Selectee Committee on Communications

Corrected oral evidence: The advertising industry

Tuesday 24 October 2017

3.35 pm

Watch the meeting

Members present: Lord Henley (The Chairman); Lord Allen of Kensington; Baroness Bonham-Carter of Yarnbury; The Lord Bishop of Chelmsford; Viscount Colville of Culross; Lord Gilbert of Panteg; Baroness Kidron; Baroness McIntosh of Hudnall; Baroness Quin.

Evidence Session No. 2 Heard in Public Questions 8 - 18

Witnesses

I: Jon Mew, Chief Executive Officer, Internet Advertising Bureau UK, Dr Toby Syfret, Director of TV Research, Enders Analysis, and Professor Douglas West, Professor of Marketing, King's College London.

Examination of witnesses

Jon Mew, Dr Toby Syfret and Professor Douglas West

Q8 **The Chairman:** Good afternoon and welcome to this meeting of the House of Lords Select Committee on Communications and our inquiry into the advertising industry. My name is Lord Henley and I am chairing the inquiry. You will meet other members of the Committee whose names are up as they ask questions.

The purpose of this particular session and why we would like to hear from you is to explore the wider issues facing the industry as a whole, such as the development of skills needed to sustain the industry, the United Kingdom's access to talent, how best to improve the diversity of the advertising industry workforce, how to encourage the growth of the advertising industry regionally, and how the industry is going to adapt, particularly with the changes coming in the face of increasing digital advertising.

I will ask you, if you would like, to say a few words of introduction about yourselves and what you feel you have to offer, and then the Committee will start asking questions.

Jon Mew: I am Jon Mew. I am the CEO of the Internet Advertising Bureau in the UK. We are a trade body for digital advertising. Our role is building a sustainable future for digital advertising. We work with media owners, brands and agencies—the whole industry—to try to help regulate it and grow it.

Dr Syfret: I am Toby Syfret from Enders Analysis. We are an independent company. We write lots of reports about the media and the telco industries. Long before Enders started in the 1980s, I worked in the advertising industry, so it is funny coming down to an inquiry on advertising. I worked a lot in the international media department and planning sections, and I later went on to do consulting for a long time on my own. My particular speciality is audience measurement, so if people have questions on some of those issues, that would be fine. For about the last 15 years, I have worked with Claire Enders and written many of the reports on television. That is my main, core subject. I have to say that it is brave opening an inquiry on this particular subject, as I think so much has yet to be revealed and understood. It is a bit of a Wild West, but there we go. I am happy to offer comments where I can.

Professor West: Good afternoon. My name is Douglas West. I am one of three Professors of Marketing at King's College London. My area is marketing strategy, mainly, but I have also taught advertising and advertising management. My research areas are creativity and risk, so I have done quite a lot of work in North America, Australasia and Asia, in risk taking and creative processes, and how they affect advertising agencies and how they affect how advertising agencies compete between themselves and so forth. I have talked at various other institutions. I will not list them all but I have taught in Canada at the University of Calgary, the University of Birmingham, Henley Management College as it was—Henley Business School—and so forth. I will end there.

Q9 **The Chairman:** Thank you very much indeed. As I said at the beginning, there are a number of subjects we wish to pursue, and Dr Syfret has warned us that we are probably biting off something larger than we can chew, but I hope we will be able to cope with it and I hope we will be able to manage in relation to the changes that you say are facing the industry at the moment. The first and most important I wanted to get on with was about what the skills are, within the advertising industry, that you need. Are they emerging from the universities? What training do you feel you ought to be providing within the industry? What should the universities be doing? What can the Government do to help? Just start off there, and I leave you to take it how you wish.

Jon Mew: Why do you not start as you are the expert?

