

Quality and Advertising The theoretical argument for a positive association between quality and advertising was initially developed by Phillip Nelson.⁴⁵ A more formal modeling was later pursued by Richard Schmalensee.⁴⁶ Nelson first introduced the distinction between “search” and “experience” goods. The attributes of the former can be determined prior to purchase, while those of the latter can only be learned after the product has been purchased and used. The cut and fit of an article of clothing are examples of product characteristics that can be learned through search; the reliability and durability of a major home appliance are examples of traits that can be learned only through experience. Nelson then argued that for experience goods, higher levels of advertising would be associated with higher quality products. Schmalensee has summarized this argument succinctly: The evidence on this point is inconclusive. Analysts using both American and British data have found some evidence of a positive relationship between advertising and product quality (with quality again measured by Consumer Reports or Consumers’ Bulletin rankings), but these results have been undercut by other studies. Rotfeld and Rozell, after reviewing the research on this topic, concluded that: “Advertised products are apparently of better quality than nonadvertised goods for some products, when rated by certain criteria, in some years But no broad generalizations can be made.”⁴⁸ Gilligan and Holmes, who expanded on the earlier studies by using a variety of different measures of both advertising expenditures and brand quality, reached a similar conclusion: “A heavily advertised product is just as likely to be poor quality as any other.”⁴⁹ While these studies have involved both search and experience goods, the same conclusions apply if the analysis is limited to goods in the latter category. Nelson’s claim that heavy advertising implies superior quality is, therefore, not supported by the available evidence. In fact, in a recent survey of consumer attitudes the majority of respondents felt that advertised products were no more likely to be dependable than were products without advertising. 50