



CANADA

* 37161

ADVERTISING EXPENDITURES IN CANADA 1954

Reference Paper
No. 67

Published by Authority of
The Right Honourable C. D. Howe, Minister of Trade and Commerce

DOMINION BUREAU OF STATISTICS
Industry and Merchandising Division
Merchandising and Services Section

5503-552-124

Price 50 cents

TABLE OF CONTENTS

	Page
INTRODUCTION	5
SECTION A - SUMMARY OF RESULTS AND TOTAL ADVERTISING EXPENDITURE....	6
SECTION B - ADVERTISING EXPENDITURE COMPONENTS:	
Descriptions and Tables	
Printed Advertising.....	7
Radio and Television	8
Outdoor Advertising	9
Advertising Agencies	9
Direct Mail Advertising	10
Internal Costs of Advertisers	10
Miscellaneous	11
SECTION C - ADVERTISING RATIOS:	
Manufacturing, Wholesale, Retail and Service Trades	12

INTRODUCTION

DEFINITIONS AND GENERAL COMMENTS

Advertising Expenditures

The advertising expenditures which are included in this survey are made up of the advertising revenues of the various media, the commissions of advertising agencies, and the internal expenditures of large advertisers. Not considered as advertising for the purpose of this survey, and excluded by instructions to advertisers, are expenditures on sales promotion or similar plans involving samples and premiums, expenditures on measurements of the effectiveness of advertising, market surveys and other research work, fairs and exhibitions, package design, annual reports and house organs. Expenditures on catalogues and window dressing were collected in a way that they can be included or excluded as the expert user of the data may decide.

The only method of survey that would have ascertained all advertising expenditure would have required a questionnaire to each individual advertiser in the country -- an almost impossible task. The present survey of media, agencies and large advertisers seems the only manageable approach.

The data collected relate to total expenditures in Canada and not precisely to total expenditures of Canadian advertisers. The only noticeable exception to this rule is the inclusion of the item "value of imported advertising printed matter, stereotypes, etc." The expenditure of a Canadian advertiser on advertising outside of Canada would be included in total expenditures only to the extent (a) that his own internal costs related to the eventual foreign effort and (b) it involved the use of Canadian media at some stage. The total "out-of-Canada" expenditure shown as supplementary information in Table 7, however, would include the advertiser's expense incurred in another country as well as any expenditures made in Canada.

It should be noted, also, that the approach through revenue of media means that the statistics for each medium represent specifically the charge made by the medium for its contribution and not necessarily the total cost to the advertisers in the use they made of the individual medium. Going beyond the matter of advertising agency commissions, any cost incurred directly by the advertiser in connection with the preparation of a radio program for example, in addition to the charge made by the station for time, etc., could not get into the revenue data of the medium. An exact distribution of total advertising expenditure by each medium could be secured only by asking each advertiser to break down his expenditure to show separately the total amount assignable to each

medium; but, as already pointed out, it was decided that the general approach should not be through the individual advertiser.

To deal more specifically with the working out of the survey, the approach through media was adopted for reasons of economy. It may be noted that the Dominion Bureau of Statistics surveys the major medium, the "Printing and Publishing Trades," every year as well as advertising agencies and the bulk of the sign industry. With these to start with, the study was enlarged to include the revenue derived from advertising from all radio and television stations, billboard advertising, streetcar and bus advertising, direct mail costs attributed to advertising, imported advertising material, etc. These media revenue data exclude agencies' commissions which are available directly from the annual report on "Advertising Agencies."

The largest omission from the media approach is the expenditure by advertisers on their own effort. A detailed survey of most major advertisers was carried out to provide estimates of "internal costs of advertisers," which would complement the media total. Here again, economy of operation dictated coverage of large advertisers only. While contacting such advertisers, an effort was made to extend the survey beyond the one item "internal cost" to provide total advertising costs from which ratios of advertising to sales could be calculated. This matter will be discussed later with more detail under a separate heading. Information was requested and estimates made for catalogue and window display costs so that adjustments could be made for these items according to the individual interpretation of what should be included as advertising. As already pointed out, expenditures on sales promotions, or similar plans involving samples and premiums, expenditures on any measurements of the effectiveness of advertising, market surveys and other research work, fairs and exhibitions, package design, annual reports and house organs were to be excluded.

It is recognized that complete accuracy has not been obtained in this survey. Some minor forms of advertising were not covered; certain sign painting and show card writing revenue was not collected; a minor part of the revenue of trade work was not covered, nor was sky writing included. Brief descriptions of the coverage of the various media of advertising and the methods of compiling the data appear later in this report.

