

12.6: Payment Models for Display Advertising

As well as a variety of mediums and formats, there are also a number of different payment models for display advertising.

CPM

CPM stands for cost per thousand impressions (M is the Roman numeral for a thousand). This means the advertiser pays for every thousand times the advert loads on the publisher's page. This is how a campaign is normally priced when brand awareness or exposure is the primary goal.

CPM rates for rich media adverts are usually higher than for standard media adverts. This is often based on file size.

CPC

CPC stands for cost per click. This means that the advertiser pays only when their advert is clicked on, regardless of how many times it has been viewed. CPC advertising is normally associated with search advertising, although it has become very popular in display advertising too, especially when using ad networks. Banners can be priced this way when the aim is to drive traffic and conversions. It is also a payment method sometimes used in affiliate marketing, when the aim is to drive traffic to a new website.

Note

Read more about this in the [Search advertising](#) chapter.

CPA

CPA refers to cost per acquisition. Using this model means that the advertiser pays only when an advert delivers an acquisition after the user clicks on the advert.

Definitions of acquisitions vary depending on the site and campaign. It may be a user filling in a form, downloading a file or buying a product.

CPA is often the best option for advertisers because they pay only when the advertising has met its goal. For this reason, it is also the worst type for the publisher, as they are rewarded only if the advertising is successful. The publisher has to rely on the conversion rate of the advertiser's website, something that the publisher cannot control. The CPA model is not commonly used for banner advertising and is generally associated with affiliate marketing.

Flat rate or sponsorships

Sometimes, owners of lower-traffic sites choose to sell banner space at a flat rate, in other words, at a fixed cost per month, regardless of the amount of traffic or impressions. This would appeal to a media buyer who may be testing an online campaign that targets niche markets. A popular way that this is employed is via a homepage or section takeover, in which a brand can buy a home page takeover on a news portal on the day of a big news event such as a big sports day or an election.

There are several variations to what a sponsorship on a website entails. Examples include exclusive adverts on all the pages and slots on a specific page, newsletter or section, and sponsoring content. Sponsorship means that no other advertiser will appear in that section. Sponsorships are often difficult to measure and are mostly used to raise brand awareness. These can be very effective when launching a new brand.

CPE

With the cost per engagement (CPE) model, advertisers pay for interactions with adverts, normally placed in videos or applications, such as Facebook applications. An interaction, referred to as an engagement, usually starts with a rollover, or mouse-over that expands the ad. An engagement can also be a like, comment, share or other platform-relevant social action.

Once expanded, an advert may contain a video, game, form, or other interactive content. The ad doesn't take the user away from the web page, and marketers pay only when a user completes an action.

What payment model can you expect?

The advertiser rarely has a say over the payment model used. This comes down to the website owner or publisher, advertising type and other factors, such as the popularity of the site. CPM favours the publisher, while CPA favours the advertiser. Sometimes, a hybrid of the two payment models is pursued.

High-traffic, broad-audience websites, often referred to as ‘premium’ or booked media, will typically offer CPM advertising. Examples include web portals such as www.yahoo.com or news sites such as www.cnn.com.

Niche websites with a targeted audience are more likely to offer CPC or CPA advertising to advertisers with an appropriate product. These can also fall under the umbrella of affiliate marketing.

As programmatic ad exchanges (a way to purchase digital advertising inventory, see below) take over more of the digital inventory, the CPM and sponsorship buying models are starting to wane in popularity for both advertiser and publisher. The accuracy and cost efficiency with which programmatic uses remnant advertising inventory from sites that sell majority CPM inventory make it a popular way to target and buy going forward. This style of buying also allows much better targeting of the advertising over time, a big plus for advertisers. This will soon overtake the traditional CPM buy in 100% of cases.

Types of advertising can be seen on a scale from more intrusive (and thus potentially annoying to the consumer) to less intrusive. In the same way, payment models can be scaled from those that favour the publisher to those that favour the advertiser.

When planning a campaign, it is important to know how the advertising will be paid for and what kinds of advertising are offered by publishers. A lot of this can be solved by using a company that specialises in advert serving, media planning and media buying.

Which is the best payment model for you? This will depend on the purpose of your ads and the return you expect on your investment. Each payment model can be effective and lucrative if used appropriately.

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