

**A strategic perspective on the use of digital and enhanced ITV
as brand extension**

By

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ABSTRACT:

This inquiry investigates parameters affecting the assessment of interactive enhanced CATV as brand extension. Due to the substantial increase of CATV international competition caused by liberalization and deregulation of media market in USA and much of the EU, since 1980, the audience share markets begin to fragment, so cable TV companies had to use positioning strategies based on audience segmentation and for this aim they came to focus on brand extension process involving use of enhanced TV features. In order to more specifically address the potentially useful parameters affecting the assessment of interactive enhanced CATV as brand extension, the author examines some of the most important use of enhanced TV features: News/Weather update, background for news, polls, program preview, TV guide/schedules, Video clip archive, information about stars, play along/games, Multi-angle TV, etc. The author argues that by efficient convergence of versatile technological assets such as broadcast video, computing power and broadband Internet access, digital television, cable lines and fiber optic telephone lines and use of enhanced TV features that essentially extend the tangible as well as intangible value and image of the brand, enhanced interactive cable TV networks are in the position to achieve sustainable competitive advantage over its competitors.

Keywords: Enhanced ITV, Media branding, ITV advertising.

1. Introduction: Relevance of the research study

This research study presents the key issues that every academic, senior executive and decision maker involved in media marketing and management needs to know and understand about the future application of interactive and enhanced CATV. Thus, a primary relevance of this study is to:

- explain the impact of new modes of broadcast distribution on existing TV stations;
- identify and explore new opportunities to offer value-added services, content and applications in the field of enhanced interactive TV;
- recognize the challenging impact of brand extension (both horizontal and vertical), brand dilution;
- anticipate new marketing and advertising models in the sphere of interactive TV;
- establish the broader marketing context for interactive TV stations;
- assess the commercial prospects and opportunities for the next generation of interactive enhanced TV stations and new media companies.

2. The conceptual definition of ITV

In a broad sense 'Interactive Television' is to be understood as the merger of conventional television with new interactive content and enhancements of broadcast video, computing power and broadband Internet access to provide a new participatory experience for viewers. More specifically, ITV is a technology that allows the user to receive information from the broadcaster as well as to send information to the broadcaster or to other users on the network, usually facilitated by a 'return channel' of some kind (Rose, Dormann, Olesen & Beute, 1999). In a shorter, ITV can be considered a new form of television that makes it possible for the viewer to interact with the medium in such a way that he gains control over what to watch, when to watch, and how to watch, or directly opens up for active participation in a program so the viewer can contribute to ITV content. In principle ITV allows user to employ local interactivity via broadcasted material, applications or programs, usually through an advanced ITV terminal (set-top box etc.)

Consequently, the new interactive applications enable a transition in the user behavior from straightforward channel surfing to active application usage. In sum, the term interactive television relates strongly to the meeting of television with new multimedia services and TV broadcast technology facilitated, combined and coupled with enhancements and extensions of a variety TV and broadcast platforms, programming and infrastructures. The exact form this convergence will take is still uncertain, due to the fact that enhanced ITV is not a static medium, neither as a technology nor as a service (Rose, Dormann, Olesen & Beute, 1999). Therefore, industry and business players seem to have abundant and different notions of the application of its broad spectrum, content, technological concepts and services.

3. Application of interactive programming in the context of enhanced ITV

The term “enhanced TV” was originally introduced by NCI (now called Liberate Technologies) in 1997. Enhanced ITV, as an interactive product of Internet includes all the features of the Internet that can improve (enhance) the viewing experience of TV viewers. Although, enhanced ITV is predominantly a new concept in the electronic media with little systematic research studies on it (McDowell, 1998), as a part of the future direction of TV technology development it is steadily receiving enormous attention from the TV industry.

Since 1999, major research studies in the field of interactive and enhanced TV have suggested that interactive programming works by:

- adding layers of depth to what is happening on the screen (the most common model);
- adding details or content that could not fit within the show’s original running time, production schedule or format (a model for DVD, although no evidence has been found regarding ITV);
- rewarding the audience for good behavior (promotion, and perhaps games fit this category);
- supporting telecommerce.

Therefore, further application of interactive programming should enhance the TV viewing experience by extending of the TV genre while simultaneously enhancing the primary characteristics of the program in order to facilitate viewers' assimilation of this new form.

