CHAPTER NO. 4  AUDIT ON SOCIAL IMPACT OF ADVERTISING

4.1 CONCEPT OF BUSINESS : AN OVERVIEW FROM SOCIAL ANGLE

4.2 SOCIAL RESPONSIBILITIES: OF ADVERTISING AS AN IMPORTANT SEGMENT OF BUSINESS

4.3 SOCIAL AUDIT : BASIC CONCEPT

4.4 EFFECTS OF ADVERTISING : ECONOMIC & SOCIAL

4.5 SOCIAL AUDIT OF ADVERTISING : INDIAN SCENARIO
Business is a socio-economic institution. The business is established to fulfil the objectives which affect the survival and prosperity of the business. Generally, the business objectives are categorised under the following heads viz., economic objectives, human objectives and social objectives. To fulfil these objectives, business enterprises rest on the technical process of trade and manufacturer combining the following functions viz., production, purchase, sales, finance, management and administration, office functions, accounting and auditing, personnel relations, storing, research and development, publicity and advertising, marketing research, repairs and maintenance, packing and transport.

Out of the above mentioned functions of business sales, research and development, publicity and advertising, market research should be grouped under the head of marketing functions. So, it is clear that publicity and advertising is a function of marketing and marketing is a function of business entity.
The business is an integral part of the society. It would, therefore, have some social goals which create some social responsibilities towards the society and these are:

1. to make effective and positive contribution to the common well.

2. to play a pivotal role in the economic system governing material well being of the society.

3. to lead mechanisation and standardisation of goods and services.

4. to improve the standard of living of the society.

5. to create infra-structural facilities.

6. to create employment opportunities.

7. to add value in the national economy.

4.2 SOCIAL RESPONSIBILITIES OF ADVERTISING: AS AN IMPORTANT SEGMENT OF BUSINESS

Advertising, an important function of business, has some social responsibilities and these are:
1. To inform potential customers or consumers of new products and/or services including their qualities.

2. To inform the customers as to the change in price, special offer, change in product name, brand and availability of the product also.

3. To protect the customers from the grasp of monopoly business.

4. To supply goods and/or services to the customers at reasonable price.

5. To provide technical and other material information about the products and/or services.

6. To satisfy the consumers by providing appropriate goods and/or services accordingly to choice of the customers.

7. To help to select the suitable product and/or service by providing adequate information in respect of all products in the same nature.

8. To help to develop consciousness among the society.

9. To help to build up goodwill of the business entity.
10. To help to increase the wealth of the society by way of taxation on advertisement expenditure.

4.3 SOCIAL AUDIT: BASIC CONCEPT

According to Montgomery1 "auditing is a systematic examination of the books and records of a business or other organisation, in order to ascertain or verify and to report upon the facts regarding its financial operation and the result there of". So, to measure the accuracy of books and records, auditing is of immense importance. In modern times, to verify the social responsibilities of each and every organisation, social audit comes into operation.

Social audit is an audit that goes beyond the literal provisions of law, justified by the propriety of larger or more long term consideration of survival of the organisation, profit motive and non-profit motive enterprises, and welfare of the society. It measures organisation's contribution to economic

1. Montgomery cited in
"An Insight Into Auditing - a multidimensional approach".
Dr. B. K. Basu.
Book Syndicate Private Ltd.
Calcutta, 1982. pp. 1.4
growth and to evaluate the system of the organisation that raises standard of living. Thus, social audit of advertisement is concerned with social control of advertisement. Social audit programme of an advertisement consists of the following steps:

1. To see that interest of the consumers or customers is protected or not. Former President of U.S.A., Mr. John F. Kennedy, stated four consumers' rights, which the Government is promised to ensure¹:

   (1) **Right to safety** - Protection against marketing of goods that are injurious to health and life.

   (11) **Right to be informed** - Protection against fraudulent grossly misleading or deceitful information, advertising, labelling, or other practices, access to information, necessary to make an 'informed choice'.

   (iii) **Right to choose** - Should have access whenever possible to a variety of products and services at a competitive prices and also Government regulated industries where competition is not workable. The assurance of satisfactory quality and services at a fair price is desirable.

