

35th Voorburg Group Meeting

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Revisited Sector Paper on:

ISIC 73.10

Advertising

Statistics Austria

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Introduction

Contributions concerning advertising services have already been agenda items of Voorburg Group meetings in 1993 (Oslo), 2001 (Orebro) 2002 (Nantes), 2004 (Ottawa), 2008 (Aquascalientes) 2009 (Oslo), 2010 (Vienna) and 2011 (Newport).

- 1993 Model survey (France)
- 2001 Mini presentations (Australia, France, UK)
- 2002 Mini presentations (France, US, Australia, UK, New Zealand)
- 2004 Mini presentations (Austria, Spain)
- 2008 Sector Paper (UK, Czech Republic)
- 2009 Revisited Sector Paper (UK, Czech Republic)
- 2010 Adjusting for Quality Change (UK, GER)
- 2011 (Revisited Paper) Adjusting for Quality Change (UK, GER)
- 2019 Mini presentations (Poland, France, Italy, Israel)

The respective papers and slides can be found on the permanent VBG homepage by following this link: <https://www.voorburggroup.org/papers-archive-eng.htm>.

Besides the VBG meetings, SPPIs for advertising services have been discussed several times during Eurostat task forces and new findings have been implemented in the Revised Methodological Guide for Developing Producer Price Indices for Services in 2015.

This revisited sector paper illustrates the current country practice regarding this service branch and summarises the experiences of France, Israel, Poland and Italy. It tries to highlight changes and new developments in the advertising service branch, and to put special emphasis on the electronic components of advertising or electronic advertising itself.

The paper starts with a description of the advertising sector and its developments in recent years. Subsequent to the comparison of the most common industry classification ISIC, NAICS, and NACE and the respective product classification CPC, NAPCS and CPA, the turnover- and price statistical relevant findings will be highlighted in the respective chapters of the document. The paper will end with a short summary about the actual state of affairs of the development work of the branch in the various countries, and a detailed comparison of the mentioned industry and product classifications.

In regard to the Country Practice, the results of a survey amongst the VBG participating countries undertaken in the forefront of the 34th VBG Meeting in Paris showed that in Europe 23 countries are already producing SPPIs for Advertising of which 17 countries disseminate the results too. 6 countries produce SPPIs, but do not yet disseminate the results. 20 countries are collecting turnover data on industry data and in 11 countries price and turnover data are well aligned.

1. Descriptions and characteristics of the industry

1.1 Definition of the industry

According to the definition of ISIC Rev.4 this division encompasses the creation of advertising campaigns and placement of such advertising in periodicals, newspapers, radio and television, or other media as well as the design of display structures and sites. It includes the provision of a full range of advertising services (i.e. through in-house capabilities or subcontracting), including advice, creative services, production of advertising material, and buying.

Table 1: Industry classification systems

ISIC Rev.4	Title	NAICS 2017	Title	NACE Rev.2	Title
73.1	Advertising	5418	Advertising, Public Relations, and related services	73.1	Advertising
73.10	Advertising	54181	Advertising agencies	73.11	Advertising agencies
		54182	Public relations agencies	73.12	Media representation
		54183	Media buying agencies		
		54184	Media representatives		
		54185	Outdoor advertising		
		54186	Direct mail advertising		
		54187	Advertising material distribution services		
		54189	Other services related to advertising		

The International Standard Industry Classification (ISIC) and its European equivalent NACE and the country specific versions are amongst the commonly used classification systems by NSIs. The North American Industry Classification System (NAICS) is used by Canada, Mexico and the US. Whereas ISIC and NACE are quite similar and only a further distinction is made on 4-digit level between advertising agencies and media representation in NACE Rev.2, advertising services in NAICS are much more disaggregated. Furthermore public relations agencies are also listed under these codes.

Table 2: Product classification structures

CPC	Title	NAPCS	Title	CPA	Title
836	Advertising services and provision of advertising space or time	771	Advertising, public relations, and communications and information services	73.1	Advertising
8361	Advertising services (3 subgroups)	7710101	Advertising space, time, and similar services (6 subgroups)	73.11	Services provided by advertising agencies (4 subgroups)
8362	Purchase or sale of advertising space or time on commission	7710102	Advertising planning, production, and implementation services (15 subgroups)	73.12	Media representation services (6 subgroups)
8363	Sale of advertising space or time (except on commission) (4 subgroups)				

Regarding the respective product classification systems further differentiations could be noticed. Besides 83.61 advertising services the CPC also differs between purchase or sale of advertising space or time on commission and sale of advertising space or time except on commission. CPA on the other hand makes a distinction as it differs in the first stage between advertising agency services and media representation systems. Regarding media representations a further distinction could be found in the second stage as it differs between sale of advertising space or time on a fee or contract basis and Resale of advertising space or time on a fee or contract basis. In the NAPCS the different media types where advertising can be placed are subsummarized under code 7710101 "Advertising space, time, and similar services". The various services of advertising agencies could be found under code 7710102 „Advertising planning, production, and implementation services”.

Detailed classification structures with all inclusions and exclusions could be found in Annex 1 of this paper.

1.2 Market conditions and constraints

Concentration within the industry

All countries reported that, compared to some other industries, the advertising service branch is not very concentrated. Especially in regard to advertising agencies the countries encountered a large number of small enterprises in this area. More than 25.400 enterprises are classified as advertising agencies in Poland. In France 15.000 enterprises are registered, and the 100 biggest enterprises generate "only" 50% of the turnover. Also in Italy the whole industry 73 is dominated by 73.11 "Advertising agencies" in regard to number of enterprises, turnover and persons employed.

Contrary to advertising agencies the concentration of enterprises is high when looking at the activity of media representators/media buyers who buy advertising space and time in different media. In Israel, there are 5 big companies who buy almost all the advertising time in television. In Poland,

compared to 20.000 agencies, the number of media representators is rather small by 1500 enterprises.

