C.2
#39160
63-501
1944

Published by Authority of the Hon. James A. MacKINNON, M.P.
Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
SEP 1946
PROPERTY OF THE LIBRARY

CANADA

DEPARTMENT OF TRADE AND COMMERCE

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES BRANCH

ADVERTISING EXPENDITURES IN CANADA 1944

OTTAWA
1946

Price 25 cents

Foreword

The past twenty years have seen an increasing amount of attention directed to distribution costs. And, among those various elements which go to make up the total cost of distributing goods or services, none has aroused more interest than the expenditures which have been made on advertising. The reason for this is obvious. By its very nature, advertising comes to the forefront of public attention. It appears in our newspapers and magazines. It also enters our homes in the form of catalogues and other printed matter. It is heard on the radio and it meets the eye in the form of neon signs, billboards or poster displays and as display cards in our street cars and buses.

In view of the general interest attached to the subject and in response to requests for more comprehensive data on advertising costs than have thus far been available, the Bureau of Statistics undertook a special survey of the field in 1945 relating to expenditures made in the preceding year. The survey was undertaken as a joint project by the Forestry Branch and the Merchandising and Services Branch of the Bureau. The section of the report dealing with expenditures on various forms of printed advertising was prepared under the direction of Mr. L.J. Pouliot, B.A., Chief of the Forestry Branch. Details regarding the other phases of the advertising field coming within the scope of the survey were collected and compiled under the direction of Mr. A.C. Steedman, B.A., Chief of the Merchandising and Services Branch. The work of compiling a total figure for advertising expenditures is made difficult by reason of the many complications inherent in the general organization of the advertising field. Acknowledgement is made in this regard of the generous assistance received from individuals in various phases of advertising. In particular, acknowledgement is made of the many helpful suggestions received in the development stages of the project from Mr. Henry King, then Director of Statistics Branch, Wartime Prices and Trade Board.

Herbert Marshall

Herbert Marshall,
Dominion Statistician.

TABLE OF CONTENTS

	Page
Introduction	1
Summary of Results:	
Section 1. General Summary	2
Section 2. Printed Advertising	4
Section 3. Radio Advertising	8
Section 4. Outdoor Advertising	8
Section 5. Advertising Agencies	9
Section 6. Direct Mail Advertising	11
Section 7. Advertising Departments of Advertisers	11
Section 8. Miscellaneous	12

Published by Authority of the HON. JAMES A. MacKINNON, M.P.,
Minister of Trade and Commerce

DEPARTMENT OF TRADE AND COMMERCE
DOMINION BUREAU OF STATISTICS
MERCHANDISING AND SERVICES BRANCH
OTTAWA -- CANADA

Dominion Statistician: Herbert Marshall, B.A., F.S.S.
Chief, Merchandising and Services Branch: A. C. Steedman, B.A.
Chief, Forestry Branch: L. J. Pouliot, B.A.

Series, 1944 16 - 7070
No. 16

ADVERTISING EXPENDITURES IN CANADA, 1944.

Introduction

Advertising has been defined by Professor Neil H. Borden in his book "The Economic Effects of Advertising" as including "those activities by which visual or oral messages are addressed to the public for the purpose of informing them and influencing them either to buy merchandise or services or to act or be inclined favorably towards ideas, institutions or persons featured". Practical considerations have necessitated that the present survey be restricted to the major aspects or phases of the advertising field. It is recognized that there are certain minor elements in the total advertising expenditure which cannot be readily measured and which are therefore of necessity omitted.

A large part of the basic data required for this survey is available on an annual basis, the most important source of information being the Bureau's Annual Report on the Printing Trades which shows the amount of revenue derived by newspapers and other periodicals from advertising, the value of printed bound books chiefly for advertising purposes and the value of other printed advertising matter (including circular letters, folders, etc.). Further, the annual reports of the Canadian Broadcasting Corporation show the Corporation's revenue from advertising.

