

ECONOMIC, SOCIAL AND ETHICAL ASPECTS OF ADVERTISING

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“Every coin has two sides”. Advertising is praised but also criticized by critics in their own ways. Advertising has many positive impacts along with its negative pictures. As the President of American Association of Advertising Agencies, John O’ Toole has described advertise is something else. It is not related to studies, but it educates. It is not a journalist but gives all information. And it is not an entertaining device but entertains everyone

Economic role of Advertising

Value of Products:

The advertised products are not always the best products in the market. There are some unadvertised products also present which are good enough. But advertising helps increase value for the products by showing the positive image of the product which in turn helps convincing customers to buy it. Advertising educates consumers about the uses of the products hence increasing its value in minds of the consumers. For e.g. mobile phones were first considered as necessity but nowadays the cell phones come with number of features which makes them mode of convenience for consumers.

Effect on Prices:

Some advertised products do cost more than unadvertised products but the vice versa is also true. But if there is more competition in the market for those products, the prices have to come down, for e.g., canned juices from various brands. Thus, some professional like chartered accountants and doctors are not allowed to advertise. But some products do not advertise much, and they don’t need much of it and even their prices are high but they are still the leaders in market as they have their brand name. e.g., Porsche cars

Effect on consumer demand and choices:

Even if the product is heavily advertised, it does not mean that the demand or say consumption rates will also increase. The product has to be different with better quality, and more variety than others. For E.g., Kellogg’s cornflakes have variety of flavors with different ranges to offer for different age groups and now also for people who want to loose weight thus giving consumers different choices to select from.

Effect on business cycle:

Advertising no doubt helps in employing a greater number of people. It increases the pay rolls of people working in this field. It helps collecting more revenues for sellers which they use for betterment of product and services. But there are some bad effects of advertisements on business cycle also. Sometimes, consumer may find the foreign product better than going for the national brand. This will definitely affect the production which may in turn affect the GDP of the country.

The economic aspects are supported by the Abundance Principle which says producing more products and services than the consumption rate which helps firstly keeping consumers informed about the options they have and secondly helps sellers for playing in healthy and competitive atmosphere with their self interest.

Other economic perspectives

Since advertising is such an endogenous part of our economy we depend on it for the sale of a large percentage of our output in India, and since it has been accepted, although with annoyance and concern by most Indians, it is not likely that its abolition will be sought or will be tolerated. Were it abolished; alternative methods of promotion would have to be devised.

The problem is essentially that of:

- (a) Learning to measure both the micro and macro-effects of advertising, so that it may be employed most efficiently from the viewpoint of both the firm and of society ; and
- (b) Imposing social controls that will eliminate or minimize the deleterious effects of advertising on social welfare.

If for no other reason than that it is an activity that employs several million people, promotion is of considerable economic importance. More important, however, is the fact that effective promotion has allowed society to derive benefits not otherwise available.

For example, the criticism that “promotion costs too much” views an individual expense item in isolation. It fails to consider the possible effect of promotion on other categories of expenditure. Advertising strategies that increase the number of units sold permit economies in the production process. The production costs assigned to each unit of output are lowered. Lower consumer prices then allow these products to become available to more people.

Similarly, the price of newspapers, amateur and professional sports, radio and television programmes, and the like, might be prohibitive without advertising to shoulder the expense. In short, promotion pays for many of the enjoyable entertainment and educational aspects of contemporary life and it lowers product costs as well.

Advertising As a Source of Information:

To what extent does advertising provide information to consumers about the availability of products relevant to the meeting of consumer needs, and the price and terms of sale?

First, the advertiser is the seller of the product or service. He has, therefore, more information about the product or service than anyone else. Whether the seller’s knowledge of his product is actually used expensively in the design of advertising programmes would have to be established by a careful study of the procedures employed in planning advertising copy.

If advertising agencies, for example, are found to be the ones that select from the cluster of product characteristics those that are to be stressed in a particular promotional programme, it would suggest that the seller’s intimate knowledge of his product is less important in determining what information gets to the consumer than other aspects of that choice, such as the probable impact of a given piece of information, consumer response in the light of product’s historical image, and the competitor’s policies. On the other hand, much advertising is highly informative. This is particularly true of want ads of manufacturer’s advertising that inform

