“Companies often use advergames to establish one-to-one relationships with the visitors of our pharmaceutical portals.

“All marketing research conducted in the pharmacy industry has shown corporate websites and extranets are ineffective in marketing a new medicine.”

“ Websites or portals that are positioned independent of the actual corporate website around the treatment with a specific drug produce much more results.”
Pharmaceutics Advertising and the Internet

INTERNET — the only gateway to pharmaceutical promotion

Emre Gürül from NEXUM CREATIVE (http://www.nexumcreative.com/)

“Companies prefer the Internet because:

- By default they target a clientele with higher education.
- Their target clientele uses the Internet frequently both in their profession and in their private life.
- Doctors would first check the website of the company that produces a particular medicine.
- Doctors widely watch and use online video and animated multimedia that explain the side and adverse effects of a medicine.”

Source: “Gençleri hedefleyen markalar sanal reklamlara yöneliyor,” Nazlı Topçuoğlu, Referans, Sep 19 2007,
URL: http://www.halklailiskiler.com.tr/detay.asp?id=3077
Turkish Legislation of Pharmaceutical Advertising on the Internet

T.C. RESMİ GAZETE

Regulations About the Advertising Activities of Medicine for Humans,

Date: Oct 23 2003 Thu, Issue: 25268

Article 17. Use of the Internet in Advertising

Association of Research-Based Pharmaceutical Companies

AİFD (Araştırmacı İlaç Firmaları Derneği, AIFD.org.tr)

Principles and Ethics of Advertising of Pharmaceutical Products

Further Readings on Internet Advertising and E-Marketing


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CURRENT TRENDS IN
E-COMMERCE
Current Trends in E-commerce

- Web Presence with Sentences as Domain Names
- Left-Brain Marketing
- Web Analytics
  - Clickstream Analysis
- Search Engine Marketing (SEM)
  - Search Engine Optimization (SEO)
- Establishing Demographics
- On-Demand CRM
Web Presence

The Web Site as a *Corporate Real Estate* and as a *Marketing Communications Tool*

- Web site can be viewed as an extended online advertisement.
- **Domain name**: First communication an e-commerce site has with a prospective customer.

Web Site Functionality

- Factors affecting effectiveness of a software interface:
  - Utility
  - Ease of use
- Factors in credibility of Web sites:
  - Design look
  - Information design/structure
  - Information focus
  - Responsiveness
Mini Case 1 for the mini-MBA :: an ALEXA.COM comparison

KalbiniziKoruyun.org vs. ErkekPermatikKullanir.com vs. Yazikdegilmicarlosa.com
Web Presence

Mini Case 2 for the mini-MBA :: an ALEXA.COM comparison

Sabanciuniv.edu vs. Ku.edu.tr vs. Bilgi.edu.tr vs. Bahcesehir.edu.tr vs. Yeditepe.edu.tr
Web Presence

Mini Case 3 for the mini-MBA :: an ALEXA.COM comparison

- HaberTurk.com vs. Haber7.com vs. NTVMSNBC.com vs. InternetHaber.com vs. InteraktifHaber.com
Metrics that focus on success of Web site in achieving audience or market share

- Impressions
- Click-through rate (CTR)
- View-through rate (VTR)
- Hits
- Page views
- Stickiness (duration)
- Unique visitors
- Loyalty
- Reach
- Recency
Left-Brain Marketing

Metrics that focus on success of Web site in achieving audience or market share

- Acquisition rate
- Conversion rate
- Browse-to-buy-ratio
- View-to-cart ratio
- Cart conversion rate
- Checkout conversion rate
- Abandonment rate
- Retention rate
- Attrition rate
Left-Brain Marketing

E-mail Metrics

- Open rate
- Delivery rate
- Click-through rate (e-mail)
- Bounce-back rate
- Unsubscribe rate
- Conversion rate (e-mail)

Click-through rates may be low, but these are just one measure of effectiveness.

Research indicates that most powerful marketing campaigns include both online and offline advertising.
An Online Consumer Purchasing Model

Market Communications

Search Engine Use

Ad impressions
Direct e-mail marketing

Web Site Hits

Page views
Stickiness
Site design

Acquisition;
Conversion

100,000 impressions
1,000 clickthroughs (unique visitors) (1% rate)
50 purchases (5% rate)
12 loyal customers (25% retention)

April 2, 2008
How Well Does Online Advertising Work?

Click-through Rates by Format 2000–2005

Source: Based on data from DoubleClick, 2005, 2004; eMarketer, Inc., 2005h, 2004; authors’ estimates.
The Costs of Online Advertising

- **Cost per thousand (CPM):** Advertiser pays for impressions in 1,000 unit lots.

- **Cost per click (CPC):** Advertiser pays pre-negotiated fee for each click ad receives.
  - Also referred to as **PPC (pay per click)**

- **Cost per action (CPA):** Advertiser pays pre-negotiated amount only when user performs a specific action.

- **Hybrid:** Two or more of the above models used together.
Indeed, an important contribution to the rapid growth of online advertising has been its ability to more accurately target consumers. Because users are engaging the media themselves, rather than being engaged by them, there is greater opportunity for advertisers to reach the consumers they care about, and disregard those that do not fit into their target demographic.

This kind of behavior is explicitly documented by the VSS report, moreover, when it touches upon search engine marketing. As Search Engine Land notes:

VSS projects paid search will reach roughly $8.7 billion by year end and $16.7 billion in 2011. The report also projects roughly $6 billion in local search and online yellow pages spending by 2011. All locally targeted online ad spending is expected to reach just over $19 billion by 2011.

