

Advertising Pays

The economic employment and business value of advertising

Commissioned by The Communications Council



Advertising Pays - Executive summary

The Communications Council commissioned Deloitte Access Economics to examine the value of advertising to the Australian economy, and how it can be used by business and government to achieve strategic objectives. For the purpose of this report, advertising has been defined as any paid for, owned or earned communication intended to inform and/or influence one or more people.

Advertising generates growth

The positive impact of advertising on the economy is much bigger than direct spending. Advertising helps bring businesses and consumers together. It is a critical foundation for the operation of a market economy. Annual expenditure on advertising in Australia is significant, worth \$12.6 billion in 2014, almost 1% of GDP.

Advertising benefits to Australian economy worth \$40 billion in 2014

This is almost as large as the productivity value of the internet and digital technologies to the economy, estimated at \$45 billion in 2013, about the same size as the annual economic boost from a major economic reform like the National Competition Policy, \$40 billion in 2015 dollar terms, and larger than the size of the accommodation and food services industry, which contributed \$38 billion to GDP in 2014. We also find that advertising has significant and positive long-term impacts on economic efficiency.

Table 1: The economic impact of advertising by state (\$bn), 2014

State	Contribution (\$b)	Advertising spend share (%)	Population share (%)
NSW and ACT	15.4	37.7%	33.7%
VIC	10.6	26.0%	24.9%
QLD	7.1	17.5%	20.1%
WA	4.5	11.1%	10.9%
SA	2.4	5.9%	7.2%
TAS	0.6	1.4%	2.2%
NT	0.2	0.5%	1.0%
Total Australia	40.7	100%	100%

Source: Deloitte Access Economics, derived from Nielsen AIS (2014a) and ABS (2015a)

The largest economic benefits of advertising are generated in the retail sector, worth almost \$9 billion in 2014.

Other industries driving large economic benefits through advertising include motor vehicles (worth \$4.6 billion), finance and insurance, real estate, and entertainment and leisure.

Advertising promotes competition and lower prices for consumers

The main way advertising benefits the economy is by promoting competition and lowering prices. By providing information to consumers, advertising helps buyers compare different products and services and make informed choices – without this, the economy would not have the strong competitive forces needed to lower prices.

Advertising drives innovation and improves market efficiency

Advertising increases competition in the market, and provides an incentive for businesses to be more innovative or efficient, to offer better products or services, or at lower prices, and to win market share, which provides benefits to consumers and the economy.

There are costs associated with advertising – including the time lost by individuals as they are exposed to advertisements, the potential for artificial differentiation by businesses and the downsides of excessive consumerism. There may also be impacts from misleading and offensive advertisements and in some cases, stimulation of problematic behaviours, such as irresponsible alcohol consumption or gambling. Regulators and industry bodies play an important role in managing these costs and impacts of advertising.

Advertising supports jobs

In aggregate, advertising is associated with employment of over 200,000 people in the Australian economy. This includes direct employment in the advertising sector and advertising occupations, indirect employment in the supply chain, and employment in sectors where advertising provides financial support.

Advertising employs around 56,000 people directly and for every person directly employed in advertising, another person is indirectly employed in the advertising supply chain

There were 55,903 people employed in advertising in Australia over the 12 months to May 2015. This is similar in size to the clubs industry and preschool education sector, which employed 51,450 and 47,450 people respectively over the same period. Half of advertising workers are employed in traditional advertising services businesses, the other half are spread across the economy in over 100 other industries, including media, creative, digital, consulting and retail companies, and government.

We estimate that the indirect employment associated with advertising through upstream supply chains is 47,900 people. This includes assistance provided for content development, campaign planning, as well as general business services.

Figure 1: Summary of the employment impact of advertising



Direct advertising employment 55,903



One additional person employed in supply chain for every person employed in advertising



Two additional people employed in supported sectors and occupations, for every one person employed in advertising

For every person directly employed in advertising in Australia, there are almost two more people employed in advertising-supported industries and occupations

Advertising expenditure by business and government across the economy also provides important financial support for the full range of media platforms, and in turn, the industries involved in developing content that is broadcast or published through those channels. This includes media sectors, including TV, radio, newspapers, magazines, out of home and internet publishing. Advertising also provides some support for employment in sport and other content industries.

In total, there are over 100,000 people employed in advertising-supported industries and occupations. This analysis does not address the hypothetical scenario where all advertising is removed from the economy. Just as this scenario is highly unlikely, the implications for employment in these sectors and occupations would also vary along a spectrum, and are difficult to predict.

Advertising pays: insights for business and government

Advertising is critical for business success.

In Australia, the aggregate value of the top 100 brands is estimated at \$127 billion in 2015 (Brand Finance Australia, 2015). Advertising can also help governments achieve a range of objectives from lowering the road toll to reducing smoking rates.

The role of advertising is changing because of the growth of digital channels, a broader marketing transformation, and an increase in the sophistication of impact measurement. For this report we reviewed several high profile ad campaigns to understand the positive impacts for business metrics, including NAB's 'Break Up' Campaign, Coca-Cola South Pacific's 'Share a Coke' campaign and Meat & Livestock Australia's 'Lambnesia' campaign. We also examined government advertising campaigns carried out by the Tobacco Control Branch within the Commonwealth Department of Health, the Transport Accident Commission (TAC) in Victoria, and explored the benefits of destination marketing by tourism agencies. We also interviewed a range of business leaders from NAB, Google, Micador, Officeworks and KFC, as well as representatives from the Commonwealth Department of Health to understand recent changes.

The key insights from our research and interviews are:

1. Advertising has a role to play in corporate strategy:

As consumers have greater access to information, and stronger voices through expanding media channels, it is increasingly important to ensure that products, services and also customer experiences deliver clear and consistent expressions of a firm's brand.

2. Creativity is important for connecting with audiences on an emotional level:

Portraying the role of business through a 'human' lens remains important for communicating the values behind a brand, an area of increasing importance for consumers when determining where their loyalty lies over the longer term.

3. Omnivorous audiences thrive on balanced channel diets:

Businesses should not disregard the role for traditional channels, which continue to be effective in building a differentiated brand. The right mix will vary according to the strategic objectives of a business. Rarely will a one-channel strategy – digital or otherwise – serve a brand's best interests.

4. Systematically track both brand perceptions and financial performance:

Annual brand health studies that help to identify customer perceptions can be used to track the outcomes of advertising efforts in a complementary way, and also provide valuable insights to inform other business areas.

5. Don't overlook the employees and suppliers in the audience:

Advertising that is focused on building awareness of a brand's greater purpose and meaning can not only strengthen customer relationships, but can also have reinforcing effects on employee engagement, talent attraction, supply chain connections and shareholders.

6. Consistent, authentic advertising can support public policy objectives:

Public sector advertising is, at its best, employed transparently in the pursuit of outcomes for the public good, and considered as a bona fide tool in the arsenal of policy making, as part of a complementary, integrated suite of measures.

For more information and to purchase the full report, visit advertisingpays.com.au



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