In former years the Bureau's Annual Report on the Printing Trades was restricted to those establishments actually engaged in printing. Publishers who had their printing done by outside firms were not covered, with the result that the advertising revenue received by such publishers was not measured. This annual Report on the Printing Trades is now supplemented by a separate report based on statements received from publishers who do not print and showing, amongst other items, their revenues from advertising. Thus, a much more comprehensive figure for expenditures on advertising in publications is now available than was formerly the case. The printing trades have also been asked to report the value of specialized artwork, commercial photography, electrotyping, photo-engraving and trade composition or typesetting of an advertising nature done for advertisers or their agencies and not forming part of the printers' own revenue.

These reports on the printing and publishing trades for 1944 were supplemented by special surveys covering revenues received by firms engaged in outdoor and street car advertising. Independent radio stations were canvassed for their advertising revenues during the same period and reports were secured from

firms engaged in the production of radio programs for advertising purposes. Advertising agencies were asked to report their gross revenues representing fees or commissions on billings for space or time or on production and talent costs. They were also asked to report the value of payments made to independent artists and photographers and the cost of artwork imported from other countries. An estimate has been made of the postage costs on direct mail advertising. To the total of these various items has been added an estimate of advertisers' internal advertising costs (salaries of advertising manager and staff, rental costs assigned to the advertising department, etc.) and which are not duplicated in the reports received from the various media in which advertising is placed.

While a great deal of effort has been made to secure information on all these aspects it is recognized that complete accuracy has not been obtained. Some of the data reported must, of necessity, be considered as estimates rather than exact figures. Advertising placed by United States advertisers in Canadian publications is included in the advertising revenue reported by the Canadian publisher. There is no comparable figure for advertising placed in United States publications by Canadian companies. It is assumed therefore that these roughly balance.

With regard to radio talent it is also assumed that the Canadian subsidiary of a United States advertiser pays only the time costs on radio programs produced in the United States and broadcast over Canadian stations. No charge is made for production or talent costs. Notwithstanding these and other limitations it is felt that the total figures presented in the following paragraphs are reasonably correct.

SUMMARY OF RESULTS

SECTION I. GENERAL SUMMARY

Total known expenditures on advertising in Canada amounted to $104,925,535 in 1944, a figure which forms about 0.9 per cent of Canada's gross national expenditure or somewhat more than 1.5 per cent of all personal expenditures for goods and services and business expenditures on plant and equipment.

The components of this total figure are given below. Due to the complicated nature of the advertising field and also to the way in which the survey has been undertaken it is not possible to make an exact distribution of the total amount amongst the various advertising media. In the first instance the amounts shown for printed advertising, for radio and for outdoor advertising are net figures in that they exclude commissions received by advertising agencies on the value of the advertising which they placed. These commissions are known in the aggregate but are not broken down according to kind of media. Secondly, the amount shown for internal expenditures in connection with the advertising departments of advertisers might also be allocated in the last analysis over the various kinds of advertising. Furthermore, printed materials, such as posters and display cards used in connection with outdoor and street car advertising and printed matter used for direct mail advertising, are included in the figure shown for printed advertising rather than in the amounts shown for the two specified media.

Table 1. Summary of Total Known Advertising Expenditures in Canada Classified by Components, 1944.

Component	Amount	Per cent of total
	$	
Total, All Components	104,925,535	100.0
Printed advertising	74,646,329	71.1
Radio advertising	11,486,952	10.9
Advertising agencies (commissions)	5,949,499	5.7
Outdoor advertising	4,144,601	3.9
Advertising departments of advertisers (internal costs)	4,049,200	3.9
Direct mail (postage)	3,000,000	2.9
Miscellaneous known expenditures	1,648,954	1.6

It will be noted that printed advertising of various kinds and valued at $74,646,329 forms 71.1 per cent of the grand total. This item is made up of three components. The largest component, representing revenue received by publishers for space costs and other charges, amounted to $53,630,887. In the second place revenue to the extent of $16,492,594 was received by the printing trades for the printing of catalogues, other printed bound books chiefly for advertising, circular letters and all other printed advertising such as calendars, price lists, dodgers, posters and advertising novelties. The third component amounting to $4,522,848 consists of trade work such as commercial photography, electrotyping, stereotyping, photo-engraving and trade composition or typesetting done by the printing trades for advertisers or advertising agencies.

