

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Management



Diploma Thesis

**Attitudes to online banner advertising on
the “VK.com” social network as a channel for
purchasing clothing**

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DIPLOMA THESIS ASSIGNMENT

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Economics and Management

Thesis title

ATTITUDES TO ONLINE BANNER ADVERTISING ON THE "VK.COM" SOCIAL NETWORK AS A CHANNEL FOR PURCHASING CLOTHING

Objectives of thesis

The main objective of the diploma thesis is to examine how do people perceive and react on the online banner advertising in a Russian social network "Vk.com". The aim is to identify the target group of buyers who purchase clothing based on the online banner advertising. The particular aim of the thesis is to measure the effectiveness of online banner advertising and to represent online banner advertising in a social network as the effective way of buyer's attraction to clothing e-shops.

Methodology

Methodological and information on base was the work of the following authors: Harry J., The Digital Advertising Guide and Tungate, M., Adland: A Global History of Advertising.

Diploma thesis consists of two main parts: theoretical and practical. Methodological methods selected for the theoretical part are qualitative and quantitative analysis.

Qualitative analysis's tools are:

- Literature analysis (serves to analyze specified literature and collected data, to highlight the components of the subject);
- Collected data analysis (examine data with a subsequent interpretation).

Selected tools of quantitative research are:

- Deduction (serves to reach the conclusion based on the number of par al statements);
- Induction (moving from specific (par al) observations to broader conclusions);
- Graphic method (graphics and diagrams to represent the statistical data and the results of survey);
- Using of parameter ROI(return on investments), ratio CTR (click through rate) to calculate the effectiveness of online banner advertising ;
- Questionnaires (survey method to compile statistical notions about the subject studied);
- Frequency Tables form. Form is used to show the percentages of respondents who selected each answer.

The proposed extent of the thesis

60-70 pages

Keywords

Internet, advertising, banner, e-shop, marketing, PPC (pay per click), CPC(cost per click), CTR(click through rate),Vk.com

Recommended information sources

Booth D., Koberg C.,: Display Advertising: An Hour a Day, 2012. Print. ISBN: 978-1-118-17971-0

Carson M., Springer P., : Pioneers of Digital: Success Stories from Leaders in Advertising, Marketing,

Search and Social Media, 2012. Print. ISBN-13: 978-0749466046

Close A.,: Online Consumer Behavior: Theory and Research in Social Media, Advertising, and E-tail, 2012. Print. ISBN-13: 978-1848729698

Harry J., : The Digital Advertising Guide, 2015. Print. ISBN 9780578138220
McStay A.,:Digital Advertising, 2009. Print. ISBN-13: 978-0230222410

McStay A.,: The Mood of Information: A Cri que of Online Behavioural Advertising, 2011. Print.ISBN-13: 978-

Pavlik J.V.,: Media in the Digital Age, 2008. Print. ISBN-13: 978-0231142090

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Declaration

I declare that I have worked on my diploma thesis titled “Attitudes to online banner advertising on the “VK.com” social network as a channel for purchasing clothing” by myself and I have used only the sources mentioned at the end of the thesis.

In Prague, March 29th 2016

Ablamskaya Alena

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I would like to thank Ph.D. Richard Selby for his advices and support during my work on this diploma thesis.

Summary

The title of the diploma thesis is “Attitudes to online banner advertising on social network “VK.com” as a channel for purchasing clothing”. The main objective is to examine attitudes of the registered users of Russian social network “VK.com” to banner advertising. Author of the diploma thesis explains the role of online banner advertising, its main types and forms. To determine users’ attitudes to online banner advertising, qualitative and quantitative researches were made. The diploma thesis consists of two parts: literature overview and practical part. The first part focuses on a theoretical background; specified terms and definitions of online banner advertising were described. The practical part focuses on the detailed analysis of the online banner advertising on a chosen social network. The conditions of the placement and payment methods were examined. Practical part includes the survey and interpretation of the results. In the final chapter, based on the results of the questionnaire and the calculations, author provides the recommendations for the increase of the online banner advertising effectiveness. Author advises the social network how to avoid the banner blindness effect and to attract the attention of users.

Keywords: advertising, banner, online, social network, VK.com, CTR, CPM, effectiveness, user, banner blindness

Souhrn

Název této diplomové práce je "Postoj k online bannerové reklamě na sociální síti VK.com" jako kanál pro nákup oblečení". Hlavním cílem diplomové práce je prozkoumat postoje registrovaných uživatelů ruské sociální síti "VK.com" k bannerové reklamě. Autor diplomové práce popisuje roli on-line bannerové reklamy, její hlavní typy a formy. Pro zjištění postoje uživatelů k online bannerové reklamě, byly provedeny kvalitativní a kvantitativní výzkumy. Diplomová práce se skládá ze dvou částí: první část obsahuje přehled literatury a praktickou část. První část je zaměřena na teoretický základ: byly popsány specifikované podmínky a pojmy online reklamy. Praktická část je zaměřena na podrobnou analýzu online bannerové reklamy, byly prozkoumány podmínky její umístění a způsoby platby. V závěrečné kapitole, na základě výsledků provedeného dotazníku a výpočtů, autor poskytuje doporučení pro zvýšení efektivity online bannerové reklamy. Autor radí sociální síti jak se vyhnout efektu slepota banneru a upoutat pozornost uživatelů.

Klíčová slova: banner, sociální síť, reklama, online, registrovaný uživatel, VK.com, CTR, CPM, efektivita, banner blindness

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1. Introduction

Internet advertising is an image. Availability of a website is a sign of a stable, professional work of each company. Internet has already become not only a mean of a communication, but also a field for serious business. Almost every company has a virtual office on the Internet. The total turnover of the companies providing Internet trading reaches billions dollars. Traditional media for all their clarity and familiarity are no longer able to provide an adequate level of efficiency required by modern world. Almost every modern human being uses the Internet to get the newest information.

The Internet spreads information in a few seconds: the company launches a new product or service, offeres a discount, put it on Internets and at the moment everyone knows it. There is no need to wait for the next printed of advertising. Online information is always relevant and actual. This value attracts millions of Internet users. In Russia, the volume of online advertising reaches millions dollars. Advertising on the Internet is very effective and covers a huge audience, under the influence of the Internet advertising reaches people of different ages, with different levels of income and living in different corners of the Globe.

Advertising on the Internet reminds the advertising on television: whether we like it or not - we still see it. Internet advertising includes the advantages of television, and the prices lower than in the print media. Relevance of the work lies in the fact that many organizations actively use the Internet; organizations create the websites or advertising their production here. Internet provides businesses with a different ways of advertising, for example online banner advertising.

Banner advertising is an advertising tool, it is a creation and placement of graphic banners on popular Internet sites, in order to inform and attract visitors to the advertiser's site. Online banner advertising is one of the most popular types of advertising.

Banner is a graphic advertising message placed on a web page. It is provided with a link connected to the advertised resource.

Today, advertisers create banners with interactive elements, games, videos, elements of expert systems. Online banner advertising combines a number of convenient and powerful features. The most effective banner advertising technology enables pop-marketing, which allows users to show banner ads, coinciding with the theme of pages viewed. The effectiveness of this type depends on several factors: quality of the banner; download speed and resolution, text. The right banner should be brief, concise and informative.

Author of the diploma thesis analyzes the effectiveness of online banner advertising on the social network VK.com as channel for buying clothing. As an example, the author examines the banner advertising of the biggest online store Lamoda.

The aim of the thesis is to study the impact of online banner advertising on the social network target audience, to determine user's attitudes to online banner advertising. As well as analysis of banner advertising efficiency of online store Lamoda.

To achieve this goal it is necessary to solve the following tasks:

- Learn the basic concepts of Internet marketing;
- Examine the types of banner advertising as one of the main types of online marketing;
- Investigate the conditions of online banner advertising on the social network VK.com;
- Calculate the effectiveness of banner advertising;
- Collect the data based on the questionnaires, analyzing this data and interpret the results.

2. Objectives of the thesis and methodology

2.1 Objectives of the thesis

The main objective of the diploma thesis is to examine how do people perceive and react on the online banner advertising on Russian social network “Vk.com“. The aim is to identify if do people buy clothing based on online advertising, to define the reasons why do people purchase clothing based on the online banner advertising. The particular aim of the thesis is to measure the effectiveness of online banner advertising and to determine the features of banner to be effective.

2.2 Main hypothesis of the diploma thesis

The hypotheses of the diploma thesis are as following:

H1: Online banner advertising in a social network “Vk.com” is economically effective channel for purchasing clothing;

H2: People do react on banner advertising in a social network;

H3: Clothing is the most popular type of products purchasing online;

H4: To draw attention of potential customers, online banner should be memorable.

Author of the diploma thesis set two research questions that are answered during analyzing of the survey:

- 1) What is the main problem of bying clothing online?
- 2) What are the reasons for purchasing clothing in online stores?

2.3 Main methodological tools of the diploma thesis

Methodological and information base was the work of the following authors: Harry J., The Digital Advertising Guide and M. Tungate, Adland: A Global History of Advertising.

Diploma thesis consists of two main parts: theoretical and practical. Theoretical part begins with a literature review that will be processes by study of literature in combination with Internet resources using descriptive method. Practical part of the thesis includes the calculation of online banner effectiveness and evaluation of the

survey results. Author provides the recommendation based on the survey done. Methodological methods selected for the theoretical part are qualitative and quantitative analysis.

Qualitative analysis's tools are:

- Literature analysis (serves to analyze specified literature and collected data, to highlight the components of the subject);
- Collected data analysis (examine data with a subsequent interpretation).

Selected tools of quantitative research are:

- Deduction (serves to reach the conclusion based on the number of partial statements);
- Induction (moving from specific (partial) observations to broader conclusions);
- Graphic method (graphics and diagrams to represent the statistical data and the results of survey);

Using of method CPA (cost per action), ratio CTR (click through rate) to calculate the effectiveness of online banner advertising;

Questionnaires (survey method to compile statistical notions about the subject studied);

Questionnaire is focused on the target group of Internet users aged 18 to 66+ years, living in the central region of Russia, in Moscow. Participants of the questionnaires are registered users of Russian social networks "Vk.com". Questionnaire consists of 22 questions: 21 out of 22 are closed-ended questions and 1 out of 22 is open-ended question. Questionnaire includes demographic questions such as sex, age, education and income. The purpose of these questions is to describe subgroups of respondents.

After the survey data will be processed and converted to a percentage to be deducted accordingly answers to questions.

In the final part the *SWOT* (the strengths, weaknesses, opportunities and threats involved in the field) analysis method is used to identify the internal and external factors influence online banner advertising in social network "Vk.com". The chosen method

serves to determine the strengths and weaknesses of online banner advertising in a social network.

3. Literature review

3.1 Internet Marketing. General issues

At the present time among economists and marketers are extremely common understanding of marketing: “A science studying a control and satisfaction of consumers demand from the manufacturer of the goods or services point of view“. (Belch E., 2012) In this case the consumer is perceived by marketers as a kind of potential buyer, later becoming a regular customer bringing the profits. Therefore, it is important to attract the attention of a potential buyer, to attract his/her interest.

Controlling the volume and distribution of products and promoting sales of its various techniques, you can achieve the transfer of money from the pocket of the consumer to the enterprise budget, which, in fact, is the goal of any business organization. (Kotler, 2011) However, achieving of the goal, usually associated with a number of objective difficulties, the main complication is in a constant imbalance between production and consumption. Manufacturer can produce significantly more product than can perceive the market (Berezin,2012).In addition, some of the characteristics of the products offered, such as price, payment method, the form of delivery, the warranty period of the product or packaging, can not meet consumer expectations. The main task of marketing is not in the management of consumer demand, but in balancing the needs of all market participants (Berezin, Vershinina, 2008).

The main feature of e-commerce market is the interactivity. Today, the Internet is an opportunity at any time to find out the user’s opinion about the proposed product or service and to process the received data. This is what allows the manufacturer to change their own marketing policy, depending on the circumstances - including the demand fluctuations.(Kachalov I.,2008) Internet opens to the enterprise the opportunity of effective organization of customer feedback. Moreover, Internet allows to examine the current demand. Online banner advertising reduces costs for promotion of goods and services while reducing the risk of investment and maintaining the necessary efficiency (Tjurin,2013).

Dr. Philip Kotler an American marketing author, consultant, and professor defines marketing as: „The science and art of exploring, creating, and delivering value to satisfy

the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services.”¹

Marketing is aimed at market studying, to meet the needs and demands of consumers, and anything connected with it. To ensure the efficient use of resources and maximum satisfaction of consumer demands, analysis of market processes is required. The purpose of the study is to assess the current situation and forecast of the market development.

Marketing strategy is a comprehensive study, depends on the characteristics of goods or services, the nature of the company's activity, the scale of production, as well as in determining the conditions under which the most complete satisfaction of the consumer demand provided (Carpenter, Hamilton, 2012). Marketing helps company to receive the necessary information about the goods and services that consumers are willing to buy, the prices that they are willing to pay, regions with high demand for these goods and services, market capacity, etc. Practical marketing activities influence people; it does not matter if they are buyers, sellers or ordinary citizens. Marketing strives to achieve the highest possible consumption of goods and services through customer satisfaction by providing them with the widest choice and quality of life (Schnaars S., 1998). Economics is the meaning of marketing to accelerate the efficiency of productive assets of the enterprise or organization, improve the competitiveness of the market, the production of mobility. Among the marketing competences included the development of new products and services and its promotion to those markets where the maximum commercial effect can be achieved (Arens W., 2005).

Marketing allows calculating a variety of options for cost-effectiveness of the production and sale of products and services. The purpose of marketing - to ensure the profitability of the entire production - economic activity, obtaining business outcomes, the definition of income within certain limits of time and limits of available resources

¹ Definition of marketing.[online] Available at <http://www.kotlermarketing.com/phil_questions.shtml>

and production capacity, the planned conquest of market share, expansion of operations, etc (Kotler,2011).

Marketing research is „the function that links the consumer, customer, and public to the marketer through information - information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a proces“.²

Marketing research is a result of specific development used in the selection and implementation of the strategy and tactics of the marketing activities of a chosen company (Kotler, 2011). The objects of the research are market trends and processes of its development. According to Market Research Handbook, published by ESOMAR, the main results of the market research are:

- Forecasts of its development;
- Assessment of trends;
- Identification of the most effective methods of competition policy on the market;
- Possibility of entering new markets;
- Segmentation of markets.

To obtain the necessary information, various methods are available:

- Questionnaires
- Exhibitions
- Seminars
- Promotional flyers
- Statistical compilations
- Business reviews
- Special database

The objects of the research are the individual consumers, families, households, and organizations. The purpose of this study - consumer segmentation, selection of target

² Definition of Marketing [online] Available at <<https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>>

market segments. An important aspect is the study of competition. The aim is to obtain the necessary data to gain a competitive advantage in the market, as well as to find ways of collaboration and cooperation with potential competitors.³ That is why we analyze the strengths and weaknesses of competitors, study their market share, consumer demand for the products of competitors. The result of such studies is the choice of ways and means for achieving the most advantageous position on the market relative to its competitors (including pricing strategy)⁴.

