**Czech University of Life Sciences Prague**
**Faculty of Economics and Management**
**Department of Management**

# Economics of Advertising

**DIPLOMA THESIS**

**Joy Ezamegbe**
**Supervisor: Richard Selby, PhD.**

## CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

# DIPLOMA THESIS ASSIGNMENT

Joy Ezamegbe, BBA

European Agrarian Diplomacy

Thesis title

**Economics of advertising**

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**Objectives of thesis**

The main aim of this diploma thesis would be to evaluate the different types of advertising, steps in advertising process and the social role and economic effects of advertising.

**Methodology**

The research will be carried out in Prague, Czech Republic. Standardized Questionnaires would be used for the research.

**The proposed extent of the thesis**

Approx 60 pages

**Keywords**

Advertising, Economics, Social Media, Networking

**Recommended information sources**

Bagwell K. [Ed], The Economics of Advertising, Edward Elgar publishing, 2001, ISBN13: 9781840643848
Belch G.E., Advertising and Promotion: an integrated marketing communications perspective, McGraw Hill 2015, ISBN 13: 9781259337031
Clow K.E. & Baack E., Integrated advertising, promotion and marketing communication, Prentice Hall 2002, ISBN 13: 9780130175786

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Prague on 21. 03. 2016

**Declaration of Integrity**

I confirm that work in this thesis titled “Economics of Advertising” is original and has been carried out by me as part of my programme of study. I also confirm that all secondary materials has been properly acknowledged by me and referenced in this work with the help of my supervisor.

Signed:

Name: Ezamegbe, Joy

Place and Date: Prague,

**Acknowledgement**

My acknowledgment goes out to my parents; relatives and friends, thank you all for your support throughout my years of study. Special thank you to my thesis supervisor Richard Selby, PhD for sharing his precious time in pointing me in the right direction at every turn of this thesis.

**Economics of Advertising**

**Abstract**

This research thesis is about the 'economics of advertising' which is a broad topic comprising of many aspects of the economic characteristics of advertising. Due to the many options through which this research topic can be address, the researcher therefore focused on address the topic focusing on the role of Internet, that is, new media in the economics of advertising. The researcher used the economic theory of demand (the motives for advertising) and supply (the role of new media) as the theoretical framework for explaining the economic aspect of the concept of advertising to limit the research to a specific area.

To investigate the topic the researcher applied the research data collection strategy of triangulation that allows the incorporation of both primary and secondary research data for a single study. This adopted research strategy was complimented by applying a research design of pragmatic parallel mixed design which enabled the researcher to collect the two types of data independently. This was done through the use of survey questionnaires to collect the primary research data. While the secondary research data was collected through the reviewing of large number of relevant literatures.

The collected research data were analysed using the pragmatic parallel mixed analytical method. This research data analysis technique follow three basic steps. Firstly, the primary research data were analysed using descriptive statistical analysis. Secondly, the secondary research data were analysed using content text analysis. Finally, the findings from the two research data analyses in the first two steps are then combined to arrive at the research conclusions. The research concludes that in a globalized business world, advertising demand will continue to increase to enable businesses/individuals persuade, inform and complement their products/services. The existence of this demand, means new media will continue to develop new ways to supply the consumers demanded. By providing means of attracting the attention of consumers. Improving consumers targeting tools either openly or through stealth. The ability of supply to meet demands will ensure the economics of advertising.

**Keywords**: Economics; Advertising; Demand and Supply; Persuasive and Informative Advertising; Attracting Attention.

**Ekonomika reklamy**

**Abstract**


Tato výzkumná práce je o ‘ekonomice reklamy’, což je široké téma zahrnující mnoho aspektů ekonomických charakteristik reklamy. Vzhledem k mnoha možnostem, jimiž toto výzkumné téma může být řešeno, proto se výzkumný pracovník zaměřil na řešení role internetu, to znamená, nových médií v ekonomice reklamy. Výzkumný pracovník použil ekonomickou teorii poptávky (motivů pro reklamu) a nabídky (role nových médií) jako teoretický rámec pro vysvětlení ekonomického aspektu konceptu reklamy tímto omezil výzkum na konkrétní oblast.

Pro zkoumání tématu výzkumný pracovník aplikoval strategii sběru výzkumných dat triangulací, která umožňuje začlenění obou výzkumných dat jak primárních, tak sekundárních pro jedinou studii. Tato zvolená strategie výzkumu byla realizována uplatněním návrhu výzkumu o pragmatické paralelní smíšené konstrukci, která umožnila výzkumnému pracovníkovi sbírat dva typy dat nezávisle na sobě. To bylo provedeno pomocí dotazníkového průzkumu za účelem shromažďování primárních výzkumných dat. Zatímco sekundární výzkumná data byla shromážděna přes studium velkého množství příslušné odborné literatury.

Výzkumná shromážděná data byla analyzována pomocí pragmatické paralelní smíšené analytické metody. Principem této výzkumné analýzy dat je dodržování třech základních kroků. Za prvé, primární výzkumná data byla analyzována pomocí popisné statistické analýzy. Za druhé, sekundární výzkumná data byla analyzována pomocí obsahové analýzy. Nakonec, výsledky z analýz obou druhů dat v prvních dvou krocích se pak spojí, aby se dospělo k výzkumným závěrům. Výzkum dospěl k závěru, že v globalizovaném světě podnikání, reklamní poptávka bude i nadále stoupat, aby přesvědčila a informovala podniky/jednotlivci a doplňila své výrobky/služby. Existence této poptávky znamená, že nová média budou i nadále vyvíjet nové způsoby nabídek pro spotřebitele prostřednictvím upoutání pozornosti spotřebitele, zlepšením nástrojů zaměřených na spotřebitele buď přímo, nebo nepřímo. Schopnost nabídky uspokojit požadavky (poptávky) zajistí ekonomiku reklamy.


**Klíčová slova:** Ekonomika; Reklama; Poptávka a nabídka; Přesvědčivá a informativní reklama; Upoutání pozornosti.

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# Chapter 1

# Introduction

## 1.0 Introduction

There is no better time in the last three decades that demonstrates the presence of the significance of the economics of advertising more than right now. The reason for this assertion is based on three undeniable facts. First, organizations both for profit and non-profit still require the medium of advertisement to communicate its products and services with the general public as well as their targeted audience. Second, the way and manner in which the world communicate has greatly changed in the last two decades that makes it easier for organizations' messages to be buried in the mountain of information being exchanged on a daily basis across multiple channels. Finally, the increase in the number and medium of communicating products and services with the potential customers makes the economic role of advertising more significant than any point in time in the history of advertising.

In this research thesis, the focus of the researcher is on the economic aspect of advertising as it is influenced by the new media. The assumption of the researcher is that adverting represents a significant economic activity. The economics of advertising cannot be overemphasized given its influence on the world largest economic power. Advertising is responsible for over two percent of the US gross domestic product in recent years[1]. One of the basic economic activity irrespective of industry is the presence of demand for products and services and the supply they industry provided to address these demands. In this research, the researcher investigates the motives for advertising which represents the demand side, as well as the role of new media in meeting these demand, which represents the supply side.

The researcher investigates the economics of advertising on the basis of the motivation for the demand for advertising and the supply of advertisements to meet these demands within the context of new media. A recognition of the economic significance of social media and online advertising channels in the economics of advertising.

# Chapter 2

## Aim and methodology

### 2.0 Thesis Aim

The central aim of this master thesis is to evaluate the economic characteristics of advertising in the era of new media.

### 2.1 Thesis Objective and Objective Question

Investigate the economic characteristics of advertising in the era of new media.

- What are the economic characteristics of advertising?

### 2.2 Research Thesis Methods and Methodology

Research method is a set of techniques recognized by majority of social scientists as being appropriate for the creation, collection, coding, organization and analysis of data[2]. This research thesis used different methods and techniques in the investigation, collection and analysis of the collected data. The research methodology is based on the specific way of perceiving reality which indicates the assumptions, criteria, rules and requirements the researcher needs to choose from and comply with in order to produce results that are obtained in a transparent way[3].

The research methods and methodology simply enables the researcher to fit the key concepts of conducting the research in clear and understandable steps. In fitting the methods and methodology of this research thesis, the researcher adopted the honeycomb of research methodology. The honeycomb of research methodology highlights the six main elements of research methodology namely (i) research philosophy; (ii) research approach; (iii) research strategy; (iv) research design; (v) data collection and (vi) data analysis techniques[4] (Figure 1). These six elements of research methodology as listed above provides the researcher to explain the research methods and methodology as follows:

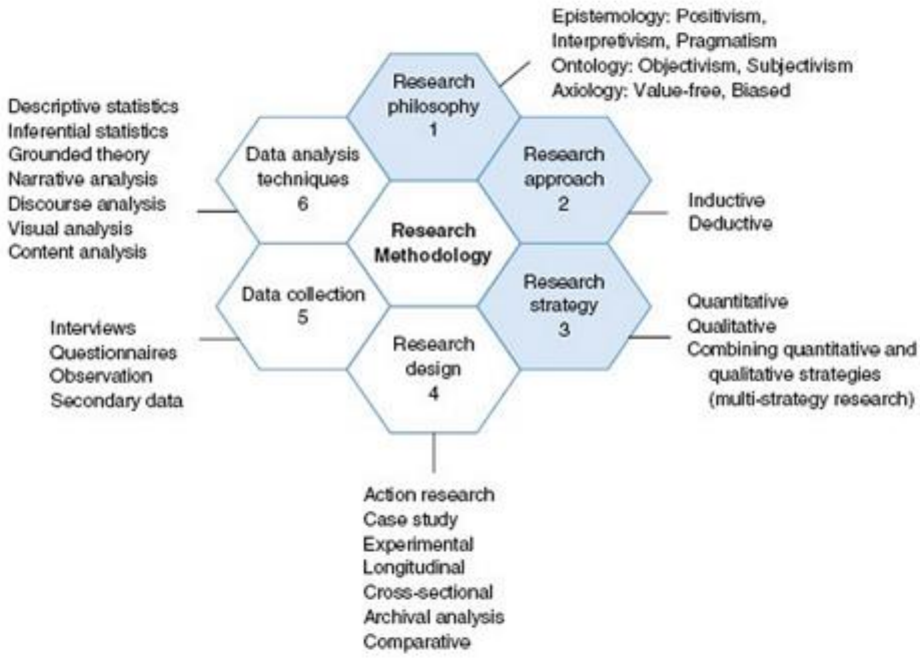


*Figure 1: The Honeycomb of Research Methodology[4].*

## 2.3 Research Philosophy

The central importance of the philosophy of the researcher is that it shapes how the researcher formulates the problem and research questions to study and how the researcher seek information to answer the questions[5]. The philosophy of a research is simply the use of abstract ideas and beliefs that informs the researcher's research[5]. The philosophy of the research is comprised of three elements. First, the Epistemology (the nature of knowledge) of this research is *pragmatist*. Second, the Ontology (view of what is acceptable knowledge) of the research is both *objectivist* and *subjectivist*. This is because of the researcher's uses of triangulation, that is, quantitative (objective) and qualitative (subjective). The researcher believes a combination of the two strategies provides the best possible outcome for what can be seen as acceptable knowledge. Third, the Axiology (the role of researcher's values) of the research is that the approach should be both *value free* and *biased*. This decision was based on the researcher's adoption of both the deductive (value-free) and inductive (biased) research approaches. The philosophy of the researcher provides the building foundation upon which the entire research is conducted. The chosen philosophical approach ensures that the research benefits from the best of both worlds. Firstly, it enables the researcher to incorporate the best advantages of the both approaches. Secondly, it enables both approaches to cancel out each other's limitations thus ensuring viable and reliable findings.

**2.4 Research Approach**

Research approaches are simply plans and the procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation[5]. There are generally three research approaches to research of this nature. These are the inductive approach, the deductive approach and the mixed methods approach. Kenneth Hyde described inductive approach as "a theory-building process, starting with observation of specific instances, and seeking to establish generalisation about the phenomenon under investigation"[4] (Figure 2). The inductive research approach is mainly associated with qualitative research. The deductive approach "means using existing literatures or existing theory to deduce or develop a deductive conceptual framework that guides the data collection"[6] (Figure 2). The difference between qualitative and quantitative research is that the formal relies on inductive approach while the latter relies on deductive approach in majority of cases[7]. Each of these two approaches to research have their limitations and merits.


