MARKET SEGMENTATION AND THE IBN POLICY DEBATE

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1. Introduction

This paper will focus upon a particular type of service which will be delivered by an integrated broadband network (IBN): switched, interactive video for the residential market. It will be argued that social and economic forces will lead to this service being used by advertisers for the purpose of market segmentation. Associated with this development are certain threats to society which raise important policy issues.

There has already been much discussion about the importance of switched video in justifying the fixed costs of a public broadband network. Discussion has focused largely on estimating the potential consumer demand for new video services and new video delivery channels. One frequent conclusion is that a combination of insufficient near-term consumer demand and significant obstacles in the policy arena are likely to work together to militate against a private sector decision to capitalize a public IBN. The policy issue, as frequently defined, is whether the potential long-term social benefits of such a network justify subsidization. It is the aim of this paper to challenge the conclusion and broaden the definition of the policy issue.

To this end, an explanation of the social forces will be offered first; the historical path of their effects on the development of other communications technologies will be treated next; then there will be an analysis of the demand they will create for a switched, interactive video medium; and, finally, the paper puts forward an analysis of the associated policy issues.

2. Social and Economic Forces

The generally negative assessment of the likelihood of the implementation of a public IBN is, for the most part, the result of an economic comparison of the cost — usually calculated to be in the neighborhood of $200 billion — with the short-term demand for

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the services it could provide. Two of these services, videotex and high-definition television (or otherwise technically improved television), have not yet been proven to have a demand. Moreover, videotex may not be a broadcast service and HDTV will not necessarily require a switched infrastructure. The only broadband telecommunications service for which there is a proven demand is television, which is currently broadcast, delivered by satellite and cable. Video programming is also available on videocassette and, to a lesser extent, videodisk. Other technologies can also be used as transmission media for this kind of service. MDS and DBS systems have been tried and continue to be proposed.

But unless a new medium can reach an audience not already served, or can provide a kind of programming not currently available, it faces the burden of competing against existing systems with which the market is familiar and generally satisfied. The point is often made that there is widespread dissatisfaction with cable operators, both in terms of service and rates. The level of this dissatisfaction, however, is not perceived to be sufficient to cause a near-term migration of cable subscribers to a new, untried, and initially more expensive transmission medium offering the same services.

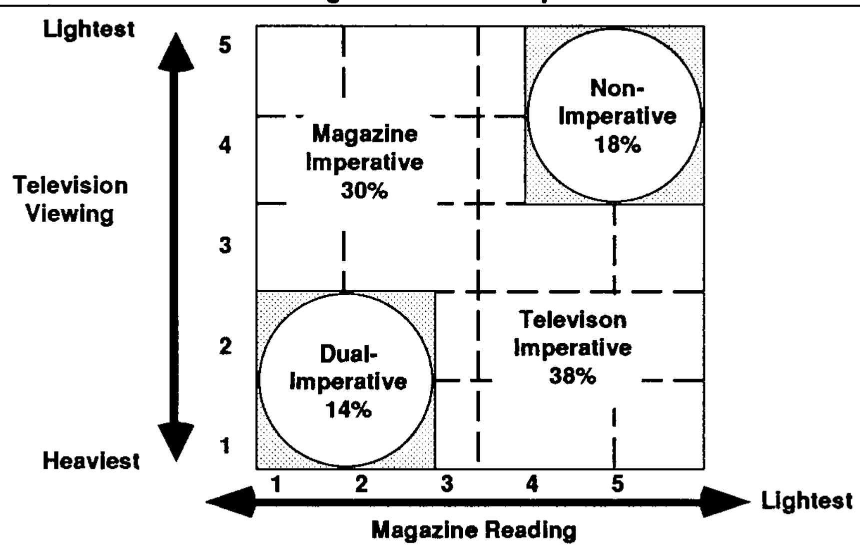
All of this analysis ignores the basic economics governing existing entertainment and information television. The audience does not provide the revenue which supports the services. Wrestlemania, occasional championship boxing matches, and uninterrupted movies not withstanding, the majority of television revenues come from advertising (Smythe 1981). To estimate accurately the demand for an IBN as a new delivery mechanism for television, one must ask whether it offers some new kind of service to advertisers, not to the audience, which promises sufficient revenues to justify the costs. The technological differences which set an IBN apart from all of the other television distribution technologies is that it is switched and can be fully interactive. From an advertiser's perspective it could provide a means of market segmentation as is seen in the magazine business. This trend has been described variously as targeting, disaggregation, or demassification.

