



## **NIELSEN METHODOLOGY**

### **Gross and net media spend**

The volume of media expenditure is measured in two ways in the Netherlands, gross and net. The differences between the two methods are so great that we explain below the background and comparability of the gross and net media expenditure.

### **Measurement method gross media expenditure**

The registration of gross media expenditure is based on the rate cards of the media. Nielsen measures a medium in which advertisements of products and services are included in the registration. The current rates of the media form a unit of account on the basis of which the advertisements are assigned a value. The one where is based on the rate card of the medium concerned. Any discounts and individual price agreements are not taken into account. Assigning a value to an advertisement is essential for the comparability of media. A radio commercial can thus be compared with, for example, a magazine advertisement. Based on gross media spending, the media pressure is shown, expressed in euros.

### **Measurement method net media expenditure**

The basis for all net spending figures is formed by a survey conducted among media operators in the Netherlands, in which a statement is made of the net advertising income over the past year. This is the income after any discounts and special price agreements, but before deduction of the 15% agency commission (from 2018 after agency discount). The production costs for advertisements were not included in the study.

The net media expenditure cannot be divided into media, advertisers or sectors. They are total amounts aggregated by Nielsen to net sales per media type. Net media spend is published in a report every six months. A database for additional analysis is not available. The actual money flows, i.e. economic value, of the advertising market are shown on the basis of net media spending.

### **What is being measured?**

The figures for gross media expenditure are limited to the expenditure of products and services. Classified and job advertisements are not measured. Net media spend is based on revenues from all ads. For this reason, the gross media expenditures of, for example, daily newspapers are lower than the net media expenditures.



### **Why two measurements?**

The gross and net measurement coexist because they each serve a different purpose. The gross measurement enables the user of the data to gain insight into developments in the advertising market at a very detailed level. With the aid of the gross figures, it is possible to find out which advertisers or brands advertised where and when. The media mix of advertisers can be mapped accurately to the advertisement.

Media owners and publishers can use the gross figures to check which campaigns they missed that were in competing media. They can also make sector analyzes when they want to carry out a targeted marketing approach for the acquisition. With the gross figures it is possible to determine the size of the advertising market in terms of numbers of advertisers and brands. We also know what the seasonal patterns are per medium type. Media agencies (and advertisers) can make competition analyzes: when do competitors advertise, which media do they use, how long do campaigns last, for which brand (s) they advertise.

Net media spending cannot be analyzed further. They are periodically aggregated figures that indicate the economic value of the media market. The net media expenditure provides insight into the actual money flows, while the gross figures indicate the media pressure.

### **Gross - net = discount?**

The gross and net media expenditure cannot simply be compared with each other. This is often done out of curiosity about the discounts, but the comparison is flawed on a number of points:

- The gross figures only include expenditure on products and services. The net figures cover the total advertising volume. The volumes of net and gross media spending are therefore not equal.
- Nielsen does not measure all media in the market. The net figures are intended to give a picture of the total market.
- Nielsen measures based on single ads. The net figures are derived from the total turnover of publishers and operators and extrapolations are carried out where necessary.

In addition, the term "discount" is too limited a reference to the difference between gross and net expenditure. The changed method of purchasing partly determines the difference between the two measurements, while there is no real discount.

The differences between net and gross media expenditures indicate that the user of both sources must be aware of the composition and background of the figures. A direct comparison between net and gross media spend without any prior knowledge can lead to misinterpretations.