



Select Committee on Communications

Corrected oral evidence: The Advertising Industry

Monday 15 January 2018

2.15 pm

Members present: Lord Gilbert of Panteg (The Chairman); Lord Gordon of Strathblane; Baroness McIntosh of Hudnall; Baroness Stowell of Beeston.

Evidence Session No. 16

Heard in Public

Questions 146 - 164

Witnesses

I: Professor Tony Hines, Professor of Marketing, Manchester Metropolitan University; Dr Oliver Kayas, Senior Lecturer, Department of Operations, Technology, Events and Hospitality Management, Manchester Metropolitan University; Dr Jane Tonge, Senior Lecturer, Department of Marketing, Retail and Tourism, Manchester Metropolitan University.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Professor Tony Hines, Dr Oliver Kayas and Dr Jane Tonge.

Q146 **The Chairman:** I welcome our witnesses to this session of the House of Lords Communications Committee inquiry into the advertising industry and the skills that it will need. We are very grateful to our witnesses for joining us today, and for your help in setting up this session, your hospitality to us here this afternoon, and your help in finding some of the other witnesses we are going to see later today. Our witnesses are Professor Tony Hines, Dr Oliver Kayas and Dr Jane Tonge. You are very welcome. Please briefly introduce yourselves and tell us a little about yourselves individually. When you have done that we will ask you some questions, and I will ask the first question.

Professor Tony Hines: I have quite a long history of being involved with marketing programmes, probably over 30 years. I worked for the Chartered Institute of Marketing as an educational adviser, ran programmes overseas for the institute, and developed curriculum at every level of its courses. I also have industry experience, working as a consultant with people in the industry, and I do research on the broader supply chain of digital supply markets.

Dr Oliver Kayas: I am a senior lecturer here at the business school at Manchester Metropolitan University. I have been here for four years now and I teach across a range of different programmes. I teach several different units or modules on digital marketing, including a couple on the apprenticeship, which we may talk about a little later. Prior to a life in academia, I worked in the voluntary sector doing web development and promotional work. I have also done consultancy work for small online start-ups.

Dr Jane Tonge: I am a senior lecturer in marketing communications and I am a programme leader on the master's in public relations and in public relations and media management. Like Oliver, I teach quite a broad range of things under that heading. I teach on public relations courses, corporate reputation management, corporate relations skills and specialisms, and research methods, and I supervise dissertations and PhD doctoral students. As with many of my colleagues, prior to working in academia I worked in industry. I worked in the public relations and communications industry for about 10 years for local government, housing associations and a full-service agency in the city centre.

Q147 **The Chairman:** I should have mentioned that we are recording this session for Hansard, so there will be a printed record of the session.

Perhaps we can we start off by talking about advertising as a career. What courses does the university offer, which courses do you think are particularly important to people wanting to enter into the advertising industry, and do how you work with the advertising industry, both to get its input into the courses and to provide it with the kind of training that it needs to further the industry?

Professor Tony Hines: Perhaps I could start by giving you an overview of the programmes and what we offer in the portfolio of courses. We have a range of undergraduate programmes: a BA in marketing management with about 120 graduates every year, a BA in advertising and brand management with about 60 students every year, a BA in PR with marketing with 20 students or thereabouts, and a BA in retail with some marketing units with about 20 students. In total, that is roughly 220 graduating each year. You have to remember that there are three years of those programmes, so there could be 600-plus—660 or thereabouts—on our undergraduate degree programmes at any one time.

With the master's-level degrees, we have named routes, such as creative advertising. We have about 25 on that route. We have about 47 on the marketing management route and 15 on the marketing communications route, and some more that do PR alone.

Dr Jane Tonge: There are about 20 students in public relations, and another 20-ish on the online course.

Professor Tony Hines: That gives you an overview of the undergraduate and master's degree portfolio. In addition, we have students on foundation degrees. I do not know the exact numbers, but we can get those for you if you want them. Then there is the apprenticeship, which we talked about over lunch. That gives you an idea of the range of courses.

Typically, to keep those courses refreshed and contemporary, we will do a range of digital media and marketing platform units that are common to and shared across some of those degrees. We do marketing communication theory, practice, principles of marketing—the usual stuff. We have a strange unit called the responsible marketer, but it is very important in the modern era to have the ethical, moral dimension. We have personal and professional development embedded in there.

We do the usual discrete units, such as advertising, consumer behaviour and culture, brand management, customer information. We have units called “agency life” and “the big agency” for people wanting to specialise in those areas, but we give everybody a flavour of those things on the way.

The Chairman: Presumably it is in the work of those units that you work very closely with the industry.

