

Shepelenko O.V.<sup>1</sup>, Dr. Sci.  
(Ekon.), Prof.,

Granish S.A.<sup>2</sup>

1 – Donetsk National University of  
Economics and Trade named after  
Mykhayilo Tugan-Baranovsky, Donetsk,  
Ukraine, e-mail: shepelenko.o@gmail.com

2 – Donetsk National University of  
Economics and Trade named after  
Mykhayilo Tugan-Baranovsky, Donetsk,  
Ukraine, e-mail: granich@gorizont.dn.ua

## CONCEPT ORGANIZATIONAL AND ECONOMIC MECHANISM AN AGING THE ADVERTISING FOR CONSUMER GOODS AND SERVICES MARKETS

**Objection.** *The objection of this article is to work out the conception of organizational-economic mechanism of advertising activity management in the consumer goods and services market.*

**Procedure.** *In the course of the study there were engaged: methods of theoretical generalization and comparison, analysis and synthesis (to specify the content of the concept “organizational-economic mechanism”, to justify the mater of advertising activity in goods and services market); structure functional method (to systemize the approaches to determine management concepts of advertising activity, to work out the organizational and functional patterns of advertising process participants, the organizational stages, systematization of the components of its information support).*

**Results.** *On the base of conducted study there was suggested the conception of organizational-economic mechanism of advertising activity management in the market of goods and services, which allows to improve the efficiency of advertising activity. This mechanism includes the scientific-methodical approach, which allows to determine the principles of its formation, the structure and the content of organizational components of the mechanism of the advertising process management in the consumer market of goods and services.*

**Academic novelty.** *It was worked out the conception of organizational-economic mechanism of the advertising activity management in the market of goods and services, which implement allows to improve the communicative and economic efficiency of advertisement, which in its turn stimulates goods and services promotion in the consumer market.*

**Practical importance.** *The obtained results are aimed at the optimization of the advertising activity management in the market of goods and services.*

**Key words:** *advertising activity management, conception, advertising process participants, organizational-economic mechanism, consumer market of goods and services.*

The practical use of advertising activity in socio-economic system supposes the working-out of a mechanism concerning the advertising activity management. Functioning under the conditions of the market-based economy, economic operators are constrained to develop their own advertising management strategies in goods and services market. However, Ukraine doesn't have sufficient experience in this sphere by the force of different historical, political, socio-economical circumstances. Economic operators face a lot of difficulties when pursuing the effective advertising policy, which only proves the necessity to work out organizational and methodical patterns of advertising activity management at the level of manufacturers, i.e. of advertiser. At this level it is very important to develop the conception of organizational-economic mechanism of advertising activity management; develop an algorithm of advertising strategy forming; work out the assessment criteria of the advertising activity efficiency in goods and services market.

There are a lot of publications concerning the advertising activity research, among them are the works of such native and foreign authors, as Azaryan. O., Balabanova L., Bernet J., Vasiliev G., Kotler F., Lukianets A., Matantsev A., Moriarti S., Oganessian A., Obrytjko B., Polyakov V., Romat Ye., Walles W. etc. However, beyond numerous achievements, there is no concurrent point of view both on conceptual meaning of the definitions "advertising activity", "advertisement" and on conceptual approach to their determination methods, performance evaluation and the activity management.

Advertisement as the specific kind of activity existed long before market relations formation. However, the theoretic studies in the sphere of advertisement have begun relatively recently, so the theoretical issues of advertising activity are still in the primitive state of development, and their conceptions are insufficiently developed. Hence, nowadays theoretical problems and other issues, concerning socio-economical aspects and conceptual approach to the mechanism of advertising activity management in goods and services market under conditions of the market-based economy development, are of great importance.

The objective of this article is to develop a conception of organizational-economic mechanism of advertising activity management in goods and services market.

The conception of advertising activity management is a very important instrument of organizational mechanism, which also gives the scientific justification for organizational-economic decisions on the efficiency improvement of managerial process. The modern scientific theory, terminology, advertisement philosophy are closely connected with marketing, that's why the advertising activity should be considered as the integrated marketing process in the target market, based on marketing terms and conceptions. The conceptual basis of advertising activity is an advertiser's strategic commitment to competitive advantages via advertisement for a purpose of effective interaction with a customer from a point of the demand management. The advertising conception lies in its creative apprehension by a customer [1-7].

