Reuters Institute for the Study of Journalism

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REPORT

Ask the Audience: Evaluating New Ways to Fund TV Content

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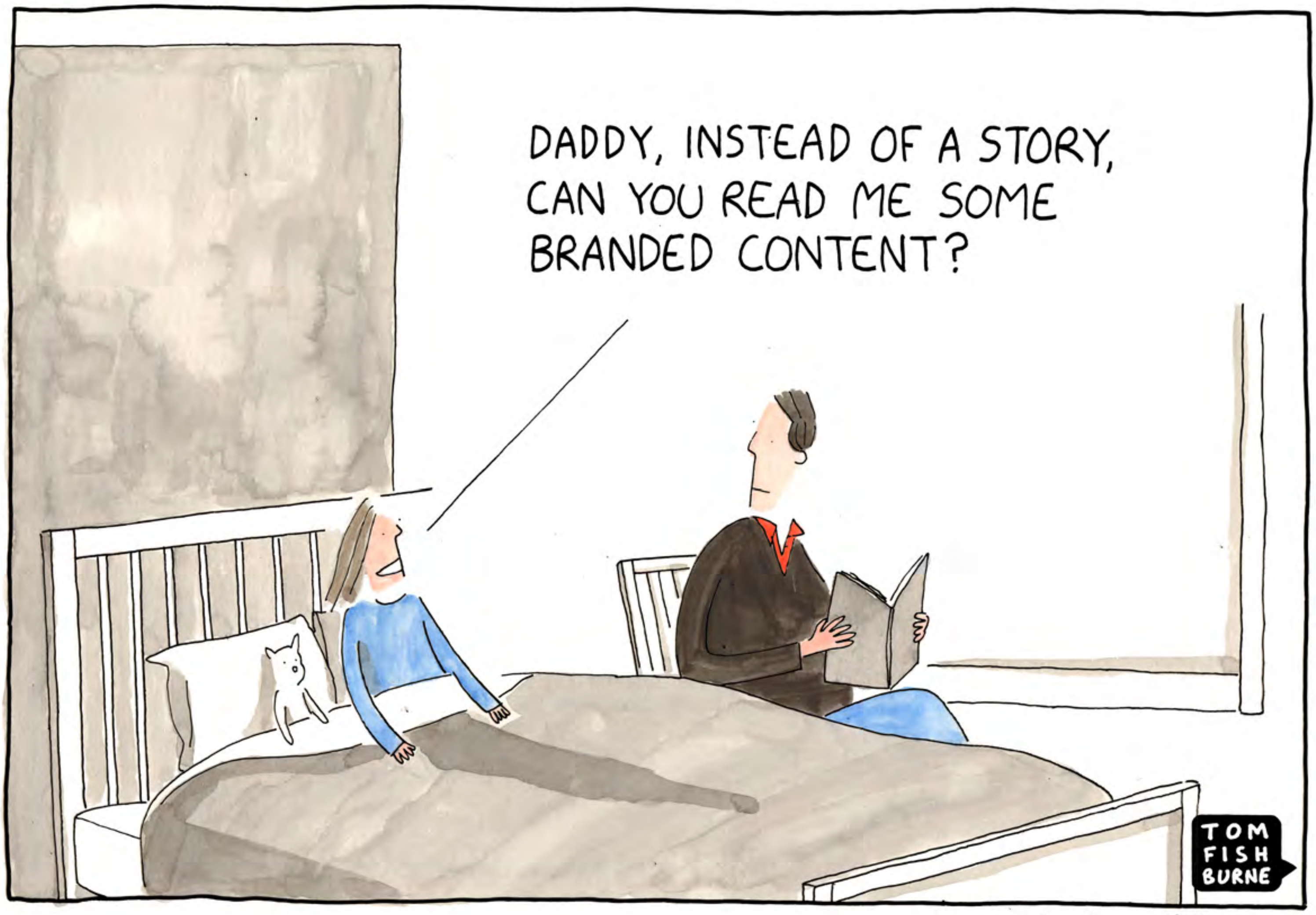

Funding and distribution models are evolving for TV and video content created outside traditional commissioning routes – and generating global debate around editorial credibility, regulation, and effectiveness.

We have added a missing piece to the puzzle – by asking viewers around the world what they actually think of TV shows created in this way.

The results show a high tolerance of advertiser presence in content, well beyond what regulators currently tolerate in the UK.

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Executive Summary

For the past decade it has been axiomatic, within both the TV and advertising industries of the UK and Europe, that content funded by brands, and also sometimes by non-commercial organisations, is a media genre likely to grow – but that in a responsible media environment, particularly on the limited spectrum of broadcast TV, having too much of it is against the best interests of viewer and producer.

There is a host of terms for such content created outside a 'pure' editorial commissioning route – advertiser-funded programming (AFP), branded content, product placement, stakeholder media, native advertising – all of which are defined in our introduction. But in the report we use the term 'paid-for' content as a catch-all description of media content directly funded by a brand or organisation, whether for commercial or non-commercial ends. The exception will be the use of terms which have a formal regulatory definition pertinent to the point being made. (A table summarising the regulations for the three key markets we explore in this report – the UK, the US, and Hong Kong – is presented in Chapter 1.)

The sense that paid-for programming is compromised, and potentially even damaging to the viewer, underpins much state regulation of programming across the world.

That is true in the more regulated territories in Europe but even in the lighter-regulated US, to the sometimes regulation-absent 'Wild West' across some (though not all) Asian markets.

The implicit assumption is that 'pure' content, not funded directly by advertisers or other third parties, is editorially more wholesome for the audience than directly paid-for output, where compromises may be required in return for the funding.

In this report, we test these assumptions with industry leaders and regulators, and possibly for the first time we find out what producers and, perhaps as interestingly, what the audience themselves think of organisations other than broadcasters and producers being involved in making the programmes they watch.

Our research is not designed to comment on, still less provide recommendations for, regulation in any market. As Jon Gisby points out in his 2013 report to UK regulator Ofcom on the future of commercial communications: 'Regulators face the same challenges as brands and media businesses: how to preserve the existing whilst creating the new, and how to prepare for inevitable but unpredictable disruption.'[1] The role of this report is to help inform and shape the industry discussion about the key trends in paid-for content.

What we discover is that, as TV and its sources of funding diversify, fragment, go multiplatform, arrive on multiple screens and under multiple business models, and develop an ever more ubiquitous presence in modern lives, the reality is that the traditional 'church and state' separation of the editorial and commercial departments within media organisations is changing. Furthermore, new voices are finding a space to contribute to, pay for, and influence public debate. And broadly speaking, not everyone minds.

Our interviews with industry leaders from 2011–13, whilst we were fellows at the Reuters Institute, paint a picture of a fast-changing media environment where financial pressures and technological developments are creating the conditions for paid-for content to grow.

Equally revealing is a fascinating snapshot of opinions from primarily UK TV producers via a large, informal survey – about any degree to which they feel content

[1] J. Gisby, *Industry Perspectives on the Futures of Commercial Communications on TV and TV-Like Services*, an independent report (Ofcom, 2013), 4.

production is compromised by new sources of funding. It is surprising how boundaries between editorial and commercial can quickly shift under the threat of financial loss, and how quickly people who make programmes will embrace what they themselves describe as Faustian deals.

Finally, and as the core of our report, we deliver some new, prima-facie evidence, not around what any top–down regulator might think is good for the audience, or what the top–down advertising industry might think is attractive to the audience, but simply around what the audience itself is minded to watch on TV.

Via an Ipsos MORI survey conducted in the UK, US, and Hong Kong in May/June 2013, we put detailed scenarios and questions to a representative sample of 500 TV viewers in each of these territories to find out what they actually think of paid-for content, and where their editorial red lines actually are.

The results are surprising, suggestive of a public tolerance, and a sophisticated awareness of paid-for content. The audience would keep watching an advertiser-funded programme in the UK long after the regulator under current rules would have pulled the plug on transmission. Maybe the audience need protecting a little less than conventional wisdom suggests.

1. Introduction: What we Mean by 'Paid-For' Content

> *Fundamentally, why does someone fund a programme? They fund a programme to get a return. There is always something in it for them. At the very least it's associating their name with an activity or a broadcaster.*[2] *(Tim Suter, former partner at Ofcom)*

A combination of reduced programming budgets and willingness amongst commercial brands to replicate across their advertising the kind of direct consumer engagement they find on the internet is at the heart of the current changes in how content is being funded within the media sector.

As a global phenomenon spanning all media sectors, paid-for content is a topic too extensive to cover in its entirety within this report – though through diverse examples we give an anecdotal sense of its global creative scope in Chapter 3. We focus our efforts on factual and factual entertainment TV, outside the regulatory protection for news and hard current affairs, and aired on commercial rather than publicly funded TV, and the now commonplace additional online video extensions.

The report is also primarily UK-centric though we do draw extensively from surveys, information, and industry trends in other regions of the world, where this helps as a comparison or point of reference to UK developments. In particular, we benchmark audience attitudes through detailed comparative audience surveys in the US and Hong Kong.

Even within this narrower focus, the topic of paid-for content can quickly become confusing. In this report, we will use the term 'paid-for' content as a catch-all description of media content directly funded by a brand or organisation, whether for commercial or non-commercial ends. Look below the surface of paid-for programming and it is like a zoo containing many animals, all distinct but genetically related.

It makes sense to start with the focus of our report – factual TV. How does this content manifest itself on TV, particularly in the UK and the EU, where there are stronger regulatory controls than for either print or online.

To help understand the parameters that determine if content is compliant for TV broadcast we have drawn up a table from the main regulatory codes and bodies in our three key markets (European Audio Visual Media Services (AVMS) Directive; the Federal Communications Commission (FCC) in the US, and the HK broadcasting authority code of practice) outlining the principles which guide regulators in their judgements.

The EU, including the UK, is far more heavily regulated than the other two markets. In the US the key determinant for compliance is transparency; the broadcaster must do 'everything in their power' to ensure 'true transparency'. Having met this criterion, broadcasters can pretty much make their own decisions on everything else. In Hong Kong there are some similarities with the UK, in that the broadcaster must commit to editorial independence and to stopping undue prominence of a sponsor in the content, but the code is far more permissive of overt brand involvement (we will see later how that reflects in audience tolerance). Also, very different from the absolute ban in the EU, news and current affairs are open to a sponsor's involvement in both our other markets.

[2] T. Suter, interview with the authors, Mar. 2013.

	EU	USA	Hong Kong
Dominant Regulation Framework	AVMS Directive	Federal Communications Commission	Communications Authority (Jan 2013)
Editorial Independence The broadcaster is ultimately responsible for content and must not be unduly influenced by an outside sponsor	Agree	Disagree The US approach relies solely on the principle of transparency	Agree
Separation Advertising and teleshopping should be separate from other content and should be recognisable and distinguishable from editorial content	Agree	Disagree	Agree
Transparency i. All sponsored content must be clearly identified through a sponsorship credit	Agree	Agree The licensee must do everything within their power, including following the payment disclosure rule, so a true sponsorship credit can be made.	Agree
ii. This credit must not contain a promotional reference to the sponsors products or services	Agree	Disagree	Disagree
Product Placement i. The broadcaster must clearly alert the audience if the editorial content features products, services or trademarks in return for payment	Agree	Agree	Disagree
ii. This product placement must be justified and not interrupt the viewers experience	Agree	Disagree	Agree '[product placement must be] clearly justified editorially, not obtrusive to viewing pleasure and not gratuitous'
Regulated Genres i. News and Current Affairs content must not be sponsored or contain product placement	Agree	Disagree	Disagree 'licensees should exercise care… so to safeguard the credibility and integrity of such programmes'
ii. Children's programming must not be sponsored or contain product placement	Disagree Children's programming may be sponsored but product placement is not permitted	Disagree	Disagree

Within these broad principles, the UK regulator Ofcom has clear terminology to define different forms of 'paid-for' content. It makes sense to articulate those terms in a simple glossary form, which also helps as a guide to genre and regulatory differences.

The overarching term used by Ofcom is programme sponsorship, which is described simply as: 'programming that has had some or all of its costs met by a sponsor . . . with a view to promoting its products, services, trademarks or activities'.[3] This includes broadcast or online video funded directly by the advertiser and which is termed advertiser-funded programming or AFP. This sets it apart from

[3] Ofcom, *Broadcasting Code* (Mar. 2013), section 9: Commercial References in Television Programming, http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/broadcast-code/commercial-references-television.

the general, traditional commercial model of media funding, commonly known as 'Church and State', where advertising space (or airtime; or, in the case of online video, pre-roll or banner advertising) is sold centrally by the media organisation, but the funding is then distributed to the editorial team who operate independently from the advertiser.

AFP content is the opposite of linear spot advertising. It is where the advertiser is directly associated into the content itself. In the case of broadcast TV programming, the visibility of the advertiser will be not just in the advertising break (as has been the conventional model of commercial TV since the early 1950s) but also in the editorial content of the programme itself. That's the essence of AFP.

The 2013 Ofcom code spells out that a programme can be commissioned and developed by an advertiser, but ultimately the broadcaster has to remain editorially responsible for the output.

UK examples of ad-funded programming are numerous (if not quite plentiful) in lighter factual output: Nike for example funded several series with Sky including *Most Wanted*[4] (a search for the next generation of football talent led by Sir Alex Ferguson) and *Wayne Rooney Street Striker* with Coke Zero.[5] But AFP can exist even on news channels, provided the programme is not hard news: DuPont recently funded an AFP series on future trends in business on BBC World News, the BBC's 24-hour international commercial news channel.[6]

Transparency about the brand's involvement is required to be compliant and usually takes the form of sponsor credits or break bumpers (typically a three to five second advertiser-branded commercial appearing just before and just after the main commercial break).

In addition to AFP, commercial sponsorship covers the very old-fashioned practice of a specific advertiser paying to be associated with a specific programme, also called badge sponsorship (especially in the US), essentially the retro-fitting of a sponsor tag onto an existing programme, like Cadbury's onto *Coronation Street*,[7] which is otherwise unlike AFP because there is no editorial contribution. Nick Cohen, a managing partner at the advertising agency MediaCom explains:

> *The difference between sponsorship and AFP is that anyone can buy sponsorship and buy themselves a show. What AFP gives you is the ability to invest in a show happening to create the opportunity to associate yourself. You can create an area for people to be talking about.*[8]

In the EU and the UK, sponsorship of news and current affairs programmes is not permitted, unlike America and the Far East markets where bulletins and business news are regularly sponsored. However, the definition of 'news' is elastic enough in the UK for entertainment news features, for example, to be sponsored on Sky News Channel.

These boundaries between topical programming and news and current affairs can be murky. The Ofcom definition of a current affairs programme is: 'one that contains explanation and analysis of current events and issues, including material dealing with political or industrial controversy or with current public policy'.[9] CNN recently lost an Ofcom adjudication on the sponsorship of its long-running *Business Edition* programme by Zenith Bank. CNN argued that the programme's original

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[4] *Nike Most Wanted* (aired June 2008), Virgin Media Creative, UK.
[5] *Wayne Rooney's Street Striker* (aired Nov. 2008–Dec. 2010), Plum Pictures, UK.
[6] *Horizons* (aired 2012), TwoFour Group, BBC World News, UK.
[7] *Coronation Street* (1960s–present), Granada Television, UK
[8] N. Cohen, interview with the authors, Mar. 2013.
[9] Ofcom, *Broadcasting Code* (Mar. 2013), section 9: Commercial References in Television Programming, Rule 9.12 http://stakeholders.ofcom.org.uk/broadcasting/broadcast-codes/broadcast-code/commercial-references-television.

editorial remit was as 'feature' output, but agreed with Ofcom that an interview with the President of Kenya, which included questions on corruption, had strayed over the line.

