# The Digitalization of Television in the US: The Sweet Spot* Policy between Ad Revenue and Protection of Minors

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* To emphasize the need for a precisely-targeted solution that preserves both ad revenue opportunities and protects minors, the "sweet spot" concept from body-piercing will be used as an analogy. In the field of body-piercing practice, the "sweet spot" is the single point where the nose can be pierced to insert a bull-ring so that the procedure will not cause physical pain. If the spot is missed, the piercing procedure is painful.

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# Executive Summary

This thesis examines the problem of protecting both ad revenue and minors in the context of the digitalization of television in the United States (US). The need to protect the industry in addition to the more intuitive goal of protecting minors is justified by the nature of the US television financing model, the First Amendment protection of commercial speech in the US and the historic development of children's media policy in the US to balance the interests of both the industry and minors. Based on the methodology of nested analysis and expert interview the thesis finds that solutions like regulation, technology or media literacy do not address the double objective of protecting both parties. The thesis suggests a sweet spot solution, which protects both the industry and minors, and proposes concrete steps for the implementation of this solution including communication campaigns to clarify the significance of the existing regulatory and technological safeguards for the protection of minors and the implementation of relevant commercial media literacy programs both inside and outside schools in the US.

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# List of Abbreviations

AAP – American Academy of Pediatrics
ACME – Action Coalition for Media Education
AMLA – Alliance for a Media Literate America
APA – American Psychological Association
CARU – Children's Advertising Review Unit
CCA – Concerned Children's Advertisers
COPPA – Children's Online Privacy Protection Act
EI – educational and informational
EU – the European Union
FCC – Federal Communications Commission
FEPP – the Free Expression Policy Project
FTC – Federal Trade Commission
IAB – Interactive Advertising Bureau
IFJ – International Federation of Journalists
NGO – non-governmental organization
PTA – the US Parent-Teacher Association
PVR – personal video recorder
R&D – research and development
ROI – return on investment
UNCRC – the United Nations Convention on the Rights of the Child
UNESCO – the United Nations Educational, Scientific and Cultural Organization
UNICEF – the United Nations Children's Fund
US – the United States of America
V-chip – violence chip

# The Digitalization of Television - Introduction

The digitalization of television in the US is a gradual, positive development, as it offers a higher quality viewing experience and an optimized use of the terrestrial transmission bandwidth by allowing up to six channels to be broadcast on a single television station's assigned bandwidth. Currently, US viewers can see DTV on broadband Internet, satellite television, digital video, digital cable and terrestrial broadcast. While the benefits of DTV are widely recognized, the recent analog switchover of terrestrial broadcast television from June 12, 2009 (DTV.gov n.d.) has raised concerns related to DTV's interactivity feature and its implications for ad revenue and advertising to minors.

The general problem associated with DTV's interactivity feature is that, interactivity allows viewers to interact with a program or advertisement, but it also allows television stations to track viewers' habits. From an advertisers' and broadcasters' perspective, the interactivity feature poses opportunities for a new generation of interactive ads aimed at minors. Child advocacy groups, however, worry that minors will be exposed to a new kind of stealth advertising that they do not have the cognitive defenses against. The view expressed in this thesis is that, pressed by the industry's and child advocacy groups' concerns, the FCC (regulating the media) and the FTC (regulating advertising), face the challenge of finding a policy option that protects both the industry and minors, also because, as Jordan points out, the balancing of these two objectives is a historic trend in US children's media policy (Jordan 2008).

The currently existing policy options facing the FCC and the FTC consist of proposals for stricter regulation, the extension of blocking technologies to advertising and, finally, the provision of commercial media literacy education in schools. However, these three solutions have not been comparatively analyzed to track their impact on the dual objective of protecting both the industry and minors. Because the protection of minors is an immediately apparent objective, the evaluation of the above mentioned policy proposals tends to focus on their impact

exclusively on minors, but not on the industry. This thesis will demonstrate that the need to protect the industry is a goal closely related to US children's media policy and, although less intuitive, it should be incorporated in the policy options' evaluation process.

It is the aim of this thesis to contribute to the existing pool of policy options by first evaluating the three policy options against the dual objective of protecting both the industry and minors and then identifying the optimal solution that achieves this dual objective, also referred to here as the sweet spot solution[*]. To demonstrate the need to protect both the industry and minors in the context of the digitalization of US television, the thesis uses the method of nested analysis and expert interview.

In the process of identifying the sweet spot solution, Chapter 1 discusses the need to protect ad revenue and minors; Chapter 2 is dedicated to evaluating the three policy options – regulation, technology and media literacy; and Chapter 3 identifies the sweet spot solution and proposes concrete steps for its implementation and evaluation.



[*] To emphasize the need for a precisely-targeted solution that preserves both ad revenue opportunities and protects minors, the "sweet spot" concept from body-piercing will be used as an analogy. In the field of body-piercing practice, the "sweet spot" is the single point where the nose can be pierced to insert a bull-ring so that the procedure will not cause physical pain. If the spot is missed, the piercing procedure is painful.

# Chapter 1: Ad Revenue and Protection of Minors

This chapter presents the arguments for the protection of ad revenue and the protection of minors in the US and demonstrates that both goals need to be taken into consideration in US children's media policymaking. For this purpose, the broad challenges and opportunities for ad revenue and the protection of minors as well as the specific challenges stemming from the digitalization of television are presented for both sides: the industry (advertisers and broadcasters) and minors.

## 1.1 Why Protect Ad Revenue?

The broad argument for government protection of ad revenue justified by the impact of advertisement spending on the growth of national economies and the social role of advertising in terms of informing consumers about the products and services available to them (Katz 2005 and Doyle 2008) has two additional aspects that make its protection indispensable in the US context. First, the importance of advertising revenue is enhanced when considered in the light of the structure and financing model of the US television sector. The US has a market-oriented television system, where no state-owned broadcast programming services exist and public television relies on corporate sponsorship and viewers' contributions.

Second, the regulatory environment in the US is such that the US Constitution's First Amendment and two key decisions of the Supreme Court guarantee the protection of commercial speech. In Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council the Supreme Court discarded citizens' protests against the advertising of prescription drugs' prices saying that such information is important to citizens as consumers and, therefore, punishing companies for providing price information violates the First Amendment right of citizens to free access to information (Cornell University Law School n.d.). Following this decision, the landmark Central Hudson Gas & Electric v. Public Service Commission case

established the Central Hudson test, which says that commercial speech can only be censured if it advertises illegal or harmful products or services (FindLaw n.d.).

In addition to the above-mentioned specifics of the US television system and regulatory environment, the protection of ad revenue in the US needs to be considered in the context of recent broader challenges for the industry including: viewers' inclination to skip ads by flipping through channels during advertisement breaks or to watch recorded television on PVRs (Doyle 2008 and Dureau 2004); the challenge of interactive Internet advertising for broadcasters (Berte et al. 2008 and PricewaterhouseCoopers 2008); and, finally, the recent financial crisis and the contraction of advertising budgets.

Unlike the effect of ad skipping by viewers, the challenge of Internet advertising and the impact of the financial crisis are contested issues in the existing literature. Internet advertising is presented both as a complement to television advertising, which only raises the overall levels of screen media advertising (Doyle 2008) and a substitute for television advertising, with data from an industry survey sponsored by the IAB showing that in 2007 Internet advertising revenue surpassed revenue from broadcast and cable television in the US (PricewaterhouseCoopers 2008, 13).

