

GLOBAL ADVERTISING MARKET – THE DYNAMICS OF THE LAST DECADE

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Abstract

Advertising as a form of impersonal communication aimed at a wide and diffuse audience, is the ideal tool to promote products targeting large markets in which consumers are not strongly differentiated in terms of motivations, preferences, attitudes, etc. Currently, in the global advertising market we can find extremely powerful organizations whose work often exceeds local and even regional economic spheres. From simple expertise in advertising, these organizations have expanded their services to a growing number of communication tools, organizing their activity to better respond to clients' requirements. These kinds of advertising organizations alongside global advertisers are the key factors in the dynamics of this market. This article focuses on presenting some data regarding global expenditure in advertising, establishing as reference points the years 2002 and 2012. Moreover, we concentrated on expenditures by regions and advertisers, and on revenues obtained by advertising organizations and advertising networks, starting from official data provided by Advertising Age and Euromonitor.

Keywords

advertising; expenditures; markets; agencies; revenues

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Introduction

Characterized by the presence of a large number of actors, heterogeneous in terms of size, importance and philosophy of business, the advertising market is among those markets that over time were closely related to the progress and welfare of individuals, as the carriers of demand for products and services. The characteristics of this international market can be highlighted appealing to an analysis of data regarding some specific aspects of advertising, among them being: investments in advertising, market actors and their activities, advertising agencies, the main media used in advertising and the main categories of products promoted by this communication tool. Actual size of the advertising market is expressed in most reports concerning this industry through ad expenditure by the various media. These costs reflect amounts paid by advertisers for ad space and media time and most of the times do not include amounts invested in the planning, creation, implementation and control of advertising.

Global ad spending

Based on this methodology for expressing the actual size of the market, we will continue to present the most important data concerning the international market. The international market of advertising is conceptually and practically a set of regional, national and even local markets. From this perspective, Table 1 and Table 2 show the volume of advertising investments made in the major geographic regions of the world, in periods separated by a decade.

Table 1 Global ad spending in 2002 by region (millions USD)

Region	2002	(%) in total 2002
North America	218560.92	56.17
Latin America	12066.90	3.10
Western Europe	77202.71	19.84
Eastern Europe	9055.25	2.33
Middle East and North Africa	2090.23	0.54
Asia – Pacific	65009.80	16.71
Australia, New Zealand	5132.91	1.32
Total	389118.72	100.00

Source: Euromonitor Data, available at www.euromonitor.com

Tabelul 2 Global ad spending in 2013 by region (millions USD)

Regiunea	2013	(%) in total 2013
North America	178500	35.3
Latin America	38800	7.7
Western Europe	98100	19.4
Eastern Europe	26700	5.3
Middle East and North Africa	4400	0.9
Asia – Pacific	148600	29.4
Rest of the world	10300	2.0
Total	505400	100.00

Source: Advertising Age's Marketing Fact Pack 2014, available at http://gaia.adage.com/images/bin/pdf/MFPweb_spreadsv2.pdf

As it was easy to predict, the main areas that emerges through a significant amount of investments are characterized by a high level of economic development. North America, Western Europe and Asia-Pacific hold the highest shares in this respect, and absolute amounts invested in this industry reflects the aforementioned economic potential. Together, these three areas attracted over 90% of investments made in advertising in 2002, and their gross volume exceeds with much the level in other regions. The same trend prevailed and a decade later, but this time the share is 84%. Despite the economic dynamism that produced mutations in terms of economic development worldwide, the three areas still retains their primacy in terms of the advertising activities.

North America stands out in this group through leading position in the analyzed decade. But at the same time, there has been a significant decrease in the relative volume of expenses incurred in 2013 compared to 2002, bringing a loss of over 20% share in global advertising spending. We can note the steady level characterizing the expenses of Western Europe in the analyzed decade and the significant leap recorded by Asia-Pacific. The latter won in 10 years an additional share of almost 13%, which is most likely explained by investments attracted by most dynamic economy in the world, namely China.

The same table also emphasizes the presence in international market of advertising of areas including a large number of countries with a growing economy. Eastern Europe,

Africa, Middle East and Latin America fall into this category. Although the gross volume of the investments is not comparable to the previous group, it is noticeable a growth trend both for the gross invested amounts, as well as for the share in worldwide spending during the 10 years. This is understandable due to the accelerated process of economic growth that characterizes this area in recent years, even though the global economy has faced economic crisis and many countries are still trying to get out.

Table 3 First 10 largest advertising markets (billions USD)

RANK	MARKET	2013	2012	% CHG
1	U.S.	166.90	161.24	3.5
2	Japan	52.84	51.74	2.1
3	China	40.95	37.2	10.1
4	Germany	23.18	23.43	-1.1
5	United Kingdom	20.34	19.38	5
6	Brazil	15.86	15.3	3.7
7	Australia	13.07	12.81	2
8	France	12.15	12.49	-2.8
9	Canada	11.59	11.63	-0.4
10	South Korea	10.61	10.74	-1.2

Source: Source: Advertising Age's Marketing Fact Pack 2014, available at http://gaia.adage.com/images/bin/pdf/MFPweb_spreadsv2.pdf

Assertions formulated above are confirmed by the data presented in Table 3. As can be seen, the hierarchy is dominated by traditional developed markets. Thus, in the top ten global markets, eight are considered economically strong economy, and other two are part of emerging economies. China and Brazil are those kind of markets, markets that are now part of the BRICS group. It is also noticeable the accelerated growth trend in investments for China.

