Chapter 5
Online Advertising

True-False Questions

1. The greatest advantage of direct mail advertising is that it provides great amounts of data about recipients.

    Answer: F   **Reference**: Overview of Web Advertising

2. The primary advantage of Internet advertising is that it provides an opportunity for a high level of interaction with customers.

    Answer: T   **Reference**: Overview of Web Advertising

3. A click is counted every time a visitor clicks his/her mouse on the advertising banner to access the advertiser's Web site.

    Answer: T   **Reference**: Some Internet Advertising Terminology

4. The characteristic that influences the average length of time a visitor stays at a site is called effectiveness.

    Answer: F   **Reference**: Some Internet Advertising Terminology

5. The fee an advertiser pays when 1,000 people have viewed the Web page containing a banner is called the CPM.

    Answer: T   **Reference**: Some Internet Advertising Terminology

6. An online advertiser is responsible for paying the CPM after 1,000 people click on the banner ad.

    Answer: F   **Reference**: Some Internet Advertising Terminology

7. By the end of 2006, advertising on the Internet is expected to grow to more than $100 billion.

    Answer: F   **Reference**: Why Internet Advertising?

8. Television watchers, on average, show higher education and income levels than Internet users.

    Answer: F   **Reference**: Why Internet Advertising?

9. Unlike television ads, Web ads effectively use the convergence of text, audio, graphics, and animation.

    Answer: T   **Reference**: Why Internet Advertising?

10. Although DoubleClick cannot usually attach a name to its visitors, it can build a dossier of information about users by using a cookie to track which sites users visit.

    Answer: T   **Reference**: EC Application Case 5.1

11. The most often used type of advertising on the Internet is the banner ad.

    Answer: T   **Reference**: Banners

12. The major disadvantage of banner ads is their cost.

    Answer: T   **Reference**: Banners

13. Research studies show that Web surfers are becoming immune to banner ads.

    Answer: T   **Reference**: Banners

14. Click ratios for banner ads are increasing.

    Answer: F   **Reference**: Banners

15. Research has shown that banner ads appearing at the top of the page produce much higher click ratios than banners placed elsewhere on a Web page.

    Answer: F   **Reference**: Banners

16. A banner swapping strategy means that Company A agrees to display a banner ad for Company B on its site and Company B agrees to display a banner ad for Company A on its site.

    Answer: T   **Reference**: Banner Swapping

17. Banner exchanges involve three or more companies in an often complex agreement which rewards exchange members with the display of banner ads on selected sites after a set number of banner ads from other exchange members appear on its own site.
    Answer: T   **Reference**: Banner Exchanges

18. Typo-piracy occurs when a company uses misspellings and derivations of popular brand names to confuse customers into buying similarly named products of lower quality.

    Answer: F   **Reference**: Pop-up and Similar Ads

19. An interstitial is an initial Web page that is used to capture the user's attention for a short
     time as a lead-in to the site home page.

     Answer: T   **Reference**: Interstitials

20. Mobile phones offer the potential to advertise based not only upon user profiles, but to also
     vary ads based on the physical location of the viewer.

     Answer: T   **Reference**: E-Mail Advertising

21. The Internet Advertising Bureau is the government agency charged with policing advertising
     activities on the Internet.

     Answer: F   **Reference**: Newspaper-Like Standardized Ads

22. Submitting a URL directly to a search engine is free.

     Answer: T   **Reference**: URLs

23. Although there are many search engines on the Internet, all use the same method for
     determining which sites appear when a key word is entered. This means that a company will
     always appear at the same place on the list of returned sites when a given key word is
     entered.

     Answer: F   **Reference**: URLs

24. Chat rooms can be an effective way to advertise a product if a company uses employees to
     post queries that encourage other chatters to talk about their product.

     Answer: T   **Reference**: Advertising in Chat Rooms

25. In associated ad displays, one organization refers consumers to the selling company's site in
     exchange for a fee.

     Answer: F   **Reference**: Associated Ad Display

26. Although viral marketing has been used by marketers for generations, the speed and reach of
     this technique have been multiplied many fold by the Internet.