Professor Tony Hines: Yes.

Dr Jane Tonge: Yes. Those units are at undergraduate level. We have something similar at postgraduate level, which has a slightly different title, “investigating business practice”, but basically you do a live project with an external client, so the students work as account teams. With agency life the student goes to work with the agency.

Professor Tony Hines: That is correct.

Dr Jane Tonge: At the master's level, although they do lots of that anyway, the actual unit is groups of four or five working as an account team. They are assigned an external client, which we are just about to do this week. We are assigning the students to work on it this term. They meet their external client and work as an account team would in the business world. They will do the research and analysis, put together a strategy, and pitch it to the client at the end of the term, with a strategy report, and the client watches it.

It emulates what happens in practice so that they are prepared for that when they go into the workplace. They get the experience of working with real clients, real businesses—SMEs, entrepreneurs, big companies, all sorts of companies. They also get that client relationship experience, the softer skills of managing a client who is very busy and not returning your calls. Working with real people can be tricky, but they are exposed. They have to do that; they have to manage their own client. The tutors support them and they meet us every week, but it is their client. It is the same at undergraduate level; they work with real companies to get that experience.

The Chairman: How do you get feedback from the industry about the courses and the skills you are imparting to students?

Professor Tony Hines: I suppose in a number of ways. There is a formal mechanism, but we also have regular and frequent informal contact. There are people coming into the university all the time from the industry to give guest lectures and evening presentations, that sort of thing. I was just talking to the dean on the way out, and there is a presentation later on Thursday night from the CEO of Vimto, which is a famous local brand, but we have lots of different people from agencies coming in, and they work with us in these sessions.

Dr Jane Tonge: They do an awful lot, yes.

Professor Tony Hines: I have seen some of the sessions that Jane has done with her groups and so on. There have been quite a lot of industry practitioners in that room when you have run those sessions for a day or whatever.

Dr Jane Tonge: Yes, we have an industry day. I am talking ahead a bit, but we call it "future talent in the creative industries", and we have run that for three years now. We invite representatives of different creative industries—design, advertising, digital, all the agencies we work with locally. They come in for a day and meet the students. Last year, postgraduate and final-year students attended. The morning is a series of talks and the agencies saying, "This is what we do. Here is a campaign that we have done, and this is what you need to do if you want to work for us".

At lunchtime there is some networking, so the students get to meet the people from the agencies. In the afternoon, we set up a competition. Students get into groups and the agency staff wander round, in rooms

like this, and help them with the brief. Students pitch their ideas at the end, and then there is a winner. Last year, I think the winners got a placement in the agency, or they might get a week's work experience. It brings lots of people together.

Q148 The Chairman: Do many young people initially choose advertising as a career within the creative industries, or is it a less popular career choice?

Professor Tony Hines: It is quite a popular career choice. They are taken in by—"taken in" is probably the wrong phrase; I have to be careful here, as it is advertising—they are interested and impressed by the glitz and the gloss of the industry. Everybody has watched "Mad Men". I know it is a long time ago, but that sort of thing keeps it bubbling under. Youngsters generally like the buzz of what goes on in the digital age. They are creatures of social media and used to dealing in social media. All the stuff that they do will be on mobile phones and text. It is all screen stuff.

One thing that we might talk about later is the university initiative Screen School, which we are developing in one of the areas at the end of the car park. That will be a hub for people right across the university to think about how they are using digital media. It is not just on our marketing programmes and so on but across the university. Is it funded by the LEP or something like that?

Dr Oliver Kayas: Yes, that is right.

Professor Tony Hines: It is funded from that source. That is a very positive move for us in the digital arena. As a university, we are very well engaged in the industry. A lot of associate lecturers come in who are in agencies, advertising or different organisations where marketing is a skill, PR agencies and so forth. Those people come in and do sessions and are keen to develop their own skills in a teaching contribution, particularly as they get more established in the business. They want to return and do stuff.

You have to remember that we have been doing marketing in this university for a very long time, so we are well known around Manchester and the broader region, and certainly internationally. A lot of people come back and want to give something back. We are quite well engaged.

Q149 Baroness Stowell of Beeston: I wanted to pick up on what you were saying about the appeal of the advertising industry as a career for young people. That is contrary to some of the evidence that we have received from a production company. The impression that one of our other witnesses has given us is that perhaps, in this day and age, where this generation of young people are looking for things that are very authentic and real, there might be a tension between what they perceive as the kind of world in which they want to work and advertising. It represents something that tries to encourage people to spend money and so on. Big companies such as WPP do not necessarily sing to their own ethos. Here, at this university, have you noticed any decline in interest in advertising

over the last few years, or does it still compare quite well to the other degrees that you are offering?

