

Lessons from the French advertising ban on prime-time public TV

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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) and also 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 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](#), basically suggesting that the ban would free public TV from the tyranny of advertising, 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 "Télépresident" 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 French ban favoured traditional private TV channels?

Can we learn something on the substitutability among advertising on different platforms?

Data - 1

**Advertising spots, seconds 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**

Source : TNS-France (now Kantar media)

We can calculate:

price per spot, price per seconds and length of a spot

Data-2

Audience share and number of viewers

by channel

for each week in the periods:

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

Audience share jointly for the two time slots, number of viewers for the night slot only (for the moment)

Source : Mediametrie

We can calculate:

price per second per percentage point of audience share for the whole day and price per second per viewer for the night slot.

Data-3

Demographics characteristics by channel

for the periods:

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

separately for the two time slots:

6.00-20.00

20.00-6.00

Source : Mediametrie

Empirical strategy

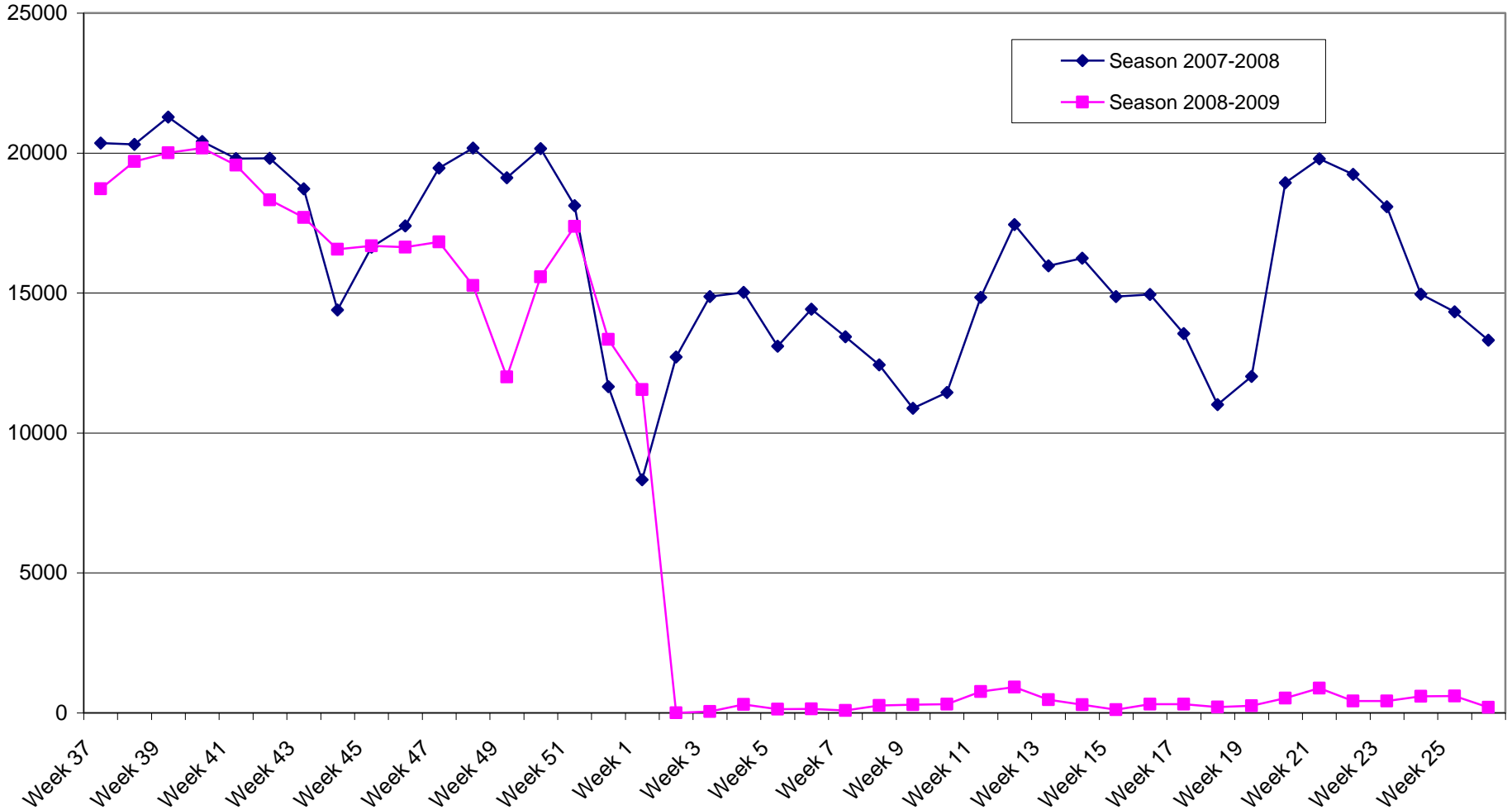
- Difference in difference
 - treated group: the seasons 2008-2009 (in which the ban was introduced)
 - control group: the season 2007-2008 (in which there was no ban)
 - pre-treatment period: weeks 37 to 52
 - follow-up period: weeks 2-26
- Separate analysis for
 - the slots 20.00-6.00 and 6.00-20.00

Since market is two-sided, analysis of both sides:

- advertisers' side: seconds, revenues, price per second
- viewers' side: audience share, number of viewers
- two-sides together: price per second per audience % point , price per second per viewer

