

Audience Relations in the Changing Culture of Media Use

Why Should I Pay the Licence Fee?

Robert G. Picard

Viewer and listener payments for public service television are made now within a dual system of public service broadcasting [PSB] and commercial broadcasting, and in an environment where audiences are increasingly making payments for a wider array of media and communication products and services. This expanding market-based context for media is changing viewers and listeners into consumers and creating a clear payment-for-services culture that is altering the traditional relationship between public service broadcasters and their audiences. Licence fee payments have traditionally been seen by many as creating a bond between audiences and public service broadcasters. The expansion of direct audience payments for other broadcast services dilutes that bond with PSB organisations by creating bonds with commercial competitors.

The development of pay-for-services culture – currently manifest in payments for cable, satellite, and digital television and radio reception in some nations – will continue to develop as more pay-per-view services are available. It will be strengthened as pay services appear with the introduction of broadband-based television and film programming. This change in the culture of broadcasting use creates a corresponding need for public service broadcasters to alter ways they relate to their audiences and the public generally. Although the need to alter organisational cultures is generally recognised within the public service broadcasting community, the responses of broadcasters have varied markedly.

The change in the culture of television and radio use, and the variety of information and entertainment choices now available, are increasingly empowering viewers and listeners and creating a strong consumer-driven environment for broadcasting. These factors create conditions that can affect the public's perception of licence fees, may provide a more favourable climate for opponents of future fee increases, and may increase the potential for seeing the end of licence fee funding. All of these represent clear threats to public broadcasting. In this environment, public service broadcasters must make continued concerted efforts to foster and solidify relationships with

audiences to ensure the environmental developments do not produce the potential negative outcomes, and to ensure that political support for public service broadcasting and licence fee financing are maintained.

Forms, effects and limits on uses of licence fees

Licence fees represent a form of broadcasting financing in which audiences fund some or all of the service provided. The European Broadcasting Union reports that it is "the traditional means of funding for public service broadcasting, and it is often regarded as the most appropriate source of funding" (EBU, 2000:9). Licence fees were selected as a means of financing public service broadcasting in many nations because broadcasting was not seen as having the same position as other social services and there was strong support for the idea that users should directly fund broadcast services. Concurrently, the potential for broadcasting to be used for manipulation of public opinion was recognized and financing through licence fees was seen in many nations as a means of diminishing the potential for state interference with content if funding came from tax receipts. As a result, licence fees are seen as having three distinct advantages: "First, it assigns the costs for broadcasting directly to its consumers. Second, this tends to create a mutual and reciprocal sense of responsibility between the broadcasters and the audience, which, third, frees the broadcaster from control and influence by governments (as might be the case where direct government support exists) or advertisers (as might be the case in commercial systems)" (Newcomb, 1997:956).

In policy terms, the licence fee was originally conceptualised in most nations as a fee paid for permission to receive broadcasts (EBU, 2000:10). That has changed over time, partly because the right to receive information in the European Convention on Human Rights conflicts with the approach. At the time the BBC broadcasting monopoly was ended, for example, confusion over the nature of the licence fee was clearly evident. One article noted that "nobody is really sure what sort of charge the licence fee represents. Even the Treasury is divided into those who say it is a poll tax and those who say it represents some sort of subscription" (MacCabe & Stewart, 1986:25). This type of confusion led authorities in many nations to reconceptualise the fee as broadcasting policies and laws were revised. Today, licence fees are regarded as a fee to receive public broadcasting or as a special contribution or tax to support public broadcasting (EBU, 2000). Given that household penetration of television and radio exceeds 95 percent in all European nations, it is difficult to classify the payments as anything but a use tax – a concept very close to that of subscription. This has significant implications for how the fee is perceived by viewers and listeners, and for the changing culture of broadcasting use.

There is wide variability in the amount of income that PSBs receive through licence-fee funding. According to McKinsey (1999), it provides more than 95 percent to broadcasters such as BBC (United Kingdom), Sveriges Television (Sweden), and NRK (Norway), but 50 percent or less of total funding for firms such as RTVE (Spain) and RTP (Portugal). Most public service broadcasting organisations rely on mixed funding that blends licence fees, advertising income, with state and other funding. There is increasing pressure to seek new sources of revenue. Choices of funding methods for PSB are influenced by national cultures, political systems, histories, and financial resources. Differences are evident between northern and southern European nations, between nations influenced by Anglo, Germanic, and Latin cultures, among nations with stronger social welfare orientation and others, and among nations in which public service broadcasters existed from the inception of broadcasting compared with those in which it developed out of state broadcasting companies. Differences based on similar characteristics are also evident in public service broadcasters worldwide.

