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Interactivity in 2000: An Industry Viewpoint

Helen Katz

Zenith Media

Abstract

This article describes the current and possible future impact of technology on the practice of advertising. Advertisers have traditionally divided media into two groups according to the way that the advertising message is disseminated. Broadcast media, such as TV and radio, are considered "passive" because the consumer passively receives the message and does not choose whether or not to view or to listen (other than by changing the channel). Print media, including magazines, newspapers, and outdoor billboards, are thought of as "active", requiring a conscious decision on the part of consumers to look at the message. In the interactive arena, all advertising is potentially "active". It will be up to the viewer/user to decide which messages he or she consumes, and at what level of detail. With Web-based applications, such as Geocast or Worldgate, the user could select the first screen of the ad, but then decide he isn't really interested and not go any further. Technologies such as PVRs permit users to skip commercials altogether, whether or not they are relevant, personalized, or entertaining. The author provides a comprehensive list of such technologies and gives their implications for the future of advertising practice.

Introduction

It's 8pm and you're home for the evening. Do you a) turn on the TV set to watch what is airing at that moment on one of the networks? Or b) turn on your computer to comparison shop on the Web? Or c) turn on your VCR to watch a program that you recorded last week?

Or d), do you turn on a single appliance that can do all of this and more? For some people, that last answer is what they believe the majority of us will be doing in the not-too-distant future. The plain old TV set will become as archaic as the betamax VCR or the 8-track tape. In order for that to happen, there need to be changes in regulation, technology, and to some degree, consumer habits. This paper will outline where we are right now in terms of the interactive technologies that are available or about to be launched, along with an assessment of the issues that need to be dealt with in order for these technologies to succeed.

First, a brief history of interactivity. While many believe that "interactivity" is a new and wondrous thing, it actually isn't all tha new. The first picture-phone, for example, was exhibited at the World's Fair back in 1964. The first interactive TV show actuall preceded that. Children growing up in the 1950s were glued to their sets every Saturday morning to watch "Winky Dink and You", which offered them clear plastic sheets that they could stick onto their sets and crayon over to help the characters on screen escape the bad guys or rescue the heroine. The excitement waned quickly once parents realized that their children

were not just putting crayon on the sheet, but "going over the lines" and coloring the actual set.[i]

Later efforts included Warner Cable's QUBE test in Columbus, Ohio, in the 1970s, which offered two-way interactivity on separate TV channels on the cable system. Telephone companies tried to get in on the act in the 1980s. Bell Atlantic attempted interaction in Atlanta in its Stargazer test, and GTE offered Main Street in California. Neither succeeded. The bigges offering of the following decade was Time Warner's ambitious Full Service Network of 500 channels, in Orlando, which was set up in 4,000 households in 1994. Homes could select the programs that they wanted to watch, or order through the set. But the technology to enable the project to work was so expensive that Time Warner closed it down three years later. What is interesting to note about all of these tests is that consumer response was always very positive. In Columbus, for example, more than 50% of those who could take up the service, did so.

These ventures failed for two reasons: content and technology. That is, they overpromised on what the consumer would receive from the service and underdelivered in their ability to use technology to provide the functions of the systems. GTE's Main Street, for instance, purported to provide "video on demand", allowing viewers the opportunity to select movies to watch whenever they wanted. The reality behind the scenes was that when someone called up a movie on their TV set, the person sitting at the Main Street central location had to load up a VCR at central headquarters in order that the household could watch it. While that might have worked for a handful of homes, it was clearly infeasible for thousands upon thousands of subscribers.

Another common thread of both yesterday's and tomorrow's interactive services is the inclusion of advertising. This has almos always been a key element, present from the beginning, whether in the form of standard 30-second commercials, or as sponsorship of different elements of the service or, going forward, through interactivity with consumers and the possibility of e-commerce or "t-commerce" (as in television-commerce). The prognosticators claim that the day is not too far distant when you will watch an episode of Frasier, on NBC, like the look of the sweater he is wearing, and be able to click a button and order one just like it for yourself through the TV set. According to Paul Kagan Associates, 7.6 million homes will have interactive television by the end of 2000, 46.3 million by 2005 and 63.9 million by 2010[ii].

