

# The European challenge



*“All advertising stakeholders must be irreproachable and behave with the utmost responsibility. (...) Advertising self-regulation offers the necessary framework for industry players including television & radio sales houses to bring about positive changes”*

*Heikki Rotko, egta President*



## Some words from the egta President



The advertising industry is essentially based on trust: trust from consumers in brands, their products and communication, as well as trust in media.

Whereas European citizens maintain a high degree of confidence in media, companies’ communication messages are being challenged by empowered consumers. This may subsequently affect the image of advertising and generate new risks – a major challenge for an industry which needs to reinforce trust.

This reality is forcing the advertising industry to be more efficient – especially in the way they position their own sector! There is a need to improve the way we communicate the posi-

tive role and value of advertising in our society: its contribution to the financing of media, to culture, to the sports sector and to the economy as a driver of growth by way of fostering competition, driving lower prices, as well as triggering innovation and employment.

As an advertising professional, I value the importance of a strong brand but I also know that “advertising” advertising will not be sufficient if we want to strengthen our contribution to society. All advertising stakeholders must be irreproachable and behave with the utmost responsibility. Not only do we need to comply with regulations but we must

make sure that advertising in all media meet consumers’ expectations whether it be in terms of validity of information, honesty in messages or good taste. Advertising self-regulation offers the necessary framework for industry players and sales houses to bring about positive changes.

Fostering sales house contributions toward these changes, highlighting sales houses’ roles & responsibilities and explaining the realities and contributions of advertising in our society are among egta’s missions. This is also our main European challenge!

*Heikki Rotko  
President of egta  
Executive Vice-President Marketing & Sales - MTV3, Finland*

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## Where do sales houses fit into the food advertising debate?

*Michel Grégoire, egta’s Secretary General, tells us more on the latest developments and sales houses’ roles and responsibilities*

The policy debate on the rising prevalence of obesity across Europe continues at both EU and national level.

Although, the European Commission’s nutrition strategy released in May 2007 does not suggest the introduction of advertising

restrictions at this stage, this option is still being called upon by some regulators.

Michel Grégoire, egta’s Secretary General, tells us more about the current challenges and the re-

sponses by broadcast advertising sales houses.

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## A modernised framework on TV advertising? Yes, but only for a few select ones!

The new EU directive on audiovisual media services has at last been endorsed and with it comes the prospect of streamlined television advertising rules.

For egta and its member sales houses, this prospect now needs to be turned into reality: sales houses & broadcasters must be given the possibility to reap the benefits of the relaxed advertising provisions of the EU directive.

At time of transposition of the new EU framework, responsibilities lay in the hands of national regulators. Will they make use of their right to impose stricter advertising rules than those deemed necessary by EU regulators?

egta's first European transposition progress report shows alarming signals from many Member States: tightening of advertising rules, advertising

bans, limited flexibility are all too often envisaged.

If only a few countries and sales houses enjoy a modernised advertising framework, an essential objective of the new directive will not have been met. In turn, it is indeed both the investments into audiovisual content and Europe's creative economy that will suffer.



*The egta practical guide on the new AMS directive offers sales houses a comprehensive overview of the new EU directive*

## Can European radios take a 9% cut in advertising budgets?

9% is the EU average share of radio advertising investments coming from the car industry. In most EU countries the automotive sector ranks among the top three radio investors.

There is no talk of a ban on car advertising per se so why such concern about potential losses of revenue? EU regulators are currently looking into ways to improve consumer information on gas consumption and CO<sub>2</sub> emissions from cars, including by way of advertising. Should the realities of broadcast advertising be ignored, impacts on revenues could be substantial.

Because of its short length and need for highly creative content, broadcast advertising is not well suited to convey detailed technical information to consumers. As a non-visual media, radio is even more limited in this regard. Information requirements result in long oral mentions at the end of spots which damage their creative appeal, make them last longer and thus cost more. The danger is that advertisers would in turn reconsider their investments in radio and redirect them towards other media.

