# Competition between Television Companies for Advertising Revenue: The Independent Television Regions prior to Deregulation.

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# Competition between Television Companies for Advertising Revenue: The Independent Television Regions Prior to Deregulation.

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Abstract.

This paper represents a contribution to the geographies of advertising and the media. It is specifically concerned with the activities of commercial ('Independent') television in the U.K. in relation to advertising, which represents the main source of revenue for the medium. It is argued that the present 'monopolistic' regional organisation of Independent Television promotes a number of different forms of competition between the TV regions. Competition based on the cost of advertising in particular regions is effectively restricted. As a result, the TV companies find it necessary to promote their regions to advertisers and advertising agencies in a variety of other ways. These range from the production of 'hard' data to full blown campaigns designed to promote or change regional 'images'. A number of other forms of competition are also discussed, such as the provision of various services by the TV companies, and the various forms of cost incentives they are able to provide. This description of the current functioning of commercial television is timely, since broadcasting is set to undergo dramatic changes related to Government 'deregulation'. The paper concludes with an assessment of some of the likely spatial consequences of these changes.

Key Words: Television, Regions, Images, Advertising, Competition, Deregulation.

## Introduction.

Outside academic geography, the phrase 'regional variations' would probably be taken as referring to the television listings in the national press. It is common knowledge that commercial television in Britain is, at present, largely organised along regional lines. Despite this every-day level of familiarity, however, the regional structure of television broadcasting has been more or less ignored, both in academic work generally (Collins, Garnham and Locksley, 1987; Barwise and Ehrenberg, 1988) and within human geography specifically. It is, perhaps, particularly surprising that geographers should have paid such scant attention to the spatial structure of television broadcasting and its consequences.

This paper starts from the premise that the regional structure of television broadcasting can potentially affect society differentially over space. There are a number of ways in which this can occur. The regional organisation of Independent Television (ITV) affects the transmission of programmes, such that where people live determines the programmes they receive. Moreover, the initial production or purchase of programmes is in part determined by the different influences of the various ITV companies. In effect smaller regions such as Tyne Tees and Border provide fewer programmes to the ITV network and generally exercise less control than the larger ITV companies. In addition to such 'supply side' factors, the way in which television is 'consumed' is likely to vary over space. Many nationally broadcast programmes generate disparate regional viewing figures, and 'readings' of, and responses to, programmes can also vary regionally. These general arguments on the transmission and receipt of programmes also apply to advertisements, although, as the rest of the paper shows, the details are different.

As well as such direct effects, the regional structure of ITV is likely to have a variety of wider, indirect influences. For instance, the ITV regions provide an alternative to the Department of the Environment's standard regions for data collection and analysis. This is clearly important for activities relating to the media, such as advertising and market research. The ITV regions are, however, also used in less expected ways: the fast food chain MacDonald's, for instance, weight their South East allowance to UK store managers on the basis of the store's ITV-regional location. Simply as a way of organising space, therefore, the ITV system has a wide and varied influence.

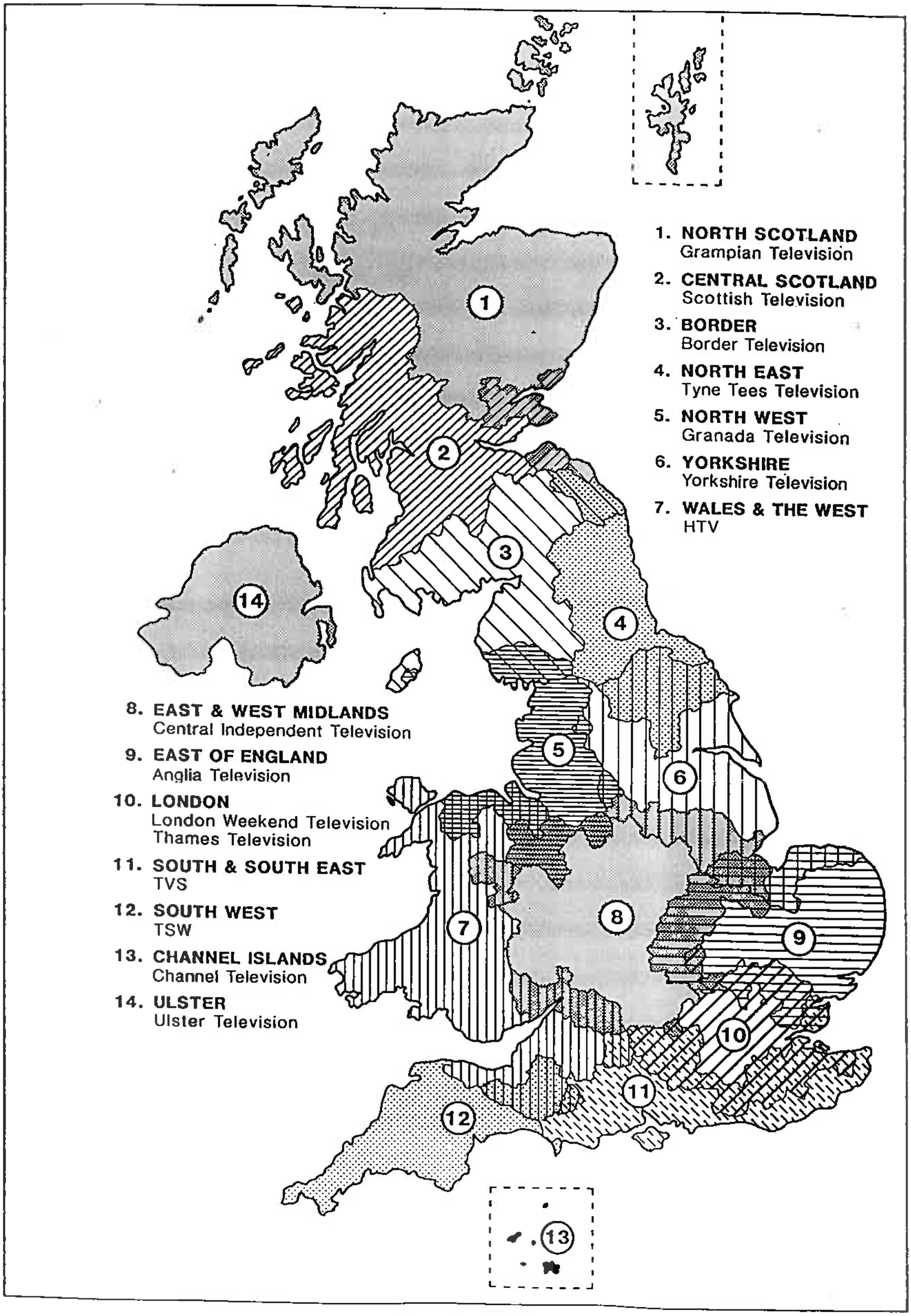
The concern of the present paper is the relationship between the ITV system and advertising. This whole system is currently set to undergo major changes, as broadcasting is 'deregulated' (HMSO, 1988; Collins, 1990, 92-115; Hughes and Vine, 1989a). The implications of these changes are likely to be dramatic, not least in terms of their geography. It is, therefore, important to try to understand the present system, in part so that 'before' and 'after' comparisons can be made on a firmer basis. It should be stressed that this paper focuses on the commercial nature of the existing system, and consequently underplays the cultural significance of regional television broadcasting. These two dimensions are not unconnected, but our concerns here require us to abstract from the rather broader cultural issues. The paper aims specifically to look at the ways in which the ITV companies try to attract advertising to their regions. It is argued that the spatial structure of Independent Television leads to a form of promotional competition between the ITV regions. This is especially significant as regional characteristics are used as a source of competitive advantage. This contrasts with most other situations that involve the commodification and marketing of space, which tend to operate at the spatial scale of place promotion.

