

Focus Group Discussion on Indirect Advertising and Sponsorship in Free TV Services

Summary of Views

**(Participants included representatives of free TV licensees,
TV production veterans, representatives of
advertisers association and academics)**

1. Advertising Time Limit

- 1.1 The current restriction that free TV stations shall not broadcast more than 10 minutes of advertisements per clock hour during prime time should be abolished. They should only be required to observe the requirement that the aggregate advertising time shall not exceed 18% of the total broadcast hours per day. Such relaxation would provide more flexibility to TV stations in scheduling programmes and advertisements so as to attract more advertisers.
- 1.2 Under the current advertising time limit, sometimes TV stations were not able to make full use of the permitted advertising time. On the other hand, the permitted advertising time during prime time was often insufficient to meet the advertisers' demand.
- 1.3 There was suggestion that TV stations might schedule the advertising breaks in a flexible manner in order to maximise their profit. For example, they might choose to shorten the duration of commercial breaks so that they could charge a higher price for the advertising slots, instead of making full use of the permitted advertising time.
- 1.4 The regulatory body should take into account the practices adopted in other major jurisdictions and the actual circumstances of Hong Kong in formulating an appropriate advertising time limit.
- 1.5 There was comment that although advertising was an important source of income for free TV stations, they should suitably schedule advertising slots in order to keep the natural flow of programmes and avoid affecting the viewing pleasure. However, some considered that TV producers in general were well aware of the existing requirement on advertising time and would suitably schedule advertising breaks within programmes.

- 1.6 Some considered that whether viewers would watch the advertisements shown during commercial breaks was not a matter for concern. Viewers would enjoy watching TV commercials so long as they were attractive and creative, even if they were of long duration.
- 1.7 There was comment that it was entirely up to viewers to choose whether to watch the advertisements shown during commercial breaks. Even if the viewers did not watch the advertisements, TV stations would not be very much affected as they could anyway receive revenue for showing TV commercials on their services.

2. Effectiveness of Traditional Advertising and Product Placement

- 2.1 It was generally agreed that it was difficult to compare the advertising effect of traditional advertising with that of product placement. The promotional effect of both depended mainly on creativity and the quality of production.
- 2.2 Both traditional advertising and product placement had their own merits. Traditional advertising was designed to promote awareness of a product, while product placement could achieve an advertising effect by incorporating the selling points and detailed information of the product concerned into the programme content so that viewers would have a better understanding of the features of the product.
- 2.3 As product placement could allow more flexibility and was not subject to the advertising time limit, advertisers generally found product placement an effective means to promote products/services, especially during prime time. Also, advertisers were concerned about whether the products/services in question could be incorporated into the programmes in a natural manner, as otherwise there would be criticisms from the public.
- 2.4 There were comments that product placement had its advantages and shortcomings. Product placement could be tailor-made to fit in with the plot of a programme and helped create a real-life setting so as to impress upon viewers and deepen their understanding of the brand/product concerned. On the other hand, if the product placement was poorly presented, viewers would find the product concerned repulsive, and thereby undermine the interests of the TV stations.

2.5 There was comment that youngsters nowadays seldom watched TV. Even if they were interested in dramas, they would prefer watching them on the Internet. Therefore, the promotional effect of product placement on TV was limited insofar as young viewers were concerned.

3. Complaints about Product Placement

3.1 There was a significant increase in the number of complaints about product placement in recent years. Due to the rapid development of the Internet and new media, there were more ways for the public to file complaints, making it easier for them to lodge complaints. As a result, the complaints about product placement as well as other matters had increased.

3.2 There was comment that the surge in the complaint figure was due to the growing awareness of the viewing public on their entitlement to lodge complaints against free TV service which was considered a public service. From another perspective, it was not bad for a TV station to receive public complaints as this in a way indicated that its programmes had certain audience share.

3.3 There was also comment that in view of the vigorous competition in recent years, advertisers and TV producers had been exploring different ways of featuring products/services in programmes, the effect of which might not be satisfactory all the times. In some cases, such attempts had resulted in complaints from the public and even called for regulatory action. However, this was an inevitable stage as the industry had to make continuous attempts before they might better understand the viewers' acceptance level towards product placement.

4. Effectiveness of Different Forms of Product Placement

4.1 There were views that a better promotional effect could be achieved if the product placement featured in a programme was relevant to the programme contents or the programmes concerned aimed at introducing a product to viewers. On the other hand, viewers might find it objectionable if the same brand/product was repeatedly featured in a programme.

