



STRATEGIC
COMMUNICATION
CONSULTANCY

Increasing the Advertising Pie
*"Let's Start at the Very
Beginning"*

Middle East Broadcasters Conference

December 9th, 2005



Middle East Broadcasters

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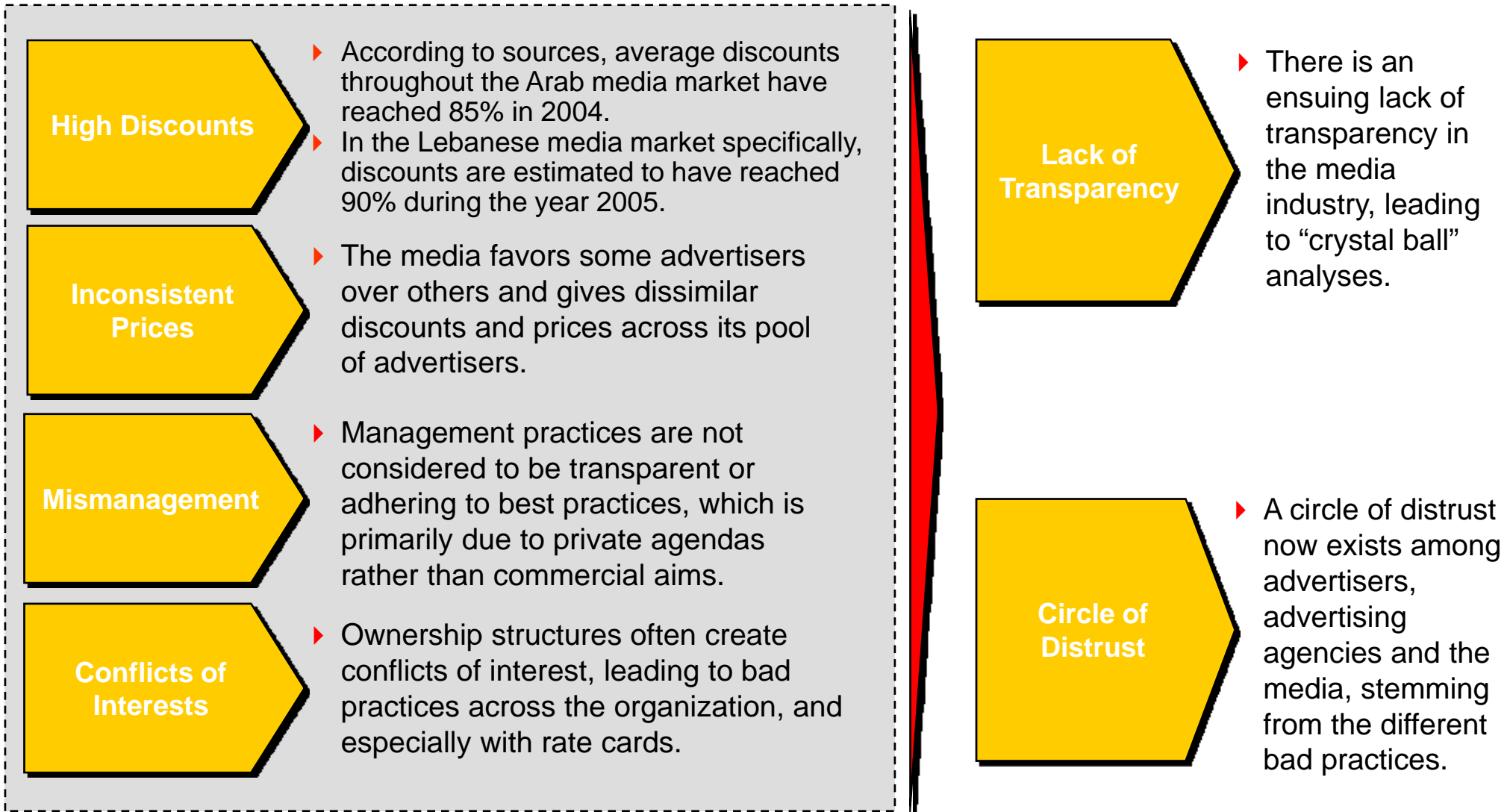
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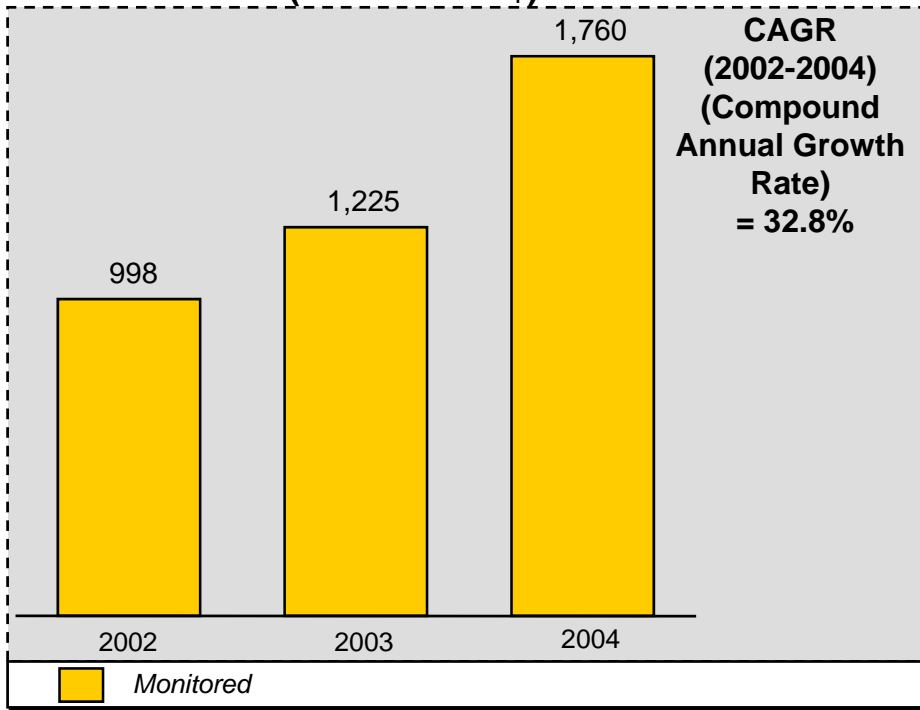
Inconsistent Rate Card Prices