potential buyers of the availability of products and of their attributes, and of the retailer's advertising of product availability, characteristics and prices. Wholesalers use less advertising than manufacturers or retailers, but where it is employed, as in the marketing of industrial supplies it is likely to contain considerable information, or is restricted to information about the availability of goods. Much of the information conveyed in advertising is accurate, and this is most likely to occur when the potential buyer is well informed and where the information itself is of a nature that is likely to be conducive to purchase. Advertising of industrial goods and supplies, for example, is often heavily loaded, with information about product attributes because of the interests and knowledge of potential customers. In the advertising of all goods consumer or industrial the products that have useful attributes would be sold more easily on the basis of information about those attributes than on the basis of false information. Although much advertising is truly informative, the greatest risk and uncertainty from the potential buyers' point of view is the absence of any objective control over the advertiser's decision on what information he will convey. Seldom will an advertiser choose to convey information that would be damaging to his profit or sales objective; yet such information may be essential if the buyer is to make an optimum choice. When information about a product is obtained from a party whose welfare can be (and usually is) affected by the quantity and quality of that information, there is good reason to question the validity of the information likely to come from that source. There are many subtle ways in which an advertiser can distort information without overstepping the bounds of truth, as defined legally and pragmatically in human affairs. Everything he says may be literally true; but the omission of pertinent facts or knowledge may result in a perception of the product and its potential on the part of the buyer that deviates from what his perception will be, once he has actually used the product. Such distortions may be will full, mischievous, accidental or unintended, but their effect can be the same, regardless of motivation. One important question, therefore, is whether advertising is a source of accurate and complete information about goods and services for the potential buyers of those goods and services.

We must conclude that not all information conveyed by advertising is likely to be accurate or complete, for the very simple reason that criteria by which the advertiser judges advertising effectiveness are not the same as those by which the potential buyer judges its desirability.

Only if the means by which those criteria are realized overlap for buyer and seller does advertising fulfil the needs of both the parties. Thus, the critical factor is the possible conflict between the advertiser's objectives and those of the buyer.

This brings us to the final point. Granted that advertising may be informative in varying degrees, is this the best source of information for consumers? If we sort out from lakhs of rupees that we spend in India on advertising in a year that portion which may properly be labelled "informational" the question becomes- Is this the most effective way of spending that, much on buyer information ?

We would have to conclude that it is not, primarily because the advertiser's decisions about how much and what kinds of information to give would be guided by his own interests, which are not necessarily realized by fulfilling the buyer's need for information.

Advertising and Prices:

Does heavy advertising expenditure raise consumer prices? The question is, superficially, a compelling one. The answer is that, in some cases, it does; in other cases it does not. The “logic” behind this answer is simple. It involves what may be called the stacking- up concept of costs. The view is often held that all elements of production costs and marketing costs must be summed up and covered (or recovered) in the final selling price. All these costs accumulate in this vertical or “stacking up” sense, and we end up by paying for each layer of the stack, as it were. The cost of advertising is seen as simply another element in the stack, and its elimination is viewed as tantamount to price relief for us all. We should note that this argument need not be applied only to the individual advertisement or the advertising campaign, but to any promotional effort- trading stamps, etc., included. But in spite of the seeming simplicity and clarity of the logic of this criticism, a categorical statement that advertising raises consumer prices is wrong. Advertising may result in higher prices if it is ineffective, or if it does not result in an increased sales volume, even though market saturation has not yet developed. We have three instances in which advertising may increase consumer prices.

These three instances are:

(a) When Market Saturation Exists:

When no amount of encouragement will entice new buyers to try a particular product or service that is, when market saturation occurs -then a battle between competing firms with a not-to-be outspent attitude clearly represents an economic waste. This stand-off situation may result in losses to the battling firms or in higher prices to the final consumers.

(b) When Decreasing Returns to Scale Are Encountered:

In this instance, advertising may increase the -sales volume, but it may not produce a lower unit cost of manufacture. When the costs of manufacture increase with increases in the sales volume (called decreasing returns to scale), further advertising expenditure must accumulate in the vertical sense.

(c) When the Advertising itself Is Ineffective:

Finally, advertising may result in higher prices if it is simply ineffective, if it does not result in an increased sales volume, even though market saturation has not yet developed.

These are the three instances in which advertising can increase consumer prices ; but as long as a market is expandable (unsaturated), as long as lower manufacturing costs per unit are possible, and as long as the advertising produces (or helps to produce) an increased sales volume, it is possible to lower total unit costs. It is possible then to achieve lower consumer prices.

Advertising and the Level of Output:

One of the arguments often presented in favour of advertising is that it stimulates demand, and therefore production, which, in turn, stimulates income generation. This suggests that there is a multiplier effect from advertising, and that this may follow logically from the perception of advertising as a capital expenditure. Another defense of advertising is that it is one of the competitive tools in an economy in which product differentiation and innovations are important attributes. It is particularly important, so it has been argued, as a means by which innovators may gain a foothold in the market. I would assume that the continuous growth of the gross national product is desirable.