## The Spatial Organisation of Independent Television.

Before discussing the methodology and argument of the paper it is necessary to describe the existing television broadcasting system within the U.K.. National television consists, at present, of four channels, two of which are run by the British Broadcasting Corporation (BBC1 and BBC2) and two by the Independent Television companies. Whereas the BBC channels are financed largely from revenue generated by a licensing system (whereby it is illegal to own a television set without also holding a TV licence), the two commercial channels rely mainly on advertising revenue (Jonscher, 1986). The first Independent channel (ITV) has a particular spatial significance. It consists of fifteen wholly autonomous companies which own franchises to broadcast to the different ITV regions (Figure 1). The only

Figure 1

The Regional Organisation of Independent Television.



exception to this is the London region, where the franchise is split between two companies, Thames Television and London Weekend Television (LWT), which broadcast during the week and at weekends, respectively (1).

Television, therefore, provides a marked contrast with the press, where there is still a much clearer hierarchical (national/regional/local) spatial structure. It should, however, be noted that ITV is peculiar in its regional structure. Channel 4, the second ITV channel, launched in 1983, does not have regional programme scheduling. Sianel Pedwar Cymru (S4C), the Welsh language channel, is the exception to a standard output across the whole of Britain. TV-am, the Independent breakfast television company, also has a standard national output, with the exception of local news and weather slots.

As Table 1 illustrates, the ITV regions vary considerably in size. Size is usually measured in terms of the region's share of total UK households able to receive ITV (or 'ITV homes'). The overlapping structure of the ITV regions (Figure 1) means that some ITV homes are capable of receiving more than one ITV station. Conventionally, so-called 'net home share' figures allocate ITV homes in areas of overlap equally between the regions concerned (although this does, of course, hide the real viewing preferences in such areas). Considered in net home share terms, the most important companies are the two London companies, Granada, Yorkshire and Central, referred to collectively as the 'big five'. Scottish Television (STV), Tyne-Tees, TV South (TVS) Harlech Television (HTV) and Anglia form the next largest

## Table 1

**The Sizes of the ITV Regions.**

| ITV Region | Contractor | % ITV Homes* |
|---|---|---|
| London | Thames TV/ London Weekend TV (LWT) | 19.73% |
| Midlands | Central TV | 15.26% |
| North West | Granada TV | 11.95% |
| Yorkshire | Yorkshire TV | 10.29% |
| South and South East | Television South (TVS) | 8.97%** |
| Wales and West | Harlech TV (HTV) | 7.71% |
| East of England | Anglia TV | 6.41% |
| Central Scotland | Scottish TV (STV) | 6.13% |
| North East | Tyne Tees TV | 5.19% |
| South West | Television South West (TSW) | 2.86% |
| Ulster | Ulster TV | 2.26% |
| North Scotland | Grampian TV | 2.06% |
| Border | Border TV | 1.18% |

* The figures refer to 'net home share' (see text).

** Figure includes the Channel Islands, as TVS sell Channel TV's airtime.

Source: BARB Establishment Survey, 1986.

group of companies. Changes in the economic fortunes of the regions have, however, altered the extent to which these traditional groupings are appropriate, a point which will be returned to later. The remaining companies serve the less densely populated areas of the country, some being particularly small, such as Channel Television which broadcasts to the Channel Islands (2).

## Methodology and Argument.

The present paper falls into three main sections. The first provides an analytical description of the relationship between advertising and the present regional ITV system. This forms the context to a second section, on the organisational behaviour and competitive strategies of the regional ITV companies. Finally, the implications of future changes in broadcasting policy on the existing system are considered. Whereas the first and last sections are underpinned by both theoretical and empirical knowledge, the second section is more empirically based. It results primarily from a series of intensive research interviews with a selection of the ITV companies in 1988. Owing to various constraints (this was a part of wider research into the geography of advertising (Clarke, 1991)) not all the ITV companies could be included. Of the companies listed in Table 1, Thames, Granada, Yorkshire, STV, Anglia, and Tyne Tees were interviewed. This covers three of the 'big five', two of the next largest group - one from the North (STV) and one from the South (Anglia) - which have faced very different circumstances over the last decade, and a representative of the smaller companies. The extensive promotional literature produced by all the ITV companies was also analysed, in part to corroborate the generalisations generated from the interview data, but also to assess any significant differences between the television companies.

## The Television-Advertising Nexus.

To a much greater degree than most other commercial media, commercial television is very much dependent on advertising revenue for its financial survival (Curran, 1986). As a result, the activities of advertising agencies are particularly important to the ITV companies (Clarke and Bradford, 1989; Leach, 1991). Advertising agencies tend to see themselves as the demand-side (the 'buyers') of a market for advertising space or airtime. The TV companies also usually view themselves as the supply side in this market, as sellers of advertising airtime. It is possible, however, to view the system in alternative terms, in which case the commodity is not advertising airtime but the advertising itself. From this viewpoint, the TV companies represent the demand-side of the market, ('touting' for advertising), whilst the advertising agencies are the suppliers of that advertising. Elements of both conceptualisations are at work in the actual operations of the agencies and the TV companies.

The first conceptualisation, which the media and agencies themselves tend to hold, is useful in that it allows the influence of geographical space on the advertising system to be seen particularly clearly. This influence forms a major concern of the present paper, and is returned to immediately below. The alternative conceptualisation is also useful, however, in that it reveals the way in which the TV companies, in their day-to-day operations, are concerned to fill all the advertising slots available at the best possible price. This conceptualisation is important in analysing the way in which the TV companies attempt to promote their regions.

The regional structure of the ITV companies is highly significant in determining the way in which commercial television currently functions. At present, advertising airtime is supplied by a number of 'regional monopolies' in the sense that there is no within-region market for TV advertising airtime. Prior to the launch of Channel 4, the advertising industry campaigned unsuccessfully for such a competitive regional system (i.e. for competition within each region between ITV and Channel 4). The current regional monopolies are not 'pure' spatial monopolies: it was noted above that there is some degree of overlapping of the ITV regions (Figure 1). It is also important to note that these monopolies are '<u>professional</u> monopolies' [YTV](3) in that choice is restricted for advertisers rather than for viewers. Such a monopolistic structure does not imply that consumers lose out in their range of viewing choice. Indeed, it has been argued from a purely economic point of view that free competition in broadcasting is the most certain way of ensuring that viewer choice is <u>minimised</u>, as the situation would lead to virtually similar outputs by all broadcasters (Steiner 1961). This argument, which is analogous to the Hotelling model (Hotelling, 1929), has implications for advertisers as well as for viewer choice, a point which is returned to in the final section.