Bad Practices

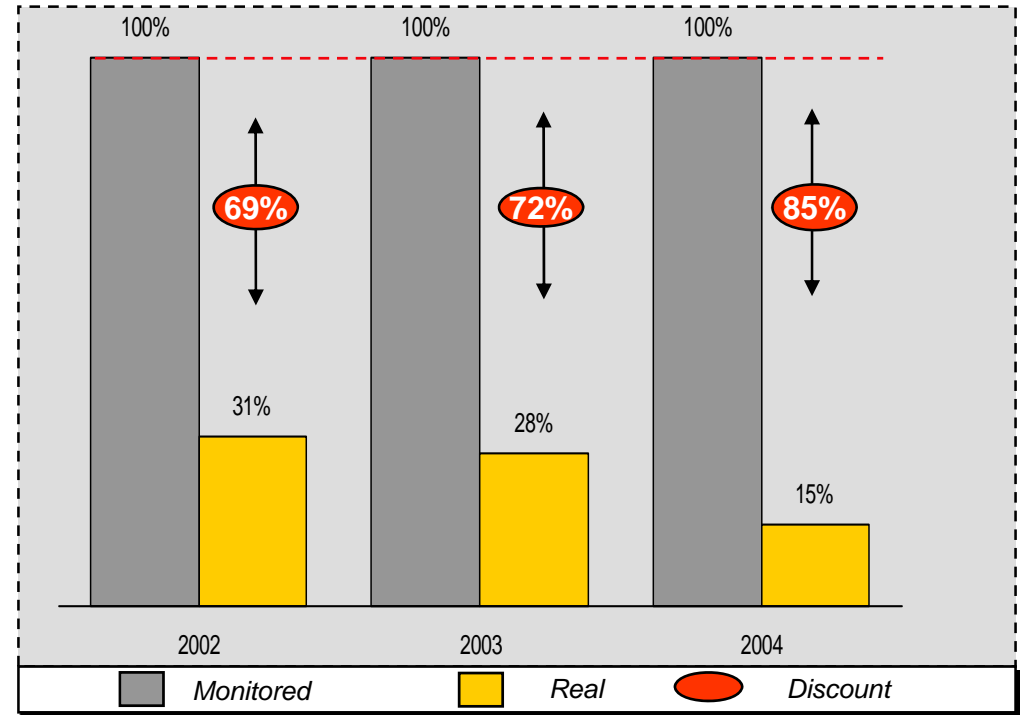


Rate Cards vs. Monitored Advertising Revenues

**Pan Arab Satellite TV
Monitored Advertising Revenues
(2002-2004)
(in Million US\$)**



**Average Change in Gap Between
Monitored and Real Prices
(2002-2004)**

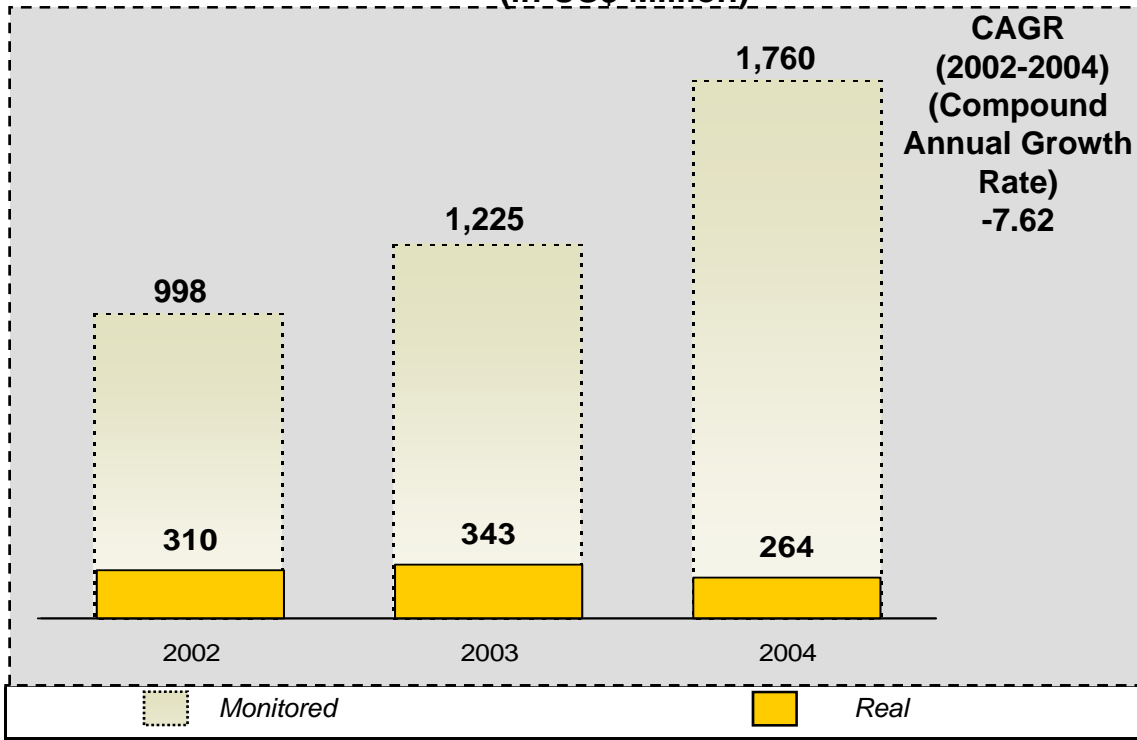


Monitored Advertising Figures and Discounts

- ▶ Monitored advertising revenues are estimated to be of around 1.7 billion USD regionally.
- ▶ However, with discounts reaching 85% in the year 2004, reality is far behind monitored figures.
- ▶ This discrepancy renders Arab analysts “crystal ball” readers with no basis for assessing the market other than monitored figures which are seen as highly unreliable.

Rate Cards vs. Monitored Advertising Revenues

Pan Arab Satellite TV
 Real vs. Monitored Advertising Revenues
 (2002-2004)
 (in US\$ Million)



Monitored vs. Real Advertising Revenues

- ▶ Estimations of real figures are thought to be as low as 264 million USD regionally, depicting the striking difference between real and monitored figures.
- ▶ With the existence of more than 200 satellite TV stations throughout the region and a total revenue of just 264 million US\$ to share, TV stations are left far from being financially viable.

Increasing the Advertising Pie

- ▶ Increasing the advertising pie demands media groups' credible consistency in the application of rate cards across all advertisers and high levels of professionalism in terms of respecting their published prices.

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Media Research Currency

Media Research Currency

- ▶ Advertisers use media research to buy television time as well as to make program decisions. That information is the currency in all the transactions between buyers and sellers.
- ▶ Assuring the value of this currency should be the advertisers and media' first priority.
- ▶ Without an independent, third party measurement system embracing the highest standards of accuracy and integrity, the television marketplace does not function effectively.

The Importance of Media Research and Syndicated Media Research

- ▶ Advertising in unmeasured media and markets is difficult or impossible to value, and the lack of comparability leaves marketers in the dark.
- ▶ Syndicated research is originated by a research company, with data sold to anybody who is interested - unlike an ad hoc survey, which is a one-off survey for an individual client. Audience measurement surveys are often syndicated.
