

NBCU Project 3: New Ad Models around Emerging Tech

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TO TEAM MEMBERS OF PROJECT 3:

Thank you for taking the time to read through the following news run. The challenge that we are faced with is to research how we will be able to use, adapt or add emerging technologies to grow our brands, content, and core competencies into new markets and revenue streams.

The following news articles highlight technologies that NBCU or its competitors are currently employing to drive revenue, along with a few articles that delve into the decision-making process behind online advertising.

Some of the key findings involving technology usage to extend a brand are:

- Premium versions of Windows Vista include cable-friendly DVR capabilities that facilitate viewing of online broadcasts on television using remote control access
- Each station employs a myriad of online syndication portals (CBS Eyelab, NBC Direct, Hulu, Netflix, iTunes) with only Hulu being exclusively ad-based with no user-generated content
- NBCU recently partnered with NxTV, provider of IP Video on Demand, to provide in-hotel entertainment
- NBCU recently acquired “Quarterlife”, an online syndicated show and social network, with intention of broadcasting it as an hour-long drama series on the NBC network

And some key findings involving the online advertising process:

- NBCU rejected 30-second pre-roll advertisements on Hulu’s short-form videos because it would have delayed the evolution of online viewing
- Google recently partnered with YuMe, online video advertising network, so that they can extend their AdSense network and provide contextually relevant InVideo graphical ads and text overlays on their Google and YouTube videos

According to eMarketer, by 2011, U.S. online-video advertising will increase to \$4.3 billion from \$410 million in 2006. Pretty exciting stuff and we are just scratching the surface now!

News Run Prepared by Evan Appleby, MBA Class of 2008

1/25/07, NOT BAD, FOR A TV NETWORK; CBS's online strategy is to go with what it knows: ad-based revenue

By JON FINE

Business Week

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A few years ago someone called a friend of mine "the prettiest blogger." This, she noted, is rather like being called "the tallest short person." The same may be true when it comes to picking the smartest TV company playing in the online world, but in this milieu the tallest short person is CBS.

Since mid-April it has inked partnerships with two dozen partners--from Bebo to Veoh--to syndicate its programming online. (CBS will generally receive 90% of the ad revenue sold around its content.) It has bought interesting online players, both large (music-based social network last.fm for \$280 million) and small (daily financial video startup Wallstrip, for an undisclosed, much tinier sum). CBS also passed on taking an equity stake in the still-unnamed Web-video site that NBC Universal and News Corp. are assembling, because that would mean exclusively syndicating shows with the venture. That stake "might be huge down the road," concedes CBS CEO Leslie Moonves. But he says the point of CBS's current moves is not to have one big property with "an equity upside 10 years from now." Instead, CBS wants money coming in from myriad directions, so that if future critics say, "'Gee, your primary source of revenue isn't as high as it once was,' we can say 'That may be true. But we have 30 other sources that make the absolute gain significantly bigger.'"

EVEN IF CBS HAS BET CORRECTLY, it's still a big stretch to think all will turn out that neatly. But such thinking, and the attendant deals--thanks to the team led by fast-talking Quincy Smith, CBS's yearling president for interactive efforts--have led CBS into legitimately interesting territory for a multibillion-dollar media company. The ethos online--true even if cliched--is being willing to give up control, and CBS is on the far end of the bell curve when it comes to indulging fans who want to play with its programming. All networks at this year's upfront presentations lunged desperately to show they were down with the cool kids online. CBS flaunted a YouTube video that strung together a montage of CSI star David Caruso's monumentally portentous one-liners. "Mash-ups--I look at 99% of them as a great promotional tool," says Moonves. Mash-ups and mix tapes (or CDs) are crucial for introducing fans to new voices in hip-hop, to cite one example. But you would have a hard time finding a music executive in Moonves' position who would say that.

