

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

Department of economics



Bachelor thesis

Economics of online advertising: A case study

Morozov Nikita

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Department of Economics

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Nikita Morozov

Economics and Management

Thesis title

Economics of online advertising: A case study

Objectives of thesis

To research methods and systems of on line advertisement.

To identify methods to monetize on line market , and make profitable business in that area.

Use key study as an example of on line advertisement company.

Recognize the steps to set up e commerce.

Methodology

Data Collection

Observatis

Methods of empirical data analysis

BS analysis and financial analysis methods

The proposed extent of the thesis

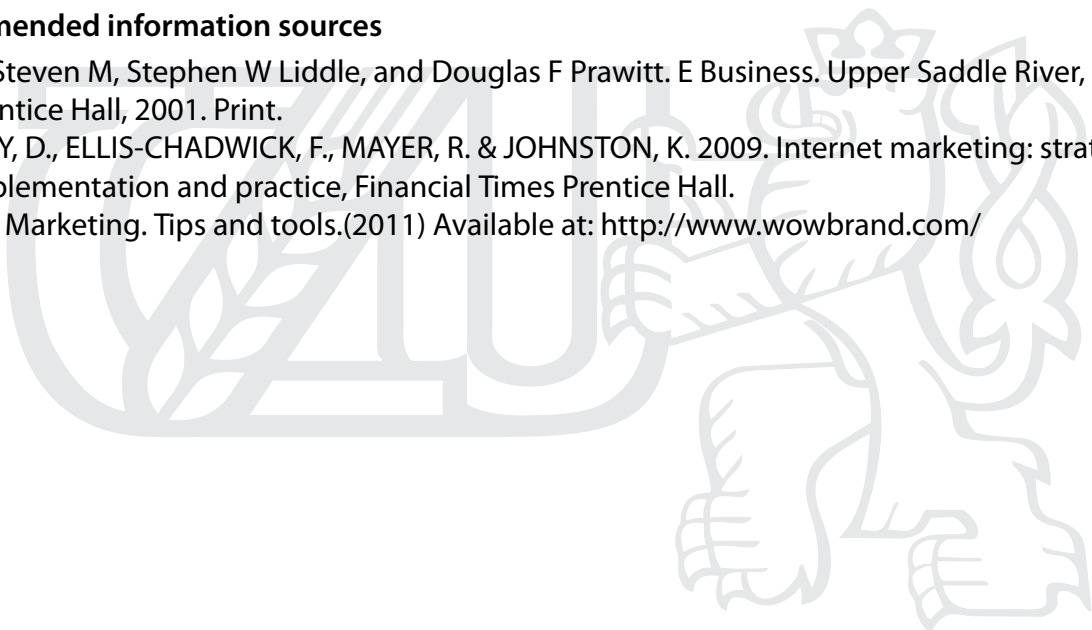
35-40 pages

Recommended information sources

Glover, Steven M, Stephen W Liddle, and Douglas F Prawitt. E Business. Upper Saddle River, N.J.: Prentice Hall, 2001. Print.

CHAFFEY, D., ELLIS-CHADWICK, F., MAYER, R. & JOHNSTON, K. 2009. Internet marketing: strategy, implementation and practice, Financial Times Prentice Hall.

Website Marketing. Tips and tools.(2011) Available at: <http://www.wowbrand.com/>



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The Bachelor Thesis Supervisor

Ing. Petr Procházka, Ph.D., MSc

Electronic approval: 11. 3. 2015

prof. Ing. Miroslav Svatoš, CSc.

Head of department

Electronic approval: 11. 3. 2015

Ing. Martin Pelikán, Ph.D.

Dean

Prague on 16. 03. 2015

Declaration

I declare, that my bachelor thesis "Economics of online advertising: A case study" was completely written by me, with support and under the supervision of my academic adviser. and I have used only the sources mentioned at the end of the thesis.

In Prague

Acknowledgments

I would like to thank all people who supported me, during the time of my studies all my teachers, my family ,friends, ,special thanks to my academic adviser Petr Procházka who significantly helped me and guided through this thesis.

Economics of online advertising: A case study

Ekonomika on-line reklamy: případový výzkum

Abstract

Nowadays internet became an important tool .Growing of online audience has force advertisers ,businesses to change their focus and revise thinking about possibilities of delivering advertisement and marketing messages to consumers.

Changes of web technologies and clients behavior in many cases gives and increases opportunities to target advertising .The main objective of the study is to evaluate possibilities ,advantages and forms of online advertisement. This work includes observation methods of internet advertisement forms of monetizing and practical research.

Key words :On line advertisement ,internet, CPC ,Banners ,E-mail ,PPC ,Data ,E-commerce ,E-marketing

Souhrn

V dnešní době internetu se stal důležitým nástrojem .Růst online publiky má síly inzerenty, podniky ke změně jejich zaměření a upraví přemýšlet o možnostech poskytování reklamní a marketingové sprava pro spotřebitele.

Změny webových technologií a klienti chování v mnoha případech poskytuje a zvyšuje možnosti, jak zacílit reklamu a Hlavním cílem studie je zhodnotit možnosti, výhody a formy on-line reklamy. Tato práce zahrnuje pozorování metody internetové reklamy forem zpeněžit a praktického výzkumu.

Klíčová slova: On line inzerce, internet, CPC, bannery, e-mail, PPC, data, E-commerce, e-marketing

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Chapter 1. Introduction

Nowadays internet become a very important tool .It made the whole new industry of buying online .People are spending more money through world wide web every year .We moving from original mass media sources (TV, radio) to internet, changing our traditional way of live with a course of online sector growth .Through the last decade online commerce made significant step forward ,became a big part and influential aspect of global economics. It made online advertisement undoubtedly effective. The opportunity to connect with the exact costumer u want ,possibility to predict and analyze your potential client base, made it so valuable. Companies are making large investments in e-commerce applications but are hard pressed to evaluate the success of their e-commerce systems. The Internet has dramatically affected the conduct of business. Markets, industries, and businesses are being transformed. In last few years a lot of businesses(tickets , clothing shops etc.) moved to internet area not completely but companies cares a lot about their online auditory. Also e-commerce caused a phenomenon of E- businesses such as Online advertisement companies which provide special range of services for moving marketing massages to consumers. The amount spent on advertising can be adjusted for a variety of factors(type of good, area of interests, market share etc.). In addition, you can determine whether the advertisement appears regionally or nationwide. Chose from huge varieties of preferences(age, gender, income),to specify your target group. That made this topic so important and interesting for me, so i choose this thesis to make research about.

Chapter 2. Goals and methodology

The aim of the work is to investigate online advertisement and research case study off online advertisement agency.

Object of investigation: economy of online advertisement and online advertising agency research.

Subject of investigation: Online advertisement, Methods of monetization, online advertisement tools, case study.

In accordance with target aim, object and subject of investigation, we need to settle the following tasks:

- To look through E-commerce and E-marketing
- To evaluate online marketing tools
- To find out the essence of search engine marketing and its optimization
- To look through Methods of monetizing online advertisement website
- To analyze price range of PPC depending on area of business
- To analyze average PPC cost and its dynamics through the last years
- To analyze reasons for monetizing data
- To analyze people interests and needs, through the online advertisement point of view
- To research a real online advertisement business and investigate it's financial review

For an analytic review of the selected object of study were formed by sources and information basical work that consists of several groups.

Theory and statistical materials, allow to evaluate the importance, and operating process of online advertisement.

The empirical materials made by author used in course of this study, namely the social survey on the topic "Economy of online advertisement: case study"(a survey conducted among the people of age 20-30)

.Case study of Undisclosed LLC used in research ,was made in cooperation with employee of the company(Name of a company can't be revealed because of trade secret)

Chapter 3. Theoretical part

1.1. E-commerce

Definition of E-commerce term is required to get a better comprehension of my thesis.

We can define E-commerce as any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact. (ref. Rosen, Anita. *The E-Commerce Question And Answer Book*. New York, N.Y.: AMACOM, 2000. Print. p. 19).

Weltevreden (ref. Weltevreden 'Mobility Effects Of B2c And C2c E-Commerce In The Netherlands: A Quantitative Assessment'. *Journal of Transport Geography* 17.2 (2009): 83-92. Web. p. 3) remarks that "E-commerce of "Business-to-consumer" (B2C) markets has stimulated the growth of Internet commercial development due to relatively ease of entry and exit and to the structurally inherent economic efficiency of the price discovery mechanism".

Information technology and the Internet have had a dramatic effect on business operations.

Companies are making large investments in e-commerce applications but are hard pressed to evaluate the success of their e-commerce systems. (ref. Lallana, Emmanuel. *An Introduction To Ecommerce*. DAI-AGILE, 2000. Print., p. 24-25).

According to DeLone and McLean (ref. DeLone, McLean. *Information Systems Theory*. New York, NY: Springer, 2012. Print., p. 18-19), The Internet has dramatically affected the conduct of business. Markets, industries, and businesses are being transformed. The new economy demands the exploitation of new models and paradigms. Information technology (IT) now drives businesses and markets. In the new economy, the Internet has become a powerful and ubiquitous communication mechanism to facilitate the developing and processing of customer services. From these statements we can conclude that e-commerce is a basis part of modern online-economy and therefore is crucial for the very existence of online advertisement.

1.2. E-marketing

To create the successful online advertisement campaign it is required to make a research into market's target group and attract viewers.

Amount of change in marketing (specifically) over the past three to five years probably equals the amount of change over the past 30 years.

Such opinion is backed by Laura McLellan, vice-president of Gartner Marketing Research (ref. McLellan, Laura. *Recognize The Importance Of Digital Marketing*. Stamford CT: Gartner Marketing Research Press, 2012. Print., p. 6): “Digital marketing techniques and underlying technologies are having a profound impact in marketing investment priorities, budgets, organizational structure, skills and processes.” It actually means that vast majority of firms worldwide find a great importance in using the modern digital marketing methods, to improve their revenues and profits. And main focus of online marketing research is applying it to the appropriate planning of online advertisement campaigns.

Regarding this topic Chaffey (ref. Chaffey, Dave. *E-Business And E-Commerce Management*. Harlow, England: FT Prentice Hall, 2009. Print., p. 28) states “E-marketing is focused on how a company and its brands use the web and other digital media such as e-mail and mobile media to interact with its audiences in order to meet its marketing goals”. At the same time Chaffey(ref. Chaffey, Dave. *E-Business And E-Commerce Management*. Harlow, England: FT Prentice Hall, 2009. Print., p. 32) also recognizes existence of three main processes of online marketing: “customer acquisition (attracting new visitors to the website), conversion (engaging visitors to act, for example to buy a product or service), and retention (encouraging visitors to continue to use the website).”