Horizontal and vertical integration

Despite the above mentioned large numbers of small enterprises the countries reported that a major part of the turnover is generated by large corporate groups providing international advertising services. These groups have the capacities to provide every single needed service during an advertising campaign (advertising agency, media agencies, film producers, photographers, etc.). A lot of mergers and acquisitions between large companies could be noticed in the last years to increase the negotiating power and to strengthen their market position.

Type of consumer of the services and import and export

Regarding the share on turnover the B2C part in this service branch can be assumed to be inexistent. France reported that in 2016, according to national accounts output data, the B2C part is negligible and the B2B part accounts for approximately 65% of the total turnover.

Export and import seem to be important factors in this industry. Due to the fact that big advertising agencies often act internationally connected, their campaigns are more and more globalized. In France the export turnover share of advertising agencies reaches 35%. In Italy the sale of services to non-residents in the year 2017 accounted for 10% of the total enterprise turnover share.

Public regulations affecting the market situation

France faced a special situation in the past as agencies bought huge quantities of media space to resell them at higher prices at a later point in time. This practice has been prohibited by law (Sapin Law) in 1993. From then on agencies have only been allowed to buy media space on behalf of the advertiser. This regulation has been expanded to cover internet advertising as well in 2017 in the way that digital media space sellers have to provide detailed fee reports regarding their media campaigns.

1.3 Specific characteristics of the industry

Development of new products/services

On the one hand some of the the core service products in this branch seem to be unchanged compared to the „old“ conference papers of prior meetings. Classic advertising on Radio, Television, Press and Billboards plays still an important role in this industry, and like in the past years hourly charge out rates are collected for services of advertising agencies and commission rates or prices for advertising services per minute in television /radio or for placing an ad in newspapers or magazines are collected.

On the other hand digital advertising has been reported as the service product that has been increasing in the last years with an ongoing trend upwards. In France for example digital advertising receipts have doubled in the last years. So called „digital agencies“ provide „programmatic advertisement“ technologies for their targeted advertising services. By the use of databases and computer programmes the advertisers try to increase the precision and efficiency of their ads by trying to calculate and forecast the users interests and needs. In the next step presumably interesting ads of possible relevant interesting products are placed in digital media like websites, search engines, apps, browsers etc. the user visits.

Italy has put a special focus on digital advertising and devoted a whole chapter to this form of advertising in its paper. They identified 4 ways of digital advertising:

- Display advertising (advertising on portals, social networks, etc)
- Search engine advertising (advertising on search engines, keyword vs. contextual advertising)
- Classified advertising (purchase of visibility on trading sites, online directories, etc.)
- Email advertising (aka. Direct email marketing, advertising in newsletters, etc.)

To make it even more complicate for price statisticians in the statistical institutes, a lot of different pricing models, ranging from flat rates, costs per click, costs per thousand impressions to costs per completed purchase, etc. do exist.

So in regard to the above mentioned 4 diferent ways of digital advertising the following pricing models have been identified:

Table 3: Digital advertising and respective pricing models

Ways of digital advertising	Pricing models
Display advertising	Costs per click Costs per thousand impressions Flat rate
Search engine advertising	Costs per click
Classified advertising	Costs per letter, line or costs per collumn
Email advertising	No direct payment, but a pre-investment for targeted email adresses

The combination of the way advertisements are booked, the price, the advertising selling mode and the space allocation defines the various advertising models that have been encountered in Italy. More details regarding the different models can be found in the respective paper.

Another interesting phenomenon of the technical developments in the last years is the way digital advertisements are sold and placed. Cristina Cecconi (IT) described the different characteristics of digital advertising in detail and illustrates the real time purchase and selling of automated digital advertising spaces, the way programmatic ads work, by the following example:

„A user accesses a page of any website on which the publisher, owner of the site, has put an ads space that he wants to sell in programmatic. In the time of a few milliseconds the automated platform system will assign that space to an investor interested in that user who will see his ads message appear thanks to a series of variables and algorithms. In this way, publishers can maximize the sale of a space and investors can differentiate their investments.“

France noticed the same technological boost of programmatic techniques of targeted advertising in the last years, but mentioned some classification issues with programmatic advertisement that are outlined in chapter 4.

2. Turnover/output measurement

2.1 General framework

In general, according to the responses to the annual VBG detailed statist report survey turnover statistics are well established amongst the participating countries. 20 countries reported that they collect turnover data on industry level for ISIC 73.1. The data collection frequency varies from monthly to annually. Some surveys are carried out every five years.

As a background for this paper turnover/output experiences have only been provided by Poland during the 2019 meeting. But due to its membership to the European Union this country practice is representative for all the other European countries. Turnover statistics are well developed in Europe according to the obligation to provide annual and quarterly turnover statistics to Eurostat.

The respective statistics which are compiled using these turnover information are:

- STS Short-Term Statistics (Quarterly)
- SBS Structural Business Statistics (Annually)

Short-term statistics (STS) aim to describe the most recent developments of European economies and its indicators are published monthly as indices. Information about economic short-term developments is collected by the national statistical institutes with business surveys and in addition administrative data are used. STS statistics cover the following economic:

- Industry
- Construction
- Retail trade
- Other services (but not financial services).

Structural Business statistics (SBS) describe performance, the structure and main characteristics of economic activities within the business economy in a detailed level of several hundred sectors. In structural business statistics, contrary to the STS the indicators are not presented as indices but as monetary values (e.g. number of persons employed, number of enterprises)

SBS covers the 'business economy' which includes:

- Industry
- Construction, and
- Distributive trades and services

In general an option to collect turnover data is the combination of survey instruments and the use of administrative data sources. Countries may for instance survey big enterprises (as census or sampling) and use social security data on employment and tax data for turnover in combination with statistical calculation methods for smaller enterprises. Such administrative data can be e.g. tax data, company reports to regulation authority or trade association statistics. They can be less precise in terms of the level of detail, turnover revenues may include bundled items and other revenues that do not relate to the service category under examination.

