CONSUMERS, CHOICE, CHANGE: THE ART OF TELEVISION

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Introduction

While Pierre-Auguste Renoir’s masterpiece ‘Luncheon of the Boating Party’ is frequently admired as a paradigm of the Impressionist period, it also highlights how technology can change society. In the upper left hand corner of the painting, obscured by the awning, is a subtle rendering of the Chatou railroad bridge. Completed by the French government in the 1860s as part of the national railway system, the new transportation infrastructure allowed Renoir and his peers to easily avail themselves of a variety of picturesque locations along the Seine for picnics and gatherings. River-side towns along the railway lines became sites for entertainment options like dance halls, bathing, sailing and boat clubs. Before the development of the railway, these spots were typically only available to the very wealthy. With the advent of the technology, many Parisians from all social classes could benefit from weekend leisure and entertainment choices not readily available previously.

Australian Context

In a 21st century parallel, the increased penetration of digital technologies has dramatically increased the range of entertainment options available to the average Australian. Over the last ten years, we have seen mobile phone and DVD penetration reach near saturation levels, the majority of Australians can now access broadband internet services from home and about half of Australians claim to receive digital television signals.

Growth in Digital

(Source: Nielsen Panorama, Survey 6, 2008)

In understanding how these capabilities might affect Australians, it is also worth remembering that even though technology seems to move at an ever increasing pace, most aspects of society change at a more leisurely fashion. For example, according to Nielsen Panorama 26.9% of Australians agreed or strongly agreed in 2002 with the statement ‘Australia is the best country in the world.’ Nearly seven years later in 2008, 28.1% agree with the statement.
Looking at a range of social opinions, from ‘I am concerned about the environment’ through to ‘Women get a fair go’ and ‘Success is very important to me’, there has been no significant change in opinions.

One area where the interaction of technology and consumer change can be directly established is with respect to subscription television. This paper offers a brief insight into how viewers of tomorrow might behave given some of the technology capabilities available today.

Subscription Television

In October 2008, over two million Australian homes, or 29% of the 7.5m homes measured by OzTAM and RegTAM, subscribe to a subscription television service. Since these homes are largely family and multi-person homes, the 29% of subscription homes represent 33% of all measured Australians (OzTAM National STV Universe Estimates, Q3, 2008).
As the penetration of subscription TV has increased, so too has its share of viewing in the total market. In comparison to 1996, when STV represented barely 1% of all TV viewing, in the first nine months of 2008, STV account for 22.7% of all TV viewing in the metropolitan markets (Share to Selected, Five Metropolitan Markets 2am–2am, Weeks 1–40; Source: ACNielsen & OzTAM Metro Markets).

In general, subscription homes now have over 100 viewing options available to them at any stage and spend the majority of their time with the subscription channels. However, despite the range of channels available, research shows that each subscriber typically has a collection of viewing options that reflect their own personal favourites.

**Channel Choice**

In the United States, over 85% of homes have access to a cable or satellite service, bringing with it hundreds of TV channels and networks in addition to the free-to-air broadcasters available in their local market. With the increasing penetration of digital cable and satellite over the last few years, the number of channels available to the average American home has now increased to more than 100 (Media Dynamics, 2008 includes an estimate based on Nielsen Media Research data of 107 channels).

![# Channels Receivable Per US Home](chart)

Despite the wide range of channel choices, the number of channels viewed on average has not increased at the same rate. In 2008, the average American home watched only 17 channels out of the 107 available to them. Even across a 13 week period, the average American home still watched less than half of the available channels (Media Dynamics, 2008)
In an Australian context, the same trend is evident and follows a similar pattern. Across the average week, people with subscription TV will watch about 10 different channels in total, including three free-to-air broadcasters and nearly eight STV channels. Across a three-month period, the number of channels viewed more than doubles. However, the total of 23 channels viewed (being four free-to-air networks and 19 subscription channels) is still substantially less than the number available in a home with a subscription TV service.

In general, and consistent with international experience, the average viewer establishes a portfolio of channels viewed most often. They will add to that repertoire rarely, generally or on the basis of special events carried by those new channels.

### Interactive Television

For many years, the belief was that interactive television would deliver the next generation of TV, permitting viewers to buy the dress worn by an actress in a favourite series, or allow viewers to dictate the destiny of a story line by choosing alternative endings. While these capabilities could be used today if desired, these approaches to iTV have largely been eschewed. Whether it remains issues of fulfilment (‘In what size and colour would you like
that dress?’) or narrative norms (most people are happy following a single story arc), these long promised forms of interactivity have rarely been deployed. Where interactive TV has found significant success is in applying these capabilities to television advertising.