4. Reasons for late adoption of the extension brand concept in TV media

Although the concept of brand has been popular in many industries for long time, the adoption of the concept in the electronic media has been made recently. The reason the adoption of the brand concept and brand management in TV media is relatively recent might be closely related to the nature of market structure in the TV industry. For a long time, over-the-air television network industry has enjoyed an oligopoly by only three players in the USA (ABC, CBS, and NBC) and PSB TV stations in EU. Logically, little market segmentation or product differentiation strategies were practiced by TV networks or PBS. As the number of unique cable programming (CNN in the USA) and commercial TV stations in Europe increased, so did the number of subscribers and with more subscribers came more audience fragmentation (Lin, 1995).

Until 1974, only three European countries – Great Britain, Finland and Luxembourg – had commercial channels. So, the European television market was by 1974, principally a monopoly of PSB (Public Service Broadcasters). Additionally, in the USA from 1977 to 1997, the three network as ABC, CBS and NBC affiliated stations combined lost over 40 percent of their viewing households to basic and other alternative media (Myers, 1997). According to a report by “Screen Digest” (2000), only in this decade Europe saw national or regional channels jump from 100 to 1000 (Sánchez - Tabernero, 2004), whereas in the USA the number of TV stations between 1980 and 2000 increased for about 700 (Vukanovic, 2004:55). This means that every year 100 new commercial channels were created in Europe (Sánchez - Tabernero, 2004). Meanwhile, commercial and cable TV stations were intensively spreading all over EU and once PSB dominated market share started to shrink considerably. Between 1990. and 2003. the PSB market in Austria shrank by 40%, in Germany 24%, Portugal 63% Ireland 33%, Spain 24%, Netherlands 21%, Sweden 39%, Great Britain 12%, and Denmark 9%.

5. Reasons for application of enhanced ITV features as brand extension

As the number of unique cable programming options increased, so did the number of subscribers and with more subscribers came more audience fragmentation (Lin, 1995). Thusly, TV market is atomizing, disintegrating under the pressure of more and more specialty channels (http://www.mcluhan.utoronto.ca/article_internettelevision.htm). Digital television increases services and value to the consumers. Finally, TV is challenged in its very nature, being analogue, by the digital technology. This audience segmentation became more vivid with the inception of digital technologies such as digital DBS and digital cable. Digital television transmits/broadcasts images and sounds as compressed data, which means that more services can be delivered in less space. It is a more efficient way of broadcasting, as for example, on digital terrestrial a frequency channel used to broadcast a single analogue television channel can, with digital transmission, carry at least 4 digital services. In addition, the traditional over-the-air broadcasting began to adopt the digital technologies. In short, more channels lead to more market (audience) segmentation. Responding to these structural changes, electronic media companies in all areas such as over-the-air broadcasting, cable, and DBS had to use positioning strategies based on audience segmentation and for this aim they came to focus on brand management.

In order to attract more viewers and potential subscribers in an era of intensive competition, cable and satellite networks have to work on differentiation of its services. As such, features of enhanced TV become an important brand extension for cable networks. Enhanced TV has slowly been revolutionizing TV programming and changing the way viewers consume TV (<http://www.enhanced-television.com/>). Cable television programmers believe that enhanced TV can build viewer loyalty, increase retention and attract new subscribers (Fahey, 2000). As a manifestation of the convergence between television and the Internet, enhanced TV is expected to create a new world of hybrid media content encompassing e-commerce, information, games music, movies, and advertising (Arlen, 2000).

The convergence of TV and internet make enhanced ITV very competitive form of brand extension. The technological development and usage of internet shows that it is one of the most rapidly adopted media today. More importantly, the speed of adoption by consumers suggests that Internet needed only four years to reach 50 million of users, while TV needed thirteen years to reach the same number of users, radio thirty eight and computer sixteen years (Vukanovic, 2004:43). In addition, the market for home-based TV is about 35% larger than that of home-based computing (at 99% penetration of TV versus only 64% penetration of home computers in North America) (http://www.mcluhan.utoronto.ca/article_internettelevision.htm).

6. Use of the most important enhanced ITV services as brand extension

Interactive TV services represent a brand new phenomenon and a technology of the future. From marketing point of view, consumers have access to a range of interactive services and applications that are characterized to their relation to TV programs and their relation to Telecommerce. Professional utilization of enhanced ITV features subsequently improves market segmentation of the target audience of interactive CATV. In this respect, it is important to point out that presently there are four major types of enhanced TV features being used within enhanced ITV industry: 1) Programming-based features, 2) information-based features, 3) fan-based features, and 4) game-based features. Unlike with traditional broadcast analogue TV service, ITV makes available programming credits any time during the show instead of only at the beginning and/or end.

