

INTERACTIVE TELEVISION IN HONG KONG:

A CASE STUDY ON iTV

by

CHAN HUNG-CHIN

陳鴻展

FU LAI-YAN, CARMEN

符麗茵

MBA PROJECT REPORT

Presented to

The Graduate School

In Partial Fulfilment

of the Requirements for the Degree of

MASTER OF BUSINESS ADMINISTRATION

TWO-YEAR MBA PROGRAMME

THE CHINESE UNIVERSITY OF HONG KONG

May 1999

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## APPROVAL

Name: Chan Hung-Chin & Fu Lai-Yan, Carmen  
Degree: Master of Business Administration  
Title of Project: Interactive Television in Hong Kong: A Case Study on iTV

Michael Hui  
(Prof. Hui, Michael King-man)

Date Approved: May 7, 1999

## ABSTRACT

Interactive television, a breakthrough in the television broadcast industry, is a synthesis of television, games, education, and information systems. It puts the control of when and what to watch back to the viewers. The two-way communication offered by interactive television basically changes the role of television as a passive medium in the past 50 years, leading to increased convenience and flexibility for home entertainment.

This project is a case study on Interactive TV (iTV) in Hong Kong, which is offered by Hongkong Telecom. The main theme is to study the marketing strategies for launching this new service. The objectives of this project are to evaluate and to improve the marketing strategies of iTV. One-on-one interviews, focus group interviews, and secondary data were used to collect information about the marketing of iTV, the related environmental concerns, and the viewpoints of the customers.

Research findings indicate that iTV has done successfully in getting the attention of the public. Among the many available services, video-on-demand is regarded as the "killer application" which is essential but not sufficient for the success of iTV. When it comes to the pricing, many hold a perception that the service is too expensive. On the other hand, results imply that iTV and Cable TV are in a head-to-head competitive situation. However, the direct selling of iTV is relatively less aggressive. Besides, there are some other factors affecting the adoption rate of iTV. They are relative advantage, compatibility, complexity, trialability, and observability.

All the findings of this research project help us to understand the marketing issues of iTV. After the case analysis, recommendations regarding product, price, promotion, place, and personnel are made for improving the performance of iTV. It is hoped that this project can also provide references for companies that plan to invest in the interactive television industry of Hong Kong.

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## ACKNOWLEDGMENTS

We would first like to thank our supervisor, Prof. Hui, Michael King-man, who reviewed every chapter of this dissertation and offered much helpful advice, guidance, as well as support throughout the course. Without his impact and inspiration, all the work would not have been possible.

We would also like to thank the Assistant Marketing Manager and Business Development Manger of Hongkong Telecom's Interactive Multimedia Services for their help in providing information about the marketing program of iTV for analysis and evaluation.

Thanks are also extended to the Software Engineer of Hongkong Telecom for his explanations on the technological side of interactive television.

Finally, we want to give thanks to all the participants of the focus group interviews and all the staffs in the Graduate Programs of Business Administration, The Chinese University of Hong Kong, for their kind help and cooperation.

## CHAPTER 1 INTRODUCTION

Traditionally, television programs are acquired, scheduled, and presented by broadcasters. Viewers can only watch the programs of their interests at a pre-determined time. Interactive television, a breakthrough in the television broadcast industry, offers two-way communications or interactivity between viewers and broadcasters. It basically changes the role of television as a passive medium in the past 50 years, leading to increased convenience and flexibility for home entertainment. Interactive television is a synthesis of television, games, education, and information systems. "Subscribers will need only an interactive television remote control and a digital set-top box (a digital decoder) connected to the television set and telephone line to enjoy interactive services. The interactive applications and cutting-edge technologies of interactive television will allow subscribers to have complete freedom and control over what and when they want to watch, listen to, or shop for fun - with clicks on a few remote control buttons at the comfort of their own homes," Dr. William Lo, the former Managing Director of Hongkong Telecom's Interactive Multimedia Services (IMS) division said.<sup>1</sup>

In Hong Kong, however, after the new arrival of Interactive TV (iTV) launched by Hongkong Telecom's IMS division, the feedback of it seems keeping not as satisfactory as expected, though the company holds a high profile image and an aggressive schedule of rolling out the service. Hence, it would be meaningful to study this case for a thorough understanding of the service and even the industry. With regards to the development of iTV as well as the external and internal factors involved,

it is hoped that some critical puzzles can be identified and iTV's marketing strategies can be improved for their future development.

### **1.1 Main Theme**

How new a product is affects how it should be marketed. In terms of the "interactivity" of iTV, it can be classified as a true innovation that is new to the firm and creates an entirely new market.<sup>2</sup> However, there are many factors to consider in order to maximize a new product's chance of success in a competitive environment - one of the key factors is product marketing. That is to say, as a new service in Hong Kong, iTV involves in lots of marketing considerations and decisions. This brings out the main theme of this MBA dissertation which aims at examining the marketing strategies of iTV as a new product.

### **1.2 Objective**

There are two main objectives for this project. The first one is to evaluate the marketing strategies of iTV while the second one is to give recommendations for improving the future development of the service.

In order to achieve the upheld objectives, several steps have to be taken. First, we have to know about the product and its marketing strategies in details. Second, the external environment has to be studied in order to acquire the industry and competitor information. Third, the viewpoints of the customers have to be gathered. Then, with these three pieces of information, the strengths, weaknesses, and factors affecting the

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<sup>1</sup> "Hongkong Telecom officially launches the world's first interactive TV", *Hongkong Telecom: Press Release*, 23 March 1998; available from <http://www.hkt.com/ABOUT/press/index.html>, Internet.

<sup>2</sup> Robert J. Dolan, *Managing the New Product Development Process: Cases and Notes* (Massachusetts: Addison-Wesley, Inc., 1993), 1-13.

adoption rate of iTV can be identified. Finally, according to these analyses, some recommendations for this new service can be drawn.

### **1.3 Methodology**

To collect the information needed for this case analysis, three different investigation procedures were used.

#### **1.3.1 Interview**

Interviews were carried out with an Assisting Marketing Manager, a Business Development Manager, and a Software Engineer of Hongkong Telecom's IMS division. The purposes are to understand the background as well as the current marketing strategies of iTV.

#### **1.3.2 Primary Data**

Primary data were gathered by conducting focus group interviews with the potential and existing customers of iTV. We aim at investigating the views and wants of the potential customers on iTV, studying the satisfaction level of the existing customers, and verifying the future direction of Hong Kong Telecom's marketing decisions.

#### **1.3.3 Secondary Data**

Secondary data were obtained through extensive search from published materials such as books, newspapers, journals, company reports, and government publications. In addition, on-line information sources were also used including World Wide Web, CD-ROM library in various universities, and other online databases.

## **1.4 Report Structure**

Chapter One of this report is the Introduction section. It identifies the objectives and main theme of the project. Besides, the methodology used to achieve the objectives and the report structure are mentioned.

Chapter Two is the Case Description section. This section aims at delivering all of the background information about iTV - what interactive television is, the development of iTV by Hongkong Telecom (HKT), and the current situation of the service.