In economic terms a licence fee is an “all-or-nothing” enabling expenditure that allows access to a public good (Fraser, 1996).¹ But paying the fee does not necessarily equate with high usage of the good, especially in the increasingly competitive TV and video marketplace. Licence fees are sunk costs for television viewers – as are payments by firms for spectrum licences (Bauer, 2003) – and thus do not have significant impact on viewing decisions.

The licence fee, however, provides financial advantages for public broadcasters. A study noted that the licence fee provides “a steady, dependable, and substantial revenue stream” (McKinsey, 1999:35). This provides predictability of funding that allows investment in programming and operational improvements with reasonable assurance of future income. However, most nations have not indexed fees to inflation, so they tend to produce lower real income over time and do not keep pace with rising operating costs (O’Hagan & Jennings, 2003).

The existence of a licence fee does not in itself guarantee payment of the fee by viewers. In Italy, for example, the fee – which is the lowest in Europe – consistently lags behind increases in inflation and the non-payment rate is 21 percent, the highest in Europe (Hibbard, 2004). On the other end of the spectrum, payment compliance is about 95% in the Nordic nations but still falls short of universal payment. In general, licence payment compliance rates are reasonably stable in most nations. The expected and received incomes do not vary widely year to year because evasion rates tend to be stable and are usually included in financial projections.

Viewer payments for broadcast service have desirable effects as well. Payments for broadcast programmes have been shown to generally increase the diversity of programmes available to viewers. Programme diversity tends to be maximized by subscription rather than by advertising-supported TV (Doyle, 1998). Viewers are willing to pay for services that provide programming not available on free-to-air channels (Herrero, 2004). Licence fees for

public service broadcasting tend to produce similar results as subscriptions for pay television. Such fees free the channels from having to serve the largest possible audiences at the behest of advertisers and instead permit them to provide some service to smaller audiences or to serve cultural and social interests that do not attract commercial broadcasters. Thus, the licence fee was, in the past, seen as a form of subscription that promotes programme diversity, supports national culture and identity, and can create a public commons in which citizens congregate and share experience.

It has been recognised, however, that licence fees themselves do not guarantee the widest service of public needs because they tend to support only a limited number of channels. This has led European and other nations to introduce commercial broadcasting as a means of providing additional service. The result has been increasing diversity of programming and greater service to niche audiences. There are limits to the improvements. At some point more channels are available than the market can support, creating "ruinous competition" that harms diversity and reduces the overall quality of programming available (Van Cuilenberg, 1999; Van der Wurff, Van Cuilenberg & Keune, 2000; Picard, 2001).

Commercial broadcasting owners generally oppose the licence fees that support public broadcasting because the fees provide a base of support that creates competitive advantage in financial resources. In the 1990s licence fees were challenged by competition authorities in the European Commission. Ultimately, the will of national governments and the European Parliament to continue such funding resulted in the Treaty of Amsterdam (1997) protocol that protected licence fees and general state funding for public service broadcasting.

A subsequent communication on state aid and public broadcasting (European Commission, 2001) recognized broad legitimate remits for public service broadcasters and protection for their financing, but also acknowledged that state support through licence fees and other funding is a form of generally prohibited state aid. The communication permits aid to public service broadcasting if it serves a clearly defined general interest, if there is a clear and specific entrustment (remit) to provide the service, and if its effects are limited to serving those interests. Thus, broadcasting that serves cultural, social, and political needs such as supporting understanding, identity, community, and democratic processes is protected. The communication, however, makes it clear that any aid that skews competition in other activities is not protected from competition law and regulation. Thus, public service broadcasters are subject to competition law enforcement when cultural, social and political interests are less clear and the activities are more commercial. This is particularly important because most PSBs are expanding their activities beyond broadcasting and increasingly engaging in activities within fields designed to create new revenue streams. The legitimacy of these expanded activities depends upon their purposes, how they are financed, and their effects on competitors that provide similar services.

Issues of who controls the licence fees, their collection, equity in collection, and the costs of collection help define the position of licence fees in society and their relationship to public broadcasting. Licence fees are authorised and their prices set by parliaments or a regulatory body. These are typically collected by a government agency or government-authorised agency. In some nations the fees are collected more indirectly with levies added to electrical bills, for example. It is now exceedingly rare for collection efforts to be directly associated with, or to specifically state a clear relationship with, public service broadcasters. The reason for this is unclear but may result from broadcasters not wanting to be sullied by an association with money, by using authority to demand payment, or by other factors.

In contexts where the licence fee is regarded as a nearly universal tax or a tax to support broadcasting, it is easier to view it as just another tax and to alter its collection method. Some nations – most recently the Netherlands (Daalmeijer, 2004) – have replaced the licence fee with funding from general taxation. The fact that costs for collection of licence fees in Europe range from 2 to 15 percent (O'Hagan & Jennings, 2003) has led some to argue that its inclusion in general tax collections produces efficiencies, although evidence of savings is unclear.