Expenditures on radio advertising were reported at $11,486,952, about 15 per cent of the amount spent on printed advertising and 10.9 per cent of the grand total for all types. This figure includes time and production costs and wire charges; it is based on reports received from independent broadcasting stations, from the Canadian Broadcasting Corporation, and from firms specializing in the production of radio programs for advertising purposes. It is the most accurate figure available for the total outlay on radio advertising exclusive of the commissions and fees received by advertising agencies and which would be applicable to advertising in this type of media.

Advertising agencies' commissions and fees constituted the third largest component in the series, amounting to $5,949,499 or 5.7 per cent of the grand total. Revenue received by firms specializing in outdoor and street car advertising came next at $4,144,601 or 3.9 per cent of the total. Internal expenditures applicable to the advertising departments of the larger advertisers and not duplicated in the reports received from the various media or from advertising agencies amounted to another $4,049,200. Postage on direct mail advertising has been estimated at $3,000,000, while all other items of advertising expenditures measured in the survey amounted to $1,648,954 or 1.6 per cent of the total figure.

SECTION 2. PRINTED ADVERTISING

(a) Publication advertising.

In its annual report on the Printing Trades, the Bureau has published since 1932 statistics on advertising revenue of periodicals printed in the publishers' own plants. A summary of these statistics is given in Table 2 below, as well as the amount reported by printing establishments for printing periodicals published by others. The table shows separately the gross publication revenue from advertising in "Daily newspapers", in "Weekly and other newspapers" and in "Magazines and all other bound periodicals".

Table 2. Gross Publication Revenue from Advertising Received by Printing Trades, 1932-1943.

Year	Gross publication revenue from advertising				Amount received for printing periodicals published by others
	Daily newspapers	Newspapers, weekly and other	Magazines and all other bound periodicals	Total	
	$	$	$	$	$
1932	25,711,061	3,870,440	2,477,744	32,059,245	(1)
1933	23,077,103	3,480,413	2,080,545	28,638,061	(2) 1,244,912
1934	23,575,988	3,844,185	2,554,628	29,974,801	3,560,431
1935	24,616,230	4,124,497	2,730,655	31,471,382	4,195,940
1936	25,116,663	4,577,849	3,174,102	32,868,614	4,460,862
1937	26,280,743	5,241,342	3,441,932	34,964,017	4,446,042
1938	26,126,833	5,190,486	3,035,703	34,353,022	4,590,482
1939	25,328,583	5,120,409	3,030,894	33,479,886	4,621,700
1940	25,516,853	5,216,012	3,527,864	34,260,729	5,220,825
1941	26,911,524	5,564,579	3,687,820	36,163,923	5,892,757
1942	26,293,599	5,569,938	3,662,210	35,525,747	6,426,007
1943	28,069,391	6,309,752	4,594,824	38,973,967	7,094,692

(1) Not available separately; included with "Magazines and all other bound periodicals".
(2) Directories printed for other publishers not included previous to 1934.

Prior to 1944 the annual report on the printing trades was restricted to firms actually engaged in printing; publishers who had their printing done by other firms were not covered. Although the revenue received by printers for printing the material prepared by all such publishers was reported and, as indicated in the last column of the above table, was of quite sizable proportions, no accurate information was previously available covering the total revenue from advertising and from subscriptions received by these firms. In 1944 an annual Census of Publications was instituted in order to provide statistics to supplement those already covered in the annual Census of the Printing Trades.