*Figure 2: Inductive and Deductive Research Approaches[4].*

The research approach applied is the mixed methods approach. Johnson et al., explained that mixed methods research approach combines elements of qualitative (inductive) and quantitative (deductive) research approaches (examples: use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the purposes of breadth and depth of understanding and collaboration[5]. This is the motivation for this decision.

## 2.5 Research Strategy

Research strategies provides a logic, or a set of procedures, for answering research questions, particularly the ‘what’ and the ‘why’ questions[8]. These procedure was alluded to in the explanation of the research approach above, that is, inductive, deductive or mixed methods. The research strategy is a combination of the procedures and process that provides the answers to the ‘what’ questions, that is, quantitative research strategy. As well as, the procedures that provides the answers to the ‘why’ questions of this research, that is, the qualitative research strategy. The researcher’s desire to extract the highest number of benefits from the two traditional research strategies means the two will have to be combined. The combination of the two traditional research strategies is referred to as triangulation. The research strategy for conducting this research therefore is the triangulation research strategy. Triangulation strategy enables the use of multiple perspectives, multiple methods, multiple research sites, and the works of multiple researchers to understand more fully the object of the investigation[9].

*The triangulation research strategy*

The triangulation research strategy “involves using more than one method or source of data in the study of social phenomena”[10]. The triangulation research strategy simply provides the researcher with a broad variety of methods, research data and sources which increase the quality of the research’s findings reliability and validity. Denzin provided a more detailed explanation of the strategy as well as the greater opportunities it provides for researchers. Declaring that the triangulation strategy provides “multiples observers, theoretical perspectives, sources of data, and methodologies”[10]. It is essential to establish here that the triangulation strategy as it was applied in this research was not limited to the sourcing of data and the techniques of collecting the data only. The strategy was extended to the analysis of the collected data to align the entire research to its philosophical foundation of pragmatism which is dependent upon uses of multiple approaches, methods, and sources of collecting and applying knowledge. Patton as argued this postulating “triangulation, in whatever from, increases credibility and quality by countering the concern (or accusation) that a study’s findings are simply an artefact of a single method, a single source, or a single investigator’s blinders”[11]. There is no better argument for the appropriateness of the triangulation strategy for this research than the one above.

## 2.6 Research Design

In research study based on the plural pragmatic philosophy, the research design must also reflect this pragmatic pluralism. Onwuegbuzie and Teddlie describe pragmatic parallel mixed method research design as a research design "in which qualitative and quantitative data are collected and analysed to answer a single study's research questions. The final inferences is based on both data analysis results"[12]. The pragmatic parallel research design is the most appropriate research design for this study. The design works effectively with the multiple method nature of this study in the sense that it allows the collection of both qualitative and quantitative research data to answer the same research questions.

Mertens emphasizes the appropriateness of this research design for this study by declaring that:

> "*The two types of data collected independently at the same time or with a short time lag (...research is designed with two relatively independent phases, one with qualitative questions and data collection and analysis techniques and the other with quantitative questions and data collection and analysis techniques). The inferences made on the basis of the results of each strand are pulled together to form a meta-inference at the end of the study)"* [12](Figure 3).

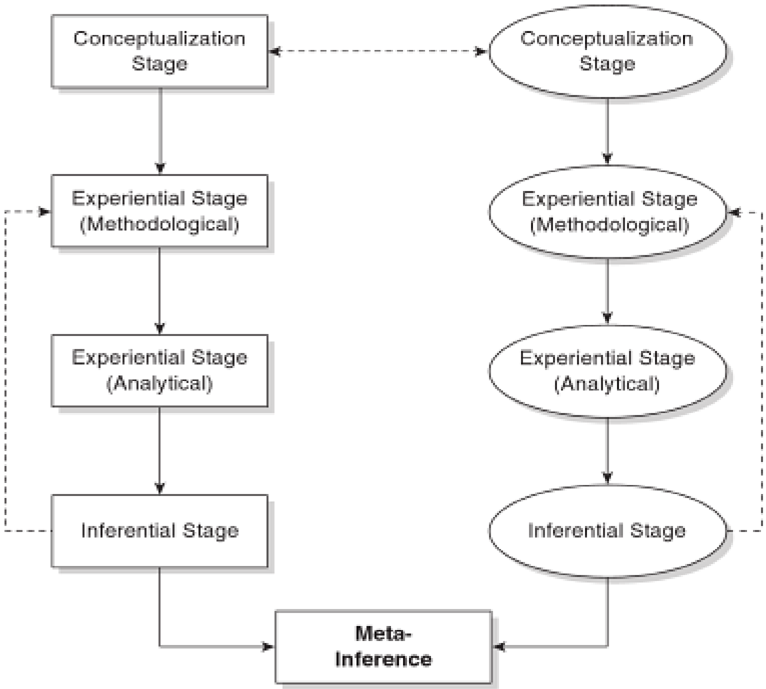


*Figure 3: Pragmatic Parallel Mixed Research Design*[13].

## 2.7 Research Data Collection Techniques

Research data collection is a critical aspect of the entire research process. It is plays a central role in providing the required information that makes proving or disapproving the hypothesis of the research possible. It is also the source of information for answering the research objective questions that enable the researcher to evaluate, analyse and draw up valid and reliable conclusions. Watkins and Gioia describes research data collection as: "Data collection methods are set of procedures that are intentional and planned for the purpose of collecting certain type and number of data sources that will be used to address a research question" [14].

Due to this this research strategy, that is, mixed methods strategy which requires more than a single data collection techniques. The research data collection method therefore is mixed methods (Triangulation). The appropriateness of the triangulation data collection technique was supported by the argument of Karin Klenke. Klenke argued that "triangulation may also involve different kind of data on the same phenomenon" [15]. This means the researcher's collection of different types of data using more than one data collection techniques for the answering the research objective questions on a single study is perfectly in order. Data collection techniques are subdivided into two principal types: secondary data collection techniques and primary data collection techniques[16] (Figure 4).

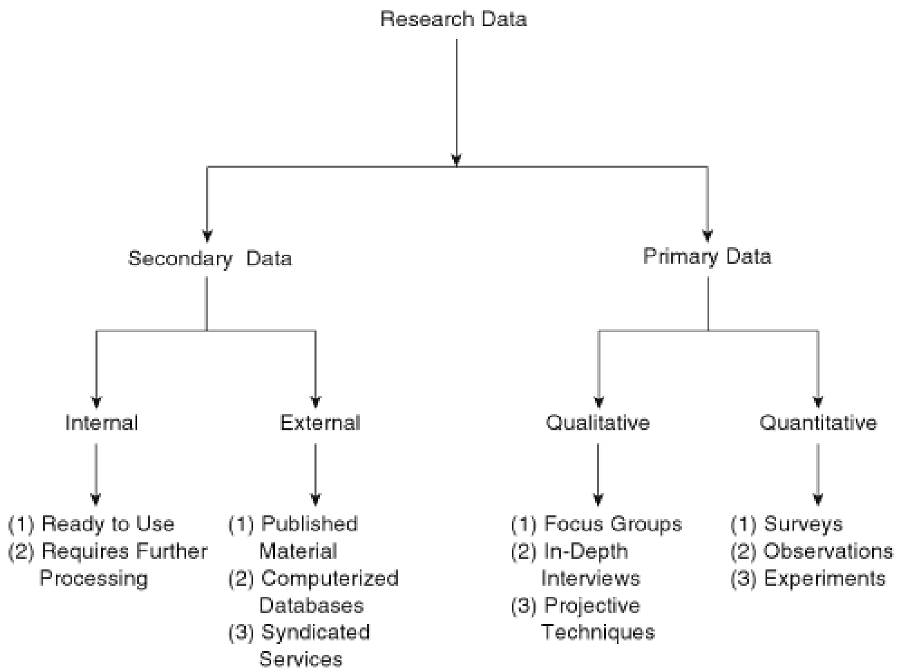


*Figure 4: Research Data Collection Techniques and Sources[17].*

### 2.7.1 Secondary Information Sources

The first type of research data that are used in this research was secondary research data. Secondary sources of data are those which already exist…They are already been collected by other" [18]. These types of research data are critical for the theoretical aspect of this research. Gratton and Jones explained that "theoretical research generally uses the findings from existing works to develop new ideas through analysing existing theory and explanations" [19]. There are seemingly limited sources of secondary research data as illustrated below in figure 5 below. In this research, the research made use of many of the sources listed on the illustration below. There are several advantages and disadvantages associated with the use of secondary research data in mixed methods research such as this one. The main advantage of this research data is its availability and cheap accessibility.

It is cheap because majority of these research data are publicly available information in government data bases, academic textbooks, newspapers and government reports that are readily available in public libraries, and on Internet websites. The main disadvantages of secondary research data includes the fact that majority may not be fit for purpose, it may have become obsolete may lead to unreliable findings. Despite these limitations however, the secondary research data is still considered the major source of theoretical research when carefully vetted before use as the researcher did in this study. The entire sources of secondary research data for this research are grouped under the literature review technique of secondary data collection technique which is the focus of the next subsection.

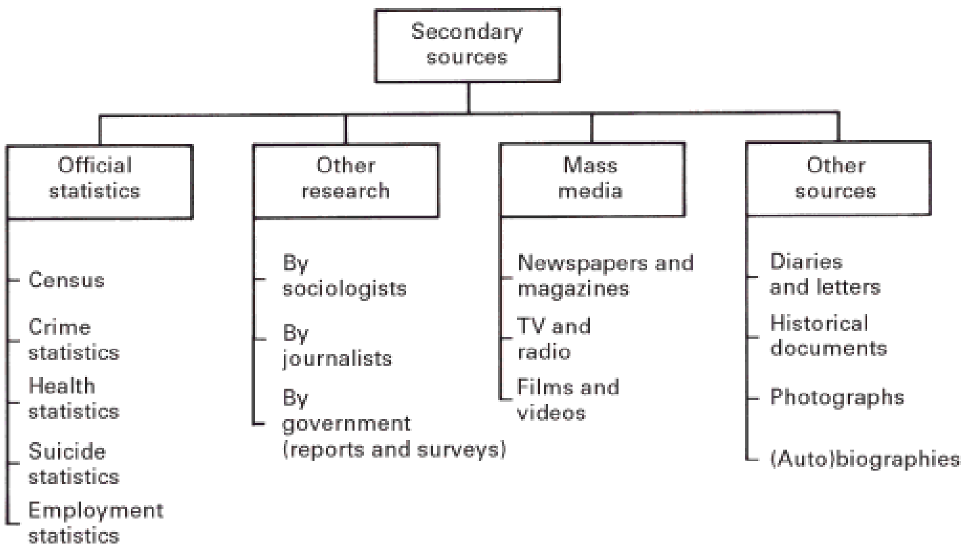


*Figure 5: Secondary Sources of Research Data[18].*

### 2.7.2 Secondary Research Data Collection Technique – Literature Review

Rubin and Babbie postulates that "one of the most important steps, not only in the problem formulation phase but also in the entire process of designing a study, is the literature review" [20]. The postulation above defines the essential role of the literature review in this research. It was not used only as a source of identifying applicable theoretical underpinning for the research, but played a role in every aspects of the research thesis. The use of different literature in different aspects of the research includes defining concepts, explaining paradigms and assisting the researcher to illustrate difficult to explain concepts. The role of the literature review however is not limited to the aforementioned. The literature review provides the researcher with the majority of information, particularly secondary research information that forms the greater part of this research.

Fink defines "literature review as a 'systematic, explicit, and reproducible method for identifying, evaluating, and synthesising the existing [secondary research data] body of completed and recorded work produced by researchers, scholars, and practitioners'" [21]. The entire secondary research data are collected, evaluated, and analysed using the literature review process. In the light of Fink definition of literature review above, Jankowitz went further to by stressing the significance of the literature review:

> "*There is little point in reinventing the wheel. Whatever your epistemology, the work that you do is not done in a vacuum, but builds on the ideas of other people who have studied the field before you. This requires you to describe what has been published and to marshal the information in a relevant and critical way*" [22].

