

Banning Ads from Public TV Lessons from France

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Outline

- **Background: advertising regulation in Europe**
- **The French government ban (2009)**
- **Preliminary comments and research questions**
- **Theoretical hypotheses**
- **Effects of the ban: empirical analysis**
- **Discussion and conclusions**

Background: advertising regulation in Europe

- **Europe:**
 - “public” TV stations
 - Advertising caps, 12 minutes per hour (European Commission)
 - Each country can adopt stricter rules (usually public TV has more binding caps)
 - Some public channels have never used advertising (BBC)
- Usually private TV stations broadcast the maximum advertising allowed


The French advertising ban (2009)

- **January 2008: President Sarkozy announced that advertising would be banned from public TV in the 20.00-06.00 time slot, starting from January 5, 2009**
- **The ban came completely as a surprise**
 - **The Economist: “His opponents grumble that his new plan will mainly benefit his friends.”**
 - **The Guardian: “the immediate beneficiaries of the shift in advertising would be Sarkozy's own media tycoon friends.”**
- **Spain followed: TVE1 stopped airing advertising in 2010**

Preliminary comments and research hypotheses

- **Who gains and who loses among media?**
- **Will the ban favor traditional private TV channels?**
- **What can we learn on the substitutability among advertising on different platforms?**
- **Are viewers significantly ad – adverse?**


Theoretical hypotheses

- **TV: a two-sided market (viewers and advertisers)**
 - **On advertising caps:**
 - **Anderson (2007), *The Economic Regulation of Broadcasting...***
 - **Bourreau and Grece (2011), *Revue Economique***
 - **Stühmeier and Wenzel (2012), *Review of Network Economics***
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- **the effects on advertising intensity and program quality are ambiguous**
 - **an advertising cap does not necessarily advantage private competitors.**

Effects of the ban: empirical analysis

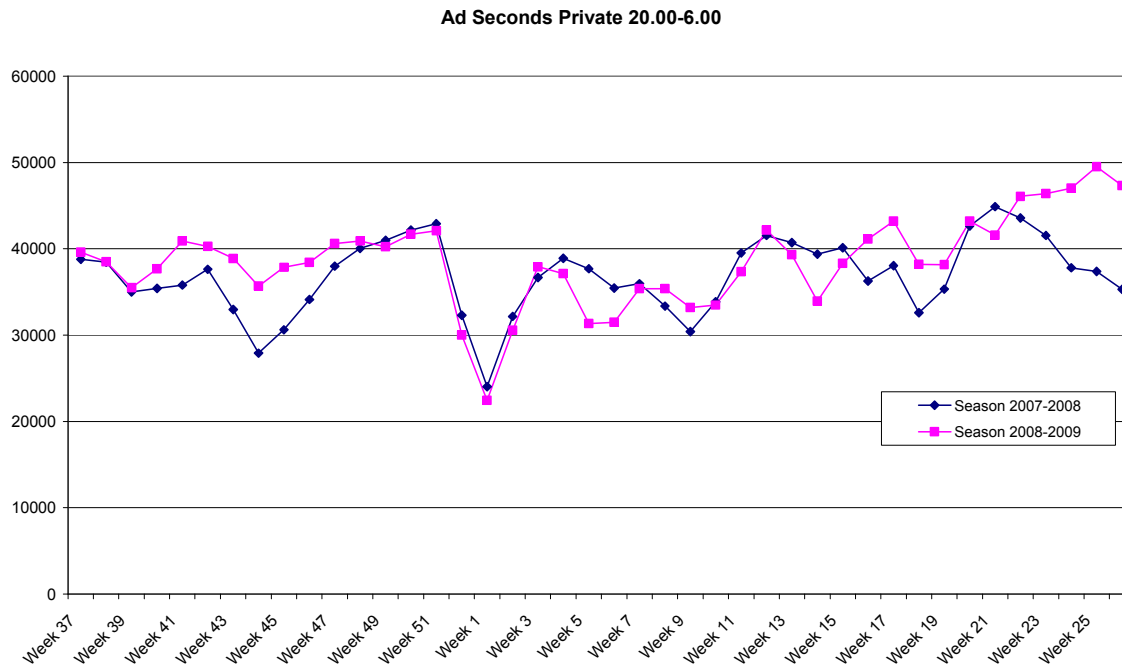
- **Two seasons: 2007-2008 and 2008-2009**
- **Advertisers' side**
 - **average quantity of advertising (number of spots and seconds)**
 - **advertising revenues per channel (aerial, satellite, cable and terrestrial digital)**
 - **from which we have average price per spot and price per second, in addition to the length of a spot**
 - **Two time slots: 20.00-06.00 (night) and 06.00-20.00 (day)**

