Advertising (ISIC 7310)

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It’s All in the Numbers

Services

- **Media representation services**: The service of buying media space or time in the different types of media (television, digital, print, radio, billboards, etc.)

- **Advertising services**: Consulting, planning of an ad campaign, creative, and production of advertising material (excluding the production of commercial messages for television and radio)
Two Types of Companies

- Media buyers
- Advertising agencies

Export of Advertising Services

Annual Growth in Advertising Services

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7.3%</td>
<td>11.5%</td>
</tr>
<tr>
<td>2015</td>
<td>14.5%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2016</td>
<td>18.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>2017</td>
<td>4.7%</td>
<td>6.7%</td>
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Market Concentration

- A very concentrated market of media representation services in television – 5 media buyers buy almost all the advertising time.
- Dozens of advertising agencies – a market with no entry barrier.

Local Advertising Expenditures

Advertising expenditures distribution by media type in Israel, 2018

- TV: 36.00%
- Print: 13.00%
- Radio: 7.00%
- Billboards: 7.00%
- Digital: 36.00%
- Cinema: 1.00%
Price Movement

Advertising price change by media type in the past 5 years

Advertising Price Index

- B2B
- A bundled service that includes media buying and other advertising services is measured.
- Prices are received from advertising agencies only.
Prices and Pricing Methods

- Advertising agencies work mostly on commission.
- The commission is usually 15% of the price paid for the media space or time.
- The “prices of repeated services” method is used for price collection.

Factors Affecting Prices

- Media type
- Exposure (e.g., national or local)
- The client
- The specific channel, website, or newspaper
- The popularity of specific shows on television or radio
- Television: broadcasting time (prime time, late night, etc.)
- Digital and print: ad placement and size
- Digital: type of ad (CPC, CPM)
Price Examples

- **Television**: Price per ratings point in semi-prime time on channel X to client A
- **Digital**:
  - CPC on website X [ad placement and size] to client A
  - CPV on website X to client A
- **Print**: Full page ad, left side before the middle, in newspaper X to client A

Quality Adjustments

- **Case 1**: A significant change in the number of readers of a specific newspaper

  Method Used: **class mean imputation**
Quality Adjustments

- Case 2:
  A merger or split between two television broadcasting channels

  Methods used: **explicit quality adjustment** (preferred), **class mean imputation**

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Quality Adjustments

- Case 3:
  A move from one pricing model to a different one in digital advertising (e.g., from CPM to CPC)

  Method used: **overlap**
Future Challenges

- More frequent updates
- Move from B2B to B2All
- Separate price measurement for media representation services and other advertising services
- Measuring new products such as programmatic advertising (digital category) and large electronic screens (billboards category)

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