

Understanding the Advertising Industry

With global ad spending believed to have reached over \$450 billion in 2007 and people being exposed to an average 3,000 ads per day, the advertising industry is a media giant that infiltrates all forms of media from television to radio to print ("Global ad market to accelerate in 2008 despite credit squeeze"). As such, it's important to understand why and how this industry functions as it does before anyone can address more specific issues that arise as a result of its mandate, macrostructure, or substructural operation. For the purpose of this paper, the primary focus will be on television advertising as 37.8% of advertisements are found on television ("Global ad market to accelerate in 2008 despite credit squeeze").

Mandate of Advertising Industry

The mandate of advertising, or its very reason for existing, is to create a way for corporations to build their brand, sell more of their products, and thus increase their profits. Typically, advertisers go about this in a manner that informs consumers about their product even if it's merely helping them make the connection between the brand name and the product. Media advertisements have been doing this since the 1470s. There are other reasons for advertising as well, but the consistent reason over time has been to inform the consumer about a particular product. In the mid-1800s, advertising on a national scale became necessary to get consumers to identify the products and thus allow the manufacturers, rather than the retail store owners, to control the price of the product (Campbell, Martin, & Fabos, 386). Today, it's quite common to see national ad campaigns.

Advertising follows a commercial media system, in which the consumer actually pays for advertising. Consumers buy the products from various brands at an inflated price, which supports the respective company's advertising budget. Advertisers do not

seek any and every consumer. Rather, ads target the desired demographic of the product, typically 18-34 year old individuals (Mittel, 37). Successful advertisers are able to reach their target audience and increase the consumption of their advertised product and thereby increase profits for the brand. Thus, advertisers are not reaching out to everyone, but just a specific segment of the population.

According to an article in *Television Week*, the top 100 marketers spent \$97.8 billion on advertising in 2006 ("P&G Still the No. 1 Spender on Ads"). Sports are a popular choice for TV advertisers as games are primarily watched live instead of on TiVo with the commercials skipped. In addition, the Writer's Guild of America is currently on strike and no new content is being produced outside of reality shows and thus sporting events are a way to still attract large crowds (ie. the Super Bowl) in a desired demographic. "Spending on TV sports was up 26% in 2006 from the previous year and 44% from 2003, according to TNS Media Intelligence, which doesn't have 2007 numbers yet" (Samuels). Advertisers select sporting events because they can target a large audience within the desired demographics increasing the number of viewers they can build their brand with, sell products to, and overall maximize their profits.

Advertising Macrostructure: Regulation

There are three primary kinds of regulation that dictate the content and types of advertising that can be seen in the media today in the form of government regulation, network/affiliate regulation, and self-regulation. The US federal government regulates advertising of specific products like alcohol, drugs, and even car crash test ratings through different branches. For example, the Alcohol and Tobacco Tax and Trade Bureau requires alcohol advertisements to contain certain mandatory statements like the name and address of the responsible advertiser and the % alc/vol for "distilled spirits"

(TTB). Additionally, these advertisements cannot make health claims or give a misleading impression regarding the drink.

A second kind of advertising regulation comes from the network if it's a national ad or the local affiliate if it's a local ad. GoDaddy.com has twice experienced content regulation of its commercials by the Fox network for its Super Bowl advertisements. In 2005, Fox had approved their commercial in writing, but removed the ad after its first airing and before the second one could be shown. Go Daddy's market share consequently jumped from 16 to 25 percent following that commercial and has continued to see market share growth following each risqué Super Bowl ad ("Go Daddy clears censor standoff"). This year, Fox refused to air Go Daddy's ad called "Exposure," but approved a different ad entitled "Spot On," which will invite viewers to watch their "Exposure" ad online ("Go Daddy clears censor standoff").

The third kind of advertising regulation can come in the form of self-regulation. An advertising corporation may refrain from too risqué ad sports because they don't want to turn off potential consumers or even have the network or local affiliate refuse to run the ad and possibly lose money as a result from the cost of producing the ad. Since 1971, the advertising industry has self-regulated itself via the National Advertising Division (NAD) of the Council of Better Business Bureaus. Competitors or consumers can file complaints with the NAD, who will then investigate these complaints while allowing the advertiser to appeal to the National Advertising Review Board (NARB). Advertisers do not have to abide by the process and the consequential result, but when an advertiser does not abide by the process, the case is usually passed along to the Federal Trade Commission or a similar agency (Evans and Kelly).