Not long ago, the shining hope for TV was that "on-demand world" meant "people buying programs." In October, 2005, ABC first sold full-length programs on iTunes and won kudos as paid downloads ticked into the millions. But a few million sales at \$1.99 per are barely felt at a company grinding out revenue by the billions, and in 2007 CBS espouses a nuanced view. "Three-fourths of our business" is ad-supported, says Smith. "We'll stick to what we know." So ubiquity trumps pay-per-download. Which makes sense both for a company that gets most revenues from a free-programming model and for today's environment. Web surfers want to get free stuff, not buy what's free elsewhere. (Although there's no downside in selling shows on iTunes, as CBS still does.)

Smith also openly muses about the limits of streaming full-length TV programs: "It's arrogant for me to assume that regurgitated content is what's going to work on the Web." This leads him to the likes of Wallstrip. And to last.fm, which built a thriving social network around users recommending music, which could have big implications for CBS's TV and radio assets. All this could end in tears, obviously, and is so new that there's far more potential than profit. And all the Web wisdom in the world won't help CBS if the hits dry up. But CBS's moves are coherent philosophically, and about as in tune with how people behave online as one may expect a traditional company to be. Whether its competitors are teeny or titans, CBS can still walk tall.

2/5/07, Windows Vista Open To Broadband Universe

By MIKE SHIELDS

Adweek

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NEW YORK While software-geek society greeted the release of Windows Vista, Microsoft's much-hyped new PC software, with mostly bored skepticism (CNET called it "warmed-over Windows XP"), the new souped-up operating system could have major implications for the digital media business.

Ranging from jump-starting TV and Web convergence to pumping life into the company's foundering search product, Vista promises to push the broadband envelope. However, the near-term trick for the software giant will be convincing consumers they want and need to use all of its new functions.

Besides providing users with all the typical computing basics, Vista is designed to let them easily watch TV shows on their PCs and view PC content on their big, high-def screens (as long as they have a premium version of the product and buy a special adapter). At launch, the company has signed four character media partners: Nickelodeon, Fox Sports, Starz and Showtime, each of which gets premium positioning in the menu of Vista's snazzy, super-intuitive interface.

Vista also features a cable-friendly DVR, an advanced programming guide, a DVD player, a TV-like remote control – it may even dice onions. And unlike Microsoft's Media Center PC, which also promises most of these options – but has caught on with few consumers – Vista will be built right into the vast majority of computers that ship this year potentially creating a sizable user base in a short period of time.

It's also questionable whether the average consumer knows about these options, wants to use them or can even figure them out. Microsoft chairman Bill Gates, however, boldly predicted Vista "will transform the way people work and play."

"There seems to be a lot of early adopter enthusiasm right now for Vista's two premium versions," said Patrick Cartmel, senior partner, global, MEC Interaction. Consumers "are buying Vista because they want these capabilities. The question is, for regular consumers, what is going to happen? Is there a value proposition for them? I don't think it's there yet."

For the media companies involved in Vista's launch, most readily acknowledge that they don't know how the software will ultimately affect users' media habits. But they feel safe following Microsoft's lead.

“We take a lot of bets,” said Steve Youngwood, Nick’s evp of digital media. “In technology you have to. But it is Microsoft. That’s one you have to bet on.”

“I don’t think anybody can say what the consumer experience is going to be within five years,” added Brian Grey, svp, general manager at Fox Sports Interactive. “So we are always looking to get Fox Sports content to as many platforms as possible.”

So does Vista have a marked advantage when it comes to encouraging Web/TV convergence over other products – even the upcoming Apple TV? Some media execs point to the ubiquity of Microsoft’s distribution as well as the operating system’s user-friendly design. “The operating system is still core to people’s experience on the PC,” said Grey. “That familiarity always helps.”

But others say that for anyone to really get excited for Vista, it needs more media partnerships. “The new user interface is cool,” said JupiterResearch analyst David Card. “It’s a good product. But there’s not a ton of content for this device.”

Besides accelerating the connection between TV and the Internet, Microsoft surely hopes that Vista gives a boost to its own Web products, namely MSN and MSN Live Search. Cartmel expects that because Vista makes it easy to use MSN’s search product on the desktop without actually having to open a browser, “that in itself would drive incremental searches.”

But Card countered that desktop real estate is overrated: “The desktop just won’t cut it. MSN would be No. 1 if that’s all it took.”