Empowering consumers with appropriate information before they make their car purchase decision is a laudable political objective. As a source of information to car buyers, advertising may play a role but before any requirement is imposed, its potential impacts and the specificities of each media need to be taken into account.

9% of radio advertising revenues are at stake; this is well above the average profit margins of most local and regional radios in Europe...

*Information requirements in car advertising that do not take account of the constraints of the radio medium could put many European radios in major financial crisis.*

## Further restricting broadcast advertising for alcoholic drinks: an outdated vision of today's marketing world

"Advertising of alcoholic drinks should not specifically target minors" Mrs. Vassiliou, the EU Commissioner for Health recently declared.

In fact, such a safeguard has long been enshrined in the "Television Without Frontiers" directive and is now broadened in the new "Audiovisual Media Services" directive. This provi-

sion is already implemented at national level by means of statutory law and is reinforced by broadcast media investments in efficient advertising self-regulation.

So why do society and regulators still see it as an issue and further debate advertising restrictions in both EU and national fora?

New technologies and new media — which European children are embracing at a very fast pace — offer many new forms and drivers of marketing communication that remain largely unregulated. Ensuring the highest level of responsibility in commercial communications on new media is today a

key challenge. The marketing world has become more complex and that reality must be acknowledged. Further restrictions on broadcast advertising would simply miss the point.

*The level of children protection on broadcast advertising could serve as a benchmark for new media*



## Where do TV and radio sales houses fit into the food advertising debate?

An interview with Michel Grégoire, egta Secretary General (continued from page 1)



**How is food advertising currently being debated within EU circles?**

Over the last month, the debate has moved from questioning the need to change the way foods are advertised to an interrogation as to the means to foster changes. Thanks to discussions held in various fora, advertising self-regulation and its benefits are now better understood by EU officials. This translates into the latest nutrition strategy by the Commission which calls on the industry "to self-regulate the content and the balance of food advertising" before envisaging any regulatory option.

**How can sales houses react to these challenges ?**

egta and sales houses invest a lot of time and effort in self-regulation of the content of advertising. This entails setting up self-regulatory organisations

in countries lacking such structures, improving the operations of existing ones according to the agreed best practice model and drawing up codes of conduct on food advertising. This last element is a priority for sales houses keen on working with self-regulation partners in finding a proper response to the ad-hoc call of the Audiovisual Media Services directive.

**What about the "volume and balance of advertising"?**

This issue is not the responsibility of sales houses. One must be clear that it is advertisers that choose the type of products they want to advertise, to whom and in what quantity. Sales houses simply offer access to media that allow advertisers to implement their strategies. In addition, sales houses cannot discriminate against products and advertisers and thus cannot make any commitment in regard to the balance of food advertised.

Some global food advertisers recently committed to no longer advertising to children under 12 "except for products

which fulfil specific nutrition criteria". Sales houses will see how this commitment translates in advertisers' media planning and will consequently meet their clients' demands.

**Is this commitment from advertisers not a threat to broadcasters' revenues?**

It is indeed and potentially a major one! The UK restrictions on advertising for food high in fat, salt or sugar, although stricter than this commitment, offer some figures. According to the UK regulator's projections, they cost broadcasters 29 million Euros annually. It is unlikely that all adspend endangered by the commitment will be compensated by investments in "healthier choice" products. This illustrates that it is media that may pay the highest price in the obesity crisis!

**What is the time frame for self-regulation to deliver changes?**

2010 is the deadline set by the European Commission. Considering the time needed to engage with civil society when developing self-regulatory

codes, it is uncertain that these will have delivered all their benefits by 2010.

The major difficulty lies in the lack of clarity about the changes expected, e.g. are they expected in the content of spots, in the quantity of advertising, or in the type of food advertised? At egta, we think it is fair that the efforts undertaken by sales houses be assessed – knowing however, that only those elements on which our members have a say can be taken into account: i.e. self-regulation on the content of advertising.

***"This issue (i.e. the balance and volume of advertising) is not the responsibility of sales houses (...). It is advertisers that choose the type of products they want to advertise, to whom and in what quantity."***

## Responsibility in commercial communications: TV and radio sales houses at the forefront

Self-regulation has an important role to play in making sure that advertising is decent, legal, honest and truthful.

