



ADVERTISING AND SOCIETY AN INTRODUCTION

EDITED BY CAROL J. PARDUN

WILEY Blackwell

ADVERTISING

AND SOCIETY

Second Edition

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An Introduction

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Editorial Offices

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The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ, UK

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Notes on Contributors

Penny Abernethy is the Knight Chair of Journalism and Digital Media Economics at the University of North Carolina at Chapel Hill. She previously held executive positions at several news organizations, including the *Wall Street Journal*, the *New York Times*, and *Harvard Business Review*. Her research has focused on new business models for news organizations.

Saleem Alhabash is an assistant professor at Michigan State University where he has joint appointments in the Department of Telecommunication, Information Studies and Media, and the Department of Advertising and Public Relations. His research focuses on the processes and effects of new and social media.

Beth E. Barnes is director of the School of Journalism and Telecommunications at the University of Kentucky where she also serves as associate dean for undergraduate and international programs for the College of Communication and Information. She has worked with several journalism and mass communication programs in Europe and Africa. Her research has focused on strategic communication campaign development and media audience research.

Charles Bierbauer has been dean and professor in the College of Mass Communications and Information Studies at the University of South Carolina since 2002. He is a former Washington and foreign correspondent with CNN and ABC News. He was president of the White House Correspondents' Association in 1992–3. His teaching and writing focus on the intersection of media, politics, and government.

Michael L. Capella is the associate dean of Graduate and Executive Programs, and an associate professor of Marketing, at the Villanova School of Business at Villanova University. His research focuses on topics related to marketing and

public policy issues, including advertising effects, pharmaceutical marketing, and retail pricing strategy. Prior to joining the academy, he spent almost 10 years in professional sales management with a food manufacturer.

Angeline G. Close is an assistant professor in advertising and public relations at the University of Texas at Austin. Her expertise is in event marketing – namely how consumers’ experiences at sponsored events influence attitudes and consumer behavior as well as the business aspect of advertising.

Timothy Dewhirst is an associate professor in the Department of Marketing and Consumer Studies at the University of Guelph in Canada. Much of his research has focused on tobacco marketing and public policy, and he has also provided expert testimony in Canadian and US tobacco litigation. He is an associate editor of the *British Medical Journal* publication, *Tobacco Control*. He served as an invited consultant for the World Health Organization, in which he was named an expert for the elaboration of a template for a protocol on cross-border advertising, promotion, and sponsorship (with respect to the Framework Convention on Tobacco Control).

Kathy Roberts Forde is an associate professor in the School of Journalism and Mass Communications at the University of South Carolina. She is a media historian with primary interests in the role of print culture in democratic struggle. She is an associate editor of *American Journalism* and the director of the Media and Civil Rights History Symposium.

Marie Hardin is a professor of journalism and associate dean of the College of Communications at Penn State University. She is also associate director of the John Curley Center for Sports Journalism and director of the Arthur W. Page Center for Integrity in Public Communication. Her research has focused on issues of ethics and diversity in mediated sports.

Joe Bob Hester is an associate professor in the School of Journalism and Mass Communication at the University of North Carolina at Chapel Hill. His research interests include social media, research methodology, and media agenda-setting. He can be followed on Twitter at @joebobhester.

R. Michael Hoefges is an associate professor in the School of Journalism and Mass Communication at the University of North Carolina at Chapel Hill, and teaches media law. He has published numerous articles in mass communication and legal journals, and is a public member of the National Advertising Review Board. He earned his JD and PhD from the University of Florida and was in private law practice for about eight years.

C. Ann Hollifield is the Thomas C. Dowden Professor of Media Research and department head of the Department of Telecommunications at the University of Georgia. She is the former chair of the Elected Standing Committee on Research for the Association of Education in Journalism and Mass Communication and currently serves on the Executive Board of the University of Georgia’s Teaching

Academy. Her research focuses on media economics and management and the impact of information industries on economic development.

Adrienne Holz Ivory is an assistant professor in the Department of Communication at Virginia Tech. Her research interests include health communication; media effects; media portrayals of gender, race, and sexuality; and the social impact of new communication technology.

James D. Ivory is an associate professor in the Department of Communication at Virginia Tech. His primary research interests are in the social and psychological dimensions of new media and communication technologies, particularly the content and effects of interactive communication technologies such as video games, virtual environments, and simulations. He is the current chair of the International Communication Association's Game Studies Interest Group.