**Red Spot Advertising**

For most of the history of TV in Australia, the medium has been funded through either government funding or advertising. With respect to advertising on television, there has always been a tacit agreement between the viewer and the broadcaster that the price of ‘free’ programming was the regular interruption of the program by commercials for products and services ideally appropriate for the viewing audience. That this ‘agreement’ existed did not prevent viewers becoming agitated when the number of commercials was too great or the selection inappropriate for a particular viewing audience.

The hybrid economic model of subscription television means that many of these objections can be overcome. Firstly, subscription viewers tend to watch channels structured around specific themes (eg music, sport, news, documentary, lifestyle), with each viewer having a portfolio of interests. Consequently, it becomes easier for advertisers to target consumers on certain channels because of the self selecting nature of a channel’s audience. Finding people interested in contemporary music is easy on channels such as Channel V and MTV; finding people interested in sport is easy on FOX Sports and ESPN. Consequently, where an advertiser can define their potential consumer with respect to the thematic interests of subscription TV, it is easy to arrange a match between advertiser and consumer and avoid wastage.

In addition, as the volumes of advertising have increased over the last few decades, it has become harder for advertisers in traditional TV advertising to be certain that the viewers are interested in their ads.

Interactive advertising – or red-spot advertising – on subscription TV takes advantage of the targeted audience and then demonstrates to an advertiser the level of engagement by promoting a reaction from interested consumers.

**Red Spot Methodology**

In Australia, the FOXTEL platform allows advertisers to include a ‘red button’ logo on their 30 second commercial. Pressing a red button on the FOXTEL remote at the same time as red button logo appears on the screen results in one of two responses from the set top box. In the first method, the viewer is prompted to enter details relevant to their interest in the ad (for example a daytime phone number for a bank enquiry, or an address registration for a free shampoo sample). In the second, the viewer might be taken to a long form version of the ad (for example, a 10 minute extended version of the car launch advertisement, or a ‘making of’ package for a new release movie).

In the first instance, the system will capture the consumer’s details and be provided to the advertiser. The advertisers recognise that this is a major advantage over traditional forms of TV advertising as it creates a tangible and qualified lead – a prospective consumer who is aware of the product or service and is sufficiently interested in it to register for a follow up of some form. In the second case, the consumer is willingly spending an extended period of time with the creative associated with the brand. In either case, the brand impact is substantially greater and of significantly more value to the advertiser.
Red Spot Case Studies

At this stage there are few case studies in Australia quantifying the benefits of the interactive approach. However, international trends provide both guidance and certainty about the merits of the approach.

In the United Kingdom, BSkyB have used a very similar approach to interactive advertising as that propounded by FOXTEL. The following provides a few insights into the methodology which would be directly applicable to Australia.

The first is that in any given month, about two thirds of BSkyB homes interact with the set-top box unit (64% of Sky homes) while nearly everyone uses the interactive capabilities across the year (96.8% of Sky homes; Source BSkyB SkyView 2006). These metrics provide Sky and other multi-channel platforms with the confidence that the interactors were not just the early adopters, but potentially everyone with a subscription.

The second is that the exciting combination of television commercials with interactivity brings a new advertising model; one which integrates the best approaches of television (high quality audio-visual commercials) with the best of direct marketing (targeted responses by qualified leads). BSkyB summarised ten interactive ad campaigns broadcast for a range of advertisers, operating in categories that ranged from beverages (Carlsberg; Sprite), automotive (Ford, Jaguar) and entertainment (the cinema release of ‘Superman Returns’). In each case, they found a significant number of people ‘interacted’ with the ads. Response ratios ranged from 0.1% up to 1.5%, with an average of 0.6%. This means that nearly one percent of the people exposed to the TV ads for these brands registered their interest. These response levels rival many forms of direct marketing, and have the added advantage of including a strong, tightly integrated TV component (Source: Skyview, 2006).

Thirdly, the interactive campaigns that direct a viewer to a long form ad bring a significant level of engagement. One campaign – for Carlsberg beer – involved an interactive version of the ad that run for nearly ten minutes. Research by Sky showed that the average interactor spent over 4 minutes with the long form version of the ad, and that nearly 20% of interactors were still present eight minutes into the long form version of the ad.
These new forms of advertising permit a greater demonstration of accountability to the advertisers and avoid consumer aggravation by allowing the viewers who are interested in the brand or product to engage in a fashion longer than just the 30 seconds of a traditional ad.

**Control — the Secret of 21st Century Television**

If the level of interactivity seen in red-spot advertising is one example of how television is changing in the 21st Century, the personal video recorder and the control it permits the viewer is the other major development worth considering.