Because the rate of innovation is critical to economic growth, this marketing support also becomes critical in encouraging the manufacture of new products, product changes and growth.

Both of these defenses of advertising stimulus to demand and a means by which innovations are encouraged have to be viewed in terms of:

Whether or not they are true;

Whether they are desirable ends; and

If so, to what extent advertising is the best way of achieving these ends.

Gross National Product & Innovation:

I have already indicated that it is not possible to measure the effects of advertising with a high degree of accuracy for a particular firm, and this holds even more for advertising in the economy as a whole; that is, we do not know the extent to which advertising has served as a stimulus to demand in either the short run or the long run—the secular trend in advertising expenditures. Advertisers believe that advertising is a stimulus to sales of particular brands.

To the extent that advertising is a part of the total economic climate within which the Gross National Product has grown secularly over the decades, and particularly a part of the dynamic elements of the climate, it may have had a role in the growth of national productivity.

Competition:

The nature of competition can be affected by advertising. While the demand creating potential of advertising may encourage new firms to enter an industry and existing firms to expand their product lines, one of the factors that appears to be associated with the successful use of advertising is the availability of funds for this purpose. Advertising appropriations make it possible for one to realize economies of scale in the use of such funds with a view to achieving lower unit costs and a greater potential impact on revenue and they also make it more difficult for new firms to enter the industry. Thus, the availability of funds for expensive advertising services does not stimulate innovations and sales promotion by many firms but rather restricts these possibilities for the larger firms in the industry which can support large promotional budgets. A greater concentration of production is more likely to result in rigidities in the market structure and behaviour. Such a market may not be without social benefits; but it lacks the vitality that characterizes competition in a larger number of smaller firms.

Advertising & Allocation of Resources:

One other question that should be answered in an overall appraisal of advertising is its impact on resource allocation. Let us assume that advertising can, in fact, increase the demand for specific products and specific brands in a product group. To the extent that this diverts consumer expenditure from other goods and services, the demand for which is less responsive to the persuasive effects of advertising, there is a reallocation of resources. If consumers experience the increased satisfactions that they anticipate as a result of this, welfare is enhanced by this allocation. To the extent, however, that consumers are disappointed with the consequences of their based on advertising, there is a resulting misallocation of resources and

reduced total welfare. Some people deplore this aspect of advertising on the basis of value judgments. Specifically, they believe that the “things” that much of our advertising glorifies are undesirable because they are not what these individuals believe are “good” for human beings. Advertising expenditures have the profoundest potential effects, particularly when products have hidden qualities and when the wants that are satisfied by those products are of a high order, and are subjective. Some criticise advertising because it diverts more of our resources to fulfilling these wants than is desirable. They expand their criticism to include the fact that hidden qualities can be more easily falsified or exploited by effective advertising and that advertisers can and do take advantage of human ignorance and lack of experience in meeting these more marginal wants, which emerge to become important demand determinants only after more basic biological and socio psychological needs have been satisfied.

Advertisers cannot make consumers behave in a specific way. They can persuade them, and their persuasive skills often exceed the consumers’ skill in self-protection. Consumer wants are part of human wants and are the products of the culture in which the individual evolves.

The nature of culture and the process of cultural change are therefore more fundamental to an understanding of consumer demand than is any one element of that culture, such as advertising. Germane to the structuring of consumer demand is the whole process by which human beings learn to want most of the things that they desire and demand in the market. Advertising is one of the ways by which people learn, but it is by no means the only way, and is certainly not the most important way. Wants are not necessarily less valuable because they are acquired through emulation or advertising. Since most wants are learned, there is no logical basis for saying that one way of learning for example, through one’s, family or one’s formal education is superior to another for example, through advertising.

We may conclude, then, that the creation of a want does not invalidate the assumption that arise in national income carries with it an increase in welfare, that if the evolution of wants is guided by the standards that society regards as reflecting improvement in the quality of wants, then want- creating activity, such as advertising, will evolve a rational set of guidelines that will direct demand toward goods that would satisfy wants most cheaply and profitably.

However, two critical questions remain unanswered. One is a matter of value judgement by which we must assess the role of advertising in the expansion and direction of human wants. The question is basically this- Are advertisers motivated by their own economic interests, those best qualified to play a role in the direction and expansion or want patterns?

This is particularly critical where advertising is directed toward children, that most sensitive and vulnerable segment of Indian society, whose lifetime values are shaped by their exposure and experiences. We must be concerned both with what the advertisers are attempting to do and with what they succeed in doing. The economic question that must be answered does not avoid value judgements any more than any economic choice made in the market place, but it casts the question into a different framework. Are lakhs of rupees spent on advertising each year the best use of that resource?