During my research I would like to concentrate on acquisition and conversion processes, which will be a direct and clear characteristics of results assessment in reviewing the activity of adjustment the online advertising campaign to a market.

In addition, marketing using digital and online means becomes main way of figuring out the needs for campaigning, thus it is core to the online advertisement process.

1.3. Online marketing tools

Being the very diversified and complicated mean of business promotion, e-marketing must be accurately planned following targets of one’s entrepreneurship, so it does not only include the basic actions like placing websites and commercials through regular advertising means. The whole system of internet advertising consists of many levels of organizational work, such as:

- targeting your group

- creating attractive content of ads
- introducing your product or service ads on different levels
- retargeting customer to succeed in conversion

And the problematic of e-marketing strategy is to combine all these and other additional characteristics using different means of planning , i.e. marketing tools. As Chaffey (ref. Chaffey, Dave. *E-Business And E-Commerce Management*. Harlow, England: FT Prentice Hall, 2009. Print., p. 45) states those are such tools “that form the online channels which e-marketers use to build and develop relationships with customers, including search engine marketing (SEM), search engine optimization (SEO), social engine advertising (SEA) and social media marketing (SMM) including blogs and forums”.

Online marketing tools are used widely and play a key role in e-promotion. I would like to look into main types of higher mentioned measures to find out the unique qualities of each one.

1.3.1. Search engine marketing

Bigger part of users in the world web are looking for needed services and products through basic means of online searching, which leads us to the fact, that right positioning of your offers in search engines becomes a core into achieving success in the e-market. Being widely-spread, but expensive activity online Ads require careful planning and constant adapting to requirements of the customers. Major part of investments in advertising goes to buying Google Ad words, SEO optimization software etc.

In the opinion of Marc Ostrofsky (ref. Ostrofsky, Marc. *Get Rich Click!*. New York: Free Press, 2012. Print., p. 32-33) Search engine marketing and search engine optimization are critically important to online businesses. You can spend every penny you have on a website, but it will all be for nothing if nobody knows your site is there. So the aim of the whole structure of Social Engine Marketing according to Ostrofsky (ref. Ostrofsky, Marc. *Get Rich Click!*. New York: Free Press, 2012. Print., p. 48) is to adapt you business model to use vertical search engines that match your business, service or products with a target market offer you a higher conversion rate than traditional search engines. Because they have already qualified their interest by coming to a search engine with a specific focus, searchers will be more receptive to targeted advertising.

Furthermore he reminds, that relevance is a search engine's holy grail. People want results that are closely connected to their queries. (ref. ref. Ostrofsky, Marc. *Get Rich Click!*. New York: Free Press, 2012. Print., p. 51).

We can further look into the Search Engine Marketing as two main ingredients: Search Engine Optimization (SEO) and Search Engine Advertisement (SEA) which will help us to understand the assembling of profitable strategy model.

1.3.2. Search engine optimization (SEO)

Search engine optimization is “the process of affecting the visibility of a website or a web page in a search engine's unpaid results - often referred to as "natural, "organic," or "earned" results. In general, the earlier (or higher ranked on the search results page), and more frequently a site appears in the search results list, the more visitors it will receive from the search engine's users. SEO may target different kinds of search, including image search, local search, video search, academic search” (ref. . *Google'S Guide To Search Engine Optimization*. 1st ed. Google Corp, 2011. Print. p. 3,).

Basically SEO is a process of adapting your web pages for constantly changing process of search engines referencing algorithms. Though nowadays because of wide amount of available SEO techniques and developing the structure of web-codes, SEO became less important in hierarchy of Search engine use for business, while it still remains as more popular ways of promoting, thus giving a chance for other methods to slowly implement theirs functions in e-marketing sphere. (ref. . *Google'S Guide To Search Engine Optimization*. 1st ed. Google Corp, 2011. Print. p. 4)

1.3.2 .1. Keywords

Good SEO begins with good keyword research. After all, if you don't know the ways people are seeking your content, it's pretty hard to ensure that your content “speaks” to them using the words they search for.

(Infographics, Search, and Search Infographics. 'Infographic: How To Do Keyword Research For Content Creation & SEO'. *Search Engine Land*. N.p., 2012. Web. 24 Jan. 2015.)

The exact definition of keywords is list of tags or core information words, which have a profound impact on the results of your research. Using the “right” words will speed up the research process, while the “wrong” words can bring it to a halt. For creating the right list of keywords the marketer can begin searching for information, he needs to identify keywords related to your topic. Key terminology can be easily be found by scanning research questions, articles found from background research, bibliographies found at the end of books and articles (ref. Chaffey, Dave. *E-Business And E-Commerce Management*. Harlow, England: FT Prentice Hall, 2009. Print., p. 60)

1.3.2. Search Engine Advertisement (SEA)

It is possible to pay a search engine for a placement in certain search results. These advertisements do not appear in natural search results. Instead, they appear in the sponsored results (usually on the right-hand side of search engine’s results page) in response to a corresponding search term. The amount spent on advertising can be adjusted for a variety of factors. In addition, you can determine whether the advertisement appears regionally or nationwide. The fee for these ads is calculated using the number of clicks the advertisement attracts. The higher the advertising budget the better the position the website will get in a given search result. (ref Searchmetrics,. 'Search Engine Advertising Definition - SEO Glossary | Searchmetrics'. N.p., 2015. Web. 19 Feb. 2015.)

The whole part of Search Engine Advertising finds its purpose especially in the cases when a target website is lacking the search result position due to high competition in selected area and search keywords used.

1.3.3. Social media, blogs and forums

Modern activity in the internet became so much different from what we have seen in previous years – users instead of limiting their actions to web search and sending emails, nowadays take part in multiple and very various amount of digital platforms, which are enabling the widest and

very different ways to communicate, create content, socialize, share the information and research into any topic. And the cores of all those platforms are social media.

Social media are defined as platforms for interaction and networking. All the traditional media — print, broadcast, search, and so on — provide platforms for delivery of ads near and around relevant content. Social media are platforms for interaction and relationships, but from the point of view of marketers they are created for planting content and ads. (ref. Eisenberg, Bryan, Jeffrey Eisenberg, and Lisa T Davis. *Waiting For Your Cat To Bark?*. Nashville: Nelson Business, 2006. Print. p. 19)

Beyond all that we may state that ever-growing sector of social media creates huge pool of opportunities for marketers for collecting data about their target groups for better organizing and assembling structure of future online advertising campaigns.

Social Media, Blogs, Forums, Online communities and RSS are referred to as Online PR and are also very popular online marketing tools. These tools help to create awareness of the business . Social Media enable business to share their messages and ads among very high quantity of target users. (ref. Chaffey, Dave. *E-Business And E-Commerce Management*. Harlow, England: FT Prentice Hall, 2009. Print., p. 32)

Bringing the examples of big brands which use Social Media for their brand recognition we can list next companies (ref. Zarrella, Dan. *The Social Media Marketing Book*. Beijing: O'Reilly, 2010. Print., p. 8):

- IBM, which owns more than 100 different blogs, a dozen islands in the virtual world of Second Life, several official Twitter accounts, and a popular forum called developer Works. It publishes a Machinima series (a cartoon video made in Second Life) on YouTube, and several employees upload presentations to the media-sharing site SlideShare.
- Dell has tapped the power of social media with its hugely popular IdeaStorm website, where users add ideas for new product lines and enhancements, vote them up or down, and Comment on submissions. Because of the site, Dell has started to ship computers with Linux Installed, and has added community support.
- Burger King has made headlines time and time again with its innovative viral and social marketing campaigns, most recently with the “Whopper Sacrifice.” The burger Chain

offered Facebook users a free Whopper coupon if they Would “unfriend” 10 of their social network connections.

For a specific definition I would like to refer to world leader of blog-creating platforms – Wordpress, by their corporate comprehension (ref. Codex.wordpress.org., Wordpress Codex'. N.p., 2015. Web. 6 Mar. 2015.) "blog" is an abbreviated version of "weblog," which is a term used to describe websites that maintain an ongoing chronicle of information. A blog features diary-type commentary and links to articles on other websites, usually presented as a list of entries in reverse chronological order. Blogs range from the personal to the political, and can focus on one narrow subject or a whole range of subjects.

Further I would like to concentrate on phenomena of micro blogging which has become the serious and heavyweight player in the world of active Social Media.

It is being defined (ref. Pontin, James. 'From Many Tweets, One Loud Voice On The Internet.'. *The New York Times* 2007: n. pag. Print.) as form of blogging that lets you write brief text updates (usually less than 200 characters) about your life on the go and send them to friends and interested observers via text messaging, instant messaging (IM), email or the web. It is provided by several services including Twitter, Jaiku and more recently Pownce. These tools provide a light-weight, easy form of communication that enables users to broadcast and share information about their activities, opinions and status.

Concluding this point, I would like to state, that marketing opportunities, which were presented with total integration of social media platforms, became a bottomless well for data mining, as well as profiling people. That, in some cases, may grow into ethical violation accidents, especially when profiling platform tends to break the frames of private information and start using the data for its own profit. Those frames are the key elements in sustaining the integrity of whole e-marketing system.

1.4. Banners

By the definition of Kevin Roebuck (ref. Roebuck, Kevin. *Web Analytics*. Dayboro: Emereo Pub., 2012. Print., p. 85) banner is a form of online advertising on the World Wide Web. This form of advertising entails embedding a commercial picture imbedded into a web page. It is intended to attract traffic by linking the website of the advertiser. The advertisement is constructed from an image (GIF, JPEG, PNG), JavaScript program or multimedia object employing the technologies such as Java, Shockwave or Flash, often employing animation , sound or video to maximize presence. Images are usually in high-aspect ratio shape (i.e. either wide and short, or tall and narrow) hence the reference to banners. These images are usually placed on web pages that have interesting content, such as newspaper article or opinion piece. Affiliates use money usually on CPC (cost per click basis). For every unique user click on the ad. Affiliate earns money.

Opinion on effectiveness of banners differ, as some marketers state that banners are not very effective as nowadays users learned to ignore irrelevant pictures on websites, but some marketer proved that their opponents are wrong as there are still a lot of banners on different websites, which means that this tool still can be used to generate website traffic. (ref. Chaffey, Dave. *E-Business And E-Commerce Management*. Harlow, England: FT Prentice Hall, 2009. Print., p. 45).

Banners are already evolving into the widely-integrated direct link ads (especially ones powered by major market players such as Google, Yahoo and Microsoft), remarketing frames and interactive multi-click adjustments. But skilful and right-places classic banner still is able to find its target group, but nowadays developing such piece of advertising is actually more demanding from the creative person responsible for the project. Concluding this point I would like to remark the growing level of ignore to bigger part of banners range.

