

MYERS Mediaenomics™

Interactive Television Outlook 2000

Inside:

Prospects for
Interactive Television

The World of
Interactive Services

The ITV Rollout

The Interactive
Advertising Experience

The Global Outlook

Produced in
partnership with

eMarketer™

The Myers Group 120 West 45th Street, New York, New York 10036
tel: 212-764-5566 • fax: 212-764-6919 • www.myersreport.com

Mediaenomics:

(media·ē·nomics), *n*; actionable & predictive
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decisions. [2000]

The Myers Group 120 West 45th Street, New York, New York 10036
tel: 212-764-5566 • fax: 212-764-6919 • www.myersreport.com

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- eBusiness Report
- eUser & Usage Report



Craig Leddy
Senior VP-Market Analysis
The Myers Group

June 2000

Since the earliest days of television, countless attempts have been made to transform the medium from a passive to an interactive device. Today the prospects for interactive television have never been higher. ITV is receiving an unparalleled level of investment and involvement from a wide variety of major media and technology players. Driving this resurgence are digital technology innovations, increased prospects for interactive advertising and e-commerce, and a public that is growing accustomed to interactivity and its benefits of choice, convenience and control. These developments are fueling predictions that ITV, including enhanced broadcasting, internet over TV, and video-on-demand services, will generate annual revenues of more than \$25 billion by 2005.

But there are many challenges facing a business that in the past has seen its promises go unfulfilled. Questions abound over the development of the right platform, user interface and business models.

To assess the many promises and challenges, The Myers Group has conducted its own ITV research and also partnered with eMarketer, which aggregates and analyzes research data on internet and media markets. The first part of this report is based upon a Myers industry survey, Prospects for ITV 2000, and Myers' second Forum for Interactive Television Development, held in February. With eMarketer's resources, the report provides a wide array of publicly available industry data and marketplace analysis. It is our hope that this information will help executives in their strategic decision-making so that the long held promise of ITV will finally come to pass.

Craig Leddy
Senior VP-Market Analysis
The Myers Group

Report written and edited by Craig Leddy with contributions by Jack Myers, chairman and chief economist, Myers; Geoff Ramsey, statsmaster, eMarketer; Brian Gilman, eMarketer; Gayle Kendall, coordinator of Myers ITV Forum; Gail Tirinato, GAMS & Associates; and publicly available data from sourced research companies. For more information, contact Myers: 212-764-5566 or eMarketer: 212-677-6300

I. Prospects for Interactive Television

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Prospects for Interactive Television

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A. Introduction

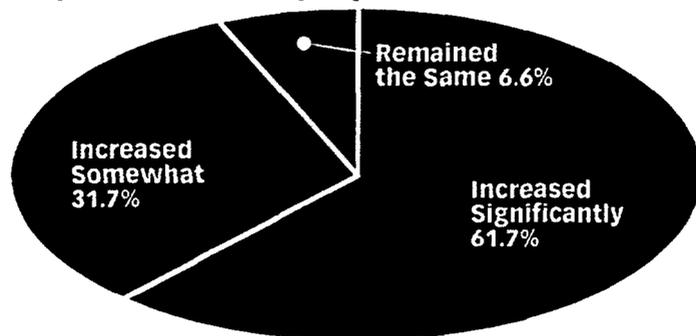
Interactive television is all the rage once again. The prospects are higher than ever before. Now can the industry deliver?

There's little question that media industry executives like their chances. In a Myers survey of high-level media executives conducted in a February-March timeframe, 61.7% said the prospects for ITV have increased significantly over the past year. That response is up from the 51.6% who said prospects have increased significantly in a Myers ITV survey conducted last fall.

The Prospects for ITV 2000 Survey was conducted during and after Myers' second Forum for Interactive Television Development, held in New York on 1 February. Respondents to the written survey are all senior level executives and represent 60 major companies, including advertisers/agencies (28% of respondent base), internet/web companies (17%), cable networks (20%), cable operators (13%), content creators (7%), financial institutions (5%), broadcast networks (3%) and broadcast TV stations (3%).

Prospects for ITV

% of Respondents who feel prospects have...