It is unreasonable to separate the economic impact from the social impact of advertising. Advertising is basically an economic institution; any overall appraisal of advertising should therefore include an analysis of its economic impact. Advertising provides economic value to society in many ways.

It enhances buyer decision making by providing information and by supporting brand names. It provides an efficient means for firms to communicate with their customers. Such a function is particularly important in the introduction of new products. By generating various product associations, advertising can add to the benefit which a buyer derives from a product. It supports the various media and has the largely unrealized potential to reduce extremes in the levels of consumer buying. Advertising has become increasingly important to business enterprises both large and small. The rise in outlays on advertising has been well documented and certainly attests to a management's faith, in the ability of promotional efforts to produce additional sales. It would be difficult to conceive of a firm that did not attempt to promote its product in some manner or another. Most modern institutions simply cannot survive (other than in the very short-run) without promotion. Non-business enterprises have recognised the importance of this variable. The attempt by the armed services to increase enlistments is based on a substantial advertising campaign, stressing the advantages of a military career. Even labour unions have used promotional channels to make their viewpoints known to the public at large. In fact, it is reasonable to say that advertising plays a bigger role in business (including non-profit organizations) than it ever has in the past. The main task of advertising has been to promote a mass consumption of goods and services. It gets the message to the consumer quickly, and thus cuts the time span between production and consumption. Advertising also accelerates the change from older, low-quality products to improved models. It reshapes consumer attitudes, and speeds up the introduction of new products in the economy. Unlike the 1950s, 1960s, 1970s, the 1980s, have been a time of recession, shortages, pollution crises, etc. In this climate of "un- abundance" and ecological danger, advertising has taken on new functions. It promotes the conservation of resources rather than unchecked consumption, the control of waste rather than industrial pollution, a recycling of materials rather than a thoughtless depletion, of resources.

Social aspects of Advertising:

It is argued that the biggest and potentially most insurmountable problem encountered in any attempt to examine and evaluate the social issues surrounding advertising stems from the essentially subjective nature of many of the criticisms that have been levelled in recent years. Although social and ethical criticisms of advertising are by no means new, the nature and seriousness of the complaints made has in recent years increased significantly. An additional problem is encountered in the form of the sheer volume of the criticisms that have been made. This trend has in turn been supported and reinforced by the attention paid by successive governments to the role of advertising and the rise of consumerism.

Some negative criticism regarding advertisements which raises question regarding socio-ethical considerations:

1. Advertising is frequently false and misleading.
2. Advertising concentrates on selling products to people they neither need nor want.
3. Advertising exhibits bad taste.
4. Advertising stresses small and insignificant differences between products and has resulted in an unnecessary and wasteful proliferation of brands.
5. Advertising is too persuasive.

6. Advertising can be used, to take advantage of children (bad effect on children).
7. Much advertising is irrelevant and unnecessary.
8. Advertising has resulted in uniformity.

When we evaluate social problems in relation to advertising, we are in the area of personal value judgement. How can deficiencies in our social system be corrected? How can things be managed so that people will get more of the essential necessities without giving up too much of their basic freedom of choice and action? What part does advertising play in helping to accentuate or relieve those conditions?

Deception in Advertising:

The relation between the buyers and sellers is maintained if the buyers are satisfied with what they saw in advertise and what they got after buying that product. If seller shows a false or deceptive image and an exaggerated image of the product in the advertisement, then the relation between the seller and buyers can't be healthy. These problems can be overcome if the seller keep their ads clean and displays right image of the product.

The Subliminal Advertising:

Capturing the Minds of the consumers is the main intention of these ads. The ads are made in such a way that the consumers don't even realizes that the ad has made an impact on their minds and this results in buying the product which they don't even need. But "All ads don't impress all consumers at all times", because majority of consumers buy products on basis of the price and needs.

Effect on Our Value System:

The advertisers use puffing tactics, endorsements from celebrities, and play emotionally, which makes ads so powerful that the consumers like helpless preys buy those products.

These ads make poor people buy products which they can't afford, people picking up bad habits like smoking and drinking, and buy products just because their favorite actor endorsed that product. This affects in increased the cost of whole society and loss of values of our own selves.

Offensiveness:

Some ads are so offensive that they are not acceptable by the buyers. For example, the ads of denim jeans showed girls wearing very less clothes and making a sex appeal. These kinds of ads are irrelevant to the actual product. But then there is some ads which are educative also and now accepted by people. Earlier ads giving information about birth control pills was considered offensive but now the same ads are considered educative and important.

