

Methodological Aspects of Advertising Activity Efficiency Evaluation

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Abstract: The study describes the methodological approaches to the essence of advertising effectiveness. Theoretical and methodological basis of advertising activity evolution is given and its specificity in various stages of operation is determined. It is substantiated that advertising as it changes in the social and historical conditions and the development of commodity production transformed from a special type of information in the field of advertising as a specific market segment with a developed infrastructure. Supplemented and refined classification of advertising as a system of education is based on different criteria. The features display advertising in a modification of the competition, consisting of individualization advertising and changing its forms; the interactive nature of advertising; the concentration of the individual segments of the advertising market. The factors and methodological approaches of the effectiveness of advertising are determined.

Key words: Supply and demand, factors of the advertising effectiveness, reproduction, utility of advertising, non-price competition, the advertising market

INTRODUCTION

The theoretical and methodological analysis of advertising activity and its product (advertising) is determined, on the one hand, by the general requirements to possess the knowledge of the economic laws action mechanism governing the market functioning including specific one as the advertising market and on the other hand, by the practical needs of the modern Russian economics (Zhang *et al.*, 2009).

The versatility of the advertising essential characteristics from the overall economic point of view and its realization under the conditions of competitive relations modification and directions of its development needs further research.

In modern conditions of operation regulation and the subjects of the consumer market development the level of competition between the enterprises for potential consumers of their goods and services is increasing. The most important component of competitive strategy of the company is advertising which functions in modern economic system are presented in Fig. 1.

Since, the firm's activity in the market is carried out under conditions of competition, advertising is the essential tool for competitive relations. Reasonable use of advertising means and methods allows us to solve the problems of informing the potential consumers about the competitive advantages of the company or product, secure preferences, increasing the share of the enterprise

market (Wedel and Pieters, 2008; Rosenholz *et al.*, 2007). In addition, the analysis of the information the advertisement contains makes it possible to explore the strategy and tactics of the competitors, their pricing, methods of goods sale. The promotional product itself, creative solutions and quality of advertising, the frequency of its use also characterize the specifics of the competitive relationship.

The multiplicity of advertising tasks creates significant diversity of its species, means of distribution, options for its creation and other elements of which advertising is shaped up as a system. Accordingly, there are grounds for the advertising classification which is reflected in Table 1. The forms and types of advertising existing in the modern practical marketing require a reasonable determination of their economic efficiency.

MATERIALS AND METHODS

Determination of the effectiveness is a prerequisite for the proper organization and planning of the company's promotional activities, management of labor and material resources spent on advertising. The complex form of advertising effectiveness is determined as a result of promotional activities, correlated with the cost of its implementation and estimated from the perspective of achieving the objectives of the campaign, the psychology of the impact on the target audience and increase

