

The impact of control measures on television advertising Comparative international study

Workshop of January 19, 2005



Introduction

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Agenda (1)

- **Presentation of the study (Koan / Carat)**
 - ▶ Objectives, Scope of application, Implementation
- **Legal Part (Koan)**
 - ▶ Applicable European framework
 - ▶ Comparison with the legal framework of candidate countries and other countries
- *Question time / Coffee break*

- **Economic Part (Carat)**
 - ▶ Configuration and structure of the information
 - ▶ Tools and methodology
 - ▶ Broadcasting scene of studied countries – Key facts
 - ▶ Focus on the Product Placement – USA
- *Question time / Break*

Agenda (2)

- **Comparison of legal and economic data (Koan / Carat)**
 - Interactive session
 - Question time
- Presentation and delivery of the questionnaire
- *Closing*

Presentation of the study

1. Objective
2. Scope of application
3. Schedule

1. Objective

■ STUDY OBJECTIVE

- ▶ Measure of the impact of the regulation on the television advertising markets
- ▶ Legal analysis/ Economic and financial analysis of the markets (Carat/ Koan)
- ▶ Measure of the regulation's impact on:
 - ▶ Television advertising
 - ▶ Sponsoring
 - ▶ Teleshopping
 - ▶ Other forms of commercial communications
- ▶ Orientations on the adoption of other provisions

■ STUDY CONTEXT

Presentation of the study

1. Objective

■ CALL FOR TENDER

- ▶ Launching of the call for tender: June 2003
- ▶ Year of reference = 2002
- ▶ Starting of the study: January 2004
- ▶ Year of reference for the study: 2002 + 2003

■ THE STUDY IN PROGRESS = 4

Stage A : Legal analysis (34 countries)



Stage B : Economic analysis (18 countries)



Stage C : Comparison between the legal and the economic data
(3 test countries) - **Workshop**



Stage D : Comparison between the legal and the economic data
(18 countries)

Presentation of the study

1. Objective

- **Stage A :**
 - ▶ Legal study

 - ▶ Regulation analysis Country/ Country (// TVWF Dir)
 - ▶ For the UE, EEA and the applicant countries :
 - ▶ Identification of the more restrictive rules
 - the more precise rules

 - ▶ For the third countries :
 - ▶ Identification of the more restrictive rules
 - the less restrictive rules
 - the equivalent rules

Presentation of the study

1. Objective

- Stage B
 - ▶ Economical data :
 - ▶ To deliver necessary « economical » indicators useful to achieve the general objectives = the measurement of the impact of the TVSF measures and visible variances versus markets *in and out* of EU area
 - ▶ Conditions :
 - ▶ Reliability
 - ▶ Representativity
 - ▶ Relevancy
 - ... *of the data used*
 - ▶ Historical context : entry of new members
 - ▶ Non-european markets as benchmarks

Presentation of the study

2. Fields of application

Fields of the TVWF

- Related to...
 - ▶ Broadcast activities
 - ▶ Advertising presence in terms of frequency and volume
 - ▶ Advertising formats used
 - ▶ Remuneration
 - ▶ Specific products & Targets
 - ▶ Programmes genres
 - ▶ (Content of advertising messages)



Economic parts

- Impact measurement
 - ▶ Landscape description
 - ▶ TV broadcast computation
 - ▶ Spots identification & registration
 - ▶ Revenues generated
 - ▶ All indicators - transversal subject
 - ▶ Broadcast computation and schedule description
 - ▶ (No economic indicators)

Presentation of the study

3. Schedule of the survey

	J '04	F '04	M '04	A '04	M '04	J '04	J '04	A '04	S '04	O '04	N '04	D '04	J '05	F '05	M'05
Legal analysis for 36 markets	Phase A													*	*
Intemetary economical analysis Focus on 3 markets															
Extension to 15 other markets															
Matching legal and economical data and analysis															
Workshop & questionnaire													X		
Feed back and Final reports													Phase D - report 5		

Presentation of the study



Legal Aspects

Applicable European framework

Comparison with the legal framework of applicant countries and third countries

Introduction



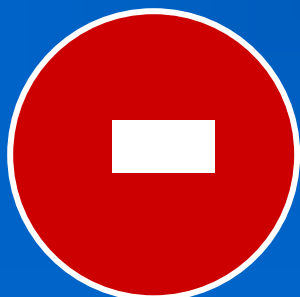
Symbols used



more restrictive
or more detailed



in line with directive



less restrictive

Territorial field of the study in 2002-2003



Member States + EEA

- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Luxemburg
- Netherlands
- Portugal
- Spain
- Sweden
- UK
- Iceland
- Liechtenstein
- Norway

Applicant States

- Bulgaria
- Cyprus
- Czech Rep
- Estonia
- Hungary
- Latvia
- Lithuania
- Malta
- Poland
- Romania
- Slovakia
- Slovenia
- Turkey

Third States

- U S A
- Japan
- Canada



Legal Part

Territorial field of the study today



Member States + EEA

- Austria
- Belgium
- Cyprus
- Czech Rep
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxemburg
- Malta
- Netherlands
- Poland
- Portugal
- Spain
- Slovakia
- Slovenia
- Sweden
- UK
- Iceland
- Liechtenstein
- Norway

Applicant States

- Bulgaria
- Romania
- Turkey

Third States

- U S A
- Japan
- Canada



Legal Part



The TVWF Directive rules relating to advertising

Agenda

1. Definitions
2. General rules on content
3. Identification and insertion
4. Quantitative restrictions
5. Specific products and targets
6. Sponsoring



1. Definitions

(art. 1)

Television Broadcasting

- ▶ The initial transmission :
 - ▶ by wire or over the air
 - ▶ including that by satellite
 - ▶ In unencoded or encoded form
- ▶ Of television programmes
- ▶ Intended for reception by the public

Included

Communication between undertakings with a view to their being relayed to the public

Not Included

Communication services on individual demand

Legal Part

Television Advertising

- ▶ Any form of announcement
- ▶ Broadcast
 - ▶ whether in return for **payment** or for similar consideration or for **self promotional** purposes by a public or private undertaking
 - ▶ in connection with a trade, business, craft or profession
- ▲ in order to **promote** the supply of goods or services, including immovable property, rights, and obligations in return for payment

Teleshopping

- ▶ **Direct offers** broadcast to the public
- ▶ With a view to the supply of goods or services
- ▶ In return for **payment**

National rules

Definitions

- Member States

- ▶ Greece
- ▶ The Netherlands



Television Broadcasting

Advertising

- Applicants

- ▶ Turkey



Split Screen

- Third States

- ▶ Canada
- ▶ U S A



Definitions Missing

Definitions Missing



New definitions ?



2. General rules on advertising content

(art. 12)





General Rules in relation to the content of advertising

- Article 12 Directive TVWF:
 - ▶ Basic principles in relation to :
 - ▶ human dignity
 - ▶ non discrimination
 - ▶ respect for religious or political beliefs
 - ▶ health and safety
 - ▶ environment

General rules in relation to the content


National rules


■ Member States

- ▶ **UK** :  more detailed rules
- ▶ **Norway** :  general rules applicable to all advertising
- ▶ **Spain** :  more detailed rules
- ▶ **Czech republic, Hungary** :  more detailed rules (all media)

General rules in relation to the content


National rules

- Candidate countries :
 - Bulgaria/Turkey :
 -  more detailed rules

- Third countries :
 - USA : 
 - self-regulation of networks and stations
 - little or no regulation (except for ex. rules in prohibiting misleading advertising)


General rules in relation to the content

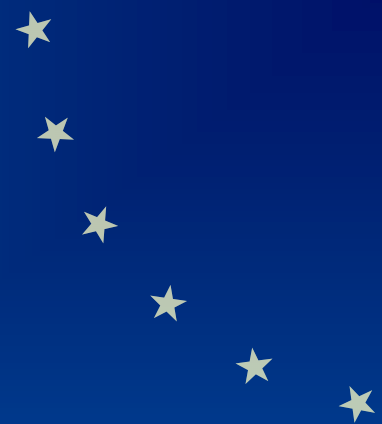
National rules

- **Japan** : 
 - ▶ detailed regulation
 - ▶ general rules comparable to article 12 Directive TVWF
 - ▶ detailed rules in relation to advertising for specific products and advertising content

General rules in relation to the content

National rules

- **Canada** : 
 - ▶ similar rules to art.12 Directive TVWF
 - ▶ general consumer protection regulation prohibits misleading advertising



3. Identification and Insertion

(art. 10 & art. 11)

- Advertising and teleshopping
 - ▶ must be **readily recognizable** as such
 - ▶ **isolated** spots shall remain the exception
 - ▶ shall not use **subliminal** techniques

Identification

National Rules

Member States

▶ Sweden



Isolated spots



Presentator of Information/
Children's programmes

▶ Belgium (French Comm.)



Sound Volume



Identification of Teleshopping

Applicant States

▶ Bulgaria



Identification of Teleshopping

▶ Turkey



Surreptitious Advertising



Isolated Spots

Third States

▶ Japan



Identification

▶ USA



No rules

Legal Part

Identification

Split Screen

- Member states
 - **Germany**
 - regulated and permitted
 - **France**
 - tolerated in 2 cases
 - **Hungary**
 - tolerated



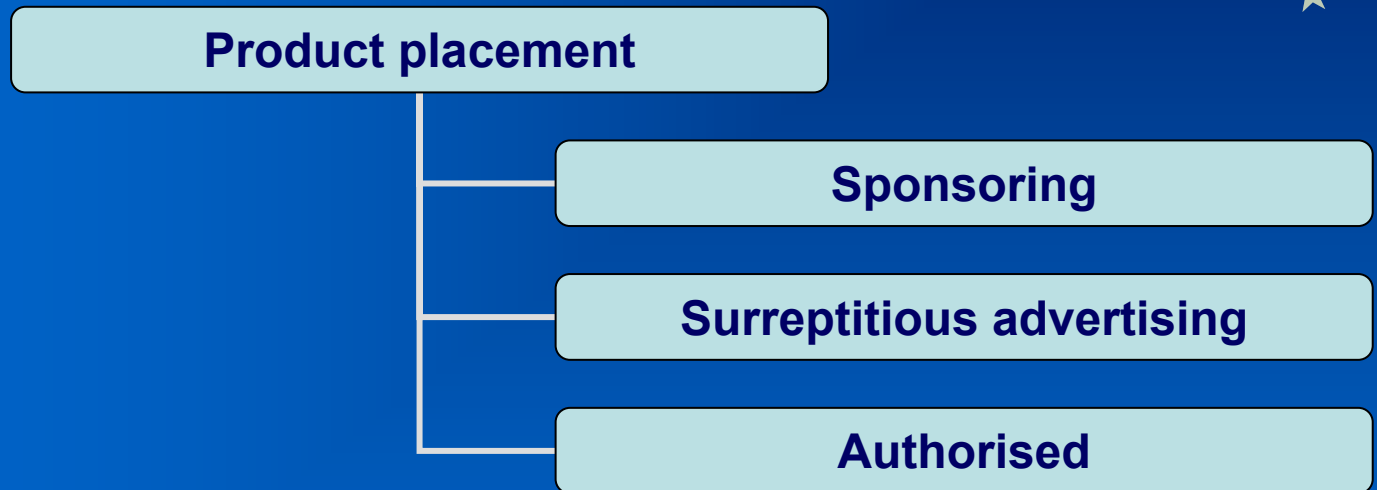
- Surreptitious Advertising and Teleshopping prohibited

Surreptitious Advertising

- Representation in words or pictures of ...
 - ▶ Goods
 - ▶ Services
 - ▶ Name
 - ▶ Trade mark
 - ▶ Activities

- ▶ ... Of a producer of goods or a provider of services in programmes when :
 - ▶ such representation is **intended**
 - ▶ to serve **advertising**
 - ▶ and might **mislead** the public as to its nature

Surreptitious Advertising & Product Placement



Legal Part

The impact of control measures on television advertising

Product placement

National Rules

- Member States

- UK



Undue prominence

- Applicant States

- Bulgaria



Surreptitious advertising

- Third States

- USA



No rules

Legal Part

Insertion – General Rules

(art. 11 § 1)

- Insertions **between** programmes
- Insertions **during** programmes under conditions :
 - Fulfillment of conditions set out in
 - Paragraphes 2- 5

And

- Respect of **Integrity And Value** of the programme

Legal Part

The impact of control measures on television advertising

Insertion - Specific Rules

(art. 11 § 2) - Programmes consisting of Autonomous Parts

- Field of application
 - Programmes consisting of autonomous parts
- The rule
 - Insertion during programmes only **between** autonomous parts

And

- Sports programmes events and performances similarly structured containing intervals

Legal Part

Insertion - Specific Rules (art. 11 § 3) - Audiovisual works

- Field of application : audiovisual works
 - ▶ Example : feature films, films made for television

- Are excluded :
 - ▶ Series
 - ▶ Serials
 - ▶ Light entertainment programmes
 - ▶ Documentaries

Case 1



Case 2



Case 3



Case 4



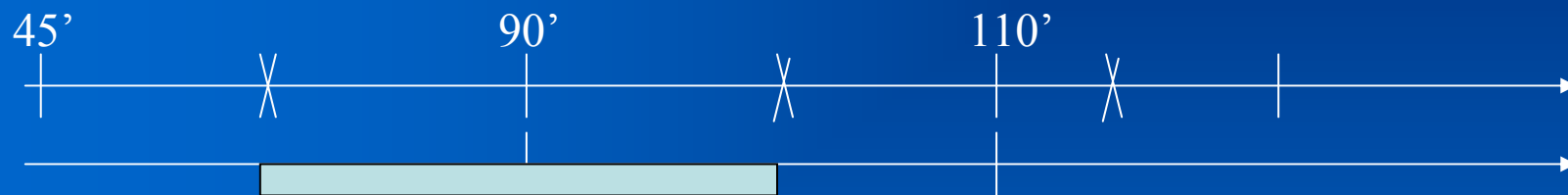
Legal Part

Insertion - Specific Rules

(art. 11 § 4) - Intervals between interruptions



■ 20 MINUTES



Insertion - Specific Rules (art. 11 § 5) - Prohibitions



Insertion

National Rules

Member States

- ▶ France
- ▶ Czech Republic



Audiovisual works
20 minutes rules

Applicant States

- ▶ Turkey
- ▶ Romania
- ▶ Bulgaria



20 minutes rules
Audiovisual works
Children's programmes
Specific prohibitions

Third States

- ▶ Canada
- ▶ U S A



No regulation
No regulation

Legal Part



4. Quantitative restrictions

(art. 18 & art. 18 bis)

Quantitative restrictions



Volume / day		Volume / hour	Teleshopping
<ul style="list-style-type: none"> ▪ Teleshopping spots ▪ Advertising spots ▪ « other forms of advertising » 	<ul style="list-style-type: none"> ▪ Advertising spots 	<ul style="list-style-type: none"> ▪ Teleshopping spots ▪ Advertising spots 	<ul style="list-style-type: none"> ▪ Teleshopping windows (min. 15 min.)
<ul style="list-style-type: none"> ▸ 20% daily transmission time 	<ul style="list-style-type: none"> ▸ 15% daily transmission time 	<ul style="list-style-type: none"> ▸ 20% per clock hour 	<ul style="list-style-type: none"> ▸ 3 hours a day max. 8 windows per day

Legal Part

Quantitative restrictions

Art. 18

Member States

▶ Italy



Maximum 18% per
clock hour + 2%

▶ Belgium
(Flemish community)



Maximum 15% per day
teleshopping spots included

▶ France



Sliding hour

Applicant States

▶ Romania



▶ Bulgaria



Maximum 15% per day
teleshopping spots included

Third States

▶ U S A



No restriction except for children's
programmes

Legal Part

Quantitative restrictions

Art. 18 bis

Member States

▶ Denmark



No minimum duration of window
Maximum 1 hour included in the
15% of advertising time

▶ Normay



Maximum 1 hour included in the
15% of advertising time

▶ Sweden



No rules

Applicant States

▶ Romania



▶ Turkey



Maximum 1 hour a day

Third States

▶ USA



No rules

Legal Part



5. Specific products and targets

1. Tobacco

- Article 13 Directive TVWF :
 - television advertising and teleshopping prohibition
- Article 17,2 Directive TVWF :
 - sponsoring prohibition

Tobacco



National rules

- Member states :
- All members states have implemented the prohibition
 - ▶ Denmark :  also tobacco accessories
 - ▶ Poland :  also tobacco accessories and products imitating tobacco products
- Candidate states :
 - ▶ Prohibition :  Turkey, Bulgaria

Legal Part


Tobacco

Third countries

- Canada :  prohibition
- USA : 
 - ▶ TV advertising for cigarettes and most tobacco products is prohibited
 - ▶ Self-regulation: cigars, pipes...
 - ▶ Master Settlement Agreement: no product placement

Tobacco

Third countries (continued)





- Japan : 
 - ▶ no legal prohibition for TV advertising
 - ▶ general rule : minors who are smoking or drinking cannot be depicted in a favourable way
 - ▶ self-regulation adopted by the Tobacco Institute

2. Alcohol

- Article 15 Directive TVWF
- TV advertising and teleshopping is permitted under conditions

Alcohol National Rules

Member States :

- ▶ Finland :  prohibition beverages containing more than 22%
- ▶ France :  prohibition beverages containing more than 1,2%
- ▶ Poland :  total prohibition, exception for beer
- ▶ Hongaria, Lithuania :  prohibitions during certain hours

Alcohol

National rules continued

- Candidate countries :
 - ▶ Turkey :  total prohibition

- Third countries :
 - ▶ Canada :  TV more detailed conditions

 - ▶ USA : 
 - ▶ no regulation
 - ▶ self-regulation for 3 categories (beer, wine, spirits)
 - ▶ Spirits : self imposed ban

 - ▶ Japan : 
 - ▶ no regulation – self-regulation (protection of minors)

3. Medicines




- Article 14 Directive TVWF :
 - ▶ Tv advertising for medicines only on prescription is prohibited
 - ▶ Teleshopping for medicines subject to marketing authorization is prohibited

- Article 17,3 :
 - ▶ sponsorship may not promote medicines only on prescription

Medicines

National rules

■ Member States :

- ▶ France, Finland :  detailed rules in relation to the content of advertising
- ▶ France, Germany :  more detailed rules in relation to the categories of medicines that can be advertised
- ▶ Norway :  total ban

Medicines


National rules (continued)

- Candidate countries :
 - ▶ Turkey :  no sponsorship for the promotion of medicines

- Third countries :
 - ▶ USA : 
 - ▶ medicines can be advertised even if available only on prescription
 - ▶ advertising for medicines on prescription: condition in relation to information and warnings to the public
 - ▶ Network Guidelines (self-regulation)

 - ▶ Japan : 
 - ▶ advertising for medicines is permitted
 - ▶ no distinction OTC/ on prescription
 - ▶ specific rules in relation to the content of advertising (information to the public)

Legal Part

- **Canada** : 
 - ▶ advertising for medicines is permitted
 - ▶ no distinction OTC/on prescription
 - ▶ conditions in relation to content and visa of the Minister

- Article 16 Directive TVWF :
 - ▶ Tv advertising shall not cause moral or physical detriment to minors
 - ▶ Conditions : protection of minors

- Article 11,5 :
 - ▶ Advertising/teleshopping shall not be inserted in children's programmes with a duration of less than 30 minutes

Minors

National rules

Member States :

▶ UK :

- ▶ specific detailed rules on advertising directed towards children (15 and under)
- ▶ Certain products cannot be advertised in or around children's programmes depending on the age of the audience
- ▶ Before 9pm : no advertising addressed to children with persons or characters appearing in children's programmes

▶ Greece :

- ▶ advertising for toys is prohibited between 7 and 22h

▶ Sweden :

- ▶ total ban concerning children under 12 years

▶ Germany :

- ▶ more detailed rules and a prohibition to interrupt children's programmes

▶ Poland :

- ▶ prohibition to interrupt children's programmes

Legal Part

Minors

National rules

- Candidate states :

- Turkey/Bulgaria : 

- More detailed rules concerning the content of advertising


- Third countries :

- USA : 


- Regulation :

- Children's programmes: produced and broadcast primarily for an audience of 12 years and younger
 - Weekends : maximum 10,5 minutes/hour
 - Weekdays : maximum 12 minutes
 - Selfregulation (CARU)

Minors (continued)

- Japan : 
 - ▶ Educational programmes intended for schools cannot contain advertising
 - ▶ Advertising cannot stimulate children's desire to obtain a certain product in an exaggerate way

Minors (continued)

- Canada : 
 - ▶ Code for TV advertising addressed to children (self regulation)
 - ▶ Consumer protection law of Québec :
 - ▶ prohibition to address advertising to children under 13 years

6. Sponsorship



- Legal definition, article 1 Directive TVWF :
 - ▶ contribution by a public or private undertaking
 - ▶ to the financing of television programmes
 - ▶ promoting its name, its trademark, its image, activities or products

- Article 17 Directive TVWF :
 - ▶ Sponsored television programmes :
 - ▶ content and scheduling: not influenced by the sponsor
 - ▶ identified as such by the name and/or logo of the sponsor at the beginning and/or the end
 - ▶ no promotion of the products or services of the sponsor
 - ▶ news and current affairs programmes may not be sponsored

Sponsorship

National rules

- Rules in relation to the insertion of the message :
 - ▶ Breakbumper (Portugal, Sweden, Germany, UK, Ireland, Belgium ...)
 - ▶ Insertion into trailers (Germany, Poland, Belgium...)
 - ▶ Mention during the programme (France)

Sponsorship

National rules

- Duration of the message :
 - Maximum duration of the sponsoring message (UK, Belgium, Ireland, Germany, Turkey, Poland)

- Content of the message :
 - Rules in relation to the use of a slogan, moving images, etc (UK, Ireland, Germany)

- Other :
 - Sponsoring including provision of products to be used in the Tv programme : accepted in most countries provided no undue prominence is given to the products

Sponsorship

National rules

- Third countries :
 - USA :
 - no regulation on TV sponsorship
 - legal restrictions concern certain sponsors (tobacco, political campaigns)
 - Network guidelines: obligation to identify a sponsor or to mention the name of a product/service
 - product placement is permitted (information to the public) :
 - free gift of products/services; promotion
 - showing/promotion of products against payment
 - advertiser provided programmes

Sponsorship

National rules

- Japan :
 - ▶ no specific regulation
 - ▶ 6 months contract/message at the end of programme
 - ▶ product placement is permitted and used

- Canada :
 - ▶ no specific rules
 - ▶ considered as advertising
 - ▶ agreements to sponsor an entire evening
 - ▶ product placement is not forbidden but not frequently used

The impact of control measures on television advertising

Question time
Coffee break

Economic part - Carat

1. Parameters and structure of the information
2. Tools & methodologies, Particularities
3. Audiovisual landscapes studied

1. Structure of the information

Channels and audiences

The general approach = the points of the Directive per market

■ Identification of each channel ...