In many cases administrative data is not available sub-annually or can only be used to extrapolate annual values into other periods. Anyway it does not impose any additional burden on respondents

and is normally much cheaper than any survey (although estimation procedures and data processing facilities have to be developed and put in place).

Net vs gross approach

As already mentioned in several VBG papers covering this service branch in the last years, one fundamental decision is how to measure this branch. The services of advertising agencies often include services of advertising placement as the agencies buy the advertising space or time (e.g. column in a newspaper, seconds in radio/television etc.) from the different media types.

In the next step, according to the country practice:

- The agency charges the client their fee only and the client has to pay the media the advertising space purchased (= net approach)
- The client pays the agency a combined price for the service and the media space like a wholeseller (= gross approach)

The way the turnover or price statistics are developed varies from country to country and depends on the industry in the respective country.

In Israel for example, the NSI has been advised by a market research firm for simplification reasons to collect gross prices where the price for the media space or time is included in the overall advertising agency price. Contrary to Israel, in France, the SPPI of the advertising industry is taken into account on a net basis, like the output from national accounts. Generally it could be said that a conjointly development of price and turnover statistics is advisable in order to meet the demands of the various users.

2.2 Measurement issues

Smaller enterprises

Poland encountered several turnover measurement issues. As already mentioned in chapter 2.1 turnover collections are carried out quarterly and annually in the European Union. But only enterprises with 10 employees and more are monitored by these surveys. To not neglect the important information of enterprises with 9 employees and less on the one hand but to minimise respondent burden on the other hand, information on these enterprises should be collected by using alternative data.

Data on product level

A data collection on product level is also mentioned as extremely important and desirable as the SPPI product sample can highly benefit of those detailed product data. But on the other hand, regarding the product level details provided by the enterprises, it was stated that some of the reported services by advertising agencies are in fact just intermediation services or just reselling activities of products manufactured by other enterprises.

Additional turnover information on the type of service receiver would serve the needs of an SPPI that has to be aggregated B2B and B2C to achieve a B2All approach which is recommended by the new FRIBS requirements. Furthermore statistics on international trade in services could highly benefit of information on the residence of the receiver.

2.3 Description of methods for measurement

Turnover measures in Poland

Turnover statistics in Poland are highly developed. For the fulfillment of Eurostats statistical requirements Poland uses the following surveys:

- Annual Survey on enterprises (SP) (10 and more employees)
- Annual Survey of small enterprises (SP3) (9 and less employees)
- Report on revenues, costs and financial results as well as outlay on fixed assets (for imputations purposes) (monthly, half-year basis)
- Monthly report on business activity (DG1) (all enterprises employing 50 and more and 10% of the enterprises with 10 – 49 employees; for estimation/imputation purposes)
- Annual VAT data (Source: Ministry of Finance; imputation purposes for enterprises employing 9 persons and less)
- Business services survey (10 and more employees; product level turnover data and residence of the service receiver for selected service industries)

A more detailed description of the several surveys and the different variables, as well as the coverage could be found in the respective paper written by Agnieszka Matulska-Bachura and Beata Cebula for the 34th Meeting of the Voorburg Group on Service Statistics in Paris (2019).

2.4 Evaluation of comparability of Output data with Price data

See chapter 3.4 in the SPPI section.

3. Measurement of SPPI

3.1 General framework

According to the results of the detailed country status reports collected for the 34th VBG meeting, SPPIs for advertising services seem to be well developed as 17 countries reported the production and dissemination of SPPIs for this service branch.

Regarding the country practices on which this paper is based, Italy started in 2015 and the resulting chained Laspeyres index covers media centers and media marketers, but excludes creative activities of advertising agencies and digital ads.

Poland started the development in 2008, and is compiling an index for NACE 73 advertising and market research from 2009 onwards. Already in 2014 and 2015 a pilot study was conducted to review the index again in order to improve the data quality. As in other countries SPPIs are used in Poland in national accounts, price- and business statistics.

To perfectly serve the different needs of the several statistical areas in France the quarterly SPPIs for advertising services are produced in 3 different ways. For national accounts basic prices are calculated that include subsidies but exclude taxes, whereas for purchase prices taxes (excluding VAT) are included but subsidies are excluded. SPPIs for deflation purposes of ISPs are calculated by the exclusion of taxes and subsidies. France calculates chain-linked Laspeyres SPPIs by price-correcting the weights on CPA 4-digit level each year.

Israel published a Services Price Index for advertising services for national account purposes that is based on B2B services in 2012 for the first time. Contrary to some other countries a gross price, that includes the price for media space and time, is collected in order to increase the response rate by simplifying the questionnaire.

3.2 Measurement issues

The countries are producing industry SPPIs, but the index aggregation structure itself is based on different products of the service branch (i.e. different media types like radio, television etc.).

Regarding sampling a commonly used strategy by the most countries is to include the most important enterprises of the branch by a cut-off sampling method over a certain threshold of turnover share. Italy furthermore uses PPS sampling in different strata as well. The cut-off strategy follows the assumption that big enterprises are the price setters and smaller enterprises have to adapt their prices to stay competitive. The sample size varies from country to country, but comprises a rather small number of responding enterprises (i.e. F: 38, Pol: 44) For products which represent the aggregation structure of the branch family tree, the same turnover share relevant method is applied for choosing representative branch service products.

3.3 Description of pricing methods and criteria for choosing the method

Italy

Italy is collecting quarterly business to business turnover and volume information for different media and SPPIs are produced by calculating unit values for homogenous subgroups of advertising services for each media type in each responding enterprise.

Poland

Based on the results of a pilot survey and made SPPI experiences in regard to pricing methods, enterprises responding to the electronic SPPI survey in Poland can choose amongst the following SPPI pricing methods:

- Direct use of prices of repeated services
- Contract pricing
- Unit value
- Time based methods
- Percentage fee method

Regarding the chosen pricing methods the respondent has to provide additional details of the service in order to keep the service details unchanged. Data are checked and validated automatically. The most commonly used pricing method chosen by the responding enterprises is the direct use of prices of repeated services followed by time based methods.

