

Advertiser Funded Programming (AFP)

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An introduction to AFP

Most commentators agree that Advertiser Funded Programming (AFP) is fast becoming an important string to the TV marketing bow. It refers to programmes that are partially or completely paid for by the advertiser. This method of funding has been around for sometimes, under various names such as branded programming, fully sponsored and other names. However AFP is the new name. It fundamentally affects all those connected with the making and financing of quality TV programmes.

It is also a highly risky marketing tool for advertisers as it contracts far more costs and is far more inflexible than the traditional thirty second slot. It is also risky for the broadcaster as it could adversely affect the long term audience profile of a slot.

Why the rise of AFP?

AFP has suddenly become important. Experience in other parts of the world (and plain common sense) tells us that with impending DTT and multi-channel, the cost of programming will have to come down, and drastically.

The growth of channels will be exponential, but not the growth of audiences, which may see a slight rise every year in line with the growth in population, and the growing affluence as economies come out of recession.

This inevitably means that double the number of channels, means an average of halving the audience per channel. Since most terrestrial broadcasters rely on funding through advertising sales. Since advertising rates are traditionally related to numbers in the audience, then the prospects of halving advertising revenue is too ghastly to contemplate.

Clearly this means a complete revision of business models and plans. Since broadcasters rarely follow each other's models (as audiences and local circumstances differ so radically), there are no examples to follow. Broadcasters are left essentially to themselves to solve their own problems.

But the new models will be built around:

- Identifying and targeting a niche audience.
- Attracting advertiser revenue on the basis of loyalty and attention rather than numbers.
- New designs in scheduling such that programmes can be repurposed in many different ways. This is another way of saying "repeats that are acceptable to audiences because they appeal to convenience, rather than novelty".
- New versions of programmes, usually with new language versions with subtitling and dubbing.
- Prestigious high budget block-busters commissioned or co – financed by the broadcaster.
- Advertiser funded programming to reduce the direct costs and improve the cash flow of the less prestigious programmes.



Advertiser funded programmes do NOT need to be prime time programmes. If they are directed to the retired, then mid-morning is a far better time to target that audience.

"This is a new era of co-creation, the convergence of the marketing trinity: entertainment content, media and brands" says Steven Heyer, Coca-Cola. This type of statement was invented by the advertisers to justify the appeal to broadcasters, for reasons will see later.

The process of getting branded content to air is evolving: it involves the forging of new relationships, new business models, new learning and a considerable amount of cross-cultural understanding amongst the key stakeholders.

These changes are reflected in the evolving regulatory framework governing TV content. The current UK Ofcom Broadcasting and Sponsorship Codes present a simpler, lighter touch and practical approach to regulation than ever before. Greater marketing opportunities are now available to brand owners in relation to TV as a result, always providing that the editorial independence of broadcasters and the quality of TV programming is maintained.

Branded content programming is not right for everyone. However, for those of us that do want to get involved in this new business model and drive it forward, a good first step to making it easier is to agree exactly what it is and what it can do. From here we can work together on an evolving process.

The Basic Principles

There are three basic principles:

1 **Best broadcasting practice**

Broadcasting is a long term high risk business. It is long term as programmes take a long time to develop, and have to be paid for prior to broadcast. There is no assurance programmes will ever meet objectives and predictions. However, the broadcaster will only survive if the targeted audience is retained as a loyal audience and grows in such a way as to grow profits to meet business objectives.

It also involves applying the codes of ethics traditional to broadcasting, the upholding of the dignity inherent in this medium, and the applying mandated regulations.

2 **Best advertising practice**

Advertising is a short term business that aims to produce the sales that are proposed for the short to medium term. Although sales growth may be long term strategy and planning, the advertising methods and media have to change to align with current consumer tastes, fashions and needs.

It also involves applying codes of advertising ethics, information, marketing persuasion and the achievement of marketing objectives.

3 **Best business practices**

Business practices are usually long term, and involve growth and market penetration through adherence to the various codes and ethics that prevail. For instance business responsibilities have changed radically over the past twenty to thirty years. In the 1980s, any business plan had to focus

on the benefits to five stakeholders: customers, employees, suppliers, shareholders and government. "Business aimed to be a good citizen", the mantra went. Today the focus is only on shareholders alone, which tends to make business objectives more short-term aligned and directed almost solely towards profits.

However, it nevertheless still involves long term partnerships, open and transparent objectives of all parties, and business ethics.

What each party wants

The difficult challenges in successful AFP are the achievement of the two parties of their own objectives, which are in fact, although not necessarily adversary, are very different.

What the advertiser wants

The advertiser (whether it is the marketer directly, or the representative in the form of an advertising agency) wants to achieve product sales. Even if he calls it "brand recognition or awareness", the ultimate objective is increased sales.