Professor West: I am at one end of the training spectrum, I suppose. In terms of our teaching at King's and other similar universities, there are swings and roundabouts to what we do. We are slightly on the back foot, in that industry reacts much more quickly than we can react. It takes us about a year to plan a course, test the market for a course and sort out the content, and it takes a second year to market that course and make sure that we have the appropriate people teaching the course. The course will start in the third year. So our planning cycle for MScs and degrees and so forth is, inevitably, on the back foot.

On the other hand, what we tend to specialise in is, instead of being so closely guided by content, being more guided by the processes and setting up students so that they can take on challenges in the future, whatever those challenges might be. They are good at researching. We teach them how to do a dissertation and research and so forth. To some extent you do need to use the content, but it is the way we approach that content that gives them life skills. I must admit, however, that we do take longer than excellent programmes and training programmes that you would be running. It takes us longer to react to those problems.

Dr Syfret: On the skills, one important thing to note at the outset is that in the big agencies over 80% of staff come from outside this country. Whatever courses there are going to be, they also need to tie in with the possibility that the industry can attract people from outside. There is a whole raft of areas that have always been important in developing creative-planning skills: data analytics, marketing and also the ability to understand what some of the direct marketing measures are and do, and how they affect brand values and things like that. There is a whole area of expertise that is relatively weak at the moment—but, as this world develops, it could do with a lot of input.

Jon Mew: Consumer behaviour is the thing that drives the biggest change in our industry. More and more people are consuming media through the internet. Ad pounds tend to follow that, so the online advertising industry is not creating that change but more reflecting that change, so the pounds start to move to digital. The UK leads the world in advertising. It also leads the world in digital advertising. One of the highest amounts spent in digital is in the UK and it certainly leads the way in Europe. We want to make sure it stays that way and that the UK continues to lead the world. To do that, it is really important that, as well as all of the creative skills that you need for marketing, we also have the technical skills that you need to execute and implement digital advertising. The more we can do to encourage people to leave schools and universities with those technical skills, the more we can support our industry.

The Chairman: Dr Syfret says that a very large percentage are coming from abroad.

Jon Mew: Yes.

The Chairman: Are universities and schools not producing the right—

Jon Mew: The Advertising Association stats show that 53% of new jobs in our industry are coming from people who come from overseas: just over half. That is critical at the moment; we have to fill some of those skills gaps by bringing people in from overseas. That is really important to our industry.

Dr Syfret: I should add that part of the point about employment and saying how many people are from outside this country is not that there is a lack of talent within this country, but London and New York are the two big advertising centres in the world. Of course, one of the big issues is, if it is made difficult for people to get in to the industry and all the data-processing and other skills which people increasingly need are not there for people to learn, with a strong culture here, it will take very little for the big networks to shift their headquarters and a lot of stuff away from London.

The Chairman: Are people coming from abroad because the talent is here and they are following the talent, or are they coming here because there is a shortage of talent?

Dr Syfret: No, they are coming here because this is the centre where many—

The Chairman: Because this is where it is at.

Dr Syfret: Advertising is not just a national business. With the marketing and all that is behind it, you are setting up, you are going to other countries and you have international campaigns. For a lot of the control and the management, London is a big centre, just as New York is a big international centre. Of course, they have lots of creative and other skills to bring to it. It is not meant to be negative about any lack. On the whole it is really positive, because people go to London and get benefits from what goes on here. It is something that many people seek, desire and want.

The Chairman: What I was trying to get at is whether there are skills gaps. Is it just because people want to come?

Dr Syfret: You are looking for the best people. You are looking for the best creative talent and you are looking for this. It is like in the film business. You do not just stop in one place. These are big international networks, so a lot of the stuff that Omnicom or GroupM or anything else is doing is across the whole of Europe and elsewhere. You then want to attract a variety of talent and cultures. “It enriches the process” is what someone like Sir Martin Sorrell would say.

Professor West: I would also add that one of the routes by which they are coming is not directly into jobs necessarily, in that, at universities such as King’s, a large number of our students are from the EU and the rest of the world. Rest of the world students, with tier 4 visas, have problems getting jobs. They need sponsors. A very large proportion of our students are EU students and they will come into the country that way. From there, once they are here, we advise them on their CVs. We give them advice. They enjoy living in London and working in London, and they often apply for jobs within London and within London advertising agencies.

