

# Chapter 65

## Factors Affecting Internet Advertising Adoption in Ad Agencies

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### ABSTRACT

*The purpose of this study is to identify factors affecting adoption of Internet advertising in advertising agencies. The paper provides preliminary insights into why ad agencies are reluctant to recommend Internet advertising to their clients. A theoretical framework was developed by scrutinizing the body of literature. The gathered data was verified by 294 academic and practical experts in the field of marketing and advertising. In pursuing this goal, a questionnaire was designed to validate factors affecting the adoption of Internet advertising. Results indicate that 18 variables in the form of three key factors, namely “technical knowledge of account manager,” “e-commerce readiness of country” and “agencies’ ability of Internet adoption” affect adoption of Internet advertising in ad agencies. It was found that e-commerce readiness of a country is the critical factor in adopting internet advertising in ad agencies. This is the first study which addresses the adoption of Internet advertising in ad agencies. This study reports that while government does not provide infrastructure required for the advancement of e-commerce (readiness), the ad agencies still will recommend previous ad channels to their clients.*

### 1. INTRODUCTION

Richards and Curran (2002), in a valuable study, argue that “Advertising is a paid, mediated form of communication from an identifiable source, designed to persuade the receiver to take some action now or in the future” (p. 74). Regarding Internet advertising, Hanafizadeh and Behboudi (2012) define Internet advertising as “an Internet-based process through which advertisers communicate, interact with, and

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persuade online users in order to position a brand, which allows a company to promote both consumer awareness and preference in a customized and personalized way, and to decrease the time needed to make a buying decision” (Hanafizadeh and Behboudi, 2012, p. 22). By scrutinizing the internet advertising definition, it would be uncovered that meeting this goal is not easily reachable for businesses, and depends on using different techniques and methods which in turn, involve third-party companies known as advertising agencies. The Association of Advertising Agencies of America (AAAA) defines advertising agency as “an independent business organization composed of creative and business people who develop, prepare and place advertising media for sellers seeking to find customers for their goods and services” (quoted in Moeran, 1996, p. 21).

However, the advancements in Internet-based technologies lead to the emergence of a new wave of communications and interactions around the world. Internet is the only incorporator of shopping features including the ordering route of a product, the route of payment and the route of delivering the selected product which makes it imperative to consider as business choice (Hanafizadeh and Behboudi, 2012). Internet has become a popular advertising platform because marketers found that the Internet has greater flexibility and control over advertising content (Ducoffe, 1996). In addition, estimates show that the number of registered websites reached 200 million in 2011 (itproportal.com, 2011), and the number of Internet users throughout the world was about 2.405 billion, 1 billion of whom belong to Asia (Internet-worldstats.com, 2013). Moreover, the number of Iranian users at the end of the third quarter of 2013 was about 42 million, ranking first in the Middle East and fourth in Asia. These statistics indicate that Iran is an appropriate place for studying the Internet and its application as a channel for distributing information.

At present, the role of ad agencies in designing and managing advertising on the web has been highlighted. The preliminary goal of ad agencies is firstly designing various formats of advertisements in a manner that could attract users’ attention and secondly, pulling them into marketer’s website (the biggest format of internet advertising) to give more chance to marketer to display complete information about the brand and firm’s other features. The development of affiliating networks, social media marketing, and other mechanisms is also rooted in the motivation to make a funnel to navigate users to marketer’s website. This may present different kinds of difficulties for those ad agencies that have only worked on designing offline advertisements (outdoor, TV, radio, newspaper and so forth). According to official statistics of the Ministry of Culture and Islamic Guidance (2013), there are only 1886 active ad agencies in Tehran, the capital of Iran, which did not still educate to work truly on the Internet. This means that some ad agencies involved in designing outdoor, TV and radio advertisements, now are accepting projects in the field of internet advertising without getting having experience in this sector. Working in this area without having enough technical knowledge leads to reluctance of the clients in submitting online campaigns. Hence, this study intends to study factors affecting adoption of Internet advertising among ad agencies in Iran.

## **2. LITERATURE REVIEW**

Most of the previous studies conducted in the area of internet advertising primarily reflect the general attitude toward Internet ads (Ducoffe, 1996; Previte, 1998; Scholsser et al., 1999), different formats of Internet advertising (Burns and Lutz, 2006; Hanafizadeh and Behboudi, 2013), effectiveness and perceptions of internet advertising (Briggs, Hollis, 1997), Internet advertising avoidance (Cho and Cheon, 2004), and interaction (Ko et al., 2005). Some the other studies, like Li and Leckenby (2004) investigated the

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