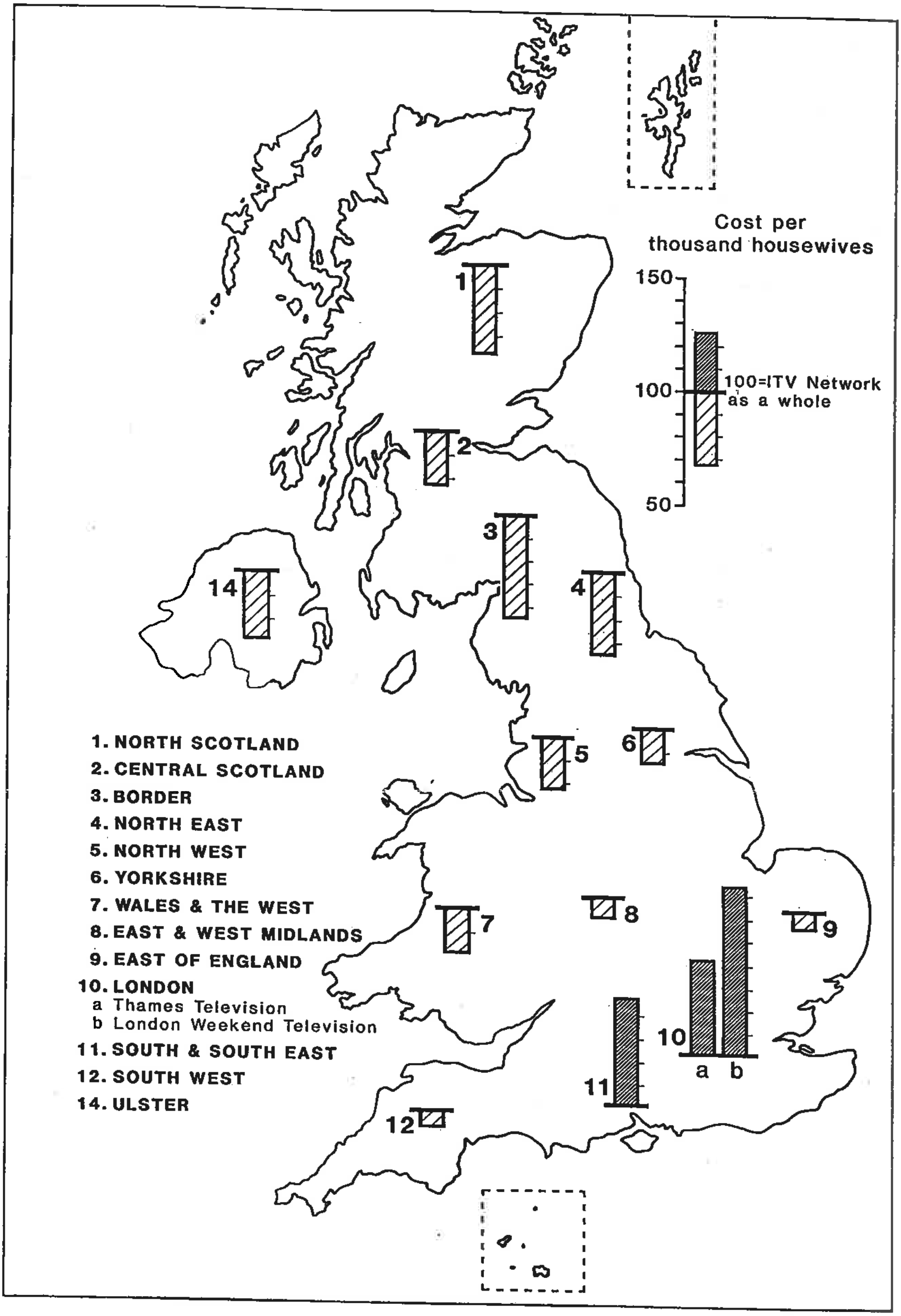
Under the present system the regional ITV companies are in competition with each other for buyers of airtime (the advertisers and agencies). This system of inter-regional competition is highly significant as an example of 'market failure' which tends to lead to a geographically uneven spread of advertising money, (or, viewed from the other side, an uneven distribution of TV company revenues). The market mechanism fails in that the cost of advertising airtime does not serve to equilibrate the allocation of advertising money over space in the long run. This is because the cost of advertising in any region is largely determined by levels of demand for advertising airtime (given that supply is fixed by the Independent Broadcasting Authority [IBA]), but that high costs tend not to dissuade advertisers from advertising heavily in such regions. In part this is because such heavily-demanded regions are usually those regarded as being the most important by the advertisers, who are unwilling to reduce advertising there. This can mean that a large proportion of an advertiser's total advertising budget goes on such regions. The market mechanism, therefore, frequently fails to switch advertising money between regions.

Empirically there is little evidence of advertising money moving away from high cost regions. In general terms, there is a broad

North-South division in advertising costs. The cost of reaching a thousand viewers in the London regions and TVS is often around double the cost for comparable Northern regions, such as Granada, Yorkshire or STV. (Figure 2 illustrates this for the 'cost per thousand housewives' in 1987). These differences do not, however, seem to divert advertising money from the South East. Overall, relatively high-cost regions tend to receive a disproportionately high level of advertising money. This is shown in recent changes in the geography of TV advertising revenues. In broad terms 'the network's revenue is shifting towards the South, or South East' [Thames]. Anglia, TVS, Thames and LWT have all shown an increase in their share of the networks revenue in recent years, at the expense of the Northern regions. This is indicated for the 1988-9 period in the subscription rates which the regional ITV companies pay to Channel 4 and S4C to sell their airtime (this levy on the ITV companies is the main source of finance for Channel 4). The subscription rate is based on the previous years advertising revenues, and the 1988-9 rates showed TVS ranking third, ousting Granada into fourth position. Granada, of course, is one of the 'big five', whereas TVS is not. Similarly, Anglia moved above STV. The rates for Ulster and Grampian were both lower than in the previous year (4). This could easily work as a 'self fulfilling prophecy', reinforcing pessimistic views of certain regions, and reducing the confidence of advertisers and agencies to advertise in those regions.

Figure 2

Regional Variations in the Cost of Television Advertising: costs-per-thousand housewives, 1987.



The fact that advertising is not particularly responsive to differences in costs per thousand generates some perverse consequences in terms of changes in costs, and the ability of the TV regions to compete for advertising. If the cost of reaching a thousand viewers in an ITV region was, for some reason, to decrease, this means that the advertiser can reach the required number of viewers more cheaply than anticipated, at a lower overall cost. To the TV company, it means, perversely, that although its region now represents better value for money, it receives a lesser amount of advertising money. Changes in the viewing figures of a region can produce similar effects. If TV ratings were to worsen in a region, then the advertising agency would have to allocate more advertising than before to that region to reach the desired number of viewers. The region would therefore receive a higher amount of advertising and advertising money. Moreover, the increased demand to advertise in that region could increase the cost-per-thousand viewers. For the TV region, poorer ratings result in an increased advertising revenue. Consequently,

> 'a contractor [ITV region] with exceptionally good ratings or a low rate card [cost-per-thousand viewers], trying to increase his (sic.) revenue, may ask himself 'Should I try to get the ratings down or my rate-card costs up?'. If this question baffles him - and who can blame him - he tries other ways of getting his area selected or favoured by the advertiser' (Broadbent and Jacobs 1984, 235).