1. A Text of the lecture delivered by Professor Dr. B. K. Basu on "Advertising" at Srinagar.
(iv) **Right to be heard** – the assurance that consumers' interest will receive full and sympathetic consideration in the formulation of Government policy. This indicates that organisation should be responsible to consumers' complaints.

It is interesting to note that the introduction of the **Consumers' Protection Act, 1986** is a right step towards the objectives of the consumers for better deal. Unfortunately, in most of the cases, cream of the said act is not enjoyed by the poor consumers. However, interest of the consumers may be verified with reference to truthfulness or untruthfulness of the advertisement, tastefulness and tastelessness of the advertised product.

2. To see whether the products that are advertised concern over morality or morality concern over product itself, examples of such products are cigarettes, contraceptiveness, liquor etc.

3. To see whether advertising evidences good or bad tastes. This should be tested with reference to the manner and the contents of advertisement.

---

backed by different consideration like moral, ethical and aesthetic. It is a concept of materiality.

4. To see that different appeals through different media like appeal to fear, use of sex appeal in different cinema, poster, appeal from the head of the institutions and other charitable institutions are consistent with the integrity of the organisation and the moral value of the advertiser. This should be verified with reference to the sentiment of the general public and societies change, for example, sex appeal to bail a product no doubt offend majority of the target audience, however, do create extra zeal in advertising.

5. To see that persuasive abilities of advertising does not turn the advertiser insidious. This may be verified with reference to warranty, after sales service and study on the consumers' reaction on the product and its services, based on stratified random sampling.

4.4 SOCIAL AUDIT : BASIC CONCEPT

Advertising decisions by the business entities are made in a social setting, advertisements are aimed at members of society. Advertising contributes in many ways to our human welfare and all of these contributions may be classified under the following two major heads:

1. Economic Effects, and
2. Social Effects.

Economic effects help to analyse the allocation of natural resources. Economic effects are those which affect the society economically. Economic effects of advertising towards the society consists of the following:

(i) Advertising encourages economic growth.

(ii) Advertising helps to maintain competition.

(iii) Advertising helps to inform the consumers.

But in present time, many economists claim that advertising wastes resources and they argue that advertising just adds costs to the price of the
product. Against this claim, it can be said that it is a cost of doing business and it must be included in the selling price. It may also bring about substantial reduction in production and distribution costs and ultimately the consumers paid a lower price for the product and/or service. Another object of advertising is to shift the demand from one brand to another, this leads to better products for consumers and it is not really an inefficient allocation of resources.

In the world of business, there is an assumption that advertising is a wasteful expenditure. But till today no attempt has been made to critically examine the truth of the assumption. This assumption may be analysed from the nation's point of view and from the company's point of view.

The biggest chunk of 'real' resources consumed by advertising is in the form of space for the written world i.e., newspapers, magazines, periodicals and journals. In the form of time in the audial and audiovisual media i.e. radio, cinema, T.V. and in both the cases manpower is required.
There is no doubt that paper is a scarce material and it is required for advertisement in printing world. So, a question may arise about the proper use of paper and somebody claim that advertising pre-empts paper away from worthwhile uses. But the claim is not true because the Government's controls over the distribution and prices of paper ensure that social needs, like printing of text books, receive their priorities. Alongwith printing of text books, a socially beneficial usage of paper is the printing of newspapers and magazines of varied types and these newspapers and magazines are used as media of advertising. The primary object of the newspapers and magazines is to render information and advertisement is the secondary object of it. The role of advertising in the world of writing is to provide funds for their existence. Advertising could be considered socially wasteful only if the amount of space that has to be given to advertisements to generate revenue is so considerable that nothing much is left for editorial matter. In any case, here also, the amount of space to be devoted to advertising is an editorial policy - decision based on the revenue needs and is not a function of the excess or shortage in advertisement quantum.
Of course, advertising consumes some scare physical resources like ink, magnetic tapes, paints and raw photographic films and the cost of these physical resources is a very small portion of the total cost of any advertising campaign except new films, which is consumed in some quantity by advertising. But in this case, it will take quite bit of stretching of one's aesthetic sensibilities and value system to prove that the other major alternative use of raw films, namely, the commercial feature film, is more productive and desirable socially than advertisement. So, from the above discussion it can be said that the opportunity cost of advertising in the world of writing is negative.

