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## IMPACT OF ADVERTISING ON THE ECONOMY IN MODERN SOCIETY

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The article researched the advertising as one of the most unique ways to create a positive image of a company by influencing decisions on mundane and minor issues. It has been proven that advertising affects the formation of individual values of a person through its influence on psychology and behavior. It is substantiated that at the current stage, the significant public interest in advertising as a social institution is due to two factors: the development of market relations, characteristic of the Ukrainian economy, and the extensive but deterministic network of successful development of advertising industry entities. It is emphasized that advertising is the basis of interdisciplinary analysis through the actualization of the main areas of research in economics, sociology, psychology and linguistics. In addition, the emergence of new forms of business in the national economy identifies advertising as an intangible phenomenon, as it affects the institutional environment, in particular social institutions, causing radical changes in their functioning and helping to solve social problems in these institutions. It is proved that modern advertising tries to create conditions under which buyers recognize the attractiveness of advertising. The key task of the advertising industry is the principle “buy and make the purchase process not one-time, but permanent”, which identifies advertising as a single component of marketing, which begins with understanding the client, taking into account individual requests and needs. Given the ambiguity of the interpretation of the category “advertising”, its research is carried out in several directions: product (service) analysis, market research, analysis of the possibility of mass media and means of communication, etc. It is well-founded that advertising, acting as a cultural mediator in social communication systems, influences people’s behavior, but also influences people’s attitudes.

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## ВПЛИВ РЕКЛАМИ НА ЕКОНОМІКУ В СУЧАСНОМУ СОЦІУМІ

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**Ключові слова:**

реклама, рекламна діяльність,  
інформація, споживач, товар

У статті досліджується реклама як один із найбільш унікальних способів створити позитивний імідж компанії за рахунок впливу на рішення буденних та незначних питань. Доведено, що реклама впливає на формування індивідуальних цінностей особистості через вплив на психологію та поведінку. Обґрунтовано, що на сучасному етапі значний інтерес суспільства до реклами як соціального інституту зумовлений двома чинниками: становленням до ринкових відносин, характерним для української економіки, та розгалуженою, але детермінованою мережею успішного розвитку суб’єктів рекламної індустрії. Підкреслено, що реклама є основою міждисциплінарного аналізу через актуалізацію основних напрямів досліджень економіки, соціології, психології та лінгвістики. Крім того, становлення нових форм бізнесу в національній економіці ідентифікує рекламу як нематеріальне явище, оскільки вона впливає на інституціональне середовище, зокрема соціальні інститути, спричиняючи кардинальні зміни в їх функціонуванні та допомагаючи вирішувати соціальні проблеми в зазначених інституціях. Доведено, що сучасна реклама намагається створити умови, за яких покупці визнають привабливість реклами. Ключовим завданням

рекламної індустрії є принцип «купувати і зробити так, щоб процес покупки був не одноразовим, а постійним», що ідентифікує рекламу як єдину складову маркетингу, яка починається з розуміння клієнта, врахування індивідуальних запитів та потреб. Враховуючи неоднозначність трактування категорії «реклама», дослідження її проводяться в кількох напрямках: аналіз продукту (послуги), дослідження ринку, аналіз можливості засобів масової інформації та засобів комунікації тощо. Обґрунтовано, що реклама, яка виступає культурним посередником у системах соціальних комунікацій, впливає на поведінку людей, але також впливає на ставлення людей.

### Formulation of the problem

In the modern marketing environment, advertising is important, which acts as an important form of communication with the aim of persuading the audience – real or potential consumers, incentives for certain actions regarding products, ideas and services [1].

Advertising also plays a significant role in the economy in terms of cyclical fluctuations. Depending on the phase of growth and decline, advertising changes its focus. For example, during a recession, advertising may focus on the price of a product or service. At the same time, if one company cuts advertising to reduce costs during a recession, another company may increase advertising spending to attract consumers and increase market share.

The functional purpose of advertising is incentives for economic growth. In a country where consumer spending determines the future of the economy, advertising encourages people to spend more. By encouraging more purchases, advertising promotes both job growth and productivity growth to help meet growing demand and empower every consumer to spend more. Companies spend money on advertising because it increases sales of existing products, promotes acceptance of new products, builds brand loyalty, and takes sales away from competitors.

Advertising is, by far, the most effective way of communicating information. After all, in order to compete and develop in today's constantly changing market environment, it is necessary to reach as many target groups of consumers as possible, to quickly notify about the introduction of new products, product design improvements and price changes.

### Analysis of recent research and publications

The role of advertising is determined by the development of democratic values of society, namely: freedom of speech, competition, openness, etc., which are basic for the formation of a nation. Laureates of the Nobel Prize in Economics Dr. Kenneth Arrow and Dr. George Stigler, determining the value of advertising, noted that it is an effective tool of competition, informs the consumer about the value of a product or service, using cost-effective ways of conveying information to society.

