

REVIEW OF GENERAL ADVERTISING

Report Number Nine

18th December, 1998

STATES AUDIT COMMISSION

REVIEW OF EXPENDITURE ON GENERAL ADVERTISING.

Introduction

1. The suggestion for this report came from Deputy Imogen Nichols who shared the concern of the Commission that the States did not have a coherent approach to topics such as advertising. In addition, the Commission also felt that the States had still not fully exploited the opportunities of obtaining value for money in matters of corporate purchasing.
2. Whilst the expenditure on general advertising is small compared with the overall spend on advertising and marketing by the States, it is nevertheless a significant sum.
3. The report reveals that, in many instances, States Departments continue to work in isolation of each other with regard to purchasing - in this instance, general advertising. During the review, an informal comparison was made with a private sector organisation consisting of several independent units and divisions akin to States Departments, and with varying strategic aims and objectives. This company enjoyed significant discounts by negotiating benefits with suppliers at a corporate level whilst still allowing its subsidiaries flexibility at an operational level.
4. The mechanism for a corporate approach has existed in the Public Sector for some time and the Corporate Supplies Department has a responsibility to ensure that agreements are made with suppliers. However, individual Departments also have a responsibility, not only to support such agreements, but also to recognise opportunities and to encourage the Corporate Supplies Department to negotiate arrangements where appropriate. The Commission looks to Committees and Chief Officers to follow States policy in respect of corporate purchasing, particularly now in the area of advertising.
5. The principal recommendations of the report are as follows:-
 - Recommendation 1
That the Corporate Supplies Department negotiate corporate discounts with the main suppliers of advertising space.
 - Recommendation 2
That the States Greffe Print Section be included in invitations to quote for artwork.
 - Recommendation 3
That the Corporate Supplies Department investigate the possibility of retaining an agency to advise on advertising methods and layout to ensure maximum impact at least cost.
6. The Commission is aware that a similar report has been prepared by Deputy Dorey which is consistent with the Commission's findings on this topic.

Background

7. Analysis of expenditure for the five year period 1993 to 1997 shows that the States spends in excess of £5 million per annum on advertising, marketing and publicity (**Appendix 1**). The Commission has placed reliance on the corporate accounting system (Millennium) for information on expenditure and the fact that Departments are required to code expenditure to the relevant codes in the chart of accounts. Departments were asked to confirm the accuracy (or otherwise) of the information extracted using the headings allocated to advertising and publicity. Whilst no Department disputed the amounts, subsequent research did reveal further expenditure which could be regarded as advertising coded under other headings. For example, some capital projects incur advertising costs for tender invitations, road closure notices etc.. Where such expenditure has been identified, it has been included in the analysis.
8. In 1997, total expenditure on advertising and marketing was £5.8 million, of which £4.8 million is accounted for by the major marketing campaigns for:-
 - Tourism (£3.2 million of total marketing and PR expenditure of £5.7million),
 - Agriculture and Fisheries (£1 million),
 - Telecoms (£0.4 million),
 - Financial Services (£0.2 million),
1. These major campaigns use the professional services of advertising and public relations agencies to design and implement their campaigns and should be subject to tender processes and performance measurement by their respective Committees. These campaigns will be the subject of separate, individual reviews.
2. This report, therefore, is concerned with the remaining £1 million, termed general advertising.

The Study

3. The Chief Officer of each States Department was asked to complete a questionnaire which would provide information on all aspects of advertising, including a breakdown of expenditure, types of advertising, and control and monitoring procedures. A summary of the information requested is set out in **Appendix 2**. The Commission then reviewed:-
 - policies and arrangements currently in place with regard to general advertising;
 - performance measures used by Departments to ensure that expenditure on general advertising is both economic and effective.
 - expenditure, budgeting and control procedures;
 - type, frequency, and volume of general advertising;
3. It was established that advertising policy is left to the discretion of individual Departments, which is sensible given the varying needs of the Organisation. Responses from Departments show that only three individual Departments have formal policies or guidelines on advertising, although other Departments use guidelines on recruitment issued by the States Personnel Department (**Appendix 3**).
4. Most general advertising is carried out within the Island, although some specialist advertising is carried out in the U.K.. Criteria for the type of advertising and publicity to be used does not exist, mainly because of the lack of local alternative media outlets.
5. As there are few options for recruitment advertising locally, the main measure of effectiveness is

the number and calibre of applicants attracted to a particular post (although it is accepted that other factors may also have an impact). This is also the case for advertising in professional publications in the U.K. However, the impact of an advertisement can vary according to its size, display and content. Decisions on size and layout tend to be made on the basis of the importance of the post, or the perceived difficulty in recruiting suitable candidates. For example, a Department may place a large advertisement for a key secretarial position, whilst another Department may place a smaller advertisement for a more senior post.

