



Internet Video

Boxee Wants To Kill Your Television

James Erik Abels, 10.22.08, 4:10 PM ET

Avner Ronen thinks he can kill cable television. How? With software that aggregates all the Web's video, music and media into a slick interface.

What's more, Ronen thinks he can convince broadcasters and others to encourage cable's death by paying him a \$.05 to \$.10 fee every time someone watches or listens to something his software recommends.

"We think it becomes a cable replacement for a lot of young people," says Ronen, who has raised \$1 to \$3 million for his New York-based start-up, Boxee.

Crazy? Maybe. Gutsy? You bet. While there's no shortage of people looking to steal a television advertising market worth some \$65 billion, Boxee's five founders—who learned their trade working in the Israeli army—think they can take advantage of content producers' need to find audiences by creating what is essentially a television with limitless channels and offerings that's easy to use. Kind of a personalized YouTube on your desktop.

Boxee's server makes recommendations to people based on their past preferences, the media stored on their hard drives and what friends from social networks prefer. Essentially, it "moves" content, creating an advertising incentive for media to give him a cut of ad sales. Ronen argues, people—particularly kids—will instantly give up cable service if Internet media were easily aggregated in one place.

At the moment, there is little data to support his idea. But there is plenty that shows Web video is exploding. According to a study by Forrester Research earlier this month, 40% of Internet users watch more than an hour of online video a week, and some 55% of them are 13 to 34 years old. ABI Research reported the number of consumers watching video in an Internet browser doubled in the last year to some 63% in a study of 985 households; comScore said in July that 75% of all Internet users are watching video online; and Cisco Systems recently reported its expectation that Internet traffic for video seen on a computer will account for some 25% of all Internet traffic this year. It was 11% in 2006.

Still, Howard Horowitz, whose Horowitz Associates researches the cable and Internet industries, says there are no real studies investigating a link between increasing Web video consumption and canceled cable subscriptions. "In a linear sense, it's very hard to make a prediction," he says of how the field develops. His data show cable subscriptions for the 18 to 34 set have only decreased 10% since 2005, usually in favor of technologies such as digital cable. But a representative notes it's still in its early days, and Horowitz is continuing to study the topic in greater depth.

Ronen says the future is clear. And, he says, he's already found the people who prove the point: Apple users (he is one). The famously young, hip group is ready to turn their iBooks and iMacs into televisions and stereos that tap all Internet media, he says. While Apple's Front Row tries to do it, Ronen says it fails by being tightly tied to the company's iTunes media store. Boxee's first version has been written for the Mac.

Earlier this month, they released instructions to easily upgrade (or hack) an AppleTV with their software. (They've also hacked Apple's remote to work with it.) The company claims far more than 10,000 people are already using Boxee in a private test and says a similarly sized group has signed onto a waiting list to join them. The software goes public later this year.

If it sounds a bit grand, it is. Despite a novel business model, Boxee's got its share of challenges ahead. The first is that, despite its claims, it doesn't currently aggregate all the Web's video—but it is getting better. This week it added CBS, Comedy Central, MySpaceTV and Hulu to its repertoire. Ronen also says Boxee's in talks with all the major networks and content aggregators like Netflix to fix that. Why shouldn't they work with him, argues Ronen, if he can find them viewers to increase the

volume of ad sales.

Another equally thorny problem: To access all the media stored on a hard drive, Boxee does not run inside a Web browser. Forcing people to download software is increasingly impossible in an Internet world that accesses information and programs via the Web. The strategy just about killed off Joost—a high profile Web video portal that raised \$40 million from the likes of CBS and Viacom—earlier this year. Boxee is now working with Joost, which recently launched a browser version, on a new partnership.

One thing is for sure, Horowitz says. The stakes are as big as Ronen thinks. "If big media is going to be complacent, they'll lose going forward."