Professor Tony Hines: Authenticity is something that contemporary students are very interested in. It plays its way through on the degree programme. They want things to be authentic. We have a number of researchers doing research degrees on the very area of authenticity and so on. They could say a lot more than perhaps somebody like me about authenticity.

It is very important that we have an understanding that it offers opportunities for different people from different backgrounds and walks of life. They will all come with their own idea of what authenticity is and what the industry is about. We talk about advertising as if it is some kind of homogenous industry. I do not think it is. It is very heterogeneous in its nature. There is an opportunity and a place for those who want to build a career in authentic advertising. They might decide that they want to work for Greenpeace or an organisation that has a mission. It is important to recognise the things that you are saying, but it is important to keep a balance.

Baroness Stowell of Beeston: I am expressing the view of another witness. I am just trying to find out whether your view or experience here in this university is that the interest in this sector has not declined in recent years. It is still popular as a thing to study.

Dr Jane Tonge: Speaking for the master's programmes—that is my background—I know that for the MSc creative advertising we have recruited more this year than the year before. For us in the advertising master's programmes it is increasing. We often find that students for those master's programmes do not necessarily have an advertising background. They might have a business or arts degree, or something else, but they have chosen this course because it will give them employability in the advertising industry. We have certainly seen the numbers increase for advertising in the last few years.

You are right: there are so many different forms of advertising. Some people see it as a way into the communications industry, whether they go to work in pure advertising later or more into a communications role.

Q150 **Baroness McIntosh of Hudnall:** Can I just ask you about the demographics of your student body, specifically—your cohort, I suppose? What percentage of them are local, and what percentage come from further away?

Professor Tony Hines: It is quite interesting. I suppose by local you would mean the Greater Manchester area.

Baroness McIntosh of Hudnall: Yes. I mean people for whom this is their local university, or one of them.

Professor Tony Hines: It is probably 50% to 60% local.

Dr Jane Tonge: Most of the students who apply for my master's course are local, or they are from the UK but want to come to Manchester. They want to come to a big city.

Baroness McIntosh of Hudnall: That is slightly different. I am interested in how people see their future and their employment prospects, whether they are focused on this locality and where that is going to take them.

Professor Tony Hines: I will adjust the statistic slightly. I can get you the exact numbers, but I guess that around 50% are local. I would say that 25% are UK and 25% are EU/international. It depends how we carve it up.

Baroness McIntosh of Hudnall: We will come to that.

Professor Tony Hines: I would say that it is those kinds of proportions.

Dr Oliver Kayas: I think it is similar for my specific cohorts for the different units that I teach. That sounds about right.

Professor Tony Hines: There can be annual variation; it depends on all sorts of things. I know we are going to come to some questions about that later.

Q151 **The Chairman:** Before we move on to the issues of talent, which we want to go on to next, can you tell me a little about how you see the role of your institution? Is it to provide job-ready graduates to the industry, or is it to impart analytical and other skills to students?

Professor Tony Hines: That is a very good question. It is the old chestnut, is it not? It is the John Locke question: is it education, nature or nurture? Are we educating people or training them? I suppose our mission as a university is education in the broadest sense. We are looking at analysis, analytical skills and critical thinking, which is very important. We do a lot to try to engender those sorts of skills, but at the same time we recognise that we have to add value to our students. We would be doing them a disservice if we did not offer them some skills that could be entry-level skills into the industry.

It is a mix, but how we manage that mix in the process is always tricky. That is why we have the engagement with the industry through the internship programmes and strong relationships that we have, with people coming in and helping us. We can make a blend of skills that students seem to find useful.

On the question of employability afterwards, off these courses, on the undergraduate courses the statistic for the latest year I have seen, 2015, is that about 94% of our graduates are in employment after six months, and in relevant employment. I am not talking about—

Lord Gordon of Strathblane: McDonald's.

Professor Tony Hines: Yes. They could be, in an advertising sense.

Lord Gordon of Strathblane: Yes, of course.

Q152 **Baroness Stowell of Beeston:** We were talking over lunch about the apprenticeship degree courses that you do. I would like to follow up the question the Chairman just asked about job-ready or analytical skills. Obviously ideally you should have a combination of both. One reason why I am interested in this area in this sector is because marketing and advertising, as well as having all those technical skills, particularly as it becomes more and more of a digital thing, should have a real, deep interest and understanding of human nature and people.

In society at the moment, there is quite a lot of confusion and misunderstanding between different demographic groups, which is being exposed in lots of different political events. For the benefit of colleagues, that is why I was keen to understand whether, in teaching this kind of topic at a degree apprenticeship level, there is a recognition among you as the faculty of the need not to inject so much analysis into people that they feel their ability to attune instinctively with people is affected. How do you effect that? Are you aware of the potential tension there? Is that too theoretical a point?

