

Banning Ads from Public TV. Lessons from France

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The French Advertising Ban-I

- **In January 2008 the French President announced his intention to ban commercial advertisements on State controlled TV stations**
- **It was decided the ban would come into effect on January 5, 2009**
- **Ban initially applied to programs broadcasted between 20.00 and 6.00 (prime-time + night-time)**
- **Gradual extension planned to all broadcasting time**
- **Initially total ban to be implemented by end of 2011 at the latest**

The French Advertising Ban-II

- **Other regulatory changes adopted in France (probably to prepare advertising ban):**
 - **Coming into force on 1st of January 2009**
 - **Extension of the average daily length of advertising from 6 to 9 minutes/hour for the most important private channels TF1 and M6**
 - **Decrease of average daily length of advertising from 8 to 6 minutes/hour for public television channels (France 2, France 3, France 5)**
 - **Shift from the “glissante” to the “exact” hour as reference to calculate maximum advertising time permitted per hour (remained at 12 minutes)**

The French Advertising Ban-III

- **Introduction of two new taxes in order for the State to compensate public television for loss of advertising revenues**
 - **3 % tax on advertising on private TV channels**
 - **0,9 % tax on revenues of telecommunication operators (Internet and Mobile)**

The Spanish Advertising Ban

- In April 2009 Spanish government announced drastic reduction and eventual ban of advertising on public TV (i.e. on television broadcasters that are part of the state-owned corporation RTVE) in April 2009
- Law came into effect in September 2009
- RTVE was allowed to broadcast until the end of 2009 the advertising contracted before this date
- As of January 1st 2010, advertising is banned in all time slots
- There are exceptions
 - Self-promotion advertising
 - Corporate communications campaigns
 - Informational campaigns with social purposes
- However RTVE is not allowed to charge for these exceptional ads
- RTVE receives state subsidies, in addition to proceeds from new specific taxes to private television stations and telecommunications companies and a percentage of the revenues from the fee on airwaves usage to finance its operations.

Advertising Bans in the UK and Germany

- In the UK, BBC is not allowed to broadcast commercial advertising
- In Germany,
 - ARD and ZDF are not allowed to show any commercial advertising after 20.00 during the week and on Sundays and federal public holidays
 - The average daily advertising time on working days cannot exceed 20 minutes on a yearly average for these channels
 - Other federally broadcasted programs by ARD or ZDF or any program of third channels are not allowed to show any advertising
 - Sponsoring on ARD and ZDF allowed though, even after 20.00
 - Current debate:
 - Prohibit sponsoring on public TV after 20.00, Sundays and public holidays?
 - Ban advertising on public TV altogether?

Expected Outcome of the French Ban - I

- Despite the arguments used by president Sarkozy in his original announcement
http://www.dailymotion.com/video/x3zjxl_sarkozy-veut-supprimer-la-pub-sur-l_news#from=embed
the general perception was that a favour was being done to private TV channels at the expense of public ones...

Expected Outcome of the French Ban - II

- Le Monde Diplomatique (February 2008): *La télévision publique libérée de ses chaînes ?*
 - « Un tel brouillage des repères est l'œuvre de M. Nicolas Sarkozy, **qui a créé la surprise** en annonçant, le 8 janvier, au cours de sa conférence de presse, qu'il souhaitait réfléchir à la suppression totale de la publicité sur les télévisions publiques »
 - → Mr Nicolas Sarkozy caused confusion with his surprising announcement during his press conference that he was thinking about completely banning advertising from public television
 - « **Renvoi d'ascenseur aux amis du président** »
 - → “Return of favors to the president's friends”

Expected Outcome of the French Ban - III

- Economist (February 21 2008): *A fuzzy picture*
 - “The new plan was **unexpectedly proposed** by President Nicolas Sarkozy last month”
 - “If the beneficiaries of the ban on advertising are not necessarily the viewers, who gains? Unsurprisingly, France's commercial channels are delighted at the prospect of extra ad revenue coming their way.”
 - “TF1's biggest shareholder is Bouygues, a conglomerate, whose boss, Martin Bouygues, just happens to be a close friend of Mr Sarkozy's and godfather to one of his sons.”
 - “Another bigwig who will benefit is Vincent Bolloré, a media magnate who launched a television channel, Direct 8, in 2005. Mr Sarkozy has borrowed Mr Bolloré's yacht and private jet for two holidays since his election last May.”
 - “His opponents grumble that **his new plan will mainly benefit his friends.**”

Expected Outcome of the French Ban - IV

- The Guardian(10 January 2008): *Sarkozy to ban advertizing from state television*
 - “Sarkozy, who moves in a circle of wealthy television owners and press barons and counts “Téléprésident” among his numerous nicknames, **surprised even his own culture minister** this week when he announced that adverts should be eliminated from France's five state TV stations”
 - “Scrapping adverts from state TV would mean €800m (£600m) in advertising revenue immediately transferring to private stations”
 - “The Socialist party fumed that **the immediate beneficiaries of the shift in advertising would be Sarkozy's own media tycoon friends.**”
 - “Within minutes of Sarkozy making the announcement, shares in France's biggest private TV station, TF1, soared. The station is owned by a close friend of Sarkozy, Martin Bouygues.”
 - “Another potential beneficiary is Vincent Bolloré, the wealthy industrialist with interests in private TV who loaned his private jet to Sarkozy and his girlfriend, Carla Bruni, at Christmas.”

Our questions

What happens if you ban advertising on public TV channels?

Who gains and who loses among media?

In particular, is it true that the ban would favour traditional private TV channels?

We try to answer these questions looking at the French case (and we hope , at some point, to look also at the Spanish case)

TV stations as Two-Sided Platforms

TV stations sell content to viewers and advertising slots to advertisers

taking into account that

demand (or willingness to pay) of advertisers increases with the number of viewers

and that

viewers probably dislike advertising on TV (see Wilbur(2008))

We look however (for the moment?) only at one side of the market: the advertising side.

Data

**Advertising spots, minutes and revenues
by channel**

for each week in the periods:

- **September 2007-June 2008**
- **September 2008-June 2009**

separately for the two time slots:

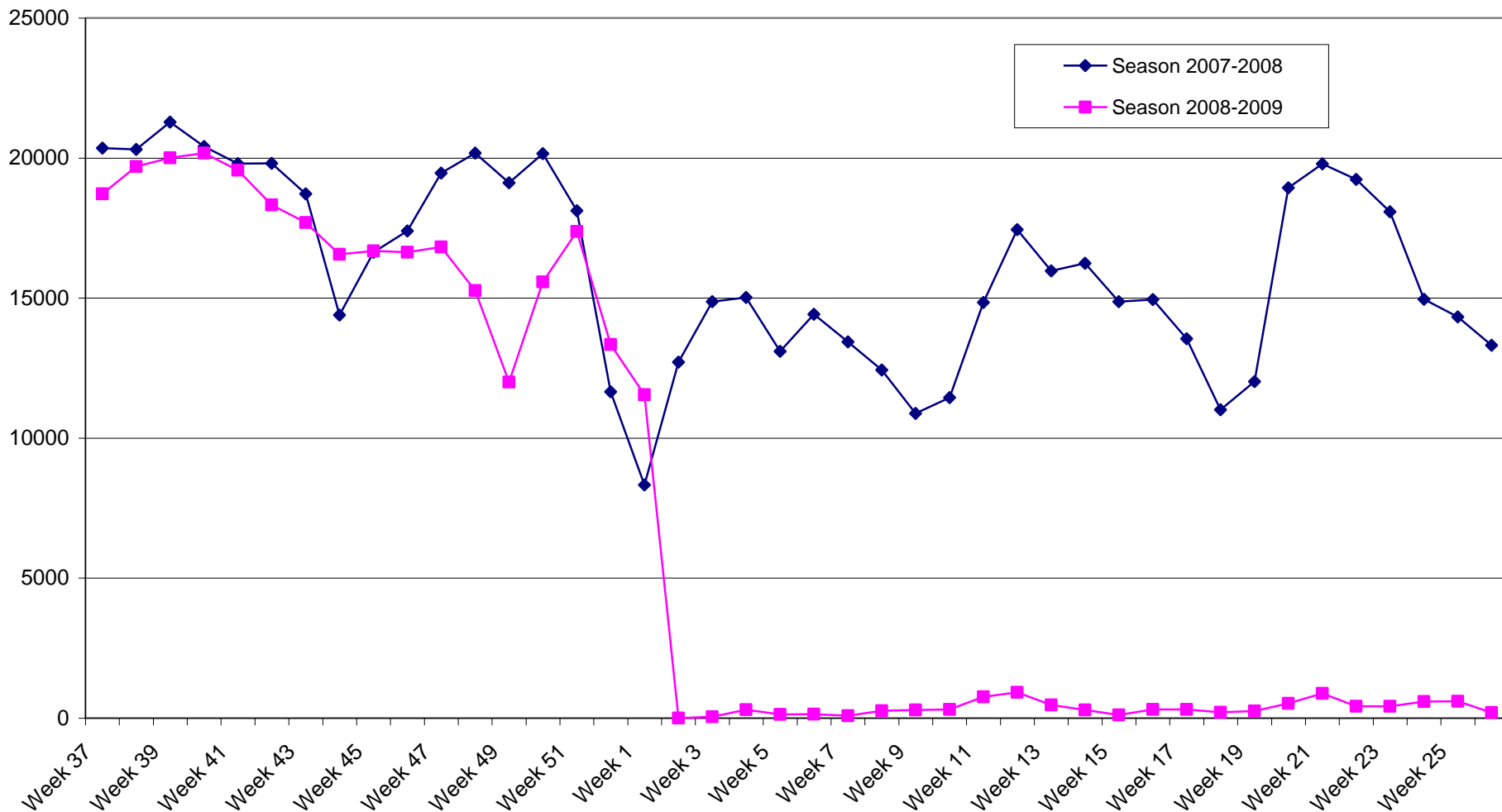
- **6.00-20.00**
- **20.00-6.00**

**From spots, minutes and revenues we can calculate:
price per spot, price per minute and lenght of a spot**

Source : TNS-France (now Kantar media)

