

Chapter 9

Food Advertising in the United States

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Food manufacturers spent \$7 billion in advertising in 1997. Most of this advertising focused on highly processed and highly packaged foods—which also tend to be the foods consumed in large quantities in the United States relative to Federal dietary recommendations such as the Dietary Guidelines for Americans. Advertising expenditures on meat, fruits, and vegetables are negligible. In contrast, the U.S. Department of Agriculture spent \$333.3 million on nutrition education, evaluation, and demonstrations. This is approximately what the food industry spent on advertising just for coffee, tea, and cocoa, or for snacks and nuts; slightly more than half (60 percent) the amount spent on advertising for carbonated soft drinks, and less than half the amount spent promoting beer, or candy and gum, or breakfast cereals.

Introduction

Advertising and promotion are pivotal to the marketing of the American food supply. The U.S. food marketing system is the second largest advertiser in the American economy, and a leading supporter of network, spot, and cable television, newspapers, magazines, billboards, and commercial radio. Groceries account for about 70 percent of all manufacturers' coupons. Food manufacturers also spend massive amounts promoting the product to the retailer—through discounts and allowances, incentives, and actual slotting allowances—in order to secure scarce space on the Nation's grocery shelves.

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Table 1—Advertising by food industry, 1995-97

Item	1995	1996	1997
		<i>\$ million</i>	
Total media ¹	9,947	10,486	11,082
Eating and drinking places ²	2,645	2,961	3,148
Food retailers	795	804	860
Food manufacturers	6,507	6,721	7,074

¹ Magazines, Sunday magazines, newspapers, national newspapers, outdoor, network and spot television, network and spot radio, syndicated television, and cable television networks.

² Includes hotel restaurants not otherwise counted among eating and drinking places.

Source: Compiled from BAR/LNA Multi-Media Service data USDA/ERS.

Why so much advertising? There are several reasons for it. First, the food market is huge, capturing about 12.5 percent of consumer income, and there is vigorous competition among food firms to compete for this market. Second, food is a repeat-purchase item, lending itself to swift changes in consumer opinions. Third, food is one of the most highly branded items in the American economy, thus lending itself to major advertising.

For purposes of this chapter, advertising refers to printed and electronic media, and excludes coupons, trading stamps, and games, which comprise a significant portion of total product promotion.

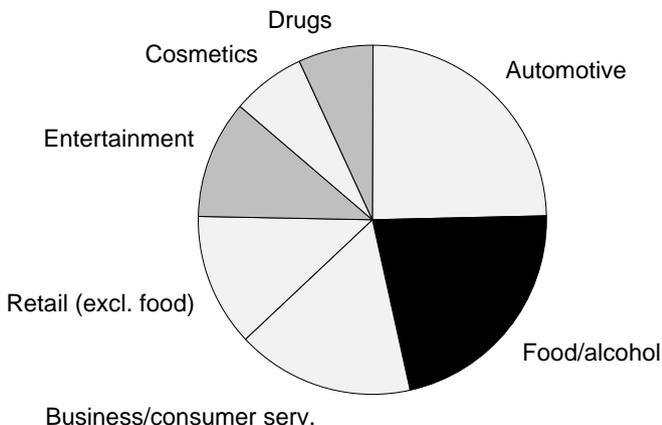
Advertising in the U.S. Food Marketing System

Advertising by the American food and alcohol industry—which includes food manufacturers, retailers, and foodservice—comprises nearly 16 percent of the \$73-billion mass media advertising market, second only to the automotive industry, which accounts for 18 percent (fig. 1). Toiletries and drugs, a significant portion of which are sold through the U.S. grocery system, account for an additional 5 percent each.

Food manufacturers account for most of the mass media advertising on food. In 1997, the Nation's food manufacturers accounted for nearly two-thirds—\$7 billion of the \$11 billion—spent by the U.S. food system on advertising (table 1). Advertising by foodservice—

Figure 1

Largest advertisers in the United States, 1997



Food and alcohol includes food manufacturing, retailing, and foodservice.

Source: USDA/Economic Research Service.

mostly by fast-food places—accounted for an additional 28 percent, up from about 5 percent in 1980, reflecting the strong growth in fast-food restaurants. Foodstores accounted for the remaining 8 percent of the food industry’s mass media advertising.

Television is the favorite medium used by food manufacturers. Over 75 percent of the \$7 billion spent by food manufacturers for advertising in 1997 was allocated to television (table 2). Fast-food restaurants allocated over 95 percent of their budgets to television.

Television is the most widely used medium because it can reach large audiences and instill brand name recognition. Much television advertising is also aimed toward people who do not read newspapers, such as children. Food retailers, on the other hand, depend more on local newspapers to communicate prices for a large number of items.