- 4.2 There was view that the artistes' image and their popularity would affect the effectiveness of product placement regardless how the product concerned was featured in the programme.
- 4.3 There was suggestion that engaging key opinion leaders in the employment of product placement was a more effective way to attract the target viewers.
- 4.4 There was also view that the effectiveness of product placement ultimately hinged on the quality of production, and whether the product concerned was related to the content of the programme.

5. Opinions on the Regulation of Product Placement

- 5.1 The participants generally supported that the regulation of product placement should be relaxed in order to allow more room for the development of the creative industry.
- 5.2 Some pointed out that the industry would self-regulate, and in fact TV stations had all along adopted stringent self-regulatory measures to ensure the proper featuring of product placement given that viewers would find it objectionable and thereby affecting viewership if product placement was presented in a poor manner. It followed that the industry should be allowed more room for creativity, and it was not necessary to impose stringent requirements on product placement especially when the industry was still at the stage of exploring different forms of product placement.
- 5.3 There was criticism that the existing rules governing product placement were vague and difficult for the licensees to follow. In the past, the regulation of product placement in Hong Kong was more relaxed than that in other regions. However, the regulatory body seemed to have adopted a more stringent standard in the regulation of product placement in recent years.
- 5.4 Some participants expressed that the overly-restrictive rules on product placement had hindered creativity and made it difficult for TV stations to satisfy the demand of advertisers especially with economic downturn in recent years. Besides, some advertisers found it difficult to understand why product placement that was considered acceptable in other countries could not meet the regulatory standards of Hong Kong.

- 5.5 There was view that TV stations were caught by surprise by the decision of the Communications Authority (“CA”) on certain complaints involving product placement in recent years. The regulatory body should be more pragmatic in considering complaints and adopt more relaxed standards in enforcing the relevant provisions so as to allow more room for creativity and support the development of the industry.
- 5.6 There was comment that the range of products that were usually employed in product placement was quite limited and it was not easy to incorporate them into the programmes in a natural manner. As a result, viewers often found product placement odd and objectionable. In other countries like Korea where product placement was subject to more relaxed rules, different kinds of products were allowed for featuring in product placement. Therefore, advertisers and producers enjoyed more flexibility in producing quality product placement, which had greatly facilitated the development of the creative industry.
- 5.7 However, some cautioned that whether the regulation of product placement should be relaxed involved different considerations and that the need to provide more room for creativity to the industry was only one of them. As a matter of fact, producers in general might not favour product placement. Even if the requirements were to be relaxed, careful considerations should be given to how such requirements should be relaxed. Otherwise, advertisers might demand or intervene more in the production process, making product placement abusive. This might in turn result in more public complaints about poor quality of programmes.

6. Approach for Regulating Product Placement

- 6.1 There was comment that it was not practicable to adopt detailed rules/guidelines in the regulation of product placement, unless exemptions were provided for acquired programmes. If detailed rules (e.g. limiting the duration of product placement) were imposed, TV stations would have difficulties in ensuring the full compliance of acquired programmes with the relevant requirements.
- 6.2 There was comment that the key consideration in the regulation of product placement should be whether it could fit into the programme contents. Therefore, it was more appropriate to adopt general principles instead of detailed rules/guidelines in regulating product placement.

- 6.3 There was also view that the adoption of specific rules governing the duration or size of product placement featured in a programme would hinder creativity.
- 6.4 There was view that in reviewing the current regulatory approach, reference should be made to the regulatory practices adopted in other countries/regions and the local culture should be taken into account. Owing to the cultural differences between Hong Kong and other places, the regulatory requirements of some overseas countries/regions might not cater for local needs.

7. Different Forms of Advertising for Increasing TV Stations' Revenue

- 7.1 Some supported the proposal to slightly extend the duration of advertising time for each clock hour (e.g. 1 to 2 minutes) and considered it a simple, direct and effective means to increase TV stations' revenue. However, some were of the view that this might render the advertising time too long and would not be acceptable to viewers.
- 7.2 Some supported the idea of allowing TV stations to employ product placement more extensively in programmes to increase their revenue, and considered that viewers would find it acceptable so long as the product placement was relevant to the programme contents.
- 7.3 On the other hand, some expressed that whether TV stations should be allowed to use product placement more extensively depended on the production quality of the product placement and the demand of the advertisers. In any case, the regulatory body should allow more flexibility so that the industry could explore different ways of employing product placement and review their effectiveness.
- 7.4 Some supported the suggestion of allowing TV stations to employ product placement more extensively in programmes provided that such programmes were shown without commercial breaks. However, some cast doubt on whether this initiative could bring more revenue to TV stations as viewers might skip all the advertisements shown during commercial breaks, which was neither beneficial to TV stations nor advertisers.

