

Svetlana Frolova

THE ROLE OF ADVERTISING IN PROMOTING A PRODUCT

Thesis

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ABSTRACT

Unit Technology Unit, Ylivieska	Date May 2014	Author/s Svetlana Frolova
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<p>A modern human being lives in a world governed by different brands of goods and services consumption which literally become a religion of our time. This ideology is created through various promotional techniques designed to convince us that if we consume certain products, our life will be better, happier and more successful. Nowadays everyone is influenced by advertising and we do not even realize how it affects us.</p> <p>This thesis characterizes the role of advertising in effective promotion, presents general characteristics of advertising and its mission and describes the basis of the organization of promotional activities as well as how to evaluate the effectiveness of advertising campaigns.</p> <p>The objective of this thesis was to analyze the impact of advertising on the consumer buying behavior. Another goal was to describe the effect of advertising on a product life cycle and find out the right ways and methods of advertising and how to apply them at every stage of the product life cycle. Moreover, some real life examples are given in order to clarify the ideas.</p>		
Key words		
Advertising, marketing, product life cycle, consumer buying behavior		

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1. INTRODUCTION

Advertising plays an important role in our everyday life. It mainly determines the image and way of life and it has an impact on our thinking as well as on the attitude towards ourselves and the world around us. Advertising shows us ready forms of behavior in a certain situation. It determines what is good and what is bad. We buy what people say or "advise". I chose this topic because it is very relevant today and it is interesting by its complexity and psychological essence. Everyone, even without realizing it, is influenced by advertising. We do not notice how it affects us. We have become slaves of scientific and technical progress, and advertising uses that skillfully.

The pressure of advertisement is growing every day. A significant amount of money is spent on advertising campaigns bringing to the companies multi-billion profits. Moreover, it is a "product of the first necessity" for any enterprise, aimed at a commercial success, and it is becoming more and more expensive. According to statistics media the money spent on advertising in Finland was 1313,1 million euro in 2012 and 1206,7 million euro in 2013. (Finnish Advertising Council, TNS Gallup, Ad Intelligence 2014)

Advertising is directly linked to politics. It determines not only the purchase of toothpaste, but also the choice of political candidate. In the end it determines the path of political development of the country and the politics itself. This function of advertising is very important in our society.

Advertisement appeared a long time ago. Its existence in prehistoric times is confirmed, for example, by an Egyptian papyrus with the information of the upcoming sale of a slave. Advertising in those days was presented by written or oral announcement touting a particular product or service. The oral advertising was spread by some sort of barker. Besides papyrus scrolls and wax boards, the written advertising was embodied in inscriptions on roadside rocks, as well as on buildings. As nowadays, there was a promotion of almost everything - olive oil and amphorae to keep the oil, oxen, horses and other livestock, tools and weapons. There was advertising of services as well: in the announcements of that distant era

there were calls to visit a pub that sells unique snacks and wine, or an invitation to visit public baths. (Feofanov, 2004).

However, the advertising would probably have not expanded so much, if once human had not discovered the era of mass communication. The first impetus for this was typography. Another important development was the invention and subsequent spread around the world of the art of photography in the mid- 19th century. A photograph has served as an irrefutable proof of benefits of the advertised product. (Presbrey, 2009).

However, the most important developments in the global advertising business were made in the 20th century. It is no exaggeration to say that the 20th century was the “century of advertising”- at that time there were profound changes and innovations in the field of technology and advertising. It was the 20th century when advertising became this so popular – primarily due to the unprecedented growth rate of world industrial production, as well as due to the appearance of more and more sophisticated means of creating and distributing advertisements: multicolor printing, analog and then digital radio, television, satellite communications, and finally, computers and the Internet. Advertising is day to day becoming more professionally organized and more quality performed (Presbrey, 2009).

The objective of this thesis aim was to analyze the effect of advertising on a product life cycle and to find out the right ways and methods of advertising and how to apply them at every stage of the product life cycle. Moreover, I have described the impact of advertising on a consumer buying behavior. In the chapter 2 I will give general characteristics about the nature of advertising, its classification, main types, functions, advantages and disadvantages. In the chapter 3 I will describe the planning process of advertising campaigns, how to organize them and how to choose the right time for the promotional activities. Moreover, I will discuss the advantages and disadvantages of having a separate advertising department or turning to a professional advertising agency. In the chapter 4 I will give information about the product life cycle, its curves and stages, and I will show the effect of advertising on the product life cycle and explain the ways of organizing advertising in each stage. In the chapter 5 I discuss the spreading methods of advertising, the criteria that help to choose an appropriate

medium, the main distribution methods and I will give more detailed information about some sources of advertising. The chapter 6 describes the impact of advertising on consumer buying behavior and some psychology aspects and manipulation that can be found in advertising. In the chapter 7 I analyze how to evaluate the effectiveness of advertising campaigns and I give some examples of failed advertising activities.

2. NATURE OF ADVERTISING

2.1. Definition of Advertising

Advertising is impersonal communication of information about products, services or ideas through the various media, and it is usually persuasive by nature and paid by identified sponsors (Bovee, 1992).

The standard definition of advertising includes seven main elements:

1. Paid form of communication.
2. The presence of an identified sponsor.
3. Distribution through the media.
4. The presence of a specific audience for treatment.
5. Lack of personalization of distributed information.
6. Aimed action.

From this it follows that advertising is usually a non-personalized form of communication, paid by an identified sponsor, implemented in a certain way through the media and other legal means and aimed to familiarize with some products and its further acquisition by possibly large audience of consumers.

Advertisement can also be defined as below:

Advertising is a means of communication with the users of a product or service. Advertisements are messages paid by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association of the UK (<http://economictimes.indiatimes.com/definition/advertising>).

The definition of advertising by Federal Law of the Russian Federation “about advertising” from 13.03.2006:

Advertisement is the information distributed in any way, in any form or by any means, addressed to an uncertain number of people and aimed at attracting

attention to the subject of advertising, the establishment or maintenance of interest in it and its promotion on the market.

Advertising has the following advantages:

Advertising reaches customers living far apart.

Its public presentation shows to the buyer that the product is not contrary to social norms and the law.

It allows doing multiple announcements and when the addressee gets the message, he/she can compare the product with other competitive firms. A wide-ranging promotional activity, run by the company, is some kind of evidence of company's popularity and success.

Advertisement is very expressive - it allows a company to present its product clearly and effectively via text, sound and color. On one hand, advertising helps to form a long-term sustainable image of the product. On the other hand, it stimulates sales. (Kotler 2010)

However, there are disadvantages as well:

Advertising is impersonal, and therefore it lacks persuasiveness compared to a real person maintaining face to face communication.

Advertising is mostly a monologue that does not obligate to pay attention and reaction.

Advertising can be very expensive. Some of its types, such as an ad in the newspaper or on the radio, do not require much money, where other forms of advertising, such as television, require significant funding. (Kotler 2010)

Each country has its own regulations concerning advertising. Advertising can define a wide number of different aspects, such as placement, timing, and content. For example, in Russia you will not see advertising of alcohol on the TV after 9 pm, and in Sweden and Norway it is totally prohibited. There are countries that do not allow commercials aimed to children under the age of 12, and there can not be any advertisements five minutes before or after children's program. In the United

Kingdom it is forbidden to promote tobacco on television, billboards or at sporting events. The law of advertising usually describes:

- General requirements for advertising
- List of products, advertising of which is not allowed
- Public service advertising (PSA)
- Ways of advertising distribution
- Special advertising of certain goods
- Government control and responsibility for the violation of the legislation
- Etc

2.2. Classification of advertising

Since advertising is a sophisticated product for a variety of consumer groups, and is used to implement a wide range of functions, it is not so simple to classify it. It is possible to divide advertising into 8 main categories:

1. By target market segmentation. In this case, it should be clarified that the segmentation is a division of the consumer audience on segments by typical social, professional and other features. The more specific product or service is the narrower is the segment of the audience, among which they can be advertised. (Sandage, 2001).
2. By target impact – commercial (goods and services) and noncommercial (political and social). Commercial advertising is used to create, maintain and increase the demand of certain products, creating the best conditions for sale. Noncommercial advertising can be used to attract attention and create a positive image of an entrepreneur or an enterprise. (Sandage, 2001).
3. By distribution area - global, national, regional, and local. Global advertising is a rapid development of economic globalization in general: interactive videos, world radio and satellite TV, the Internet and other latest communication tools. Three

other types of advertising aimed at the population within the boundaries of a particular state, region, city, town or district. (Sandage, 2001).

4. By the way of transmission - printed, electronic, outdoor advertising. (Sandage, 2001).

5. By the method implementation - textual, visual. Textual advertising is divided into simple and complex, and visual into statistical and dynamic. Simple text advertising is a regular wall advertisement. Complex text advertising includes a set of basic components - title, subtitle, main text module, slogan, etc. As an example of statistical advertising can be an appropriate photographic image or picture, and dynamic advertising such as video, computer animation. (Sandage, 2001).

6. By the method of impact - direct and indirect. Direct advertising is an advertising that places us in front of the fact: this is the product, please buy it. Here is the price, phone number, etc. Indirect advertising is a phenomenon of a different kind. It operates almost on a subconscious level. So we do not even notice that we absorb the advertising information gradually. (Sandage, 2001).

7. By the method of addressing – an impersonal and personalized. Personalized advertising is represented by well-known personalities or experts of the advertised product, or consumers themselves (Sandage, 2001).

8. By the method of payment – paid or free. Free advertising is rare. In the most cases it is a public or social advertising, not for commercial purposes. (Sandage, 2001).

