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Faculty of International Management and Business

International Marketing and Total Quality Management Programme

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Katalin Török

PAY-FOR-PERFORMANCE MARKETING ON THE INTERNET

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I. Introduction

The emergence of the Internet as a part of everyday life for modern consumers has simultaneously developed new advertising methods that radically differ from traditional advertising due to the interactivity of the medium. During the rapid development of the Internet in recent years, some of these format have evolved further, some of them disappeared and new, better ones emerge all the time.

The decreasing click-through rates from banners and other impression-based advertising formats on the web, and the increasing consumer resistance against more aggressive online ads in recent years result in a market situation that resembles a vicious circle. Due to the lack of success with simple graphical advertising, like banners, marketers are trying to reach consumers with increasingly aggressive ad formats, which in turn alienate even more consumers from all Internet advertising. Web site owners are also forced by the need for revenues to compromise and dedicate an increasing portion of their screen real estate to advertising thereby reducing the perceived value of their website to their users.

Search engine marketing and affiliate marketing provide a way out of this circle by creating a win-win situation for both marketers, owners of web properties and consumers. The thesis introduces the two marketing models by describing their advantages over traditional Internet advertising and examining the global trends in these markets. The final chapter details the results of a web-based survey, conducted among young, regular, Hungarian long-time web users to measure attitudes towards online advertising. The survey results confirmed that these users are frustrated by online advertising and do not see added value in it. These results indicate that Hungarian online advertisers' current attempts at reaching consumers through aggressive display advertising like rich media and pop-ups are not welcome with their target audience.

Because Internet use is still low in Hungary, e-commerce and e-business are still underdeveloped. Online marketing spending is also relatively low and not differentiated enough from offline advertising in its methods and choice of channels. However, as new

efficient marketing tools like search engine advertising emerge, Hungarian marketers will have to abandon old, inefficient methods and turn to new emerging marketing models that permit better targeting and more value both for marketers and consumers.

These two marketing methods are currently gaining market share rapidly in US and global online ad spending, yet are almost non-existent in the Hungarian online market.