It is evident that the current system of regional monopolies has certain in-built features which work against any usual form of cost competition, and as such represents a particular type of market failure. For the TV companies, this places a great degree of significance on 'other ways' of competing. The second section of the paper concerns itself with the ways in which the ITV companies do try to compete with each other and attract advertising to their respective regions.

## The Competitive Behaviour of the ITV Companies.

Business organisations compete with each other in many ways. A useful categorisation of competitive strategies is captured in the analytical distinction between competing by: (1) offering the same product as one's competitors at a lower cost; and (2) offering a better product (one with 'value added') at the same cost as one's competitors (cf. Porter, 1980). It was suggested above that, though the regional ITV companies can try to point out where they represent good value for money, the system produces a situation where they cannot effectively compete on a cost basis. This is something of an oversimplification, and further detail on cost competition is provided below.

The various other means of competition are then outlined. Although these are specific to Independent Television they provide an interesting observation on the nature of the competitive process. In order to seek competitive advantage, the regional ITV companies have, over the years, attempted to differentiate their products with a variety of 'value adding' innovations. Such innovations have prompted other companies to follow suit, effectively eroding the initial differentiation. This leaves the individual companies in the same relative positions in the long run, but alters the state of the system as a whole. Precisely how the system is altered depends on a number of things. The cost outlays of all individual companies are usually increased, but, depending on the nature of the innovation, their revenues and thus their net profits may also be raised. Certain innovations provide services which are run on a profit making basis, but others, such as promotional campaigns may have less tangible benefits. This could mean that the search for competitive advantage is a wasteful activity, given that differentiation cannot be sustained over time.

**Cost Incentives and Discounts.**

Although cost competition is restricted by the structure of the system, an understanding of the detail of the buying and selling of advertising airtime is important for a fuller understanding of cost competition. The practicalities of the buying and selling of advertising airtime are fairly complex. The ITV companies list the costs of particular advertising slots on 'rate cards'. Within any region, costs vary over the course of the day, in line with expected audience size. The basic quoted costs, however, are frequently less than the final cost paid by the media buyer, owing to the 'pre-emptive' structure of the system (Broadbent and Jacobs, 1984, 281-9). A buyer purchasing a slot at the basic rate will often be 'gazumped' by another buyer who is willing to pay for a given slot at a higher rate. The original buyer will be re-offered the slot at a yet higher rate, and so on. On average any one slot is 'bought' and 'sold' around five times.

An understanding of the detail of this system suggests that the regional implications of cost competition described above are likely to be accentuated. The amounts of revenue received from advertising are likely to be higher in heavily demanded regions not simply as a result of higher basic costs for any given slot, but also because costs far higher than the basic rate are more likely to be paid. The detail of the system is also important for two other reasons, both of which relate to attempts by ITV regions to compete on a cost basis: the first represents a form of cost incentive to increase the amount of advertising in the region; the second, more specialised cost deals, which are used in order to attract particular types of advertising.

The first of these is the legacy of a system which came to be known as the 'share game' (Broadbent and Jacobs, 1984, 232-233). This was a 'parity system, with advertisers expressing a commitment above or below the region's net home share' [Granada]. Advertisers allocating a share of their overall budget proportionally less than the region's net home share were penalised by the ITV contractors by being charged at a higher rate. This somewhat dubious practice was eventually banned by the Independent Broadcasting Association, but has effectively continued to operate in an 'inverted' form. The TV companies now offer cost advantages to advertisers allocating a more than proportional share of their total budget to their region, rather than penalising those who fail to do so. Such 'expenditure-weight' deals [Anglia] offer a discount on the rate-card for a 'mutually agreed level of investment ... [or] upweighting [of] the area' [STV]. For instance, in the Anglia region, this takes the form of a 'negotiable discount for a guaranteed annual expenditure' up to a maximum of 15% off the standard rate-card [Anglia]. All the regions operate these deals at similar discount rates, but the relation between these rate-card discounts and the actual discounts on expenditure may be expected to vary regionally in line with differences in demand for advertising airtime, such that smaller actual discounts are given in more heavily demanded regions, notably in the South East.

Most of the ITV companies also offer specialised cost discounts to attract particular types of advertising. These include a range of discounted rate cards, for example for advertisers using the region as a test market, for advertisers based in the region and, in some cases, discounts for financial advertisers (e.g. the London regions, Anglia, Yorkshire and STV). The operation of such cost deals ultimately depends, however, on the levels of demand for advertising airtime, as the TV companies will obviously want to sell their advertising airtime 'at the best rates possible' [Granada].

Test market discounts are usually offered on a sliding scale, depending on whether the advertiser is testing solely in that region, or also in additional regions. '[T]he logic of giving a bonus for test airtime is that it represents money you're getting that the rest of the network isn't' [STV]. Consequently, the discount on single area (or 'solus') testing is greatest (e.g. 40% in Anglia, 50% in Tyne Tees), with two-area test discounts being less than this (25% in Anglia, 40% in Tyne Tees), and less again for three area tests (15% in Anglia, 25% in Tyne Tees). Test deals are often offered as a part of a package including an element of research offered at cost effective rates.

Most companies have a 'regional rate-card', offering a discount to 'regional' advertisers. The definition of 'regional advertisers' varies by company. Yorkshire, for example, used to operate both a 'regional' and a 'local' rate-card. The first offered a 10-15% discount off their national rate card to advertisers whose business was solely within the region, the second a 50-60% discount to attract very localised advertising. The local rate card had a 'tough time', as 'the diversity of the region worked against attracting local advertisers', and Yorkshire changed its name and orientation to the present 'small business' rate card [YTV]. Other regions, such as STV, define their regional rate-card more along the lines of Yorkshire's local rate card. Eligible advertisers have 'all their business in an area significantly smaller than the STV region', for example, 'an Edinburgh car dealer' [STV].

The differences in regional rate-cards, and differences in the character of demand for advertising time by region, mean that the different regions have variable amounts of regional advertising. However, the actual figures are not generally known. STV estimated that around 80% of its advertising <u>revenue</u>

was from U.K. national advertising and 20% from Scottish advertising, but did not know precisely how these figures would work out in terms of actual advertising [STV]. Crudely, the proportions can be expected to be such that over 20% of advertising is Scottish, under 80% U.K. national, given that the Scottish advertising can in many cases be purchased cheaper, and large U.K. companies are likely to have larger advertising budgets than many Scottish companies.

This section has described the attempts by the TV companies to attract advertising to their regions by offering a variety of cost incentives. Nonetheless, the general point that the structure of the system acts against more usual forms of cost competition is a particularly important one. Most of the other forms of competition rely on the TV companies attempting to 'add value' to the product they offer, that is trying to improve their product in concrete real terms or in the eye's of the advertisers and agencies.

