
Research Note: Assessing Audience Performance of Public Service Broadcasters

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ABSTRACT

■ This article explores the economics of audiences and uses this approach to explore performance of public service broadcasters (PSBs) in the European Union. It suggests and applies a method for analysing the contemporary performance of public service broadcasters using market shares. The study finds that, as a whole, public service broadcasters are performing better than statistical expectations, that public service broadcasting is generally maintaining market leadership, and that higher levels of market share performance are associated with lower levels of governmental funding. ■

Key Words audiences, broadcasting, market shares, performance, public service broadcasting

European public service broadcasters (PSBs) have experienced tremendous market changes during the past two decades driven by two commonalities: the number of channels offered by PSBs has increased and liberalization of broadcasting policy has permitted the introduction and expansion of commercial channels at the national and local levels. In addition, cable and satellite services have become widely available. These changes have introduced and increased competition for audience attention and lowered audience shares of existing channels.

PSB channels that had as much as 100 percent market shares one or two decades ago are today achieving market shares in the 20–40 percent range. Some interpret these declines as a failure of PSB to continue

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servicing its purposes or a failure of PSB management to respond appropriately to changing market conditions.

Setting aside arguments of whether audience share is appropriately applied to PSBs, it is clearly being used as evidence by policy-makers, PSBs themselves and social observers to promote a variety of policy and strategic policies and models.

Unfortunately, much discussion about the performance of PSBs is based on a misunderstanding of the importance of market share and the reasons for change in shares. If a channel suffers a decline in market share in a stable market, there is immediate reason for concern. Such a decline is indicative of poorer service, less attractive programming, or losing touch with the audience.

When the market is changing because the number of competitors is increasing, however, a decline must be understood differently. It does not necessarily result from performance problems but from the inevitable result of more channels and hours of programming being offered to audiences.

It has been difficult to compare the performance of public broadcasters across nations because the geography and population of each nation differs, because the number of public service channels differs, because the number of private channels varies, and because the political, social and cultural requirements for public service differ. These issues have limited the number of cross-national studies on public broadcasting as a whole or led to studies considering them in regional terms or other logical groups based on various factors. This study, however, seeks to provide a method for overcoming those difficulties through national evaluations that are comparable and to provide a method that can be applied domestically with greater precision.

Audience market share issues

The primary factor in audience market share is the number of channels available. Audience shares represent the proportion of households or persons using television during a specific period. Secondary factors are audience size and time expenditure. Both of these are relatively stable in the short- and mid-term and combine with number of channels to affect market shares. When a new channel enters the market it typically does not alter the size of the audience and, thus, demand remains relatively constant. Similarly, audience time is limited and time spent on television remains relatively consistent in the short-term, so the new channels and

the consequent rise in hours of programming supplied will not significantly increase consumption of television programming, although the amount increases somewhat.

The result of this situation is that the introduction of each new channel increases competition and divides the audience, leading to an inevitable decline in audience share for any pre-existing channels. Thus, in a European television market that moved from a situation in which one public service channel had a broadcasting monopoly and 100 percent audience share to a situation in which three commercial competitors were authorized, each channel would be expected to achieve an audience share of 25 percent. Absenting private competitors, PSBs themselves reduce the market shares of their existing channels by adding additional channels to serve smaller segments of the audience or special needs in their nations.

This mathematical progression, however, does not take into account the effects of factors such as the provision of attractive programming, audience development strategies and a variety of competitive advantages that channels may enjoy or achieve. As a result, some channels are able to obtain an audience share exceeding the expected average audience share through programming choices, better service of customer wants and needs, or other decisions under managerial control. This factor is at the heart of audience programme choices in competitive environments.

The concept of diminishing audience use of additional channels provides the basis for analysis of PSB performance. One can use the concept to separate the performance of PSBs in competitive environments from the normal effects of declining average audience share that had been caused by merely increasing the number of channels.

This study applies the method to national television markets in the European Union and is designed to measure market performance of national PSBs, to compare that performance to commercial broadcasters, and to determine nations in which PSB channels are over- or under-performing.

Method

Data on television channel and audience shares were obtained from the Statistical Yearbook of the European Audiovisual Observatory (2000). The researcher obtained national-level data on channels broadcasting, national coverage, ownership status and television audience daily market

shares. In several cases, the author consulted national broadcasters directly to clarify data or obtain missing data.

Public service channels are unique in that they were established with mandates to provide universal service, thus providing 100 percent national coverage or as close to that amount as technically feasible. Private commercial broadcasters, however, in many nations do not provide universal coverage for cost reasons or because they have limited their activities to regional or city markets within their countries. For this reason, national coverage data became a factor in the study.

