

#39

* * * * *

WARNER-AMEX CABLE COMMUNICATIONS
PERSPECTIVE

SECTION 3(C-7)

* * * * *

QUBE: THE MEDIUM OF INTERACTIVE DIRECT RESPONSE

Suzan Couch, Vice President
Marketing Services
Dr. Terrence P. McGarty, Ph.D.
Vice President
Advanced Service
Development
Dr. Hazel Kahan, Ph.D, Director
of Research
WARNER AMEX CABLE COMMUNICATIONS, INC.
New York, NY

PASSIVE AND ACTIVE INTERACTIVE TV

What is it about cable that grabs the marketing and research imagination? Simply stated, cable is local, precise, flexible and low-cost. In other words, it allows highly cost-effective targeting. So, of course, do special interest magazines, local newspapers and radio. But cable has the additional magic of television. It is live, it is immediate, and it is compelling. Today, 29 percent or 23 million of U.S. households have cable. This figure is projected to increase to 50-60 percent by 1990. This growth does not mean that the specialized nature of cable audiences will be lost. Large numbers will not spawn another mass television audience. Instead, there will probably be an increase in the number and variety of specialized audiences, all waiting to be targeted! Interactive capabilities will increasingly enrich access to these target audiences.

In simplest terms, a two-way coaxial cable makes it possible for the head-end (or "brain" of the local system) and the television terminal in a home or office to exchange information or "talk" to each other. This dialogue can be active or passive.

In its passive mode, the computer polls a home terminal every few seconds, picking up messages about how many terminals are switched on, to which channels they are tuned, whether or not a security system has been violated, how much energy are home appliances using, etc. These messages are relayed back and processed. Machines are talking to machines.

In its active mode, as in Warner Amex's QUBE system, the computer can pick up voluntary responses made by the viewer who can register authorized purchases or transactions on a pay-per-view basis, where the viewer pays for, say, a blockbuster movie, a championship fight, or a concert. QUBE also allows the viewer to participate in programming by touching a button to express a feeling or register an opinion.

What does this mean to the advertiser and to the researcher? The same thing, because the exchange of information, the interaction that makes QUBE such an excellent marketing tool, also provides unique research opportunities. Even though QUBE is state-of-the-art, it has a fond history. In early 1978, one of the business pioneers was an insurance salesman who bought fifteen minutes of time, used an "infomercial" to transmit his message, asked people to touch in if they wanted more information, and got fifteen lead generating responses which he converted to twelve life insurance policies. Not a bad conversion ratio.

"INFOMERCIAL"-ORIGIN

Warner Amex is a linguistic pioneer too. The term "infomercial," now a standard item in the Madison Avenue vocabulary, was conceptualized and coined by people at QUBE, Columbus in 1977. An "infomercial" is a long-form commercial that allows the advertiser to tell a product story in an informative way. We have used "infomercials" that varied in length from two to thirty minutes. The other beautiful thing about an "infomercial" is that it can be designed to blend into a program format.

For example, an "infomercial" for office equipment could be integrated into a program on office management. The low cost of cable time gives advertisers an unparalleled opportunity to experiment with commercial length.

QUBE CASE HISTORIES

But let's get back to direct response. In 1981, American Express and its national agency, Ogilvy & Mather, used Warner Amex QUBE in Cincinnati to help six local restaurants, which accepted the American Express Card, to get more of the right kind of business into their restaurants and, of course, to get more charge volume onto the card. The audience was invited to "touch now" to receive a free recipe. Labels were instantly generated. Research can tell what proportion of the audience responded as well as which scheduling and program segment produced the best audience and response levels. We could also have asked them to touch in if they were willing to participate in research to discuss their reactions, or to touch in to express how they felt about the program. This experiment was a revenue-producing test, business-to-business marketing, business-to-consumer advertising, and market research, all rolled into one. And it allowed a national marketer to tie into a local retailer, and the local retailer to be on television!

