

Nigeria: Advertising the Economic Engine

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Abstract

Since 1990, both Africa's exports to Asia and its imports from Asia have grown more rapidly than either its exports to or its imports from any other region of the world. Among Asian countries China and India have eclipsed Japan and South Korea as the most important markets for African goods. Among the various indicators of an emergent superpower status for a country is its economy, with media as an important sub constituent, something that has been missing in academic discussions. Advertising is an important media constituent. It is generally assumed that the economy has a direct bearing on advertising and not vice versa.

This paper looks to trace the growth of the advertising industry in India and China. The paper then traces the growth of the advertising industry in one of the fastest growing economies of Africa i.e. Nigeria and explores the linkages between the growth of the advertising sector in Nigeria and the increase in trade between Nigeria and India-China.

Keywords: Digital Media, Advertising industry in Nigeria, India and China as emergent superpowers, advertising an economic engine, Nigerian advertising industry.

Introduction

Entertainment demographics (population in age groups that are the highest consumers of entertainment) are more acute indicators of the future of the entertainment business: North America has 65 million in that demographic, while China and India have almost 700 million. In India alone over the next 10 years, 40% of existing population will come from this demographic. The

corresponding figure for the US is just 15% (Barathi *et al.* 2011). This statement sums up the potential of China and India in the media immersive world of today.

In the USA the creative industries led by Hollywood account for about \$504 billion, or at least 3.2 percent of the U.S. goods and services (TAP, 2013). The developed nations spend between 0.8 per cent to over one per cent of their GDP on advertising with the US spending nearly 1.3 percent of it in. India advertising was supposed to be 0.55 per cent of the country's gross domestic product by 2010 IBN(2007). However as per J P Morgan's report of 2011, it was only 0.34 percentage of the GDP, almost half the world's average of 0.75 percent, while for China it was 0.44 percent.

From the days of Thomas J Barratt who is known as the father of modern advertising (Coates 1908) the world has come a long way. Barratt created an advertising campaign for the Pears Soap Company that included slogans, images and phrases (NYT 1914). Bovee (1992) defined advertising as: 'A non personal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media'. Simply stated by Advertising Association of UK, it is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them. Hence the advertising industry includes companies that advertise, agencies that create the advertisements, media that carries the ads and a host that deliver the advertisement to the customer.

In a World Federation of Advertisers and the French Advertisers Association (USA) commissioned to study the importance of advertising towards the economic growth showed three correlations that provide evidence of the impact of advertising on consumption, a key element of economic growth. As per the study the correlations are

- 1) The countries in which media advertising investment rate is highest are those in which the propensity for consumption is also highest.
- 2) An increase in the advertising investment rate is followed some months later by a rise in consumption.

- 3) The sectors which either undertake extensive advertising or which have increased their efforts in this field are experiencing greater growth (Nayaradou, 2006).

Advertising is a powerful tool of competition. It provides valuable information about products and services in an efficient and cost-effective manner. In this way, advertising helps the economy to function smoothly—it keeps prices low and facilitates the entry of new products and new firms into the market (Arrow & Stigler 1994).

Commercial advertising media can include wall paintings, billboards, printed flyers, radio, cinema and television adverts, web banners, mobile telephone screens, web popups etc. Today the fastest growing advertising segments are the internet and the mobile advertising. For example in the USA since 2010, internet advertising growth has been fuelled by a 123% CAGR in mobile advertising compared to 12% in non mobile (PWC 2014).

It is well known that economy drives advertising. When an economy is robust companies increase their advertising budgets. As per a recent estimate by Zenith Optimedia, spend on above-the-line advertising that is directed at mass audiences topped \$465 billion globally in 2011, at the 2009 fixed exchange rate, or close to 1 percent of GDP. This number would easily exceed \$1 trillion, or more than 2 percent of GDP, if below-the-line promotional media for niche audiences—such as direct-to-consumer mailings, e-mail marketing, coupons, and product samples—were included (knightdigitalmediacenter.org).

However advertising as a part of the overall media landscape is also a good indicator of a country's economy and growth. Bughin & Spittaels (2012) in their research found that advertising fuelled about 15 percent of growth in GDP for the major G20 economies over the past decade because it generates new business.