Source: Myers Group, Prospects for ITV, 2000

There are many reasons for the optimism over ITV. Digital technology is providing new distribution options and innovative applications. The costs of deployment have dropped to a point where scalable rollouts are achievable. The growth of e-commerce on the web has renewed interest in interactive advertising and sparked a new industry term: "t-commerce" (television commerce). New ITV-oriented companies are springing up regularly—not as fast as dot-coms yet at a fairly steady clip. Consumers are getting accustomed to interactivity through their increasing web usage. Momentum is building across a variety of industries—cable, broadcasting, advertising, entertainment, online—that together are driving ITV forward with unprecedented force.

"We're moving rapidly from Industrial Age technologies of mass production, mass marketing and mass media to Relationship Age technologies of interactive media, one-to-one marketing and personalized production."

— Jack Myers, The Myers Group

“When you read that consumers have rejected interactive television, it’s simply not true. There are lots of other problems in the history of interactive TV, mostly having to do with the technology, the cost, but it’s not the case that consumers rejected it.”

— John Carey, Greystone Communications

Despite its newfound promise, interactive television has a rather ignominious past record of failures, false promises and dashed expectations. A lack of hype has never been a problem for ITV.

While there recently have been major advances in video-on-demand, internet-over-TV and enhanced TV applications, no singular technical platform or business model has engendered enough industry acceptance to serve as a de facto standard for widespread ITV deployment. Despite growing industry enthusiasm, there still is no overwhelming evidence that any of these services will be deployed on a mass scale approaching, say, the internet, VCRs or traditional television networks. As ITV developers have found time and again, great intentions do not guarantee great results.

What Is Interactive TV?

Definitions of interactive television have changed, expanded and blurred over the last several years. Now the term is used to cover a broad number of enhancements to the traditionally passive television experience.

The Myers Group includes a broad range of services that cause viewers to interact with their TV set, broken down by the categories of enhanced television, internet over TV and video-on-demand. Forrester Research uses a similar definition (“Any activity in which viewers use a remote to interact with information displayed on a TV screen”) and essentially divides services into the categories of enhanced broadcast TV and web-on-TV. eMarketer concurs with the Myers and Forrester viewpoints. Jupiter Communications has a somewhat narrower focus on ITV as a web and TV hybrid.

No matter how market observers try to slice it, the fact is that the lines dividing various forms of electronic media are blurring and will continue to blur further. For the purposes of this report, Myers is focusing on services that directly correspond to what’s transpiring on the TV screen.

Developments in media streaming and webcasting promise to bring video enhancements to the PC, which in turn could be distributed to the TV through broadband technologies. Some new media players are keeping one foot in ITV and another in the emerging business of broadband streaming to the PC, hoping that such a combination could represent the ultimate 21st Century distribution play. In future assessments of the market, even the broadened definition of interactive television may have to be discarded in order to encompass a wider category: interactive media.

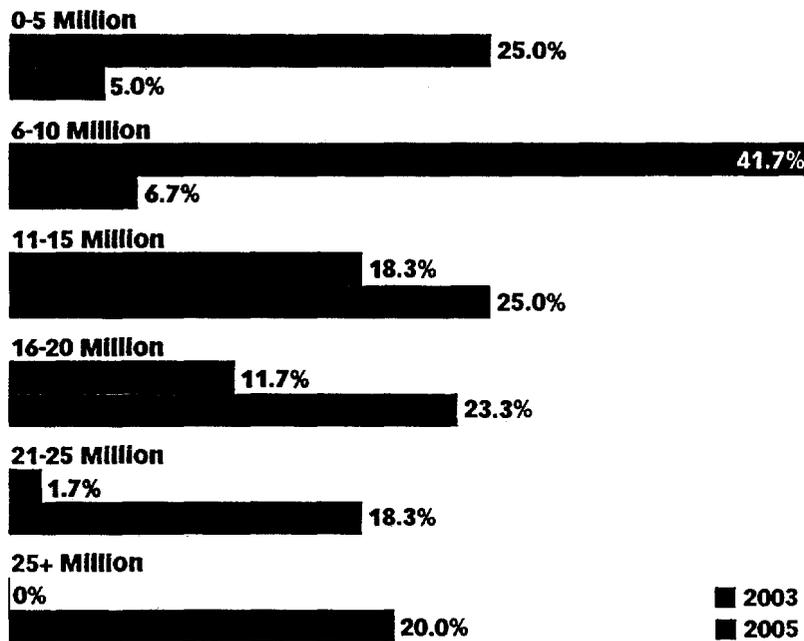
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B. Market Forecasts of Users

The media industry itself is predicting big results for ITV over the next several years. More than one third of those surveyed believe there will be more than 20 million users of ITV by 2005. Twenty percent foresee more than 25 million users by then.

