

# **An Introduction to the 1999 Advertising and Industry Survey**

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**Abstract:** In this paper we introduce a significant new dataset gained from the Advertising and Industry Survey of the advertising managers of UK firms that took place during 1999. The dataset is lodged with the ESRC databank, study number 4209, and contains information from over 800 firms on issues such as advertising levels and motivation, Internet advertising and the conjectured actions to rival companies. We describe the survey process, report tests for response bias and summarise some of the key data. In addition, we report mean advertising to sales ratios by SIC industry code at various levels of aggregation.

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## **An Introduction to the 1999 Advertising and Industry Survey**

### **I. Introduction**

In this paper we introduce a significant new dataset on the advertising practices of UK firms gained from the 1999 Advertising and Industry survey and which is available to academic researchers via the ESRC Databank.

Although advertising has long been seen as an important topic of analysis in industrial organisation, the limited availability of good quality data on advertising particularly at the level of the firm continues to pose a considerable barrier to researchers. The only regular source of information on advertising expenditure in the UK (published by MEAL - Media Expenditure Analysis Limited) is at brand level. The Campaign Report aggregates this data to the firm level for its annual list of the 100 top advertisers but there is no comprehensive, primary source of firm level advertising data in the UK. This is a serious problem for firm and industry level models in which advertising is a key variable. At firm level, some studies have used intangible assets to proxy for advertising capital. Proxies used at the industry level include 'other non-industrial costs' as given in the Census of Production (Dowrick [1990]). Uniquely, the 1968 Census of Production reported advertising expenditure by three digit industry and this data has been used even as late as 1990 (Geroski and Pomroy [1990]).

As Rogers and Tokle [1995] point out, the situation in the US is by no means perfect. American researchers do, however, have the advantage of two primary sources of firm level data. The first is the PIMS (Profit Impact of Market Strategies) data-set which relies on firms volunteering information. More significantly, since June 1994, the disclosure of advertising and promotional costs by companies has been mandatory in Annual Reports. This has enabled a number of studies to investigate advertising intensity at the firm level (e.g. Balasubramanian and Kumar [1997]), a literature which has no parallel in Europe.

Much recent theory has concentrated on the strategic use of advertising such as interactions between firms, entry deterrence and competitive strategies. Annual advertising expenditure data can provide only a superficial insight into these questions. Consequently, the explosion of game theoretic models that have attempted to analyse advertising strategies has not been accompanied by a comparable increase in empirical tests and applications, even in the United States. Exceptions include the work of Margaret Slade (see Slade [1995] for an example) in North America and Cubbin and Domberger [1988], who used the UK MEAL data.

One alternative method of gaining insights into the advertising practices of companies is to use data gained from surveys. Smiley [1988] and Singh, Utton and Waterson [1991] both describe surveys aimed at eliciting information on more general strategic actions by firms. To date, the only survey specifically on advertising was carried out in 1992 and is described in Paton [1998]. This elicited information on the advertising practices of a sample of 325 UK firms across all sectors of the economy and it is on this work that the present study seeks to build.

There is an important issue of how valuable survey data are likely to be compared to other sources such as company accounts. We believe that surveys provide a useful and valuable source of data for several reasons. Firstly, the approach of questioning managers, whilst not without its own set of problems, is much more direct and provides a very valuable way of looking at strategic aspects of advertising. Specifically, as argued by Singh et al [1998], questionnaires have the advantage that they “can capture actions which result in things not happening” (p.231). Second, and related to this, the managerial responses are valuable in their own right as they (ideally) reflect what managers actually think about their advertising behaviour. Lastly, respondents are much more likely to answer specific questions about commercially sensitive topics under the guarantee of anonymity that surveys can provide.

In the next section of the paper we discuss the methodology and process of the 1999 Advertising and Industry Survey. In Section III, we summarise key characteristics of the responding firms. In Section IV, we highlight some of the key data gained from the questionnaire, in particular that pertaining to non-advertisers, to entry deterrence and to Internet advertising. We provide some information on access to the dataset and make some concluding remarks in Section V.

## **II. Methodology**

### **II(i) Sampling Frame**

Firms were selected from the FAME (Financial Analysis Made Easy) database. FAME is a database of accounts of some 130,000 UK based firms covering all sectors of the economy operated by Bureau van Dijk. It includes both UK and foreign owned companies as well as subsidiaries. As our primary interest is in the advertising strategies of larger companies, our starting point for selection of firms for the sample was to include all quoted companies. To this we added larger private companies, namely those with a turnover greater than £5 million, a group which includes many foreign owned companies. The sample was not restricted to

particular sectors such as manufacturing or consumer industries for two reasons. Firstly, many of the important issues concerning advertising relate as much to services and retailing as to manufacturers. Secondly, allocating companies to a single standard industrial classification is a somewhat arbitrary process. So, even if the ultimate analysis is restricted to a particular sector, we prefer the firms to identify the sector to which they feel they belong.