Anne Johnston is a professor in the School of Journalism and Mass Communication at the University of North Carolina, Chapel Hill. Her research interests include political communication, diversity issues in the media, and media coverage of sex trafficking. She has taught courses in research methods and gender and communication.

Wan Seop Jung is an assistant professor of Marketing Communications at the American University in Dubai with expertise in designing and teaching marketing communication courses. His research interests include advertising effects, with emphasis on dual mediation modeling and direct-to-consumer drug advertising.

Peggy Kreshel is an associate professor of advertising at the Grady College of Journalism and Mass Communication and an affiliate faculty member of the Institute for Women's Studies at the University of Georgia. She is a member of the American Academy of Advertising and the Association for Educators in Journalism and Mass Communication. Her research interests are feminist media studies; media culture and diversity; and advertising history, professional culture, and ethics.

Jane Marcellus is a professor at Middle Tennessee State University where her research focuses on gender representation and women in early twentieth-century journalism. A former head of the AEJMC Cultural and Critical Studies Division, she has been published in *Journalism & Mass Communication Quarterly*, *American Journalism*, and *Feminist Media Studies* and is the author of *Business Girls and Two-Job Wives: Emerging Media Stereotypes of Employed Women* (Hampton Press, 2011).

Debra Merskin is an associate professor of media studies in the School of Journalism and Communication at the University of Oregon. She is the author of *Media, Minorities, and Meaning: A Critical Introduction*. Her research focuses on the ethics of representation of women and people of color in media.

Margaret Morrison is a professor and director of the School of Advertising and Public Relations at the University of Tennessee, Knoxville. She is the former vice president and treasurer of the American Academy of Advertising. Her research focuses on issues related to brand planning. She teaches courses in qualitative research, advertising campaigns, account planning, and advertising and society.

Jon P. Nelson is professor emeritus of economics at Penn State University, University Park. He is the author of three books and over 100 articles. He has been a reviewer and consultant for the National Institute on Alcohol Abuse and Alcoholism, Robert Wood Johnson Foundation, American Civil Liberties Union, and the International Center for Alcohol Policies. His current research is focused on meta-analysis in economics, especially advertising and pricing of alcohol.

Dan Panici is an associate professor of communication and media studies at the University of Southern Maine. He is currently serving on the editorial board for *Journalism and Communication Monographs* and manuscript reviewer for the *Journal of Broadcasting & Electronic Media*. His research interests include children and media, media ecology, and media framing and sports.

Carol J. Pardun is a professor of advertising and director of the School of Journalism and Mass Communications at the University of South Carolina. She was president of the Association for Education in Journalism and Mass Communication from 2009 to 2010. She is currently a member of the Accrediting Council on Education in Journalism and Mass Communication. Her research has focused on the impact of the media on early adolescents' sexual health.

Charles Pearce is emeritus professor of advertising at Kansas State University where he was the associate director of the School of Journalism and Mass Communications. He previously taught at Southern Illinois University in Carbondale, the University of Nebraska in Lincoln, and Middle Tennessee State University.

Geah Pressgrove is an assistant professor of public relations at the Perley Isaac Reed School of Journalism at West Virginia University. Her research has focused on public relations, emergent technologies, and nonprofits, while her teaching interests encompass areas of strategic communication.

Tom Reichert is a professor of advertising and department head of Advertising and Public Relations in the Henry W. Grady College of Journalism and Mass Communication at the University of Georgia. He teaches advertising and mass communication courses, and his primary research examines the prevalence, nature, and effects of sexual information in persuasive communication.

Kathy Brittain Richardson is a professor of communication and provost at Berry College in Rome, Georgia. She has served as editor of *Journalism & Communication Monographs* and is the author of *Applied Public Relations* and coauthor of *Media Ethics: Cases in Moral Reasoning*. Her research has focused on product placement, media ethics, and music video imagery.

J. Walker Smith is executive chairman of the Futures Company. *Fortune* described Walker as “one of America’s leading analysts on consumer trends.” He is coauthor of four books, a columnist for *Marketing Management*, a blogger for Branding Strategy Insider, a former public radio commentator, and a frequent keynote speaker, including the opening presentation at TEDxPeachtree 2012. He is a member of the N.C. Advertising Hall of Fame.

