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Dramatic Growth in Mass Media Food Advertising in the 1980's

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With about \$7.6 billion spent in the mass media in 1990, food continued its role as one of the most intensely advertised products in the Nation. Between 1980 and 1990, spending on media advertising for food soared 230 percent from \$2.3 billion to \$7.6 billion (table 1), an average annual growth of about 13 percent.

Even after adjusting for rising media costs, food advertising expenditures increased 86 percent between 1980 and 1990, for an annual average growth of about 6 percent (table 1). Several new trends have emerged—the most prominent being the push in promoting dining out. Inflation-adjusted advertising expenditures for food away from home were 11 times greater in 1990 than in 1980, rising from 6 percent of total food media advertising to 35 percent.

Media costs more than doubled between 1980 and 1990. For example, newspaper advertising rates rose 122 percent, and magazine rates more than doubled (as did network television and radio rates). The rate for spot, syndicated, and cable television ads rose 71 percent,

and syndicated radio rates were up only 57 percent (table 2).

Advertising for food at home also expanded, but not as dramatically as advertising of eating

places. Generic advertising of food products doubled (see box for definitions), while promotions for name brands rose at a slower pace. Brand advertising, however, still

Table 1
Food Industry Advertising More, Spending More

Item	1980	1985	1990
<i>Million dollars</i>			
Mass media advertising expenditures	2,260	5,125	7,640
Food at home	2,138	3,760	5,022
Food away from home	121	1,365	2,618
<i>Percent (1980 is base year)</i>			
Change in inflation-adjusted advertising expenditures since 1980	100	159.9	185.8
Food at home	100	121.3	128.3
Food away from home	100	797.4	1,133.7

Table 2
In Most Cases, Advertising Costs Doubled in the 1980's

Media	Change in media cost		
	1980	1985	1990
<i>Index (1980 = 1.00)</i>			
Magazines	1.00	1.62	2.06
Sunday magazines	1.00	1.51	2.00
Newspapers	1.00	1.62	2.22
Outdoor ads	1.00	1.50	1.89
Network television	1.00	1.57	2.10
Spot, syndicated, cable television	1.00	1.28	1.71
Network radio	1.00	1.59	2.04
Syndicated radio	1.00	1.24	1.57

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dwarfs generic promotions by a 10 to 1 margin.

In 1990, 81 percent of advertising for food at home was done on television and 11 percent in magazines. However, the media mix used by different industry groups varies substantially. For example, the cereal and bakery industry ranks higher among radio and television ads than do other food industries. On the other hand, the fruit and vegetable industry ranks highest among magazine ads.

About 4.5 cents of every food dollar goes toward advertising. Industries that supply a vast array of brand products do the most advertising. In both 1980 and 1990, manufacturers of sugar and sweets (mostly brand products) spent twice as much on media advertising as the entire meat, poultry, fish, and eggs sector (mostly unbranded products), yet consumers spent only about 2 percent of their food budget on sugar and sweets, and over 15 percent on meats and poultry.

Brand Advertising of Food Away From Home Soars

Advertising expenditures for food at home have increased overall, but not for different types of advertising. Generic's share rose, while brand's fell. From 1980 to 1990, inflation-adjusted advertising expenditures for food at home rose 28 percent (table 1). Generic's share of these expenditures grew 2 percentage points to about 5 percent (table 3). However, the share of total food advertising aimed at the at-home market dropped from 94 percent in 1980 to 65 percent in 1990 (fig. 1).

Generic advertising of food away from home grew very little because the food service sector is composed of hundreds of thousands of establishments, making generic promotion of the dining out

Table 3

Generic Advertising Expenditures for Food at Home Rose Slightly

Item	1980		1985		1990	
	Generic Brand		Generic Brand		Generic Brand	
	Percent					
Share of advertising expenditures:						
Food at home	3.01	96.99	3.75	96.25	4.98	95.02
Food away from home	0	100.00	.08	99.92	.05	99.95
Total	2.84	97.16	2.70	97.30	3.26	96.74

Note: Advertising expenditures are deflated by media costs.

experience difficult. By comparison, the share of brand advertising expenditures in this category grew sharply—from 5.9 percent of total food advertising in 1980 to 36 percent in 1990.

