The Economist Intelligence Unit

A report from The Economist Intelligence Unit

THE IMPACTS OF **BANNING ADVERTISING** DIRECTED AT CHILDREN IN BRAZIL

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Contents

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Preface

The impacts of banning advertising directed at children in Brazil is a study by The Economist Intelligence Unit, commissioned by Instituto Alana. This report discusses the main findings in three areas: international trends in child-directed advertising, the impacts of banning child-directed advertising in Brazil, and the business case for an ethical approach by firms in terms of the targeting of children in their advertising practices. The study presents key findings on the issue to inform policymakers, companies, advertising firms, consumer groups and non-governmental organisations on the topic of restricting child-directed advertising.

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Executive summary

Main messages of the study

MESSAGE 1

Although Brazil bans advertising directed at children through various legal instruments, enforcement remains weak.

- Television is the main form of communication for advertising, being present in 95% of Brazilian households.[1] The amount of time that children and adolescents spend in front of the television has risen steadily. In 2004 average television exposure per day was 4 hours 43 minutes, but by 2014 it had increased to 5 hours 35 minutes. This is longer than the average amount of time that a Brazilian child spends at school per day (about 3 hours 15 minutes).[2]

- Use of and access to the internet is also rising: in 2015 one-half of Brazilian households had internet access, and almost 50% of Brazilians used the internet. Over one-third of them do so every day.[3]

- Brazil bans advertising directed at children (under 12 years of age) in its constitution, its Consumer Defence Code, the Child and Adolescent Statute and CONANDA's Resolution 163 (2014). (CONANDA is the National Council for the Rights of Children and Adolescents, an agency attached to Brazil's Department of Human Rights; its Resolution 163 states that any market communication, including advertising, to children under 12 years old is abusive.) However, the ban is not properly enforced. Despite the illegality of child-targeted advertising in Brazil, children are still exposed to commercials and advertising that are aimed at them. A 2015 study of commercials in Brazil highlighted the fact that most child-directed commercials (64%) used children's language and characters, 43% used songs sung in children's voices and over 20% linked food purchases to the receipt of free gifts.

MESSAGE 2

New forms of advertising are reaching children, and these need closer monitoring by content providers, government agencies and parents.

- Between 2000 and 2016 Brazil experienced population growth of 18.8% and a 135% increase in GDP per head. This growth has been accompanied by a rise in consumerism and access to media. The growth of internet access and use among children and teenagers is particularly notable: over 80% of Brazilian children and teenagers used the internet in 2014, up from just over 50% in 2013.

- Increasing internet penetration has opened up new channels for advertising directed at children. Google's YouTube Kids has a particularly strong following in Brazil: the country is YouTube's fourth-largest market, and over one-third of the country's 100 most-viewed channels on the plat-

1 Instituto Brasileiro de Geografia e Estatística. Available at: www.ibge.gov.br

2 Television National Panel (IBOPE/2010), cited in Goncalves, T A, *Advertisement to children in Brazil: tensions between regulation and self-regulation*, 5th International Conference on Multidisciplinary Perspectives on Child and Teen Consumption, 2010.

3 Secretaria de Comunicação Social da Presidencia da Republica, "Pesquisa Brasileira de Mídia 2015". Available at: http://www.secom.gov.br/atuacao/pesquisa/lista-de-pesquisas-quantitativas-e-qualitativas-de-contratos-atuais/pesquisa-brasileira-de-midia-pbm-2015.pdf

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form are devoted to child-directed content.[i] However, the majority of children do not understand that "advergames" are placed on websites and apps by commercial companies for the purpose of increasing sales, meaning that such advertising is not identifiable to children.

- Internet advertising works differently from television advertising: whereas television advertisements are confined to 30-second spots, children's exposure to internet ads is essentially limitless, allowing implicitly formed associations to become deeply ingrained. Internet advertising increasingly uses behaviour-targeting, a technique that uses cookies to track internet use and targets individuals with products and services that match the type of sites that they visit, making advertising more intense and personalised.

MESSAGE 3

Studies that measure the impact of bans on advertising to children show that such bans are effective.

- Many countries around the world already ban child-directed advertising. In Quebec (Canada), Sweden and Norway advertising aimed at children under the age of 12 is illegal. In the UK, Greece, Denmark and Belgium advertising directed at children is restricted. The EU has framework legislation in place that sets out minimum provisions on advertising to children for its 27 member states. In the US, the Federal Trade Commission studied the issue of advertising to children in the 1970s but decided against regulation. Studies that measure the effects of bans show that they have reduced exposure to child-directed advertising.

- There is substantial evidence that advertising unhealthy food and beverages to children impacts both consumption habits and consumption preferences. Additionally, many studies show that particular unhealthy foods are marketed differently to children than to adults and use toys, popular characters and other advertising techniques to attract children. Advertising bans, and especially television bans during prime children's-television hours, have been shown to be effective in curbing consumption.

- Studies differentiate between partial and total bans. Partial bans are defined as (i) bans on advertising through some, but not all, media outlets (television but not radio, for example) or (ii) bans that are active only at certain times during the day or week. For some products, there is a substitution effect whereby banning advertising through one channel results in an increase in advertising through another channel. This has led some researchers to conclude that partial advertising bans are ineffective.

- Overall, the available scientific literature presents consistent multi-methodological evidence that advertising high-calorie foods and beverages to children increases consumption, and that comprehensive, effectively enforced, regulatory-driven bans on the advertisement of high-calorie food to minors have caused substantial reductions in the consumption of obesogenic meals.

MESSAGE 4

Banning advertising to children in Brazil has positive economic outcomes for society.

- The Economist Intelligence Unit developed cost-and-benefits estimates of a ban on advertising directed at children (0-12 years) using two scenarios: (a) What would happen if the advertising industry were to lose its children's market, and (b) What would happen if the industry were to switch from advertising to children to advertising to adults. The results of both scenarios show positive outcomes from the enforcement of a total ban on child-directed advertising in Brazil—that is, the benefits to Brazilian society of enforcing a ban would be greater than the costs of enforcing it.

- Benefits of a ban include a healthier population and lower healthcare spending, while costs include a reduction in income for the advertising industry, lower income for some industries that sell products to children, and investment by government agencies and companies to ensure that firms are not advertising to children through any media channel. Although these are only some of the possible outcomes of a ban, the loss of the entire child-directed advertising industry would still result in net long-term economic benefits for the

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country's population. A ban on advertising aimed at children in Brazil is thus a highly cost-effective strategy in terms of significantly increasing the healthy life-expectancy of Brazil's population.

MESSAGE 5

The benefits of banning advertising to children also include greater psychological and emotional well-being for children and families.

- The more advertising that children are exposed to, the more they pester their parents to buy the advertised products. 60% of Brazilian parents think that all types of messaging aimed at children under 12 should be banned.
- Advertising is linked to materialism: research over the past ten years has found a strong link between young people's levels of materialism and their exposure to advertising, television watching and internet use. The more time a child spends in front of a screen, the more materialistic that child is likely to be. Unhappy children exposed to advertising become materialistic, and materialism contributes to low self-esteem and exacerbates inequality effects. Children who are unhappy, have low self-esteem, are dissatisfied with their lives or are in some way disenfranchised are particularly likely to fall prey to the appeals of advertising and to come to believe that consumer goods will solve their problems.

MESSAGE 6

However, the existing data are scant at best.

- To calculate a more comprehensive impact analysis that takes into account the parallel approaches to enforcing a ban (industry-level regulations, government regulations and self-regulation), better—and more—data are needed, including:

— Advertising and industry data disaggregated by population group.

— Financial figures from companies engaging in self-regulation which show both that self-regulation is effective and that profitability is not impacted.

— Government-sourced regulatory impact assessments that provide clearer details and data around how a ban might impact the economy (including industry revenue, health spending, job losses, enforcement costs and productivity).

— Data from industries that establish voluntary guidelines, showing that self-regulation efforts are effective in monitoring companies' behaviour and that there are enforcement mechanisms.

— Academic studies on the effects of bans on child-directed advertising in areas that are not well researched: for instance, the impact on advertising toys and violence, and the effect on advertising revenue.

MESSAGE 7

Limited data exist around how new marketing platforms—including internet advertisements, content-screening services and social media—impact consumption trends in children.

- New channels for messaging have opened doors to increasing access to advertising and targeting consumer preferences; however, only limited data exist around how new marketing platforms—including internet advertisements, content screening services and social media—impact consumption trends in children.
- The literature is beginning to suggest that the immersive nature of new advertising content is particularly appealing to young people and can be targeted towards their interests, and also that the additional channels increase accessibility. However, quantitative and monetisable data on consumption of goods, advertising revenue and sales are not yet available.

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MESSAGE 8

User-content-driven platforms, and especially social media and content-streaming sites, are proving particularly difficult to regulate.

- From Little Youtubers to counting and colour-differentiation content that uses Skittles and M&Ms to the "Instagram-famous", companies and individuals are engaging in advertising to children. In such cases, the platforms themselves are the stakeholders responsible for enforcing regulations on child-directed advertising. Until it is clearly in the interests of these platforms to develop stronger enforcement mechanism designed to monitor and remove content that contravenes regulations and industry standards, such advertising will likely remain available to children.

MESSAGE 9

As more information is released to the public and consumers become better educated about products and company practices, there will likely be increased support for a ban.

- Among companies that subscribe to the principle of building their business without advertising to children, there is agreement that increased stakeholder interest in transparency will support their innovative marketing strategies and business models in the long-term. As more information is released to the public and consumers become better educated about products and company practices, there will likely be increased support for a ban.
- The companies that have a strong commitment to protecting the welfare of children are taking the lead with regard to child-directed advertising. Innovative business models also support principle-driven marketing.
- Companies with more traditional business models and shareholder accountability are developing responsible-marketing codes for children, even if their practices have yet to become subject to legal constraints. In Brazil, where the Constitution, the consumer defence code and the Conanda resolution create a legal framework for banning child-directed advertising, there will likely be legal and financial risks for those companies that fail to adapt.

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Introduction

In 2016 Instituto Alana, a non-profit civil society organisation that seeks to guarantee conditions for the full experience of childhood, through its Child Consumerism Programme commissioned The Economist Intelligence Unit to undertake an assessment of advertising to children in Brazil. In addition to measuring the economic impact of banning child-directed advertising, the study explores non-monetisable results of a ban, including increased mental well-being among children. The study also begins to build the business case for self-regulating advertising to children by highlighting a number of companies that are employing good practices and are experiencing positive business impacts.

Many countries around the world already ban child advertising. In Quebec (Canada), Sweden and Norway advertising to children under the age of 12 is illegal. In the UK, Greece, Denmark and Belgium advertising to children is restricted. The EU has framework legislation in place that sets out minimum provisions on advertising to children for its 27 member states. In the US, the Federal Trade Commission studied the issue of advertising to children in the 1970s but decided against regulation.

In Brazil, advertising directed at children (under 12 years of age) is illegal under the constitution, the Consumer Defence Code, the Child and Adolescent Statute and CONANDA Resolution 163 (2014) (see Box 1). (CONANDA is the National Council for the Rights of Children and Adolescents, an agency attached to Brazil's Department of Human Rights; its Resolution 163 states that any market communication, including advertising, to children under 12 years old is abusive.) Fully implementing these restrictions, however, is a continuing challenge.[4] Despite the legislation against child-targeted advertising in Brazil, children are still exposed to commercials and advertising. An analysis of food advertisements on cable television directed at children in Brazil conducted in July 2015 by the Centro Universitário São Camilo and the Universidade Presbiteriana Mackenzie measured the content of commercials against the CONANDA resolution. The study noted that most of the commercials (64%) used children's language and characters, 43% used songs sung in children's voices and over 20% linked food purchases to the distribution of gifts, indicating that the resolution's effectiveness in preventing child-directed advertising has been limited.[5]

Some companies and trade associations have decided to face the potential risks—both legal and financial—of continuing to advertise to children rather than redirecting their marketing strategies towards adults. For example, in late 2016 the Ministério Público Federal (Federal Public Prosecutor- MPF) initiated a civil lawsuit against Google, the parent company of YouTube, for failing to abide by regulations that cover advertising to children under 12. This is not the first time that the company has received a warning from the Brazilian

4 World Cancer Research Fund International, "NOURISHING Framework: Restrict food advertising and other forms of commercial promotion". Available at: http://www.wcrf.org/sites/default/files/R_Restrict-advertising.pdf

5 Britto, Soraya da Rocha et al., "Analysis of food advertisements on cable television directed to children based on the food guide for the Brazilian population and current legislation", October 2016. Available at: http://www.scielo.br/scielo.php?script=sci_arttext&pid=S1415-52732016000500721

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Box 1 Advertising to children in Brazil

Brazil bans advertising directed at children (under 12 years of age) through its constitution, the Consumer Defence Code, the Child and Adolescent Statute and CONANDA's Resolution 163 of 2014. (CONANDA is the National Council for the Rights of Children and Adolescents, an agency attached to Brazil's Department of Human Rights.) Moreover, advertising of unhealthy products such as tobacco and alcohol is prohibited under law 9294 (1996). This is a combination ban stemming from several measures: the constitution, the Child and Adolescent Statute and, notably, Article 37, Paragraph 2 of the Consumer Defence Code, which states that any advertising that "takes advantage of children´s lack of judgment and experience" is abusive. This article is part of a normative list for children's rights provided by article 227 of the federal constitution and the Child and Adolescent Statute.

Furthermore, in April 2014 CONANDA issued its Resolution 163, which states that any market communication, including advertising, to children under 12 years old is abusive. It specifies the characteristics of such advertisements, which include an excess of colours, childish language and the presence of child celebrities. The normative document also asserts that any attempt to persuade children under 12 years of age to purchase products or services is abusive. Resolution 163 defines "market communication" as all forms of commercial communication activity to publicise products, services, brands or companies, via any physical space or media support. Violations are investigated by the public authorities. The practical effect of the resolution is to make illegal direct advertising to children under 12, in conformity with the Federal Constitution's Child and Adolescent Statute.

authorities for advertising to children. However, Google (which alleges there is no specific ban against child-directed advertising in Brazil) has ignored previous warnings because conviction under this kind of civil lawsuit attracts no monetary fine.[6]

In this context, The Economist Intelligence conducted a study of the impacts of enforcing the ban on child-directed advertising in Brazil. *The impacts of banning advertising directed at children in Brazil* establishes an initial methodology and calculations for measuring the impacts of enforcing the ban. The methodology, found in Part III of this study, was refined by a panel of experts convened in September 2016. It focuses on the costs and benefits related to a ban on child-directed advertising that can be monetised—that is, that can be valued economically (for example, a fall in advertising sales).

However, The Economist Intelligence Unit recognises that the impact of enforcing the ban on child-directed advertising extends beyond the monetisable effects. As part of this study, we have collated and synthesised research on the environmental, societal and psychological impacts of ending all advertising to children. A summary of these impacts is presented in the paper, with the intention that, if additional research on these effects is undertaken and more direct links can be drawn between enforcing the ban on child-directed advertising and these impacts, they can be built into the analysis calculations.

Finally, this study begins to build the business case for the self-regulation of child-directed advertising at company level. Industry-wide initiatives, government regulations (including CONANDA's Resolution 163) and other stakeholders—including shareholders, investors, employees, consumers and non-profit/advocacy groups—are providing impetus to restrict advertising to children. Additionally, academic literature has increasingly highlighted how marketing to children takes ad-

6 Gonzalez, Juan Fernandez, "Brazil sues Google for YouTube ad violation", September 22nd 2016. Available at: http://www.rapidtvnews.com/2016092244390/brazil-sues-google-for-youtube-ad-violation.html#axzz4aZy65C4M

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vantage of their inability to distinguish between marketing and other forms of content and has provided evidence of its negative consequences, which has led some companies to redirect their marketing strategies away from children.[7] The Economist Intelligence Unit conducted interviews with four companies globally and in Brazil that are outperforming their peers in self-regulating their marketing to children, and one company that is engaging in extensive dialogue to improve its practices. As part of this research, the study highlights some of the practices that companies are employing to ensure that their brands do not target children.

The study is divided into four main parts. Part I discusses the main trends in child-directed marketing and the rise of consumerism around the world. Part II presents the findings from studies measuring the impact of a ban on advertising to children and advertising of certain products (such as high-calorie foods and drinks). Part III presents the results of the calculations measuring the impact of enforcing the advertising ban in Brazil, and Part IV presents company case studies on self-regulation. A list of references and the detailed methodology can be found in an Annex at the end.

