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Mass Media Food Advertising

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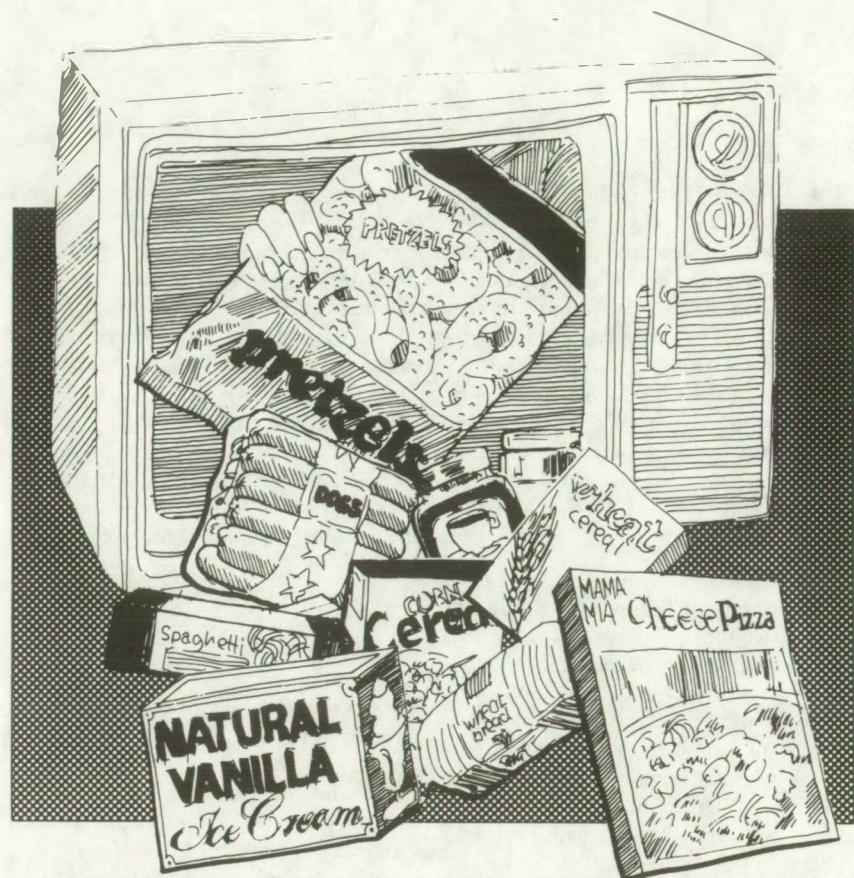
The food marketing system¹ is the largest user of national media advertising among all industries. Food manufacturers, retailers, and service companies spent \$2.5 billion in 1978, more than twice the amount spent for automobile and gasoline advertising, the second largest user. In addition, another \$3 billion was spent for nonfood items (health and beauty aids, alcoholic beverages, smoking materials, and pet foods) largely sold in grocery stores.

Ninety percent of the money spent for mass media advertising is for television. Other major types include newspapers, general interest magazines, newspaper supplements, network and spot radio, and outdoor billboards.²

Important Role

Media advertising is more important to marketing food than it is to marketing nonfood items. Although food accounts for 16.2 percent of disposable personal income (DPI), 21.5 percent of all media advertising expenditures is for food. Food for home use makes up 12 percent of DPI and 18 percent of media advertising. By contrast, meals eaten out account for about 4 percent of DPI, but only 3.5 percent of media advertising. Food-at-home expenditures as a portion of DPI have declined since the late 1960's, but the portion of advertising devoted to food products has stayed about the same.

Food manufacturers accounted for 80



percent of media advertising in the food marketing system in 1978; the retailers' portion was 5 percent. Restaurant advertising—mostly fast food chains—took the remaining portion.

"Others" vs. Newspapers

Media advertising expenditures in the food marketing system in 1978 were about 2.5 times greater than local newspaper food advertising (about \$900 million).³ Although the food marketing system leads national media advertisers, food ranks fifth in local newspaper advertising. Food manufacturers, for example, spend 12 times more on national advertising than they do on local newspaper ads.

By contrast, retail grocers spent more

¹ The items considered in this article are consistent with the food items in the food component of the Consumer Price Index. Advertising expenditures for alcoholic and tobacco products are excluded.

² In addition to these six "measured" media, substantial amounts of advertising are unmeasured, such as in trade magazines, catalogs and brochures, and point-of-purchase displays.

³ For a discussion of food advertising in newspapers, see *National Food Review*, Fall 1979, NFR-8.

than \$5 in local newspaper advertising for every \$1 spent on other media advertising. However, part of the food retailers' newspaper advertising costs are borne indirectly by food manufacturers in the form of an allowance to retailers for advertising their food products. Eating and drinking places spent about \$3 in media advertising for every \$1 spent on local newspapers.

