

TO: KRUGMAN/HOLLIFIELD LLC.
FROM: ACE MACNEILL
SUBJECT: COMMUNICATION AS AN INVESTMENT
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Some people within a company claim advertising and PR communication are a necessary evil, writing it off as an expense rather than an investment. This is a misconception, both PR and Advertising plays a key role in building brand equity, according to the Gregory et al. McNaughton article (2004). Brands are nothing without equity; advertising is a way to familiarize potential customers with the product. Rust (2006) notes there is great science and thought put into measuring the market. His marketing expenditures model suggests estimating time on return of advertising. It takes in all factors including from the article; evaluation of investment according to the impact that an expenditure had on the firm's customer equity (the sum of the customer lifetime values of all of the firm's current and future customers, or ROA.) The use of such a model requires an investment of time, and not simply expenditure.

Probably the most important article in my research was written by Georgia Southern professors John B. White and Morgan P. Miles. The article explains much of advertising's misconception centered around the U.S. Tax Code, stipulating advertising as a one-time only expense deducted directly from the firm's income. Much of the earlier research declared the effects of advertising on residents during the expenditure period, according to (Dhalla, 1976). That perspective leads to suboptimal decisions made by the firm. On the whole, macroeconomics investment in advertising provides stimulation to supply and demand. Another major factor is the decay-rate, measuring how the advertising loses its effects over a period.

Finally, in terms of setting and allocating budgets, analyzing the Batra et.al (1994) article explains that advertising expenditures generate more gross revenue of a product as opposed to personal selling. The major take away from the article, in my view is the indentured longevity of a brand coincides with an increased shift toward an expanded advertising budget. In closing, investment in advertising creates long-term effects toward the sale of products, and should be incorporated in how we conduct our business.