

## How Advertising Informs to Our Benefit

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A great truth about advertising is that it is a tool for communicating information and shaping markets. It is one of the forces that compel sellers to cater to the desires of consumers. Almost everyone knows this because consumers use advertising every day, and they miss advertising when they cannot get it. This fact does not keep politicians and opinion leaders from routinely dismissing the value of advertising. But the truth is that people find advertising very useful indeed.

Of course, advertising primarily seeks to persuade and everyone knows this, too. The typical ad tries to induce a consumer to do one particular thing--usually, buy a product--instead of a thousand other things. There is nothing obscure about this purpose or what it means for buyers. Decades of data and centuries of intuition reveal that all consumers everywhere are deeply suspicious of what advertisers say and why they say it. This skepticism is in fact the driving force that makes advertising so effective. The persuasive purpose of advertising and the skepticism with which it is met are two sides of a single process. Persuasion and skepticism work in tandem so advertising can do its job in competitive markets. Hence, ads represent the seller's self interest, consumers know this, and sellers know that consumers know it.

By understanding this process more fully, we can sort out much of the popular confusion surrounding advertising and how it benefits consumers.

### How Useful is Advertising?

Just how useful is the connection between advertising and information? At first blush, the process sounds rather limited. Volvo ads tell consumers that Volvos have side-impact air bags, people learn a little about the importance of air bags, and Volvo sells a few more cars. This seems to help hardly anyone except Volvo and its customers.

But advertising does much more. It routinely provides immense amounts of information that benefits primarily parties other than the

advertiser. This may sound odd, but it is a logical result of market forces and the nature of information itself.

The ability to use information to sell products is an incentive to create new information through research. Whether the topic is nutrition, safety, or more mundane matters like how to measure amplifier power, the necessity of achieving credibility with consumers and critics requires much of this research to be placed in the public domain, and that it rest upon some academic credentials. That kind of research typically produces results that apply to more than just the brands sold by the firm sponsoring the research. The lack of property rights to such "pure" information ensures that this extra information is available at no charge. Both consumers and competitors may borrow the new information for their own purposes.

Advertising also elicits additional information from other sources. Claims that are striking, original, forceful or even merely obnoxious will generate news stories about the claims, the controversies they cause, the reactions of competitors (A price war? A splurge of comparison ads?), the reactions of consumers and the remarks of governments and independent authorities.

Probably the most concrete, pervasive, and persistent example of competitive advertising that works for the public good is price advertising. Its effect is invariably to heighten competition and reduce prices, even the prices of firms that assiduously avoid mentioning prices in their own advertising.

There is another area where the public benefits of advertising are less obvious but equally important. The unremitting nature of consumer interest in health, and the eagerness of sellers to cater to consumer desires, guarantee that advertising related to health will provide a storehouse of telling observations on the ways in which the benefits of advertising extend beyond the interests of advertisers to include the interests of the public at large.

## A Cascade of Information

Here is probably the best documented example of why advertising is necessary for consumer welfare. In the 1970s, public health experts described compelling evidence that people who eat more fiber are less likely to get cancer, especially cancer of the colon, which happens to be the second leading cause of deaths from cancer in the United States. By 1979, the U.S. Surgeon General was recommending that people eat more fiber in order to prevent cancer.

Consumers appeared to take little notice of these recommendations, however. The National Cancer Institute decided that more action was needed. NCI's cancer prevention division undertook to communicate the new information about fiber and cancer to the general public. Their goal was to change consumer diets and reduce the risk of cancer, but they had little hope of success given the tiny advertising budgets of federal agencies like NCI.

Their prospects unexpectedly brightened in 1984. NCI received a call from the Kellogg Corporation, whose All-Bran cereal held a commanding market share of the high-fiber segment. Kellogg proposed to use All-Bran advertising as a vehicle for NCI's public service messages. NCI thought that was an excellent idea. Soon, an agreement was reached in which NCI would review Kellogg's ads and labels for accuracy and value before Kellogg began running their fiber-cancer ads.