The changing view of licence fee funding, issues of efficiencies, the provision of money making services by public service broadcasters, and concerns over advantages licence fees provide *vis-à-vis* commercial broadcasters are leading some countries to consider different sources of income. France, for example, recently considered ending the licence fee and replacing it with income from lottery ticket sales (France May Scrap, 2000). The Conservative Party in the United Kingdom is considering the idea of proposing replacement of the licence by subscription income, advertising, and direct state support (Reid, 2003). The Labour Party and BBC management now consider it possible that the licence fee will end at some point in the future.

Changing from a licence fee to general tax funding, however, repositions public service broadcasting as just one of an array of social welfare services provided in the state and removes the ear-marking of the funds for broadcasting that exist with the licence fee. The move to general tax funding, which is supported by arguments of collection efficiency and the role of public service broadcasting as a publicly funded cultural institution, puts public service broadcasting in the position of being one of many cultural institutions seeking state funds, such as symphonies, opera companies, and museums. In such an environment, public service broadcasters must compete for resources by emphasizing their service to contemporary cultural and political needs, to more frequent and broader use among the public than other cultural institutions, and to their easier accessibility by the public. They also need excellent relations with taxpayers because increased political support is necessary as they compete for funds with other worthy cultural and social institutions.

Licence fees and relations with viewers and listeners

Among most media, the view of audiences as consumers has been gaining strength in the past two decades. The impact of this approach on broadcasting policy was noted as early as the 1980s (*Television in Great Britain*, 1987). Increases in commercial free-to-air channels, basic cable and satellite channels, and also premium channels over the years, have greatly reduced the direct linkage between licence fees and TV viewing or radio listening.

The increasing number of channels, both domestic and international, provides expanding choices for viewers that are breaking down monopolistic advantages previously held by public service broadcasters. Because audience demand for television and radio programming has not increased proportionally with channel and program expansion, there is an oversupply of programming that fragments the audience (Picard, 2001). As audiences devote more of their time to other channels there are reductions in the amount of contact and the significance of public service broadcasters to their media use. The majority of public service television broadcasters across Europe lost average daily audience share during the 1990s, and that trend is continuing. The average daily audience market share for public service broadcasting in Austria dropped from 63.4% to 51.4% between 1995 and 2003, for example, and Portuguese PSB viewing dropped from 44.8% to 28.8% in the same period (European Audiovisual Observatory, 2004). Viewing of public service broadcasters in nations with fewer competing commercial broadcasters tended to be affected less significantly (Danish and Norwegian PSB, for example, have managed to maintain average audience of 70% and 43% respectively).

Any loss of regular audience contact creates a growing separation of audiences and public service broadcasters. The general decline in use of public service broadcasting is compounded by an equally significant movement away from PSB among younger audiences that are disengaged from community life or prefer the escapist, entertainment-oriented offerings of commercial broadcasters. These factors – combined with growing use of other types of media – are creating a media use culture based on highly individualised preferences and choices. The result of contemporary media trends is that public service broadcasters across Europe today account for an average of less than 40 percent of television viewing, although they have tended to maintain market dominance (Picard, 2003). Average daily viewing of public service broadcasters in the European Union ranges from a low of 14.2% in Greece to 70% in Denmark, but viewing surpasses the 50% level only in Austria, Denmark, and Poland (European Audiovisual Observatory, 2004). Clearly, the new environment and culture of media use has significant implications for issues of identity, community knowledge and involvement, national culture, and democratic processes.

Licence fees are a particularly important element in this environment because they can be seen either as evidence of a special relationship between broadcasters and audiences or as an objectionable, undesirable, and coer-

cive transfer of wealth from unwilling citizens. Both perspectives are salient to social and economic debates over future funding of public service broadcasting.

From the positive perspective, the relationship between public service broadcasting and the licence fee is not merely a financing arrangement, but rather a linking mechanism between the organisations and their audiences. Research has shown that payments between parties are a central aspect of transactional relationships and are one of the factors that bind people and organisations/companies together. A variety of psychological, relational, and exchange bonds link customers and companies, affecting the type and strengths of their relationships. These are relevant to the relationships between PSBs and their audiences. These bonds include social, economic, technical, knowledge-based, and legal bonds (Wilson & Mummalaeni, 1988; Cannon & Perreault Jr., 1999; Perry, Cavaye & Coote, 2002; Lin, Weng & Hsieh, 2003). In the end, commonality of interests, mutual benefit, trust, and respect are at the heart of the strongest bonds and the relationships they create.