In a report by Deloitte commissioned by the Advertising Association, London, it was found that on an average, £1 of advertising spend generated £6 for the economy. That means the £16 billion spent on UK advertising in 2011 generated £100 billion in the UK economy. It goes on to state

It provides a third of all TV revenues and two-thirds of newspaper revenues; it supports sectors from photography to film production. We estimate that over 550,000 people work in jobs that are funded by

advertising revenues, or involved in the commissioning, creation and production of advertising across the relevant supply chains. However, the overall impact of advertising is much broader. It has a critical role in making the economy function. Advertising is at the centre of a virtuous circle of competition, innovation and market expansion, to the benefit of consumers and businesses (Deloitte 2013).

Advertising and Economy can be looked as the proverbial chicken and egg situation. This paper takes the advertising point of view and will trace the growth of advertising industry in India and China along with the growth of advertising industry in one of the fastest growing economy of Africa i.e. Nigeria and explore the linkages between the growth of advertising sector in Nigeria and the increase of trade between Nigeria and Indo-China.

Advertising Market of China and India

China's explosive economic development started when Deng Xiaoping initiated free market reforms in the late 1970s. Much of the growth in Chinese advertising initially seems to have been led by transnational advertising holding companies. For example in the mid-1980s Ogilvy & Mather established the first Sino-foreign advertising joint venture. Others also followed their multinational clients who were also entering in China in this period (Chang, Wan & Qu 2003: 466). According to the central State Administration for Industry and Commerce, advertising has been 'the fastest developing industry' since the Chinese economic reform process commenced in 1979 (CAA 2003).

Zhang (2011) points out to four main elements that influenced the development of the Chinese media market

- 1) Rising incomes, with per capita disposable income in urban areas rising 173 percent between 2000 and 2009, from ¥6,280 (\$945) to ¥17,175 (\$2,584).

- 2) Retail distribution: Increased number of stores and other retail distribution points to lower tier cities is spreading brand awareness. Increase in advertising to keep pace for appealing to new consumers in second- and third-tier cities.
- 3) Media Inflation: Television is still the dominant media and there is a rising communication cost.
- 4) Government Policy: The government in 2009 introduced the tri-play policy (integrating broadcast TV, Internet, and telecom) with the new broadcast advertising rule restricting the amount of advertising on state run TV. The idea is to promote digital media.

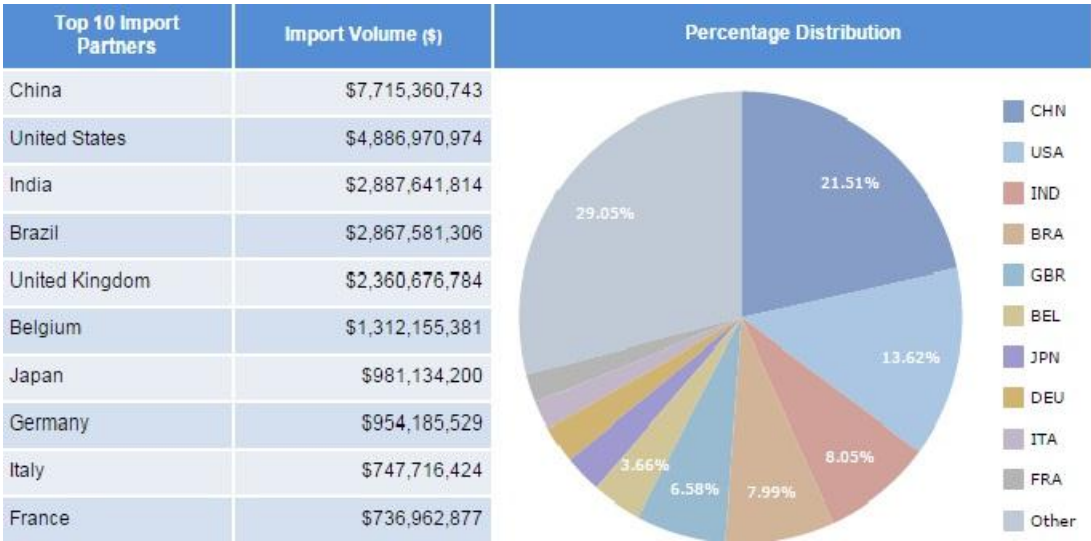
A PWC India Entertainment and Media Outlook report 2014, states that by 2018, China will have narrowed the gap with the USA which will still be the largest entertainment and media market.