The new Kellogg All-Bran campaign opened in October 1984. A typical ad began with the headline, "At last some news about cancer you can live with." The ad continued: "The National Cancer Institute believes a high fiber, low fat diet may reduce your risk of some kinds of cancer. The National Cancer Institute reports some very good health news. There is growing evidence that may link a high fiber, low fat diet to lower incidence of some kinds of cancer. That's why one of their strongest recommendations is to eat high-fiber foods. If you compare, you'll find Kellogg's All-Bran has nine grams of fiber per serving. No other cereal has more. So start your day with a bowl of Kellogg's All-Bran or mix it with your regular cereal."

The campaign quickly achieved two things. One was to create a regulatory crisis between two

agencies. The Food and Drug Administration thought that if a food was advertised as a way to prevent cancer, it was being marketed as a drug. Then the FDA's regulations for drug labeling would kick in. The food would be reclassified as a drug and would be removed from the market until the seller either stopped making the health claims or put the product through the clinical testing necessary to obtain formal approval as a drug.

But food advertising is regulated by the Federal Trade Commission, not the FDA. The FTC thought Kellogg's ads were non-deceptive and were therefore perfectly legal. In fact, it thought the ads should be encouraged. The Director of the FTC's Bureau of Consumer Protection declared that "the [Kellogg] ad has presented important public health recommendations in an accurate, useful, and substantiated way. It informs the members of the public that there is a body of data suggesting certain relationships between cancer and diet that they may find important." The FTC won this political battle, and the ads continued.

The second instant effect of the All-Bran campaign was to unleash a flood of health claims. Vegetable oil manufacturers advertised that cholesterol was associated with coronary heart disease, and that vegetable oil does not contain cholesterol. Margarine ads did the same, and added that vitamin A is essential for good vision. Ads for calcium products (such as certain antacids) provided vivid demonstrations of the effects of osteoporosis (which weakens bones in old age), and recounted the advice of experts to increase dietary calcium as a way to prevent osteoporosis. Kellogg's competitors joined in citing the National Cancer Institute dietary recommendations.

Nor did things stop there. In the face of consumer demand for better and fuller information, health claims quickly evolved from a blunt tool to a surprisingly refined mechanism. Cereals were advertised as high in fiber and low in sugar or fat or sodium. Ads for an upscale brand of bread noted: "Well, most high-fiber bran cereals may be high in fiber, but often only one kind: insoluble. It's this kind of fiber that helps promote regularity. But there's also a kind of fiber known as soluble, which most high-fiber bran cereals have in very small amounts, if at all. Yet diets high in this kind of fiber may

actually lower your serum cholesterol, a risk factor for some heart diseases." Cereal boxes became convenient sources for a summary of what made for a good diet.

### **Increased Independent Information**

The ads also brought powerful secondary effects. These may have been even more useful than the information that actually appeared in the ads themselves.

One effect was an increase in media coverage of diet and health. *Consumer Reports*, a venerable and hugely influential magazine that carries no advertising, revamped its reports on cereals to emphasize fiber and other ingredients (rather than testing the foods to see how well they did at providing a complete diet for laboratory rats). The health-claims phenomenon generated its own press coverage, with articles like "What Has All-Bran Wrought?" and "The Fiber Furor." These stories recounted the ads and the scientific information that prompted the ads; and articles on food and health proliferated. Anyone who lived through these years in the United States can probably remember the unending media attention to health claims and to diet and health generally.

Much of the information on diet and health was new. This was no coincidence. Firms were sponsoring research on their products in the hope of finding results that could provide a basis for persuasive advertising claims. Oat bran manufacturers, for example, funded research on the impact of soluble fiber on blood cholesterol. When the results came out "wrong," as they did in a 1990 study published with great fanfare in the *New England Journal of Medicine*, the headline in *Advertising Age* was "Oat Bran Popularity Hitting the Skids," and it did indeed tumble. The manufacturers kept at the research, however, and eventually the best research supported the efficacy of oat bran in reducing cholesterol (even to the satisfaction of the FDA). Thus did pure advertising claims spill over to benefit the information environment at large.

