

ECONOMIC ASPECTS OF ADVERTISING-: Advertising is closely linked with economic development in the long term considering that it can be a vital marketing input for new product introduction. Advertising stimulates healthy economy and also helps to create financially healthy consumers who are more informed, better educated and more demanding. Advertising has various positive and negative economic aspects. On one hand, advertising helps in reducing production cost, widening the consumers choice etc and on the other hand advertising adds to cost of production, discourages competition etc.

Economic Aspect of Advertising



ECONOMIC ASPECTS OF ADVERTISING

POSITIVE ECONOMIC ASPECTS OF ADVERTISING	NEGATIVE ECONOMIC ASPECTS OF ADVERTISING
<ul style="list-style-type: none"> • Effect on Prices • Effect on Demand • Effect on Competition • Effect on Consumer Choice • Effect on Employment • Effect on Business Cycle 	<ul style="list-style-type: none"> • Increases Cost Of Goods • Encourages Waste • Creates & Breeds Monopolies • Barriers to Entry • Multiply the Needs • Reduces the Consumer Choice

POSITIVE ECONOMIC ASPECTS OF ADVERTISING -:

1. **Effect on Prices-:** Advertising may help to lower the overall cost of product more than enough to offset cost and keep down price because of economies of scale in production and by encouraging competition.
2. **Effect on Demand-:** Advertising creates demand for the product by educating the audience regarding the uses of the product, by realizing the need of product through rational and emotional appeals.
3. **Effect on Competition-:** Advertising promotes competition among different brands of the same product. The company offering good quality products at reasonable prices often gets advantage in the competition.
4. **Effect on Consumer Choice-:** Advertising gives information about various brands; products available in the market, their features, price, place etc. Consumer can make comparative study of all such choices to purchase most suitable product.
5. **Effect on Employment-:** Advertising has created both direct and indirect employment to various persons in the society. Directly provides employment to people engaged in various jobs like copy writer, actors etc. Indirectly by creating demand it increases sales and profit, which in turn increases production and employment opportunities.
6. **Effect on Business Cycle-:** In prosperity advertisers reduce their ad expenses while in recession advertisers enhance their ad expenses to revert their falling sale.
7. **Effect on Std. of Living-:** Advertising has reduced the cost of production and distribution, thereby making the quality product at reasonable price which resulted in increased standard of living.

II) NEGATIVE ECONOMIC ASPECTS OF ADVERTISING-:

1. **Increases Cost of Goods-:** If advertising adds value to the product or services it also adds cost and affects prices.
2. **Encourages Waste-:** Advertising is dynamic and perpetual and can be held responsible for the quick and premature changes in fashion, styles and habits of the people and results in killing the utility of goods quite earlier to their normal expected use. Thus, advertisement results in waste of resources.

3. **Creates & Breeds Monopolies-**: Advertising sometimes leads to monopoly in a particular brand of a product. By investing large sums in advertising of his brand, a big producer eliminates small producers of the same product from the market and creates brand monopoly. This leads to exploitation of consumers.
4. **Barriers to Entry-**: There is a general belief that advertisements promote industrial concentration to a greater or lesser degree.
5. **Multiply the Needs-**: Advertising creates artificial demand for the product and induces people to buy those products which are not needed by them. On account of its repetition, it allures and creates a desire in the minds of the people to possess an article not required by them.
6. **Reduces the Consumer's Choice-**: By repeated advertising and more persuasion, advertisers have controlled the minds of consumers by repeated emotional appeals viz price, status etc.

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