Marketing theory has long included the idea that demand is heterogeneous (Dickson and Ginter 1987). A product can be differentiated by physical characteristics, packaging, or consumer perception, and different versions can be provided to different segments of the market. In this way, every segment of the demand curve can be moved to the right and become less price elastic as the product more precisely satisfies demand (Wind 1978). One outcome is the ability to maximize revenue by price discrimination among different segments of the market. However, diminishing returns limit the degree to which the market can be efficiently differentiated and the extent to which it can be efficiently segmented. From automobiles to blue jeans to headache remedies, the trend is away from mass marketing to an increasingly rationalized, monitored, and managed market. Understanding this trend, especially in the context of the magazine industry where it has clearly changed the nature of the audience and the market, will help in understanding the value of an IBN in the development of the television market.

3. Media Imperative

The controversial concept of "media imperatives" can help us to make sense of the changes in magazines as an advertising medium, as well as the relationship between magazines and television. "Media imperative," as used by Benjamin Compaine, means that heavy users of one type of medium are not usually heavy users of another medium. Therefore, if advertisers are to reach certain demographic groups, it is imperative that they use a given medium (MPA 1979).

Figure 1. Media Imperatives



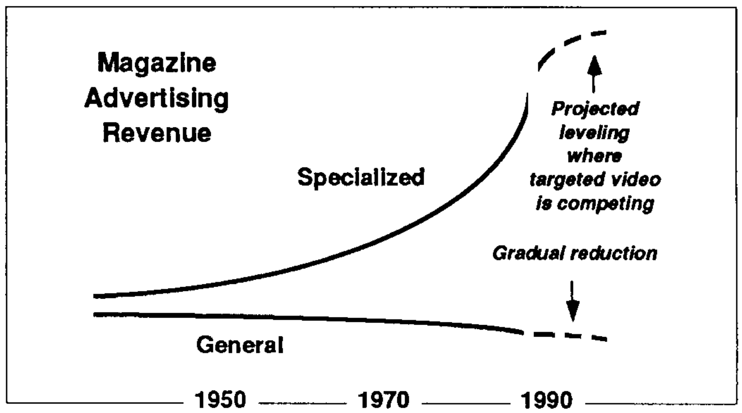
An analysis by the Magazine Publishers of America based on this concept of media imperative, shows that "actual exposure of an advertising message for a mass-consumed product can be enhanced by switching a portion of a fixed ad budget from television to magazines" (Compaine 1982, 85). According to Compaine and the Magazine Publishers of America, "magazine reading is heaviest among adults 18 to 44, college-educated, $50,000-and-over household income, white-collar and three-or-more person household — the exact opposite of television viewing" (MPA 1988, 4). The media imperative concept suggests that advertisers seek both quantity and quality audiences for their messages and that they are willing to pay more in order to optimize their exposure. This need for both quality and quantity exposure is what allowed the magazine industry to survive the advent of television and to prosper.

The Magazine Industry Transformation

Advertisers have always played a role in the content of media. In the 1960s the *New Yorker* began running editorials that were against the Vietnam War. As a result, its readership became younger and less Republican. Because of this shift in readership many advertisers stopped using the magazine because it was no longer reaching the "right audience". The *New Yorker* found itself between a rock and a hard place. Should it change its content again or seek new advertisers who wanted to reach this new liberal, less moneyed audience? (Bagdikian 1987)

In the 1950s, television became the most popular mass medium and most general audience magazines found themselves unable to compete. While general audience magazine circulation declined in the 1950s and 1960s, specialized magazines grew rapidly both in number and in total circulation.