5/07/07, Roll with the changes: NBC rejects 30-second web spots

By ABBEY KLAASSEN

Advertising Age

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NBC UNIVERSAL WANTS to reel in \$1 billion in digital revenue by 2008. But there's one thing it won't do to get there: put 30-second spots in front of short-form video.

While the half-minute commercial has been a staple of the traditional TV-advertising business, the network group is expected to announce today that it will not accept pre-roll online video ads longer than 15 seconds.

"We all intuitively know when we accept these 30s, we're aiding and abetting in the delay of the evolution," said Peter Naylor, senior VP-digital media sales at NBC Universal. The majority of the online video content today is snack-size, short-form content; the exception to NBC's new policy is full-length episodes of broadcast-TV shows, where such ads have proved highly effective, largely because of the uncluttered environment.

The policy, which goes into effect July 1, harks back to the days when iVillage was a leader in taking a stance against pop-up ads, said Mr. Naylor, who came over from iVillage a year after the acquisition. Of course, NBC's bet that creating a better user experience will make its sites more popular and, thus, profitable is also a revenue risk, considering about a quarter to a third of all pre-roll coming into NBC Universal still clocks in at 30 seconds, according to Mr. Naylor.

NBC's move is part of a larger industry one to figure out what the right ad model for online video is and-if it is pre-roll-what the right ad-message-to-content ratio. Today, Tremor Media will announce a similar standard in conjunction with a deal to sell video ads in front of Brightcove content. Under the deal, pre-roll for all of the videos in Brightcove's select network of vetted content will be limited to 15 seconds. The deal also includes frequency capping, so a viewer won't see the same ad from the same advertiser over and over.

Thirty-second pre-roll "is lowhanging fruit," said Randy Kilgore, chief revenue officer of Tremor Media. If marketers already have sunk money into creating a 30-second spot, then why not run it online? But, he said, "they need to think about this as a new form of viewing consumption online. How do we match the message to the medium?"

That, of course, is a challenge for agencies. Jeff Minsky, director of emerging media platforms at OMD, said he philosophically supports the idea and agrees there's an ad-to-content ratio-consumers don't want to watch a typical commercial spot in front of a two-minute video. But he said there's also a practical issue: Clipping 30s limits the base of advertisers who can make a buy.

"Not every advertiser is producing a 15, and they maybe feel their story can't be told in that time," he said.

Mr. Naylor acknowledges that challenge and said that's why he's working with third-party rich-media vendors and the Interactive Advertising Bureau to develop standards and make it easy for advertisers to buy into online video. He views this move as just the first in the evolution toward a proper online-video ad model.

"This is not us saying what broadband video advertising will be; it's saying what it is not," Mr. Naylor said. "The best uses and most effective practices are yet to be discovered."

11/01/07, Parsing Digital Delivery

By KEITH KOCHO

New Bay Media

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NBC Direct, CBS's EyeLab, ABC's distribution on AOL Video and Fox's iTunes offerings are rewriting established concepts of content control and business models.

Yet the reality is, viewers aren't simply walking away from broadcast TV.

Stats from eMarketer, a New York-based online research firm, show that television viewing time increased in one-third of Internet-enabled households in 2006, even Internet video viewing increased. A recent Wharton study found that Internet video sites like YouTube actually increased overall network viewing time - television and online - by 1.5 hours per week. More than 95 percent of television viewing remains live, even with DVRs present in one out of five U.S. households.

The implication is that viewers are asking broadcasters for broader access to content. They are endorsing Web 2.0-style features and interactivity and saying that TV isn't the only source of content.

A new generation of viewers wants content anytime and anywhere in a manner that compliments existing Internet-based behaviors. Those broadcasters who are able to deliver on these expectations are being rewarded with the much sought-after 18-to-29-year-old demographic. The Pew Internet & American Life Project in July 2007 found that 76 percent of this demographic watch videos online.

The challenge for broadcasters is how to evolve internal systems to most effectively distribute content to emergent IP-based networks. The operative constructs are efficiency, and pleasing end users. Broadcasters' ability to meet four criteria will largely determine whether IP delivery is a threat or a staging platform for future dominance.