The links between licence fees and audience have been recognised for a number of years. Licence fees supporting public broadcasting are often described as producing desirable bonds. It has been argued, for example, that "in licence-fee systems...audiences often have a much greater sense of involvement in the performance of the broadcaster or broadcasters" (Vipond, 1995:286). The EBU argues that "the fact that the fees are paid by viewers and listeners reinforces the link between the public broadcasting organization and the public for which it exists....Broadcasting journalists and managers are continually made aware of whom the programming is made for, and who ultimately has to be satisfied. And viewers and listeners know what they are paying for, they can assess its value, and they can express their legitimate expectations" (EBU, 2000: 5).

There is evidence that political debates over licence fee levels and alternative funding can harm the relationship between public service broadcasters and audiences because of arguments that audiences are paying for services they do not use or want are resonating among significant portions of the public. Strong political divisions over the licence fee in Canada, for example, "did not bring the public broadcasting and the public closer together but rather deepened their suspicion of one another" (Vipond, 1995:299). This ultimately led to the decision to abandon licence fees and rely upon tax-based funding.

The separation of licence collection from public service broadcasting companies interferes with the presumed effects of the linkage. In fact, many public service broadcasters pretend not to be related to fee collection, presenting it as a legal requirement that is separate from the PSB organisation. There is a certain irony in this position because they actively support the licence system and regularly lobby for increases in the fee.

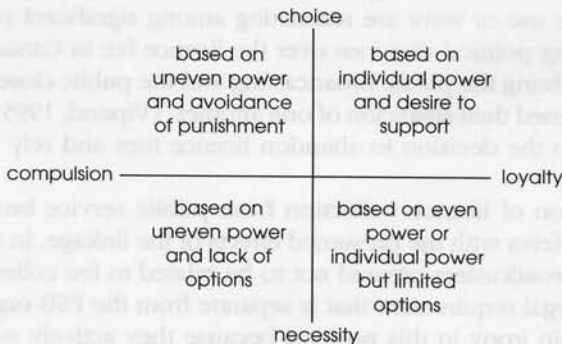
Despite the highly positive view of these linkages by public service broadcasters, it needs to be recognised that audiences' views of the closeness of

their relationship with the broadcasting organisation are not necessarily similar. It has been shown, for example, that public involvement in decision making is limited and made primarily through elite representation in public hearings (Finn, McFadyen & Hoskins, 2003). Most participation by the audience is limited to anonymous preference and performance surveys. The effect of any bond created there can be expected to be relatively weak.

Mere payment of licence fees does not create psychological ties or a close relationship. Viewers typically pay 2 to 4 times as much for cable and satellite services than they pay for licence fees. Subscriptions to pay television channels, magazines, and other media provide a clear link in which it is in the interests of the provider to meet the needs of the audience in order to maintain the economic relationship. This relationship is far more abstract in the case of licence funded public service broadcasting because it is based on a variety of factors including audience perceptions of value for money spent, audience faith and trust in the values and decision making processes of the management, and audiences belief that it supports greater social and cultural functions in society. If PSB audiences' satisfaction with and commitment to these factors is insufficient, support for licence-based funding flounders.

There are two primary elements that characterise and determine the strengths of various bonds and relationships among transactional partners. The first element involves whether they are based on necessity or choice. The second depends on whether they are based on compulsion or loyalty. Obviously relationships based on choice and loyalty will be stronger, more beneficial for both parties, and last longer than those based on necessity and compulsion. If one constructs these relationships as an explanatory matrix (Figure 1), the factors underlying types of relationships and power distribution relationships become clear.

Figure 1. Relationship Matrix

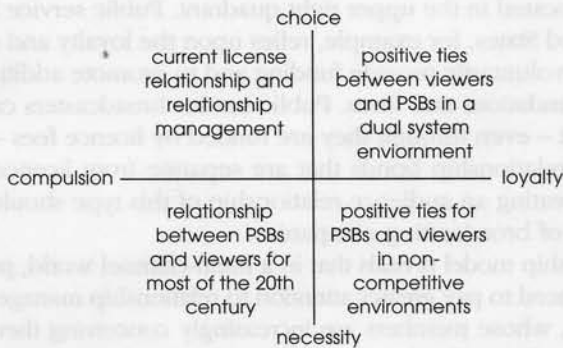


The lower quadrants represent relationships based on necessity due to lack of options in products and services, whereas the upper quadrants represent

relationships in which the consumer has choices. The left quadrants represent situations in which consumers' choices are affected by compulsive forces and the right quadrant represents relationships based on consumer loyalty. The combination of these elements produces different bases upon which transactional relationships take place. The elements in Figure 1 have significant implications for licence funding of PSBs because transactional relationships based on compulsion tend to lead to resentment and opposition while relationships based on loyalty tend to benefit all parties.