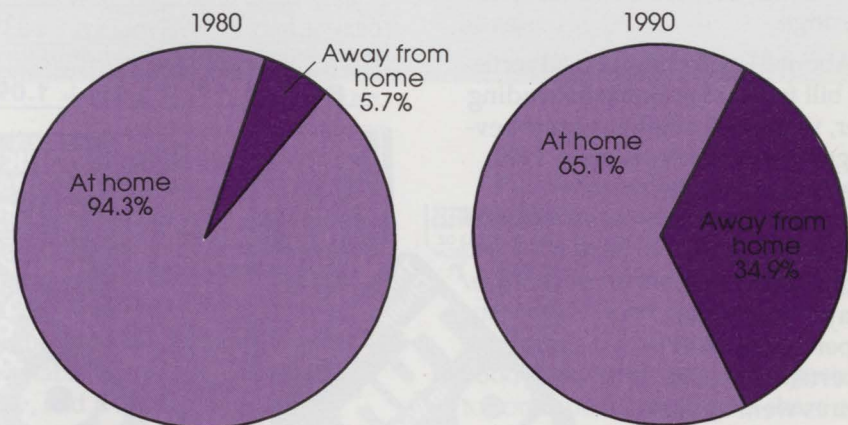
The type of retail outlet a product moves through has a direct influence over the type and the amount of advertising used. It is much more difficult to devise, coordinate, and implement a generic advertising campaign for products and services as diverse as in the food service industry. This probably explains the small amount of food service advertising accounted for by generic-type media ads.

Television the Overwhelming Favorite

Media advertising includes television, radio, magazine, newspaper, and outdoor ads. The distribution of these outlets depends on a food's characteristics and the message to be conveyed. For example, food processors generally are major contributors to mass media advertising. Most of their advertising budget is for television, which can reach a large audience and can be used effectively to create a positive visual image. A significant portion of this advertising is also aimed toward

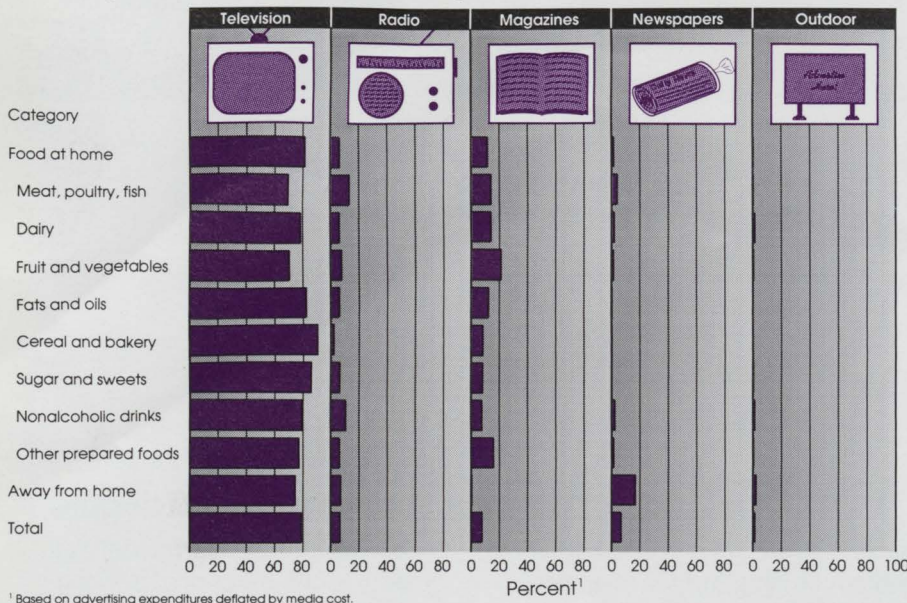
Figure 1

The Share of Food Advertising Aimed at the At-Home Market Falls, But Rises for Food Away From Home



Note: Advertising expenditures are deflated by media costs.