Figure 2. Trends in Magazine Circulation



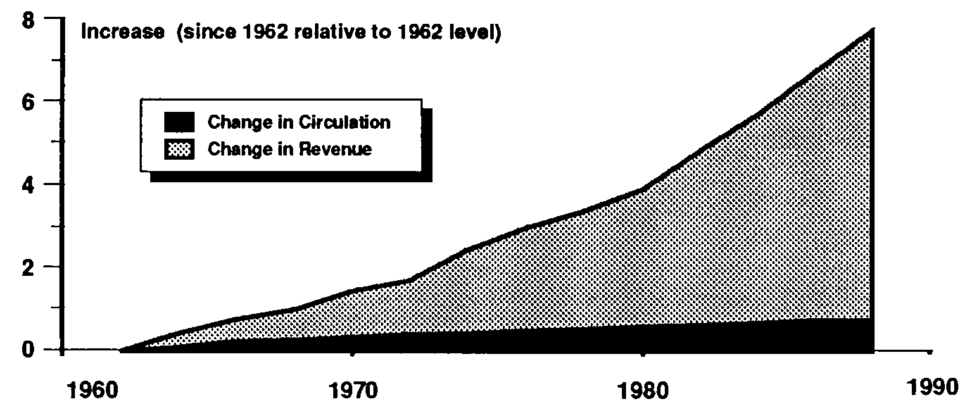
It was not a case of the public suddenly developing special interests; it was advertisers looking for the most efficient advertising channels and finding that they could "target" their messages to a specific audience. They continued using television, but also used magazines to cater to special demographic groups (hobbyists, professionals, etc.).

Advertisers continued to be willing to pay according to how many people saw their advertisements, but they were now concerned that the purchased audience should have an interest in the sponsor's field (e.g., photography). Within this field there might be further divisions, such as amateur/professional, or low budget/high budget, which might help them to target their messages better. This is how magazines filled a niche that other media could not fill and why specific demographic information continues to be so critical to their success.

In the magazine business, the measurement Cost Per Potential Customer (CPPC) is probably more important than CPM (cost per thousand). "The better a magazine's audience appears to match the market for a particular product or service, the more an advertiser should be willing to pay per capita for the audience" (Compaine 1982, 57-8). It is for this reason that some general interest magazines have demographic editions, like *Newsweek*, which has an executive edition, or regional editions, like *Better Homes and Gardens*, with special articles and different advertising.

This targeting has proven to be very profitable for the magazine industry. During the past 25 years (1962-1987), while total magazine circulation has grown by 71%, revenue from magazines is now 6.5 times what it was in 1962. Some of this growth is attributable to general growth in advertising expenditures, but much of it is due to CPPC premium prices.

Figure 3. Magazine Revenue Increases Compared to Circulation Increases



4. Cable: Unfulfilled Promises

One of the obvious characteristics of broadcast television is the programming homogeneity found among the networks. According to Webster this homogeneity "is usually attributed to the fact that programming is conceived, produced, and broadcast in an effort to attract as many viewers as possible "and that programmers are "loath to present anything that might off end or alienate even a modest portion of the audience." Cable television was heralded as the means by which targeting could be accomplished in a video medium. In his study comparing types of programming over cable, Webster (1986, 79) found that "although their overall market share were small, channels offering more specialized programming content seemed to be a substantial item in the television diet of those who viewed them"(Webster 1986, 88). Further, these watchers tended to show a channel loyalty not found with broadcast television.

But over time, cable has provided neither the variety nor the escape from mediocrity many people wished for. Instead, cable programming has given us more of the same thing.

> The concept behind 100 or more channels was that you could have it your way. That's about as common today for cable viewers as it is for fast-food lovers. Most of the cable channels find themselves competing for popularity — the largest number of viewers. They do it, the way networks do, by offering a low common denominator (Goodman 1985, 8B).

