

# The Broadcast Casino All bets are off

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A television broadcaster is a casino, and it plays by house rules. Rule number one – the house wins. Here's how it works. A brand wants to advertise, it needs to hit a key demographic, but it also needs those eyeballs by the bucket load. A broadcaster needs that brand's money. The broadcaster gambles on developing content which will attract enough of the right eyeballs so that it can unlock the brand's money. The gamble is that the cost of the programming across the entire schedule will be more than matched by spend of the brands through advertising and sponsorship. Historically in the commercial sector the house has always won. There has always been enough cash left after it has paid for the content for the broadcaster to pay shareholders, dividends and bonuses.

From a broadcaster's cost point of view, they have always kept content producers and owners at the end of a long chain. The true value or income generation capacity of key content has never really been passed on to the owners or producers. The broadcaster, the distributor of that content has been the true beneficiary of the value.

Another way of looking at it is that the brands have overpaid. The key benefits of advertising and sponsorship are not up for debate, not here anyway. The ability to deliver and then report on the ability to deliver has been the bedrock of the media planning and purchasing industry. However as the distribution market has become more complex with the addition of new distribution channels, everybody's margins are being squeezed. Brands are questioning the value for money of purchased media. Especially when the data, which they have been used to being consistently positive and transparent for the past 40 years, suddenly starts heading in a murky and negative direction.

So-called proliferation of choice has had a direct effect on the earning ability of broadcasters from advertising and sponsorship revenues. It has also hit the media planning and distribution agencies, which as a cost plus industry have found that they are chasing ever-tightening margins. For the Brand Centric Creative agencies any real or threatened downward spiral in the effectiveness of their creative pitch also puts under threat their ability to charge their clients.

Meanwhile some distribution channels have freed themselves from reliance upon advertising and sponsorship income. To subscription services, such as digital television (SKY Television DST) ad income is jam.

Bottom line –

There's a fall in audience figures and resulting drop in income across the board for broadcasters from advertising and sponsorship. This fall is a direct result of the decline in effectiveness of purchased media to deliver audiences.

**What does this mean for Broadcasters?**

They have to free themselves from expenditure based on the income from advertising and sponsorship revenue.

**What does this mean for Creative Agencies?**

They have to rethink their brand communications to get away from brand associations and reliance upon purchased distribution and into content.

**What does this mean for Media planners and purchasers?**

They have to create the means of distribution within content to support purchased media plans.

**What does this mean for Content producers and owners?**

They have to look at forms of income other than broadcasters producing at risk.

Now there is no need to push any panic button, what has just been described is a trend, it is not the end of a system which has meant that everybody has got paid, all along the line from the Creative Agency Planner down to the Broadcaster's sales force. But it is a significant trend.

Those who have predicted that the two-headed monster of proliferation of choice and technological advances in the guise of Personal Scheduling Devices such as Tivo and

SKY+, would bring down the established media order have as yet been proved wrong, and long may they continue to err.

Broadcasters are not about to let open the flood gates and give airtime to agencies and producers who work directly with brands and create content to the detriment of a well established media purchase strategy.

Meanwhile brands are not about to clasp the bosoms of producers and distributors and risk the relationship with their loyal agencies, especially when the new guys carry no proof or rather even promise of future proof, whereas the old guys have been backing up their deeds with facts figures and research since the first meet.

But Advertiser Funded Programming does not belong in the same obsolete file as interactive television, 3G video, or Internet banner for that matter. Although it has been much heralded and not really arrived it doesn't for once mean that it isn't coming.

What has been described is a landscape, or more so perhaps a route map of how the money moves around, from brand to agency to broadcaster, it is this route that is changing. The money is now finding it can short cut some routes and trigger savings. Was it ever thus, and this is a force, which cannot be stopped.

If it is more efficient for brands to generate their own content, and then sponsor it rather than to wait for the right content to come along then they will do it.

If it is more efficient in the right part of the schedule, for the broadcaster to create income opportunities without expenditure then they will allow them.

How the agencies divvy up the money along the way is for them to fight out, and has it ever been thus.

What is different is the emergence of a new force in this landscape, the content producers or owners. Previously a procurement chain has kept them in their place in the supply process of purchased media, they are starting to crawl up the ladder nearer to the brand. Again this is something not looked favourably on by the incumbent agencies. Someone else trying to feed at the table is the last thing they want, when they are fighting to maintain their own portion control!