Charles R. Taylor is the John A. Murphy Professor of Marketing. He is a past president of the American Academy of Advertising and has received the Ivan L. Preston Award for Outstanding Contribution to Research. Taylor currently serves as editor-in-chief of *International Journal of Advertising*. His research interests include public policy issues in advertising, international advertising, and consumer behavior.

Esther Thorson is professor, associate dean for graduate studies, and director of research for the Reynolds Journalism Institute at the School of Journalism, University of Missouri–Columbia. Thorson has published extensively on the news industry, advertising, news effects, and health communication. Her scholarly work has won many research and writing awards and she has been adviser on more than 40 doctoral dissertations. She applies research, both hers and that of her colleagues, in newsrooms and advertising agencies across the United States and abroad.

Albert R. Tims is director of the School of Journalism and Mass Communication at the University of Minnesota. He is president of the board of directors of the National Scholastic Press Association and the Associated Collegiate Press. His research on public opinion formation, social cognition, and political advertising has appeared in *Communication Research*, *Journal of Advertising*, *International Journal of Public Opinion Research*, *Human Communication Research*, and *Journalism Quarterly*.

Debbie Treise is a professor in advertising and senior associate dean of Research and Graduate Studies at the University of Florida’s College of Journalism and Communications. She was president of the American Academy of Advertising in 2012. Her research is centered around health and science communications.

Tom Weir is an associate professor in the School of Journalism and Mass Communications at the University of South Carolina. His research focuses on media effects, assessment, and information-gathering. He has twice received the Golden Torch Award for excellence and has been recognized as the Advertising Educator of the Year by the tenth district of the American Advertising Federation.

Erin Whiteside is an assistant professor of Journalism and Electronic Media at the University of Tennessee. Her research explores the relationship between social issues and sports media, and her work has recently appeared in *Communication, Culture & Critique*, *Journal of Sports Media*, and *International*

Review for the Sociology of Sport, among others. She is an active member of the Association for Education in Journalism and Mass Communication, serving as the chair of the Sports Communication Interest Group, from 2013 to 2014.

Kevin Wise is an associate professor of strategic communication and codirector of the Psychological Research on Information and Media Effects (PRIME) Lab at the University of Missouri School of Journalism. His research explores how different features of online media affect cognition and emotion.

Introduction

Why Does Everyone Have an Opinion about Advertising?

Carol J. Pardun

University of South Carolina, USA

Will Rogers once said, “Advertising is the art of convincing people to spend money they don’t have for something they don’t need.” On the other hand, at the beginning of his address to the Advertising Federation of America at the Hotel Pennsylvania in New York City on June 15, 1931, Franklin D. Roosevelt had this to say about advertising:

If I were starting life over again, I am inclined to think that I would go into the advertising business in preference to almost any other. The general raising of the standards of modern civilization among all groups of people during the past half century would have been impossible without the spreading of the knowledge of higher standards by means of advertising.

So, which is it? A noble method for improving modern civilization? Or a questionable process to wrestle money out of the hands of people who can’t afford to let it go? The reality is, it’s a bit of both. And, that’s what this book is about. Both sides of controversial issues about advertising.

The pros and cons of advertising have been debated ever since advertising emerged as the means to support our growing mass media consumption habits. A few years ago, I went sailing along the Amalfi Coast of Italy. We stopped along the way to visit Pompeii, a place that had intrigued me since I was a kid and first saw pictures of people encased in lava ash casts from the great volcano. Experiencing the ancient city of Pompeii for myself was breathtaking. But what surprised me even more than the former citizens forever frozen in screams of terror was seeing some frescoes on some buildings’ remains. They were faint

(the volcano erupted in 79 AD, so it's not a surprise that these paintings had faded over time!) but clear enough to see that these pictures were a kind of early outdoor advertising displaying what customers could expect if they entered the store.

Clearly, business people of modern civilization understood very early that it is important to convey some kind of message to people that you hope would eventually buy what you're selling. In the hundreds of years since, advertising has only become more important.

