

# *Advertising in Companies*

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**Abstract:** Nowadays, thanks to the economic development, there are many commodities in the society appeared, so the competitions among different companies become more and more drastic. This essay illustrates the advertising in companies to let people know how they work. In order to make it more specific, we use case analysis and data analysis through the whole article. The result is companies really need to make efforts on making their advertisings more attractive and more profitable. In conclusion, governments also need to regulate the developments of advertisings to maximize the roles. This article has a good reduction effect for all who want to improve the quality of advertising.

**Keywords:** advertising, company, competition

## 1. Introduction

In this competitive information era, the product homogeneity in the market is of seriousness and it engenders fierce competition among companies [1]. In pursuance of making greater profits, companies apply several methods. Under the positive correlation between advertising intensity and profitability, putting advertisement on the market is in furtherance of greater profits [2]. Because many companies use advertising to help them obtain greater profits, there is fierce competition in advertising. Companies also need to adopt different ways and strategies to facilitate them to solve some advertising related problems. Therefore, this paper will focus on these problems and reach with solutions through the previous published papers.

Enterprises have different advantages in different facets. This represents that companies will choose to advertise their own uniqueness to enhance their popularity through several means and increase the sale [3]. This introduces the first affair discussed in this paper: the competition between enterprises and the games generated by advertising. Secondly, the actual use of advertising is to stimulate customers to achieve consumption through advertising just like the exposure effect in psychology. However, excessive advertising will exert a negative effect because customers would get a sense of boredom and refuse to buy the product [4]. Therefore, the second thing that needs to be discussed and studied is how to reasonably place advertisement to achieve positive customer stimulation effect [5]. Due to the principle of diminishing marginal benefits, additional advertising will bring lower additional profits. This is the last question paper discuss: how to maximize profit by

using a reasonable amount of advertising. Although predecessors have done a lot of research, no research has taken into account the problems of this paper systematically, so this paper will study those issues. However, due to the lack of sorting and summary of relevant research, this paper sorts out and summarizes this method, hoping to provide reference for companies and enterprises and facilitate them to expand turnover and profits.

The introduction part introduces the application background of advertising and clearly raises questions. Next, the second part will introduce optimizing efficiency of advertising strategies. The related research of several factors influences the volume of and using advertising to gain an advantage in the competition between enterprises will be given in the third and fourth parts. Finally, we summarize and discuss in the fifth part and give some suggestions.

## **2. Use Advertising to Gain an Advantage in the Competition Between Enterprises**

Commodity sales in the enterprise in the market, advertising plays a very important role, through advertising can increase sales, total costs and total revenue will increase, make the enterprise benefit maximization, advertising can help enterprises to establish a better image, expand enterprise market share and increase the potential customers, to help enterprises to gain advantages in the fierce competition environment.

An important part of advertising competition strategy is to find out the factors that affect the optimal choice of enterprises and the methods of formulating advertising strategy objectives. The author constructs a two-stage game model, introduces the price competition into the model, considers the interaction influence of two firms' strategies in different stages of the game, and uses the backward calculation method to find the shape of the two firms' reaction functions and the direction of profit change along the reaction function. The results show that the optimal strategy selection is not only related to the advertising types of the two enterprises (extended or hostile) but also related to the degree of substitution between the products of the two enterprises. The comprehensive influence of the two factors determines the choice of the optimal strategy. The author puts forward the basic methods of formulating the strategic objectives of advertising, and designs the basic strategies of advertising competition from the aspects of market and product respectively. From the perspective of market dominance, 1. Target market positioning; 2. Market advertising penetration; 3. From the perspective of product leading, 1. Brand-oriented product advertising strategy 2. Differentiated product advertising strategy 3. Serialized product advertising strategy [6].

In order to select the optimal advertising strategy, this paper analyzes the impact of advertising strategy on enterprise sales. By comparing various advertising strategies, the author makes relevant assumptions about the strategies in competitive sales, and gives eight alternative pure strategies: (1) do not advertise; (2) only advertise on television; (3) only paper media advertising; (4) only advertise online; (5) Advertising on television and paper media; (6) Advertising on television and online; (7) Paper media advertising and online advertising; (8) Do all three kinds of advertising. By calculating the differential equation to get the equation about the sales volume, and using the logistic model to find the advertising strategy that can make the enterprise profit maximization. Since a pure strategy optimal strategy is a safe conservative strategy in which neither party is willing to take on the situation, both parties strive to achieve the "best" outcome from the least favorable situation. From the perspective of sales volume, among the three cases, the optimal pure strategy is strategy (8), that is, three kinds of advertising at the same time [7].

