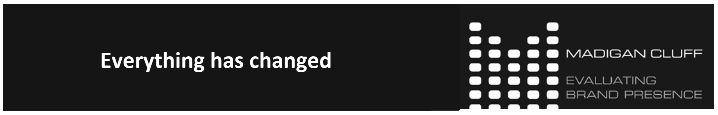
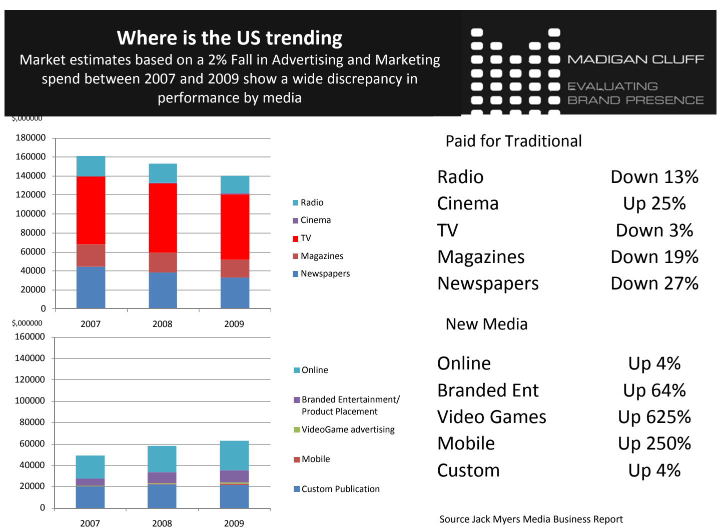
Ensuring Great TV Programmes Get Funded

Advertising today is only part of a spectrum of methods advertisers have to reach and influence their target audiences. As media viewing patterns change, it will be difficult for conventional sources of revenue to TV stations such as advertising and licence fees to continue to fund high quality programming.

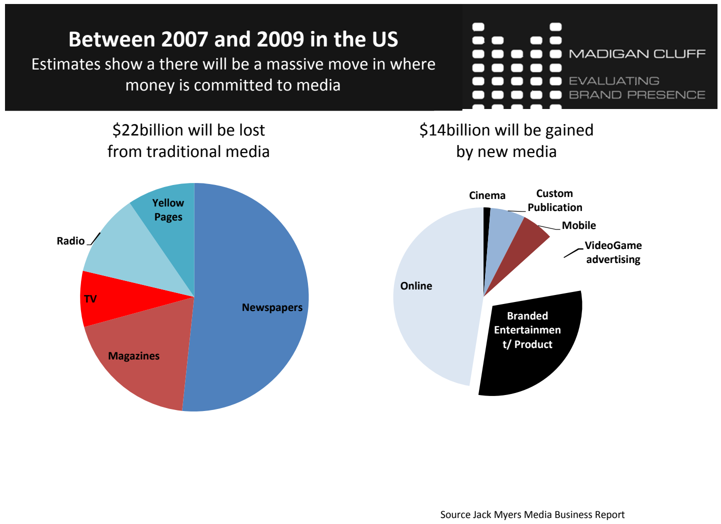


> "Advertising on its own is definitely dead. Nowadays it's part of a spectrum of communication about oneself, one's product, one's brand. Branded content is one of the central ways of doing that" (Robin Wight, IoS, April 2008)