- ▶ Syndicated media research plays an essential role in advertising media planning and sales. By providing common grounds of information that is widely accepted by marketers, agencies and the media, syndicated media research promotes a currency that is integral to the media market it serves.

The Evolution of Media Research

Past

- ▶ In the early days when there was a limited number of broadcasters and only a few thousands households with television sets, audience research was relatively uncomplicated and much less of a time sensitive undertaking.
- ▶ Audience information based on “yesterday viewership” and field research was readily available. However, these methods often proved to be inaccurate and the need for improvement became imminent.

Present

- ▶ Today there are tens of millions and hundreds of broadcast channels from which to choose.
- ▶ Producing and delivering timely, accurate and increasingly detailed information on audiences and their viewing habits is anything but easy.
- ▶ People meters are the best known method of delivering such information.

Future

- ▶ Looking to the future, wireless technology is becoming an integral part of thorough media research.
- ▶ New wireless technologies enabling advertisers to see day by day snapshots of audience viewing data is now available.
- ▶ Such technology is seen as a major driver of TV advertising in the future.

Absence of Media Research

- ▶ Media research is a problem in the Middle East and accountability remains notoriously elusive .
- ▶ There are no independent or syndicated viewership measurement bodies.
- ▶ People meters are socially or culturally unacceptable in most of the Middle East countries and people tend to rely on “piffometers” made up of random guessing, biased and unreliable research and data.

People Meters

- ▶ People meters have been available in Lebanon for five years, and even there these are widely debated and surrounded by some controversy.
- ▶ People meters are also symbolically present in the UAE.

“Yesterday Viewership”

- ▶ In other countries, a lot of ratings depend on inaccurate, misleading, and outdated “yesterday viewership”.

Independent Statistics / Research

- ▶ Most of the industry relies on research and statistics delivered by independent companies.

Increasing The Advertising Pie

- ▶ Only through the existence of a qualified and credible media research body will the growth of advertising expenditure be recovered. Advertisers will remain unable to leverage the strength of TV advertising as long as they do not have the means of measuring it.

