

Marketing's Highest Proportional Spenders

By Agata Kaczanowska

These 10 industries fork over the greatest share of revenue to earn customers' dollars.

The more competitive an industry is, the more likely firms in that industry will benefit from marketing

Marketing bridges the information gap between producers and consumers, delivering specific information and targeted messages about the product or service. Marketing is also a form of persuasion: firms try to convince potential consumers that their brand is the best, by focusing either on the quality of the products and services or on shared values such as environmentalism or philanthropy. The more competitive an industry is, the more likely firms in that industry will benefit from marketing. Companies gain a competitive advantage through marketing because it allows them to set their products and services apart from those of the competition.

When evaluating high marketing expenditure, larger industries like automobile, pharmaceutical and snack producers come to mind. These behemoths, however, actually spend a small fraction of their revenue on marketing compared to the industries analyzed in this report. As a share of revenue, the following industries spend the most on marketing in the hopes of drawing attention to their products and services to increase their consumer base.

1. Software Publishing (20.0% of revenue)

The largest software publishers often buy ads during the Super Bowl, which is the most expensive and highly viewed sporting event on American TV. Recently, software publishers have used a more comprehensive approach to their advertising campaigns by integrating advertising from multiple media, including TV, search engines, print publications, online banners, radio and other types of promotions. For instance, Microsoft increased its marketing push for the Xbox 360 platform, Windows Phone and other products over the past year. The efforts resulted in strong sales of Xbox 360, Kinect for Xbox 360, video games and Office products. The marketing was successful because the company attracted enough clients to boost sales beyond what was spent on marketing.

Meanwhile, IBM's advertising and promotional expenditure has been increasing at a slightly faster pace than company revenue over the past year, which is due to the company's push to market recent acquisitions of Sterling Commerce, Unica Corporation and

Marketing's Highest Proportional Spenders

OpenPages. IBM's investments in rebranding subsidiaries' products under the IBM banner will eventually lead to returns on investment (ROI). Oracle on the other hand focuses sales and marketing expenses primarily toward commissions earned by the company's sales force for the sale of its software products, though some other marketing expenses are also incurred in promotions of the company's product. Due to high sales volumes and the acquisition of Sun Microsystems, investments in acquisitions are driving marketing expenditure, but it's not certain if this will lead to an ROI.

2. Tourism (19.6% of revenue)

As the aging population retires, seniors constitute an increasing proportion of American tourists so the tourism industry is keeping its traditional media marketing strong. It's purchasing TV commercials and travel magazine ads to reach out to the aging consumer. At the same time, the industry has been growing its online presence. Web-based companies like Expedia Inc. are faring well, especially since product discounting lightened up across its sites as consumer spending began to recover. With travel in recovery mode around the world, the company increased its value proposition to clients by reducing its fees, improved its loyalty program and significantly increasing its available global travel products. Because the company kept up high-profile marketing during down years, people are more likely to search for deals on Expedia once they finally decide to budget in a vacation.

In contrast, airlines like Delta have devoted marketing expenditures to loyalty programs, like mileage credits and club memberships, to help retain consumers. Marketing programs keep frequent fliers coming back to a single airline; however, these programs are so similar across the industry that

The 10 biggest spenders on marketing

Rank	Sector	% marketing spend
1	Software Publishing	20.0
2	Tourism	19.6
3	Movies	19.0
4	Blind and Shade Manufacturers	18.0
5	Music	16.7
6	Cable, Internet and Telephone Providers	15.3
7	Intellectual Property Licensing	15.0
8	Open-End Investment Funds	15.0
9	Distilleries	14.8
10	Landscaping Services	12.0

SOURCE: IBISWORLD

consumers have a hard time differentiating the airlines based on such promotions.

3. Movies (19.0% of revenue)

Spending on marketing movies is split between producers and distributors. For studios, advertising has been a necessary expenditure for big-budget films to recoup their spending, and it has helped commercially viable smaller films turn a large profit. Movie and video distribution companies advertise the content they distribute by approaching cinemas, TV networks and retailers. Marketing costs have been steadily increasing over the past five years, and are expected to continue to rise over the five years to 2016. The Walt Disney Company is an exception to this trend over the past year due to the high costs incurred last year for marketing *Alice in Wonderland*.

Movie performance varies depending on public interest and demand for a particular film, the popularity of competing films at the time of a release and the level of marketing effort. Companies adjust movie marketing expenses based on the commercial

Marketing's Highest Proportional Spenders

potential of releases in order to maximize the ROIs. Sony, for example, hasn't been able to keep up with increasing marketing costs, not just in the movies but also in the music segment (No. 5 on our list), because of intense competition for talent, which enhances marketing. Sony's low marketing spend compared to its competition indicates that it is falling behind in other arenas.

4. Blind and Shade Manufacturers (18.0% of revenue)

While industry operators serve homeowners, they generate 25.0% of their revenue from commercial building contracts. Firms make contracts with commercial architects and builders, agreeing to supply window coverings once the structure has been built. In order to secure such large contracts, this industry provides retailers with signs and displays for sales and marketing. The largest company in this industry is Hunter Douglas Inc., and its focus on sales from contracts has allowed it to successfully close deals with multiple architects, designers and builders.

