

РЕНТАБИЛНОСТ НА ПАЗАРА НА ДЕТСКИ ПРОДУКТИ

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PROFITABILITY OF CHILDREN'S MARKET

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Abstract

The main purpose of this paper is to point out and verify the profitability of children's market. 30-40 years ago, children were not considered as an important market and they were treated as savers and future consumers. Today, they are perceived as consumers and spenders and are actively engaged in the marketplace as buyers, users and recipients of consumer goods. Nowadays, children are viewed as a viable market by many manufacturers and retailers. Namely, two recent trends have increased manufacturer and retailer's interest in child market. First, both the discretionary income of children and their growing power to influence parents purchases and second growing media space (television, Internet, mobile phones, computers, video games, etc) that through advertisements and promotions attract younger population. In order to understand children as consumers, one has to recognize the impact of the marketplace in children's everyday lives and to consider the ways in which they experience the commercialized world. Many marketing experts discuss the negative effects and consequences that marketing activities have on children, as eating disorders and childhood obesity, tremendous behavior changes, family stress, violence and delinquency, alcoholism, increased materialism among children. Nevertheless, companies have recognized the role of children as consumers and acknowledged their contribution to family decision making. Some experts claim that companies play on children's dreams and vulnerabilities. Companies are interested in making high profits by selling their products and services to a broad, extended public, including children. They will do their outmost to make profits, even though they can damage the health and dreams of children. This paper describes the exposure of children and teenagers to marketing programs, benefits for companies, disadvantages arising from it and the role of children as consumers, providing recommendations for their protection. Finally, it describes the impact of marketing activities to Macedonian children and their involvement as consumers to the marketplace.

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1. Introduction

Children's market, all over the world is immense and the companies can not ignore it. Statistics shows that the world has reached peak number of children (www.gapminder.org). In 1960 there was 1 billion children below 15 years of age and it was 35% of the world population. Now there are 1,9 billion children in the world, but they are 27% of world population. In 2050 there will still be an estimated 1.9 billion kids, but they will be only 20% of world population. Still, it is a large and profitable market for manufacturers and retailers. To companies, children comprises three markets in one:

- They are a current market that spends \$4.2 billion a year of their own money on their own desires. In this sense children are viewed as having needs, having money to spend on items that satisfy their needs, and having a willingness to spend money. Entire industries - such as producers of candy, gum, frozen desserts, soft drinks, toys, comic books, records and cassettes - treat children as a current market. At the retail level, such outlets as video game parlors, movie houses and convenience stores also treat children as a ready market.
- Children are a future market for most goods and services. Manufacturers and retailers respond to them as future consumers to be cultivated now. Thus, department stores have special promotions for children - to build store awareness for the day when they begin to buy their own things.
- Children also constitute a market of influential who cause many billions of dollars of purchases among their parents. Probably best known of these marketers are cereal firms that intensively advertise to children directly or indirectly encourage the children to persuade their parents to buy certain brands of cereal.

Companies, in their continuous fight for high profit margins, are ruthless towards children as consumers. They are using the curiosity and innocence of children to sell them their products and services. Children are exposed to a variety of marketing messages that companies are sending through television advertisements, product placements and embedded ads, cross-promotions, online and mobile advertising, integrated marketing campaigns.

But, what are the products that children like the most? Although, in principle, most children are interested in toys, sweets and candies, clothes and fashion accessories, sports equipment, games, mobile phones, books, it is evident that their interest rapidly is changing, along with their changing age.

What is the size of children's market (young people under age of 14) in the Republic of Macedonia? The State Statistical Office made an official Census in 2002, but also made predictions on the movement of total population and number of children under age of 14. The data are presented in the following table:

Table 1. Total population and children under age of 14 in the Republic of Macedonia

	2002	2005	2015
Total population (31.12)	2.022.547	2.038.514	2.071.278
Children (0-14 years old)	426.757	395.472	345.903
Children (0-14 years old) %	21.1%	19.4%	16.7%
Older persons (65 and more years)	214.389	226.275	269.266
Older persons (65 and more years) %	10.6%	11.1%	13.0%
Births, annually	27.761	22.482	23.075
Births, male		11.451	11.959
Births, female		11.031	11.116

Source: State Statistical Office, "Republic of Macedonia in numbers -2016", 30.06.2016

The population in the country is aging and the number of children under age of 14 is decreasing. However, companies can not ignore the children's market as a future market for them. Also, very important aspect of the vital statistics is the sex of children (male vs. female) due to their different interests in the consumption of goods and services. The girls mostly are interested in fashion, clothes, accessories, social connections and the boys in sports and games.