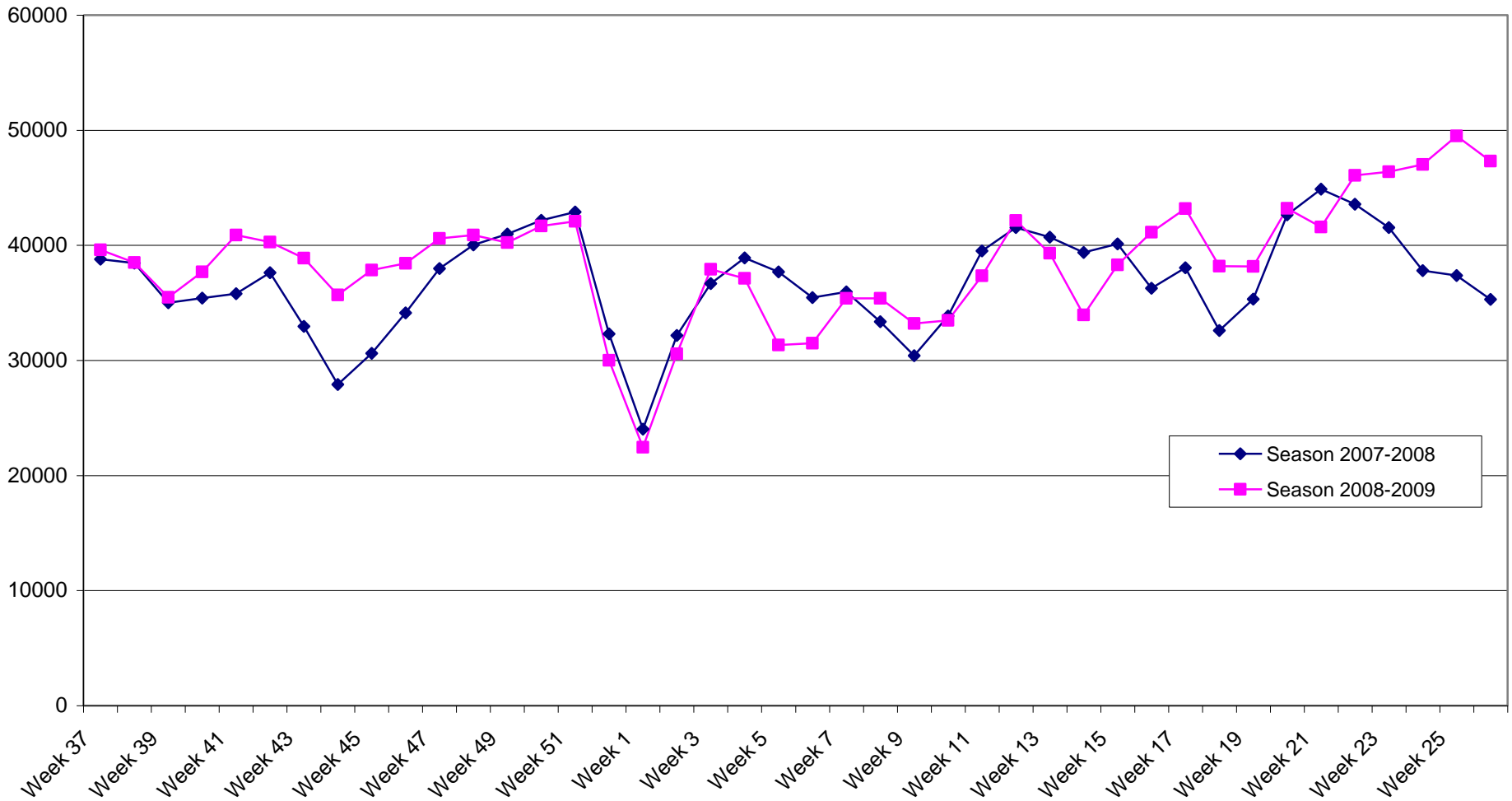
Seconds

Ad Seconds Public 20.00-6.00



Seconds

Ad Seconds Private 20.00-6.00



Seconds

Private 20.00 - 6.00

Week 37-52	Week 1-26
672.4902	565.0533

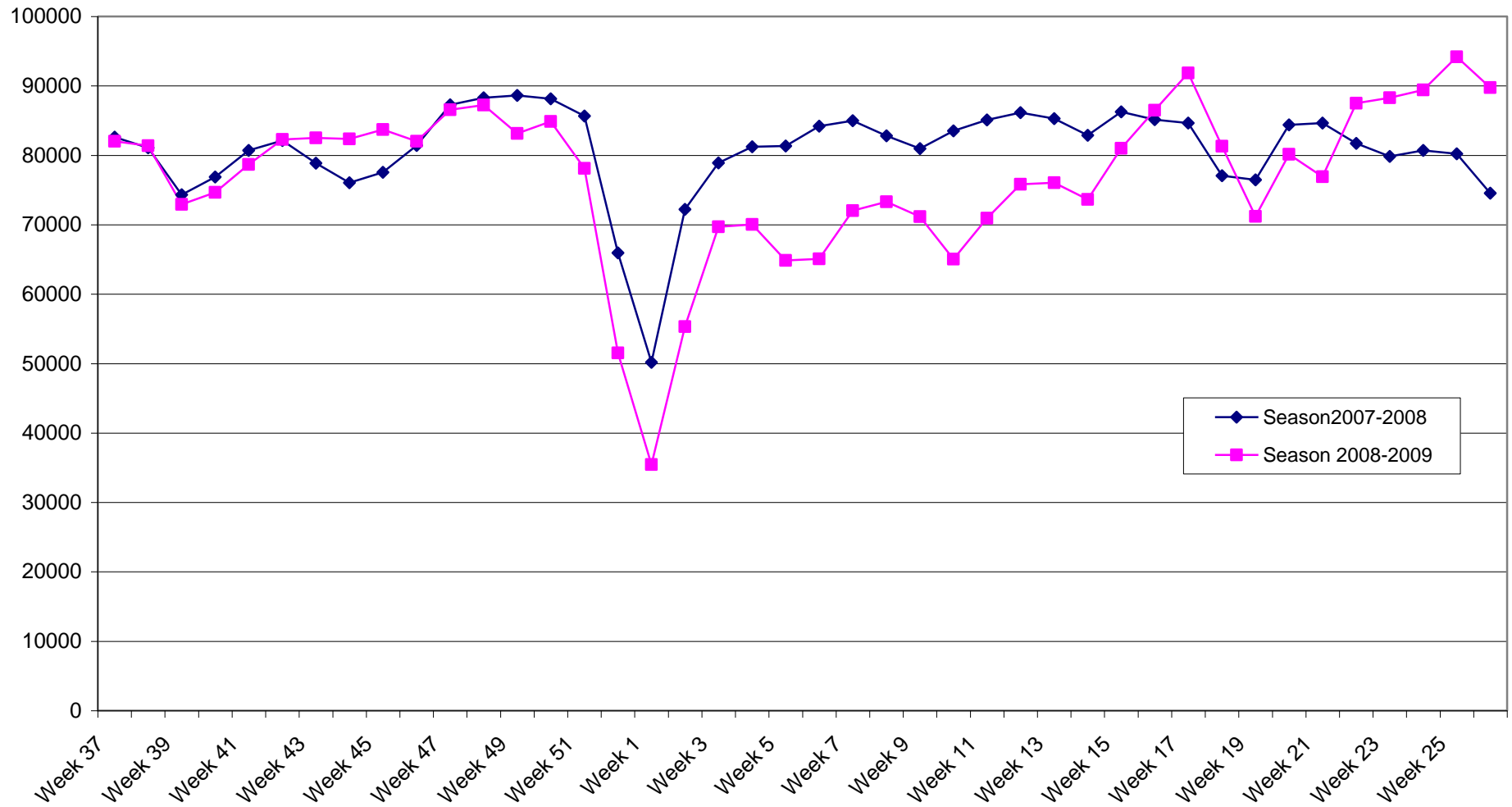
VARIABLES	Diff seconds
bann	-107.4 (358.2)
Constant	672.5** (276.4)
Observations	126
R-squared	0.001

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Seconds

Ad Private Seconds 6.00-20.00



Seconds

Private 6.00-20.00

Week 37-52	Week 1-26
-805.4615	-1332.733

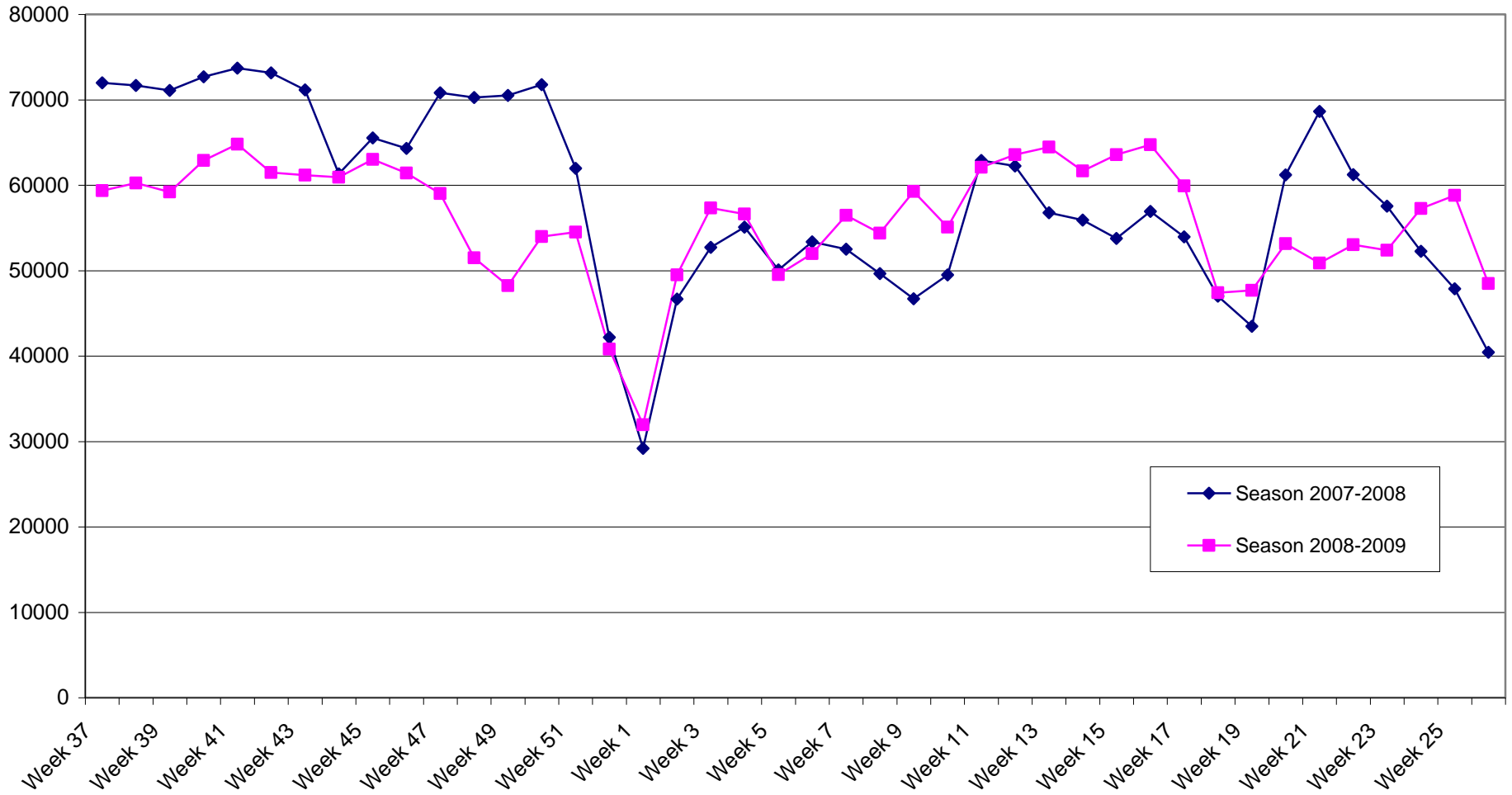
VARIABLES	Diff seconds
bann	-527.3 (749.3)
Constant	-805.5 (575.8)
Observations	127
R-squared	0.004