Advertising Ratios

For both practical and economy reasons, it was decided that only large advertisers should be canvassed to secure information on internal expenditures. To secure maximum data from this effort, the respondents were asked to report also on external expenditures, or billings against them, in connection with their advertising effort. These two items, which represent total expenditure, have been used to establish ratios of advertising expenditures to sales in specific areas, such as manufacturing, merchandising, and so on.

The ratios are affected by the specific exclusions required by the instructions to respondents. Total window dressing and catalogue costs, however, were included in the total advertising cost from which

operating ratios were derived. From the data on ratios appearing in Tables 8 and 9, these costs, therefore, cannot be excluded as can the internal costs attributed to catalogues and window dressing as shown in Table 7. One other point is noteworthy here, namely, that data from individual advertisers can, and do, include expenditures outside Canada. Such expenditures are included in the ratios as being properly connected with the sale of the respondents' goods.

This entire study was made possible by the co-operation and assistance of various associations concerned with the subject of advertising. The assistance of individual representatives of those associations on matters regarding the planning and completion of the survey is gratefully acknowledged.

SECTION A - SUMMARY OF RESULTS

Estimated expenditures on advertising in Canada amounted to \$397,061,934 in 1954, an amount representing 2.53% of all personal expenditures for consumer goods and services. This estimate is almost 4 times the 1944 expenditure of \$104,925,535.

The largest component of this total is the medium of printing. Advertising revenues of the printing trades, representing an increase of 246.1% over 1944, accounted for 65.2% of total expenditures in 1954. The 1954 total of \$258,328,000 for the printing trades comprises \$194,386,000 as advertising revenue from periodicals and \$63,942,000 from the printing of catalogues and other printed advertising matter. Reference should be made, for more detail, to the descriptions under "Printed Advertising" which follow, especially to "Trade Work".

Radio advertising revenue, at \$31,710,690, accounted for 8.0% of the total in 1954, while outdoor advertising represented 4.4% of all advertising. These media figures are exclusive of agencies' commissions which amounted to \$23,229,612 in 1954 or 5.8% of the total. With television still in the stages of expansion in 1954, advertising revenue placed through this medium amounted to \$8,595,626 or 2.2% of total expenditure on advertising.

A much more detailed study of internal costs was made in 1954 than ten years earlier. Many more types of advertisers were contacted to provide an estimate of \$31,953,252. Because of this expansion, the ratio to total of 8.0% cannot be considered comparable to the 1944 figure. The greater coverage in this phase of advertising costs partly accounts for the decrease in proportion to total in the other media compared with 1944. The same situation exists with respect to the miscellaneous category. In 1954, estimates for advertising film production, theatre revenue from screening advertising film, commercial artists' and photographers' contribution to advertising, and independent radio and T.V. programming, etc., were included in this item along with the value of imported printed matter, stereotypes, etc. These additions, not included in the former survey, accounted for much of the increase in this item from \$1,648,954 in 1944 to \$14,482,476 in 1954. As in the case of internal costs, this factor disturbs the ratios to total for the media between the two years for which information is shown in Table 1.

Descriptions, comments and more detail of tabular data for the various components of Table 1 appear in the following pages of this report.

TABLE 1. Estimated Advertising Expenditures in Canada, 1944 and 1954

Component	1944	1954	
	Amount	Amount	% of Total
	\$	\$	
Total, all components	104,925,535	397,061,934	100.0
Printing trades	74,646,329	258,328,000	65.2
Radio	11,486,952	31,710,690	8.0
Television	—	8,595,626	2.2
Outdoor advertising	4,144,601	17,607,278	4.4
Advertising agencies' commissions	5,949,499	23,229,612	5.8
Direct mail (postage)	3,000,000	11,155,000	2.8
Advertising departments of advertisers (internal costs)	4,049,200	31,953,252	8.0
Miscellaneous ¹	1,648,954	14,482,476	3.6

1. Includes imported advertising printed matter and stereotypes, etc., production of advertising films, advertising revenue from theatre screenings, estimates of commercial artists' and photographers' contribution to advertising, independent radio and T.V. programming, etc.

SECTION B - ADVERTISING EXPENDITURE COMPONENTS

Printed Advertising

Periodicals

For some years the Forestry Section of the Dominion Bureau of Statistics has published an annual report, "The Printing Trades", which shows advertising revenues as a separate item. From this survey, advertising revenue of periodicals is available broken down by type of publication. It is available for recent years for both publications printed by publishers and publications not printed by publishers. Certain comparable data are available for the last ten years as shown below. National week-end newspapers, however, were not segregated from the "daily" and "weekly" categories until 1949. Also, from 1945-1947, the revenue data exclude periodicals not printed in the publishers' plants. The special

advertising expenditure survey of 1944, however, produced advertising revenue of publications printed by others. The periodicals' revenue from advertising increased 262.5% over the ten years from \$53,630,887 in 1944 to an estimated \$194,386,000 in 1954.