Cable's failure to become a targeted medium is the result of economic constraints which arise from the technology and the structure of the industry. Cable system operators offer pay channels on the basis of the margin between what they pay and what they can charge for programming. If the margin is small and the audience is large, the service is attractive. If the margin is large, even a small audience may suffice to offset overhead and operations costs. Since costs of producing programming are spread over all viewers on all systems, the more targeted the programming the more expensive it will be per viewer. Channels with advertising can be made available to the system operator at a much lower costs per viewer, but in this case the cost must be bundled into the basic subscriber price. Unless the audience is large, the increased cost cannot be justified. Either the system operator has to work at a narrower margin to obtain a small increase in total subscription, or the price of basic service has to be raised, driving away potential subscribers. Since the franchising system has led to a fragmented industry structure, audience segment aggregation for targeted channels is very difficult. Moreover, experimentation with new programming requires risk taking by a large number of players. This kind of behavior is rare in a cartel situation and almost impossible in a fragmented market.

As a result of these factors most specialized or "narrowcast" channels have failed in the past either because the subscription rate was too high or the service could not promise enough viewers. Notable exceptions include the Cable News Network (CNN), Nickelodeon, Sports Channel, and the Nashville Network. The economic viability of these programs is due to their being "targeted" at very large audience segments. In this respect cable has provided viewers with some alternative programming that they would neither have received via broadcast services nor have payed for. Although cable can be targeted and specialized, the industry has found it more profitable to use additional channels for duplicate programming (Wildman and Owen 1985).

Cable's limited experience in targeting audiences has caught the attention of the video industry and its analysts. "The cable advertising vehicle (channel and program) is selected to meet precise demographic and geographic parameters, making the relatively small audience more meaningful" (Baldwin and McVoy 1988, 288-290). The most extensive experiment in video targeting in cable was the Warner Amex QUBE system in Columbus, Ohio. Eileen R. Meehan has traced the history of this experiment (Meehan 1988). She concluded that the interactive capacity of the system provided the market research capability necessary for the development of two successful targeted video channels, Nickelodeon and MTV. She also argues that the obvious reluctance by Warner to allow the QUBE system to be sold to cable competitors Time, Inc. and TeleCommunications, Inc., indicates that from Warner's point of view the experiment was a successful one, providing experience and information which it did not wish to share. The ultimate demise of QUBE was partly the result of Warner's business problems unrelated to QUBE. Another contributing factor was the difficulty of providing interactivity through coaxial cable technology and the difficulties involved in switching.

5. Switched Video Transmission

The combination of optical fiber as a replacement for coaxial cable and the development of video switching will provide the optimum environment for targeted video. Not only will customers be able to pick from a broader range of programs and services, but carriers will be able to monitor closely or charge for each program or service used. Targeted programs will no longer need to be bundled with basic service. Advertisers will no longer have to rely on imperfect demographics in market research. Instead, there will be an accurate picture of who is watching a given program, by geographical region and by time period. The technology may provide many new opportunities but it also raises some policy issues.

If we apply the logic of the "media imperative" and the metaphor of the magazine industry to the video industry, it would appear that in estimating the demand for a switched video transmission medium, the focus should be on the demand by advertisers rather than on the demand by audience. The question is not whether the audience wants a different kind of video, or more video, but whether advertisers are willing to pay enough for targeted video channels to justify the cost of developing the channels and of the programming. If advertisers of products and services can use a video medium just as efficiently, they would have a choice of media, rather than be bound by an "imperative". Moreover, some goods and services may be advertised more effectively via video. In this case, video targeted at certain groups who have made up the magazine imperative would actually replace, rather than supplement, some magazine advertising. Would not a channel of video programming devoted to dirt bike races provide a much better means of promoting the products associated with the sport than a magazine? Switched video would not mean the end of targeted magazines, but advertisers might shift certain products to video, particularly where they are very well matched to program content and audience profile.

The economics of producing and delivering targeted video are somewhat different from those of producing and delivering targeted periodicals. A publisher can share common costs across different magazines. This does not appear to be the case when producing different kinds of video programming. Moreover, whereas the mailing list of subscribers to targeted periodical publications are assets of the publisher, the telephone number or IBN address of a viewer may not even be available to a video distributor. It is even less clear whether the distributor would have any property right in such an "address" list. Nonetheless, an interactive switched broadband medium makes possible two kinds of targeted video entertainment and information programming which would offer a higher-value product for the advertising dollar.