Advertising Intensity

The intensity of advertising can be measured by comparing food’s share of advertising to its share of disposable income. For example, whereas food and alcohol accounted for 12.4 percent of the Nation’s

Table 2—Media use by food manufacturers, 1997

Media	Food advertising by food manufacturers
	<i>\$ million</i>
Magazines	1,099
Sunday magazines	71
Newspapers	46
National newspapers	10
Outdoor	70
Network television	3,230
Spot television	1,389
Syndicated television	466
Cable TV network	430
Network radio	104
Network sport radio	160
Total	7,074

Source: 1997 LNA data, compiled by USDA/ERS.

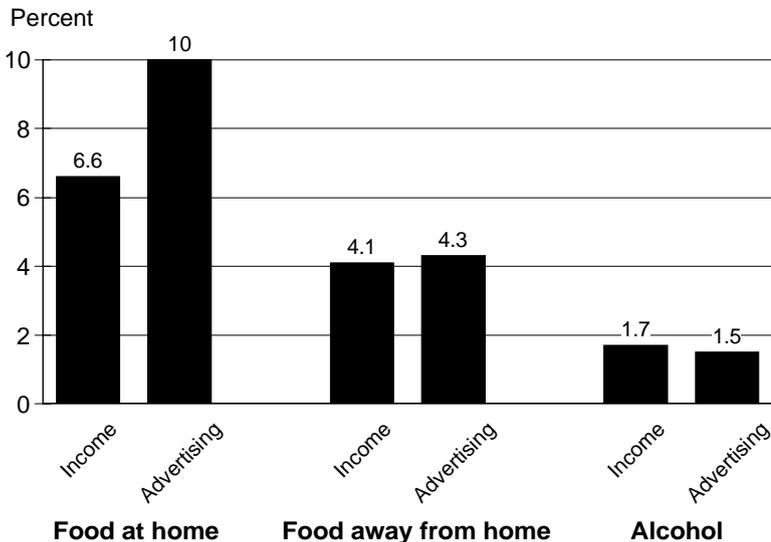
disposable income in 1997, they accounted for nearly 16 percent of advertising expenditures (food alone accounted for 10.7 percent of disposable income and 14.3 percent of advertising expenditures).

Advertising by food manufacturers—rather than by restaurants, food-stores, or even alcohol manufacturers—is the greatest contributor to the high intensity of food advertising. Purchases of food at home accounted for less than 7 percent of income in 1997, but advertising by food manufacturers accounted for 10 percent of all advertising that year (fig. 2). The foodservice share of advertising, at 4.3 percent, was slightly larger than the 4.1 percent of income consumers spent on food away from home. This low advertising intensity occurs because only about half of local restaurants do any advertising, and relatively little of it. Most advertising by the foodservice industry is by fast-food restaurants. Alcoholic beverages accounted for about 1.7 percent of the Nation's income in 1997, slightly larger than alcohol's share of mass media advertising. However, advertising intensity for alcohol may increase now that voluntary constraints to advertising on television have been removed.

Within the food manufacturing sector, advertising expenditures tend to be highest for the most highly processed and highly packaged foods—which tend to be highly branded and which can be easily dif-

Figure 2

Food's share of advertising compared with income, 1997



Source: USDA/Economic Research Service.

ferentiated. Of the \$7 billion spent on advertising by food manufacturers in 1997, more than one-fifth (22 percent) was devoted to prepared, convenience foods (table 3). Alcoholic beverages accounted for an additional 15 percent, as did candy, confectionery, and salty snacks. Soft drinks/bottled water and cooking products/seasonings are also large advertisers. Advertising expenditures on meat, fruits, and vegetables are negligible.

Advertising intensity by product category is shown in table 4. Meat, poultry, and fish, which accounted for 27 percent of the consumer at-home food budget in 1995, accounted for 4 percent of all advertising by food manufacturers that year, and therefore have a low advertising intensity ratio of 0.1. Dairy products, which accounted for about 12 percent of consumer expenditures on food at home, have an advertising intensity ratio of 0.6. Soft drinks, which accounted for less than 5 percent of expenditures on food at home, have a ratio of 1.8. Prepared, convenience foods, have an advertising intensity ratio of 1.9; confectionery and sweets have the highest ratio—2.4. The share

Table 3—Advertising expenditures by food manufacturers, 1997

Product category	Advertising expenditures	
	\$ million	Share
Prepared, convenience foods ¹	1,563	22.1
Confectionery and snacks ²	1,095	15.5
Alcoholic beverages	1,082	15.3
Soft drinks and bottled water	702	9.9
Cooking products and seasoning ³	675	9.5
Beverages ⁴	625	8.8
Dairy products and substitutes	505	7.1
Bakery goods	408	5.8
Meat, poultry, and fish	210	3.0
Fruits, vegetables, grains, and beans	159	2.2
General promotions	50	0.7
Total	7,074	100.0

¹ Soups, cereals, jams, jellies, peanut butter, health and dietary foods, infant foods, pasta products and dinners, all other prepared dinners and entrees, and miscellaneous prepared foods.

