

Television Advertising and Internet Viewing of Food and Restaurant Messages

Total TV Ad Expenditures, Total Screen Time,
TV Commercials and Web Pages Seen by
Children

A Report to
The Grocery Manufacturers of America
The Association of National Advertisers

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May 13, 2005

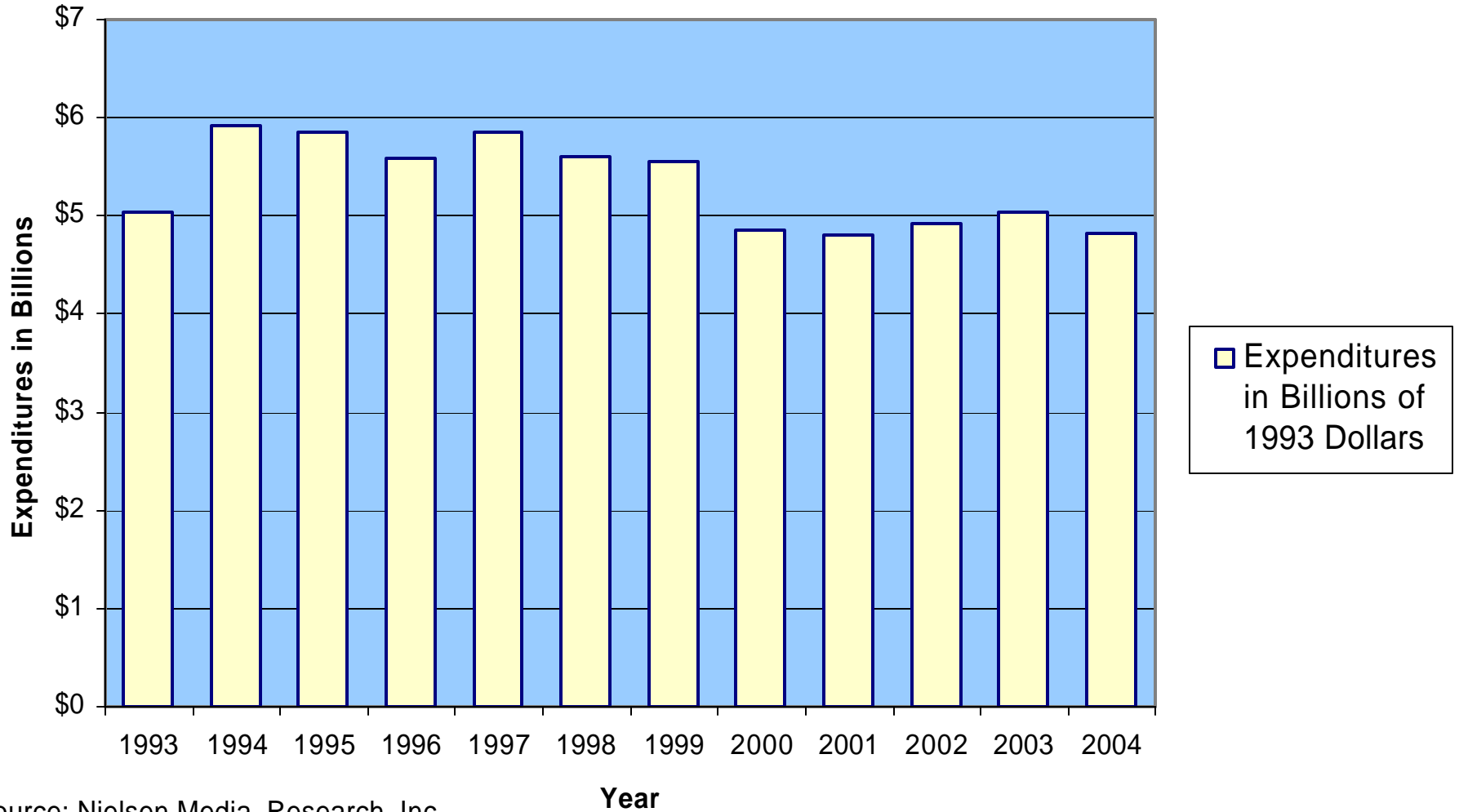
Advertising Trends

- Expenditures on TV advertisements for foods and restaurants have declined in real terms over the last decade.
 - The food category includes foods and beverages.
- The number of food and restaurant advertisements seen by children under 12 has declined over the last decade.
 - The decline is evident in both food advertising and restaurant advertising.
- Children's visits to food and restaurant company websites are minuscule compared to TV impressions.
- TV is losing share of screen time to video games and computers