     Answer: T   **Reference**: Viral Marketing

27. Webcasting is an example of Internet personalization.

     Answer: T   **Reference**: Customizing Ads

28. Admediaries are online advertising experts that specialize in banner design.

     Answer: F   **Reference**: Admediation

29. Due to the difficulty associated with measuring the effectiveness of online advertising, justifying Internet advertising is more difficult than justifying advertising in conventional media.

    Answer: T   **Reference**: Pricing of Advertising

30. Traditionally, ad pricing is based on the number of people exposed to an ad.

    Answer: T   **Reference**: Pricing Based on Ad Views, Using CPM

31. Under the interactivity pricing model, the cost of advertising is calculated by multiplying the ad volume times a pre-negotiated dollar amount.

    Answer: F   **Reference**: Payment Based on Interactivity

32. Interactivity pricing proves that an advertiser doesn't pay unless a potential customer takes action in response to the ad.

    Answer: T   **Reference**: Payment Based on Interactivity

33. In affiliate programs, the advertiser doesn't pay anything unless the customer actually buys.

    Answer: T   **Reference**: Payment Based on Actual Purchase: Affiliate Programs

34. One of the lessons learned from the dot-com failures of 2000 – 2002 is advertising revenue can serve as the basis for successful Web-based enterprises.

    Answer: F   **Reference**: Advertisement as a Revenue Model

35. Some companies are improving advertising return on investment by using reverse auctions as a way to solicit the lowest possible ad prices.

    Answer: T   **Reference**: Return on Investment

36. In permission advertising, customers register with a site and agree to receive advertising e-mails from the advertiser at future dates.

    Answer: T   **Reference**: Permission Advertising

37. Localization is the process of sending ads to a limited number of customers based on where they are physically located.

    Answer: F   **Reference**: Localization

38. A British company develops products and promotional materials for the UK market. As the company grows, management decides to offer its products in Spain. The process of preparing products and promotional materials for offering in Spain is an example of localization.

    Answer: T   **Reference**: Localization

39. Software for building successful Web sites eliminates the need for outsourcing advertising materials for the Internet.

   Answer: F   **Reference**: Ad Content

Multiple Choice Questions

40. An attempt to disseminate information in order to affect buyer-seller transactions is called:

   a. segmentation.
   b. personalization.
   c. advertising.
   d. push technology.

   Answer: c   **Reference**: Overview of Web Advertising

41. The number of times users call up a page containing a given ad is called:

   a. ad views.
   b. the click ratio.
   c. the ad's reach.
   d. the pull.

   Answer: a   **Reference**: Some Internet Advertising Terminology

42. A small banner linked to a Web is called:

   a. a button.
   b. a click.
   c. a hit.
   d. a banner.

   Answer: a   **Reference**: Some Internet Advertising Terminology

43. A request for data from a Web page is called:

   a. a cookie.
   b. a hit.
   c. a banner.
   d. an impression.

   Answer: b   **Reference**: Some Internet Advertising Terminology

44. A series of requests during one navigation to a Web site is called:

    a. a click.
    b. a visit.
    c. a hit.
    d. an impression.

    Answer: b   **Reference**: Some Internet Advertising Terminology

45. An HTML document that may contain text, images, and other online elements is called:

    a. a banner.
    b. a page.
    c. a button.
    d. an impression.

    Answer: b   **Reference**: Some Internet Advertising Terminology

46. The characteristic that influences the average length of times a visitor stays at a Web site is called:

    a. a visit.
    b. an ad view.
    c. a unique visit.
    d. stickiness.

    Answer: d   **Reference**: Some Internet Advertising Terminology

47. Internet surfers are a desired target for advertisers for all of the following reasons **EXCEPT:**

    a. Internet surfers are, on average, better educated than the general population.
    b. Internet surfers, on average, have higher incomes than the general population.
    c. women dominate the ranks of Web surfers.
    d. studies have found that most Web surfers are foregoing TV time to surf the Net.

    Answer: c   **Reference**: Why Internet Advertising?