2. Methodology

For preparation of this paper, primary and secondary data are used. Secondary data are data that are already available on Internet. Domestic and foreign literature dedicated to children as consumers is mostly used, as well as data that is published by the State Statistical Office of the Republic of Macedonia. The primary data is related to the outcomes of the research

conducted in the period 1st -31st of March 2016 that encompasses total of 50 children aged under 15. Also, for processing of data and making final conclusions, historical and comparative methods are used.

3. Discussion and Results

3.1. Children's exposure to marketing activities

The fact that an average child aged 8 or older spends more than 7 hours per day with screen media (watching TV, searching on Internet, playing video-games or using hand-held devices) needs to be considered as an alarm to parents and the society as a whole. In recent years, the advertising environment has been changed and has become more diverse and easily accessible. Children are exposed not only to TV advertisements, but to product placements, advergames, viral marketing, mobile advertising, social-media marketing, websites, etc. More than ever advertising and entertainment are linked and influence on children's behavior.

a) **Television advertising:** Even though there are lots of communication media, children and teenagers still spend more time watching TV programs. In average, 2 to 8 year olds watch 1 hour TV programs/day and 8 and more year olds watch 2,5 hours/day. The trend, still slow, but is gradually shifting from TV watching to Internet and online programs. The Nielsen Research Company claims that children aged 2-5 spend more than 32 hours a week on average in front of a TV screen. The older segment of children (age 6-11) spend a little less time, about 28 hours per week watching TV, due their obligation to attend school. In 2004, the same company estimated that children saw about 25.600 TV advertisements, mostly paid ads, promotions, public service announcements. The average ad seen by children was about 25 seconds long. Thus, children saw about 10,700 minutes of TV advertising. For comparison, adults saw approximately 52,500 ads and 22,300 minutes of advertising. The average child watches more than 40,000 television commercials per year. Mostly they watch fast-food and sweetened drinks ads, commercials about sweets and canides and cereal ads.

b) **Product placements and embedded marketing:** A growing number of companies use product placement or embedded marketing, that is an advertising technique to subtly promote their products and services through a non-traditional advertising techniques, usually through appearances in movies, television programs, video games and other media. They are incorporating their

products into the programs that children are watching even though they are not fully aware of this kind of promotion. This, so called “hot marketing” is also known as content marketing or branded content. There are two broad categories of product placements: first, the use of branded product embedded in programs from television to movies to video games and the second, incorporation of the product into the dialogue or plot of the program or game. The most striking example of heavily used product placement is the case of Coca Cola. Namely, Coca Cola in 2008 paid to have a glass of Coke placed in front of each judge on American idol show. (nearly 2.2 million children were watching the show worldwide!). Using Nielsen data, in 2008, Coca Cola accounted for 15% of all product placements occurred on TV and 70% of all placements viewed by children. Children actually viewed nearly 10 times as many Coke “brand appearances” through embedded advertising than through traditional TV commercials. However, marketing experts still cannot precisely estimate whether this kind of promotion can have a large impact on children’s behavior as consumers. Preliminary research indicates that children neither understand the “embedded” content of advertising nor they are persuaded to buy the placed products or services.

c) **Cross promotions:** Cross promotion is a form of marketing promotion where customers of one product or a service are targeted with promotion of other product. The cross promotion includes “bundled” offerings, co-branding, partnering, coop marketing and share sales space. Cross promotion has the potential for a big marketing payoff because partners can successfully expand through one another’s customer base. They can gain an inexpensive and credible introduction to more of their kind of customers more effectively than with traditional “solo” methods of advertising. Example is co-branding of popular brand companies Colgate and Lego. Colgate wants to attract the interest of children that like to play with Lego toys and remind them to brush their teeth regularly. Other popular examples include tying food and beverage products to movies, TV programs, cartoon characters, toys, websites, video games, theme parks and other entertainment venues.

d) **Online advertising:** Online advertising has dramatically changed the nature of marketing to children and teenagers. In the beginning, online advertising was presented by banner ads that contain little textual marketing messages. Today, online advertising encompasses more sophisticated and complex banner ads, but also advergames, online videos, virtual worlds, branded websites and social-media marketing. There are three main features of online advertising: a) it is interactive, meaning that it demands children to do

something and actively be in touch with the product (by playing a game that involves the product's name or logo, or by voting for favorite flavor), b) is built on data about children that allow to be targeted based on their interests, locations and demographic characteristics and c) the placement of a child is in a fully branded environment for an extended period of time where the lines between advertising and other content are blurred. This combination of digital entertainment and advertising, make it difficult to measure and evaluate the impact of children's exposure to online advertising. Some special forms of online advertising are:

- **Advergaming:** Advergaming is a new advertising media that is used by companies for promoting their products and services. The term actually means mixture of advertising and game. An advergame usually involves a user playing with branded items (e.g. using Oreo cookies as gaming pieces) or playing in heavily branded environment (virtual space that contains product or company's name, logo, signage and images). Advergames can be accessible via computers or mobile devices.