Price determining characteristics are the kind of service, length and scope of the provided service. Product class level indices are aggregated to industry NACE level indices by using weights based on turnover information which change every 5 years and are derived from structural business statistics. A more detailed description including the additional collected variable details can be found in the mini presentation paper on the VBG homepage.

France

In France the already mentioned field surveyors, who initially visit the responding enterprises choose the respective pricing method conjointly with the enterprise. Like in Poland the French SPPI is based on a large number of different pricing methods:

- Time based methods
- Contract prices
- Commission rates for media agencies
- Average prices per consumer for marketing agencies
- Model pricing

Weights for the SPPI index aggregation structure on CPA 4-digit level are split between B2B, B2C and B2X and are updated each year due to the Laspeyres chain-linked index concept. The resulting price index is computed quarterly and missing prices are estimated by appropriate methods in order to deflate national accounts.

Israel

In Israel the price index comprises price collection for different type of media by using the “Direct use of prices of repeated services” method. Prices for main clients of advertising agencies for TV and radio spots, web banners, advertising in different newspaper, billboards etc. are collected and aggregated by weights representing annual advertising sales by different media.

Additional country practice descriptions (SPPI Guide) regarding the use of different methodologies can be found at the end of this paper.

Quality adjustment

Quality adjustment for SPPIs has been discussed during the VBG meeting in 2009 and regarding the media placement part of the service industry the question arose, whether it should be quality adjusted in consideration of the audience size of the advertisement. Consequential to this discussion a paper regarding this issue has been presented at next years meeting in Newport by Kat Pegler, Johanna von Borstel and Christopher Jenkins (see “References”).

The paper tries to figure out whether the audience size does have an effect on the price of the service offered by media agencies or media marketers or not based on the assumption, that the price of the service provided by media agencies or marketers is likely to be higher when purchasing media space that will reach a larger audience.

The authors came up with the following recommendations:

- Audience size should only be used to quality adjust an SPPI for advertising media placement services if media space characteristics play an important role in industry’s business models;
- All discounts offered by the media agency or media marketer, both as a result of negotiations and to compensate for lower than expected audience size, should be taken into account;
- Any sales of media space or discounts offered by the broadcaster or publisher of the media space or time are excluded.

Following these recommendations and those that are outlined in the SPPI Guide regarding quality adjustment in advertising France is only quality adjusting on audience size in cases where the price is a direct function of the number of consumers, as it is the case for „marketing“ services. Besides that „rather normal“ quality adjustment methods are in use. In the case that a price step/variation is assumed to be suspect, the respondent is asked for clarification and a quality coefficient is applied to the price in order to adjust for a changed quality of the service. If the quality difference seems to be too big, the service is replaced.

Israel furthermore uses the so called link to a cell relative imputation where the price change is calculated by imputing the price for a non comparable service by the price change of all the other similar items.

In Italy quality adjustment in this service branch seems to be the exception rather than the rule due to the fact that marketers and media centers keep the specifications of the service rather constant.

3.4 Evaluation of comparability of Price data with Output data

The comparability of price data with output data in order to deflate the output in national accounts seems to be well established in the reporting countries.

The big task for the coming years will be the deflation needs of the Index of Services Production (ISP), introduced by the Framework Regulation in Business Statistics (FRIBS). These ISPs also use SPPIs for deflation purposes, but due to the quarterly production of SPPIs a timeliness issue arises for the monthly deflation of the ISPs. Poland is planning an extrapolation procedure to overcome this inconsistency.

4. Evaluation of measurement

Evaluation of methods

Italy is using the unit value pricing method where it is of utmost importance to build homogeneous subgroups of services in order to keep the quality of the resulting overall index on a high level. In the real world this objective of homogeneity is nearly impossible to achieve. But the Italian national statistical institute is currently re-engineering its SPPI practices in all service branches and aims to survey prices on a more detailed level in the advertising service branch in the coming years.

Poland has implemented a new way of data collection and a new sampling procedure and realises that they could measure the price changes more accurate now.

France was able to develop SPPIs based on net prices due to the initialization visits by their field engineers-surveyors, who explain precisely to the responding units that each kind of price chosen in their questionnaire has to be reported on a net basis. As an outcome the resulting SPPIs perfectly match with the deflation needs of national accounts for that service branch.

Future challenges and ways to meet them

On the one hand the coverage and complexity of programmatic advertising was mentioned as one of the most challenging tasks for the future by the most countries. Programmatic advertising, as a new electronic component in this service branch, is being discussed in chapter 1.3 of this document.

On the other hand France mentioned a classification issue for programmatic advertisement in the way that the involved advertising trading desks (ATDs) or demand-side platforms (DSPs) have to be classified regarding their role in the value chain. It is suggested, but has to be discussed with classification experts, that advertising trading desks could be classified in 73.11 in a product-based approach due to their duty of placing of advertisements, and their role as affiliates of advertising agencies. Suppliers of demand side platforms on the other hand are rather technology providers and should be classified outside 73.11.

Another issue was reported in regard of sampling in those cases where sampling is based on turnover share and done with cut-off methods. The absence of small enterprises in the sample may possibly lead to a bias of the index due to the fact that the price development of the branch is not reflected entirely.

5. International progress

Detailed status reports

The following table summarises the results of the detailed country status reports collected on behalf of the Voorburg Group by John Murphy in the forefront of the 34th VBG meeting in 2019.

Table 4: Results of the detailed status reports regarding ISIC 73.10 Advertising (23 countries responding)

ISIC 73.10 Advertising	Countries
PPI details >= CPC	6
PPI details >= CPC soon	0
Turnover details >= CPC	8
Turnover details >= CPC soon	0
Industry prices calculated	17
Industry turnover collected	20
Detailed turnover and prices well aligned	5
Detailed turnover and prices well aligned soon	0
Industry level turnover and prices aligned	11
Industry level turnover and prices aligned soon	1
Other - no industry coverage for prices and/or turnover, etc.	6

Compared to some other service branches, statistics for ISIC 73.10 seem to be well developed. At least in Europe, the good coverage could be attributed to several EU-wide regulations where countries are obliged to produce price and turnover statistics (SBS, STS, SPPIs).

