THE INSIDER
the quarterly white paper

The Future of TV: How is digital changing the future of TV and can TV help shape the future of digital?

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THE INSIDER

The Insider is MediaCom's quarterly briefing programme on the issues that matter for marketers. It is comprised of several elements including a newsletter, Blink – a magazine that covers trends and influences, and a webcast housed at www.mediacom.com.

In the second webcast, Gerhard Zeiler, CEO, RTL Group and Sue Unerman, CSO, MediaCom UK, discussed the challenges facing broadcasters and thought about the ways in which digital platforms will shape the future of TV.

Summing up the main points from the programme, this white paper aims to delve deeper into the issues raised and offer new insights from MediaCom's panel of experts. ■

A SUMMARY - THE FUTURE OF TV

For all the excitement about our digital future, the importance of traditional TV is not necessarily in decline. While online is becoming increasingly influential, the channel and programme brands that broadcast to our aerials are likely to remain a significant part of the entertainment that arrives via our internet connections.

The residual power of TV was demonstrated in 2010 when, as the green shoots of recovery appeared in the global economy, the advertising industry – particularly in Europe, but also in the US – was buoyed by a rebound of advertising revenues that was much stronger than anyone had expected.

In the UK, ITV reported advertising revenue growth of 16% (and 12% in Q1 2011), while in France, the positive results of TF1 and M6 prompted analysts to raise forecast advertising revenue growth in 2011 to 3-5%. Elsewhere, following a promising 2010, the Spanish TV market is expected to grow by 3-5% in 2011. Outside of Europe, at the 2010 CCTV Prime-time Auction, often seen as a leading indicator of growth prospects in the Chinese advertising industry, the value of total auctioned resources exceed RMB12.7 billion, an increase of 15.52% over 2009.

True, the financial crisis had forced broadcasters to be more flexible about costs in order to survive, but in the majority of cases, these cuts had been introduced without compromising audience share. This performance tells us that demand for traditional TV is still high and should remain an important component in the advertising mix.

Moreover, despite the seemingly unlimited opportunities that online content brings, for the time being at least, viewing habits are still influenced by a broadcaster's brand power. The experience of RTL demonstrates that if a show migrates to a different channel, it will typically suffer a decline in audience share of at least 15-20%. This suggests that the 'pulling power' of the station - the 'channel brand' - is also an important factor.

A SUMMARY - THE FUTURE OF TV

But while TV should still be regarded as an extremely powerful medium, there is still much to do. Advertisers need a revised measurement or trading system that can take into account digital viewing alongside traditional TV-based viewing. Some niche programmes attract the majority of their viewers from catch-up TV platforms, but with no way of accurately combining the direct response advertising of online channels with traditional brand advertising, this value can be missed.

Taking this a step further would be a universal measurement system, a move that would make global or regional advertising deals more likely. At present, each country works differently, functioning in multi-local markets.

In short, the most successful broadcasters of the future will surely be the ones that diversify and embrace digital media. Websites such as YouTube should not be feared or seen as competition; instead, these kinds of channels can function as important cross-promotion and talent-sourcing platforms. ■

THE FUTURE OF CHANNEL BRANDS

The advent of IPTV marked a new epoch in the history of television. Viewers could now watch whatever they want, whenever they want, wherever they want it. Content had become unlimited. But with so much on offer, it was also easy to become lost amidst thousands and thousands of hours of programming. Users need the kind of guidance that channel brands can still provide.

When TV channels are positioned with clear brand values, they can help make or break the success of certain programmes. Place a celebrity reality show on MTV in the UK, for instance, and it is more likely to resonate with audiences than if it were placed on a channel such as BBC2, where edgier programmes and documentaries dominate. Viewers often expect certain content from certain channels based on the channel's brand identity. Channel brands can help guide audiences to certain types of programmes and are habit forming.

"When TV channels are positioned with clear brand values, they can help make or break the success of certain progammes."