INFRASTRUCTURE READINESS Broadcasters need the ability to reach into archives and move content swiftly through the many steps required to deliver it online. People at stations often underestimate the complexity around the connection points in the digital delivery workflow. The end-to-end digital workflow - from archive to digitization to commercialization and delivery requires sophisticated technical systems and human processes.

For example, if a broadcaster decides to offer a 30-minute sitcom on multiple platforms, the digital media team must first assure such content exists in digital form; ingest it into internal systems; prepare different copies for online or mobile platforms, and apply the requisite commercial and security terms.

To do this efficiently, broadcasters must have one common view into the asset workflow - even with best-of-breed, third-party systems doing individual steps along the way.

Infrastructure readiness also implies a component of human readiness. In-house expertise often exists in silos, within different teams and geographies. Aligning these skills in consort with the alignment of digital workflow processes requires advanced notification and communication systems. Quite frankly, it's common for siloed departments to have little visibility into the skill sets of their peers across the organization. This must be addressed.

AD-SUPPORTED OR PAID Will consumers be more willing to download content with ads if they receive a discount or get it free? Or will they prefer ad-free content?

Until the market demonstrates a clear preference, broadcasters need to experiment and test different commercial models. That means digital media teams need tools and hardware that support a broad range of commercial terms and business models. Any investments in infrastructure hardware and software must be able to flex and cope with changing parameters, or may become quickly out of date.

Content owners have increasing power with distributors, and are taking on more responsibility for distribution via syndication in this new, IP-based world.

Efficiently syndicating content according to negotiated terms is key for any broadcaster getting into digital delivery. Automation systems can appropriately segregate content by syndication affiliate, but they sometimes require supplemental tools to enforce and track complicated usage or commercial restrictions. For example, at one affiliate site, a broadcaster might allow consumers to

purchase content in a sell-through model while another may make content available on an ad-supported basis.

PATHS TO MONETIZATION Downloadable pay-to-own content online involves processes to capture revenue such as asset check-out, interaction with payment gateway and customer validation questions. Yet consumers won't deliver dollars or eyeballs if the online experience is labor intensive.

The situation requires elegant solutions that satisfy consumers and comply with strict security and commercial terms. Even with ad-supported content, where there's no payment process, broadcasters who want to command high CPMs (cost per 1,000 impressions) must balance the need to gain targeting data with consumer ease-of-use.

Behavioral data for IP-delivered content usually is collected with media agent and ad manager technology that sits on the user's PC and communicates back to the distributor. These dialogues should not invade people's privacy, slow down the PC or complicate download performance.

Everyone in the value chain - broadcasters, distributors, aggregators and technology vendors - has a stake in the outcome of the future of digital delivery.

11/05/07, Hulu Plays With Ad Models As It Rolls Out Beta Test

By BRIAN STEINBERG

TelevisionWeek

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One size does not fit all at Hulu.com, the online video site backed by NBC Universal and News Corp. Executives have devised an environment in which different kinds of video are paired with different kinds of advertisements.

When it comes to online video, things are "just getting started," said Jason Kilar, CEO of Hulu.com, which last week began offering users a peek at a "beta test." "No one has figured out the optimal customer experience. No one has figured out the optimal targeting."

Hulu will pair traditional 30-second ads with long-form video, such as an airing of the NBC comedy "The Office"-but with just 25% of the ads one might have to sit through while watching it on TV Mr. Kilar said.

When it comes to short-form video, Hulu will allow a 10- to 15-second video overlay, which viewers could click if they want to interact further with the advertiser.

What's more, ads associated with particular online programs will "travel" with the content if users choose to share it with friends or embed it in e-mails, blogs or social networking sites, he said. "When we push the content out, advertising travels with it," said Mr. Kilar.

Hulu represents one effort by the nation's media conglomerates to harness the power of online video.

Sites such as YouTube have begun to usurp the place of big content providers such as NBC and News Corp., which have long depended on their own TV networks and other distribution methods to pump out comedy, drama and the like to millions of consumers. But sites such as YouTube allow consumers to post clips and network programs.

