# Application of Multi-level Analysis in the Process of Advertising Industry Trends Study

Valery A. Borodin(✉), Sergey B. Prianichnikov, Anna I. Galushkina, Elena A. Nagaeva, and Sergey V. Ustinkin

Nizhny Novgorod State Linguistic University Named After N.A. Dobrolyubov, Nizhny Novgorod, Russian Federation
borodin@lunn.ru, pryanichnikovsb2013@yandex.ru, galuanna@yandex.ru, lena.nagaeva@mail.ru, sv.ustinkin@gmail.com

**Abstract.** The long-term steady development of enterprises under the contemporary economic conditions is to a considerable extent determined by the possibility of output not only for the domestic advertising market, but also on the world. The today universal market for advertisement rapidly is developed, moreover mainly, due to the countries of Asia and Latin America. Whereas the Russian market for advertisement lags behind the world leaders, and its portion remains small. Like many of market, the market for advertisement is globalized, and explosion the Internet advertisement makes possible to leave to this segment of market for companies practically from any country. In the article is given the analysis of the trends of development of advertising market in the world, whose understanding will allow Russian companies to develop their strategies of output to the markets for other countries, which will, in turn, be important competitive advantage and will increase the competitive ability of these companies. With the estimation of the effectiveness of the solutions about the output for one or other advertising market or another it is necessary to consider different criteria and indices of micro and macro of the media, which sometimes can contradict each other. Therefore as the basic method in the article it is proposed to use multilevel analysis.

**Keywords:** Advertising industry · The advertising markets
Advertising BTL and ATL markets · Marketing communications
Media agencies · The tendency of regional advertising markets

## 1 Introduction

The formation of the sustainable economic development of the Russian enterprises and organizations is largely determined by the ability to sell their products, where the large role is played by formed system of marketing communications and development of the advertising industry. In this connection, the analysis of the status and possible trends in


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the advertising industry is an important direction of promotion on the markets of domestic goods and services as well as enhancing the competitiveness of Russian enterprises.

## 2 Theoretical Foundations of the Research

Advertising industry is an industry that defines advertising as a product of economic activity providing public demand for advertising services. The development and transformation of promotional activities led to a special social institution, which performs an important function in ensuring the public needs for advertising services. Organization of the advertising industry is aimed at the development of specialization and the formation of a variety of advertising organizations producing complex promotional product and/or rendering only advertising services, as well as involvement in the advertising process of different economic actors.

Among foreign experts who contributed to the advertising industry, to the creation of conceptual bases for analyzing the advertising market in the world, one can mention S. Zu, S.T. Kavusgil, J. Volz, D. Griffith, G. Yalchinkaya, D. Yugenheim, L.D. Kelly, J. Hudson, S. Bradley, etc. In particular, Zu and Kavusgil developed the theory of global marketing strategy (GMS), which justifies the need for standardization of marketing strategies implemented in different countries by transnational corporations [10]. J. Volz considered the possibility of applying GMS theory to the analysis of advertising campaigns carried out by TNCs on world markets. Griffith and Yalchinkaya suggest that the firm's activities in the global advertising market should be viewed from the standpoint of resource theory, within which each resource is assessed in terms of its contribution to the firm's overall competitiveness [8]. Jugenheim et al. provides a description of the various tools and resources that can be used to analyze the advertising industry in the world [9].

The state of the advertising industry can be examined on the basis of a comparative analysis of the advertising market in developed countries, the volume and dynamics estimation of the advertising market in Russia as a whole as well as analysis of the advertising industry Russian metropolises. Nowadays, well-known analytical and consulting companies, media agencies analyze the global advertising industry [1, 2].

Analytical materials provided by Russ Outdoor, Zenith Optimedia (ZO), Carat Russ Media, Ad Age, GroupM, PricewaterhouseCoopers, TNS Media Intelligence Initiative, ACAR (Association of Communication agencies of Russia), JeSPAR analyst, data of annual financial reports of leading world OOH-operators, official statistics Rosstat are considered to be of interest.

