Interactive Television’s Future

The following synopsis of Mitch Oscar’s book, “Trials & Defibrillations” was drafted by Frank Foster.

Frank Foster met Mitch Oscar in 2002 when he moved from his position of Media Futurist at Universal McCann to EVP, Carat Digital, and for the last five years has watched as Mitch carved out a unique position within the television community. His weekly contributions to MediaPost are widely read, and his weekly newsletter is virally expanding, as are his quotes in articles covering what he terms the “televisual realm.” As someone who has employed Mr. Oscar as a consultant, Frank has been on the receiving end of tough and insightful questions that needed to be addressed. Mr. Oscar’s publication, “Trials & Defibrillations: Interactive Television in the U.S.,” provides a comprehensive analysis of the good, bad and directional learnings gleaned through his in-market advertiser-supported trials, consulting, educational gatherings and industry interactions. It is a primer for those media professionals not familiar with the realm, and a guide for those navigating through the maze.

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AAAA thanks both Mitch Oscar and Frank Foster for sharing this information.

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Interactive television, or iTV, regarded by some as a solution to a problem that does not exist and by others as the panacea for every problem facing the ad-supported television industry, is by all accounts difficult to corral. From an advertising perspective, the major iTV categories are typically divided into four: digital video recorder devices, addressable advertising technologies, video on demand services and video search or guides. Within the various sectors, vendors such as TiVo have produced well-marketed technologies that promise to improve every aspect of the television viewing experience. But as is the case with many new ideas, the impact on advertisers and their agencies—and the $70 billion they spend annually—is anything but clear. In the past, large agencies and their clients have partnered with service providers to evaluate select technologies in closed trials. But with innovation today often occurring in small shops that archaic approach does not work. Change has gripped the television industry and Madison Avenue desperately yearns for a new way to evaluate iTV technologies and, more importantly, it seeks the leadership to drive the advertising supported television business in a sustainable direction.
“Trials & Defibrillations: Interactive Television in the U.S.” not only identifies the technological forces behind the burgeoning iTV market, but provides evaluations and an assessment of the advertising value of specific technologies. Beginning with the cable systems operators, who hope to leverage addressable advertising technology to raise the value of their local cable inventory and deploy video on demand features to attract new customers, the publication uses case studies to dissect not only the technologies themselves, but also the issues each service attempts to ameliorate.

**Video On Demand**

Presently, video on demand can be divided into three iterations:

1) Pay-per-play video on demand (VOD) where viewers choose content, typically movies, and pay a fee for access to the content for a 24-hour period with VCR functionality

2) Subscription video on demand (SVOD) in which subscribers pay an incremental monthly fee or receive this service for free as an additive to their digital subscription, to have unlimited access to programs offered on premium services, such as HBO or Showtime, for a given month, including VCR functionality

3) Ad-supported video on demand (AdVOD), which is offered for free to subscribers of digital cable and comes in three types: repurposed and independent VOD, comprised of programming that has already run on the broadcast and/or cable networks, or has been telecast in other countries, but not in the U.S.; long-form/advertorial, defined as original programming provided by advertisers; and free video on demand, generally content created or licensed by the cable operator and presented as a dedicated channel within their VOD menu.

Presently, there are upwards of 30 million digital cable households—nearly half of all cable households (65 million)—that have access to some form of video on demand programming.

In addition to insights regarding the propositions of many technologies and operator deployments, the publication identifies which networks offer ad-supported content on demand, what metrics are available to advertisers to evaluate the opportunity and the five commercial models that have been deployed.
An edited excerpt:

The following is my list of the major impediments to advertiser engagement of video on demand and interactive TV applications:

- **Penetration (scale).** Nearly half of the 65 million analog cable households are digital cable subscribers. Upwards of 80-plus percent of those households have the ability to access long-form/advertorial and cable systems operator-supplied content, and less than 70 percent of digital cable customers have the ability to access ad supported cable network VOD content. In other words, 20 million to 23 million digital households have the ability to access VOD. When one considers that advertisers demand 90-plus percent penetration for broadcast networks, 75-plus percent clearance for syndication and 70 million homes, on average, for cable networks to be considered part of the buying mix, video on demand scale pales by comparison. Also, advertisers are not sure which markets receive the VOD content; rarely are they continuous or match regional patterns. Instead, the market deployments are haphazardly strung together on the whim of the operators based upon their arcane criteria for deployment.