The trend wreaks havoc with media companies' revenue models, because consumers have wrested the content-and the chance to sell it to advertisers-away from the companies that produced it in the first place.

At the same time, ad dollars spent on online video are expected to soar over time. By 2011, U.S. online-video advertising will increase to \$4.3 billion from \$410 million in 2006, according to eMarketer.

Hulu's point of differentiation is that it wants nothing to do with user-generated content. During a question-and-answer session last week in New York, NBC Universal President/CEO Jeff Zucker suggested that advertisers were seeking a safer environment online, and might want to avoid having their ads placed alongside video with questionable or edgy content.

Mr. Kilar said advertisers could see a "halo effect" from having their ads paired with "high-quality" video.

Among Hulu's offerings are old and new TV shows including "The Office," "K-Ville," "Lou Grant" and "Hill Street Blues," as well as a smattering of feature films. Users can choose to see full-length programs or clips.

Advertisers currently on board include Cisco Systems, Intel Corp., Unilever, General Motors, Nissan, Toyota and Royal Caribbean, Mr. Kilar said.

Hulu expects the beta to last "for a couple of months," he said, so the site can be "stress-tested."

[Sidebar]

"When we push the content out, advertising travels with it."

Jason Kilar, CEO, Hulu.com

11/11/07, First Look: NBC Direct Beta: Not Quite Ready For Primetime

By STACI D. KRAMER

paidContent.org

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NBC Direct VideoNBC Direct, the first ad-supported, download service for prime-time TV, launched in beta over the weekend. So what can you expect from the latest NBC Universal (NYSE: GE) video experiment? To paraphrase Dirty Harry, "a user's got to know its limitations." NBC Direct is a keep-current player, not a way to catch up on a season. It's meant for subscription download, not quick viewing; sign up for a season pass, leave your computer on overnight when an episode airs and it will download automatically (after it's shown in Hawaii).

NBC Direct debuts scant weeks after the launch of Hulu, the ad-supported video aggregator/distribution service/portal from the NBCU-News Corp. (NYSE: NWS) JV. Browser-

based Hulu, also in beta, is about as instant as a TV. Its cousin NBC Direct requires patience—to get started and to keep it going. The getting started part includes a new, proprietary player, software install with various required components, Internet Explorer 6+ and Windows Media Player 10. (It will work on Intel-based Macs with Boot Camp and Mac support is expected in early 2008.) It only took 8 minutes to install from start to finish and another 19 minutes or so to download episodes of 30 Rock and The Office. So far, so good.

But all I can tell you about the actual quality of the video from NBC Universal is it has ads. That's all I've been able to see—the same Bertolli ads repeating back-to-back-to-back. Not sure why; clicking on help first brought up an empty window, then no answer for this. The same thing happened with two different episodes. Others have seen actual shows so I'll keep trying. If I were an average user, though, the fact that it's a beta wouldn't make it less frustrating, especially if I didn't try to watch until I was offline and relying on it for entertainment.

-- The number of shows for now is limited: one episode each from 30 Rock, The Office, Bionic Woman, Friday Night Lights, Life. I don't see any way to subscribe to shows yet to be loaded or any hint of other shows to come.

-- Episodes expire seven days after they are uploaded to NBC Direct, not seven days after you download them.

-- You have 48 hours once you begin watching an episode; to get a second 48 hours, you have to go online and reconnect with the mother ship. Again, the show will expire whether you

-- It's U.S. only; no sign of any international plans.

-- Don't go to <http://www.nbcdirect.com/> looking for the new service.

For me, it's the second online video issue with NBC in the past week: I was looking for NBC Direct a few days ago and saw a link promising downloads of select NBC shows for Media Center PCs. I thought the promo was over but the links were live and the software install went as it should. All was well until I actually tried to download a show only to be told the shows weren't available and I should uninstall the software. The same promo is still running—but now the link leads to an error page.

