

1 when I say don't take the conversations here about sort of the
2 dysfunctional part of building towards a standards base as being an
3 indication that this should slow down.

4 My prediction is that at this show one year from now you
5 won't be able to go past one booth without getting to the next
6 interactive television booth, that it will be three-quarters that and
7 nothing else, and perhaps 100 percent that.

8 SPEAKER: I would like to echo everybody's sentiment here.
9 This has attained critical mass and there are things we need to be
10 cautious about and I only state that as we are starting to build these
11 things -- be cognizant as we are moving forward how these things are
12 going to evolve.

13 I also agree with the leap of faith right now with that,
14 especially as it relates to the triggering mechanisms and I think that
15 we are talking about kind of another "last mile" problem here. You
16 know, we are going to close the gap on it being 25 percent, 15 percent,
17 10 percent, 5 percent.

18 I don't think we will ever achieve zero but I think we are
19 going to get very, very close to it. I think that is the problem that
20 all of us collectively have to solve. The operator has to work on it.
21 The programmer has to demand it. The platform people have to support it
22 and companies in our space have to be out there learning about it and

1 pushing those agendas with everybody.

2 MR. RIAL: Richard, perhaps we could move to the advertising
3 component of T-Commerce a bit and talk about some of the models that are
4 emerging as it relates to advertising.

5 You are in the middle of aggregating and integrating
6 advertisers, programmers, the cable operator and all of this
7 infrastructure that we have been talking about, so that the area that
8 you are playing in seems extremely complex.

9 MR. FISHER: It is. There's a lot of players and Respond TV
10 has to figure out how to what we call "dance with giants" -- figure out
11 how a business model is going to work with the likes of a charter as
12 well at the same time with an NBC or with a Ford and how all those
13 pieces will work together, but I think that one of the -- as we have
14 identified it over time, the real -- the huge opportunity here is the
15 word commerce is a little misleading in a way. I think everybody thinks
16 automatically of taking out your credit card and buying something, and I
17 would suggest that in a ratio -- my personal view is a ratio of 5, 10 to
18 1 that the revenue opportunity here is going to come from targeted
19 direct marketing leads that are generated because of the layer of
20 interactivity with the programming and with the advertising.

21 I'll give you a very specific example, one that should
22 resonate with you given your interest in music. There was a KBHK, which

1 was the UPN affiliate in San Francisco. There was a Melissa Etheridge
2 concert being simulcast with a local radio station and CD Now became the
3 in-program sponsor of this. Now, remember, this wasn't a 30 or a 60
4 second spot being enhanced, but rather if you had a box and could see it
5 and you clicked, up came an enhancement that said get 30 percent off
6 Melissa's albums right now at CD Now.

7 Now it was very interesting choice of an application for
8 them. They could have easily said "Buy this right now" but they felt,
9 CD Now felt it was a more effective thing to get a higher percentage of
10 leads back from an application like that, rather than getting two,
11 three, four, whatever the percent might be of who actually bought it.

12 Of those who clicked on it, 24 percent actually said, yes, I
13 will take the 30 percent discount, which then can be stored in CD Now
14 and used over a period of time that CD Now decides.

15 That kind of application, the ability to get somebody the
16 emotional power of television, the branding power of television and then
17 to draw them in and say this is just for you, and then the next step of
18 that comes with the eventual when there is hundreds or millions of users
19 I should say using this and be able to target them in a way that really
20 makes sense for them.

21 For example, a WalMart ad is running nationally and that
22 branding power and emotional power of that ad, and in one part of the

1 country someone clicks and it says your local WalMart is at Third and
2 Main and there is a special on fly fishing equipment, and across the
3 country at the exact same moment on the exact same ad an enhancement
4 comes up and says your local WalMart is at such-and-such an address and
5 the store manager, Jane, has a special on diapers or whatever other
6 thing it might be, whether it's just because they are randomly choosing
7 those opportunities or because they are learning something about you or
8 know something about you because you are a WalMart club card member,
9 whatever it is, that to me -- from an advertising point of view --
10 e-commerce is great.

11 But I think it is a little bit of a lean-back impulse in
12 commerce. It is going to be great for pizzas. Everyone always talks
13 about pizzas. It is going to be great for music. It is going to be
14 great for certain impulse items -- by the T-shirt while you are watching
15 the Worldwide Wrestling Federation that is an autographed T-shirt.

