
Bla-bla-bla: video chat service on the Internet – a market feasibility study

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Abstract

The Internet is changing the way that companies carry out their business and, in fact, constitutes an entirely new application domain, which makes product innovation possible. Moreover, it is a new medium for reaching consumers, which is a central preoccupation to organisations in the current business market. Here interest lies in video chatting on the Internet. This is a type of service that adds video support to chatting using a Web cam and is gradually attracting more Internet users. The paper consists of a market feasibility study evaluating the potential commercialisation of a software program that enables the “cutting away” of the chatters from the original background filmed by the Web cam, and later re-integrates them into a new background. The software program could, therefore, be interesting for advertising companies.

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Introduction

The Internet is changing the way in which companies carry out their business and, in fact, constitutes an entirely new application domain, which makes product innovation possible.

Moreover, it is a new medium for reaching consumers, which is a central preoccupation for organisations in today’s business market. Two techniques currently allow the diffusion of videos on the Internet:

- (1) Web casting consists of an audio/video diffusion to a large number of non-specific users at the same time via the Internet[1].
- (2) Video conferencing refers to the discussion between users in different locations that are linked together by a telecommunications network using image diffusion.

Our interest lies in video chatting on the Internet. This is a type of service that adds video support to chatting using a Web cam and is gradually attracting more Internet users. The paper consists of a market study evaluating the potential commercialisation of a software program that enables the “cutting away” of the chatters from the original background filmed by the Web cam, and later re-integrates them into a new background. The software program could, therefore, be interesting for advertising companies.

The paper is organised in the following manner. The analysis of the Web cam market examines the market structure and its evolution, and highlights the opportunities and challenges for a video chat service to be successful. Following that, the video chat market itself is considered. In order to evaluate the pertinence of inserting advertising in the new background – which is of financial importance for a start-up company – an in-depth approach to advertising on the Internet is carried out. After macro- and micro-segmentation of the potential clients, the different commercialisation modes of the service are considered. Finally, we answer the

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question of whether or not it is interesting to develop and commercialise the new cutting technique. For clarity, the methodology will be described throughout the paper, following the different stages of the research.

Discussion of findings

The Web cam market

The approach to the Web cam market follows a three-step analysis: an estimate of Web cam sales is made, followed by a market structure analysis based on Porter's (1980) five-forces analysis, and, finally, an evaluation of the market evolution is carried out. These findings will enable us to evaluate the potential development of our service, which is dependent on the Web cam market. Indeed, the Web cams are a key object for the development of video chatting, as it allows video chatting to take place on the Internet. This justifies our interest in the market structure and the future evolution. In order to evaluate the current market size, as well as past and future sales, three sources are chosen: Web cam manufacturers, market studies, and public enquiries.

Market sales

The five largest Web cam manufacturers (Logitech, Intel, Ezonics, Creative Labs, and Xirlink), all of whom were chosen on the basis of specialised magazines[2], were contacted, computer hardware retailers[3] and a market study (*PC Data*, 2000). Unfortunately, these manufacturers could not assist us with relevant information. Subsequently, three major companies – Emarketer, Médiamétrie and StatsMarket, which cover major issues on e-commerce and online marketing, were contacted but, since they demanded to be paid for participating in an interview, we decided to rely on public enquiries carried out by five well-known research groups: the Gartner Group[4], *Distributique* (*Distributique*, n.d.), *PC Data* (*PC Data*, 2000), *International Data Company* (*International Data Company*, 2001) and *InfoTrends Research Group* (*InfoTrends Research Group*, 2001).

Based on the above-mentioned public enquiries, sales of 500,000 units have been estimated for the time period before 1998,

implying a 100 per cent increase between 1997 and 1998, which appears to be a reasonable estimation for an expanding market. Annual sales were estimated at 2.2 million units in 1998, and 8.25 million units have been allocated each year between 2001 and 2004. The figures ranging between 2001 and 2004 are based on the 44 million units estimated for 2004 (*International Data Company*, 2001); sales have been equally spread over these four years as an indicator of future growth (Table I).

Market structure

Porter's (1980) five-forces analysis was then carried out in order to assess the Web cam market structure, as well as the influence on the future commercialisation of the service. The market structure consists of:

- (1) direct competitors;
- (2) suppliers;
- (3) clients;
- (4) potential entrants; and
- (5) substitutes.

Strong competition between manufacturers, many substitutes (e.g. video cameras and digital cameras), low entry barriers due to the fact that the technology is easily mastered, and highly aware clients – especially because of high information accessibility – have been observed. These findings all positively relate to the service offering, as they increase, first, pressure on the Web cam manufacturers and, second, the potential market size, as well as facilitate market entry.

Future evolution of the market

The major drivers and restricting forces influencing the future market for Web cam sales were then identified. Four major restrictors have been identified:

- (1) the price of Web cams;
- (2) the quality of Web cams;
- (3) the band wave; and
- (4) the price of telecommunications.

Although Web cam prices dropped from US\$161 to US\$96 in November 1999 (*PC Data*, 2000), their current price is still relatively high at around US\$80 for one of good quality. With regards to the product quality, IDC's *International Data Company*, 2001) market study identifies it as a major problem, although over the past few years improvements have been

Table I Web cam market: sales and population, up to 2004

	Year						
	1998	1999	2000	2001	2002	2003	2004
Annual sales, in millions of units	1.0	2.2	7.3	8.25	8.25	8.25	8.25
Total population, in millions of units	1.5	3.7	11.0	19.25	27.5	35.75	44.0
Percentage total population growth		147.0	197.0	75.0	43.0	30.0	23.0

made (e.g. luminosity, sensitivity and image resolution). Band waves are also relevant, especially when the user connects to the Internet with a telephone line; a low band wave thus decreases the image quality. However, over the last couple of years, cable quality and ADSL have drastically increased the band waves, resulting in a better image quality. Finally, the price of telecommunications is identified as a restrictor, since chatters are connected to the Internet for a reasonably long period of time. Prices are decreasing, though, and many Internet access providers are practising a fixed price policy.