In the economic literature, advertising is studied as a tool for influencing market power. Among the foreign scientists who studied the mentioned aspect of the advertising industry, one can single out N. Kaldor, J. Bain, J. Grossman, etc.

A significant number of studies by Ukrainian scientists are devoted to the influence of advertising on various

spheres of social life, namely I. Alyoshin, O. Donchenko, A. Starostin, R. Shulga, etc.

O. Kuznetsova, Yu. Mironov, T. Tyshka and others investigated the role of advertising and its influence on consumer behavior through social, economic, and psychological elements.

### The purpose of the article

The main goal of this work is to determine the impact of advertising on the economy in modern society.

### Presenting main material

Advertising as an economic phenomenon definitely affects subjects and participants of economic relations. It affects both consumers and producers of services and goods.

The role of advertising in the modern economy can be characterized through the following aspects:

- providing consumers with valuable and useful information that affects the choice of certain products and services;
- comparative analysis of characteristics, advantages and prices.

The completeness of the received information depends on the desire of consumers to purchase a particular product or service.

The chain reaction of advertising involves the following advantages:

- creation of net profit from direct sales and additional jobs thanks to the promotion of industry products and services;
- securing indirect sales and jobs among first-tier suppliers for industries affected by advertising.
- creation of indirect sales and jobs among all other levels of economic activity, since sales fluctuate at the level of the entire economy» [2].

Advertising stimulates commerce. It helps to learn about new products and services in order to navigate consumer preferences in the market for goods and services. The key task is not just to advertise, but above all to inform. Experts say that advertising is a powerful means of influencing and manipulating value orientations, preferences and beliefs. It can shape and change people's attitudes and behavior. Therefore, studying the influence of advertising from different points of view is relevant at the current stage: as a way to protect a person from its negative effects, as well as to learn how to influence and manage as much as possible.

The secret of the effectiveness of advertising lies in the use of the characteristics of the psychology of the individual. After all, it often does not work on a rational level, but is determined by emotions, the level of the subconscious. Note that there are people who trust printed

information, radio or television too much. Therefore, mass media play an important role in the influence of advertising on a person [3].

Economic function is the main function of advertising. Advertising informs the population about the good products appearing on the market and develops their production, sale and distribution, stimulates new purchases.

The impact of advertising can be considered through various aspects (Fig. 1).

Let's consider the specified directions of influence, presented in Figure 1, in more detail

**Advertising and goods, media.** First, advertising affects products directly. The increase in the market for the product is a direct result of the advertising company, which is designed to increase the demand for the product.

**Advertising and company.** Since investors are convinced of stable sales of a certain manufacturer's products, the advertiser has the opportunity to distribute shares of his company.

**Advertising and terms of competition.** Manufacturers dealing with advertising experience a significant level of competition. As a result of the development of advertising, imitators appear in the company over time. Because of this, companies are forced to introduce product quality standards.

**Advertising and consumers.** For the most part, advertising affects exactly the target audience of consumers that it is aimed at. With the appearance of imitators, consumer choice is expanded.

**Advertising and business circles.** Advertising also has a direct impact on the general business environment and the cycle of social production. Improving business activity with the help of advertising promotes the development of the system of local suppliers and the joining of a wide range of organizations for hiring new personnel.

**Advertising and mass marketing.** Most economists generally hold the view that mass production is the main driver of business success, believing that it is what has ensured the expansion of consumer choice, low prices for a large number of goods, and high standards of living.

For the efficient operation of the production system, the organization of a well-balanced mass distribution system is required. For its successful functioning, it is necessary to organize departments for packaging products and warehouses for their storage, the availability of administrative and working personnel, the construction of systems of dealer sales, distribution, networks of regional representative offices, wholesale and retail stores, as well as Internet sites for the sale of goods at competitive prices.

**Advertising and prices.** As a rule, the price of goods that are advertised is much higher than those that are not subject to advertising. However, it is not possible to draw an unequivocal conclusion about the effect of advertising on the price of products. Advertising costs are included in the cost of products and, accordingly, are paid by the end consumer.

**Advertising and consumer demand.** Advertising significantly affects the consumption of goods in general. The growth of demand for a certain category of goods is influenced by the level of education of the population, changes in lifestyle, traditions and the achievement of scientific and technical progress.

**Advertising and consumer choice.** In the 21st century the consumption process plays a significant role in the life of society. The formation of the mentioned process is connected with well-being, the appearance of a person with the possibility of regularly updating things, acquiring new ones that more fully meet the needs of the individual. In this connection, there is a rapid growth of interest in the surrounding world, as well as new needs in lighting and circulation of received information.

Freedom of advertising provides an opportunity to develop new products and update (rebrand) existing ones. In the conditions of increased competition, quality advertising helps to win a certain part of the market.

