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THE COMPANIES INVESTMENT IN ADVERTIZING: TOOLS, BENEFITS AND RISKS

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Abstract: The increasing competition on the global marketand the ITC revolution are forcing the corporations and other companies to find out proper tools for advertizing in order to get success in their business. As could be seen in the media, the advertising is usually promoted by large companies that are allocating budgets for this activity. Most of the small and medium sized companies do not consider the advertising being an investment, but instead, expenses that they can not afford. Nevertheless, the effects of advertizing expenses could be seen in time, that's why many scholars are considering these expenses as being investment. This paper is aiming to present the main tools in advertising strategies, some of the benefits and risks the investment in advertising are feeding back the whole companies' outcomes and to propose some directions for the companies to maximize the benefits in advertising and a model of investment in advertising strategy, as well.

Keywords: relational marketing, investment in advertising, advertising tools, advertising expenses, advertising benefits and risks, investment in advertising strategy model

1. Introduction

The competition on the international markets is jeopardizing in our days, forcing the companies to face new challenges. In order to keep their clients and to attract new ones, many companies are developing advertizing strategies. The advertising strategy is part of the relation marketing strategy.

The changes that are continully taking place on the global market, characterized by the increasing of strong competition, globalization and the advances in the technology, have conducted to changes into the consumeres and beneficiaries characteristics (Ştefãnescu R., 2003). These changes are refering at least to:

- the maturity of the consumers and beneficiaries, that became more sofisticated in buying products and services;
- discenrnment in selecting products and services among those similary offered on the market;
- knowledge in seaking, selecting and chosing the products and services by using the information technology.

At the same time, the producers and the services providers have to face difficulties in their behaviours, which are determined by:

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- the need to sustain their competitive advantage;
- the need to maintain their market share;
- the need to face the consumers and beneficiaries increasing power.

These changes have conducted to the reconsidering the relations between the producers and their clients and to the development of the relational marketing (Berry, 1983).

In order to become loyal the consumers, customers and beneficiaries are expecting from the producers and suppliers to stretch a relational bridge that is going to bring them confort. The need for confort is caused by the lack of time, distance, risk avoidance, advantages received, the wish to belong to a group or club and others.

Hogg and Vaughan (1995) consider that the relations are established because of the proximity, complementarity, similarity, reciprocity and disponibility.

The maintaining of the relations between the producers and/or suppliers and the clients (consumers, customers and beneficiaries) requires an organization's strategic attitude and implies:

- „The four rules of friendship" defined by Argyle and Henderson (1984): the respect for intimacy, honestity, confidentiality keeping and the lack of public criticism;
- The concept of „proximity" defined by Barnes (1997), as being determined by four factors: relashionship force, satisfaction, emotional tone and relational empty;
- Specific tactics, defined by Bennett (1996): free telephone line, curtoasy telephone calls, imediately claims solving and the clients visits to the headquarter encouraging.
- „Parasocial relations" defined by Gummesson (1999) as being relationships with symbols, objects and phenomena less tangible, as for example the relationship between a celebrity and a mass of people.

In order to maintain the relationship with the clients the companies need to accumulate knowledge about what kind of advertizing brings friendly attitude and motivation.

2. Advertising expenses as investment

In order to grow in today's environment, it is necessary for businesses to invest in advertising and media. But not everyone knows how to capitalize on their media and advertising spend. Budgets are tight and it is critical that businesses are able to maximize the return on investment and get the most out of their agency contract (Fakler, 2014).

The advertising budget, included in the marketing budget, comprises expenses for:

- media: radio, TV, newspapers and magazines advertising spots;
- banners, flyers, agenda and calendars, other objects for office usage;
- inscriptions on the transportation means and stations;
- bonus cards, club cards, discounts, greetings cards, personalized magazines;

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- directs communication: telephone, meetings, exhibitions, account manager;
- trade mark, logos and brand registration;
- internal: marketing, branding and sales personnel training and motivation.