Indian advertising revenue is projected to grow 13% and will reach INR 630 billion in 2018 from INR 350 billion in 2013. The internet advertising is expected to grow at a CAGR of 28% and be third after television and print by 2018, unlike USA where internet advertising will equal that of TV in 2018 (PWC 2014).

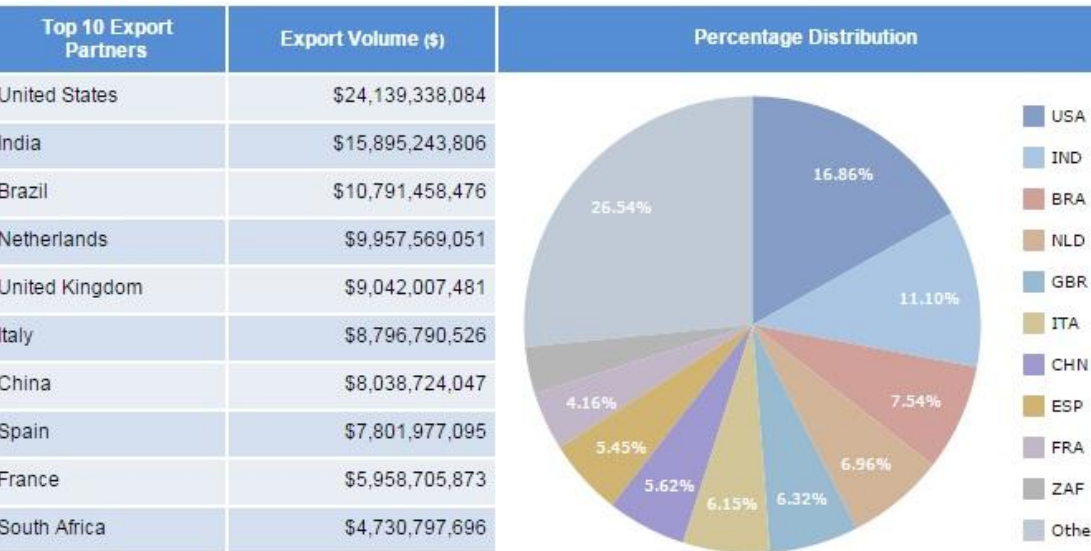
The Nigerian Economy and the Advertising Market

With approximately 174 million inhabitants, Nigeria is the most populous country in Africa and the seventh most populous country in the world. Nigeria has overtaken South Africa as Africa's largest economy after a rebasing calculation almost doubled its gross domestic product to more than \$500bn, data from the statistics office showed (Aljazeera 2014).

A 2012 UN report on the Import and Export partners of Nigeria shows that China and India are among the top three import partners along with the USA while India is among the top three export partners along with USA and China drops to seventh position.



Source: UN Comtrade (2012)



Source: UN Comtrade (2012)

The Nigerian growth story is summarized by Kolade Karim, CEO, Shoreline Group Nigeria during an interview with CNBC Africa, ‘One of the big areas is going to be the Fast Moving Consumer Goods sector, second to that the natural resource boom is going to continue growing, and the emergence of the huge middle class that Africa’s developing (CNBC 2015).’

Martyn Davies, CEO Frontier Advisory feels, ‘One important sector that is actually driving internal growth in Nigeria is the huge privatization that’s taken place over the last couple of years. Over 100 government-owned companies and corporations have been privatized, which tells you that transfer of spend from public sector into private-sector drive is driving formidable growth right across the sector’ (ibid).

Is there a relation between advertising and economic growth or vice versa? The top 20 products that generated more advertisements during the year include: telecommunications, personal paid announcements, beer, gaming/entertainment, corporate, banking/finance, and religion. ‘The top 20 categories contribute 60 percent of total spend with telecom continuing to be the highest spender with overall spends of N14.7 billion (14 percent) of the total ATL advertising in 2013’ (Ekwujuru 2013).