The conception of advertising activity management should be considered as the views of operators of advertising activity on the improvement of market activity, methods of advertising process organization and management, advertising campaign, constructive principle. The conception should represent company's organizational plan, plans and activities orientation, strategic objectives of advertising campaign, creative ideas and basic advertising arguments, technologies for information propagation etc. On the base of conception the participants of advertising campaign form their views; discuss the ways of interaction of advertising agency and advertiser; build rapports. Un-cooperation decreases the advertisement efficiency, transforming it into expendable mechanism of advertiser.

The term "organizational-economical management mechanism" concerning different economic entities can be often found in modern scientific economic literature [8-10]. However, it is still impossible to find its full and common definition, which would reveal the matter of this question, which causes some difficulties when developing the conception of organizational-economic mechanism of advertising activity management.

According to the definition, given by Lysenko Yu. and Yegorov P., "the organizational-economic mechanism - is a system of objectives and inducements formulation, which in the course of labor activity allow to transform the dynamics of material and spiritual needs of participants into the dynamics of means of conducting and its final effects, aimed at meeting effective demand of a customer" [9]. Buleev I. considers the organizational-economic mechanism of management as the system of forms, methods and instruments of management [8]. The French researcher Cullman considers mechanism to be the most important interrelation, which exists between two different economic phenomena. This mechanism includes a certain sequence of economic phenomena: its main simultaneous components are input value, output value and the whole process, which occurs in the intervals between them. The researcher also states that mechanisms are systems of economic phenomena interrelations, which occur under certain conditions influenced by primary impulse. Kendyukhov suggests considering the management mechanism as the system of elements and objects of management, where elements of management transform into required state or reaction of objects of management, which is followed by the entry premises and resultant reaction [10].

The object of management in this case is the advertising activity process which surely has the economic goals. In other words, so far as is concerned the organizational-economic mechanism of advertising activity management, the economic component of this mechanism consists not only in methods, but also in its functioning. Therefore, the organizational component is considered in general as the organization of economic goals achievement, i.e. it is not restricted only with the organizational methods of management, on the contrary, it includes organizational structural, and socio-psychological, an administrative aspects. In the course of their interaction the interpenetration of economic and organizational elements of management mechanism occurs.

Therefore, the organizational-economic mechanism of advertising activity management represents the system of the main interrelated management elements

(i.e. goals, methods, structure, subjects of management) and the objects of management (i.e. goods and services manufacturers), where occurs the stable transformation of management elements into the necessary condition or meeting the consumers needs, which in its turn reflects both in input effects in the form of external demands and resultant reaction in the form of communicative and economical efficiency (Fig. 1).

The formation of organizational-economic mechanism of advertising activity management as the managerial system should base upon scientifically grounded principles, suited for these systems.

The main objective of advertising activity management consists in promotion, which increases the commutative and economical efficiency of advertisement, forwards the products and services promotion with account of certain advertising expenses.

There are operational and strategic objectives of advertising activity management. The operational objectives include sales promotion, sales increase, demand management based on the positioning, MSM projects management, advertising budget allocation, consumer profile formation, assessment of advertising activity efficiency etc. the strategic objectives include the advertising strategy management at the stage of market development, the creation of advertisement management principles and conception, the selection of advertising devices strategy, planning of advertising campaign conducting etc.

There are such principles of advertising activity management: integratedness, systemacity, complexity, promptitude, regularity, dynamism, purposefulness, consistency, continuity, prospectivity.

As for the management functions they can be divided into general and specific. General functions are advertising activity analysis of a company; advertising activity planning with the aim of demand management, including advertising campaign development; advertising activity arrangement, including the creation of organizational structures for management decisions making concerning the advertising activity of a company; coordination of advertising activity of a company; advertising activity control.

The specific functions of management are the conception development and advertisement production; advertising campaign management; exhibiting activity management; image-building; information management etc. these functions must be considered not as individual and interwoven ones, but on the contrary as interrelated and interdependent components of the single management process.

In the present conception we consider the advertising activity process as the process of the main participants of advertising activity interaction.

The objects of advertising activity are goods and services, which are the essential market products and have user value.

The recourse of advertising activity is financial, informational support, advertising media, which form the data for advertising process fulfillment.

The functions of advertising activity are economic, social, marketing, communicative etc., which are connected with goods and services promotion and allocation; stimulate product sales; encourage the profit increase; accelerate the

purchase and sale process; maintain the feedback between a company, market and consumer.