Chapter Three talks about the Focus Group Interviews conducted for evaluating iTV. In this section, all the research findings about the viewpoints of both potential and existing customers are presented.

Chapter Four is the Case Analysis in which all the collected information is organized and analyzed. Specifically, the strengths and weaknesses of iTV are evaluated with reference to the case background and the implications from the focus group interviews.

Chapter Five is the Recommendations section. After all the analyses, some recommendations are made for iTV. Both of the corporate-level and business-level strategies are given.

Chapter Six is the Conclusion. It gives the final words of the dissertation. After that, the appendices provide a space for capturing more detailed information that may not be required in the main text.

## CHAPTER 2 CASE DESCRIPTION

This chapter aims at introducing the background information about interactive television and the iTV case. First of all, the main character of this report, interactive television, is introduced. Second, the company background of HKT and the development of iTV are reviewed. Third, the current situation of iTV and the challenges it is facing are discussed.

### 2.1 *What is Interactive Television?*

"Interactive television can be defined as TV that is controlled by the viewer, whether this implies interprogram or intraprogram decision-making capabilities. The difference is only the degree of interactivity... Advanced multimedia can be frequent participant interactivity. Thus, advanced multimedia can be thought of as interactive television with a higher frequency of participant interaction. The difference between interactive television and advanced multimedia is essentially the degree of interaction..."<sup>3</sup>

Interactive television is two-way (or more) communication between a viewer and a device, usually a television screen. A viewer may interact with a television program as if a dialogue were taking place between two people.

Interactive television offers a collection of services through connecting content providers and subscribers over high-speed communication links, with set-top box (STB) as an access device and television as the user interface.

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<sup>3</sup> W. W. Hodge, *Interactive Television: A Comprehensive Guide for Multimedia Technologists*. (New York: McGraw-Hill, 1995): 3.

### 2.1.1 Potential Applications

The interactive television system is a complicated system that can offer numerous services and applications. Its major applications are summarized in the following table<sup>4</sup>.

Potential Application	Example
Video-On-Demand (VOD)	▪ Movies, Time Shifting <sup>5</sup> , Pay-per-view (PPV), and Karaoke
Video Games	▪ Software Downloads, Multi-player Games, and Betting or Gambling
Interactive Viewing	▪ Replays, Camera Angles, and Play-Along Television
Sports	▪ Game Shows
Advertising	▪ Coupons and Interactive Informercials
Transactions	▪ Home Shopping, Banking, and Finance
Electronic Information Services	▪ Internet or World Wide Web, News, Sports, Weather, Medical Advice, Travel Schedules, Local Information, and Restaurant Guides
Telephony	▪ Video Phones and Plain Old Telephone Service (POTS) <sup>6</sup>
Education	▪ Interactive Distance Learning and Multimedia Databases
Medical Operation	▪ Remote Operation and Patient Medical Information or History

*Table 2.1 Potential Applications of Interactive Television*

In general, the target markets of the above applications can be classified into residential and commercial customers. The killer applications of interactive television for residential market are video-on-demand, sports, and video games while the killer

<sup>4</sup> J. Galbreath, "Interactive television: the state of the industry", *Education Technology (USA)*, March-April 1996, 24.

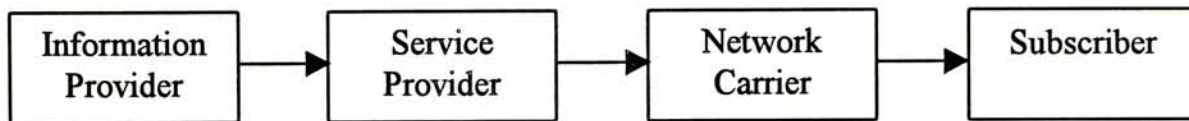
<sup>5</sup> For example, a broadcast news program is recorded and played at a later time.

<sup>6</sup> POTS is the wireline phone or voice service that we are using today.

applications for commercial customers are services like video conferencing and videophones.

### 2.1.2 Value Chain

The value chain of interactive television consists of four components, namely content provider, service provider, network carrier, and subscriber.



*Figure 2.1 The Value Chain of Interactive Television*

#### 2.1.2.1 Information Provider

Information provider supplies content such as movies, news, sporting events, music, documents, information, etc. The content can be in a digitized form (for instance, a digital magnetic tape) or can be in a "raw" form (like a film roll) which requires further processing by other parties. Some examples of information providers are movie producers, music video producers, education institutions, banks, and merchants.

#### 2.1.2.2 Service Provider

In the value chain, a service provider takes a channel role (wholesale and retail), which collects contents from various information providers and then offers these assorted contents to subscribers. An example of service provider in Hong Kong is HKT, which also serves as a network carrier, another player in the value chain.

#### 2.1.2.3 Network Carrier

The network carrier is the one who provides the infrastructure, that is the network interface to link up service providers and subscribers. It controls the physical distribution network between service providers and subscribers. Besides telephone

companies, cable TV companies can also serve as network carrier by utilizing their cable networks.

#### **2.1.2.4 Subscriber**

Subscribers are the end-users of interactive television. They can set up their profile of content and have their preferred set of programs which are different from those of others.

## **2.2 Hongkong Telecom and iTV**

After introducing what interactive television is, the company background of HKT is given in this section. Then, the question why HKT develops iTV is answered.

### **2.2.1 Company Background**

HKT is one of the largest telecommunication corporations in Hong Kong. It provides a wide variety of products and services related to telecommunication. Examples include residential telephone lines, fax lines, long distance calls, mobile services, Internet, and multimedia services. Its focus is in providing easy, quick, and convenient communication tools for customers, aiming at providing a complete package of communication set for customers. By historical reasons, it is the most widely known telecommunication corporation in Hong Kong, giving it a competitive edge. In terms of products and services coverage, HKT is also the leading telecommunication company in Hong Kong.

### **2.2.2 Why Developing iTV?**

There are three reasons that drive HKT to develop iTV. They are the internal, external, and consumer factors.

Internal Factor - As a result of deregulation and competitions, HKT's local telephony market share has started declining. Besides, its mobile phone business is facing fierce competitions. Additionally, HKT has surrendered its exclusive international license. In view of these reasons, HKT has to diversify its business into related areas of telecommunication in order to survive in the industry. Thus, it continuously invents and develops new telecommunication-related products and services in the hope of finding new sources of revenue.

External Factor - Digital network, the seedbed of iTV, requires huge set-up investment. However, as Hong Kong has a very high population density - about 6.5 million people per 1,000 square kilometer, the densely packed apartment blocks make the cost of wiring up individual homes as much as 40 percent cheaper than in the United States.<sup>7</sup> This advantage boosted HKT's interest in developing interactive television in Hong Kong. In 1993, HKT completed the digitalization of the network, which makes the combination of information technology and services, telecommunications, and broadcasting possible.