The survey asked respondents to make predictions for 2001, 2003 and 2005. By 2001, 51.7% see the number of users in the 1-5 million range while 36.7% say it will be under 1 million. By 2003, 41.7% foresee 6-10 million users.

ITV Forecast: Consumers



Source: Myers Group, Prospects for ITV, 2000

Researchers predict a large ITV universe:

- Paul Kagan Associates forecasts that the number of interactive TV capable homes will reach more than 46 million by 2005 with a jump to over 60 million by 2010.
- Forrester Research predicts that by the end of 2005, 55 % of U.S. households will be able to participate in interactive television.
- Jupiter Communications sees a market for internet over TV services of 30 million homes by 2004.

One of the questions that has always dogged ITV developers is "Do consumers want it?" John Carey, director of Greystone Communications, a telecommunications research and planning firm, researched the history of ITV and found that most ITV failures were not the result of consumer ambivalence but rather a failure of technology or business models.

While the industry debates incessantly over whether consumers want to interact with their TV sets, consumers are becoming more accustomed to handling interactive applications through the web and other experiences. Game devices like Playstation and Nintendo are teaching a new generation to interact with their TVs. Small yet growing numbers of consumers are being introduced to interactive program guides from suppliers like TV Guide Networks; enhanced broadcasting from services like Wink; internet-on-TV services like WebTV; personal video recorders from TiVo and Replay; play-along games from Game Show Network; and true video-on-demand from cable operators like Time Warner Cable or Diva's cable affiliates.

"The most important thing in terms of the mass public getting ready for interactivity is the remote. The remote has taught people how, in a very crude way, to interact with television and that's very, very important in terms of a mass public. They're ready to interact because the remote, which is now in all homes, has taught them, along with the PC, along with ATM machines and other devices."

— John Carey, Greystone Communications

While no one can argue with TV's inherent status as a passive entertainment and information medium, these experiences together are demonstrating that TV may not be as docile as many naysayers think.

TV vs. PC: Stop the Madness

At dozens of industry conferences, hours of time regularly are wasted in panel debates over whether the PC or the TV will be the ultimate vehicle for interactivity. Executives with a self-interest in advocating one device over the other end up vehemently defending their viewpoint.

Now some saner voices are adding to the debate by recognizing that the lines between the two devices are blurring. Each device will maintain its unique characteristics while borrowing corresponding attributes from the other. It's widely accepted that the TV primarily is an entertainment experience best utilized by leaning back and watching from 10 feet away, while the PC is a more informational experience conducted from a foot away. But each can successfully draw upon features of the other.

"It's really not either/or," Gary Lauder, ICTV's vice chairman, said of the PC/TV debate. "They're both going to grow." *continued*

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During Myers ITV Forum, Jim Louderback, editor of ZDTV, said, "What makes sense is that rather than thinking about 'lean forward/lean back,' put the medium on the delivery device that makes it best for what you're doing." To illustrate how devices can accommodate various functions, he showed off a Gemstar Rocketbook, a small wireless access device that could be used to interact with, say, a game show.

Chan Suh, chairman & CEO of agency.com, told Forum attendees that "consumers are going to be choosing the channels of their own at any time and you will never be able to predict when they want what. Interactive television is only one slice of this large interface cultures pie."

Multi-tasking gives credence to the argument that the PC and TV functionality can co-exist. Researcher John Carey said, "Everyone has their model of what [ITV] is or what it will be. It's very different when you actually see what real people do when they're interacting with television. It's not necessarily the model that's in your head. But this is the point: it's very common now to see a television and a PC in the same room, on at the same time, being used at the same time, but typically not for the same thing."

Digital cable subscribers provide a solid audience for interactive features, according to CTAM, cables' marketing association. In a recent CTAM survey of digital cable subscribers, the percentages of those who said they "definitely would use" the following services ranked as follows.