The first is a logical extension of the trend begun by ESPN, CNN, A&E, and others. The development of programming which is specifically attractive to a market segment which is, in turn, specifically attractive to a group of advertisers is a proven business strategy in the publishing industry which could be further extended in the video market. What a switched broadband network adds is the capacity to keep track of who is watching and to develop elaborate and revealing profiles of viewers which can later be used as the basis for marketing efforts. Moreover, the existence of switched local networks with access to programming through interexchange carriers would make it possible to justify targeting high socio-economic status (SES) "clusters" with specific psychographics and tastes, even if those groups were nationwide or thinly distributed over wide regions.

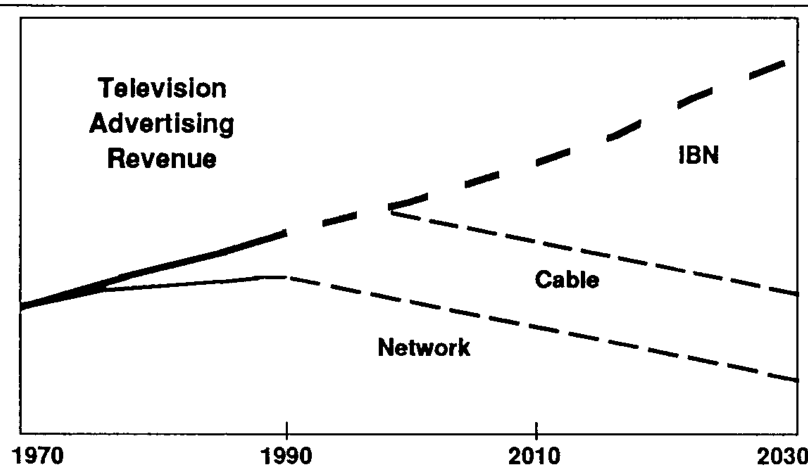
It could be objected that the increasing level of cable penetration in high SES communities (which are the likely targets for this kind of advertising), as well as increasing number of channels available on the systems in these areas, may decrease the importance of this IBN advantage. This raises the question of the limits on the value of market segmentation. In attempting to position their products and services, different firms will have to estimate: (1) the degree of heterogeneity of demand among different segments of the market, and over time; (2) the degree to which real and perceived characteristics of products should be varied to match this market heterogeneity; (3) the degree to which demand functions in different segments can be modified by marketing strategies; and (4) the practical limits imposed by the law of diminishing returns on any strategy for rationalizing and managing dynamic disaggregated demand. At the very least we can say that some firms will wish to experiment with strategies such as these which are well beyond the capacities of unswitched coaxial cable. Firms seeking competitive advantage in this way form the demand for an IBN. Any successes they enjoy will force others to follow their lead.

The second kind of targeted programming arises from the creation of multiple versions of the entertainment and information programming of mass channels, varying cast, plot, location, and dialog, among other things, to suit some particular audience segments. The popularity of television network programming is based on the fact that there are some very broad, if not universal tastes in the U.S. audience. The size of the budgets for this programming is a result of the fact that there are products for which there are very broad, if not universal, markets. Breakfast cereals, toothpastes, and soft drinks are mass consumption items that are advertised to a mass audience. But just as General Motors was able to increase the size of the market and total revenue from automobiles by putting different fenders and hood ornaments on the same cars and practicing price discrimination among different groups of buyers, today's advertisers also have an incentive to engage in product differentiation, market segmentation, and price discrimination, if they have the technical means to support the marketing effort.

It is extremely difficult to gauge the degree to which this incentive for market segmentation translates into an incentive for developing a switched broadband medium, but the general scope can be outlined by a comparison with the history of advertising revenues in the magazine industry. While general audience magazines lost advertising revenue to television, magazine publishers targeted their media and increased their advertising revenues in spite of television. (See Figure 2.) The exact proportion of revenue cannot be derived from the figures available but the effects of targeting were substantial. The competition that magazines faced centered on the fact that television was a more efficient and effective way to reach a large national audience. It could provide immediacy, action, and drama, which translates into greater persuasive power. Switched video would seem to allow a combination of the best attributes of television and targeted magazines. There are many reasons to doubt that the increase in advertising revenues available through targeting video will be as great as that experienced in the magazine business. Not all targeted marketing will move to television; some will stay with magazines and some will use direct mail.

