a broadcaster perspective

differentiation is king

Lisa Opie

The whole nation will have multichannel TV within a few years and niche channels *en masse* will outstrip ITV1 by far. But how can today's multichannels break through current preconceptions of the meaning of 'niche'?

In multichannel television we have three customers: viewers, advertisers and platform providers. Viewers simply want good telly. Advertisers want good viewers. And platforms providers? They want both. But it's a crowded world out there. And viewers are increasingly facing decision overload. Let's face it, why on earth does anyone really need 400 channels when we've still only got 24 hours a day to watch the box?

So to make life easier for all of our customers, we've created tailor-made, niche channel solutions that target key demographics. For viewers we provide programming that uniquely reflects their lives within an environment that speaks directly to them. For advertisers we provide valuable and pure audiences with little waste. And for platforms we provide channels with which their customers can feel a clear affinity – the key to mitigating against subscriber churn.

the future for viewers, advertisers and platforms is ... niche

In Autumn 1998 UK multichannel TV changed forever. BSkyB's free set-top box strategy and the advent of digital technology heralded the arrival of, quite literally, hundreds of new channels. Five years on and our five niche channels maintain their ranking in an overcrowded market place. The secret of our success has been to evolve alongside the market as it has changed and grown. It's likely that the next five years will be just as turbulent as the last. Flextech is ideally positioned to optimise its current strengths forward into the future. Why? Because that future is niche.

The numbers certainly speak for themselves – because multichannel TV is now in 50% of homes it is accounting for a greater percentage share of the TV audience. And this is especially true amongst certain demographic groups – such as ten to 15 year-olds where penetration currently stands at 69%; 16-34s where penetration is 63%; and amongst social groups such as football fans, for instance. On terrestrial TV, meanwhile, the all-time average audience for an individual programme has fallen from 1.75 million to 1.1 million while the all-time, all-channels average has collapsed from 350,000 to just 23,000 (source: BARB).

building niche TV brands

TV brands exist in real time and have multiple 'touch points' for viewers. The component parts of the brand are a constantly changing mix of programmes, schedules, presentation, advertising breaks, off-air communications and culture, all of which combine to form a distinct brand perception in viewers' minds.

But the challenges we face in building that perception are, in many ways, unique to television. After all, the shelf plan at Tesco doesn't change every 30 minutes. And consumers don't tend to switch brands within minutes. And very few people shop in Tesco daily (if they can help it). But there is one essential similarity. For just as consumers who are bombarded by an average of 49 different advertising messages every day learn how to edit them out, viewers faced with over 400 channels to choose from do the same.

The key to keeping these viewers lies in the real time experience of the brand culture they encounter, and its ability to speak clearly to a target audience. Multichannel television has this advantage, for unlike our general entertainment competitors, we don't have to worry about keeping four year-olds happy at the same time as exciting the teens and appeasing the grannies. We can speak with one clear voice.

In today's crowded TV marketplace niche need not inhibit success when it comes to volume, either. Niche can act as the entry point, the sign on the front door, the label that depicts the tone of the offering. LivingTV is a female-oriented channel but men watch, too – not expecting football or westerns but sharing drama, movies and reality shows with their partners. So niche need not be exclusive.

The concept of targeted TV is not new, of course. As Jeremy Isaacs discusses earlier in this book, Channel 4 was the pioneer. Indeed, the most successful terrestrials have been those which have offered tailored, focused programmes – such as Channel 4 with its TV event programming designed to appeal to a 16-34 audience, or BBC2's success with its Monday night alternative comedy zone.

However, the one channel TV brand with its eclectic schedule can only go so far. The entire schedule of a multichannel caters for a specific demographic or genre. And our new-style niche TV – with its dedicated programming environments – enables deeper, three-dimensional relationships with the broadcast audience. It is an approach that until recently was the sole domain of the magazine publisher.