- **Usage.** Presently, the cable operators utilize research firm Rentrak to measure monthly VOD usage. The metrics are basic: unique monthly viewers, gross monthly viewers, duration of time spent viewing—though not by segment, such as commercial versus program content, but rather in totality, and, upon request, will supply graphs of day and daypart viewing. There is no demographic information. Although Rentrak claims that it can provide much more meaningful data, the cable operators have, we are told, restricted their analysis to “the basics.” When advertisers contemplate utilizing interactive media applications, they compare output to the online realm where usage is “transparent.” Metric limitation is one of the many reasons that advertisers have not engaged more warmly to ad-supported and long form/advertorial VOD propositions.

- **Commercial Integration.** When advertisers purchase an ad-supported cable network VOD schedule, they must integrate their commercials 30 days prior to the beginning of the month in which their campaign commences. Too long and prohibitive if an advertiser wishes to modify its commercial schedule in response to consumer demand for the product or lack thereof, new commercial messaging and/or competitive marketplace demands. Eventually, when cable operators deploy dynamic insertion technology—the ability to quickly insert new commercials over existing ones—this problem will cease to exist.

- **Navigation.** On average, subscribers must navigate through a minimum of four VOD content areas before they can begin to zero in on the content that satiates their viewing needs. Too many screens and too frustrating for consumers as they try to manipulate their remote control and read through the finely-printed content offerings.
• **Ad Agency VOD Adoption.** One impediment is billing, particularly when a national advertiser is involved. Many present day audience delivery/post analysis and billing systems, are not geared up to integrate national buys on local levels. Therefore, it is always a logistical challenge when cable networks and operators consummate national advertising deals only to find out later that the bills haven’t been paid. A resolution always involves lots of phone calls and coordination.

• **Content Creation.** In my opinion, the most successful VOD offerings in the ad-supported realm from the viewpoint of advertising support and audience engagement has been the cable network offerings. Viewers and advertisers are familiar with the content. And, in most probability, if the advertiser has already purchased linear, cable network schedules than they will feel confident in supporting their digital extensions. The problem with long form/advertorial VOD is that rarely does the advertiser have this type of content, or is willing to invest in its creation for a platform that has limited scale. Lastly, in the past couple of years the cable operators have been developing their own VOD channels covering the major groups, such as health, sports, and lifestyle. A word of caution: 90-plus percent of the new season broadcast and cable network shows fail. It is one thing to build a channel, another to garner visitations—the currency of ad support.

• **Measurement.** No one knows how people watch TV anymore. It used to be so simple, the media community thought: there was a gaggle of broadcast channels in the market – upwards of 7—and someone in the household would turn on the set and tweak the channel selector to arrive at the desired channel. Given the myriad of choices and content manipulation technologies, such as DVR, VOD, RFI, interactive media guides, telescoping, microsites, advertisers and their agencies no longer feel secure in their knowledge of how people engage with television as well as their commercial messages.

The cable operators have an opportunity to help the ad community understand the new relationships between content and viewers, and in the process gain the appreciation from the ad community, which would probably result in greater ad spend. The cablers could utilize the services of research firms such as TNS and Rentrak to begin to understand the relationships between choice, convenience and control through click stream data and the utilization of content manipulation applications. Furthermore, if the cable operators were able to secure permission from government regulators to study viewership behavior and marry it to datamining companies, such as Acxiom and Experian, then the televisual medium would be on equal accountable footing as the online community.

**The Interactive Program Guide**

Through the interactive program guide or IPG, cable and satellite operators have created a new gateway to the wide breadth of TV programs, networks, and content features promised by the advent of digital television. IPGs, or electronic program guides (EPGs) as they are
sometimes referred to, have better coverage in the United States than any other interactive television application, reaching over 75 percent of the U.S. households through pay television platforms and services embedded in standalone TiVo style devices and new televisions.

The publication reviews the interactive program guide landscape and its impact on advertisers, vivisecting deployment, navigation and advertising opportunities. Additionally, as a nod toward the future, the ad-supported mosaic concept recently deployed by Time Warner and EchoStar, as well as the futuristic Loop remote and navigation system from Hillcrest Labs, are also analyzed.