On the other hand, television advertising revenues have leveled recently, especially on the mass-delivery channels of network, sport and cable superstations. Growth in the independent audience share may appear to be disaggregation but other factors may be at work: namely, the growth rate of the Fox network and the division of the aggregated audience into smaller shares. The evidence indicates that video advertising revenues have reached a plateau, and that substantial increases will be available only if the technology to support market segmentation in video becomes available.

Figure 4. Possible Future Trends in Television Advertising



To summarize, if advertisers rather than viewers are seen as the primary market for the services of switched entertainment and information video, then there is a demand which cannot be served by existing technologies and which offers a source of revenues which may well justify the capitalization costs of an IBN. Recognition that such a demand exists should substantially change the nature of the IBN policy debate. Rather than being concerned with whether the potential social benefits of such a network are great enough to justify a subsidy, we should be concerned about whether regulation of industry structure and of operation are necessary to control the social impact of a network designed to deliver targeted video marketing messages.

6. Policy-Social Impact

Social Integration

Critique of the social impact of television has long focused on its ability to define reality (Lowery and Defleur 1988). The general view has been that television programming has stifled the individual or minority view in favor of a least common denominator of culture and belief. A switched IBN, developed in order to serve the market segmentation demand as outlined above, would alter the nature of this critique by introducing the increased capacity for interactivity. Whereas the mass media have always been aimed at "the largest share of a heterogeneous audience," (Gandy 1984) an IBN would make possible individualized feedback in an otherwise mass entertainment and information video medium. As Everett Rogers has recently pointed out, mass media have always been interactive (Rogers 1986). The *New Yorker* example cited above demonstrates the workings of mass media feedback. The difficulty in using Norbert Weiner's cybernetic model for understanding the process, as Rogers suggests, rather than Shannon and Weaver's linear flow model, is partly the attractive simplicity of the latter model and partly the inadequacy of the "upstream" channel. The existence of Nielsen ratings and Target Group Index data support the concept of interactivity in mass media; but lack of clear causal links and confounding factors make analysis of the interrelationship between programming and audience highly speculative, and consequently suspect. Do audience tastes require violence in video programming? Does violence in video programming result in violent antisocial behavior? No consensus is possible where so many interpretations of evidence are possible.

One widely supported conclusion suggests there is a relation between the mass media, a mass audience, mass marketing, and mass culture. The economies obtained by spreading programming production costs over the largest possible audience have been closely related to the economic advantages of marketing goods and services on a national scale and to the cultural assimilation consequent upon this aggregation of the television audience. The analysis remains valid: the economics of mass production and mass marketing have not changed. The law of diminishing returns, however, has limited the extension of the television audience as a mass market. At the periphery of the mass are groups for whom the least common denominator is not attractive and for whom mass marketing is not persuasive. From this perspective, the targeting of media is not "demassification," but the extension of the mass market by other means. But the law of diminishing returns applies here too. The cost of identifying clusters within the television audience whose separate needs and tastes can be targeted, and of producing content and marketing strategies to serve those needs and tastes, could quickly exceed the marginal revenues available through increased sales. In this dialog between the mass television audience and the medium, market research has remained inadequate in both its high cost and its stochastic nature. It provides only generalizations about what segments of the audience want and what is persuasive to them. It provides only snapshots and is poor at predicting trends. Its costs are so high relative to the value of the information delivered that segmentation of the mass audience and targeting of media becomes inefficient at a very early stage.

An IBN would change this calculation of efficiency. It would provide an upstream channel through which each member of the television audience could conduct an on-line dialog defining their changing needs and tastes. For most individuals and subjects, that definition would still include them in the undifferentiated mass audience. But for some matters, and for some individuals on all matters, the definition could be specific with regard to demographics, psychographics, and consumption patterns. IBN's interactive capabilities, that is, its ability to carry "upstream" information about viewer's needs and tastes, raises important policy issues (Meehan 1988; Gandy 1988).

