

## Outside the Box

*As broadband connections proliferate, so do the opportunities for niche video-content providers*

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The growing appeal of video on demand and Internet-based video content may be sending shudders through the television industry, but it's good news for Zev Suissa and G. Michael Torres, founders of Political Channel LLC.

For more than a year, they've produced an assortment of commentary, street interviews, comedy and other programs for their Web site, [PoliticalChannel.tv](http://PoliticalChannel.tv)<sup>1</sup>. But their strategy has been to move their content from the Web to television and mobile phones, a goal that has come within reach, thanks to the growing number of distribution paths for TV programs, movies and other video content.

### THE JOURNAL REPORT

[http://online.wsj.com/page/2\\_1198.html](http://online.wsj.com/page/2_1198.html)<sup>2</sup>

See the complete [Technology report](#)<sup>3</sup>.

For the moment, scheduled programming on broadcast and cable is still the most profitable form of video distribution, Mr. Suissa says. "But it seems that time-shifted [on-demand] programming is definitely going to supplant it in the future," he says.

That possibility is getting an increasing amount of attention these days from most video-content companies, including start-ups like the Political Channel and giants like **Viacom Inc.** and **Time Warner Inc.** While consumers have been watching TV on their own schedules for years, using digital video recorders, DVD players and VCRs, a wide range of new technologies coupled with the widespread adoption of broadband has made it much easier to do this.

People can now watch thousands of movies, TV programs and other content whenever they want, using computers, cellphones and on-demand services offered by cable and satellite companies. Internet giants **Yahoo Inc.** and **Google Inc.** are both making video search and other video features a priority. Moreover, technology companies from software giant **Microsoft Corp.** to start-up Akimbo Systems Inc. are making it easier to watch video content from the Internet on television.

All this is happening at a time when telephone companies like **AT&T Inc.** and **Verizon Communications Inc.** are planning to use Internet technology to deliver television. Unlike traditional cable technology, which can only deliver a limited number of channels, distributors using Internet technology technically can make available an unlimited amount of content. AT&T executives predict they'll have 1,000 or more channels within the next 18 months.

### Fewer Ads

This explosion of new ways to distribute TV is scary for established media companies, because it's threatening the commercial-driven business model that has supported the television industry since its inception. The greater the variety of content available from new sources, the fewer eyeballs will be watching traditional networks. Also, many of the new technologies, like video on demand, make it easy for viewers to skip commercials

and for programmers to sell directly to consumers without having to go through cable or satellite operators.

#### WEB WATCHING

New companies in Internet TV

- **BRIGHTCOVE** ([brightcove.com](http://brightcove.com)<sup>4</sup>)

Enables content owners to make money off their Web videos through advertising, syndications and direct sales.

- **AKIMBO SYSTEMS** ([akimbo.com](http://akimbo.com)<sup>5</sup>)

Sells a box that attaches to TVs and to the Web through a broadband connection. Offers 85 channels, including The Baby Channel and Brain Damage Films.

- **REVVVER** ([revver.com](http://revver.com)<sup>6</sup>)

Offers thousands of streaming videos on its Web site posted by amateur producers.

- **MAGNIFY MEDIA** ([magnifymedia.com](http://magnifymedia.com)<sup>7</sup>)

Gives Web site owners tools for soliciting, managing and posting videos from visitors to their sites.

- **VEOH NETWORKS** ([veoh.com](http://veoh.com)<sup>8</sup>)

Offers 10,000 videos for download. Over 3,000 can be loaded into iPods.

But the trends have provided new opportunities for dozens of niche content companies. Some of them have been trying in vain to cut deals with established cable and satellite companies, which have become much more selective about adding new channels to their lineups. Others, like News Corp.'s Speed Channel, which is devoted to auto, motorcycle and boat racing, are carried on cable and satellite but see the new distribution methods as a way to tailor content for their audience even further.

"There might be a small group of fans that is passionate about the Isle of Man time trials," says Erik Arneson, a spokesman for Speed. "We're looking for a way to distribute and monetize that without taking up space on the cable network."

Distribution choices are proliferating largely because high-speed Internet connections are now in more than 40 million U.S. households. Technology has advanced to the point that even some streaming video over these hookups has the quality of digital TV. EdgeStream Inc., for one, a small Internet firm based in Laguna Hills, Calif., has on its Web site examples of DVD-quality content that can be streamed over the Internet.

With the number of broadband connections swelling, programmers are pursuing different ways of using the Internet to get their content to consumers. Some are doing deals with companies like Akimbo that sell boxes that connect to TV sets and high-speed Internet services and make available for downloading content stored on the Internet. Akimbo, based in San Mateo, Calif., has made deals with 150 providers, including cable standards like BBC and Discovery and owners of obscure underground films.

