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Revisited Sector Paper Advertising (ISIC 7310)

Mini Presentations 2019

Turnover/Output

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SPPI

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Descriptions and characteristics of the industry: *Classifications*

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		

Descriptions and characteristics of the industry: *Classifications*

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)				

Services provided

➢ **ISIC 7310 Advertising**

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

- Creation and realization of advertising campaigns
- Conducting marketing campaigns and other advertising services aimed at attracting and retaining customers

➢ **NACE 73.1 Advertising**

- 73.11 Advertising agencies (identical definition to ISIC 7310)
- 73.12 Media representation (i.e. sale or re-sale of time and space) for various media

Descriptions and characteristics of the industry: *Market conditions*

Concentration within the industry

> ➢ Whole industry 73 is dominated by 73.11 "Advertising agencies"

Horizontal and vertical integration

> ➢ Large number of small enterprises
> ➢ Big part of the turnover is generated by large corporate groups

Type of consumer of the services and import and export

> ➢ B2B part accounts for approximately 65% of the total turnover in France
> ➢ Export and import seem to be important factors

Public regulations affecting the market situation

> ➢ Sapin Law (F)

Descriptions and characteristics of the industry: *Specific characteristics*

Development of new products/services

➢ Classic advertising on Radio, Television, Press and Billboards plays still an important role

➢ Digital advertising increasing in the last years

➢ Italy has put a special focus on digital advertising

➢ „Digital agencies" provide „programmatic advertisement" technologies for their targeted advertising services

Descriptions and characteristics of the industry: *Specific characteristics*

Programmatic advertising

„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."

Descriptions and characteristics of the industry: *Specific characteristics*

Ways of digital advertising	Pricing models
Display advertising	Cost per click, cost 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

Turnover/output measurement:
General framework

Turnover collection supported by legislation on EU level

➢ **STS Short-Term Statistics (Quarterly)**

Short-term statistics (STS) aim to describe the most recent developments of European economies and its indicators are published monthly as indices.

➢ **SBS Structural Business Statistics (Annually)**

Structural Business statistics (SBS) describe performance, the structure and main characteristics of economic activities within the business economy in a detailed level.
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).

Turnover/output measurement:
General framework

Net vs. gross approach

- ➢ 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.

- ➢ Israel is collecting gross prices including the price for the media space or time

- ➢ In France the advertising industry is taken into account on a net basis

Turnover/output measurement:
Measurement issues

Smaller enterprises

➢ To not neglect the important information of enterprises with 9 employees and less by using alternative data

Data on product level

➢ Data collection on product level extremely important and desirable as the SPPI product sample can highly benefit of those detailed product data

➢ Additional turnover information on the type of service receiver helpful for aggregating B2B and B2C to achieve a B2All approach

➢ Statistics on international trade could benefit from information on the residence of the service receiver

Measurement of SPPI:
General framework

- ➢ Scope B2B vs. B2All

- ➢ Currently B2B

- ➢ But for deflation of total output a B2All is needed for NA

- ➢ Under FRIBS (Framework Regulation of Integrating Business Statistics) B2All is mandatory

- ➢ Extension of coverage as well

- ➢ New ISPs are mandatory which have to be deflated by SPPIs

Measurement of SPPI:
General framework

➢ 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.

➢ In France the quarterly SPPIs for advertising services are produced in 3 different ways.

➢ 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.

Measurement of SPPI:
Measurement issues

➤ The countries are producing industry SPPIs, but the index aggregation structure itself is based on different products of the service branch.

➤ The cut-off sampling strategy follows the assumption that big enterprises are the price setters for smaller enterprises.

➤ 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 sampling method is applied.

Measurement of SPPI:
Pricing methods

	France	Italy	Israel	Poland
Direct u.o.p.o.r.services			X	X
Unit values		X		X
Contract prices	X			X
Model pricing	X			
Time based methods	X			X
Precentage fees				X
Commision rates	X			
Average prices	X			

Quality adjustment

- ➢ 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.

- ➢ Rather "normal" quality adjustment strategies

- ➢ Israel furthermore uses the so called link to a cell relative imputation

- ➢ In Italy quality adjustment in this service branch seems to be the exception rather than the rule.

ISPs

- ➢ 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).

Evaluation of measurement

Evaluation of methods

> ➢ The Italian national statistical institute is currently re-engineering its SPPI practices in all service branches

> ➢ Poland has implemented a new way of data collection and a new sampling procedure

> ➢ French "net" SPPIs perfectly match with the deflation needs of national accounts for that service branch

Future challenges and ways to meet them

> ➢ The coverage and complexity of programmatic advertising

> ➢ France mentioned a classification issue for programmatic advertisement

> ➢ The absence of small enterprises in the sample may possibly lead to a bias

International Progress

ISIC 7310 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

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Thank you!