16 But at some point the Web is going to be better for an awful
17 lot of e-commerce application, or to the extent that the Web is not
18 better it is going to happen in other parts of what Charter and other
19 companies have to offer -- maybe that mall that we are talking about or
20 off the electronic program guide.

21 It is clearly, from our point of view, for the programmers
22 out there, it is going to be in program and 30 and 60 second

1 commercials, sponsorships that really drive this and about targeted
2 markets.

3 MR. RIAL: Mary Pat, what do you think about advertising
4 versus direct merchandising commerce through this medium?

5 MS. BLAKE: I fully agree with the wise words of the
6 gentleman to my right.

7 You know, our medium is very emotional. Our content
8 partners do a great job of providing entertainment and information.
9 People love their TV. They love our service, and if you can translate
10 that into more opportunity for them to continue the relationship with
11 the content provider, with the star in the show, with the musician they
12 just heard, and in so doing probably come forward and self-identify, so
13 that we can continue to please them in the future, yes, that is really
14 important.

15 I think the advertising opportunities are tremendous and it
16 is also, it is a relationship-building opportunity and we see it as one
17 where we feel really protective towards our customers, always have, so
18 the models that we are thinking about are not those that would invade
19 their privacy in any way, but if they choose to want to continue to be
20 contacted or see other kinds of services or goods along the same line as
21 they have already just identified themselves to be interested in, then I
22 think that is fair game.

1 SPEAKER: I think one of the things that is happening is
2 before our very eyes TV is changing again. TV is changing from a linear
3 format, linear broadcast format to becoming more nonlinear. It is going
4 to happen over the next five years.

5 The early data is as we would expect. Everywhere that PVR
6 technology or personal video recording technology people skip the two in
7 two. Commercials are going to get skipped. I think it is just a fact
8 that broadcasters and advertisers need to start thinking about now, as
9 they are negotiating carriage agreements, as they are thinking about
10 interactivity, up and down the value chain we have got to figure out how
11 to garner the eyes of the consumer in a different way, moving forward.

12 That is not happening tomorrow or the next day but now is
13 the time to think about it, when you are negotiating a five year
14 carriage deal, right? That is going to be in place and you better be
15 thinking about it now, and so the different forms of advertising are
16 going to be incredibly important and interactivity gets us to some of
17 those things.

18 If you look at TNN and watch NASCAR coverage and those kinds
19 of things, they are already starting this. They are framing the screen
20 not interactively but they are framing it with a sponsor at the bottom,
21 and those frames can get interactive at the bottom, allowing for -- the
22 PVR functionality go through a conditional access system so that you may

1 have to pay extra to skip commercials and then somehow you would build
2 that into your carriage agreement.

3 I think we have to start getting create as an industry to
4 understand what some of the realities are and how can you use these new
5 technologies not to worry about just somebody clicking on something and
6 getting something back.

7 I think that is easy. We understand that. But how do we
8 address upfront the paradigm shift that TV is changing here and make
9 sure that what is now becoming a more fragile business model that we are
10 all living and dying by it could fall apart and you have to be
11 proactive.

12 I just to look to the music industry right now. If anarchy
13 starts ruling, like the Napsters of the World and where you put your
14 music in what locker and when, if you are not proactive about that, you
15 are going to end up finding that the TV industry might be in an exact
16 same position here fairly soon, and so I think it is something we have
17 to think about when we think about T-Commerce upfront.

18 SPEAKER: When we think about content providers, whether
19 they be programmers or coming from dot.com companies, and programmers
20 have their own websites, not so long ago you would walk the show floor
21 and much of what we would see looked like Internet on TV.

22 MR. RIAL: Do you feel that we are getting beyond it and

1 that content providers will, quote/unquote, "get it" -- that this is a
2 television experience, this is not an Internet experience on the
3 television?

4 MR. FISHER: That is the fundamental challenge I think that
5 this business presents for programmers is that there has always been
6 this wonderful relationship between the programmer and the advertiser.
7 Here is 30 seconds. Here is 60 seconds. Go to town. Do whatever you
8 want.

9 But in the interactive world that doesn't work. Right now
10 today people are not aware that there are an unbelievable number of
11 interactive triggers going through their programming services right now,
12 that there are dozens of advertisers who put triggers in which have
13 these horrible experiences where you take someone to a website and
14 there's no "back to TV" button, or it is a "picture in picture" that is
15 about a postage stamp size, those kinds of things.