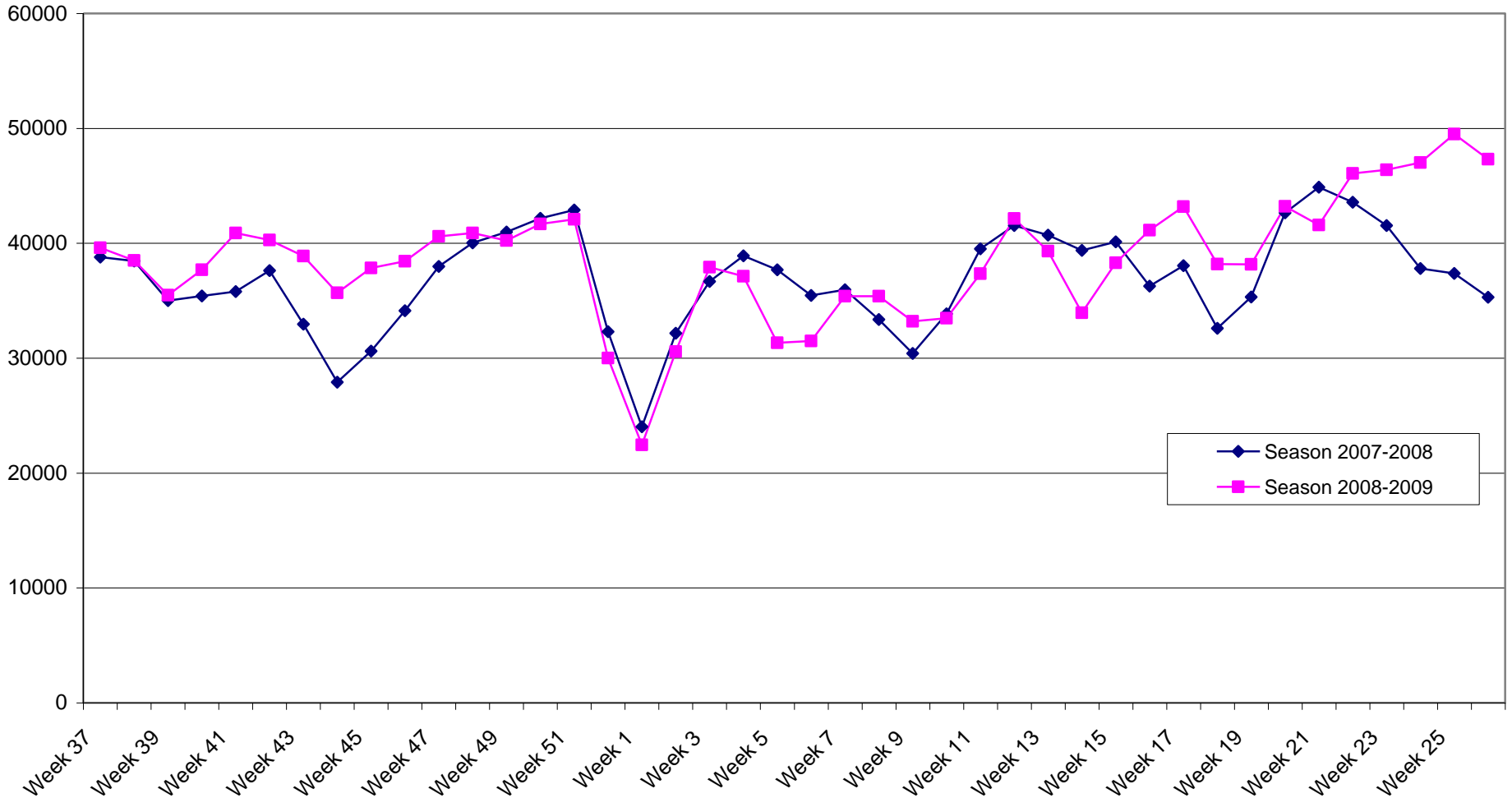
Ad Quantity - I

Ad Seconds Public 20.00-6.00



Ad Quantity - II

Ad Seconds Private 20.00-6.00

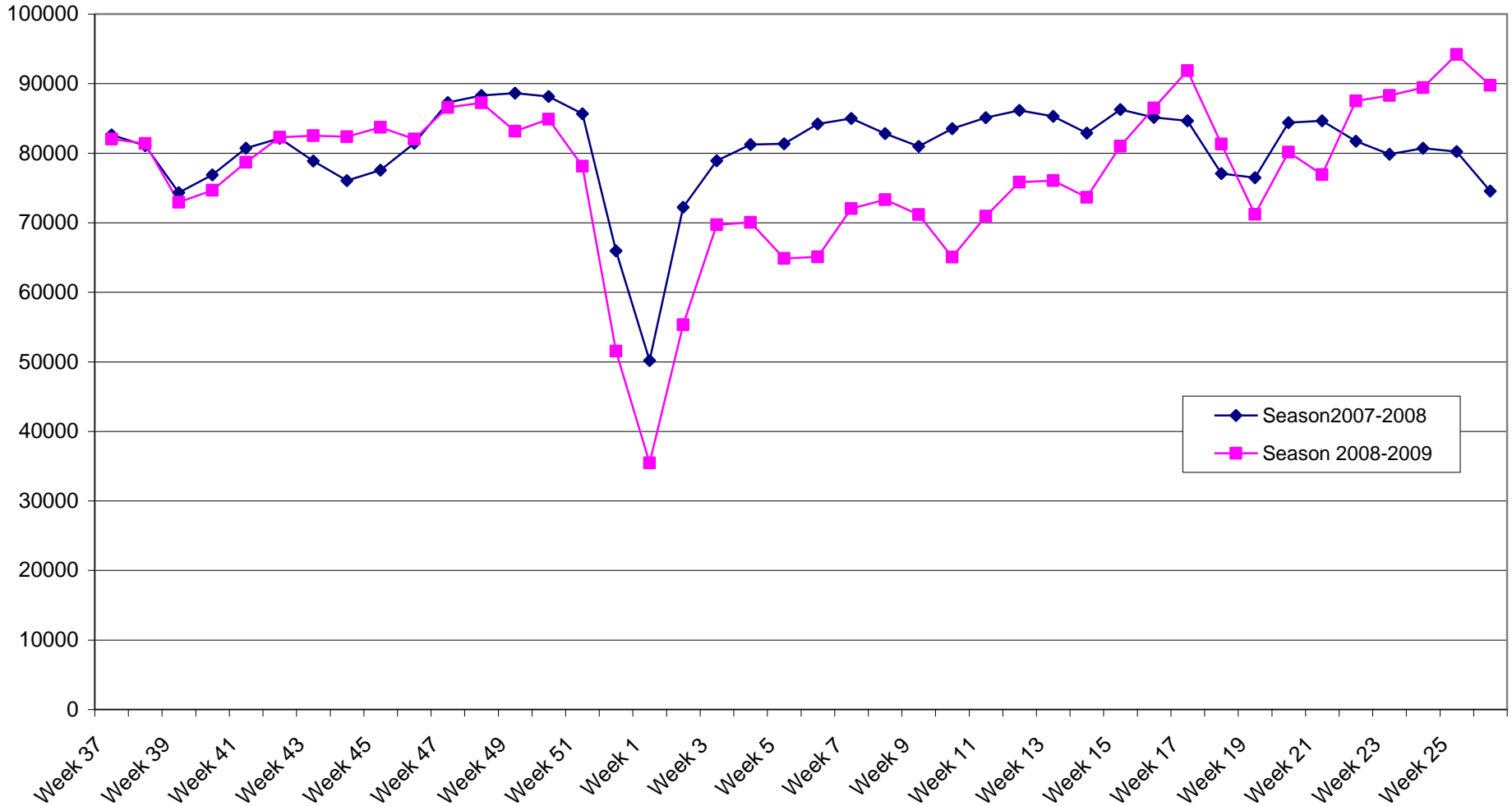


Ad Seconds - Night

	(1)	(2)
VARIABLES	public_night	private_night
ban	-627.4***	-24.00
	(74.26)	(51.23)
Constant	-56.33	95.64**
	(57.29)	(39.52)
Observations	126	126
R-squared	0.365	0.002