2.3. Main Types of Advertising

We can select seven types of advertising:

1. Brand advertising – it is usually visual and textual advertising. Such advertising is intended primarily to achieve a higher level of consumer recognition of specific brands. (Sandage, 2001).
2. Commerce and retail advertising - advertising of this type focuses on the specific production organization or product sales: it can be a service company or a shop. The main task of the commerce and retail advertising is to encourage the inflow of potential buyers by informing them about the place and the main terms of the provision of certain goods or services. (Sandage, 2001).
3. Political advertising - one of the most prominent and the most influential types of advertising. A positive image of the politician is formed (Sandage, 2001).
4. Advertising with a feedback – this type involves an exchange of information with potential customers. Most common way is a direct mail to specific recipients that has the greatest interest for advertisers as a possible buyers (e.g. in the form of catalogs). (Sandage, 2001).
5. Corporate advertising - such advertising almost never contains advertising information (in the conventional sense of the word), and serves for the preparation of the public opinion (a certain segment of buyers) to support the point of view of the advertiser. (Sandage, 2001).
6. Business advertising - professionally-oriented advertising, intended for distribution among groups formed by their belonging to a particular occupation. Such advertising is spreading mainly through specialized publications. (Sandage, 2001).

7. Public or social advertising - unlike business advertising, it is oriented to the audience, united mainly by people social status - for example, single mothers, childless couples, teenagers, etc. (Sandage, 2001).

2.4. Functions of Advertising

There are four main functions of advertising:

1. Economical function. The nature of the economical function of advertising is first of all to stimulate sales and increase the volume of profits from the sale of a certain product for a certain unit of time. Advertising informs, creates the need for a product or service, and encourages people to purchase. The more people have responded to the ad, the better it is for the economy and the economical well-being of society (Kotler, 2002).

2. Social function. Advertising information has a significant impact on the formation of the consciousness of each individual. When advertising is addressed to consumers, besides the promotion of a product, it also

- helps to form ideological values of the society and at the end has an effect on the character of social relations
- causes consumer instincts, encouraging people to improve their financial state
- improves the culture of consumption. Comparing different products and services, the consumer, in any case, tends to get really the best (Kotler, 2002).

3. Marketing function. Advertising is an important component of marketing. Advertising entirely connected to the tasks of marketing, whose final aim is the full satisfaction of customer needs concerning goods and services (Kotler, 2002).

4. Communicating function. Advertising is also one of the specific forms of communication. It is designed to perform an appropriate communicating function,

linking together advertisers and consumer audience by the means of information channels (Kotler, 2002).

3. PLANNING OF AN ADVERTISING CAMPAIGN

3.1. Organization of an Advertising Campaign

Advertising campaign is the set of promotional activities, developed in accordance with the marketing program and aimed at consumers, representing appropriate market segments, in order to cause their reaction and find a solution for the strategic or tactical objectives of a company. (Evans & Berman, 1995).

Specification of separate activities during the campaigns depends primarily on the marketing strategy, which can be expressed, for example, by capturing the overall market, its share or segment; introduction into a new niche; retention of previously captured market positions. Marketing infrastructure, human and technical resources, established level of communication and information supply are all worth considering.

Manufacturer can count on the high efficiency of advertising campaigns only if: firstly, they are prepared and carried out on the basis of preliminary studies, taking into account the dynamic nature of the market. Secondly, promotional products are reasonably created, memorable and properly acting on a pre-selected consumer audience. Thirdly, a sufficiently broad publication is provided by advertising means that are most appropriate for the task. Fourthly, the events in different places and at different levels of sales activity are coordinated. (Hopkins, 1966)

Each advertising campaign consists of three main stages: preparatory, meridian and the final one. The preparatory stage is the most important one because two others depend on it, as well as the success of an advertising campaign in general. The preparatory phase includes planning of an advertising campaign. Planning considers the situation around the product on the market, and determines the cost of advertising. After choosing the types and methods of distribution and calculating the volume of advertising, it is easy to calculate the cost of purchased place or time for it. (Evans & Berman, 1995).

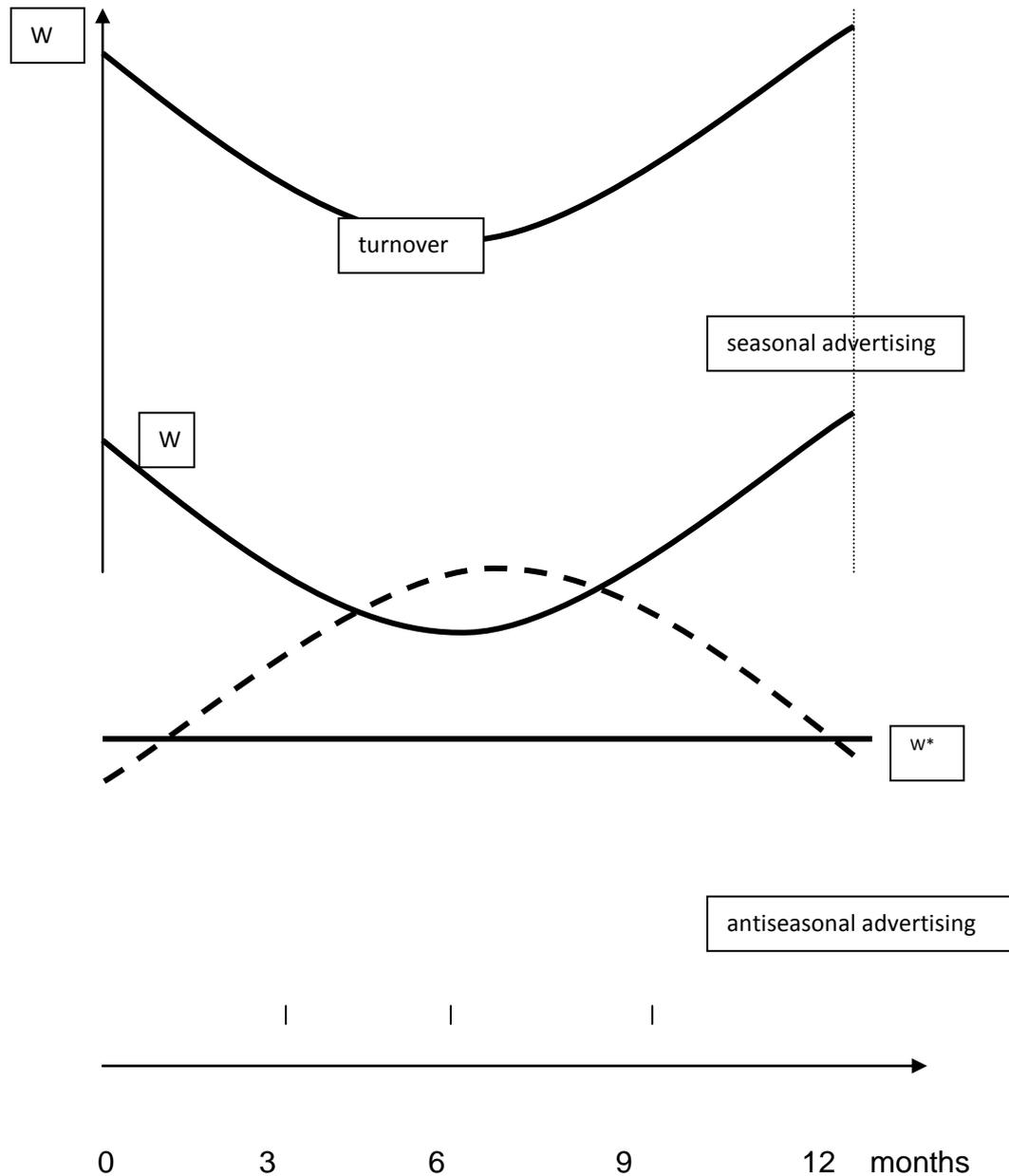
When planning the advertising campaigns it is taken into account that the success of market activity depends not only on successful advertising, but also on factors that characterize the product: the product's functionality, price and competitors.

3.2. Choosing Time for Promotional Activities

It is good to have an idea how to carry out advertising campaigns in different time periods. Promotional activities may be periodic (before big holidays) or sporadic (as a response to changes in demand, changes of market conditions, etc.).

Promotional activities can also be planned for any special occasions, for example, new products, price change of existing products on the market, opening of new branches for the sale. (Samarina & Kalugina, 1999)

In those cases, if the trade turnover has dynamic seasonal changes, the advertising policy provides the following strategies.



GRAPH 1. Promotional strategies for turnover growth (source: author)

In this graph W is the cost of turnover; w describes the cost of advertising issues, making a share of W depending on the product specifications; w^* is advertising, the intensity of which remains at the same level. The impact of advertising on sales or market share is quite measurable.

The release of promotional products remains at the same level, i.e. promotional materials are produced uniformly over the same period of time, if the seasonal nature of the turnover dynamics cannot be changed.

Changes in the release of promotional products follow the changes in sales of goods, i.e. the use of seasonal advertising. Dynamics of the release of promotional products follows the changes in circulation in the form of anti seasonal advertising.

While the first two types of advertising have serious disadvantages (the intensity of one stays at a certain level and the dynamics of intensity of the other coincides with the dynamics of turnover), anti seasonal advertising has many advantages. Thus, the stability of the sales volumes increases by smoothing the turnover peaks and increasing the demand in those periods when it has traditionally low.

3.3. Advertising Department or Professional Advertising Agency?

For the organization of promotional activities the firm can use its own advertising department or an external advertising agency. This planning stage is one of the most important because it determines the degree and form of manager participation in the implementation of the plan of an advertising campaign. A further planning process or the process of implementation of the plan may be fully or partially delegated to the marketing department or advertising agency. In order to make a decision on the establishment of responsibilities manager should understand the advantages and restrictions of every possible option. (Hopkins, 1966)

Promotional activities in an organization can be implemented by one of the organization's employees. It can be an employee of the sales department, the deputy head of the organization, the chief executive or a specially assigned person - advertising manager.

Direct appeal to the advertising media can be used in small firms, with a small amount of promotional activities or limited use of advertising media. With the constant reference to advertising media a special advertising department is organized. (Lambin, 1966).

The department takes the functions of preparing the budget, preparing advertising messages or orders them from third-party organizations (usually specialized advertising agencies), using and monitoring the advertising media, evaluating the effectiveness of promotional activities.

