Digital Marketing Communication

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In 1995 the World Wide Web attracted its first significant advertising revenues, totaling about $43 million. As 2000 dawned, revenues in the United States reached $4 billion\(^1\), more than was spent on billboards and other outdoor advertising, and about 2\% of all advertising expenditures. No medium in the history of advertising had grown as rapidly.

But the Web is not just an advertising medium. It is a place to do marketing\(^2\), and it is often difficult, indeed an error, to draw a bright line between tasks like advertising, selling, retailing, delivery of service, production of the product, marketing research, and even the posting and finding of prices. The Web and its likely successor technologies do and will perform all these functions. They constitute a medium whose properties seem almost custom-made to serve the whole market-making process for many industries.

What is new about digital communication? This chapter emphasizes three properties. Mastery of these properties will determine marketplace success the digital age, just as mastery of the distinctive features of print, radio, television, telephone and mail was important in the last century. Being among the first to deploy these communication technologies helped to create multi-brand consumer goods corporations like Procter and Gamble, catalog retailers like Lands End and LL Bean, telemarketers like MCI, credit card giants like FirstUSA, and indeed led to the radical transformation of large parts of American social life including sport, politics and religion. We shall argue that the distinctive new properties of digital communications are:

**The Fragmentation of Attention:** Because even a child can launch a Website, and any twenty-something with a clever Web publishing idea can mobilize capital to test it, content creation on the web is a fecund, turbulent process that segments, rather than aggregates, audiences. There are not, and are not likely to be, giant crowd-pullers on the Web, no equivalent of the Ed Sullivan Show, 60 Minutes, or the Superbowl, on which marketers could build national reputations and cultivate national preferences. The successful exploiters of the new medium will

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\(^1\) The Internet Advertising Bureau report for the second quarter of 1999 noted that advertising revenues were “on pace to reach $4 billion in 1999”

\(^2\) Some readers may say that the Web is not just a place to do marketing, but a place to do all things social. If the term ‘marketing’ is allowed its broadest interpretation, to include all attempts at consensus formation by offer and acceptance or rejection, there is not much in the social world on or off the Web that does not come into being by a process that conforms to the principles of marketing (see Deighton and Grayson, 1995).
be those who either learn how to integrate across fragmented foci of attention to create a common culture, or to thrive in the face of an ever more fragmented culture.

**Radical Interactivity:** The transaction costs of communication are declining to zero. Producers can talk to individual consumers at orders of magnitude lower cost than direct mail. Consumers can talk back to producers and talk to one another. Market-making becomes conversation management, not merely between producer and consumer, but also among consumers. Those who use digital media well must solve the problems of scalability in using conversation to build intimacy, to foster customer relationships, and, most radically, to cultivate consumer communities.

**Instrumentality:** Despite our contention that the Web enables ever more intimate conversation with and among consumers, we claim that it is a medium with little power to command emotional involvement or indulge fantasy. It is an instrumental medium, a tool for getting things done. Some of the most profound communication consequences of the Web will occur in the background of the consumer’s life, as remote from consciousness as plumbing. Many of the firms that manage Web communications well will depend less on the skills exemplified by Disney than on the skills of Charles Schwab. Some indeed will disregard human audiences and talk directly with their computers.

We are particularly concerned in this chapter with the transition from here to the digital future. We consider how fast the transition will unfold, and in the business-to-consumer context we reach a fairly conservative conclusion. The chapter looks at likely forms of digital communication technology. Finally it discusses the industry that is emerging to support marketing in digital environments. For implications of this view for competitive strategy, see Barwise and Deighton (1999).

Currently, consumers’ main access to digital technology is via online PCs, either at home or at work or college/school. Future access devices may include digital televisions (or set-top boxes), digital radios, “third-generation” mobile phones, games consoles, and perhaps other new “information appliances” yet to be invented (Barwise and Hammond 1998). Although service
suppliers may subsidize the cost of these devices, consumers will still need to invest money to acquire them and effort to learn how to use them. They will not do this merely for the benefit of firms. To achieve mass penetration of consumer markets, these technologies will have to provide benefits, and minimize the barriers to adoption, for consumers.

Both the benefits and the barriers are likely to differ significantly from those influencing organizations’ adoption of digital technology. In particular, entertainment and relaxation—the main motivations for most of consumers’ use of existing media including print media and the telephone—are likely to be key drivers. Key barriers include slow transmission, trust and privacy issues, and problems with the user interface (Barwise 1997a). Products and services must be much easier to install and use, and more reliable, in the consumer context. Most consumers have limited interest in information technology, and not many homes have a help desk. The huge success of America Online (AOL), the global dominant Internet Service Provider, reflects these priorities. AOL has used mass sampling, giving away more than one disk for every person in the U.S., combined with easy installation and use and “middle-of-the-road” content.