Furthermore, commencing with the reports for 1944, a new classification of publications was adopted giving considerably greater detail than that previously used. The new scheme of classification contains the following categories: (1) Daily newspapers, (2) National week-end newspapers, (3) Weekly, bi-weekly and tri-weekly newspapers, (4) Magazines of general circulation, (5) Literary and scientific publications,

(6) Trade and technical publications, (7) Agricultural publications, (8) Religious publications, (9) Collegiate publications, (10) Fraternal publications, (11) Juvenile publications, and (12) All other publications, including almanacs, year-books, directories (telephone, city, trade, etc.), etc.

As the work of compiling the returns progressed, it was found that figures for "National week-end newspapers" could not be published separately because some publishers could not readily segregate the revenue derived from such editions. Instead, another class was substituted to cover "Controlled distribution weeklies", that is weekly newspapers distributed free of charge and deriving their entire revenue from advertising.

Under the old classification, the periodicity of a publication often determined its classification, and publications other than those which could be considered as strictly "news" papers were sometimes reported under the "Daily newspapers" and "Newspapers, weekly and other" categories. In the classification now used all such periodicals are removed from the "Newspaper" classes and are shown under their appropriate headings, such as "Agricultural publications", "Collegiate publications", "Fraternal publications", etc., irrespective of the number of times they are published each year. In a forthcoming report on the Census of Publications, complete lists will be published showing the periodicals comprised under each heading, and giving a further breakdown for certain classes as well as a geographical index of newspapers.

Table 3 gives an analysis of the publication revenue from advertising according to the various categories of publications which were adopted and, in each instance, gives separate figures for publications printed by the publisher as distinguished from publications printed by other firms. Total publication revenue from advertising amounted to $53,630,887 in 1944, a figure which forms 71.8 per cent of the total of $74,646,329 for all printed advertising and 51.1 per cent of the grand total expenditure of $104,925,535 on all types of advertising as measured by the results of this survey.

When classified by type of publication, newspapers are found to account for by far the greater proportion of the total publication advertising revenue, their revenue from this source amounting to $38,287,122 or 71.4 per cent of the $53,630,887 reported for all types of publications. The revenue for daily newspapers alone was $32,612,339 or 85.2 per cent of the total for all newspapers and 60.8 per cent of the total for all publications. Advertising in weekly, bi-weekly and tri-weekly newspapers (including national week-end newspapers not published by daily newspaper publishers) was valued at $5,328,791 while a smaller amount of $345,992 was reported for "Controlled distribution weeklies".

Trade and technical publications reported advertising revenue of $5,703,007 or 10.6 per cent of the total for all publications. Magazines of general circulation reported an advertising revenue of $4,862,942 or 9.1 per cent of the total. The miscellaneous group of publications with $2,418,883 and agricultural publications with $1,875,590 also received appreciable portions of the advertisers' budget. Advertising in literary and scientific publications and in religious, collegiate, fraternal and juvenile publications aggregated $483,343 or rather less than 1 per cent of the total publication advertising figure.

Advertising revenues reported by publishers who did their own printing was reported at $43,378,887 or 80.9 per cent of the total while the corresponding revenues received by publishers who had their printing done by outside firms amounted to $10,252,000 or the remaining 19.1 per cent. The relative proportions

of the total advertising revenue received by publishers who did their own printing, as distinguished from those who did not, varied greatly for the various classes of publications for which separate figures are compiled. All daily newspapers are printed by their publishers so that the advertising revenues for these are shown to be entirely within this category. On the other hand a considerable proportion of the advertising revenue in magazines of general circulation and the major proportion of the advertising revenues for trade and technical publications and for the other categories listed in the table are received by publishers who have their printing done by other firms.

