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Executive summary

Advertising is a powerful tool for communicating information to consumers. It is used by businesses to market their products and build brands, and by governments and non-government organisations to influence behaviour and advise the public on important social issues. For the purposes of this report, advertising is defined as any paid for, owned or earned communication intended to inform and/or influence people.

This report seeks to quantify the value of the advertising industry to the Australian economy, including the number of Australian jobs supported and how advertising can be leveraged to achieve broader social and environmental objectives. The report has been commissioned by Advertising Council Australia, Australian Association of National Advertisers and Media Federation of Australia and builds on an earlier report published by Deloitte Access Economics in 2016.

Advertising plays a critical role in the Australian economy, contributing $53 billion (or 2.1%) of GDP in 2022. Over the same period $17.7 billion was spent on advertising in Australia, which has grown at a faster pace than many other developed countries (on a per capita basis). The economic impact of the advertising industry has increased by 12% since 2014, making it an important and fast-growing industry.

Advertising is a highly competitive sector, employing 153,400 people in Australia in 2021, both directly and indirectly. 85,900 of these were direct advertising jobs, an increase of 30,000 since 2016. This means that direct advertising employment has grown at more than twice the rate of employment growth in the economy generally. Advertising also supports 91,500 jobs in other industries that rely on advertising as a source of revenue.

This report considers the role of advertising in business today, as well as how the advertising landscape has changed over time. In 2023, the total value of the top 100 brands in Australia is $194 billion, led by Woolworths and Telstra. The most valuable brands are those that understand and embrace their consumers’ changing media consumption habits, such as increasing use of social media channels. In fact, the digital advertising market in Australia is projected to grow by 4.8% in Australia between 2023 and 2027.

Advertising is also used by businesses to engage with social and environmental issues of increasing importance to their consumers. 78% of Australians want business leaders to take a public stand on social issues, and 62% believe diversity in advertising is important. This report considers the potential for advertising to contribute to positive health and social change.

As part of our research, we have consulted with market leading organisations leveraging the power of advertising including Uber Eats, Tourism Tasmania and Whitelion on their award-winning campaigns. When thinking about maximising the value of advertising within your organisation, we have identified four key takeaways through consultations with business leaders and Chief Marketing Officers:

- Creativity is the multiplier of your business investment
- Advertising has a central role to play in corporate strategy
- Systemically track brand perceptions and financial performance
- The right channel mix is critical to achieving investment success

Source: Deloitte Access Economics

It is noted that this report does not seek to quantify the costs that advertising can sometimes impose, such as encouraging harmful behaviours. Industry and regulators should engage collaboratively to ensure the regulation landscape serves the best interests of Australian consumers and businesses alike, and to promote the role of advertising in driving economic growth through competition and innovation.
Key findings

Advertising is an important contributor to economic growth. In 2022, the sector contributed $53 billion to the Australian economy and is responsible for employing over 153,400 Australians. Advertising boosts competition, which benefits consumers by helping to drive down prices and enabling access to a variety of new and innovative products and services. Advertising represents a powerful tool in the policy making toolkit of governments and non-government organisations, helping to drive behavioural change. Advertising also benefits the community by helping to fund local infrastructure and providing a platform to reach local audiences.

**ECONOMIC VALUE**

$53 billion Economic impact on GDP in 2022

$17.7 billion Spent on advertising in Australia in 2022

12% Increase in economic impact since 2014

**CONSUMERS AND THE COMMUNITY**

$2,100 In improved living standards for the average Australian attributable to the advertising industry

78% Of Australians want business leaders to take a public stand on leading social and environment issues

$352 million Of public infrastructure across communities is built and maintained by the advertising industry

**EMPLOYMENT IMPACT**

153,400 People employed in advertising directly and in supply chain jobs in 2021

85,917 People directly employed in advertising in 2021

91,500 People employed in industries that rely on advertising as a source of revenue

2x Growth in advertising compared to the labour market more broadly, since 2015

**ADVERTISING IN BUSINESS**

$194 billion Value of the top 100 brands in Australia in 2023

5% Growth of digital advertising market 2023 to 2027

Companies that leverage advertising to communicate their value proposition to employees have stronger employee retention
Introduction

This report examines the value of advertising to the Australian economy, including the contribution to GDP, employment and business. It also examines the role of advertising in the broader social and environmental context in Australia.

Commissioned by Advertising Council Australia, Australian Association of National Advertisers and Media Federation of Australia, the work refreshes analysis undertaken in 2016 in Australia, and in a number of other advanced economies over the past decade.

For the purpose of this work,

‘advertising has been defined as any paid for, owned or earned communication intended to inform and/or influence people.’


This research paper draws on a number of assets to produce fresh insights about the advertising industry:

- Advertising data from a range of sources including Zenith Media, Brand Finance Australia and the Australian Bureau of Statistics
- Two types of modelling: the Deloitte Access Economics Regional Input-Output Model (DAE-RIOM) and an augmented Solow-Swan econometric model
- Consultations with leading businesses, government and non-government organisations to understand how advertising helps to achieve broader strategic objectives
Advertising works, but it also pays, and the numbers are eye catching. While Australia spent $17.7 billion on advertising in 2022, the impact on our national economy was nearly triple the spend – worth $53 billion. This represents a 12 per cent increase in economic impact since 2014.
Advertising in Australia

In 2022, **$17.7 billion was spent on advertising in Australia**.\(^1\) This was an increase of **120% since 2000**. In fact, spend on advertising in Australia has increased more quickly than in the US, UK, Norway, Sweden and many other developed economies (Chart 2).\(^2\)

One of the key drivers of this growth has been the rise of digital advertising, which has revolutionised the industry and created new opportunities for businesses of all sizes. In 2022, **digital advertising accounted for around 67% of all advertising spend in Australia**, up from just **35% in 2014**.\(^3\) In addition to the rise of digital advertising, traditional forms of advertising, such as linear television and print media, continue to play an important role in the industry.

Inflation has presented headwinds to the advertising industry in recent years. In the past year alone, consumer prices have risen 7%, affecting both the cost of advertising and the amount that businesses are willing to spend.\(^4\) In the period since 2014, advertising expenditure has increased by **$4.4 billion in nominal terms**, but only **$1.5 billion**, once adjusted for inflation (Chart 4).

Despite inflationary headwinds, expenditure on advertising rebounded quickly from the dip caused by COVID in 2020, highlighting its importance to industry during the economic recovery phase (Chart 1).

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**Chart 1:** Advertising expenditure in Australia ($b), 2000-2022

[Graph showing advertising expenditure from 2000 to 2022]

Source: Deloitte Access Economics, based on data provided by Zenith Media

Note: Advertising expenditure in 2022 is forecasted

**Chart 2:** Correlation between growth in advertising expenditure and growth in GDP per capita in developed countries, 2000-2022

[Graph showing correlation between advertising expenditure growth and GDP per capita growth]

Source: Deloitte Access Economics based on data from Zenith Media and the OECD

Note: Advertising expenditure and GDP per capita are expressed in growth terms over the period between 2000 and 2022.
Advertising expenditure has contributed $53 billion to Australia’s growth in GDP in 2022

Advertising plays a critical role in Australia’s economy by helping businesses reach potential customers, increasing their sales and revenue. Advertising promotes competition, drives innovation and improves the quality of products and services. By expanding markets and creating demand, advertising also encourages investment in new industries and technologies, further driving economic growth.

While a number of empirical studies have established a link between advertising expenditures and economic activity, this analysis looks to quantify the benefits in the context of the Australian economy. To do this, we attempt to formalise the value of advertising by using a growth model commonly used to decompose the drivers of economic development. The goal of this approach is to isolate the relationship between advertising and GDP growth, and capture the benefits. Advertising improves market efficiency and competition by enabling information to flow freely between business and consumers.