- **Branded websites:** Companies branded websites are designed to attract children. These websites that usually are promoted by TV ads or on product packagings may include elements such as games, contests, videos, etc. Example is the site Green-Label.com where one can find content on fashion, sports, music and gaming designed to attract young viewers.

- **Viral marketing:** Encourages children to network among themselves and this way companies can broaden their customer base. Namely, children are motivated to send branded greetings (seasonal greetings, holiday postcards, birthday e-cards, invitations) to their friends or invite them to play together on the company's website. Once the child visitor shares his/her friend's email address, the company contacts the friend through promotional messages. Nearly 2/3 of child-oriented branded food sites include viral marketing.

- **Downloadable branded items:** Many websites include branded items for a child to download, either onto their computer desktop (such as screensavers) or for printing and using in the "real" world. For example, children can print art activities (e.g., a McDonald's coloring book), book covers, bookmarks, and wall posters. Such items "can be an effective mechanism to provide many additional brand exposures over time.

- **Premium offers to encourage product purchases:** Many companies websites offer some type of premium of fee in exchange for the child purchasing the product. For example, one candy site offered free movie tickets, but the child had to purchase several bags of candy and submit codes from the

bags online to enter the sweepstakes. Other way is to offer children something with value if they register on the website, play an advergame, or invite a friend to the site. Other sites encouraged children to get a code from product packaging to gain access to a “secret” part of the website or “premium” games.

e) **Social-media marketing:** Social-media marketing includes a wide variety of online-advertising techniques, including placing ads on social-networking sites such as Twitter or Facebook. As of 2012, three-quarters of all teenagers reported having a profile on a social-networking site, and 22 percent had a Twitter account. Half of all teens visit their social-networking sites daily and a third does so several times a day.

f) **Mobile advertising.** The advent of mobile advertising to children is another game changer. Now young people can be reached with advertising messages throughout the day, not only when they’re sitting in front of a television set or a computer. As with online advertising, the content is interactive. Mobile advertising can be targeted to young people more narrowly than other online advertising, since it can track their locations in relation to specific retail outlets or fast-food venues. As of 2012, 41 percent of all 10- to 17-year-olds had a smartphone, and two out of three had some type of mobile device that could connect to the Internet, such as a tablet or an iPod Touch. Mobile advertising can come in the form of small banner ads, branded apps, and “in-app” advertising. (Nielsen, 2015). When a user downloads an app, the company behind the app often gains access to significant amounts of information about him or her, which can then be used to target advertising.

3.2. Negative marketing aspects to young consumers

Advertising and diverse marketing messages address the emotions of young consumers, “seducing”, manipulating and intoxicating them. Adults that are exposed to the same marketing messages have developed critical judgment through ages and they can select and differentiate well from bad. However, the same cannot be said for children, who are more vulnerable and naïve. Even though, in accordance with legislation, children cannot perform acts of buying and signing a contract, companies approach them by advertising as full consumers. Advertisements aimed at children, use all their abusiveness and take advantage of their naivety in order to sell products and services. Children mainly believe what they see and hear, but they also believe that the products or services advertised will actually provide the benefits and pleasures that advertising promises. So, what are the areas of concern?

A) **Tobacco advertising:** Tobacco producers spend 30 million \$ per day on advertising and promotion. Exposure to tobacco advertising may be a bigger risk factor than having a family member who smokes. A research has found that approximately 1/3 of all adolescent smoking can be attributed to tobacco advertising and promotions. Children exposed to tobacco ads or promotions are more likely to become smokers themselves. In order situation to be worse, tobacco companies have specifically targeted teens of 13 years of age.

B) **Alcohol advertising:** Alcohol manufacturers spend 5.7 billion \$ per year on advertising and promotion. Children and teens typically view 2000 beer and wine commercials annually, mainly placed in sports programs. Given that children begin making decision about alcohol at an early age, exposure to beer commercials represents a significant risk factor.

C) **Drug advertising:** 11billion \$/year is spent on cigarette advertising, 5.7 billion \$/ year is spent on alcohol advertising and nearly 4 billion \$/year is spent on prescription during advertising. Drug companies spend more than twice as much on marketing as they do on research and development. Is such advertising effective? A recent survey of physicians found that 92% of patients had requested an advertised drug.

D) **Eating disorder and obesity:** Advertisers spend more than \$2.5 billion/year to promote restaurants and another \$2 billion to promote food products. On TV, it is estimated that children and young people see 40.000 ads /year. Fast food companies are using toys with their food packages to attract young people. Several studies show that young children request more junk food (food with high-caloric density but very low nutrient density) after viewing commercials.