Time is also an scare resources in case of audial and audio-visual media. For proper utilisation of this resource the media authorities determines how much broadcasting time is to be allocated to the productive or commercial and non-productive or non-commercial advertising. The authorities also fixing the time and rate on the basis of revenue required to support the productive nation uplifting programmes. Hence the opportunity cost of utilising
advertising time is negative - in fact, it is an opportunity gain, the gain being in the form of the non-commercial programmes made possible. A similar argument holds good for cinema time.

At present in India, no body can claim that manpower is in short supply and for this, it would not claim that advertising is pre-empting manpower away from more productive utilisation. Hence, the opportunity cost is zero because manpower is surplus, the portion of it utilised by advertising is not at the cost of some other utilisation - it is a net addition to the total utilised manpower in the country.

From the above discussion, we can conclude that advertising is not wasteful from the nation's point of view. The scarce resources which have been away from more worthwhile enterprise, it actually has the beneficial effect of creating employment and supporting socially desirable institutions such as newspapers, magazines and sporting events. If it is good for society to have more of these, then any expenditure which promotes these, without elsewhere, can not be considered 'wasteful'.
Now, it is necessary to discuss about the wastefulness of advertising expenditure from the individual company's point of view. It is virtually impossible to measure the accurate inter-relationship between advertising expenditure and sales promotion. However, most of the empirical analysis that have been done show a high degree of correlation between the quantity of advertising and the subsequent sales.

There is no denying the fact that companies are profit maximizing institutions and it is impossible to believe that companies will voluntarily and knowingly undertake a wasteful expenditure which will reduce their profits. Like other functions, the advertising budget decision taken under uncertainty reflects the individual company's best estimate of the pay off among costs, risks and benefits.

Finally, it can be said that advertising expenditure is a transfer payment from one organisation to another organisation and thereby generating income in the latter. By 'wasteful' spending on advertising what the companies are virtually doing is to reduce their own profits and hence the capital
sector's income and transferring that money as income payments for the newly generated employment, without consuming any scarce resource in the process. Thus, the end effect is a desirable redistribution of income.

The social role of advertising extends far beyond its role in industry and business. The contribution, both actual and potential, which advertising does and can make to promote matters of general social goals, is a most important aspect of its role in present day society. And we see this is the use of advertising to advance such issues as a better attitude to health, and to other matters of clear social benefit such as road safety, energy saving and not least in encouraging support for charities. In listing aspects of advertising's constructive part in our society we should never forget that advertising makes life more interesting and diverse. Most people, and it is fact, like advertising. They enjoy the colour, entertainment and enjoyment it brings as well as the information.¹

Social effects of advertising is a matter which is very difficult to determine. Generally, advertising is successful when there is growth in sales of a product after a corresponding increase in advertising campaign. When the sale is increased by virtue of much advertising it is considered that advertising has attributed a great impact on the society. The socio-economic effects of advertising can be divided into three broad categories. These are:

1. The aggregate effects of advertising on society's values and life styles.

2. The aggregate effects of advertising on the economic well-being of the society.

3. The nature and content of advertising. It involves issues of depiction, manipulation, taste and issues that are magnified when the audience is children.

Advertising is basically an economic instrument and any overall appraisal of advertising should include an analysis of its economic impact. Advertising provides economic value to society in many ways as follows:
1. It helps the buyer for making decisions by providing information and by supporting brand names.

2. It helps the firms by providing an efficient means to communicate with their customers. Such a function is particularly important in the introduction of new products.

3. It helps to generate product differentiation among various products. This product differentiation provides the basis of brand loyalties that represent a significant barrier to potential competitors.

4. It helps to form different product associations and through this function advertising can add to the utility that a buyer receives from a product.

5. It helps to protect the entry of new competitors in the market place which results reduction in vigorous competition, higher prices, and execute profits.