Internet has a very strong influence on the formation and development of the global information society. A social phenomenon of the Internet: “Global means of communication, providing the exchange of text, graphics, audio and video, and access to online services without territorial and national boundaries”⁵. It is an effective tool for research, development, trade and business. Today, the Internet is one of the most important sources for finding new customers. Using targeting, the company is able to reach the target audience quickly.

Internet is an additional channel for the sale of products, a tool for solving specific marketing objectives. Marketers use a variety of online resources for information about customers, competitors, marketing evaluation, analysis, research a chosen market sector and industry in general. These resources are: search engines, newsgroups, discussion groups and mailing lists, electronic publishing, and other specialized sites (Kotler, 2011).

3.2 History of development of Internet advertising

3.2.1 What does "Spam" mean?

The first "spam" looked like an e-mail, it was sent on May 3, 1978. Mailing List of 400 people was taken from the catalog of ARPAnet (Advanced Network Research Agency). This email was the predecessor of the Internet. Advanced Network Research Agency was used for the secure information exchange between universities and research centers around the world. At the beginning, there was a network linked the University of

³Competitive advantage.[online] Available at <<https://hbr.org/1989/01/collaborate-with-your-competitors-and-win>>

⁴A Competitive Analysis And Strategy [online] Available at <<http://www.fao.org/docrep/w5973e/w5973e0a.htm>>

⁵Brief History of the Internet [online] Available at <<http://www.internetsociety.org/internet/what-internet/history-internet/brief-history-internet#concepts>>

California, Los Angeles, University of California, Santa Barbara, University of Utah and the Stanford Research Institute⁶.

Creator of the first spam mailing was Gary Thuerk, known as the father of spam. Gary was the current marketing manager at the Digital Equipment Corporation. The first letter contained spam invited users to the presentation of a new product DECsystem-20 by Digital.⁷