Four drivers have been identified:

- (1) the “snowball” effect;
- (2) the increased interest of Internet users;
- (3) the building of alliances; and
- (4) the development of new applications.

As Web cam possession increases, more people will desire to own one in order to communicate on the Internet. Moreover, according to an AOL enquiry (*Cyberstudy*, 1999), 67 per cent of the people contacted are planning to practise a video chat activity. The third driver refers to the alliances taking place between Web cam and computer manufacturers: for instance, Logitech has signed an agreement with Compaq in the USA (*Logitech*, 2000). According to the InfoTrends Research Group, more than 50 per cent of the computers sold from 2003 onwards will have a Web cam; such alliances will inevitably favour market growth. Finally, the development of new applications for Web cams will make it more interesting to own one.

In summary, the first part of the market study generates positive findings for the development of our service. Indeed, 11 million Web cams have been sold as of today, and the public expects an increase in sales. Moreover, the five-forces analysis suggests an increase in quality, and decrease in prices of Web cams.

These factors positively influence the drivers and current restrictors of the Web cam market’s evolution.

The video chat market

The video chat market is now analysed in order to better understand the users, adapt the new product, and implement an adequate marketing strategy. According to an eTForecasts study[5] the number of Internet users should rise from 414 million in 2000 to more than 1,000 million in 2005. However, not all users will want a video chat service. Two types of profiles have been identified as potential video chatters with video chat satisfying two different needs:

- (1) the need to communicate with a group of people; and
- (2) the “fun-need” for chatters who appreciate use of the Internet, sharing their hobbies and passion in discussion forums.

According to a McKinsey & Co. enquiry (*McKinsey-Dad*, 2001) these two types of chatters represent, respectively, approximately 23 per cent and 4 per cent of the Internet surfers. This means that the potential video chatters accounted for around 100 million in 2000, which may seem large compared with the 11 million Web cams sold, but it is an indication of the potential market size.

Again, in order to analyse the video chat market structure, Porter’s (1980) five forces seems to be an adequate model. Searching the Internet for the available video chat services has identified the direct competitors. Two main categories have emerged from this search:

- (1) video chatting via a Web site; and
- (2) video chatting via a direct connection.

Both these categories enable text and audio discussion modes and offer the possibility of viewing small size videos with variable quality from fluid to slow. The difference between the two modes lies in the fact that, respectively, they enable the creation of one’s own

discussion forum or entering an existing forum, as well as a discussion between only two persons. To conclude the direct competition analysis, two main aspects should be raised. First, the competition regarding video chatting is rapidly growing and the current commercialisation project should be marketed shortly. Second, even if competition is tough, innovation leading to new and better quality products is still possible. Moreover, the presence of a firm commercialising a similar version of our service could facilitate market penetration.

With regard to substitutes, two types of substitutes were identified:

- (1) those linked to the communication function; and
- (2) those linked to the “meeting” function.

The first type of substitutes covers the telephone, post, e-mail and traditional chat, but none of these substitutes enables video imaging. The second type of substitute regroups ways of meeting people, for example meeting in clubs. There exists, thus, a certain number of substitute products, but none is superior to the others and, basically, they aim at different types of potential customers.

Analysing the barriers to entry enables the evaluation of the potential entry of new companies offering the same service. These entry barriers are highly present in the case of video chat services: patents, as well as the importance of technical capacities, the recruiting of computer technicians and the importance of brand image, are all impediments to the development of new activities competing with the current service.

The identification of the clients’ and suppliers’ negotiating power depends highly on the commercialisation mode. These matters will be developed further.

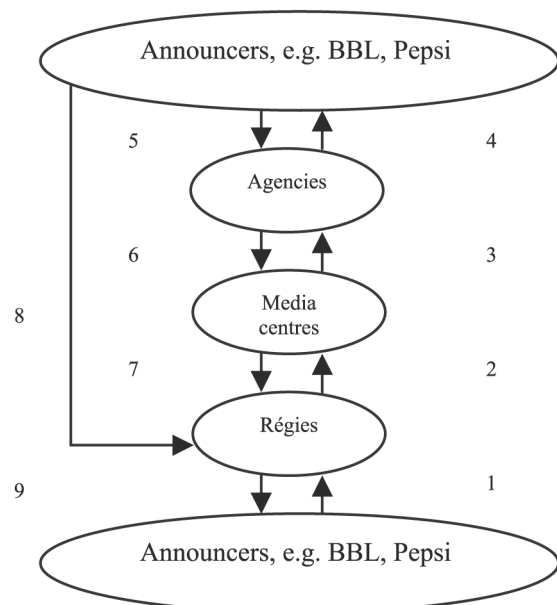
To conclude, the video chat market structure is one that is competitive due to the increased offer and constant improvement of product quality. The entry barriers are quite high, and the strategy implemented to penetrate the market is of great consequence. Finally, one must be aware that video chatting might be a “fashion phenomenon”, which could disappear as quickly as it appeared.

