WORKING DOCUMENT

Commercial Communications in the Internal Market

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PART 1. ASSESSING REGULATORY IMPACTS ON THE EUROPEAN MARKET FOR COMMERCIAL COMMUNICATIONS.

INTRODUCTION

The Green paper introduces in assessment criterion A of the proposed assessment methodology to characterise measures the notion of a commercial communications "chain reaction" (see Part IV). This consists of an identification of the probable strategic reactions across the whole of the commercial communications business chain.

Part III of the Green paper has shown that regulations/codes in this field usually impact by restricting/enhancing either

(i) **the type or content** of services the supplier can offer;

(ii) **how it can transmit them**, by regulating the "carriers" used for the services, or

(iii) **to whom** it can offer its services, by regulating the type of product -and therefore client- the sector can serve.

Each of these three "links" (i.e. firm value chain, distribution value chain and buyer value chain) of what may be termed the "commercial communications" chain are therefore potential impact points of regulation and must be considered as a whole in each case. This is because the extent to which policy objectives of regulatory measures are reached depends directly (often exclusively) on the economic impact of the action on all market participants (i.e. throughout the chain). The impact analysis should therefore be applied so as to cover the reactions of suppliers, users and carriers of the services since these will all influence the measure's impact on its target group; be it consumers, other members of the public at large (e.g. minors or citizens in general) or competitors/distributors.

In order to establish the framework for the "chain reaction" it is necessary to simultaneously examine: (i) the structure of the European commercial communications chain and (ii) the typical strategies (as suggested by business and economic principles) that characterise each link of that chain. These two objectives can be combined since the strategies of operators can be shown to be influenced by the structure of the sectors in which they compete or on which they rely to operate.

Porter[1] identified five key forces that determine the nature of competition in all industries, viz.; the rivalry among existing **competitors**, the threat of **new entrants**, the threat of **substitute products or services**, the bargaining power of **suppliers** and the bargaining power of **buyers**. The "**government**" factor, or the general policy environment determined by both national and

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[2] PORTER, Michael E., *"Competitive Strategy: Techniques for Analysing Industries and Competitors"*, Free Press, New York, 1980.

supra-national policy makers, can have a great influence on this picture, as it can have an impact on each of the five key forces.

By applying this framework to each of the three groups of market actors which represent the different sub-sections of the commercial communications chain identified above the required strategic reactions and linkages can be defined (see Sections A,B and C below). Furthermore in Section D, the effect of new entrants in the form of new on-line commercial communication services is considered in order to complete the picture. In so doing a brief description of the economic importance of the activity structured according to available data is also included.

The final key section of this part of the Working Document draws together the previous sections and presents in tabular form the various foreseeable reactions to regulatory actions that this analysis helps define; this "chain reaction" is a central element in the Green paper's proposed assessment methodology.

A. STRATEGIC REACTIONS OF COMMERCIAL COMMUNICATIONS USERS

1. USERS RELIANCE ON BRANDS AND COMMERCIAL COMMUNICATIONS TO COMPETE.

The investment and expenditure in commercial communication services is dictated by the **branding strategy** that a firm is pursuing. Branding is the process of product differentiation enacted by the user in its aim to build up a franchise of loyal consumers around the specific distinct values the product/service represents. To be able to pursue this strategy, companies use a combination of different marketing tools, the **marketing mix.** Commercial communications form an integral part of this mix, which spans not only **promotional activities** but also **product/service development**, **pricing** and **distribution** activities. All of these need to be finely balanced in order to achieve the desired brand identity. The brand identity itself will be determined by the competitive nature of the market the firm is operating in or seeking to enter.

As the marketing strategy does not consist exclusively of "promotion", a regulatory measure seeking to influence the manner in which a product or service is marketed in the Internal Market should account for all these elements if it is to be effective. To focus on one or the other in isolation would be to deny real links which have a strong influence on the effective outcome of any policy action. It is often believed that the key contributor to the competitiveness of an enterprise is the "core" product or service. Yet[2], although the core product can account for some 80% of total costs, it measures only 20% in terms of impact on the market. The "product/service surround", which consists of the other three elements of the marketing mix, can account for as much as 80 % of the market impact, despite only accounting for 20% of total costs. It is therefore evident that, as part of the product/service surround, commercial communications have a key role to play in the Internal Market.

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2 DE CHERNATONY, L., AND MCDONALD, M.H.B., *"Creating Powerful Brands"*, Butterworth-Heinemann, Oxford, 1992.

1.1. Differing views on the competitive role of branding.

The branding strategy and its associated commercial communications -notably advertising- were often considered in the neo-classical micro-economic literature to be anti-competitive tools. As this somewhat dated view still influences popular thinking in this area, it is necessary to give a brief overview of the development of these economic theories to show why their underlying assumptions were flawed.

As the earliest perfect competition models were static and assumed that information was costless and perfect, they could not even account for the existence of commercial communications. It was only through the first imperfect competition models[3], which allowed for the more realistic imperfect information assumption, that the role of branding and commercial communications could be explained. However, as these models continued to regard the economy as a static phenomenon without learning effects, they concluded that brands could only be described as a means of influencing what were assumed to be completely passive consumers.

According to this view of the market, the aim of branding is primarily to reduce competition by making demand price inelastic (i.e. enhancing consumers' willingness to pay for the firm's product/service) and using the monopolistic rents reaped to either (i) price competitors out of the market and/or (ii) to reinforce brand loyalty and therefore increase barriers to entry, as this would increase the cost for new, unknown entrants to establish their brands.

This negative view persisted until relatively recently. It makes up part of the foundations of what is generally referred to as "Industrial Economics", which evolved between the fifties and seventies as economists questioned the validity of the even more stringent perfect competition models that had up to then dominated views on the theory of the firm[4]. The conclusions reached in this basic imperfect competition model , however, are only valid because of the acceptance of its overtly strict assumptions. Indeed, to be able to determine whether branding strategies do essentially serve to limit competition, the exact market conditions required for such strategies to be successful need to identified such that they can be tested against what is observed in the real market. To do this it is important to examine more carefully the term "differentiation".

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3 CHAMBERLIN, EDWARD, *"The theory of Monopolistic Competition"*, Harvard University Press, Cambridge, Mass., 1933; and ROBINSON, Joan, *"Economics of Imperfect Competition*, Macmillan and Co., London, 1933.

4 See amongst others:

BAIN, JOE S., *"Barriers to New Competition"*, Harvard University press, Cambridge, Mass, 1956.

COMANOR, WILLIAM S., AND WILSON, THOMAS S., , *"Advertising, Market Structure, and Performance"*, Review of Economics and Statistics, vol.49, 1967, 423-40.

GALBRAITH, JOHN KENNETH, *"The Affluent Society"*, Houghton Mifflin Co., Boston, 1958;

IDEM., *"The New Industrial State"*, Houghton Mifflin Co., Boston, 1967.

Competitive differentiation and the role of brands.

Fundamentally, two types of product differentiation can be identified, i.e. "horizontal" and "vertical" product differentiation. The negative anti-competitive view of branding stems from the erroneous assumed perfect correlation between product differentiation and advertising expenditure or in other words the dated view that horizontal product differentiation is a common phenomenon across markets.

Horizontal differentiation.

Horizontal differentiation relates to how fundamentally homogeneous products can be altered such that they become different products in the perception of consumers. "Hotelling's[5] beach" example, named after the pioneer in such economic models, applies the horizontal differentiation theory to ice-cream sellers along a beach and is often used to demonstrate how this type of differentiation can be exploited to crowd-out potential competitors[6]. In this original theory, the distance from the consumer to the salesman was used as the differentiation, as for him/her this represented an extra cost. It is however also often applied to commercial communications notably for the case of advertising. Here the extra cost would be psychic, as commercial communications would be capable of horizontally differentiating homogeneous products to create brand loyalty and therefore allow for economies of scale. According to the theory, producers would reinvest the excess profit gained in the rapid development of other brands to "fill-in" any available product space. This brand diversification or rather brand proliferation strategy would eventually prevent new entrants from entering the captured and/or monopolised market[7].

Risk of monopolistic anti-competitive threat of brand proliferation strategies is minimal.

The conditions for success of such a strategy are however extremely restrictive. Products have to be completely homogeneous and the sunk costs of branding have to be of sufficient scale to deter the potential entrant. Furthermore, there need to be scale economies in production or distribution for the strategy to work.[8] There are several markets with homogeneous products and high fixed

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5 HOTELLING, H. , *"Stability in Competition"*, Economic Journal, vol 39, 1929, 41-57. .

6 The ice-cream salesman closest to the bather has a higher value-added to him/her than the one who is at the other end of the beach, despite the fact that they both sell exactly the same type of ice-cream. The ice-cream offered by the nearest salesmen is therefore perceived as offering greater benefit than the one which requires a five minute trudge through the maze of other bathers.

7 This would, for example, be achieved if one ice-cream producer would own all the ice-cream parlours on a beach (economies of scale) and space them at intervals (horizontal differentiation) such that a competitor would not find it viable to set up a stall between them. The producer would then dominate sales on that beach and therefore prevent the entry of new competitors. By having exploited the potential horizontal differentiation and saturated the beach, the producer would have become a monopolist and would therefore be able to earn monopolistic rents by charging an excessive price for his product.

8 In the "Hotelling beach" case, for example, if no scale economies were to be gained, the stands would have to be side to side to avoid anybody from selling ice-cream at the lower "true" price between stands.

costs where, as the traditional horizontal differentiation model would have us believe, such anti-competitive brand proliferation strategies could be successful. However, even though brand proliferation is witnessed within them, the anti-competitive predictions of the traditional view are demonstrably not present. Price competition seems to be very prevalent in all or parts of such markets.

This may be because this traditional view is based on assumptions of a timeless world. Hence it fails to account for consumers' information search costs. In the real world, brands need to be built up over time. This makes the creation of market barriers through commercial communications far less obvious, especially when considering the cost involved and the limit in the mark-up consumers will pay for an image difference alone between completely homogeneous products. The strategy as described in the theory therefore has a high probability of failing. Similarly, thanks to conceptual and technological advances, even homogeneous products are improved over time and new entrants can penetrate the market by pursuing a vertical differentiation route (see below). Without these restrictive assumptions an anti-competitive, crowding-out, strategy based on brand proliferation cannot be sustained unless the incumbent correctly guesses all potential product improvements.

Branding strategies and investment in commercial communications are important in a wide range of sectors, including those characterised by non-homogeneous products/services and very high non-brand related entry costs. For examlpe, pharmaceuticals, consumer electronics, automobiles etc. This would suggest that commercial communications are not only being used to increase entry barriers but to effectively compete in highly heterogeneous markets.

It is therefore ironic to find that despite the very unlikely success of such strategies, anti-trust law in the field of advertising still tends to be based on the assumption that these type of brand proliferation strategies are the norm rather than the exception.[9]

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9 The strongest and most documented attack on brand proliferation for these reasons was the US FTC case against the Kellogg company which relied very heavily on brand proliferation and was provided by SCHMALENSEE, R., *"Entry deterrence in the Ready to Eat Breakfast Cereal Industry"*, Bell Journal of Economics, vol 9, 1989, 305-327.

Vertical differentiation.[10]

Modern dynamic economies such as those found in the Internal Market are increasingly characterised by competition based on the quality of product and/or service rather than solely on price. Such differentiation and competition is termed "vertical" by economists.[11]

Vertical differentiation can only be achieved by assuming competitive long or medium term investment, with competitors seeking to achieve incremental qualitative improvements over each others output. This is typically achieved by investing more in sunk costs[12] than competitors.

The assumptions underlying this type of competitive environment are: (i) heterogeneous products and services; (ii) short-term profits can be gained temporarily before competitors emulate (these need to be sufficient to induce firms to invest in the necessary sunk costs); (iii) the signalling process can effectively be managed by the firm through its branding strategy, so that the consumer can be informed of innovation and that, as a result, rapid diffusion of new or improved products and services can take place; (iv) competition is temporal and not a static process; (v) competition is not purely based on price, but also on qualitative factors achieved by investment in sunk costs.

According to this theory, in which markets are purely vertically differentiated and branding can be seen as a variable cost which serves purely as a signalling tool, commercial communications have a positive competitive role. It is for its assumption of the purely informative nature of commercial communications that this theory has most been criticised. Critics attack the lack of attention to the potential "persuasive" effect of commercial communications, which they purport, distracts consumers from the "real" differences between products/services. In this perspective, commercial communications are thus again considered to be an unnecessary anti-competitive sunk cost. The persuasive nature of certain forms of commercial communications, however, need not always be inconsistent with consumer benefits if, through brand loyalty, it allows for the

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[10] Vertical differentiation is a differentiation between the products or services offered by firms based on an attribute that all consumers rank in a similar manner. It is based on qualitative and measurable distinctions rather than the purely "perceived" differences, which will vary from consumer to consumer, of horizontal differentiation.

[11] The notion of "vertical differentiation" wad adopted by the neo-classical economists in the 1970's, but can in fact be traced back to the Austrian School of economic thought, and specifically to the work of

JOSEPH SCHUMPETER, *"Capitalism, Socialism and Democracy"*, Harper and Row, New York, 1950.

Whereas the new neo-classical school considers that a market is in continual movement between equilibrium positions, the Austrians considered the world to be subject to a constant evolutionary process and negated the role of the equilibrium situation.

[12] In the same manner as R&D expenditures, branding expenditures such as advertising or sponsorship campaigns cannot be salvaged or "sold" when a firm ceases trading as would be the case with, for example, plant and machinery. Likewise, an advertising campaign that fails for one company cannot be sold on to another. Commercial communications therefore represent a typical form of sunk costs.

maintenance of a critical mass of demand, which in turn permits the manufacturer to achieve economies of scale and/or scope elsewhere in the value-added chain.

An alternative/modernist view to explain the competitive role of brands in the Internal Market.

The various criticisms on the previous models are recognised by many industrial economists who have discarded them precisely because they fail to explain the real competitive environments as faced by industry. In his most recent work[13], Sutton analyses a vast array of industries, testing empirical data against various hypotheses on branding, its competitive role, both in horizontally and vertically differentiated markets.

Of particular interest to the Green Paper is the specific scenario to be applied to the establishment of the Internal Market, i.e. the case describing the effect of branding on competition in expanding markets. Applying game-theoretic models and considering advertising as an endogenous[14] sunk cost, Sutton reaches the following conclusions for various types of industries:

(a) Industries with exogenous[15] *fixed costs typified by homogeneous products/services.* In industries where the only exogenous fixed costs are set-up costs, an increase of the size of the market by the opening of the Internal Market would, all other factors considered constant, lead to a decrease in concentration[16]. Two elements will influence the degree of such a decrease, price competition and the extent of horizontal differentiation:

Where price competition remains restrained, concentration will be relatively low, as will price-cost margins. As the market expands, more players will enter the market, thus keeping the concentration at a low level. This type of sector would thus remain relatively fragmented. Where price competition is strong, entry will be less attractive, and the level of concentration will therefore be relatively higher.