Also, there are controversial views on the effect of the current financial crisis on advertising budgets. For example, Barwise of London Business School and Ehrenberg of South Bank University (Doyle 2008) say that advertising expenditure is unaffected by economic growth because it is a defensive strategy employed by companies trying to preserve brand loyalty rather than an expansionary strategy. However, analysis of historic data shows that advertising expenditure moves together with economic growth (Doyle 2008).

Finally, the digitalization of television and particularly its interactivity feature presents both a challenge and an opportunity for advertisers and broadcasters. The challenge of interactivity is that it contributes to the fragmentation of audiences, which makes it harder for advertisers to reach a mass media audience (Doyle 2008 and Dureau 2004). The opportunity

associated with interactivity is that it makes two-way communication possible through the return path, from the viewer to the broadcaster, and this gives advertisers access to information about the habits and preferences of smaller and more targeted sections of the audience (Doyle 2008). Interactivity also enables t-commerce or home shopping through the remote control by clicking and ordering a product or taking a survey about a service via the television set.

However, the major opportunity for the industry associated with the interactivity feature is that it gives a new meaning to addressable advertising, where specific ads are targeted to specific audiences (Berte et al. 2008 and Dureau 2004). Currently, home addressable advertising is done by creating household profiles based on publicly available data so that the ads are specifically addressed to the given household based on their profile (Dureau 2004). Yet, with the help of interactivity advertisers will be able to collect more information about viewers' habits than is currently available, and interactive addressable advertising is thus often recommended as the best way forward for the industry (Dureau 2004). In this respect, favorable government policies that would allow advertisers to feature some interactive ads aimed at minors would be a step in the direction of protecting ad revenue, which is essential in the context of the many current challenges to the industry.

Thus, the specifics of the US television sector's financing model, the economic, social and regulatory factors as well as the current challenges to the industry including changes in viewers' behavior, the challenge of interactive Internet advertising and the recent financial crisis all influence the need for US government protection of ad revenue. However, while ad revenue needs the US government's protection to ensure the healthy operation of the industry and to ensure that the industry fulfills its economic and social functions, it is also true that policies, which protect advertising, may have different implications for the most vulnerable citizens – minors, who also need protection.

## 1.2 Why Protect Minors?

This section examines the need to protect minors both in general terms and in the light of the digitalization of television in the US and presents a literature review on the topic.

### 1.2.1 Protection of Minors in Public Policy

Protection of minors in the public policies of individual states is grounded in the shared international understanding of the basic rights of children. The first legally binding international instrument that protects children's rights is the UNCRC by UNICEF which defines minors as individuals less than 18 years old and recognizes that minors have the same rights as adults, but need special protection because they are more vulnerable (UNICEF n.d.). The US government has signed, but not yet ratified the UNCRC on the grounds that children in the US are already sufficiently protected by the national law and on the grounds of wider sovereignty, federalism, reproductive and family planning concerns and parents' rights concerns (Lozman and Rutkow n.d.).

Stemming from this broad agreement over the vulnerability of minors, their protection in the media space is reflected in the IFJ guidelines for media professionals which are a response to concerns about the commercialism in media and the potential harmful impact of advertising on minors (UNICEF 2002) and the Children's Television Charter, which states that children have the right to high quality educational programs; participatory television; and access to appropriate programs during time slots when they would actually be watching (The World Summit on Media for Children Foundation n.d.). In the US media space, protection of minors is grounded in the following set of basic acts:

- the Children's Television Act, which requires commercial broadcasters to offer EI programming (Federal Communications Commission 1990);

- the Telecommunications Act, which requires the inclusion of the V-chip in television sets that allows parents to block violent programming (Federal Communications Commission 1996b);
- the Communications Decency Act, which imposes criminal sanctions on broadcasters consciously offering inappropriate material to children under 18 years (Federal Communications Commission 1996a);
- the Three-Hour Rule, which requires broadcasters to offer a minimum of three hours of EI programming per week (Jordan 2000);
- the COPPA, which sets the guidelines for protection of the privacy of children under 13 years (Federal Trade Commission 1998); and
- the Broadcast Decency Enforcement Act, which specifies the monetary sanctions to be levied on broadcasters when caught airing content inappropriate for children (Congress.org 2006).

Deriving from the protection of minors in the media space, protection of minors from the potentially harmful effects of advertising stems from the understanding that children do not have the cognitive skills to distinguish commercial from non-commercial programming, which is a skill acquired at about 4-5 years, and to recognize the persuasive intent of commercial messages, which is a skill acquired at about 7-8 years (American Psychological Association 2004, 6). Because of these potential harmful effects, the AAP advises parents to avoid exposing children under the age of two to television viewing (American Academy of Pediatrics 1999).

While the AAP provides guidelines on how to protect minors from potentially harmful advertising, regulatory attempts to altogether terminate advertising to children have not been successful. A 1974 FCC proposal to ban all television advertising to children was not adopted, but instead restrictions on the amount of advertising to children during children's programming were imposed, which come down to 10.30 minutes of advertising per hour on weekends and 12 minutes of advertising per hour on weekdays (American Psychological Association 2004, 18). A

similar proposal from 1978 to ban all television advertising to children suggested by the FTC was also rejected by Congress. Moreover, as the FTC continued pressing for the ban, Congress expressed its disapproval of the proposed ban by provisionally stopping FTC's funding (American Psychological Association 2004, 18).

The final aspect of protection of minors from potentially harmful advertisements, in addition to the AAP guidelines and restrictions by policy makers, is presented by the guidelines and self-regulation of CARU. Also, further complicating the US regulatory picture of advertising to minors is the fragmentation of regulation between federal and state bodies. While federal bodies, such as the FTC, have jurisdiction over advertising so do the separate states in regulating advertising to children within the confines of the given state (Haggart, Harris and Tugend 1996).

To sum up, while the US failure to ratify the UNCRC, the mixed system of regulatory restrictions and the fragmentation of regulation between the federal and state levels present a challenge to the protection of minors in the US, there is a set of specific challenges that define the current context of protection of minors from the potentially harmful effects of advertising.

## 1.2.2 Protection of Minors – Present Challenges

These present day challenges fall into five categories which include high levels of access to and exposure to television and ads viewing among minors; changes in the reach of advertising; changes in minors' purchasing power, which makes them an attractive target for advertisers; claims about changes in the cognitive development of minors; and the digitalization of television, which is, as in the industry case, both a challenge and an opportunity.

A major challenge to protection of minors in the US is related to the high levels of access and exposure to television and ad viewing among children, which violates the official physicians' guidelines. Two reports from the Kaiser Family Foundation, the first one dedicated to television access and viewing habits of the six months to six years old age group and the second one dedicated to television access and viewing habits of the eight to 18 years old age group, indicate

that levels of television access and viewing among minors are interrelated and disturbingly high. The first report shows that, as of 2003, 99% of the children in the six months to six years age group have a television set at home, 36% of the children in this age group have a television set in their bedroom and 73% of the children in the six months to six years age group watch television on a typical day (Kaiser Family Foundation 2003a, 4).

The research also shows that the AAP recommendation to avoid exposure to television viewing for minors under the age of two is not followed by parents. The study finds that 59% of minors under two watch television on a typical day, 74% of minors under two have watched television at some point and of those children under two, who watch television on a typical day, the time spent with television is 1.22 hours on average (Kaiser Family Foundation 2003a, 5-6). A second report by the Kaiser Family Foundation finds that high television viewing habits in the early childhood ages are preserved as children grow older and children in the eight to 18 years old group spend 3.04 hours with television on average per day (Kaiser Family Foundation 2005, 37).

