The Economist

Changing the channel

A special report on television | May 1st 2010

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Changing the channel

Also in this section

Television is adapting better to technological change than any other media business, says Joel Budd

ONE evening last year Steve Purdham noticed something odd. The flow of data into and out of We7, a British music-streaming website he runs, had abruptly slowed. An hour later it returned to normal. Such a sharp fluctuation usually means a server is malfunctioning—a potentially ruinous problem. But when engineers checked the computer system they found nothing wrong. So what could have happened between 8pm and 9pm on a Saturday night to cause such a sudden drop in use? Suddenly it dawned on Mr Purdham: "Britain's Got Talent" was on television.

At its peak that show drew 68% of all British TV viewers and notched up the biggest audience for any programme since 2004, when the English football team played Portugal in the European championship. It also turned Susan Boyle, a middle-aged Scot, into an international star. Video of Miss Boyle singing "I Dreamed a Dream" ricocheted around the internet and caught the attention of news outlets. The singer became a fixture of talk shows and tabloid newspapers, which dubbed her "SuBo". Her first album sold more quickly in America than any other by a female artist since Nielsen Soundscan began tracking music sales in 1991.

When it comes to mobilising a mass audience, nothing can touch television. On February 7th this year 106m Americans watched the New Orleans Saints defeat the more favoured Indianapolis Colts in the Super Bowl. The nation spent more time glued to that one match than it spent on YouTube, the most popular video-streaming website, during the entire month, according to ComScore. Remarkably, television can deliver these huge audiences even though it provides more choice than ever.

In 1992 Bruce Springsteen, a rocker from New Jersey, released a song called "57 Channels (and Nothin' On)". There are now hundreds of channels. A quick channel-surf through a basic cable-TV package in America turns up a weighty history of the civil war, a South Korean melodrama, a college basketball game, a Hispanic talent show, a congressional hearing, a zombie film, European football, an evangelical sermon and a documentary about a "half-ton teen". Many more options are available on demand with a few clicks of the remote control. The offerings are decidedly mixed, but there is always something on.

"There are not many genres that are not addressed any more," says Philippe Dauman, CEO of Viacom, a media conglomerate. "We try to think of new ones all the time." And where America has led, others have followed, often much more quickly. Until the early 1990s India had two state-run television channels, Doordarshan 1 and Doordarshan 2, which were best known for their amateurish dramatisa- ▸▸

Acknowledgments
In addition to the people named in this special report, the author would like to thank the following: Peter Bazalgette, Sean Bratches, Mike Fries, Eric Garland, Jeff Gomez, Steve Hasker, Erik Huggers, Bob Ishida, Charlie Kim, Emma Lloyd, Shishir Mehrotra, Griff Parry, Damon Phillips, Ben Reneker, John Rose, Geoffrey Sands, Mark Selby, Sue Shim, Jack Wakshlag and Alex Zafiroglou.

A list of sources is at
Economist.com/specialreports

An audio interview with the author is at
Economist.com/audiovideo/specialreports

tions of Hindu epics. It now has more than 600. In Britain the proportion of homes that receive multi-channel television has risen from 31% to 89% in the past ten years.

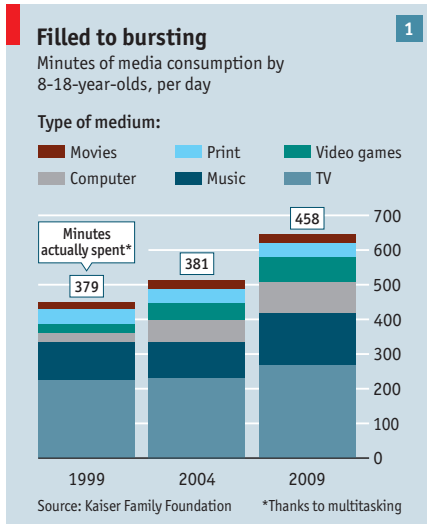
The box that delivers all this stuff has evolved, too. Televisions used to be squat cubes. Gradually they have flattened and turned into panels, and their screens have become sharper and brighter. They have spread to bedrooms, kitchens and even bathrooms (with heated screens to ward off condensation). The latest devices from Samsung and Sony are as thin as laptop computers. Television has gone online and become mobile. This year it will expand into the third dimension.

Predictions of TV's imminent demise have come and gone like fast-forwarded advertising breaks. In 1990 George Gilder, an American writer, claimed that by the end of the 20th century traditional television would be extinct because technology would enable consumers to track down programmes that catered to their particular interests. Bass fishermen would watch endless shows about bass fishing. Even the technological futurists found it hard to imagine the explosion of websites, social networking and mobile phones that was to come. Yet these things have not displaced television. Rather, they have squeezed around it.

More of everything

Look at Japan, a country that leads many technological trends. Last year Tokyo residents spent an average of 60 minutes a day at home consuming media on the internet or a mobile phone, up from just six minutes in 2000. But they also spent more time in front of the television: an average of 216 minutes, up from 206 minutes. Among young women, the group that advertisers most want to reach, television-watching went up more steeply. Admittedly their attention was not always fixed on the box. Many teenage girls send text messages on their mobile phones while watching television. "In Japan we like to do two things at the same time," explains Ritsuya Oku of Dentsu, an advertising agency.

Or take American teenagers. In 2004 the Kaiser Family Foundation reported that the average person aged 8-18 was spending almost six-and-a-half hours a day taking in some kind of media—television, films, music, video games and so on. By multitasking, they were able to cram eight-and-a-half hours of media consumption into that time. The researchers concluded that young people were "filled to the bursting point" with media. Whatever,



responded their subjects. When the study was repeated in 2009, young Americans were spending more than seven-and-a-half hours with media each day, an hour more than they had done five years earlier (see chart 1). Into that space they packed an astonishing 10 hours and 45 minutes of consumption. Among other things, they were watching more television.

"Report: 90% of waking hours spent staring at glowing rectangles," read a headline in the *Onion*, a satirical newspaper, last year. The joke contains a profound truth. Distinctions between glowing and rectangular television sets, computers and mobile phones are gradually disappearing. Televisions have long doubled as monitors for video-game consoles. More recently they became digital radios. Now they are turning into gateways to the internet. People who buy high-end televisions this year will discover that their new toys can obtain all sorts of things, from stock quotes to weather forecasts.

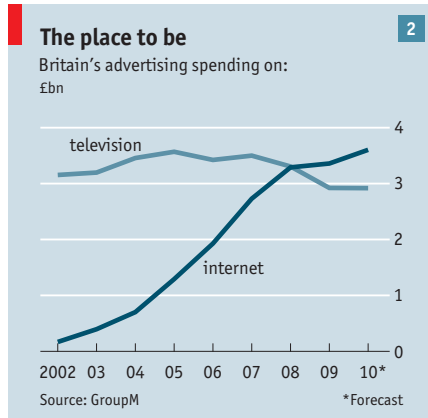
At the same time TV is moving beyond the living room. Many programmes can be viewed on computers, mobile phones and tablet devices like Apple's iPad. Video-streaming websites are becoming more professional, meaning they are both better designed and contain more proper television. Services like iPlayer, which carries BBC television shows, and Hulu, which distributes programmes from America's ABC, Fox and NBC, have grown in popularity. At first this success delighted people who earn their living from TV. Gradually they have become more alarmed.

Every media business that the internet has touched so far has come off badly. Recorded music sales have fallen steeply in value since Napster, a file-sharing website, appeared in 1999. The internet has drawn classified advertising away from local and regional newspapers, turning once highly profitable businesses into basket cases. Book publishers have watched helplessly as online retailers and e-readers have driven down prices.

The internet tends to disaggregate media products, breaking music albums into tracks and splitting magazines into their constituent articles. It also disintermediates by bringing content directly to consumers, sometimes by means of piracy. Online, people can pick and choose the content that interests them without paying much for it. One of the most harmful things about the internet as it has evolved in the past few years, says Jeff Bewkes, the boss of Time Warner, one of the world's biggest media firms, is the assumption that charging for content is hostile to the consumer. As the saying goes, content wants to be free—or, at least, paid for only by advertising. "We already tried that," says Mr Bewkes. "It was known as the wasteland."