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Seconds

Ad Seconds Public 6.00-20.00



Seconds

Public 6.00-20.00

Week 37-52	Week 1-26
-2336.088	607.86

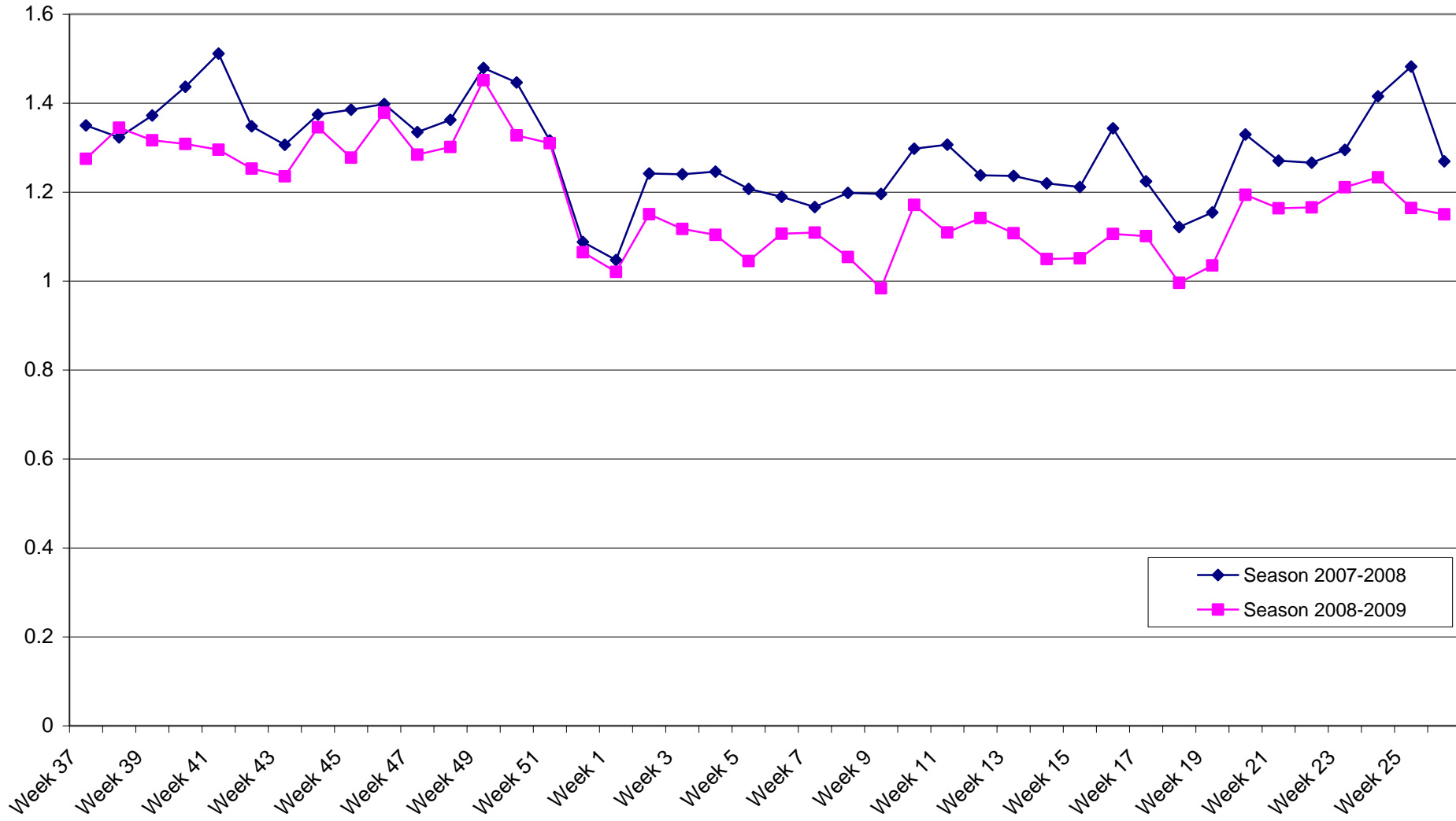
VARIABLES	Diff seconds
bann	2,944*** (411.8)
Constant	-2,336*** (317.7)
Observations	168
R-squared	0.235

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Price per second

Price per Second Private 20.00-6.00



Price per second

Private 20.00 - 6.00

Week 37-52	Week 1-26
-42.81021	-94.78962

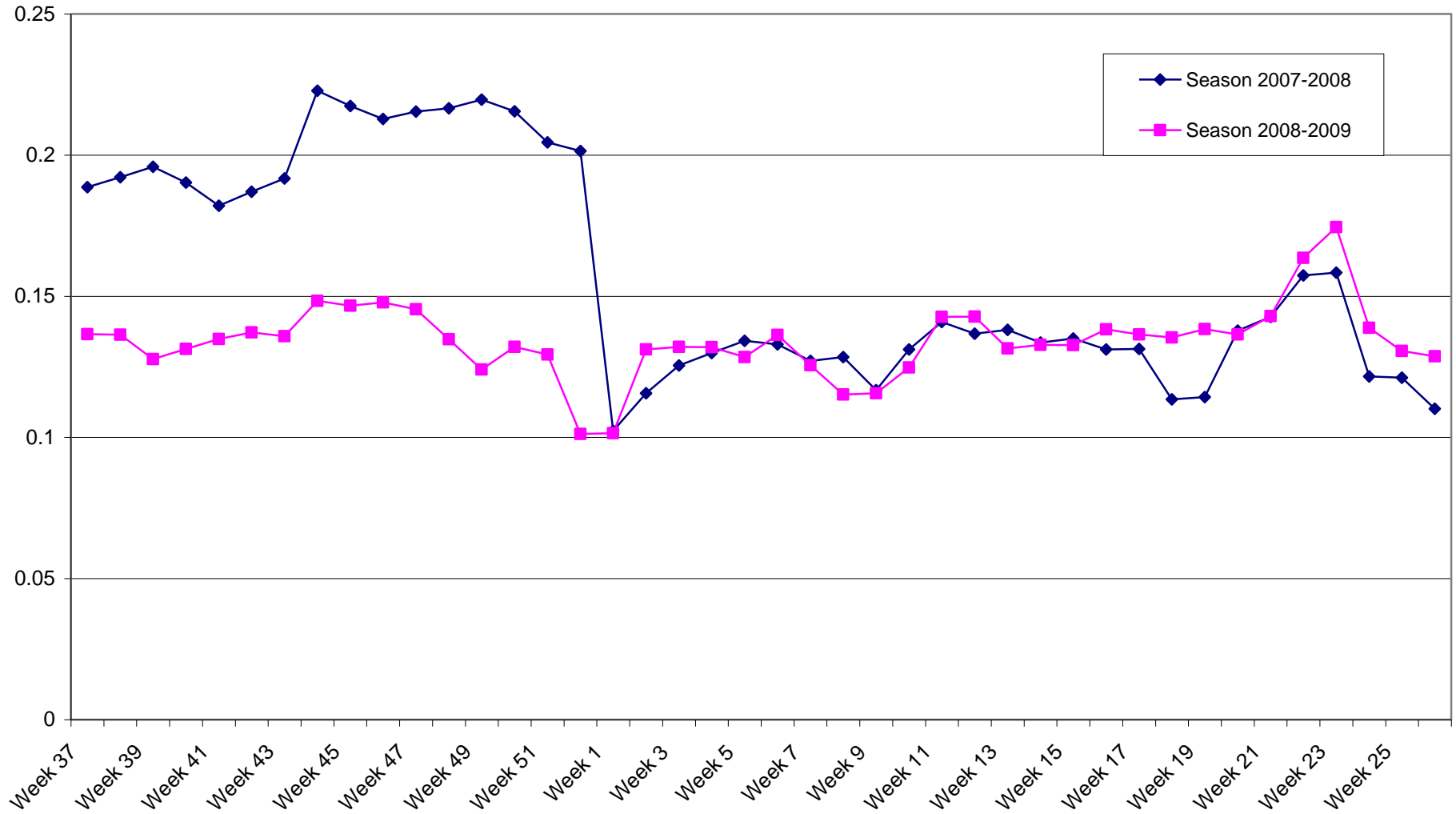
VARIABLES	Diff price per second
bann	-51.98** (25.55)
Constant	-42.81** (19.71)
Observations	126
R-squared	0.032