It is important to note that every company has its own approach to prepare analytical materials, for example, the company Russ Outdoor estimating media market and outdoor advertising industry Russia additionally considers the costs to print because the poster in outdoor advertising is a means of distributing content. However, data of ESPAR-Analytic Company and Russ Outdoor Company are of interest for calculations of the outdoor advertising industry volume.

## 3 Methodology of Research

Modern methodological tools research trends in the advertising industry is characterized by the use of wide range of different economic, sociological and even psychological methods. However, while the external environment is being transformed, various factors influence the development of the advertising industry. Thus, it is important to examine the level of demand, to study the market capacity as well as to determine the prospects for its development. Therefore, a multileveled analysis of all aspects of the functioning of this market should be applied.

In the last decade, there has been a trend of constant growth of total global advertising spending. Situation on the global advertising market remained relatively stable: global spending in traditional media: television, radio, press, outdoor advertising, cinema, the Internet grew. This trend should persist for the near term, however, the development of the advertising market will largely depend on the overall economic situation in the world.

## 4 Analysis of Research Results

Starting from 2009, there has been a steady growth of total global advertising expenditure, and for the period 2014–2016 the following eight countries contributed to the growth of the advertising industry: the USA - $20,945 million, China - $12,990 million, the United Kingdom - $5,080 million, Japan - $3,138 million, India - $2,706 million, Indonesia - $2,475 million, Brazil - $2,470 million, and Argentina - $2,077 million. Additionally, according to analysts, the average annual growth of global advertising expenditure for the same period amounted to 0.6% in Eastern and Central Europe, 2.5% in Japan, 3.2% in Central Europe, 3.7% in North America, 6.9% in Latin America and 9.1% in Asian developing countries.

The developing countries in Asia and Latin America showed the greatest growth and they rightly expect to reduce the economic gap with developed countries through increased promotional activities.

In 2014–2016, the global investment growth in advertising amounted to the following: 4.7% in 2014, 4.2% in 2015, 5.0% in 2016 and 4.5% in 2017 (forecast). It is characteristic that GDP grew proportionally: 5.0% in 2014, 4.7% in 2015, 5.9% in 2016, 6.1% in 2017 (forecast). Thus, there is a direct correlation of GDP growth and increased investment in advertising.

The analysis of the proportion of expenditure on the world market media showed that advertising on TV is still leading (with declining shares). Comparative data are as follows:

1. TV 39.1% (2014) and 36.8% (2016);
2. Internet 5.1% (2014) and 12.9% (2016);
3. Newspaper 14.9% (2014) and 11.7% (2016);
4. Magazines 7.4% (2014) and 5.9% (2016);
5. Cinema 0.5% (2014) and 0.5% (2016);

6. Radio 6.8% (2014) and 6.2% (2016);
7. Outdoor advertising 6.8% (2014) and 6.2% (2016).

The trend is the growth of Internet advertising and the decline in the share of other advertising media. The main reason is the large number of audience and the relative cheapness of Internet advertising. Thus, during the last decade, the situation in the global advertising market remained positive: the costs of the most common media (TV, radio, press, outdoor advertising, cinema, Internet) grow.

However, the development of the advertising market significantly depends on the global economic situation. So Zenith Optimedia forecasts that in the coming years global advertising costs are expected to increase and in general, this forecast is close to estimates of other leading media agencies.

However, a number of experts reduced the forecast of the world advertising market development in the coming years and this is due, above all, to unstable Euro zone economies and the existence of economic sanctions. Therefore, in a number of European countries, there is a tendency to reduce advertising costs, while the situation in the euro area had an impact on the growth forecast in the entire European region. It is reduced in Western Europe and Central and Eastern Europe. The same tendency is observed in the Asia-Pacific region and Latin America.

It is safe to say that the main world advertising market growth should be provided by emerging markets (all markets that are on the level of advertising expenditures below North America, Western Europe and Japan). According to experts, their contribution to the growth of the global market will make up more than 60%, thus, BRIC countries (China, Brazil, Russia, India) will make a significant global growth of the advertising market.