In 1961 Newton Minow, chairman of the Federal Communications Commission, told a room full of television executives that they had created a "vast wasteland" of uninspired shows. At that time America had three broadcast networks, which operated on the principle that the least objectionable shows would draw the biggest audiences and the most advertising revenue. As Minow predicted, competition improved matters. In the 1970s cable and satellite television began to spread. New subscription channels like HBO, which had to please viewers rather than advertisers, were able to take risks. Broadcasters raised their game in response.

The result, beginning in the late 1990s and continuing today, has been a golden age for television. It can be argued that Hol-



lywood makes less impressive films these days than it did in the 1970s (or the 1930s), but that is not true of television. Modern TV shows like "The Sopranos", "The West Wing", "Mad Men" and "Modern Family" are so superior to what went before—so much better written, better acted and better shot—that they almost seem to belong to a different medium.

Sir Howard Stringer, Sony's boss, fears television will return to the wasteland. The danger is not lack of choice, as Minow found, but a surfeit of choice. So much content will be available on so many digital platforms that audiences will become too small to pay for good programmes. The internet already competes strongly for advertising. In Britain more money is now spent online than on television (see chart 2, previous page), although some of this can be blamed on artificial restrictions on TV advertising rates.

Even so, this special report will argue that television's encounter with technology is turning out quite differently from the experience of other media businesses. Although growing choice and the profusion of platforms is indeed crushing smaller shows, it is helping the biggest ones thrive. Televised sport is stronger than ever. Viewers have embraced some innovations but roundly rejected efforts to transform the living-room set, puzzling and frustrating some of Silicon Valley's best minds.

Television is not about to suffer the fate of music or newspapers, yet the next few years will be dangerous nonetheless. A handful of upstart websites, with audiences smaller than many channels at the bottom of the programme guides, have already rattled the giant TV industry. ■

Beyond the box

Television rushes online, only to wonder where the money is

UNUSUALLY for a microchip-maker, Intel employs a team of anthropologists. The researchers travel from country to country, interviewing people and spending time in their homes to find out how they use technology. The ethnographers also quiz floor managers in electronics stores about what their customers want. These days many of the salesmen tend to say the same thing. People want a cable that will allow them to connect their computers to their television sets.

Just a few years ago the notion of using a computer to deliver television seemed far-fetched. There simply was not much video online—not much that was legal and non-pornographic, at any rate. That has changed. Each month the British request some 120m television and radio programmes from iPlayer, a website run by the BBC. Hulu, a website that offers shows from three of America's four big broadcasters, streamed more than 1 billion videos in December 2009. YouTube, the biggest video-streaming website of all (and the oldest of the bunch, at the grand age of five), continues to expand.

At present online video draws fewer eyeballs than television, and for much shorter periods. The average YouTube user spends 15 minutes a day on the website, compared with the five hours that the average television viewer spends in front of the box. But the rapid growth of video-streaming websites, particularly in America, is worrying TV executives. As people acquire televisions, games consoles and set-top boxes that connect to the internet, will they come to see online video as a replacement for the regular stuff? "There is a small segment of the population for whom it is already a replacement," says Chase Carey, the president of News Corporation.

Most video-streaming websites are supported by advertising. Anyone who wants to watch a video has to sit through a short "pre-roll" ad as well as a few short breaks in the course of a programme. These breaks are often accompanied by a countdown clock to reassure itchy viewers that they will not go on for ever. Advertising rates are high: reaching a viewer on a video website can be more expensive than on television. Yet this is achieved in part by restricting supply. A viewer who watches an hour-long drama on Hulu will be subjected to only a quarter of the number of advertisements that a viewer of the same show on TV has to sit through. The returns from online video are thus poor even before the websites take their cut.

And there are other knock-on effects. Because so many programmes are available at the click of a mouse, people may be less likely to buy boxed sets of their favourite shows. Spending on DVDs in America fell from $20 billion in 2006 to $16 billion in 2009. That was partly because of the recession and the spread of kiosks that rent out DVDs cheaply, but Mr Bewkes of Time Warner says there has been a particularly steep decline in DVD sales of TV shows available free online.

The biggest worry about online video is a broader one. The television industry is a complex and delicate edifice made up of many interlinked businesses. Online video threatens its stability—and, by extension, the fortunes of media companies.

Hulu's stylish threat to TV

One of the myths about the large media companies based in America is that they are diversified conglomerates. True, they do a lot of things. As well as making TV shows and films, News Corporation produces books and newspapers. Time Warner also makes magazines. Disney runs theme parks and licenses its characters to toothbrush-makers. Yet all these companies tend to derive the largest share of their revenues, and more than half their profits, from television.

The conglomerates' TV businesses are ▸▸

Ahoy there!

The perils of piracy

GO TO Google's home page and type the name of your favourite TV programme into the search bar, followed by the word "torrent". Press the return key. There it is: a feast of pirated television on file-sharing websites, found for you by the world's most powerful search engine. Napster, a peer-to-peer outfit that brought the recorded-music business to its knees about ten years ago, was not nearly as quick or easy.

Television piracy gets less attention than film or music piracy, but it is no less widespread. One of the big obstacles that had stood in its way—the large file sizes required to transmit video—is shrinking as computers get faster and bandwidth costs come down. More and more people are buying televisions that can connect to the internet. There is a danger that piracy will move on from teenagers skulking in bedrooms and into the living room. A furtive activity could become mainstream.

If Google searches are any guide, piracy is at its most rampant while shows like "Lost" are airing on television (see chart). The peaks near the beginning of each season suggest that some people use torrent sites to get copies of shows from previous seasons, filling themselves in on the plot before the new one starts. It is likely that every stream of a copied show represents a lost viewer on television. Piracy is a direct threat. Yet television is not about to suffer a catastrophic "Napster moment".

When Napster emerged ten years ago, music CDs containing two or three good tracks and a lot of padding were sold in shops for $14.99, and often more outside America. Singles were few and cost almost as much as albums. Compressed digital files such as MP3s were not on offer yet. And music piracy was widely tolerated: even respectable folk had their own sneaky collections of C90 tapes. Dissatisfied customers and a culture of copying created an ideal environment for file-sharing to grow.

By contrast, television's unit of output is already the size people want it. They like to watch whole episodes of "Desperate Housewives", not extract the best ten minutes of an episode, as music fans like to extract the best tracks from an album. Much free television can already be watched legally on computers and mobile phones. And TV-watching couch potatoes tend to be lazy. Trawling virus-addled websites in search of programmes seems too much like hard work.

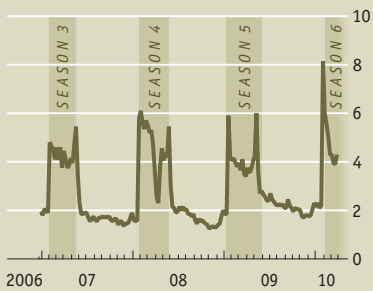
TV piracy appeals for two reasons. It can bring shows to foreign audiences faster, and it is free. The first advantage matters for only a very few shows, most of them slick American dramas. The Chinese do not hunger for episodes of "Slovenija Ima Talent" (Slovenia's Got Talent) or "Top Gear Russia". And media firms have reduced this advantage further by releasing TV shows almost simultaneously in different countries. The second advantage is not as big as it appears either. Unlike music and film, nearly all television is free at the margin: once a household has paid its subscription, it costs nothing to watch another show.

The real threat posed by piracy is not that it threatens television's current business model but that it makes building a new one more difficult. Aware of the limitations of advertising-supported online video, European media firms are currently testing micropayments for shows. The wide availability of free illegal alternatives may well crimp these efforts.