1.5. Email advertisement

Email marketing is a form of direct digital marketing which uses electronic mail as a means of communicating commercial or fundraising messages to an audience. In its broadest sense, every email sent to a potential or current customer could be considered email marketing. However, the term is usually used to refer to:

- Sending email messages with the purpose of enhancing the relationship of a merchant with its current or previous customers.
- To encourage customer loyalty and repeat business.
- Sending email messages with the purpose of acquiring new customers or convincing current customers to purchase something immediately.

(ref. Roebuck, Kevin. *Web Analytics*. Dayboro: Emereo Pub., 2012. Print., p. 140)

It is important to state that while having obvious advantages:

- Simpleness of use and quick and up-to-date assembling of letters.
- Opportunity to work with wide range of clients and track down the conversion rates
- Wide spectre of affordable software specially created to serve big amounts of final customers
- Potential for vertical integration in many platforms-based applications (Customer relations management systems as the first example).

But, as been stated by Maggie McCormick (ref. McCormick, Maggie. 'Advantages & Disadvantages Of Email Marketing'. *Small Business - Chron.com*. N.p., 2013. Web. 24 Feb. 2015). Nowadays email marketing is being accompanied by following issues:

- "Spam" is unsolicited email. If you want to email your customer base, you need to receive permission from them. Even though you may have this permission, some people still consider any commercial email spam. If you send too many emails - and "too many" varies by person - you can give the customer a negative view of your company.
- Your email may not reach its intended audience. For one thing, certain terms, such as "free" or "money" could trigger the spam filter, where your recipient may never see it. Other times, your email headline may not be enticing enough for the customer to open the email.
- When several customers report your emails as spam, the email provider may report you and your company to your Web host. If the host agrees that you may be spamming people, it could shut down your website.

1.6. Strengths and opportunities analysis

To evaluate and assess the benefits of using the online marketing tools I will present compact analysis of strengths and opportunities attributed to previously mentioned tools.

Attributes of the organization	Helpful to achieving of objective
Internal origin	<p>Strengths:</p> <p>Main strength of online marketing tools, used in assembling the Online Advertising strategy, is up-do-date knowledge of technology and know-how.</p> <p>Distant and group-gathered knowledge of target groups becomes resource for multiple marketing researches.</p> <p>History of success, which is actually makes marketing to a more applicable to any businesses and wide variety of platforms and interfaces.</p>
External origin	<p>Opportunities:</p> <p>Implicating the new concepts, which are often change and evolve into new, more specific types of analysis, brings opportunity to sustain personnel training, integrated in everyday operational work, through same social media tools, considering that there are special platforms dedicated exclusively to educational purposes.</p> <p>Wide range of opportunities to develop new products and to enter new sub- and full-size markets, while using the existing data collected through first series of researches for previous projects.</p> <p>Attracting the funding and money through rising the popularity of own resources (selling the banners spaces on websites, ads frames and including commercial videos in YouTube)</p>

1.7. Website monetization (introduction)

The e-Business, like any business model, describes how a company functions; how it provides a product or service, how it generates revenue, and how it will create and adapt to new markets and technologies. The e-Business concept should be based , on goals such as provide high quality services witch will fit the costumers expectations , make competitive product. Website publishers with site traffic volume large and small can capitalize on consumer web & mobile visitation by allowing relevant advertisers to cross market their audience. " Once you have a site up that is regularly updated and gets a steady amount of traffic ,you should start to thinking about (ref Go, G. (2015). *6 Ways to Earn Money from Your Blog*. [online] About.com Money. Available at: <http://onlinebusiness.about.com/od/monetization/a/monetize-blog.htm> [Accessed 15 Feb. 2015].)

"You can use a website to increase a popularity of your business ,alternatively the website can be your sole tool for generating revenue online .There are so many possibilities in terms of monetizing a website, especially if you have a loyal audience and your content is easy to find on the search engine results page(SERP).You have freedom and some of the website monetization methods can add up to significant amounts .The following overview will acquaint you with some of the easiest to introduce to the most efficient ways of monetizing website." (ref.Gardner, S. and Birley, S. (2012). *Bloggng for dummies, 4th edition*. Hoboken, N.J.: John Wiley & Sons.)

1.7.1. Pay per click

Pay-per-click marketing is a way of using search engine advertising to generate clicks to your website, rather than “earning” those clicks organically. Sponsored ads you often see at the top of Google’s search results page, marked with a yellow label- it's pay-per-click advertising. Google Ad Words – by far the most popular PPC platform – operates on a pay-per-click model, in which users bid on keywords and pay for each click on their advertisements. Every time a search is initiated, Google digs into the pool of bidding Ad Words advertisers and chooses a set of winners to appear in the ad space on its search results page. The “winners” are chosen based on a combination of factors, including the

quality and relevance of their keywords and ad text, as well as the size of their keyword bids. For example, if Word Stream bid on the keyword “PPC software,” our ad might show up in the very top spot on the Google results page.(ref. Wordstream.com, (2015). *Pay-Per-Click Marketing - Learn PPC Marketing Best Practices / Wordstream*. [online] Available at: <http://www.wordstream.com/pay-per-click> [Accessed 17 Feb. 2015].)

Google AdSense is the most popular and widely used option. They serve contextual ads (image or text) based on your content, and pay when someone clicks on the ad. How much you make on AdSense depends on several things. First, advertisers bid on keywords, so if you happen to write about a topic that has high paying keywords, then each click will be worth a lot more than another topic with low valued keywords (keywords that has really low bids). Also, people who came to your site from search engines are more likely to click on these ads than people who are repeat visitors. It makes sense then to spread out your AdSense ads to provide easy access for search visitors.(ref. Go, G. (2015). *6 Ways to Earn Money from Your Blog*. [online] About.com Money. Available at: <http://onlinebusiness.about.com/od/monetization/a/monetize-blog.htm> [Accessed 15 Feb. 2015].)

CPC is expensive and popular way of on-line advertisement - Typically cost per click will cost will cost an advertiser more than cost per thousand ,but for many advertisers ,it is worth the additional expenses ,as a web user to who clicks on advertisement is more likely to become a costumer .Internet search sites such as Google and Yahoo rely heavily on CPM or CPC advertising for much of their revenue.(ref. Paxson, P. (2010). *Mass communications and media studies*. New York: Continuum.)

1.7.1.1. Average PPC cost

Metric	2010	2011	2012	2013
Cost per Click	\$1.24	\$1.04	\$0.84	\$0.92
Click through Rate	0.7%	0.4%	0.5%	0.5%
Average Ad Position	3.7	3.0	2.6	2.1
Conversion Rate	6.8%	5.3%	3.4%	8.8%
Invalid Clicks	6.7%	10.9%	8.0%	8.3%

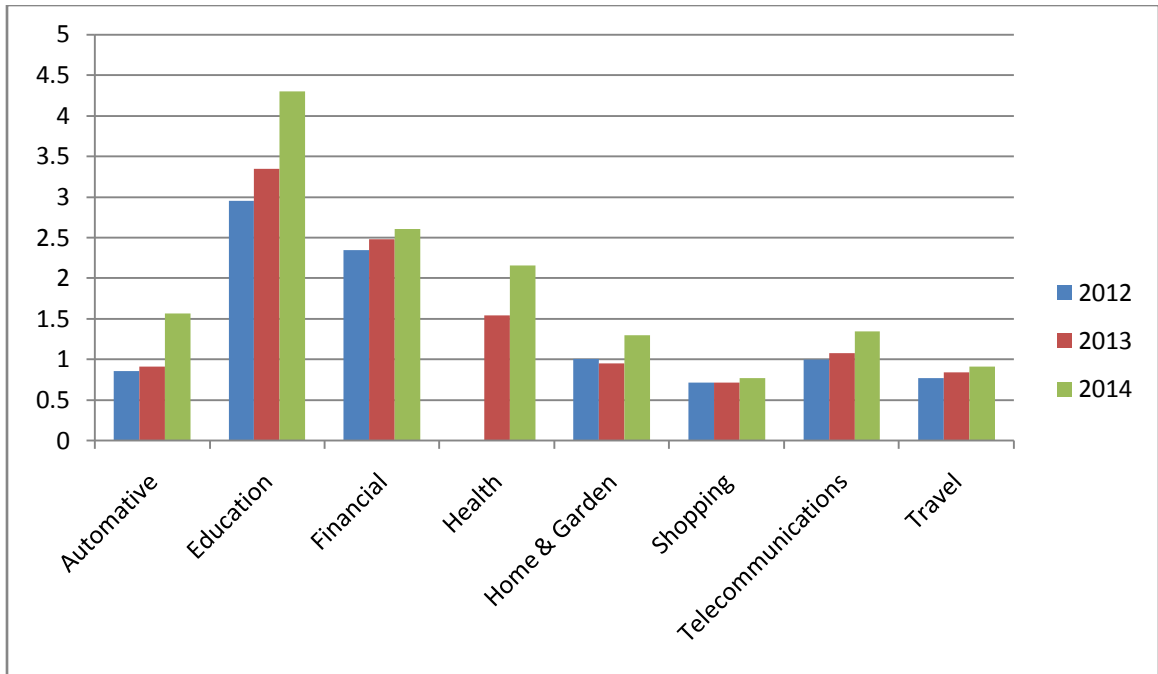
(ref.Rigaud, S. (2013). <https://www.app.pan.pl/article/item/app20120056.html>. APP.)

1.7.1.2. Rise in average cost per click

	2012	2013	2014
Automotive	0.86\$	0.91\$	1.57\$
Education	2.95\$	3.35\$	4.30\$
Financial	2.35\$	2.48\$	2.61\$
Health	1,52\$	1.54\$	2.16\$
Home & Garden	1.01\$	0.95\$	1.30\$
Shopping	0.72\$	0.72\$	0.77\$
Telecommunications	1.00\$	1.08\$	1.35\$
Travel	0.77\$	0.84\$	0.91\$

(ref.Adgooroo.com, (2015). *AdWords Cost Per Click Rises 26% Between 2012 and 2014* | AdGooroo.

[online] Available at: <http://www.adgooroo.com/resources/blog/adwords-cost-per-click-rises-26-between-2012-and-2014/> [Accessed 18 Feb. 2015].)



1.7.2. Cost-per-thousand impressions (CPM)

Cost per impression (CPI) refers to the rate that an advertiser has agreed to pay per 1,000 views of a particular advertisement. A website that serves ads based on CPI doesn't need the user to click on the ad – each appearance of the ad in front of a user counts as one impression. The advertiser agrees to pay the website a certain price for every 1,000 impressions the ad receives.

Cost per impression is also known as cost per thousand, or CPM (the letter "M" is the Roman numeral for 1,000). (ref. Techopedia.com, (2015). *What is Cost Per Impression (CPI)? - Definition from Techopedia.* [online] Available at:

<http://www.techopedia.com/definition/26698/cost-per-impression-cpi> [Accessed 21 Feb. 2015].)

