

## PASSIVE VS. ACTIVE ENTERTAINMENT – WHAT’S IN THE MIDDLE?

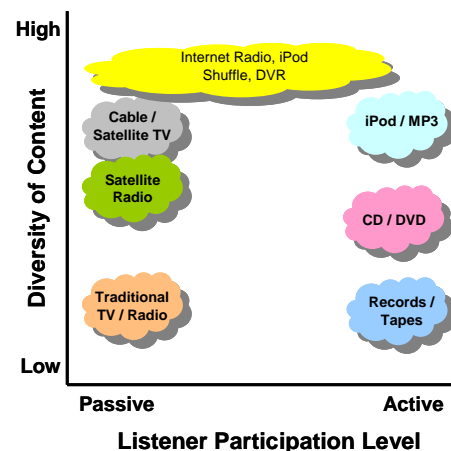
### *Preferences for both active and passive entertainment exist historically*

One of the ways to look at the traditional entertainment industry is as a bifurcation of “passive” and “active” user models. The passive mode – most basically represented by broadcasting technology – is the delivery of video, music, or other content to consumers who receive this without the ability to control or influence the selection. In the active mode – traditionally exemplified by records and tapes, and more recently CD’s, DVD’s, and various digital downloads – the consumer has complete control over the selection that he or she is interested in experiencing. Newer technology, such as the iPod Shuffle, the DVR, and various web-based entertainment products, now seem to blur these distinctions in ways that could deeply impact the traditional entertainment industry.

*...with broadcast radio and television, content was brought directly to its audience, resulting in increased “passivity”...*

Before the advent of mass-market entertainment technology, audiences were “active” in the sense that, to experience a performance, one had to decide to attend it in person. In doing so, payment to the content provider was made: the primitive form of the “subscriber revenue” model. With the introduction of broadcast radio and television, content was brought directly to its audience, resulting in increased “passivity” and a different revenue model to suit. Unable to demand payment for over-the-air signal, content distributors looked to advertisers. And thus Entertainment became an extension of other industries, and the audience a target for their ad campaigns.

This model changed yet again with the introduction of cable-based broadcasting and its satellite-based successors (including more currently satellite radio). Because a superior signal could be blocked, subscriber payment could be extracted, and advertising dependence (in theory) reduced. Nevertheless, the audience remained “passive”, as content came to them in complete form and canned. A table outlining the various kinds of active and passive entertainment technologies is shown to the right.



*Another side of the entertainment industry thrived ... in response to the more "active" preferences of the market.*

But throughout this broadcast evolution, another side of the entertainment industry – the provision of recorded content – thrived and progressed particularly in response to the more “active” preferences of the market. With a consumer-based revenue model that never really changed, this segment of the industry evolved primarily in the sophistication of technology... offering increased storage capacity, a clearer sound or image, and most recently, the digital library. With this latest development, the “active” and “passive” segments begin to overlap.

***Technology allows one to be between active and passive polls***

The DVR, which allows one to digitally record several days of broadcast programming and watch one’s top selections in a single sitting... the iPod, which allows one to download thousands of digital titles to a handheld device, and select a sub-section only or, contrariwise, select a handful of titles in randomly shuffled disorder... these are examples of recent hybrid developments in entertainment platforms. By the same token, the Internet – with increasingly sophisticated personal screening and customization options – may be seen as the largest of digital libraries and a unique vehicle that blends mass broadcast with individual interactivity. It is ultimately a hybrid passive/active entertainment platform which, interestingly, may also become a hybrid of the “subscriber” and “advertising” revenue model.

*A new wave of television- and publishing-oriented Internet offerings is beginning to take hold.*

Although Internet radio has operated successfully in the aforementioned hybrid form for several years, a new wave of television- and publishing-oriented Internet offerings is beginning to take hold. While few currently believe any of these web-based services to be a fatal threat to the more conventional media, it isn’t difficult to make the case that a specific niche with particular preferences and a unique style is being catered to. In this niche, the consumer does not want total control, does not want to labor for optimized entertainment, but does have strong tendencies and, more importantly, certain distastes. Nothing that a “skip” button could not fix. Alas, the radio and TV set do not offer it...but in combination with a DVR, or delivered via the Internet, they do. It’s early yet, but we look forward to seeing how these ways to serve consumers will impact media business models, as they undoubtedly will.

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