Consumer Factor - Hong Kong people are young, rich, and gadget-crazy<sup>8</sup>. They are eager to show off the very newest and latest technology. This can be reflected by the well acceptance of high technology products like computer and mobile phone. In addition, the penetration of audiovisual equipment into Hong Kong people is very high. According to some research results, it was found that 90 percent of the video cassette recorder (VCR) and laser disc (LD) player users had a habit of renting movie tape or disc and 38 percent of them watched during weekends or holidays. In addition, nearly 80 percent usually went for new releases, but about 60 percent encountered out-of-stock problem in renting new releases.

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<sup>7</sup> Christina Mungan, "Going interactive," *The Asian Wall Street Journal*, 29 March 1999, S5.

<sup>8</sup> "Turned out and dropping off", *The Economist*, 4 November 1995, p.69.

As a whole, with a unique population of prosperous, media-savvy, and snobbish consumers, plus the already located advanced infrastructure, it is very logical for HKT to exploit iTV as a new source of revenue.

### 2.3 *Launching iTV in Hong Kong*<sup>9,10</sup>

After an extensive research and trials, iTV was launched in March 1998. Hong Kong is the first city where interactive television services are commercially available. The marketing strategies for launching this innovative service are as follows.

#### 2.3.1 Target Market

The target customers of iTV were confined to the upper-middle class with the following demographic and psychological conditions.

Demographics	Psychology
▪ Upper-middle income group	▪ Early adopter
▪ Aged 30 to 45 (decision makers)	▪ Receptive to hi-tech products
▪ Private housing residents	▪ More focus on home entertainment
▪ With HK\$40,000 to 70,000 household income	▪ Looking for convenience or time saving lifestyle

*Table 2.2 Demographic and Psychological Conditions of Target Customers*

#### 2.3.2 Branding and Positioning

##### ▪ Branding

Owing to simplicity and self-explanatory, the brand name "Interactive TV" was selected. The term "Interactive" serves to differentiate the new service with a new as

<sup>9</sup> Assistant Marketing Manager. The Interactive Multimedia Services Division of Hongkong Telecom, Hong Kong. Interview, 28 January 1999.

<sup>10</sup> Business Development Manger. The Interactive Multimedia Services Division of Hongkong Telecom, Hong Kong. Interview, 28 January 1999.

well as unfamiliar technology while the use of "TV" made the proposition understandable and accessible.

"Two-kissing-arrows" was designed as the logo. It represents the interactivity between customers and HKT, the unique characteristic of the iTV service. For the logo design, please refer to *Appendix 1*.

- Positioning

The positioning statement for iTV was that "iTV is a revolutionary interactive multimedia service that brings entertainment, information, and shopping to your home. It provides you with 'touch of a button' convenience and total control over what is accessed and when, giving you a gateway to have your own better life".

### 2.3.3 Marketing Objectives

The marketing objectives of iTV are as follows.

- To create awareness for the brand name and understanding of the new service.
- To establish customer base.
- To reinforce the leadership positioning in the telecommunication industry.

### 2.3.4 Marketing Plan

- Product

Considering the convenience and controllability characteristics, all programs of iTV were of on-demand nature. When iTV was first launched, the range of services included VOD, music-on-demand, home shopping, and racing-on-demand. At that time, only 200 hours of programs were available, which included 150 Chinese and Western movies, animations, kid shows, and others.

- Price

The price set for iTV was high. The initial monthly basic package, inclusive of the rental of the set-top box, was set at HK\$200. In addition, for the VOD service, viewers had to be charged at a pay-per-view basis at about HK\$20-30 per film. Besides, viewers needed to pay installation fee and set-top box deposit.

- Promotion

To arouse the attention of the public about the service, the rollout schedule of iTV was in high profile at the beginning, with intensive advertising efforts. Television advertisements, road-shows, and posters in MTR stations, shopping malls and estates; direct sales; direct mailing; demonstrations at CSL shops; and take-one at selected outlets were adopted. The emphasis of the campaigns focused on promoting iTV as an unconventional service which offered customers with high convenience and controllability over what and when to watch. To induce subscription, within the promotion period, a special price was offered whereby customers paid only HK\$200 for the first three months. Discount rates at 50 percent would be offered for a further 12-month subscription thereafter. In addition, installation fee and set-top box deposit were exempted.

- Distribution

Besides CSL shops, all outlets were strategically located at selected areas where most of the upper-middle class lived at, such as Kowloon Tong, Happy Valley, Kornhill Garden, City One Shatin, etc.

## **2.4 Current Situation**

Currently, the number of iTV subscribers has exceeded 80,000. The demographic profile is shown in *Appendix 2*. With one year's time from the start, iTV has changed

in terms of the price structure and service variety. This part attempts to talk about today's iTV, followed by the challenges that it is facing.

#### 2.4.1 Today's iTV

Since March 1998, the pricing of iTV has been changed several times. Hitherto, iTV has offered five service packages. The latest service package is HK\$288 for unlimited entertainment. On top of that, iTV has been constantly enriching the service categories and choice of programs. It can now offer over 1,000 hours of entertainment programs which can be generally classified in seven service categories as follows.

- Entertainment

This includes over 400 local and exotic movies, 150 music albums and karaokes, cartoons, radio-on-demand, and games-on-demand. The movies are updated every two weeks. Moreover, there are also co-released movies every month.

- Shopping

Around 8,000 shopping items can be cruised from the virtual shopping mall on iTV. Participating merchants include Wellcome Supermarket, OSSIMA iBooks, Electrical Appliances Gallery, and Tiffany Flowers.

- Banking, News, and Finance

These services are jointly offered by the Bank of China Group, ATV, and Reuters respectively. However, the news is updated only once a day.

- Interactive Learning

Variety of programs range from school and tutorial courses to hobbies and interests are offered for selection.

- Sports and Leisure

Co-operating with the Hong Kong Jockey Club, iTV can now provide racing-on-demand, which carries race video archive, commentator reviews, and latest declared starters. Besides, some sports videos are also available.

- Hong Kong Info

This application mainly provides government information.

## 2.4.2 Challenges

- Low Diffusion Rate

The feedback of iTV seems not very satisfactory, though the company holds a high profile image and an aggressive schedule of rolling out the service. When HKT started the service a year ago, new customers were signing up at a rate of 15,000 a month, then total subscriptions stalled at around 70,000 for much of late 1998. Until January 1999, another 10,000 customers were added. The current number of subscriber households is about 80,000. Nevertheless, this number is far below the initial goal of reaching a broad audience of at least 250,000 subscribers by March 1999.<sup>11</sup>

- Deregulation of the Broadcasting Industry

In Hong Kong, the broadcasting industry is regulated by the Broadcasting Authority. New entrant must apply and obtain a license from the Government. In 1998, the Government has licensed two VOD operators, namely HKT and Hong Kong Star. It means that only HKT and Hong Kong Star have the right to broadcast VOD service, which is believed to be the killer application of interactive television. As Hong Kong Star has not yet launched its service to date, VOD becomes a core competence of HKT's iTV. However, as the government has intended to liberalize the market further, the competitive advantage that HKT is now enjoying will be threatened.

Technologically speaking, Cable TV already has the infrastructure needed to deliver interactive services. Thus, Cable TV would be the one who has the highest potential to enter the interactive television industry if the broadcasting regulations are loosened.