- ▶ ... legal obligations status and national laws
- ▶ ... technologies used each TV channel
- ▶ ... service offers versus technique(s) used
- ▶ ... channels position National Coverage, “Local”, Non-Domestic, International + Others

■ Viewing habits

- ▶ **Television audiences per time slot**
 - ▶ “Rating” (%) = “*average audience in a defined period of time*”
 - ▶ **Total day** and **prime time** = national definitions of time slots
- ▶ **Two specific groups of viewers = Adults and Kids**

■ Audience shares

- ▶ The market share of the channels - audience based
- ▶ Per position

1. Structure of the information

Advertising parameters

- **Advertising indicators**
 - ▶ Notions of "spots", "blocks", "breaks", units and seconds
 - ▶ All day / prime time
- **Notion of programmes interruption by Advertising Breaks**
 - ▶ Based on a schedule of a **typical week**
 - ▶ **Representative** of the concerned channels
 - ▶ Method :
 - ▶ # programmes interrupted, % of adv. breaks "**inside**"
 - ▶ avg # of minutes **between** breaks "in" / per programme type
- **Advertising investments monitoring**
 - ▶ Base : Official rates / "Gross space value"

= The advertising "**weight**" (or pressure) \neq financial flow

 - ▶ Total advertising investments in TV versus total media
 - ▶ Advertising investments of the major channels vs total TV

1. Structure of the information

Advertising formats

Advertising

- ▶ Advertising Spots
- ▶ Advertising Spots linked with sponsoring
- ▶ Split screen
- ▶ Public Interest messages and charity appeals
- ▶ *Isolated Spot*
- ▶ *Insert or Product Placement*
- ▶ *Verbal reference*



Per formats :

- ❑ channel and time slot, Amounts of insertions
- ❑ Share of investments
- ❑ Time share (real / theoretical)
- ❑ Avg broadcast minutes (by channel in an hour)

Sponsoring

- ▶ Sponsoring / Billboard Spots
- ▶ Break Bumper
- ▶ Sponsored Self-Promotion Spots (trailers)
- ▶ Infomercial / programming
- ▶ Bartering
- ▶ *Virtual Advertising*
- ▶ *Injection / pop up's*
- ▶ *Scoreboards / "chronowatches"*

Teleshopping

- ▶ Teleshopping Spots
- ▶ DRTV

1. Structure of the information

Advertising versus Programmes

- Typology of programmes in the eye of the Directive
 - ▶ **Standard segmentations**
 - ▶ Children, educational programmes, cartoons
 - ▶ Documentary
 - ▶ Film, TV Films and Mini Series
 - ▶ Series and Soaps
 - ▶ Information - News, Flash, info magazines
 - ▶ Tele Shopping programmes
 - ▶ ...
 - ▶ **Advertising as a “programme type”**
 - ▶ Distinction between advertising and self-promotion
 - ▶ **Advertising in its context**
 - ▶ The proportion time of advertising by programme type – index based
 - ▶ Amounts of spots / Investments per programme type

1. Structure of the information

Specific products

- **Per sector** : inserts, advertising duration and investments
 - ▶ Non Prescription Medical Products
 - ▶ Tobacco
 - ▶ Alcohol
 - ▶ Beer
 - ▶ Wine and Champaign
 - ▶ Spirits - Aperitifs , Liquor, Whisky...
 - ▶ Cleaning Products
 - ▶ Cosmetics and Personal Hygiene
 - ▶ Products or services targeting minors
- Upon **national** segmentations
- **By channels**
- **Redundancies**
 - ▶ Share by sector

economic part - Carat

2. Tools & Methodology, Particularities

Countries taken into account / Notions of clusters

Member States / New entrants

- Austria
- Belgium N/S
- **Czech Republic**
- France
- Germany
- **Hungary**
- Ireland
- Italy
- Netherlands
- **Poland**
- Spain
- Sweden
- United Kingdom

Applicant States

- Romania
- Turkey

Third States

- USA
- Japan
- Canada

▪ Representativity

- ▶ Necessity to **select** markets
- ▶ Sufficient for trends **analysis** and **pictures**

▪ Notion of clusters

- ▶ Economic groups of countries
3 clusters + 1 Global
- ▶ Function of the **indicators**
- ▶ Allowing relevant **benchmarks**

2. Tools & Methodology, Particularities

Official operational data and standard definitions

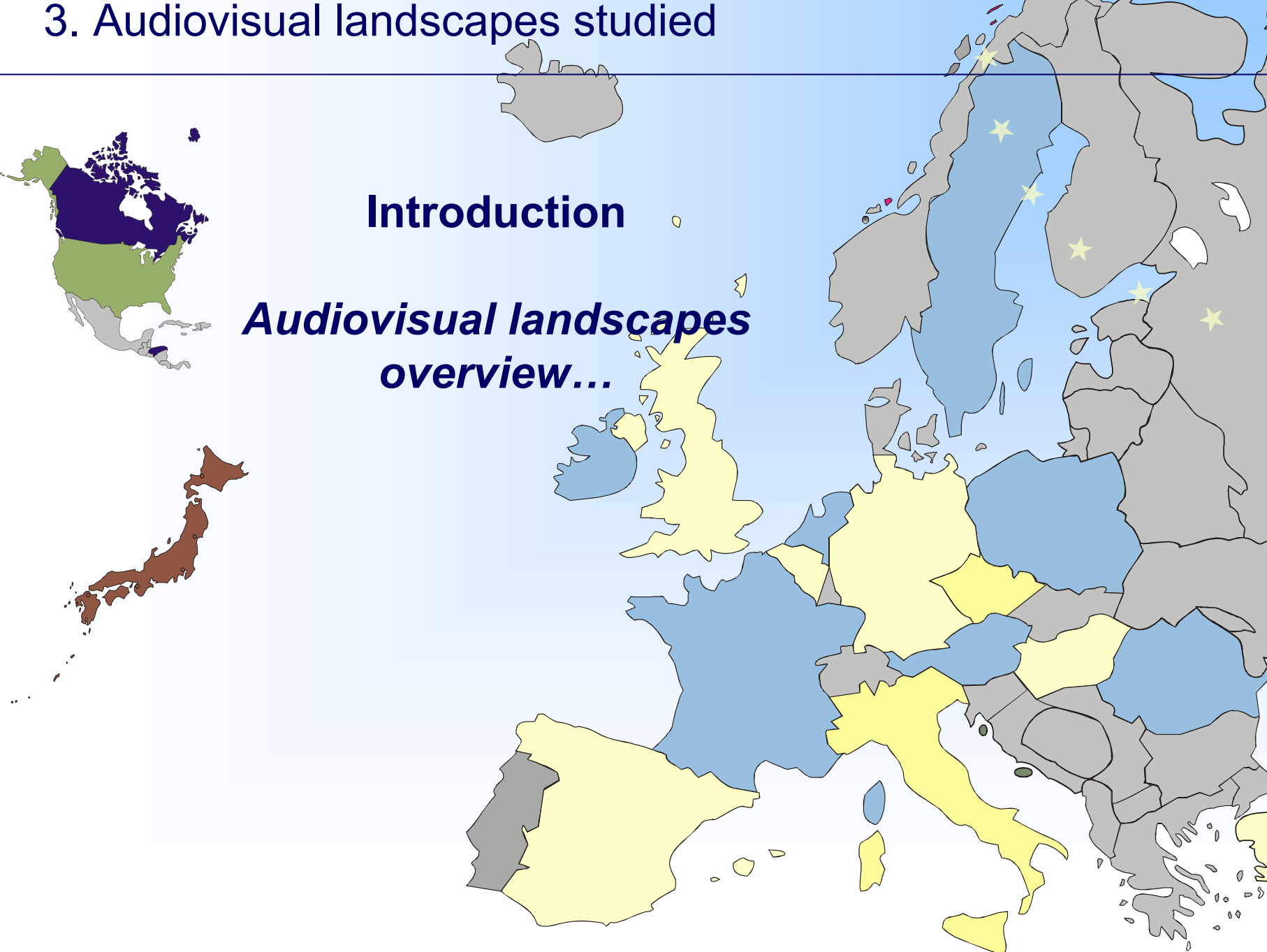
	Austria	Belgium N	Belgium S	Canada (Engl)	Canada (French)	Czech Republic	France	Germany	Hungary	Irelande	Italy	Japan	Netherlands	Poland	Romania	Spain	Japan	Canada (French)	Canada (Engl)	USA
Adults definition	15+	15+	15+	18+	18+	15+	15+	14+	18+	15+	15+	20+	13+	16+	18+	16+	20+	18+	18+	18+
Universes (000 000)	6,5	4,9	3,4	19,2	5,1	8,5	45,7	63,0	7,8	3,0	49,5	84,8	13,3	30,5	16,2	34,6	84,8	5,1	19,2	211,4
Prime Time Definition	19:00-23:00	18:55-23:00	18:55-22:30	19:00-23:00	19:00-23:00	19:00-22:00	20:00-22:00	20:00-23:00	18:30-21:29	18:00-23:29	21:00-23:00	19:00-23:00	20:00-22:29	19:00-21:59	19:00-23:00	20:30-24:00	19:00-23:00	19:00-23:00	19:00-23:00	M-S 20:00-22:59 Su 19:00-22:59
Sources	FocusMR Teletest	Audimétrie CIM TV Times MDB	Audimétrie CIM TV Times MDB	BBM Surveys	BBM Surveys	ATO Mediaresearch TNS A-Connect	Médiamétrie Secodip	AGF/GfK Fernsehorschung Nielsen Media Research / Pinball	AGB Hungary Mediagnozis	Nielsen Media Research / AC Nielsen Invest : IAPI, RTE and Carat est	AGB / Nielsen Auditel / MTVS	Video Research INEX NNN Station	OVS SKO/TV TIMES	AGB Polska	TNS AGB International	Sofres Infoadex	Video Research INEX NNN Station	BBM Surveys	BBM Surveys	Nielsen Monitor Plus

economic part - Carat

2. Tools & Methodology, **Particularities**

- **Audiovisual indicators** : notions of ...
 - ▶ *Audiences / shares / ratings*
 - ▶ *Universes / case of the kids definition(s)*
 - ▶ *Prime time slots*
 - ▶ *Local selection of broadcasters*
 - ▶ *Extrapolation of audiences*
 - ▶ *Media investments trackings*
 - ▶ *Segmentation of programmes and product categories*
 - ▶ *Gathering of the advertising campaigns identifiers*
 - ▶ *Sources*
- See the economic **reports** and the methodology **note**

3. Audiovisual landscapes studied



Structural Drivers to the Power of TV Advertising

This Is True Everywhere...

- Television is **the most spread and used media**
- Television is **the least fragmented media**
- Television offers **“all senses” to spot creation**
- Television **measurement is seen as the most accurate**

Economical part - Carat

Structural Influences to TV Advertising

To Understand Markets' Size and Structure

- It's the economy!
 - ▶ GDP etc.
- The number of **TV channels with national coverage**:
 - ▶ Mostly channels with coverage above 70% will fit into national media plans,
 - ▶ 2/3 of European viewers access 4-6 channels,
 - ▶ In each market a handful of channels attract 60-90% of the whole viewing,
 - ▶ This compares with hundreds of print titles, radio stations or web sites.
- The number of **national channels to carry advertising**:
 - ▶ Some public channels will carry little-or-no advertising (BBC...),
 - ▶ Some public channels are dominant in their advertising market (TVP...),
 - ▶ Some premium pay channels enjoy a national terrestrial license (C+).
- The **level of competition** between sales rep./ media owners:
 - ▶ 3-4 significant TV groups per country, sometimes down to "1-2" (Italy...),
 - ▶ Some sales rep. are in a dominant market position (ITV, TF1).

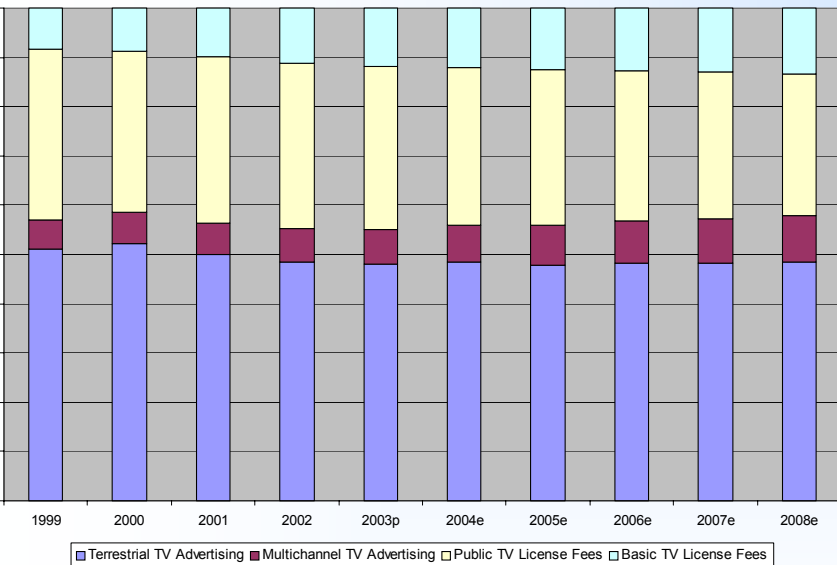
Economical part - Carat

Europe vs. the USA

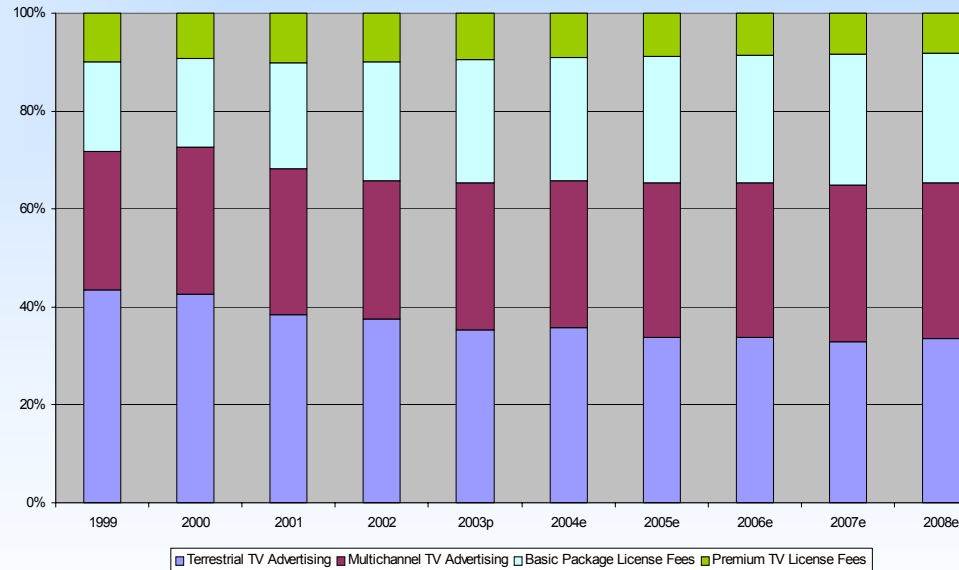
Origin of Television Revenue

- Terrestrial advertising is relatively more important in Europe compared to the US**, where multichannel television is very dynamic with both advertising investments and fees from cable and DTH providers (*public funding also more important in Europe*).

European TV Network Revenue Split in %



US TV Network Revenue Split in %



Economical part - Carat

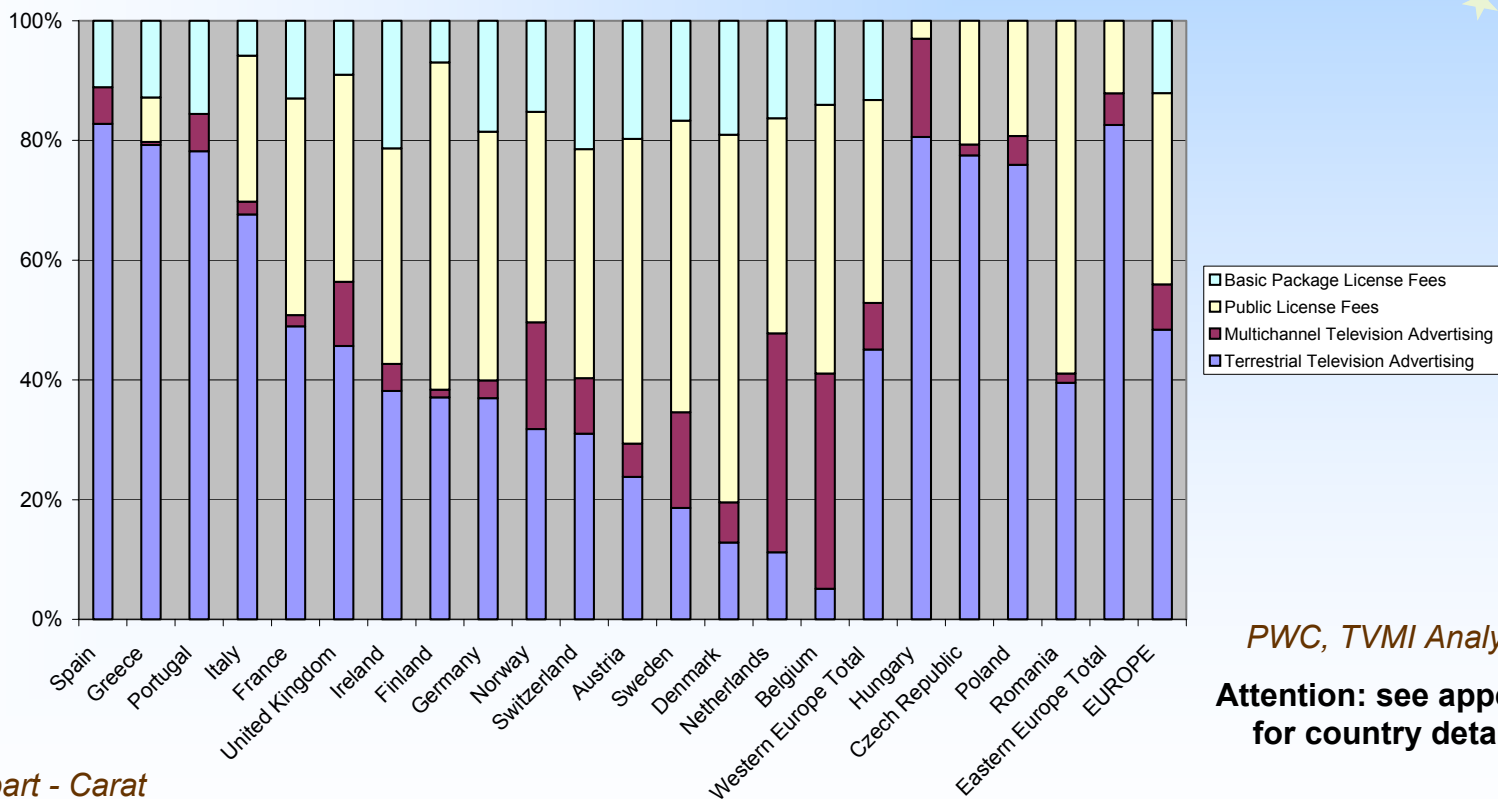
PWC, TVMI Analysis

European Diversity

Free or Pay, Cable or Satellite

- European TV is funded by advertising first, public fees second, cable and satellite fees third.