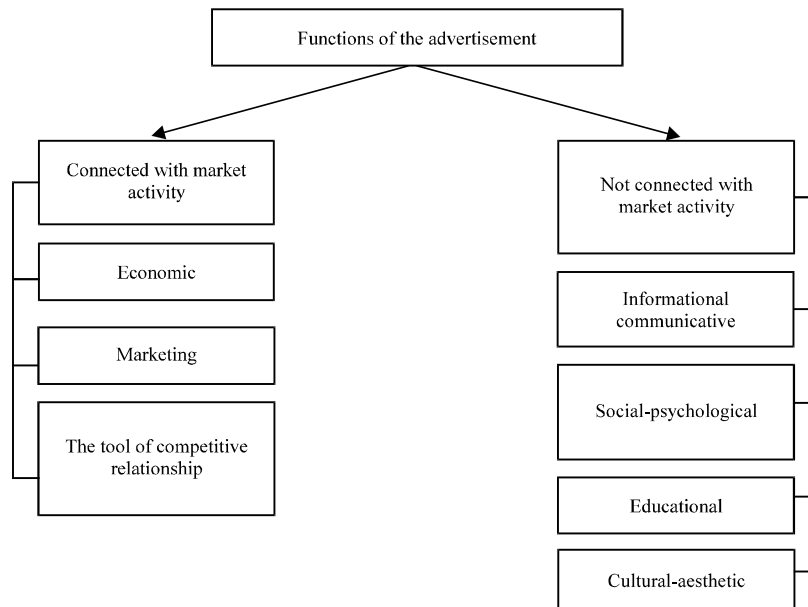


Fig. 1: The main functions of the advertisement

Table 1: Advertising classification as a systemic formation

Classification criteria	Types of advertisement
According to the object	Advertising goods, means of its individualization, the manufacturer or seller of the goods, the results of intellectual activities, events
According to the aims	Commercial, social, political advertising
According to the stages of the life cycle	Of advertising at the implementation stage, growth, saturation, recession
According to the breadth	Local, regional, national, international advertising
According to the customer	Advertising of the manufacturer, wholesalers or retailers, individual and public institutions
According to the means of dissemination	Film advertising, video advertising, print, television, outdoor advertising, radio advertising, press advertising, internet advertising, point of sale advertising, direct mail advertising, exhibitions and fairs, etc.
According to the source of funding	Advertising, paid by the manufacturer or retailer, manufacturer and seller together
According to the time of exposure	Single, continuous, seasonal advertising
According to the way of exposure	Rational (objective), emotional (associative) advertising
According to the intensive periods	Abrupt, intermittent, continuous advertising
According to the number of distribution channels	Single-channel and complex (integrated) advertising
According to the communication problems	Informative, persuasive, comparative resembling underpinning advertising
According to the degree of openness	Direct, indirect, hidden advertising
According to the degree of conscientiousness	Fair and unfair advertising
According to the degree of reliability	Reliable and misleading advertising

awareness about the product (service) (Gabbrakhmanov and Rozhko, 2014) (Fig. 1 and Table 1). Advertising effectiveness research should be aimed at obtaining specific information about the nature and relationship of the factors that serve the objectives for the advertising cost-effective means and maximum efficiency. This can eliminate invalid advertisements and determine the optimal conditions for its impact. It should be noted that difficulties arise when you want to separate the factors that influence the product's marketing and determine the importance degree of each of them for sales growth.

As these factors are the internal and external factors that determine the effectiveness of an advertising campaign. The elements that constitute the contents of internal efficiency factors are associated with the

production of an advertising product: advertising product's creativity; advertising budget's size; manufacturability of advertising production; the advertising agency's skill level; qualitative and quantitative characteristics of advertisements (the share of air time; the time and intensity of impact, etc.) (Bagautdinova *et al.*, 2012). We can refer the following effectiveness factors to external ones:

- The level of advertising product's numerical distribution, the indicator that shows the ratio of advertising amount which features products of the advertiser to the total number of potential points sale (expressed as a percentage); sometimes reflects the total number of outlets that sell the particular product

- The level of advertisement's high-quality distribution, a figure that describes the quality of advertising. It is characterized by the presence of POS and POP materials, availability of products for the customer and so on
- Advertising activity (own and competitive)
- Marketing activity-own and competitive (for example, producing a product innovation, product with new taste, changes in the volume and so on)
- Stability in the quality of own products and competitor's products
- Specifics of the competitive relationship in the market
- Changes in purchasing power and consumer preferences
- Governmental regulation of the market

In this connection, the most urgent task is to determine how the change in the volume of product's sales is going to change after the advertising campaign (Chrysochou and Grunert, 2014). It should be noted that the internal and external factors may act causing the increase of the promotional activities effectiveness favoring the functioning of the advertising market as well as vice versa. Advertising theories define the optimal combination of different ways to achieve the desired effect of advertising differently. Summarizing various points of view, it can be concluded that effective advertising is based on the following components:

- Drawing the consumer's attention
- Influencing the motives and the susceptibility of the consumer
- Forming the demand for the advertised product or service as well as to managing this demand within the target audience

Many researchers of advertisement emphasize that there is a decrease in the share of direct advertising due to the increase in the budgets of other communications. This happens due to the fact that advertisement was born long ago and in the most economically developed countries that use modern technology, it has achieved the highest possible efficiency.

Indirect advertisement becomes a new effective promotion tool. The alternative forms of advertising include: "framework sponsorship" outside the advertising blocks (dynamic screen, electronic banners and oral ads of the program's master); product placement: the integration of advertising in the "body" of the program; special projects, production of television programs for a particular brand. In the conditions of competition and growing consumer expectations, companies are more

interested in retaining existing customers than in attracting new ones. Customer's satisfaction is becoming a major challenge for many organizations and that is directly related to the ultimate goal the formation of customer's loyalty and profit.

