



## **Television's New Best Friend: The Mobile Phone**

Analyzing the Mobile Phone's Influence on the Emerging  
Trend of Interactive Television

**Business Whitepaper**

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## **Is Television Dead?**

Is broadcast television, our beloved friend who brings us hours and hours of entertaining programming, about to face an untimely demise? Many technology and television executives think the answer to this question is “yes” and have weighed in with their opinions on this subject over the past few years:

*“Let’s just declare TV dead and move on.”* – Headline from Michael Arrington, TechCrunch editor<sup>1</sup>

*“TV is over. If people are interested, they’ll watch. On their time (or their boss’s time). They’ll watch online, and spread the idea. You can’t email a TV commercial to a friend, but you can definitely spread a YouTube video.”* – Seth Godin, bestselling author, entrepreneur and marketing expert.<sup>2</sup>

*“Traditional TV won’t be here in seven to ten years. It’s changing so fast that I don’t know if it’s even going to be that long.”* – Kim Moses, co-producer of CBS’ popular Ghost Whisperer<sup>3</sup>

*“85% of all video we watch is pre-recorded, so you can set your system to download it all the time,” he said. “You’re still going to need live television for certain things - like news, sporting events and emergencies - but increasingly it is going to be almost like the iPod, where you download content to look at later.”* – Vint Cerf, Vice President, Google, (aka “Father of the Internet”)<sup>4</sup>

## **My Computer Killed My TV**

What is leading so many to predict the demise of traditional television viewing? Recent statistics citing significant growth in online viewership of programming that previously could only be viewed on televisions has led to prognostications of broadcast television’s demise. A recent press study by consumer information company, Knowledge Networks, found that 11% of U.S. adults, ages 18 to 34, now watch TV online at least once a week<sup>5</sup> and a study by Nielsen Media Research found online television viewership was up nearly 6% from 2007 to 2008.<sup>6</sup> This trend appears to be even larger in Europe where a study by Motorola found that 45% of European broadband users now watch at least some television online<sup>7</sup> and another Accenture study found that one in three adults in the European countries surveyed access programming via alternative devices, such as cell phones and computers, in an average week.<sup>8</sup>

## Changing Audience Viewing Patterns

This move towards online viewing is a direct result of changing audience viewing patterns. Modern technology, including digital video recorders (DVRs) and the fact that all of the major U.S. TV networks post at least some of their programming online, is making it easier than ever for people to choose when they want to watch their favorite programming rather than be tied to their television sets at the time the show airs.

Although one could argue that the number of people viewing television programming online is still small, the trend towards using the Internet to watch a video or online TV is certainly growing. It is clear that more and more people are turning to computers for programming entertainment. ABI Research found that from 2007 to 2008, the number of U.S. consumers who had watched a video streamed through their Internet browser doubled from 32 percent to 63 percent<sup>9</sup>. This change in audience viewing patterns is predicted to continue to grow in the future. A recent study by eMarketer stated that the U.S. audience for online video will increase from 154.2 million in 2008 to 190 million in the U.S. by 2012.<sup>10</sup>

### US Online Video Viewers\* and Online Video Advertising Viewers\*\*, 2007-2012 (millions and % of Internet users)

	Online video viewers*	% Internet users	Online video advertising viewers**	% Internet users
2007	137.5	73.6%	111.4	59.6%
2008	154.2	80.0%	129.5	67.2%
2009	167.5	84.1%	144.1	72.3%
2010	176.0	85.7%	154.9	75.5%
2011	183.0	86.8%	164.7	78.1%
2012	190.0	88.0%	174.8	80.9%

*Note: at least once per month; \*downloads or streams video (content or advertising); \*\*views any form of video advertising (in-stream, in-banner, in-text)*

*Source: eMarketer, November 2008*

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www.eMarketer.com

## TV: Back and Better Than Ever

However, contrary to what many have predicted, traditional broadcast television viewing is not suffering from this growth in online viewership. The Nielsen Company reported that American television viewers watched approximately five more hours of television in 2008 than in 2007, or 142 hours a month on average.<sup>11</sup> In fact, Susan Whiting, vice chairperson, Nielsen, noted that "TV use is at an all-time high..."<sup>12</sup>