When power is delegated to the advertising department advertising manager's duties vary significantly. His/her responsibilities will include the management of the advertising department. At the organization of large-scale regional or national advertising campaigns, advertiser refers to advertising media through advertising agency. An advertising agency can offer the services of marketing research, organization of advertising campaigns and a set of measures for public relations.

In large firms advertising departments usually work with an advertising agency. The functions of the advertising department in such cases include the development of the overall budget for the advertising agency, approval of campaigns offered by the agency, control and analysis functions, activities for the direct mail advertising, advertising design of the dealer institutions and the implementation of other forms of advertising that advertising agencies do not usually do by themselves. (Hopkins, 1966).

Obviously, the main problem arises in the choice between relying on an advertising agency and creating your own advertising department. When making such decision managers usually consider different factors.

There are many reasons why advertisers usually prefer to create their own advertising department. The first reason is that the company has more confidence in their staff than in an external advertising agency. In such case managers suggest that employees are more likely to defend the interests of their company than some external organization. The second reason is that advertising departments are more manageable than the advertising agency, whose leaders can have their own views on the organization of the advertising process other than the advertiser. The third reason is to save money, which you can get when placing orders directly to the producers of advertising services. The fourth reason may lie in the specificity of the advertiser's activities that sometimes cannot be appreciated by other organization. (Lambin, 1966).

The reasons why advertisers prefer to turn to advertising agencies:

The first reason is the independence of the agency. It works with many clients and has certain responsibilities. Aimed to give the best quality service to each advertiser, the agency is not obeyed to any of them. An independent agency has the opportunity to look at the problem of the customer and give him an objective assessment. The agency rather follows its own principles of creating an effective advertising than obeys the whims of the customer organization. (Romat, 1997).

The second reason is the extensive knowledge and experience that the agency's employees have acquired while working on different orders. Knowledge gained in one industry is often useful to advertisers in other industries.

The third reason is that there are the best professionals working in the advertising agencies. Even the largest customers find it more profitable to use this mass of creative individuals.

The fourth reason is that any savings that the customer can get with his own (in-house) advertising agency, as a rule, is less than the total value of high-quality service, which he loses when refusing to cooperate with an independent agency. In addition, such savings are often illusory. Even if the savings are 10-15 % of the advertising budget (in case of significant volumes), the customer has the administrative costs (which often make the same 10-15%) related to the extra wages of the advertising department personnel, the rent of the area occupied by them, depreciation expense of the equipment used by employees, and also some certain HR cost. (Lambin, 1966).

The fifth reason is that in some cases cooperation with the agency saves money. For purchasing advertising space and advertising time in large quantities the agencies usually use a dual system of discounts: the commission which usually ranges from 10 to 15% of media tariffs and the discount for multiple advertising, which can reach 15% of media tariffs. Competing among themselves, the agencies seek to provide more beneficial conditions for placing advertising in the media. (Lambin, 1966).

The sixth reason is that the agency has a great potential for the implementation of low-skill "rough" and routine work, which inevitably arise in the organization during the advertising process.

The seventh reason is the possibility of a temporary access to the advertising agency for the duration of the advertising campaign.

When deciding whether to establish a separate advertising department or not the advertiser must keep in mind that for the effective solution of the problems arising in the organization during the advertising process one might have to create a sufficiently powerful advertising infrastructure, the scope of work for which in consequence may be insufficient.

4. ADVERTISING AND PRODUCT LIFE CYCLE

4.2. Concept of Product Life Cycle

Volume and duration of production of a product change cyclically over time. This phenomenon is called the product life cycle.

The concept of the product life cycle describes the marketing of the product, profit, competition and marketing strategy from the moment when a product enters the market till the removal from the market (Levitt, 1965).

The concept comes from the fact that any product sooner or later displaces from the market by another, more perfect or cheap one. There is no eternal item.

The concept of product life cycle applies to categories of goods (TVs) as well as to subcategories (color televisions), and even to a particular model or brand (color TVs "Samsung"). (Although many economists say mostly just about the life cycle of goods in general, almost denying the existence of the life cycle in the categories and subcategories of goods.) Specific product model more clearly follows the traditional product life cycle.

Product life cycle can be represented as a sequence of stages of a product's existence in the market, which has certain limits. The dynamics of a product's life shows the amount of sales at each time period when there is a demand.

4.3. Stages of Product Life Cycle

Life cycles of products are very diverse, but almost every time it is possible to identify the main phases. In the classic product life cycle we can distinguish five stages or phases:

1. Phase of introduction or market entry. This is the phase in which a new product appears on the market, sometimes as test sales. It starts with the distribution and the first sales. At this stage the product is still a novelty. Technology is still not

mastered. The manufacturer has not chosen the manufacturing process yet. The product modifications are not available. The prices are usually increased. Sales volume is very small and increases slowly. Supply chains are cautious concerning the product. The growth of sales is small, trade is often unprofitable and competition is limited. Competition in this phase can make only substitutable products. The aim of all marketing activities is the creation of market for a new product. Firm incurs high costs, since in this phase there are high costs of production and costs of promotion usually reach the highest level. Customers are innovators willing to take risks in testing a new product. In this phase there is a very high degree of uncertainty. The more revolutionary the innovation is, the higher is the uncertainty. (Stark, 2011).

2. Phase of growth. If there is demand for product, the sales will start to grow significantly. At this stage buyers usually accept the new product and its demand starts to increase rapidly. Market coverage increases. Information about the new product is transferred to new customers. The number of product modifications increases. Competing firms pay attention to this product and offer their own similar products. Profits are quite high, as a significant number of products is sold, and the competition is very limited. By intensive sales promotion market capacity is greatly increased. The prices get down slightly, as the manufacturer produces a large number of products by the proven technology. Marketing costs are allocated to the increased volume of production. At this stage customers are people who accept novelty. There is an increased number of repeated and multiple purchases. (Stark, 2011).

3. Phase of maturity. It is characterized by the fact that most of the buyers have already purchased the product. Sales growth rates are falling and this product goes into the category of "traditional". There is a large number of modifications and new brands. Product quality is increased and production functions are better. Maximum of sales is achieved. The profit of the enterprise is reduced and grows slowly. There are stocks of goods in warehouse and competition is growing. There is price competition as well. The firm makes sale at discount prices and weaker competitors are out of the market. Sales promotions reach the maximum

efficiency. Customers here are people who slowly accept something new and who are conservatives. This phase takes the longest time. (Stark, 2011).

4. Phase of saturation. At this stage the sales growth ceases. The price is greatly reduced. However, despite the decrease in prices and the use of other methods to influence the customers, the growth of sales stops. Market coverage is very high. Companies seek to increase their market sector. Sales network also does not expand. Technology is the same. At this stage technological improvement of the product and its technology is likely to be repeated. This stage is often connected to the stage of maturity for the reason that there is no clear difference between them. (Stark, 2011).

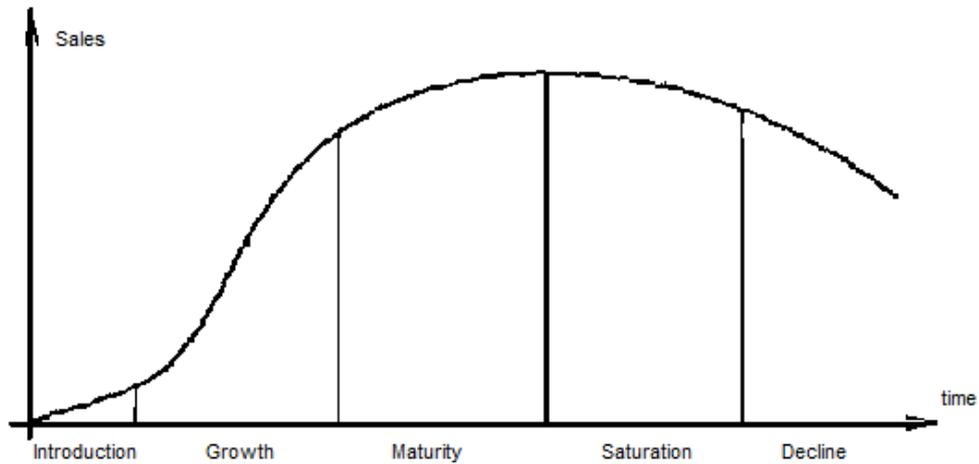
5. Phase of decline. This stage is a period of a sharp decline in sales and profits. The sales may drop to zero or remain at very low levels. The main reason is a new and better product or changing customer preferences. Many firms leave the market. The budget for sales promotion is reduced or completely stopped. Consumers lose interest in the product, and its number decreases. The main consumers are conservatives with low wages. At this stage it is better to remove the product from the production in order to avoid large financial losses. (Stark, 2011).

The transition from one stage to another goes without sudden jumps. The duration of the cycle and its individual phases depend on the product itself and the particular market. The life cycle is also affected by external factors such as the economy in general, inflation, consumer lifestyle, etc.

4.4. Curve of Product Life Cycle

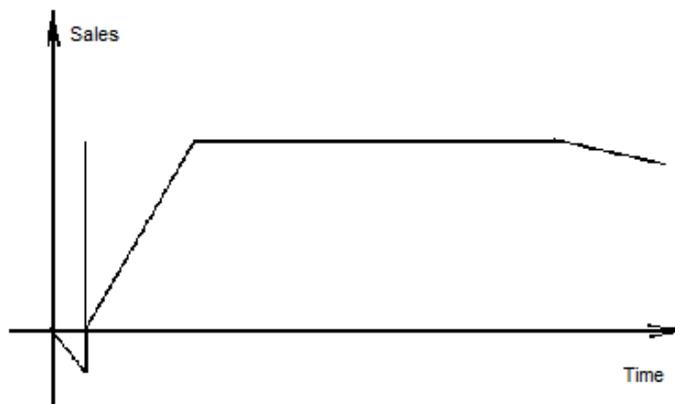
Product life cycle and its stages can be represented graphically.

The X-axis represents the time and the Y - axis represents the sales volume of goods at a given time.