7 For a discussion of the literature, see (among others) Linn (2004) and Alana (2016).

i Socialbakers, "YouTube statistics for Brazil". Available at: https://www.socialbakers.com/statistics/youtube/channels/brazil/#

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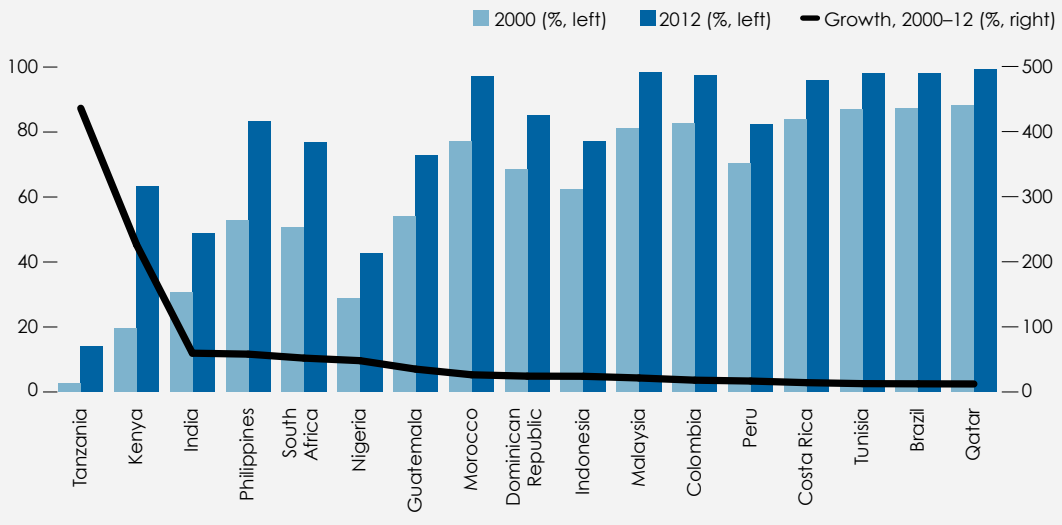
Part I
Trends in child-directed marketing

a) Global trends

Access to traditional forms of media, and especially television, has expanded rapidly across the globe since 2000 (see Figure 1). Especially in developing and emerging-market countries, the percentage of households with access to television has grown rapidly: in Kenya, for example, between 2000 and 2012 the percentage of households with access to a television set grew by 225%, from 19.4% to 63%.[8] In Brazil, over 95% of households had a television set in 2011—a 12.5% increase from 2000—according to the Brazil Institute of Geography and Statistics and the Economic Commission for Latin America and the Caribbean.[9] Increased access to television has also increased the introduction to and viewing of marketing content and advertisements among viewers of all ages. This visibility has been further compounded by the growth of and access to new media, especially the internet and mobile communications.

Technological advances have made it possible for people across the globe to become increasingly connected. According to Internet World Stats,[10] about one-half of the global population

FIGURE 1 **Households with television access, by country**



Source: https://www.nakono.com/tekcarta/databank/full/31/

8 "TV Households, Percent all Households". Available at: https://www.nakono.com/tekcarta/databank/full/31/

9 "TV Households, Percent all Households". Available at: https://www.nakono.com/tekcarta/databank/full/31/

10 Internet World Stats, "Internet Users in the World by Regions", 25 March 2017. Available at: http://www.internetworldstats.com/stats.htm

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had internet access in 2016. The Internet Governance Forum has estimated that of the next billion people who become connected, 30% will be children,[11] indicating that children's connectivity and their access to the internet and media are increasing rapidly. As internet access and access to television continue to grow both in high-income economies and across emerging markets, child-directed communication—and, in particular, child-directed advertising—will likely carry on increasing. In 2006, the American Academy of Paediatrics (AAP) estimated that young people globally each saw an average of over 40,000 television advertisements a year and over 3,000 ads a day on television, on the internet, on billboards and in magazines.[12]

In the US, the average child watches about four hours of television a day. By the time they have finished high school, most American children have spent nearly twice as many hours in front of a television set as in a classroom, according to the AAP.[13] Children in the US see more than 20,000 commercials a year just via television. Moreover, with the rise of internet and other forms of media, the avenues through which advertising occurs have multiplied. The US is an extreme example: the 2015 *International Communications Market* report cited it as the country with the largest average amount of television watched per day.[14] However, across emerging-market economies, where disposable incomes are rising, access to television and, increasingly, digital media continues to grow. With this expansion has come an acceleration in access to advertising and in the growth of the children's market.

In 2009 food and beverage companies alone spent US$1.8bn marketing to children in the US, according to the Federal Trade Commission.[15] Of this total (of which US$1bn was directed at children under 12), almost 85% of advertisements promoted high-fat, high-sugar or high-sodium foods and beverages.[16] Companies are using a wide variety of techniques to reach young people, and marketing campaigns are becoming more integrated, combining traditional media, campaigns in schools, internet, digital marketing, packaging, and cross-promoting through popular movies or television characters.

The rationale behind targeting children is obvious: the spending power of children in the US exceeds US$1trn per year.[17] *The Economist* estimated that children under 14 in the US influenced almost 50% of household spending, amounting to upwards of US$700bn, in 2005.[18] Children's own spending power, at about US$40bn, was dwarfed by their direct and indirect influence on adult spending. Additionally, the children's market—toys, apparel, entertainment, food and beverages—is massive. A 2014 Global Industry Analysts, Inc. study estimated that the global children's-wear market would reach almost US$291bn by 2020.[19]

11 Livingstone, Sonia et al., "One in Three: Internet Governance and Children's Rights", UN Children's Fund (UNICEF), January 2016, Available at: https://www.unicef-irc.org/publications/pdf/idp_2016_01.pdf

12 American Academy of Pediatrics, "Children, Adolescents, and Advertising", December 2006. Available at: http://pediatrics.aappublications.org/content/pediatrics/118/6/2563.full.pdf

13 American Academy of Pediatrics, "Children, Adolescents, and Advertising", December 2006. Available at: http://pediatrics.aappublications.org/content/pediatrics/118/6/2563.full.pdf

14 Titcomb, James, "Which country watches the most TV in the world?", The Telegraph, December 10th 2015. Available at: http://www.telegraph.co.uk/technology/news/12043330/Which-country-watches-the-most-TV-in-the-world.html

15 Federal Trade Commission, "A Review of Food Marketing to Children and Advertising", December 2012. Available at: https://www.ftc.gov/sites/default/files/documents/reports/review-food-marketing-children-and-adolescents-follow-report/121221foodmarketingreport.pdf

16 Healthy Food America, "Limits on Marketing to Kids". Available at: http://www.healthyfoodamerica.org/limits_on_marketing_to_kids
Federal Trade Commission, "A Review of Food Marketing to Children and Advertising", December 2012. Available at: https://www.ftc.gov/sites/default/files/documents/reports/review-food-marketing-children-and-adolescents-follow-report/121221foodmarketingreport.pdf

17 Chester, Jeff, "Kids' Spending and Influencing Power: $1.2 Trillion says leading ad firm", Center for Digital Democracy, November 1st 2012. Available at: https://www.democraticmedia.org/kids-spending-and-influencing-power-12-trillion-says-leading-ad-firm

18 "Trillion-dollar kids", *The Economist*, November 30th 2006. Available at: http://www.economist.com/node/8355035

19 "Affluent Parents and Fashion Conscious Children Drive the Global Children's Wear Market, According to New Report by Global Industry Analysts, Inc.", April 7th 2014. Available at: https://www.benzinga.com/pressreleases/14/04/p4450637/affluent-parents-and-fashion-conscious-children-drive-the-global-childr

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b) Trends in Brazil

Brazil, the seventh-largest economy globally, has since the turn of the century experienced rapid growth both in population (18.8% during 2000-16) and in spending power (GDP per capita grew by 135% in 2000-16).[20] Economic well-being has been accompanied by increasing consumerism and access to media, television and the internet. Television is the main form of communication, being present in 95% of Brazilian households,[21] but there is also rising use of and access to the internet: according to Pesquisa Brasileira de Mídia (Brazilian Media Research-SECOM) and the Brazil Internet Steering Committee, in 2015 one-half of Brazilian households had internet access and almost 50% of Brazilians used the internet—over one-third of them every day.[22]

The growth of internet access has been particularly notable among children and teenagers. A 2014 study by ICT Kids Online noted that over 80% of Brazilian children and teenagers used the internet, up from just over 50% in 2013.[23] Among users, almost one-half noted that they were on the internet for more than two hours a day. Increasing internet penetration has also opened up new channels for advertising directed at children. Companies are now pursuing multi-channel marketing strategies tailored to audiences as a way of increasing their revenue. For example, Google's YouTube Kids, a sharing platform focused on content for children, includes both paid advertisements for products directed at children and indirect marketing through user-generated content that highlights specific products. YouTube has a particularly strong following in Brazil: in 2012, the country was YouTube's fourth-largest market.[24] In Brazil, over one-third of the 100 most-viewed channels on the platform consist of child-directed content.

Within the context of this growth, advertising to children has become a contentious issue: although it is illegal, children are still exposed to advertising through non-traditional media platforms, including YouTube and other internet channels, and also in schools. The repercussions of failing to comply with the CONANDA Resolution, however, are insufficient to dissuade companies from engaging in child-directed advertising. An analysis of food advertisements on cable television directed at children in Brazil conducted by the Centro Universitário São Camilo and the Universidade Presbiteriana Mackenzie in July 2015 measured the content of commercials against the CONANDA resolution. The study noted that most of the advertisements (64%) used children's language and characters, that 43% used songs sung in children's voices and that over 20% linked food purchases with distribution of gifts.[25]

20 The Economist Intelligence Unit, CountryData.

21 Instituto Brasileiro de Geografia e Estatística. Available at: www.ibge.gov.br

22 Secretaria de Comunicação Social da Presidencia da Republica, "Pesquisa Brasileira de Midía 2015". Available at: http://www.secom.gov.br/atuacao/pesquisa/lista-de-pesquisas-quantitativas-e-qualitativas-de-contratos-atuais/pesquisa-brasileira-de-midia-pbm-2015.pdf

23 CETIC, "TIC Kids Online Brasil". Available at: http://cetic.br/pesquisa/kids-online/

24 PWC, "Brazil—leading the digital media revolution in Latin America". Available at: http://www.pwc.com/gx/en/global-entertainment-media-outlook/assets/brazil-summary.pdf

25 Britto, Soraya da Rocha et al., "Analysis of food advertisements on cable television directed to children based on the food guide for the Brazilian population and current legislation", October 2016. Available at: http://www.scielo.br/scielo.php?script=sci_arttext&pid=S1415-52732016000500721

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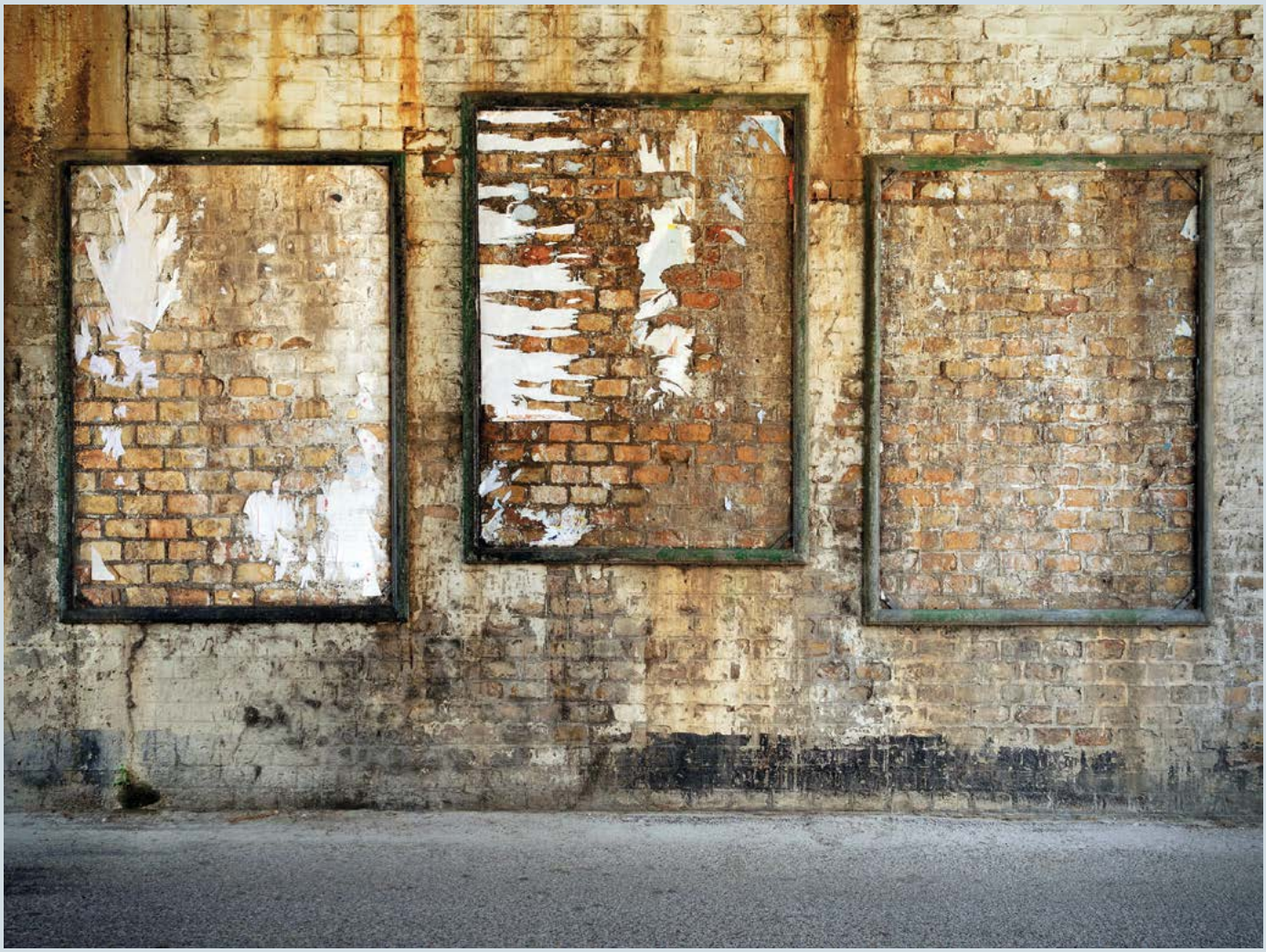

Part II

Literature review on impacts of advertising bans

In this section, The Economist Intelligence Unit presents a summary of the studies that provided valuable insights for our own study. We systemically collected and reviewed available literature on the impact of bans on advertising to children by international organisations, academic institutions and the private sector, and explored how the literature quantifies the costs and benefits of banning child-directed advertising. We focused on studies that link advertising and consumption; that analyse the impact (costs and benefits) of advertising bans, including reduced consumption, enforcement costs and increased life expectancy; and that assess the impact of self-regulation initiatives. Our review of the literature included academic papers, case studies, lectures, literature reviews, guidance documents, frameworks, best practices and cost-effectiveness studies.

The literature review identified a set of assumptions around monetisable variables that were used as the basis of the cost-benefit analysis discussed in Part III.

a) Studies that analyse the impact of bans on advertising to children

As mentioned in the Introduction, advertising to children is prohibited in Sweden (since 1991), Norway (since 1992), Quebec (since 1980) and Brazil (since 1990, when the Consumer Defence Code was enacted; it was reinforced in 2014 by CONANDA's Resolution 163). The UK has banned only television advertising of unhealthy foods. Although little systematic assessment of the effects of these bans on children has taken place, anecdotal evidence illustrates the outcomes in countries that have implemented bans on television advertising to children.

- In 1980 the Quebec regional government in Canada implemented legislation prohibiting television, radio and print advertisements for toys and fast food targeted at children under 13 years old. Specifically, television shows with audiences consisting of at least 15% children were banned from broadcasting child-targeted advertisements. A study by Dhar and Baylis (2009) used data from the Canadian food expenditure survey from 1984 to 1992 to study Quebec's advertising ban. The study's results were particularly useful because of the ban's differing impact on Anglophone and Francophone households: English-speaking families in Quebec had access to alternative media from other Canadian provinces, while French-speaking households did not. The impact of the advertising ban was greater for Francophone children. **The authors found evidence that the ban signif-**

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icantly reduced the probability of consumption of fast food, by 12.3% for French-speaking households with children and by 9.3% for French-speaking households without children. For Anglophone families the effect of the ban was estimated at a 7.1% reduction, but it did not reach traditional statistical-significance levels.

