IRISH ADVERTISING FUTURES

Catriona M. Moroney*

The advertising industry is exposed to many forces, most of which are outside its control. Recent developments in communications technology and legislation bear witness to the fact that the future of the advertising industry is multifaceted and ill-defined, and may well differ greatly from the past. Planners, hoping to arm themselves with forecasts so as to adjust to the rapidly advancing future are further hindered by the lack of official statistics relating to the industry. The advertising industry is particularly subject to government surveillance, which has already caused a redistribution of advertising expenditure among the various media. In Ireland it is also subject to competition from overseas, where production costs are often lower. Advertising expenditure is dependent on the level of economic activity, and in the fact of a recession, it is easier to cut back the advertising budget, than other more inflexible ones. Thus, the advertising industry in Ireland would seem to be at an uncertain stage in its development. In the past, increases in the size of the industry and the level of expenditure on advertising have shown relatively constant trends. It is unlikely that this constancy will continue.

This article reports the results of a study which attempted to discover future influences on the advertising industry, to examine their possible effects and to develop a picture of the advertising industry of the future. It is hoped that this report will help to build a future scenario which will give decision-makers a better information base, thus allowing them to plan a more profitable future. Predictions were addressed to the following major issues: (a) Future Industry Structure; (b) Future Levels of Expenditure; (c) Forecasts of Innovations; and (d) Future Marketing Strategy Implications.

RESEARCH METHODOLOGY

Traditional forecasting techniques usually require historical data. This data is examined, a pattern identified and extrapolated to indicate a

*The author is Marketing Assistant with Alfred Bird and Sons (Ireland) Ltd., the Irish subsidiary of General Foods Corporation. This research project was made possible through funding received by the Department of Marketing, University College, Dublin from Arks Limited.

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possible future scenario.[1] If one were always to rely on these methods, it would not be possible to develop future scenarios when historical data is not available, or if non-quantifiable data typifies the past. Scenarios developed from historical data will be totally inaccurate, if the future is influenced by factors which do not bear on the past.[2]

When considering the advertising industry, one sees that the decision situation is ill-structured, complex, and poorly understood. A forecasting technique is required that will not merely forecast "more of the same".[3] The "Delphi" technique was the forecasting methodology chosen for this study.[4] With this technique, a group of experts on the chosen subject are selected. Delphi stimulates meaningful exchange among the group who are interested in a common problem. If often utilises a mail questionnaire, so the group of experts are free of specific place and time constraints and of the more harmful effects of group dynamics.[5] Individual intuition, judgement, and knowledge is systematically obtained. Initially, each expert is asked to predict the timing and extent of a number of developments which could conceivably concern the future of the industry. A follow-up questionnaire contains a summary of all the experts' responses to the original questionnaire. The experts are allowed to reconsider their original responses in the light of the feedback. The intention of this feedback is to bring the opinions of the experts to an informed consensus.[6]

This study made use of a mail questionnaire which asked several Irish experts to give their views on the timing and extent of various occurrences which had some bearing on the future of the advertising industry. The estimates resulting from the first questionnaire were summarised in the form of a median and an interquartile range.[7] The experts were also asked to rate their competence in answering each question and this rating was used to weight responses. A final panel of 12 businessmen completed the questionnaire, representing advertisers, advertising agencies, the media, and market research houses.

RESEARCH FINDINGS

(a) *Industry Structure*

Estimates of the 1980 scene, together with forecasts of the future various developments influencing the advertising industry as seen by the panel, are shown in Tables 1, 2 and 3.

The following comments, drawn from the panel respondents, are intended to elaborate on the data in the tables. The number of Irish advertising agencies is predicted to increase slightly over the ten-year period. This is in contrast to the relatively rapid increase in numbers in recent years.[8] The forecasted increase of only two in 1990 compared with

Table 1:

	Actual	Forecasts	
	1980	1985	1990
Numbers of:			
Irish Advertising Agencies	42	46	44
Foreign Advertising Agencies	1	2	5
Specialist Media-buying Agencies	1	2	3
Specialist Creative Agencies	0	1	1
Film Production Companies	6	9	8
Public Relations Agencies	23	28	31
Research Houses	13	16	17
National Television Stations	2	2	2
Foreign Television Stations	4	5	5
Local Television Stations	0	1	1
National Radio Stations	2	2	2
Local Radio Stations	0	5	9
Daily/Sunday Newspapers	9	10	8
Provincial Newspapers	57	55	57
Magazines	6	9	11

1980, would mark a halt in this proliferation. The small increase in overall numbers may, however, overshadow a series of integrations and mergers among existing agencies. The number of foreign agencies is expected to increase to five — foreign investors believing the Irish market to be a profitable one. The foreign agencies who set up branches here, will be those who presently work in conjunction with Irish agencies to service the needs of multinational companies, who can appreciate the Irish situation better.