The advertising market on the Internet

The current section exposes the advertising market on the Internet with one possibility being to replace the original background with a background integrating advertisements. This new type of advertising might be appealing to certain market actors and could be a non-negligible source of revenue. In order to verify this a market study was conducted. However, before doing so, it is necessary to identify the actors in the market structure and their role in the elaboration of an advertising campaign; the numbers below refer to Figure 1:

- (1) The mandates, an Internet site, for example, contact a “régie” in order to hand them the task of commercialising their advertising space. This means that these régies have a better knowledge of the market and its actors.
- (2) The régies then contact the media centres, which play a centralisation role in the market. In the current research, the product to commercialise is the advertising space present in the new video chatting background.
- (3) The media centres contact the advertising agencies and present them with the available products.
- (4) The agencies advise the announcers on how to conduct their advertising campaigns.

Figure 1 The advertising market: structure and functioning



Most of the time (some 80 per cent) steps 5 to 7 will be followed. However, if not, step 8 exposes the alternative step.

- (5) The announcers communicate their budget to the agency and also give them a few directives. The agency then proposes the media support and creates the banners and advertisements.
- (6) The agencies communicate the information regarding the budget and the Web sites where the announcer wants to be present to the media centres, leaving them regularly to elaborate the planning aspects, media strategy and tactical announcers' plans.
- (7) The media centres contact the régies.
- (8) The announcers contact directly the régies, informing them of the budget in order to accomplish the advertising campaign.
- (9) The régies insert the advertisements into the sites with which they have an agreement.

This brief description of the market structure and interaction processes between the actors provides us with key information for the following market study. The methodology has been outlined in Figure 2.

In the first step, the subjacent themes have been identified in order to reply to our interrogation regarding whether or not it is of interest to include advertising in the new video chat background. These themes refer to the history of advertising on the Internet, the future trends, the international differences, the technical requirements, the financial aspects and the applicability of advertising. Moreover, we asked the interviewees to voice their opinion on our concept.

Previously identified in the advertising market structure, there exist three main categories of actors:

- (1) the agencies;
- (2) the media centres; and
- (3) the régies.

In Belgium, there are roughly a dozen agencies, nine media centres and 18 régies[6]. In order to have a complete overview of the market, members of all three categories were contacted, selected from an exhaustive list available on Web sites such as the "Centre d'Information sur les Médias" (CIM)[7] and the "Interactive Advertising Bureau" (IAB)[8]. Three media

centres and agencies were randomly picked; however, regarding the régies we were advised by the administrator of a future spin-off of the Telecommunication and Teledetection Laboratory of the Catholic University of Louvain to contact RMB and 24/7 and randomly pick two others. All the companies contacted are based in Belgium; however, the majority are present abroad as well, enabling us to discuss the differences between countries.

An interview protocol was then written in order to approach the relevant themes earlier identified. This has been depicted in Figure 3.

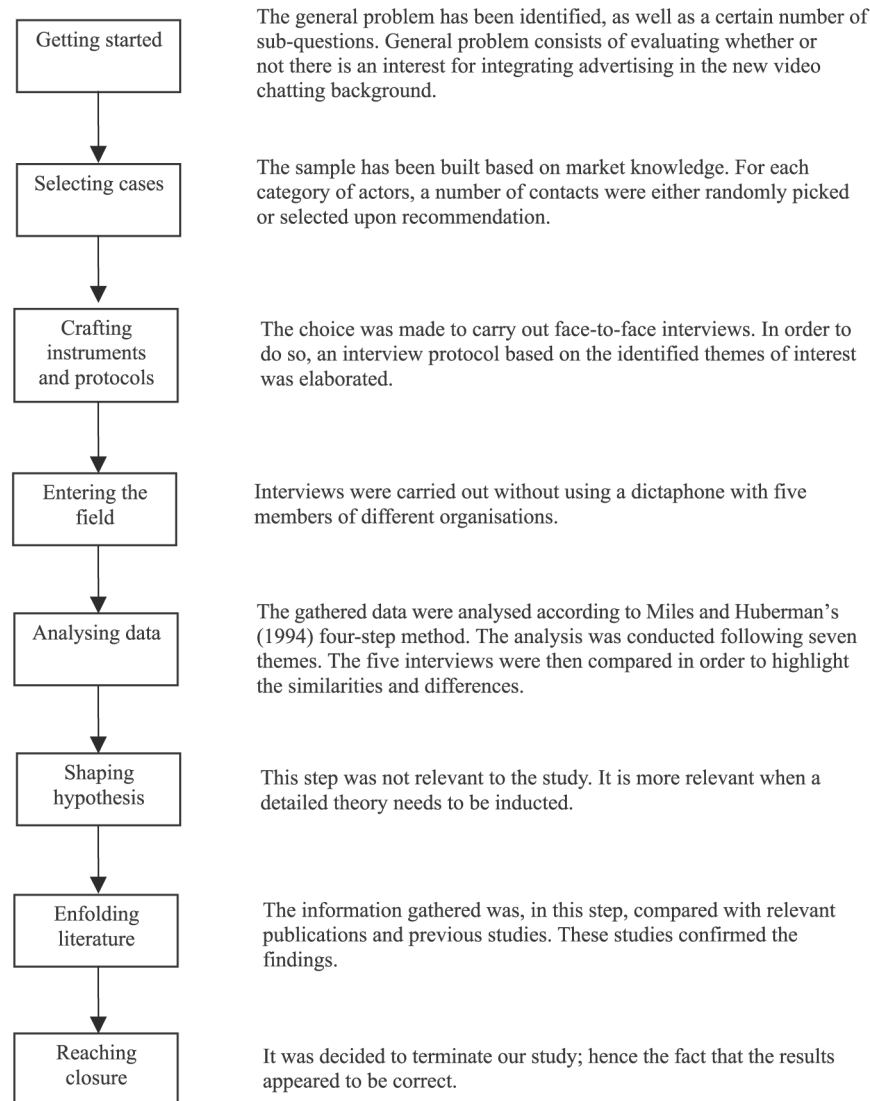
Following that, a search on the Internet was conducted for contact information of the different pre-selected actors. Unfortunately, though none of the agencies agreed to invite us in for an interview, two media centres and three régies did agree. Table II summarises the data collected from these in-depth interviews.

