

How important is advertising to media companies?
Illustrate your answer with examples?

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This essay focuses on an explanation of the importance of advertising to media companies together with illustrated examples. Also, it will provide an overview of media firm, advertising and types of advertising.

First of all, Philip Kotler and American Marketing Association have argued that advertising is a paid form of non personal presentation of ideas, goods, and services by an identified sponsor. However, Anthony Curtis (2013) suggests that advertising is mass media content intended to persuade audiences of readers, viewers or listeners to take action on products, services and ideas. In fact, there are several ways to define advertising, but it can be explained that advertising is the paid, impersonal, one or two-way marketing of persuasive information from an identified sponsor spread through channels of mass communication to promote the selection of goods, services or ideas.

Moreover, advertising activities are divided into two categories: above the line advertising (ATL) and below the line advertising (BTL). ATL refers mostly to mass media advertising, which is conducted in newspapers, on television, on radio, and on the internet, for example, classified advertising, display advertising, advertorials and internet advertising. Classified advertising which is published by categories such as recruitment, housing, second-hand goods, personal advertisement is limited in size and content in newspapers and yellow pages. While display advertising which is large advertisements frequently illustrated with graphics is key source of advertising income for newspapers, magazines, and other media, advertorials is advertisements with the appearance of an editorial piece such as news or feature stories. And internet advertising is display, search and classified advertisement. BTL is advertising that delivers a tactile incentive to purchase a product, for example, price promotions or discounting, coupons, gift-with-purchase, competitions and prizes, monetary refunds, loyalty incentives, and point-of-sale displays (Andrew Gaerig, 2010).

Otherwise, media companies who produce, package, and distribute media content can be small or large sized organisations and be owned by individuals or multinational corporations that sell their shares on the stock market. These companies are not all commercial organisations and some are state-owned broadcasters relying on public funding or revenue gained from other sources (Alan B. Alabarran, 2010, p.3). Additionally, Picard (1989: 17-19) indicated that media firm's commodities include: (a) media content product such as broadcast output, programmes or newspaper copy, magazine articles, which is consumed by listeners, viewers, readers, is what could generally be called audiences; and (b) audiences

such as listeners, viewers, readers, access to which can be priced and sold to advertisers. Actually, these media commodities have created tangible and intangible values for the media companies.

Especially, when examining the relationship between advertising and media firms, advertising plays the different important roles in their survival. Advertising both is a main income source of media firms, and creates their vital roles in the development of economy, politics, culture and society of a country.

As Doyle (2013, p. 13) asserted that audiences are the main currency for media companies, because these provide advertising revenue, which is a primary source of income for commercial television and radio broadcasters, online media service providers, and newspapers and magazine publishers. While attracting a certain amount of audiences to their media content products, media firms can sell their media space or air time to advertisers and advertising agencies to get money for their profit survival. For example, in an annual financial report of The Tuoi Tre (Youth) local printing newspaper (2009, p.7) found that 12,169 advertising space pages were sold for US\$ 21,350,000, accounted for 48.21% of total revenue while 123,000,000 copies were sold for US\$ 13,450,000, accounted for 36,58% of total revenue. In Vietnam, The Tuoi Tre is the largest newspaper publisher who has three key business activities such as advertising, sales of copy and client database. Nevertheless, advertising is considered as the most important business sector of The Tuoi Tre because advertising has created the highest profit.

Another aspect, advertising helps media firms increase more revenue indirectly from other media products by gradually building up and then reinforcing the positive perceptions of media commodities, in a sense, the 'goodwill' that is needed to ensure habitual purchasing of them (Prentice Hall, 2009). However media commodities are cultural products, they are like other consuming goods and need advertising to convey communication messages to audiences and advertisers. For example, several scholars have suggested that when selling movie tickets, or subscription to cable television or newspaper or magazine, media firms must be running advertising campaigns through both traditional and online media outlets to grasp audiences' attentions. Another instance, the Vietnam Idol program, which is broadcasted on the VTV 3 channel of the Vietnam Multimedia Corporation, has been advertised on different media channels such as the internet, TV, printing newspaper and outdoor posters to attract public to participate in the program.

