

I love this on going discussion. Of course all of you who think that the OPEN internet will be the primary platform for the delivery of traditional tv content are wrong :). But hey, thats what makes a market. Before I get into dismissing some of the traditional arguments why Online TV will take over, let me start you with one that hasn't been used. Rural Broadband.\

Have you heard much about FTF – Fiber to the Farm ? or FTT – Fiber to the Trailer ? If traditional TV is disintermediated by the internet to the level of Newspapers or the Music industry you know what happens ? The politicians are going to get slammed with complaints about lack of access to Internet Delivered TV. Which in turn will mean the rest of us subsidizing bandwidth and delivery infrastructure to BFE (yep, fiber to there too). So be careful what you ask for.

And as far as al a Carte pricing. The discussion has been limited to cable networks. But of course its a slippery slope. Why stop there ? [As I wrote last year](#), al a carte doesnt have to stop at the network level. Why pay for the entire network when you don't watch every show. Why have to pay for the entire series of a show when you don't watch every episode ? Why have to pay for the entire episode when you only want the parts you like and you can get them segmented like you want on Youtube already ? Why have to pay for all of sportscenter when you only want the segments on the NBA ? Why pay for all of Saturday Night Live when you only want the segments spoofing the President ? Why pay for all of Colbert or Stewart when you will pay a little bit more to get the segment that everyone votes is the funniest ? Where does it stop ?

But I digress.

Lets get to the comparisons to why subscriber supported TV will be disintermediated just like Music and Newspapers have been. Content wants to be free , right ? And if it can be free, it will be free. Right ? If content is available for free on the internet, its over for the incumbent producer of that content unless they adapt and adopt the new internet based model, right ?

Music messed up by trying to fight the internet when it was obviously inevitable that music would go digital. Newspapers may or may not have messed up by making their content available online but with the exception of the Wall Street Journal, which can move markets and therefore support a subscription model, the cat is out of the bag, newspaper content is free and on the net. Worse for the newspapers, much of the information any given newspaper publishes, with the possible exception of hyperlocal, is readily available from multiple sources across the net. In addition, the populist blog movement has created an unlimited number of publishers on any given topic, and the Twitter movement has added the realtime crowdsourcing of news and opinion in a way that newspapers cant counter. Sound about right ?

All true. But none is relevant to the Traditional vs Internet TV argument. Here is why:

#### **1. In both music and newspapers the internet option is the path of least resistance.**

Used to be that you had to go to the store or an online store and buy a CD. No instant gratification. The CD wasn't usable in every device you wanted to listen to music on. If you wanted to listen on your iPod or your PC, you had to convert it to the proper format. Thats time and work.

With newspapers, you had to wait for their delivery. Its just easier to go to the net or your TV and get the news ,opinion or reporting you want than to wait to see what is delivered to your door. While some of us like the convenience of having new stories on a single platform, the physical paper, for most people that is not important enough to them.

#### **Time and Work are platform killers.**

The path of least resistance to get TV, is turning on the TV. It works. It works fast. It's reliable. The product is consistent and equal for everyone. It is predictable. The best content is available first on TV. The same can not be said for internet delivered TV. In fact, its the opposite. You have to work to get your internet TV to work. Which site has which content changes. Which content is actually available changes. Internet TV quality is not consistent from usage to usage. Internet TV requires upgrades to software to stay compatible which creates work (your next flash/silverlight/quicktime upgrade is when ?). The experience is not consistent from website to website. So every time you want to sample something new, you never really know what to expect. **TV is the no work platform relative to Internet TV**

#### **2. For both music and newspapers the quality of delivery of the content is as good or better on the internet than the physical product**

The experience of reading a news story online is not any worse than reading it in a newspaper. Some may prefer a newspaper, but no one feels like they lost something by reading it online or on mobile.

For music, the digital experience of listening to music from an Ipod/Phone/MP3 player/multimedia PDA can be far superior to a CD, and its rarely perceived to be worse. True, some audiophiles may not like digital, but when you listen to your iPod, you get a very good audio experience that you can enjoy anywhere. It can easily be argued that digital is far better than the traditional CD method.

Thats not the case with TV. In just the past 3 years, the TV viewing experience has improved considerably with HDTV and blu ray. But lets put those aside since they are not yet ubiquitous. Traditional TV is a better, more consistent experience than internet TV. As Netflix will gladly tell you, the quality of your experience is dependent on the quality of your connection to your ISP and the quality of your in-home network. Things they have no control over. In addition they will tell you that things that you or others are doing on your PC dedicated to Online TV, or on other PCs on your in-home network, will impact the quality of your experience. In other words, to watch TV, you have to adjust your life and accomodate the PC based lives of others in your home so that it doesn't interfere withyour Online TV experience. With Traditional TV, it works. You can add as many TVs as you want, and it works at the quality levels you expect.

Internet TV doesn't match the quality of Traditional TV. Now I know what some of you are thinking. That all of this will be cured with the upcoming onslaught of bandwidth and some undetermined amazing technologies that have yet to be identified that will solve these problems. Ok, when those things happen I may change my position. But I don't see them anywhere on the horizon right now. In fact, as I have said before, I believe that the innovation that will occur for internet video will be bandwidth consuming applications. Give kids 100mbps or more of sustained bandwidth to work with and they will come up with applications far more interesting than TV. Can you imagine the games you could create ? The health care apps ?

#### **3. Video advertising works better on TV than on the net.** Yeah, I said it. Deal with it. Look at the schlock that is passing for advertising on the net. Im not talking about the ad content, Im talking about the ad technology. You are watching a video and you get some dumbass overlay at the bottom of the screen. That

is the future of internet advertising ? And do you realize that when you have ad people producing video ads for the net, to create the quality of ads they want to create, it still requires the same people/costs to produce a 10/15/30 second ad to run as a pre roll or inserted ad as it does on TV. Remember, these are the same ad execs that are still producing ads on 35mm film and only converting them to SD quality to run on TV. Do you really think they are doing it any differently for internet video ads.. Think again.

But wait , there's more. Some have said that there will be untapped geniuses creating new content for the net that will blow away the content that is produced the old fashioned way for TV. That it will be better, cheaper faster. Well I have a suggestion for all of those people who put themselves in that category. Do it for ads first. Find a video based advertising solution that knows which half of its ad budget works. We aren't talking a 30 minute or 3.5 minute video show. Just a manner of advertising that can be produced in expensively and provide a real source of revenue for all that amazing content that is going to be produced on the net that people want to get paid for. Is that too much to ask ?

But before you do that, let me offer one piece of info for you. You would think that by now there would be some level of video interactivity available for internet video, right? Hot spots ? Click anywhere and go somewhere on the net ? It's technically possible, but 99pct of the internet isn't compatible with them and the likelihood of standards appearing in the next 3 years are slim. On the flipside, there are real steps forward being taking , finally, with interactivity on TV. All those set top boxes are digital. They run software like Tru2Way. They really do track usage in a verifiable way that advertisers trust (disclosure, I have an investment in Rentrak, a company that does this). Things that the internet is capable of doing with video, but for which Google has not really approved any standards. Yep, think your reliance on Cable .Sat. Telcos is interesting ? The future of internet advertising standards is in the hands of Google and their Youtube volume.

**In order to be sustainable as a platform, there has to be a way to pay for it. TV is winning this battle and by all appearances is advancing further, faster in a more standardized way than Internet Video.** Hard to believe, but you need to ask yourself "Who would you rather depend on for open platforms and standards for advertising, google or cable/satellite/telcos".

I've been wrong before. But every time I look , everything points to digitally delivered TV over cable/sat/telco advancing further and faster than Internet delivered TV.