Digital niche TV offers a new, alternative television context: a television environment made up of a range of channels from which consumers can navigate, self-select, and self-schedule their programmes of choice. In our view, the choice and flexibility offered by niche TV reflects the televisual requirements of audiences today. Yet, as has already been acknowledged elsewhere in this book, we need to do more to ensure the industry reconsiders the role and value of our medium. In the past, while the targeted virtues of niche TV were recognised, other factors – such as niche equals small – meant that often the connotations surrounding niche TV were negative. The reason was simple: niche did not equal mass. Now the consumer landscape has moved on. Consumers, as well as advertisers, are looking for dedicated media environments that speak their unique language. And so today it is the thematic, niche channel environment that can now provide strategic fit and real value for audiences and advertisers.

deepening levels of consumer connection

At Flextech Television we've taken the tailor-made strategy a long way. In the last three years we've moved away from second-hand TV. No longer do we simply acquire programming from other broadcasters and re-package it. Now we commission our own programmes.

The emergence of the Electronic Programme Guide has forced us to raise the bar. To viewers (especially younger ones) all things are equal – there is no longer 'proper telly' (in other words, terrestrial) and then the rest. Now there's just television and content is judged accordingly. Ownership and definition have become paramount. Second-hand product which sits on more than one channel may be effective from a cost perspective but it doesn't define the brand. And it doesn't inspire affinity.

Our rule is to only commission content that goes beyond terrestrial – content that only we can do well, never content that another channel could do better. And by not having to please all of the people all of the time we can be very specific in our brief. Most Haunted on LivingTV is one example

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Most Haunted

(watched by 2 million people over the New Year holiday!) that breaks new ground. Ghost sightings, orbs, mediums and mystics come together in a fully-enhanced and interactive event that delights women viewers.

On our teen channel Trouble we regularly run Controller For The Day Sessions as part of an initiative called Television for Young People. The Controller sessions offer our audiences the opportunity to, in effect, run our channel for us. This also allows us to interact with them. As a result, we can begin to understand their thoughts, reasoning and reactions and uncover their true thoughts about Trouble.

As niche TV offers access to people's passions, the niche environment provides a means of facilitating deep levels of consumer connection with appropriately targeted advertiser brands. Maximising brand synergies in this way ensures we create consumer value as well as great business solutions for advertisers (see figure 1). Yet to develop the full commercial potential of our medium, it is clear that as an industry we all must better articulate how our medium works.

augmenting viewer experience

At Flextech Television our objective is to increase ratings by augmenting viewer experience. We believe a dedicated, targeted channel environment equals consistent viewer experience. Multichannel's greatest successes – such as Discovery Health, Paramount, or Trouble – meet this brief. Those that don't have suffered because they lacked definition. Lack of definition is the enemy of performance and advertising effectiveness. At Flextech, however, we know that in order to achieve cut-through with an audience saturated by media messages, every one of our channels requires clear differentiation.

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Our channels and their discrete environments stand for a new form of television which satisfies increasingly diverse lifestyles in a way the one channel, eclectic schedule ITV model was never designed to do. And indeed, evidence points to a different consumer landscape as modern lives are changing. For example, RSMB (the research specialist contracted to BARB) tell us that joint family viewing figures are in decline. As multichannel television has developed, the number of people watching alone has increased to nearly half of all viewing sessions. While this is primarily down to an increase in choice of content and access points, it could also be down to the fact that there are more single person households. By understanding consumer dynamics we can engage viewers with TV that is relevant to them and enable advertisers to meet our viewers in original ways.

new genre TV for new audiences

At FTV we understand the potential of our medium and the handle it has on contemporary consumer life. Therefore we continue to invest heavily in developing new programming and new formats by building on the consumer insight we gain from our customised channel environments – as they mediate between the various distinct consumer groups we have identified.

For example, our approach to creating programmes to appeal to the LivingTV audience has been underpinned by a research-based understanding of contemporary women. LivingTV's eleven-year programme history reflects the ever-shifting fashions, interests and tastes of its viewers over time, from Hart to Hart through to Jerry Springer. Our latest research shows that women value LivingTV for being 'open' and 'liberal', which we interpret as endorsement for our existing programmes whilst giving us the courage of our convictions when it comes to acquisitions. The consequences can be seen on-screen in many and varied forms including the hugely successful paranormal genre – an entirely new genre pioneered by LivingTV – as introduced by the Director of Programmes, Richard Woolfe, over the last 18 months. We have also recently acquired the emphatically open and liberal 'Queer Eye For The Straight Guy', which has been essential viewing both in the States and now here. Both of these are excellent examples of the diversity of content for a channel aimed primarily at women.