CPM is type of on-line advertisement witch is more efficient for an advertiser because you are paying certain amount of money for number of clicks ,what saves company money and minimize risks.

1.7.3.Data monetization

By definition of Bill Schmarzo (ref. ref. Schmarzo, Bill. Big Data : Understanding How Data Powers Big Business. Somerset, NJ, USA: John Wiley & Sons, 2013, p. 73) the process when organization wants to purchase big data, mainly to improve product or marketing insights is called data monetization. A great example of this initiative could be a smartphone app where data and insights about customer behaviors, product performance, and market trends are sold to marketers and manufacturers. For example, MapMyRun app can package the customer usage insights from their smartphone application with audience and product insights for sale to sports apparel manufacturers, sporting goods retailers, insurance companies and healthcare providers. An example of this could be companies that leverage data sources with advanced analytics to create “intelligent” products, such as:

- Cars that learn your driving patterns and behaviors and use the data to adjust driver controls, seats, mirrors, brake pedals, dashboard displays, and other items to match your driving style.
- Televisions and DVRs that learn what types of shows and movies you like and use the data to search across the different cable channels to find and automatically record similar shows for you.
- An example of it could be companies that leverage actionable insights and recommendations to “up-level” their customer relationships and dramatically rethink their customer’s experience. For instance John Wiley give such example: "small business merchant dashboards from online marketplaces that compare current and in-bound inventory levels with customer buying patterns to make merchandising and pricing recommendations. Or investor dashboards that assess investment goals, current income levels, and current financial portfolios to make specific asset allocation recommendations.”

(ref. Schmarzo, Bill. Big Data : Understanding How Data Powers Big Business.

Somerset, NJ, USA: John Wiley & Sons, 2013. ProQuest ebrary. Web. 01 March 2015.

Copyright © 2013. John Wiley & Sons. All rights reserved.)

1.7.4. Paid membership programs

As stated by Dave Lavinsky (ref. Lavinsky, Dave. 'How To Improve The Success Of A Membership Program'. *Entrepreneur*. N.p., 2013. Web. 7 Feb. 2015), membership or subscription businesses can be extremely valuable. Consider mobile service company for example. It probably has millions of customers paying it every month for service. As a result, monthly revenues are consistent and profits are high. While some businesses such as health clubs are naturally structured as membership programs with customers paying monthly, virtually any business could add a membership component to its model. For example, customers of a hardware store might pay a monthly fee for special discounts, extended store hours or access to training programs. Likewise, a manufacturer could establish a program whereby it ships customers a predetermined amount of new product each month.

Furthermore we can separate the paid membership programs to several most important points of interest, which can direct marketing companies of such services:

- Current member count
- Number of members added
- Number of members dropped
- Member Churn rate
- Average subscription rate
- Lifetime membership value

Chapter 4. Practical part (Case study)

2.1. Research Approach (Qualitative/Quantitative)

Quantitative approach

According to (Saunders, M., Lewis, P. and Thornhill, A. (2009). *to Research method for business students*. 5th ed. Harlow: Pitman Publishing, p.414.) "Quantitative data in a raw form, that is, before these data have been processed and analysed, convey very little meaning to most people. These data, therefore, need to be processed to make them useful, that is, to turn them into information. Quantitative analysis techniques such as graphs, charts and statistics allow us to do this; helping us to explore, present, describe and examine relationships and trends within our data"

Quantitative research gives standardized data, which can be processed and verified relatively fast and easy.

Quantitative research can be used to minimize expenses ,and time to find out information .For example survey.

Quantitative research

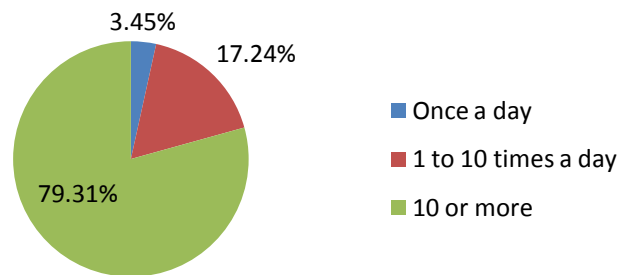
Qualitative data refers to all non-numeric data or data that have not been quantified and can be a product of all research strategies (Section 5.3). It can range from a short list of responses to open-ended questions in an online questionnaire to more complex data such as transcripts of in-depth interviews or entire policy documents. To be useful these data need to be analysed and the meanings understood. Qualitative data analysis procedures assist this, allowing you to develop theory from your data. They include both deductive and inductive approaches and, like the process you use to construct a jigsaw, range from the simple categorisation of responses to processes for identifying relationships between categories.(Saunders, M., Lewis, P. and Thornhill, A. (2009). *to Research method for business students*. 5th ed. Harlow: Pitman Publishing, p.414.)

2.2. Empirical Analysis (Survey)

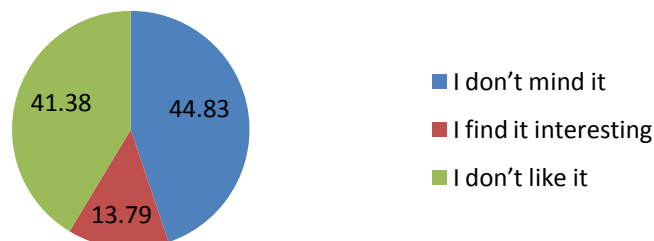
In that part of my research, i did the on line survey to clarify and understand needs, interests and opinion of people around me on on-line advertisement .Around 50 people from different countries (Russia, Czech Republic,England), what gives a wider picture of situation in the market of online advertisement.

Main goals to understand what are costumers needs and expectations which type of advertisement can be used by company to attract advertisers ,and promote company to them at the same time.

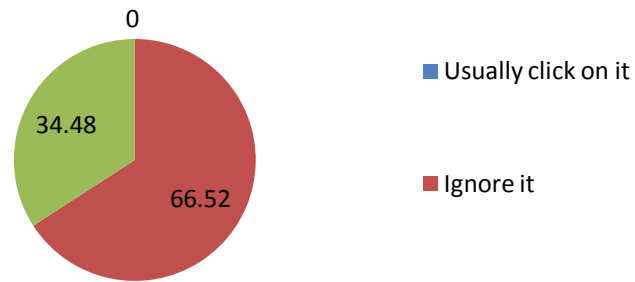
How often do you use internet?



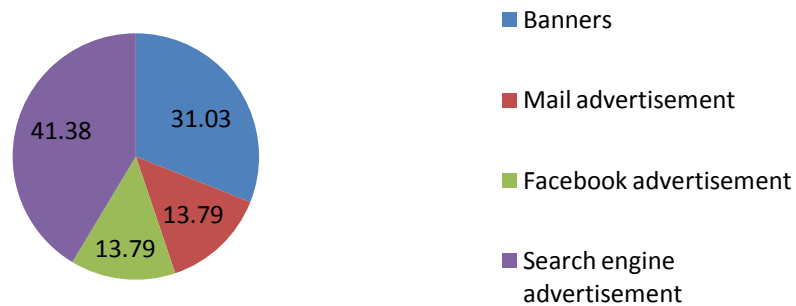
In general how do you feel about on line advertisement?



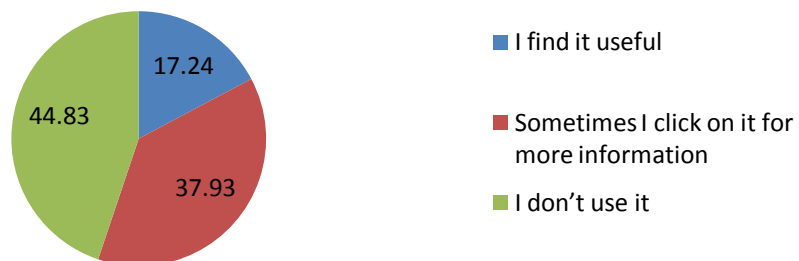
How do you react on online advertisement?



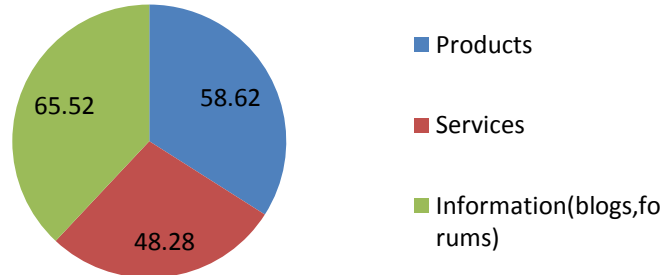
Which type of on line advertisement do you prefer?



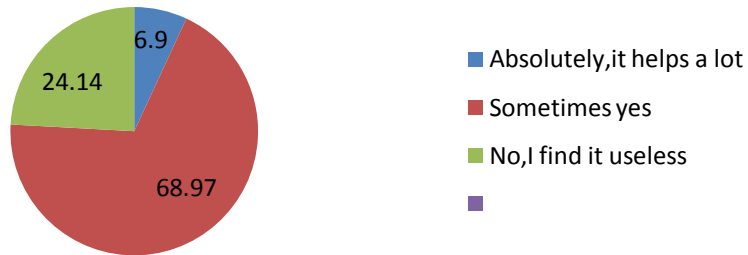
How useful on line advertisement for you?



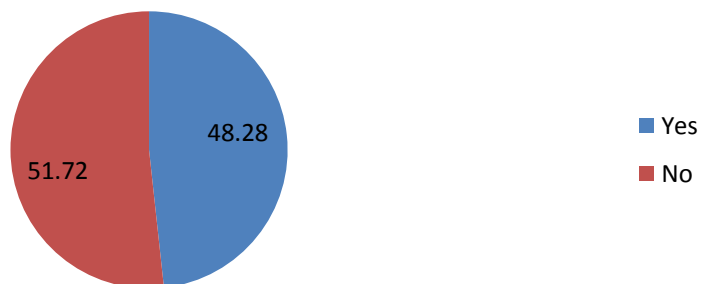
What are you expecting from on line advertisement?



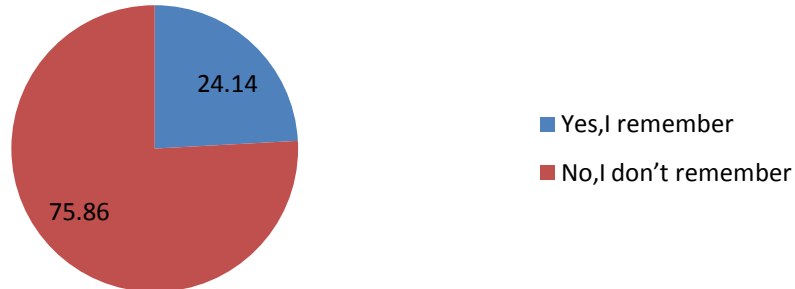
When you click on on line advertisement, do you find data satisfying?