An important issue is whether the questionnaire should be aimed at the level of the firm or the line of business. On the one hand advertising decisions of large firms may be devolved to several business units further down the hierarchical scale. Further, for multi-product firms, advertising strategies may vary across different lines of business. However, surveying at the level of the line of business (an approach taken by, for example, Singh et al [1998]) would lead to several problems. One is the consequent difficulty of matching the data collected with company accounts data.<sup>1</sup> More fundamentally, it is impossible to know the exact hierarchical level at which advertising decisions in each firm are taken and in many cases advertising *strategy* will be determined at the level of the firm. Also, data on advertising may be held centrally even when more than one business unit is involved in the decision making. Ultimately we took something of a compromise position. We excluded from the sample holding companies for which the questionnaire would have very little relevance. However, we included subsidiaries of companies for whom separate accounts are quoted. Further, some of the qualitative questions in the survey ask specifically about the firm's "main product line or service". We lastly excluded all firms and subsidiaries that were listed by FAME as no longer trading.

This process resulted in a sample of 5234 companies. Of these, 1270 are private companies and 3964 public companies. 693 are owned by a foreign company and 900 are subsidiaries of another company in the sample.

## **II(ii) Questionnaire Structure**

The questionnaire was designed to obtain both quantitative and qualitative information about advertising as well as some background information about the company itself and its competitive environment. A draft version of the questionnaire was circulated to a variety of academic and government sources including the Department of Trade and Industry and the Office of Fair Trading. This resulted in the production of a pilot questionnaire that was

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<sup>1</sup> The Annual Business Inquiry Respondents Database provides accounts data at plant level. It is not possible to identify individual firms in this database. Further, plant level is probably too disaggregated for the purposes of this survey.

circulated to a random sample of 154 companies (see Section II(iii) below). Responses gained from this pilot study lead to a few minor changes being made to the design and wording of the questionnaire. The final version is reproduced in Appendix 2.

The questionnaire is divided into three sections plus a supplementary question. The accompanying letter was addressed to the Advertising Manager of the firm. The first question asks simply whether the firm advertises or not. Advertising is defined quite generally to include sponsorship and direct mail but not product packaging or other forms of sales promotion. Managers stating that the firm does not advertise are then asked follow up questions about the reasons for not advertising and about any future plans to advertise. They are then directed to the final section of the questionnaire.

Managers who state in Question 1 that their firm advertises are directed to the second section entitled “About your Advertising”. This section comprises the bulk of the questionnaire. Managers are asked a series of questions about the level, motivation and content of their firm’s advertising. In the light of the rapid growth in importance of the Internet, several questions ask specifically about the current and future levels of Internet advertising. The final question in this section asks for the manager’s conjectured advertising response to a series of hypothetical questions concerning trading conditions and rival companies.

The third section of the questionnaire is entitled “About your Company”. Managers are asked to categorise their main product line or service within a particular sector of the economy and to list the geographical market at which their main product line is aimed. They are also asked to rank the most important modes of competition for their main product line and to identify the number of competitors for this product. Much empirical research at the firm level uses official industrial classifications to identify the type of firm and competitive nature of its market. The drawbacks with this approach are well known and include the difficulty of imposing rigid boundaries on a firm’s activities. The approach taken here is to obtain the managers own perception of the key features of their market. The problems of market delineation do not disappear, but there are advantages in letting delineation be done by the decision-makers rather than government statisticians. At worst, these measures provide an interesting comparison with more traditional measures.

Following this section, managers are asked in a supplementary question to provide data on total advertising expenditure for up to ten financial years. Given the possible difficulties with both finding and revealing this information, it was anticipated that only a minority of respondents would either wish to or be able to answer this question.

Consequently, it was felt better to pose the question in the form of an optional extra rather than as central to the survey.

### **II(iii) The Survey Process**

The survey took place in three stages. The first stage was conducted in the last week of August 1999. A draft questionnaire was sent to The Advertising Manager of 154 companies, randomly selected from the population. An accompanying letter explained the motivation for the survey and asked the managers to complete the questionnaire and to comment on the methodology and questionnaire structure. A pre-paid envelope was enclosed with the letter and Managers were also given the option of completing the questionnaire by email. There was no uptake to this offer although a few firms sent emails asking for clarification on certain points. The pilot survey elicited 12 valid replies and 11 unanswered questionnaires. As a result of the responses received, some minor modifications were made to the wording of the questions and the design of the questionnaire. At the end of September 1999 the remaining 5222 firms in the sample were sent a questionnaire together with an accompanying letter. Managers who did not wish to take part in the survey were asked to return the uncompleted questionnaire. Six weeks after the first mailing a follow up letter was sent to firms from whom no response had been received along with a second copy of the questionnaire.

### **III. Responses and Tests for Response Bias**

The second stage of the survey yielded 459 completed and 113 uncompleted questionnaires. The third stage yielded 393 and 60 respectively. Adding in the responses to the pilot survey, this gives a total of 864 completed questionnaires, 16.55% of the total firms in the survey. Eighteen firms categorised themselves as Holding Companies. As the original sample had been selected with the intention of excluding such firms, these companies were removed from the sample. A further two companies stated that they were currently dormant and these were also removed from the sample. This leaves 844 valid responses, 16.16% of all firms in the survey. The breakdown by sector, as identified in Question 13 of the survey, is given in Table I.