The total advertising revenue of the periodicals for 1954 is shown below with a breakdown between those printed by publishers and not printed by publishers. These amounts are close estimates since, at the time of this report, final 1954 figures were not available. Imported printed advertising matter is included with "miscellaneous" matter rather than here. Reference should be made to the D.B.S. publication, "The Printing Trades", for more complete detail of this industry.

TABLE 2. Advertising Revenue of Canadian Periodicals, 1944 to 1954

Year	Newspapers			Magazines of general circulation	Trade, technical and scientific	Agricultural publications	All other	Total
	Daily	National week-end	Weekly, bi-weekly, tri-weekly					
	\$	\$	\$	\$	\$	\$	\$	\$
1944	32,612,339	1	5,328,791	4,862,942	5,719,868	1,875,590	3,231,357	53,630,887
1945 ²	34,945,046	1	4,251,347	3,312,689	2,792,953	1,651,659	406,731	47,360,425
1946 ²	42,182,316	1	4,862,163	4,046,992	3,101,446	1,811,344	272,712	56,276,973
1947 ²	53,929,642	1	5,666,170	5,441,481	3,739,977	2,287,458	378,493	71,443,221
1948	63,365,731	1	8,650,499	7,382,810	9,125,669	4,223,512	7,286,761	100,034,982
1949	71,182,945	5,569,016	9,638,251	8,275,903	9,485,772	4,964,162	8,737,053	117,853,102
1950	76,845,950	6,540,809	10,409,975	9,057,740	9,704,147	5,336,362	9,596,400	127,491,383
1951	85,283,429	7,266,499	12,431,987	10,187,703	10,588,044	3,928,884	11,046,264	140,732,810
1952	94,640,354	8,614,197	13,762,249	10,946,897	12,366,111	4,573,235	12,145,795	157,048,838
1953	109,795,330	9,793,995	15,735,474	12,184,202	14,157,817	5,073,733	14,083,232	180,823,783
1954	118,030,000	10,529,000	16,915,000	13,098,000	15,220,000	5,454,000	15,140,000	194,386,000

1. Included in "Daily" and "Weekly" figures for these years.
2. Does not include periodicals of publishers who do no printing.

TABLE 3. Advertising Revenue of Canadian Periodicals, by Classes, 1954¹

Class	Periodicals printed in publishers' own plants	Periodicals not printed by the publishers	Total, all periodicals
	\$	\$	\$
Newspapers, daily	118,029,000	1,000	118,030,000
Newspapers, National week-end	10,258,000	271,000	10,529,000
Newspapers, weekly, bi-weekly and tri-weekly	14,858,000	2,057,000	16,915,000
Controlled distribution weekly newspapers	191,000	726,000	917,000
Magazines of general circulation	8,095,000	5,003,000	13,098,000
Telephone and city directories	331,000	11,201,000	11,532,000
Trade, technical and scientific publications	6,689,000	8,531,000	15,220,000
Agricultural publications	2,991,000	2,463,000	5,454,000
Religious publications	178,000	284,000	462,000
School and collegiate publications	3,000	341,000	344,000
Fraternal publications	—	251,000	251,000
Juvenile publications	2,000	576,000	578,000
All other publications	291,000	765,000	1,056,000
All periodicals	161,916,000	32,470,000	194,386,000

1. Estimates based on 1953 data and preliminary 1954 tabulations.

Other Printed Advertising

The largest single item included under this category of printed advertising is catalogues which amounted to \$15,503,000 in 1954. Books chiefly for advertising totalled \$3,791,000 while the miscellaneous total of \$44,648,000 includes expenditures on

the printing of calendars, circulars, price lists, dodgers, posters, advertising novelties, etc. As with catalogues, these amounts do not represent total costs since the expenditures involved in preparing such advertising matter for printing will largely be included in the internal costs of advertisers.