Where products are horizontally differentiated, two distinct cases can be distinguished: as long as each company only has one product, the resulting market shares and therefore concentration level are the same as without horizontal differentiation. In other cases, the outcome in terms of competitors depends largely on the exact structure of the model, but will always be at a higher level of concentration than without horizontal differentiation. The exact level of concentration will depend on the level of price competition, market expansion effects, economies of scope and first-mover effects. Empirical evidence shows that the reason for the higher level of

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13 SUTTON, J., *"Sunk Costs and Market Structure: Price competition, advertising, and the evolution of Concentration"*, MIT Press, Cambs. Massachusetts, 1992.

14 Endogenous costs are those of which the levels must be determined by the firm itself.

15 Exogenous costs are those whose levels are determined by the nature of the underlying technology.

16 "Concentration is measured in various ways but it refers to the average share of the market for a product/service accounted for by the largest players in that market. Hence the higher level of concentration the greater the market share accounted for by the key players.

concentration is not that of the traditional view where commercial communications are used to fool the consumer into thinking that one product is better than another.

Instead, even though even the most homogeneous sectors show some form of differentiation, advertising does not tend to work in these industries. Instead players in these industries compete heavily on price, which keeps margins low and dissuades entry. Consolidation and synergies are sought throughout the value-added chain in order to avoid harmful price-cutting wars. Thus, those industries which the traditional view would consider to be most prone to brand proliferation turn out as being characterised by little branding, very low prices, standardised products but very high levels of concentration. Two good examples are the salt and sugar sectors.

(b) Industries with endogenous fixed costs, where vertical differentiation is apparent.

Here Sutton notes that the branding strategy and associated advertising costs will have a more significant role to play although again this is more of a pro-competitive than anti-competitive nature. The presence of vertical differentiation allows for qualitative niches to be constructed. This reduces the toughness of price competition, which in turn lowers the overall level of concentration of the market structure. Competition will therefore be based more on qualitative aspects than on price. Where these qualitative differences are large, the role of commercial communications will tend to be informational rather than persuasive or loyalty seeking. Where the differences are less easily perceived, a strong brand will be required to carry forward and promote innovative developments.

Assuming commercial communication outlays increase - up to a certain point - consumers' willingness to pay for a product/service, then branding strategies will be used to strengthen these niches and thus avoid the threat of costly price wars. As a result, competition is based on the promotion of one niche against the other. Branding is thus used as a competitive instrument rather than a mechanism to create barriers to entry.

Sutton does not exclude the possibility that markets for certain products or services described as fast moving consumer goods, such as the food - notably the frozen foods, drink, and tobacco sectors- can, through the growth of the market, develop into two parallel dual segments. One of these segments could be advertising intensive and aimed at preventing price competition through a strategy of niche differentiation and the other based more on price competition, but remaining within the confinement of an existing niche without innovation into new areas. In such situations the former would tend to be relatively more concentrated (due to high branding investment sunk costs) than the latter. This is explained by differences in the reaction by consumers to advertising outlays, some being more responsive than others. However, as will be described below, such dual markets could also arise as a consequence of increased competition from a concentrated retail distribution sector.

1.2. Six key types of branding strategies

On the basis of these empirically based observations the following typologies of markets/branding strategies and therefore demands for commercial communications can be identified:

Type 1: Homogeneous product/service market where price competition is the norm and the industry is relatively concentrated:

Branding strategy: Although the brand name will be important, the aim will be to associate the brand with good value for money.

Marketing mix*:* The key focus of the marketing mix will be on price and distribution. In both relevant consumer and industrial markets much emphasis is likely to be given to accessing independent distribution networks or investing in establishing ones own.

Key forms of commercial communications**:** Price promotions will be critically important as well as sales drives into the relevant distribution network. This does not imply that advertising, direct marketing and other forms of commercial communications will not be used. For example for sugar sold into the retail market, some form of advertising will be needed to promote the price competitiveness of the brand, but this advertising can be expected to be associated with in-store promotions etc. In business markets -such as primary materials etc.- commercial communications will be required as long as there is a non-bulk distribution market. Branding will then largely consist of relatively limited direct marketing of an informational nature with, for example, details on prices and product specifications. Certain service markets also use this approach.

Type 2: Homogeneous product markets where price competition is less intense.

These are in fact rather restricted and would be the typical areas where the brand proliferation anti-competitive strategies could in theory be attempted. Practice, however, has shown such anti-competitive strategies to be unsuccessful. A good example of such a failure is the canned vegetable market which used to be advertising intensive but has now become a Type 1 industry following the competition which arose with the advent of vertically differentiated frozen foods. Other examples of this type of goods could be white goods and ready-to-wear clothing.

Branding strategy: Largely based on the communication of the presence of product or service.

Marketing mix: Emphasis placed on distribution.

Key forms of commercial communications: In the retail sector, basic point of sale/local advertising with local direct marketing or press advertising and possibly basic direct marketing with a few price promotion campaigns are likely to characterise the promotion of such products/services. Many intermediate products such as basic domestic/trade fittings could fall in this category as could certain domestic services (such as general/local plumbing, mechanical and electrical trades). Classified advertising is likely to be heavily relied upon by these products and services.

Type 3: Heterogeneous consumer product markets but with little vertical differentiation.

These would, in the commercial communications business jargon be typically classified as Fast moving Consumer Goods (FMCG). Industries with endogenous fixed costs and a mixture of horizontal and incremental vertical differentiation . Examples would be confectionery, soft drinks, frozen foods, domestic cleaning products, packaged food products, domestic cleaning products, drinks, certain forms of OTC pharmaceuticals , ready to eat cereals etc.

Branding strategy: In these markets the aim will be to develop strong overall and product/service brands so as to inform consumers of products and be able to reap maximum premiums for the differentiated niches. Given the need to be constantly innovative in order to keep the market position the brand will be used also as a platform for launching new (incrementally improved) competitive products and services.

Marketing mix**:** Emphasis will be placed on the commercial communications pole of the marketing mix although the increasing concentration in the European retail sector also means that distribution contracts etc. are also key in the marketing mix.

Key forms of commercial communications: Advertising of all forms and notably mass media marketing is likely to be heavily relied upon. For those products where the qualitative attributes are incremental the use of promotions but rarely price related ones will also be relied upon heavily. Most of these products in these categories are unlikely to rely heavily on direct marketing. Price promotions may be necessary where own-label competition from retailers is significant (see below).

Type 4: Heterogeneous consumer product/service markets but with significant differences in vertical attributes.

Examples of such markets would be many consumer durable good markets such as cars, consumer electronics, printing and publishing (books), designed products and sports goods, fashion clothing , luxury goods, perfumery, specialised financial services, tourism services etc.

Branding strategy: As with the previous category except that the emphasis in terms of brand values will be far more focused on the need to explain qualitative differences rather than attract awareness.

Marketing mix*:* Commercial communications and the product/service itself will be the two key poles although investment in selective distribution could also be an important part of the mix.

Key forms of commercial communications: Although advertising will again often be important, targeting implies that the mass media may be relied upon relatively less than in the previous category. Targeted advertising, direct marketing of all forms and sponsorship of targeted events are likely to dominate in such a branding strategy.

Type 5: Heterogeneous business product/service markets but with minor differences in vertical attributes.

This would include markets such as business stationery, private delivery services, business related computer software, office equipment, airlines etc. It would represent the major part of what is typically referred to as the "business to business category" by the commercial communications industry.

Branding strategy: This will tend to be oriented towards awareness within the business category of consumer.

Marketing mix**:** As with the previous category, the emphasis will be on the product/service itself, commercial communications and possibly distribution (after sales services could be particularly important here).

Key forms of commercial communications: As in the previous case.

Type 6: Heterogeneous business/intermediary product/service markets but with major differences in vertical attributes.

Ranging through engineering services to specialist financial services etc. this market is categorised by the greatest product and service differentiation of all and has a high prevalence of "specialists".

Branding strategy: This differs from the previous case since reputation effects will be at play in many of these areas. Nevertheless with the expansion of the market through the opening of the Internal Market, the firms in these areas may come into new competition and may seek to bring awareness of their presence to their niche clientele in other markets.

Marketing mix: The focus is primarily on the service or product offered although as noted above certain forms of commercial communications may be important.

Key forms of commercial communications: Very targeted direct marketing and classified advertising in trade press is likely to dominate the demand for such communications by these operators.

Data scarcity tends to typify the field of commercial communications with the worst problems being centred on below-the line data viz.; in the areas of direct marketing and sales promotions. Even with above the line activities (notably advertising), the level of sectoral disaggregation is insufficient to provide a comprehensive breakdown of the six types of sectors. Nevertheless, the most recent data available for advertising[17] can be used to partially analyse the differences alluded to above across sectors.

From the analysis of branding strategies above, mass media advertising should be concentrated in Type 3, 4 and possibly 5 industries whereas it would be less intense in type 1,2 and 6 sectors. Table A.1. which uses the only available comparable disaggregated European data gives a very approximate indication that this is the case.

[17] Collected by the EAAA for a Commission study on the future of Media and Advertising.

The fact that certain, comparatively small in terms of GDP contribution, sectors such as toys, detergents, beverages, health and beauty industries are considered sufficiently important in the advertising world to have their own expenditure statistics unlike other large sectors in the engineering and heavy industry categories demonstrates how these Type 3 sectors rely heavily on advertising within their commercial communication mixes as suggested in the text above.

Table A.1: Advertising expenditure by sector in the European Union (1993)			
Sector	Branding strategy Type (see above)	Advertising expenditure (ECU million)	% of total.
Heavy Industry, Engineering, Energy, Utilities and Agriculture	Type 1 & Type 6	419,59	1,08
Household goods and appliances	Type 2	1626,92	4,22
Clothing	Type 2, Type 3 and to an extent Type 4	1052,50	2,73
Retail and Mail Order	Type 2 & Type 3	4379,29	11,36
Beverages	Type 3	2771,70	7,19
Confectionery	Type 3	1038,14	2,69
Detergents and Household cleansers	Type 3	1703,01	4,41
Food products	Type 3	4345,76	11,27
Tobacco	Type 3	23,85	0,06
Toys and Games	Type 3	176,57	0,45
Automotive and Petroleum	Type 2 but mainly Type 3 and Type 4	5350,77	13,88
Health and Beauty	Type 3 and Type 4	3952,73	10,25
Consumer electronics and luxury goods	Type 4	1052,94	2,73
Media & Entertainment	Type 4	3360,30	8,71
Travel and Transport	Type 4 and Type 5	1117,17	2,89
Business, finance services	Type 4 and Type 5	4872,64	12,64
Government, public service & education	Type 5 and Type 6	1300,30	3,37
Total		38544,18	

2 USERS' RELIANCE ON COMMERCIAL COMMUNICATIONS TO INFLUENCE CONSUMERS/CLIENTS.

In the modern European economy with its great diversity of products and services, consumers can never have at their fingertips all the necessary information to make their optimal choices given their respective preference sets. Furthermore, in order to inform themselves about particular products and services, they have to invest in time and other resources. It follows that search costs are non-zero and that communication channels are sought by consumers to acquire the information they require to make their consumption decisions as effectively as possible.

If such communication is not forthcoming then consumers choices across products of differing qualities can appear to be totally irrational. It should not therefore be wrongly assumed that commercial communications solely serve a persuasive role. They are also key information instruments.

The increasing diversity in terms of choice offered by the dynamism of the European market economy and the increasing sophistication of consumers (both intermediate and final) augments the pressure on manufacturers and distributors to communicate effectively through their marketing mix: commercial communications have a key role to play in this respect.

Branding/Marketing may seek to increase core product/service sales but this is not the exclusive objective.

The traditional view of the effect of brands on consumers is that they seek to increase consumption or indeed dupe consumers to stay loyal to a product line. As noted in section 1.1 this view which drives much policy in the field at both the national and European levels suffers from a number of criticisms. From the point of view of the relationship between users of commercial communications and their final customers/clients/consumers, two over-stringent assumptions on the European market economy that such a negative view adopts are (i) that it is a static economy and (ii) that it is characterised by free and easily circulating information. The latter condition is seen to be particularly unsuited to the Internal Market given the cultural and linguistic barriers that the survey results have clearly alluded to.

The over-emphasis on the role of brands as increasing consumption of the existing product or service also relies on the false premise of an economy characterised by perfect information. Once imperfect information and positive search costs[18] are accepted then the rationale of investing in signalling presence on a market and attracting awareness to a product or a service becomes evident. One moves from a competitive situation to a rivalrous process.[19] However, does not this signalling simply seek to increase consumption?

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18 The notion of positive costs being associated with the acquisition of information can be attributed to GEORGE STIGLER who developed models of information economics in an article entitled "The Economics of Information" in *The Organisation of Industry* (Homewood, Illinois: Richard D. Irwin, Inc., 1968).

19 See the reference to the Austrian School of thought cited above.

Increased sales can indeed be a key objective of a typical profit-maximising entrepreneur operating in the Internal Market. However, profitability is not always associated with increased sales. The manufacturer and distributor in a modern economy where vertical differentiation[20] becomes increasingly important as a competitive instrument may be able to maximise returns through ensuring that consumers remain loyal or identify their lifestyles with his or her brand and the added values that he seeks to communicate.[21]

Six key objectives of branding strategies vis à vis consumers/clients.

Once these incorrect assumptions regarding brands are dropped, the objectives (for users) of branding become clearer.

Objective 1. Brands as platforms for new product/services launches (significant for Type 3, 4, 5 and 6 sectors).

A key characteristic of the European market economy is the decreasing length of product/service life-cycles. If brands were purely built up to promote and increase sales of existing/unchanging products/services then one would have to question why branding investments are increasing at a time when their benefits would be diminishing.

It is estimated that the launch of a brand in the European Union currently costs in the field of 60 million ECU and such investment does not provide a guarantee of success. Brands are increasingly becoming corporate image platforms on which firms launch a number of differing products and/or services.[22]

Objective 2: Brands as signs of ownership. (Most important in Type 1 and 2 sectors but also relevant in others)

At the simplest level, a brand seeks to distinguish a product or service of one supplier from that of another. This rather banal role is purely informational and allows the consumer to associate a particular product and or service with a particular company. Such use of brands might also be relied upon where markets are characterised by little vertical differentiation and strong own-label brands owned by distributors.

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[20] See above

[21] Some economists argue that this loyalty can be exploited by charging prices above real costs. However, in a temporal economy such behaviour will lead to excess profits inciting further entry and therefore competition. In the opposite camp, certain neo-classical economists (see, for example EKELUND, R.B. & D.S. SAURMAN, *Advertising and the Market Process*, Pacific Research Institute for Public Policy, San Francisco, California, 1988) suggest that advertising actually reduces prices by informing consumers of the competitive sources of supply available to them. It seems preferable to take the middle ground in this debate and argue that competition is not solely price driven in a modern economy and that commercial communications serve to provide a number of elements of strategic information and not solely price. This is the position taken in the Green Paper.

[22] See the section relating to competitors below.

Objective 3: Brands as functional devices. (A key objective in the branding strategies of Type 3, 4, 5 and 6 sectors).

In addition to information on identity, a brand can also convey additional information on the functional properties of the product or service or indeed the parent company. The developer of such a strategy is using the brand as a means to influence the rational element of the consumers choice.

