Advertising signals

Business

Advertising Signals Advertising Signals Introduction Advertisements are a way of spreading information, all advertisements, of different kinds has different kind and different level of information vested in it (Spulber, 1989, p. 448). For example: Rolex watches introducing a new line of watches and Roger Federer promoting these watches and informing the audience how stylish and how lavish the watches are through the advert. There is a lot of information that is being provided to the viewers of the ad through one single advertisement. At first glance, the viewers might say that a very low amount of information is being provided through this advertisement. Those who are in favour of such adverts might defend advertisements and state that all advertisements have some kind of information and even the most poorly constructed advertisements have some information about the quality of the product being advertised. Advertisements are very important signals about the quality of the product, an advertisement that costs really high provides clear information to the consumers that the product being advertised is of very high quality and that is why so much money is being spend on advertising the product. Body An Example of how advertisement signals quality: Two companies, company A and company B, selling cereal has developed and launched their own cereals for breakfast and they plan to sell it for $5 per container of cereal. Considering that the marginal cost incurred by both the cereal producers is $0, this means that each container of cereal sold by these companies will earn them $5 in profit. Bothe the companies are clearly aware of the fact that if the invest $20 million in conducting aggressive advertisement, they will be able to attract more than 2 million consumers and these consumers will not purchase the container of cereal for once, they will buy them again if the quality of the product is quite high. Company A is completely aware that the cereal they have developed is of low quality, but their efforts of advertisement will help them sell over 2 million containers of their cereal and they even know as soon as consumers will learn that the quality of their product is low, they will stop consuming it and will not buy the product again. Company A has realized that they will suffer a huge loss, thus they avoid advertising the product and instead they decide to get the product redesigned. On the other hand Company B has complete idea that they have produced very high quality cereal and once an individual purchases their product, will continue to purchase at least one box each month. Thus, in one year the company will be able to sell $120 million worth of cereal containers and they will only have to invest $20 million for advertisement. The decision for advertising for company B is accurate because their product is of high quality and their advertisement efforts will produce high amount of profits for the company. Consumers are going to probably purchase anything that is advertised well, this is quite a rational behaviour and well thought judgement on the consumers end, this is because consumers are aware that so much money on a particular advert is being spend because the company itself is sure that the product is of high quality and consumers will not only like the product, instead they will purchase it over and over again. A consumer might never be able to know how the product is and what the quality of the product is until they have tried the product for themselves, thus the only way of making a consumer purchases a product or service is through advertisement campaigns. If a consumer gets attracted to a product that is being advertised and they end up buying the product, and the product is of low quality, they will never purchase the item again (Panta, 2001, p. 20). If they will not purchase an item that has spent heavily on advertisement, then the company will suffer a very major loss. The loss will not only be financial, but the firm will even end up disturbing its image in the minds of the consumers. The actors and the celebrities that take part in advertisement of products that are of low quality will even see that their image in the consumers mind has depreciated and if they participate in any other advertisements, consumers might not get attracted in future. Conclusion The theory that customers expect that if the company is investing heavily in a product, they are preferably selling a high quality product is the reason why companies invest heavily in advertisement and they use famous super stars to sell their goods and services. References

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