So what should brands do?

Firstly they are not about to abandon the traditional routes of communicating, and they are to about to sacrifice their hard worked out relationships and income and cost bases. They have systematically worked on their margins squeezing every last ounce of value for money out of their suppliers, it is doubtful they can get a better deal.

What they can do is make their communication work harder. They can start to become media owners, and use this media to communicate with their consumers.

This has been laughingly called "Brandcasting" and refers to Advertiser Funded Programming.

Advertising Funded Programming is an unsuitable moniker, after all with the exception of public service broadcasters (and even then the picture is far from clear) isn't all programming funded by some kind of advertiser function? And since when has the funding route been a suitable model for describing the activity! If 'my' 67% wage,

15% equity, 10% endowment, 8% inheritance, funded mortgage deserves a snappier title than AFP might also qualify for a better name. And finally it is not advertising which is releasing the funds for the activity. Advertising is advertising and it exists in the regulatory space provided by different media.

“Werbung” and “Nocitas” flash before the viewer’s eyes in Germany and Spain to remind the viewer that what they are watching has a commercial message rather than an editorially independent one. “Advertisement Feature” is blazoned across UK print periodicals when the very nature of the content is purchased. If AFP is funded by anybody it is by the sponsorship idents, which surround the content. – Sponsor Funded Programming?

Legislation is there to help consumers distinguish between overtly commercial messages and those meant for unsullied entertainment, education and enlightenment. And brand owners should never be frightened of the distinction. As consumers become more media savvy they can spot a sales pitch, they are not frightened of them either, as in the legislation they trust.

Cleverer harder working communication does not mean duping the consumer, with hidden implicit brand messages and product placement.

Working harder means creating your own communication platforms upon which existing channels of communication can be based. It means short-circuiting the waiting game for the right content to come along and creating it yourself. It means putting the creative power of agencies and the purchase know how to work behind the battering ram of meaningful content. It means using this content to work as a media platform for new and more direct communication techniques. It means ownership of an activity, which can be used as a tradable commodity for, either in direct media purchase or to generate future revenue.

Further and perhaps most importantly it puts the brand at the heart of the activity.

This isn’t a threat to Broadcasters, it’s an opportunity. They will still get ad revenue they will still get sponsorship revenue they will still get a split of the phone voting, they might even still get a split of the IP, despite changes in the Communication Act, which restricts the leverage broadcasters exercise upon rights holders as a means of taking ownership in projects they broadcast. It could provide broadcasters the means to move beyond the world of the 12, 24, 42 inch screen as Restoration, Pop Idol, Big Brother or The Big Read have demonstrated so well in their own unique ways, engaging audiences across the nation, and this is perhaps really an indication of that opportunity. Brands could provide a powerful new distribution channel off screen for broadcasters. Providing it is undertaken with integrity, co-partnering raises many positive possibilities for better future growth.

Branded content be it a programme created by a brand based upon a brand proposition designed to deliver:

1. A key demographic,
2. A digital channel, tv or radio distributed via digital satellite or an ADSL link in store or at home,
3. A quiz played via mobile phones in a closed loop within a cinema chain,
4. A movie, an album, or a magazine.

Is coming.

One could hope that the content owners are now in a position to take a share in the profits hitherto taken exclusively by broadcasters, and thereby be granted access to, that all-powerful broadcast tool — the schedule. But increased broadcast specialisation or narrow-casting has created the opportunity to target niche audiences, and has further fragmented the broadcast audience.

For producers who have always been content owners, this creates a dilemma.

One possible future provides them with a greater opportunity to fund production from alternate sources and take a greater stake holding in the format, but at the same time it threatens the strength of the market they are supplying, it bites the hand that previously feed them.

So, in another possible future, broadcasters are not about to open the flood gates and allow their supplier to crawl up the food chain. They will continue to protect access to the schedule. Broadcasters claim to have sufficient funds to finance the programmes they choose to and are do not need to take “free” programming with strings attached which creates income opportunities without expenditure.

So content owners, as has happened in the States, might need to become broadcasters too. This is more than “Brand-casting”: it is a brand or a studio becoming a broadcaster. The digital future will make this opportunity available to hundreds more producers/content owners.

It may only be a small percentage of the overall content market, but its all going to be a growing small percentage from now on. That’s the point; the odds have got tighter for everyone.

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