Privacy

The policy issues raised by targeting and market segmentation generally concern the erosion of individual privacy. With regard to other technologies which employ market segmentation such as database matching, it is largely a case of voluntary surrender of privacy in pursuit of the economic rewards of efficiency (Gandy 1984). In credit applications and in direct mail address lists compiled from requests for catalogs, there is an exchange of information and of mutually perceived economic advantage. This is not to say that privacy issues are absent in regard to market segmentation over IBN. If privacy is to be treated as property, and its surrender negotiated, then consent should be expressed and not implied. The collection and use of information about subscribers should be made conditional on their explicit consent. No use of information collected from or about viewers should be permitted, other than the uses to which they have agreed. This issue has already been dealt with in regard to Customer Proprietary Network Information (CPNI), that is, information about a business customer's use of the network.

The CPNI precedent is intriguing because the current policy is that the customer cannot negotiate an agreement that such information be made available to the exchange carrier for use in targeted marketing. The customer instead must choose between allowing no use of the information or making it available to anyone who wants it for those marketing purposes. If carriers were allowed to offer video services, would the CPNI principle be extended to require that individual customers be given a choice between no disclosure or full disclosure of their viewing habits? If the carrier can neither claim nor negotiate a property right in information about customer viewing habits, how can switched video transmission prices be set in such a way as to allow the carrier to capture enough of the potential revenue to justify the costs of capitalizing the network? In any case, unless video viewing habits became an issue in intelligence gathering or criminal justice surveillance, privacy seems likely to be a contractual issue. The policy objective will be fairness in the negotiation of the exchange of privacy for economic advantage.

Equality

Another policy issue or set of issues raised by the use of an IBN for switched video entertainment and information programming is whether efficient market segmentation would lead to politically and economically unhealthy social stratification. Television has become an important element within the social infrastructure for the communication of socially and economically valuable information. Innovation in television transmission, like other innovations, may have an undesirable inequality of effect (Rogers 1983).

Compensatory conspicuous consumption not withstanding, big-ticket goods and services are purchased by the wealthy. The exercise of discretion in choosing among differentiated products requires discretionary income. This means that targeted programming will disproportionately serve the upscale segments of the market. Those segments will be served first and with greater production budgets. Even the availability of the broadband transmission channel itself will be justifiable in direct relation to household income. This means that advertising and therefore programming production dollars will be siphoned away from the mass communications channels of broadcast network programming. If switched broadband were available only to the upper stratum, then the rest would rely on traditional broadcasting. Because it is likely that advertisers will divert some of their outlays to switched video in order to reach the targeted audience, there will be less money for broadcast production. It is also likely that the products advertised will shift towards "everyday" products that are likely to be used by all demographic groups: food, cosmetics, cleaning products, soft drinks. The big ticket advertisers (cars, designer clothes, home improvements) will transfer their dollars where they get "more bang for the buck" as was demonstrated in the magazine industry.

This trend has already begun as the networks have lost audience share to cable and videocassettes. Narrow, wealthy market segments will be serviced by programming supported by a combination of subscriptions and highly-targeted advertisements for big-ticket goods and services. A little lower on the economic scale the market segments will be more broadly defined; the revenue mix will change to less subscription and more advertising. The match between audience and potential customer will not be as good, the product will be less expensive, but the audience will be larger. Further down the economic scale, the revenue stream will derive entirely from advertising and the market segment will become large and relatively undifferentiated. Beer, soft drinks, toothpaste, and gasoline will still be advertised to a mass audience through mass channels. But some of the advertising revenue will have left these channels and programming production budgets will consequently be lower.

A second aspect of this stratification is the potential for a qualitative differentiation in the information available through targeted channels. Two cautions are appropriate. The first is that it is difficult to evaluate quality differences in a medium which is designed to respond to audience demand. The phenomenological view is that the quality of any information is a subjective matter, dependent upon its usefulness to the one who receives it. From this point of view the quality of information in targeted channels must be judged by the quality of the targeting. Narrower channels would have an advantage in this regard. The second caution is that communication technologies are neither necessary nor sufficient causes of information inequalities. Many other factors, especially educational differences, can be hypothesized to have a closer relationship to information inequality.