Moreover, as a manifestation of the convergence between television and the internet, enhanced CATV is expected to create a new world of hybrid media content encompassing e-commerce, information, games, music, movies, and advertising (Arlen, 2000; Baldwin, McVoy & Steinfeld, 1996). Furthermore, enhanced ITV provides dozens of practical services otherwise, scarcely offered or almost entirely absent from conventional broadcast TV networks. Some of the most important and useful enhanced ITV services, applications and types of programs which have already been experimented with and speculated in will be presented.

Some of the most important enhanced ITV services are: Catalogue browsing, Games-on-demand, Distance Learning, Electronic program guides (EPG) or Interactive Program Guide (IPG), Home banking services, Home shopping or the electronic shopping mall, E mail, Instant messaging, Instant shopping, Interactive advertising and product information, Interactive betting, Interactive Entertainment Guides, Interactive fiction or choose-your-own-story (ending), Interactive Game Shows, Interactive Multi Camera Angle Events, Interactive Music Selection, Interactive News Television, Interactive Program Guides, Interactive Video Magazines, Interactive Video Games, News-on-demand, Pay TV (Generally Pay TV is distinguished into three categories: a. Pay Per Channel, b. Pay-per-view (PPV), c. Pay/per/no/view), Photo display services, Polls/Surveys, Quizzes, Teleshopping programme, Telecommerce service, Video conferencing, Video on Demand (Video on Demand services tend to be available in three formats: a. Free VOD, which often includes Basic or Family Packs, b. Subscription VOD, where a separate monthly fee is charged. Examples are Showtime On Demand and HBO On Demand, c. Pay-per-view VOD, typically used to deliver movies on demand. Furthermore, VOD may be categorized as follows: Interactive Video On Demand, Near Video On Demand, Subscription Video on Demand, True Video on Demand and Quasi Video on Demand) and Wagering.

7. Conclusions and implications: The future trends of enhanced ITV advertising and marketing

The primary objective of this study investigates the factors and parameters affecting the assessment and evaluation of digital, enhanced, interactive and cable TV as brand extension. The explanatory variables of the study include functional analysis of reasons for late adoption of the extension brand concept in TV media, horizontal and vertical brand extension, dilution of the brand, features of enhanced ITV as brand

extension, media branding research and risks, possibilities of failure of brand extensions and the future trends of enhanced ITV advertising and marketing.

One of the major driving forces for interactive television is the commercial potential of interactive advertising, online shopping and interactive product placement (IPPL). Unlike traditional product placements (PPL), interactive product placements (IPPL) in an interactive television (ITV) environment delivers the advertising message only upon the consumer's request. As such, technological advances in IPPL offer marketers an unprecedented opportunity to target their advertising messages to those consumers that are most likely to be interested in them, while at the same time decreasing the information overload caused to the viewers by messages that are obtrusive and irrelevant to their information needs.

The birth of the World Wide Web (WWW) in 1993, particularly its graphical user interface, offered marketers opportunities that were previously unimaginable (<http://itv.eltrun.aueb.gr/theses/>). The WWW allows advertisers, advertising agencies and TV Channels to advance strategies of marketing activities and interactive marketing, as the user is actively involved in responding to the vendor's promotion campaign (Ibid). Following the case of the Internet, Interactive TV can be expected to revolutionize marketing practices and lead to a paradigm shift in the way advertising is developed, conducted, and analyzed. Interactive TV combines the appeal and mass audience of traditional TV with the interactive features such as those currently available on the Web and offers new possibilities for the viewer, who can directly access relevant information and other services being just 'one-click' away (Ibid). In this context, personalization of advertisements refers to the use of technology and viewer information in order to tailor commercials and their respective interactive content to each individual profile.

In sum, the potential for marketing and technological growth of enhanced cable ITV networks remains intensive as only 65% of the US and 50% of EU population predominantly use internet at home. Although, ITV industry appears to be in global terms still immature as compared to CATV and DBS services, at the same time facing many usability problems (expensive equipment, privacy and security issue), it has a considerable market potential due to its transformative nature to combine broadcast video, computing power and broadband Internet access (Rose, Dormann, Olesen, & Beute, 1999).

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