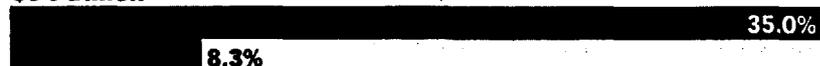
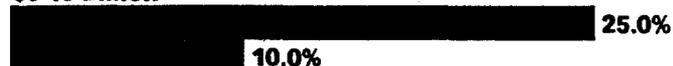
Percent of Digital Cable Subscribers Who Would Definitely Use the following Services:

| | |
|---|------------|
| Record programs without VCR | 81% |
| Pause/rewind live programming | 74% |
| Video-on-demand | 73% |
| Record through EPG | 67% |
| Purchase individual premium channels | 58% |

Source: CTAM

C. Market Forecasts of Revenues

The majority of Myers survey respondents indicated that the growth in users would lead to revenues of more than \$15 billion by 2005, with 25% of the executives seeing revenues of over \$25 billion. The surveyed executives see a dramatic escalation between 2003 and 2005.

ITV Forecast: Revenues**\$0-5 Billion****\$6-10 Billion****\$11-15 Billion****\$16-20 Billion****\$21-25 Billion****\$25+ Billion**

Source: Myers Group, Prospects for ITV, 2000

The Myers Group is issuing the following forecasts for Interactive Television Revenues based upon a composite and analysis of publicly available information. These forecasts, authored by Jack Myers, chairman and chief economist for The Myers Group, reflect an analysis of current projections for ITV distribution and three revenue streams: advertising, e-commerce and subscriptions. Myers has used Forrester Research data as a benchmark for 1999. All figures are in millions.

ITV Revenues, 1999-2006, (Millions)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------|--------------|--------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Advertising | \$94 | \$180 | \$350 | \$960 | \$2,190 | \$4,900 | \$7,400 | \$11,500 |
| eCommerce | \$168 | \$260 | \$560 | \$1,400 | \$2,760 | \$5,600 | \$8,200 | \$13,400 |
| Subscription | \$403 | \$480 | \$770 | \$1,680 | \$2,350 | \$3,150 | \$5,100 | \$7,200 |
| Total | \$665 | \$920 | \$1,680 | \$4,040 | \$7,300 | \$13,650 | \$20,700 | \$32,100 |

Source: The Myers Group, 2000; Forrester Research for 1999 only.

The 2000 – 2002 forecasts are based on analysis of published forecasts, projections provided by multiple ITV technology and content providers, cable system operators, broadcasters, and Myers proprietary research conducted among industry executives. Forecasts for 2003 – 2006 are based upon Myers proprietary analysis of market growth, analyses of industry and consumer adoption rates for new technologies, total advertising market forecasts, and additional Myers marketplace analyses.

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For the purposes of these projections, Myers defines interactive television as any direct interaction by the viewer that influences program content and delivery, other than basic channel selection. This excludes pay-per-movie selection but includes subscription for enhanced television services, video-on-demand and internet delivery over the television. ITV advertising revenues includes all revenues that are generated directly to support ITV initiatives, including delivery of television/streaming video signals via the internet. Revenues for personal video recorders such as TiVo and Replay Networks are incorporated into these projections.

There is significant potential for overlap between ITV advertising and e-commerce revenue projections and basic internet/online advertising and e-commerce estimates. Based on its marketplace perspective, Myers estimates that internet and ITV advertising revenues will be heavily integrated by 2004, and that as much as 50% of ITV advertising revenues could also be incorporated into internet advertising revenue forecasts.

From 1999-2003, Myers projects that ITV advertising revenues will be incremental to established media spending and funding will derive from non-traditional advertising and media budgets, including direct marketing and sales promotion budgets. Initial funding of ITV campaigns will be drawn from corporate funds targeted for tests of new media and marketing opportunities and will not have any negative impact on traditional budgets.

Initial revenue growth of the ITV industry will depend heavily on subscription revenues, while e-commerce and advertising revenues will drive future expansion. While other forecasters project that ad revenues will exceed e-commerce revenues, Myers believes the unique advantage of ITV will be the combination of video with the purchase opportunity. These e-commerce projections have been moderated until market performance validates continuing consumer response.