In direct response as a marketing science, it is essential to know both viewership and response rates. AT&T with its agency, N.W. Ayer, recently used QUBE to do just that, measure response to a half-hour business program. A live program with six repeats was scheduled for each of eight weeks. Each week we analyzed the total number of QUBES tuned in

and the levels for each scheduling period. We were able to analyze ratings and shares, and used this information to revise the scheduling for the next week. By asking people to touch in if they willing to participate in research, we were also able to find out who was watching and why.

Avon has also done some interesting pilots on QUBE Columbus. Three cycles have been run so far: a 15-minute program in the late fall of 1981, a 30-minute program in February 1982 and another in April 1982. These "infomercials" presented the information/entertainment aspect of direct marketing rather than a Ginsu-type approach. Subjects addressed included how a lady's face should be made-up, the effect of lighting on make-up, and make-up for various age groups. Since this was a test, we had no preconceived ideas as to which age and demographic group we would most likely reach. Avon supplied the talent, produced and directed the spots, while we provided the production support.

One objective of these tests was to create a presence for Avon in the market, to recruit Avon representatives and to promote lead generation. But another aspect we were attempting to address was to create the comfort and rapport of a home visit by an Avon representative for the purpose of narrowcasting to Avon representatives and recruits in the future. Viewer participation was substantial and Avon was able to gather well qualified leads.

In fact, lead generation can be a major part of interactive direct response. In Columbus, again, Federated Department Stores sponsored a program, The Magic Touch, a fact and quiz game utilizing the interactive component of QUBE. First run in 1981, the program was interspersed with "infomercials" on various bargains at the store. A grand prize was offered to participants in the program, with lead generation as the major result.

INTERACTIVE CABLE AS DIRECT RESPONSE MEDIUM

How can business advertisers use interactive cable for advertising and research? Interactive cable is a direct response device. And that is familiar. But, from a marketing point of view, it allows for greater consumer convenience and spontaneity than an 800 number. No scrambling to write down the telephone number or post office box, no need to read out your charge card digits, no busy phone signals, no stamp to find. From a research point of view, no artificial viewing environments, no interviewer error, no waiting. You can find out who your audience is or you can select who your sample is to be. You have the flexibility of being able to use pre-structured questions or to capitalize on the dynamics of the situation by revising and refining the questions to be asked.

Because of its active direct response capability, interactive cable can streamline pay-per-view. In one-way systems, the on-demand nature of pay-per-view has to be supplied by a telephone. It is the telephone that makes the system two-way. This could mean that the viewer has more inertia to overcome because the decision cannot be made at the last minute or spontaneously. The event has to be ordered in advance. With interactive cable, the viewer has the choice of a spontaneous or planned decision.

In an interactive system, the viewer presses a button on the QUBE home console and authorizes the event to appear on the screen. The bill comes at the end of the month. Pay-per-view has tremendous potential: imagine seeing electronic focus groups from your office. You press the button, and tune into a discussion of your product or service. You are billed on a per-view basis! Another use of pay-per-view might be, for example, an instructional program on how to use an Atari home computer. How does advertising fit into such a program? Certainly, one might expect the viewer to object to advertising on the program since he or she has paid to watch it. However, this objection would probably disappear if the viewer could touch in to receive a special discount on either a modem or a disc drive.

The advertiser would gain from placing his product in an exceptionally favorable environment. Response to alternative offers could be tested by seeing whether the modem or disc drive elicited more interest.

The environment for advertising is favorable in another way. QUBE customers feel positively about QUBE: in a survey we just commissioned from Louis Harris, we learned that 86 percent of subscribers in Columbus felt satisfied with QUBE. The passive, polling capability of interactive cable allows us to measure aggregate audience levels. We can determine the number of homes using QUBE on a multitude of channels in Columbus, Cincinnati, and Pittsburgh, where QUBE systems are already operating; and we will determine how many homes are tuned in Houston, Dallas and greater St. Louis and Chicago areas where QUBE systems are under construction. We can determine how many homes are tuned into a particular channel at any time--enabling us to understand viewing patterns and how these build or decline over time.

