

THE VALUE OF

Advertising

ZAW

Die Werbewirtschaft

Facts about the advertising industry

Advertising is an indispensable element of the market economy and a part of our everyday lives. The proven value of commercial communication and the positive effect it has for the community support this claim. We have a wider range of products available on the market than ever before thanks to market growth and the establishment of new markets. Without advertising, neither of these things would be possible.

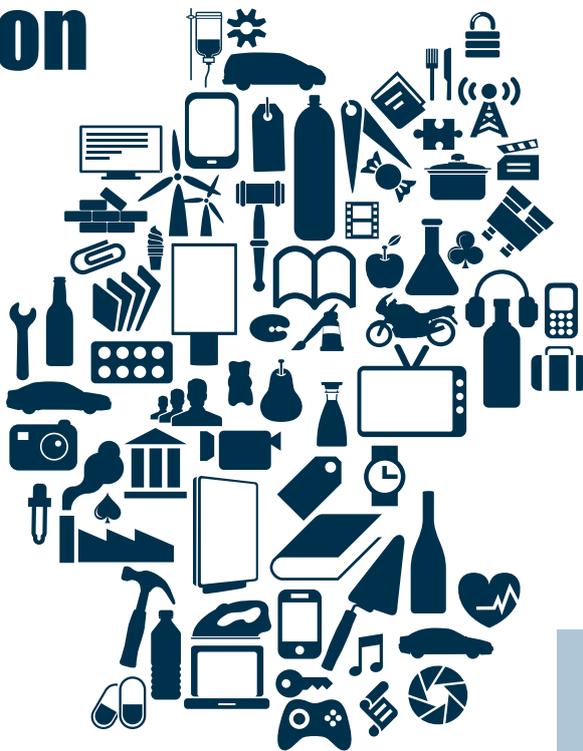
No competition without advertising

In Germany, at least

45
bn. euros

are invested in advertising every year.

Source: ZAW



GDP in Germany 2016

Germany (total)
3,144.05 bn. euros



Commercial advertising
45.21 bn. euros
Share of GDP
1.44 %

Advertising boosts the GDP.

Source: destatis | ZAW

Investment in advertising 2015

Germany generates the most advertising revenue in Europe

next to Britain, and the **fifth most in the world** after the USA, China and Japan.

Source:
Global Ad Trends 2016,
World Advertising
Research Center Ltd.
(www.warc.com) | ZAW

Sponsoring promotes sport, culture and much more.