Sponsorship is particularly prominent in events broadcasting, especially sports, where practically every big tournament comes pre-sponsored by a brand (or often many brands). These sponsor credits achieve prominence through the argument that the pre-existence of the sponsorship allows it to be mentioned on air. (For instance, even on the BBC, where neither advertising nor programme sponsorship are allowed, the Barclays Premiership will be mentioned by name.) The promotion given during coverage of a commercial rock festival like Glastonbury also falls into the same category.

AFP often involves product placement, meaning the onscreen presence of products during a TV show or film in return for money. The UK's Ofcom code defines it thus:

> *The inclusion in a programme of, or of a reference to, a product, service or trade mark where the inclusion is for a commercial purpose, and is in return for the making of any payment, or the giving of other valuable consideration, to any relevant provider or any person connected with a relevant provider, and is not prop placement.*[10]

Product placement is often combined with sponsorship and these terms are frequently used interchangeably. As the sponsorship relationships executive at one leading UK channel comments: 'It adds a bit of value to an existing sponsorship. For instance XBox sponsored *League of their Own* [on Sky One], and there is XBox in the show.'[11]

Product placement has been going strong in the US since the 1950s and in most other global markets but has only been allowed in the UK since 2011 and has to be signposted on screen. So far the take up has been slow. However, recent research (including our own, Chapter 3) estimates suggest that within five to six years this market could grow from the current size of between £10 and £30 million, and probably at about £24 million, to £120 million, accounting for around 3% of the TV spot ad market.[12] More deals are starting to be seen on our TVs – Samsung in *X-Factor*,[13] Highland Spring in *Dancing On Ice*,[14] Yeo Valley and Uncle Ben's in *Jamie's 15 Minutes Meals*[15] – and the number is likely to increase as advertisers see successful examples and as audiences become more accustomed to it (they are already watching acquired Australian and US programming which can feature up to 17 product placements per programme).

Products can actually now be inserted retroactively and in global TV productions in a market-specific way, using electronic post-production, for instance to place a branded pizza box on a table or specific drinks on a shelf in a bar. In the UK specialist agency MirriAd has pioneered this technique.

The rules around commercial funding of programmes, while still requiring judgement, are on the whole straightforward for both factual entertainment and serious factual programing. But not totally. Most TV regulators disallow corporate videos – promotional films directly made about a corporation and its products – as transmittable broadcast TV, but this is not always the case, as the Audi channel which broadcast for four years to 2009 on Sky channel 884 arguably demonstrated.

[10] Ibid., rule 9.5.
[11] Anonymous, quoted from correspondence with the author, June 2012.
[12] C. Chan, *KPMG: Taking a Subtle Approach: How Product Placement will Breathe a New Lease of Life into UK TV Advertising.* (KPMG, 2013), 16.
[13] *The X-Factor* (2004–present), SYCOtv/Thames, UK.
[14] *Dancing On Ice* (2006–present), ITV studios, UK.
[15] *Jamie's 15 Minute Meals* (Oct. 2012), Fresh One Productions, UK.

Audi ended their experiment by moving their videos online and, as Nigel Walley of Decipher Consultancy told *Marketing Week* at the time: 'It was very unclear if it was a marketing or entertainment proposition.'[16]

Sponsorship, AFP, and product placement are the key terms used in the TV regulatory environment but there are also a number of terms which are used to describe types of commercially funded content developed for non-European TV markets, online video, advertising-funded blogs/vlogs, newspapers and magazines where there are fewer regulations. The list may seem endless to read but we urge you to persevere to understand the sheer welter of overlapping terminology which is often misapplied to TV content and which drives a lot of the confusion and sometimes unwarranted concern over new funding forms.

Brand-funded content or branded content is as close as one can be to a generic term for all forms of editorial content funded by advertisers and which equates to AFP in TV terms.

It is also sometimes called content marketing (especially in the US), engagement marketing (although that term can mean other things too, such as in-store events), or (for instance, by Discovery Latin America) content solutions or branded entertainment. We find more general terms like Beyond Advertising, which is what the UK agency Mediacom calls its department which deals with advertising production which is not related to a direct media spend under the traditional media-buying model. Almost every major advertising agency globally will now have a comparable department, as will many PR and marketing companies.

Brand integration is often used as a general term for branded content but it also refers to a specific moment of brand presence in content (e.g. the presence of shelves of food in a cooking show which are integral to the cooking but which happen to feature only a particular supermarket's products) or it can be used as a noun where the brand is integral to the programme concept, such as Red Bull and extreme sports.

Online 'viral' video advertising is a format between programming and advertising where a brand pays for content distributed directly via (say) YouTube (again see Chapter 3 for examples). Native advertising in the US describes promotional copy that mimics editorial content which runs alongside real editorial articles on many US websites. Advertorials and advertorial TV is content whose overt role is to sell the product: an extended advert in other words, around fitness equipment for example. Brand journalism is content created by journalists for brands who want to provide added-value information to engaged consumers.

Anecdotally, global corporations such as Unilever are said to be now spending as much as 30% of their total global advertising spend on content marketing in the widest sense, as opposed to direct advertising.

The other key category under EU regulations for TV is the more nuanced area of funded content, which is defined in regulatory terms as financing a programme without a view to promote a brand or product, for example, through philanthropic means. If there is no promotion, there is no sponsorship and the sponsorship rules do not apply. However, there is still an onus on the broadcaster to fully appreciate the relationship between the funder and the production to ensure the programme doesn't in any way fall under 'sponsorship' rules. There are several different types of funded content, most of which do not find their way onto TV in the UK.

Documentary film-making now receives substantial sums from foundation funding: from very wealthy institutions like the Bill and Melinda Gates Foundation, Wellcome, and the Ford Foundation. Foundations almost never exercise any editorial control of a project but because they do choose ideas that further the

[16] N. Walley, quoted in A. Farber, 'Audi Drops Sky TV Channel to Focus on Video Content Site', *Marketing Week*, 7 Oct. 2009.

foundation's strategic goals, however laudable, some argue that this must create a conflict of interest or an implicit editorial selection. BBC World News has banned all third-party non-commercial funding since 2011, even though it continues to take commercial AFP. While in the US, stations like PBS will take documentaries funded by foundations, in the UK, such money tends to come into broadcast TV documentaries as acquisitions, through intermediary bodies such as the Britdoc Foundation which has a relationship with C4. Steps, a non-profit organisation with several foundation funders, created several documentaries as part of a Why Poverty season which aired on the BBC, among many other broadcasters in Europe and worldwide.

An overlapping area is CSR funding, or corporate social responsibility funding, which represents funding by corporations, often the largest public companies, for public works that are not directly promotional. In the UK, such films are almost exclusively for cinema/film festival or online release and not broadcast on TV. The Co-op for instance has social-goal policies mandated by its members and has funded the distribution of documentaries like *VJ Burma*[17] and the production of others such as the *Vanishing of the Bees*,[18] Waitrose funded the distribution of the *End of the Line*,[19] about fish stocks (see Chapter 2). Another goal could be to influence a public debate or policy-makers, for instance a truck company funding a documentary about people-trafficking; others may (according to how cynical one is) be designed to promote a positive feeling about those companies, like a PBS National Parks programme sponsored by a significant list of corporations. Heather Croall of the Sheffield Documentary Festival is sceptical about CSR-funded documentaries in general, not least on the simple grounds of their limited distribution: 'People are making a killing out of making supposed documentaries that are also corporate videos.'[20]

Separately, public information films have a difficult time complying with Ofcom sponsorship rules, as the ITV programme *Beat: Life on the Street* showed. This observational documentary series made by Two Four productions about the work of Police Community Support Officers (PCSOs) in Oxford and Lancashire was fully funded by the Home Office. While the producers had total editorial control, Ofcom felt the material by its very association with the Home Office could not be other than promotional and therefore breached sponsorship rules. Furthermore, by not being clear about the involvement of the Home Office, it was also deemed that the sponsorship arrangement had not been made transparent.[21]

Finally within the funded content area, there is stakeholder content; content made by interested parties such as charities, NGOs, think-tanks, and brands who directly fund content to promote their particular worldview, often with the aim of it getting picked up by TV news outlets. Greenpeace is master at this, with direct action pictures designed to create or coincide with news stories. The World Wildlife Fund, like many charities, has its own YouTube channel.

The growth of this wealth of paid-for content is rightly the cause of media industry debate. While a commercial organisation's goals may be clear in investing in content, do they inevitably want to push investment to the end of the spectrum that most closely approximates to the saturation advertising of spot advertising or advertorial? Or on the contrary, do brands know the downside of saturation coverage in terms of viewer perceptions and the potential upside of association with strong editorial if you get it right? And for any organisations funding content for

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[17] A. Ostergaard (dir.), *VJ Burma*, Denmark, 2008.
[18] G. Langworthy and M. Henein (dirs.), *Vanishing of the Bees*, UK, 2009.
[19] C. Clover, *The End of the Line*, Dartmouth Films, UK, 2009.
[20] H. Croall, interview with the authors, Mar. 2013.
[21] For the full summary of the findings see: http://stakeholders.ofcom.org.uk/enforcement/broadcast-bulletins/obb126.

non-commercial ends, are their motives inevitably questionable? Does their involvement mean a programme cannot but be biased? And do audiences need to be protected from this rather than left to make their own judgement?

Some of the answers to these questions will touch on regulation – but this is deliberately not a report on regulation. Rather this report plays into the less explored area of what the audiences and producers themselves actually think about paid-for content, what effect brand involvement has on the credibility of the content and what, in consequence, actually works for any of the new funders of TV.

2. Industry Voices and Trends

> *We try to be true to our content. The viewer is the final judge. We still have that church and state. What does it gain us to gain $1m if we lose 1m viewers?*[22] *(Miami-based US network TV executive specialising in AFP)*

We spoke to dozens of media industry leaders, both in the UK and internationally, for this report over the period 2011–13, with the aim of creating a high-level overview of the trends around the development of paid-for content. It is not meant to be exhaustive and won't be. But it aims to collate some of the interesting insights and the extensive thinking being prompted by these new ways of funding content.

The overwhelming consensus is that paid-for content is here to stay and will see significant growth over the coming few years. But there was also a clear sense for all parties diving into this new sector that debate has been joined as to how this burgeoning content area needs to be handled.

Tim Suter, a partner at Ofcom 2003–7, believes that a considered approach is vital in unwinding accepted limits on brand involvement or alternative funding of content as a lot is at stake: 'A programme [is funded] to get a return. The regulator is trying to make sure that that return is as limited as possible because of this fundamental principle of separation. . . Editorial content must always be seen to be independent.'[23]

The Push Factor – Content is King

This isn't just a period of watching a lot of TV and fiddling around on Facebook and Twitter at the same time. It's the 'age of dialogue', as UK media agency Mediacom puts it. That means brands are finding new ways of talking to their customers. Which means content is coming to the fore as a way to engage people to interact with a brand.

'Procter and Gamble used to have two moments of truth,' says one leading marketing executive: '(1) You choose the product in store (2) You try it and it delivers. Now there is a zero moment of truth as well. That's when people start searching online for it. The onus on us is to create lots [of searches]. It's a continuous research survey online. 75% of people in the UK sit with a tablet or a smartphone whilst they are watching TV. It barely takes five clicks to get to the back story of something'.[24] Content is the driver for this kind of engagement.

Big brands can now tie in to a whole category of interest: 'a large strategic deal where you are not trying to change your brand image. I own an area of my target audience's interest – Stella with film, Fosters and comedy, Ford and football,' says one UK TV executive running sponsorship deals. 'You have to be in it for the long haul. This is about you placing yourself in the heart of your consumer interest group.'[25]

There was a consensus among our industry experts that modern audiences are far more open than ever before to having a deeper relationship with brands they like. As Jon Gisby recently wrote in an independent report for the UK regulator Ofcom on commercial communications: 'The balance of power is shifting away from intermediaries such as publishers and media companies towards consumers and their relationships with the brands they value.'[26]

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[22] Anonymous contributor, private interview with the authors, Mar. 2013.
[23] T. Suter, interview with the authors, Mar. 2013.
[24] Anonymous contributor, interview with the authors, Mar. 2013.
[25] Anonymous contributor, interview with the author, Mar. 2013.
[26] Gisby, *Industry Perspectives on the Futures of Commercial Communications*, 39.

So brands are looking to create that engagement, through embedding themselves into great content. Scott Donaton (*Madison & Vine*) quotes Mitch Kanner of Hollywood talent agency, The Firm, on the success of BMW films:

> *We're not talking about product placement, we're not talking about brand-sponsored programming. What we're talking about is brand integration. The Holy Shit is the factor that we have to create nowadays.*[27]

CASE STUDY 1

It is hard to forget the 'holy shit' factor created by Red Bull when it live streamed the jaw-dropping jump from the outer atmosphere by daredevil Felix Baumgartner. It smashed the record for most livestream viewers on YouTube, with over 8 million concurrent streams and achieved saturation coverage on TV channels all over the world. As a *Daily Telegraph* media correspondent reported at the time: 'One advertising executive guessed the exposure could be worth £10m in the UK and as much as £100m worldwide. To put that in context, a 30-second ad slot during the US Super Bowl, the most prime time you can get, costs £2.2m.' Through such incredible stunts Red Bull is now synonymous in many people's minds with 'extreme sports' and has become a content powerhouse in its own right, with a presence at the Cannes TV sales market, MIP where its programmes are sold globally.

Note: E. Rowley and R. Clancy, 'Red Bull's Space Jump Stunt with Felix Baumgartner Worth "£100m" in Ad-Spend', Daily Telegraph, 15 Oct. 2012.

Add to this another push factor, as TV is aware it faces a potential challenge to keep hold of ad budgets which otherwise could be diverted into online. Most recent surveys (by Neilsen, global ad spend, Q1 2013; Zenith Optima, ad spend forecasts for 2013) show that TV share of the ad spend is remaining stable and that digital ad spend is seeing double-digit growth. The changes are summed up in a blogpost by Randall Beard, global head, Advertiser Solutions for Nielsen: 'We see trends continuing in media, with less-steep ad spend increases in TV and very slight declines in print, making way for growth in the digital space. Although these changes in traditional media are slight, it's worth noting how the placement of ad dollars is shifting over time.'[28]

Whether this longer term shift to digital ad spend is additional, or cannibalises TV advertising revenues, is a live debate; but in terms of brand involvement in content, the lack of regulation online is a major attraction allowing far greater control for brands. Nick Cohen, who runs Mediacom Beyond Advertising, a branch of the media agency which connects clients 'with consumers in new ways through content, experiences and digital innovation',[29] says that online content partnerships – such as with MSN, Yahoo, Facebook, YouTube – offer a flexibility that TV struggles to match.