SPPI GUIDE

The following country descriptions are taken from of the second edition Eurostat-OECD Methodological Guide for Developing Producer Price Indices for Services. The whole Guide and the included respective chapter regarding advertising can be found by following this link: <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-04-14-661>

Austria

In Austria, hourly rates are surveyed for the SPPI for Advertising Agencies. Respondents define a typical average customer for whom average hourly charge-out rates are priced for 11 specific advert creation professionals (for example Creative Director or Etat Director). Indices per professional category are aggregated to form the SPPI for Advertising Agencies. This index is further aggregated with an index for Media Representation Services, which monitors the price of advertising space or time in different areas and media types, to obtain an overall index for NACE 73.1.

Czech Republic

In the Czech Republic, media marketers (resellers) charge on a gross basis. The SPPI covers media representation services only. List and invoiced prices are collected for predefined advertisements (e.g. for print media the price of ½ page on a Thursday in black and white is monitored).

Germany

In Germany, a mixture of resale and brokerage is common and pricing mechanisms vary between agencies. Resellers act as portfolio manager and generally give retrospective discounts to adjust for actually achieved audience sizes. The unit value pricing method is employed in Germany. Unit values are calculated by subtracting discounts from the price of the advertisement (e.g. 30 seconds in a certain time frame aired by a certain broadcaster), correcting for achieved audience figures and actually given discounts. The SPPI is preliminary until the discounts are incorporated.

Hungary

The pricing methods used in Hungary are selected in close cooperation with respondents, taking into account the market structure, pricing mechanism, accounting and controlling system. For service providers other than media agencies, the unit value method is the most common methodology employed, followed by pricing based on working time.

Japan

Japan employs a mixture of methods: direct use of prices of repeated services (for radio commercials, outdoor advertising, advertising in traffic facilities, leaflet advertising, direct mail, and internet advertising) and the unit value method (for television commercials, newspaper advertising, magazine advertising, and free newspaper & magazine advertising). For the unit value method, average monthly rate for specified time & program or for specified size and position is surveyed. The audience size is regarded as a key factor determining the quality of the advertising services. Therefore, audience size is considered in the calculation of the indices for television commercials, leaflet advertising, direct mail, internet advertising, and free newspaper & magazine advertising.

Spain

Spain compiles a SPPI for Media Representation Services only. A unit value approach is employed by dividing turnover by number of minutes or advertising pages respectively.

United-Kingdom

In the U.K., media agencies act like wholesalers, meaning that they purchase media in bulk. Therefore turnover is collected on a gross basis (see also section 1). However, media agencies never actually own the media space themselves. This results in a mismatch with the ISIC and NACE classifications which refer to the “Sale of advertising space or time”, as in practice this activity does not take place in the U.K. The U.K. currently compiles two separate SPPIs for advertising. The first covers the placement part of the industry (i.e. the cost of actually placing an advertisement in various forms of media). For this index the U.K. uses two sets of administrative data to compute unit value prices. The first data set provides information on rate cards and circulation figures for the newspaper and magazine industry. The second dataset provides revenue and audience figures for television advertising which allows a cost per thousand (CPT) viewers price to be derived. These unit value prices are then weighted together to calculate an aggregate price index for advertising placement services. This SPPI is published on a quarterly basis.

The second U.K. SPPI for the advertising industry is currently in development and focuses on the creation and media buying side of the industry. For this index, the U.K. is using a more traditional survey based approach to collect price information. A time based pricing method is being piloted, where respondents are asked to provide realised hourly rates for any relevant personnel across a number of different advertising services. This realised hourly rate should be the average amount received for the service (per hour) after discounting has taken place. Movements in these rates are weighted together to create an aggregate price index for the industry.

United States

In the U.S., advertising agencies act strictly as brokers and charge their clients only for their services. Therefore advertising agency turnover is collected on a net basis. Model pricing is the prevalent pricing method employed. The BLS typically collects transaction price for selected projects. Survey respondents are asked to estimate the price that would be charged to perform the same project in subsequent months. The transaction description may include the total amount billed for labour (labour rates multiplied by number of hours worked by each individual involved in the project) plus any additional non-labour fees charged (for example, mark-ups on services provided by outside vendors, travel, and administrative fees).

References

International Standard Industrial Classification of All Economic Activities Rev.4, (ISIC)

<https://unstats.un.org/unsd/classifications/Econ>

North American Industry Classification System (NAICS 2017)

<https://www.census.gov/eos/www/naics/>

Statistical Classification of Economic Activities in the European Community Rev.2 (NACE)

https://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC

Central Product Classification Version 2.1 (CPC)

<https://unstats.un.org/unsd/classifications/Econ>

North American Product Classification System (NAPCS)

<https://www.census.gov/eos/www/napcs/index.html>

Statistical Classification of Products by Activity in the European Union, Version 2.1 (CPA)

https://ec.europa.eu/eurostat/ramon/index.cfm?TargetUrl=DSP_PUB_WELC

Eurostat-OECD Methodological Guide for Developing Producer Price Indices for Services: Second Edition; (OECD/Eurostat 2014)

<http://dx.doi.org/10.1787/9789264220676-en>

Mini-Presentation on Turnover & SPPI for Advertising Agencies Activities (Agnieszka Matulska-Bachura Beata Cebula; Poland); 34th Voorburg Group Meeting

<https://www.voorburg-paris2019.insee.fr/wp-content/uploads/2019/08/01OctPoland7311AdvertisingPaper.pdf>

Mini-Presentation by Itsik Tal (Israel Central Bureau of Statistics); 34th Voorburg Group Meeting

https://www.voorburg-paris2019.insee.fr/wp-content/uploads/2019/09/7310-Advertising-Israel_final_paper.pdf

Mini-presentation on SPPI for: Advertising (Cristina Cecconi, Roberta Cacciaglia Istat; Italy); 34th Voorburg Group Meeting

https://www.voorburg-paris2019.insee.fr/wp-content/uploads/2019/09/01OCT.Cristina.Cecconi.Advertising_17sep-1.pdf

Mini-presentation on "Advertising Agencies" (SPPI) (Yann Leurs; Insee; France); 34th Voorburg Group Meeting

Quality Adjustment paper on ISIC 7310 Advertising; 26th Voorburg Group Meeting 2011 (Kat Pegler, Johanna von Borstel, Christopher Jenkins)

<https://www.voorburggroup.org/Documents/2011%20Newport/Papers/2011%20-%202020.pdf>

Appendix 1: Overview of International Classifications

ISIC Rev. 4

73. Advertising and market research

This division includes the creation of advertising campaigns and placement of such advertising in periodicals, newspapers, radio and television, or other media as well as the design of display structures and sites.