The high level of access and exposure to television viewing established by the two Kaiser Family Foundation studies is accompanied by a high level of exposure to advertisements of US minors. Data from a comparative study published by the FTC shows that in 1977 children in the two to five year old group saw 11,376 ads per year and children in the six to 11 years old group saw 10,687 ads per year (Federal Trade Commission 2007, 49). For comparison, in 2004 children in the two to five years old group saw 24,939 ads per year and children in the six to 11 years old group saw 26,079 ads per year (Federal Trade Commission 2007, 10). The summarizing statistics from the comparative FTC study indicate a general increase of minors' exposure to television ads so that the group of two to 11 years old children saw 17% more ads in 2004 than in 1977 (Federal Trade Commission 2007, 63).

In addition to the higher level of minors' exposure to television ads, another challenge to protection of minors from potentially harmful advertisements is related to the changes in the reach of advertising not only in television programming, but also in environments where children

may not be prepared to view the commercial messages of advertisers critically. One example of how advertisements have entered into the US education system is Channel One (American Psychological Association 2004b, 3), which delivers commercial messages in exchange for providing participating schools with classroom equipment.

A related challenge that motivates the greater targeting of minors with advertisements is the rise in children's purchasing power both in direct and indirect terms, which makes them an increasingly attractive audience for businesses. Research shows that minors from zero to 14 years old spend $24 billion in direct purchases. Additionally, minors indirectly spend $190 billion by influencing the family purchasing decisions (American Psychological Association 2004a, 2). A recent study from Harris Interactive indicates that young children in the eight to 13 years old group influence household purchase decisions on issues ranging from groceries to furniture and vehicles (Harris Interactive 2008, 2).

Finally, the belief that children nowadays are different from the children who participated in the studies from the 1970s, which establish the potential negative effects of advertising and the most appropriate age at which advertising can be targeted at children (Goldberg and Gorn 1974 and Resnik, Stern and Alberty 1979), presents an additional challenge to protecting minors nowadays. Minors, new studies claim, have changed and the image of children as helpless individuals no longer applies, as children are, for example, greater experts at new technologies than their parents (Wright-Isak 1999). This belief that today's children are different, as Schor notes, is "an unexamined, although reasonable point of view" (Schor 2006, 107) that complicates the task of protecting minors and implies that the regulatory approaches from the past may not be the regulatory approaches for the future.

Finally, the interactivity feature of digitalized television, just as in the case of the industry, is both a challenge and an opportunity for minors. The major benefit of digitalization is that it promises an improvement to the quantity and quality of EI programming. Digitalization allows broadcasters to offer more hours of EI programming because of the higher number of available

channels, while interactivity allows children to interact with the program they are viewing and, for example, download glossaries while watching EI content (Children Now 2005). This promise of improving the quality and quantity of EI programming is important in the light of analyses which show that EI programming is not of high quality (Jordan and Woodard IV 1998). Research on the EI programming available to children for the 1996-97 season, for example, shows that the quantity of EI programs tends to be high - 1,000 EI programs per week (Jordan and Woodard IV 1998, 84), but approximately 22% of these programs do not meet the FCC criteria for EI content (Jordan and Woodard IV 1998, 88).

While the interactivity feature promises to improve the quality of children's EI programming, child protection advocates warn that interactivity will expose minors to harmful subtle advertising strategies similar to the ones currently available on the Internet (Children Now 2005). The three types of ad strategies made possible by interactivity that, for example, Children Now warns against include addressable advertising, where advertisers will be able to target children based on tracking their viewing tastes; the creation of branded environments, where the content of the program and the product being advertised can be one and the same; and, finally, t-commerce so that minors can place product orders with just one click of the remote control (Children Now 2005, 2). All these ad strategies are controversial as interactivity blurs the lines between programming and ads, whereas it is currently an established criterion that there should be clear separation of commercial from non-commercial content in children's programming.



### 1.2.3 Protection of Minors in the Future

There is at present an international tendency to emphasize media literacy education rather than legislation when it comes to the protection of minors from television and ad exposure (Carlsson 2006, 158). This trend is based on the belief that protection is not necessarily achieved only by prohibition, but also through education (Carlsson 2006, 158). The growing importance of

media literacy education as a key to the future of protection of minors can be traced by analyzing the attention to media literacy education in a number of UNESCO initiatives.

First, UNESCO's Grunwald Declaration on Media Education recognizes that media occupies a significant part in a child's world, but media education is not sufficiently integrated in the education curriculum (UNESCO 1982). The Grunwald Declaration was followed by an UNESCO-sponsored conference in Toulouse, France in 1989, which claims that media literacy education is no longer a luxury but a necessity (Media Mentor 1989, 3). Following the Toulouse conference, at the "Educating for the Media and the Digital Age" Vienna conference UNESCO came up with the recommendations to implement media literacy education worldwide in both formal and informal educational settings (The International Conference on Media Education 1999).

Also, a recent step in the direction of greater emphasis on media literacy education is UNESCO's Media Education Kit, which calls for greater involvement of children advocates, youth activist groups and parents in the provision of learning opportunities and workshops in addition to media literacy education within the formal education curriculum (UNESCO 2006). This call for greater involvement of civil society is in line with broader trends in governance signifying that civil society is a key actor together with traditional actors such as businesses and governments. The inclusion of civil society groups in policy making on a par with government and business stakeholders is, for example, referred to by Kleinwächter as the "new diplomacy of the 21st century" (Kleinwächter 2004, 16). Salamon also talks about a new trend in public policy, so that governments nowadays tend to contract out services to civil society actors and he refers to this growing practice as "third-party government" and "the new governance" (Salamon 2002, 8).

Judging by the growing emphasis on media literacy education in UNESCO initiatives, media literacy education is a key to the protection of minors from the potentially harmful effects of television and ad viewing. Further, the broader changes in governance models indicate that

protection of minors is increasingly a matter not only of government regulation, but also wider civil society initiatives and cooperation between different stakeholders groups including the industry, civil society and government. The growing UNESCO emphasis on media literacy education and calls for greater involvement of civil society, as in the case with previously mentioned new studies that challenge the perceptions of minors' limited cognitive development, indicate that existing regulatory models should not be taken for granted and that new policies may be needed for the new digitalized television environment, especially in the light of the need to protect both ad revenue and minors in the US.

## 1.3 Why Protect both Ad Revenue and Minors?

The evidence so far suggests that in the US context the argument for the protection of both ad revenue and minors can be legitimately made. As Jordan concludes, after conducting a process tracing analysis of the development of children's media policy in the US, children's media policy has been traditionally made under the influence of the balancing effect of the First Amendment's protection of commercial speech (Jordan 2008). This balancing effect of the policy making process is one factor why the US is an interesting case to study. Apart from this historical balancing trend, the current situation with regard to the levels of access and exposure of minors to television and advertisements in the US as well as the US industry's dependence on ad revenue present a similar need for balancing the two objectives.

In the US, as data from the preceding sections demonstrated, children's access and exposure to television and ad viewing as well as the dependence of broadcasters on ad revenue are high. This indicates that neither the objective of protecting ad revenue nor the objective of protecting minors can be easily prioritized. Rather they need to be pursued in combination in the best interest of both the industry and minors. Further, while the isolated figures of minors' access and exposure to television and ad viewing are high, these US figures are also high in comparative terms. When plotted against a sample of other Western European countries, the US levels of

minors' access and exposure to television and ad viewing as well as the characteristic dependence of US broadcasters on ad revenue as a source of financing stand out.