The strength of these brand identities might go some way to explaining why programmes often suffer a decline in audience share when migrating between channels. Take Neighbours, for example, a popular Australian soap opera in the UK which in 2008 moved from its long-running early evening slot on BBC1 to the same spot on Channel 5. Following the move, the show suffered a 25% decline in audience share. Rather than follow the programme to a smaller channel, audiences stuck by the channel brand that they were already familiar with and loyal to.

Looking forward, these trends might change over time. In general, the mass market still consists of people who have grown up with television channels; they have been trained to recognise TV brands. The latest generation of viewers, the first to be weaned on unlimited digital content, may not care about channels in the same way and may end up being less brand loyal. If this proves to be the case, broadcasters will need to invest more in making their brands mean something tangible. ■

"The mass market still consists of people who have grown up with television channels; they have been trained to recognise TV brands."

“Channel brands - call it brands, call it habits, I don’t care - are powerful. In a digital world, with thousands of alternatives, you need guidance and channel brands can deliver that.”

GERHARD ZEILER
CEO, RTL GROUP

“While it is true that the catch-up model is fragmenting media consumption and shifting programming out of linear TV schedules, it is also true that channel brands will continue play a central role as content creators and drivers. That’s why the internet will not replace TV, but integrate it.”

FEDERICA SETTI
CHIEF RESEARCH OFFICER, GROUPM ITALY

“In a world where intelligent EPG applications can recommend programmes based on user behaviour, channels are in danger of losing their brand identities.

To stay ahead of the game, traditional broadcasters should become their own production houses. Only then will they will be able to prevent their content from being categorised on EPGs (smart if broadcasters work together) or ensure that it is recommended.”

LISETTE HERMANS
HEAD OF TRADING AND MANAGING DIRECTOR, MEDIACOM GERMANY

“It’s quite clear that by moving from an environment of fragmentation to one of hyper fragmentation, broadcasters will need strong channel equity along with strong content in order to survive.

Food TV, for example, may have strong branding for linear viewing in the traditional TV sense, but it will become crucial for it to successfully transfer its brand equity into other channels of distribution (e.g. a Food TV app for tablet consumption).

We have seen that well-branded niche channels tend to grow, whereas traditional terrestrial channels that don’t have clear identities might see a decline in their viewing figures.”

MICHAEL NEALL
VICE PRESIDENT, GROUP ACCOUNT DIRECTOR, MEDIACOM CANADA

THE THREAT OF GOOGLE TV

Broadcasters and content providers have been slow to warm to digital broadcasting platforms. When Google TV launched late in 2010, its creators promised a new televisual experience. For the first time, audiences would be able to simultaneously watch broadcasts and web video for free through a modified Chrome browser on their Google-enabled TV sets or set-top boxes.

Yet, despite the support of major brands such as Sony, many broadcasters have shunned the platform. In the US, where Google TV was launched, all four of the major networks - ABC, NBC, CBS and Fox - along with on-demand providers such as Hulu, have blocked Google-enabled devices from accessing their online content, leaving only minor channels as supporters.

The main reasons for this resistance stem from concerns focussed around IP and revenue. Broadcasters typically enjoy revenues from advertising, programme re-runs and carriage fees from pay-TV providers. However, with the Google TV model, which provides access to free online videos – which contain fewer minutes of advertising and bypass pay-TV platforms – broadcasters have limited opportunities to earn make money from their content.

Therefore, despite the fact that around 21 million IETVs are expected to be shipped in Western Europe alone in 2011 – 7% of UK households already have an internet-connected TV set – many broadcasters feel they have little incentive to share content with Google TV and its competitors. The actual and perceived damage done to newspapers by Google News weighs heavily and broadcasters are wondering why they would want to direct the majority of their viewers away from their profitable broadcast channels and on-demand platforms to less profitable online ones controlled by other people.

There is also the additional concern about Google benefitting from ad revenue around their content, which is perceived as a red line by broadcasters such as RTL. Moreover, with Google TV's perceived relaxed approach to piracy – the Chrome browser doesn't completely filter out results from pirate sites – traffic, and subsequent advertising revenue, is not guaranteed.

For the time being, while the possibilities of Google TV might excite users, the platform will continue to be ignored by broadcasters until privacy is tightened and the business model becomes more profitable. ■

"With the Google TV model, which provides access to free online content, broadcasters have limited opportunities to make money from their content."