Today, there are four main technologies that hope to enable consumers to undertake that kind of interactivity: digital set-top boxes, the Internet, cable modems, and digital subscriber lines (DSL). Some services are offering a combination of several of these technologies. Here is a brief description of each.

Digital Set Top Boxes

For most of the 70% of the country that is currently subscribing to cable, the set-top box is very familiar. It sits on top of the TV set, bringing in the 50+ cable channels to the home through a cable wire. The information is mostly one-way, with the TV signals coming in to the home, but no consumer response going out. What is different with the digital box is that the compute chip inside of it makes the box "smart". This means that two-way communications are now possible, allowing viewers to do everything from select programs on-demand, to banking or shopping directly through the TV, to choosing camera angles or getting additional statistics during sports games. Current estimates suggest that about 6.5 million units were available at the end of 1999, with forecasts that by 2003, 21.9 million will be on the market[iii].

One of the problems with digital set top boxes is that to work to their fullest capacity, they require the use of digital cable. This involves upgrading the existing cable infrastructure to change the copper wire cables that have been in use for up to 40 years with digital, fiber optic cables that have far greater bandwidth to bring more information through the "pipeline". Another issue for the digital set tops is that there is currently no standard in place, so different manufacturers are producing different versions that may not be compatible with other services or systems.

Cable Modems

This technology marries two key appliances in the modern U.S. home: the television set and the computer. Cable modems are being deployed primarily to enhance computer usage rather than offering computer functionality in the television set. What the cable modem does is provide high speed data to the computer through two-way cable wires instead of standard phone

lines. This means that the speed of data going through the cable modem is about 100 times faster than in a standard 56K computer. It costs up to $40 per month more than regular cable service. At this point, the clearest benefit of the technology is high speed access to the Internet. According to the Yankee Group, there are currently about 1.85 million cable modems in use with projections for 2004 at close to 10 million.

A problem with cable modems is that, much like the phone line, the speed of access is dependent upon the number of other users. The more users, the greater the demand on the pipeline and the slower the speed for each individual. Nonetheless, th two largest cable operators each offer cable modem service. AT&T Broadband Services (which bought out TCI and MediaOne to become the country's largest cable Multiple System Operator, or MSO) has the Excite@Home service, while AOL Time Warner offers a similar system called Road Runner.

Digital Subscriber Lines

Competition from the telephone companies themselves is increasing rapidly in the digital arena. Right now, Digital Subscriber Lines (or DSL) provide high speed Internet access over the regular copper phone lines. The digital data is carried separately from the voice data, and at a speed that is two to three times faster than the standard 56K computer modem. Last year alone, growth went from 40,000 subscribers at the start of the year to 330,000 at the end. And according to eMarketer, by 2003, more than 9 million people will be accessing the Web in this way. The cost to consumers is about $40 per month.

The biggest problem for DSL, which is targeting both businesses and consumers, is the requirement that the customers to the service be physically located close to the telephone company's central office (or wherever they choose to headquarter the digital lines). This has been a difficult problem to solve given the physical limitations involved.

An interesting test was reported in the New York Times at the end of 1999. The movie trailer to the Star Wars sequel, "Episode One: A Phantom Menace" was downloaded from the Internet using three different technologies: regular 56K computer modem, cable modem, and DSL. The file was 25 megabytes in size, and involved text, audio, and video. The slowest route, not surprisingly, was the standard computer modem, which took an hour to finish downloading. DSL came in second, at 3 minutes, 20 seconds. The time the cable modem took was a mere 1minute and 40 seconds.[iv]

The remainder of this paper will examine the different kinds of interactive TV services available today, along with the advertising opportunities being offered or promised.

Analog TV: Baby Steps

What most people think of as "just TV" is really TV in analog form. That is, the signals come in through the regular cable wire and appear on the screen in the same way that they have for decades. Nonetheless, there are opportunities for some interactivity available. Two companies have such services: Wink Communications and Worldgate.