11/17/07, NBC Acquires 'Quarterlife'; Internet Series Will Run First Online

By BILL CARTER

The New York Times

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NBC has concluded a first-of-its-kind deal to acquire the talked-about new Internet and social network series "Quarterlife" for distribution as an hourlong drama series on the NBC network after it has first played in eight-minute segments on several Web sites.

Ben Silverman, the co-chairman of NBC Entertainment, and Marshall Herskovitz, one of the show's creators, described the deal yesterday as a revolutionary step in the creation of television entertainment.

NBC will begin broadcasting the series, which will not be affected by the current writers' strike because of its ownership structure, probably in February. By then it will have completed a run of eight-minute episodes on MySpace.com as well as on the "Quarterlife" site itself. That site, beyond being a home for streaming video of the series, is intended to be a destination and social networking location for what it calls "artists, thinkers, and doers."

"Quarterlife" deals with a group of creative 25-year-olds and how their personal lives are described in the Weblog of the lead character, a would-be writer named Dylan Krieger. Though they would not disclose the exact terms of the deal, Mr. Silverman and Mr. Herskovitz said that NBC had agreed to become a partner in the "Quarterlife" concept, by paying a license fee that Mr. Herskovitz said was much less than what is paid for conventional shows.

NBC will be able to replay the episodes on its Web sites after the broadcasts and will sell the negatives of the episodes internationally. But for as long as the series runs, the episodes will first appear on the "Quarterlife" Web site

The idea originated more than a year ago when Mr. Herskovitz and his longtime partner, Ed Zwick, decided they had to find a way to create entertainment that would be free of corporate ownership — and creative interference.

11/19/07, I Want My iTV

By CLIFF EDWARDS

Business Week

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I WANT MY iTV, but I won't be getting it soon. While the technology is mostly in place, the players—from cable companies to film studios—can't agree on how to make it happen

It all started when my TiVo let me down. For years this little device has been like an old friend. It sat next to my big-screen TV to record shows and movies when I wanted, without a lot of questions, and with no judgments on what I wanted to see. But on a lazy late summer day, I came to view TiVo in a whole new light.

There's a collision, you see, between the boob tube and the Internet. TV is all about instant gratification. The Net is about me having control. Put the two together, and the result should be personalized TV, or iTV, which lets me watch what I want, when I want it. That sounds a lot like TiVo. The recorders, which the company claims deliver "television your way," also allow you to connect to the Net and do things like check freeway traffic before your daily commute, buy movie tickets from your couch, and listen to Web radio, all on your TV. In July, TiVo even became the first device that lets you search easily for programs from cable outfits along with movies and other content delivered off the Web from Amazon's (AMZN) Unbox video service.

So when my editors asked me to explain how TV and the Internet were intersecting, my first thought was to grab TiVo's peanut-shaped remote control. I had a hankering to see 1949's *White Heat*, the Jimmy Cagney flick where he plays gangster Cody Jarrett. Cornered by cops on top of a burning oil tank, he laughs maniacally and shouts: "Made it, Ma! Top of the world!" just before being obliterated. Calling up a neat bit of TiVo search software, I typed in the movie's name.

No luck. It offered me *White Men Can't Jump* on cable, or *Single White Female* off the Web. I tried typing in "gangster" to let TiVo troll program descriptions that might fit. There was the *Gangsta Girls* documentary or 1944's *Gangsters of the Frontier* to rent at Amazon. No... White... Heat.

IN SEARCH OF TV NIRVANA

Experiences like this just make it painfully clear how far we still are from having truly personal TV. All the technology to do this is basically in place: fast broadband connections, personal media recorders, instant Web-searching software, high-definition sets. So why can't I press a button or two and see whether the tribe has spoken, root for the next top chef, pull up a YouTube (GOOG) clip of Ellen DeGeneres breaking down in tears over a dog—or even watch Cagney rise from small-time hood to the top of the world? I want to listen to music, have a box pop up on my screen telling me who's phoning my home, or watch a vacation-themed slide show before forwarding it on to bore my friends on Facebook—all while sitting in front of the set in my living room. No one has yet put this wish list together in one nice, easy-to-use package.

