MEDIA SCIENCE NEWSLETTER

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Media/Advertising News Interpretation for the Decisionmaker.

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Dear Colleague:

THE REAL WILD CARD IN THE FUTURE OF TELEVISION: MOVIES ON DEMAND. Paul Klein was the first to test it: a computerized library of films accessible on demand to individual homes' TV sets on a pay-for-play basis. Klein's brainchild in the early 70's was limited to hotels/motels. Sometime in the 80's, it will become available in households. Related technology is already becoming a reality in West Germany under the name *Bildschirmtext*. The National Film Board of Canada is now considering setting up an electronic film library of its 4000 titles to be accessible on demand to individual Canadian CATV subscribers. The U.S. Library of Congress began to computer-code its film library in the mid-70's. We must all be prepared for technology to become available in the 80's which will permit individual homes to view any of thousands of films of their choice through their TV sets whenever they want to.

This development will have a massive effect on all other broadcast, cablecast and home-originated (cassette/disc) video viewing. There's no denying the drawing power of individual old movies: even when these are played against the strongest competition, they continue to attract ratings substantial for non-network fare. What will happen when, in effect, station KVFL (Komputer Video/Film Library) puts on 4000+ old movies every quarter hour?

It's conceivable that this one new TV form may outpull all of the other exciting new TV forms, simply because its old Hollywood software outclasses virtually all of the other software available.

A POSSIBLE SCENARIO: A 4000+ title film library becomes cable-accessible on a payfor-play basis for a low hookup charge (e.g. $10.00), a low per-play price (e.g. $1.50), and a low monthly ceiling (e.g. $24.00). It quickly reaches 50% penetration, driving cable penetration with it.

Prime time homes-using--television increases slightly, to an annual average of about 65%. 30 of these points are to old movies on the Komputer Video/Film Library. Another 15 points are to pay cable, superstations and all other non-network (this is the way it now is in pay cable homes). Only 20% of the U.S. is tuned into the networks in prime time, i.e. about a third of their current level.

This scenario is not improbable. It suggests that old movies represent the only mass software base currently in existence of a superior average quality to network programming, and thus, if and when the appropriate distribution system became technologically available, this huge software base could probably clobber the networks.

Will it happen? At this point it seems probable, but countervailing interests will tend to delay this development until later in the 80's.

INDIVIDUAL HOME IDENTIFICATION. That's computer jargon for two-way TV (and other computer) systems in which data can be traced back to specific households. At some point during the 80's, millions of U.S. households will probably be induced to report detailed product/brand/activity/interest/attitude information in the process of subscribing to two-way TV/home computer access services.

This information will be kept on computer file and when specific advertising offers are made, homes known to have greatest affinity for those offers will be identified and commercials will be sent only to those homes.

This will be a voluntary process: households will have the technical means to lock out such commercials, or let them in (motivation to do so: they have been selected so as to be relevant to the individual household's interests). Thus, two-way TV, once it gains full "individual home identification" capabilities, will be a form of electronic direct mail, capable of pinpoint-targeting narrow interest groups (e.g. diamond cutters), and delivering relevant commercials to them.

VIDEO DELIVERY OF MAGAZINES AND NEWSPAPERS. By the second half of the 80's, many magazines and newspapers may be video-delivered, with slow-scan of pages on screen and optional voiceover (some with optional musical background), and with optional four-color printout of "hard copy". This will probably become more efficient than any other delivery mode by the mid-80's. (In the process, more lines of data will probably be added to the U.S. TV picture, in order to make reproduction quality more comparable to magazines. Many of the sets by this point will be mural-sized.)

FOLLOWUP ON THE VIDEO ORGAN. In Issue 11 we predicted that by the end of 1982 there would be a keyboard instrument capable of projecting an almost-infinite array of visuals from stock footage and synthesizers. . . and that such an instrument would revolutionize the production possibilities of low-budget TV. We have again met with the leaders in video effects and have modified our projection based on their inputs. It seems the video organ is at least four years away unless a major company commits the high six figures necessary to make it happen sooner (it can happen in the next two years given such an investment). Interested parties please contact MSN.