European Network Revenue Split in %
(2004 estimate)



PWC, TVMI Analysis

Attention: see appendix for country details.

Economical part - Carat

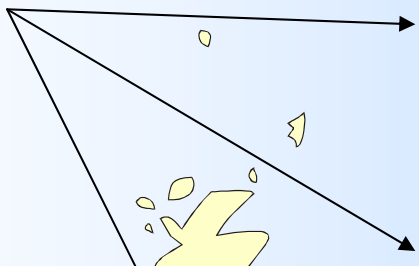
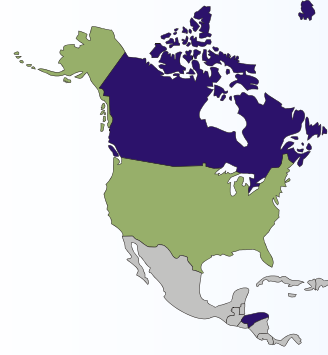
European Diversity

Striking Facts

- **An average German viewer receives 40 channels.**
 - ▶ German viewers pay for distribution as part of their local tax at rather low cost,
 - ▶ Channel lineup is very similar across Germany, a basic cable bouquet with theme channels and a wide range of sport and cinema on national channels,
 - ▶ Pay television is now in a better position with Premiere at 3 million customers and digital cable growing,
 - ▶ Most of German TV advertising is captured by RTL and Pro7Sat1 with 4 channels each.
- **Multichannel penetration is below 30% in Southern Europe.**
 - ▶ Pay TV has seen an early and quick development with C+ then DTH (which became profitable recently),
 - ▶ Cable is mainly a pay system from basic services to advanced digital offers,
 - ▶ New technologies are emerging like ADSL or DTT to increase multichannel in 5-8 years.
- **TF1 is nearly 50% of the French advertising market.**
 - ▶ Though France Télévisions earns nearly half of their revenue from advertising and M6 is a significant player,
 - ▶ ITV is similar thanks to the BBC carrying no advertising,
 - ▶ Mediaset is also in a powerful situation in a “duopoly market”.
- **Sky has 8 millions customers in the UK.**
 - ▶ It benefited from no competitor + English language + problems of cable / ITV Digital,
 - ▶ Large success of DTT Freeview (4 million) and launch of Sky’s “Freesat”,
 - ▶ Multichannel advertising should grow while customers continue to pay for advanced services?
- **Public TVP is advertising leader in Poland.**
- **The 5 largest European countries make-up 80% of the advertising TV market.**
- **US advertising market is 80% higher than Europe, with TV more developed.**

Economical part - Carat

European landscape mapping...

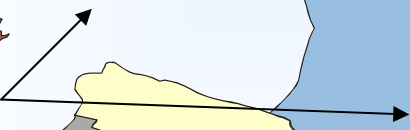
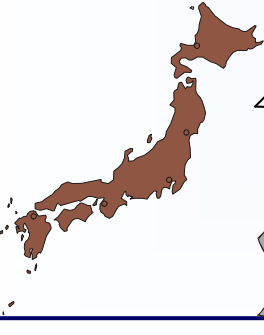


Nordic
 (Denmark, Finland, Norway, Sweden)
 Limited TV advertising though multichannel reach 2/3 of population, and limited pay TV.

German-speaking, Benelux
 (Austria, Belgium, Germany, Luxembourg, Netherlands, Switzerland)
 High penetration of cable and freesat with significant multichannel advertising especially in Germany, pay TV is now reaching critical mass.

Latin/Southern Europe and UK/Ireland
 (France, Italy, Spain, Portugal, Greece, Ireland, UK)
 Public cable was slow leaving multichannel advertising weak and large commercial channels, the UK is more multichannel advertising but channel free BBC, pay TV is developed with the UK/Ireland ahead.

Central Europe
 (Czech Republic, Hungary, Poland, Romania)
 Half of the homes have multichannel but few networks have national coverage wide enough for advertisers, while pay TV is emerging.



Enders, TVMI Analysis

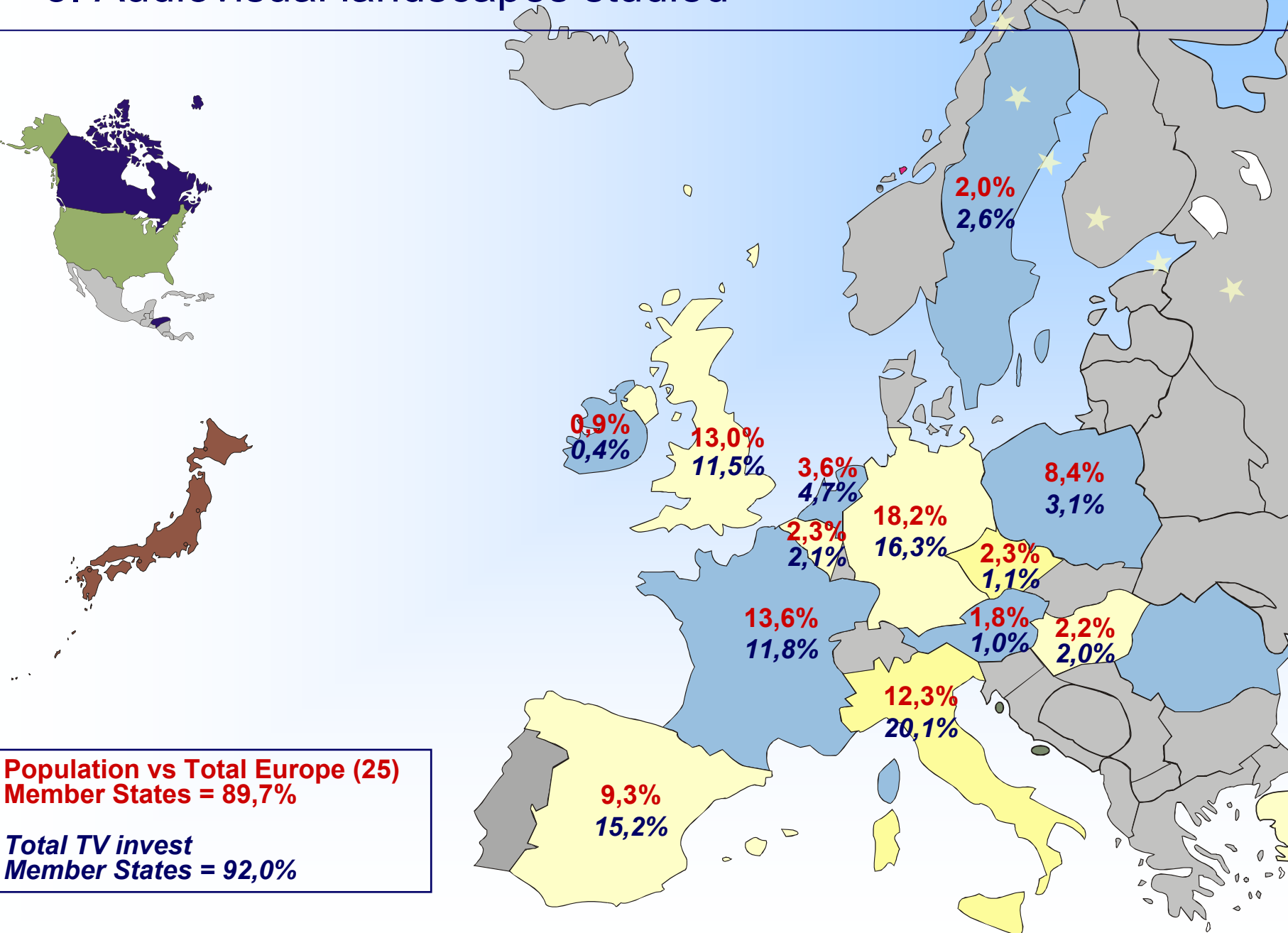
European Television Conclusions

Advertising Related Challenges

- **Advertising is what helps finance TV programs:**
 - ▶ The largest share of the profit comes from advertising.
 - ▶ Free TV first window is key to raise funding and start any content.
- **DTWF aims at protecting the viewers:**
 - ▶ From intrusive and/or hidden advertising.
 - ▶ And to ensure editorial independence from advertisers (among others).
- **TV advertising is under potential threat from:**
 - ▶ Multichannel growth increases fragmentation and zapping.
 - ▶ PVR and On-Demand television increases ad-skipping.
- **Programming & editorial issues vs. advertising regulation:**
 - ▶ Are **restricted genres** equally funded (news, children, cinema...)?
 - ▶ Is **overall volume** of advertising airtime enough vs. US players?
 - ▶ When is “**advertising-funded programming**” economically feasible and less or equally intrusive compared to traditional spots and billboards?

Economical part - Carat

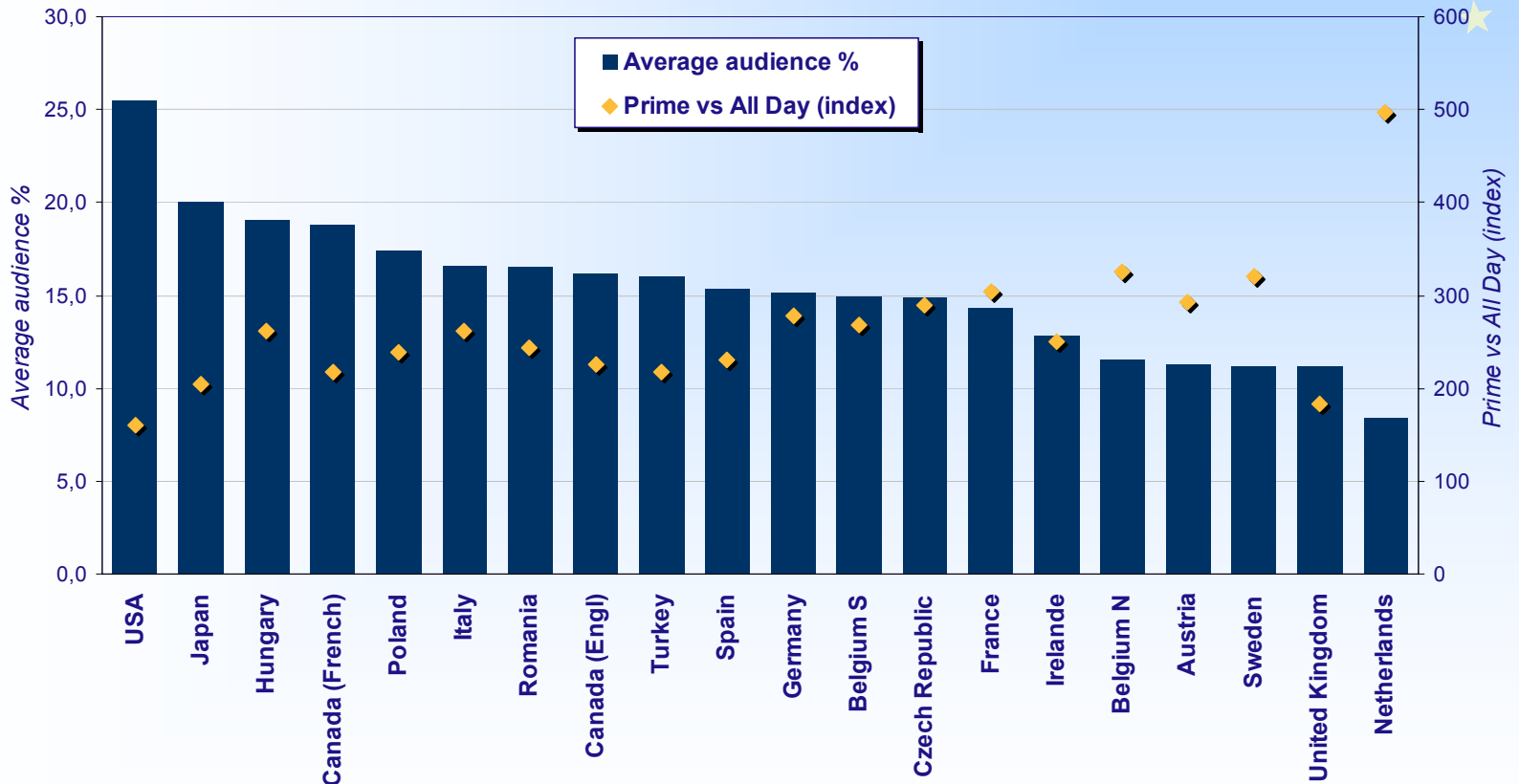
3. Audiovisual landscapes studied



3. Audiovisual landscapes

- Key Facts : the power of TV

Average Audience in 2003

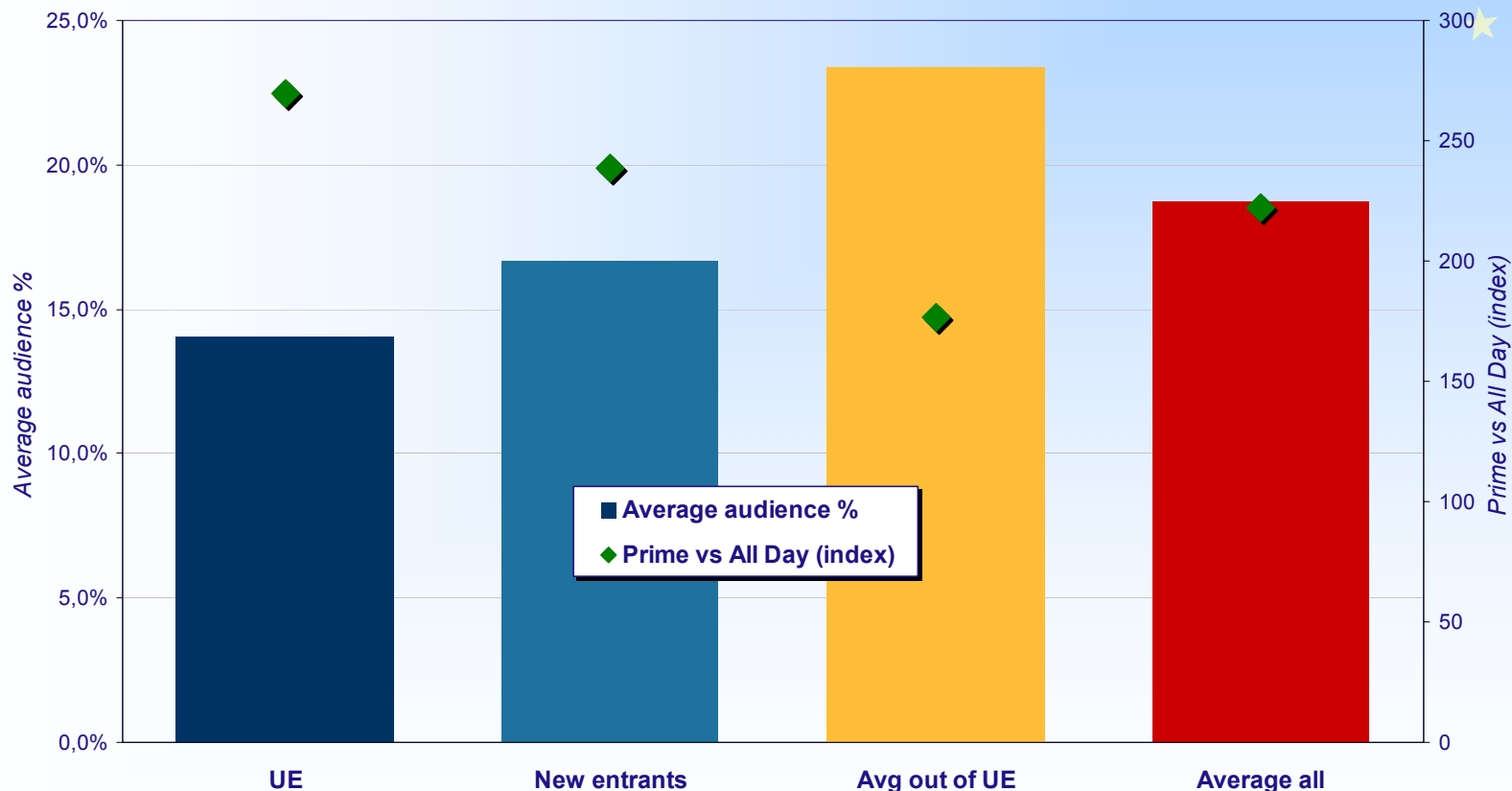


economic part - Carat

3. Audiovisual landscapes

- Key Facts : the power of TV

Average Audience in 2003

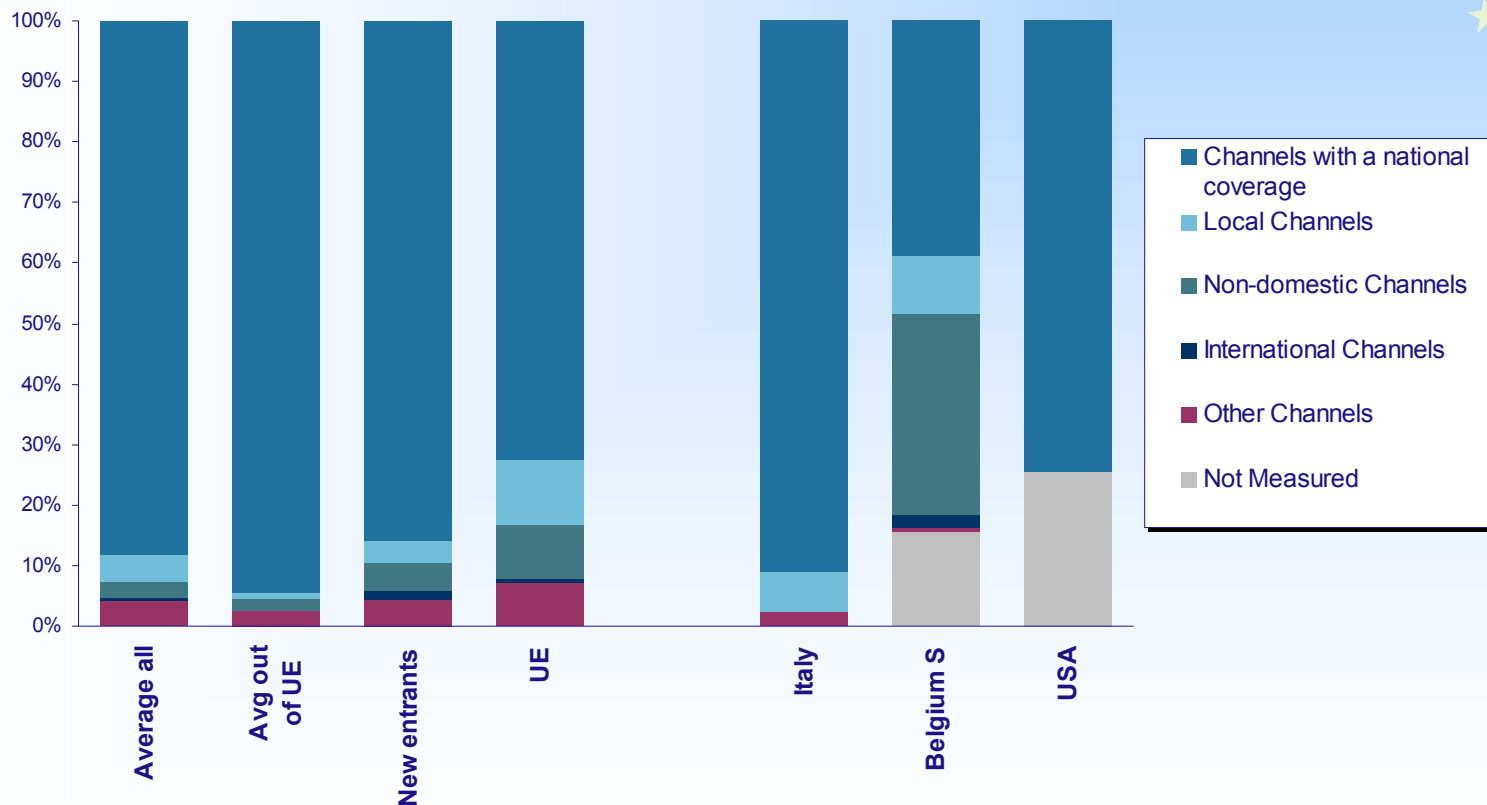


economic part - Carat

3. Audiovisual landscapes

- Key Facts : the power of TV

Profile of the channels offer (TOTAL DAY audience based)