European trans-border examples would be (i) the manner that DHL has striven to portray a message of rapid and secure delivery and (ii) Volvo's efforts to steer its branding towards the "safe" image of its vehicles although this is currently being changed to "performance" as the product has been developed in this direction.

Objective 4: Brands aimed at attracting the risk-averse nature of consumers. (Of importance in Type 3, 4, 5 and 6 sectors).

In a world characterised by uncertainty, consumers naturally tend to be risk-averse in many purchase decisions that they make. They therefore tend to rely on reputation effects to guide their consumption decisions. This uncertainty is likely to be heightened when the product or service is being offered across one of the borders of the Internal Market. Manufacturers and distributors often assess the risks that their target markets attach importance to and then develop the brand in a manner that the buyers perceive minimum risk.

A good example of such brand strategies which are carried over borders is that represented by the pharmaceuticals industry. Strong generic brands are developed on which new products are launched, the reputation effect of the brand being used as a "comforter" for the consumer. This extends into the manner in which the industry launches new branded products in that the typical route consists of promoting the drug to doctors (often approached according to their own known levels of risk averseness from market research studies). Once the product is accepted by the medical profession, their acknowledgement of its effects is often carried in mass market advertising campaign aimed at the general "over the counter[23]" market.

Objective 5. Brands as memory triggers for purchase decisions.(Significant in Type 3 and to some extent Type 5 sectors).

Manufacturers and distributors seek to use brands as memory triggers which are set off when the consumer is at the point of purchase. The mind typically stores small pieces of information which can be accumulated over time (say from detailed advertising or direct mailing). The brand (either referred to on the pack or in-store) is the "key" that reactivates this information when the consumer is at a point of sale about to make a purchase.

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23 The term for non-prescribed pharmaceuticals

This demonstrates clearly how it is not a form of commercial communications that drives a consumer purchase decision but rather it is the effect of that communication within the general branding mechanism that has an impact on a purchase decision.

Objective 6: Brands as symbolic devices. (Most important in the luxury sub-category of Sector 4).

Brands are often developed in certain product categories (typically linked to fashion and luxury good lines) such that consumers can communicate certain values that they wish to be associated with by wearing or using the branded article. This idea that brands are developed in order to allow individuals to express themselves to their peer groups is often frowned upon and certain groups suggest that such conspicuous consumption is neither beneficial nor necessary.

Such criticisms are somewhat patronising. The fact that individuals rely on brands to communicate non-verbally their lifestyle and values to others in their peer group cannot be contested if one witnesses the success of certain branded clothing or most notably perfume lines whose significant premiums demonstrate that consumers are willing to pay for these symbolic rather than functional value-added properties brought by the brand.

To summarise, these objectives will tend to be reflected in the six types of branding sectors as follows:

Type of branding sector/strategy	**Brand Objective vis à vis consumers.**
Type 1 :	Objective 2 .
Type 2:	Objective 2 and possibly Objective 5.
Type 3:	Objective 2, 3, 4, 5 and to a limited extent 1.
Type 4:	Objectives 1, 3, 4 and 6.
Type 5:	Objective 2, 3, 4, 5 and possibly 1.
Type 6:	Objective 2, 3 and 4.

These correlations can then be linked to demands for types of commercial communications as summarised in the previous section.

Two key general points regarding branding and consumers/customers/clients need to noted.

The first, is that <u>the brand is nothing more than the embodiment of the information conveyed by commercial communications aimed at the consumer. It is by combining differing mixes of commercial communications that the optimal branding strategy can be achieved.</u> Without them brands and their function within a modern economy such as the Internal Market would simply not exist and as noted above they have positive value-added for consumers living in such a market-driven society.

Secondly, branding does not result in a purchase decision. It seeks to influence a purchase decision when the consumer/customer/client is already decided on the need to purchase a good or service.

3 USERS RELIANCE ON COMMERCIAL COMMUNICATIONS IN VIEW OF THEIR RELATIONSHIPS WITH DISTRIBUTORS.

As far as users of commercial communications are concerned, their distributors are service providers who distribute the branded goods and services (notably retailers). In effect, following the branded sector typology developed in Section 1 above it should be noted that this phenomenon is most relevant in consumer product and service industries classified within Types 2 and 3. Users will adapt branding strategies to this relationship with distributors where the concentration of the latter is such that they have sufficient economic power to negotiate the carriage of independently produced goods or provided services. On the whole this only occurs in Fast Moving Consumer Goods (Type 3) markets and some of the consumer goods markets covered by Type 4 users.

3.1 Retailers as users of commercial communications

The retailers who are involved with branding strategies to any extent are multiple chains distributing products emanating from Type 3 sectors. The branding strategies of these users are therefore very similar to those of their rival branded good manufacturers however the nature of the retail business leads to certain peculiarities. In particular, it should be noted that the key synergies to be found in the business involve centralised warehousing and rationalised store networks through the move to superstores etc. The key to business profitability is therefore the maximisation of throughput and also deriving the highest returns per area of shelf space.

The emphasis on throughput and frequently purchased products implies that retailers typically stock products supplied by producers of Type 2 and 3 industries and seek to be price competitive with these products compared with rival distributors. Thus, even if the retailer only carries manufacturers brands, his/her own branding strategy for his/her service will be focused on promotions and be price related. Retailers not involved in the promotion of own brand products will follow a Type 2 branding strategy.

3.2. Branding strategies of manufacturers depending on retailers without own label brands.

Of importance for the present analysis is the response of the manufacturers who use these retail outlets. These will remain with a Type 3 branding strategy but their commercial communications mix is likely to be skewed even more on mass media advertising. Only if retailers feel obliged to carry these brands to offer a worthwhile service will they do so at reasonable rates of carriage. Thus, the manufacturers rely on consumer awareness to negotiate their carriage conditions. Furthermore, since in-store price promotions may be required by the retailers, the manufacturers will again be keen to keep brand equity values stable by investing in supporting core/non-price brand values through advertising.

3.3. Branding strategies of manufacturers depending on retailers with own label brands.

Interestingly retailers' own brands originate from their desire to circumvent retail price maintenance legislation and thus to offer lower priced goods to compete against manufacturers lines. This demonstrates how retail price maintenance need not necessarily be the benefit of small retailers. One of the ways that retailers achieved this was to accept lower (vertical) quality values than manufacturers brands. This allowed Type 2 and certain Type 3 producers to remain in business by becoming suppliers to retailers without undertaking any own promotion and/or commercial communications whatsoever. (This explains the "dual" nature of the supplying industry found in Type 3 markets consisting of the large advertising intensive concentrated branded manufacturing sector and the fragmented non-branded production sector working side by side).

By having own brands that allowed for more emphasis on price and therefore greater throughput/margins and increased economies of scale, multiple retail chains developed further.[24] Having developed brand loyalty first on price, retailers brands are now increasingly becoming vertically differentiated and thus of the Type 3 category themselves. This has been made possible with advanced electronic processing of sales records which allow retailers to have a very accurate feel for key brand qualities that they can then develop into their own products.[25] As a consequence branded good manufacturers have had to retaliate by increasing the vertical attributes in their brands and using commercial communication in a manner more akin to type 4 than type 3 industries.

4 USERS' RELIANCE ON COMMERCIAL COMMUNICATIONS IN VIEW OF THEIR RELATIONSHIPS WITH SUPPLIERS.

Two brief points can be made on the effect of suppliers relationships on branding strategies and commercial communications choices. The first, following on from the previous section, is that certain Type 2 or Type 3 users may switch out of a Type 2 or 3 branding strategy into a strategy of no promotion and full dependence on retail groups.[26]

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24 It is interesting to note that although branded manufacturers still invest more in individual product brands, the retail brands themselves can be the most invested in. This is the case for the UK.

25 In the 1970's certain retailers became so confident that their own label brands were vertically differentiated that they simultaneously launched generics (unbranded) low price brands under their own labels. This practice stopped when it became apparent that the generics tended to compete against the retailers own premium brands rather than the manufacturers. Carrefour, and Promede and Euromarché failed with their generics as did Deutche Supermarkt and the Co-op in Germany. Fine Fare in the UK tried such a strategy and totally undermined its market position such that it had to go into liquidation.

26 The example of textile and other producers supplying Inno, Galeries Lafayette, M&S or C&A demonstrate this.

The second (of which the previous point is an extreme example) is that certain suppliers may rely on the customers brand image or vice-versa. This is particularly true of suppliers of intermediary products.

B. STRATEGIC REACTIONS OF COMMERCIAL COMMUNICATIONS SUPPLIERS.

The services that make up this economic activity have, for clarity and the purpose of this Green Paper, been sub-divided into the following areas: Advertising (TV and radio, print advertising, billboard and other outdoor), media buying, sales promotion, direct marketing, sponsorship and public relations. In all these areas, to be able to reach a clearer understanding of the way this market functions, two indicative groups of market actors can be distinguished: suppliers of "core" commercial communication services and those suppliers subcontracted by the "core" suppliers in order to provide the client with the finished service.

In this section, it is necessary to analyse the structure of the suppliers sector(s) to be able to assess how the various forms of commercial communications compete or complement each other and to establish the economic(strategic) relationships between the core and specialist suppliers. This section also provides extensive detail on the nature of the services and the presence of economies of scale and scope within them.

1 SUPPLIERS COMPARATIVE ADVANTAGES AND COMPETITIVE STRATEGIES

The structure of the commercial communications sector is characterised by its fragmentation and diversity. Roughly five different "groups" of market players can be identified, according to the types of services they provide: Full service agencies, media buyers, advertising agencies, direct marketing specialists, sales promotion specialists, sponsorship and public relations agencies.

The diversity from this sector originates from the fact that the resource used to create the core service, and which is thus the basis for the providers' competitive advantage, is different for many of the different services grouped under commercial communications. For example a sales promotion specialist will not necessarily -or according to some not at all- be capable of offering decent sponsorship services. Therefore, to be able to identify which groups are the closest competitors in this market, it is essential to identify the different particular resources which lie at the source of their respective competitive advantages.

Advertising agencies

In total, advertising expenditure amounted to some ECU 45,557 million in the European Union in 1993[27]. This European market is largely characterised by two different groups of companies, the first consisting of a whole range of small and medium-sized companies which tend to concentrate largely on national and smaller cross-border accounts, and those which form part of a network

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27 EAAA - European Association of Advertising Agencies.

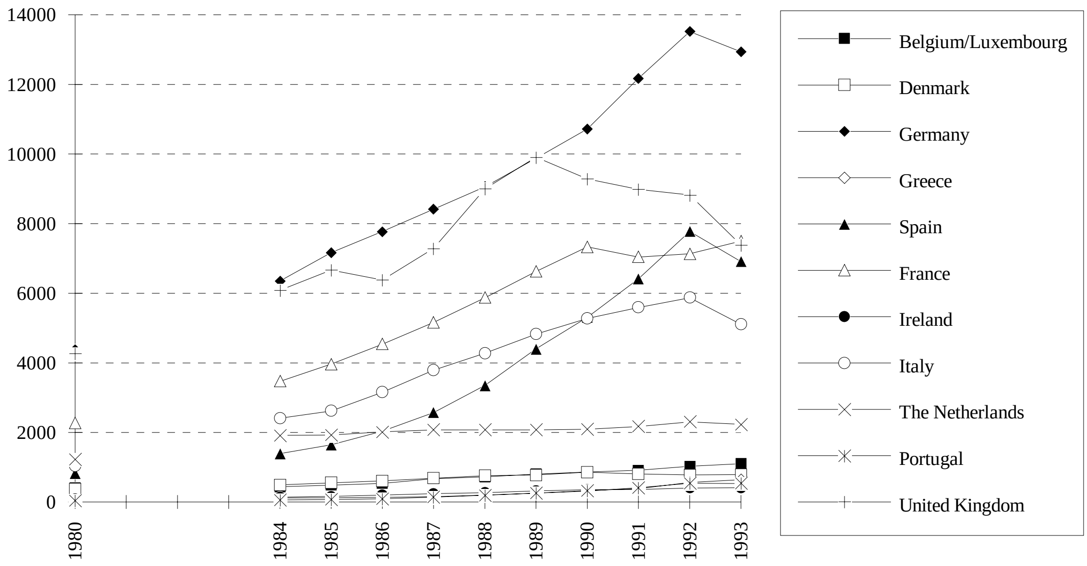
covering at least several EU countries. The latter are usually considered as full-service agencies, which will be dealt with separately at the end of this section.

Even though advertising agencies require extensive relational, financial and technical abilities, their core resource is their creativity. Furthermore, since good creative ideas are few and far between, this part of the commercial communications business is characterised by economies of scope. A large agency can exploit a strong creative idea over a larger geographic market compared with a smaller specialist agency who will typically only have national accounts. These economies are at the heart of European networks of specialists that have been built around advertising agencies (see section on full service agencies below) whose clients are multinational companies.

As for national users who may be beginning to consider cross border campaigns, both small and large agencies compete with each other, and indeed even the larger users use a combination of both to ensure that they keep a creative edge in their campaigns. In an area such as media buying, where scale effects do play an important role, smaller agencies can become clients of larger, more upstream vertically integrated entities. In general, many of the agencies have started to offer direct marketing or media buying services, of which a varying part is outsourced, and as soon as they reach a certain size, most agencies have formed agreements or other forms of alliances with other agencies in other Member States.

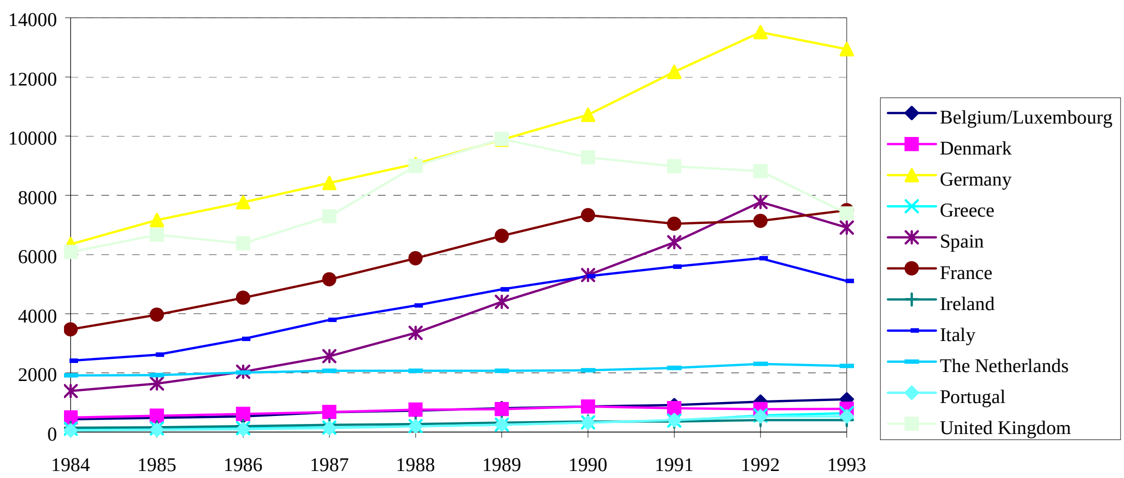
Figures B.1. and B.2. demonstrate that the level of use of advertising is closely correlated to the business cycle. Thus, the relatively high level of expenditure in the UK in the early eighties reflects the consumer led boom that this Member State experienced. Likewise, the significant growth in Spain over the decade until the beginning of the current recession is also clearly reflected in the figures. Despite the decline during the 1992-93 period which can be attributed to the general decline in economic activity experienced in the entire Community, it is interesting to note from Figure B.3. that , compared with the U.S.A. and Japan, there could still be considerable growth potential for such commercial communication services within Europe.

