FRAMES 2004

IMPROVING ROI FOR TV CHANNELS… viewership grows

I come from an advertising agency background and realize that in this audience my view would be contrarian, and may not go down well with most of you.

At the agency our philosophy would be to aim for a sustainable win-win partnership between our client and our media partner – the channel.

I hold the point of view that it is critical for channels to manage and ensure an improvement in the customers ROI and if you succeed in doing that, you succeed in ensuring that your own ROI stays protected or infact improves.

I am therefore more than amused at the title of this presentation - **Improving ROI for TV channels**. My simplistic solution: Improve ROI for advertisers and your ROI will improve.

Fundamentally, channels have 2 sources of revenue:

One from advertising and

The other from distribution and

I presume their major element of cost is that on programming.

To improve ROI, they need to:

a. Control programming cost and

b. Improve revenue from both the advertising community and through subscription.

First let us take programming cost – I appreciate that my point of view is a little old fashioned and may not find too many takers in today's modern world because I have seen an era when TV, as we know it today, did not exist. And then came programmes like Rajani and Buniyaad which swept viewers off their feet. These programmes were made at a pittance and yet delivered huge ROI for both the producers and the advertisers in those days.

I find it surprising that most channels make the simplistic assumption that advertising budgets are unlimited and can grow exponentially if viewership grows. Establishing a relationship with sales is not in their lexicon and does not feature in their overall scheme of things.

A sobering thought, I would like to share with you is that even in the last year, which was a good year, the advertising market has grown no more than 15%, whilst most channels that I know, target a growth of atleast 20% - 30%, if not 50%.

At one level, it is right to say that advertising spends are elastic in the sense that if sales continue to grow, the advertiser continues to spend more and more money on advertising. I have seen in the early days of TV, advertisers and some large Indian entrepreneurial companies increase their advertising budget over just 2-3 years by as much as 10 times, because in those days, advertising on TV delivered astonishing ROI for advertisers. Alas, thanks to proliferation of channels and fragmentation of viewership, the return to the advertiser on his advertising spend on TV has sharply come down. And what is not helping to my mind, is that the channel is seeking to rectify this situation by spending even more and more money on programming in the belief that it would increase viewership and deliver higher ROI to himself and the advertiser. Even our short TV history in India has shown that this is not quite true. Take a look at the fate of KBC look-alikes like **Sawaal Dus Karod Ka, Kodeeswaran,** or more recently expensive productions like **Karishma and Malini Iyer**. I suspect that even in the hey days of KBC, specially in it's 2nd and 3rd extensions, when the programme was a huge hit and captured the imagination of the Indian viewers, given the advertising rates that it commanded, the return on investment to advertiser was not commensurate with what he invested on that programme. Ofcourse, my friend Sameer will disagree. Advertisers are also human and as experienced and mature sellers know, do get carried away by waves, or haava and get tempted to make huge investments. It is only subsequently when the wave recedes and they sit back in the sanity of their own office, that they realize that is was a bad investment – mind you it may have been good for the so called "image", but it made the bottomline look worse.

Sometime ago channels were involved in a virtual war and there was a frenzy to acquire Hindi films at astonishing prices. Mercifully everybody has realized today that making these acquisitions has helped neither the channel nor the advertiser.

I run a Creative Agency in the name of Madison Creative and our underlying credo is **"Big ideas work better than big budgets"**. The more I see different types of programming in the market and compare their relative success or failure, in terms of TRPs , I am convinced that the same principle works in TV programming too. What the viewer wants is something different all the time, but trying to make it different by making it more expensive is not a very smart way of going about it and can get you in a bottomless pit.

The second important area that channels need to look at is to improve their revenue through subscription and that is the only reason I would support CAS - that is, if CAS could improve the channel's revenue on account of subscription. I think to expect the advertiser to fully pay for all of channels cost is not just unfair, but unrealistic and not at all a sound value proposition from an advertiser ROI point of view and would lead to a downward spiral of both the TV and the advertising industry. I think the newspaper industry has stagnated because it abandoned its long held ratio of deriving 50% of revenue from advertising and 50% from subscription in favour of increasing circulation, by dropping newsstand prices.