73.1 Advertising

This item includes: See class 7310.

73.10 Advertising

This class includes the provision of a full range of advertising services (i.e. through in-house capabilities or subcontracting), including advice, creative services, production of advertising material, media planning and buying.

Inclusions:

- creation and realization of advertising campaigns:
 - creating and placing advertising in newspapers, periodicals, radio, television, the Internet and other media
 - creating and placing of outdoor advertising, e.g. billboards, panels, bulletins and frames, window dressing, showroom design, car and bus carding etc.
 - media representation, i.e. sale of time and space for various media soliciting advertising
 - aerial advertising
 - distribution or delivery of advertising material or samples
 - provision of advertising space on billboards etc.
 - creation of stands and other display structures and sites

- conducting marketing campaigns and other advertising services aimed at attracting and retaining customers:
 - promotion of products
 - point-of-sale marketing
 - direct mail advertising
 - marketing consulting

Exclusions:

- publishing of advertising material, see 5819
- production of commercial messages for radio, television and film, see 5911
- public-relations activities, see 7020
- market research, see 7320
- graphic design activities, see 7410
- advertising photography, see 7420
- convention and trade show organizers, see 8230
- mailing activities, see 8219

NAICS 2017

5418 Advertising, Public Relations, and Related Services

This industry group comprises establishments primarily engaged in advertising, public relations, and related services, such as media buying, independent media representation, outdoor advertising, direct mail advertising, advertising material distribution services, and other services related to advertising.

541810 Advertising Agencies

This industry comprises establishments primarily engaged in creating advertising campaigns and placing such advertising in periodicals, newspapers, radio and television, or other media. These establishments are organized to provide a full range of services (i.e., through in-house capabilities or subcontracting), including advice, creative services, account management, production of advertising material, media planning, and buying (i.e., placing advertising).

Cross-References. Establishments primarily engaged in

- Purchasing advertising space from media outlets and reselling it directly to advertising agencies or individual companies--are classified in Industry 541830, Media Buying Agencies;
- Conceptualizing and producing artwork or graphic designs without providing other advertising agency services--are classified in Industry 541430, Graphic Design Services;
- Creating direct mail advertising campaigns--are classified in Industry 541860, Direct Mail Advertising;
- Providing marketing consulting services--are classified in U.S. Industry 541613, Marketing Consulting Services; and
- Selling media time or space for media owners as independent representatives--are classified in Industry 541840, Media Representatives.

541820 Public Relations Agencies

This industry comprises establishments primarily engaged in designing and implementing public relations campaigns. These campaigns are designed to promote the interests and image of their clients. Establishments providing lobbying, political consulting, or public relations consulting are included in this industry.

541830 Media Buying Agencies

This industry comprises establishments primarily engaged in purchasing advertising time or space from media outlets and reselling it to advertising agencies or individual companies directly.

Cross-References. Establishments primarily engaged in

- Selling time and space to advertisers for media owners as independent representatives--are classified in Industry 541840, Media Representatives; and
- Creating advertising campaigns and placing such advertising in media--are classified in Industry 541810, Advertising Agencies.

541840 Media Representatives

This industry comprises establishments of independent representatives primarily engaged in selling media time or space for media owners.

Illustrative Examples

- Newspaper advertising representatives (i.e., independent of media owners)

- Radio advertising representatives (i.e., independent of media owners)
- Publishers' advertising representatives (i.e., independent of media owners)
- Television advertising representatives (i.e., independent of media owners)

Cross-References. Establishments primarily engaged in

- Purchasing advertising time or space from media outlets and reselling it directly to advertising agencies or individual companies--are classified in Industry 541830, Media Buying Agencies; and
- Creating advertising campaigns and placing such advertising in media--are classified in Industry 541810, Advertising Agencies.

541850 Outdoor Advertising

This industry comprises establishments primarily engaged in creating and designing public display advertising campaign materials, such as printed, painted, or electronic displays; and/or placing such displays on indoor or outdoor billboards and panels, or on or within transit vehicles or facilities, shopping malls, retail (in-store) displays, and other display structures or sites.

Cross-References. Establishments primarily engaged in

- Providing sign lettering and painting services--are classified in Industry 541890, Other Services Related to Advertising;
- Printing paper or paperboard signs--are classified in Industry 32311, Printing;
- Erecting display boards--are classified in Industry 238990, All Other Specialty Trade Contractors; and
- Manufacturing electrical, mechanical, or plate signs and point-of-sale advertising displays--are classified in Industry 339950, Sign Manufacturing.

541860 Direct Mail Advertising

This industry comprises establishments primarily engaged in (1) creating and designing advertising campaigns for the purpose of distributing advertising materials (e.g., coupons, flyers, samples) or specialties (e.g., keychains, magnets, pens with customized messages imprinted) by mail or other direct distribution and/or (2) preparing advertising materials or specialties for mailing or other direct distribution. These establishments may also compile, maintain, sell, and rent mailing lists.