The author combed and summarized a large number of domestic and foreign literature, combined with the competition situation of second-hand car market in recent years, established Cournot model and conducted numerical simulation, analyzed the stability of equilibrium point and the influence of equilibrium state on enterprise performance, found the key factors affecting enterprise profit, and finally carried out illustration analysis. We learned that when companies advertise hard enough, it

can lead to lower profits. Although a firm's profit seems to be independent of the speed of adjustment, if you change the value of the speed of adjustment, the average profit of the firm may move up and down. So, the real reason for the average profit decline is the excessive adjustment of advertising investment, especially when the system is in a chaotic state, the slow adjustment of the enterprise can get more profit [8].

### 3. Optimizing Efficiency of Advertising Strategies

Omnichannel marketing strategies has been widely employed by companies in recent years, including instore feature ads, online search ads, and social media contents. To achieve the optimal efficiency, companies need to constantly balance quality, which is the degree of consumer satisfaction, and quantity, which is the number of advertisements displayed on platforms.

Ullal and Hawaldar study how advertisement affects the consumer purchasing habits and the store's revenue. The authors analyze data by identifying sales data for feature advertising. They build an AIDA model to examine the level of maximum impact of advertising. The research finds a positive relationship between ads quantity and products' sales quantity. 9.4% more sales are generated for every standard deviation increase in the number of ads. Promoting ads in store is efficient in increasing purchasing volume from existing customers instead of acquiring new customers [9].

To determine the impact of social media advertising on marketing strategies, Hosanagar etc. discuss the relationship between social media advertising content and customer engagement, which is measured by click-throughs, likes, comments, and shares [10]. Using Facebook data, they used natural language processing algorithms to code 106k Facebook messages across 782 companies. In conclusion, they discover that adding humor and emotion to brand personality (ad content) increases customer engagement. In contrast, when included in messages alone, directly informational ad content (pricing and promotions) is linked to a lower degree of engagement. Companies could profit from high-quality ads, which are linked to greater engagement, to increase ad efficiency [10].

Under the 2000 Internet bubble crisis rehabilitation, Li, and Yan discuss how to effectively attract more clicks in search ads by balancing the quality and quantity [11]. They introduced a concept called nuisance to classify search ads. High nuisance ads are featured with redundant and irrelevant information, which interfere with user search experience. By contrast, low nuisance ads contain little distracting information. They examine the effects of ad quantity and ad quality on the overall number of clicks on search advertising by developing a non-linear regression model. As a consequence, the analysis demonstrates that the ad quantity increment will moderate the impact of the ad quality with an inverse U connection if the search advertisements have low nuisance. If the search ads do not have high nuisance, the effect of improved ad quality will be hampered [11].

Kerkhof and Münster examine the trade-off between advertising price and viewing frequency while examining the welfare impact of a quantitative restriction on television advertising [12]. In the theory of two-sided markets and the economic analysis of advertising, the author constructs Salop models. The study comes to the conclusion that an advertising cap can raise welfare by raising the cost of advertising and encouraging media outlets to select more audience-friendly content. More money is generated as a result of higher welfare, which boosts the efficiency of advertisements. Due to the competing interests of viewers and advertisers, increased competition in the broadcast market also results in improved quality and reduced advertising rates. The efficiency of ads can be increased by both more effective advertising and cheaper advertising [12].

#### 4. Several Factors Influence the Volume of Advertising

Nowadays, companies, in order to improve the sales of their products, they must implement effective advertising policies, analyze the actions of competitors, and investigate the needs of consumers. In the next few texts, I will discuss the different reasons that affect the volume of advertising.