From this approach, we estimate that, over the period between 2000 and 2022, for every 1% increase in advertising expenditure, there is a 0.33% increase in GDP per capita. In monetary terms, this translates to almost $53 billion in 2022.

Table 1 shows that this contribution is larger than the size of the accommodation and food services industry, which contributed $47 billion to GDP in 2022, and the telecommunications industry which contributed $52 billion in 2018.

In addition to its impact on GDP, advertising also delivers broader benefits to the economy, such as greater value to consumers and better outcomes in non-market sectors like health and education. These benefits are difficult to quantify, but are nonetheless important in considering what the full value of advertising to the Australian economy might be.

The research shows that countries that invested more in advertising achieved higher economic growth by supporting competition, innovation and productivity.
Breaking down the economic impact of advertising

The economic impact of advertising has increased from around $40 billion when it was last reported for Australia in 2014 to around $52.7 billion in 2022.¹

The full difference of $12.7 billion can be further broken down into these components (Chart 3):

- **The impact** of advertising expenditure in contributing to GDP growth. This accounted for around $2.8 billion of real GDP growth between 2014 and 2022, after adjusting for inflation which averaged 2.2% per year over the same period (Chart 4), and

- **Expenditure** on advertising which has seen a relatively modest increase in real terms by around $1.9 billion since 2014.

This breakdown suggests that although the overall economic impact of advertising on the Australian economy has risen by around 31% since 2014, this increase falls to 12% in real terms.

In recent years, advertising expenditure has increased modestly. At the same time, increasing digitisation and maturity of advertising campaigns has brought more competition and lowered the cost of advertising. So, while spend has increased modestly, the impact per dollar spent on advertising has led to a net increase in the overall economic contribution of around $13 billion.

It should be noted that economic impact estimates are approximate and aim to account for the overall effects of information flows throughout the economy. The approach used to produce the 2022 impact is discussed in Appendix A.

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¹ Source: Deloitte estimates

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**Chart 3:** Breakdown of the change from 2014 to 2022

Source: Deloitte estimates

**Chart 4:** Real and nominal advertising expenditure, 2014-2022

Source: Deloitte Access Economics based on data from Zenith Media and the ABS
The rise of internet advertising

The share of internet advertising expenditure has risen in Australia from 1% of total advertising expenditure in 2000 to 67% in 2022. Over the same period, real GDP per capita has grown from $47,700 to $62,500 (Chart 5). A number of countries similar to Australia which have seen rise in internet advertising have also seen a rise in economic productivity, measured in GDP per capita (Chart 6).

It should be noted that although we see a positive correlation, this does not necessarily imply that the rise of internet advertising was the cause. It could also imply that more productive economies are simply more likely to spend more on digital advertising than less productive economies. However, studies suggest that advertising does improve market competitiveness and increase economic productivity. This is discussed in further detail in Appendix A.

Advertising also imposes a cost on consumers

Advertising is a driver of economic growth, but it is also important to recognise the inherent nature of advertising also imposes a cost on consumers.

For example, in rare cases, advertisements could have significant costs through encouraging problematic behaviours. Literature has found that promotional activities for smoking were causally related to the onset of smoking in adolescents (Pierce et al. 1998). More recently, there have been concerns about the promotion of alcohol, gambling or unhealthy food (Sargent 2020). Advertising could also play a role in consumerism, the chronic consumption of goods and services that are beyond an individual’s true demand – which can have significant environmental and social consequences.

However, a longitudinal survey undertaken by Lysonski et al. (2003) suggests that consumerism has become less problematic over time.

To mitigate some of the harmful effects of advertising, advertisers are subject to a number of regulatory regimes including Federal and State legislation, and co-regulatory and self-regulatory systems. Advertising standards are set out in various self-regulatory and co-regulatory codes administered by industry bodies. These include the Australian Association of National Advertisers (AANA) Code of Ethics, Food and Beverage Advertising Code, Children’s Code, Environmental Claims Code, Wagering Code, and the Alcohol Beverages Advertising Code Scheme. Complaints are handled by independent complaint handling bodies.

Deloitte Access Economics research finds that there are advantages to adopting a self-regulation approach.
Advertising is associated with the employment of over 153,000 people in the Australia economy in 2021. This is comprised of 85,900 people employed direct in advertising and 67,500 employed in the advertising supply chain. The rate of growth in advertising is more than double the labour market more broadly.
Advertising supports employment across the Australian economy

Advertising is a key driver of employment in the Australian economy. As well as employing over 85,900 people directly, advertising also supports employment through its supply chain and the media, creative and other industries that rely on advertising as a source of revenue.

This section examines three ways that advertising contributes to employment:

1. **Direct employment in advertising** – people employed in the advertising industry and in advertising roles in other industries (such as in-house marketers).

2. **Indirect employment supported by advertising** – employment in industries that are part of the advertising supply chain. This is examined using two methodologies: an input-output approach and an industry-specific approach.

3. **Supported employment** – employment in industries reliant on advertising-supported expenditure for a substantial proportion of their revenue.

Together, 1 and 2 comprise the employment impact attributable to advertising, while 3 demonstrates the breadth of employment across advertising-supported industries.
Direct advertising employment in Australia

The advertising services industry is a large and growing employer. In 2021, approximately 85,900 people were directly employed in advertising in Australia, bigger than the rail passenger transport industry and more than twice the size of the travel agency industry.\(^1\)

Since previous research using data from 2015, direct employment has increased by 30,000. Accounting for methodology changes, direct advertising employment has grown at around 5% per annum between 2015-21. This is more than twice the rate of employment growth in the economy generally, which has grown by approximately 2% per annum over the same period.\(^2\)

This employment is concentrated in the large eastern states, with 74% of employment located in Victoria and New South Wales, rising to almost 90% when including Queensland (Chart 7).

As well as the employment in the advertising industry, Charts 7 and 8 include those employed in advertising occupations in other industries. For example, an advertising manager for a local newspaper is employed in advertising, but is counted as working in the newspaper publishing industry by the ABS.

The advertising industry is changing significantly, with advertising roles becoming increasingly digital technology-focused, with strong growth in advertising technology or ‘AdTech’. Reflecting this, direct employment figures include a share of employees in three digital technology industries:

- Data Processing and Web Hosting Services
- Internet Service Providers and Web Search Portals
- Internet Publishing and Broadcasting

These industries likely employ a significant volume of people in AdTech roles, with IBISWorld estimating that around 50% of industry revenue comes from advertising activities. Applying this share to estimates of employment in these industries results in an estimated 11,200 employees in advertising roles.

Advertising employment in creative occupations like artists, musicians, writers and performers, has grown strongly, representing twice the share of advertising employment as in the 2016 edition of this report, to now be the second-largest industry for advertising employment (Chart 8).\(^3\)

Other industries that employ a significant share of advertising workers include specialised design services, management consulting and computer system design.

\(^1\) For an alternative approach, see the report ‘Ad’ing Value’ from IAB Australia, with comparable results to this report.
Indirect employment in advertising

Advertising supports employment both directly (workers directly involved in the production of advertising) and indirectly (workers employed in input industries). Together they make up the combined employment supported by advertising in Australia. Input industries include expenditure related to content development and campaign planning, including design, music and film production services, as well as expenditure on general business services like IT, human resources, accounting, travel and real estate services.

Using an input-output modelling approach that measures the flow of goods and services throughout the economy, we estimate that the advertising industry supports an additional 67,465 jobs indirectly.

This means that for every five people directly employed in advertising, a further four are employed in industries and sectors that provide inputs to advertising through the supply chain.

This implies that the total employment of people in advertising – comprised of both direct and indirect employment – reached over 153,383 workers in 2021 (Chart 9).