Nevertheless, the targeting of entertainment and information video programming by means of an IBN might exacerbate previously existing conditions of information inequality. It could do this by decreasing the amounts budgeted for information gathering for the "mass" channels and by creating channels for the distribution of costly information to the relatively small audience segments which can afford it. This issue extends beyond the traditional format of entertainment and information programming into videotex. Gandy has pointed out that differential access to information, differential access to the media, and knowledge of the ways to use them properly are involved in creating information inequalities (1988). One question we might ask is, What becomes of the concept of universal service in a medium which is efficient precisely because it serves different segments of the market differently?

Community

A final policy concern about IBN video services is that the value of television as a medium for social integration might be lessened or lost. It may seem peculiar after so much comment on the negative impact of network programming suddenly to express concern for the loss of that homogenizing influence. It can, however, be argued that a balance is required.

Part of the classic debate of political philosophy is the question of the proper size of the political community. Plato's recommendation of a population of about 40,000 was based on the necessity that citizens be able to communicate with each other in order to maintain a shared sense of community. Of his 40,000 people only 5,000 were citizens. Without modern communication media more than 5,000 could not communicate effectively with each other. Aristotle thought even this number too large, saying that the limit should be no more than "can be seen well as a whole." [Aristotle p. 1326] By this I take it that he meant that the nature of the community must be understandable to its members — that they must share a definition of themselves as a group. In modern society the mass media are the means by which we share that definition. The face-to-face discussion of political issues in the New England town meeting has been replaced by the network news, investigative reporting formats like *60 Minutes* and the use of controversial issues like child abuse or illiteracy as the subject matter of shows. If the balance in video programming were to swing toward targeted programs and the same issues were to appear in different terms emphasizing different values for each segment of the market, then we would stand to lose one of the most important means by which we share a definition of ourselves as a group.

Another part of the classic debate of political philosophy is the question of how political justice is to be achieved. John Rawls has described this as a question of how to realize "in basic institutions the values of liberty and equality ...." His answer is that one must start from a definition of society as "a fair system of social cooperation in which the fair terms of cooperation are agreed upon by citizens themselves ...." (Rawls

1985, 244). In a large society, unless media allow communication among all citizens, there can be no discussion of the terms of cooperation, much less an agreement on a set of fair terms.

Robert Bellah, et al., in their study of American individualism, *Habits of the Heart*, conclude that there is a yearning in modern culture for a sense of community that could give greater meaning to individualism. They observe that the definition of community has changed. It has come "to signify those who share the same specific mix of activities, beginning with occupation and economic position, but increasingly implying the same attitudes, tastes, and style of life (Bellah, et. al. 1985, 44). One is tempted to add, "and patterns of consumption," for this is the core of the strategy of market segmentation and targeted media. If this yearning for a sense of community is powerful enough to support different entertainment and information video programming through subscription and targeted marketing, then one of our most powerful traditional media for political and social integration may become an equally powerful source of social stratification and alienation.

7. Conclusions

New communication media always have unanticipated social consequences. When the infrastructure of social organization is changed the effects of this reorganization go beyond what can be planned or even predicted. The best we can do is to try to understand why new technologies are implemented; that is, what demand they serve. In the case of IBN, one part of the discussion has focused on the market for switched video. Since the focus has been on the audience as the source of demand, the conclusion has been that the demand is insufficient to justify capitalizing the medium and some method of subsidization should be considered. This paper has attempted to redefine the demand for IBN switched video as the demand of advertisers for a medium to support fully rationalized marketing. Others will have to calculate the dollars involved. At the very least, when viewed from an advertising perspective, the demand is great enough that the possibility of an IBN funded entirely by the private sector must not be dismissed. The policy debate should not center on the question of whether a subsidy is warranted. An understanding of the demand the medium will serve can help us to anticipate some of its social consequences. Some of these consequences have been suggested here, in the hope that they will become a part of the policy debate surrounding IBN.

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