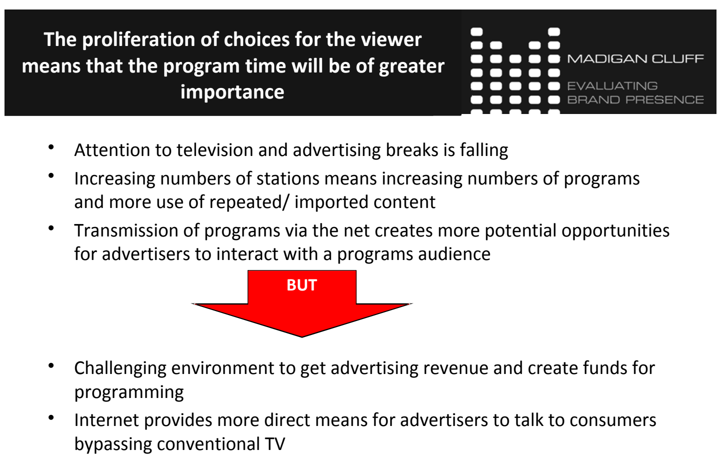
In significant areas of television the ball game has already changed. Worldwide sports programming already accepts high levels of commercial intrusiveness whilst the rate of change for communication revenues in the US are also changing very rapidly for all media.



Current data and predictions in the US show a sharp deterioration in the revenue available to Newspapers and Magazines – with a slower fall for TV in the US. Inevitably the largest area of growth is Online, but very surprisingly Branded Entertainment comes shortly behind

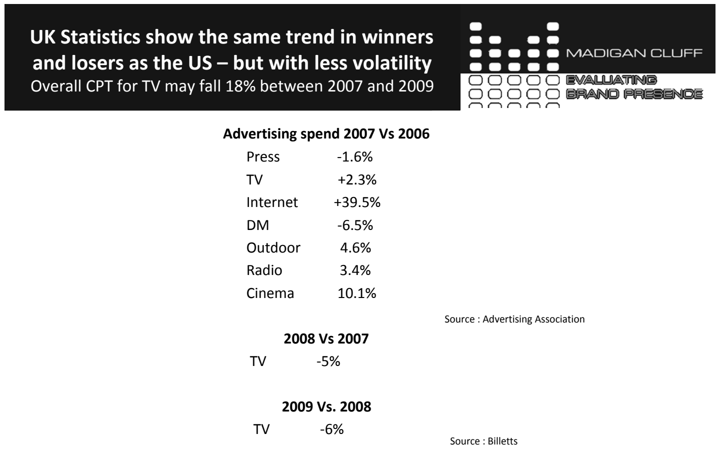


Out of a fairly static total marketing communications spend of about $230 billion annual, about $22 billion will be lost to traditional advertising between 2007 and 2009, whilst $14 billion will be gained. Of the winners, as you would expect online display and search take nearly half. What may surprise you is that Branded Entertainment takes half of the remaining growth, a shift of about $3.5 billion of cash from conventional advertising.

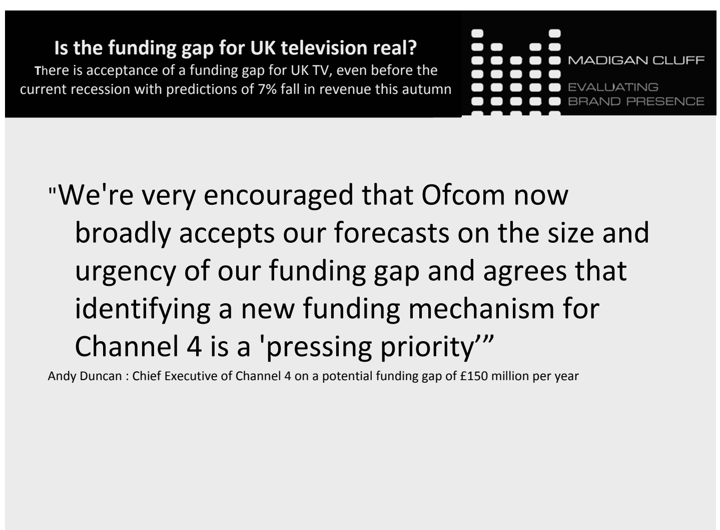


The trends for TV are the same worldwide. Attention to television and advertising breaks is falling, although people continue to view about the same number of hours – there are more calls on their attention as they view. Increasing numbers of stations equates to more requirement for content but this is often fuelled by repeats and a greater quantity of imports. Growth of the net as a source for transmitting television may allow advertisers options to gain the ability to get response alongside advertising messages in a way in which most current interactive TV has performed poorly.

