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THE MARKET FOR "INFO-LOG SERVICES": A
TECHNOLOGICAL CONVERGENCE OF CATALOGS, VIDEO,
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Robert Scott Lewis

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**THE MARKET FOR "INFO-LOG SERVICES": A TECHNOLOGICAL
CONVERGENCE OF CATALOGS, VIDEO, AND INFORMATION
TELECOMMUNICATIONS SERVICES**

By

Robert Scott Lewis

A THESIS

**Submitted to
Michigan State University
in partial fulfillment of the requirements
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ABSTRACT

THE MARKET FOR "INFO-LOG SERVICES": A TECHNOLOGICAL CONVERGENCE OF CATALOGS, VIDEO, AND INFORMATION TELECOMMUNICATIONS SERVICES

By

Robert Scott Lewis

Info-Log Services is a name the author has created to identify a new form of marketing of goods and services. This is the future of direct marketing and catalog sales. Info-Log will be the equivalent of turning a favorite mail-order catalog or catalogs into an entertaining and informative video program. This will allow consumers to see the products in which they are interested and learn how to properly use them before making the purchase.

Info-Log Services will become a major multi-media or convergent telecommunications service in the future. As channel capacity increases and five hundred or more offerings emerge, programming will rapidly and dramatically alter. If existing marketing experience in the proportion of retail sales is a guide, Info-Log Services will be absolutely vital. The purpose of this thesis was to develop the framework for this kind of service and then suggest applications by designing an Info-Log Service channel of personal interest.

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This thesis is dedicated to my Mom and Dad. Thanks for all the support throughout the years. I couldn't have done it without the two of you in my corner.

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INTRODUCTION

The mass retail industry is entering a new world, one in which marketing is becoming more important than ever before. According to Bill Gates (1995), capitalism has begun to enter a new stage in which perfect information will become the basis for the perfection of the market. In the view of Gilder (1992), the new information technology will allow control to move from gigantic mainframes to personal computers, from centralized databases to desktop libraries and a new array of communications tools, and from a few national broadcast networks to millions of programmers around the globe.

In addition, this new world is continuously and dramatically changing. The concept behind this work has also changed since its inception in 1993. It has continued to adapt along with the new technologies that have been developed since 1997, when it was resubmitted for eventual acceptance as it is presented here. With the advent of interactive media, infomercial marketing, and an information superhighway that will soon deliver hundreds of television stations to consumers' homes, retailers' options for reaching their customers are increasing dramatically (Donaton, 1993a; Klein, 1995). In the last decade, deregulation and important advances in technology have revolutionized the communications industry. Access has been expanded and decentralized through cable television and enhanced interactive telephone systems. This has given birth to the rapidly growing infomercial industry that only had revenues of \$15 million in 1985, but topped \$1 billion in 1993 (Corwin, 1994).

At the same time, the reign of the paper catalog began to reach its end. This trend was highlighted by the last publication of the Sears Big Book in 1993 and the advent of Sears onto the information superhighway called the World Wide Web (Crain, 1993; Hume, 1992). Numerous reasons for this demise have been cited. According to James (1996), rising costs and decreasing revenues are partially to blame. In addition, recent hikes in postal and paper costs have increased dramatically the costs of producing and mailing catalogs. Stronach (1996) reported that catalog companies have now discovered that traditional cost models are not working anymore. While the cost per catalog is increasing, response rates have not risen. Therefore, companies are experiencing profit decreases. For some, this has reached the point of crisis.

Environmental consciousness on the part of consumers who believe that forests are being destroyed by too much direct mail has been another variable accounting for the demise of the paper catalogue. Individuals concerned about privacy continue to remove their names from mailing lists. Meanwhile, alternatives such as infomercials, TV home-shopping channels, and interactive computer systems have begun to win the catalog share of the shop-at-home market (Cleaver, 1988; McKenna, 1991). Most direct marketers admit that interactive shopping systems will eventually revolutionize the way consumers buy goods and services. In the near future, consumers may use their television sets to buy everything from shoes to kitchen appliances to books and magazines. The consumer will be able to use the remote control to select size and color,

slide a credit card through a slot on top of the set, and receive the merchandise the next day.

Online shopping is like "advertising on demand" in that it allows the merchandiser to serve individual consumers better by getting information on relevant products and services to them exactly when they need it. Some predict that by the end of the century, up to half of homes in the United States will be physically capable of receiving interactive shopping by the availability of coaxial or fiber-optic cables (Wadekar-Bhargave and Eng, 1991). However, there will be obstacles to total coverage. These include the huge costs of wiring homes for two-way communication and the issue of consumer acceptance.

Newly evolving technology has led the way for innovative new marketing ideas, approaches, and techniques. One of these, Info-Log Services, the name created by this author to identify a new form of marketing of goods and services, is a type of service believed by this author to be the future of direct marketing and catalog sales. It will be the equivalent of turning a consumer's favorite mail-order catalog or catalogs into an entertaining and informative video program. It will allow the consumer to view and learn how to properly use products that are for sale before purchase. Info-Log Services will be a major multi-media or convergent telecommunications service in the future. As channel capacity increases and five hundred or more offerings emerge, programming will rapidly and dramatically alter. If existing marketing experience in the proportion of retail sales is a guide, Info-Log Services could become vital.

Purpose of the Study

The purpose of this thesis was two-fold:

- (1) to develop the framework for a kind of service that does not yet exist on broadcast or cable television; and
- (2) to suggest applications by designing an "Info-Log Service" channel of personal interest.

Info-Log Services, a new form of marketing goods and services, represents a convergence of catalogs, video programming, and information telecommunications services. Info-Log Services is the equivalent of turning the consumer's favorite mail-order catalog or catalogs into an entertaining and informative video program. This type of presentation allows consumers to view the products for sale and learn how to properly use them before they are purchased.

