

HOW SMS ACCELERATES THE INTERACTIVE TV BUSINESS

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Abstract

Interactivity among all participants is an essential issue in any value generating system. It will still take some time before the consumer frequently participates actively in digiTV. While the technology will still need some time to become ready for the mass market, the consumer needs to climb up the learning curve at the same time.

However, looking at an estimate of 10 billion € revenues in the SMS business for Western Europe in the year 2001 (Wireless Week 2001), it shows clearly a good evidence of profitable interactivity. Consequently, the first successful business models in digiTV will most likely be designed around the well-known SMS. The consumer already knows how to use SMS and is willing to pay for using it. This is inevitably a good and promising example of a profitable cross media application leading towards media convergence.

This paper will introduce some successful cases, linking interactive television content and SMS technology. Potential business models utilising SMS for voting, feedback on TV programs, merchandising (like ringing tones and logos) or Teletext chats, as we do have already now on the analogue TV. A closer look at selected cases will outline success stories. Different types of television content are classified in order to uncover the most promising SMS business models.

Keywords

SMS, interactive TV, digiTV,

WHAT IS INTERACTIVE TELEVISION

Usually the term interactive television (iTV) focuses on the technology, enabling a passive viewer to become an active user. Often the expression digital television, digiTV or DTV is used in the same manner where the ‘digital’ simply emphasises the technology, which contrasts the currently widespread analogue one.

(Whatis.com 2002) sees iTV as ‘television that allows the viewer to interact with the television set in ways other than simply controlling the channel and the volume and handling videotapes’. The idea here is not being limited by technology. However, (Whatis.com 2002) adds an additional technology constraint by underlying ‘Interactive TV involves adding a special set-top box to the existing television set.’

A similar definition gives (iTV Dictionary 2002) by describing iTV simply as ‘TV with interactive content and enhancements’. This, less technology focused definition points at the right direction, but (iTV Dictionary 2002) assumes also, there is no interactivity without technology when requiring further communication ‘through a network, such as the Internet’. This definition, however, does not exclude SMS.

The possibilities of iTV are virtually unlimited. From choosing different camera angles and thus becoming a program director oneself via communication through e-mail, messaging or SMS to Video on Demand (VoD); iTV has many faces. However, the enabling switch, from leaning backwards to lean forwards is not the technology itself. The content is attracting the people, not the pure technology. Therefore, we will define interactive TV as following:

“The term interactive TV (iTV) refers to all sorts of content, which is brought to a television set in order to motivate the TV user to actively respond to the content by any means.”

These means are:

- **Telephone**
TV viewers simply call to a certain number. The phone calls are counted and the TV program adjusted to the counts. A very simple but effective way to achieve user interaction; especially, when the result is visible during the same program. The Soundmix Show from Endemol created 1988 a total breakdown of the public switched telephone network in the Netherlands.
- **SMS**
The role of SMS will be discussed in this paper.
- **Set-top box (with return path)**
A return path enables true interaction with generation of revenues. The viewer can interact in real time with other people or entities. Applications running stand-alone on the set-top box usually allow revenues only through subscriptions.

- **Internet**

The most common is the option to write an e-mail to the creators of a certain TV program. Companion web pages are nowadays rather a rule than an exception.

- **Postcard**

No technology is needed to win a price by voting a favourite movie, for instance. In our broad view of interactive TV, the good old postcard is indeed a feedback channel for iTV.

WHY SMS IS IMPORTANT FOR TV

In Western Europe, virtually every household owns at least one TV set. Additionally the penetration of mobile phone sets varies in major European countries 62 % (Gartner 2002). With a figure of 77 % for Finland and Sweden in 2001 and Norway already on 82 % (Statistics Finland 2002); it can be said that here already virtually every household has a mobile phone available. Thus, using SMS technology as a channel for revenue generating user feedback is a logical step. For now, in most countries the mass still cannot respond to the broadcasted program by simply pressing a button on the remote control. Therefore, SMS is a good way to develop the user interaction learning curve. Both, broadcaster and viewers are learning.