An edited excerpt:

Prior to Google’s arrival on the scene and the initiation of its prime directive to make all forms of content searchable, video search would have fallen solely within the domain of the television’s Interactive Program Guide. However, the online mandarins (Google, Yahoo, MSN and AOL) as well as many broadband video destination sites and services—such as Joost, Veoh, Blinkx, Clip Blast, Channels.com, Flurl, and TruVeo, to a name a few—have joined Google in its endeavor to create the consummate video search application, and for this quest have received a lot of press.

A precaution. In our opinion, online search is based upon research, not search. When people enter in a search word, or phrase, they know the topic and the essence of for what they’re searching. It is quite specific. Unfortunately, for it is not the same in the entertainment (video) realm. Wishing to find a comedy is different than searching articles about Henry Yuen’s ouster from Gemstar-TV Guide. How often have we been in the situation when we ask wives, husbands, boyfriends, girlfriends, partners and/or friends about the evening’s video entertainment and receive vague, genre responses in reply: “I feel like a comedy or a drama.” No hint of actor, storyline, writer, year, director, title, or plotline. And so begins the evening’s charade. True search—as we hopefully begin to zero in on the possibilities, preferences, availabilities and ultimately, the acceptable choice. Fingers always crossed.

In our opinion, video search will not succeed based upon the current keyboard and algorithms presently utilized in text search. Of course, if the searcher knows the title, actor, director, possibly even the plotline, the chance of success is enhanced dramatically. However, since video preferences are generally culled from the supplicant’s directional “I feel like watching ...” the search is an emotional one where we depend on “people curation” and browsing. Ultimately, video search engines will evolve collaborative affiliation engines to help garner a better understanding of the searcher’s past preference+, e.g., linear TV, on demand through pay-TV, broadband and wireless engagements as well as home video rental/purchases, to enable the engine to better translate the viewer’s desire into a satisfying choice. As the collaborative affiliation process is perfected, it will present the advertising community with an
opportunity to, where applicable, target messaging by geography as well as dynamically inserting advertisements that are relevant. Still, in my opinion, the domain of television’s Interactive Program Guide—one that the cablers, satcasters and telcos should fight for.

The Digital Video Recorder

The digital video recorder (DVR) has been deployed as a stand-alone broadband-connected device and has been included in cable, digital satellite and telco set top boxes. The DVR allows the consumer to record television programming via a remote control and navigate through an electronic program guide. Presently there are between 12 million to 19 million digital pay TV households that have DVR functionality.

The book evaluates the DVR environment as deployed by the cable operators Cablevision, Cox, Time Warner as well as satellite platform DirecTV, Verizon’s FiOS and TiVo. Subscriber behavior as it relates to commercial avoidance is analyzed and the effect on media buying decisions evaluated. The publication also details advertising propositions and issues a warning on the effect DVRs will have on television viewing in the future:

An edited excerpt:

Prior to the introduction of DVRs, researchers alleged that 45 percent of commercials were not viewed in TV households—both analog and digital. Studies indicate that DVR households skip upwards of 80 percent of commercials. However, we do not believe that DVRs will have significant impact on commercial viewing in the aggregate and do strongly believe that the next iteration of DVR advertising propositions will meaningfully add to the marketer’s arsenal of applications to connect to its potential customer for the following reasons:

- DVR users tend to view their favorite recorded programs within a day or three of recording.

- Real time viewing is still prevalent in those households that are not light TV viewers – which are the majority of U.S. households.

- Even in DVR households people like to watch commercials and/or forget to fast forward at different intervals of program viewing.

- At TiVo’s fastest speed, when users fast forward through commercials they are paying more attention to the ad content than ever before because they do not want to fast forward through program content and have to rewind following the commercial break. Secondly, as long as all DVR deployers maintain a fast-forwarding speed limit that enables people to view enough frames of the commercial to determine relevance,
commercials will still be viewed. Studies indicate that viewers often rewind commercial content when there is a connection to the messaging.

- The thirty-second commercial is not dead. It is evolving into a video portal where viewers can access more information and interact with the commercial content: telescoping to a microsite—a Web site housed in the set top box; telescoping directly to long-form video content; requesting interaction (brochures, coupons, marketing surveys, sales contact); and eventually bookmarking (storing on set top box for later viewing).

- Over the next few years there will be deployment of two new forms of on demand advertising applications in which the DVR will play a pivotal role: dynamic ad insertion, in which the systems operator will be able to feed new commercials—referred to by Fox Broadcast Network as “time-dependent replacement commercials” —within the programs that are stored in the DVR platform regardless of length of time housed; and there will be geo-targeting of commercial messages as well as addressability to individual TV households through technological deployments by companies, such as Invidi, Navic, Visible World and OpenTV. Also, given the daily pronouncements by companies deploying out of home DVR programming capabilities—mobile and remote—there will be more opportunities for advertisers to associate with this customer service and reach consumers across multiple platforms.