The channel uses a common theme already successful in catalog sales. This includes adventure sports such as scuba diving, mountaineering, and rock climbing. Focusing in on a small target market such as the one defined above allows for specialization and niche marketing. This technique also provides a better foundation for development, due to already documented experience and knowledge of the market and products to be featured. The development of a framework will assist in defining and operationalizing the concept and in creating such channels in the future. The application of the design to a specific example demonstrates that the concept is sound and functional.

Definition of Terms

A number of terms and designations used in the present study were unique to the present research study. These are defined as follows:

Adventure Shopper: In order to clarify the concept behind Info-Log Services, a specific case example of a channel is proposed, called "Adventure Shopper." The channel specializes its programming and products, aiming them toward activities that have an element of danger and risk. Activities such as scuba diving, rock climbing, kayaking, white water rafting, and others of a similar nature are the focus. This technique allows for narrowcasting to a specific audience.

Info-Log Services: This term, a new form of marketing of goods and services, represents a convergence of catalogs, video programming, and information telecommunications services and was created by this researcher.

Infomercial: This term refers to a commercial television program or relatively long commercial segment offering consumer information, such as educational or instructional material, related to the sponsor's product or service (Federal Trade Commission, 1989; Hayes, 1988). Despite expressed concerns about their frequent use of program formats apparently designed to conceal the commercial intent, infomercials have gained increasing acceptance (Hollresier, 1995). Through 30-minute commercials, the infomercial informs a consumer about products before he or she makes a decision purchase. The success of the infomercial may lie in the fact that they are created with the intent to elicit a direct response from the consumer. They deliver a simple, clear, and powerful

message focused on the key attributes of the product to accomplish this goal. This message is then continuously reiterated every six minutes throughout the 30-minute program.

Niche Specialization and Marketing: According to the literature, niche specialization has become new fad (Kevin and Shulman, 1994; McCullaugh, 1991). Rather than trying to develop the appetites of consumers, niche marketers try as much as possible to change the product to suit local tastes. This approach has led in turn to an explosive growth of the market-research industry and services to measure statistics on every possible social group and study the efficacy of advertising techniques. Profiles of customers are keyed into computers and analyzed to enable the maximization of audience response. Profiles include both demographics and psychographics, that is, consumers' values, life habits, and behavioral norms.

Research Questions

Four research questions were posed to fulfill the purpose of the research study. The investigation was specifically designed to answer the following questions:

1. What relationships exist between present direct marketing catalog sales and those implied from the expansion and development of new video and related information telecommunication services and networks?
2. Does the literature show that there is a need for new forms of marketing goods and services?

3. What successful elements from direct marketing catalog sales can and should be adopted by emerging video catalog and information services?
4. What elements of current video catalog-like services should be kept and which should be changed in order to create a successful new cable service?

Methodology

The development of the framework was based primarily on historical research. Since the concept of Info-Log Services is new and what has been developed in the present thesis has not been attempted in the past, very little has been researched and published on the topic. For this reason, analogy to market research and trade publications are major sources of present and historical developments. Similar ideas have been attempted in the past and will be used to build a foundation for comparison. Other aspects of the concept have methods available for review.

Direct Marketing has a historical base that bears examination. Research in this area has produced data on audience demographics and acquisition. Catalog Companies have been using this research to find their intended audiences with great success for years. The same can apply for Info-Log Service providers. Direct marketers have been compiling "lists" of potential clients through credit card purchases for a long time. These lists are for sale to interested parties who are looking for a specific marketing niche. Info-Log

Service providers can take this information and offer certain channels to those who might be interested via a la carte programming.

The main tools that were used for development of Info-Log Services were informed and educated intuition, as well as creativity. Once these are linked to the historical base of past mass telecommunication marketing attempts and direct marketing, a brand new programming opportunity may be formulated.

Limitations

The present study was limited by the amount of data that could be collected from books, journal articles, research reports, company reports, and other related materials that comprised the research base of the literature reviewed. It was assumed that, from the literature review, concepts, approaches and techniques could be used to establish a foundation for the development of Info-Log Services. Similar limitations inhibit the validation of findings of any investigation, whatever the method (Babbie, 1986; Churchill, 1991; Ferber, 1987; Green, 1988).

Thesis Organization

The Introduction includes and describes the background of the study, purpose of the study, definitions of terms, research questions, general procedures, and limitations. In addition, four research questions were posed to fulfill the purpose of the research study.

Chapter 1 reviews the literature pertinent to the theoretical foundation of the thesis focused on mass telecommunications marketing efforts. Subject areas include niche or interval marketing, early marketing attempts, shopping networks,

home shopping channels, and Infomercials. All areas are related to concepts and development of Info-Log Services. This information is relevant to the marketing theory underlining the study and the research questions.

Chapter 2 presents a specific example of Info-Log Services application, called, "The Adventure Shopper." It is in this chapter that previously described marketing approaches and techniques converge into the presentation of the new service. Development of Info-Log Services is related to concepts reviewed in the literature. Future growth and implications of the new form of marketing of goods and service are discussed.

Chapter 3 concludes the thesis. A summary is presented. Conclusions are drawn and recommendations are provided.

Chapter 1

DIRECT MARKETING TECHNIQUES AND INFO-LOG SERVICES: HISTORY AND DEVELOPMENT

Introduction

Marketing, according to the American Marketing Association, is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. Companies can adopt a variety of strategies to facilitate this process. Perhaps no field more clearly reflects advertisers' desire to build relationships with their customers than direct-response advertising, which sells goods and services to consumers individually (Morse and Burns, 1982). Indeed, no field more clearly reflects the vast changes that have taken place in form and content.

For example, the catalog mail order business, a form of direct marketing that sells goods to consumers individually, was started 121 years ago when Aaron Montgomery Ward opened his company in 1872. In 1893, Richard Sears started his business (Mill, 1994). Now, neither Ward nor Sears is in the catalog mail order business. Both companies have closed those particular operations in the past few years. But through all those years the mail order business grew and thrived, often taking many different forms. The catalog business itself, however, has not died; it has simply changed its appearance and medium of presentation. It has continuously evolved and changed over the years, and at the present time

it is changing faster than ever (Bartlett and Peterson, 1992; Kean, Niemeyer, and Miller, 1996; Mill, 1994; Piirto, 1994).