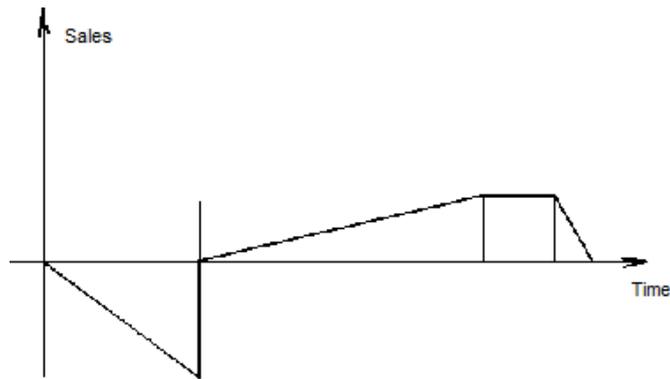


GRAPH 2. Product life cycle curve (adapted from Stark, 2011)

This figure shows the traditional curve of the product life cycle. It describes the distinct periods of introduction, growth, maturity, saturation and decline. There is also an ideal curve and the worst one:



GRAPH 3. An ideal curve of the product life cycle (adapted from Stark, 2011)



GRAPH 4. The worst curve of the product life cycle (adapted from Stark, 2011)

These graphs are not mathematically precise. The curve of sales in the graphs falls below zero at one point. Of course this cannot happen, since it would mean that the company buys its own goods. By this way it schematically indicates the material costs of the company to develop a new product, i.e. purchase of other goods (labor, technology, etc.)

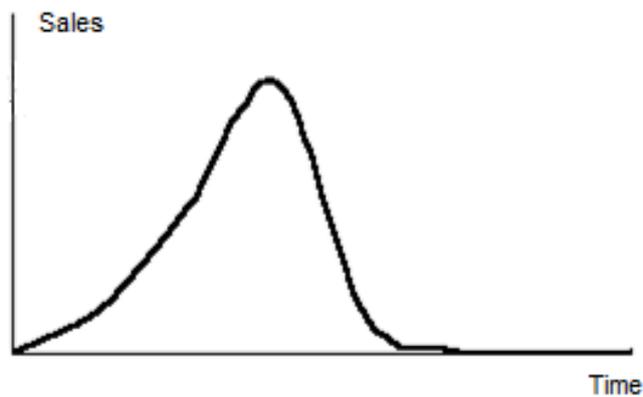
Types of product life cycle curves

Depending on the specific characteristics of the product and its demand there are different types of PLC, which differ both in duration and form of development of the individual phases.



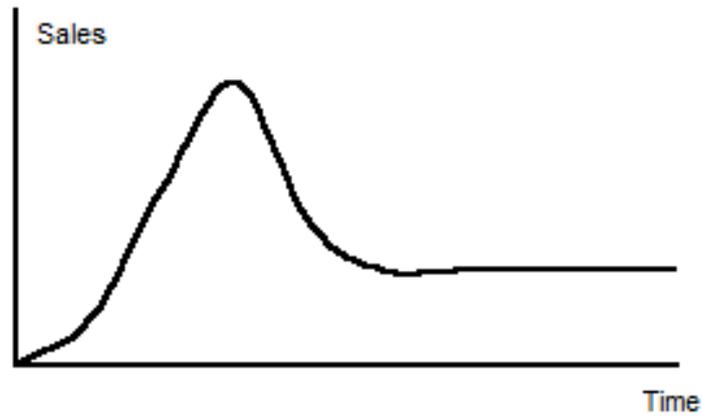
GRAPH 5. Example of product life cycle curve. (Source: author).

The curve above describes a very popular product with stable sales during a long period of time. An example of such product can be "Pepsi." In the case of such a product life cycle curve a firm manufactures the product and makes profit for a long time.



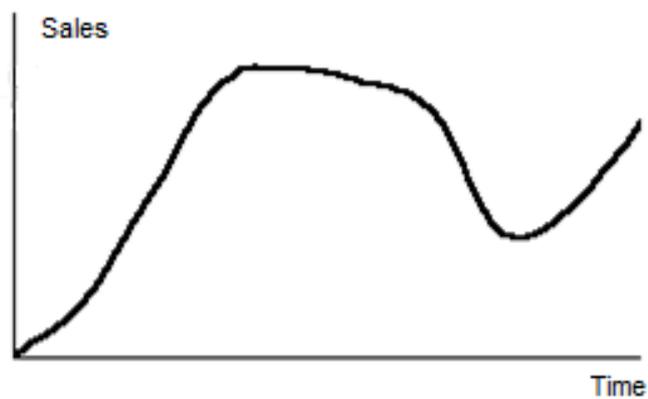
GRAPH 6. Example of product life cycle curve. (Source: author).

The curve in graph 6 describes the product with fast rising and falling sales. Such a curve often relates to a trendy and popular product. An example of such a product can be once-fashionable glasses Wildfox, which nowadays cannot be even found on the market.



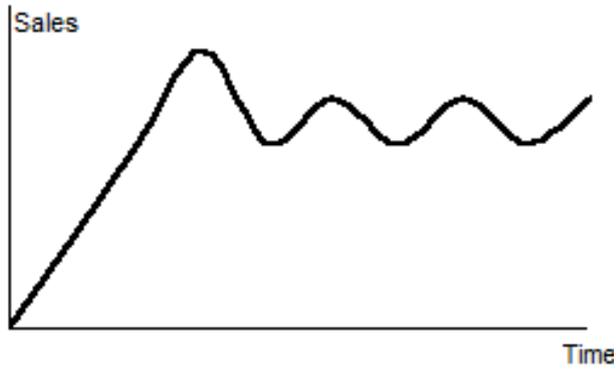
GRAPH 7. Example of product life cycle curve. (Source: author).

The curve in graph 7 also describes a popular product, but this product is still part of the consumer preferences.



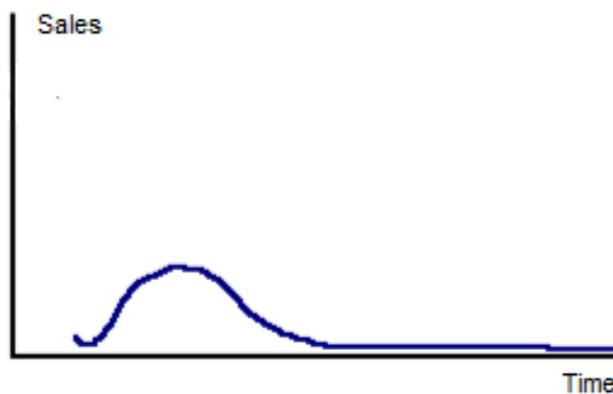
GRAPH 8. Example of product life cycle curve. (Source: author).

In graph 8 one can see a curve of such a product that is sold well during certain period of time. Such goods may be winter or summer clothing, Christmas gifts, etc.



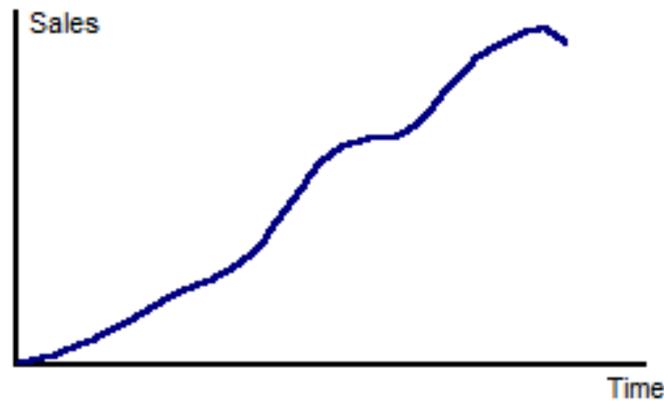
GRAPH 9. Example of product life cycle curve. (Source: author).

Graph 9 describes how demand for a product falls, but after a while resumes. An example would be a return to the women's platform shoes that were popular in the 1970s.



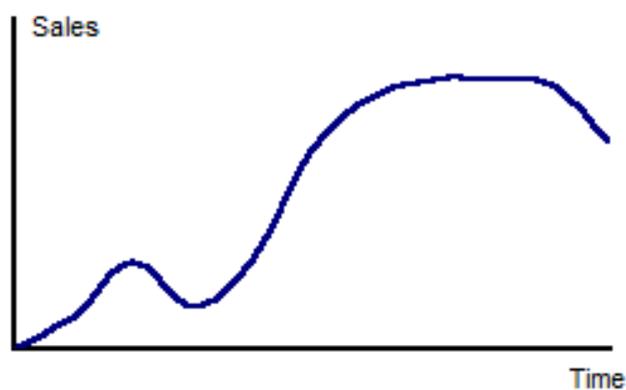
GRAPH 10. Example of product life cycle curve. (Source: author).

The curve in graph 10 characterizes a product that almost immediately loses demand among buyers.



GRAPH 11. Example of product life cycle curve. (Source: author).

The curve presented in graph 11 describes goods, whose sales ceases to grow, but after a little improvement and additional useful properties the company manages to increase the sales again. Such products are chewing gums ("Orbit", "Dirol"), which firstly are just means to take care of teeth, and then make it better and better through the use of new components (xylitol) or refuse of old one (sugar).



GRAPH 12. Example of product life cycle curve. (Source: author).

The curve is characterizing the goods whose entrance to the market was badly planned and carried out, but with the second try they got a great success.