Figure 2
Food Industry Leans Heavily on Television for Advertising



¹ Based on advertising expenditures deflated by media cost.

foods, such as cereals, bakery products, sugar and sweets, and prepared foods. Use of television advertising for these groups ranges from 77 to 90 percent of the total advertising expenditures for each group. (As already noted, generic advertising is not widely used for food away from home.)

Relative to Food Spending, Advertising Heavier for Processed Food and Food Away From Home

Research on why some industries advertise more intensely than others and the ultimate effect of advertising has led observers to several conclusions:

- The food groups that are more intensely advertised tend to maintain or increase their share of total value of food marketed,
- The food industries with the highest advertising expenditures tend to be those with the most highly processed and highly packaged products, and
- An increase in advertising in a sector is a sign of increased product differentiation.

To gain further insight into these observations, we use a ratio that compares the relative importance of a product's media advertising to its importance in the household food budget. This measure, called the relative advertising intensity ratio, shows how in-

tensely a product is advertised compared with other foods while also taking into account the share of the food budget it represents.

For example, a relative intensity ratio of 1 indicates

people who do not read newspapers, such as children. Food retailers, on the other hand, depend more on local newspaper ads to communicate prices for a large number of items.

A significant portion of away-from-home food sales occurs in the fast food market. Advertising in this market is often aimed at children, so disseminating price information usually is a fairly low priority. Consequently, television and radio are effective modes of advertising fast food. Yet newspapers are being used more for food away from home with the rise in coupon offerings.

About 81 percent of the advertising bill for food at home (excluding beer, wine, and other alcoholic beverages) went to television in 1990, 11 percent to magazines, and 6 percent to radio messages (fig. 2). For food away from home, 74 percent of 1990 advertising expenditures went to television, 16 percent to newspapers, and

7 percent to radio ads.

The importance of generic and brand advertising within each media outlet varies by food product group. With television, for example, generic advertising is mainly used for perishable or relatively unprocessed foods, such as dairy, fruit, vegetables, meat, and poultry. Use of television advertising for generic groups ranges from 9 to 20 percent of their respective total advertising expenditures in 1990. Brand television advertising is mostly used for highly processed



that the proportion of total food advertising expenditures represented by the product equals its share of consumers' food spending. In other words, the product is advertised no more or no less than its importance in the food budget. A ratio greater than 1 indicates that media advertising for that food group is high relative to its budget share.

For food at home, the share of food advertising expenditures decreased 29 percentage points since 1980 (table 4). At the same time, its budget share declined 10 percentage points. The relative advertising intensity ratio for food at home thus declined from 1.4 in 1980 to 1.1 in 1990. Even though they declined, a ratio larger than 1 implies that food at home is still advertised slightly more than its share of the consumer's food budget.

For food away from home, advertising increased more rapidly than its share of the budget, causing the relative advertising intensity ratio to rise from 0.1 in 1980 to almost 0.8 in 1990.

Highly processed foods have higher advertising intensity ratios than do those processed less. In 1990, for example, cereal and bakery products accounted for 8.7 percent of the consumer's budget and 17.5 percent of all food advertising. The corresponding intensity ratio equals 2, implying that cereal and bakery products are advertised twice as much as their budget share.

The most intensely advertised product group is sugar and sweets. In 1990, their 3.2 intensity ratio was significantly higher than the 0.2 for meats, which is composed of many homogeneous, nonbrand products. Sugar and sweets represent 2.2 percent of consumers' food budgets but account for 7 percent of food advertising spending. This product group is composed of many highly processed, differentiated products that are easily advertised.