48. All of the following are reasons for the growth of Web advertising **EXCEPT:**

    a. ads can be updated at any time at a minimal cost.
    b. Web ads can effectively use the convergence of text, audio, graphics, and animation in communicating a message.
    c. Web ads can be interactive and targeted to specific interest groups and individuals.
    d. Web ads are typically cheaper than newspaper ads.

    Answer: d   **Reference**: Why Internet Advertising?

49. A banner that appears only when one of a predetermined set of words is entered in a search engine is called:

    a. a random banner.
    b. a keyword banner.
    c. a personalized banner.
    d. a classified banner.

    Answer: b   **Reference**: Banners

50. Random banners are most appropriate when:

    a. a studio is introducing a new movie.
    b. Jeep wants off-road enthusiasts to see an ad targeted to this group.
    c. a company is trying to reach a narrow target market.
    d. Dell wants to announce an upgrade offer available only to those who have recently purchased Dell computers.

    Answer: a   **Reference**: Banners

51. A company uses cookies to track the pages of its Web site a visitor visits. The next time this visitor returns, the company uses this information to determine which banner ad he/she sees. This is an example of:

    a. a random banner.
    b. a keyword banner.
    c. a personalized banner.
    d. a classified banner.

    Answer: c   **Reference**: Banners

52. All of the following are benefits of banner ads **EXCEPT**:

    a. forced advertising assures that customers will see the banner ad.
    b. the price of producing and implementing banner ads is much lower than any other form of advertising.
    c. banner ads can be targeted to a narrow audience.
    d. successful banner ads increase the number of visits to a company's site.

    Answer: b   **Reference**: Benefits and Limitations of Banner Ads

53. To maximize the click ratio, research has shown that banner ads should appear:

    a. at the top of the Web page.
    b. anywhere on the Web page. The position on the page has no impact on click ration.
    c. one-third of the way down the Web page.
    d. in the lower right-hand corner of the screen near the scroll bar.

    Answer: d   **Reference**: Benefits and Limitations of Banner Ads

54. Which of the following is **not** done in a banner exchange?

    a. Finding one or more partners for banner displays.
    b. Arranging a one-to-one banner swapping.
    c. Selling space for banners.
    d. Providing help in banner design.

    Answer: b   **Reference**: Banner Exchanges

55. An ad that appears underneath the current browser window so when the user closes the active window they see the ad is called a(n):

    a. pop-up ad.
    b. invisible seeding.
    c. changing homepage.
    d. pop-under ad.

    Answer: d   **Reference**: Pop-up and Similar Ads

56. The practice of visibly placing popular brands, slogans, and proprietary content into a site to optimize search-engine rankings is called:

    a. visible seeding.
    b. mouse-trapping.
    c. invisible seeding.
    d. cyber-squatting.

    Answer: a   **Reference**: Pop-up and Similar Ads

57. The practice of keeping customers on the original site while the customer views content from another site through the original window is called:

    a. visible seeding.
    b. mouse-trapping.
    c. framing.
    d. cyber-squatting.

    Answer: c   **Reference**: Pop-up and Similar Ads

58. Seeding sites with select words, brands, slogans, and personalities in order to draw traffic is called:

    a. spoof paging.
    b. mouse-trapping.
    c. framing.
    d. cyber-squatting.

    Answer: a   **Reference**: Pop-up and Similar Ads

59. The use of e-mail to send advertising material to a targeted group of potential customers has all of the following strengths **EXCEPT:**

    a. most companies already keep a list of customers that can be used as a basis for an e-mail list.
    b. this method is relatively cheap.
    c. research has shown that customers react favorably to such ads, even when the number received is very high.
    d. companies can use an e-mail list to target only customers most likely to purchase.

    Answer: c   **Reference**: E-Mail Advertising

60. Sending e-mail ads without the receivers permission is called:

    a. spoofing.
    b. spamming.
    c. framing.
    d. mis-linking.

