

Expenses on online marketing activities in the conditions of the Slovak market

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Abstract: The aim of the article is to describe the specific aspects of marketing communication in the online environment as the relevant medium of our present focusing on the funds invested in this area. As part of the assessment of the direction of the given issue, the study summarizes the theoretical foundations of internet marketing, online advertising. The main focus is on the issue of online advertising spending on a global scale, focusing on the selected marketing communication tools as well as on the segment's spending on the domestic market. Another aim of the article is to point out the current state of the issue of the given area of knowledge while pointing to its difficulties and possible future development in the area.

Keywords: Marketing, Online, Náklady, E-marketing, Propagácia.

JEL Classification: M30; M31

Acknowledgement: This article is one of the partial outputs under the scientific research grant VEGA 1/0806/16 „Research on issues of consumer behaviour of a new generation of customers with emphasis on identifying preferences and usability of mobile platforms in the process of e-commerce of the subjects localized predominantly on the Central European Market“ and VEGA 1/0789/17 „Research of e-commerce with relation to dominant marketing practices and important characteristics of consumer behaviour while using mobile device platforms“.

1. Introduction

It is not necessary to emphasize that organizations have opened a new space with the arrival of the internet to promote their products, services or brands. These new opportunities that brought marketing to the internet brought a new dimension to communication between the organization and the consumer, in terms of creating direct and effective relationships. It's just the advertising and the associated opportunities that the online environment offers to directly address the target audience and it can be said that the cost is a fraction opposite to advertising in traditional media, such as television. The internet as a modern global medium is the dimension of constant progress, offering marketing professionals a wide range of creative, cost-effective and immediate tracking of the results of advertising campaigns Scott (2010). These are also undeniable changes in communication that have brought about the development of the internet and have significantly influenced communication mix tools. According to Karlíček – Král (2011) Internet advertising has become an important part of advertising mixes of companies and organizations, e-mailing slowly pushes out direct mailing, sales support utilizes on-line platforms for loyalty programs, discount stocks and competition.

Online marketing can be defined as a group of multiple activities, practices that Viktor Janouch (2011) describes as a way to achieve the desired marketing goals through the internet. Online marketing includes, like traditional marketing, a whole range of activities related to influencing and maintaining relationships with clients and customers. In addition, online marketing also includes marketing through mobile devices. Marketing in an online environment focuses mainly on communication, but it also concerns price formation. Online marketing allows the most accurate targeting of an advertising campaign where, with the help of the internet, it is possible to reach a large number of potential customers with a relatively small amount of invested funds. At the same time, these e-marketing tools have the ability to accurately measure their own effectiveness (Kobiela 2009). Monzel (2009) argues that online marketing

is not just implementing marketing activities on the internet or other digital media. These activities are related to the identification of target groups and subsequent adaptation of marketing activities in the online environment. The basics of e-marketing is also to improve and enhance the effectiveness of advertising and marketing activities. The realization of e-marketing on the other hand also has its disadvantages, according to Karlíček - Král (2011), the main disadvantages of internet promotion can be considered the fact that it interferes exclusively with the so-called internet population. These are groups of people who do not have access to internet or they have only limited access to internet. These groups remain not addressed. The author also considers the user's over-emphasis by internet advertising to be a serious disadvantage. More and more users become resistant to this form, which they look through the ad, this phenomenon is called banner blindness. In public relations activities, Scott (2010) adds that after a long period of exclusive focus on classical media, through public relations, public relations has become a real relationship with the public, where various forms of online content enable organizations to communicate directly with customers. In agreement with Gaya et al. (2007) online marketing is a process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products and services that meet the goals of both parties. The author adds the formulated principles and states that great attention should be paid to published content, since quality content in every form helps to positively publicize the view of the public.

2. The current state of the problem

Internet has become an area of growing importance for marketers. This reflects an increasing annual expenses in this area. The statistics of the last years, supported by the opinion of marketing experts, expect in the forthcoming years an even more significant development of marketing activities in this area and the associated increase of the invested funds. According to the Digital Market Outlook by Statista (Loesche 2017), the total worldwide digital ad revenue in 2017 is likely to stand at more than \$227 billion. This figure could increase by more than 46 percent to \$332 billion in four years' time.

