32 Advertising Policy

GOVERNMENT POLICY GENERALLY does not address advertising, except when it comes to policing potential threats to consumers. Regulators have, often with good reason, worked to protect consumers from misleading health advertising, online privacy violations by advertisers, and some have suggested taxing advertising to raise money and discourage its use.

But those concerned about the state of news, information, and journalism, especially accountability reporting on the local level, need to face the fact that it has been advertising that has made possible much of the nation's accountability journalism. And it has been the drop in ad rates, especially online, that has undermined traditional media models and thwarted online ones. Consider a local news website that generates 1 million page views per month. With average online ad rates of $2.52 CPM (cost per 1,000 impressions), it earns $3,000 per month, not enough to pay a full-time journalist. If that rate were a few dollars higher, the website would earn $6,000 per month, turning its operation from a hobby into a job. The current low rates for online ads makes it less likely that local news start-ups will be able to survive. The health of news media, in other words, is very sensitive to fluctuations in advertising rates and spending.

So it is worth thinking of advertising spending through the lens of public policy. Are there public policies that will cause harm by further reducing ad dollars that go to local news efforts? Conversely, are there ways that we could encourage an increase in ad dollars to help support local news efforts?

Government as Advertiser

The U.S. government spends a substantial amount of money in advertising. Looking at spending in 2003, the Government Accountability Office found 137 contracts with advertising agencies, totaling $1.6 billion over three years, mostly spent by seven government departments: Commerce, Defense, Health and Human Services, Homeland Security, Interior, Treasury, and Veterans Affairs.[1] In 2005 alone, the federal government spent $1 billion, the GAO reported.[2]

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The Commerce Department promoted the census and boating safety; Health and Human Services and the Centers for Disease Control promoted a variety of public health programs; Homeland Security launched campaigns to help people prepare for terrorist attacks and other emergencies; the Pentagon spent millions on recruitment; the Department of Interior did ad campaigns related to national park services, Indian affairs, and fish and wildlife; and the Treasury Department communicated information about taxes and marketed its coins.

Where is this money spent? In general, it is up to the government departments to contract with an advertising agency to design an ad campaign and decide where to run it.[3] In many cases, they spend it on national media platforms. For instance, in March 2010 the Census Bureau ran ads during some of the following shows: *The Amazing Race*, *E! News*, *Friends with Money* (starring Jennifer Aniston), Food Network's *Semi-Homemade Cooking With Sandra Lee*, and *The Da Vinci Code* on TNT.[4] They also ran a Super Bowl ad in 2010.[5]

In the past, government marketing managers may have erred on the side of national advertising purchases because that seemed to be a less expensive way to reach large numbers of people. But some have suggested that technological changes could now make it possible for the federal government to target their spending to local media more easily while maintaining or improving cost effectiveness. TVB, a company providing local TV stations ad support, has suggested that organizations such as theirs could enable the government to reach national audiences through local media outlets. TVB proposed that the federal government shift some of their spending to local entities. TVB president Steven Lanzano emphasized:

"…the significant benefits that the United States government could realize by focusing on *local media*, rather than exclusively on national media, in its advertising spending. In addition to conserving increasing scarce federal funds, U.S. government spending on local media could provide an important element of support for local journalism and the information needs of local communities."

The group argued that structural changes in the industry have made national buys through local stations easy—and that "local television can save advertisers, including the federal government, significant revenues for comparable advertising purchases because local television is more efficient than network television."[6]

Online ad networks make local targeting even easier on the Internet. The government could request placements on news websites in communities throughout the country, or targeted to specific demographics. And the Newspaper National Network allows advertisers to do national ad buys using local newspapers.

If a decision were made to direct federal ad dollars to local-oriented media, it would be imperative that policymakers come up with a system that would guarantee as much political neutrality as currently appears to exist -- unlike in the 19th century, when politicians would favor supportive newspapers with ad contracts. This seems doable. Ad networks would likely enable government managers to lay out the parameters and then turn over the specific ad buys to brokers. Federal official need never make decisions about actual specific media placements.