Expenditures

- Real expenditures on food and restaurant advertising on all TV have fallen in the last decade.
 - Expenditures peaked at nearly \$6 billion in 1994 and dropped below \$5 billion in 2004.
 - In the last four years (2001-04), annual expenditures have averaged just under \$5 billion per year.
 - From 1994 to 1997 the average hovered close to \$6 billion.
- All expenditures are measured in 1993 dollars, thereby eliminating the effect of inflation on TV commercial prices.

Estimated Inflation-Adjusted Expenditures: Food and Restaurant Advertising



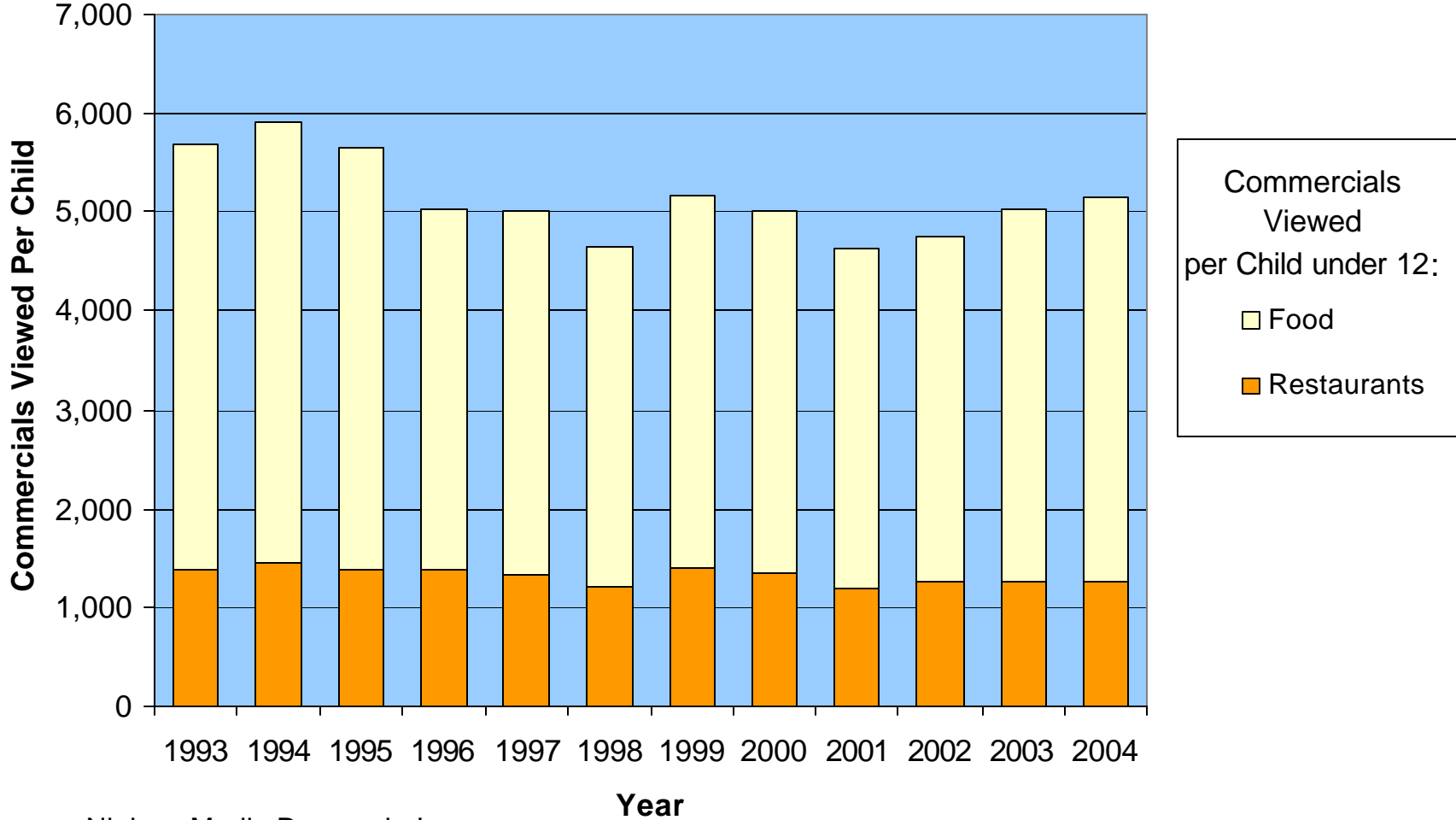
Source: Nielsen Media Research, Inc.