The example of the US with the need to protect both ad revenue and minors yields itself to be studied using the method of nested analysis, where a case is picked up for intensive qualitative analysis after selecting it on the basis of comparing quantitative data for a larger set of cases, from which the particular case is distinct in some respect (Lieberman 2005 and Rohlfing 2008). There are certain drawbacks of the nested analysis method, which include issues dealing with the scope, timeliness and methodology of the studies' quantitative data, on which the following comparisons are based.

First, as earlier studies on minors in the media space recognize, the country comparison sample for relating television and ad exposure levels is not big enough because world statistics on minors' access to and viewing of television and ads do not exist (NORDICOM 2001, 25). Second, even where such data exists, it is updated at different times, which creates the problem of timeliness (NORDICOM 2001, 28). Third, the data differ in terms of the methodologies used to collect figures of minors' access to and exposure to television and ad viewing so that often conclusions about children's exposure to television and ads viewing are based on information about access to television sets in minors' homes (NORDICOM 2001, 28). Finally, the age groups of minors included in the studies tend to differ from country to country, which stems from the problem that definitions of who is a minor vary also because of the broad definition of minors by UNESCO.

In line with the above mentioned limitations, the following analysis positions the US within a sample of ten Western European countries, which is a small comparison sample and this may cause selection bias. However, even within the small sample some observations which make the US an interesting case to study emerge. To start with, comparative data on minors' access to television for a set of ten countries shown in Table 1, including Denmark (DK), Finland (FI), France (FR), Germany (DE), the Netherlands (NL), Spain (ES), Sweden (SE), Switzerland (CH),

the UK (UK) and the US (USA), shows that the levels of minors' access to television in US homes are comparable with those in Western European countries. However, when it comes to access to television in minors' bedrooms the US leads as shown in Table 2.

Table 1.1. Comparative data on minors with access to screen media (%) at home

| | CH | DE | DK | ES | FI | FR | NL | SE | UK | USA |
|---|---|---|---|---|---|---|---|---|---|---|
| Television | 90 | 96 | 98 | 97 | 95 | 99 | 99 | 97 | 100 | 99 |
| VCR | 72 | 87 | 92 | 74 | 91 | 92 | 92 | 92 | 96 | 98 |
| TV-linked games machine | 42 | 31 | 24 | 54 | 43 | 57 | 48 | 62 | 67 | 82 |
| Cable/satellite TV | 50 | 83 | 22 | 21 | 35 | 24 | n/a | 64 | 42 | 74 |

*Source:* Data adapted from Sonia Livingstone, *Young People and New Media* (London: SAGE Publications, 2003), 53. Note that the countries are listed in an alphabetical order.

Table 1.2. Comparative data on minors with access to screen media (%) in their bedroom

| | CH | DE | DK | ES | FI | FR | NL | SE | UK | USA |
|---|---|---|---|---|---|---|---|---|---|---|
| Television | 19 | 40 | 60 | 31 | 38 | 28 | 30 | 49 | 63 | 65 |
| VCR | 9 | 14 | 30 | 9 | 15 | 9 | 5 | 21 | 21 | 36 |
| TV-linked games machine | 19 | 19 | 24 | 33 | 20 | 25 | 17 | 34 | 34 | 45 |
| Cable/satellite TV | 9 | 28 | 22 | 4 | 9 | 3 | n/a | 21 | 5 | 30 |

*Source:* Data adapted from Sonia Livingstone, *Young People and New Media* (London: SAGE Publications, 2003), 53. Note that the countries are listed in an alphabetical order.

While the higher level of access to television in children's bedrooms should not be immediately associated with higher levels of television viewing, data about television viewing habits of minors in the top five countries with the highest levels of television sets access in children's bedrooms shows that there is a correlation between greater accessibility and greater exposure to television viewing. In the UK, which closely follows the US in terms of minors' access to television sets in their private bedrooms, minors aged nine to 16 spend 2.6 hours with television per day (Livingstone and Bovill 2001, 352). The figure for Denmark is 2.5 hours per day, 2.1 hours for Sweden, in Germany the number of hours minors spend with television is 2.2 hours and in Finland 2.4 hours (Livingstone and Bovill 2001, 352).

The above figures, when compared with the data for children's television viewing habits in the US, show that US minors spend more time with television in comparative terms as well. Minors under two years of age watch 1.22 hours of television on average (Kaiser Family Foundation 2003a, 5-6) and minors in the eight to 18 year old group watch 3.04 hours of television programming on average per day (Kaiser Family Foundation 2005, 37).

Table 1.3. Comparative data on minors' television exposure (in hours per day)

| Country | Hours |
|---|---|
| DE | 2.2 |
| DK | 2.5 |
| FI | 2.4 |
| SE | 2.1 |
| UK | 2.6 |

*Source:* Data adapted from Sonia Livingstone and Moira Bovill, eds. *Children and Their Changing Media Environment: A European Comparative Study* (Mahwah, NJ: Lawrence Erlbaum Associates, 2001), 352.
Note that the countries are listed in an alphabetical order and all data is for minors in the six to 16 age group.

Similarly, in countries where minors' exposure to television viewing is longer, minors' exposure to ads is higher. According to a study conducted by Consumers International, US minors see about 24 ads per hour, minors in the UK see 17, in Germany about 14, in Denmark and Finland about 12 and just about 1 or 2 ads per hour in Sweden, as shown in Table 1.4. The same holds true, when it comes to comparing the amount in terms of minutes of ads that minors see per hour. As Table 1.5. shows, US minors are exposed to the highest amount of ads viewing that comes up to 11 minutes per hour, while minors in Denmark, Finland and Germany have much lower exposure of 5 to 6 minutes of ads each hour.

Table 1.4. Comparative data on the average number of advertisements minors see (per hour)

| Country | Average number of ads per hour |
|---|---|
| DE | 14 |
| DK | 12 |
| FI | 12 |
| SE | 1 to 2 |
| UK | 17 |
| USA | 24 |

*Source:* Data adapted from Haggart, Kelly, Harris, Lucy and Alina Tugend. eds. 1996. *A Spoonful of Sugar - Television Food Advertising Aimed at Children: An International Comparative Survey*. Consumers International. http://www.consumersinternational.org (accessed June 7, 2009), 15.
Note that the countries are listed in an alphabetical order.

Table 1.5. Comparative data on the average minutes of advertising (per hour)

| Country | Average minutes of advertising per hour |
|---|---|
| DE | 5 |
| DK | 6 |
| FI | 5 |
| SE | 1 |
| UK | 9 |
| USA | 11 |

*Source:* Data adapted from Haggart, Kelly, Harris, Lucy and Alina Tugend. eds. 1996. *A Spoonful of Sugar - Television Food Advertising Aimed at Children: An International Comparative Survey*. Consumers International. http://www.consumersinternational.org (accessed June 7, 2009), 16.
Note that the countries are listed in an alphabetical order.

To sum up, the US is currently in a position where both minors' access and exposure to television and ads' viewing are high, but broadcasters' dependence on ad revenue is also high in country comparative terms due to the specific US television financing model, which was mentioned earlier. Thus, this leads to the hypothesis that when designing a public policy to protect minors from the potentially harmful digitalized television advertising techniques, US policy makers should also take into account protection of advertising revenue, and, therefore they should look for a sweet spot policy. While the research by Jordan cited earlier has established that this balancing effect is a traceable historical trend in US children's media policy, the need to search for a sweet spot solution in the context of the digitalization of television advertising has not yet been sufficiently addressed, which the following chapter does.