In this sense the pertinent parallel is not with music or films but with newspapers and magazines. These days print piracy is a trivial issue, since most general news articles are given away free. If newspapers and magazines begin charging people to read their output, the pirates are likely to turn up, and quickly. So it may be with television.

Lost and found 3

Google searches* for "Lost torrent"



Source: Google Trends *Variance from average

themselves rather concentrated. Most of their revenues come from America. Their pay-TV channels are worth much more than their broadcast networks. And most of those pay-TV revenues come not from advertising but from the affiliate fees paid by cable and satellite firms for the privilege of carrying their programmes. A fifth of Disney's entire turnover in the financial year 2008-09 came from this single source. In short, media companies depend on people's willingness to stump up for multichannel television each month.

So far they have not been disappointed. But in America, the world's biggest pay-television market by far, all is not well. Viewers' monthly bills for television have gone up by more than the rate of inflation in the past few years, pushed up by media firms' demands for higher affiliate fees. Now broadcast TV stations are also demanding "retransmission fees". Cable and satellite companies make little money on video as it is and do not want to see their margins eroded further, so disputes are becoming more frequent. Cablevision subscribers missed the first few minutes of the Oscars ceremony this year as the distributor fought with ABC over payment.

The routes out of this morass are unappealing. Cable and satellite distributors could drop the least popular channels. They could increase subscription fees. They will probably do both, which means people will be asked to pay more for less. "If the incumbents aren't careful they are going to price their customers out of the market," says Craig Moffett of Bernstein Research. And thanks to the video-streaming websites, viewers are no longer faced with a stark choice between a handful of live broadcast channels and a pay-TV service with hundreds of channels. A home with a broadband connection can get hold of broadcast TV shows both live and ar-

chived (the latter playing online with delightfully few advertisements), as well as a few programmes from pay-TV networks. These shows are arranged on websites that are attractive and easy to navigate. Best of all, this option is free.

Why pay?

How much video can viewers get hold of? Bain & Company, a consulting firm, studied the American TV schedules from the first few months of 2009 and found that just under half of the most popular shows were available free online within a week of being aired. Another 10% could be bought from services like iTunes, Apple's media store. No doubt all the others could be obtained from websites like The Pirate Bay, which facilitate the exchange of copyrighted content.

The experience of other countries suggests that viewers will plump for something in between basic broadcast television and pay-TV. In Britain 17m households receive Freeview, which offers about 50 channels without charge. In Italy the number of households receiving free digital terrestrial television rose from 4.5m in 2007 to 11.6m in 2009, according to SNL Kagan, a research firm. Italians can use prepaid cards to buy additional access to sport and films if they like. In both countries the rise of satellite TV has probably slowed as a result, although it has not stopped.

It is one thing to retard the growth of pay-TV, quite another to reverse it. In America, where nine out of every ten households already pay for television, that would require people to drop a service to which they have become accustomed. Still, some of them are tempted. In 2008 Dan Frommer, who writes for the Business Insider website, announced he was cancelling his cable TV service and becoming a "Hulu household".

Television ventured beyond the box in search of viewers, which it found, and revenues, which it did not. Indeed, its pockets have been picked along the way. But TV executives know how to turn a plot. With much greater alacrity than people in other parts of the media industry, they have recognised the danger they are in and begun to construct a better online business model. They now think carefully about when and where they put their shows online. They usually leave a decent pause, generally between a few hours and a day, between a show airing and appearing on the internet. Viewers who really want to see a programme must watch it on television. After about a month many shows disappear

Here's to a new business model

from video-streaming websites altogether to protect DVD sales. Earlier this year Viacom pulled some of its comedy shows from Hulu and put them on its own websites, which carry more advertising. And there is talk about turning Hulu into a "freemium" service, with some shows accessible only to subscribers.

Experiments with charging are already in progress in Europe. RTL, a German free-to-air broadcaster owned by Bertelsmann, allows people to catch up free on many recent shows but charges them to view older episodes. It also lets people pay to see online episodes of "Gute Zeiten, Schlechte Zeiten", a popular prime-time soap opera, several days before they air on television. It turns out that some people cannot wait to find out which handsome Berliner will end up kissing which other handsome Berliner. About two-thirds of those who pay for shows order advance episodes.

Canal Plus, a French pay-TV outfit controlled by Vivendi, has responded to the growth of online video and the advance of a telecoms competitor by offering lower prices. It launched two budget services, CanalSat Initial and Canal Plus Week-End. Firms like Canal Plus know that few people drop pay-TV once they have it—and they can always be "upsold" to more expensive packages.

Gamekeepers turned poachers

Perhaps the most important change is that cable and satellite distributors are developing their own online video services. Britain's BSkyB is a pioneer. In 2006—the year after YouTube appeared—it launched a video download service, "Sky by Broadband". Now rebranded as Sky Player, it streams 30 pay-TV channels to those who subscribe to the satellite service. Sky Player is also available, for a fee, for streaming via games consoles to those who do not have satellite dishes. That has brought quite a few customers to the service.

In America a more ambitious project, known as "TV Everywhere", is under way. Pushed by Mr Bewkes, this would make pay-TV channels like HBO available online to all who can prove that they subscribe to them on television. TV Everywhere is a bold scheme—more of an aspiration, really—that demands co-operation from many media firms, television distributors and internet-service providers, all of whom have their own ideas about how to build an online video portal. But at least it has a sound business plan.

When the first TV Everywhere system launched, in December 2009, a few pay-TV networks caused surprise by running the same number of advertisements as they do on television. That was an abrupt change from the be-gentle-to-the-customer ethos that guided the early move online. It was also perfectly sensible. Although habitués of video-streaming websites scream whenever they see ad numbers increase, the average viewer seems to put up with it. Quincy Smith, who advises CBS, says the network has experimented with running 14 to 17 online advertisements in the course of a half-hour comedy show—quite close to the 19 ads a viewer would expect to see on television. More people watched the online shows to the end than the television ones.

A big reason why online video is so popular is that it is so pleasant to use. Hulu's website is beautifully designed; YouTube has a useful recommendation engine. By comparison, the video-on-demand services offered by most cable and satellite companies are primitive. Many households have old set-top boxes, limiting efforts to build a better system. Even so, the user experience could be improved. For example, more advanced remote controls might be used to search for shows. Traditional TV will never be as innovative as the internet, but it can close the gap.

Those who expected television to wither when it encountered the internet greatly underestimated its ability to adapt. Some have even conceded the fight. Earlier this year Mr Frommer, who had given up pay-TV and become a "Hulu household", took out a subscription to cable television. The decision was not his alone, he explained: his girlfriend wanted to watch fashion shows. The desire to please others is one big reason why television has proved so resilient. ■

The lazy medium

How people really watch television

A MIDDLE-AGED couple sits in front of a TV set. He flicks idly through a magazine, she holds a drink. An advertisement for Marks & Spencer, a British retailer, comes on. "These are really good ads," declares the woman. Her husband glances at the screen. "Oh, I looked at that skirt," she continues. It is a humdrum domestic scene, one that could have been captured at any point in the past 50 years. But that in itself is surprising.

The husband and wife in the video are playing back a programme that they have captured on a digital video recorder—something they do often. They do not need to watch advertisements. Indeed, they claim never to do so. Whenever an ad comes on during a recorded programme, the husband says in an interview, he zips through it at 30 times the normal speed.

Just outside Brighton, on England's south coast, Sarah Pearson watches people watch television. She has almost 100,000 hours of video showing utterly banal scenes—people channel-surfing, fighting over the remote control and napping. Her findings are astonishing. There turns out to be an enormous gap between how people say they watch television and how they actually do. This gap contains clues to why television is so successful, and why so many attempts to transform it through technology have failed.

In the past few years viewers have gained much more control over television. Video-cassette recorders have been replaced by DVD players and digital video recorders (DVRs), both of which are easier to use. Cable and satellite firms offer a growing number of videos on demand. TV has gone online and become mobile. As a result, viewers' expectations have changed dramatically. Katsuaki Suzuki of Fuji Television, Japan's biggest broadcaster, says nobody feels they need to be at home to catch the 9pm drama any more.