Until recently, direct response consisted primarily of direct-mail advertising and was considered to be a minor medium (Osborne, 1984). Today, telephone advertising, or telemarketing, as well as the advent of the Internet has changed this. Corporations build and maintain extensive databases filled with information about their customers and direct marketing and direct response are the fastest-growing promotion techniques. Further, direct response has become a multimedia field; virtually any medium can be used for direct response. Direct mail remains the largest form of direct response in terms of advertising expenditures. However, telemarketing and other direct marketing techniques have and continue to account for more sales of goods and services.

Info-Log Services have yet to be created, but when they are they will have roots in direct marketing approaches that already exist as well as those that were created in the past, but did not survive in the interactive and video marketing industries. These include home shopping networks, infomercials, the Fashion Channel, video kiosks, The Sharper Image, The Living Catalog, and more recent approaches. The purpose of this portion of the present study is to review the development and use of past and present direct marketing techniques, then to incorporate their best features into the development and presentation of Info-Log Services.

Home Shopping Networks and Infomercials

Home Shopping Networks

The idea of selling products to people at home via the television started with home shopping networks such as QVC, AVC, and The Home Shopping Channel. Services like these have always been viewed as more economical with respect to quality of programming and products (Rao and McLaughlin, 1989). Home Shopping Channels offer many positive features for the consumer (Burgi, 1993). These include, among others:

- (1) the convenience of shopping all day and every day of the year from the safety and comfort of one's home;
- (2) instant access to a larger variety of merchandise offered nationwide and, ultimately, worldwide;
- (3) purchases that are quickly shipped to the home via UPS, Federal Express, DHL, Emery, or the retailer's own service, thereby eliminating the need to carry packages from shop to shop and then to the car and then to the house.

There are also positive features for retailers. First, home shopping eliminates the consumer discomfort of trying on products in shops, dealing with sales clerks, and fending off high-pressure sales tactics. This feature, however, also reduces the number of sales personnel needed by retailers in the operation of their business. Other positive features for the retailer include:

- (1) costs are reduced by eliminating distribution channels because goods can be moved straight from the manufacturer to consumer, or retailer to consumer;
- (2) substantial economies of scale and handling efficiencies can be passed on to consumers through competition;
- (3) greater customer satisfaction results when people get exactly what they want when they want it, without having to compromise because its not in stock at the store or because the salesperson does not understand what is wanted; and
- (4) shopping hours are dramatically slashed, freeing consumers for work, hobbies, family, and vacations. This also reduces retailers' costs associated with store operations and personnel, especially sales clerks, store managers, and accountants.

Many viewers perceive such channels to be televised garage sales. The respective channel purchases large quantities of products, then glamorizes them in order to sell at a substantial mark-up (Macdonald, 1994). Glamorization is achieved through the host, a hard-core salesperson promoted to television because of skills, or a well-known personality. To further promote sales, the channels show close-ups of the products with the price, quantity sold and time left for that product to be offered. This promotes a sense of urgency in the purchase decision process. It also employs subtle peer pressure by showing how many others are "rushing" to buy that product. Specialty sales are also presented from time to time, and these are usually promoted by special guest

hosts, well-known personalities with some type of product to sell (Donaton, 1993a; Macdonald, 1994). Comedy has also been included in home shopping programs to entertain the consumer and enhance guest host and well known personality appearances (Mundese, 1992, 1993).

Incidents of this type of programming are becoming more frequent. From Marie Osmond's doll collection to actors from "Star Trek" or "Star Trek: The Next Generation" plugging memorabilia and props, many jump at the chance to "tele-display" their products and services. According to Richards (1988), these specialty programs have proven to be very effective. Instead of watching hours of promotion of non-useful products, specific audiences and consumers now know when to tune in to see products of use specifically to them. This approach is called narrowcasting to specific interest groups and has become one of the major concepts behind the development of Info-Log Services.

Infomercials

Along with the home shopping networks, Info-Log Services will share the positive traits of infomercials. This type of direct marketing consists of program length commercials that try to promote a product or products through the use of celebrities, consumer testimonials, and demonstrations. Infomercials are not new. Chester and Montgomery (1988) noted that programs such as Great Moments in Music and 100 Paintings, fifteen-minute mail order commercials in the disguise of cultural programs, were forced off the air in the early 1970s following action by the Federal Communications Commission (FCC, 1984). That prohibition did not, however, affect cable television systems, which provided an

outlet through the 1970s and 1980s. Infomercials were permitted to return to broadcast television in 1984 when the FCC, following the philosophy of deregulation espoused by the Reagan administration, lifted restrictions on the amount of commercial time permitted during the broadcast day (Maddox and Zanot 1984). An informal but widely accepted restriction on infomercials also was eliminated in the early 1980s when the NAB dropped its television code, again as a result of the desire on the part of the Reagan administration to increase free market competition (Boddewyn, 1989; Federal Communications Commission, 1984; Maddox and Zanot 1984).

Despite expressed concerns about their frequent use of program formats apparently designed to conceal their commercial intent, infomercials have gained increasing acceptance by both consumer and advertiser (Adams, 1988). In the view of some advertisers, even thirty minutes is enough time to aggressively promote their wares (Miller, 1989). In a survey of Wisconsin television schedules, Hayes (1988) found the frequency of infomercials to have risen from 258 in 1985 to 1,290 in 1987. According to Anderson (1988), industry sources reported nationally that sales could increase 28 percent in 1989, reaching \$160 million, with about half going to cable and half to broadcast stations. While some cable networks have reduced or eliminated the use of infomercials, cable television remains a primary outlet. According to one authoritative report, The Black Entertainment Network was running up to 76 hours per week by the end of 1989, USA about 20 hours per week in 1988, and Lifetime approximately 30 hours in 1988 (Anderson, 1988; Parsons and Rotfeld, 1990).

