Peter Burgess LinkedIn Blogs

The Value Dynamic of Advertising

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Advertising is a big segment of the modern economy, but the value dynamic of advertising is perhaps not very well enough understood by the public at large.

There was an important inflection in global economics about 50 years ago. Instead of the world being in a situation of endemic shortage, the productive capacity reached a position where production (supply) exceeded need (demand). For business, this meant that consumers had to be persuaded to buy more products and to buy 'my products' rather those of someone else.

The meant advertising. Advertising is all about getting people to consume more, and advertising works. Though people may say they dislike advertising, the data show that people change their behavior based on advertising. Companies that reduce their use of advertising usually regret it.

However, I argue that the metrics being used throughout the economy are dysfunctional in that: (1) companies are only reporting based on conventional money profit accounting, where more profit usually results from more sales; and, (2) the performance of the national economy is measured by GDP where GDP has a big component of consumption in its makeup.

It seems to me that the corporate management community likes this, because it is far easier to have more revenues and profit improvement when there is a growing GDP … when more products are being consumed.

For society and the global economy, however, advertising is encouraging behavior that makes things worse and not better. Resources are being depleted faster and environment being degraded more rapidly.

In my view, more consumption is only a good thing when the result is a better quality of life for the consumer. This is true when a person does not have enough, and more enables someone to have enough. When more buying results in more waste, then more is a bad thing.

Advertising from the perspective of the producer is good as long as more product is sold and profits are increased, whether or not the consumer gets incremental value from more buying.

If the metrics for socio-economic progress and performance included not only the conventional accounting measures for profit, but also rigorous quantified measures for impact on people and impact on planet, then there would be a very different framework for decision making.

If the tools of advertising were used not only to inform the consumer about why they should be buying the product, but also to inform about the damage the product is doing to people and planet through the complete lifecycle of the product, people might well make different decisions.

There is a bigger systemic problem in the economy that also needs to be addressed. A big part of the information economy is being driven by an 'advertising model'. There is a lot of 'free' content accessible on TV and on the Internet that is paid for by the advertising. In turn advertising is paid for by companies that are promoting their products.

More and more consumption is a good metric when the economy is faced with shortage, but more and more when society is faced with resource depletion and dangerous environmental degradation, this becomes a very bad metric.

The prevailing value dynamic of advertising is out of step with what is needed in the modern world. The whole of the advertising industry is beholden to the prevailing conventional corporate model of more is better. The value dynamic of advertising should be something that is built on top of the idea that state, progress and performance has a value (truvalue) dimension as well as a money wealth dimension.

Peter Burgess – TrueValueMetrics … Multi Dimension Impact Accounting

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Contact information for Peter Burgess: Founder / CEO ... TrueValueMetrics

Website: http://truevaluemetrics,org
Email: peterbnyc@gmail.com
Skype: peterburgessnyc
Twitter: @truevaluemetric
LinkedIn for Peter Burgess : www.linkedin.com/in/peterburgess1/
LinkedIn for this blog: https://www.linkedin.com/pulse/article/20140623221256-27861-the-value-dynamic-of-advertising