Cross-References. Establishments primarily engaged in

- The direct distribution or delivery (e.g., door-to-door, windshield placement) of advertisements or samples--are classified in Industry 541870, Advertising Material Distribution Services;
- Distributing advertising specialties for clients who wish to use such materials for promotional purposes--are classified in Industry 541890, Other Services Related to Advertising;
- Creating advertising campaigns and placing such advertising in media--are classified in Industry 541810, Advertising Agencies;
- Compiling and selling mailing lists without providing direct mail advertising services--are classified in Industry 511140, Directory and Mailing List Publishers; and
- Publishing or broadcasting exclusively on the Internet--are classified in Industry 519130, Internet Publishing and Broadcasting and Web Search Portals.

541870 Advertising Material Distribution Services

This industry comprises establishments primarily engaged in the direct distribution or delivery of advertisements (e.g., circulars, coupons, handbills) or samples. Establishments in this industry use methods, such as delivering advertisements or samples door-to-door, placing flyers or coupons on car windshields in parking lots, or handing out samples in retail stores.

Cross-References. Establishments primarily engaged in

- Creating and designing advertising campaigns for the purpose of distributing advertising materials or samples through the mail--are classified in Industry 541860, Direct Mail Advertising;
- Publishing newspapers or operating television stations or on-line information services--are classified in Sector 51, Information; and
- Distributing advertising specialties (e.g., keychains, magnets, or pens with customized messages imprinted) to clients who wish to use such materials for promotional purposes--are classified in Industry 541890, Other Services Related to Advertising.

541890 Other Services Related to Advertising

This industry comprises establishments primarily engaged in providing advertising services (except advertising agency services, public relations agency services, media buying agency services, media representative services, display advertising services, direct mail advertising services, advertising material distribution services, and marketing consulting services).

Illustrative Examples

- Advertising specialties (e.g., keychains, magnets, pens) distribution services (except direct mail)
- Sign lettering and painting services
- Display lettering services
- Store window dressing or trimming services
- Mannequin decorating services
- Welcoming services (i.e., advertising services)
- Merchandise demonstration services

Cross-References. Establishments primarily engaged in

- Creating advertising campaigns and placing such advertising in newspapers, television, or other media--are classified in Industry 541810, Advertising Agencies;
- Designing and implementing public relations campaigns--are classified in Industry 541820, Public Relations Agencies;
- Purchasing advertising time or space from media outlets and reselling it directly to advertising agencies or individual companies--are classified in Industry 541830, Media Buying Agencies;
- Selling media time or space for media owners as independent representatives--are classified in Industry 541840, Media Representatives;
- Providing display advertising services (except aerial)--are classified in Industry 541850, Outdoor Advertising;
- Providing direct distribution or delivery (e.g., door-to-door, windshield placement) of advertisements or samples--are classified in Industry 541870, Advertising Material Distribution Services;
- Providing direct mail advertising services--are classified in Industry 541860, Direct Mail Advertising;
- Publishing newspapers or operating television stations or on-line information services--are classified in Sector 51, Information; and
- Providing marketing consulting services--are classified in U.S. Industry 541613, Marketing Consulting Services.

NACE Rev.2

73.1 Advertising

Reference to ISIC Rev. 4: **731**

73.11 Advertising agencies

This class includes the provision of a full range of advertising services (i.e., through in-house capabilities or subcontracting), including advice, creative services, production of advertising material, and buying.

Inclusions

- creation and realisation of advertising campaigns:
 - creating and placing advertising in newspapers, periodicals, radio, television, the Internet and other media
 - creating and placing of outdoor advertising, e.g. billboards, panels, bulletins and frames, window dressing, showroom design, car and bus carding etc.
 - aerial advertising
 - distribution or delivery of advertising material or samples
 - creation of stands and other display structures and sites
- conducting marketing campaigns and other advertising services aimed at attracting and retaining customers
 - promotion of products
 - point-of-sale marketing
 - direct mail advertising
 - marketing consulting

Exclusions

- publishing of advertising material, see 58.19
- production of commercial messages television and film, see 59.11
- production of commercial messages for radio, see 59.20
- market research, see 73.20
- advertising photography, see 74.20
- convention and trade show organisers, see 82.30
- mailing activities, see 82.19

73.12 Media representation

This class includes media representation, i.e. sale or re-sale of time and space for various media soliciting advertising

Rulings

- Advertising space sale via intermediaries

Exclusions

- sale of advertising time or space directly by owners of the time or space (publishers etc.), see the corresponding activity class
- public-relations activities, see 70.21

Reference to ISIC Rev. 4: **7310**

CPC

836 Advertising services and provision of advertising space or time

8361 Advertising services

83611 Full service advertising

This subclass includes:

- planning, concept development and execution of the full range of services for an advertising campaign, including:
 - creating the basic idea for an advertisement
 - writing the words and scenarios for advertisements
 - selection of media to be used
 - design of ads, illustrations, posters, etc.
 - writing of scenarios for advertising movies
 - placement of advertisements in media

This subclass does not include:

- public relations services, cf. 83121
- separate direct marketing or direct mail advertising, cf. 83612
- separate placement of advertisements in media, cf. 83620
- separate market research services, cf. 83700
- separate photography services related to advertising, cf. 83812
- separate graphic design services for advertising, cf. 83919
- separate production of films for advertising, cf. 96121

83612 Direct marketing and direct mail services

This subclass includes:

- development and organization of direct marketing advertising campaigns, i.e. sending advertising and promotional messages directly to consumers through methods such as direct mail and telemarketing, rather than via mass media

83619 Other advertising services

This subclass includes:

- aerial advertising services
- delivery services of free samples and other advertising material
- demonstration and presentation advertising services at point of sale
- sales promotion (if no orders are received)

This subclass does not include:

- modeling agency services, cf. 85999
- advertising mailing services, cf. 85953

8362 Purchase or sale of advertising space or time, on commission

83620 Purchase or sale of advertising space or time, on commission

This subclass includes:

- sale or leasing of advertising time or space, on commission
- services of media buying agencies, which buy media space or time on behalf of advertisers or advertising agencies

8363 Sale of advertising space or time (except on commission)

83631 Sale of advertising space in print media (except on commission)

This subclass includes:

- sale of advertising space in books, brochures, pamphlets, etc.
- sale of advertising space in newspapers, journals and periodicals
- sale of advertising space in postcards, timetables, forms, posters or other printed matter

83632 Sale of TV/radio advertising time (except on commission)

This subclass includes:

- sale of TV and radio advertising time

83633 Sale of Internet advertising space (except on commission)

This subclass includes:

- sale of Internet advertising space

83639 Sale of other advertising space or time (except on commission)

This subclass includes:

- sale of advertising space on billboards, buildings, vehicles, etc.
- sale of advertising space in electronic media other than on-line
- sale of advertising space in video and motion pictures (product placement)
- sale of naming rights for tournaments, stadiums, etc.