Online and ITV ad revenues, as well as e-commerce and subscription models, will become increasingly integrated. It is likely that future forecasts such as these will be differentiated through alternative models and definitions. Additionally, ITV should be considered a program content form, rather than a medium that competes with other traditional media for consumer and advertising spending. ITV revenues will increasingly become a component of the revenues of broadcast stations and networks, cable operators and networks, program producers and distributors, satellite distributors, internet service providers, and other forms of media content and distribution. As ITV becomes an integrated component, advertising and subscription revenues targeted specifically for ITV applications may become increasingly difficult to differentiate. eCommerce business conducted via ITV will become largely indistinguishable from e-commerce conducted exclusively via the internet, as the two become seamless to the end consumer.

Although Myers has established these benchmark forecasts for evaluation and tracking purposes, it would be inappropriate for users to depend upon them for uses other than tracking. It is difficult to project ITV revenues since the industry is in such nascent form and revenue models are uncertain. Myers anticipates publishing future forecasts that will more clearly define internet/online and ITV revenues.

Other forecasts vary in the actual numbers projected, but they all see strong growth. Paul Kagan Associates estimates that interactive advertising revenues alone will pass the \$5 billion level by 2004, indicating a growth rate nearly equal to that of the internet, but surpassing cable, broadcast TV or radio. Jupiter Communications foresees an ITV market (which Jupiter describes as "a hybrid of web and television revenue and programming models") of \$10 billion in revenues by 2004.

According to analysis by eMarketer, Forrester Research predicts ITV revenues of more than \$15 billion by 2004, about two-thirds from enhanced broadcast TV and one-third from web-on-TV services. Forrester cut back its earlier projection of total ITV 2004 revenues of \$20 billion, including shaving its advertising revenue projection to \$7.7 billion from \$11 billion. Based upon new projections in November 1999, the following table shows how Forrester sees ITV revenue breaking down.

**Interactive TV Revenues, 1999–2004,
in Millions of Dollars**

| Revenue Source | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------|-------|---------|---------|---------|----------|----------|
| Advertising | \$94 | \$212 | \$535 | \$1,805 | \$4,470 | \$7,723 |
| eCommerce | \$168 | \$621 | \$1,561 | \$2,639 | \$4,071 | \$5,754 |
| Subscriptions | \$403 | \$822 | \$1,413 | \$1,550 | \$1,721 | \$1,912 |
| Total | \$665 | \$1,665 | \$3,509 | \$5,994 | \$10,262 | \$15,389 |

Source: Forrester Communications, 1999

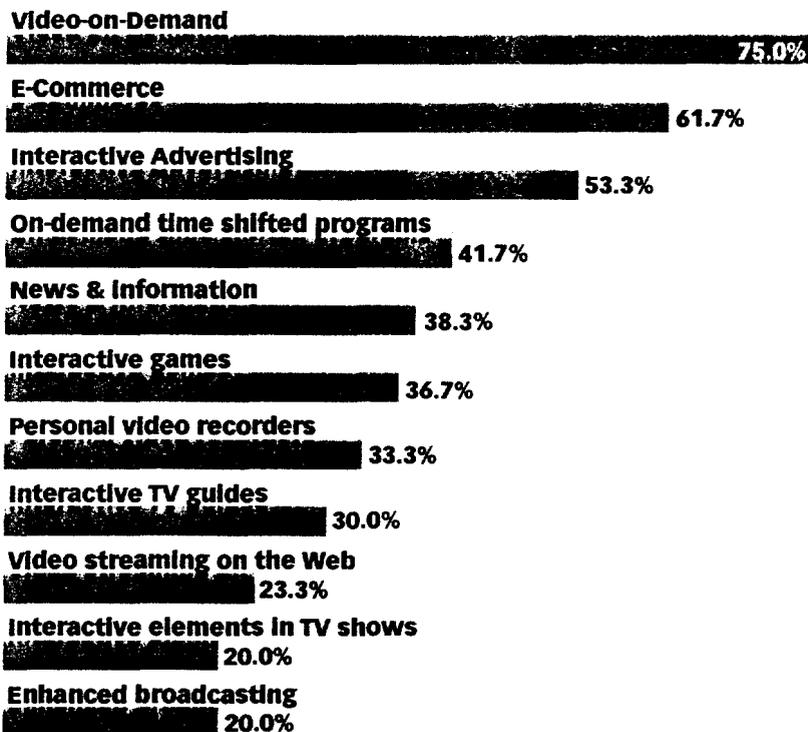
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D. Revenue Potential for ITV Services

Video-on-demand (VOD) has leapt into the lead as the top potential ITV revenue producer after placing third among ITV services in last fall's Myers survey. Interest in e-commerce and interactive advertising, which placed one-two last fall, remains strong.

