

Commercial Advertising on Public Broadcasters' Television Channels

(Source: egta)

I: Arguments in favour of commercial advertising on Public Service Broadcasters (PSB) television channels

a) Advantages for a country's public authorities and audio-visual landscape

- turning off a financial tab → money must be found to finance something which could have otherwise been supported by commercial advertising

- Public broadcasters at the forefront of technological evolution

- digital television market is expanding → new technologies, development of additional digital channels require additional financial investments; this demand is likely to increase (faster);

→ public broadcasters cannot do without revenue from advertising and sponsorship of the while market is to develop equally.

- it is traditionally part of public broadcasters' expected tasks to open up the market by taking new initiatives at technological level; to open up the way for the market in general, public service broadcasters need advertising revenue.

- Public broadcasters as a guarantee for a fair and healthy competition

- The presence of public broadcasters in a market increases competition; → competition between channels is good for the economy and has a boosting effect on the quality of the channels: they must fight for audience shares and viewers' attention; it increases diversity, extends choice/quality and prevents prices from going up → appreciated by advertisers

- Public broadcasters as producers of quality programmes which greatly enrich the audiovisual production of a country

- PSB: High-quality programmes (for a small audience) are important but expensive;

→ financed via two sources: public funds and advertising; cuts of budget: variety and quality of the programmes would suffer;

- PSB holds up the national/European identity; 40% of the European audiovisual industry is supported by (commercial) revenues (including advertising) → PSB need access to this money to enrich the nation's audiovisual production.

- in smaller countries surrounded by big neighbours which share a common language suffer from an overspill of foreign programming → need for money to produce programmes to defend and promote the national identity

- Public broadcasters as producers of local programmes and as platforms for local advertisers

- local and regional communities must be addressed → financed through advertising revenue
 - local advertisers must be offered an opportunity to appear on TV → PSB run local television channels, contribute to local programming and advertising

- Public broadcasters as contributors to the financing of a sound audience measurement system

All broadcasters are expected to contribute to the financing of a relevant and sound audience measurement system. Advertising revenue can be used to that effect.

b) Advantages for public broadcasters` channel(s)

- Television advertising as key to the channel`s independence

- combination of public and commercial sources is a guarantee for a vital and independent public broadcasting service → public channels are not as vulnerable as they would be if financed only by the license fee, nor a risk of a loss of editorial and managerial independence; Television stations must protect themselves against control by interests, whether political or financial;

- advertising and sponsorship offer flexibility and autonomy to TV stations; other sources of financing grants public broadcasters the ability to react to unforeseen financial needs; additional sources allow to adopt a real “identity”, “programming philosophy” and a true strategy for the channel;

- Television advertising as key to expensive programming, particularly sports events

- sports federations will turn towards channels able to offer a strong advertising campaign; sporting events are part of a PSB`s remit different segments of society form a common sense of nationalism.

- Television advertising as a quality booster

- public broadcasters are expected to promote the highest possible level of quality, acting as a benchmark for all other broadcasters; → concern for quality will make viewers more demanding, the global quality level in the country will increase.

- advertising does compel PSB to distinguish themselves from their competition; they seek to increase their audience share guaranteeing that the public money they have is used to satisfy as many people as possible, ratings do not always take priority over quality.

- advertising money forces public channels to differentiate themselves by sticking to their specific features; to attract viewers one must be creative and original.

- Television advertising as a key to better fulfilling one`s public service mission

- Producing quality content is expensive. → Advertising allows to produce content that helps strengthening the national and local identity, it promotes the national culture, reflects the national

cultures, religions, traditions, values, artistic movements, etc. ...; → it provides the widest possible range of programming which meets educational, informational, spiritual and entertainment needs;

- Television advertising as a sign of dynamism and modernity

- Advertising is an integral and self-evident part of any modern generalist programme → ensures market transparency, informs viewers about business, products, prices and markets;

it is often argued, that public broadcasters would be able to differentiate from private channels if they were to forego advertising: studies prove that viewers are not bothered by advertising/TV sponsorship;

=> Sponsorship and advertising are thus an accepted part of TV!

Channels without advertising are seen as being out of fashion; sponsorship serves to identify the beginning of a programme.

c) Advantages for advertisers

Advertisers have two objectives in a campaign: to sell and to be able to build and sustain the good image of their brands

- Public broadcasters as a guarantee for optimal geographical coverage

- public televisions: public service mission → obliged to reach every household in the country → they offer the broadest “coverage” of all TV channels; they also offer the broadest scope of all TV networks;

- in smaller countries: it is essential for the local and international advertising industry to have the possibility to advertise on public channels to get enough GRPs;

- Public broadcasters as a guarantee to reach specific target groups

- the target groups reached by a public broadcaster are very different from those reached by private channels; it is a result from the way in which information is handled, as well as the content and type of programmes resulting from the obligations that public channels must fulfil. Advertisers are interested in the target groups that best correspond to their products → they will buy space on these channels regardless of a higher cost.

- Public broadcasters as a guarantee for stability

audience fragmentation → advertisers need stability; public broadcasters are seen as stable, representing a lower-risk investment for advertisers; → advertising on public sector channels is very attractive; the image associated with public channels often evokes stability, seriousness and responsibility in relation with the public.