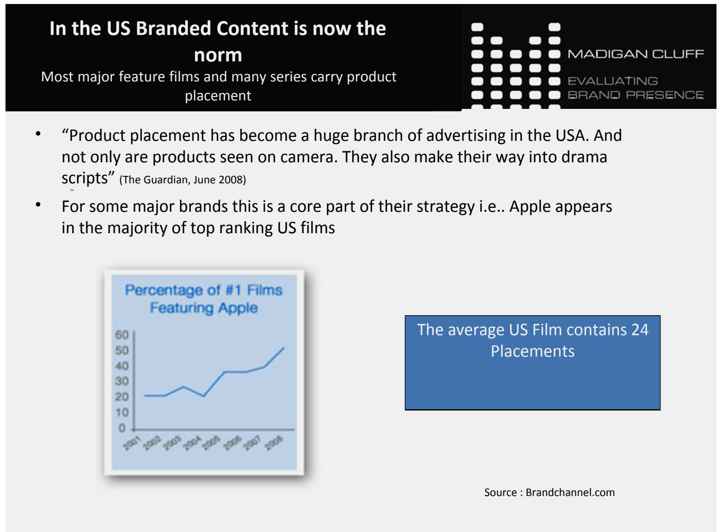
Trends within UK television follow the same pattern – but are currently much slower paced than the changes in the US market - but still the trend is for print media losing revenue quickest. The revenues at the bottom of this sheet show the degree to which the recession is expected to reduce television revenues.



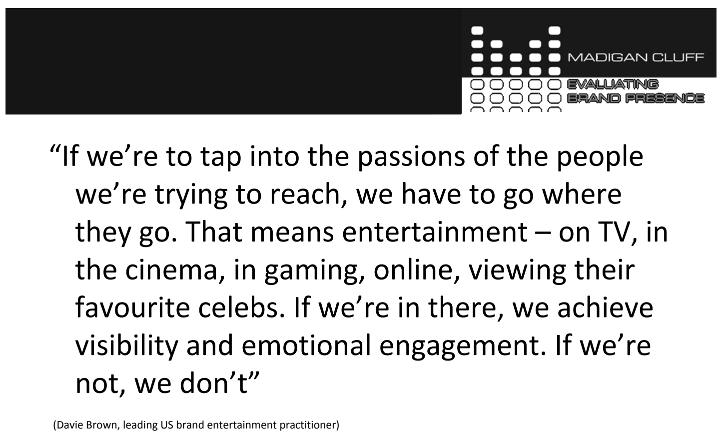
Advertisers have voted with their feet in favour of the direct linkages created by the digital media. These changes can only lead to one conclusion, the future funding of television will be a challenge – the question is not if – but when? In the UK Channel 4 have very clearly identified this issue and got the UK regulator OfCom on side. The difficulty is that funding £150 million to Channel4 requires reducing funding to someone else



As we saw from the US data at the start, the open US market has already decided where one source of funding will be in the future. It will be brand content.

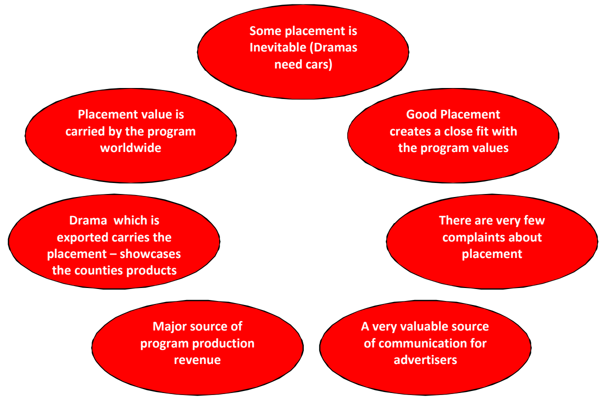


The volume of branded content in US production is now massive, and exploited by many lead brands such as Apple .