- Home networking of DVR boxes and entertainment services (movies, TV programs, music, photographs) through one centralized location within the house will become more prevalent, which will enable advertisers to market to individuals within the TV household via TV personally identifiable numbers (PINs).

- System operators will not deploy DVR devices that will eradicate commercials through video skips and extreme fast forward options and jeopardize losing the advertiser revenue streams.

**Addressable Television Advertising**

Addressable interactive television applications coupled with dynamic ad insertion promise advertisers the ability to match up and seamlessly direct advertiser commercial messages to specific households. Additionally, some of the technologies allow advertisers to target specific demographics or viewing behavior patterns within the pay TV operator’s footprint. These addressable technologies are, or should soon be available, in cable, satellite, telco (IPTV) and possibly digital terrestrial markets (the latter will not be in place before digital conversion in February 2009). Presently, addressable technology deployments in the U.S. are estimated to be 70 million households. The publication details deployment by market and evaluates a wide range of products including Navic’s interactive messaging application,
Invidi’s behavior-based targeted advertising, OpenTV’s targeted advertising application based on demographic clusters and Visible World’s AdTag/AdCopy advertising overlay product.

An edited excerpt:

A few decades ago, a prominent advertising executive proclaimed he knew that 50 percent of his advertising was effective—he just wasn’t sure which 50 percent that was. Interactive TV addressable technology holds the promise of helping to solve this riddle. At this time, since there has been minimal deployment of addressable television technology and analysis of its in market attributes, we can only speculate on its efficacy. However, based upon our scrutiny and experience in the TV interactive realm, we hope that the technology companies and pay TV operators address what we have delineated throughout this commentary to be the impediments to its success and adoption by the media and advertising communities.

In summary: at all costs protect the consumer’s privacy; develop promotional campaigns to encourage the consumer’s participation; deploy trials that generate cogent evidence to suggest more insight can be gleaned from a testing scenario other than technical competency; cross-pollinate relevant learnings from the online realm with future addressable TV campaigns; and lastly, engage the media community into collaborative alliances (advertisers, technologists, distributors, researchers and content providers) in order to help nurture what appears to be a valuable technology that could eventually give us clues as to which 50 percent of the advertiser’s messaging delivery was effective.

Mr. Oscar has persuasively expressed in Trials & Defibrillations: “We think that with the evolution and deployment of digital technology, the TV commercial value proposition is going to evolve and blossom into a gateway or portal to engage TV viewers.”

As delineated in the illustration above, in the future, and even in some markets today, TV viewers will have the opportunity, through manipulation of the TV remote, as program content takes a break and commercial messaging begins, to:
• **Telescope.** An application that allows a viewer to link from the TV commercial to more video content and/or text and graphics.

• **Request for Interaction.** A direct response mechanism that allows a viewer to request additional information, whether couponing, brochures, or to be contacted by a salesperson.

• **Microsite.** A Web-like site accessed through the set top box that can offer a combination of long form video, request for interaction, additional text and graphics.

• **On Demand.** The ability to access long form content on demand.

• **Bookmarking.** Similar to the “bookmarks” feature on computers, allows a viewer to have easy access to “favorites” or other video in a playlist format. Note: this application has not yet been deployed.

In closing, we’d like to reiterate that at this juncture there are many variations of interactive TV technology and applications to test for future learning that will be applicable as greater deployment occurs in the multichannel universe. Interactive TV categories that have been vivisected in this analysis, such as digital video recorders (DVR), video on demand (VOD), microsites, request for interaction (RFI), addressability, dynamic ad serving, interactive program guides (IPG) or interactive media guides (IMG) and telescoping, will provide valuable learning, and (when deployed en masse) value propositions for both the advertiser and the consumer, and therefore, demand the media community’s attention and scrutiny. And even if the most recognized media content enablers of today disappear, we are confident that many of the categories will survive, evolve and morph into new exciting applications to enhance the TV viewer’s and advertiser’s level of communication.

(For more information on Mitch Oscar’s book, “Trials & Defibrillations,” please contact Mitch at mhoscar@aol.com.)