Today, the list of largest national advertising markets is headed by the United States (about 30%), Japan (10–11%), China (6–7%) Germany (5–6%), United Kingdom (over 4%), Brazil (about 3.5%).

The highest dynamics of growth of expenditure on advertising, according to Zenith Optimedia is observed in Latin America, the smallest one - in North America. In the Middle East and Africa, a significant drop in the advertising market is observed, which is associated with unstable political and economic situation in a number of countries in the region, and Russia's share of the global advertising market is about 2.0%. However, there will be very characteristic changes in the largest advertising powers list in the coming years. China is closer to the advertising budget of Japan, Brazil will join the five largest advertising powers in the world, and Russia must approach Canada.

A large part of the costs among all media traditionally falls on TV (about 40%) and the press (about 30%). According to Zenith Optimedia, the proportion of the world's outdoor advertising segment will remain stable in coming years and will be at the level 6–7% with the trend of gradual reduction. The main small reallocation of budgets will occur among segments and Internet use.

The state of the advertising industry in Russia can be summarized as follows [3–7]. The amount of the advertising market in Russia in the past 10 years has a tendency of growth; however, the share of the advertising market in Russia is still relatively small. According to experts, in recent years 2013 was the best year for the advertising market in Russia in terms of volumetric indicators (dollars). In 2014, there was a decline in total advertising market (up to RUB 340 billion). The part of the advertising market in media was estimated at 8.5 billion US dollars, that is 17.5% less than 2013 estimates. This decrease was due to the average annual ruble exchange rate vis-à-vis the United States dollar, which decreased in 20% in 2014 compared to 2013.

Nowadays, the television advertising remains the largest segment of the advertising market in media. ACAR experts evaluated that advertising on television amounted to RUB 160 billion in 2014 that is by 2% higher than in 2013. This in view of the fact that "media inflation" (the rise of instrumentation cost allocation) according to experts ranged from 7 to 12 per cent in 2014. There has been a downward trend in the proportion of television advertising by an average of 5–9%, it is important to note that the share of the Russian television advertising accounts for 2% of the world total television advertising. However, the comparative analysis should take into account that Russia's population is about 2% of the world population and GDP in the last decade estimated at 2.5–3.5% of global GDP.

As in the global advertising market, Internet takes the second place in Russia as for advertising. For example, in 2014, ACAR experts appreciated that the volume of Internet advertising reached RUB 84–85 billion. The placement of the banner ("display") Internet advertising fell by 5% to RUB 19 billion, and contextual advertising grew by 27% to RUB 65–66 billion. Thus, the share of the Russian Internet advertising in the global advertising market is 1.8%–2% of global spending on Internet advertising.

As far as outdoor advertising, its share in the Russian market does not change substantially for a long time and is estimated by experts at RUB 40–41 billion. Stagnation in the market of outdoor advertising is due to its excessively high share in the total volume of media in the middle of the last decade. So in 2005–2008 outdoor advertising share exceed 16% of the total volume of advertising in the media, however, this situation is explained by the relatively liberal approach of regulators to the placement of outdoor advertising. After 2009 the requirements of urban authorities (especially in large cities: Moscow, St. Petersburg, Ekaterinburg, Novosibirsk, Kazan, etc.) to this kind of advertising has noticeably increased. But in 2014, the year the share of outdoor advertising has fallen to only 12% of total advertising in media, almost twice the world average.

In the past 5–6 years in Russia there was a decrease in the volume of advertising in newspapers and magazines, while in value terms, the press has lost about 11%. For example, compared to 2008 (RUB 57 billion) press advertising market fell by more than 40% in 2014, and its share of total advertising in the media dropped more than twice from 21.5% in 2008 to 9.7% in 2014. For example, in 2004, the share of advertising in the press was more than 30% of the total volume of Russian advertising in the media.