6. The effectiveness of promotional advertising is monitored by the majority of Departments. For example, the Channel Islands Lottery monitor sales of lottery tickets; Planning and Environment monitor the response to Environment Week; Health and Social Services monitor the effectiveness of health promotion schemes via feedback from target groups; Fort Regent activities are monitored by take up and/or ticket sales and by public relations survey. It is often difficult to assess the effectiveness of individual promotions as other factors may also have an impact. However, it is important that Departments continue to set targets and monitor the impact of promotional activities.

7. A number of Departments have a legal responsibility to publish public notices e.g. new legislation. These responsibilities are set out in the Official Publications (Jersey) Law, 1960 where Article 1 states that :-

“there should be an organ called ‘the Jersey Gazette’ for the publication of official notices and other matters requiring to be brought to the attention of the public.”

The Jersey Gazette is currently published in the classified section of the Jersey Evening Post, although there is provision within the law for the Gazette to appear in “any English Language newspaper circulating in the island”.

8. The Act^[1] of the States dated 19th October, 1960 states that:-
“The Jersey Evening Post..... is hereby designated as the newspaper in which the Jersey Gazette shall be published”

9. At present, legal notices appearing in the Gazette are submitted by the Greffier of the States who then recharges the relevant Department. Other Departments may also use the Gazette for general public notices not required by law.

10. The main areas of expenditure on general advertising have been identified as:-
recruitment
public notices (including the Gazette)
general advertising
promotional advertising
public relations events
related entertainment and travel
promotional products
other

20. An analysis of 1997 expenditure under these headings is shown in figure 1.

(Figure 1 is not available)

21. A breakdown of this expenditure by Department is attached at **Appendix 4**.

The largest segment - promotional advertising - includes expenditure for:-

- Jersey Post (postcode and address awareness);
- Planning and Environment (Environment Week);
- Education (promoting Highlands College courses);
- Agriculture & Fisheries (corporate U.K. advertising and market research);
- Channel Island Lottery;
- SLR (Fort Regent events)

18. It should be noted that, in many instances, it has been difficult to separate expenditure on advertising and publicity from that on marketing and public relations as the two areas tend to overlap.
19. All Departments have general advertising budgets, although detailed budgets are only prepared for specific promotions or campaigns. For example, Postal produce a detailed budget as part of the strategy on postcode and address awareness.
20. Analysis of payments to suppliers for advertising shows that:-
 41 suppliers received payments in 1997 for advertising/marketing /publicity from more than one Department;
 84 suppliers received payments in excess of £10,000
 5 suppliers received payments in excess of £20,000 from more than one Department (Figure 2)

Supplier	Departments	Expenditure £
Supplier 1	4	23,806
Supplier 2	7	55,760
Supplier 3	2	29,984
Supplier 4	35	268,827
Supplier 5	6	133,057

Figure 2

25. A small number of Departments employ agencies for advertising and promotional work (Figure 3). The agencies advise on the strategy for a particular promotion, produce artwork, and arrange advertising. However, in some cases, advertising accounts are paid directly to media suppliers and are not subject to any discount unless individually negotiated.