Wink Communications. The term best used to describe the service from Wink is "enhanced broadcasting". That is both its benefit and its drawback. Lines 21 or 22 of the TV signal, known as the Vertical Blanking Interval (VBI) offer broadcasters the opportunity to insert additional information. Currently, that line conveys closed captioning or dual language for certain programs or channels. Wink is using it to provide interactive graphics or a data and text overlay on either program content or advertising. The software to enable this service resides at the cable headend, where the cable signal itself comes from. If it is the programming material that is being enhanced, that takes place at the programming network.

Wink allows both programs and ads to be enhanced. When the viewer sees a special icon appear in the top left-hand corner, she can click on it to bring up the information overlay on the screen. It replaces the existing screen content, so that the viewe cannot see the ongoing program while involved with the interactive element. However, in an effort to appease advertisers, who are concerned that someone interacting with the first ad in a commercial break would then be unavailable to see the second or subsequent spots, Wink maintains that the interaction itself cannot last longer than 30-seconds. Viewers are not permitted to begin interacting with an ad unless there is sufficient time to complete the interaction. If that is not the case, they are directed to a special, dedicated cable channel where all the Wink-enabled ads reside, so that they can explore them

at their leisure.

The company has the financial and strategic support from a number of areas in the industry. Its cable operators, who control distribution, include all of the major players: AOL Time Warner, AT&T, Comcast, Cox, and Charter Communications. These multiple system operators (MSOs) receive payments from Wink based on user activity. That is, when someone clicks on an ad to respond to it, some of the purchase payment goes to the cable operator.

Additional support for Wink comes from the set-top box manufacturers (e.g., General Instrument, Scientific Atlanta), the TV set manufacturers (Thomson/RCA, Toshiba, and Matsushita), and the TV networks (ABC, NBC, CBS, Fox, CNN, ESPN, Nickelodeon, TBS, TNT, Lifetime, Food Network, and USA). Microsoft has taken a 10% stake in the company, using Wink as the processing system for its Web TV devices. DirecTV has a 5% stake, planning to launch the system in 500,000 households in Spring 2000, and have it in two million of its satellite homes by the end of the year. Advertisers on Wink can interact in various ways. They can question viewers directly ("do you use Brand X?" "What are the most important features of Product Y?"), with the responses being given using the remote control keypad. Coupons can be offered ("click here to receive a coupon"), along with informational brochures. The viewer can also sign up for a test drive with the local car dealer. All responses are sent first to Wink and then on to the advertiser or fulfillment center.

Currently, Wink claims to be enhancing about 1,200 program hours per week. In the last three months of 1999, it served up 1,500 interactive ads. Responses to individual ads have ranged from about 0.2% of viewers to 3%v. The service is available in eight cable systems, reaching 147,000 homes in California, Connecticut, Illinois, Missouri, New York, Tennessee, and Texas. There is no charge for subscribers, since the costs are borne by the cable operators and networks involved

Worldgate. This hybrid offering can be made available in either analog or digital form. Like Wink, the Worldgate service uses standard analog cable set-top boxes and the existing infrastructure offered by the cable system, putting its special software at the cable headend. Worldgate has received financial support from cable operators and set top box manufacturers.

There are three different types of service that bring varying levels of online service to the TV set. The basic one is called My Town. Here, subscribers can get local information about events or companies in their local area, as well as channel hyperlinking to the Web but not full access to it. At the next level up, My Friends, additional capabilities include e-mail, chat, and instant messaging. Subscribers to My World have full Internet access as well.

The system is currently in use by 13,000 households across 22 cable systems in states such as Georgia, California, Ohio, North Carolina, and Washington. Subscribers pay anywhere from $5 to $15 per month on top of their regular cable bill, with payments going through their cable operators. They access the service similarly to Wink. That is, a special icon appears on screen when interaction is permitted, allowing the viewer to click and hyperlink to an existing Web page or a special bridge page. Again, in the analog world the regular TV picture disappears at this point (in digital, the regular screen goes to picture-in-picture).