Through 30-minute commercials, infomercials inform a consumer about products before he makes a purchase decision. The infomercial can be viewed as a substitute for the sales clerk of yesterday who had enormous influence over the customer's decision-making process (Hayes and Rotfeld, 1989). The success of the infomercial may lie in the fact that they are created with the intent to elicit a direct response from the consumer (Blake, 1996; Rosenthal, 1988; 1989). They deliver a simple, clear, and powerful message focused on the key attributes of the product to accomplish this goal. This message is then continuously reiterated every six minutes throughout the entire thirty-minute program.

A few years ago retailers believed that infomercials would represent tough competition (Wicks, 1989). Contrary to popular belief, however, it was discovered that infomercials actually have had a very positive influence on purchases made at retail. In fact, when an infomercial is launched nationally for a given product, sales of items in the same category increase at a ratio of five to eight times. Corwin (1994) explains the reason.

This is because only 8.7 percent of the population will purchase a product through direct response TV. This means 91.3 percent of the potential sales for an infomercial product can be captured at retail. Therefore, for every product sold through infomercials, as many as eight units carrying various brand names were sold by retailers (Corwin, 1994, p. 67).

Hollreiser (1995) points to some current infomercial industry trends that appear to be somewhat ominous, however. For example, the amount charged to companies to buy airtime increased by almost 50 percent in 1994, as reported by the Infomercial Marketing Report's 1994 Annual Sourcebook. In addition, media spending for infomercials increased from \$232 million in 1990 to \$455 million in 1994, but total sales generated from infomercials decreased from \$927.5 million to \$842 million during that same period of time.

Soloflex is one of the more famous examples of this marketing tactic. Soloflex programs have appeared on infomercials, MTV, other cable channels, and late-night broadcast television. In these programs they show how both men and women can use their product to produce certain results. They also educate those who are watching by showing and explaining how the product works, how to use it properly and how to make it work best for the individual. Newer versions of Soloflex infomercials even suggest certain specialized exercise programs and goals that use the product. This disguises the advertisement as one of the many fitness programs that exist on other channels. The goal of this marketing tactic is to show the product and inform the potential consumer of its qualities and uses. The best way to show "all" of what a complex product has to offer is to take the time and describe it entirely. Info-Log Services will attempt to do the same thing, but adds the element of entertainment to the mix. It is clear that many current catalogs that offer a variety of products cannot possibly describe them accurately or adequately within a column of text. Other products need demonstrations to show how to use them and where they would be best suited. Infomercial-like

programs enable catalogs to show and inform consumers about their products as never before.

Earlier Developments

One of the first steps to developing Info-Log Services had its roots in the Fashion Channel. This channel used a format similar to home shopping networks but added specialized "featurettes" (Cleaver, 1988). These were five-minute "mini-shows" that focused on entertainment by showing special interest programming. They were shown at scheduled times with different styles as the highlights. By scheduling specific times, the audience/consumers would know when they could see the fashions in which they were interested. The entire time that the featurette was running, order information was made available on the bottom of the screen. The Fashion Channel also programmed fashion shows and fashion news programs in order to blend entertainment, information and marketing. Info-Log Services programming will use this same mixture of elements. This will serve to keep the audience's/consumers' attention and mask the sales intent with more pleasant experiences.

Video kiosks were another development, which provided a foundation for Info-Log Services. Video kiosks were and continue to be used in stores that have video monitors. These are used by customers to view products available in the store in question, as well as to provide services such as the creation of greeting cards, for example.

Short video clips of the products available through that individual store are shown when consumers call for specific information at a monitor. After making a

decision, the customer can order the product via a keypad that takes orders and shipping information. Before leaving, the customer pays the cashier. Floresheim Shoes started using this type of system several years ago. According to Meyers (1988), sales increased by fifteen percent in stores that offer this type of service. Levi's, which started a similar service, hopes to see results that are as favorable in the near future. The difference between the two systems is that the Floresheim stores have both video and traditional service while the Levi's stores only offer video services, with cashiers delegated to receive purchase payments.

This type of system creates a customer database, which can be sold or leased to catalog companies. For Info-Log Services, a similar tracking system could be created to ensure proper follow-up and possibilities of additional income from the lists of others. What these systems offer can and has been developed in other direct marketing techniques.

Telaction, for example, a system developed by J.C. Penney, takes the kiosk system to the home. Telaction creates a video shopping mall that consisted of about thirty stores (Teinowitz, 1989). It uses cable service to supply signals to the consumer's home. There, in the comfortable surroundings of the home, consumers can electronically browse through what cyber-mall offerings at their own pace and without the hassles associated with going out to shop. If the consumer finds something desirable, he or she uses a touchtone phone to order, similar to the way in which catalog shoppers currently order. The system also has the added advantage of a tracking system, which allows Telaction to gather information about users. By compiling the tracking data that is gathered,

Telaction creates a database that can be used in several ways. The database can indicate trends consumers may be following and enable the system to adapt to the users needs by adding or subtracting the services that are and are not desired by the public. Demographic information can also be kept in the same database. This gives the system the ability to see who is using what kinds of services and then personally market the system to other possible customers, in accordance with products that would be of interest to them. The database will also allow Telaction to notify specific users of special sales, promotions or news that will affect their personal needs.

Wingis (1983) described another early attempt at video home shopping, which was called "The Living Catalog." According to the report, this idea came from Richard Thalheimer, the creator and owner of The Sharper Image catalog. The concept is really quite simple. Mr. Thalheimer showcased The Sharper Image products in a talk show format. In the beginning, products were shown and then discussed. Thalheimer acted as the salesman/host. As the show evolved into a faster paced program, however, fewer products were presented and those that were included in the show were shown in actual use with demonstrations.

Current Techniques and Future Trends

World Shopping Theater

One of the current attempts at video home shopping is called "The World Shopping Theatre". This program has and continues to be a huge success in Japan and holds some lessons for direct marketing techniques in the United

States (Piturro, 1993; Shimogori, 1996). It uses a mix of entertainment, information, and products that are hard to find in Japan. The show is closer to “Lifestyles of the Rich and Famous” than to home shopping. It sells image and prestige along with the products offered. The World Shopping Theatre also features travelogues, which are filmed around the world, ending in a description of a product that comes from wherever they highlight. This idea works. Profits from the show rival those of all others offering direct market products.

