



Internet TV -- there will be blood

Technology key to the widespread adoption of Internet TV.

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The surge of Internet TV entrepreneurs promise movies and TV programs on any screen, anywhere, anytime, yet little attention is focused on the monumental challenge and new technologies needed to make video ubiquitous.

Hyperbole about broadcast television soon following dinosaurs to extinction bubbles at Internet TV gatherings from Sundance to NATPE. Yet traditional TV's audience -- 260 million viewers in the U.S. alone -- is growing.

Rather than rob traditional TV of its audience, Internet TV -- including popular user-generated-video sites -- builds audiences for traditional TV network programs, according to the report State of the Media 2007.

"There is money being made by networks whenever they can get more than 100,000 people to watch on the Internet," said Gerry Kaufhold, who analyzes Internet and mobile TV for In-Stat.

Internet TV is couch potato nirvana. People who miss favorite TV programs now often watch them on their computer at work during lunch hours and spread the word to friends, which adds incremental new viewers for network and cable shows. One episode of The Office, for example, attracted 400,000 Internet viewers after its first TV broadcast. Another attraction is the chance to watch programs from lots of countries and hard-to-find movies genres like documentaries.

Digital natives aren't the only eyeballs for network TV online. Internet TV's popularity is growing because a wide spectrum of the population watches everything on computers from last night's episode of House to new indie films on Web sites like Caachi.

Nearly 80 million Internet users in the U.S., or 43% of the online population, have watched a TV show on the Internet, up from 25% a year earlier, according to Toronto research firm Solutions Research Group. A new SRG survey found that about 20% of Internet users in the U.S. watch TV episodes on the Web every week, compared with 14% who use a cable operator's video-on-demand.

Even digital video recorders that let people time shift their viewing are helping bump up the amount of time people ages 18 to 49 watch TV -- especially during prime time, reports The Nielsen Company.

"Through the 2006-07 TV season, the average minutes per day per viewer has continued to increase," said Larry Gerbrandt, a consultant with Media Evaluation Partners of Los Angeles and former Nielsen analyst. "It's grown steadily during the last 20 years despite the Internet and all other distractions. Why? Because there are more channels, more offerings, more television sets in homes, and lots of other places with TVs on like bars, airports, and even airplanes."

Besides, traditional TV's audience grows simply because the number of U.S. households with televisions gets larger each year.

Meanwhile four market forces push Internet TV's ascent, according to a September 2007 white paper by analysts Greg Ireland and Lewis Ward of IDC.

Nearly 300 million households worldwide (60 million in the U.S.) now have broadband so they can play videos on computers.

Consumers are finding videos on the Web every click of the mouse.

Professionally produced content from TV networks and movie studios and a near infinite inventory of niche, user-generated videos creates a mind-boggling library of long tail content. (500,000 user-generated video uploads a day worldwide in 2007, and expected to grow to 4.8 million by 2011.)

People's appetite for passive entertainment isn't satisfied yet.

The video production and distribution ecosystem is changing drastically as content producers (from movie studios to individuals) chase after the \$60 billion in advertising revenue, and advertisers chase after consumers.

Advertisers, while spending some money on Internet TV, are still pumping millions to broadcast and cable networks because they deliver predictable audience numbers.

"Internet eyeballs unpredictable and fleeting," said In-Stat's Kaufhold. "When you're an advertiser at end of day you want the largest number of eyeballs on a predictable basis week after week, which means broadcast TV will continue to be the biggest game in town for the next 10 years."

However, unlike traditional TV, new Internet TV and video-sharing Web sites give advertisers a shot at getting the attention of television's most elusive audience - males under 35 - who tend to ignore TV news and movies but gravitate to sports programs (mixed martial arts is the most popular), online video games, and often gross and graphic user-generated videos, Kaufhold said.

Seemingly infinite, narrow-interest programs available online -- from Digg nation to Wine Library TV-- as well as new ad models, new distribution models, and new transcoding technologies have investors, inventors, and viewers scrambling to keep up.

Bets are being placed about how new players and business models as diverse as Babelgum, Apple TV, NBC/News Corp.'s Hulu, Microsoft Internet TV, Belo/Yahoo!News, and JumpTV will fare as they co-mingle or compete with traditional broadcasters.

The challenge for content providers will be to reach consumers who want to watch videos on mobile telephones, computers, MP3 players, and other devices and do it over all sorts of networks. That's going to require videos to be transcoded into some 30 existing formats (various audio and video codecs, file formats, screen resolutions and bit rates) so everybody everywhere can watch whatever they want, wherever they want to watch it.

For example, if an operator such as CNN wants to take its broadcast video from the network and put it on the CNN.com, it needs to be transcoded from the broadcast format into one that works well with Internet video. Here's the problem for just one Internet TV player: YouTube transcodes 65,000 videos a day. Now YouTube is putting all of its existing videos on the Apple iPhone and Apple TV in a secondary format - H.264. This doubles YouTube's transcoding needs each day.

"With the long tail comes the challenge of making millions of videos available when usage of most individual titles is minimal," Ireland and Ward say in their report. "Transcoding is the key to ubiquity."

Solving the problem will take content providers paying millions of dollars for many thousands of servers, software licenses, energy costs, and more video engineers, or the adoption of more efficient, on-demand transcoding technologies by companies such as start-up RipCode of Seattle. Otherwise that long tail of videos may never go into re-runs.