Note: 2004 Real Expenditures calculated using estimate of Media Cost per Thousand inflation.

Food and Restaurant Commercials Viewed by Children

- The number of food and restaurant commercials viewed by children has fallen in the last decade.
 - The number of commercials viewed per year reached nearly 6,000 in 1994 and has remained around 5,000 in recent years.
 - In the last four years (2001-04), the number of commercials viewed has averaged about 4,900 per year.
 - In the first four years (1993-96) the average number of commercials viewed was about 5,600 per year.
- From their peak in 1994, impressions have declined by 13%.
- Both categories of commercials – food and restaurants – declined over the period.
 - The largest decline in commercials viewed was for foods.

Estimated Food and Restaurant Commercials Viewed by an Average Child



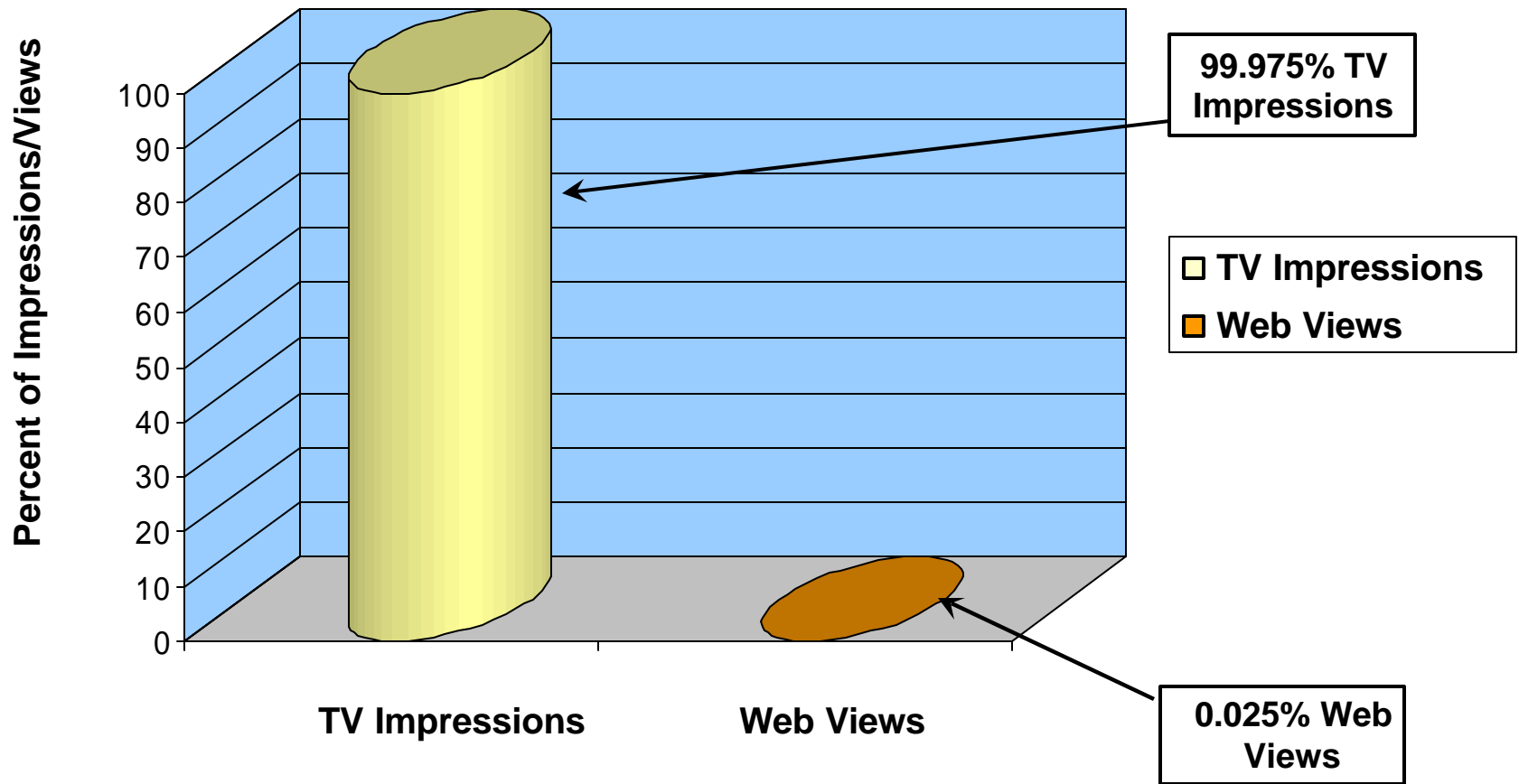
Source: Nielsen Media Research, Inc.