If one applies the concepts in the relationship matrix to the relationships between public service broadcasters and their audiences, one gains significant understanding of the impact of the factors on the relationship (Figure 2). For most of their history, public service broadcasters have been positioned in the lower two quadrants because of the tendency toward broadcast monopolies. At various times the relationships of specific broadcasters have been in the left or right quadrants.

Figure 2. Licence Fees Linkages in the Relationship Matrix



The lower left quadrant represents relationships based on lack of channel choice; the driver for paying the licence fee is avoiding penalties for not paying the fee. Viewers or listeners have no choices among programme providers and must purchase a licence or face punishment. This situation cannot produce a close bond between the parties.

The lower right quadrant represents a relationship in which there are no other channel choices, but a major driver of the transaction is the loyalty of the audience. The audience is willing to pay the fee because they have a loyalty bond with the PSB, because they recognize its importance, and because they appreciate benefits they receive. This does not necessarily mean that compulsion to pay the licence fee is absent, but that conditions in the relationship are such that audiences and broadcasters have a trusting relationship in which audiences pay the licence fee more out of satisfaction and loyalty than compulsion.

Although relations between PSBs and audiences existed in the lower quadrants in the past, changes in technology, policy, and the market in recent decades have given audiences a broad variety of channel and programme choices such that the relationship between public service broadcasters and the audience has moved to the upper quadrants.

If the primary motivator to pay the licence fee is compulsion, the relationship will be located in the upper left quadrant. The coercive nature of this relationship can be illustrated by the current advertising campaign of the UK licensing authority (www.tvlicensing.co.uk). The compliance campaign uses messages such as “TV licence or a court appearance? It’s Up to You”, “A TV licence or a £1,000 fine. It’s Up to You”, and “Get one. Or Get Done.” The campaign is not an idle threat: Non-payment of licence fees is the crime for which 14 percent of incarcerated women in the United Kingdom are imprisoned (Jailbirds, 1995). This campaign and penalty emphasises a required and penalty avoidance relationship and can hardly support the idealised view of the relationship between licence fees and broadcasters asserted by many public service broadcasting executives and proponents.

If the motivator is loyalty, the relationship between audience and broadcaster will be located in the upper right quadrant. Public service broadcasting in the United States, for example, relies upon the loyalty and support of its audience to voluntarily provide funding and to promote additional funding through foundations and firms. Public service broadcasters can operate in this quadrant – even through they are funded by licence fees – by creating significant relationship bonds that are separate from licence payment compulsion. Creating an audience relationship of this type should be a primary objective of broadcasting companies.

This relationship model reveals that in a multi-channel world, public service companies need to pay greater attention to relationship management with their audiences, whose members are increasingly conceiving themselves as consumers of media products and services – and expecting to be treated differently than mere audiences. To do so will require that public service broadcasters not only manage their organisations and content, not only monitor developments in political and regulatory policy, and not only manage relations with parliaments and regulatory agencies. In addition, they must develop mechanisms to manage the crucial relationships with audiences and to infuse the importance of the audiences and those relations throughout the broadcasting organisations.

Relationship management

Organisations and companies in competitive markets have discovered that customer relationship management [CRM] provides significant means for developing and improving relationships with their customers. Studies of

relationships between firms and their customers show the importance of creating loyalty (Reichheld, 1996; Griffin, 2002) and of effective use of multiple points of contact to improve relations (Curry, 2000; Schmitt, 2003).

CRM literature shows that relationships cannot be assumed but must be created and nurtured over time, requiring significant attention and effort. The most important contributions of customer relationship management to the firm are its insight generation capability, its ability to help understand product usage behaviour, and its ability to develop information on customer needs and preferences so that better customer segmentation, targeted service, and customer care can be provided. Current audience research and assessment processes in most public service broadcasters provide only limited information and insight because of the methods being used and because their purposes are not to help build and strengthen relationships.

Relationship management is not limited to commercial relationships. Public sector administrators are increasingly recognising the importance of viewing citizens as clients and using relationship management techniques to improve participation and involvement (Vigoda, 2002). Similar techniques are now being used in health care and other social services. Relationship management can be applied by PSBs as a means of strengthening bonds with audiences. Hochheimer (1993) has shown that developing strong, involved audience relationships is critical to the effective operation of community radio stations. Customer relationship management techniques have been suggested as means to improve program and channel loyalty in public television (Kraft & Götz, 2003).

Many CRM processes are possible because customer records provide sources of information that can be used to improve service and customer contacts (Berry, 2000). The techniques are already being used by satellite and cable operators in their relationships with viewers/customers and are enhanced because regular billing, promotional, and customer service contacts exist between the firms and the users of their broadcast services.

