



advertising

This analysis covers the core activities of: consumer research and insights; management of client marketing activity and communication plans; targeting of consumers; creation of ads, promotions, PR campaigns; media planning, buying and evaluation.

INDUSTRY REVENUES

The UK advertising sector has gross revenues of £13.3bn. However, this includes the purchase of media space, some of which payments are included in this report in the revenues for television, radio and publishing. We estimate revenues net of those amounts to be between £4bn – £6bn.

The contribution of advertising to the national economy (“value-added”) is £2.9bn,¹ while the net earnings of UK agencies is about £1bn.

UK MARKET SIZE

There is no reliable data for the size of the UK market.

BALANCE OF TRADE

ONS figures put the value of advertising services sold overseas at £565m for 1996, with advertising services valued at £430m bought by UK companies, giving net exports of £135m.² However, it is difficult to quantify exports, because many agencies are run on a genuinely multinational basis.

Of the top ten advertising agencies worldwide, two have their headquarters in London, with London being acknowledged alongside New York as one of the two world centres of creative advertising.

EMPLOYMENT

Current employment in the industry runs at 96,000 people, of which 19,000 are self-employed.

80% of people in the advertising industry are based in London and 63% of the total figure are women.³

Industry structure

	Client	Agency	Production	Distribution
Activities	Product or Service supply	Communication Strategy Planning and Creativity Media Advertising	Production of commercials for different media	Provision of ‘space’ for advertising
The Players	300 members of ISBA and every other organisation (including government) that needs to communicate information to its customers	210 members of IPA Many small agencies	Production Houses	TV, Press, Outdoor, Transport, Radio, Cinema, Other (eg Internet)
No. of Employees		12,700		

The advertising sector is dominated by multinationals. The top 20 agencies account for half of the total billings of Campaign magazine’s Top 200. These agencies are London based, have top spending consumer brands among their accounts, offer full service across all media and have strong international links, either through membership of an international network or through being owned by one of the multinationals.

Out of a total of some 200 companies, the 47 independently-owned medium-sized companies are coming under increasing pressure from the 20 large agencies as the industry moves towards international marketing conglomerates. However, the number of small agencies is growing across the regions as smaller organisations increasingly recognise the importance of advertising to market share.

INTERNATIONAL CRITICAL ACCLAIM

UK agencies occupy the top four positions in the international league table of Cannes award winners over the past five years.

In addition, the UK is a centre for advertising best practice, with its model for self-regulation and methodology for assessing advertising effectiveness widely imitated and many British advertising executives being invited to lecture and speak overseas.

¹ Source Sector Review of Service Trade ONS

² Source Overseas Trade in Business Services 1996 ONS News Release Nov 1997

³ Source DTI

SECONDARY ECONOMIC IMPACT

The industry provides the primary revenue stream for other creative industries: commercial radio and TV (100%); business magazines (85%); regional newspapers (75%); national quality newspapers (61%); national popular newspapers (40%); consumer magazines (35%).

It is estimated that companies across Britain whose business is dependent on advertising for revenue account for 4.25m jobs.

Advertising also seems to be a seed-bed for creative talents – Salman Rushdie and Fay Weldon began their careers as copywriters whilst Alan Parker and Ridley Scott both work in advertising as well as film.

POTENTIAL FOR GROWTH

The performance of the advertising industry has a strong relationship to economic prosperity. It has a cyclical nature, although most agencies seek to ensure that margins are protected during economic downturn.

The industry's long-term position is seen to be strong. Competitive markets require commercial organisations to promote their goods and services. Many non-commercial organisations rely upon advertising to raise awareness, profile or funds or to promote public well-being.

Growth will be driven by expansion in the UK and world economies and by the growing number of organisations in the private and public sectors seeking to differentiate themselves.

Agencies are diversifying and developing expertise in non-media specific marketing communications. The burgeoning new media, for example the Internet, digital and satellite TV, as well as increasing numbers of terrestrial TV, commercial radio and magazines and sponsorship opportunities, represent real opportunities for the industry.

GROWING THE SECTOR – POINTS FOR CONSIDERATION

The industry is aware that its future success lies in its own hands and that it must modernise and encourage the development of new talent. Key issues confronting the industry include:

- Agency structures that have altered little in the last 50 years⁴
- Too few talented young people are attracted to the industry
- There are negative perceptions of the industry among clients and prospective employees
- Focussing on the clients' needs – demonstrating the link between different types of advertising and profitability
 - accurate targeting of consumers via changing media
- The continuing globalisation of the market
- Competition from new design and strategic consultancies
- Investment in new UK based media companies

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