Philip Ghansah

Methods of Social Media

Advertising Evaluation

University of West Alabama

The basis of this question is rooted in economic theory which in reflection is noted in Marshall (1920), the question whether advertising decreases or increases the prices of consumer goods. Its important first that it be understood that advertising does provide various information to consumers of all kinds. Such as details on the availability of products and its prices (Buttan,2017). The information presented raises the value of competition in each market, thus increasing demand for a product no matter the price.

- For, example a shoe evaluated at a high price will be purchased even with its high value because the demand for it is high due to advertising. The more the promotion, the higher the demand thus increasing the costs of the product.

On the opposite side of things there is a view that exists that claims that advertising varies the preferences of customers. As demand increases and decreases it creates a curve that moves outward thus resulting in a monopoly of power to the brand.

- We find that market prices increases when demand for the product increase and when demand for the product decrease so does the price of the goods. The curve shows that market prices are determined by demand.

All the various effects eventually lead to growth in market prices. The diverse effects of promotions on products are due to the persuasive acts of advertising. To reach consumer satisfaction companies will use aggressive advertising, when this is used customers are more likely to go for the products because it has been seen many times by the buyers through advertising. The motive of the producer is to increase profit potential, advertising is used to increase consumer value for the product.

- Supply and demand warrants that the higher the costs of product the lower the demand or vice versa.
- High cost of advertising will result in excessive advertising which influences consumer price positively and negatively. The higher the cost of advertising the more it becomes, thus making cost high and the demand low. The lower the costs of advertising the lower the prices.

Advertising allows consumers to exhibit an impulsive buying habit, no matter how high the cost of product, with continual advertising the product becomes more affordable to the consumer. Advertising gives the impression that the product is attainable, thus increase of product display warrants purchase. Advertising introduces a persuasive effect which on the other hand increases consumer welfare and purchasing patterns. The data and information prove that various products react to changes in advertising cost at different paces. For example, advertising decreases prices for phones (Kwon, 2019), the more the advertising the less the price of the product.

<u>References</u>

Buttan, Gerard, 'Equilibrium Distributions of Sales and Advertising Prices', *The Review of Economic Studies*, Vol 44, 465-510, 1977.

Cady, John, 'An estimate of the price effects of restrictions on drug price advertising', *Economic Enquiry*, Vol 14(4), 493-510, 1976.

Clark, Robert, ‘Advertising Restrictions and Competition in the Children’s Breakfast Cereal Industry’, *The Journal of Law and Economics,* Vol 50, 2007.

Gallet, C and P Euzent, ‘The Business Cycle and Competition in the US Brewing Industry’, *Journal of Applied Business Research,* Vol 18, 2002.

Kwon, John, ‘Adverting and the price and quality of optometric service’, *The American Economic Review,* Vol 74(1), 1984.