



A View of the Digital World

May 22, 2002



Good Morning

- **News headlines**
- **A brief look at:**
 - **The Internet**
 - **Broadband**
 - **Wireless & Mobile**
- **Focus: Interactive TV**
- **Group Discussion**



News Headlines



News Headlines

- London (5/17) Motorola announced that it has signed an agreement with wireless entertainment provider IFone, to deliver **classic Atari games** to cell phone users.
- Through IFone's agreement with Atari rights holder Infogrames, Motorola will offer its network operators, wireless portals and retail partners classic Atari games like "**Pong,**" "**Centipede**" and "**Asteroids.**" Motorola will also **embed the games** on a number of the handsets it manufactures.

News Headlines

- Los Angeles (5/20) -- Microsoft plans to invest \$1 billion to launch an online gaming network called Xbox Live, designed for use by owners of its Xbox video game console.
- The service will reportedly launch in the fall and cost **\$49** for a one-year subscription, in addition to the cost of a broadband connection and the cost of the actual online game titles, which will be sold at retail for around **\$50**.
- Microsoft plans to operate game servers in cities including London, Tokyo and at its headquarters in Redmond, Wash.

News Headlines

- Encino (5/20) -- Video game consumers rented **49.2 million** games and spent **\$201 million** during the first quarter of 2002, up **9%** from the same period a year ago, according to figures released on Monday by the Video Software Dealers Association (VSDA), an industry trade group.
- **Games for Sony's PlayStation 2** accounted for every title in the organization's top 10 rentals list for the first quarter, occupying 64 percent of the overall video game rental market.



The Internet



How Many People Are Online?

WORLD TOTAL	544.2 MILLION
Africa	4.15 million
Asia/Pacific	157.49 million
Europe	171.35 million
Middle East	4.65 million
Canada & USA	181.23 million
Latin America	25.33 million

Source: Various, compiled by NUA Surveys

World's Largest Countries in 2001

Rank	Country	Population (000)
1	China	1,273
2	India	1.033
3	United States	285
4	Indonesia	206
5	Brazil	172
6	Pakistan	145
7	Russia	144
8	Banladesh	134
9	Japan	127
10	Nigeria	127
11	Mexico	100
12	Germany	82
13	Vietnam	79
14	Philippines	77
15	Egypt	70

Business Opportunities

- World Total: **544.2 million**
- There are approx **6.225 billion people in the world**
- **Only 8.7% of the world's population is currently online**

Source: U.S. Bureau of the Census



Broadband



Consumer Interest in Broadband Hits All-Time High (04.23.02)

- While only 16% of U.S. online households subscribe to broadband, more than 24% of dial-up consumers are considering signing up within the next 12 months.
- **Dial-up consumers actually favor utility over entertainment, even though companies catering to a broadband audience emphasize entertainment and rich-media applications.**
- For the first time in years, the top motivator of dial-up users planning to switch to broadband is:
 - a persistent “always on” connection (59%)
 - entertainment-related features such as the ability to view quality video (26%)
 - listen to audio (15%).

Source: Jupiter Media Metrix - “Broadband Audience: Maximizing Revenue from the New Mainstream,”

Nielsen/NetRatings

Top 20 Broadband Cities (04.02)

Local Market	Unique Audience	Percent Growth
	(000)	(2002 over 2001)
-----	-----	-----
1. New York	2,780	70.5%
2. Los Angeles	1,766	87.9%
3. Boston	1,120	48.4%
4. San Francisco	1,110	21.0%
5. Philadelphia	785	69.9%
6. Seattle	691	22.3%
7. Dallas	623	12.8%
8. Chicago	555	13.9%
9. Washington DC	532	153.2%
10. Atlanta	517	87.7%

Nielsen/NetRatings Top 20 Broadband Cities (April 2002)

- The largest broadband markets achieved significant audience gains of at least 48% year-over-year in their respective high speed populations.
- April 2002 → 25.2 million surfers at-home accessed the Internet via cable modem, DSL, ISDN or LAN vs. 15.9 million in April 2001, a 58% increase.
- New York jumped 71% to nearly 2.8 million broadband surfers
- Los Angeles grew 88% to 1.8 million.