Even from the accounting point of view these expenses are current ones, because they belong to one financial year, however they may be considered as being an investment because they are repeating a long period of time and they show their efect in time, being the subject of the discount factor, risk and uncertainty, as any investment.

On the other side, the investment budget comprises costs that are building the brand essence, among the followings (Doval, 2008):

- research and design costs for a new product, containing atributes of differentiation from the concurent products on the market;
- up-to-day technology that has the designation to assure products' reliability and an optimum report cost/quality;
- cost regarding the after-sales expenses and other support activities offered to the clients in order to assure an emotional benefit and an added value to the products or services;
- distribution network construction to assure the clients' proximity, confort and safety.

The budget decision for advertising should look at the stage of product life cycle, market share and consumer base, competition, advertising frequency and product substitutability (MSG, 2016).

3. Tools for advertizing strategies

The choices of using adequate tools for advertising strategies depend on several factors, such as: the market-orientation (Novelli, 2003), the clients/customers' characteristics and the company's business strategy (Sutherland, 1993), the advertising tools that may be at the company's disposal, the budget for advertising activities and others.

The traditional tools for advertising used to be pictures and a relevant text printed in newspapers, magazines and flyers, TV spots and banners positioned in the public places, like metro and bus stations. Later, other tools have been developed, such as: telephone, public relations (PR), in-store programs and out-doors ads. The strategies for advertising also include different activities to attract the clients or to increase their fidelity for the brands or even the common products or services, such as: promotions, discounts, caravans, prizes and others.

Due to the information and communication technology (ITC) development the advertizing tools have been multiplied and more and more companies, even small and medium ones, are using Internet as the main stream for advertising their products or services. Since the Internet messages and pictures have been used for several years, the development of the gadgets is making possible to watch the advertizing by using mobile and video internet. "U.S. advertising growth through 2018 will average 4.7% growth compounded annually to an

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estimated $680B. In addition, internet advertising in the U.S. will grow by 9% to $66B, with mobile and video internet advertising being the fastest growing at 22.1% by 2018" (Fakler, 2014).

The advances in the ITC made possible the counter of the advertising access of household TV sets owners. A relevant work is belonging to Harvey (2010). His invention is briefly consisting in "a system that may be configured to receive and process household media exposure data, product purchase data, advertising data, program data, and demographic data, wherein the data may be obtained from various sources, including from a program delivery source (e.g., a television set-top box) located in a household of a consumer. The data may be matched and cross-correlated for calculating return on advertising investment measurements and other metrics. The data may be used to optimize media placement generally or to address advertising content to specific households".

According to Etree (2016) the strategic tools for investing in advertising may be grouped into:

- *Traditional media*, including banners, billboards, newspapers, magazines, television, radio and telephone directories focused on reaching high numbers of customers;
- *Digital media* including search engine optimization, mobile marketing, interactive online advertisements, emailing and online partnerships such as sponsorships that provides information and fast communication with the customers;
- *Social media* as a subset of digital media, focused on developing an interactive, online relationship with the customer by means of blogging, tweeting, posting, sharing, networking, pinning, bookmarking, media sharing and commenting on social media websites such as Twitter, Facebook, Orkut, LinkedIn, Pinterest, Reddit and YouTube;
- *Promotional Items*, such as brochures, business cards, press kits, websites, informational videos and merchandise, but these tools may be costy.

Among the advertising tools mentioned above, the social media tools are the most favorable ones for the small business and individual entrepreneurs because they are low-cost tools with potentially high return (Zarrella, 2009).

Other marketing tools that may be associated to advertising activities are: sales promotion and public relation.

The sales promotion refers to offering to customers free samples, free products, discounts and other incentives.

The public relation is an activity that facilitates the relationship with the customers, manages the tools for advertising and enforces the company's image.

Nevertheless, any of the advertising tools is used, the most important thing is to use the best message addressed to the customers, because the adequacy of the message may attract or reject new customers.

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Advertising is a costly marketing tool; however, traditional media outlets remain the most trusted sources of information, according to the 2012 Edelman Trust Barometer survey (Etree, 2016).