In Australia, the pre-eminent PVR is the FOXTEL iQ. Present in nearly 400,000 homes, the iQ brings a substantial change to the level of control a viewer can exert of their viewing options. The FOXTEL iQ, and the AUSTAR equivalent MySTAR, both offer a consumer the advantage of being able to pause, rewind and fast forward live television. It simplifies substantially the recording of television programs by being tightly integrated with the platforms’ electronic program guides and permits viewers to establish ‘series links’, the recording of programs repeated at a regular interval (daily, weekly etc).

Since the iQ is over 385,000 homes and MySTAR in 40,000 homes (Source: FOXTEL and AUSTAR press releases, July 2008), and nearly half of FOXTEL’s new customers are taking an iQ with their subscription, penetration is rapidly approaching 10% of all Australian homes. While still some way away from the 25% penetration of equivalent technology in the US and UK, the growth in Australia is expected to follow suit. Since there is no significant Australian research on usage of PVRs, it is worth considering trends seen in the international markets to estimate likely patterns of behaviour in Australia.

**Most TV Viewing Is Still Live**

The TV ratings services in the UK and US have measured time shift viewing for the last two years. Pretty consistently, both have reported that the majority of viewing in on a PVR home is still live. In the US, timeshifted viewing accounts for about 20% of all viewing (P18–49) while in the UK it’s a little less at 15% (all people). Consistently across the Atlantic, the same sorts of programs are more likely to be watched live and on time shift.

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For example, in the UK while 15% of all programming is watched on time shift, news and sport are more likely to be watched live (only 4% and 9% respectively of news and sport is watched on time shift) while dramas and documentaries (35% and 22% respectively) are more likely to be watched on delay (Source: BARB, People 4+ in DVR homes, Jan-Mar 2008).

**PVRs Increase Viewing Efficiency**

The other tendency is for PVRs to increase the number of TV programs viewed. Recent data from both the US and UK indicate that the amount of viewing occurring in a home increases between 17% (UK) and 20% (US) when a home acquires a PVR (Source: UK: Sky Skyview February 2007 vs February 2006; US: Nielsen Media Research, May 2008 vs May 2007).

In addition, digital video recorders (DVRs) permit fans of the medium to enjoy it even more. Recent research from Nielsen US suggested that both homes with a DVR and homes without watch in total nearly the same amount of television – both about 32 hours/week (people 18–49). However, in the DVR homes, the viewing is comprised of about 25 hours of live viewing and another 6 hours of viewing watched on time shift. This is in contrast to the UK where the DVR homes tend to watch a little more TV in total than non-DVR homes when their timeshifted viewing is included. This is because the average American— at more than 30 hours per week — watch five or six hours/week more than the average Brit. It is conceivable that the US market cannot increase the amount if viewing if only ‘in-home viewing’ is counted.

In addition, a small group of timeshifters account for a significant proportion of all time shifted viewing. If the US homes that watch timeshift material are broken into three groups (heavy, medium and light), the heavy group (accounting for 10% of all time-shifters and 38% of all playback activity) watch nearly as much timeshifted material as they watch live (nearly 26 hours timeshifted compared to their 30 hours of live viewing in the average week). The medium shifters, or the next 20% of timeshifters, account for 33% of all playback and watch about 26 hours live, and another eleven and a half hours on timeshift. The light group (about 70%) watch about 25 hours live and about three hours timeshifted in the average week.

There is some evidence from the UK suggesting that the amount of timeshifting increases the longer a home has a PVR or DVR. A recent study by AGB Nielsen Media Research
demonstrated that timeshifted viewing in homes increased by about 3% points per year for every year of owning a DVR. For example, if 15% of homes’ viewing was timeshifted in the first year, it increased to 18% in the second year. However, even this change suggests the increases in timeshifted viewing in a population will be a gradual effect and not result in any dramatic overnight changes to the way television is consumed.

In summary, timeshift viewing accounts for about 4 or 5% of total viewing in the UK and the US, and this amount is likely to grow relatively slowly. This is because the majority of people do not have the technology at this stage (with 25% penetration in the UK and US, three quarters of the homes can’t even avail themselves of the capabilities). Secondly, even if the technology is available in a home, the majority of viewing (80–85%) is live. While it is true there are some heavy users of the technology (the 10% ‘heavy shifters’), the vast majority of DVR users use the technology to supplement their viewing of what is still, largely, an extemporaneous medium.

Conclusion

In Australia, as in the US and UK, it is expected that the big driver of PVR penetration will continue to be the subscription operators like FOXTEL and AUSTAR. While consumer electronic PVRs will undoubtedly increase their penetration, the major advantage of the platform PVRs is the tight integration of program content (channel choice), electronic program guides and the timeshifting technology.

Subscription television will also continue to offer new and exciting ways for advertisers to reach their consumers and program makers to reach their audience. In terms of trying to understand how digital technology will change consumer behaviours, the subscription industry provides a practical, working example right now.