Sponsorship forecast for total market development in 2017

(sharp) increase
71%

unchanged
23%

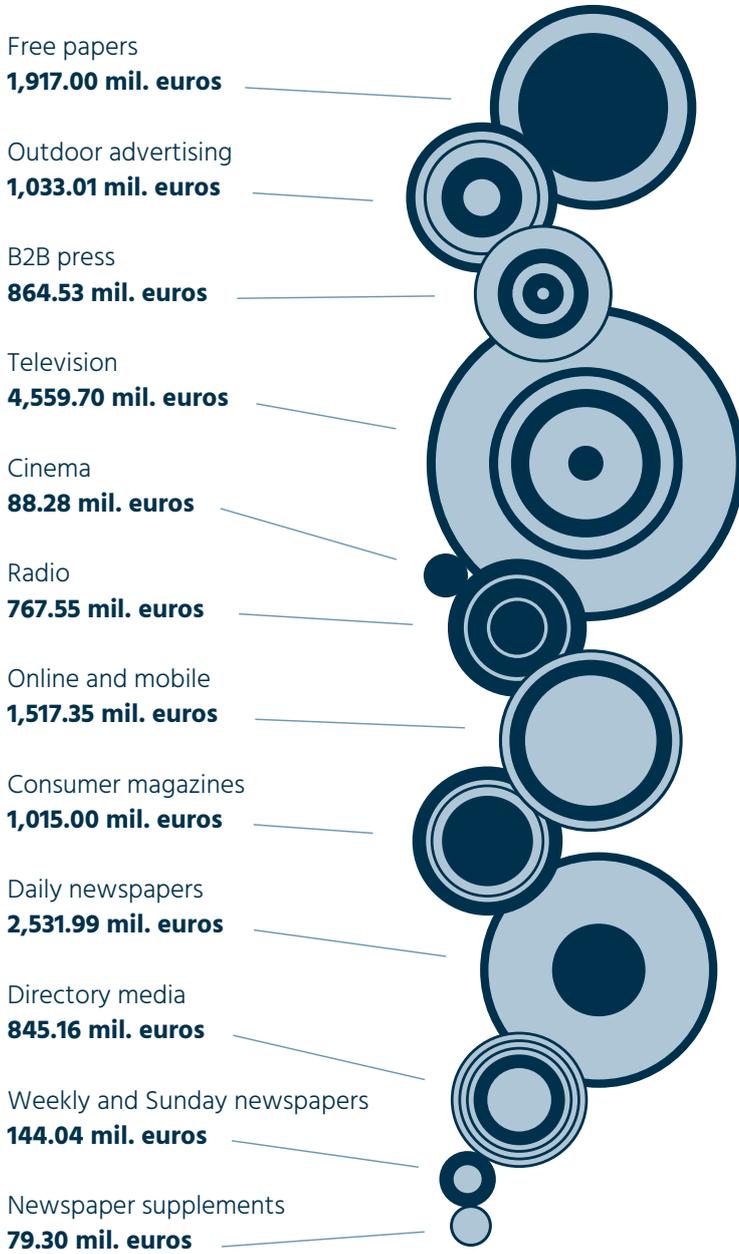
(sharp) decrease
6%

Basis: 181 sponsorship
decision-makers
in Germany

Source: Sponsor-Trend 2017,
Nielsen Sports | VSA

Media diversity only with advertising.

Advertising investments guarantee independent media in Germany, and thus a diversity of opinions.



2016 total
15,362.91 mil. euros

Source: ZAW

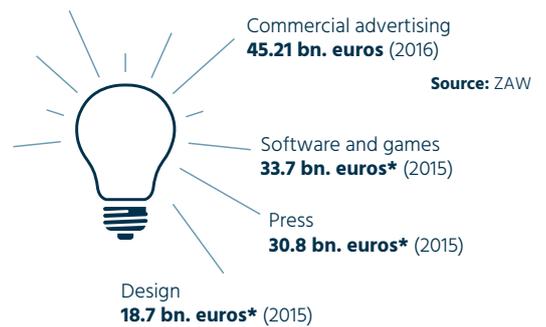
ADVERTISING IS THE MOST SIGNIFICANT CONTRIBUTOR TO THE CULTURE AND CREATIVE INDUSTRIES.

In 2015, the culture and creative industries in Germany generated an estimated



bn. euros in revenue.

Of all the submarkets in the culture and creative industries, advertising generated the most revenue:



*estimated

Source: BMWi, Monitoring 2016: Selected economic facts and figures for the culture and creative industries, Nov. 2016

Competition to win the consumer's favour has never been fiercer. The consumer benefits from this development with

- a comprehensive market overview,
- appropriate prices,
- major innovations,
- high-quality products and services.

897,800

jobs in commercial advertising

Source: destatis, BVDW, preliminary ZAW calculation

DIW Econ advertising study

Advertising promotes economic growth and prosperity, realises innovations and correlates positively with the quality of products. The comprehensive 2016 DIW Econ study “Die ökonomische Bedeutung der Werbung” (“The economic significance of advertising”) provides empirical evidence of these facts. The study was commissioned by ZAW and GWA.

Key study results

1 Advertising investment significantly influences GDP development.

A one-percent **increase in advertising spending** (relative to the GDP) generates a **direct average GDP growth impulse** of around 0.02 percentage points.