**Regional Characteristics as a Source of Competitive Advantage.**

Perhaps the most interesting form of competition, at least from a geographical viewpoint, relates to the efforts of the ITV companies to promote the particular characteristics of their regions to advertisers and agencies. The TV companies regard the characteristics of their regions as highly significant to selling their airtime and thus keeping their share of the total ITV network revenue as high as possible. Their promotional activities range from the provision of 'hard' data on the ITV regions, considered in this section, to full blown advertising campaigns aimed at promoting or changing the 'images' of the regions, considered in the next. The TV companies spend something of the order of #38,000 on producing a 'marketing handbook' of data on their region's particular strengths [YTV]. A detailed analysis of such data merits a full paper on its own, but despite the detailed nature of the TV companies' marketing handbooks, in effect only a limited number of factors are stressed. This section, therefore, concentrates primarily on the points emphasised by the TV companies during the interviews. It is perhaps worth noting that the climate of regional change in which the TV companies found themselves throughout the 1980s was regarded as having had significant effects, and many of the TV companies stressed a 'North-South' dimension to their predicaments or fortunes. This emphasis, however, may have been partly the result of the topicality of the North-South issue at the time of the interviews. In addition to this spatial scale the TV companies were keen to stress regional differences, especially in ways which revealed positive aspects of their own particular regions.

The two most important points the TV companies stressed related to (1) the consumers which constitute their regions' markets and (2) the retail structure of their regions. In referring to the consumers in their regions, the companies usually speak in terms of 'demographics' which cover a range of socio-economic indicators, and 'psychographics' which basically relate to attitudinal data. Most attention is still attached to the former. This is because of both the importance of the purchasing power of the regions' consumers to advertisers and the difficulties associated with matching attitudinal data to viewing patterns (Curran, 1986). Curran (1986, 325 [originally published in 1981]) was, perhaps, a little premature in suggesting that the psychographic approach had been 'largely abandoned'. The 'fragmentation' of the TV schedule into coffee-time, day-time and night-time TV [Thames, STV] has increased the ability of advertisers to target their advertising to specific audiences more effectively. As a result, 'lifestyle' typologies, which incorporate psychographic concerns, have recently become more important [Anglia]. The basic problems of linking attitudes to viewing patterns still remain, however, and it is generally true that the 'periodisation' of the schedule has increased the demand for 'sub-demographics' (i.e. a more detailed break down of audience composition) rather than prompted a wholesale move towards psychographic data [Anglia].

When referring to 'demographics', the TV companies actually tended to speak in terms of their region's level of 'economic affluence', which influences the region's ability to attract different types of advertising. Until the mid-1970s, television advertising was generally dominated by food and household goods advertising, but there were exceptions to this rule, notably the London region which has always had a higher proportion of advertising aimed at decision makers and opinion leaders. This situation has gradually changed since the mid-1970s, with a growth in the advertising of cars, travel and leisure advertising, financial advertising, and even business-to-business advertising on television. YTV, for example, estimated that around 70% of their advertising revenue came from food and household goods advertising until the mid-1970s. These categories now account for only around 25% of YTV's advertising revenue [YTV].

In spite of this trend, most TV companies stressed a North-South dimension to their regions' fortunes. Many South Eastern companies felt they had benefited greatly during the 1980s. Anglia, for example, suggested that it had effectively become a part of the 'affluent South East', with 'healthy levels of consumption' attracting advertisers 'similar to those using TVS - such as financial advertisers, cars and newspapers'. Anglia noted considerable in-migration, particularly of ABC1s in the 25-34 or 25-44 age brackets. According to Anglia, the region also includes 'a part of Silicon Valley' (a reference to the so-called 'Cambridge phenomenon'), and, 'four out of five of London's New Towns (sic.)' [Anglia]. The London region itself has always been in an exceptional position, in terms of its size (around 20% of total ITV households), its split franchise, its level of economic affluence, and its attractiveness to advertisers seeking to influence opinion leaders and decision makers. Thames claimed for the region an up-market demographic composition (25% of the population are As and Bs, only 16% Ds and Es), a far higher proportion of company directors, and of credit card holders than any other region. It was also said to have the 'largest array of distinctive characteristics': the majority of company Directors; the seat of Government; and the City [Thames]. During the 1980s, Thames saw changes in the type of advertising it attracted. Thames had been regarded as 'the station for household products like dogfood and washing up liquid, whereas LWT had an image of being the station with a young, male, up-market audience. More recently ... this balance has shifted somewhat' [Thames]. This interpretation, of a shift from LWT to Thames, may be a little partisan, and in fact both London stations seem to carry high proportions of financial and corporate advertising.

Of the Northern companies, the effects of economic change depend very much on company size. Smaller companies such as Tyne Tees, Border and Grampian were much harder hit by the recession of the early 1980s than larger companies such as STV, Yorkshire, Granada, or Central. In general terms, however, the South East bias in the distribution of advertising agencies is regarded by the TV companies as having played a large role in the economic situation of the Northern TV companies:

> 'Up here it's 'cloth cap and whippets' [as far as London people are concerned]. This image is difficult to dispel for people who have always lived and worked in London, and it's not helped by Labour MPs who go on about unemployment in the North' [YTV].

> 'Advertisers and agencies work Northwards from London, and STV is the last area they come to' [STV].

Perhaps the strongest example is the case of Tyne Tees, which was arguably hit the hardest by the recession of the early 1980s, and the subsequent ways the media portrayed the North East. It was stressed that

> 'A major difficulty for the region attracting advertising is that the North East is perceived as having a poor economy. Advertisers believe they can get better sales in the South. In fact all food and service items are the same, with the same profit margins as the rest of the country, but the region doesn't get its appropriate share of the advertising money.' [Tyne Tees].

Interestingly, the Southern TV companies did not seem to agree with their Northern counterparts that the South East location of the majority of advertisers and agencies was the reason the North had a more difficult job in attracting advertising: 'it's more to do with where the market is' [Anglia]. Nonetheless, the prominent role given to business perceptions of the regions is highly significant. It is in part responsible for the welter of advertising campaigns the TV companies have mounted to counteract what are seen as the negative aspects of their regions (q.v). It also contrasts with the views of advertising agencies that they are nothing less than objective allocators of advertising (cf. Clarke and Bradford, 1989).

A second point given particular stress by the TV companies related to the retail structure of their regions. This results from the fact that a brand's retail coverage is an important influence on the regional allocation of advertising (Clarke and Bradford, 1989). Although it was widely held that regional variations in brand availability are most likely to relate to differences in the market shares of the different multiples, much of the concern of the TV companies centered on stressing the general strengths of retailing in their regions, for example by pointing to large scale shopping developments. For instance Tyne Tees claimed both Europe's largest and third largest shopping centres (Gateshead's MetroCentre and Newcastle's Eldon Square development, respectively) and STV drew attention to the growth of out-of-town shopping around Glasgow.