Figure 1. The first email-spam looked like:

```
DIGITAL WILL BE GIVING A PRODUCT PRESENTATION OF THE NEWEST MEMBERS OF THE DECSYSTEM-20 FAMILY: THE DECSYSTEM-2020, 2020T, 2060, AND 2060T. THE DECSYSTEM-20 FAMILY OF COMPUTERS HAS EVOLVED FROM THE TENEX OPERATING SYSTEM AND THE DECSYSTEM-10 <PDP-10> COMPUTER ARCHITECTURE. BOTH THE DECSYSTEM-2060T AND 2020T OFFER FULL ARPANET SUPPORT UNDER THE TOPS-20 OPERATING SYSTEM. THE DECSYSTEM-2060 IS AN UPWARD EXTENSION OF THE CURRENT DECSYSTEM 2040 AND 2050 FAMILY. THE DECSYSTEM-2020 IS A NEW LOW END MEMBER OF THE DECSYSTEM-20 FAMILY AND FULLY SOFTWARE COMPATIBLE WITH ALL OF THE OTHER DECSYSTEM-20 MODELS. WE INVITE YOU TO COME SEE THE 2020 AND HEAR ABOUT THE DECSYSTEM-20 FAMILY AT THE TWO PRODUCT PRESENTATIONS WE WILL BE GIVING IN CALIFORNIA THIS MONTH. THE LOCATIONS WILL BE: TUESDAY, MAY 9, 1978 - 2 PM HYATT HOUSE (NEAR THE L.A. AIRPORT) LOS ANGELES, CA THURSDAY, MAY 11, 1978 - 2 PM DUNFEY, S ROYAL COACH SAN MATEO, CA (4 MILES SOUTH OF S.F. AIRPORT AT BAYSHORE, RT 101 AND RT 92) A 2020 WILL BE THERE FOR YOU TO VIEW. ALSO TERMINALS ON-LINE TO OTHER DECSYSTEM-20 SYSTEMS THROUGH THE ARPANET. IF YOU ARE UNABLE TO ATTEND, PLEASE FEEL FREE TO CONTACT THE NEAREST DEC OFFICE FOR MORE INFORMATION ABOUT THE EXCITING DECSYSTEM-20 FAMILY.
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Source: <http://lpgenerator.ru/blog/2013/08/08/evolyuciya-internet-reklamy/>

The list of recipient was great; some users were pleasantly surprised by the invitation, the majority of the users were in a rage - due to computer crashes, and because of the invasion of privacy. Indignation of the US Defense Communication Agency was so strong that any marketing experiments with e-mail were stopped for almost a decade⁸.

In 1980, when the first online forum Usenet was created, people were able to post messages on newsgroups, it was immediately flooded with new messages (especially after the launching of spam and mass mailing)⁹.

3.3 The birth of online banners and CPM model

In 1994 Hotwired page from the Global Network Navigator was the first commercial platform for posting of interactive advertisements (called later "banner ads"). The first

⁶ The History of Online Advertising, [online] Available at <<http://www.adpushup.com/blog/the-history-of-online-advertising/>>

⁷ The first spam, [online] Available at <<http://www.adpushup.com/blog/the-history-of-online-advertising/>>

^{8,9}History of Electronic Mail, [online] Available at <<http://www.let.leidenuniv.nl/history/ivh/chap3.htm>>

client was the law firm Heller Ehrman White & McAuliffe. GNN was an information Internet portal presented as news items, as well as catalogs of various products¹⁰.

In October 1994, the team of the first commercial online magazine Hotwired discussed ways of payment of their authors. The decision was found in the active sale of advertising space. After some time, the term "banner ads" was coined. The idea was to create special sections of the site to display the banner ads. Although the idea was not new, the team of the Hotwired successfully sold it (OLMA Media Grupp, 2005).

Previously, the Bulletin Board System was used for connection to the local network, in case the operator did not have the access to the network (as WildCat), or operator was not able to use the national connection, it was necessary to use a paid service (as Prodigy) (Ad Holand Prodigy was easy to use; users got access to news, email, and weather forecast with a single clickable ad at the bottom of the page (always in the same place). This service cost \$ 12.95 per month¹¹.

In 1990, only 5% of users sent 3.5 million messages. It was too expensive for the Prodigy. In 1991, Prodigy decided to restrict the use of electronic mailing and bulletin boards¹². These changes reduced the traffic and the number of emails. The negative comments on advertisers and obscene language were banned. After a while the Prodigy has imposed the restrictions on the number of sent emails. All these prohibitions have caused the indignation of users.

In 1994 the Prodigy made a huge mistake by offering unlimited chats at no extra cost. Traffic has grown up to the heavens; people sat in chat rooms for 8-10 hours daily. As a result, Prodigy could not cope with the costs and was forced to close the chat rooms. In order to cover the increased costs, the Prodigy has raised its tariffs and introduced a per-minute charging for some services¹³.

¹⁰ Brief History of the Internet, [online] Available at <<http://www.internetsociety.org/internet/what-internet/history-internet/brief-history-internet#concepts>>

¹¹ The Bulletin Board System, [online] Available at <whatis.techtarget.com/definition/bulletin-board-system-BBS>

¹² The first spam [online] Available at <<http://www.adpushup.com/blog/the-history-of-online-advertising/>>

¹³ Prodigy Communications Corporation History [online] Available at <<http://www.fundinguniverse.com/company-histories/prodigy-communications-corporation-history/>>

In 1997, Prodigy was transformed into the Internet Service Provider, however it could not survive the year 1999 (hard period for the web industry) and closed.

Returning to the mentioned year 1994, the first banner advertising was a banner from one of the largest American telecommunication companies AT & T used to promote their new campaign «You will». The ad was created by the creative director Joe McCambley, worked at digital-agency Modem Media¹⁴.

How did the first online banner ads look like? When a user clicked on an ad, he/she gets on a virtual tour of the seven greatest museums in the world. The idea behind the campaign was that the AT & T can help in the online journey through time and space.

Advertising has been posted for three months for \$ 30,000 and collected a whopping 44% conversion. Later, in 1995 Yahoo! was transformed from an ordinary web-directory in full commercial service and launched the first advertising based on keywords¹⁵.

3.4 Doubleclick

DoubleClick was founded in 1996, currently has the largest sites among its partners - such as MySpace, The Wall Street Journal and America Online. The company was one of the pioneers of online advertising, and has become one of the few companies that survived the collapse of the "dot-com" in 2000-2001¹⁶.

Until the end of 1996 Doubleclick developed DART system (Dynamic Advertising Reporting and Targeting), which allows advertisers to track clicks and optimize the ads before the campaign is complete¹⁷. Thanks to a huge network DoubleClick allowed to advertisers to place their banner ads on a variety of platforms, and, in contrast to the press and radio, DoubleClick allowed to adjust campaigns depending on its efficiency.

¹⁴The History of Online Advertising, [online] Available at < <http://www.adpushup.com/blog/the-history-of-online-advertising/>>

^{15,16} The History of Online Advertising, [online] Available at < <http://www.adpushup.com/blog/the-history-of-online-advertising/>>

¹⁷ Online Advertising Innovations&The Illusion of Anonymity.Presentation ppt [online] Available at < <http://www.acronymfinder.com/Dynamic-Advertising,-Reporting,-and-Targeting>>

3.5 Standardization of the online banner ads

Entrepreneurs began to realize the prospects of development of Internet advertising; there was a massive launch of online stores and e-commerce websites. At the same time the demand for advertising has grown and, for the first time, occurred a trend to standardization of the size of the online banner¹⁸.

468 × 60 pixels - the very first format, which has become the basic. The formats such as 25 × 125 pixels ("Cube"), 120 × 600 ("Skyscraper") and 728 × 90 ("Leader") gained a popularity (Harry J. Gold, 2014).

3.6 Dotcom Crash

“Dotcom bubble” was an economic bubble that existed in the period from 1995 to 2001. The climax occurred on 10 March in 2000, when the NASDAQ index reached 5132.52 points during the trading and fell to 5,048.62 at the closing¹⁹.

Creator of packaging computer networks technology Ethernet, Robert Metcalf, derived a formula, which states: "The usefulness of any network is directly proportional to the square of the number of its users." Now this statement is considered to be one of the causes of a new Internet bubble economy at the end of XX century. Entrepreneurs and investors believed in the universality of this formula, started to invest in suspicious online projects.

The collapse of the dotcom happened in the spring of 2000 and had very grave consequences for the US economy. March 10, 2000 the index NASDAQ stock exchange specializing in shares of high-tech companies reached its maximum historical values in 5132.52 points, double the year-ago figures. And then it fell sharply: in just five days, the index has returned to a value of 4580 points and continued to fall.²⁰

The hundreds of Internet companies went bankrupt or were sold. For example, the online supermarket, eToys.com, in May 1999 on the Initial Public Offering collected \$ 166 million. In October, the course of its shares reached \$ 84, and after 16 months fell

¹⁸ Standard Ad Sizes [online] Available at <<http://www.knowonlineadvertising.com/facts-about-online-advertising/common-sizes-of-ads/>>

¹⁹ History of the Dot-Com Bubble Burst [online] Available at <<http://www.moneycrashers.com/dot-com-bubble-burst/>>

²⁰ Bubble NASDAQ [online] Available at <<http://www.kommersant.ru/doc/855711>>

to 9 cents. Most of the company's business models of the «New Wave» were ineffective, and the funds were spent primarily on marketing campaigns and advertising in the press and on television. It took three years for the Internet economy to return back the investor confidence²¹.

The collapse of the dotcom was in the loss of confidence in the securities of high-tech companies, related to the provision of services through the Internet. This was due to a significant revaluation of post-industrial technologies, which in practice did not meet the expectations attributed to them, on the other hand there was uncontrolled speculation on these expectations that are repeatedly reinforced the negative effect of falling confidence²². In fact, a service sector ceased to exist, the demand and value of which was bloated. The process was accompanied by the ruin of thousands companies and enterprises of different levels, in most cases the newly formed.

Some companies in the communications sector could not bear the financial burden and had to declare bankruptcy. Many dotcom were out of funds, and they have been bought or eliminated; domain names were purchased at the residual cost by competitors or investors. Many large dotcom companies, such as Amazon.com or eBay, survived the riots and seem confident in the long-term survival, while others, such as, Google, became the leading corporations in the industry²³.

One of the reasons for the dotcom crash was an incorrect evaluation of the assets and prospects of Internet companies, so the inflated valuations were provided to investors. This analytical work of the invest houses attracted the attention of financial regulators. Laws on division committees (Commission sharing agreement, client commission arrangements) have been taken. According to the accepted laws, the guaranteed part of the brokerage charges passed on analysts' payment. As a result, investors had the opportunity to receive an independent analyst.²⁴

²¹ The History of Online Advertising, [online] Available at <<http://www.adpushup.com/blog/the-history-of-online-advertising/>>

²² The Dot-com Bubble [online] Available at <<http://www.thebubblebubble.com/dotcom-bubble/>>

²³ Dotcom crash [online] Available at <<http://www.moneycrashers.com/dot-com-bubble-burst/>>

²⁴ Bubble NASDAQ [online] Available at <<http://www.kommersant.ru/doc/855711>>

3.7 Pop up and Pop under

After the dotcom crash, the site owners could not rely solely on banner advertising as a source of income. Search for other tracks ended with the appearance of pop-ups. Although the usage of pop-ups went from the end of 1990s, in this period they gained real popularity - it was thought that this format is more effective and more difficult to ignore²⁵.

In 1995, Netscape Communications Corporation created a Javascript, which was originally called Mocha. This language had a lot of interesting options, including the option «window open», opening a new browser window.²⁶

At the same time the programmer and designer Ethan Zuckerman invented pop-up ads. The invention of a pop-up advertisement was a way to show ads to a user without placing it directly on the page.²⁷

Pop-up ads appeared when a user tried to go to the website. When pop-ups began to annoy users, there appeared a special modification - pop under (a similar system, but the window appeared under the main browser window)²⁸.

The invention of pop under is considered belonging to the company ExitExchange. Although this format is awkward and intrusive, its task was to attract the user's attention, which could not provide the banners. But progress does not stand still, and very soon there were pop-up blockers, and the format lost the efficiency²⁹.

3.8 The advent of PPC models

In 1998, a payment system Pay per click was created, as a means of income for the search engines. In the same year, Larry Page and Sergey Brin founded Google. Google searched for ways to monetize traffic and, therefore, the creation of the service with the highest quality research and using of relevant text ads instead of banners seemed to be a good idea. Google launched a search engine in 1999, and in 2000 was launched

²⁵ The History of Online Advertising, [online] Available at < <http://www.adpushup.com/blog/the-history-of-online-advertising/>>

²⁶ The History of JavaScript [online] Available at <<http://inventors.about.com/od/jstartinventions/a/JavaScript.htm>>

²⁷ History of pop-up [online] Available at < <https://tjournal.ru/p/pop-up-sorry>>

^{28,29} The History of Online Advertising, [online] Available at < <http://www.adpushup.com/blog/the-history-of-online-advertising/>>

Adwords. However, PPC model was introduced only in 2002 (before that worked in the service model CPM - cost per thousand impressions)(Tungate M.,2013)

As a means of measuring the relevance of ads, Google presented CTR (Click through rate). CTR is defined as the ratio of the number of clicks on a banner ad or to the number of impressions, measured as a percentage (Tungate M., 2013).

According to the German edition of Statista, Google Corporation has earned on online advertising in the first half of 2012 was \$ 20.8 billion.³⁰

According to the German edition “Statista”, Google Corporation has earned on online advertising in the first half of 2012 \$ 20.8 billion.

3.9 The era of social advertising

Advertising and promotion in social networks, in addition to advertising on blogs and advertising in forums, is another important and successful tool of SMM (Social Media Marketing) (Kremnev D., 2011).

Internet advertising made a big push thanks to social networks in a very short time.

One of the most popular social networks in the world is Facebook. August 24, 2015 the number of users of social network Facebook for the first time amounted to one billion people. Around 810 million people a month use the mobile Facebook app. That fact makes the platform an ideal place to advertise (Kremnev D., 2011).