The World Wide Web

One of the greatest mediums new for advertisers today is the Internet (Ause and Arpajian, 1996; Randall and Randall, 1995; Sterne, 1995). The area of the greatest interest on the Internet that is experiencing tremendous growth is the World Wide Web. The Web is considered to be a hybrid medium, which shares characteristics with mass communication, in addition to interpersonal communication. The Web combines the ability of the mass media to disperse a message to a wider audience with some of the interpersonal communication possibilities of providing individualized information using feedback and interaction (December and Randall, 1995; Hoffman, Novak, and Chatterjee, 1995). The low entry barriers to the medium and the absence of gatekeepers between content providers and the audience means that validation of the quality and authenticity of the content has and continues to be a key issue on the Web.

With the tremendous growth of the Web in the past year, the Internet has attracted new users in significant numbers and is viewed by some to be a Mecca for business and enterprise (Canter and Seigel, 1995; “The Web: Open for

Business," 1995). The medium has now reached the critical mass to set a powerful positive feedback cycle in motion, where the increasing quantity and quality of content attracts new users and the increasing number of users attracts new content providers. Further, the rapid technological advances improving supply will continue to make it cheaper, easier, and faster to use. In addition, new technology is expanding the possibilities of delivering video, music, and three dimensional virtual reality as well. Ease-of-access and consumer use is likely to increase significantly as cheap "net computers" which are simple to install and operate and can be connected to a TV set become widely available.

Authorities believe that the Web is a medium that may become a tough competitor for traditional mass media because of its ability to provide large amounts of individualized information on demand to a self-segmenting audience, to process feedback, customer service, transactions and in some cases distribution with an ease never before known to mass media (Cassidy, 1995; Verity, 1994). At the present time, however, it is likely to remain a secondary advertising medium for the majority of advertisers because of its low reach, limited intrusiveness, and low bandwidth. For most companies, the Web will be only a secondary, supplementary component of their media mix at the present time and in the near future. However, the Web has the potential to become a main component in the media mix for companies producing goods with a high product and audience fit to global niche markets. Info-Log Services can be expanded for inclusion on the Internet and reach even greater markets.

While the traditional approach to advertising in mass media usually entails communicating simple, standardized messages to a passive, captive audience, the implications of communicating with active media users on the Web should not be underestimated (Blattberg, Glazer, and Little, 1994; Werthur and Kerr, 1995). If a site is to get valuable, lasting exposures that leave a positive impression with the customer in the interactive context of the Web, it needs to provide some kind of value in return for the time and money the customer spends to visit the site.

There are three basic approaches to creating value for the customer: infomercials, advertainments (advertisements incorporating entertainment), and purchase facilitation. The three approaches should not be seen as mutually exclusive but rather as theoretical archetypes that can be combined in various ways. Thus a Web advertising campaign for Info-Log Services can incorporate elements from all three basic approaches. Infomercials, advertainments and purchase facilitation strategies are all based on providing value for the customer in ways superior to what can be achieved in traditional media.

Clearly, the future of the media and direct marketing landscape is likely to be interactive (Blattberg, Glazer and Little, 1994; Sterne, 1995). It is just as clear that the World Wide Web offers valuable insights and learning possibilities for advertisers such as Info-Log Services who wish to understand and influence the development of advertising beyond the principles and practices shaped by traditional mass media.

Chapter Summary

The purpose of this chapter was to review the development and use of past and present direct marketing techniques. This information was used to incorporate the best features of direct marketing techniques into the development and presentation of Info-Log Services, which is presented in the following portion of the study.

The first section discussed home shopping networks. It was noted that services such as these have always been more economical with respect to quality of programming and products. A number of positive features for the consumer as well as the retailer were listed. Recent changes have incorporated different formats, comedy, and well-known personalities to sell products. Specialty programs have proven to be very effective.

Infomercials were examined next. Through 30-minute commercials, infomercials inform a consumer about products before purchase decisions are made. Their success is attributed to the fact that they are created with the intent to elicit a direct response from the consumer. They deliver a simple, clear, and powerful message focused on the key attributes of the product. The message is continuously reiterated every six minutes throughout the entire program. Infomercials have had a very positive influence on purchases made at retail.

The attributes of The Fashion Channel, video kiosks, Telaction, The Living Catalog, and The Sharper Image were discussed in the preceding section. The World Shopping Theater was noted to be a current technique. It has been very successful in Japan. It uses a mix of entertainment, information, and products

that are hard to find in Japan. It sells image and prestige along with the products offered. It also features travelogues that are filmed around the world and end with a description of those products that come from whatever location has been spotlighted.

One important future trend for an advertising medium, the World Wide Web, was described in the final section. The Web is considered by marketing authorities to be a hybrid medium that shares characteristics with mass and interpersonal communication. It combines the ability of the mass media to disperse a message to a wider audience with some of the interpersonal communication possibilities of providing individualized information using feedback and interaction. Some view the Web to be a Mecca for business and enterprise. For direct marketing it has significant potential.

Chapter 2

CASE EXAMPLE: THE ADVENTURE SHOPPER

Introduction

The purpose of previous chapters was to introduce the problem of the present study, describe the purpose and background of the study, define pertinent terms, present research questions, and pose four research questions. The literature pertinent to the theoretical foundation of the thesis, focusing on mass telecommunications marketing efforts, was also reviewed. Subject areas included niche or interval marketing, early marketing attempts, shopping networks, home shopping channels, and Infomercials. It is in this chapter that previously described marketing approaches and techniques converge into the presentation of the new service. Development of Info-Log Services is related to concepts reviewed in the literature. The targeted audience is introduced and the case study is presented. Future growth and implications of the new form of marketing of goods and service are also discussed.