It's no coincidence that advertising as an industry grew alongside businesses in the United States during the industrial revolution. Before technology allowed products to be mass produced far away from their point of sale, consumers had to rely on their home-town merchant to decide what products to provide. They would most likely visit the country store where the manager would sell whatever goods he had available. You most likely bought a pound of flour. You didn't get to choose between Gold Medal and King Arthur. But, once mass production took off, all sorts of products flooded the market and advertising was needed to make sense of the choices – and also to help create the needs for the different choices.

While the slogans might be different today, the basic premise is the same. Advertising is still helping us to understand the differences between products – even if they are only perceived differences. (Really, there's no discernible difference between Coca-Cola and Pepsi-Cola, but don't try telling the die-hards that!)

To consider the roles and responsibilities that advertising can have in a society, it's helpful to think about the specific role that advertising has played in the growth of some companies. One of my favorites to look at is General Electric. My dad was a lifelong GE executive. I had the privilege (and challenge!) of moving all over the country during my childhood as my father oversaw the growth of GE's appliance parks. One of the happy side effects of being a GE family was being early adopters of some of the electric gadgets that the company would develop. The first iteration of electric curlers was interesting – and painful! The early electric potato peeler was another curiosity. (As far as I could tell, it looked like a regular peeler. You still had to make the peeling motion. It just came with a little motor.)

Inventor Thomas Edison was the mastermind behind General Electric. Begun in the late 1800s, GE has consistently been a leader in innovation, both in its products and in its advertising. Its current advertising slogan "Imagination at Work" seems to embody the mission of GE. Much of its advertising through the years has been trying to explain new products to the potential consumer. From the light bulb, to electric irons, to refrigerators, when GE started advertising these products – consumers didn't know they needed them. But who today would say that the light bulb is a luxury?

So, at the very least, advertising can provide important information about products. The controversy tends to be when the advertising moves beyond information. As historian Michael Schudson (1984) has said, advertising lets us

know how things ought to be. Of course, it's the advertisers' opinion on how this is conveyed – and that's often when the conversations get heated.

A Mirror of Society, or an Agent of Change?

Over 20 years ago, Richard Pollay (1986) wrote a scholarly article laying out the argument about the role of advertising. It's a seminal paper and has been quoted by many advertising scholars through the years. Whenever I teach an advertising class, I ask my students those two questions on the first day of class. Is advertising a mirror of society? Or is it an agent of change? The basic premise is something like this: If advertising were a mirror of society, then the advertising industry is not really to blame for all the problems associated with bad advertising. *We're* to blame. If we don't like the ads, we should stop watching the shows that they're on, or stop buying the products, or tell the advertising agencies that we hate their ads. But if we respond (as we might to sexy ads), then that shows advertising is only going in that direction because it's what we want. It's a reflection of our culture. We look in the mirror and we see (and have no one to blame but) ourselves.

On the other hand, could advertising be an agent of change? This means that advertising can change our views about a particular product and eventually contribute significantly to what we purchase. *If that's true, then it's advertising's fault we're the way we are.*

I'll admit that I am a huge fan of reality television. I love any cooking contest show (*Master Chef* is a favorite), and I love *Property Brothers*, *House Hunters International*, *Shark Tank*, *American Idol*, *The Sing-Off*, *The Voice*, and those are just the top-of-mind shows. I do not watch *Here Comes Honey Boo Boo*. But about 2.5 million of us do. (For a cable show, that's a highly respectable number.) No one claims this show elevates our society. But *Honey Boo Boo* is clearly a vehicle that can attract advertising because the audience is solid. Without exception, the show exploits people. So why should we be surprised if the advertising on that show is also low-brow? Shows like *Here Comes Honey Boo Boo* are classic examples that provide evidence that advertising is a mirror of society.

But how about agents of change? The above discussion of General Electric's advertising is a good example here. People didn't know that they needed light bulbs. The *advertising* told them that they did. Consumers responded and welcomed electricity into their homes. If ever there was an agent of change, this was it. With electricity, people could stay indoors longer, which changed the amount of time they sat on their front porches, which changed the amount of time they communicated with their neighbors, and so on. Sure, advertising wasn't the only reason this happened – but it certainly played a part.

What about Apple's now iconic Macintosh 1984 Super Bowl commercial? That one commercial ushered in a whole new way of thinking about computers. It was most definitely an agent of change. (Okay, some would also argue it was

a mirror of society in that we were ready for the change. See how complicated this is?)