Q10 **Baroness McIntosh of Hudnall:** On that topic specifically about who is coming in to do the courses that you run and other universities like yours run, are they mostly postgraduate?

Professor West: On our undergraduate programme, which is our management programme, about a quarter are UK-indigenous, around—

Baroness McIntosh of Hudnall: Sorry, can I stop you, because I asked the question badly? What I am trying to find out is: of the people who are coming through your university, seeking, ultimately, employment in the advertising industry or related industries, how many come in at undergraduate level and how many are adding a master's or beyond to an undergraduate degree in another discipline—and what do those disciplines tend to be?

Professor West: If I understand your question correctly, on our MSc programme, we have around 120 on the marketing MSc, of which—I have not looked closely at the numbers precisely—probably about 95% are from outside the UK, of which about half are EU and half the rest of the world.

Baroness McIntosh of Hudnall: What disciplines will they have done their undergraduate work in?

Professor West: In a sense, what you are asking is whether they are advanced or conversion. Our programme seeks to do both. It is a difficult one to get right. We take a mix of students. There are some who have done marketing before or business studies before, but quite a lot of them are from geography, English or wherever, and have now thought they would like to add more of a specific career element to their programme. By doing our programme, they often are allowed abatements on professional qualifications such as those from the Chartered Institute of Marketing or wherever. They are encouraged to go on to do those qualifications but they do not have to do the full set because they have done our programme.

Q11 **Baroness McIntosh of Hudnall:** If somebody comes in with a degree in history or English, wanting to head, say, to the kind of work that Mr Mew and his colleagues are able to provide, what do you add in terms of skills that will be specifically useful to them?

Professor West: What we are increasingly seeing is what they call in the States the move from "Mad Men" to maths men. Increasingly what we are seeing, if you see it in terms of different kinds of processes of thinking, is a movement from more intuitive, creative thinking to more analytical thinking. It has always been there; it has always been in the advertising business, in the sense that, to be creative, you need to do your homework. That is the irony about creativity.

I do not know the exact skills of everybody in the room but, if we were to try to come up with a new, creative way of doing brain surgery, that would be a really difficult one for us to do. You need to know your area to be creative in it. There has always been analysis, but what we are seeing more and more is that movement towards data processing and data being a big part of the solution. I find it interesting when we talk about traditional media and new media, because new media have become traditional. I do not think anybody starts a campaign without thinking about Google or search or whatever.

That is a longish answer to your question and I did not mean to be quite so verbose but, in essence, what I would say is yes, we do a conversion and we attempt to convert. They do have quite a lot of choice as to what they would like to study as the course goes on, but a lot of them elect to do digital marketing and courses like this. In fact, we are introducing a new course in digital marketing next year.

Q12 **The Chairman:** Do you find that you are having to adapt any training to the changes caused by the rise in digital advertising and social media? Is there anything that government can offer in this area?

Jon Mew: We run a whole host of training programmes for the digital industry, which are incredibly popular, and there is a need for even more of that. In terms of what the Government can do, we sit on the board of the Advertising Association. In their Industrial Strategy proposal, they identify some of the barriers that SMEs face in spending more money on advertising. Some of the things we talked about are having industry-funded knowledge hubs and whether we can do more with SMEs to help train them and educate them around digital and ensure that they understand the world as it is today.

Dr Syfret: The difficulty that, at one level, I have with answering you is that there is so much we have yet to see or where do not know how it is going to work. I know, later on in the questions, when you talk about the traditional display media, one thing that does concern me is the very difference in the regulatory frameworks for the traditional media and online. That will have effects in areas where people decide to put their marketing budgets. At the last meeting, I talked about how I thought we had regulations in the broadcasting world, about CRR regulating ITV and things like that. It seems to me that the world of video, if you like to call it that, is much broader now, and we have some pretty moribund legislation, which is like a straitjacket on the old world, whereas the Googles and Facebooks are pretty free to do what they want.

