

Web video faces big obstacles in vaulting to 3-D

July 22 2011, By Bridget Carey

Net Element wants to be ready for the day when 3-D videos on the Web are as common as cute kittens on YouTube.

Richard Lappenbusch knows the online media company he leads is ahead of its time as staff dabble in 3-D video, waiting for consumer demand for 3-D-compatible computers to grow.

The young company is an innovator in the online [video space](#), and Lappenbusch - a former Microsoft executive who was hired as president in February - says he can pull that off in Miami, though the city is far from a front-runner in technology or film.

"It is very early in this," Lappenbusch said. "We want to stake a claim and experiment and really drive leadership in this area."

That includes sticking 3-D cameras on Formula 1 cars for its Motorsport.com website, a video hub for racing fans. And letting independent filmmakers upload 3-D movies to its newly acquired, James Caan-endorsed OpenFilm.com, which has more than 8,000 videos submitted from Spielbergs-in-training.

Net Element also has departments ready to make deals in 3-D [Web advertising](#).

To further add to the 3-D fervor, Net Element is in the process of organizing a 3-D film festival in Miami this winter.

The hurdles are plenty for Net Element's 3-D ambitions. Although a few computers now play 3-D movies - including the Sony Vaio [3D](#) (retailing at \$2,000) and the HP Envy 3D (\$1,700) - the industry has not yet formulated standards for 3-D videos online with various technologies.

Watching video on the Web today is pretty much a seamless experience no matter what system is used. That standardization is what is necessary in the new 3-D online frontier, said consumer technology analyst Ross Rubin at NPD Group. So far no operating system creators have come forth to commit strongly to specific 3-D formats, he said.

"Without that kind of standardization, developers have to bet on certain brands or certain hardware configurations," Rubin said.

That means when Net Element launches 3-D videos on Motorsport.com this fall, it'll have to format them for multiple 3-D-viewing technologies: the cheaper plastic glasses and the electronic active-shutter glasses - as well as standard 2-D video. That extra formatting is costly. Gathering staff that can understand how to shoot and edit in 3-D is also expensive.

Reducing all those costs to scale, "that's the big challenge to making this work," Lappenbusch said.

Currently, shooting a movie or TV show in 3-D can add between 20 to 100 percent of the budget, according to an April Forrester Research report, "3-D Beyond TV." To justify the price tag, the content must be compelling enough to draw large audiences.

"With OpenFilm, we started to see organic demand to post 3-D content," Lappenbusch said. "We took that to the next stage: If people have demand here, they may have interest in viewership (on Motorsport.com)."

Consumer awareness of 3-D continues to rise, thanks to the marketing push from 3-D television-makers since last holiday season. But 3-D TVs - which retail for three times as much as 2D sets, according to NPD Group - can't create the market alone. More influential are the cheaper, glasses-free devices like the Nintendo 3DS handheld system and Sprint's smartphone with a 3-D camera, the Evo 3D.

The low, "single-digit percentage" of consumers who own a 3-D-capable computer are primarily gamers and tech enthusiasts, said NPD's Rubin, who use them for a number of games being programmed to support 3-D.

Lappenbusch puts the sales of 3-D-supported computers at around 2 million.

"There are a lot of guys who play games and they seem to buy a lot of stuff," Lappenbusch said. "For the rest of us, probably holiday season this year when you see non-gamers, non-techie really getting into it."

Since 3-D on the Web hasn't taken off, Net Element at heart is a digital publisher. It owns ARlive.com, a site for independent musicians to network with producers and record labels, which will fold into the site Music1.com. Net Element is also building out LegalGuru.com, a video library for legal information and advice, and a mobile, location-based classifieds app for college students called Yapik.

The multiple-personality company has a surprising origin in electric cars. Net Element's CEO is Russian-born Miami entrepreneur Mike Zoi, co-founder of Fort Lauderdale, Fla.,-based Ener1, a lithium-ion battery manufacturer for hybrid electric vehicles. He also controls investment companies Kazo Capital and EnerFund, which backed the 2004 Ener1 subsidiary Splinx. It produced software to create 3-D models, but closed in 2006, reemerging in 2008 as Net Element, focusing more on

Web publishing and technology innovation around online video experiences.

Net Element has been relatively dormant until this year. In December 2010 it acquired OpenFilm.com, whose founder, Demitry Kozko, married Zoi's niece and got early funding through Zoi's firms. In February 2011 it bought Motorsport.com - a natural for Zoi, an enthusiast who races at the Homestead-Miami Speedway.

Revenue last year was \$78,000. The company boasts 75 employees, but only 17 are in Miami; most conduct research and development in Russia and Ukraine.

Lappenbusch - credited with helping to develop the MSNBC network - is charged with growing this technology company and its burgeoning Web brands.

"Miami is a major portal, a corner if you will, of the Internet," Lappenbusch said, referring to Terremark's NAP of the Americas in Miami, an Internet pipeline connecting to the Caribbean as well as South and Central America. "A lot of the corners, like San Jose or New York, have a lot of Internet technology firms built around it."

Graham Winick, film and event production manager for Miami Beach, says Miami might be lacking in the 3-D-talent department, but neighbors Orlando and Port St. Lucie have become a driving force for the state.

"Florida as a whole has been trying to take new leadership in new media, and Orlando is dominating," Winick said, referring to programs at Full Sail University and the University of Central Florida. Game maker Electronic Arts has a facility near Orlando, and 3-D film studio, Digital Domain - which worked on such blockbusters as "Tron," "Thor," "Star Trek" and "Alice in Wonderland" - has a growing studio in Port St.

Lucie.

And what about 3-D online? Winick says digital distribution has growing importance to filmmakers and studios trying to get buzz to grow past opening weekend.

"If they want to be the distribution mechanism, they certainly can be anywhere in the world," Winick said. "If you want to create the film production model and finance model here, I think there's a lot more that has to happen."

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