It is not just the traditional advertising but with over 95 million active subscribers, Nigeria has become Africa’s largest mobile advertising market. There has been a 37 per cent growth recorded in mobile advertising impressions in Nigeria for the first three months of 2012 (Oketola 2012), with the number of mobile Internet subscribers forecasted to surge from 7.7 million in 2013 to 50.4 million in 2018 (Jager, L. de *et al.* 2014).

The important question then to be asked is where are investments in the telecom sector coming from?

However before answering the question lets quickly look at a brief overview of the Nigerian advertising industry. Olakitan (2012) writes about the early days of advertising in Nigeria:

Advertising was uncoordinated and unregulated. In 1977 the Association of Advertising Practitioners of Nigeria, AAPN and Advertising Council of Nigerian, ACON was established. Then majority of consumer products and services advertised in Nigeria were of foreign origin and mostly non-essential. The products advertised often targeted the elites because the Nigerian masses could

not afford them. Financial advertisements were the most dominant products and services of Nigerian origin because they promoted more products and services that the average Nigerian could not afford. In 1988 the Advertising Practitioners Council of Nigeria, APCON was established.

The Advertisers Association of Nigeria was established in October 1992 as a rally point for the big time advertisers in the country. Afromedia Nigeria Limited, which was registered on 28th October 1959, was one of the earliest outdoor agencies. It later changed its name to Lintas Nigeria Limited.

The Association of Advertising Agencies of Nigeria, AAAN has disclosed that advertising expenditure for 2013 had grown to N125 billion from N91 billion in 2012. 2013 also saw internet advertising becoming the sixth largest revenue segment with a projected CAGR of 32.7%, it will become the fourth-largest by 2018 overtaking both newspapers and radio (Jager, L. de *et al.* 2014) and with more than eight billion advertising impressions in the first quarter, the Vice-President and Managing Director, InMobi Africa, Ms. Isis Nyong'o, says 'Nigeria has become Africa's largest mobile advertising market. She goes on to quote the unprecedented 376 per cent growth in Nigerian mobile advertising impressions from 2010 to 2011 that demonstrates the growth in popularity of mobile advertising as a consumer medium in the country.

Coming back to the telecom industry, at the International Telecommunications Union, ITU Telecom world summit¹, Executive Vice Chairman of Nigerian Communications Commission, NCC, Dr Eugene Juwah in his presentation on Nigeria's telecom industry said 'Investment in the Nigerian telecom industry is well over \$25 billion. ICT sectoral growth is at 30 percent for the past 3 years; sectoral contribution to GDP was 7.05 % in 2012 and currently stands at 8.53 percent.'

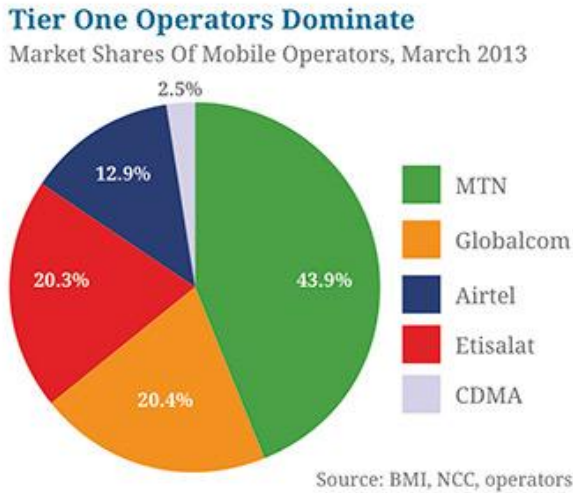
What has this growth in the telecom market meant in terms of advertising in the telecom sector? The telecommunications sector retained its position as the highest advertising spender in Nigeria in 2013. The combined total advertising spend by all the telecommunications companies was put at

¹ <http://www.vanguardngr.com/2013/11/nigerias-25bn-telecom-market-haven-businessmen-toure/>.

N14.7 billion, representing 14 percent of the total advertising expenditure of N103.8 billion, according to Mediafacts. The telecom company MTN topped the sector with an above-the-line advertising expenditure of N5 billion, followed by Etisalat which spent N3.9 billion. Globacom and Airtel spent N3.1 billion and N2.5 billion, respectively (Obi 2014).

Where do China and India figure in this telecom growth?

The market share of Mobile operators as of 2013 is shown in the following chart.