The shift to higher fiber cereals encompassed brands that had never undertaken the effort necessary to construct believable ads about fiber and disease. Two consumer researchers at the FDA reviewed these data and concluded they were "consistent with the successful

educational impact of the Kellogg diet and health campaign: consumers seemed to be making an apparently thoughtful discrimination between high- and low-fiber cereals," and that the increased market shares for high-fiber non-advertised products represented "the clearest evidence of a successful consumer education campaign."

Perhaps most dramatic were the changes in consumer awareness of diet and health. An FTC analysis of government surveys showed that when consumers were asked about how they could prevent cancer through their diet, the percentage who mentioned fiber increased from 4% before the 1979 Surgeon General's report to 8.5% in 1984 (after the report but before the All-Bran campaign) to 32% in 1986 after a year and a half or so of health claims (the figure in 1988 was 28%). By far the greatest increases in awareness were among women (who do most of the grocery shopping) and the less educated: up from 0% for women without a high school education in 1984 to 31% for the same group in 1986. For women with incomes of less than \$ 15,000, the increase was from 6% to 28%.

The health-claims advertising phenomenon achieved what years of effort by government agencies had failed to achieve. With its mastery of the art of brevity, its ability to command attention, and its use of television, brand advertising touched precisely the people the public health community was most desperate to reach. The health claims expanded consumer information along a broad front. The benefits clearly extended far beyond the interests of the relatively few manufacturers who made vigorous use of health claims in advertising.

### **A Pervasive Phenomenon**

Health claims for foods are only one example, however, of a pervasive phenomenon--the use of advertising to provide essential health information with benefits extending beyond the interests of the advertisers themselves.

Advertising for soap and detergents, for example, once improved private hygiene and therefore, public health (hygiene being one of the underappreciated triumphs in twentieth century public health). Toothpaste advertising helped to do the same for teeth. When mass advertising for toothpaste and tooth powder

began early in this century, tooth brushing was rare. It was common by the 1930s, after which toothpaste sales leveled off even though the advertising, of course, continued. When fluoride toothpastes became available, advertising generated interest in better teeth and professional dental care. Later, a "plaque reduction war" (which first involved mouthwashes, and later toothpastes) brought a new awareness of gum disease and how to prevent it. The financial gains to the toothpaste industry were surely dwarfed by the benefits to consumers in the form of fewer cavities and fewer lost teeth.

Health claims induced changes in foods, in nonfoods such as toothpaste, in publications ranging from university health letters to mainstream newspapers and magazines, and of course, consumer knowledge of diet and health.

These rippling effects from health claims in ads demonstrated the most basic propositions in the economics of information. Useful information initially failed to reach people who needed it because information producers could not charge a price to cover the costs of creating and disseminating pure information. And this problem was alleviated by advertising, sometimes in a most vivid manner.

Other examples of spillover benefits from advertising are far more common than most people realize. Even the much-maligned promotion of expensive new drugs can bring profound health benefits to patients and families, far exceeding what is actually charged for the products themselves.

The market processes that produce these benefits bear all the classic features of competitive advertising. We are not analyzing public service announcements here, but old-fashioned profit-seeking brand advertising. Sellers focused on the information that favored their own products. They advertised it in ways that provided a close link with their own brand. It was a purely competitive enterprise, and the benefits to consumers arose from the imperatives of the competitive process.

One might see all this as simply an extended example of the economics of information and greed. And indeed it is, if by greed one means the effort to earn a profit by providing what

people are willing to pay for, even if what they want most is information rather than a tangible product. The point is that there is overwhelming evidence that unregulated economic forces dictate that much useful information will be provided by brand advertising, and only by brand advertising.