Advertisers are able to offer information or coupons, samples, or brochures, much as Wink does. In addition, because of the Internet connection, ads can be hyperlinked to the advertiser's Web site or a specially created bridge page to store a special Worldgate-linked offer. Responses are sent directly to the advertiser.

In a test of the system in use in 1,000 homes in Massillon, Ohio, in 1999, Worldgate found that subscribers interacted with it for about an hour a day, across three separate viewing occasions. Each interaction lasted approximately 2.5 minutes for program-related material, and about one minute for ad-related information.

Digital TV

Once a household is equipped with a digital set-top box, the sky is almost the limit in terms of what could become available in the not-too-distant future. The landscape here is likely to grow more crowded before the biggest players emerge. For now, there are three companies offering digital applications: ACTV, Respond TV, and Open TV.

ACTV. ACTV has the backing of several key players, including General Instrument (maker of set-top boxes), Liberty Media, a cable programming supplier, and Fox Sports Network, a regional sports network. ACTV has several products to offer consumers, all of which are currently still in the test phase. Its Individualized TV is primarily sports-oriented at this point, giving viewers the ability to choose different camera angles, see an instant replay, or access additional program or player statistics. This venture is being done with Fox Sports and has been testing in Texas. For advertisers, ACTV has the capability of offering Individualized Advertising, where different ads can be targeted to different households, with viewers being able to select which one they see. For example, an automotive advertiser could provide several different models from which to choose, and the viewer would pick the one he is most interested in. The third application being developed is called Hyper TV. Here, the goa is to offer additional information about the program or product on the Web, receiving Web content that is linked to the live or recorded program. It does not provide full access to the Web via TV.

Respond TV. Another digitally based interactive TV company, Respond TV uses the VBI to send information to viewers' set-top boxes. As with Wink and Worldgate, the viewer can react to a special icon that appears on-screen during an ad. At that point, the ad goes to picture-in-picture, leaving the rest of the screen free for additional information and/or viewer response. When someone places an order or makes a request, that is fed directly to the source via the Web, with an automatic response coming back. Respond has launched in 200,000 homes, in conjunction with one of its partners, the Chris-Craft TV station group. In addition, it has funding and support from Liberate Technologies and Web TV.

A test conducted in 1999 by Respond points to the potential impact that digital television could have on the way that we use television. The company set up a special test with Domino's Pizza, allowing viewers to order their pizza for home delivery through the TV set. The ads ran during a Star Trek marathon that aired on the local UPN affiliate. Out of the 1,000 homes that tuned in, 150 pizzas were ordered, representing a 15% response rate. That compares to a standard direct response rate of around 2%, at best.

Open TV. Last but not least, the digital landscape is likely to be affected at some point by Open TV. This company considers itself the worldwide leader in interactive television, having placed 4.5 million digital set-top boxes in homes across Europe. It i owned by Thomson Multimedia and Sun Microsystems, giving it both distribution and technology support. Other strategic partners include AOL Time Warner, General Instrument and News Corporation. Currently its applications are being used by 24 different TV networks in the UK, France, Sweden, Spain, and Italy. Now, Open TV is entering the U.S. marketplace through a joint venture with the EchoStar DISH satellite network, which will incorporate Open TV's software into its system.

Viewers who have Open TV on their TV sets can do similar activities to ACTV, selecting camera angles or viewing highlights or checking on sports statistics and scores. Beyond that, they can have full online access to their bank, and to the stock markets Weather is available on a local, regional, or national basis. There is also a channel dedicated to music, where the CDs are on sale for the artists that appear on-screen, or concert tickets for their live performances can be purchased. The same idea holds true for programs too, with viewers able to buy program-related merchandise.

For advertisers, in addition to the commercial opportunities within programs, different areas of the system are available for sponsorship.