Do you use software to block advertisement?



Do you remember last on line advertisement you clicked?



2.2.1. Survey findings

From the represented survey we can distinguish a set of important data ,which shows a interesting picture and give us answers on key questions. From the answers It is visible which online marketing tools could be used to promote websites and how company will According to the interview results i found out reasonable ways to attract people to use our services and to understand which tools can be used to promote our advertisers businesses.

2.2.2. Survey conclusion

- Most of a respondents are regular users
- Respondents has neutral fillings about on-line advertisement
- Respondents use on-line advertisement in need of specific information(product ,service)
- Data sets users look for in on-line advertisement is close to be equal between the categories
- The most attractive(valuable)types of advertisement for users
 - 1.Search engine advertisement
 - 2.Banners
 - 3.Facebook advertisement/mail advertisement
- People are looking for useful on-line adverts which will give them sought information
- Big group of respondents don't use any software to block adverts

- Advertisement should be noticeable and memorable for user.

2.3. Executive Summary

Undisclosed LLC is a Czech Republic based company that presenting the market with various data-hosting, traffic redirecting and marketing consultation services to companies that are looking to start using modern ways of digital marketing techniques, such as email marketing, banners, Social media marketing, Search engine marketing and web development as the cornerstones of their marketing program. Besides this offers data and web-site hosting through applying the cloud-served hosting platform also it involve itself in buying and directing of traffic to its and external clients-company during first three years of company it was established that e-marketing, especially online ads part has quickly became cost-effective method to reach a target audience. According to Jupiter Communication research, online ad-response rates currently averages between ten to twenty five percent. At the same time cost of selling hosting space and advertising traffic has raised by the thirty five percent. There have been employed effective strategies that assured that the company reached the greatest number of potential customers without attracting major investments.

Undisclosed LLC specializes in three major directions:

- Online advertising and marketing consulting
- Cloud data-hosting
- Brokerage with commercial ads traffic

Undisclosed LLC designs, builds, tests and deploy marketing campaigns. It also report the progress of the campaign in real-time to provide customers maximum flexibility. At the end of the campaign, Undisclosed LLC analyzes its success in order to improve the company's future campaigns.

In the second field of specialization, Undisclosed LLC offers the cloud data hosting on its own platform and servers making it easier for their clients to post their web-based information and to

create a very close relation with clients and provide full-specter of services connected with online related activities.

And in the third but not the least important part of business Undisclosed LLC conducts brokerage of advertising traffic, which means it buys the spaces for ads on available websites, sections for links installment, installs software means to analyze data flows and places its direct clients ads.

Services summary:

- E-mail marketing campaigns
- Placing the targeting Google Ads (on the brokeraged traffic nodes)
- Placing the targeting Facebook Ads (on the brokeraged traffic nodes)
- Fulfilling the complex Search Engine Marketing campaigns
- Selling the Banners (on the brokeraged traffic nodes)

2.4. Finances

2.4.1. First month: budget

a. Expenditures

Initial Costs

- 5 laptops * 15000 kč = 75 000 kč
 - Office lease for one month * 8000 kč = 8 000 kč
 - Office supplies for one month * 5000 kč = 5000 kč
 - Furniture rent for one month:
 - 5 tables * 1500 kč = 7500 kč
 - 5 chairs * 1200 kč = 6000 kč
 - 2 wardrobes * 1800 kč = 3600 kč
 - 5 lunches for 30 days * 500 kč = 15 000 kč
 - Site web-design/application = 30 000 kč
- = **150 100 kč**

Promotion

- Social webs promotion = 12 000 kč/month
- 25 banners on specialized web sites * 1200 kč =30 000 kč/month

- Google AdWords advertisement = 41 000kč/month
- E-mail advertisement = 10 000 kč/month
- 2 search engine marketing campaigns (SEO + SEA) * 14200 kč = 28 400 kč
= **124 000 kč**

Labour Force

- 2 programmers (mon-fri) * 20100 kč (15000 kč + 34%) = 40200 kč/month
- 3 marketers (mon-fri) * 21500 kč (16 044 kč + 34%) = 64500 kč/month
= **104 700 kč/month**

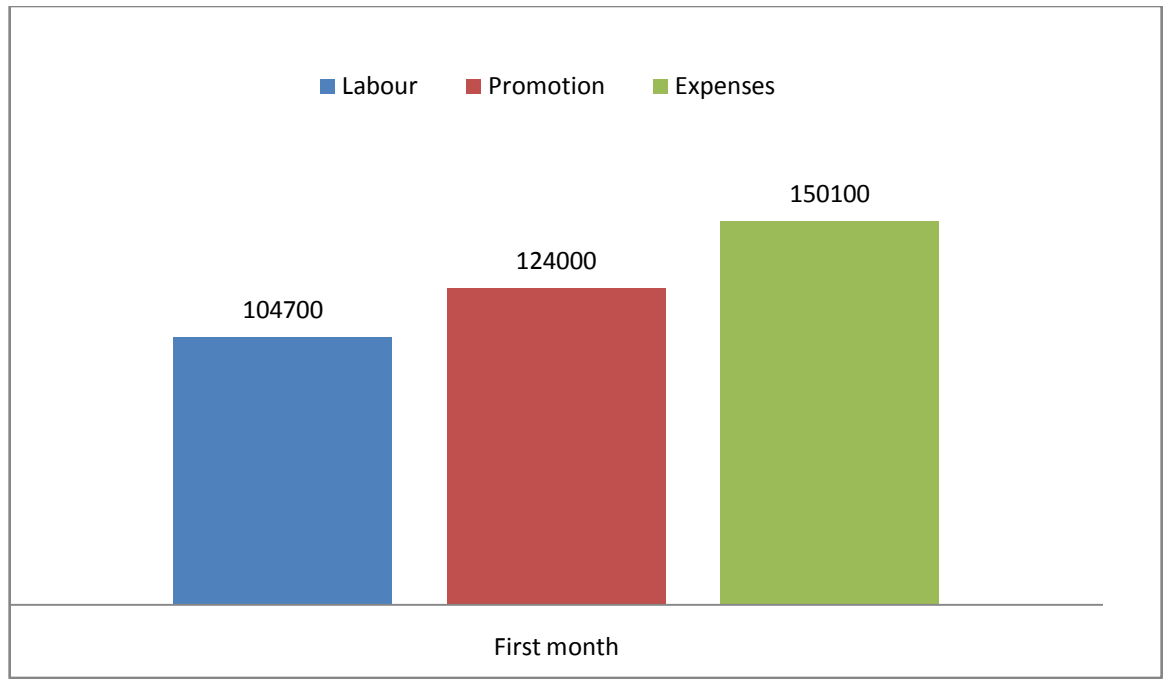
b. Sales

- Number of banners sold = 84
- Average price per 1 banner = 500 kč
- Number of GoogleAds placed = 181
- Average price per 1 GoogleAd = 125 kč
- Number of e-mails sent = 241000
- Average price per 1 e-mail = 0,25 kč
- Number of Facebook Ads places = 172
- Average price per 1 Facebook Ad = 55 kč
- Number of Search Engine Marketing campaigns sold = 32
- Average price per campaign = 9000 kč
- Average sales per month = 84 * 500 kč + 161 * 125 kč + 241000 * 0,25 kč + 172 * 55 kč + 8 * 4200 kč

Total Sales = 422 335 kč

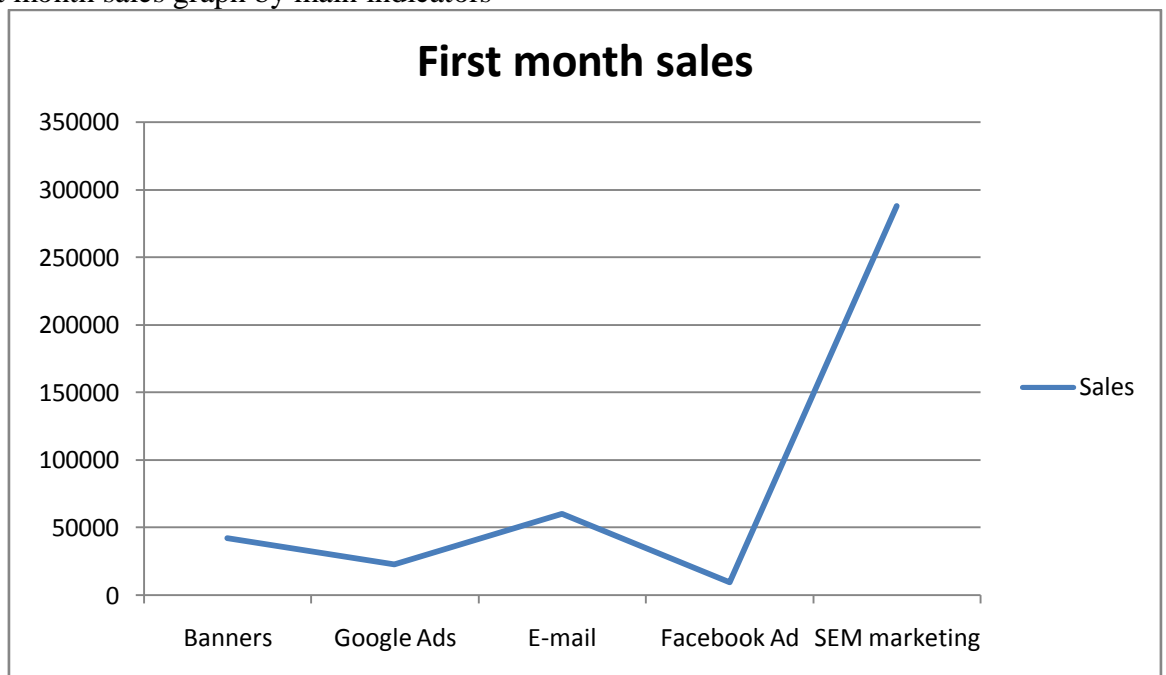
c. Profit = 476 000 kč – 378 000 kč = 44 335 kč