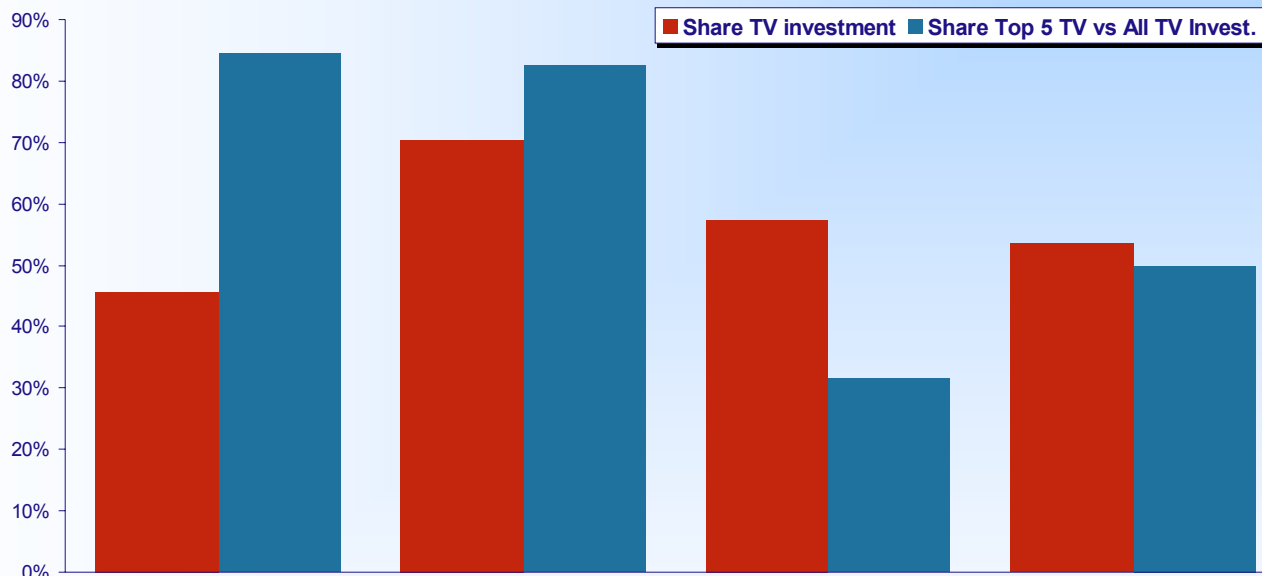


economic part - Carat

3. Audiovisual landscapes

- Key Facts : the power of TV

The weight of TV advertising



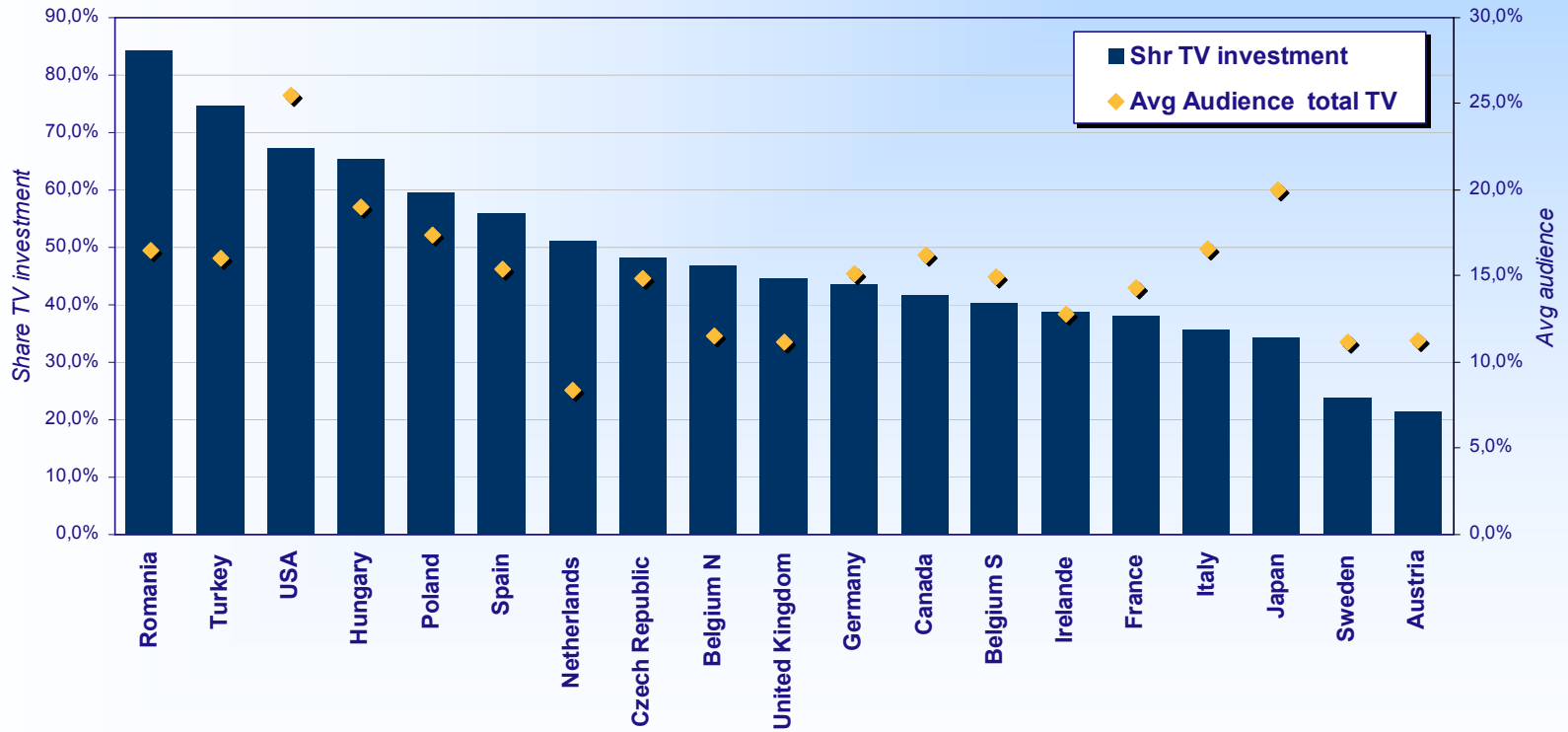
	Average UE 15	New entrants	Average out of UE	Average all
Media invest / GDP	1,2%	2,5%	1,1%	1,2%
Invest / inhab.	288,70	154,47	480,16	349,80
Invest TV / inhab.	131,80	108,62	275,91	187,30

economic part - Carat

3. Audiovisual landscapes

- Key Facts : the power of TV

TV advertising - Share per country vs daily rating

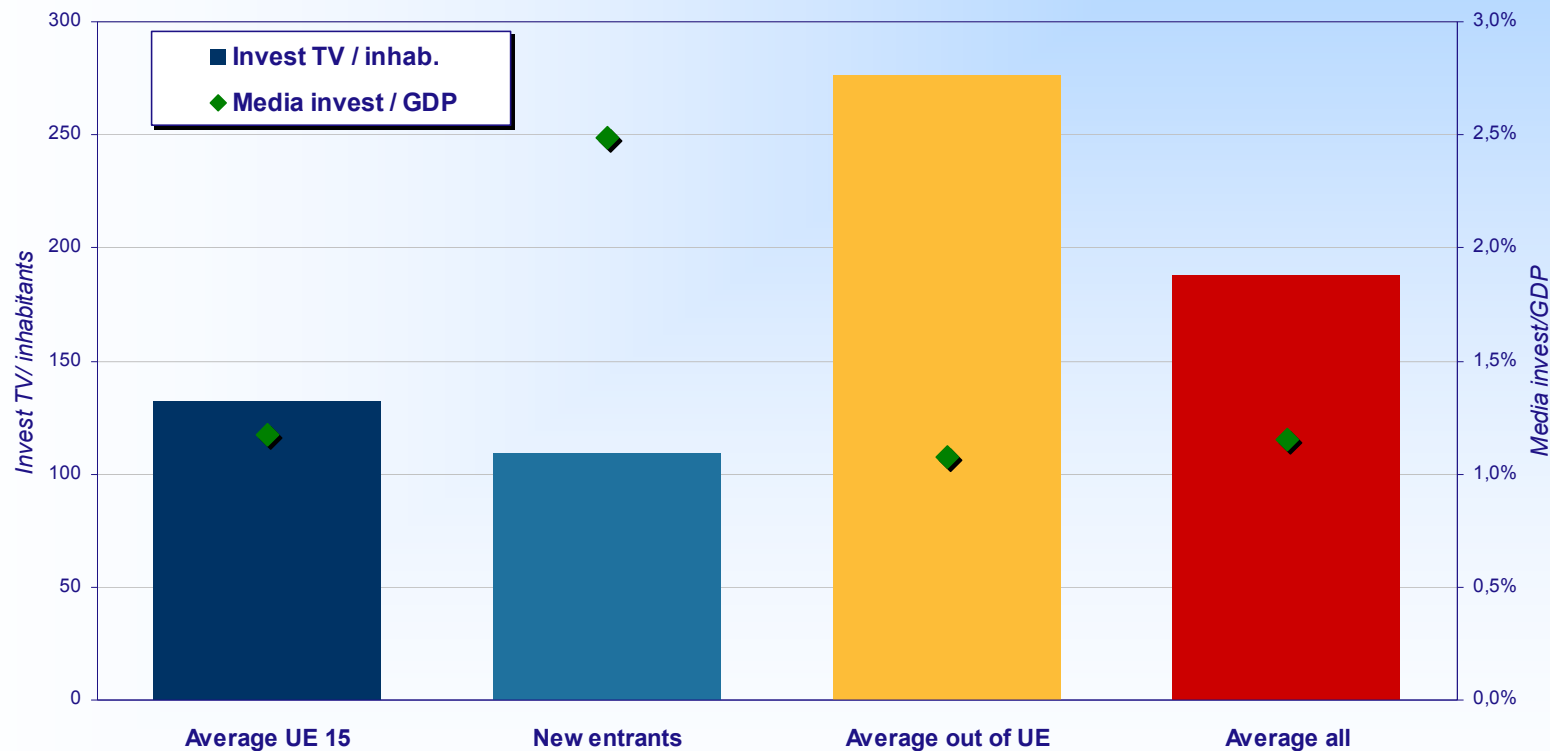


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

Advertising related to GDP and population

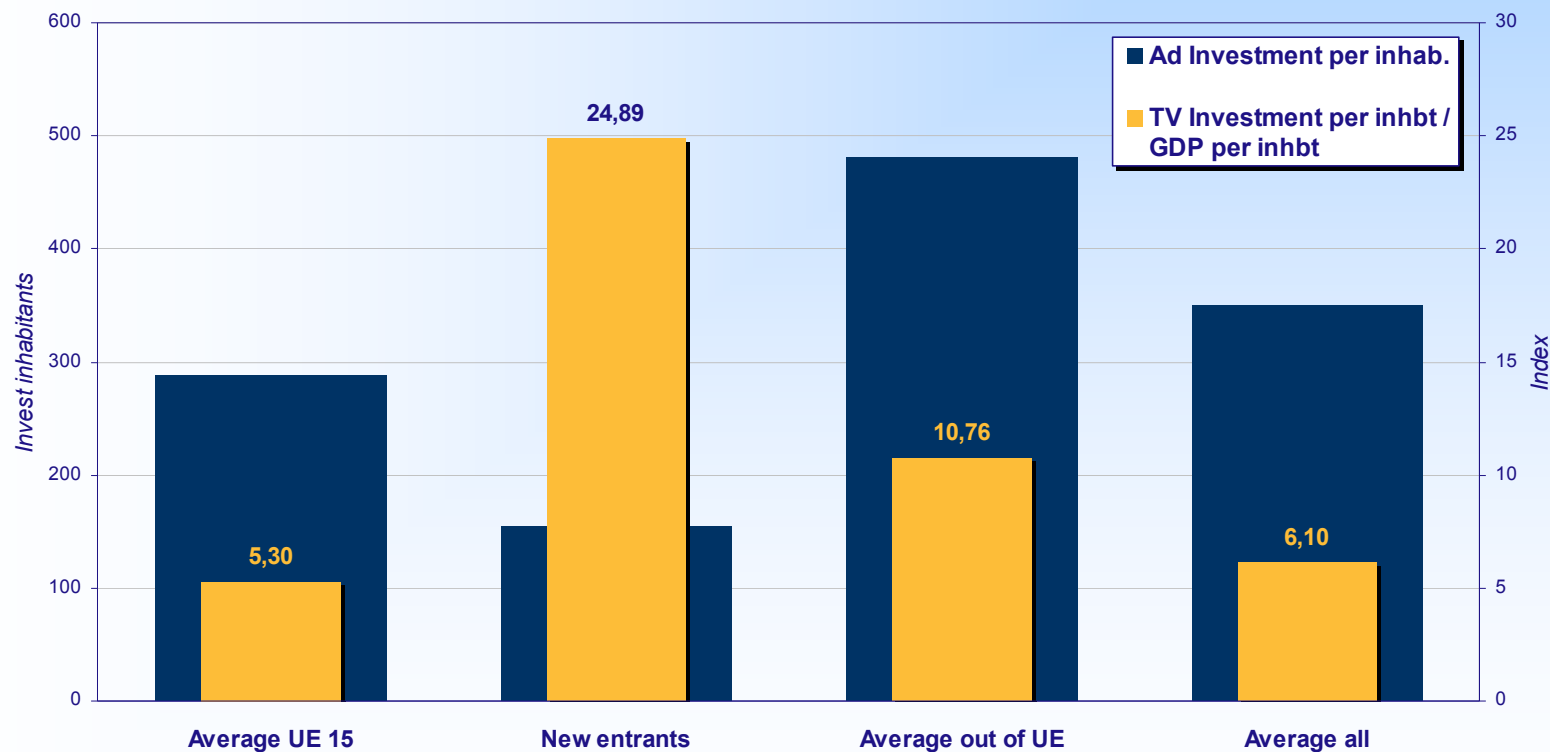


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

Pragmatical index : Advertising related to economy power

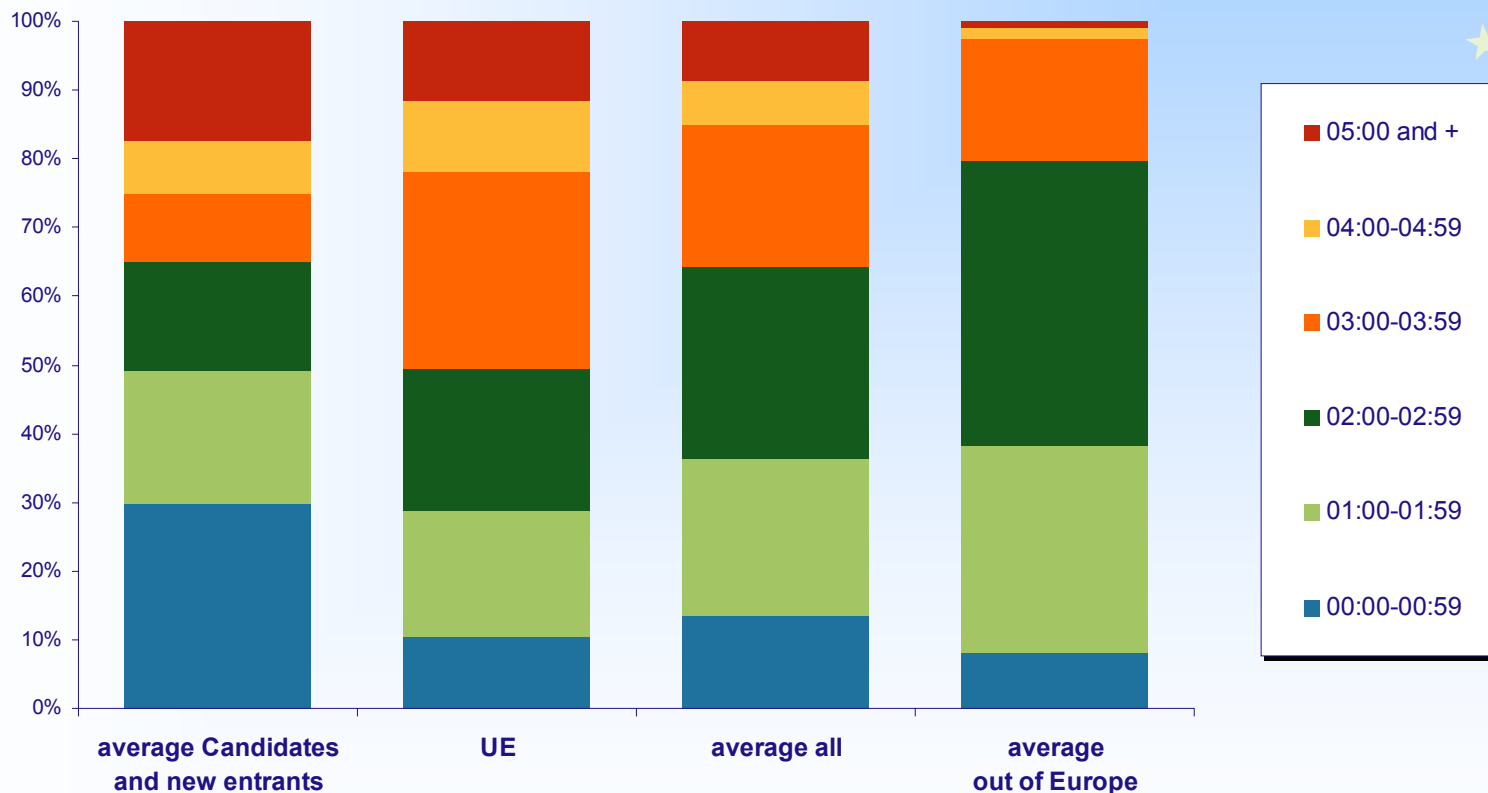


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

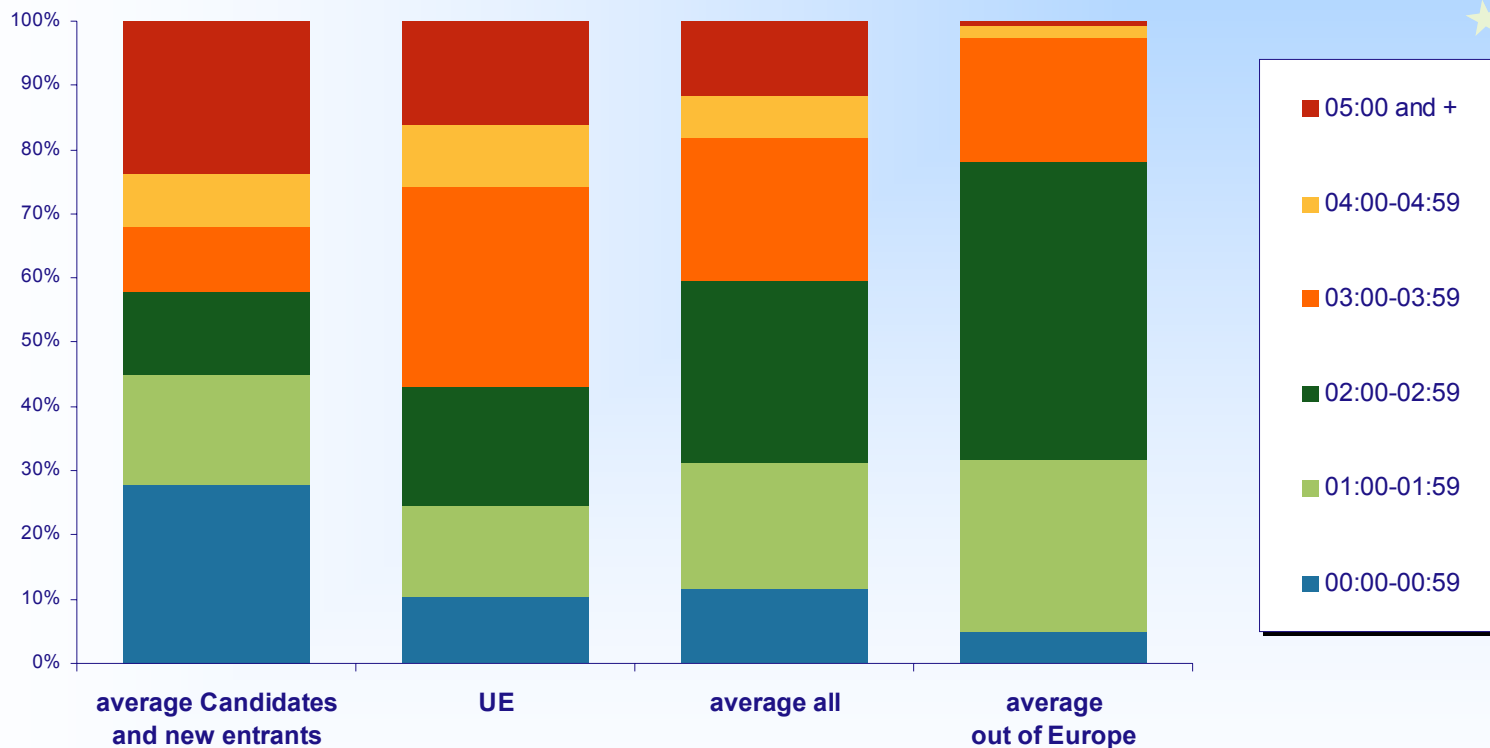
Breakdown by duration in minutes (TOTAL DAY)