In order to be effective, the involvement of media is pivotal, not least because they play the role of the last gatekeeper screening the ads before they are released. Broadcast media sales houses take their roles seriously and strive for constant improvements to national

self-regulatory organisations. At European level, egta is involved in the work of the European Advertising Standard Alliance to define a proper response to the challenges set out in the Advertising Roundtable report.

Among these is the question of how self-regulation can apply to new media. In 2001, egta adopted guidelines on commercial communications on interactive services. Taking this

work further and extending the self-regulatory approach to new media is however no easy task. Among the difficulties is the need to identify a media operator that can help define the limit between advertising and editorial content, be the last gatekeeper and invest time and money in self-regulation. A role which television and radio sales houses already play for broadcast media.

*Media are central to the proper operation of advertising self-regulation*



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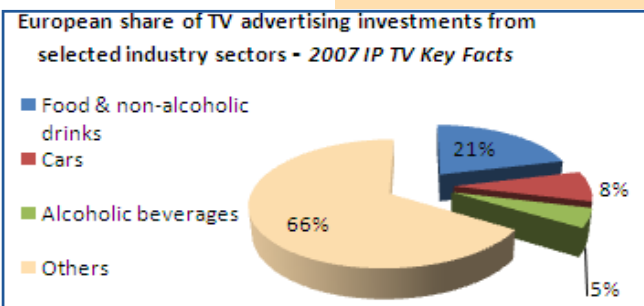
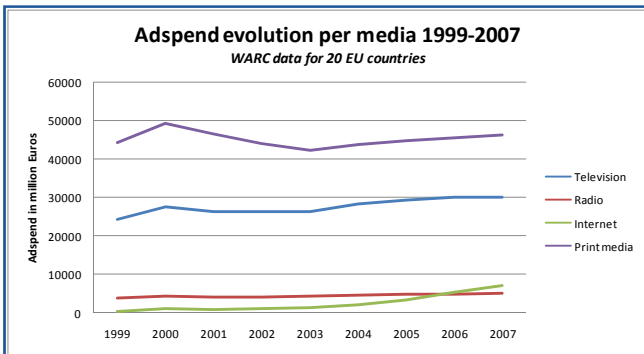


[www.egta.com](http://www.egta.com)

egta is the trade association of over one hundred advertising sales houses (either independent from the channel or in-house) which market the advertising space of both private and public **TELEVISION / RADIO** stations all over Europe and beyond.

In addition to the traditional regulatory, monitoring and advocacy tasks of Brussels-based trade associations, egta is unique insofar as its fields of activities are extremely diverse and include: Training, Research and Databases, Marketing and Sales, Sports, Audience Measurement, Interactivity, New Media, Cross media and Integrated Marketing, etc.

egta is of the opinion that a real network is built through the exchange of knowledge, the sharing of best practice, tools, systems, research findings and through relevant debates among experts. It is thanks to this network of experts that egta can raise decision-makers' awareness on the realities of the broadcast advertising industry.



As TV and radio adspend in Europe have been experiencing slow growth over the last years, advertising restrictions could seriously hinder broadcasters' capacity to invest in European content.

### Big business indeed but also high stakes and major contributions to society...

In 2007 over 30 billion (TV) and 5.5 billion Euros (radios) of advertising expenditures were collected by sales houses across the EU to finance television and radio broadcasters. These numbers may sound overwhelming but so too are the impacts that advertising restrictions could have on ad-funded broadcasters.

Broadcasters' advertising revenues cannot be taken for granted as competition between commercial communication platforms intensifies. In view of the slow progression of television and radio advertising expenditures over the last years, it is unlikely

there will be new drivers of growth to compensate for losses caused by advertising restrictions.

Less advertising revenues for broadcasters would also mean less diverse quality programming accessible free-of-charge for Europe's citizens. Top quality news programmes, local fictions and major sports competitions are largely financed thanks to broadcasters that reinvest their advertising revenues. This is only one of the many contributions the advertising industry makes to Europe's culture and economy.