

Video-on-Demand Needs Big Promotional Boost

Study Finds Education Is Key to User Growth

By Daisy Whitney

Video-on-demand could benefit from a hearty dose of promotion. That's the finding of a recent study from Knowledge Networks on the state of VOD.

It's the latest in an array of studies that attempt to ascertain the state of the VOD business, which has suffered from an image problem over the past few years as broadband video has become the sexy new thing everyone wants.

About 40 percent of homes with VOD use it at least once a week, the study found. That's not bad, but VOD still primarily attracts videophiles and tech-savvy users.

VOD needs to tap into the digital cable users who have VOD but aren't regular users. That's why study director David Tice, VP of the media team at Knowledge Networks, suggests cable operators spend more energy on consumer education and promotion.

For starters, the study found the largest source of information on VOD that consumers reported using was the on-screen guide.

That means many consumers already know how to find VOD, Mr. Tice said. But it also suggests a fair number of digital cable users don't know how to find the VOD menu. "Certainly we need education on how to get there," Mr. Tice said.



Consumers also are confused about the price structure. Some are afraid to click on a category or even a show because they think they will be charged for anything on VOD, he said.

Mr. Tice suggested cable operators should promote VOD more regularly on their linear channels to expand the reach of VOD beyond the videophiles and heavy television viewers.

But among those who have video-on-demand, consumer usage is strong, said Bruce Leichtman, president of Leichtman Research Group. He pointed out that Comcast alone generates 1.1 billion VOD hours viewed per year, which equates to 180 million minutes per day, he said. "That's essentially the same amount of time spent on YouTube each day by its user base," he said.

Among consumers who watched any online video in the past month, the average time spent per day watching Web video is six minutes, according to audience measurement firm comScore Media Metrix.

While usage has been growing, the number is still quite small and should be kept in perspective, Mr. Leichtman said.

Even so, online video is the decidedly sexier of the two mediums for the moment. As a result, VOD might benefit by adopting some of its beauty tips, Mr. Tice wrote in his recent report.

The expectations consumers have developed from watching those six minutes a day is affecting their perception of VOD, he said. Consumers expect global availability, searching and community.

Availability Issues

The lack of widespread availability of broadcast network content has hampered VOD, especially when such content is almost universally available from nearly every broadcast network and most prime-time shows online.

But prime-time shows are available on VOD only in a few markets. Cox carries some ABC and NBC shows on its Orange County, Calif., system. CBS also offers some ad-supported prime-time shows on a few cable systems.

Beyond prime-time shows, VOD is hindered by movie release windows. Most VOD systems do not enjoy the same windows of availability for movies as DVD sales and rentals do, trailing behind, Mr. Tice pointed out.

Another issue is search. While online video search is still an imperfect process, VOD search lags even further behind. Many VOD systems do not incorporate search at all. Often consumers must wade through all the categories and menu buttons to find what they want.

Also, VOD should take note of how broadband video has grown. Online video usage has risen exponentially because of its viral nature. Top video-sharing sites are built around communities, posting comments and sharing videos via word of mouth. The ability to forward links to friends and family has enabled the medium to flourish. "The technical requirements for building in this type of capability should be an achievable capability of the broadband networks

which television services are built upon," Mr. Tice wrote in his report.

Still, cabling shouldn't worry too much. VOD will naturally grow in prominence once certain long-awaited milestones are reached. Advertisers and television networks have been chomping at the bit for years for cable operators to introduce dynamic ad-insertion technology that lets fresh ads be inserted into VOD content on the fly.

When dynamic ad insertion becomes more commonplace, VOD will pop up on the radar screen of advertisers with more urgency, said Mitch Oscar, executive VP of digital at media agency Carat.

"The people who aren't enamored are the press and ad agencies. Those two constituencies are jaded," said Mr. Oscar. "The consumer is watching more VOD than ever, and I don't think consumers are clamoring for anything other than music or Halo 3. And as long as we are training people to demand things and have interactive experiences around them, when all the bells and whistles are deployed with interactive TV, people will gravitate there."

VOD may not have the buzz that broadband does, but the medium will always have an important leg up because consumers watch VOD on the big screen, still a more desirable viewing experience, said Ian Olgeirson, analyst with Kagan Research.

However, two areas of concern for VOD are content and the guide. "Content is coming around, but it will take a little while for perception to catch up," Mr. Olgeirson said. "The interface is still lacking and not improving quickly."

The industry also needs to remember that there is no either/or when it comes to VOD and broadband. There is room for both, Mr. Leichtman said.

Besides, VOD at its heart is designed as a retention tool to stave off defections to satellite. In that capacity, he said, it has done its job.