

Interview Horst Stipp

Carsey-Wolf Center at UC Santa Barbara

12-16 minutes

In February 2011, Horst Stipp, EVP of Global Business Strategy for Advertising Research Foundation, sat down with MIP for an interview. In the excerpts below, Stipp reflects on his research experience at NBC to challenge common assumptions about the disruptive impact the Internet has had on the television industry and its audiences. As the industry struggled to predict the future, his comments underscore how much the current media landscape shares with the past.

Horst Stipp, Ph.D., has been involved in media research for more than 40 years, including a lengthy stint in the Research Department at NBC Universal in New York. In January 2011, he joined The Advertising Research Foundation as Executive Vice President, Global Business Strategy. He also teaches a seminar on media metrics at Columbia University's Business School. Most recently, his research has focused on changes in media use and the impact of advertising in the digital age.

Historical Continuities

Thursday, February 17, 2011

MIP: In the past fifteen years, what do you think has been the single greatest challenge that has taken place in the television industry?

STIPP: We all thought the Internet was going to be the big game changer for television, but it wasn't. The big game-changer was digital television. The game-changer was *not* another medium. It was changes within the medium itself. Suddenly, instead of 30 channels, people had 130, the average two years ago. After that, Nielsen stopped counting, so it's probably over 150 now. That started the fragmentation of the audience. It was at a relatively slow pace. Everybody was losing one or two market share points every year, but after 10 years, that adds up. There are exceptions, but the short answer is we all thought the next big change was going to be the impact of the Internet.

Why was it not the Internet?

At NBC, I had a relatively large amount of data access and I was able to do research on this quite early. In 1995, we did in-depth studies on what people thought about the Internet, what they thought about television and how they would characterize it; and we looked at what's the same and what's different. The take-away in that study was that there was some overlap, but there were some rather distinct differences too. Television was seen as much more relaxing, passive, and for entertainment purposes, whereas the Internet was for information gathering. Television is something you often do with your family; Internet is more solitary. A lot of this has changed since then because this was still dial-up time, right? But that is what we took away from

it.

One of the reasons why television has survived so well against all expectations is that it does not always require full attention. It can be used as a background medium and always has been. There is a lot of focus on change—on what's new and what's different—and I think the threat to TV is often exaggerated. There is this notion that people now have smartphones and laptops and all that, that this is a huge game-changer and people are unable to focus on television. Well, flashback 25 years. People were surrounded by newspapers, kids, wives, foods, *Time* magazine—all kind of things. There were always distractions. People ate while they watched television and did all these other things too. Television is a strange thing. We always talk about television as if it is always the same thing, but it really has tremendous range. One can be totally focused on it and let it absorb enormous amount of attention but a very, very big portion of viewers use it to accompany other activities, almost like radio. Consider the *Today Show*: If you are a smart advertiser, you make sure that your commercial during the *Today Show* has a good soundtrack because chances are people are actually not going to spend that much time looking at the screen.

If the Internet wasn't originally a game-changer, do you think it has become more significant in the past 15 years?

Actually, I think the Internet is one of the hopes, one of the positives in the scenario for television, and very much for print.

A friend and I teach a course together at the Columbia Business

School. Last Friday we had a conversation about the iPad and print. I think the ideal model would be if I were a print subscriber, I could authenticate myself and get the iPad version for a dollar. It's just a matter of price points. For television, having the Internet as an additional distribution form seems to be a positive thing. The "problem" is actually a positive thing.

As a researcher I have to say we don't know exactly if online distribution is essential to keep fans happy. There is this anecdote: When *Gossip Girl* was taken off the web, there was a big stink and then it came back and was available online again. What did this do? We did surveys that suggested people will not abandon TV but they love the idea of having it online. Another example: they put *The Office* online and its ratings on TV went up. And our survey suggested that 20 percent of the online viewers had never seen it on TV. They said, "I discovered it online, I loved it and now watch it on TV." But there is a complicating factor. At the same time as all this was going on, the research on *The Office* suggested that the romance between Jim and Pam was a real asset. It was like, "We love Jim and Pam. You know, Steve Carell, hmm...he's still a little bit too nasty. After all, we are not Brits. We are Americans. We want the stars of our sitcoms to be lovable. They can't be bastards." So the writers went more in that direction. We don't really know for sure to what extent the ratings changed because of the writing or because of the online thing. Different things just came together. Nevertheless, the evidence suggests that making these shows available online does not really hurt television. It is a positive factor.

How this complicates labor is another element that usually isn't part of the discussion.

From a political point of view, I'm concerned about payments and workers rights and all of that. Yet, I know NBC was really struggling to figure this out. They were not making any money on the online stuff and yet guys were going on strike because they wanted payment.