> *Polycell do a thing about doing up your house. Mediacom created a content section on MSN with how-to videos. It got loads of click through to Polycell. It fits naturally into the brand relationship. It becomes an additional service to the content. TV has a challenge in keeping up with that. If TV companies want to develop AFP as sizeable*

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[27] M. Kanner, quoted in S. Donaton, *Madison & Vine: Why the Entertainment and the Advertising Industries Must Converge to Survive* (Advertising Age, 2004).

[28] R. Beard, 'Global Ad Spend: Display Ads See Double Digit Growth in Q1', Nielsen, 25 July 2013: http://www.nielsen.com/us/en/newswire/2013/global-ad-spend--display-ads-see-double-digit-growth-in-q1.html.

[29] N. Cohen, interview with the authors, Feb. 2013.

revenue for their busineses, how do they make sure their sell to brands is as attractive as online?[30]

It's not just big brands getting into the content space in a bigger way. At the beginning of 2013, one of the leading figures in the PR world, Richard Edelman, wrote that the PR business will need to be 'reframed' in the next five years with content becoming 'the next battle zone' between advertising and PR companies. 'I have been one of the hard-liners opposing any blurring of the lines between advertising and PR. I am now prepared to change my position. I still believe that we have a primary task of proposing stories to journalists and bloggers.' That's broadly in the 'earned media' category. 'But there is a vital emerging business to be done in content creation for brands.'[31] Edelman's first paid-for content deal in this repositioning was done between the Associated Press and Samsung, where tweets labelled as sponsored were provided for AP, and put out on the AP twitter feed twice a day during the Consumer Electronics Show of 2013.

Weighing into this content goldrush alongside the straight commercial content deals, are TV and film projects increasingly funded by organisations such as charitable foundations, philanthropists, NGOs, and even governments.

CASE STUDY 2

The End of the Line is a hard-hitting documentary made for cinema release by Dartmouth Films about the consequences of global overfishing. It was sponsored by the UK supermarket Waitrose, which had no editorial input into the film, but did a tie-up to help distribute and promote it. The film is absolutely within the current affairs camp and the film is credited with influencing fishing policy. Yet in this cross-over world outside the strict regulation of UK TV, sales of sustainably caught fish at Waitrose rose 15% in the weeks after the film's launch. In an interview at the time, the Waitrose senior buyer, Quentin Clarke, described Waitrose's involvement in this way: 'I know it sounds trite but we wanted to help drive attitudinal change. If Waitrose is part of a solution then that's where we get the return on investment; but in a way, that's a spin-off.' Interestingly, the film did also later air on C4.

Notes: C. Clover, *The End of the Line*, Dartmouth Films, UK, 2009.
Q. Clarke, quoted in L. Jack, 'Brands have Big Screen Ambitions', Marketing Week, 27 Aug. 2009.

The value of non-commercial players investing in film content over recent years is well documented in other reports. But from a funder's perspective, there is also a fascinating 2012 report commissioned by Save The Children: *The Emotional Tipping Point: Can Documentary Film 'Tip' Policy Makers?*[32] The study by Kate Stanley, a Clore Social Fellow and Associate Head of the Strategy Unit at the NSPCC, looked at several examples of films made with the explicit aim of informing and influencing policy-makers and audiences, such as *An Inconvenient Truth;*[33] as well as documentaries made as normal TV commissions, but which had the potential to do so, such as *Poor Kids;*[34] it concluded that: 'social sector organisations must find fresh

[30] Ibid.
[31] R. Edelman, 'Paid Media: A Change of Heart', in *6am Blog*, 7 Jan. 2013: http://www.edelman.com/p/6-a-m/paid-media-a-change-of-heart (accessed Oct. 2013).
[32] K. Stanley, *The Emotional Tipping Point: Can Documentary Film 'Tip' Policy Makers?* (Save The Children, 2012): http://www.savethechildren.org.uk/sites/default/files/images/The%20Emotional%20Tipping%20Point.pdf (accessed Oct. 2013).
[33] D. Guggenheim (dir.), *An Inconvenient Truth*, Participant Productions, United States, 2006.
[34] *Poor Kids*, BBC, UK, 2011.

ways to make their case' and that 'any organisation wishing to stand out from the multitudes should be prepared to take a calculated risk on film'.[35]

One of the most successful examples of a media group working with commercial and non-commercial partners to 'compel social change' is Participant Media in the US that has backed documentary films like *The Cove*[36] and *Fast Food Nation*[37] but also big feature films like *Charlie Wilson's War*[38] all of which have social action campaigns around them. The UK now has the Good Pitch event, organised every year by the C4 Britdoc Foundation, which brings film-makers together with interested funders and broadcasters to create films and campaigns around social issues. The foundation is also becoming a hub to connect film-makers with several funders (Puma, the Bertha Foundation) who have annual grants to provide to documentary makers.

Yet the fact that advertisers and PR agencies and a myriad of other organisations – from charitable foundations to NGOs – are now making or helping to distribute more and more content in cinemas, on DVDs, and online, could be of limited impact within the mainstream TV industry except for two other factors highlighted by our experts.

The Pull Factor: The Era of Limited Funds

All our industry leaders agreed that declining budgets are forcing traditional media to reach out to different types of funding for content. We will concentrate for a moment on factual/journalistic content as the area cited most often by our experts as a sector where funding is in steepest decline and the shape of change is seen most sharply.

The example most quoted is in US newspapers and TV newsrooms, which are reeling from budgetary crises. In its 2013 report on trends in American journalism, the Pew Research Center highlights a drop in newsroom staff of 30% in a little over a decade, and their concern that 'more and more entities [are seeking] by various means, to fill the void left by overstretched editorial resources'.[39]

The report points to the growing use of branded content. Revenues from sponsored content, from promoted tweets to 'native advertising' (advertiser-produced content which runs alongside a site's own editorial content), grew by 56.1% in 2011 and by 38.9% in 2012 to $1.56 billion.[40] It says that several publications such as *The Atlantic* and *Forbes*, as well as digital publications BuzzFeed and Gawker, have increasingly relied on 'native ads' to 'quickly build digital ad revenues'. Another area of growth was in the use of 'third party'-funded editorial programming or content which was provided free or for minimal fees for use in editorial output.

Two examples of the dangers inherent in both these new funding approaches have achieved the status of 'legendary mistake' within the industry. First was the outcry when *The Atlantic*, a venerable 155-year-old publication, ran an advertorial for the Scientology Movement. The second was when, as the Pew Research Foundation put it: 'The government of Malaysia was discovered to have bankrolled propaganda that appeared in several major U.S. outlets under columnists' bylines.'[41] Similarly funded TV programming also appeared on more regulated platforms in the US as well.

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[35] Stanley, *Emotional Tipping Point*, 9.
[36] L. Psihoyos (dir.), *The Cove*, Participant Media, United States, 2009.
[37] R. Linklater (dir.), *Fast Food Nation*, Recorded Picture Co., United States, 2006.
[38] M. Nichols (dir.), *Charlie Wilson's War*, Relativity Media, United States, 2007.
[39] Pew Research Center, *The State of the News Media 2013: An Annual Report on American Journalism* (Pew, 2013), Overview.
[40] Ibid.
[41] Ibid.

While these are quite rightly held up as clear warnings of how things can go very wrong, plenty of our experts were keen to argue that these mistakes should not be used to erect barriers to completely exclude brand content or to undermine the broader credibility of much of its content with the wider public.

Dan Green is a respected former journalist who now manages the media and information grants for the Bill & Melinda Gates Foundation. He and his team handed out about $25 million in grants in 2012, a sizeable sum – but still only about 1% of the Foundation's total budget. He is quite clear that the content he funds has to fit the strategic goals of the Foundation, but he exerts no editorial control beyond that initial selection.

CASE STUDY 3

Dan Green on how his type of funding works: 'I never ask anybody to go and do a story. Almost every single project comes to us. If it aligns with our mission and it is something that you would want to cover anyway – then we will consider funding it. For example, the *Guardian* came to us and said that "global development is a topic we would really like to cover but we don't have the resources. Would you [the Gates Foundation] consider supporting our coverage?" And we said that we would. We call them "strategic partnerships". We call them partnerships . . . being sponsors implies personal gain and you can't as a Foundation give a grant for personal benefit – it is for the charitable benefit of society at large. I'm comfortable with calling them partnerships but I don't over-use that because the reality is that we are not sitting there next to them while they are doing the work. We are not editorial partners – probably more business partners.'

Note: D. Green, interview with the authors, Jan. 2013.

But Dan Green is concerned about the negative press for what he does:

> *Even if we say and you say that the production company will have full control . . . somebody will say: 'that's odd, they did this global health piece and it happened to be funded by the Bill Gates Foundation'. What we are always concerned with is the perception that their credibility has been tainted or jeopardised and that is something we would want to avoid at all costs.*[42]

In his view, there is a potential danger that, as media projects are such a small and ultimately far less important part of the Gates Foundation's overall goals, this negative response to the funding could be seen by the Foundation as more trouble than it is worth and the programme will just be ended, removing a source of funding for good content that informs public debate.

The concern that there is a danger of throwing the baby out with the bathwater is one that is shared by the current head of BBC's Global News Division, Peter Horrocks. He is speaking as one of the industry leaders who has been right at the coal face dealing with the problems that can arise from paid-for content. One of the production companies that has supplied funded programming to the commercially funded international news channel BBC World News was found to also have contracts with governments, including of one of the countries being filmed in – a clear conflict of interest.

But while acknowledging that 'you have to be careful', he believes good content is being made which should be available to audiences. Currently BBC World

[42] D. Green, interview with the authors, Jan. 2013.

News is not taking any third-party non-commercially funded programming, and even if it ever does, Horrocks agrees that the rules of engagement need to be better defined. Looking at current long-term partnerships that the BBC public service channels have with other bodies, such as the Open University, he thinks that if there is complete clarity about the funders' interests, and where these align with the BBC's public-interest goals, one could create a list of 'allowable' organisations or projects. 'Is raising awareness about eradicating polio in the public interest? Might that be legitimate to co-operate with [The Gates Foundation] on content? But to say that we are going to look at specific Gates funded programmes in line with the Gates ideologies is not acceptable.'[43]

The role of a broadcaster or commissioning editor in sifting, endorsing, and validating content will be an important one for several years. But the sheer scale of the new funding and resources going into brand content may eventually challenge these traditional divides.

Mark Lee Hunter, a seasoned investigative journalist and currently Adjunct Professor at the graduate business school INSEAD, makes the more radical case for the value of a fast-growing type of paid-for content which he defines as 'stakeholder' media: i.e. media 'controlled by stakeholder communities and groups' which cannot pretend to objectivity – brands, activists, NGOs, think-tanks, and even economic analysts. They are increasingly powerful voices, attracting some of the best minds and most eloquent content makers, who value the chance to influence public debate and make change happen: 'it is just not true that the stakeholder media sphere don't know what they are talking about. They have tremendous resources at their disposal.'[44]

CASE STUDY 4

That stakeholder content is used to supplement and inform other content is not entirely new. The first thinking about this issue was prompted a decade or so ago over the dilemma of what to do with the Greenpeace film of one of their actions when there was no other source. The subsequent guidance around clear labelling of source material still holds today but the sheer scale of the content available is creating a new dynamic. As Mark Lee Hunter observed: 'I watched a lot of TV coverage during the Egyptian revolution (in 2011) and I was struck by the paucity of resources. One of the major news networks did not seem to have anyone on the ground to tell them what was going on. They completely relied on bloggers and twitter accounts.' The former BBC correspondent Tim Sebastian, who has been chairing debates in the Middle East for the past 10 years, believes that 'the best sources of facts about the situation in Egypt and indeed some of the best reporting being done is by organisations such as Human Rights Watch and Amnesty International. They are consistently right and accurate and highly credible.' Of course, any news organisation will correctly say they are still doing the job of the journalist by collating these sources and then applying their journalistic skills and judgement to produce the finished content. Nevertheless, these observations serve to highlight how stakeholder content and unregulated sources will increasingly be incorporated into resource-poor mainstream content.

Notes: M. Lee Hunter, interview with the authors, Feb. 2013.
T. Sebastian, interview with the authors, May 2013.

In an extensive research paper into stakeholder content for INSEAD, Lee Hunter and his colleague Luc N. Van Wassenhove argue that 'There is no absolute or inevitable

[43] P. Horrocks, interview with the authors, Apr. 2013.
[44] M. Lee Hunter, interview with the authors, Feb. 2013.

reason that the rise of stakeholder media will entail greater corruption and misuse of the news than is currently the case.'[45] Their argument is that, where their livelihood depends on a long-term relationship with their audiences and funding sources, many stakeholder journalists and film-makers will strive just as hard to be revelatory, credible, and to have a high reputation as any journalist in mainstream media. As Mark Lee Hunter rather provocatively states: 'I don't see why everyone in the news business sees this as a disaster – this is what's going to save them!'[46]

Impact on TV Programming

Underlying the changes highlighted by industry leaders so far is the effect of digital disruption, which is encouraging new entrants into the content market through direct access to audiences rather than having to go through mainstream media.

However, unlike the newspaper industry's battering at the hands of digital advances, TV has held its own. For all the new media hype, according to the Broadcasters' Audience Research Board (BARB), in the UK in 2012 the average TV viewer watched 4 hours, and 1 minute of live, linear TV a day – an all-time high in TV viewing.[47] Watching TV is still very attractive, and so therefore is making it. And while budgets are going down for content commissioning there is not the same pressure to 'innovate to fill' as in the print sector. Nonetheless TV has also not proved itself immune to economic model-challenging pressures or the internet.

TV projects – even the most editorially high-end – are today being funded by sources, and transmitted on platforms, which were literally unknown five years ago. Channel 4 (to pick an example at random) has had an advertiser-funded home energy efficiency programme backed by a power company (E.ON *Future Family*[48]) and a late-night film show funded by Vue cinemas with its name in the title (the Edith Bowman-hosted *Vue Film Show*[49])

As well as more brand content deals, there has been the occasional 'bleed across' of brand content made in a less controlled regulatory environment outside of broadcasting. TV has always shown films which are not made for TV and therefore not bound by TV-specific rules. James Bond films, with all their overt product placement, have always had a place in the schedule even before product placement rules were relaxed. So through programme acquisitions the door is ajar for paid-for content made for another market or outlet to cross over if a commissioner thinks its good enough and justifiable.

The best of the paid-for pioneers are indeed making it across the divide onto TV. For example, Foster's original comedy has gone out on E4; and *The End of the Line*[50] (see Case Study above), which was made for cinema release, also aired on C4. The subject matter of this film strayed into the current affairs domain, but despite clear regulations barring the sponsorship of current affairs, it went out with a Waitrose sponsor credit – probably a correct editorial decision to ensure transparency, but still showing how confusing things can get in this new world.

Chris Banatvala, an independent media consultant, agrees that 'it is possible that it probably shouldn't be shown' but 'the fact that something has had theatric release and has had wide acclaim is going to make broadcasters think: 'are they really going to come after me on this one?' A bit like the Al Gore film [*An*

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45 M. Lee Hunter and L. Van Wassenhove, 'Disruptive News Technologies: Stakeholder Media and the Future of Watchdog Journalism Business Models', *Insead Business School* (2010), 8.
46 M. Lee-Hunter, interview with the authors, Feb. 2013.
47 Ofcom, *Communications Market Report* (2013): http://stakeholders.ofcom.org.uk/binaries/research/cmr/cmr13/2013_UK_CMR.pdf, p. 10.
48 *Future Family* (aired 2011) Channel 4, UK.
49 *The Vue Film Show* (aired 2011), Channel 4, UK.
50 C. Clover, *The End of the Line*, Dartmouth Films, UK, 2009.

