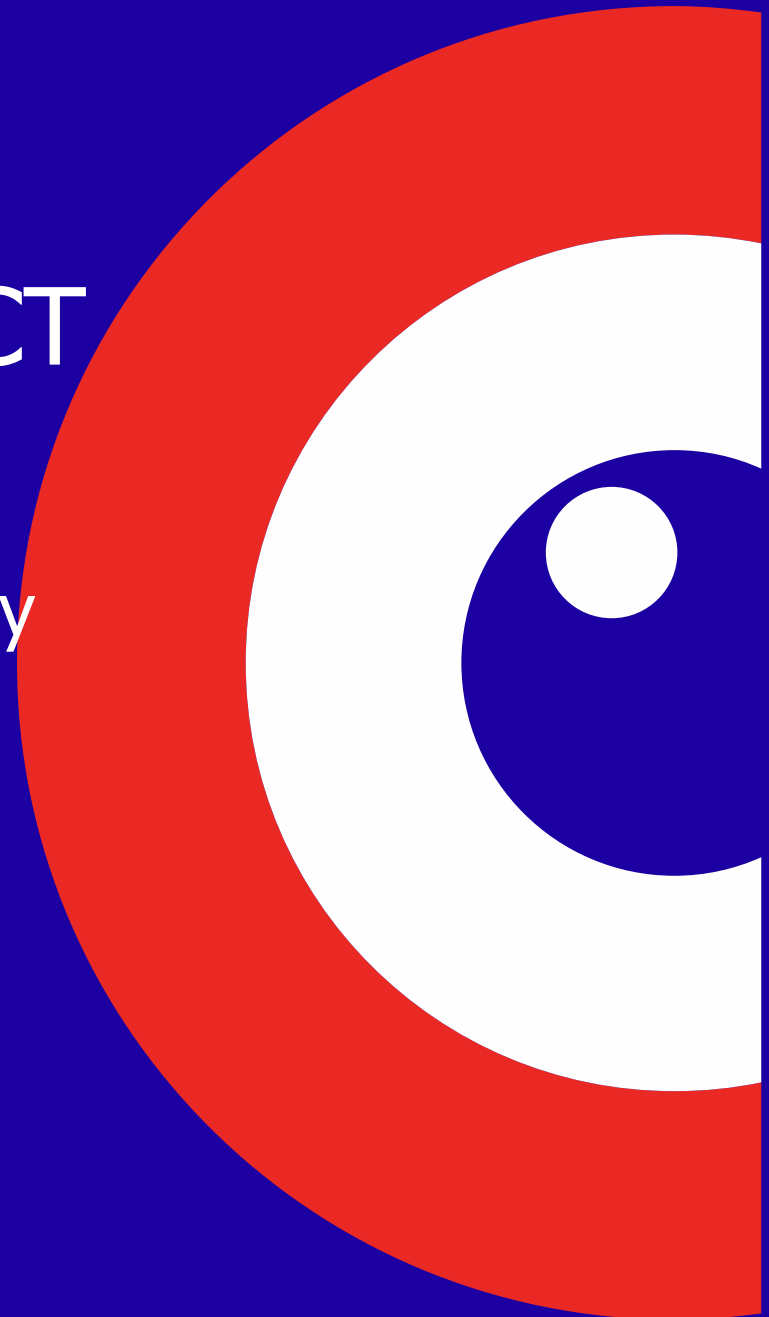


THE INCREDIBLE LEVERAGE EFFECT OF ADVERTISING

Study on the impact of advertising on the economy

RTL Beach x Cannes Lions

June 22, 2023





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Filière Communication,

**a creation of the French Ministry of the
Economy, finance, and industrial and
digital sovereignty**

COMMUNICATION PLAYS A KEY ROLE FOR MANY COMPANIES



A LIVELY FABRIC OF SMALL BUSINESS

86% of companies in the sector have sales of less than **CA < 2 M€**
(INSEE) French national institute of statistics and economic studies



A SIGNIFICANT SOURCE OF INCOME FOR ICC (cultural and creative industries)

A virtuous shift of resources from advertising to creation (artists, printers, sound engineers, etc)



A LARGE CONTRIBUTION TO MEDIA FINCANCING

Total net media advertising revenues amounted to **16.736 B€**
(IREP BUMP 2022) French Institute for Advertising Research and Studies

COMMUNICATION PLAYS A KEY ROLE IN THE ECOLOGICAL TRANSITION



**GUIDING COMPANIES
TOWARDS FUTURE
CHALLENGES**



**PROMOTING INNOVATIVE
AND RESPONSIBLE
PRODUCTS AND SERVICES**



**TRANSFORMING USAGE AND
BEHAVIOURS**

CSR CHALLENGES REPRESENT

11,5% of gross investment in multimedia campaigns in 2022

+11% advertising creatives in 2022

(KANTAR) Kantar is the world leader in data, research and consulting.