To illustrate this effect: In 2014, Germany’s GDP was 1.6 per cent up on the previous year. If advertising expenditure had been reduced by 10 per cent, the GDP growth rate would have been reduced to just 1.4 per cent. In other words, **100 million euros less in advertising expenditure** would have meant **300 million euros less in GDP growth**.

[Data based on: Advertising expenditure for 19 OECD countries, 1995–2014 | World Advertising Research Center WARC and GDP development of 19 OECD countries, 1995–2014 | OECD]

Advertising expenditure and advertising intensity in selected OECD countries, 1995 and 2014

	1995		2014		1995-2014
	Advertising revenue in billions (USD)	GDP share	Advertising revenue in billions (USD)	GDP share	GDP share
Portugal	1.05	0.89	3.6	1.56	1.13
USA	88.92	1.16	163.7	0.94	1.09
Britain	12.80	1.03	27.4	0.92	1.02
Australia	4.37	1.11	12.3	0.85	1.01
Austria	1.67	0.69	4.5	1.03	0.92
Japan	39.12	0.73	38.2	0.83	0.83
Finland	1.12	0.83	1.7	0.62	0.78
Germany	21.99	0.85	25.3	0.65	0.77
Greece	1.44	1.05	1.5	0.64	0.77
Ireland	0.54	0.78	1.4	0.56	0.75
Belgium	1.71	0.59	3.6	0.68	0.73
Canada	4.14	0.69	12.1	0.68	0.72
Denmark	1.50	0.81	2.2	0.64	0.71
Netherlands	3.58	0.80	4.9	0.56	0.70
Sweden	1.85	0.70	3.7	0.65	0.69
Spain	4.72	0.77	6.0	0.43	0.65
Norway	1.06	0.70	2.8	0.56	0.63
France	10.14	0.63	16.6	0.59	0.61
Italy	5.22	0.45	9.7	0.45	0.54

Information was collected relating to advertising expenditure in the following media: newspapers, consumer magazines, TV, radio, cinema, outdoor advertising and, since 2004, the internet. The countries are sorted according to their average advertising intensity from 1995 to 2014.

Source: WARC (ZAW, 1997-2016) and OECD.Stat (2016), DIW Econ calculations.

2 Advertising investments promote innovation within companies.

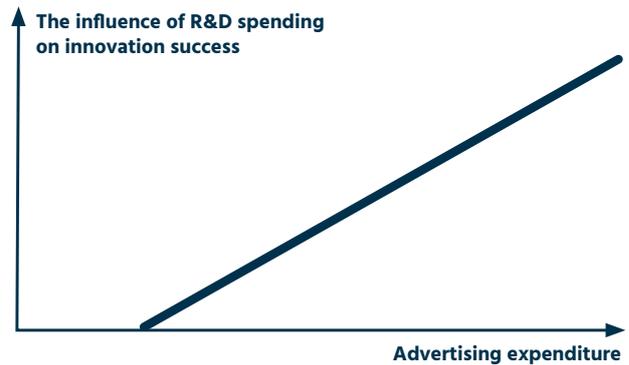
The market success of product innovations is significantly influenced by the amount of advertising expenditure. Research and development would be brought to a halt without advertising.

[Data based on: MIP Mannheim innovation panel | ZEW, gross advertising expenditure of selected product groups | Nielsen]

Illustration of the influence of advertising expenditure on innovation success

When innovation spending and advertising expenditure are correlated, the probability of innovations being successfully introduced to the market (vertical axis) increases with the amount of advertising expenditure (horizontal axis) for a given amount of innovation spending.

Source: DIW Econ calculation based on ZEW (2016) and Nielsen Media Research (2016).

