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Food Advertising

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Foods are overwhelmingly the most advertised group of all consumer products in the United States. Food products lead in expenditures for network and spot television advertisements, discount coupons, trading stamps, contests, and other forms of premium advertising. In other media—newspapers, magazines, newspaper supplements, billboards, and radio—food advertising expenditures rank near the top. Food manufacturers spend more on advertising than any other manufacturing group, and the Nation's grocery stores rank first among all retailers.

In this article, total food advertising is examined to focus on specific research questions:

- What is the total cost of advertising and promoting food products?
- How much does each of the components contribute to the total food advertising bill?
- What portion of the consumer's grocery store food dollar goes towards the overall cost of advertising? What are the net benefits?
- Which food products account for the bulk of advertising expenditures?
- Did advertising expenditures as a portion of total food expenditures increase or decline during the 1970's? What other shifts occurred during this period?
- What are the questions on the impacts of advertising on nutrition, demand for food, information about food, and food prices?

Total Cost

Advertising, for purposes of this analysis, is defined as any strategy to influence consumer choice among different brands or retail outlets. Generic advertising, which is designed to influence consumer choice among products, such as oranges and dairy products is excluded. Its cost, compared to nongeneric advertising, is very minimal.

There are essentially two types of advertising in food marketing: "pull" and "push" promotion. Pull advertising is any strategy aimed at directly influencing consumer choice, and thus includes radio, television, newspapers, magazines, discount coupons, and incentive premiums such as

trading stamps, contests, and other premiums. Push promotion is aimed at the distributor to gain shelf space, especially favored space, in retail food outlets. This includes advertisements in the trade press, direct selling costs, in-store displays, and sales efforts through trade fairs and conventions. In addition, there are also related push promotion activities such as manufacturers' allowances to retailers including discounts, rebates, price packs, and reimbursements for local advertising.

In 1979, based upon estimates derived from industry data, the total expenditures by food marketers for these two types of promotion was at least \$7-\$9 billion. Pull advertising accounted for about \$5 billion, excluding a number of items for which no estimates are available, such as the cash value and operating costs for contests and sweepstakes, fees paid to advertising agencies, and salaries paid to internal advertising staffs. Mass media advertising, which tends to be national in scope with regional options, accounted for about \$2.5 billion of the pull advertising. Newspaper advertising, which by contrast is local, accounted for approximately \$1 billion. Consumer adver-

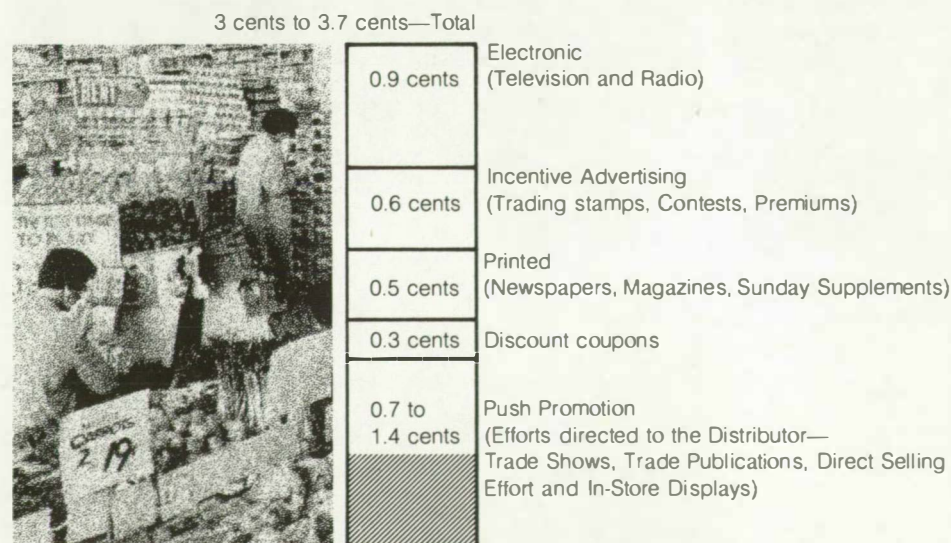
tising, however, was slightly greater at about \$1.2 billion. Discount coupons averaged about \$500 million, including both the face value and handling allowance.

