

Verizon dips another toe into online-video programming

April 6 2016, by Ryan Nakashima



This photo provided by AwesomenessTV, Hunter March hosts "Top Five Live," AwesomenessTV's daily live entertainment show on go90. Verizon is spending more than \$100 million for a minority stake in online-video production outfit AwesomenessTV, Wednesday, April 6, 2016, making it the latest major company to invest in non-traditional video programming for younger audiences on smartphones. (Verizon via AP)

Could the next "House of Cards" be coming to your phone?

That's what Verizon hopes now that it's paid more than \$100 million for a piece of the online-video studio AwesomenessTV. It's the latest attempt by a maturing, mainstream corporation to find growth in non-traditional video programming that can reach younger audiences on smartphones and tablets.

In 2014, for instance, Disney acquired online-video producer Maker Studios for a tab that eventually hit \$625 million. An AT&T joint venture bought Fullscreen, a similar production company, for an undisclosed sum the same year. Hollywood's DreamWorks Animation bought AwesomenessTV in 2013, paying a total of \$113 million after the studio hit promised deal targets.

In some ways, these arrangements are modern—albeit much smaller—versions of classic media deals struck by companies anxious to draw bigger audiences. Think Twitter buying the rights to Thursday Night Football, Time Warner Cable doing likewise with Los Angeles Dodgers baseball, or cable company Comcast buying NBC Universal.

The investment gives Verizon a 24.5 percent stake in AwesomenessTV and more original video for its Go90 streaming service, which launched in September. It will also help it make use of its \$4.4 billion purchase of AOL last year, which gave Verizon a new capability to deliver ads on top of video.

"Verizon has concluded that trying to extract more and more money out of data usage charges is a dead-end street," said analyst Craig Moffett of research firm MoffettNathanson. Instead, it's been focused on selling ads targeted to where its users happen to be, which is "why they bought AOL and why they launched Go90," he said. Now the company is focused on building up its library of stuff to watch—and, of course, to sell ads against.

AwesomenessTV CEO and founder Brian Robbins said the money will allow it to spend more to make short-form shows with top-level talent. That, in turn, will help it build an audience older than the teen "Generation Z" crowd it now attracts with shows like "Cheerleaders" and "Guidance."

The idea, Robbins said, is to make shows on par with the "high end of premium subscription services—HBO, Netflix or Showtime." Verizon would reserve some of that programming for a new paid Go90 tier it plans to launch later this year or early next.

But the investment—valued at roughly \$159 million—is tiny relative to Verizon Communications Inc.'s \$217 billion market value, and at best represents a baby step by the mobile carrier.

"Even if these things double in two years, which is a high growth rate, so what?" said Hal Vogel, an analyst with Vogel Capital Management. "My feeling is that if they're going to make a statement in media and entertainment, they should make one giant statement instead of picking off these odds and ends."

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