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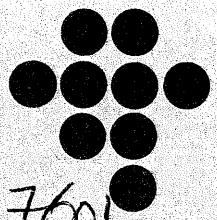

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VIDEOTEX:
Strategies for Startup

April 19, 1984

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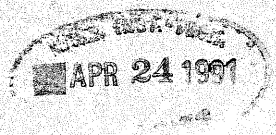

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Moderator

There is not a commonly agreed-upon definition of videotex. We can work toward a definition today by discussing the different views as to what videotex is and by looking at the videotex system that we will see demonstrated before us.

Phelps

There has always been a cloud of uncertainty hanging over videotex. This cloud notwithstanding, there are definitely business opportunities in videotex. Are there suitable opportunities for us (The Boston Globe)? The events of the past six months shed significant light on these questions. These events are:

1. Knight-Ridder has set up the first home videotex system in the United States and it works. The Viewtron system does what videotex is supposed to do in news services, encyclopedias, banking and other areas. The system is reliable although there are occasional bugs.

2. Two other companies have gone ahead with videotex in a serious way.

   a. Keycom will implement its system this spring.

   b. The Los Angeles Times will institute a system after the summer Olympics.

3. Information retrieval systems such as the Dow Jones service have actually made money. Dow Jones and CompuServ have over 100,000 customers.

4. AT&T has sent out signals indicating its wishes to go ahead with videotex applications.

5. Many banks are planning videotex systems. The Bank of America has set up a simple banking system through PC's. Thousands of subscribers pay $8/month for this service.

6. IBM, CBS and Sears announced plans to establish a national home videotex system.

These and other developments suggest to me that the major fear we had earlier on is justified. Specifically, my fear is that the market will be too fragmented for any individual firm to make a great deal of money.

------Dick Powers demonstrates the Viewtron------

Powers

The system I am demonstrating is transactional as well as personal. It is personal because it can maintain a personal calendar as well as a personal mail file. Its data base has 200,000 frames and 9 gateways.

The 'personal magazine' feature allows one to program the particular kinds of information one wants to be culled from the news. This information is stored in the magazine under the appropriate heading: front page news, sports, communications, election results etc.

------Powers begins demonstrating the different features------

The features shown are:
- -The New York Times
- -EF Hutton Line
- -Shopping File
- -American Express
- -Hallmark Greeting Cards Personalized Message
- -Local merchant Advertising
- -Chat Feature (this allows the user to engage in a dialogue with another user)

Phelps

An important question is - whose business is videotex? Would it be more sound for a large nationally-oriented firm such as IBM or Sears to get involved in videotex or perhaps a small locally-oriented enterprise such as the Boston Globe? There are some services that nationally-oriented firms could manage better and there are other services that locally-oriented firms could manage better. These are shown below in tabular form:

NATIONAL		LOCAL
-sample SATs or Features		-local news, community events, meetings
-general-interest mail order catalogs (JC Penny has already started on this)		-local retailer advertising
-direct mail campaigns (junk mail)	[both]	-direct mail campaigns (junk mail)
-nationwide weather reports		-local weather, including air quality reports
		-local sports including little leagues, bowling leagues, neighborhood tiddlywinks, etc.

The biggest question is whether or not we (the Globe or other fairly small firms) could make a successfull venture with videotex. The answer to this question is not clear. However, if we do not decide to go ahead with videotex services, then the large nationally-oriented companies will surely step in and handle our local market iin an unsatisfactory way.

Paige Amidon

The field of videotex is characterized by uncertainty. However, based on CSP International research, it is clear that three revenue streams are essential: consumer, advertiser, and supplier.

Local information is of big importance. Applications targeted at farmers is an example of special interest application of great value to a local audience.

Among the problems facing videotex is the fact that a large number of people do not use the personal computers they own. In addition, advertisers are reluctant to advertise on videotex until they see a large installed base of terminals. For this to happen, the price of terminals must come down to about $150.

Sean McCarthy

The key question is - does the value to the consumer exceed the total cost of the system? For this answer to be in the affirmative, the applications of videotex in the fields of banking and shipping must have greater convenience or lower costs than going to the corner bank or Jordan Marsh in person.

Our information suggests that for videotex to be a viable option for the information-only portion, the cost of the services must be $5-$8/month and this necessitates terminal must cost approximately $125.

Question. What about the slow speed of the Viewtron?

A. This is indeed a problem. Remember that we are in the area of Model T videotex. Advances in speed and resolution will occur rapidly.

Q. What about eentertainment as a source of revenue for videotex?

A. In spite of the fact that computer software for the home has been a bore, I (McCarthy) am confident that providers of entertainment will develop more exciting products that can be substantial sources of revenue, assuming there is a large installed base of home computers.

Q. What about applications of videotex that are not of immediate business interest? Will you consider using the virtually

limitless memory capacity of videotex to provide information such as politicians' voting records?

A. (Phelps) Although it has been shown that very few people actually care to look at voting records or read lengthy transcripts of congressional debates, I feel it is our civic responsibility to provide such information with videotex.