

Sprucing Up Online Display Ads

Web Companies Try New Payment Models... By Emily Steele **WSJ - May 6, 2009**

Businesses ranging from ad-technology start-ups to Web publishers are increasing the size and beefing up the quality of display ads, ads which border Web pages and can include pictures or video.

VideoEgg, a San Francisco digital-advertising firm, plans to unveil a new product Wednesday aimed at helping marketers find Web sites where their ads are likely to attract consumers' attention.

VideoEgg is coupling the new product with a "cost per engagement" pricing model, in which marketers pay for an ad only when a consumer reacts to it. Typically, marketers buy display ads based on the number of "ad impressions" delivered -- or times an ad is shown on a Web page.



VideoEgg's "engagement" ads can appear in the usual slots for display ads. In a recent campaign for New Balance ZIP athletic shoes, instructions below a display ad for the shoes said, "Hover for video."

When someone clicked on the ad or hovered a mouse over it, the ad expanded across the entire Web page, revealing a video, information about the shoe and a locator map for stores where it was available.

Meanwhile, PointRoll, which is owned by Gannett, has started improving the technology in its ads to allow advertisers, for example, to change featured products based on what they have in stock.

As big Web publishers see continued pressure on display ads, they, too, have started to redesign their pages, trying to boost demand and provide marketers with features they can't buy through ad networks, which broker ads on behalf of a group of Web sites.

There's still a lot of persuading to be done. Demand for display ads has ebbed, particularly as the rate at which consumers click on display ads bottoms out at a fraction of a percentage point.

Meanwhile, as Web sites proliferate and continue to create new content and extra pages, the supply of display ads has become nearly limitless.

While **the total U.S. online ad spending is expected to grow at a 4.5% clip this year**, spending on display ads, the **second-largest online ad format, is projected to decline 4.6% to \$4.7 billion**, according to research firm eMarketer. **Spending on search ads however, the largest format, is expected to grow 13.4%**.

"Not many marketers have been impressed by the performance of display ads," says Carrie Frolich, managing director of digital media for Mediaedge. "The argument to continue to pay premiums for display ads is not there," she added.