# Chapter 2: Searching for the Sweet Spot – Regulation, Technology or Media Literacy?

This chapter analyzes existing public policy options aimed at the protection of minors by evaluating their impact on the goals of protecting minors and ad revenue, which, as the previous chapter demonstrated, is a persistent dual objective in US children's media policy. The purpose of the evaluation of existing policy options is to identify a sweet spot solution which successfully extends both the industry's interests and protects minors. By doing this, the thesis will fill in the gap in policy discussions, which currently tend to focus on minors or the industry, but fail to adopt a balancing approach.

In order to identify the sweet spot policy option, the following proposed solutions will be analyzed: stricter government regulation; technological applications that help parents to control their children's ads viewing; and media literacy education programs. These policy options will be evaluated based on two criteria: first, against four public policy criteria and second, on the basis of an expert interview. The four evaluation criteria which will be used are:

- *effectiveness* meaning the extent to which the policy option solves the problem as defined;
- *efficiency* referring to the financial and social benefits of the option;
- *feasibility*, which assesses how conductive the general environment is for the implementation of the specific option; and
- *flexibility* to be understood as whether the option allows for easy adjustment once implemented (Young and Quinn 2002, 14).

Based on the above criteria, the optimal policy option that will be sought here should combine the features of being *effective*, *efficient*, *feasible* and *flexible*. These four evaluation criteria are considered here to be of equal importance. The equal weighting of the four evaluation criteria is motivated by the understanding, advanced here, that it is vital for a policy option to solve the

problem as defined, but not at the expense of high financial and social costs or with the risk of being a solution without chances for implementation (as was the case with the 1974 FCC proposal and the 1978 FTC proposal to ban children's advertising which were discussed in Section 1.2). In the case of children's media policy, the criterion of flexibility is equally important, as the media landscape and technology are fast-changing and, as Jordan notes, it is a challenge for policy-makers that by the time a regulation is passed it may already be outdated (Jordan 2008, 247).

In addition to the evaluation against the above-mentioned criteria, an expert interview will be used as a supplementary screener. The expert interview is intended to alleviate the potential bias that may be caused by reliance on secondary sources for the elaboration of the policy options for protection of minors and ad revenue. Therefore, an expert interview with Amy Jordan, a specialist on children's media policy from the Annenberg Public Policy Center, will be used in the process of searching for the sweet spot solution. The choice of Amy Jordan as an interviewee is motivated by the fact that she is a leading expert on children's media policy in the US.

## 2.1 Regulation as a Solution

Government regulation is a mainstream policy option in the context of minors' protection. Regulations aiming to protect minors from the potential harmful effects of interactive DTV advertising have, at this stage, already been implemented in consultation with child advocacy groups. In preparation for the digital switchover of broadcast television and based on recommendations from Children Now, the FCC regulated in 2004 that children should still have access to a minimum of three hours of EI programming and that consistent labeling of EI programs on DTV should be offered by the industry (Benton Foundation 2005, 7).

Apart from the proposals to extend the Three Hour Rule and the program labeling requirement to DTV, a third policy proposal of Children Now advised the US government on

banning interactive advertising in children's programming (Children Now 2004, 8). Although the proposal to ban interactive advertising to minors on DTV did not become law, this policy option still needs to be evaluated in the light of the persistent demands by Children Now to adopt this restriction.

To start with *efficiency*, financially, the ban on interactive advertising means less revenue for broadcasters. Socially, the ban should theoretically mean that children will be guarded from the potentially harmful interactive DTV ads. In reality, however, there are a number of potential side effects stemming from such a ban including advertisers' switching to more often target minors through other less regulated channels such as advertising in schools, zoos, museums, cinemas, in the streets and on the Internet (Schor 2006, 104). These venues are much less regulated than television. Further, when it comes to advertising in schools in particular, children are in a more vulnerable state there and psychologically less prepared to counter the persuasive intent of ads as they are in an educational setting.

There is, however, yet another possibility for migration of advertising that is more dangerous and it is the advertisers' migration from DTV to word of mouth advertising which, as Schor warns, is completely unregulated (Schor 2006, 113). In addition, as Schor points out, a complete ban on children's advertising will have the unintended consequence of reducing the money available for EI programming, thus confining children to watching more programming and advertising aimed at adults which is more problematic as it would expose them to improper content (Schor 2006, 113). Therefore, considering the unintended effects of a total ban on interactive DTV ads, the adoption of this solution by decision-makers would mean that by banning interactive DTV ads, the problem of protecting minors from potentially harmful ads is not solved, but rather transferred elsewhere. Based on these considerations the regulatory solution is inefficient.

The regulatory policy option does not meet the remaining evaluation criteria either. The proposed ban is not an *effective* policy option as it does not meet the goal of protecting minors and ad revenue. As for *flexibility*, due to the long path of regulatory approval and the system of state and federal legislation that shapes the regulatory environment in the US, this policy option is rigid and difficult to change.

The *feasibility* criterion is not met either for two reasons: first, the fate of previous similar proposals by the FCC and the FTC, mentioned earlier, indicates that Congress' reaction to such bans is lukewarm, the reason being the character of US children's media policy-making, which, as Jordan demonstrates, tends to balance the interests of the industry and minors (Jordan 2008); and second, less money from advertising for reinvestment in EI programming means that the US government has to pay more, but according to the World Values Survey, in the US (compared to the same set of countries that were referred to in Section 1.4) the percentage of people opposing high government involvement in the provision of public services is the highest - 12.8% versus the UK (9.9%), Sweden (7.8%), Finland (5%) and Germany (3%) (World Values Survey n.d.).

In the interview to supplement the evaluation of the policy option against the four above-mentioned criteria (for the interview questions see Appendix 1), Jordan said that the current rules requiring ads to be distinguishable from other programming and to follow the limitations of 10.30 and 12 minutes of advertising per hour on weekends and weekdays respectively, are no longer effective. Jordan said that while the time limitations imposed by the government could have been an effective tool for protection of minors at a time when children's programming was mostly on weekends, currently, the greater availability of children's programming on weekdays reduces the effectiveness of these safeguards. Further, Jordan pointed out that the other official government regulation, which mandates that ads must be distinguishable from other programming, may actually be counterproductive as studies show that the signs before and after commercial breaks alert children to pay closer attention to ads.

Additionally, Jordan pointed out two further complications associated with stricter government regulation. First, Jordan said that due to the constitutional protection of commercial speech under the First Amendment any proposal which suggests the banning of advertising to minors has to prove that ads cause harm, which is a difficult task. Second, Jordan commented that banning advertising on DTV is similar to "having a wall of water and a water dike, so you put your finger in one hole, but water starts coming in from another one" (Jordan 2009). The potential side-effect of a complete ban on children's advertising on DTV that Jordan pointed to is the loss of media that is age-appropriate for children because revenue from advertising is the main source of financing children's television programming in the US.

## 2.2 Technology as a Solution

Apart from a regulatory solution, technology and the use of technological applications such as the V-chip is another potential policy option for the protection of minors and ad revenue. A recent proposal dating from April 2009 advanced by Children Now, the PTA, the APA, and the AAP suggests that advertisements should also be rated on the same principle as programming so that parents can use the V-chip in television sets to block ads which they deem inappropriate for their children to watch (Eggerton 2009).

While the V-chip is already inbuilt in television sets and therefore the extension of the V-chip use to advertisements would not incur additional R&D costs for the industry, the technical solution is *inefficient* for several reasons. First, the financial burden on the industry, especially broadcasters will be high, as advertisers only advertise when they know their messages will reach the target audience. The potential for blocking ads would therefore, be a disincentive for advertisers to go to DTV considering they can use other platforms such as, for example, the Internet. Further, while the financial burden on the industry would be high, the extension of the V-chip use to ads has no clear social benefits. Potentially, it should empower parents to decide

what ads their children watch. However, the following three Kaiser Family Foundation studies of parents of children two to 17 years old show that the V-chip usability is low among parents.

