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How content affects the buying and selling of ad links

The internet has become an important medium for doing business internationally. The opportunities are enormous, yet there are still many practical questions that managers of commercial websites need answering. Zsolt Katona, an INSEAD PhD candidate in marketing, addresses some of these questions in his doctoral thesis on advertising on the World Wide Web. "The www is the largest network in the world - there are more pages on the www than the population of the world, and online advertising expenditure is growing at a rate of 18 per cent," Katona says.

Part of his thesis looks at the actual structure of the internet with emphasis on page links. Little research has actually been done so far on the relevance of web links, especially when there are large differences between the "content and connectedness" of the sites. Katona focuses on the trade off between selling content and advertising. How should these links be priced and do advertising links function in the same way as reference ones? He also says that "boosting a site's rank in a search engine is high on managers' priorities".

Katona explains that "what is interesting in advertising on the web is that you can buy and sell at the same time. When you put a banner on (a site) you are selling a link because visitors can click on that link. You are, in fact, selling and buying traffic, whereas with traditional advertising you cannot click on an advert – you see an advert and go to the shop to buy the item."

For website managers, the questions that are of interest in this research "are 'from whom do you buy?', 'who do you sell to?' and 'at what price?'" Katona says. Using a model developed with Miklos Sarvary, Professor of Marketing at INSEAD, the research looks at the impact that high and low content sites have on linking behaviour.

The results show that sites with a high level of content, often well-known brands, buy more advertising links but sell fewer such links. They also tend to buy links from sites with less content which sell their ad links at lower prices.

Katona says the results are supported not just by the model that was developed, but also by empirical study. "By using Google we took web pages from different positions in a search for a particular word – from the first click through to the 800th position for example. We repeated the process for 50 different search words. For every web page we counted the number and size of banner adverts. The lower the ranking of the page, the more banners. On the first page there is almost nothing and this supports the fact that high content sites don't sell a great deal."
He says that the more advertising there is, the greater the risk of visitors getting distracted and clicking on other links.
"For higher content sites it hurts more to sell advertising."

Another result is that specialisation becomes more important for websites as people are interested in multiple content areas. “Sites such as BMW have a high content (level regarding) cars but nothing on films for example, whereas Yahoo or Amazon have multiple content. According to our results, as more people use search engines, there is more incentive to specialise content. The lower average content (level) sites have, the more specialised (they should be).”

Katona believes these results can provide useful guidelines for managers in dealing with the way in which their sites are connected with the rest of the web.

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