Committee	Purpose of Agency	Total Cost	Discount
Gambling Control	Lottery promotion	£27,000	15% & 10% for two suppliers
SLR	Design/artwork/placing advertisements.	£68,000	none, although free artwork on small projects
Airport		£25,000	
Telecoms	Advertising	£32,000	
Harbour Office	Promotion & media advisors	£6,000	none

Health and Social Services	Health promotions	£26,500	none, although some booklets sponsored
Planning and Environment	Media buying for Environment week	£30,000	none

Figure 3

26. Responses from Departments show that very few negotiate discounted rates with the media.. Indeed, most individual Departmental expenditure with media suppliers would not justify discounted rates. The Commission has established, without negotiation, that one major local supplier is prepared to offer discounted rates, which on current spend with that company would save the States at least £26,000 per annum. To maximise savings offered on a sliding scale, other States affiliated organisations and areas of public administration, such as W.E.B., the Jersey Museums Service, and the Jersey Arts Trust might also be included in a corporate agreement .
- 27. It is recommended that the Corporate Supplies Department negotiate corporate discounts with the main suppliers of advertising space. (Recommendation 1)**
28. Some Departments, e.g. Lottery Office, use agencies for artwork only. The States Greffe Print Section is equipped to produce high quality artwork with charge rates of £20 per hour compared to the £38 - £50 per hour quoted by one agency, and should therefore be given the opportunity to quote for work where appropriate.
- 29. It is recommended that the States Greffe Print Section be included in invitations to quote for artwork. (Recommendation 2)**
30. The largest local supplier of advertising space is the Jersey Evening Post. Figure 4 demonstrates the current advertising rates.

	Classified Situations Vacant Full Display	Classified Jersey Gazette/ Notices	Run of Print Article
Rate per cm column	£5.37	£4.33	£2.53
1/4 Page Advert	£306.09	£246.81	£144.50
1/2 Page Advert	£612.18	£493.62	£287.50
Full Page Advert	£1,224.36	£987.24	£575.00

Figure 4

31. As can be seen from the above rates, advertising in “run of print” is considerably cheaper than advertising in either the classified section or the Gazette. There may be an opportunity to negotiate a “Government” page whereby States recruitment advertising and notices, including the Gazette, would appear in “run of print”. As with other corporate discounts, such an arrangement should be negotiated centrally by the Corporate Supplies Department.
32. It may also be appropriate for the States to retain an agency to advise on day to day advertising and promotional matters and to ensure the maximum impact of advertising and promotional work. At present, less than 25% of non-campaign expenditure is subject to advice from professional

agencies.

33. It is recommended that the Corporate Supplies Department investigate the possibility of retaining an agency to advise on advertising methods and layout to ensure maximum impact at least cost. (Recommendation 3)

34. The review also examined alternatives for local advertising which did not use the local media (i.e. Jersey Evening Post, Channel Television, Radio Jersey, FM103, Pink Paper). For example, the cost of the Post Office delivering a “States” newsheet to every postal address in the island would be approximately £1,700 per delivery. However, such a scheme would also incur administrative overheads and printing costs and be less flexible than using the various media options currently available.

35. The Commission believes that there are opportunities to develop existing technology to publicise States business, thus reducing the requirement for publication in the Gazette and Public Notices, including:-

information services available via touch screens located in the main government buildings, post offices and libraries, possibly using the States Intranet;

Teletext/Oracle;

Internet.

However, until such technology is widely available throughout the Island, some notices and advertisements will still need to be communicated to the widest possible audience, possibly within time constraints, and in the view of the Commission, the local media is the most effective means of achieving this. This should not prevent the alternatives from being developed and used in the interim, and may require a review of the legislation and arrangements regarding the publication of the Jersey Gazette.

25. The review also briefly considered the outsourcing of the advertising element of the recruitment process to a specialist recruitment agency. It was not possible to separate the advertising element from the full pre-selection process, the usual costs of which would normally be between 10% and 15% of the annual salary of the position. Such a consideration was outside the scope of this review. However, it demonstrates that expenditure on advertising cannot always be seen in isolation. For example, outsourcing recruitment pre-selection might lead to further savings in this area..

26. The Commission agrees that the current arrangement of advertising policy being at the discretion of individual Departments is appropriate. However, this should not prevent the organisation from negotiating corporate agreements in the same way that other supplier contracts are negotiated. Indeed, in addition to advertising expenditure, there are undoubtedly other areas of expenditure across the organisation which would benefit from corporate negotiations.

FOR THE COMMISSION

Advocate C.G.P. Lakeman

D.M. Bralsford

Mrs P. Carter

T. Dunningham

P.J.C. Fergusson

Deputy D.R. Maltwood

W.S. Morvan

[1] Regulation and Order 4173