Table 1. First month financial expenditures



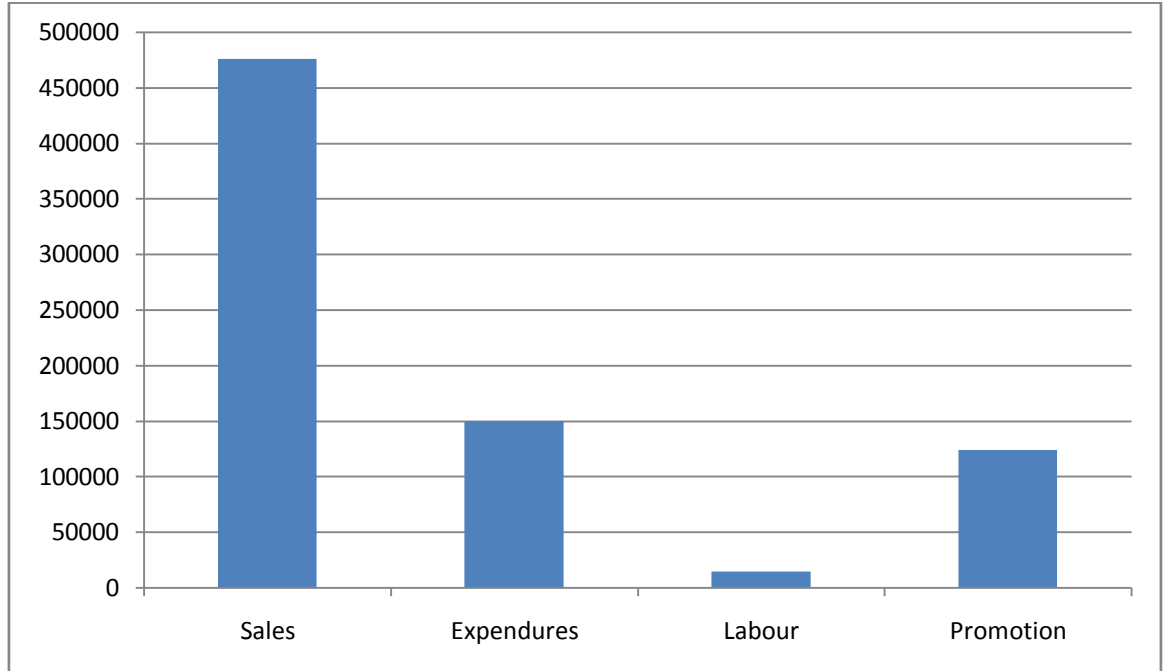
Key figures of the expenditures are high due to a first month of company work, especially expenses which include starting costs

Table 2. First month sales graph by main indicators



Sales graph shows that the most beneficial element of services is SEM marketing, while the least are Google and Facebook Ads

Table 3. First month budget



Because of high success in the fields of SEM marketing Sales indicators overachieve the expenditures and therefore provide us with profit

2.4.2. Second month: budget

a. Expenditures

Expenses

- Service for computer equipment * 18000 Kč = 18 000 Kč
 - Office lease for one month * 8000 Kč = 8 000 Kč
 - Office supplies for one month * 5000 Kč = 5000 Kč
 - Furniture rent for one month:
 - 5 tables * 1500 Kč = 7500 Kč
 - 5 chairs * 1200 Kč = 6000 Kč
 - 2 wardrobes * 1800 Kč = 3600 Kč
 - 5 lunches for 30 days * 500 Kč = 15 000 Kč
 - Site/application maintenance = 18 000 Kč
- = 81 100 Kč**

Promotion

- Social webs promotion = 16 000 Kč/month
- 45 banners on specialized web sites * 1200 Kč = 54 000 Kč/month
- Google AdWords advertisement = 52 000 Kč/month
- E-mail advertisement = 14 600 Kč/month

- 3 search engine marketing campaigns (SEO + SEA) * 14350 Kč = 43 050 Kč
= **179 650 Kč**

Labour Force

- 2 programmers (mon-fri) * 20100 Kč (15000 Kč + 34%) = 40200 Kč/month
- 3 marketers (mon-fri) * 21500 Kč (16 044 Kč + 34%) = 64500 Kč/month
= **104 700 Kč/month**

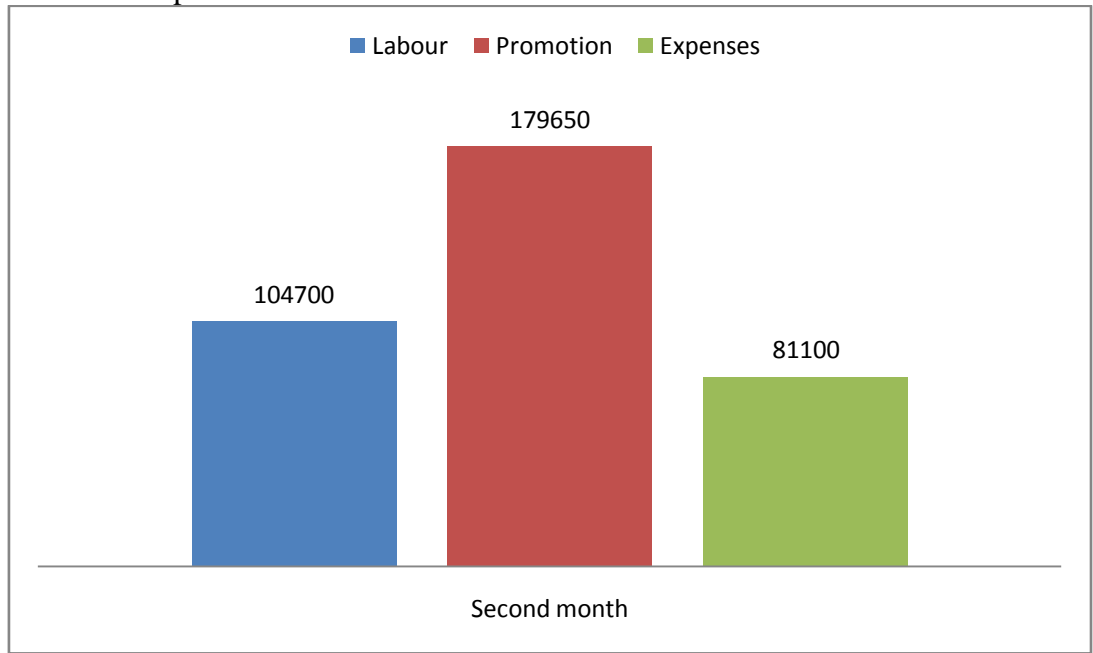
b. Sales

- Number of banners sold = 70
- Average price per 1 banner = 480 Kč
- Number of GoogleAds placed = 120
- Average price per 1 GoogleAd = 135 Kč
- Number of e-mails sent = 198000
- Average price per 1 e-mail = 0,23 Kč
- Number of Facebook Ads places = 142
- Average price per 1 Facebook Ad = 51 Kč
- Number of Search Engine Marketing campaigns sold = 27
- Average price per campaign = 8600 Kč
- Average sales per month = 84 * 500 Kč + 161 * 125 Kč + 241000 * 0,25 Kč + 172 * 55 Kč + 27 * 4200 Kč

Total Sales = 334 782 Kč

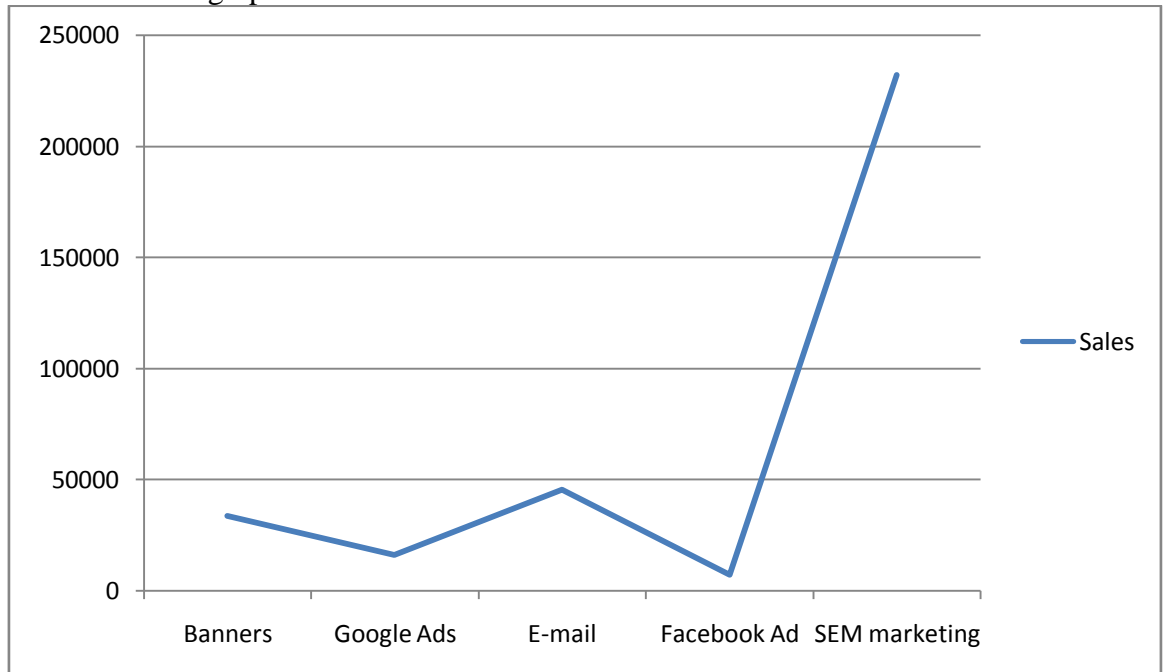
c. Profit = 334 782 Kč – 369 450 Kč = - 34 668 Kč

Table 4. Second month expenditures



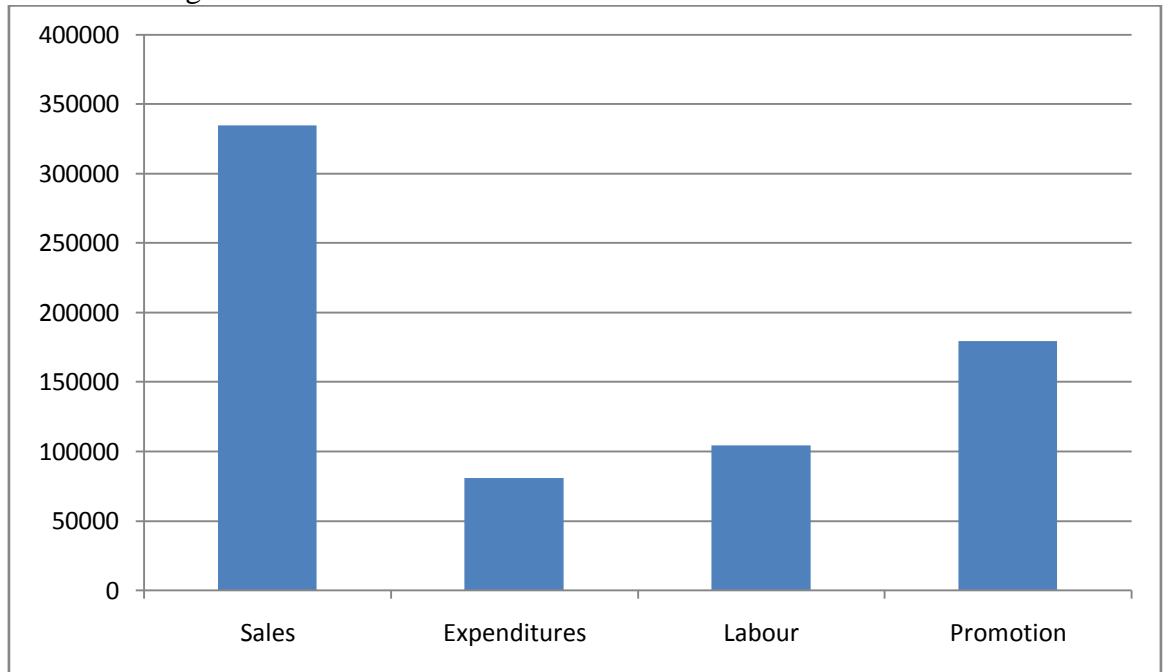
On the second month the main effort in funding was made onto self-promotion, which was specified in addition of one own SEM campaign and raising the numbers of overall ads and emails

Table 5. Second month sales graph.