    Answer: b   **Reference**: E-Mail Advertising

61. A major disadvantage of using search engines as an advertising tool is:

    a. the cost of inclusion in the search engine's list of URLs.
    b. the advertiser cannot control where it will fall in the list of Web sites returned by the search engine following a successful search.
    c. companies must go through an intermediary to be included in a search engine database, and such intermediaries charge heavy fees for their services.
    d. the only way to use a search engine in advertising is to place a banner ad on the search engine site, which is often very expensive.

    Answer: b   **Reference**: URLs

62. Free advertisement using URLs is done by:

    a. creating mailing lists.
    b. submitting your URL to a spot leasing agency.
    c. combining your URL with banners.
    d. submitting your URL to search engines.

    Answer: d   **Reference**: URLs

63. When "used books" is entered in a search engine, a banner ad for Joe's Used Books is displayed. This is an example of:

   a. viral marketing.
   b. personalized banner ads.
   c. an associated ad display.
   d. affiliate marketing.

   Answer: c   **Reference**: Associated Ad Display

64. In the ads as a commodity approach,:

   a. customers are paid for the time spent viewing ads.
   b. all ads are assumed to be equally effective, so little is spent on ad design.
   c. advertisers depend on word of mouth to spread the word about a new product.
   d. a unique series of ads appears based on the surfing behavior of each potential customer.

   Answer: a   **Reference**: Ads As a Commodity

65. Rather than investing in expensive advertising, a publisher relies on positive comments about a new book to build sales. This is an example of:

   a. the ads as a commodity approach.
   b. personalized advertising.
   c. viral marketing.
   d. marketing through affiliates.

   Answer: c   **Reference**: Viral Marketing

66. Third-party vendors are often needed in the design and implementation of major online promotions. The function of these third parties is called:

   a. admediation.
   b. personalization.
   c. intermediation.
   d. disintermediation.

   Answer: a   **Reference**: Admediation

67. In an attempt to translate traditional advertising models to the Internet, many Web sites charge advertisers a fixed amount per guaranteed ad view. This pricing method is called the:

   a. exposure model.
   b. click-through model
   c. interactivity model.
   d. purchase model.

   Answer: a   **Reference**: Pricing Based on Ad Views, Using CPM

68. The online ad pricing technique based on the traditional pricing method of charging based on exposure bases charges for advertising on:

    a. CPM.
    b. click through.
    c. interactivity.
    d. actual purchases.

    Answer: a   **Reference**: Pricing Based on Ad Views, Using CPM

69. A company charges advertisers based on the number of customers that not only view a banner, but also visit the Web site advertised by the banner. This pricing technique is based on:

    a. CPM.
    b. click through.
    c. interactivity.
    d. actual purchases.

    Answer: b   **Reference**: Pricing Based on Click-Through

70. The click-through model of ad pricing is based upon:

    a. the number of times customers view a given banner ad.
    b. the amount of time customers spend viewing Web pages reached through links from the banner ad.
    c. the number of orders completed when customers follow links to the advertiser's Web pages
    d. the number of times customers click their mouse on the banner ad.

    Answer: d   **Reference**: Pricing Based on Click-Through

71. The advertising practice in which ad viewers register and agree to view ads is called:

    a. permission advertising.
    b. spamming.
    c. flaming.
    d. bannering.

    Answer: a   **Reference:** Permission Advertising

72. Localization is an important issue for companies expanding from one national setting to an emphasis on international sales for all of the following reasons **EXCEPT:**

    a. Internet standards differ greatly from one country to another.
    b. even in countries that share the same native tongue, spelling and usage of common terms may be different.
    c. images may have significantly different connotations from one area to another, such as the British interpretation of U.S. mailboxes as garbage cans.
    d. the format of such seemingly simple data as dates may differ from one country to another, even though the two countries speak the same language.

    Answer: a   **Reference**: Localization

73. The idea that almost any device can be imbedded with computer chips and connected to a network of other devices is called:

    a. permission internet.
    b. localization.
    c. pervasive computing.
    d. Web translation.

    Answer: c   **Reference:** Wireless Advertising

74. Because customers are expensive to acquire online, site content is important in improving:

    a. stickiness.
    b. localization.
    c. rotation.
    d. impression spacing.