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Price per second

Price per Second Public 6.00-20.00



Price per second

Public 6.00 - 20.00

Week 37-52	Week 1-26
-84.88972	-4.606944

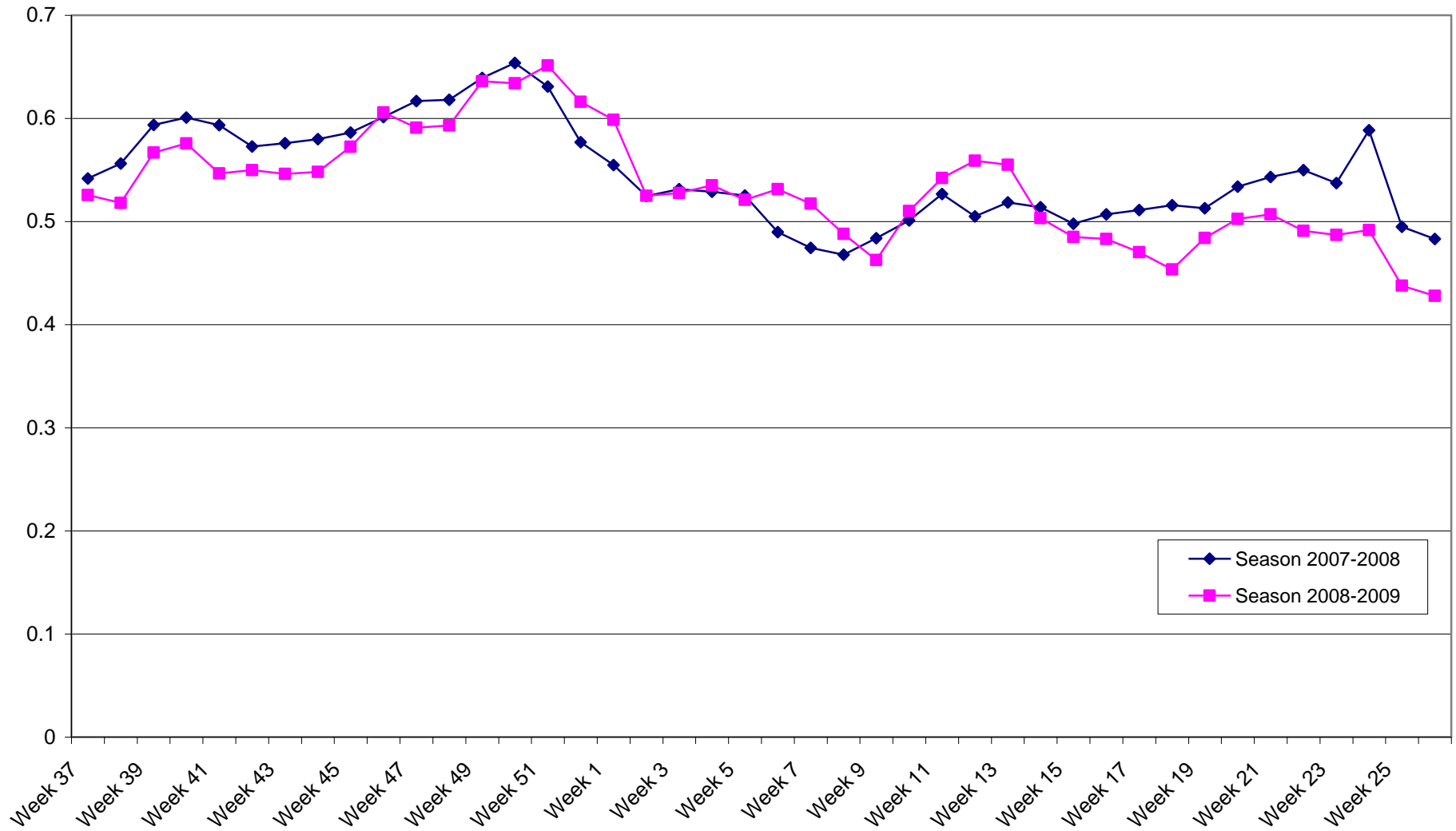
VARIABLES	Diff price per second
bann	80.28*** (6.510)
Constant	-84.89*** (5.023)
Observations	168
R-squared	0.478

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Price per second

Price per Second Private 6.00-20.00



Price per second

Private 6.00 - 20.00

Week 37-52	Week 1-26
-7.994654	-.5235488

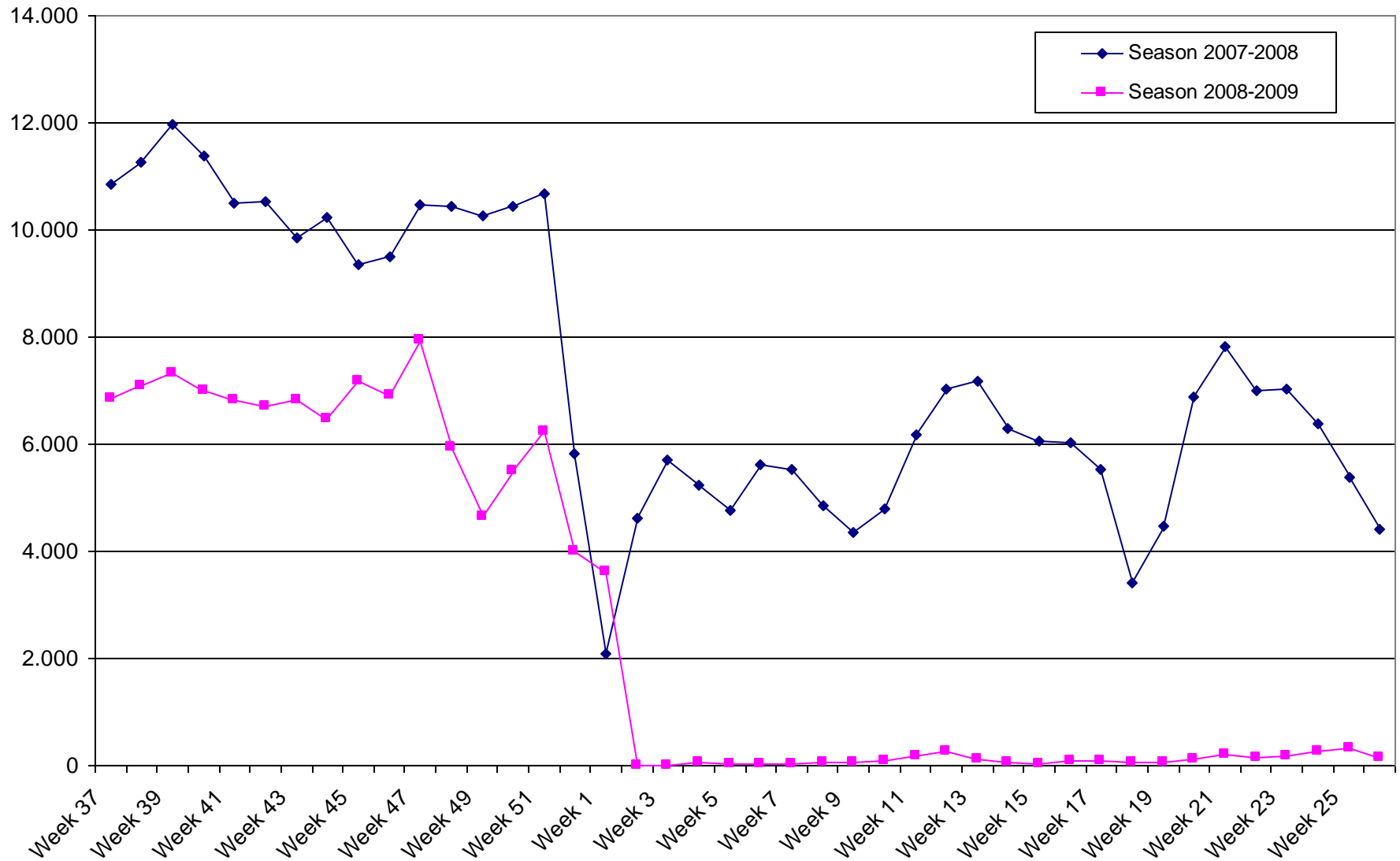
VARIABLES	Diff price per sec
bann	7.471 (12.95)
Constant	-7.995 (9.953)
Observations	127
R-squared	0.003