Public Notices

One way the government has indirectly helped media over the years is through the paid placement of public notices. Geoffrey Cowan and David Westphal of the Annenberg School of Communications describe the typical public notices:

"Typical public-notice laws apply to public budgets, public hearings, government contracts open for bidding, unclaimed property, and court actions such as probating wills and notification of unknown creditors. Public agencies have required paid publication of this kind of information for decades as a way to ensure that citizens are informed of critical actions. Historically, these fine-print notices have been a lucrative business for newspaper publishers, and have touched off heated bidding wars for government contracts. Legal notices have been especially important to weekly and other community newspapers. Their trade association, the National Newspaper Association, estimated in 2000 that public notices accounted for 5 percent to 10 percent of all community newspaper revenue."[7]

Some national news organizations have benefited. In a paper, "Public Policy & Funding the News, Cowan and Westphal in 2010 wrote:

"*The Wall Street Journal*, for example, has a contract with the government to print seized-property notices. In a four-week study, we discovered that the government was a top purchaser, by column inches, of ad space in the *Journal*. It's a business the newspaper would like to expand. In 2009 it was battling with Virginia-area papers to get its regional edition certified to print local legal notices."[8]

Increasingly, however, government agencies have been opting to put these notices on their own websites instead of in newspapers or other media outlets. In fact, legislation that has been introduced in 40 states to move public notices to the web, often specifies moving them to municipal sites.[9] It is eminently sensible for government agencies want to save money this way. But, at the same time it is potentially harmful to local news media, and it can leave those who lack Internet access out of the information loop.

Because public notices facilitate government transparency, apprising citizens of critical developments, hearings, and legislation under consideration can be important. The Public Notice Resource Center, a newspaper industry group, says that most states aspire to have "the greatest amount of people receive important information about the actions of

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their government."[10] Public notices can, in theory, improve accountability of powerful institutions. For example, one proposed bill, HR 2727 Financial Transparency Act, would require financial institutions to publish information about their financial conditions in newspapers.[11] Beth Grace, executive director of the North Carolina Press Association, says running public notices on municipal websites does not advance these accountability goals as much because they draw far fewer visitors than newspaper sites do, and, "Public notices need to be where the public notices."[12]

One possible solution that would benefit all parties would be for governments to save money by hosting public notices on their own websites and paying a lesser amount to run banner ads on other sites about the notices and linking back to the government site. The municipality would be able to spread information about the public notices to a broader range of audiences than they would by just publishing them in a particular newspaper. They would generate more traffic for their own websites, provide ad revenue for local news operations and advance the cause of government transparency.

Other Policies That Might Hurt Advertisers

Some have proposed taxing advertising as a way to pay for journalism. For example, Free Press has proposed a 2 percent sales tax on advertisers, to raise $45 billion for a public media trust fund.[13] This strikes us self-defeating: taxing a key revenue stream for journalism in order to help journalism. What this would actually do is shift revenue from commercial media to public media, which is not a defensible public policy goal.

Some have suggested restricting[14] the ability of businesses to deduct advertising expenses.[15] Though we appreciate the effort to raise revenue, this may be the wrong time to be penalizing advertising.

Finally, policymakers are looking at how to improve privacy for consumers online. We are highly sympathetic to this goal. Websites often collect information about consumers without the consumers knowing it. We would merely suggest, however that as policymakers wrestle with the nuances of crafting sound rules, they also consider that there is a countervailing interest: helping local news media. For instance, it might make sense for "do not track" policies to give more leeway to "first party" tracking than third party. This would give a relative advantage to publishers (the "first party") over ad networks.[16]

Technological improvements would enable local targeting in a way that would not cost the government more money—and in many cases could be more cost effective.

On the other hand, policies should also consider arrangements like the newspaper consortium created by Yahoo!. According to Yahoo!, 45 companies, involving 821 papers (with 22 million circulation, accounting for 52 percent of all U.S. Sunday circulation[17]) use Yahoo! data on what people read on the web, search for, what ads they click on, and what search results they click on to develop models of their likely interests in different product categories. When those Internet users show up on the websites of newspapers in the Newspaper Consortium, they see ads related to their likely product interests. Advertisers sometimes pay a premium for these targeted ads because they are more likely to match consumer interests and get results. The *New York Times* reported:

> "A similar sales blitz at The Ventura County Star, a small daily north of Los Angeles, netted nearly $1 million in sales in the run-up to Christmas, or roughly 40 percent of what the paper sold in online ads in 2008. The Naples Daily News in Florida did even better: The late-January blitz generated $2 million in sales, or more than half what the paper sold online in 2008. Some larger newspapers have had similar successes.
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> " 'If we could do just shy of $1 million in two weeks in a horrible economy, what does it mean for us when the economy turns?" ' asked George H. Cogswell III, publisher of The Ventura County Star."

Again, we are not arguing that these sorts of efforts necessarily trump privacy concerns, but that a reasonable policy discussion would consider, as one factor, the impact of various approaches on content creators.