Monthly Time Spent in Hours:Minutes Per User 2+					
	3Q08	2Q08	3Q07	% Diff Yr to Yr (3Q 08 to 3Q 07)	Absolute Diff Yr to Yr (3Q 08 to 3Q 07)
Watching TV in the home*	142:29	140:39	136:54	4.1%	5:35
Watching Timeshifted TV*	6:32	6:10	4:17	52.5%	2:15
Using the Internet**	27:18	26:32	25:49	5.7%	1:29
Watching Video on Internet**	2:31	2:12	n/a	n/a	n/a
Mobile Subscribers					
Watching Video on a Mobile Phone^	3:37	3:15	n/a	n/a	n/a

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What did broadcast television do to increase viewership? It became interactive. Broadcast television changed from a passive viewing experience to a medium where active audience participation was encouraged. Television viewers no longer simply watch TV; they now interact with the shows they are viewing. While this evolution towards “interactive television” is not yet complete, television is clearly leveraging social networking techniques to usher in a new era of ‘social viewing’ where people use technology to share opinions and express views on their favorite television programs while they are watching them.


How did this evolution happen and will it be enough to maintain the popularity of broadcast television in the future? Surprisingly, the answer cannot be found by examining the television medium itself, but rather through the analysis of television’s new best friend: the mobile phone.

## **The Influence of the Mobile Phone**

With over 4 billion subscribers worldwide<sup>13</sup>, the mobile phone has become one of the most influential technologies in history. 60% of the world’s population now has access to a mobile phone<sup>14</sup> and, in the U.S., three out of five mobile phone owners say that they keep their phone with them at all times, including inside the home.<sup>15</sup>

### **Mobile Phone: Friend or Foe?**

The dramatic reach and influence of the mobile phone could pose a threat for traditional television. Television viewing from a mobile device is on the rise with The Nielsen Company reporting that Americans were viewing an average of 3 hours of television programming a month on their mobile phones. In fact, at first glance, the mobile phone appears to be just as threatening to traditional television viewing as the Internet.



However, a deeper look at the experience of mobile television reveals several shortcomings that could stall its adoption by mainstream consumers. First, the mobile phone's small screen size makes it difficult to view for long intervals, a fact that will likely prevent it from becoming a true mass market alternative to traditional television. In addition, even with the best network connections mobile TV watchers often face delays of as long as 40 seconds as the broadcast signal is repackaged and retransmitted for mobile use.<sup>16</sup> This makes the mobile phone an especially poor alternative to the television for live broadcast events.

### **Television's New Best Friend: The Mobile Phone**

However, the mobile phone's data communication capabilities, including text messaging, mobile instant messaging, and mobile social networking, offer viewers new ways to interact with their programming when used *alongside* traditional broadcast television.

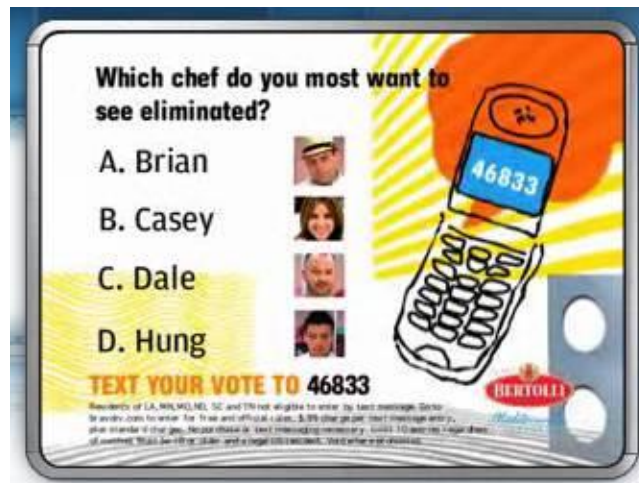
### **Engaging the Audience through Interactive Television**

Already we have begun to see both major networks and cable channels explore the potential of the mobile phone as a key partner in bringing about the future success of television. From text voting on *American Idol* to Twittering on *CNN*, the growing symbiotic relationship between mobile phones and televisions seems increasingly evident. While the mobile phone offers a wide variety of potential features that, when combined with real-time television viewing, make the promises of interactive television a reality, the following examples highlight some of the most successful uses of this partnership to date.

