

the interactive perspective

## accountable television has arrived

Andrew Howells



Digital TV presents many opportunities. The power to ‘interact’ adds a completely new dimension of complexity and opportunity for advertisers - and fresh challenges, too, such as learning the new language of interactive TV

Digital television is the most significant development for this medium since the invention of television itself. The advent of colour, more channels, even teletext although significant in their own way have not fundamentally affected the way that we watch television. But digital television is set to change our relationship with the telly forever. It offers great new opportunities, and poses serious challenges. But above all it heralds the dawning of a new era: the age of accountable television has arrived.

### **the UK: the world’s most advanced TV economy**

The UK is in a unique position. Digital television has grown rapidly in UK homes thanks primarily to BSkyB’s aggressive marketing policy providing the basic set-top box free of charge. In five short years Sky has grown the digital satellite market to seven million households while maintaining a low churn rate. It also currently represents the only real opportunity for interactive TV (iTV) advertisers, providing a range of applications from the last-in-break advertisement.

The BBC for different reasons is also in a dominant position. As a well-funded public broadcaster, significant budgets have – thankfully – been made available to test and develop enhanced programmes providing viewers with new televisual experiences interacting with a range of engaging content. This includes live sporting events such as

Wimbledon and World Cup football; documentaries like Walking With Beasts; and cerebral activities like Test The Nation.

The BBC's activity has not been in isolation. The commercial broadcasters have also been busy with equally engaging enhanced content: Channel 4's Big Brother; Carlton's Who Wants To Be A Millionaire; Granada's I'm A Celebrity ...; and Sky News. The UK, therefore, not only has critical mass for advertisers to be interested but also an increasingly discerning audience who are pressing the red button and interacting in their thousands.

### **iTV Advertising – a brief history**

Over 350 interactive campaigns have now run on the Sky platform. Currently the market is experiencing rapid growth – not surprising for a nascent medium that had its fair share of disappointment as a result of the dotcom crash.

Our recent research report, iTV Coming of Age, also provided more good news. Over 70% of the marketers who participated in the research felt that the campaigns they had run were worthwhile and would consider advertising using the iTV medium again. This is confirmed by Sky which reported that the first 300 campaigns were run by about 100 advertisers. Plenty of repeat purchase and a growing

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market suggest a healthy situation – more advertisers are testing the medium. But we believe a lot of opportunities are being missed.

When iTV advertising started on the Sky platform, **ids** and Sky broadcasts jumped viewers from scheduled TV into a new interactive space where they could then interact with additional advertising content. We believe this was the right model for interactive advertising (IA) and where it will finally flourish.

But as a new medium advertising IA was clearly unproven, plus subscriber levels were much lower so any advertiser using the medium was doing so for research and experimental purposes and was not about to share any significant insight with the market or their competitors. Consequently, there was little evidence to support the success or not of these campaigns and not surprisingly this was accompanied by the usual questions about price and media value.

In order to combat this and further stimulate the market, Sky introduced an entry level product: 'impulse response'. This is a simple overlay within the 30 second advertisement giving advertisers an opportunity to offer brochure/sample requests, book test drives as well as collect some basic information from the viewer interacting. This has proved to be very successful and now accounts for 80% of all iTV advertising on the platform.

**an industry which is selling itself short**

But 'impulse response' as a stand-alone advertising element has no value for an advertiser in terms of enhancing brand image. It is a purely functional direct marketing mechanism, essentially used to gather data that currently works with the original advertising copy. That's fine for those advertisers with specific direct marketing objectives, but it misses a broader opportunity to use the capabilities of interactive advertising to build brand image.

The point being, if we rely on this basic, template-driven marketing approach, focusing on direct response, the future of iTV as an advertising medium will be short-lived and its true value never established:

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interactive advertising will simply be compared to other direct response medias, completely undermining its potential as an extraordinarily effective brand-building medium. In other words, the industry is selling itself short.

Having introduced 'impulse response' as an entry level product, it has now become the market standard. Economically, this might suit the Sky platform and, to some extent, the broadcasters right now who are keen to recoup the investments that have already been made. As a simple execution, the media and production costs to develop 'impulse response' are relatively small and provide little incentive for broadcasters to develop beyond this point. The real value lies in the variable costs with advertisers paying for the acquisition of data and a premium on interactive airtime purchased (the latter excludes Channel 4). These costs apply whether the advertiser runs impulse response or a more immersive brand campaign.

**never mind the quality, feel the width**

Let's be clear. Impulse response is successful because it works. It has already proven to be more cost effective than DRTV as a number of case studies have already indicated. It also fits in with a young industry, experiencing growing pains that have so far avoided tackling the thornier issues of measuring the contribution that IA can make to brand-building, what the units of measurement might be and comparative effectiveness with other media.

Of course measurement around impulse response is reasonably straightforward: simple maths based on a response rate that can be compared with other media,

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leading to a cost per conversion providing a quantitative assessment of individual viewer value and overall campaign success. Broadcasters, however, should be careful: one way to significantly undervalue current airtime is to establish a cost-per-click model. This might be the unit of currency for the web, but iTV is not the web.