TABLE 4. Revenue from Other Printed Advertising Matter, 1944 to 1954¹

Year	Catalogues	All other printed books chiefly for advertising	All other printed advertising matter	Total
	\$	\$	\$	\$
1944	3,176,381	767,539	12,548,674	16,492,594
1945	3,731,694	1,188,374	14,685,069	19,605,137
1946	4,796,299	1,354,258	18,114,919	24,265,476
1947	6,312,706	1,752,666	22,414,904	30,480,276
1948	8,029,902	1,919,285	26,713,361	36,662,548
1949	10,174,694	1,849,573	29,012,228	41,036,495
1950	11,653,792	2,256,670	32,149,645	46,060,107
1951	11,600,329	2,821,692	35,446,079	49,868,100
1952	13,766,211	2,890,097	39,083,479	55,739,787
1953	14,694,918	3,593,243	42,320,574	60,608,735
1954	15,503,000	3,791,000	44,648,000	63,942,000

1. Exclusive of advertising in periodicals.

Trade Work

In 1944 an attempt was made to obtain that portion of trade work such as electrotyping, photo engraving, trade composition, etc., done for advertisers or advertising agencies which could be considered as advertising. An estimate of \$4,522,848 was made from a special survey. No such estimate is

available for 1954. Any part of this trade work considered as advertising done for the printing trade would be included in the revenue of printers and publishers. The amount done directly for advertisers or agencies is most difficult to obtain and this omission in the 1954 study is no doubt the most significant one.

Radio and Television

A separate survey of all radio and television stations was made to obtain the figure on advertising revenue amounting to \$31,710,690 for radio and \$8,595,626 for television. All such media totals are exclusive of advertising agencies' commissions. To obtain a more accurate total of the advertisers' expenditure on radio or television advertising, the commission of advertising agencies should be added to this amount. An indication of this can be obtained from Table 6 on advertising agencies where the proportion of their billings through the radio and television media is shown.

All independent radio and television stations and the Canadian Broadcasting Corporation were surveyed to obtain their net revenue from advertising. This includes charges billed either directly to

advertisers or through advertising agencies and included station time, production and talent costs, announcers' fees and line charges. Some of these reports covered the fiscal year ending March 31, 1955; these were not adjusted to the calendar year. Any costs of programs produced by organizations engaged specifically in program production were not included. All stations were asked to report revenue from network, national and local advertising separately. This breakdown was required of the radio and television stations separately where any station operated as both a radio and television outlet. Network advertising through the radio and television media is that channelled through the various networks, arrangements being made by the advertiser or his agency directly with the Canadian Broadcasting Corporation. Independent stations attached

to a network, such as the Dominion, carry programs and are paid their time charges by the C.B.C. Local advertising is self-explanatory. National advertising represents those programs or short interludes where the advertiser, or his agency, makes all arrangements directly with the individual stations and pays them at a national rate. Such advertising is generally of a national product but need not be national in broadcast coverage. "Network" is generally more national in scope than that advertising termed "national."

While the response to this survey was very gratifying, some stations did not report. For these, estimates were made based on a variety of factors—the size of the city, whether or not there were other stations in the city, the power of the station, and

the audience rating. While it is admitted that such estimates are difficult to make it is necessary that totals for each segment be attained in a survey of this kind which is aimed toward the measurement of a universe. Where sufficient breakdowns were not available between the types of program, as in the case of television, a combination of national and local advertising was necessary. The estimate for production work by producers outside of the radio or television stations, whether billed to advertisers directly or through advertising agencies, is included under "miscellaneous" rather than in the figure covering radio and television. Exclude from this report entirely are the production or talent costs of programs originating in other countries but channelled through Canadian networks. The breakdown of revenue by type of program is shown below.

TABLE 5. Advertising Revenue of Radio and Television Stations, by Type of Program, 1954

Medium	Network	National	Local	Total
	\$	\$	\$	\$
Radio	4,505,627	12,005,291	15,199,772	31,710,690
Television	5,969,637	2,625,989		8,595,626

Note: In some instances, where actual figures were not available, careful estimates were used.

Outdoor Advertising

The three main components of this item are neon and other electric signs, billboard or poster displays, and streetcar and bus advertising. The three are grouped to avoid any disclosure of figures of individual firms.

A large part of the first two groups is surveyed annually by D.B.S. to give revenue from the rental of electric or other signs, revenue from the repairing of signs, advertising displays and the sale of signs. Certain firms not manufacturing signs are, however, engaged in the business of renting space. These firms were surveyed separately and their net revenue from space rentals (less agency commissions) are included in this figure. The amount shown under this heading does not include the cost of posters placed on the billboards. These are purchased by the adver-

tiser, or his agency, as a separate item of expense and included in the cost of printed matter for advertising purposes. Other sign producers, such as sign writers, show card and other sign painting not considered nor included as sign manufacturing, were surveyed. Incomplete response resulted in a possible under-estimation of this contribution to advertising.

The third segment of outdoor advertising consists of those firms which place advertising matter in streetcars, buses or other transit systems. The revenue from this source of advertising represents space rentals charged by the car and bus advertising companies to the advertisers. Costs of the cards which are displayed are included under the section on printed advertising. This information was obtained by a special mail survey of the firms concerned.