There are two main types of literature review applicable in this type of study, that is, the traditional and the systematic. Petticrew and Roberts describes systematic literature review as "a method of making sense of large bodies of information, and a means to contributing to the answers to the questions [research questions] and what works and what does not [methodology]"[22]. The application of the systematic literature review in this research therefore is not a dedication of a specific chapter on section to the review of literature. Rather it is the systematic use of literatures in defining key terms included in the research, identifying existing and collecting secondary information that are fit for purpose and reducing data, in order to generate and produce the final interpretation for the research.

### 2.7.3 Reliability, Validity and Generalizability of Collected Secondary Data

The reliability, validity and generalizability of the findings of any study is dependent on the reliability and validity of its research data used in drawing up the findings. Given this critical importance of research data, and the known limitations of secondary research data. It is therefore important to ensure that the secondary research data used in this research is of the most reliable and valid sources. Riedel suggested three steps for ensuring the reliability and validity of secondary research data: “First, researchers should familiarize themselves with the data documentation, including codebooks…Second, researchers should examine the documentation limitations. Certain ages may be excluded…Third, researchers should contact technical support” [23]. These three suggested steps to ensuring reliability and validity of secondary research data was adopted and implemented in this research.

The researcher took extensive research of the secondary data collected and used for the research. Focusing mainly on verifiable academic sources that ranges from academic textbooks, academic journals to government authenticated databases. The issue of documentation limitation was also critically examined and this had a significant influence on the type of information selected among the seemingly limitless body of work related to the research subject matter. The researcher is limited in experience with conducting a research of this magnitude and as such relied on assistance of librarians in understanding some of the technical aspects of the research data being collected. The researcher also made constant demand of the research supervisor’s time in clarifying some of the difficult to understand or confusing technical details of the research.

David and Sutton explained that validity, reliability and generalizability are criteria by which the ‘truth’ [generalizability] of research can be judged” [24]. Not only the generalizability, but also the reliability and validity of the secondary research data for this study is dependent on the quality of the methodology of collecting the data. The generalizability of the secondary research data therefore is guaranteed based on the meticulous, effective, and efficient methodology that was used in collecting them. The methods and methodology ensures that elimination of any secondary research data that could jeopardize the reliability, validity and generalizability of the secondary research data.

### 2.7.4 Primary Information Sources

The primary information sources and the research data collected from them is critical in arriving at a valid, reliable and generalizable findings. The primary sources of information therefore is as important as the secondary research information sources. “Primary source is an original research report or presentation of a theory written by the people who conducted the research or developed the theory” [25]. In simpler words, the primary information sources are simply information collected first-hand for a specific purpose, for example by running a questionnaire survey of respondents[26] (Figure 6). The primary research information sources provides a critical information that the researcher cannot get from secondary information sources.

The primary information sources provides a timely information that is fit for purpose. It is not the cheapest means of collecting information for a research of this nature, however, it is critical because it enables the researcher to get the feel and opinion of the respondents as the subject matter of the research directly impacts them. There are different sources of primary research information sources available to the researcher. This ranges from focus groups, in-depth interviews, and written responses on the qualitative side (Figure 6). On the other hand, there are also many options of collecting quantitative primary research data from sources such as questionnaire surveys, observations and experiments (Figure 6). The primary sources of research information is not without its limitations. This will be discussed in greater details in the proceeding subsections. Of the various sources of primary research data information sources already mentioned. The questionnaire survey is the technique chosen for this study and it is the focus of the next subsection.

| | Secondary data | Primary data |
|---|---|---|
| Qualitative data | • Company reports<br>• Complaint letters<br>• Sales reps' reports | • Focus groups<br>• In-depth interviews<br>• Written responses |
| Quantitative data | • Past sales figures<br>• Published market research<br>• Customer records | • Questionnaire surveys<br>• Observations<br>• Experiments |

*Figure 6: Primary Sources of Research Information*[26].

### 2.7.5 Primary Research Data Collection Technique – Questionnaire Survey

The primary data collection technique for this research study is the survey questionnaire. Wisker explains that the survey:

> "*Questionnaires gather information directly by asking people questions and using the answers as a data for analysis. They are often used to gather information about attitudes, behaviours, activities, and responses to events, and usually consist of a list of written questions*" [27].

The decision to choose the questionnaire survey as the primary information collecting technique is its appropriateness in sampling the opinion of those who are directly impacted by the subject matter of the research. Aside from the direct nature of information gathered through questionnaire survey, there are four other critical reasons why the questionnaire survey is essential for this research. These are firstly, to collect the relevant data, secondly, to make data comparable; thirdly, to minimize bias and finally, to motivate the respondents[28].The questionnaire survey enables the researcher to design the questionnaires in such a way that only the *relevant information* required for achieving the objectives of the research are included. "The quality of the data gathered is highly dependent on the design of the questionnaire and the questions it contains"[28].

As a mixed methods research the questionnaire survey gives the researcher the opportunity to *compare the gathered data* with that sourced from secondary sources and derive a best outcomes from the meta-inference at the end of the analysis. The questionnaire survey also enable the research to *minimise bias*. "Bias is defined as the difference between the answers given by respondents and the 'truth'[28]. The design of the questionnaire survey, its strict confidentiality and anonymity went a great way in enabling the respondents to give response that is a true reflection of their opinion and view thus minimising the risk of bias. *Motivating respondents* to answer the questionnaire survey especially on subject matter that does not interest them requires some creativity on the part of the researcher. This researcher motivates the respondents by ensuring that the questionnaire survey's questions are short, direct and grants the respondents options concerning answers. This design ensure the respondents spent as little as possible of their time answering the questionnaire survey. Finally, there are three types of information that this technique can be used to collect, that is, fact, opinion and motive[28]. All three types were collected for this research.

### 2.7.6 Reliability, Validity and Generalizability of Collected Primary Data

As discussed in the secondary sources of information above, the reliability, validity and generalizability of the collected primary data is essential for the credibility for the final outcome of the research. Johnson and Christensen explained that "regardless of the whether an information source is primary [as is the case here] or secondary, it must be evaluated for its accuracy and authenticity…Internal criticism evaluates the reliability or accuracy of the information contained in the material" [29]. The researcher ensured internal accuracy of the primary research data by ensuring that all respondents were given the same uniform questionnaire survey with the same questions. And their responses were give the same measurement and evaluation to ensure consistency thereby guaranteeing *reliability* of the conclusion drawn.

The sources, the data collected and its evaluation are considered valid and the *validity* not in doubt when they measure what they are supposed to measure[30]. The questionnaire survey has been established to be a valid technique for sourcing primary information data for a mixed method approach research such as this one. The researcher went to great length to ensure that the questionnaire survey is designed to ensure that the technique measured exactly what the researcher wanted to measure thus making the collected data and the findings that are drawn from them valid.

The *generalizability* is basically the ability to apply the finding of the research from a representative sample to the understanding of a larger population [31]. The degree of generalizability of primary sources of information as applied here is faced by three challenges. Firstly, the homogeneity of the sample of the population that was surveyed. Is the sample a truly homogenous sample that is representative of the various section of the population? Secondly, are the respondents providing answers that that are true to their views and opinions? Finally, is the questionnaire survey confidential and anonymous? In the collection of the primary research data for this study, the researcher ensured that these three concerns are addressed. The sampled respondents are a true representative sample of the population of Prague. The questionnaire survey are designed to ensure the respondents answers the questions with any reservations and finally, the respondents were assured of the survey anonymity and confidentiality thus making the data collected generalizable.

## 2.8 Research Data Analysis Techniques

The chosen research data analysis technique(s) for any research is an important decision and reflects on the reliability, validity and generalizability of the research eventual findings. In the beginning of the chapter of the research thesis, the researcher introduced the 'honeycomb of research methodology' (Figure 1). The research data analysis technique(s) is the last of the six elements of the 'honeycomb of research methodology' and highlights the linkages between each and all the six elements. The research data analysis data therefore indicates the research philosophy of the research, which is pragmatism. Pragmatic research philosophy is a pluralistic philosophy that takes a multiple view of the issue of knowledge and what constitute knowledge. In the same vein, the research approach of this research is a combination of the inductive and deductive approach (Figure 2).

The research strategy is the triangulation approach which aligns with the pluralistic philosophy, and approach of the research making the approach a perfect fit. In keeping with this approach the research design selected was the pragmatic parallel mixed research design which advocates taking a dual approach. The research data collection techniques naturally follows the same path because only a dual approach to data collection can satisfy the data requirements of the preceding research design. The data collection technique therefore is the mixed methods data collection which involves the collection of secondary research data (qualitative) from literature review (Figure 5). And collection of primary research data (quantitative) from the questionnaire survey (Figure 6).

There is no better research data analysis techniques approach to analysing the research data accumulated through this dualistic pragmatic approaches to research than techniques that takes this fundamental nature of the research into consideration. This is the motivation behind the researcher's selection of what Onwuegbuzie and Teddlie described as the 'pragmatic parallel mixed method data analyses[12]. And Hesse-Biber simply referred to as 'mixed method analyses'[32]. Creswell referred to the same techniques as the 'embedded design'[12]. This techniques simply involves the analysis of each collected secondary (qualitative) and primary (quantitative) research data independently and then bringing the two findings together to form meta-inferences at the end of the research (Figures 3 and 7).

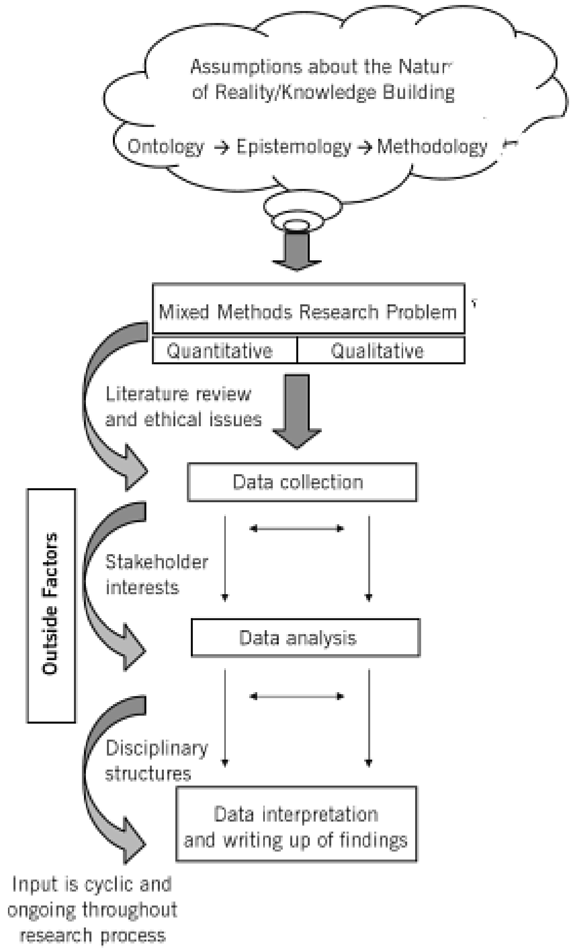


*Figure 7: The Mixed Method Process*[32].

In light of the above mixed methods analysis techniques. The secondary research collected data was analysed using the qualitative data analysis technique of content text analysis (section 2.8.1). The collected primary research data was collected was analysed through the application of the quantitative data analysis technique of descriptive statistics analysis (section 2.8.1). Finally, the result of each of the two technique after been obtained independent of each other were then brought integrated to arrive at the research study conclusions (Figure 8).