Of course, there is much more to the story. There is the question of how competition does the good I have described without doing even more harm elsewhere. After all, firms want to tell people only what is good about their brands, and people often want to know what is wrong with the brands. It turns out that competition takes care of this problem, too.

### **Advertising and Context**

It is often said that most advertising does not contain very much information. In a way, this is true. Research on the contents of advertising typically finds just a few pieces of concrete information per ad. That's an average, of course. Some ads obviously contain a great deal of information. Still, a lot of ads are mainly images and pleasant talk, with little in the way of what most people would consider hard information. On the whole, information in advertising comes in tiny bits and pieces.

Cost is only one reason. To be sure, cramming more information into ads is expensive. But more to the point is the fact that advertising plays off the information available from outside sources. Hardly anything about advertising is more important than the interplay between what the ad contains and what surrounds it. Sometimes this interplay is a burden for the advertiser because it is beyond his control. But the interchange between advertising and environment is also an invaluable tool for sellers. Ads that work in collaboration with outside information can communicate far more than they ever could on their own.

The upshot is advertising's astonishing ability to communicate a great deal of information in a few words. Economy and vividness of expression almost always rely upon what is in the information environment. The famously concise "Think Small" and "Lemon" ads for the VW "Beetle" in the 1960s and 1970s were highly effective with buyers concerned about fuel economy, repair costs, and extravagant styling

in American cars. This was a case where the less said, the better. The ads were more powerful when consumers were free to bring their own ideas about the issues to bear.

The same process is repeated over again for all sorts of products. Ads for computer modems once explained what they could be used for. Now a simple reference to the Internet is sufficient to conjure an elaborate mix of equipment and applications. These matters are better left vague so each potential customer can bring to the ad his own idea of what the Internet is really for.

Leaning on information from other sources is also a way to enhance credibility, without which advertising must fail. Much of the most important information in advertising--think of cholesterol and heart disease, antilock brakes and automobile safety--acquires its force from highly credible sources other than the advertiser. To build up this kind of credibility through material actually contained in ads would be cumbersome and inefficient. Far more effective, and far more economical, is the technique of making challenges, raising questions and otherwise making it perfectly clear to the audience that the seller invites comparisons and welcomes the tough questions. Hence the classic slogan, "If you can find a better whiskey, buy it."

Finally, there is the most important point of all. Informational sparseness facilitates competition. It is easier to challenge a competitor through pungent slogans--"Where's the beef?", "Where's the big saving?"--than through a step-by-step recapitulation of what has gone on before. The bits-and-pieces approach makes for quick, unerring attacks and equally quick responses, all under the watchful eye of the consumer over whom the battle is being fought. This is an ideal recipe for competition.

It also brings the competitive market's fabled self-correcting forces into play. Sellers are less likely to stretch the truth, whether it involves prices or subtleties about safety and performance, when they know they may arouse a merciless response from injured competitors. That is one reason the FTC once worked to get comparative ads on television, and has sought for decades to dismantle government or voluntary bans on comparative ads.

## "Less-Bad" Advertising

There is a troubling possibility, however. Is it not possible that in their selective and carefully calculated use of outside information, advertisers have the power to focus consumer attention exclusively on the positive, i.e., on what is good about the brand or even the entire product class? Won't automobile ads talk up style, comfort, and extra safety, while food ads do taste and convenience, cigarette ads do flavor and lifestyle, and airlines do comfort and frequency of departure, all the while leaving consumers to search through other sources to find all the things that are wrong with products?

In fact, this is not at all what happens. Here is why: Everything for sale has something wrong with it, if only the fact that you have to pay for it. Some products, of course, are notable for their faults. The most obvious examples involve tobacco and health, but there are also food and heart disease, drugs and side effects, vacations and bad weather, automobiles and accidents, airlines and delay, among others.