Inconvenient Truth] – an impartiality issue exists. But are we really saying we can't show this on the TV when it's been in the cinemas worldwide?'[51]

Online acclaim can open broadcast doors too. When the US charity Invisible Children put a documentary about the Ugandan warlord Joseph Kony online in 2012,[52] few would have predicted that within days it would have tens of millions of views, which then prompted terrestrial TV in Australia to pick it up and showcase it.

As Tim Suter, the former Ofcom regulator, puts it: 'At the end of the day, the broadcaster has to look at themselves in the middle and they put their reputation on the line. The viewer is going to judge the independence of the broadcaster – so in a sense it is transparent.'[53]

Digital Disruption: Mixing it Up

With its stronger regulation – particularly in the UK – the TV industry still feels very much as though it is in control of what it takes and what it makes. The more profound effect of digital disruption on the TV content environment may be less immediately about the challenge of alternative content platforms or of shrinking budgets – but about the slow collapse of its regulatory walled garden.

As a number of our experts pointed out, while constraints remain on the expansion of brand-funded output on TV, the YouTube world of video content is a regulation-lite or regulation-free environment. Furthermore, different types of material are now simultaneously available on a connected TV – regulated, semi-regulated, and unregulated – and this is creating anomalies for the viewer.

Stewart Purvis, Professor of Television Journalism at City University and a former Ofcom executive, puts it rather succinctly: 'YOUview is an interesting case study. You can watch statutory regulated, co–regulated, self-regulated and unregulated content on the same television screen. I challenge any audience or consumer to differentiate between these.'[54] It's all on the same screen in the corner of the living room.

This is a point also highlighted in Jon Gisby's recent report on the future of commercial communications:

> *Soon a majority of UK households will have at least half a dozen screens and devices capable of receiving commercially funded video content, sourced and broadcast from all over the world, containing advertising messages in dozens of different contexts, formats and regulatory frameworks.*[55]

Journalism schools, regulators, governments, traditional broadcasters, producers, and brands are all struggling to keep up with the challenges already apparent in the print industry, and now convergence is in turn beginning to raise the same issues around trust, integrity, objectivity, and transparency in what had seemed the protected world of TV.

On the commercial front, thinking needs to address the issue of how the old principle of separation, which required advertising material to be kept completely separate from editorial content, is being gradually replaced by a new principle of transparency – where advertising content can be integrated with editorial, but how this is done so the audience can still be clear about where the boundaries are.

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[51] C. Banatvala, interview with the authors, Mar. 2013.
[52] J. Russell (dir.), *KONY2012* (Invisible Children, 2012): http://www.youtube.com/watch?v=Y4MnpzG5Sqc (last accessed 11 Oct. 2013)
[53] T. Suter, interview with the authors, Mar. 2013.
[54] S. Purvis, interview with the authors, Apr. 2013.
[55] Gisby, *Industry Perspectives on the Futures of Commercial Communications*, 10.

Of course not everyone agrees anything does needs to be done – as one leading maker of brand content put it: ‘I don't think you need Ofcom to regulate – the market will self-regulate. I don't think people are open to being spoon-fed editorially-flavoured commercial messages. People won't watch it.’[56]

Transparency may be an answer on paid-for editorial content too. As Richard Sambrook, Professor of Journalism, Cardiff University, puts it:

> *Technology has allowed new players greater direct access to the public through digital media including corporations, governments and NGOs who have their own agendas which may or may not be obvious to the audience. When one kind of media is judged by the standards of another, confusion and error arise.*[57]

How to make it clear to a viewer who is funding a programme and what their interests are is part of a growing debate around the extent to which these new changes need regulating. ‘The audience needs to be completely aware of the how the programme has been made. I would have looked at the programme differently if I had known it was a campaign. That is where you start from,’[58] says the former Ofcom regulator Tim Suter. But while transparency may seem to be an obvious solution, the difficulty of defining and delivering transparency should not be underestimated. Just remember the example cited earlier of the undisclosed conflict of interest involving government funding which was not discovered by broadcasters like BBC World News until too late.

However, as we have said, this is deliberately not a report about global regulation, or recommendations for regulation. The part of the debate this report plays into is the relatively less-explored area of what the audiences and producers themselves actually think about paid-for content.

How media-savvy are audiences? And how much protection do they feel they need? Or is it the producers who really need protection from themselves?

[56] Anonymous contributor, interview with the authors, Apr. 2013.
[57] R. Sambrook, interview with the authors, Feb. 2013.
[58] T. Suter, interview with the authors, Mar. 2013.

3. The International Scope of 'Paid-For' Content

> *The challenge in this region is holding the advertiser back: we constantly need to re-emphasise the importance of strong editorial to our clients, or we run the risk of producing an hour of advertising and no actual show. (Mike Rich, CEO GroupM Content (APAC), Singapore[59])*

As we have established, TV and video output, even the most editorially high-end, is today being funded in ways, and transmitted in outlets, which were little known, and often unheard of, at the turn of the millennium. And it's happening all over the world, which is why we included Hong Kong and the US in our Ipsos MORI poll.

In 1999 there was no potential outlet for a project like Dove's highly successful 2013 campaign *Real Beauty Sketches*,[60] seen some 150 million times globally so far, on a wide variety of platforms, from YouTube to parent company Unilever's own websites. It's a glossy advert in which women deconstruct their own looks with the aid of an FBI sketch artist. The Dove logo appears, but at the end of a three-minute item which could otherwise potentially be taken for a sentimental, factual entertainment TV programme.

Through such examples, in this chapter we exemplify anecdotally the range of content produced globally through alternative sources of funding, and we outline the economic scale of the UK AFP market which is our focus.

The seminal modern book in the AFP area is Scott Donaton's 2003 *Madison & Vine*[61] titled to sum up the collision of advertising (Madison Avenue) and Vine Boulevard (one of Los Angeles' historic areas of content production). But that interlocking space is much lampooned in both quarters – for instance in an artfully commercial sketch from the US comedy series *30 Rock*,[62] where actors Alex Baldwin and Tina Fey make a naked pitch for Verizon phones: 'If I saw a phone like that on TV, I would be like "where's my nearest retailer, so I can get one?" Can we have our money now?'[63]

How near that dynamic is to the surface for producers and audiences – and therefore for the brands themselves – is the subject for the concluding sections of this report.

UK TV Market

As outlined in Chapters 1 and 2, in the UK the 2013 Ofcom code (itself built on European AVMS directives) determines that a programme can be developed in conjunction with a partner, but ultimately the broadcaster has to retain editorial control. Another party can have editorial input but not editorial control.

That UK pure AFP market (as opposed to wider TV programme sponsorship, which was estimated at £168 million in 2011 in Ofcom's 2012 *Communications Market* survey[64]) is currently estimated by Group M at £24 million, having grown considerably in nominal terms from £6 million in 2007 – representing a six-year compound annual growth rate of 27%.

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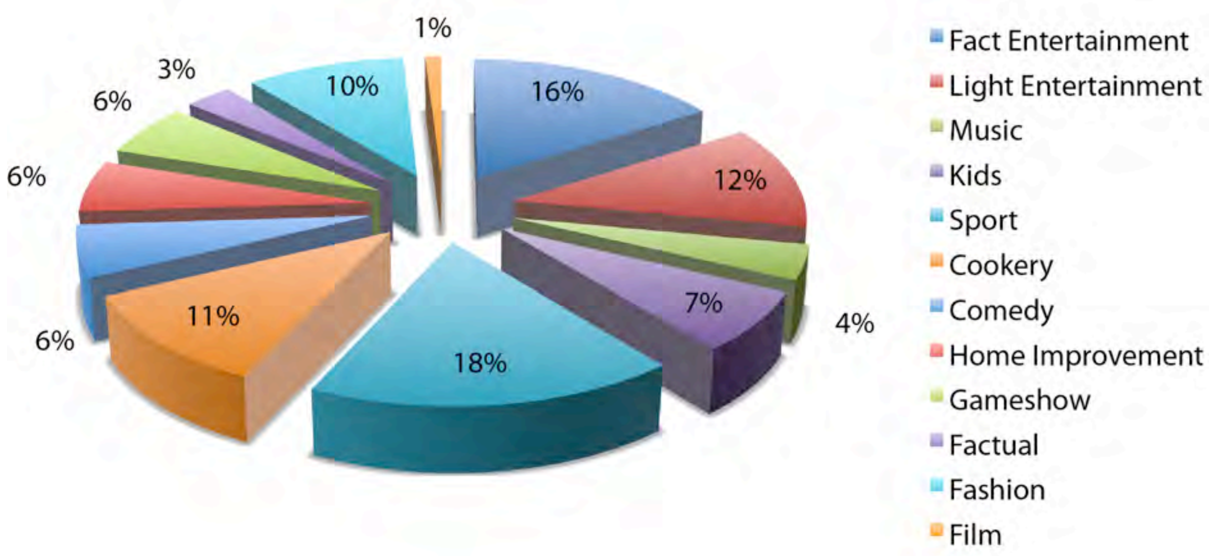
[59] M. Rich, interview with the authors, Apr. 2013.
[60] *Real Beauty Sketches* (2013), http://www.youtube.com/watch?v=XpaOjMXyJGk (accessed Oct. 2013).
[61] See n. 27.
[62] *30 Rock* (2006–13), Universal Television, United States.
[63] *30 Rock* (2007),'Somebody to Love', series 2, episode 6, Universal Television, United States.
[64] Ofcom, *The Communications Market* (July 2012): http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr12/ (accessed Oct. 2013).

Market for AFP in UK by Genre 2011



Source: This sectoral segmentation for 2011 comes from analysis by Krempelwood, a specialist advertiser funded programming and product placement agency. It is based on an analysis of deals done in AFP in the UK in 2011 then allocated by genre calculated as a % of the total by value. These figures exclude share of spend coming from the UK into global projects, as well as product placement (which was only authorised in the UK late that year) as well as retrospective programme sponsorship.

Broadcasters using AFP are principally Channel 4 and Channel 5, UKTV and Sky, mostly in non-fiction genres, such as factual entertainment sport and cookery. As examples: *Driven to Extremes*,[65] broadcast on Discovery Channel and funded by Shell and developed in conjunction with North One and JWT, was considered to be one of the largest AFP projects at the time of production (2012). It followed off-road vehicles in extreme conditions, showcasing Shell Oil's ability to perform in perilous and inhospitable circumstances, tying in with the brand values Shell aimed to portray. *Find My Past*[66] was broadcast on the UKTV network, and ran for two series, exploring genealogy with the website www.findmypast.co.uk.

International TV Markets

Beyond the UK, the AFP market throws up genre-busting case studies. In India, the Nescafe-sponsored hit chatshow *Koffee with Karan*[67] seamlessly combines coffee references in the title, title card, sponsorship, décor, and activity of the show – but nonetheless manages to be a successful piece of content.

In China, AFP spans non-fiction to comedy. Factual shows with educational purposes are popular among consumers, especially when they feature Western products and lifestyle elements, notably wine and food – wineries and kitchen appliance firms are common as funders. Brand-funded comedy shows are popular, for example, *Cheng Cheng Jia Dao*,[68] a comedy talk show funded by Ford. But it's in drama where China has blazed a trail, with the success of shows like *Unbeatable*[69] (Unilever), a high-production-value story-within-a-story about a PR woman running a campaign for the Clear anti-dandruff shampoo (by happy coincidence, the word

[65] *Driven to Extremes* (2013–present), JWT Entertainment, UK.
[66] *Find My Past* (2011), UKTV, United Kingdom.
[67] *Koffee with Karan* (2004–present), SOL Production, India.
[68] *Cheng Cheng Jia Dao* (2012) JWT Entertainment, China.
[69] Jeffrey Chiang (dir.), *Unbeatable* (2006–11), China.

for 'dandruff' also means 'unbeatable'). Unilever achieved huge social media and online video play penetration with the project, to the point of global advertising industry recognition.

On US TV, brand integration is commonplace to the point of having created a wide range of marketing methods within TV shows. Simon Cowell drank Coca Cola on *American Idol*[70] and real viewer doorstep interactions were modelled as pizza deliveries, then integrated direct into a video Facebook page by Domino's Pizza. (See below for more on product placement in the US.)

In Germany, AFP regulation is tight, but as a consequence the AFP business model is forensically commercialised. In order to be placed, AFP must be labelled as *Dauerwerbesendung* (infomercial), so viewers can instantly identify this programme as backed by a brand. With every *Dauerwerbesendung* minute broadcast, a minute of advertising a broadcaster is allowed to sell per day will be deducted. This, combined with the perception that AFP is a very exclusive form of advertising and less an alternative form of programming, means broadcasters demand appropriate remuneration for airing this content; they don't just want a free show, but an advertising spend alongside it as well.

Despite those limitations, there have been a number of AFPs in Germany, such as *Giro sucht Hero*[71] (Giro is looking for a hero), a game show where two TV presenters compete to become the face of Sparkasse (German savings bank). Initially developed for the online market, the final part of the campaign was broadcast on German TV as *Dauerwerbesendung*. The project was viewed as a success, with 75% increase in recall for Sparkasse's Giro offers.

In Ireland, *Dragons' Den,*[72] where the Bank of Ireland funds two-thirds of the production costs, could not navigate around existing regulations to include any of the Bank of Ireland's products on-screen. So value for the brand was created through a hugely active 'second-screen', where viewers could watch out-takes, extra footage, and play Dragons' Den games on the Bank of Ireland's website.

Ireland has also pioneered product placement in the European market. Ireland's *The Apprentice,*[73] which received 27 different sponsors in its first series, all contributing to funding production, navigated successfully issues of editorial justification. For instance, Cadbury products were legitimately shown on-screen within the context of a task challenging participants to create and market a new chocolate bar. *The Apprentice* won the Irish BAFTA for entertainment programming two years running. *The Apprentice*'s broadcaster, TV3, also reportedly (*Irish Times*) received funding from Kenco in 2011 on two key early morning TV shows, the *Morning Show* and *Midday*.

Alongside AFP, product placement is prominent globally: for a soft drink in the South Korean version of the 'Got Talent' format franchise; for orange juice in a segment that all but dominated a hit Chinese TV magic show by Taiwanese illusionist Lu Chenin on New Year's Eve 2010 (at one point he said: 'This is Huiyuan orange juice. Yummy,' putting off the audience, according to one blogger. In the US, the Netflix-funded 13-part drama series *House of Cards*[74] offset some of its reportedly near-$100 million production cost with a variety of funders, such as Apple and Canon.

And in the US, product placement is of course as old as TV itself. The term soap opera derives from the product placement by consumer goods companies such as Proctor & Gamble of their brands directly into the sponsor credits and storylines

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[70] *American Idol* (2002–present), Fremantle Media North America, United States.
[71] *Giro sucht Hero* (2012), Endemol Deutschland, Germany.
[72] *Dragons Den* (Ireland) (2009–present), RTE television, Ireland.
[73] *The Apprentice* (Ireland) (2005–present), Mark Burnett Productions, UK.
[74] *House of Cards* (2013), Media Rights Capital, United States.

of entertainment programmes since the early 1950s (and on radio since the mid-1930s). This was widespread practice: Winston cigarettes, extraordinarily to modern eyes, even had a product placement in *The Flintstones*.[75] An overt example of product placement for Subway in contemporary entertainment is found in a clip from *Hawaii Five-0*,[76] where the level of product detail amounts practically to a technical guide.