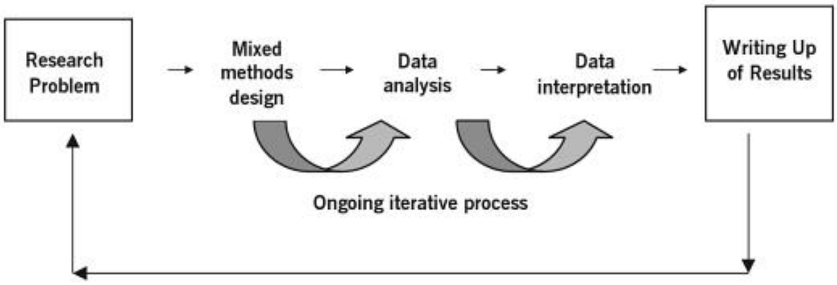


*Figure 8: Writing up Mixed Methods Research Results*[32].

### 2.8.1 Secondary Research Data – Content Text Analysis

The collected secondary research data are analysed through the use of the qualitative content text analysis. Krippendorff described content text analysis simply as the analysis that is fundamentally concerned with readings of texts and the meaning of symbols[15]. Kondracki and Wellman on the other hand postulates that content analysis “may be in verbal, print, or electronic form, and may be obtained from narrative responses, open-ended survey questions, interviews, focus groups, observations, or print media such as articles, books, or manuals”[15]. There are different approaches to content analysis of research data, Drisko and Machi identified these different approaches to content analysis as three:

> *“(1) basic content analysis, which focuses on manifest content and employs statistical analysis, in contrast to (2) interpretive content analysis, which focuses on both manifest and latent content, and (3) qualitative content analysis, which also focuses on both manifest and latent content. Interpretive and qualitative content analysis draw on narrative analysis methods rather than statistical analysis”* [33].

The content text analysis approach selected and applied in analysing the secondary research data of this study is the ‘qualitative content analysis because of its interpretive and qualitative nature. Qualitative research data mainly consist of texts and the analysing of text involves interpretation and understanding of the text to derive their obvious and hidden meanings. The secondary research data for this research study are mainly consisted of texts derived from different sources such as books, academic journals and other related secondary information sources. These data also include theories that were applied to the study in such a manner than enable the researcher to achieve the objective of the research. The appropriateness of the qualitative content text analysis approach for this research can be further seen in the argument of Schreier arguments that:

> “*Qualitative content analysis is a method for systematically describing the meaning of qualitative material…The method is suitable for all material that requires some degree of interpretation…It can be material that you [the researcher] generated, or materials that are sampled from other sources [literature review]. Qualitative content analysis requires that you [the researcher] focus the analysis on selected aspects [research objective], as indicated by the research question*” [34].

### 2.8.2 Primary Research Data – Descriptive Statistical Analysis

The primary research data collected from the application of the questionnaire survey of respondents were analysed using descriptive statistical analysis. "Statistics is simply a set of methodologies for collecting, analysing, and interpreting data" [35]. The collection of respondents' opinion and views concerning the subject matter of the research is then present in an understandable and meaningful way as the findings with help of graphical illustrations. The understandable way that was used in presenting the findings of the survey of respondents concerning this research is the descriptive statistics analysis. "Descriptive statistics is the most well-known statistical tests, as they are foundation of all types of statistics" [36]. And as mentioned earlier the main purpose of using the descriptive statistics analysis for the analysis of the quantitative data collected from the application of the questionnaire survey is simply to present the findings in a clear understandable and meaningful manner.

### 2.9 Sampling Strategy

As mentioned earlier the effectiveness of the sampling strategy designed to collect the primary research data from respondents is critical for the credibility of the findings. Critical because it determines the validity, reliability and most importantly the generalizability of the outcome of this research. Sampling strategy is inevitable in a research of this nature in a situation where it is practically impossible to survey the entire population due to constraints of time, costs, and accessibility. Since it is impracticable to survey the entire population of a geographical location such as Prague, it is critical then to sample a limited number of the resident. What then is sample? "A sample is a limited number taken from a large group [population] for testing and analysing, on the assumption that the sample can be taken as representative of the whole group"[28]. Sampling a representative sample of a population is critical because the sample must have the same range of characteristics or attributes can be found in similar proportions. It is only with a truly representative sample that the findings of the research can be generalize to the whole population[37]. There are five key factors that must be considered to ensure effective sampling. These are (1) the right sample size; (2) the representativeness of the sample; (3) access to the sample; (4) the sample strategy to be applied, and finally (5) the kind of research that is being undertaken, in this case mixed methods[38].

There is no universally accepted *sample size* for the research of this nature, however, certain factors must be recognized when determining the sample size all the same. The population of Prague as at December 31, 2010 was 1,257,158 people[39]. It is impossible to sample this entire number of people. At the same time it also not the number of people that actually affects the validity, reliability and generalizability but the representativeness of the sample. The truly representative sample size will be specifically target the various individuals that are resident in Prague. The researcher conveniently selected 80 individuals on the street of Prague at the Museum Metro Station diving them equally into 40 adult females and 40 adult males as the representative sample size for the city.

| QUESTIONNAIRE SURVEY SAMPLE SIZE | |
|---|---|
| **POPULATION OF PRAGUE** | **SAMPLE SIZE** |
| **1,257,158**[39]. | **80** |

*Figure 9: Questionnaire Survey Sample Size Table*

As explained above, it is not the size of the sample that determines the effectiveness of the same for this type of research, but rather the degree of the way in which the sample is a reflection of the entire population in terms of characteristics and other similar attributes. The researcher ensured there was a great diversity amongst the sampled respondents. The researcher's determination to ensure a high degree of homogeneity of the sampled respondents informed the motivation to seek out respondents on working days of the week at one of the city's busiest metro stations.

The respondents that passed through this metro station on daily basis is a reflection of the homogeneous component of the city. The researcher is convinced beyond any reason doubt the selected 80 respondents are true *representative samples* of the city's residents. The researcher used the convenience sampling method to ensure not just ability to be able to select the most representative sample of the population of Prague city, but also to ensure access to the respondents. The *respondents were easily accessed* by the researcher being physically present at the metro station and explaining to potential respondents that meets the diversity and representative sample criteria of the research. Finally, as a *pragmatic mixed methods research design* study, the convenience sampling method fit permanently. The entirety of this research study is governed not just by the researcher's determination to ensure reliability, validity and generalizability, but also by recognized ethical standards.

## 2.10 Ethical Considerations

The researchers are expected to conduct themselves and their research with the highest form of ethical standard possible. Hammersley and Traianou explain that ethical standard is:

> "*A set of principles that embody or exemplify what is good or right, or allow us to identify what is bad or wrong. These principles may be general in character, related to some particular domain…or come from some particular perspective…In these terms, the phrase 'social research ethics' means 'the set of ethical principles that should be taken into account when doing social research' or 'the set of ethical principles held by social researchers*'[40].

While ethical considerations is a requirement irrespective of research type of design, however, there are certain ethical requirements that are specific to the types and research design. The National Commission for the Protection of Human Subjects (NCPHS) necessitates the compliance of certain ethical standards that researchers must comply with conducting research that involves the human beings. This research design is a mixed methods research that dealt not only with literature, but also human beings. Clark and Ivankova referencing to the NCPHS guidelines on ethics defines mixed methods research ethics as: "A set of moral principles that are aimed at assisting researchers in conducting mixed methods research ethically and in compliance with existing standards for research involving humans" [41]. In light of this guideline, the researcher identified and ensure that the under listed ethical issues related to this research study were considered. The safeguards incorporated into the conduct of the research study to ensure compliance with the ethical standards expected includes:

*Voluntary Participation of Respondents*

The ethical issue of voluntary participation is "a principle stating that a person should participate in an experiment [survey] only by free choice, and should be free to leave an experiment [survey] any time, whether or not the experiment [survey] has been completed" [42]. The researcher informed the potential respondents before the start of the survey their right of voluntary participation. They were also informed that they have the right to stop at any point before, during or and upon conclusion of the survey.

*Respondents' Informed Consent*

This is the ethical principle implying a responsibility on the part of the social researcher to ensuring that the respondents are fully informed of what the survey is all about. As well as the way in which their response will be used before their consent is secured, thus making it an informed consent to participate on the part of the respondents[43]. The researcher not only verbally informed the respondents about what the research, the survey and the use of their response are about. A written copy of this information was also shown to them for them in order to avoid any ambiguity or misunderstanding.

*Respondents' Protection from Harm*

This is ethical principle speaks to the common reasoning of the researcher to ensure that the survey is conduct in a location where there is not a possibility of the respondents been harmed. In this research the survey were conducted in the open shopping area of the Museum Metro station away from the metro station's platform and there was no possibility of harm coming to the respondents in the secured location.

*Anonymity and Confidentiality of Respondents 'Responses and Person*

This ethical principle is one of the most important in respect of this type of research. The British Sociological Association's (BSA), Statement of Ethical Practice described this ethical requirement on two levels:

> *Firstly, "the anonymity and privacy of those who participate in the research process [survey] should be respected. Personal information concerning research participants should be kept confidential…[Secondly], where possible, threats to the confidentiality and anonymity of research data should be anticipated by researchers. The identities and research records of those participating in research should be kept confidential whether or not an explicit pledge of confidentiality has been given"* [44].

This ethical standard is crucial in getting 'truth' in respect of the respondents' answers to the survey questions. If the respondents' felt unprotected in anyway, this fact may shape their response to the survey questions thereby diminishing the quality of their response and in the long run the validity, reliability and generalizability of the results. This is why the researcher made the questionnaire survey is completely anonymous and confidential.

# Chapter 3

# Literature Review

## 3.0 Thesis Theoretical Underpinning

This thesis literature review is the theoretical underpinning for the whole research. The literature review provided the researcher the unique opportunity to systematically examine the seemingly limitless body of knowledge already in existence in respect of the subject matter of this research. The literature reviewing of the past works of other researchers enable the researcher to include the relevant while at the same time excluding the irrelevant research data from the large body of works available on the research topic. This systematic basic literature is simply to help the researcher summarize and evaluate the existing knowledge on this particular topic. As Machi and McEvoy aptly argued, its purpose is to help the researcher produce a position on the state of that knowledge, that is, "the development of a case that argues the research thesis" [45] (Figure 10). The arguments on economics of advertising in respect of this research thesis is broken down into two stages: The first stage is focused on the motives for advertising, that is, the demand side. The second stage is focused on the role of new media, that is, the supply side. It is essential to take brief look at advertising as a concept before these theoretical underpinning for this research thesis is explained.

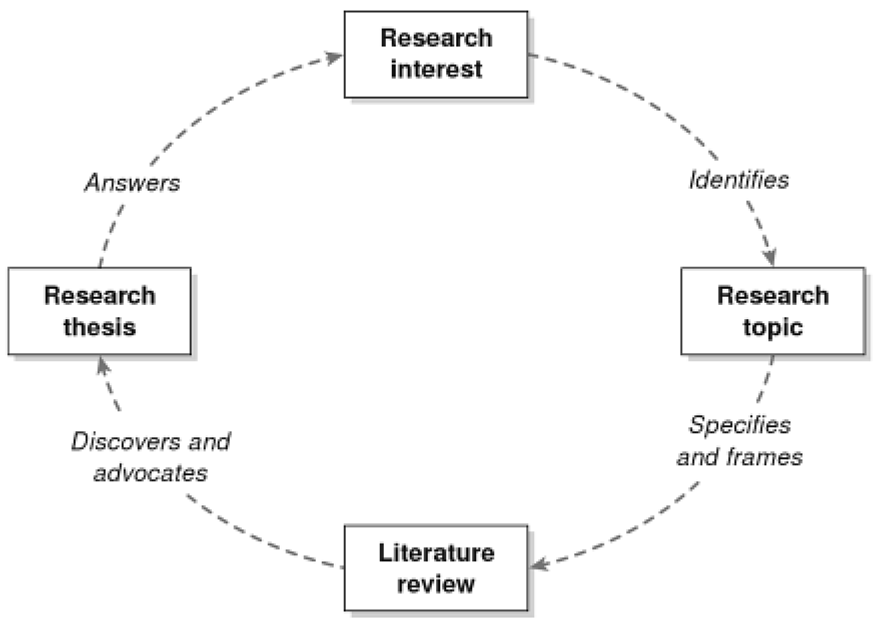


*Figure 10: The Basic [systematic] Literature Review[45].*

### 3.1 An Overview of Advertising

The comprehensive investigation in the economics of advertising will be impossible to achieve without the understanding of what the concept of advertising is about. In the light of this argument, "advertising is 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" [46]. From this simple definition of advertising, some of its central characteristics can be pinpointed. Firstly, it is a form of communication, that is, communication between an individual or a company that want to share a particular message and the targeted audience. Secondly, it is a paid communication, that is, there is an economic aspect to the shared information with the targeted audience. Finally, it is a tool for influencing the targeted audience into accepting or rejecting either a viewpoint or product/service. While these three characteristics of advertising are critical in the researcher's investigation into the economics of advertising. The focus however at this stage is on the economic characteristic. As Bagwell argues, "advertising is a prominent feature of modern economic life. Consumers encounter advertising messages as they watch TV, read magazine, listen to the radio, surf the internet, or simply walk down the street. And the assoicated advertising expenditurescan be huge" [47].