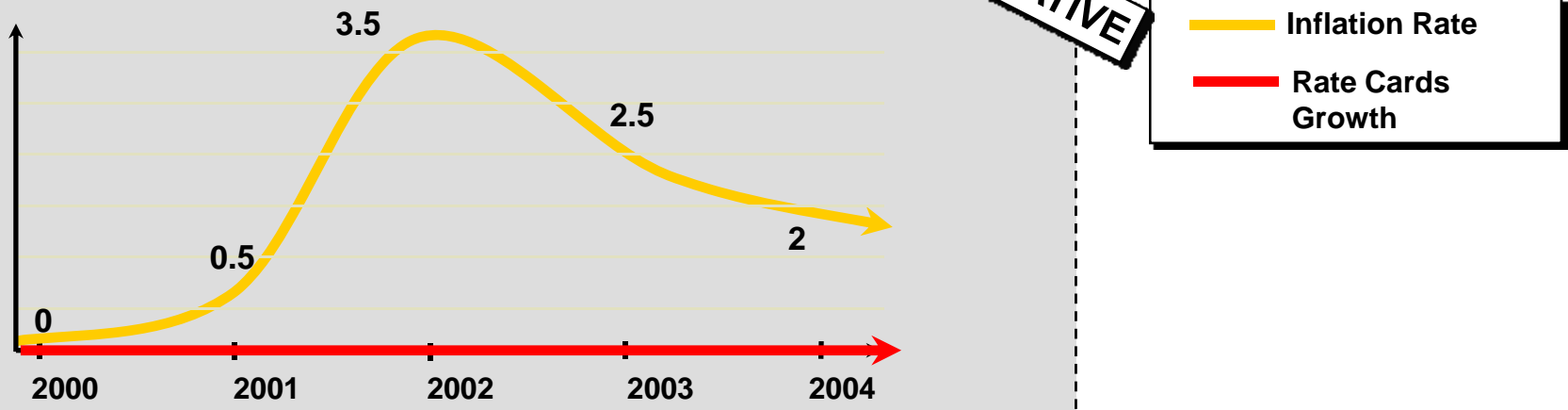
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Inflation vs. Media Rate Cards Fluctuation
(Lebanon)