- Keen Competition with Cable TV

When iTV was first launched in July 1997, it was positioned as a superior substitute of video rental shops. However, with the shrinkage of video rental business over the past few years, Cable TV becomes the primary competitor of iTV.

Currently, about 1.6 million households, more than 80 percent of the total households in Hong Kong, has been passed by Cable TV's network. By the end of 1997, subscriptions to Cable TV was approaching 400,000. Cable TV now carries 40 channels which offers various programs such as movies, news, sports, drama, entertainment, music, etc. Its flagship channels are News 1, News 2, Movie 1, Movie 2, and Sports. Viewers can enjoy all the programs available in Cable TV except two channels, HBO and Cineplex<sup>12</sup>, in a monthly fee of HK\$270.

As the programs and the pricing of Cable TV and iTV are very similar, there is a keen competition between these two in building subscriber base. For the programs offered and price structure of Cable TV, please refer to *Appendix 3*.

- Prevalence of Pirated Video Compact Disc (VCD)

The effect of pirated VCD is really far-reaching. Many Hong Kong people do not have a sense of protecting intellectual properties. Moreover, those selling pirated VCD can be found everywhere on the street and even in many shopping centers. Even worse, newly released films and those are still being shown in cinemas are pirated. In 1995, less than one million pirated VCD were seized by the Hong Kong Customs and Excise Department. This figure increased exponentially to 34 million in

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<sup>11</sup> J. Mailloux, "IMS to launch new iTV services", *Computerworld Hong Kong*, 6 May 1998.

<sup>12</sup> HBO and Cineplex are channels which offer the latest Hollywood and local movies respectively.

1997<sup>13</sup>. The cheap price and prompt availability of the latest movies are the major reasons for its popularity. Pirated VCD has created a great hit to iTV. The advantage of iTV to provide newly released films becomes not applicable.

- Abundant Substitutes

Due to the nature of services that interactive television now provides, free TV broadcast, Cable TV, video rental shops, pirated VCD, the Internet, newspapers, retail shops, and all other forms of home entertainment can be a substitute of iTV. Although no product or service can fully replace iTV as it is a new product class which combines television, game, education, and shopping, in this technology-driven industry, any technological advancement may lead to new substitutes. One example is the broadband online service which is now developed by HKT and Microsoft. This kind of service converges personal computer, television, and telecommunications, and it will definitely change the rule of the game in future.

- Economic Factor

As iTV is being launched in Hong Kong, the Asian financial crisis, which has attacked Hong Kong's business environment badly, can strongly affect the feedback of iTV. Since the beginning of the crisis in late 1997, Hong Kong's economic situation has been suffered greatly. Especially for the consumer goods and service industries, the weakening of purchasing power has led to the deflation in retailing prices. The unemployment rate has hit the 25-year new high of 6%. And, total retailing revenue of March 1999 is 10% lower than that of the same time last year. The situation is not expected to get better very soon. That is to say, how iTV survives under the current recession is really a tough question for HKT.

- Demographic Factor

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<sup>13</sup> Hong Kong Customs and Excise Department, "Copyright infringement 1994 - 1997," available from <http://www.info.gov.hk/customs/statis/copyright.htm>; Internet.

Demographically, according to the Census and Statistics Department, in the past five years, the percentage of population aged under 15 was decreasing while that aged 65 and over was increasing.<sup>14</sup> (For details, please refer to *Appendix 4*.) Since elderly are generally reluctant to use hi-tech products, if the aging of the population continues, the diffusion rate of iTV would be decreased.

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<sup>14</sup> *Hong Kong in Figures*. 1998 ed. Hong Kong: Census and Statistics Department, 1998.

## CHAPTER 3 FOCUS GROUP INTERVIEWS

In order to have a better and more thorough understanding of what consumers are feeling about iTV, focus group interviews have been conducted. During the interviews, both of the potential and existing subscribers could express their viewpoints and suggestions on iTV. This section attempts to reveal the findings of the interviews.

One point worthwhile to mention is that when the focus group interviews were conducted, iTV did not provide the sports and news services. Therefore, these two new services were not within the discussion area of the interviews.

### 3.1 *Rationales of Using Focus Group Interviews*

A focus group activity is nothing more than a planned, relaxed discussion among a small group of people on a specific topic. The advantage of focus groups over one-on-one interviews is that the group setting allows individuals to use the ideas of others as cues to more fully elicit their own views.<sup>15</sup>

"Although focus group interviews were first used in the private sector as a tool for conducting market research, the technique has gained popularity with evaluators as a means of assessing program implementation and outcomes."<sup>16</sup> One reason that focus groups are used more frequently by evaluators is that the interviews yield rich, qualitative information which can be used to identify what worked, what did not, and

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<sup>15</sup> Glenn D. Israel, "Using focus group interviews for evaluating extension programs," available from <http://hammock.ifas.ufl.edu/txt/fairs/35500>; Internet.

more importantly why. So, in order to deliver recommendations for improving the development of iTV, focus group interviews were used.

### **3.2 Sample**

For this research project, three group interviews were performed, with 15 men and 10 women participated. In order to maximize the effectiveness of the focus groups, the size of each group was kept not more than ten people. In the first two groups (18 individuals), panelists were the potential users of iTV. For the remaining group (7 individuals), panelists were the existing clients of the service.

Demographic spread was good in all three groups, with ages well spread from 25 to 44. All of the respondents had total family incomes above \$20,000 per month and their educational levels were at or above secondary level. 16 of the 25 panelists were married while the rest of them were single. For the demographic profile of the participants, please refer to *Appendices 5 and 6*.

### **3.3 Specific Question Areas**

#### **❖ For Potential Subscribers**

- Have they heard of iTV before?
- Do they know what services are being offered by iTV?
- Among the various services offered, which is the most interesting one?
- Do they have a positive or negative attitude towards iTV?
- What are the benefits that they think iTV can bring about?
- What are their impressions on the pricing and promotion of iTV?

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<sup>16</sup> Richard A. Krueger, "Focus group interviews as an evaluation tool." Adapted from a presentation at

- What are the reasons of not subscribing iTV?
- Would they like to subscribe iTV in the near future and why?

❖ For Current Subscribers

- Why did they subscribe the service?
- Through what channel did they apply for the subscription?
- What do they think about the pricing and promotion of iTV?
- Can they think of any pros and cons about iTV?
- Do they use the VOD service? If yes, what do they feel about it?
- Do they use the MOD service? If yes, what do they feel about it?
- Do they use the home shopping service? If yes, what do they feel about it?
- Do they use the home banking services? If yes, what do they feel about it?
- Do they have any suggestions on the after-sales service of iTV?

❖ For All Interviewees

- Are they Cable TV subscribers? If yes, which channels of Cable TV are they interested most?
- Can they think of any advantages of iTV over Cable TV?
- Do they purchase pirated VCD? If yes, do they think pirated VCD can replace the VOD service?
- Do they go video rental shops? If yes, do they think iTV can affect their habit of going to video rental shops?