For example, Facebook is in the mature phase of the product life cycle. Once it became the norm for everyone to have a Facebook account, the growth stage was over. No new or obsoleting technology is expected to appear soon which would put Facebook out of business. While Facebook competes with other

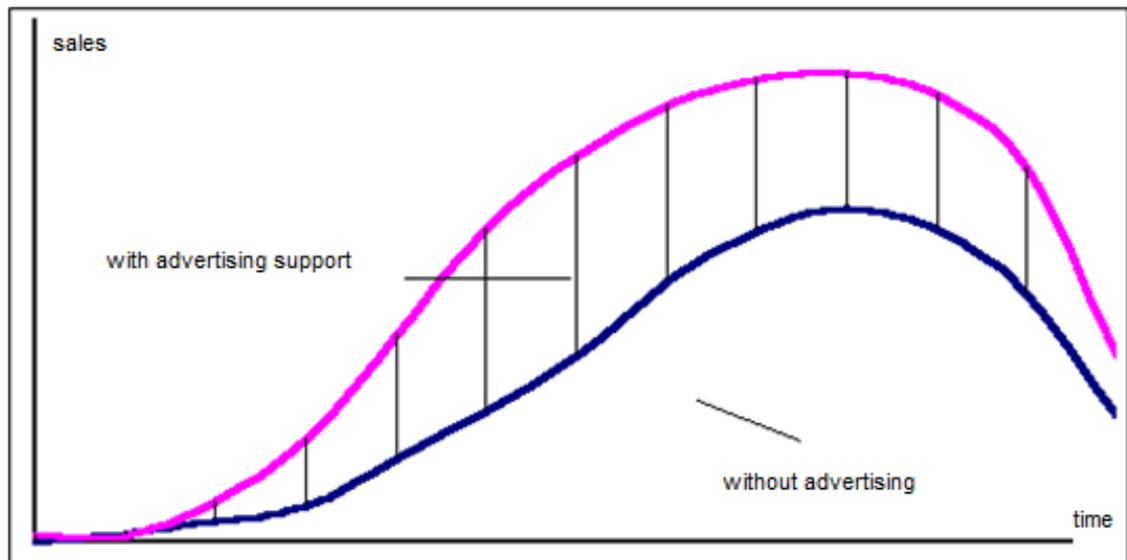
social media sites such as Google+ and Twitter, it appears to be hold by its own. Thus, we can say that Facebook is comfortably in the maturity stage.

The iPod touch is also currently in the mature phase of the product life cycle. This is because the iPod touch is just an evolution of a product that has been around for long time. Competitors like Microsoft's Zune have just followed Apple's design and technology, while the iPod has evolved over multiple "generations," each adding new features and functionalities. Today, the iPod touch is more than just a music player; it plays videos, runs apps and can be used as an organizer. Such a product may be difficult to classify using the product life cycle model - is it the same old iPod, or an entirely new product?

Different products will have differently shaped product life cycle curves. Product life cycles are a useful guide to lifetime sales and profits, and can help marketers understand what strategies to deploy and when.

4.5. The Effect of Advertising on the Product Life Cycle

Since advertising increases sales, it affects the life cycle of the product and its curve. Using advertising and other means to promotion the producers not only increase sales, but also prolong the life cycle of the goods. The impact of advertising on the product life cycle can be described graphically by drawing the life cycle curve of a product without advertising support, and a product that is widely advertised.



GRAPH 13. The Effect of Advertising on the Product Life Cycle

The additional volume of goods sold during the advertising campaign is shown by the hatched area in the figure. By selling these products, the company receives an additional profit. However, part of it is spent on advertising costs. The rest is an extra profit of the firm, which is received as a result of doing the advertising support of its product.

Deformation of the product life cycle curve can be considered by studying the change of the length and sales of each stage:

1. Introduction. The new curve shows a reduction of the introduction phase when product is entering the market. A large number of potential buyers quickly learn about a new product from its advertising and often make the first (often a trial) purchase. In case the buyer likes the product, he will make repeat purchases. With intensive advertising of a product, this phase of its life cycle can be reduced from several years to a few months or weeks. On the graph the curve is shifted to the left. (Carter, 1986).
2. Growth. This phase also decreases in time. Because of increased advertising the majority of people will learn about the new product and will agree to make their first purchase. The phase passes with greater intensity and ends with a greater

volume of goods sold. On the graph the curve is shifted to the left and up. (Carter, 1986).

3. Maturity. This phase begins much earlier and due to the increased agitation delays for some time. In addition, the sales at this stage are much greater than sales without advertising support. Advertising persuades many buyers to buy the product once again. On the graph the curve is shifted up and extension to the right. (Carter, 1986).

4. Saturation. Advertising manages to postpone this stage by exhortations of clients. Saturation occurs later and the company manages to sell more goods and inventories. On the graph the curve is extended to the right. (Carter, 1986).

5. Decline. At this stage, the company usually does not make any advertising of its product and remove it from the market. The sales go much faster than it would go if the product was not advertised at all. Seeing the continuous decline in demand, the company stops creating a myth about a good and useful product and consumers quickly start buying other products (often a modification of the first one). Effect on the curve is a gentle slope on the decline stage. (Carter, 1986).

4.6. Application of Advertising Types at Various Stages of Product Life Cycle

Each stage of the product life cycle requires a special approach to advertising. It is needed because the economic and competitive environment varies in each phase of the life cycle, and the manufacturer's cost structure changes from phase to phase. Therefore, when planning an advertising campaign it is necessary to define the objectives, methods and types of advertising exposure. (Carter, 1986)

Let us consider the stages of the product life cycle and define the goals and methods of advertising in each of them:

Introduction. At this stage it is necessary to consider the complete ignorance of consumers about a new product, so the main objectives of advertising are:

- Make people aware of the new product and brand
- Inform the market about the benefits of the new product
- Encourage customers to try the new product
- Encourage distributors (wholesalers and retailers) to take the goods for sale.

Thus, the main purpose of the advertising focuses on informing buyers and distributors about the functions, scope, basic characteristics, and the name of a new product. Advertising at this point requires a significant investment that exceeds the profits. Manufacturers often resort to giving away free samples of the new product. (Romat, 1991).

Growth. At this stage, the level of sales is growing rapidly. Many customers begin to make repeat purchases. Most buyers know about the product and brand (often from advertising on the first stage of the life cycle). Since competitors start to appear on the market, the main purpose of advertising is not just informing about the product, but the formation of brand preferences. All advertising objectives can be formulated:

- Create a strong, sustainable brand image
- Create and maintain brand adherence
- Promote the acquisition of goods
- Further enhance of buyers awareness.

The main emphasis in advertising is made on quality of the product, its prestige and additional services provided by firm. Advertising costs in general remain constant, but as there are more goods sold, costs are constantly decreasing per unit. Profit appears and grows because all promotion expenses drop to normal levels. At this stage, the main type of advertising is campaigning (persuasive) advertising and informational elements. (Romat, 1991).

Maturity. There are few new buyers at this level and the sales mainly consist of repeat purchases. The stage of maturity is the peak of the advertising campaign. Positions of the main competitors and their brands are well known. The market is

not expanding, so the main purpose of advertising is to prevent the reduction of the sales of the product.

The main emphasis in advertising is placed on a variety of discounts when buying goods, sales at discount prices, additional services and further quality improvement. The main type of advertising is campaigning advertising. (Romat, 1991).

Saturation. This phase is not much different from the previous one, so the main objectives and types of advertising are the same. However, at this stage the main focus of advertising is on the improvement of the company image (PR or prestigious advertising) and large price decline (at this stage the technology is fully developed, the initial costs for development and removing are paid off).

Competition is mainly about the price. At this stage, the company creates a product modification (the probability of which is very high) and advertises it or gradually prepares to leave the market and starts to reduce advertising. Moreover, the firm begins to use this kind of advertising as a reminding advertising.

Sometimes the company makes a new advertising campaign for sale of the remaining products in stock before removing the goods from the production. (Romat, 1991).

Decline. At this stage, there is a sharp decline in sales and advertising is inexpedient. Product is removing from the market. However, if there still is a large amount of goods in stock, the company still advertises the goods until full sales (sometimes with a very big discount). (Romat, 1991).

The need to use the product life cycle theory in planning an advertising campaign is caused by the fact that to improve the effectiveness of advertising campaigns advertising should not be the same at all stages of the life cycle. It can be described by easy example:

When a new product enters the market, for example, copy machines, it is unwise to advertise them with the slogan "Buy Xerox." The buyer does not know what it is and if he needs it. Such advertising will not be accepted by the buyer, he is not ready for it. Firstly, advertising must tell (sometimes in details) about a new product, its manufacturer, and the advantages comparing with previous models.

Once all potential buyers know about the new product (or new properties of the old product) and many of its characteristics, to continue focusing advertising on its new consumer properties is pointless. Since the buyer already has information that was provided in advertising and such announcement will not be as effective as advertising, which will describe some new aspects of the product or which is designed mainly to remember the product and the manufacturer's name. The main emphasis in advertising changes from informing about the properties of goods to the formation of brand preferences in the buyers' minds, creating a sustainable image of goods and firm. Further advertising assumes that the consumer is not only aware of the product characteristics, but he also has an image of this product and the company. The purpose of this advertising is to make buyers not to forget what they already know about the product and the company. Advertising must constantly remind the customer of the existence of the product.

Advertising, built on this principle will be more effective than the monotonous message to the buyer about the product and its properties. Constant repetition after a certain time will be skipped by the buyer. (Carter, 1986)

As a real life example I will consider the case of "Apple", an American corporation, a manufacturer of personal and tablet computers, music players, phones, new software. Due to innovative technology and aesthetic design, Apple Inc. has established a unique reputation comparable with the cult, in the consumer electronics industry.

The first advertising campaign for the original phone was launched in 2007 by TBWA/Media Arts Lab, the same group that was responsible for "Get a Mac" advertising. In the first year's ads the emphasis was largely on showing how the iPhone worked, and trying to create some contextual references linking it to the iPod and its popularity. The first add played the main role in creating product awareness and it also helps "Apple" to control the cash flow in order to support the new product.

In the growth stage the sales increased and "Apple" started producing more iPhones. People were already aware of the iPhone so "Apple" came with a new add to remind people why the product is still better than other offered by the

competitors. This helped the product to make better use of capacity so the firm was operating more efficiently and the unit cost of the product was getting down.

In the maturity stage of the product life cycle "Apple" continued its promotions and reminded people why the products is still good, making some new modifications (iPhone4-4S) showing the advanced technology. In this case the cash flow was positive and profit was made.

