Online Advertising

Pay per click

Adapted from The Economist October 1st 2005

" Half the money I spend on advertising is wasted ", John Wanamaker, the owner of America's first big department store , allegedly said in the 1870s . " The trouble is, I don't know which half. " It has been the advertising industry's favourite joke ever since . But it may expire soon , at least in the online world .

This week ,Microsoft unveiled a new system for placing advertising hyperlinks on its MSN internet search site that could help it to close the gap with Google and Yahoo! ,the two most popular search engines and the leaders in so-called " paid-search " or " pay-per-click " advertising . The basic idea behind pay-per-click is that advertisers make an offer in an online auction (1) for the right to have their link displayed next to the results for specific search terms (for instance : "used cars ", or " digital cameras ") and then pay only when a web surfer actually clicks on that link (hence " pay-per-click ") . since the consumer has already expressed intent - first by typing in the search terms , then by choosing the advertiser's link – he is more likely to make a purchase .From the advertiser's point of view, this reduces some of the waste that bothered Mr Wanamaker .

Pay-per-click advertising is the fastest-growing part of the advertising industry . In the first half of this year ,it rose by 27 % to $ 2.3 billion in America . That is 40 % of all online advertising (though only 3 % of total advertising) in America . Piper Jaffray, an investment bank , thinks the pay-per-click market will grow to almost $ 20 billion within 5 years .

But pay-per-click is far from perfect . There is " click fraud " : bogus (2) clicks generated by software –powered websites set up just for this purpose . And even humans who search and click often stop short of buying .

Notes :
auction : *enchères*
bogus : *bidon*

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