Advertising gained prominence in Western cultures when the mass society became a reality around the time of the Industrial Revolution, This was made possible by mass literacy, mass transportation, and the mass popular media such as the press, and later the cinema, radio, television, video and cable. Mass advertising which has as its goal the national and international

market, became the central link in a mass society. Advertising sought to maximise its market which included literally everybody. From advertising 'the masses' learned about appliances used in the home, the changing styles of clothes, the books to read and the films to see.

However, it is not about products and services alone that people learn from advertising. In fact, advertising (especially consumer products advertising) tends to promote attitudes and lifestyles which praise acquisition and consumption at the expense of other values. A particular material possession is elevated to a social norm so that people without it are made to feel deprived.

Further, what consumer product advertising does is to trivialize love, friendship and family. For instance, love is expressed through the 'giving' and 'sharing' of chocolates. Such advertising attaches noble values to products, and thus makes consumption an ultimate end. Advertising thus reinforces a 'consumerist culture' which is marked by the urge to spend and to acquire. Values like simplicity, thrift, detachment are frowned upon.

The language and imagery of advertising is marked by hyperbole, superlatives, and stereotypes of men, women and different ethnic groups. The men are usually 'macho,' the women glamorous (in whatever role they are portrayed – as workers, housewives and companions); the children cute and innocent. Such images glorify charm, seduction, spending and giving.

The social aspects that help in the positive development of advertising :

1. Advertising reinforces a 'consumerist culture' which is marketed by the urge to spend and to acquire.
2. It is not about the products and services alone that people learn from advertising (especially consumer product advertising). Advertising also tends to promote attitudes and lifestyles.
3. The language and imagery of advertising is marked by hyperbole, superlatives and stereotypes of men, women and different ethnic groups. The man is usually macho, the women glamorous the children cute and innocent. Such images glorify charm seduction, spending and giving.
4. Advertisers are responsible for bringing a new kind of 'globalism' to marketing.
5. Globalism promote the universal commercial values of exploitation and profiteering at the expense of developing world. Such advertising can also distort the development priorities of poor countries.
6. Advertising does not reflect the changing cultural values of a society. At times, it itself acts as a change agent while doing so it should not loose sight of the developmental perspective.
7. advertisement attracts development of society and growth of technologies
8. Employment
9. Gives choices to buyers with self interest
10. Welcomes healthy competition
11. Improving standard of living.
12. Give information on social, economic and health issues.

According to Herbert Marcuse, "advertising provides a culture of exaggerated self-awareness, self-righteousness and monetary pleasures of self-assertions a kind of mass narcissism—which destroys the bonds of basic human loyalties in the family friend groups and, in the community".

From the view point of developing and poor countries, the values of consumerism do not make much sense, but multinational and national advertisers are insensitive to their inherently different cultural values. Indeed, advertisers are responsible for bringing a new kind of 'globalism' to marketing; 'globalism' promotes the universal commercial values of exploitation and profiteering at the expense of the developing world. Such advertising can also distort the development priorities of poor countries.

To sum up, advertising does reflect the changing cultural values of a society. At times, it itself acts as a change agent. While doing so it should not lose sight of the developmental perspective.

Advertising and Standard of Living:

The standard of living is an index of the products used by people in their day-to-day life. It refers to the consumption pattern of the people, reflecting the conditions of living in a country. Over a period of time, the standard of living may improve through economic prosperity. Though prosperity generates a better standard of living, advertising stimulates the desire for better things in life. While spreading information and stimulating a desire for better things in life, advertising is doing a great service. This is particularly true for the products which were not on the shelves of shops in the last decade but which have now become household items of consumption, thanks to advertising. Who does not like good living comfortable living? People are made alive to the advantages of being better off by advertising. It generates demand and purchasing power and enhanced income. Increased economic activity thus indirectly leads to a higher standard of living. The modern kitchen, the modern home and the modern office, which now use products unheard a decade ago are a silent testimony to what advertising can do to improve our standard of living. The rise of the middle class of 80 million people in India who want a fridge, a TV, a moped or a scooter, convent education, a travel package, stereo systems and interior decor, cosmetics and nutritional supplements, fast food and air travel bears testimony to the higher standard of living, which is no mean achievement for Indian advertising. The desire for better living is an incentive for inventions and innovations. Advertising makes people aware of their needs which make them inspire to a higher standard of living. There is, however, the criticism that by creating a desire for various products, advertising plants seeds of discontent in those who cannot afford them. Though not totally irrelevant, the fact remains that the benefits to society far outweigh the advantages of advertising.

Socio-Ethical Aspects of Advertising

Socio-ethical is concerned with good and bad, with reference to a particular culture at a given point of time. It represents a set of moral principles and values. Morality is concerned with the right type of conduct. It represents a set of principles of right and wrong behaviour. Ethics and morality are therefore, closely related, though the latter is wider in its meaning.