EXAMPLE

ILLUSTRATIVE

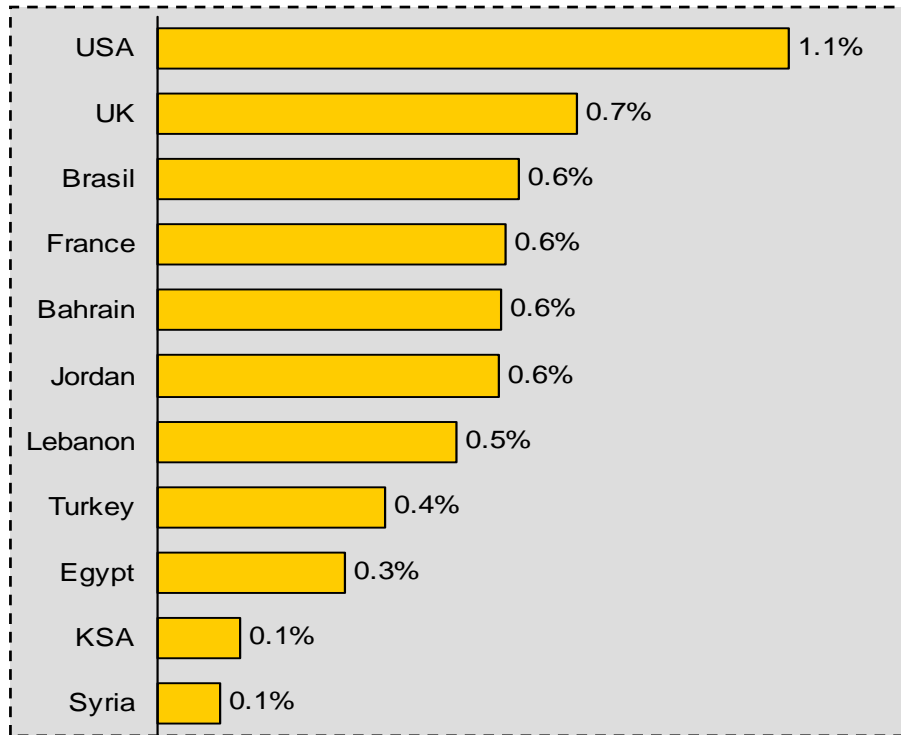


Inflation and Media rate Cards

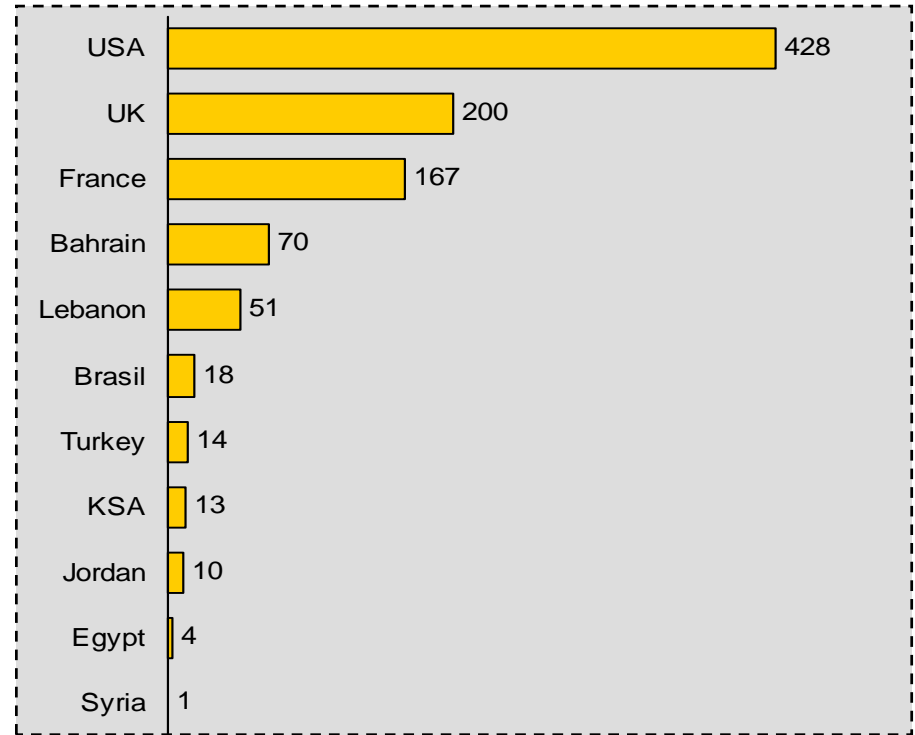
- ▶ Despite the ongoing changes in the external environment, including inflation which was fueled by the surge of oil prices, media rate cards throughout the Arab World seem to have stagnated at the same level for years.
- ▶ Notable reasons behind such stagnation are:
 - Competitive malpractices that have defied media's attempts to increase their rate cards.
 - TV stations with hidden and political agendas that are not concerned with financial viability and therefore disregard their rate cards.

Low Advertising Expenditure

**Media Advertising Spend
(% of GDP)
(2003)**



**Media Advertising Spend
(US \$/Capita)
(2003)**



Increasing the Advertising Pie

- ▶ Rate cards should follow changes in the environment and adjust according to those changes.
- ▶ This solution should stem from the recognition of malpractices.

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Brand Building and Advertising

Brand Building and Advertising

- ▶ Television advertising is recognized as the best known basis of brand building, it is an investment in growth, generating opportunities, positioning a brand and reaching thousands of potential clients.
- ▶ Such a concept is yet to be developed in the Middle East and adopted by regional companies who tend to view brand building and advertising as an expense rather than an investment.
- ▶ Brand Equity from the consumer's perspective consists of two forms of brand knowledge: brand awareness and brand Image.

Brand Awareness

- ▶ Marketing communication's role is to move brands from a state of unawareness to recognition, on to recall, and ultimately to top of the mind awareness.
- ▶ As such, advertising can establish an identity to a brand and eliminate branding confusion, thus giving a real strong value to the advertiser.

Brand Image

- ▶ Differentiation is a company's brand image, and advertising is about positioning that brand by promoting and communicating a firm's differentiators to a targeted mass audience.
- ▶ As such, branding, through repeated, frequent advertising, is the most effective way to accomplish that goal and this is where TV advertising draws its importance.

Brand Building in the Arab World

Perception of Branding in the Arab World

Brands as an Expense

- ▶ Management in companies across the Arab world often treat brand building as an expense, not an investment.
- ▶ As such, the long term value and benefits of branding are overlooked.

Brands as an Intangible Asset

- ▶ Brands are intangible and therefore the concept of branding is difficult to grasp in terms of benefits.
- ▶ For this reason, the importance of brand building is often missed and managers prefer investing in activities that generate short term profits.

Brands' Equity Tracking

- ▶ Evaluating the brand's equity is essential to determine the brand's financial value and strength.
- ▶ Tracking equity and measuring the success of brands and advertising efforts is an unknown concept in the region.

Increasing the Advertising Pie

- ▶ Branding and brand value should be established in the Arab culture as a main driver of long term profits. This will help enhance advertising expenditures and increase the advertising pie.

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Freedom of Commercial Choice

- ▶ The International Advertising Association (IAA) stresses on the importance of the Universal Declaration of Human Rights of the United Nations' article 19 which **recognizes the worldwide right to advertise and the right to choose.**

“Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers”

National Importance

- ▶ A society that can offer and actively encourage competition and choice will always be stronger and richer than a society which restricts or reduces choice.

Social Importance

- ▶ Advertising that stimulates and aids choice has enormous significance for society and all its members. Advertising and communication freedom should be valued alongside freedom of speech.

Consumption Importance

- ▶ Advertising allows consumers to “compare goods, which often results in lower prices and improved product quality; advertising stimulates the economy by encouraging consumption; and it has the potential to improve living standards”

Freedom of Consumer Choice in the Arab World

Advertisers Sanctioning	<ul style="list-style-type: none"> ▶ Practices of sanctioning and favouritism of advertisers are common among the media.
Media Sanctioning	<ul style="list-style-type: none"> ▶ Such sanctioning is also common among advertisers who inflict exclusivity on the media as well as supermarkets and restaurants.
Retail Practices	<ul style="list-style-type: none"> ▶ These practices have also become noticeable in the retail industry, where clients have engaged in a “shelf space war” to get their products the best visibility, at the expense of the altogether presence of other brands.
F&B Outlet Practices	<ul style="list-style-type: none"> ▶ Companies also seek to gain exclusivity in restaurants where they demand that their brand is the only available one.

Increasing the Advertising Pie

- ▶ Sanctioning and favoritism across the media and advertisers is largely contributing to the decrease of the advertising pie.
- ▶ These practices should be eradicated in order to boost the advertising pie.