Revenue Potential for ITV Services

% of respondents ranking revenue potential as high*



*A ranking of a 6 or 7 on a 7-point scale.
 Source: Myers Group, Prospects for ITV, 2000

The cable industry has taken renewed interest in on-demand movies, partly in response to satellite competition and partly due to lower costs-per-stream that are making scalable deployment attainable. At the Myers Forum for Interactive Television Development, Robert Rosentel, VP of new media for Cablevision Systems, said the driving forces for Cablevision's customers are VOD and electronic program guides. The reason: "Customers understand what it is." Cablevision's research shows "customers are not as interested in the internet on TV as some people think."

Only 15% of survey respondents felt that revenue potential for internet on TV was high, not enough to place it within the top 10 responses. That's surprising considering that many define internet over TV as a key ITV category. Much of the low response may have to do with the state of the internet today, which provides a rather static TV experience, and the fact that services like WebTV so far have not enjoyed high mass market popularity. All that may change as media streaming enhances video and audio web capabilities that can be distributed to the TV through broadband technology. Major players like WebTV and AOL TV can drive demand by providing interactive services that straddle the web and TV experience. Gary Lauder of ICTV believes demand will evolve because "all of these dot-coms are driving a lot of people, who don't today have internet access, to want it. It's not the issue that they want to do it on their TV, but that they want to do it."

ITV Advertising: Devil's In The Details

The advertising community, having seen the allure of e-commerce on the web, is taking a keen interest in ITV. But the parameters of an advertising business model are still largely unclear.

Panelists at the Myers ITV Forum agreed that, with the exception of a VOD service like movies-on-demand, an advertising-supported model would win out over subscription-based revenue models. As Robert Rosentel of Cablevision Systems put it, "One of the important things to think about is how these businesses evolve as personalized advertising. Targeted information to people that is of genuine interest to them is really a fundamental change for the advertising business."

Providing more targeted audiences could lead to higher cost-per-thousand prices for interactive advertising than traditional broadcast. Yet advertisers will have to be convinced of the value of an interactive advertisement before they're willing to pay a premium. In addition to ITV's targeting capabilities, media executives foresee other incremental value enhancements, including data mining of consumer information, direct marketing, sweepstakes and other promotions, couponing, and localized components (such as a car ad with an interactive tie-in to a local dealer). How advertisers are able to take advantage of the feedback on the viewer that is stored in interactive systems remains to be seen.

- Clearly, advertisers, agencies and marketers are eager to embrace interactive advertising opportunities. Based upon Myers survey research:
- 92% of advertising executives consider opportunities to explore technology-based advertising opportunities such as WebTV to be important to them today
 - 70% of marketing executives place high levels of value on convergence marketing opportunities
 - 61% of advertising executives consider ITV to be of significant value to their companies in the next 48 months
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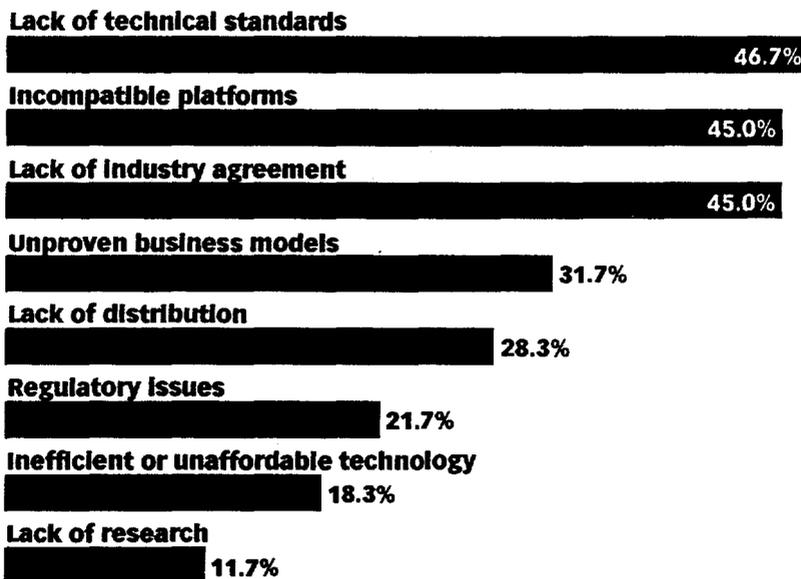
E. Obstacles to ITV