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

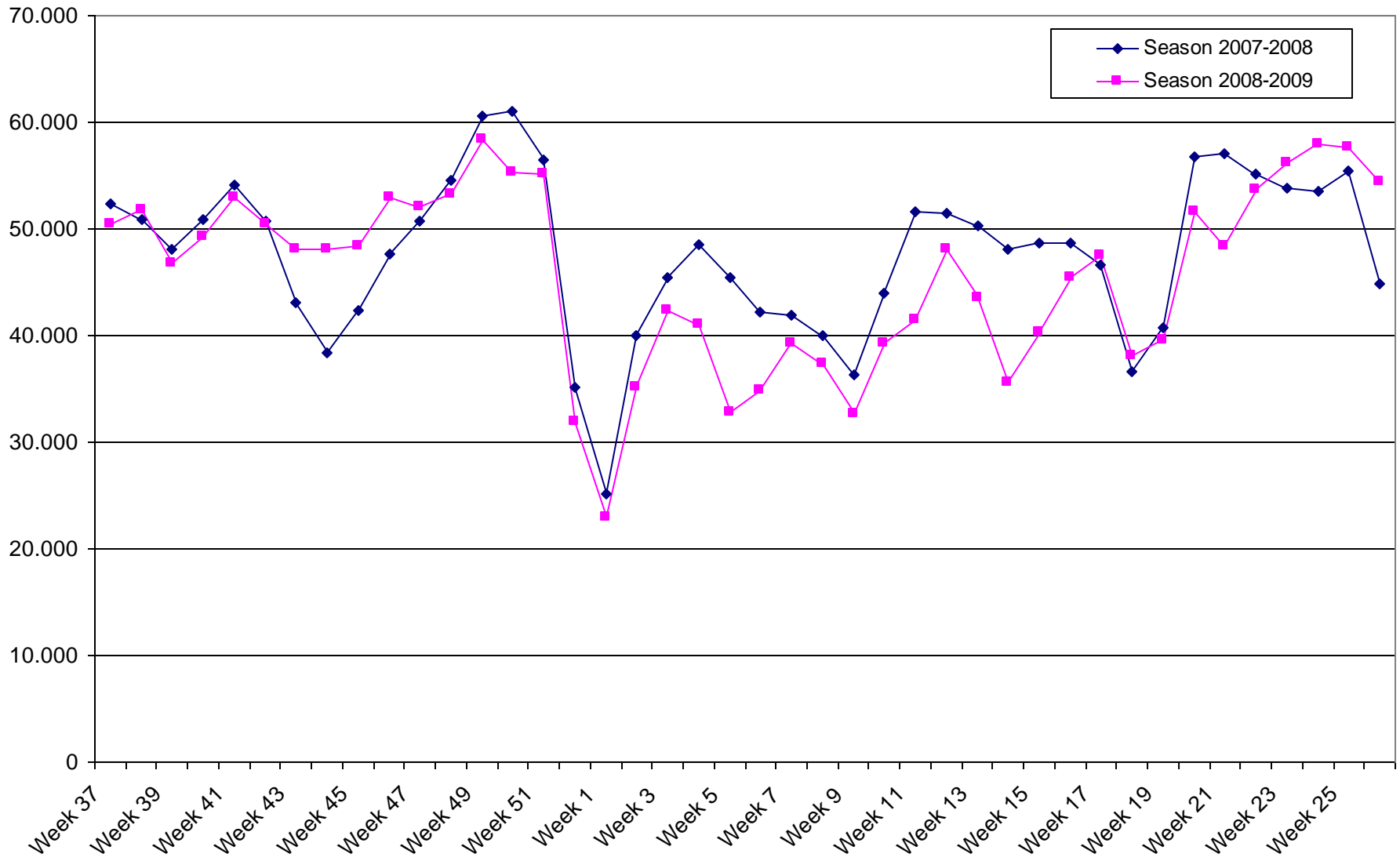
Revenues

Ad Revenues Public 20.00-6.00



Revenues

Ad Revenues Private 20.00-6.00



Revenues

Private 20.00 - 6.00

Week 37-52	Week 1-26
123015.4	-1142404

VARIABLES

Diff ad revenues

bann

-1.265e+06**
(505,675)

Constant

123,015
(390,137)

Observations

126

R-squared

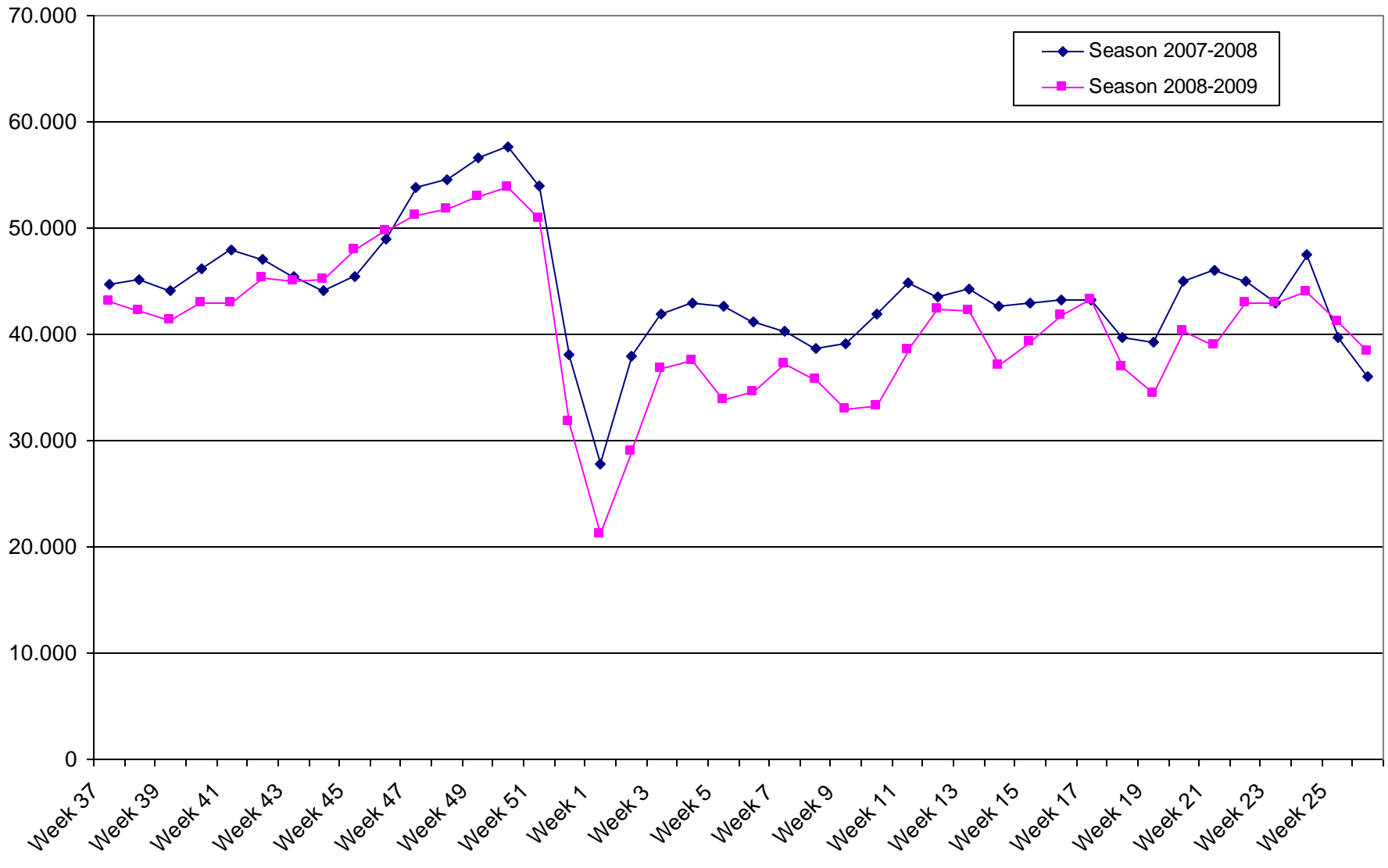
0.048

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Revenues

Ad Revenues Private 6.00-20.00



Revenues

Private 6.00 - 20.00

Week 37-52	Week 1-26
-941913.9	-1044293

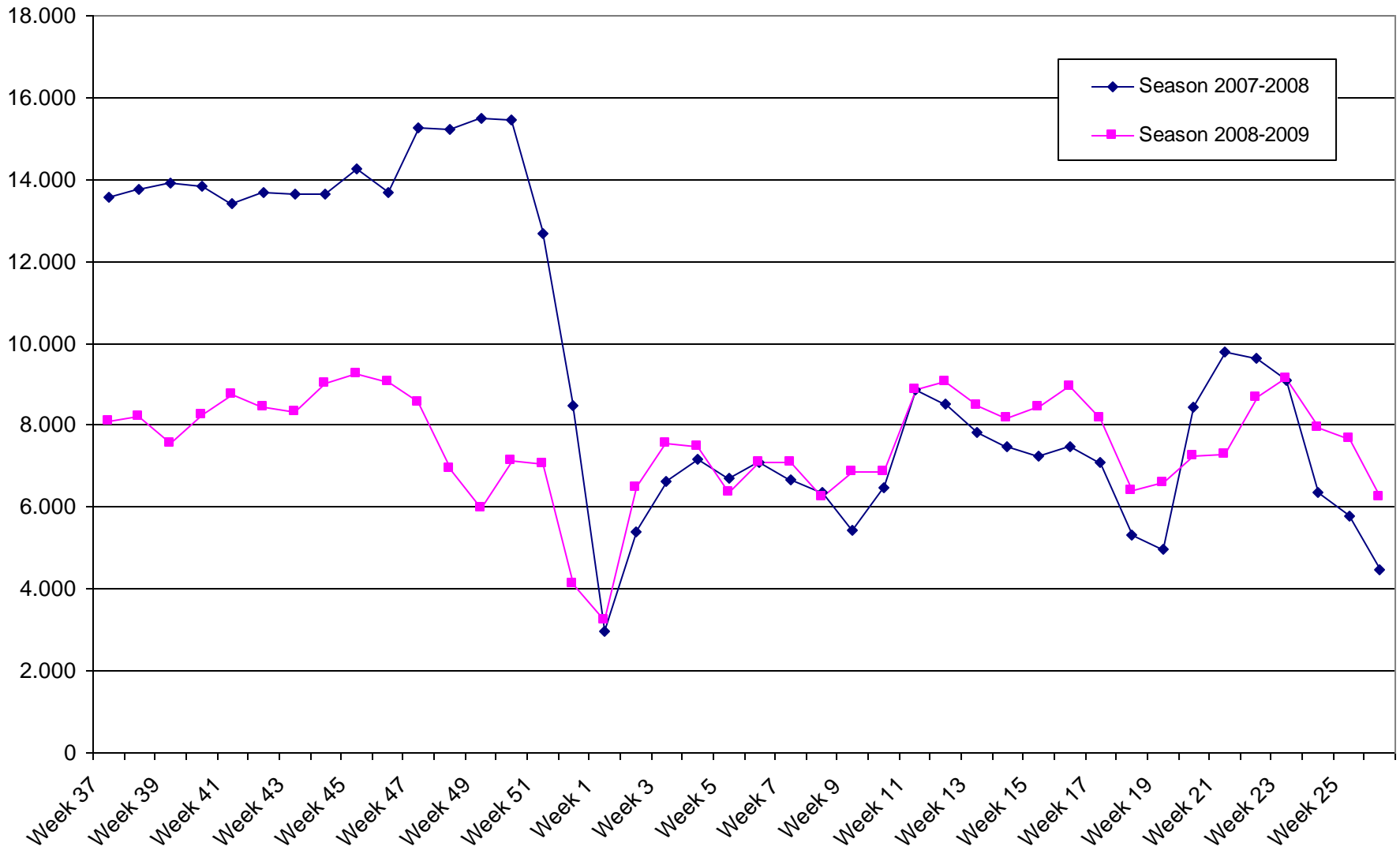
VARIABLES	Diff ad revenues
bann	-102,379 (456,542)
Constant	-941,914*** (350,841)
Observations	127
R-squared	0.000