Targeted Audience and Development

Info-Log Services, a term created by this author, is destined to be a major multi-media or convergent telecommunications service in the future. As video channel capacity increases and five hundred or more offerings emerge, programming will rapidly and dramatically alter. If existing marketing experience in the proportion of retail sales is a guide, Info-Log Services will be absolutely

vital. The case example cited in this portion of the study uses a common theme already successful in catalog sales. This may be described as adventure sports. This includes such activities as scuba diving, mountaineering/ camping, and rock climbing. Focusing in on a small target market such as that which has been defined allows for specialization and niche marketing. This focus also provides a better foundation for development due to ready and documented experience and knowledge of the market and products to be featured. The development of a framework such as the one suggested in this portion of the study assists in fully defining and operationalizing the concept. It also assists in the future creation of such channels. Application of the design demonstrates that the concept is sound and functional.

The fact that niche specialization has become a new fad has been well documented in the literature, as noted by Klein (1995). Rather than trying to develop a desire on the part of the consumer for new untested products and services, niche marketing companies, such as Info-Log Services, for example, can change the product to suit the local or targeted population tastes. According to Klein (1995):

This approach has led in turn to an explosive growth of the market-research industry and services to measure statistics on every possible group in society and study the efficacy of advertising techniques. Profiles of customers are fed into computers--their demographics and psychographics (values, life habits, behavioral norms)--and analyzed to enable the maximization of audience response" (p. 63).

Concepts, Design, and Creation

It is important to explain that the concept for Info-Log Services is simple - development of channels. The idea is to design and produce theme-based catalog channels that are geared toward a specific audience, with corresponding interests and activities. These channels offer audiences a chance to learn about the products and activities in which they are involved and a chance to interact with what they are viewing. Specialization is the key element here. Each channel will need to distinguish itself from others by fitting into a distinct life style. Niche markets that are custom tailored to coincide with those distinct lifestyles must be created in order to maximize interest and response.

Finding niche markets that are worth developing is also relatively clear. The mail-order catalogs that will be represented on the channels already have their mailing lists. In order to get on certain highly specialized lists the customer must have specialized buying habits and tastes. The targeted market is already known, identified, and located. Catalogs mail directly to their target market and no more. They do not have to worry about missing with their message and spilling over into the wrong area. Indeed, this is why direct marketing works; the term speaks for itself. With all this available information, it becomes a mere matter of process and design of channels to fit existing clientele and their specific demographics.

Designing the channels is simply a matter of creativity and marketing strategy. Developing a framework or template for future channels is essential. That framework consists of all the best parts of existing systems, both electronic

and print. Specialization, information, entertainment, ease of ordering, and a tracking system must all be incorporated into Info-Log Services in order to make them better than their predecessors. This framework can also serve for other endeavors of a similar nature. Specialization in programming and products allows for the narrow casting necessary to focus on the desired audience/ consumers. Information educates the audience/ consumers about the products for sale as well as other opportunities that the channels will offer. Entertainment is the cornerstone for Info-Log Services.

It is also important to explain that in using the niche marketing approach for Info-Log Services, products can be sold on a different level than before. They can be shown in use and discussed without pushing one product over another. The goal is to further educate an audience sector that already harbors interest in the special area, theme, or genre of products and services that the channel features. Ease of ordering makes audience/consumer purchases as painless and hassle-free as possible. Interactivity is the ultimate goal of the services but 800 services should be the starting point. A tracking system not only enables the services to continually update their client lists, but also to send the audience/consumer group supplemental print catalogs and information. These traits and new ideas are then be used as a base on which to develop individual channels.

After creating the program types or channels, audiences and/or consumers must be informed of the new possibilities available to them. This is the final and easiest step in the development of Info-Log Services. The targeted

market for each service is the same as the combined markets of each catalog involved. It should be noted that these catalog companies already have the correct audience/consumers identified. All they have to do is inform their subscribers of the new service. A message that tells what is now available to them and how to go about using this new source of entertainment, information and product listings needs to get to the catalog users. This can be done as a separate mailing, a catalog insert, or as a message on the back of the catalog near the mailing label. The target audience/consumers will then be informed. Additional audiences/consumers can then be obtained through traditional marketing tactics for cable and the updated catalog mailing lists.

Now that the structural framework and targeted audience have been described in the above discussion and the program types or channels have been explained, the remainder of this chapter focuses on the case example of "Info-Log Services," the future of direct marketing and catalog sales.

Case Example

In order to clarify the concept behind Info-Log Services, a specific case example is very useful. The scenario proposed here is for a channel that would specialize its programming and products, aiming them toward activities that have an element of danger and risk. The channel is to be called the "Adventure Shopper." Sports activities such as scuba diving, rock climbing, kayaking, and white-water rafting, among others of a similar nature, are the primary focus. As previously noted, this allows for narrowcasting to a specific audience. Customers will be predominantly men and women in their twenties and thirties. Individuals

in this age bracket tend to be single or married without children. This allows them to participate in activities that require time, travel, and equipment. Customers within this specific age bracket also have the disposable income that is necessary to purchase the products showcased on the channel or take the trips that are offered.

Once the final format and target market have been developed, catalog sponsors must be approached. Well-known catalog sponsors are necessary to bring the products and expertise to the channel. As explained by Klein (1995):

Global name recognition provides an immeasurable advantage. The asset of a well-established name brand provides a critical mass of familiar consumers, allowing the product to move into the market quickly. Once established in the market, specialization becomes easier. Trademark recognition facilitated McDonald's entrance into French markets, after which the menus were revised. Such a formula is also used in the magazine market. The women's magazine Elle, for instance, produces region-modified versions sold to similar demographic groups in 19 countries. Similarly, the Economist adjusts content-sensitive material to its various marketing locations. Rather than solely capitalizing on reputation, firms such as Elle and the Economist woo consumers with familiarity (pp. 63-64).