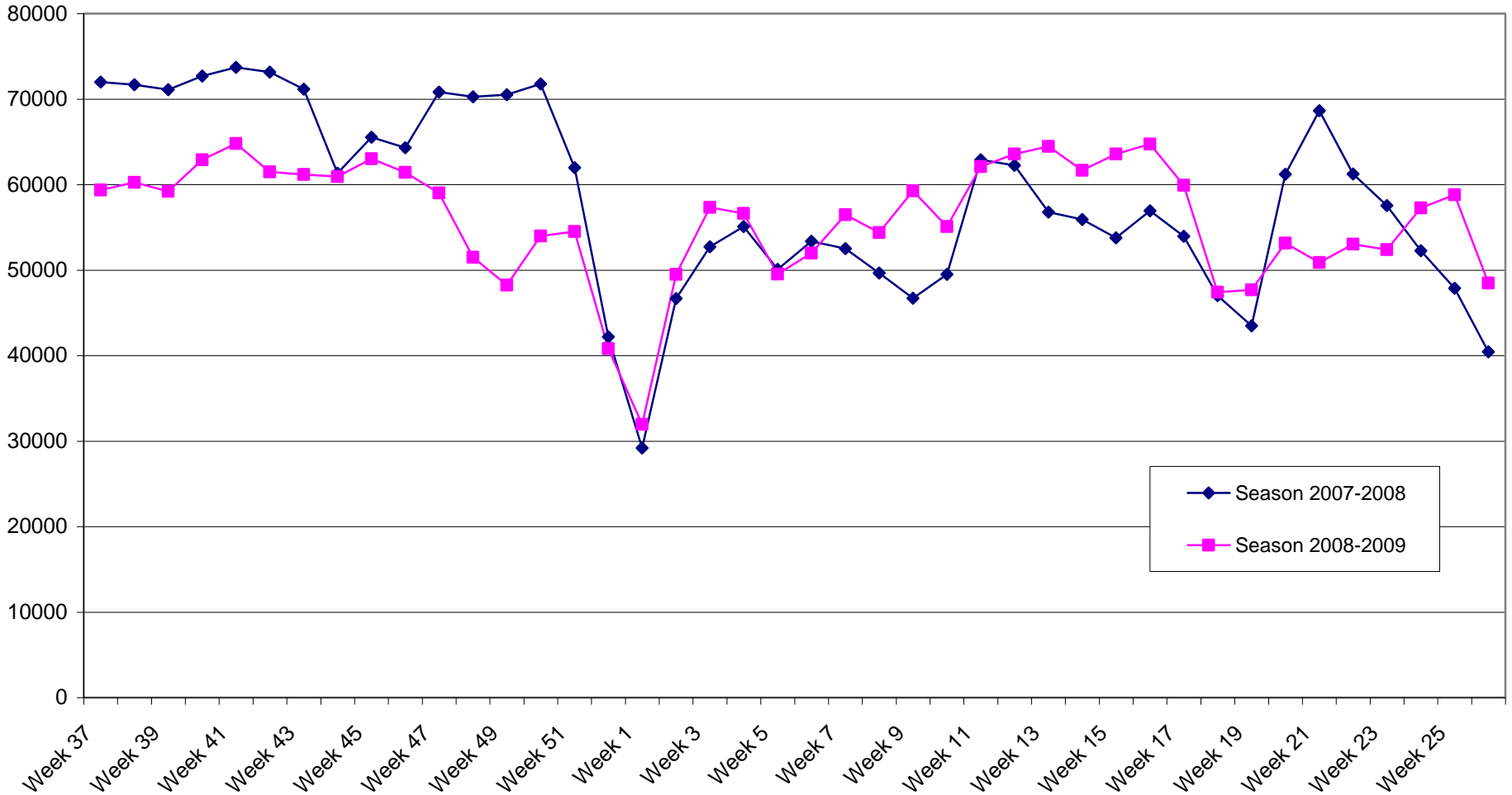
Ad Quantity - III

Ad Private Seconds 6.00-20.00



Ad Quantity - IV

Ad Seconds Public 6.00-20.00



Ad Seconds - day

	(1)	(2)
VARIABLES	public_day	private_day
ban	560.8***	-134.9
	(75.99)	(110.0)
Constant	-445.0***	-101.5
	(58.63)	(84.85)
Observations	126	126
R-squared	0.305	0.012

Ad Seconds – whole day

	(1)	(2)
VARIABLES	public	private
ban	-66.69	-158.9
	(98.56)	(150.0)
Constant	-501.3***	-5.894
	(76.04)	(115.7)
Observations	126	126
R-squared	0.004	0.009

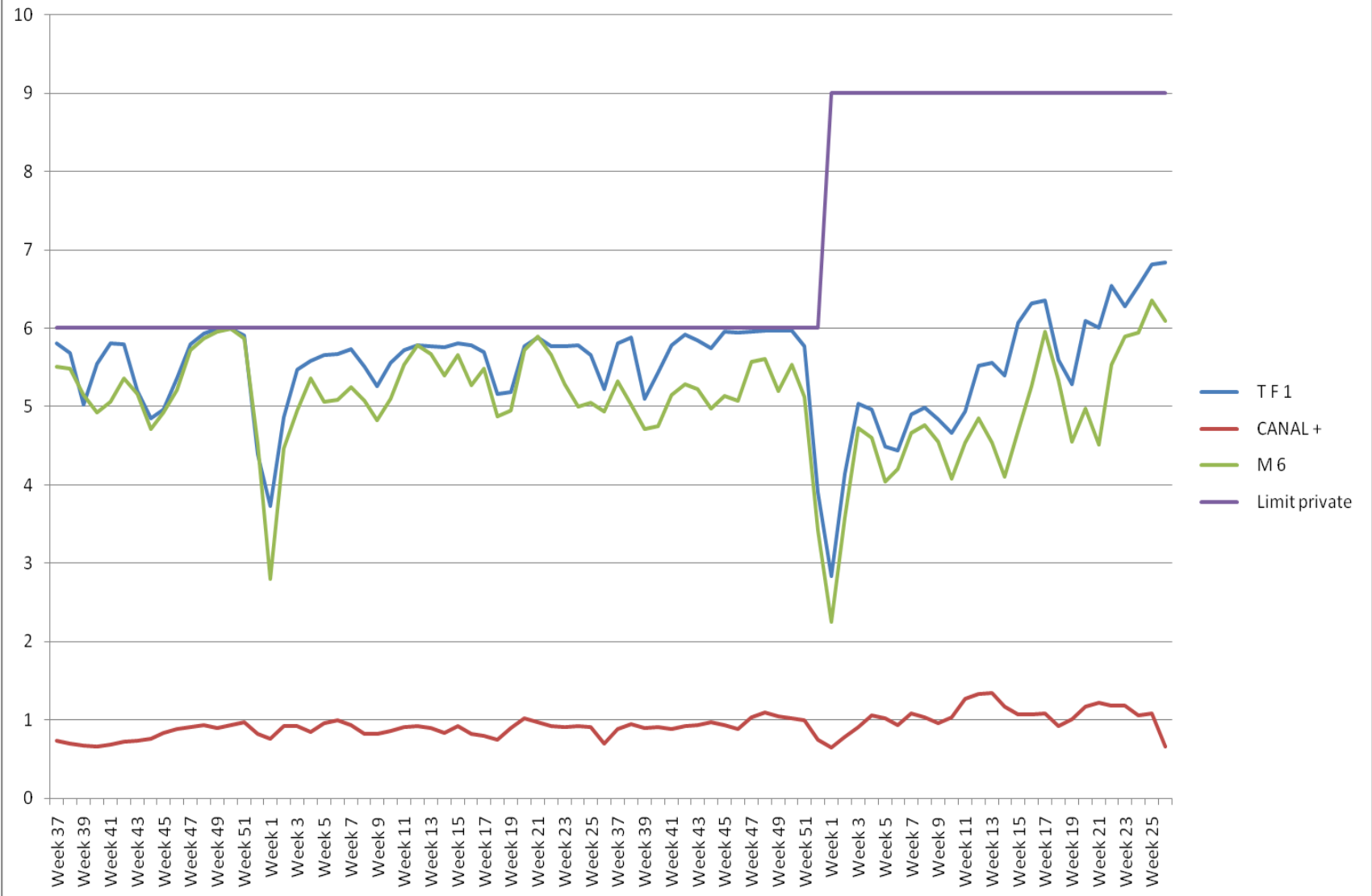
Ad Quantity - Answer

Advertising quantity did not shift to private TV in the night slot nor in the day slot but partly shifted to public TV in the day slot