The number of channels for use in the statistical computations was determined by selecting all channels that have national coverage of at least 50 percent. In practice, private broadcasters with such coverage tend to cover the major urban areas and compete significantly for audience share. Channels with less than 50 percent national coverage tend to have low audience shares, often in the 1-5 percent share range.

This inclusion process is not perfect, but it was necessitated because of the data available and their limitations in terms of national coverage and share reporting. The effects of these limitations is an inflation of the market performance of commercial channels vis-a-vis that of PSBs. This was deemed to be acceptable because the point of this study is to observe PSBs' performance and the limitation forces the most conservative measure possible of their performance.

If the method introduced here was used for a performance analysis at a national level, with reliable data on national coverage and market share for each broadcaster, it would be possible to include all broadcasters regardless of market share and national coverage and increase the precision of the analysis. One could create a market service share rating by multiplying the national market share by the percentage of households covered by the broadcaster. This market service share would be used in place of the basic market share and inclusions process used in this article.

Fourteen national markets were included in this study. Although the EU includes 15 member states, Luxembourg is not included in the study because it does not have a PSB. Three of the 14 nations presented unique channel and audience issues that required special handling because of linguistic and proximity issues: Austria, Belgium and Ireland.

Because of its size, its shared language and its location adjacent to Germany, portions of the Austrian audience are targeted by broadcasts from Germany. As a result Austrian public broadcasting competes for audiences not only with domestic commercial channels but also with

German commercial and public service channels. Of all the channels available, only the two Austrian PSB channels achieve more than 50 percent national coverage. If they were used alone, their performance would be highly overstated. As a result, the author lowered the coverage limitation for other broadcasters to 25 percent for this nation alone and reports results twice: once with only Austrian public service channels included and once with German public service channels included.

Belgium also required special handling because of its federated French- and Flemish-language communities. To overcome that issue, the two communities were treated as separate markets. The nature of the communities also presented problems in that significant foreign broadcasts from private broadcasters in French and Dutch are available for both language groups. The French-language community is also heavily served by PSB from France. In order to account for this issue, the data for the French-language community are reported twice: once with only domestic public service channels included and once with Belgian and French public service channels included.

Because of its proximity to the UK, its shared language, and the wide availability of British broadcasting, Ireland also faces the issue of foreign PSB. It was handled in the manner used for Belgium. Performance is reported twice: once with only domestic public service channels and once with British public service channels included.

The data for each channel in each nation were calculated using the following equation:

$$CMS - EAAS = \text{Channel Performance}$$

Where, CMS = channel market share and $EAAS$ = expected average audience share calculated as $100/\text{number of channels}$.

The result produced by the equation is the market share above or below the mathematically expected average for the public service broadcaster(s) in a nation.

This approach, however, ignores the fact that PSBs make an overall contribution to society through the combination of their contributions in separate channels and that the choice to add public service channels is typically made to improve services to some segments of the audience. For the purposes of measuring performance of PSBs, then, it is appropriate to collapse the market performance of public service broadcasting into a single competitor for market share. Using this process, it became possible

to observe the national performance of European public television against an objective measure.

Results

The results of the calculation yield a number showing the daily market share of public broadcasting above or below the expected average share. A PSB surpassing the average share is thus performing better than expected and the degree of that performance is shown by the extent to which it surpasses that share. Conversely, public broadcasters under the expected average are performing more poorly than expected.

As shown in Figure 1, the majority of European PSBs are performing far better than the mathematical expectation, but the performance ranges widely. Only two broadcasters are underperformers, however. That number is one if the contribution of French public service broadcasting to the French-speaking community in Belgium is selected as the appropriate basis for analysing French-language public service in Belgium.

In considering the performance of PSBs against private broadcasters, the daily audience shares of all domestic public service channels were combined and compared against the shares of commercial channels. In all cases, except Greece and Portugal, public service broadcasting still occupied the number one market position in EU nations (Table 1).

The market share losses for PSBs, despite their maintenance of leading position, is a particular problem for public broadcasters who also receive portions of their financing from advertising sales. As market share (and audience size) decline, advertisers are unwilling to pay as much, and this results in declining income as market share erodes. This factor would thus be expected to lead PSBs who rely on advertising to seek to overperform in terms of audience share. This factor is important because numerous European PSBs rely on advertising for portions of their income.

It could be argued that PSBs who rely more on government payments will be less focused on pleasing and generating audiences than pleasing parliaments and that broadcasters who rely on licence fees have an incentive to stay close to their audience interests and needs.

To determine whether there are relationships between sources of income and performance, a correlation analysis was conducted. It found a definite, small negative relationship¹ between performance and state funding, highly negative relationships between licence income and

state and other income, and a certain but weak relationship between state funding and funding from other than licence or state sources (Table 2).