But a change in expectations is not quite the same as a change in behaviour. Although it is easier than ever to watch programmes at a time and on a device of one's choosing, and people expect to be able to do so, nearly all TV is nonetheless watched live on a television set. Even in British homes with a Sky+ box, which allows for easy recording of programmes, almost 85% of television shows are viewed at the time the broadcasters see fit to air them.

"People want to watch 'Pop Idol' when everyone else is watching it," says Mike Darcey of BSkyB. If that is not possible, they watch it as soon as they can afterwards. Some 60% of all shows recorded on Sky+ boxes are viewed within a day. Often the delay is only a few minutes—just enough to finish the washing up or to make a phone call. For the most part, internet video is used in the same way. Matthias Büchs of RTLNow, a video-streaming website, says online viewing of a programme peaks within a day of that programme airing on TV.

Only the content and the curtains have changed

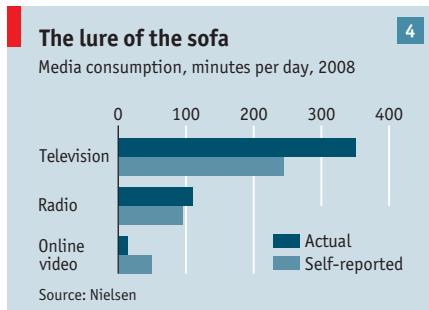
Social animals

It may seem dated, but the image of the family clustered around the living-room set is an accurate depiction of how most people watch television in most countries. In Latin America advertisers have learned to tout grown-up products on children's channels like Nickelodeon and Discovery Kids, knowing that many parents will be watching with their offspring. Indeed, TV executives believe there is more demand for programmes that the whole family can watch together. Colleen Fahey Rush, head of research at MTV, puts this down to the rise of two-earner households. Because both the father and the mother are absent more often, their company is more valued. "Today's children actually like spending time with their parents," she explains. A big thing they like to do together is watch television.

Like all social activities, television-watching demands compromise. People may have strong ideas about what they want to watch, but what they really want to do is watch together. So the great majority of them first see "what is on"—that is, what is being broadcast at that moment. Restricted choice makes it easier to agree on what to watch. If nothing appeals, they move on to the programmes stored in a DVR. On the very rare occasions when they find nothing there, they will look for an on-demand video.

This helps explain one of the oddest and most consistent findings of television research: that people seem unaware of their own behaviour. In surveys they almost always underestimate how much television they watch, and greatly overstate the extent to which they watch video in any other form (see chart 4). In particular, they underestimate their consumption of live television. One of Ms Pearson's subjects, a 27-year-old man, claimed to watch recorded television 90% of the time. In fact he watched live TV 69% of the time. He was probably not so much fibbing as misinterpreting the question. When asked how he watched television, he gave an answer that described his behaviour when he was alone, and thus did not have to compromise. But most of the time he watched with other people.

Efforts to improve the TV-watching experience have often gone wrong because they took people at their word. The past ten years have seen a parade of websites and set-top boxes—Apple TV, Boxee, Joost, Roku—offering a huge range of content and interactive features. All promised to deliver TV the way people (that is, individuals) really want it. Because they failed to take account of the social nature of television, not one has caught on. Efforts to turn TVs into personal e-mail devices and home-shopping outlets have fared no better. "The killer application on television turns out to be television," says Richard Lindsay-Davies, CEO of the Digital TV Group.



Some technology firms do "get it", as the bloggers like to say. Yahoo is building internet widgets into the most advanced TV sets that appear as small icons at the bottom of the screen. Click on a weather icon, for example, and a sidebar appears with the latest forecast. The widgets work because they are unobtrusive and do not distract other viewers from watching their programmes.

Other technology outfits are learning to become more like television. YouTube, the original video-sharing website, became famous for water-skiing squirrels and bedroom musings. It still has plenty of those, but since November 2009 it has also had a "TV shows" section that is neatly divided

An emergency screen

Mobile television is unlikely to take off

A YOUNG man gazes intently at his mobile device, to which he is listening through earphones. He is so engrossed in his film, his television show, his computer game or whatever he is watching that he does not notice he is blocking the door of the train. Other passengers glare at him. "Do it at home," counsels the bright yellow poster on the Tokyo metro.

In 2009 some 43% of Japan's population watched TV on mobile phones, according to Impress R+D, a research firm. It is the only country apart from South Korea where the platform has become commonplace. But mobile television in Japan is not all that mobile. When broadcasts began in 2005, people were expected to use their toys to while away long commutes by train or to kill time while waiting for the bus. Instead they mostly choose to play with them at home.

Imagine a teenage girl who wants to watch an episode of her favourite soap opera. The living-room television is being monopolised by her father, who is watching sport. Her brother is using the computer. What does she do? If she is an American, living in a reasonably affluent household, she simply switches on another television. There is probably one in her bedroom. If she is South Korean or Japanese, on the other hand, she is more likely to live in a high-rise flat with only one set. She settles down in her tiny bedroom, pulls a mobile phone out of her pocket and turns it on. The screen is small but adequate. "You know the characters already," explains Younghee Yung of Nokia, a phonemaker.

When asked why people watch mobile television in their homes, Japanese and South Korean media executives tend to make the same gesture. They clutch their mobile phone to their chests, signifying "mine". The appeal of mobile television is not so much that it is portable but that it is personal. When it proves impossible to reach agreement with other television-watchers in a household, mobile TV is a reasonable fall-back option. It is also a dismal business.

In both Japan and South Korea practically everybody gets their mobile television free. Phones come with receivers that pick up digital broadcast signals, which are usually sent in bursts to conserve battery life. The service was supposed to be supported by advertising, but the prop is weak. Although many Japanese and South Koreans watch television on their phones, they tend to do so briefly and erratically, so programmes often attract small audiences. In South Korea a 15-second advertisement on mobile television costs less than one-tenth of what it would take to reach the same number of viewers on broadcast television.

If mobile TV is not used enough to make money from advertising, it is also not essential enough to persuade lots of people to pay. "There is no business model," says Kei Shimada of Infinita, a Tokyo consultancy. South Korean broadcasters have threatened to stop paying for reception on the Seoul subway, which was wired for mobile broadcasts in 2005. Seong-Choon Lee of KT, a Korean telecoms firm, says the company is wondering whether to carry on with mobile television at all.

Even before it catches on elsewhere, mobile television is failing in the two countries where it seemed most likely to succeed. The experience of Japan and South Korea suggests that people will watch TV on tiny screens if they have to. But those countries also provide a reminder that popularity does not always translate into business success. Old-fashioned TV wins again.

into genres, not unlike a video-on-demand menu from a cable or satellite company. In North America the website has Vevo, a channel offering music videos. Another innovation is youtube.com/disco, which plays one video after another. The aim, says Hunter Walker, its head of content, is to create "more of a TV-like experience".

All together now

Live television is not just the most popular way of watching video; it also influences the way people watch shows on all devices. The most popular live television programmes tend to be the most heavily recorded and the most watched on computers and mobile devices. In February "EastEnders", a British soap, accounted for 12 of the 20 most played-back programmes on iPlayer, the BBC's online video service. Technology slightly favours programmes aimed at men: science fiction and shows about cars are more likely to be recorded or watched on computers. But there is little to suggest that television is growing a long tail of niche interests.

Quite the opposite, in fact. David Poltrack, head of research at CBS, says technology is helping hits to attract even bigger audiences. Now that it is so easy to record TV programmes and to find them online, the big shows scheduled at peak viewing time are freed from direct competition with each other. Faced with a choice between two programmes at 9pm that they want to see, viewers will often watch one show live and play the other one back an hour later. So strong is the competition from recorded shows that it has become hard to break a new show in America at 10pm. Indeed, thanks to technology and the rise of multi-channel TV it is becoming ever harder to get away with repeats or mediocre programmes at any time of day.