We match each company surveyed with accounts data from FAME supplemented by Company Analysis and Datastream where data are missing. At least some accounts data is available for virtually all companies, the exceptions being three companies that removed the identifying code from the completed questionnaire.

We then conduct a number of tests for response bias. We are concerned that the companies responding are a fair representation of the population and test this using a number of different variables using a combination of simple t-tests and chi-squared tests. The test results are summarised in Table II.

**Table I: Respondents by Industrial Sector**

Sector	Responses	%
Consumer Manufacturing	105	12.44
Producer Manufacturing	188	22.27
Distribution	87	10.31
Retailing	69	8.18
Services	312	36.97
Others/no response	83	9.83
<b>All</b>	<b>844</b>	<b>100.00</b>

*Source: 1999 Advertising and Industry Survey, Question 13*

**Table II: Tests for Response Bias**

Variable	Distribution	Respondents vs others		Respondents to Q18 vs others	
		Test Statistic	p-value	Test statistic	p-value
Company Type	$\chi^2(3)$	2.15	0.54	4.67	0.20
Ownership	$\chi^2(2)$	2.80	0.25	4.04	0.13
SIC alphabetical	$\chi^2(23)$	31.79	0.11	-	-
SIC 2-digit	$\chi^2(41)$	68.81	0.00	-	-
SIC 3-digit	$\chi^2(56)$	85.52	0.01	-	-
Turnover	t(4780)/t(784)	1.50	0.13	-1.53	0.94
Employees	t(4411)/t(736)	1.36	0.17	-1.11	0.27
Export rate	t(2043)/t(337)	1.62	0.10	-0.11	0.54
Operating profit rate	t(3138)/t(538)	-0.54	0.59	-1.01	0.31
Tangible assets rate	t(4689)/t(774)	0.52	0.61	0.68	0.50
Q 13 Sector	$\chi^2(5)$	-	-	9.70	0.09
A/S Ratio	t(658)	-	-	0.45	0.65

*Source: Financial Analysis Made Easy (FAME) and 1999 Advertising and Industry Survey, Question 13 and Question 6.*

**Notes**

- (i) Figures are based on 1998/9 financial year.
- (ii) Figures in brackets are degrees of freedom.

The chi-square tests are of the null hypothesis that the distributions of respondents and non-respondents are the same according to three variables: the type of company, ownership of the company and the primary standard industrial classification.

Company Type has four categories: public quoted, Alternative Investment Market quoted, public not-quoted and private. Ownership is categorised as parent companies, subsidiaries with a UK parent and subsidiaries with foreign parent. In neither case can the null hypothesis be rejected at any conventional significance level.

The industry classification is tested at the alphabetical, 2- and 3-digit levels. Industries with fewer than 25 firms in the original sample are grouped together into one classification. This leaves 24 categories at the alphabetical level, 42 at the 2-digit level and 57 at the 3-digit level. In this case there is contrary evidence. There is no evidence of any bias at the alphabetical level. However, at the 2- and 3-digit levels, the  $\chi^2$  statistics suggest rejection of the null hypothesis. Thus, at more disaggregated levels, there is evidence that firms within particular industries were more likely to respond to the survey. Particularly low response rates were achieved from motor vehicle manufacturers and pulp/paper manufacturers. On the other hand, high response rates were received from manufacturers of office machinery and measuring instruments.

The t-tests are of the null hypothesis that the sample means of particular variables are equal for respondents and non-respondents. Tests are reported for the following variables all for the 1998/9 financial year: turnover, number of employees, export rate, profit rate and tangible asset rate, the last three all as a proportion of turnover. In every case the t-statistic is insignificantly different to zero at conventional levels.

The final set of tests are undertaken to see if the subset of firms which provided some time-series data on advertising expenditure in Question 18 have different characteristics to other firms. The motivation for this is two-fold. Firstly, as expected, this is the only question to which only a minority of respondents provided an answer. Secondly, as the question asks for information that is particularly commercially sensitive, there exists the clear potential that responses will be biased against certain types of firms. The tests above are repeated, with the exception of those for industrial classification. In addition we conduct two extra tests. The first is a chi-square test using the sector indicated by the companies in answering Question 13. The second is a t-test of the mean advertising to sales ratio as stated by the firm in Question 6. The results are summarised in Table II. The fears about the sub-sample seem to be unfounded. In none of the tests can the null hypothesis (that the characteristics of those firms that answered Question 18 are no different to those that did not) be rejected at the 5% level. Only in the case of the turnover figures provided by the respondents can the null hypothesis be rejected at even the 10% level.

In summary we are encouraged by the results of these tests. In most respects, the sample of respondents seems to be a very fair representation of all firms surveyed. The one area of concern is that there is some evidence of a bias against firms within particular 2- and 3-digit industrial classifications.