By touching our lives through its persuasive abilities, through its tastefulness or tastelessness,
by its truthfulness or untruthfulness and by its
cultural impact on our values and life styles
advertising contributes the following for the welfare
of the society.

1. Advertising is an efficient source of
information for both consumers and industrial
purchasers about product quality, new merchandise,
new technology and prices.

2. Advertising reduces distribution costs
by making personal selling more effective or by
replacing it entirely.

3. Advertising encourages competition by lowering
information costs, it also fosters product quality
through clear brand identification and producer's,
distributor's accountability.

4. Advertising publicizes the material and
cultural incentives of a democratic and free
enterprise society, and thereby helps to motivate
increased productive effort by both management and
workers.

1. "Advertising"
John S. Wright, Willis L. Winter
Now Delhi, 1983.
5. Advertising enables maintain independence, both in print and broadcast media, from government, political parties, and other special interested groups.

Due to persuasive abilities of advertising it is argued that advertising has an impact on social values and life styles of society and this impact has its negative as well as positive aspects. The key issues are what values and life styles are to be encouraged as healthy, which are to be avoided, and what relative impact or influence of advertising has on them. But, in total the consumerist movement represents a force in our society committed to a better, fairer social order. It is a force which we as advertiser would welcome and not reject. As consumerist we must look at the specifics of the criticisms of our role. They show themselves in many ways but all seem to come down into three root issues:

1. that advertising encourages aspirations and materialistic values beyond the capability of economic resources to meet them for individuals.

2. that advertising interests hold up progress on desirable social issues e.g. reducing alcoholism, cigarette smoking, and the protection of children from undue commercial pressure.

3. that advertising is powerful. And in particular it's perceived balance towards persuasion at the cost of information.

All of these must be recognised as legitimate questions which we must answer in the following ways:

1. Advertising and Materialism: To all of us confronted with the vast gap between rich and poor not just between countries but within them the question presents itself, where is the human justice in that? From that point it is an easy and understandable progression to question the ethics and morality of a system which apparently reflects and indeed, may seem to encourage these inequalities.

2. Advertising as a hindrance to social progress: In the second main area of criticism of the social effects of advertising the arguments tend to focus on specific fields where advertising is alleged to be a hinderance towards desirable
Typically, these are issues such as tobacco or alcohol advertising, or they are more general issues such as the portrayal of women in advertising, or undue commercial pressure on children. In picture No. 5 and No. 6 the advertiser used women as the medium of advertising which is not necessary for the purpose of advertising of that particular product or products. It is needless to mention that this goes against the dignity of women and general. If we consider the picture No. 7, then it can be said that it lures the thrills among teen-aged and consequently the sale of the said product has gone up after the advertisement. Picture No. 8 represents an advertisement of a alcoholic product. in 1976, when BAGPIPER was launched, liquor was — and still is — a category with tremendous restrictions on advertising and distribution. Marketers relied on push because pull could not be created through advertisement. Distributors had to be cajoled with discounts before they'd stock the brand.

1. "Rewriting the Rules"
Vanita Kohli.
Pan Parag®
Pan Masala and Gutkha
World's largest selling Pan Masala & Gutkha

Source: The Telegraph, August 8, 1993.
Made for each other

Wills Filter set the filter trend in cigarettes long years ago. Today it's still the finest in taste, in satisfaction. Hand picked Virginia tobaccos married to an efficient filter made it so. Millions of smokers have discovered it then stayed with it.

A BRAND OWNED BY ITC LTD MADE IN INDIA

Filter and tobacco perfectly matched

ask me

'Star Appeal'

Advertised by Satrughna Sinha, a renowned film star in India.

In the early 1980s, film stars are used as the medium to advertise this product and it is still continuing except for the incorporation of new film stars to maintain consistency yet prevent the brand personality from getting jaded. The sales progress of this product can be depicted with the help of table No. 6.

**TABLE 6**

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**WHISKY GALORE**

Bagpiper's Sales

(Figure in lakh cases)

3. Persuasion or information: The third fundamental area of concern, at least in the Western World at present, over the role of advertising in society centres on its dual roles of information and persuasion. While many cities would accept the former as of social benefit, they criticise the latter and allege selective use of information and its misuse in persuasion. The balance between the two is a critical use at present and in the future.