Total amount spent on Facebook advertising is approximately \$ 4 billion. This figure is impressive, taking into account the fact that the first two years of its existence; Facebook did not focus on advertising. In 2006, Facebook announced a one-year contract with J.P. Morgan Chase promoting of credit products. In the same year an agreement with Microsoft was signed, Microsoft wanted to reach 9 million users of ads platform (Ermolova N., 2012).

In 2007, Facebook introduced an option that allowed to advertisers to limit ads showed.

In 2009, additional options for targeting (language and region) were introduced.

³⁰ Statista, German edition [online] Available at < [Http://rusbase.com/news/google-zarabatyvaet-na-reklame-bolshe-chem-vse-pechatnye-izdaniya-ssha/](http://rusbase.com/news/google-zarabatyvaet-na-reklame-bolshe-chem-vse-pechatnye-izdaniya-ssha/) >

In 2011, Facebook launched "History of advertisers" and API (*Application Programming Interface*) with constantly updated ad statistics.

In August of 2011 Messenger for Mobile was released. That application can be used for mobile with iOS and Android, the Black Berry OS. Facebook Messenger is an application for instant messaging and video³¹.

In March 2013 Facebook acquired «Atlas», advertising platform of Microsoft. The transaction costs were less than \$ 100 million, although the technology, which was created by «Atlas», was acquired by Microsoft for 6.7 billion, in 2007.³²

Another platform, not focusing on advertising is Twitter. The main Network feature is that communication between users is performed in a form of short messages -140 characters "tweets". Sustainable growth, promotion tweets and the popularity of microblogging format led to the fact that Twitter has become one of the most promising advertising platforms (Ermolova N., 2012).

In 2010, Twitter introduced a promotion of trends and promotion of tweets. The first client was an animated cartoon "Toy Story 3". The next major advertisers were: Virgin America (United States-based airline), Starbucks (American coffee company) and Bravo (supermarkets chain). In 2010, the promotion of accounts was started. This allowed to advertisers to be placed in the "recommended Community" panel (Ermolova N., 2012).

In 2011, Charlie Sheen joined Twitter. He was the first person who received more than one million followers in 25 hours. Just in a few days he began to advertise tweets from interships.com through Ad.ly system.

Since 2012, revenue from mobile advertising in Twitter started to exceed revenue from mobile advertising in Facebook (129,7 million dollars against 72.7 million) (Ermolova N., 2012).

Another influential resource in social media is YouTube:

³¹ Facebook messenger [online] Available at < <http://www.trutower.com/facebook-messenger/>

³² Facebook acquires "Atlas" [online] Available at < <http://techcrunch.com/2013/02/28/facebook-acquires-atlas/>>

YouTube was founded in 2005. By the end of 2005, the service reached a figure of 8 million video views per day. In 2006, this figure rose to one hundred million, and this year YouTube launched advertisements in the videos and channels. In October 2006, YouTube was purchased by Google for \$ 1.65 billion³³.

In 2007, YouTube was launched in 9 countries. A little later, the mobile version of the service was launched. 2007 was the year of the introduction of advertisements in videos and year of administration of the YouTube Partner Program (Miller M., 2015).

In 2008, YouTube launched a promotion video and «pre-roll ads» (advertising that is shown before loading video).

In 2009 and 2010, YouTube starts communication with the leading production centers on the implementation of full-length movies and TV shows.

3.10 How does RTB works

Real-time bidding technology was developed by Jason Knapp. According to an article in “Business Insider” magazine: “In 2010 RTB’ growth was 4%, in 2011 this figure rose to 10%, and in 2015 this figure is 27%”.

Real Time Bidding is focused directly on the impressions to the target visitors, it is not focused on the planning of the reserve of advertising space on certain sites. Each impression is bought out for a second - at the time the page is loaded - the RTB system immediately conducts an auction.³⁴

Auction begins as soon as the page containing the ad unit starts to be loaded into the user's browser³⁵:

- RTB-Exchange transfers to potential buyers the information about the page (the URL), the ad unit (size, location, advertising supported formats), and an anonymous Internet user ID;
- Buyers - DSP - check out what they know about this user (gender, age, geography, interests, etc.) and make bets based on the objectives and promotional campaigns algorithms. At the same time they can be used as

³³ Google buys YouTube [online] Available at <http://www.nbcnews.com/id/15196982/ns/business-us_business/t/google-buys-youtube-billion/>

³⁴ Real Time Bidding [online] Available at <<http://rtb-media.ru/wiki/>>

³⁵ Real Time Bidding technology [online] Available at <<https://www.begun.ru/advertiser/technologies/rtb.php>>

information available to advertisers, and to request specific data exchanges - called Data Management Platform (DMP) and Data Exchange;

- RTB-Exchange accepts bets and determines the winner. The auction takes only about 100 milliseconds;
- Banner made the advertiser's maximum bid is shown on the page.

3.10.1 Advantages of the RTB

RTB dramatically increases the efficiency of the advertising market, all participants of the process benefit.

3.10.2 Advantages of RTB for advertisers

Advertisers get a better return on advertising due to³⁶:

- Advertising campaign is targeted much more precisely than with conventional technology. In addition to the targeting, which offers an advertising platform and advertising network, it is possible to use custom targeting;
- Instead of buying thousands of impressions for the same price (CPM), the advertiser makes the decision about the value of each user and each impression, thus, bets are much more effective;
- Technology "on the fly" banner generation allows to show each user an unique resource. This can significantly increase user's feedback, including CTR.

3.10.3 Advantages of RTB for playgrounds

Using of RTB increases advertising revenues. RTB does not compete with traditional advertising, but rather complements it. It is possible to specify a minimum rate below which the impression will not be sold. In this case, if none of the RTB-advertisers will not exceed this limit, traditional advertising will be shown. Thus, the RTB, the risk is limited³⁷.

3.10.4 Advantages of RTB for online users

RTB allows users to show fewer ads, but advertising is more relevant to their interests and, thus, is more useful and less irritable. In 2012, there was a mad RTB growth. Nexage reported revenue growth of 37% per month. Adfonic has seen an increase in

³⁶ Cto takoe RTB?[online] Available at < <http://konverta.ru/how>>

³⁷ RTB rynek, technologii, osobennosti I perspektivy [online] Available at <<http://a-advert.ru/articles/rtb.html>>

inquiries and rates at \$ 22 billion. MoPub reported that in the third quarter, shares soared 162%.

One of the major platforms of RTB is Rubicon project. In 2013, this platform surpassed Google for audience coverage (214 million monthly unique visitors, or 96.7% of the US Internet audience).³⁸

Market sizes

In 2011, the advertising market size, selling by model Real Time Bidding was 1.26 billion US dollars

Already in 2015 the advertising market size, selling by model Real Time Bidding totaled US \$ 6.5 billion

Impression share

In 2011, the share of ad impressions sold according to model Real Time Bidding in the total number of impressions - 8%. In 2015, the proportion of impressions according to the model of Real Time Bidding was 26% in the total number of impressions³⁹.

4. Banner online advertising as one of the main types of Internet advertising

Speaking of marketing, it is necessary to mention its main tool Advertising. Author Green Jen (2010), in his book „Advertising“ defines advertising as „a form of communication paid for by individuals or companies, with the aim of influencing people to think or act in a particular way or providing information“ .

Talking about Internet advertising, it could be said that banner advertising is the most often used form. Online Banner advertising - is one of the most effective and most common ways of advertising on the Internet. The meaning of online banner is posting of a banner (advertising images) on the website with reference to advertisers' site (Zeff, Aronson2009). Distinctive feature of online banner advertising is that it equalizes

³⁸RTB [online] Available at < <http://konverta.ru/how>>

³⁹ RTB, number of impressions [online] Available at < http://sarafan.biz/?page_id=488>

large and medium-sized firms. This way of advertisement is low cost (compared with advertising in the press and on television).

An integral part of online advertising is targeting. Target - it is an opportunity to place a banner on certain sites, for example, one theme. This makes it possible to display banners to defined group of people who are considered the potential clients. Also, it is possible to show the banner at a certain time or in a particular geographical area (city). Targeting policy need to be well thought out in order to get more potential customers at a lower cost (Schumann D., Thorson E., 2007).

One of the most effective ways - is the placement of the banner on sites with high traffic. It is very effective to advertise through search engines (Google, Yahoo, and Bing) or social networks. As the search engines, so social networks, have various options for targeting. For example, it is the request of certain words. There are two types of the banner - "pay-per-click" and "pay-per-impression". "Pay-per-click" method means that someone clicks on the banner and visits an advertiser's site. "Pay-per-impression" means that banner simply appears (shown) on the page. System "pay-per-impression" is much cheaper than clicks (sometimes up to 100 times) (Harry J. Gold, 2014). Sometimes, well-thought-out policy of impressions (banner design and content) works more effective than „per-click", and vice versa. It all depends on the specific situation, but in any case, advertising is necessary to think and prepare. Much depends on the banner, because looking at the banner, customers want or do not want to click on it.

Banners can be different (Petjushkin A., 2002):

- *Imaginary* - well and nicely furnished (often animated);
- *Information* - supporting text information (often animated);
- *Banners with vague and intriguing information*;
- *Flash and HTML banners* - have a number of convenient functions (sound, long-display scenario, the possibility of multiple links from a single banner);
- *"System"* - similar to the system windows. They are more designed for new users.

Banners can combine all the styles mentioned above, but for each advertising campaign is necessary to create banners, designed for a specific task and under specific conditions. Advertising companies need to have something specific that distinguishes their brand, for example, the discount system, additional services, benefits, lottery prizes, etc.

Banner advertising has a relatively low requirements to the resources expended. An online advertising banner is the most common, the most intuitive and learned way of advertising. On the webpages you can find banner ads of different sizes and proportions. In some publications under the banner meant only elongated rectangles image with a size 468x60 pixels, the other are called the button. In other publications of any graphic rectangles advertising banners called *destination* (Petjushkin A., 2002).

Banner placement is not realizable without the automation of the process. Automation is impossible without strict standards for banner formats.

Standardization of banners provides advertisers the opportunity to compare the effectiveness of placing banners on sites. The Coalition for Advertising Supported Information and Entertainment (CASIE) and the Internet Advertising Bureau (Public Organization of American Publishers and advertisers) are now actively used more than 250 varieties of banners (Petjushkin A., 2002). Before proceeding to the description of the format adopted for the demonstration of banners on the Internet, once again is needed to recall the definition of the banner itself.

Banner is a graphic, often animated, advertising message, posted on a Web page and provided with a link to go to the advertised resource. There is static and dynamic online banner advertising⁴⁰. Static banner is placed on the paid period on a strictly specified web page and not replaced by another after restarting the page (Petjushkin A., 2002). Examples of static banners can be seen on the top pages of major resources, usually at the top of the page. Dynamic banner is not assigned to a particular page, and randomly demonstrated on different resources, the range of which is determined based on the desire of the advertiser. An example of dynamic banner ads are banner network (LBE, RLE, RB2) (Zeff R., Aronson B., 2009).

⁴⁰ Definition of banner advertising [online] Available at <<http://www.investopedia.com/terms/b/banneradvertising.asp>>

Both, dynamic and static banners are usually placed on web pages in the designated blocks and marked as "advertisement". Once the resource is a graphical representation, it is necessary to determine a size of some units (width and height). Such unit is considered to be one pixel (dot screen resolution).

4.1 Formats of banners

In principle, the banner can have all sorts of dimensions of vertical and horizontal picture. The most common are 468x60 samples. Thanks to the successful selection of the size of the parties, such promotional images have a good response and, in addition, perfectly embedded in the "cap" of most webpages (Petjushkin A.,2002). Dimensions 125x125, 120 x 90, 120x60 are most often found on the pages of the left or right in the menu of the site column. "Keys" (88x31) are usually placed at the bottom of the page. Previously, banner supports JPEG format and the same static GIF⁴¹. PNG (Portable Network Graphics) occurred later, this format allowed the use of a sufficiently large number of colors. The most common and the oldest format - GIF.

- *GIF format banners* drawn in various raster and vector editing. GIF format is best suited to complex animation or animated banners;
- *Text banners* have a number of advantages:
 - Text ads seen by users with disabled graphics in browsers;
 - The customer can quickly change the parameters of the campaign (links, focus, intensity of impressions);
 - Production of a text module and placement is much easier than the graphics. Author needs only to formulate a brief idea (slogan, advertising trick);
- *Interactive banner* (sometimes referred to Rich Media). Such banners are created using CGI, Java, or VBS, as well as HTML elements and flash-animation. Interactive advertisement have a much greater impact on the viewer. This type of banner will be discussed in a separate chapter.

Rich-media banners

Interactive (Rich-media) banners are a set of software tools that ensure complete interoperability advertiser (at the level of the application server) and consumer

⁴¹ Types of banner advertising [online] Available at <<http://computer.howstuffworks.com/banner-ad2.htm>>

advertising. Rich-media-mechanisms can be divided into three types: Java, Flash and CGI⁴².

4.2 Types of banners

Author of the diploma thesis describes each type in more detail⁴³:

