

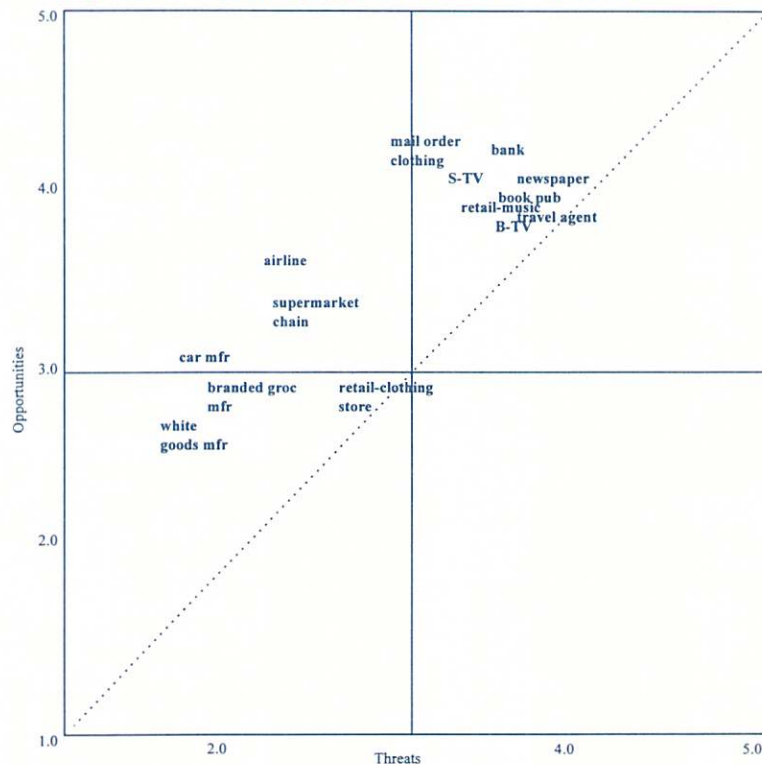
FUTURE MEDIA RESEARCH PROGRAMME

The Business Impact of New Media: Preliminary Results

The Future Media Expert Panel (for a description see last page) judged the 10-year outlook for established firms in 14 industries. Opportunities and threats were each rated on a separate 5-point scale (see questionnaire).

Contrary to popular doom and gloom predictions, the panel was bullish on the outlook for established businesses: opportunities were rated, on average, higher than threats. In **Figure 1** the diagonal line represents equal threat to opportunity: most industries are clearly above the line, i.e. these experts see more opportunity than threat.

Figure 1: Perceived Opportunities and Threats



Industries seen as facing high threats were also seen as having high opportunities. There is a strong correlation between the overall predicted threats and opportunities in Figure 1 ($r=.74$). As one might expect, the highest perceived threats and opportunities were for information-based services whose main customer benefits can be delivered using digital technology (banks, TV stations and travel agents) as well as newspapers, book publishers and music retailers, some of whom are also starting to modify their physical products for digital distribution. Subscription TV (S-TV) was seen as having more opportunities and fewer threats than broadcast TV funded by advertising (B-TV). All these industries are in the top-right quadrant of Figure 1.

Industries with physical products unsuited to either digital or mail delivery - cars, groceries, and especially white goods (kitchen appliances) - were seen as facing little threat from new media, but also as having limited opportunities. Grocery retailers (supermarket chain) were seen as having more opportunities and more threats than brand name grocery manufacturers. For clothing, the panel saw far more opportunities (with virtually no more threats) for a mail order firm than for a mall/high street retailer. They also saw opportunities for international airlines, with few threats over the next ten years. The implication is that these experts do not believe that video-conferencing will lead to significantly reduced air travel within this timescale.

REASONS FOR BUSINESS OPPORTUNITIES AND THREATS

Opportunities (Table 1-Column A) The dominant reason given for new opportunities was better targeting of customers (25% of responses). Other frequently given reasons were 'consumers easily get/compare information' (17%) and 'quicker or cheaper delivery' (13%).

Threats (Table 1-Column B) There was widespread agreement that 'competition will increase' (32% of responses) and that 'consumer loyalty will decline' (18%). The ability of 'consumers [to] easily get/compare information' (which, as noted, was also highly rated as an opportunity) was perceived as a substantial threat (18%), presumably because it is likely to encourage consumers in some markets to buy on price.