In terms of importance within the food bill, mass media accounted for about half (46 percent) of the total pull advertising bill, with the bulk of it coming from television. About one-fifth came from newspaper advertising, while one-fourth was accounted for by consumer premiums. Coupons accounted for about one-tenth of the total.

"Pull" Advertising as a Percent of Food-at-Home Expenditures

	Retailers	Manufacturers	Total
	Percent		
1970	1.2	1.6	2.8
1974	0.6	1.7	2.3
1976	0.7	1.5	2.2
1978	0.7	1.5	2.2
1979	0.7	1.5	2.2

Portion of the Consumer Food-At-Home Dollar Allocated to Advertising and Promotion, FY 81



Food "Pull" Advertising by Retailer, Manufacturer, and Restaurant

	1970		1974		1976		1978		1979	
	\$mil	Pct.	\$mil	Pct.	\$mil	Pct.	\$mil	Pct.	\$mil	Pct.
Food Advertising:										
Retailer	1100	42	860	34	990	28	1280	28	1480	29
Manufacturer	1450	55	1700	61	2200	62	2730	61	3060	60
Restaurant	100	4	230	8	340	10	490	11	580	11
Total	2650	100	2790	100	3530	100	4500	100	5120	100

Source: ESS estimate derived from secondary data.

Major Types of "Pull" Advertising in Food Marketing

Type	1970	1974	million dollars		
			1976	1978	1979
Mass media ¹	954	1120	1572	2037	2334
Network television	337	429	571	825	1006
Spot television	413	503	761	892	974
Network radio	7	8	13	113	25
Spot radio	69	62	80	88	94
Magazines	99	91	121	186	201
Newspaper supplements	9	14	15	16	17
Billboards	14	13	11	14	17
Newspaper ads ²	500	557	768	908	1017
Consumer premium advertising ³	1048	887	835	1057	1219
Trading stamps	640	296	287	59	411
Other	408	591	548	698	808
Coupons ⁴	154	223	350	490	546
Total value*	2656	2787	3525	4492	5116

¹Leading National Advertisers.

²Incentive Marketing.

³Newspaper Advertising Bureau.

⁴Estimated from data supplied by A. L. Nielsen.

*Not included:

- Manufacturers and retailers administrative and salary expenses for internal advertising and promotion staffs.
- Fees paid to independent advertising agencies.
- Administrative and handling costs for incentive advertising—the cost of producing games and sweepstakes.
- The cash value of contests and sweepstakes prizes.
- The value of free samples.
- Coupon redemption costs.
- Miscellaneous—flyers, postage, and other expenses.

About \$2 billion or 40 percent of the total pull advertising in 1979 was allocated to electronic advertising. About one-fourth was accounted for by printed matter and another fourth by premiums. Of the total pull advertising for food in 1979, food retailers accounted for about \$1.5 billion or about 30 percent, while food manufacturers accounted for about \$3 billion (60 percent). Restaurants (mostly fast food chains) spent about \$600 million, or 11 percent of the total pull advertising.

Estimating the cost of push promotion is difficult because of unavailability of data as well as the subjectivity of separating promotional from nonpromotional cost. But based on survey results, industry interviews, and trade sources, it is estimated that between \$2.3 and \$4 billion was spent on trade fairs, printed media, direct sales forces, and in-store displays in 1979. In addition, industry interviews indicate a value of \$2-\$4 billion in manufacturers' allowances to retailers for discounts, rebates, price packs, and reimbursements for local advertising.