1. *Java-banners* are the usual Java-applets embedded in HTML-documents. Experience shows that the vast number of Java-banners are focused on gaming and other entertainment themes. For example, the very first Java-banner from Hewlett Packard Company allowed the user to play ping-pong in the range of advertising media.
2. *Flash-banners*. Technology Flash Shockwave, developed by the company of Macromedia, radically changed the presentation and users and advertisers with regard to interactive banner. The possibilities of the new technology were extremely broad and allows the consumer to interact with the Flash-banner as the customer needed. Sound control (pre-defined sounds, Streaming Sound, downloadable from the server as needed), the use of vector graphics, the ability to dynamically change text and graphic content of the banner. One of the disadvantages was that the user had to install additional software on user's computer.
3. *CGI-banners* are the best option for suspicious consumers. To view this banner, the user does not need to install any plug-in. CGI-banner is a traditional graphic image in JPEG, GIF, or PNG.
4. *Pop-up window* is loaded with webpage and gives visitors the chance to choose whether to watch online advertising or not.
5. *Pop-under* is similar to the version of the Pop-up, the network offers the visitor website he/she interested in (site contains Pop-under code).

4.3 Size of online banners

Micro Button / MacroButton (88x31 / 88x62)

The fact is that because of the small size of these formats, it might not claim to be a banner, and intended primarily to creation of small graphics logo or symbols. Initially,

⁴²Rich-media banner ads [online] Available at <<http://whatis.techtarget.com/definition/rich-media>>

⁴³ Vozmoznosti formata Rich-media [online] Available at <<https://wildo.ru/vozmozhnosti-formata-rich-media>>

these buttons have been made to ensure that in the case of anyone's interest, advertiser or user could place the button on one or more pages of web- site. The image's size is so small that it is difficult to attribute it to a full advertising banner (Petjushkin A., 2002).

Square Banner (125x125 / 100x100)

Format 125x125 emerged as a possible alternative to FullBanner format.

Button (120x60)

This format can be used effectively for image advertising.

VerticalBanner (120x240)

Format optimally suited for persuasive advertising.

FullBanner (468x60)

It is the most effective, popular and shared format of banner advertising. FullBanner fully meets the requirements of all advertising formats parameters: size allows placing the required amount of information and making marketing messages available to read. This format with full confidence can be called an universally used (Petjushkin A., 2002).

4.4 Three basic methods of banner advertising

Using special *Banner Exchange Services*, which provide a display of your banners on other pages in return for the show on your pages others banners. Banner Network is an association of different web sites where the banners of members of the network are placed, as well as banners of any company that paid the owner of the banner network⁴⁴.

Some systems allow more flexible advertising campaign:

- Display banners only certain, chosen group of servers;
- Display banners with a given intensity or only during certain intervals;
- Do not show banner the user who has already seen it.

One of the most important characteristics of the banner is *the ratio of the number of clicks on the banner to the number of impressions*. The situation when the user

⁴⁴Free banner exchange services [online] Available at < <http://www.pimall.com/nais/works/pages/banner.htm>>

downloads the webpage with banner, considered as one banner display. When the user "clicks" on banner with the related hyperlink, this fact is a single "click". The efficiency of banner' impressions estimated coefficient CTR (Click-through rate), which is the ratio of clicks on a banner to the number of banner impressions.⁴⁵

The higher the CTR, the higher is the estimated impact of the advertising campaign. So if your banner has been shown on any page 1000 times, and clicked on it and thus put on your site to 50 people, the response of the banner is 5%.⁴⁶ According to website Smart Insights.com: «April, 2015 overall display Ad CTRs across all ad formats and placements is 0.06%. Rich media CTRs is 0.27% ».

But CTR is not an absolute guarantee of the effectiveness of the banner. A truly effective banner should be well executed artistically and technically, to be original, to arouse curiosity, but also should give an idea about the nature of the advertised server / services and create their positive image. For advertising media on the internet, works great formula AIDA (attention, interest, desire, action). The formula is a sequence of tasks that face advertising appeal⁴⁷:

- Attention - drawing attention to advertising ;
- Interest to the subject of advertising. The problem is to hold user's attention and interest;
- Desire – stimulation to take an advantage of the advertised goods/services;
- Action – potential customer should click on the ad and visit the website.

4.5 Placement of online banner advertising

Websites were created in order to tell you more convincing about the advantages of a product or service. In order to read the information, the visitor has to be drawn on a web resource. Statistics show annually spendings of several billion dollars for online banner advertisements. This proves that the banner is the most popular among advertisers compared with other types of online advertising.

⁴⁵Effektivnost bannernoj reklamy [online] Available at < <http://www.antula.ru/banner-ctr.htm>>

⁴⁶Pokazateli effektivnosti reklamy [online] Available at <http://www.executive.ru/wiki/index.php/CPM,_CTR_%D0%B8_CPC>

⁴⁷ AIDA process in advertising [online] Available at <<http://smallbusiness.chron.com/aida-process-advertising-10490.html>>

The advantages of online banner advertising:

- There are only a few seconds to grab the visitor's attention. This banner advertising has no equal among the other types of online advertising. Banner is the most dynamic, vibrant and original kind of Internet advertising⁴⁸;
- Placement of a banner online advertising can significantly save the time required for website promotion;

In this part of the thesis will be discussed the options for placement of banners on popular online world and Russian websites:

Yandex has the largest market share in the Russian Internet; it is a sure path to success. The minimum order value of contextual advertising on Yandex is 300 rubles (approximately 5 US dollars), and the cost of a single click through advertisements, after which the visitor gets to your site 0.005 cents (Ermolova N., 2012).

Advertising in Google Adwords

The Google search engine is the most popular and most visited search engine in the world. The database contains billions registered websites that allow handling more than 200 million queries daily. Advertising via Google Adwords is available for internet users around the world.⁴⁹

Google Adwords has a number of significant advantages⁵⁰:

- Advertiser determines the cost of a site visit;
- Advertiser set a daily budget that defines the boundary of expenses;
- Google Adwords automatically follow the action of competitors, and reduces cost per click (press);
- Advertiser can create ad text and specify the keywords for which ad is displayed on Google pages;

⁴⁸Preimuschestva bannernoj online reklamy [online] Available at <<http://www.promo-webcom.by/services/banner-advert/advantages/>>

⁴⁹ Google adwords [online] Available at <http://www.ead.co.il/adwords_advertisement.html>

⁵⁰ Google AdWords Basics: 5 Things to Get Right First. Available at <http://www.wordstream.com/blog/ws/2012/01/30/google-adwords-basics>

- Advertising message can be available in all countries and in many languages;
- Access to the full report of statistics on ad. Including number of impressions, number of visitors, time of visit, etc.

4.6 Placement of contextual Internet advertising

Contextual advertising is an online advertising, located in the search engines or sites, to coincide with your website's theme. Contextual advertising has an incredible potential, especially given the fact that it allows you to reach the most relevant audience. With proper use, context-sensitive online advertising is able to increase the conversion of site visitors into customers (Petjushkin A., 2002). Display contextual advertising is a quite unique phenomenon. It simultaneously combines the benefits of the content, and display of online advertising. Contextual advertising is focused exclusively on the target audience. The user who will visit the site will be initially interested in an offer. Contextual advertising is the most inexpensive version of Internet advertising.⁵¹

5. Banner blindness

Banner Blindness is a psychological optical illusion through which the user does not notice the ad units (banners) or objects related to them⁵².

The term was used by Benway and Lane to describe the results obtained in the course of usability testing of web sites: in the course of the job, the most test subjects ignore the information provided in the banners consciously or unconsciously. The effect did not depend on the position of banner ads on the page. The result of the study contradicts the doctrine of the popular website design, which argued that the larger and more colorful elements, the more animation - the better the user will notice them⁵³.

⁵¹ 10 Facts and Trends about Contextual Advertising. Available at <https://www.searchenginejournal.com/10-facts-and-trends-about-contextual-advertising/24098/>

⁵² Definition of banner blindness [online] Available at <<http://www.seonews.ru/analytics/bannernaya-slepota-kak-snizit-effekt-yavleniya/>>

⁵³ Why Are Users Banner-Blind? The Impact of Navigation Style on the Perception of Web Banners[online] Available at < <https://journals.tdl.org/jodi/index.php/jodi/article/view/36/38>>

Nevertheless, the results of an experiment have shown that users typically notice Web banners. This has been proven by eye-tracking tests. The experiment was focused on how users perceive a separate web page that they already knew. Test methodology has been challenged by a statement that such experiments have bad results because of the lack of real data. The next test in 2014 rejected these results and confirmed the existence of "banner blindness"⁵⁴.

When searching for specific information on the Website users focus only on those parts of the page, on which they expect to find it (small text and links). Large, colorful or animated banners and other graphics are out of focus.

⁵⁴ Bannernaja slepota [online] Available at <<http://www.seonews.ru/analytics/bannernaya-slepota-kak-snizit-effekt-yavleniya/>>

Practical part

6. Social network Vk.com

“VK.com” (vkontakte.com) is a Russian social network owned by Mail.Ru Group (Leontev V., 2012). According SimilarWeb, “VK.com” is the first most popular site in Russia and Ukraine, the 6th - the world (Leontev V., 2013). According to Alexa Internet, the second most popular site in Russia and Ukraine, the third - in Belarus, 24th - in the world (Marchenko N., 2013). The project was launched October 10, 2006.

The resource is initially positioned itself as a social network for students and graduates of Russian universities, later called "a modern, fast and attractive way to communicate on the network". In January 2014, the daily audience of "VK.com" was about 60 million people, and in July average daily audience of 64,525,950 visitors (Leontev V., 2013)

The Director (2014) is Boris Dobrodeev.

“VK.com” is one of the largest European social networks. It uses extensive advertising opportunities. The audience is over 170 million users.

6.1 Online banner advertising in Vk.com⁵⁵

The very first step is to choose the advertised object; it can be a community, video, mobile application or external website. It is needed to create an ad: select a suitable format, upload a picture, enter the title text and description, and specify the appropriate topic. All changes will be reflected in miniature. Using a variety of settings, it is possible to choose the target audience whom an advertiser would like to show an ad. There is a counter that shows the number of registered users, who will be able to see the ads, depending on the settings specified. Effective targeting of advertising leads to the fact that it sees only potentially interested users.

After selecting the target audience is needed to choose the payment method (for referrals or impressions) and to determine the price you are willing to pay for a conversion on an ad (CPC), or for one thousand impressions (CPM). There is an ability

⁵⁵ Official website [online] <<https://vk.com/>>

to specify the price range of the recommended values. If the price is less than the minimum recommended value, no one can see the ad.

To show the banner to users, it is required to add funds to personal account and start listing. To run ads, on the account must be at least 100 rubles (about 33 czk) at the rate of one-triggered ad. Before launching the campaign, ads are reviewed by moderators to avoid the violation of the advertising rules.

The main page of the Personal Cabinet displays basic statistics for the advertising campaigns.

Advertiser can choose for how long data will be displayed: for all time, for the current or the previous day, the current or previous month. Statistical data for specific days and months, the date range can be seen on the charts or exported in a convenient format.

Currently, data are available on the graphs on transitions, impressions, CTR, and money spent. Moreover, advertiser can see a graph of the result. In the table above the graph the details could be seen. It is available to get the detailed statistics by the age, gender and geographical location of users who saw the ad and clicked on it. Information may be presented in the format of graphs or charts.

Report of the effectiveness includes the number of impressions, conversions and CTR of the ad for every day.

Type *Demographics report* gives the opportunity to see the ratio of the age, sex and geography of the audience.

There is the opportunity at any time to edit ads: change the design, transition cost / thousand impressions, setting the target audience.

6.2 Formats of banner advertising

Banner is made up of:

- Title in bold (up to 25 characters), where you can make a forced line break;
- Object (a group, an event page, annex), when advertising an external site indicated its domain;
- Picture size - 90 × 65 px;

- Text description (60 characters), where you can make three forced line break.

The large Image

Available for all advertised facilities (communities, applications, videos, and external sites).

Banner is made up of:

- Title in bold (up to 25 characters), where you can make a forced line break;
- Object (a group, event, page, application, video), advertising an external site indicated its domain;
- Pictures of the large size 90×120 px

Exclusive format

Besides the standard offer, the social network “VK.com“ offers an exclusive advertising format for sites and communities.

This banner is larger than normal size. Other ads are not shown at the same time. The recommended price for these ads is 2 times higher than that for ads of similar formats.

Banner is made up of:

- Title in bold (up to 25 characters), where you can make a forced line break;