3. Audiovisual landscapes

- Key Facts : advertising on TV

Breakdown by duration in minutes (Prime time)

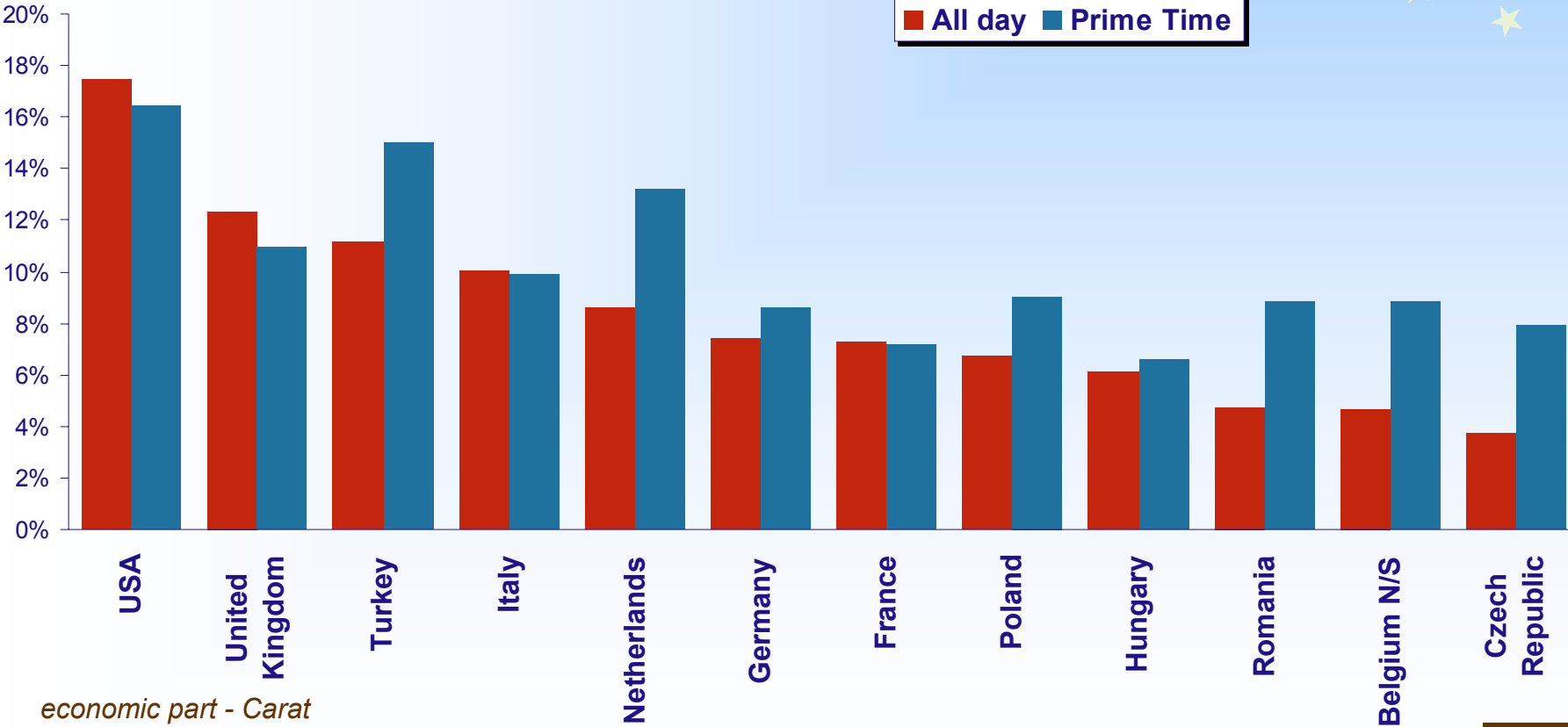


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

Total Advertising (incl. Sponsoring)

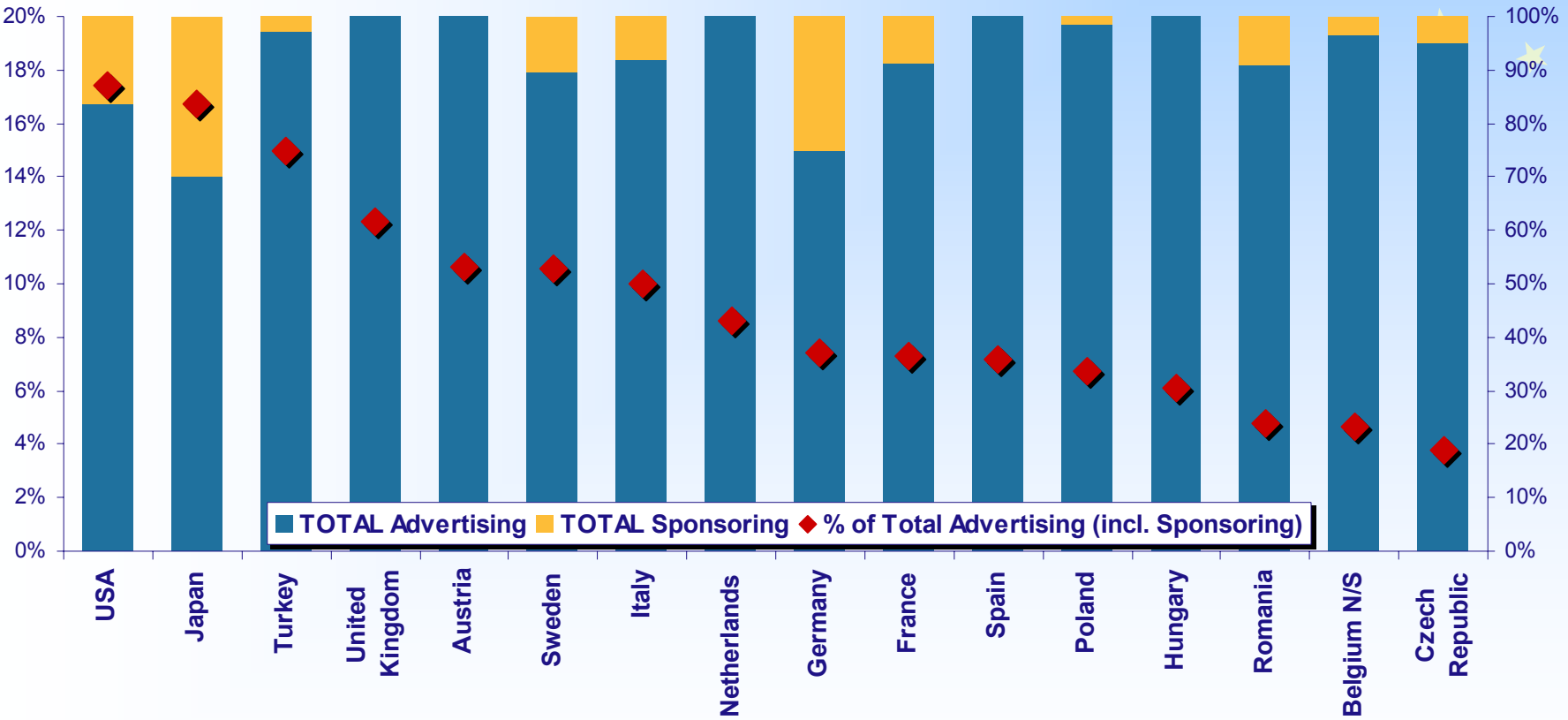


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

Hourly Advertising % and sponsoring share

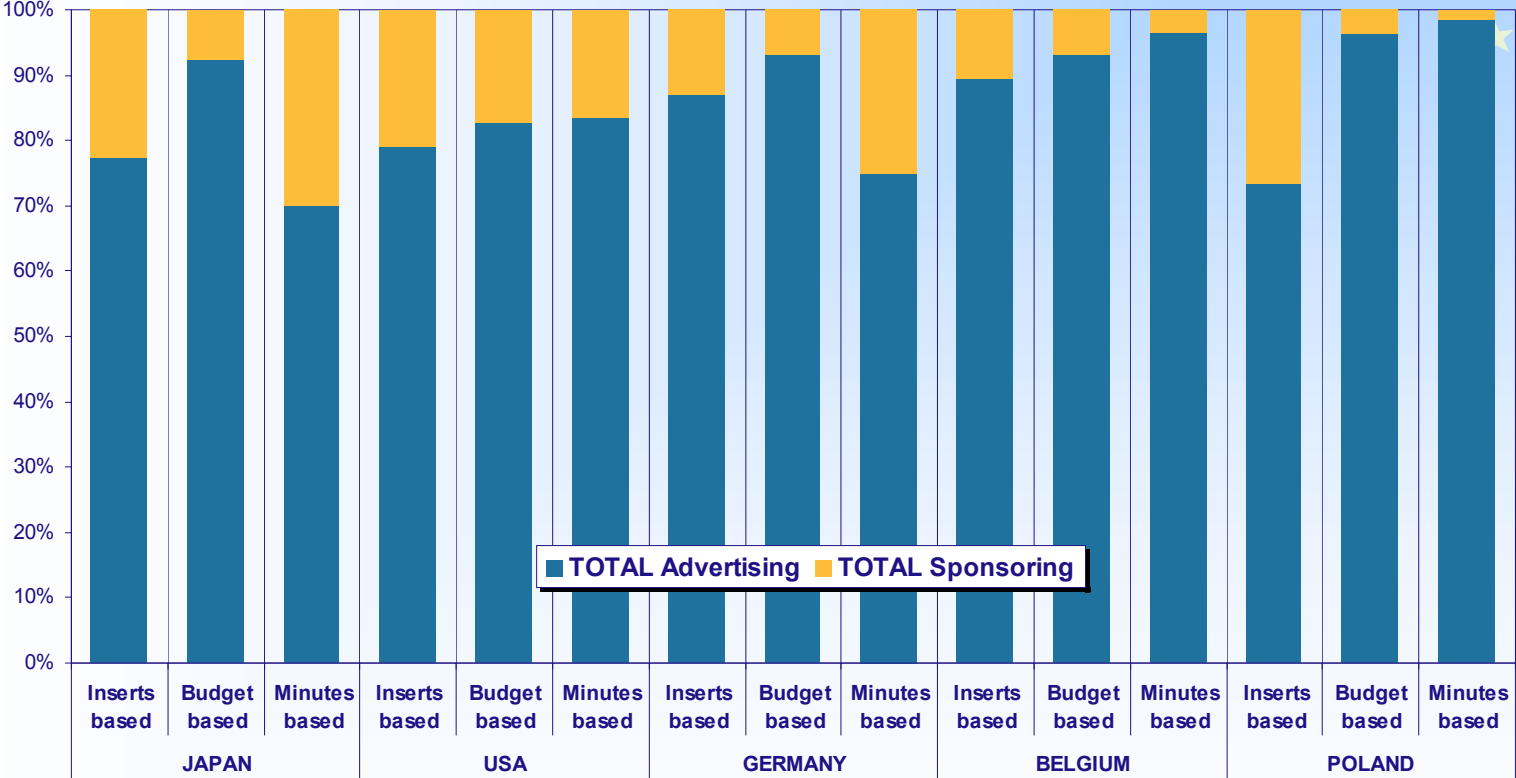


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

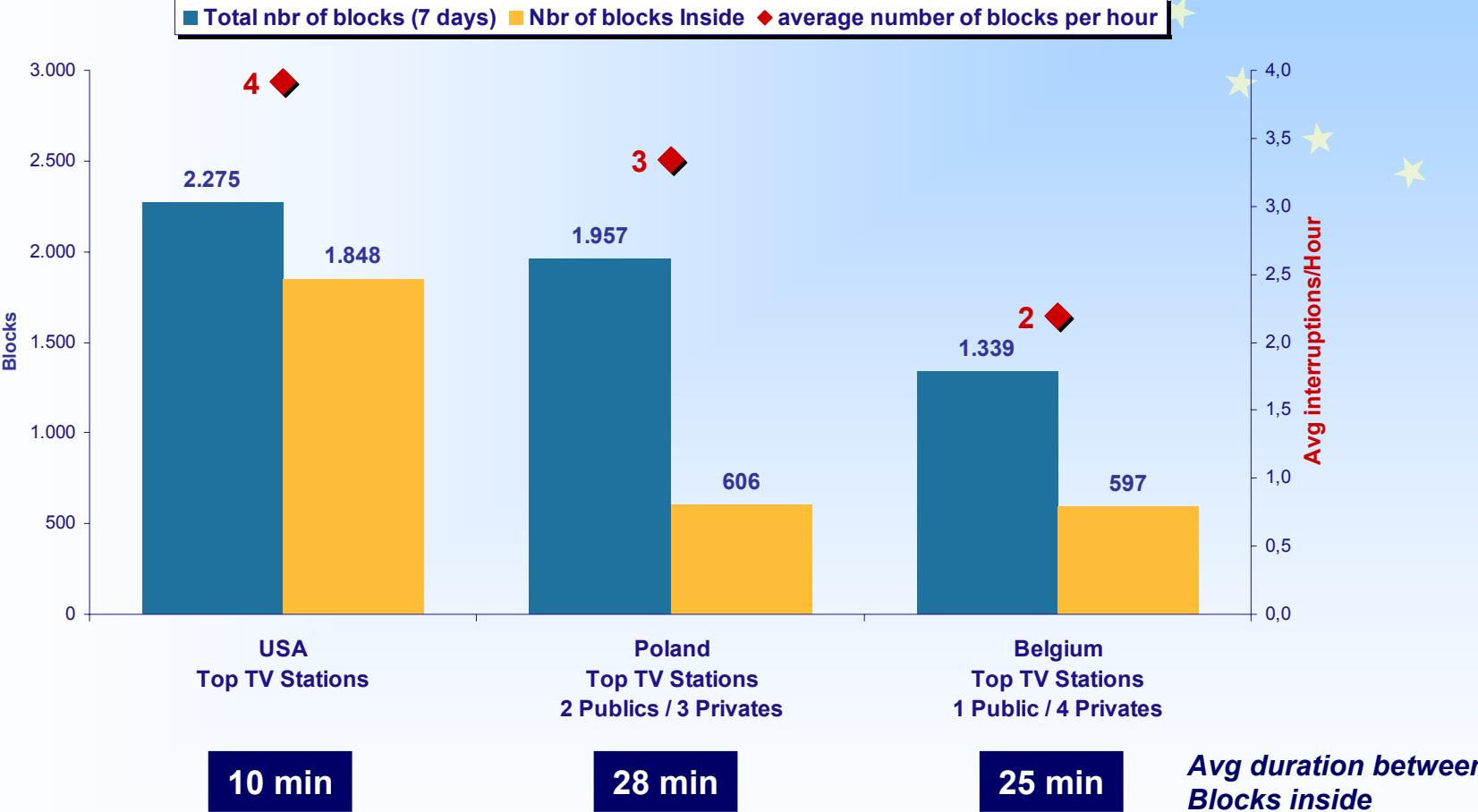
Share of sponsoring spots - a few markets



economic part - Carat

3. Audiovisual landscapes

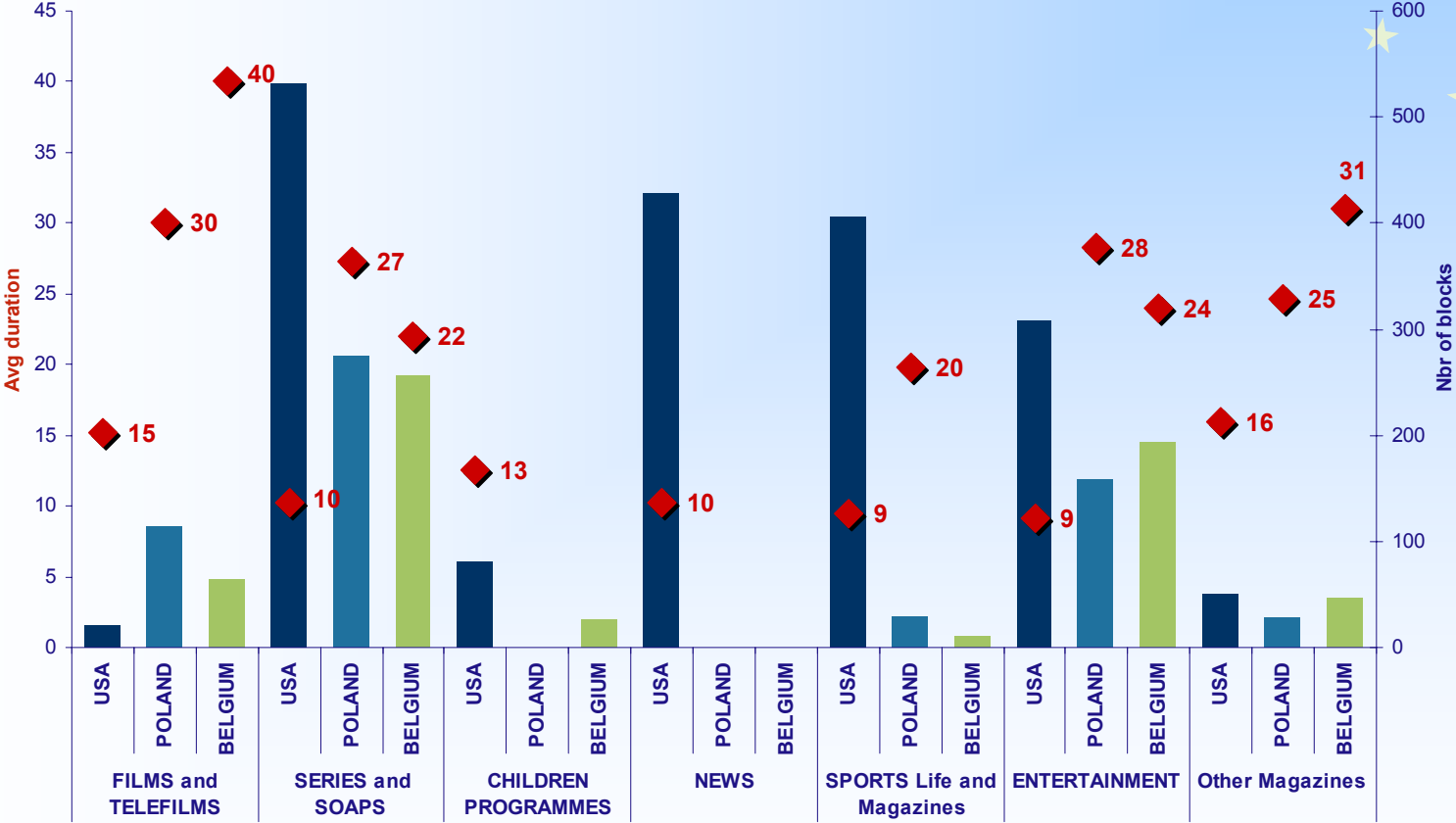
Programmes interruptions indicators



economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV



■ Nbr of blocks Inside ◆ average duration between blocks inside

economic part - Carat

Belgium S.