### 3.4 Summary of Findings

#### ❖ Potential Subscribers

##### ▪ Awareness of iTV

After one year's marketing effort, iTV has achieved a high level of awareness because all of the respondents have heard about the service. On top of that, most of them could relate iTV to the service provider, HKT.

When it came to the applications, the majority mentioned VOD at first, followed by home banking. However, only a few of them could tell some other services offered like MOD and interactive education.

##### ▪ Impression on iTV

Half of the panelists agreed that iTV is an innovative entertainment and a good alternative for relaxation. On the other hand, half of them shared the same opinion that the service charge of iTV should be lowered. In addition, for the promotion, iTV was less aggressive than Cable TV in their eyes, especially in terms of the number of promoters doing direct selling. Several of them said that they met the promoters of Cable TV frequently but rarely found the promoters of iTV on the street.

When talking about the pricing issue, one interesting point arose. Many of the panelists, though they were not sure about the price structure of iTV, presumed that the service charge of iTV was too high. They also had an idea that the pricing of iTV changed very frequently. Two of them even said that the different service plans made them confused.

In spite of the different impressions, when talking about the perceived benefits, most of them discussed the convenience and flexibility features of the service. Surprisingly, many of them appreciated the comfort of doing home banking, but

not home shopping. Of all the services provided, they regarded VOD as the most interesting one.

All panelists said that they would not subscribe iTV currently. There were several reasons. Some of them said that the monthly fee was too expensive while some others said that they had already subscribed Cable TV. Besides, they claimed that the incentive schemes of iTV were not attractive. And, a few of them mentioned that they did not know exactly what applications iTV could provide. Nevertheless, they would consider doing so if the service charge is lowered or some other programs like soccer and basketball tournaments are added. Moreover, some of them suggested that the home banking service should include some more banks as partners because they did not have bank account of the Bank of China Group.

- Competitive Analysis

15 out of the 18 interviewees were Cable TV subscribers. They used to watch the sports and news channels everyday. What they liked most about Cable TV was the updated, intensive news reports. Moreover, those soccer and basketball matches were also their favorites.

None of them would subscribe both Cable TV and iTV at the moment. Their perception was that Cable TV and iTV did provide similar services, so that they would not spend some more money to subscribe iTV. If trials are provided, all of them are willing to try - if the testing results are satisfied and it turns out that iTV is much better, they may switch to iTV. Only if both iTV and Cable TV add some special applications in future, they would pay for both services.

Virtually all of the panelists had experience in buying pirated VCD. 12 of them were frequent buyers. They agreed that if no attractive service is inputted, pirated VCD could replace the VOD service for the much cheaper price. Besides, their

perception was that the newly released films offered by iTV were usually not as updated as those by pirated VCD.

Most of them had membership in at least one video rental shop. They thought they would go there less frequently if they have subscribed iTV. The reason was that they usually could not rent new films in video rental shops.

#### ❖ Current Subscribers

##### ▪ Attitudes towards iTV

All of the seven panelists got to know about iTV from exhibitions, road-shows, and promoters of iTV. The reasons why they subscribed the service were that they found the applications attractive, they were eager to use hi-tech products, and the promotion discount offered was appealing. However, six of them mentioned VOD as the initiative for their subscriptions.

Generally speaking, the service could meet their expectations. When talking about the benefits, it was found that all of them appreciated the "convenience" and "no time constraint" characteristics. For the cons of iTV, six respondents encountered difficulties in connection and they were quite dissatisfied with the connection time. Two of the panelists complained that the set-top box was too large. Moreover, they agreed that the after-sale customer service could be improved for a higher level of customer satisfaction. For instance, several of them encountered problems in downloading the films, but when they called the customer service officers of iTV for help, they were answered very briefly and were asked to read the manuals by themselves.

Only three of them would recommend the service to others. On one hand, they found the service was not difficult to use. On the other hand, they thought that the

VOD service was exaggerated - only a few new films were arranged per several months and many of the films for selection were not that attractive and popular.

When asking about the monthly fee of iTV, they agreed that it was slightly overpriced for the current quality of service. They criticized that the price structure changed several times after their subscriptions, leading to some confusions on the service package.

#### ▪ Viewing Behavior

All seven have tried the VOD service. Four of them usually used this service once a week while others often used it once per two weeks. The majority of respondents were content with the quality of the films, but not the quantity provided. Although the amount of films available for selection has been increasing, they were still dissatisfied. Besides, they claimed that some of the newly released films that they would like to watch were not available for selection. Although most of the panelists had seldom used the MOD service, they were also disappointed with the variety of music video.

For the home shopping service, only one of them has used it. When asking their opinions, all the panelists agreed that the diversity of products offered should be increased. Second, they would prefer going to supermarkets by themselves for any purchase. Besides, most of them were reluctant to wait for the product delivery because they wanted to have the goods as soon as possible. And, their impression was that buying products through this way would be much more expensive.

Three of the panelists got bank accounts in the Bank of China Group. They all have tried the home banking service. During the discussion, all of them were quite satisfied with the service and they said that it could perform something that

telephone banking could not. However, the respondents agreed that it would be much better if some major banks such as Hongkong Bank and Hang Seng Bank would join the service. It would be appreciated if some other bank services like investment services are offered.

#### ▪ Competitive Analysis

Five people in the group were Cable TV subscribers. They used to watch the news, sports, and film channels daily. All of them said that they would subscribe both iTV and Cable TV at the present time. The reason was that they appreciated the news and sports channels of Cable TV whereas the control over programming in iTV brought about flexibility. However, if the product quality of iTV would not improved, they might stop subscribing iTV. They repeated saying that the quantity of new films should be increased.

In the group, only one of them was frequent pirated VCD buyer while others did purchase less frequently. The interviewees claimed that the quality of picture and sound of pirated VCD was bad comparing to VOD. So, though the price was much cheaper, they would prefer using the VOD service. Sometimes, if new films could not be found in iTV, they might choose to buy pirated VCD, sacrificing the viewing quality.

When talking about video rental shops, all of the seven people said that they went there less frequently after subscribing iTV.

### **3.5 Limitations**

Although the great strength of focus groups lies in the richness of the information that participants provide, there are limits to the method's usefulness. Focus groups can highlight some insights about the strengths and weaknesses of iTV. However, focus

groups cannot tell us the quantitative information because focus groups do not provide inferential statistics that a questionnaire survey using a random sample of participants would. Focus groups also usually do not include a large enough number of participants to make credible inferences.

At the time when the focus group interviews were conducted, the news and sports services had not been started. So, the interviews could not investigate the viewpoints of the customers about these two new services. Also, since the marketing and promotion strategies of iTV changes quite frequently in these few months, it is impossible to keep up with every move of iTV. Despite, we have already tried our best to collect the most updated information and perform the analyses based on them.

## CHAPTER 4 CASE ANALYSIS

In this chapter, the iTV case will be analyzed with the aid of the information from the case background and focus group interviews.