NBC and every other network were making a big fuss about being online in order to be perceived as cool. There was just so much hype around the idea of being online. Of course, nobody wants to say they are making more money from product placement on television than they are making from online advertising. But, in fact, product placement is very profitable and the online usage is not that high. About 97 percent of all new television shows are still being watched on television

So compared with all the hype, compared with everything you read, compared to even what some advertising agencies tell their clients, the amount of online usage of television content is not that large. The amount of video that the Internet is used for is not that large. Most of it is Netflix. Also, while viewing behavior is changing rapidly in one group, it's changing very slowly in another group. Right now students don't want a DVR. They don't want a TV. But ask them how they think their life is going to be once they get married or partnered and have kids.

Audience Metrics

Thursday, February 17, 2011

STIPP: From a research point of view, there are three things we can be certain of: number one is that changes for the media business are going to continue, and there are big challenges. Secondly, linear television will decline. I do think there will be less live television viewing, more DVR use, more online viewing, and so on. And third, we need better measurement techniques. Our favorite quote on that is, “If you can’t measure it, you can’t sell it.” It’s a huge challenge.

MIP: Can you talk a little bit about how you have seen metrics evolve? What are the shortfalls? What do they need moving forward?

Everything points in the direction of a total loss of privacy, data gathering that is incredibly invasive. Because the dream, of course, is that you get something that doesn’t depend on a respondent actively feeding you information.

But many privacy concerns that you hear among politicians and in academics don’t seem to be shared by a huge portion of the public that is willing to give up privacy for pay. You give me a coupon; I will tell you who I am, that sort of thing. You pay me a hundred dollars and I will let you measure my behavior. I love the convenience of online shopping even though I know they are collecting data on me. Facebook is the best example of that.

That is especially true with our students. They will tell you anything. They don’t have the same attachment to privacy that other generations do.

It’s a very interesting situation and it’s a real struggle. There is

no solution.

It is astounding to us that the television industry accepts a deeply flawed system of measurement, and now it seems with the expansion into digital space it becomes even more flawed.

There are two sides to it. It is deeply flawed especially if your model is a controlled experiment. But compared to other media it's still the best measure, even though there are some questions about who takes part in Nielsen, who is willing to do what Nielsen asks. There is a technology bias too, since many who are part of the Nielsen panel are not as new-media equipped. Some very sophisticated independent research was done about the Nielsens. They really took a hard look at things. The outcome basically was that Nielsen was pretty on target and again they found that even among young people there was more TV usage than people would have expected. Of course it was even more so for older people. So Nielsen seems to be basically in the ballpark and it's better than magazine measurement and radio measurement and some aspects of Internet measurement.

There has been a lot of talk over the last five years about some alternative measures, particularly some that try to take advantage of smaller, more intensely interested viewers. I'm thinking about engagement studies, that sort of stuff. Is there a future opportunity there, or is that fools' gold?

We have to defend two things: Number one is a measurement

that can be used as currency to buy advertising time, and second, that measurement has to be somehow projectable, from large samples. Nielsen seems to fill that function. There are shortcomings in that area, however, so there is a huge effort going on to deal with that. Another effort is due to the fragmentation. People are saying, “Nielsen is fine but there are a lot of channels that can’t be measured because they aren’t large enough.” Yet, there are all these set-top boxes out there. Now, Comcast—if they get their act together, they can use their own data. They could take ten million boxes and be able to measure the smallest audience.

Also, there are people like Google who say we have the second-by-second data from these set-top boxes, so wouldn’t it be nice if we could use that data to show some kind of engagement. So they look at these commercials from Google ads and figure out how much of the commercial was actually viewed. The average view is 23 seconds. So when they look at their data, they say, here is a commercial that was only viewed for 15 seconds. Maybe that wasn’t so good. And here is one viewed for 29 seconds. Better than average. They consider it an indication of whether it was a good ad, an attractive ad, an engaging ad. Of course there is a problem with that because most people simply don’t change the channel.

It’s not really a measure of engagement, is it? It’s a measure of constant viewing.

Yeah, right.

[Laughter] It’s a measure of maybe falling asleep, right?

Sure could be. So, Nielsen provides this currency and indicator of how much time people spend, but we really want to know how much time is spent well, engaged. Did this ad have an effect?

I suppose we'd like to finish this by asking if there are any answers for which we didn't have questions.

Just having this conversation with you reminds me how complex these issues are and how few solutions there are. And I think one of the reasons why everybody seems to be muddling through is because everybody expected a revolution, but it turned out to be more like an evolution. That's one of the reasons why in many ways old business models are still sort of working and will be limping along, albeit with modifications.

I have colleagues at ESPN. Men 18-34 is one of the big important targets they make lots of money with, and boy, do they make lots of money. And yet even among that age group television is still the overwhelming choice, but they are also using radio, magazines, and the Internet. They have all of these media that they use, but television is still the absolute leader. They just showed us a fantastic study they did during the World Cup. One of the things they did was to compare advertising effectiveness on different platforms. Well, the highest they got was for TV, so with these new platforms, either they don't work as well as television, or we don't know yet how to use them well.