**Chart 9: Direct and indirect advertising employment (2021)**

- **Direct employment**: 85,917
- **Indirect employment**: 67,465
- **Total employment**: 153,383

Source: Deloitte Access Economics
Advertising revenue supports a broad range of industries which employ more than 90,000 people

Advertising expenditure is a key source of revenue for media and content development industries, as agencies purchase space for their advertisements in newspapers and on billboards, television, radio and the internet.

**Table 2: Advertising-supported industries in detail**

<table>
<thead>
<tr>
<th>Advertising-supported industry/occupation</th>
<th>Total industry employment</th>
<th>Advertising share of supported industry revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspaper publishing</td>
<td>9,794</td>
<td>53%</td>
</tr>
<tr>
<td>Free-to-air TV broadcasting</td>
<td>14,313</td>
<td>83%</td>
</tr>
<tr>
<td>Cinemas</td>
<td>8,675</td>
<td>6%</td>
</tr>
<tr>
<td>Magazine publishing</td>
<td>3,117</td>
<td>55%</td>
</tr>
<tr>
<td>Radio broadcasting</td>
<td>5,459</td>
<td>74%</td>
</tr>
<tr>
<td>Internet publishing and broadcasting*</td>
<td>8,203</td>
<td>37%</td>
</tr>
<tr>
<td>Pay TV broadcasting</td>
<td>2,222</td>
<td>6%</td>
</tr>
<tr>
<td>Billboards and outdoor advertising</td>
<td>1,784</td>
<td>100%</td>
</tr>
<tr>
<td>Sports administrative services</td>
<td>7,502</td>
<td>30%</td>
</tr>
<tr>
<td>Motion picture and video production</td>
<td>13,807</td>
<td>28%</td>
</tr>
<tr>
<td>Sportspersons (occupation)</td>
<td>4,412</td>
<td>Unknown</td>
</tr>
<tr>
<td>Music publishing and sound recording</td>
<td>1,564</td>
<td>33%</td>
</tr>
<tr>
<td>Smartphone application development*</td>
<td>8,117</td>
<td>Unknown</td>
</tr>
<tr>
<td>Video post-production services</td>
<td>2,065</td>
<td>42%</td>
</tr>
<tr>
<td>Motion picture and video distribution</td>
<td>382</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total advertising-supported industries</strong></td>
<td><strong>91,476</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Additional industries considered in research undertaken for IAB

Source: Deloitte Access Economics, derived from ABS (2022) & IBISWorld Pty Ltd (various). Note: share of industry revenue from advertising may vary from Table 1 due to methodological differences

In total, there are more than 91,500 people employed in industries that rely on advertising revenue.\(^1\)

In particular, advertising is a vital source of revenue for creative and culturally important industries, such as TV broadcasting, sport, cinemas and radio (Chart 10).

These industries rely on advertising for a varying proportion of their revenue, from billboards and free-to-air TV that almost exclusively rely on advertising, to cinemas and Pay TV that use advertising to supplement their main revenue streams.

**Chart 10: Employment in advertising-supported industries (2021)**

Source: Deloitte Access Economics, based on ABS and IBISWorld (various)
The total value of Australia’s top 100 brands is $194 billion in 2023. Advertising creates, builds and enhances brand value.
The role of advertising in business

Advertising has been traditionally used by businesses to promote sales, grow market awareness, increase market share and drive revenue growth. An effective advertising campaign can drive astronomical results, such as Nike’s iconic “Just Do It” campaign which saw sales increase from $800m to $9.2bn in a decade. The top 100 brands in Australia have a total value of $194 billion, an increase of 15% in 2023, led consistently by Woolworths and Telstra.

An increasingly important focus of advertising is communicating brand values – what a business offers and who they are. Clear communication of the values behind a brand improves engagement and builds strong consumer relationships, with 90% of Gen Z consumers being willing to pay more for sustainable brands.

Advertising also has a central role to play in corporate strategy, addressing the issue of how firms create value across markets. Advertising can be used as a tool to promote the objectives of the business’s executive leadership, such as sustainability ambitions. In these ways, advertising agencies have a role to play at the core of business strategy.

Advertising that is focused on building awareness of a brand’s greater purpose can also have reinforcing effects on employee engagement, talent attraction, supply chain connections and shareholders. Companies that leverage advertising as a tool to communicate their value proposition to employees – such as competitive remuneration and strong workplace culture – have been associated with reports of greater employee retention and satisfaction. Employer branding can therefore be used to enhance employee relationships and ultimately reduce employee turnover.

Figure 1: Benefits of advertising for businesses
Changes in the advertising landscape over time

The advertising landscape is constantly changing, requiring advertisers to modify their approach to keep pace with the latest developments:

The changing consumer

Consumer attention has become increasingly divided in line with media and technological advancements

There has been a seismic shift to digital over the past decade. Fast-growing technological advancements have driven changes in consumer behaviour, with the level of Australian consumers using social media for online shopping projected to reach 6.4 million in 2024 compared to 5.3 million in 2020.¹

The shift to digital marketing has come with opportunities for businesses, allowing them to expand more easily, compete in a global-scale market and reach bigger audiences. Further changes are on the horizon within Subscription Video on Demand (SVOD) services. For example, all major providers are predicted to launch ad-funded tiers by the end of 2024.² Roughly half (46%) of consumers are interested in ads in exchange for a free subscription.³

Personalisation

In a fragmented market, targeting the right audience is instrumental

Successful businesses are those that know who their potential customers are, and can personalise their messaging across the right channel mix to reach them. Data analytics technology is available to analyse consumers’ purchase and browsing behaviours.⁴ Businesses can invest in predictive algorithms to personalise the online consumer experience, leading to stronger customer relationships and increased sales opportunities. Research shows 42% of people are influenced by ads on free-to-air TV, compared to 35% for shopping websites and 34% on social media.⁵

Personalisation largely targets existing customers – known as in-market demand. However, it is important that businesses do not lose sight of broader brand building campaigns which help to generate future demand for goods and services and capture the attention of new customers.

Measuring effectiveness

Measuring advertising impact helps businesses to ensure strong returns on advertising investments

Improvements in the ability to measure effectiveness help businesses target consumers and can improve the return on investment in advertising. For example:

• digital platforms can record and report on the number of customer clicks, impressions and seconds spent viewing web page content
• advertisers have access to a variety of effectiveness measures, including brand awareness, purchase intent, and customer engagement
• the ability to quantify impact has improved through advanced analytics and attribution models, enabling a clearer understanding of the direct impact of advertising efforts.

Although online engagement is not directly equated to in-market effectiveness, data analytics can help businesses to use digital marketing budgets more effectively. Moving forward this will become increasingly important with daily social media consumption continuing to rise and the digital advertising market in Australia is projected to grow by 4.8% between 2023 - 2027.⁶ ⁷
Uber Eats case study

For Uber Eats, their flagship advertising campaign ‘Tonight I’ll Be Eating’ was key to establishing long-term brand building in a highly competitive market. In the two years following the campaign launch, Uber Eats became the top online food delivery service in Australia. Uber Eats won the Grand Effie and Effective Advertiser of the Year at the 2022 Australian Effie Awards.

In the two years following the campaign launch in 2017, Uber Eats became Australia’s top food delivery service.

For Uber Eats and creative agency Special, staying true to the original campaign objectives has been the key to success. For ‘Tonight I’ll Be Eating’, these objectives were to introduce Uber Eats, and rapidly grow awareness and comprehension in a way that was differentiated from the Uber parent brand. Andy Morley, Chief Marketing Officer for Uber and Uber Eats ANZ explained “at the top level, we wanted to announce Uber Eats to the world and to establish ourselves as a true category leader.” Celia Garforth, Head of Strategy at Special, noted that “Uber Eats needed to have courage to break existing category conventions and invest for growth in the long-term, rather than chasing short-term sales.”