Figure B.1. Advertising expenditure at current prices (in million ECU) (Comparable data for Sweden, Austria and Finland not available)



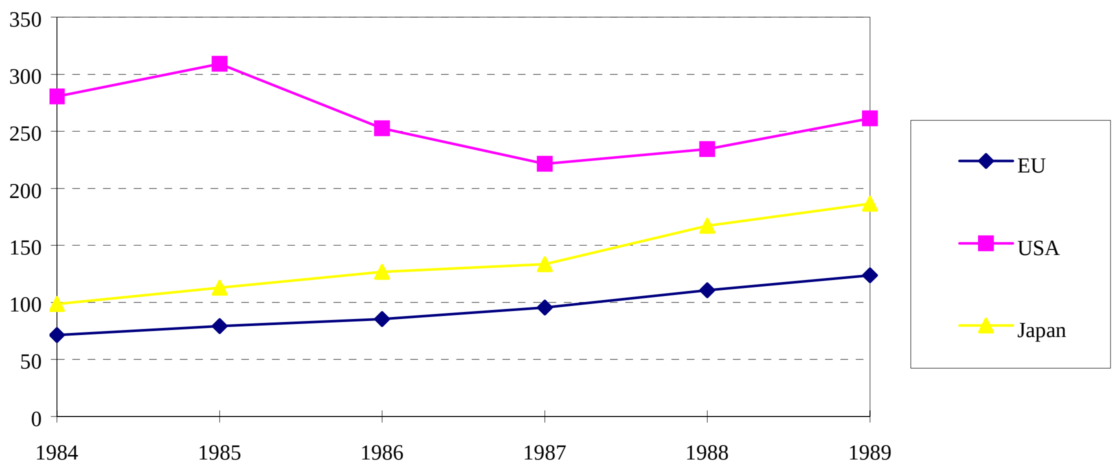
Source: EAAA

Figure B.2. Advertising spend per capita in the EU in ECU (Comparable data for Sweden, Austria and Finland not available)



Source: EAAA

Figure B.3. Advertising spend per capita in the EU in ECU as compared to the US and Japan



Source: EAAA

Direct marketing specialists

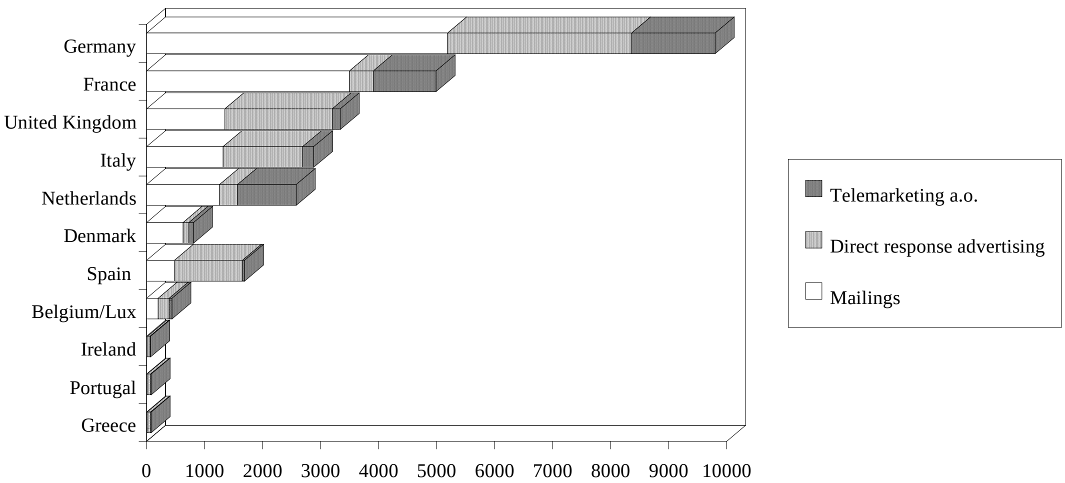
The total market for direct marketing in Europe is estimated to have totalled ECU 26,760 million in 1993[28], signifying a growth of 12% over 1992[29]. Despite many advertising agencies having moved into this domain on their way to becoming full service agencies, many specialised direct marketing agencies remain very competitive. As the main competitive advantage of these agencies lies in the creative talent and the quality of the mailing lists used, many smaller agencies manage to survive despite harsh competition from larger entities.

Figure B.4. demonstrates that unlike advertising which is far more prominent in the consumer-led FMCG and luxury markets (Type 3 and 4 sectors), direct marketing activity tends to be less volatile and to reflect respective GDP levels more closely. This is because it is particularly strong in Type 4 consumer sectors and in the business to business categories (Type 5 and Type 6). These are relatively less volatile than the mass consumption sectors that mass advertising relies heavily upon.

28 EDMA

29 NTC Research Ltd, *"Direct Marketing In Europe: An Examination of the Statistics"*, Report prepared for EDMA and FEDIM, December 1994.

Figure B.4. Total Direct Marketing Expenditure in the EU in 1993 (data for Austria, Finland and Sweden not available)



Source: NTC

The development of mail order and teleshopping as sub-forms of direct marketing represents the creation of a completely alternative distribution system across the European Union, and a movement of these commercial communication specialists into the area of traditional retailers, giving rise to strong competition between the two. Direct marketing companies find themselves in exactly the same marketplace as mail-order firms, which distinguish themselves from direct marketing specialists by stocking goods themselves.

Given the erosion of the distinction of between "above-the-line" and "below-the-line"[30] forms of commercial communications, direct marketing agencies' main task is not as much to encourage trials or first buys, but to devise the perfect "loyalty scheme" which will be able to convince the customer of the continuous advantage of a particular product or service. As with sales promotions, the main difference with advertising is that direct marketing is targeted, in that it seeks to create direct contact with individual consumers. Business-to-business trade generally lends itself very well to direct marketing, and is thus responsible for ca. 30% of this form of commercial communications in Europe[31].

30 Traditionally, the term "above-the-line" is used for classical forms of broadcast/print/outdoor advertising. The "line" referred to is an accounting term. Initially "above the line" referred to investments (since advertising may eventually lead to a sale) whereas below the line referred to expenditures such as an on-pack promotion. "Below-the-line" is now more generally used to indicate all forms of commercial communications such as sales promotions, direct marketing and sponsorship other than advertising. Due to various factors, such as the increased integrated use of all forms of commercial communications for the development of the branding strategy and the increase in the use and planning of "below-the-line" activities, this distinction between the two is fading rapidly.

31 FEDIM

As direct marketing involves a variety of different side-activities, such as mailing, database management and printing, most specialists subcontract in varying degrees at least part of the fulfilment[32]. Due to the reliance of direct marketing on the postal service as a carrier, the development of the first is usually dependent on the efficiency of the latter.

Sales promotion experts

Sales promotions were typically defined as structural or temporary changes in the price/value ratio of a product or service in order to increase sales[33]. However, with the rapid development of direct marketing, promotional offers, free gifts and competitions are also becoming more prominent; the techniques are therefore becoming more and more structural instead of temporary, aimed at increasing customer loyalty rather than a temporary sales boost. In this respect direct marketing and sales promotions particularly in Type 3, 4 and 5 sectors are very close complements.

Europe is in general a sophisticated market for sales promotions, with relatively little traditional-style coupon schemes but instead more innovative techniques aimed at the efficient reinforcement of the general branding strategy. As marketing even to mass markets becomes more associated with niche products and services, sales promotions are increasingly considered a core part of the marketing mix. This can be witnessed by the expansion of sales promotion budgets all over Europe. In Belgium, France, Italy, the Netherlands and the United Kingdom, sales promotion budgets already equal those of advertising and are growing faster than the latter, whereas in Germany, Italy and Spain they vary between 20-30% of those of advertising.

Sales promotions techniques can be grouped into three different categories: price promotions (e.g. price off, volume plus, cash refunds, saving schemes), free gifts (in pack, on pack, near pack, sampling) and prize competitions/lotteries (contests, instant win, sweepstakes/lotteries). The first two will be associated with Type 2, Type 3 and Type 4 branding strategies, whereas the latter will be far more focused on Type 4 and to some extent Type 5 sectors.

New techniques are usually based on a combination of these basic techniques. As with direct marketing, the aim is to develop a direct relationship with the consumer. Increasingly, sales promotion activities are also aimed at sales forces and dealers. These particular techniques presently represent ca. 15% of European sales promotion budgets. These are likely to be particularly important in Type 4 and Type 5 sectors.

As the core competence in sales promotion are targeting, creativity and careful monitoring/measurement- small sales promotion specialists are typical and can compete with bigger agencies. Furthermore, as these techniques require on average smaller creative budgets than advertising, it is open to a far wider range of companies. However, there may be some

32 The term fulfilment is generally used as a common name for those activities which do not make part of the copywriting and artwork (i.e. all those activities which cannot be classified as creative).

33 EFSP - European Federation of Sales Promotion.

economies of scale to be had in individual campaigns; these are typically found in the area of promotional gifts (higher value gifts can be offered the greater the scale of the campaign since the gift producers will be able to pass on the lower costs of production emanating from very large production runs).

Sales promotion are widely used by many public and private charities and sports or cultural events organisers (where they would be associated to sponsorship campaigns). The development of sales promotion is favoured by shorter product life-cycles, fragmentation of the media, and also new carrying technologies (see below), which increasingly give consumers the possibility to choose not to see or hear advertisements. In addition to this, advertising restrictions for certain product categories have, at times, caused a shift of very large budgets from advertising to sales promotions.

Sponsorship[34]

According to the ICC Code, sponsorship is any kind of communication through which a sponsor, on the basis of a contract, provides the financial or other type of support in order to establish a positive association between the sponsors' image/brand/products or services and the sponsored event, activity, organisation or individual. To emphasise the difference with advertising, sponsorship is also often referred to as "property-led communication", a term which reflects the fact that sponsorship is based on the skilful exploitation of values borrowed from the property of the sponsored event or programme. In total, sponsorship rights expenditure (including broadcast sponsorship) in Europe was estimated at ca. ECU 3,000 million in 1993[35].

Sponsorship is typically associated with corporate or umbrella brands and therefore is a compliment to product or service advertising. Events sponsorship can therefore be used by any sector pursuing branding strategies hence it is likely to be used particularly by Types 3,4,5 and 6 branding sectors.

Sponsorship can be sub-divided into two main types; events sponsorship and broadcasting sponsorship. Traditionally, the majority of broadcast or programme sponsorship is undertaken by advertising agencies as an extension of their more standard advertising campaigns. In this respect one can see that TV and radio advertising and broadcast sponsorship are closely related. Event sponsorship, on the other hand, is generally handled by specialist agencies.

Concerning broadcast sponsorship, an important distinction should be made between this type of sponsorship and advertising. Advertising clutter threatens, in particular, to reduce the effectiveness of advertising. This, along with consumers becoming more and more demanding of the social roles of commercial entities in general, makes many companies turn to sponsorship. Thus as media fragmentation continues, the role of broadcast and narrowcast sponsorship may

34 The Commission would wish to thank ESCA -European Sponsorship Consultants Association- for the detailed information they provided on this issue.

35 SRi - Sponsorship Research International

become increasingly important. In this respect the two activities of advertising and sponsorship which are typically seen as complementary could become more like substitutes over time. It is essential that the distinction between advertising and sponsorship remain, to avoid the circumvention of advertising rules through sponsorship, and to safeguard the reputation of both economic activities. Following the same logic, one should never confuse sponsorship and barter. Barter is an exchange between an advertiser and broadcaster in which the advertiser produces a programme of which it thus owns the rights. The advertiser then offers these rights to broadcasters in exchange for advertising space.

The events sponsorship specialist can be seen to serve as a negotiator between the two parties involved. Working either for the event organiser or the company wishing to sponsor, the agency will assist its client with strategic and operational advice, expert information and negotiating experience. In terms of activity, these sponsorship experts can probably be considered to be nearest to public relations specialists, with a great amount of up front investment in time and energy required for a result which is not always directly measurable. Indeed the success of an events sponsorship project will rely heavily on the PR and media coverage that it receives. Therefore, events sponsorship and PR are complementary activities.

The relatively wide definition of sponsorship generates great problems when trying to define the exact division of where sponsorship ends and activities often classified as "corporate citizenship" or the traditional form of "patronage" begin. In any case, sponsorship can not be considered as philanthropic. The distinction is currently usually purely political, generated by, amongst others, frequent differences in national fiscal treatments between the two.

Direct competitors of sponsorship specialists depend on the type of sponsorship. For programme sponsorship, these tend to be airtime buyers (offering advertising time rather than sponsorship possibilities) and the carriers themselves who sell programme sponsorship directly to the user or his/her advertising agency. In contrast events sponsorship is far more complementary to other forms of commercial communications. However, for major broadcast events, broadcasters can often be competitors since they seek to substitute their broadcast sponsors or advertisers for events sponsors in the negotiations with the events rights holders. The remuneration of sponsorship experts is usually made up of one or more of the following elements[36]:

a. Project fee or retainer[37]

b. Expenses (out-of-pocket expenses incurred in order to perform the brief or services).

c. Commission (a percentage of income generated).

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36 ESCA

37 A project fee is a fixed fee for undertaking a project and a retainer is a periodic (eg. monthly) payment for services in relation to the project.

The services provided to sponsoring companies are usually remunerated on the basis of a and b. The project fee or retainer is typically calculated as the number of man hours against the project and is comparable to those found in the PR industry. For services provided to the media operators, the agency can in addition to, or instead of a. and b. charge a commission as in c, which can lie anywhere between 10% and 40% of income secured.

The balance of power between the various parties is crucial in the outcome of the rights negotiations, and various systems, such as exclusive rights and access systems have been devised to influence this situation. The most complex of situations exists when events sponsorship, broadcasting sponsorship and/or advertising co-exist, as the presence of one will influence the value of the other. It can also lead to problems such as ambushing, in which the broadcast sponsor is a direct competitor of the event sponsor. New technological developments, such as the Epsis system which is being devised by Matra-Hachette[38] will definitely have a great effect on respective negotiating positions.

Public Relations (PR) Specialists

The public relations service is, as noted above, most closely linked to sponsorship particularly in the field of events. It will therefore be found in the same sectors as those identified under sponsorship. The core business depends on inter-personal relationships and the ability to build a coherent communication strategy around a certain image and specific values and opinions a company wants to be associated with. According to the CERP (The European Confederation of Public Relations) the public relations sector accounted for 5,080 companies totalling 6,282 employees and 13,670 freelance consultants in 1993. In the same year, a total turnover of ECU 1,800 million was estimated for this activity.

Competitors in the PR business are usually small. Without accounting for freelance consultants, the firms tend to, on average, consist of between three and ten consultants. In addition to the competition which exists between these firms, competitive pressures are also experienced from in-house PR personnel employed directly by major clients.