² Candy, gum, mints, cookies, crackers, nuts, chips, and other salty snacks.

³ Sugars, syrups, artificial sweeteners, shortening, cooking oils, margarine, baking mixes, crusts, flour and other baking ingredients, seasoning, spices, extracts, gelatins, puddings, condiments, pickles, relishes, sauces, gravies, dips, salad dressings, mayonnaise, and other miscellaneous ingredients.

⁴ Coffee, tea, cocoa, fruit juices and fruit drinks, and vegetable juices.

Source: USDA, Economic Research Service.

of food advertising for some food categories—in particular, confectionery and sweets, prepared and convenience foods, soft drinks, cooking products and seasonings, and food beverages—is substantially higher than the share of consumer spending in those categories. For other categories—such as meat, poultry, and fish, and fruits, vegetables, grains, and beans—the share of advertising is substantially less than the share of consumer spending on them.

Foods with the highest advertising intensity tend to be the ones overconsumed relative to Federal dietary recommendations such as the *Dietary Guidelines for Americans* (see chapters 3, 5, and 6). Per capita consumption of added sugars and sweeteners, for example, continues to increase, much of it due to increased consumption of carbonated soft drinks. This increased consumption seems to be

Table 4—Advertising intensity for product categories, 1995

Product	Advertising by manufacturers	Food-at-home budget share	Advertising intensity
	<i>Share</i>	<i>Share</i>	<i>Ratio</i>
Confectionery and snacks ¹	13.2	5.4	2.4
Prepared, convenience foods ²	23.5	12.5	1.9
Soft drinks	8.6	4.8	1.8
Cooking products and seasoning ³	10.3	7.6	1.4
Food beverages ⁴	8.8	6.7	1.3
Dairy products ⁵	7.5	12.1	0.6
Bakery goods	5.5	9.5	0.6
Meat, poultry, and fish	4.0	26.7	0.1
Fruits, vegetables, grains, beans	1.9	14.7	0.1

¹ Candy, gum, mints, cookies, crackers, nuts, chips, and other salty snacks.

² Soups, cereals, jams, jellies, peanut butter, health and dietary foods, infant foods, pasta products and dinners, all other prepared dinners and entrees, and miscellaneous prepared foods.

³ Sugars, syrups, artificial sweeteners, shortening, cooking oils, margarine, baking mixes, crusts, flour and other baking ingredients, seasoning, spices, extracts, gelatins, puddings, condiments, pickles, relishes, sauces, gravies, dips, salad dressings, mayonnaise, and other miscellaneous ingredients.

⁴ Coffee, tea, cocoa, fruit juices and fruit drinks, and vegetable juices.

⁵ Includes dairy substitutes and eggs.

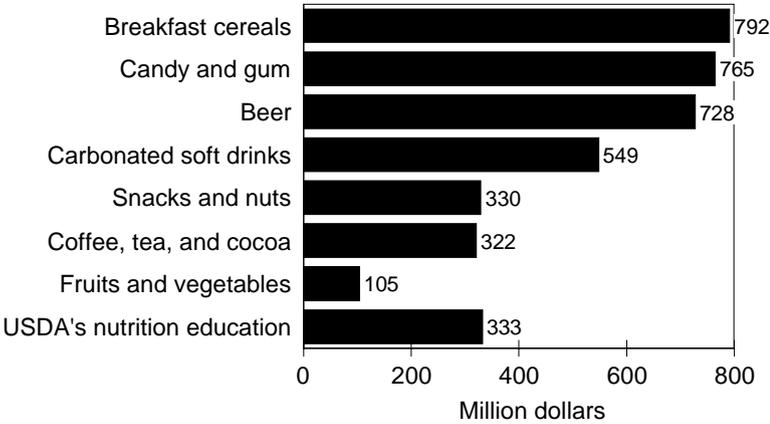
Source: Compiled by USDA/ERS from 1995 LNA data and Bureau of Labor Statistics' Consumer Expenditures Survey data.

occurring at the expense of milk (see chapters 3 and 7), and may result in adverse health effects by increasing the risk of osteoporosis (see chapter 2). Consumption of fruits and vegetables, on the other hand, which Americans consume in lower amounts than recommended, has increased only slightly in the past few decades—as one might expect in view of the little advertising associated with these foods.

Government efforts to provide consumers with information on how to improve their diets—such as messages to consume at least five fruits and vegetables each day—compete with the food industry's massive advertising. Combined, the U.S. Department of Agriculture spent \$333.3 million in fiscal year 1997 on nutrition education, evaluation, and demonstrations. This is approximately what the food industry spent on advertising just for coffee, tea, and cocoa, or for snacks and nuts; slightly more than half (60 percent) the amount spent on advertis-

Figure 3

Advertising expenditures, 1997



Source: USDA/Economic Research Service.

ing for carbonated soft drinks, and less than half the amount spent promoting beer, or candy and gum, or breakfast cereals (fig. 3).

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