

Advertisement Acronyms Defined: CPM, CPC, CPA

When starting a new online advertising campaign, there are a number of different ways it can be done. If you are looking to have a banner or a text link presence, you will typically be charged following one of the four following methods. Each has its pros and cons, but understanding the difference between each method is vital for your advertising success:

1) CPM: CPM stands for Cost per 1,000. It will typically mean that for every 1,000 impressions of your ad on the publisher's site, you will be charged a certain fee. Contracts can be negotiated for several hundred thousand impressions, even millions.

The advantage of this method is that you can easily estimate how much it will cost you, since the traffic figures of the publisher's site are typically available, determining fairly accurately how many impressions you will get during a given period. The main downside is that the performance of your ad does not have an impact on pricing. You can have nobody or thousands clicking on your ad for the same price. Depending on the CPM rate, this can end up being a bargain or a bad investment, but it's always a gamble.

2) CPC: Cost per Click, or CPC, is another method used by advertising companies to sell ad space. In this case, you will pay every time someone clicks on your ad. The CPC can be fixed and predetermined (for example, you buy an ad space that will cost you 0.05\$ per click on your ad) or the price can be based on offer and demand for the given space.

Let's say a publisher has 4 ad spots, the first being in the best location, the second in the second best and so on, he can decide to offer the best spot to whoever offers the most per click, the second spot to the next best offer, etc. Google Adwords works that way. The more you are willing to spend per click, the better your ad visibility will be.

3) CPA: Our last acronym, CPA, can stand for Cost per Action, or Cost per Acquisition. It defines the cost associated with each lead or sale created by the click on the advertisement, regardless of the number of impressions or clicks the ad gets. This is normally tracked by some special code placed on the confirmation page on the advertiser's site, which is loaded when a lead or sale is generated. This method allows the advertiser to closely manage his ROI and advertisement costs, but tends to be more expensive.

If all else fails, you can also buy some flat rate ads, which will charge you a certain amount of dollars for a certain period, regardless of the number of impressions or clicks.

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