In the 1999-2000 season the most popular thing on American broadcast TV was "Who Wants to Be a Millionaire", a game show. Every Tuesday evening it pulled in 28.5m viewers. But the rest were not far behind. The 10th most popular show that season attracted 63% of "Millionaire's" audience, or 18m viewers. Even the 100th most popular show still got 30% of the top figure. By the 2008-09 season the also-rans had tumbled. The top show, "American Idol", had 25.5m viewers. The 10th most popular programme pulled in 55% of its audience and the 100th most popular show just 20%. Relatively, the hits are becoming bigger.

Humdrum television thrived in a world of scarcity when there was little to watch. As the number of channels multiplies, more households get DVRs and television spreads to computers and mobile phones, there is always something on. "You don't have to watch the best of a bad choice," says Mr Carey of News Corporation. And one kind of show is becoming more and more dominant. ■

The killer app

Television needs sport almost as much as sport needs television

DURING a recent tour of ESPN's Connecticut headquarters, William Lamb became lost. The studio to which he was trying to lead your correspondent seemed to have disappeared. Perhaps it was on the fourth floor. But what floor was Mr Lamb on? The building suddenly seemed unfamiliar, even to somebody who had worked there since 1979.

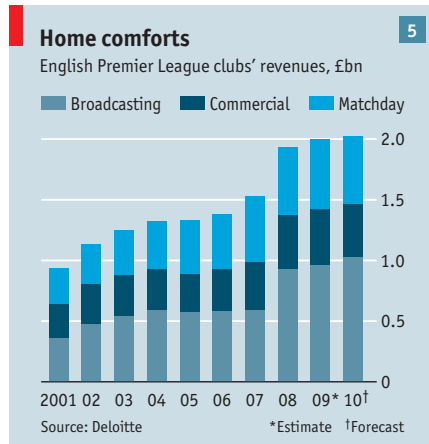
That is how things are at ESPN. The Entertainment and Sports Programming Network, as it was originally known, is in a perpetual state of growth and redevelopment. Its studios and offices sprawl over 100 acres and continue to expand. It is the most envied outfit in television, and one of the most profitable. Disney, which owns 80% of ESPN, does not break out its accounts. But SNL Kagan reckons its main channel turned over some $6.3 billion in 2009, mostly from affiliate fees paid by cable and satellite firms. ESPN also operates 46 TV networks outside America. Not bad for an outfit that started out filming the Hartford Whalers ice-hockey team.

The marriage between sport and television has made both parties rich. The teams that made up America's National Football League, the world's wealthiest, brought in $7.6 billion in the 2008-09 season, according to *Forbes* magazine. Major League Baseball is worth nearly as much. Both are so dependent on television that is difficult to imagine what would happen if the cameras were to be removed.

Even the English Premier League, which earns more from ticket sales than any other European football league, draws most of its revenues from TV (see chart 5). Thanks largely to BSkyB, broadcast revenues grew at a compound annual rate of 29% between the 1991-92 season—just before Division One became the Premier League—and 2007-08. The league is now worth £2 billion ($3.5 billion). It is doubtful that the clubs could sell so many scarves or charge so much for tickets without the marketing boost provided by television.

TV has even created sports categories. ESPN was the moving force behind the X Games, a showcase for competitions like street skating and snowmobile jumping. Cricket, once a staid sport, has been transformed by the camera. Sony broadcasts the Indian Premier League, which plays a fast-scoring form of the game called Twenty20. The league has cheerleaders, American-style team names (the Deccan Chargers, the Kolkata Knight Riders) and pre-game shows, including "IPL Rockstar", a singing competition. All of which makes for a fun evening at the ground, no doubt, but the real audience for all this razzmatazz is sitting at home. When looming elections caused worries about violence in 2009, the Indian Premier League simply decamped to South Africa.

The deep recession of 2008-09 did little to slow this juggernaut. Many sports-rights deals signed during the recession actually increased in value. In June 2009 Cristiano Ronaldo, a Portuguese footballer, was



bought by Real Madrid for £80m, a record sum at a time when Spain's unemployment rate was 18%. The second- and third-highest transfer deals in history were done in the same year. Yet these huge sums merely reflect the true value of players, and of sport itself. Television needs sport almost as much as sport needs television.

Casey Wasserman, a sport agent, cites three reasons why media firms pay so much for the stuff. First, sports rights are unique. There are only a certain number of teams in the Premier League or the National Football League, and they play each other only a certain number of times. Second, sport is nearly always watched live on television. There is little danger that people will record games and then fast-forward through the advertisements. Third, ratings are almost guaranteed. Unlike scripted fare, it is fairly easy to predict how many people will tune in for a match.

Changes in the broader media market are reinforcing these advantages. As television has splintered into more and more channels, the average audience for shows has dropped. It has become so hard to draw big audiences that advertisers are prepared to pay more to reach them. Sport provides a growing proportion of such events. And it reaches a particularly valuable, and elusive, group.

Hey, I can see my salary!

Those elusive young men

Because they spend so much time at work, young men tend to watch less television than most people. Unless they are into sport, that is. In 2008 ESPN trailed avid fans around the city of Indianapolis to see how they fed their sport addictions. The answer: at length, at any time of day and in every way possible. The average sport fan consumed almost ten hours of media in an average day, against just over five hours for other young men. They spent more time doing everything—listening to the radio, surfing the web and even reading newspapers. But, especially, they watched more television (see chart 6).

None of those worries about the rise of online video and the danger that pay-TV subscribers will "cut the cord" applies to sport fans. In polls conducted by TNS, some 30% of people, asked to rate their interest in sport on a ten-point scale, choose a position between eight and ten. Many of the avid fans are young men—precisely the group that might be most tempted by video streaming, illegal file-sharing and other things of that sort. Sport thus props up the entire TV industry.

So central is television to sport fans' daily media diet that broadcasters and pay-TV networks can afford to experiment with other platforms without fear of losing their audience. In 2002 Major League Baseball launched an online video service. Fans can pay to watch four games at once, replaying pitches and updating their fantasy teams as they wish.

ESPN has found another way of making online video pay. It charges internet-service providers for access to its website, ESPN3. The ISPs pass on the cost to their subscribers as though they were cable or satellite distributors. The website, which offers video of everything from basketball to the world Monopoly championship, reaches 50m American households. During live games it runs as many advertisements as a television network. ESPN3 may be drawing eyeballs away from TV. But, as Christine Driessen, ESPN's chief financial officer, puts it, it is better to cannibalise your own TV business than to stand by while another company does so.

Sport is also an important exception to the rule that mobile television does not make money. One outfit that claims to be making a profit is 3 Italia, which delivers video to about 1m customers. Although many make do with free content, about 40% of them pay €2 ($2.70) a week to receive subscription channels, including Sky Sport. And about a third of those users pay extra to receive even more football. A subscription to four channels carrying Serie A games costs €4 a day.

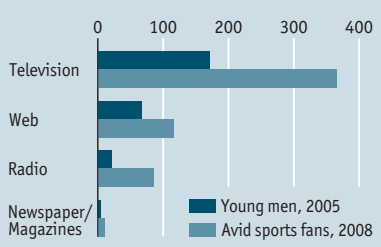
When it is handled by experienced firms that specialise in it, televised sport can be a powerful money-making machine. To others it can be dangerous. Several firms have been struck by what economists call the "winner's curse" after paying too much for sport rights. In the past ten years ITV Digital, Kirch Media and Setanta Sports have gone into administration. NBC, an American broadcaster, said even before the 2010 Winter Olympics began that it would lose money on them.

On any given Sunday, the saying goes, it is possible for any team in the National Football League to beat any other team. The business of televised sport is less fluid. It more resembles Italy's Serie A or the Scottish football league, both of which have a few habitual winners. Sport has allowed companies like BSkyB, Canal Plus and ESPN to build such strong businesses that the main threat to them comes from politicians and quangos.