Summary

This study has shown that, as a whole, PSBs are performing better than statistical expectations and that public service broadcasting is

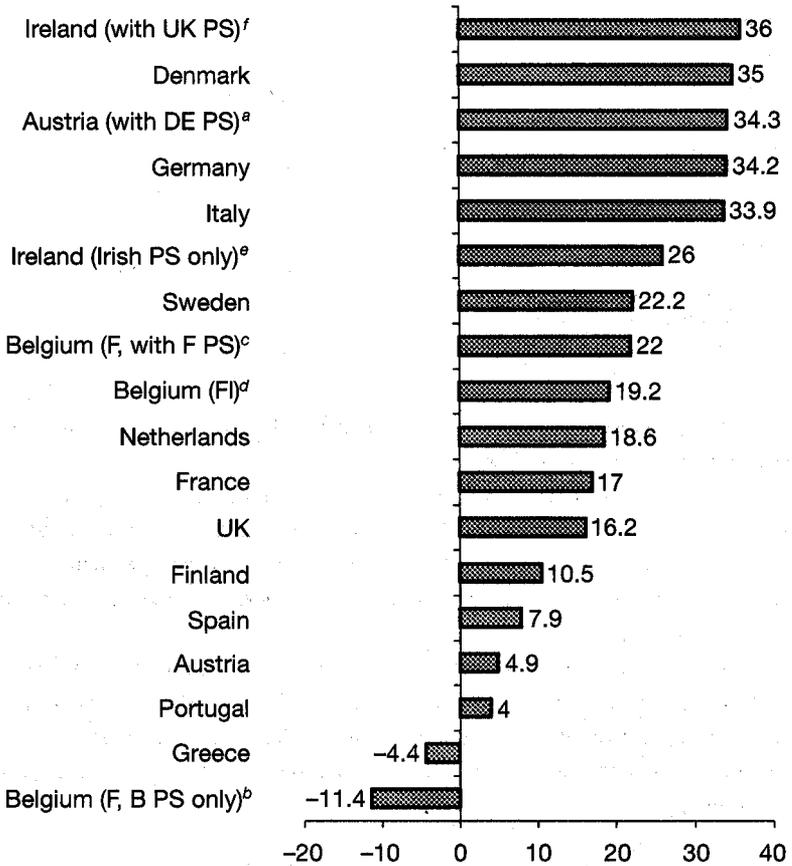


Figure 1 Range of performance of European public broadcasters

- ^a Including German public broadcasters.
- ^b French community market, Belgian public service broadcasting only.
- ^c French community market, including French public service broadcasting.
- ^d Flemish community market.
- ^e Including only Irish public service broadcasting.
- ^f Including UK public service broadcasting.

Table 1 Market position of domestic PSBs, 1999

	<i>Market position</i>
Austria	1
Belgium (F) ^a	1
Belgium (Fl) ^b	1
Denmark	1
Finland	1
France	1
Germany	1
Greece	5
Ireland	1
Italy	1
Netherlands	1
Portugal	2
Spain	1
Sweden	1
UK	1

^a French-language community.

^b Flemish-language community.

maintaining market leadership in nearly all EU nations, with the exception of Greece and Portugal.

Public service broadcasting in Greece underperforms against the expected average and finds itself in fifth place in terms of market position. Portugal is in the much better position of at least performing to expectation in terms of market share but not well enough to maintain market leadership.

The study did not find evidence supporting arguments that licence fee funding or advertising funding affect market share performance negatively or positively, but found some evidence that higher levels of market performance were associated with lower levels of direct government funding.

Table 2 Correlation of market share performance and funding for PSBs

	<i>Performance</i>	<i>Licence</i>	<i>State</i>	<i>Other</i>
Performance	1			
Licence	.025327	1		
State	-.26399	-.71959	1	
Other	.100818	-.93606	.429259	1

These data suggest that public service broadcasting overall is continuing to play an important role in most nations in the EU and that concerns that it has lost its role or position are perhaps overstated. The markets in which public service channels exist today have clearly changed and may require new operational strategies, but it is still far too early to write off public service broadcasting as a social good of the past.

The methods in this study are suitable for assessing performance in any multi-channel environment and can be applied in domestic or local settings with greater precision. Use need not be confined to assessing PSBs or to making international comparisons.

Audience measures such as this, however, should not be the sole means of evaluating the performance of broadcasters. A variety of other measures related to types of content offered, service to specific ethnic or minority communities, and service of other social, cultural and political goals should also be considered. When audience measures are used, however, they need to adjust for the effects of channel proliferation with a method such as that suggested in this article or they present an erroneous view of the performance that can actually be expected of broadcasters.

Note

1. Using the Guilford (1956) interpretation scale.

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