- **In Sweden, the ban has reduced exposure to child-directed advertising**, but obesity has risen rapidly since the introduction of the ban in 1991. Hence advertisers have argued that the Swedish case indicates that prohibiting advertising to children is an ineffective means of discouraging unhealthy diets. However, the ban eliminated exposure to advertising only from national sources. Advertisements targeted at children on satellite channels are not covered by the ban, and, according to a 1997 European Court of Justice ruling, cross-border advertising is permitted (Hawkes, 2004).
- **In the UK, the ban on advertising high-fat, -salt and -sugar (HFSS) foods to children (4-15 years old) has been effective. The official assessment in 2010 by Ofcom (the UK's media regulator) found that the amount of HFSS advertising seen by children fell by around 37% between 2005 and 2009; younger children (4-9 years old) saw 52% less, and older children (10-15 years old) saw 22% less**. These reductions were driven by the decline in HFSS impacts during children's airtime. During adult airtime, children saw 28% less HFSS advertising on the public-service broadcasting (PSB) channels but saw 46% more advertising on non-PSB channels. As a result, children saw 1% less HFSS advertising overall during adult airtime. On the cost side, Ofcom's own calculations estimated in 2006 that the ban would cost UK media owners US$75m in advertising revenue in 2007 (Ofcom, 2010). For the channels dedicated to children, the regulatory agency estimated that they would lose up to 15% of their advertising revenue. For all commercial broadcasters, the lost advertising was expected to represent up to 0.7% of their income (Hall, 2006).

b) Studies of advertising bans on products

High-calorie food and beverages

There is substantial evidence that advertising unhealthy food and beverages to children impacts both consumption habits and consumption preferences. Additionally, many studies show that particular unhealthy foods are marketed differently to children and adults, and that they use toys, popular characters and other advertising techniques to attract children. Advertising bans, and especially television bans during prime children's television hours, are shown to be effective in curbing consumption.

Overall, the available scientific literature presents consistent multi-methodological evidence that advertising high-calorie foods and beverages to children directly increases consumption and that comprehensive, effectively enforced, regulatory-driven bans on advertising such foods to minors have brought about substantial reductions in consumption of obesogenic meals.

- *Overcoming obesity: An initial economic analysis* (Dobbs et al., 2014) is a McKinsey Global Institute study on the cost-effectiveness of 74 interventions around the world against obesity, applied to the UK. **For the specific intervention "media restrictions", the study finds that the estimated impact across the population would be 401,000 disability-adjusted life years (DALYs, a combined total of years lived with disability and years of life lost) saved, at a cost of US$50 per DALY saved**. It estimates that the global economic impact of obesity is roughly US$2trn, or 2.8% of global GDP, and that the cost burden of obesity on healthcare systems alone is between 2% and 7% of all healthcare spending in developed economies. **The study predicts if the UK could reverse rising obesity and bring 20% of its overweight and obese individuals back into the normal-weight category within 5-10 years it would reap an estimated economic benefit of around US$25bn a year**, including a saving of about US$1.2bn annually for its National Health Service.

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- Magnus et al. (2009) used a cost-effectiveness intervention model to assess the effect of banning television advertisements in Australia for energy-dense, nutrient-poor food and beverages during children's peak-viewing times. The study found that the advertising ban was successful in saving life years and reducing long-term healthcare costs, even when accounting for the present cost of lost advertising economic activity. **The study found that the intervention would save 37,000 DALY at an average cost of $1.91 (A$3.70). In addition, when the present value of potential savings in future health-care costs was considered ($155m or A$300m), the intervention resulted in both a health gain and a cost offset compared with current practice**.
- In the US, the study by Andreyeva et al. (2011) uses the US Early Childhood Longitudinal Survey-Kindergarten Cohort to show that, among elementary school children, **exposure to television advertisements for sugar-sweetened carbonated soft drinks was associated with a 9.4% rise in children's consumption of soft drinks over a two-year period. Exposure to fast-food advertising was associated with a 1.1% rise in children's consumption of fast food**.
- Two Chilean studies focused on children's food purchase habits (Olivares et al., 1999; Olivares, Yáñez & Díaz, 2003; in Hastings, 2006). **The 1999 study found that nearly three-quarters of children reported that they purchased food or drink products advertised on television with offers of prizes or free gifts**. This effect was greater among children from low- and middle-income households (at 78% and 75% respectively) than among children from rich households. Additionally, nearly 65% of children said that they continued to purchase products advertised with the offer of a prize or gift even when the promotional offer had ended.

Toys and entertainment

The literature on the economic effects of banning advertising of toys and entertainment is scant. In the US, a task force of the American Psychological Association conducted a comprehensive review of the research literature published between 2005 and 2013 on use of violent video games (*American Psychological Association Task Force on Violent Media*, 2015). This included four meta-analyses and a systematic evidence review of 170 studies. The evidence demonstrates a consistent relation between use of violent video games and aggression in children. Although additional outcomes such as criminal violence, delinquency, and physiological and neurological changes appeared in the literature, there is not enough evidence to assess whether these are caused or affected by violent video game use.

Tobacco and alcohol

Additionally, The Economist Intelligence Unit undertook an extensive review of studies of tobacco and alcohol consumption and bans. Tobacco and alcohol products have a long history of advertising bans, and their impacts have been extensively studied. This review provided additional information around and guidance for calculating the potential impacts of enforcing a ban on child-directed advertising for other products—including toys, games, high-calorie foods and beverages, and clothing.

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Part III

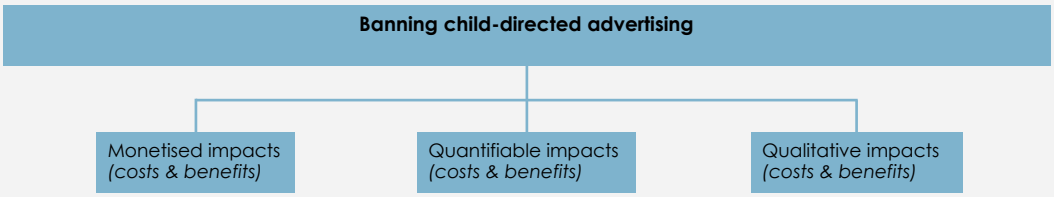
Impacts of banning child-directed advertising in Brazil

The costs and benefits of a ban on child-directed advertising are broad and varied and cannot be limited to the economic impacts only. Hence, although this section offers preliminary estimates of the impacts of banning advertising directed at children in Brazil, these estimates are complemented by a discussion of the additional qualitative and quantitative impacts of such a ban (see Figure 2).

While the literature review provided some guidance regarding the effects of a ban on the advertising industry, The Economist Intelligence Unit also conducted interviews with experts in Brazil to generate informed assumptions about the country's child-directed advertising market (a full list of acknowledgements and experts consulted is provided in the Preface). Data on economic growth; demographics; healthcare spending; advertising revenue and industry breakdowns; enforcement costs; and disability-adjusted life years (DALYs) saved were collected and fed into the cost-benefit analysis calculations.

This study sets out the costs and benefits for two scenarios. The first assumes that, after a ban on child-directed advertising has been enforced, the advertising industry in Brazil loses the child-directed market permanently. The second scenario assumes that after the enforcement of a ban, the

FIGURE 2 **Types impacts of banning child-directed advertising**



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industry permanently loses the child-directed market, but adjusts after the first few years to redirect all advertising towards adults. Thus, in the medium-term, the advertising industry recovers its lost market through a change of strategy and target.

a) Findings

The overall findings of our study are presented in multiple forms. In addition to the monetised outcomes from our impact study calculations, we also present conclusions regarding quantitative and qualitative impacts that could not be monetised. The impact study methodology is constructed around the variables for which sufficient data and estimates could be built; however, the issue of child-directed advertising is multifaceted, and a comprehensive assessment of the topic required broader research. All of our findings are laid out in this section of the report with supporting evidence and, where available, relevant data.

After carrying out the calculations for both scenarios, we found an advertising ban on children (0-12 years old) to be a highly cost-effective strategy in terms of gaining additional years of healthy life for the Brazilian population. Table 1 shows the results under both scenarios: the benefits in terms of a healthier population and reduced healthcare expenses outweigh the costs (a fall in income for the advertising industry and in some markets that target children, and also spending on enforcement). In both scenarios, the net present value (NPV) is positive and the cost-benefit ratios are greater than 1. Our analysis assumes that the household consumption that is not spent on child-targeted products is largely or completely lost to the productive economy. If part of this consumption were to be diverted to other sectors of the economy, the economic costs would be even lower.

TABLE 1 Results of the cost-benefit analysis, 2017-31

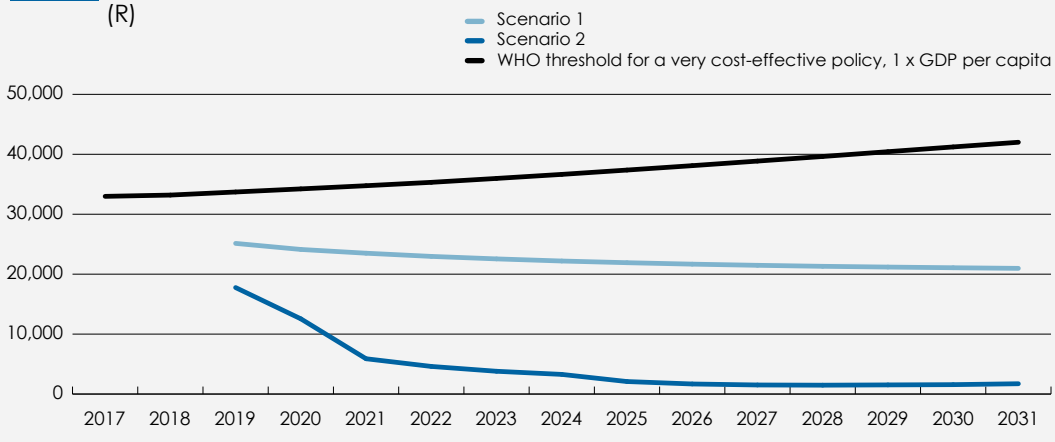
	Scenario 1	Scenario 2
NPV (R m)	76,878	61,214
Cost-Benefit Ratio (Present value of benefits/Present value of costs)	1.45	2.38

Source: EIU calculations

	Scenario 1	Scenario 2
Present Value of Benefits (R m)	248,209	105,438
Present Value of Costs	171,330	44,224
NPV (R m)	76,878	61,214

Source: Economist Intelligence Unit calculations

FIGURE 3 **Cost per DALY saved**
(R)



Source: Economist Intelligence Unit calculations

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Moreover, any policy that can save a healthy year of life for less than a country's per-capita annual income is considered by the World Health Organisation (WHO) to be a highly cost-effective intervention. In both our scenarios, the cost of saving a DALY were below the WHO's threshold for a highly cost-effective policy (policies where costs per DALY saved are between 1x and 3x annual GDP per capita are considered cost-effective) (see Figure 3).

b) Assumptions

In this section, the main assumptions are explained.

i. Advertising

The enforcement of the ban on advertising to children takes effect on all media, namely:

- Advertising agencies and consultancies
- Radio activities
- Open television
- Paid television content
- Television operators (cable, microwave and satellite)
- Editing of books, journals and related activities
- Integrated editing and printing of books, journals, magazines and other publications
- Internet: providers, portals, web design

Data on advertising and communication revenue for Brazil were sourced from the Brazilian Association of Advertising Agencies (ABAP), which includes the types of media listed above. These figures include all revenue for these industries, including all sources of income, such as subscription revenue, news-stand sales and all other revenue.

ii. Size of the child market and industries targeting children

Parents buy many products and services for their children's consumption. Children's products are defined in the US as consumer products designed or intended primarily for children aged 12 or younger.[26] They include toys, games, entertainment and food.

There are no detailed studies that analyse what children consume (or what parents buy for their children's consumption) in Brazil and how children are targeted by advertisers—that is, studies that segment the children's market by industry and product type. In the US, for example, approximately 80% of all advertising targeted at children falls within four product categories: toys, cereals, candies and fast-food restaurants.[27] The Economist Intelligence Unit chose industries that sell products consumed by children (and are targets for advertisers) and applied certain assumptions to calculate the size of the children's market. The industries chosen were the following:

1. Fast-food services
2. Food sold at grocery stores
3. Non-alcoholic beverages
4. Childrenswear
5. Toys and games
6. Music, video and box office

Television and cable industry revenue is not included, since this is accounted for under advertising and communications industry revenue. There is a risk that the industry values in our study are overestimated.

Marketline and Mintel provide estimates of these industries for Brazil. The Economist Intelligence Unit used these data and applied certain assumptions to calculate the effects that a ban on child-directed advertising would have on these six industries. We assume that these industries will grow at the same rate as Brazilian GDP. Forecasts of Brazil's GDP growth were taken from Economist Intelligence Unit CountryData.

26 See https://www.cpsc.gov/business--manufacturing/business-education/childrens-products/

27 Wilcox, Brian L. et al., "Report of the APA Task Force on Advertising and Children", American Psychological Association, 20 February 2004. Available at: https://www.apa.org/pi/families/resources/advertising-children.pdf

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- *For retail food, non-alcoholic beverages, fast-food services and entertainment*: the estimate for 2017 is that 19% of the value of these markets is consumed by children (19% being the proportion of Brazil's population that is aged 12 or younger).
- *For toys and games and childrenswear*: 100% of revenue is attributed to children.

In terms of the size of the total children's market in Brazil, data on the population aged 12 and under was gathered from the Geographical and Statistical Institute of Brazil (IGBE). According to this source, in 2016 there were 206m people in Brazil, of whom around 19% (40m) were children.

iii. Scenarios, timeframe and discount rate

This study presents two scenarios, accompanied by a series of costs and benefits, each with an estimated monetary value that would result from the enforcement of the ban on child-directed advertising. To estimate the costs and benefits, we used a 15-year timeframe (2017-31), meaning that the enforcement of the ban starts at the beginning of 2017. The NPV was calculated using a social discount rate—the interest rate used to calculate today's value of the benefits and costs of a proposed intervention[28]—of 7.5%.[29] We also estimated the benefits of saving a DALY for each scenario and over time.

The two scenarios considered are as follows:

- Scenario 1: After the ban on child-directed advertising is enforced at the beginning of 2017, the advertising industry in Brazil loses the child-directed market, estimated at 5% of its total revenue, for every year thereafter.
- Scenario 2: After the ban on child-directed advertising is enforced at the beginning of 2017, the advertising industry changes its strategy and starts targeting adults, with all advertising targeted at adults and none of it towards children. The assumption under this scenario is that the advertising industry loses part of its market in the first few years, but then recovers as it changes strategy by redirecting advertising to adults.

iv. Monetised costs and benefits considered and assumptions used

TABLE 2 Monetised benefits of banning child directed advertising

Item	Assumptions
B1. Avoided health care expenditures	Several studies—Dobbs et al. (2014), Magnus et al. (2009) and others—have found that bans on advertising to children and advertising bans on certain products have a positive effect on health outcomes. *(A separate literature review was conducted and main studies are listed in the Bibliography section.)*.
B2. Productive life gains	The two main benefits captured in the estimations include: i) the direct healthcare spending avoided as a result of a reduction in illness caused by unhealthy diets; and ii) the years of life free of disability that are gained owing to healthier diets. Healthcare data are sourced from Brazil and from other studies (Bahia et al. 2012, Magnus et al. 2009) to form the basis of our assumptions.

28 James Broughel," The Social Discount Rate", 11th January 2017. Available at: https://www.mercatus.org/publications/social-discount-rate

29 We took the average of two studies: Lopez (2008) calculates the rate at 5.1%, while Harberger and Jenkins (2015) calculate it at 10% for developing countries.

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TABLE 3 Monetised costs of banning child directed advertising

Item	Assumptions
C1. Loss of revenue from the advertising and communications industry	The Economist Intelligence Unit assumes that certain industries will lose revenue when the ban is enforced. The most direct loss would be for the advertising industry itself (and related communications industries), which would see a reduction in the size of the market targeting children. Values reported by the Brazilian Association of Advertising Agencies (ABAP) and expert interviews form the basis of estimates of the total revenue of the advertising and communications industry.
C2. Loss of revenue from industries selling to children	Related to advertising are those industries that use advertising to market their products to children, which we assume will suffer some decline in their revenue as a result of the ban. Since there are no reliable data in Brazil on which to base an analysis of the children's market, we have assumed that the main industries targeting children through advertising are: 1) food retail at grocery stores, 2) soft drinks, 3) fast food, 4) toys and games, 5) childrenswear and 6) entertainment (music, video and box office). We used industry reports provided by Marketline and Mintel to calculate the value of these six markets. We use findings from multiple studies to form the basis of our assumptions (see listing of studies in the Bibliography).
C3. Enforcement costs	In order to enforce the ban, either government will have to take a greater role in policing the advertising industry (that is, making sure that advertisements are not targeting children, checking advertisements, and issuing warnings, penalties and fines), or else the advertising industry will have to police itself through self-regulation. In Brazil, these government and self-regulatory agencies include the Conselho Nacional de Autorregulamentação Publicitária (CONAR, National Council for Advertising Self-regulation), the Consumer Protection and Defence Agencies (Procon) and the Consumer Office of the Ministry of Justice (Senacon). Since resources will be devoted to enforcing the ban, these costs need to be captured in our estimates/calculations. In order to calculate them, we have used values for advertising revenue reported by ABAP and assumptions regarding regulation costs from the Foundation for Advertising Research.

c) Scenario 1: The advertising industry shrinks by 5%

i. Monetised benefits of banning child-directed advertising

a. Savings on healthcare expenses related to obesity

The Economist Intelligence Unit's estimates capture the direct healthcare expenses that would be avoided were advertising to children banned. As a result of a ban, children will consume less high-calorie foods and beverages (as demonstrated in the literature), leading to a reduction in healthcare expenditure associated with illnesses caused by overeating or poor eating habits (such as obesity). Health expenditure comprises private costs of treating diseases (visits to the doctor, medications and dietary programmes) and public costs (public health campaigns, public programmes and hospitalisations, to name just a few).[30]

To estimate the avoided cost for Brazil, first total healthcare expenditure (both public- and private-sector) associated with obesity was calculated. The study by Bahia (2012) reports the proportion of public healthcare expenditure (ambulatory and hospital care only) in Brazil that is attributable

30 See, for example, Dobbs et al. (2014).

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to obesity: this figure was used to extrapolate private healthcare spending. Healthcare expenditure grows at the same rate as nominal GDP (nominal GDP growth forecasts are sourced from Economist Intelligence Unit CountryData).