There is then the question of whether moneys are being transferred. There are other aspects, such as the marketing culture of advertisers—the short-termism. Now they have different kinds of metrics for measuring; it is no longer "Did you see?" but "What did you do and does that help me? I am paying on the basis of what I think you did". We have gone from consumption measurement to attribution measurement, so there are all kinds of things going on. It is certainly true in content. Some of the stuff you would see on Facebook or any of the other sites, you would never see on BBC, ITV or Sky News. When you are looking at the overall context of it, we need to think about what our rules, frameworks and things are going to be, and that actually rules bind everybody.

Professor West: Excellent points have been made by my colleagues here. Also, possibly, there needs to be a little more long-term thinking on this one. We very much respond to demand from students. Over time, if we find that courses are not attracting enough students, they tend to wither. If we find demand in other areas, they are the areas that we respond to. What I am saying is that it goes back to what students are studying almost at school, setting them up to then be thinking about careers in the business, which will lead to them coming to us. It is partly that kind of thinking.

One thing I would add is that we have, for example, just been experimenting with setting up a part-time course, which is aimed at people in the business in London, not necessarily in the advertising business but who may want to get into marketing; they are not necessarily in marketing but may wish to be. We have set up weekend courses for them, and that seems to be going extremely well. There is quite a demand for that, but there are implications there for student loans and so forth.

Q13 **Baroness Bonham-Carter of Yarnbury:** My questions are for Professor West. You mentioned schools there. Earlier on, you were all asked what the Government could do. Do you think our schools are providing adequate training, classes or subjects to feed into your courses?

Professor West: Having said what I have just said, we are fairly catholic with a small "c" in terms of the students that we take, so you can come on to our management programmes with a broad range of A-levels. In terms of schools, I am not entirely certain. I think that marketing is part of the curriculum. I am not sure that the general move to digital has been captured yet in school curricula, or the enormous impact that that is going to have on business. That is rather a vague answer—I do not have any statistics on it—but I get the impression not yet.

Q14 **Baroness Bonham-Carter of Yarnbury:** You also mentioned the high number of students from the EU for whom, at the moment, the pipeline is an easy one. Are you concerned about a future where that is not the case?

Professor West: Very much so. We attract excellent students from the EU and many of them want to stay in London and, if not London, the north or other hubs where they can go for marketing and advertising. Yes, it is a real worry. We are very concerned that we may well lose them.

Baroness Bonham-Carter of Yarnbury: Do they bring particular skills or is it just having a variety?

Professor West: Clearly, there are language skills. Certainly, we encourage them to look to agencies—not just on the agency side but on the client side, because with a client, you need someone within the agency who negotiates the creative. They may not do the creative and they may not do the media, but they have to understand it. There are many opportunities within clients for our students as well. With their language skills, it is fantastic for European operations.

Baroness Bonham-Carter of Yarnbury: I do not know if anyone else wants to come in on that: the effect on the advertising industry if the EU pipeline is blocked.

Jon Mew: Potentially a big effect. We said London is one of the top two hubs of advertising in the world, and a big part of that is because we can bring talent into here. In the last 12 months, the figure in London has been three times higher than the corresponding figure in New York in terms of the proportion of the workforce that have migrated here from abroad. In London, we have a very high reliance on people coming from overseas: 53% of new jobs are from overseas and 37% of those are from the EU. If that turns off, that is a big threat.

The other thing is that, with digital businesses in particular, you will see that a lot of US companies will headquarter in London to run their European operations. The vast majority of businesses do that. They will start in London and build out from there across Europe. It is very easy for them to relocate to other countries and not do that anymore, so there is a very real threat to that.

Dr Syfret: Yes, I agree.

