The Future of TV-Shopping

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The Multi-Channel Regulatory Challenge for Audiovisual Commerce in Europe

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Ladies and Gentlemen,

The future of electronic home shopping seen through a regulator's eyes – that's what I am supposed to tell you. But I must tell you that I am not a prophet, on the contrary, I am a historian. Therefore, let me start with a look back, a look back into my own history as a regulator. And I am a broadcasting regulator, a species that was invented to license and control commercial broadcasting, not competition, e-commerce or such things. Broadcasting regulation is looking at program content and its effects on the viewer or listener.

Till the mid-1990s, electronic home shopping was unknown to us broadcasting regulators. Among other things, we had to monitor how many ads a broadcaster had in its program, the European Television without frontiers directive allowed 20% of the daily program to be filled with advertising, 12 minutes per hour. People didn't like advertising on TV, therefore we regulators controlled it, ads were not allowed to directly encourage the purchase of goods: "Buy it", "get it", "fetch it now" were forbidden sentences in ads, especially for children. In such an environment, electronic home shopping seemed to be a very strange idea.

But what had started in the US in the mid-1980s, rapidly began to conquer the European market, via satellite and cable, less than ten years later. Our politicians saw its opportunities – first of all in creating jobs, but also for the trade of goods produced in our country. They allowed home shopping to be distributed via broadcasting cable networks, and that started the success-story of QVC and HSE 24 in Germany, as cable reached and still reaches roughly half of all German TV-homes. And cable operators especially in Germany loved it, because they could earn money with distributing home shopping channels. It is a German peculiarity that broadcasters pay cable operators for distributing them, not the other way round, so home shopping allowed cable to charge a certain percentage of a home shopper's revenue.

In Germany, electronic home shopping has the privilege, since 1999, to be considered as broadcasting, which is better than belonging to the category of telemedia. Home shopping channels today are, from the point of view of a broadcasting regulator, our most convenient clients. They don't cause any problems and we hardly ever get complaints from viewers, because they stick to the rules. They have their self-regulation program, and the

German Media Authorities supported these rules in March 2011 by encouraging all broadcasters to cooperate with or prefer home shopping providers which have committed themselves to adhere to the ERA-guidelines.

The home shopping sector in Germany: born in 1995, and still going strong, as Johnnie Walker would put it. Did you know, by the way, that the “strident man” in the Johnnie Walker logo turned its direction in 1999, going no longer from right to left but from left to right since then, symbolizing forward orientation and the pursuit of excellence? And it is forward orientation and pursuit of excellence, which I see, when I look forward myself now, for electronic home shopping. Digital satellite and digital cable allow additional channels, and the internet is playing an ever-increasing role. To name only one company, QVC’s turnover includes 15% already achieved via the internet. Goldmedia has predicted recently, that in Germany, electronic home shopping will grow by an estimated 7% each year for the next five years.

In the analogue world, the question was how to get onto a platform, but now it is how to be found in the digital world. Digital, as Jeff Bezos, the founder and CEO of Amazon.com already put it in 1996, enables limitless inventory, boosts customer care and allows high margin. A large selection of goods combined with a special customer service, Bezos calls it “customer obsession”, are his ingredients for success. Consistent use of IT, continuous improvement of data analysis, customer centric analytics are some of the keywords in his thinking, which makes Amazon.com one of the most data driven companies. I don’t know if you like the idea to compare a marketplace like Amazon.com with electronic home shopping, but a look at what they are doing can’t be wrong.

For me as a regulator, however, the questions I try to answer are different. The convergence of technical equipment, i. e. its functional integration, the diversification of the digitalized content and the combination of old and new infrastructures are challenges for content providers, users and regulators alike. My key words in this context are platform regulation, net neutrality, data protection, customer protection.

The German media authorities have passed a statute on platform regulation some four years ago; we are constantly taking part in political debates about net neutrality; we look with great expectations to Brussels and the EU-plans to harmonize data protection in Europe; and many of our activities concerning media literacy aim at protecting the consumer.

It would need more time and space than a keynote can offer to go into more detail. Let me emphasize, however, that in all these activities we rely on cooperation and input from the industry. It is our aim to balance the interests of the industry with the interests of the consumer. We want to be non-biased, non-discriminatory, fair and open, and so far, we haven't heard any complaints. At a time like this, when digitalization changes everything we had to do with so far, modern regulation has to adjust. We are trying to do that, as you in your industry do as well.

Social media and Connected TV are the latest hypes, but by far not the last ones. They of course will play a vital role also in the home shopping industry. This conference will discuss the opportunities and the challenges of the digital revolution and its impact on your industry. I can assure you that the regulators are on your side in finding the right balance between regulation and liberalization, between protection and encouragement. When you define your needs and your concerns, we can try to help.

Probably, Facebook and Google, Apple and Amazon will still be going strong, but they will not be able to function without regulation. The call for regulation is getting stronger, the more these global players are constructing their own eco systems. The traditional media regulation won't do the trick, but I am optimistic that we'll be able to constrain their influence and power. Charles Darwin's observations on "the survival of the fittest" helps a lot to analyse the evolution we are witnessing in the digital world at the moment, but in contrast to Darwin's world, the digital world is manmade and therefore easier to influence. I am convinced that the digital world needs regulation and Brussels is willing to regulate, you better believe it.

I read in a newspaper that the success of Jeff Bezos, whom I mentioned before, has to do with his approach to the future. Surprisingly, his key question when he tries to identify new opportunities or fields of activity is not: "What will change in the next five to ten years?" His question is: "What will not change in the next five to ten years? This allows him an evolutionary approach, from what we have today to what we still will have in five to ten years.

I am convinced that TV will still be at the core of the home shopping industry, but not the technical platform will be the key to its projected growth, but content. The survival and growth of home shopping will depend on its content. Access to and visibility on platforms is important enough, but the quality of products is even more important. That will not change in the next five to ten years. So it is true that the challenge for audiovisual commerce in Europe is regulatory, yes, but the future of regulation is nothing without the product and the quality of the product you offer.

Thank you very much for your attention.