US advertising trade magazine *Ad Age* highlights the level of product placement that has crept into the international TV business in a short film singling out the Chinese production of *Ugly Betty*.[77] However heavy-handed the placement might seem to Western eyes, the funding, by Dove, worked. It generated a 75% increase in unaided brand awareness and a 211% increase in unaided brand awareness among viewers, with Dove sales nearly doubling in the month following broadcast.

Online 'viral' video advertising

In an online space, ad-funded content blurs the line between programming and advertising to the point where there actually is no line. There are countless well-known examples, global viral charts are updated weekly by the likes of *Unruly*, and the best virals are awarded prizes at the Cannes advertising festival each year; well-known virals, to pick two at random, are for Belgian firm Telenet or for Axe, from Unilever. Red Bull in the online content space has all but invented a new genre of adventure video, since picked up by the likes of GoPro and many other outdoors brands.

AFP in China is also strong online. *Bring Happiness Home*,[78] a short film by PepsiCo, reached 100 million viewers online in a week of its release, a figure that in any Western market would have represented extraordinary viral success. Very often several generations live in one household, with the TV remote controlled by senior household members, whose viewing habits are distinctly different from those of younger people. We will be picking up later in this report on this age differential, and the interesting fact that in our Hong Kong survey the young were less favourable to AFP, in our audience study, may be due to this generational split between TV and online.

Equally in the USA, AFP online is the principal source of funding for professionally produced content (outside new production models such as Netflix). Makeup guru Michele Phan integrates L'Oreal products into her narrative; ropeless rock climber Alex Honnold works North Face products into his solo ascents.

Even public information films on a paid-for model but from the public purse are racking up huge penetration online – classically the 2013 viral hit *Dumb Ways to Die*[79] for the Melbourne Metro.

The sheer range and penetration of online video, combined with the growth and increasing deregulation of product placement and AFP-funded broadcast TV, and the arrival of new models of paid-for content such as stakeholder and CSR-funded documentaries, all combine to provoke the questions: where does this leave the producers, and what do the audiences think? These are the issues we address in the rest of this report.

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75 *The Flintstones* (1960–6), Hanna-Barbera, United States.
76 *Hawaii Five-O* (2010–present), K/O Paper Products, United States.
77 *Ugly Betty* (2006–10), Ventanaroso Productions, United States.
78 H. Fu (dir.), *Bringing Happiness Home*, Beijing Universe Strarlight Culture Media, China, 2013.
79 *Dumb Ways to Die* (2013), http://www.youtube.com/watch?v=IJNR2EpS0jw (accessed Oct. 2013).

4. What Producers Think about New Funding Methods

If you choose to go down the sponsorship funding route . . .
the client's always right. Do what they want.

Anyone who sells themselves to an advertiser does not belong in the creative industry. They should be working at McDonalds.

Once you make the deal, you have to dance with the devil.
(TV producers, answering Reuters Institute/Sheffield DocFest survey)

Can we have our money now?
(Cast of 30 Rock, CBS, after Verizon product placement)

Richard Sambrook, formerly Director of BBC Global News and now Professor of Journalism at Cardiff University, suggests: 'There is a tendency for people, particularly from a mainstream journalistic background, to take a slightly elitist view of this,'[80] a point that may be echoed in BBC World News' recent decision to ban all third-party-funded content.

But are producers, the people actually making the programming, elitist? More advertiser-funded programmes are being produced, so how do the producers who are making them feel about the work? What are the arguments used by producers around successfully working with a brand, including the protection of their professional integrity and the integrity of the content? At what point do producers say no, and why? The answers are quite surprising.

Research

As an introductory companion to the Ipsos MORI audience survey (below) we conducted informal but reasonably large-scale (for the size of audience) research with producers around AFP projects, using the mailing list of the Sheffield Documentary Festival.

We contacted film-makers in early 2012, gathering their thoughts through an online questionnaire, by posing a range of theoretical but realistic scenarios, where the interests of producer and brand were positioned against each other. We recognise that producers are not the only or even the most important people making decisions in this area; under most current broadcast systems it is the broadcaster who will be responsible for accepting or rejecting different forms of AFP. But we thought it useful to get a sense from producers who are involved at the sharp end in actually making these programmes.

The results are not presented as quantitatively rigorous (the survey producers essentially being self-selected, albeit from a large and relevant database). From a qualitative and anecdotal standpoint, the results were nonetheless extremely interesting, since they articulate commonly held arguments within the producer community around the challenges of AFP.

Producers were asked to provide verbal explanations to support basic yes/no answers to scenarios. 286 producers answered the survey, of whom 64% were in the UK and 12% in the USA. The majority (77%) were working for smaller production business with a turnover of less than £1 million. 13% were working directly for broadcasters. 36% had produced branded content in the past year.

The producers were broadly favourable to the concept of working on AFP projects: 65% said that they agreed with people who said that broadcasters should

[80] R. Sambrook, interview with the authors, Feb. 2013.

have a policy of transmitting branded content, provided that it is made transparent. Of those who had produced branded content there was a fairly even spread between sectors they had worked with: 26% financial, 11% oil and gas, 23% education, 20% industrial, 31% media, 74% consumer goods (some had worked with multiple sectors). A useful list of external branded content projects was obtained, and a selection of these was turned into a (non-rights-cleared) online playlist (www.youtube.com/playlist?list=PL33579A50363FACD0).

The survey was based on a series of scenarios around the editorial challenges that would be created by the funding of programmes by brands – allowing producers to give explanations for the decision they would take in each case. We recap below a selection of questions which threw up particularly interesting lines of thinking amongst the producers.

Scenario of an Edit Selected by a Brand

Question: *You are making a broadcast TV factual entertainment format sponsored by a laptop company, in which people occasionally need to use a laptop. Do you as the director leave all brands visible, bias towards shots of laptops of the sponsor, or not show any laptops?*

In answer to that question, 43% of producers took the purist line that they would not show any laptops where the brand would be identifiable, which is what we expected of course.

But in the follow-up question, where the commercial pressure was ramped up, the willingness of producers to incorporate branding changed noticeably. In the scenario that 20 jobs depended on the series being renewed, with the marketing director of the laptop company insisting on removal of a rival brand's laptop, 88% of producers now agreed they would do that. Looming unemployment for their colleagues was enough to push them overwhelmingly down the road of AFP and moral compromise.

How the producers explained that willingness to compromise (or not) their editorial integrity provided an interesting insight.

THOSE PRODUCERS WHO COMPROMISED ON A BRAND-DRIVEN EDIT

Conversion to AFP from a sceptical position was principally about economic pressures, with the shots required to be branded being perceived as immaterial to the editorial content of the show or with the intrinsic perceived ethical compromise of brand-funded programming already implicit in the production as a 'sunk cost' by the time they got to the edit.

The easiest argument was that of the immaterial shot: 'If it makes no difference to editorial narrative and is unimportant to the scene then why not?'

Economic pressures loomed large in many responses: the tough financial climate for independent producers and potential loss of employment frequently created Faustian compromise: 'Effectively sacrifice 20 jobs and a recommission, or lose one meaningless shot of a laptop? This is the original "no contest".' 'If the show is already being made and one is already in bed with the sponsor, what choice do you have? It's a recession.' And finally: 'In the current financial climate it may be important to make editorial compromises, if they don't affect the narrative of the story, to ensure colleagues etc. were kept in employment.' This is an important observation to make: producers thinking that, in a recession, AFP could be more acceptable.

Then there was the more systemic perception of ethical compromise implicit in brand-funded programming, expressed through metaphors suitably drawn from moral fables: 'There is no question that he who pays the piper calls the tune,' said one. 'Once you make the deal, you have to dance with the devil – better to avoid the situation in the first place,'

THOSE PRODUCERS WHO WOULD NOT COMPROMISE ON A BRAND-DRIVEN EDIT

Equally, some producers amongst those who rejected the opportunity to make the show, and refused to compromise on the branded laptop shot, viewed this as a clearly defined issue where a line could not be crossed: 'The firewall between content and sponsorship is sacrosanct and un-negotiable.'

There was the purist: 'Documentary film making should never bow to corporate pressure of any kind. it is a slippery slope.' 'I wouldn't ever be making a documentary sponsored by a laptop company. It's no longer a documentary.' 'We must be very careful about Big Business influencing creative output. Laptop logos are the thin end of the wedge . . .'

Scenario of the Differences between Sponsors

Question: *A soft drinks company offers you $1 million to make a one-hour TV documentary about kitesurfers in Hawaii, over which they will have ultimate editorial control. Do you take the job?*

There was a fairly even split of responses here, 59% accepted and 41% rejected the job.

REASONS GIVEN BY PRODUCERS WHO ACCEPTED THE JOB

Of those producers who accepted the job, by far the most frequently expressed sentiment was again economic. Said one producer: 'It would be an "austerity measure".'

A theme of producers detailing how they would use the money offered for this job to fund other, more 'worthwhile' films was common: 'I would see it as a benign money job that would free me up to make my own independent work.' And this idea of the alter ego, where a producer who was willing to compromise with AFP on one level also existed on another level as the purist documentary maker, appeared a number of times throughout the research.

The sheer amount of money to be invested in the programme also served as a motivator for the acceptance of the job for a number of producers: '[I] can't say no to that kind of money, unfortunately.' Said another: 'Give me $1m and I will explain my decision to you in person.'

A secondary frequently cited reason for accepting the job was the assertion this did not cross the line into the editorially unacceptable compromise. 'Kitesurfers in Hawaii is fun. Bordering in sports. No serious social issues here.' 'The product is not directly connected to the subject of the documentary so editorial integrity shouldn't be compromised.' This theme of the difference between certain types of content in terms of the perceived jeopardy of AFP funding is explored more rigorously in Chapter 5 of this report.

One respondent summed up the situation reasonably succinctly: '1) I'm broke – I'm an indie producer – remember? 2) this isn't a political or scientific doc that's being factually redirected (something I would not do). 3) kitesurfing is not soft drink production.'

Some producers combined the fact that the subject matter was of a less sensitive nature with the fact that the sponsor was not on location, so control might not really be intense in any case: 'Unless they are there shooting it with you there is a limit to the amount of control they can possibly have. Plus it's only kitesurfing – not politics etc.' The justification here was that a film about kitesurfing funded by a soft drinks company was unlikely to be too contentious and, therefore, producers felt their editorial integrity could survive even without ultimate editorial control, 'Editorial control is irrelevant in a doc about kitesurfers, so where's the issue?'

Finally producers are, it seems, only human and as open to temptation as the rest of society. 'Why wouldn't you take the job? Kitesurfing in Hawaii, where are my board shorts?' 'It's in freakin' Hawaii. Of course I'd take the job.'

REASONS GIVEN BY PRODUCERS WHO DIDN'T ACCEPT THE JOB

Of the producers who rejected the show, the main concern was for the loss of editorial control. 'Ultimate editorial? No way José!' 'We don't make films where a funder has ultimate editorial control. Ever.' 'Anyone who sells themselves to an advertiser does not belong in the creative industry. They should be working at McDonalds.'

There was additional concern over the increase in editorial control by the funder: 'I wouldn't trust their editorial control, as it may just turn out to be propaganda.' Compounding the loss of editorial control, the fact a soft drinks company is involved caused some consternation, 'I do not prostitute myself for something I do not believe in – soft drinks are unhealthy. They will be calling the shots so I am just a technician and no longer a director.' (See below for contrasting further thoughts on the actual perception of the soft drinks industry by the viewers.)

One respondent questioned his/her commercial future and own 'brand integrity' if s/he took the job, 'I am primarily a journalist, working with a sponsor, never mind one that insists on editorial control ruins my brand. Someone will find out.'

Another respondent queried the legitimacy of branded programming on TV, 'Sponsored programmes where the sponsor has editorial control shouldn't go on TV . . . it's a commercial job. A really long ad. There's nothing wrong with ads – you need to make sure the audience knows it's an ad though. The issue arises when we pretend the sponsor has no control – but actually they do.'

Scenario Where the Sponsor is from a More Controversial Industry

Question: *An oil company is offering $1 million to make a film about malaria in Africa (not in an area in which they operate), over which they have editorial control. Do you take the job?*

More producers declined this job (53%), than did the kitesurfing job (41%).

PRODUCERS WHO TURNED DOWN THE JOB AND HOW THEY JUSTIFIED THAT

The main cause for turning down the job: moral concerns, a theme that once again will be developed in the more rigorous audience research later in this report. Some producers objected to the idea of working with oil companies in general: 'Oil companies always have a hidden agenda and I personally prefer not to be part of their practices.' 'I covered the gulf spill two summers ago. I would never knowingly work for an oil or gas company. They are killing us all and using greenwashing, bribery, deceit and serious marketing efforts to get their way in the world. No thank you.'

This was on top of standard worries over brand editorial control: 'If you give up editorial control you are selling your soul to the devil.' Specifically here, the fact an oil company might be in control was a particular bone of contention: 'I will find it very difficult to leave editorial control over such a topic to an oil company manager,' and 'I don't give over editorial control to an oil company.'

Despite the apparent disparity between the subject and the oil company's business, of those who declined the job, it seemed to be a general mistrust of the oil company's intentions that drove rejection, rather than a direct linkage with the content of the film: 'I would worry that they would have another agenda.'

That suspicion of the sponsor's overall motivations was to a degree that was not evident with the soft drinks company question (possibly due to the precedent of other soft drinks companies, e.g. Red Bull or Monster, becoming heavily involved in extreme sports content). This again is a theme that will be developed in our Ipsos MORI survey.

Producers Who Accepted the Job

Meanwhile the overwhelming justification for accepting the job was that, since there was seemingly no conflict of interest for the oil company and malaria treatment, producers hoped for an unbiased final edit. 'They presumably are funding this to show social conscience, therefore I would reason they are not driven by an agenda which would distort the subject matter negatively.' 'No obvious conflict of interest though clearly they want the positive PR from the project.' See below for whether any such PR ambition would be likely to benefit from an AFP approach.

The unconnected subject matter and funder's business seemingly eased integrity compromise concerns, 'Less likely to face integrity compromise with this subject matter – could be a positive end in awareness etc. But have to consider issues carefully, otherwise good gig!'

Another major consideration was the altruism of making a film on a very worthy topic for the public interest: 'The cause is of public interest and good distribution of the film might inform enough to save lives.' But this justification was often caveated: 'If I can negotiate shared control, the story is worth telling and the oil company won't need to be involved editorially very much,' and 'Provided they have genuinely charitable aspirations.'

Entertainment TV – are Producers More Likely to Accept Brand Funding?

Question: *You are producing a history of rock music for a European public TV channel with a £1 million budget, sponsored by a major car company. Your main contact in the car company wants you to include a particular band which you don't think merits a place. Your executive producer says you must include the band or leave the project. Which is it?*

Two of every three producers answered they would include the shot of the band that didn't 'deserve' to be in the film, to keep the sponsor happy. This was justified and explained in a number of ways, the most common of which was that pragmatism was acceptable in entertainment. This will be picked up when we look at entertainment TV and how the audience perceives AFP in it, in Chapter 5 of this report.