While these are only a couple of examples, they demonstrate how many people through the years have argued that all sorts of ads have impacted people and persuaded them to change their buying behaviors – and ultimately their lives. Some people claim they have friends who drink vodka now simply because of those funky, art-inspired ads. Of course, they never think advertising has impacted them personally. Only others. (This is called third-person effect and there are whole books written on this very interesting media theory.) Many people have argued that advertising is to blame for why so many young kids smoke. You'll read more about that in Chapter 5. So there is a lot of evidence that advertising is, indeed, an agent of change.

Now, at this point, you're probably thinking the answer's clear: it's both – advertising must be both a mirror of society *and* an agent of change. That's right, of course. But it's way more interesting – and instructive – to stick to one side or the other. That's what I make my students do. When I ask the “agent of change”/“mirror of society” question on the first day of class, they typically start out answering the expected “both.” I ask them to explain. The answers are not very interesting. After a few minutes of trying to give an “on the one hand/on the other hand” answer, they give up, shrug their shoulders and say, “Well, it just is. I don't know why.”

Then I tell them they have to choose a side. Each student must vote one way or the other. I have the “mirror of society” people move to one side of the classroom and the “agent of change” people move to the other side. Then I'll ask them to tell me why they are on the left (or right) side of the room. Finally, the answers start getting interesting. My students really start to think. They start to get passionate about the issues. They're starting to form an opinion. They're learning.

That's what this book is about. It's about examining the controversies, thinking about the consequences of perspectives, and then choosing a side. Intuitively we already know that both sides have merits, but we end up learning more about *both* sides if we're willing to argue *one* side. Even if we argue a side we don't actually believe, we can come to appreciate the other side of the argument and learn more about our own convictions.

There are a number of fine books on the market that deal with the impact of advertising on society. What is different about this book is that it is organized by “controversies and consequences.” I've asked a number of advertising experts to write essays about a controversial topic – but to write the essay primarily from one perspective. I found that as I read the essays I would be persuaded by the first argument – and then persuaded by the second argument. With the essays side by side, it becomes easier to see that these topics are complex and not to be dismissed easily.

The idea for this book came out of a class I taught when I was an advertising faculty member at the University of North Carolina at Chapel Hill. I had my students conduct research and debates about many of these very topics. I put them into teams without considering what their personal views were about a

particular topic. In fact, if I knew they felt one way, I would try to put them on the opposite team. After researching the topic and trying to develop a strong argument, they would begin to see that the other side also had a point. Over the course of the semester, they came to understand that there is more than one way to look at just about everything that has to do with advertising – and many other socially oriented subjects.

That class – in 2005 – was the last class I taught at UNC – and the students wholeheartedly embraced the notion of thinking more deeply about controversial issues. Of all the classes I taught during my tenure there, that was by far my favorite class. In their quest to find answers, these students helped me become a student again. Every one of those 40 students helped me to think more critically about advertising. I will be forever grateful to each of them.

What's Different about the Second Edition?

The first edition of *Advertising and society: Controversies and consequences* was published in 2009. Some things have changed since then – and some have not. Therefore, for this second edition, I've divided the books into two parts: "Enduring Issues" and "Emerging Issues." The enduring issues have been around for years – and most likely will continue to be important to examine. Sex in advertising, tobacco advertising, and the use of stereotypes in advertising are examples of enduring issues.

But there are some new issues that are tackled in this second edition. Advertisements in journalistic environments (Chapter 12) is a good example. In recent years, we've seen more and more advertisements in places that would have been off-limits just a few years ago. That's the financial reality in which our media now reside. But is it right?

Advertising in the world of social media (Chapter 10) is another example of an emerging issue. As ads permeate Facebook and other social media outlets, are there new privacy issues that should make us rethink our approach to advertising?

Some of the original essays have been updated for this edition. But some of the essays (even in the "Enduring Issues" section) are completely new. I've also updated and expanded the questions at the end of each chapter as well as provided some ideas for other debates you could have that are related to these topics.

But what hasn't changed is looking at controversial issues from more than one perspective. How convincing are the essays in this edition? *You decide.*

Ideas to Get You Thinking . . .

- 1 Think about all the great ads you've seen recently and not so recently. What do they have in common? Why do you think you can remember them?