Cable Modem/Broadband

While some believe that the future will give us combination PC-TV sets, there are others who feel this is not going to happen. They believe that the different ways those two appliances are used will continue to stand in the way of full convergence between them. But even as the television manufacturers and suppliers bring more computerized functions into the set or the set-top box, there are additional opportunities being offered on the PC side, bringing more televisual offerings to the computer.

Excite@Home. This cable modem service provides users with Internet access from their PC via the cable modem. In this way, users have a much more powerful broadband gateway to the Web. The company is the result of a merger of TV and PC entities. Excite was initially a portal/Web site, while @Home was a broadband cable service. When the two merged in May

1999, the combined venture soon became the largest provider of cable broadband services. Today it has about 1 million subscribers in 105 different markets, competing primarily with Time Warner's Road Runner service.

What Excite@Home offers is a simpler and more personalized way to use the Internet. The home page can be customized, as well as providing original content, much like AOL does. Information is organized into content channels, such as News, Relationships, Entertainment, or Family, all of which can take advertising in various forms. Straightforward banners or buttons are acceptable, but so are rich media ads that include full audio and video. Advertisers can create microsites to provide more detailed information on their products or offers. The company's own research suggests that these ads offer a powerful way to communicate with consumers. Average brand recall for ads appearing on Excite@Home was 44%, compared to just 29% for standard Web ads.

The impact of having fast and continuous Web access via the PC very much changes the way that the machine is used. Four out of five (81%) primary users are male, with about two-thirds (64%) of the secondary users being female. But almost half of those who subscribe spend 3 or more hours per day on the service. There is no longer a concern about running up large phone bills, or having to wait a long time to download information. That, in turn, encourages purchases. Fully 85% of those responding to a survey of subscribers said they had ordered something online in the past year, and more than half, 55%, had purchased online one or more times per month.

Geocast. A slightly different form of broadband service is due to be launched at the end of 2000 by Geocast. This is a data broadcast network that brings digital TV signals to desktop PCs. It uses the digital spectrum to send local broadcast content to the computer, by taking national programming material, linking it on the satellite with local station information, and sending it back down in digital format to the end-users. By purchasing a special Geocast receiver, the PC user gets full access to the Web, e-mail, and so on, along with full broadband capabilities and repurposed television information and entertainment.

TV stations are likely to find this very attractive, offering them another source of revenue as their material is downloaded with additional ads on it. So far, two companies that own TV stations are signed on: Hearst-Argyle and Belo. Advertisers who don't come in through the TV feed can customize their ads based on the preferences and demographics of the user.

Personal Video Recorders

In a scenario that is somewhat reminiscent of the Betamax versus Sony competition over VCR formats back in the 1980's, today we see two companies vying to lead a newly developed next-generation VCR known as the Personal Video Recorder, or PVR. This is a video recorder that includes a computer hard drive. It digitizes the incoming analog TV signal to enable viewers to manipulate the program content. The two key players, TiVo and Replay Networks, sold a total of 30,000 units in 1999, but forecasters believe that by 2004, more than 12 million will be in use.

Both companies have lined up an impressive array of partners, coming from consumer electronics (TV set manufacturers), cable operators, and TV networks. Once the TV signal has been digitized, that means consumers can pause, fast-forward or show an instant replay of whatever is on. They can also set up their own program or genre preferences so that the machine instantly records those that it matches to the viewers' specifications. It now becomes possible to have the PVR record every episode of a program that appears weekly or select what to record based on program previews. An electronic program guide is included, and updated nightly.

The feature that has caused the biggest outcry among advertisers is the commercial skip button on the machine. This allows the user, when replaying a show, to skip forward in 30-second increments, thereby avoiding the commercials. While it is true that the same concern was voiced over VCRs 30 years ago, and subsequently found to be an insignificant problem, the ease with which today's PVR owners can move through the commercial break does provide some cause for concern.

