

On the iTunes Store, you can buy the latest episode to Lost and some other shows the day after they air on Network TV. in this case ABC, for \$1.99. Sounds simple and reasonable. Not anything earth shattering right ?

Content has been available for download for years and years. That content could be played on any number of devices, from computers to DVD players to PDAs. Being able to playback a video from the new Video Ipadjust like you can play a song from a current IPod, certainly is not a technical marvel.

**It is a business marvel.** Bob Iger has gone contrary to what every current and previous TV network head has and would have done had Bob not turned the industry on its head with his [announcement with Apple](#) yesterday. **Bob Iger has saved Network TV.**

How ?

By completely changing the economic model.

When a show is produced for primetime network TV, its traditionally sold to a network at a given license fee. More often than not, particularly for non reality shows, that license fee is less than what it costs to produce the show.

The hope by the production company is that if they can produce good ratingsfor the network, not only can they increase the license fee after the first deal ends, but they can also sell the episodes in the future as part of a syndication deal and maybe even make some money back with DVD sales.

So for instance, shows like Law and Order, CSI, and all their different versions can fetch more than 1mm dollars per episode. Most other shows fall in mid six figureprice ranges and can go as low as 50kto 75k for hit reality shows like Survivor. The reality shows go for far less because everyone knows the winner already.

But what if CBS sold Survivor episodes the day after it aired like ABC is with Lost ? What if they sold them not just on iTunes Store, but through CinemaNow, MovieLink, Netflix, Walmart Online, wherever.

Think some people would buy them to keep up with the action ? Possibly to sample the show ? Thinkthey might sell more than 75k downloads at \$1.99 each ?

Could this move have created a new market that could be comparable in size for some shows and more money for others than the current syndication market ?

ABSOLUTELY. No question about it.

This is far far better than syndication because it can apply to all shows. For a bunch of reasons, most shows do notmake it into syndication. Those that dont, typically just sit on the shelf collecting dust. Most dont get DVD releases. They just rot.

And this isfar easier and safer than releasing a DVD. No extras.No inventory. No shipping. No Returns. No shelfspace issues. You ship a file to Apple and boom, the sales begin. Whats more, Apple was incredibly smart to set the price tag at \$1.99. That meansfew if any movies. Just TV and video. You have all the shelf space to yourself for at least a little while. And if the demand appears, you know which titles to invest in for a DVD release

Even the worstprimetime television shows have on ABC, CBS, NBC and Fox get millions of viewers. If the network can convert a couple percentage points of viewers into downloaders, it can turn into decent money. 2 bucks a pop. 50k downloads per eps. Thats more money than a hit reality show like Survivor earns in syndication.

And for some shows, the conversion rate could be much, much higher. A show like Lost could have hundreds of thousands of downloads per episode. Thats real money.

Which leads to how Bob Iger saved network television.

The entire TV industry is scared shitless about how advertising will evolve. Will the 30 second commercial survive ? Will PVRs eliminate commercial watching in a material percentage of homes ?What impact will HDTV have on TV viewing and advertising (besides the obvious rush to [HDNet & HDNet Movies](#)■  
? The answers to these questions are pivotal to the programming side of the equation because without enough advertising revenue for the networks, how are theygoing to pay forprogramming ?

Bob Iger has enabled a new revenue stream which if it grows, could definitely be the revenue stream that saves primetime network TV.

Its not inconceivable that just as DVDs have surpassed box office in revenues and the theatrical release has become a commercial for the DVD sale, the network TV broadcast could become the commercial for the download sale. I dont see download sales surpassing advertising revenue, **but I do see it as likely that the download sales could more than compensate for any advertising market weakness brought on by ratings erosion and / or changes in how ads are**

**delivered on TV.** I also think it won't be long before we see an ad or two in front of the show that will further increase revenue.

How big a revenue stream could the two combined be ? Big enough to matter.

But wait, there's more...

It's possible that the ABC offering [NightStalker](#) , which because it [hasn't had stellar ratings, with 7mm viewers in its premiere](#) **could be the most important pay per download in internet history !.** Why ?

What if NightStalker turns out to be a hugely popular download ? Would ABC keep it on the air for that reason ? What if the show is cancelled ? Will ABC sell any unaired episodes ? And how many downloads will be sold of those ? If the show is cancelled, are enough downloads being sold so that when combined with a license fee from a cable network, the show could live on ?

Since ABC will be able to see the sell through numbers on a daily basis, will that impact programming decisions ?

Of course Nightstalker will be replaced each season as the most important download in internet history by other shows as the market grows and data exists to better understand just what impact the downloads are having on network economics.

All of this isn't going to happen overnight.

Distribution must expand beyond Apple, and it will. It will be interesting to see how fast MicroSoft, Yahoo, Google, Sony (If Sony had an iTunes and an ABC deal for the PSP..wow !), AOL and even retailers like Walmart Online and Best Buy respond. Which they will. They aren't going to let Apple run away with this market like they did music. I'm not saying they can stop them, but I think they learned a lot from what Apple has done with the iPod. The competition in turn, should help the economics for the networks.

And this isn't about watching video on Videopod screens. It's about downloading video to iTunes software and its competitors, and all the places it does and will reside. All will be playback devices. I expect that either a 2nd tier of pricing will come along from Apple for full screen quality that is designed to play on a TV rather than an iPod or half screen on a Laptop or PC, as competitors compete by enabling higher quality and full screen playback. All of which will further expand the market.

The future of network television got immediately brighter yesterday. All because Bob Iger had the brilliance to say yes to giving consumers his content , where , how and when they want to consume it.

Just one suggestion Bob. How about letting us show digitally Lost in theaters ? It's a great show. How cool would it be to see it on a big screen in a theater ? Just show it in one 300 seat theater. Not enough to impact ratings, but enough to give hard core fans a unique experience that bonds them further to the show.

I'm happy to offer [Landmark Theaters](#) as a place to test it out ■