Our ambition is to create cultural currency. Rather than borrow from the popular code we draw on fresh inspiration by evaluating the prevailing climate of opinion and cultural change. This provides us with compelling global trends from which we create new genre programming for new audiences.

so how do we create programmes of quality?

All broadcast channels have a different approach. Ours is to commission the best creative independent production talents. After all: "A strong, vibrant independent sector is essential for a successful future for the multichannel world. It is good for creativity, good for the viewer, and ultimately it is good for the big companies".[1]

Developing good relationships with talent is essential for our business and creativity, and a demonstrable ability to connect with consumers is an essential starting point. We nurture young producers who are in touch with the multichannel audience. On LivingTV we have created the paranormal zone mentioned earlier, with programmes such as Most Haunted; Crossing Over; 6th Sense; and Street Psychic; and our new hit series, Jane Goldman Investigates. It is the quality of these programmes that generates audiences exceeding 16 million a month (source: BARB).

We also encourage innovation. Niche audiences want to interact with programmes. Our producers understand that multichannel audiences will not just sit like couch potatoes but want to play along with the programmes. So Challenge is investing in interactive programmes. We are justly proud of our innovative and much watched interactive Fort Boyard series.

Furthermore, we understand the critical level of investment needed to make commissions work. Our parent company, Telewest, is committed to our increased investment in original productions which attracts established and respected talent within the industry. Telewest knows that investments in original programming create value through strong channels – channels that through their original content create affinity with their audiences (and affinity, of course, reduces customer churn). So there is a sound commercial logic behind our ten-fold increased investment in original commissions over the past decade.

Telewest also provides support through its unique connection with viewers and its mission to become broadband leader. Telewest delivers bundles of TV channels at set prices but understands the value of tailoring the package to suit the audience and the value of serving the consumer with what he or she most wants. Its understanding of how consumers will behave when they have the technology to self-schedule helps us, in turn, understand the multichannel consumer.

a manifesto for change

Together governmental, social, technological and behavioural change is driving our TV market. At FTV, consumer insight is shaping our evolving channel environments. We are developing new genre programmes and new programme formats for new audiences. We are also working hard to redefine our advertising environment. Our vision for the future is a viewing continuum where PVRs will push the boundaries further – we will need to embed advertising into content. And for us – and TV as a whole – to evolve further, we will need appropriate legislative change.

> for legislation to truly develop industry and government must focus more on how TV works – not just whether or not to consolidate TV ad sales departments

To date, legislative change has focused on structural issues. For legislation to truly develop, however, industry and government must focus more on how TV works – not just whether or not to consolidate TV ad sales departments. Self-regulation is key to enabling those of us making consumer-centric TV to continue to innovate and add value for consumers and shareholders alike. Only this will allow us to continually evolve the TV environment. And only this will enable us to keep putting consumers at the heart of our business.

Already we are effectively building audiences within the niches we serve. These audiences are pure, and we understand their value. They are more committed to the programmes and channels they watch. And their disposable income is considerable. But these are also people who can edit what they watch for themselves. So we want to find more innovative ways of advertising to them.

Which is why I believe the approach taken to radio regulation should apply to TV. Advertising messages should be worked into editorial content. On radio, for example, an advertiser can buy ‘mike time’ – in other words, a presenter’s mention. Why not have a multichannel TV equivalent? Viewers visit our multichannel environments because they know what they are getting is appropriate and relevant, and because they value what they get. So why shouldn’t we be allowed to better tailor commercial messages for them?

We want to be able to experiment more – for example, with home grown commissions into which commercial messages can be woven. Yet we are prevented from doing so. Undue prominence limits restrict us in an inappropriate way. Because why would we choose to compromise the loyalty and commitment of the multichannel audience by doing something untoward? Fed Ex’s presence in the Tom Hanks feature film Castaway was blatant product placement – and not our bag. Yet when we wanted to have a sponsor’s credit on the shirts worn by participants in our reality series Fash FC – not something that anyone could have regarded as either blatant or untoward - we were banned.