16 What has to happen is that the programmers need to take
17 control of their environment and create interactive standards the way
18 that they have broadcast standards and something like putting what looks
19 like HTML up on the screen has to be quickly made to understand it is
20 totally unacceptable. The technology we have freezes it into a JPEG
21 image and it has to be that way.

22 To answer your question, I think that their awareness --

1 going back to what I have been saying about programs in general -- is
2 very uneven in terms of where the industry is and the programming
3 community itself, what you were just saying about recognizing when you
4 are sitting there negotiating these five year deals and thinking about
5 that, I think we have pretty clear understanding of where the education
6 level is of programs, because that is what we do every day is discuss
7 this with them and partner with them.

8 It is so uneven that I would fear for them right now,
9 walking in to participate in any long term negotiation and their
10 abilities to really think through the issues and I think that they are
11 ill-equipped right now.

12 Some are in great shape. Most are ill-equipped and need a
13 lot of thought put into it before they get much further.

14 MR. HASSELL: I agree with Richard 100 percent. If I can
15 quote Craig Ennenstein from yesterday's panel, PCs suck, and we want to
16 make sure that the experience on the TV is not yet another PC sucking
17 experience.

18 TV has always had a high QOS. People don't want to learn
19 what a HTTP 404 is or DNS error is. We have got to keep that consumer
20 trust here and I think that one of the things we have seen with kind of
21 the Internet style plays on TV is you end up with potentially a
22 disenfranchised viewer who decides that they just don't want to use that

1 thing anymore -- the postage stamp video, you know, where did I go?
2 This link is broken. That doesn't mean anything to me, especially for
3 the broader viewing audience out there.

4 The consumer trust piece is real important. You look at a
5 lot of us have technology backgrounds but think about the very first
6 time you did an Internet transaction -- is this thing going to actually
7 be delivered to my house?

8 I have been in PCs my whole life, nothing but a computer
9 person and a cable person, a TV person, a technology person, and I
10 remember the very first time I ordered something. Try to envision
11 somebody who doesn't have our technical background who you are now
12 asking that person to "trust me" -- it has to be there. It has got to
13 be delivered.

14 SPEAKER: I agree. As an example, when we started this it
15 has nothing to do with what we are doing on the Internet. We didn't
16 start from our Internet interface and capabilities and say, well, how do
17 we do this on the television?

18 We started with the television and said, okay, now what can
19 we do for people that are using our service, how do we enhance that
20 service.

21 In fact, I think that is going to be the key to advertising
22 is to integrate what David and Richard said.

1 The important thing here is how do you make the content more
2 appealing and more interactive and take it to a different level and then
3 how do you integrate advertising into it, as opposed to simply, okay, I
4 am watching or I am listening to something and now how do I get more
5 advertising to them?

6 You know, you have to integrate the advertising in what you
7 are doing, but the reason the customer is there, the reason they want
8 enhanced television is that they want to get closer to the content or
9 closer to the personalities involved, and they certainly don't want to
10 get closer to the advertising.

11 MR. RIAL: We are coming to the end of the session, and I
12 think at this point I would like to begin to open the floor up for
13 questions for our panelists. There are two microphones, one on each
14 side of the room here that we would appreciate if you have questions
15 please come up to the microphone. We are taping this on audio for
16 others, so I would like to open it up for questions for the panel at
17 this time. Yes, sir?

18 AUDIENCE PARTICIPANT: This is for Mr. Delbacaro.

19 You talked about people buying songs, not albums. There is
20 also a feeling that especially among Generation Y they buy disposable
21 music. In other words, they rent it. They don't want to keep it. They
22 don't want to have a shelf full of albums like some people used to want.

1 That certainly leads to a lot of other issues of disposable
2 products in software, certainly in video entertainment, that you don't
3 want to keep.

4 How does that apply to T-Commerce -- and perhaps some of the
5 other speakers have some thoughts about that too. Certainly clothing
6 and food may not be disposable products but there are a lot of software
7 products that will be the early T-Commerce products.

8 MR. DELBACARO: Well, I think there is another phenomena
9 that is going to hit the home that is going to enhance people's ability
10 to have, let's say, disposable software. That is home networking.

