

## Behavioral Advertising on Target... to Explode Online

2007-06-11

Brand advertising is moving onto the Internet.

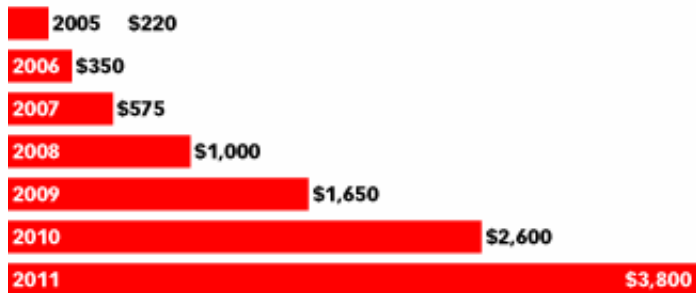
After years of deriding the Internet as "only" a direct advertising vehicle, major brand marketers are discovering powerful new ways to target their users online, and major online players are clearly noticing.

"Nearly \$10.5 billion sends a very clear message about future strategies," says David Hallerman, eMarketer Senior Analyst and the author of the new eMarketer report, Behavioral Targeting: Advertising Gets Personal. "Four deals in 35 days - Google-DoubleClick, Yahoo!-Right Media, WPP Group-24/7 Real Media and Microsoft-aQuantive - are a clear indication of the onrush of brand-focused advertisers onto the Web."

Internet advertising is no longer all about paid search. Targeted online display advertising is exploding.

Spending for Internet advertising with a behavioral targeting component will soar from \$575 million this year to \$1 billion in 2008, and that still represents only 11% of the US display, rich media and video market.

### **US Behaviorally Targeted Online Advertising Spending, 2005-2011 (millions)**



*Note: Behaviorally targeted advertising is displayed to a selective audience whose interests or intentions are revealed by Web site tracking data. It does not include advertising that is targeted using adware installed on individuals' computers*  
Source: eMarketer, June 2007

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[www.eMarketer.com](http://www.eMarketer.com)

"With the greater attention paid to overall ad targeting, and the rising focus on brand messages online," says Mr. Hallerman, "this market will nearly quadruple by the end of 2011, growing to \$3.8 billion."

There are three key reasons for the large spending gains:

1. Behavioral targeting helps marketers reach a more engaged audience with fewer ad impressions
2. Behavioral targeting helps publishers monetize their "long tail" pages - the non-premium or remnant inventory that either is sold for less money or remains unsold
3. Even though individuals are often not aware of the process, many tend to find ads targeted by their actions to be more relevant to their needs, and therefore more palatable or even welcomed

"The eMarketer outlook for behavioral targeting is optimistic," says Mr. Hallerman, "but not overly so, since the scalability required for substantially larger spending is simply not there yet."

Scalability involves several factors, including the broad reach among Web sites - both through portals and ad networks - needed to allow fine-tuned segmenting and yet maintain a reasonable size for each slice of the audience.

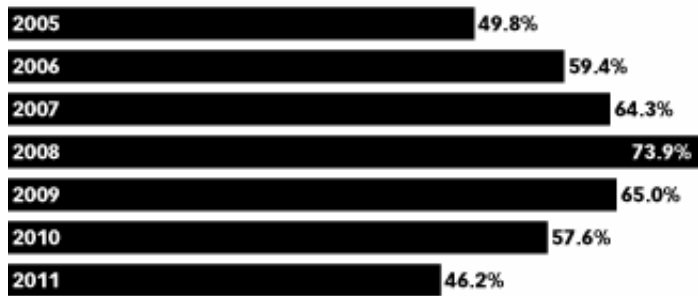
"Another element holding back behavioral targeting's growth is the technology itself, which despite its benefits still seems counterintuitive to many advertisers," says Mr. Hallerman. "That they need to pay nearly the same rate for a remnant page as they would for a contextually targeted page placement goes against the grain."

Nevertheless, behavioral targeting spending will continue to grow at a significant rate, peaking at nearly 74% next year due to a combination of greater advertiser acceptance, greater publisher support (only about one-third of Web sites can do behavioral targeting, according to Advertising.com) and greater overall online ad spending with the national elections and Summer Olympic Games.

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**US Behaviorally Targeted Online Advertising Spending Growth, 2005-2011 (% increase vs. prior year)**

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Source: eMarketer, June 2007

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By 2011, "very large publishers will be selling 30% to 50% of their ad inventory using this [behavior targeting] technique," predicts Bill Gossman, CEO of Revenue Science.

See what lies ahead for advertisers and publishers alike - read the new eMarketer [Behavioral Targeting: Advertising Gets Personal](#) report today.

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