Distinctive Properties of Digital Interactive Media

The Web may be viewed as the most recent development in a series of improvements in the power and precision of advertising media, from broadcast to addressable to interactive media (Deighton 1999).

From Broadcast to Addressable Media: Broadcast media include television, print and radio. The identities of broadcast media audiences are in general unknown to advertisers, so that the consequences of exposure, such as purchase, are not known with precision. By contrast, addressable media such as direct mail, the telephone and electronic mail, reach particular addresses and seek direct responses from those addresses. They can be selectively directed to the groups of consumers most likely to respond, and responses indicate immediately whether the medium is performing or not. Unlike broadcast advertising, which must often be undertaken as an act of faith, the return on investment of addressable campaigns can be directly measured.
Addressable media have steadily increased their share of advertising investment since 1980 (Figure 1).

From Addressable to Interactive Media. An interactive medium is one that can reach out to a consumer, collect a response, and then, in the defining step, reach out again with a new message whose content takes account of the response. An example of an interactive medium is the combination of broadcast advertising used to elicit a response (for example a toll-free call), which is stored in a computer database and triggers the sending of personalized direct mail. A sales representative making calls on customers is also a component of an interactive medium. In the manner of conversation, each party’s action plays a part in sustaining the communication. If either party loses interest in the conversation it comes to an end, and the abandoned party learns something from the failure that it can use in subsequent communication (Deighton 1997).
From Interactive to Digital Interactive Media: Interactive media that depend on paper, postal communication and the telephone are expensive. Using representative rates, if the cost of renting the names of prospects is $50 per thousand, producing and mailing an offer is $1.45 each, and the response rate is 2%, then the program costs $75 per consumer merely to establish the first round of a dialogue. If the prospect can be reached by a digital medium such as e-mail or a click-through to a Website, almost the entire $1.45 offer cost is saved. For similar prospect list costs and response rates, the cost of opening a dialogue falls to pennies.

The World Wide Web holds the promise of powerful and subtle interactivity. When a consumer visits a Web site, many cycles of “send” and “respond” can occur in a short time. When the consumer visits some time later, the cycles can resume just where they left off. The result is a medium with the potential to be as flexible, as pertinent and as persuasive as good conversation, with a better memory than the most diligent salesperson and no distaste for repetitive tasks. While other media may be more involving, the Web is uniquely responsive.

The art of broadcast advertising, constrained in its ability to create conversations, has always been a thin game, a game of surfaces, of enticement. It has depended on handing off prospective customers to a second stage, the retailer, the salesperson, the telemarketer or some other player of a thicker game with the power to engage and ultimately to close the sale. The promise of digital interactivity is the prospect of integrating these two facets of selling, enticement and engagement, in one seamless whole (Peppers and Rogers 1997).

Unlike a broadcast communicator, who can keep going despite the audience’s lack of interest, a conversationalist is lost as soon as the other party disengages. Thus conversation has the capability of being self-correcting, of converging toward intimacy, as long as both parties are involved and intelligent. And in pure digital conversation, where the messages of both parties are machine-readable and the machines are intelligent, this convergence toward intimacy can occur almost costlessly. That is, each machine learns and remembers costlessly the preferences and capabilities of the other. When the machines function as agents of buyers and sellers, the result
can be a high order of matching of tasks and offerings, and a tightly coordinated marketing system.

There was a time when broadcast marketing had at least the virtue of being cheap. Technological advances on a number of fronts (such as low cost digital data storage, high speed data analysis and cheap interactive communication on the World Wide Web) are suggesting that interactive methods are now at no cost disadvantage relative to broadcast methods. With the Web and modern database marketing as concrete instances, it is possible to think seriously and practically about an interactive marketing paradigm that realizes the vision of mass scale and individual responsiveness.

Distinctive features of digital interactive media include the following:

- **Any-to-any, not one-to-many communication.** Like the telephone, the Internet allows any participant to interact with any other. This democratic (and at times, anarchic) structure empowers the individual over the corporation in a way that traditional media do not. Consumers can collaborate to build a community with buying power, or to caution other consumers against a brand. The same Web search that leads a consumer to a manufacturer’s advertisement may well discover a page erected by disgruntled purchasers.

- **Content can be perpetually fresh.** Unlike catalogs, brochures, and CD-Roms, whose content is fixed at the time of manufacture, digital interactive media can be refreshed continuously. The USA TODAY Online newspaper, for example, updates its front page every ten minutes, seven days a week. For Web catalogs, out-of-stock items can be deleted and prices can be revised in line with demand and supply.

- **Consumers can select information.** Vast databases and increasingly sophisticated search and indexing engines make unimagined resources available to Internet users. Pirolli and Carol (1999) estimate that a person
sitting at a desk today can reach out to the information in 275 million public Web pages via the Web, compared to perhaps 1,000 paper pages five years ago.