Dr Jane Tonge: Is that an apprenticeship-specific question?

Professor Tony Hines: Perhaps I will say something and then Oliver will join in, because he has good experience of working with apprenticeship students and so on.

Baroness Stowell of Beeston: It is not just apprenticeships, actually.

Professor Tony Hines: No, it is broader, is it not?

Baroness Stowell of Beeston: It is about marketing and advertising, because it has that element of the need to understand human beings, to understand your audience, or the people you are trying to sell to, as opposed to getting them to understand you, the seller.

Professor Tony Hines: That is very important in marketing. There is clearly a tension between the things that you mentioned. In any sort of marketing, we are trying to nudge people along to change their behaviour in some way. Through information and persuasion, they will take action to purchase a product or service. Obviously there is a psychology involved in understanding the nature of the human relationship and where the press points are.

It is not always just about analysis. It is about emotion. If you look at marketing as a discipline, most of the decision-making comes to emotion, rather than rational choice. I know that economists might disagree with some of this, because they talk about rational choice theory and so forth, but in marketing it is the emotional connection that is important.

That emotional connection is something that we try to convey to our students. They will tell us anyway, if we ask them why they purchased a product and why they pressed the buy button on their mobile phone.

They could do that in the lecture, by the way. They could buy something. We recognise that in many respects they have an emotional connection with a brand, product or service that they wish to purchase.

Dr Oliver Kayas: If I have understood your question correctly, we give them these sorts of tools, frameworks and models to help them to rationalise, analyse and understand how to do things. At the same time, we tell them, "These are just tools to assist you. They are not always going to give you the right answer". Sometimes it is about the intuitive feeling that you have, so we try to give a balanced view on these things.

Lord Gordon of Strathblane: Unfortunately, the flair cannot be taught, or can it?

Dr Jane Tonge: On the public relations programmes, for example, we look at persuasion, but also at the ethics of persuading people and what the ethical issues are. In the classes we look at case studies: "Is what this company did ethical? This is the story behind it". Students analyse those. That is an important part, because we also look at the various stakeholders, how you manage stakeholders, how you identify and understand target publics and what they need and want. You need to know who you are talking to before you can communicate with them effectively. You cannot just bombard people with information if it is irrelevant.

It is about understanding your stakeholder and your target public, which you might do through research. You might do some market research. You might go out and interview people. As part of that live client brief that I mentioned, they talk to prospective customers or audience members. That is part of data gathering, if you like, before they come up with a plan and a strategy.

It is about instilling in people that you cannot just blitz information out. You have to understand who you are talking to first. How do we do that? What tools do we give you to go and find out about people before you can decide, "What do they need from us? What is the best way of telling and engaging them?" It should go two ways. It is not about bombarding, which is why lots of social media works so well, because it reaches out to pull people in.

The Chairman: We will move on to the next subject area if we can, which is apprenticeships and talent. There may be some issues that you want to come back to at the end. If we have time at the end, you are very welcome to add any thoughts on issues that we have not covered.

Q153 **Baroness Stowell of Beeston:** On apprenticeships generally, how important are apprenticeships to the advertising industry, not necessarily as a degree but just apprenticeships? Is that an important part of recruitment to the advertising sector?

Dr Oliver Kayas: They present a significant opportunity for the advertising industry. One of the main reasons for that is the influence employers can have on shaping what is taught. They can ensure that the

students who graduate after four years will have the skills that they want them to have.

I can you an example that is unrelated to advertising but gives you an idea about how they can influence things. One employer wanted us to teach a particular programming language to its students. It was not something that we ordinarily taught, but it was something that this employer really wanted, so we went away and put together a specific course just for its students. When these students graduate in four years' time, or now three years' time, they are going to have these particular skills that are wanted.

I mention that anecdotally, because it demonstrates their influence on shaping teaching content to make sure they get the skills that they want. That is hugely significant for the advertising industry. If we want them to understand and know these particular skills, we can embed that into our curriculum.

Q154 Baroness Stowell of Beeston: That prompts me to ask a few questions. Is the arrival of degree apprenticeships, which is what you are talking about there, a new thing in the advertising world? Do you see a growing interest and take-up of that among advertising businesses? Alongside the degree apprenticeships, what about apprenticeships generally? Are you aware of advertising businesses starting to offer those? You may not know and may not be able to answer that question.

