

Making interactive digital television profitable in Africa – pipedream or possibility?

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1. Overview

It has been famously declared that people tend to overestimate the impact of technology over the next 2 years, and underestimate its impact over the next 10 years. The same applies to the internet and interactive TV.

Interactive TV (iTV) was much hyped during the technology, media and telecommunications boom of 2-3 years ago as the next big thing in television broadcasting. It was regarded as a viable business in its own right, which would bring in large new revenue streams which would eventually overshadow traditional revenues derived from advertising. In anticipation of this, broadcasters structured their businesses in such a way as to make interactive TV a separate business on its own. “Open...” in the UK, was a stand-alone company set up to run interactive services on the Sky platform. Shareholding in “Open...” included HSBC and BT and BSkyB. However, it soon became clear that this business model was flawed, and “Open...” had to be dismantled. Interactive services were later re-launched as an integral part of BSkyB's mainstream television service.

For iTV to be successful, it not only has to be integrated into the television business but it must not take the viewer from the programme he is watching, and its content should, as far as possible, be related to the programme being watched. The true benefit of iTV is in providing value added content to subscribers and thereby retaining their loyalty.

2. Future Set Top Boxes

The evolutionary path of the set top box (STB) or decoder is not unlike that of the personal computer. Prices have been systematically coming down while processing power has been going up. In general, the next generation of STB's is likely to have the following features: -

- More processing power and memory capacity
- Hard drive storage disk
- Dual viewing capability i.e. simultaneously viewing 2 different channels on one set top box (using 2 TV sets)
- A second smartcard slot

- Video on demand (VOD) capability

3. Return Path Challenges

- The return path – enabling the subscriber to make a transaction e.g. post a vote, send an email, purchase an item – requires a telephone line and a dedicated modem. Some of the challenges in a successful implementation of the return path in Africa are listed below:
 - Distance from house
 - Distance from the power wall socket
 - Capacity of ISP's local POP infrastructure.
 - Making a long distance call if there is no local POP
 - Bandwidth limitation

4. T-Commerce in Africa

- The most common form of T-commerce on the television platform is shopping, although there are other prevalent forms of T-commerce such as banking and online travel. For T-commerce to be successful it must satisfy the following criteria:
 - It must not seek to emulate the internet i.e. offering a large inventory of items and allowing the viewer to browse, internet style, through a vast library of offerings.
 - Instead it should offer a smaller list of products for sale. These products must be continually changed to keep the list fresh.
 - Price specials must be offered
 - Delivery must be reliable and within stated time frames
 - The transaction (i.e. credit card details) must be secure.

In a pan African context there are further challenges, given the issues of distance and the existence of borders between countries. For example, the cost of freighting (shipping) an item from South Africa to Nigeria, as well as the inevitable customs duty which will be levied make television shopping an unattractive proposition for someone living outside South Africa.

Although still in its infancy in SA, TV shopping is showing great promise. The statistics indicate a steadily growing month-to-month usage pattern.

5. Retaining Viewer Loyalty

In order to ensure repeat usage of interactive services, it is important to provide those services, which subscribers will enjoy. Experience in Europe and the USA has demonstrated that the following interactive services are the most popular among subscribers:

- Enhanced television
- T-mail
- Games
- Voting
- Betting and gaming
- T-Commerce

By far the most popular form of interactive television is "enhanced TV". Enhanced TV is when the programme being watched contains - at the click of a button - embedded information related to that programme. This information is usually in text and / or graphic format. Some examples of enhanced TV on the DStv platform include the following:

- SuperSport Zone
- Nedbank Challenge Cup
- Big Brother

6. The Revenue Model

6.1. Is the consumer prepared to pay?

While the consumer will pay for interactive content, provided it is compelling enough, interactive TV is unlikely - in the short term - to be a significant source of revenue streams. However it is a powerful tool for retaining subscribers. Notwithstanding the comment above, subscribers will be willing to pay for services such as games, betting T-Mail and TV-shopping. The challenge for the broadcaster is to achieve widespread and ubiquitous usage of interactive services in order to obtain significant contribution to revenue.

6.2. Interactive adverts on television have not taken off. The concept entails watching an advert and being able to click on an icon and making a purchase or getting more information on the product being advertised. The incidence of interactive adverts will increase once the adoption of interactive television is more widespread.

6.3. The value proposition for content and infrastructure

The pay television operator would receive the following revenue streams from the subscriber for interactive services:

- Flat monthly fee (e.g. for T-mail), shared with ISP
- Pay per usage (e.g. games), shared with content provider
- Premium rate for return path (shared with telephone line provider)
- % Share of transaction (TV-shopping)
- Hosting fee

At present the real benefit for advertisers on the interactive platform is visibility and to drive viewers to the store or website (e.g. banks)

7. Conclusion

In summary, interactive television in the next 2-3 years is not going to be a significant contributor to pay television revenues (or even free to air TV). Instead it is going to increase customer satisfaction and hence customer loyalty – i.e. customers will not readily defect to competitors.

However in 5-7 years time, interactive TV will have come of age and will enjoy widespread usage in households with a digital set top box. Interactive revenue will begin to contribute significantly to the average monthly revenue per user (ARPU).

Interactive television has arrived and will indeed become the next big thing in television viewing since the introduction of the VCR in the early eighties.