Full-Service Agencies

A full-service agency very often finds its origin in an advertising agency which diversified into various other areas -mainly direct marketing and sales promotion- by following its client into various below-the-line activities. Media buying is also often included in the services offered.

This diversification process largely took place in the 1980s. The more recent trend shows a return to a greater specialisation by full-service agencies into advertising and direct marketing. Clients will usually not work exclusively with one agency for all its marketing activity, but the full-service agency will be able to provide a variety of services from which the client is able to

[38] The Epsis-system is a system by which sponsor recognition signs could be added or substituted during broadcast.

choose. If the core creative commercial communication services are performed in-house, the "accessory" services, such as for example fulfilment, printing and expedition are sub-contracted out. Many full-service agencies however rely on more specialised agencies, with which they are often linked through a variation of ownership or network arrangements, for some or all of the "non-advertising agency"-commercial communication services they provide.

When media buying is also offered as one of these services, it can be delivered through internal specialists or companies with which they have ownership links. For large volume deals, agencies often rely on media clubs, in which several agencies cooperate to be able to have more leverage in media negotiations and obtain cheaper rates. Examples of these are The Media Partnership, owned by WPP (owner of JWT and O&M), Omnicom (owner of DDB Needham and BBDO); and Equimedia, formed and managed jointly by DMB&B, Leo Burnett, Grey and Young and Rubicam. Publimedia also functions as a media club for the agencies of Interpublic, which through Initiative Media and Universal Media owns Still, Price, Lintas, McCann Erickson and the Lowe Group. Media clubs which also offer independent media buying for non-agency clients (largely due to the fact that they serve as a club for the agencies of only one particular group) are for example Zenith, which belongs to the Saatchi Group (Saatchi & Saatchi Advertising, BSB Dorland, KHBB and RMP) and Optimedia of the Publicis Group.

<u>The core resource of the full-service agency still remains creativity, however.</u> Apart from this they consider that their access to all activities gives them greater expertise as advisors on the overall commercial communications strategy of their client, and that they can offer the client a greater guarantee of consistency or of uniform finish over the totality of the marketing campaign.

Table B1: Europe's top advertising agency networks in 1993

Rank	Agency	Gross Income (Million ECU)	Number of Employees
1	Euro RSCG	584.12	5275
2	Publicis FCB	478.22	3500
3	McCann-Erickson	355.25	3225
4	BBDO	325.36	2237
5	DDB Needham	311.70	2200
6	Young & Rubicam	309.14	2100
7	Grey International	304.87	3053
8	Ogilvy & Mather	292.06	2250
9	Saatchi & Saatchi Advertising	285.23	1952
10	Bates Europe	281.81	2250
11	J Walter Thompson	276.69	1725
12	Lintas Europe	266.44	2300
13	DMB&B	208.37	2055
14	The Lowe Group	203.25	1330
15	BDDP	172.50	1600
16	Leo Burnett	N/A	1500
17	TBWA	90.52	610
18	GGK/GGT	81.13	906
19	Testa International	74.38	700
20	Conquest Europe	34.59	248

Source: EAAA, Campaign

Media buyers

These commercial communication services will obviously be complementary to display advertising services and therefore focused on Types 3 and 4 sectors with some spillover into Types 5 and 6.

The trend towards independent, centralised media buying services started in Europe, where, due to their relatively small size, the bargaining power of advertising agencies was relatively weak as compared to that of the media. Furthermore, covering a need created by the increased fragmentation and multiplication of the media, these specialists provide systems and skills to manage the vast and complex array of media alternatives.

Media buyers provide services to advertising agencies and users. They compete with the media buying arms of full service agencies, and in particular with the media clubs mentioned above. Some media is also bought directly by users, but these tend to remain very small quantities. In 1992, there were 11 buying clubs, 49 media specialists and 40 full-service advertising agencies in the European Union.

The business is characterised by scale economies particularly in terms of economies of scope since media buyers will sell their services in terms of the variety and effectiveness of the associated media plans which they can design. Scope economies are therefore particularly important and these are linked to the size of the business and its number of clients.

2 SUPPLIERS STRATEGIES IN VIEW OF THEIR RELATIONSHIPS WITH SPECIALIST SUPPLIERS

Two major points that have already been addressed on this issue need to be recalled at this point: The first is the manner in which full-service agencies have pursued a strategy of vertical integration to achieve a type of "one stop shop" for a user. Although some have found certain success in this approach, this form of agency has not led to the disappearance of specialists. Indeed, with the increasing fragmentation of media, one of the previously considered core businesses of advertising agencies (media buying) has been put under competitive pressure following the development of specialist media buyers. It therefore appears that the network approach where agencies and other service providers form, through various contractual arrangements, a club is more successful. It is in these situations that agency networks play their main role. Networks are used in the aim to combine both the advantages of remaining small-scale, which is seen as essential to ensure creativity and internal flexibility, with the advantages in efficiency and external flexibility provided by being part of a bigger unit. The sector therefore remains fragmented and is dominated by small and medium sized enterprises.

Secondly, the development of new on-line services is likely to lead to a greater specialisation in the sector and more emphasis on the monitoring and measurement of commercial communications effectiveness. The specialists most likely to be under significant demand are list brokers, sponsorship, sales promotion and media planning specialists whose skills will have to be applied in developing new forms of commercial communications for on-line interactive services.

Furthermore, the resulting fragmentation in the number of carriers will increasingly lead to users calling for more refined analyses of effectiveness. This would suggest that the market research sector will be increasingly integrated into core commercial communication service activities.

Market research companies represented a turnover of ECU 2516 million in 1992[39]. Seven percent of this figure, or ECU 176 million, is earned directly from contracts with advertising agencies, whereas 53% of the research is performed at the direct request of users.

These developments suggest that the sector as a whole is likely to become even more competitive in the future.

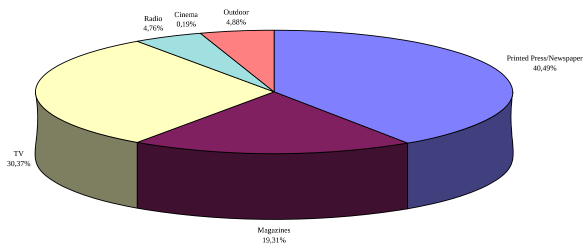
C. CARRIERS AND THEIR RELIANCE ON COMMERCIAL COMMUNICATIONS.

In this section, the strategic links between carriers, suppliers and users are considered. Given that their clients (the commercial communication users and commercial communication suppliers) have already been covered above, the key area that has to be considered in this section are the competitive relationship between themselves in terms of the commercial communications business and the effect that new entrants, given the development of new carriers, could have on these (see following section).

Carriers of Advertising

The distribution of advertising services is undergoing major change. Apart from new technological developments, which will be dealt with in the section 2 below, the distribution of advertising has seen a proliferation in the number of media outlets, fragmentation of audiences, changing levels of media ownership and in general an increased complexity in the market. The main carriers of advertising are television and radio broadcasting, print and outdoor supports such as billboards. The printed medium still remains the largest carrier of advertising as figure C-1 demonstrates.

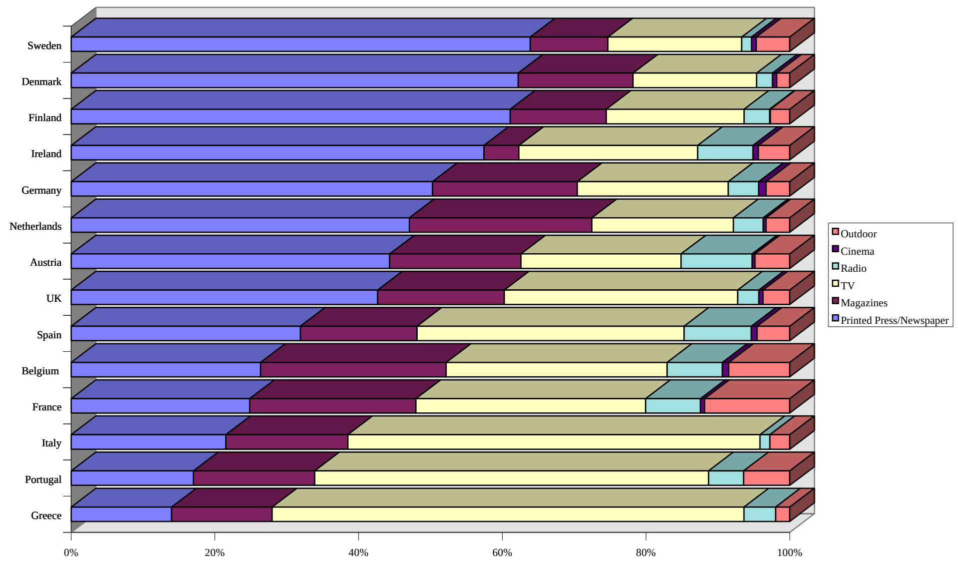
Figure C-1 Distribution of total advertising expenditure by media in 1994 in the EU



Source: EAAA

39 EUROPEAN COMMISSION, *"Panorama of EU Industry 94"*, Office of Official Publications of the European Commission, Luxembourg, 1994.

Figure C-2 Carriage of total advertising expenditure by media in 1994 in the various Member States.



Source: EAAA

Figure C-3 Evolution of the use of the various types of media for advertising

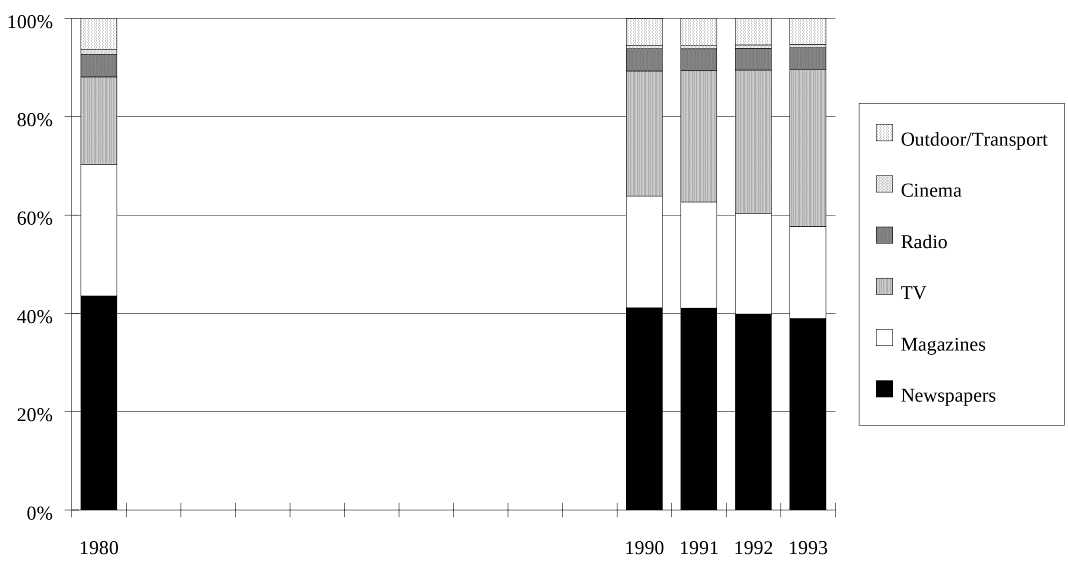


Figure C2 demonstrates how the different media vary in importance across Member States as a consequence of different cultural media usage patterns. In general, Europeans in northern Member States read relatively more printed media than their southern neighbours. Figure C3 however tends to suggest that the liberalisation of commercial TV across the Member States has resulted in a substitution of TV advertising for printed advertising over the eighties. This may reflect two economic forces. The first might be termed as a "one-off" structural shift; Advertisers and suppliers who were previously obliged to rely on printed media (due to the lack of commercial TV) reorganised their advertising budgets in a more effective manner. The second, is that the development of specialist TV channels (particularly in terms of the youth segment of the market) drew advertisers who were previously not interested in advertising on generalist commercial TV stations towards using TV as a carrier for the first time.

Although national daily newspapers[40] may have suffered from this structural shift, magazines are clearly more closely associated with the niche channel effect as is apparent from Figure C.3. Nevertheless the development of electronic publishing and the cost reductions that this allowed to appear have helped cushion the blow that this structural shift could have had on the printed media industry and it can be expected that advertising shares across the media will now be more affected by new media developments (where publishers may be in a strong position (see next sub-section)).

<u>This analysis suggests that there are some substitution possibilities between niche TV channel advertising and sponsorship against magazine advertising and even weaker substitution possibilities for Press advertising and TV advertising.</u>

The liberalisation of commercial radio may also have led to a slight increase in its share of the total advertising expenditure. As a local media (for the present) it is more than likely that this growth may have slightly affected the regional press where substitution possibilities are possible. <u>Thus radio may compete for advertising revenue with the Press and notably regional or local titles but this is not as significant an effect as that between television and magazines.</u>

Cinema and outdoor advertising appear to maintain a steady small share of total advertising expenditure suggesting that they act as complements to the others.

Finally, the importance of advertising revenues for TV and the printed media cannot be underestimated. Both of these types of media rely for the major part of their revenues on advertising.

Thus in 1993, across all the TV stations in the Community, advertising and TV sponsorship accounted for 47% of total TV revenue, compared with 30.8% from licence fees and 22.2% from subscriptions. For those who suggest that the importance of advertising revenues for TV will diminish in Europe as we move towards an increase of cable and direct to home subscription television, the situation in the United States tends to suggest the opposite. In 1993 in the US the TV revenue breakdown was: 40.98% subscriptions, 7.4% licence fee and a far more dominant 58.27% revenue stream from advertising and sponsorship.[41]

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40 Regional or local titles as complements to national TV campaigns should not have been affected.

41 Source: IDATE data.

Regarding the printed media[42], the situation for the advertising share of revenues of daily newspapers in 1993 again demonstrates the paramount importance of this source of finance although there are variations between Member States. These range from 37% in France to 72% in Spain with the average figure across the Union lying at approximately 51.5%.

Carriers of direct Marketing/distance selling

Traditional direct marketing is completely dependent on the postal service. Despite the use of new forms of communications in various stages of the direct marketing process, e.g. to approach the consumer and take their orders or queries, the industry will continue to rely very heavily on the postal system for the delivery of the goods in particular. The further development of direct marketing will therefore largely be dependent on the efficiency of the latter. Of the Member States, Italy, Spain and Greece in particular are named by experts as emerging markets, depending on the future developments of their postal regimes.

This type of commercial communications has evolved simultaneously with the development of different types of carriers. A first step was the emergence of telemarketing, in which the contact with the customer is based on the use of the telecommunications system. This type of marketing has undergone a significant evolution in the last ten years, from rudimentary cold call mechanisms to much more sophisticated systems such as free-phone numbers and call-in competitions in which the customer is given the role of contact-maker. Most of this type of commercial communications is performed in-house by the companies themselves and demonstrates how these forms of commercial communications can be substitutes for the usual manufacturer-retailer relationship.

