

Response to Competition and Markets Authority

Consultation on changes proposed by ITV to the sale of its advertising time

July 2022

1. About ISBA

- 1.1. ISBA is the only body in the UK that enables advertisers to understand their industry and shape its future, because it brings together a powerful network of marketers with common interests, empowers decision-making with knowledge and insight and gives single voice to advocacy for the improvement of the industry.
- 1.2. ISBA is a member of the Advertising Association and represents advertisers on the Committee of Advertising Practice and the Broadcast Committee of Advertising Practice, sister organisations of the Advertising Standards Association, which are responsible for writing the Advertising Codes. We are also members of the World Federation of Advertisers. We are able to use our leadership role in such bodies to set and promote high industry standards as well as a robust self-regulatory regime.

2. Do you consider that there are advertisers, or groups/types of advertisers that will gain from these proposed changes, if so, please explain.

- 2.1. Most advertisers run will run advertising on a broad mix of stations, and are therefore exposed to all copy length ratios. The changes proposed in the consultation do not outline a consistent shift in pricing ratios, therefore depending upon what time length a brand is using for a set campaign there will be some marginal gains and some marginal losses.
- 2.2. The proposed time length factors for 10 second adverts are lower than the current ITV time length factor in the Granada, LWT, Meridian, Anglia, Border, UTV, Yorkshire and Tyne Tees regions. This will make these regional linear TV buys more appealing to advertisers who have a 10 second creative execution. Please see Fig.1 in appendix. This is not a significant difference to an overall plan, however given the inflation in the market, small increments help. Shorter second lengths are often a way for brands to justify buying TV, so reducing the time length factor will help agencies sell TV to clients with smaller budgets, or for clients who are very acquisition led.
- 2.3. Brand advertisers welcome the proposed removal of the 0.6 time length factor for a 10 second advert in half the ITV regions. As well as a positive in terms of cost of advertising brands also welcome Broadcaster consistency as these time length factors are aligned to Channel 4 and Sky. This helps to simplify the TV planning process.
- 2.4. Note, there are improvements in the proposal based on 5" airtime but this time length is very rarely used on television – 0.02% of all adult ratings delivered to date in 2022 are from 5" commercials.¹

3. Do you consider that there are advertisers, or groups/types of advertisers that will lose out from these proposed changes, if so, please explain.

¹ BARB data, 1 January-11 July 2022. More information available at: <https://www.barb.co.uk/viewing-data/>

- 3.1. Of all adult ratings delivered to date in 2022, 27.4% are from 20" commercials, therefore it is reasonable to suggest that all sectors of the economy will be impacted.
- 3.2. For some of our member brands, running 20" was a consequence of high media inflation seen earlier this year – running a shorter time length was a cost saving choice and it's those advertisers that will be impacted. These brands will either end up paying more for their advertising, changing their time lengths or negotiating the differential.
4. **Do you consider that these changes will affect your ability to negotiate a contractual outcome with ITV that you consider to be fair and reasonable?**
 - 4.1. No, provided that the necessary percentage increases are factored into the ratecard discounts and fixed pricing agreed. The main concerns for brand advertisers in negotiations are price and quality/access to core shows.
 - 4.2. Given the way linear TV is traded (supply and demand and single source measurement source in BARB) it allows brands to apply a more detailed level of rigour to how they audit their agency's ability to buy this media in a competitive way on both price and quality.
 - 4.3. The same level of detailed comparison is not possible within the digital market, due to the price paid being variable depending on the platform and audience. This cannot be openly compared due to there being no single source of data regarding digital – each media owner classifies their inventory in a different way. For example, the available sources of data on social media are different to those within broadcast video on-demand (BVOD).
 - 4.4. It has been noted that brands would like to see this consistency of pricing reflected in BVOD. Unlike Sky and Channel 4 on-demand services, ITV Hub currently prices do not reflect the time length factors as per its linear stations. This makes ITV Hub inefficient from a cost point of view for brand advertisers, when compared to the other BVOD suppliers who charge a factor of 0.5 for a 10" advert space, for example. Therefore, if ITV Hub were to allow time length factors below 30" then this has potential to open a contractual conversation with advertisers, if volume targets become more achievable as, naturally, they would start to take a higher share of shorter time length BVOD plans.
5. **Do you consider that these proposals, by reducing one part of the difference between Carlton and Granada advertising areas, will affect the benefits of the contract right renewal undertakings for the advertising industry? If so, please explain whether you consider this proposed change should be permitted.**
 - 5.1. Were ITV to hold the same share of market as it did back in 2003 (i.e. >50%), then this change would be highly contentious, and there would be grounds to not permit the change on competition grounds. However, ITV now holds a 24% share of commercial impacts² meaning that should advertisers and agencies have suitable deals in place, the overall impact of any change should be relatively minimal and able to be negated through negotiation and planning practices.
 - 5.2. Historical trading agreements that dictate varying discounts for Carlton vs Granada based on share of viewing are now, arguably, outdated. The majority of deals are now

² BARB data, 1 January-11 July 2022. More information available at: <https://www.barb.co.uk/viewing-data/>

agreed at national level, with the same discounts secured across all regions in return for a national share commitment.