'Including a band in a project about rock music is not exactly transgressing my personal integrity,' said one producer. 'Who cares if they are incl. or not? It's just the business of rock anyway.' 'I'm not a teenager/student. I like shelter and food, work allows me to have both. It's a rock doc, so gimme shelter as they say in rock'n'roll . . .' One respondent implied the funder could ask for more input, given the budget was maintained: 'I'd be a fool to turn down a £1 million budget.' Again this idea of a ratcheting argument for editorial control according to how much the brand sponsor spent would be worth further work.

There were objections that this inclusion of the inappropriate entry would undermine the show: 'I'm not a purist but if the band doesn't merit inclusion they should not be in,' and 'Adding a band that shouldn't be in the show undermines the validity of the show and therefore the car brand.'

But – again specifically to entertainment – many producers made the point of subjectivity. ‘Who decides on the relative merit of any art form, my favourite music might be someone else’s least favourite and vice versa,’ and ‘Annoying but a matter of taste – not a moral issue really.’ One purist was concerned solely with art, ‘I have never been motivated by money. Money is just paper. I am interested in art.’ In a follow-up session to this research at the Sheffield Documentary Festival itself in June 2012, this was a sentiment expressed repeatedly by the audience and film-maker panellists: documentary as art form never to be disrupted by the taint of commerce.

Looking at the Degree to which Producers Would Work on AFP Projects Driven Editorially by a Bank

Question: *As a producer, which of these subjects would you agree to make a film about, if a generous £1 million corporate social responsibility budget from a new bank in the UK market was available for a one-hour broadcast TV film?*

In our informal survey – again, we don’t suggest that our producer panel was benchmarked as necessarily representative of the industry – 81% of the producers would take the bank’s money to make a film about the relatively tangential issue (to the sponsor) of the differential between rich and poor in London. But perhaps more surprisingly, as many as two out of three producers we asked said that would take money from a bank to make a film about the 2008 financial crisis in London and how banks performed in general.

Not only that, but 45% would even take the money to film an inside account, first-person TV drama doc style, as to how a key official in this particular bank had handled the 2008 financial crisis.

If one had a purist view of the brand-funding equation in which producers are the ethical good guys and brands are the instigators of compromise, it would be hard to sustain that in light of these answers.

To justify the positions taken, maintaining editorial control was still considered a key factor in whether to accept any given commission by many of the producers: ‘Need full editorial control . . .’ and ‘Only if I have full editorial control,’ while one respondent caveated editorial control with the interesting, if undefined, idea of an ‘honest project’. ‘If I have editorial control, then I'll take on any honest project with proper intentions.’

Conclusion

Our anecdotal research was just a snapshot. We don’t claim to have rigorously interrogated a fully representative group in the way we might in the next section. But it was illuminating as to the thought processes of TV producers dealing with the relatively new phenomenon (in the UK at least) of factual TV paid for directly by advertisers without the interposition of a broadcast commissioning editor and the church vs state separation of editorial powers and commerce.

We found producers very willing to accept Faustian deals to make what they perceived as compromised content, in order to maintain their income in a recession; we found producers who would create purist documentary-making alter egos in their own minds whilst they cracked on with making AFP projects; we discovered a sizeable body of producers who would not engage with AFP at any level under any circumstances.

We discovered, in fact, a full spectrum of engagement with AFP based on perception of audience tastes, programming values, AFP production processes (such as who controls the shoot or edit), and brand integrities (both producer and commercial brand), the complex interplay of which merited much greater research. Which is what the next section of this report is all about.

5. Ask the Audience: Ipsos MORI Survey about Paid-For Content

As we researched this report into paid-for content over the period 2011–13, it was striking that there was one very powerful voice that so far had gone unheard in the debate, and in countless conference sessions, even though it is the voice that everybody agrees will be important in determining the eventual market scale and nature of this type of programming – the audience.

We have seen from our survey of programme makers that there is a pervasive sense that, once a producer moves away from the straight commission from a traditional broadcaster, the result is a 'compromised' piece of television and an implicit assumption that viewers will never be as engaged or will be turned off by a substandard product.

On the other hand, industry players who are making this new content will often pull out the audience card as their main trump against this widespread view that making programmes for several masters must mean they are not as good. As Blair Krempel, founder of Krempelwood and a proselytiser for branded content, said in an interview for this research: 'I don't think people are open to being spoon-fed editorially flavoured commercial messages. People won't watch it.'[81] Brand managers we spoke to universally agreed with this concept, even in Asia.

There is also a growing mantra among many of the industry experts we interviewed that the modern audience is increasingly 'media-savvy'. In his report on the future of commercial communications, one of Jon Gisby's key findings was this: 'We are moving to a world in which consumers are much more empowered, and more media literate, and (seemingly) more relaxed about relationships with brands.'[82] For Richard Sambrook, Professor of Journalism at Cardiff University, 'media literacy is at the heart of this issue'.[83]

So what is the truth about the modern audience's attitudes to paid-for content? Does the average viewer consider that any commercial or stakeholder involvement taints a programme and would diminish their interest and enjoyment of it? Do they, like regulators and producers, have 'red lines' that, when crossed, render a programme unacceptable? Does their sensibility change according to gender and age, or across markets which have different regulatory models? Do they – in summary – suffer or feel sufficient damage by seeing paid-for programming to need 'protection' by regulators from crass commercialism or efforts to sway public debate?

These were the areas that we decided to explore in quantitative research carried out by the leading audience research company Ipsos MORI – yet another industry player turning their attention to this growing area of the media business. The fieldwork was carried out in May and June 2013 among a representative sample of 500 TV viewers in the UK, US, and Hong Kong.

The answers to our questions, we believe, are the first attempt on a global scale to understand the public's attitudes towards these recent industry developments and what all the interested media parties – old and new – will need to consider as they develop these new sources of funding and programming. While by no means definitive it is a first interesting set of insights into audience attitudes.

Creating a Survey of Viewers

The overarching goal of the research was to assess what is acceptable and unacceptable in terms of commercial or stakeholder involvement in television

[81] B. Krempel, correspondence with the authors, June 2012.
[82] Gisby, *Industry Perspectives on the Futures of Commercial Communications*, p.39.
[83] R. Sambrook, correspondence with the authors, Feb. 2013.

programming, from a viewer's perspective. To do this, we created several TV show concepts loosely based on the structure of content projects we had come across in the marketplace whilst researching this report. (The content scenarios themselves are devised from scratch and any similarity to actual projects is coincidental. No TV show is ever truly original in any case.)

We devised two main programme case studies for in-depth analysis, which looked at two very different motivations for a company or brand to fund a programme. We then supplemented these two main programmes with some additional scenarios, for instance around entertainment TV.

The first main programme is a straightforward branded programme concept. It is called A Nice British Adventure (ANBA), described as 'a journey to the most amazing locations in the British Isles'. The subject matter was non-contentious and of appeal to a wide viewership, and we chose a very typical sponsor – a car company – for whom product integration might be possible. This enabled us to explore the precise levels of brand integration in popular factual TV that an audience might embrace.

In the second case study, Surfing The World (STW), we devised a programme promising 'exciting action across beautiful beaches, high production values and narration by an established name in the surfing community'. While the content was again straightforward in editorial terms, this time we chose an oil company as a sponsor whose interest in being involved in the programme was more for reputational or corporate social responsibility reasons rather than commercial brand awareness or sales returns. This enabled us to explore the level to which the reputation of a corporation itself, as opposed to a product, might be influenced by TV programme involvement.

In collaboration with Ipsos MORI research experts, we then created a 'laddering' exercise where, in the first case study ANBA, respondents were presented with increasing levels of company involvement to pinpoint at what stage this became unacceptable to them. The scenarios ranged, for example, from a simple 'in association' sponsor badge, through to full editorial control of the programme, and are based on current industry practices and validated with a UK media consultant (charts showing the laddering elements against the respective regulations for each territory are in the audience response sections below). For the STW laddering exercise we added in more contextual information about the oil company to see how it affected viewers' perceptions and their desire to watch.

> *TV Sponsorship*
> ***What is acceptable and unacceptable in terms of company involvement in television programming?***
> - ***Laddering exercises, using potential scenarios***
> - ***Respondents presented with increasing levels of company involvement in programmes, to see where it became unacceptable to them***
> - ***Further case studies matching companies with programmes***

To encourage our respondents to engage with the exercise, they were made to face a level of jeopardy: that the programmes featured in the survey could *only* be made with funding from a source other than a broadcaster. There was no easy option of taking the traditional funding route. We believe it is fair to impose this parameter, since it reflects the reality of shrinking programme budgets.

In addition to the two main 'laddering' exercises, we also looked in less depth at attitudes towards what in the UK would constitute a non-compliant programme – a family TV entertainment show, enjoyed by children and adults, being sponsored by a company that made sweet fizzy drinks. And we also explored people's reactions to juxtapositions of several different types of programmes and sponsors.

To gauge reactions to the involvement of non-commercial organisations in content production we also created a short case study of stakeholder journalism funded by a charity for public purposes.

The survey was conducted among a sample of 500 nationally representative TV-watching respondents in three major global TV markets: the UK, Hong Kong, and the US. The UK, policed by European directives, is the most heavily regulated, while Hong Kong has far fewer controls and the USA is roughly in between the two. This geographic scope allows us to gain a unique insight into any shift in attitudes between differently regulated markets and to assess if this just reflects differences in what the viewers are accustomed to.[84]

We will not overclaim for this survey. However, the three areas we survey are all sophisticated media markets and the results have definite value if they are viewed not as a forecast of how people will actually behave, but as indicative of their attitudes around the subject.

Survey Results

The stand out message from the study's findings is that audiences are not in the main opposed to the presence of advertisers in content, even factual content. In all three markets, most people who were interested in watching a particular TV show would still watch it when it was funded by a company and a majority would still watch it despite a reasonable degree of company involvement.

- 62% of respondents in the UK say they would never refuse to watch a TV show regardless of the level of company involvement/sponsorship.
- Even when a car company is given 'final say' over the editorial content of A Nice British Adventure, two-thirds of potential viewers or more across the countries surveyed said they would still watch it (UK 61%, HK 84%, US 64%).
- For a sporty show like Surfing The World the figures were even higher (UK 72%, HK 91%, US 69%).
- In the UK people were far more open than under the current regulatory regime enforced by Ofcom to a soft drinks company sponsoring a primetime family show, and even for the prize of the show to be presented by the chairman of the company. That poses fascinating questions and opportunities for the funding of entertainment programmes in the UK.
- There was even less objection to a charity funding a documentary on social issues.

In short, according to our survey results, people say they will switch on to watch a programme that looks good, pretty much regardless of who funded it.

Having said that, the survey results are not a black and white endorsement for advertisers and companies, and contain some clear messages about where audiences say they will press the 'off' button. These too will be interesting to producers, broadcasters, and regulators, as well as brands, as they decide how to navigate the field.

[84] The full results can be found on the MediaCT section of the Ipsos MORI website http://www.ipsos-mori.com/researchspecialisms/ipsosmediact.aspx.

(i) A Nice British Adventure (ANBA): A Branded Content Case Study
ANBA is a factual magazine show created as a desirable, mainstream advertiser-funded programme with wide appeal to audiences and sponsors alike. We used the same title in all three markets but not localising the subject matter did not appear to influence the results in any significant way.

The aim of the ANBA laddering exercise was to test viewers' reaction to the level of company or brand involvement and the sponsor we chose was a car company, again a very typical sponsor for this type of deal.

We took a sample of respondents who had expressed interest in watching the programme and asked them about eight scenarios with increasing levels of brand involvement:

1. the show receives funding from a company or brand
2. the funder is a car manufacturer
3. the company receives an 'in association with' credit
4. cars are shown during the programme
5. car brands are named
6. only the manufacturer's cars are shown prominently
7. the company is given some say over the editorial content of the programme
8. the company is given final say over the programme content.

Some of the scenarios were not allowable under EU regulation (which sets the framework guidance for the UK Ofcom broadcasting code) in particular. The chart shows how the ANBA programme might be judged against each of our territories' regulations, as what an audience is accustomed to could well influence respondents answers.

	Scenario 1: A Nice British Adventure	EU	USA	HK
1	The show receives funding from a company or brand			
2	The funder is a car manufacturer			
3	The company receives an 'in association with' credit			
4	Cars are shown during the programme			
5	Car brands are named			
6	Only the manufacturers cars are shown prominently			
7	The company is given some say over the editorial content of the programme			
8	The company is given final say over the programme content			

Key: Green – permitted, Orange – permitted with certain conditions, Red – not permitted

At the start of the laddering exercise 88% of the UK potential viewers with an interest in the programme would watch the show knowing that it is funded by a company. In the US and in HK, this proportion is slightly higher: 92% for both markets. When it is made clear that a car company is sponsoring, 80% of UK potential viewers would watch, compared with 75% in US and 84% in HK.

Even at the end of the laddering exercise – a point far beyond what the UK regulators would allow for instance – of those who remain interested in watching A Nice British Adventure, around six people out of ten in the UK and USA and eight people out of ten in Hong Kong would still watch the show regardless of the degree of company involvement, including final editorial say.

“*UK and USA respondents* ***are more likely to be put*** *off by company involvement than those in Hong Kong*

A third of potential viewers of A Nice British Adventure in UK (39%) and USA (36%) dropped out during the ladder exercise, compared with 17% in Hong Kong.”