### 4.1 *Consumer Analysis*

From the results of the focus group interviews, it is shown that most of the participants knew the benefits of iTV like convenience and controllability. However, none of them would subscribe iTV currently. One explanation is that they did not have such need. In psychological aspect, "need recognition essentially depends on how much discrepancy exists between the actual state (that is, the consumer's current situation) and the desired state (that is, the situation the consumer wants to be in). When this discrepancy meets or exceeds a certain level or threshold, a need is recognized."<sup>17</sup> That is to say, when the consumer has decided to do something to reduce the discrepancy, the decision process has been activated. Applying this concept to the iTV case, it is obvious that people's ideal is to have control over what and when to watch. However, it does not mean that they are intolerant to the existing mode in which the broadcasting time and programs are pre-determined. Thus, people's interest to subscribe iTV is low if interactivity is the only strong attribute of iTV.

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<sup>17</sup> James F. Engel, Roger D. Blackwell and Paul W. Miniard, *Consumer Behaviour*, 7<sup>th</sup> ed. (Chicago: The Dryden Press, 1993), 508.

The target customers of iTV were those in the upper-middle income group. However, after the service charge had been lowered several times, HKT should target all the potential customers in order to achieve mass-market penetration.

Resulted from the downturn of the economy, the reduced income and increased unemployment rate have depressed people's disposable income, especially on non-essentials. Moreover, people tend to work more and spend less on entertainment. This is another reason to explain why the subscription rate of iTV is hindered.

## **4.2 5Ps Analysis**

In this part, five elements of the marketing plan are analyzed. The 5Ps that are being discussed are product, price, place, promotion, and personnel.

### **4.2.1 Product**

- **VOD**

With reference to the focus group interviews, VOD was considered as the most interesting service of iTV. It is confirmed again that VOD is the killer application of iTV. This result is not surprising because Hong Kong people love movies. This can be shown from the huge revenue of cinemas every year and the prevalence of pirated VCD in Hong Kong.

VOD does have several strengths. First, it gets high acceptance from Hong Kong people. Second, its viewing quality is obviously better than pirated VCD. Third, it brings co-released films which Cable TV does not have. However, regarded as the killer application, VOD still fails to attract average customers to subscribe iTV.

Similar to pirated VCD, iTV has the latest movies available for customer selection. But in terms of price, pirated VCD is far more attractive than iTV's VOD. This is why most of the interviewees have experience of purchasing pirated VCD.

Before the new price plan, in addition to the basic monthly fee of HK\$200, there was extra charge on pay-per-view basis (about HK\$20-30) for VOD service. On the contrary, pirated VCD only costs HK\$10-15 per disc. Although the pay-per-view basis is abolished under the new price scheme which is HK\$288 for unlimited program viewing, it does not help much. The reason is that if one only uses the VOD service of iTV and he or she watches two movies per week, each movie would cost HK\$36. Therefore, except those movie addicts, normal people would find pirated VCD much more cost efficient than VOD. As there is a remarkable difference between the prices of pirated VCD and VOD, people prefer buying pirated VCD to subscribing iTV, even though the viewing quality of pirated VCD is worse than the VOD service.

Another explanation is that most Hong Kong people already have VCD players at home. Thus, it is easier and more convenient for people to watch movies by using the existing facilities at home to play VCD than subscribing iTV which requires application, installing a large set-top box at home, and learning how to use it. Other factors like pirated VCD can be found everywhere easily and buying pirated VCD is not illegal in Hong Kong also contribute to the phenomenon that people tend to buy pirated VCD instead of subscribing iTV for the VOD service.

Regarding Cable TV's movie channels, although it does not have co-released movies as iTV does and the schedule of the programs is pre-determined, its strong flagship channels like news and sports channels can far compensate the weaknesses, which can also be reflected from the focus group interviews. As Cable TV is more superior than

iTV in terms of program variety and many households in Hong Kong have already subscribed Cable TV, it is hard to convince this group of people to switch to iTV or subscribe both without having sufficient competitive advantages over Cable TV.

All in all, although HKT regards VOD as the killer application of iTV, it is obvious that VOD alone is not sufficient to trigger people's interest to subscribe iTV unless more valuable services are added.

- Home Banking

According to the focus group interviews, it is found that most of the people appreciated the comfort of doing home banking. This can be explained by the fact that Hong Kong people are generally time-conscious. In their point of view, queuing up in banks is time-consuming and bothering. Thus, people tend to avoid going to banks except when there is a need.

Although phone banking can perform most of the services that iTV does, people are annoyed with the problems of phone banking such as frequent busy tone, long waiting time for being connected, impersonal and slow voice message, etc. As the home banking service offered by iTV can provide most of the banking services such as account balance inquiry, time deposit management, transfer, foreign exchange, and precious metal trading, it is not surprising that people would appreciate this service.

However, until now, this service is limited to the Bank of China Group. Thus, if HKT can improve this weakness by co-operating with more banks, it can definitely strengthen the competitiveness of iTV.

- Home Shopping

In general, home shopping is not well accepted by the participants of the focus groups and only one among seven current subscribers has tried this service before. As commented by the Vice President of Hong Kong Star, it is hard to attract people away

from the regular shops where they can see and touch the goods<sup>18</sup>. Many studies showed that people tended to have more confidence on buying goods from regular shops where they could check or even try the goods before paying than via home shopping which product check was not possible until delivery. Moreover, the waiting time for product delivery is also one of the factors which negatively affects people's interest on home shopping. Most importantly, many people take shopping as leisure and enjoy it a lot. Thus, the use of home shopping to date is minimal and limited to some necessities only.

#### ▪ Sports and News

In the focus group interviews, 80 percent of the interviewees are the subscribers of Cable TV. All of them stated that they used to watch the sports and news channels daily. This finding indicates that sports and news channels are among the most favorite channels. The intensive, regularly updated news reports and the availability of major sports events are crucial for most of the viewers. However, with regard to these two aspects, iTV is obviously inferior to Cable TV. The reason is that the news report of iTV is updated once a day only whereas its sports channel just delivers sports videos and horseracing information but not sports events. As such, iTV needs to improve these two channels in order to compete with Cable TV.

#### 4.2.2 Price

As revealed from our focus group interviews, people tend to presume iTV as a very expensive service. In fact, the basic monthly fees of Cable TV and iTV are very competitive, which are HK\$270 and HK\$288 respectively. However, the subscriber growth rate of these two varies a lot, with Cable TV enjoying a continuous growth in subscription rate while iTV suffering from slackened growth rate.

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<sup>18</sup> M. Milburn, "HK Star invests more in Internet commerce," *IT Asia*, July 1998; available from

An explanation to this is that people have a misperception on the price of iTV. This perception is attributed to the complicated initial pricing structure of iTV, which includes installation fee, basic monthly fee, and pay-per-view charges. Once the perception is formed, it is hard to change. Thus, even though HKT has changed the pricing structure of iTV to a monthly package fee of HK\$288 for unlimited viewing and remitted the installation fee, it fails to convert people's perception as the impression of high service charge has already deeply rooted into people's mind.