The enormity of the economic aspect of advertising is better understood with the help of some basic statistics. As at 2006 in the United States, advertising represent an astounishing 2.2 percent of the US GDP, a spending of $952 per capita, and 48 percent of the world spending on advertising[47]. Procter and Gamble was reported to be responsible for $4.9 billion of US spending on advertising[47]. These figures suggested that the business and individuals investing these type of resources in advertising must be getting some sort of returns on the their investments. The need for advertising represents one side of the economic equation of advertising, that is, the demand side. On the other side is the supply side equation, that is, the role new media in meeting the advertising needs of the companies and individuals. The presence of demands necessitates the presence of supply to meet the needs. The theoretical justifications for the the demand side (motivation), is centred around the motivation for informative, persuasive, and complementary advertising. While the supply side (new media), is focused on how advertisng enabling the attracting of attention, targeting of consumers;

and providing shealth for companies and individuals that demands advertisement, thereby completing the equation on the economics of advertising.

**3.2 The Motives for Advertising: The Demand Side**

This section of the research thesis is focused on explaining the views of economists using the basic economic principle of demand. What are the motives for demanding advertisement by companies and individuals? What are the things that differentiate these advertisement demands? It is the identification of the motivation behind the demand for advertisement that provides the understanding for the demand side of the economic equation in respect to advertising. There are different theoretical explanations as for why companies and individuals are motivated to demand advertisement. For this researcher thesis, the researcher used the arguments of business practice of classifying advertising expenses as a "*selling cost*". Chamberlin (1933), accepted this classification, arguing that, firstly, since advertising is *persuasive*, then it can alter consumers' 'wants', that is, convince them to buy what they may actually not initially thought they want thus altering their 'wants' [48]. Secondly, "*informative advertising* better enables consumers to respond to price differences and thus increase the elasticity of demand"[48]. This is because consumers are made aware of the availability of differences therefore granting the choice which they would otherwise not be opportune. The argument above clearly shows that advertising the role that advertising plays can impact the price of products/services thus influencing the demand. The role of advertising as a motivation for stimulating demand is explained on the basis of:

**3.2.1 Persuasive Advertising**

One of the way in which companies/individuals convince consumers to make the purchase is through the use of persuasive advertising. "Persuasive advertising acts to establish wants/motivations and beliefs/attitudes by helping to formulate a conception of the brand as being one in which people like those in the target audience would or should prefer" [49]. The success of any persuasive that a company deploys in respect of its products/service will result in increased demands. The increase in demands will result in increase sales, which ultimately lead to increase profitability for the business. Increase in demand has the added advantage to resulting in increase in sales price which meant more profit for the company. The same thing is applicable to individuals as seen in political campaigns. The success of the persuasive advertising in this case is the election of the candidate being persuasively advertised. The above scenerio shows why businesses/individuals are continuously prepared to commit substantial financial resources to securing their influences on the consumers.

### 3.2.2 Informative Advertising

Informative advertising is another view of advertising that economists argued is a motivation for companies/individuals interested in generating demand engage in. This view of advertising is different from the persuasive advertising, in the sense that the latter is concerned with the intention of changing consumers' preference. Informative advertising on the other hand serves a completely difference purpose although the end result is similar. Informative advertising "describes the product's [or service] existence, its characteristics (e.g., weight, size, speed) and selling terms (e.g., price, financing interest rate)" [50]. The economic benefit of informative advertising is the same as that of persuasive or any other form of advertising that companies/individuals engage, that is, the ultimate profit generation. The approach to influencing the consumers is what is different. Information advertising influences the consumers' decision making process through providing the essential information that the potential consumer require to make a purchase decision. For example, it provides the price for the product/services. This information grants the potential consumer the opportunity to compare the product/service with that of the competitor and decide purchasing the product/service on the basic of differentiated price.

### 3.2.3 Complementary Advertising

The third economists' view of advertising as a motivation for companies/individuals to stimulate demand for products/services is complementary advertising. This approach approached the aim of stimulating demand for advertised products/services in a more subtle manner. Complementary "advertising does not modify consumers' preferences and it does not matter whether it conveys information or not; what is central is that advertising enters as one argument into the consumers' utility function and does so in a complementary fashion with the advertised product [or service]"[50]. One of the prominent ways through which companies/individuals use complementary advertising is through 'celebrity endorsement' of product/services. "Celebrity endorsement is usually only a part, [complementary] but and important part of, a larger product[service] marketing[advertising] campaign. In addition to being well known and famous, celebrities are attractive, likeable, and trustworthy – at least in the minds of the public to whom the advertising message is directed" [51]. The whole idea as Erdogan (1999) explained is "the hope that the celebrities' qualitites will be 'transferred' in some way to a product[service] and stimulate sales[demand]"[51].

**3.3 The Role of New Media: The Supply Side**

As Dukes (2004) explained, the motives for advertising on the part of companies/individuals only speak to one aspect of the two sided issue of advertising[51]. The economics of advertising requires that there is a supply side, that is, the other side of the economic equation of demand. This required supply side is the attention of consumers to commercial advertisement because without the supply of the consumers' attention to the advertised product/service, the advertisement will not be able to influence the behaviour of the consumer[51]. The significance of this section of the research project therefore is to investigate and identify companies/individuals' motivation for profit that created the demand for advertising is met by supply. The media is the main suppling outlets that ensure that companies/individuals demands for advertising attracting consumers' attention is achieved. The motivation of the media to supply the attention that advertisers (companies/individuals) are seeking from consumers for their product/service is also motivated by profit. Dukes explained the whole premise of the supply side on the basis of mutual benefit to the three parties involved:

> *The media as the main actor on the supply side is based on the benefit (profit) of this two-sided economic perspective of advertising that recognizes that the media have a stake (motivation) in the success of its advertisers (companies/individuals). "The attention that consumers pay to advertising messages ultimately determines advertisings' financial returns (profits). These returns take the form of purchases (or some desired action) by the viewer, which correspondingly benefits the advertiser*"[51].

For the purpose of this research project, the focus on the role of the media as the key player on the supply side of the economics of advertising is limited to the role of the new media and not the entire spectrum of what constitute the media. Laughey (2007) described media as "technologies that communicate messages to audiences in different parts of a region, country or even the world" [52]. The media as described above is covers both the traditional and the new media. The basis of the media is to transmit information from the sender (companies/individuals) to the receiver (consumers) through the most appropriate medium (media). The difference between the two categories of media is that, the traditional (television, newspapers or radio) transmit mainly to the receiver without a channel for instant feedback. The new media (the Internet) provides an avenue for instantaneous feedback. For the purposes of this research thesis, the new media is basically, “information and communication technologies and their associated social contexts” [53]. For emphasis, new media is generally the “digital media that are interactive, incorporate two-way communication, and involve some form of computing as oppose to ‘old media’ such as the telephone, radio, and television”[54]. The Internet is the principal medium for the deployment of these ‘new media’, which is not homogeneous. The effectiveness of the Internet as a medium for advertisng is closely linked to the uniquesness of its platforms. Platforms such as Facebook, Google, Twitter, and Youtube generally classified as social or digital media. This media have been able to revolutionize the ability of new media to reach consumers like never before in the history of advertising.

The social or digital media have been able to incorporate competitive differentiation, contextual relevance and personalization of products/services in such a way that makes the consumers feel in charge of the entire transaction process. The significance of this development for the economics of advertising is the focus of this supply side. In establishing how the new media has been able to supply the requirements of companies/individuals (business to business as well as business to customers). The researcher investigated three primary functions of new media that is relevant to companies/individuals from an economic perspective, that is:

> *“First, [new] media attract the attention of viewers [consunmers] in order to serve them advertising. Second, [new] media provide a means to segment viewers [consumers] for the purpose of targeting. Finally, [new] media, in an increasing number of cases, provide cover, or shealth, for advertisers to deliver their messages with more credibility*”[1]

### 3.3.1 Attracting Attention

New media can be described as being in the business of attention seeking. The success of any advertising campaign is dependent on the amount of attention of the consumer it is able to attract. As easy as it may sound, attracting consumers attention is not easy to effect, even more difficult is holding that attention long enough for the consumer to have an understanding of the message the advertisers are trying to communicate. Messaris (1997), "argues that persuaders must get the attention of the audience [consumers] if they are to be successful" [55]. In order to attract attention effective, the new media such as Facebook has been able to study and incorporate social filters function in focusing and amplifying information and in distribution and drawing consumers' attention to content[56]. The more new media are able to attract to the content being communicated the more the products/services being advertised is viewed by the consumers and the more the opportunity to influence their behaviour concerning the advertised products/sercies. For example, Facebook is one of few new medium of advertising that is able to supply companies/individuals consumers attention 24 hours, 7 day per week. Businesses are willing to pay high premium for a spot on this medium and other related media. This is the reason why social media companies such as Facebook has been so successful.

CNN Money reported that as at June 23, 2015, Facebook has a market value of $337 billion becoming more valuable than Walmart[57]. This incredible feat for a company established in 2004 to achieve is not an exception, but the norm within new media. Google is estimated to worth about $367.6 billion as at May 2015 and stands at number three on the Forbes world's most valuable brands[58]. Large portion of these new media companies revenue are generated from advertising. There is perhaps no better example of the power value of consumers attention than these new media organizations.

### 3.3.2 Targeting

The ability of new media to target specific consumer with specific advertisement is one of the most effective advantages of the medium. Consumers' are targeted with advertisement based on their behaviour (browsing history), geographical location, demography, or even based on the time of the day they can be reach (daypart targeting: time-of the-day, day-of-the-week, or time-of-the-day) [59]. Apart from sending consumers' the products/services that they are most likely to be interested in, social media platform such as YouTube went further providing the consumer the ability to end the advertisement after 5 seconds. In traditional media, this type of targeting are rare, and the ability to end a running advertisement is simply nonexistent. The only option open to the consumer is to change channel. Targeting of consumers by new media, enables many organizations that do not have large enough budgets to support a sustained advertising campaign to have the ability to compete. This is achieved because companies are able to focus their limited advertising budget on only the small segment of the market they are interested in, thus making advertising affordable for them[60].

### 3.3.3 Providing Stealth

The new media provides stealth advertising for businesses that wants to advertise their products/services without overtly making direct. This advertising function is closely related to "product integration, also called branded entertainment or embedded market, in which a commercial product is woven into the storyline of films, television shows, songs, videogames, music videos, even comic books"[61]. While stealth adverting is nothing new, are a common feature in major blockbuster movies in recent times. New media is taking taking stealth advertising to a whole new level. Through the use of new media, movie companies are able not just to embed products into movie scenes and storylines, they are able to now, change the products from location to location without changing the movie storyline or scene.

For example, the movie scene can show the main actor say, Jame Bond in London drinking a can of 'Stella' beer in a London pub in the version of the movie showed in London. This scene and product (Stella beer) is advertised through stealth to the British market. The same movie, when shown in Ireland, will have the same scene, the same dialogues, but the can of 'stella' beer is digitally changed to bear the semblance of 'Guinness stout' which is an Irish favourite. In this new strealth advertising made possible by new media, the new media is not locked down to accepting only one single product placement from one company throughout the world for the movie. Rather it provide multiple products placements targetting the taste of the specific location where the film is been viewed.