A study from 1998, following the first television season since the V-chip introduction, finds that 27% of all surveyed parents know about the V-chip, but had never or hardly ever used it, while 18% of all parents reported they had never heard of the V-chip (Kaiser Family Foundation 1998, 3). A study conducted one year later shows that while in 1998 54% of all parents would use the ratings to decide what programs their children watch in 1999 the number had fallen to 44% (Kaiser Family Foundation 1999, 33). Another study published in 2007 shows that in 2006 46% of all parents would use a V-chip to decide what program their children watch (Kaiser Family Foundation 2007, 9).

Judging by the mixed results when it comes to the actual adoption of the V-chip by parents there is no reason to believe that the V-chip and the ratings system will have a higher usability if introduced for advertisements, therefore making this policy option *inefficient*. Similarly, and related to the inefficiency of the technological solution, this policy option is also *ineffective* because while the potential to block ads would protect minors, it endangers the industry revenue flow, therefore it does not meet the goal of balancing both policy goals – protecting ad revenue and minors and it is not an effective option.

In terms of *feasibility*, the ratings system is unfeasible as it may be in conflict with the First Amendment protection of commercial speech by allowing parents to block an ad before it has been established whether it is harmful or not and thus potentially infringing on the right to free commercial speech. The policy option, however, is *flexible*, as the ratings system is coordinated by the industry itself and this enables quick reaction to changes in the policy climate.

Apart from the ratings against the evaluation criteria, commenting on the costs and benefits of a technological solution Jordan said in the interview that there are risks of unintended side-effects associated with this option as well. A potential negative side-effect that Jordan identified is the migration of ads from the ad breaks into the programs in the form of more

product placements and integrated advertising, which are not banned in the US and are tactics that are more difficult to regulate and harder for children and adults alike to distinguish as ads.

Apart from the potential negative side-effects associated with this policy option, Jordan also pointed to the problem with the usability of the V-chip and referred to an Annenberg study on the V-chip with families of children seven to ten years old. In the study parents were first asked whether they would use the V-chip if they had it and then were given television sets with a V-chip. While at the onset of the experiment 70% of all parents said they would use the V-chip if they had it, the experiment monitoring parents' use of the V-chip from 1999 to 2001 found that exactly 70% of parents never even tried to use the V-chip (Jordan and Woodward 2003, 2).

## 2.3 Media Literacy as a Solution

In addition to stricter government regulation and the expansion of technological solutions to interactive DTV advertising, a final policy option that needs to be discussed is the provision of media literacy education. Media literacy education as a means of protecting minors from the potentially harmful effects of advertising has the support of AMLA and ACME, the two national US organizations dedicated to the provision of media literacy training for teachers as well as free speech advocacy groups like the FEPP (Kaiser Family Foundation 2003b, 1). The FEPP in particular presents media literacy education as a policy option that is superior both to stricter government regulation, which the FEPP equates with censorship of free speech as protected by the First Amendment, and technological solutions referring to the V-chip and the ad ratings scheme (Heins and Cho 2003, 38).

Commercial media literacy as a solution to the goal of protecting minors from the potentially harmful effects of interactive DTV advertising has recently received attention from the US government, with the FTC forum called "Ad it up!" that took place in March 2009 (Federal Trade Commission 2009). The event, which gathered experts on advertising to minors from different areas including academics, industry representatives and NGOs, had the goal of

helping the FTC to start working on an education strategy for commercial media literacy for minors 8 to 12 years-old (Responsible Advertising and Children 2009). Thus, in the light of the FEPP proposal and these recent developments, media literacy education also needs to be analyzed against the evaluation criteria so as to inform policy makers about the most optimal sweet spot solution that addresses the issues of both protection of minors and ad revenue.

Starting with *efficiency*, media literacy education is inefficient, because the potential short-run financial costs for the government or the industry, depending on who will pay for the media literacy education programs, will be high, whereas the expected social benefits of media literacy education will only be high in the long-run. The problem with long-term solutions is that from common knowledge it is recognized that neither corporations nor governments are known to favor long-term solutions, as these cannot guarantee to secure today's consumers and voters respectively. This is problematic considering that today's consumers and voters are traditionally preferred by corporations and governments to future consumers and voters.

When it comes to *effectiveness*, the impact of media literacy education in this respect is uncertain. Media literacy education would not negatively impact ad revenue, as it is free from the disincentives for advertisers associated with a technological solution or the complete ban on advertising to minors on DTV associated with stricter government regulation. When it comes to protection of minors, however, the existing experimental evidence on the effectiveness of media literacy education is scarce and controversial. Among the few studies that exist, a study done by Calvert shows that media literacy effectively protects minors by making them more skeptical about ads (Calvert 2008, 222).

Other studies, however, like a study by Chernin and Hornik, which is currently under publication, cast doubt on the usefulness of commercial media literacy. The study by Chernin and Hornik tests the hypothesis that a better understanding of persuasive intent results in lower product preferences of minors by studying 133 children five to 11 years old (Chernin and Hornik 2008). The study finds that exactly the children who received media literacy training tended to

have a higher preference for the advertised products from the experiment (Chernin and Hornik 2008). Calvert as well as Chernin and Hornik point to the scarcity of research and the need to conduct more experiments on the link between knowledge of persuasive intent and the purchasing behavior of minors.

However, while media literacy is inefficient and its effectiveness is uncertain, this policy option is *flexible* and *feasible*. Media literacy education is especially flexible in the cases where media literacy training for minors is offered by NGOs. As for *feasibility*, media literacy education programs are already implemented in the US education system as well as offered in extracurricular forms by independent NGOs. US media literacy education efforts date back to the 1970s, when federal initiatives in media literacy received government funding (Heins and Cho 2003, 10). However, this first attempt by the US government to fund media literacy education in schools was met with disapproval as the US Office of Education was given a Golden Fleece award* in 1982 (Center for Media Literacy n.d.). After this unsuccessful start, government-funded media literacy programs were terminated, but have been taken up again since the 1990s (Heins and Cho 2003, 15).

In addition to the evaluation against these criteria, Jordan commented in the interview that teaching commercial media literacy is a good idea; however, she pointed out two major problems associated with this policy option. The first problem is that in the US it has not been decided yet exactly where in the school curriculum commercial media literacy education should be introduced. Jordan gave Canada and the UK as examples where media literacy education is part of the English language classes, while in the US it tends to be spread out in different subjects but there is no consensus and agreement on the most optimal approach. The second problem that Jordan shared was the lack of sufficient evaluation of the effectiveness of media literacy programs and the link between minors' understanding of persuasive intent and their actual purchasing behavior.

* The Golden Fleece award is an award given to government programs perceived as wasteful of tax payers' money.

Considering the evaluation of the three above-mentioned policy options, the question that remains to be answered is which one of them is an optimal policy option and the following section is dedicated to answering this question.

## 2.4 Regulation, Technology or Media Literacy?

The analysis of the three policy options against the evaluation criteria, which is summarized in Table 2.1. below, does not point to decisive results about the one best policy option.

Table 2.1. Results for the policy options against the evaluation criteria

| Criterion | Regulation | Technology | Media Literacy |
|---|---|---|---|
| Efficiency | no | no | no |
| Effectiveness | no | no | uncertain |
| Feasibility | no | no | yes |
| Flexibility | no | yes | yes |

Note that "no" means that the policy does not meet the criterion; "yes" means that the policy meets the criterion; and "uncertain" means the existing evidence on whether the policy does or does not meet the criterion is inconclusive.