- 5.3. **Are there other considerations that the CMA should be aware of in reaching a decision on this issue?**
- 5.4. Broadcaster TV is a huge and unique market that offers scale and mass audiences that no other medium can reach. Broadcaster ads account for 87% of our video advertising per day and ITV accounts for 9 out of 10 of the top TV rating programmes with C4 the remaining one - <https://tv.mediatel.co.uk/top-programmes>.
- 5.5. TV drives the most profit because its scale and popularity enable it to deliver efficient profit return at high volumes of spend.
- 5.6. Broadcast TV advertising is the most trusted media with unique attributes such as high completion rates; full screen viewing; independent measurement; brand safe and pre-cleared adverts; sound on; shared viewing; viewed by humans (not bots) and high-end quality content.
- 5.7. Digital video offers compelling alternatives although they all have very different viewability and attention levels and currently there is no cross-media measurement system that can de-duplicate reach and frequency, let alone take into consideration attention. A cross-media measurement solution is the number one priority for advertisers consequently over the last two years advertisers have driven forward Origin, ISBA's cross-media measurement solution and ISBA's upmost priority.
- 5.8. Brands want and need more simplicity and transparency in the TV trading market as shown in the [joint study](#) carried out by ISBA and Enders Analysis in 2021. There is a need for the linear TV market to evolve its trading practices.
- 5.9. Any meaningful change in deal structures or day-to-day trading requires the support of advertisers, broadcasters, and agencies. Advertisers need to see demonstrable benefits—both through better short-term outcomes on their current deals, along with an understanding that the money they invest in TV advertising will help lead to a more vibrant and effective television market in the future.
- 5.10. Advertisers want a vibrant TV ecosystem that offers the following:
- **Cross-Media Measurement:** As referenced above, Origin is ISBA's advertiser backed programme, designed to create a blueprint for cross media-measurement. It is part of a global initiative to capture the value of advertising in a constantly changing consumer environment. Origin is designed to address the needs of advertisers, who need to understand and plan campaigns across digital and broadcast platforms. They point out the lack of either a standardised approach to video and display measurement or a common measurement approach across media, particularly across digital platforms and between digital platforms and broadcaster TV.
 - **Transparent deals and pricing mechanisms:** Linear is sold against a CPT relative to Station Average Price (SAP), whereas BVOD is a fixed CPM—both with their own merits. The fact that linear TV is fully sold requires some dynamic pricing mechanism. There was concern among some stakeholders that BVOD pricing was

not transparent and could be manipulated so as to fulfil agency deals, or linear discounts. Several stakeholders were concerned that SAP was not always pure, as the revenue going into its calculation was often opaque. Advertisers were seeking greater transparency.

- **High quality programming, available on any device at any time.**
- **Innovative advertising products covering linear and BVOD with greater targeting opportunities.**
- **Greater flexibility than at present:** for example, reduced advanced booking deadlines introduced in 2020 have been welcomed.

5.11. In summary, if evolving the TV advertising model even marginally can result in a better advertising product and rebalance expenditure biases, it will help not just advertisers but will optimise an ecosystem for more sustainable and profitable product supply. Linear TV remains the channel that drives the highest proportion of media driven profit as proven through econometric modelling. No other channel delivers an environment that offers as high video quality, in a sound on environment with more active attention.

6. Appendix

6.1. Fig.1

| Spot Television Timelength Factors & Future Proposals | | | | | | | | |
|---|--------------------------------------|--|----------|-------------|-----------------------------|--------------------------------------|--|----------|
| Advertising Spot Duration Seconds | Current Factors (30" Base) | | | | Proposed Per-Second Premium | | | |
| | Carlton / Central / W & W / WC / STV | Granada / LWT / Meridian / Anglia / Border / UTV / Yorkshire / Tyne Tees | Proposed | Current Sky | Natural Duration Weighting | Carlton / Central / W & W / WC / STV | Granada / LWT / Meridian / Anglia / Border / UTV / Yorkshire / Tyne Tees | Proposed |
| 5 | 0.400 | 0.350 | 0.300 | 0.350 | 0.167 | 140.0% | 110.0% | 80.0% |
| 10 | 0.500 | 0.600 | 0.500 | 0.500 | 0.333 | 50.0% | 80.0% | 50.0% |
| 15 | 0.750 | 0.700 | ?? | 0.700 | 0.500 | 50.0% | 40.0% | #VALUE! |
| 20 | 0.830 | 0.800 | 0.850 | 0.850 | 0.667 | 24.5% | 20.0% | 27.5% |
| 30 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 0.0% | 0.0% | 0.0% |
| 40 | 1.333 | 1.333 | 1.333 | 1.340 | 1.333 | 0.0% | 0.0% | 0.0% |
| 50 | 1.660 | 1.667 | 1.667 | 1.670 | 1.667 | -0.4% | 0.0% | 0.0% |
| 60 | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 | 0.0% | 0.0% | 0.0% |
| 70 | 2.333 | 2.275 | 2.333 | ? | 2.333 | 0.0% | -2.5% | 0.0% |

For any further questions please contact bobic@isba.org.uk