Public service broadcasters do not have customer records or as many points of contact from which to develop the audiences' feelings of satisfaction and importance. These are keys to developing and maintaining loyalty. In fact, the separation of the licence fee and its collection from public broadcasters means that most have lost one of the potentially most significant points of contact between broadcaster and viewer. In most countries, bills for the licence fee come from a relatively anonymous licence agency, contain no direct references to public service broadcasting, and carry no messages underscoring what the viewer gets for their payment or promoting upcoming programming on public service channels. The relationships they have with audiences generate all the goodwill one can expect from interaction with nameless, faceless government bureaucrats, i.e. mainly none.

Records of licence fee payments are held by these licence collection agencies and broadcasters typically do not have access to use data mining techniques that can help target promotion and service activities. Cable and sat-

elite companies, however, explicitly use their billing contact points to strengthen their relationships with viewers, to provide information on upcoming programs, to promote additional services, and to provide a customer service centre. In the process they create stronger bonds with their customers.

Another aspect of customer relationship management involves contact management. Many public service operators do not maintain viewer call centres or effective online response centres. Those with organised viewer contact activities tend to use contacts to gather satisfaction data, but most do not make follow-up contacts with those who have been sufficiently motivated to initiate contact – an indication of higher than average relational involvement. There are variations among broadcasters, with some supporting audience ombudsmen and others using various audience panels and community discussion forums to provide audience members a greater voice, but there is room for general improvement in using these methods to actually improve relationships with audiences.

Consumer publications are an excellent method of continuing and developing relationships. When combined with customer data to personalise some content for specific types of customers, this can be powerful in relationship management. Although some PSBs use audience magazines and newsletters to help nurture audience relationships, many have in recent years reduced their frequency or appearance for cost reasons and thus lost ability to target the material to audience segments.

The range of customer relationship management techniques provide many ways for public service broadcasters to enhance their relationships with audiences, to build loyalty in viewing and listening, and to create public support for public service broadcasting that will influence future policy decisions. The extent to which they are adopted in coming years will affect how the relationships between audiences and public service broadcasters develop in the future.

Discussion

In the current multi-channel, commercialised broadcasting environment, it is not enough to assume that audiences are pleased with the current relationship or wise to presume they will continue to support public service broadcasting for eternity. Public service broadcasters are especially vulnerable in the current communications environment that is shifting toward a consumer model in broadcasting and related video services. In this environment the power of channel and programme choice is shifting to audiences, and the power of funding is shifting as well.

A growing pay-for-service culture presents real risks to the licence fee and to the funding base for public service broadcasters. Audiences/consum-

ers can be expected to increasingly ask themselves why they should have to pay a separate licence fee when they are already paying for cable, satellite, and other pay TV services. This attitude can be expected to lend support to arguments that the licence fee should be abolished or become a subscription fee collected as part of bills for cable and other video services. These arguments may become even more compelling for those public service broadcasters that rely heavily on advertising and whose distinction from commercial broadcasting is less evident.

In order to respond to such issues, public service broadcasters will need to make significant efforts to improve, and routine efforts to maintain, their relationships with audiences. The amount of effort that different public service broadcasters will have to put into those activities will differ because relationships and the perceived value of public service broadcasters by audiences vary. But clearly evolution in the broadcasting environment is changing relationships and creating a disconnect with bonds that previously existed.

One reason for the disconnect is the assumption that all viewers should fund all services offered by public service broadcasters, including those they do not use. When service was limited to a few channels, this gulf did not exist. The continuing expansion of PSB activities beyond basic services into niche channels and new media services is clearly providing desirable services to smaller portions of the audience, but these are services that a majority of viewers may never use. This problem is significant because viewers are increasingly using tiers of channels through cable and satellite services, allowing them to select and pay for those channels that are most significant to them. These developments do not solidify relations with PSBs and will increasingly separate some viewers from public service broadcasters.

It is easy for supporters of public service broadcasting to argue that citizens pay for many public services they may not use or even support politically – public health care, education, social services, military forces, etc. This argument is problematic in the case of licence fees because they are not general tax revenues and because public funding even for many social services including health care, education, and pensions is declining. Significant portions of those services are being privatised in many nations. Proponents of PSB licence fees will need stronger arguments and must nurture far better relationships with audiences to engender continuing support.

If public service broadcasters are to maintain basic operations and to counteract resistance to paying for niche and specialty services, they must effectively and constantly communicate the importance of the breadth and depth of their services to audiences, and this requires increasing the range of connections with audiences. The techniques of customer relationship management provide tools to facilitate these efforts.

The need to improve relations with audiences is increasing rapidly. A disconnect between audiences and broadcasters is now appearing even in countries whose public service broadcasters have relatively good reputations.