Direct marketing has traditionally been combined with other forms of commercial communications, mostly to increase the client focus of the latter but it is particularly relevant in Type 4,5 and 6 branding strategy sectors. Moreover, as with other forms of commercial communications, direct marketing is increasingly being applied as an integral part of the global marketing strategy (and therefore is moving into Type 3 sectors). As a result, more and more "new" commercial communications techniques, based on combinations of the various "traditional" methods arise. For both these reasons, direct marketing often and increasingly uses the distribution network most often associated with advertising, i.e. TV and radio broadcasting and print. This is particularly true in print advertising where direct response advertising is very widely used. In TV the same role is becoming increasingly important through the development of teleshopping.

Teleshopping is the use of television to sell products with help of infomercials[43]. It should not be considered purely as a further development of TV advertising, as the target audience is not at

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42 Source: Fédération Internationale des Editeurs de Journaux

43 Infomercials: commercial messages typically lasting several minutes, giving greater emphasis to information on a product or service than would be the case in an advertising spot.

all the same. Presently, as teleshopping in Europe is still for the largest part done on generalist TV channels, teleshopping companies still work by buying "dark time[44]" from (other) broadcasters[45]. The typical target audience is at the moment therefore made up of the not economically active, the aged and rural population. The typical goods they sell are consumer goods such as jewellery, clothing, toys and computers. Several countries now have dedicated teleshopping channels. The American pioneers in this field, QVC (Quality, Value and Convenience), Home Shopping Network (HSN) and the UK Quantum channel are already present in the UK and several other Member States. In France, the channels "Téléachat" and "Le Club" were launched for transmission by cable after receiving special permission from the CSA, and Rete A operates in Italy.

The further development of teleshopping is dependent on the expansion of the European cable network and DTH[46] take-up and the extent to which the economies of home delivery systems can be improved. Again therefore the importance of postal and other physical distribution networks is essential. The increasing possibility of broadcasting teleshopping on non-"dark-time" hours makes it possible for teleshopping specialists to target more up-market, usually working, consumers. The extension of the cable network will enhance the development of teleshopping as it will allow all European countries to have a greater emission capacity, as already exists now in countries such as Germany, Belgium, the Netherlands and Denmark. For a variety of products with a great teleshopping potential but which are either perishable and/or have a low value/high bulk ratio, distribution systems will need to be developed to overcome the cost problems of home delivery.

Direct marketing and related commercial communication techniques are, due to their emphasis on the direct link with the individual consumer, the marketing techniques which from the outset seem most adaptable for application in the future world of narrowcasting made possible by the development of new interactive multimedia technologies. The influence of technological development on new media and their impact on the market of commercial communication services will be dealt with below.

For the present, it is worth noting that teleshopping and telemarketing will compete with mailed direct marketing and direct response advertising in the written press as far as the commercial communication side of the business is concerned. They are not in that respect direct competitors of advertising. However, since telemarketing and teleshopping are still largely reliant on the postal service for the distribution side of their activity, all three activities are dependent on the efficiency of the postal system.

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44 Dark time is time when broadcasters do not broadcast their service but continue to pay for the uplink and transponder facilities they require at other times of the day.

45 Scorer, James, *"Home Shopping Broadcasting: A Storm in a Shopping Basket? Let the Market Decide"*, The Entertainment Law Review, [1994] 6, 226-229.

46 DTH = Direct to home reception via reception with satellite disk.

Carriers of sales promotions

The great variety of different types of sales promotions make use of a vast range of media. First of all, when used in combination with another form of commercial communications, it will often make use of the latter's distribution system. Samples of products could thus be sent to people via the post within the context of a direct marketing exercise, and coupons can often be found incorporated into an advertisement in a magazine. The sponsorship of a certain event may be combined with the handing out of free samples of the product at location.

"Pure" sales promotion techniques very typically use the product itself as a medium, which implies directly or indirectly the use of the distribution system of the good for the promotion.

The sales promotion can be "on-pack" or "near-pack", as is done regularly with coupons or free supplements or competitions. It can also use the product itself. This can go from the most rudimentary price-off, volume-plus or cash refund schemes, via, for example, guarantee offers or "old-for-new" promotions to ingenuous applications of the product for the purpose of the sales promotion[47].

Sales promotions can also use another brand -usually of the same industrial group- to carry the promotion for a product. This occurs most frequently, but not exclusively, for new product launches, for example on-pack trial samples of, or coupons for, the new product. Although simple price sales promotions are often considered to be a substitute for advertising, they are increasingly becoming a complement when they take a more creative form than simply a "money-off" offer.

Carriers of Sponsorship and Public Relations

Public relations are undertaken by individuals themselves. Inter-personal relations stand at the centre of this type of commercial communications, and are therefore used in the aim to convey the particular message or emphasise the wanted general image of the company.

Regularly a PR campaign will be built around a sponsored event, with the numerous "hospitality lounges" and "boxes" held by sponsoring companies at cultural or sports events being only an example of this. PR consultants will also work closely with journalists but they are very much a complement to each other. It follows that PR is heavily linked to sponsorship in a complementary manner.

Sponsorship itself can be seen as a specific form of public relations, in which the group targeted to receive the message is, for public relations standards, very large. It can be divided into two broad categories: event sponsorship and broadcasting sponsorship. Event sponsorship covers cultural and sports events, whereas broadcasting sponsorship can refer either to TV or radio

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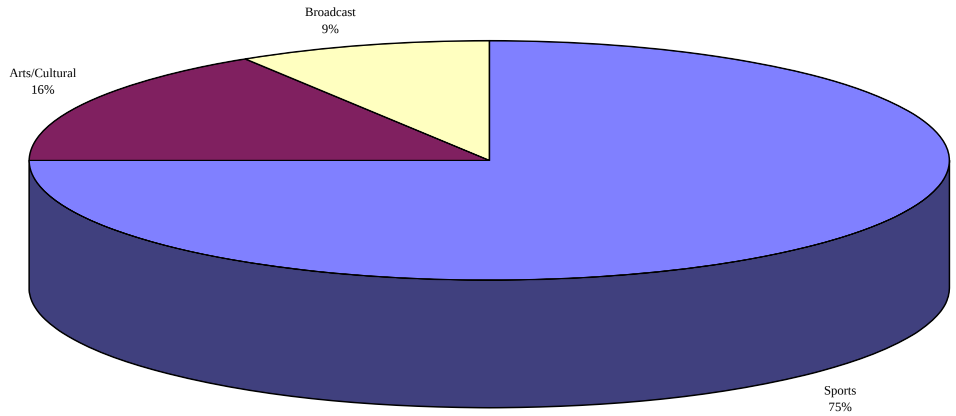
47 Such an example is the "How to become a millionaire" promotion of the publishers Faber and Faber, a treasure hunt for which the clues were to be found in a variety of the publisher's books.

programmes. The breakdown by type of sponsorship in Europe, based on number of deals reported at above ca. ECU 56,000 is as follows:

Fig. C.4. Share by Sponsorship Medium in Europe - 1994



Source: SRi Sponsorship Monitor: January-December 1994

Sponsorship of major events relies heavily on TV and Press coverage. Whereas with the Press PR consultants working with the event sponsor will seek to draw attention to it, with TV there may be pressure by TV broadcasters to impose their broadcast sponsors onto the event in order to offer coverage. The opposite may also be true where the events organiser will include in his broadcasting rights contract provisions relating to events sponsors in order to avoid the well-known ambush problem. Indeed the commercialisation of the EPSIS system will obviously have an influence on this negotiation between events organisers and broadcasters and therefore the sponsorship specialists.

In the field of broadcast sponsorship, the carriers are obviously television or radio. In the area of TV there may be strong competition between niche channels and generalist channels based on their respective merits. The niche channel always targets a particular audience whereas the generalist channel targets different audiences with the various programmes in its schedule. This competition has become more evident with the growth of niche channels and is likely to continue. In effect, in the past generalist channels relied largely on spot advertising revenue and did not offer interesting sponsorship packages since they believed that users would substitute expensive advertising time for relatively less costly sponsorship credits. However, in the increasingly multi-channel environment that typifies the Union with advertisers concerned about the problem of advertising clutter, the market for broadcast sponsorship is beginning to develop and can be expected to continue to do so in Europe.

D. IMPLICATIONS FOR CARRIERS AND SUPPLIERS OF NEW ON-LINE INTERACTIVE ENTRANTS.

1 THE NATURE AND POTENTIAL EFFECTS OF THE NEW COMMERCIAL COMMUNICATION SERVICES.

New on-line commercial communication services may well rely on a combination of telephone distributors, specialised software driven network providers and broadcasters or publishers who will extend their business into interactive services. Until a set-top box has been commercialised the growth of interactive advertising received via TV screens is difficult to appreciate.

Nevertheless in terms of carriers these new "interactive" on-line entrants may have competitive consequences for existing carriers. To date, on-line advertising appears to have taken two forms.[48] Users can build their own nodes in terms of World Wide Web sites. This is particularly suitable for companies in the niche area of informatics who have the means to manage such a site and also have a client base that is familiar with such communications. Alternatively, for the great majority of users testing the Internet, the preferred option appears to be to set up in an Internet or other network provider's service mall.

Both of these present types of activity demonstrate three key factors. The first is that the commercial communications have to be sufficiently attractive to get the consumer to use them (on-line time is of-course charged in such instances). Secondly, the content of such sites resembles far more a direct marketing/ informational ordering possibility than an advertisement in the traditional sense of the term. Third, the site is international in nature since consumers located anywhere in the world can choose to enter such sites.

Both these forms of activity are not obtrusive; the "surfer" has to seek the commercial communication. Interactive commercial communications of an obtrusive nature such as advertising messages that have to be downloaded at cost to the viewer are obviously unlikely to be successful unless they can be linked to a sales promotion. This can be either in the form of a promotional offer on the product or service being offered or, as seems to be more often the case, a promotion of the free use of another on-line service (see next sub- section).

In general then, it would appear that on-line commercial communications will be more effective the better targeted, more promotional and more interactive/internationally friendly they are. This suggests that many professionals using or offering sophisticated direct marketing and sales promotion techniques will be able to use these carriers (Obviously mail order catalogue

48 See "Study on the Future of Media and advertising" available form the Commission's services.

companies could be some of the first to develop such on-line sales services). The threat to postal services for the promotional direct marketing elements is therefore evident.

It is important to note that given the emphasis on targeting and the ease of carriage, these new forms of services will develop notably in the international, cross-border context. Given that the younger generation and business professionals are largely receptive to such forms of on-line communications, the cultural barriers faced by other forms of commercial communications may be less significant. Furthermore, the high cost of development of such services implies that they will only be viable if the niche they target is sufficiently large and, increasingly, as niches become more and more select this will imply international provision. Thus, new commercial communication services will have to compete face to face notably with U.S. alternatives.

The success of these services (which depend on efficient complementary physical distribution systems) will rely heavily on the efficiency of the postal and private distribution systems in the Community as well as the development of user-friendly and safe on-line payment systems. In this respect, the view that such services will allow for the "cutting -out" of the fixed site distributor (retail) seems somewhat premature. If anything, existing retailers could offer the distribution channels (including consumer collection points) that the new cross-border providers of these commercial communication services could seek.

The speed with which these new services appear should not be over-estimated and nor should their immediate mass market potential. The relatively low level (compared with the US) of PC penetration into the home in Europe and high costs of the services imply that the mass market potential of such commercial communication services will, for a certain period of time, be limited. Furthermore, the comparison of such new forms of commercial communications with mail order, other direct marketing forms of commercial communications and targeted advertising implies that they will co-exist but not replace traditional mass media advertising. Indeed, all of the traditional advertising carriers in one form or another are developing pilots for such new services as can be witnessed by the interest shown by broadcasters, publishers and mail order catalogue providers.

Although new interactive shopping malls or interactive infomercials will require significant creative content, the emphasis on interactivity will require advertising agencies to develop new types of creative skills to blend with their existing tools. Some of these skills are to be found in the video games industry and to a lesser extent in the programming industry (teletext services and game show concepts etc.).

2. ASSISTING THE DEVELOPMENT OF OTHER CROSS-BORDER INFORMATION SOCIETY SERVICES.

The development of new media will largely depend on the new services offered, and the extent to which these are valued by the consumer. As with the development of traditional media, some form of commercial underwriting will clearly be required to make these services affordable for the general public.

As noted above, the precise form that this commercial underwriting by new on-line commercial communications will take is not totally clear. It is obvious that the change in nature of the media service, from broadcast to very focused "one-on-one" narrowcasting will influence the relative effectiveness of different commercial communications techniques with direct marketing skills and promotions playing an important but not exclusive role.

However, in the same manner that "soap operas" helped launch commercial television, it can be expected that many new on-line services (other than the new commercial communication services themselves) will need to be underwritten by sponsorship and therefore the growth of sponsorship in this area can be expected to be significant. Likewise, the use of promotions, as noted above, will help to attract commercial money into these other services. For example, a consumer could be offered a reduced rate for an hour's video on demand viewing if he/she agreed to download some interactive advertising or consulted an on-line shopping mall for a specified period of time.

The role of commercial communications in this context could be crucially important. In part C, it was shown that advertising revenues account for the major share of the media's revenue. There is reason to believe that commercial communications revenues will have to be significant if the new on-line media are to be viable. Indeed, with the up-front hardware costs that the consumer has to cover to receive such services the role of such revenue streams might have to be even more significant than for "traditional" media.

As noted above, the different role of on-line commercial communications will not mean that this search for revenue will penalise existing media. Instead users investing in these forms of commercial communications could well draw on their existing distribution budgets since, as noted in the previous sub-section, the use of such communications is likely to require a total restructuring of this part of their value-added chain.

E. REGULATORY REACTION TABLES: THE COMMERCIAL COMMUNICATIONS "CHAIN REACTION".

The following tables draw on the previous analysis to describe the potential reactions that could occur in the event of a regulatory restriction on commercial communications.

TABLE 1.

Table 1 below demonstrates how users could react to a restriction, given their own strategies (drawn from Part A above) and those of suppliers (see Section B). The table considers the situation for the six types of branding sectors developed in Part A and considers, for each relevant type of commercial communications, the effect, in terms of users reactions to a restriction on its use. Note, that in the event that the restriction limits a particular type of user from using certain forms of commercial communications, the table can again be used to determine what he/she is most likely to respond with in terms of altering his/her commercial communications or marketing mix. Reactions are ranked in order of priority so the most likely reaction is listed first. Blank cells indicate that that particular type of commercial communications is unlikely to be relied upon to any significant degree by the relevant branding sector type. Finally, for potential restrictions on new on-line forms of commercial communications, given that these will resemble direct marketing and sales promotions, these two categories of commercial communications should be considered when examining the potential effect of the restriction.

TABLE 1.
Potential reactions of users in the case of a regulatory restriction.