The volume of advertisements is directly influenced by different nations. In 2007, Brian A. Primakov etc. found that the African American Chicago area had a higher amount of tobacco advertising, but actually Caucasian residents had a higher amount of billboard tobacco advertising, six times more tobacco advertising per capita than the African American community, so African Americans have become the biggest target for tobacco markets to pursue. According to that background, it is not hard to see that according to different nations, there will be some changes in the volume of advertising in order to maximize their roles. African American has more interests on tobacco than Caucasian [13].

In addition, the volume of advertising is also influenced by advanced technology, like widely use of emails. Forrester Research, Inc., estimates that in 2013, the United States will reach a peak of 838 billion electronic marketing messages. According to a Finnish study, advertising revenue rose from 32.91 percent in 2002 to \$1.26 million in 2002 to \$7.3 billion in 2005. The low cost and short production time frames have attracted several companies to use e-mails. Overall, it has really broad future because of rapid growth of advanced technology. If people can keep promoting this technique, maybe in the near future, all of the advertising will be transferred online and maximize their roles. There will also be more spaces for advertisers to rise up the volume of advertising [14][15].

Attracting other people will lead the topic to another important factor, which is making the content in a deeper level. An ad model shows that consumers can process message points at a very deep and meaningful level so that they will be attracted if the content is in a great depth. In this way, it will be easier for the consumer to remember this when he clearly understands the message's statement and processes it at a deeper level. As a result, the ads with meaningful contents will be seen more, because it will bring the citizens' brain sometimes to process the information, which will strengthen the memories. When advertisers realize citizens' interests, they will pay more attention to that and increase the volume of advertising [16].

Currently, the government taxes sales are to prevent advertising from interfering with People's Daily lives in order to decrease the volume of advertising. Marginal costs increase when a single-product excise tax is imposed on producers. there is an increase of the marginal value curve from  $MC$  to  $MCI$  times the tax. As for that, the average cost curve also increased, the producer's profit maximizes and the price equals marginal value, the price of tax goods will be lower than pretax goods. Now it is common to see advertising taxes from different countries or places that most of them successfully regulate the volume of advertising [17].

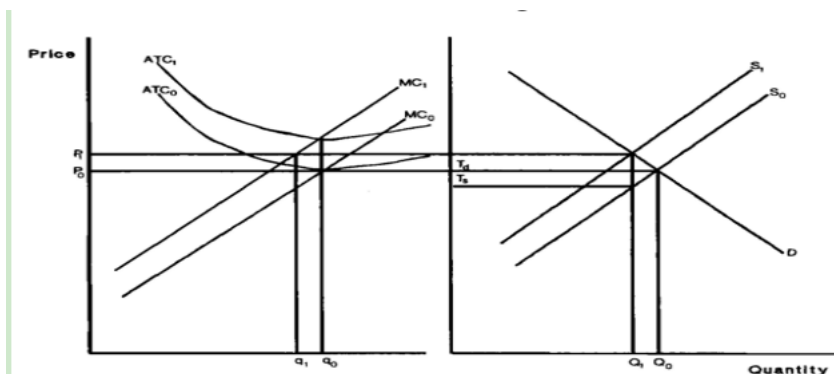


Figure 1: Incidence of a Sales Excise Tax.

## 5. Conclusion

In conclusion, based on the present grave homogenization of the market, companies need to adopt different approaches to enhance the effectiveness of advertising to enhance profits. In this paper, we address the above three questions. They need to ascertain a method to enhance their competitiveness and leverage through advertising. How to get customers to spend rather than get bored after watching ads is also something businesses should consider. In order to maximize profits, enterprises also need to determine the amount of advertising.

First of all, in the competition between enterprises, the use of TV paper media and online advertising in mutual competition can maximize profits for both sides. In the Cournot model, in the presence of competition, an increase in the number of ads may lead to a decrease in profits, which may require more research.

Secondly, companies can make sharp changes to their advertising to boost profits and sales. Companies should choose to enhance advertising in online media, which is easier to attract customers than offline advertising, and thus increase profits and turnover. The appropriate number can also be determined using the inverse U-width moderated advertising relationship model and the Salop model.

Finally, companies can improve the efficiency of advertising through certain methods. The company is able to understand the preferences of local customers before advertising, which allows it to advertise more effectively. You can also use e-mail ads or more meaningful content to increase efficiency. Under the principle of advertising tax and diminishing marginal interest, the company can also choose the appropriate amount of advertising

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