Other set-top boxes are expected to be available soon. Start-up Dave Networks Inc. of Atlanta, which produces DaveTV, offers a video service on its Web site and is planning to sell a box in the U.S. next year. It has cut content deals with about 100 programmers, including the Political Channel and BBQTV of Atlanta -- a producer of shows about barbecuing -- as well as the National Collegiate Athletic Association and the National Geographic Channel. **TiVo** Inc. also is moving toward making Web-based content

available through broadband connections on its boxes, and has even begun to talk to producers who have approached TiVo about producing its own content.

Open Media Foundation, a Sunnyvale, Calif., nonprofit that is seeking broader distribution for thousands of hours of programming produced by public television and by blogs, today offers the content on its Web site, [OMN.org](http://OMN.org)<sup>9</sup>. Mike Homer, the foundation's chairman, says next year he hopes to make its content available on television through a deal with Alviso, Calif.-based TiVo. "We are definitely in the business of delivering content to the TV," he says. "This is part of a much larger trend, which is that the home network has essentially connected the living room and the home office."

Content companies that have done deals with Akimbo include Opus Media PLC, which has the Internet rights to 730 "Bollywood" movies, produced in India. There's also Baby Channel Ltd., a U.K. company whose programs on pregnancy, childbirth and raising infants are carried on satellite and cable television in Britain, and on [BabyChannelTV.com](http://BabyChannelTV.com)<sup>10</sup>.

### **Skipping the Box**

Rather than go the set-top-box route, other content companies are overhauling their Web sites or creating new ones to emphasize video. These include some of the biggest names in media. CBS News, for example, has created Evening News Online, an Internet version of its nightly TV program. Leslie Moonves, co-president of CBS's parent, Viacom, refers to the Web-based program as "the cable bypass." MTV Overdrive, a new Internet video service created by the popular cable network, also part of Viacom, offers a range of videos, movies, games and other programs.

Smaller content companies also are exploring uses of video on the Web, even those whose main business isn't TV-related. Publisher Rodale Inc. has been looking at ways to use video to enhance the Web sites and promotions of its magazines like *Bicycling* and *Runner's World*. This year, *Bicycling* provided camcorders to readers who won bicycles in its Biketown contest so they could make short films of how their prizes affected their lives. The results will be on *Bicycling's* Web site in early 2006.

Rodale also is planning to develop videos on exercise and health that readers of magazines like *Men's Health* can download to video iPods. In the weeks leading up to the recent New York City Marathon, its *Runner's World* magazine made audio iPod training tips available and 23,000 users downloaded them. "What we do for a living is publish content about health and well-being," says Bill Ostroff, Rodale's chief marketing officer. "That's perfectly suited for this short form of programming."

Companies looking to put videos on the Web are finding help from start-up companies that are developing tools for this purpose. Steve Rosenbaum, who developed programming for MTV featuring viewer-submitted videos in the late 1990s, has taken that genre another step with his new company, Magnify Media LLC. The New York-based company has developed technology that enables Web sites to receive and post user-generated content.

Meanwhile, other start-up companies are coming up with new ways for content owners to make money off their videos. Brightcove, founded by Jeremy Allaire, one of the developers of Flash Media, has developed a service that will give content owners several

ways to make money from their videos on the Web. Its Web tools aim to give customers the option of selling ads, selling the content directly to consumers, or syndicating their programs on other Web sites. Cambridge, Mass.-based Brightcove got a major boost last month when Time Warner's America Online, **IAC/InteractiveCorp**, Hearst Corp. and Allen & Co. LLC participated in a \$16 million round of funding.

Brightcove has been testing its service with about 25 content owners such as Lime, a new lifestyle Web site, and Dan Myrick, co-director of the movie "The Blair Witch Project," who is using the Web to distribute "The Strand," a new drama series. Brightcove expects to offer its service to all content owners early next year.

Revver Inc., another start-up, launched its Web site less than two months ago and since then has received about 5,000 videos, mostly from small producers or individuals. Revver, based in Los Angeles, attaches ads and tags each video with a code that makes sure content owners get paid whenever it is watched on the Internet. At this point, content owners only get a few pennies per view, but it could be more in the future, says Steven Starr, Revver's chief executive. "Content should be able to move freely and creators should be able to get paid when it does," he says.

Veoh Networks Inc., of San Diego, has on its site a combination of content produced by individuals, and movies and TV programs considered to be in the public domain, like certain Three Stooges episodes and the film "Reefer Madness."

Unlike some of the other sites, content off Veoh isn't streamed but has to be downloaded. While that takes a bit more time, it ensures better quality, says Dmitry Shapiro, Veoh's chief executive. "They're full-screen TV-grade," he says.

For now, most video on the Internet is watched on computers. But that, too, is likely to change. Numerous software and hardware companies are working on ways to stream content from computers to televisions. Probably most far along in doing this is Microsoft, whose Media Center operating system for computers has been able to do this for several years. Microsoft's new Xbox 360 is expected to make this process even simpler.

"What everyone is basically saying now is that we're going to live in a multiplatform environment," says Mr. Rosenbaum of Magnify Media. "And in a multiplatform environment, the person who has the most content and can serve it to the most different places wins."

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