Besides generating money for media firms, advertising creates media firms' significant influence on the performance of the national economy by contributing to gross domestic product (GDP) growth and

stimulating goods consumption. Particularly, when advertising expenditure is calculated as a percentage of GDP, the pattern that emerges indicates that as the national economy has grown over time in real terms, advertising has not just developed in parallel, it has grown more rapidly (Doyle, 2013, p.150-151). He pointed out that the amount of advertising activities in an economy itself, and advertising has generally tended to account for a progressively more significant proportion of GDP as time goes on. In the UK, for instance, whereas advertising represented 1.14 per cent of GDP in 1960, the equivalent figure in 2008 was 1.20 per cent (Advertising Association, 2009: 5). Another instance, in a study undertaken by the Advertising Association and Deloitte (2013) suggested that for every £1 spent on advertising in the UK, £6 is generated for the wider economy. Based on these predictions, the estimated £16 billion was spent on advertising campaigns in 2011 added over £100 billion to the UK's GDP. A further instance in the US that in 1925, media companies contributed to 2.9 per cent of GDP from their major advertising expenditure of newspapers, magazines, signs on streetcars, and outdoor posters while in 1998, they slightly lower contributed to about 2.4 per cent of GDP from their main advertising spending on television and radio. However, spending on advertising was estimated at more than \$300 billion in the US and \$500 billion worldwide in 2010 (Douglas A. Galbi, 2008).

Furthermore, media firms' advertising activities support producers and traders in increasing consumption of their products or services through "branding", which involves a product name or image with certain qualities in the minds of consumers. This leads to economic growth and wealth. Levi's for example is a mark of clothing that became famous all over the world thanks to media advertisements. Similarly, a series of Apple iphones have been creating high demands of smart-phone for global consumers through notable advertising campaigns with strong support from international media firms (TBWA, 2012). The evidence suggests that media advertising has been contributing to the economic development of not only a nation but also the world.

In other words, many media firms have been established to maintain stability and growth of politics, culture and society especially in terms of a command media economy like Vietnam, Russia, China and North Korea where the governments regulate all aspects of economic activity and control the media very tightly.

As Bagdikian (2000, p.150) argued that mass advertising is not only a means of introducing and distributing consumer goods, but also creates the political influence of a small number of media corporations. These media firms are often controlled or encouraged by the state to run political

advertising. This political advertising is the use of an advertising campaign through newspapers, radio commercials, television commercials, etc. to influence the decisions made by groups. Especially, the political advertising campaigns support the presidential elections or image enhancement of the party and heads of a nation. For example, the Vietnamese communist administration has continually maintained a personality cult around the former president Ho Chi Minh (Uncle Ho) since the 1950s in the North, and it was later extended to the South after the reunification, which it sees as a crucial part of political advertising campaigns surrounding Uncle Ho and the Party's past. Uncle Ho is frequently glorified in schools by pupils and a bank of his personal brand stories have been also created and converted into many media formats such as books, movies, audio and photo stories by many state-owned media companies to reach the Vietnam public through their radio, TV, Internet and newspaper. If any commentators or media companies are critical of Uncle Ho or identify his flaws, they will be banned or arrested or fined for "opposing the people's revolution" in Vietnam. Uncle Ho is even glorified to a religious status as an "immortal saint" by the Vietnamese Communist Party, and some people "worship the President" (Marsh, 2012).

In contrast to Vietnam, the election case which occurred in America that Barack Obama was elected the first African American president in US history. However, the campaign itself was not extraordinary. Both parties spent much on political advertising campaigns. With his strong capability to use Facebook, and Twitter to get instantaneous feedback from American constituents and public in a very real and familiar way, Obama surpassed the other presidential candidate to win the election. After the election, he continued to use both social media and governmental media outlets to advertise his stories directly with the public to enhance his reputation and party (Dan Tri media, 2012).