Table 3. Revenues from Advertising in Publications, 1944

Kind of publication	Revenue from Advertising(1)			
	Publications printed by publishers	Publications printed by others	Total	
			Amount	Per cent of total
	$	$	$	
Newspapers, daily	32,612,339	-	32,612,339	60.8
Newspapers, weekly, bi-weekly and tri-weekly	4,661,791	667,000	5,328,791	9.9
Controlled distribution weeklies	156,992	189,000	345,992	0.6
Total, newspaper advertising	37,431,122	856,000	38,287,122	71.4
Magazines of general circulation	3,099,942	1,763,000	4,862,942	9.1
Literary and scientific publications	4,861	12,000	16,861	(2)
Trade and technical publications	1,891,007	3,812,000	5,703,007	10.6
Agricultural publications	713,590	1,162,000	1,875,590	3.5
Religious publications	111,114	164,000	275,114	0.5
Collegiate publications	200	116,000	116,200	0.2
Fraternal publications	12,168	57,000	69,168	0.1
Juvenile publications	-	6,000	6,000	(2)
All other publications, including almanacs, year-books, directories (telephone, city, trade, etc.), etc.	114,883	2,304,000	2,418,883	4.5
Total, all publications	43,378,887	10,252,000	53,630,887	100.0

(1) Includes space charges and all other charges for composition, photo-engraving, electrotypes, stereotypes, mats, plates, colour printing, bleed pages, inserts, position, etc. Excludes commissions to recognized advertising agencies and all cash discounts, but includes commissions to advertising solicitors employed by the publishers. In former years, commissions to advertising agencies were sometimes included.

(2) Less than .05 per cent.

(b) Other printed advertising.

Statistics for other types of printed advertising are also available since 1932 in the annual Printing Trades reports, and are shown in the summary below for (1) Catalogues, (2) All other printed bound books chiefly for advertising purposes, and (3) All other printed advertising matter produced from type, plates, stencils or transfers or any photographic or lithographic or other process of reproduction (such as calendars, circulars, price lists, broadsides, pamphlets, folders, dodgers, posters, circular letters, printed advertising novelties, etc.). Reproductions on

paper or paperboard by the silk-screen method are also included, although not strictly speaking a printing process.

Table 4. Value of Other Printed Advertising, 1932-1944[1]

Year	Catalogues	Books, chiefly for advertising[2]	All other advertising matter	Total
	$	$	$	$
1932	1,940,036	1,118,756	17,607,000	20,665,792
1933	1,558,759	969,016	12,594,722	15,122,497
1934	1,914,514	484,401	13,153,949	15,552,864
1935	1,957,763	743,374	14,297,421	16,998,558
1936	2,241,488	776,225	13,299,191	16,316,904
1937	2,756,889	852,311	13,401,517	17,010,717
1938	2,775,091	805,147	13,708,600	17,288,838
1939	2,741,073	742,911	14,107,934	17,591,918
1940	3,126,856	911,891	14,454,147	18,492,894
1941	3,898,937	966,023	15,692,287	20,557,247
1942	3,459,892	1,001,295	14,147,084	18,608,271
1943	3,385,861	841,704	13,836,304	18,063,869
1944	3,176,381	767,539	12,548,674	16,492,594

(1) Exclusive of advertising in publications.
(2) Includes amount received for printing directories in 1932 and 1933. Since 1934 such revenue is reported under the amount received for printing periodicals published by others and is shown in the right hand column of Table 2.

Expenditures on "Other printed advertising" as shown in Table 4 amounted to $16,492,594 in 1944 or 22.1 per cent of the total figure of $74,646,329 for printed advertising of all kinds. This represents a decrease in expenditures of this kind from earlier years, decreases which can probably be attributed to restrictions on the use of paper for such purposes during the war period.

The greatest proportion of the total figure in this category is comprised of the miscellaneous classification consisting of expenditures on the printing of such items as calendars, circulars, price lists, dodgers, posters, advertising novelties, etc. Expenditures on these items amounted to $12,548,674 or 76.1 per cent of the total for the group. Catalogues, valued at $3,176,381 and the printing of other books chiefly of an advertising nature and valued at $767,539 made up 19.3 per cent and 4.6 per cent of the total for the group as a whole. It should be pointed out that these figures do not necessarily represent the total cost to the advertiser of these various items. Expenditures involved in preparing such printed advertising material will be included in part in the amount shown in Section 7 for the internal advertising expenditures of advertisers.