Global advertisers

It is obvious that the most important role in this evolution is hold by advertisers. From the same international perspective, one can identify a number of organizations whose interests and global vocation led to a detachment in terms of investments made in advertising. Highlighting these organizations is further substantiated by the fact that, most often, they are included in charts regarding national markets, irrespective of their geographical location. Table 4 shows the top global advertisers and advertising expenses made by them.

As expected, their origin is correlated with the economic development of the country or geographical area of origin. USA, Western Europe and Japan, regions which until recently formed the world economic triad, are in the same time areas with high investment in advertising, as well as areas that contribute to the emergence of extremely strong advertisers organizations. Of the fifteen companies present in the top, seven are from the US, six from Western Europe, one from Japan and one from

South Korea. Another aspect revealed by the same table refers to the fact that the industries in which these organizations do business are generally related to consumer markets, which otherwise is logical, given the characteristics of the advertising as a communication tool.

Table 4 First 15 largest global advertisers (millions USD)

Rank for 2012	Advertiser	Global ad spending		
		2002	2012	% CHG
1	Procter &Gamble (Cincinnati)	4479	10815	241.5
2	Unilever (Londra/Rotterdam)	3315	7413	223.6
3	L’Oreal (Paris)	1683	5643	335.3
4	Toyota Motor (Toyota City)	2405	3310	137.6
5	General Motors (Detroit)	3218	3206	99.6
6	Coca-Cola (Atlanta)	1199	3029	252.6
7	Nestle (Vevey)	1547	2987	193.1
8	Volkswagen (Wolfsburg)	1349	2971	220.2
9	Mc’Donalds (Oak Brook)	1183	2693	227.6
10	PepsiCo	1146	2470	215.5
11	Reckitt Benckiser Group Slough, Berkshire, U.K.	802	2417	301.4
12	Mars Inc. McLean, Va.	825	2181	264.4
13	Fiat (Chrysler Group) Turin, Italy/Auburn Hills, Mich.	n.d.	2089	-
14	Samsung Electronics Co. Seoul	431	2053	476.3
15	Comcast Corp. Philadelphia	n.d.	2003	-

Source: Advertising Age’s Marketing Fact Pack 2014, available at http://gaia.adage.com/images/bin/pdf/MFPweb_spreadsv2.pdf,

Advertising Age - Global Marketing, november 2003 Edition, available at www.adage.com/images/random/globalmarketing03.pdf

Also, the top presents some homogeneity in terms of membership in one industry or another, one can be able to identify advertisers that activate in the same markets. Procter & Gamble and Unilever are the most relevant examples to those specified above. Both come from geographical areas with a high level of economic development and at the same time, it appears that investment in advertising is a measure of competitive struggle that takes place between them. Procter & Gamble, the most important advertiser during the analyzed decade, managed to keep first place in the hierarchy, with significant internationally investments. The amount of over \$ 10 billion far exceeds, for example, the total advertising investments made in 2002, the amount nearly tripled over a decade. Notably is also the leap made by Samsung during these ten years. Samsung is the only company specializing in the manufacture of electronic products in a top dominated by organizations coming from industries such as: products for home care, automotive, audiovisual, food and pharmaceuticals. Moreover, although the amounts spent by Samsung have increased almost fivefold, the other companies are not far behind with dynamic of investments in advertising, with the exception of General Motors, which is characterized by the same amount invested in the two reference years.

Global advertising networks

Although advertisers are thought to be the most important formative factors in advertising market, in turn, advertising organizations interfere with their contribution and importance at this market. The specifics of modern marketing communications has now made its mark on how advertising agencies are organized and in terms of services provided by them.

Initially, the sector specialized in marketing services contained simple agencies specialized in providing services concerning advertising strategy. At present, however, in this structure of this sector can be found extremely powerful organizations whose work often exceeds local and even regional economic sphere. From simple expertise in advertising, these organizations expanded services to a growing number of communications tools, organizing their activity for better a response to advertisers' requirements.

Table 5 shows the top of first ten such organizations, collectively known as advertising organizations. Specific for vast majority of them is that they are composed of networks of agencies specialized in offering various marketing services.