Campaign design should be hinged on the target market being pursued. Design components of ‘Tonight I’ll Be Eating’ reflect Uber Eats’ strategic decision to go mass. “For execution, that meant appealing to everyone. We produced nine different advertisements partnering with a spectrum of celebrities and restaurants to showcase the variety of cuisine and achieve cultural cut through.” The campaign established key brand codes including the iconic brown bag and doorbell motifs. As Uber Eats transitioned from disruptor to established category leader, Morley described the campaign’s “creative evolution into celebrity duos and groups such as the Wiggles to promote the ordering of Uber Eats as a shared experience for families.” The campaign’s partnerships with celebrities and restaurants have garnered cult-like support across Australia and globally.

As advertising channels have expanded, Uber Eats’ channel mix has also evolved. Garforth described how the initial focus was on TV, as the biggest and most impactful channel for achieving mass appeal, noting “every channel plays a role and TV is still the most important channel to get right.” Morley reflected that the industry must learn to lean into new formats that tell brand stories within a 15-20 second connection.

Understanding how advertising delivers on its purpose is crucial. The ‘Tonight, I’ll Be Eating’ campaign has been remarkably successful. Less than one-third of current users had used Uber Eats services when the campaign first launched, however in just two years it became Australia’s top online food delivery service. COVID-19 also played a role in contributing to the growth of the platform, by accelerating tech adoption and the delivery of other products such as groceries. Morley describes how throughout COVID-19, Uber Eats had a heightened level of responsibility for its partner restaurants, which needed the Uber Eats platform more than ever to survive reduced footfall.

Key to success is a focus on long-term brand building. Customers today are willing to pay between $1 and $3 more for Uber Eats services over other platforms offering similar products and services, underpinned by an investment in building brand which helped to establish Uber Eats as a prominent and reliable household name.

Customer are willing to pay $1 to $3 more for Uber Eats over other platforms offering similar products.
Key recommendations for businesses

When thinking about maximising the value of advertising within your organisation, we have identified four key takeaways through consultations with business leaders and Chief Marketing Officers, to understand the ways in which they use advertising to achieve better business outcomes:

1. **Creativity is critical**
   Creativity is the multiplier of your business investment and is therefore critical to achieving campaign success. Creative differentiation of brand is now more important than ever for breaking category conventions and achieving long-term brand value.

2. **Advertising has a central role to play in corporate strategy**
   Advertising is a powerful tool for communicating corporate strategy: the values behind a brand and the executive leadership objectives. Advertising is an expression of a brand’s customer and employee value proposition, which is increasingly important for employee attraction and retention.

3. **Systemically track brand perceptions and financial performance**
   The continual advancement of technologies that monitor advertising impact and brand value enable businesses to better understand and appreciate the role of advertising in the growth of their businesses and ensure a strong return on investment.

4. **The right channel mix is critical to investment success**
   Mainstream channels such as TV and radio still play a critical role in advertising, but the rise of social and digital channels mean businesses can send out more messages than ever before. The right channel mix is critical to investment success, and this can be informed and optimised by data analytics tools.
Advertising provides a platform to inform and educate the public on important social, political and environmental issues.

Advertising also boosts competition, helping to drive down prices and providing consumers with greater choice.
The benefits of advertising extend to consumers and the community

Advertising is an important tool to disseminate information to consumers simply and effectively. While we typically think of advertising in terms of its application in business, it is an essential tool in the policy-making toolkit and helps government and non-government organisations (NGOs) to achieve a range of social and environmental objectives and drive behavioural change, such as promoting sun safety, healthy eating habits and reducing smoking rates.

Advertising also provides a platform to inform and educate the public on important social, political or environmental issues.

Some of the applications of advertising outside business include:

- **Driving down prices**
  Advertising boosts competition which helps to drive down prices, while also providing consumers with access to new and innovative products and services.

- **Changing behaviour**
  Advertising can be a useful tool to help achieve a range of social objectives and drive behavioural change.

- **Championing social issues**
  Advertising can be used to inform and educate the public on important social and environmental issues.

- **Boosting innovation and creativity**
  Advertising leads to new and innovative ways for brands to connect with their audiences about issues of mutual importance.
Benefits to consumers

The average Australian is $2,100 better off in terms of improved living standards due to the advertising industry. Beyond the direct impact of advertising to economic growth, advertising can create benefits to end users for example through enhancing competition which reduces prices, boosts consumer choice and innovation, and encourages information sharing.

**Driving down prices**
Advertising translates to the provision of no-cost information to consumers. More information translates to a more efficient market, as demand becomes increasingly responsive to price. This enhances competition between businesses and reduces prices for consumers.

**Boosting consumer choice**
Advertising serves as a mechanism to lower market barriers to entry as it provides a platform for new firm entrants to publicise themselves, their products and prices, which in turn expands consumer choice.

In addition, consumers are often able to access advertising-supported or discounted services and content. For example, consumers can access YouTube videos for free after listening to one or two advertisements or alternatively Netflix offers a ‘standard with ads’ plan which provides an ad-supported discounted subscription plan. Similarly, ad-supported content also enables consumers to access free television, radio, newspaper articles online and more broadly the internet.

**Encouraging innovation**
Businesses are constantly searching for new ways to differentiative themselves and meet consumers’ needs. A strong advertising industry helps businesses to continually improve their practices and services in an effort to differentiate themselves from their competitors. This contributes to the advancement of technology and improved products.

**A more informed public with low barriers to access information.**
Advertising provides a platform for government and non-government organisations to disseminate information to consumers simply and effectively, and is used to broadcast a range of social and environmental messages and drive behavioural change.

The ease at which the community can access this information creates a more informed public, which has the potential to lead to better decision-making. This is further explored on the next page. In addition, it may also reduce the time and effort required to find products aligned to consumers preferences.

*Figure 2: Consumer and community benefits of advertising*

<table>
<thead>
<tr>
<th>Consumer and community benefits</th>
<th>Consumer benefits</th>
<th>Community benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower prices</strong></td>
<td>Decreased prices for goods/services driven by increased competition between firms</td>
<td>Improved goods/services as a result of innovation, driven by increased competition</td>
</tr>
<tr>
<td><strong>Greater Choice</strong></td>
<td>Access to a wider range of goods/services as barriers to entry are lowered</td>
<td>Advertising provides a platform to inform the public about important social and environment issues and drive behavioural change, with low barriers to access this information</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Access to free-advertising supported services and content</td>
<td></td>
</tr>
</tbody>
</table>

*This figure has been estimated by dividing the economic impact of advertising by the Australian population.*

Changing behaviour through advertising

Advertising is an important lever to drive behavioural change. It provides a platform to broadcast messages to the public which creates more informed consumers and has the potential to lead to better decision making. As a result, advertising can be a useful policy tool for government to educate and inform consumers on a large range of issues, such as the dangers of smoking or drink driving. This, in turn, can help to encourage audiences to stop engaging in these risky behaviours, benefitting the public good.

One example of the role of advertising in driving behavioural changes over time is Australia’s tobacco control campaigns. Since the tobacco control campaigns were introduced in the early 1980s, smoking rates in Australia have declined significantly. In fact, the share of adults who smoke daily has more than halved over the last three decades, from 28.4% in 1989-90 to 13.8% in 2017-18. This decline has been particularly prevalent across Australian children and youth, as the share of 16 and 17-year old’s smoking at least once a week has decreased from 30% to 10% between 1984 to 2017.2

While Australia’s tobacco control strategy involved a range of measures, including tobacco excise increases and smoke-free laws, shifting consumer behaviour over time suggests that advertising such as labelling tobacco products with graphic health warnings and broader advertising campaigns on television, radio, print and social media have also provided significant contributions to this result.3

Recent years have further demonstrated the importance of advertising in driving behaviours that benefit the public, specifically the promotion of public health messaging throughout the COVID-19 pandemic to encourage more Australians to get vaccinated. As more Australians received their COVID-19 vaccinations, this led to lower transmission levels and COVID-19 cases, ultimately reducing the pressure on Australian hospitals. Empirical evidence confirms that advertising has a significant impact on consumers’ behaviours during this time.4 Along with these benefits, a higher COVID-19 vaccine rate led to a faster relaxation of harsh lockdown restrictions, enabling Australians to return to their normal lives and businesses to reopen their doors more rapidly.