As succinctly put by one of the major proponents of branded content in the US, branded content is seen in the advertising industry as a positive opportunity beyond advertising

Branded content can be good news for the viewer as well as for the advertiser and TV station



It is very easy from a European perspective to see branded content or product placement as intrusive and in the way of the viewers enjoyment of the program. The reality is much more complex. It is difficult for a contemporary drama programme to be made without placement, cars are extraordinarily difficult to debrand. Indeed the best brand placement is where there is a strong fit between the programme and the brand, the ideal situation from an advertisers view is that the brand is the hero of the programme. The best placement matches the brand image to the programme image – delivering a strong positive image of both to the viewer

ITVs' point of view

"There's one rule for American material and another for British material. It makes no sense and it's not transparent at all. The idea that there's a non-descript breakfast cereal in Coronation Street instead of a packet of Cornflakes - where's the harm?". "What makes television such an important medium is that we've always fought hard to serve editorial integrity. If we don't, it becomes propaganda. There has to be something in the programme that tells the public that (product placement) is there." Michael Grade – Broadcasting Press Guild lunch – November 2008

Grade maintained that current rules covering product placement in the UK mean that it is not transparent to viewers.
He said that product placement would help ITV to boost profit at a time when ad revenue is dwindling as viewers move to digital multichannel TV and the internet. However, he claimed that spot advertising "is not dead."

Source : C21 Media

The very different position of American and UK content is clearly put over by the recent quotes given by Michael Grade, Chief Executive of ITV .

Involvement of EU in Product Placement

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Current
Legislation where it exists in member states is very clear on separation and identification of commercial messages – which product placement does not conform to – making placement often illegal – a situation enforced in some markets and not in others

AVMS Directive
The Commission will leave the choice to member states whether to authorise product placement, but the proposal says it must be subject to some obligations:

- ✓The product placement must be made clear in some way at the beginning of the broadcast concerned,
- ✓the goods may only be placed, not praised, product placement must not take place in programmes for children, and some goods, like tobacco and prescription medicines, may not be placed

Next Action
To retain a block on product placement member states must have clear legislation in place in 2009

The European Commission have taken a very clear position on brand placement. The Audio Visual Media Services Directive makes clear that unless specifically blocked in a country placement will be allowed from 2009 onwards. This is a very different point of view from many member states that enshrine within their advertising regulations the concepts of separation and identification. These concepts are that advertising material should be clearly separated from editorial and that it should be clear to the viewer where paid for commercial presence exists. The UK government has indicated that it would probably like to continue to restrict paid for placement but has recently put out to industry a consultation document

In many ways trying to restrict this category is like closing the gate after the horse has bolted. Substantial portions of European TV already contain commercial presence. Very little sport is transmitted without shirt sponsors names and on ground advertising being visible. On US imported material it is only possible to screen out the most obvious product placements. The reality is that European viewers even in restricted markets will be exposed to commercial messages inside programs for about a third of their total viewing time

Most sport includes large numbers of integrated commercial messages

But Sport is a a limited proportion of television viewing and dominated by a small number of key sports