Differences in the market shares of different forms of retailing, or between particular retail multiples were noted by the TV companies. Anglia suggested that the influx to the region of As, Bs and C1s in the 25-34 age group has started to change the retail structure, which had previously been dominated by the Co-op. Yorkshire and Scotland both suggested that their retailing was in some way anomalous. STV suggested that they had different brand leaders to England, and that retail distribution caused problems in attracting advertisers 'unless the multiples take them' [STV]. Yorkshire suggested that they had always been regarded as having had a 'strong retail base', which until recently was 'unfettered by outsiders'. For instance, Tesco had only a 3% share in the region until its acquisition of the Yorkshire-based Hillards chain in 1987, which increased its share to around 12%. Similarly, for a long time J. Sainbury had only a 4-5% share, but has grown 'organically' to increase this to around 10%. According to YTV, Yorkshire's retail history has meant that both brand awareness and brand preferences are strong, allowing some brand shares that are very different from the national picture to persist in the region [YTV].

**Regional Image Promotion.**

There is no clear dividing line between presenting 'hard' data about a region (such as the data on its consumers and retail structure discussed above), and the promotion of a region in terms of its 'image'. Data are frequently understood or presented selectively, with favourable interpretations of what the data mean for the region (Baker, 1985, 321). There is, however, a basic difference between this type of activity, and the wholesale image promotion which the TV companies have been increasingly using since the mid-1980s. In part, regional image promotion relates to the actual changes the regions have witnessed. These changes have provided an impetus, opportunity or necessity for the TV companies to change their image. Most of the campaigns 'are run along the same lines of 'you don't realise how affluent this area is'' [Thames]. Furthermore, most of the Northern companies' campaigns are aimed at dispelling the idea that their regions are the backward, industrial places that people in the South are supposed to think they are.

Promotional activity is by no means restricted to the Northern companies. Anglia, for instance, provides an important example. Seeing itself moving increasingly into direct competition with the London region and TVS in the early 1980s, Anglia embarked on the course of attracting advertisers to their region by changing their image. Anglia actually changed its logo to signal the change in the status of the region to a part of the affluent South East - they would even have liked to have changed their name if they could have done, but this was not permitted by the IBA. It was noted that there are conflicting goals in making such a change. 'The old logo [a knight on horseback] was associated with Anglia's quality of programme making, but for advertisers it still carried connotations of the old region' [Anglia]. Their promotional campaign also reprinted a flattering Sunday Times Magazine article on the 'New' East Anglia (5). This type of promotional literature, along with some selected success stories of brands advertising in the region, are sent out along with the 'hard' data on the region to advertisers and agencies.

Thames has also run an advertising campaign, chiefly in the trade press, which has primarily been to encourage 'schedule buying' in order to target the best audience. This effectively means 'buying the right slots, relating to particular programmes - for instance the arts review programme, '01- For London' attracts advertisers such as theatres; 'The City Programme' attracts corporate and financial advertising' [Thames]. Buying in this manner can mean that the region is as cheap as elsewhere, and promoting this fact helps to overcome the view that London is simply 'too expensive' [Thames]. Perhaps given the London location of most agencies and advertisers, wholesale image promotion has not been adopted there. A campaign to counter the view that London is an expensive market, however, was seen to be worthwhile. Furthermore, the London companies continually have to stress that their region covers far more than just the London area: the region has 20% of the ITV home share, and represents a market larger than certain European countries. The region's split franchise makes for a degree of promotional competition between the two London regions. As noted above, Thames has experienced a change to a more up-market audience, and has promoted its region as a better option than LWT for financial and corporate advertising, arguing that decision leaders are more likely to view television mid-week than at weekends. It was cynically noted, however, that LWT probably have data to make similar claims about their audience [Thames].

The Northern companies have, almost across the board, tended to find themselves in a situation requiring a wholesale change of image. Granada's late 1980s television campaign was the first time a TV company had actually advertised itself on the medium, and was weighted heavily in both the Granada region and on LWT. The campaign also used the trade press to target advertisers (with adverts run in Marketing), the agencies (Campaign) and to raise their profile in the media world generally (Broadcast magazine) [Granada]. The basic message was that 'the Granada lifestyle is no longer as depicted in Coronation Street ... [the] campaign depicts the North West as a major market, with international banking and industry well represented' (6). The Yorkshire campaign was run along similar lines. In fact both Granada and Yorkshire talked of 'dispelling' the 'old cloth cap image' [YTV, Granada]. The Yorkshire campaign tried to promote the Yorkshire region as 'classy' and 'attractive'. This tactic reflected the Regional Sales Controller's conviction that not only did a region have to be appealing in business terms, but also had to appeal to Directors' wives [YTV]. Tyne Tees also ran some advertising in the trade press, but noted that 'there has only been very gradual change in the image of the region [Tyne Tees]. This difficulty was not restricted to the smaller companies. Yorkshire made a similar comment that 'changing the region's image is a slow process' [YTV]. One important way in which the TV companies try to overcome this inertia is by inviting 'influential people' to the area, and putting on a tour of the region. 'It is necessary to prove things to advertisers' [Tyne Tees]. Yorkshire runs twelve such (two day) events per year, and the schedule is not restricted to events such as tours stressing the retail strength of the region; 'a day at the York Races is often included' [YTV]

Scotland is a slightly different situation from the North of England companies, but is basically in a similar position, requiring a promotion of its image to the London advertisers and agencies. Scotland 'is a separate country', and 'the image of the Scottish [TV] region is different from the rest of the regions ... because of specific things like the distribution factor, but also the whole range of Scottish differences - the legal system, church, schools and the football league.' However, 'it is a changing region, and the media have an educational job to do on advertisers who have simply viewed Scotland as a separate country. It has to be got across that it is a sound marketing proposition' [STV]. The campaign used by STV has followed the trend of 'stressing the affluent side of the area, its 'arts' image, and so on' in a trade press campaign [STV].

They have also run a colour press campaign stressing the region as a financial market.

The use of promotional campaigns was initially related to the economic changes the regions experienced throughout the 1980s. Such campaigns quickly became fairly standardised in terms of their style, and perhaps lost some of their significance after their initial use. As a competitive tool, such campaigns continue to be used, but with 1988 White Paper (HMSO, 1988), the regional ITV companies seemed to adopt a more co-operative stance, stressing their regional identity together with the ITV network's unity directly over the airwaves. The next section looks at a final means of competition between the ITV regions, before moving on to consider the future effects of broadcasting deregulation.

**Service Provision.**

The ITV contractors provide a wide range of services for advertisers, many of which have significant geographical implications. These services are often regarded as a coherent set, despite their actual diversity, and are usually given a collective title - for example Yorkshire Television's 'Value Added Marketing Services'. In providing certain sorts of service, the TV companies are as in the case of image promotion, trying to ensure that their region is not overlooked, but are also trying to attract new business in the shape of advertisers who have not used the television medium before, or have not used their particular region before.

One of the main reasons advertisers fail to advertise in an area relates to problems of ensuring retail distribution. One way in which TV companies try to attract advertisers who have not used their region in the past is by arranging retail distribution deals for particular brands. Most companies have a 'Retail Sales Force' who know the local retail structure extremely well. Many have fixed arrangements with particular multiples, and specialist outlets (e.g. DIY stores, pharmacists, off licences), but are also able to arrange distribution through independents in the region. For example, Anglia offer guaranteed distribution through the Co-op, who are strong in this region, for twelve weeks on a sale-or-return basis, providing the advertiser buys a minimum amount of advertising airtime. They run a similar scheme for DIY products using Texas Homecare [Anglia]. Tyne Tees run similar deals for four retail trade sectors, namely groceries, DIY, alcoholic drinks and pharmaceutical products on a more expensive rate-card [Tyne Tees].

