**Value of Advertising Research – Q&A**

**Economy**

**Q: What is this study about?**

A: The study’s aim is to calculate the economic contribution of advertising in Europe, that is, estimate how much GDP can be attributed to advertising spend in the EU and across its key markets. In addition, the study looked at the employment generated by advertising, both directly from people creating the ads we see on TV or hear on the radio, and through the money that advertising puts into the economy (for example, by increasing consumption of certain products) which is in turn used to create more jobs. Additionally the study investigated how advertising boosts media sectors such as television, radio, and the internet.

**Q: How did you calculate the multiplier?**

A: The multiplier was calculated using an econometric model. The main variables which can impact GDP apart from advertising, for example such as trade or investment levels were gathered across countries and over 17 years. The econometric model then uses all this information to isolate the specific impact of advertising spend on GDP, accounting for the fact that other variables have their own impact as well. This is how the multiplier is generated.

**Q: Can you tell us a bit more about the econometric model’s variables?**

A: As mentioned, the model includes growth determinants for every country and every year such as a country’s openness (imports and exports), investment or expenditure (representative of the size of a country, which impacts the level of GDP). In addition, the model includes population levels as well as a period and country dummy variable. These last two variables are there to ensure that any GDP impact due to a specific time period or a specific country is picked up: if GDP was lower in a given year across all countries because of, for example, a natural disaster or a global crisis, these variables ensure that this impact is not attributed to the advertising spend.

**Q: Is there a major difference between the countries? How could that be explained?**

A: While assessing the drivers behind the different multipliers (e.g. France at around 8 and the UK at 6) is out of the scope of this study, and would require additional data and the construction of new econometrics models, **two potential determinants can be highlighted**.

First, a difference in the **mix of media** in a given market could have an impact on the level of the multiplier. The media mix varies quite extensively across markets, for example internet amounts for 43% of ad spend in the UK while only 20% in Japan. It can be assessed that a higher level of online ad spend compared to offline will increase the impact of total ad spend on GDP. A 10% shift from the offline to the online share of ad spend, is associated with an estimated 3.2% increase in the impact of total advertising spend on GDP.

Second, the **structure of the economy** may have an impact on the relationship between ad spend and GDP. In markets with a greater focus on services than goods, the impact of advertising on GDP is typically higher. A 10% increase in the service share of value added is associated with an estimated average increase of 3% in the impact of advertising on GDP.

For both possible drivers, we need to bear in mind that they’ve been considered as all else being equal, meaning on their own, with other possible determinants not being considered.

**Employment**

**Q: So, how many people are working in the advertising industry in the EU?**

A: The study estimated that close to 1 million people work in the advertising industry in the EU. However, this doesn’t account for the people involved in the “in-house” production of advertising, that is people working in other industries but that also help with producing adverts for their own firms. Furthermore, advertising supports jobs in industries outside of the advertising sector, for example across the media sectors that advertising helps to fund but even in other sectors through the money that advertising helps to put into the economy. Altogether, the study estimated that advertising helps to support about 5.8 million jobs in the EU.

**Q: And are all these people actually producing ads?**

A: No, as mentioned above, outside of direct employment in advertising, there are two other types of jobs supported by advertising:

* The jobs created in media sectors that advertising helps to fund. These represent close to 600 000 people employed in the EU.
* The jobs supported along the rest of the supply chain from the money that advertising puts into the economy. That is, advertisers and media companies produce services which require inputs from suppliers. These suppliers also demand inputs from their own suppliers and so on, so the more advertising is required, the more the rest of the economy will benefit from increased demand and hence, increased employment. These jobs amount to over 4.2 million in the EU.

In addition, the average salary in the media and advertising sectors combined is higher than in the rest of the EU economy. A recent research by KPMG also revealed that media professionals generally have higher perceived job security than their counterparts in other industries. Part of the jobs supported by advertising are therefore of high quality as per the OECD classification (earnings quality, labour market security and quality of the working environment).

**Advertising and media**

**Q: OK, so advertising fuels the European economy, and provides jobs, but are there any direct impacts to consumers?**

A: Yes – The general picture is that advertising promotes competition which can benefit consumers by increasing the choice of goods and services available to them. In addition, it reduces the cost of obtaining information about products (for example with online search tools and price-comparison websites) which helps them make better informed choice.

Q: **I see ads on TV and hear some on the radio, what’s the reason behind that?**

A: Advertising plays a major role in funding commercial TVs and radios, and without advertising their ability to provide services at a reduced rate would be impaired. This is why ads are conveyed through these sources.

**Q: What about on the internet?**

A: Advertising plays a big role here as well in funding online services that are very widely used across the EU. For example, 70% of people in the EU use emails every day and social media are used by a majority of the population.