Dr Oliver Kayas: The university is currently in the process of developing a digital marketing degree apprenticeship, which is set to launch in September. I do not have the numbers, but the university has done research on this. We certainly think it is something with room to grow and that there will be uptake for.

Baroness Stowell of Beeston: That is specifically on digital.

Dr Oliver Kayas: Digital marketing. A lot of the units that they teach have content on search, social media and things that are related to advertising.

Baroness Stowell of Beeston: There is no general degree apprenticeship in the advertising and marketing area at the moment here.

Dr Oliver Kayas: Not at the moment, no. From September, there will be for digital marketing, but no specific advertising degree apprenticeship.

Baroness Stowell of Beeston: Is the apprenticeship levy connected to the arrival of that course?

Dr Oliver Kayas: I would be speculating if I answered that. I am not too sure whether the levy itself has had an impact on that, I am afraid.

Baroness Stowell of Beeston: Do you see the employers you are in contact with using the apprenticeship levy particularly?

Professor Tony Hines: Yes. I would have thought that the levy is an encouragement. As a tax on the payroll, if they have a payroll bigger than £3 million, it is rather a big encouragement for people to get something from it. That policy effect has encouraged employers to get some value back, I suppose, if I understand the question correctly.

Baroness Stowell of Beeston: I am just trying to get a sense, from your perspective here, of what you know about it from your relationships with the businesses you are dealing with. Has that partly been behind your designing this new degree apprenticeship—because there is a demand now for that kind of thing because of the levy? I do not know.

Professor Tony Hines: It is because of the demand. The demand has come about as a result of the levy, in a sense. As that demand comes about, we, like lots of other organisations, look at the marketplace out there and seek opportunities for our students, or opportunities to grow the student body and give people opportunities who may not ordinarily come through a university route. Obviously the apprenticeship scheme has been a very useful opportunity for people. It has created quite a bit of opportunity.

Baroness Stowell of Beeston: Is there an opportunity to create other courses alongside the one that you have just talked about?

Dr Oliver Kayas: Yes. We are developing the first master's-level degree apprenticeship, for example. In September, we will start the first in the country, as far as I am aware, in digital technology solutions. We are developing an MBA apprenticeship programme and the digital marketing one that I mentioned.

Baroness Stowell of Beeston: Is it all digital?

Dr Oliver Kayas: Not all of them are, no. The MBA, for example, is not digital. When you say digital, do you mean delivered online?

Baroness Stowell of Beeston: No. Sorry, I am struggling to hear what you are saying sometimes. It sounded as though the course was a digital marketing course.

Dr Oliver Kayas: No, there is a digital marketing apprenticeship degree, which is starting in September, and an MBA apprenticeship, which is also starting in September. We also have a management apprenticeship that is starting. There is also one in retailing, which I believe they are currently developing. We are developing lots of different apprenticeships to start in September.

Q155 **The Chairman:** How did you as an institution get into the lead on this issue of degree apprenticeships? What was it that made you, as an institution, decide to go for it?

Professor Tony Hines: We had a very quick ear to the ground when the notion of apprenticeships came about. We were fleet of foot. We were quite agile and flexible in putting together a programme that could satisfy

the demands of the apprenticeship scheme. It was extremely successful. We had about 400 applicants on the first apprenticeship programme that we got up and running I cannot remember when—a couple of years ago, certainly.

Dr Oliver Kayas: Three years ago.

The Chairman: Basically, it was a matter of corporate policy that this was an area the institution was going to enter.

Professor Tony Hines: Yes.

Q156 **Baroness Stowell of Beeston:** I have two other categories of questions that I wanted to cover. One is about international students, and the other is about diversity. I will go to diversity and then come back to international students. As I understand it, the diversity of people working in the advertising sector is not too bad.

Professor Tony Hines: No, it is fairly good if you look at the statistics. The Advertising Association published a report in October/November on the numbers of people in each of the categories for diversity and so on. If you look across the figures, it is well represented. It comes out better than a lot of other industry sectors.

Baroness Stowell of Beeston: Particularly on BME.

Professor Tony Hines: BAME, yes.

Baroness Stowell of Beeston: Are you aware of any particular barriers for people from black, Asian and ethnic minorities?

Professor Tony Hines: No, not particularly. Are you asking from a university or an advertising industry point of view?

Baroness Stowell of Beeston: Both, really.

Professor Tony Hines: I am not aware of any issues surrounding that, apart from creating more opportunity for BAME, as some of the reports say.

Baroness Stowell of Beeston: What about diversity of social class? Are you aware or familiar with how diverse the industry is in that respect?