In order to compare the collected data we consulted different studies, the main and most relevant one being the IAB's annual report (IAB/PricewaterhouseCoopers, 2000). With regard to market history, it seems that the second semester results have not affected the advertising revenues and that many announcers have become more dynamic in using the Internet. International differences were found to be important between, on the one hand, Germany and France, which are the most active European countries in advertising on the Internet, and, on the other hand, the USA. In 76.7 per cent of cases, banners are the advertising medium.

In the last step, it was decided that the information gathered from the interviews and previous market study seemed correct, enabling us to consider our findings as being representative of reality. It appears that there exists a real interest in the new video chat communication service. In order to identify and better understand the potential clients and/or users, the following section consists of a macro- and micro-segmentation of the video chat market. Respectively, they identify the product-market and their different segments (Lambin, 2000).

The macro-segmentation of the video chat market
The aim of macro-segmenting is to define the company's reference markets narrowly enough in

Figure 2 Advertising market analysis



order to implement a strategy, and widely enough to stimulate, discover and diversify imagination and strategies (Lambin, 2000). In order to do so, we implemented a set of "who?", "what?" and "how?" questions (Abell, 1999). For the "who?" question we identified Internet surfers, companies and Internet sites. The Internet surfers may want to communicate with friends, meet new people, "have fun" or discover new cultures. They may do so using the telephone, post, e-mail, chat and video chat, and with or without the cutting technique. The companies may want to increase brand image and profits. They are capable of doing so by using the same communication medium as the Internet surfers. Finally, the Internet sites may

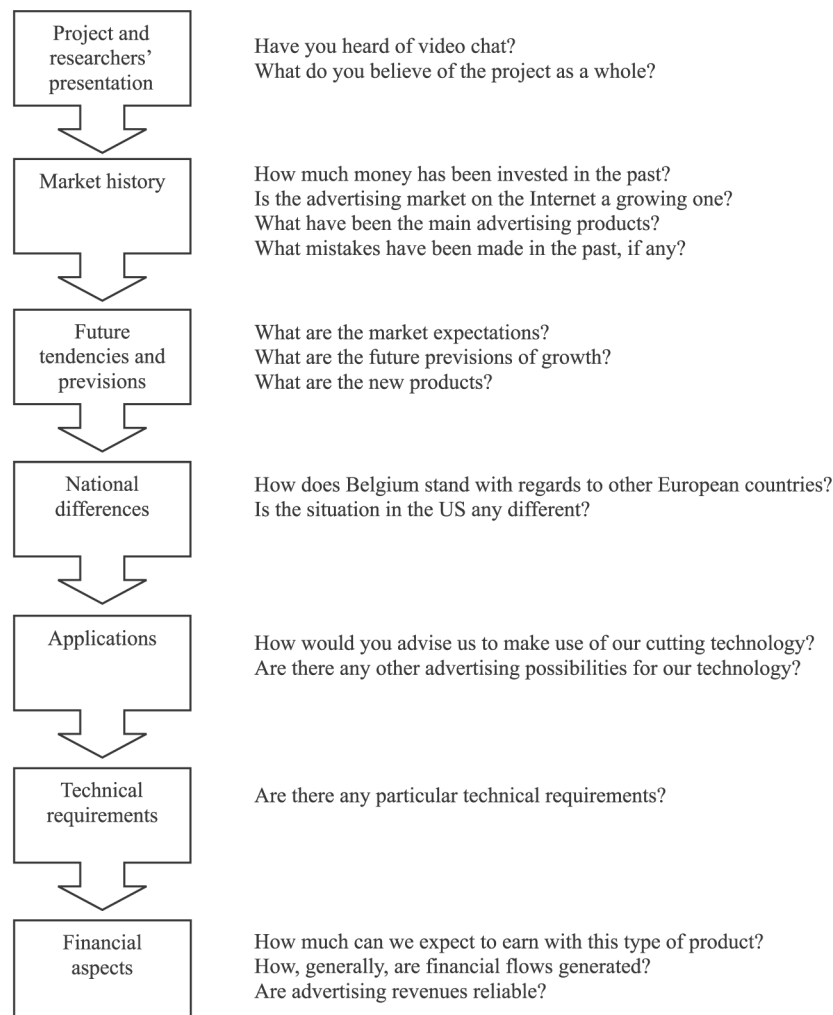
strive to increase site visits and profits through e-mail, chat and video chat, with or without the cutting technique. According to the interviews conducted with the different actors in the market, it was decided to focus on the following groups:

- the Internet surfers who want to communicate and meet new people;
- the companies that want to improve brand image; and
- the Internet sites, which long for increased site visits.

Naturally, these three actors' intentions are all being fulfilled by using video chat.