    Answer: a   **Reference:** Ad Content

75. A Web site helps customers select gifts based on responses to a set of standardized questions. This is an example of an agent supporting:

    a. product brokering.
    b. merchant brokering.
    c. service and evaluation.
    d. need identification.

    Answer: d   **Reference:** Agents That Support Need Identification (What to Buy)

76. Wanda knows she needs a new computer, but she isn't sure of the exact specifications. An online agent assists her in translating her computing needs to specific configurations that will meet her needs. This is an example of an agent supporting:

    a. product brokering.
    b. merchant brokering.
    c. service and evaluation.
    d. need identification.

    Answer: a   **Reference:** Agents That Support Product Brokering (From Whom to Buy)

77. Based on his product needs, Jose has decided he wants to buy a Saturn VUE. An online agent helps him identify the particular dealer that has the car he wants at a price he is willing to pay. This is an example of an agent supporting:

    a. product brokering.
    b. merchant brokering.
    c. service and evaluation.
    d. need identification.

    Answer: b   **Reference:** Agents That Support Merchant Brokering and Comparisons

Essay Questions

78. List five reasons a company might choose to advertise on the Internet.

    Answer: Any five of the following:
    1. TV viewers are shifting to the Internet, which will eventually impact the effectiveness of TV ads.
    2. Internet surfers are better educated and make more money than average consumers.
    3. Internet ads can be updated at any time with minimal costs.
    4. Ads can reach local as well as international markets.
    5. The number of potential viewers of an ad is very large.
    6. Online ads MAY be cheaper than traditional ads.
    7. Web ads can utilize multimedia.
    8. Sales promotional techniques can be easily incorporated in Web ads.
    9. Internet use is growing.
    10. Web ads can be interactive, which makes targeting more accurate and effective.

    Reference: Why Internet Advertising?

79. What are the major strengths and weaknesses of banner advertising?

    Answer: Although several strengths are listed, the most important ones are the ability to target banner ads to specific markets and the fact that banner ads represent a kind of forced advertising. The major weakness given is the potentially high overall cost.

    Reference: Banners

80. What is viral marketing and how can it be effectively used by Internet advertisers?

    Answer: Viral marketing is the use of word-of-mouth in building interest with potential customers. Internet advertisers send e-mail messages to mailing lists with instructions to recipients to pass it along to friends, or requesting recipients to send the name of a friend who might like to receive the communication. The Internet, through chat rooms and bulletin boards, provides unlimited opportunities for customers to tell others about their satisfaction, or lack thereof, with products or companies.

    Reference: Viral Marketing

81. While the click-through, interactivity, and actual purchase models make more sense as a way for site providers to charge advertisers for running ads, the exposure model is still the most commonly used pricing method. Describe each of these pricing models and explain the strengths and weaknesses of each.

    Answer: Exposure model – Advertisers pay a fixed amount per guaranteed view (CPM). Strength is it is easy to calculate. Weakness is it is hard to prove guaranteed views, and viewing an ad doesn't really measure its effectiveness in selling products.
    Click-through model – The advertiser pays only for customers that actually click on the banner and visit the site. The strength is it measures customers who were influenced by the banner to visit the site. Weaknesses include a low level of acceptance by companies selling ad space and the difficulty in effectively measuring click-through.
    Interactivity model – Advertisers pay only for customers who spend time on their site after clicking on the banner ad. The strength is that advertisers pay for customers who actually appear to be considering purchase. The weakness is in measurement and a low level of acceptance by companies selling ad space.
    Purchase model – Advertisers pay only for customers who actually follow the banner ad link, and follow through the process to purchase. The strength is that advertisers pay only when the ad is successful. Weaknesses include very low acceptance by companies selling ad space.

    Reference: Pricing of Advertising

82. Explain how a chat room can be used for advertising.

    Answer: Many companies place a link to a chat room on its site. The advertising company can stimulate positive conversations about its products by introducing chat topics on the site. Chat rooms can also be used to support one-to-one communication between the company and its customers by allowing real-time responses to individual customer questions.

    Reference: Advertising in Chat Rooms