Professor Tony Hines: It varies across the piece. If you go into the social class categories, you can see that it encourages people in those higher-level categories of social class to be in the higher-level roles. I mean the As, B1s and B2s, that sort of stuff. If you look at our courses, we have a good track record of people from what you might regard as deprived backgrounds, or not such a high-level social class, coming through the programmes and doing very well going into the industry.

We are quite broadly based in how we draw people through here and into the industry. It is less about social class now. It is more about the talent, skills and what people can actually offer. They might come from all sorts

of backgrounds. If you look at the intake of our own programmes, it is a fairly even mix across the piece: about 40% to 50% are female, and 50% to 60% male.

- Q157 **Baroness Stowell of Beeston:** Do you see any problem with internships and work experience placements in the advertising sector, in terms of them being accessible to people from backgrounds who are not necessarily well connected in that kind of world?

Dr Jane Tonge: I have come across two things. One, from the university's and my perspective, is organising many work experience opportunities and placements. We mentioned the guest speakers who come in. They often come in to meet the students and find somebody they could invite to do some work experience. They have come with a reason. We encourage our students to undertake as many work experience opportunities as they can. On the master's course, they might do three or four work placements during the year. From our point of view, we give them lots of opportunities to go into industry and really encourage them, write CVs for them and prepare them for that.

The barrier that I have seen, and which industry is trying to address, is unpaid internships. There is an expectation that people can afford it. They can do a couple of weeks. They might even do a month over the summer, but they cannot work for free for a long time, because they do not have the financial resources. They need to pay their rent.

Anecdotally, I have heard—a student came back to tell me—that a year ago a couple of students were invited to interviews in London for a placement in an agency, only to be told on arrival that it was a year's unpaid internship. One of them said, "I cannot afford that. I cannot live in London with no money for a year". The reply was, "There are some very reasonable flats in Chelsea". She said, "Where do I get the money from for a year?" She said, "They wasted my time. I spent the train fare and could not afford that either". That is a barrier for some. Certainly we advise students, "If you are not happy, you do not have to have something unpaid. There are plenty of opportunities where you will be paid something, at least your travel expenses".

- Q158 **Baroness Stowell of Beeston:** I move on finally to the international stuff. Could you give us an idea of what impact the referendum result has had on your ability to attract students from European countries? What do you think the impact would be on the education or advertising sectors if the visa tier system for overseas students was to apply to EU students? How do you see Brexit affecting you, both from a university perspective and the industry more broadly?

Professor Tony Hines: The largest problem is the uncertainty surrounding everything. I do not think we need to say more about that, except that Brexit has probably had a very negative effect on students and academics from the EU in terms of not knowing where they stand on matters. Knowing where you stand is very important. It is certainly a job

of government to create some certainty in the environment. That would be appreciated. It would help tremendously.

Is it an own goal? Possibly in one sense, because we live in a world where larger groupings are important in order to create opportunities for people and to create pressure points. We seem to be moving into a much narrower perspective. If we are going to have to negotiate all our arrangements one by one with all the countries in Europe again, it will take some time. It has certainly had some effect. We just need a degree of certainty about an immigration policy that could better support the talent stream for the industry, but also the talent stream for universities. That is where I stand.

Dr Jane Tonge: As one of the programme leaders, my impression has been that the applications are starting to be affected by the uncertainty. I come from master's programmes, but people know that our employability rate is very high, and often the industry in this country is more developed than in others. If you come to do public relations here, there might not be a very big public relations industry where you are from.

People come to study here with a view to working here for a couple of years and then perhaps taking those skills back and setting up their own company. If they are not sure whether after the course they can get a job and be able to stay, how much it will cost them and what is it like living here, why choose the UK? They may go for Canada or somewhere else where they do not have those uncertainties. I have heard these questions from applicants: "What are my opportunities afterwards?" Some of the current students on the course are saying the same things. I said, "What are you going to do at the end of the course?" Usually the answer is, "I am going to look for a job in Manchester", "I am going to look for a job in London", or wherever. Now it is, "I am not sure. I might go back. I am not sure I can stay. I do not know. Do you think I could stay?" There is more cautiousness and uncertainty. That rings bells. Until this is resolved, they do not want to put themselves in a difficult situation.

The Chairman: We have been to one of the biggest clusters in the country this morning, MediaCity, and you are an important part of that general cluster, which Baroness McIntosh wants to ask about.

Q159 **Baroness McIntosh of Hudnall:** In your written evidence, Professor Hines, you mentioned the importance of clusters. You have a big old readymade one right on your doorstep. In thinking about how the industry that your students will be going into is developing, first, what do you mean by a cluster? Secondly, why are they important, and how do you generate them and get them going? Is it something that you teach your students to value?