Other examples of leveraging advertising as a tool to promote positive changes in behaviour in Australia include:

- Amgen’s ‘The Big O’ generated awareness of osteoporosis – a condition in which bones become weak and brittle – a disease that is more common in Australia than breast and cervical cancer combined. Despite this, testing rates remained low as few women felt they were at-risk. ‘The Big O’ helped to generate awareness and encourage women to get tested, with the campaign estimated to have returned 4,000 quality years to Australian women and over $170 million to the Australian economy.5
- The Royal Australian Mint launched the ‘The Donation Dollar’ to encourage the generosity of Australians by circulating $25 million ‘Donation Dollars’ – $1 dollar coins that were encouraged to be donated to charities or those most vulnerable. Within the first two months more than half (53%) were donated.6
- The Outdoor Media Association’s ‘Healthy Returns’ campaign was launched in direct response to worrying statistics that nearly all Australians (or 91%) were not consuming the recommended 5+ servings of vegetables a day and over two-thirds of Australians reported the cost of vegetables to be a major barrier to eating well.7 The campaign encouraged Australians to purchase low-cost and in-season produce to remind Australians they can continue to eat well and save money. The campaign reached more than 12 million people with 84% of Australians surveyed reporting that the advertisements encouraged them to lead a healthy lifestyle or eat healthy food.

When exploring the role of advertising in helping to promote healthy behaviours and actions which benefit the public good, it is also important to recognise that advertising has in some instances helped to encourage risky behaviour. Industry and governments should engage collaboratively to ensure the advertising landscape serves the best interests of Australian consumers and businesses alike.

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1 It is noted that recent data released by the Cancer Council indicates that the proportion of 14 to 17-year-olds smoking tobacco in the past four years, has increased from 2.1% to 6.7% in 2022, a reflection of the increasing use of e-cigarettes among young people.9
Tourism Tasmania's role is to create demand for travel to the State by connecting people culturally and emotionally to Tasmania.

Tourism is vital to the health of the Tasmanian economy, as the industry supports 37,300 jobs, accounting for 12% of all Tasmanian jobs. 1 ‘Come Down for Air’ represents Tasmania’s overarching brand platform that underpins the State’s destination marketing.

The ‘Come Down for Air’ brand platform positions Tasmania as “the antidote to the straitjacket of modern life” by inviting travellers to escape the stress and routine of everyday life. The brand platform achieves this by creating space and calm in a busy advertising environment and highlighting simple, joyful and mindful moments that a holiday in Tasmania may include.

‘Come Down for Air’ highlights how different Tasmania is as a destination, representing quite a distinct experience for travellers.

This authentic message resonates with travellers as Lindene Cleary, Tourism Tasmania’s Chief Marketing Officer, notes “people feel transformed by a holiday to Tasmania”.

‘Come Down for Air’ targets mainland Australian who are seeking to escape, specifically:
- ‘Raw Urbanites’ who are looking to escape a mainland lifestyle and relax
- ‘Erudites’ who are seeking adventure and to experience new things

The platform is delivered through paid media activity in high-reaching channels, including broadcast television, on-demand, online video, cinema, print, radio, social media in addition to out-of-home advertising, such as billboards and public transport.

‘Come Down for Air’ has been a huge success in driving demand and visitor expenditure to the State and growing long-term brand recognition.

As a destination, Tasmania (as measured by the Meaningfully Different Framework which considers “have you seen or heard anything about Tasmania”) ranked third, behind New Zealand and Queensland. Lindene noted that this result is hugely satisfying given Tasmania’s lower budget compared to these goliaths.

When asked about what is next for the ‘Come Down for Air’ campaign, Lindene noted “over the coming years we aren’t planning to steer too far from the original concept, we are just looking for new and fresh ways to deliver the same feeling. We need to stay creative and innovative as we need to work harder to cut through in an increasingly competitive landscape.”

For example, Tourism Tasmania has started to include the winter season (i.e., the ‘Off Season’ campaign) into the ‘Come Down for Air’ brand platform, in order to smooth out the seasonality across the year. Tourism Tasmania has approached this by experimenting with different cultural channels such as murals, street posters and partnerships with Vogue, Rolling Stone magazine and Broadsheet.

For further information please visit Tourism Tasmania.

As a destination, Tasmania had:

- 1.19 million visitors, an increase of 75% on 2021
- $3.476 billion in visitor spend (including international and domestic), an increase of 87% on 2021 and 37% on 2019
- The December quarter recorded the highest visitor spend in measured history, and the second highest spend of any quarter

*A in the first quarter of the 2023 calendar year.*
Advertising campaigns that champion social and environmental issues are increasingly becoming more popular, as businesses look for ways to create content that consumers can connect with and make them feel seen. While in the past advertising has contributed to the promotion of harmful behaviours, there is an opportunity now to reverse some of the trends it helped create. Importantly too, consumer appetite for socially conscious advertising is expanding, with one study indicating that more than three-quarters (78%) of Australians reported a desire for business leaders to take public stand on leading social and environmental issues.

**Diversity and Inclusion**
Socially conscious advertising is a way for brands to look inward and identify the values that matter to them. The appetite for social responsibility in advertising is growing and some businesses are already leading the way. For example, Dove's ‘Real Beauty’ campaign was launched in 2004. Dove identified an important opportunity to inspire women by moving away from harmful beauty ideals by showcasing beauty in new ways, such as different ages, body types and ethnic backgrounds. The campaign promoted positive body image by using realistic and diverse images of women that all types, which consumers could relate to. Over the years, Dove has maintained its ‘Real Beauty’ campaign continuing to challenge stereotypes in the personal care industry. This translated to strong business performance, with the ‘Real Beauty’ campaign boosting Dove’s sales from $2.5 to $4 billion in ten years.

Evidence suggests that consumers’ appetite to engage with content they can relate to is growing. In fact, Adobe’s 2019 Diversity in Advertising survey revealed that 62% of Australians indicated that diversity in advertising is important with nearly a quarter (24%) reported being more likely to purchase products and services from brands with advertisements that showcase diversity. While the role of advertising in the promotion of diversity and inclusion is relatively new, as consumer interest continues to expand organisations will need to adapt accordingly.
A platform to champion social and environmental issues

**Sustainability**
Over recent years consumer interest in environmental issues has quickly accelerated, with research suggesting that over three quarters (83.7%) of Australians are concerned about environmental issues. Consumers are increasingly demanding businesses integrate sustainable business practices paired with taking a public stand.

Adidas’ ‘End Plastic Waste’ campaign launched in 2018, integrating ocean plastic waste and recycled materials into the design of new sneakers. The sustainable sneakers were embraced by consumers, as Adidas sold out 7,000 pairs of shoes within 24 hours of campaign launch. Each containing the equivalent of 11 plastic bottles. Since then, Adidas has committed to only using recycled plastics in all new sneakers by 2024 – equating to 403 million pairs each year. In recent years, Australia has experienced an unrelenting series of natural disasters. As a result of climate change, the frequency and severity of these events is expected to grow, however only 3% of disaster funding is spent on prevention activities. Suncorp in partnership with Leo Burnett, The Glue Society, OMD along with James Cook University, CSIRO and Room 11 architects developed ‘One House to Save Many’, the world’s first home designed and scientifically tested to withstand severe weather events, fundamentally challenging the role of an insurer and helping to usher in new building standards. Importantly too, the advertising industry also has a role to play in reducing global carbon emissions, particularly for digital advertising. The global weighted average of digital advertisement emissions is 670g CO2PM – this is equivalent to flying 1.35 million passengers from London to Paris and would take 3.7 million fully-grown trees one year to absorb this amount of carbon. However, the advertising industry is taking steps to reduce its global footprint including:

- **Optimizing video content** by carefully considering how and where advertisements are filmed
- **Delivering campaigns only over Wi-Fi connections and not via mobile internet**
- **Prioritising targeting to the most qualified audiences**, this helps to reduce pointless impressions that reach no consumers and needlessly generate carbon emissions, currently estimated to represent 15% of total spend on digital advertisements.