- Object (group, event, page, application, video), when advertising an external site indicated its domain;
- Maximum image size is 160 × 90 px.

Promotion of the communities

VK.com offers a special advertising format for the Community.

Banner is made up of:

- Community name in bold. Selects the first 25 characters of the title, it can be shortened, but can not be changed;
- The number of community members or friends in the community;

- Community logo (default), or other image size of 90 × 90 px;

Moreover, the social network offers a wide range of proposals and different formats for advertising of applications.

The advertiser has the ability to upload images in any of the supported formats (JPG, PNG, BMP, TIFF or GIF), but the animation is not supported. Picture resolution should not be less than the size of the advertising image. The download file size should not exceed 5 MB.

Banner text, pictures and advertised facilities must comply with the Rules of advertisement placement and the requirements for the advertisement design.

6.3 The cost of placement and payment methods for banner advertisements

According to the types of payment, online banner ads are divided into two categories - with payment for referrals and CPM. The payment method can be selected for any of the advertised sites and ad formats.

How exactly will be the payment realized (for referrals or impressions), you can specify while creating a new ad.

During the process of prioritization of ads showing, works the auction system: the more an advertiser is willing to pay per impression, the greater the number of users will see the ad.

For ads with CPM payment type, it works quite simple. First of all, the ad with the higher cost per 1000 impressions will be shown.

Ads with payment for referrals compete with each other for the right to reach the pages of users. To do this for banners is calculated the estimated cost of thousands impressions, which is involved in the auction. This takes into account not only the cost of the transition, but also the effectiveness of ads (CTR). The more ads convert to paying for referrals, the more they will be shown to users.

While creating the ads and pointing cost-per-impression or switching on the ad, the system itself offers a recommended price. The recommended price is calculated on the

basis of the chosen targeting settings. The closer the rate is to the upper boundary of the recommended range, the higher the chance to cover the target audience.

Cost per click and Click through rate

Creating an advertisement, the advertiser will be offered a recommended price of transition. Ad with CPC value would have the best chance of being shown. Recommended value will vary depending on the effectiveness of ads and the number of other ads in the system targeted at the same audience. It is always possible to adjust the cost of switching on specified ad.

The new ads (that does not have any transition) used the averaged value of the CTR(click-through-rate) of ads aimed at this audience. After launching the ad, specified CTR starts considering its impressions and conversions. Over time it reaches the true value of the CTR of the ad, which may be higher or lower than the initial one.

Cost per mile

Banner ad with cost per mile type of payment is more static format than the ad with pay-per-conversions. This type of payment suited to advertisers who are interested in shaping the demand for the goods or services of a particular brand, as well as branding.

Impression frequency of such ads is determined only by the selected advertiser value of 1000 impressions (CPM) compared with other proposals aimed at this audience. Based on the chosen targeting settings, the system analyzes the other ads aimed at the same users, as well as specified for their CPC or CPM, and offers a recommended value for 1000 impressions. If the parameters specifying the price are below the recommended values, almost no ads will be shown to anyone.

The cost of each impression is calculated according to CPM showed at the moment.

6.4 Targeting

Targeting is a key feature of advertising “VK.com“. Unlike traditional contextual advertising, the advertiser chooses concrete users who will see the ad.

Through the information analysis from the users' pages and data about their advertising activity, banners will be shown for those, who are really interested in. You can choose from more than 15 targeting parameters, including geographic and demographic criteria, the interests of users, etc.

There is the ability to use targeting in combination with specific text or image referred to a certain part of the target audience. "VK.com" allows to create multiple ads to advertise the same product; multiple ads offer a great scope for experiments. The target audience of the ad must be at least 50 people.

6.4.1 Geographic targeting

The main feature of the system of targeting "VK.com" is that the IP-address is not used as a primary source of information about the location of this person.

The system analyzes the data provided by users on their pages. All the data are automatically checked to prevent inconsistencies.

The benefits of targeting "VK.com"

- The targeting can be much more accurate than the other systems have – it could be set up to the district, the Metro station or even streets;
- Advertising budget is not wasted on users who's provider assigned IP-address which is not related to the place where they actually are (which happens quite frequently);

One of the important question is: "How to create a database for targeting?". The management of social network says: "All databases VK.com compiled and maintained by regular team of specialists."

Currently VK.com has:

- 1) The full database of countries and localities of the world;
- 2) The base of higher educational institutions of all cities in the world, including faculties and departments;
- 3) Base areas and the streets of Russian cities and major cities of Ukraine.

This helps to avoid the presence of duplicates that is common in other systems, when the same object in the database is called by different names.

Author begins the practical part of the thesis with the confirmation or refutation of the hypothesis formulated. The hypothesis states:

Online banner advertising in a social network “Vk.com” is economically effective channel for purchasing clothing.

In this part of this thesis will be examined the effectiveness of online banner advertising on the social network VK.com on the example of one of the largest online clothing stores Lamoda.

6.5 Overview of online store Lamoda⁵⁶

Author of the diploma thesis chose the online store Lamoda as an object for the research not by chance. Author included into the questionnaire the question: what is your favourite online store. The majority of the respondents (21.9%) answered that Lamoda is their most favourite online store.

Lamoda is one of the leading companies in the market of e-commerce in Russia and other countries of the Commonwealth of Independent States, carrying out sale and delivery of clothes, shoes, accessories, cosmetics and perfumes, as well as providing order fulfillment services to third parties. Today Lamoda is the most recognizable online retailer in the fashion industry and is a leading online store of clothes and footwear in Russia, Kazakhstan, Ukraine and Belarus. Lamoda’s assortment includes more than 2 million products and more than 1000 brands, including the official suppliers and participants of the Lamoda Marketplace. The company was founded with the support of the European investor Rocket Internet. Currently, the number of investors also includes the Tengelmann Group, Holtzbrinck Ventures, Investment AB Kinnevik, JP Morgan Asset Management, IFC (International Finance Corporation) and the PPR Group, which owns the brands Gucci, Yves Saint Laurent, Puma and Volcom. Since

⁵⁶ Official website [online] Available at <<http://company.lamoda.ru/about/history/>>

2014 Lamoda is part of the Global Fashion Group. Monthly number of site visitors is 20 million. Lamoda collaborates with 500 suppliers from 19 countries. According to the survey result, respondents consider Lamoda as the most popular online store. That is the reason why author of the diploma thesis uses it as a basis for the study.

Figure 2. Lamoda's banner ad on social network VK.com



Source: https://vk.com/page-41631392_49865315

Table 1. Online retailer in figures

	Net revenue	Operating loss	Gross profit	Active customers
2012	1,476 billion	1,37 billion	1,04 billion	40,000 people
2013	5,1 billion	1,7 billion	2,038 billion	1,1 mln people
2014	9,49 billion	1,3 billion	3,87 billion	1,7 mln people
2015	14,1 billion	1,24 billion	6,3 billion	2 mln people
Total	30,16 billion	5,61 billion	13,25 billion	

Source: own proceed data, the currency Russian rubles in equivalent 1czk= 3 rubles

6.5.1 Estimation of effectiveness of online banner advertising on the social network VK.com

Cost-effectiveness of advertising - is the result obtained after the application of a means of advertising or of the whole campaign. In its simplest interpretation it can be defined

as the difference between the additional income from the sale of products as a result of advertising, and the cost of it, besides this difference must be positive. But this is not an exhaustive definition. There are different methods of determining the cost-effectiveness of advertising that can be applied to online advertising: CTR (Click-through rate), CPA (cost per action), ROI (return on investment), Cost per order, also called cost per purchase, CPM(cost per 1000 impressions), CPC (cost per click) .

In practice, to measure the effectiveness of advertising apply accounting and statistical data about the changes in sales. The fact is that the economic effect of advertising in most cases is not immediately. Good example is the industry, where purchases are never spontaneous and require lengthy calculations and studies.

In addition, changes in the level of consumer income and inflation caused decrease or increase of their purchasing power. Therefore, to accurately measure the cost-effectiveness of advertising is very difficult.

It is important to remember that the study of the effectiveness of advertising necessary to get information about all the factors that affect the achievement of objectives at the lowest cost of funds and time. This will save money and eliminate ineffective investments.

In order to confirm or refute the hypothesis, the author considers the cost of advertising to each customer of the social network and the profits earned from the purchase. Using the method of calculation CAP (cost per action) and ROI (return on investment). As a platform for calculation author of the diploma thesis uses financial data of online store Lamoda.

CAP = investments to online advertising/ amount of buyers

Using this formula it is able to calculate costs on advertising per customer. Lamoda advertises their products on social network VK.com As has been mentioned earlier, this social network allows to make targeting. Lamoda started to advertise on VK.com in 2012. Author made a calculation focusing on target group of people living in Moscow.

2013

Targeting criteria:

- Age 18 to 60;
- Daily account checking on social network;
- Status-curently working;

CTR=0.3%

Target group: 7,570,030 mln people (included accounts that probably are not active)

Amount of buyers (customers who clicked on banner and went to Lamoda webpage):22,710.09

Online banner advertising costs: 3 million rubles (1 million czk)

Amount of buyers: per year = 22,710K, per 1 day =62.2

CAP = 3,000,000/22,710.09

CAP = 132.09 rubles (44.03 czk), costs per 1 client

Taking into consideration the fact that the average check is 2,675 Russian rubles (891 czk), author made a conclusion that advertising is effective.

ROI = (Gross profit-Marketing Investment)/Marketing Investment

ROI = (2, 038,123.050-4,000,000)/4,000,000 = 508.53%

2014

Lamoda.ru website analytics provided slight changes in targeting criteria on social networks:

- Age 18 to 60;
- Daily account checking on social network;
- Status-curently working;
- Interests fashion, shopping

CTR =1.11%

Target group: 5,344,260 mln people (included accounts that probably are not active)

Amount of buyers (customers who clicked on banner and went to Lamoda webpage): 66,710

Online banner advertising costs: 4 million rubles (1,333, 3 mln czk)

Amount of buyers: per year = 62, 71 K, per 1 day = 171.8

CAP = $4,000,000/62,710 = 63.78$ rubles (21.26 czk) per 1 person

Taking into consideration the fact that the average check increased to 4,125 Russian rubles (1,375czk), costs of advertising 63, 78 rubles per person, author made a conclusion that advertising is effective.

ROI = $(3,872,137.560 - 4,000,000) / 4,000,000 = 967.03\%$

2015

Previous year, 2014, Lamoda's marketers based community Lamoda on VK.com, at the end of the year it consisted of 266 K participants. Lamoda.ru website analytics provided additional changes in targeting criteria on social networks.

Targeting criteria:

- Age 18 to 60;
- Daily account checking on social network;
- Status-currently working;
- Interests fashion, shopping;

Exclude from the target group participants of community of Lamoda online store on social network VK.com (266, 3 K of participants).

CTR = 2.4 %

Target group: 3, 705,318 mln people (were excluded accounts that are not active and fake)

Amount of buyers (customers who clicked on banner and went to Lamoda webpage): 82, 623 K

Online banner advertising costs: 4 million rubles (1, 333, 3 mln czk)

Amount of buyers: per year = 82,62 K, per 1 day = 240

CAP = 4,000,000/ 82, 623 = 45.65 rubles (15.22 czk) per 1 person

Taking into consideration the fact that the average check slightly decreased to 3,270 Russian rubles (1,090 czk), costs of advertising falls compare to previous year to 45.65 rubles per person, author made a conclusion that advertising is effective.

ROI = (6,321,127.017– 4,000,000) / 4,000,000 = 1.579%

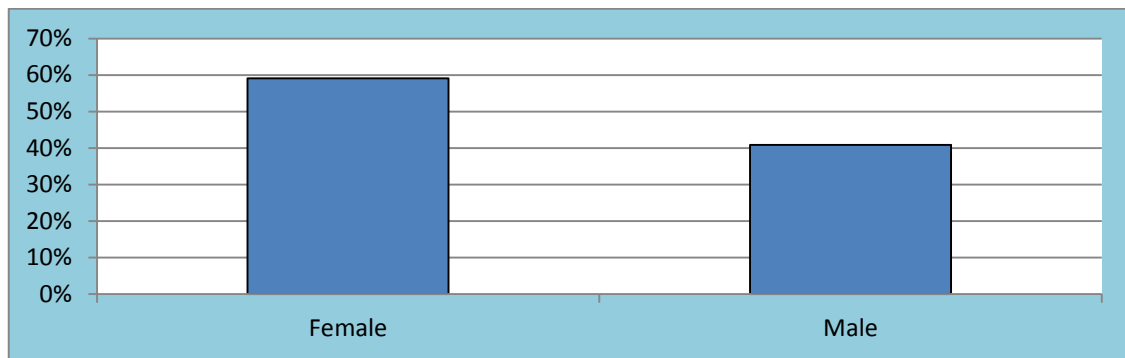
6.6 Results and discussion

Practical part includes evaluation of questionnaires sent to target group of users of social network VK.com. Author of this diploma thesis focused the research on the registered users at age 18 to 66+, living in Russian Federation, in Moscow. The region was not chosen by chance, Moscow is a metropolis, which presents a surprising number of shops and shopping centers, and there are 22 big outlet centers. Here customers can find items for every taste; availability of best deals and discounts, and also represented an enormous number of brands. Author wanted to find an answer to one of the research questions - whether people prefer to make purchases in the e- shops or in local stores. Taking into account the fact that Moscow presents an incredible number of opportunities for shopping, whether online shopping channel is more popular for clothing purchases. Thesis is aimed at the study of online banner advertising in social networks. The author accepts that this study is not a reflection of the whole market of online banner advertising.

Total 700 questionnaires were sent out, of which 525 questionnaires were filled. The percentage of the return is 75%. Respondents were asked to answer 22 questions. Questionnaires were given to the respondents in two ways: in the electronic version on the websites survey.com, as well as in printed form.

The questionnaire begins with a group of demographic questions to determine the age and gender of respondents, their present social status and income.