5. Music (16.7% of revenue)

Marketing spending for music is split between labels, live music promoters and publishers. Historically, major labels invest in music videos and other promotional activities, but in recent years they've been focusing more on attracting artists that have significant fan bases. Many labels and concert promoters, like EMI and Live Nation, are developing and becoming increasingly reliant on artist brand management divisions. These divisions garner revenue from marketing activities on each artist's behalf, which are called 360 deals. Music publishing, which already requires significantly less promotional expense, has decreased its marketing as a share of revenue over the past five years.

6. Cable, Internet & Telephone Providers (15.3% of revenue)

Companies in this industry vie for market share primarily through TV, mailers and online marketing campaigns that offer discounted rates to new customers. By catching consumers' attention simultaneously through several media outlets, companies like Comcast Corporation highlight the successful, unique or brand new features of their services. Unfortunately, competition from other areas of leisure and entertainment expenditure is escalating; for instance, online streaming competes with on-demand programs from cable companies.

7. Intellectual Property Licensing (15.0% of revenue)

There are hundreds of companies in America that offer their brand names to other firms in return for licensing fees and royalties. For example, sporting licenses are significant within the industry in the United States. The NFL, NBA, NHL, NASCAR and MLB dominate sports licensing. Sport licensing gives licensees the right to use team and league logos, names and images for apparel, equipment and publishing items. And firms like The Walt Disney Company spend money to promote their images, brands and characters in order to attract consumer dollars. In turn, operators can charge more for licensing royalties and fees because consumers will be more likely to buy the goods manufactured by the licensee. Most companies in this industry are primarily involved in other industries, but they rely on licensing deals to balance out their revenue.

8. Open-End Investment Funds (15.0% of revenue)

Open-end investment funds use marketing to advertise a strong track record and low fees – two important demand determinants of the industry.

Marketing's Highest Proportional Spenders

About IBISWorld Inc.

Recognized as the nation's most trusted independent source of industry and market research, IBISWorld offers a comprehensive database of unique information and analysis on every US industry. With an extensive online portfolio, valued for its depth and scope, the company equips clients with the insight necessary to make better business decisions. Headquartered in Los Angeles, IBISWorld serves a range of business, professional service and government organizations through more than 10 locations worldwide. For more information, visit www.ibisworld.com or call 1-800-330-3772.

Contact:

Savannah Haspel
VP, Public Relations
IBISWorld

Phone: 1-310-866-5044
savannahh@ibisworld.com
www.ibisworld.com

For example, while Fidelity, the largest mutual fund firm in the United States, capitalizes on its retirement planning services as a key distribution channel for its funds, it relies on marketing pamphlets and investment tools to communicate the success of its funds to prospective clients. Consequently, IBISWorld expects this proportion of marketing spend to stay steady into the future.

9. Distilleries (14.8% of revenue)

Without significant expenditures in media and at point of sale promotions, distilleries risk losing market share to competitors that are willing to pay for consumers' attention. With consumers leaning toward premium offerings, successful branding will become even more critical for success, stimulating an increase in marketing as a share of revenue for distilleries over the five years to 2016. Companies like Fortune Brands Inc., which scaled back marketing in response to low consumer spending, may get left behind as consumers move toward brands they've heard more about.

10. Landscaping Services (12.0% of revenue)

Landscaping businesses generally advertise through direct-mail campaigns and local media outlets, including newspapers and magazines. Large firms, such as TruGreen, also often use small lawn stakes or signs to let potential clients know that their neighbors are using the company's landscaping services.

The Next Five Years

As the economy improves, IBISWorld forecasts a 2.1% annualized rise in total advertising expenditure over the next five years, starting with a 5.7% increase to \$295 billion in 2012. Businesses across the board are already paying to increase their media exposure as corporate profit improves. Still, these industries' marketing budgets will continue to shift to more economical means of promotion and brand building, particularly through social media or other new technologies. Industries that aren't quick to adapt or those with older target demographics that aren't as plugged in are most likely to remain on this list of industries with significant marketing expenditure.

www.ibisworld.com | 1-800-330-3772 | info@ibisworld.com

At IBISWorld we know that industry intelligence is more than assembling facts. It is combining data with analysis to answer the questions that successful businesses ask.

Identify high growth, emerging and shrinking markets

Arm yourself with the latest industry intelligence

Assess competitive threats from existing and new entrants

Benchmark your performance against the competition

Make speedy market-ready, profit-maximizing decisions



Who is IBISWorld?

We are strategists, analysts, researchers and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to give you the real-world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply researched answers quickly.

IBISWorld Membership

IBISWorld offers tailored membership packages to meet your needs. Join and become an industry expert!

Disclaimer

This product has been supplied by IBISWorld Inc. ('IBISWorld') solely for use by its authorized licenses strictly in accordance with their license agreements with IBISWorld. IBISWorld makes no representation to any other person with regard to the completeness or accuracy of the data or information contained herein, and it accepts no responsibility and disclaims all liability (save for liability which cannot be lawfully disclaimed) for loss or damage whatsoever suffered or incurred by any other person resulting from the use

of, or reliance upon, the data or information contained herein. Copyright in this publication is owned by IBISWorld Inc. The publication is sold on the basis that the purchaser agrees not to copy the material contained within it for other than the purchaser's own purposes. In the event that the purchaser uses or quotes from the material in this publication – in papers, reports, or opinions prepared for any other person – it is agreed that it will be sourced to: IBISWorld Inc.