In Canada, for example, a recent study was conducted using contingent valuation methods to determine the value that viewers received from public broadcasting and their perception of its value to others. Half of the respondents reported receiving no value from the CBC and three-fourths said it provided no value to other viewers (Finn, McFadyen & Hoskins, 2003).

In a number of nations oppositional campaigns to the licence fee are emerging, gaining attention, and strengthening. This is occurring in part because of the benefits of the Internet to these activities, partly because of commercial broadcaster support, and partly because the messages against forced payments for unwanted or under-used services resonate. Many campaigns complain that viewers pay twice for public service channels because they must pay the licence fee and a cable, satellite, or digital television service fee. Regardless of the efficacy of their arguments, their messages indicate that some bonds that have connected audiences and PSBs in the past have been loosened or are now absent.

For licence fees and support for public service broadcasting to survive, viewers and listeners must not have to ask the question “why should I pay the licence fee?” If they have to ask, they will not be paying it much longer. The new commercialised world is one in which audiences are consumers, not only viewers or listeners. Public service broadcasters must work to ensure that viewers and listeners know day-by-day, month-by-month, year-by-year what they get for the licence fee, how it serves their interests, and why it is important. They must clearly know why they should pay the fee – but more importantly – they must *want* to pay it.

This type of environment can only be created if significant efforts are made to increase the bonds between viewers and broadcasters by minimizing compulsion in the relationship and seeking a relationship based on loyalty and choice. Relationship management techniques provide methods to increase desirable bonds between audiences and public service broadcasters, and thereby to build support for PSB that is increasingly necessary in the media culture created by mixed broadcasting systems and multichannel environments.

PSBs have typically justified licence fees and promoted increases in the fees in annual reports and filings to oversight committees, commissions, and parliaments. In the previous environment, policy makers and elected representatives were the primary stakeholders whose support had to be nurtured. Today, there is a growing consumer attitude toward media. Power is shifting to consuming audiences. Lobbying activities and materials intended to gain support among officials miss audiences and are not effective mechanisms for maintaining necessary bonds, loyalty, and ultimately public support.

In the contemporary broadcasting world authentic bonds and direct relationships between audiences and broadcasters – not merely lip service to those relationships – must be nurtured and solidified if licence fee funding, and thus the cultural and social roles and functions of public service broadcasting funded thereby, are to be maintained.

Note

1. Fraser argues that broadcasting is an excludable public good because of sanctions against avoidance. Most penalties are not onerous, however, and monitoring consumption and fee compliance is difficult, so the degree of excludability is low.

References

- Annan Committee (1977) *Report of the Committee on the Future of Broadcasting*, Cmnd 6753. HMSO: London.
- Berry, M. (2000) *Mastering Data Mining: The Art and Science of Customer Relationship*. New York: Wiley.
- Bauer, J. (2003) Impact of License Fees on the Prices of Mobile Voice Services. *Telecommunications Policy* 27(5/6).
- Curry, J. (2000) *The Customer Marketing Method: How to Implement and Profit from Customer Relationship Management*. New York: Free Press.
- Daalmeijer, J. (2004) Public Service Broadcasting in The Netherlands. *Trends in Communication*, 12(1), pp. 33-45.
- Doyle, C. (1998) Programming in a Competitive Broadcasting Market: Entry, Welfare and Regulation. *Information Economics and Policy*, 10(1), pp. 23-39.
- European Audiovisual Observatory (2004) *Yearbook – Radio, Television, Video and Multimedia in Europe*. Strasbourg: European Audiovisual Observatory.
- European Broadcasting Union (2000) *The Funding of Public Service Broadcasting*. Report of the Legal Department. DAJ/MW/mp.
- European Commission (2001) Communication from the Commission on the Application of State Aid Rules to Public Service Broadcasting. *Official Journal of the European Communities*, 2001/C 320/04.
- Finn, A., S. MvFadyen and C. Hoskins (2003) Valuing the Canadian Broadcasting Corporation. *Journal of Cultural Economics*, 27(3-4), pp.177-192.
- France May Scrap Television License Fee. *Marketing Week*, vol. 23, no. 26, July 27, p. 32.
- Fraser, C. (1996) On the Provision of Excludable Public Goods. *Journal of Public Economics*, 60(1), pp. 111-130.
- Griffin, J. (2002) *Customer Loyalty: How to Earn It, How to Keep It*. San Francisco: Jossey-Bass.
- Herrero, M. (2003) Programming and Direct Viewer Payment for Television: The Case of Canal Plus Spain. *Media Market Monographs* No. 4 (June 2003).
- Hibberd, M. (2004) Italian Democracy Gone Mad? Public Service Broadcasting in the Berlusconi Era. *Trends in Communication*, 12(1), pp. 15-31.
- Hochheimer, J. (1993) Organising Democratic Radio: Issues in Praxis. *Media, Culture and Society*, 15(3), pp. 473-387.
- Jailbirds (1995) *The Economist*, 36 (7923), July 15, p. 40.
- Krafft, M. and O. Götz (2003) Customer Relationship Management öffentlicher und privater TV-Sender. In Bernd W. Wirtz, Hrsg. *Handbuch Medien- und Multimedia-Management*. Weisbaden: Gabler, pp. 339-363.
- Lin, N-P., J. Weng and Y-C Hsieh (2003) Relational Bonds and Customer's Trust and Commitment: A Study on the Moderating Effects of Web Site Usage. *The Service Industries Journal* 23(3), pp.103-124.
- MacCabe, C. and O. Stewart (1986) *The BBC and Public Service Broadcasting*. Manchester: Manchester University Press.
- McKinsey & Co. (1999) *Public Service Broadcasters Around the World: A McKinsey Report for the BBC*. January.
- Newcomb, H. (ed.) (1997). License fee. In *Museum of Broadcast Communications Encyclopedia of Television*. Chicago: Fitzroy Dearborn Publishers, pp. 956-957.