In order to calculate the savings for children—that is, the reduction in healthcare spending due to lower child obesity rates—the percentage of Brazil's population aged 12 and below (about 19%) was applied to estimated total healthcare expenditure related to obesity. (Estimates by Magnus (2009), who calculates a drop of 13% in obesity in children in Australia as a result of advertising bans, were used). The resulting calculation represents the healthcare-related costs saved each year due to a decline in child obesity.

b. Life years free of disability

Following Dobbs et al. (2014), we also assess the benefits of an improvement in the health of the population due to decreased obesity rates. These gains are measured through disability-adjusted life years (DALYs) saved—that is, the number of years of life lost to death or lived with disability that are being saved thanks to healthier diets. (DALYs measure the overall disease burden, expressed as the number of years lost due to ill health, disability or early death.)

There are no previous studies that calculate DALYs saved due to an advertising ban for children in Brazil. An approximation is the figure reported in a cost-benefit analysis for Australian children performed by Magnus et al. (2009). That paper calculates DALYS saved per child benefited by an advertising ban at 0.014 per child per year. Since the child obesity rates in Brazil and Australia differ slightly, the effect has been adjusted to better reflect the situation in Brazil. The figures reported by Magnus are used to calculate DALYS saved in Brazil. In order to monetise the DALYs figure, it is assumed that each year of disability results in losses of 1x Brazilian GDP per capita per DALY.[31]

Moreover, health benefits take some time to materialise, so for the first two years they are valued at zero.

ii. Monetised costs of banning child-directed advertising

a. Loss of revenue for the advertising and communications industry

If the ban on advertising to children is enforced, the advertising industry will lose some income. In this scenario, the assumption is that 100% of the revenue from child-directed advertising is lost. Since there are no data broken down by population segment for the advertising industry, we had to estimate the value of advertising that is directed solely at children. Based on information gathered in interviews with experts, the assumption is that 5% of total advertising revenue consists of child-targeted advertising. This is assumed to be lost as a result of the ban in all years in the current scenario.

The total value of the advertising and communications industry in Brazil is derived from ABAP's Survey on Advertising and Promotion Services 2007-2013.

Taking a cautious approach, the assumptions are that the growth of this industry mirrors the rate of GDP growth (based on forecasts provided by Economist Intelligence Unit CountryData) and that 5% of the total advertising market is lost due to the ban, starting in 2017.

b. Loss of revenue for industries targeting children

If the ban on advertising to children is enforced, some other industries targeting children (in addition to the advertising industry itself) will lose revenue. The effect is indirect: since children are not being exposed to advertising, they will demand fewer purchases from their parents, and these industries' sales will thereby be affected.[32]

The main industries targeting children are: food (retail), non-alcoholic beverages (retail), fast-food services, toys, childrenswear, and entertainment (music, video and box office). Industry sales data are provided by Marketline and Mintel.

There is no market breakdown by age group for these six industries. In order to calculate the value consumed by children, several assumptions were made:

31 Marseille et al., "Thresholds for the cost–effectiveness of interventions: alternative approaches", *Bulletin of the World Health Organisation*, 2015. Available at: http://www.who.int/bulletin/volumes/93/2/14-138206/en/

32 See studies cited in American Psychological Association (2004) which found that children are successful in influencing their parents to purchase products that they want. http://www.apa.org/pi/families/resources/advertising-children.pdf

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- *Retail food, non-alcoholic beverages, fast-food services and entertainment*: an estimated 19% of the value of these markets is consumed by children—this is the proportion of Brazil's population aged 12 or under.
- *Toys and childrenswear*: the assumption is that 100% of the revenue of these industries is attributable to children.

In terms of market loss for these industries resulting from the ban, the following assumptions were made:

- *Fast-food services*: Dhar and Baylis (2009) estimate the fall in consumption of fast food and sugary drinks in Quebec, Canada at between 9.3% and 12.3% in the presence of a ban on child-directed advertising. Another study by Magnus (2009) assumes a drop in consumption of 13% for fast food in Australia. There are no relevant studies for developing countries, and Magnus's figure of a 13% fall was therefore used.
- *Toys*: it is expected that, since toys are mainly marketed to children, there will be a larger drop for toys than for fast food, at approximately double the proportion (a 26% fall).[33]
- Other industries that sell to children: a 5% decrease in revenue.

c. Costs of enforcing the advertising ban

In order to enforce the advertising ban, resources will have to be devoted to enforcement by the government (such as monitoring advertisements and applying disciplinary measures) or by the advertising industry (in the form of self-regulation). These types of costs need to be captured in this category.

The Foundation for Advertising Research (2012) in Australia estimates that advertising agencies should spend between 0.035% and 0.2% of their revenue on self-regulation. Thus, the higher figure of 0.2% of advertising revenue has been used as an approximation of enforcement costs.

For Brazil, the advertising data are taken from ABAP's Survey on Advertising and Promotion Services 2007-2013. In this category, items such as the costs of lawsuits and the costs of any legal action taken by consumers, government and the private sector are not captured in the ABAP data.[34]

d) Scenario 2: The advertising industry targets adults

In the second scenario, The Economist Intelligence Unit makes the assumption that, as a result of the ban, the advertising industry changes its strategy by advertising products to adults. Thus the fall in advertising revenue is only temporary.

Moreover, since advertising will now be targeted at adults, the sections of the industry that have previously targeted children will lose some revenue but will then gradually recover. At the same time, some of the health benefits in Scenario 1 will not be as great in Scenario 2, since adults will still be buying high-calorie foods and beverages for their children.

i. Loss of advertising revenue

In Scenario 2, it is assumed that the advertising industry adapts to the ban and switches strategies to advertise to adults—that is, it increases its activities in another market to make up for the loss of

33 In the case of toy purchases, studies have found that a reduction in television viewing time can have an effect on toy purchases. A paper by Robinson et al. (2001) suggests that reducing television viewing is a promising approach to limiting the influence of advertising on children's behaviour. The authors tested the effects on children's toy-purchase requests of a classroom intervention to reduce television, videotape and video-game use, in a school-based randomised controlled trial. Third- and fourth-grade children (mean age 8.9 years) received an 18-lesson, 6-month classroom curriculum to reduce television, videotape and video-game use. In both control and intervention schools, children and parents reported children's purchase requests in the previous week for toys seen on television before and after the intervention. Children in the intervention school were significantly less likely to report toy-purchase requests than children in the control school. Among intervention school children, reductions in self-reported purchase requests were also associated with reductions in television viewing.

34 For estimations on enforcing contracts in general, see World Bank, Doing Business, "Ease of Doing Business in Brazil: Enforcing Contracts". Available at: http://www.doingbusiness.org/data/exploreeconomies/brazil/#enforcing-contracts

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the children's market. Thus, initially 5% of advertising revenue is lost, but the loss approaches zero in subsequent years, reflecting the industry's full adaptation to the ban. By advertising to adults, the industry recovers the lost revenue in later years (Table 4).[35]

ii. Loss of revenue in industries targeting children

In tandem with this, since advertisers switch strategies to target adults, the loss of sales for industries targeting children is smaller than in Scenario 1, as these industries are now targeting children indirectly via their parents. In this scenario, there is a gradual decline in revenue loss for these industries (see Table 5), with the assumption that industries targeting children experience a 20% smaller drop in revenue than in Scenario 1.

iii. Enforcement costs

These costs are the same as in Scenario 1, since self-regulatory and government agencies still need to police the advertising ban.

iv. Health benefits

Health benefits are smaller than in Scenario 1, as fast-food sales will not fall by as much as in that scenario. Advertising for fast food now targets adults exclusively, and thus some parents are still buying such products for their children. The value of health benefits are 20% less than the health benefits in Scenario 1 each year, while losses in the fast-food industry are lower than in Scenario 1.

TABLE 4 Loss of advertising revenue in Scenario 2: Advertising industry switches from advertising to children to advertising to adults
(%)

2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
5	5	2.5	1.3	0	0	0	0	0	0	0	0	0	0	0

Source: Economist Intelligence Unit calculations

TABLE 5 Scenario 2—Decline in revenue for industries that sell to children
(%)

Scenario 2	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Fast-food services	10.4	8.3	6.7	5.3	4.3	3.4	2.7	2.2	1.1	0.5	0.3	0.1	0.1	0.0	0.0
Food retail at grocery stores	4.0	3.2	2.6	2.0	1.0	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-alcoholic beverages	4.0	3.2	2.6	2.0	1.0	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Childrenswear	4.0	3.2	2.6	2.0	1.0	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Toys & games	20.8	16.6	13.3	10.6	8.5	6.8	5.5	4.4	2.2	1.1	0.5	0.3	0.1	0.0	0.0
Music, video and box office	4.0	3.2	2.6	2.0	1.0	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Economist Intelligence Unit calculations

35 Ofcom (2006) simulated the impact of similar policies in the UK.

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e) Other impacts

Some costs and benefits of banning child-directed advertising are quantifiable—that is, they can be measured in some way (for example, a reduction of 10% in eating disorders in children). Other impacts that are equally important pertain to those costs and benefits that are neither quantifiable nor monetised, such as the societal and psychological costs and benefits of the cessation of advertising to children (for instance, a direct reduction in stress, aggression and frustration for children and indirectly in adults). These are referred to as qualitative impacts.

i. Quantifiable impacts

The experts on the panel that we convened in September 2016 drew connections between child-directed advertising and an additional set of economic and quantitative impacts that cannot be monetised. The direct links between a ban on child-directed advertising and some of these impacts (for example, environmental benefits from decreased production, consumption and waste), although important, have not been explored sufficiently in the literature to be included in the analysis. There is a lack of consensus in the literature around how to measure the costs and benefits of other impacts of banning child-directed advertising (for example, job losses, which increase leisure time but result in lost wages[36]), which has also resulted in the exclusion of some quantitative impacts from our cost-benefit analysis.

A summary of these additional impacts is provided below:

Environmental impacts. Social scientists, economists and environmentalists have long been exploring the link between consumerism and environmental degradation. The thesis that one of the primary causes of environmental and ecological degradation is the resources required to produce material commodities consumed by humans is extensively discussed in the literature.[37] In the context of this argument, many authors have suggested that reduced consumerism—a reduction in the size of each individual's ecological footprint—would result in environmental improvements.[38] Marketing—defined by the American Marketing Association as the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large[39]—is designed to drive consumption, and advertising is a critical component of the dissemination of such communication.[40] However, direct links between banning advertising to children (and the immediate and potentially long-term change in consumption patterns that this could bring about) and an improvement in the environment have not yet been established in the literature.

Impacts in terms of eating disorders. The annual mortality rate from eating disorders (anorexia, bulimia and binge-eating disorder) in Brazil increased by 5.4% between 1990 and 2013.[41] This rise in mortality from eating disorders is correlated with a notable rise in advertising awareness in the population, which has exacerbated the focus on

36 Bartik, Timothy J., "Including Jobs in Benefit-Cost Analysis", 2011. Available at: http://research.upjohn.org/cgi/viewcontent.cgi?article=1195&context=up_workingpapers

37 Jorgenson, Andrew K., "Consumption and Environmental Degradation: A Cross-National Analysis of the Ecological Footprint", *Social Problems*, Vol. 50, No. 3, 2003. Available at: http://www.irows.ucr.edu/andrew/papers/jorgensonSP.pdf

38 Wackernagel, Mathis and Rees, William, *Our Ecological Footprint: Reducing Human Impact on the Earth*, 1996. Available at: https://books.google.com/books?hl=en&lr=&id=WVNEAQAAQBAJ&oi= fnd&pg=PR9&dq=reduced+consumerism+improved+environment&ots=VkZS2QyPLr&sig=oZhdSjnZw2vNncvEJmb2lBHetf4#v=onepage&q&f=false

39 American Marketing Association, "About AMA". Available at: https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx

40 Ailawadi, Kusum L. and Nelsin, Scott A., "The Effect of Promotion on Consumption: Buying More and Consuming It Faster" (1998). Available at: http://www.jstor.org/stable/3152036?seq=1#page_scan_tab_contents

41 "Eating disorders in Brazil: Statistics on Overall Impact and Specific Effect on Demographic Groups". Available at: http://global-disease-burden.healthgrove.com/l/62465/Eating-Disorders-in-Brazil

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body image, especially among females. The literature has started to draw links between advertising and weight-related eating disorders—noting that, especially among females, media use (and the consequent exposure to advertising) predicted eating-disorder symptoms, including a drive for thinness and dissatisfaction with one's body;[42] however, there is a dearth of studies that directly link child-directed advertising to eating disorders in children under 12[43]. The evidence that a reduction in advertising to children would have a direct impact on limiting the prevalence of eating disorders is not substantial enough to be incorporated into impact-analysis calculations at this juncture.

Productivity and absenteeism impacts. A 2013 International Labour Organisation study found that increases in labour productivity within economic sectors are the main driver of growth in an economy.[44] Increased labour productivity is correlated with decreased absenteeism,[45] and studies have elucidated the relationship between health and absenteeism. Among the most frequently studied health-related concerns is the relationship between obesity and absenteeism among both children at school and adults at work. The majority of studies conclude that there is a direct relationship between obesity and absenteeism, thus indicating that there is a relationship between productivity and obesity.[46] Bans on advertising have been shown to decrease obesity,[47] which indicates that a ban on child-targeted advertising should both decrease absenteeism from school and, in the long term, assuming that less-obese children are more likely to grow up to be less-obese adults, increase productivity in the economy. The evidence, however, is insufficient to enable these assumptions to be incorporated into the cost-benefit analysis.

Shifts in employment opportunities/levels. Quantifying and monetising job loss in impact studies has been a subject of debate among experts. The loss of jobs and consequent loss of wages, which could constitute a negative impact of banning child-directed advertising, is offset by an increase in people's leisure time when they are not employed.[48] Traditionally, leisure time is valued as a benefit in such analysis.[49] Personal preference drives the evaluation (and ultimately monetisation) of leisure time (some people might value leisure time more than others, depending on financial status, personality and other individual factors), and this makes leisure time difficult to evaluate in monetary terms.[50] Based on the fact that debate is on-going around the issue of job loss, we have not included the job-loss impact in this study.