In a broader context, it is worthwhile pointing to the results of the eMarketer analysis (Statista 2017a), which provides an overview of global spending on promotion. This analysis is based on data for the period 2014-2015 and on other factors, forecasts future developments in this area. As Figure 1 shows for 2017, the year-on-year growth of spending on promotion is predicted at 7%. The highest year-on-year growth is predicted for 2018, where the year-on-year growth is at 9%. In a broader perspective, the estimated total increase in promotional spending over the 2014-2020 period is 48%. A closer look at the absolute values for each of the monitored years is given in Figure 1.

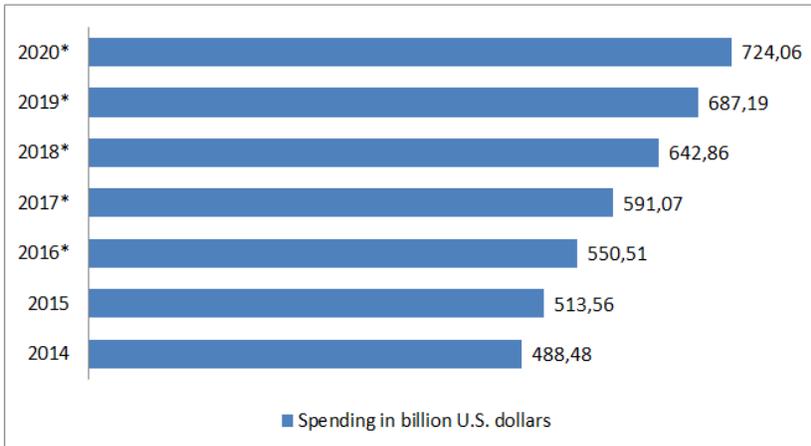


Figure 1. Global advertising spending from 2014 to 2020

Company Zenith (2016) predicts that global ad expenditure will grow 4.4% both in 2016 and 2017, reaching US\$566 billion by the end of 2017. The 2017 forecast is down by 0.1 percentage point from the forecasts we published in September after small downgrades in Asia Pacific, which nevertheless remains one of the fastest growing

regions for ad expenditure. Western & Central Europe was one of the regions most affected by the financial crisis of 2008-2009, which then turned into the Eurozone crisis. The Eurozone crisis is not definitively over – Greece’s debts are still unsustainably high, for example – but the region’s ad market has been enjoying solid recovery since 2014, after which ad spend has grown at about 4% a year. Zenith (2016) expects ad spend growth to remain at a similar rate (an average of 3.9% a year) for the rest of our forecast period. Also advertisers will spend an additional \$80 billion a year on mobile ads in 2019 compared to this year. By then, mobile devices will have overtaken the desktop internet to become the second largest advertising medium behind television. Zenith expects annual mobile advertising spending to reach \$160 billion by 2019, well ahead of the \$88 billion expected to be spent on non-mobile online ads (Statista 2016).

Warc (Statista 2017b) offers a year-to-year comparison of estimated company spending at global level for individual classic and online forms of promotion. On the basis of the analysis of the company concerned, it can be stated that, in the context of the year-on-year growth of promotional expenses, the mobile promotion segment (Mobile) and online marketing communication (Internet) were the successful ones. Specifically, growth in the Mobile segment was 47.10% in 2016. For 2017, this segment is estimated to grow at 34.20%. In the case of the TV segment, it can be said that the segment in terms of spending is at a stable level where for 2017 the estimated growth is only at 1.10%. It should be noted that the analysis also presupposes a reduction in expenses in the selected segments. Specifically, there are segments such as Magazines (-4.50% in 2017) and Daily Print (-4.50% in 2017). This analysis also provides a forecast of the overall year-on-year growth in advertising spending, in this case the analysis estimates an increase in total advertising spending of 4.20%. In the case of a year-on-year comparison, the growth is slowing down.