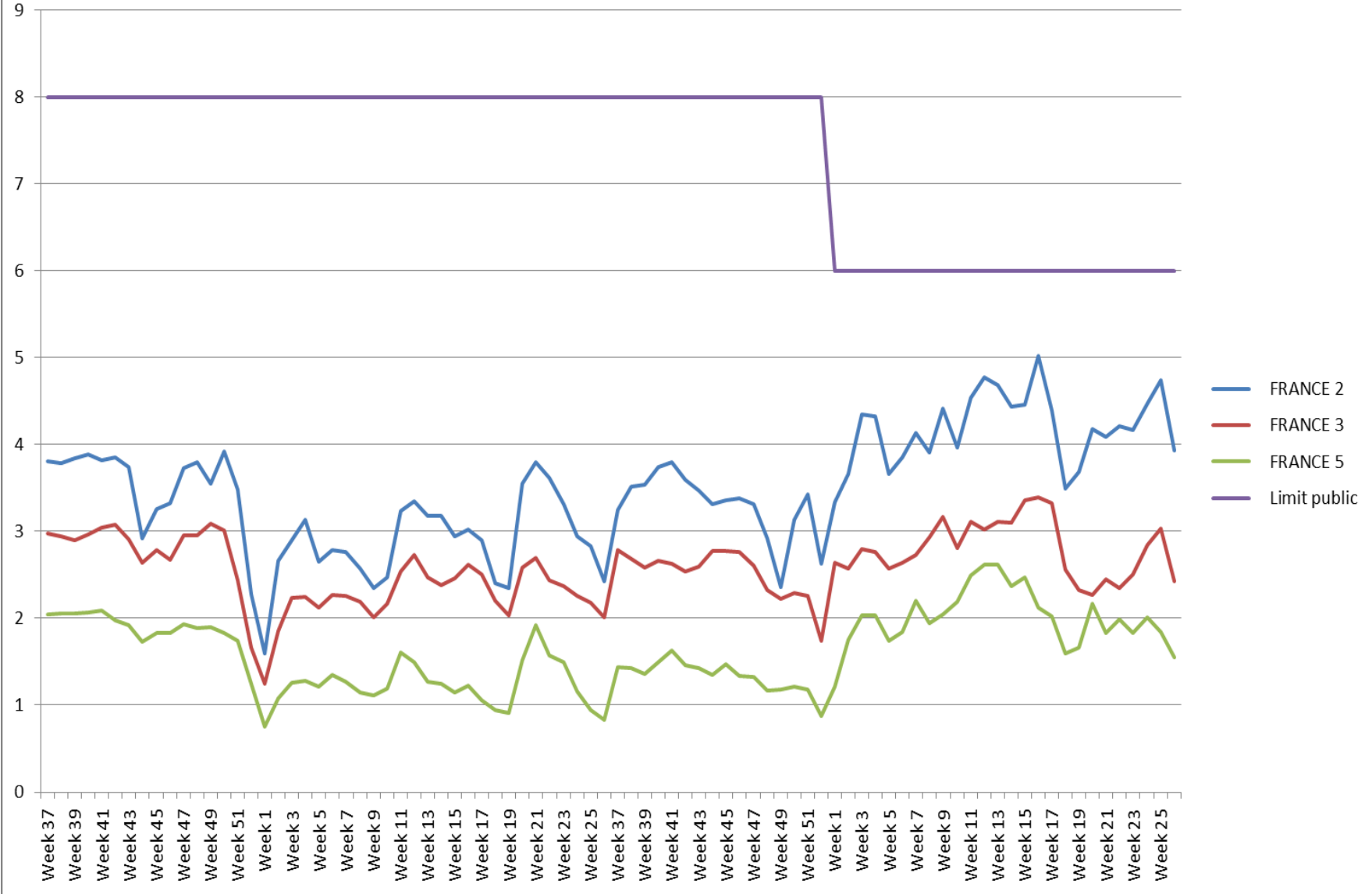
Ad Caps - question

Was it because advertising caps were binding for private channels and private channels could not increase advertising?

Weekly average advertising minutes per hour - private



Weekly average advertising minutes per hour - Public



Ad Caps - answer

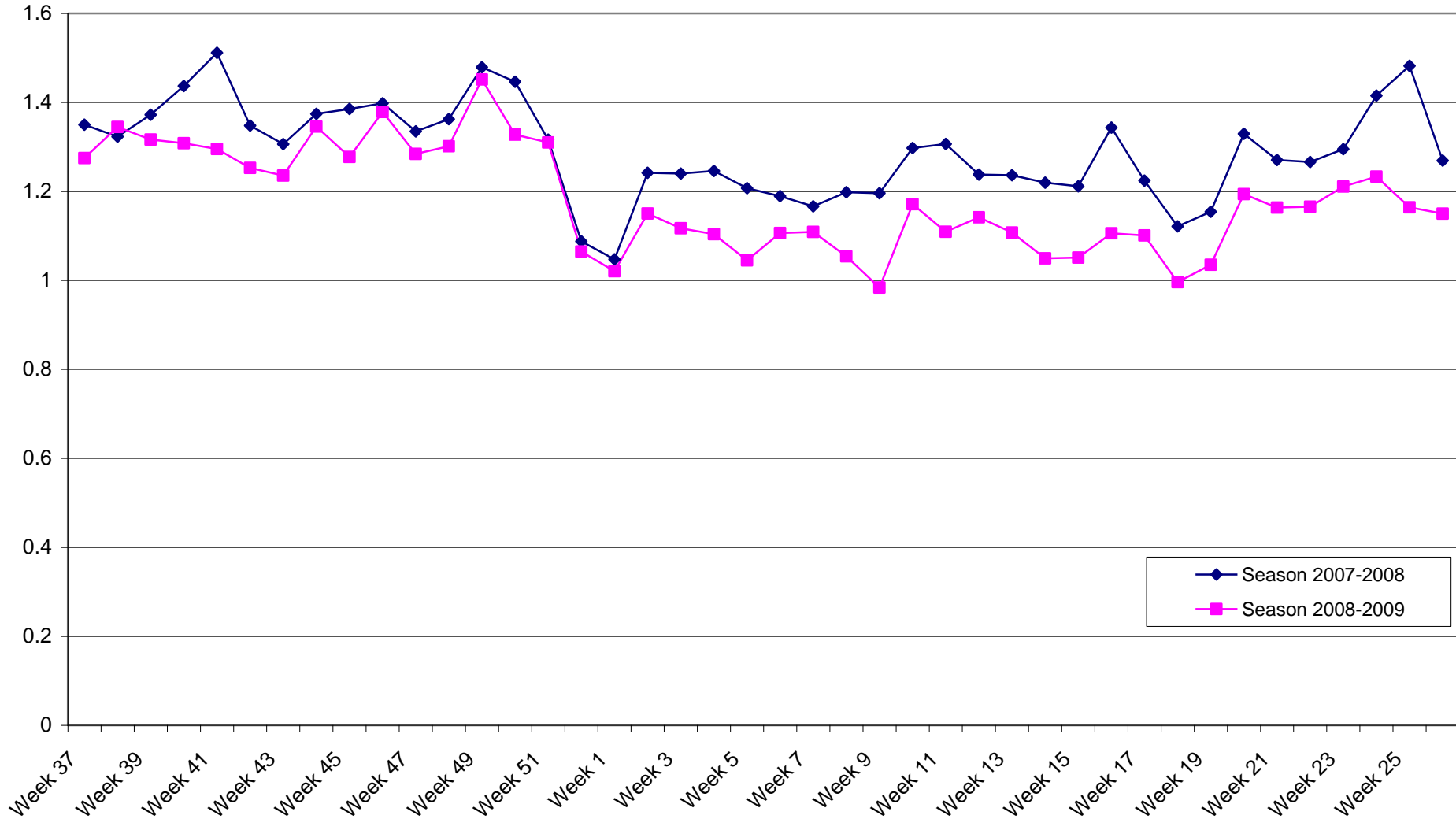
The ad cap was not binding after the reform.