Russian press advertising is only 0.7%–0.8% of costs (income) of advertising in the press in the world advertising market. Consumer interest to newspapers and magazines falls down a clear trend. It is partially the fault of magazines and newspapers publishers, who inflate costs, make a bad choice of advertising location.

Analytical materials published by the international company Zenith Optimedia, show that the proportion of press advertisement in worldwide advertising costs decreased in the last decade from 42.7% to 22.5%, though these 22.5% are more than twice Russian 9.7%. For comparison, the proportion of the press advertising expenditure (income) in the United States is 16% of national advertising costs.

The average annual amount of advertising on the radio in the past three years is estimated at RUB 17–18 billion, while the share of radio ads over the last 10 years is held stable at around 5% of the total advertising market. The world market of radio advertising has a similar situation.

Currently, the global advertising market estimated at more than 500 billion dollars. Therefore, we cannot allow the decline in the share of the Russian media of advertising product up to 1% of the world as according to experts it could lead to substantial losses in Russian advertising market and move Russia to the periphery of the world advertising industry. It is appropriate to point out that even in good years (2012–2013) the Russian market of advertising failed to enter the top ten most powerful advertising markets in the world.

Especially it is necessary to assess the condition of the Russian BTL market, because this type of advertising product allows you to interest unobtrusively the audience while the purchaser shall decide alone on buying, and nobody and nothing "pressure" him or her.

BTL includes direct marketing; events and contests; POS materials; stimulation of selling from dealers and buyers. BTL appeared in the middle of the 20th century and today in Russia this way of advertising has about 24% of the advertising budget, while in Western countries its share amounts to more than 50%. We can point out the main advantages BTL advertising: it is not obtrusive; less expensive, television with ATL oversaturated with advertising, to circumvent prohibitions on certain kinds of advertising (alcohol, tobacco).

Currently, major advertising agencies, marketing communications agencies become media agency and work closely on BTL advertising. While advertising agencies open host departments accommodation, media planning, design studios. According to ACAR, 20% of the largest media agencies have 60% of advertising in the media; the 20 largest BTL-agencies have less than 20% of the total BTL market.

There is a tendency of BTL market growth in Russia. In 2013, this market amounted to RUB 91 billion, or $2.85 billion at an average 2013 rate. In 2014, the BTL market grew approximately 10% up to RUB 100 billion. Compared to the market of advertising in media, the higher BTL growth is explained by the Sochi Olympics. In the first quarter of 2014, the BTL budget significantly increased due to the Olympics and participation of dozens of major Russian companies-producers of consumer goods and services as sponsors. For example, the BTL market growth is estimated at 20–25% compared to the previous year. However, the absence of similar events in 2015 changed the stats. The BTL market decline in 2015 compared to the previous year is due to several factors:

1. lack of comparable events as the Sochi Olympic Games;
2. reduced rates for accommodation in the media made media advertising relatively more affordable for large and medium-sized advertisers and they're cutting budgets in general, redistribute them in favor of the media, especially the Internet;

3. restrictions on “marketing services” provided by suppliers of retailers (introduced in 2013 the new edition of the law “On trade”) have led to a reduction in supply of these services and have a negative impact on the dynamics of the BTL market.

After BTL were included in the advertising market, marketing services include:

(a) marketing research services;
(b) marketing consulting, consulting on marketing strategies, product and assortment policy, branding;
(c) public relations-business PR.

## 5 Conclusions

Thus, it may be noted that the modern market of the advertising industry is characterized by major trends:

– globalization, i.e. it serves an integral part of the global economy;
– integration, i.e. combining its economic actors as well as deepen their interaction and linkages between them;
– concentration, i.e. strengthening the processes of mergers and acquisitions market players;
– networking, i.e. the development of a global network of advertising agencies;
– diversification of the activities of the actors of the market, i.e. the output of their work beyond the core business.

Along with the Russian market, the advertising industry is characterized by a significant time lag from world leaders. The development of the Russian market of advertising industry is influenced by government regulation, in particular by the negative impact of multiple restrictions at both Federal and local levels.

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