"There is also the additional concern about Google benefitting from ad revenue around their content, which is perceived as a red line by broadcasters..."

“I am not at all concerned about Google. Why? Because we will only put our brands and our contents [on] certain platforms under [certain] conditions.”

GERHARD ZEILER
CEO, RTL GROUP

“In countries like Canada, where the distributors of cable and satellite TV are also the owners of broadcasters, they will ensure that all content is kept in their universe. As a result, there are no plans to launch Google TV in Canada until 2012.”

MICHAEL NEAL
VICE PRESIDENT, GROUP ACCOUNT DIRECTOR, MEDIACOM CANADA

GLOBAL ADVERTISING DEALS AND NEW TRADING MODELS

Connected TV providers such as Google TV and Yahoo Connected TV could create a new global trading model for television advertising. After striking deals with international partners such as Sony, Toshiba and Samsung to incorporate their platforms into web-enabled television sets, Google et al are now in the enviable position of being able to guarantee a global audience to advertisers. In theory, rather than having to negotiate multiple deals in local markets, advertisers can now – providing the service proves popular – reach the whole world with just one transaction.

Other media have also developed similar propositions. In 2007, for instance, Unilever, signed a five-year deal committing to using outdoor advertising company JCDecaux's inventory across 41 countries where they both have a presence. In reality, however, talk of regional and global deals is often just that.

Traditional TV remains very much a country by country affair. The big players tend to be country specific, but there are also other factors that inhibit regional or global trading. For organisations such as RTL, which typically works with advertisers on a multi-local level, global deals are hindered by a lack of maturity in a market lacking a common trading system. At present, no two countries in Europe sell TV advertising in the same way; from differences over the amount of commercials allowed per hour, to the length of commercial breaks and restrictions enforced by license fees, each country is unique.

The politics of local advertisers complicate things further; after working at a local level for so long, broadcasters are wary of brokering pan-European deals for fear of ostracising their existing advertisers.

Clearly, a universal measurement system or trading model would change things entirely, but for the time being a suitable solution remains elusive. ■

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"After working at a local level for so long, broadcasters are wary of brokering pan-European deals for fear of ostracising their existing advertisers."

“I would be happy [with global advertising deals] but the markets are not ready and the advertisers are not ready. There is not one single European country where ads are sold the same way as in another.”

GERHARD ZEILER
CEO, RTL GROUP

“The bulk of the media market simply isn't ready for global and regional deals. We'd love to be able to do them, but in many cases key media owners only operate in one country. Where media owners do have a multi-territory presence, client structures can make it difficult to unify budgets across markets where their business challenges are very different and media is traded on very different terms.”

NICK LAWSON
CEO, MEDIACOM EMEA

THE CHALLENGE OF MEASUREMENT

As online video continues to gain in popularity, so the need for a universal engagement measurement technique becomes more apparent. And with an increasing number of programmes being broadcast simultaneously across traditional channels and online platforms, advertisers are looking for new tools to help them compare the two platforms on a like-for-like basis.

In the UK, some programmes are already gaining huge audiences online. BBC properties, for instance, have benefitted from the rapid growth of BBC iPlayer, which now averages over 100 million TV programme requests a month (peaking at over 125 million in January 2011). Elsewhere, some niche properties, such as Channel 4's youth-oriented shows The Inbetweeners and Skins, attract a significant proportion of their eventual viewers from catch-up TV platforms or other routes later on.

The BBC has actually introduced a unique in-house metric to help collate data on all viewings of its programmes across all platforms – from the initial live broadcasts to subsequent online requests over a seven-day period. Thanks to Live Plus 7, it is now possible to obtain an accurate overall viewing figure, regardless of whenever or wherever the content was consumed.

In online there are myriad ways of measuring interaction, but unfortunately, none of them are directly comparable with commercial TV data. Without a common measurement tool, it can be difficult for advertisers to plan their campaigns in the most cost-effective way. Opportunities are being missed and broadcasters, advertisers and regulators must work together to agree on and develop a suitable measurement strategy that encompasses the new viewing patterns.