Leading telecommunication brands including MTN, Glo and Airtel were again among the top 10 biggest advert spenders in 2013 (Akingbolu 2014). In a paper on the role played by advertising in influencing consumers' preference for telecom services provided by telecommunication firms in Nigeria, it showed that 38% of the consumers showed preference for MTN out of the various firms of the telecommunication firms studied based on the

their captivating advertising (42.62%) and availability (37.24%) (Bolaito 2012) proving that advertisement has a major role to play in a customer buy.

Nigeria is one of the hubs chosen by China from which it intends to roll out its telecommunications strategy. The Chinese government's role was underlined in 2004 when Deputy Minister of Commerce Chen Jian stated, 'China will further expand telecom cooperation with African nations in line with mutual benefits and common development. Moreover, the Chinese government will support its telecom enterprises to run more telecom services in Africa'. This in a nutshell explains the core of the Chinese telecommunication strategy in Africa (Expo 2004). A country by country breakdown of Chinese investment in the African continent according to the Heritage Foundation (China Global Investment Tracker Interactive, January 2012) shows that in 2012, China's investment in Africa focused primarily on five countries which include Nigeria. The breakdown by country showed that Nigeria has had \$15.42 billion net investment from China. Shenzhen-based Huawei Technologies, China's biggest telecoms equipment maker and Peer ZTE Corp. another Chinese player is growing in importance in Africa (Gabriel 2013). ZTE mostly cooperates with existing GSM and code division multiple access (CDMA) operators in the country. ZTE established a subsidiary company in Nigeria in 1999 – the same year that the Nigerian telecoms sector was deregulated – and reportedly regards Nigeria as 'key for their African business activities in the next couple of years' (Xinhua 2011 as cited in Aliyu 2011). Huawei also established its operations in 1999 and provides telecoms solutions and possesses knowledge in telecom network infrastructure, software, devices, and professional services (Uzor 2011 as cited in Aliyu 2011).

The Indian engagement in telecom doesn't seem to have the backing of the government and is a business to business engagement. Companies such as Airtel and multinational conglomerate TATA, both of which operate in Nigeria, invest in African markets on their own volition and do not seem to be supported by the Indian Government (ATN2011 as cited in Aliyu 2011). These companies wield considerable influence in the Nigerian market and Nigeria is the third biggest importer of Indian goods and services on the African continent (Kurla 2009).

Sample of the advertisements by Airtel Nigeria:



Source: Jaguda.com



Source: africa.airtel.com/Nigeria

Conclusion

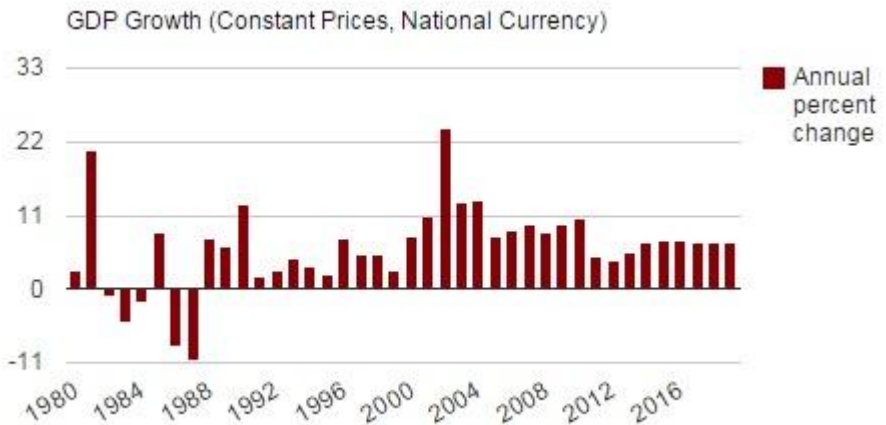
As the Nigerian economy grows and the market matures the spending on advertisement will only grow. As was shown in the research of Bolatito (2012), 42.6% of the customers preferred MTN service based on their advertisements.