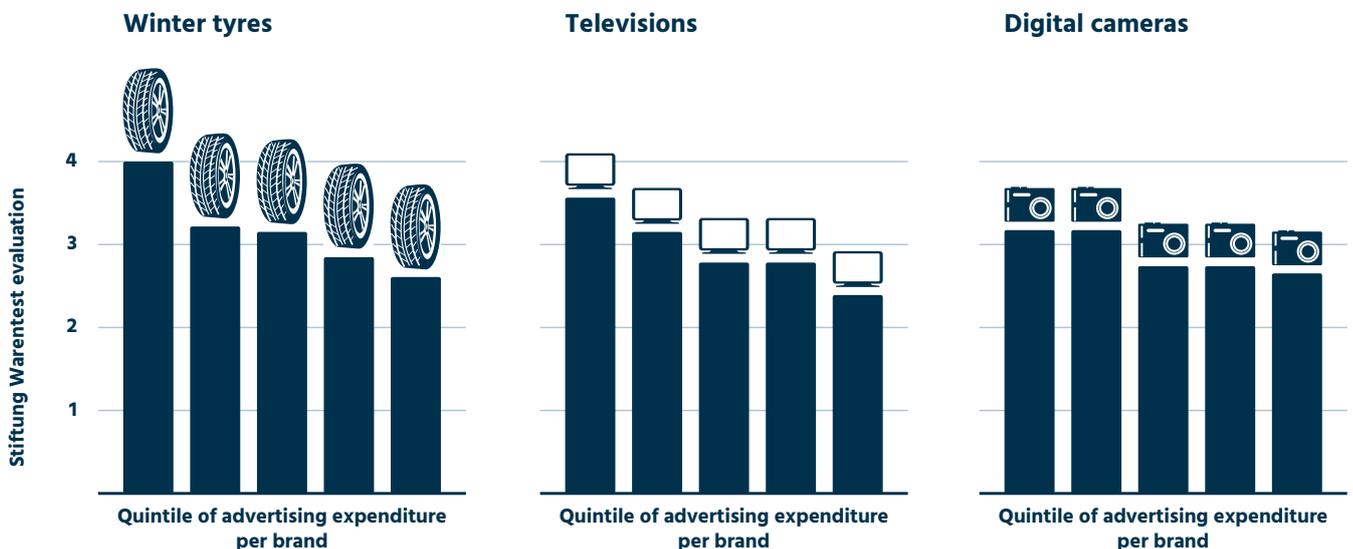


3 Advertising intensity and product quality are directly correlated.

Advertising sets quality products apart from competing products; advertising intensity is an indicator of product quality.

[Data based on: Evaluation results of selected product groups | Stiftung Warentest, gross advertising expenditure of these product groups | Nielsen]

Correlation between advertising expenditure and product quality, 2010–2015



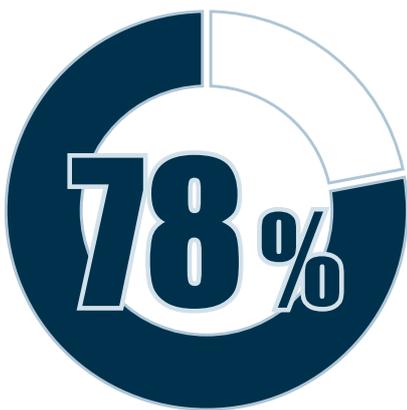
Quintile 1: lowest advertising expenditure, Quintile 5: highest advertising expenditure. The quintiles were determined according to the year and brand. One is the best possible score.

Source: Stiftung Warentest (2016), Nielsen Media Research (2016), DIW Econ calculation.

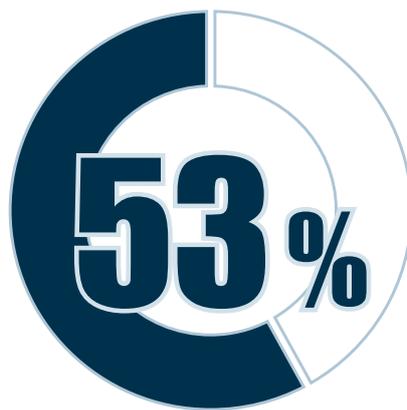
Allensbach consumer study

Most Germans believe their interests as consumers are well protected, possess high advertising literacy, and do thorough research before making a purchase. These are the central results of the study “Die Mündigkeit des Verbrauchers” (“The autonomy of the consumer”)¹, conducted by the Allensbach Institute on behalf of ZAW in spring 2016.

