

An Economic Analysis of Advertisement on Status Goods by Multinational Corporation

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ABSTRACT

The brand molding is already a prime task for many marketing sells personnel, moreover the advertisement is one of main tools for brand molding. It can be discriminated two types: the ability of persuading and the ability of messaging from existing literature in which discussing about the economic effect of advertisement. No matter which type, there are few literatures do talk about the advertisement will possibly mold the brand and bring conspicuousness. Because the brand conspicuousness has an exterior effect and it may be positive (e.g. brand may lead a wave and raise a conspicuousness) or negative (e.g. limited quantity of selling). Therefore this thesis focus on the advertisement may create the conspicuousness of brand, and re-discusses the economic effect of advertisement: “ The influence of advertisement upon the product market and the social welfare as well as to analyze whether the advertisement standard is most suitable under the profit maximization. ” This thesis refers to Grossman and Shapiro(1988), Leibenstein(1950), and so on to construct the theoretical model, in addition, plus two variables: the advertisement quantity and the brand conspicuousness. We obtain following result: 1. Under profit maximization, the influencing direction of advertisement is indefinite to the sales volume: The stronger positive exterior effect of brand conspicuousness, the stronger positive effect of advertisement to the output; if the evaluation of consumers is more identical, then the advertisement is more possible decreasing the sales; if the conspicuousness is more stronger, then the advertisement may increase the sales. 2. The welfare effect of advertisement is uncertainty: Under the invariable situation of total sales volume, if the advertisement can increase the brand product sales, then the positive influence of social welfare will become bigger; if the conspicuousness appraisal of consumers is more consistent, the welfare effect of advertisement will be weaker. 3. When the positive exterior effect of conspicuousness is bigger, under profit maximization, the relatively most suitable standard of advertisement quantity is oversized than it under social welfare maximization, and vice versa.

Keywords : externality of brand, persuasive advertising, welfare analysis

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