Despite a high level of activity surrounding ITV, many observers find there are still significant obstacles to overcome. Nearly half of the survey respondents found lack of technical standards, incompatible platforms and lack of industry agreement to be the major roadblocks in the growth potential for ITV.

The ITV arena is becoming more populated each day with unique technologies and applications but there's no clear industry-wide consensus on a central, ubiquitous platform to distribute them all. The current, limited capability to deliver interactive television to the consumers is a direct result of these obstacles. These obstacles also have prevented participation by advertisers, broadcasters, cable operators and others on a wide scale.

Biggest Obstacles to ITV

% of respondents ranking obstacles as high*



*A ranking of a 6 or 7 on a 7-point scale.
 Source: Myers Group, Prospects for ITV, 2000

While the lack of standardization is a problem for ITV developers and distributors, it is becoming an increasing annoyance for TV networks and other content providers. Most TV programmers have been willing to enter agreements to adapt content for ITV services, yet some are having to accommodate as many as 10-12 different platforms. Jim Louderback of ZDTV says "we still have to come to grips with how you develop content you can deploy on the internet, on television, and on these integrated boxes."

"One of the reasons that standards have become an issue is because of the question of how do you take the content that you've already developed for one platform and use it on another platform?"
 — Beth Loughney, OpenTV

There are efforts to overcome these obstacles. Among recent activities:

- The FCC is working with the cable industry and TV manufacturers to determine standards needed to bring cable-compatible DTV sets to the market that would include a firewire connection necessary for two-way interactive services;
- Cable operators continue to roll out advanced digital set-tops that can provide a broadband platform for ITV services; eventually, boxes will include cable modems for high-speed Internet access. The major manufacturers—Motorola, Scientific-Atlanta and Pioneer—have substantially increased production of digital set-top boxes to meet the demand of cable systems upgrading to allow two-way data transfer;
- The Advanced Television Systems Committee of 200 broadcast and TV equipment manufacturers intends to make recommendations by the end of 2000 on the digital TV technical standards;
- Matsushita Electric Industrial Co. and OpenTV recently announced an alliance to develop hardware and software to strengthen the Multimedia Home Platform (based on Java technology being created by a group of 265 companies involved in the framework for the development of DTV), including specifications for interactive television.

Searching For ITV's Savior

Most ITV observers recognize that the industry is unlikely to fully succeed without an open technological platform and standards that can be used by multiple service providers. Yet the ability to create an industry consensus is difficult when there are many different players, each with their own visions, business strategies and profit motives.

Much will depend on ongoing consensus building efforts by such organizations as the Advanced Television Enhancement Forum (ATVEF), CableLab's OpenCable project and the Federal Communications Commission. Many of the efforts to standardize the delivery of digital television will have a major bearing on ITV. But building consensus can be a long, painstaking process.

As with many nascent industries, a single, dominant company or technology could provide a de facto standard that drives the entire business. When Microsoft Corp. purchased WebTV, many observers believed—and competitors feared—that Microsoft was on its way toward dictating the future of ITV. That hasn't happened, to the relief of competitors, but it has left ITV without the type of breakthrough market force that a Microsoft can provide. Microsoft's aspirations remain high, however, and its influence and contributions will continue to impact future ITV developments.

Many analysts foresee the America Online-Time Warner combination as a driving force for interactive media. Executives of the companies have pledged an allegiance to open platforms. The merged companies could spur ITV development by serving as a shepherd for the ITV flock, and by becoming a powerful inducement by competitors to seek to counter its potential dominance.

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F. Greatest Potential Beneficiaries

Nearly 70% of those surveyed believe cable operators will reap the greatest benefits from ITV, almost double the results of last fall's Myers survey. The improved status for operators comes amid announcements by major cable companies to roll out more digital set-tops and embrace broadband technologies.