Effects of the ban: empirical analysis

- **Two seasons: 2007-2008 and 2008-2009**
 - **Viewers' side**
 - **Aerial: public (France 2, France 3 and Canal 5) and private (TF1, M6 and CanalPlus) channels**
 - **Pooled non-aerial channels: cable, satellite and terrestrial digital**
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- **audience shares over the whole day**
 - **number of viewers in the night time-slot**

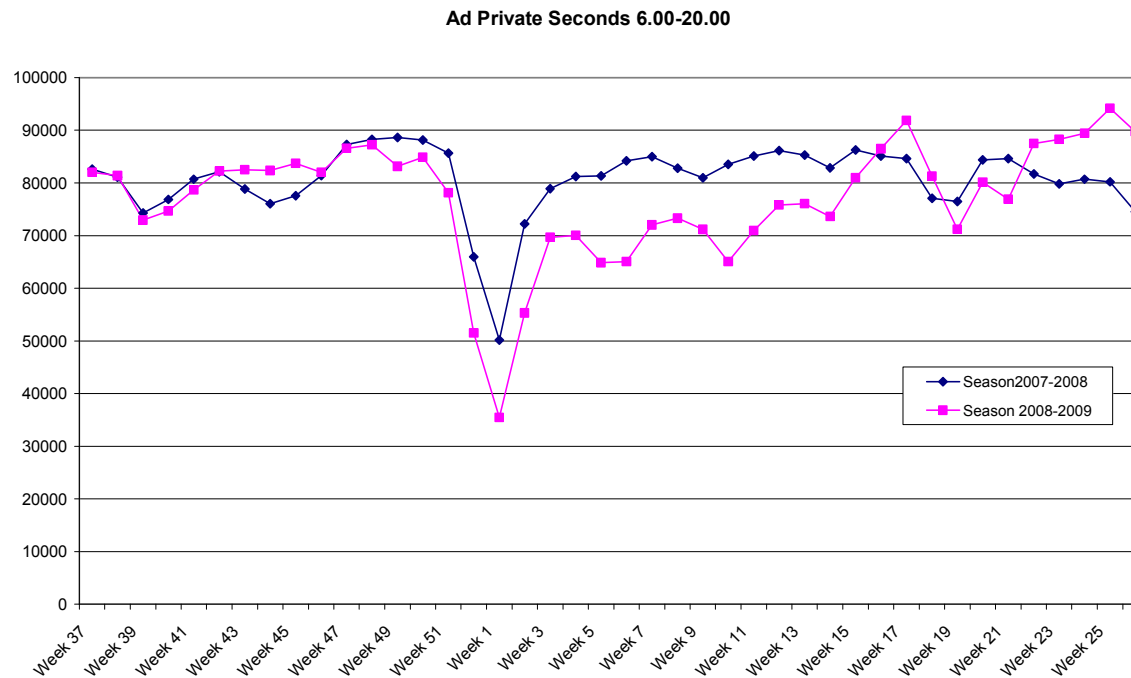
Effects of the ban: empirical analysis

- advertising quantity: on **private** TV channels did not change significantly in the **night** slot