#### **IV. Summary of Responses**

The responses from the survey provide what is potentially a rich source of information about many aspects of company advertising and to do justice to the whole dataset would be impossible in this paper. However, in this section we provide a flavour of the results by reporting summary statistics for a number of questions and highlighting some important issues which merit further investigation. We summarise replies for the whole sample and, where appropriate, tabulate summaries according to the company sector as identified by the respondent.

##### **IV(i) The Advertising Decision**

The decision by firms about whether to advertise or not has received comparatively little attention even though its determinants may be very different from the factors affecting the decision about the level of advertising. The first question in the survey asks whether or not the firm advertises. Those who answer “no” are then asked to give one reason for this.

The vast majority of firms (86.6%) state that they do advertise and the breakdown by sector is given in Table III. The dominant reason for not advertising, given by 50% of non-advertisers) is that advertising is “not appropriate for my industry”. 28% state the reason as being “not appropriate for my firm” and 14% that it is “too expensive”. Question 5 asks the firms to list any factors that might make them more likely to advertise in the future. The most common answers, given by about 25% of the non-advertisers in each case, are the company introducing a new product or brand and new opportunities on the Internet. In terms of future advertising, nearly one third of these companies state that new opportunities on the Internet may lead them to reconsider their decision in the future.

##### **IV(ii) Level of Advertising**

Question 6 asked the managers either to give the advertising to sales ratio of the firm in percentage terms (Question 6a) or to indicate a range out of 10 options within which the ratio lies (Question 6b). The vast majority of the advertisers (660 firms) answered this question. Answers to 6a and 6b are combined using the mid-points of the ranges and are summarised

by sector in Table IV. The mean ratio for advertising companies is 2.38% while for all companies it is 2.03%. As might be expected, retailers and consumer manufacturers have significantly higher ratios than companies in the producer goods and distribution sectors. As a more detailed analysis at industry level may be of interest to many researchers, we report the mean advertising to sales ratio by alphabetical, 2- and 3-digit SIC in Appendix 1. Figures are reported for all firms as well as for just those firms who advertise.

**Table III: Advertisers and Non-advertisers by Industrial Sector**

Sector	Advertisers		Non-advertisers	
	Number	%	Number	%
<b>Consumer Manufacturing</b>	94	90.38	10	9.62
<b>Producer Manufacturing</b>	157	83.51	31	16.49
<b>Distribution</b>	74	85.06	13	14.94
<b>Retailing</b>	62	89.86	7	10.14
<b>Services</b>	277	89.07	34	10.93
<b>Others/no response</b>	65	78.31	18	21.69
<b>All</b>	<b>729</b>	<b>86.58</b>	<b>113</b>	<b>13.42</b>

*Source: 1999 Advertising and Industry Survey, Question 1 and Question 13*

**Table IV: Mean Advertising to Sales Ratio by Industrial Sector**

Sector	Number	Mean A/S
<b>Consumer Manufacturing</b>	89	3.25
<b>Producer Manufacturing</b>	143	1.78
<b>Distribution</b>	66	1.62
<b>Retailing</b>	49	3.47
<b>Services</b>	258	2.34
<b>Others/no response</b>	55	2.61
<b>All</b>	<b>660</b>	<b>2.38</b>

*Source: 1999 Advertising and Industry Survey, Question 6 and Question 13*

#### **IV(iii) Advertising and Entry**

A great deal of attention has been paid to the possibility either that advertising acts as a barrier to entry by creating absolute cost advantages for incumbents or, alternatively, that it facilitates entry by providing information to consumers about new firms and products.

Empirical work has generally attempted to link either the observed levels of advertising or the regulatory structure to measures of entry and market concentration. Rosenbaum and Lamort [1992] and Sass and Saurman [1995] come to opposite conclusions about the role of advertising and are representative of this literature. Cubbin and Domberger [1988] take an alternative approach in using MEAL data from the UK to examine the actual response of firms to prospective entry. The data gained from the Advertising and Industry Survey allows

the issue to be investigated from a different angle, specifically by asking for the stated views of the decision-makers themselves.

Three questions in the Survey are of direct relevance. The first is Question 7h which asks about the extent to which making it difficult for potential rivals to enter the market is an important aim of the firm's advertising. Questions 12h and 12i ask whether managers would alter the firm's Advertising to Sales ratio in the events of the introduction of a rival brand and a new company entering the market respectively.

The responses to Question 7h are summarised in Table V. Over 35% of managers indicate that deterring entry is not at all important as an aim of advertising. However, a significant minority - 23% - indicate that it is either quite important or very important. The breakdown across sectors suggests the use of advertising to deter entry is not dominated by firms within one sector.