Children's Exposure to Internet Entertainment from Food and Restaurant Companies

- Nielsen Media Research produces a list of the top 150 advertisers on Total TV by expenditure.
 - Of these 150 advertisers, there were 23 food and restaurant advertisers that had online entertainment content on their web sites in 2004.
 - These 23 companies accounted for 73% of total food and restaurant TV advertising impressions for children 2-11 years old.
 - Entertainment content on food and restaurant web pages accounted for an estimated 0.025% of the combined total web and TV impressions for these 23 advertisers.

Note: Calculations are based on data from Nielsen Media Research and Nielsen//NetRatings custom report for kids 2-11 visiting sites for these 23 advertisers in 2004.

Television Impressions and Web Views of Major Food and Restaurant Advertisers in 2004

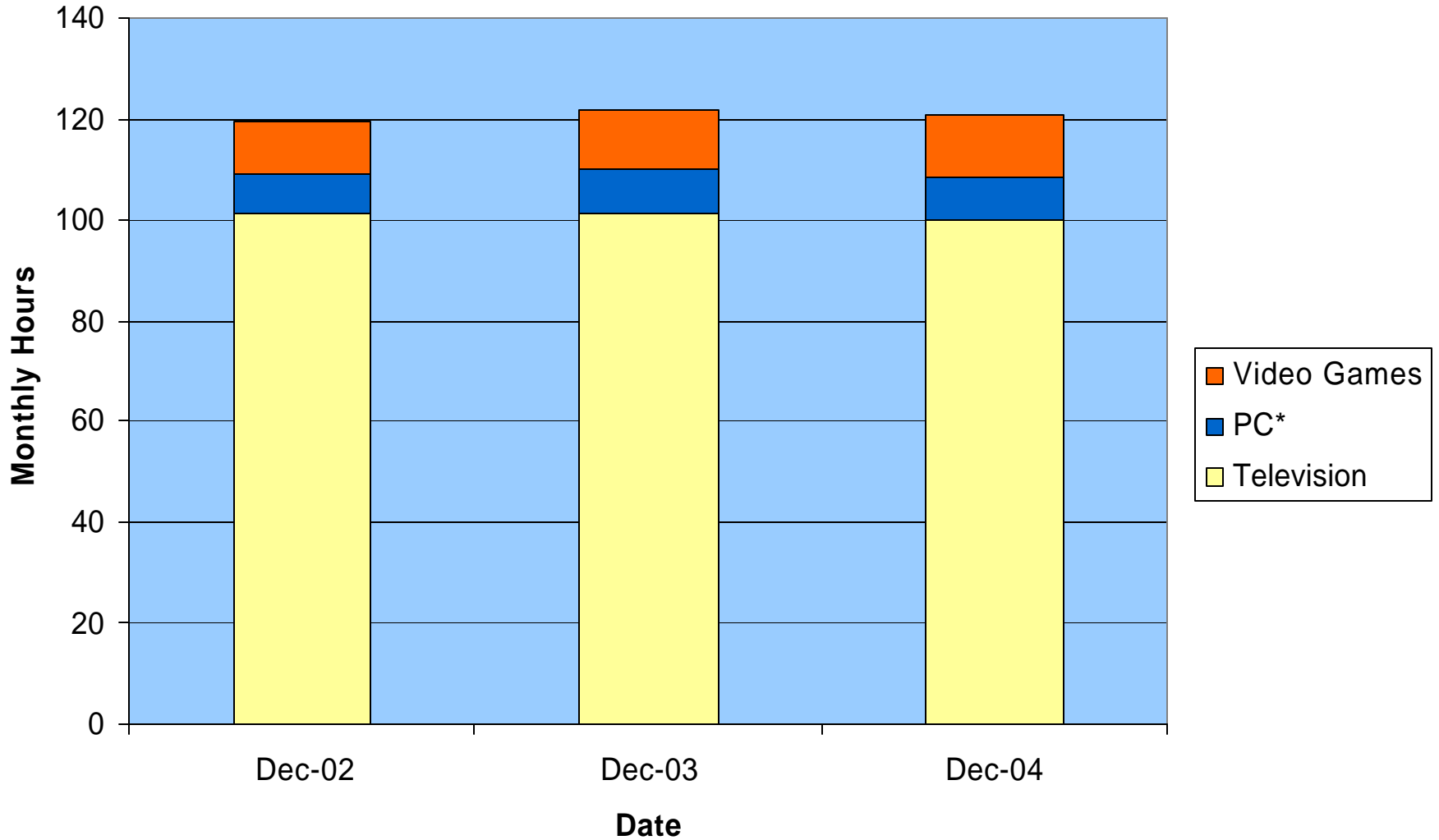


Source: Nielsen Media Research, Inc. and Nielsen NetRatings, Inc.

Screen Time Trends

- **“Screen Time,”** which is defined as the number of hours an individual spends watching various types of media per month, is an indicator of how much time children spend with the main sources of video media.
 - Nielsen surveys are conducted in December.
 - Total monthly Screen Time viewing hours increased during the period, rising by about one-half of one percent per year from December 2002 to December 2004.
- **Increases in Video Game and PC Screen Time over the period were partially offset by a decline in TV’s share of total Screen Time.**
 - Video Game and PC usage captured a growing portion of the share of total viewing hours from TV each December, from 2002 to 2004.

Total Screen Time for Children 6-11 Years Old by Media Type



Source: Nielsen Media Research for TV (affiliates, cable, PBS, Premium Pay, Ad Supported Cable), VCR Play (including DVD), and Video Games.
* Source: Nielsen//NetRatings (U.S., Home and Work).

Conclusions

- This report is an update and extension of our Report of October 1, 2004.
- Our prior conclusions remain the same.
 - Real advertising expenditures for foods and beverages have declined over the last decade.
 - The number of food and beverage commercials seen by children has declined over the last decade.
- Our new findings add confirming perspectives.
 - Views of food and beverage websites are minimal compared to TV impressions.
 - Screen time is migrating from TV to other media.