UPDATE ON THE KINESCOPE COLORIZER. A new company has presented a similar system to one of the largest U.S. media conglomerates, just a few weeks after MSN 11 predicted this development. The system colorizes black and white film stock. The new company had not thought of kinescope until the idea was suggested to them by an MSN subscriber about two weeks ago. Expect the kinescope colorizer on schedule as predicted in MSN 11.

ARBITRON/VIDEOPROBEINDEX ANNOUNCE MASSIVE STUDY OF THE NEW ELECTRONIC MEDIA. ARBitron, the first company to conduct simultaneous nationwide local market TV rating "sweeps", and VideoProbeIndex, the first cable television audience measurement company, have teamed up to produce the first comprehensive study of behavior and attitudes relative to the New Electronic Media: CATV, pay cable, STV, MDS, video cassette recorders, videodiscs, superstations, two-way TV, Viewdata, satellite/cable, video games, home computers, and mural-sized TV. Bill Harvey and Neal Orr are both consulting on this ARBitron/VideoProbeIndex Study of the New Electronic Media, to be reported in June 1980.

The "NEM" Study, as it is called, will be conducted by reinterviewing ARBitron diary-keepers, so that behavioral and attitudinal information collected in these reinterviews (by means of 8-page mail questionnaires) can be cross-tabulated against what respondents now actually watch on television. The behavioral/attitudinal questionnaire used is a further refinement of the questionnaire VPI used in its 1978/1979 Viewer/Consumer Probe five-market study for the National Cable Television Association, the networks, HBO and several film companies. The NEM study will be conducted in the top 25 ADI's, where the most massive NEM growth is expected to come in the next five years.

Information collected in these reinterviews includes: (1) Whether or not a cable subscriber, why/why not, how found out about cable, probability of subscribing/maintaining service, etc. (2) Whether or not a pay subscriber, whether cable/STV/MDS, which system, why/why not, how found out about, probability of subscribing/maintaining, etc. (3) Ownership/intention to buy videocassette recorder, videodisc player, electronic

video game, mural-sized TV, home computer; reasons for interest/how intend to use, etc. (4) Interest in new TV programming, broken down into over one hundred types.
(5) Movie theatre, live sports, live entertainment and restaurant attendance now vs. X years ago. (6) Degree of interest/reasons for interest in two-way TV and Viewdata. (7) Degree of interest in/acceptance of Pay-For-Play and Pay TV With Commercials.
(8) Types of magazines read and other psychographic/lifestyle/potential new TV program interest (e.g. spun off from a particular magazine type) indicators.

HOW THE NEMSTUDY WILL BE USED. (1) To guide program development for each NEM form. For example, it may turn out that the people intending to buy videodisc players now most heavily view comedy and musical programs (determined by a computer-matching against ARBitron diary records). If this were found, the videodisc manufacturers would consider leaning more toward comedy and music in their new videodisc production. Marketers in each NEM category can inspect the detailed current viewing habits and "ratings of future program types", within their own current owner/subscriber group and within their future potential owner/subscriber group.

(2) To guide marketing/advertising/promotion by identifying profiles, media reaching customers/prospects, and by determining how each NEM category overlaps and competes
with specific broadcast categories and each other NEM category. This information will be used strategically by top executives of media companies with holdings in broadcast and in multiple NEM categories, to determine how to minimize competing with themselves. It will also be used tactically by all marketers to best position themselves in trade/consumer promotion and in programming so as to take the most audience possible away from the competition. For example, if it is found that the people who have the most interest in pay cable are also the same people who have the most interest in super stations, we will see these two categories more aggressively pit themselves against each other in trade promotion and eventually in consumer promotion, after the results of NEM are assimilated.