42 Harrison, K. and Cantor, J., "The relationship between media consumption and eating disorders", *Journal of Communication*, March 1997. Available at: http://onlinelibrary.wiley.com/doi/10.1111/j.1460-2466.1997.tb02692.x/full

43 Morris, Anne M, and Katzman, Debra K., "The impact of the media on eating disorders in children and adolescents", Paediatrics & Child Health, 2003. Available at: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2792687/

44 International Labour Organisation, "Global Employment Trends 2013: Recovering from a second jobs dip", 2013. Available at: http://ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_202326.pdf

45 Chockalingam Viswesvaran, "Absenteeism and Measures of Job Performance: A Meta-Analysis", *International Journal of Selection and Assessment*, March 2002. Available at: http://onlinelibrary.wiley.com/doi/10.1111/1468-2389.00190/full

46 Geier, Andrew B. et al., "The Relationship Between Relative Weight and School Attendance Among Elementary Schoolchildren", *Obesity: A Research Journal*, August 2007. Available at: http://onlinelibrary.wiley.com/doi/10.1038/oby.2007.256/full
Rappaport, Elizabeth B. et al., "Obesity and Other Predictors of Absenteeism in Philadelphia School Children", Journal of School Health, May 18th 2011. Available at: http://onlinelibrary.wiley.com/doi/10.1111/j.1746-1561.2011.00599.x/full

47 Musmeche, Catherine, "Ban on Advertising to Children Linked to Lower Obesity Rates", New York Times, 13 July 2012. Available at: https://parenting.blogs.nytimes.com/2012/07/13/ban-on-advertising-to-children-linked-to-lower-obesity-rates/?_r=0

48 Bartik, Timothy J., "Including Jobs in Benefit-Cost Analysis", 2011. Available at: http://research.upjohn.org/cgi/viewcontent.cgi?article=1195&context=up_workingpapers

49 Edwards, Chris, "Social Cost-Benefit Analysis – the available evidence on drinking water", World Health Organisation. Available at: http://www.who.int/water_sanitation_health/economic/chapter11.pdf

50 Bartik, Timothy J., "Including Jobs in Benefit-Cost Analysis", 2011. Available at: http://research.upjohn.org/cgi/viewcontent.cgi?article=1195&context=up_workingpapers

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ii. Qualitative impacts

Experts have researched the psychological impacts on children of child-directed advertising. Such impacts are difficult to incorporate into the calculations, but are still an important component of the discussion of the costs and benefits of banning advertising directed at children.

a. Qualitative benefits of banning child-directed advertising

The studies that analyse the impact of advertising on children point out specific well-being costs. A ban on advertising to children has the potential to reduce these costs, and thus to benefit society in the following areas:

- Increased happiness and mental well-being
- A reduction in exploitation of children's cognitive and emotional vulnerability.

i. Increased happiness and mental well-being

This section specifically considers how children's happiness is affected by the interactions between advertising, "pester power", family conflict and materialism. It also discusses how these effects are exacerbated among children from low-income groups. These interactions are highly complex, and more research is needed in this area. Nevertheless, the evidence so far supports the view that curbing advertising is likely to improve the well-being of the most vulnerable young people, particularly in countries with high levels of income inequality, such as Brazil.

Pester power

All parents are familiar with the phenomenon of "pester power", whereby children beg to be bought things that they have seen advertised on television or elsewhere. It would seem that children are all too aware of this power. In a recent UK government survey[51], almost one-third of children (32%) said that if they really want something they always keep begging until their parents give in, while a further 52% said that they sometimes do this, with only 15% saying that they never do.

More advertising means more pestering. Studies over many years and across a number of countries have concurred that the more advertising children are exposed to, the more they pester their parents for advertised products.[52, 53] 60% of Brazilian parents think that any types of propaganda aimed at children under 12 years should be banned.[54]

Pestering means more family arguments. Research shows that pester power can be a highly

51 Bailey, Reg, *Letting Children Be Children: Report of an Independent Review of the Commercialisation and Sexualisation of Childhood*, Department for Education, 2011.

52 Atkin, C. K., "Survey of pre-adolescents' responses to television commercials", *The effects of television advertising on children* (Report No. 6), 1975.
Atkin, C. K., "Survey of children's and mothers' responses to television commercials", *The effects of television advertising on children*, 1975.
Galst, J. and White, M., "The unhealthy persuader: The reinforcing value of television and children's purchase-influencing attempts at the supermarket", *Child Development*, 47, 1976.
Robertson, T. S. and Rossiter, J. R., "Short-run advertising effects on children: A field study", *Journal of Marketing Research*, 13, 1976.
Robertson, T. S. and Rossiter, J. R., "Children's responsiveness to commercials", *Journal of Communication*, 27(1), 1977.
Isler, L. et al., "Children's purchase requests and parental responses: Results from a diary study", .*Journal of Advertising Research*, 27(5), 1987.
Robertson, T. S. et al., "Advertising and children: A cross-cultural study", *Communication Research*, 16, 1989.
Buijzen, M. and Valkenburg, P. M., "The impact of television advertising on children's Christmas wishes", *Journal of Broadcasting and Electronic Media*, 44, 2000.
Buijzen, M. and Valkenburg, P. M., "The Unintended Effects of Television Advertising A Parent-Child Survey", *Communication Research*, 2003.

53 News Agency for Children's Rights (ANDI), "Content of TV ads that children are exposed to in Brazil", 2012.

54 ACT Promoção da saúde, "Opinião Sobre a Regulação de Alimentos Ultraprocessados", September 2016. Available at: http://criancaeconsumo.org.br/wp-content/uploads/2014/02/Datafolha_alimentos_regulacao_ACT.pdf

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corrosive force within families. While greater exposure to advertising is linked to more pestering, increased pestering is in turn linked to more arguments between children and their parents on the one hand[55] and between parents on the other (the latter presumably often occurring when one parent wants to buy the child the desired product and the other does not).[56]

Family arguments damage children's well-being. Arguments between young people and their parents are associated with a range of serious negative well-being indicators, such as low life satisfaction, low self-esteem and depression.[57] International qualitative research concurs. A study for UNICEF UK (the British branch of the UN Children's Fund) on the well-being of children in Sweden, Spain and the UK found that, when children were asked "What makes a bad day?", the most common spontaneous response across the three countries was "family arguments".[58]

Children's right to family life. Article 227 of Brazil's constitution accords people under the age of 18 the right to family life as an absolute priority. The evidence cited above that excessive advertising can disrupt family relationships with serious consequences for young people's mental well-being could arguably be construed as a violation of this right.

Materialism

Advertising is linked to materialism. Advertising is intricately bound up with materialism, which is strongly associated (albeit in complex ways) with negative factors for both children and adults.[59]

Advances in measuring and understanding childhood materialism. Several child-centric materialism scales have now been developed,[60] providing an understanding of how materialism works in the context of young people's lives. Research over the past ten years has found a strong link between young people's levels of materialism and their exposure to advertising,[61] television viewing and internet use.[62] The more time children spend in front of a screen, the more materialistic they are likely to be. These recent findings reflect those of similar studies conducted in the 1970s, 1980s and 1990s in the context of television advertising,[63] allowing us

55 Atkin, C. K., "Survey of pre-adolescents' responses to television commercials", *The effects of television advertising on children* (Report No. 6), 1975.

56 Flouri, I., "Exploring the relationship between mothers' and fathers' parenting practices and children's materialistic values", *Journal of Economic Psychology*, 1999.

57 Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004.
Nairn, A. et al., *Watching, Wanting and Well-being: exploring the links. A study of 9-13 year olds in England and Wales*,2007.
Buijzen, M. and Valkenburg, P. M., "The impact of television advertising on children's Christmas wishes", *Journal of Broadcasting and Electronic Media*, 44, 2000.
Buijzen, M. and Valkenburg, P. M., "The Unintended Effects of Television Advertising A Parent-Child Survey", *Communication Research*, 2003.

58 Nairn, A. et al., "Children's Well-being in UK, Sweden and Spain: The Role of Inequality and Materialism. A Qualitative Study", UN Children's Fund (UNICEF) UK/Ipsos MORI, 2011.

59 Kasser, T., "Frugality, generosity, and materialism in children and adolescents", *What do Children Need to Flourish? Conceptualizing and Measuring Indicators of Positive Development*, 2005.

60 Moschis, G. P. and Churchill, G. A., "Consumer socialization: A theoretical and empirical analysis", *Journal of Marketing Research*, 15, 1978.
Achenreiner, G. B., "Materialistic values and susceptibility to influence in children", *Advances in Consumer Research*, Vol. 24, 1997.
Goldberg, M. E. et al., "Understanding materialism among youth", *Journal of Consumer Psychology*, 2003.
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Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004.
Chaplin, L. N. and John, D. R., "Growing up in a material world: Age differences in materialism in children and adolescents", *Journal of Consumer Research*, 2007.
Bottomley, P. et al., "Measuring Childhood Materialism: Refining and Validating Schor's Consumer Involvement Scale", *Psychology and Marketing*, 2010.
Opree, S. et al., "Development and validation of the Material Values Scale for children (MVS-C)", *Personality and Individual Difference*, 2011.

61 Buijzen, M. and Valkenburg, P. M., "The Unintended Effects of Television Advertising A Parent-Child Survey", *Communication Research*, 2003.

62 Nairn, A. et al., *Watching, wanting and well-being: exploring the links. A study of 9-13 year olds in England and Wales*, 2007.

63 Goldberg, M. E. and Gorn, G. J., "Some unintended consequences of TV advertising to children", *Journal of Consumer Research*, 1987.
Pollay, R. W., "The distorted mirror: Reflections on the unintended consequences of advertising", *Journal of Marketing*, 1986.
Greenberg, B. S. and Brand, J. E., "Television news and advertising in schools: The 'Channel One' controversy", *Journal of Communication*, 1993.

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to conclude that there is indeed a link between advertising and childhood materialism. Given the nature and volume of advertising in new media, this effect is expected to be magnified in the future.

Materialism is linked to low well-being. The well-established link between advertising exposure and materialistic values in childhood gives cause for concern, given that there is an extremely well-established literature that shows a strong and significant relationship between materialism and a range of negative well-being indicators for children. These include qualitative parent assessments of child unhappiness,[64] low life satisfaction,[65] low self-esteem,[66] anxiety, depression and psychosomatic symptoms.[67]

Unhappy children exposed to advertising become materialistic. It is only in very recent years that experts have come to understand the complexities of the relationship between materialism and poor well-being in children and how this relates materialism in adulthood. It seems that children who are unhappy, have low self-esteem, are dissatisfied with their lives or are in some way disenfranchised are particularly likely to be prey to the appeals of advertising and to come to believe that consumer goods will solve their problems.[68]

Low self-esteem and low socio-economic status. While puberty may account for low self-esteem in some adolescents,[69] others may experience low self-esteem or life satisfaction because of their status in society. This point is particularly pertinent in countries with high levels of income inequality, such as Brazil. A range of quantitative and qualitative studies in the US and the UK (both countries with high income inequality) concur that less well-off children are more materialistic than those from families with more money.[70] One explanation for this is that owning brands that are heavily advertised allows children who are economically marginalised in a wealthy society to feel that they belong and that, in the iconic words of L'Oreal's advertising campaign, they are "worth it".

"Brand bullying". Disenfranchised teenagers appear to view brands—particularly of highly visible products such as clothes and electronics—as providing a form of protection from bullying.[71, 72, 73]

Television watching is higher among lower socio-economic groups. It is well documented that children from low-income families watch more television than their affluent counterparts.[74] This is because television is a cheap form of entertainment, and also because it can serve to keep children safe in the home and away from violence on the streets. Heavier television watching is strongly

64 Goldberg, M.E. et al., "Understanding materialism among youth", *Journal of Consumer Psychology*, 2003.

65 Buijzen, M. and Valkenburg, P. M., "The Unintended Effects of Television Advertising A Parent-Child Survey", *Communication Research*, 2003.
Opree, S. et al., "Low Life Satisfaction Increases Materialism in Children who are Frequently Exposed to Advertising," *Pediatrics*, 2012.
Ahuvia, A. C. and Wong, N. Y., "Personality and values based materialism: their relationships and origins", *Journal of Consumer Psychology*, 2002.

66 Nairn, A. et al., *Watching, Wanting and Well-being: exploring the links. A study of 9-13 year olds in England and Wales*, 2007.
Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004
Chaplin, L. N. and John, D. R., "Growing up in a material world: Age differences in materialism in children and adolescents", *Journal of Consumer Research*, 2007.

67 Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004

68 Opree, S. et al., "Low Life Satisfaction Increases Materialism in Children who are Frequently Exposed to Advertising," *Pediatrics*, 2012.

69 World Health Organisation Collaborative Cross-National Survey, *Health Behaviour in School-Aged Children*. Available at: http://www.hbsc.org/

70 Isaksen, K. J. and Roper, S., "The impact of branding on low-income adolescents: A vicious cycle?", *Psychology & Marketing*, 2008.
Isaksen, K. J. and Roper, S., "The Commodification of Self-Esteem: Branding and British Teenagers", *Psychology & Marketing*, 2012.
Elliott, R. and Leonard, C., "Peer pressure and poverty: exploring fashion brands and consumption symbolism among children of the 'British poor'", *Journal of Consumer Behaviour*, 2004.
Nairn, A. et al., *Watching, Wanting and Well-being: exploring the links. A study of 9-13 year olds in England and Wales*, 2007.
Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004.

71 Isaksen and Roper, op. cit., 2012.

72 Office of the Children's Commissioner, "Children, Young People and the Commercial World", June 2011. Available at: http://www.childrenscommissioner.gov.uk/content/publications/content_493

73 Bailey, op. cit., 2011.

74 Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004
Nairn, A. et al., *Watching, Wanting and Well-being: exploring the links. A study of 9-13 year olds in England and Wales*, 2007.
Schor, J. B., *Born to buy: The commercialized child and the new consumer culture*, 2004.

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associated with more purchase requests and a greater tendency to hold materialistic values, which in turn are associated with stress in the household. In families where a lack of money already contributes to a stressful atmosphere, it is clear that advertising can exacerbate financial strains.

Effects of materialism and inequality on well-being. UNICEF UK recently conducted a comparative in-depth ethnographic study of the effects of materialism and inequality on children's well-being in three developed countries: the UK, Spain and Sweden.[75] The findings indicate that materialism and inequality interact in culturally ingrained ways to affect children's well-being. Sweden is one of the most equal countries in the world and banned television advertising to children under 12 in 1996. Swedish children also have very high levels of well-being, according to UNICEF Report Card 7.[76] Spain has high levels of income inequality, but has only had commercial television since the late 1980s and has high levels of child well-being. The research found that Spanish parents (who had not been exposed to television advertising when they were children) were able to control their children's expectations and put more emphasis on family relationships than on acquiring material possessions. Children in the UK had the lowest levels of well-being, and also had very high levels of income inequality. The research found that stressed parents in the UK bought their children consumer goods in an attempt to compensate for a lack of family time.

The relationship between materialism, advertising, inequality, family relationships and children's well-being is complex, but there is certainly emerging evidence that advertising interferes with family life to the detriment of children's mental well-being—particularly in unequal countries, where children of lower socio-economic status may feel disenfranchised.

ii. Reduced exploitation of children's cognitive and emotional vulnerabilities

Recent advances in neuroscience have brought new and unexpected insights into the effects of advertising on children and, particularly, adolescents. At the same time, however, the advent of digital, immersive and other new advertising techniques has added further complexities.

The "magic age" and cognitive defences

For years, the debate has focused on identifying the "magic age" at which children come to possess what has been termed "persuasion knowledge",[77] or in other words the age at which they can understand advertisers' intentions and can develop the ability to erect "cognitive defences". This capacity is seen as a developmental milestone by psychologists and regulators alike, as children have been deemed to possess age-related protection against advertising after this age.[78]

Childhood consumer socialisation. How children learn to navigate consumer culture has been the subject of a great deal of research by psychologists and sociologists.[79] It is generally accepted that at age four or five children become adept at distinguishing a television advertisement from a programme by simple visual, auditory or other features such as length, format or tone of voice.[80] There is also general consensus that between the ages of seven and eleven they begin to appreciate abstract concepts such as value for money

75 Nairn, A. et al., *Children's Well-being in UK, Sweden and Spain: The Role of Inequality and Materialism. A Qualitative Study*, UNICEF UK/Ipsos MORI, 2011.

76 UNICEF Report Card 7, "Child poverty in perspective: An overview of child well-being in rich countries", Innocenti Research Centre, 2007.

77 Moses, L. J. and Baldwin, D. A., "What can the study of cognitive development reveal about children's ability to appreciate and cope with advertising?", *Journal of Public Policy & Marketing*, 2005.
Wright, P. et al.. "The development of marketplace persuasion knowledge in children, adolescents and young adults", *Journal of Public Policy & Marketing*, 2005.

78 Moore, E., "Children and the changing world of advertising", *Journal of Business Ethics*, 2004.

79 John, D. R., "Consumer Socialization of Children: A Retrospective Look at Twenty-Five Years of Research", *Journal of Consumer Research*, 1999.

80 Blatt, J. et al., "A cognitive developmental study of children's reactions to television advertising", *Television and Social Behavior*, Vol. 4, *Television in Day-to-Day Life: Patterns of Use*, 1972.
Levin, S. et al., "Preschoolers' awareness of television advertising", *Child Development*, 1982.

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and, importantly, start to develop an understanding of advertisers' intentions.[81] However, most research agrees that it is not until the age of 12-16 that cognitive defence can really begin. Indeed, in Brazilian law a distinction is made between children (those aged under 12) and adolescents (aged 12-17).

Do children understand advertising at 12? The body of research around cognitive defence has been used by a wide range of corporations, self-regulatory bodies and governments around the world to set 12 or 13 as the "magic age" after which it is fair to advertise to children. Examples include the Brazilian Compromisso pela Publicidade Responsável para Crianças (Commitment to Responsible Advertising for Children)[82] on food and drink marketing; the Children's Food and Beverage Advertising Initiative[83] and the Children's Online Privacy Protection Act (COPPA)[84] in the US; and the legislative ban on advertising to children under 12 in Sweden.