The next objective was to analyse the diversity of needs within the product-markets. The Internet surfers have already been

Figure 3 The themes for the interviews with the advertising market actors



discussed in the video chat market analysis. Concerning the Internet sites three different sources of information were exploited:

- (1) the knowledge gained from the direct competition study of the video chat market;
- (2) Internet sites frequency visit analyses published by CIM[9]; and
- (3) a study conducted by LemonAd, an advertising monitoring company[10], over a one-week period.

The micro-segmentation of the video chat market
In the current approach, and based on the collected information, the micro-segmentation of the video chat market is based on six relevant factors:

- (1) the presence of a commercial aim;
- (2) the core business;
- (3) the type of advantage looked for by introducing the video chat;

- (4) the national or international dimension of the Internet site;
- (5) the size of the client market in terms of revenues; and
- (6) the type of functioning of Internet sites with a video chat core activity.

Three micro-segments have been distinguished:

- (1) video chat sites;
- (2) portals; and
- (3) editorial sites.

Video chat sites, such as IsPQ or Cuseeme, naturally make video chat their core business. Connection can be made either via an Internet site or through direct connection. As for portals, the aim is to complete their product range in order to increase the number of visitors. They are either national (e.g. Yucom and Ad valvas) or international (e.g. Yahoo!, Wanadoo and

Table II Results of the advertising market study

	24/7	RMB	High media	Carat	Optimedia
Market history	Large market growth in 2000 Mini-market crisis in the second semester 2000 Banner advertisements = 90 per cent of the advertising campaigns	Banner advertisement from 1998 to 2000	Continuously growing but hard times end of 2000	Advertising on the Internet increases but is still relatively low compared with other media	Large market growth in 2000 Mini-market crisis in the second semester 2000
Tendencies and previsions	New advertising products appearing Profiling is becoming essential	Profiling is becoming essential	Banner advertisement use should decrease from 83 to 50 per cent of advertising market due to new applications	The sector should develop but not extensively Several announcers have doubts on the Internet's effectiveness	Entry of new announcers Some announcers dare use new products (innovation)
International differences	USA ahead compared with EU Belgium is a slow mover	No information	USA ahead compared with EU	In Europe, France and Germany are ahead and more engaged	USA ahead of EU Belgium is a slow mover
Technical requirements	Being able to do profiling	Need to measure effectiveness	Ensure the non-violation of private life	The application must be perfect in order to be launched	The application must be perfect in order to be launched
Applications	No information	Offering a free service to Internet users	No information	Create our own video chat site	Create our own video chat site
Financial aspects	Between €0.15 and €0.45 per impression	Maximum €3,720 Maximum 20 to 30 per cent of revenue generated by advertising	No information	Advertising must be a complementary source of revenue but not the main source	The large campaigns generate revenues between €495,000 to €990,000
Our concept	Interesting because answers a market need	Interesting but we must be aware of hoping to generate too much revenue from advertising	Interesting because answers a market need and is an international concept	Interesting but the market must become more dynamic	Interesting project but too early to evaluate its viability

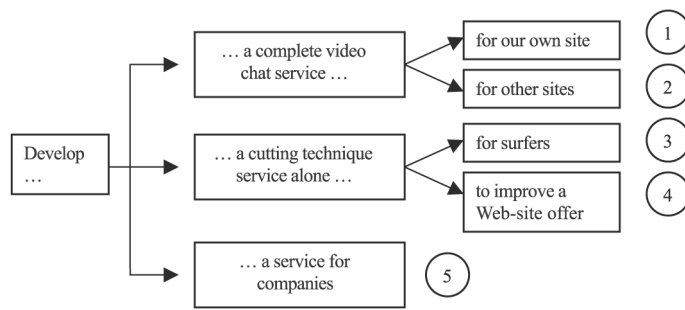
Tiscali). Editorial sites want to spread the community of visitors and offer them a service around a specific theme. They are either informational (e.g. *Le Monde*), interest-driven (e.g. Walt Disney), professional (e.g. Ibazar) or regrouped in the category "others" (e.g. Sport4fun).

The video chat market segmentation enabled the identification of a number of client categories. However, it is not possible to satisfy all the clients, especially for a start-up with limited resources. These consequences led to the questioning of the different options available with regard to the commercialisation mode. Based on market segmentation, Porter's five-forces analysis of the video chat market,

and ideas collected from in-depth interviews, five commercialisation options were identified (Figure 4).

The first option for the start-up would be to create its own video chat Web site targeting Internet surfers who video chat, and those who do not as yet. The advantages and drawbacks of this commercialisation technique are presented in Table III. This commercialisation mode seems interesting, but drawbacks are multiple. Even if one can expect advertising revenues, 70 per cent of the total revenue must be generated by the software sales. However, a large majority of the Internet surfers are searching for free downloads. Second, if this commercialisation mode is implemented, the

Figure 4 The five commercialisation modes



distribution would be a key – and especially expensive – factor. Third, and due to tough competition, the software must be differentiated and complete. As a consequence, development costs would increase.

The second commercialisation mode, developing a complete service for other sites, addresses the demand from Internet sites. Table IV presents the advantages and drawbacks of this commercialisation mode. By selling to Internet sites, the start-up can save on maintenance and distribution costs. However, this commercialisation mode would engender extra costs in terms of software adaptation in order to reply to the different Internet sites'

requirements. In terms of advertising revenue losses, they could most probably be partly recouped by alliances or contracts with the clients. Finally, competition not being as tough, more time would enable the start-up to develop a more complete version of the software.