COMMUNICATION PLAYS A KEY ROLE IN THE ECONOMY

-



WEALTH CREATION

32,7 B€ net

Total communications market
by the end of 2022

*(BUMP France Pub) unified french
advertising market barometer*



JOB CREATION

400 000 jobs in 2021

225 000 direct jobs

78% on permanent contracts vs 58% in the
service sector

(Source: Observatoire de la Filière Communication)

The context

A COMPLEX SOCIOECONOMIC CONTEXT

Energy crisis and uncertainties linked to the war in Ukraine

Major social and environmental issues

Availability of raw materials

A rising inflation rate

+ **5.1%** consumer prices index to end May 2023 (*INSEE*) french national institute of statistics and economic studies

Low growth forecast

0.8% for the euro in 2023, **0.7%** for France in 2023 (*FMI*) *The International Monetary Fund - encourages international monetary cooperation, ensures financial stability, facilitates international trade, promotes high levels of employment and sustainable economic growth, and reduces poverty worldwide.*

Our aim:

The link between advertising and economic dynamics

Causality

Causality - Correlation

OUR CHALLENGE

Measuring the real impact of advertising on value creation

OBJECTIVE & METHODOLOGY

PURPOSE OF THE STUDY

Evaluate the contribution of advertising to the French economy as well as in some 20 countries in Europe and the rest of the world

- Quantify this impact in terms of **return on investment** and **contribution to GDP**
- An econometric model that **isolates the contribution of advertising on GDP**

SCOPE OF THE STUDY

-

BASIS OF STUDY

22- year history from 1998 to 2019

NET MEDIA ADVERTISING REVENUES IN FRANCE

Press, Radio, Television, Outdoor advertising, Cinema (IREP: French Institute for Advertising Research and Studies)

Digital (Observatoire epub SRI/UDECAM- Union of Media Agencies and Consulting Companies)

NET MEDIA ADVERTISING REVENUES IN 16 OTHER 16 COUNTRIES (WARC)

Germany, Australia, Belgium, Canada, Chile, Korea, Denmark, Spain, Israel, Italy, Japan, Norway, Portugal, Sweden, UK, US

THE MODEL USES GDP

GDP

=

***Consumption + Investment + Change in inventories +
Exports – Imports***

NB : GDP is the sum of the value added (sales-external costs) of the various sectors of activity..

THE MODEL USED

$$\mathbf{GDP} = \mathbf{Consumption} + \mathbf{Investment} + \mathbf{Change\ in\ inventories} + \mathbf{Exports} - \mathbf{Imports}$$

- **GDP can be modeled according to its determinant factors: population, investment, public spending and the opening of the economy to the outside world.**
- **In order to assess the economic impact of advertising, the model used is a specific estimation method, developed for dynamic temporal models on panel data (Blundell R, Bond S. 1998).**

IMPACT CALCULATION-

If advertising investment increases by 1%,
GDP increases by $e\%$

e is the elasticity of GDP to advertising

$$\text{MULTIPLICATION} = e \times \text{GDP} / \text{ADVERTISING}$$

WHERE DOES ELASTICITY COME FROM? -

Elasticity **e** is calculated by econometric modelling

$\log(\text{GDP}_{it})$

=

Constant + $\alpha * \log(\text{GDP}_{it-1}) + e_{1i} * \log(\text{Ad}_{it}) + \beta_2 * \log(\text{Ad}_{it-1}) + \theta_1 * \log(\text{Other determinants of GDP}_{it}) + \theta_2 * \log(\text{Others determinants of GDP}_{it-1}) + \text{year effect} + \text{country effect} + \text{error}_{it}$

The model calculates an estimate of **e**
and a confidence interval around this value.