Ad Price - Question

Was it because the price of advertising on private TV increased?

Price per second - I

Price per Second Private 20.00-6.00



Price per second - night

	(1)
VARIABLES	private_night
ban	-25.17
	(24.59)
Constant	-64.84***
	(18.97)
Observations	126
R-squared	0.008

Price per second - day

	(1)	(2)
VARIABLES	public_day	private_day
ban	70.32***	10.38
	(4.723)	(12.49)
Constant	-69.34***	-11.91
	(3.644)	(9.637)
Observations	126	126
R-squared	0.641	0.006

Ad Price Answer

Ad prices per second dropped on private TV channels in the night slot and did not change in the day slot.

Ad prices per second on public TV in the day slot rose.

The consequences for advertising revenues are easily derived...

Revenues - night

	(1)
VARIABLES	Private
ban	-137,723*
	(71,592)
Constant	-31,191
	(55,234)
Observations	126
R-squared	0.029

Revenues - day

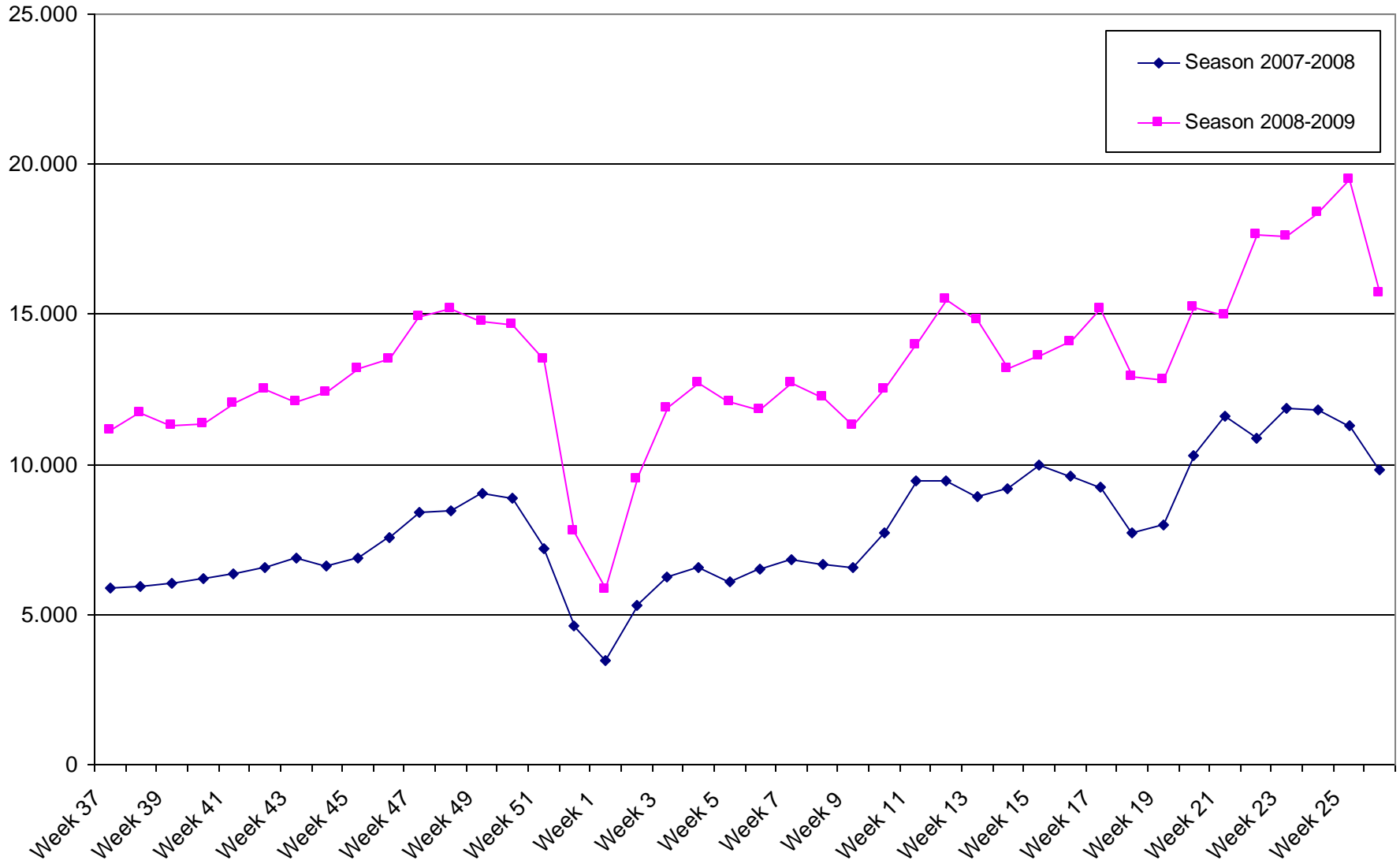
	(1)	(2)
VARIABLES	public	private
ban	296,254***	-22,062
	(21,238)	(69,709)
Constant	-272,337***	-161,842***
	(16,386)	(53,782)
Observations	126	126
R-squared	0.611	0.001

Did advertising shift to digital TV?

- According to the part of the business press, advertising shifted to digital TV
- But, given the source of this information, it might be an interested statement.