What is Socio-ethical advertising? To understand this, we must learn what is considered unethical by consumers, according to one market survey. Advertising is considered unethical when- (i) It degrades the rival's product or substitute product; (ii) It gives misleading information; (iii) It gives false information; (iv) It conceals information that vitally affects

human life (e.g., side effects of drugs, precautions while using a geyser); (v) It makes exaggerated or tall claims; (vi) It is obscene or immoral; (vii) It is against the national and public interest.

Socio-ethical advertising contains truth, not absolute truth, but socially accepted standards of honesty as truth. It has to be right in its approach and claims. Business morality is derived from social morality. Truth in ethical advertising is valued because an advertiser indulging in untruth will be spotted sooner or later. He will lose goodwill forever, not only for one product, but possibly for his entire product line.

Lastly, truth in advertising should be valued for its own sake. It is a high moral principle, and also an important tenet of business ethics. It is immoral for an advertiser to deceive his prospects. Laws in most countries are stringent against untruth in advertisements. Consumer consciousness also pressurises the advertiser to be ethical and truthful.

Socio-ethical advertising can shift the demand curve to the right; unethical can shift the demand curve of a firm to the left.

Sly headlines, over-dramatization, over-play of sex, exaggeration and half-truths are sometimes considered to be clever gimmicks necessary for success. Such vulgarities and unethical distortions, however, give a bad name to advertising. Always remember that unethical advertising is bad business.

At A Glance -

Economic, Social and Ethical Aspects of Advertising: Features, Merits, Demerits

The economic, social and ethical aspects play a significant role in enhancing business. The advertising brings development of the economy by enhancing demand. It encourages people to purchase goods and services. It provides opportunities to people to improve their income. Social advertisements focus on social concerns and awareness for human being.

The various stake holders such as business houses, government, profit and non-profit organizations contribute towards the welfare and well-being of the society. Ethics is the most important feature of the advertising industry. It should avoid attacking competitors unfairly; it shall be free from offensive to public decency etc.

Economic Aspects of Advertising:

1. Enhance Product Value:

Advertising enhances the value of the products and services. Most of the advertised products are always the best products in the market. It enhances product value through positive brand image of the product. There are many unadvertised products available in the market. But most of the people prefer the advertised products compared to unadvertised products. For example – Most of the people prefer to have branded products to quench their thirst such as Coca-Cola or Pepsi over other unbranded cool drinks.

2. Enhance Product Utility:

Advertising provides product utility to the consumers. It educates consumers about the uses of the products and services. The people learn about the product utility through advertisements. It helps in making appropriate decision during the purchase of products. For example – The basic requirement of mobile phones is to facilitate communication between the sender and receiver.

Now we have many features in the mobile phones such as camera, internet facilities, Blue tooth etc. These extra features in mobile phones have created enhanced utility to consumers.

3. Reduce Prices:

The consumer price includes production costs, selling costs, distribution costs and profit margin of the seller. The advertising expenditure and consumer price are directly related to each other. An expenditure on advertising will increase marketing costs. In the short-run the increase in advertising expenditure increases the consumer price.

In long run, the company enhances the production capacity and expand market. It leads to enhanced sales volume and hence reduction in prices. For example – The durable products such as refrigerators, washing machines, computers etc. have lowered down their prices over a period of time due to competition, mass production, distribution and consumption.

4. Reduce Production Cost:

In long run the advertising reduces the production cost. The plant capacity will expand over a time period. It leads to enhanced production volume. The company may achieve economies of scale. The producers can purchase large quantities of raw materials at discounted rates from the suppliers. The economies of scale are obtained through large scale production, savings in transportation, enhancing plant utilization, reducing overhead expenditure etc.

The advertising reduces the production costs by the following ways:

- i. It lowers the overhead costs of production by generating demand.
- ii. It keeps the track on seasonal fluctuations in demand.
- iii. It helps the producer to achieve economies of reduced storage capacity.
- iv. It enhances the sales turn over.
- v. It ensures economies of scale in production.
- vi. It helps to reduce the cost of production capacity.
- vii. It helps to reduce per unit production costs.

5. Reduce Distribution Costs:

Distribution cost includes advertising and sales promotion costs. It includes the cost of display, demonstration, dealer's commission, incentives etc. The advertising expense is a part of selling expense. It will add to the total selling and distribution costs. The effective advertising cuts down the expenditure on personal selling. Hence reduces the distribution costs for the manufacturer.