- O'Hagan, J. and M. Jennings (2003) Public Broadcasting in Europe: Rationale, Licence Fee, and Other Issues. *Journal of Cultural Economics*, 27(1), pp. 31-56.
- Perry, C., A. Cavaye and L. Coote (2002) Technical and Social Bonds Within Business-to-Business Relationships. *The Journal of Business and Industrial Marketing*, 17(1):75-89.
- Picard, R. (2001) *Expansion and Limits in EU Television Markets: Audience Advertising and Competition Issues*. Discussion Paper C2/2001. Turku, Finland: Turku School of Economics and Business Administration, Business Research and Development Center.
- Picard, R. (2003) Assessing Audience Performance of Public Service Broadcasters. *European Journal of Communication* 17(2), pp. 227-235.
- Reichheld, F. (1996) *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*. Boston: Harvard Business School Press.
- Reid, Alisdar (2003) Will the BBC Run Ads if the License Fee is Removed? *Campaign*, May 16, p. 14.
- Schmitt, B. (2003) *Customer Experience Management: A Revolutionary Approach to Connecting with Your Customers*. New York: John Wiley and Sons.
- Television in Great Britain from Public Service to Consumer (1987) *Columbia Journal of World Business*, 22(3), pp. 11-18. *Treaty of Amsterdam*, 1997.
- Van Cuilenburg, J. (1999) Between media monopoly and ruinous media competition. In Zassoursky, Y. & E. Vartanova (eds.), *Media, Communications and the Open Society*, Moscow: Faculty of Journalism / IKAR Publisher, pp. 40-61.
- Van der Wurff, R., J. Van Cuilenburg and G. Keune (2000) Competition, Media Innovation and Broadcasting. In Van Cuilenburg, J. & R. Van der Wurff (eds.), *Media and Open Societies*, Amsterdam: Het Spinhuis, pp. 119-157.
- Vigoda, E. (2002) From Responsiveness to Collaboration: Governance, Citizens, and the Next Generation of Public Administration. *Public Administration Review*, 62(5): 527-541.
- Vipond, M. (1995) Financing Canadian Public Broadcasting: Licence Fees and the Culture of Caution. *Historical Journal of Film, Radio & Television*, 15(2), pp. 286-301.
- Wilson, D. and V. Mummalaneni (1988) Bonding and Commitment in Buyer-Seller Relationships: A preliminary Conceptualisation. *Industrial Marketing and Purchasing* 1(3), pp. 44-58.
- Whittle, S. (2004) Public Service Broadcasting in the New Media Age: The BBC's Experience. *Trends in Communication*, 12(1), pp. 3-13.

Cultural Dilemmas in Public Service Broadcasting

Gregory Ferrell Lowe
& Per Jauert (eds.)

RIPE@2005

NORDICOM

Printed by: Lantana AB, Kungälv, Sweden, 2005
Environmental certification according to ISO 14001

Cultural Dilemmas in Public Service Broadcasting
RIPE@2005

Gregory Ferrell Lowe & Per Jauert (eds.)

© Editorial matters and selections, the editors; articles, individual contributors; Nordicom

ISBN 91-89471-32-6

Published by:
Nordicom
Göteborg University
Box 713
SE 405 30 GÖTEBORG
Sweden

Cover by: Roger Palmqvist

Cover photo by: Arja Lento

Printed by: Livréna AB, Kungälv, Sweden, 2005

Environmental certification according to ISO 14001