Content creators, the leaders in last fall's Myers survey, are still viewed as major beneficiaries. Placing third are internet/web companies, even though respondents do not think highly of the revenue potential of internet-over-TV services. Satellite companies more than doubled their fall percentage of 12.9%, which could be due to recent announcements by broadcast services to add enhanced or internet-oriented services. Theoretically, survey participants could give high marks to the industry in which they work, but the results do not suggest respondents were rooting for their home team. Among the respondents were advertisers/agencies (28% of respondent base), internet/web companies (17%), cable networks (20%), cable operators (13%), content creators (7%), financial institutions (5%), broadcast networks (3%) and broadcast TV stations (3%).

Greatest Beneficiaries of ITV

% of respondents giving high rankings for media players*

Cable operators

68.3%

Content creators

56.7%

Internet/web companies

46.7%

Satellite companies

35.0%

Hardware providers

33.3%

Advertisers/agencies

31.7%

Computer software companies

28.3%

Cable networks

25.0%

Consumer electronics companies

23.3%

**A ranking of a 6 or 7 on a 7-point scale.
Source: Myers Group, Prospects for ITV, 2000*

Don't Count Out Broadcasters

Conspicuously absent from the list of greatest ITV beneficiaries are broadcasters, who were listed on the survey but received only 15% high ratings (a 6 or 7 on a 7-point scale). For the second Myers ITV survey in a row, respondents left the broadcasting industry virtually off the charts.

Why this lack of faith in the American broadcasting system?

The results could be partly attributable to a low number of broadcasters in the respondent base. Yet broadcasters will be disheartened to know that other major respondent groups, especially advertisers, give far more credence to the cable industry than broadcasting.

The result also could be partly attributable to timing. When the survey was first distributed at the Myers ITV Forum on 1 Feb., little was known publicly about specific digital plans. Though more than 100 stations are now digitally equipped, high-definition TV is rolling out very slowly and the industry is divided over whether digital standards need to be reworked. The day after the ITV Forum, during a forum co-sponsored by Myers and Bear Stearns, representatives of several major station groups revealed plans for broadcast applications using their digital spectrum. Public announcements soon followed. While most of the planned services are internet-oriented and do not fit a strict definition of ITV, their place in the digital media market cannot be ignored.

Making the biggest splash is iBlast, which will use broadcasters' digital spectrum and wireless antennas to provide over-the-air high-speed internet access and content services at what it claims are "guaranteed speeds" of more than five times that of DSL or cable modems. It counts agreements with 143 local stations owned by 12 major groups, including Tribune Company, Gannett and Cox.

Emmis Communications is leading another consortium of broadcasters developing internet strategies, including a portal for the radio industry. Among the service providers looking to marry broadcasting and the internet in various ways are **Internet Broadcasting Systems**, **Geocast**, **MicroCast**, **WorldNow** and **Zatso**, the latter aimed at leveraging stations' news capabilities. Capitol Broadcasting also is experimenting with digital applications and has formed **Local TV On Satellite**, which will seamlessly provide local TV stations for DirecTV and EchoStar subscribers along with enhancements such as local news and weather.

Another unique new application for interactivity is offered by **DigitalConvergence.com**, which markets software that enables TV stations to send information directly to PCs at the sound of a tone played during an interactive TV ad or program.

Prospects for
Interactive Television

The World of Interactive Services

The ITV Rollout

The Interactive Advertising
Experience

The Global Outlook

Survey Methodology

The Prospects for Interactive Television Survey was distributed to attendees of The Myers Forum For Interactive Television Development, held 1 February 2000 in New York. The forum was attended by approximately 450 senior-level executives from an array of media-oriented businesses, including advertisers, advertising agencies, cable networks, cable operating companies, broadcast networks, local TV stations, content creators and financial institutions. The three-page written survey was completed by 60 individuals. Some respondents completed it during the forum while others submitted it to Myers afterward. The survey asked respondents: to rate the potential for ITV based upon scales of 1-7, with 1 being low and 7 being high; check boxes to provide their estimates of future ITV users and revenues; and rate individually named ITV services in yes/no questions. A similar survey was conducted during a Myers ITV Forum in September 1999 and additional surveys will be conducted in the future.