There was an extension of sales strategies on the saturation stage. Apple carried out different promotions to motivate sales, for example, if you will buy one iPhone you will get sales offer for iPad.

Apple is one of the most successful companies that have not reached its decline stage of the product life cycle yet. In May 2011, the trademark of Apple has been recognized as the most valuable brand in the world (\$ 153.3 billion) in the ranking of the international research agency Millward Brown.

4.7 Practical application of the product life cycle model by a company when planning an advertising campaign

In order to clarify and fully understand how to use the product life cycle model when planning an advertising campaign, I will give an example of the possible application. In my example, I will show the possible advertisements of a new firm that enters the market with a new service. For simplicity I will consider only its possible advertising in the press, without mentioning any other means of advertising. Moreover, I do not pay attention to the formation of the ad in terms of psychological aspects of advertising. I am interested in the main types of advertising information and general principles for creating the advertisement.

Let us assume that there is such a firm entering the Russian market as a "Non-State Pension Fund DeLKI" which sells such service as private pension insurance. It is a new type of service in Russia and buyers do not know what it is. How should advertising campaign of "NSPF DeLKI" be build?

At the introduction stage the firm must invest significantly in advertising, containing information about what this pension fund is, what it is for, the terms of

contributions and pensions (see APPENDIX 1). It is also very important to create an image of the company (name, logo, slogan) and provide the address of the company (or addresses of branches). The company can also provide its license number and the size of the authorized capital to increase its confidence.

(Glushakova, 1999).

At the stage of growth the majority of buyers are already aware of what a pension fund is, and some even decide to use the services of the firm "DeLKI" (see APPENDIX 1). The emphasis shifts from informing consumers about the goals and objectives of NSPF to gradual agitation for using its services. A large amount of information in the advertisement is no longer required, although the firm may continue to inform people. Since at this stage the main focus of advertising should be on advertising the firm itself, it is necessary to emphasize the brand name. Greater emphasis should also be placed on the company slogan (in this case: "We will provide you a dignified old age"). By reducing the amount of information one can reduce the size of the advertisement or relatively increase the area needed to locate the logo, company name and slogan. (Glushakova, 1999).

At the stages of maturity and saturation the firm "DeLKI" should totally minimize the information in its advertisements, because almost all the customers already know about the purpose and conditions for purchasing services of the firm "DeLKI" (see APPENDIX 1). The company should switch completely to its own promotion and maintaining of its image. It is totally enough to put the logo and the main slogan in the advertisement (in case if there is no name in the logo of the company, we should put the name - "DeLKI"). The most important at this stage is memorability and frequency of advertisements. (Glushakova, 1999).

In the last stage (if such is possible in a pension fund) advertising of the firm "DeLKI" is inexpedient.

5. SELECTION OF SPREADING METHODS

For an advertiser it is very important task to choose the right means of distribution of his advertising message. To do this he must decide how wide coverage should his advertising should have, and how often it should appear. Moreover, the main means of distribution according to its cost should be chosen. Here is more detailed information about the criteria that must be considered:

1. Coverage includes how many people will be able to learn about the advertising message through one contact. For television and radio, for example, it is the total number of viewers (listeners) who are exposed to the advertising. The printed materials coverage includes two components - the circulation and transmission rates (how many times each item gets to a new reader). For example, one copy of the newspaper "Kalajokilaakso" is read by about 5 people. Furthermore, the transmission power for magazines is much higher than for daily newspapers. (Kotler, 2002).

2. Frequency determines how many times an average representative of the target audience must face the advertising. It is the highest for newspapers, radio and television, where advertisements appear daily. The lowest frequency is at telephone directories, any outside advertising, magazines and direct mail. One should also remember that the information in the special telephone directories can be placed or changed only once a year. (Kotler, 2002).

3. The impact of advertising message depends on the distribution channel. For example, a commercial on the radio is less impressive than on TV, and also various magazines may have different level of impact. The TV has the highest impact because it is able to combine sound, color, motion and other factors. In addition, this figure is significant for magazines. Some newspapers specifically improve printing technique to print colorful photos and increase the level of impact. (Kotler, 2002).

4. Stability of the message shows how often the ad is seen by people and how it is remembered. A large number of people see the billboards, ads on the roads and telephone directories. Magazines are stored at the consumer's home for long,

while commercials on the radio and television last around 30 seconds. (Kotler, 2002).

5. Occupancy characterizes the number of advertisements contained in one program, one page, one publication, etc. If many advertisements were given, the occupancy rate is very high. Television is often criticized for the fact that it repeatedly shows very short commercials. Since 1967, the number of commercials on television has been increased in three times. (Kotler, 2002).

6. Deadline for submission is the period when the information source can release the advertisement. It is the smallest for newspapers and the largest for magazines and telephone directories. Its duration indicates for how many weeks or months the firm should plan ahead its campaign and face the possibility of wrong messages in a constantly changing environment. (Kotler, 2002).

Useless audience - the part of the audience, from which there was no expected response on the advertising campaign. Due to the fact that the advertising efforts aimed at a mass audience, this is a very significant factor. For example, one firm has advertised its garden houses in one of the magazines for gardeners, using market research this firm has determined that about 500 000 readers are interested in such buildings, and 150 000 are not. Therefore, 150 000 readers make a useless audience from the advertiser's point of view.

The main distribution methods of advertising messages (by cost) or means of advertising are media, direct mail and outdoor advertising. (Kotler, 2002).

- *The media* includes television, radio, newspapers, magazines.

- *Direct mail (direct post advertising)* – is a way of bringing the advertising message in a written form, printed or in a specially processed form by controlled distribution directly to selected individuals.

- *Outdoor advertising* includes signs, posters, billboards and light installations. In addition to this, advertisers use advertising on transport, souvenirs and promotional gifts, advertising at points of sale, packaging, labels, inserts, movies.

TABLE1. The main means of advertising (source: author)

<i>Means of advertising</i>	<i>Advantages</i>	<i>Disadvantages</i>
Newspapers	Flexibility, timeliness, good local market coverage, recognition and acceptance, high reliability	Brevity of life, low quality playback, a small audience of "secondary" readers
Television	The combination of image, sound and action, significant impact, high degree of attention, breadth	High costs, too many other advertisements, the transiency of advertising message, less selective audience
Direct mail	Selectivity of audience, flexibility, no competition, personal character	Relatively high costs, the image of "junk" (wastepaper)
Radio	Mass character, high geographic and demographic selectivity, low cost	Suitable only for audio means, degree of attention is lower than television, the transiency of advertising message
Magazines	Reliability and prestige, high-quality playback, duration, a significant number of "secondary" readers	Long time gap between the purchase of space for advertising and release of the magazine, the presence of useless circulation
Outdoor advertising	Flexibility, high frequency of repeated contacts, not very high cost, poor competition	No selectivity of audience, limits for creativity

Sources of advertising:

Printed advertising

The main means of distribution of printed advertising are newspapers, magazines, catalogs and directories. Despite the fact that currently there are newer technologies used for advertising such as the Internet and television, however, the print media continue to hold the leading position in this field for the majority of goods and services. In return, customers get the most significant part of the advertising information through the press by means of newspaper.

a) Advertising in the newspapers

Newspapers represent a truly nationwide media. Why do people still prefer newspapers? I think they are more inclined to trust what they have read by themselves but not what they have heard from someone. Moreover, they are simply more convenient to study advertising information from the newspaper, or maybe just because of the fact that the newspaper is the most affordable means of information. At the same time, every newspaper has its own audience. Readership is the most important for the advertising development, because we are talking about people who read the newspaper information, including advertising. Employees of the advertising agencies must always know about the readers of publications in which they intend to post their advertising. (Kotler, 1990).

However, I would like to tell more about what advertisers usually take into account when choosing an appropriate newspaper for their advertisements and what distinguishes newspapers from each other:

Parameters of newspapers release. The most important parameters are the frequency of publication of the newspaper, its circulation, format and volume, availability of appendices and additional issues.

Periodicity. Of course, the frequency of publication is taken into account by customers and advertising distributors primarily because it regards the timing of bringing advertising to consumers. Daily newspapers allow you to do with more

efficiency. Weeklies are more suitable for advertising that needs to be re-published again.

Circulation. Circulation is a very important indicator for those who work in advertising environment. Knowing the real circulation of the newspaper, it is easy to determine how wide audience one can reach, calculate its cost, and estimate the effect.

Format. A professional advertiser assumes that in practice an advertising of a larger format appears to be more effective.

Another important parameter for advertisement is the volume of the newspaper. Reliable information about number of pages of the newspaper will certainly improve the quality of execution of advertising, as a consequence - increase its effectiveness.

Classified and display advertising in newspapers. In accordance with the existing rules, advertisements posted in newspapers are usually subdivided into a display and classified. Display advertising can be located almost at any page of the newspaper or exist in a form of appendices or special advertising inserts.

Classified advertising is the part of the newspaper advertising, which is specially sorted out and published as a separate section of the newspaper, settled by themes - real estate, construction materials, etc.

Important features of classified advertising are:

- Almost complete absence of the images in such advertising.
- Relatively small amount of advertising message.
- Black-and-white print, limited selection of fonts, simplified text layout.
- Placement of promotional offers in a specific order within the groups.
- One form of presentation of advertising text.

Along with the classified advertising the majority of newspapers increasingly use display advertising. An example of such advertising can be any newspaper advertising message that:

- Is located within the page, which is initially not made for advertising.
- Has an arbitrary size and form of presentation.
- Has free and original content.
- Carries all the information of consumer interest.