Besides the obvious stable run of the selling of the SEM campaigns the facebook and google ads elements continue to dissapoint

Table 6. Second month budget



In the second month the funding of own promotion did not bring required results and so it was decided to change the approach to the own marketing promotional means to achieve the profit in next month

2.4.3. Third month: budget

a. Expenditures

Expenses

- Service for computer equipment * 12000 Kč = 12 000 Kč
 - Office lease for one month * 8000 Kč = 8 000 Kč
 - Office supplies for one month * 6000 Kč = 5000 Kč
 - Furniture rent for one month:
 - 5 tables * 1500 Kč = 7500 Kč
 - 5 chairs * 1200 Kč = 6000 Kč
 - 2 wardrobes * 1800 Kč = 3600 Kč
 - 5 lunches for 30 days * 500 Kč = 15 000 Kč
 - Site/application maintenance = 19 400 Kč
 - 1 laptop * 18000 Kč = 18000 Kč
- = **94 500 Kč**

Promotion

- Social webs promotion = 14 000 Kč/month
- 30 banners on specialized web sites * 1300 Kč = 39 000 Kč/month
- Google AdWords advertisement = 52 000 Kč/month
- E-mail advertisement = 12 600 Kč/month
- 2 search engine marketing campaigns (SEO + SEA) * 15250 Kč = 30 500 Kč
= 148 100 Kč

Labour Force

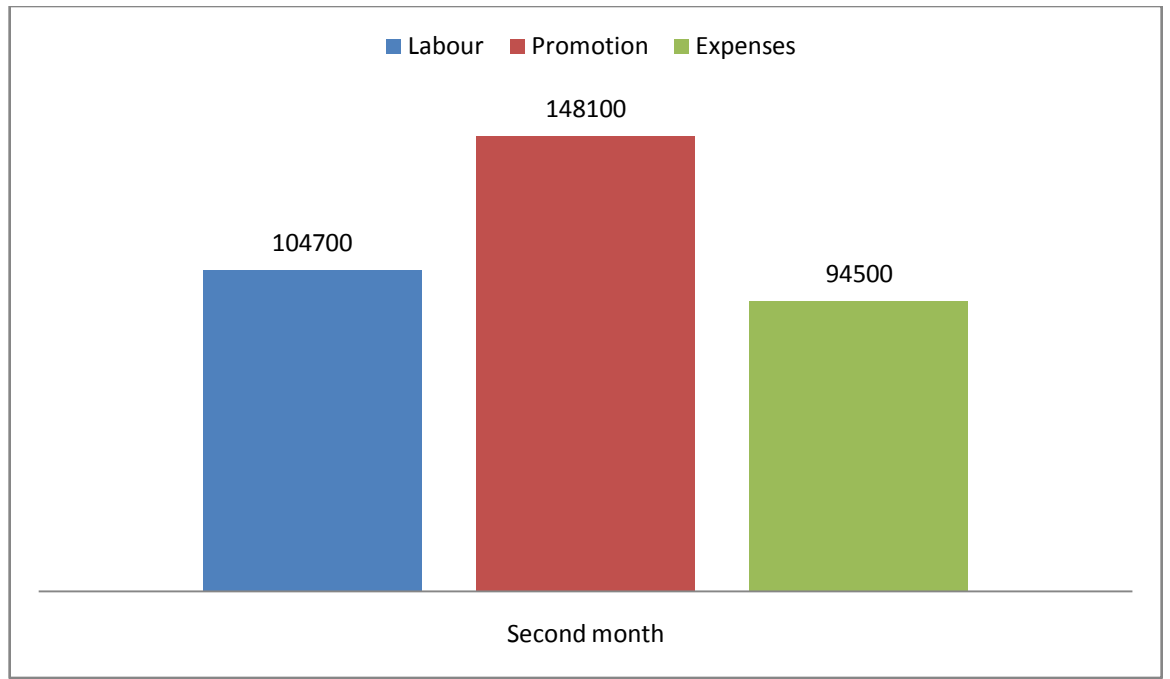
- 2 programmers (mon-fri) * 20100 Kč (15000 Kč + 34%) = 40200 Kč/month
- 3 marketers (mon-fri) * 21500 Kč (16 044 Kč + 34%) = 64500 Kč/month
= 104 700 Kč/month

b. Sales

- Number of banners sold = 65
- Average price per 1 banner = 440 Kč
- Number of GoogleAds placed = 215
- Average price per 1 GoogleAd = 119 Kč
- Number of e-mails sent = 288000
- Average price per 1 e-mail = 0,21 Kč
- Number of Facebook Ads places = 130
- Average price per 1 Facebook Ad = 59 Kč
- Number of Search Engine Marketing campaigns sold = 31
- Average price per campaign = 7800 Kč
- Average sales per month = 65 * 440 Kč + 215 * 119 Kč + 288000 * 0,21 Kč + 130 * 59 Kč + 31 * 7800 Kč
Total Sales = 364 135 Kč

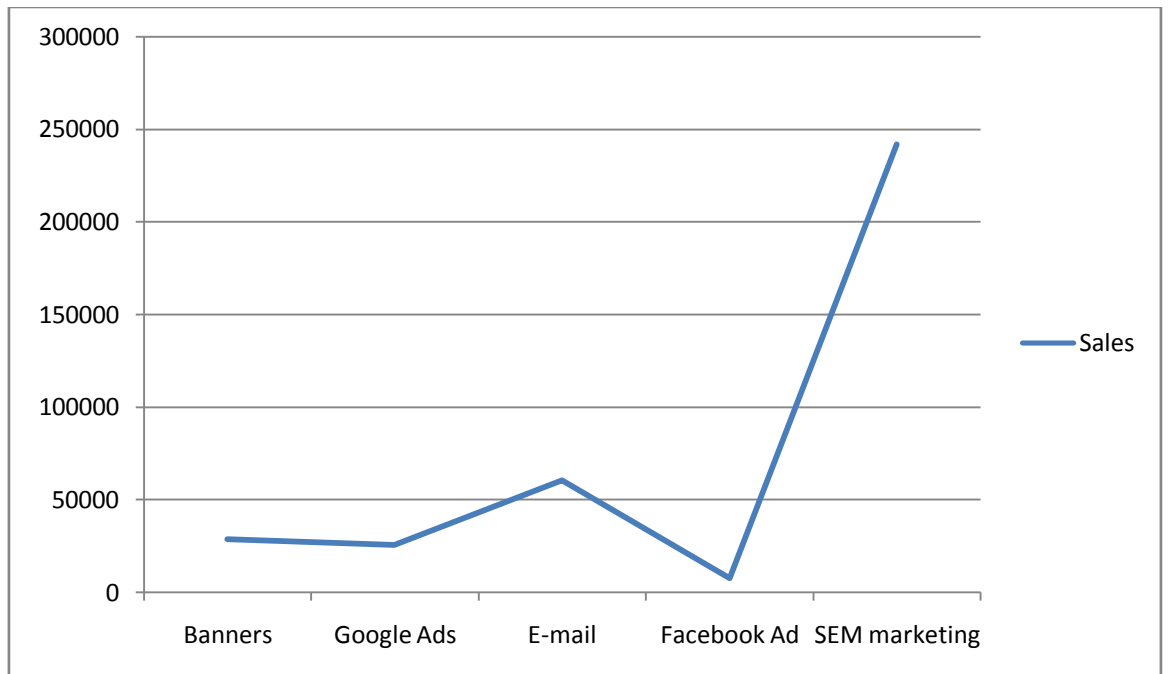
c. Profit = 364 135 Kč – 347300 Kč = 16 835 Kč

Table 7. Third month expenditures



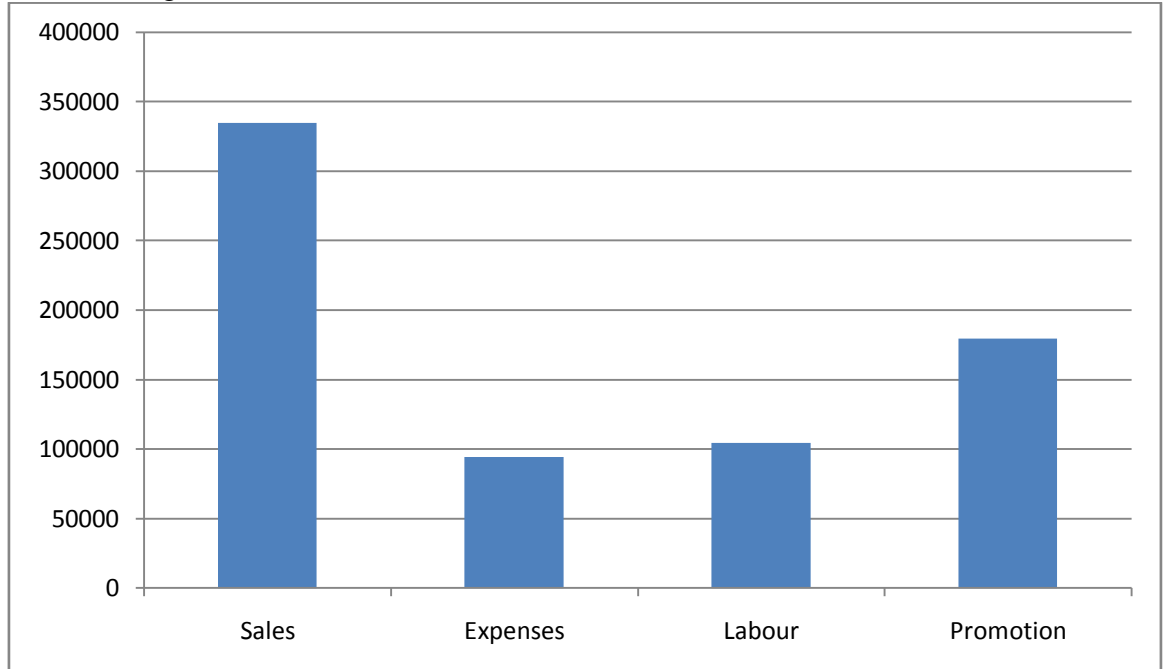
After lowering the promotional funding the levels of expenditure nearly equalized

Table 8. Third month sales graph



Third months finally proven the low effectiveness of concentrating on Facebook and Google ads as a single-standing direction of service

Table 9. Third month budget



Third month turned to be profitable again so that may be an indicator of right way of business development

2.4.4. First financial quarter analysis

a. Stability/changes in promotion+expenses expenditures.