Advertising Agencies

Advertising agencies act as intermediaries between the advertisers and the various media in which the advertising is placed. On behalf of their clients, advertising agencies make contracts for space or time with the printing trades, outdoor advertising firms, radio and television stations. They engage in

the preparation of advertising material and advise their clients in a number of respects regarding their advertising program. The recognized agencies operate on a commission basis with the media through which they place their clients' advertising.

In 1954, there were 91 such firms operating in Canada whose figures are included in this report. Their total commissionable billings amounted to \$154,467,028 on which they received commissions amounting to \$23,229,612 (15.0 per cent). In addition to this revenue, they also carried out market surveys and other research projects which, with income from other fees, amounted to \$1,349,557. This last figure is not considered advertising and is not included in this report. As already mentioned, the various media figures do not include the commissions of recognized advertising agencies. The amount of agencies' gross revenue on commissionable billings (\$23,229,612)

must, therefore, be included in the figure on total advertising expenditure, 1954.

The information shown on advertising agencies in this report is available in more detail from the regular annual D.B.S. report ADVERTISING AGENCIES. The distribution of commissionable billings to the various media is shown for a few years prior to 1954 since it may be of some interest to both advertisers and advertising media. An estimate of production work on advertising material either by outside commercial artists is included with "miscellaneous" and described under that section.

TABLE 6. Percentage Distribution of Commissionable Billings by Media and Agency Commissions 1947 to 1954

Year	Total commissionable billings	Percentage distribution of commissionable billings						Agency commissions ¹
		Publications	Other visual	Production, artwork, etc.	Radio	Television	Other	
	\$	%	%	%	%	%	%	\$
1947	64,422,777	61.8	4.4	16.3	15.8		1.7	10,091,772
1948	73,543,766	60.4	4.5	16.1	16.7		2.3	11,553,459
1949	86,450,968	61.2	4.4	16.4	15.7		2.3	13,526,336
1950	95,566,600	59.6	5.7	18.5	16.1		0.1	14,443,707
1951	107,461,752	59.3	5.2	18.0	17.3		0.2	16,255,059
1952	120,628,827	59.9	4.5	17.1	17.6		0.9	18,246,232
1953	142,957,916	59.1	4.2	17.4	18.7		0.6	21,558,551
1954	154,467,028	56.4	4.5	17.3	15.4	5.5	0.9	23,229,612

1. Prior to 1950 figures include revenue from market surveys and other research and other fees not considered advertising.

Direct Mail Advertising

The cost of the material used in direct mail advertising is included in the revenue of the printing trades—i.e., catalogues, circular letters, dodgers, etc. The actual cost of handling, inserting in envelopes, or door-to-door delivery, in some cases, has not been measured and is not known, nor is the cost of envelopes used for this purpose. However, the estimate of internal cost of advertisers might well include a large share of this internal expense with

the other internal advertising costs. These same advertisers were requested to omit postal charges from their costs since a separate estimate was obtained from the Post Office Department.

An arbitrary estimate of 75 per cent of total third-class mail was used to arrive at the postal charge for direct mail advertising of \$11,155,000 in 1954.

Internal Costs of Advertisers

The internal advertising costs of advertisers form a large part of the total advertising outlay and obviously are a segment of advertising not included in the media figures. These internal costs represent salaries and wages of advertising staff, allocation of overhead costs for the department, supplies used, etc. Any outside billings were excluded from this figure since that part of the advertising cost would be obtained from the media, whether part of the printing trades, outdoor advertising, radio, agencies' commissions, or independent commercial artists and photographers.

A large survey of advertisers was undertaken to obtain total advertising costs by trades and industries from which ratios of advertising to sales might be shown. This survey covered most fields of advertisers where it was considered that advertising was an important expenditure of the business. For those trades and industries which are regularly covered by D.B.S. and for which total universes are known, it was quite simple to select samples and complete compilations from information already available regarding total sales or receipts. For other types of advertisers not regularly covered by D.B.S. (char-

tered banks, insurance companies, etc.) and on which no dollar revenue figure is available, this survey was carried out to measure only the one item "internal costs."

The survey of advertisers, therefore, was undertaken to produce an estimate of total internal costs and an estimate of expenditure outside of Canada. Detail was also requested concerning expenditures on catalogues and window display and whether or not these were included in internal costs reported. Replies made it possible to include or exclude such costs in the final compilation. Users of this report, depending on their viewpoint as to whether such are or are not considered as advertising, can leave them as part of internal cost or exclude them as not advertising cost. By instruction, expenditures on sales promotion or other plans involving free samples or premiums were not included nor were expenditures on fairs and exhibitions, new package design, annual reports, etc. In all, some 15,000 advertisers were contacted for this information covering the following broad fields: manufacturers, wholesalers, retailers,

service trades, transportation and utility companies, provincial and federal governments, financial institutions such as insurance companies, money lenders, chartered banks, etc.