Table 1: Sources of Opportunities and Threats: All Industries (%)

Reasons for Opportunity or (Threat)	A. Sources of Opportunity:	B. Sources of Threat:	Difference (A) minus (B)
Better (more difficult) targeting of consumers	25	4	+21
Quicker or cheaper (expensive, slow) delivery	13	3	+10
Lower (higher) cost of producing product/service	11	5	+ 6
Good (poor) technology match or new product lines	10	9	+ 1
Total market expands (shrinks)	6	5	+ 1
Consumers easily get/ compare information	17	18	- 1
Lower (higher) consumer loyalty/retention	11	18	-7
Less (more) competition	1	32	-31
Other reasons (open ended comments)	6	5	
	100%	100%	

Table 2: Opportunities and Threats for Specific Industries (%)

	Better Target	Compare Info	Improve Delivery	Lower Cost	More Loyal	More Compet	Compare Info	Less Loyal
Travel Agent	22	29	9	13	6	33	26	19
Airline	28	47	9	8	12	25	25	16
Book Pub.	18	8	22	19	3	32	5	7
Newspaper	14	7	23	17	7	30	7	17
Music Retail	18	16	19	10	6	34	16	17
Bank	17	11	15	22	11	34	20	19
Car Mfr.	33	29	5	9	10	15	27	13
White Good Mfr.	38	28	8	7	8	14	24	14
Brand Food Mfr.	31	21	12	6	19	21	20	17
Supermarket	24	19	14	7	21	22	20	21
Clothing Retail	33	16	7	7	18	30	15	17
Mail Order	29	15	18	11	8	33	19	16
Broadcast TV	29	7	6	9	10	42	5	24
Subscript. TV	24	7	8	6	10	39	6	21
Average:	25%	17%	13%	11%	11%	32%	18%	18%

Although better targeting was seen as the main opportunity and increased competition as the main threat for most industries, there were some exceptions and the detailed patterns varied (Table 2):

- For **travel agents** and, especially, **airlines**, the main perceived opportunity was consumers' ability to compare information; for **book publishers**, **newspapers**, and **music retailers**, it was quicker or cheaper delivery; and for **high street/retail banks**, cost reduction was the main perceived opportunity. For all the other industries, the main perceived opportunity was better targeting of consumers.
- For all the industries except **car** and **white goods manufacturers**, the main perceived threat was increased competition. For these manufacturers (i.e. cars and white goods), a greater threat was seen to come from consumers' ability to compare information. This was also seen as a major threat (as well as opportunity) for several other industries, especially **travel agents** and **airlines**. Lower loyalty was also seen as a significant threat to all industries except book publishers.

ONLINE TRANSACTIONS: EXPECTED GROWTH

For 12 of the 14 industries (all except broadcast and subscription TV stations) the expert panel was asked the percentage of transactions or sales to consumers they expect to be online by the year 2006. The median scores are shown in Table 3.

The results are striking: according to these experts, 60% of transactions will be online by 2006 for banks, travel agents, airlines, and mail-order clothing firms. For music, books, and newspapers, the proportion is expected to be about 30%. Even for groceries, electronic shopping was expected to account for 15% of sales. But only 10% of other traditional in-store purchases, like cars, clothing, and white goods (appliances) were expected to be online by 2006. The overall average for all 12 industries was 32%.

The responses were strikingly similar for experts in North America, the UK, and Continental Europe. However, experts in the US/Canada predicted higher levels of online activity for travel agents, music retailers and newspapers, all of which can be easily 'digitized'.