Developing a service with the cutting technique for Internet chatters is the third type of commercialisation that the start-up could consider. In this case, the start-up would have to develop software that masters the cutting technique and the image re-composition. When chatters connect to the Internet site to video chat, they will be able to download the software. The chances of success in this case are low; indeed, even if development costs are low, other cost centres will not be so: for example, promotional costs will be significant in order to rapidly reach the Internet users. Moreover, the only substantial revenue would be generated by the software sales, which would most probably be low, as an increasing number of Internet users are not ready to pay for downloadable software. Finally, there already exists one company, which commercialises such type of software, which means that competition could thus be quite tough.

Table III Advantages and restrictors of creating one's own Web site

Advantages	Restrictors
Possibility of creating a better quality video chat by proposing a more complete service with better performance	The software development requires investment in terms of human resources mobilisation (expensive)
The cutting technology would enable the start-up to differentiate itself from existing video chat sites, which do not propose the insertion in a new background	The cutting technique is only a small part of the service; will it be enough to differentiate us from competitors?
Two types of services would be offered: a free software including advertising and a paying one with no advertising	Both options would require two different softwares. However, programming differences would not be too important
Revenue would be generated by the advertising on the free version and the software price on the paying one	A good business plan should count on 30 per cent of revenue as the maximum generated by advertising. The rest should be generated by the paying version
There will not be physical prospecting (no moving to the clients)	The Internet users are very demanding clients; one mistake might lead to serious damage especially due to word of mouth In order to attract the announcers, we need to attract a large number of surfers; the software distribution should, therefore, be fast and effective Competition is very tough in this sector. Many firms are present on the market and it is difficult to penetrate

Table IV Advantages and restrictors of developing a complete service for other sites

Advantages	Restrictors
Possibility of creating a video chat service of higher quality; the service would be complete and powerful	The software development requires heavy investments in human resources; different clients might want slightly different versions
The cutting technique enables the start-up to differentiate their product from others	Is the cutting technique sufficient in order to differentiate the service?
The start-up could offer different services according to the different clients' expectations and their desire to differentiate themselves	In order to limit time and financial costs, the product would need to be standardised to a minimum extent
Revenues would be generated by the software sales and maintenance charges	The start-up could lose all prospects of generating advertising revenues, as the clients will probably want to manage the advertising on their Web site
The clients would be Internet sites; it would then be business-to-business and profit expectations are higher	In working with companies, expectations are higher and constraints tougher; penetrating the market would not be easy
As presented in the micro-segmentation, the potential number of clients is quite important	Less competition than in the first commercialisation mode, because fewer organisations propose such a service to Internet sites
Less importance in making the general public aware of the new service, because the privileged contacts are Internet sites	

The fourth option available to the start-up is the development of the software enabling the cutting technique, but for Internet sites instead of Internet surfers. This commercialisation mode seems interesting; indeed, the investment would be significantly lower than the option requiring the development of the start-up's own Internet site. Moreover, addressing the Internet sites should bring substantially higher revenue than addressing the Internet surfers. The major drawback of this commercialisation option lies in the entry barriers: if this activity is profitable, the only known competitor, as of today, might, and most probably will, enter the market to compete with the start-up.

The fifth option would be to develop a service for companies with the objective of creating an event on video chat on company demands. Basic software would be developed and would need to be adapted according to companies' demands. Table V regroups the advantages and drawbacks linked to this commercialisation mode. This commercialisation mode probably requires more programming work because each contract is different. Prospecting expenses will also be high, which will significantly raise costs. However, the price charged could be higher, so the market size is an important factor in order to estimate profitability.

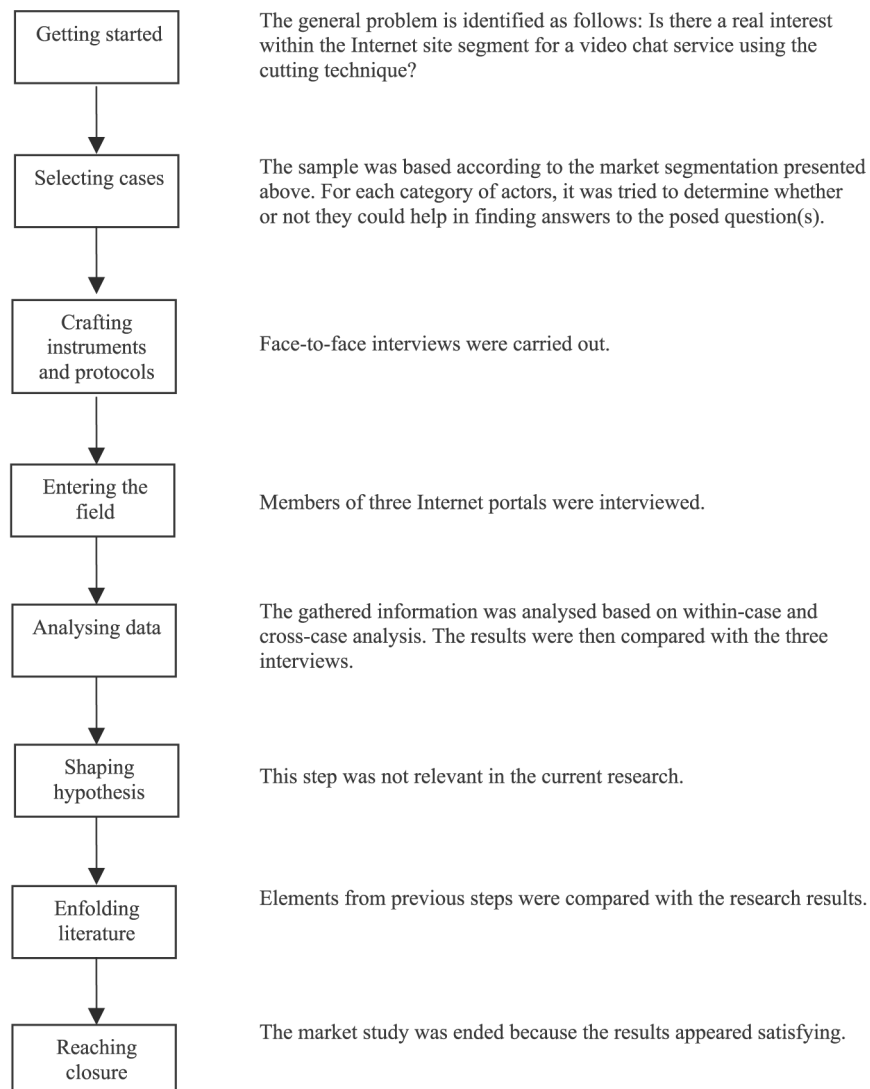
At the current stage, it is impossible to decide which of the above options would be the most appropriate; however, the first and third solutions have been rejected, because it seems that aiming at Internet surfers would jeopardise the start-up's profitability. In the next paragraphs, our understanding of the start-up's potential is deepened and finalised, evaluating profitability and the required conditions by conducting a market study in the Internet site segment (Figure 5). The subjacent questions refer to advertising, commercialisation modes, technical requirements and program options, exclusivity and financial aspects. The reasons for enquiring lie, respectively, in the fact that advertising can be a selling argument and one wants to assess its impact, the interest we have in companies assessing the proposed commercialisation modes, the fact that clients' expectations influence programming and costs, and the generation of a few financial figures.

