

Response to Ofcom

Consultation on the quantity and scheduling of television advertising on public service channels

May 2023

1. About ISBA

- 1.1. ISBA is the only body in the UK that enables advertisers to understand their industry and shape its future, because it brings together a powerful network of marketers with common interests, empowers decision-making with knowledge and insight, and gives single voice to advocacy for the improvement of the industry.
- 1.2. ISBA is a member of the Advertising Association and represents advertisers on the Committee of Advertising Practice and the Broadcast Committee of Advertising Practice, sister organisations of the Advertising Standards Association, which are responsible for writing the Advertising Codes. We are also members of the World Federation of Advertisers. We are able to use our leadership role in such bodies to set and promote high industry standards as well as a robust self-regulatory regime.

2. Summary

- 2.1. Broadcast TV is fundamentally changing in the way it is consumed and delivered, within an increasingly fragmented media landscape. ISBA's membership includes leading TV advertisers, and our work on TV is led and informed by two member groups. Our TV & Video Action Group seeks to ensure members have the necessary information to navigate and to measure the effectiveness of their campaigns in this new audio-visual world, whilst at the same time challenging the marketplace so that advertisers' interests are protected. ISBA's Broadcast Taskforce, formed in 2020, comprises senior members with strong media experience, and is focused both on short-term broadcaster flexibility and the longer-term evolution of trading models. The ongoing concern of advertisers regarding the TV advertising ecosystem is the soaring cost of overall reach and the increasing difficulty of reaching younger audiences.
- 2.2. Brand advertisers tell us that their priority for in any TV ad campaign is to reach a broad audience, while limiting excess frequency to avoid bombardment and ineffective spend. Linear TV remains an effective form of media to reach a broad mass audience. Additional minutage within schedules will provide additional frequency within their TV ad campaigns not the audience reach they are prioritising.
- 2.3. Given the evolving video landscape, with increased choice and content, brands will not increase their overall Linear TV budget, brands will simply replan and move money between Sales Houses.
- 2.4. **We would encourage Ofcom to remain open-minded to making no changes and keeping the rules as they are. Although this is not listed as one of the main options in the consultation, it is the preferred option of brand advertisers and reflects the feedback we have received from our members.**
- 2.5. For reference, we would refer Ofcom to our evidence submitted to the previous consultation on this issue, in which:

- Our primary concern was that there are too many unknown factors and consequences which an amendment to COSTA could bring to the audience experience, competition, and long-term financial sustainability of the TV advertising market. We would, therefore, asked Ofcom to conduct a thorough independent assessment of the implications of the proposed change, alongside a holistic review of the TV trading market.
- We saw that the more pressing issue for brand advertisers is that there is a competitive advertising environment across Linear, BVOD and VOD services to take account of the rapidly evolving media landscape.
- We recommended that a holistic review of the market was necessary following the findings of the Enders Analysis report, commissioned by ISBA, on [‘TV advertising: Evolving the model’](#).

2.6. However, if Ofcom has discounted ‘no change’ as an option, we prefer option 2 – to make the rules the same, except for the difference in the number of internal breaks permitted in programmes. Of the two listed options, keeping the rule on the number of breaks permitted in programmes would mitigate some of our concern of audience bombardment.

3. Question 1: Do you agree with our provisional view that the retention of the stricter rules that apply only to PSB channels is not justified? If not, please explain why.

3.1. We do not agree with the provisional view that the retention of the stricter rules that apply to PSB channels is not justified.

3.2. For a brand advertiser, the role of PSB advertising is to build reach quickly and at scale, in quality environments. As more viewing shifts towards streaming, reach building is becoming increasingly difficult to effectively achieve. There is concern among brand advertisers that audience bombardment will have a negative affect over time. One leading UK brand advertiser in the UK told us:

“Cluttering the viewing experience with longer ad-breaks will drive viewers further away from PSB linear viewing. We must not follow the model adopted in America where linear viewers have switched off in their masses due to the ad-loaded linear streams which are now the norm.”

3.3. Our members do have concerns regarding the viewer experience, and the ability for brands to stand out in an increasingly crowded market and viewer experience. The priority of brand advertisers is the long-term future and sustainability of a high-quality TV environment, in which PSBs play a critical role. A UK brand advertiser told us, in response to these proposals:

“PSBs provides a quality viewing experience for audiences to consume content and advertising, and increasing the frequency and length of the advertising, will diminish the experience for the audience. The audience will over time move from PSBs to the ever-increasing alternative video streaming channels.”

3.4. Inflation on TV for younger audiences has been huge in recent years. Brands would of course welcome deflation, but not at the long-term risk of losing viewers. One of our members told us that:

“The increased mintage does present brands with the opportunity to deliver additional impacts, but at a cost to the quality of the advertising environment.”

- 3.5. The increase in ad impacts which may occur with the proposed changes is circa 7-8%,¹ with revenue remaining flat. Brands have stated that they do not see the Linear TV market growing, so this would result in deflation of the same magnitude.
- 3.6. The TV pricing model, Station Average Price (SAP) is calculated by dividing Revenue over Impacts. Revenue, however, also includes a portion of Broadcast Video-On-Demand (BVOD), Sponsorship and Product Placement spend – but it does not include any of these impacts. TV pricing is currently deflating, via reduced spend and moderately strong (i.e. not massively reduced) impacts. This deflation has not brought a sudden influx of new advertisers to TV, and it is unlikely that a minor change in pricing in the future would do so – even if the overall economic climate strengthens.