The panel anticipated that specialist media-buying agencies would increase to three. However, they are not expected to hold a large share of the space booking market. This will be in contrast to the current situation in the UK, where media-buying specialists hold a significant share of the space-buying market.[9] There will be only one creative "hot-shop" in Ireland in 1990, according to the panel — a reflection perhaps, of the expected low number of media-buying agencies.

Irish clients, in general, will continue to require a full service from their agency. The number of film-production companies is expected to increase to eight, due to legislation which will require a higher percentage of the advertisements' content to be produced in Ireland than at present. A large increase in the number of public relations agencies is a notable feature of the future of the advertising industry. This increase will result from the client's expected realisation of the importance of the function of public relations. The number of research houses will increase to 17 by 1990, as a result of the increased demand for more accurate and substantial information banks on which to base decisions. No new national television channels are predicted to be on the air by 1990, and the number of foreign television channels received in Ireland will increase by only one. In the light of the Swiss-UK, and French-German ventures into satellite communications, and the good possibility that programmes broadcast by this technology will be receivable in Ireland, this would appear to be a very conservative estimate, in the view of the author.[10] Ireland will have one local television station by 1990, possibly located in one of the larger cities. The medium appearing to have the most exciting future is local radio. As a result of new broadcasting legislation, legal local radio stations will take over the market built up by "private" radios, as advertisers wish to advertise legally. Newspapers presently published will survive until 1985, when two of their number will disappear. The decrease in number of provincial newspapers will result from mergers and integration among existing papers to achieve economies of scale, especially with regard to new printing technology.[11] The number of large circulation magazines is expected to increase quite dramatically over the next ten years — a continuation of the recent trend in this area. When viewed overall, the panel expects that increases in one medium will be compensated by decreases in another. The media scene in 1990, as viewed by the panel, will show little change from 1980 (Table 2).

Table 2:

	Actual	Forecasts	
	1979	1985	1990
Level of Advertising Expenditure in IR£s:	52m (est).	88m	148m
	Actual	Forecasts	
Total Advertising Expenditure by Sector:	1980	1985	1990
	%	%	%
Food	10	10	10
Retailers	8	10	13
Motor Trade	8	8	8
Beverages	7	6	6
Financial Services	6	5	5
Tobacco	6	4	2
Government	6	8	9
Agriculture	5	6	6
Household Goods	4	4	6
Tourism & Transport	3	3	4
All other categories	37	36	30
	100%	100%	100%

An average annual real increase of 10% was predicted in the amount to be spent on advertising in Ireland over the next ten years. Past increases in real terms would have been slightly higher than this figure.[12] The percentage of advertising expenditure by sector is also interesting. The level of advertising undertaken by retailers is expected to increase significantly. The level of government expenditure is also expected to increase as it supports interventionist policies and election campaigns with consumer advertising. The only notable reduction is in tobacco, presumably as a result of the recent tobacco products legislation. In the eyes of the panel, it appears from the amount of advertising expenditure to be taken up by the beverages sector, that legislation will not substantially reduce advertising of alcohol.

Advertising research expenditure by type highlights some interesting factors. The largest increase is in the area of advertising pre-testing, as clients wish to be sure that the campaign proposed is the most effective and efficient, given their budget constraints. A small increase is predicted in the amount of advertising effectiveness testing, or post-campaign testing. This suggests that advertising will have to be increasingly accountable for the resources invested in it. Advertisers will wish to know the exact return on their investment in advertising and will compare it to other forms of promotion. A small increase in media research is expected to result from changes on the media scene.

Table 3:

	Actual	Forecasts	
Advertising Research Expenditure by Type:	1980	1985	1990
	%	%	%
Advertising Effectiveness Testing	14	15	16
Advertising Pre-Testing	8	10	11
Media Research	8	10	9
Marketing Research	70	65	64
	100%	100%	100%
Advertising Research Expenditure undertaken by:			
Advertising Agencies	10	12	12
Research Houses	90	88	88
	100%	100%	100%
Public Relations Expenditure undertaken by:			
Advertising Agencies	10	32	50
Public Relations Agencies	90	68	50
	100%	100%	100%

The amount of public relations undertaken by advertising agencies and their subsidiary companies is expected to increase significantly over the next ten years. This will follow from the client requiring a complete promotion service from the agency, as opposed to an advertising service only. If this proves to be correct, advertising agencies will have to change their marketing strategy in order to meet these needs more fully.

(b) *Forecasts of Innovations*

The forecasts of year of adoption of some suggested innovations and developments and extent of adoption of new technology are summarised in Table 4.