Advertising Budget Allocations

Does the allocation of the advertising budget for the food marketing system differ from the nonfood system? The food industry spends approximately 9 out of every 10 advertising dollars on television. Nonfood industries spent about \$7 out of every \$10 on television. The low portion of the food industries' advertising budget spent on magazines and newspaper supplements—about 9 percent compared with about 24.5 percent for the nonfood system—is the

primary reason for the difference. Most expenditures for nonfood advertising in newspaper supplements, magazines, and outdoor billboards are by cigarette manufacturers who are prohibited by law from advertising their products on radio and television.

Television

Expenditures on television advertising by food manufacturers—\$1.7 billion in 1978—accounted for about 22 percent of the television industry's advertising revenues. Of the two types of television advertising (spot and network), spot accounts for about 52 percent of the food industry's total expenditure while network advertising is about 48 percent, a reversal of the ratio typical of nonfood industries.

Food manufacturers account for about \$1 out of every \$4 spent on spot television. Such advertising is localized and well suited when a food company is

trying to increase its share of a geographic market or is test marketing a new product. Food manufacturing is also the industry leader in network television advertising, which at \$825 million in 1978, accounted for \$1 out of every \$5 spent for network TV advertising.

Radio and Magazines

Radio accounts for 6 percent of the food system advertising budget. In 1978, about 90 percent of the \$100 million spent on radio advertising went to spot radio.

Magazine advertising of food accounted for \$186 million, about 10 percent of total magazine advertising in 1978. Advertising by the food system in Sunday supplements and outdoor billboards, each about \$15 million, was insignificant compared with the total bill.

Advertising by Types of Foods

Advertising plays widely varying roles for different food products, but several patterns clearly emerge from the data:

- Highly processed foods account for a large part of total media advertising. About \$260 million was spent on soft drinks alone, accounting for about 13.5 percent of media advertising for the food system in 1978.

- Perishables or relatively unprocessed foods take a very small portion of advertising expenditures. The lowest advertising rate is for unprocessed meats, poultry, fresh eggs, dairy products, and fruits and vegetables. Combined advertising in the six media for these products in 1978 was about \$140 million, or half what was spent on soft drinks. However, these perishables account for an estimated \$200 million or 40 percent of newspaper advertising by local retailers.

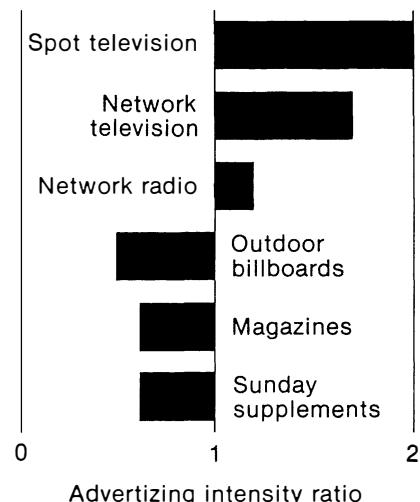
Nevertheless, perishables, which account for about half of the consumer's

food budget, comprised only 8 percent of the six-media advertising expenditures. By contrast, the six food-product groups with the most advertising accounted for one-fifth of the consumer's food budget and well over half of the food system's media budget.

Advertising Intensity

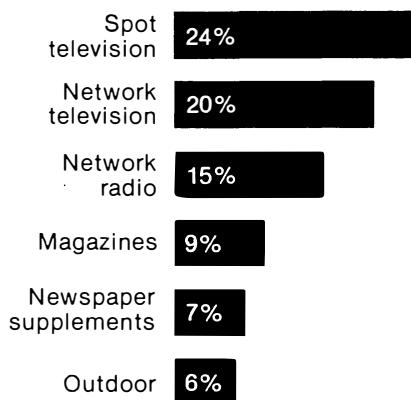
A measure of the role advertising plays in the marketing of specific food products is the advertising intensity ratio (AIR). This measure compares the portion of media advertising to its importance in the Consumer Price Index for food. A ratio of 1 indicates that the proportion of advertising expenditures for the product is equal to the expenditure proportion of the item in the average

Advertising Intensity Ratios* for Food Products by Type of Media, 1978



*The relative share of total advertising expenditures in a particular media divided by food at home expenditures as a portion of disposable personal income.

Percent of Media Advertising Used by Food Manufacturers, 1978¹



¹Excludes alcohol and pet foods

The Seven Media Advertising Budget¹

	Television		Network-radio	Spot radio	Magazines	Newspaper supplements	Outdoor	Total ¹
	Network	Spot						
Million dollars								
1967....	307	419	726	15	70	116	11	16
1970....	331	413	744	7	69	99	9	14
1972....	368	405	773	7	62	114	11	14
1974....	429	503	932	8	62	91	14	13
1976....	571	761	1,332	13	80	121	15	11
1978....	828	892	1,720	13	88	186	16	14
								2,037

¹Excludes food away from home, pet foods, and alcoholic beverages.²Excludes newspaper advertising.