Of course, newspaper advertising has many advantages, but there are disadvantages too. It should be noted that, first of all, quite a significant proportion of young people aged from 18 to 24, and the population having vision problems do not tend to read the newspapers. On the other hand, following the habit, newspapers are preferred by almost all major consumer groups.

b) Advertising in magazines

It is easy to distinguish magazines from newspapers by their form and content. These circumstances have affected the content and the appearance of magazine advertising. It is also affected by some other parameters of output data of magazines. The main parameters of the output data are periodicity, circulation, size and volume, the availability of appendices and additional issues. Most of magazines reflect the interests of a very narrow readership and do not have large circulation. On this basis it is necessary to consider the thematic focus of magazines. In a colorful variety of them the most clearly distinguished are social, political, consumer, business and professional journals. Political magazines nowadays are not popular. Therefore the circulation of such magazines decreases. However, there are more consumer magazines that tell about the advantages and disadvantages of surrounding us goods and services of a wide demand. There is a growing range of business magazines. There are magazines for certain professions - educators, doctors, designers, etc. Special magazines tell readers about new movies, life arrangements - the construction and repair of

houses and apartments, furniture design, etc. This group also includes car magazines and magazines about animals. There is a type of magazine such as a catalog. The content of such magazines entirely consists of materials containing a large amount of hidden advertising. (Samarina, 1999).

Classified and display advertising in magazines. Display advertising increasingly dominates in magazines. Classified advertising has a least honorable place in magazines since it is primitively performed and can damage the face of the journal and scare a part of readers, while display advertising presents in magazines in different variations (on the cover page, inside the journal, in the form of appendix or insertion), hitting the reader's imagination by its level of performance. (Samarina, 1999).

c) Outdoor advertising

Posters on billboards of outdoor advertising are usually located along busy highways and in public places and remind consumers about companies or the products that they already know or inform potential buyers about the places where they can make their desired purchase or receive appropriate services.

An outdoor advertisement is usually brief and cannot fully inform about the company or product, so the acquaintance of potential consumers with new goods through this media is not efficient enough.

The main type of outdoor advertising is a large-sized poster. There are also electrified lighting panels. There are boards of different sizes and shapes, manufactured on special order.

Electronic advertising

Electronic advertising, in comparison with printed is very young. It has increasingly been used in the last 40-60 years. Electronic advertising today has almost no spatial or temporal constraints.

a. Advertising on radio

Radio still remains the most appropriate means of information for population. First of all it is free. Secondly, radio is more accessible for listeners, in the sense that one can listen to it at home, at work, in public transport, in the car, in the forest and in the countryside. This fact definitely attracts advertisers.

Originally the advertiser defines the nature of information advertising policy, which he intends to sell through a radio station. In turn, information and advertising policy on the radio is implemented in accordance with one of two basic strategies of advertising distribution - network or spot advertising.

Network radio advertising is distributed by broadcasting network, a group of radio stations which are often located in different regions of the country (FM-radio). Spot advertising is the opposite of network one, because such advertising is located not on the network but on separate stations.

Radio advertising has many advantages:

- Such advertisement requires a small period of preparation
- Low cost of production and distribution
- Speed of information

However, there are also some significant disadvantages:

- Overload of radio advertising, when there is the maximum number of audience
- A complicated system of planning the advertising time

b. Advertising on television

Television advertising is the most popular nowadays. Television occupies a significant part of our lives. That is why television advertising is the most powerful means of information influence a potential consumer.

Classification of TV advertising. Modern TV advertising can be classified by three criteria - form of execution, distribution channel and implementation strategies. (Samarina, 1999).

By form of execution:

- Identification advertising (in the form of a logo, demonstrable in the corner);
- TV ads (in the form of speech and "ticker");
- Demonstration videos (both film and animation);
- Short movies

By distribution channel:

- National television;
- Local TV;

By implementation strategies:

- Sponsorship advertising;
- Advertising, implemented on the basis of shared investments;
- Spot advertising (those "commercial breaks", which fills the space between broadcasting sessions or wedged into their structure).

Specificity of TV advertising perception. Today the whole country is watching TV, but that does not mean that all the audience is fully covered by advertising. Some people have already learned how to skip advertising, for example, turning off the sound or changing the channel. However, lately most channels try to put advertising simultaneously. Properly made advertising is almost always convincing and good audio series enhances the impression. Furthermore, it was found that the reaction of the audience for advertisement also varies under the influence of a number of minor factors. Among them there are:

- Variety of the advertised products;
- Time of broadcasting;
- Level of concentration of the audience's attention;
- Programming environment.

Let us come back to the popular brand “Apple” (see Chapter 4.6). Most often one can see the Apple ad on the Internet or on television. This implies that the company primarily uses television advertising, Internet advertising and magazine advertising by slightly different popular theme magazines.

Recently it became very popular to make advertising in blogs. They really help to sell products for really small money. Advertising would have cost more. Finally, the advertising is made by blogs and by fans of a particular brand (such as fan club of Apple computers - Theappleblog.com)

On Internet one can often meet fans of Apple, who strongly recommend, for example, using the Macintosh. Despite the fact that more than 1.5 thousand Microsoft employees have blogs, the Apple blogosphere is still very popular and has only a couple of unpopular blogs. The reason is that Apple has a strong army of fans, users who like its product.

In addition, the users of Apple products on the platform of Microsoft Windows NT receive updates about the products that they have not installed yet; option to install these products are enabled by default. In particular, Safari users are encouraged to establish iTunes and QuickTime; to refuse it they need clear the appropriate checkboxes in the upgrade dialog by themselves.

The company could be seen on the TV very often. Throughout its history, Apple adhered to the two strategies in its advertising messages, which can be summarized as "Think Different". This strategy they began to bring to the audience from the first promotion.

Among other things, Apple Company has annually participated in the Macworld exhibition until 2009, where they were presenting new products and updates.

6. IMPACT OF ADVERTISING ON CONSUMER BUYING BEHAVIOR

It is obvious that advertising borrows methods of impact to improve its own efficiency. Not only because psychologists say so, if we analyze our buying behavior by ourselves, we will realize that we are making a purchase, obeying some impulse: we can think and hesitate for some time but finally we buy. A good advertising helps such impulse to come out. Thus, advertising contributes to a trance with the buyer's manifestation of consumer pulse. (Scott, 2010).

"All sciences are important. But for advertisement the most important is a psychology. It gives the basic parameters for the development of advertising concepts. And professional skills of an adman should convert these psychological concepts into all possible advertising forms. The adman should translate complex psychological calculations to attractive language that everyone can understand". (Feofanov, 2004).

6.1. Psychology of advertising

The majority of buyers have many of well-known stereotypes:

- Deficit - always good and valuable. Good things cannot be too much. It is better if the product exists in a strictly limited quantities. One has only to organize an advertising campaign: "There are only 10 "Porsche" cars left in the country!". And there are already several thousands of people signed up to buy it! These cars will be bought up in two days. (Scott, 2010).
- Expensive product - means a good product.
- All traditional is good and worthy of purchase. Some vendors write on the bottles of wine that it has been made since 18 ... year. Some Russian sellers are even making an antique style to prove that their wine or vodka is really "classical", even the label is written in the old Russian style to emphasize the continuity of winemaking traditions. Some advertisers simply place in the center of the label a

portrait of the queen believing that the buyer will understand that Catherine the Great has been drinking this wine by herself, and in this way it definitely cannot be bad. (source: author)

- Experts should always be trusted. For example, the medicine can be bought on the market, and much cheaper. However, we used to buy it in pharmacy, considering it to be real, effective (forgetting the large number of fake medicines sold by pharmacies). Thus, the image of a man in a white robe works perfectly in any advertising - not only drugs, but also chewing gum and toothpaste. For a long time advertising has been using "geographical" and "nominal" principles. For example, when choosing a good watch one probably prefers the goods of Swiss firm (no matter if it says "made in China"). It is the same thing with names, the suit from «Hugo Boss» will be bought much faster than the same suit with an unknown mark, while there might be no actual difference in quality. (source: author).

- If everyone is doing it - so it is right. If everybody is going to Greece for coats, so it is really a good product. For example, everyone keep their savings in Nordea Bank. Everyone cannot be wrong, then it is the most reliable bank. (source: author).

Using existing stereotypes is an advertising technology which always helps out the adman. (Scott, 2010).

6.2. Manipulation in advertising

The basis of any advertising technology is the manipulation of consumer behavior. Manipulation is always done secretly, because who, being in a right mind, will agree to be forced to perform any acts. The most important thing is that the choice we made will be considered by us as our own reasonable and balanced decision.

There are plenty of manipulation methods, for example, such techniques as fragmentation and localization. When, for example, the most interesting article in magazine is divided into several parts, which are scattered around the magazine.

Thus, the reader is forced to look through the whole magazine, including advertising tabs. On TV the promotional tabs always interrupt the movie at the most interesting scene, but as the viewer tends to see the end of the story, he is forced to watch the advertising as well. (Fennis & Stroebe, 2010).

It is very effective and easy method of manipulation, especially in political advertising, when carefully chosen rumors diluted by unrelated and insignificant pieces of truth, presented on a background of foggy reasoning of some "experts" from a little-known research institutes, are issued for a reasoned analysis of the situation. (Fennis & Stroebe, 2010).

Apple (see Chapter 4.6 and 5) has had a great success in sales of electronics. In my opinion, their products are not smart, quality, multi-functional, ergonomic, compared to products manufactured by Samsung. Apple loses by operating system limitation, high cost, limited model numbers, etc. However, here comes an important question: why is "Apple" bought more often than other products?

I have analyzed and finally found the ideal example for comparison. Let us remember the days when cigarettes gained attention all over the world.

Tobacco companies have actively used the hidden advertising and often it was used in the movies. Celebrities, idols of millions of people were smoked with a pleasure in some movie episodes. Thus, Apple affected people with the help of hidden advertising. In fact, if we look at any modern film we see that all the characters are using exactly the products of Apple.

I believe that hidden advertising is the most effective way to attract consumers. After all, customers do not like when they are imposed on products. This is how human psychology can be fully mastered.

Based on my observations, I can conclude that Apple prefers to use economic and marketing functions of advertising. The main part of the company's advertising, assumes the character of "Advertising brand ", because if the new "Apple" is entering the market, does not matter if it is a computer, a tablet or a mobile phone, people buy the product because they trust this company, as Apple has demonstrated its trademark very well.

7. THE EFFECTIVENESS OF ADVERTISING

The problem of determining the effect of advertising, i.e. the calculation of the results of firm activities through advertising is one of the toughest in advertising practice.