There is already significant buy-in from the industry as many global organisations, including Advertising Council Australia, Australian Association of National Advertisers and Media Federation of Australia have all committed to the actions of the global Ad Net Zero initiative.

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*Grams of carbon dioxide emissions per 1000 advertising impressions.*

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**The role of advertising in tackling climate change**

Across the world, more than 140 countries have announced or are considering Net Zero targets, with hundreds of corporate organisations making the same commitment. While new scientific discoveries and technologies will play an essential role in reaching these targets, demand-side mitigation – changing human behaviour to create demand for climate friendly alternatives – will equally be critical to the success of Net Zero targets.

While recognising the role that advertising plays in promoting consumerism, looking ahead it has a pivotal role in fighting climate change. Advertising has been shown in practice and research to influence consumer decision making, paving an important role for the industry in helping to tackle one of the world’s most significant problems – climate change – by creating demand for climate friendly lifestyles and behaviours.

As consumers have more access to information through social media, brands are under increased scrutiny to back up the values they promote in advertising campaigns to avoid making misleading claims about actual environmental impacts, known as “greenwashing.”
Whitelion Youth case study

Youth Whitelion was established in 1999 with the vision to ‘stop the revolving door’ for young people leaving the justice system. Today, the organisation’s focus has expanded to supporting all young people at risk.

2020 was a very challenging environment for all not-for-profit organisations as the generosity of Australians was crippled by two national crises: bushfires and COVID-19.

Whitelion – a not-for-profit organisation focused on delivering services to Australian youth at risk – had to pivot during COVID-19 with restrictions limiting the collection of physical donations (which had historically supported 30% of the organisation’s operations).

In this context, Whitelion in partnership with creative agency Ogilvy, introduced the ‘No Home Address’ fundraising campaign. The campaign focused on partnering with some of Australia’s biggest organisations such as Domain, the National Basketball League, and Asahi to lend their home pages on World Homeless Day to become a donation portal.

Whitelion’s ‘No Home Address’ was a huge success raising over $100,000, exceeding the donations traditionally collected through face-to-face fundraising events. To help put this into context, we understand that the Smith Family – a not-for-profit with a much higher brand recognition – collected around $100,000 from their largest event in 2020.

Similarly, we understand that another not-for-profit household name – Salvos – raised $240,000 in 2020.

This demonstrates the immense impact that a carefully considered and innovative campaign can have for a small organisation with limited brand awareness.

In the years since 2020, ‘No Home Address’ has become Whitelion’s flagship campaign as the organisation has transitioned away from face-to-face fundraising events. As a direct result of this transition, Whitelion is reaping the benefits of growing brand awareness and deeper understanding of the profile of their donors, which will help to inform even more effective and targeted campaigns in the future.

The ‘No Home Address’ campaign also provided a platform for us to broadcast who we are” – Rowena Middlemiss, Whitelion’s Director of Strategy

Leveraging advertising as a fundraising platform requires distinct considerations, particularly in an online environment.

Whitelion’s strategy surrounding the selection of brand partners for the ‘No Home Address’ campaign was based on a range of factors, including:

- brands within Whitelion’s and Ogilvy’s existing networks
- ensuring that there was a sufficient number of brand partners to deliver scale – this stage was particularly time-consuming and was reliant on successfully pitching brands’ within existing networks and cold-calling.

As the campaign was run completely online through a widget that appeared on the homepage of partner brands homepages, there were some key considerations to ensure the effectiveness of the campaign. In the context of a growing prevalence of cyber attacks, it was vital that security of information was ensured as customers of partner brands would be providing their personal financial details. Alongside this, it was also crucial that customers felt they could “click-out” and continue to the original site in order to not influence brand partners’ website traffic.

“Online giving campaigns are here to stay” – Rowena Middlemiss
Boosting innovation and creativity

Advertising benefits the broader ecosystem by challenging businesses to take creative risks and drive technological innovation. Advertising is one of the key ways in which businesses operating in the same market are able to differentiate themselves. A single campaign has the potential to shape the future of advertising and inspire new practices and trends for the rest of the industry to follow.

One powerful example is IKEA’s 2013 campaign which set the new norm for digital marketing practices when the organisation introduced augmented reality – the integration of digital information with the user’s environment in real time – as a new feature into their mobile application. IKEA’s Place app feature allowed consumers to see how pieces of furniture would fit in their homes on a smartphone or tablet, taking traditional mobile advertising to a new level. Research demonstrates that leveraging augmented reality into mobile applications has helped home-goods companies lower customer returns by up to 30%.

In the decade following, many organisations have followed suit with the introduction of augmented reality experiences. ASOS’ virtual ‘catwalk’ allows consumers to virtually try on clothes from the comfort of their homes.

Australian advertisements share a history of introducing the industry to innovative campaigns and techniques. For example, ‘GTI Hijack’ by the Volkswagen Group Australia allowed people to use a QR code to launch an in-browser racing game that was played live during prime-time ad breaks. This approach helped to make the Golf GTI stand out in a market saturated by car brand advertisements – the second biggest advertisers on television.

Media and technological advancements will continue to drive creative innovation in advertising, and businesses are racing to keep step with the latest developments. For example, the metaverse is set to allow companies to create a virtual world for customers to experience their products and services in an immersive way.

Australian small businesses & communities

Approximately 97.5% (or around 2.5 million) of all businesses in Australia are small businesses. As a result, Australian small businesses represent a significant cohort of advertisers across a broad array of channels including broadcast television, online video, print, radio and social media.

To these small businesses, advertising is an important platform to establish market share and reach local audiences. However, targeted, local advertising also helps to foster local community engagement as small businesses often tailor messaging that resonates with the local community or reflects goods and services that the community is interested in. For example, an estimated three-quarters (or 74%) of Australians believe that advertising on commercial radio and audio – one of many advertising platforms used by small businesses – builds a sense of community.

The advertising industry also plays a critical role in maintaining and building public infrastructure such as bus shelters, public benches, billboards and information kiosks across Australia. In fact, the outdoor media industry is estimated to have built and maintained infrastructure worth $352 million in communities across Australia.
References

Executive Summary

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Page 8: Advertising in Australia
1. Zenith Media, Advertising expenditure data and forecasts (2021)
2. Organisation for Economic Co-operation and Development (OECD), Economic data and forecasts.
3. Zenith Media, Advertising expenditure data and forecasts (2021)

Page 9: Advertising expenditure has contributed $53 billion to Australia's growth

Page 10: Breaking down the economic impact of advertising

Page 11: The rise of internet advertising
1. Zenith Media, Advertising expenditure data and forecasts (2021)
2. Organisation for Economic Co-operation and Development (OECD), Economic data and forecasts.
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5. Lysonski et al., 'Should Marketing Managers Be Concerned about Attitudes towards Marketing and Consumerism in New Zealand: A Longitudinal View' (2003)

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1. Australian Bureau of Statistics, Census 2021 Tablebuilder (October 2022)

Page 16: Advertising revenue supports a broad range of industries
1. IBISWorld, Reports J5411, J5621, J5512, J5412, J5610, J5700, O05546, O05505, O05432, R9114, J5511, J5520, J5514, J5512, (2021-2022)

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2. Keller, Kevin, Strategic Brand Management (2012).