Figure 3. What is your gender?

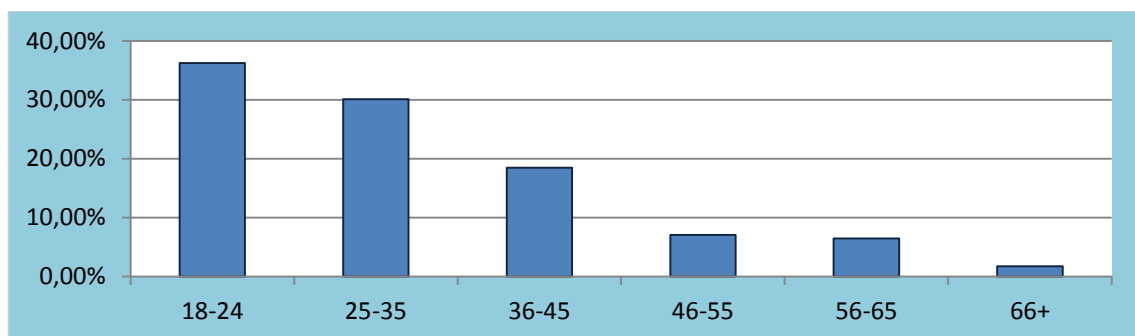


Source: own proceed data

Questions were answered by 310 women (59.05%) and 215 men (40.9%).

Question about respondents' age category. Author devided answers into 6 categories starting with the age 18 years, under the law of Russian Federation it is full-age.

Figure 4. What is your age group?



Source: own proceed data

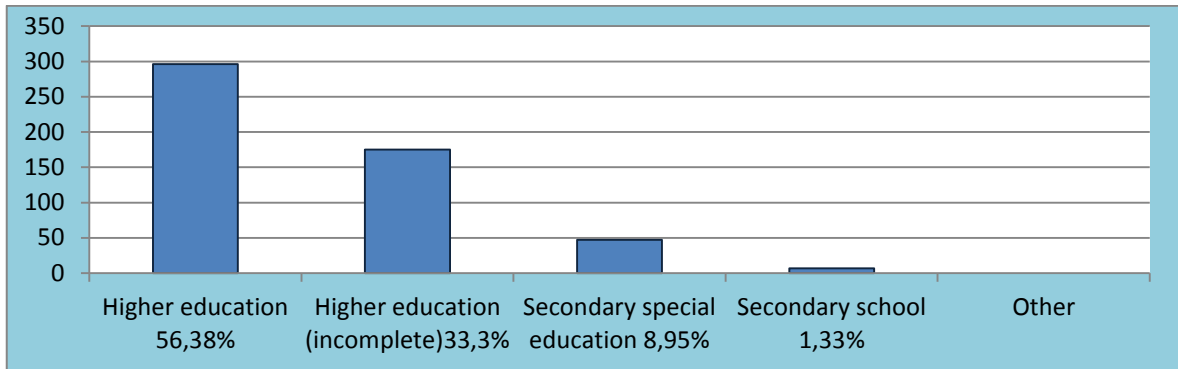
The majority of respondents is at the young age; belong to the category of 18 to 24 years, 190 responses represent 36.2% of the total amount. In the category of 25 to 35 years old are 158 participants-30.09%. To the category of middle-aged 36 to 45 years old belong 97 people (18.47%). In the age from 46 to 55 years old are 37 people, that is 7.04%. The smallest number of respondents are in the age groups 56-65 and 66+ years.

The question asks about the level of education of respondents

Almost all respondents are high educated people – 296 respondents. 175 respondents have not finished yet the universities. 47 participants of the questionnaire have only

secondary special education. The remaining 8.95% have only secondary school education.

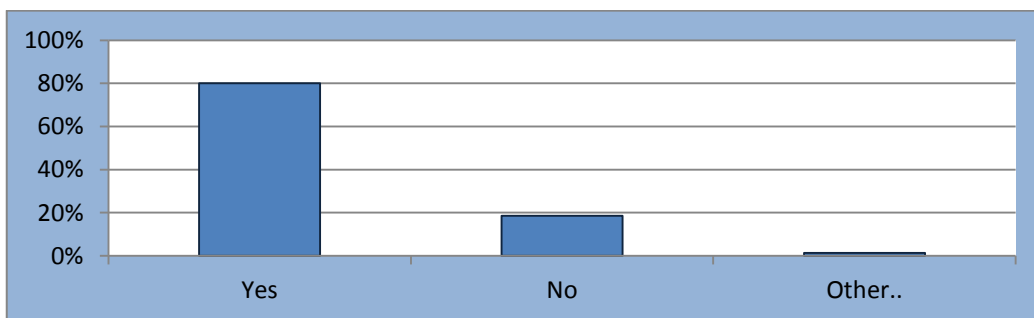
Figure 5. Level of education



Source: own proceed data

Question asks if respondents are currently working, 420 respondents (80%) answered *Yes*. 98 respondents (18.66%) respond *No*. 7 respondents out of 525 choose the option *Other*.

Figure 6. Current employment status



Source: own proceed data

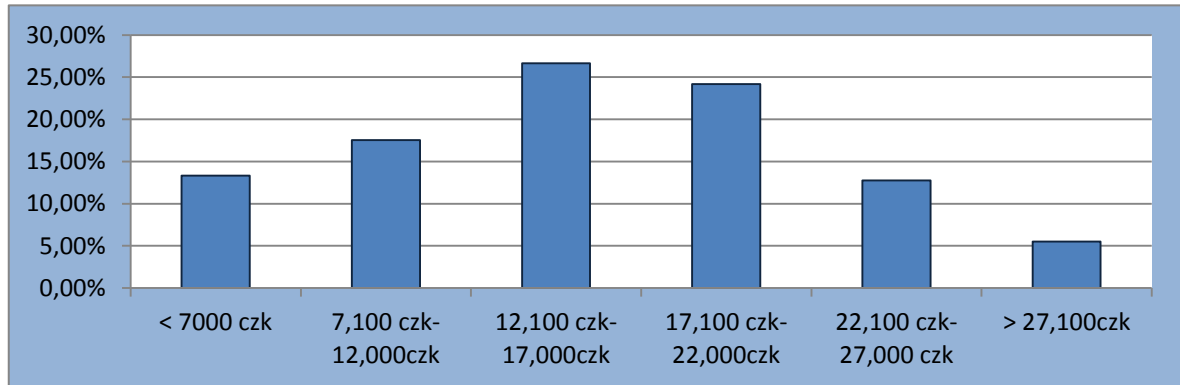
The question: Your monthly income is.

Response options currency is the Russian ruble, the currency was converted into Czech crowns equivalent: 1 czk is equal to 3 Russian rubles⁵⁷. 140 respondents (26.66%) have net income that is higher than 12,100 czk. 127 respondents (24.19%) earn more than

⁵⁷ Current exchange rate[online] Available at < <http://www.banki.ru/products/currency/czk/>>

17,100 czk; this income category presents the average level of the income in Moscow⁵⁸. Respondents who have a little bit more than than average income 67 people (12.76%). Number of respondents who has relatively high income is 29 people (only 5.52%).

Figure 7. Income level

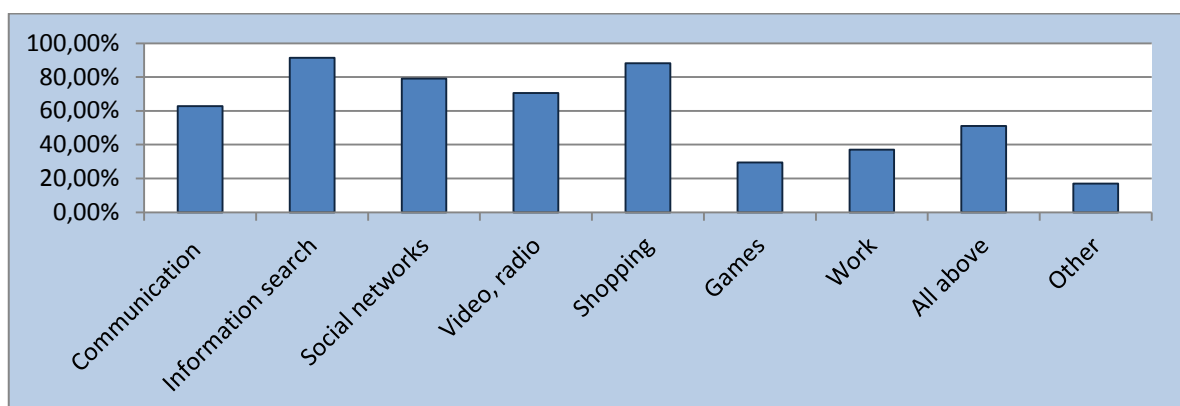


Source: own proceed data

For what purposes do you use Internet?

The question is with a multiple choice. As could be seen from the Figure 6, the most popular purposes of using the Internet are Information search (91.4%) and Shopping (88.19%). Also, people use the Internet for Social networks (79.04%), for Communication (62.85%). 70.47% are playing online games and watching videos. 51.04% of respondents choose the option *All above*.

Figure 8. Purposes for Internet using



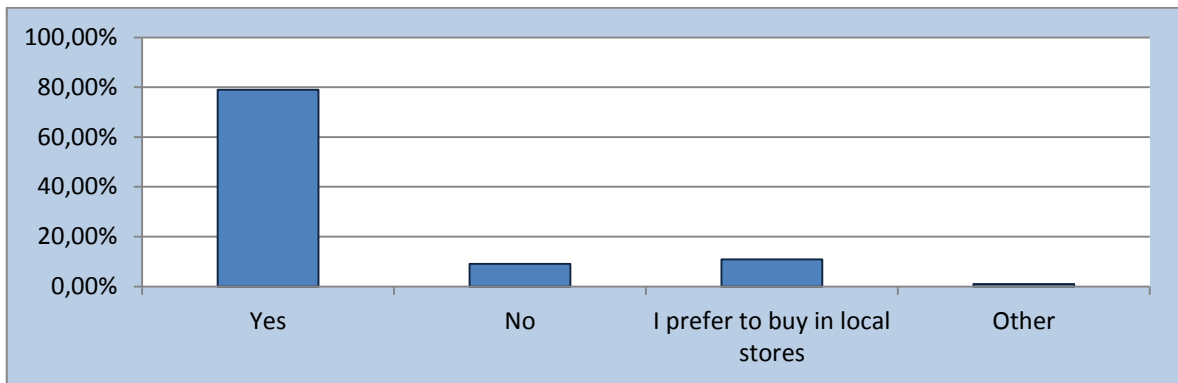
Source: own proceed data

⁵⁸ Uroven zarplat v Moskve [online] Available at < <http://iqreview.ru/economy/average-salary-in-moscow-2015/>>

Next question asks respondents whether they buy products on the Internet.

79.4% of respondents buy products on Internet, 10.85% prefer to purchase in local stores.

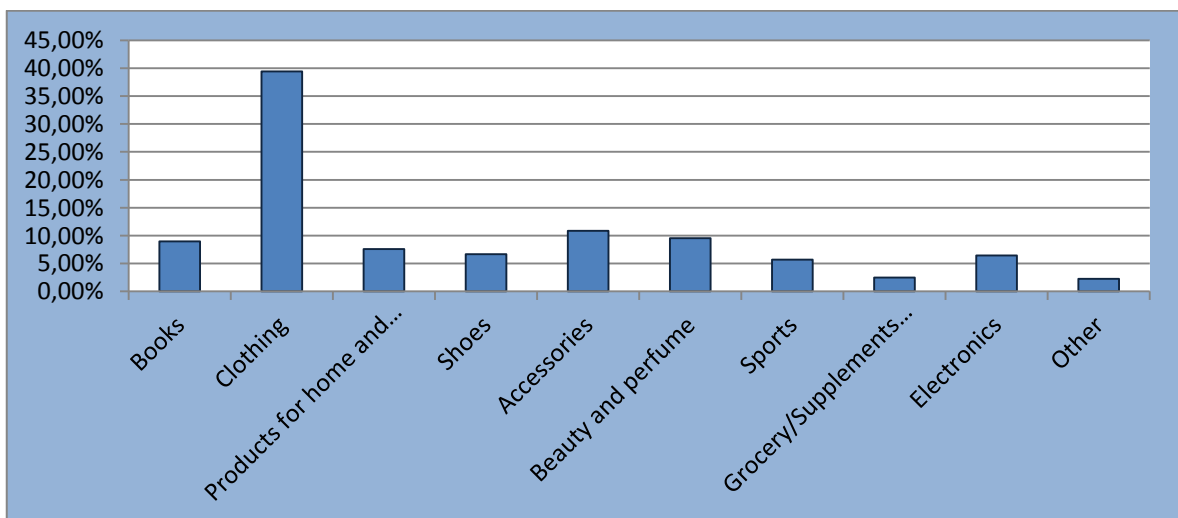
Figure 9. Do you buy products on Internet?



Source: own proceed data

This question is oriented on people, who answered that he/she purchases the products on Internet. Asking about the goods people buy more often, author of the thesis got the following results: 39.42% respondents prefer to purchase *Clothing* on Internet. 10.85% order *Accessories*, 9.52% buy *Cosmetics and Perfumes*, 8.95% get *Books*.

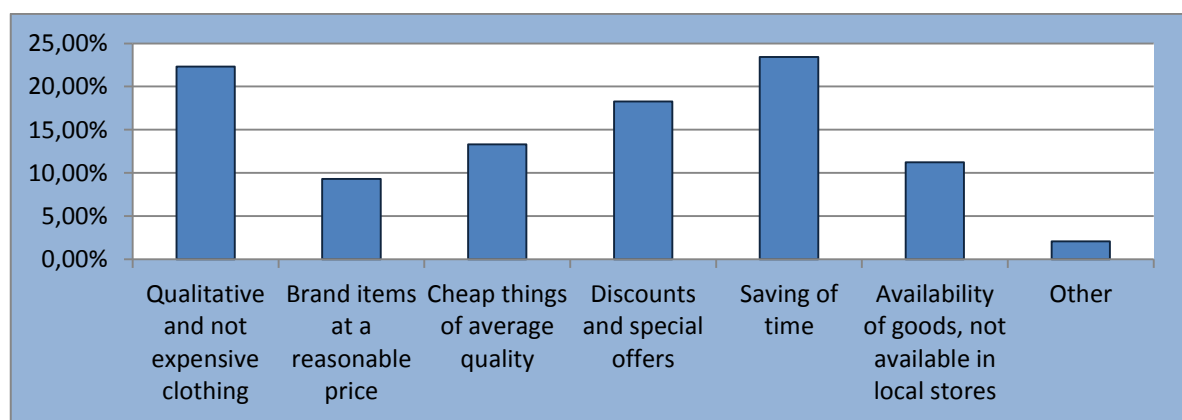
Figure 10. What products do you buy online more often?



Source: own proceed data

Author was willing to identify the reasons why people buy clothing on Internet. This question direct on people who responded *Yes* for the previous question. Main reasons for buying clothing through Internet are: saving of time (23.42%) and ability to buy qualitative and not expensive clothing (22.3%). Some respondents (18.28%) are seeking discounts and special offers. 11.23% people say that online stores allow purchasing goods that are not available in local stores. The rest – 9.33% buys brand items at a reasonable price. Variant *Other* chose only 2.09%.

Figure 11. Reasons of purchasing clothing in online stores

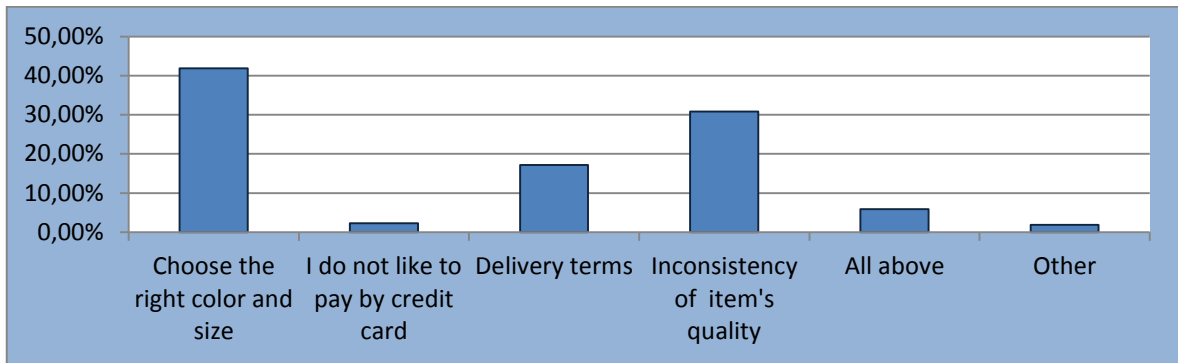


Source: own proceed data

Name the main problem of purchasing clothing online

43.8% of participants of the questionnaire consider the main problem to select the right color and size of the item. The difference between the site and real quality of items is the problem for 30.85%. One of the common reasons not to buy through Internet is the delivery term (17.14% chose this alternative). 2.28% of respondents faced with a difficulty of credit card method payment.

Figure 12. Main problem of purchasing clothing online

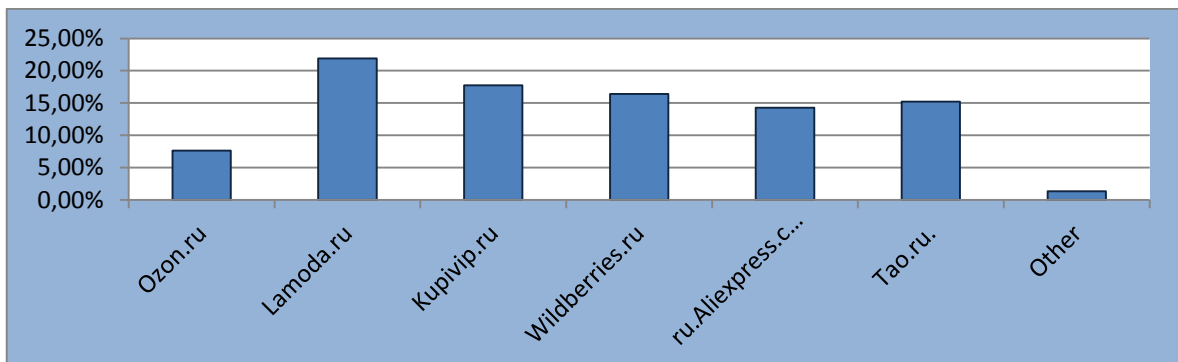


Source: own proceed data

What websites do you buy clothing more often?

As a result of this issue, the most popular online retailer is Lamoda store, 115 respondents (21.9%) chose it. The second position belongs to another large e-shop Kupivip- 17.72% select this store. Wildberries.ru takes the third place, 16.38% of the respondents prefer this online retailer. The rest of the the respondents chose another alternatives: Aliexpress (14.28%), Tao.ru (15.23%), Ozon (7.61%).

Figure 13. What websites do you buy clothing more often?



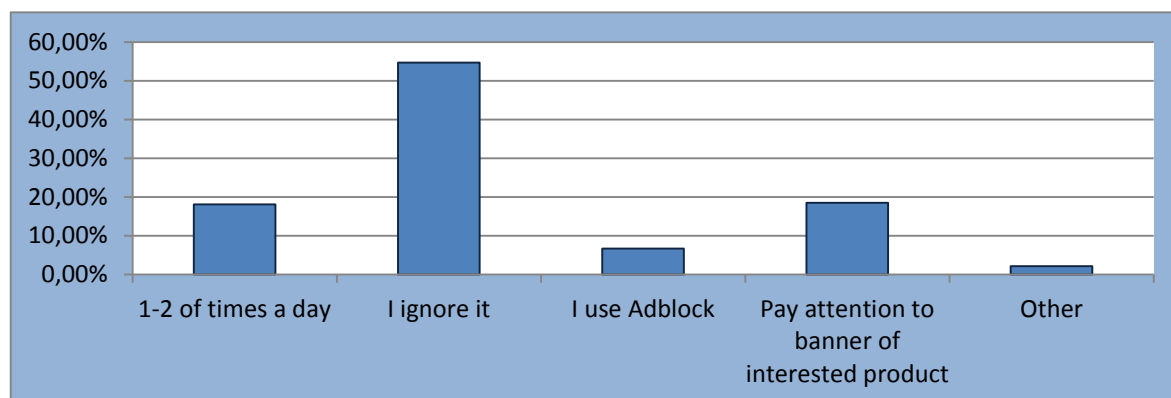
Source: own proceed data

How often are you interested in a banner advertising of a certain product on the Internet?

Surprisingly, 164 respondents out of 525 answered that they do not pay attention to advertising, they ignore it. 18.47% pay attention to a banner advertising of the product

they are interested in. 18.09% of people notice banners. The smallest part of respondents 6.67% installed the Adblock program. 2.09% chose the option *Other*.

Figure 14. How often are you interested in advertising of a certain product on the Internet?

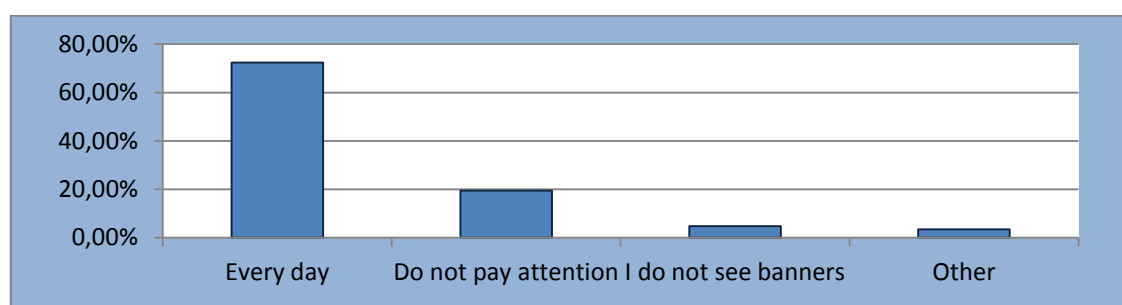


Source: own proceed data

How often do you come across banner advertising on the Internet?

Collecting the data, author of the diploma thesis got the following results: 72.38% came across banner ads every day. 102 people out of 525 do not pay attention to banners. 4.76% just do not see banners, here we come across phenomenon *banner blindness* (Nielsen, Jakob. «Banner Blindness: Old and New Findings»). Banner blindness is a psychological optical illusion through which users do not notice the ad units (banners) or objects related to them.

Figure 15. How often do you come across banner advertising on the Internet?

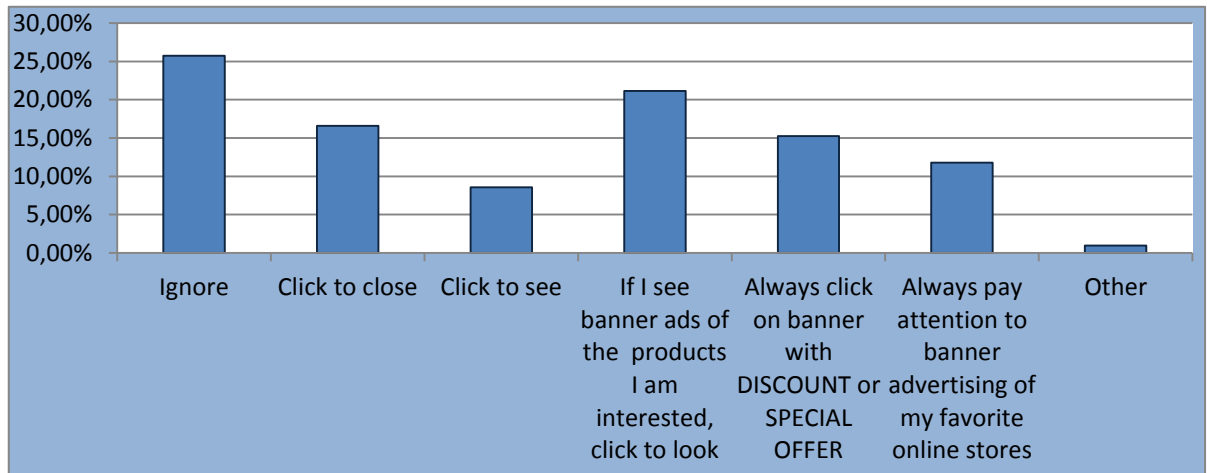


Source: own proceed data

The question asks how respondents act facing with a banner ad

135 respondents (25.72%) out of 525 just ignore it, 87 people (16.57%) click to close banner ads. 111(21.14%) people click on banner if they are willing to see the product they are interested in. Type of online banner, which attracts the attention of social network users is banner offering a discount, sale etc. 62 respondents (11.8%) notice banners that advertise their favourite online store.

Figure 16. How do you react facing with a banner?

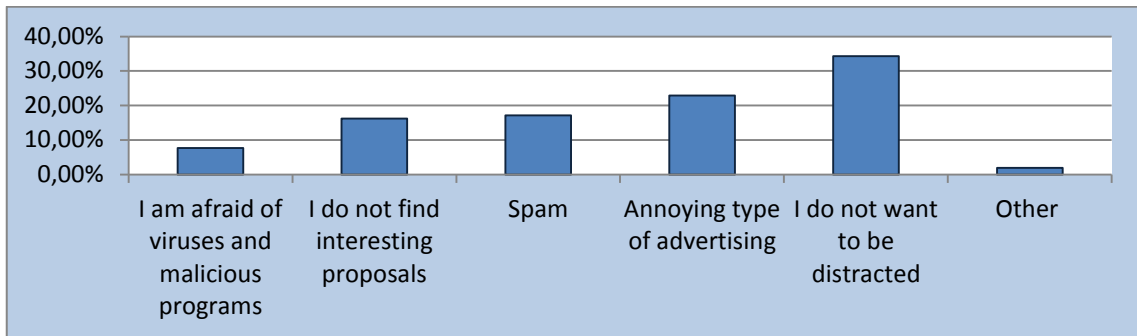


Source: own proceed data

Question: If you ignore banner ads, for what reason?

This question is conneted with the previous. Respondents, who answered that they ignore banner ads or click to close, were asked to choose the reason of ignoring/closing. 34.28% do not want to be distracted, 22.85% consider this type of advertising annoying. 17.14% of respondents say that it is SPAM. 16.2% of people ignored the banner ads because they did not find interesting proposals. The remaining amount of respondents (7.62%) is afraid of viruses and malicious programs.

Figure 17. If you ignore banner ads, for what reason?



Source: own proceed data

Open-ended question: People were asked if they noticed the pattern: you are persecuted by advertising of the product / products that you have viewed in E-shop.

390 respondents (74.28%) out of 525 noticed the pattern; they always see banner ads advertising the certain item/items. 105 people (20%) did not notice that. The rest of respondents (5.71%) chose another option *Other*, and said that they noticed the pattern only in some cases.

Which banner drew your attention to the last time?

43.8% of the respondents payed attention to bright and flashing online banner. The second position – 20% noticed banners advertising discounts and special offers. 14.09% of the total number of respondents noticed banners of a certain item.

Figure 18. Banner, you were interested in for the last time

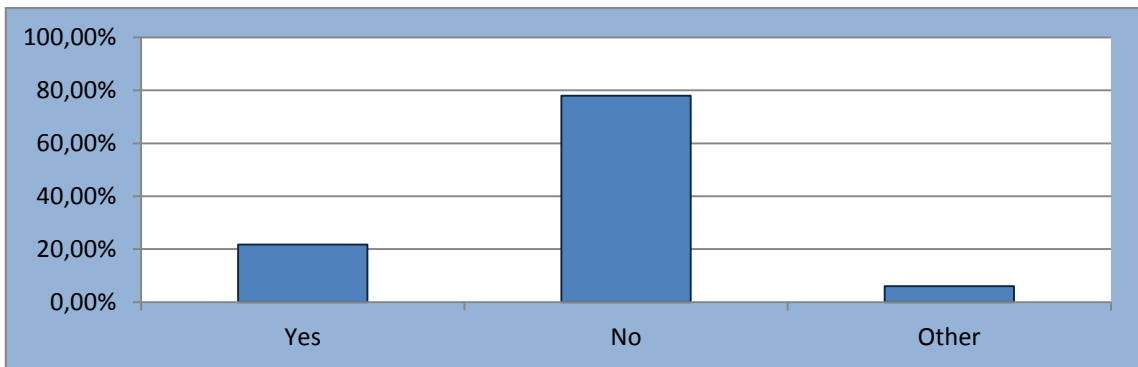


Source: own proceed data

Question: Have you ever bought something based on banner advertising?

Majority of respondents 77.9% answered that they did not purchase products based on banner advertising. 21.7% had the experience of such a purchasing. The rest of the respondents 6.09% chose the option *Other*.

Figure 19. Have you ever bought something based on banner advertising?

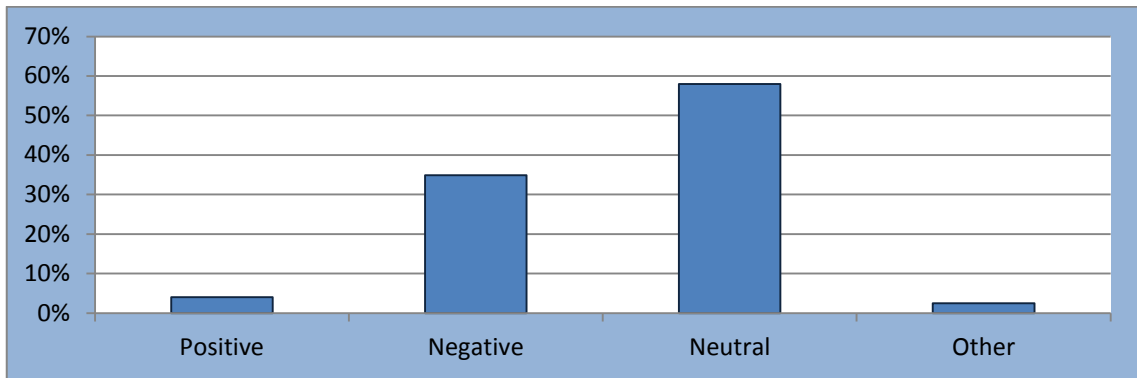


Source: own proceed data

How would you characterize your attitude to banner advertising on the Internet

Author of the diploma thesis asked this question to examine the attitudes to online banner ads. More than a half of respondents (58%) have a neutral attitude to banner ads, 35% of people have a negative attitude. Only 4% of respondents do not consider this type of online advertising annoying and have a positive attitude.

Figure 20. Attitudes to banner advertising on the Internet

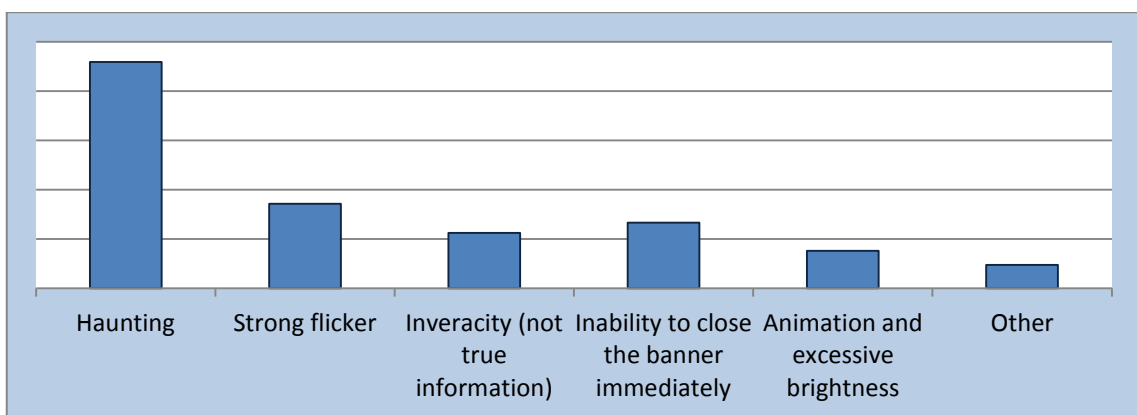


Source: own proceed data

Question: What do you dislike in banner advertising?

Author wanted to discover what features of banner advertising people do not like the most. 45.9% respond that the most annoying feature is a haunting. Another part of participants consider strong flicker as unpleasant characteristic. The third position was chosen by 13.3%, it is inability to close the ad. Some participants consider that banner ad provides the user with untrue information. Animation and excessive brightness is unpleasant option for 7.61% of respondents. And 4.76% respondents wrote that they consider all options as annoying features.

Figure 21. What do you dislike in banner advertising?



Source: own proceed data

Open-ended question: Do you consider online banner advertising in social network „VK.com“ the effective? If yes, for what reason? Wright your answer in 5 words

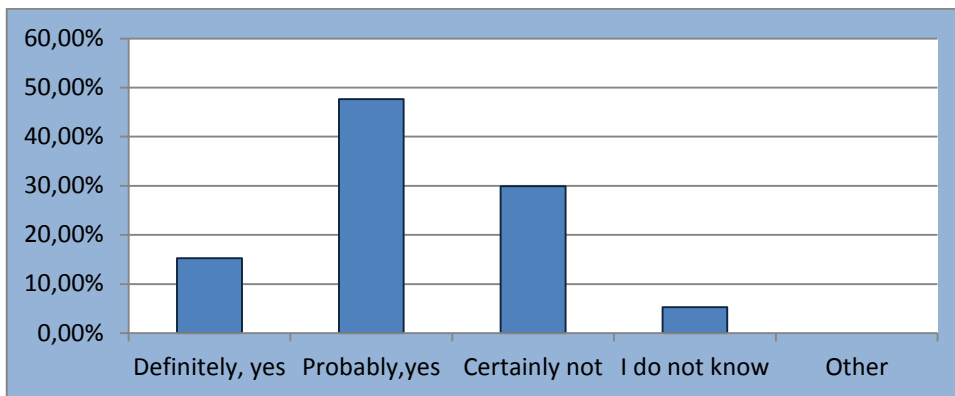
24.38% of respondents think that online banner ads are effective, 305 respondents (58.09%) consider this type as ineffective. 70 participants of the questionnaire were unable to chose, they selected option *Do not know*. 22 people (4.19%) select a variant *Other*. Respondents described their opinion:

1. Banner ads can be effective if it is properly targeted;
2. I believe that this type is effective. Many people faced with banners visit the website and purchase goods;
3. Yes, the banner on the side of the webpage is not annoying;
4. I think that this type of advertising definitely attracts customers;
5. Yes, banners attract attention, more likely that a potential buyer will acquire goods;
6. Yes, this is an affordable and easy way to get attention, everything is limited only by imagination and budget of the advertiser. Plus, social networking has high attendance, so the chance to click on advertising is very high;
7. Yes, flashing in front of your eyes definitely sits in the subconscious mind and the thought of purchasing of the product constantly reminds about it;
8. Yes, effectively, but it depends on the situation and the quality of the banner.

Question: Do you think you are influenced by advertising?

Author tried to identify what do respondents think, how they evaluate advertising influence. 15.23% of questionnaire'participants are sure that advertising has an influence on them. 47.62% have doubts about the advertising influence, they are not sure. 29.9% state that they are not influenced by advertising. The remaining amount of participants does not know.

Figure 22. Do you think you are influenced by advertising?



Source: own proceed data

The very first step of the confirmation or rejection of hypotheses is a brief description of the target audience based on the results of the survey. The half of the respondents is at age group from 18 to 35 (348 of respondents). 296 participants of the survey (56.38%) have higher education. 420 respondents are employed. 26.66% out of 100% have the average income level. Almost all respondents are active internet users. They use internet for daily purposes, such as information search (91.4%), shopping (88.19%) and social networks (79.04%).

H1: Online banner advertising on social network VK.com is economically effective channel for purchasing clothing

On the basis of the calculation of the banner advertising efficiency by using CAP (Cost per Action) method, the author obtained the following result:

Table 2 Calculation

	2013	2014	2015
Target group(mln people)	7,57	5,34	3,7
Amount of buyers (thousands)	22.7	66.7	82.62
Advertising costs (mln czk)	1	1,33	1,33
CAP (Costs Per Action)	44.03 czk	21.26 czk	15.22 czk
CTR (Click-through Rate)	0.3%	1,11%	2.4%

Source: own proceed data, based on the public data of Lamoda online store

The average sales receipt exceeds the advertising costs in a few times. For example, in 2013 the average check was 891 czk; advertising costs were 44.03 czk per one buyer. The revenue exceeded costs by 20 times.

In 2014 the average check was 1,375 czk; advertising costs were 21.26 czk per one buyer. The revenue exceeded costs by almost 65 times.

In 2015 the average check was 1,090 czk; advertising costs were 15.22 czk per one buyer. The revenue exceeded costs by almost 72 times.

The calculations show the effectiveness of online banner advertising. The hypothesis is proved.

But author realizes that for the detailed calculation it is necessary to carry out a calculation, based on several methods, such as CPM (Cost per mile), CVR (Conversion rate), PPC (Pay per click), Cost per order.

Unfortunately, due to the lack of necessary financial indicators, author of the diploma thesis was able to calculate the economical effectiveness by using only one method.

Questionnaire includes the open-ended question asked people if they believe that online banner ad is effective. 24.38% think that online banners are effective. Respondents say that banner attracts the attention. The remaining part of respondents think that it is not effective, but at the same time they noticed the banner when it appears on the webpage.

H2: People react on banner advertising on social network

The issue of the survey is that 72.38% come across banner ad every day. 25.7% of the respondents ignore banner, 16.57% out of 100% click to close it. 15.24% of respondents are interested in banners offering discounts and sales. 11.8% of the survey's participants always pay attention to banners ads of their favorite store. 8.5 % of the respondents click on banners and the advertising content has no value for them. 21.4% of people click on the banner ad with a picture of certain item. The author of this thesis believes that the hypothesis is confirmed. Summing the answers (15.24% + 11.8% + 8.5% + 21.4%), author got the result: 56.94% do react on banner advertising on social network VK.com, for one or another reason. The hypothesis has been proved.

