

# Entertainment industry flinches as Google TV charges in

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Google revolutionized the way people access information. Now it wants to transform how people get entertainment.

The search giant is touting an ambitious new technology, called Google TV, that would marry the Internet with traditional television, enabling viewers to watch TV shows and movies unshackled from the broadcast networks or [cable channels](#) on which they air. Users would need to buy a TV or set-top box with Google software that could connect to the Internet, along with a keyboard to type commands. Users could also use their iPhone or Android phone to operate Google TV.

The prospect of Google getting into television frightens many in Hollywood, who worry that [Silicon Valley](#) will upend the entertainment industry just like the Internet ravaged the music and newspaper industries.

By bringing the Web directly to the living room TV, entertainment industry executives fear Google TV will encourage consumers to ditch their \$70 monthly cable and satellite subscriptions in favor of watching video free via the Internet.

Others believe it will fan piracy because Google refuses to block access to bootleg movies and [television shows](#).

And, perhaps most troubling to Hollywood, Google doesn't yet know

how it will make money on Google TV -- and whether it intends to compensate the studios and networks for the content.

"It's kind of an end-run around their control of signal, and that's scary," said Harold Vogel, president of media investment firm Vogel Capital Management, of broadcasters' response to Google TV. "Because if you don't control the signal, then you can't provide your own advertising. It really destroys the legacy business model."

Google sees its role as harnessing the power of the Internet to improve television viewing. It's an opportunity, company project managers argue, for the movie studios and television networks to use the limitless [storage capacity](#) of the Web to make their libraries of programs available whenever someone wants to watch an old episode of "All in the Family" or classic films such as "Breakfast at Tiffany's."

The concept is simple. Google TV uses Google's expertise in search to cull through viewing options -- both in the traditional program lineups and through online services such as Hulu, Amazon.com or even a network's own website -- and then displays them on the TV set, just as a browser finds information on the Web.

"We want to use the Internet to change the television experience," said Vincent Dureau, Google's head of TV technology. "There's no secret plan. We're not designing a rocket that's going to the moon. At the end of the day, the story's simple. We're putting a browser in the TV to enable a whole bunch of things that the studios and the networks are already doing today, but in a less disjointed fashion."

Lazard Capital Markets media analyst Barton Crockett predicts Internet video will be the biggest thing to happen in the living room since the advent of digital video recorders. Within five years, television sets and set-top boxes that connect to the Web will be commonplace, he said.

That represents a potential boon to content creators, as distributors pay substantial sums for the right to stream movies and TV shows to subscribers, Crockett said. Consider the five-year, \$900 million deal subscription service Netflix Inc. struck last week with fledgling pay-TV channel Epix to offer movies via the Web from Paramount Pictures, Metro-Goldwyn-Mayer and Lionsgate within 90 days of opening in theaters.

"I understand being scared of Google. They are big, smart, powerful and disruptive. It makes them scary from the moment they enter the room," Crockett said. "But they also represent the future."

The two-man team leading the Google TV effort -- Dureau and Rishi Chandra -- say they believe technological innovation can make television better and more profitable for everyone.

Cable operators, television programmers and others have in recent months journeyed to Google's headquarters in Mountain View, Calif., for a demonstration of Google TV, parking themselves on a black leather couch across from a Google TV-enabled, flat-screen Sony TV resting on a desk draped with a black cloth.

Dureau and Chandra say Google's software -- and the developers who would use it to create legions of new applications -- would give viewers more bang and content producers more bucks, much the same way innovation from Google and Apple have transformed the mobile phone industry.

"We fundamentally believe the advertising mechanisms we have online will improve ad products on television, whether we do it or someone else does it," Chandra said.

Analysts agree: They say the Internet is coming to television with or

without Google and that it's the only medium that can bring with it the long-awaited promise of targeted and interactive advertising. Yet trepidation continues to trump optimism among television executives.

"While CBS is open to discussing additional ways to distribute our content, we need to have a firmer understanding of Google's plans for monetizing the content that flows through Google TV before we accurately evaluate the opportunity," said Anthony Soohoo, senior vice president of entertainment at CBS Interactive.

In meetings, Google touted the software as presenting a new opportunity to make more money from TV shows distributed online. Google erected a massive technology infrastructure to make money on online video -- and not coincidentally take a small piece of every transaction.

But broadcasters are worried about Google gaining too much control over online video advertising. The company continues to advocate an advertising auction model that's been successful in its core search business, whereby search terms are sold to the highest bidder. That makes perfect sense for a manufacturer selling digital cameras, but it would be disruptive for network ad sales, where prime-time hits are bundled with other less-popular shows so that the winners pay for the losers.

Google needs the cooperation of the programming community to improve the overall accuracy of its video search. Right now, Google TV isn't very effective in correctly identifying TV shows.

In demonstrations with network executives, Google TV confused one network's shows for a rival's. On another occasion, it listed the several ways a popular prime-time show could be watched online and on TV -- except on the network's own website.

The greatest fear for TV executives, however, is how [Google TV](#) doesn't distinguish authorized versions of a show or a movie from pirated video. In one demonstration with a top network executive, [Google](#) demonstrated how Web surfers could access BitTorrent, a major source of bootleg TV shows and movies.

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