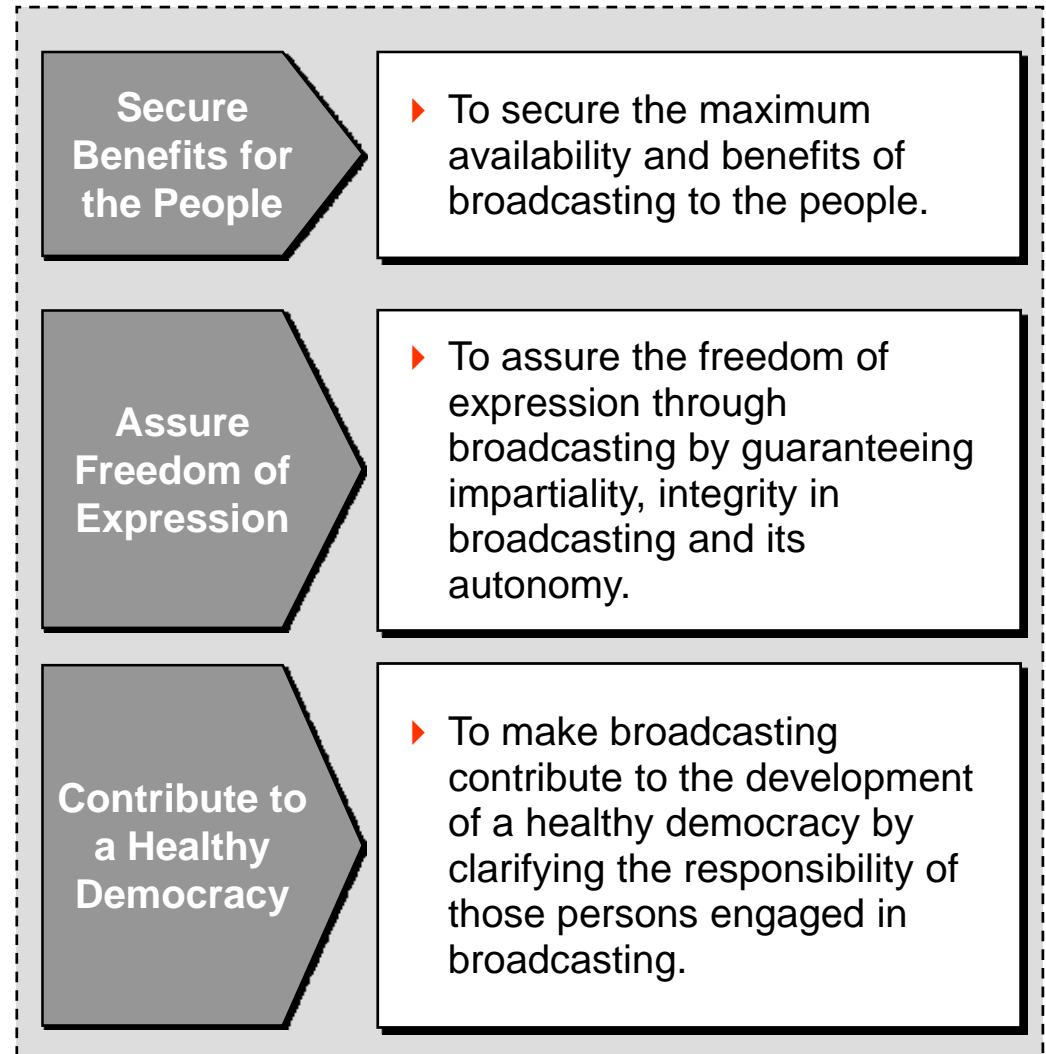
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Broadcasting Regulations

- ▶ Existing regulatory bodies around the world, such as the CSA (France), Ofcom (UK), BARB (UK), and FCC (USA) regulate the the following areas:
 - Number of national broadcasting services.
 - Competition.
 - Costs of broadcasting services.
 - **Amount of advertising and advertising time.**
 - Etc...
- ▶ Such regulations have been key initiators for strengthening media companies around the world thus contributing to the positive development of the media industry.
- ▶ Regulations have also allowed for the development of attractive advertising environments contributing to increased advertising expenditures.

The Purpose of Broadcasting Laws



Broadcasting Regulations in the Arab World

- ▶ Broadcasting regulations governing the media industry are minimal throughout the Arab World.
- ▶ The only existing regulations in the region are in Lebanon, and they only play an advisory role without any decision making authority being established.

Audiovisual Law in Lebanon

- ▶ The number of broadcasters in Lebanon reached an estimated 60 television stations and 200 radio stations, many of which were established illegally.
- ▶ A broadcast law was therefore adopted to limit the number of broadcasters and limit the ownership of broadcast companies.

Advertising Law in Lebanon

- ▶ The advertising law is limited to prohibiting television and radio stations from airing advertisements that deceive or harm consumers, additionally advertisements cannot contain scenes deemed 'unsuitable' to the viewing public.
- ▶ **In short, advertisements laws are restricted to content tracking and literary integrity.**

Consequences of Weak Regulations

Large Number of New TV Stations

▶ In the absence of advertising and media regulations, barriers to entry are reduced and it becomes easier for a larger number of broadcasters to enter the market.

Further Discounts

▶ As a result, further discounts are given on the now less effective ad spots, broadcasters compete on the basis of price reductions.