Methodology

- Expenditures on food and restaurant advertising were calculated as follows:
 - Data on expenditures for the food and restaurant categories were provided by Nielsen Media Research.
 - These data represent total expenditures for advertisements for all foods and beverages and all restaurants on all TV programs.
 - Alcoholic beverages and related mixers were excluded.
 - A deflator was then applied to the expenditures to convert each year's expenditures to 1993 dollars.
 - This process enables us to make comparisons in constant dollars between expenditures in different years.
 - The deflator used advertising inflation indices from the *Universal McCann Media Cost Indexes*.
 - Preliminary price-index estimates are now available for 2004.
 - Preliminary estimates indicate that ad inflation was slightly greater in '04 than it was in '03.
 - The final estimate will be available in August.

Methodology (Continued)

- Commercials viewed by an average child were calculated as follows:
 - Food and restaurant commercials viewed by children under 12 were provided by Nielsen Media Research.
 - The number takes into account commercials on broadcast and cable TV at national and local levels.
 - The total number of food and restaurant commercial impressions were divided by the total number of children under 12 in the TV audience. This yields an estimate of the number of commercials viewed per child each year.
 - The number of children consists of those under 12 in United States TV households.
 - The audience data were provided by Nielsen Media Research.
- Internet impressions provided by Nielsen//NetRatings.
- Screen time was provided Nielsen Media Research for TV and Video Games, and by Nielsen//NetRatings for PC time.

Inflation Adjusted Advertising Expenditures

Inflation Adjusted Advertising Expenditures

Year	1993	1994	1995	1996	1997	1998
Inflation Adjusted Product Category Expenditure on Total TV - Food and Restaurants	\$5,046,283,780	\$5,921,536,526	\$5,854,312,794	\$5,576,136,540	\$5,845,624,037	\$5,615,125,995

Inflation Adjusted Advertising Expenditures (Continued)

Year	1999	2000	2001	2002	2003	2004
Inflation Adjusted Product Category Expenditure on Total TV - Food and Restaurants	\$5,568,893,837	\$4,860,667,065	\$4,793,050,622	\$4,924,392,741	\$5,042,172,392	\$4,835,989,618

Source: Nielsen Media Research, Inc.

Note: 2004 Real Expenditures calculated using estimate of Media Cost per Thousand inflation.

Food and Restaurant Commercials Viewed per Child

Food and Restaurant Commercials Viewd per Child*

Year	1993	1994	1995	1996	1997	1998
Impressions per Child - Restaurants	1,366	1,446	1,374	1,366	1,337	1,206
Impressions per Child - Food	4,335	4,463	4,275	3,676	3,671	3,436
Total Impressions per Child -- Food and Restaurants	5,701	5,909	5,649	5,042	5,007	4,643

Food and Restaurant Commercials Viewd per Child* (Continued)

Year	1999	2000	2001	2002	2003	2004
Impressions per Child - Restaurants	1,404	1,346	1,189	1,250	1,265	1,268
Impressions per Child - Food	3,772	3,664	3,427	3,485	3,773	3,884
Total Impressions per Child -- Food and Restaurants	5,176	5,010	4,616	4,735	5,038	5,152

Source: Nielsen Media Research, Inc.

* - Impressions per child calculated as impressions divided by the group definition.

Screen Time Trends for Children 6-11 Years Old

Total Screen Time for Children 6-11 (US)

	Hours/Month				% Monthly Hours			
	<u>Dec 02</u>	<u>Dec 03</u>	<u>Dec 04</u>	<u>% Chg 04 vs 02</u>	<u>Dec 02</u>	<u>Dec 03</u>	<u>Dec 04</u>	<u>pp Chg 04 vs 02</u>
TV	101.2	101.2	99.7	(1)%	85%	83%	82%	(3) pp
Video Games	10.4	11.9	12.7	22%	9	10	11	2 pp
PC	<u>7.8</u>	<u>8.6</u>	<u>8.6</u>	<u>10%</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>1 pp</u>
Total	119.4	121.7	121.0	1%	100%	100%	100%	--

Source: Nielsen Media Research for TV (affiliates, cable, PBS, Premium Pay, Ad Supported Cable), and Video Games. Nielsen//NetRatings for PC time (includes online and offline time).