



I Want My ITV!

By Brian Gilman

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Interactive television has been a promise for a while -- so long, in fact, that people wondered if it would ever come to be. But recent signs of increasing consumer interest -- coupled with initiatives from bigshots such as [AOL](#), [Microsoft](#) and [AT&T](#) -- and a greater range of available applications and services, are making analysts dust off their [rosy predictions](#). There is not yet a standard definition of ITV; this article defines it as any service that allows viewers to interact with their television. This includes internet TV, video-on-demand, and digital video recording.

According to the Myers Group, ITV is still in its infancy, realizing \$665 million in 1999. As technology improves and penetration increases, ITV revenues will soar, reaching \$7.3 billion by 2003, and an incredible \$32.1 billion in 2006.

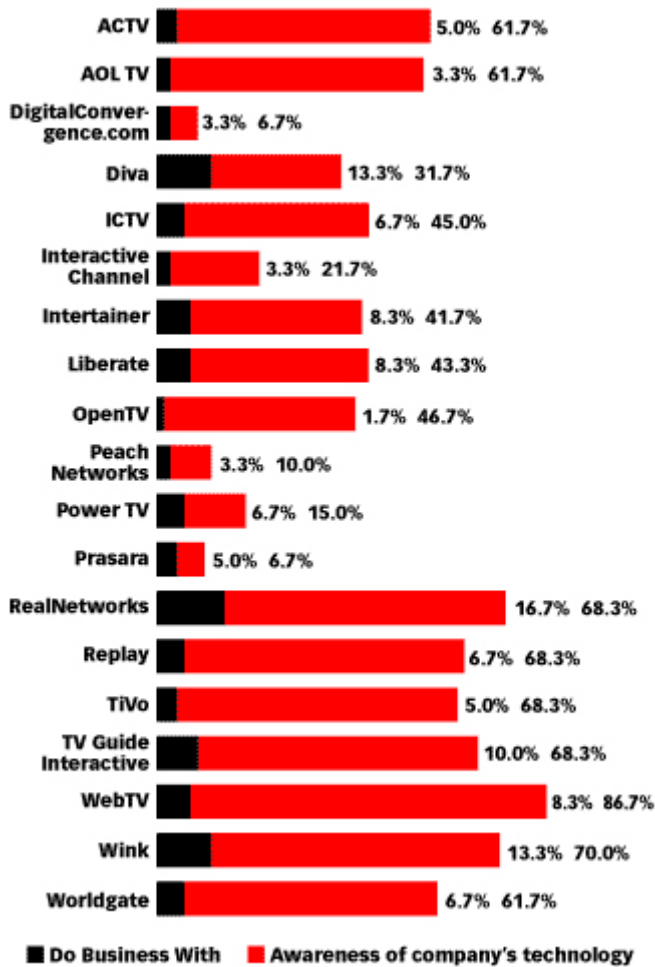
ITV Revenues, 1999-2006, (Millions)

	1999	2000	2001	2002	2003	2004	2005	2006
Advertising	\$94	\$180	\$350	\$960	\$2,190	\$4,900	\$7,400	\$11,500
e-Commerce	\$168	\$260	\$560	\$1,400	\$2,760	\$5,600	\$8,200	\$13,400
Subscription	\$403	\$480	\$770	\$1,680	\$2,350	\$3,150	\$5,100	\$7,200
Total	\$665	\$920	\$1,680	\$4,040	\$7,300	\$13,650	\$20,700	\$32,100

Source: The Myers Group, 2000; Forrester Research for 1999 only.

Despite these high expectations, ITV has many obstacles to overcome before it can proliferate in the US market. For one thing, no definitive standard has been reached. And while many ITV services exist, and awareness of many of these companies is high, business involvement is very low.

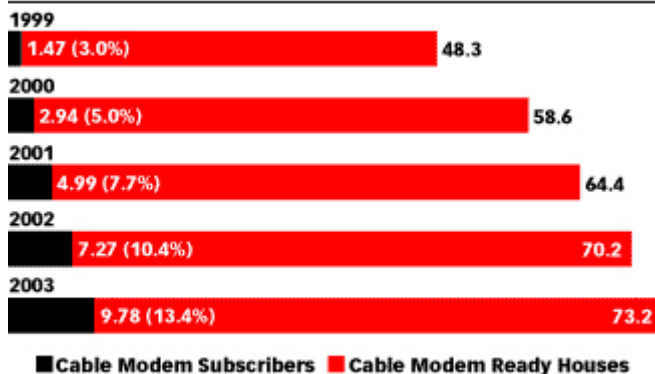
Market Awareness of ITV Services



Source: Myers Group, Prospects for ITV, 2000

Also, ITV requires broadband capability. High-speed internet access has yet to reach the masses (see our previous articles on [DSL](#) and [cable modem](#) penetration in the US). The slow rollout of broadband services by providers and an overall lack of subscriber interest combine to create yet another speed bump for ITV. But greater broadband penetration will help bring technologies like ITV into the forefront of the interactive marketplace.

US Cable Modem Market, 1999-2003 (Millions)



Source: eMarketer, 2000 (subscribers); Goldman Sachs, 1999 (Cable Ready Houses)

ITV Internationale

ITV is far from being a solely US-based phenomenon. The international market for it is every bit as big as the United States -- in some cases, much larger. And transatlantic interest in the industry is growing -- witness the recent alliance between the US's Agency.com and two European cable providers. Interactive television services are making headway in Europe, where there is said to be more than 8 million homes with access to ITV. By 2003, that total is expected to reach 40 million.

European Interactive Digital TV Penetration in Selected European Countries, 1999-2003 (Percent of Homes)

	1999	2000	2001	2002	2003
Germany	1%	2%	4%	5%	6%
France	10%	12%	13%	14%	15%
Italy	2%	3%	4%	5%	5%
Spain	4%	6%	7%	8%	8%
UK	3%	13%	21%	29%	34%
Total Europe	2%	4%	7%	9%	12%

Source: Morgan Stanley Dean Witter (MSDW), 1999

ITV will surely grow in future years. But before it hits full stride, many questions will have to be resolved.