



Conference Report: Future Directions In Broadcast Programming Sydney 20-21 June

The Convergence Cargo Cult

Important changes are needed before the dream of convergence and interactivity can become reality.

This is the view of David Court, editor of the industry newsletter *Entertainment Business Review* and an astute independent observer of industry trends and futures. Recently, in a timely article in *The Australian Financial Review* (26/5) Court described convergence, with its emphasis on technology and hardware, as resembling a cargo cult, and asked where the revenue was going to come from to fund new and original programs.

The significant changes Court sees as necessary are:

- A paradigm shift from the mass media, nothing-to-pay/heavily subsidised model, to the narrowcast/user pays 21st century model. Consumer expectations of who pays, and how much, have to change.
- Efficiency gains such as improved productivity, lower entry costs.
- Changes in the way people allocate their expenditure.

In the United States, current pricing for interactivity is based on no more than \$20 a month. The question is whether Australian service providers can equal this and whether an equivalent figure will attract or deter Australian consumers. In Australia, proposed pricing strategies (\$3 a day or 'up to' \$90 a month) are open-ended, and people tend to prefer a finite amount.

As for advertiser support, Court quoted a senior executive at Saatchi and Saatchi who said recently that interactivity 'still looks like a technology in search of a market'. It is hard to see advertising as a major support in the medium term, though within 5-10 years there will probably be some cannibalisation of advertising from existing media.

Unlike the US, Australia has no history of enthusiasm for mail order shopping, which in its push-button form is one of the central planks of interactive TV. It is equivocal whether Australians will take to it, or whether we are as aggressive consumers as Americans. People also fear that they will lose control, go on sprees and spend money they do not have.

Currently the US home shopping market represents about \$2bn. The equivalent in Australia, given the size of our market, would be about \$100m - not a huge amount compared with, say, \$400-500m to run a national station.

Interactive programming slows down the action when it is overlaid on existing programs like quiz shows; time is needed for the home viewer to react. This could diminish the appeal of programs and affect production costs.

There are privacy issues too: people will be concerned about their consumer profile being on a file somewhere, or that their credit card numbers might be vulnerable to hackers.

Compatibility of technologies is an important issue and there is a great deal of public confusion. People tend to respond to competing technologies by waiting. (In this context, it is worth noting a report in *Screen Digest*, June 1994, that at least six major manufacturers, including Philips, IBM, General Instrument and Hewlett Packard, are working separately to develop set-top boxes for interactive services).

The current climate of rapid technology change and consumer uncertainty could adversely affect interactive technology take-up.

Court produced a graph contrasting the fast take-up of television and colour television in Australia with take-up of VCRs, which had low penetration for the first five years. He ascribed this not so much to the high cost as to people's perceptions of whether VCRs would enhance their lives.

VCRs however have the advantage of being discretionary: you pay for the machine and are free to decide whether to watch a video or not. Subscription services of all kinds are there whether they are used or not. This can lead to 'churn' - non-renewal of subscriptions, which Court believes will be in the order of 20 per cent.

How big a change will we need in consumer spending patterns to support a 50-channel universe? Court said a penetration of 50 per cent would require expenditure of \$2000 a household annually.

The environment will change, but gradually. Younger people are more accepting of the need to pay. Also, the relationship between the service provider and the consumer will change, with providers tapping into the narrower, more segmented interests of consumers. □