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Slide 24: Changing behaviour through advertising

Slide 25: Tourism Tasmania Case Study
5. Ibid.
7. Ibid.

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Slide 27: A platform to champion social and environmental issues

Page 29: Boosting innovation & creativity
4. ‘The Ad Break Championship – GTI Hijack’, (2022), <https://awards.freenewplatform.com/gallery/DyRn9kQmGKYgK5s5=5%36aeae0001c29332>
Appendix A:

Econometric modelling
**Note:** The approach taken in this study follows a similar approach to the previous studies conducted for Australia and New Zealand. Differences in approach taken in this study are explained in the subsequent slides.

The key challenge in this analysis is to accurately isolate the contribution from advertising to GDP from other growth factors. Advertising can boost economic growth by improving the efficiency of market interactions between business and consumers, through the provision of information that in turn generates competition. While other factors, such as the growth of internet usage, could lift both GDP and advertising expenditure due to increased marginal benefit and decreased marginal cost. In other words, the correlation between advertising expenditure and GDP does not necessarily indicate the extent to which advertising causes higher economic growth, given the presence of other economic factors that drive growth. To account for this, we attempt to formalise the value of advertising by using a growth model commonly used to decompose the drivers of economic development.

Studies that focus on statistical-variance models (e.g. Granger causality) that estimate the ability of advertising to predict GDP growth fall short of addressing the true causal relationship between these variables. These models are statistical procedures that do not link back to the theories that underpin the role of advertising in the economy. Rather, the focus of these approaches is to identify whether one data series is useful in forecasting changes in another over time.

This alone does not provide sufficient evidence to demonstrate a true causal relationship. In line with a large body of economic development literature, we seek to diffuse effects of advertising on economic growth using a simplified neo-classical production function. The formal framework for this approach was first set out by Mankiw, et al. (1992) and later augmented by OECD (2001). We supplement this framework by incorporating advertising as a driver of economic efficiency. This approach is also similar to techniques used by OECD (2013) and Czernich et al. (2009) to calculate the economic value of broadband.

It should be noted that whilst production functions provide a useful specification for exploring relationships between the factors of production and economic output, they are not without limitations when inferring causality. There are two major limitations in their usefulness in this regard. The first is in identifying proxy indicators for all of the relevant inputs to economic output, as well as potential confounding variables which may distort the true relationship between advertising expenditure and GDP growth. The second limitation is that this model specification is unable to inform the direction of causality in that the results may reflect a reverse causality from GDP growth to advertising expenditure. For these reasons, caution should be taken in drawing conclusions from the estimates from this modelling approach in isolation. However, numerous studies do provide evidence that advertising does improve market competitiveness and increase economic productivity over time.
Neo-classical growth theory

The standard neo-classical growth model is derived from a constant returns to scale production function with two inputs (capital and labour) that are paid their marginal products. Following closely to that presented in Bassanini et al. (2001), production (output) at time t is given by:

\[ Y(t) = K(t)\alpha H(t)\beta (A(t)L(t))^{1-\alpha - \beta} \]

Where \( Y, K, H \) and \( L \) are respectively output, physical capital, human capital, and labour, \( \alpha \) is the partial elasticity of output with respect to physical capital, \( \beta \) is the partial elasticity of output with respect to human capital, and \( A(t) \) is the level of technological and economic efficiency. Economic efficiency can include a range of ‘enabling services’, such as ICT and the digital economy, trade, transport and logistics, professional and support services, and innovation. These enabling services provide support to firms at all stages of production. We incorporate advertising expenditure as a driver of economic efficiency, alongside an internet usage index which is composed of: internet users as a percentage of population, mobile subscription per 100 inhabitants, and fixed broadband subscriptions per 100 inhabitants \( (V_j) \).

\[ A(t) = I(t)\Omega(t) \]

\[ \ln(I(t)) = p_0 + \sum_j p_j \ln V_j(t) \]

\[ \Omega(t) = g(t)\Pi(t) \]

It can be shown that steady-state value of the capital inputs can be expressed as functions of their respective investment rate. Substituting the steady-state expression back into the production function and adopting a formulation using steady-state human capital, \( h^* \), consistent with previous research (Qu, Simes, and O’Mahony, 2016), the functional form of our growth equation can be derived as:

\[ \Delta \ln y(t) = \phi \left( -\ln y(t-1) + \left( \frac{\alpha}{1-\alpha} \right) \ln s_k(t) + \left( \frac{\beta}{1-\alpha} \right) \ln h(t) + \right. \]

\[ \left. \sum_j p_j \ln V_j(t) - \left( -\ln g(t) + \ln (n(t)) + g(t) + d(t) \ln (n(t)) \right) \right) \Delta \ln h(t) + \left( 1 - \frac{\phi}{\psi} \right) g(t) \]

The coefficient estimate \( \phi \) represents the convergence parameter, which underlines the speed with which countries converge to their new steady-state output. The change in human capital \( \Delta \ln h(t) \) captures short-term dynamics in the model to help isolate the persistent impacts of advertising from country-specific short-run effects. This augmentation is advantageous as it relaxes the assumption that countries are in their steady-states and that deviations from the steady-state are independent and identically distributed.

We use a sample of 24 developed countries between 2000 and 2022. Where appropriate, data is converted to constant 2022 US dollars using constant Purchasing Power Parity, consistent with OECD standards. Table A.1 to right lists the countries included in the data.

In previous work, a different set of countries and time period were selected based on the data available for the given model specification. In the Australian study conducted in 2015, 13 developed countries were sampled between 1980 and 2014.

In the New Zealand study in 2016, 35 countries were included between 2000 and 2015. The variables included in the model have also changed. This is discussed on the following slide.

Table A.1: List of countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Australia</th>
<th>France</th>
<th>New Zealand</th>
</tr>
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<tbody>
<tr>
<td>Austria</td>
<td>Germany</td>
<td>Norway</td>
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<td>Belgium</td>
<td>Hungary</td>
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<tr>
<td>Finland</td>
<td>Netherlands</td>
<td>United States</td>
<td></td>
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</tbody>
</table>

Source: Deloitte Access Economics
PMG- regression theory

Advertising expenditure data for each country was collected from Zenith Media, with corresponding macroeconomic data collected from publicly available World Bank, OECD, and UNESCO data sources.

Following Qu, Simes, and O’Mahony (2016), we have adopted the pooled mean group estimator (PMG12) that allows intercepts, the convergence parameter, short-run coefficients, and error variances to differ freely across countries, but imposes homogeneity on long-run coefficients. A common set of long-run coefficients for the countries in our sample (mostly OECD countries) is a reasonable assumption given that countries have access to common technologies and have intensive intra-trade and foreign direct investment (all factors contributing to similar long-run production function parameters). Under the assumption of long-run slope homogeneity, the PMG estimator increases the efficiency of the estimates with respect to mean group estimators (Pesaran et al., 1999). Formally, conditional on the existence of convergence to a steady-state path, the long-run homogeneity hypothesis permits the direct identification of the parameters that affect the steady-state path of output per capita.

We note that the PMG approach has one serious limitation, namely the large number of parameters to be estimated, causing likely convergence issues in some model specifications. In practice, this means considering more than three policy and institutional variables often proves to be difficult. Furthermore, PMG estimates are often very sensitive to the changes in model specification. Some studies have noted that the coefficient of human capital is dramatically reduced in some specifications (Bouis et al., 2011). Despite these limitations of PMG, it remains a superior approach for the purposes of this study.