Source: Leading National Advertisers

Six-Media Advertising Intensity Ratios, 1978

Food product categories	Advertising expenditures	Percent of total six media advertising	Percent weighted CPI for food	Advertising intensity ratio
		Mil. dol.		
Breakfast cereals.....	186	8.8	0.9	9.3
Flour mix products	57	2.7	0.6	4.6
Ice cream, candy, desserts.....	277	13.0	3.5	3.7
Oils and salad dressings.....	152	7.2	2.0	3.6
Soups, baby and prepared foods	176	8.3	2.4	3.5
Soft drinks	284	13.3	5.9	2.3
Seasonings and spices	63	3.0	1.5	2.0
Cookies, crackers, chips and other snacks.....	92	4.3	2.3	1.9
Coffee	136	6.4	3.9	1.7
Sugar, syrup, jellies	17	0.8	0.7	1.2
Bread and rolls	72	3.4	3.2	1.1
Rice and pasta	17	0.7	0.7	1.0
Canned and processed meats, poultry, fish	93	4.4	6.1	.7
Restaurants	363	17.1	30.4	.6
Milk, butter, cheese	75	3.5	7.9	.4
Fruits and vegetables	66	3.1	9.8	.3
Unprocessed meat, poultry, fish and eggs ..	1	.1	18.1	0.0
Total	2,127	100.0	100.0	1.0

Source: Leading National Advertisers

family food budget. If the ratio is greater than 1, media advertising's relative strength would be greater, with the converse true if the ratio is less than 1.

Not only was the AIR drastically different among foods, the allocation among the six media also differed markedly. Breakfast cereals had an AIR of almost 9.5, the highest for any food. While cereals accounted for less than 1 percent of the CPI for food, they account for about 9 percent of the advertising expenditures for the six media.

Restaurant Advertising

Eating and drinking places account for a much smaller portion of food industry advertising than they do of the retail food bill—the advertising intensity ratio is 0.6, significantly less than 1. Although restaurants comprise about 17 percent of the six-media advertising expenditures, they account for 31 percent of the CPI for food.

However, the \$363 million spent on non-newspaper advertising by away-

from-home eating places (75 percent) was largely spent by fast food chains. The AIR for fast food chain restaurants is about 3.3.

Restaurant advertising is even more heavily skewed towards television than are food products. About 97 percent of media spending by restaurants in 1978 was spent on television advertising. Spot television accounted for about 65 percent and network television about 32 percent.

The Consumer

Roughly 94 cents out of every \$100 of the food bill goes towards financing media advertising (excluding newspapers). Thus, for an annual family food bill of \$3,000, about \$28 is allocated indirectly to the media. Of this amount, about \$24 goes to television and \$2.50 to magazines. The remainder finances radio, newspaper supplements, and billboard advertising.

What does the consumer receive in return? Typically, there is little price in-

formation in media advertising, except in newspapers. Most product information is image-creating rather than informative, particularly on television. Thus, its overall information value may be marginal.

Advertising and media entertainment, however, are joint products. In addition to the pleasure (or pain) supplied by advertisements themselves, advertising revenues finance commercial television and subsidize some magazines. Thus, the consumer receives a tangible item in return. At present, advertising revenues approximate \$50 per person in the U.S. ■

References

- Connor, John M. *Competition and the Role of the Largest Firms in the U.S. Food Processing Industries*. Working Paper No. 29. Madison, Wis., NC Project 117.
- Gallo, Anthony E., and William T. Boehm. "Newspaper Advertising in Food Marketing," *National Food Review*, NFR-8, USDA, Fall 1979.

Advertising Expenditures for 5 Leaders in Food Advertising, 1978

Product	Television ¹	Magazines	Newspaper supplements	Network radio	Outdoor	Total
Percent						
Soft drinks.....	95.1	2.2	0.5	*	1.9	100
Breakfast cereals.....	93.8	5.3	0.6	*	*	100
Candy and chewing gum.....	93.7	2.9	*	3.0	*	100
Coffee, tea, cocoa.....	91.0	6.7	1.7	*	*	100
Combination copy & general promotion.....	92.1	5.2	1.7	*	1.0	100
All other food at home.....	83.5	14.4	0.7	0.5	0.8	100
All food at home.....	88.2	9.5	0.8	0.7	0.7	100
Food away from home.....	96.7	1.2	0	0	2.0	100
Nonfood.....	69.0	24.8	2.5	0.8	2.8	100

¹Both network and spot.

* = less than 0.5%.

Source: Leading National Advertisers