Shifts During the 1970's

The mix of food advertising underwent major changes in the last decade with trading stamps and the electronic media moving in opposite directions. The sharp drop in the use of trading stamps by food retailers since the early 1970's strongly affects the relative shares assumed by radio, television, and discount coupons. In 1970, about one-fourth of food advertising expenditures were accounted for by trading stamps. Since 1976, this figure has dropped to less than 8 percent. Total consumer premium advertising fell from 40 percent of food pull advertising in 1970 to about 25 percent since 1976. Discount coupons, on the other hand, showed a sharp gain, rising from about 6 percent to 10 percent of the total advertising dollar. In dollar terms, they rose 3.5 times, from about \$150 million to about \$550 million.

The major growth area in food advertising has been the use of radio and television, which increased its share of the food advertising dollar, from about \$800 million in 1970 to \$2.1 billion in 1979. The percentage share rose from less than a third to over

two-fifths. Network television advertising showed the sharpest relative gain, from 12 to 20 percent, while spot television rose from 15 to 20 percent. Network and spot radio continued to comprise an insignificant portion of the total. Printed material accounted for about 25 percent of the total pull advertising dollar during the decade. Newspapers accounted for approximately 20 percent with magazines accounting for 4 percent, and newspaper supplements and billboards about 1 percent.

Because of the decline in trading stamp use, the retailers' share of the food advertising dollar dropped sharply from 42 percent, in the early 1970's, to about 33 percent. Food manufacturers' share grew to two-thirds by the mid-1970's and has remained at that level.

Within the food-at-home category, the data indicate that pull advertising as a percentage of food-at-home expenditures had remained constant at about 2.2 percent in recent years. A marked drop from the

early 1970's can be attributed to the decline in the use of trading stamps. Estimates of push promotion are not available for years previous to 1979, but the available data indicate that the ratio of push promotion to pull has remained consistent over the past decade.

Advertising for the Nation's restaurants and eating places rose sixfold, from \$100 million to \$600 million, over the decade of the 1970's. Almost all of this increase was due to promotion by fast food chains. As a

Changes in the Composition of Types of "Pull" Advertising

	1970		1974		1976		1978		1979	
	\$mil	Pct.	\$mil	Pct.	\$mil	Pct.	\$mil	Pct.	\$mil	Pct.
Electronic (Radio/television)	832	32	1002	35	1425	40	1821	41	2099	41
Printed	622	24	675	24	915	25	1124	25	1252	24
Premiums	1048	39	887	31	835	23	1057	24	1219	24
Coupons	154	6	223	8	350	9	490	11	546	11
Total	2650	100	2787	100	3525	100	4492	100	5116	100

Shares of the "Pull" Advertising Dollar in Food Marketing

Type	1970	1974	1976	1978	1979
	Percent				
Mass media	36	40	44	45	46
Network television	12	15	16	18	20
Spot television	15	18	22	20	19
Network radio	*	*	*	*	*
Spot radio	3	2	2	2	2
Magazines	4	3	3	4	4
Newspaper supplements	*	1	*	*	*
Billboards	1	*	*	*	*
Newspaper ads	19	20	22	20	20
Consumer premiums	39	32	24	24	24
Trading stamps	24	11	8	8	8
Other	15	21	16	16	16
Coupons	6	8	10	11	11
Total	100	100	100	100	100

*Less than 1/2 of 1 percent.

Food Advertising Compared to Other Consumer Products—1978

Type	Ranking Position in \$ Volume	Portion of Advertising for all Consumer Products (percent)
Mass media	1st	18
Network television	1st	20
Spot television	1st	24
Network radio	2nd	14
Magazines	3rd	7
Newspaper supplements	3rd	7
Billboards	5th	6
Incentive advertising	1st	40
Trading stamps	1st	90
Premiums	1st	30
Newspapers		
Retailers	2nd	9
Manufacturers	4th	10
Discount coupons	1st	70

Source: Derived from Industry Data.

Soyfoods: Catching On in the U.S. Diet

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result, the portion of the total food advertising dollar accounted for by away-from-home eating rose from 4 percent in 1970 to 11 percent in 1979.

Which Products?