MAIN RESULTS

RESULT # 1

Advertising has a multiplying effect

RESULT # 1

THE MULTIPLIER EFFECT

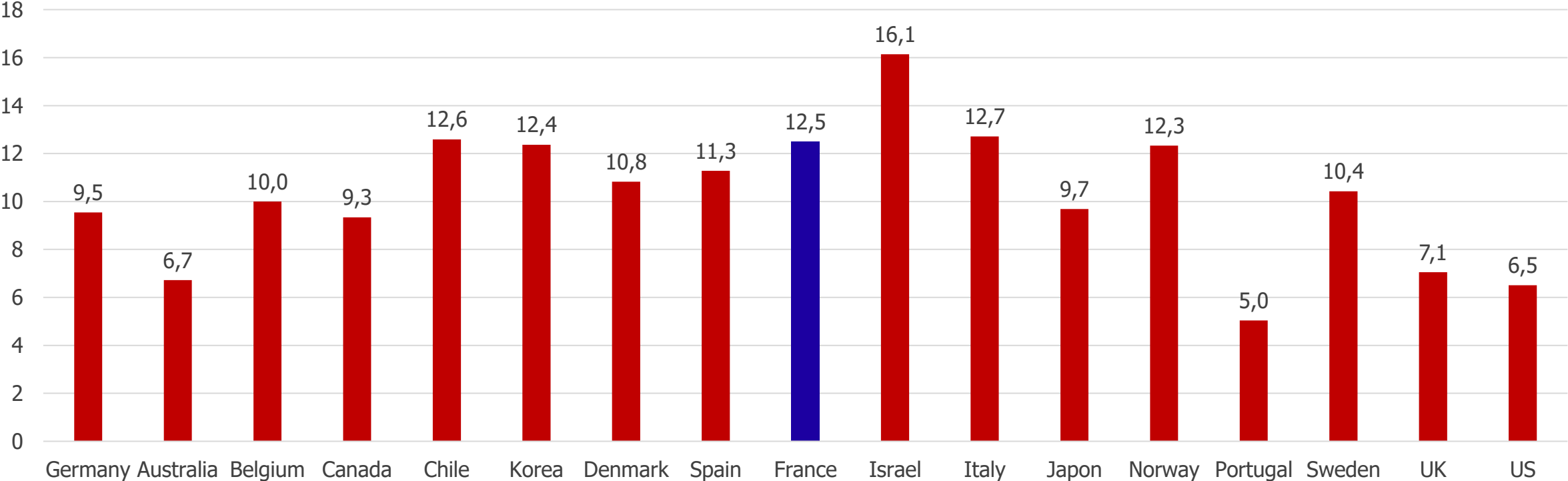
In France,

1€ invested in advertising generates

12,5 € of GDP*

* Net revenue basis for all media 1998-2019 in France

ADVERTISING HAS A MULTIPLIER EFFECT IN ALL COUNTRIES



RESULT #2

Advertising generates growth

RESULTAT #2

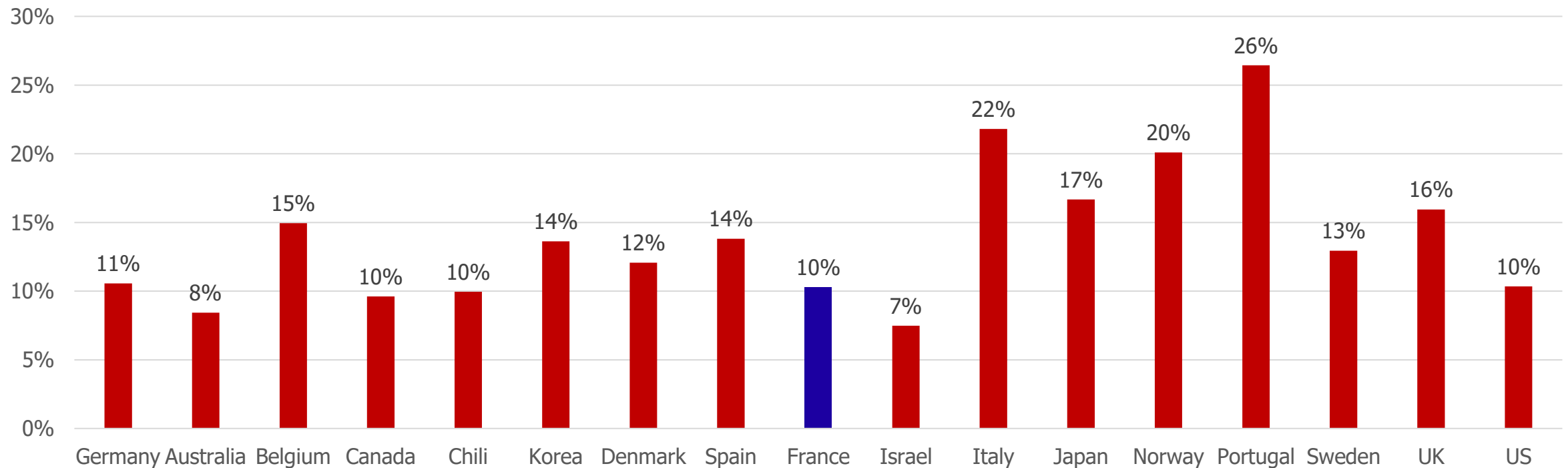
CONTRIBUTION TO GROWTH

10% of GDP growth is explained by
advertising

*Average base 1998-2019 France

IN FRANCE, 10% OF GDP GROWTH IS GENERATED BY ADVERTISING -

% OF GDP GROWTH GENERATED BY ADVERTISING



HOW TO INTERPRET THE 12.49 MULTIPLIER IN FRANCE?

	2018	2019
Advertising revenue	14 600	15 000
GDP in volume	2 314 000	2 350 000
GDP growth due to advertising		$12,49 \times (15\ 000 - 14\ 600)$ $= 4\ 996$
GDP growth due to advertising		1,5% = 36 000
Share of advertising in GDP growth		$4\ 996 / 36\ 000 = 13,9\%$
Share of advertising in growth rate		$1,5\% \times 13,9\% = 0,21\%$

Source: Advertising revenue IREP (French institute for research and advertising studies) (for France), WARC (other countries)– GDP: INSEE / World Bank

COMPARISON TABLE MULTIPLIERS FRANCE AND UNITED KINGDOM

	Advertising's contribution to GDP growth between 2019 and 2018	
	France	UK
GDP volume growth	36 000	30 000
GDP growth due to advertising	12,49 x 400 = 4 996	7,05 x 1675 = 11 809
Share of advertising in GDP growth	4 996/ 36 000= 13,9%	11 809/ 30 000= 39,3%

INTERPRETATION

INTERPRETATION # 1

**Advertising is a fantastic
growth driver for the economy**

INTERPRETATION #2

Advertising can and must play a part in a **paradigm shift,**

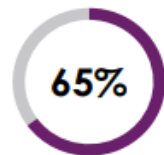
by leveraging the GDP generated by the **eco-responsible products and services**