This ability of new media in making this new stealth advertising possible is provides great economic outcomes for the companies placing the advertisements, as well as the new media supplying the audience (consumers) that are watching the embedded advertisements. The economic benefit of this new form of stealth advertising for advertisers and the new media is enormous when when the current figures are taken into consideration. James Bond '*Skyfall*' film was reported to have earned $45 million stealth advertisment placement by Virgin Atlantic and Heineken also spent $75 million to promote the film[61]. With new media ability to change products from location to location without changing any part of the film, it means the while Virgin Atlantic may appear in the UK and other locations its paid for. Other companies like say United Airlines can have their own products appear when the same movie is shown in the United States. The economic benefits is simply limitless of all parties.

# Chapter 4

## Analysis, Findings and Conclusion

Irrespective of the effectiveness of the primary research data collection technique or the reliability and appropriateness of the collected secondary research data. The determinant of the authenticity of the research findings and conclusions is effectiveness and appropriateness of the entire research methodology process. The understanding of this critical fact informed the adoption of the Wilson's 'honeycomb research methodology' (Figure 1, page 10 and 11), which provides a logical sequential development of the whole research process from start to analysis. Andrew and Halcomb (2009) buttressed this point arguing that:

> "*It is important that the choice of method(s) is appropriate to address the specific study questions. In fact, the research objective, research questions, design and choice of method need to follow a consistent rationale, and data collection and analysis need to be realistic and feasible considering time and resources available"* [62].

The choice of triangulation research strategy is therefore more than keeping with the logical flow of the research process, but a conscious effort to ensure that the appropriate research strategy is engaged (see page 13 above). As the quantitative and qualitative research data collected required multiple collection techniques (questionnaire and literature review), it also requires multiple analytical techniques, that is, mixed method analytical approach. The researcher therefore selected what Onwuegbuzie and Teddlie (2002) described as 'pragmatic research data analysis approach' (see page 22 above)[63]. Aside from providing the researcher the opportunity to analyse the primary research data using *descriptive statistical analysis* and the secondary research data using *content analysis* in their basic forms. The pragmatic approach to investigating and analysing a phenomena also provides the advantage of the strengths of both qualitative and quantitative research while seeking to minimize the weaknesses of each[64]. The entire spectrum of the 'pragmatic research data analysis approach' was reduced to a manageable three simple steps. Firstly, descriptive statistical analysis of the primary research data (4.0 below); secondly, contents text analysis of the secondary research data (4.1 below). Finally, the findings from the first two steps are then combined to arrive at conclusions with unquestionable reliability, validity and generalizability:

**4.0 Primary Research Data Analysis and Findings**

The primary research data analyzed through descriptive statistical analysis and graphically illustrated below was collected from the general public in Prague, the Czech Republic over a period of six weeks (see page 26 above for demographic breakdown of respondents and other related information). The collected and analyzed findings of the survey revealed as follows:

**1. Have you encountered any form of advertising today? If yes, proceed to next question. If no, please jump to question number 3:**

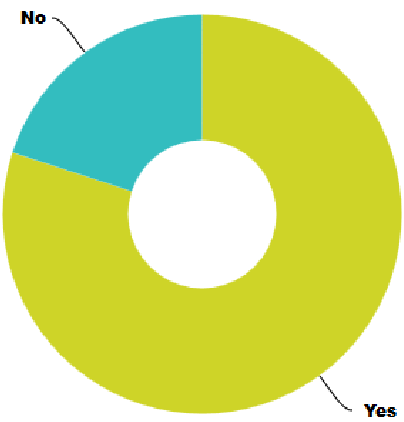


*Figure 11: Graphical illustration of response to survey first question*

The demand for advertisement in virtually all aspects of human endeavor is on the upward trajectory. It is on the upward trajectory because from government, business to individuals demands the uniquely advertising ability to communicate their messages to the audience irrespective of the audience. The audience is the people that advertisement is able to reach. Advertising is persuasive, is informative, and can be complimentary as well (see section 3.2

above). However before any of this characteristics can be effective on the consumers. The advertisement must first reach the consumers in order to communicate the message that the stakeholders want to communicate. To evaluate the reach of advertisement, the first question of the survey was to ask respondents whether they have had any contact with advertisement on the day they were surveyed. The majority of the respondents, that is, 80 percent answered yes, while the remaining 20 percent answered in the negative (Figure 11). This result reveals that majority of the general populace are exposed to advertisement on a daily basis, providing the research with two critical findings. First, the high level of advertisement saturation in Prague and second, the appropriateness of the surveyed respondents for the study.

**2. Please kindly select on which of the platforms below did you first encountered advertising today?**

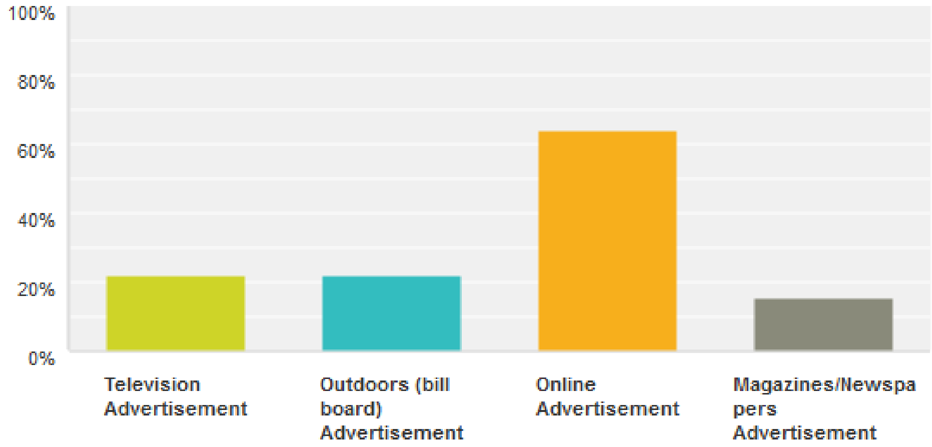


*Figure 12: Graphical illustration of response to survey second question*

The second survey question reveals that of the different platforms that represents the supply side of the economics of advertisement, that is, the media is ‘online media’. Of the four options of media platforms for advertisement that respondents are asked to select from, an overwhelming 64 percent identified ‘online advertisement’ as the platform that they encountered advertisement on the day they were surveyed, while the nearest competitor was television and outdoor advertisement at distance 21 percent respectively (Figure 12). This reveals that the media platform that is currently and will in the nearest future be the main economic engine for advertisement is online media.

**3. Online advertisements has influenced my purchase decision in the past.**

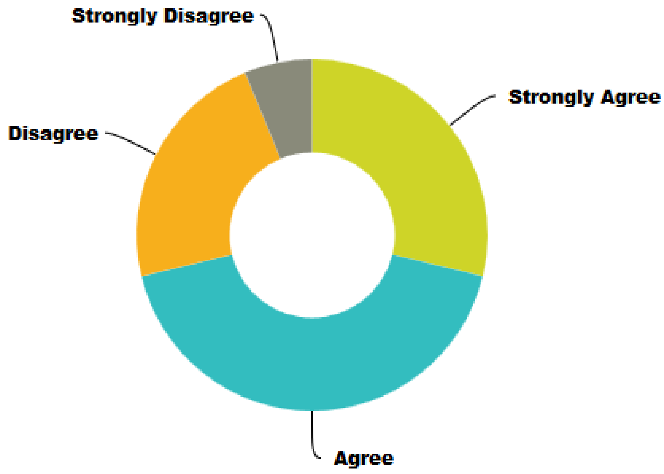


*Figure 13: Graphical illustration of response to survey third question*

Duke's argument that the attention that consumers pay to advertising messages ultimately determines advertising financial returns (see section 3.3 above). The first step to the economics of advertisement on the supply side is the ability to retain the attention of consumers long enough to pass on the message of the advertiser. The survey's second question above revealed that online media has the highest opportunity of reaching the consumers. However, it is not enough to able to be able to retain the attention of consumers if they are not motivated to make purchase. This is where one of the characteristics of advertisement comes into play, that is, the ability to persuade. As O'Shaughnessy and O'Shaughnessy (2004) explained that advertising help motivate and persuade the consumer to make necessary demand for the goods/services being communicated (section 3.2.1 above).

The survey revealed that accuracy of the assertion above when only 22.5 percent disagrees that online advertisement has had any influence on their buying behaviour (Figure 13). While 42.5 percent of the respondents agreed that online advertisement has influenced that decision in making a purchase in the past (Figure 13). A further 29 percent strongly agreed to the fact that online advertisement had influenced their purchasing decision in the past. When the strongly agreed and agree are combined that revealed a 71.5 percent of the entire respondents are influenced by online advertisements (Figure 13). This reveals the increasing influences of online advertising as an enormous economic resource.

**4. Online advertisement helped in my understanding of the benefits of the**

**product/service advertised and that understanding has an influence on the decision to purchase or not.**

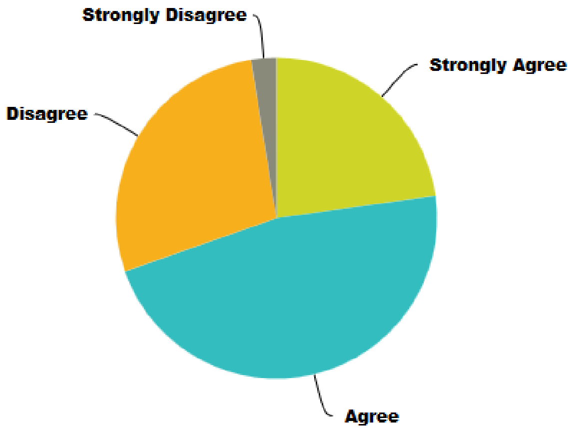


*Figure 14: Graphical illustration of response to survey fourth question*

The fourth survey question was designed to economic character of advertising as a tool for informing the consumers. The respondents were asked about the information qualities and its impact on their buying decisions. The respondents answered in the affirmative on a two to one ratio (Figure 14). A majority of 46.8 percent of those surveyed agreed that the information provided by advertising has an influence on its purchasing decisions. While 22.8 percent strongly agreed to same. A sizeable 27.9 percent disagree with the statement, indicating the fact that the ability of advertising to influence decision making is linked to its informative characteristic (Figure 14). The more informative an advertising on a given product/service is, the more the strength of its influence on swaying the decision of the consumers either to buy or not thus impacting the economic benefits deprive by the organization behind the product/service.

**5. Celebrities endorsement of products/services has influence my purchase decision.**

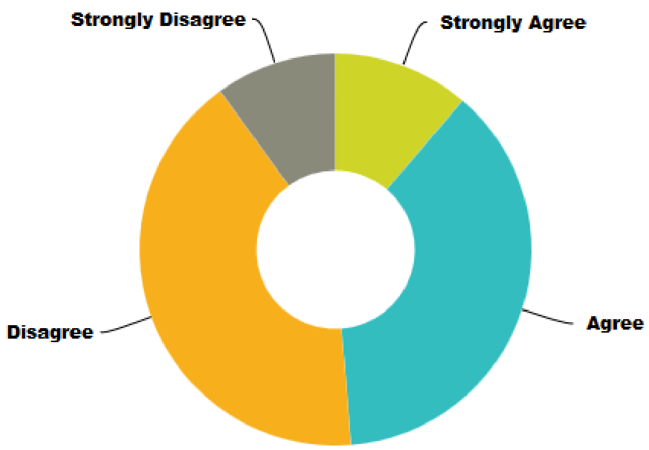


*Figure 15: Graphical illustration of response to survey fifth question*

One of the ways in which advertisers communicates products/services to consumers is to make it appear more prestigious and desirable in the eyes of the consumers' friends and acquaintances[65]. This is achieved through what is known as 'stealth advertising', that is, the use of covert marketing techniques whereby the consumers been targeted does not necessarily associate promoting the product/services with the company[66]. An example of covert technique the use of celebrity endorsement. The surveyed respondents were almost equal in the response to the question on celebrity endorsement. The majority of 41.3 percent disagree, while 37.5 percent agree that they are influenced by cedlebrity endorsement. This result shows the economic limitations of complementary/stealth advertisement (Figure 15).

