a trading perspective

a reality check

Mark Howe & Beverly Clarke

Half the population now has multichannel television, but the potential for the medium is far greater than people think. We need to educate viewers how to access and consume it, and show marketers how effective, relevant and crucial for their business multichannel TV has become

The status quo is, invariably, not the best way forward. Certainly the environment and opportunities in multichannel homes have evolved considerably over the last ten years, as have consumers, marketers and brand relationships. But this change has not been adequately reflected within the infrastructure of the media trading community, whose role it is to unite them.

A closer look at changing consumer behaviour over recent years reveals significant structural change occurring across both brand and media consumption. Today's consumer is absorbing and processing information faster and in more sophisticated ways than ever before. This has fuelled a need for marketers to employ new techniques to understand them. Meanwhile, increasingly discriminating and elusive consumers ensure that advertisers must use different, more refined language to communicate with them and work harder to reach them.

While multichannel television has become established, simultaneously, communications platforms – mobile phones, internet, e-mail, X boxes, PVRs, digital everything – now exist to a greater or lesser extent in most homes as compulsory 'life tools' for negotiating the increased pressure on our time and our minds.

a new trading model for a new age

These new ‘tools’ have contributed to audience fragmentation by increasing the scope of communications and media choice, but at the same time provided valuable means for marketers to reach increasingly segmented consumers. Yet established industry measurement systems, processes and indeed organisational structures do not accurately serve the reality of contemporary media consumption. This means advertisers are often wasting money connecting with the wrong consumers, or looking in the wrong place for their most valuable consumers.

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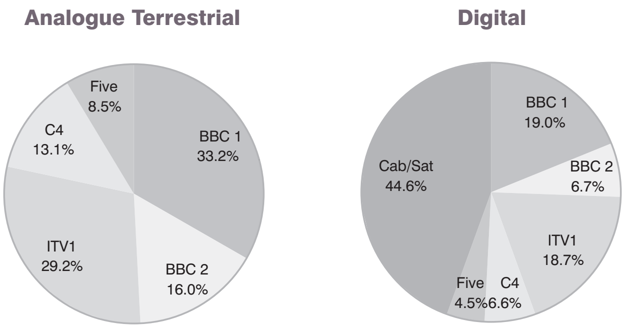
Our trading currencies and benchmarking models were set up for a different age.

It’s time for a change! And we believe that marketers can better meet their business plans via the contemporary digital TV model, which aligns brands with high-value

the value of multichannel TV



share of viewing, all individuals, network panel.
source: BARB/TN Sofres, total UK viewing January - December 2003.

figure 1.

consumers more efficiently than via the terrestrial TV model. Figure 1, The Value of Multichannel TV, illustrates the marked difference in viewing behaviour of the multichannel home versus the terrestrial home. By exploring the dynamics that underpin these figures, we find fundamental differences in 'whole life' rather than simply 'through viewing' behaviour that distinguish the multichannel from the terrestrial household.

self-scheduling consumers

Digital TV has fundamentally altered the dynamics of the TV household. Overnight the television viewing experience has moved from one that is shared and essentially passive to one based on self-selection. In multichannel homes, viewers seek out their own choices and define their individual channel repertoires. You don't rely on someone in White City or Gray's Inn Road to choose your viewing for you. You choose what you watch, when you watch it, and you are, therefore, likely to be more engaged with the programme environment than the model of terrestrial television, which works by 'pushing' viewers around the schedule.

The notion that viewers who self-select their programme schedules are more predisposed to advertising within their chosen environment – as opposed to the viewers who receive advertising in an environment they may have arrived at by default – makes intuitive sense, although proving it is extremely difficult. As an example of the mounting evidence though, the SFX project undertaken by TNS last year[1] found that amongst 100 brands studied, those which increased their media spend on multichannel TV benefited from a higher rate of sales than those which increased their terrestrial TV spend.

Although there are now hundreds of channels, personal repertoires rarely go beyond 12 channels. Multichannel was never intended to be consumed indiscriminately – the intention was always that consumers gravitate to the content which appeals to them. In multichannel households viewing repertoires are built around channel brands. Consequently multichannel consumers are, by necessity, more channel/brand-literate than viewers in a terrestrial home where programmes rather than channels do the navigating.

implications for advertisers

Multichannel growth has not contributed to any decline in enjoyment or consumption of television. In fact, the converse is true. Consumers are consciously self-selecting schedules, gravitating towards and increasingly interacting with television they choose to watch.