Revenues: DT

Ad Revenues Digital 20.00-6.00

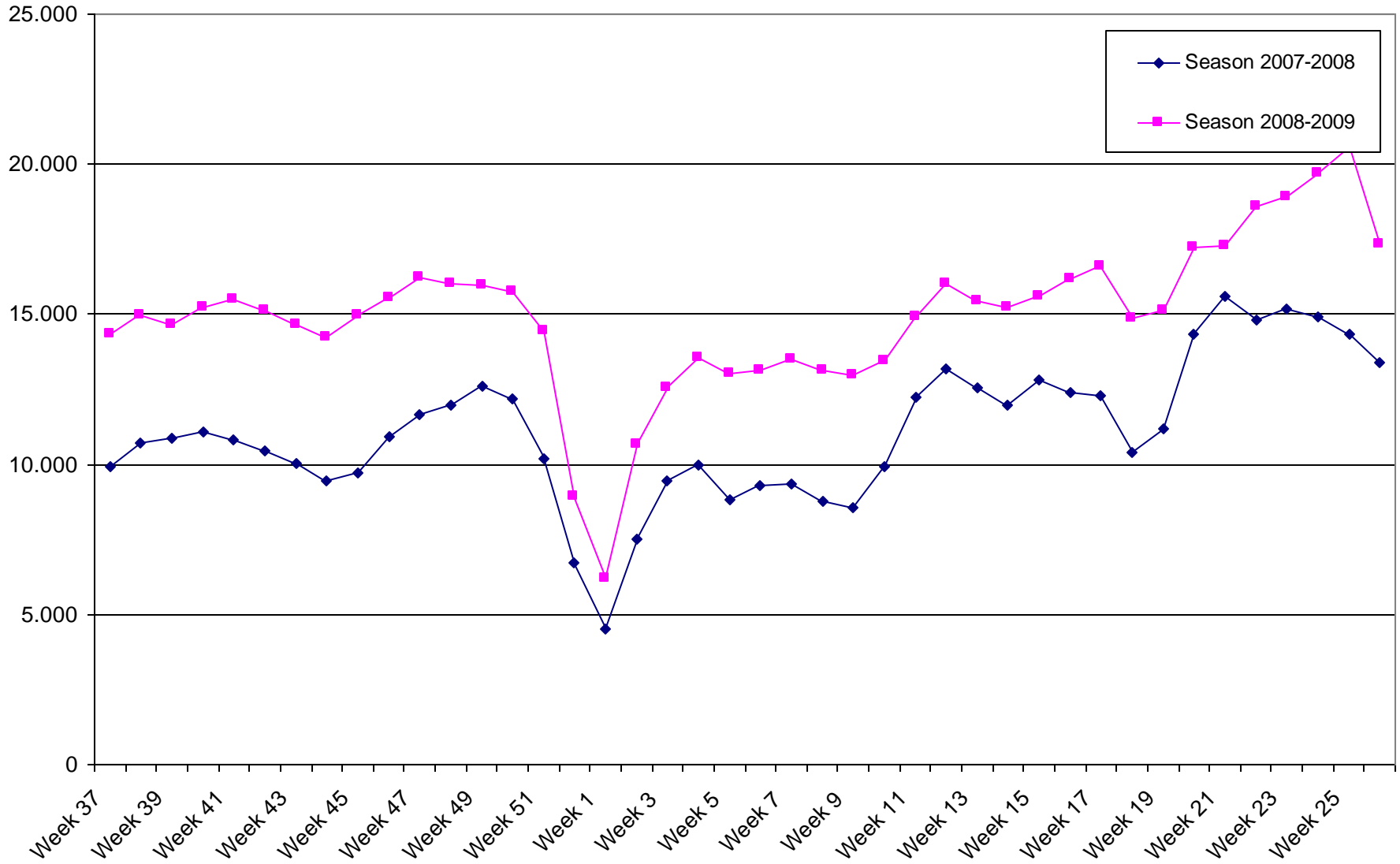


Did advertising shift to digital TV, Cable or Satellite?

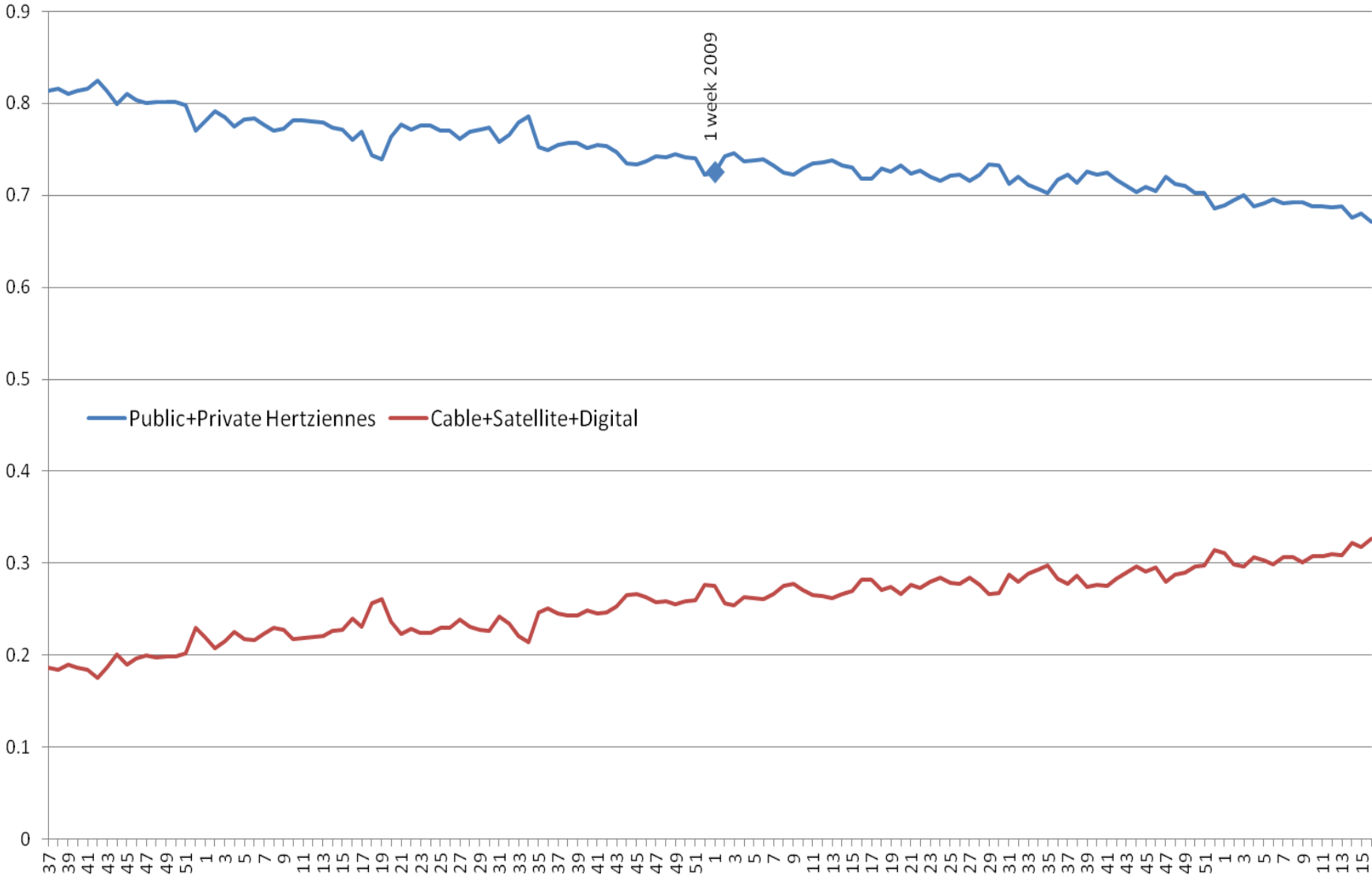
- According to the part of the business press, advertising shifted to digital TV
- But, given the source of this information, it might be an interested statement.