In America cable and satellite firms may be obliged to offer their channels to consumers à la carte, which would allow people to drop sport if they wished. Ofcom, Britain's media regulator, is trying to force BSkyB to sell its games to other distributors for a fixed fee. French politicians may try to weaken Canal Plus's grip over football. But do not underestimate the firms' ability to make money from sport even in a more regulated market. Mr Ronaldo's record may not stand for long. ■

Watching with a passion 6

Media consumption, minutes per day



Source: Council for Research Excellence

Who needs it?

Three-dimensional television is coming, whether you want it or not

PEERING through special glasses at a stereoscopic photograph in 1859, Oliver Wendell Holmes experienced "a surprise such as no painting ever produced". The illusion of depth was extraordinary. The branches of a tree reached towards him as though to scratch his eyes out. 3-D photographs were so realistic, he thought, that whole libraries of them could take the place of museums. Who would want to see an object when it could be reproduced so vividly? It was a "new epoch in the history of human progress".

A little more than a century and a half later the first three-dimensional televisions are appearing in stores. Some of them come with a free Blu-ray disc of "Monsters v Aliens", which serves as a reminder that the path of human progress is not always predictable. Yet TV programme-makers and media firms reckon that the technology will prove epochal nonetheless. BSkyB, Canal Plus, Discovery Communications and ESPN have announced plans for 3-D channels. Hollywood has shown that people will pay extra for 3-D films in cinemas. And the early adopters are responding like latter-day Oliver Wendell Holmeses.

Three-dimensional TVs work by projecting two images filmed from slightly different angles onto the screen; the images are then directed to the correct eye to produce the 3-D effect. At present there are two main ways of doing this. An "active" TV set flashes images intended for the left and right eye onto the screen in quick succession. The set is synchronised with battery-powered glasses that alternately darken each lens, so each eye sees only the image it is supposed to see. "Passive" sets display the two images on alternate lines of the screen, polarising each line in a different direction. They are viewed through glasses that allow the left eye to see only one image and the right eye to see only the other one. Both kinds of TV set work normally with two-dimensional content.

Manufacturers and media companies alike hope that 3-D television will follow the path set by high-definition TV. That technology, which delivers a crisper picture especially noticeable on a big set, took off slowly at first. Although broadcasts began in the mid-1990s, the proportion of American homes with an HDTV set stood at just 11% in 2004. Then it exploded, reaching 49% in 2009. Forrester, a research firm, reckons that by 2014 some 71% of American households will have at least one high-definition television.

The switch to high-definition was expensive for everybody. Studios had to be widened and smartened up to withstand the camera's sharper eye. Consumers had to shell out roughly twice as much on televisions. By contrast, 3-D technology is a bargain. Although shooting an action film in three dimensions costs more because of the higher price of computer-generated imagery, shooting a tennis match or a comedy is no more expensive. It costs only a little more to build an active 3-D set than a high-end HDTV set, says Woo Hyun Paik of LG Electronics. There is no need for a special set-top box. And consumers in focus groups say they are prepared to pay more for 3-D. So what's not to like?

The content, for one thing. A trickle of three-dimensional films appeared in 2009.

3-D before it was respectable

This year Hollywood is releasing a rivulet of about 20 films to cinemas. Even if a TV network bought the rights to every modern 3-D film released until the end of this year it would still end up with less than a month's-worth of prime-time viewing. Other content, including World Cup football games, has been promised, but there is not nearly enough to fill the channels that are popping up.

And 3-D content can vary drastically in appearance. "Avatar", a science-fiction film that has scooped up $2.7 billion in box-office sales, uses the additional depth provided by the third dimension in a refined, subtle way. Not so "My Bloody Valentine 3D", which ramps it up for shock value. Televised sport, with its abrupt cuts from wide to tight shots, is a different visual experience again. Ad breaks may prove even more disorienting as they switch between two and three dimensions.

Pass the shades

The biggest question-mark is over whether consumers will want to don what looks like a pair of lightly tinted sunglasses before flopping down in front of the TV set. Those glasses may enhance the viewing experience, but they would not help with checking e-mails, flicking through magazines and all the other things that people like to do while watching television.

Moreover, the shutter glasses that come with active 3-D TVs are expensive. They will sell for up to $150 a pair at first, although the price should fall over time. Television manufacturers expect to provide a couple of free pairs with each set, but this is not much good for the family that wants to sit and watch "Up" together.

One cable executive has compared three-dimensional television to a chocolate sundae—not something you want every day. Jeffrey Katzenberg, the head of DreamWorks Animation, reckons that although 3-D pictures will eventually become ubiquitous in cinemas they will remain an occasional treat in the home. "You're not going to sit down and watch the BBC world news in 3-D," he explains.

So what warrants the third dimension? The obvious answer is films. For many, an evening spent at home watching a film is ▸▸

already a special experience with its own rituals. People pour themselves a glass of wine, draw the curtains and settle down on the sofa. They can surely put on a pair of glasses to make it even more special. 3-D computer games should appeal, too. Video games are already absorbing; the technology makes them more so. Lucky Sony, which makes not only films and 3-D camera systems but also games consoles.

But the thing that will really drive people to buy 3-D sets, Mr Katzenberg and others agree, is sport. If the measure of a new visual technology is not that it looks cool but that it allows viewers to see things they have never seen before, sport is the clear winner. Watching football in three dimensions is a revelation. A crush of players jostling for position as a ball sails through the air suddenly becomes intelligible. Viewers at home are able to see for the first time where the ball will come down and which player is in the best position to tackle it. Those who have experimented with filming sport in three dimensions say the effect is so compelling that they need fewer cameras (which are placed lower down, near the touchline) and many fewer cuts. Once again, sport may give television a new dimension. ■

Here, there and everywhere

Television is spreading in new directions

"THE Price Is Right" was looking a bit long in the tooth when Fremantle Media bought it in 1996. The game show, which invites contestants to "come on down" and guess the value of various consumer goods, had first appeared on television 40 years earlier. Since 1972 it had been hosted by one man, Bob Barker. Its audience was aged. When Mr Barker announced his retirement, one talk-show host joked that when he started watching "The Price Is Right" he knew he was getting too old to keep working.

These days the show is a multimedia phenomenon. It has been turned into computer games and slot machines. Perhaps inevitably, there is an iPhone app, which has been bought more than half a million times. Bally's, a casino in Las Vegas, puts on a theatrical version of the competition five days a week. Now with a new host, the show is chugging along on daytime television, not doing at all badly.

"Once people fall in love with a brand, they want to interact with it in all sorts of ways," says Tony Cohen, the head of Fremantle Media. This would be true even without prodding from media firms. "Winter Sonata", a South Korean soap opera, sent honeymooners flocking to the places where it had been filmed. There are plenty of unofficial tours of famous TV locations in New York and Los Angeles. Media firms have learned to capture more of this demand and profit from it. About one-third of Fremantle's revenues now come from consumer goods and other spin-offs.

Popular TV shows routinely spawn DVDs, toys, websites, computer games, board games and comics. Germany's "Gute Zeiten, Schlechte Zeiten" soap has an eveningwear collection. Indeed, the point of the television business is no longer simply to make shows but to create branded entertainment franchises made up of many products of which television shows are merely the most important. And promoters no longer wait to see whether a programme becomes popular before turning it into a merchandising machine.

A good example is "Isa TKM", a Venezuelan *telenovela* about a schoolgirl obsessed with a dishy musician. The show, made by Viacom and Sony, became a hit soon after it was launched in Latin America in 2008. It was subsequently sold to television networks in more than 50 countries. In view of its growing international popularity, actors from Argentina, Colombia and Mexico have been drafted for a second series, "Isa TK+".