In an effort to appease the advertisers whose support is going to be critical to their success, both TiVo and Reply are offering area sponsorships on their systems in the "network showcase" section that features programs by selected TV networks. They have also talked about providing subscribers' viewing habits to advertisers to allow them to create customized and personalized ads. Both are eager to point out that this would only be done with viewer permission, and given the current

debate over consumer privacy (see below), it is not likely to happen very soon. In the meantime, Replay has signed up with Nielsen Media Research to try to measure viewership of those who have these machines. The issue is tricky, however, because Nielsen's measurement and analysis systems are currently set up to assess regular TV viewing and VCR playback. Usage of the PVR is more akin to VCR recording.

The lifespan of the PVR itself may well be short-lived. It is likely that most if not all of the functions of the machine will eventually end up in the TV set itself, using the digital set-top box to perform the tasks that the PVR now handles. Indeed, Replay is already working with Panasonic to have its software incorporated into that company's high-end TV sets.

Key Issues for Advertisers

Even as the interactive landscape changes and develops, there are three key -and related - issues for advertisers to tackle: regulation, privacy, and consumer control.

Regulation

There are several areas in the interactive arena that Congress and/or the FCC may choose to regulate. The issue of who is deploying what technology, and to whom, is likely to grow. Already, the government has noted its dissatisfaction with the rate at which DSL is being deployed. The phone companies are reluctant to accept competition, but cannot force users to use them as their Internet Service Provider (ISP). Before AOL merged with Time Warner, it was a very vocal advocate for opening up the cable wires to allow other companies access to the home through those wires. Once AOL became part of the second-largest cable operator (Time Warner) there was some concern that the newly combined entity would backtrack, but so far at least, AOL Time Warner says it remains committed to a fully competitive landscape. At risk here are the 7,000 independent Internet access providers whose business is threatened as the phone companies and cable companies carve out that territory in their new digital offerings.

Additional Internet-related activity is likely in regulation. One imminent piece of legislation is the authorization of digital signatures, giving those the same legal status as a written one. This will allow consumers to "sign" for purchases on the Internet in the same way that they sign their name on a credit card receipt in a store. Undoubtedly, this will benefit and boost e-commerce.

Copyrights are also going to have to be dealt with in a world where digitization of material could make it far easier to make copies of protected works. Questions arise on how to handle the distribution of video materials in numerous venues - multiple cable channels and Internet sites, for example. It is likely that a copyright will in future be cleared en masse via a blanket fee covering all venues, rather than linked to each provider.

Last but not least, it is possible that Congress could feel pressured to take action on the digital divide that is developing. Computer ownership and Internet access remain linked to level of affluence, with 84% of homes that have a household income of $75,000+ owning a PC, compared to the 36% of households with less than $50,000 annual income. Similarly, 67% of the affluent households have online access, versus just 21% of the less affluent.[vi]

Privacy

This has become the hot-button issue as far as interactivity is concerned. Articles in both consumer and trade press argue back and forth on what consumers should expect and know about their usage of these new media forms. There are also discussions on what companies need to do to ensure that they are not going to get into trouble in the way they use the data they gathering for the first time.

The issue was brought to a head in February 2000. Doubleclick, a Web advertising rep firm that tracks consumer usage on the Web within its network of 1,500 sites, announced that it was going to merge that Web tracking information with purchase

information available from Abacus Direct, a database company it bought last year. The latter tracks information on what people are buying at retailers, in catalogs, or from publishers. In order for these two sources to be linked, the computer user would simply have to register his or her name on the Web site, thereby removing the anonymity associated with Web tracking software[vii]. While Doubleclick had been aggregating the data for advertising purposes, the link-up at the individual level caused consternation in the industry[viii]. There were anxious questions from legislators and attorneys-general as well as murmurs that the Federal Trade Commission would get involved.[ix] Doubleclick backtracked, and said it would not take such steps. But the issue remains. How much do or should consumers know about what and who is monitoring them? And who should own the data?