Products and their problems bring into play one of the most important ways in which the competitive market induces sellers to serve the interests of buyers. No matter what the product, there are usually a few brands that are "less bad" than the others. The natural impulse is to advertise that advantage--"less cholesterol," "less fat," "less dangerous," and so on. Such provocative claims tend to have an immediate impact. The targets often retaliate; maybe their brands are less bad in a different respect (less salt?). The ensuing struggle brings better information, more informed choices, and improved products.

Perhaps the most riveting episode of "less-bad" advertising ever seen occurred, amazingly enough, in the industry that most people assume is the master of avoiding saying anything bad about its product.

## Less-Bad Cigarette Ads

Cigarette advertising was once very different from what it is today. Cigarettes first became popular around the time of World War I, and they came to dominate the tobacco market in the 1920s. Steady and often dramatic sales increases continued into the 1950s, always with

vigorous support from advertising. Tobacco advertising was duly celebrated as an outstanding example of the power and creativity of advertising. Yet amazingly, much of the advertising focused on what was wrong with smoking, rather than what people liked about smoking.

The very first ad for the very first mass-marketed American cigarette brand (Camel, the same brand recently under attack for its use of a cartoon character) said, "Camel Cigarettes will not sting the tongue and will not parch the throat." When Old Gold broke into the market in the mid-1920s, it did so with an ad campaign about coughs and throats and harsh cigarette smoke. It settled on the slogan, "Not a cough in a carload."

Competitors responded in kind. Soon, advertising left no doubt about what was wrong with smoking. Lucky Strike ads said, "No Throat Irritation--No Cough . . . we . . . removed . . . harmful corrosive acids," and later on, "Do you inhale? What's there to be afraid of? . . . famous purifying process removes certain impurities." Camel's famous tag line, "more doctors smoke Camels than any other brand," carried a punch precisely because many authorities thought smoking was unhealthy (cigarettes were called "coffin nails" back then), and smokers were eager for reassurance in the form of smoking by doctors themselves. This particular ad, which was based on surveys of physicians, ran in one form or another from 1933 to 1955. It achieved prominence partly because physicians practically never endorsed non-therapeutic products. (\*)

Things really got interesting in the early 1950s, when the first persuasive medical reports on smoking and lung cancer reached the public. These reports created a phenomenal stir among smokers and the public generally. People who do not understand how advertising works would probably assume that cigarette manufacturers used advertising to divert attention away from the cancer reports. In fact, they did the opposite.

Small brands could not resist the temptation to use advertising to scare smokers into switching brands. They inaugurated several spectacular years of "fear advertising" that sought to gain competitive advantage by exploiting smokers' new fear of cancer. Lorillard, the beleaguered

seller of Old Gold, introduced Kent, a new filter brand supported by ad claims like these: "Sensitive smokers get real health protection with new Kent," "Do you love a good smoke but not what the smoke does to you?" and "Takes out more nicotine and tars than any other leading cigarette--the difference in protection is priceless," illustrated by television ads showing the black tar trapped by Kent's filters.

Other manufacturers came out with their own filter brands, and raised the stakes with claims like, "Nose, throat, and accessory organs not adversely affected by smoking Chesterfields. First such report ever published about any cigarette" "Takes the fear out of smoking," and "Stop worrying . . . Philip Morris and only Philip Morris is entirely free of irritation used [sic] in all other leading cigarettes."

These ads threatened to demolish the industry. Cigarette sales plummeted by 3% in 1953 and a remarkable 6% in 1954. Never again, not even in the face of the most impassioned anti-smoking publicity by the Surgeon General or the FDA, would cigarette consumption decline as rapidly as it did during these years of entirely market-driven antismoking ad claims by the cigarette industry itself.

Thus advertising traveled full circle. Devised to bolster brands, it denigrated the product so much that overall market demand actually declined. Everyone understood what was happening, but the fear ads continued because they helped the brands that used them. The new filter brands (all from smaller manufacturers) gained a foothold even as their ads amplified the medical reports on the dangers of smoking. It was only after the FTC stopped the fear ads in 1955 (on the grounds that the implied health claims had no proof) that sales resumed their customary annual increases.