From the beginning "Isa" has been a multi-platform franchise—a kind of Hispanic answer to "Hannah Montana", Disney's tween pop colossus. The show appeared with an entourage of Facebook and MySpace pages. There are websites in Spanish, Portuguese and, for American Latinas, Spanglish (a sample: "When he's not mirándose en el espejo, Rey pasa el tiempo working out"). Fans can buy mobile-phone ringtones and videos. The cast of "Isa" has launched an album which topped the music charts in three countries.

These days you can hardly watch a TV show aimed at young people without being invited to visit a website. Find out what music is playing in the background! See some footage that did not make it into the final version! Discuss the show with other fans! And, of course, see some more adver-

Bob Barker builds the brand

tisements. The websites of big-budget American dramas are dense and well designed. The shrewdest producers have realised that this profusion of spin-offs opens up a new approach to storytelling.

One of the buzzwords in Hollywood these days is "transmedia". It refers to a kind of storytelling that goes beyond both a single platform and a single narrative. Big-budget TV shows like "Lost" and "Heroes" pioneered the use of web episodes to flesh out minor characters. The "Heroes" website hosts cartoons, subsequently printed and bound into graphic novels, that go off on tangents to the main story. Such extensions create deeper, more immersive experiences for fans. They also allow the main story, on television, to be kept fairly uncluttered—or at least less cluttered than it might have become otherwise: by its third or fourth season "Lost" was quite complicated enough.

It is not yet clear that transmedia storytelling is profitable in its own right. Its value is not measured in advertising dollars but in audience engagement. Web episodes keep viewers interested during the summer when broadcast shows go off-air. They especially please dedicated fans, who can evangelise for the show. "The fans might be few in number but they are extremely vocal," says Nathan Mayfield of Hoodlum, an Australian firm that has created online content for "Lost" and "Emmerdale", a British soap opera.

Have content, will travel

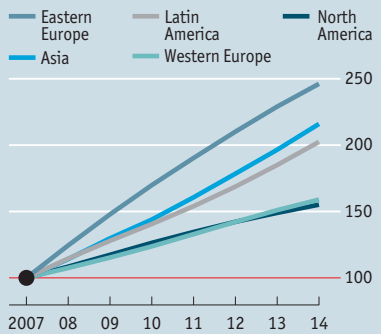
When a TV show goes off the air for the last time, the online community that had gathered around it tends to vanish. The games and the CDs stop selling, too. Television brings audiences to all these other activities and gives them life. It is also an excellent vehicle for carrying stories and characters to other countries, where the whole merchandise-rich ecosystem can get going all over again. Indeed, it is almost the only means of doing so.

"The internet is not multilingual yet," notes Sir Howard Stringer, Sony's boss. Television and film travel much better. Shows and movies can be dubbed and subtitled—and, in any case, it is not clear that "The Girls Next Door" or "Transformers: Rise of the Machines" are greatly improved by explanation. These days Hollywood depends on income from cinemas outside America. Sony's films earned $1.5 billion at the American box office in 2009 but made a record $2.1 billion outside the country. It is the same with television.

The rising middle class in Brazil, China and India needs cars and hair-care products, and television advertising for such things is growing. Sir Martin Sorrell, head of WPP, a large global ad agency, says the rise of TV advertising outside North America and western Europe more than compensates for the drift to the internet of marketing expenditure in those regions. But the best thing about middle-class consumers in emerging markets, from the perspective of the international media firms, is that they are increasingly prepared to pay for television.

Plenty of growth left 7

Multichannel-TV revenue forecasts; 2007=100



Source: SNL Kagan

In America nine out of ten homes with televisions already subscribe to multichannel TV, leaving little room for growth. In Asia and eastern Europe the proportion is less than half, and in Latin America it is less than a quarter. SNL Kagan reckons that pay-TV revenues outside America and western Europe will rise steeply in the next few years (see chart 7). Just as important, consumers in countries such as India are acquiring second and third television sets. This provides an opening for teen-oriented fare, which otherwise might not get a look-in. "If you have only one television in the house, the patriarch controls it," says Philippe Dauman of Viacom.

Overseas markets are the healthiest, fastest-growing part of the television business. Discovery Communications, which ventured abroad early, now derives a third of its revenues from outside America. It helps that Discovery produces a lot of documentaries and natural-history shows: programmes with voice-overs can be readied for export simply by recording a new narration. Fox International Channels, News Corporation's overseas arm, turned over more than $1 billion in the fiscal year 2008-09. Five years earlier it had brought in less than $200m.

In many countries the strongest competition for channels launched by international media firms comes from local outfits. Knowledgeable, well connected and often protected by foreign-ownership rules, they have an advantage over the new entrants. Some, like the BBC, have a guaranteed source of income. Others have exploited historical and linguistic connections overseas. France's Canal Plus has a channel in Vietnam; Brazil's Globo is doing well in Angola, like Brazil a former Portuguese colony.

A few have even sneaked hits into America. The Spanish-language *telenovelas* that Mexico's Televisa supplies to Univision frequently draw bigger prime-time audiences than English-language shows. Europeans dominate the worldwide reality-TV business. Fremantle Media, which is owned by Bertelsmann, produces "American Idol". Endemol, a Netherlands-based firm, churns out the kind of reality shows that Americans love to complain about—and love to watch. But these are localised versions of imported formats. Most Americans probably do not realise that "American Idol" or "Dancing with the Stars" originated in Britain. Only Hollywood routinely exports its shows unaltered.

An international beauty contest

To see why the big studios are so successful at selling overseas, conduct a test. Get hold of a copy of a drama made by Hollywood for American broadcast TV—"CSI", "Glee" or "Heroes" will do fine—and, at a random moment, press the pause button. What do you see? Handsome actors, no doubt. But also a well-composed shot that resembles a photograph, with the actors well positioned within the frame. The shot will be well lit, too. Now do the same for a show made by a foreign broadcaster. The result? Probably less impressive.

Finely crafted television like this is expensive. It costs more than $3m for an hour of drama that is good enough to pass muster on an American broadcast network. The visual acuity of Hollywood's best shows is a big reason why they can compete against home-grown products that are more culturally relevant. Their advantage is growing as households across the world invest in bigger, sharper televisions. And Hollywood is less ashamed of its role as global storyteller than it used to be.

A few years ago there was much talk of localising television shows. Stung by charges of cultural imperialism, which were particularly loud in France, the big media conglomerates encouraged their foreign subsidiaries to develop their own pro-

gramming. Although some still do so, it is no longer the rule. MTV India, for example, is dominated by local acts but MTV Poland is a vehicle for international music.

These days MTV International is run "more like a global multinational", says Bob Bakish, its president. It produces local content where there is demand for the stuff. But it is also a co-ordinated distribution engine for American programming. Series like "Jersey Shore", an oddly compelling show that trails Italian-American youths around beaches and bars, are now released simultaneously outside America. When Michael Jackson died, MTV quickly assembled a reel of the singer's performances and dispatched it around the world. A truly decentralised outfit could not have done that.