For the Adventure Shopper there are several catalog companies from which to choose. For example, for the diving portion of the channel's programming, Performance Diver, Diver Supply, and Berry Scuba would be the first places to contact. They offer some of the best selections and prices in the industry. This provides customers with good deals and good choices. Campmor, Sierra Trading Post, L.L. Bean, and REI Outdoor would be good places to start for the climbing, camping, and water adventures programming. Each offers a wide variety of equipment needed for outdoor activities. Any

catalog company that is targeting the same type of market as the Adventure Shopper could be approached, as long as their products fit the programming needs.

After identifying those catalog companies that fit the channel's format, programming must be produced. The goal of the programming is to entertain, inform, then sell, with each aspect being emphasized in that order. The final presentation series or cycle is to be based upon the market response.

Entertainment is the key to making and keeping the channel a success. People do not want to tune in their televisions to watch blatant commercials all day long. The programming has to draw consumers in with those particular things that they want to see. For this reason, programs showing different places to go and different and/or new techniques and equipment would perform rather well. For this reason, travel and gear would be showcased in these areas. After seeing all the potential places to go and the equipment that should be used, customers can purchase travel packages, equipment, or both. The entertainment will also tie in with the information goal of the channel. As previously explained, information that is of interest to the target audience must be given. This could be in the form of travel possibilities and critiques; safety considerations and tips; equipment comparisons, recommendations for specific circumstances, and tips; technique instructions and tips; and regular educational or documentary programming.

The last thing highlighted on the channel should be sales prices. There should be no direct sales talk or "pitching" of products. Instead, products will be shown in use and equally compared with similar products. Experts and

beginners will make equipment reviews so that everyone can see both sides of the picture. In the entertainment programs, items will be shown in different situations but not discussed much like the way products are "plugged" in films. Audiences will watch the channel to see things they might not get to see on their own, learn about what is happening in their area of interest, see what they could do to improve their skills, and educate themselves about products before they make a purchase decision.

Selling the products should become easier due to the comparisons of different brands through actual use or demonstration. Most of the activities shown on the channel are very equipment oriented. Most consumers of high-end equipment do not know the difference between one product or another except for what the salesperson tells them. Thus, The Adventure Shopper will show programming that honestly compares different equipment in a way that will help educate the consumer before the purchase.

To obtain feedback, reviews will be completed in a Consumer's Report fashion. The difference, however, will be that both specialists and beginners will be asked to try the products and discuss them. There is a decided benefit from using this approach. Most consumers are not experts. They need to obtain equipment that is easy to use, based on the novice opinion, but still capable of continuing functionality as the consumer develops their skills, based on the specialist's opinion. This type of non-biased comparison can be done effectively on the Adventure Shopper. In addition, it should be noted that, since the catalog companies who support the channel sell several, if not all, of the brands of

products, they should not care what the customers buy as long as they do make one or more purchases.

At the present time, ordering adventure products will occur in a similar fashion to catalog ordering. In the future, however, when full interactivity becomes a reality because of the development of new sophisticated technology, new electronic means for ordering can be developed. But for now there will be only one difference between catalog ordering and the Adventure Shopper System. The Adventure Shopper channel will have its own 800 number, in addition to operators on stand-by to take the calls. The ordering information will then be relayed to the appropriate catalog company so they can ship the item.

This type of ordering system will make it easier on customers by only requiring them to use one number to order any number of different items that they might want or need. The system also enables the Adventure Shopper to keep track of its users and automatically compute the company's gain - that is, their percentage of the sale. However, an agreement must be reached and exist in contract form prior to showcasing the catalogue company on the channel with respect to the percentage that the channel receives for their services (creating, developing, producing, and airing programming; maintaining consumer database; handling incoming orders; and adding to the range of the catalogs).

Summary and Future Growth of The Adventure Shopper

As an idea for a new cable service, the Adventure Shopper directs itself toward success. It incorporates all the benefits of current cable shopping services and adds to them. The conceptual model, as presented in this project,

is already better than what is currently available. Also, it allows for expansion and adaptation in order to continue with a standard of excellence in service. The channel maximizes everything the businesses involved want and is still able to supply consumers with what they want as well. The customer will always be the main focus of the Adventure Shopper and any other channel follows in its path. As long as the customer is satisfied and involved with the channel featured activities they will continue to learn and purchase from the service.

It is clear that the facts speak for themselves. The development of Info-Log Services is both possible and profitable. With a proven market, medium, and the space to broadcast them, such a service can be quite successful and can make significant progress in today's global marketplace. Everything already exists to create such a specialized service - one that caters to the exact desired market that has been targeted. Everything needed to start the services is in place; all that is needed is someone to bring everything together. The time is right for this kind of marketing. The only thing that remains to bring Info-Log Services to reality is the right investor - one who will develop the concept presented in this project to its full potential.

Chapter 3

SUMMARY AND CONCLUSIONS

Answers to Research Questions

Four research questions were posed to fulfill the purpose of the research study. Each question is restated below, followed by appropriate answers as derived from the review of literature.

1. What relationships exist between present direct marketing catalog sales and those implied from the expansion and development of new video and related information telecommunication services and networks?

Present direct marketing catalog sales has a relationship with expanded and developed new forms of video and related information telecommunication services and networks in that they lay the basic framework or foundation form for the newly evolving models. By adding new elements such as interactivity and taking advantage of new mediums such as the Internet, direct marketing catalog sales can experience renewed growth and expansion. Tapping into the newly evolving trend toward interactive media and infomercial marketing, Info Log Systems can target today's savvy consumers with value-priced, quality products and high impact packaging, as well as a marketing approach that incorporates cutting-edge technology. As noted by Corwin (1994):

the mass retail industry has entered a new world--a world where marketing is becoming more important than ever before. And what's more, this new world is continuously changing. With the advent of interactive media, infomercial marketing, and an information superhighway that will soon deliver 500 TV stations to consumers'

homes, retailers' options for reaching their customers are increasing dramatically" (p. 65).