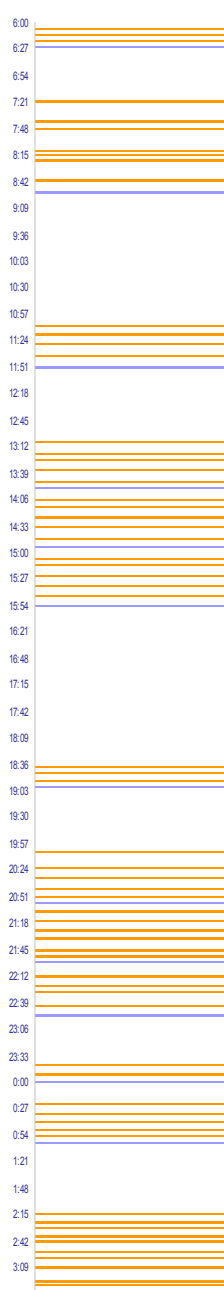
Belgium N.



Poland



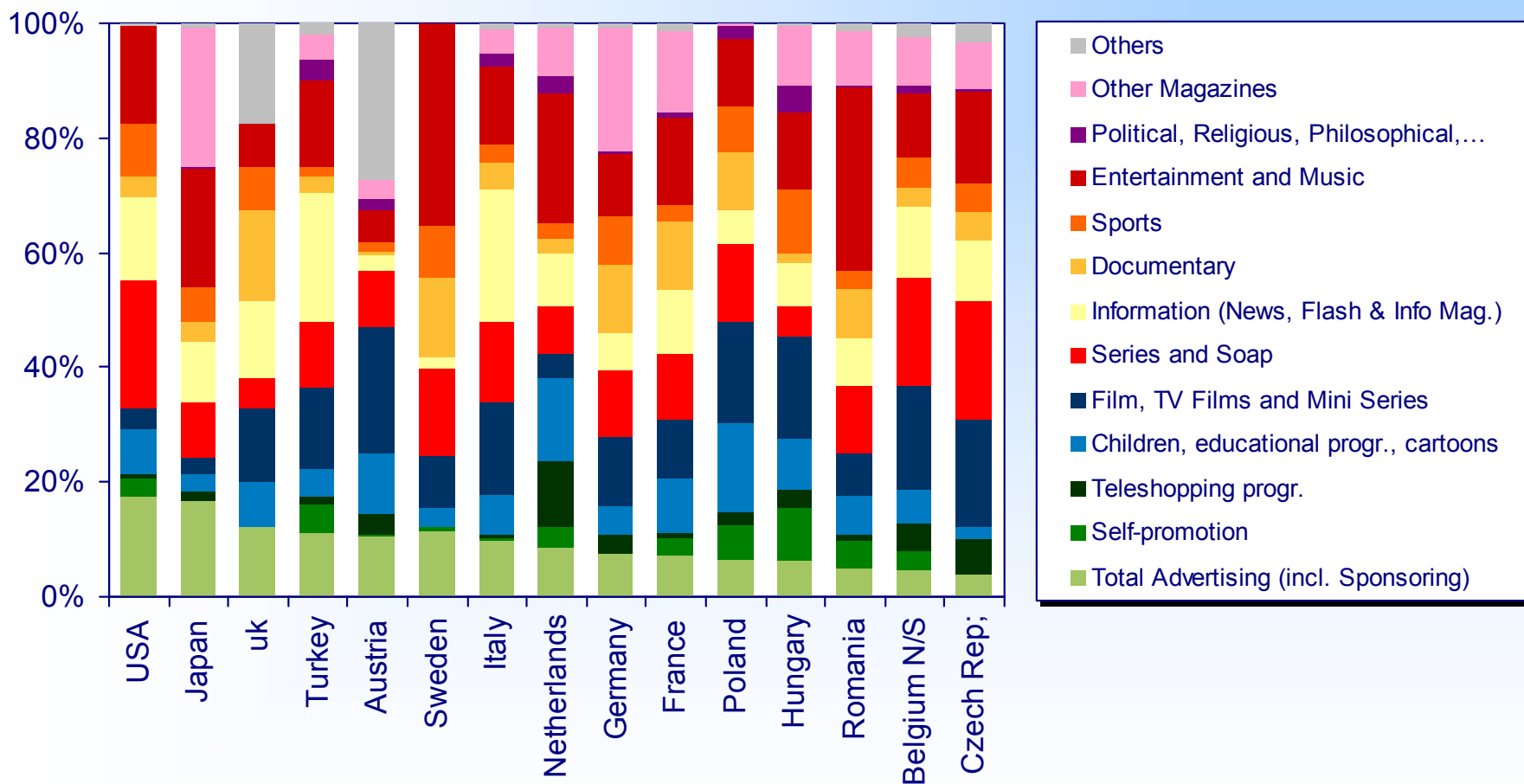
USA



- A typical day schedule
 - ▶ Thursday of the week 43 (2003)
- Orange lines
 - ▶ Inside progr
- Blue lines
 - ▶ Between progr

3. Audiovisual landscapes

Repartition of the broadcasted programmes (minutes based)

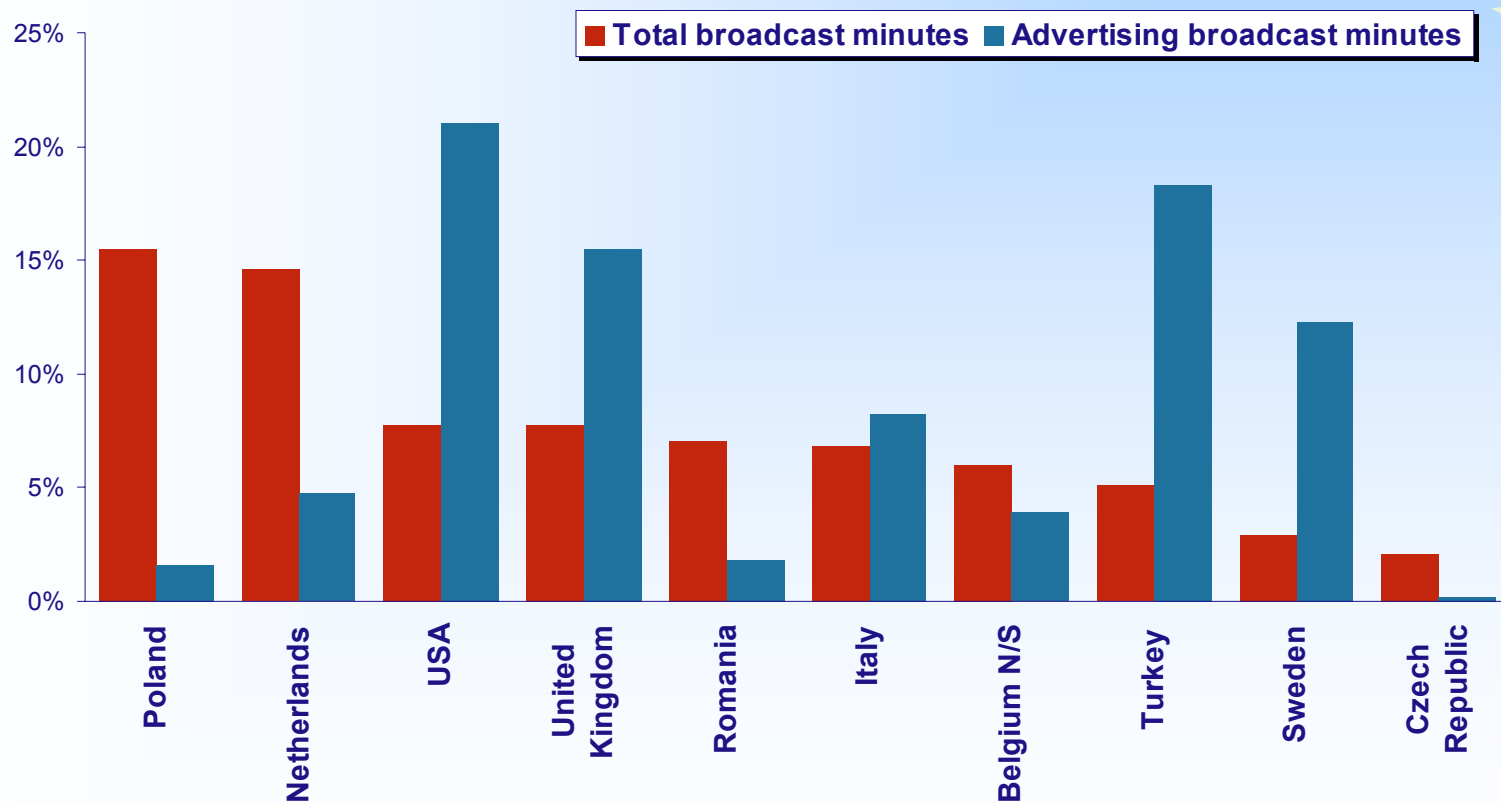


economic part - Carat

3. Audiovisual landscapes

- Key Facts : advertising on TV

Focus on specific groups : Children

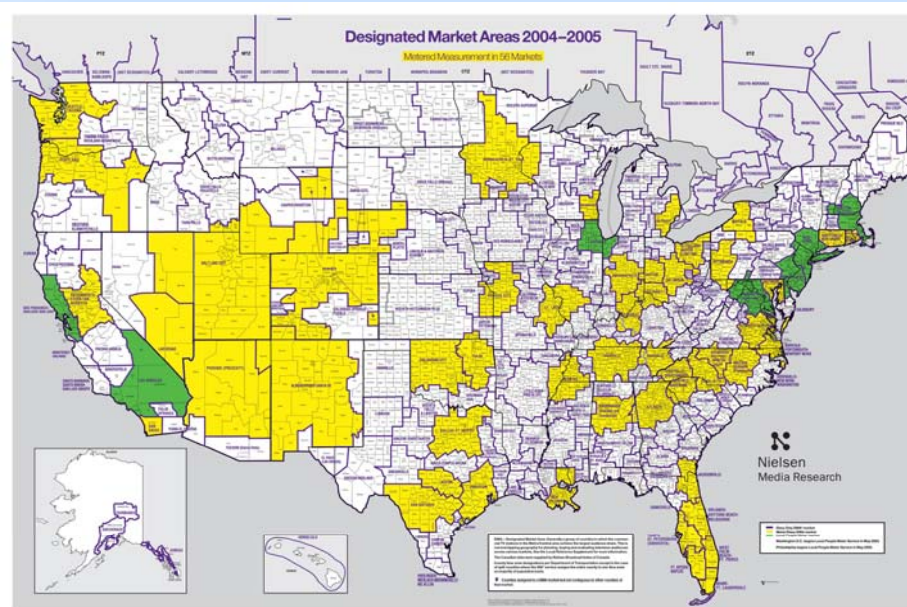


economic part - Carat

3. Audiovisual landscapes

Key Facts : focus on the USA

- Various
 - ▶ 212 different (Nielsen) markets
 - ▶ National channels = 75% share of audience
- Advertising
 - ▶ Ad spendings = 250% ad pressure versus Europe
 - ▶ 85% of blocks during programmes
 - ▶ Avg of 4 blocks / hour
 - ▶ Avg of 10 min. between blocks
 - ▶ From 16 to 17% of advertising broadcast share during any day part and for all channels



economic part - Carat

Focus on the USA

Advertising special : the product placement

- EU members : may occur in cinema films, TV-films and series
- Other cases :
 1. Accidental / unplanned presences
 2. Mention of a product in the context of a sponsored programme
= not advertising formats
 3. Placement of a product compensated by media space or finances = prohibited
= logically not measured
- Specific case in the US : PP is **permitted**
 - ▶ But no « official » nor standard tools
 - ▶ Nielsen US recently developed such tracking



Focus on the USA

Advertising special : the product placement

- **The product placement – Tool & Methodology**
- **Source** : Nielsen Placeviews – private and unofficial (so far)
- Tracking from **September '03**
 - ▶ Systematical record of the main TV's broadcasts (6)
 - ▶ Activity on prime time for a selection of programmes
- **Output**
 - ▶ Product placements visual and verbal mentions if any
 - ▶ Computed duration, PP mode, programme & genre, rating
 - ▶ Brands, industry sectors
 - ▶ Moment & date
 - ▶ No investments !
- **Following data**
 - ▶ Based on Sept' 03 – Nov' 04 period
 - ▶ Split between PP inside TV programmes and inside Films & series

economic part - Carat

Focus on the USA

Advertising special : the product placement

- Modes of operation
 - ▶ “**Foreground**” : the product is visible in front of the scene
 - ▶ “**Background**” : the product is visible behind the scene
 - ▶ “**Prop**” : the character is utilizing the product
 - ▶ “**Scene**” : the product is visible for a longer duration and coming in and out of the scene as any or all of the other placement types listed (this is most common with the automotive industry)
 - ▶ “**Brand Mention**” : the brand is simply mentioned
 - ▶ “**Dialogue Mention**” : a more scripted conversation surrounding the product
- Several formats of PP are mixing these various modes and are referenced as such in the tables

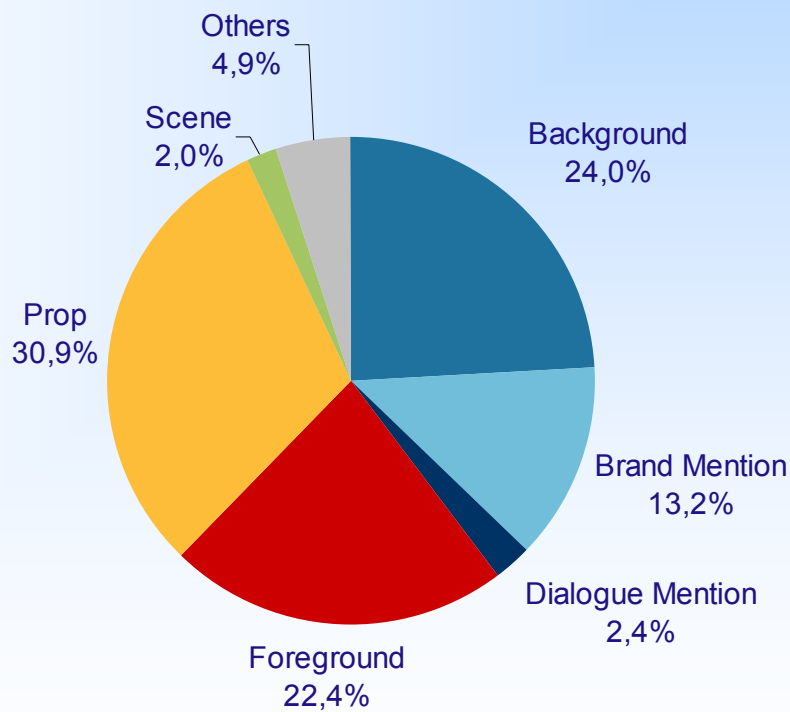


Focus on the USA

Advertising special : the product placement

- Product Placement : presence in TV Programmes

Frequency of action per PP mode



economic part - Carat

Periode : Sep.'03- Nov.'03

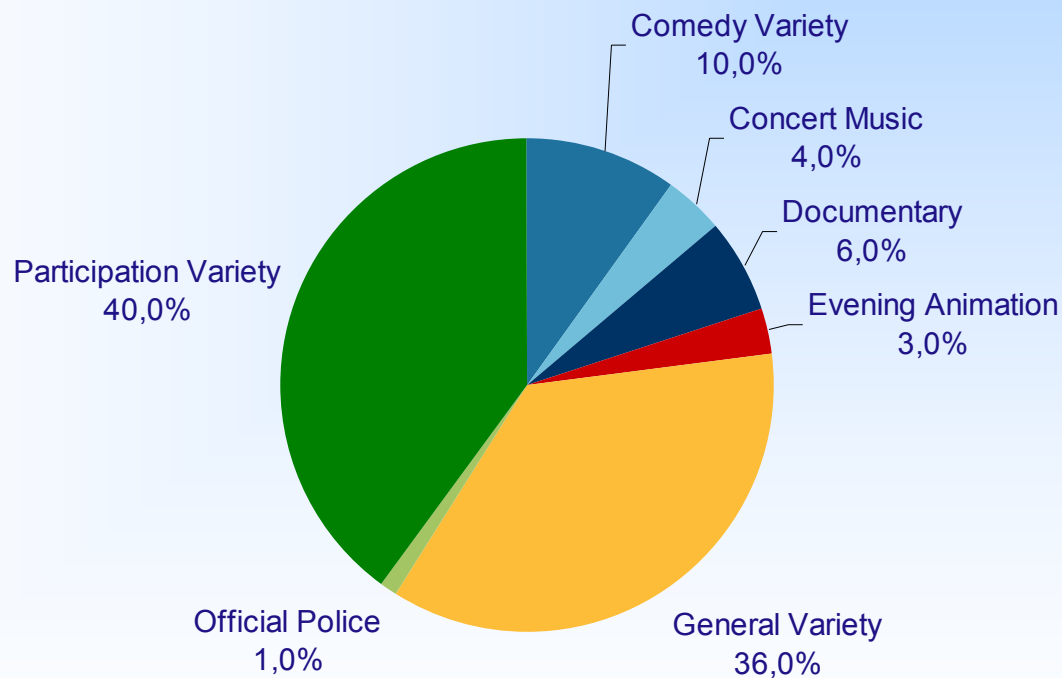
Source : Nielsen I

Focus on the USA

Advertising special : the product placement

- Product Placement : presence in TV Programmes

Frequency of actions per programme genre



Focus on the USA

Advertising special : the product placement

- Product Placement : presence in TV Programmes

Frequency of actions : PP actions versus product genres

	Share	
1 Reg Soft Drink	10,3%	
2 Apparel	6,4%	
3 Baseball Team	4,4%	
4 Internet SVC Provider	3,9%	
5 University	3,9%	
6 Autos	3,6%	
7 Hotel-Casino	3,5%	
8 Trucks	3,2%	
9 Restaurant	3,0%	
10 Basketball Team	2,1%	
11 Airlines-Pass	1,8%	
12 Store-Apparel	1,7%	
13 Magazine	1,4%	
14 Sporting Footwear	1,4%	
15 Sporting Equip	1,3%	
16 Store-Dept	1,2%	
17 Teleph SVCS-Wireless	1,2%	
18 Autos & Trucks	1,2%	
19 Football Team	1,2%	
20 Hotels-Motels	1,1%	
		Share Top 20
		57,8%

economic part - Carat

Periode : Sep.'03- Nov.'03

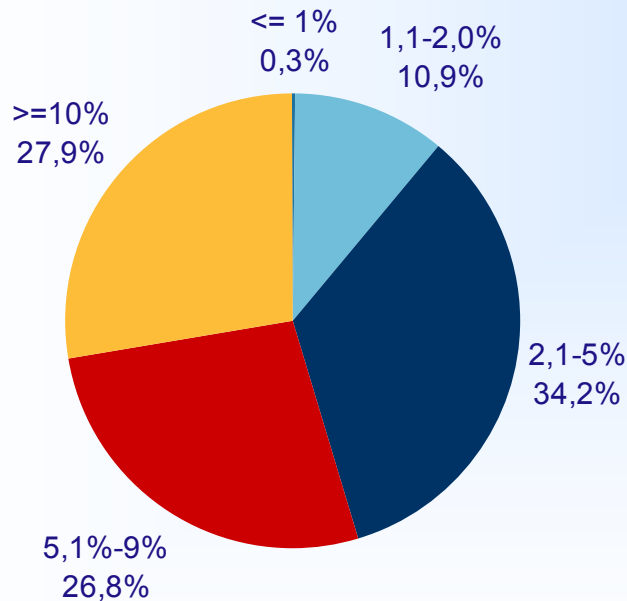
Source : Nielsen I

Focus on the USA

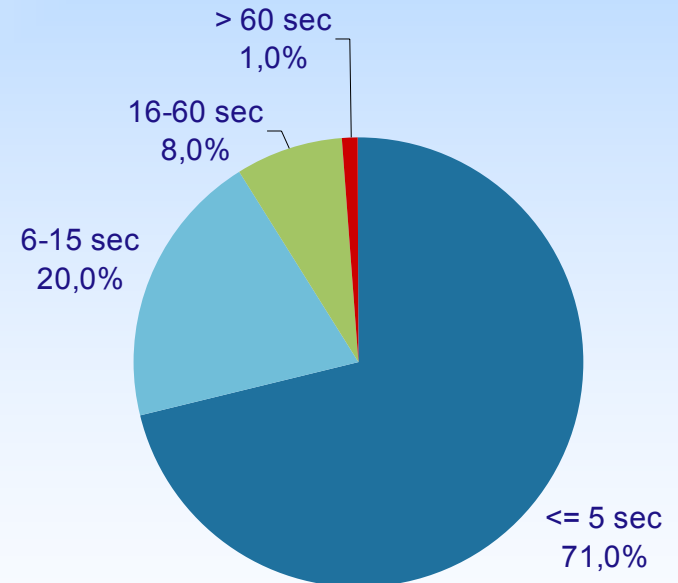
Advertising special : the product placement