Revenues: DT+Cable+Satellite

Ad Revenues Digital + Cable & Satellite 20.00-6.00



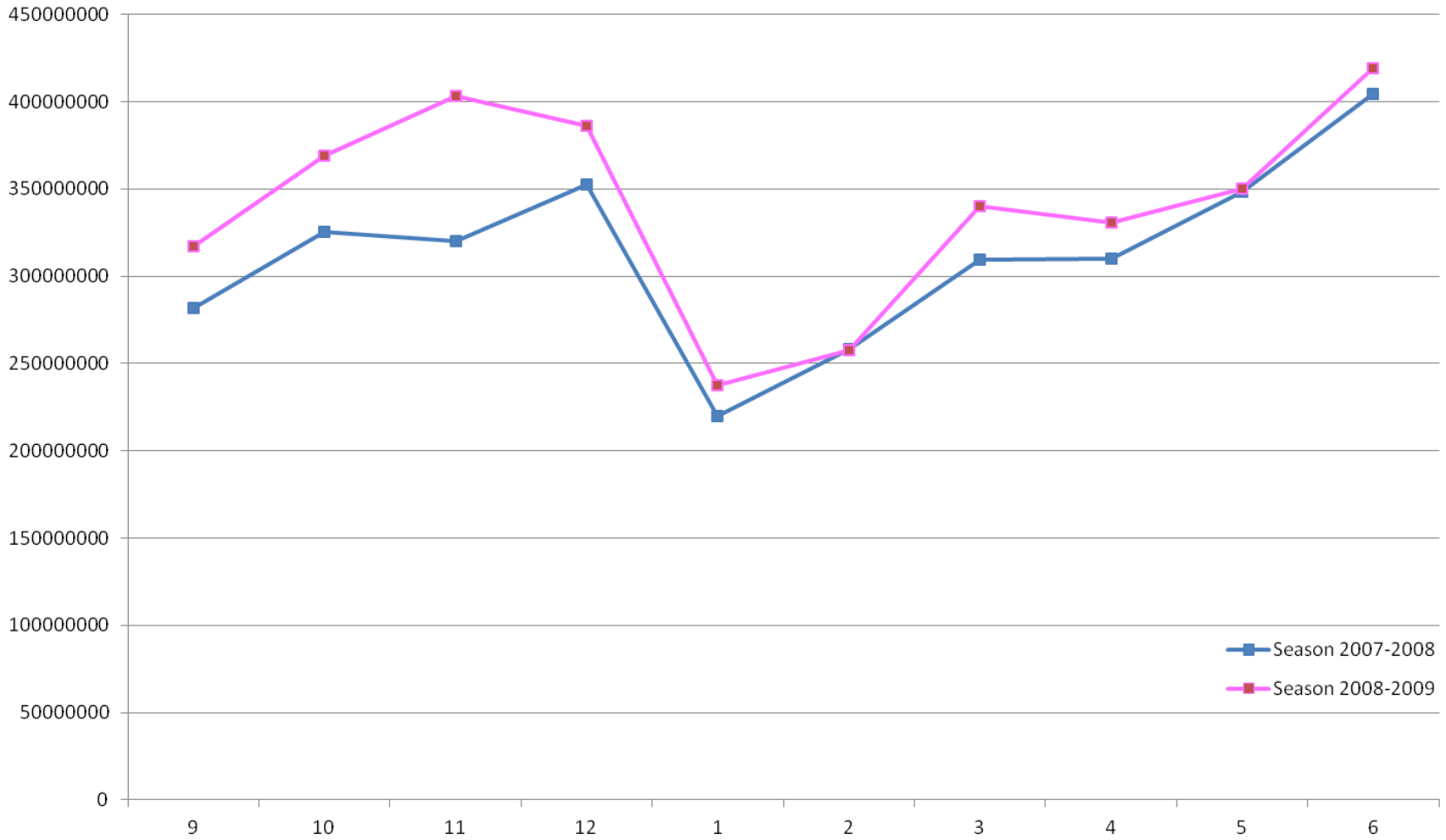
Sum of public and private (hertziennes) audience from September 2007 to March 2010 - all slots



Did advertising shift to the internet?

- Given the growth of online advertising it seems a possibility...