As audiences migrate to online platforms, the most effective campaigns successfully combine mass audience ads that galvanise audiences on TV, with more targeted response ads that capture key consumers on channels such as online or mobile. ■

"Advertisers are looking for new tools to help them compare TV and online on a like-for-like basis."

"Without a common measurement tool, it can be difficult for advertisers to plan their campaigns in the most cost-effective way."

“Online advertising, where you measure how many people have interacted with an ad, is about direct advertising. That has a different set of objectives [to TV advertising]. It seems like nonsense that we don’t have a like-for-like way of measuring that and turning that into something that delivers value.”

SUE UNERMAN
CSO, MEDIACOM UK

“The reality is that formal measurement systems may find it difficult to keep pace with technology and technology providers. In a world of live bidding and DSPs, data is now more granular than ever before and it is leading advertisers to question the relevance of traditional forms of media measurement (i.e. CPMs). The onus will be placed more and more on vendors to share data in order to justify investment by means of proven ROI for example.”

MICHAEL NEAL
VICE PRESIDENT, GROUP ACCOUNT DIRECTOR, MEDIACOM CANADA

ACTIONS FOR ADVERTISERS

The growth of online video has created challenges as well as opportunities for advertisers. With content available on demand as well as through traditional broadcast channels, audiences are consuming more and more television – over four hours a day in the UK according to the Broadcasters' Audience Research Board (BARB) – than ever. But with more competition and evolving viewing habits, advertisers will have to work even harder to ensure that their messages reach their target audiences. Below are five actions that brands can take to stay ahead of the game in the digital age.

1. Start thinking about video-neutral strategies:
While online audiences continue to grow, TV remains extremely powerful. Rather than discussing whether to invest budgets in one platform or the other, advertisers should start thinking about video-neutral strategies that combine the two effectively. TV is still a great way of reaching out to mass audiences, but online can reach focussed target groups – particularly the young and educated – in more engaging and interactive ways. Advertisers should analyse the behaviours of their target groups to help them balance their media budgets accordingly.

2. Recognise that young people are heading online:
Unsurprisingly, one of the first demographics to embrace the availability of online video has been the young – users who have grown up in the digital age. In Germany, for instance, studies show that around 60% of 14-49 have watched or are familiar with online content. When looking to target young people in future, advertisers should consider using digital targeting techniques to reach these audiences cost-effectively.

3. Explore the opportunities of multiple creative:
Right now, most online video campaigns use the same creative as their TV counterparts. This can be a mistake as TV and online engage with consumers in different ways – TV provides a more a passive experience, while online invites users to lean forward and interact. As a result, advertisers should work with their creative agencies to discuss how content can be adapted. Online planning tools allow for more precise targeting than their TV counterparts, so advertisers should take advantage of these opportunities to make their messages as tailored as possible.

ACTIONS FOR ADVERTISERS

4. Consider how product placement can help your brand:
While the European Parliament relaxed regulation towards TV product placement back in 2007, only recently has it become more prevalent across the continent. With the exception of Denmark, every other country in the European Union now permits the use of product placement in its TV content, or has plans to allow its introduction. For the first time in these countries, brands can weave their messages seamlessly into TV content. While it won't replace "'prop" placement, brands can now influence viewers in new subtle ways – from having characters in dramas drive certain cars, to having chat show hosts drink certain soft drinks live on air. Alongside more familiar advertising opportunities – pre-, mid- or post-roll spots and programme sponsorship, for instance – product placement provides advertisers with a huge opportunity to become more than just programme interrupters.

5. Take advantage of social media opportunities:
Technology has influenced the way we interact with our favourite programmes, even when we watch traditional TV. The success of the Got Talent and Idol franchises – talent shows that encourage audiences to vote for their favourite acts – has conditioned us to feel comfortable about engaging with live TV. But these interactions don't just stop with the shows themselves; audiences are increasingly using social media channels to share content with their friend and families. According to research from Intel, 54% of consumers have admitted to using social media to communicate about UK TV hits I'm a Celebrity and X-Factor while the shows were on-air. Advertisers need to be more holistic in their appreciation of TV events to take advantage of the social media opportunities that key live shows may offer. ■

YOUR QUESTIONS ANSWERED

This Q&A section addresses some of the questions posed by the webcast audience.