11 Home networking has been around for decades and has never
12 taken off because it has been too expensive and too cumbersome, but with
13 the wireless home networking breakthroughs that we're on the precipice
14 of experiencing and how cheap they are going to be, what you are going
15 to be able to do is buy a song, as an example, and move it to any other
16 room, move it to the back yard, move it into your car and it is going to
17 be cheap. You are not going to be buying a \$15 CD.

18 You are going to buy a \$3 song and so what you will do is
19 you will accumulate a library and six months later that song may or may
20 not hold your interest anymore and it won't matter, but you will be able
21 to move it around and push it around and take it to the beach with you
22 because in a sense what cable and satellite will do is extend their

1 franchise. Instead of, really, the family room being the only medium of
2 consumption, once you have bought a broadband service you will be able
3 to push that service throughout the home and into your car and so I think
4 that is the wave of the future.

5 I don't know if you would call that disposable or not. By
6 "disposable" I think you mean "throw away" -- but I am not sure that
7 that is really the phenomena, that for example kids with their music are
8 throwing away the music. I think the more important phenomena is that
9 kids are demanding that they get the music they want and only the music
10 they want in the form they want it and they can go anywhere with it.

11 MR. RIAL: Yes, sir?

12 MR. SHRIVEN: Mike Shriven, NBC. I have a question for Mary
13 Pat.

14 You talked about a couple of things regarding protecting
15 your subscribers and creating unique experiences for your subscribers,
16 but that seems to fly opposite of what obviously a broadcaster would
17 want to do and a national advertiser would want to do, which is write it
18 once, it looks the same everywhere, same kind of interactions take
19 place.

20 The prospect of MSOs wanting different look, feel, user
21 experience, unique, value-add for Charter versus, you know, Cox versus
22 Time Warner, when, I don't know, I mean it's not like people can really

1 pull out the cable and go with AT&T instead of Charter, so if you can
2 explain a little more about what your thoughts are regarding your
3 subscribers and what uniqueness is kind of required or important versus
4 where a national advertiser or a national network can do a one time
5 write, you know, push of information.

6 MS. BLAKE: I am going to go back to one of my original
7 comments, which is that at the essence of what it is that we are all
8 working on is an interactive platform that allows the customer to be
9 able to interact if they so choose with the content that is on the
10 screen, content that may be in other places, may be on the net, may be
11 in a head-end, may be in a variety of places and do so only if they are
12 interested in doing so and that is going to be a decision that is
13 different for everybody in terms of what they want to do.

14 That is the task at hand is to try to figure out exactly
15 what it is that people are interested in and to provide that to them and
16 we have, I think, a terrific opportunity to provide them experiences
17 that they really can't get anywhere else.

18 Already today we have heard a number of really wonderful
19 examples of things that people are thinking about and they are coming --
20 they have dreamt those up because there are real live people who would
21 like to do those. There's a lot of that.

22 That is the stage really that we are in right now, with our

1 content providers, is to try and understand what are these unique new
2 experiences that people are going to way, they are going to enjoy and
3 maybe they are only going to enjoy them for a year. Maybe the kind of
4 scenario that they have talked about is something that may just last a
5 year and then we all have to work together and keep pushing to stay on
6 top of the consumers so that we understand what more we can do to please
7 them.

8 I don't think it is a one-size-fits-all for every customer.
9 I think there are going to be some logical kind of segments out there,
10 but even within those we'll be able to drill down, find unique niche
11 programming, content from our current providers or maybe some new folks.
12 I think there is a huge opportunity on the content side, absolutely
13 huge, and is it going to be a problem from a cost perspective to provide
14 that unique experience to the customers? Possibly. I don't think we
15 know that yet. I truly don't.

16 We have already heard a lot of discussion about standards
17 and at the end of the day, you know, there is agreement that we are
18 actually in a pretty good place for that. I think for our advertisers,
19 certainly they are -- yes, I am an advertiser too -- so I know all about
20 those costs and I am trying to keep those down just like everybody else
21 is, but you know, if I had an opportunity to put together some very
22 unique advertising that gives my customers and experience that tells

1 them something very cool and special about Charter and I am able to
2 reach through and touch those customers, I would do that in a heartbeat.

3 So will General Motors feel the same way? Procter & Gamble?
4 I don't know, but I think so, because they are talking about it. They
5 want the ability to break through.