Focus on those who WOULD watch – Shown below is the percentage of respondents in each market who would still watch the show as the laddering exercise unfolds – A Nice British Adventure

88%	92%	92%	A Nice British Adventure receives funding
80%	84%	75%	Funded by car manufacturer
93%	96%	91%	“...in association with” credit
93%	94%	89%	Cars shown on screen
83%	90%	85%	Car brands are named
77%	87%	81%	Manufacturer’s cars shown prominently
69%	84%	75%	Manufacturer given some say
61%	84%	64%	Manufacturer given final say

Base (Those who would watch prior to hearing about company involvement): UK (287) / Hong Kong (398) / USA (226)

Overall the Hong Kong respondents were far more tolerant of brand involvement at every stage, perhaps reflecting expectations set by the looser regulatory environment. No rung of the laddering exercise cost more than 5% of the potential viewers in Hong Kong. However this was not true across the demographics, as interestingly the younger the

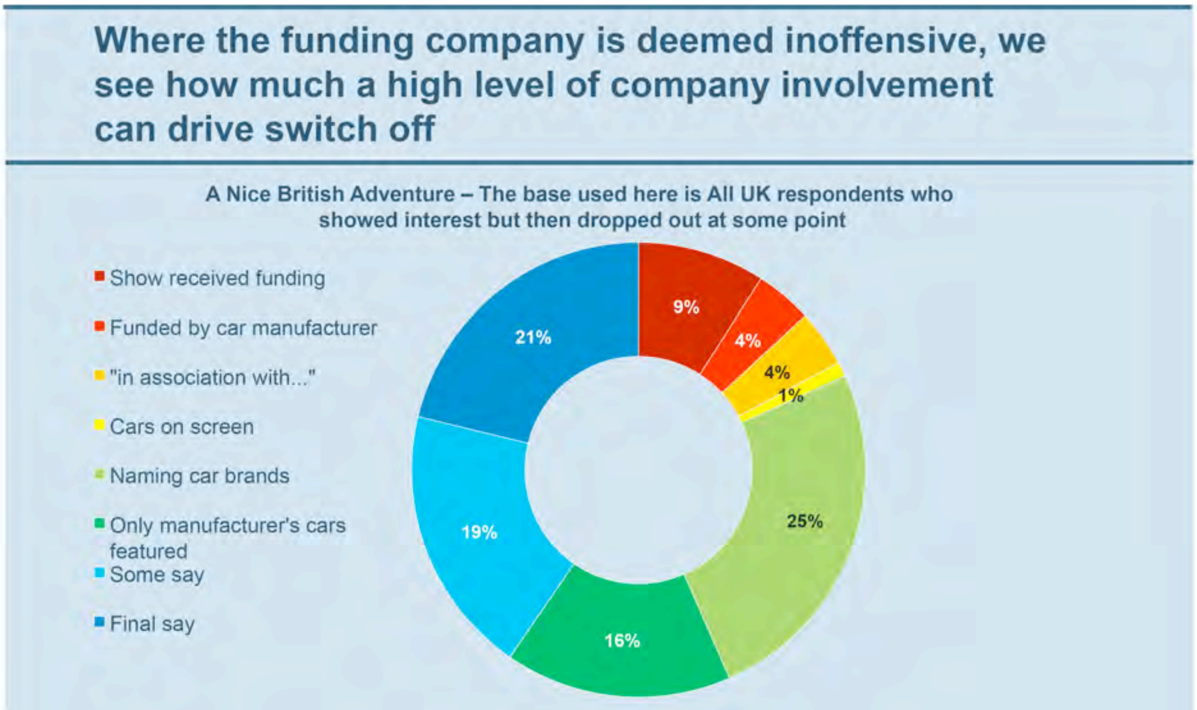
“*There are a* ***range of factors*** *that impact on acceptability…*

Demographics: In Hong Kong, the younger the respondent, the more likely they are to drop out of the laddering exercise for ANBA (36% under 35, 13% over 35).”

respondent, the more likely they were to drop out of the laddering exercise.

At first sight this seems surprising, but one possible factor for this is the youth's access to international content via broadband which may be altering the level of acceptability for less sophisticated brand integration. One of the interesting paradoxes of online video is that, in an environment with no regulation, brands are often quite subtle about the level of branding they integrate. Two smash-hit branded global virals of 2013 each demonstrate that point – *Real Beauty Sketches*[85] from Dove and *Dumb Ways to Die*[86] from the Melbourne's Metro Trains each feature the sponsor logo only at the very end of a lengthy three-minute video.

While tolerance of company involvement was high overall, there were switch-off points which were particularly noticeable in the UK. The next chart shows the UK respondents who showed an interest in watching the programme but dropped out and the stage at which they did so.



The key tipping point comes after level 4 when respondents are told that car brands are named and subsequently that there is company editorial control. It's clear therefore that in the UK it is high levels of company involvement, as opposed to the fact of company involvement itself, that can drive switch off and need to be handled sensitively.

The same trend is evident in the US, where editorial involvement is an even bigger issue for the US respondents who dropped out. Almost half (49%) did so because of editorial involvement. It was also a major factor (31%) in our second case study Surfing The World (STW), suggesting that this is a significant issue for some parts of the US audience, regardless of the show or brand involved.

Another interesting difference in the US was the greater reaction when the sponsor was named as a car manufacturer, with 75% of respondents saying they would continue to watch the show, compared to 80% in the UK and 84% in Hong Kong. So the type of company funding a programme can also be a consideration and this may differ from market to market.

85 *Real Beauty Sketches* (2013): http://www.youtube.com/watch?v=XpaOjMXyJGk (accessed Oct. 2013).
86 *Dumb Ways To Die* (2013): http://www.youtube.com/watch?v=IJNR2EpS0jw (accessed Oct. 2013).

In terms of other factors, on average across our countries, the survey found people aged 35 and above are less concerned by the different degrees of involvement than those aged 18–34, with one exception in the UK, where the 18–34s showed more openness to the editorial involvement of the funding company.

With regard to gender, in the UK and USA, men are generally less sensitive to the increasing levels of company involvement, while there is little difference between men and women in Hong Kong.

> ***"In USA, women are more likely to drop out than men.***
>
> ***For ANBA, they are more likely where the company is given some/final say (26% F, 10% M)***
>
> ***For StW, it is due to the oil company's presence (19% F, 10% M) and actions (15% F, 7% M)."***

(ii) Other Branded Content Findings

As well as this laddering exercise, we also asked our respondents to rate the acceptability of a whole range of practices currently used by brands for brand integration with programming, including several that are non-compliant in the EU context, which also governs the UK. The chart sets out the regulatory differences.

	A family show sponsored by a soft drinks company	EU	USA	HK
1	Prize is presented by the chairman of drinks company	Green	Green	Green
2	Sponsorship credit before, after each ad break	Green	Green	Green
3	Prize is a lifetime supply of soft drink	Green	Green	Green
4	Additional ads during breaks	Green	Green	Green
5	Presenters drinking it during show	Orange	Green	Orange
6	Show name contains soft drink	Green	Green	Green
7	Presenters wearing t-shirts with logo on	Orange	Green	Orange
8	Soft drink logo on screen throughout show	Red	Green	Orange
9	Soft drinks is a prop in every sketch	Red	Green	Orange
10	Soft drink appears for 10 seconds in each part	Red	Green	Red
11	Soft drink appears for whole show	Red	Green	Red
12	Presenters talking about soft drink during show	Red	Green	Red

Key: Green – permitted, Orange – permitted with certain conditions, Red – not permitted

In this exercise even the programme concept itself – a soft drinks company funding a family show – would probably be non-compliant in the UK.

The difference between markets was very clearly shown in this exercise, probably reflecting the fact that, with less regulation in the US and Hong Kong, they see far more instances of this type of sponsor involvement and that perhaps in the end people accept what they are accustomed to.

In the next chart we see that, based on mean scores from an acceptability scale of 1–5, Hong Kong and the US are more likely to accept these measures than the UK for nearly all levels of involvement. Hong Kong is also more likely to accept most of them than the US.

Differences between markets – A soft drinks company funding a family show

Hong Kong is significantly more likely to accept nearly all levels of involvement than USA, who in turn are more likely to accept than UK

Levels of company involvement – Mean scores shown from Acceptability scale of 1-5			
Prize is presented by the chairman of the soft drink company	3.76	3.57	3.32
Sponsorship credit before / after each ad break	3.69	3.51	3.61
Prize is a lifetime supply of the soft drink	3.63	3.26	2.73
Additional ads during breaks	3.59	3.61	3.43
Presenters drinking it during show	3.58	3.23	2.5
Show name contains soft drink name	3.51	3.35	3.26
Show's social media branded with soft drink	3.46	3.28	3.09
Presenters wearing t-shirts with the logo on	3.37	3.17	2.45
Soft drink is a prop in every segment	3.29	2.79	2.36
Soft drink logo on screen throughout show	3.26	2.87	2.38
Branded sketches throughout show	3.22	2.74	2.38
Soft drink appears for 10 seconds in each part	3.21	3.15	2.77
Contestants and presenters drinking it during show	3.18	3.03	2.38
Soft drink appears for whole show	3.17	2.98	2.56
Presenters talking about soft drink during show	3.12	3.06	2.44

The disapproval of UK audiences is most clearly shown in the percentages of viewers agreeing that a sponsor activity is acceptable. There is only one level of involvement for a company (having a sponsorship credit before/after each ad break as is currently practised for many programmes) that is acceptable to more than half those in the UK.

Even if the regulatory regime in this country were loosened, it is difficult to imagine this mindset shifting very quickly and companies and advertisers need to think imaginatively about how to avoid jarring with the editorial content. This may account for the slow take up of product placement in the UK, even though it is now permitted, for fear of annoying viewers rather than influencing them. However, the message from other markets seems to be that, over time, viewers come to accept more brand involvement.

As well as brand integration we also probed a little deeper into viewer attitudes into sponsorship of a whole range of different programmes, such as a cookery programme sponsored by a supermarket chain, or a programme about beauty and well-being funded by a cosmetics brand.

Looking only at those who were interested in watching each type of show, we see a very even distribution across shows and markets, suggesting that in theory it is not a problem for brands to be aligned with these shows for most of the potential viewership.

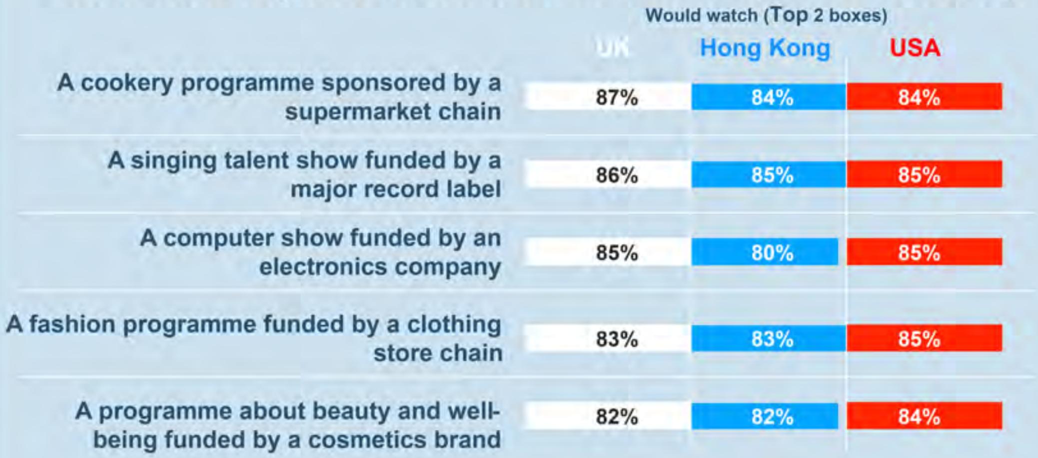
Differences between markets – A soft drinks company funding a family show

As before, Hong Kong are more likely to accept than USA, who in turn are more likely to accept than UK.

Levels of company involvement – Top 2 Box percentage shown from Acceptability scale of 1-5	Hong Kong	USA	UK
Prize is presented by the chairman of the soft drink company	59%	48%	41%
Sponsorship credit before / after each ad break	57%	48%	52%
Prize is a lifetime supply of the soft drink	56%	39%	27%
Additional ads during breaks	54%	52%	46%
Presenters drinking it during show	53%	40%	22%
Show name contains soft drink name	50%	43%	42%
Show's social media branded with soft drink	46%	41%	35%
Presenters wearing t-shirts with the logo on	45%	38%	21%
Soft drink logo on screen throughout show	42%	31%	19%
Soft drink is a prop in every segment	40%	27%	16%
Soft drink appears for 10 seconds in each part	39%	38%	28%
Soft drink appears for whole show	38%	33%	24%
Contestants and presenters drinking it during show	38%	33%	18%
Branded sketches throughout show	37%	23%	16%
Presenters talking about soft drink during show	34%	37%	19%

Differences between markets – Potential TV show & funding scenarios

If we remove those who were not interested in watching each type of show in the first place, we see a much more even distribution across shows and markets, suggesting that in theory, it is not a problem for these shows and brands to be aligned with each other for most of the potential viewership.



(iii) Surfing The World (STW): A CSR/Reputational Brand Content Case Study

Having tested viewers' attitudes to increasing levels of brand integration in programmes, our second case study, STW, is conceived to test whether these attitudes change depending on the company involved.

While the programme about surfing on beautiful beaches is innocuous enough, the choice of an oil company as funder is more controversial. The laddering exercise this time tested how audience perceptions of a company might affect their willingness to watch, and what the pitfalls might be for companies seeking to associate themselves with programmes for reputational or corporate social responsibility (CSR) reasons.

No information was provided about the motives behind the company's decision to fund this programme in asking viewers about the following laddered scenarios:

1. the show receives funding from a company or brand
2. that the funder is an oil company
3. receives an 'in association with' mention
4. is given some say over the editorial content of the programme
5. is given final say over the programme content
6. has a poor record of environmental damage
7. has a poor record of environmental damage in the exact location where the programme is filmed

Again we have mapped the laddering elements against the respective regulations for each territory.

	Scenario 2: Surfing The World	EU	USA	HK
1	The show receives funding from a company or brand			
2	The funder is an oil company			
3	The company receives an 'in association with' credit			
4	Is given some say over the editorial content of the programme			
5	Is given final say over the programme content			
6	Has a poor record of environmental damage			
7	Has a poor record of environmental damage in the exact location where the programme is filmed			

Key: Green – permitted, Orange – permitted with certain conditions, Red – not permitted

While respondents are broadly as happy for this programme to be sponsored as A Nice British Adventure, the choice of sponsor prompted far more negative responses in all three markets. When respondents discover that an oil company is funding the programme, only 68% say they would watch in the UK and US, compared to 80% (UK) and 75% (US) for ANBA at this same stage. For all three markets, respondents under 35 are more concerned by this factor than their elders.

It is striking that when we looked at all those who showed an interest in watching the programme and then dropped out, over a third of US respondents left on hearing the sponsor was an oil company, far more than when they were told that the company had a poor environmental record: 31% vs 23% respectively. In the UK the comparable figures were 24% and 29%, while in Hong Kong only 7% dropped out at the sponsorship stage but nearly half (46%) 'switched off' on hearing of the company's poor environmental record. One wonders if the recent BP oil spill in the Gulf of Mexico has created a more cynical perception of oil companies in the US and the UK compared to the Far East, where the negativity was only triggered on hearing evidence of bad behaviour. Certainly it suggests that a one-size-fits-all delivery into different markets may not be the best approach.

Focus on those who WOULD watch – Shown below is the percentage of respondents in each market who would still watch the show as the laddering exercise unfolds – Surfing the World

88%	93%	88%	Surfing the World receives funding
68%	84%	68%	Funded by an oil company
84%	96%	83%	"...in association with" credit
77%	93%	79%	Oil company given some say
72%	91%	69%	Oil company given final say
45%	58%	45%	Oil company has a poor record of environmental damage
41%	52%	42%	Oil company has a poor record of environmental damage in the location where Surfing the World is filmed

Base (Those who would watch prior to hearing about company involvement): UK (287) / Hong Kong (398) / USA (226)

We then went on to explore people's attitudes to transparency and openness, by asking respondents who said they would watch this type of programme whether their view of the company or programme would change if they found out about the company's record of environmental damage AFTER watching the programme.

Nearly a third of those in Hong Kong and around a fifth of all respondents in the UK and the US said that they would have a negative opinion of the company but not of the programme in these circumstances, while a smaller proportion said they would think less favourably of the programme or of both the company and the programme, which suggests the company is most likely to bear the brunt of a negative public reaction in this scenario.

"Differences between markets:

For Surfing the World, all markets agree one of the biggest problems is the oil company's environmental damage…

…but more dropouts did so in Hong Kong because of damage (71%) than in UK (37%) or USA (31%)"

Overall these findings suggests strongly that a brand's actions and values are part of a viewer's decision-making and that association with a programme which doesn't match the audiences' perceptions of those actions and values can be very counter-productive. It is also clear that these sorts of 'value-laden' perceptions may vary a lot between specific markets.