4. Question 2: Do you have a preference between the proposals under Option 1 and Option 2? If you do not agree with the proposals under either option, please explain why.

- 4.1. We would encourage Ofcom to remain open-minded to making no changes and keeping the rules as they are. Although this is not listed as one of the main options in the consultation, it is the preferred option of brand advertisers and reflects the feedback we have received from our members.
- 4.2. However, if Ofcom has discounted ‘no change’ as an option, we prefer option 2 – to make the rules the same, except for the difference in the number of internal breaks permitted in programmes. Of the two listed options, keeping the rule on the number of breaks permitted in programmes would mitigate some of our concern of audience bombardment.
- 4.3. The Advertising Association’s 2018 ‘Public Trust in Advertising’ research highlighted that:

“Bombardment is the biggest issue of all the public concerns about advertising and accounts for half of the “negatives” in our consumer research. Within that broad umbrella of “bombardment,” 45% of people are annoyed by repetition and obtrusiveness (getting in the way of their media experience), and 35% are irritated about volume.”

- 4.4. The ‘Rebuilding Public Trust in UK Advertising’ report, which revisited the original 2018 research, restated that *“bombardment is the most important driver of the public’s distrust in advertising”*. The recommendations of the 2021 ‘Rebuilding Public Trust in UK Advertising’ report to improve public trust in advertising included reducing bombardment, and stated that:

“Bombardment was the most important negative driver in 2021, especially among the old (the most negative demographic). By bombarding consumers, we are overloading them with adverts and making them fatigued and annoyed. This means that moving forward, consumers are going to do

¹ Research conducted by Ebiquity, on behalf of ISBA, May 2023

everything they can to avoid advertising. This is a cross-media issue that contains many market challenges for brands and advertisers.”

5. Question 3: In the event that we proceed with Option 1 or 2, we suggest a one-year period before implementation. Do you agree? If not, please explain why.

5.1. No, we do not agree with this position.

5.2. In response to the previous Ofcom consultation on this issue, ITV proposed a two-year trial basis. We would support this approach if the changes were to go ahead. We see that this is a better option for several reasons:

- Broadcaster programming will need to be adjusted over time to accommodate the additional minutage of advertising within each programming hour. This will be a gradual process as new programming is commissioned and schedules adjusted.
- Annual and multi-year agency deals are already in place between brands, agencies and media owners, which will take time to renegotiate or be amended over time. Benefits would be in the medium to long-term and would not support business with the current short term inflationary pressures.
- A trial basis will allow for a monitoring of the impact of these changes on the market. If there are no problems the changes can be maintained, but if unforeseen and unintended negative consequences arise in the market or audience experience then these changes can be reviewed and, if necessary, amended.

5.3. We hope that a two-year trial basis would provide time for Ofcom to conduct audience research to understand the effects of these changes and to understand whether it protects both the viewing experience for linear TV viewers, and the audience for advertisers.

6. Question 4: Is there any further information you wish to provide regarding changing the stricter rules in COSTA?

6.1. From our analysis, the overall change in share of commercial impacts resulting from the increased minutage could result in a two percentage-point swing of impact from the Sky sales house to ITV. Without accounting for any premium from peak minutage – which delivers 75% of the gain – this could equate to approximately £100m of market share transferring from Sky to ITV if the share of broadcast follows the share of commercial impacts in the mid-term. With the premium for peak, this could be up to a £150m market share changing hands.

6.2. The primary driver of inflation in the TV advertising market is the long-term trend of declining audience figures in Linear TV and the knock-on rising cost of audience reach, which this proposed amendment to COSTA does nothing to address. Audience reach, not frequency, is the primary concern of brand advertisers. While there may be some temporary alleviation of inflationary pressure brought about by amending COSTA, this will be short lived and unsustainable. In the medium to long-term the impact will be minimal in relation to the long-term changes in TV pricing where since 2015³ we have seen:

- A cost-per-thousand increase of 40-50% for adult audiences.
- A 305% cost-per-thousand increase for audiences aged 16-24.

- 6.3. Due to declining audience figures, and an audience which is older, broadcasters have struggled to reach much-demanded younger viewers in recent years. Most peak airtime slots are already maximised in minutage. Additional ad minutage allowance would be placed largely in airtime which attracts older viewers.
- 6.4. As mentioned in our previous consultation response on COSTA, the impact of levelling the minutage rules would be significant for all broadcasters and sales houses, therefore we see that the proposal would need an independent review, research and further consultation before implementation can be considered.
- 6.5. In addition, our analysis of the current ad minutage for PSB broadcasters during peak hours suggests that the only spare minutage would be in the hours that include news bulletins. While these timings and programming adjacency may be suitable for some brands, other advertisers have expressed a lack of appetite for advertising alongside news. Therefore, even with the proposed rule change, there may be limited demand for the peak programming hours where there is capacity for more advertising.
- 6.6. Given the concern from advertisers that, over the long-term, there will be a detrimental impact on the quality of the linear TV advertising environment, we note that there are also no measures or reassurances from Ofcom or broadcasters that any increased revenue attained through increased ad market share would be reinvested into original programming and content, to attract the audiences which advertisers value. There is a concern from some brand advertisers that these proposed changes will lead to a shift in market share, while having a negative impact on the long-term sustainability of linear TV.
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For further information or to discuss this further, please contact Bobi Carley, ISBA's Head of Media/ Inclusion Lead on Bobic@isba.org.uk.