6 It is not going to be for everybody. Some of the very
7 unique things that I just talked about -- it's not going to be for
8 everybody, but the platform is there for this interactivity and I think
9 it is up to us to figure out how to use it well, figure out how to use
10 it cost effectively, and we are all business people at the end of the
11 day, and so we will be seeking those grounds, that level, but in the
12 meantime I am a little bit like a kid in a candy store because we now
13 have that opportunity to be able to have a customer touch us back, touch
14 Dave's service back, touch our advertisers back.

15 We have been inching our way to this, right? -- over the
16 last decade and we are really here now. It's so close it is very
17 exciting, so I will stop my impassioned plea because I really think that
18 there is a very cost-effective way to do this as long as the business
19 people keep their heads on and their calculators on and make sure that
20 we know and test our way through this.

21 SPEAKER: I don't see the inherent conflict actually. I see
22 it the same way today I can buy many P&G products through tens of

1 different categories of stores, but there is a tremendous amount of
2 differentiation for example right now just in a plain old grocery store
3 and it is service-oriented. I think Charter is a good example of a
4 company that is head of most of the other operators in terms of trying
5 to figure out not just how to do interactive television but how to
6 integrate it into everything else that they want the customer to do in
7 the home.

8 How are they going to make it simpler? It is true that our
9 music will be available for everybody to buy and everybody to download,
10 but is Charter going to be able to do it simpler, for example, than
11 their satellite competitor or maybe their brethren in the cable
12 industry? Are they going to move it around easier? Are they going to
13 help the customer through the experience easier? That is going to be
14 the point of differentiation is in essence the service level they create
15 and, like I say, they are actually -- whereas most operators tend to be
16 working on, let's say, the TV experience, Charter is, I think, ahead of
17 most in that they are working on the entire home experience. I think
18 that is going to be their point of differentiation.

19 MS. BLAKE: That is a very good point, because I do think
20 that there's going to be different customer needs and different rooms in
21 the home and that is one of the things that we are intensely interested
22 in and studying, and that is who wants to do what in what room in the

1 home.

2 There's a lot of different opportunities for a lot of
3 different companies.

4 MR. RIAL: Yes, sir.

5 AUDIENCE PARTICIPANT: I realize we only have about another
6 30 seconds so I will make this quick.

7 I am just curious as to the future of this T-Commerce
8 business model. We are talking about what Ford is going to be steaming
9 these and different advertisers are going to be offering different
10 services.

11 I guess what I would like to throw open to the panel is what
12 if they see somewhere along the way that the communication breaks down?
13 My guess is many calls will come into the cable operator to, you know, I
14 didn't get my coupon, I didn't get my music file, I didn't get --
15 somehow things of that nature.

16 As a panel do you see that having a big impact on the
17 operator in terms of they obviously, as Mary Pat mentioned, there's a
18 relationship that we have with the customer from the operator's side,
19 and if something goes wrong in the business models or as we develop the
20 content are there going to be mechanisms for the consumer to access
21 customer care, customer service or what kind of an impact is that going
22 to be on a cable operator or whoever happens to provide this -- "Well, I

1 ordered it through -- I am a Charter customer. I ordered it through
2 Charter. I am calling them."

3 And then how would we provision that to be able to respond
4 to what could an infinite number of transaction question?

5 SPEAKER: If we come up with a system that requires them to
6 add CSRs we are all going out of business.

7 It is an important point but there's no more dollars there.
8 I am convinced of it.

9 I think the issue is this is where the value chain is,
10 right? In the carriage agreements and in -- I would just say the same
11 thing happened in credit card validation, right? There was created a
12 need for somebody to effectively indemnify the transaction between the
13 time it was at a merchant and got to a bank and hence, you know, a bunch
14 of companies grew up that ran early versions of commerce response
15 networks.

16 I think you will see similar types of things happening here,
17 that there are going to be people who manage those services. Some MSOs I
18 think are going to want to take that inhouse. There's a lot of value
19 there, and whether or not Digeo or over in UK Open Interactive, they
20 might want to take that on. They are big enough issues they think
21 that's enough of the value that they want to do it themselves. There
22 will be others that outsource that and I think you will see not only the

1 companies that are in the market now but I can tell you there's a bunch
2 of others that are just getting going that want this business.

3 They want to effectively run the clearinghouse for this and
4 the price that an MSO pays for that is they are going to have to give
5 branding to that person, because if you don't want the call you have to
6 brand the person you want to give the call to.