By linking SMS to their programs, broadcasters take several benefits. Usually these are non-monetary benefits. SMS allows getting a good *consumer feedback* in real time. The viewer response offers some insight on how compelling the program is. If the response keeps on decreasing in every broadcasted show, the program concept may be revised. The case 'No Tinc Paraula' (I have no word), which we will discuss later, increases *program loyalty*. Viewers switch to the channel right in prime time in order to follow a 30 seconds micro show, whether they want to play actively or just guess the solution. This also increases the *branding* of the channel. Additionally, more viewers allow higher charges for the advertisements. Another way to bind viewers is to involve them. Big Brother is probably the best-known case.

Finally yet importantly, there are *monetary revenues* as well. Doubtless, a motivator for many undertakings. These revenues however, must be shared with the mobile phone network operators, who themselves do not do much but just enable the SMS communication. Operators neither provide content for the broadcaster, nor run a certain TV program.

CASES ON LINKING SMS TO TV

Chat and Communication

Nowadays many channels offer a TV chat. They might be combined with the well-known Teletext system, like RTL does it in Germany as shown below in Figure 1. This Teletext chat is the biggest one of Europe, creating up to 180 000 SMS every day and as much as 16 000 SMS per hour by generating up to 42 000 € revenues for the mobile phone operators only (PRWeb 2002). The impact leads to an increase of the operators Average Revenue per User (ARPU) by 0.2 €.



Figure 1. RTL chat Teletext

Chat is probably the simplest way to create revenues on TV through SMS. However, why people participate is another question. Firstly, one reason is an ‘I am on TV’ effect. For just a few cent one can put his or her own content on air, reaching millions of people. A further effect is being anonymous. Whatever one writes, nobody knows from whom it is. Consequently, these chat TV contents are frequently somewhat pornographic and usually deal about dating and related topics. Yet, these services are highly profitable as the RTL example proofs.

Interactive SMS based games on TV

The Finnish cable channel SubTV is a quite small and experimental channel. Owned by Alma Media it has in Finland a penetration of only 0.8 % (Frantic Media 2002). Not much compared to the 39 % penetration Alma Media’s MTV3 gains (Alma Media 2003). This gives SubTV the chance to become a playground for new ideas.

In February 2002, SubTV launched an interactive game called *WaterWar*, shown on the channel (Frantic Media 2002). *WaterWar* is an interactive multiplayer game for some 30 players. Players register with an SMS by choosing a personal nickname, move their figure around the playground via SMS and can send some chat messages in order to cheer up other players. A round in this game takes about 8 minutes. It turns out, that players are able to send as much as four SMS per minute! Even for non-player, the game is an interesting content. SubTV has enhanced its game program with a variety of other games. *Astronautti*, for instance, lets players destroy earth-threatening meteoroids.

Game shows

For engaging viewer and increasing their attention, game shows provide a good concept, easily to extend on SMS activities. The German version of *Who wants to be a millionaire?* for example, allows viewers to compete with an SMS version of the show. Of course, also in other countries are several types of game shows extended to the SMS area.

I against 100 is an example from the Belgian broadcaster VMMA (Vlaamse Media Maatschappij). As the name suggests, in the show one out of 100 candidates will remain as a

winner by answering up to 8 questions from easy to difficult. With 700 000 viewers, the show has a 30% market share (VMMA 2002). Viewers can play the game at separate sessions, starting at a specific time announced via SMS. After each round, an SMS is sent to the players naming the percentage of dropped out players and, in case of a wrong submission, the correct answer. In 50 gaming sessions within one month time, VMMA reaches 110 000 unique players representing more than 15 % of active viewers. Each player sends an average of four SMS per session.

Voting

There is probably no better example how to involve and engage viewer than Endemol's successful production Big Brother. Big Brother is on air in 21 countries (Big Brother 2002). The concept is simple and allows people to be the program director. A certain amount of people lives for a specified time (some weeks) together in a house. TV cameras observe every move they make. Every week the viewers decide who drops out and the inhabitant remaining at the end receives a valuable price.

The UK broadcast of the 3rd Big Brother run on Channel 4, for instance, let the costumers of the British operator O2 generate a total of 6,6 million SMS by July 2002 (Media Guardian 2002); the eights week of that year Big Brother broadcast. Half of these SMS are votes costing £ 0.25 each and the other half goes to ringing tones and logos.

TV made for SMS

Instead of enhancing existing concepts, SMS allows also to come up with new program concepts designed for and around SMS with the purpose of using SMS as an interaction channel for the viewer.