- **Communities can form, unbounded by space or time.** Individuals can link themselves to others with related interests, and in so doing gain access to the links that those individuals have created. While communities of interest are a common feature of many markets in the broadcast world, digital interactive media allow them to form faster and over wider areas than has been possible before.

- **Digital interactivity redefines privacy and identity.** In the physical world, privacy is the reciprocal of identity. The more privacy is assured, the narrower is the circle within which one has identity. On the Web, however, it is possible to decouple privacy and identity. A Web user may preserve anonymity, yet benefit from a constructed Web persona receiving individually tailored communications from marketers who, through services provided by auditing firms and through direct questioning, know the browser’s previous destinations, psychographics and preferences.

- **Interactivity enables hyper-impulsivity.** The Web permits a closer conjunction of desire, transaction and payment than any other environment yet created apart from personal selling.

In summary, though it is easy to overclaim for digital communication technologies, we believe that they have a central role in the increasingly interactive future of marketing practice. Not all digital media are interactive (e.g. most DTV is still noninteractive). Nor are all interactive media digital. Leaving aside face-to-face selling—the ultimate interactive medium—neither the mail-order catalog nor the fixed-line telephone is digital, but both are interactive. Interestingly, applications of these media, though older than the century, are still growing, driven by firms’ increasing sophistication at database management. But digital media like the Internet and,
potentially, DTV, are raising the scope and power of interactive marketing to a new level, combining individual addressability, instant response, round-the-clock availability and global reach.

**How Will Digital Communications Instruments Enter the Home?**

A variety of digital devices are beginning to diffuse into the domestic domain. They must all be linked to transmitters by a digital pipe, whether the pipe be metaphorical (as in digital satellite TV) or literal (as in optical fiber or copper wire). The question we pose here is whether the pipe will typically link to the back of a television set or its near evolutionary neighbor, to the computer or its next-generation successor, to both, or to some other form of information appliance.

In the next decade or so, the main battle will be between computer and television. By “computer” we mean a machine used by individuals sitting close up, for information-intensive applications controlled by voice or a keyboard. By “television” we mean a machine used by one or several people sitting back with a remote control or keypad rather than a full keyboard, in a frame of mind more conducive to watching than interacting.

**Evolution from the Television Root**

Digital television is in the process of being launched in many countries. DTV’s supporters claim that it will revolutionize the way viewers (and, therefore, advertisers) use television, accelerate the takeoff of consumer electronic commerce, and give digital marketers access to a broad base of consumers with very different demographics from the current young, upscale base of frequent Internet users.

Specifically, it has been suggested that the huge transmission capacity of DTV delivered via cable or satellite will change it from a broadcast to a “narrowcast” medium more like consumer magazines, with specialized channels watched by highly segmented audiences. If this happened, advertisers would be willing to pay far more per viewer (at least for valuable audiences such as
upscale young adults or high net worth retired people) than on the mass-market networks. This, in turn, would generate revenue to support the further growth of DTV.

Some techno-enthusiasts further argue that people will soon stop ‘watching’ television (Gilder 1992, Negroponte 1995). Instead, they will interact with their television sets (or ‘teleputers’), watching what they want, when they want, choosing their own camera angles at football matches, drilling down for more information during news programs, and so on.

DTV has been successfully launched in the U.S. (where DirecTV has reached 4 percent of homes in the four years since launch) and France. In Britain, DTV is currently being launched on terrestrial, satellite, and cable platforms. At least in the short term, much blood will be spilt by broadcasters, but for marketers, the result should be to increase greatly the number of homes that can be reached via digital technology.

When the number of television channels expands into the hundreds, does broadcasting become narrowcasting? Work at London Business School’s Future Media Research Programme suggests that the initial evidence is negative. While it is clear that most channels will have specialized content, as is already true for multichannel cable television, the evidence is that, first, such channels will attract very low viewing figures and second, their audiences will not be as strongly segmented as the readers of most magazines or the listeners of radio stations. In other words, most of the content of DTV will be “narrowcast” but the audiences will not. Of course, there will be some differences: viewers of music channels tend to be young, viewers of most sports channels tend to be male, and so on. We will also see more “masthead” programming explicitly linked to specialist print media. But with existing cable/satellite channels, these differences are insufficient to persuade advertisers to pay a premium per viewer compared with the main networks. In fact, cable audiences currently sell at a lower cost per thousand viewers than network audiences, because of their restricted market coverage (homes able-to-receive) and because their audiences tend to be heavy viewers of television in general. We see no evidence, or even arguments, to suggest that this will change significantly as we move from, say, 50 channels (the current average in the U.S.) to two or three hundred.
The other radical claim about DTV is that, with interactivity, television viewing will become a more active and involving experience. This assertion is less easy to test directly, but the indirect evidence from interactive television trials and from previous research on how, why, where and also how much people watch television largely contradicts it (Barwise and Ehrenberg 1989). People watch huge amounts of television, mostly in the evening, to relax, and at a fairly low level of involvement most of the time. This seems unlikely to change much.