7 A great example of this I think was QVC. You know, QVC,
8 that was a big problem, right? The cable companies, they got their cut,
9 but they didn't want to take the call for a problematic QVC transaction,
10 and what they have had to give is branding the QVC to put that phone
11 number everywhere they possibly can so that that call gets directed to
12 that property and I think we are not inventing necessarily new business
13 models, but I think there will be new companies doing this in this space
14 and I think it is a big decision.

15 It is an important point that the MSO have to make
16 upfront -- do they want to keep that business captive and do it through
17 holding property or separate entity or do they want to outshoot that
18 business to a partner?

19 SPEAKER: I actually think the problem is going to be
20 exacerbated by the temporal nature of trigger-based T-Commerce
21 opportunities, because you are not going to know even that outsource to
22 CSR is and there is a problem to be solved there.

1 If I got to my T-Commerce transaction through a trigger, I
2 might not even know who to call and I think still the first inclination
3 is going to be to call the operator. I think there is something that
4 has to be resolved there in terms of the operator being able to support
5 that.

6 SPEAKER: I think it is going to end up a hybrid between
7 where we are in the Internet today and what you are talking about
8 because on the Internet today you have a rough idea whether or not your
9 problem is with AOL or with the person you bought it from.

10 This is going to be a little bit muddied but I think in the
11 end if we want the explosion that we are talking about of services and
12 capabilities it is going to have to be pushed down to the different
13 content providers because there is no way for a Charter or a Time Warner
14 to possibly keep pace with the hundreds of thousands of opportunities
15 that we are talking about.

16 There is no way they could possibly keep anybody, outsourced
17 or not, educated with all the different products and capabilities we are
18 talking about.

19 Everybody wants to advertise this way at some point. How
20 could any clearinghouse handle that? You ultimately have to get back to
21 the person who is fulfilling the product and so I think in a sense you
22 will have a hybrid of the QVC model.

1 QVC will be the person who gets called but what will happen
2 is that some level of service will be involved with Charter to get the
3 call into the right place so that the customer doesn't feel abandoned.

4 MR. RIAL: Let's try and take two quick last questions. We
5 are pretty much out of time, but you gentlemen have been standing there
6 for awhile, so why don't you start, please.

7 MR. GERR-BRANT: Sure. I am Larry Gerr-Brant with Paul
8 Kagin & Associates.

9 Richard Fisher said that in terms of you thought that 5 to 1
10 the revenue stream would be from targeted, would be from direct response
11 type lead generation versus selling actually a product, an endproduct
12 over the air.

13 Two interrelated questions and they are just quick numbers.

14 What do you think, based on what you have seen so far, the
15 number of times the average household will click on a targeted ad when
16 they see it, and two, what will the cost be to the advertiser on a CPM
17 basis?

18 MR. FISHER: Well, first of all, to clarify one thing I
19 said, remember I am focused on things that are synchronous with
20 programming and advertising, so when I say the 5 to 1 ratio I am not
21 suggesting that that is what is going to happen in other parts of the
22 interactive environment that the cable operators are providing, but in

1 my world what we have seen so far in terms of click through rates has
2 been beyond our wildest imagination and we can only assume that is
3 because of the early adopters, who just seem to have remote controls in
4 their hands and a thing for anything interactive, I guess.

5 On the Web TV Plus boxes, the predominant test bed that we
6 had, I will give you a specific example. I mentioned the CD Now
7 example. That same station did a worldwide wrestling contest, Worldwide
8 Wrestling Federation contest where you could win two tickets to go to
9 the event when it was in San Jose and we had about an 18 percent
10 response rate there.

11 1-800-FLOWERS, who was the sponsor of our application that
12 is Bloomberg, where you can get live stock quotes, and they sponsor it,
13 it had a similar response rate, and that is 18 percent of those that
14 clicked on the first enhancement. Now of those that clicked on the
15 first enhancement our response rates have varied to 10 percent to as
16 high as 45-50 percent of those based on the knowledge we have of the
17 ratings, the number of boxes on the market, but I would stress that
18 there's not enough data.

19 This is very inexact. I mean our test bed is way too small.
20 The box is really not the box we are focused on at the end of the day.
21 It is a dial-it-back channel, not a broadband box.