Table 4: Forecasts of Innovations

	Year of Introduction		
1. Legislation affecting the advertising of alcohol		1982	
2. A new remuneration system for advertising agencies		1990	
3. Percentage penetration into the Irish market of the following innovations:	1980	1985	1990
	%	%	%
Teletext	0	2	4
Satellite television	0	2	6
Video cassette recorders	2	6	12
Remote control handset	10	18	29

The introduction of legislation affecting the advertising of alcohol is an important issue for media owners who gain a lot of their advertising revenue from alochol manufacturers, and the government, who profit directly from any increase in alcohol sales as well as the alcohol manufacturers. It is interesting to note that those involved in the advertising industry feel that legislation will be passed as soon as 1982, despite their predictions on the level of expenditure shown in Table 2.

At present, most advertising agencies are remunerated by way of a service fee and a commission system which put the agency into the role of "space salesmen".[13] Although a new remuneration system would have positive motivation effects, it appears that agencies will stay with the current system until 1990, at least. The difficulties of arranging an industry-wide changeover may be a causal factor in this long delay, according to the panel.

In that teletext, video cassette recorders, remote control handsets and satellite stations all provide competition or alternatives to commercial breaks on Irish television stations, they are important factors in the future of the advertising industry. The panel expect that teletext will only increase its penetration of the Irish market by a small percentage, which reflects the trend in European countries.

The estimated penetration of satellite television, video recorders and remote control handsets are, in the view of the author, conservative predictions, given that at least two satellities will be in operation by 1983, and Ireland will be within their beam range, as well as the technological advances under way in video.[14] Video cassette recorders will onlyhave achieved 12% of the market by 1990, according to the panel, who also expect that thirty per cent of the Irish market will have remote control handsets by 1990, allowing viewers to conveniently scan other channels' offerings with ease during commercial breaks.

(c) *Forecasts of Marketing Strategy Implications*

The forecasts on the future values of issues concerning the marketing strategy of the advertising industry are outlined in Table 5.

Table 5: Forecasts of Marketing Strategy Implications

	Actual	Forecasts	
	1980	1985	1990
	%	%	%
1. Percentage of advertising expenditure held by five largest agencies	50	46	50
2. Percentage of space booking activity carried out by Irish advertising agencies	90	89	90
3. Percentage of advertising produced by Irish agencies	54	51	51
4. Number of advertising agencies who have the following subsidiaries:			
Public Relations Units	18	18	22
Research Units	1	3	3
Film Production Units	10	12	12
International Associations	1	3	4
5. Percentage of advertising expenditure by media:			
Daily/Sunday newspapers	33	30	28
Provincial newspapers	9	8	8
National television	32	33	31
Local television	0	0	0
National radio	11	10	10
Local Radio	0	2	4
Outdoor	7	6	5
Cinema	1	1	1
Magazines	7	10	13

The predictions appear to suggest that there will be no further concentration of advertising expenditure within the advertising industry. Again, the panel expect no change in the percentage of space booking activity held by Irish based agencies. Thus, foreign agencies will not be used to any great extent to place advertising in Ireland. A slight decrease will occur in the amount of advertising produced in Ireland. The type of production which will take place outside Ireland is not specified, but could be blockmaking and printing, as the increase in the forecasted number of film production units suggests that this type of production will not be taken over by foreign competitors. There will be an increase all round in the number of subsidiaries which advertising agencies will hold, thus they will be offering a wider range of services to the client. The increase in the number of public relations subsidiaries will not be large, but if this prediction is associated with the forecasted large increase in the share of public relations agencies and their subsidiaries, it appears that the same agencies will be very busy in 1990. The forecasted increase in the number of advertising agencies with international associations results from the setting up of multinational companies in Ireland, under the IDA assisted scheme. Advertising agencies may be servicing the international needs of these companies.

Little change is predicted in the percentage of advertising expenditure held by any one medium. Daily/Sunday newspapers and outdoor advertising are expected to lose some of their share to the more innovative media, local radio and magazines.

CONCLUSION

This article represents a sketch of some of the more important and changing factors influencing the future of the advertising industry, as seen by the panel of experts. Examination of the predictions indicate a rather conservative and unchanging picture for the future of this presently dynamic industry. There was a wide divergence of opinion however, on the timing and extent of certain future developments. A number of such developments, for which the divergence of estimate was extreme, are recorded in Table 6. Those interested in the future of Irish advertising may find the results shown here a useful base from which to critically develop their own future scenarios. The future is not a random process — we make it happen!

Table 6: Degree of Divergence of Opinions on Certain Topics

1. Number of Irish owned advertising agencies in 1990:	40	44	55
2. Number of independent research houses in 1990:	11	17	18
3. Number of public relations agencies in 1990:	19	31	34
4. Advertising expenditure (in £m) in 1990:	104	148	228
5. Introduction of new remuneration system for advertising agencies:	1985	1990	never

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7. The median is a measure of the central tendency of the responses. The interquartile range borders the central 50% of the experts' responses when listed sequentially, and is a measure of the dispersion of the responses around the median.

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