

Table 12. Shopped in a Convenience Store Yesterday

Age	
18 - 24 years	28%
25 - 34 years	24%
35 - 49 years	18%
50 years and over	13%

Table 13. Change in Single Person Households

	Increase 1970 to 1976
Total Households	15%
One Person Households	41%
Men Under 35 Living Alone	156%
Women Under 35 Living Alone	110%

* * * * *

MARKETING IN THE 80's

by:

Edward L. Niner
Warner Amex, Atari, Inc.
Columbus, Ohio

Thank you for this opportunity to talk about evolutions in marketing in the exciting decade we have just begun. Before we can talk about this, we need to think about the consumers in the 1980's.

There will be enormous major changes in living patterns and attitudes of the new population we will be serving. Consumer research, need identification, market segmentation, product formulation, positioning, pricing, selling, distribution and collecting--all must change and be responsive to those changes in lifestyles, attitudes, standards, wants, needs, buying power, et cetera.

In this decade:

- Two-income families with fewer children will be typical and a third will have family incomes over \$25,000.

- Individual families will have more money to spend and less mouths to feed.
- Middle income people will be younger and better educated, with more diverse interests.
- They'll be more aware of their own self development, their personal interests, careers and activities.
- People will be less concerned with traditions, old values and old previous ways of living and doing things.
- People will demand more speciality products and services and more quality so that what they buy satisfies them.
- They will demand greater diversity of merchandise than any one store can supply and they will allocate less and less time in finding, buying and getting what they buy.

-- People will consider time their most valuable resource and they will demand less waste in how they spend it.

On top of all these personal kinds of evolutions (or perhaps we should say consumer revolutions) are a pair of gigantic external factors which dramatically affect virtually every family in America. First, the high price and limited supply of energy; and second, the continuing revolution in electronic communications.

The shortage of gasoline to feed America's fleet of gas-guzzling automobiles has created violent disruptions in the American way of life. It has caused Americans to reexamine dyed-in-the-wool habits of jumping into cars to drive to places without any serious or conscious consideration of other alternatives. In the 60's and 70's, suburbanites hesitated to waste time driving to urban centers for shopping, so big and beautiful shopping malls were built in their neighborhoods to satisfy their demands. But until the gasoline crunch hit home, Americans jumped in their cars thoughtlessly and quite frequently for shopping, entertainment, education or whatever. Americans are consciously changing such travel patterns, forcing Detroit to produce energy-efficient vehicles. They are aggressively seeking other new ways to save gasoline, to save time and to satisfy their thirst for a better quality of life.

At precisely the same time this transportation revolution is taking place, comes the electronic communications revolution, born of our space explorations in the early 70's. The marriage of computer with television and telecommunications technologies has created for the 1980's some important alternatives to transportation at a time when society is demanding some. The communications revolution is a very positive fact of life. I believe the effects will be so powerful and so broad-based that the major chal-

lenge facing all of us is the management of change--the guiding of powerful new tools for delivering information, entertainment, education, purchase orders and payment transactions.

The high price of travel and the high value of time is causing consumers to supplement traditional retail distribution systems with new methods of choosing, buying and obtaining merchandise. Americans are using catalogues, brochures and other kinds of mail orders and 800 phone orders in record numbers. Such purchases are the fastest growing segment of retail sales in the country. The rapid and concurrent growth in convenience goods and fast foods business are further evidence of the dramatic change in consumer patterns we have experienced in recent years.

Consumers in the 1980's will become more and more hesitant to spend time searching for the best place to buy a product. And, even less interested in browsing and searching "endlessly" down long, crowded aisles in the typical stores to find the particular items on their shopping lists.

Consumers will continue to look for alternatives and will place time on a far higher scale of values than tradition. Consumers will eagerly try promising new ways of doing things to save time and energy. They will utilize new channels and new devices if they serve their needs. Electronics communications will play an increasingly important role as one practical substitution for gasoline and time.

Two-way television will become a key element in the retailing and distribution of goods. In a nutshell, we will find in many consumers' homes in this decade, an alternative system combining the display of product offerings on television, a hand-held juke box for selection, a pre-arranged system of credit and a convenient means for home delivery or neighborhood pickup.

The first phase of this new system has already begun and I am pleased to be part of that system. It's called QUBE--the two-way interactive cable television system introduced three years ago on Columbus, Ohio. It is a marriage of the television set, or cable television specifically, and the computer. Computerized television enables home viewers to send signals back to a computer bank, and thus talk back to television, as QUBE frequently has been described.

QUBE has opened the door to the future with the development of two-way interactive television. QUBE makes it possible for cable television not only to deliver television programming, but a multitude of new services are made possible through QUBE technology.

How does QUBE work? The system provides a return line from the television set to a computer. The QUBE console resembles a pocket calculator, and subscribers use the console to send back to the studio a variety of push-button responses. QUBE makes it possible for viewers to buy merchandise directly from television, participate in college coursework, take multiple-choice tests, volunteer for community projects, and state their preferences on a variety of local and national issues.

QUBE also permits viewers to buy individual special programs, such as first-run movies or exclusive sports events on a pay-per-view basis.