- Product Placement : presence in TV Programmes

Audience per actions
mode (ratings)



Duration per actions
mode (seconds)



economic part - Carat

Periode : Sep.'03- Nov.'03

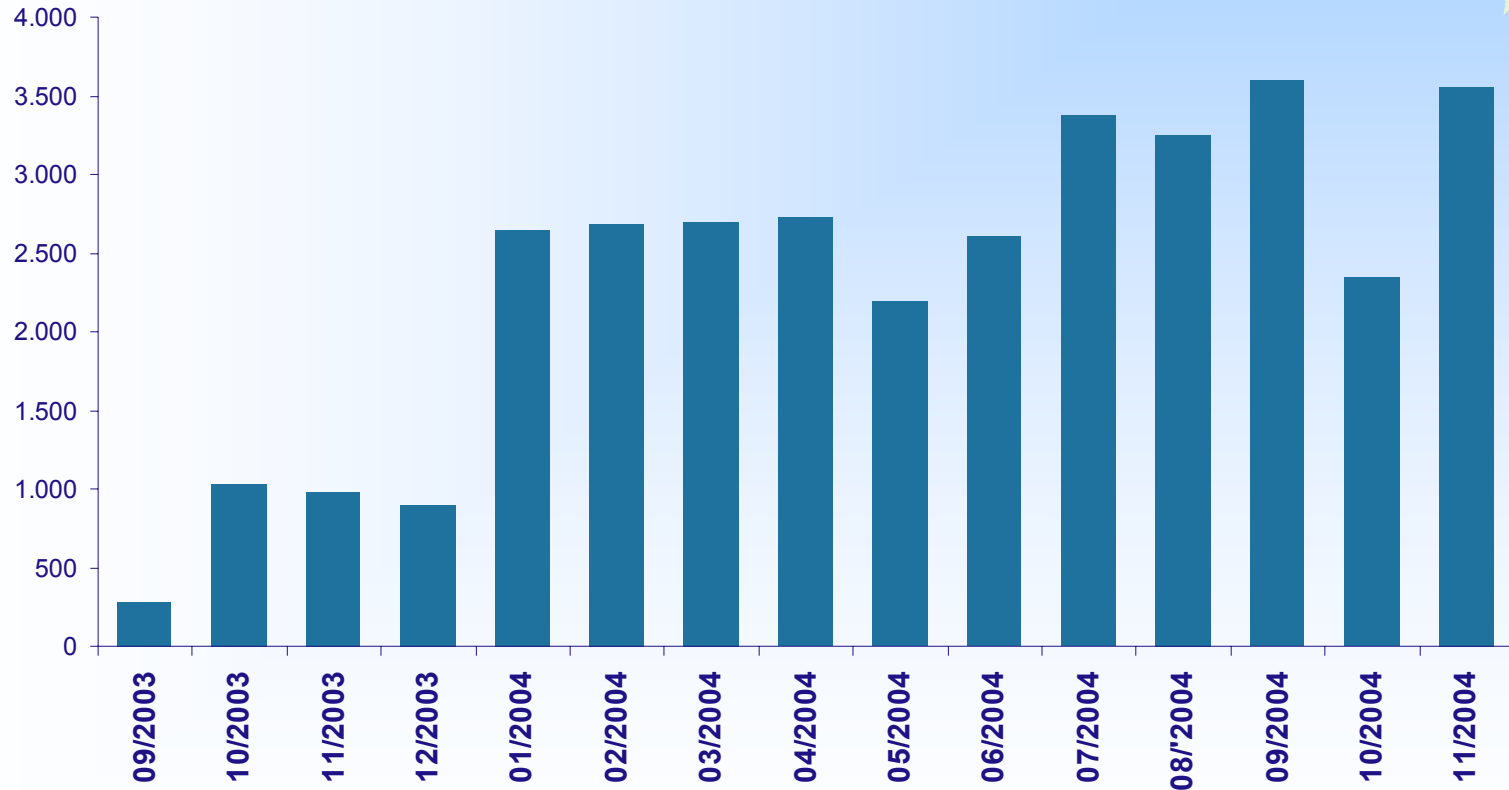
Source : Nielsen I

Focus on the USA

Advertising special : the product placement

- Product Placement : presence in TV Programmes

Occurrences of PP action evolution



economic part - Carat

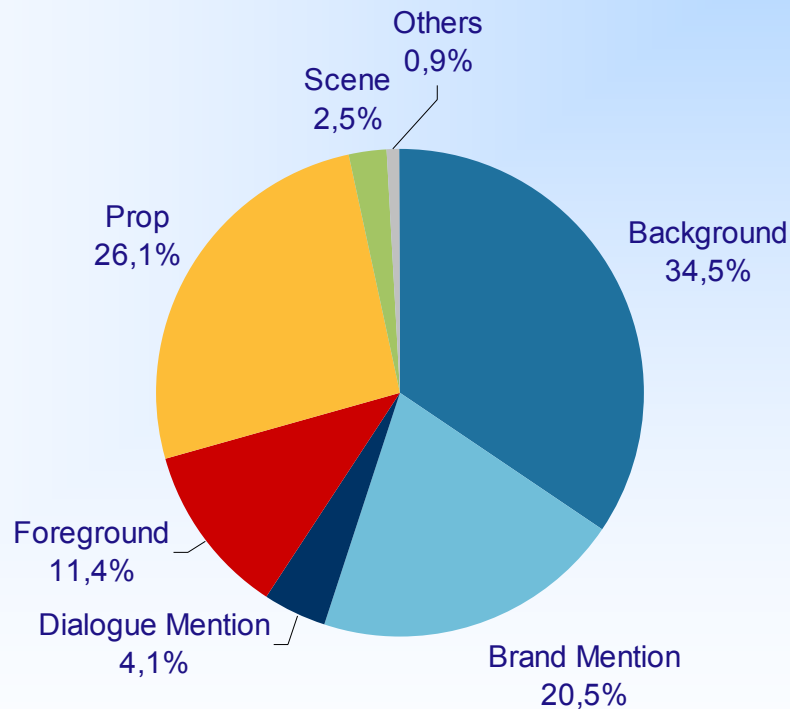
Periode : Sep. '03- Nov. '04 - Source : Nielsen I

Focus on the USA

Advertising special : the product placement

Product Placement : presence in Films & Series

Frequency of actions per PP mode



economic part - Carat

Periode : Sep.'03- Nov.'03

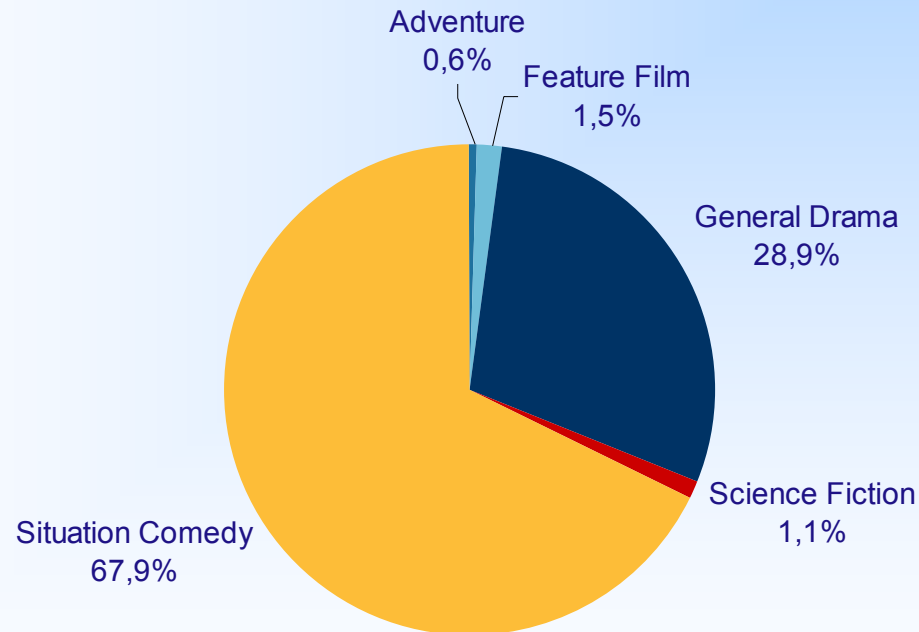
Source : Nielsen I

Focus on the USA

Advertising special : the product placement

Product Placement : presence in Films & Series

Frequency of actions per programme genre



Focus on the USA

Advertising special : the product placement

Product Placement : presence in Films & Series

Frequency of actions : PP actions versus product ge

	Share	
1 Apparel	10,0%	
2 Autos	6,3%	
3 Beer	4,6%	
4 Football Team	3,5%	
5 Trucks	3,3%	
6 University	2,8%	
7 Basketball Team	2,3%	
8 Magazine	2,3%	
9 Baseball Team	2,0%	
10 Recordings-Video	1,6%	
11 Cereal	1,5%	
12 Game-Board	1,4%	
13 Reg Soft Drink	1,4%	
14 Computer SYS	1,3%	
15 Bottled Water	1,3%	
16 Sporting Assn	1,3%	
17 Hotel-Casino	1,2%	
18 Potato Chips	1,1%	
19 Restaurant-Quick SVC	0,9%	
20 Cable TV Network	0,9%	
		Share Top 20
		51,0%

economic part - Carat

Periode : Sep.'03- Nov.'03

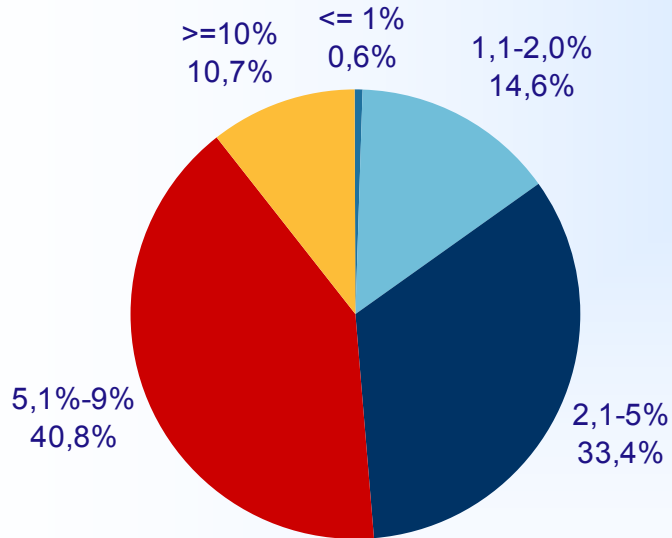
Source : Nielsen I

Focus on the USA

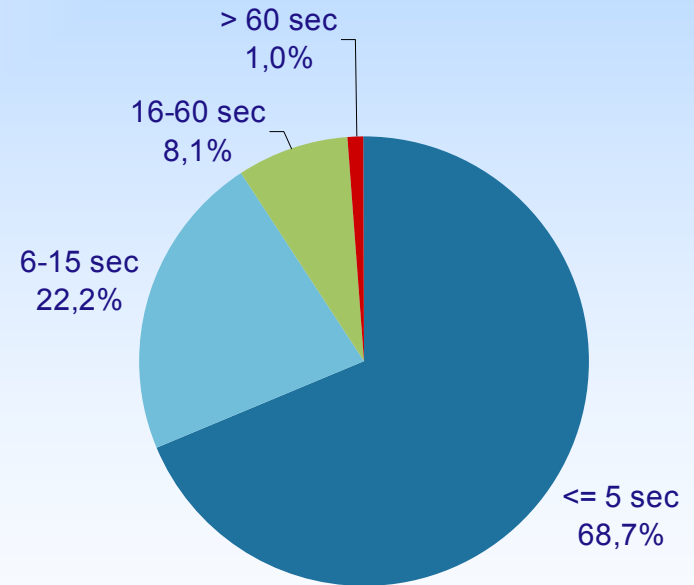
Advertising special : the product placement

Product Placement : presence in Films & Series

Audience per actions
mode (ratings)



Duration per actions
mode (seconds)



economic part - Carat

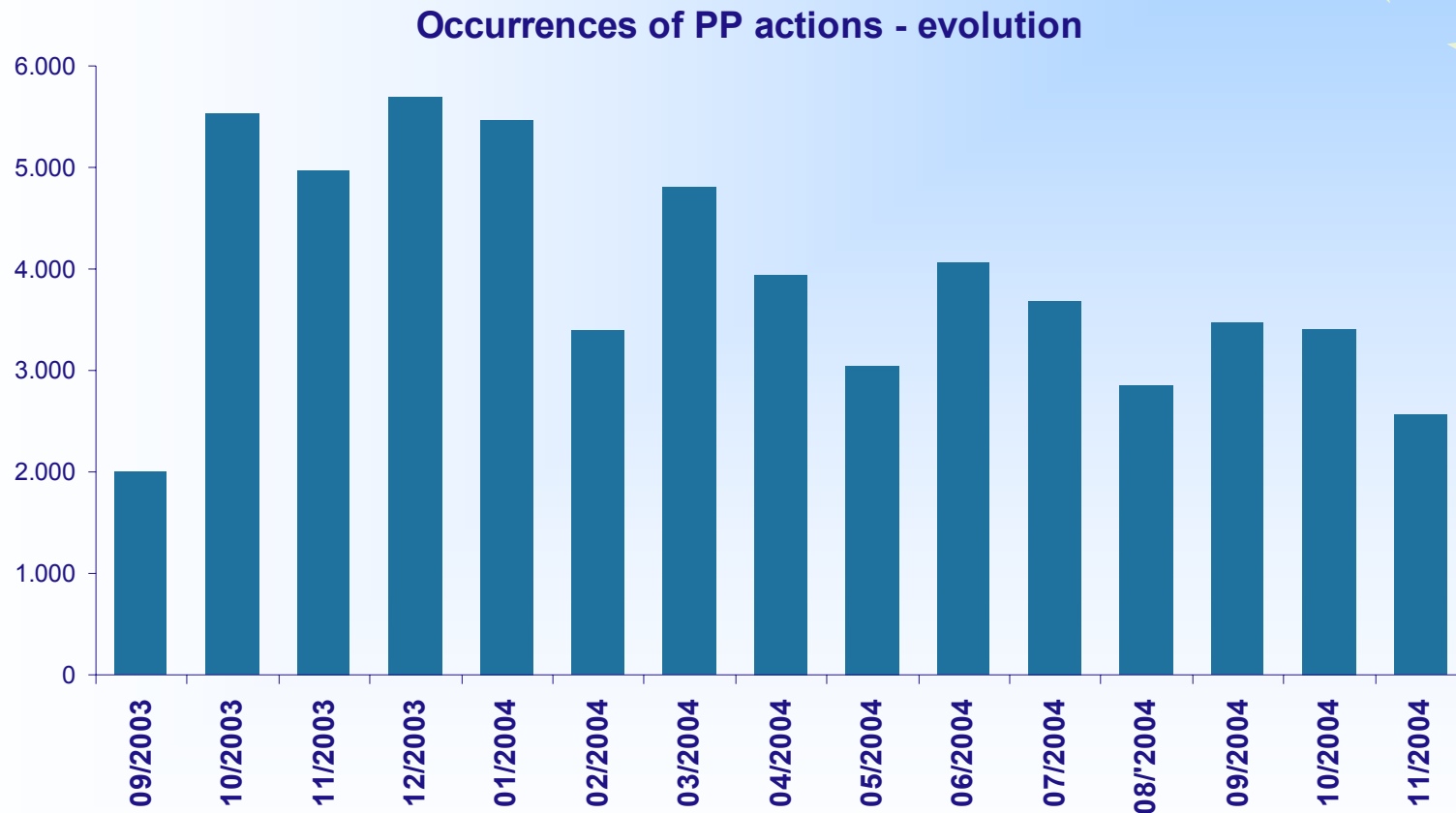
Periode : Sep.'03- Nov.'03

Source : Nielsen I

Focus on the USA

Advertising special : the product placement

Product Placement : presence in Films & Series



economic part - Carat

Periode : Sep. '03- Nov. '04 - Source : Nielsen I

Audiovisual landscapes

Key facts : focus on the USA

- **The product placement – revenues estimate**
- **2 Options** – out of unplanned presences:
 1. Trade-off of integration or placement for a **supply of product**
 2. **Financial compensation** for placement or integration
- ▲ Difficulty : the estimate of the planned placements **share**
- ▲ The most common type of deal is an **exchange** of the product for the placement

- (But) Remunerated mentions are growing...
 - ▶ Cases from **15.000 to 25.000 \$ per second** broadcast
 - ▶ Function of the **ratings** ▲ The key could be a rate per second

- Estimated revenue for 2004 ?
 - ▶ Rates per second combined with ratings levels
 - ▶ Weighted by an index of planned actions share (50%)
= **A minimum of 1.250 mo €** - Nielsen Placeviews-based
▲ Equal to minimum of 1,7% of total TV adspend

The impact of control measures on television advertising

Question time

Break



Comparison of legal and economic data

Interactive session
Question time

Questions induced by the confrontation of the legal and economic data

- I. ADVERTISING SCREENS IDENTIFICATION
- II. ISOLATED ADVERTISING
- III. PRODUCT PLACEMENT
- IV. PROGRAMMES INTERRUPTIONS
- V. SPLIT SCREEN TECHNIQUE

- VI. SPONSORING
- VII. QUANTITATIVE RESTRICTIONS
- VIII. CHILDREN'S PROTECTION
- IX. EVOLUTION OF THE REGULATION

Presentation of the study

Questions induced by the confrontation of the legal and economic data

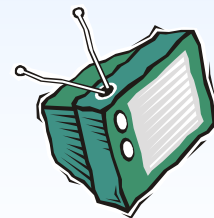
- I. ADVERTISING SCREENS IDENTIFICATION
- II. ISOLATED ADVERTISING
- III. PRODUCT PLACEMENT
- IV. PROGRAMMES INTERRUPTIONS
- V. SPLIT SCREEN TECHNIQUE

VI. SPONSORING

VII. QUANTITATIVE RESTRICTIONS

VIII. CHILDREN'S PROTECTION

IX. EVOLUTION OF THE REGULATION



Presentation of the study

Surreptitious advertising and product placement

Legal data

PRODUCT PLACEMENT

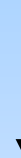


- INSERTION BY THE PRODUCER
- FINANCING THE PROGRAMMES
- CLEAR INFORMATION OF THE AUDIENCE

?