The format is also being sold as a commodity just like TV airtime, which means it is also being undersold because the knowledge base doesn't exist in the market to make better value decisions on both sides of the equation. It is no coincidence that in 2003, for instance, there were only 16 campaigns that jumped viewers to an execution using video on the Sky platform.

### **coming of age**

Of course the medium is complex and there are other reasons why brand advertising has not been prevalent. Educating advertisers and the industry is still a priority.

The iTV Coming of Age report highlighted the fact that marketers would like to see more in-depth case studies providing more compelling evidence. There is also a real

need to include research – at least post-campaign – as part of any project plan. Without qualitative and quantitative research it is difficult to see how the brand impact of a campaign can really start to be measured. It certainly can't be based purely on response, even if this is part of the campaign execution. And because brand is more than just response it is also important to find an accurate way to measure the thousands of viewers who interact with an iTV campaign but choose not to go online to register their details.

Simplifying the process for advertisers and their agencies so multiple broadcast channels on the Sky platform can be used to deliver an iTV campaign with one creative execution, would also encourage uptake. Finally, creative agencies have shown little or no interest in the medium despite the fact that half the country has some form of digital television service. Without their involvement and imagination it is hard to see how the medium will truly be exploited as a branding tool.

This ties in with the emancipation of the creative production process. We have already seen a number of simple authoring tools come on to the market, making it easier for agencies to develop simple campaigns with minimal assistance from Sky. There are also new more powerful authoring tools now available for use by TV designers rather than programmers, which also helps to drive the creative agenda.

### **value, measurement, effectiveness – some answers**

A key question for this medium is how to measure the real value of an iTV touchpoint and to compare it with a traditional TV impact. Zip Television, in partnership with

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dunnhumby, has started to address this question at least in part for the packaged goods industry. The Zip Brand Sales Tracker takes the viewer data generated from an iTV campaign and matches it to the Tesco's Clubcard file of ten million shoppers. Having established the matches, a control group of Tesco's shoppers is then created which closely corresponds with the viewers that interacted. Shopping basket behaviour can then be observed prior, during and after the campaign ran, and the additional sales

uplift calculated against the control.

In a recent study completed for Rimmel and the Double Act Foundation campaign, shopping basket behaviour was assessed over a 12 month period. The iTV respondents purchased 18% more product across the Rimmel range than the control after the campaign had run. More significantly the additional sales impact was still present, six months after the campaign had finished.

The significance of this tool is the fact that it is an absolute measure. This is not a qualitative study about a consumer's intention to purchase, but what they actually purchased as a result of the iTV campaign. It can of course be run with campaign data from other response media such as the web, which starts to address the question of comparative value.



*P&G Treasure Planet 2003 interactive advertising campaign – enticing viewers to spend time with the brand*

Part of the answer to the question posed above will also be found in a better understanding of consumer behaviour when watching iTV. The Interactive Television Research Institute, based at Murdoch University in Australia, has conducted some very revealing research in this area.

One study concluded that cognitive elaboration – the extent to which viewers think about an advertisement and relate it to their own lives – doubled when they interacted. Increased elaboration did not, however, automatically translate into higher brand impact. Where a positive effect was observed was when viewer expectations were met when interacting. This implies that the challenge for advertisers will differ significantly dependent on the brand in question.

### **market forces prevail**

Advertisers are becoming more interested in exploring the opportunities of iTV advertising. This is nowhere better illustrated than in the development of a consortium of advertisers, Consortium4TV (C4TV). C4TV started as a feasibility study in December 2002 by Zip Television to investigate the possibility of a group of like-minded advertisers creating a 'virtual' interactive TV channel on the Sky Digital platform. Viewers, pressing red during a last-in-break advertisement will be jumped from the commercial broadcasters on Sky with interactive capability to the advertisers own 'space' on the C4TV channel.

To date, C4TV consists of seven advertisers – Reckitt Benckiser, P&G, Unilever, Gillette, BT, Orange and Honda, who are prepared to make a commitment to running a number of iTV advertising campaigns in

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2004. These campaigns will also be richer interactive video executions aimed at exploring the value of interactive brand advertising. The main objectives of the consortium include: cost efficiencies; standardisation across broadcasters; to challenge current creative thinking providing a better consumer experience; to share learning and data; and better research and measurement

Advertisers making a commitment and taking an active role in the development of the iTV medium is undoubtedly beneficial to the industry. A fresh agenda is now set where the issues that have been raised in this chapter are actively being discussed, helping to move the medium forward more quickly than otherwise possible.

In 2004/5, we believe that there will be a gradual shift in emphasis towards iTV brand advertising and interactive programme sponsorship. More compelling campaigns will be developed, results will be more readily available, and more syndicated research studies will be undertaken, helping to provide further understanding and insight in the market. ■

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