Baroness Quin: Could I follow that up first before I ask my question? Is anybody listening to your concerns about the difficulties that you may have in attracting students or talent generally from the European Union in the future? We are, I suppose, because you are giving evidence to us, but more generally to the Government and feeding concerns into the negotiation process.

Professor West: My experience at King's is that we certainly are, and I am certain that other universities are. We have a team of people who are actively looking at this and we are planning ahead. We have lots of planning meetings around this. At the government level, I am not so aware of the planning for this, but that may be my ignorance.

Jon Mew: We are trying to be proactive as an industry to raise those concerns, working through the Advertising Association. They have just done a big study that looks at the importance of migration to the industry. That launched last week. We are trying to make those messages to the Government. This is a great step to doing that as well. It is not a difficult message to land at the moment. Everything that the industry wants potentially is different to what Brexit promises. We really need free movement of people. We need laws that are the same across Europe. We need laws that allow free flows of data across Europe and with the US. All of these things are difficult politically to deliver at the moment, but very important.

Dr Syfret: The same laws and things are being discussed now in Europe on privacy and all those sorts of issues. One of the factors that has helped London, if I go back years in time, get to the position it has got to was that this country developed commercial television and other things and had a national press, which made it very strong in terms of creative media, even in the days of just ITV on its own versus the BBC. That meant that there was much higher advertising spend per capita compared with many other countries. When I joined in the 1980s, it was only then that Berlusconi and Canale 5 and so on really started in Italy. The French market had not really deregulated. In Germany, it was still 20 minutes a day, which it still is on ZDF and ARD—the two stations. Then you had the English language.

The combination of factors meant that London had a strong position then, although it partly got challenged by Paris, where the media independence or the full-service-agency movement all started. That put London in a really good position, which certainly, up to now, it has not lost. With our offices in Soho, you see all kinds of different kinds of ad tech and digital organisation. We need to do all we can. If I was to say one thing that I felt strongest about as far as this now goes for the ad industry, it is to try to do everything we can to continue having free movement of people. It could suffer very badly if the businesses feel restricted. They have plenty of other challenges now, but that is certainly one they do not need to have.

Q15 **Baroness Quin:** Thank you very much. I will put my question now, which is perhaps another challenge, but it relates to the concept of clusters and how this relates to the advertising industry. We have talked a lot about London and its huge importance, which I am sure we accept, but how can there also be regional growth in the industry and how can we get a balance between the regions and London and the south-east of England? Do clusters help? Can the Government help with a clustering policy?

Jon Mew: Clusters exist in all industries. Even within London, there are clusters in Soho and Shoreditch. There are tech companies in Shoreditch and agencies in Soho. More than half of the ad industry is based outside London. Manchester is the second-biggest hub and there is a really thriving advertising community in Manchester. We have probably talked about London too much today and not enough about the other areas where advertising is big. There is more that we can do. Through the AA, we have explored regional advice hubs funded by industry, and we have also talked about trying to emphasise that advertising is an investment worth making for SMEs and encouraging more investment outside London in marketing.

Baroness Quin: Do either of you wish to comment?

Dr Syfret: I would say this: London is important as a big international centre. You do not regionalise that. I think of the things they could do with Channel 4 but it is a national channel. Therefore, there may be something to be said for getting more commissioning from outside but there is an awful lot to be said for keeping the main Channel 4, which has a workforce that is about a 25th of the BBC's size, in London. London does have some special qualities. We are now losing the local press and things, and there may be other projects that could be valuable for helping the regions with media and things, but I am not sure that it would be my priority. I see that as something you can easily do with the nature of the advertising business that you have now in London.

Baroness Quin: Professor West, do you see the Government having a role in trying to promote clusters?