Again, we expect some change at the margin. Interaction can increase viewers’ enjoyment of game shows (competing against others in the home or studio) and sport (team news, match statistics, etc.). We may also see some decline in television viewing because of competition from other activities and because the ‘leisure society’ is as elusive as ever (Schor, 1998). In the long term, as the technology gets easier to use, we may see an increase in time-shift viewing, from less than 5 percent today to say 10 or 20 percent. None of this represents the kind of revolutionary change predicted by some of the digerati, implicitly based on the implausible assumption that, first, there will be abundant good programming and, second, many viewers will choose to spend hours per week, year after year, positively interacting with their television sets.

For marketers then, DTV will probably not provide highly targeted audiences, nor much scope for revolutionary interactive commercials. It will, however, provide “phoneless direct-response television,” potentially a significant change. Already a significant proportion of TV commercials in the U.S. are interactive in the sense of inviting the viewer to call for more information or to place an order. Many also include a Web address. However, viewers have to have a paper and pencil handy to note the number, and then or later, pick up the phone, dial up, possibly wait, and give a lot of information to the operator or messaging system. Much of this information is repetitive and personal (name, address, credit card details). Interactive television can simplify and speed the process.

In the longer term—say, 15-20 years—television advertising could change more radically. Historically, the commercials viewers see have always depended on which programs they watched. With full addressability at the level of the individual person or home, this could in principle change. Only the dog-owners (known from their loyalty-card transactions) would see
dog-food commercials and only high-net-worth retirees would see commercials for financial products aimed at them, regardless of their program choice. In other words, although DTV channels will not deliver strongly segmented audiences, if and when most (valuable) viewers are individually addressable, DTV could become a highly targeted medium for direct marketing. Whether this will ever actually happen is unclear. The practical problems (e.g. scheduling, privacy) are severe.

**Evolution from the Computer Root**

Today, the most familiar digital medium is the personal computer connected to the Internet. While most businesses have this technology, most consumers in most countries do not. The proportion varies greatly between countries. The percentage penetration of networked PCs in the home is highest in the U.S, where, because local telephone service is supplied for a flat fee, dial-up Internet access is the cheapest in the world.

**Table 1: Internet Access by Networked Personal Computer.**

<table>
<thead>
<tr>
<th>Country</th>
<th>Homes Linked to Internet</th>
<th>Internet Access Cost per 20 Hours per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>25%</td>
<td>$30</td>
</tr>
<tr>
<td>Britain</td>
<td>10%</td>
<td>$55</td>
</tr>
<tr>
<td>Germany</td>
<td>10%</td>
<td>$65</td>
</tr>
<tr>
<td>France</td>
<td>4%</td>
<td>$50</td>
</tr>
</tbody>
</table>

Sources: Computer Intelligence, Intelliquet, Statistical Research Inc., Cairncross (1997)

France’s low penetration is explained by the prior adoption of France Telecom’s Minitel system, an interactive information network that has been in operation for 15 years, far longer than any other mass-market online information service. The numbers in **Table 1** understate the size of the consumer markets that can already be reached by the Internet, both because the data are two years old, and because many consumers have access to the Internet at work, school or college. In
the United States, Jupiter/NFO studies have tracked growth in online access annually since 1996 (Table 2). Diffusion in other countries has been proportionate.

### Table 2: Percent of All U.S. Households Online, 1999

<table>
<thead>
<tr>
<th>Year</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000 (est)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Online</td>
<td>15%</td>
<td>27%</td>
<td>37%</td>
<td>42%</td>
<td>47%</td>
</tr>
</tbody>
</table>

Source: Cohen, Krusoff, Sheffron and Park (1999)

### The Slow March of Faster Transmission

One of the main barriers to consumer e-commerce is the slow transmission rate. Disillusioned users talk of the ‘World Wide Wait.’ When a Jupiter/NFO survey asked what factors would increase overall Internet usage, the top rated factor, mentioned by 65% of respondents to, was increased transfer speed (Cohen et al., 1999). The full promise of the digital future will not be realized without some solution to the bandwidth problem. Two contenders are the cable modem, which uses cable television lines, and the digital subscriber line (DSL) which uses regular telephone lines. Industry commentator Ken Auletta (1998) termed high-speed Internet access “a sort of digital Panama Canal,” the breakthrough that will make electronic commerce practical and ubiquitous.