Cognitive defence may not be deployed until later. However, new evidence from research into consumer socialisation suggests that the notion that it is always fair to advertise to children of 12 and over is flawed.[85, 86, 87, 88, 89]

Implicitly processed advertising

Recent advances in neuroscience and psychology suggest that the brain processes a great deal of advertising content emotionally and not cognitively.[90] This means that the focus on age-stage cognitive models of persuasion has led researchers to miss part of the picture. The human brain employs two different types of mental process when it encounters stimuli, including advertising stimuli.[91] The first type is implicit processes that are also termed automatic, reflexive or impulsive, while the second type is explicit processes, also known as controlled, reflective or deliberative. It seems that emotions are processed implicitly, and are hard to control because people are largely unaware of them while reasoning. While older children are able to understand a clear marketing message with a factual proposition that appeals to their relatively well developed rational brain (engaging in explicit processing), it is very hard for children of any age to make conscious informed decisions about whether or not to ac-

81 Macklin, M. C., "Preschoolers' understanding of the informational function of television advertising," *Journal of Consumer Research*, 1987.
Oates, C. et al., "Children's understanding of television advertising: a qualitative approach," *Journal of Marketing Communications*, 2003.

82 Compromisso pela Publicidade Responsável para Crianças, "Compromisso". Available at: http://www.publicidaderesponsavel.com.br/#compromisso /

83 Better Business Bureau, "Children's Food & Beverage Advertising Initiative". Available at: https://www.bbb.org/council/the-national-partner-program/national-advertising-review-services/childrens-food-and-beverage-advertising-initiative/

84 Federal Trade Commission, "Children's Online Privacy Protection Rule (COPPA)". Available at: https://www.ftc.gov/enforcement/rules/rulemaking-regulatory-reform-proceedings/childrens-online-privacy-protection-rule

85 Moses, L. J. and Baldwin, D. A., "What can the study of cognitive development reveal about children's ability to appreciate and cope with advertising?", *Journal of Public Policy & Marketing*, 2005.

86 Rozendaal, E. et al., "Comparing children's and adult's cognitive defenses to television advertising", *Proceedings of Child and Teen Consumption Conference*, 2008.

87 Carter, O. B. J. et al., "Children's understanding of the selling versus persuasive intent of junk food advertising: implications for regulation", *Social Science & Medicine*, 2011.

88 Christenson, P. G., "Children's perceptions of TV commercials and products: the effects of PSAs", *Communication Research*, 1992.
Kunkel, D., " Children and host-selling television commercials", *Communication Research*, 1988.
Auty, S. and Lewis, C., "Exploring children's choice: the reminder effect of product placement", *Psychology & Marketing*, 2004.
Mallinckrodt, V. and Mizerski, R., "The effects of playing an advergame on young children's perceptions, preferences, and requests", *Journal of Advertising*, 2007.

89 Livingstone, S. and Helsper, E. J., "Does advertising literacy mediate the effects of advertising on children? A critical examination of two linked research literatures in relation to obesity and food choice", *Journal of Communication*, 2006.

90 Heath, R. G. and Nairn, A., "Measuring affective advertising: Implications of low attention processing on recall", *Journal of Advertising Research*, 2005.
Heath, R. G. et al., "Brand relationships: Strengthened by emotion, weakened by attention", *Journal of Advertising Research*, 2006.
Nairn, A. and Fine, C., "Who's messing with my mind? The implications of dual-process models for the ethics of advertising to children", *International Journal of Advertising*, 2008.

91 Nairn, A. and Fine, C., "Who's messing with my mind? The implications of dual-process models for the ethics of advertising to children", *International Journal of Advertising*, 2008.

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cept or reject an emotional advertising claim when the message bypasses cognition and is processed with little awareness.

Immersive digital advertising

Rise of child internet access in Brazil. The percentage of Brazilian homes with internet access soared from 18% in 2008 to 38% in 2011[92] and has continued to grow rapidly. In Brazil, child internet use ranges from 52% of 10-year-olds to 77% of 14-year-olds, with one-half of 10-14-year-olds using the internet daily or almost daily.[93] Two-fifths of Brazilian children and adolescents between ages 9 and 17 have their own desktop computers, while 35% have their own laptops and 85% have internet-enabled mobile phones.[94] This means that internet use is increasingly taking place away from family supervision. While 63% of 9- to 17-year-olds say that they use the internet for school work, 79% visit social-networking sites, 63% look at videos (for example on You Tube) and 46% play games.[95] Given the commercial business model that underpins the internet, Brazilian children are thus exposed to an enormous amount of internet advertising.

Internet advertising works differently from television advertising. Internet advertising differs from television advertising in a number of ways. First, online advertising tends to be more emotional in content, using games, music, humour, bright colours and associations with characters, celebrities, fun and excitement.[96] This means that such advertising is more likely to be processed implicitly rather than explicitly, and is therefore more likely to affect the behaviour of children and young people of all ages. Second, while television advertisements are confined to 30-second spots, children's exposure to internet ads is essentially limitless, allowing implicitly formed associations to become deeply ingrained. Third, internet advertising increasingly uses behaviour targeting,[97] a technique that uses cookies to track internet use on a computer in order to target individuals with products and services that match the types of site they visit and the sorts of things they talk to their friends about on social-networking sites and in emails. Fourth, much digital advertising is interactive and immersive, meaning that the line between entertainment and advertising is very blurred.

Advertising should be obviously identifiable as such. A core pillar of advertising regulatory codes around the world (including Article 36 of Brazil's Consumer Defence Code and Article 28 of CONAR's Brazilian Advertising Self-Regulation Code[98]) is that advertising should be obviously identifiable as such. (The Conselho Nacional de Autorregulamentação Publicitária, or CONAR, is an industry organisation composed of advertisers and other professionals that aims to promote freedom of expression and defend the constitutional prerogatives of commercials advertising.) There are serious concerns that immersive online advertising contravenes this aspect of the code as it applies to children. Five key studies agree that not all or even a majority of children understand that "advergames" are placed on websites and apps by commercial companies for the purpose of increasing sales.[99, 100, 101, 102, 103] Other media formats not obviously identifiable as advertising to young

92 TIC Kids Online Brasil 2012, October 2nd 2012. Available at: http://www.cetic.br/usuarios/kidsonline/2012/apresentacao-tic-kids-2012.pdf

93 TIC Kids Online Brasil 2012, October 2nd 2012. Available at: http://www.cetic.br/usuarios/kidsonline/2012/apresentacao-tic-kids-2012.pdf

94 TIC Kids Online 2015. Available at: http://data.cetic.br/cetic/explore?idPesquisa=TIC_KIDS

95 TIC Kids Online 2015. Available at: http://data.cetic.br/cetic/explore?idPesquisa=TIC_KIDS

96 Kaiser Family Foundation, "It's Child's Play: Advergaming and the Online Marketing of Food to Children", 2006. Available at: www.kff.org/entmedia/upload/7536.pdf

97 The Telegraph, "Online behavioural targeting: Q&A". Available at: http://www.telegraph.co.uk/technology/9055064/Online-behavioural-targeting-QandA.html

98 Conselho Nacional de Autorregulamentação Publicitária. Available at: http://www.conar.org.br/

99 Owen, L. et al., "Is children's understanding of non-traditional advertising comparable with their understanding of television advertising?", *Journal of Public Policy & Marketing*, 2012.

100 Mallinckrodt, V. and Mizerski, R., "The effects of playing an advergame on young children's perceptions, preferences, and requests", *Journal of Advertising*, 2007.

101 Fielder, A. et al., "*Fair Game? Assessing Commercial Activity on Children's Favourite Websites and Online Environments*", 2007.

102 An, S. and Stern, S., "Mitigating the effects of advergames on children: Do advertising breaks work?", *Journal of Advertising*, 2011.

103 Van Reijmersdal, E. A. et al., "Effects of prominence, involvement and persuasion knowledge on children's cognitive and affective responses to advergames," *Journal of Interactive Marketing*, 2012

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people include viral marketing;[104] brand ambassadors (whereby children are hired by corporations to recommend products to their friends);[105] celebrity or character endorsement;[106] product placement in films, television shows and social-networking sites;[107] and brand mentions in pop songs and even books.[108]

b. Qualitative costs of banning child-directed advertising

The commercial world may offer children opportunities in terms of entertainment, learning, creativity and cultural experience.[109] However, no quantification of these benefits has yet been attempted, and it seems that no research exists to support the positive role of the commercial world (of which child-directed advertising is a component) in children's well-being.

104 Marsden, P. Introduction and summary in *Connected Marketing: The Viral, Buzz and Word of Mouth Revolution*, 2006.

105 Mayo, E. and Nairn, A., "Consumer Kids: How big business is grooming our children for profit," 2009.

106 Erdogan, Z., "Celebrity Endorsement: A Literature Review", *Journal of Marketing Management*, 1999.

107 Carter, M., "Online drama proves a lucrative hit", The Guardian, November 12th 2007.

108 Kaikati, A. and Kaikati, J., "Stealth Marketing: How to Reach Consumers Surreptitiously", *California Management Review*, 2004.

109 Department for Children, Schools and Families (DCSF) and Department for Culture, Media and Sport (DCMS), *The Impact of the Commercial World on Children's Wellbeing: Report of an Independent Assessment*, 2009.

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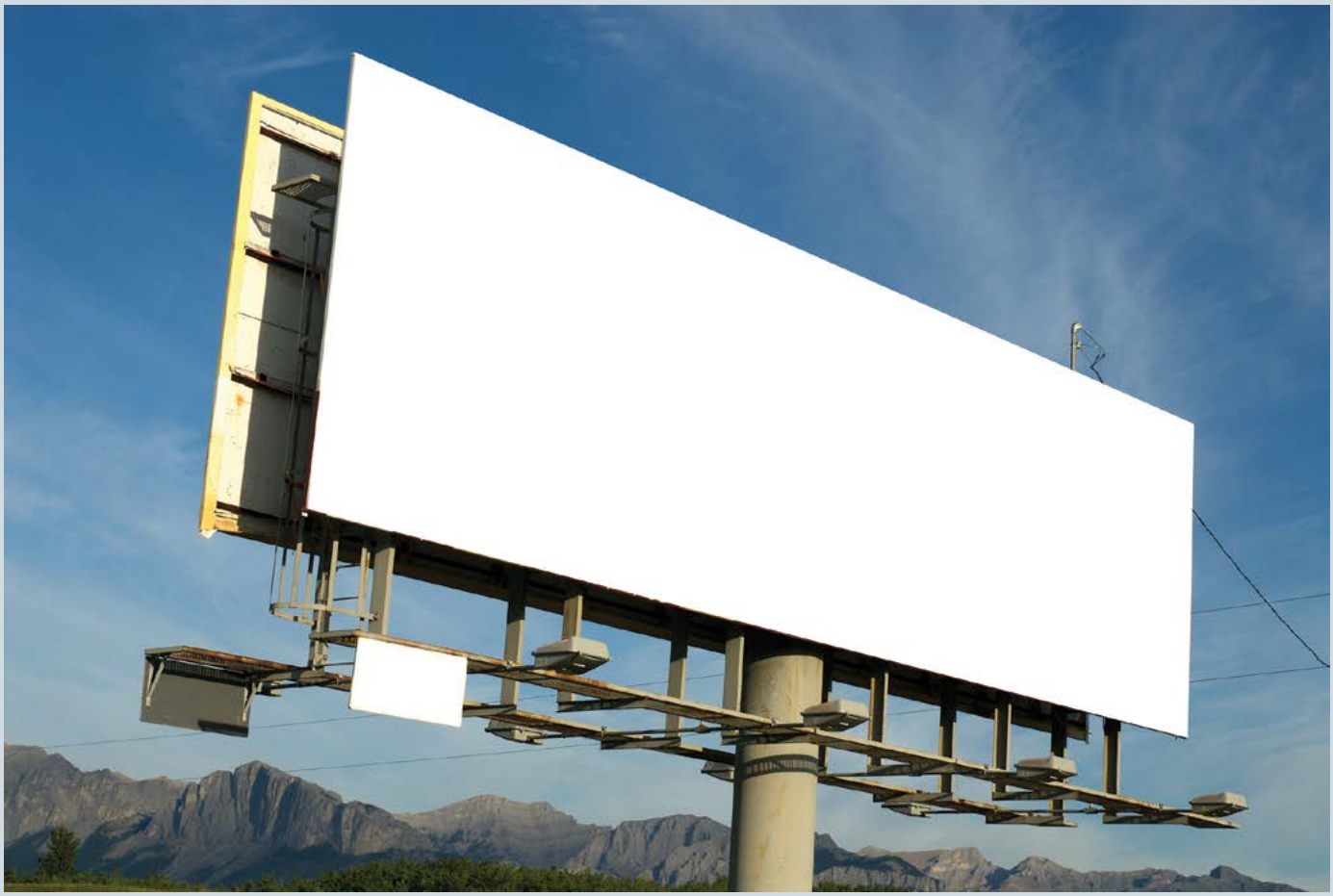


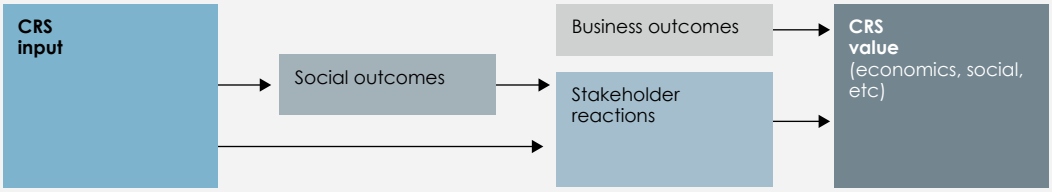
Part IV

The business case for socially responsible marketing

In an age of information, when there is a greater need than ever before for transparency about what people are consuming (how products are sourced and distributed), there is even more emphasis placed on sustainable supply chains and production practices.[110] Younger generations, and especially millennials, are more likely to care about corporate social responsibility (CSR, the idea that businesses have responsibilities to society beyond making a profit for their shareholders):[111] survey-based research from Cone Communications, a US-based public relations and marketing agency, notes that 70% of millennials will spend more on brands that support causes they care about.[112]

CSR aligns a company's social and environmental activities with its business purpose and values, while contributing to the well-being of the communities and society that it affects and on which it depends.[113] Studies that have tracked the impact of CSR initiatives on business outcomes show that incorporating sustainability and responsible decision-making into business operations is profitable for companies (see Figure 4) and creates long-term brand value.[114,115]

FIGURE 4 **Tracking the origins of CSR value**



Source: C B Bhattacharya, *Responsible Marketing: Doing Well by Doing Good*, 2016.

110 McCluskey, Jill J., "Changing Consumer Preferences", Washington State University, July 2015. Available at: https://www.kansascityfed.org/~/media/files/publicat/rscp/2015/4-demographic%20trends-mccluskey.pdf?la=en

111 Carroll, Archie and Shabana, Kareem, "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", *International Journal of Management Reviews*, 2010. DOI:10.1111/j.1468-2370.2009.00275.x

112 Richards, Katie, "How Agencies Are Meeting Millennials' Demand for Socially Responsible Marketing", Adweek, December 15th 2015. Available at: http://www.adweek.com/brand-marketing/agencies-are-carving-out-niche-socially-responsible-marketing-168592/

113 Kasturi Rangan, V. et al., "Social Responsibility: The Truth About CSR", *Harvard Business Review*, 2015. Available at: https://hbr.org/2015/01/the-truth-about-csr

114 Studies by organisations such as the Conference Board (Carroll and Shabana, *The Business Case for Corporate Social Responsibility*, June 2011) have cited the reduction of cost and risk; gaining competitive advantage; developing and maintaining legitimacy and reputation capital; and synergistic value-creation as some of long-term benefits of CSR.

115 Shaw, Deirdre et al., *Ethics and Morality in Consumption: Interdisciplinary Perspectives*, 2016. Available at: https://books.google.com/books?hl=en&lr=&id=OJr7CwAAQBAJ&oi=fnd&pg= PA75&dq=corporate+responsible+marketing&ots=nN3mvQKV4R&sig=o46Nx TVtCoDvQgIn5BOgHK1Pw58#v=onepage&q=corporate%20 responsible%20marketing&f=false

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Socially responsible marketing—the process through which companies generate customer interest in products, build strong customer relationships and create value for all stakeholders by incorporating social and environmental considerations into products and promotions[116]—creates balance between maximising profits and focusing on benefits to society. It is a key tool for firms that are interested in highlighting and capitalising on their commitment to sustainable practices, as it showcases their company-level commitment to taking responsibility for and reducing the negative consequences of their business operations.[117]

a) Socially responsible marketing and childhood protection

Within the socially responsible marketing movement, one key initiative that has taken root is restricting or even banning all advertising activities directed at children. The academic literature has increasingly highlighted the fact that advertising takes advantage of children's inability to distinguish between advertisements and other forms of content and has provided evidence of its negative consequences, and this has led some companies to redirect their messaging strategies away from children.[118] Socially responsible marketing, especially with regard to child-directed advertising, is an incipient movement, but industry-wide initiatives, government regulations, and pressure from consumers and advocacy groups have also began to push companies towards focusing on restrictions on child-directed advertising.

i. Self-regulation: Industry-wide initiatives

Some industries have created and adopted their own standards for advertising to children. These self-regulatory initiatives have sprung up in several developed countries and across a number of industries, including advertising and also food and beverages. Globally, industry organisations[119] such as the World Federation of Advertisers (WFA) are devoted to responsible and effective marketing communications.[120] The WFA encourages its members to subscribe to the Responsible Advertising and Children Programme (RAC), which represents advertisers, agencies and media worldwide.[121] The RCA is committed to the Marketing Communications Code of the International Chamber of Commerce (ICC), which provides guidelines on marketing to children.[122] In the food and beverages industry, organisations like the International Food & Beverage Alliance (whose members include Coca-Cola, Kellogg's, Mars, McDonald's, Nestle and PepsiCo) also encourage responsible marketing to children.