Note that advertising is part of the system of relationships between people and things. And despite the fact that it in no way participates in the creation and application of things, it is an integral part of this system. In connection with technical achievements in the field of

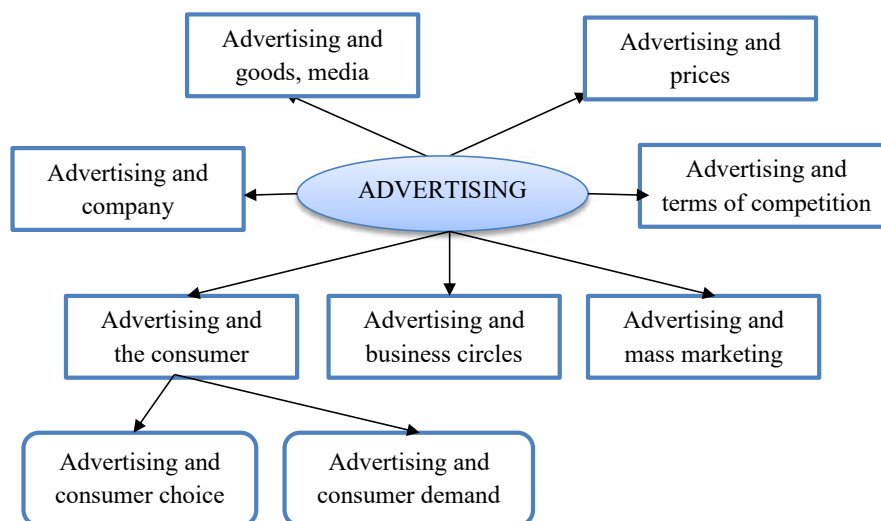


Fig. 1 – The impact of advertising on certain areas of social development

Source: built by the authors based on [4].

information systems, advertising gets the opportunity to penetrate into all spheres of human life, and is an important component of economic growth.

The proof of the above is the results of an online study obtained by the Nielsen company, which proved that advertising makes a huge contribution to the development of the economy, and also helps to create jobs [5].

The task of advertising includes both informing a person about certain characteristic features of goods, as well as stimulating sales and the development of trade by encouraging repeat purchases.

When the goods were made by the hands of local craftsmen, and were also in smaller quantities than now, there was no particular need for advertising. The buyer and the seller were personally acquainted with each other, and the buyer, most likely, already had some idea about the product. However, when the achievements of scientific and technical progress allowed mass production, everything changed. Relations between the seller and the buyer were broken [6].

The industrial age declared itself with the help of new scientific and technical inventions. Technological progress has led to the dominance of things, which has led to the growth of the need in the advertising industry. Manufacturers of goods were forced, with the help of advertising, to tell about their goods to consumers with whom it was not possible to establish personal contacts, as before [7].

The process of urbanization contributed to the fact that all products began to appear in general stores, which contained a certain number of goods. Later, such shops began to improve into department stores, which had a larger assortment of necessary goods. Prior to that, all products were sold in markets that were far from a clean standard. Perishable products were kept there, which undoubtedly affected the appearance of the market. Yes, the appearance of shops helped to make it a more pleasant and interesting event. Visiting such stores began to turn into a new kind of pastime [8].

Based on all of the above, we can conclude that a person turns into an object of economic relations. Not having the opportunity for independent choice and formation of the

external information environment, a person is guided only by the real economic situation.

This confirms the thesis that advertising is a stimulus for economic growth, supported by consumers in all regions of the world, including North and South America, Europe, Africa, the Middle East and the Asia-Pacific region. 68% of consumers in Ukraine think so. And 78% are sure that the advertising business is an important employer and its development contributes to the creation of new jobs [5]. The main result of advertising is the stimulation of demand and goods, which contributes to its growth and sales, having a positive impact on the economic environment in society.

However, there is also a negative impact of advertising, which consists in creating stereotypes in the perception and formation of behavior, determined in advance by the lifestyle and standards of behavior.

**Conclusions and suggestions.** On the basis of the conducted research, it is necessary to summarize that advertising is part of the cultural and informational space, an integral part of the commercial field, a phenomenon of intercultural communication. In the advertising message, a clear emphasis is placed on identifying the customer's needs. Satisfaction with life for effective influence on human consciousness, advertising takes into account a complex of external and internal factors, in particular the ethnic characteristics of the consumer, his cultural, spiritual and educational value systems.

Advertising plays a significant role in individual and social development. Advertising affects the economic development of the country and its economic growth. In addition, it can influence the behavioral economy, psychological incentives and determine the value orientations and development potential of society regarding consumer values, consumption culture, freedom of choice, which are integral components of modern civilization. It is advertising that contributes to the efficient functioning of the economy, regulates prices and facilitates access to new markets, both domestic and international.

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