In North America enough progress has been made to allow informed conjecture about the timing of that breakthrough. As far back as December 1995, Rogers Communications, Inc., Canada’s largest cable television provider, began to market cable modem access to Newmarket, a middle class suburb of Toronto, at speeds about five hundred times as fast as regular telephone-based Internet service providers offer. This test offers the longest continuous evidence of demand for access to the Web, priced at an installation charge of C$99 and a monthly charge of C$39.95. Four years on, only 10 percent of the 16,000 suburban homes in Newmarket with access to cable television are subscribers to the service, a number which is, however, half of the homes with any Internet access at all. Thus we conclude that while cable modem access is a formidable competitor to dial-up Internet service providers, with 50% share in this pioneer market, it is not
yet driving broader Web adoption, which at 20% of homes in Newmarket is in line with the Canadian national average for that demographic.

Several U.S. consortia began rolling out cable modem services within six months of Rogers. AT&T is the major shareholder in the principal provider, Excite@Home. Since broad commitment to the rollout began in mid 1996, the service has spread until it is now available to 15 percent of North American homes. To date, only about 2 percent of these homes have become subscribers (Figure 2 shows these diffusion rates.).

![Adoption of Cable Modem Access to the Web in North America](chart)
It seems fair to conclude that today consumers are less than enthusiastic about broadband, a disappointing observation for those who count it as the Panama Canal of e-commerce. Two diffusion curves are operating: the suburb-by-suburb rollout of upgraded cable pipes and DSL service, and the slow build-up of adoption in each suburb once it has been upgraded. At the present rate of rollout, it will be about 10 years before most of North America has access to the service and 5 to 10 percent have taken it up. The rollout may occur faster, particularly as competitors to the cable modem arrive (DSL service began to be offered in late 1998). And penetration of suburbs may occur faster as network externalities emerge: as with all communication technologies, the benefits of adoption increase if more other people already have the technology. However if adoption in pioneer suburbs does not occur at rates considerably faster than have been seen in Newmarket and elsewhere, network externalities will not materialize and the sluggishness of the second diffusion curve will begin to affect the first.

Other Media

Other existing media will survive, or even thrive, alongside digital media. But, as with the advent of previous new media like radio and television, existing media will need to adapt to new roles. Digital radio will develop steadily as the cost of equipment comes down, starting in upmarket new cars. Music sales will gradually go online, although for the foreseeable future this will involve postal delivery of a physical product such as a CD or DVD (digital versatile disk). Books, too, will increasingly be ordered online but be mostly delivered as print-on-paper, as now. People do not like to read large amounts of text on-screen, and today’s digital technology is more expensive and less convenient than print, in most contexts. The exception will be reference books, especially encyclopedias, which—unlike narrative fiction—are ideally suited to online usage.

For similar reasons, digital interactive media like the Internet are not well adapted for most display advertising purposes, but have huge potential for classified advertising. This is because the Internet has limited scope as a “push” medium like television—most users are irritated by commercial messages pushed onto their screens—but has great power to help users “pull” information if they are looking for a particular product or service. With the development of
“intelligent agent” software, and with more and more products available online, the Web’s power as a “pull” medium will increase even further.

One implication is that those media that rely on classified advertising sales for much of their revenue—trade and consumer magazines, local newspapers and Yellow Pages—will need to respond to this threat. Their best, and most likely, response will be to embrace the new medium and combine it with their existing service to classified advertisers and readers. This will not always succeed, since the Internet is no respecter of existing market boundaries, but the established print media have brands, specialized market knowledge, and other advantages. The alternative—if they do not go online—is that they will eventually disappear: embracing the Internet is probably their only hope for long-term survival.

The likely impact on national newspapers is unclear. Digital technology allows readers to specify individually tailored products (The “Daily Me”) but there is little evidence that many will bother to do so for their personal newspaper. Electronic newsletters for professional purposes are a different matter: already, many professionals are using personalized systems on the Web for current awareness. Meanwhile, most major newspapers are publishing at least part of their content online, and providing online access and searching for back-issues, but are struggling to find the right business model. The challenge is to persuade online readers to pay when they have so much access to free information.

**Web Advertising**

**Table 3** shows who advertises on the Web at two points in time. The table indicates some maturing of the Web. In the years until 1999, most of the advertising on the Web was for the medium itself, in the form of infrastructure agents like the search engines and browsers that competed to be the navigators of the experience. In November 1999 three infrastructure agents, AOL, Yahoo! and a privacy certifier made the top ten list, and pure-play destination sites were more conspicuous. In 1997, most of those who spent on Web advertising were also those who earned the largest share of Web advertising revenues, the search engines. By 1999, while the major ad-supported sites continued to be search engines, they were no longer the spenders. By
analogy, it was as if the heaviest freight on the railroads was no longer railroad construction traffic. The infrastructure had a purpose beyond its own perpetuation.