TYPE OF COMMERCIAL COMMUNICATION affected by the restriction	BRANDING TYPE OF SECTOR (see Section A of text)					
	Type 1 Homogeneous product/service market where price competition is the norm	**Type 2** Homogeneous product/service market but with relatively little price competition	**Type 3** Heterogeneous consumer product/service markets with minor qualitative competition	**Type 4** Heterogeneous consumer product/service markets with significant qualitative competition	**Type 5** Heterogeneous business product/service markets with minor qualitative competition	**Type 6** Heterogeneous business product/service markets with significant qualitative competition
Television advertising			Increase other types of advertising, increase TV sponsorship, increase other sponsorship, increase public relations, invest more in distribution contracts, invest less in qualitative improvements. Branded good manufacturer could decide only to provide to own-label retail sector. Increase price related sales promotions, decrease price.	Increase other types of advertising notably magazine and weeklies, increase direct marketing, increase sponsorship (non-mass media related), increase public relations, increase non-price related sales promotions. Increase investment in distribution.	Increase other types of advertising used by the sector, increase direct marketing, increase sponsorship (non-mass media related), increase public relations, increase non-price related sales promotions, invest more in distribution contracts. Invest less in qualitative improvements	
Radio Advertising		Increase price related sales promotions, decrease price. Invest more in distribution contracts, increase local press advertising, increase Press (dailies) advertising sales. Stop branding and move into supplying retailers own label,	(same as cell immediately above with advertising switch focused on local press advertising and increase in radio rather than TV sponsorship)	(same as cell immediately above with advertising switch focused on local press advertising and increase in radio rather than TV sponsorship)	(same as cell immediately above with advertising switch focused on local press advertising)	

TABLE 1 (continued).
Potential reactions of users in the case of a regulatory restriction.

TYPE OF COMMERCIAL COMMUNICATION	TYPE OF USER					
	Type 1	**Type 2**	**Type 3**	**Type 4**	**Type 5**	**Type 6**
Press advertising (dailies)		Increase radio advertising, increase local press advertising, increase price related sales promotions, decrease price. Move into own label, invest more in distribution contracts,	(same as cell immediately above with advertising switch focused on radio advertising)	(same as cell immediately above with advertising switch focused on radio advertising)	(same as cell immediately above with advertising switch focused on radio advertising)	
Magazine and weekly press advertising	(Specialised press) Decrease price, invest more in distribution contracts, increase direct marketing, increase local press advertising, increase PR		(same as cell immediately above with advertising switch focused on niche TV channel advertising)	(same as cell immediately above with advertising switch focused on niche channel TV advertising)	(same as cell immediately above with advertising switch focused on niche channel TV advertising). Increase investment in distribution.	Increase direct marketing, increase public relations.
Local press advertising	Increase price related sales promotions, decrease price, invest more in distribution contracts, increase direct marketing, increase magazine (specialised press) advertising, increase PR.	Increase radio advertising, increase Press (dailies) advertising, increase price related sales promotions, decrease price. Move into own label, invest more in distribution contracts.	Invest more in distribution contracts, increase radio advertising, increase non-price related sales promotions, move into own-label, increase price related sales promotions, decrease price.			
Direct Marketing (all forms)	Increase price related sales promotions, decrease price, invest more in distribution contracts, increase magazine (specialised Press advertising), increase local press advertising, increase PR			Increase magazine advertising, increase Press advertising, increase television advertising, increase sponsorship (non-mass media related), increase public relations, increase non-price related sales promotions.	Increase magazine advertising, increase radio advertising, increase Press (dailies) advertising, increase investment in distribution,. increase sponsorship (non-mass media related), increase public relations, increase non-price related sales promotions.	Increase magazine (specialised press) advertising, increase public relations.

TABLE 1 (continued).
Potential reactions of users in the case of a regulatory restriction.

TYPE OF COMMERCIAL COMMUNICATION	TYPE OF USER					
	Type 1	**Type 2**	**Type 3**	**Type 4**	**Type 5**	**Type 6**
Price related sales promotions	Decrease price, invest more in distribution contracts, increase magazine (specialised press) advertising, increase PR	Decrease price , increase radio ;move into own label, invest more in distribution contracts, decrease daily and local press advertising (because often associated with the price promotions)	Increase other types of advertising, increase non-price related sales promotions, invest more in distribution contracts.		Increase other types of advertising, increase non-price related sales promotions, invest more in distribution contracts.	
Other types of sales promotions			Increase other types of advertising, invest more in distribution contracts, move into own-label , increase price related sales promotions, decrease price.	Increase other types of advertising used by this sector, increase sponsorship (non-mass media related), increase public relations. Increase investment in distribution.	Increase advertising, increase sponsorship (non-mass media related), increase public relations, invest more in distribution contracts.	
Sponsorship (major cultural and sporting events covered by the mass media)			Increase non-price related sales promotions, increase other types of advertising, try and increase non-sponsorship related public relations.			
Sponsorship of other events				Increase other types of advertising used by this sector, decrease public relations. Increase investment in distribution.	Increase other types of advertising, decrease public relations.	
Public relations	Increase price sales promotions, decrease price, increase advertising noted above, invest more in distribution contracts.	Increase price sales promotions, decrease price, increase local and daily press advertising, increase radio advertising, invest more in distribution contracts.	Invest in forms of advertising remarked on above and non-price related promotions, invest more in distribution contracts, decrease sponsorship.	Decrease sponsorship, increase other types of advertising used, increased non-price promotions. Increase investment in distribution.	Decrease sponsorship, invest more in distribution contracts.	Increase magazine (specialised press) advertising, increase direct marketing.

TABLE 2.

Table 2 draws on part B and partially on part C above to summarise the links between different forms of commercial communication services that would have to be accounted for when evaluating potential impacts on suppliers of a regulatory initiative. These spill-over effects into other services should be accounted for in the reaction chain. Furthermore, if they are sufficiently large to affect the provision of the other forms of commercial communications then the consequences for carriers and users should also be followed through via Table 1 and Table 3.

For Internal Market measures, the third column in Table 2 summarises the key economies of scale and scope that could be restricted as a consequence of regulatory divergences across the Member States in the commercial communication services directly or indirectly (through the links identified in the second column) impacted upon by the relevant measure. Where these economies of scale and scope are affected, service provision will become relatively more expensive hence users may be forced to use less efficient marketing mixes. In the case of new fragmentation, the alterations in users strategies could then be checked for in Table 1 by checking for which substitutions they would make for the adversely effected type of commercial communications.

Table 2
Links between forms of commercial communications and potential scale economies in Commercial Communication services that could suffer from a fragmented Internal Market.

Type of Commercial Communications		Link with other forms of commercial communication services.	Areas within the provision of the service where economies of scale and scope could exist and which could suffer (due to increases in average costs) due to fragmentation of the Internal Market.
Advertising	**TV**	Major sponsorship events/ Print advertising/ Other advertising	Media Research and planning. Media buying. Scope economies in advertising agencies (same visuals i.e. creative ideas) used in more than one Member State
	Print/outdoor	TV advertising/DM	"
	Radio	Print advertising/DM	Media Research and planning. Media buying.
Direct Marketing	**Postal**	Print and radio advertising. Sales promotions.	List brokerage services (e.g. pan-European profiled databases). Same visual design used across Member States. Same promotions and concessionary gifts used across Member States. Bulk packaging/postal rates etc.
	Mail Order	Sales promotions. Direct marketing.	List brokerage services (e.g. pan-European profiled databases). Same promotions and concessionary gifts used across Member States. Same visual design used across Member States. Bulk packaging/ postal rates
	Telematic	Print and Radio advertising	List brokerage services (e.g. pan-European profiled databases). Economies of scale in using the same approach across the Community.

Table 2 (continued)

Links between forms of commercial communications and potential scale economies in Commercial Communication services that could suffer from a fragmented Internal Market.

Type of Commercial Communications		Link with other forms of commercial communication services.	Areas within the provision of the service where economies of scale and scope could exist and which could suffer (due to increases in average costs) due to fragmentation of the Internal Market.
Sponsorship	**Major (mass media coverage) events**	TV, Press and Radio advertising PR & non-price sales promotions	Greater efficiency through pan-European media coverage of the event.
	More targeted events	All the above except TV	
	TV/Radio	TV/Radio advertising/non-price related promotions	Same credits/promotions being used across all the Member States where programme sold/transmitted
Public Relations		Most other cc but notably sponsorship	
Sales promotions	**Price promotions**	Direct Marketing, Press and Radio advertising	Common planning of a promotional campaign across various Member States. Same offer (discount) made over more than one market. Common transborder communications campaign around the offer.
	Other promotions	Direct marketing, Press advertising.	Same as cell above but with same gift or competition being made available across all Member States.

TABLE 3.

Table 3 summarises, on the basis of Sections C and B above the potential reactions to a regulatory restriction by carriers of commercial communications. Both the reaction and the medium term effects of this reaction are listed in the Table. Again ,in each case their could be spillover effects into the service suppliers and the users strategies that should be checked for by using Tables 1 and 2.

As the text in Section C has demonstrated the importance of commercial communication revenues for carriers cannot be underestimated. For this reason, this table should always be applied wherever the initial impact of the measure might be.

Table 3.
Potential reactions by carriers

Type of Carrier	Type of restriction and direct effect	Potential Short-term reaction to restriction	Potential Medium term effects
TV channel/ Radio channel.	Tightening of restrictions on advertising air-time. TV/radio station loses air time and therefore revenue.	TV/radio station will seek to increase advertising rates, sponsorship possibilities (possibly both) and, where the restriction is very tight (for subscription TV channels) viewers subscriptions.	Likely to reduce potential market for commercial TV/radio as clients are dissuaded by higher rates from using the medium, high TV subscription fees (where applicable) restrict viewer demand and cost cutting in production due to lost revenues lead to lower level programme quality. These effects become far more amplified for a theme channel whose theme is attractive to the restricted advertiser category (may well resemble effect described immediately below).
	Advertising content restriction. TV/radio station suffers from diminished or lost revenues from the relevant advertiser type/category.	TV/radio station may regain some of revenue if the advertiser is allowed and wishes to use TV/radio sponsorship. If this is not possible, TV/radio station tries to substitute new accounts (users).	If TV/radio station cannot generate new business on existing schedule, it may change its schedule to make it more attractive to new users (advertisers). Thus, programme sales/production of types that were attractive to the restricted advertisers might suffer. Finally, if all else fails, the TV/radio station may simply try to increase its advertising rate card to compensate for the lost revenue. This will clearly increase the commercial communication costs of all TV/radio advertisers or cause some to leave the media and thus incite second round effects.
	Sponsorship by certain categories of advertisers limited. Production arm of TV station or independent programme producers lose a source of finance.	If allowed, TV stations will try and get the sponsors to buy commercial airtime.	Lost source of programme finance may lead to reduction in such programming as other programmes that can be sponsored by other interests are substituted.
	Sponsorship limited as a rule or indirectly because overtly strict rules on credits etc.	TV stations lose a source of revenue aimed & at production and independent producers also suffer from reduced up front cash flow.	Lost potential revenue could be made up by increasing commercial airtime and/or rates or (where applicable) subscription levels. This obviously could dissuade certain smaller advertisers to use TV and might also reduce the reach of subscription channels. If this compensation cannot be achieved then the restriction on potential revenue implies that the TV market will be less developed than it otherwise would be.
Press	Advertising content restrictions. Same as for television.	Same as for television/radio but obviously without possibility of switching to sponsorship.	Possibility of changing newspapers content to attract new advertisers is very limited hence cover price may have to be increased to cover lost revenues but this obviously reduces circulation and can threaten the existence of the title.

Table 3 (continued).
Potential reactions of carriers.

Type of Support	Type of restriction and direct effect	Potential Short-term reaction to restriction	Potential Medium term effects
Magazines	"	Same as for a newspaper but given that magazines already tend to be targeted at niches they have a far narrower range of advertisers than the Press to attract; It follows that the consequences are likely to be far worse for magazines than newspapers.	Due to restricted possibilities of substitution of new advertising, the need to increase cover prices may be far more likely in this case then the Press. Similarly the threat to the survival of the relevant title is proportionately greater.
Outdoor	Advertising content restrictions. Billboard operators lose revenue from restricted clients.	Similar to Press/Magazine situation.	Similar to Press/Magazine situation.
Post	Restrictions on direct marketing. Loss of bulk mailings to Postal services.	Postal service is a passive operator in this respect. Only a significant reduction in business through very strong restrictions are likely to force it to change its rate structure.	In so far as business to business mail cross-subsidises private mailing services, the reduction in the former may mean that the rates of the latter are kept higher than they would otherwise need to be.
Telemarketing (including fax marketing)	General restrictions on cold-calling etc. Loss of revenue to telephone operators although this is unlikely to represent much of their business.	Telephone companies unlikely to adjust rates as a consequence of reduction in marginal part of their total business.	No effect.
Video text, Teleshopping, Telemarketing and new on-line interactive services.	Content or horizontal restrictions. All the relevant service operators lose revenues from these sources.	Dedicated TV shopping channels or generalist channels carrying teleshopping programmes may try and substitute the teleshopping clients with airtime but this is unlikely to be successful given that teleshopping is currently scheduled during cheap low audience times. New on-line service providers loose business to traditional retail postal direct marketing and Press advertising. It should also be noted that these service combine commercial communications with distribution and therefore that overt restrictions on them will work in favour of the traditional retail sector.	Restrictions in these areas may threaten the development of existing services such as teleshopping. As for new services, if clients cannot "test" their potential viability without having to be constrained by an overtly restrictive regulatory framework on such commercial communication channels then the establishment of such services might be threatened.
Major events	Restrictions on major events carrying certain forms of sponsorship or restrictions on the display of sponsorship credits at such events. Events organisers lose revenues from sponsors not only for display sites at the event but also because of lost coverage by mass media covering the event.	Events organisers may seek new sponsors interested in the same levels of high coverage offered by sponsorship of the event. If this is not possible, they may seek more money for broadcasting rights to compensate for the lost sponsorship revenues.	Particularly, in the area of sports where professional sports are becoming increasingly expensive, the potential loss of revenue from sponsorship may force the sports federations to increase broadcasting rights which are fast becoming the major source of their revenue. This may mean that the broadcasting of such events which would need to be maximised to maximise sponsorship revenues will be minimised to extract maximum amounts for exclusive TV rights. This may also go hand in hand with increased entrance charges at the events.
Specific events	As above	Compensation for lost sponsorship revenues will again be sought by seeking new sponsors. However, where this is not possible, the only solution may be to increase entrance charges unless the event is sufficiently interesting to attract TV coverage in which case the increase of broadcasting rights may still remain a solution. For such events this possibility is rare and sponsorship revenues are far more important than in the previous category.	Small, non televised cultural and sporting events could be threatened by such limitations. In the sports field the grass-roots sports clubs may be subsidised by their more successful professional counterparts but if sponsorship restrictions are also affecting the latter then it may well mean that such associations will have to cease operating.

TABLE 4.

From the analysis above and Tables 1,2 and 3 one can make a link between the potential reactions of each of the three types of operators in the commercial communications chain (suppliers, users and carriers) and public interest objectives that could be affected by these . In this manner, the spillover effects of a measure into other public interest objectives as well as counter-productive effects can be accounted for in determining its proportionality and/or its coherence with other measures (see the assessment methodology explained in Part IV of the Green paper).

Through using tables 1,2 and 3, effects of the measure in terms of strategic reactions or loss of economies of scale etc. can be derived. Table 4 can then be used as a general guide to determine which general interest objectives will, in turn, be impacted upon by these alterations.

Table 4.