6. Enhances Demand and Choice:

The advertising plays a vital role in enhancing the demand for products and services. The effective advertising gives advertiser a chance to introduce new brands. It promotes the existing products and services. It helps in convincing the customer to purchase the advertised products. For example – The effective advertising of mobile phones with varied features for different consumer groups leads to enhance the consumer demand and the choices.

The advertiser can enhance the demand and choice by the following:

- i. Produce unique products.
- ii. Enhance quality of products.
- iii. Providing product variety.
- iv. Effective promotional activities.
- v. Creating research facilities of global standards.
- vi. Achieving economies of scale.

- vii. Creating effective advertising.
- viii. Selecting appropriate target group etc.

7. Overcome Competition:

The success of business depends on the effective reach to the targeted population. The effective advertising helps the company to sustain the present competition. It reduces new companies to enter the market. It creates favourable brand image for the products and services. It establishes an exclusive identity for the product. The company can gain customer confidence. It helps in achieving customer loyalty. It leads to earn maximum profits. It ensures customer satisfaction.

8. Enhances Economic Growth:

The advertising helps the advertiser to stimulate economic growth. The future of the economy is determined by consumer expenditure. It motivates people to spend more. It encourages purchase and repurchase. It promotes job growth. It enhances the productivity. It helps to meet increase in demand.

The role of advertising towards economy:

- i. It performs an economic function for an advertiser.
- ii. It is an integral part of the economic system.
- iii. It plays a vital role to promote sales.
- iv. It is an effective marketing tool to promote new product and services.
- v. It helps to educating people.
- vi. It is a powerful tool to meet and overcome competition.
- vii. It provides valuable information about products and services.
- viii. It is an efficient and cost-effective promotion tool for masses.
- ix. It ensures low prices in long run.
- x. It facilitates the entry of new products and new firms into the market.
- xi. It affects economic decision of the audience.
- xii. It results in enhanced efficiency of the economy.

Social Aspects of Advertising:

The advertisements which deal with social causes aimed at welfare and well-being of the people is called social advertisement. It is a social institution. It is a continuous social process. The social process, stands for all social activities that are performed to achieve the goals and objectives of an individual and the society.

It creates awareness among the people, inform and educate them about social relevant issues. For example – The advertisements which communicates the masses to save oil, save water, save energy etc.

Characteristics of Social Advertising:

- 1. It is public relations advertising.
- 2. It focuses on the matters of social importance.
- 3. It results in public attention towards the societies issues.
- 4. It initiates public action towards the social problems.
- 5. This kind of advertising is sponsored by government, voluntary organizations etc.
- 6. It is non-controversial.
- 7. It contains the idea of folk culture.
- 8. It has concern to rural people.

9. It helps in shaping the cultural values of society.
10. It ensures consumer welfare.

Merits of Social Advertising:

1. It stimulates people to purchase goods and services.
2. It reflects cultural trends of the society.
3. It bridges the gap among diverse people.
4. It brings variation in the social life.
5. It contributes to overall development of the economy.
6. It enhances the living standards of the people.
7. It provides opportunities to people to improve their income.
8. It enhances employment opportunities.
9. It ensures consumer protection.

Demerits of Social Advertising:

1. The false or deceptive advertising leads to poor customer relationship.
2. It may create negative influence in children's behaviour.
3. It motivates the consumer in purchasing unwanted products.
4. Few advertising are unreal, boring or depressing nature
5. It may create negative influence on our value system.
6. The appeals in advertising may create emotional disturbances in some audience.
7. Few advertisements may create irritation to audience.

Areas Covered under Social Advertising:

The areas covered under social advertising are as follows:

1. Health Care:

India has consistently followed the path of planned progress. The main objective of this planned development has been to fulfil the people's needs. It helps to bring about an upward shift in the quality of people's life.

Advertisements on health include advertising on Cancer; AIDS etc. For example – The newspaper advertisements on AIDS highlight what causes AIDS, what are the symptoms, who are the target group, what preventive measures can be taken etc.

2. Child Care:

The advertising plays a vital role in educating the people about the child care. The various stakeholders need to take the responsibility of implementing welfare and developmental programme for children.

The various stakeholders includes government, society, NGO's, private business houses etc. For example – The advertisements related to nutrition and child development.

3. Education:

The education plays vital role in the socio-economic development of the country. The quality education is the back bone of our nation. It leads prosperity of the nation. For example – The advertisements related to right of education to women for a positive change in society.

4. Family Welfare:

The family welfare advertising programme needs to ensure stabilization of population in India. Through advertising it can be a realistic goal in near future. For example – The family welfare advertising programme of National Technology Mission on Immunization.

5. Dowry Prevention:

The social advertisements helps in eradicating the problem of dowry. It can be checked to some extent if effective advertising are made to educate people. For example – The television advertisements related to the dowry in national television channels.