The relationship the multichannel viewer has with their individual viewing repertoire has high value for an advertiser and the multichannel industry needs to focus on making this relationship more explicit. We all now know that we need to define audiences beyond demographics. For our customers to understand the benefit of aligning their brands with multichannel brands we need to better articulate how our audience is consuming our brands.

> today's television has spawned two societies: the haves and the have-nots of digital TV

By delivering a behavioural understanding of the self-selecting multichannel consumer we begin to demonstrate the inherent value the segmented TV environment provides – sophisticated as well as efficient targeting. Beyond this, however, it provides consumer segmentation based on economic value – ensuring multichannel consumers deliver advertisers a very tangible return on investment.

high value consumers

Today's television has spawned two societies, we believe. On the one hand there are the haves, on the other the have-nots of digital TV. Terrestrial TV equals limited choice and flexibility, limited interactivity and low intimacy with consumers. In contrast, the digital world is an advertiser's dream – the self-selecting consumer who is intimately involved in the channels they watch and thus commercially engaged!

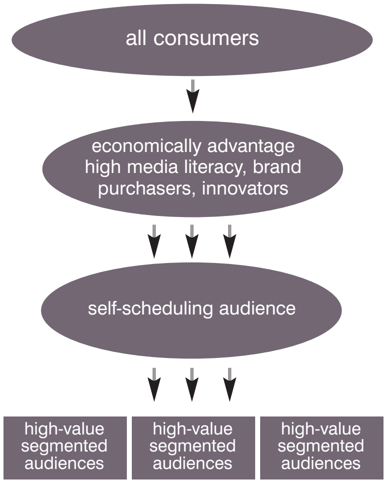


figure 2.
pay TV = filter to high value consumers

Multichannel television provides a useful filter for marketers in two ways. Firstly, by definition multichannel viewers are economically and behaviourally more attractive and brand-aware (source: TGI) than their terrestrial counterparts.

50:50 in the UK: those without, and those with, digital TV

Secondly, they can easily be found – separated out into their discrete programme environments (see Figure 2). The implications of this, both for advertising efficiency and effectiveness, are significant. It turns the traditional argument of television buying on its head – rather than wasting 80% of media spend on targeting 20% of the audience, the converse is true in a multichannel environment. Advertisers are able to use the majority of their budget to pay for the consumers they want to buy.

multichannel and marketers: shared challenges

As the TV model has changed and consumers have gained more choice, many more brands have been launched and advertised on TV. Consequently, marketers have had to work harder to win and retain customers. To do so they have opened up an adult-to-adult dialogue with discriminating consumers who now actively shape brands.

Yet while communication and creative strategies have changed, the same cannot be said of the practices employed by media agencies and the dynamics of placing TV media. ITV station price performance and the comparison of price within a channel still pre-occupies the minds of most - along with old-fashioned coverage and frequency measures, and the difference between a good or a bad audit. All these elements directly impact on agency remuneration. As a result, creativity has struggled to surface and so many potential opportunities for advertisers remain unexplored.

Along with share-deals and price, allocating TV spend according to a hierarchy based on size of NAR (Net Advertising Revenue) remains the norm. Rather than adopt a 'bottom-up' approach - and planning media around the targeting of high-value consumers - the 'top-down' approach of buying the biggest channels first continues to dictate the shape of clients' media schedules. Clearly, the latter approach aims, simply, to achieve a cheaper price for (the commodity of) TV airtime within a market. The former, however, aims to sell product to most of the appropriate, potential customers.

targeting the high value consumer

By continuing to support the traditional terrestrial model, many advertisers continue to pay a premium to reach people who are never likely to buy their products, thus under-investing in high-value consumers. The terrestrial model is incongruent; few people stop to reflect that all the measurement systems and processes currently in place were designed at a time when there were two commercial channels, rather than hundreds. Applying the 'one-plus or four-plus' coverage model, with a four-week advertising burst on multichannel TV is as incongruous as using readership and circulation figures to evaluate radio consumption. Multichannel TV is consumed in a different way to terrestrial TV and needs to be evaluated as such.

A revised approach also makes sense if we look beyond the multichannel world. The traditional television plan of yesteryear - the four-week burst, looking to achieve 80% one-plus cover - was contrived because of the considerable cost of advertising on ITV and the blandness of demographics. The new, contemporary TV model reflects the current competitive brand marketplace.