**6. In my view, the most attention arresting advertising platform is:**

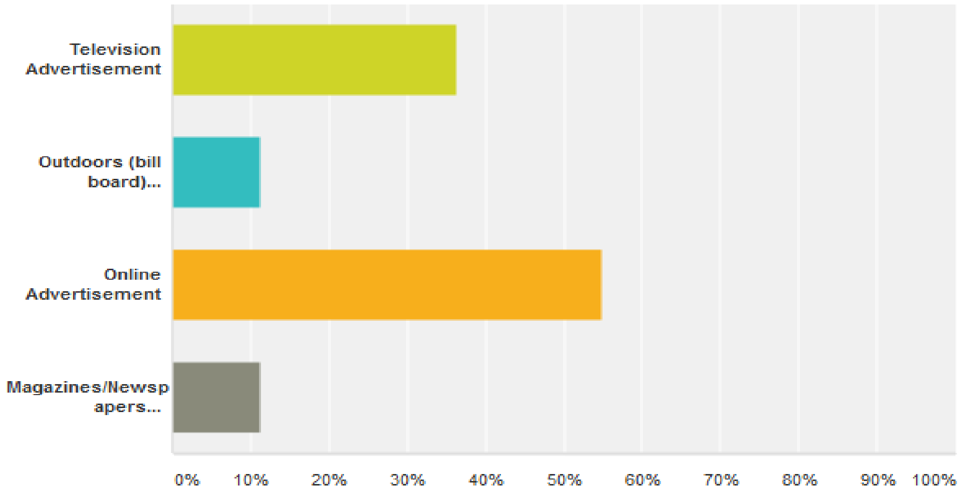


*Figure 16: Graphical illustration of response to survey sixth question*

Section 3.3 above shows that the whole supply side theory of the economics of advertising is based on the ability of the media to attract attention. The higher the rate of attraction to a specific media platform the more the financial returns of generated for the media outlet as well as the producers of the products/services advertised through the media. The result of the surveyed on the sixth questions reveals that online media is the most prolific with 55 percent. The next media is the traditional television medium with 36 percent (Figure 16). The most economic media for adverting therefore is the new media of online advertisement. This result aligns perfectly with the split result of question five above, which shows that stealth/complementary (traditionally through television and films) advertisement was not as economically influential as new media (online advertisement).

**7. How often do you experience unsolicited online advertisement suggesting certain products/services based on your recent purchase or search history?**

One of the many reasons behind the success of new media in attracting and sustaining consumers' attention on products/services communicated through the media as indicated above (Figure 16) is its ability to target consumers (section 3.3.1. and 3.3.2 above). When the question of online advertisements based on consumers' purchase and search history was put to the respondents. An overwhelming 57.5 percent reported that they experience this type of advertisements (Figure 17).

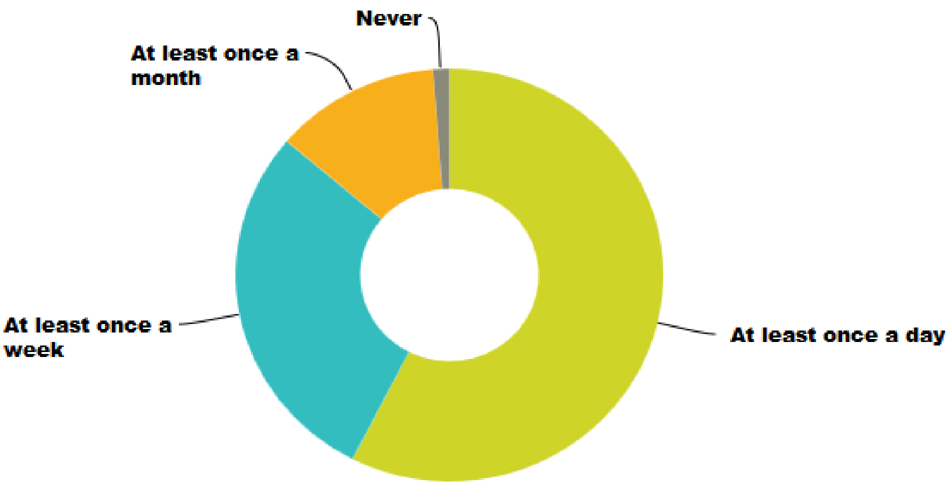


*Figure 17: Graphical illustration of response to survey seventh question*

Another 28.8 indicated that they have experienced this at once a week (Figure 17). Only a small percentage indicated that they experience this form of advertisement only once a month, while a negligible 1.3 percent indicated that they have never experienced it. This results shows that targeted advertisement has the highest reach of all the forms of advertising available currently, because of its ability to present only products/services that interests the consumers to them irrespective of their location. The economic power of this media can only continue to increase as the platform for Internet application spread more into mobile telephony.

**8. Have you ever noticed any product/service been used by an actor in your favorite movie and/or television program? If yes, proceed to next question. If no, please kindly jump to question number 10.**

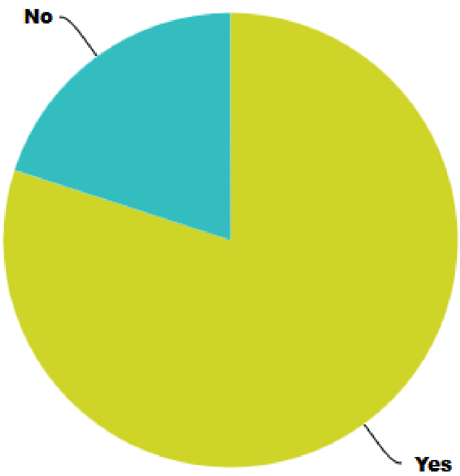


*Figure 18: Graphical illustration of response to survey eighth question*

This survey question explored the concept of stealth advertisement further. The result indicated that 80 percent of the respondents answered in the positive while only 20 percent answered in the negative (Figure 18). This result shows that while celebrity endorsement and similar stealth advertisement is widely known, it does not necessarily have an equal high economic impact. This can be seen in the response to the survey question five above (Figure 15, above), where the influence of celebrity endorsement is established as not been of any significant influence on consumers’ buying behaviour or positive economic relevance.

**9. Please kindly select on which of the media below you noticed the placement of the product/service:**

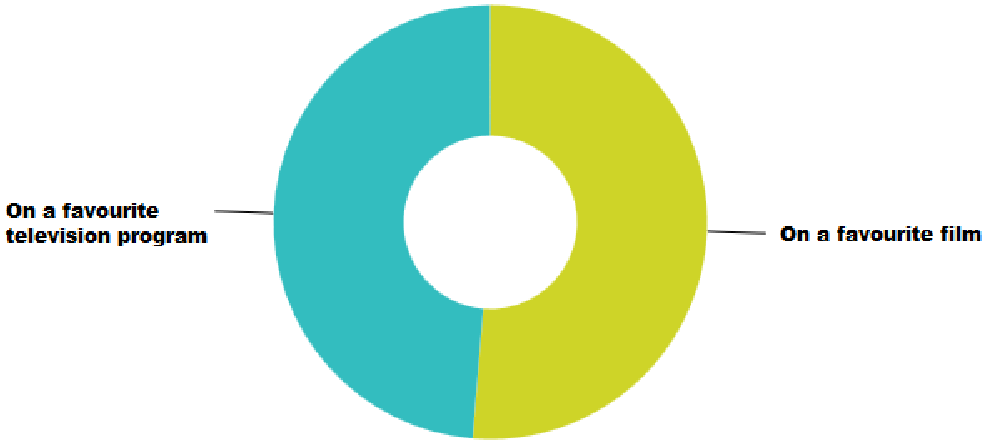


*Figure 19: Graphical illustration of response to survey ninth question*

The respondents were almost evenly split down middle on the most influential platform through which consumers identified products/services placements. The slight majority of 51.3 percent identified products/services placement on favourite films, which is closely followed by 48.7 percent having come across the advertisements on their favourite television program (Figure 19). The implication of this result is that while majority of consumers surveyed on an average first encountered advertisement on daily basis through new media (online advertisement) (Figure 12 above) and over 71.5 percent either agree or strongly agree that online advertisement has an influence on their buying behaviour (Figure 13 above). They however rejected the notion that celebrity endorsement has great influence on their buying behaviour (Figure 15). This indicates that while the media is of economic relevance because it attracts and retains consumers' attention (online media). This advantage can be eliminated by using the wrong type of advertisement for instance celebrity endorsement.

**10. Given a choice where would you prefer to encounter advertisements?**

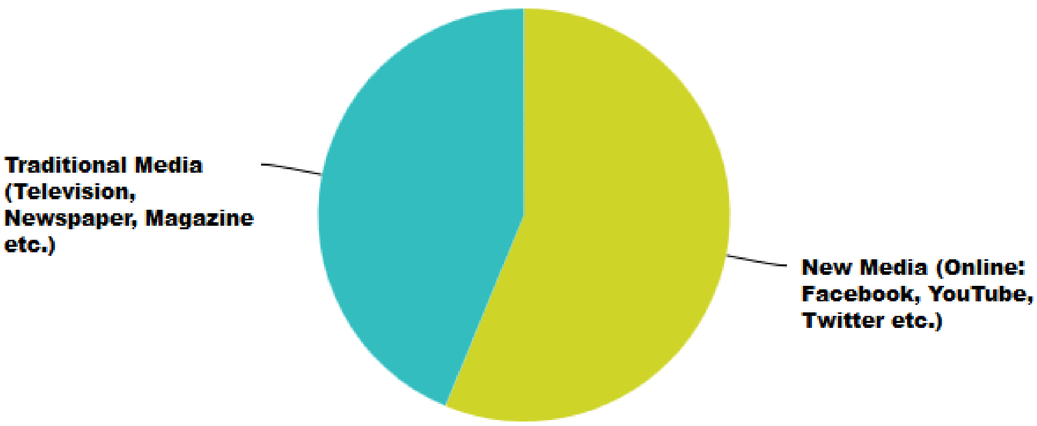


*Figure 20: Graphical illustration of response to survey tenth question*

This question tests the preference of consumers on the choice of medium for advertisement. There was not deviation from the patterns already established above (Figures 12 and 16). The result shows that the majority of respondents prefers the new media (online advertisement), with 56.3 percent of that attesting to this fact (Figure 20). While a close minority of 43.6 percent prefers the traditional media (Figure 20). The significance of this find is that while the influence and economic relevance of new media as the supply side theory is on the increase. The traditional media is still competitive and relevant in the economics of advertising to all the stakeholders.

**4.1 Secondary Research Data Analysis and Findings**

In understanding the economics of advertising, it is essential to establish that economic as a concept is built on three key ideas: (1) people are rational; (2) people respond to economic incentives; and (3) optimal decisions are made at the margin[67]. One of the basic ways of explaining why rational people responds to economic incentives that lead to making optimal decisions is the theory of demand and supply. The researcher therefore used this basic economic theory of demand and supply to investigate and explain the economics of advertising. Firstly, the researcher looked at the motives for advertising, that is, the demand side of the economics of advertising (section 3.2 above). Secondly, the role of new media as the supply side of the economics of advertising (section 3.3 above). The decision to use the economic theory of demand and supply is reinforced by Hubbard et al (2013) argument that, "economic models are simplified versions of reality used to analyze real-world economic situations"[67]. Applying this theory to the economics of advertising reveals the following:

*The motives for advertising: the demand side* reveals three characteristics of advertising that explains its ability to generate demand and thus economic returns for the stakeholders. Firstly, advertising motivates demand because of its *persuasive* characteristics. The ability of advertising to persuade enables it to alter consumers' 'wants' (section 3.2 and subsection 3.2.1 above). This means that organizations, government and individuals can use this persuasive ability of advertising to change or at least influence consumers buying behaviour and thus generate economic returns for themselves. The type of economic returns that the persuasive capability of advertising is used to generate is dependent on the stakeholder involved. For example, while business organizations' economic returns may be in form of revenue generation, for government it may be in social support for government policies, while for individuals it could be for the garnering of votes in the case of politicians.