Advertising revenues on Internet



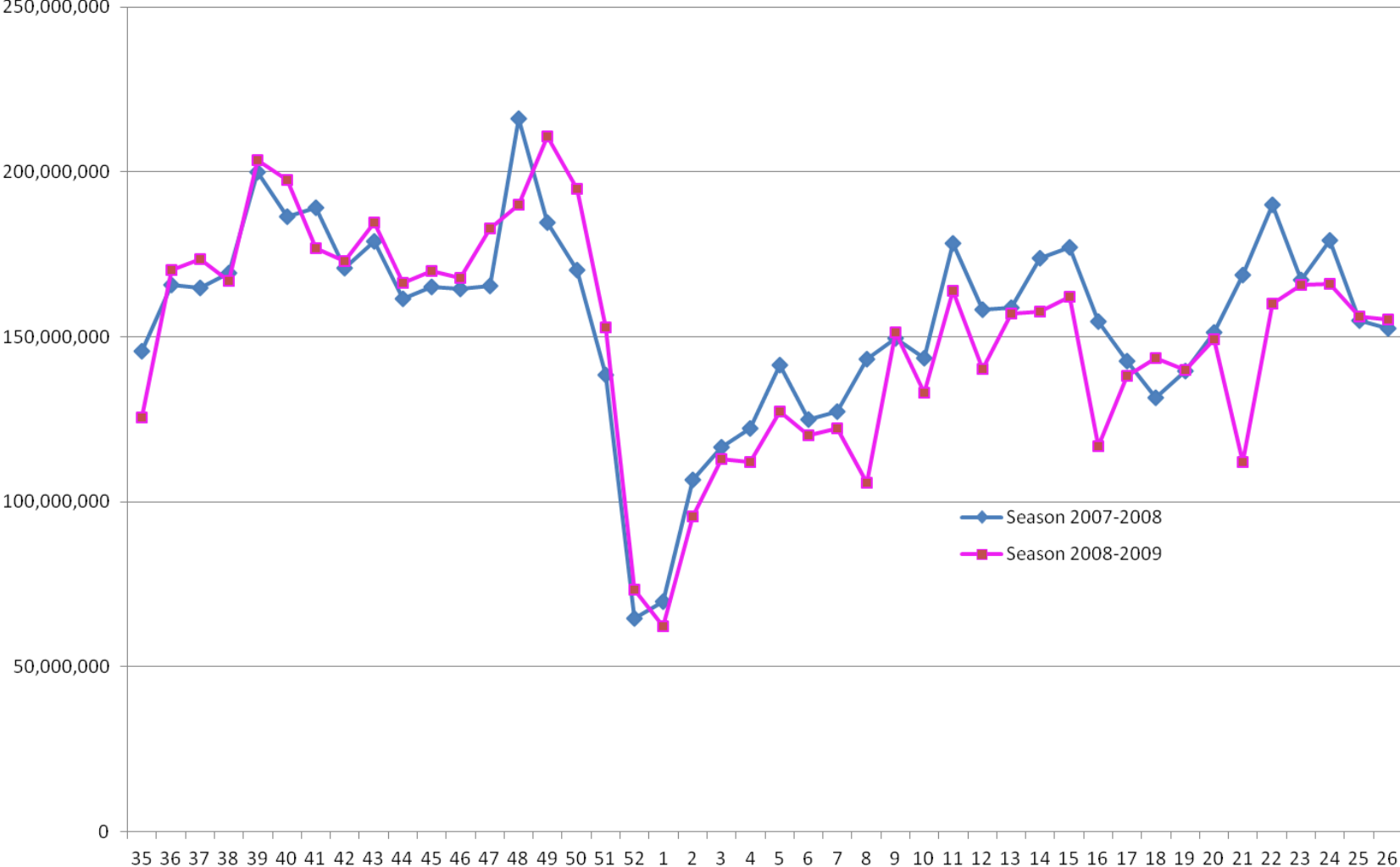
The answer

- No, ads don't seem to have moved to Internet either

Did advertising shift back to the Press?

- An unlikely possibility, but still a possibility...

Advertising on the Press



The answer

- No, advertising doesn't seem to have shifted back to the press

A possible two-sided market explanation

Is it because 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 ?

implying that:

Number of viewers went up on public channels

Price per second per viewer went up on private channels

Share of audience increased for public channels

Price per second audience percentage point went up on private channels

Number of viewers - night

	(1)	(2)
VARIABLES	public	private
ban	-23.33 (18.61)	27.10 (29.64)
Constant	-47.92*** (14.36)	-94.23*** (22.87)
Observations	126	126
R-squared	0.013	0.007

Price per second per viewer - night

	(1)
VARIABLES	private
ban	0.0377
	(0.0311)
Constant	-0.0364
	(0.0240)
Observations	126
R-squared	0.012

audience share - whole day

	(1)	(2)
VARIABLES	public	private
ban	-0.00206	0.00789***
	(0.00161)	(0.00236)
Constant	-0.00690***	-0.0134***
	(0.00124)	(0.00182)
Observations	126	126
R-squared	0.013	0.082

Price per second per audience % point - whole day

	(1)	(2)
VARIABLES	public	private
ban	3.303***	-0.678
	(0.413)	(2.486)
Constant	-4.971***	7.464***
	(0.319)	(1.918)
Observations	126	126
R-squared	0.340	0.001

On the two-sided market explanation

In the night slot the number of viewers remained substantially unchanged.

Also the price per second per viewer remained unaffected.

Over the whole day the share of audience of private channels slightly increased.

The price per second per audience % point increased on public TV and did not change significantly on private TV.

-> Advertising aversion does not seem the main driver of the result

A product differentiation story

- Viewers of public TV are very different from viewers of private TV.

At the extreme:

- Viewers single-home (i.e. watch just one channel or, at least, one type of channel), so that:

TV channels (of a given type) are monopolists over access to these viewers,

once advertisers cannot advertise to them in the night slot, they advertise to them in the day slot

if the viewer of the group of interest cannot be reached in the day slot (e.g. because they work), advertisers stop advertising (Armstrong(2006))

But advertisers do not have such detailed individual information. They mostly rely on TNS deographics data...

Demographics

(January-June 2008)

Target	Public	Private		Public	Private
	<i>Night slot</i>			<i>Day slot</i>	
Individuals 15-34	0.13	0.27		0.11	0.25
Individuals 35-59	0.39	0.47		0.33	0.42
Individuals 60+	0.47	0.26		0.54	0.32
Men 15+	0.44	0.46		0.44	0.41
Women 15+	0.56	0.54		0.56	0.59
Individuals 15+ in Upper Class	0.18	0.21		0.11	0.15
Working Adults 15+	0.41	0.56		0.32	0.47
Working Women 15+	0.20	0.27		0.15	0.26
Individuals 15+ in City over 100 000 inhabitants	0.46	0.43		0.44	0.40

Demographics

(September-December 2008)

Target	Public	Private		Public	Private
	<i>Night slot</i>			<i>Day slot</i>	
Individuals 15-34	0.13	0.27		0.10	0.26
Individuals 35-59	0.38	0.46		0.33	0.42
Individuals 60+	0.48	0.25		0.55	0.31
Men 15+	0.44	0.45		0.42	0.39
Women 15+	0.56	0.55		0.58	0.61
Individuals 15+ in Upper Class	0.18	0.21		0.11	0.15
Working Adults 15+	0.40	0.57		0.31	0.49
Working Women 15+	0.20	0.28		0.16	0.27
Individuals 15+ in City over 100 000 inhabitants	0.45	0.43		0.42	0.40

Demographics

(January-June 2009)

Target	Public	Private		Public	Private
	<i>Night slot</i>			<i>Day slot</i>	
Individuals 15-34	0.13	0.26		0.11	0.24
Individuals 35-59	0.39	0.47		0.33	0.41
Individuals 60+	0.47	0.26		0.54	0.33
Men 15+	0.44	0.44		0.43	0.39
Women 15+	0.56	0.56		0.57	0.61
Individuals 15+ in Upper Class	0.19	0.21		0.12	0.15
Working Adults 15+	0.43	0.57		0.34	0.48
Working Women 15+	0.22	0.29		0.17	0.27
Individuals 15+ in City over 100 000 inhabitants	0.45	0.43		0.42	0.42

Another possible explanation

- Demographics of viewers are very different for private and public TV.
- Hence, for advertisers, public and private TV are differentiated
- Demographics of viewers did not change significantly with the ban.

Some conclusions

- Contrary to the expectations, advertising did not shift to aerial private channels
- Part of advertising stayed on public TV but shifted to the day slot
- Public TV channels gained while private TV channels lost revenues
- Shift of audience towards DT continued but did not increase
- Also growth of advertising on DT continued but did not increase

- Market seems to be more segmented than expected (natural test where ban=infinite price increase)

- The driver of the results does not seem to be advertising aversion of viewers but horizontal differentiation on the advertising market (due to different characteristics of viewers)

An open questions

But also heterogeneity of viewers' attitude to advertising may play a role:

- when advertising disappears from public TV during the night, viewers of private TV do not switch to public TV
- when advertising increases on public TV during the day, viewers of public TV switch to private TV
(need to check this with data on number of viewers in the day slot, rather than audience shares over the whole day)
- compatible with viewers of public TV being more advertising averse than viewers of private TV

In any case, the right model seems much more complex than the theory developed so far.

Thank you