

Highlights of the report:



## Advertising and overconsumption: Regulating advertisements to transition toward a lower-consuming society

This report shows that spending on advertising, already considerable, continues to grow and that advertisements often employ messaging and strategies that can lead to overconsumption. It also shows a certain openness on the part of the advertising industry and consumers to regulations governing consumer goods advertising, as well as setting out the legislative paths to adopting this regulatory framework.

### Context: Why look at advertising?

A number of studies show that exposure to advertisements and spending on advertising contribute to rising levels of individual consumption:

- Two studies<sup>1</sup> conducted over a period of 30 years in the United States and France showed that advertising spending alone has caused overall consumption in these two countries to rise by 7% and 5.3% respectively;
- One dollar of advertising on Amazon yields \$5.31 in sales of electronics devices and \$4.90 in sales of household appliances;<sup>2</sup>
- A 2015-17 advertising campaign by the Audi automaker in the United Kingdom led sales to increase by 133,000 cars;<sup>3</sup>

- A research team studied the impact of advertisements on the purchase of clothing, plane tickets and electronics/ household appliances in Germany, finding that exposure to advertisements for these products was positively correlated with their purchase.<sup>4</sup>

This consumption of goods and services has a considerable environmental impact due to the natural resources required and the GHG emitted during their manufacture or use. That is why Équiterre looked into regulating commercial advertising.

1. See: Dupré, Mathilde, and Renaud Fossard. "La communication commerciale à l'ère de la sobriété Taxer la publicité pour consommer autrement". Communication & Démocratie et Institut Veblen, 2022 and: Molinari, Benedetto, and Francesco Turino. "Advertising and Aggregate Consumption: A Bayesian DSGE Assessment". The Economic Journal 128 (2017): 2106-30.


2. See: Insider Intelligence. "The Industries With the Highest and Lowest ROAS for Retail Media". EMARKETER, 2023 and: Sellics. "Amazon Advertising Benchmark Report 2022", 2022.

3. Davison, Caroline and Ben Essen. " 'Ecoeffectiveness': The Missing Measure in a Climate Crisis ". 2020

4. Frick, Vivian, Ellen Matthies, John Thøgersen and Tilman Santarius. "Do online environments promote sufficiency or overconsumption? Online advertisement and social media effects on clothing, digital devices, and air travel consumption". Journal of Consumer Behaviour 20, n° 3 (2020): 288-308.

## Research methods used for this report

- Searches of marketing databases to paint a picture of advertising spending in Canada;
- Interviews with 10 advertising agency representatives;
- Survey of 1,536 Canadians;
- Content analysis of 238 ads for household appliances and electronics devices;
- Legislative analysis of acts and regulations surrounding advertising in Quebec and Canada.



In some of the analyses, household appliances and electronics were targeted, given their large carbon footprint from their manufacture, their high consumption throughout the country and their frequent



**\$20.86 B**

In 2023<sup>5</sup>, the advertising market in Canada was estimated at **20.86 billion dollars**. This represents a year-over-year increase of 7.7%. The increased spending on advertising is not a recent phenomenon: between 2018 and 2023, advertising spending rose by 32.5%. Spending on digital advertising far exceeds that on traditional advertising, accounting for 70% of total spending on advertising, or **14.55 billion dollars**. In fact, spending on digital advertising is the main driver of overall growth in the advertising sector.

5. The most recent data available on advertising investment in Canada dates back to 2023.

## ADVERTISING AGENCIES' VIEWS

Opinions were divided among the advertising professionals interviewed concerning the link between advertising and rising consumption. On the one hand, certain agencies believe that the advertising industry is responsible for much of household consumption, since it excels in creating desires. On the other hand, some of the professionals believe that advertising responds to a need that is already there.

According to those interviewed, advertisements for consumer goods like household appliances and electronics should contain:

- The price of the good and any available savings;
- Use of lifestyle to associate the product with a desired behaviour sought by the client;
- Appealing to various emotions so as to strike a chord with potential customers and attract them to the advertised product;

- Emphasize the innovations offered by the latest models to encourage consumers to replace their existing device, if they have one;
- As for household appliances, durability and energy consumption were mentioned.