This aspect of the TV companies' activities is an important one, as it illustrates that the media have taken on a pro-active role, influencing the retail distribution of brands in order to benefit from the long run demand for advertising that this creates. This is significant, as, in the past, even advertising agencies were viewed as simply neutral facilitating agencies with respect to retailing. The activities of the TV companies demonstrate that even they are far from neutral, having a potential effect on both the retail system, and even 'knock on' effects on the marketing channel as a whole.

There are a number of other facilities offered by all the TV companies. Most of these were originally innovations designed to introduce a competitive advantage in the service offered by one particular company. They include things like pre-campaign announcements to retailers that a brand campaign is about to take place. This facility is usually termed a '-gram', the 'blank' being the name of the TV company (e.g. the Granadagram, Angliagram, and Thames-a-gram). Another service is the provision of a back-up to the TV campaign - usually an answerphone service or a page on ORACLE, the IBA's TELETEXT service. Some companies also arrange direct mailing at a subsidised rate [Anglia]. It is always better for an advert to use a local number on screen, or a freephone number. In Scotland, having a Scottish number rather than a London one, it was suggested, is particularly important [STV].

Most ITV companies offer research facilities both for identifying the best target audience and for testing the effectiveness of campaigns. Identifying the most appropriate audience has increased with the importance of 'schedule buying' (i.e. buying specific advertising slots in relation to the programme schedule). This initially became important with the periodisation of TV schedules, and, as noted above, has increased the demand for 'sub-demographics' which quantify the audience composition for particular advertising slots [Anglia]. The up-take of research services such as advertising effectiveness research depends on whether the advertiser is using an advertising agency or not, or on the type (especially the size) of the agency. Such services are usually offered by TV companies at a competitive rate, and involve standard advertising effectiveness tests such as pre- and post-awareness research (e.g. YTV's 'YorkshireScan' package). This is frequently linked to test marketing.

There is quite considerable competition for test market customers, as the cost discounts described above suggest. Although most regions offer test market deals, one of the most interesting cases is provided by Tyne Tees. Tyne Tees has a 'strong test market heritage', based on an old marketing maxim from before the days of market research that 'if a product sold in Tyne Tees it would sell anywhere'. Tyne Tees has maintained and built upon its test market reputation. The relatively small size of the region (a 5% home share of the ITV network), its socio-demographic composition (which is regarded as allowing extrapolation of test results to the UK market as a whole) and the receptiveness of its consumers to innovations have all been used to promote its use as a test market area. Tyne Tees has carried out done psychographic research on consumer attitudes which has established that its consumers 'like to try new things', and this is reflected in its patterns of consumption - with more videos than elsewhere in the country, high proportions of home computers and electrical goods [Tyne Tees]. The number of true tests is far smaller now than in the past. There are fewer new products: 'the supermarket shelves are full ... [and] distribution is the problem nowadays' [Tyne Tees]. The Tyne

Tees test package takes account of this and links airtime targeted to a specific end user with distribution research. A test brand is distributed in three different areas: Sunderland, which is representative of 'downmarket' areas of the country as a whole, Durham, representative of 'middle England', and Castle Morpeth which has more ABs than any other administrative district in the country. On the basis of these different areas' results, they can suggest the most appropriate target market to advertisers [Tyne Tees].

As well as offering such research facilities, the TV companies subscribe to all the main sources of market research data (e.g. on sales, consumption and advertising), and generally represent a good source of 'hard data' on their particular region. They can also supply 'softer' advice on advertising in their region. STV perhaps more than most find a need to do this. For instance, they can advise on the use of Scottish voice-overs. Their general view was that although they 'can sometimes be okay ... the feedback from the Scottish people suggests that they don't like it particularly - it is often seen as patronising' [STV].

In attempting to attract advertisers new to the medium of television, the agencies basically have to offer general guidance on production of the advert. Some companies (e.g. Tyne Tees) actually produce adverts for advertisers, but most do not. Yorkshire, for example, frankly admit that they 'aren't any good at it' [YTV]. All the TV companies, however, will offer production advice, and/or recommend or arrange production with a production company [Granada, STV]. Thames actually offer help with production costs for some new advertisers [Thames]. Another facility often provided for new advertisers is the use of the TV studios for presentations to retailers. This is often taken up because 'people get excited about things going on TV' [Thames]. The service usually involves the provision of conference facilities and sometimes studio tours, notably in the case of Granada, who now operate their 'Studio Tours' as a tourist attraction. It was suggested that the ability to offer 'more than just the use of a committee room' was important, and to give an insight into 'what goes on within television' [Granada].

The provision of these diverse services are an important aspect of the TV companies' organisational behaviour. As well as providing some important insights into the wider effects of the ITV companies (e.g. the role of their 'Retail Sales Forces'), they illustrate the effect of the structure of the system failing to allow effective cost competition. Taken as a whole, this section has shown the range of forms of competition the spatial structure of commercial television has promoted. Although this structure has acted against the usual form of cost competition, competition on a cost basis does occur in the legacy of the 'share game' and in the variety of special discounts the TV companies offer. The most notable result of the present system, however, has been a strong commitment to regional image promotion, as the TV companies try to make their regions as attractive as possible to advertisers.

## Changes in the Media Environment: The Regional Consequences of Broadcasting Deregulation.

It is by now common knowledge that the existing broadcasting system is in the initial throes of some potentially dramatic changes, as television broadcasting is deregulated (HMSO, 1988; Hughes and Vine, 1989a). These changes will undoubtedly alter the regional effects of advertising on the television medium, and the analysis above can be used to inform us of the likely spatial implications of these changes. In the context of this paper, the move towards deregulation is significant because it will alter the system which produced the forms of competition that the paper has described. The extent to which changes in the competitive environment will change the competitive strategies of the TV companies is a question that will require future empirical research. This section of the paper considers the likely effects of deregulation in broader terms.

The deregulation of broadcasting seems to have occurred at a fairly late stage in the present Conservative Government's continuing series of deregulations. This timing is, perhaps, in part because of television's potential for revealing the Government's 'contradictory embrace of 'libertarian' markets and 'repressive' state controls' (Collins, 1990, vii). The eventual decision to deregulate has been triggered by technological changes such as developments in direct broadcasting by satellite (DBS). At base, however, deregulation is, in this case, being used largely as a means of moving away from 'public service' broadcasting to a commercially dominated competitive system (Garnham, 1990, 113-135).

In terms of the regional economics of advertising, the most important aspect of the changes relate to the idea of breaking the monopoly on advertising airtime held by ITV. By 1994, ITV and Channel 4 should be joined by a third, competitive commercial station, Channel 5 (Blanchard, 1990; see also Cornford and Robins, 1990, who consider the new channel's location). The existing ITV channel will change its name to 'Channel 3', signifying far more fundamental changes. The channel will remain as a network of autonomous regional companies, but the present system of franchise awards to regional companies will be replaced with a 'Dutch auction'-type system of competitive bidding for regional franchises (Cave, 1988). The details of this debate are beyond the concerns of this paper, but issues of changes in ownership, in levels of broadcasting quality, and in the desirability of the different television regions to franchise bidders all represent important areas for future research. For present purposes, the potential effects of the intra-regional competition in the advertising airtime market introduced by Channel 5 represent the most important considerations.

