

Every argument has its “go to” comparison. Talk to anyone about what is going to happen with the future of TV, and inevitably there will be a reference to “look what happened to the newspapers” or “Look what happened to the music industry”

Can we just set aside those arguments for all things media going forward and say that such arguments are INCREDIBLY STUPID ?

Yes, they are INCREDIBLY STUPID. In a digital era, it makes absolutely no sense to compare industries that were trying to protect and serve products that were and are PHYSICALLY DISTRIBUTED and by far the biggest source of their revenues vs industries that distribute their products completely digitally or for whom physical products are in the minority.

The music industry made the mistake of trying to destroy digital distribution in order to protect the physical distribution of CDs. Not only did they not have an answer to digitally distribute music in the Napster era, but they STILL DO NOT !. Fortunately for them, they have finally recognized that for the most part the CD is dead, but where revenue is being generated by their music, they deserve their cut. Imagine if they had established a digital distribution portal for audio and video, ala Hulu, that could at least attempt to compete with iTunes and Youtube. They would be in far better shape. Instead they are reinventing their business model. The CD was doomed to die, no matter what happened. Trying to protect it was a mistake.

The newspaper industry tried to protect the physical distribution of their papers. That was a mistake. Their problem was not only that they lost their ability to differentiate from content on the net, but they also lost their ability to differentiate their value to advertisers from the net. There is no inherent advantage to reading the news or advertisements via the paper vs the internet, it has become a personal or business preference. Unfortunately for the local newspaper industry, it doesn't appear any of their publishers are creative enough to come up with options to attack digital.

Comparing Cable, Telco and Satellite TV vs Online Video and referencing music or newspapers is a mistake. The internet, digital cable (which is becoming more ubiquitous, even to the point of Switched Digital), Telco video and of course satellite video are all already digitally distributed. Each has it's own advantages and disadvantages. None will be the winner to the complete exclusion of another. They all will complement each other.

The only real outstanding issue is with the big content producers. The question is what happens with DVD sales ? Is the decline in sales due to the economy, the impact of downloads , the impact of VOD from cable, telco and satellite and internet, or maybe even the impact of people choosing to pay \$10 to go to the movies rather than paying \$15 to \$20 for a DVD ? I'm not sure that we know the answer yet.

As you might guess, I have an opinion on this. I think people are choosing out of home entertainment. They are watching more TV and things on TV, and with limited disposable income, they are choosing inexpensive out of home entertainment. If it costs less than \$10 per person and its outside the house, its probably a business that is doing well. From movies to restaurants.

I think there is another issue as well. There is a critical business distinction between the digital distribution of movies via download vs the physical distribution of DVDs. When DVDs resellers and retailers buy quantities of the physical product, they take the responsibility of selling them. They write a check for the products they sell net of returns for the smaller movies , and with out returns for the biggest movies. That is real money in the bank within 90 days of shipment. On the digital download side, its purely consignment. No cash, no certainty until after the fact.

Why do you think Netflix gets so much product once it hits their window and Youtube/Google doesn't ? Because Netflix will offer minimum guarantees of revenue. Youtube/Google and other online sites pay purely on consignment. That is the key problem for movie and tv download sites. They have so little confidence in their ability to sell downloads for any given title, they are terrified of having to offer guarantees.

The content companies are happy to offer any and all shows/movies/content that is not generating revenue in physical form to any and all download sites. But that is what separates them from the music industry. They have the ability to distribute through any and all types of distribution, as well as to offer downloads on their own. Its just a question of managing and optimizing the allocation of product to different distribution outlets rather than trying to completely shut down digital outlets ala the music industry.