ADVERTISING COMMUNICATION: A LEVER FOR SOCIAL TRANSFORMATION

In a constrained economy, advertising enables us to:

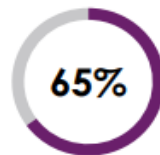
1. Activate the social, societal and responsible transition to initiate changes in behaviours

"Advertising communication is capable of changing our behavior in terms of..."



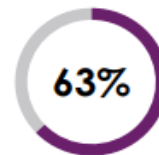
Health

(Covid prevention, Pink October ...)



Food

(eating seasonal produce, encouraging the consumption of fruit and vegetables ...)



Environment

(selective sorting, use of public transport, cycling)

ADVERTISING COMMUNICATION AN ESSENTIAL ECONOMIC RESOURCE -

In a constrained economy, advertising communication allows to :

2. To participate in the creation, production and plurality of modes of expression

- Television: 1.3 billion contribution by channels to TV and film production by 2021
- Radio: over than 50 millions paid to copyright collecting societies

3. Take part in improving living and transport conditions

- Outdoor advertising: 50% of advertising revenue, with royalties paid to local authorities, public infrastructure and the financing of restoration work on dozens of historic monuments in France.
(Source UPE : the outdoor advertising union)

POSITIVE AND RESPONSIBLE ADVERTISING CONTRIBUTES ON SEVERAL FRONTS

**Changing consumption
patterns**

Transforming brands

Stimulating democracy

Transferring resources to the
cultural and creative industries

**DIFFERENCES WITH DELOITTE
STUDY, RUN IN 2017 FOR THE WFA**

*THE ECONOMIC CONTRIBUTION OF ADVERTISING IN EUROPE,
2017*

PERIMETER AND CONFIGURATION OF VARIOUS MARKETS

A LONGER TIMEFRAME 22 years from 1998 to 2019 vs. 17 years (1998 to 2014).