8. Regulation of Product Placement in Self-productions and Acquired Programmes

- 8.1 There was comment that product placement in acquired programmes should be subject to more relaxed rules. Although many acquired programmes were produced at high cost and of high quality, TV stations might be hesitant to acquire them due to compliance problems. Even if they chose to acquire such programmes, they would need to devote considerable resources to edit the programmes to ensure compliance with the requirements on product placement. This would inevitably affect the integrity of such programmes and weaken the position of free TV stations in its competition with other media platforms (such as OTT service) on which acquired programmes were provided.
- 8.2 There was comment that the industry was caught by surprise by the decision of the CA on the complaint about the Korean drama “Descendants of the Sun”. The CA’s decision had affected the broadcast of acquired programmes by TV stations.
- 8.3 In addition, some pointed out that the editing effort taken by TV stations to “blur” the product concerned in an acquired programme in order to ensure compliance would affect the viewing pleasure. Some pointed out that the public failed to realise the fact that it was difficult for TV stations to edit out all relevant materials from an acquired programme and as such there were complaints about the featuring of product placement in acquired programmes.
- 8.4 On the other hand, some held that the same set of rules governing product placement should apply to both self-productions and acquired programmes. Product placement in acquired programmes also had promotional effect and brought indirect interest to the parties involved in producing the programmes. Allowing acquired programmes to be exempted from the rules governing product placement would be unfair to the TV stations who produced their programmes, thereby undermining the interests of the local industry. It was not sensible for the regulatory body to alter the regulatory standards governing acquired programmes to facilitate their broadcast on local TV services. Rather, the regulatory body should review the existing standards governing product placement, and examine why product placement in some acquired programmes could meet the standards adopted in overseas jurisdictions, but failed to comply with the local regulatory requirements.

8.5 There was view that owing to cultural differences, the industry must accept that certain forms of product placement presented in overseas productions might not be able to comply with the local regulatory standards.

8.6 There was comment that whether TV stations would receive consideration for the inclusion of product placement in programmes was irrelevant in considering the regulation of product placement. As for acquired programmes, be they produced locally or overseas, should be subject to the same set of regulatory requirements.

9. Identification Requirement for Programmes Containing Product Placement

9.1 There was suggestion that TV stations should be required to clearly inform viewers of the inclusion of product placement at the start of the programme in order to avoid misleading viewers.

9.2 Those in favour of the above suggestion held that as the education levels of viewers were different, some might not be able to distinguish between programme content and advertising material. Licensees had a social responsibility to provide clear notice at the start of the programme. Such practice would not affect licensees' interests, nor the viewing pleasure.

9.3 Some however considered the requirement unnecessary and held that viewers were capable of distinguishing between programme content and advertising material. Besides, such prior advice might have the effect of discouraging viewers from watching the programme concerned.

9.4 There was also comment that the existing identification requirement was sufficient. Viewers were able to obtain information relating to product placement in the end sponsor credits, and might find it annoying if such identification was required to be made at the start of the programme. Some held that TV stations should be required to make a prior advice only if the existing regulation of product placement was to be relaxed to allow for more product placement in programmes.

9.5 Also, there was concern that viewers' perception about the identification of product placement made at the start of a programme would be different from that at the end of a programme. Identifying product placement at the start of a programme might give a wrong impression that product placement was something bad in nature to which viewers should be alert.

As a result, advertisers might become hesitant to employ product placement.

10. Other Comments

- 10.1 The definition of “advertisement” as provided in the existing codes of practice was too broad as any material included in a television programme service carrying an advertising effect would be regarded as advertisement. There were also disagreements between TV stations and the regulatory body over the meaning of advertisement. A review of the definition of advertisement should be conducted.
- 10.2 The current restriction stipulated in the codes of practice that certain products and services were not allowed to be advertised on TV should be relaxed.
- 10.3 TV stations should be permitted to include advertisements for betting and election activities in their services in order to allow them to gain more advertising revenue. The existing restriction should therefore be relaxed.
- 10.4 Currently, TV stations were required to broadcast announcements in the public interest provided by the Government on their services at no cost. Such requirement was unreasonable. In some places, TV stations were paid by their governments for such broadcast. The Government should consider whether similar practice should be adopted.