The subjects of advertising activity are advertiser, advertising producer, advertising distributor and advertising consumer. As the market relations develop, these components change quantitative and qualitatively, and as a result of these changes the adequate transformations occur in the very process of advertising activity.

As the participants of advertising process perform their functions, they must also organize the appropriate process of advertising activity, which consists of the following nine stages:

- advertising activity and advertising expenses planning; agreements undertaking (contracts award); incoming materials transfer (on the base of preliminary negotiates between the advertising process participants- advertiser and advertising producer as for cooperation, which results in execution of an order. In the course of negotiations it goes about the main characteristics of a possible order, payment conditions and the ways of fulfillment, goals and conception of future advertising campaign are defined. In the case of arranging a settlement, the project agreement, i.e. agreement on defined advertising services is concluded);

- advertising agency transfers the incoming materials for advertising creation; advertising idea formation, provision of designs, maquettes, texts, scenarios; original pictures evaluation, return for rework (if necessary), determination of royalty fee;

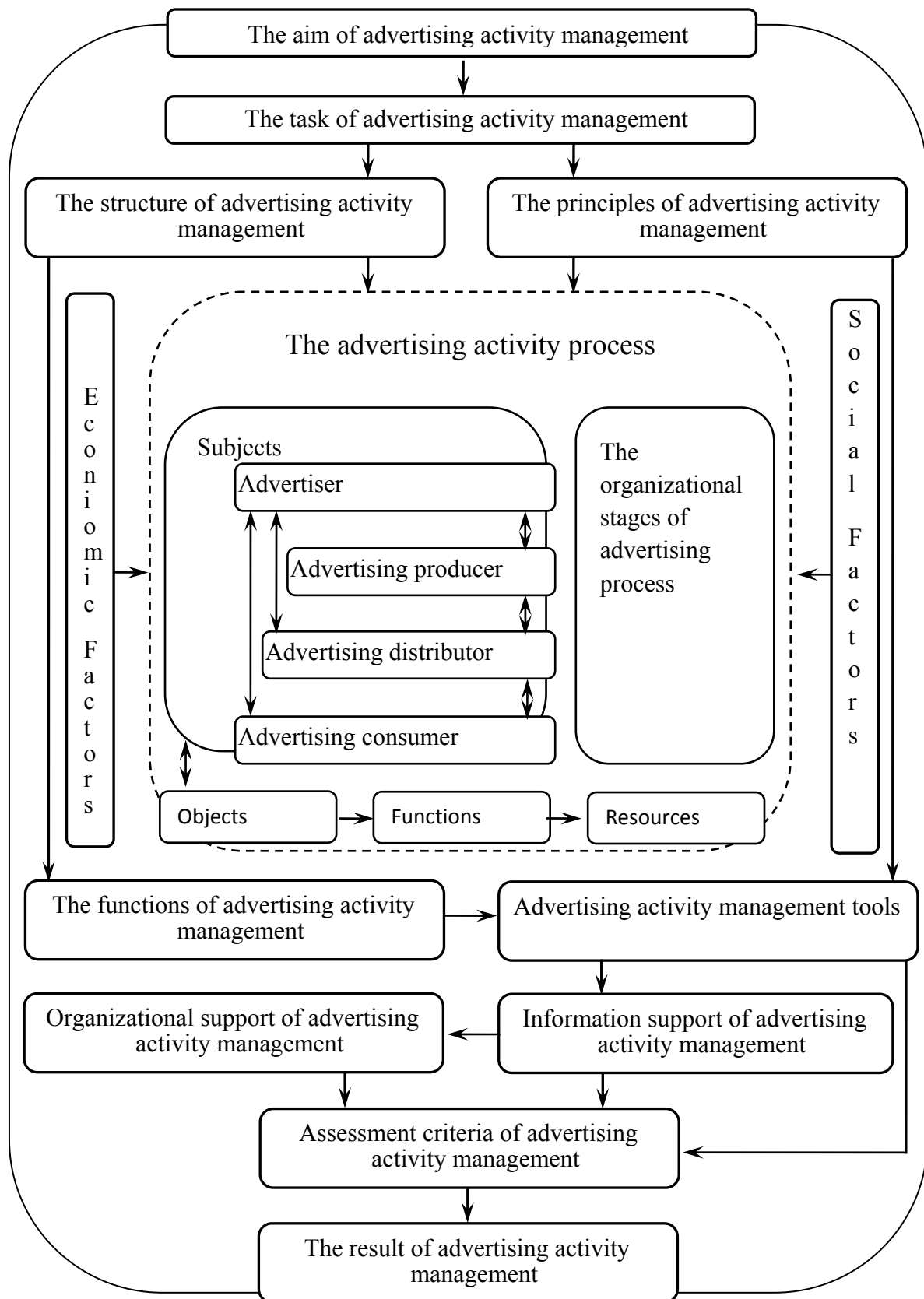
- approval of advertising idea, designs, texts, maquettes, scenarios, supplementary appropriations coordination (if necessary), (at these stages the creative team creates advertisement, transforming the desires of advertiser into advertising language);