In the second step, we followed such a path in order to select the cases. We chose not to sample the Internet surfers and the companies, because they were less important financially, and also difficult to study in detail. The companies were not contacted, because the segment is too large, considering our small possibilities, and the needs differ significantly

Table V Advantages and restrictors of developing a service for other companies

Advantages	Restrictors
The offered service would be new and companies could benefit from an innovative image	The software development and the needed applications will require investment in time and human resources
The revenues would be generated by the selling of a number of services enabling an event creation	The service quality must be absolutely perfect
The clients are companies, their budgets are large and an increasing part of them is devoted to the Internet	The prospecting effort will have to be intense and it is essential to develop an adequate strategy in order to focus on the right customers
Brand image for the grand public is not relevant; the start-up must be known by the companies and the reputation would be built according to service quality	There is a risk that video chatting is a fashion phenomenon, the service length will be determined by the contract length. In the long run, getting new contracts could become more complicated

Figure 5 Methodology for the market study



from one company to another, which makes our enquiry very complicated.

As for the Internet sites, we decided to contact them because the financial gains are relatively important and the segment size seems reasonable, in the sense that it is not too large, which facilitates the enquiry, and not too small, which enables the researchers to have a good-sized sample. In the Internet site segment, three micro-segments were identified:

- (1) video chat sites;
- (2) editorial sites; and
- (3) portals.

The researchers chose to focus on the portal sites based in Belgium for diverse reasons. These sites are large holders of financial resources; the market size is larger than that of video chat sites and smaller than that of editorial sites; all the identified themes can be

approached; and their identification and availability are relatively simple. The fact that they are based in Belgium makes it convenient for the interviewing process. The following portals were contacted: Ad valvas, Infonie, Msn, Planet Internet, Skynet, Yucom, Wanadoo, Tiscali Belgium and Free Web. Our objective was to find answers to the interrogation presented in the first phase. Figure 6 illustrates the methodology.

Figure 6 illustrates the methodology.

Three portals accepted to meet us, five were interested, but lacked time, and one was not interested in our video chat service. Table VI contains the results gathered from our three interviews with Ad valvas, Tiscali Belgium, and Wanadoo Belgium. First, the video chat market seems as though it will indeed continue to develop, as most interviewees seem to believe this. Second, the researchers' idea of integrating