**Table 3**: Online Web Advertising Spending

<table>
<thead>
<tr>
<th>Rank</th>
<th>Site</th>
<th>Rank</th>
<th>Site</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Microsoft</td>
<td>1</td>
<td>TRUSTe</td>
</tr>
<tr>
<td>2</td>
<td>IBM</td>
<td>2</td>
<td>Microsoft</td>
</tr>
<tr>
<td>3</td>
<td>Excite</td>
<td>3</td>
<td>Yahoo!</td>
</tr>
<tr>
<td>4</td>
<td>Yahoo!</td>
<td>4</td>
<td>Amazon</td>
</tr>
<tr>
<td>5</td>
<td>Netscape</td>
<td>5</td>
<td>Sex Tracker</td>
</tr>
<tr>
<td>6</td>
<td>Lycos</td>
<td>6</td>
<td>Next Card</td>
</tr>
<tr>
<td>7</td>
<td>Infoseek</td>
<td>7</td>
<td>[AOL]</td>
</tr>
<tr>
<td>8</td>
<td>Ford</td>
<td>8</td>
<td>Ameritrade</td>
</tr>
<tr>
<td>9</td>
<td>AT&amp;T</td>
<td>9</td>
<td>Wingspan Bank</td>
</tr>
<tr>
<td>10</td>
<td>Rockwell</td>
<td>10</td>
<td>E*TRADE</td>
</tr>
</tbody>
</table>


Advertisers also take many qualitative factors into account when comparing media (Table 4).

**Table 4** Qualitative Factors for Comparing Media

<table>
<thead>
<tr>
<th></th>
<th>TV</th>
<th>Radio</th>
<th>Magazines</th>
<th>Newspapers</th>
<th>Web</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total audience coverage</td>
<td>+++</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Selectivity of audience</td>
<td>+</td>
<td>++</td>
<td>++</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Prestige of medium</td>
<td>+</td>
<td>+</td>
<td>+++</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Ability to demonstrate product</td>
<td>+++</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Emotional impact</td>
<td>+++</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Ability to intrude</td>
<td>+++</td>
<td>++</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Ability to convey news, information</td>
<td>+</td>
<td>+</td>
<td>++</td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>Ability to change content quickly</td>
<td>+</td>
<td>++</td>
<td>+</td>
<td>++</td>
<td>+++</td>
</tr>
</tbody>
</table>
Opportunity for measured audience response

++ + ++ ++ +++

Source: Industry sources

**Playful Marketing Communication**

With every new medium has come a new art. Each new art has in turn been used to persuade. In this century, advertising execution has evolved alongside its transmission media. Print advertising from the first third of the century tended to favor simple, direct assertion. When it tried to do more, it often had a cloying quality that had less to do with shifts in popular taste than with the limitations that the advertiser met when attempting to arouse the audience’s emotions. The sentiment-laden illustrations of Norman Rockwell and other narrative realists were ambitious but often mawkish attempts to break out of the print frame. When radio arrived, there was an explosion of narrative advertising—the original soaps. The linearity of radio allowed advertisers to build character and plot. Stories could elicit emotion where print could merely assert it. With television came demonstration. Advertising became an even more effective storyteller, but in addition acquired the power to show where print and radio could only tell.

What new communication skills will digital interactive advertising tap? The recent history of digital entertainment, and in particular the large computer game industry centered in Japan, points toward play as one new factor.

Huizinga (1949) in his wide-ranging treatise *Homo Ludens* presented play as a defining property of humanness. Not surprisingly, then, a large part of commerce in the physical world involves play: it drives, or contributes to, markets in tourism and recreation, gambling, entertainment, sport, and arguably even politics. In any other markets, the appeal of play is used to draw consumers into relationships that then go on to deliver more conventional kinds of value. Contests and sweepstakes are used in sales promotion, salespeople banter with customers, and puzzles and games are used as lures in magazines and newspapers. The “retailing as theater” movement has begun to transform shopping centers into adult playgrounds, in which one can find Banana Republic decorated to evoke elements of a Third World trading store, Healthrider and Nordictrack stores competing for the fun of playing on equipment, an Ed Debevec’s
restaurant in which the staff act out scripted roles, and an Erewhon outdoor equipment store containing a rock-climbing wall. Each of these usages, and no doubt many more, are likely to appear in digital form in interactive advertising media.

It is significant that among the stickiest sites on the Web, as indicated by the length of visits in hours per month, game and play sites dominate, particularly if the appeal of the eBay auction site is assumed to derive in some measure from the impulse to play. Figure 3 plots the duration of visits by men and by women for ten sites. Some of these sites earn their stickiness from instrumentality, particularly among men, but those commanding female audiences for long durations are disproportionately sites that invite playfulness.

