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*

  - 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


- 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


- 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

  ➢ 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**

![Ad Seconds Private 20.00-6.00 chart](chart.png)
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

![Graph showing Ad Seconds Public 6.00-20.00 over weeks from Week 3 to Week 51]
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.
• **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