(c) Trade work.

There are firms specializing in artwork, commercial photography, electrotyping, stereotyping, rubber and composition printing plates, and trade composition or typesetting which perform such services for large advertisers, advertising agencies

and others. As the cost of such trade work is not included in the amounts reported for "Publication advertising" and "Other printed advertising" previously dealt with, for the 1944 survey of advertising expenditures these firms were requested to estimate the amount received for such services for advertising purposes. The total estimate amounts to $4,522,848, equal to 6.1 per cent of the total for "Printed advertising" and to 4.3 per cent of all advertising expenditures.

SECTION 3. RADIO ADVERTISING

Expenditures on radio advertising in Canada as recorded in the results of the special survey amounted to $11,486,952 for 1944. This is a net figure in that it does not include any proportion of the total gross revenue of advertising agencies representing their commissions or fees for advertising placed in various types of media during the period under review. In order to obtain the total expenditures made by advertisers on radio advertising the amount just quoted would have to be increased by an appropriate proportion of the agencies' commissions.

The total figure quoted in the preceding paragraph has been built up from information secured from a number of sources including both broadcasting stations and also firms engaged in the production of programs to be used for advertising purposes. All independent radio stations were canvassed for a statement showing their revenue from advertising including charges billed either directly to advertisers or through advertising agencies and including station time, production or talent costs and announcer fees. Commissions and cash discounts to advertising agencies were to be excluded. Amounts paid by the stations to producers of radio programs for advertising purposes were also to be excluded since these were to be reported directly by the producers. The figures thus reported by the independent stations were then supplemented by those contained in a special statement furnished by the Canadian Broadcasting Corporation and showing the Corporation's total advertising revenue including station time, wire charges, production costs and announcer fees less payments made to advertising agencies and to the independent stations. The total net figure as reported by all broadcasting stations was $9,327,155.

A large proportion of the charges to advertisers for radio programs produced by firms or persons specializing in this activity is billed through advertising agencies. The agencies were therefore asked to report the net amount of their billings for radio production work, that is, the amount which the agencies paid to radio producers. This figure as reported by the agencies was augmented by smaller amounts reported by producers of radio programs for work billed directly to the advertiser. The total amount as reported by the advertising agencies and those producers who had direct dealings with the advertiser is included in the grand total expenditure of $11,486,952 for radio advertising already quoted.

SECTION 4. OUTDOOR ADVERTISING

Net expenditures on outdoor advertising including neon and other electric signs and poster displays and also including advertising placed in the interior and exterior of street cars and buses has been reported at $4,144,601 for 1944. This figure is based on reports secured from a number of different types of business as follows:

In the first place it includes revenues reported by firms engaged in the production of billboards for advertising purposes. In this type of advertising the

billboards are manufactured by producing companies who retain ownership of the boards. Space on these boards is rented to advertisers, either directly or through advertising agencies at stipulated rates per month for a stated number of panels. The revenues reported by the producers of billboards for this advertising survey represent only the net rentals received (gross rentals less advertising agency commissions) for the use of space on the billboards. The amounts reported here do not include the cost of the posters to be placed on the boards. These are purchased by the advertiser or by his agency as a separate item of expense and their value is included in the cost of printed matter for advertising purposes as outlined in Section 2 of this report.

In the second place the figure for outdoor advertising includes the rentals of neon and other electrical signs manufactured by the producing companies and rented to advertisers on a contract basis. Here again the net rentals received by the manufacturers of the signs have been reported, that is, the gross rentals less commissions, if any, to advertising agencies.

The third component of the total figure shown in this section represents the revenue from advertising space provided in either the interior or exterior of electric railways and buses. Only the net space costs are included. The costs of the cards which are displayed are included under the printed advertising outlined in Section 2 and not here.