- 2 Make a list of everything you would change about advertising if you could. How different would the world look if you had the power to adopt every change you wrote down? Would it be a better world? Why or why not?
- 3 If you could create *one* law about advertising, what would it be? Why?
- 4 Can you think of an example of an ad that might have changed your behavior (or attitude) about a product? If not yourself, what about a friend? What did the ad do that was so effective?
- 5 Do you and your friends have a favorite cola? If so, try a blind taste test. (For example, you might compare Diet Coke and Diet Pepsi.) How many could tell the difference? What did you learn from this?

If You'd Like to Know More . . .

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Part I

Enduring Issues

The Economic Impact of Advertising

*Mass demand has been created
almost entirely through the
development of advertising.*

Calvin Coolidge

Some topics in advertising are just plain more interesting than others – or so it might seem. Should cigarette advertising be regulated? To what level do we manipulate children with advertising? How far can we stretch the truth in our advertising claims? But – economics in advertising? Who wants to talk about money anyway? And what's the controversy?

In reality, the topic of the economic impact of advertising is critical – and fascinating! Have you ever thought about what the world would look like without advertising? Sure, the highways might be more natural without billboards, but it's a lot more convenient (and safe!) to learn about what exit to take for the next Cracker Barrel when we're hungry than it is to check our smartphones. Without advertising, would we have as many food choices in the grocery store? Perhaps we would end up with only store brands as choices. If I walked down the aisles and saw 10 choices of laundry detergents, but couldn't recall any advertising images, would I be equipped to figure out which brand I wanted?

What would happen to our favorite television programs without the commercials in them? Without advertising, would we still have magazines to read? What about the newspaper? We don't often think about the role that advertising plays in letting us consume the different kinds of media we have come to rely on. Things that we get for free – or nearly free – like newspapers, magazines, radio, primetime television, are all supported by advertising. Then there are the people who work in advertising, creating the ads, buying and selling the ads, and so on. How much does advertising contribute to our economy anyway? What kind of money are we talking about?

You have probably heard about the outrageous costs of a 30-second Super Bowl commercial (\$3.5 million on average for 2012, give or take a few hundred thousand dollars!). Any way you look at it, there is a lot of money involved in advertising.

Why Is the Economic Impact of Advertising an Ethical Issue? What's the Controversy?

This chapter attempts to answer the question of whether advertising ultimately increases or decreases the price of products. Why should we care anyway? Think of it this way: If advertising actually lowers the price of products, it means that people who may not be able to afford a product without advertising can do so *with* advertising. It might not be so important whether or not we can buy luxury items, but if a mother can afford to buy healthy food for her children because the prices are held in check thanks to advertising, it's not too much of a stretch to see how this can become an ethical – and controversial – issue. However, what if the above were true, but in the process the advertising creates false needs for a mother who can't really afford the particular food? Like pomegranate juice, for example. Some research indicates the antioxidant value of drinking pomegranate juice, but it's expensive compared to other juices.

Or, what if the price of the product the mother wanted were, indeed, lower, but a cheaper brand (perhaps the store brand) with the same ingredients is also available? (Tropicana 100 percent orange juice versus Kroger 100 percent orange juice, for example.) The price for the Tropicana orange juice might be lower than it would be without advertising, but the mother would actually be spending more money because she chooses Tropicana when she should pick the Kroger brand because the advertising made her think that Tropicana was healthier for her children. Would it be a controversial decision then?

And who says we need all these choices, anyway? When I walk down the grocery store aisle, it's a little stressful to try to figure out exactly what kind of peanut butter I need. The one with honey? The natural one? The one that Choosy Mothers Choose Most?

But I also like choice. I would hate to walk through the grocery aisles and only have "Value Packs" to choose from. I like to ponder the differences between

my rainforest-friendly whole-bean coffee and my naturally brewed ground Kona. Besides, the last time I checked, this was a free market economy. People are free to buy – or not.

The authors of these essays, C. Ann Hollifield and Penny Abernethy, have written many articles about the business side of advertising. Here they take nuanced opposite approaches and each makes compelling arguments for their particular side. Hollifield argues that, generally speaking, advertising lowers the price of products. Abernethy, however, disagrees – but with a twist. Her argument is that there is an add-on cost to advertising (a tax, if you will), but it is a small price to pay for the benefit that it brings us – benefits like a free press, information, and a robust democracy. Does advertising make products cheaper (by increasing competition) or more expensive (passing the ad expense on to the customer)? *You decide.*

Ideas to Get You Thinking . . .