Secondly, its ability to inform, that is, *informative advertising* which enables consumers to respond to price differentiations and thus increase products/services elasticity of demand (section 3.2 and subsection 3.2.2 above). Consumers are able to identify the differences between competing products/services and better make rational choices based on the incentives provided by the different products/services. The economic incentives is not limited to price, it could include something as basic as durability of a product compare to competition or the coverage of services. These differentiations can result in one product/service being the choice of the majority or the other thus creating enormous economic returns for the organization or individuals involved in its production and advertising.

Finally, the ability of advertising to stimulate demand for products/services through *complementary advertising* (section 3.2 and subsection 3.2.3 above). This involves the advertising of products/services indirectly to the consumers not necessarily based on the qualitative attributes of the products/services, but rather through subtlety. One major form of advertising products/services is through celebrity endorsement of the products/services. This type of advertising generates demands by making the products/services appeal to consumers as something 'classy', 'trendy', or in 'vogue'. This type of advertising is increasingly more effective in today's celebrity following and social media culture. The producers of the products/services benefits economically on the demands generated.
All the three forms of advertising that motivates demands for products/services as explained above can only be achieved if there is a medium for communicating the products/services to the consumers. This brings this analysis to the supply side of the economics of advertising, that is, *the role of new media: the supply side* (section 3.3 above). The media is the principal actor in the supply side of the economics of advertising more importantly so in the era of Internet and social media. The new media's role in economics of advertising was investigated on the basis of the three key functions of: *Attracting attention*, that is, the ability of the media to engage the attention of the consumers long enough to ensure the message

that the producers of products/services want to share with them is shared (section 3.3 and subsection 3.3.1 above).

With majority of the consumers connected to one form of social media or the other, the opportunities to attract and retain their attention is simply limitless. McNeill (2015) collaborated this argument declaring that:

> *"Among users [consumers] of social networks on any digital device, an average of 3.5 hours a day is spent socializing online. Those [consumers]  under 35 spend an average 4.2 hours a day on social networking, 35-49 year olds spend an average 3.1 hours daily, and those [consumers] over 50 spend the least amount of time, 2.8 hours a day"* [68].

There is arguably no other media available currently or in the past that can boast of this level of patronage. It is this ever present stream of consumers on the new media that made attracting attention for new media a forgone conclusion. The producers of products/services are supplied with an endless amount of potential consumers to pass their messages unto at any given time 24 hours a day, 7 days a week and 365 days a year. The consequence of this is the increasing astronomical economic growth of new media leading to the emergence of likes of Facebook, Twitter and YouTube to name but a few.

New media also supply producers of products/services with the most effective *targeting* tool available to the market as of today, that is, the ability to provide access to target consumers (section 3.3.2). The research reveals that new media provides the opportunity for producers of products/services to target specific consumer with their products/services through targeted advertising. This enable organizations/individuals that are unable to competitive in the highly expensive traditional media advertising platform to compete effectively. This is made possible because small organizations are able to direct their limited advertising budget to specific consumers that may be interested in their products/services. This ability to identify the unique group of consumers that may be interested in their products/services is made possible by the new media's ability to identify the 'wants' of consumers through the analysis of their browsing history, purchase history and their life style on social media. As identified by McNeill above, organizations are able to design their products/services to specific consumers also based on their demographic characteristics, their time of browsing, their interest subjects as well as their cultural values. This unique ability to target consumers enable the small organizations to derive the same economic benefits from advertisings as any other competing organization irrespective of their advertising budget.

Finally, new media provides organizations a covert rather than overt means of communicating the messages about their products/service to the consumers through *stealth* advertising (section 3.3.3). This type of advertising is similar to what was explained in complementary advertising above. New media are able to identify the interests and lifestyle of consumers and what their social circle is involved in. These information and many others are used to suggest products/services to consumers without directly advertising the products/services. For example, new media uses browsing and purchase history to ensure that similar products/services are flashed as advertisement bars on any website that the consumer is using. Amazon is reputed to have successfully deployed this type of advertising to generate huge revenue.

The organization do this by suggesting books that are authored by the same author the consumer may have search or bough through their website. Other organizations simply present the consumer a number of products highlighting the fact that other consumers who bought the product/service they just bought are also buying this and that products/services. This type of advertising is also carried out through products/services placement in movies and television programs. This type of advertising enabled the producers to supply consumers the products/services that they want, but were not even aware they do until they were suggested to them through the new media stealth advertising. The end result is increase economic returns for the producers and the media.

**4.2 Conclusion**

This entire research thesis was geared towards the meeting of the research objectives, that is, *investigating the economic characteristics of advertising in the era of new media*. In order to ensure that the research focused solely on achieving this objective. The entire research data collecting process designed to answer the single research objective question of '*what are the economic characteristics of advertising*'. The researcher conducted a methodological research data collection process that involved the application of the honeycomb research methodology. This process deplores the use of sequential collection of research data using both the primary and secondary research data collection techniques.

The researcher used the *triangulation research strategy* to collect qualitative and quantitative data for the research. These data were then analyzed using the '*pragmatic parallel mixed method data analysis*'. The application of the pragmatic parallel mixed method data analysis involves three connected steps: Firstly, the analysis of the primary research data collected through the questionnaire survey, using the *descriptive statistical analysis*. Secondly, the analysis of the secondary research data collected through the reviewing of literatures on the research topic, using *content text analysis*. The third and final step of pragmatic parallel mixed method analysis involves the combination of the findings from the two previous steps, that is, the findings from the descriptive statistics analysis and the content text analysis to draw up the conclusions that answers the research objective questions and meet the research objectives.

The research revealed that advertising is a form of communication paid for by business organizations or individuals with the primary aim of influencing people to think and act is a particular way that is favorable to them based on their messages. This description of advertising reveals the economic aspect of the concept. The economic aspect of advertising that the definition reveals is the economic theory of demand and supply. The business organizations or individuals (advertisers) '*demand'* a means (medium) of communicating (advertising) their message to the audience (consumers). The medium through which this messages from the advertisers is passed to the consumers is the mass media. The mass media '*supply*' the demanded access by the advertisers. This validates the economic theory of demand and supply arguments that wherever there is a demand, there is bound to be supply.

The main drivers of demand in any economic activity is the number of consumers willing and ready to pay certain price for the products/services being offered. For there to be a demand for advertising, there must be a sizeable number of people that can be influenced to consider the products/services being advertised. Using Prague, the Czech Republic as a focal geographical area, the researcher conducted a survey which reveals that 80 percent of the population are exposed to some form of advertising on a daily basis (Figure 11). The 80 percent of Prague residents exposed to advertising on a daily basis represents an approximately 800,000 potential customers for the advertised products/services, which makes sound economic sense for the advertisers seek to influence. Apart from providing the sound arguments for demands for advertising, the research provided three distinct characteristics of advertising that reveals its demand side economics of advertising. The research revealed that advertising is *persuasive*, that is, possesses the ability to alter the consumers' wants thus influencing their buying behavior in favour of the advertisers' products/services. This characteristic of advertising was confirmed by the survey which revealed that a combined total of 71.5 percent of the respondent strongly agreed and agreed that advertising has influenced their buying behavior in the past (Figure 13).

Advertising is also *informative*, which provides the consumers the opportunity to differentiate between products/services on wide range of factors that range from price differentiation, qualitative differentiation to health concern differentiation, thus stimulating demands based on these differentiations. The research also revealed that advertising is *complementary*, that is, as substitute or complementary products/services to other products/services. Complementary advertising also enable the advertisers to market products/services to consumers based on their ability to present as a 'trendy', or 'classy', by employing celebrities to endorse the products/services. However, the survey revealed that this form of generating demands for products/services is a two edged sword, as some consumers are turned off because of celerity endorsement. While a minority of 37.5 percent disagree that celebrities endorsement influenced their buying behavior (Figure 13), an overwhelming majority of 80 percent answered in the affirmative that they have noticed products/services placement (Figure 18). As in revealed in the demand side of the economics of advertising above, the supply is also driven by numbers. While the demand side is driven by numbers of consumers, the supply side is driven by number of business organizations and individuals willing to invest resources in demanding for access to communicate their products/services to the consumers. Although the mass media as whole represents the medium through which advertisers sought consumers attention, in this research the researcher focused on the role of the ‘new media’ in meeting the requirements of advertisers. The research revealed that the new media as the key actor in communicating the advertisers’ messages to the consumers achieved this feat through performing three essential services. Firstly, *attracting attention* for the advertisement that the advertisers are trying to communicate. This is critical because as the survey revealed that while over one million people reside in Prague, only 80 percent (Figure 11) are confirmed as potential consumers that can be persuaded and informed to buy a product for any reason including for complementary purposes. The survey revealed that majority of respondents viewed new media as the most helpful in their understanding (informative) of products/services that eventually influenced (persuasive) their buying decisions (Figure 14). In the same survey, an approximate 55 percent of respondents selected online advertisement as the most attention arresting platform (Figure 16).

Secondly, the new media was also highly effective in *targeting* specific consumers with the products/services that they are more likely to be interested based on their search and purchase history not to mentioned their shared personal information online (Figure 17). This means advertisers are able to target only the consumers that are more likely to be interested in their specific products thus making their marketing more effective and efficient. Thirdly, new media is are able to be more effective in communicating the advertisers’ messages to consumers because of their closeness to the consumers. This closeness enable them to deploy *stealth* advertising using personal information freely shared by the consumers which reveal more about their buying habits without knowing it. Stealth advertising is just another added advantage which new media is able to use to spread advertisers’ messages in more cost effective way more than any other medium currently available making them the number medium supplier. Especially given the fact that 56.3 percent of the surveyed respondent chose new media as their preferred media for accessing advertisement (Figure 20). Finally, this research revealed the prominence of the economics of advertising in the era of new media more than ever before. More interestingly, the research revealed the limitlessness of the opportunities for growth of economics of advertising in a social media dominated world.

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**APPENDICES: SURVEY QUESTIONNAIRE**

**1. Have you encountered any form of advertising today? If yes, proceed to next question. If no, please jump to question number 3.**

- ❖ Yes ( )
- ❖ No ( )

**2. Please kindly select on which of the platforms below did you first encountered advertising today?**

- ❖ Television Advertisement ( )
- ❖ Outdoors (bill board) Advertisement ( )
- ❖ Online Advertisement ( )
- ❖ Magazines/Newspapers Advertisement ( )

**3. Online advertisements has influenced my purchase decision in the past (Persuasion).**

- ❖ Strongly Agree ( )
- ❖ Agree ( )
- ❖ Disagree ( )
- ❖ Strongly disagree ( )

**4. Online advertisement helped in my understanding of the benefits of the product/service advertised and that understanding has an influence on the decision to purchase or not (Informative).**

- ❖ Strongly Agree ( )
- ❖ Agree ( )
- ❖ Disagree ( )
- ❖ Strongly disagree ( )

**5. Celebrities endorsement of products/services has influence my purchase decision (Complementary).**

- ❖ Strongly Agree ( )
- ❖ Agree ( )
- ❖ Disagree ( )
- ❖ Strongly disagree ( )

**6. In my view, the most attention arresting advertising platform is (Attracting attention):**

- ❖ Television Advertisement ( )
- ❖ Outdoors (bill board) Advertisement ( )
- ❖ Online Advertisement ( )
- ❖ Magazines/Newspapers Advertisement ( )

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**7. How often do you experience unsolicited online advertisement suggesting certain products/services based on your recent purchase or search history (Targeting)?**

- ❖ At least once a day ( )
- ❖ At least once a week ( )
- ❖ At least once a month ( )
- ❖ Never ( )

**8. Have you ever noticed any product/service been used by an actor in your favorite movie and/or television program (stealth)? If yes, proceed to next question. If no, please kindly jump to question number 10.**

- ❖ Yes ( )
- ❖ No ( )

**9. Please kindly select on which of the media below you noticed the placement of the product/service:**

- ❖ On a favorite film ( )
- ❖ On a favorite television program ( )

**10. Given a choice where would you prefer to encounter advertisements?**

- ❖ New Media (Online: Facebook, YouTube, Twitter etc.) ( )
- ❖ Traditional Media (Television, Newspaper, Magazine etc.) ( )