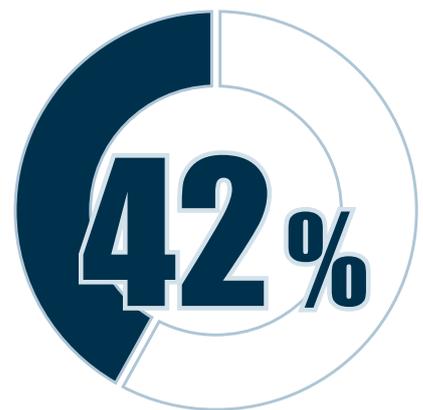
The significance of advertising and other sources of information on everyday products²



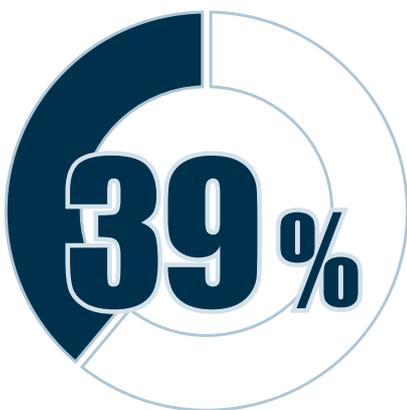
Personal conversations, experience of friends and acquaintances



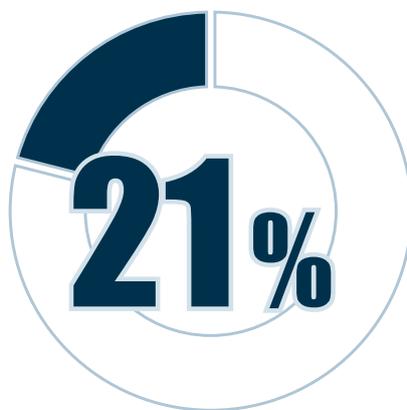
Advertising, brochures, product information provided by companies



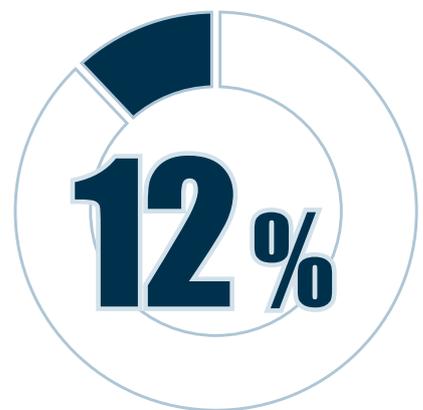
Information provided by Stiftung Warentest



Information, suggestions and recommendations from the internet



Information provided by consumer protection organisations



Social networks such as Facebook and Twitter

¹ The representative survey of Germans aged 16 and up was performed in March 2016 and took the form of 1,400 face-to-face interviews.

² National average.

Consumers' self-evaluation of their purchasing decisions²



I would never base my purchasing decisions on advertisements alone.



I generally do thorough research before making bigger purchases.



I mainly buy products and brands I have already had a good experience with.



I typically know exactly what I want and others cannot change my mind.



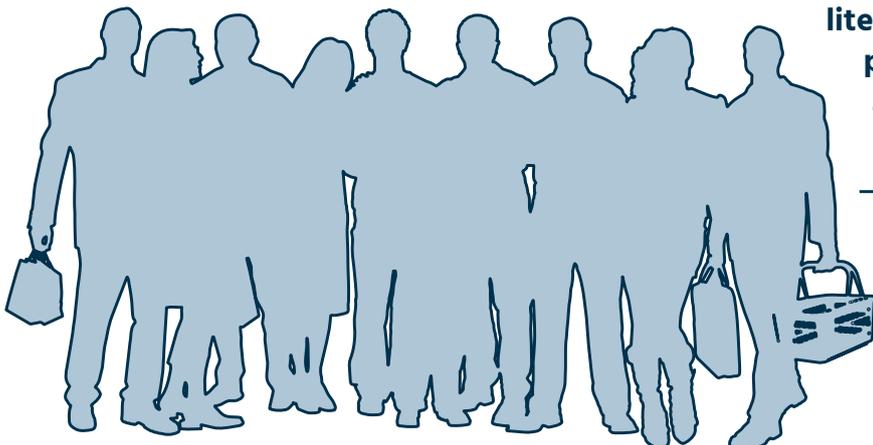
I am often unsure about whether I have made the right purchase.