Advertising Macrostructure: Economic Practices

Unlike broadcast television where funds could come from both advertisers and subscriptions, the purchasing of products by consumers supports the advertising industry. Therefore, it's typically the larger brands, who already draw in large profits, that can afford the large advertising budgets allowing them to maintain their market share (ie. Coca-Cola and Nike).

When it comes to television advertising, which is the focus of this paper, there are three primary ways to purchase advertising slots from the various networks. By selecting to purchase time upfront, advertisers are guaranteed to reach a certain number of individuals in their target demographic. For this reason, a majority of advertising slots are sold before the television season even begins. Ad agencies will work closely with the network to find slots that would reach their desired size and demographics of a target audience and prices will vary depending on the programs selected (Mittel, 36). However, networks do hold back a certain percentage of spots and these are sold closer to the airing of a show. While this typically costs more than upfront buying, it can allow advertisers to target a new show that begins mid-season or if there is a change in scheduling and an ideal opening arises.

The final kind of buying arrangement for TV advertisements is through the opportunistic buy. These are special opportunities for one-time annual events like the Grammy's and the Super Bowl or for 'fire-sale' slots. Opportunities for the 'fire-sale' slots may arise within just 6-48 hours before the airing of the show resulting in cheaper pricing for an advertiser, but it cannot be counted on by advertisers that they will be able to take advantage of these opportunities. Big events like the Super Bowl have been known to attract many advertisers allowing them to charge up to \$3 million for a 30 second advertisement during the big game. A single advertisement in the Super Bowl

could make or break a company's advertising campaign that year. Another specific example of a one-time opportunity was the 2008 NHL Winter Classic. When the NHL originally announced the schedule in August, it was unknown to networks that the game between the Pittsburgh Penguins and Buffalo Sabres on January 1st would take place outdoors at the Buffalo Bills' football stadium instead of inside a hockey arena as usual. Once it was announced that the two teams would be playing outdoors, NBC was able to solicit unique advertising and sponsorship opportunities for the sporting event such as Amp Energy Drink ("NHL outdoor game sponsor to be Pepsi's AMP Energy Drink").

Substructural Operations in the Advertising Industry

National ad agencies like Proctor & Gamble primarily have four departments within their agency to create and then manage their many advertising campaigns (Campbell, Martin, & Fabos, 393-398). These agencies are composed of individuals who are responsible for everything considered a substructural operation, whether it's creative content, audience research, or buying ad time from networks. The first department, market research, could be considered an auxiliary operation, as this department is responsible for determining the target consumers for each kind of product as well as evaluating how these target consumers receive the created advertisements (Campbell, Martin, & Fabos, 394). This department does not determine how and where the ads are distributed and do not create the actual ad so it cannot fall under the creative worker or exhibitor substructure. The creative development department consists of writers and the artists who develop a storyboard for a possible advertisement. Since these individuals are directly responsible for the creative content found in the advertisement, all of the people in this department can be considered creative workers in the substructural operation of the advertising industry (Campbell, Martin, & Fabos, 395).

Another department found in a typical national ad agency is the media selection department, which determines what form of media would best serve their TV advertisement and product. Since this department is responsible for making sure the advertisements actually reach target audiences, the media selection department can be labeled as an exhibitor substructural operator (Campbell, Martin, & Fabos, 397). Finally, the account services department should be placed in the auxiliary category, as these are the go-to executives between the advertiser and the creative department as well as the face of the agency to the top brands (Campbell, Martin, & Fabos, 398). While these individuals may have some say in how the advertisements reach the audience, they act closer to an agent than a distributor or syndicator.

An example of an individual who displays a variety of these different substructural operator categories is JJ Abrams. He is the brain and co-creator behind ABC hit shows like *Felicity*, *Alias*, and *Lost*. Along with Damon Lindelof, Abrams actually wrote the script for the *Lost* pilot, which would place him in the creative worker category (Covel). He has also produced movies like the recent hit *Cloverfield* and has directed an episode of *The Office* and the movie *Mission: Impossible III*. When he holds those positions, Abrams is more responsible for making sure the television show or movie makes it to the viewers and thus he could also be categorized as a distributor.

Conclusion

In a world where individuals cannot go one day without consuming thousands of advertisements, it's important to understand the advertising industry from its purpose to how it operates via regulation and its economic practices to its substructural operations. Advertisers try to reach out and target the desired demographic. By purchasing a product, the consumer is directly funding future advertising for said brand and the cycle continues for another day in the advertising industry.

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