- advertising products production (creation of drawings, maquettes, photos, motion- and telefilms, arrangement of sound records for radio and television etc);

- transfer of original material for duplicates making and for their distribution;

- advertiser settles accounts with advertising process participants;

- consumer buys goods and services of advertiser.



**Figure 1.** The conception of organizational-economic mechanism of advertising activity management in goods and services market

The advertising activity process is influenced by the factors, which are classified into economic and social ones, which in their turn are classified into internal and external.

The advertising activity management instruments include monitoring, strategic analysis, benchmarking, diagnostics, MSM efficiency evaluation, evaluation of advertising influence on target audience, Delphi method.

It is suggested to use as the criteria of advertising activity management evaluation economic-mathematical models, cost optimization, increase in sales, increase in profits, etc.

The result of advertising activity management consists in its efficiency improvement, advertising costs optimization, goods and services promotion, stability and competitive advantages improvement.

It is impossible to define exactly the efficiency of particular advertising means, advertising campaign in general. In this particular case one may agree with American entrepreneur J. Wanamaker, who said: "I know that a part of my advertisement is quite ineffective, but I don't which one".

There are economic and communicatory types of advertisement efficiency.

The economic efficiency of advertisement is determined by its influence measuring on sales volume. Nevertheless, it is well known that favorable changes concerning a customer awareness and location stimulate the sales volume. Therefore, the economic efficiency of advertisement directly depends on extent of its psychological influence on a person (communicatory efficiency). Thus, there are no fundamental differences and distinct margin between economic and communicatory efficiency of advertising activity. It follows there from that one may view with some skepticism the numerous efforts to calculate the economic efficiency of advertisement.

The communicatory efficiency of advertisement is characterized by the extent of attention, paid by the potential clients; the depth of their impression; advertisement penetration. Such efficiency evaluation is especially essential in the following cases.

In competitive conditions the necessity of goods promotion encourages salespeople to seek and use new, more effective ways of information transfer. Apart from traditional ways of advertising information transfer (display windows, brand tags etc.) one may use nowadays also television, Internet etc. As a result, the advertising expenses are growing. The escalation of costs requires their efficiency and optimization analysis.

The analysis of conceptual approaches to this task solving allows to single out two basic approaches concerning this research. The first approach focuses on research of advertisement economic efficiency. The second approach deals with advertisement transfer intensity and its impact on a person.

Considering that in the process of advertising activity management the trade agreement between a salesman and a customer is followed by such basic stages as information transfer about goods from a salesman to a customer; goods transfer from a salesman to a customer; financial resources transfer between a salesman and a customer then one can state, that the peculiarities of the given processes are that they are interdependent and inter-influence. In particular, quantity and quality of goods information influence both the sales speed and their price. On the other hand, goods price influences considerably both the sales speed and speed of

information transfer about goods. Therefore, the process of purchase and sale is always preceded by the process of information transfer about goods to a customer. The efficient transfer of this information accelerates the speed of goods sale, and therein lays the advertisement essence.

At the present stage of market relations development the conceptual basis of advertising activity lies in strategic orientation of advertiser on competitive advantages creation via advertisement in order to arrange the efficient interaction between an advertiser and a customer.

Therefore, on the base of conducted research the conception of organizational-economic mechanism of advertising activity management is offered, which allows to increase efficiency of advertising activity. This mechanism includes the scientific-methodical approach, which allows to determine the principles of its formation, its structure and content of organizational components of advertising process management mechanism consumer market of in goods and services.

The obtained results are aimed at the optimization of advertising activity management in goods and services market.

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