Low Revenues

▶ Generated outcome becomes lower, and, in many cases, decreasing overall revenues for broadcasters and limiting long growth opportunities.

High Costs

▶ Increased competition is exerting increasing pressure on programming and broadcasting costs, thus leaving net revenues weakened.

Price Inconsistency & Confusion

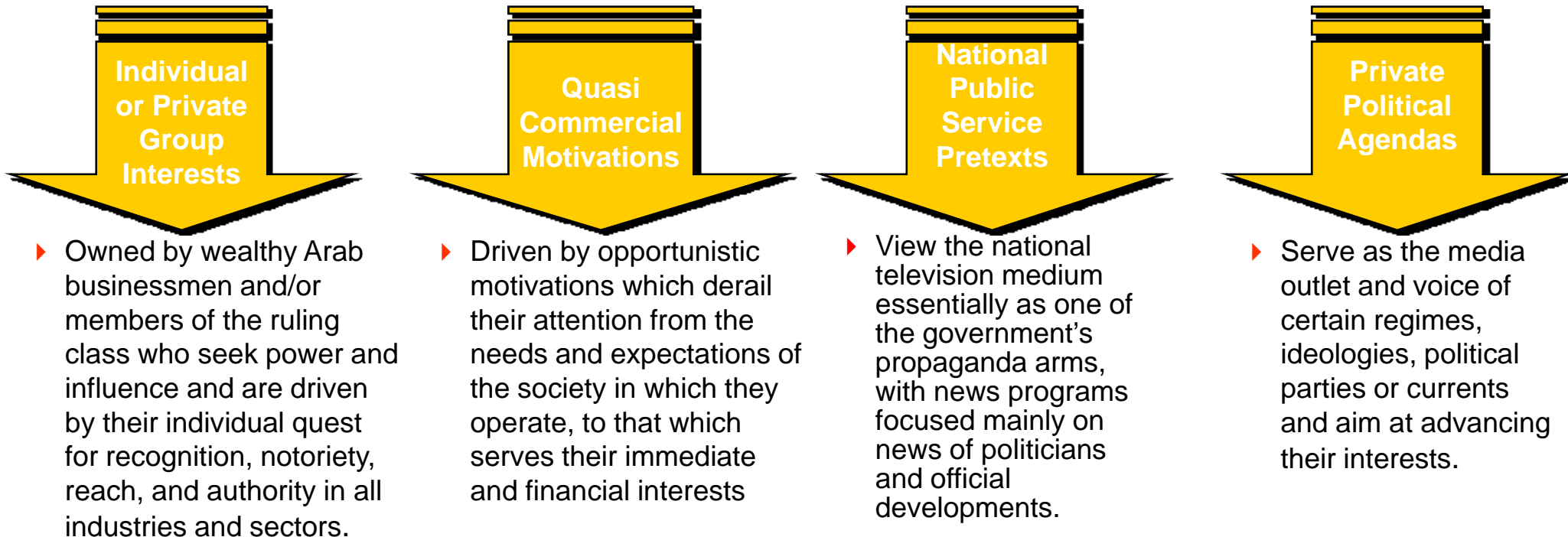
▶ In an unregulated market, broadcasters and the media are free to manipulate their prices, leaving advertisers confused.

Restriction of Consumer Choice

▶ The lack of regulations is negatively affecting consumers by reducing their freedom of commercial choice.

Deep Pockets and Lack of Financial Viability

Categories of TV Stations in the Arab World



Increasing the Advertising Pie

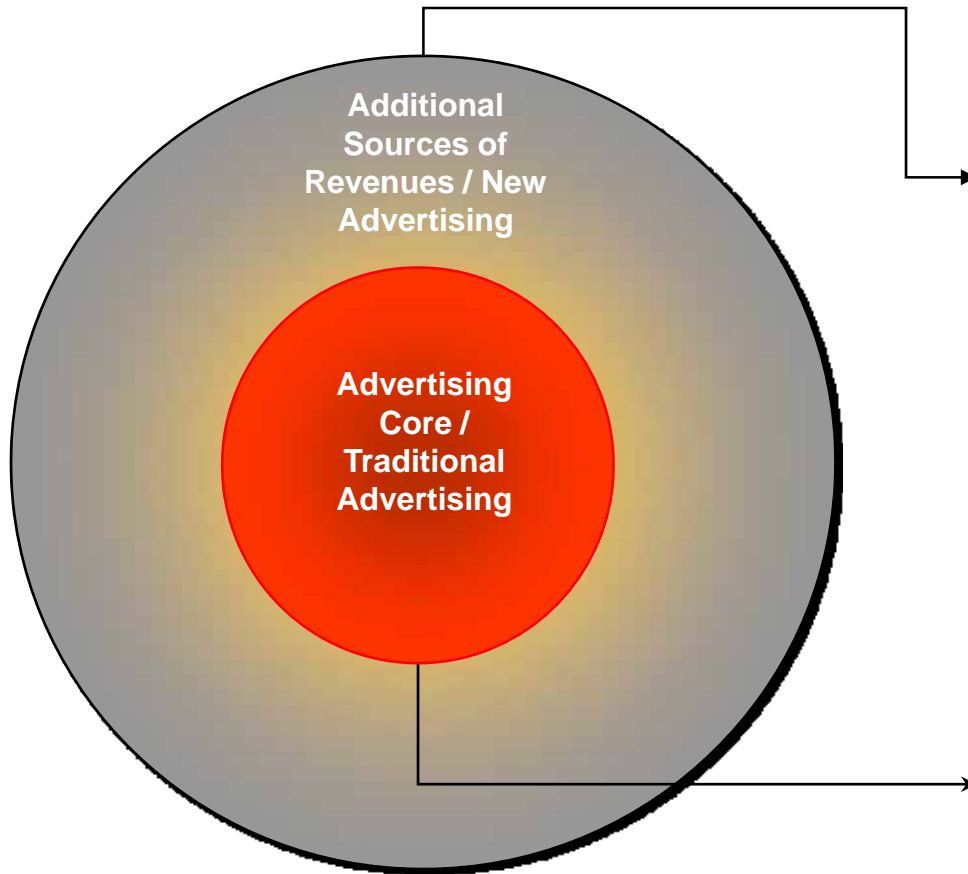
- ▶ Because survival is not an issue, these TV stations often overlook the necessity of financial viability as a crucial pillar of the industry, which leaves the advertising pie in decline.
- ▶ Increasing the advertising pie involves instituting best practice regulation in the region.