6. Safety Problems:

The number of deaths due to accidents is a major concern in India. There is a need to emphasize on safety issues. We come across advertising related to safety issues in various media.

For example – The advertisements which educates the public to follow traffic rules and signals in order to avoid road accidents.

7. Resource Preservation:

The natural resources are essential for improving the quality of life. It plays the role of a catalyst in economic development of the country. The advertising can play a vital role in protecting natural resources. For example – The energy conservation advertisements in various media highlights upon the issues such as save oil, save petrol, save water, save electricity etc.

Ethical Aspects of Advertising:

The ethics means a set of moral principles, standards or values which govern a person's behaviour. It is a branch of social science. It deals with good and bad with reference to a particular culture. The ethics in advertising is a set of well-defined principles which governs the ways of communication taking place between the seller and the buyer.

It deals with moral standards of what is "right" or "wrong". The advertiser must possess moral duty and obligation towards the society in their advertising. The advertiser needs to ensure ethical standards of advertisings are adopted such as avoiding false claims, misleading customers etc.

Fundamentals of Ethical Advertising:

Fundamentals of Ethical Advertising are as follows:

1. Truth:

The advertiser needs to ensure to provide true information to the customer. It shall reveal significant facts. The elimination of facts may mislead customers.

Benefits:

- a) It enhances the confidence in consumers.
- b) It builds goodwill of the products, services, ideas or institution.
- c) The customer develops trust on the advertiser.
- d) It avoids confusion in customers.
- e) It leads to customer satisfaction.
- f) Enhances credibility.
- g) It leads to customer loyalty.

2. Avoid Misrepresentation:

The misrepresentation in advertising is a deliberate attempt to tell lie. The advertiser can misrepresent the product attributes such as quality, price, benefits, features etc. For example – The advertising which represents the particular product as number one in the market by showing unreal statistics.

3. Avoid Illusion:

The advertiser needs to avoid the advertisements which claim illusion. For example – The advertising promises the consumer that by using that product the person is going to reduce his or her weight by ten kilo grams.

4. Avoid Misuse of Testimonials:

The advertiser needs to ensure the advertisements containing testimonials are limited. The testimonials must reflect a genuine and truthful opinion or experience. For example – The advertisements in which testimonials of film stars and sportsmen are used simply for sales promotion needs to be avoided.

5. Substantiating Evidence:

All claims made by the advertiser in their advertisements must be backed with evidence. The advertisers are responsible for the claims they make regarding to their products or services. For example – If a pharmaceutical company claims the particular tablet reduces cold within half an hour. The advertising must be backed with evidence.

6. Avoid Deception:

The false or untruthful advertising is called deceptive advertising. It is illegal according to the Federal Trade Commission (FTC). The deceptive advertising is prohibited under Section 43(a) of the Lanham Act, which is enforced by the FTC. If a company fails to fulfil the promise made in the advertising, the company may lose many customers.

7. Avoid Psychoactive Ads:

The advertising that has negative emotional impact on the target audience is called psychoactive advertising. This type of advertising can create anxiety, low self-esteem and aggression. If these emotions become intense it may induce harmful effect to the audience. These types of advertisements are not illegal. It may be considered as unethical.

Precautionary measures to avoid unethical practices in advertising:

1. The advertiser must design self-regulatory codes which take care of ethical norms, truth, decency and legal points.
2. The advertiser needs to avoid the advertising which causes harm to people. For example – The advertising of tobacco and alcohol should be avoided.
3. The advertiser must have a regular tracking on advertising activities and ensure the removal of unwanted advertising.
4. The advertiser should not make use of unnecessary sex appeal in their advertisements.
5. The advertiser needs to inform about the self-regulatory codes of the company to customers to gain confidence and belief.
6. The advertiser must pay attention on consumers complaints related to advertising.
7. The advertiser needs to avoid false claims about the products or services with hidden motives.
8. The unwanted emphasis on factors which may not have concern in reality must be avoided by the advertisers.
9. The advertiser must avoid misleading the names and brands to create favourable impression.
10. The company needs to maintain transparency.
11. The advertiser should avoid attacking unfairly to competitors.

Demerits of Unethical Advertising:

1. It results in customer distrust towards products, services or business.
2. The company may lose its loyal customers.

3. It creates unpleasant environment to various stakeholders such as employees, shareholders etc.
4. It destroys the business image.
5. Due to lack of faith the advertisement will be less effective.
6. It effects the company growth.
7. It leads to dissatisfaction to customers.
8. It leads to switching brands.
9. The market share of the advertiser may reduce etc.

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