Advertising Has Specific Goals

Product differentiation, highlighted and maintained through advertising, and economies of scale in advertising are believed to play powerful roles in determining the ultimate structure and performance of the U.S. food industry. The relative efficiency of advertising in the marketing process is related not only to the costs borne by producers but also to changes it induces in market structure and economic welfare.

Advertising is a form of competition that is directed toward existing and potential consumers of a product with the objective of increasing sales.

Brand advertising is sponsored by an individual producer or corporation, and is aimed at a specific audience. The ads promote the particular characteristics of a given brand of food and are often directed toward increasing market share and promoting brand loyalty.

Generic advertising is sponsored mainly by a group of producers of a commodity and is aimed at influencing industry product demand—such as for beef or cheese. The growth in

generic advertising can be linked to the large number of commodities that have received legislative authority for producers to band together to be assessed for the purpose of underwriting advertising and promotion programs.

Both brand and generic advertising may be targeted at consumers from different marketing channels or outlets, such as retail; wholesale-manufacturing; institutions, such as restaurants; and export organizations.

The data are compiled from Leading National Advertisers (LNA)/Arbitron Multi-Media Service. LNA/Arbitron report advertising expenditures in 10 major media: consumer magazines, Sunday magazines, newspapers, outdoor ads, network television, spot television, syndicated television, cable television, network radio, and national spot radio. To make meaningful comparisons, food and nonalcoholic beverage items are grouped to correspond to the consumer price indices. Yearly changes in media costs were taken from selected issues of *Marketing and Media Decisions* (Decisions Publications).

Advertising shares of cereal, sugar, prepared foods, and nonalcoholic drinks decreased from 11-25 percent in 1980 to 7-18 percent in 1990. The shares for processed products remain higher than for perishable items, such as meat, dairy, and fruit and vegetables, which range between 2 and 6 percent.

We can expect many new products and improvements on old products to be introduced. This will lead to further competition for consumers' food dollars and to changes in the advertising mix. Food away from home is expected to continue increasing its share of total food advertising. More generic advertising also will occur, as more producers band together to

Table 4

Higher Advertising Intensity for Food Away From Home

Food product category	Share of advertising	Share of consumer food budget	Advertising intensity
	Percent	Percent	Ratio
1980 total	100.0	1.0	1.0
Food at home	94.3	67.7	1.4
Meat, poultry, fish, eggs	5.3	23.5	.2
Dairy	5.0	8.6	.6
Fruit and vegetables	5.2	10.2	.5
Fats and oils	3.6	2.3	1.6
Cereal and bakery products	20.2	8.6	2.4
Sugar and sweets	10.6	2.5	4.2
Nonalcoholic drinks	24.6	6.2	3.9
Other prepared foods	19.8	5.9	3.4
Food away from home	5.7	32.3	.2
1985 total	100.0	100.0	1.0
Food at home	71.5	63.3	1.1
Meat, poultry, fish, eggs	3.8	18.3	.2
Dairy	5.4	8.0	.7
Fruit and vegetables	5.5	10.3	.5
Fats and oils	2.2	2.1	1.0
Cereal and bakery products	16.8	8.9	1.9
Sugar and sweets	8.3	2.4	3.5
Nonalcoholic drinks	12.5	5.8	2.2
Other prepared foods	17.0	7.4	2.3
Food away from home	28.5	36.7	.8
1990 total	100.0	100.0	1.0
Food at home	65.1	57.5	1.1
Meat, poultry, fish, eggs	3.6	15.7	.2
Dairy	4.8	6.9	.7
Fruit and vegetables	5.5	9.6	.6
Fats and oils	1.8	1.6	1.1
Cereal and bakery products	17.5	8.7	2.0
Sugar and sweets	7.0	2.2	3.2
Nonalcoholic drinks	11.8	5.0	2.4
Other prepared foods	13.0	7.9	1.7
Food away from home	34.9	42.5	.8

Note: Advertising expenditures are deflated by media costs.

promote their products. Television will continue as the medium of choice.

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