Standards and guidelines have also been developed at country level. Self-regulatory units such as the US's Children's Advertising Review Unit (CARU), administered by the Council of Better Business Bureaus, review companies' advertisements and, when these fail to meet self-regulation standards, take action. (CARU is the "children's arm of the advertising industry's self-regulation system and evaluates child-directed advertising and promotional material in all media to advance truthfulness, accuracy and consistency".[123]) For example, in 2015 McDonald's received a warning from CARU after one of its Happy Meal commercials focused too strong-

116 *Financial Times*, "Definition of ethical marketing". Available at: http://lexicon.ft.com/Term?term=ethical-marketing

117 Jones, Ellis, "Socially Responsible Marketing". Available at: http://www.holycross.edu/sites/default/files/files/sociologyanthropology/faculty/jones/jones-sr_marketing_greenwashing.pdf

118 For a discussion of the literature, see (among others) Linn (2004), Alana (2016).

119 Other global organisations with standards and guidelines for marketing to children include the World Federation of Advertisers, the UN Global Compact, the ICC and the International Food & Beverage Alliance.

120 World Federation of Advertisers, "What is WFA?". Available at: http://www.wfanet.org/en/about-wfa/what-is-the-wfa

121 Responsible Advertising and Children, "Advertising and Children". Available at: http://www.responsibleadvertising.org/advertisingandchildren.asp

122 ICC, "Marketing and Advertising to Children". Available at: http://www.iccwbo.org/advocacy-codes-and-rules/areas-of-work/marketing-and-advertising/marketing-and-advertising-to-children/

123 Council of Better Business Bureaus, "Children's Advertising Review Unit". Available at: https://www.bbb.org/council/the-national-partner-program/national-advertising-review-services/childrens-advertising-review-unit/

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ly on Happy Meal toys as a way of attracting children.[124]

In Brazil, the Conselho Nacional de Autorregulamentação Publicitária[125] (CONAR) has created national-level industry guidelines. CONAR encourages its members to subscribe to the Brazilian Advertising Self-Regulation Code, which states that advertising is designed for aware consumers and that no advertisement shall appeal to a child's desire to consume.[126] The Compromisso pela Publicidade Responsável para Crianças (a pledge by 11 companies in the Brazilian food and non-alcoholic beverages sector to expand their commitment to responsible marketing and advertising to children through the standardisation of nutritional criteria and a structured independent monitoring process[127]) and the Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não Alcoólicas (ABIR, whose members have made a commitment not to advertise soft drinks, nectars, sports drinks, energy drinks, flavoured waters and ready-to-drink teas and coffees on media platforms where more than 35% of the audience is under 12 and in elementary schools, except for educational or sporting purposes in agreement with school administrators[128]), also regulate the industry nationally. However, enforcement of industry agreements in Brazil is limited.

These global and national industry-level guidelines and standards provide some incentive for companies to engage in self-regulation, but the repercussions for failing to comply with these standards are in most cases minimal. For example, after McDonald's received CARU's warning over its failure to comply, the company withdrew its Happy Meal advertisement but there were no other consequences. McDonald's stated: "Although we believe that the ad primarily focuses the child's attention on the product, McDonald's respects the self-regulatory process and will take CARU's comments into consideration when producing future ads."[129] Without either financial consequences (fines) or legal ones (lawsuits or licence suspensions), companies' adherence to standards stemming from industry self-regulation is likely to remain low. However, other actors, such as government and non-profit organisations, are also encouraging companies to restrict marketing to children.

ii. Government regulations

Government regulations have also been a driving force behind efforts to restrict child-directed advertising. In some geographies where full bans have been implemented and enforced, there have been tangible outcomes: a reduction of the amount of marketing that children are exposed to, as well as more long-term outcomes such as lower obesity rates among children.

For example, in Quebec the Consumer Protection Agency prohibited commercial advertising directed at children aged under 13 across all media and all merchants, starting in 1980.[130] The regulation, initially designed to help children realise that advertising is everywhere around them and to develop their judgement and critical thinking about advertising, has contributed to a 13% reduction in fast-food expenditure and 3bn fewer calories consumed children in the province. Quebec has the lowest obesity rate of any province in Canada.[131] Contributing to the success of the ban has been the risk of financial or legal conse-

124 O'Reilly, Lara, "McDonald's slapped down for focusing its Happy Meal advertising on the toy and not the food", *Business Insider*, May 15th 2015. Available at: http://www.businessinsider.com/mcdonalds-told-to-change-ads-by-childrens-advertising-review-unit-2015-5

125 CONAR, "Missao". Available at: http://www.conar.org.br/

126 CONAR, "Brazilian Advertising Self-Regulation". Available at: http://www.conar.org.br/pdf/brazilian-advertising-self.pdf

127 Compromisso pela Publicidade Responsável para Crianças, "Compromisso". Available at: http://www.publicidaderesponsavel.com.br/#compromisso /

128 ABIR, "Diretrizes ABIR sobre Marketing para Crianças", April 2016. Available at: http://abir.org.br/abir/wp-content/uploads/2016/04/DiretizesABIRsobreMarketingparaCriancas.pdf

129 O'Reilly, Lara, "McDonald's slapped down for focusing its Happy Meal advertising on the toy and not the food", *Business Insider*, May 15th 2015. Available at: http://www.businessinsider.com/mcdonalds-told-to-change-ads-by-childrens-advertising-review-unit-2015-5

130 Office of Consumer Protection, "Advertising Directed at Children under 13 Years of Age: Guide to the Application of Sections 248 and 249 Consumer Protection Act", 2012. Available at: https://www.opc.gouv.qc.ca/fileadmin/media/documents/consommateur/sujet/publicite-pratique-illegale/EN_Guide_publicite_moins_de_13_ans_vf.pdf

131 Musemeche, Catherine, "Ban on Advertising to Children Linked to Lower Obesity Rates", *New York Times*, July 13th 2012. Available at: https://parenting.blogs.nytimes.com/2012/07/13/ban-on-advertising-to-children-linked-to-lower-obesity-rates/

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quences for those companies that fail to comply.[132] In 2015, Coca-Cola was obliged to pay a fine of US$21,000 for advertising its Fanta soft drink in a Quebec amusement park.[133]

Quebec's Consumer Protection Agency is not the only government entity to have developed a legal framework to eradicate child-directed advertising. In Brazil, CONANDA's Resolution 163 codifies in law the right of children to an advertisement-free childhood. Before the resolution came into effect in 2014, Brazil's federal constitution and Consumer Protection Law already provided a basis for petitions to block advertisements. In 2011, the Consumer Protection and Defence Agencies (Procon) hit McDonald's with a US$1.5m fine for advertising to children and promoting matched sales of toys and food. After the company's appeal in 2015, however, the judicial court of the state of São Paulo revoked the fine. The case still running in the Brazilian justice system.[134] McDonald's was not the only company fined for failing to comply with the constitution and the Consumer Protection Law before the CONANDA resolution: in 2012 Grendene, a Brazilian shoe manufacturer, was fined R3.2m ($1.6m) for a series of advertising campaigns for children's shoes that "promoted confusion between reality and fantasy and stimulated early erotisation, particularly of girls".[135]

The CONANDA resolution improved the legal basis for action to prevent child-directed advertising in Brazil.[136] McDonald's, for example, has not received any additional fines—at least, none that have been reported publicly—since the resolution was passed. In an interview, Laura Chiavone, a marketing expert in Brazil, noted that since the CONANDA resolution big brands, and especially those in the food and beverages space, have been more careful about the content of, and audience for, their marketing initiatives.[137]

iii. Initiatives by other stakeholders

Beyond industry association standards and government regulations, a set of additional actors—shareholders, investors, employees, consumers and non-profit/advocacy groups—are providing impetus to efforts to restrict advertising to children. The increasing demands by parents and school authorities, channelled through social media and other public forums, need to be incorporated into business practices if companies are to remain competitive in the long run.

Non-governmental organisations such as research centres and advocacy groups, including the Campaign for a Commercial-Free Childhood and the Rudd Center for Food Policy & obesity in the US, are challenging companies that fail to engage in responsible marketing to children. The Rudd Center, in its 2015 Snack FACTS Food Advertising to Children and Teens Score, noted that General Mills—a member of the Children's Food and Beverage Advertising Initiative, which restricts the types of food that can be advertised to children—was responsible for more than 50% of the snack food advertisements that children in the United States saw on television in 2014.[138] General Mills' marketing and advertising guidelines includes a ban on advertising on programming or media directed primarily at children under six years old; a ban on direct advertising in schools through 12th grade; and a pledge to depict children as active and energetic in child-directed marketing. However, the company has not committed itself to banning child-directed marketing entirely, as many of its peers have.[139]

132 Office of Consumer Protection, "Advertising directed at children". Available at: http://www.opc.gouv.qc.ca/en/consumer/topic/illegal-practice/enfants/

133 Bhatt, Shephali and Bapna, Amit, "Here are the new rules of marketing to kids", *The Economic Times*, May 25th 2016. Available at: http://economictimes.indiatimes.com/magazines/brand-equity/here-are-the-new-rules-of-marketing-to-kids/articleshow/52416363.cms

134 Broady, Gavin, "Brazil Fines McDonald's $1.6M For Happy Meal Ads", *Law 360*, April 23rd 2013. Available at: https://www.law360.com/articles/434997/brazil-fines-mcdonald-s-1-6m-for-happy-meal-ads

135 Crianca Consumo, "Grendene SA – Children's Shoes (December 2009)". Available at: http://criancaeconsumo.org.br/acoes/grendene-s-a-calcados-infantis/

136 World Public Health Nutrition Association, "Brazil Fights Against Marketing to Children", April 23rd 2014. Available at: http://wphna.org/brazil-fights-against-marketing-to-children/

137 The Economist Intelligence Unit, interview with Laura Chiavone (2016).

138 Harris, Jennifer L. et al., "Evaluating snack food nutrition and marketing to youth", Rudd Center for Food Policy and Obesity, 2015. Available at: http://uconnruddcenter.org/files/Pdfs/SnackFACTS_2015_Fulldraft03.pdf

139 General Mills, "Marketing and advertising". Available at: https://www.generalmills.com/en/Responsibility/marketing-advertising

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A study by the Center for Science in the Public Interest, a consumer advocacy group in the US capital, Washington DC, has also found that globally the marketing policies of The Coca-Cola Company (TCCC)[140] are often inconsistent with its practices.[141] The company has been observed to advertise at theme parks and other venues at which large numbers of children are present, and also on television channels that are "family-oriented". Additionally, the use of Coca-Cola's brand equity characters—including the Coca-Cola polar bears and Santa Claus—in advertising have created concern among organisations committed to regulating child-directed advertising.[142] A non-profit organisation, Praxis Project, is prosecuting TCCC in the US and also the American Beverage Association (ABA) for deliberately misleading consumers about the health effects of carbonated soft drinks. As part of the lawsuit, Praxis Project is focusing on how TCCC targets children through its use of animated bears.[143]

Box 2 Collaborating to improve responsible marketing—Coca-Cola Brasil

The Coca-Cola Company (TCCC), and in particular Coca-Cola Brasil, has taken major steps over the past few years to regulate its advertising to children. Starting in 2008, TCCC developed a global Responsible Marketing Policy that focuses on regulating child-directed advertising.[144] Recognising the reach of the company and its huge impact on populations globally, TCCC began making changes to ensure that the company had a massively positive global impact, according to company representatives in Brazil.

As part of this initiative, TCCC has committed itself to avoid advertising on media—television shows, print media, websites, social media, movies, and targeted text and email marketing—where 35% or more of the audience consists of children under 12.[145] Additionally, the company has pledged not to design marketing communications to appeal directly to children, including banning the use of celebrities, characters, movie tie-ins, games and branded toys whose primary appeal is to children (with the exception of brand-equity characters already in use).[146] To enforce its marketing policy, the company runs training programmes for its media agencies. It also engages external consultants to run independent audits and conducts internal audits to ensure that it is hitting its 35% threshold target.

Despite these initiatives, TCCC has faced allegations around the globe regarding its child-directed advertising practices. A representative of Coca-Cola Brasil acknowledged that it sometimes misjudges its content, noting that content is highly subjective. In Brazil, however, the company has been particularly proactive in soliciting feedback from other stakeholders on its advertising content and has been engaging in discussions with organisations that regulate child-directed advertising, adjusting content where necessary and improving its policies in line with these talks. Such discussions have, for example, encouraged Coca-Cola Brasil to create a specific portfolio of products for elementary school children consisting only of water, 100% fruit juices and coconut water.[147] Moreover, in addition to engaging in dialogue with other stakeholders, Coca-Cola Brasil is encouraging companies (including competitors) and other sectors to adopt the same practices.

144 "The Coca-Cola Company's Responsible Marketing Policy", September 2015. Available at: http://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/our-company/responsible-marketing-policy.pdf

145 Ibid.

146 Ibid.

147 The Coca-Cola Company, "Responsible Marketing", September 20th 2016. Available at: http://www.coca-colacompany.com/stories/responsible-marketing

140 TCCC's policies ban marketing that directly targets children under 12 and in which 35% or more of the audience consists of children under 12.

141 Center for Science in the Public Interest, "Coke Markets to Children Despite Pledge Not to, Report Finds", May 16th 2016. Available at: https://cspinet.org/new/201605161.html

142 Ibid.

143 Duprey, Rich, "A lawsuit against Coca-Cola sets a dangerous precedent for food and beverage companies", *Business Insider*, January 30th 2017. http://www.businessinsider.com/lawsuit-against-coca-cola-sets-bad-a-precedent-for-beverage-industry-2017-1

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b) Good practices from self-regulation: Company case studies

Many companies that sell products and services for children have CSR policies and have pledged to act responsibly with regard to marketing to children. Not all of them have complied with these policies, but a few companies are outperforming their peers in restricting their marketing initiatives and fulfilling their responsible-marketing commitments.

After reviewing CSR reports, analysing company practices and consulting with experts in the field, The Economist Intelligence Unit selected four companies—a US-based quick-service restaurant, a Brazilian school supplies company, a global confectionery company and a Brazilian television channel—to showcase as engaging in good practices in this area. Across the board, these companies demonstrate corporate commitment to their responsible-marketing pledges, and are building brands that will be stronger in the long run by targeting an adult consumer base.

i. Mars Chocolate

In the late 1990s Mars Incorporated, a global petcare, candy, food and drinks brand, began to research the literature around children's ability to comprehend marketing. Evidence that 12 is a critical age at which children begin to distinguish between advertising and other content[148] led to the company's decision in 2007—in advance of its food-company peers—not to market directly to children under 12.[149]

Mars's Marketing Code[150] is designed to ensure that all the company's marketing is directed at adults. Executive buy-in enforces the Marketing Code from the top down: Mars's associates and its agency partners are well versed in the code—both understanding its importance and subscribing to its values. The company conducts both internal and third-party audits to review advertisements before they are released, and works closely with its brand ambassadors and agency partners to ensure that the Marketing Code is applied globally. As a member of the EU Pledge (a voluntary initiative by leading food and beverage companies to change the way they advertise to children under the age of 12 in the EU), Mars is among the firms that collectively were deemed to be 97% compliant with overall EU Pledge standards and almost 99% compliant with the standards for television advertising under the pledge.[151]

Mars's Marketing Code has two key elements focused on the avoidance of marketing to children: media placement and media content.[152] The company measures the age demographic of each of its traditional media advertising channels: where more than 25% (industry standards apply a less stringent 35% threshold) of the audience of any targeted programme is composed of viewers aged under 12, Mars does not advertise.[153] As a precaution, the company does not air advertisements as part of the programme during any movie that is rated below PG-13 (parental guidance-13). Additionally, Mars applies the US Children's Online Privacy Protection Act (COPPA) to its operations around the globe, advertising only to children of 13 years and older on digital media.