Professor Tony Hines: I will deal first with what we mean by a cluster. A cluster, in the meaning and sense in which I have used the term and in the way it is generally used, is the notion of communities of practice, where those communities can engage with and learn from each other in a particular skill or skill set. We could go back to steel clusters in Sheffield,

the silk clusters in Italy and Lyon, and so on. We could think about clusters in that sense, so the notion of a cluster is not new.

It is very important to think about clusters, which are geographical spaces and places that can bring communities together to lift up the whole community. The interchange between people and parties across the piece is important. I mentioned that Manchester is just such an area. The position of this university and the sort of work that we do here is central to playing an important part and role in brokering that relationship. We are part of the community with MediaCity, as you mentioned, and other service industries that form part of the wider supply chain to the advertising industry. That is what we are concerned with here.

Q160 Baroness McIntosh of Hudnall: We are a group of parliamentarians and will direct our remarks to the subject of government. Can any of you give us a feel for the ways in which you see that government could do more to promote the kind of synergies that clusters create, which in turn create energy in the market?

Professor Tony Hines: Government could promote and think of ways to cement those communities together through the policy structure that it decides to implement. It could kick-start it through using funding to generate some research into the area of clusters generally. Money that came down that route would be money well spent, so that we could learn from other communities where the clustering has taken place. Clustering has taken place in some places, for example in Silicon Valley.

Baroness McIntosh of Hudnall: Or in Cambridge.

Professor Tony Hines: Yes. There is evidence of success from those sorts of clusters. We need to have, dare I say, the new industrial revolution for the digital age, to bring the communities in the supply chain around the creation, production and distribution of skills.

Q161 Baroness McIntosh of Hudnall: There is one last short question on this, from me anyway. The local politics of Manchester are very powerful, for all sorts of reasons. I imagine that as an institution you are fairly plugged in to local politics, or you must at least have good connections. Can you see ways in which the local politics could be helpful, specifically in relation to Manchester?

Professor Tony Hines: Yes, absolutely. There is the notion of the Greater Manchester community coming together. Think about the mayor and so on, and the work that the mayor is doing to engender a spirit of Manchester. The spirit of Manchester needs to come through in a new industrialisation. We could work very closely, through the local politicians, to develop the cluster with a line of support from central government. That is where it has to come.

Baroness McIntosh of Hudnall: The northern powerhouse lives.

Professor Tony Hines: I dare not say it. I did not want to say it, but, yes, the northern powerhouse was on the tip of my tongue.

Dr Jane Tonge: I agree with Tony. Manchester has a long tradition of being a very creative and self-sufficient city that can pull itself up and do amazing things. It has a great tradition of being a creative city and a creative industry. Although what we have down at MediaCity is fantastic, even before that arrived there was a very strong creative industry here that was already doing extremely well. That has just added to that community. Now there is an opportunity for them all to come together, and it is attracting more people and more businesses every day.

Graduates want to stay here and work for these companies because they are exciting and fast moving. It attracts dynamic businesses. The whole ethos of the city is a fast moving, modern city, which is very vibrant. The mayor is certainly tapping into that, and we are making as much of it as we can. While it might need some government help, it can do for itself as well. It is a very vibrant city, so it will be fine.

The Chairman: We move on now to the final subject that we wanted to talk to you about, which is online advertising.

Q162 **Lord Gordon of Strathblane:** No discussion would be complete without looking at the effect of online. Professor Hines, in your written evidence to us, which you stress was in a personal capacity, you said at one point, "Paid advertising has historically funded TV programmes", and, "This business model is not sustainable into the future".

Professor Tony Hines: I did.

Lord Gordon of Strathblane: We have just left ITV this morning. They may have been whistling in the dark, but they were slightly more confident about the future than you are.

Professor Tony Hines: No doubt they have done a good job as a pressure group. Who knows who is right? This is forecasting. There is a disconnect between the historical model and where we are now. On my notes here, I notice I have digital media. In effect, we have Facebook and Google eating somebody else's lunch here. They are taking the sandwiches out of these people's packs. It looks like a slow process, but, if you look at the timelines, 20 years ago these companies did not exist, and now they have 30% of a market in advertising.

Lord Gordon of Strathblane: We have also taken evidence from them. They are very persuasive about the fact that they offer the potential advertiser the listener or the viewer looking at the subject that he or she happens to be most interested in—the ideal environment.

Professor Tony Hines: Yes. That is definitely the case. They try to do that. It is almost like a Trojan horse. You have the platform and run the digital media platforms and invite everybody else to join you and the TV companies to play the game with you. These crawlers and algorithms going through the web have a fantastic opportunity to survey all the

competition without them knowing what is happening. They can then re-segment the market and divert traffic away from their business stream.