Professor West: Yes, they may well do. The starting point is: is a cluster valuable? The general argument is that clusters give a sustainable competitive advantage in that they give an advantage to those in the cluster. You benefit from being within the network of the cluster and its location, which gives you an advantage—as well as the cluster, of course, benefiting the economy as a whole. My thought would be that, when advertising problems or marketing problematics become solved by digital analyses, it changes the nature of the cluster and it might become more of a commodity and less of a creative cluster. You might be looking at a solution for which IBM or Oracle has the process and the software; I do not know how you feel about this but it might well be that the creative solution that used to be can now be solved by an algorithm and, therefore, the cluster might take on a different nature and need a different kind of network, if that makes sense.

Dr Syfret: On that, as with what people are saying about Channel 4 and things, in the creative area—as opposed to the buying and the trading area—probably things could be done to grow it regionally, which will cover both programming and commercials and other advertising creation.

Professor West: Could I just say one thing? If you saw it tangibly and really wound the clock back to the 1960s, and you had a creative team working in an advertising agency, they would come up with the creative ideas, the ideas would be implemented, and they might be involved with the production. If it was a TV commercial, they might go to the TV shoot and watch the production and so forth. Today, the creative team is having to work with digital people, who are digital creatives. Having to translate your creative idea into how it might change your website, or how you might be looking for a search term for Google or whatever, changes the nature of the creativity. It becomes more of a process, if I am making sense: there is a solution and I can take it off the shelf, almost, so it is less of a creative-insight moment.

Q16 **Baroness McIntosh of Hudnall:** What I want to ask you about is probably connected quite strongly to what you have just said. I really want to ask you about employment and the way that people make a living from this world now. First, in respect of entrepreneurial activity and small businesses, Mr Mew, you mentioned earlier on that you deliver some training to small businesses to help them, but I would be quite interested to know what kind of help they need. I am also quite keen for us to hear on this: if you are coming out of university with a master's in whatever it is and you want to get into this industry as it is now, what are you likely to have to do and where are you going to look for employment? Is it an industry that, for example, compares with film or television or theatre, where a lot of people start off working for next to nothing in order to develop some credentials? How long does it take to get to be the guy in "Mad Men" with the Caddy and the string of wives?

Jon Mew: Which bit would you like us to answer first?

Baroness McIntosh of Hudnall: Anything you want to start with.

Jon Mew: I will answer the small-business bit, because you directed that at me. Small businesses are really important in the UK for driving innovation and change and helping to keep the market competitive. We have a really good reputation in the UK for start-up advertising and technology businesses here. Ironically, what we are good at with those people is they will spot where the gaps are. They perhaps do not need training on those specialist areas because the specialists will often create companies where they see gaps. That is one of the good things about the industry: the barriers to entry are very low. If you want to set up an advertising-technology company, not to do a disservice to those who do it, the barriers to entry to doing it are quite low. In a strange way, the training that we offer in those specialist skills is more for traditional businesses than it is for the small start-ups. We will spend more time training BA or Bauer—a traditional media company or a traditional brand—in those specific technical skills.

I forgot what the second half of your question was.

Baroness McIntosh of Hudnall: Perhaps I can rephrase it slightly. If you are a start-up in this industry, how hard is it to get decently paid for what you have to sell? Who is controlling the economics of it?

Jon Mew: If I can talk with more knowledge of digital advertising. From that point of view it is easier than in other industries to set up a business that can make money, because there is so much competition. The way that digital advertising is traded programmatically—it is done on an open marketplace so you can buy ads from anywhere in a millisecond—means that there is an opportunity for multiple different players to have a role in that ecosystem.

Baroness McIntosh of Hudnall: Thank you. The other bit probably belongs more with the suppliers to the market of people who might want to work in it. How hard is it?

Professor West: It has always been hard and it is still hard. With students, the advice we have often given is to develop a portfolio of some kind, not in terms of an artistic portfolio necessarily but to look at an advertising campaign and then to think about doing the next one in the campaign. The point about the whole industry is that it is easy to come up with creative ideas, but are they strategically valued? Do they solve the client's problem? What students can do by developing a portfolio is to show an agency or a client, "Have a look at my work. I am not working in the industry but here are my ideas", and they can show something. Otherwise, it is a great risk. I know, for example, many students who have gone into the media, and I remember one student telling me that, at the interview at the media agency, the person interviewing them took various newspapers and threw them at the student and said, "Tell me about that newspaper. Who reads it?" They have to have some understanding—to get a foot in the door, to some extent, of the business.

