

# The Web: Webcasting a 'viable' secondary market

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The Walt Disney Co.'s ABC Television Group is making a major foray into Internet television -- this spring and summer -- but the aggressive marketing move may be premature, experts are telling United Press International's The Web column.

Disney is planning to distribute select episodes of ABC shows, including "Commander-in-Chief," starring Geena Davis, "Desperate Housewives," featuring Terri Hatcher, and the entire season of "Alias," with Jennifer Garner, to 22 million American homes that regularly stream video over the Internet, according to a report by the Boston-based consultancy, Strategy Analytics, a copy of which was provided to The Web.

Though IPTV -- Internet Protocol Television -- is definitely coming of age, and the broadband audience may "soon" rival that of traditional television, experts believe that there are some definite technical limitations to the medium right now.

Research by Strategy Analytics shows that 44 million U.S. households now subscribe to high-speed Internet access from cable and telephone companies, but only half of all respondents said that they use broadband to stream video of news, sports or entertainment content on a monthly, weekly or daily basis. Millions of consumers could also stream ABC's shows to their PCs at work.

"Using a still-developing broadband channel to distribute flagship TV programming carries significant risks for Disney," said James Penhune,

director of the Strategy Analytics broadband media and communications group.

In addition to the technical and usability issues, the deal could also harm the company's relationship with key partners. Researchers at Strategy Analytics caution that webcasting will evolve into a "valuable secondary platform" for Disney and other TV programmers, but that consumers will continue to rely on cable and satellite service providers as their primary source of programming.

"Disney has frequently clashed with cable and satellite companies over licensing fees," said Penhune. "And this move increases the potential for further conflict."

There are other major issues too for ABC. For example, there is a potential adverse impact of webcasting on its broadcast affiliates, the hundreds of local TV stations which carry that network's programs to most viewers. One network rival, News Corp.'s FOX network, which is also planning IPTV offerings, has disclosed detailed plans to share webcasting revenues with its broadcast affiliates. Thus far, ABC has not done this.

Major ABC advertisers are interested in the webcasting project, including AT&T, Cingular, Ford, Universal Pictures and even Walt Disney Pictures. These marketers are planning interactive adverts for the webcasts -- meaning ABC will be making money on this nascent effort, right away. Disney/ABC portrays the move as an extension of its current online efforts. The company is selling episodes of "Desperate Housewives" to consumers on iTunes.com for \$1.99 a download.

Other major players are making moves this summer too with Internet TV. AT&T last week reached a deal with Akimbo Systems to market Internet-based "video-on-demand" to subscribers to the Homezone TV

service. The service combines the technologies of AT&T's Internet and dish networks and is integrated into the company's so-called project lightspeed effort, a multibillion dollar effort to upgrade its fiber-optic network for IPTV.

The deal with Akimbo is key -- as AT&T, unlike Disney or Fox, does not have its own content to sell. Akimbo has a digital library of 10,000 TV shows and movies-on-demand and is adding about 150 titles a day, the company said. Consumers who subscribe to the service can access the content on their own TV, via the set-top box, or remotely, even at work, via their PC.

"Over the past year, delivering video over the Internet has emerged as the number one business priority for many media companies, both large and small," said Will Richmond, president of Broadband Directions LLC, a leading marketing intelligence and consulting firm.

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