Another instance, with a purpose of recruitment and marketing for the US military, the US government instruct their media firms to use advertising and product placement in the media products such as movies to create the chance for military advertising. This is a good opportunity to tell the American and global citizens about the US military's strong capabilities and to reinforce good governmental images. Evidently, the Top Gun film comprised considerable involvement of the Pentagon and others to supply an awe-inspiring movie, showing the many fascinating aspects of fighter pilots, high-tech weapons and what it would supposedly be like to be part of the US Navy (Philip Strub, 1997). Clearly, the above examples illustrate that the state-controlled media companies have used political advertising to serve governmental purposes rather than generate any revenue.

In addition to their advertising impact on politics, media firms play a significant role in educating people on a variety of social issues, which their public service advertising deals with like HIV/AIDS disease, child labour, liquor consumption, girl child killing, smoking, family planning education (Management Study Guide, 2013). This advertising is used to convey socially relevant messages about important matters and governmental regulations to prevent violators from hiring child labour illegally or sex-selective abortion and so on. For example, Jun Hong Chu (2001) contended that sex-selective abortion is still the key issue in China because of the persistence of a preference for sons in Chinese families. In 2005, the state started an action plan including ten policies to normalize the sex ratio of newborns by 2010. Under this plan, the government used public service advertising broadcasted on radio, Xinhua, CCTV, and the People's Daily to educate the Chinese citizens that sex-selective abortion was outlawed, as was prenatal sex diagnosis, and harsher punishments were implemented for violating both (Nie, Jing-Bao, 2010). In such country with the notably imbalanced sex-ratio and the largest number of population in the World, China established media companies to effectively solve social problems, particularly sex-selective abortion through public service advertising.

Apart from the impact of media firms on the society, Dan Braha has suggested that many governments often use state-controlled media firms to shape public perceptions of their traditional cultures to all citizens by selecting and portraying a particular set of beliefs, values, and traditions to interpret national culture identities. For example, several observers have debated that the globalised economy uses the same commercial products in many various nations, which leads to a break-down in the differences of these societies. When growing up, children will not know how their culture has been before in their countries. That can also make a new generation confusing their original culture. Consequently, the government uses media to advertise their national cultural identity very often to protect their traditional culture from globalisation.

Another instance, several critics have expressed that Vietnam has 58 provinces, 89,693,000 populations and 8 ethnic groups under management by only the Communist Party of Vietnam. While Viet people accounts for 85.7%, ethnic minorities account for 9.7%. Furthermore, about 3 million of Vietnamese people live outside Vietnam in a Diaspora who left Vietnam as refugees after 1975 as a result of the Fall of Saigon and the resulting takeover by the Communist regime. Therefore, to protect as well as to create a pride of national culture, the Vietnam state has established Vietnam Multimedia Corporation to control all key national media channels of radio, television (TV), and newspaper. Some of non-profit TV and radio channels such VTV 1, VTV4 and VOV advertise Vietnam's country, the people and national

development actions of the Communist party to keep cultural consistency and loyalty in the minds of Overseas Vietnamese and ethnic minorities.

In brief, advertising is very important to media firms. There are many media companies survive because of money mainly coming from advertising activity. However, many media organisations exist to serve governmental purposes of national development with strong support of advertising.

In conclusion, with its limited work scope, this essay has explained media firms, advertising and types of advertising. Also, it has provided a better understanding of the importance of advertising to media firms together with illustrated examples.

Assuming that this essay had further examination and critical evaluation of advertising activities of media firms in terms of all command, free market and mixed economies to gain deeper insights, it would provision a valuable body of in-depth evaluation to test a lot more various aspects or roles of advertising to media companies in each of the media economies. And then the importance of advertising to media firms would be explained more comprehensively.

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