In general, any sampling of these advertisers included all large firms and a percentage of the smaller ones. For the purpose of internal costs, the small firms can be disregarded as they were in most of the retail and service trades. Where the number of advertisers in any field was small, all organizations were contacted. All provincial governments and the federal government were surveyed as were all the chartered banks. All of the large insurance companies and half of the smaller ones were surveyed. The response to this project was very good in most sectors but there was some tendency for firms which dominated a field to not wish to report data. Except for the ratios of advertising expenditure to total sales which appear in Table 8 and 9, the results of this survey are shown below in summary form.

TABLE 7. Internal and Other Advertising Costs of Advertisers, 1954

Industry	Total Internal advertising costs	Catalogue cost		Window displays ¹	Out of Canada costs
		Total	Internal ¹		
	\$	\$	\$	\$	\$
Total	31,953,252	20,800,859	3,220,117	5,747,349	6,255,960
Manufacturing	15,155,008	4,239,158	771,226	1,987,950	2,493,608
Retail trade	9,596,021	13,594,562	1,975,415	3,085,623	249,441
Wholesale trade	3,432,751	2,844,254	459,494	339,947	4,970
Transportation and Utilities	1,627,463	41,877	1,020	220,957	1,860,340
Other services (Theatres, hotels, government, banks, loan companies, insurance, etc.)	2,142,009	81,008	12,962	112,872	1,647,601

1. Included in total internal advertising costs.

Miscellaneous

A variety of smaller contributions to the over-all advertising expenditure total is included under this heading. Imported advertising printed matter as well as imported stereotypes, etc., amounting to \$7,249,997 in 1954 formed the largest single component. While surveying theatres for internal and total advertising cost, information was solicited with respect to revenue from screenings of advertising films. Estimates for this minor medium of advertising are included here as is an estimate of the 1954 revenue from the production of motion picture films in Canada used for advertising purposes. An estimate

of commercial artists' and photographers' contribution to advertising as well as independent radio and television program production forms part of the total of \$14,482,476. An estimate of the creative work performed by agencies' own staff was also made from reports submitted by most of the advertising agencies. Other possible items which can be defined as part of the advertising picture were not covered. It is felt, however, that their contribution (sky writing, truck lettering, etc.) would be quite small.

SECTION C - ADVERTISING RATIOS

Ratios of advertising to total sales are shown here for manufacturing industries, certain wholesale and retail trades and for selected service trades. This information was collected from a large number of advertisers when surveyed for internal expense as shown in the first part of this report. Ratios are available only for industries and trades which are regularly surveyed by the Dominion Bureau of Statistics since a question on sales or receipts of advertisers was not included on the questionnaire used in this particular part of the study. D.B.S. has no figure on which to base ratios for such business organizations as insurance companies, chartered banks, etc. As mentioned previously, however, these advertisers were solicited for internal costs.

* Manufacturing industries were asked to report external, internal and total advertising costs, as well as supplementary data on catalogue, window display and out-of-Canada expenditures. The primary purpose was to obtain internal costs for which small firms were considered of minor significance. The survey, therefore, covered predominately large firms in industry. The ratios shown in Table 8 are derived from the total advertising expense of these large manufacturers who completed the questionnaire. These are based on the "real" sales of the industries as reported to D.B.S.-factory sales excluding inter-plant transfers of goods-in-process but including goods sold of other than their own manufacture. They do not necessarily show the pattern of advertising in all firms in the industry.

Although the basic data were not collected by commodities, an attempt was made to obtain information by individual industries. Certain large multiple-establishment organizations were asked to submit separate reports for the separate industries into which the individual establishments are ordinarily classified on a major goods production basis. While limited amounts of second line, or non-related, goods may be included in an industry, due to the fact that establishments classified to the industry on the basis of major goods produced may have minor production of non-related goods which automatically become part of the industry's total statistics, the title of the industry can be taken as very largely indicative of the goods included in the advertising expenditure ratios. However, although the goods comprehended in the ratio of the industry are related, in the sense to be inferred from the title of the industry, some of these goods may involve heavier advertising expenditures than do others. On the industry level, the ratio is, in effect, an average which may conceal relatively high and low levels of expenditure on particular commodities within the industry. In further attempting to read precise meaning into a given ratio, another problem arises. The ratio may not appear to indicate the expenditure level expected in the light of expert knowledge or of common experience with the advertising effort connected with the particular goods involved. However, the ratio reflects expenditures at the manufacturing establishment level. If the expenditure actually occurs partly, or entirely at some other

level, such as retailing, then it is properly excluded here. Nevertheless, and allowing for exceptional cases and for the fact that these are "large firm" ratios only, the information presented here should at least have the value of permitting comparison of expenditures between industries on the basis of low, medium or high.

