

Participation TV

U.K. Scandal Raises the Phone Bar in the U.S.

BY LEVI SHAPIRO

M eet rockstar wannabe Betsy Gallagher. The 42-year-old mother of two and school board member has another title: *American Idol* voter. "I let the kids send in one text... then I vote twice," she said. Participation TV (P-TV), in the form of voting and sweepstakes, has now reached the mainstream. The challenge is to maintain the trust of people like Gallagher in a changing business environment.

According to Nielsen, 180 million Americans send SMS text messages, an increase of 41 percent this year. And text voters are more like Gallagher than her 12-year-old son. Although teenagers may be pounding "OMG" and "TTYL" to one another on Instant Messenger, it is females aged 25-44 who are most likely to vote via text. "*Idol* changed everything," said Jason George, chairman of Telescope, which handles all the back-end text voting for *Idol*. Added Alecia Bridgewater of AT&T, *American Idol* was a "turning point for getting people who fall outside the youth segment into text messaging."

In the U.K., where Participation TV has a longer history, the industry is embroiled in controversy. In November 2006, a child at the children's show *Blue Peter* was told to pose as a caller and won a prize. Similarly, U.K. breakfast broadcaster GMTV was fined £2 million for inconsistencies with its phone-in quizzes. This led to the June 2007 Ayre Report from U.K. regulator Ofcom, which recommended that broadcasters be held directly responsible, under threat of their broadcasting licenses, for all P-TV compliance. As a result, text voting in the U.K. is now either free or non-premium (i.e., standard text rates).

Suhail Bhat, Policy Initiatives director at the London-based Mobile Entertainment Forum, a global industry association for companies putting content on mobile, is leading efforts to create a framework, both in the U.S. and U.K., for best practices. Said Bhat: "Interactive services have a great future. The framework will ensure that consumers can use their mobile phones to vote or enter competitions with complete confidence."

Advertisers will have to play a more significant role. U.S. carriers (such as AT&T, Verizon, Sprint and T-Mobile) are reluctant to jeopardize the \$50 or so they extract each month per subscriber (Average Revenue Per User or ARPU is the measurement for how much each subscriber spends on all mobile services, both voice and data. In the U.S., mobile ARPU is around \$55 per month) or to take unnecessary customer service calls, which typically cost \$8.50 per interaction. Philippe Poutonnet, director of Marketing at Singlepoint (the company handling about 60 percent of premium texts for broadcasters), cites innovative advertisers such as L'Oréal, Pepsi and Ford as companies who recognize the value of interacting with their consumers at the bottom of a

confirmation text.

Done well, Participation TV augments the "stickiness" that connects a viewer to a show. Paul Martin, executive director of Participation TV at the Santa Monica, California-based Game Show Network (GSN), wants to expand quiz shows like GSN's *Play Mania* to develop indigenous P-TV concepts. "It can't feel bolted-on. Any form of P-TV has to enhance the program. It would be quite cynical to just focus on revenue," he said. Kai Buhler, general manager of MindMatics (one of the aggregators ensuring all the votes are tallied and the back-end functions properly) agreed. "It is really important for producers to incorporate interactivity at the earliest stages of development".

However, there is still plenty of



Jason George, chairman of Telescope

revenue in Participation TV. In the U.S., the December 5, 2007 return of *Deal or No Deal*'s Wednesday version achieved a response rate of over one million votes. That is almost 10 percent of viewers.

Another show with an impressive response rate is cable TV network BET's *Take the Cake*, which earned more Q3 U.S. PSMS (Participant SMS) revenue than any other show (*Deal or No Deal* was on hiatus). In a segment of \$50 million revenue, *Take the Cake* took 10 percent of revenues and nearly twice as much as its closest competitor, *Hell's Kitchen*. Martez Moore, general manager of BET Mobile, considers PSMS "ancillary to our model. There is a natural platform convergence for our [18-34, urban] demographic. Our programs include multiple mobile executions," he said. While Betsy Gallagher in Atglen, Pennsylvania may send an occasional text for *American Idol*, a majority of BET's 18-34-year-old viewers of *106 & Park* (BET's most popular music video show) watch television with their laptops open and cell phones on.

These numbers are still miniscule compared to the 50 million "free" texts sent last year to *American Idol*. Telescope's George believes the industry is overlooking long-term consumer value. "The major mistake has been to focus on revenue rather than Customer Relationship Management (CRM). TV is great at acquiring people, but we don't do anything with that response. This is about building a behavioral-based relationship over time."

The challenge for all broadcasters is how to turn passive viewers into active customers. BET's Moore also advocates the long-term role of CRM in Participation TV. "Once a deep body of data has been gathered it will help us understand lifetime viewer value. Today, we have a core group of roughly 20 percent hard-core users that drive a disproportionate amount of volume and traffic. Future efforts will address the other 80 percent."

Participation TV is at a crossroads. Producers, broadcasters, advertisers and network operators have an opportunity to increase engagement with their consumers. The challenge is to maintain a credible environment that appeals to people like Betsy Gallagher. ●



American Idol received 50 million "free" texts last year