

31 May, 2023

IPA Response to Ofcom consultation: Quantity and scheduling of television advertising on public service channels – proposals for removing regulation

About The IPA

The IPA is the professional body representing advertising, media and marketing communications agencies based in the United Kingdom. We have approximately 270 agency brands within our membership. Our member agencies include those planning and buying the vast majority of UK TV advertising spend on behalf of their advertiser clients (over 90% in 2021¹).

As a membership body incorporated by Royal Charter, the IPA's role is two-fold: (i) to provide essential core support services to our corporate members who are key players in the industry; and (ii) to act as our members' spokesperson.

Advertising is fundamental to the UK economy. Every pound spent on advertising returns £6 to GDP². It plays a crucial role in brand competition, drives innovation and fuels economic growth. It also helps fund our media and employs thousands of people throughout the UK.

Introduction

Following a call for evidence last year, Ofcom have provisionally concluded that stricter advertising restrictions on PSB channels are no longer justified or proportionate.

Ofcom are consulting on two options:

- 1) make the rules between PSB and non-PSB channels the same; or
- 2) make them the same, except for the difference in the number of internal breaks permitted in programmes. This is our preferred option.

The IPA Submission

We have taken the questions of the consultation in turn and answered them below.

¹ Nielsen Ad Intel

² Deloitte's Advertising Pays 2 Report, 2016

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.

As per our 7 October, 2022 submission to the Ofcom call for evidence, we remain in agreement with Ofcom's provisional view that stricter rules that apply to PSB channels are not justified.

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.

As per our 7 October, 2022 submission to the Ofcom call for evidence, we continue to prefer Option 1: make the rules between PSB and non-PSB channels the same.

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. relevant COSTA rules operate as a distortion of competition?

Yes, we agree with a one-year period before implementation.

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

Contract Rights Renewal

PSB, ITV1, has unique properties in reaching large audiences and enabling mass cover build over a very short period of time. This was the thrust of the case for introducing the Contract Rights Renewal (CRR³) mechanism. Whilst the TV marketplace has changed significantly since this remedy was introduced in 2003, it is worth noting evidence suggests ITV is still unique in its ability to deliver fast cover build and that it is still extremely difficult to replace ITV1 on TV schedules. 89 of the 100 largest commercial programme audiences (89%) were delivered by ITV in 2021⁴. The figures would be 93.2%, if you extend to the top 1000 programmes.

The CRR remedy gives advertisers and media buyers the right to renew their contracts with no increase in the share of their spend that they commit to PSB channel ITV1 and no reduction in the discounts they receive. CRR and the Office of the Adjudicator remain vital in any post-harmonisation of PSB channels. The one-year pre-implementation period provides an opportunity to monitor any unforeseen consequences of PSB harmonisation.

³ https://www.ofcom.org.uk/data/assets/pdf_file/0016/27610/crr_summary_pdf.pdf

⁴ GroupM Media Investment

The broader video viewing and video advertising markets

Live broadcaster viewing now represents less than half of total video viewing in the UK. In 2022, 17% of video viewing was via non-live broadcaster BVOD platforms and a further 37% via SVOD and online video⁵. The forecast trend is for broadcast live video viewing minutage to continue to decline.

The video advertising market reflects these changes. Nearly 16% of TV advertising revenue was via BVOD in 2022⁶. This revenue represented only 14% of the internet media-based video advertising market with over £5 billion spent on other online platforms.

Channel 4 aims to deliver 30% of its total revenues from digital advertising by 2025⁷. ITV has set a target of £750m per year from digital advertising by 2026⁸.

A natural next step following the harmonisation of PSB and non-PSB broadcast channels would be to review the commercial minutage regulatory environment of the broader video advertising market.

⁵ Source: Enders Analysis, ONS, BARB/AdventEdge, Comscore, industry research

⁶ Source: AA/WARC Expenditure Report, April 2023

⁷ <https://annualreport.channel4.com/assets/pdf/annual-report-2021.pdf>

⁸ <https://www.itvplc.com/~media/Files/I/ITV-PLC/documents/reports-and-results/annual-result-2022-v1.pdf>