=

SURREPTITIOUS ADVERTISING



- ← INTENTION OF THE BROADCASTER
- ← SERVING ADVERTISING
- ← NO INFORMATION OF THE AUDIENCE

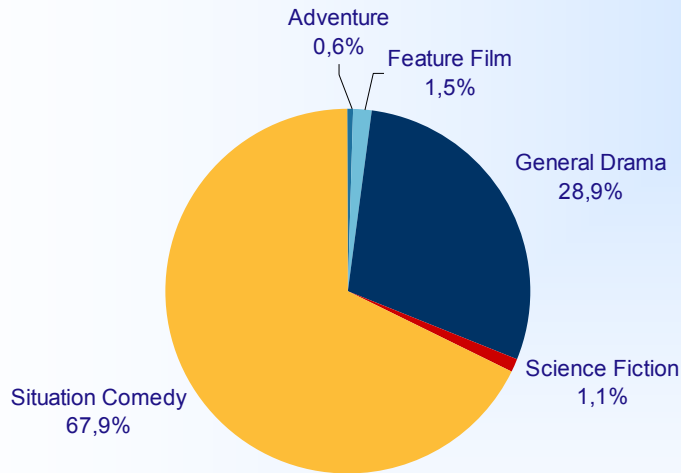
Surreptitious advertising and product placement

Economic data

- NATURE OF THE PROGRAMMES CONTAINING PRODUCT PLACEMENT

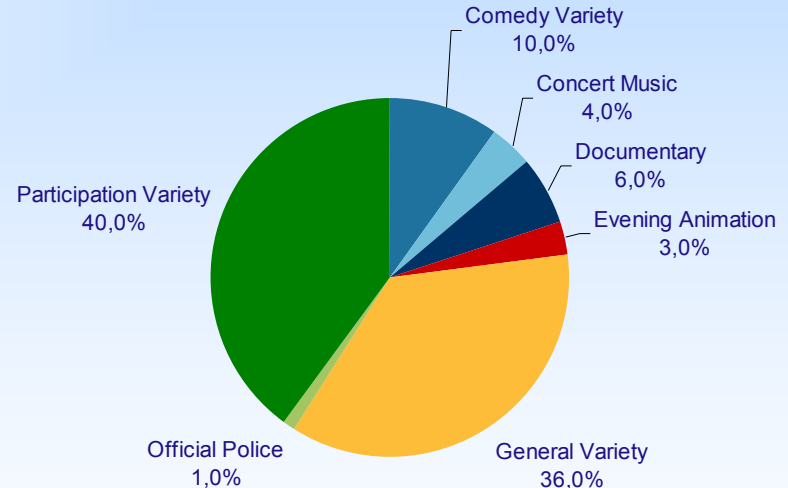
Fictions

Frequency of actions per programme genre



TV programmes

Frequency of actions per programme genre



Source : Nielsen US
Main TV channels – 2003/2004

Surreptitious advertising and product placement

Questions

- A PRACTICE TO BE LEGALISED ?
- IF IT IS TO BE LEGALISED : Conditions ? Control ?
 - ▶ Identification rules ? Notification rules ?
 - ▶ Calculation included in the maximum volume of advertising? Other measures ?
 - ▶ Product placement prohibited within certain programmes
 - ▶ Minimum duration of the programmes containing product placement ?
 - ▶ Maximum duration of the product placement ?
Maximum number of appearances of products placement / trademark?

Programmes interruptions

Economic data

Week 43 - 2003	USA Top TV Stations	Poland Top TV Stations 2 Publics / 3 Privates	Belgium Top TV Stations 1 Public / 4 Privates
Total nbr of blocks (7 days)	2275	1957	1339
average number of blocks per hour	4	3	2
Nbr of broadcasts containing blocks	404	343	440
Nbr of blocks Inside	1.848	606	597
vs Total nbr of blocks	81%	31,0%	45%
average duration between blocks inside	10	28	25

- THE ESSENTIAL OBJECTIVES OF THE DIRECTIVE :
 - ▶ PROGRAMMES' INTEGRITY AND RIGHT HOLDERS PROTECTION
 - ▶ CONSUMER PROTECTION
 - ▶ (Viewer's comfort ↔ Control of the advertising pressure)
 - ▶ MINORS' PROTECTION

- VAGUE CONCEPTS (Interpretative Communication)
 - ▶ («Autonomous parts », « Natural breaks » / « Accidental breaks » / «Children's programmes»)

PROGRAMMES INTERRUPTIONS

QUESTIONS

1. SPECIFYING ?

(OR) SIMPLIFYING ARTICLE 11 ?

↳ « Autonomous parts »

↳ « Natural breaks »

↳

↳ - Protected programmes = No interruptions (Art. 11.5)
- interruptions of audiovisual work : Status quo (Art. 11.3)
- Interruptions 'between' and 'within' the programmes (Art. 11.1)

2. PROPOSALS :

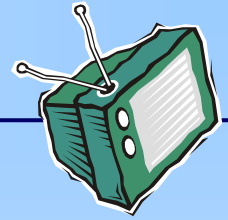
a. Withdrawal of the 30 min rule (Art. 11.5) ?
→ prohibition of interruptions in protected programmes whatever their duration

b. Withdrawal of the Article 11.2 specific rule ?

↳ Article 11.1 = principle

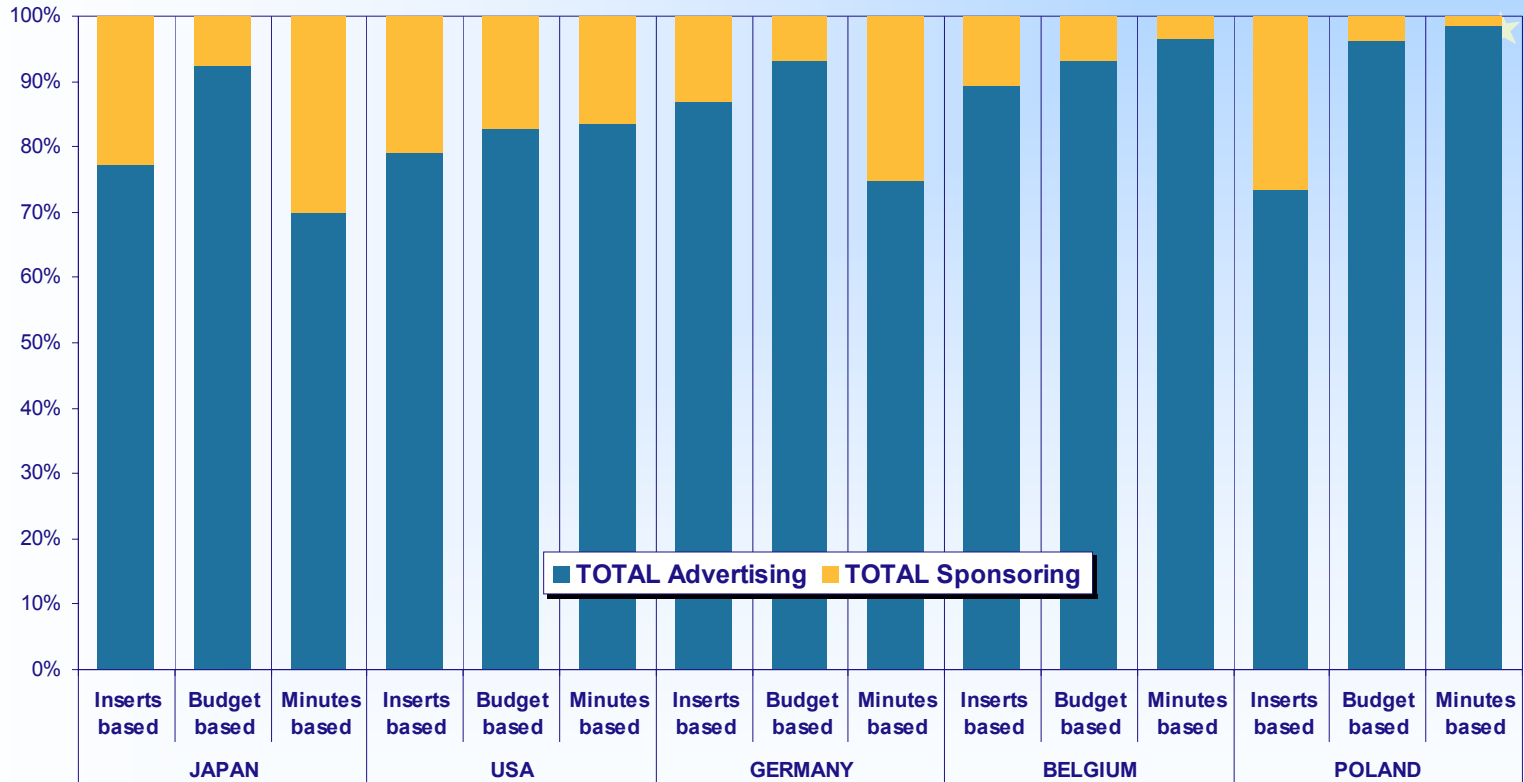
↳ Keeping the 20 min rule (Art. 11.4) or substitution by a maximum number of interruptions per hour ?

Sponsoring Economic data



Market situation

Share of sponsoring spots - a few markets



Sponsoring Legal data

- SPONSORING ≠ TELEVISED ADVERTISING
 - ≠ INSERTION RULES
 - NOT INCLUDED WITHIN THE MAX. ADVERTISING VOLUME

Sponsoring Questions

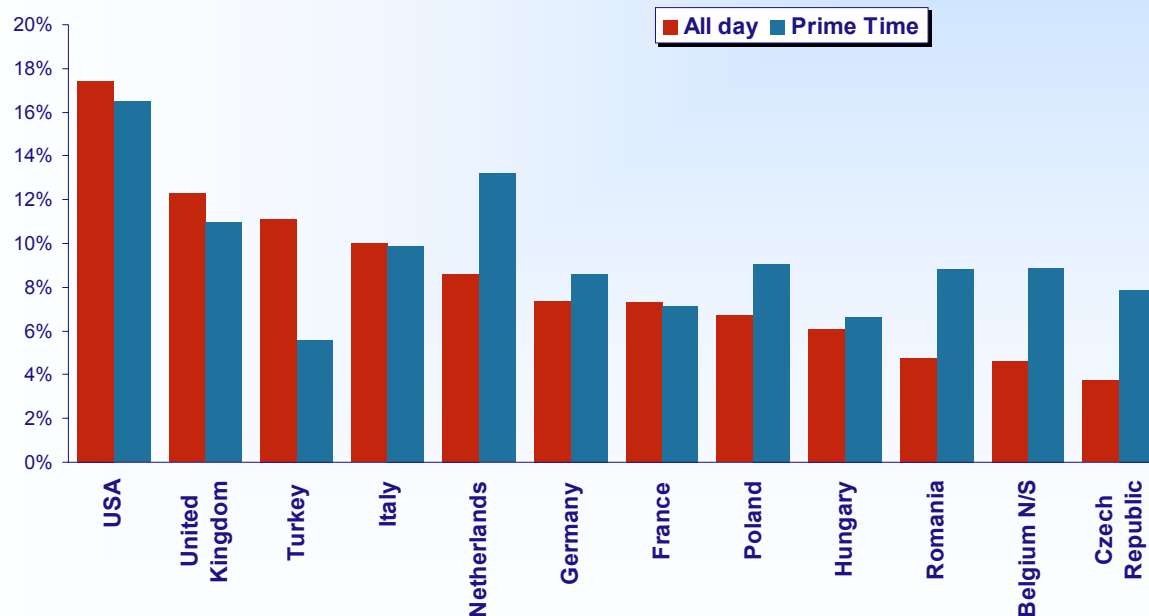
1. THE EVOLUTION OF SPONSORING DEFINITION ?
 - ISSUES
 - Quantitative rules
 - Insertion rules
2. CALCULATION OF THE TIME DEVOTED TO SPONSORING ?
 - = SELF-PROMOTION ?
 - INCLUDED IN THE MAXIMUM VOLUME OF ADVERTISING ? WITH INCREASE OF THE ADVERTISING VOLUME ?
3. APPEARANCE OF THE AUTHORIZED SPONSOR:
 - BEFORE/ DURING /AFTER THE BROADCAST?
 - LOGO, TRADE MARK, NAME ?
 - PRODUCTS / SERVICES ?
4. MIN/ MAX. DURATION OF THE SPONSOR'S APPEARANCE?

Quantitative restrictions

Economic data

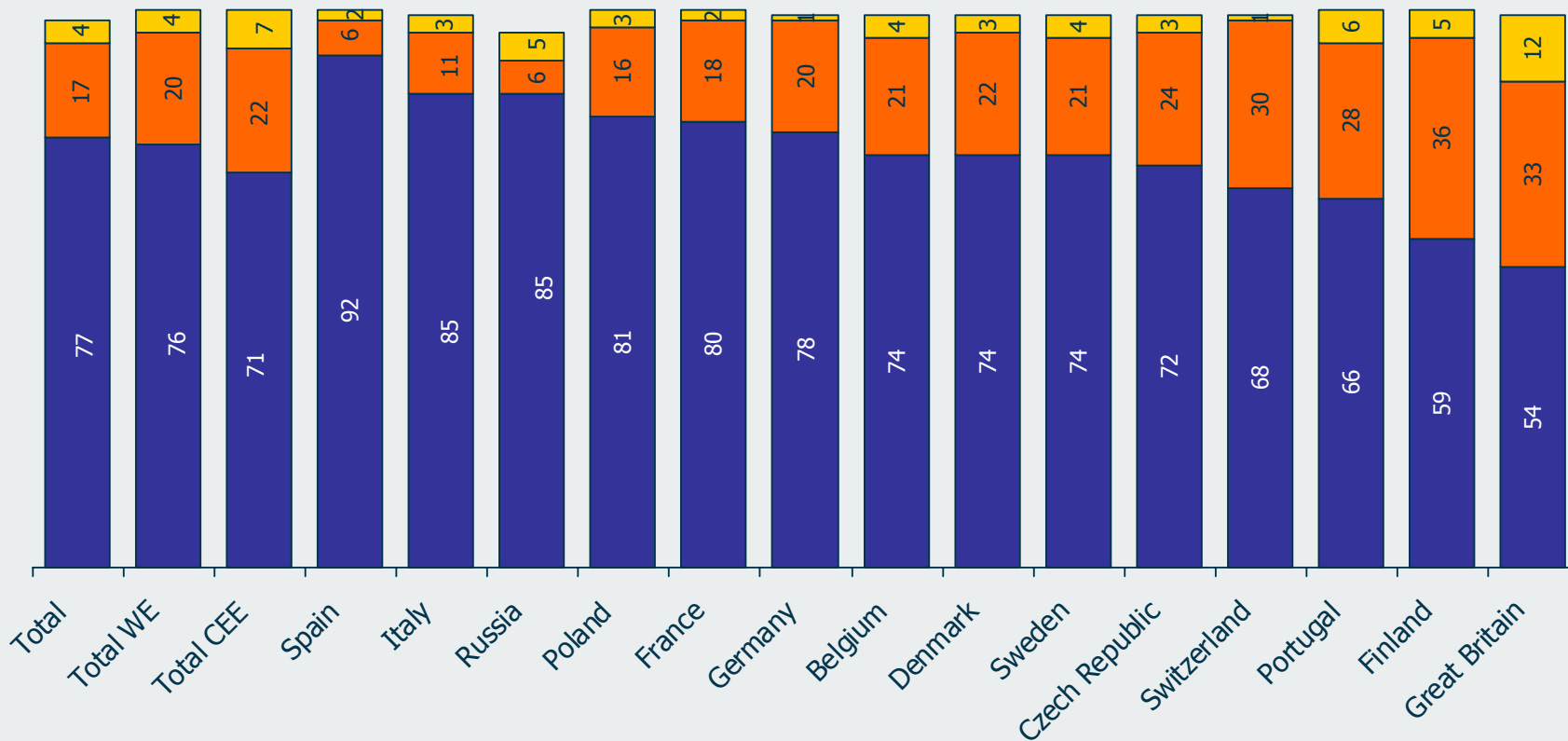
- THE MEASUREMENT OF THE ADVERTISING PRESSURE BY REFERENCE : 4 CRITERIA :
 - ADVERTISING VOLUME
 - BREAKS DURATION
 - BREAKS FREQUENCY
 - NUMBER OF ADVERTS SPOTS WITHIN A GIVEN BREAK
- THE **NON SATURATION** OF THE EUROPEAN MARKET (all day)

Total Advertising (incl. Sponsoring)



Consumer's Insight : What do you think: Is there too much advertising? Is there exactly the right amount of advertising? Or do you think there could be even more advertising without it becoming a nuisance?

The viewers' point of view...



- there could be even more advertising and it wouldn't bother me
- there is exactly the right amount of advertising
- there is too much advertising

Quantitative restrictions

Questions

1. DAILY VOLUME : 15% → 20% ?
 - (No identification of teleshopping spots and other advertising forms)★
2. NEED TO REGULATE THE DURATION OF THE BREAKS (PRIME TIME)
 - (Minimum duration ? Maximum duration ? Isolated advertising ?)
3. NEED TO REGULATE THE MAXIMUM NUMBER OF ADVERTISING SPOTS (prime time) WITHIN A GIVEN ADVERTISING BREAK?

Quantitative restrictions

Questions (part 2)

4. TELESHOPPING SPOTS → 18 bis ?
5. RELEVANCE OF QUANTITATIVE RESTRICTIONS FOR TELESHOPPING CHANNELS? (Art. 19)

Children's protection

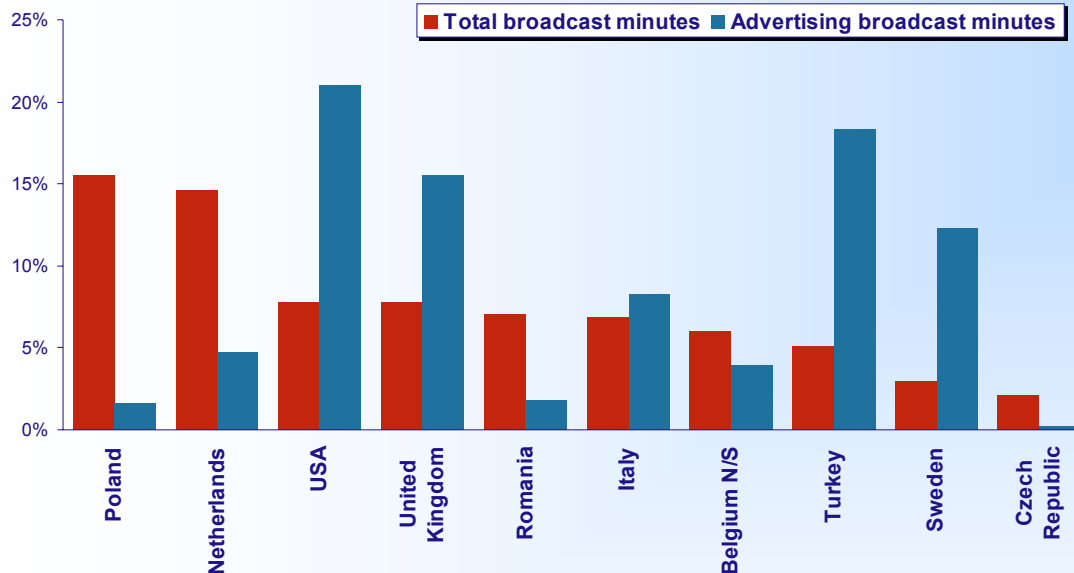
Legal data

- TWF DIRECTIVE (Art. 16 + Art. 11.5 + Art. 15)
- 'CHILDREN' : NO UNIFORM DEFINITION
- 'CHILDREN'S PROGRAMMES' : NO DEFINITION
- 'PRODUCTS AIMED AT CHILDREN' : NO DEFINITION

Children's protection

Economic data

Focus on specific groups : Children



- Proportion of the programmes dedicated to children
- Proportion of the advertising dedicated to children by reference to products addressed to them

Children's protection

Questions

- RELEVANCE AND NEED FOR A DEFINITION OF 'CHILDREN', 'CHILDREN'S PROGRAMMES', 'ADVERTISING AIMED AT CHILDREN'
- RELEVANCE AND NEED FOR A DEFINITION OF 'PRODUCTS AIMED AT CHILDREN'
- FAILURE A EUROPEAN DEFINITION:
→ IDENTICAL CRITERIA → NATIONAL DEFINITION ?

Questions produced by the confrontation of the legal and economic data

**I. ADVERTISING SCREENS
IDENTIFICATION**

II. ISOLATED ADVERTISING

III. PRODUCT PLACEMENT

**IV. PROGRAMMES
INTERRUPTIONS**

V. SPLIT SCREEN TECHNIQUE

VI. SPONSORING

**VII. QUANTITATIVE
RESTRICTIONS**

VIII. CHILDREN'S PROTECTION

**IX. EVOLUTION OF THE
REGULATION**

Presentation of the study

ANSWERS TO BE RETURNED TO:

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