Did you talk about payment there?

Baroness McIntosh of Hudnall: Yes, absolutely—or lack of it, possibly.

Professor West: The whole thing has changed from a commission-based system to much more of a fee-based system. Mainly, the commission is rebated now. It all goes back to the 1917 court case, Tranton v Astor, Astor being the newspaper owner and Tranton being the advertising agency. The agency had a client whose responsibility was to pay for the media that they would run in the paper. It was established in law that the advertising agency was responsible for anything booked in the media. The media then introduced a commission system where they rewarded agencies that were financially viable. A small start-up would not get commission, so they had to break away from an agency with clients to then be able to get commission. That whole system has really gone now. There is commission being given but it is often rebated, and clients will pay on a fee basis.

The Chairman: I think, Lady McIntosh, you were thinking about employees.

Baroness McIntosh of Hudnall: I am wondering whether there are employees. What proportion of the people who work in this industry now, compared, say, with 20 or 30 years, are freelancers or independent small businesses? My sense is that the industry is no longer made up so much of people who are directly employed and get a salary and get their national insurance paid.

Professor West: I think you are right. My point about commission, which I did not make very well, was that it is now easier to be a small start-up, because you can charge a fee. You are not trying to get commission.

Baroness McIntosh of Hudnall: If you want a job, however, it is more difficult.

Professor West: Yes.

The Chairman: Is it any more difficult than a wider range of industries?

Professor West: No, probably not. I do not know if this is of interest to you but I was thinking about the Committee and thinking about what kinds of jobs you were talking about. I recently did some research with a multinational agency based in London. This was a descriptive part of the research and I asked them what jobs these people had surveyed in the agency. Many of them are traditional: account planner/researcher, account director, creative director, copywriter, art director and media. The other jobs were digital account director, digital media, digital account planner/researcher, community manager, SEO search-engine specialist, designer specialist, digital copywriter, digital art director, digital creative director. There were more digital jobs than there were—

Dr Syfret: Not only that but, from what I have heard talking to one or two, the big media agencies, as it were, with all the digital skills, are having an increasingly prominent role in determining the creative, saying, "We need this bit of creative". The whole balance has completely changed from what it was some years ago.

Professor West: That is an excellent point because the media are leading creative more than they used to.

Q17 **Viscount Colville of Culross:** What do you think the future is of the traditional television and print media in the face of the extraordinary dominance of the search engines and of the social media giants? They are not only taking away content; I gather they are even taking away the platforms for television—these super-aggregators taking away the ability for television content-makers to be able to control the way they broadcast. How are they going to be affected by this shift?

Dr Syfret: Print and television are slightly different in this sense: although this country has seen a drop in viewing of television, it is nothing like the decline that we have seen in readership of print media. When those moneys have gone down, we have seen digital display growing. With television, there is a tougher situation. First of all, except among young people, certainly over a certain age, there has been very little erosion of the audience so far. That is not to say that it is not happening; it is still a mass medium in the way it functions. My feeling is that, whatever that change is going to be, it is going to be quite slow; however, the traditional media are much more regulated, and that is something that needs to be thought about.

We have two separated worlds, where you have the traditional media with all kinds of regulation on news, the way content is done, the children's time and when you can put on other kinds of content, and none of the other has that. We need to look carefully at the regulatory structure that is in there and to look at the extent to which it is possible in areas to make it more equal across the two, or relook at some of the existing regulatory framework things and help. At the moment, as I said, you have a number of reasons for giving advertisers incentives to spend on online digital, and they do not have to worry so much, say, about television because of the way the trading structure works for that.