Ratios of advertising expenditure are also shown for major industry groups and for total all manufacturing. These were obtained by weighting the individual industry ratios according to their annual 1954 gross value of production. The same weighting system was used between major groups to obtain a total for all manufacturing. Although the interest of users will lie in the individual ratios, these totals give a general picture of the advertising program carried out in one industry group as compared with another. All industries are used in obtaining the major group totals even though not specified as a selected industry in Table 8B.

Wholesale trade ratios of advertising are taken from the 1953 DBS survey on the Operating Results of Wholesale Trade for those trades covered in this biennial survey and for certain other trade groups from this 1954 study of advertising. The sample coverage and response to the operating results study is greater than to the special advertising survey of 1954. However, the ratios of those trades identified as covered in this 1954 study are considered fairly typical and are listed in Table 9 following. It is not felt that ratios of advertising would change to any great extent from 1953 to 1954 in wholesale trade.

Retail trade ratios are available from two sources --the biennial DBS operating results surveys, and this 1954 study of advertising expenditure. For retail trade, only large retailers (all department stores and chain stores and only very large independent stores) were surveyed for internal costs. The ratios available from the 1954 survey of operating results, with a coverage of large and small stores, give a more reliable ratio of total advertising than does this special study. The latter, however, is quite adequate for internal costs, since most small stores would not have any significant internal cost. Following the pattern of the operating results surveys, retail chain store ratios are mostly for 1953, as in wholesale. Independent stores of the unincorporated and incorporated forms of organization are shown separately in the published D.B.S. Operating Results reports but are properly weighted to show ratios for trade totals here.

Service trades surveyed annually by DBS were covered on a sample basis for internal advertising cost and for total cost, from which ratios were calculated. In both sampling and estimating results, consideration was given to size of business, and compilations were carried out on a stratified basis to give proper weight to each size class. Other services, such as finance, utilities, government, etc., are included in the estimate for internal costs but not for ratios of advertising to total sales or receipts.

TABLE 8. Advertising Ratios in Manufacturing 1954

By Industry Groups and for Selected Industries

Industry	Ratio of advertising to sales	Industry	Ratio of advertising to sales
	%		%
Industry Groups		Printing, publishing and allied industries:	
Food and beverages	1.62	Printing and bookbinding	0.45
Rubber products	1.40	Trade composition	2.15
Leather products	0.72	Engraving stereotyping and electrotyping	0.36
Textiles	0.71	Lithographing	0.26
Clothing	1.06	Printing and publishing	1.52
Wood products	0.46		
Paper products	0.28	Iron and steel products:	
Printing, publishing and allied industries	0.97	Agricultural implements	1.20
Iron and steel products	0.72	Boilers, tanks and plate-work	0.91
Transportation equipment	0.79	Bridge building and structural steel	0.22
Non-ferrous metal products	0.36	Hardware, tools and cutlery	1.20
Electrical apparatus and supplies	1.92	Heating and cooking apparatus	2.23
Non-metallic mineral products	0.46	Machinery, household, office and store	1.07
Products of petroleum and coal	0.79	Machinery, industrial	1.27
Chemicals and allied products	3.24	Machine tools	0.85
Miscellaneous manufacturing industries	1.59	Sheet metal products	0.46
Total, all manufacturing	1.67	Wire and wire goods	0.51
Selected Industries		Transportation equipment:	
Food and beverages:		Bicycles and parts	1.55
Biscuits	1.94	Motor vehicles	1.38
Bread and other bakery products	1.28	Motor vehicle parts	0.28
Breweries	2.19		
Distilled liquors	3.50	Non-ferrous metal products:	
Wines	2.89	Aluminum products	1.32
Fruit and vegetable preparations	3.01	Brass and copper products	0.44
Dairy products (less processed cheese)	0.75	Jewellery and silverware	1.52
Foods	0.87		
Flour mills	1.14	Electrical apparatus and supplies:	
Foods, breakfast	11.76	Batteries	2.34
Slaughtering and meatpacking	0.45	Machinery, heavy, electrical	0.50
Confectionery	2.68	Radios and television sets, and parts	3.01
Macaroni and kindred products	3.48	Refrigerators, vacuum cleaners and appliances	3.92
Sugar refining	0.07	Miscellaneous electrical apparatus and supplies	1.02
Miscellaneous food preparations	4.56		
Rubber products	1.40	Non-metallic mineral products:	
Leather products:		Glass products	0.45
Footwear, leather	1.02	Stone, monumental and ornamental	0.47
Textiles:		Products of petroleum and coal:	
Carpets, mats and rugs	0.87	Petroleum products	0.88
Oil cloth, linoleum and other coated fabrics	3.26		
Knitting mills:		Chemical and allied products:	
Hosiery	1.63	Acids, alkalies and salts	0.65
Other knitted goods	0.81	Medicinal and pharmaceutical preparations	6.07
Clothing:		Paints, varnishes and lacquers	3.73
Clothing, children's factory	0.16	Soaps, washing compounds, etc.	11.26
Clothing, men's factory	1.18	Toilet preparations	15.86
Clothing, women's factory and contractors	0.30	Inks	0.44
Corsets, girdles, and foundation garments	6.38	Polishes and dressings	6.74
Fur goods	2.55		
Hats and caps	0.84	Miscellaneous manufacturing industries:	
Oiled and waterproofed clothing	0.50	Brooms, brushes and mops	2.01
Wood products:		Clocks, watches and watch cases	3.88
Furniture	1.14	Fountain pens and pencils	6.24
Boxes and baskets, wood	0.23	Musical instruments	1.81
Morticians' goods	0.23	Scientific and professional equipment	1.32
Paper products:		Sporting goods	1.80
Pulp and paper	0.10	Toys and games	0.95
Roofing paper	1.20	Buttons and fasteners	0.94
Miscellaneous paper goods	1.71	Ice, artificial	0.96
		Lamps, electric and lamp shades	1.14
		Pipes, lighters and smokers' supplies	6.41
		Statuary, art goods and novelties	1.62
		Umbrellas	0.28