4. Benefits and risks of investment in advertizing

Benefits

The main benefit of the investment in advertising is the return on investment (ROI), which is quantified in the sales increase.

"Through numerous studies conducted worldwide, Nielsen Company found that the average short-term ROI (sales within three months of media execution) is 9%, but the advertising effectiveness could be increased 30-40% (fig.1). In today's tough economy, measuring this return is vital to ensure that ad dollars are allocated to those activities that best maximize sales" (Nielsen Co., 2009).

As could be seen in the figure 1, the Nielson's research emphasizes that for a $ short term investment in online advertizing the companies may obtain $ 2.18. The short term investment of a $ in PR, magazines, promotions and co-op programs may bring a ROI of more then a $. Under a $ spent in short term may be obtained by using TV advertizing, in-stores programs, out-doors ads and newspapers. But, the most efficient investment in long term advertizing is in TV advertizing that brings a ROI of $ 1.22.

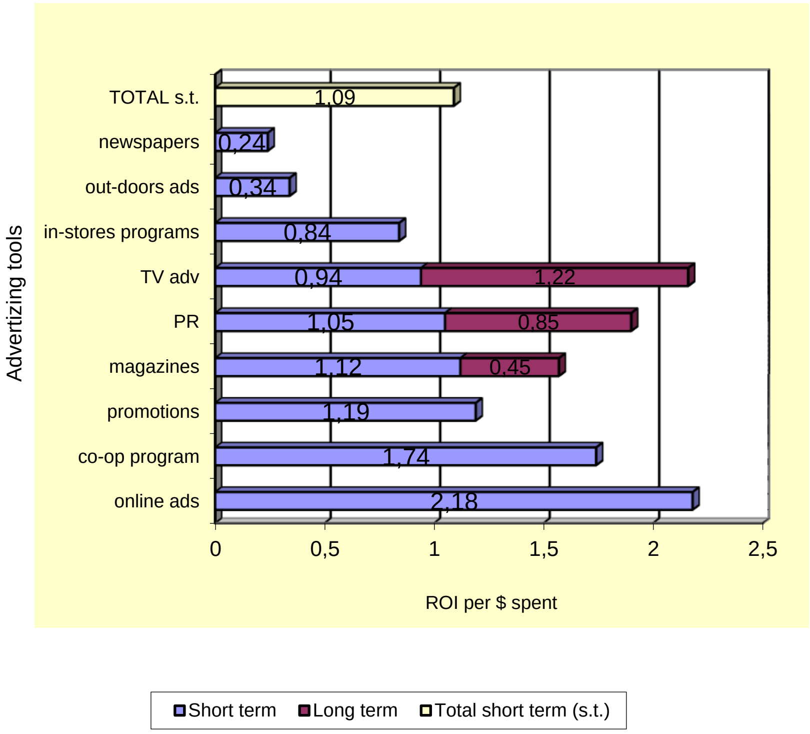

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Fig. 1 Global ROI: incremental revenue per $ spent
Source: The Nielsen Company's research (2009)

Other benefits that the investment in advertizing is bringing to the company could be:

- Clients/customers' information about new products/services;
- New clients/customers' attraction;
- Clients/customers' preference for specific brands or common products/services;
- Increase in volume of sales;
- Increase of clients/customers' fidelity;
- Gaining company's competitive advantage.

Risks

As any investment, the investment in advertising is generating some risks. The main risks that could be considered are:

- Null or negative ROI;
- Sales increase dependence to the clients/customers' satisfaction;
- Failure to keep the brand or common products and/or services at the same level of the quality/price report;
- Clients/customers' dependence on promotions and gifts;
- Changes in clients/customers' behaviour;
- The market position;
- Delivery problems;
- Competition.

Considering all these risks and others that could appear, the marketers have to analyze the customers' behaviour and the response to the use of one or another tool used for advertizing the products, services or brands.