Based on the evaluation against the four criteria as well as expert comments, stricter government regulation in the form of a ban on all children's advertising on DTV is not the optimal policy option, as it is *inefficient*, *ineffective*, *unfeasible* and *inflexible* (See Table 2.1). Additionally, the sum effect of a ban on all advertising to children on DTV is negative both to the industry and minors. Stricter regulation in the form of a ban endangers ad revenue, but also holds dangers for minors because of the potential side-effects: of loss of children-appropriate programming and of the migration of advertising to other venues such as the Internet, which is more difficult for the government to regulate and word of mouth advertising, which is an area of advertising that is entirely unregulated.

Technology is not the most appropriate policy option, either. The technology option is *inefficient*, *ineffective* and *unfeasible* but has *flexibility* (See Table 2.1). Additionally, the sum effect of a

technological solution is also negative both on the industry and minors, and, thus, suboptimal for both parties. In terms of ad revenue, the use of the V-chip means loss of ad revenue for broadcasters as advertisers chose to use other platforms where their ads cannot be blocked, such as the Internet. In terms of protection of minors, minors will not be better protected if the ad ratings and the V-chip blocking technology is introduced, but rather they will be increasingly exposed to other, more dangerous forms of surreptitious advertising, such as integrated ads and product placements.

Commercial media literacy education for minors does not fare too well against the evaluation criteria, either, as it is *inefficient* and its *effectiveness* is uncertain. Commercial media literacy education, however, is *feasible*, as some media literacy programs are already implemented across the curriculum and in extracurricular activities, and it is also a *flexible* policy option (See Table 2.1). Further, the sum effect of media literacy education for minors is uncertain for both the industry and minors. Media literacy does not appear to either negatively or positively affect ad revenue, but the connection is difficult to establish and is under-researched. As for the effect on minors, the existing experimental evidence on the link between minors' understanding of advertisers' persuasive intent and minors' product preferences is similarly under-researched. What is more, experimental evidence exists pointing in both directions and proving media literacy as effectively protecting minors in some cases but ineffective in others.

Finally, summarizing the total sum effect of the three policy options, there is no single policy which unequivocally guarantees that both ad revenue and minors are protected. This, however, does not mean that none of the solutions should be implemented. The current analysis suggests that a mix of the three different policies is necessary to find the sweet spot solution. The following section is dedicated to identifying the policy mix that ensures the adoption of the sweet spot solution.

# Chapter 3: The Sweet Spot Solution

The analysis of the three policy options and their sum effect on ad revenue and protection of minors is summarized in Table 3.1. Since no single solution is optimal, as the sum effect of regulation and technology is negative on both the industry and minors while the effect of media literacy is uncertain for both parties, elements of all three policy options need to be implemented in order to arrive at the sweet spot solution that protects both ad revenue and minors.

Table 3.1. Policy options' sum effect on protection of minors and on ad revenue

| Policy Option | Ad Revenue | Protection of Minors |
|---|---|---|
| Regulation | negative | negative |
| Technology | negative | negative |
| Media Literacy | uncertain | uncertain |

To interpret Table 3.1., the effect of government regulation on the industry and minors is only negative when regulation means more and stricter government rules, referring to the proposal for a total ban on children's advertising on DTV suggested by Children Now. The effect of technology is similarly negative only when a technological solution is understood as the extension of the V-chip and ratings' use to ads suggested again by Children Now. Finally, the effect of media literacy is uncertain, but not because of the inability of studies to measure it, but rather because of the scarcity of such studies.

What remains to be answered in the following two sections is what needs to be done in terms of regulation, technology and media literacy so as to arrive at the sweet spot solution of protecting both ad revenue and minors.



## 3.1 Recommendations on Regulation and Technology

Regulation as part of the sweet spot solution is necessary to the extent that the recently adopted rules to extend the Three Hour Rule and the requirement for clear labeling of programs

on DTV are enforced and the industry is monitored by the FCC and FTC for compliance. The extension of the Three Hour Rule in particular is already a positive development for the protection of minors from the potentially harmful interactive DTV ads. Its significance is that by virtue of having three hours of children's programming the chances that minors will see ads are not automatically lower, but yet, the chances are lower that those ads will be inappropriate for a child audience because of being targeted at an adult audience. Therefore, the rule contributes to minimizing the danger of having minors exposed to adult ads.

In terms of technology, the extension of the ratings system and the V-chip to ads before parents are sufficiently aware of how they work with respect to programming would be premature and ineffective. Considering the three Kaiser Family Foundation studies cited earlier, which show the low adoption by parents of the technological solution to block inappropriate content (Kaiser Family Foundation 1998, Kaiser Family Foundation 1999 and Kaiser Family Foundation 2007), the view expressed here is that it is at the current moment suboptimal to extend the technology to ads. Additionally, the extension of the V-chip blocking technology and ratings scheme to ads has more harmful potential side-effects than potential direct benefits by driving advertisers into areas which are even less regulated than DTV, such as the Internet, in-school advertising and word of mouth advertising.

While the above discussion explains what measures should not be implemented, the answer to what needs to be done is more campaigns to communicate the significance of the already existing initiatives in terms of regulations and technology to parents. This communication effort is necessary in the light of the low familiarity of parents with the meaning behind the programs' labeling and the uses of the V-chip. Apart from communication efforts to explain the significance and state of the existing regulations and technology, what needs to be added in order to arrive at the sweet spot solution is relevant commercial media literacy education for minors.

## 3.2 Recommendations on Media Literacy

This final aspect of introducing commercial media literacy as part of the sweet spot solution for the protection of ad revenue and minors, however, comes with four prerequisites. First, commercial media literacy education should be grounded in more research on the link between the understanding of persuasive intent and the actual purchasing behavior of minors. As Calvert as well as Chernin and Hornik conclude in their respective studies on the effectiveness of commercial media literacy by monitoring its impact on minors' purchasing behavior, there is, currently, insufficient research on the link between the two (Calvert 2008 and Chernin and Hornik 2008).

Second, more research needs to be done to establish the precise age-groups for which commercial media literacy education is age-appropriate. The FTC "Ad it up!" forum from March 2009 discussed media literacy education for minors ages eight to 12. However, the question arises how minors zero to eight years old should be protected from the potentially harmful effects of interactive DTV ads. One possible solution is to break up the zero to eight age group into several sub-groups, where the bulk of responsibility for minors lies on different parties. In line with this approach, it is recommended here that it should be the parents' responsibility to ensure that minors zero to two years old do not watch television and ads. This recommendation is in line with the AAP official guidelines to parents to completely avoid exposing children under the age of two to television viewing.

Then for minors five to seven years old there can be commercial media literacy programs, justified by research which shows that children begin to understand persuasive intent as early as five. For example, a study by Reid and Frazer concludes that it should not be taken for granted that minors until seven are helpless to develop cognitive defenses against ads (Reid and Frazer 1979). The authors of the study find that reaction to ads depends on parents' attitudes in addition to being related to developmental stages (Reid and Frazer 1979).

However, even when the approach of breaking up the zero to eight age group to sub-groups is adopted, the question still remains what is appropriate for minors in the three to four age group. It is recommended here that research needs to be done examining the reactions of minors in this particular age group to ads and the advertised products both in the presence and absence of commercial media literacy training. It is also recommended here that for this age group, the possibility of V-chip use by parents may also need to be studied as an addition to commercial media literacy education.