Mobile/Wireless



Mobile/Wireless Factoids

- Forrester predicts that Europeans will send nearly 17 billion mobile messages per month in 2007.
- Americans used more wireless minutes in the last half of 2001 than in all of 2000
- The # of cell sites increased by 22.3% over year ago.
- Multimedia Messaging Services (MMS) will add up to a US\$10 billion market by 2006 -- generating about \$44 billion in annual service revenues -- according to Yankee Group analysts.
- MMS - voice, text, images and video applications integrated and exchanged between mobile and fixed terminals



Interactive Television



Basic Television Factoids

- NBC **9.2 rating / 15 share** in prime time (April 2002).
- The seven English-language broadcast networks-- NBC, CBS, ABC, Fox, UPN, the WB, and Pax-- together attract a **58%** share of TV viewing.
- **505** national and regional networks measured by Nielsen
- The typical cabled home gets **104** channels

Interactive TV Advertising Seen Gaining Traction (05.07.02)

- Major advertisers are finally starting to invest in interactive TV
 - Concern: more people are switching channels during commercials on traditional television -- diminishing the effect of blanket advertising.
- The market remains fragmented by competing technical standards among cable providers.
- Last month, the Academy of Television Arts and Sciences announced a new Emmy award for interactive TV programming.

Source: ©2002 Reuters Limited.

Interactive TV Advertising Seen Gaining Traction (part two)

- **"Win Ben Stein's Money," two-month trial**
 - Home players could score extra points in the interactive game if they answered questions following a commercial such as: "How many cheesy breadsticks were featured?"
- **Revenues expected to rise:**
 - \$37 million in 2001
 - \$60 million in 2002
 - ~\$3.8 billion by 2010
- **Most of the growth will occur after cable TV operators roll out next-generation set-top boxes that incorporate PVR's and interactive capabilities, which are not expected to gain broad market acceptance until 2006 and 2007**

Finding Riches in Niches

- **MagRack**
 - **TV version of a newsstand crowded with special-interest titles.**
 - **New suite of 22 targeted digital cable services**
 - **3 -18 hours of programming per month, stored on video servers**
 - **Available to 550,000 Cablevision subscribers who can get video-on-demand technology**
- **Club Vegetarian**
- **Shakespeare Magazine**
- **The Bible and You**
- **Classic Cars**
- **Inside Weddings**
- **Bird Sight**
- **Basket Weaving**
- **...and more**

What Is The Most Valuable Square Foot in America?

- **The set top box**
 - Track your consumption habits
 - Help you find movies, music, etc.
 - Screen out/include personalized advertising.
 - Feed content to your stereo system, PC and additional television sets.
 - Will forever alter your relationship with your TV.
- **This is why media moguls lie awake at night thinking about them.**

The ITA

Interactive Television Alliance

- An independent, self-funding, non-profit trade and professional organization representing the broad interests of the entire iTV industry.
 - Encourage public demand for iTV services through a sponsor-funded public awareness campaign.
 - Provide corporate business services including
 - a centralized scheduling service
 - industry directories with referral service
 - a job availability exchange.
 - A communication hub between members, outside organizations, and government agencies.

The ITA

Interactive Television Alliance

- Launched at NCTA – May 2002
- Mattel??
 - Consumer Outreach campaign
 - Enhanced Advertising Lab
- Already interest from consumer brands like:
 - Ameritrade
 - Kraft Foods
 - P&G
 - Pfizer
 - Plus other major home products and automotive companies.
- More info: www.itvalliance.org

I Want My iTV

- It's a damp Saturday morning in February and you have spent the past few days on your couch nursing a cold. You might:
 - **scan news headlines**
 - **check the weather**
 - **plan your schedule for the following week**
 - **answer polling questions**
 - **e-mail your colleagues at work**
 - **pay a few bills**
 - **remind yourself to record your favorite shows**
 - **order pizza**
 - **buy CDs**
 - **play Battleship**
 - **watch a couple of movies**
- This exists today...in London.

The Sociology of Technology

- Why do some people adapt to and integrate certain technologies while others go in different directions?
 - You love your Palm Pilot while another person has no interest
 - Happy to buy and use a TiVo, others stay with a VCR
 - Cell phone, Quicken, computer?



Group Discussion

My iTV

1. What is it?
2. What does it do?



Thank You

Steve Bradbury
Marketing By Design

