

Revisited Sector Paper on:

ISIC 7310 Advertising

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International Progress

2009 Country Progress Report (20 countries)

ISIC 7310 Advertising

- SPPI – 16 countries
- Turnover data – 19 countries

ISIC 7320 Market Research & Opinion Polling

- SPPI – 13 countries
- Turnover data – 18 countries

ISIC 7320 – Market Research and Opinion Polling

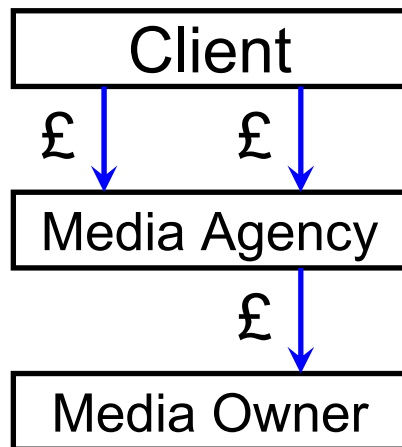
- Lack of previous work makes “revisited” paper difficult
- Possible topic at future meetings
- This work focuses on Advertising services only

AIM: To highlight the two key issues experienced by statistical offices in the collection of turnover data and the development of SPPIs for Advertising Services

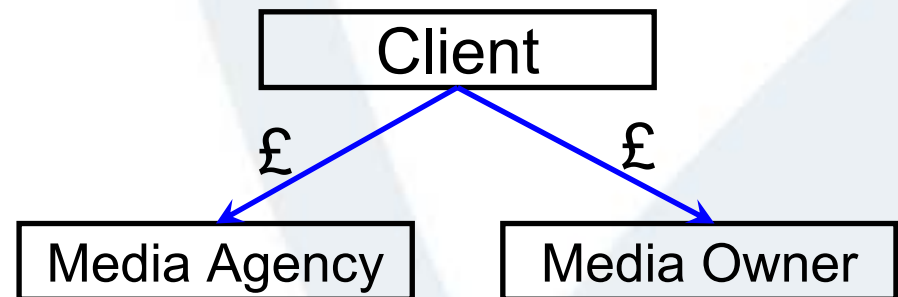
Business Models – International Differences

Transaction can take place in two ways:

Wholesaler e.g. UK



Broker e.g. USA



...or both (e.g. Germany, USA)

Business Models – International Differences

UK –

- Agency is “principal in law” for purchase of media space and production
- Charge client agency fee plus cost of media and/or production
- Agency accounts include price of media

USA –

- Client is “principal in law”
- Charge client agency fee only
- Agency accounts exclude price of media

Business Models - Turnover

**National Accounts is main user of turnover data
– data collected must meet their needs**

If agency acts like a wholesaler

→ Collect gross turnover (agency fee *plus* media price)

If agency acts like a broker

→ Collect net turnover (*only* agency fee)

If both transaction types occur

→ Identify whether to collect net or gross on an individual agency basis

Business Models - SPPI

Price for service or price paid by customer?

We could collect:

- Price for service provided by agency, or...
- Price for service *plus* price of media and/or production costs

Advertising SPPI = money received by agency for provision of service

However, the SPPI *must* match the turnover collected to be a suitable deflator for National Accounts.

Business Models - SPPI

For example, for the services of media agencies...

If -

Turnover = service fee + price of media

SPPI = price for service

Then -

An increase in price of media will show as increased output of advertising services

But-

This is NOT what we should be showing!

Quality Adjustment - SPPI

Is audience size an appropriate measure of quality?

- ONS-CSO questionnaire showed that around half of countries with SPPI account for size of audience in some way
- But...is audience size a suitable quality adjustment?

Quality Adjustment - SPPI

- Media agencies don't just purchase ad space – audience has no effect on planning and analysis services
- Media agencies increasingly using fixed fees – based on time taken to make purchase
- UK media agencies don't consider audience size a price determining factor
- Media agency has no control over audience size

We do NOT recommend quality adjustment of SPPI using audience size.