**Table V: Advertising as Entry Deterrence by Industrial Sector**

	1		2		3		4		5		All n
	n	%	n	%	n	%	n	%	n	%	
<b>Consumer Manufacturing</b>	27	30	14	16	28	31	12	13	9	10	90
<b>Producer Manufacturing</b>	52	34	26	17	44	29	23	15	9	6	154
<b>Distribution</b>	26	36	13	18	11	15	16	22	6	8	72
<b>Retailing</b>	15	25	12	20	25	42	3	5	5	8	60
<b>Services</b>	102	40	40	16	56	22	36	14	24	9	258
<b>Others/no response</b>	24	38	9	14	17	27	6	10	7	11	63
<b>All</b>	<b>246</b>	<b>35</b>	<b>114</b>	<b>16</b>	<b>181</b>	<b>26</b>	<b>96</b>	<b>14</b>	<b>60</b>	<b>9</b>	<b>697</b>

*Source: 1999 Advertising and Industry Survey, Question 7 and Question 13*

**Table VI: Advertising Response to Entry by Industrial Sector**

	New Product			New Company		
	Up	Down	No Change	Up	Down	No Change
<b>Consumer Manufacturing</b>	13	5	72	10	6	74
<b>Producer Manufacturing</b>	28	7	116	25	7	118
<b>Distribution</b>	11	4	57	12	2	58
<b>Retailing</b>	8	4	47	19	3	37
<b>Services</b>	47	10	188	60	8	177
<b>Others/no response</b>	10	3	44	13	4	41
<b>All</b>	<b>117</b>	<b>33</b>	<b>524</b>	<b>139</b>	<b>30</b>	<b>505</b>

*Source: 1999 Advertising and Industry Survey, Question 12 and Question 13*

Question 12h and 12i are summarised in Table VI. The majority of managers state that they would not respond to either a new rival brand or a new rival company. A significant minority in each case state that they would increase their advertising in response. 17% state that they would increase advertising in response to the introduction of a rival's new product

or brand and 21% state they would increase advertising in response to a new company entering the market for their main product or service. In 84 cases, the managers indicate that they would respond in both situations.

#### **IV(iv) Internet Advertising**

Both the popular press and industry have recently paid a great deal of attention to the question of Internet advertising, an issue that has as yet received less attention in academic literature. The Internet Advertising Bureau (IAB) state that globally “Internet/online advertising revenues are on pace to exceed \$3.0 billion in 1999” (IAB [2000]). Several questions in the Survey relate to Internet advertising and responses to Questions 11a and 11c are summarised in Table VII. Question 11a asks whether or not the firm advertises on the Internet (apart from maintaining their own web site). The survey was fairly evenly split with 47% of managers stating that they did use the Internet. Of those that do not currently use the Internet, 67% state that they expect to do so within the next two years. Firms were also asked (in Question 11c) to give the percentage of their advertising expenditure that goes on the Internet. Of the 280 firms who answered this question, the mean percentage was 7.3% of advertising with a range from close to zero to 100%. Of those who currently use the Internet, 85% state that they expect to increase this proportion over the next two years. A last point of interest is the importance of Internet advertising relative to other media. Managers were asked to rank up to five media in order of their level of spending on advertising, one option being the internet, again excluding the company’s own web site. 184 (22%) managers ranked the Internet as one the three most important media for their advertising. Further, over one third of those who advertise on TV ranked the Internet as a relatively more important medium.

**Table VII: Internet Advertising by Industrial Sector**

	Do not use Internet		Currently use Internet		
	n	%	n	%	Mean % of Advertising
<b>Consumer Manufacturing</b>	50	52.63	45	47.37	3.28
<b>Producer Manufacturing</b>	69	43.95	88	56.05	7.66
<b>Distribution</b>	37	50.68	36	49.32	7.49
<b>Retailing</b>	33	54.10	28	45.90	5.48
<b>Services</b>	111	41.89	154	58.11	8.97
<b>Others/no response</b>	39	62.90	23	37.10	5.07
<b>All</b>	<b>339</b>	<b>47.55</b>	<b>374</b>	<b>52.45</b>	<b>7.33</b>

*Source: 1999 Advertising and Industry Survey, Question 11 and Question 13*

## V. Access to Data and Conclusions

The dataset from the 1999 Advertising and Industry Survey is lodged with the ESRC Databank, study number 4209, and is available for academic research and teaching purposes. The data is filed in STATA and ASCII tab delimited format. An accompanying Word file gives a description of the data file and provides instructions for users. Due to the sensitive nature of some of the data, a condition of use is that the identities of any firms involved will not be revealed in any published work.

The 1999 Advertising and Industry Survey dataset contains extensive information on the advertising practices of a sample of some 844 UK based firms. The dataset is likely to prove a rich source of information for researchers in industrial organisation who are interested in both descriptive and strategic aspects of advertising. Issues identified in this introductory paper include differences in advertising levels across sectors and industries, the growth of advertising on the Internet and the extent to which advertising is used as a barrier to entry. The dataset, however, covers a much wider range of issues concerned with advertising that are likely to be useful in a number of different contexts.