More brands need more media opportunities and frequency as a constant presence: this and varied creative work is more likely to keep brands front of mind for longer. We also believe they could achieve their business models quicker and more efficiently if they first target the high-value consumer.

The affordability and flexibility of multichannel ensures the high-value customer can be reached on every purchasing cycle - weekly, monthly or annually - whether they are buying a tub of washing powder or a car. In this way the advertising process can become more closely integrated with the marketer's business process - and so the wider economics of the business. For example, consistent, sustained advertising may better fit the distribution model. Regular communication with an audience is cost-efficient and effective. The new digital world delivers high levels of intimacy between customer, marketer and brand.

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Latterly, marketers have been spending vast sums below-the-line on customer relationship marketing as they recognise the importance of communicating with loyal, high-value customers. But they haven't realised the new digital TV model is as capable and potentially more efficient at delivering this relationship.

fundamental change required

Consumers have changed, as have television viewing patterns and brand consumption. In fact everything has changed except TV trading practices. Across the industry our infrastructures and processes need to radically change to

successful markets embrace change

reflect the contemporary TV landscape. Many agency trading models, evaluation systems (including client remuneration agreements) and, indeed, the organisational structures of agencies themselves, are based upon the terrestrial TV model.

In part, this is due to the innate conservatism of the media system which ensures that the conventional 'ITV first' model remains common currency. Yet, with increased agency consolidation, cost-cutting and reduced jobs it is hardly surprising fewer agencies want to buck the trend. It often appears easier for media agencies to change their allocation of media spend between media rather than reconsider the traditional approach to television.

Effectively, we need to make it easy for agencies to optimise their use of multichannel TV and reverse the negative 'effort versus return' ratio they currently experience. To reach our high value consumers and coincide with purchase cycles we recommend a constant presence at lower weight, with a series of creative treatments rather than using burst activity. Through investment in electronic trading systems we can help reduce the burden of transaction and allow all agencies to deliver more profitable business models to their clients. Through the work we are doing with UKTV, we are starting to demonstrate the 'real value' of the multichannel consumer. We believe our route to market is most relevant for marketers wishing to communicate with active, discriminating consumers - those who require their media and any dialogue they may have with brands to fit their life, not the other way around.

Advertisers and agencies should take a deeper look at the multichannel television model. It gives consumers what they want, the way they want it. It gives marketers access to high value consumers and so provides a more efficient advertising-to-sales ratio. The timeworn processes used over the years which still dictate how the majority of clients' money is spent – mainly via terrestrial television – must be replaced.

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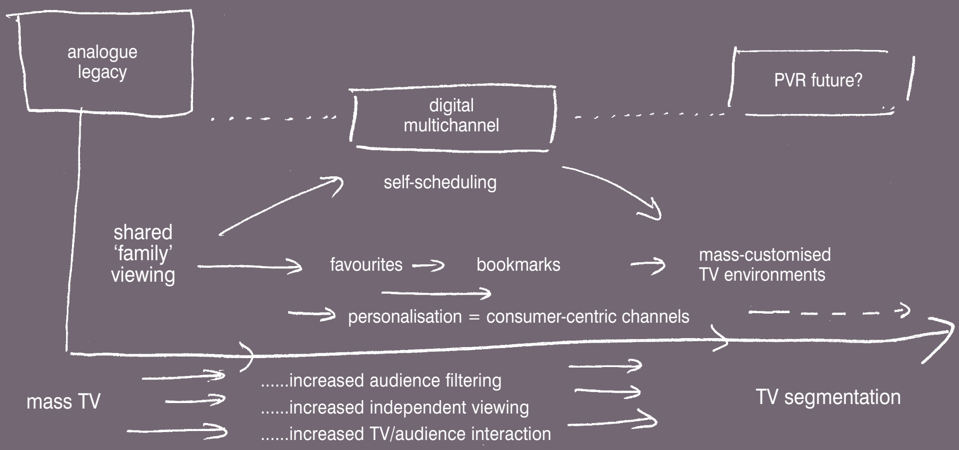
[1] SFX (Sales Effects) is a research project undertaken by TNS on behalf of Sky, ids, UKTV, Flextech, Viacom, Sci-Fi and Turner.

**contemporary TV model:
deconstructing the continuum of the
viewers' relationship with their TV**



source: ids