The criticism is of course greatest in those advertised categories such as perfumes and toiletries, beer, detergents, where functional performance tends to be similar and benefits are more emotional.

In present day, political advertising also influence the social life. In a common debate on protection for the consumers, Mr. Anthony Greenwood chose to compare advertising with political propaganda. After ridiculing the claims made by detergent manufacturers, he concluded: 'I have no doubt that there are many people who are deceived by this detergent advertising, just as at election times, unfortunately, they are
It is clear from the above statement of Mr. Anthony Greenwood that political parties use advertising as a media of election campaign to attract the attention of the people and motivate them to cast their vote in favour of them. In most cases the political parties to capture the attention of the voters make their campaign in such a way which deceived the voters.

Lastly, it can be said that along with the above limitations advertising enlarge its hands towards our society because of its creative ability and dynamic nature. At present, there is no restriction for advertising in favour of match-making concern, astrologer, enumerator and foreign producer from the Akashbani. But it was restricted till 1993. The restriction of advertisement is continued for tobacco, pan masala and wine, though this restriction is withdrawn from the T.V. a long days ago.

SOCIAL AUDIT OF ADVERTISING : INDIAN SCENARIO

Social audit of advertising is a new phenomenon in Indian context. Very few attempts have been made to consider the social audit aspect of advertising in Indian business sector. Professor Dr. B. K. Basu\(^1\) is one of the pioneers who has made an endeavour to highlight the audit aspect of advertising from social viewpoints. Considering his viewpoints and other dominating factors in the field of advertisement, the social audit of advertising in Indian context can be explained under the following heads:

ADVERTISEMENT FOR ISSUE OF SHARES

This is an important area for hoarding money of the general public for unaccounted purpose. For example, public invitation for 1000 shares, applications received suppose 10,000. The money retained for 3 months by the company through bank and gain some unaccounted interest. The loss of interest by the society is a factor of consideration.

---

1. A Text of the lecture delivered by Professor Dr. B. K. Basu in the Dept. of Commerce at Andra University, Waltair.
ADVERTISEMENT FOR MATRIMONIAL

This is another area where misleading information resulted after marriage the cause for divorce. Population of 300 were chosen, 200 responded out of which it appears 60% to 70% were the victims of divorce.

ADVERTISEMENT IN T.V. FOR DIFFERENT CONTRACEPTIVES, SPECIALLY NIRODH

Population of 10 shops were chosen. It lures the thrills among teen-aged boys and girls. Sale of the said product has gone up after the advertisement in the T.V.

ADVERTISEMENT FOR SALE OF MULTISTORIED BUILDING

Validity and durability of the building not certified by proper authority, accountability of the promoter towards the general public is not ensured. This is evidenced from the loss of life due to the collapse of a few multistoried building in Calcutta.
APPEAL FROM THE HEAD OF THE STATE OF PROVINCE OR OTHER INSTITUTE TO DONATE BLOOD

Mass blood donation are made to honour the appeal but those bloods except their grouping such as A, B, O & AB are not tested to guard against Jaundice, Blood-sugar or Diabettis. Sometimes instead of the use of blood as the life-saving device, it acts as life-killing device. In the case of Bakreswar Power Plant - without arranging storing facilities and other infrastructural facilities, blood were collected and subsequently put into ash-tray.

APPEAL TO DONATE IN FLOOD RELIEF AND OTHER PURPOSES

Sometimes, appeal through different advertising media like T.V., Radio, Press etc. from different charitable institutions and head of the States are made to donate to relief fund, but accountability to the general public are not discharged because total money receipts and its disbursement are not made known to the public when it relates to public money. Moreover, this process invites unscrupulous traders to convert black-money into white-money because tax relief U/S 80G of Indian Income Tax Act, 1961 are provided on such donations.
ADVERTISING FOR SITUATION VACANT

This is another area where deceitful and fraudulent practices on the part of advertiser is found. For example, advertisement for five (5) vacancies with postal order of rupees ten (Rs. 10) each is inserted in newspaper.