Another explanation is related to the value of the service. Good value indicates that a particular product has the kinds and amounts of potential benefits consumers expect at a particular price level. With regard to the fact that people choose Cable TV instead of iTV even though they have similar prices, it infers that people are affordable to pay the monthly fee. Yet, the reason for not subscribing iTV is that the benefits offered by iTV fails to reach people's expectation at its price level. It is clear that Cable TV offers greater program variety than iTV does. Given the price of these two services are similar, iTV's services are comparatively not value-for-money.

#### 4.2.3 Promotion

According to the focus group interviews, all the panelists stated that they had heard about iTV. This implies that the brand name iTV has done successfully in getting the attention of the public. Most people are able to see the benefits of the service - "interactivity", which is the convenience and control over what and when they want to watch. It can be ascribable to the slogan "whatever you want, whenever you want... iTV", which is also the main theme of iTV's promotion campaigns. Although the campaigns have successfully established high awareness and conveyed the benefits of iTV to the public, people's interest to subscribe iTV is still low. The reason is that

HKT has made a serious flaw on iTV's promotion strategy. It used to sell iTV as a revolutionary service which offers high convenience and flexibility. However, it is found that this selling point is not sufficient to persuade people to subscribe the service. Other factors like the variety of program and the price of the service are also very important. However, as far as the promotional campaigns are concerned, only limited services such as VOD and home banking are promoted. Hence, people generally have a perception that the program variety of iTV is limited. It is supported by our finding that none of the panelists could mention more than half of the whole range of services offered by iTV.

For the potential customers, some claimed that the incentive scheme of iTV was not attractive. This may also be another reason contributing to the low diffusion rate of the service.

#### 4.2.4 Place

As iTV is an innovative and hi-tech service, HKT should adopt direct selling approach so as to introduce this service to viewers and persuade them to subscribe. Besides, it should expand the distribution outlet of iTV so as to enhance the accessibility of iTV. However, presently, the physical outlets for accessing iTV are limited to CSL shops and road-shows located at certain targeted estates. Thus, most of the interviewees commented that they seldom met the promoters of iTV compared with those of Cable TV. As people would not take the initiative to subscribe iTV and the promoters for persuading potential customers to subscribe are not enough, the subscription rate is negatively affected.

#### 4.2.5 Personnel

iTV is an innovative service that people's understandings towards it are limited. As such, customer services are very important to provide enough pre-sales and post-sales services. However, from our focus group interviews, many subscribers commented when they called the customer service officers of iTV for help, they were answered very briefly and were asked to read the manuals by themselves. This made the subscribers dissatisfied with iTV. Undoubtedly, this is attributed to poor customer service quality and insufficient knowledge of staffs. In fact, customer service is very important to improve customer satisfaction. If not handled properly, it would easily lead to negative word-of-mouth, which in turn would severely harm the prospect of iTV.

### 4.3 *Factors Affecting Adoption Rate*

There are five factors that affect the adoption rate for new products, especially truly innovative products<sup>19</sup> - like iTV. Although companies would like an innovative product to satisfy all five characteristics, only few could do.

#### 4.3.1 Relative Advantage

This factor considers the degree to which an innovation is superior to currently available products. This may be reflected in lower cost, greater safety, easier use, or some other relevant benefits. For iTV, the "convenience" and "no time constraint" characteristics are the relative advantages over its substitutes. So, if the majority of people appreciate the flexibility feature of iTV, the adoption rate would be increased. Nevertheless, subject to the findings of the focus group interviews, the most important

attributes should be program variety and pricing, instead of flexibility. Therefore, this relative advantage is not valued.

On the contrary, the perception that iTV is more costly than its substitutes is a relative disadvantage of iTV, which is a reason leading to the slackened subscriber growth rate.

#### 4.3.2 Compatibility

This factor considers the degree to which an innovation coincides with the cultural values and experiences of prospective adopters. Under the current economic environment, people usually like to keep more cash for future use in view of the high risk of being unemployed. Hence, they may spend less money on entertainment, like iTV.

In Hong Kong, the space at home is very important in one's eyes. While already having so many electric appliances at home, the big size of the set-top box for iTV really matters. Many may feel that it is not worthy to sacrifice the space for some non-essential services.

On the other hand, for those Cable TV subscribers, many of them think that Cable TV and iTV provide similar services. So, they will refuse to subscribe both iTV and Cable TV to avoid redundancy and they will not switch to subscribe iTV for the higher monthly fee.

#### 4.3.3 Complexity

This factor concerns about the degree of difficulty in understanding or using an innovation. The more complex an innovation is, the more slowly it will be adopted. As illustrated in the focus group interviews, several current iTV subscribers

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<sup>19</sup> Michael J. Etzel, Bruce J. Walker, and William J. Stanton, *Marketing, 11<sup>th</sup> ed.*, (New York: McGraw-

complained that the service was not user-friendly - they encountered problems in downloading the films. It is implied that iTV has problems with this point. If actions are not taken to remedy the situation, once the image of complexity is spread around the potential iTV subscribers, the adoption rate of the service must be adversely affected.

#### 4.3.4 Trialability

This factor considers the degree to which an innovation may be sampled on a limited basis. Setting aside other characteristics, the greater the trialability, the faster will be the adoption rate. During the focus group interviews, the potential subscribers expressed that they were willing to try iTV, so that they could compare the services offered by iTV and Cable TV. However, due to the high cost of the set-top box and installation, the iTV service is difficult to be used on a trial basis at home. Thus, regarding this factor, iTV tends to be adopted rather slowly.

#### 4.3.5 Observability

This factor concerns about the degree to which an innovation actually can be demonstrated to be effective. In general, the greater the observability, the faster the adoption rate. For iTV, since demonstrations are organized at only a few targeted areas, the usefulness of the service cannot spread out effectively. In this sense, the majority of consumers cannot use the service without bearing any risk or cost, which would result in a reduced rate of diffusion.

## CHAPTER 5 RECOMMENDATIONS

Having analyzed the iTV case, several strategies are recommended to improve the future development of the service. They can be divided into corporate-level and business-level strategies.

### 5.1 *Corporate-level Strategies*

For new hi-tech products, there must be lots of technical problems to tackle - no exception for iTV. So, in order to solve the technical problems and lower the complexity of using the service, HKT should **collaborate with some specialized hi-tech firms**. Besides, **the size and design of the set-top box has to be improved** so as to increase the compatibility between the device and the home settings.

In consideration of the potential of the home banking service, it is wise to **invite some major banks to cooperate with iTV**. On top of that, HKT should continue to **expand the number of its business partners** like film producers and supermarkets.

Last but not least, it is a must for HKT to **urge the Government on fighting against pirated VCD**. The company may also join with some other affected corporations to combat against those activities.

## 5.2 Business-level Strategies

- Product

To attract more subscribers by equipping with more relative advantages, HKT has to **innovate more appropriate services** for its customers. It is recommended that market research about what the desired services are should be performed beforehand.

With VOD as the only killer application is insufficient to attract people to subscribe iTV. Therefore, HKT should **enrich the service variety of iTV** in order to improve the competitiveness. To strengthen its killer application, **more new and co-released films should be offered and promoted.**

On the other hand, **intensive news and sports programs should be added** to increase the competitive edge of iTV. For example, 24-hour updated news reports as well as basketball and soccer matches are some of the most favorite programs of viewers.