1st,2^d,3^d months : promotion + expenses = 274 100 Kč + 260 750 k + 242 600 Kč= 777450 Kč

b. Stability/changes in labor force expenditures.

1st,2^d,3^d months : 104700 Kč + 104700 Kč + 104700 Kč= 314100 Kč

c. Stability/changes of sales

1st,2^d,3^d months : 422 335 Kč + 334 782 Kč + 364135 Kč= 1121252 Kč

d. Stability/changes in profit

1st,2^d,3^d months: 44335 Kč - 34668 Kč + 16835 Kč= 26502 Kč

Total Profit = 26502 Kč

-VAT(19%)= 21 446 Kč

Table 10. The comparing graph of basic financial indicators

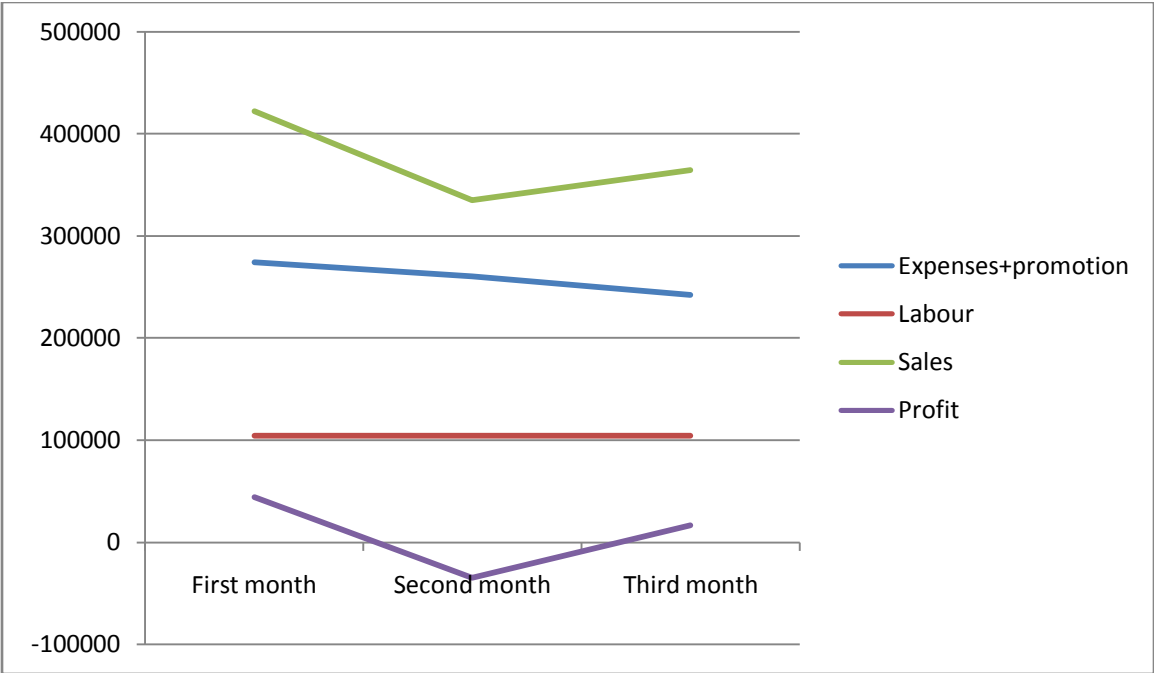
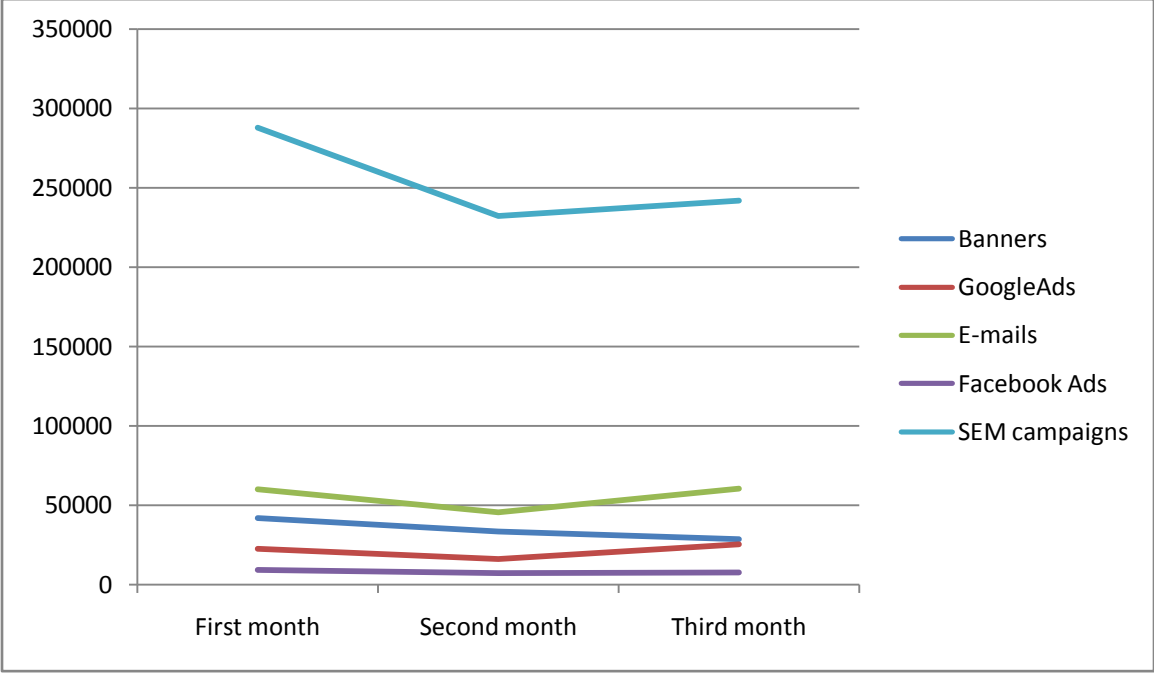


Table 11. Comparing graph of mentioned Sales directions



After commencing a full-scale research on all activities regarding financial acts in the Undisclosed LLC, we can come to several main conclusions which will be later used to form basic proposals for future development:

- The amount of funds spent on own promotion does not change the basic amount of customer service performed.
- SEM campaigns are the most beneficial services provided
- Facebook ads and Google Ads does not bring any serious changes in money flow

2.5. Proposal of future improvements

Being an internet-service based company the Undisclosed LLC was trying to get into the exact working order of the main services that it sought to provide. During the installment period of first three months it has concentrated on gathering the customer base, fulfilling their orders and continuing promoting itself through the same means offered to its clients. Despite the unstable, challengeable and highly competitive environment Undisclosed LLC was able to deduct the most important parts of its work, which must be further developed and concerned as main in future business strategy planning. From here on I will explain each topic by one and will start proposing the further development of each side of Undisclosed LLC functional basis.

- 1) Sales of banners – banners seem to be stable and profitable segment of provided services, as demand for it does not gets lower more than on 25%, which ensures us to continue to work into the field of promoting own achievements and offers of assistance in such field
- 2) Sales of Google and Facebook Ads – being the minor part of the of the company income it has been decided that furthermore it won't be necessary to include these two elements into their own sections of services provided, as it would be more useful to add them to overall offer of Search Engine Marketing campaign planning, so there will be quality rise in that component.
- 3) Complex Search Engine Marketing campaigns became crucial in achievement profits every month, so it should be chosen as priority service and should be even considered the extending of staff so there will be more active employees who will be involved in the day-to-day operational work on Search Engine Marketing campaigning, and promotion of service
- 4) Judging from the fact that increase in promotional funding in second month of work did not improve any indicators in the sales elements, it has been decided to change the approach to own promotional methods – changing from the quantity approach for placing the ads in the such advertising aggregators as Google and Facebook, to more complex analyzing the needs of Search Engine Marketing strategy, improving E-mail digital marketing schemes to attract more customers from the target groups
- 5) Concluding the proposals section I would like also to remark the importance of schooling and improving the knowledge base of company and its employees, so in the next months should be arranged professional trainings and raising of qualification levels of mentioned employees.

Further in my work I will make conclusions based on my theoretical study, case study, empirical research and overall feeling of the completion of my goals.

Chapter 5. Conclusion

Nowadays Online marketing and advertising in special became a mandatory way of working for marketing specialists all over the world. It is a huge sphere that creates the sub divisions to apply its knowledge and ability base throughout the wide specter of businesses, all of main corporations and companies, who are eager to follow the useful trend, are tend to put their employees through the education into those spheres. I have completed the research of the very means of the E-marketing, being its tools. Looking into those terms I have notified and remarked for myself the difference of operational approaches each one requires to get to the customer base and proceed to converse of leads to final customers. Also I was able to evaluate the facts, that even in very short economical lengths of time Marketing tools seem to develop constantly and through the overall IT sector change the interfaces and features of each of those tools manage to evolve drastically.

While taking the survey through my friends, colleagues and people, who agreed to take part in it, I was able to come to a serious understanding that nearly everyone is meeting online advertisement in their day-to-day interactions with the web, and not just meeting them, people do use them as a mean to reach desired products and services. Besides the fact that some people block ads, and common feeling, that there is a growing annoyance over the huge amounts of commercials, that sometimes may intrude into our private life and even abuse our personal data to mine our commodity demands and profile us for future researches, most of the companies are trying to keep with the clear images and not to get in any personal data scandals due to protection of their good names after the whole line of such mentioned accidents.

While overseeing the data, collected through the recording of Undisclosed LLC financial information and their main functions, it became clear to me that market such as Online advertising is a rich and full of customers ready to use your services to achieve their economical demands, so far the vertical integration of Online marketing seems to me as the perfect way to develop aspects of promotion of each company, because of the fact that internet and ecommerce ceased to be an option today, it is a mandatory to everyone trying to succeed. And online marketing tools are being a kind of roentgen machine that looks inside the whole ecommerce market and gathers such data, that with right applying can be vital to not only build up your long-term strategy, not only attach your business to customer, not only return that customer for a secondary lead conversion but also to give you a real and clear view of contemporary phenomena of transferring the economy to the IT sector.

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