Prospects for iTV Commerce
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iTV commerce and its close relative, interactive advertising, are still on the verge of commercial deployment in the US.

It seems that iTV has been on the verge since the dawn of modern cable in the late 1970s and the brief flowering of Time-Warner’s Qube in the early 1980s. In the early days, iTV was more about franchising and financing than actual deployment. Things got serious ca2000 when online commerce exploded on the Internet and the question was raised, “why not on TV?”

But it was still too soon. Reasons: lack of iTV-capable cable infrastructure, MSO doubt about consumer interest, other more pressing MSO priorities, and disappearance of capital for new ventures after Internet dot-coms collapsed in 2000/2001. Consolidation followed: Liberty Media acquired OpenTV, a pioneering provider of middleware for interactive TV applications. In turn, OpenTV purchased Wink Communications, an early provider of interactive TV features principally via DirecTV which DirecTV subsequently cancelled claiming lack of compelling user interest. Other iTV providers such as RespondTV, CommerceTV and Worldgate faded away. Liberate, a competitor to OpenTV, entered bankruptcy proceedings and sold its North American software development assets to Comcast and Cox.

However, network infrastructures are continuing to evolve towards iTV capability.

By 12/2004 there were 25M digital cable subscribers equipped with two-way subscriber video devices (SVDs) that support, at minimum, on-demand video services (discussed elsewhere in Viewpoints). Digital SVDs generally have additional iTV capability subject to downloading of necessary software. Another ~25M households subscribe to DirecTV’s and Echostar’s digital DBS services. Thus ~50M or 50% of US TV households now receive digital TV services on equipment that can support some form of iTV commerce.

DirecTV recently launched “DirecTV Active” offering a variety of iTV options. Following a software download to a current-version DirecTV receiver, users will be able to select features such as local weather, lottery results, and additional programming-related content. Those with receivers incorporating digital video recorder (DVR) technology will have access to selected content via their DVR.

As with BSkyB in the UK, also owned by News Corp., DirecTV’s iTV features can be accessed by users by their pressing a red button on their remote. In addition to special content, users can click for longer-form advertising on certain 30-second spots.

DBS iTV content typically is accessed from the broadcast digital bit-stream or from content downloaded earlier to an integrated DVR. By comparison, cable-based iTV will offer more choice and will target users more precisely by exploiting two-way networks that link in real-time to essentially unlimited capacity in video servers.

Cable operators are deploying SVDs that will support a common middleware platform called OpenCable Application Platform (OCAP). Once SVDs with OCAP become prevalent in subscriber households, iTV commerce, interactive advertising and other iTV applications can be launched efficiently with standard user-interfaces across the cable footprint.

Upside: iTV ads are reportedly popular in Europe; in the US, ordering pizza via the TV remote has been recounted so often that one might expect that it was actually offered somewhere; and DBS iTV is breaking the ground. However, US market research is still discouraging and cable operators have other priorities. On balance, iTV commerce and advertising are showing definite signs of life but are not yet ready for prime time.