Remarkable is *No Tinc Paraula* (I have no word), a 30 second micro show from Televisió de Catalunya. This show is broadcasted daily in prime time. The audience is encouraged to guess a word. Known is as well the length of the word as the first and the last character. Additionally, some clues are given. This 30 seconds generate usually some 6 000 SMS with peaking to 43 000 on a special edition of the show (TelecomTV 2002).

A new development on TV entertainment are so 'location-based real-world interactive mobile games' such as Endemol's 'Special Forces' (Europemedia 2002). Here, the viewer is actually playing a game along with other players. The game takes place in everyday live, while the TV program itself represents simply a review on the latest game status. In this case, the interaction is not only focused and or limited to the actual broadcast time.

VALUE CHAIN

As mentioned earlier, the mobile phone network operator does not do much but transmitting the SMS. However, the operator has a functioning billing infrastructure, but it virtually is available at no extra cost. TV based SMS revenues have initially not been in mind and therefore not been a factor when establishing the SMS billing infrastructure. Still, without the

operator, no SMS can be sent and network operators consequently charge a good share of every TV related premium rate SMS.

Based on a TV game show, an example explores how the revenues are shared among the partners (Dialtone 2002).

Table 1.

SMS premium rate after tax	0,78 €
Network operator	- 0,27 €
remaining	<u>0,51 €</u>

The remaining 0,51 € are equally split to 1/3, or 0,17 € respectively among:

- Application / Service provider
- TV Channel
- Program producer

In this case the operator takes approximately 35% of the revenues.

In the case of 'No Tinc Paraula' it is 0,39 € out of 0,9 €. However, after all costs, the profit margin holds here on a respectable 54 % (CCRTV 2002).

FUTURE PROSPECTS

In future, consumer will send even more SMS than they do today. In 2002 the number of sent SMS is estimated to 360 billion (GSM World 2002). A number, which is likely to grow in the next years.

With EMS (Enhanced Messaging Service) an open standard, interoperable among major Nokia competitors (namely the EMS creator Alcatel, Ericsson, Motorola and Siemens) (Web Corp 2002a), the download of ringing tones and icons is not limited to Nokia's Smart Messaging Protocol compatible phones. Multimedia Messaging Service (MMS) adds pictures, sound and uses "Wireless Application Protocol (WAP) as bearer technology and powered by the high-speed transmission technologies EDGE and GPRS." (Web Corp 2002b).

Alongside with these new technologies, also mobile phone based TV interactivity will become even more popular. Despite the technology, SMS with its 160 character limitation will remain as the most popular tool. However, its use is still complicate. The standard 12 button mobile phone was simply "not designed for complex tasks like entering text messages" (Facella 2002). Content providers have to find solutions making the usage of mobile phone as simply as possible.

Looking at the emerge of Java enabled mobile phone, handling downloadable applications and recalling the step towards 2,5 and 3G networks, there could be a killer application out there. Rather than asking the consumer to type a series of characters in complicate manner, a companion application, tailored to the broadcasted program offers a more compelling interface. The risk of incorrect formatted SMS possibly sent to a wrong number will be

reduced. More consumers can be attracted. Additionally, the combination of TV and downloadable companion games, charged at premium rate, could generate a new additional revenue stream. Once the growth of SMS comes to a stop, the SMS opportunity will be understood as a complicate 160 constrain. Though, EMS and MMS do enhance here, they basically follow the SMS philosophy and might become less important for interactive television. Java applications for mobile phones provide here better customisation with better interfaces.

CONCLUSION

Clearly, SMS is an excellent way to activate passive viewers. Above described cases show, how broadcasters, service providers and network operators generate additional revenues. There is no doubt that SMS is a major step in making television more interactive. EMS and MMS will continue this trend.

However, SMS is mean and not a goal. There will be other technologies. The mobile phone is designed for dialling numbers not for typing alphabetical characters. As long as new user-friendly hardware and new software interfaces are lacking, SMS will not grow to its full potential. Further more, while technology changes and improves, SMS might also become obsolete as a technology.

Interactivity, as we have shown, works even with a postcard. The lesson to be learned is therefore not to focus only on technology. In order to motivate the television viewer to become an active TV consumer, content remains as the critical factor.

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