

Interactive TV and gaming

Despite substantial investment by the television industry in interactive services, the predicted financial boom has yet to materialise. With companies continuing to invest, particularly in the gaming sphere, Professor Mark Griffiths of Nottingham Trent University assesses the latest developments.

In recent years the television industry has invested heavily in digital infrastructure in anticipation of the predicted financial boom that was to come from interactive television (i-TV). However, revenue from i-TV has been relatively slow to materialize. Despite this relatively slow start, industry analysts' believe i-TV will bring financial rewards for the television industry. Early i-TV revenue projections forecast robust growth in interactive advertising and television-based commerce but are unlikely to be as lucrative as consumer-driven applications, such as video-on-demand or gaming. A report by KPMG and Screen Digest estimated that by 2007 i-TV will generate approximately one half of the \$5 billion in online revenues².

To flourish in an evolving digital landscape, television companies are formulating strategies for targeting particular segments of the industry. Platform operators appear to be deploying consumer-driven applications, such as gaming (including gambling). They are creating an environment where content originators and channel operators can innovate and profitably create interactive broadband content. Interactive television is seen as a way of rapidly expanding gaming, because of its naturalness and ease of use.

Interactive television gaming covers a wide range of activities. This includes such activities as playing video games like Tetris, playing along with television game shows like Who Wants To Be A Millionaire?, and wagering on sports events such as horse racing and football. But will gaming be among i-TV's most profitable applications? Consumer surveys suggest a moderate interest in gaming but when offered uptake is usually good. A good example of this is the National Lottery where

there was little public appetite for one before its introduction in 1994, but has proved very popular since. Gambling via television clearly has great potential but may be limited in many markets (such as the US) because of regulatory issues.

There appears to be an increasing wave of interactive television applications aimed at viewers drawn to the allure of video games and online gambling. This interest in all things interactive directly results from growing competition between internet service providers, satellite TV, and cable-TV outfits. All these different providers are looking for features to differentiate themselves. Furthermore, they are specifically targeting younger audiences. A 2005 study by Nielsen/Activision reported that 18 to 34-year-old males (a prime demographic for advertisers for many products) now play video games rather than watching television³. As a consequence, media service providers have had to reinvent and reinvigorate the television viewing experience. One of the most potentially lucrative vehicles for this has therefore been interactive television games.

Media service providers in the US have been piloting interactive programming like NASCAR in Car, which allows viewers to watch races from inside one of seven cars participating in a stock-car race and seeing what the drivers are seeing. Using a television remote control, viewers can switch cars. Viewer loyalty scores highly with advertisers, which contribute the bulk of sales. Media service providers also take its share of the text-messaging revenues when answering the multiple-choice questions on screen.

Many media service providers' networks still need work to enable cutting-edge interactivity like multiplayer gaming but this is

likely to happen at some point. Digital pay-TV software makers are beginning to roll out technology that can enable feature-rich games even on "primitive" set-top boxes. Using software that sits on a provider's server, games can be made graphically complex (e.g., game sequences that give the viewer an impression of flying through a house).

Lots of companies have done well financially in Europe and Asia where more than 30% of television shows have an interactive element to them. Television gambling is particularly popular in Europe. Interactive Systems Worldwide (ISWI) was one of the first companies to develop an interactive television play-by-play betting system. Their software system enables interface between SportXction and the satellite television broadcast of its first interactive television partner¹. SportXction is a patented, real-time, software system that allows TV viewers to make play-by-play gambles on a sporting event while the event is in progress. Gambling can be conducted while viewing a live or televised sporting event, or listening to it on the radio. The wagers offered are mostly oriented to short-term action like the penalty kick, or whether the next play will be a run or a pass. The wagers have odds associated with them, which relate to the probable outcome of the proposition being wagered upon, and the odds are adjusted in real time to balance the pool using proprietary artificial intelligence software to reflect player sentiment, as derived from the betting patterns. The system can be used with virtually any sport².

Exactly how successful interactive television gaming will become cannot be answered at present and there are clearly some markets such as the US that are impeded because

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of legislative and regulatory issues. Whether i-TV applications become cash cows or dead ducks remains to be seen.

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