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Addressing the Core Problem

Core & Peripheral Advertising



New Medium Advertising

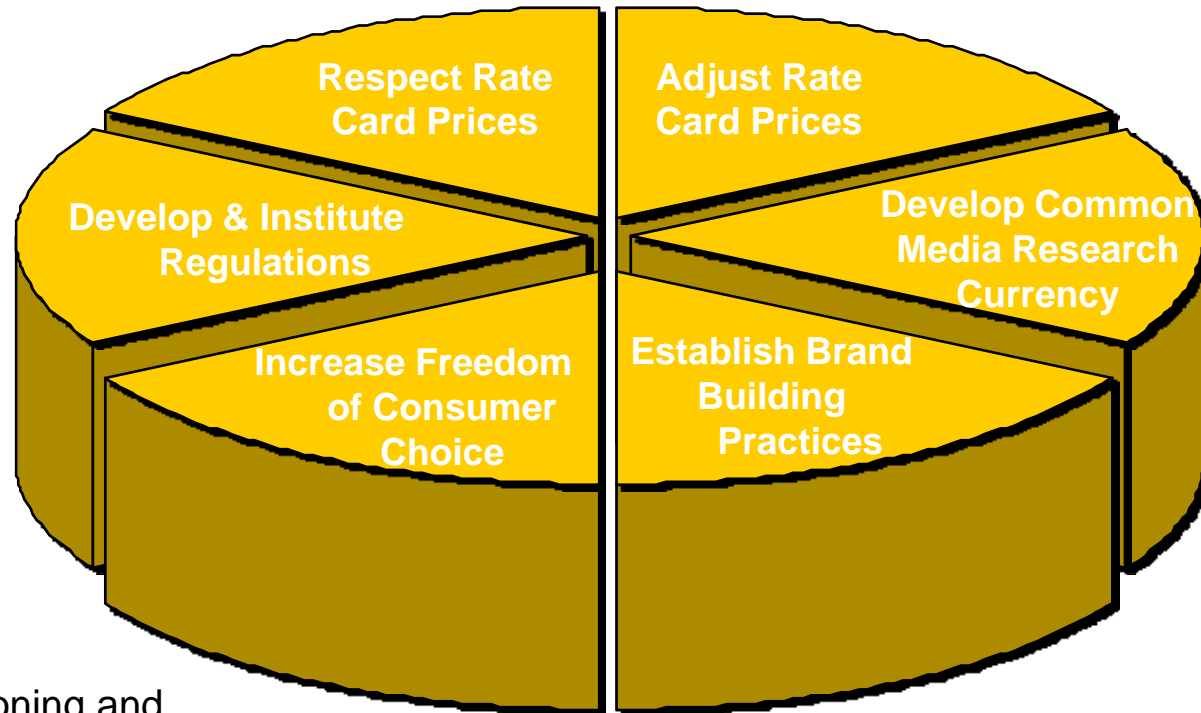
- ▶ Select firms worldwide are now trying to reach customers via new mediums such as cell phones (SMS), iPods (podcasting), G3 Technology, in-game advertising etc...
- ▶ However, the title “Let’s Start at the Very Beginning” is intended to shed light on the arguable assumption that the core potential of advertising in our region has been fully exhausted and thus the advertising pie should be increased by creatively looking for additional and parallel sources of revenue.

Core Advertising

- ▶ In our region, the problem still lies at the heart of the advertising industry.
- ▶ “Let’s Start at the Very Beginning” aims at emphasizing that before resorting to these peripheral solutions, the main issue to be addressed is that the advertising core is actually wrongly exploited with bad practices rampant across the entire sector.

Increasing the Advertising Pie

- ▶ Media groups should be consistent in the application of rate cards across all advertisers with high levels of professionalism in terms of respecting their published prices.
- ▶ Rate cards should follow changes in the environment and adjust accordingly.



▶ Increasing the advertising pie involves instituting best practice regulation in the region.

▶ Only through the existence of a qualified and credible media research body will the growth of advertising expenditure be recovered.

▶ Sanctioning and favoritism should be eradicated in order to boost the advertising pie.

▶ Branding and brand value should be established in the Arab culture as a main driver of long term profits. This will help enhance advertising expenditures and increase the advertising pie.

The Beginning...