Advertisers and agencies have generally regarded the deregulation of television broadcasting extremely favourably. It is felt that breaking ITV's current monopoly will reduce the high rates of television advertising cost inflation which result from the lack of competition between TV companies within regions. Whether this will be the case, however, deserves careful consideration. As the regional pattern of advertising revenue illustrates, the cost of advertising airtime is driven by the demand from advertisers for a limited audience. The effect of competition, in the form of a greater choice of channels within any region, would be likely to spread the audience more thinly. Even if costs per thousand viewers were to fall on any given channel, the total amount of money spent on advertising will have to increase, particularly given that there is a minimum threshold amount of advertising required on each channel an advertiser uses to produce a given sales effect.

This begs the important question of the likely effects on audiences of competition between TV companies within a region. The debate frequently concentrates on broadcasting quality (Mulgan, 1990) and viewer choice (Willis and Wollen, 1990), but the issue of audience size is also of considerable importance, not least for advertisers. The classic position suggests that competition in broadcasting leads to a diminution of audience choice. This is based on an analogy with the Hotelling model (Hotelling, 1929), and suggests that in a perfectly competitive commercial broadcasting situation, more or less similar broadcasting outputs would result as all channels try to maximise their audience size, with the result that the mass audience would effectively be split between channels (Steiner, 1963). Under these circumstances, advertising money would have to be spread more thinly to reach all viewers. This would only be the case if demand was inelastic, however. If demand was more elastic, a move to similar broadcasting would decrease total audience viewing time. In response, some TV companies may try to target particular types of viewers, resulting in a more segmented audience. It might be expected initially, however, that new commercial channels would seek mass audiences rather than specific segments ('broadcasting' rather than 'narrowcasting') in order to be economically viable. Hughes and Vine (1989b) suggest that this may not be the case for three or more channels, but, theoretically, the results of additional competitors in the Hotelling model are ambiguous (Lerner and Singer, 1937; Eaton and Lipsey, 1975), and rather than speculate further it is perhaps better to point to this as an area requiring future empirical research. For the advertisers, though, it seems likely that any decreases in advertising costs per thousand which result from the competitive supply of airtime within a region could at least be partially offset by the additional costs incurred in trying to reach an audience which is spread more thinly.

It was shown above that the regional monopolies that constitute the existing advertising airtime market lead to a highly uneven regional allocation of advertising money. A deregulated broadcasting system, with an advertising airtime market operating intra-regionally will not necessarily, however, lead to a change in the inter-regional allocation of advertising money. Whether it does or not will depend, in part, on precisely how the increased number of commercial channels and regional differences in the up-take of satellite TV affect viewing patterns in different regions.

Perhaps the most interesting issue is whether or not the disproportionately high share of advertising money received by the South Eastern TV companies, especially London, will be reduced. The London region will undoubtedly remain as a highly important market. If competition between different commercial channels within the London region were to reduce the cost (per thousand viewers) of advertising there, more brands may begin to allocate a larger proportion of their advertising to the region. Given that a minimum amount of advertising would be required on each channel used by an advertiser, London could well continue to receive a high share of the total national advertising expenditure. Furthermore, a decrease in costs in the London region may signal in additional advertisers who currently cannot afford to advertise there (Clarke, 1991), maintaining a high demand for advertising in the region. The cost changes in other regions following deregulation would be unlikely to generate such an increased demand, and so it is possible that the inter-regional cost differentials between London and the rest of the country will be increased. This is important as it represents a possible interaction between the inter-regional market for advertising and the new intra-regional market.

It was noted above that the actual effects will be influenced particularly by the way in which audience patterns for the new commercial channels (terrestrial and satellite) vary over space. Engineering difficulties in broadcasting Channel 5 to the South East (Independent Television Commission, 1990, 60) may mean that the competitive advertising market fails to operate there. This would suggest that the existing situation would, in effect continue to operate, and that costs per thousand would remain high. Once again the implication is that the South East would continue to receive a disproportionately high share of total advertising expenditure. It has been argued, therefore, that whether intra-regional competition begins to operate in the South East or not, the inter-regional distribution of advertising money will remain uneven. This view is perhaps a little pessimistic, but there are good reasons for believing that deregulation will not reduce the regional imbalance of TV company revenues received from advertising.

In addition to the implications for the geography of advertising money and TV company revenues, deregulation also carries consequences for the competitive strategies of the TV companies. With more than one TV company operating in each TV region, it is possible that the TV companies will begin to place less stress on their regional characteristics, as intra-regional competition begins to be more important to them than inter-regional competition. This is particularly likely if channels begin to identify with particular audience segments rather than a mass audience. This possible movement away from a regional orientation towards a segmented audience orientation will depend on the relative importance placed on intra-regional competition as against inter-regional competition. In terms of service provision as a form of competition, there are a number of conflicting factors involved. On the one hand, service provision would seemingly provide a means of obtaining an intra-regional competitive advantage. On the other hand, the Government's move to selling rather than awarding broadcasting franchises has put pressure on many TV companies to cut their costs and concentrate on their core business. This could, perhaps, lead to TV companies contracting out their service provision. These hypothesised changes in the competitive strategies of the TV companies are, of course, highly tentative, particularly because it is difficult to anticipate the likely interactions between inter-regional and intra-regional competition for advertising. Once again, however, they represent important areas for future research.

## Conclusions.

The issues raised by this paper are important ones which have been neglected for too long by human geographers and others with an interest in regions. It has hopefully been demonstrated that media institutions deserve far more attention than they currently receive. Their varied activities potentially generate a wide range of direct and indirect effects which are likely to vary spatially. This is particularly true of the present ITV system, given its regional organisation. The current monopolistic regional structure results in an uneven allocation of advertising money and media revenues, in a way which both reflected and contributed to the North-South divide in the 1980s. This structure has restricted cost competition and led to a range of competitive strategies, from the provision of a variety of services, to campaigns designed to change or promote regional images.

The changes facing commercial TV in the 1990s are likely to have significant geographical consequences. An intra-regional airtime market is effectively being added to the existing inter-regional airtime market, a system which is already characterised by market failure and which generates uneven geographical effects. The consequences of the interactions between the inter-regional and intra-regional competition for advertising can as yet, however, only be hypothesised, and this whole field presents some exciting opportunities for future research.

## Notes.

(1) Thames TV broadcast from 09:25 Monday to 17:15 Friday, and LWT cover the remaining time.

(2) Channel Television is a separately run company, but for the purposes of this paper it is included within TVS who sell Channel TV's advertising time.

(3) Quotations, statements and the like are credited within the text by indicating their source in square brackets. In this case, for example, the term 'professional monopoly' is taken from an interview with Yorkshire Television (YTV).

(4) The Guardian, 14th March 1988.

(5) 'City Rich Country Wise', The Sunday Times Magazine, 2nd November, 1986.

(6) Campaign, 12th February, 1988.

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