

ADVERTISING TODAY...

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Advertising has come a long way from the brick walls of ancient Pompeii to the computer screens of today. Yet, its benefits remain clear:

- It provides **consumers** with choice and accountability. By driving market competition, it helps the consumer get better value for money.
- It helps **companies** communicate with their consumer, enables innovation to be brought to market and links supply with demand. By increasing sales and building valuable brands, it stimulates economic growth and jobs.
- As a result, **societies** benefit. Not just economically, but also through investment in the arts, culture and sports. Most importantly, advertising allows the existence of a pluralistic media landscape. It is a critical function of an open and democratic society.

THE ROLE & VALUE OF ADVERTISING



ADVERTISING HAS BEEN AROUND FOR AS LONG AS WE CAN REMEMBER

Among the ruins in Roman Pompeii shop-fronts can be seen painted with advertisements for wine and olive oil. The ancient Egyptians used papyrus to create ads on wall posters.

In the 17th Century, advertisements started appearing in weekly newspapers in Europe. They included ads for books and newspapers, which became ever more affordable with advances in the printing press; and for medicines which were increasingly sought after as disease ravaged Europe.

Today, advertising is so closely woven into modern life that we rarely stop to think about it. Yet it benefits us in many, sometimes unexpected, ways.



A print advertisement for a 1913 issue of the Encyclopaedia Britannica.



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CONSUMER CHOICE

Clothes, car insurance, computers, holidays... never before have we had so much choice as a consumer. Whether our priority is price, quality, convenience or style, we can nearly always find what we want.



But choice can be both a blessing and a curse. Choosing an everyday object such as a mobile phone can be confusing. Do we want a built-in camera, internet access or the lightest model? Perhaps the same phone is available for less with another operator? Advertising cannot make the choice for us, but it can help us identify the options that best match our needs.

BRANDS, TRUST & ACCOUNTABILITY

Advertising does more than convey information: it is at the heart of our relationship with the brands we choose. When a brand lives up to the promise of its advertising – delivering luxury or reliable customer service, for example – it reassures us of the choice we made and the brand earns our loyalty and trust.



Yet trust is easily undermined if a brand fails to deliver on its promise. In 2004, the company Ingersoll Rand had to replace 380,000 of its supposedly impregnable Kryptonite brand bike locks in 21 countries after it emerged they could simply be picked with a pen. The experience cost the company \$10 million – reducing the lock division's operating margins by almost a quarter compared with the previous year.¹ The reason, however, was not a looming lawsuit. The company felt obliged to avoid the embarrassment of breaking the promise it had made to its customers.

Through advertising a brand puts its reputation on the line and becomes publicly accountable. Given that on average, the brand constitutes 30% of the stock-market value of listed companies², it is not surprising that companies take their promise to the consumer very seriously indeed.

¹ Cf. USA Today, 18 September 2004; Ingersoll Rand SEC filing, 21 October 2004.

² Milward Brown Optimor. BrandZ: 'Top 100 Most Powerful Brands' (2007), pp. 3 & 26.



DRIVING ECONOMIC GROWTH

Competing for customers' trust and loyalty is what advertising is all about: it allows companies to differentiate themselves from competitors by establishing a unique selling proposition.

Watchmakers, for example, use advertising to compete for a different type of customer. While Breitling uses select media to advertise precision watches to discerning professionals, Swatch uses more mainstream communications to promote functional and affordable models for everyday use. Neither would have much success in trying to sell to the other's customers. Advertising allows them to be better at selling to those for whom their products are most relevant.

As companies try to keep up with their customers' evolving needs, advertising helps them turn innovative ideas – often in danger of remaining unexploited – into products we use. When Sir James Dyson launched the 'bagless' vacuum cleaner in the 1980s it went largely unnoticed. The breakthrough came more than ten years later, following a memorable ad campaign with the slogan 'say goodbye to the bag' which revolutionised the vacuum cleaner market and soon led other manufacturers to introduce their own 'bagless' models.

By helping businesses succeed in the marketplace, advertising is a cornerstone of a dynamic economy. Successful companies create more jobs, pay more tax for inward investment and contribute directly to economic growth. It is no coincidence that the world's healthiest economies are also those with the highest rates of advertising investment.

THE LIFEblood OF THE MEDIA

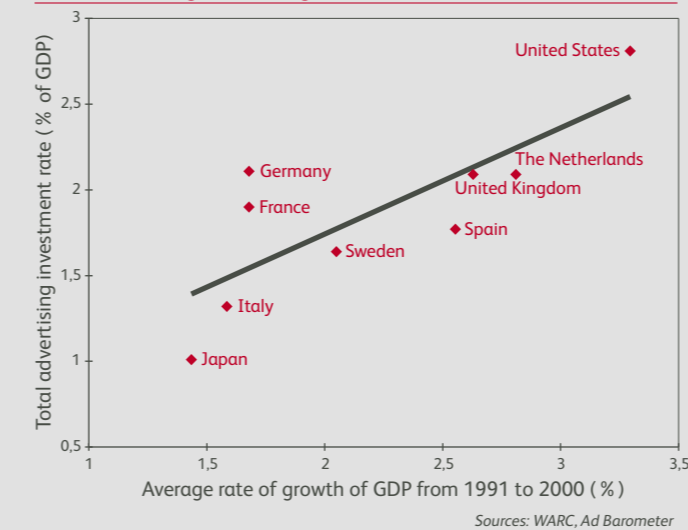
Healthy societies need advertising for another reason. Without the revenues they make from selling advertising space, most of the media as we know them would not exist.

To replace advertising revenues, newspapers would have to double their cover price.³ On television and radio, the huge variety of sport, drama, news and children's programs that we have come to expect would be unthinkable without advertising.

The importance of advertising to the internet is even more evident. From on-demand news to photo-sharing, online content and services are available for free and make our lives easier and more enjoyable. Advertising funds new forms of communication, which are breaking down borders and barriers across the world by giving a voice to many who were voiceless before.

Advertising, in other words, is an integral part of a modern, open and free society.

Correlation between the rates of total investment in advertising (media + non-traditional media) and the average rate of growth in GDP (1991 to 2000)



³ SEO Economisch Onderzoek- University of Amsterdam, 'Het economische belang van reclame', Centrum voor Merken en Communicatie (2006), pp. iii & 52.

ADVERTISING, CULTURE & SPORT

There is little in the world of culture and sport that we can dissociate from advertising. Advertising and sponsorship play an essential role in enabling sporting events such as the Olympic Games and the football World Cup. Sponsorship subsidises and pays for major exhibitions whether at the Museum of Modern Art or the Guggenheim or for performances at La Scala or the Opéra National de Paris.



Sponsorship also supports grassroots and community sports teams, cultural events and aspiring artists. Damien Hirst, today one of the most eminent contemporary artists, started his rise to fame with a student exhibition sponsored by the London Docklands Development Corporation.

⁴ WFA 50th Anniversary Congress, Brussels, Belgium 28th October 2003. Michael Payne is also the author of 'Olympic Turnaround'.

ADVERTISING, A FORCE FOR GOOD

On many critical societal challenges, advertising plays a positive role. All over the world, public service advertising has proven to be a useful policy tool in successfully reducing road accidents, increasing disease awareness, tackling domestic violence, encouraging recycling or promoting water-saving.

Companies too are using advertising to help address societal challenges. They are increasingly conscious that, beyond selling brands and ideas, advertising can be used to show how their products and their initiatives can help make a difference.