Suppose fifty (50,000) applications received and thereby it amounted to Rupees five lacs (Rs. 500,000). The person not called for interview are not refunded the amount of postal order. By-the-by, the West Bengal Government has abolished the postal order system for the recruitment of Government vacancies.

ADVERTISEMENT BY SOLVENT COMPANY IN WIDER ASPECT

Purchase of advertising time in T.V. by leading companies restricts the new unemployed educated talented boys and girls into business. For example, sales of NIRMA, a detergent manufacturer, has gone up 10 times more than their previous sales due to its maximum advertising in T.V., Radio, Video display in railway station etc. Here, advertising itself
should be considered as a product and should be subjected to Sales Tax. And on the other hand, advertising for the new entrance should be made through T.V. and other media at concessional rate.

ADVERTISEMENT FOR SEVERAL GIFTS

Advertisement by different advertiser to push their sales offering certain gifts with the sales of the product, creates artificial scarcity in the market and it also effects the middle-class people for forced purchase to satisfy their kids. For example, VIVA with a glass, COMPLAN with word power dictionary.

ADVERTISEMENT OF EDUCATIONAL INSTITUTIONS

Advertisement made by different educational institutes that to obtain degrees on payment of lump-sum amount definitely distort the integrity, morality of the general public. No doubt of it, all universities are equal in the eye of law. But equality in terms of morality cannot be ensured when one obtains a degree through perspiration and hard study and one obtains a degree through purchase.
For the integrity of the nation, this type of advertisement and its origin should be banned and if there be any cause behind the advertisement, there should be routed out. Examples of National Institute of Education may be cited.

ADVERTISEMENT FOR CHILDREN THROUGH T.V.

It is a vulnerable area which calls for easy opportunity to bail a product of questionable value. For example, toys with violent themes and food with higher sugar-contents.

Moreover, advertisement in T.V. lures school-going boys and girls, specially in nursery and K.G. level-students are reluctant to study for viewing different advertisements. Advertisement through T.V. causes them unruly, disobedience standard of honesty and integrity.

ADVERTISEMENT INDUCING SOUND POLLUTION AND MATERIAL DISTORTION

High sound and repetition of the same advertisement distort mental make-up. It pollutes general and sentimental environment of the viewer.
ADVERTISEMENT CREATING ANTI-SOCIAL ACTIVITIES

Cinema itself is not advertisement, but to pursue persons for viewing cinema through its different media like poster, newspaper, handbill, radio and T.V. is a process of advertising. So, here, cinema itself become a product. If any product is of such standard and quality which causes loss of national integrity and distort public sentiment and image should be subjected to control. Different cinema or films when sponsored by different companies to boost up sales are displayed through T.V. then cinema or film may be treated as a gift instead of product.

Moreover, different serial as appeared in T.V. sponsored by different companies may be treated as gift to consumers to boost up their sale. It is interesting to note that those serials and films are imparting sophisticated ideas, plans, strategies and tactics for bank dacoity, murder, kidnapping, raping etc. In that anti-social elements who were quite dark in the mechanism that displayed. For example, 'PRATIBANDH' (Hindi Film), 'AGNI SANKET' (Bengali Film) etc. However, when a film actress is found to use certain products of a company, in
that case, film may be treated as a medium is match-box. In 'AGAR TUM NA HOTE' (Hindi Film), actress used product made of Emami, Satyajit Ray's 'FELUDA' (Bengali Film), Feluda used Charminar.

ADVERTISEMENT USES WOMEN AS A MEDIUM

Women are frequently presented in a T.V. commercial in a demeaning manner. They are identified with a precious commodity. This goes against the dignity of women and general.

The display shows details about 'murdering housewives for non-fulfilment of the demand made by bridegroom's father. Time taken to murder is more than time taken to punish the accused.

ADVERTISEMENT OF INJURIOUS PRODUCTS

A popular slogan in our society is that "cigarette smoking is injurious to health". Basically, studied from random sampling in industrial area, sale of cigarette and other tobacco has gone up after the insertion of warning.