Television can last a long time and print on paper can last a long time, until you get to a precipice where you cannot make the economics work. There are a number of things, whether it is the live broadcast or whether the screen in the living room is the screen people most enjoy watching. In the case of television, it still has many great strengths on the old broadcast model. It could be helped along a bit. It is really important, going to the advertising side, for the power of brand and branding, which advertising can do so well. What we see the whole time is the danger of the electronic world and its short-term, "Get a response, get a click back and get a sale". It is a different kind of measure and it may not be good for brands in the future. The old world will carry on for some time. Cinema audiences fell but there comes a point where they reach an equilibrium. I am sure that will happen with young-person viewing to television and things, but sometimes the medium could benefit from more regulatory scrutiny of the levelness of the playing field.

Jon Mew: The ad market in the UK has grown over the last 10 years from £17.4 billion to £21.4 billion spent in the UK. The market is growing but what has happened in terms of dynamics is that digital has grown from 8% to 48%. Most other industries have held a relatively stable share, apart from press. Print advertising has declined from 39% to 11%. Directories have almost completely disappeared. It is print advertising that has suffered, but print titles are now making money out of digital.

The Chairman: I am sorry about this. We now have a Division. Do you want, Mr Mew, just to finish what you are saying? We will then break for 10 minutes while we disappear and then come back and finish the evidence. We have a couple of minutes, so just finish.

Jon Mew: The digital industry is incredibly competitive. You talked about the influence of the big search players and social networks. The difference for them is that they operate in a competitive marketplace but they have an excellent product. That is the thing that other media companies struggle to compete against: how good their product is. Advertisers are free to choose where they put their money but it happens that, with a lot of those big players, what they can offer an advertiser is very good.

The Chairman: Thank you very much indeed. We will come back as quickly as we can.

The Committee suspended for a Division in the House.

Q18 **Viscount Colville of Culross:** I want to ask about something that was mentioned before. Hopefully, one can get quite a neat response. Talking about the huge growth in the digital advertising business, there has been a huge change in relationships—and this is particularly for you, Mr Mew—between the advertiser, the advertisee agencies and the publishers. There have been reports by K2 and Ebiquity that have talked about their concerns over the too-great closeness between the agencies and the publishers, which means that the advertisers are not getting their discounts passed on to them and they are not getting the campaign and media planning that they should do, because there are already arrangements between the agencies and the publishers or the media platforms. Is that something that concerns you? That seems to be interesting and important.

Jon Mew: It is not a problem that has come about because of digital; it is a problem that has always existed in media about having transparency. There are a mixture of issues that have arisen over the last few years with digital. The opportunity for digital, though, is, if you do it right, what you can have is more transparency, but it is about getting to that point. There are technical solutions to give you more transparency with how you plan your campaigns and where they appear, so you can have more of an understanding as an advertiser as to what is happening. It is an age-old problem that has always existed: brands wanting to understand where their money goes and who is taking money along the route.

Lord Allen of Kensington: Can I ask a specific question? We read in the media every day about Amazon, Google and whoever, who are going to eat everybody's lunch; that is the first point. Secondly, they are promoting their own platforms for the goods and services of others. I would like a specific comment from certainly Jon and Toby on that.

The second point I want to make—and this is a specific question I would like you to come back in writing on—is whether the current digital advertising market is fair, open and competitive? The second bit is about what regulatory or legislative measures are needed and who should do what. I do not think we have time for an answer now but I would really like, Chair, if they could come back in writing with their views on that, specifically Toby and Jon.

The Chairman: All three of our panel who have very kindly given up an hour so far to come along to talk to us have had a look at the questions we are going to ask them. What I was really going to ask was whether you would like to add something more in writing. We are now going to have another Division. The bell is having problems even ringing. We are going to be away for another 10 minutes, so perhaps you could write to us and I can then take other witnesses after that. I am very sorry about this disruption but it is the nature of things. Thank you very much.