### **Text Messaging Kicks Things Off**

The most popular data service on a mobile phone is Short Message Service (SMS). 65% of Americans are now active users of SMS texting<sup>17</sup> and a recent report by Portio Research found that "SMS has generated revenues of 89 billion USD in 2008, and the world has seen traffic of almost 3.5 trillion SMS messages in 2008."<sup>18</sup> In addition, they forecast that the use of text messaging will only continue to grow predicting that "SMS will become a 100 billion USD business by 2010, and worldwide total traffic will reach almost 5 trillion messages in FY 2011, and growth will continue from there."<sup>19</sup>

Voting via SMS has become a common feature of many television programs allowing users to not only watch a television program but voice their opinion as well. In some cases, this form of voting has even influenced the outcome of the program. For example, *American Idol*, the FOX network's popular singing competition, selects the show's winner by encouraging television viewers to cast their vote via a variety of different methods, including SMS. According to The Nielson Company, this interactive feature was so effective that the average *American Idol* voting participant voted via text message 38 times in April 2008. Other programs, such as the Bravo network's *Top Chef*<sup>20</sup> and *Top Design*, use similar SMS campaigns to encourage the audience to respond to questions such as "Who should be voted off?" and then air the results of the polling later in the broadcast.



Due to the widespread popularity of text messaging and the worldwide interoperability of this mobile phone feature it is expected that text messaging will continue to be one of the first interactive capabilities that many television programs employ. It offers an inexpensive and relatively straightforward foray into the world of interactive television for many broadcasters using a medium that is proven effective.

### **Social Viewing: Making Your Opinions Heard with a Tweet**

However, text messaging is only the first area where mainstream consumers can expect to see the combination of mobile phones and televisions impact their viewing experience. Advancing beyond text messaging, social networking sites, like My Space, Facebook, and Twitter, which offer a mobile component to their service, are also integrating with television shows to enable viewers to express their opinions on the program they are watching in real-time. By using mobile phones to unite television programming with social networking, viewers can watch TV in groups, even when they are miles apart from one another, and chat with their friends about the programs by logging into their online profiles all from the convenience of their couch.

CNN is one of the first networks to attempt to engage new audiences by leveraging mobile social networking technology. They are using micro-blogging site, Twitter, to enable viewers to comment on programs or ask questions using Twitter's 140 character message limit.

Viewers who are sitting at home or in an airport watching CNN programming, such as *Rick Sanchez Direct*, can turn to their mobile phone to type (or 'tweet') out a quick question or comment using Twitter Mobile. Within seconds these viewers can then see their name and message being displayed and responded to on the show.

CNN is also intelligently leveraging mobile social networking for covering large news events. For example, on the day of President Barack Obama's inauguration, CNN partnered with social networking site Facebook for the event to enable Facebook users to watch a live broadcast of the speech on CNN.com while viewing comments from their Facebook friends on the same screen. Facebook reported that they experienced more than one million status updates that day<sup>21</sup>, many performed via Facebook's mobile phone applications.



These numbers serve as a clear testament to the fact that viewers are responding positively and in large numbers to the opportunity to use their mobile phone to 'socially view' and comment about television programming with other audience members. Instant feedback, increased viewership, and a loyal audience of engaged mobile participants are just some of the benefits that CNN and other networks can expect to see as they continue to roll out these types of interactive television features in the future.

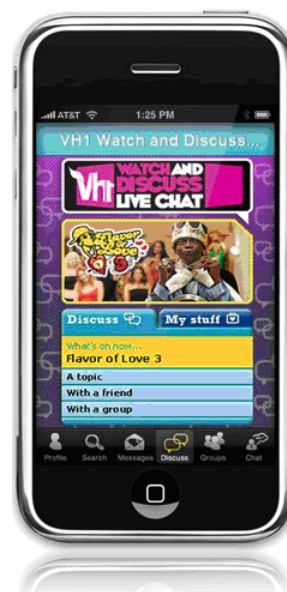
## The Next Big Thing: Mobile Instant Messaging

It is clear that text messaging and mobile social networking are both experiencing tremendous success as they are paired with television broadcasts. The question now becomes what will be the next mobile technology to engage audiences and spur the interactive television movement? The answer seems to be pointing towards mobile's newest darling: mobile instant messaging

(MIM) and mobile chat rooms. Mobile instant messaging enables mobile phone subscribers to instant message one another using their device's wireless network. This technology enables subscribers to engage in a mobile phone experience similar to the online chatting experience consumers have using AOL, Windows Live, Skype or other instant messaging services via their computer's Internet browser. It is also used to enable group chat applications and message board services where multiple people can post their comments and opinions.