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Revenues

Ad Revenues Public 6.00-20.00



Revenues

Public 6.00 - 20.00

Week 37-52	Week 1-26
-1396672	130861.7

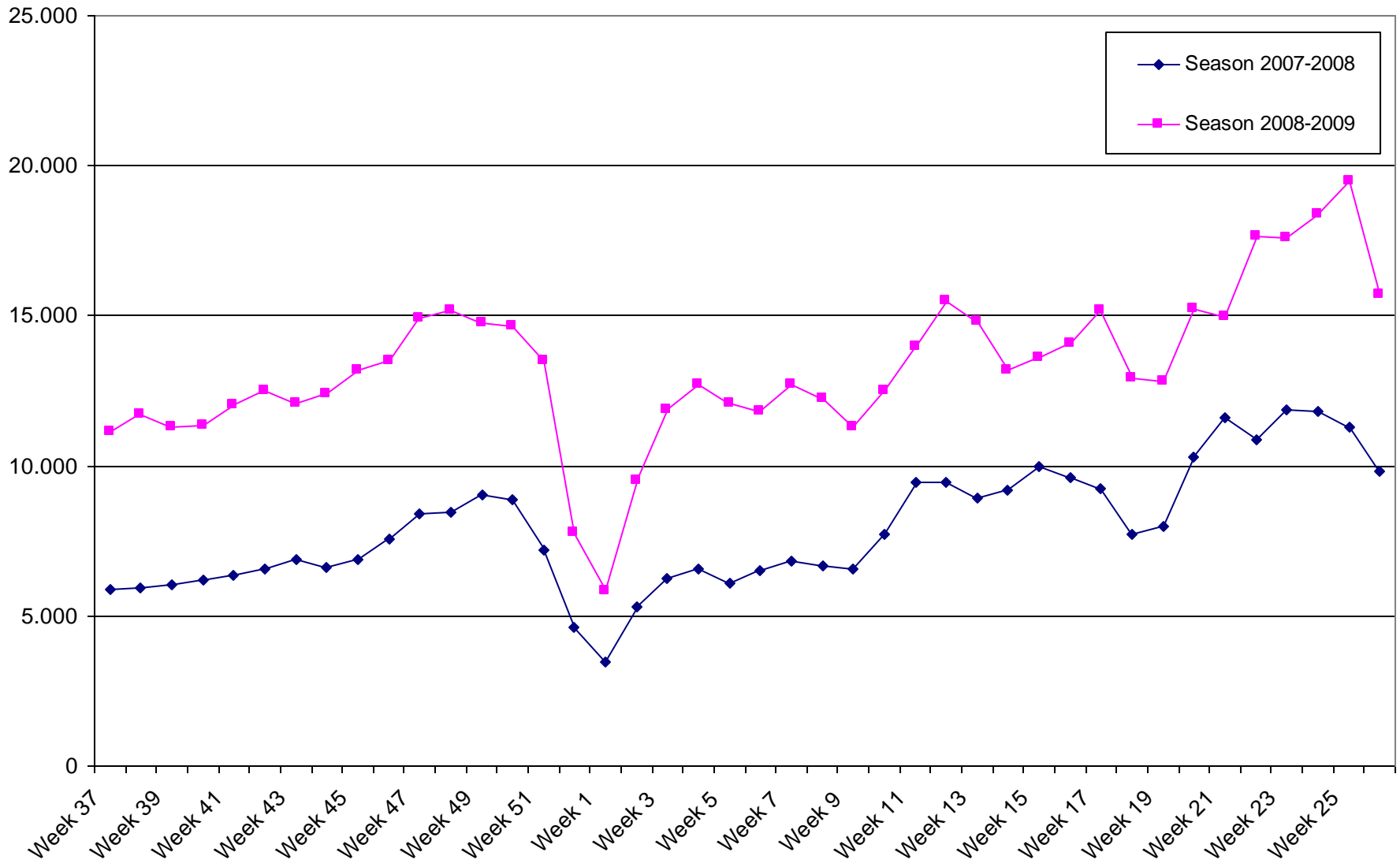
VARIABLES	Diff ad revenues
bann	1.528e+06*** (117,494)
Constant	-1.397e+06*** (90,648)
Observations	168
R-squared	0.505

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Revenues: DT

Ad Revenues Digital 20.00-6.00



Revenues

Digital 20.00 - 6.00

Week 37-52	Week 1-26
361569	378071.9

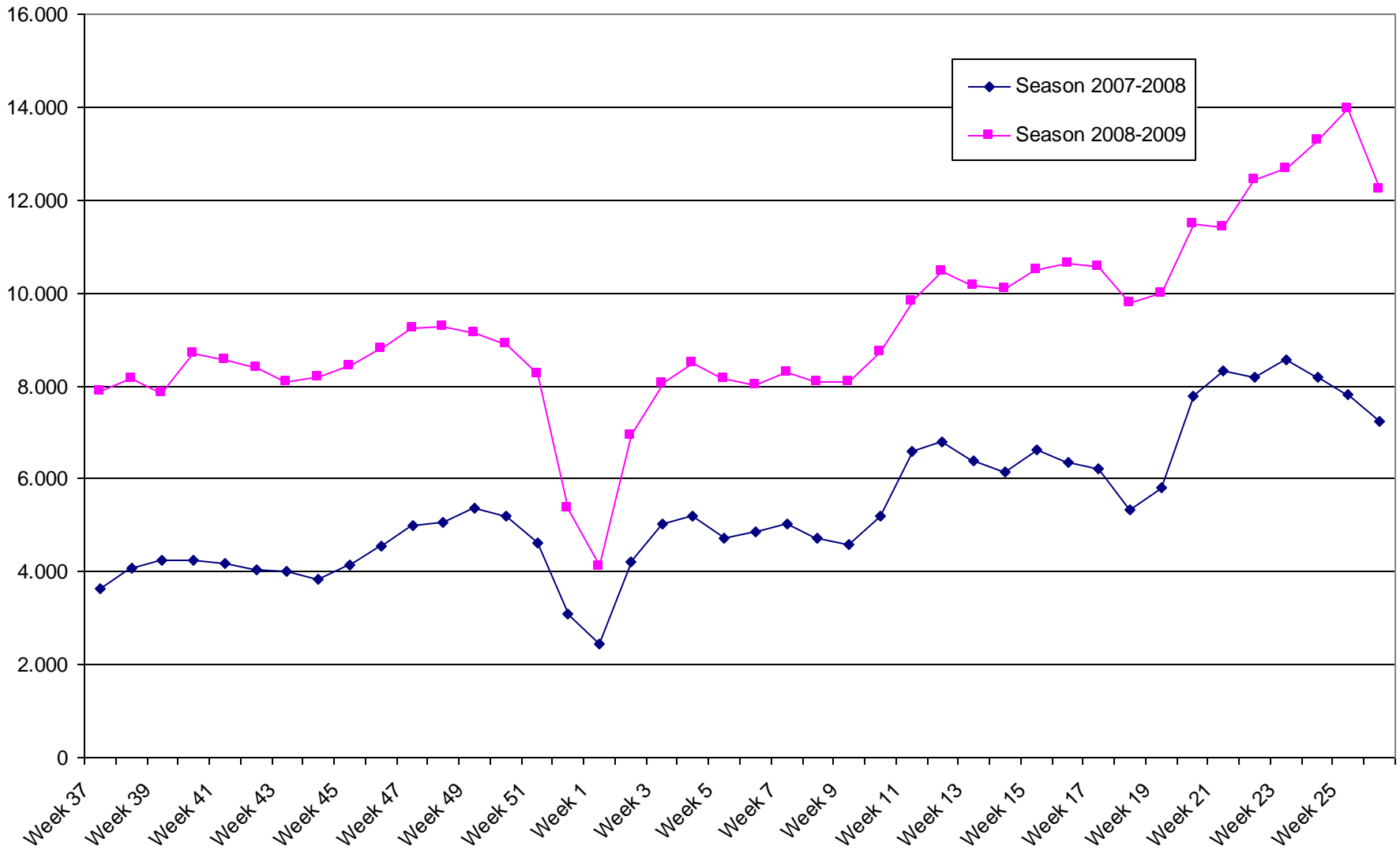
VARIABLES	Diff ad revenues
bann	16,503 (34,208)
Constant	361,569*** (25,983)
Observations	442
R-squared	0.001

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Revenues: DT

Ad Revenues Digital 6.00-20.00



Revenues

Digital 6.00 - 20.00

Week 37-52	Week 1-26
531650.6	549360.4

VARIABLES

Diff ad revenues

bann

17,710

(36,799)

Constant

531,651***

(28,357)