(3) To make growth projections for specific NEM, broadcast and away-from-home entertainment categories, and for specific companies. This will be used in guiding investment patterns.

(4) To observe trends by repeating the NEM study every year. ARBitron/VPI have not yet committed to repeating every year but this is the anticipation. NEM will yield useful trends of penetration, awareness, intention to buy, viewing, profile, intergroup dynamics, etc. for each NEM form as it grows, and for each broadcast form, as it is impacted.

NEM will also break out current diary dlypart ratings for each superstation, national Pay TV service and satellite/cable network, making this the most comprehensive *vie_ing* report on cable and Pay TV in history.

Beginning in June, 1980, the New Electronic Media will no longer be considered "un-measured". Advertising revenue trends later traced back will probably find June, 1980 to be the date at which the new TV forms took off.

THERE WILL PROBABLY BE A NEW SPATE OF MAGAZINE AUDIENCE METHODOLOGY STUDIES IN THE U.S. IN THE NEXT FIVE YEARS. After publishing their Comparability Study in January 1980, the ARF is expected to develop a proposal for a Validity Study, and to seek industry support in the same way that it funded the Comparability Study. SMRB and MRI can be expected to conduct their own methodology studies during this period. And major publishers are also likely to consider doing their own studies to the extent that they perceive technical loopholes (in areas crucial to these publishers' self-interest) in these other studies.

These studies will probably tend to use as their "truth standards": (1) diary and telephone studies, (2) observation studies, (3) physiological (e.g. EEG) measures of degrees of "cognitive/emotional dissociation" during "through-the-book" and "recent reading" interviews, to determine when respondents may be shading the truth for prestige reasons, or are simply uncertain.

Other magazine methodology substudies will also be performed 1980-1985 in the U.S., including studies of the effect of "younger" vs. "older" issues in the "through-thebook" technique, the effect of more vs. fewer magazines in each technique, and the effect of interviewer variability upon each technique.

The net net of.all this research will come out one of four ways: (1) supportive of "through-the-book", (2) supportive of MRI, (3) supportive of neither and tending to suggest the need for a new method, or (4) inconclusive. The general industry feeling as to which of these four conclusions is most justified, is likely to shift from month to month over the next few years, with conclusion #4 ("It's All Inconclusive") tending to be the dominant feeling over this period. In this climate, agencies will tend to select magazine services more on utilitarian grounds (i.e. kinds of marketing and media data provided, etc.), and publishers will tend, even more than usual, to buy the magazine service that gives them the most advantageous numbers. By the mid-80's, a clarified industry consensus on magazine methodology will probably emerge.

NEW METHODS. Out of this period of R&D, the U.S. magazine industry will probably emerge with some new methods by the mid-80's-- quite possibly with the existing SMRB and MRI methods as well, either with or without refinements. The strengths and weaknesses of each technique will be better known, and perhaps some familiar or new research entrepreneurs will offer new magazine audience measurement services based on whichever promising techniques are not being used by SMRB nor MRI.

Such new services might be based upon cost-efficient telephone or mail methods, upon diaries, diary plus telephone techniques, or even upon diarylike spaces printed on the covers of magazines for direct recording of "who looks into each issue how often" (later checked by personal interviewers -- this technique has been named the Magazine Cover Diary Audit by its "inventor", the present writer.)

All new and existing techniques will compete on the basis of: (1) closeness of correlation with truth standards (some of the new techniques may be variations of methods used as truth standards), (2) utility, (3) cost, (4) timing and (5) service, including "ambiance". In the U.S., the ambiance of a syndicated service has been most predictive of its success/failure, with companies perceived as "innovative and charismatic" tending to get the most business. This may continue to be the case.

Very truly yours,

MEDIA SCIENCE NEWSLETTER

Bill Harvey

Publisher

MDS = Multipoint Distribution Services, A form of over-the-air Pay TV.
VIEWDATA = Most common U.S. commercial name for the generic group of systems by which information stored in a central databank can be retrieved via home TV sets on demand.

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