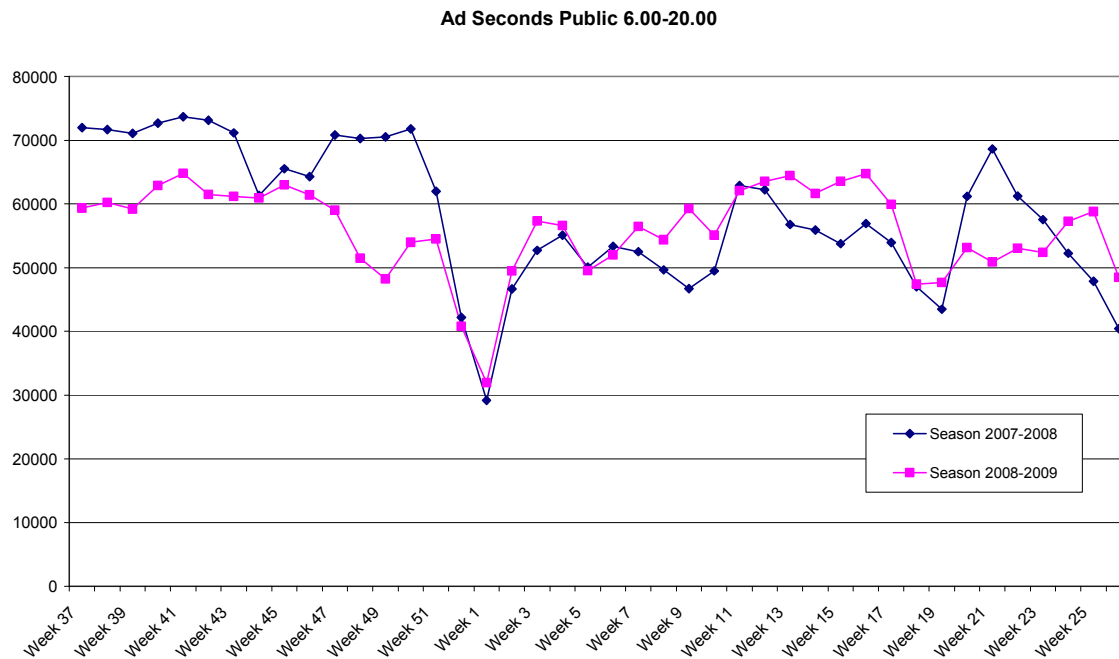
Effects of the ban: empirical analysis

- advertising quantity: on **private** TV channels decreased insignificantly in the **day** slot



Effects of the ban: empirical analysis

- advertising quantity: on **public** TV channels increased significantly in the **day** slot



Effects of the ban: empirical analysis

- advertising price on **private** TV channels: insignificant decrease in the **night** slot (for TF1 and M6: significant decline)



Effects of the ban: empirical analysis

- advertising price on **private** TV channels: no significant change in the **day slot**



Effects of the ban: empirical analysis

- advertising price on **public** TV channels: no significant change in the **day slot**