22 To answer your second question, about the CPMS, that is a

1 tough one and I think the answer is there's, first of all, to
2 distinguish the two things, there is a CPM with regard to when someone
3 first clicks and the enhancement comes up and the power that you are
4 giving them to brand a message, even if someone doesn't follow through
5 with it or just to put information up, that sponsor or whatever the case
6 may be, and then a separate charge and a separate value if you will for
7 a lead that is generated, whether it is buying something or a targeted
8 lead coming back.

9 On the first one, the general feeling from the community
10 that I have talked to, the advertising community that I have talked to,
11 is that that is clearly -- you know, they start to talk about more
12 Internet terms and they think about it, and depending on how targeted it
13 is and how defined the nature of that is, the answers have come back
14 anywhere from a \$3 to \$4 cost per thousand to \$20 to \$100 if it is as
15 extreme a situation as it is in certain parts of the Internet.

16 That said, the one other comment I would make is that one of
17 the unspoken challenges here, and there's a lot of them -- I think we
18 have identified a whole lot of issues we all face as an industry -- but
19 one of the unspoken ones is actually those who are today in charge of
20 the main revenue stream for program networks and for broadcasters is
21 those ads -- the general sales manager and their sales team, and they
22 have never been faced with selling an environment of a performance-based

1 model other than household ratings, which are loosely performance.

2 But trying to take that normal, hey, this is how many cost
3 per thousand it is and say, well, how do you charge for that without
4 being forced into making it a commodity for "x" percentage of those
5 households clicked and saw that first enhancement and "x" percentage of
6 those went through with it, and I think that, frankly, there is a lot of
7 resistance there, the resistance to change and a lack of understanding,
8 but that group really needs to get educated and really sit down at the
9 table and figure out how to do this, as do their associated media buyers
10 on the other side of the table for this to happen.

11 It is inevitable but there is not a lot of work being done
12 to bring those people up to the education level that is necessary.

13 SPEAKER: Quick follow-up. How does the revenue stream get
14 divvied up between the cable network, your company, or the middle
15 company and the cable operator?

16 MR. FISHER: Well, just real quickly, in the interest of
17 time, the cable operators are our strategic partners and they share in
18 what we are able to create by using the infrastructure that they have
19 put in place.

20 The programmers are our clients and we make a real
21 fundamental point of never getting between the programmer and the
22 advertiser, that the programmer will get our rates and they will do what

1 they want with those, use it themselves or mark them up accordingly for
2 the advertiser.

3 That is a very important point because I think anybody in
4 this business that thinks at least as they are working directly with
5 programming and its advertisers that they can do business directly with
6 the advertisers is -- that's the fundamental point of leverage, the
7 fundamental point of revenue can't be split. It has to be -- that has
8 to be preserved.

9 MR. RIAL: We are running well over, so please, final
10 question.

11 MR. MARQUETTE: My name is Mark Marquette. I am the Vice
12 President, Sales and Marketing, for a company called Infinity. Our
13 specialization is dealing with broadband as it relates to T-Commerce and
14 the pressure points associated with it.

15 So to be very brief, what type of thought leadership has
16 been generated toward in the advertising sector, wireless couponing,
17 from the music sector perhaps, digital rights management as it relates
18 to the set-top box and interactivity as being the impetus toward moving
19 toward that?

20 Those are the two things I would like some comments on.

21 SPEAKER: On the second point, which is in our area, we are
22 in active negotiations with all the major record companies dealing with

1 DRM, Digital Rights Management. Our company happens to have three of
2 the five majors in our partnership who are private companies -- Sony,
3 Warner and EMI -- and so I won't say it's been easy but it hasn't been
4 that hard and I think we are very close to concluding the contract
5 negotiations we need to to make all of what we talked about possible, so
6 I think it is not on the radar screen of concern is the way I would
7 summarize it.

8 SPEAKER: Thanks.

9 SPEAKER: The only thing I would add is that on the wireless
10 coupon side, because these are Internet-based technologies, it could be
11 wireless or at least paperless I should say in the sense that when
12 someone wants an offer off it can go directly to that Internet site who
13 might be making the offer, and the next time you go to an Internet site
14 it is there and you never have to get something in the mail.

15 MR. RIAL: I want to thank all of our panelists this morning
16 and thank all of you for coming on the third morning of the NCTA show in
17 New Orleans. Thank you very much.

18 [Applause.]

19 SPEAKER: This concludes this session, which was
20 professionally recorded by Sound Images of Inglewood, Colorado, (303)
21 649-1811.

22 [Whereupon, the session was concluded.]