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## APPENDIX 1: Advertising to Sales Ratios by Standard Industrial Classification

**Table AI: Advertising to Sales Ratios by Alphabetical SIC (Level 1)**

SIC Code	SIC Description	All		Advertisers	
		N	Mean A/S%	N	Mean A/S%
<b>CA</b>	Mining & quarrying of energy producing materials	11	1.39	4	3.81
<b>CB</b>	Mining & quarrying except energy producing materials	5	1.41	5	1.41
<b>DA</b>	Manufacture of food products, beverages & tobacco	18	2.11	16	2.38
<b>DB</b>	Manufacture of textiles & textile products	11	1.49	7	2.34
<b>DE</b>	Manufacture of pulp, paper & paper products publishing & printing	22	1.72	17	2.23
<b>DG</b>	Manufacture of chemicals, chemical products & man-made fibres	16	1.73	14	1.97
<b>DH</b>	Manufacture of rubber & plastic products	13	1.33	11	1.57
<b>DI</b>	Manufacture of other non-metallic mineral products	8	1.16	8	1.16
<b>DJ</b>	Manufacture of basic metals & fabricated metal products	32	1.03	25	1.32
<b>DK</b>	Manufacture of machinery & equipment not elsewhere classified	25	2.24	22	2.54
<b>DL</b>	Manufacture of electrical & optical equipment	54	1.98	47	2.28
<b>DM</b>	Manufacture of transport equipment	9	1.33	9	1.33
<b>DN</b>	Manufacturing not elsewhere classified	18	2.52	17	2.67
<b>E</b>	Electricity, gas & water supply	5	0.61	4	0.76
<b>F</b>	Construction	63	1.58	54	1.84
<b>G</b>	Wholesale & retail trade; repair of motor vehicles, motorcycles & personal & household goods	170	1.87	138	2.30
<b>I</b>	Transport, storage & communication	46	2.90	43	3.11
<b>J</b>	Financial intermediation	12	0.79	10	0.95
<b>K</b>	Real estate, renting & business activities	150	2.47	134	2.77
<b>N</b>	Health & social work	9	3.82	8	4.30
<b>O</b>	Other community, social & personal service activities	60	2.20	53	2.49
<b>Other</b>		16	2.78	14	3.18
<b>All</b>		<b>773</b>	<b>2.03</b>	<b>660</b>	<b>2.38</b>

Source: *Financial Analysis Made Easy (FAME) and 1999 Advertising and Industry Survey, Question 6.*

### Note

Industries with fewer than 5 respondents are combined into the 'Other' category.

**Table AII: Advertising to Sales Ratios by SIC 2-digit Level**

SIC Code	SIC Description	All		Advertisers	
		N	Mean A/S %	N	Mean A/S %
14	Other mining & quarrying	5	1.41	5	1.41
15	Manufacture of food & beverages	18	2.11	16	2.38
17	Manufacture of textiles	7	1.87	5	2.62
22	Publishing, printing & media	19	1.85	14	2.51
24	Manufacture of chemicals	16	1.73	14	1.97
25	Manufacture of rubber and plastic	13	1.33	11	1.57
26	Manufacture, non-metallic products	8	1.16	8	1.16
27	Manufacture of basic metals	5	1.17	5	1.17
28	Manufacture of fabricated metal	27	1.00	20	1.36
29	Manufacture of machinery & equipment (other)	25	2.24	22	2.54
30	Manufacture of office machinery	16	1.98	15	2.11
31	Manufacture of electrical machinery	10	1.98	7	2.82
32	Manufacture of radio, television equipment.	14	1.08	12	1.26
33	Manufacture of medical instruments	14	2.90	13	3.13
35	Manufacture of other transport equipment	7	1.07	7	1.07
36	Manufacture of furniture etc.	18	2.52	17	2.67
45	Construction	63	1.58	54	1.84
50	Sale, repair, etc. of motor vehicles	12	1.88	10	2.26
51	Wholesale and commission trade	102	1.59	78	2.08
52	Retail trade	38	2.85	33	3.28
55	Hotels and restaurants	18	1.37	17	1.45
60	Land transport via pipelines, rail etc.	14	3.05	13	3.28
63	Auxiliary transport activities	17	3.32	16	3.53
64	Post and telecommunications	8	1.78	7	2.04
65	Financial intermediation	8	0.79	7	0.90
71	Renting of machinery & equipment etc.	9	3.42	9	3.42
72	Computer and related activities	55	2.47	49	2.78
73	Research and development	5	1.25	5	1.25
74	Other business activities	81	2.45	71	2.79
85	Health and social work	9	3.82	8	4.30
92	Recreational & cultural activities	29	3.19	27	3.43
93	Other service activities	31	1.28	26	1.52
<b>Other</b>		52	1.86	39	2.48
<b>All</b>		<b>773</b>	<b>2.03</b>	<b>660</b>	<b>2.38</b>

Source: *Financial Analysis Made Easy (FAME) and 1999 Advertising and Industry Survey, Question 6.*

**Note**

Industries with fewer than 5 respondents are combined into the 'Other' category.