- 1 Make a list of all the advertising you encounter in a given day. Besides television, think of billboards you pass on your way to work or school, commercials that pop up on the radio, Internet ads that pop out at you without warning. Make a list of all the kinds of people who you imagine might be involved in these ads. Go beyond the obvious. How long is your list? Are you surprised?
- 2 How much would you be willing to pay for your media use without advertising? Would that be enough to cover the cost of the medium? Do some research and see if you can figure out how much it costs to produce. What would happen to the media without advertising?
- 3 Think about your use of social media. Have you noticed an increase in the advertising on social media sites? What do you think about that? See if you can compare some non-advertising-supported with ad-supported social media. What are the advantages and disadvantages of each? For example, if you have a smartphone, look at some apps that are free. Do they have an advertising option? Is the only way you can have the more complex apps to pay for them? Which do you prefer?

Other Topics to Debate

- 1 Advertising costs have gotten out of control. Therefore, the government needs to limit the amount that advertisers can charge networks for Super Bowl advertising.
- 2 There should be stronger advertising regulations on the benefits of products so that consumers can tell whether a more expensive product is worth the price.

- 3 Consumers have a right to know how much advertising is spent on products they consume. Therefore, this information needs to be readily accessible to everyone.

If You'd Like to Know More . . .

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Advertising lowers prices for consumers

C. Ann Hollifield

University of Georgia, USA

When the economy slows – as it did during the severe recession that affected the United States and much of the world beginning in 2008 – experts look for ways to boost economic activity. Advertising is supposed to increase sales of advertised products, so you would expect businesses to advertise more during hard times. In fact, however, the opposite usually happens. Advertising is often one of the first budget items most businesses cut as sales drop during hard times.

Given that's the case, experts ask whether advertising *really* boosts sales and, if so, why? What effect does advertising have that causes sales to rise? Research shows that advertising does increase current and future earnings at the industry level for most products (Graham and Frankenberger, 2011). Additionally, for consumer and industrial products, the positive effects of advertising on sales

are stronger during recessions than they are when times are better, although the same is not true for service industries. Finally, the positive effects on sales were found to last for up to three years after the advertising campaign. But the question that was not answered by recent research was the question of *why* advertising increases sales, particularly during recessions.

There are several possible explanations. One is that advertising may help consumers remember specific products and increase the perception that the product has value, even if the consumer can't buy the item right away.

Another possible explanation is that advertising increases sales by lowering the prices of products through increased consumer demand and competition between products. This second explanation leads us straight into another controversy, however. Experts have long debated whether advertising helps lower product prices or, conversely, causes prices to rise by adding marketing costs to the costs of production. It's an important question and one that is worth exploring.

Advertising Increases Demand

Without question, the relationship between advertising and prices is complicated. There is evidence to support both sides of the argument. Research suggests that advertising has different effects on prices depending on (1) what part of the manufacturing and distribution process you look at and (2) on what type of product is being sold.

So how does advertising act to lower prices? There are several ways. First, advertising increases demand (Steiner 1973; Leach and Reekie 1996; Erdem et al. 2008). In a study of the toy industry, Steiner demonstrated that after the Mattel Company began advertising on *The Mickey Mouse Club* in 1955, demand for toys, in general, and for heavily advertised toys, in particular, rose sharply in the United States. During the same period, demand for toys remained unchanged in countries where toys were not heavily advertised.

As demand rises, manufacturers gain what are known as "economies of scale." This means that it costs the manufacturer less to produce each unit of a product as the total number of units it makes of that product rises. The cost savings come about because the manufacturer is able to spread overhead costs such as the costs of raw materials, labor, and manufacturing equipment over more units, thereby lowering the cost of each individual unit. As production costs per unit fall, the manufacturer can cut the price charged for each unit sold and still maintain the same level of profit. In industries where there are many manufacturers and, thus, a lot of competition, manufacturers may pass along some of the gains from economies of scales to consumers by lowering prices.

