Online video forces change on TV industry

August 14 2013, by Sophie Estienne

A man walks past Hisense super slim LED televisions at the 2009 International Consumer Electronics Show at the Las Vegas Convention Center in Las Vegas on January 10, 2009. Having turned print media upside down, the Internet now is disrupting television, forcing broadcasters to adapt to tablets and video-on-demand to hold onto views and advertisers.

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"The gap between what consumers want and the way the industry is delivering it has grown so big that the industry now has to start to make some moves," Forrester Research analyst Jim Nail told AFP.

Viacom, Time Warner, Disney, 21st Century Fox, CBS—the second quarter results of the big US media groups confirmed that cable networks remain their cash cows.

For the first time this year, however, American adults are spending more time with the Internet than in front of television sets—about five hours a day compared to 4.5, according to a study in eMarketer this month.

The independent market research firm notes that users sometimes use the Internet and watch television at the same time—and that video represents only part of online consumption.

That doesn't stop a group like Netflix, which offers films and original programming on demand, from growing and spawning imitators such as Amazon's online streaming service.

The formula is favored by youngsters who relish cartoons on their tablet devices and TV binge-viewers who watch multiple episodes of their favorite shows in one sitting.

Internet giant Google has joined the party with Chromecast, a device that plugs into the HDMI input of a TV set to provide streaming video.

Apple is meanwhile consistently rumored to be developing online television services.

A man James uses a Nexus 7 at Google's Developers Conference in San Francisco on June 27, 2012. Having turned print media upside down, the Internet now is disrupting television, forcing broadcasters to adapt to tablets and video-on-demand to hold onto views and advertisers.

"There will still be some linear real time viewing of TV for the Super Bowl or breaking news events ... but entertainment-based video will move to more on-demand," Nail said.

"If you own a TV station, you are in the same position as a newspaper. There will be other ways to watch content and you're going to be very challenged," he explained.

On the other hand, "if you are the content owner, you should not worry at all."

You might have to abandon cable distribution and get a slot on Netflix, but content is in such high demand "that you will be able to make money... It really shouldn't change your financial outlook or your survival."

Media groups see the risks in relative terms.

Time Warner chief executive Jeff Bewkes, whose corporation includes HBO and CNN, told financial analysts in a conference call that he regards Internet streaming as complementary to broadcasting—something that adds value to programming.

Viacom talks about adapting to changing public behavior.

"Certain kids are going to consume content on tablets, and if you want your content to have a shot at being consumed you have to have it on a tablet," its chief operating officer Tom Dooley said.

Viacom is "aggressively" positioning itself in the tablet market with distribution partnerships like the one it forged with Amazon for such children's shows as "SpongeBob SquarePants" and "Dora the Explorer."

It has also launched what Dooley called a "phenomenally successful" mobile app for Viacom's Nickelodeon children's channel.

"Streaming continues to be a terrific growth driver for us," affirmed CBS chief Leslie Moonves, whose network has struck an exclusive deal with Amazon guaranteeing the profitability of its summer series "Under the Dome," based on a Stephen King novel.

Viacom and CBS have seen their income stemming from program distribution rights leap 28 and 22 percent respectively, due in part to the Internet effect.

For those who own content, the multiplication of online video services can have a favorable effect by bidding up the money they can get from selling distribution rights.

In Nail's opinion, there is "a lot more to do before (television companies) meet consumer demand and create the new business model they need to profit" from Internet-driven change.