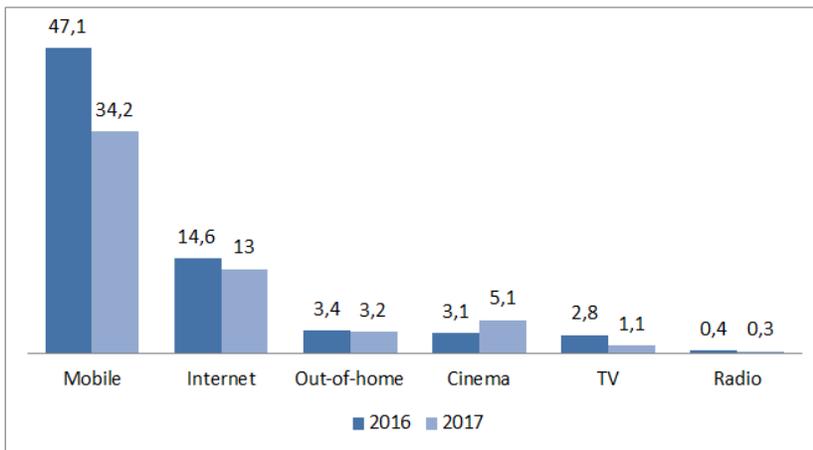


Figure 2. Year-on-year comparison of expenses on individual forms of promotion (2016/2017)

The analysis of IAB Slovakia (2017) (The Interactive Advertising Bureau is the largest association operating on the Slovak digital market) offers a closer look at the online advertising segment on the domestic market. According to the analysis, spending on online promotion in Slovakia for the period 2014-2016 grew at more than 20%. The highest achieved year-on-year growth rate was identified in 2016, it was a 23.23% growth. It should be stressed that when we compared the year 2012 and 2016, expenditure growth in this segment has doubled when the segment grew by 100.25%. The average growth over the monitored period is 18.98%. Michal Žatkuliak (IAB Slovakia 2017), the chairman of IAB Slovakia Internet Advertising Management Board, says that more and more brands will move most of their budgets from traditional media to digital and create more room for growth in online advertising spending in the forthcoming period. It further he adds that this type of media is still growing in the overall share of intervention and time spent, for some target groups, it is even the most important type of media of all.

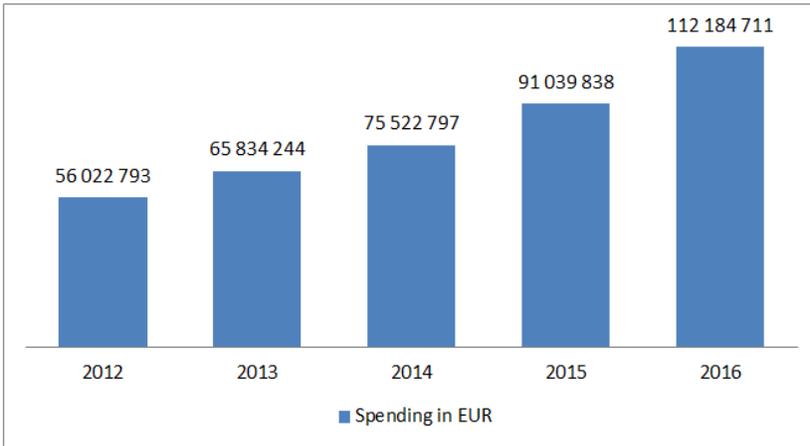


Figure 3. Development in spending on online advertising 2012 - 2016 in absolute values

The analysis of IAB Slovakia (2017) also monitors individual advertising formats where the absolute value is the banner advertising at the forefront with 28.40% growth rate. This analysis points to the fact that year-on-year growth in banner advertising is gradually signing annual increases in programmatic advertising, video and mobile advertising. The identified trend is also reflected in member media declarations. Specifically, it is programmatic number, which has grown by 47%, mobile display advertising has grown to 46% and video advertising shows a 29% increase over 2015. The analysis emphasizes that, overall these three categories in 2016 only account for 30% of the banner advertising declared by IAB Slovakia members. Paid-for search maintained a solid position in 2016. It can be said that the overall share of advertising costs has dropped slightly compared to the previous year.