![Top Sites Ranked by Stickiness, February 1999](image-url)
The Internet Marketing Communications Industry

For most of this century, the strategic work of consumer marketing was performed by a troika: large client companies, their advertising agencies, and media groups who developed programming to attract audiences. They were supported by specialists such as market research firms, direct marketing suppliers, database services, event marketing producers, sales promotion companies and others. The industry that is emerging to practice marketing communications on the Web bears a superficial resemblance to this three-part structure. It too has three kinds of player: clients, interactive marketing agencies, and Web vehicles. But the work being done in the new environment is very different, and it may be that an entirely different industry structure is in the process of forming. Today’s players are:

**Clients:** Companies who market on the Web are of two kinds, incumbents whose main business is in the physical world, and firms that live only on the Web, the so-called pure plays. In many industries today, pure plays compete with incumbents with surprising success. From the classic battle between Amazon and Barnes and Noble to Toys R Us versus eToys, CVS.com versus PlanetRx, the Websites of Ford and General Motors versus CarsDirect and Autobytel, Merrill Lynch versus E*Trade, and even Compaq versus Dell reborn as Dell Online, the advantages of incumbency seem remarkably vulnerable to the energy, access to capital, independence from entangling channel alliances and indifference to profits of the pure plays. Pure plays bring to each industry the same ingenuity that is found in industry creators like eBay and Priceline. Where incumbents moves cautiously, protective of their core businesses, pure plays fall upon these businesses like marauders with only their stock options to protect. They choose as their partners interactive agencies with similar openness to possibilities.

**Interactive Marketing Agencies:** Traditional broadcast advertising agencies have had limited success in claiming a share of communication spending on the Web. Less than half of the early spending went to conventional advertising agencies: the balance was spent with a plethora of small startup firms (ActivMedia 1995). Subsequently, broadcast agencies acquired a number of the startups in an attempt to integrate the online work of their clients with the work in offline
media, but the startups that kept their independence flourished and among the largest interactive agencies today about half have no affiliation to the broadcast advertising industry (Table 5).

Most broadcast agencies will struggle to evolve into interactive agencies and may well fail. Broadcast agencies are led by people who thrived at helping clients spend money on television advertising, yet the work of Web advertising is more like direct marketing or promotion, historically a less fashionable side of the advertising business. Web communication designers thrive on close engagement with software and hardware innovators, while broadcast creative directors outsource such skills. Media and message are separable in broadcast communication, but not on the Web. It seems possible that, as interactive advertising grows in importance beyond its present 2% of advertising revenues, the beneficiaries will not be the incumbents of the industry.

Table 5: Leading Web Agencies

<table>
<thead>
<tr>
<th>Agency</th>
<th>Ownership</th>
<th>1998 Revenues (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affiliates of Broadcast Agencies:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USWeb/CKS,</td>
<td>Interpublic Group</td>
<td>$94.7</td>
</tr>
<tr>
<td>Ogilvy Interactive</td>
<td>WPP Group</td>
<td>$60.0</td>
</tr>
<tr>
<td>Think New ideas</td>
<td>Omnicom Group</td>
<td>$53.8</td>
</tr>
<tr>
<td>Modem Media-Poppe Tyson</td>
<td>True North Communications</td>
<td>$42.5</td>
</tr>
<tr>
<td>Organic</td>
<td>Omnicom Group</td>
<td>$40.0</td>
</tr>
<tr>
<td>Euro RSCG Interactive</td>
<td>Euro RSCG</td>
<td>$37.7</td>
</tr>
<tr>
<td>Grey Interactive</td>
<td>Grey Advertising</td>
<td>$25.9</td>
</tr>
<tr>
<td>R/GA Interactive</td>
<td>True North Communications</td>
<td>$15.7</td>
</tr>
<tr>
<td><strong>Not Affiliated to a Broadcast Agency:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IXL</td>
<td>Independent</td>
<td>$87.2</td>
</tr>
<tr>
<td>Agency.com</td>
<td>Independent</td>
<td>$72.0</td>
</tr>
</tbody>
</table>
Agency | Ownership | 1998 Revenues (Millions)
--- | --- | ---
**Affiliates of Broadcast Agencies:**
AppNet Systems | Independent | $69.2
Cambridge Interactive | Cambridge Technology Partners | $60.0
Proxicom | Independent | $40.3
Strategic Interactive Group | Bronnercom | $40.0

Source: Advertising Age (1999)

**Web Media Groups:** In the traditional communications industry, the third leg of the troika comprises an oligopoly of publishers, for example Time Warner and Disney, which hold a diversified portfolio of television, magazine and direct media and build audiences for sale to advertisers. As is the case for clients and agencies, those who dominate in traditional publishing do not dominate on the Web. Only one of the ten largest Web media groups, Time Warner, has a heritage in publishing (see Table 6).