Why do people ignore or click to close banner advertising? 34.28% of the respondents do not want to be distracted from their business. 22.85% of people are displeased; they find this type of promotion the annoying. 17.14% of respondents think it is spam.

4% of survey' participants have a positive attitude to banner ads, they find it usefull. 58% of respondents have a neutral attitude to online banner advertising in social network. Remaining 35% have absolutely negative attitude to banners. The most annoying feature of banner is the haunting and strong flicker.

H3: Clothing is the most popular type of products purchasing online

79.4% of respondents buy products through internet. The majority - 39.42% answered that they usually buy clothing. The hypothesis has been proved.

Moreover, author identified the reasons why do people buy clothing online. Online shopping helps people to save their time (23.42%). The others purchase online because of availability of the qualitative and not expensive clothing. Online shopping allows buying good quality items at reasonable price. This way of purchasing is very comfortable and helps to save time, and even the money.

H4: To draw attention of a potential customer online banner should be memorable

Memorable means that banner catches customers'eyes. Asking about the banner that drew attention last time, author of the diploma thesis got the answer – that banner was bright, colorful and flashing. 43.8% of the respondents are sure that successful banner should be flashing, with the original design.

The fourth hypothesis has been proved.

Research question: what is the main problem of buying clothing online?

For the majority of survey'respondents (41.9%) the main problem is to select a proper size and color of clothing. 30.85% of people consider that very often the image of the item differs from the real item. In most cases the quality is worse, the material is completely different. At the present moment online retailers offer the service "fitting before the purchase". It means that customer can order many items of different size, order curier delivery, try clothing and buy what suits.

Research question: what are the reasons for purchasing clothing on online stores?

The most popular reason is saving of time (23.42%). Opportunity to buy qualitative clothing at reasonable price (22.3%). 18.28% of respondents buying clothing online are appealed by discounts and different special offers. 13.33% of people can find on internet cheap things at average price. 11.23% of respondents are able to buy clothing that is not available in local stores.

7. Recommendations

The main objective of the diploma thesis is to identify people's attitudes to online banner advertising on the Russian social network VK.com. One of the research questions was the effectiveness of online banner advertising. To obtain the necessary data, author of the diploma thesis conducted a survey. After the interview author collected the data and made the necessary calculations, then prepared the framework to provide the recommendations. The survey helped to ascertain the attitudes to online banner advertising, and to identify its strengths and weaknesses.

The practical part began with an analysis of selected social network VK.com. The resource operates 10 years; the average daily traffic to the site is 64,525,950 million people. Number of the registered users, residing in the territory of Russia, in Moscow is about 8 million people. Author of the diploma thesis chose Moscow city because there is a wide range of opportunities for shopping. In Moscow, there is a surprising number of shops and discount stores, and you can buy goods of different price categories, different quality, products of Russian manufacturers and international brands. Author would like to find out if respondents prefer online shopping to shopping in local stores.

The platform for the research is online store Lamoda. Since 2012, the online retailer began posting banners advertising on social network VK.com. The size of the banner is 90 * 65 pixels. It is necessary to point out the fact that the author does not have all the necessary financial indicators to carry out the detailed calculations. To estimate the effectiveness of advertising was used the CAP (cost per action) method and ROI (return on marketing investments).

Calculate the annual cost of advertising per one customer and compare the sum with the average check; author came to conclusion that the placement of banner ads online is an effective way of advertising. It is effective because the revenue exceeds advertising costs. According to the statistics and the calculation results, it is clear that number of buyers who clicked on a banner and visited the official website of the e- shop is growing.

However, examining the statistics of online advertising in Russia, it must be said that the major competitor is still offline advertising. The use of different modern devices, such as smartphones and tablets is popular mainly among young people. The part of the population who does not use smartphones, tablets and mobile devices, see advertising on TV, radio ads, in printed media. Outdoor advertising such as billboards, advertising on vehicles, advertising posters and leaflets is still effective.

Advertising on TV is an effective way of advertising; however, it is the most expensive way. For example, to place a ten second ad on one of the top Russian channels, advertiser has to pay millions of rubles. Placing 10 seconds video ad, this will be shown 91 times, costs 6,37 million rubles (equal to 2,1 million czk).

Author of the diploma thesis believes that online retailer “Lamoda” must continue to invest in advertising on the social network, but it should increase the advertising budget. According to available data, since the beginning of placement of banner advertising “Lamoda” on VK.com, investment to advertising remained at the same level. However, to reach a wider audience of buyers, there is a need to continue to use both offline and online advertising. Because different methods of promotion are focused on different age groups, people with different types of work and with different interests.

After a social survey, author identified the main reason for which people avoid buying clothing online. The main causes of the problem are the proper selection of sizes and colors and delivery terms. “Lamoda” solved the problem of the correct choice, it offers the possibility to order the product without advance payment, buyer has an opportunity to try on and buy clothing that fits. The only recommendation is to reduce the time of delivery of the goods to regions (the average delivery term is from 3 to 9 days).

The main base of the research is Russian social network VK.com; author submits the recommendations based on the analysis of advertising. Conditions for banner ads placement and costs were analyzed. VK.com offers fifteen targeting options, including targeting by geographic and demographic criteria, targeting according to the interests of registered users. Social network allows three different formats plus exclusive format of banner advertising. VK.com supports different image formats (JPEG, PNG, BMP, TIFF, and GIF). The author recommends extending the formats supported, because the

animation is not allowed. VK.com database system contains all countries's database system of educational institutions and even faculties and departments. Regarding the prices, VK.com provides the ability to select the payment option. With regard to Russian advertising market, prices are not high; they are a little bit higher than the average level. Cost per thousand impressions is ranging from 6.57 rubles (2.19 czk) to 23.72 rubles (7.9 czk). Payment for the transfer is from 22.46 rubles (7.49 czk) to 30.95 rubles (10.31 czk). The price depends on the number of the target audience and the order.

VK.com is constantly making changes to the conditions of advertising, it expands the targeting options. The author recommends social networks continue to make adjustments and modifications in accordance with the trends in the advertising market and the demand of advertisers.

Examining the question of the people's attitude to the banner ads on the social network, the author got the result: about a third of respondents did not notice banner ads. To avoid the effect of banner blindness and have an impact on a wider audience author recommends:

- Proper placement on the webpage. According to statistics, the information that is located at the top of the page is viewed by users with 156% more than information below the fold line
- Native ad is an advertising, which looks and is perceived as a custom or original content. Natural advertising is viewed by 47% faster and 451% more likely than traditional banner ads on the same page
- If it is possible, it is better to avoid areas that are usual for advertising. Try to add a banner in the page content
- Advertising should not be just advertising, it should meet user's needs. Then the probability for the response will be greater.

7.1 SWOT analysis

Based on the research and the results of the survey, the author of the thesis made a SWOT analysis of the online banner advertising on the social network. SWOT analysis includes an analysis of external and internal factors. External factors are opportunities and threats, internal factors are strengths and weaknesses.

Table 3. SWOT analysis of online banner advertising on social network VK.com



Source: own proceed data

8. Conclusion

Today advertising is one of the fundamental, integral part of human life, it is an unconscious communication between the seller and the buyer. Where the consumer has the right to make a free choice, there is a need for advertising of the products. The greater the variety of goods or services, the better and more intensely is the developing of promotional activities.

The author of the thesis applied the knowledge from the field of marketing and advertising; author learned how to measure the effectiveness of banner advertising. The author of the thesis acquainted with different types and forms of online banner advertising. As a platform for the research, was chosen a Russian social network VK.com. The main task of the practical part was to confirm or reject the hypotheses that were set up by the author at the beginning of the thesis. The main tool to get the answers to these questions was a survey of registered users of social network.

Summarizing the research, the author received the answers to the questions and confirmed the hypotheses.

Online banner advertising has come a long way of development, currently it is one of the most effective marketing tool. Technologies are moving forward, every day the ways of the promotion change and adjust to the changing trends of marketing services market. At the same time people's attitudes to online banner advertising is changing.

In the final part of this thesis the author offers an advice on using online banner advertising on the social network. Author gave some useful advises how to avoid “banner blindness” effect on the social network advertising.

Using the SWOT analysis, the author has identified the advantages and disadvantages of online banner advertising on the chosen social network.

To summarize the thesis, the author came to the conclusion that people notice banners, banners capture the attention of customers and thus increase the attention to the advertised product.

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Appendix

Questionnaire

1. What is your gender?

- Female
- Male

2. What is your age group?

- 18 -24
- 25-35
- 36-45
- 46-55
- 56-65
- 66 +

3. Education level:

- Higher education
- Higher education (incomplete)
- Secondary special education
- Secondary school
- Other

4. Are you currently working?

- Yes
- No
- Other (Write, please)

5. Your monthly income is:

- < 20,000 rubles
- 20,500-35,000 rubles
- 35,500-50,000 rubles
- 50,500-65,000 rubles
- 65,500-80,000 rubles
- 80,500 > rubles

6. For what purposes do you use Internet?

- Communication (Skype, ICQ , email)
- Information search
- Social networks
- Video, radio
- Shopping
- Games
- Work
- All above
- Other

7. Do You buy products on the Internet?

- Yes
- No
- I prefer shopping at local stores
- Other (Write, please)

8. What products do you buy online more often?

- Books
- Clothing
- Products for home and garden
- Shoes
- Accessories
- Beauty and perfume
- Sports
- Grocery / Supplements (vitamins, nutrition supplements)
- Electronics
- Other...

9. Why do you get clothes in e-shops?

- On the Internet you can find qualitative and not expensive clothing
- On the Internet it is possible to buy brand items at a reasonable price
- It is possible to buy cheap things of average quality
- Discounts and special offers
- Saving of time

- Availability of goods, not available in local stores
- Other

10. What websites do you buy clothing more often?

- e-bay
- lamoda.ru
- kupivip.ru
- wildberries.ru
- ru.aliexpress.com
- tao.ru
- Other (Write, please)

11. Please, could you name the main problem of purchasing clothing online?

- Choose the right color and size
- I do not like to pay by credit card
- Delivery terms
- Inconsistency of items 'quality
- All above
- Other (Write, please)

12. How often are you interested in a banner advertising of a certain product on the Internet?

- 1-2 of times a day
- I ignore it
- I use Adblock
- Pay attention to banner of interested product
- Other (Write, please)

13. How often do you come across a banner advertising on the Internet?

- Every day
- Do not pay attention
- I do not see banners
- Other (Write, please)

14. How do you act when you faced with a banner ads ?

- I ignore
- Click to close

- Click to see
- If I see banner ads of the products I am interested, click to look
- Always click on banner with DISCOUNT or SPECIAL OFFER
- Always pay attention to banner advertising of my favorite online stores
- Other (Write, please)

15. If you ignore banner ads, for what reason?

- I am afraid of viruses and malicious programs;
- I do not find interesting proposals;
- Spam
- Annoying type of advertising
- I do not want to be distracted
- Other (Write, please)

16. Have you noticed a pattern: you are persecuted by advertising of the product / products that you have viewed in E-shop?

- Yes, often occurs
- No, I did not notice this
- Do not pay attention

17. Which banner drew your attention to the last time?

- Bright, flashing
- Discount / SPECIAL OFFER
- Advertising my favorite E-shop
- Banner with the original design
- Banner advertising a certain item
- Other

18. Have you ever bought something based on banner advertising?

- Yes
- No
- Other (Write, please)

19. How would you characterize your attitude to banner advertising on the Internet

- Positive
- Neutral

- Negative
- Other

20. What do you dislike in banner advertising?

- Haunting
- Strong flicker
- Inveracity (not true information)
- Inability to close the banner immediately
- Animation and excessive brightness
- Other (Write, please)

21. Open-ended question: Do you consider online banner advertising on social network „VK.com“ the effective? If yes, for what reason? Wright your answer in one sentence....

22. Do you think you are influenced by advertising?

- Definitely, yes
- Probably, yes
- Certainly not
- I do not know
- Other