2. Does the literature show that there is a need for new forms of marketing goods and services?

The literature indicated that there is a need not necessarily for new forms of marketing goods and services, but revision of those that currently exist. To allow marketing approaches and forms to continue experiencing successful growth, new elements such as interactivity as developed by new technologies need to be added. New mediums of expression are other new elements that are currently available and also need to be explored as, for example, the Internet. It is the Internet, in fact, that has created the greatest potential for marketing of goods and services in the international global marketplace. The greatest advantage is the lesser costs of advertising goods and services. Reasonable costs are certainly a distinct benefit. There are other tremendous advantages, however, as noted by Blake (1996) in his discussion on the growth and development of infomercial marketing on the Internet:

... the future [is]...ripe with possibilities for the savvy businessman. The Washington Post reports that several cable networks are broadcasting wall-to-wall infomercials on cable systems across the country.... The information superhighway has opened a new frontier—NIMA opened its Internet web site in March--.... many marketers are rubbing their hands at the prospect of interactive TV, which will eliminate the need to call to order a product by allowing consumers to place orders directly with their TV controls.... Then there's the largely untapped foreign market. {One such web site} projected that 40% to 50% of our revenue will be generated internationally...(p. 13).

3. What successful elements from direct marketing catalog sales can and should be adopted by emerging video catalog and information services?

According to the literature, emerging video catalog and information services can significantly be assisted by combining elements of the infomercial. As previously noted, the door for infomercials was opened in 1984, when the Reagan administration lifted the Federal Communications Commission's 16-minutes-per-hour restriction on TV commercials as part of its deregulation mission. This, combined with the growing cable TV industry's wealth of empty time slots at odd hours and for bargain prices, and the development of toll-free 800 numbers and computerized credit card ordering, led entrepreneurs to unleash the first wave of infomercials. These have and continue to be highly successful. Direct marketing catalog sales can also use toll-free 800 telephone numbers and computerized credit card ordering. Once interactivity is added to the mix, however, they will truly realize explosive growth.

4. What elements of current video catalog-like services should be kept and which should be changed in order to create a successful new cable service?

All elements of current video catalog-like services should be retained. However, one extremely important element that should be added to create a successful new cable service is interactivity. Without interactivity that directly involves the consumer, no system - Info Log or any other - will significantly expand. This was especially noted in the literature by Macdonald (1994), although his discussion focused on Home Shopping networks and services. He noted that, as it currently exists, TV shopping will never significantly expand:

As of today, it's merely a selling--not a shopping--medium. HSN and QVC do not provide true shopping services to the consumer. They broadcast direct-response advertisements to people... Clearly, this kind of "TV shopping" is of marginal use...people have neither the time nor the patience to sit in front of the TV waiting for desirable (or useful) products to appear.

TV shopping will never be anything but "the greatest retail sideshow on earth" until interactive video formats replace simple broadcast formats. Home shopping will only become a viable alternative for consumers when they're given control of the experience. When the average American can sit in his living room, and shop for a high-quality garment by browsing through an electronic catalog--one that features 3-D, high-definition moving pictures--TV shopping will have come of age (pp. 56-57).

Other authorities have supported this view. Piirto (1994), for example, noted that by the year 2000 it has been predicted that almost half of American homes will be physically capable of receiving interactive shopping. But this only means that they will have coaxial or fiber-optic cables coming into their homes and does not imply that service companies will have installed appropriate boxes. "Obstacles to total coverage include the huge costs of wiring homes for two-way communication and the even riskier issue of consumer acceptance" (p.7).

Summary of the Study

The market for mail order catalogs has already been proven. The success of such companies as J. Crew, L.L. Bean, Land's End, and Victoria's Secret is testament to this fact. These companies have broken into every kind of market and have currently expanded into the global world marketplace. The strength of their marketing power is especially evident in college markets, where consumers with little or no disposable income significantly increase their credit card debt to

purchase the products in these catalogs. The sudden explosion of new specialty catalogs is another indication of the potential that is present in this market. Every possible type of consumer goods/services market - from lingerie to kitchen supplies to collector's knives - has suddenly developed a catalog with a specific and targeted consumer group in mind.

The home shopping channel concept has also proven itself to be a potent market force. The success of both the Home Shopping Network and QVC shows clearly indicates that consumers are willing to spend millions of dollars per year on products they see on television. The development of new shopping channels, such as QVC's new Q2, is further proof that the concept of shopping at home through the consumer's television is the purchasing option of the future. In addition, home shopping channels prove that there is no limit to what type of product/service can be offered. Specialty products are regularly featured on the channels. On any given day, viewers can see such diverse options as Star Trek collectibles to ceramic doll collections to full scale computer systems. Anything and everything is being sold via television these days.

Specialty programming is a proven cable success as well. MTV is proof that niche market channels are what cable television was made to deliver. ESPN, CNN, The Disney Channel, and The Discovery Channel are more examples that support the success of narrowcasting. When more channels become available as technology becomes increasingly more sophisticated, narrowcasting will significantly expand its reach.

Plans to expand cable's capacity are well known. Expansion will create a severe need for new programming and new contenders to fit into the competitive market. But they will need to develop a special edge to set them apart from the rest. They will need to find a market to serve and some way to prove financial practicality. Info-Log Services takes all these considerations into account. Info-Log takes successful elements of catalog sales and uses them to great advantage. As previously explained, the market is proven. The resources already available through the industry make start-up and market acquisition relatively smooth and simple. The concept presented in the present study develops the successful home shopping channels to the next level of service. Instead of the channel buying and selling large quantities of whatever merchandisers happen to have on hand, Info-Log Services will offer specific markets exactly the products that they are seeking. This allows consumers to view only what is of interest to them and eliminate extraneous product viewing.

Specialized programming like Info-Log Services has already proved effective for cable broadcasting. Consumers with specific programs in mind know that they have a place to go to see what they want and not be forced to view those products in which there is no interest. Cable's expansion will open the industry up to new programming concepts like Info-Log Services. There are always gaps in every broadcasting system's line-up that need to be filled. These systems will take advantage of channels that will not cost them to broadcast and those in which they could possibly make them money through percentages of sales.

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