The concept of advertising effectiveness contains such different ideas as economic benefits, psychological and social effect expressed in a certain impact on the society in whole (in particular, the influence on the formation of taste preferences of people, their views and ideas about different moral and material values).

Effectiveness of advertising campaigns is measured by reaching the target indexes of sales volume, market share, awareness and consumer preferences, i.e. achievement of all planned goals and objectives. (Glushakova, 1999).

Part of these parameters can easily be determined in the process of accounting, but biggest part requires a special registration of requests to the company, or organization of specific marketing research. (Glushakova, 1999).

The effectiveness of advertising messages can be measured by preliminary testing or testing after the campaign.

As all other types of researches and searches (market research, motivation, etc.), pre and post tests are designed only to reduce the degree of uncertainty and are useful in order to verify the accuracy of selected behaving method, advertising core and bait (promises of benefits to the buyer). Preliminary tests are carried out on a sample of the target audience and with the involvement of promotional material that will be used in the subsequent campaign. (Krylov, 1996).

Thus, the basic parameters of the advertising and information policy are tested:

- attention: how many people remember that they have seen the commercials;
- identification: how closely the advertisement or the product are related to brand or advertiser;

- understandability: if the information that advertisement is providing makes any sense;
- reliability: does the message include arguments so the potential client can trust it;
- «positive» interest: if the advertising is interesting enough for a potential customer that it can lead to the purchase of the advertised product.

As a result of preliminary tests opinions, attitudes and memorability can be researched:

- tasks for ranking and defining the best advertisement out of several proposed;
- a series of direct questions;
- measurements of the opinions using rating scales ("like - not like", "for me - not for me");
- identifying fundamental reactions using indirect interviews or projective techniques.

When testing the memorability experiment the participants are asked about what they have seen or read, without displaying ads in question.

For comparative testing of advertising methods they should be provided with the same information with the followed analyzes of consumers responses.

(Krylov,1996).

To analyze the effectiveness of advertising, many firms conduct surveys in the places of sales.

7.1. Evaluation of Correctness of the Advertising Campaign

As an example, I will analyze promotional activities of Moscow freight forwarding company. Two years ago they made an advertising campaign using the following media : Auto radio, advertising magazine " Auto-rosto", the newspaper "Hand to Hand", the directory "Golden Pages", "Address-auto" advertising on transport, the catalog "Golden Business", the supplement to "Economics and life" reference service "Business 050", "The Market", "Goods from stock at retail and wholesale". Later during 8 months from September to May they monitored the response of consumers.

The company spent \$4500 on advertising on Auto-radio. After the first ad 6 orders were recorded, then the number was increasing and reached its peak in November (9 orders), then it decreased and orders ceased totally by May. The effectiveness of this advertising campaign was extremely low.

Some other advertisements were also not so successful: "Address - auto" (6 orders), advertising on transport (16 orders), "Goods from stock at retail and wholesale" (1 order), the catalog "Golden Business", the supplement to the "Economy and life". (Kononenko, 1998).

Publication in the directory "Golden Pages" was more effective. The edition of the directory is 1 million copies, periodicity - 1 time per year. The advertisement cost the company \$11,800. During the whole period of advertising from September to October 190 customers have been addressed to the firm, or 0.019% of the audience. In terms of advertising costs, one customer cost \$62. However, these costs were fully paid off by the profit.

The most effective way to attract customers (by number of orders) was advertising in the newspaper "Hand to Hand". The maximum number of orders came in the first two months (455 orders). In December the number of orders was 325, then it was decreasing but at the end it stabilized at 120 - 140 orders per month. This indicates that there was a stabilization of the demand, and an increase of advertising massaging for this audience will be ineffectually. There were 80,000 copies issued in Moscow, the publication was three times per week and reached 960,000 people a month that cost the firm 9415 rubles for the period of the survey.

By means of this advertising the firm attract around 177 customers per month that is approximately 0.02 % of the whole audience. Thus, one customer cost 53.2 rubles that is significantly less than the cost of advertising in the directory "Golden Pages".

Thus, of all the media sources that company used only two were effective. If the firm had made a preliminary marketing research and clearly identified the target groups, the advertising expenses could be significantly have been reduced. (Kononenko, 1998).

7.2 Examples of Wrong Advertising Campaigns

One can invest in the development of advertising a large amount of money and attract the best talents to create the future masterpiece, but do not achieve the desired result. The reason for this phenomenon is a bad choice of place, incomprehensible promise for the audience or an idea with a questionable content.

David Ogilvy, who nowadays is called as a "father of advertising" said:

"Half of your advertising budget is wasted; you just never know which half."

The following information is a vivid example of broken, just inactive and unsuccessful advertising which manufacturers have only wasted their time and advertiser's money without offering them a decent quality product which would bring a profit and recognition of the audience.

Students from the faculty of Economics of Alaska University have collected the most paradoxical mistakes made by U.S. companies due to inaccuracies in the translation and misunderstanding of the realities that exist in other countries.

A well known company General Motors had a fiasco, trying to bring to the markets of Latin America its new car Chevrolet Nova. Sooner it became clear that "No va" in Spanish means "can not move".

In the U.S. in the advertising of the beer "Coors" then used the slogan "Turn It Loose!" (Be free). The literal translation of the slogan into Spanish has led to a masterpiece "Suffer from diarrhea".

A perfume company Clairol has introduced in Germany its dry deodorants using the slogan "Mist Stick". In Germany it was found out that the word "Mist" in German slang means "manure".

Pepsi has translated literally into Chinese its main advertising slogan "Come alive with the Pepsi generation". Chinese were shocked: the slogan has acquired an unexpected sounding "Pepsi makes your ancestors rise from their graves "

Coca-Cola Company for a long time could not pick up their name for sale in China. The reason is that Chinese pronounce the name of this drink as "Kekukela" which means "Bite a waxy tadpole". The company was forced to move 40 thousand spellings of its brand before it was set to "Koka Kola", which means "Happiness in the mouth."

The manufacturer of stationery Parker also tried to translate the slogan into Spanish. Its advertising of pens in English sounds: "It won't leak in your pocket and embarrass you". The translator made a mistake and mixed two Spanish words. As a result, Parker advertising campaign in Mexico was held under the slogan "It won't leak in your pocket and make you pregnant."

American Airlines installed leather seats in their aircraft and decided to inform the Mexican consumers about it. The English slogan sounded perfect: "Fly in Leather". Literally translated, this expression has acquired a different meaning: "Fly Naked".

However, not only Americans are making these kinds of mistakes. For example, Scandinavian manufacturer Electrolux launched its vacuum cleaners on the U.S. market, using the slogan "Nothing sucks like an Electrolux".

8. CONCLUSION

Companies need not only to produce good quality products, but also to inform consumers about their benefits, as well as to achieve clear positioning of their products in the minds of the consumers. In order to make a new product to succeed, it must have the desired parameters for consumers, to be unique, and consumers should have the information about its characteristics.

To do this, companies need to use different means of promotion that is an essential part of a series of the marketing activities, a kind of information output to the consumer. The main way of promoting of products is the advertising.

Advertising is any paid by a specific sponsor form of non-personal presentation and promotion of ideas, goods and services. Organizations use advertising to tell about themselves, about their products and services, or about some of their activities for an audience selected in a certain way and with the hope that this message will cause a responding reaction.

The reaction may be very different. For example, the consumer generates a certain attitude or opinion about this product or brand. This is a reaction of the level of perception. The responding reaction, in fact, is when the consumers start buying the advertised product or increase its consumption.

Properly organized promotion of products is very effective and allows one not only to solve problems with marketing, but also constantly increase sales volumes. The study of various means of promoting includes the choice and preliminary tests, as well as the study of the effectiveness of their impact after applying.

The aim of my thesis was to analyze the effect of advertising on a product life cycle and to find out the right ways and methods of advertising and how to apply them at every stage of the product life cycle. In my thesis I tried as much as possible to discover the essence of advertising and to identify particular qualities of its impact on the promotion of products and services.

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APPENDIX**ADVERTISING OF A "NON-STATE PENSION FUND DELKI" AT THE STAGE OF INTRODUCTION**

License # HHH111222333

Non-State Pension Fund
DeLKI

During all your working years you were giving to the government a third part of your income for your future retirement. This is your salary shortfall for which you were working whole life. But the state distributes it according to the law due to the fact that the state pension fund is built on the principle of "those who are working are paying pensions for those who are unemployed." Thereby depriving you of confidence and a secure old age.

Only insurance pension guarantees wellbeing of older people.

Contributions accumulated on your personal account are your own property that cannot be confiscated or withdrawn.

In the case of death of the insured, insurance pension, unlike the state one, goes to the right of inheritance and is paid to the heirs.

The minimum period of contributions is five years.

With monthly contribution of 20 000 rubles our company will pay you 50 000 rubles for life, with an annual contribution of 240 000 rubles your pension will be 65 000 rubles a month, and if you contribute at once 6 000 000 rubles, you will be receiving 100 000 rubles per month till the end of your life. In case of injury you will also get 20 percent from monthly pension insurance for each case.

We will provide you a dignified old age!

Authorized fund is 17 billion rubles

Address: Saint-Petersburg, Nevskij Prospect 31

Contact number: 222-33-44

Fax: 11-22-33

ADVERTISING OF A "NON-STATE PENSION FUND DELKI" AT THE STAGE OF GROWTH

License # HHH111222333



Non-State Pension Fund
DeLKI

We will provide you a dignified old age!

Flexible rates and high level of service will pleasantly surprise you. To know more details please contact us by phone or visit our office.

Authorized fund is 17 billion rubles

Address: Saint-Petersburg, Nevskij Prospect 31

Contact number: 222-33-44

Fax: 11-22-33

ADVERTISING OF A "NON-STATE PENSION FUND DELKI" AT THE STAGE OF MATURITY AND SATURATION



Non-State Pension Fund DeLKI

We will provide you a dignified old age!