Note: For a complete list of industries included in the Industry Groups reference should be made to the D.B.S. report "Manufacturing Industries in Canada" Section A.

TABLE 9. Advertising Ratios for Selected Trades, 1954

Trade	Ratio of adver- tising to sales	Trade	Ratio of adver- tising to sales
	%		%
Wholesale Trade (wholesalers proper)		Independent retail stores—Continued	
Fruits and vegetables ¹	0.11	Household appliances, radio and television stores	1.71
Groceries ¹	0.09	Motor vehicle dealers	0.76
Meat, fish, poultry and dairy products	0.25	Filling stations	0.28
Clothing and furnishing	0.19	Garages	0.36
Shoes and other footwear ¹	0.17	General stores	0.26
Dry goods ¹	0.36	Restaurants	0.33
Piece goods ¹	0.15	Fuel dealers	0.58
Drugs and drug sundries ¹	0.20	Drug stores	0.86
Household appliances and electric supplies ¹	0.65	Jewellery stores	2.19
Farm machinery	1.09	Tobacco stores	0.17
Coal and coke	0.22		
Hardware ¹	0.41		
Construction and building materials:		Retail chain stores	
Other than wood	0.23	Grocery stores ¹	0.65
Lumber and millwork	0.13	Combination stores ¹	0.71
Industrial and transport equipment and supplies ...	0.46	Men's clothing stores ¹	3.18
Commercial, institutional and service equipment ..	0.80	Women's clothing stores ¹	1.51
Automotive parts and accessories ¹	0.56	Family clothing stores ¹	1.81
Newsprint, paper and paper products	0.22	Shoe stores ¹	1.65
Tobacco and confectionery ¹	0.07	Variety stores ¹	0.33
Metals and metal products	0.53	Drug stores ¹	1.13
		Furniture stores ¹	3.46
		Hardware stores	1.82
		Lumber and building material dealers	0.82
		Restaurants	0.51
		Jewellery stores	3.71
Retail Trade		Service Trade	
Independent retail stores:		Hotels	0.83
Grocery stores	0.21	Theatres	8.11
Combination stores	0.30	Power Laundries	1.39
Meat markets	0.19	Dry cleaners and dyers	2.21
Fruit and vegetable stores	0.12	Film distributors	1.00
Confectionery stores	0.15	Radio and television	2.72
Men's clothing stores	1.63		
Women's clothing stores	1.27		
Family clothing stores	1.69		
Family shoe stores	1.29		
Hardware stores	0.80		
Furniture stores	1.82		

1. Ratios for 1953 taken from biennial D.B.S. operating results studies.

ms

STATISTICS CANADA LIBRARY
BIBLIOTHEQUE STATISTIQUE CANADA



1010177861