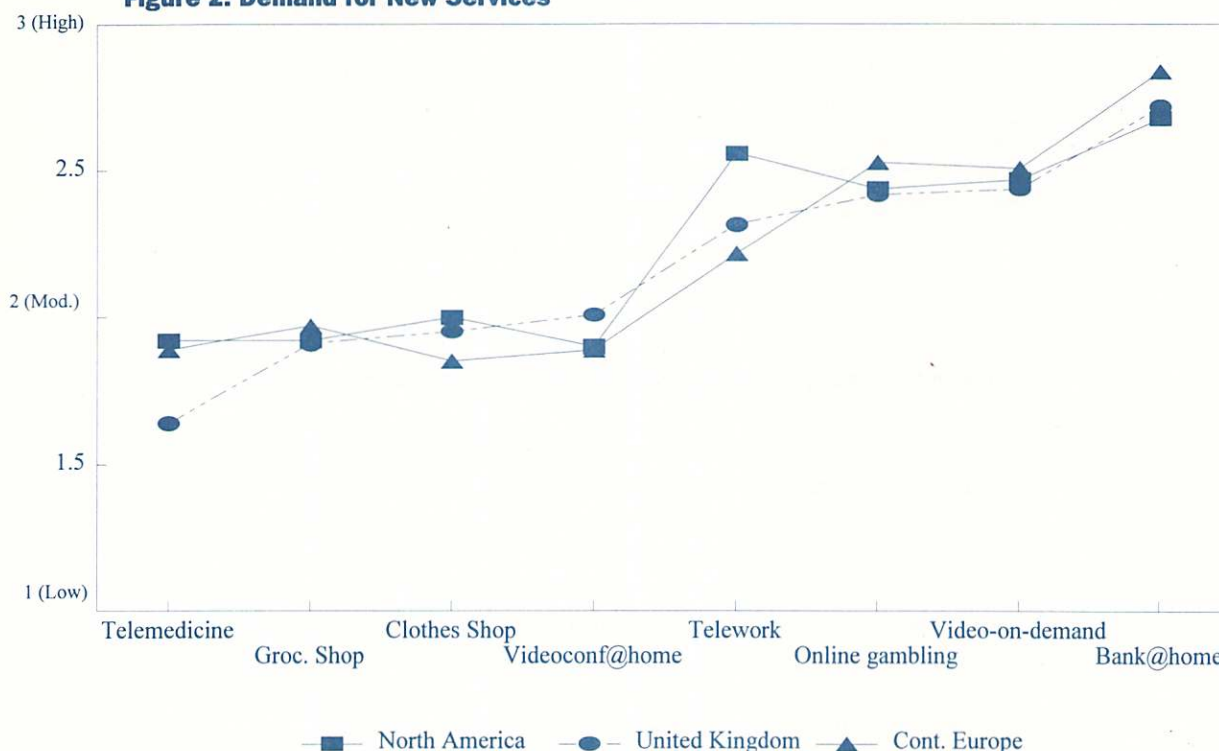
Table 3: Percentage of Transactions/ Sales Online by 2006 (Median Scores)

Industry	Entire Panel N=273	North America N=73	United Kingdom N=159	Contint. Europe N= 37
Bank	60%	60	60	60
Travel Agent	60%	70	60	50
Airline	60%	60	60	50
Mail Order Clothing	60%	60	60	40
Music Retailer	35%	50	30	30
Book Publisher	30%	30	23	35
Newspaper	25%	40	20	25
Supermarket Chain	15%	17	15	20
Car Mfr.	10%	12	10	10
Branded Food Mfr.	10%	10	10	15
Clothing Retailer	10%	10	10	10
White Goods Mfr.	10%	10	10	10
Average	32%	36%	31%	30%

Closely related to the issue of online transactions is the diffusion of specific interactive applications. The panel examined eight applications, and rated each one on a 3-point scale (low, moderate or high demand, see Figure 2).

Again, the panel was generally bullish, with most responses for most applications being high or moderate. **Electronic home banking** was viewed as the most likely service to take off over the next ten years, especially among the Continental European experts. The panel also expressed high expectations for the growth of **video-on-demand** and **lotteries/online gambling**. The takeoff of most other teleservices was judged somewhat lower, except for **work from home** (telework) for experts in North America. The only application for which only moderate-to-low demand was expected was telemedicine among the UK experts.

Figure 2: Demand for New Services



About The Future Media Expert Panel

This Expert Panel comprised 273 top managers and business professionals from 14 countries. Members were chosen because they had been (a) regularly cited by the media on the issue of new media or (b) recommended by other experts.

The panel included 196 top managers (Presidents/ CEOs/ Vice Presidents/ Senior Vice Presidents/ Principals/ Partners/ Directors/ Managing Directors/ General Managers), 30 Editors and Academics, and 47 Other Professionals (e.g. Research Titles, Engineering, etc.)

37% described their job as 'General Management'; 19% as 'Marketing/ Sales'; 14% as 'Education or Journalism'; 10% 'Research/Development', 9% 'Consulting', 11% other/not identified.

Through September, the *overall* response rate to this survey was 35% (number of remitted questionnaires/ total number sent). Within the UK the response rate was 47%; in North America, 27%; and in Continental Europe, 33%. The survey was sent by post in June 1996.

If you would like more information on Future Media, or the Expert Panel, please contact Margaret Walls at London Business School (mwalls@lbs.lon.ac.uk).