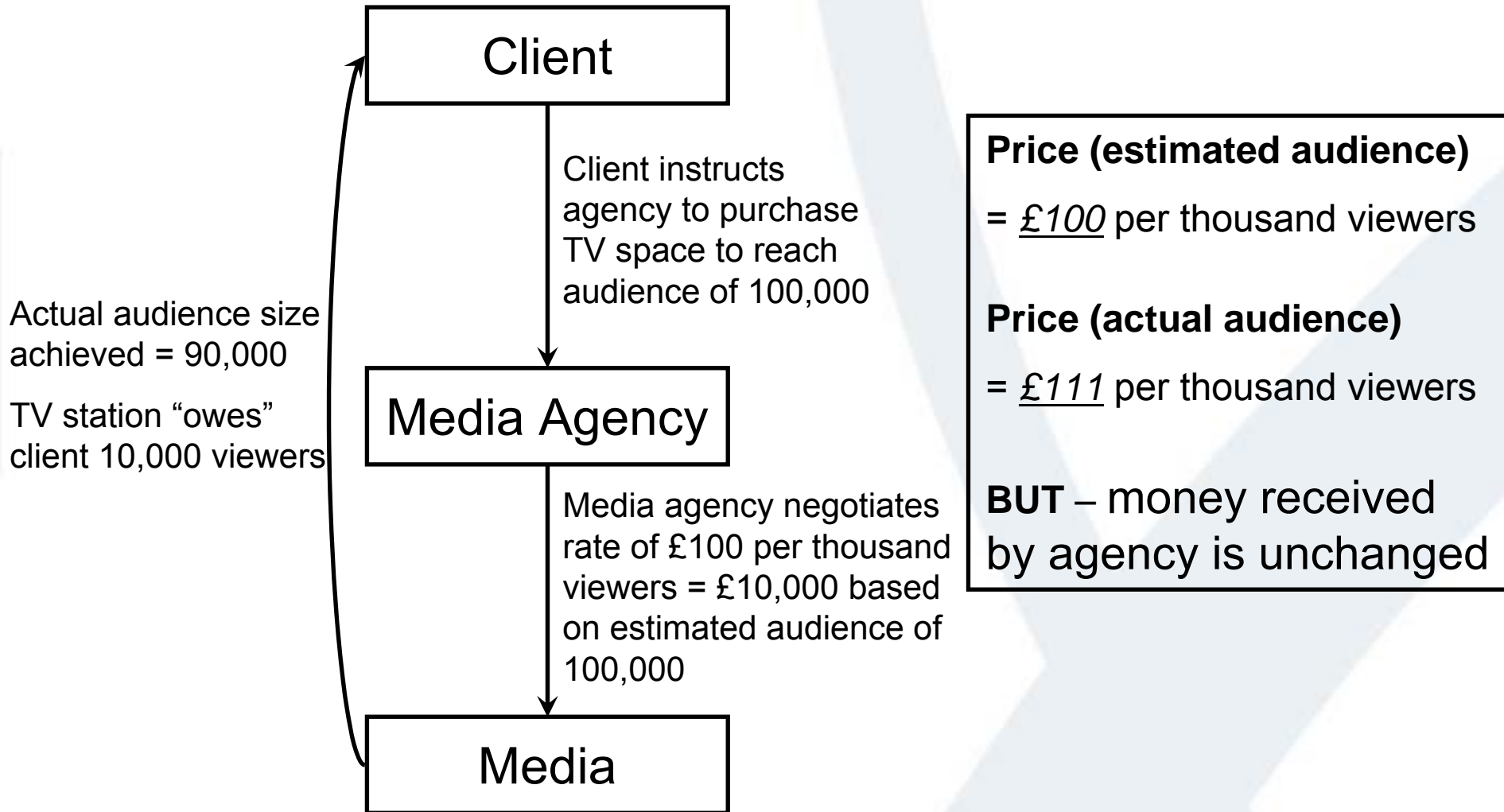
SPPI – Dangers of Unit Value methods

Unit values are the 2nd most common pricing method used for “Advertising Placement”
SPPI

$$\text{e.g. Unit value} = \frac{\text{Revenue}}{\text{Audience figures}}$$

But...use of audience size could give a false measure of price change if actual audiences are used

SPPI – Dangers of Unit Value methods



Summary

Business models differ between and sometimes within countries

- Need to determine how agency prices before collecting turnover
- Turnover collected must meet needs of National Accounts
- SPPI must match turnover to act as suitable deflator for National Accounts
- May be conflict between requirements of NA and other users of SPPI

Audience size is not an appropriate measure of quality

- Actual purchase of media space is a small part of agency's services
- Media agencies have no control over audience size
- Quality adjustment using actual audience figures could cause bias in SPPI

Questions?

- Thank you

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