SECTION 5. ADVERTISING AGENCIES

Advertising agencies act in the capacity of intermediaries between advertisers on the one hand and the various media with which the advertising is placed on the other. They act in an advisory capacity to their clients; they are engaged in the preparation of advertising material and in contracting for space or time with newspapers and other publications, with radio broadcasting stations and with any other media with which advertising is placed. They operate on a commission or fee basis.

There were 41 such firms operating in Canada in 1944 and included in this survey. Their total billings to clients for all types of work totalled $36,944,785 of which $36,518,296 represented billings for some type of advertising and $426,489 represented billings for other services such as the conducting of market surveys. By far the greater proportion of the amount of these billings is included in the figures reported by the various media and recorded elsewhere in this report. But, since the various media reported their advertising revenue in net rather than gross figures, that is, since they excluded from their figures the amounts deducted in commissions and fees by advertising agencies, it is necessary to supplement the media figures by the agencies' commissions and fees which were reported at $5,949,499 for 1944. This figure represents the fees or commissions on mechancial charges, on radio time and talent costs, etc., received by the various agencies. It forms 16.1 per cent of total billings and represents the amount which the agencies received out of which to pay their operating expenses and provide a profit on the year's operations.

Net billings made by agencies for radio production work and representing payments to program producers, announcers, artists, script writers, etc., amounted to $1,770,117. This figure has already been included in the grand total for radio advertising quoted in Section 3 and is therefore not duplicated here. Payments by agencies to independent artists and photographers and the cost to agencies of artwork imported from other countries totalled $230,654. This amount is included in the miscellaneous item dealt with in Section 8.

Almost 66 per cent of the billings through the 41 agencies were made by

11 large firms each having annual billings of $1,000,000 or more in 1944. Another 21.6 per cent of the billings were secured by 11 firms each having total billings of between $500,000 and $1,000,000. There were 14 agencies each with total billings of between $100,000 and $500,000 and these accounted for 12.1 per cent of the total volume of business while 5 small agencies each with billings of less than $100,000 accounted for the remaining 0.7 per cent of the total.

Table 5. Advertising Agencies Classified According to Amount of Annual Billings, 1944

Annual Billings	Number of firms	Total Billings	
		Amount	Per cent of total
		$	
All firms, total	41	36,944,785	100.0
Below $100,000	5	279,133	0.7
$100,000 - $499,999	14	4,470,125	12.1
$500,000 - $999,999	11	7,967,658	21.6
$1,000,000 and over	11	24,227,869	65.6

In addition to reporting the total amount of its billings, each agency was asked to classify its billings for advertising to show:- (a) billings representing publication advertising, (b) radio advertising and (c) all other advertising including billboard, street car and neon signs, etc. Almost exactly two-thirds of the billings thus classified by the agencies were reported as representing advertising in newspapers, magazines and other printed matter. Twenty per cent of the billings were for radio advertising while the remaining 13 per cent represented advertising in other media. The distribution of billings according to type of media was strikingly similar for the two larger size categories into which the total number of agencies was divided. Fourteen agencies each with annual billings of between $100,000 and $500,000 reported higher than the average proportion of their total business for publication and radio advertising and a much smaller proportion for the residual class. The five small agencies each with annual billings of less than $100,000 were engaged almost entirely in placing advertising in publications of various kinds and were engaged to a very limited extent in placing advertising with radio stations, outdoor advertising companies or other media. The distribution of the total advertising billings is shown in the following table. Information secured since the compilation of this report indicates that in some instances agencies reported only space costs under publication advertising and that billings representing production costs for printed matter were assigned to the residual category. The proportions shown for publication advertising are, therefore, depressed and those for the residual category are increased by the extent to which this practice has been followed.