E) **Sex in advertising:** Many companies use sex and erotic scenes to sell everything, from beer to shampoo to cars. New research shows that children's exposure to sexual content in the media may be responsible for earlier sexual intercourse or other sexual activities. There is an increased discrepancy between advertising of vulgar and erotic themes and the lack of advertising for birth control or contraceptive products. Ads give inappropriate message about sex and sexuality to children and they misunderstand the relationship between partners. Advertising also frequently uses female models who are anorectic in appearance and it can cause the development of a distorted body self-image and abnormal eating behaviors in young girls.

3.3. Children as consumers - the case study of Macedonia

Children and teens in Macedonia, in their consumption habits do not differ from Western children, but differ from adult consumers. These differences in consumption interests between children and adults, companies need to identify and understand if they want to be closer to children and easier to communicate with them. For the purpose of this paper, primary research was made in the period 1-31st of March 2016. In the research, a total number of 50 children was included, 30 girls and 20 boys, aged 10-15. The children were asked seven questions (a mixture of open and closed questions) and the results are presented in the following tables:

*Table 2. Preferred media
(Question 1: What media of communication you like the most?)*

TV	80%
Internet	15%
Print media (newspaper, magazines)	3%
Other	2%

*Table 3. Spent time on screen media (watching TV, playing video games, using mobile phones, computers, tablets, Internet)
(Question 2: How much time do you spend on screen media? (watching TV, playing video games, using mobile phones, computers, tablets, Internet))*

To 1 hour / day	5%
1-3 hours / day	10%
3-5 hours / day	15%
More than 5 hours / day	70%

*Table 4. Preferred electronic device
(Question 3: What electronic devices you are using the most?)*

Mobile phones	40%
Tablets	30%
Computers	15%
Other hand-held devices	15%

Table 5. Most liked types of advertising (girls)
 (Question 4: List the types of advertisements that you like the most! (girls))

Fashion dresses and fashion accessories	45%
Toys	20%
Mobile phones	15%
Food and beverages	15%
Other	5%

Table 6. Most liked types of advertising (boys)
 (Question 5: List the types of advertisements that you like the most! (boys))

Sports and sport equipment	50%
Toys	20%
Mobile phones	15%
Food and beverages	10%
Other	5%

Table 7. Places where respondents have noticed ads the most.
 (Question 6: List the places where you notice the ads the most!)

TV	70%
Shops, supermarkets	20%
Outdoor marketing	5%
Internet	5%
Other	-

Table 8. Number of respondents who wish to have the advertised product
 (Question 7: Would you like to own the product that is advertised?)

Yes	100%
No	0%

According to the results of the research, children in Macedonia like to watch TV programs most (80%), although television is considered a traditional medium of communication. What is particularly worrying is that Macedonian children, and that is a worldwide trend as well, spent quite long hours in front of TV screens or in front of any other screen media. Even 70% of the available time per day, kids spend with electronic devices. A great number of children

love mobile phones and tablets, mostly for gaming (cumulative 70%). They do not show much interest for computers and laptops.

The difference between boys and girls is evident in questions 4 and 5 that require them to list what kind of ads they like the most. Girls prefer fashion clothes and fashion accessories, social gatherings and food and drinks. The boys prefer sports and sport equipment, games, mobile phones. Nearly the same, both sexes like mobile phones, meals and drinks and games. They notice ads mostly on TV. Their honesty and naivete reflected in their 100% belief that ads are objective, realistic and offer them exactly what they want. Children want to have the products being advertised. From the research one can conclude that companies, if they want to succeed in the children's market, need to advertise their products and services mostly on TV.

4. Conclusion

Advertising represents “big business” everywhere worldwide and can have a significant effect on young people. Children believe in products and services being advertised. Companies heavily are using all the available media to attract young people to buy their products and services. Some of the conclusions that one can draw from this paper are:

- Advertising is an attempt to persuade someone to buy a good or service,
- Advertising is an area of continuous growth,
- The average child views about 40.000 advertisements/ year,
- Ads influence on children’s behavior,
- Ads can have negative marketing aspects to young viewers (cigarette, alcohol and food advertising),
- The society needs to undertake measures to protect children and ensure them a secure and healthy future (more strict rules about marketing to children).

One solution that would be easy to implement is to educate children and teenagers about the effects of advertising (media literacy). It is important to teach young people to become critical viewers of media in all of its forms, including advertising. Society has to invest more funds in high-quality, educational and noncommercial programming for children.

Adults and society need to be careful with children as “Children see magic because they look for it” (Christopher Moore, writer). They represent one third of the world population and all of our future.

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