- Public broadcasters as a guarantee for quality; hence, trust

Public TV channels are viewed as reliable, trustworthy, socially responsible and solid → guarantors of the common good, acting in the interest of the citizen/consumer; such positive values are priceless for advertisers; research shows that the audience makes a direct connection between the advertised product and the reputation of the channel; → positive “halo” effect

commercials on PSB are a necessity for advertisers if they wish to get a positive strong brand image;

- Public broadcasters as a guarantee for a fairer market at the right price

Commercial-free public channels would compel advertisers to pay more to get their message across to fewer people; → would mean a decrease in the GRP supply, hence a higher “clutter” (risk to zap spots) and a loss of impact; → increase in the cost of advertising and a decrease in the advertisers’ Return On Investment;

d) Advantages for the citizen/consumer

- Public broadcasters as providers of universal content

the role of the public service is to supply the citizen with diverse, educational and pluralistic programmes; Commercial revenue allows PSB to invest in the research, technological development, educational programmes and promotion of cultural diversity and to promote an increase in international collaboration; → every individual is able to find something of direct interest to him/her

- Public broadcasters as a guarantee for good and free programming (both from a quantitative and qualitative point of view)

- a ban would be a dramatic drop in the quality and quantity of programmes; it would mean less investment in home grown drama as well as in innovative, interactive and nice programming;
- e.g. sports: airing major events for the public; if PSBs are denied the right to air commercials, not only will they no longer be able to afford the rights to broadcast, federations will have no choice but to opt for the networks which can offer support to their campaign; major sport events may end up on the pay-per-view system (and are no longer available);
- advertising on public broadcasters takes additional burden off of consumers who would otherwise have to pay higher licensing fees → access to quality programming is “free of charge”

- Public broadcasters as a free informer available to all

- Advertising can ensure market transparency and informs viewers about business, products, prices and markets → it is acting as an informer for the citizens
- Advertising is highly regulated → the public’s interest is safeguarded in terms of diversity, pluralism and consumer protection.
- surveys show that advertising and sponsorship are widely accepted by viewers and this acceptance continues to grow; → the mixed funding model is considered as legitimate.

II: Understanding the possible consequences of a ban on advertising on public television

1. Identification of new financial sources

→ the try to identify sources of funding which could replace the money collected through the sale of advertising:

a) Public funds

The suppression of commercial advertising represents a loss of 25-30% on its global takings; → Can public authorities spend part of the national budget on something which otherwise could have been supported by commercial advertising? How could the authorities justify spending the little money in public broadcasting channels?

b) An increase of the license fee imposed in the taxpayer

- consumers are not willing to pay more to get access to audio-visual services; (survey: 64% if Dutch interviewees were unwilling to make the sacrifice)
- In some countries there is no direct link between the amount of subsidies granted to the broadcaster(s) and the license fee; a raise in the license fee would not guarantee a larger budget;

c) Additional taxation to be imposed in private broadcasters or on other sectors of the industry

- Expecting private broadcasters to pay more taxes → disadvantages increase in the price of advertising paid by advertisers; commercial groups and multinational companies invest less as a result of advertising expenditures/expected revenues; → weakens domestic advertisers
- This double taxation may also prove to be totally unconstitutional;

2. A loss of editorial and managerial independence

- financial sources represent a guarantee of the broadcasters' independence; → the combination of various advertising sources can encourage better programming production; public broadcasting channels do not include commercial advertising revenue in their fixed costs budget → this allows for new policies and services to be redirected towards the audience.
- Where advertising has been banned in PSB, this represented a policy by the authorities to (re-)gain the upper hand on domestic TV or radio broadcasters (on its programming, its administration, ...) → more reliance on public authorities entails a risk of the government influencing the content and the day-to-day running of TV companies which can harm the democratic ideal; extra advertising revenue can ensure networks being free from authorities;

3. Danger of commercial advertising investments going to other countries

- an advertiser who can no longer invest in a public TV channel will in turn re-direct its investment onto a private sector channel; yet this is not the case; → too much advertising kills advertising! The advertiser will spread investments across other media platforms but more specifically onto other markets abroad; if the aim of an advert has been reached in one country, the advertiser can then spend it on a market where the return on investment is more important! → total disappearance of an amount of money;

Conclusions

- In the text little reference is made to the human, social and cultural consequences that a ban would have on the national economy (e.g. loss of jobs).
- the audiovisual industry is in “technological turmoil” → constantly new actors in the market; new competitors are very rich and own a part of the information highway’s structure: → there should be a time when all broadcasters join forces to uphold the values and specific nature of television;
- It is now up to the member states (“Television without frontiers”/“Audiovisual Media Services”) to decide what they want to do at national level. Television today is heavily regulated, PSB attempt creating the appropriate environment for fair competition between public and private channels; with less advertising minutes available public broadcasters have succeeded in maintaining their commercial revenue through higher prices, fulfilling their public service mission.
- In addition to traditional commercial advertising financial sources are available: general interest advertising, sponsorship, product placement, advertiser-funded programming, teleshopping, merchandising, programme sales, etc...
- first lessons were learned after the recent implementation of the ban in France: the money previously invested on the public channels is far away from being reinvested on private channels; → serious drop in earning for the French audiovisual industry