Throughout the 1970's, highly processed foods have accounted for the bulk of total advertising. Almost all coupons, electronic advertising, national printed media advertising, consumer premiums (other than trading stamps), as well as most push promotion come from processed and packaged food products. In 1978, breakfast cereals, soft drinks, candy and other desserts, oils and salad dressings, coffee, and prepared foods accounted for only an estimated 20 percent of the consumer food dollar. Yet these items accounted for about one-half of all media advertising.

By contrast, highly perishable foods such as unprocessed meats, poultry, fish and eggs, fruits and vegetables, and dairy products accounted for over half of the consumer food-at-home dollar. Yet these products accounted for less than 8 percent of national media advertising in 1978 (\$140 million), and virtually no discount coupons. These products tend to be most heavily advertised by the retail sector in local newspapers, where they account for an estimated 40 percent of retail grocery newspaper ads.

Consumer Cost and Benefit

When measured against total food-at-home expenditures, total measured food advertising accounts for between 3 to 3.7 cents out of every dollar spent on food in the Nation's grocery stores. A little less than one cent of this amount is accounted for by electronic advertising (mostly television) while incentives account for 0.6 cents. The printed media accounts for 0.5 cents and about one-third of one cent is comprised of discount coupon redemptions. The estimate for the cost of push promotion ranges from 0.7 to 1.4 cents. This range is necessary because of the difficulty

in separating nonpromotional aspects of direct selling—transportation, technical, and other related services.

Against this gross consumer cost must be weighed the joint products or services provided by advertising. In the case of electronic advertising, the consumer who views commercial television receives entertainment, while readers of magazines and newspapers receive reduced prices on these publications. The consumer pays directly for some premiums, but also receives nonfood merchandise as an incentive to purchase the product. The "benefits" must therefore be subtracted from the gross cost to the consumer to fully assess the net cost of advertising.

Also significant are the impacts of advertising on food demand, nutrition, and competition among food manufacturers. The bulk of manufacturers' advertising is concentrated on a small portion of consumer food products. Has advertising changed the consumption of these highly processed products relative to more perishable foods such as meats, produce, and dairy products? Has the nutritional content of U.S. food consumption been influenced by food advertising? Has competition among manufacturers and retailers been enhanced or weakened by advertising? These are important questions and warrant continued research. ■

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Soybeans are finding a new place in the U.S. food system.

Primarily used as a high protein source in animal feed, soybeans are the second biggest U.S. cash crop. Production of soybeans has risen from a 3 million bushel crop in 1920 to a record 2.3 billion bushels in 1979. The United States grows more than half the world's supply.

American food scientists and consumers are seeking ways to use soybeans in more food products, and as a food item in its natural form. In 1977, a USDA survey of the major soy protein producers estimated that use of soy protein products would increase 71 percent by 1985. A possible factor responsible for the new interest in edible soy products was the increase in food prices in the early 1970's, so today's increasing food prices should continue this surge in soybean usage.

As consumers become better acquainted with soy proteins, foods with soy ingredients may become increasingly popular. Soy protein may be moving into the same stage margarine was 10 to 15 years ago. Initially, margarine competed against butter only on a price basis. Concern over saturated fats and cholesterol has helped to bolster sales of margarine and today, margarine outsells butter by a 3 to 1 margin.

There are, however, some problems in using soybeans for food. These include beany flavor, disagreeable taste, and difficulty in cooking—problems common to many other beans. Considerable effort has been extended by food technologists to reduce or eliminate these problems in soybeans and to make soy products palatable to the American taste.

Soybeans were introduced into the American diet on a large commercial scale in 1973 as "meat extenders" as meat prices climbed. The premixed product was combined with fresh hamburger. This beef blend was prevalent until meat prices dropped. A 1974 USDA study found that when the price differential for the extended product versus ordinary hamburger dropped below 20 cents a pound, most people stopped buying it.

Products containing soybean oil have long been used by American consumers, and about 300 items now contain soy proteins on the average supermarket shelf.