Table 6. Percentage Distribution of Billings for Advertising by Type of Media for Advertising Agencies Classified According to Amount of Total Billings, 1944

Total annual billings	Number of firms	Distribution of advertising billings				
		Total		Publi cation	Radio	Other
		Amount	%			
		$				
All firms, total..	41	36,518,296	100.0	66.3	20.4	13.3
Below $100,000	5	269,445	100.0	86.0	8.8	5.2
$100,000 - $499,999..	14	4,393,614	100.0	69.8	24.8	5.4
$500,000 - $999,999..	11	7,952,098	100.0	66.6	18.9	14.5
$1,000,000 and over..	11	23,903,139	100.0	65.4	20.2	14.4

SECTION 6. DIRECT MAIL ADVERTISING

The cost of materials (catalogues, dodgers, price lists, etc.) used in direct mail advertising has already been included in the expenditures on printed advertising quoted in Section 2. There remains the problem of making an estimate of the cost of mailing this material. Total revenues from third-class matter for the fiscal year ended March 31, 1945, have been placed by the Post Office Department at approximately $4,500,000.

Not all third-class mail represents advertising material and just what proportion of the total should be assigned to advertising expenditures is not known. In the absence of any better estimate the postal cost in connection with direct mail advertising has been somewhat arbitrarily set at $3,000,000.

SECTION 7. ADVERTISING DEPARTMENTS OF ADVERTISERS

In addition to media costs there are certain internal expenditures of advertisers which must be considered as part of the total outlay on advertising. Included here are the salaries and wages paid to employees in advertising departments maintained by the advertisers themselves, rental charges allocated to these departments, payments to independent photographers and artists and the cost of any imported artwork.

It was not possible to canvass all advertisers with respect to this component of the total advertising expenditure. Indeed, had it been possible to canvass all the advertisers in the country, an overall figure on advertising could have been obtained by asking each firm to report its total advertising cost. These figures could have been used in lieu of those secured from the various media. The firms which were covered in this survey were those considered to have a considerable advertising expenditure over and above that reported by the various media and consisted chiefly of those firms appearing in the National List published by Canadian Advertising and which indicated that they placed their advertising directly rather than through an agency. Schedules were also sent to those firms appearing in the National List where the name of an advertising manager was indicated. In addition, all the larger department stores and chain store companies were canvassed.

The total figure thus reported and which must be added to the data furnished by the various media and advertising agencies amounted to $4,049,200. Of this amount financial institutions accounted for $196,600, retail organizations for $1,183,500 and industrial and other types of business for the remaining $2,669,100. These figures can be considered as lower limits for the items in question. There is no practical basis for extending the amount to cover those firms which were not canvassed.

SECTION 8. MISCELLANEOUS

Miscellaneous items of advertising expenditures for which data are available totalled $1,648,954. The chief component in this item represents the value of imported advertising matter including such items as advertising pamphlets, show cards, catalogues and price lists, almanacs and calendars. Included also is the value of imports of stereotypes, electrotypes and celluloids for almanacs, calendars or other advertising matter. The total import value of these items as recorded in the import trade statistics was $1,056,051 for 1944. Included also in this residual figure is an item of $230,654 representing payments by advertising agencies to independent artists and agencies together with the cost of imported artwork. Finally there is included here an amount of $362,249 representing gross revenues or commissions received by a number of smaller organizations somewhat similar in nature to advertising agencies but which were not included with the agencies whose activities are summarized in Section 5.

In conclusion it should be pointed out once more that there are certain items of advertising expenditures not measured by this survey. Expenditures on such items as sky-writing, sound truck rentals, and moving picture films of an advertising nature come within this category. Probably a more important omission consists in the total value of advertising placed in such types of media as programs, menus, and calendars prepared by individuals or firms who would not be considered as publishers in the ordinary sense of that term. While the cost of printing this type of printed matter is included in the revenues for the printing trades shown in Section 2(b) of this report, no information is available regarding the total amount paid by advertisers for having advertising copy placed in these media.

Statistics Canada Library
Bibliothèque Statistique Canada
1010013145

STATISTICS CANADA LIBRARY
BIBLIOTHÈQUE STATISTIQUE CANADA
1010721062