5. Directions to maximize the benefits in advertising

The Nielsen Company (2010) is advising marketers to keep in mind eight principles to maximize the return on investment:

1. *Consider both the short and long-term sales impact of marketing programs*.
2. *Choose the right portals and campaigns for online success.*
3. *Influence target groups with magazine advertising.*
4. *Focus on campaigns that create the greatest halo effect.*
5. *Drive brand loyalty with TV advertising.*
6. *Create synergies across media to produce additional uplift.*
7. *Create brand awareness through in-store advertisements.*
8. *Invest in consumers with premium gift packs.*

The practice showed that except the Nielsen's principle no.2, which are started to be used by the small and medium sized companies, the others are real guidelines for the corporations.

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In order to maximize the profit by sales increasing the companies have to use a combination of advertizing tools, based on the customers' feedback. In this respect, they need to follow several directions of the strategy:

- Coach and manage the work force in the spirit of customers' satisfaction;
- Organize training programs with the employees involved in marketing and sales;
- Select talented and intuitive people who understand the customers' needs and motivation to be placed in the front line;
- Draw flexible strategy for advertising;
- Allocate enough money for the advertising activity;
- Use the customers claims, questionnaires, preferences' analyze and other means to collect feedback from the customers to select the best tools for advertising;
- Decide the strategy in branding: based on cost or differentiation (Porter, 1985) or a combination between these two directions;
- Effective manage and control the advertizing costs;
- Assess the returns according to the advertizing tools used.

Summarizing, the strategy for investment in advertising is pictured in the figure 2.

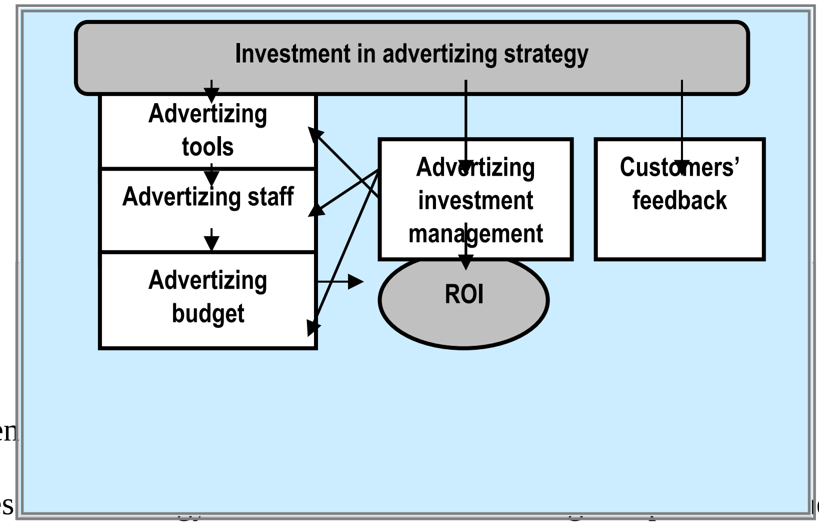

Fig. 2 Investmen

The main issues e tools, the staff and the budget. The customers' feedback to analyze their satisfaction and needs and an effective management are also parts of the strategy. All together surely bring a positive return on investment.

6. Conclusions

The advertizing activities could or not be included in the company's value chain. They involve necessary expenses for a company being competitive. Because the advertizing cost effects are seen in time, these expences may be considered as being investment.

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Reducing or cutting the advertising budget the companies are cutting from their strategic competences and demoralize their staff.

Investing in advertising, the companies have the opportunities to increase their sales and profit, to build or rebuild their strategic capabilities and to satify its customers and employees.

Usually, the corporation and large companies understand the importance of investing in advertising, but the small and medium sized companies avoid to spend money for this activity, considering a waste. The IT advances is facilitating these companies to choose the low-cost advertising tools to build their image and to atract customers.

The startegy for investing in advertising has to be analyzed according to the sales targets, customers' preferences and the advertising tools to be used. The advertising investment is generating benefits and risks, as well. In order to be efficient and competitive a company nees to carefully manage its advertising investment and to look for the return.

The model of the investment in advertising strategy may be developed but, nevertheless, as the first step for a new investor, it may be an usefull tool to start drawing a plan for the advertising activity.

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