Several of the interviewees pointed out that putting in place a **mandatory mechanism** would have far greater impact than voluntary mechanisms since agencies' power to decide on the messaging for an advertisement is limited by what the client wants. Everyone interviewed mentioned that **the advertising industry is resilient** and would be adaptable to new rules.

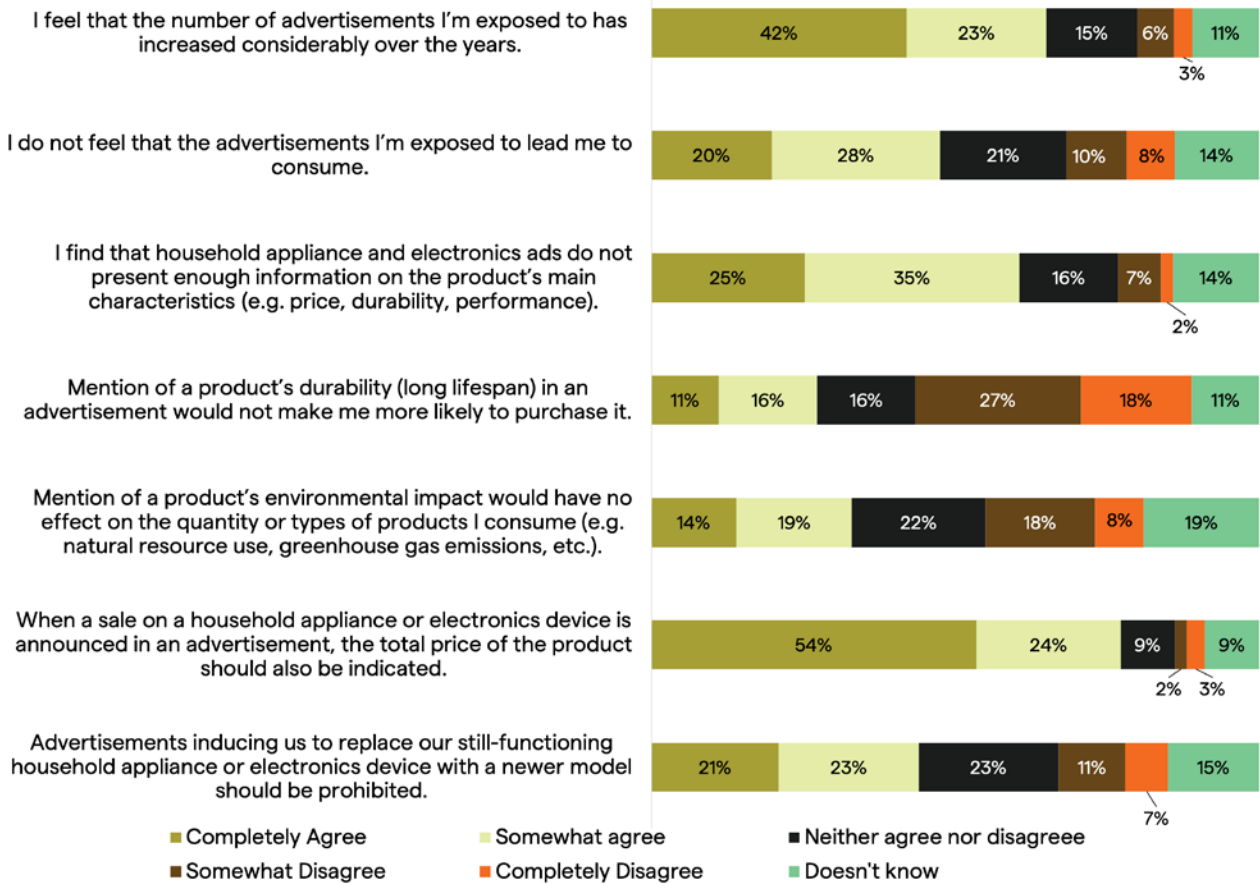
## CONSUMERS' VIEWS

The level of agreement or disagreement on the part of the surveyed consumers with the survey's seven statements can be found in the figure shown on the next page.

Few consumers perceive the influence that advertising can have on their consumption level. This shows how advertising affects people subconsciously<sup>6</sup>. Nevertheless, there is a certain appetite on the part of the public for ads to contain more information on the basics of a product and on its durability. There is some agreement as well for certain measures aimed at regulating the advertising of consumer goods.