One answer might be to look at traditional media to see how the issue is handled, but even there, things can get murky. Privacy laws, for example, restrict the collection and use of customer data by cable companies. But on the Web, the question turns into who owns that customer data? When someone goes to the Web via Excite@Home, goes to the NBC web site and clicks on a Microsoft ad, then is that person a "customer" of Microsoft, or NBC, or the cable modem service? Other countries that have wrestled with this same issue have come down firmly on the consumers' side. In the European Union, for example, data on an individual collected for one reason cannot be sold or revealed for another unless the person gives permission to do so. Senator Robert Torricelli recently introduced a similar kind of "opt in" bill into Congress that would prevent Web sites from collecting or selling personal information unless the user had agreed to it. The Web sites themselves would prefer an "opt out" feature rather than an opt-in, safe in the knowledge that most users simply skim the content of a site to find what they are really looking for and interested in.[x]

Currently, the U.S. has tried to use self-regulation to protect consumer privacy, encouraging sites to post their privacy procedures for users to look at. But any excursion on the Web quickly reveals how poorly sites are complying with that notion Even among those that do actually post their policies, they are usually buried in the 10th page of the site in an obscure place where very few people would ever bother to look.

Consumer awareness of this issue has grown exponentially in recent years, along with rising concerns about invasion of privacy. A survey conducted by Harris Interactive on behalf of Business Week reported that more than four out of 10 (41%) people were very concerned that when they shop online the company they are doing business with will use their personal information to send them unwanted information. This is up from three out of 10 (31%) consumers who felt strongly about this just two years ago. More than two thirds (68%) of respondents said they were not at all comfortable with the notion of a Web site linking browsing habits and shopping patterns with their own name and identity. Fully 82% were very concerned about linking all of that with additional personal information such as driver's license, credit history, and medical data.[xi]

Consumer Control

Advertisers have traditionally divided media into two groups according to the way that the advertising message is disseminated. Broadcast media, such as TV and radio, are considered "passive" because the consumer passively receives the message and does not choose whether or not to view or to listen (other than by changing the channel). Print media, including magazines, newspapers, and outdoor billboards, are thought of as "active", requiring a conscious decision on the part of consumers to look at the message. In the interactive arena, all advertising is potentially "active". It will be up to the viewer/user to decide which messages he or she consumes, and at what level of detail. With Web-based applications, such as Geocast or Worldgate, the user could select the first screen of the ad, but then decide he isn't really interested and not go any further. Technologies such as PVRs permit users to skip commercials altogether, whether or not they are relevant, personalized, or entertaining.

This is clearly a significant shift in the way that advertisers need to think in the future. For these new media forms, advertisers will have to abandon the scatter-shot approach, trying to reach as many people at one time with a fairly broad message. Instead, they will have to work to provide interesting and finely targeted ads that can engage consumers and entice them to continue reading or listening or viewing. This is closer to the direct response approach, where if the envelope is never opened or the infomercial not viewed, then no action takes place and no sale can occur.

The analogy with direct marketing is critical in another way too. For what interactive media offer advertisers is a fully

measurable method of communication. That is, once the message goes out, the advertiser can track in great detail who is responding, and how. If one kind of message doesn't seem to be working, it can almost instantly be changed to another one. And in an interactive world, the advertiser will eventually be able to make more direct sales to customers. Indeed, estimates for how much this "e-commerce" will be worth provide some astounding figures. The FCC, a generally conservative body, predicts that by 2004, e-commerce revenues will be worth more than $1 trillion. The consumer retail portion of that is expected to be over $100 billion by then, more than triple the 2000 estimate of $37 billion.[xii]

So as more and more people sit down in front of their computers and/or TV sets and actively select what they will watch or read or buy, the future of advertising looks decidedly different from the way things have been done up to now. There will be many bumps along the way, but for advertisers willing to take the risks early on, the rewards, in terms of learning and experience, are likely to be worthwhile.

End Notes

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About the Authors

Helen Katz is the Senior Vice President/Director of Strategic Resources at Zenith Media. Helen joined Zenith in 1999, after spending 10 years at DDB in Chicago. Helen manages four researchers in the New York office, from where she services the strategic research needs of all Zenith's clients. She also works with the international offices of the company on research-related issues, in particular, the proprietary suite of ZOOM media systems and tools.

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