Lord Gordon of Strathblane: I hope your colleagues feel free to come in on this. Do you think that we need more regulation of this sector?

Professor Tony Hines: Yes, undoubtedly. There is a case for regulation of the sector. The problem for the legislator is that the duopoly, the Facebooks and the Googles of the world, do not define themselves as being part of the industry. I have seen some of the evidence from Facebook. It was a bit at odds with that, but generally, if you read what it says about itself, it says that it is not an advertising organisation. It merely creates the platform. It is a social media platform.

Lord Gordon of Strathblane: I think you might be alluding to the evidence of the chap from Facebook at our last session.

Professor Tony Hines: I was.

Lord Gordon of Strathblane: He recognised that it was not just a platform; nor was it a publisher: it was somewhere in between. Perhaps the key to this conundrum lies in defining exactly where it is.

Professor Tony Hines: It does. I wholeheartedly agree. If they do not declare where they stand, there may be a case for the competition authority to look at them, because they have such a large duopoly. I do not want to give the view that everything they do is bad. A lot of the work that the Googles and the Facebooks of the world do is very helpful to people.

On Friday, Mark Zuckerberg made a statement that he wants to put Facebook back as a social media company and to get people to participate with personal photographs up there again. At the end of Friday's business, the share price of Facebook dropped by about \$3 billion. That is quite a significant realignment of what is happening.

At the same time, it shows us that Facebook values the free data that it gets. There are no free lunches in this life. It gets lots of free data from every member of the public, me included. We tick all the boxes without thinking too much about what rights we are signing away, because we want to get on to the social media and the advantages or benefits that we perceive are there for us to use.

Lord Gordon of Strathblane: On the more encouraging side, Professor Patrick Barwise, at the same session, said that he thought that 2017 would be looked back on as the year the advertising industry started to fight back. Would you share that view?

Professor Tony Hines: To some extent. I understand what he said and have listened. I have a lot of time for the comments he has made over time on marketing and so on, but it is a long way back. The advertising industry may well fight back, but it is a long way back with the platforms, because the dominance is there. I do not want to sound totally

pessimistic, but these are very large global businesses with big reach and a lot of power. They are not the only ones. I know there are powerful technologies in China as well.

Lord Gordon of Strathblane: Presumably they are large companies with extremely sensitive antennae to public opinion. If share prices can go up and down by \$3 billion on an appearance rather than a reality, perhaps if the public were more demanding of them they might change.

Professor Tony Hines: Yes. The temperature could change. I do not think it is static. It is not going to hold where it is. Share prices will be important to them, and if the share prices are dropping they will want to take some action to shift it.

Q163 **Lord Gordon of Strathblane:** The final question is on relations with Europe and us being dependent on the free movement of data. The advertising industry has been saying that to us fairly forcefully. Would you agree we need to be, if not identical, very closely aligned with Europe on data?

Professor Tony Hines: Unquestionably, I would see that as being the case, especially with the GDPR legislation on the horizon.

The Chairman: Do all the witnesses agree?

Dr Jane Tonge: Yes.

Dr Oliver Kayas: Yes, definitely.

Q164 **The Chairman:** I said at the start that there may be some areas that we did not cover that you would like to comment on. We would certainly welcome any further thoughts from you after today's meeting if you wanted to send them to us. Is there anything immediately that you would like to mention that you think the Committee would be interested in?

Professor Tony Hines: There is one point that I would like to make very quickly. When we talk about the duopoly of Facebook and Google, we ought to recognise some of the sleeping giants that are around, such as Amazon. That is a very powerful company, with a lot of reach. It has a major opportunity to move into the market in a big way. We do not know what the numbers are generally, but it has moved from about \$1 billion in 2016, with an estimated figure of \$2.5 billion in 2017, and forecast to grow to \$6 billion in 2018.

There are sleeping giants around, and they are not all American companies. We have the sleeping giants in China. I was first approached about 10 years ago by a supplier in China, who said that they had keyed in something to purchase an item for a radio recorder and got Alibaba. It was still very big, but it was not the company it is today. That is a company with lots of potential that could move in. These companies with products can very quickly become companies with platforms to compete in the advertising industry. We ought not to close our minds to the fact

that this is a fluid marketplace, and when change comes it happens very rapidly.

The Chairman: Could I thank all three of you for your evidence? It has been very interesting. We were struck by one very effective piece of advertising as we entered the building, which was your banner proclaiming that you are responsible for, I think, one in seven apprenticeship degree graduates. That is something that we learned for the first time today, which was very interesting to us. Thank you for your evidence and for helping us to organise the day's activity.