*Source*: “Online advertising may grow quicker than projected,” *SearchAnyway.com*, 7 Aug 2007,

Search Engine Optimization (SEO)

1. Register with as many search engines as possible

2. Ensure that keywords used in Web site description match keywords likely to be used as search terms by user

3. Link site to as many other sites as possible

4. Get professional help:
   - Web Analytics Association (www.WebAnalyticsAssociation.org)
   - Google Analytics (analytics.google.com)
   - Web Trends 8.0 (WebTrends.com)
   - HBX On-Demand Web Analytics (WebSideStory.com)
   - OneStat (OneStat.com)
   - Affinium Enterprise Marketing Platform (UNICA.com)
   - Site Catalyst (Omniture.com)
   - Coremetrics e-marketing platform (Coremetrics.com)
Search Engine Optimization (SEO)

- A Live Demonstration of Google Analytics

- Analyzed Website:
  ODYSSEUS2009.org

ODYSSEUS 2009
Fourth International Workshop on Freight Transportation and Logistics
Çeşme, İzmir, TURKEY
May 26-29 2009, Tuesday-Friday

Go to: www.GoogleAnalytics.com or Analytics.Google.com or http://www.google.com/analytics/
Search Engine Optimization (SEO)

❖ Visual Resources on YouTube

• Laura Lippay lectures SEO 101:
  http://www.youtube.com/watch?v=uSg5XVXEYe4

• Web Marketing Today: http://www.youtube.com/user/webmarketingtoday
  - Introduction to Search Optimization 1:
    http://www.youtube.com/watch?v=pbVhctdn8Fc
  - SEO as Key to E-Commerce Success, AnOccasionalChocolate.com
    http://www.youtube.com/watch?v=JGYuVe2w8CA
  - Comparing Paid Search and SEO with Abe Mezrich
    http://www.youtube.com/watch?v=w2edDWwH2O8
  - Introduction to Web Analytics with Jim Sterne of eMetrics
    http://www.youtube.com/watch?v=xBEIydFH1gk
  - The WAA - Web Analytics Association with Jim Sterne
    http://www.youtube.com/watch?v=RuUgJSq0q1Y

• Web Design Expert - Getting Your Website To Rank High Part 1:
  http://www.youtube.com/watch?v=OnD6ErNjsEo
Visual Resources on YouTube

- Sage Lewis Personal and Business Videos (SageRock.com) :
  http://www.youtube.com/user/sagerock
  - Introduction to Search Engine Optimization:
    http://www.youtube.com/watch?v=nttfjt46quM
  - Search Engines Optimization Expectations
    http://www.youtube.com/watch?v=9VWkxDHhi1A
  - Introduction to Search Engine Strategies New York
    http://www.youtube.com/watch?v=Ltt6uuwTwF0
  - Google Analytics Overview - http://www.youtube.com/watch?v=lsPzslyV1U4
Visual Resources on YouTube

- SEO Teacher from Israel: [http://www.youtube.com/user/SEOTeacher](http://www.youtube.com/user/SEOTeacher)
  - Into to Web Marketing: [http://www.youtube.com/watch?v=EeYDqle4uSA](http://www.youtube.com/watch?v=EeYDqle4uSA)
  - Web Marketing For International Businesses - Part B: [http://www.youtube.com/watch?v=gG_995ML66E](http://www.youtube.com/watch?v=gG_995ML66E)
  - SEO 101 - Search Engine Optimization: [http://www.youtube.com/watch?v=opLZEXOsMiE](http://www.youtube.com/watch?v=opLZEXOsMiE)
  - Meta Tags: [http://www.youtube.com/watch?v=NLGjs98zUMQ](http://www.youtube.com/watch?v=NLGjs98zUMQ)
Search Engine Optimization (SEO)

- **Further Reading**
    - An Introduction to Search Engine Marketing
    - [http://www.marketingmo.com/resources/search_marketing.aspx](http://www.marketingmo.com/resources/search_marketing.aspx)
**The Hottest Marketing Trends for 2008**

*Kim T. Gordon*: "Marketing" coach at *Entrepreneur.com* and a multifaceted marketing expert, speaker, author and media spokesperson. Over the past 26 years, she's helped millions of small-business owners increase their success through her company, *National Marketing Federation Inc.*

**Here are four ways to increase sales and your advertising ROI**

1. **Engage the customer**: The move toward alternative advertising versus some of the more traditional methods coincides with the emergence of technologies that enable a one-on-one dialogue with customers. For example, follow the trend of social media by posting your products on sites that encourage customer or peer reviews. Social media add an element of impartiality and are increasingly looked to as reliable sources of information.
Kim T. Gordon: “Here are four ways to increase sales and your advertising ROI”

2. **Integrate your off-line and online campaigns**: Look for ways to use off-line media to drive traffic to a website with specialized landing pages that tell a deeper story. Use print and TV ads to start the customer education process and direct potential buyers online to learn more and take the next steps in the purchase process. And direct an e-mail campaign to your current customer database to offset the cost of direct mail. Simply alternate e-mail and postal mail for a cost-effective one-two punch.

3. **Move some off-line dollars online**: Online advertising now offers a strong alternative to some traditional media, such as print yellow pages. Consider moving some of your traditional directory advertising dollars into online directories and search engines. The vast majority of Americans research their products online before making purchases, so a paid search campaign is an ideal way to make sure you turn up at the top of search results.
The Hottest Marketing Trends for 2008

Kim T. Gordon: “Here are four ways to increase sales and your advertising ROI”

4. **Follow your customer**: Alternative out-of-home advertising opportunities let you place your message wherever your customers go. You can put your name and company logo on the umbrellas used by urban street vendors, or name hiking trails in wilderness areas. The key to using these new opportunities effectively is to place your message where it will appear in the proper context and reach your potential customers when they are in the right frame of mind.

ELECTRONIC COMMERCE and ONLINE ADVERTISING

THE END

THANK YOU