Fear advertising has never quite left the tobacco market despite the regulatory straight jacket that governs cigarette advertising. In 1957, when leading cancer experts advised smokers to ingest less tar, the industry responded by cutting tar and citing tar content figures compiled by independent sources. A stunning "tar derby" reduced the tar and nicotine content of cigarettes by 40% in four years, a far more rapid decline than would be achieved by years of government urging in later decades. This

episode, too, was halted by the FTC. In February 1960 the FTC engineered a “voluntary” ban on tar and nicotine claims.

Further episodes continue to this day. In 1993, for example, Liggett planned an advertising campaign to emphasize that its Chesterfield brand did not use the stems and other less desirable parts of the tobacco plant. This continuing saga, extending through eight decades, is perhaps the best documented case of how “less-bad” advertising completely offsets any desires by sellers to accentuate the positive while ignoring the negative. *Consumer Reports* magazine’s 1955 assessment of the new fear of smoking still rings true:

“ . . . companies themselves are largely to blame. Long before the current medical attacks, the companies were building up suspicion in the consumer by the discredited ‘health claims’ in their ads . . . Such medicine-show claims may have given the smoker temporary confidence in one brand, but they also implied that cigarettes in general were distasteful, probably harmful, and certainly a ‘problem.’ When the scientists came along with their charges against cigarettes, the smoker was ready to accept them.”

And that is how information works in competitive advertising.

Less-bad can be found wherever competitive advertising is allowed. I already described the health-claims-for-foods saga, which featured fat and cholesterol and the dangers of cancer and heart disease. Price advertising is another example. Prices are the most stubbornly negative product feature of all, because they represent the simple fact that the buyer must give up something else. There is no riper target for comparative advertising. When sellers advertise lower prices, competitors reduce their prices and advertise that, and soon a price war is in the works. This process so strongly favors consumers over the industry that one of the first things competitors do when they form a trade group is to propose an agreement to restrict or ban price advertising (if not ban all advertising). When that fails, they try to get advertising regulators to stop price ads, an attempt that unfortunately often succeeds.

Someone is always trying to scare customers into switching brands out of fear of the product itself. The usual effect is to impress upon consumers what they do not like about the product. In 1991, when Americans were worried about insurance companies going broke, a few insurance firms advertised that they were more solvent than their competitors. In May 1997, United Airlines began a new ad campaign that started out by reminding fliers of all the inconveniences that seem to crop up during air travel.

Health information is a fixture in “less-bad” advertising. Ads for sleeping aids sometimes focus on the issue of whether they are habit-forming. In March 1996, a medical journal reported that the pain reliever acetaminophen, the active ingredient in Tylenol, can cause liver damage in heavy drinkers. This fact immediately became the focus of ads for Advil, a competing product. A public debate ensued, conducted through advertising, talk shows, news reports and pronouncements from medical authorities. The result: consumers learned a lot more than they had known before about the fact that all drugs have side effects. The press noted that this dispute may have helped consumers, but it hurt the pain reliever industry. Similar examples abound.

We have, then, a general rule: sellers will use comparative advertising when permitted to do so, even if it means spreading bad information about a product instead of favorable information. The mechanism usually takes the form of less-bad claims. One can hardly imagine a strategy more likely to give consumers the upper hand in the give and take of the marketplace. Less-bad claims are a primary means by which advertising serves markets and consumers rather than sellers. They completely refute the naive idea that competitive advertising will emphasize only the sellers’ virtues while obscuring their problems.

The ad ran in many outlets, including the *Journal of the American Medical Association*, which regularly carried cigarette advertisements until the early 1950s. Incidentally, Camel was by no means the only brand that cited medical authorities in an effort to reassure smokers.

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