Q: What do you think of the synchronisation of traditional TV and digital media that we've started seeing in recent months? For example, when there is a live TV broadcast and some back-stage scenes are streamed simultaneously on the internet. In few cases these two intersect. Do you think this is a good way of syncing TV with online or now? How can you convince advertisers that this will not encourage viewers to tune out of their TV spots and that a second screen compliments the broadcast rather than competes with it?

A: The viewers are the big winners of the digital revolution. As variety multiplies, they can watch whatever they want, wherever they want, however they want. And they do. Audiences record their favourite programmes, pause them or replay their favourite moments at their convenience. If they miss an episode, they watch it on the internet, or any number of mobile devices.

If we have a blockbuster show on linear TV, we do, as you suggest, extend the brand to web applications. Examples include Voice of Holland of X-Factor in France. Our experience so far shows that this leads them to watch more TV, not less. Linear TV is growing and non-linear TV is growing; so far we haven't seen a cannibalisation effect.

The second screen – a notebook, smartphone or tablet PC – can complement and re-inforce the first screen, but not only for TV shows. It can also work for advertising shown on the traditional TV screen. That's why I always say that we need to develop now and innovate forms of advertising in co-operation with our clients. ■

Gerhard Zeiler
CEO, RTL Group

"The viewers are the big winners of the digital revolution. They can watch whatever they want, wherever they want, however they want."

YOUR QUESTIONS ANSWERED

Q: TV has historically been locally driven while digital offers global potential. How do you integrate this perspective into the evolution of RTL's business model (local vs global)?

A: As you say, TV is locally driven. There are several reasons for this, but none of them is based on lack of technical reach.

Q: Advertisers may not differentiate the media they buy by technologies but will rather take an "any screen, any time" approach. How is RTL getting ready to plan and commericalise 'multi-screen' media?

A: Our strategy is to be wherever our audience is. But we won't let third parties have our own brands and content without conditions. We will not allow any third party to dominate this business, whoever it may be. To put it very simply: if you want to advertiser our programmes, we will handle it – whatever platform you prefer to book.

Q: Digital offers infinite potential to content creation for advertisers while TV is often limited by regulatory/technical constraints. What is your perspective regarding content creation overall?

A: Creativity is at the heart of our business. It will remain so, and whatever enhances the creation of content is welcome.

Q: Professional content (by RTL) or User Generated Content (from YouTube, etc)? Which one do you think is better and why?

A: Those are two very difference categories. Professional TV content is a major growth driver of the internet. In total, RTL Group's online platforms across Europe registered more than 1.4 billion video streams in 2010, delivering professionally produced content to our viewers – an increase of 46% compared to 2009. ■

Gerhard Zeiler
CEO, RTL Group

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YOUR QUESTIONS ANSWERED

Q: Will the licence fee in the UK/BBC funds continue in an increasingly commercial and ad funded market place?

A: Despite increasing scrutiny over both the volume of annual licence fee revenue and the deployment of these funds, it would appear that the adept political manoeuvring of the BBC has ensured that we'll be contributing to the BBC's coffers for some time yet. It was agreed late last year that the fee (£145.50 per household per year) would be fixed until 2016.

Subsequent to this point, at which point TV consumption and means of delivery will be markedly different to that which we are familiar with today, it will be remarkable if the BBC is able to deliver a compelling case to maintain this annual fee. As consumers increasingly look to supplement their conventional 'push-linear' TV viewing with on-demand pull content, served to multiple (non-TV) devices via the internet, the very nature of what constitutes 'TV' is debatable and therefore the rationale for a 'TV tax' will be harder to justify. ■

Rhys McLachlan
Managing Partner, Futures & Implementation, MediaCom UK

"The adept political manoeuvring of the BBC has ensured that we'll be contributing to their coffers for some time yet."

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