MIM is still a relatively new technology and has previously been hindered by interoperability problems between wireless operator networks and slow connection speeds. However, a recent study now puts MIM users at 111 million worldwide and growing.<sup>22</sup> MIM is particularly popular with the youth demographic and is predicted to reach 867 million users by the end of 2013.<sup>23</sup> More importantly, those who use MIM seem to prefer it as their messaging format of choice. A recent TNS Global Telecoms Insight (GTI) study, which interviewed 17,000 respondents across 30 countries, has found that "once mobile users adopt mobile instant messaging and chat services it overtakes other SMS, MMS, and email messaging tools to become the primary non-voice method of interacting on the phone."<sup>24</sup> Among those who use MIM, it is the most used feature on their phone: 61% use it daily, compared to only 55% who use SMS daily and only 12% who use email on their mobile."<sup>25</sup>

One television channel who is using chat technology to engage their audience and drive new viewers is VH1. VH1 launched their "VH1 Watch and Discuss Live Chat" mobile application with mobile application development agency, Mobui, in November of 2008.<sup>26</sup> Since then, VH1 has used the service to host moderated mobile group chat sessions between viewers and contestants who were voted off VH1 reality programs, such as *I Love Money 2*. With "VH1 Watch and Discuss Live Chat" viewers can watch the first repeat airing of an elimination show and then use their mobile phone to instant message fans of the shows, their friends, and even the star who was kicked off the episode during the original broadcast. This not only offers users of the service a unique insight into the behind-the-scenes events of the show but it also drives increased viewership for VH1's repeat airing of the broadcast. This is an intelligent promotional use of the mobile phone to offer additional program features to television audiences and is expected to be used by other reality shows in the near future.



## Your New Remote Control: The Mobile Phone

Text messaging, mobile social networking, and mobile instant messaging are all examples of services that television broadcasters can use to create an interactive experience with their audience. Is it possible to take the next step, however, and use the mobile phone to completely take control of your television? Maybe that idea isn't ready for the masses yet but digital video recorder (DVR) pioneer TiVo has taken a strong first step in that direction. In partnership with Mobui, TiVo launched a free mobile website that allows subscribers and non-subscribers alike to browse, search, and discover television shows and even schedule recordings to their TiVo box using only their mobile phone.<sup>27</sup>



Jim Denney, vice president of product marketing at TiVo Inc. commented on this move to focus on the changes in consumer television viewing habits by stating: "TiVo started out making television a more convenient, personal experience, and this is the next step to give television lovers total control over their media. Whether you are standing in line at the bank or talking about a new show with friends at dinner, you can now find and record shows whenever, wherever, a perfect tool for everyone."<sup>28</sup>

TiVo isn't the only company exploring the mobile phone as a tool for replacing the remote control. Apple launched an application for the iPhone called "Remote" that allows users to control Apple TV or iTunes audio and video playback using their iPhone.<sup>29</sup> How long before the iPhone becomes a universal remote to control the entire television viewing experience? Soon consumers could be throwing away their complicated, 50 button remote controls in favor of using one device - their mobile phone - to change television channels, vote on American Idol, post a Facebook comment on a CNN event, instant message with a VH1 celeb-reality star, schedule recordings to their TiVo box, and call their mom. This advancement would make the mobile phone not just a software partner with TV but its key hardware partner as well.



## The Future of Television

Broadcast television isn't safely out of danger yet. The growth of online Internet viewing poses a serious threat to its future that cannot be ignored. However, the steps that television broadcasters are taking to move audiences from passive viewers to active participants in the television experience are breathing new life into this medium. Through creativity and a focus on engaging the audience, broadcast television can not only survive but grow to attract a new, younger generation of viewers that have come to expect interaction.

Most importantly, to secure a successful future, broadcast television should continue to evolve in lockstep with its new best friend: the mobile phone. From text messaging to mobile social networking, the communication features that mobile phones currently offer, and will continue to introduce, provide television executives with a new opportunity to create an interactive experience for the viewer. By leveraging the mobile phone as a tool to attract new viewers and increase customer loyalty, television will continue to offer a relevant and engaging experience for millions of viewers worldwide both now and well into the future.

For more information or to schedule an interview on the influence of the mobile phone on the future of interactive television, please contact:


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