Observations

421

R-squared

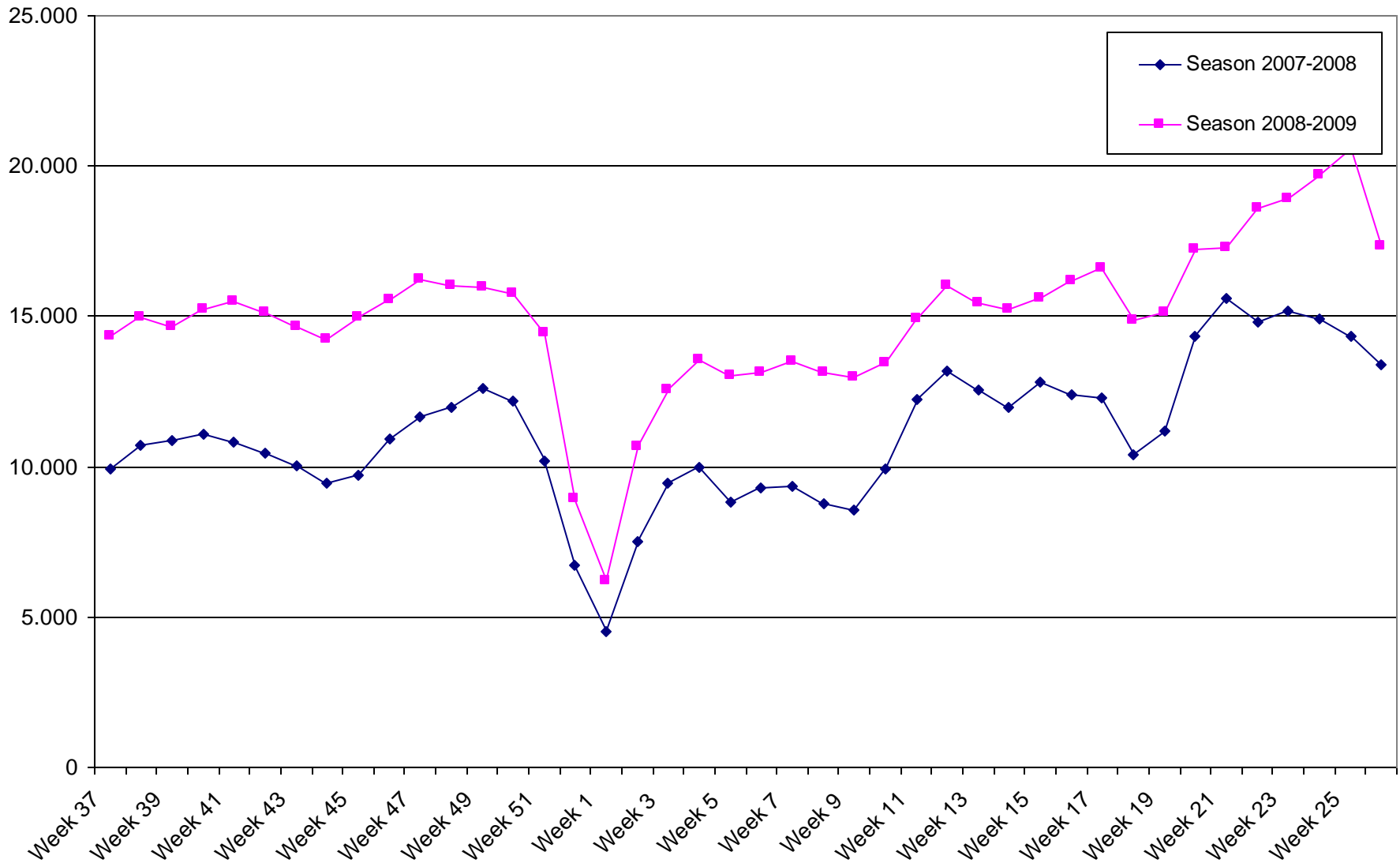
0.001

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Revenues: DT+Cable+Satellite

Ad Revenues Digital + Cable & Satellite 20.00-6.00



Revenues

Digital Cable and Satellite 20.00 - 6.00

Week 37-52	Week 1-26
52363.7	49897.71

VARIABLES

Diff ad revenues

bann

-2,466

(7,011)

Constant

52,364***

(5,394)

Observations

3,137

R-squared

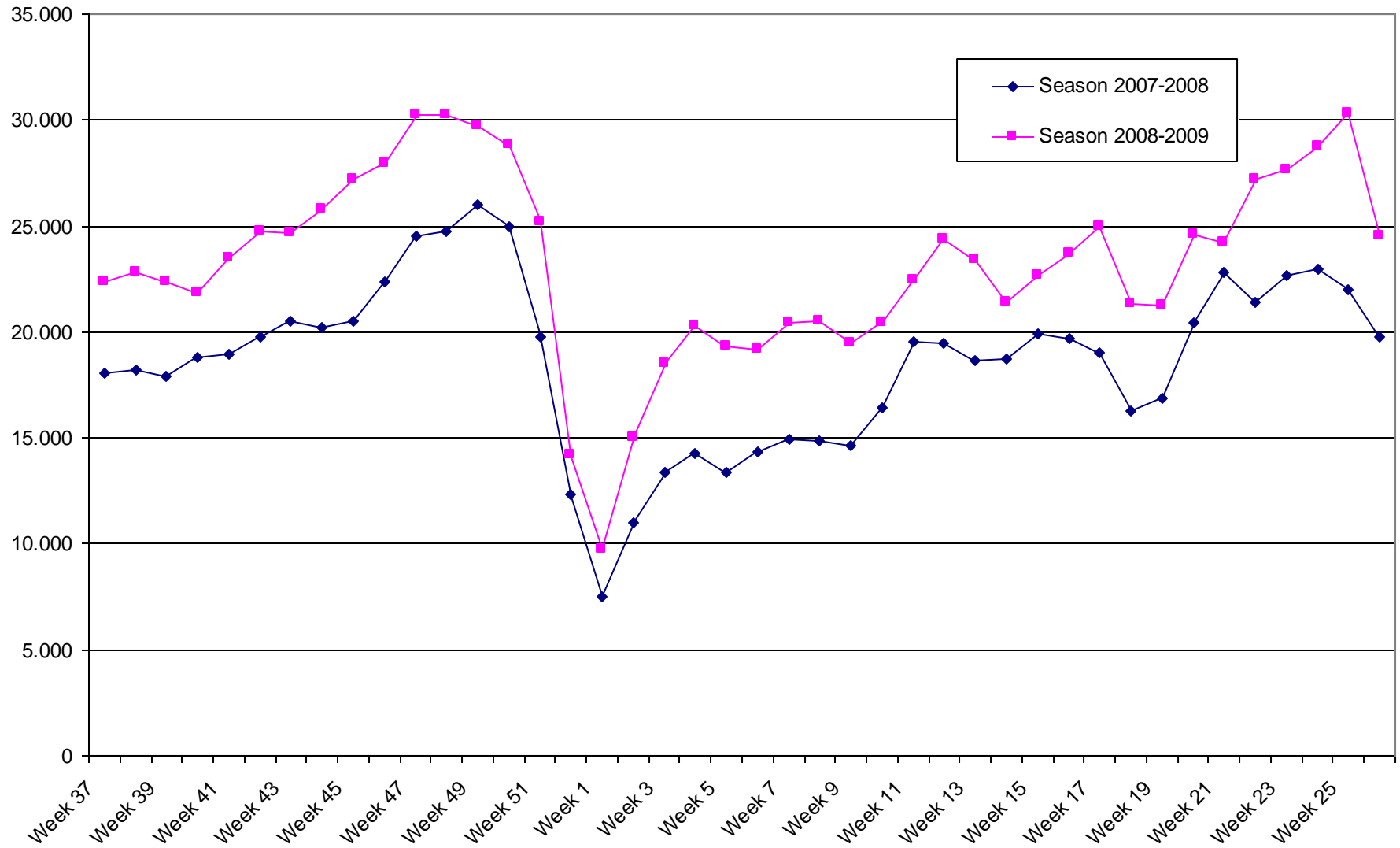
0.000

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Revenues: DT+Cable+Satellite

Ad Revenues Digital + Cable & Satellite 6.00-20.00



Revenues

Digital Cable and Satellite 6.00 - 20.00

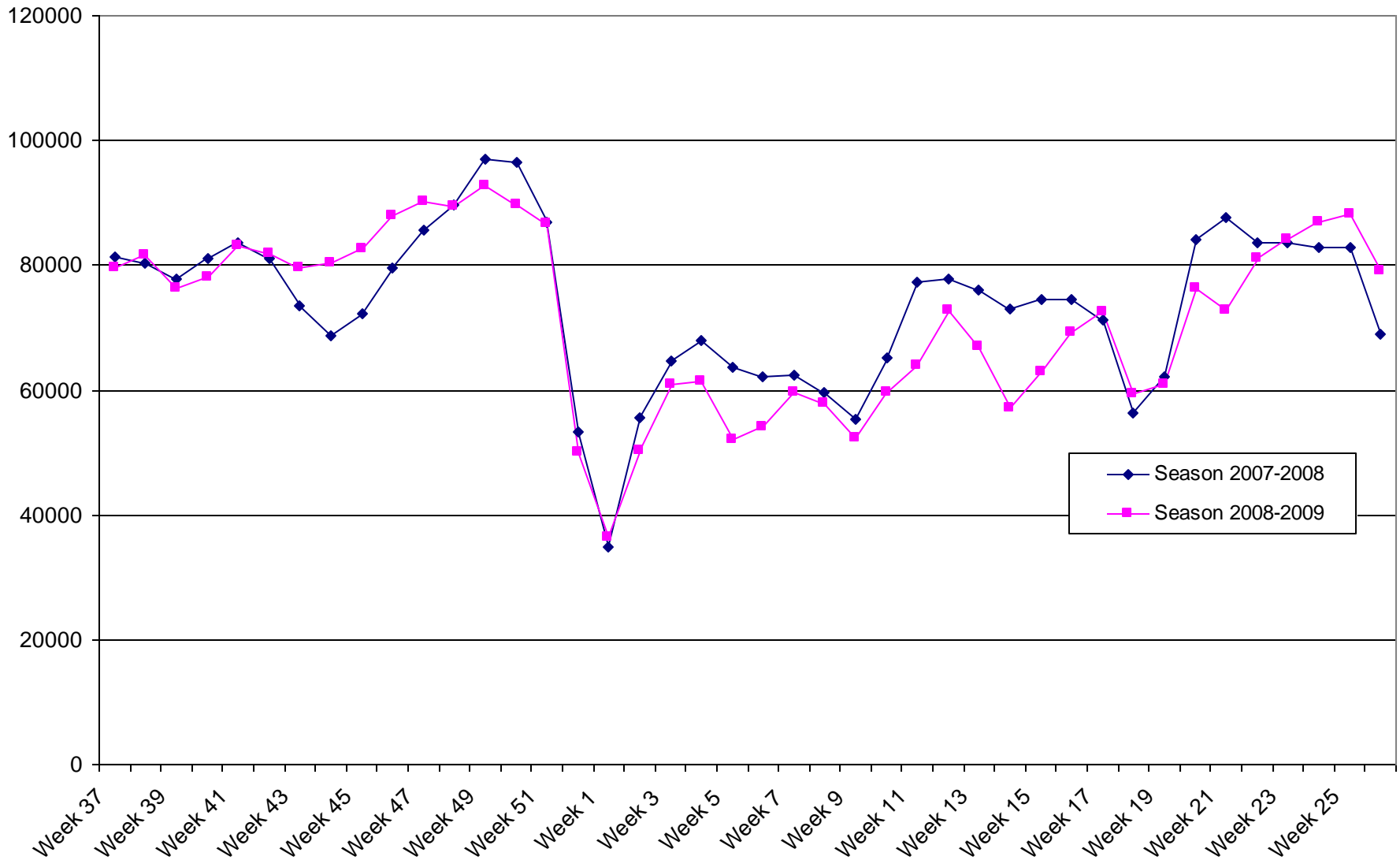
Week 37-52	Week 1-26
57448.17	66882.2
VARIABLES	Diff ad revenues
bann	9,434 (9,105)
Constant	57,448*** (7,024)
Observations	3,088
R-squared	0.000