The advertiser is accustomed to the thirty-second hard sell spot. His mind is focussed on sales, his experience is cemented in traditional advertising, and his outcome is written in terms of sales.

Even though advertisers initiated AFP as an alternative to the traditional thirty second spot, their mindset is still on the immediate effect of the exposure on product sales.

What the broadcaster wants

The broadcaster's raw materials consist of appealing programmes combined with a saleable audience. His customer is the advertiser. He sells audiences to the advertiser. He will have no audiences to sell if he has not attracted them first.

These audiences maybe simply "as many as possible", or a target audience of specific demographics or segment. (A segment is never a primary target. A segment is an attitude and cannot be measured in terms of numbers. For instance you cannot target a language by targeting a segment. You also cannot target a culture by targeting a segment.)

His objectives are to at least maintain and preferably grow audiences, and thereby increase revenue into the long term future.

What it is and what it isn't

AFP can be described as "any means by which an advertiser can have a deeper relationship with programming product beyond traditional media activity".

By this definition there must be a funding relationship (full or part) with the programme or series. Put another way, it is 'beyond sponsorship' - where money goes directly into production and leads to a degree of content ownership. It's programming that wouldn't exist without the advertiser partner.

It is not about product placement or editorial about a brand. It is definitely NOT infomercials.



Advertisers need to remember that they are buying into the editorial integrity of the programme and reaching consumers by association with the programme's values. Broadcasters also have to realise that they are sacrificing their claims to total editorial control when they get involved in AFP.

Why should brands get involved and how does AFP build on TV sponsorship?

Branded Content is often looked at as "sponsorship", and this is a pretty good thing to keep front of mind. The consumer/brand relationship operates in a similar way. AFP can do all the things sponsorship can do for a brand - enhance, reinforce or shift a brand image etc, and more.

A TV sponsorship campaign, done well, can yield real benefits for a brand if the right show is available, at the right time; if it can be secured; and if there is sufficient time to plan and co-ordinate the exploitation before it goes to air. However, this is not always possible.

Through AFP, advertisers can negate these provisos, maximise the potential of TV sponsorship on their own terms and garner a number of significant benefits from having a deeper relationship with programming and with broadcasters and producers. AFP provides the opportunity to participate in the phenomenon that a successful TV show can be, which is as much off-air as on-screen.

Why should broadcasters get involved in AFP?

There is a simple answer to this: assured revenue. However, for the broadcaster, AFP does not mitigate risk. If the programme does not attract the targeted audience, or incur an adverse reaction, the damage could be worth far more than the revenue received. This could result in fact to a long term loss in revenue.

AFP carries inherent risk

The inherent risk comes directly from the different points of view of the two parties.

How the advertiser sees it

The advertiser looks at audience backwards.

Let's see what this means.

The advertiser is looking for a specific market. He will define this in terms of language, gender, age, LSM, and perhaps even education, interests, attitude.

The advertiser now uses audience research tools like Telmar, JMS, Nielsen Arianna or others to find out where he can reach the largest target market at the lowest cost. This gives him a cost per one thousand target viewers (CPM). Usually he does not get this CPM in one slot - he has to spread his placement of a range of slots during any one day to achieve this optimum CPM.

He relies on the broadcaster delivering this target audience to him in the future based on the past performance.

Usually the delivery is reasonable accurate, so the advertiser continues placing ads in slots based on past performance.

Also neither the broadcaster nor the advertiser has to worry that the slot may irritate the audience. It is only thirty seconds in a one hour period. Besides the audience watches so that they can view a programme; not the advertising slots.

So, the advertiser plans his revenue (from increased sales) based on past performance.

How the broadcaster sees it

The broadcaster also tracks past performance, but his focus is not on that past performance. His focus is on the future. He may have to maintain that past performance. He may:

1. Decide to give up a slot and just put low cost programming into it because competitor channels are both battling it out with high cost programmes that have taken most of the market share any way. This is a trade-off between trying to get all the remaining audience at a certain cost, or broadcasting something really cheap and being happy with whatever advertising he attracts.
2. Decide to change the focus and demographic of a slot because competitors have also aimed towards niche programming.
3. Have to change the focus of the slot for regulatory reasons.

The broadcaster takes a long time to make a programme, at enormous cost. He must hope that audiences still want this type of programme in six months or a year's time. He also never knows for sure what the competitors will be planning in a year's time. It is a complex mixture of guesswork, intuition, experience, and intelligence gained from other channels. (Broadcasters follow each other around at markets and try desperately to find out from suppliers what their competitors have bought. They also carefully listen to rumours in the independent producer sector to find out what has been commissioned and for which dates.)

Therefore even though the past performance is one of the factors, it is in fact one of the many factors in making future programme decisions. Therefore, in the big picture, it actually plays a small role in making future programme decisions.