Since, the promotional activity (Palei, 2014) is in causal connection with economic results of the company, it seems necessary to examine the ways to evaluation this relationship (Busljeta and Pelsmacker, 2014). In modern conditions, the number of research methods and tools by which the advertising effectiveness is evaluated is quite diverse. Thus, the problem of determining advertising effectiveness is regarded as the most intractable by many researchers.

The final effectiveness of the promotional activities implementation is influenced by a variety of internal and external factors listed above. To determine their effectiveness correctly as a part of promotional activities of any entity of the advertising market in each case it is necessary to reveal the contents of the factors affecting the advertising effectiveness, to identify their significance and to assess these factors individually and in combination.

This analysis of the factors can be carried out at two stages of the advertising activity. First, in is carries out prior to the advertising activity to determine the possible effects of its efficiency in advance and therefore be able to control their effects and secondly, at the end of promotions to assess the actual impact of separate factors on the efficiency to account them for the future (Gabbrakhmanov and Rozhko, 2014).

RESULTS AND DISCUSSION

Economic efficiency is understood as getting the maximum benefit at the maximum cost and is realized in the form of general and specific indicators of the company's activity (Peckham, 1981). Common indicators include: sales, profit, profitability, shareholder value, brand value. The structure of private economic efficiency indicators include capital ratio (Rossiter and Percy, 1985), net payments flows, sales or profit per employee, per square meter, etc.

The economic result obtained from the use of advertising means or the organization of an advertising campaign is usually determined by the ratio between the gross income from the additional turnover as a result of advertising and its cost. The general condition of economic result is that the gross income must be equal to the sum of advertising cost or exceed it (Schumpeter, 1954). The following techniques are currently used to define the advertising efficiency:

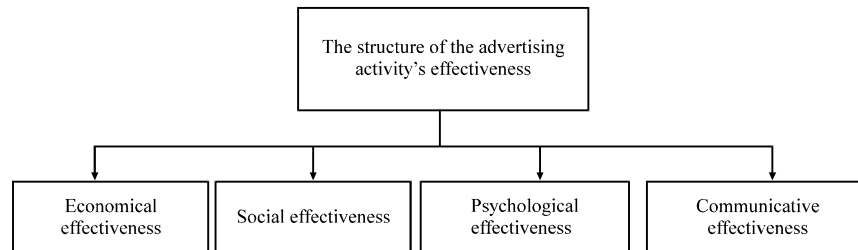


Fig. 2: The structure of the advertising activity's effectiveness

- Comparison of the sales volume to advertising expenditures in the last period as well as a comparison of the advertising cost to the increase in sales volume of the advertised product (Fig. 2)
- Comparison of the economic operation results of similar organizations, one of which has conducted an advertising campaign, the other has not
- Determination of the additional sales volume achieved due to the increased level of advertising costs

The most common methods of determining the cost-effectiveness in the economic literature are the following (Joel and Berman, 1987). Additional turnover under the influence of advertising that is calculated using the following Eq. 1:

$$G = Q \times P \times D / 100 \quad (1)$$

Where:

G = The additional turnover caused by promotional activities (rub.)

Q = The average daily turnover before the promotional period (rub.)

D = The number of days of the turnover taken into account in the advertising process

P = The relative increase in the average daily turnover during the advertising period compared with that before the promotional period

The mathematical model describing the change in turnover depending on the amount of advertising costs is of particular interest when determining the effectiveness of advertising. On its basis, we can determine the allocations for advertising that maximizes profits (Mingaleva and Bunakov, 2014). This is the model by Vidal-Wolf which states that the volume of goods sold in the period of time is a function of factors: the cost of advertising, sales response to advertising, market saturation level of the advertised goods, rules of sales volumes decrease when there is no advertising. The basic equation of the model is the following:

$$F/Q = (r \times A \times (M - S) / M) - W \times S$$

Where:

F/Q = Changes in sales volume during the period (rub.)

A = The cost of advertising in the time period (rub.)

r = The sales volume caused by each monetary unit spent on advertising, under the circumstances where the initial sales volume is equal to 0 (rub.)

M = The level of market saturation

S = The volume of goods sales in the period (rub.)

W = The proportion of sales volume to which it is reduced during the time t, on the condition that the amount of advertising costs is 0

CONCLUSION

Traditionally promotional activities are referred to as a form of costs when these costs are included in goods price. In recent years, the costs of advertising campaign are not viewed as inevitable means of production but as a form of investment, the use of which depends can influence the profit volume in the future. The level of advertising investment effectiveness is in close correlation with the state of the advertising market's competitive environment.

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