But as those who argue that advertising raises prices point out, manufacturers don't always pass on the savings. Instead, they sometimes keep them as increased profits. Even then, however, the increased demand created by advertising can

still lower prices. As consumer demand for a product rises, retail stores sell more of the product and the products move off of stores' shelves faster. Steiner (1973) found that as the sales of advertised products increased, retailers cut prices by reducing *retail* profit margins on the products. The retailers were willing to take less of a markup on each item because they made more money overall as the result of higher sales volumes. This idea of selling more for less is the basic business model for discount retailers, but it requires high consumer demand for the products sold.

Critics argue that when advertising focuses consumer demand on a particular brand of a product, the price of that brand may rise as the manufacturer and retailers try to maximize profits from consumers' brand loyalty. However, even if the prices of the most popular brands increase, if advertising increases overall consumer demand for a product category, the number of manufacturers producing versions of that product will grow. Retailers often offer both brand-name and private-label versions. As the number of brands battling for market share increases, consumers will have more product choices. Usually, the average price for the product category then falls, even if the price of certain name brands remain high (Steiner 1973; Albion and Farris, 1981).

An example of this would be the rapid decrease in the price of flat screen HD TVs. Between 2006 and 2011, the average price of flat screen HD TVs fell dramatically – more than 60 percent for some models. While it is not possible to attribute the lower prices for such products to advertising directly, it is clear that as demand for these products increased, prices fell.

Advertising Is Information

Another way advertising lowers prices is by providing consumers with product information. Advertising informs consumers about the range of products available and, sometimes, the prices at which those products are being sold. As consumers become more aware of their choices, the level of competition at both the manufacturing and retail levels goes up, which causes the prices for the advertised products to come down. Research has shown that when a producer or retailer advertises a product on the basis of price, competitors often cut their prices in response.

Advertising is particularly effective in helping lower the prices of “convenience” goods as compared to “non-convenience” goods (Reekie 1977; Albion and Farris 1981). Convenience goods are products such as soap, soft drinks, toothpaste, and so on, where the price is low, the product is quickly consumed and frequently replaced, and there is little risk to the consumer in making a “wrong” choice.

Advertising puts downward pressure on the price of convenience goods in several ways. First, the prices of convenience goods are so low to begin with that the risk in buying the wrong product is minimal. As a result, consumers don't invest much time in researching convenience products, and advertising is the primary source of information about product choices. Thus, advertising

materially affects consumers' purchase decisions. Second, advertising may make some brands of convenience goods so well known that retailers are almost forced to stock them (Steiner 1973). When that happens, retailers often cut prices on the brand-name products, using them as "loss leaders" to attract customers away from competing retailers.

Finally, the information function of advertising can help lower the price of even unadvertised products. As individual brands in a product category are advertised, consumers develop a general idea of what products in that product category should cost. This has the effect of creating an invisible "price cap" on most, if not all, products in the category. Manufacturers and retailers hesitate to raise prices above that perceived cap out of fear that consumers will start thinking those manufacturers or retailers are overpriced on everything they sell (Steiner 1973).

Research suggests that advertising has less effect on the prices of more expensive, "non-convenience" goods such as cars, expensive clothing, or high-end electronics. Non-convenience goods cost more and consumers tend to own them and use them for longer periods of time. Thus, buying decisions for non-convenience goods are riskier for consumers. While advertising may make consumers aware that a particular non-convenience product is available, consumers are unlikely to actually buy the product without doing additional research and talking with the sales staff at the retailer (Reekie 1977).

Advertising Improves Operating Efficiencies

A third way advertising may help keep prices low is by improving retailers' operating efficiency. Advertising informs consumers about the product choices available and the specific characteristics of individual brands. Customers who feel able to make buying decisions based on the information they've gained from advertising don't need as much customer assistance from the retailer. That allows retailers to cut back on customer-service costs by replacing sales clerks and customer-service representatives with searchable inventory computers and self-service checkout devices. The result has been a move toward a self-service economy, but some of the cost savings are passed on to consumers through lower prices.

A final way advertising keeps consumer prices low is by helping new competitors gain a foothold in the market. One of the biggest challenges facing new manufacturers and retailers is making potential customers aware that they exist. Advertising helps create that awareness. As competition in a market increases, prices fall as the competitors vie for market share.

Conclusion

Despite the arguments and evidence that advertising helps keep consumer prices low, the debate on the issue is unlikely to be settled any time soon. For