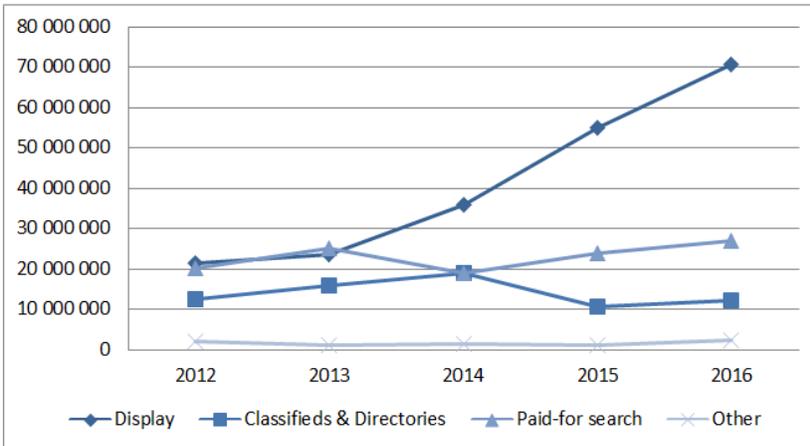


Figure 4. Development in spending on online advertising 2012 - 2016

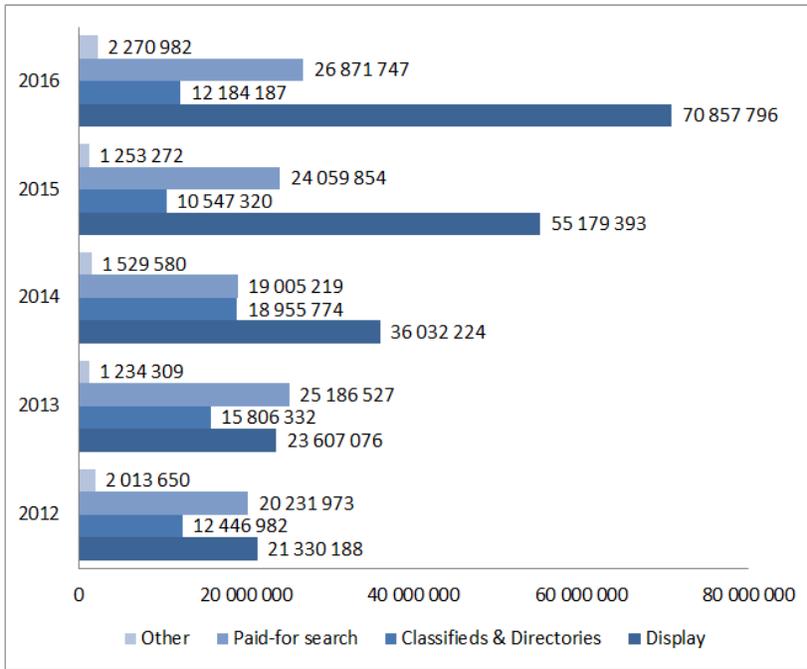


Figure 5. Development in spending on online advertising 2012 - 2016

As can be seen in Figure 5, it can be mentioned that the highest percentage of the year-on-year increase (2015-2016) is taken by the entry “Others” (81%). Several forms of advertising are included within this entry but do not show high figures separately in absolute terms. Among these formats, the spending goes to native advertising, PR articles and affiliate marketing. Display ads showed a 28% year-on-year growth (2015-2016), but when compared to the 2014-2015 period, a slowdown could be noted, with a 50% growth in that segment. The “Paid-for search” segment rose year-on-year to 12%. But, as in the previous example, a slowdown in growth could be noted over the previous period, when the segment grew at 27% in 2014-2015.

3. Conclusion

Currently, internet offers a wide range of opportunities to marketers to implement their marketing strategies. These opportunities of the online environment is designed for both small and large organizations. In particular, it is possible to use creatively a wide range of advertising formats, cost effectiveness, direct tracking of the results of advertising campaigns and last but not least, their management in real time. For this reason, it can be stated that from the point of view of market subjects, the online environment as a medium is moving to the forefront of traditional media and forms of marketing communication of organizations.

Indisputable proof of the importance of the internet as a relevant communication medium is both global and local expenditure growth in this area, as evidenced by several of the current analyzes we have mentioned above. These analyzes predict growth in the surveyed marketing communication segment in the future. The question here is the rate of expenditure growth as well as its detailed breakdown into individual marketing tools such as social media, banner advertising and marketing activities in the online search engine environment. Finally, it is advisable to add that the online environment in combination with marketing communication tools is an ideal platform for building a positive reputation or endeavoring to fulfill e-commerce goals.

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