

Web-Only Video Programming Heading for the Home TV...Finally

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May 27, 2009

For years TDG has been discussing the inevitability of web video finding its way from the "small screen" PC to the "big screen" TV. With devices connected to the TV, such as Game Consoles and DVRs, acquiring broadband connections the easiest way for consumers to see web videos on their televisions is through services launched on these platforms. Movie services on the Xbox and PS3 game consoles are doing well and Netflix has had well documented success on a number of platforms. But all of these approaches have focused on mainstream media such as movies and TV shows which are already available at the television by other means.

However, in the last two weeks there has been a bevy of announcements that hold the promise of enabling the delivery professionally produced web content to the TV screen. These announcements highlight how the web is starting to impact what we can watch on our TVs.

Observation 1 – For the most part, successful online video efforts focus on aggregating and distributing mainstream content (e.g., movies and TV shows already in demand). Very few online-only content creators have had significant success with PC delivery, much less breaking through to the promised land of TV. As more and more broadband connections reach the living room, however, a wide assortment of non-traditional web-only video will be integrated into the TV experience.

In just the last few weeks, TDG has observed a number of announcements that portend of such a shift.

1. Clearleap, a company enabling new content distribution models, announced partnerships with Next New Networks, Revision3, and Bip.TV to deliver their web-only content to PayTV operator networks through the Clear|Flow content management platform. This relationship will allow web-only video providers expand their reach to the TV and potentially sell ads against their content through Clearleap's Clear|Profit platform.

2. Anysource Media, a company making solutions to combine new media with traditional TV, announced that its Connected HDTV Platform could now deliver web-based video directly from the websites of content partners such as

Anysource Media's TV Navigator



TheStreet.com, Revision3, and Next New Networks.¹ AnySource's TV navigator client is being integrated into new HDTV's, thus allowing easy channel-up/channel-down access to web video content. To do this, TV viewers connect their TV directly to their home network; no additional box is required (a huge plus for both consumers and content vendors).

3. After trialing its own TV-based web video delivery service for more than a year (with results being closely held), Verizon is set to bring seven million web video clips from the likes of Veoh Networks, Blip.TV, and Dailymotion to FiOS TV customers.² The service requires customers to first install PC software from which they select videos they want to be recorded by their home DVR for later TV viewing.

- The good: all sorts of web video may be delivered directly to the TV.
- The bad: no one knows which online video sources will make it through the tests.
- The ugly: it requires integration with and use of the PC (major turnoff for ordinary consumers) and the IPG does not incorporate these new online video sources side-by-side with linear programming, meaning those hoping to find and watch such video will have to stumble through page upon page of search results, not at all optimal given the power of today's video search solutions.

Exciting as these announcements may be, it is important to remember that most consumers are already awash in content from their PayTV providers, with most subscribing to several hundred channels yet watching fewer than 20 on a weekly basis. In other words, they might be a bit hesitant to go looking for new content sources. This market dominance has served Pay TV operators and content distributors well for many years, but as more personalized and customized offerings become available, one has to wonder how long the "500-channel universe" and its bundled service hook will satisfy consumer needs....

Observation 2 – According to TDG's consumer research, a growing number of consumers are watching more TV programming on their PC instead of their TV. Yes, other researchers argue that online video viewing has no impact on TV viewing but this is (a) short sighted, if not altogether wrong (just ask the network executives), and (b) assumes consumers are using online video to watch for a second time a program they viewed on TV the first time.

First, as TDG's latest research suggests, viewing online TV programming is indeed having a dilutive impact on the amount of time adult consumers spend watching regular TV. For the first time since we've been tracking this balance, the percentage of consumers watching less TV because of viewing online TV viewing is higher than the percentage who watch more TV because of viewing online TV programs...and significantly so. In fact, 22% of adult consumers who watch online TV programming say they are watching "less regular TV than before" (up from 18% in December 2008) compared with 10% who say they are watching "more regular TV than before" (down from 18% in 2008).

Second, when asked whether they are primarily (a) rewatching a TV program or (b) "catching up" on a show they missed when it first aired, 90% of adult online TV viewers chose the latter – that is, watching these programs *because they missed them when they originally aired on TV*. In other words, a key benefit of online TV viewing is that it serves the same purpose as a DVR by enabling consumers to

¹ "AnySource Media Signs Agreement with Popular Internet Content Companies," AnySource press release, May 13, 2009.

² "Next on FiOS: Web Videos on Your Flat-Panel TV," Todd Spangler, *Multichannel News*, May 13, 2009.

watch their favorite shows on their own schedule, on demand, but without having to preschedule a recording as with a DVR. This “catching up” activity is by definition a substitution versus a supplementary behavior (online viewing *in lieu of* TV viewing), meaning those who continue to believe that online video viewing does not and will not have a dilutive effect on regular TV viewing are delusional.

To make matters worse, those most likely to behave this way are younger viewers, suggesting that over the next 10-20 years true *quantum media access* (the anytime, anywhere, any device, any content paradigm) will grow in value when compared with static linear viewing.

Does this mean that consumers are already clamoring to view content from Revision3 or Blip.TV on their TV? Sorry but that is not the case. For one, mainstream TV viewers have little idea who these web-only content creators are much less the nature of their content. This lack of familiarity plagues the entire web-only video industry and this is unlikely to change in the short term. Second, bringing web-only video to the TV is either a no-fee value add (and thus is perceived as having no additional value of its own) or requires spending significant marketing dollars in order to create the perception of solid value. In either case, establishing the value of web-only content to TV viewers is fraught with challenges.

The appeal of web-only video is not limited to any specific website. Its real value lies in the mind-blowing diversity of video content that resides on the web and the online infrastructure that allows a consumer to access it in a quantum fashion (without regard to time or place). Delivering this value to the TV in a truly open fashion, however, is limited by political, technical, and financial issues, meaning the best this content can hope for is to trickle into the traditional TV realm site by site or program by program. In the meantime we expect to see walled-garden approaches such as Netflix and Xbox LIVE dominate in the delivery of over-the-top video. With simple well-known business models and a direct path to the TV, such approaches are attractive to both consumers and providers alike.

In the end, what the Clearleap, Anysource, and Verizon announcements illustrate is that the Internet is slowly establishing itself as a valid ecosystem for the creation and delivery of original content. This content is already displacing traditional TV viewing and, like regular TV, consumers want it on their TV. It appears that, finally, the systems and technology to enable this vision are arriving.

About TDG

TDG is the leading voice in the digital video ecosystem providing market planning and research services to keep our clients In Front of the Curve™. Since 2004, TDG has helped more than 250 technology leaders, media companies, and service providers to master the quantum shifts impacting how consumers access, navigate, distribute, and consume broadband media - whenever and wherever they may be.