**Table AIII: Advertising to Sales Ratios by SIC 3-digit Level**

SIC Code	SIC Description	All		Advertisers	
		N	Mean A/S %	N	Mean A/S %
15.9	Manufacture of beverages	7	1.43	6	1.67
22.1	Publishing	13	2.15	10	2.79
24.1	Manufacture of basic chemicals	8	1.50	6	2.00
25.2	Manufacture of plastic products	11	1.34	9	1.64
28.5	Treatment and coating of metals: general	8	0.67	7	0.76
28.7	Manufacture of other fabricated metal products	12	1.64	9	1.99
29.1	Manufacture of machinery for mechanical power	9	0.45	7	0.59
29.2	Manufacture of other general purpose machinery	7	4.44	7	4.44
30.0	Manufacture of office machinery and computers	16	1.98	15	2.11
32.1	Manufacture of other electronic components	6	0.51	5	0.61
32.2	Manufacture of television and radio transmitters	5	2.10	5	2.10
33.2	Manufacture of instruments for measuring etc	9	2.79	9	2.79
36.1	Manufacture of furniture	6	1.46	5	1.75
36.6	Miscellaneous manufacturing not elsewhere classified	11	1.97	11	1.97
45.2	Building of complete constructions or parts thereof	57	1.54	50	1.76
50.1	Sale of motor vehicles	11	2.05	10	2.26
51.1	Wholesale on a fee or contract basis	10	1.87	9	2.08
51.3	Wholesale of food, beverages and tobacco	20	1.10	13	1.69
51.4	Wholesale of household goods	24	1.50	18	1.89
51.5	Wholesale of non-agricultural intermediate products	12	0.64	10	0.77
51.6	Wholesale of machinery, equipment and supplies	6	1.50	6	1.50
51.7	Other wholesale	28	2.44	22	2.99
52.1	Retail sale in non-specialised stores	7	2.72	5	3.81
52.4	Other retail sale of new goods in specialised stores	26	2.54	24	2.75
55.1	Hotels	8	1.49	8	1.49
60.1	Transport via railways	7	3.29	7	3.29
60.2	Other land transport	7	2.80	6	3.27
63.1	Cargo handling and storage	5	5.50	5	5.50
63.3	Activities of travel agencies and tour operators	8	3.16	7	3.61
64.2	Telecommunications	6	2.33	6	2.33
65.1	Monetary intermediation	5	1.12	5	1.12
71.3	Renting of other machinery and equipment	5	2.15	5	2.15
72.2	Software consultancy and supply	45	2.66	40	3.05
72.6	Other computer related activities	8	1.09	7	1.25
73.1	Research & development on sciences & engineering	5	1.25	5	1.25
74.1	Legal, accounting, book-keeping & auditing activities	11	1.18	11	1.18
74.2	Architectural and engineering activities	8	0.38	8	0.34
74.4	Advertising	7	1.07	6	1.25
74.5	Labour recruitment and provision of personnel	13	3.59	12	3.89
74.8	Misc. business activities not elsewhere classified	38	3.33	33	3.83
85.1	Human health activities	8	3.74	7	4.27
92.6	Sporting activities	15	1.97	14	2.11
92.7	Other recreational activities	6	5.67	6	5.67
93.0	Other service activities	31	1.28	26	1.52
<b>Other</b>		<b>198</b>	<b>1.93</b>	<b>158</b>	<b>2.47</b>
<b>All</b>		<b>773</b>	<b>2.03</b>	<b>660</b>	<b>2.38</b>

Source: *Financial Analysis Made Easy (FAME) and 1999 Advertising and Industry Survey, Question 6.*

**Note**

Industries with fewer than 5 respondents are combined into the 'Other' category

APPENDIX 2: Questionnaire



*Please answer as many questions as you can. If you feel you are unable to answer a particular question, just move on to the next one. If you would like to receive a copy of the final report, please tick this box.....*

**Q1. Does your firm advertise?** Yes\*  No   
(Take advertising to include sponsorship (e.g. sports) and direct mail, but **not** product packaging or other forms of sales promotion)

*\*If the answer was yes, please go to Question 6.*

**Q2. Have you advertised in the past 3 years?** Yes  No

**Q3. Do you expect to start advertising within the next year?** Yes  No

**Q4. Which of the following most closely represents your reason for not advertising?**  
(Tick one only)

- a) *Not appropriate for my industry*
- b) *Not appropriate for my firm*
- c) *Rival companies do not advertise*
- d) *Too expensive*
- e) *Other, please specify:* \_\_\_\_\_

**Q5. Which of the following factors would make you likely to advertise in the future?**  
(Tick any that apply)

- a) *Your company introduces a new product/brand*
- b) *A rival company introduces a new product/brand*
- c) *Rival companies start to advertise/increase advertising activities*
- d) *Rival companies stop advertising/decrease advertising activities*
- e) *Trading conditions improve*
- f) *Trading conditions worsen*
- g) *A new company enters the market*
- h) *New opportunities on the Internet*
- i) *Other, please specify:* \_\_\_\_\_

*Now go to Question 13*

**ABOUT YOUR ADVERTISING**

**Q6a. During this financial year, how much will you spend on advertising as a percentage of your sales?**

\_\_\_\_\_%

**Q6b. If you do not know the percentage, within which range does it lie?**

- 0-0.5%     0.5-1.0%     1-2%     2-3%     3-4%   
 4-5%     5-6%     6-8%     8-10%     10%+