The variables used in this study are a subset of the modelling inputs used in the most recent New Zealand study in 2016 with the introduction of an internet usage index which captures the growth in the share of the population who use the internet, have a mobile-cellular subscription, or a fixed broadband subscription. Variables for R&D expenditure and Trade were excluded in this study based on statistical insignificance.

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Results

It can be seen that the coefficients on both physical (lnP) and human (lnh) capital appear with the expected sign and are significant. The implied share of physical capital according to the growth equation is broadly in line with national accounts and literature consensus (physical capital share of production is about a third).

The coefficient on the advertising variable is 0.328. On average, this implies that a 1% increase in advertising per capita increases GDP per capita growth by around 0.328%. In real monetary terms, advertising expenditure in Australia has increased by around $9.6 billion over the period from 2000 to 2022. According to our estimation, this has contributed around $53 billion to GDP in 2022.

Table A.3: Modelling results

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Coef.</th>
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<td>lnh</td>
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<td>Convergence</td>
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<td><strong>Number of Observations</strong></td>
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</table>

Source: Deloitte Access Economics
Appendix B

Employment analysis
Notes on employment analysis

Direct employment estimates
The direct employment estimates presented in the employment section of this report have been produced using 2021 ABS Census figures. The headline figure reported of 85,900 includes those employed in the Australia and New Zealand Standard Industrial Classification 694-Advertising Services industry, as well as in a range of core advertising occupations, as defined by the Australia and New Zealand Standard Classification of Occupations (ANZSCO) highlighted in the table below. Advertising employment is not just limited to these core occupations. Within the advertising industry, for every employee in a core advertising occupation, there are 5.8 employees in ‘supporting advertising occupations’. These employees include specialist business managers and marketers, creative staff involved in the production of advertising content and ancillary support staff. These employees contribute directly to the advertising industry, and account for around 85% of employment in the advertising industry. Outside of the advertising services industry, people employed in these ‘supporting advertising occupations’- particularly business managers and advertising content developers- are commonly responsible for advertising as part of their role.

Many businesses that are not categorised into the advertising services industry have advertising as a core part of their offering, including firms in communications, management consulting and digital design. The extent to which this is the case is not captured by the standard industrial and occupation classifications, and it would not be appropriate to attribute all employment in supporting occupations to advertising.

For this report, we apply the same ratio of employment in core advertising occupations to other occupations within the advertising services sector to estimate the total direct employment of advertising in Australia. There are slightly less than 6 employees in supporting occupations in advertising services for every core employee (35,867 compared to 6,198). Applying this same ratio to the 4,814 core advertising occupation employees outside of the advertising services sector gives 27,859 supporting advertising employees in other industries.

Table A.3: Modelling results

<table>
<thead>
<tr>
<th>Core Advertising Occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td>225111- Advertising Specialists</td>
</tr>
<tr>
<td>131113- Advertising Managers</td>
</tr>
<tr>
<td>212411- Copywriters</td>
</tr>
<tr>
<td>561911- Classified Advertising Clerks</td>
</tr>
</tbody>
</table>

Source: Deloitte Access Economics

Indirect employment estimates
The standard approach for estimating the indirect employment associated with an industry is to draw on the Australian Bureau of Statistics’ Input-Output (IO) tables. IO tables measure the direct economic activity of every sector of the economy at the national level. Importantly, these tables allow intermediate inputs to be further broken down by their source industries. These detailed intermediate flows can be used to derive the total change in economic activity associated with a change in activity for a given sector.

A commonly used measure of the spill-over activity from one sector to another is captured by the ratio of the total to direct change in economic activity. The resulting estimate is referred to as a ‘multiplier’.

The current Input-Output tables for the Australian economy does not disaggregate the Professional, Scientific and Technical (PST) services industry, and as such, does not allow for the bespoke estimation of the indirect employment associated with the advertising industry specifically. Instead, the broader PST services industry was used as a proxy for the advertising services sector, consistent with previous editions of this report. The multiplier from the IO tables is 1.79, implying that for every job in PST services, there are 0.79 people employed in supplying industries.
Notes on employment analysis

Indirect employment estimates – alternative approach
An alternative methodology that examines specific industries in detail (Table A.4) reveals that 104,500 workers are employed in key advertising supply chain industries, including design services, printing, research and photography. Overall, approximately one-quarter of these industries’ sales come from the advertising industry, suggesting that the employment of 22,006 workers in these industries is directly related to advertising. These industries vary in their reliance on advertising, with the specialised design services industry earning almost half of sales from advertisers, compared to less than 10% for the motion picture and video production industry.

This has been produced by attributing a share of total employment in key supplier industries to advertising, based on the estimated advertising share of total sales in that industry. The total industry employment estimates have been derived by Deloitte Access Economics from Census and labour force statistics reported by the ABS, while the estimated advertising shares of total sales in each industry have been applied based on IBISWorld industry reports.

Table A.5 lists the market categories reported by IBISWorld which we have assumed to represent ‘advertising’ for the purpose of this analysis. We note that in some cases, this includes broader industries, such as media (for market research and statistical services) and fashion photography (for professional photographic services). Accordingly, this secondary indirect employment estimate should be interpreted as an indicative estimate of the order of magnitude of indirect employment associated with advertising content development and campaign planning.

Table A.4: Indirect Advertising-Supported Employment

<table>
<thead>
<tr>
<th>Input industry</th>
<th>Total industry employment</th>
<th>Estimated share of total sales to advertising</th>
<th>Estimated advertising-related employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialised design services</td>
<td>29,235</td>
<td>43.9%</td>
<td>12,834</td>
</tr>
<tr>
<td>Printing</td>
<td>22,367</td>
<td>15.3%</td>
<td>3,422</td>
</tr>
<tr>
<td>Market research and statistical services</td>
<td>21,624</td>
<td>21.0%</td>
<td>4,540</td>
</tr>
<tr>
<td>Motion picture and video production</td>
<td>13,807</td>
<td>7.4%</td>
<td>1,022</td>
</tr>
<tr>
<td>Professional photographic services</td>
<td>11,833</td>
<td>22.2%</td>
<td>2,627</td>
</tr>
<tr>
<td>Video post-production services</td>
<td>2,065</td>
<td>17.0%</td>
<td>351</td>
</tr>
<tr>
<td>Printing support services</td>
<td>2,023</td>
<td>15.3%</td>
<td>310</td>
</tr>
<tr>
<td>Music publishing and sound recording</td>
<td>1,564</td>
<td>11.6%</td>
<td>181</td>
</tr>
<tr>
<td>Total advertising input industries</td>
<td>104,515</td>
<td>-</td>
<td>25,287</td>
</tr>
<tr>
<td>Less advertising employment in input industries</td>
<td>-</td>
<td>-</td>
<td>-3,281</td>
</tr>
<tr>
<td>Total indirect advertising employment</td>
<td>-</td>
<td>-</td>
<td>22,006</td>
</tr>
</tbody>
</table>


Table A.5: Indirect Advertising-Supported Employment

<table>
<thead>
<tr>
<th>Input industry</th>
<th>Market category reported by IBISWorld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialised design services</td>
<td>Advertising industries</td>
</tr>
<tr>
<td>Printing</td>
<td>Retailers</td>
</tr>
<tr>
<td>Market research and statistical services</td>
<td>Media and advertising industries</td>
</tr>
<tr>
<td>Professional photographic services</td>
<td>Advertising and fashion photography</td>
</tr>
<tr>
<td>Motion picture and video production</td>
<td>Advertising agencies</td>
</tr>
<tr>
<td>Printing support services</td>
<td>Assumed same share as for printing industry</td>
</tr>
<tr>
<td>Music publishing and sound recording</td>
<td>Advertisers</td>
</tr>
<tr>
<td>Video post-production services</td>
<td>Commercial producers</td>
</tr>
</tbody>
</table>

Source: Deloitte Access Economics
Authors
Authors and acknowledgements

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