The subscriber may buy a series of guitar lessons and be billed for them by the computer, just as the telephone company bills at the end of the month. It states each purchase and the prices. A consumer may have a teenager who wants to take the Scholastic Aptitude Test Training Program: ten lessons for \$20. That consumer may also take college credit courses, or buy a burglar alarm system with a monthly payment for the monitoring.

With such services cable enters the consumer credit business. In that respect we are using credit cards extensively. We're using credit checks to deny credit to those who shouldn't have it.

What results is that the TV set can be used for merchandising at home and new forms of advertising.

QUBE customers in Columbus choose programming to satisfy their particular interests and moods as well as the interests and tastes of other family members and their neighbors.

Ten channels provide local, regional and national television channels and networks, ten more provide special-interest and public service programming of a wide variety. Warner Amex will provide as many as 78 channels in larger metropolitan areas now under construction at Houston, Pittsburgh, and suburban Cincinnati.

The remarkable efficiency of satellite communications creates opportunities for continued segmentation with special-interest programming during the 1980's. Some of the programs on the satellite will be supported or even produced by advertisers; they'll be special-interest programming for special audiences--and there's no waste circulation. The program going to chess lovers is going to have only chess lovers watching it; the program for children will have children; and the program for persons over 50 will probably have persons over 50 watching it. These are video magazines, and, in effect, we're in the video publishing business with a potential for offering an infinite variety of narrowcasts to the American public to satisfy its unending demand for variety and choice. We are in the process of shattering the traditional broadcast audience into as many audiences as there are different tastes, needs and moods.

The implications of this are important to all of you in the business of serving the unending appetites of the American public. Special-interest programming and two-way, interactive television in the home represents a brand-new marketing medium for the future. It combines the dynamic impact of television and radio communications and the unique targeting capability of magazines. It attracts a prospect to a subject of his interest, at his convenience and in the comfort of his own home. It then delivers a dynamic video message offering a product of interest and an invitation to buy. Then, most importantly, it provides a mechanism to offer additional product information or to consummate the sale. Finally, it transmits invoice information and transfers payments. This new system, which we call "Tough 'n Buy," stimulates face-to-face transactions between buyer and seller in a way no other medium has done to date. We have evolved a complete marketing communications system which can work in unison with many other forms of retailing and distribution. We can expect such combinations to play an ever-widening role in the retail world of the '80's.

Cable television systems serve specific homes in finite service areas. This has great significance for local merchants and outlets which serve the same specific market areas. Advertising and direct marketing campaigns via the system will produce more accountable results with less circulation waste than traditional media forms. We will see local merchants interviewed on camera describing their products and weekend specials. Discount certificates and cents-off coupons can be requested by local consumers and delivered to their homes or held in their name at the store for their arrival. Retailers who have never been able to utilize the broad reach of broadcast television stations will find neighborhood advertising on cable television an important new vehicle in the '80's.

Both "Touch 'n Buy" and neighborhood advertising are now realities at QUBE. Soon, a third medium will be a reality on a broad scale in large metropolitan areas. It will use a combination of two-way video communications plus a system for retrieving information from data banks. This will permit a wide variety of new in-home and in-office services as users select printed messages from the banks for display on a television screen.

Such a system is now being pilot-tested in Columbus by Warner Amex, Atari, Inc., a leading manufacturer of personal computer systems and Compu-Serve Incorporated, a leading time sharing computer service company.

QUBE households participating in the project will have access to data which will literally convert their homes into "information centers" containing millions of facts from major information providers.

Through a cross-indexed information "menu," subscribers will have at their fingertips computer video games, current financial and commodity news, diverse business analysis and money management information from some of the best financial sources available. Other data services may include:

- Full coverage of sporting events from around the country.
- Consumer reports.
- Airlines, hotel and bus information and availabilities.
- Emergency telephone numbers, including health procedures and poison antidotes.
- Employment listings, training opportunities and the teenage job market.

These tests will evolve a wide range of information services which can be combined with much larger data banks and with two-way interactive communications to provide teleshopping, funds transfer and banking services on a broad

scale. The buyer, with two-way QUBE-type equipment, will ask the computer for information on products available from participating companies for his consideration at his home. For example, suppose the consumer desires to see hammers; this product may be on three pages in a catalog. The viewer might do nothing more than punch h-a-m-m-e-r into the terminal, and up on the screen will appear all the hammers. Then the consumer will press another button and select which one he or she wants.

Each terminal is coded. The computer knows who it is, the address, and the credit card associated with it. As a result we hope not to have the consumer press too many buttons because obviously that's confusing and will not work. The cultural lag in that respect can be vast. It must be a simple device.

The options are many. We can possibly arrive at a point where a special-

ized shopping terminal will be available that will cost much less than this multipurpose terminal and perhaps **should be** given to every home. This terminal would enable any home to signal a decision to purchase merchandise by contacting a central computer over the telephone system or the cable.

As we look down the road of the 1980's, we see many opportunities for improved marketing/distribution systems. At QUBE, we've seen enough and done enough to realize that we can convert the livingroom television set eventually into an electronic supermarket where the busy consumer can select his purchases and have orders filled by suppliers based on computer-generated data.

We may not see the return of the ice man, the fruit and vegetable man and the medicine man to the neighborhoods of America in this decade. But, then maybe we will.

* * * * *