

Is advertising inflationary?

 By [Chris Brewer](#)

31 Aug 2015

If 'cost-push' inflation is the act of progressively increasing the general level of prices brought about by an autonomous increase in costs then, yes, advertising is inflationary...

If the end user pays for the advertising then, it is true to say that advertising increases prices (in the strict sense) yet, as can be seen in many examples, advertising is the champion of free enterprise and the pillar of competitive activity so we could say that the net result of advertising is to **reduce** end prices. In which case, no, advertising is **not** inflationary.

Having reached an inconclusive answer to the question we should, perhaps, side-step the issue for a moment and examine whether advertising is expensive or not.

There is no concrete evidence to suggest that advertising is any more expensive (in terms of value delivered) than any other part of the marketing effort.

And, as the definition of 'expensive' is to be high-priced and costly, we should remind ourselves that, as advertising is an integral part of the free enterprise system, it is, in itself, an open market - somewhat imperfect perhaps - but open nevertheless. In other words, the producers of advertising material are as competitive between themselves as within any other industry.

The fact that some advertising people are paid what, on the surface would appear to be extortionate salaries, is no more unacceptable than any other professional person who, at the peak of his/her career, is well paid above the 'average'. This is because these people can produce great advertising.



Image via Fotolia

And a great advertising idea can significantly improve sales performance which, in turn, one would expect, to finally reduce prices. It may also improve the GNP and increase employment. Not many copywriters or media planners are aware of their significant contributions to the common good.

We could say that advertising is the oil that lubricates the great marketing machine - and we all know what happens to machines when they run without oil. There is also a difference in the quality of oils - there's cheap and there's expensive. Generally, the more costly oil will do a better job. If it makes the machine run smoother, more economically and for an extended life then the higher cost can easily be justified. It's no different in the case of advertising.

Thus we can conclude that, whilst advertising may be seen to be relatively expensive, there is no evidence to suggest that it is inflationary within the greater economic picture because it **should** produce substantial returns on investment.

However, given the current political climate, it seems like an appropriate moment to mention bribery and corruption.

It certainly does exist in the advertising industry but no more or less so than in any other business. There are still a lot of 'consulting fees' being exchanged between the parties of the advertising trilogy (advertiser, agency and media).

Wherever money changes hands there will always be bribery or corruption. It's apparent in our every day lives after all. We bribe our children with sweets, attractive girls smile sweetly at traffic cops and admen do whatever they can to get business (and I really do mean what ever).

Bribes are easiest spotted at the year end - and it's difficult to draw the line anywhere. The following is a true story - see if you can spot the bribe.

There was a production buyer in an agency who could give work to a wide variety of outside companies.

One year, along with many others in the agency, he received a bottle of Johnny Walker from one such company. He took it home to add to his growing collection of wines and cigars from other benefactors.

The next year, the same company gave the same agency guy, a case (12 bottles) of whisky.

The following year, the same company and the same rep said that they'd realised they didn't even know his favourite brand so they gave him R10,000 in cash and asked if he wouldn't mind "buying whatever brand you prefer."

At what stage, if at all, did it become a bribe?

When I was running an agency we had a simple solution. ALL gifts (without exception) were pooled together and then distributed amongst all staff at our annual party. What's more, every company had to be thanked on our official notepaper.

And finally, if an outside contractor took one of our employees out to lunch then that person was **obliged** to reciprocate - and if we felt it was inappropriate then our guy had to pay out of his own pocket.

To summarise, I think advertising is, like most other production/marketing costs, inflationary but with a codicil - that being the fact that a really good campaign will prove to be a magnificent investment. As far as corruption goes well, there'll always be a little hanky panky going on - so put that company-bought pencil down before you go home.

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