So the broadcaster plans his future revenue based on predictions into the short, medium and long term future. The broadcaster is always looking forwards.

This is exactly the opposite view to that taken by the advertiser.

Different focus

The advertiser focuses on short term sales. He plans to get the audience to react fast, and buy products. He also looks for long term loyalty, but that is a by product to immediate sales.

The broadcaster relies heavily on long term loyalty. If he doesn't keep his audience in a slot, or over a series of slots, then he will not be able to plan for the future and may end up over-budgeting on future programmes - in which case his costs will exceed his revenue. Broadcasters are not very flexible. Advertisers are. Broadcasters are used to being inflexible. Advertisers are used to being flexible.



A broadcaster, who has total control over, and has financed his own programme, can look forward to steady growth in the slot's audience.

If however, a programme fails, and the share drops, the programme that follows does NOT inherit the high audience the slot used to have. It inherits the last audience of the last episode of the flop.

This proves the old show business adage, “You are only as good as your last show”.

If a programme inherits an average AR of 6 in the slot, and it grows to an AR of 8, it will pass that AR of * to the successor programme series. If however, the audience falls to an AR of 4, then that slot will pass on an AR of 4 to the succeeding series. There's not much in broadcasting that is certain, but this is one of them.

Other downsides

AFP always sounds like easy money and low cost production for broadcasters but the broadcaster must realise that there are serious implications.

- The sponsor excludes competitors by owning the commercial relationship from the start. This can have a negative impact on sales, and a full financial scenario must be done ahead of any decision.
- The sponsor or advertiser will usually want to arrange TV content-led marketing at a time that suits his marketing cycle when there is no suitable TV content available "off the shelf". This may place demands on your schedule and planning.
- For the advertiser to get maximum value, you could find yourself pulled into all sorts of secondary marketing stunts like supermarket promotions which you may have to get involved in.
- The advertiser gains a deeper brand experience: a 30 or 60 minute brand experience; all of the content shapes consumers' attitudes and image of brand (not just the branded credits). This can create demand for this type of programming from your other advertisers, and if you are unable to deliver, it could impact negatively on your relationships.

While ad-funded programming is a strategic vehicle for the brand communication, it does mean that the advertiser owns that slot.

The broadcaster is in the end responsible for everything that goes out on air, and some advertisers will inevitably try “a fast one” that does not fit in with the requirements of the regulator.

How do you do it?

There is more than one way to get an AFP to air. Here are a few routes:

- Route 1: clients supply a brief setting out the core values of its brand and the nature of the programme it is looking to fund, then works with a commissioning editor to attract the right production partner. Most broadcasters prefer this route, as the idea is more likely to be aligned to the channel requirements from the start.

- Route 2: the programme concept is put to a production company and the format is worked up with the client prior to being presented to a broadcaster. This is a good option for an advertiser who has identified an ideal production partner and wants multiple programme ideas.
- Route 3: a broadcaster is looking for a particular programme or genre to fit its programming schedule. This programme will need funding. They put a brand programming brief out to tender with producers. This is good for all parties, because it starts with a scheduling requirement, which comes with an increased chance of a commission.
- Route 4: programmes are delivered "ready made" to the broadcaster, who has to find an appropriate slot for it in its schedule. This arrangement is suitable for brand owners who already own entertainment properties and wish to barter them against commercial airtime.

Shows can be fully or partly paid for by the advertiser. In some cases co-productions rather than complete funds can encourage buy-in at the broadcaster level as it maintains their vested interest.

Broadcasters work differently. Clients and agencies must understand the different commissioning and commercial practices of each broadcaster in order to achieve the best results. The best way to approach this is to first get the programme idea and then discuss business terms.

For broadcasters, each branded content proposition will be assessed as to whether it will strengthen the relationship with the client. This relationship includes spots, sponsorship, interactive and AFP.

Tips for success

Our top four tips for success are¹:

1. Focus on the Programme – The programme itself must be the main guiding principle when developing the creative idea. The creative translation of an advertiser's programming ambition into a compelling TV programme will dictate the overall success of AFP, not who writes the cheques.
2. Know the constraints – Ofcom regulations state that the broadcaster must retain editorial control of the programmes, thereby excluding the advertiser from the production process. Ofcom also outlaws product placement within the programme, allowing no reference to the advertiser's product or service within the content. Making the advertiser aware of these fundamental issues and working within them is essential right from the beginning.
3. Think laterally – Experience tells us that a successful creative answer is rarely derived directly from the advertiser's commercial message, but instead tends to emerge from a related theme.
4. Secure broadcaster support – What is the route to air? Just because a series has external funding does not make it more attractive to a broadcaster. Only the editorial

¹ Uktv.co.uk



merit can do that. A lot of good will, hard work and patience can fall at the last hurdle if there is no centralised support within the broadcaster for the project.

