

There is an oft repeated business saying that sales organizations should "Go after the low hanging fruit". The meaning obviously is to close the easy sales before you have to work to climb after the more difficult sales. Its a maxim that is rarely wrong.

For major media companies, and an ever growing list of Web 2.0 video-hosting companies, the low hanging fruit right now is selling advertising around video content available via broadband connections over the net, and to a lesser degree, available through Video on Demand from cable and satellite.

Advertisers want to buy it. They are as ripe as ripe can be and sales-reps are grabbing their dollars before they fall from the tree and hit the ground.

Because there is so much low hanging ad money there for the taking, many in both traditionally big media companies and Web 2.0 firms see it as the money pot at the end of the rainbow that will be the catalyst for future growth. No question its a growing market, But the biggest Internet video bulls seem to forget that what is happening now is not very different than the introduction of Digital Satellite and Digital Cable to viewers and advertisers.

Imagine if all of the sudden there was digital bandwidth available across the world. That anyone who wanted to buy a small dish, or add a digital set top box, could do so and easily receive access to Gigabits of bandwidth. of video. Right to their TV for anywhere from 30 to 120 dollars per month. Imagine what would happen to the TV industry. The change would be incredible. Channels would pop up out of no where. Just about anyone could create a channel and get it distributed across the country. Tens of millions of people would get what would seem like unlimited number of TV channels.

Thats exactly what has happened over the last 12 years. The number of TV channels exploded. The amount of advertising spent on non broadcast TV exploded. But, here we are 12 years later and the distribution of those non network ad dollars goes to the networks that have an audience. Plain and simple. If you had an audience, you could get ad dollars. If not, not. If you are a network that cant draw a .1 for its prime time shows. Forget about it. Its not impossible of course, but you are gonna have to work your tail off to get ad buys.

Work your tail off may in fact be an understatement. Talk to people in the cable industry. TV Ad buyers don't like to make ad buys that require them to aggregate smaller network audiences. Its a hassle for them to buy 10 different networks, let alone 100 or 200. its a hassle for them to audit the buy. There are actually services that monitor ads to make sure they ran and provide the results to advertisers.

If its a hassle for ad buyers to buy 100 TV networks, how much of a hassle do you think its going to be for them to buy 100 websites and get them audited ? Whats more, what do you think all those Web 2.0 sites who are easily selling video ad inventory today because its a nice experiment for advertisers do when they cant sell their video inventory any longer ? Or when the biggest advertisers tell them they have to work through a publisher network like Yahoo or Google in order for them to get a buy ? Well, the first thing they are going to do is lower their ad prices. Which is exactly what we saw happen both on smaller digital video networks and on websites trying to sell display advertising. Its history repeating itself.

You know who has this figured out ? Google and Yahoo and the major media companies. . They all know that ad buyers are never going to deal with individual websites to buy video ads. They aren't going to put themselves in a position where they have to deliver and audit video files across hundreds of sites. Thats why Google and Yahoo and the big media companies are so excited about Internet video. They each want to be the one stop for Internet video advertising. They want their publishing networks to be gatekeepers to advertisers.

Google thinks they can monetize ads better and deliver them far less expensively (because of their data center delivery), Yahoo hopes it can do the same. The big media companies know they can bundle Internet video with their cable and broadcast audiences, along with their existing Internet properties to create a more comprehensive solution. Plus, if worst comes to worst, they bundle it as a free add if they need to implode the market pricing of Internet video. Which is exactly what I think they end up doing over the long run. The less Internet video can stand on its own as a business, the less Internet video sites can invest in content and promotion to create an audience and the bandwidth to deliver that content. Thats a good thing for media companies who have to spend millions per episode for broadcast network shows and who get paid by the subscriber by cable and satellite companies.

It also makes it a smart move for them to cross license their content to create a Youtube competitor. Not that i think they can have the social impact of Youtube, or reach their traffic levels. They probably cant But what they can do is drive enough of an audience that they can create a package that more economically and simply lets advertisers reaches Youtube users on non Google properties by combining their Internet, TV and Youtube Jr. sites into a single ad buy. Plus, if advertisers buy ads on their Youtube competitor as part of a bigger package, they aren't buying from Google. That makes it a smart move.

Which brings me to HDTV.

HDTV is the Internet video killer. Deal with it. Internet bandwidth to the home places a cap on the quality and simplicity of video delivery to the home, and to HDTVs in particular. Not only does internet capacity create an issue, but the complexity of moving HDTV streams around the home and tp the HDTV is pretty much a deal killer itself. Together, internet video is destined for the PC monitor for a long time to come. The only wild card that will have an impact is gaming consoles, but they dint offer access to internet video, they all kill themselves by only offering access to content inside their walled gardens. Internet video won't replace TV. It wont even complement TV offerings. It will flourish in the office. It will be a fun way to share personal content privately or publicly. It will be Community Access TV.

On the flip side, HDTV is here and now. Its gone from being a future technology that could be cool in our living room to being the King of this holiday shopping season. 10s of millions of HDTVs have been sold and will be sold in the next year. The number of households with HDTVs is exploding. **Yet for reasons I cant figure out, the broadcast networks are ignoring the opportunity it presents.**

The 4 broadcast networks are really the only 4 companies that create content on a daily basis that can put smiles on the faces of all those HDTV buyers. They broadcast most of their prime time signals over the air and have the greatest reach on cable and satellite HD delivery.

Bob Iger, Les Moonves, Bob Wright, Peter Chernin, why in the world are your networks not promoting the hell out of the fact that everything looks better in HD ? . Where is the "Congrats, you just bought an HD set, here is how to get our best programming ever , in HD. And oh by the way, if you haven't called your cable or sat company or hooked up an antenna, you aren't getting HD. Call your cable or sat company to see what you are missing"

Every study about HD viewing says over and over again that people with HD sets, particularly those who just bought them will tune to HD networks first. Not only do viewers turn to HD first, but more families are gathering around their brand new HDTV that they just bought and are truly excited about. Why in the world aren't you taking advantage of this opportunity ? This is a unique point in time where you can grab viewers from non HD networks simply by promoting what you are

already doing. It could be the year where broadcast ratings explode because of HD.

Then there is the advertiser side. Sure internet video is the hot sexy thing now. But where do advertisers get the greatest value ? From putting their TV ads on the net ? By creating 10 second spots for pre or post roll and showing them on PC monitors ? Or by creating commercials in HD that look beautiful on the brand new HDTV that millions of homes just installed and are excited to see new programming, including commercials on ? Whats worst, is that by letting your advertisers continue to show commercials in Standard Def, you are making them look clueless to all those new HDTV viewers. How many things could be more brand damaging than looking like you dint have a clue ?

This is a unique point in time for all networks broadcast in HD to push the ball forward. HDNet is going to start a big ad push in 2007. Maybe we can carry the ball, but either way, its absolutely crazy, and stupid to not leverage this opportunity to the hilt.

Last year I said that Disney was brilliant for breaking the logjam and selling their shows on Itunes. This coming year, 2007 will be known as the year Broadcast TV leveraged HD to create a golden age of TV with huge gains in ratings vs non HD networks, or it will be looked back upon as the year Broadcast Networks blew it.

Either way, HDNet and HDNet Movies will be right in the middle of the High Def revolution