I often make impulse purchases.

Consumers are **experienced, confident**, and typically **well informed** when purchasing products. They are familiar with and can **expertly navigate** the **diversity of products**. An overwhelming majority of consumers is **well informed** when it comes to making bigger purchases. Consumers are also highly skilled in terms of advertising:

they possess a **high level of advertising literacy** and do not **make their purchases** based on advertisements alone, but instead take their **previous experiences** into account.



Prof. Dr. Renate Köcher

Managing Director of the Allensbach Institute at the 2016 Advertising Assembly in Berlin.

ZAW membership organisations

Advertising industry Bund für Lebensmittelrecht und Lebensmittelkunde e.V. (BLL) · Bundesverband der Arzneimittel-Hersteller e.V. (BAH) · Bundesverband der Deutschen Industrie e.V. (BDI) · Bundesverband der Deutschen Spirituosen-Industrie und -Importeure e. V. (BSI) · Bundesverband der Deutschen Süßwarenindustrie e.V. (BDSI) · Bundesverband der Systemgastronomie e.V. (BdS) · Deutscher Brauer-Bund e.V. (DBB) · Deutscher Lottoverband · Deutscher Sparkassen- und Giroverband e.V. (DSGV) · Deutscher Sportwettenverband e.V. · Deutscher Verband der Spielwarenindustrie e.V. · DZV Deutscher Zigarettenverband e.V. · Handelsverband Deutschland – HDE e.V. · Markenverband e.V. · VdR Verband der deutschen Rauchtobakindustrie e.V. · Verband der Deutschen Klassenlotterien e. V. · Wirtschaftsvereinigung Alkoholfreie Getränke e.V. (wafg)

Media and publishers Allianz Deutscher Produzenten – Film & Fernsehen e.V. | Sektion Werbung · ARD-Werbung SALES & SERVICES GmbH · Bundesverband Abonnement e.V. · Bundesverband Deutscher Anzeigenblätter e.V. (BVDA) · Bundesverband Deutscher Zeitungsverleger e.V. · Bundesverband Digitale Wirtschaft (BVDW) e.V. · Bundesverband Druck und Medien e.V. (bvdm) · DDV Deutscher Dialogmarketing Verband e.V. · DeTeMedien, Deutsche Telekom Medien GmbH · Fachverband Aussenwerbung e.V. · FDW Werbung im Kino e.V. · Gesamtverband der Werbeartikel-Wirtschaft e.V. (GWW e.V.) · Messe Frankfurt GmbH · RMS Radio Marketing Service GmbH und Co. KG · [vdav] – Verband Deutscher Auskunfts- und Verzeichnismedien e.V. · VDZ Verband Deutscher Zeitschriftenverleger e.V. · Verband Privater Rundfunk und Telemedien e.V. (VPRT) · VSA – Vereinigung Sportsponsoring-Anbieter e.V. · ZDF Werbefernsehen GmbH

Communication and media agencies Gesamtverband Kommunikationsagenturen GWA e.V. · OMG e.V. Organisation der Mediaagenturen

Market/social research and advertising professions ADM Arbeitskreis Deutscher Markt- und Sozialforschungsinstitute e.V. · Arbeitsgemeinschaft Media-Analyse e.V. (agma) · Art Directors Club für Deutschland (ADC) e.V. · BVM Berufsverband Deutscher Markt- und Sozialforscher e.V.