NAPCS

77 Advertising, public relations, and communications and information services

771 Advertising, public relations, and communications and information services

77101 Advertising, marketing research, and related services

7710101 Advertising space, time, and similar services

771010101 Advertising space, time, and similar services

77101010101 Advertising space in printed publications

77101010102 Television air time for advertising

77101010103 Radio air time for advertising

77101010104 Internet advertising

77101010105 Leased display advertising media space

77101010106 Other advertising space, time, and similar services

7710102 Advertising planning, production, and implementation services

771010201 Comprehensive advertising services

77101020101 Multiple advertising services

77101020102 Direct marketing services, full-service

77101020103 Direct mail advertising, full-service

77101020104 Advertising creative services, including advertising graphic design services

771010202 Advertising intermediary services

77101020201 Media planning and/or buying services

77101020202 Sales agent services for advertising space and time

771010203 Individual direct mail advertising services

77101020301 Concept development services for direct mail advertising campaigns

77101020302 Letter shop services

77101020303 Mailing lists

77101020304 Other direct mail advertising services

771010204 Other advertising services

77101020401 Distribution services for advertising materials, other than by mail

77101020402 Coordination of production and delivery of premiums (advertising specialties)

77101020403 Product or merchandise demonstrations

77101020404 Other advertising services, nec.

CPA

73.11 Services provided by advertising agencies

73.11.1 Services provided by advertising agencies

73.11.11 Full service advertising services

Description: Full service advertising services

This item includes: This subcategory includes:

- provision of the full range of advertising services, including planning, creation and execution services, such as:
 - selection of media to be used
 - design of advertisements, illustrations, posters, etc.
 - writing of scenarios for advertising movies, placement in media, planning (without production) of advertising objects or films
 - organisation of direct marketing or direct mail advertising campaigns

This item excludes: This subcategory excludes:

- production and realisation of promotional or advertising motion pictures, see 59.11.12
- public relations services, see 70.21.10
- market research services, see 73.20.11
- photography services related to advertising, see 74.20.22

73.11.12 Direct marketing and direct mailing services

Description: Direct marketing and direct mailing services

This item includes: This subcategory includes:

- the developing and organisation of direct marketing advertising campaigns, that is, organising sending of advertising and promotional messages directly to consumers, rather than via mass media

Includes methods such as direct mail and telemarketing.

This item excludes: This subcategory excludes:

- mailing services, see 82.19.12

73.11.13 Advertising design and concept development services

Description: Advertising design and concept development services

Rulings: Media agencies

Problem statement: Where is an agency rendering the following services classified?

- Competitiveness analysis, including market and media analysis,
- strategies, recommendations,

- negotiation, including tactics planning and media buying and
- client's satisfaction degree at tracking and control campaign, as well as closing up summary and invoicing campaigns.

Solution: The activities could also be classified to NACE Rev. 2 class 73.20, but the emphasis is in NACE Rev. 2 class 73.11.

Decision date: 01.07.2007

This item includes: This subcategory includes:

- creating the basic idea for an advertisement, drafting the words
- designing the layout for a print advertisement, illustration, poster
- writing of scenarios for advertising movies

73.11.19 Other advertising services

Description: Other advertising services

This item includes: This subcategory includes:

- aerial advertising services
- delivery services of free samples and other advertising material
- demonstration and presentation advertising services at point of sale
- sales promotion services (if no orders are received)

This item excludes: This subcategory excludes:

- publishing of trade advertising material, see 58.19.15
- modelling agency services, see 78.10.12
- advertising mailing services, see 82.19.12
- telemarketing services, see 82.20.10
- convention and trade show organisation services, see 82.30.1

73.12 Media representation services

73.12.1 Sale of advertising space or time on a fee or contract basis

Description: Sale of advertising space or time on a fee or contract basis

This item includes: This category includes:

- sale or leasing services of advertising space or time on a fee or contract basis
- services of media buying agencies, which buy media space or time on behalf of advertisers or advertising agencies

This item excludes: This category excludes:

- public relations and communication services, see 70.21.10

73.12.11 Sale of advertising space on a fee or contract basis in print media

Description: Sale of advertising space on a fee or contract basis in print media

This item excludes: This subcategory excludes:

- sale of advertising space in print media by publishers, see division 58

73.12.12 Sale of TV/radio advertising space or time on a fee or contract basis

Description: Sale of TV/radio advertising space or time on a fee or contract basis

This item excludes: This subcategory excludes:

- sale of advertising space in TV/radio by broadcasting companies, see 60.10.30, 60.20.40

73.12.13 Sale of Internet advertising space or time on a fee or contract basis

73.12.14 Sale of events related advertising

Description: Sale of events related advertising

This item includes: This subcategory includes:

- sale of naming rights for tournaments, stadiums, etc.

73.12.19 Other sale of advertising space or time on a fee or contract basis

Description: Other sale of advertising space or time on a fee or contract basis

This item includes: This subcategory includes:

- sale of advertising space or time on billboards, buildings, vehicles, etc.
- sale of advertising space or time in electronic media other than on-line
- sale of advertising time in video and motion pictures (product placement)

73.12.2 Re-sale of advertising space or time on a fee or contract basis

73.12.20 Re-sale of advertising space or time on a fee or contract basis