The third prerequisite is that, as it becomes evident from the above discussion of assigning responsibility, all stakeholders should recognize that the role of parents alone or media literacy teachers alone is important, yet, inconclusive. While the role of teachers is important, as Calvert notes "families create tacit rules about television advertising beyond the commercial itself and those rules influence how children behave" (Calvert 2008, 220). Parents are an equally important factor in commercial media literacy education and it is difficult for schools to teach media literacy if parents do not recognize its value. In this respect, the next steps for more research, recommended here, would be to conduct surveys among parents to trace their understanding about the value of commercial media literacy education, including their attitudes about tax money being spent on the government provision of commercial media literacy programs.

Similar surveys about attitudes, although some already exist, should also be conducted among teachers. For example, one such study conducted by the National Cable & Telecommunications Association among teachers in elementary, middle and senior high schools finds that 60% of the teachers think that media literacy should receive more attention, and that currently it receives less attention than it should (National Cable & Telecommunications Association 2006, 2). Teachers from the survey also share that they find it useful to educate parents in commercial media literacy as well so that they have a better understanding of what is

taught at school and can encourage children to use the tactics learned when viewing at home (National Cable & Telecommunications Association 2006, 5).

The final fourth prerequisite is that, as Eagle notes, commercial media literacy programs need to be updated to include educational training based on new advertising techniques because currently such programs focus too much on the traditional forms of advertising (Eagle 2007, 2). This necessary update to include training on integrated and other new forms of advertising is what is meant here by providing commercial media literacy education that is relevant for the interactive DTV advertising age.

## 3.3 Recommendations on the Implementation and Evaluation of the Sweet Spot Solution

While the above section discussed the types of policies that need to be implemented when it comes to regulation, technology and media literacy, the aim of the following section is to provide a roadmap for the implementation and evaluation mechanisms of the sweet spot policy option.

The first aspect of the implementation of the sweet spot solution, which relates to a communication strategy explaining the importance of existing regulatory and technological solutions, should be up to the US government to choose the most optimal way to point out the regulatory and technical safeguards that are already in place.

The second aspect of the implementation would be to decide where exactly commercial media literacy education should be introduced in the school curriculum as well as outside schools. The need to provide commercial media literacy education by independent NGOs outside the school is necessitated by the concern that, as Calvert points out referring to Channel One, "the messages of these programs may be muted when they are embedded in a heavily commercialized school environment" (Calvert 2008, 220). Additionally, while the current practice is for media literacy training to be dispersed across the curriculum and the FEPP recommendation is to keep

it that way (Heins and Cho 2003, 39), such an approach risks being unfocused. Therefore, the possibility of concentrating media literacy training to just one subject may be considered following the examples of Canada and the UK, where media literacy is only taught in English language classes (Heins and Cho 2003, 34-35).

Finally, the third aspect of the implementation of the sweet spot solution is to decide who pays for commercial media literacy education programs. The FEPP recommendation is that funding for commercial media literacy education programs should come from NGOs and the US government, but not from the industry (Heins and Cho 2003, 39). Yet, considering the results from the World Values survey cited earlier, Americans' attitudes to government spending on public goods is not favorable (World Values Survey n.d.). The issue of using tax payers' money for commercial media literacy education is further complicated by the fact that the past history of such initiatives is not encouraging considering the earlier mentioned Golden Fleece award. While more research needs to be done by surveying the current attitudes of both parents and tax payers in general to this funding option, there is another financing option that is used in a couple of other countries, which is further explored below and can serve as a model for the US.

This other alternative option for the financing of commercial media literacy education programs is for financing to come from the industry itself. As Eagle notes, this financing model is in use in Canada and the UK (Eagle 2007). In Canada, the CCA, a non-profit organization of companies including for example Coca-Cola, Mc Donald's, Kellogg's, Nestle and Walt Disney Studios among other, provides media literacy education through the TV & Me program (TV & Me n.d.). In the UK the Media Smart program, which is funded by the UK advertising business and is specifically dedicated to commercial media literacy education, is now being introduced in other European counties including Belgium, Germany, and the Netherlands and has received support from the EU (Media Smart. n.d.).

The benefit for the industry of providing funding for such programs is that this can help them build the image of responsible corporate citizens and to position them as being part of the problem, but also the solution. The problem with this funding scheme, however, could be that it may be seen as biased towards the industry. One possible way to deal with such concerns may be the example again of Media Smart where in order to ensure its independence and transparency Media Smart has an Expert Group, which includes representatives from different areas including the industry, government, and academics (Media Smart. n.d.).

Having considered the different aspects of the implementation of the sweet spot solution, the best way to evaluate the success of this solution, once implemented, would be to use the method of surveying the different stakeholder groups, including parents, teachers and industry representatives, on their attitudes about the benefits and drawbacks of the sweet spot solution for the industry's ad revenue as well as those for minors.

# Beyond Regulation, Technology and Media Literacy - Conclusion

The process of digitalization of television in the US has raised a number of concerns related to both ad revenue and minors, while the recent terrestrial broadcast switchover makes the discussion about protecting the industry and minors even timelier. While the issue of protection of minors is more intuitive and has received substantial attention, the regulatory environment in the US, the First Amendment protection of commercial speech and the US television financing model necessitate the inclusion of the industry perspective in all decision-making on children's media policy. All policy options that address only the interests of minors or those of the industry risk being harmful to minors because of the host of unintended side-effects that have been discussed above.

The evaluation of the three policy options – regulation, technology and media literacy – shows that none of the options on their own can ensure the adequate protection of either the industry or minors, but especially minors. This, however, does not mean government inaction, but rather it means that all of the three solutions have valuable aspects that contribute to a healthy industry and healthy minors. Based on this evaluation, this thesis advocates that some of the aspects that were elaborated above of all three solutions need to be implemented in order to arrive at the sweet spot policy option, which protects both ad revenue and minors.

The recommendation that is communicated here is that US decision-makers need to do more work in terms of regulation, technology and media literacy, but also in a sense go beyond simply imposing stricter regulations, expanding the blocking technology to ads or introducing commercial media literacy in schools only. The advocated sweet spot policy option requires decision-makers to go beyond simple solutions like more regulation, more technology or more media literacy and rather do only that which is necessary for the healthy functioning of the industry and minors – communication campaigns to explain the significance of already existing

regulatory and technological safeguards and relevant commercial media literacy education both inside and outside the classroom.

Today at the time of a financial crisis decision-makers' attention is focused on policies to alleviate the crisis and this is good and necessary. However, as this thesis advocates, what is also good and necessary is that children's media policy is not downgraded in priority and the above recommended policy option is given due consideration. Also more research needs to be done on the link between knowledge of persuasive intent and the purchasing behavior of minors, on the age appropriateness of commercial media literacy for the three to four age group and on the development of relevant commercial media literacy programs. Such further research is important, as it will be useful to other countries undergoing digitalization and which will be faced with a similar set of issues in the near future.

# Appendix

Interview questions to Amy Jordan, Senior Research Investigator, The Annenberg Public Policy Center at the University of Pennsylvania

1) When it comes to minors' exposure to interactive ads on digital television in the US are the current safeguards for protection of children from the potentially harmful effects of advertising on television effective?

2) Is there a policy option, which if adopted will ensure that minors are effectively protected from intrusive and inappropriate interactive advertising techniques on digital television?

    a. What are your views on stricter government and self-regulation of the industry as a solution?

    b. What are your views on the use of technology as a solution?

    c. What are your views on media literacy education as a solution?

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