Mars strictly regulates media content, ensuring that it does not appeal to children. The company stays away from licensed characters and celebrities that appeal to children under 12. Its M&M

148 As highlighted in the 2006 National Academy of Sciences report, *Food Marketing to Children and Youth: Threat or Opportunity?*, the International Journal of Advertising study *Is television advertising good for children? Areas of concern and policy implications* and the UK Food Standards Agency study *Review of the research on the effects of food promotion to children*, among others.

149 Mars, "Our Marketing Code". Available at: http://www.mars.com/global/about-us/policies-and-practices/marketing-code

150 Mars, "Global Marketing Code for Food, Chocolate, Confections and Gum", 2014. Available at: http://www.mars.com/docs/default-source/default-document-library/marsresponsiblemarketing.pdf?sfvrsn=2

151 EU Pledge, *Monitoring Report 2015*. Available at: http://www.eu-pledge.eu/sites/eu-pledge.eu/files/reports/EU_Pledge_2015_Monitoring_Report.pdf

152 Mars, "Marketing Our Brands Responsibly". Available at: http://www.mars.com/global/doing-our-part/marketing-principles/marketing-brands-responsibly

153 Mars, "Global Marketing Code for Food, Chocolate, Confections and Gum", 2014. Available at: http://www.mars.com/docs/default-source/default-document-library/marsresponsiblemarketing.pdf?sfvrsn=2

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Good practices from Mars Chocolate, from the Global Responsible Marketing Officer for Mars Chocolate

- Executive buy-in and top-down endorsement of principles
- Robust monitoring and reporting
- Collaboration with agency partners
- Pledge agreements and industry associations to promote collective growth
- Ambassadors to promote the Marketing Code

Source: Economist Intelligence Unit interview with Mars Chocolate (2017)

characters have been altered to be more mature, with actions, speech and content directed to audiences over the age of 12. Mars notes that the regulation of media content has forced it to become more creative in its marketing campaigns, and highlights the fact that the Snickers marketing campaign based on the phrase "You're not you when you're hungry" has received the largest number of awards globally since 2010 of any chocolate brand campaign.[154]

Mars Chocolate acknowledges that growing the business through the adult market, especially when chocolate preferences are determined at an early age, can be a challenge, but says that it is an effort to be proud of. Mars is a leader in regulating child-directed advertising, and it encourages others to join industry associations and sign pledges to promote higher standards.

In the midst of its stream of successes since 2007, Mars highlights YouTube Kids—YouTube's controversial platform dedicated to children's content and commodities, which is awash with advertisements—as a challenging area. Although the company does not advertise on YouTube Kids, when YouTube Kids users generate content that includes Mars Chocolate products Mars currently has only limited power to get it removed—a situation that the company is actively seeking to address.

ii. ZooMoo TV

ZooMoo TV, a children's paid-television channel based in New Zealand that is focused on animals and nature, has a Brazilian version that seeks to move children's television away from non-educational content driven by advertisements to content focused on the environment and animals and aired without advertisements.[155] The channel's business model is designed around generating resources to support its programming without commercials and advertising.

Brazilians are among the highest consumers of television per day globally.[156] Especially among poor households located in less safe areas where there is only limited outdoor space for children, television provides a relatively safe alternative form of entertainment. Among parents who are aware of and concerned about the commercialisation of children's television programming in Brazil (despite CONANDA's Resolution 163), there is demand for educational content. ZooMoo is particularly popular among smaller children (those less than four years old).

Zoo Moo employs an innovative business model centred around a small staff; paid client subscriptions through Direct TV and other subscription-based television operators; buying existing content rather than producing original content; company-based sponsorship supporting content, with sponsorship logos but not commercials; and government-sponsored programming and content through the Agência Nacional do Cinema (ANCINE) that supports independent producers in developing original content. This allows it to support its mission to air content without commercialisation.

The channel hopes that, as the movement in sup-

154 "Case study: How fame made Snickers' 'You're not you when you're hungry' campaign a success", October 26th 2016. Available at: http://www.campaignlive.com/article/case-study-fame-made-snickers-youre-not-when-youre-hungry-campaign-success/1413554

155 ZooMoo, "Animals and nature all the time". Available at: http://www.zoomoo.tv.br/

156 Titcomb, James, "Which country watches the most TV in the world?", *The Telegraph*, December 10th 2015. Available at: http://www.telegraph.co.uk/technology/news/12043330/Which-country-watches-the-most-TV-in-the-world.html

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port of limiting advertising to children continues to gain momentum in Brazil, it will continue to grow and attract more funding from companies and non-governmental organisations in addition to government funding.

iii. Mercur

In 2008, Mercur, a Brazilian-based school supplies company, made a radical shift in its product development and marketing strategy in order to develop an improved understanding of its key market. In an attempt to understand better the needs of educators, the company's largest market, it undertook an initiative to gain "a more comprehensive understanding of the education environment".[157] Mercur determined that the education space required products that promoted the inclusion of diverse learners with different needs.[158]

Findings from the initiative resulted in a change of both communication and business strategy for Mercur. The company redesigned its communication strategy to focus on "education for life", while its products shifted from licensed products—school supplies with recognisable characters and celebrities that educators cited as tending to increase bullying—to sustainably sourced, environmentally friendly supplies catering to the needs of all students, including those with disabilities.[159]

The strategic change for Mercur, rather than negatively impacting its sales and market share, had a positive benefit: it brought the company closer to its target market. Instead, the major challenge cited was reorganising the business to be completely committed to its new values of sustainability and life-long learning. As part of this process, Mercur built up a network of parents, educators and children with whom it could collaborate in developing products that meet the needs of a diverse set of students.

iv. Panera Bread

Panera Bread is an American chain of bakery-cafe fast casual restaurants in the US and Canada. As part of its 2014 Clean Food initiative[160]—a policy designed to ensure that all the food on its US menu contains no artificial preservatives, sweeteners or flavourings and no colours from artificial sources—Panera Bread made public commitment to 100%-clean food. Executive leadership at the company decided to serve to customers only food that they would be comfortable and proud to serve to their own families. To achieve its Food Promise, Panera reviewed over 450 ingredients and reformulated over 120 ingredients; it co-operated with more than 300 food vendors to accomplish this goal, according to Sara Burnett, the company's director of wellness.[161]

Panera: raising awareness

Although Panera does not formally participate in industry associations, it has led round tables with other influencers in the space to raise awareness of child nutrition.

Panera is challenging and encouraging the industry to follow it in its commitments. The company's leadership has encouraged other quick-service restaurant firms—including McDonald's and Chick-fil-A—to announce that they too will remove antibiotics from chicken in coming years, according to a report published by the Harvard School of Public Health and the Culinary Institute of America.

Source: 2016 Annual Report, "Menus of Change: The Business of Healthy, Sustainable, Delicious Food Choices", 2015. Available at: http://www.menusofchange.org/images/uploads/pdf/CIA-

157 Mercur, "Direcionadores". Available at: http://www.mercur.com.br/institucional#direcionadores

158 Ibid.

159 Ibid.

160 Panera Bread, "Food You Can Trust". Available at: https://www.panerabread.com/en-us/company/food-policy.html

161 Kell, John, "Panera Says Its Food Menu Is Now 100% 'Clean Eating'", *Fortune*, January 13th 2017.

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As part of the initiative, Panera extended the commitment to clean food to its kids' menu, providing children with smaller portions of food compared with the adult menu (the Kids Meal Promise).[162] Panera's children's menu, a comparatively new initiative introduced in the past ten years, came in response to customer demand. It builds on the company's mission to provide clean food options that its customers can trust. According to Ms Burnett, "the Kids Meal Promise is a line in the sand. It's really a rejection of the entire concept of 'kids' food'. We believe that our cafes should offer the same choices and transparency to children as we do to adults."[163] Panera's children's menu is designed not to entice customers with anything except clean food: it provides side options free of artificial preservatives, sweeteners, flavours and colours from artificial sources and eliminates bundle drinks, making water the least expensive and easiest option for children.[164]

The Kids Meal Promise is an extension of Panera's original marketing strategy. The company has never marketed to children (in traditional media, digitally or in restaurants themselves—for example, Panera has never used children's toys), believing its target audience to be adults and parents interested in providing their children with good food options. In the long term, Panera expects consumers' increased demand for transparency—to be able to understand what is in their food and where it comes from—to attract increasing numbers of socially, environmentally and health-conscious customers to their products.

A company commitment to clean food and to allowing parents to make choices for their children could involve short-term trade-offs: Panera acknowledges that there is plenty of opportunity in marketing to children, and that a shift in strategy could increase revenue and bring in more customers. Ethically, however, the company feels uncomfortable capitalising on the vulnerabilities of children, and has had success among its target consumer base.

162 Panera Bread, "Panera Bread Challenges Industry to Improve Food for Kids", August 11th 2016. Available at: https://www.panerabread.com/panerabread/documents/press/2016/kids-meal-promise-release-08112016.pdf
Panera Bread, "#PaneraKids". Available at: http://panerakids.com/?utm_source=PBcom&utm_medium=doublewide&utm_campaign=cleankidslaunch#!/promise

163 Panera Bread, "Panera Bread Challenges Industry to Improve Food for Kids", August 11th 2016. Available at: https://www.panerabread.com/panerabread/documents/press/2016/kids-meal-promise-release-08112016.pdf

164 Panera Bread, "Panera Kids". Available at: https://www.panerabread.com/en-us/menu-categories/panera-kids.html

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Challenges

In conducting this research, The Economist Intelligence Unit has found that there are a number of data gaps with regard to bans on child-directed advertising. This topic is relatively new: although academic evidence has existed since the 1980s that advertising can have a negative impact on children, only recently have companies and governments been making proactive efforts to regulate child-directed advertising. As stakeholders increasingly focus on this area, there will be additional opportunities to explore the broader economic impact of regulating child-directed advertising.

The existing data are scant, at best.

To conduct a more comprehensive impact analysis that takes into account the parallel approaches to enforcing a ban (industry-level regulation, government regulation and self-regulation), better—and more—data are needed, including:

- Advertising and industry data disaggregated by population group
- Financial figures from companies engaging in self-regulation which show both that self-regulation is effective and that profitability is not impacted
- Government-released assessments of the impact of regulation that provide clearer details and data around how a ban might affect the economy (including industry revenue, health spending, enforcement costs, productivity and job losses, among other areas).
- Data from industries that establish voluntary guidelines, showing that self-regulatory efforts are effective in monitoring company behaviour and that there are enforcement mechanisms.
- Results of academic studies of bans on child-directed advertising in areas that are not well researched: the effects of bans on advertising toys and violent video games, and effects on advertising revenue, among other things.

Limited data exist around how new marketing platforms—including internet advertisements, content-screening services and social media—impact consumption trends in children.

New channels for marketing have opened doors to increasing access to advertising and targeting consumer preferences. However, only limited data exist around how new marketing platforms, including internet advertisements, content-screening services and social media, impact consumption trends in children.

The literature is beginning to suggest that the immersive nature of such content is particularly appealing to young people and can be targeted at their interests, and that the additional channels increase accessibility. However, data on consumption of goods, advertising revenue and sales are not yet available.

User-content-driven platforms, and especially social media and content-streaming platforms, are proving particularly difficult to regulate.

From Little Youtubers and counting and colour-differentiation content that uses Skittles and M&Ms to the "Instagram-famous", companies and individuals are engaging in advertising to children. In such cases, the platforms themselves are the stakeholders responsible for regulation. Until it is clearly in these platforms' interests to develop stronger enforcement mechanism designed to monitor and remove content that breaks guidelines and legal boundaries, this content will likely remain available to children.

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Conclusion

The findings of this study show that there are positive outcomes from the enforcement of a ban on child-directed advertising in Brazil. Although the scenarios explored are only two possible outcomes of enforcing the ban, the loss of the entire child-directed advertising industry still has positive outcomes for the population, indicating that a ban of child-directed advertising would have net long-term benefits for Brazilian society. The benefits included in the cost-benefit analysis are complemented by a set of qualitative benefits, such as greater psychological and emotional well-being in children, and potential other benefits, including a more productive economy and a more sustainable environment.

In addition, as more information is released to the public and consumers become better educated about products and company practices, there will likely be increased support for the ban. Among companies that subscribe to the principle of building business without advertising to children, there is agreement that increased stakeholder interest in transparency—including a growing interest in sustainability, responsible sourcing, climate-change mitigation, human rights, health and fair trade—will support innovative marketing strategies and business models in the long term. Moves to restrict advertising to children are driven by a desire not only to do good but also to build long-run profitability and brand value. Government regulations, industry standards and stakeholder preferences are becoming less and less supportive of traditional marketing strategies defined solely in terms of maximising profitability in the short run.

If government regulations become more stringent, and assuming that enforcement of both industry standards and government regulations improves, there will be additional incentives for companies to self-regulate better. Moreover, as other stakeholders continue to monitor firms, the potential financial repercussions for companies could drive increased compliance and more comprehensive moves to ban child-directed marketing. In Brazil, where the Constitution, the consumer defence code and the Conanda resolution create a legal framework for banning child-directed advertising, there will likely be legal and financial risks for those companies that fail to adapt.

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Annex: Methodology for estimates

To construct the calculation for the cost-benefit analysis of enforcing a ban on child-directed advertising in Brazil, The Economist Intelligence Unit used a multi-step approach. The methodology was arrived through an extensive review of the literature on cost-benefit analyses for regulations, complete and partial advertising bans around the world, and the consumption of products deemed harmful to children. It was further refined at a meeting of an expert panel in Washington, DC in September 2016.

The Economist Intelligence Unit used a net present value (NPV) approach to calculate the overall benefits and costs to society of enforcing the advertising ban.

Step 1: Identify benefits and costs to be included in the estimates/calculations

The starting point was to produce a list of all potentially relevant benefits and costs of the intervention. After conducting a literature review and gathering inputs from experts, we identified a list of potential benefits and costs. We then divided the identified costs and benefits into those that could be monetised, those that could be quantified and those were qualitative only. Finally, after analysing the available data for Brazil, we narrowed down the lists to produce final lists of benefits (avoided expenditure on health, and productive years gained) and costs (loss of advertising industry revenue, loss of revenue for industries that sell to children, and enforcements costs) to be included in the calculations.[164]

Step 2: Gather sources, define indicators and project series

Once benefits and costs were defined, we gathered the data sources to calculate appropriate estimates of the indicators over the analysis timeframe. The calculations in this study use a 15-year timeframe from 2017 to 2031. Although the CONANDA Resolution was passed in 2014, we use 2017 as the starting point for the enforcement of the ban, when both costs and benefits start impacting the economy and society/the population.[165]

Step 3: Define the assumptions and scenarios

Since no studies of this nature had previously been conducted in Brazil, The Economist Intelligence Unit had to develop some underlying assumptions on which to base its estimates of the effects of enforcing the ban on the benefit and cost variables. These assumptions are grounded in the literature and expert interviews.

164 It is important to note that all **estimates/calculations** will be influenced by **changes in the rate of GDP growth**, which are projected values .

165 The Excel file contains the corresponding sources and links to calculations.

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Assumptions

Concept	*Explanation*
Timeframe	The starting point for the analysis is 2014, when the CONANDA resolution was passed, but we assume that enforcement of the ban starts at the beginning of 2017. We have adopted a 15-year timeframe (2017-31) for estimating costs and benefits.
Population of children	We used Brazilian Institute of Geography and Statistics (IGBE) data for population groups; for children, this corresponds to the population aged 0-12 years (the legal definition of childhood in Brazil). Children make up roughly 19% of the Brazilian population.
Social discount rate (SDR)	This parameter is important in computing the NVP. The SDR has been estimated at 5.1% for Brazil by Lopez (2008). Other studies, such as that by Harberger and Jenkins (2015), estimate it at 10%. We calculated an average of the rates cited in these studies.

Step 4: Calculate the NPV

We calculated the NPV of the benefits and costs for two different scenarios. The two scenarios we consider are as follows:

- Scenario 1: After the ban on child-directed advertising takes effect, the advertising industry loses that market, estimated at 5% of total advertising revenue.
- Scenario 2: After the ban on child-directed advertising takes effect, the industry loses revenue for the first three years but then changes its strategy, targeting parents.

If the benefits in the 15-year period are higher than the costs for a given scenario, the NPV is a positive number. If the benefits are lower than the costs, then the NPV is a negative number.

The following NPV formula describes the elements needed to carry out the calculations:

$$NPV = \frac{B_0-C_0}{(1+i)^0} + \frac{B_1-C_1}{(1+i)^1} + \ldots + \frac{B_r-C_r}{(1+i)^r}$$

Where:

B = benefits,

C = costs,

i=discount rate

t = year

The NPV is computed for each benefit and cost separately, and these values are then aggregated to arrive at the net benefit of the ban for each scenario.

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