Table 5 First 10 largest advertising organizations by revenues (millions USD)

Rank for 2012	Advertising organizations and their location		2002	2012	% CHG
1	WPP	London	5781.5	16500.0	285.4
2	Omnicom Group	New York	7536.6	14200.0	188.4
3	Publicis Group	Paris	2711.9	8500.0	313.4
4	Interpublic Group	New York	6203.6	7000.0	112.8
5	Dentsu	Tokyo	2060.9	6400.0	310.5
6	Havas	New York	1841.6	2300.0	124.9
7	Hakuhodo	Tokyo	860.8	2200.0	255.6
8	Epsilon	Irving	-	1200.00	-
9	MDC Partners	New York	-	1100.00	-
10	Experian Marketing Services	Boston	-	947.00	-

Source: Advertising Age's Marketing Fact Pack 2014, available at http://gaia.adage.com/images/bin/pdf/MFPweb_spreadsv2.pdf,

Advertising Age - Global Marketing, november 2003 Edition, available at www.adage.com/images/random/globalmarketing03.pdf

For example, the first organization in top, WPP, currently consists of 4 major advertising networks: Young & Rubicam Group, Ogilvy & Mather, JWT and Grey Group and certain other independent advertising agencies. Also, the same group operates the largest digital agency globally, in terms of income, namely Wunderman.

The situation is similar for other organizations present in the top. Analyzing the data we identify again as an interesting fact the origin of these groups. Classical economic triad stands out again in the industry. As is easily seen, from the top 10 advertising organizations, six are from the US, two from Western Europe and two from Japan.

Regarding the results obtained by these organizations in the period under review, we see, at least for the first 7, where data are available, a substantial grow in global revenues. Moreover, 2014 could be, even if eventually it wasn't, a turning point in terms of structuring the relations of power in this market. Thus, in 2013, two of the most powerful organizations, Omnicom and Publicis, announced merger plans. 2014,

however, brought news of quitting the movement, because of formally invoked argument of incompatibility in terms of organizational culture.

Turning our attention to advertising agencies, we can see that these entities are parts of the advertising organizations. Note that all the important advertising organizations are part in the top through their own agency networks (Table 6).

Table 6 First 10 largest advertising networks by revenues (millions USD)

Rank for 2012	Advertising networks (owner)	2002	2012	% CHG
1	Dentsu (Japan) Dentsu Inc.	1442.60	3577	248.0
2	Young & Rubicam Group WPP	-	3400	-
3	McCann-Erickson Worldwide (Interpublic Group)	1255.5	2965	236.2
4	DDB Worldwide (Omnicom Group)	815	2655	325.8
5	Ogilvy & Mather Worldwide (WPP Group)	589.4	2413	409.4
6	BBDO (Omnicom Group)	1062.7	2403	226.1
7	TBWA Worldwide (Omnicom Group)	665.9	1797	269.9
8	Publicis Worldwide (Publicis Group)	909.9	1524	167.5
9	Hakuhodo (Hakuhodo DY Holdings)	860.8	1357	157.6
10	Havas Worldwide (formerly known as Euro RSCG, Havas)	976	1327	136.0

Source: Advertising Age's Marketing Fact Pack 2014, available at http://gaia.adage.com/images/bin/pdf/MFPweb_spreadsv2.pdf,

Advertising Age - Global Marketing, november 2003 Edition, available at www.adage.com/images/random/globalmarketing03.pdf

The top of advertising networks is dominated by a Japanese company which, in turn, is placed in the top 10 global advertising organizations. It is Dentsu. WPP is currently in the top through two international advertising agencies. Among them stands out Young & Rubicam Group with global revenues in 2012 of USD 3.4 billion, a result that ranks it in the top two agencies. McCann Erickson Worldwide, agency which celebrated 100 years of existence in 2002, is an international network consisting of representatives of agencies located in 130 countries, this ensuring its financial resultsof over 2.965 billion USD, which ranks it in the top three. It is the only representative of Intergroup in the top. Omnicom Group, although placed on 2nd place among organizations of advertising, is present in this list of advertising agencies with three entities ranked 4, 6 and 7. DDB Worldwide, the best placed agency of this group, also consists of international networks of agencies with a strong growth in the US market.

Another organization with a strong presence in this top is Publicis Group. Publicis Worldwide, the largest agency focuses its activity on the international space where he earned revenues in 2012 of USD 1.524 billion, nearly double that it had achieved in 2002.

Hakuhodo is a Japanese holding of agencies whose interests have expanded internationally, their branches being present in major countries in terms of the industry such as: Germany, UK, China, India, South Korea and Australia. The most important share of revenue is thus obtained outside the US, reaching in 2012 1357 million USD. Finally, Havas Worldwide, an agency of British origin, close the top 10 agencies with also significant revenue.

Conclusions

First, it must be said that most analyzes and reports relating to advertising markets, regardless of their location, define dimensions through media spending, not by the amounts asked by advertising agencies.

Second, the value of media investments are defined at two levels, one representing general list rate charged for a particular media insertion and one that looks to net amount actually paid by advertisers for ad insertion. The net value occurs most often as the difference between gross and custom cuts that the media usually offer to advertisers.

Third, the data used to describe the same phenomenon can, in some cases, be different because of different data sources and difference in methodology.

Knowing all this, studying the above data we can see that the global advertising has not stood still in the last decade. Investments in this activity increased significantly, which reveals its importance in the overall marketing effort. Also, the evolution of the advertising investment is in perfect agreement with the trends of global economic development. New centers of economic development are equally opportunities for investors in advertising and for the service providers in the sector.

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