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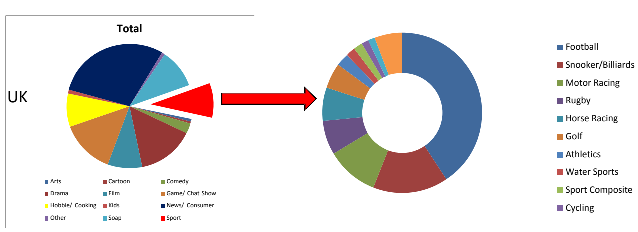
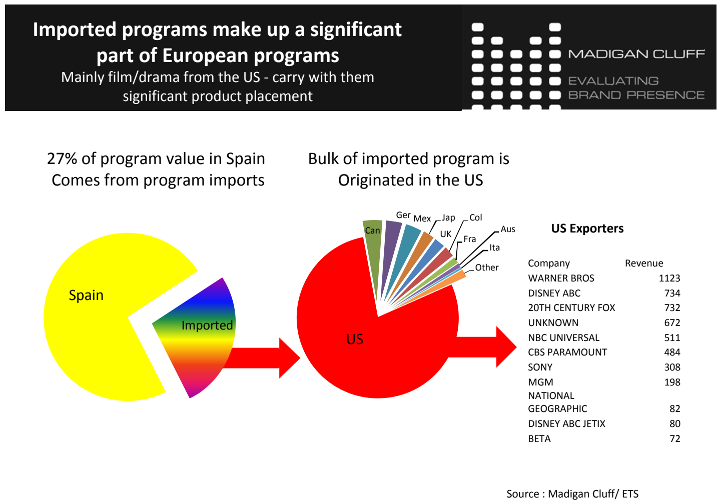
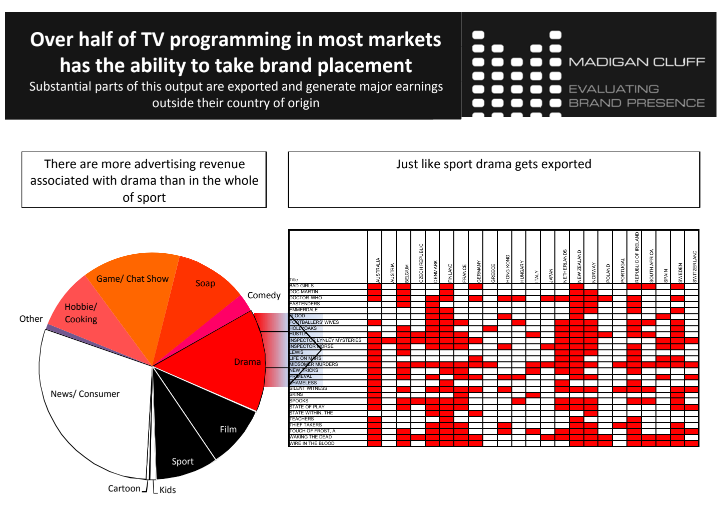


Source BARB / EMS

The following charts demonstrate this point using the Madigan Cluff/ ETS database which tracks where program content as it moves around the world. Firstly we looked at how much sport appears on television and what sports constitute it in the UK. This pattern is very similar in most other European markets. The reality of the sports television audience in most countries is that it is heavily dominated by football with auto sports as the only other significant category. Sports is overtaken by drama and film in terms of total watching time



Taking Spain as an example – over a quarter of total Spanish television is imported programming with the bulk of this coming from the US. Put together this quarter with the tenth of viewing taken up by sports programming and you get over one third of programming already affected by strong commercial content. About 50% of total content by value is affected by the no mans land of product placement – some categories more and some less. Obviously Children's time and most News/ Current affairs are out of remit but almost all other programming has the opportunity to carry placement. This is an European issue – many home manufactured programs are exported to markets worldwide – with significant audiences and commercial value in the markets which import them.



All of this says that the European Commission is right that there should be focus on branded content – to make it maximise revenue back to program makers. It is already a key constituent of European television. It is better to positively accept the inevitable than to continue to avoid the issues. Europe should accept:-

- It is already here! – as demonstrated by the data on program mix across Europe in the next 3 charts
- The import and export of programs with brands embedded inside them means that all viewers are exposed to at least some placement
- European program production is disadvantaged by not being able to gain from the funding which placement brings with it
- Television can be disadvantaged as interaction of brands with content is automatic in most e-media
- How does an open framework develop which works to all parties advantage?

We at Madigan Cluff believe there should be

- More transparent process – with open contracting and the ability for TV stations to make cash from the screen time of programmes and the related web presence
- Clearer and more liberal guidelines in some markets
- Better ability for advertisers to track placements and what happened to the program both in home market and abroad
- Improved processes which integrate the process into the overall communication strategy for brand

Success is more revenue to produce programs, television regains some of its intrusive ability to communicate brands, and brands are seen as part of the real world