Figure 6 The themes discussed with the interviewees of portal sites

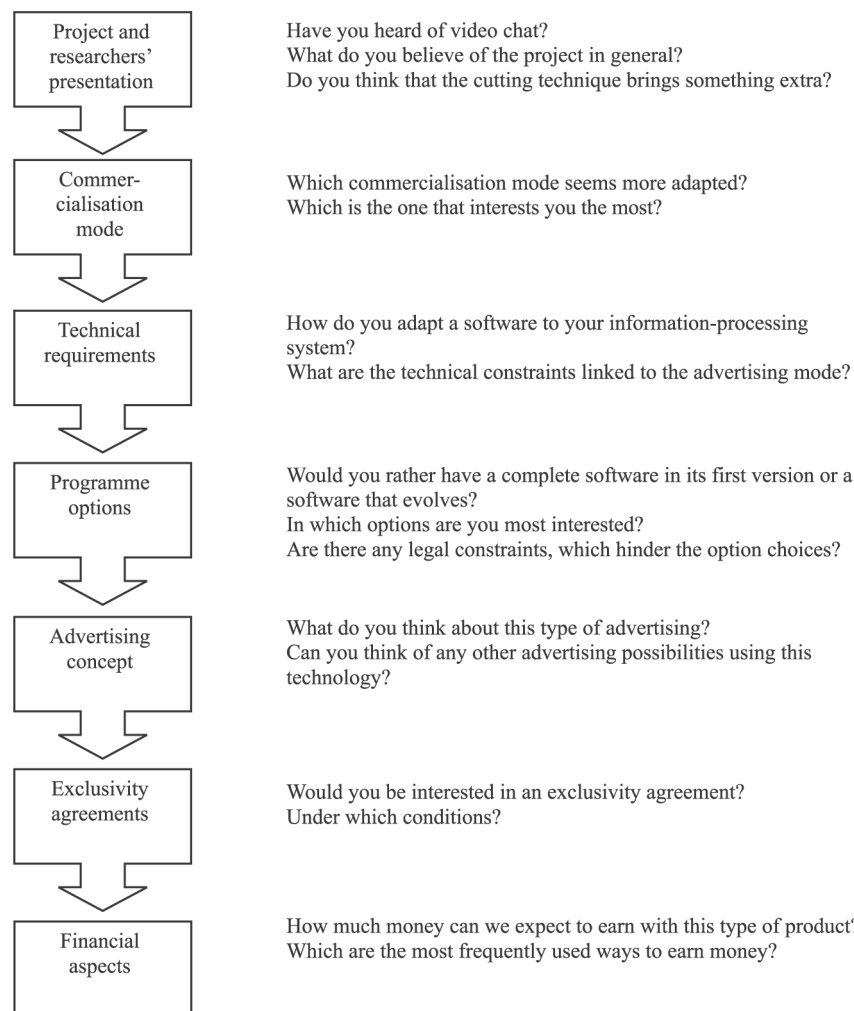


Table VI Results of in-depth interviews with portal managers

	Ad valvas	Tiscali Belgium	Wanadoo Belgium
Concept	Fun aspect Doubts regarding video chat's development	Interested by video chat Has just integrated a video chat service Open to new proposal if brings extra value	Interested in video chat Has just integrated a video chat service Like the cutting technique in the current project
Communication mode	Only develop the cutting technique software Do not develop a complete service and sell it to Internet sites	No particular preferences	No particular preferences Interested in both the cutting-enabling software and the complete service
Competitive advantage	Core business: cutting technique software With the complete service, diminishing of the cutting technique	Whatever our choice, we should be able to differentiate The service should also enable Tiscali to differentiate itself	No information
Software options	No information	Quick messages could be a good idea Be careful in using client profile information	Place lists of all connected surfers but possibility of placing filters Be careful in using client profile information Place an indicator on connection quality Modify character policy Be able to create public and private chat rooms
Exclusivity	No because differentiation based on background	No information	Exclusivity of six months to a year in a trial country Then spreading of the system in other countries
Technical requirements	Adaptation often realised internally	Adaptation by the collaboration between the two companies	Adaptation by the collaboration between the two companies
Advertising	How is this technology different from what can be done today?	Interesting but sceptical regarding market reaction	Many possible advertising adaptations Leave space for banner advertisements
Development	Make it a "fun" service	Interested in everything that could help them differentiate themselves	Discussion services with stars while seeing film abstracts
Financials	Very difficult to estimate More than €12,000 for each cutting technology software	Very difficult to estimate	Very difficult to estimate For the Belgian market between €250 and €5,000 per month for the complete software

advertising in the new background has also been taken positively. Based on the gathered data, the researchers believe that the market study has reached its objective in providing a reply to our interrogations.

Conclusions

In conclusion, we will expose the striking and most relevant findings of this paper. The market studies conducted on the Web cam, video chat and advertising market provide us with very encouraging results. The Web cam market is growing and competition is becoming tougher, leading to increasing quality and decreasing prices; these conditions can lead us to think that the market will evolve favourably. On the video

chat market, where competition is also tough, there is still room for new entrants that need to differentiate themselves. Indeed, the potential video chatters represent approximately 25 per cent of the Internet users – that is a potential market of 100 million people. Our service can provide these potential clients with what they are searching for, that is communication and "fun" over the Internet. As for the advertising market, advertising expenditures are rising and market actors are constantly searching for new products, better targeted and more interactive.

Encountering the encouraging results from the three market studies, it was decided to further deepen knowledge and understanding of the eventual possibilities by undertaking a macro- and micro-analysis of the market. The micro-analysis enabled the refinement of the

segmentation, therefore helping the study of various commercialisation options. Two of the options that seemed unprofitable were eliminated and further analyses led to the consideration of a commercialisation mode that would be adequate for answering the needs of Internet portals. Indeed, the market study carried out on Internet portals highlighted the real interest of the potential clients for the current video chat service. This research enabled the gathering of pertinent information on the potential clients' needs and the amounts of money they are ready to pay for the service. It is now for technicians and professionals to decide whether or not they are ready to create a start-up selling this software or the complete version of a video chat service using the cutting technique, enabling the chatter to be integrated to a new background, which will hold advertising agreements with the concerned portals.

Notes

- 1 Available at: www.viewontv.com/richmedia.htm
- 2 *Inside Internet, SVM, Web Magazine and Internet & Enterprise*.
- 3 IBS, Excel and Microstar.
- 4 Available at: <http://gartner.com/Webletter/3comrisi/summer99/article1/article1.html>
- 5 Available at: www.etforecasts.com
- 6 This information was collected from a product manager online department at RMB Belgium.
- 7 Available at: www.cim.be/base/fr/c/default.html (accessed April 2001).
- 8 Available at: www.iab-belgium.be/noframes/fr_000008.htm (accessed May 2001).
- 9 Available at: www.cim.be/metriweb/fr/d/dc/default.html
- 10 LemonAd enables one to follow the online campaign evolution in most European countries. For the

subscribers it is possible to know who announces, on which support, with which frequency, and at what dates. The software tracks, 24/7, 2,500 Internet sites in Europe.

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Further reading

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