Akingbolu(2013)felt that notwithstanding the astronomical explosion in the use of the internet and social media, traditional media will continue to hold its own as a veritable platform for marketing campaigns. He makes this claim on the 2012 Annual Media Penetrations Statistics (AMPS) recorded in Mediafacts. However the report also showed that the print media and out-of-

house media recorded decrease in their shares of media spend. While the report mentions that the expenditure share of the internet and social media were not ascertainable, it would only go up as the mobile and internet penetration increases. In fact the blistering pace with which the mobile penetration is increasing in Nigeria, the advertising industry like the rest of the world would start tilting towards online and mobile advertising at the cost of the traditional.

Telecom sector is the largest advertiser in Nigeria and with the current growth of mobile telephony shall stay in the coming years. It was also shown how the telecom and ICT industry has seen heavy investment from both China and India with China investing in supplying equipment while Indian companies concentrating on service.

The Nigerian GDP growth, 1980 to 2016 (projected) is as follows.



Source: National Statistical Office²

The % change of GDP, 2008-2014 is as follows.

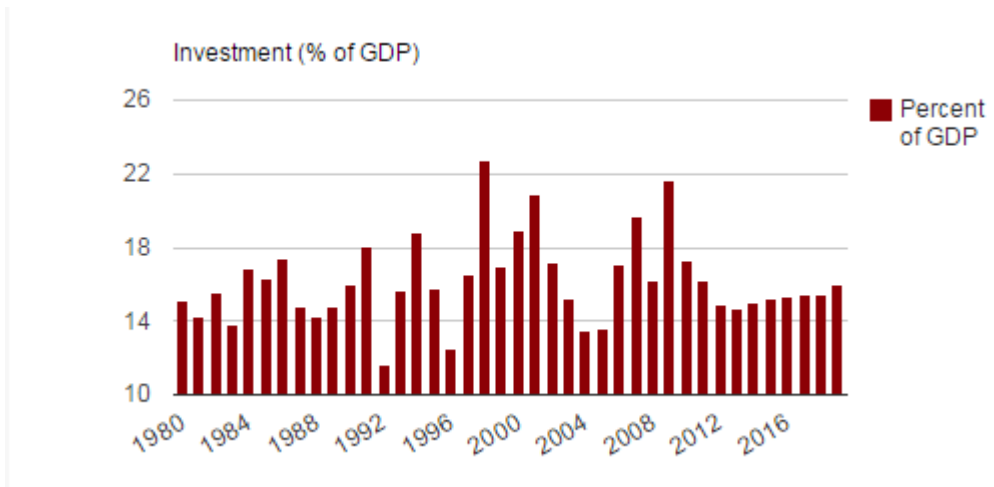
²NSC date retrieved from http://www.economywatch.com/economic-statistics/Nigeria/GDP_Growth_Constant_Prices_National_Currency/#otheryears

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2014	6.966
2013	5.394
2012	4.279
2011	4.887
2010	10.592
2009	9.551
2008	8.552

Source: National Statistical Office³

If we are to look at investments (% of GDP), 1980 to 2016(projected)



Source: National Statistical Office

³NSC date Available at: http://www.economywatch.com/economic-statistics/Nigeria/GDP_Growth_Constant_Prices_National_Currency/#otheryears.

2014	14.988
2013	14.72
2012	14.908
2011	16.212
2010	17.291
2009	21.688
2008	16.21

Source: National Statistical Office

So in 2012, while the GDP grew 4.2% and investments as a percentage of GDP grew 14.9% the Nigeria advertising industry spend on Above-the-Line Advertising activities dropped by 10.6 per cent to N91.846 billion in 2012 as against N102.755 billion in 2011 (Ekwujuru 2013).

Traditional understanding of the economy and advertising relation should indicate a rise of advertising revenue due to a better economy. However we see a fall. As most academic research and news articles take the traditional point of view i.e. economy fuels advertising a more detailed research is needed to show a reverse connection i.e. between ad spend and economy as was shown by Bughin andSpittaels(2012) in their research; advertising fuelled about 15 percent of growth in GDP for the major G20 economies over the past decade because it generates new business, unless their results are applicable to only developed economies and not developing ones.

The above plotted Nigerian data also show there are other factors that come into play and there is not a straight forward simple correlation between economy and advertising or vice versa in a developing economy like Nigeria.

However import and export data as well various news items, some of which are detailed above explicitly prove that the Asian charge in Nigeria is being led by China and India.

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