A DIFFERENT GEOGRAPHICAL SCOPE.

The 2016 study published in 2017 did not cover the US but did cover all EU countries.

DIFFERENT MACRO-ECONOMIC SERIES The national accounts base has changed between the two studies (2014 base vs. 2019 base).

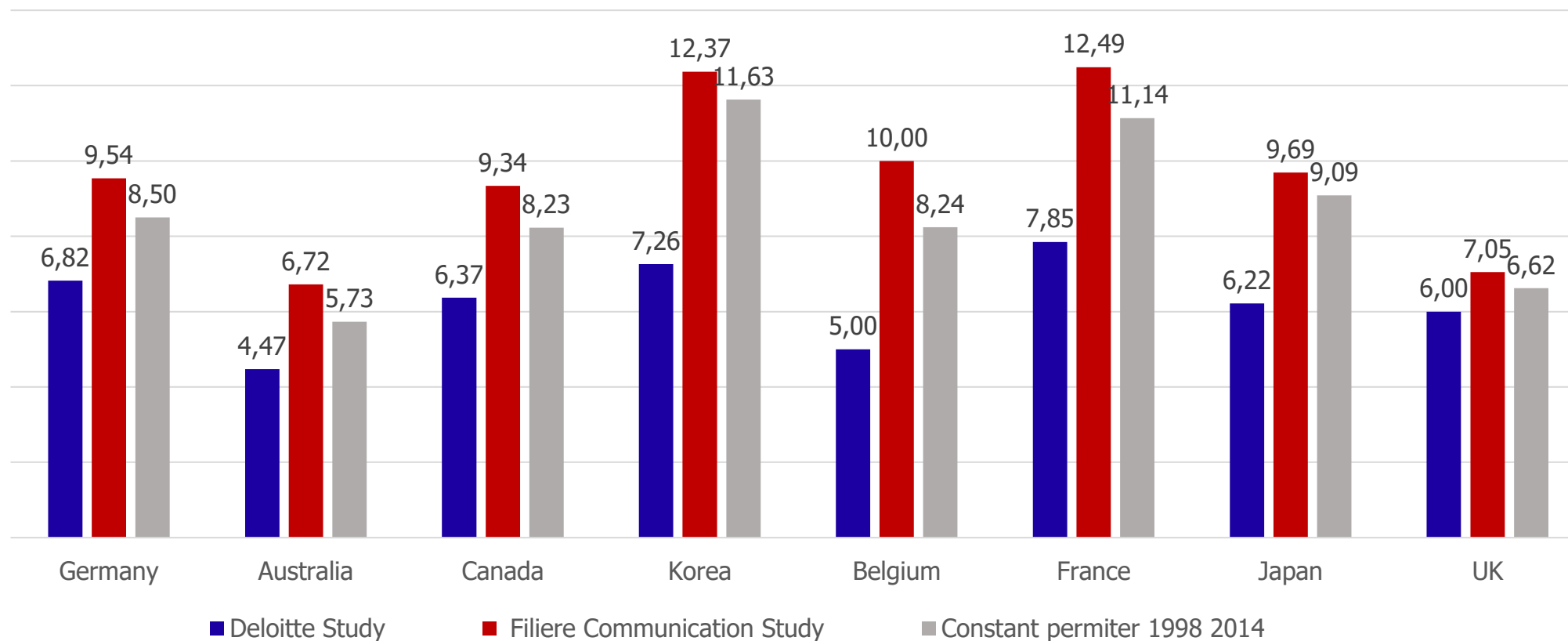
The macroeconomic series are GDP, household consumption, investment, government spending, exports and imports.

DIGITAL EXPANSION BETWEEN 2014 AND 2019 UPDATED 2014: 3,215 B€

2019: 5,970 B€, i.e. +85.7% growth

Source Observatoire epub SRI-UDECAM with Pwc (consulting, auditing and legal expertise firm)2014 and Oliver Wyman2019

AN INCREASE IN THE MULTIPLIER EFFECT ACROSS ALL COUNTRIES



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