6. Courbet, Didier. "Du discours et des effets de la publicité sur l'individu en société". presented at Colloque SPIM : De l'industrie publicitaire aux relations publiques, les outils d'influence des multinationales, Paris, 2018. <https://sp-im.org/enjeua-1/>



## CONTENT ANALYSIS OF ADVERTISEMENTS: THE CASE OF HOUSEHOLD APPLIANCES AND ELECTRONICS (HAE)

To identify the messages and strategies used in commercial advertising for consumer goods, a content analysis of 238 HAE advertisements was carried out.

The advertisements analyzed comprise a variety of themes and contextual elements that can normalize the idea that possession of material goods is a gateway to a specific enviable lifestyle or quality of life. According to the literature, this type of messaging can lead to overconsumption and premature replacement of these goods.

The main themes and contextual elements that often come up in the HAE advertisements analyzed are as follows:

- 31% of the ads contained emotional content (words, images linked to various emotions and feelings, or comedic content);
- Activities, recreation or occupations are mentioned in 23% of the ads;
- Upgrading or innovation is present in 22% of the ads;
- Product uniqueness is mentioned in 21% of the ads.

Promotional offers or financing arrangements are also very prevalent in HAE advertisements. According to the literature, these tend to encourage people to replace or purchase a product.



43%

of the ads contain one or more promotional offers, of which there is a very wide range (discount on purchase of multiple products, gift on purchase, package discount, discount upon return of old product, and “we-pay-the-tax”).

1/6

Product price appears in only one in six ads.

Half of the ads with one or more financing offers make no mention of product price, and 40% of the ads offering payment by installments make no mention of it either.



Lastly, elements enabling consumers to make more informed choices about sustainability, such as product reliability, durability and repairability, are rarely if ever present.



## ANALYSIS OF REGULATORY FRAMEWORK FOR ADVERTISING

The two most important laws when it comes to regulating advertising in Quebec and Canada are the *Consumer Protection Act* (Quebec) and the *Competition Act* (Canada). Other legislative provisions targeting specific goods and services can also serve to regulate the latter. There are a number of ways to regulate advertising, such as:

+ Impose a “duty to inform” on part of the content; in other words, require the advertisement to communicate certain information or to do so in a certain manner. Several such duties to inform exist.

+ Place limits on the content; in other words, impose a prohibition against communicating certain information or doing so in a certain manner. Here too, several such prohibitions exist.

Advertising regulations are not unlimited in scope. Ottawa and the provinces can enact rules only in their own areas of jurisdiction, and these rules must not do undue harm to the rights and freedoms entrenched in the Canadian and Quebec charters. Therefore, freedom of expression significantly limits the ability to regulate advertising, since the charters protect it. Nevertheless, certain infringements on freedom of commercial expression may be justified if their objective is “pressing and substantial” and if the means used to achieve it does not infringe on freedom of expression disproportionately. Numerous objectives have been deemed pressing and substantial in the past, and environmental protection could potentially be seen as one.



## Équiterre's recommendations



This research paper highlights the size of Canada's advertising market and the many aspects of advertising that induce consumers to purchase or replace a product. Since the research has also demonstrated a degree of openness on the part of the advertising industry and the public to the idea of regulating commercial advertising, as well as the possibility of legislation in this area, Équiterre is proposing various measures to that end.

- 1 Tighten the regulatory framework for commercial advertising by creating a variety of requirements and prohibition:
  - Require disclosure of environmental footprint of advertised product;
  - Require a mention promoting sustainable material consumption;
  - Require product price to be indicated when item is on sale or financing arrangements are mentioned;
  - Prohibit "gift offers" on purchase and promotional offers on purchase of multiple products;
  - Prohibit inducements to replace a functioning product;
  - Regulate promotional offers linked to seasonal sales events (e.g. Black Friday);
- 2 Look into limiting the display of commercial advertising in public places;
- 3 Re-centre marketing around more sustainable modes of production and

“ ... ”

**Consumerism and materialism have been sold for years as an ideal to attain. It is time to sell people on a different lifestyle, one that respects our planet's boundaries.**