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Market revenues

Ad Revenues 20.00-6.00



Revenues

All 20.00 - 6.00

Week 37-52	Week 1-26
10727.44	-64743.47

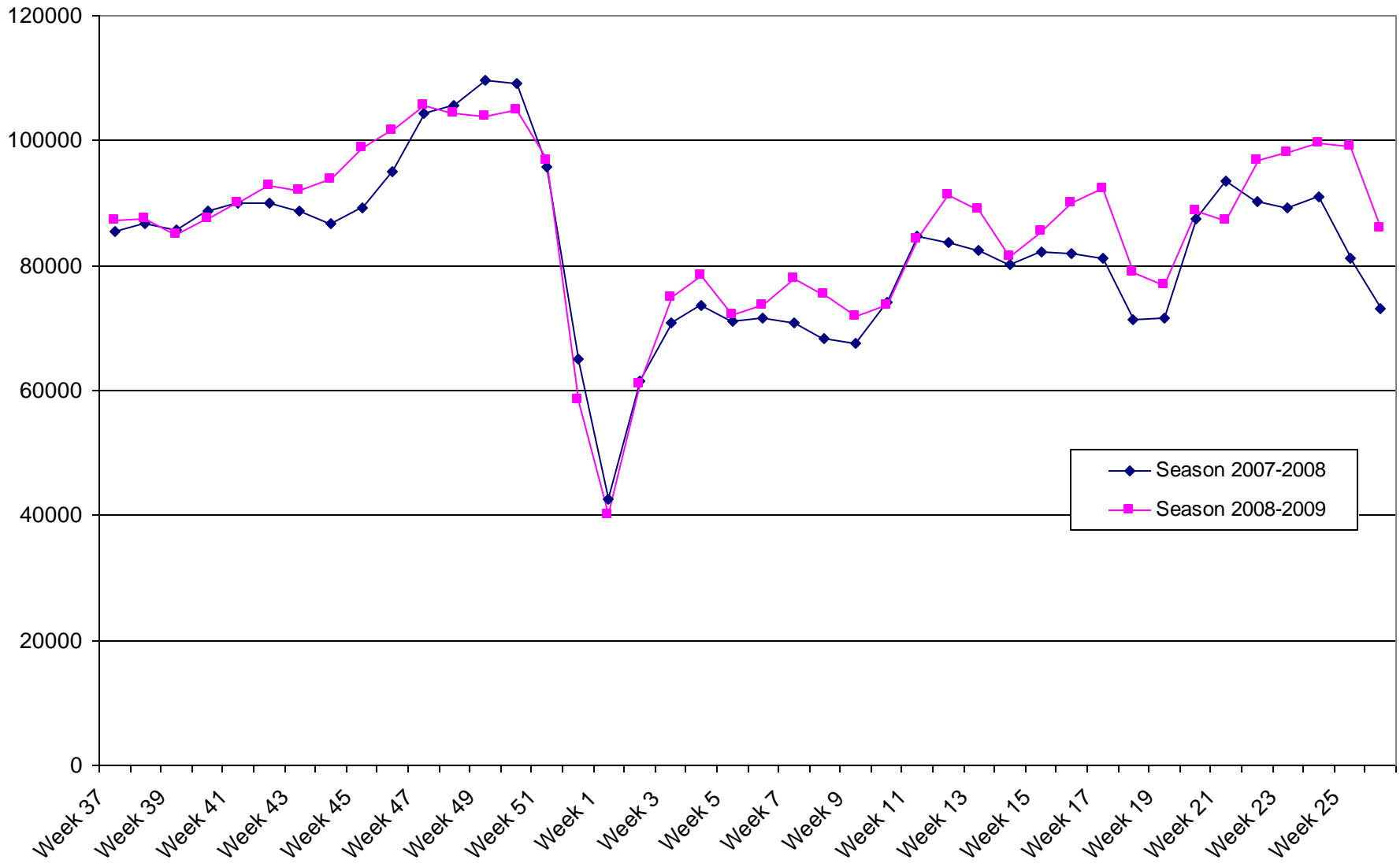
VARIABLES	Diff ad revenues
bann	-75,471*** (25,447)
Constant	10,727 (19,573)
Observations	3,347
R-squared	0.003

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Market revenues

Ad Revenues 6.00-20.00



Revenues

All 6.00 - 20.00

Week 37-52	Week 1-26
-52659.14	28660.56

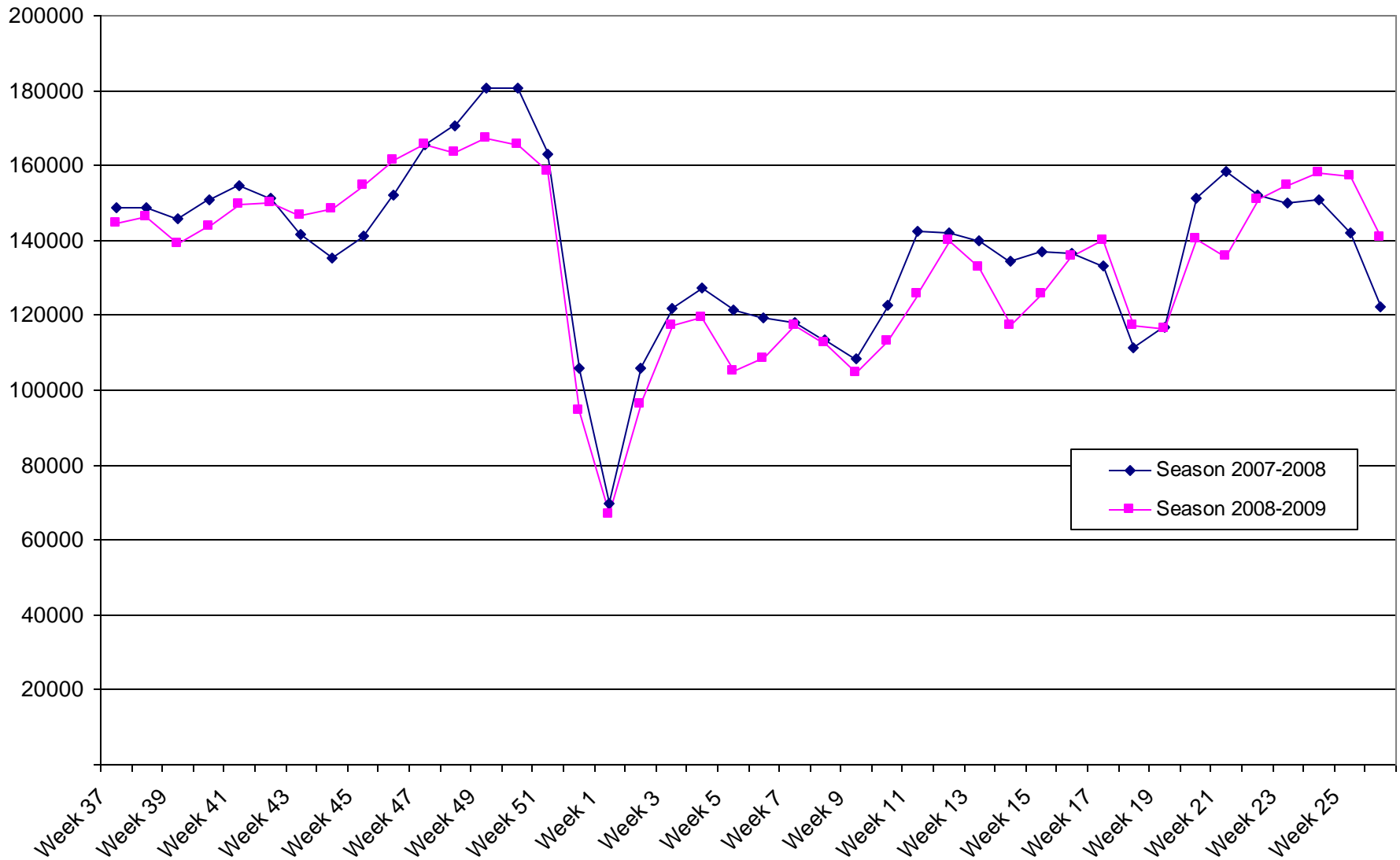
VARIABLES	Diff ad revenues
bann	81,320*** (22,151)
Constant	-52,659*** (17,087)
Observations	3,383
R-squared	0.004

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Market revenues

Ad Revenues



Revenues

All 24 hours

Week 37-52	Week 1-26
-21000.59	-17655.48

VARIABLES	Diff ad revenues
bann	3,345 (16,887)
Constant	-21,001 (13,007)
Observations	6,730
R-squared	0.000

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Summary of preliminary findings

- Contrary to the expectations, advertising did not shift to aerial private channels
- Part of advertising stayed in public TV but shifted to time slot 6:00- 20:00
suggesting that:
differentiation across time-slots is lower than differentiation across channels
(also a reason to extend the study to Spain)
- Advertising in digital terrestrial TV channels continued to grow but there is no change in the positive trend
so that:
maybe only a gradual shift

Three possible explanations

- Viewers dislike advertising (e.g. Wilbur(2008)), so that:
as advertising disappears from public TV, programs become more attractive, viewers switch from private TV to public TV, private TV gets less attractive for advertisers
(business press says no)
- Viewers single-home (i.e. watch just one channel or, at least, type of channel), so that:
(type of) TV channels are monopolists over access to these viewers, once advertisers cannot advertise to them, they stop advertising
(Armstrong(2006))

We need audience data to test these

Also Spanish data would be useful (partial vs total ban)

We will soon get data on advertising on newspapers and on Internet

To check if:

Advertisers shifted to Internet or back to newspapers

Thank you