CABLE/VIDEOTEX: A COMPENDIUM FOR DIRECT MARKETERS



Monograph Volume 6 In a Series

EDITOR:

R.C. Morse
New Electronic Media
Journalist / Consultant
New York, NY

PROJECT DIRECTOR / CO-EDITOR:

Karen L. Burns
Director, Information / Research
DMMA
New York, NY

ISSUE DATE:

July 1982

ACKNOWLEDGEMENTS

Within these pages you will find great diversity of thought. The topic of the new electronic media is laden with complexity, controversy, and extraordinary potential. As a marketing executive with the difficult task of realistically evaluating the new media, your charge should be made much easier with this Monograph and the keen perspectives it contains.

DMMA is indebted to Robert Morse for his extensive knowledge of cable, videotex, teletext, et.al, and for the clarity he has brought to both the planning of this work and its arrangement. It is a subject area in which the developing parties differ in view, in which the technology is confusing and rapidly evolving, and in which even the informed reader will find it difficult to have a total "handle" on the opportunity for both profit and error. Bob's broad experience was invaluable in allowing DMMA to address all of these concerns and to gather the best minds in the business for the challenge. His Primer on the New Electronic Media, is one of the finest layouts of the new media players, stakes, status, and directions, to be found in the literature of this field.

A special note of thanks is also extended to Cheryl Blackman and Janice Kowalski for their fine work in the preparation of this manuscript and assistance in the administration of the project.

Most importantly, DMMA would like to pay tribute to the contributing authors, truly the leaders in their fields, for their generous sharing of their experiences and their hard-won knowledge on the cutting edge of the newest frontier of business.

Karen L. Burns
DMMA

CABLE/DIRECT MARKETING
CASE HISTORIES

The following five cable/direct marketing case histories are short summaries of a marketing objective reached or surpassed through the application of direct marketing techniques to the cable medium.

Company: Save the Children Federation

Product: Sponsorship Program

Objective: Increase sponsors and expand marketing

Media Utilized: CBN Cable Network

Length & Frequency of Campaign: First quarter of 1982

Budget Breakout: N/A

Results: Average of approximately 12% increase of pledges over inquiries as compared to regular spot TV.

Follow-Up: Expanded cable testing for future campaigns

Personnel Responsible: Sandy Davis, Rapp & Collins, Inc.

Company: Guideposts Magazine

Product: Guideposts Magazine

Objective: Target a specific audience through Cable TV

Media Utilized: CBN Cable Network - all dayparts

Length & Frequency of Campaign: First quarter of 1982

Budget Breakout: 15% of budget allocation

Results: High volume and 8-10% increase in 2-year subscriptions over those generated by regular spot TV schedules.

Personnel Responsible: Sandy Davis, Rapp & Collins, Inc.

Company: Consumers Union
Product: Consumers Report Magazine
Objective: Increase subscription volume and expand marketing
Media Utilized: WTBS, ESPN and SPN Cable Networks, all dayparts
Length & Frequency of Campaign: First quarter of 1982
Budget Breakout: 16% - 20% of first quarter budget allocation
Results: 5 - 8% increase of 2-year subscriptions over spot TV and high volume of response generation.
Follow-Up: Incorporated into marketing and budget plans for future campaigns.
Personnel Responsible: Sandy Davis, Rapp & Collins, Inc.

Company: Harlequin Readers Service
Product: Harlequin Books
Objective: To generate the maximum amount of leads for a continuity program within a three-month period.
Media Utilized: WTBS in addition to traditional television stations
Length & Frequency of Campaign: Approximately 10 - 15 spots per week ran on WTBS over a three-month period.
Budget Breakout: WTBS was budgeted for \$150,000
Results: WTBS delivered close to 30,000 names that received a sample package of books
Follow-Up:
Personnel Responsible: Harold Bolling for Sheldon Communications

Company: Essence Communications

Product: Essence Magazine

Objective: To generate names for potential subscribers

Media Utilized: Black Entertainment Television

Length & Frequency of Campaign: One and a half years running twice weekly

Budget Breakout: Commercial production \$14,500

Results: BET generated subscriptions on a regular basis for one and a half years at under \$4 per subscription

Follow-Up: Created a new commercial and the results were just as good

Personnel Responsible: Harold Bolling for Sheldon Communications
