

Business

AT&T reaps big profits from 'American Idol'

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Haley Scarnato may be gone, but at least one other Alamo City entity continues to thrive on "American Idol": AT&T Inc.

The nation's biggest phone company has turned its five-year sponsorship of TV's popular talent show into one of the industry's biggest marketing successes, analysts said. It's generating millions in text-messaging revenues, steering customers to try new phone features and associating its wireless unit — one of "Idol's" three main sponsors — with a runaway pop culture phenomenon.

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AT&T's cellular unit — until recently called Cingular Wireless — last year carried 64.5 million text messages as "Idol" viewers voted for their favorite contestants, and it charged them up to 15 cents for each vote, depending on their wireless plan. That total was a 50 percent boost in messages from the year before, and almost 10 times more than the amount the company carried during the first season it sponsored the show.

"The sponsorship was a strike of genius on AT&T's part," said Roger Entner, wireless analyst for IAG Research. "The messaging revenue they get from the show is almost pure profit. The cost of servicing a text message is a tiny fraction of a cent, and they're charging what? Fifteen cents a message?"

Viewers can use any brand of phone service to call in support for their favorite

contestant, but only AT&T customers can vote via text message.

AT&T, Fox TV and "American Idol's" creators won't discuss how much AT&T pays to sponsor the show, which commands about 30 million viewers a night. But Entner estimates the messaging revenues — which AT&T also won't reveal — more than cover the expense.

Plus, the company reaps additional sales from downloadable content such as ringtones, video and contests that tie in with its sponsorship.

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Last season, the company debuted Live Idol ringtones, becoming the first wireless carrier to offer downloadable ringtones from the show, sometimes less than 24 hours after the song aired.

And this year, it began offering video content from the show via its wireless phones. The first week it offered clips of painful "Idol" tryouts under the name Bad Audition. The videos became its most watched content.

"Messaging is what drives our sponsorship of the show, but it's also a chance for us to let people experience our other offerings," AT&T spokeswoman Jennifer Bowcock said.

But arguably more important, analyst Entner said, AT&T's sponsorship helped jump-start America's love affair with text messaging.

Officials with the old AT&T Wireless — which struck the "American Idol" deal before its 2004 merger with Cingular — were counting on customers who sent their first text message to vote for a contestant to become hooked. In some cases, Entner said, that was exactly what happened.

"The revenues were actually the secondary objective for AT&T," he said. "The first objective was to teach Americans how to text message — which they did."

Wireless companies including AT&T carried 93.8 billion text messages during the latter six months of 2006, according to CTIA-The Wireless Association. That's up 93 percent from the second six months of 2005.

Bowcock attributed a "significant percentage" of AT&T's text message growth to its "Idol" sponsorship, adding that many of those same customers have gone on to access its data content.

"I know that once my mother figured out how to vote with a text message, it didn't take long for her to download her first ringtone," Bowcock said.