One final mantra to help bring AFP deals to successful fruition: the advertiser is best served by delivering an audience, and an audience is best served by delivering a good programme.

The legal bit: ensuring editorial independence

In reference to Advertiser Funded Programming, people often talk of a degree of "ownership". But what does this mean, and to what extent can a funder be involved in the TV programme?

On air, AFPs are subject to the same ICASA and BCC broadcasting code rules as conventional sponsored programmes. Crucially, the funder must not influence programming content or scheduling in such a way as to affect the editorial independence or responsibility of the broadcaster.

However, during the initiation phase, before deciding to invest their collective time and money in the programme idea, the broadcaster, producer and advertiser will have discussed and agreed the following:

- Programme format and script outline
- Cast outline including presenter
- Sponsorship credits

As to "ownership", the extent to which any additional approvals are awarded may depend on the extent to which the advertiser is funding the project: e.g. fully funding or a co-production and sharing rights with broadcaster or producer. These may include:

- Platforms and territories for distribution; i.e. mobile, online and geographic region
- Any third party licensing rights; e.g. logos, use of copyright by others
- Marketing and PR activity in support of the programme/ content

An advertiser can have more influence on the co-creation and deployment of off-air and multi-platform brand content assets.

This framework helps to define the stakeholder roles and protect the editorial independence and integrity of the production. In so doing, it creates a powerful platform for brand content marketing - programmes that viewers will want to watch, from people who know how to make them.

The money side

How much does advertiser funded programming cost? The answer is: it depends on what both the advertiser and the broadcaster have agreed.

The advertiser's calculations

Suppose the advertiser is selling a new milk-based health drink. He is used to spending %m a year on TV advertising, primarily to the 16-24 market.

A target would be Rhythm City on e. The rate card for this programme is R42 000 a slot, but he manages to get a series of slots for R35 000 a slot. Over a 13-week period he intends to take one slot a programme, three programmes a week. This will amount to about R1.35-m.

What if he spent this on a half hour programme AFP?

The budget, if all the money went into production, would be in the region of R4800 a minute. This is quite low, and the broadcaster will be (fairly) entitled to sell slots, but certainly not in conflict of the interests of the advertiser).

The advertiser can crunch the numbers all day long, nothing will tell him if it is worth while unless he has a concept that will attract his audience and draw attention like an advertisement. Advertisers are so stupid that they don't realise that the attention they must draw over 13 hours just has to be noticeably more than that drawn over 39 30" slots. If the attention he draws over his is x units in total, then he would like to draw 3x or 4x units of attention over 13 half hours.

The broadcaster's calculations

The broadcaster on the other hand may look at total potential income at no cost of sales and say he would like to sell these programmes at 8 x 13 x 38 000 = R4-m. That is where he is coming from, and he and the advertiser are going to have to meet in the middle.

Only it doesn't work that way

It never starts with numbers. The broadcaster has now a workable plan. He buys programmes, and sells advertising around them based on the audience it draws.

As you can see, it starts with the programme. In fact it doesn't start with buying the programme, it starts with buying a programme that will appeal to the audience that are customarily in that slot so that you can maintain or even grow your share.

The starting point is the audience.

The next step is the content. Content starts with a concept that suits the audience in that slot.

Neither the broadcaster, nor the advertiser has any reason to consider AFP unless someone has come up with a workable, innovative, low risk, appealing concept.

Concept, concept and concept

This financial analysis shows that unless you have a concept that aligns with the audience in that slot, you are heading for disaster.

AFP is not all that different from other programming. All it is, is an acceptable way of replacing the ad value of a slot with product promotion incorporate in the programme.

Summary

- Marketing and programme content are moving ever closer towards a future where brands need to entertain.



- Through brand content programming, advertisers have the opportunity to engage with consumers in the context of entertainment that reflects their brand values, and to turn that engagement into dialogue.
- A deep relationship with good TV programming creates a hub around which a plethora of promotional tools can spin, both on-air and off-air. These include online and mobile applications, events, merchandise, PR, trade hospitality, point of sale licensing and other media promotions. Non-broadcast platforms are an excellent means of amplifying the broadcast commission.
- However, if the audience is not going to accept it, you have a problem. Audiences are not stupid. They are used to advertising in the ad breaks, not having products shoved down their throats right through the programme. The Valpré Top Travel is the best example of AFP on drugs.
- With possible delays in DTT, the AFP embarked on now, may be very different from the AFP in two years time. Any policies on AFP must be flexible.
- AFP is not a job for the commercial sales department. It is a careful alliance between the advertiser, commissioning editor, channel and the ad sales department. The broadcaster must hold firm, and be prepared to dismiss and unreasonable advertiser. No AFP is far better than a bad AFP.

Not for distribution

