

CBS MarketWatch.com

ACTV hopes to steal print's thunder

Published: Dec. 8, 2000 at 12:01 p.m. ET

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Targeted TV ads to take share from mags, exec says

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LOS ANGELES (CBS.MW) - If David Reese has it right, magazines may be looking at the biggest threat to their domain since the advent of television.

Reese, the president of ACTV, is betting that his company's television software will be able to duplicate the one thing that makes a magazine so valuable to an advertiser - its ability to target ads to a very specific demographic.

ACTV's SpotOn service streams four or more commercials -- through a digital set-top box -- that cable operators can target to specific viewers based on a demographic profile.

Changing the game

For instance, the company might air different Delta Airlines ads based on the profile of the consumer. "If it's for younger people ... there's much more of an Internet spin. Those people would be inclined to go online and buy tickets," Reese said. "If you're a grandparent, chances are, the emotion you can create by showing little kids, and how nice it is to go back and see the family (is more effective)."

Or, different viewers might see different ads altogether.

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information that we have about (a male) -- if you're single, you live in a townhouse, and you're in your mid-20s, I'm probably going to send you a sports product.

"If (a woman) is in her mid-20s, she's married, and she has a kid, in a single-family home, more than likely I'm going to send her a station wagon or a minivan ad, or a sedan."

Though the service won't roll out until the first quarter of 2001, in a test on AT&T digital cable systems in Aurora, Colo., Reese can already see the dollar signs.

"If you can suddenly begin to deliver the targeting that you get in print, then you change television's (ad rate) model from a reach model to a targeted model. And then that begins to justify moving ad dollars from places that you couldn't previously justify moving those dollars." SpotOn will also be taking share from the likes of radio and outdoor displays, as well, Reese said.

ACTV's [IATV](#) technology encodes and compresses multiple video streams, triggers a set-top box to switch to the appropriate commercial by reading the serial number in the box. The system doesn't have to know the customer's name or address.

Reese emphasizes that viewers never realize anything is happening on screen. This is the difference between ACTV's system and the one developed by Alameda, Calif.-based Wink Communications **WINK**, . [See related story.](#)

"Wink basically imbeds information into the video stream that activates the graphics capability on the set top, and it will paint something over the screen," Reese said. "But it doesn't change the video. Our system is video. If our system operates the way it's designed, you don't know there's any technology."

SpotOn actually does offer interactive ads that have an on-screen graphic component. In those commercials, a graphic on the bottom of the screen might ask viewers, for instance, which kind of Toyota commercial they'd like to see - one for the Camry, Land Cruiser, Celica, or Lexus.

"Automobiles are a slam dunk, because certain styles are absolutely targeted to certain demographics," Reese said. "If you're a single guy living in a townhouse, I don't think you're going to buy a minivan."

"Our research has shown there's upwards of 300 percent increase in unaided recall if you make a choice," said Reese. "No. 1, because you have stewardship over the choice; and No.

'We know who pushed mute!'

With data provided by ACTV, advertisers can get detailed, quick information on which commercials a certain demographic group chose, which viewers changed the channel or turned the TV off as soon as the ad appeared on screen, and many other useful facts.

"We can say (to advertisers and ad agencies), 'Here's where you lost the women,'" said Dan Turak, SpotOn's vice president of business development. "Or, out of the 400,000 who saw the ad, here's how many clicked (to ask for a specific commercial), here's how many didn't click. And we know who pushed mute!"

The company has found that consumer goods, such as hair care products, diapers and razors, get the most responses from viewers. "You actually see it in financial services products," Reese added. "If you're not in a position to making wholesale stock purchases, then you're probably not a good target to be getting a heavy duty campaign from Merrill Lynch or Dean Witter."

So far, the product hasn't been targeted to Spanish-language audiences, though the technological capability is certainly there. "I really think the ability to use this type of functionality to make the messages more relevant to different ethnic groups is pretty exciting," said Reese.

The market potential for SpotOn is not only considerable in the U.S., but the company has a potential platform overseas. ACTV's software works in conjunction with the operating system developed by OpenTV [OPTV](#), one of ACTV's investors. The OpenTV system is installed on more than 9.3 million set-top boxes around the world. Another partner, Motorola [MOT](#), is the nation's No. 1 maker of set-tops, thanks to its acquisition earlier this year of General Instrument.

ACTV gets revenue from SpotOn by selling a license for the software to cable operators and providing data on consumer responses to advertisers. The company doesn't have an ad sales force at this point. "We have existing relationships with cable operators who sell ads, and ad agencies, and we believe it would not be in our interests to disrupt those relationships," Reese explained.

Reality check

SpotOn is slated to roll out in a test on AT&T digital cable systems in Aurora, Colo. early next year.

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a general basis. At that point, says Iurak, an interactive ad will be just another part of the typical viewing landscape.

"You go to (the interactive component of) 'Monday Night Football' looking for stats on Brett Favre," Turak said, "but then all of a sudden the commercial comes on, and you still have that remote in your hand. It's interactive, so you click. You're not even doing it consciously."

ACTV is doing its part to create that broader interactive culture with an enhanced TV product called HyperTV. HyperTV offers Web content that is synchronized with that of a TV program.

According to Dataquest, 44 million people in the U.S. watch TV and use their computers at the same time. That number should grow to 52 million by the beginning of next year, the firm said.

So far, ACTV has found that music and wrestling shows have proven to be the best platforms for HyperTV, because they reach youthful demographics that are computer savvy.

Ultimately, the company sees obvious e-commerce possibilities for HyperTV. A Madonna video on MTV might be accompanied on the Web by additional information about the singer, one of her albums, and background info on the video itself. Reese explains: "Once you assess somebody's interest in that particular piece of music, it's pretty easy to say, 'How interested are you in buying this CD?' If they say yes, you ask them if they'd like to put it in their shopping cart. Then you immediately take them over to a fulfillment house."

But Reese is cautious about making too much of e-commerce opportunities, at least for now, because of Wall Street's bearishness on Internet companies.

For now, the company is placing primary emphasis on SpotOn because, Reese points out, "everybody understands that advertising has always funded television."

The company has also developed One to One Television, technology that allows viewers to choose their own camera angles during sporting events and other programs. Catherine Skelly, analyst at Gruntal & Co., expects ACTV to announce a major licensing agreement for the product by the end of 2001's first quarter.

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year amid a slowing economy. The shares closed at \$6.59 on Thursday.

The company recently raised \$150 million through an offering, and its burn rate is "quite manageable," said Reese. In addition to Motorola and OpenTV, ACTV is also funded by John Malone's Liberty Digital [LDIG](#), its largest shareholder.

During a panel discussion at last week's Western Cable Show here, Malone reiterated his support for targeted digital TV advertising. He also said digital is growing faster than a lot of people think.

According to estimates by Paul Kagan Associates, there will be 19 million digital cable households by the end of 2001, 34.1 million by the end of 2003.

When digital television and the interactivity it brings with it does become pervasive, the fun will truly start for ACTV, as a dogfight will ensue between it and companies such as Wink and Liberate Technologies **LBRT**, **-0.20%**. Who has the best partnerships? Which product do consumers respond to most positively? Who will be a takeout target?

Stay tuned.



Pets.com killed by sock puppet

SAN FRANCISCO, Calif. (CBS.MW) -

Pets.com is dead, and investors can lay a good part of the blame on the company's

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