To test if perceptions of a sponsoring company may alter depending on the type of programme being funded, we asked respondents if they would watch a show about polio treatment projects in India and then informed them that an oil company would be funding it.

In this case study, the involvement of an oil company lost 9% of potential viewers in the UK and US, compared to 9% of potential viewers in (UK) and 13% (US) at the same stage for Surfing The World (the STW respondents had also been asked by this point if they minded a show being funded by a company in general). This would appear to suggest that the audience's perceptions of the company do not appear to change even if they sponsor a different sort of content where there is less conflict of interest and a more apparent public-interest motivation.

(iv) Other Stakeholder Journalism Findings

As well as corporate involvement in factual programming, we also wanted to explore people's attitudes to funding by other organisations, such as non-profit foundations and charities.

We posited a scenario where a television production company is making a programme about terrible working conditions in clothing factories producing outfits for big Western retailers.

For those who said they would be likely to watch the programme, we added a further layer of jeopardy: that the production team is struggling to make the programme with the money they have, and having failed to find funding from a company willing to invest in the programme, they eventually find a charity who agree to divert some of the money donated to them by the general public for their cause into the funding of the programme. But in return they request the programme makers are very clear about who has provided the funding, as they want to be open and honest about their decision to allocate the money to raise public awareness about this important issue.

Although the charity is diverting funds into the making of a show, because it is very open about its intentions, very few potential viewers decide not to watch (3% UK, 3% HK, 7% USA).

> ***"Other factors – honesty & openness:***
>
> ***When it is revealed that a charity is diverting funds into the making of a show but is very open about its intentions, very few potential viewers decide not to watch (3% UK & Hong Kong, 7% USA)"***

There are other small pointers to audiences being very open to charity funding. When we asked respondents who had dropped out of the STW laddering exercise about the oil company sponsor what type of company they would have found acceptable, a charity featured in the top three choices in all three markets. The other clear favourites were a Surfing Sports Federation and a surfboard manufacturer, suggesting perhaps that people like a clear understandable motivation for sponsoring a programme. (These findings are on low bases so need to be treated with care.)

Overall, honesty, openness, and transparency around motivations for funding programmes seems to meet with audience approval. When asked to agree or disagree with the statement: 'I do not mind if a programme is sponsored as long as it is made clear who the sponsor is', over 40% agreed among UK respondents, with Hong Kong and the USA not far behind with 38% and 34% respectively.

Conclusions

While not wanting to overclaim, the findings of this survey are potentially ground-breaking in what until now has been a rather 'intra'-media discussion based on industry practitioners' experience and assumptions. Not that these are all wrong by any means. But looking at some of the endlessly debated questions from the perspective of the audience is both refreshing and somewhat liberating. Put simply, based on our survey, most people don't appear to mind the idea of watching advertiser-funded programmes in the genres and for the examples that we have examined.

So who could possibly choose to watch an AFP programme? Well, most people it seems – as long as it's a programme they want to watch in the first place. They do not appear to have any theological objections to a brand's involvement and no immediate assumption that the content will be 'compromised' or 'tainted' by this type of commercial funding. Equally, if they weren't going to watch the show anyway, its funding by a brand makes pretty much no difference!

> ***"Differences between gender are highly prevalent in UK. Women are more likely to watch the cookery, fashion and beauty shows, while men are more likely to watch the computer show.***
>
> ***However, for each of these, the opposite gender is more likely to not be interested in show regardless of sponsorship, suggesting it is the show, not the company involvement causing division between the sexes."***

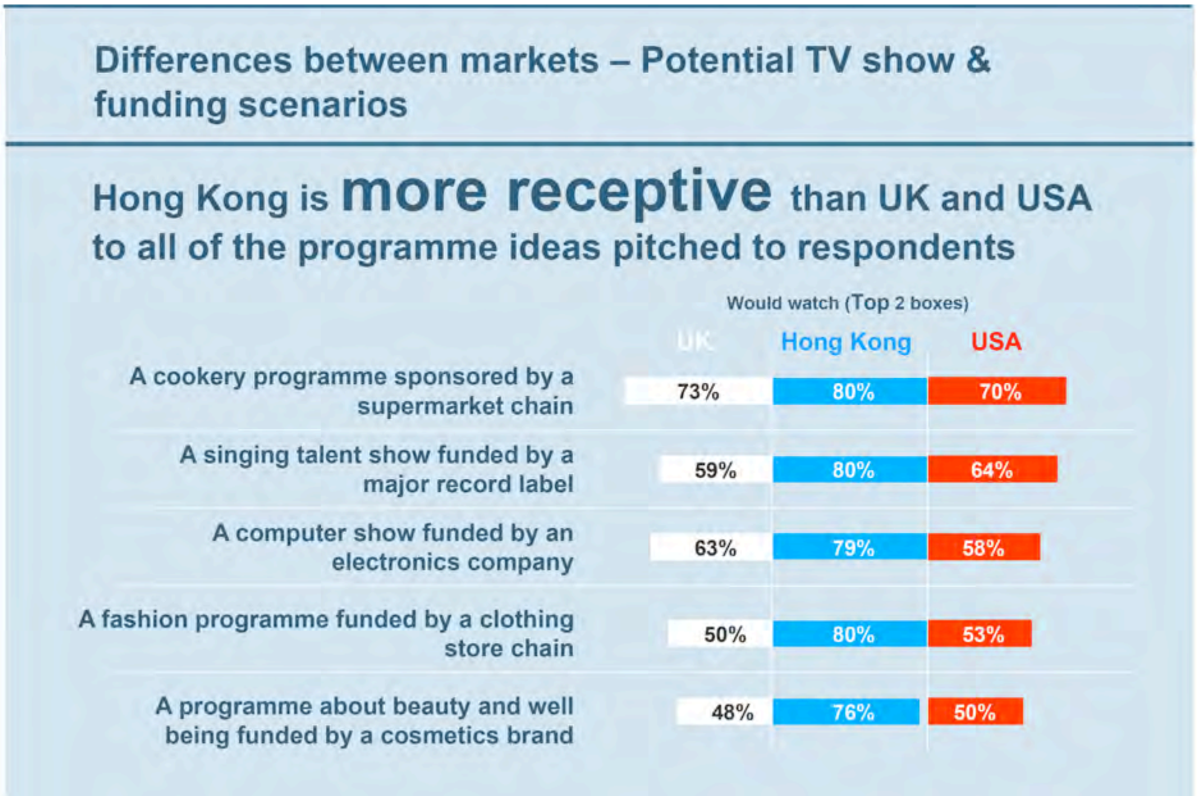
WHAT KEEPS PEOPLE WATCHING OR TURNS PEOPLE AWAY?

In terms of branded programming there are clear tipping points where care needs to be taken if viewers are to stay watching. Certainly, a section of the audience can be alienated where the presence of a company begins to feel too intrusive, whether that's through product promotion or editorial involvement. Some viewers won't even turn on if they dislike the sponsoring company or its activities. There appears to be no short cut to corporate reputational redemption through an association with a popular programme. But honesty and openness do seem to help. There appears to be an underlying comfort in understanding the motivation for funding a programme, even when this may be deemed to be a 'conflict of interest'. But understanding is no protection from a viewer backlash if people start to feel misled.

DO DIFFERENCES IN MARKETS AND REGULATION MATTER?

There were enough market differences in our study to suggest existing regulation appears to have an impact on viewers' attitudes to brand and company involvement, but the nature of the causality is less clear. It appears that a whole range of different perceptions, 'value-laden' judgements as well as custom and practice, can impact on a person's decision to watch a programme.

Looking at Hong Kong, which has a less strict regulatory framework, there are two interesting pointers to what looser controls might mean. First, that people appear to become used to greater levels of brand involvement, but that it is not a one-way street. The finding that the younger age group below 35 are far less tolerant than their parents or grandparents suggests that, in a world where there is a myriad of content choice through global online access, advertisers may have to work as creatively as programme makers to keep hold of fragmenting audiences.



ARE THERE ANY OBVIOUS PITFALLS?

The biggest pitfall may lie in underestimating the audience, both in terms of their readiness to accept some direct sponsor involvement in certain programme genres, and also in their sophistication in rejecting that involvement when it crosses a certain threshold of acceptability. And as we've seen, these attitudes may vary by territory.

6. Implications for the TV/Online Video Content Industry

As any politician will tell you, a poll captures a moment and is never the main reason for changing a policy. Our survey is a snapshot of attitudes to one aspect of TV viewing in a regulated broadcast environment, but where levels of regulation vary across the territories surveyed. It does not capture a whole new dynamic around the arrival of unregulated content on internet-connected TVs, which will change the equation again. Distinctions between content and advertising will be blurred in more ways we cannot yet predict. We hope that what we have begun to do in this report is to erect signposts to help navigate this emerging new landscape.

One key impression from researching this report is the confusion around the topic, perhaps most eloquently expressed in the lengthy list of overlapping terminology – often used by people with very different interpretations of what they are talking about.

This illustrates an underlying theme through the whole report – that new sources of funding are breaking down established zones of competence in the media industry. Paid-for content lies at an intersection between advertising, PR, TV production, marketing, journalism, brand CSR, social change agendas, and philanthropic projects for the public good – and as each area has grown it has done so blinkered. Players are developing their own terminology to 'own' the space, or create some kind of marketable voodoo, and not acknowledging the commonality of this newly emerging content area which increasingly needs to be defined through a common language and understanding for all the players involved.

A number of our experts suggested that the main limit to AFP growth is the difficulty of aligning the interests and objectives of the various commercial players trapped within current institutional silos.

However, as we have already suggested, the media industry's tectonic plates appear to be shifting, with Edelman PR agency, amongst many other agencies, announcing a strategic move into this space, or the well-publicised arrival of advertising agency Group M Entertainment as co-producers for TV shows in the UK and globally. Add the new players less hidebound by traditional commissioning protocols, such as Netflix, Google, Amazon, Hulu, or YouTube, and there is an overwhelming sense that change will happen.

As Jon Gisby suggests in his report for Ofcom:

> *As broadcast and internet delivered content converge the existing frameworks will struggle to accommodate both the prolific innovation in advertising formats, the highly fragmented nature of their implementation, and the scale of their cumulative impact on consumers . . . This is a profound shift, although it is happening slowly.*[87]

Perhaps the fascinating battle to chart next is who will eventually conquer this area: content departments in advertising or PR agencies? The internal sponsorship units of broadcasters? The content production operations of brands? Or the production sector as an arbiter between brands, agencies, and broadcasters.

This rethinking will also include regulators, as Jon Gisby admits: 'Over time it may alter the principles that underpin regulation, requiring a move from creating a world that is acceptable and appropriate to preventing the excesses of one that is not.'[88] The same point is made in a different way by Richard Sambrook: 'The age of information surplus has shifted the responsibility for trusted content more

[87] Gisby, *Industry Perspectives on the Futures of Commercial Communications*, 39.
[88] Ibid., 39.

substantially towards the consumer – although they may not yet be equipped for the task.'[89]

The degree of the audience's media literacy is central to efforts to kick start an industry conversation about how to create transparency around unregulated content: Lara Fielden's work on kitemarking online content is one good contribution.[90] But, as Richard Sambrook points out, the unknown in a lot of this thinking is the media sophistication of the general public:

> *Many of the solutions proposed for the problem of trust in the media depend on developed skills in media literacy. Greater transparency, whether offered as a code or through embedded technology, requires the skill to recognise what is being revealed; flexible regulation or kitemarking requires the ability to differentiate between different categories of provision.*[91]

These big industry shifts are happening very slowly partly because, although it is growing, the scale of cash being invested into AFP, for instance, is still small compared to total TV ad revenues. This suggests that, for the moment at least, these are supplementary to existing revenue streams and are not cannibalising traditional spot ad revenues.

Our report is a vital first step in helping to inform this media industry discussion of some pieces of new evidence. Our producers' survey shows a group that appears conflicted about working in the paid-for-content area. If given a free hand, they are far more averse to brand involvement than our audience, but our survey also suggests that, if the financial pressure is significant, they will go further in incorporating a brand than the audience may like.

Part of the producers' dislike of 'compromise' reflects the truth that creating paid-for content – which can often involve several masters – is not easy, but what our report does raise for the first time is that listening to what the audience wants may be an axis around which the various stakeholders can finally develop a greater understanding and common language for what works.

Audiences are media-savvy and have a more relaxed relationship with paid-for content than conventional wisdom represents. But it's certainly not a carte blanche endorsement and there are clear messages about where the audiences will press the 'off' button, as well as significant variations that reflect differing regulatory and broadcast traditions.

Overall, it's a positive message for those already working in, or who want to enter, this market. If the outcome is a new source of funding that in turn leads to better TV then certainly the two authors of this report – as TV producers themselves – would be among those celebrating.

[89] R. Sambrook, *Delivering Trust: Impartiality and Objectivity in the Digital Age* (Reuters Institute for the Study of Journalism, 2012), 36.
[90] L. Fielden, *Regulating for Trust in Journalism: Standards Regulation in the Age of Blended Media* (Reuters Institute for the Study of Journalism, 2011).
[91] Sambrook, *Delivering Trust*, 36.

Biographies and Declaration of Interest

Alex Connock

Alex Connock is Managing Director of TV production company Shine North, based in MediaCityUK, part of global TV production group Shine. From 1999 to 2011 he was co-founder and Chief Executive of Ten Alps Plc. He has been Visiting Fellow at the Reuters Institute 2011–13. He is Visiting Fellow at Manchester Business School, Visiting Professor at Sunderland University, Creative Director of Digital Innovation at Manchester Metropolitan University and Entrepreneur in Residence at INSEAD; and he has been six times shortlisted for Entrepreneur of the Year. He has a BA from St John's College, Oxford, a Master's in Journalism from Columbia University, and an MBA from INSEAD. He is Chairman of the Royal Television Society in the North West.

Declaration of interest

Alex has worked in, and currently does work in, production companies providing TV and radio programmes to BBC1, BBC2, ITV, Channel 4, Channel 5, SKY, UKTV, and other broadcasters in the UK, alongside PBS, Discovery, National Geographic, and other broadcasters in the US and Europe. He has worked with, or discussed projects with, brands, agencies, and companies referenced in this report including Unilever, Samsung, Microsoft, Group M, and Mindshare, plus UK government departments. He has worked in content production, and been a shareholder in companies, working in areas including branded content, corporate responsibility content, broadcast TV and radio and published advertiser-funded content. Note that Alex Connock's work on this report is in his personal capacity, and views expressed are not those of any employer past or present.

Sian Kevill

Sian Kevill is Director and Co-Founder of Make Productions pte which has offices in London and Singapore. In 2004–10 she worked for the BBC's commercial international news channel, BBC World News, both as Editorial Director responsible for the channel's news and factual output and then as Director with business accountability for a $100 million global turnover. Before this Sian had a prestigious editorial career including being the only ever female editor of the BBC's flagship *Newsnight* programme when, among other awards, the programme won two BAFTA and two RTS awards, and a Silver Nymph at Monte Carlo. She also received a personal award in 2002 from Women in TV and Film for services to news and current affairs in the UK. She has been a Visiting Fellow, Reuters Institute for the Study of Journalism, 2012–13. She achieved First Class Honours BA from Newnham College, Cambridge University.

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