Television companies have gained more leeway in part because worries about cultural imperialism have shifted from Hollywood to Silicon Valley. It was Twitter, not CNN, that was blamed for sparking protests in Iran in 2009. Google has tangled with the Chinese government and has been accused of impoverishing national newspapers. Television has lost its monopoly over the creation of cultural anxiety, and more besides. ■

An interactive future

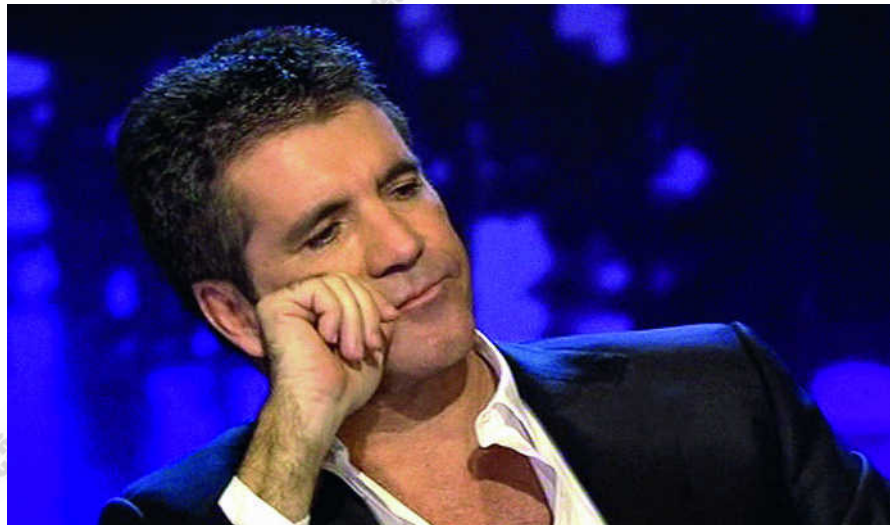
The last remaining mass medium needs to engage with its audience and target its offerings

NOT so long ago television was scary. It was held to turn children into imbeciles, make men violent and corrupt political discourse. Books tried to alert people to the menace in their living rooms: the best of them was Neil Postman's "Amusing Ourselves to Death", published in 1985. Musicians vilified TV in songs like "She Watch Channel Zero" and "Television, the Drug of the Nation".

These days newspapers are filled with tales of Facebook stalkers, Craigslist killers, cyber-bullying, sexting and screen addiction. E-mail, blogs and YouTube, not television, are held responsible for the degradation of politics (though American liberals make an exception for the Fox News Channel). As the internet grabs attention, television has become more pitied than feared. A Google search on the phrase "threat from television" turns up some 500 results, many of them historical. "Threat to television" generates eight times as many.

Much of this is misguided. People spend more time watching television now than they did when rappers attacked it with songs. As a thorough study by the Council for Research Excellence has shown, Americans spend more time watching television than they spend surfing the web, sending e-mails, watching DVDs, playing computer games, reading newspapers and talking on mobile phones put together. Television is not disappearing. But nor is it the only star in the sky.

The internet, both fixed and mobile, poses a growing challenge to television. It lures advertisers with promises of precision: why pay huge sums to scatter a message among millions of people when you can target the few who seem to be interested in your product? To consumers it promises choice, engagement and a low (or no) price. And the internet has powerful backers. Despite all that hand-wringing over the dangers of technology, governments from South Korea to Sweden seem to regard universal fast broadband as a human right, to be paid for out of general taxation.



Here's what I think of your multimedia strategy

With the important exception of sport, early attempts to deliver TV content over the web and mobile phones have proved unprofitable. The worst mistakes are now being put right. But it is doubtful that the economics of online or mobile video will ever be as attractive as the economics of traditional television. As video goes online, a world of restricted choice and limited advertising space turns into one where both are available in almost endless quantities. More supply means lower prices.

Technology also competes for attention. Although families still gather around the TV set as they have done for decades, they now bring electronic distractions with them. Nielsen reckons that 13% of people who watched the Academy Awards ceremony this year went online during the programme, up from 9% last year. The multitaskers did not appear to gravitate to entertainment websites. Google and Facebook topped the list of websites visited during the Oscars, just as they did during the Super Bowl and the opening ceremony of the Winter Olympics.

In Japan and South Korea, where many technological trends originate, young people may well type a text message and watch television on their mobile phone even as the main TV set flickers in the background. In Britain teenagers have learned to bounce from platform to platform and from children's to adult programmes, snacking on a wide range of content. "They have become adept at lightning

raids," says Mark Thompson, the BBC's director-general. Although teenagers watch a lot of television it has become hard to make programmes specifically for them.

For the biggest TV shows, technology is a boon. Social-networking websites create chatter around reality-TV programmes, increasing awareness and drawing viewers. Television executives have long endeavoured to create "water-cooler" shows which people will talk about at work the next day. Chris Silbermann, president of International Creative Management, a talent agency, says Facebook and Twitter function a bit like large digital water coolers. As audiences fragment, the big shows' ability to draw huge numbers of eyeballs at a specific time becomes ever more valuable to advertisers.

For shows of middling popularity, including many scripted dramas and comedies, life is harder. Big shows are crowding out smaller ones, partly because of the amplifying effects of social media and partly because of the spread of digital video recorders, which make it easy to watch nothing but hits. Online video nibbles at their audience, too. How to survive in this world of giant competitors and new distractions?

One answer is to involve viewers more in programmes. Television is extremely good at creating characters and gripping stories. It is much less good at encouraging people to engage with those stories. Simon Cowell (pictured, previous page) has proved that people will vote for contestants in talent shows. But some attempts to open a dialogue with viewers have been a little odd. In May 2009 Britain's Channel 4 aired "Surgery Live", which sought to involve Facebook and Twitter users in a real-life operation.

So far the most impressive efforts in this direction have been made by TV news outlets. Al-Jazeera, a Qatar-owned broadcaster, has "Minbar Al-Jazeera", a regular forum for discussion and complaint. CNN has thoroughly integrated social media into its shows, frequently passing e-mailed comments to pundits. It also encourages people to help create stories by uploading pictures and video to its iReport website. This comes into its own after natural disasters like the Haiti earthquake in January, when journalists cannot get to the scene. To protect its brand, CNN distinguishes between pictures and footage that it has vetted as genuine and those it has not.

Involving viewers in this way is crucial for CNN, which lacks the ideological rapport that its two main American rivals, the conservative Fox News Channel and the liberal MSNBC, have with their viewers. But it is desirable for any news outfit. In a country where even subway systems have Facebook pages, news networks must fight to hold onto people's attention. And ordinary folk want to interact with news. A recent survey by the Pew Research Centre found that 25% of American internet users had commented on online news stories or blogs and 48% had e-mailed links to such stories to others. A surprising 9% had contributed stories or videos to news sites.

Glenn Beck, one of the stars of the Fox News Channel, is a multimedia brand to rival anything concocted by Disney or MTV. As well as a popular TV show, he puts out a radio programme and bestselling books. He tours and releases CDs. His logo appears on T-shirts, baseball caps and, oddly, duct tape. Mr Beck also has an online fan club, which charges admission (one of the promised benefits is a priority e-mail form to send messages to the man himself). No wonder Mr Beck sometimes seems to be running the Republican Party.

Fickle ads, steady subs

Whether for channels, shows or conservative presenters, subscriptions will become ever more important to television. Advertising will continue to flow to the biggest shows, especially sport, but it cannot be guaranteed anywhere else. As the past two years have shown, advertising can plunge suddenly. The recession of 2008-09 cut Spanish advertising revenues by more than a third, according to some estimates, setting off a round of mergers and acquisitions. By contrast, few people cancelled their pay-TV subscriptions. Media firms that derive most of their income from monthly bills are more stable and can concentrate on pleasing their audiences rather than schmoozing cosmetics firms.

Yet advertising could be improved, too. Television has always been unusual in deriving so much of its revenue from something that annoys its customers. It could target (or, as TV folk prefer, "address") advertisements much more precisely. After all, cable and satellite firms know something that even Google does not: where their customers live. Addressable advertising has loitered on the horizon for years, but seems to be advancing at last.

BSkyB is already tailoring some advertisements on Sky Player, its online video-streaming service. Next year it will roll out the system to TV sets. Appropriate ads will be downloaded to set-top boxes and inserted into programmes. If this works, it will make a huge difference to television. It should enable, say, a car company not only to reach millions of people in a single evening but also to deliver an advertisement that is exactly right for each of them. Young couples in high-rise flats would see ads for small runabouts, suburbanites would be encouraged to buy minivans.

Television is supreme at holding the attention of a large number of people for long periods. Other gadgets divert people from the box, but not nearly as much as TV diverts them from all those other gadgets. And technology has undermined some of television's biggest competitors, notably newspapers. In a world of fragmenting audiences it is the only real global mass medium. If TV can combine scale with specificity, become more responsive to its audience and learn to aim adverts more precisely, it will continue to thrive. ■

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