- Price

The continuous growing subscription rate of Cable TV has shown that people are affordable to pay two hundred something for the service. Therefore, HKT could **maintain the current price level** of iTV, that is HK\$288 for unlimited viewing, as it is already very competitive with that of Cable TV. What HKT needs to improve is to **maximize the value of its services to achieve value-for-money.** For instance, unique services such as security trading could be offered.

- Promotion

In the past, the focus of iTV's promotion campaigns is only on its uniqueness and revolutionary characteristic - interactivity as well as its killer application - VOD. Therefore, people tend to presume that iTV is an innovative but expensive service with limited applications. To capture more subscribers, it is recommended that

advertising campaigns should shift to focus on **persuading viewers that iTV is a cheaper form of entertainment with lots of service variety**. HKT should adopt a more aggressive direct selling approach to disclose the potential benefits that iTV can bring about. Besides, **demonstrations should be organized frequently and product trials at the promotion sites should be offered**. The reason is that as the observability and trialability get stronger, people's likelihood to subscribe the service could be enhanced.

Furthermore, **certain attractive incentive schemes and loyalty programs should be provided**, so that new customers can be pulled in and current users are retained. Examples include offering promotion discounts and premiums to new subscribers and giving home shopping coupons to the existing subscribers.

- **Place**

HKT should extend the distribution outlets of iTV to enhance its accessibility. Similar to Cable TV's strategy, **more promoters should be put on the street** to sell iTV. It is because most of the viewers are quite conservative and passive in the buying process of paid television services. They will not subscribe the service without having sufficient information. In addition, they will not take the initiative to search for the information. As such, promoters are needed to provide information to the potential viewers in an active fashion.

- **Personnel**

Customer service and customer satisfaction are positively correlated. If not handled properly, this issue would easily lead to negative word-of-mouth. In addition, as iTV is a new service, people's understandings towards iTV are very brief. Therefore, **well-trained staffs are needed to provide high quality pre-sales and post-sales services**.

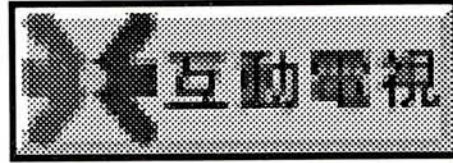
## CHAPTER 6 CONCLUSION

As regards the development of iTV as a new product in Hong Kong, this project has evaluated the marketing strategies of the service. Analyses done are subject to the consumers, product, price, promotion, place, and personnel of iTV. In addition, the factors affecting the adoption of the service are discussed.

For improving the future development of iTV, recommendations are made according to the research implications and case analysis. While VOD is necessary but not sufficient for the success of iTV, the foremost actions are not only to strengthen the VOD service, but also to maximize the value of other applications. However, since people are willing to pay for services that they value only if the price is right, it is important for HKT to build up an image of value-for-money for iTV. What's more, in order to compete more effectively, attractive incentive schemes and well-trained staffs are essential to retain and capture the customers.

The future of iTV will be determined by the forces and factors mentioned in this project. Time will tell us whether interactive television business or iTV works in Hong Kong or not. Hopefully, this project can provide references for those who will get involved in the interactive television battle.

## APPENDIX 1



*Figure A.1 "Two-kissing-arrows" - Logo of iTV*

## APPENDIX 2

		Percentage (%)
<b>Gender</b>	Male	69
	Female	31
<b>Age</b>	18 – 24	4
	25 – 29	12
	30 – 34	32
	35 – 39	22
	40 – 44	14
	45 and above	16
<b>Educational Level</b>	Secondary and below	35
	Matriculation	12
	Tertiary and above	53
<b>Marital Status</b>	Single	20
	Married	78
	Divorced	2
<b>Occupation</b>	Professional and White Collar (skilled)	73
	White Collar (unskilled)	15
	Student	1
	Housewife	9
	Others	2
<b>Household Income</b>	Below \$20,000	5
	\$20,000 – \$29,999	22
	\$30,000 – \$69,999	57
	\$70,000 and above	16

*Table A.1 Demographic Profile of iTV Subscribers*

## APPENDIX 3

<b>Total Number of Subscribers</b>	▪ 400,000
<b>Channel</b>	<ul style="list-style-type: none"> <li>▪ 40 Channels</li> <li>▪ Programs: Movies, sports, drama, entertainment, news, home shopping</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>▪ Basic package monthly fee: \$270</li> <li>▪ Converter deposit: \$800</li> <li>▪ Installation fee: \$300</li> <li>▪ HOB service (optional): \$80</li> <li>▪ Cable Cineplex package (optional): \$8-\$10 per film</li> </ul>

*Table A.2 Programs Offered and Price Structure of Cable TV*

## APPENDIX 4

	<i>1992</i>	<i>1996</i>	<i>1997</i>
<b>Population (in thousand)</b>	5,800	6,311	6,502
	(+0.8)	(+2.5)	(+3.0)
<b>Male</b>	2,947	3,159	3,271
<b>Female</b>	2,854	3,152	3,231
<b>Percentage of Population (in percent)</b>			
<b>Aged under 15</b>	20.5	18.9	18.1
<b>Aged 15-64</b>	70.5	71.1	71.5
<b>Aged 65 and over</b>	9.0	10.0	10.4
<b>Households (in thousand)</b>	1,632	1,840	1,922
	(+1.7)	(+2.8)	(+4.4)

*Table A.3 Population and Vital Statistics*

## APPENDIX 5

		Percentage (%)
<b>Gender</b>	Male	56
	Female	44
<b>Age</b>	25 – 29	17
	30 – 34	39
	35 – 39	22
	40 – 44	22
<b>Educational Level</b>	Secondary	56
	Matriculation	11
	Tertiary and above	33
<b>Marital Status</b>	Single	39
	Married	61
<b>Occupation</b>	Professional	28
	White Collar (skilled)	22
	White Collar (unskilled)	17
	Blue Collar	17
	Housewife	11
	Others	5
<b>Household Income</b>	\$20,000 – \$29,999	44
	\$30,000 – \$39,999	22
	\$40,000 – \$49,999	17
	\$50,000 and above	17

*Table A.4 Demographic Profile of the Potential Subscriber Panels*

## APPENDIX 6

		Percentage (%)
<b>Gender</b>	Male	71
	Female	29
<b>Age</b>	25 – 29	29
	30 – 34	14
	35 – 39	43
	40 – 44	14
<b>Educational Level</b>	Secondary	29
	Matriculation	14
	Tertiary and above	57
<b>Marital Status</b>	Single	71
	Married	29
<b>Occupation</b>	Professional	43
	White Collar (skilled)	29
	White Collar (unskilled)	14
	Housewife	14
<b>Household Income</b>	\$20,000 – \$29,999	14
	\$30,000 – \$39,999	29
	\$40,000 – \$49,999	43
	\$50,000 and above	14

*Table A.5 Demographic Profile of the Current Subscriber Panel*

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