**Q6c. How has this proportion changed over the last three years?**

- Increased*                       *Decreased*                       *Unchanged*

**Q7. To what extent are the following important aims of your advertising?**

- 1 Not at all important    2 Quite unimportant    3 Neither important nor unimportant  
 4 Quite important    5 Very important*

- |   | <b>1</b>                 | <b>2</b>                 | <b>3</b>                 | <b>4</b>                 | <b>5</b>                 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) To provide customers with practical product information e.g. prices etc. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) To inform customers about the merits of the product                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) To raise awareness of your products/brands                               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| d) To raise awareness of your company                                       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| e) To launch new products or brands   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| f) To increase market share   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| g) To increase the size of the whole market                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| h) To make it difficult for other companies to enter the market             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Q8. About what proportion of your adverts provide specific information about the following?**

- 1 None /Very few    2 Less than half    3 About half    4 More than half    5 Nearly all/All*

- |                             | <b>1</b>                 | <b>2</b>                 | <b>3</b>                 | <b>4</b>                 | <b>5</b>                 |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| a) Product prices           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| b) Technical specifications | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| c) Purchasing information   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**Q9a. Is advertising in the market for your main product line dominated by one firm, a few firms or do most firms advertise more or less equally?**

- One Firm*                       *Few Firms*                       *Most Firms*

**Q9b. If the answer to Q9a was One Firm or Few Firms, is your firm one of the main advertisers in your market?**

- Yes                       No

**Q10. Please rank up to five of the following media in order of how much your company spends on advertising in each (1 being where most is spent and 5 the least)**

TV	<input type="checkbox"/>	Local newspaper	<input type="checkbox"/>
Radio	<input type="checkbox"/>	Trade Press	<input type="checkbox"/>
Poster/ transport	<input type="checkbox"/>	Direct Mail	<input type="checkbox"/>
Cinema	<input type="checkbox"/>	Internet (excluding company's own web site)	<input type="checkbox"/>
National newspaper	<input type="checkbox"/>	Sponsorship (e.g. Sports)	<input type="checkbox"/>
Magazine	<input type="checkbox"/>	Directories	<input type="checkbox"/>
Other, please specify: _____			<input type="checkbox"/>

**Q11a. Do you advertise on the Internet (apart from your own web site)?** Yes  No

<i>If the answer was yes, go to Question 11c</i>
--

**Q11b. Do you expect to start advertising on the Internet within the next two years?**  
Yes  No

**Q11c. About what percentage of your advertising spend goes on the Internet?** \_\_\_\_\_%

**Q11d. Do you expect this proportion to increase, decrease or stay the same over the next two years?**

Increase  Decrease  No change

**Q12. In each of the following situations, do you think the percentage of sales that you spend on advertising for your main product line would increase, decrease or not change?**

	<b>1 Increase</b>	<b>2 Decrease</b>	<b>3 No change</b>			
				<i>1</i>	<i>2</i>	<i>3</i>
a) Trading conditions worsen throughout the whole economy.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Trading conditions improve throughout the whole economy.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Trading conditions worsen just within your main market(s).				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Trading conditions improve just within your main market(s).				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Your main rivals increase their advertising.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Your main rivals decrease their advertising.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Your company introduces a new product/brand.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) A rival company introduces a new product/brand.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i) A new company enters your market.				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**ABOUT YOUR COMPANY**

**Q13. In which sector is your company's main product line (Tick one only)?**

Manufacturing (consumer goods)  Manufacturing (producer goods)  Distribution   
Holding company  Retail  Services  Other, please specify: \_\_\_\_\_

**Q14. What was your company's annual turnover in the last financial year? £ \_\_\_\_\_**

**Q15. At which of these markets is your company's main product line aimed?**

(Tick **all** that apply):

Regional market  UK market  EU market  International market

**Q16. Please rank the following forms of competition according to which you feel is most important for your main product line (1 being most important):**

Price	<input type="checkbox"/>	Quality	<input type="checkbox"/>
Media advertising	<input type="checkbox"/>	Customer service	<input type="checkbox"/>
Other sales effort	<input type="checkbox"/>	Other, please specify: _____	<input type="checkbox"/>

**Q17. How many other firms compete in the market for your main product line/service?**

0-1  2-5  6-10  more than 10

*Thank you for your help so far. If you have the information available, I would be very grateful if you would also answer one further question.*

**Q18. What was your total advertising expenditure in the following financial years?**

<u>Year</u>	<u>Advertising Expenditure (£)</u>	<u>Year</u>	<u>Advertising Expenditure (£)</u>
1999/2000	£ _____	1994/95	£ _____
1998/99	£ _____	1993/94	£ _____
1997/98	£ _____	1992/93	£ _____
1996/97	£ _____	1991/92	£ _____
1995/96	£ _____	1990/91	£ _____

**THANK YOU VERY MUCH FOR YOUR COOPERATION**

**Please return the completed questionnaire in the pre-paid envelope to Dr. David Paton, Department of Economics & Politics, The Nottingham Trent University, Burton Street, Nottingham, NG1 4BU; Tel (0115) 848 5536; Fax (0115) 948 6829; E-mail Neil.Conant@ntu.ac.uk**