Potential objective impact checklist

Objective	Effects needing to be considered following strategic changes stimulated by a change to the European regulatory framework of commercial communications.
Internal Market **(Ensuring the principles of free movement)**	Restriction on cross border supply of commercial communication services Restriction on cross border supply of users products or services Restriction on trans-border provision of carriers services. Effect on economies of scale/synergies within the commercial communications business resulting form the possibility to provide them on a trans-border basis. Effect on efficiency/economies of scale/synergies in users strategies. Effect on scale effects arising form the possibility of "carriers" benefiting form cross-border commercial communications.
Consumer Protection	Effect of changes of substituted forms of commercial communications on the consumer. Effect of changes in prices of promoted goods and services on the consumer. Effect of changes in the distribution of the promoted product or the service on the consumer. Effect of the changes in the price/availability to viewers or consumers of the carriers.
Safeguarding of Competition	Effect on the balance of power between retailers and manufacturers using the commercial communications. Effect on the balance of power between traded branded goods and services and national unbranded products and services.
Protection of minors	Effect on minors of resulting changes in the commercial communications mix. Effect of minors of changes in prices of the users goods and services. Effect on minors of changes in the distribution of the products and services of the user. Effect on minors of the changes in programmes or events supported by the commercial communications.
Protection of public health	As for protection of minors.

Table 4 (continued)

Potential objective impact checklist

Objective	Effects needing to be considered following strategic changes stimulated by a change to the European regulatory framework of commercial communications.
Protection of pluralism	Effect on different media caused by losses of commercial communications revenues. Effect on radio and TV programme production caused by restrictions on advertising or sponsorship.
Protection of culture	Affect on cultural events funding caused by losses of sponsorship revenues. Note also that effects on major events may influence funding of non sponsored local grass roots activities.
Promotion of sports	Same as for cultural policy.
Protection of professional ethics	Effects on efficiency of provision and potential scale and competition effects.
Safeguarding of Industrial competitiveness	Effects on costs and limitations in scale effects at the European level for both suppliers and users.

PART 2. NATIONAL REGULATORY TABLES.

The tables below take each general category of national measure and assess under which public interest requirement of Community Law the national objective leading to the measure could be classified.

The measures taken by the Member States in this area follow a wide range of national policy objectives. This arises partly from the differing sources of national law, namely; unfair competition law, consumer protection law, and specific legislation for the protection of the wider public interest. The disparity of aims pursued by the Member States, reflects, in part, their differing emphasis on these sources of national law but also reflects their differing political priorities.

The "public interest objectives" used for these tables have been laid down by the EC Treaty or determined by the European Court of Justice in its case law. Restrictive measures may be justified by reference to one of these objectives (subject to proportionality).

The various national measures have been carefully examined to clearly identify the public interest objectives they could seek to protect. This scrutiny of the national measures demonstrates that most of these cross reference to more than one public interest objective, and that measures relating to the same activity cross reference to different public interest objectives from one Member State to another.

A "+" indicates that the national law specifically makes reference to the relevant public interest objective whereas a "?" indicates that this public interest objective is implied by the Member State's legislation.

I. AUSTRIA

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers						+					
Misleading advertising					+						
Misleading claims					+						
Price advertising: discounts etc.					+						
Intrusive advertising:coldcalling/telephone advertising			?		?						
Intrusive advertising:letterbox/mail marketing		?			+						
Intrusive advertising: promotional gifts/concessionary offers					+						
Intrusive advertising: Prize competitions, draws and lotteries					?						
General media restrictions		?	?	?	?						?
General sponsorship restrictions		?	?	?	?						?
Product restrictions: re Commercial communications re tobacco		?		?							
Product restrictions: re commercial Communications for alcoholic beverages		?		?	+						
Product restrictions: re commercial communications to children											
Product restrictions: re commercial communications re food products				?	+						
Product restrictions: re commercial communications re pharmaceuticals				?	?						
Product restrictions: re commercial communications re financial services					?						
Societal values			?		?		?				

II. BELGIUM

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					+	+					
Misleading claims					+	+					
Price advertising: discounts etc.					+	?					
Intrusive advertising:coldcalling/telephone advertising					+	?					
Intrusive advertising:letterbox/mail marketing					+	?					
Intrusive advertising: promotional gifts/concessionary offers					+	?					
Intrusive advertising: Prize competitions, draws and lotteries					+	?					
General media restrictions					?						
General sponsorship restrictions					?	?					
Product restrictions: re Commercial communications re tobacco		?		+							
Product restrictions: re commercial Communications for alcoholic beverages		+		+							
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products				+	+	+					
Product restrictions: re commercial communications re pharmaceuticals		+			+	?					
Product restrictions: re commercial communications re financial services					?						
Societal values			?		?						

III. DENMARK

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					+	?					
Misleading claims					+	?					
Price advertising: discounts etc.					+	?					
Intrusive advertising:coldcalling/telephone advertising	?				+	?					
Intrusive advertising:letterbox/mail marketing	?				+	?					
Intrusive advertising: promotional gifts/concessionary offers					+	?					
Intrusive advertising: Prize competitions, draws and lotteries					+	?					
General media restrictions		?		?	?	?					?
General sponsorship restrictions				?							?
Product restrictions: re Commercial communications re tobacco		?		?	?						
Product restrictions: re commercial Communications for alcoholic beverages		?		?	?						
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products				+	+						
Product restrictions: re commercial communications re pharmaceuticals				+	+						
Product restrictions: re commercial communications re financial services											
Societal values					?						

IV FINLAND

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers						+					
Misleading advertising					+	?	+				
Misleading claims					+	?	+				
Price advertising: discounts etc.					+	?	?				
Intrusive advertising:coldcalling/telephone advertising											
Intrusive advertising:letterbox/mail marketing					+	?	?				
Intrusive advertising: promotional gifts/concessionary offers					+	?	?				
Intrusive advertising: Prize competitions, draws and lotteries					+	?	+				
General media restrictions		?		?	+		+				?
General sponsorship restrictions					+						
Product restrictions: re Commercial communications re tobacco				+							
Product restrictions: re commercial Communications for alcoholic beverages		?		+							
Product restrictions: re commercial communications to children		?									
Product restrictions: re commercial communications re food products				?	?						
Product restrictions: re commercial communications re pharmaceuticals				?	+						
Product restrictions: re commercial communications re financial services											
Societal values			?								

V FRANCE

Categories of National Measures	General Interest Objectives									
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					+	?					
Misleading claims					+	?					
Price advertising: discounts etc.											
Intrusive advertising:coldcalling/telephone advertising	?	?			?						
Intrusive advertising:letterbox/mail marketing	?				?	?					
Intrusive advertising: promotional gifts/concessionary offers											
Intrusive advertising: Prize competitions, draws and lotteries					+						
General media restrictions				?							?
General sponsorship restrictions				+							?
Product restrictions: re Commercial communications re tobacco		?		+							
Product restrictions: re commercial Communications for alcoholic beverages		?		+							
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products				?	?	?					
Product restrictions: re commercial communications re pharmaceuticals				+	?						
Product restrictions: re commercial communications re financial services					?						
Societal values	?		?								

VI GERMANY

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					?	?					
Misleading claims					?	?					
Price advertising: discounts etc.					?	?					
Intrusive advertising:coldcalling/telephone advertising					?	?					
Intrusive advertising:letterbox/mail marketing					?	?					
Intrusive advertising: promotional gifts/concessionary offers					?	?					
Intrusive advertising: Prize competitions, draws and lotteries		?			?	?					
General media restrictions		?			?	?					?
General sponsorship restrictions				?							?
Product restrictions: re Commercial communications re tobacco		?		+	?	?					
Product restrictions: re commercial Communications for alcoholic beverages		?		+	?	?					
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products				+	?	?					
Product restrictions: re commercial communications re pharmaceuticals		?		+	?						
Product restrictions: re commercial communications re financial services					?						
Societal values					?		?				

VII GREECE

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers						+					
Misleading advertising					+	?					
Misleading claims					+	?					
Price advertising: discounts etc.					?	?					
Intrusive advertising:coldcalling/telephone advertising					?	?					
Intrusive advertising:letterbox/mail marketing					?	?					
Intrusive advertising: promotional gifts/concessionary offers					?	?					
Intrusive advertising: Prize competitions, draws and lotteries					?	?					
General media restrictions		?	?	?	+		?				?
General sponsorship restrictions											?
Product restrictions: re Commercial communications re tobacco				+							
Product restrictions: re commercial Communications for alcoholic beverages				?	?	?					
Product restrictions: re commercial communications to children					?	?					
Product restrictions: re commercial communications re food products					+	?					
Product restrictions: re commercial communications re pharmaceuticals				?	?						
Product restrictions: re commercial communications re financial services											
Societal values		?			?						

VIII IRELAND

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					+						
Misleading claims					+						
Price advertising: discounts etc.					+	?					
Intrusive advertising:coldcalling/telephone advertising					?						
Intrusive advertising:letterbox/mail marketing					?						
Intrusive advertising: promotional gifts/concessionary offers					+	?					
Intrusive advertising: Prize competitions, draws and lotteries					?						
General media restrictions		?	?	?	?						?
General sponsorship restrictions											?
Product restrictions: re Commercial communications re tobacco		?		+							
Product restrictions: re commercial Communications for alcoholic beverages		?		+	+						
Product restrictions: re commercial communications to children											
Product restrictions: re commercial communications re food products				+	+						
Product restrictions: re commercial communications re pharmaceuticals				+							
Product restrictions: re commercial communications re financial services					?						
Societal values			?								

IX ITALY

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers						+					
Misleading advertising		?		?	+	?					
Misleading claims					?	?					
Price advertising: discounts etc.						?					
Intrusive advertising:coldcalling/telephone advertising	?					?					
Intrusive advertising:letterbox/mail marketing	?					?					
Intrusive advertising: promotional gifts/concessionary offers						?					
Intrusive advertising: Prize competitions, draws and lotteries						?					
General media restrictions		+	?	?	?		?				?
General sponsorship restrictions		?		?							?
Product restrictions: re Commercial communications re tobacco				+							
Product restrictions: re commercial Communications for alcoholic beverages		?		+							
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products		?			+						
Product restrictions: re commercial communications re pharmaceuticals				+							
Product restrictions: re commercial communications re financial services					?						
Societal values		?	?								

X LUXEMBOURG

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					?	?					
Misleading claims					?	?					
Price advertising: discounts etc.					?	?					
Intrusive advertising:coldcalling/telephone advertising					?						
Intrusive advertising:letterbox/mail marketing					?						
Intrusive advertising: promotional gifts/concessionary offers					?	?					
Intrusive advertising: Prize competitions, draws and lotteries					?	?					
General media restrictions		?		?							?
General sponsorship restrictions											
Product restrictions: re Commercial communications re tobacco				?							
Product restrictions: re commercial Communications for alcoholic beverages		?		+							
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products				+	?	?					
Product restrictions: re commercial communications re pharmaceuticals		?		+	?						
Product restrictions: re commercial communications re financial services					?						
Societal values					?						

XI THE NETHERLANDS

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising					+	?					
Misleading claims					+	?					
Price advertising: discounts etc.					+	?					
Intrusive advertising:coldcalling/telephone advertising	?				+	?					
Intrusive advertising:letterbox/mail marketing					+						
Intrusive advertising: promotional gifts/concessionary offers					+	?					
Intrusive advertising: Prize competitions, draws and lotteries					+	?					
General media restrictions		?		?	+						?
General sponsorship restrictions				?	?						?
Product restrictions: re Commercial communications re tobacco		?		+							
Product restrictions: re commercial Communications for alcoholic beverages		?		+							
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products					+	?					
Product restrictions: re commercial communications re pharmaceuticals				+							
Product restrictions: re commercial communications re financial services					?						
Societal values			?		?						

XII PORTUGAL

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers						+					
Misleading advertising				?	+	?	?			?	
Misleading claims					+	+				?	
Price advertising: discounts etc.					?	+					
Intrusive advertising:coldcalling/telephone advertising					?	?					
Intrusive advertising:letterbox/mail marketing					+	?					
Intrusive advertising: promotional gifts/concessionary offers											
Intrusive advertising: Prize competitions, draws and lotteries					?						
General media restrictions					?					?	
General sponsorship restrictions											
Product restrictions: re Commercial communications re tobacco				?							
Product restrictions: re commercial Communications for alcoholic beverages		?		?							
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products											
Product restrictions: re commercial communications re pharmaceuticals											
Product restrictions: re commercial communications re financial services											
Societal values											

XIII SPAIN

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising		?			+	?					
Misleading claims		?			+	?					
Price advertising: discounts etc.					+	?					
Intrusive advertising:coldcalling/telephone advertising	?				?						
Intrusive advertising:letterbox/mail marketing	?				?						
Intrusive advertising: promotional gifts/concessionary offers					+	?					
Intrusive advertising: Prize competitions, draws and lotteries					+	?					
General media restrictions		?	?	?	?						?
General sponsorship restrictions											?
Product restrictions: re Commercial communications re tobacco				+	?	?					
Product restrictions: re commercial Communications for alcoholic beverages				+	?	?					
Product restrictions: re commercial communications to children		?									
Product restrictions: re commercial communications re food products				?	?	?					
Product restrictions: re commercial communications re pharmaceuticals				?							
Product restrictions: re commercial communications re financial services					?						
Societal values			?		?						

XIV SWEDEN

Categories of National Measures	General Interest Objectives									
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers					?	+					
Misleading advertising		?			+	?					
Misleading claims		?			+	?					
Price advertising: discounts etc.					?						
Intrusive advertising:coldcalling/telephone advertising					+	?					
Intrusive advertising:letterbox/mail marketing					+	?					
Intrusive advertising: promotional gifts/concessionary offers					+	?					
Intrusive advertising: Prize competitions, draws and lotteries					?						
General media restrictions		?		?	+	?					?
General sponsorship restrictions		?		?	+	?					?
Product restrictions: re Commercial communications re tobacco		?		+	+	?					
Product restrictions: re commercial Communications for alcoholic beverages		?		?	+	?					
Product restrictions: re commercial communications to children		?		?							
Product restrictions: re commercial communications re food products				?	?						
Product restrictions: re commercial communications re pharmaceuticals			?	+	+						
Product restrictions: re commercial communications re financial services					?						
Societal values			?								

XV UNITED KINGDOM

Categories of National Measures	General Interest Objectives										
	Privacy	Protection of minors	Public morality	Public health	Consumer protection	Protection of IPR	Professional ethics	Protection of national treasures	Dissemination of culture	Professional rules protecting recipients of services	Pluralism
Unauthorised use of trademarks and qualifiers						+					
Misleading advertising					+						
Misleading claims					+						
Price advertising: discounts etc.					+						
Intrusive advertising:coldcalling/telephone advertising			?		?						
Intrusive advertising:letterbox/mail marketing		?			+						
Intrusive advertising: promotional gifts/concessionary offers					+						
Intrusive advertising: Prize competitions, draws and lotteries					?						
General media restrictions		?	?	?	?						?
General sponsorship restrictions		?	?	?	?						?
Product restrictions: re Commercial communications re tobacco		?		?							
Product restrictions: re commercial Communications for alcoholic beverages		?		?	+						
Product restrictions: re commercial communications to children											
Product restrictions: re commercial communications re food products				?	+						
Product restrictions: re commercial communications re pharmaceuticals				?	?						
Product restrictions: re commercial communications re financial services					?						
Societal values			?		?		?				