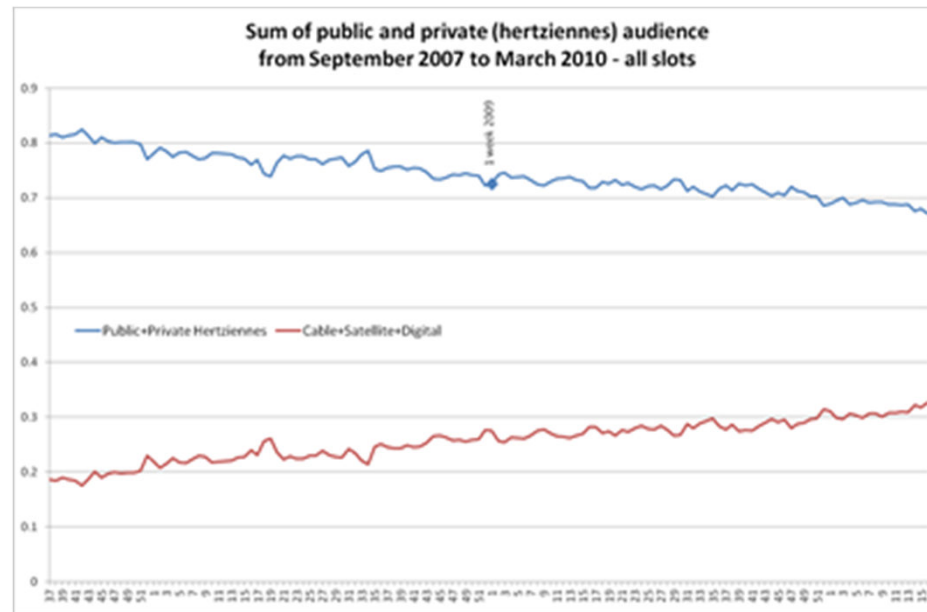
Effects of the ban: empirical analysis

As a result of previous figures

- Ad revenues on **public** TV channels in the **day** time slot increased, enough to more than offset the loss in the **night** time slot (when advertising was banned)
- Ad revenues on **private** TV channels in the **night** time slot decreased significantly (although some channels gained)
- Ad revenues on **DTT, cable or satellite** continued the growth, which was not affected by the ban in the **night** slot

Effects of the ban: empirical analysis

- What happened on the audience side? In aggregate, the audience of **aerial** channels have been declining, while audience of **cable, satellite and DTT** (as well as the price per second per audience percentage point) has been increasing - but the trend was not affected by the ban)

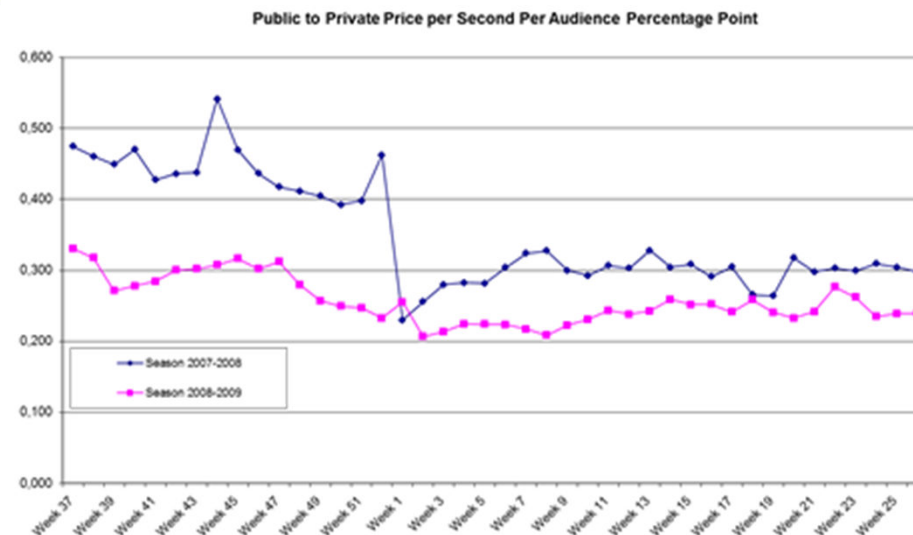


Effects of the ban: empirical analysis

- Audience of aerial channels: general decline. However:
 - the share of audience of **private channels** has significantly increased.
 - the share of audience of **public channels** has insignificantly declined
 - the decline in the **public TV** audience share over the whole day may be due to more advertisements in the **day slot** (audience data are not available for this slot): private and public viewers have a different attitude towards advertising?

Effects of the ban: empirical analysis

- Bringing both sides of the market on board
 - price per advertising second per audience percentage point over the **whole day**
 - price per advertising second per viewer in the **night-slot**
- Both have increased in **public TV**



Conclusions

- **The ex-ante common expectation that the ban would favor private TV channels was wrong**
- **the relative audience of public to private TV did not tilt in favor of public**
 - **advertising aversion is not the main driver of the post-ban effects, probably**
 - **program and channel loyalty effects?**
- **in the eye of advertisers, public and private channels are strongly differentiated in the characteristics of viewers**
 - **some advertisers might consider close substitutes the “day” and “night” viewers of public TV**