**Table 6:** Top Ten Web Properties (Week of December 9, 1999)

<table>
<thead>
<tr>
<th>Publisher</th>
<th>Unique Audience (millions)</th>
<th>Total minutes per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOL</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>Yahoo!</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>MSN</td>
<td>14</td>
<td>20</td>
</tr>
<tr>
<td>Lycos Network</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>GO Network</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Microsoft</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Excite@Home</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Amazon.com</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Time Warner</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>eBay</td>
<td>4</td>
<td>56</td>
</tr>
</tbody>
</table>

Source: Nielsen/Netratings
Indeed the distinction between a media publisher and a client is obscure on the Web, and probably not useful. Most sites that have the power to assemble a large audience for sale to advertisers do so not by entertaining, but by doing something more instrumental. The leading Web publisher, AOL, serves 15 million households as an Internet service provider, and is visited by 23 million households a week as a publisher of a very diverse set of content items and links to services, a community builder and a search engine. Half of the top ten publishers are portals (customizable navigation aids) and several are retailers.

Instead of media conglomerates, the Web supports virtual media empires. Doubleclick, Adsmart, 24/7 Media and Flycast are early examples of these empires. They are networks of third party sites bound together by adserving and audience profiling technology. They can serve advertising to individuals who, like flies to a spider’s web, touch the network at any point. The choice of whether to serve a particular ad to a particular customer is made by information the individual reveals to the network, either by registering at the site of one member of the network, or because their browsing patterns reveal them as likely to be responsive. Advertisers no longer need to buy huge audiences assembled at great cost by the lure of entertainment magnets like Seinfeld or Michael Jordan. The imperative to homogenize popular taste that began with network radio and built over the twentieth century will abate, as advertisers find that plurality does not mean inaccessibility.

**An Internet Communications Industry or an Internet Commerce Industry?**

We began by suggesting that the Web was not an advertising medium, but a place to do marketing. We have added the idea that this place will contain no great magnets for attention, and that the traditional separation between an audience-building publisher and a customer-serving client is not needed. The result, we suggest, is that (unlike with broadcast media) there will be no distinct Web communications industry. The work of communication will be integrated seamlessly into the work of electronic commerce, made up of the tasks of customer prospecting, acquisition, transaction, servicing, fulfillment and conversion to commitment. The
Web as a system will achieve what the discrete functions of client, agency and media group once achieved.

The institutions of the Web today are quite fragmented, as individual entrepreneurs contribute elements of what the system needs. Figure 4 attempts to illustrate the relations among the fragments, using a principle of information beneficiation in which movement from left to right increases the value of information to its ultimate consumers. Will these fragments coalesce into larger institutional ownerships? Perhaps not. On the Web, transaction costs drive to zero, and the need for scale in organizations diminishes, except insofar as they can capture the benefits of reputation or brand (Barwise 1997b).
Conclusion

Digital communication has a key economic characteristic shared by no previous mass medium since the printing press. In comparison with most media, production and dissemination are cheap but receiving is costly. From printing to radio, the telephone and television, the barrier to entry into dissemination was extremely high, so that the publishing industries that emerged to support each mode were compelled to make great investments in infrastructure which, if made wisely, conferred great power. On the other hand, with the marginal exception of television, the receiving instrument was inexpensive, so that large audiences formed quickly.

In the digital communications industry, the economic balance is quite different. Launching a Web site is within the means of even a schoolchild. Transmitting the results, because the medium is independent of paper and borrows existing infrastructure, is essentially free. However receiving a Web site requires an investment in a computer, an investment that is still beyond the means of most of the Third World and even of half of the U.S. population. Thus we see an industry in which publishing is democratic, fertile, and at times chaotic, while mass audiences are difficult and perhaps even unnecessary to build. Fragmentation of attention is the first consequence of digital communication.

We have argued that a second distinctive consequence of the shift to digital communication is radical interactivity. The popularity of electronic mail attests to the appeal of this characteristic. Much of the chore of interactivity—keeping track of addresses, replicating messages, storing and retrieving past communication, and even the elementary protocols of greeting and signing-off—can be automated. Developments in artificial intelligence intelligent point to a future in which many of the routines and rituals of social interaction will occur without taxing our limited cognitive capacities.

A third consequence is that digital content can be effective even when it is quite boring to the user. It need not engage the senses as television and motion pictures do. It need not engage the imagination as books and radio do. If we attend to it, it loads us with information that implores
us to respond. We soon discover that, faced with the impertinent cornucopia of the Web, attention is the ultimate scarce resource.

These three properties are at the heart of the new communication revolution sketched in this chapter. This is an instrumental revolution, not a hedonic one as the other communication revolutions have been. It will have no Hollywood. The fantasies it will nurture will be those of librarians, bankers and plumbers. It is an industrial revolution in which it will be easy to get started but difficult to grow fast, as the medium outruns its human audience. Its most secure future will happen whenever people are elbowed aside and computers talk to computers, a festival of rampant electronic data interchange. In such a future one wonders what role the marketers will play.
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