It is early days in Ofcom’s formation, and initial indications are encouraging. They are engaging with practitioners and offering intelligent forums for debate and discussion on key regulatory issues which affect the broadcast advertising community. This approach is applauded and welcomed. But let it not merely be a gesture. They must fully embrace their promise to 'support the need for innovators, creators and investors to flourish within markets driven by full and fair competition between all providers.' The co-regulatory approach has to be supported and, by engaging with those affected rather than the detached regulation of the legacy regulator, there is a real opportunity that Ofcom could successfully bridge the consumer protection and advertiser demand conundrum.

In the 'real world', outside of an Orwellian regulatory regime, today’s consumer is much more advertising savvy and accepts that in movies, magazines, on radio and on television product placement is a reality. It would appear that they have demonstrated their acceptance of this reality by making these movies box office hits, and the programmes top ratings winners. Surely we have evolved sufficiently that Lord Reith’s initial concerns that commercial TV launching was akin to the introduction of 'smallpox, bubonic plague and the Black Death' have been proven to be untrue, and that the new regulator will accept that the time is ripe for change.

redefining the value of television

We appreciate only too well the value of the multichannel audience and would therefore do nothing to compromise it. Many, however, still undervalue its true potential. But those doubters should consider the following. While the traditional 'share of time' BARB-oriented evaluation of viewing remains the prevailing currency, of course, increasingly it only demonstrates one side of the story. A closer look at consumer economics and household spending presents a more holistic picture of the value today's consumers are placing on TV.

For spending per head on pay-TV packages is higher than ever. Consumers are also investing more in TV hardware – for proof look no further than the growing range and diversity of products now available in any UK high street, and the higher ticket prices of currently available TV hardware. So consumers are spending more than ever on TV. The value of television – which includes the environment through which your consumers consume the programmes they watch – is rising, and rising fast. Yet the TV industry still values viewers only in terms of share of viewing.

Multichannel television provides viewers, advertisers and platform providers the key to unlocking TV's true value. Brace yourselves, then, for the imminent awakening of a sleeping giant. ■

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[1] Broadcast – RTS Cambridge Convention – Winners and Losers in the Digital Future, 19.09.03

creating consumer value via brand synergy

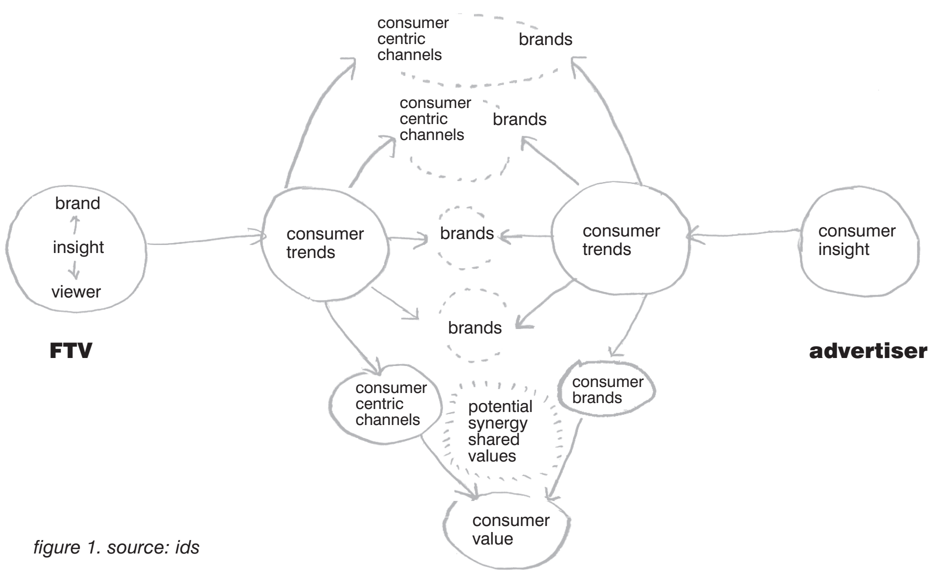

figure 1. source: ids