To find out why so many have tried and failed to deliver my TV nirvana, I got up off the couch and hit the road to talk to technology wizards and top industry executives. I discovered that Hollywood, cable, satellite, phone, and consumer-electronics companies are all screaming "Go! Go! Go!" as they lay out ambitious plans to conquer the market.

But what's holding up the transition from network TV to networked TV is that any company with a little piece of control in the way things work today is unwilling to jeopardize its power and revenues until it becomes clear how the new model will pay. Every time you hear about some product that sounds great but just has one strange limitation, follow the money to understand why. Hollywood worries digital downloads could lead consumers to stop buying \$24 billion of DVDs annually, and broadcasters are nervous about the fate of the \$185 billion-per-year TV advertising kitty. So studios and networks alike limit how long programs are available on Web sites or restrict the shows that play on various devices.

Cable and satellite providers worry that they will lose customer loyalty to the Web, so they impose tight controls on what content you see and have moved painfully slowly to offer advanced TV services. The people who make electronics gear fret that if they don't lock up agreements for exclusive music or videos, consumers won't pay top price. "You've got device manufacturers, content providers, service providers, networks, software makers, security providers all trying to sort out how big their piece of the pie should be," says former Comcast (CMCSA) executive Kip Compton. He is now senior director and general manager of video and content networking at Cisco Systems (CSCO), which is trying to merge TV and the Web.

Granted, I'm far more obsessed with this topic than the average couch potato. I've been testing electronics gear for nearly 10 years and have enough boxes and wires in my place to open a store. Comcast cables connect one room, Dish Network's wires snake through another, and DirecTV's are in two more. There are six digital videorecorders, four stereo receivers, an HD DVD player, a Blu-ray player, a half-dozen PCs and just as many Macs. So many high-definition TVs arrive during the peak holiday testing period that at one point a few years ago I had to shove one under a bed.

Most regular people still haven't viewed their first TV clip on a computer screen. But a survey by the Conference Board-TNS shows that 16% of American households with Web access now watch full TV broadcasts online, double the number from a year ago. And visitors to parts of Europe

and Asia can see how far behind we are in personalizing our TV experience. Speedy, reliable broadband access in those regions can deliver richer video service, and because providers face real competition, they have to add Webby services to television as a selling point. Today, some 60% of all households in Hong Kong watch programming delivered over the Internet to the TV, says researcher Parks Associates. From a hotel in Seoul, I can click to do my banking on TV. A couple of friends I know live on the frozen tundra of Canada; even there, I can play games or get onscreen score alerts of favorite sports teams.

The electronics industry has churned out dozens of clever workarounds to bridge the Web-TV divide: A device called Slingbox lets you take recorded or live TV shows off a box at home and "sling" them miles away on a laptop, smartphone, or other mobile devices. Apple TV indirectly feeds (we'll come back to this) a show you bought on the iTunes Web store into your TV. Kids are rigging their Xbox video game consoles to do a similar trick. Or, you can schlep the shows by hand with TakeTV, a pocket-sized memory stick from SanDisk. (SNDK)

Each of these solves one or two pieces of the puzzle, while never quite completing the picture. It's like we're at that junction in the early 20th century when you had your pick of electric, steam, or gasoline-powered cars, and the steering wheel might be on the right or left side.

PATRON SAINT OF GEARHEADS

The first stop on my journey was just a short drive down the road from my San Francisco home to the offices of SRI International, the former Stanford University tech shop that helped create the precursor to Wi-Fi networks and high-definition TV. There, CEO Curt Carlson, the co-author of *Innovation: The Five Disciplines for Creating What Customers Want*, assured me that the trick for companies facing tough choices in this period of transition is to look beyond the customer they have today and anticipate the needs of an even larger audience a few years down the road. In short, focus on what's truly important to people and be the first to deliver that. Simple in concept, but extremely difficult if you're constantly thinking of short-term profits, he says. "I'm a big fan of [Apple CEO] Steve Jobs," Carlson says. "The people who connect needs and ideas the best and fastest win, and that's where he stands out."

Ah, Steve Jobs, the patron saint of gearheads. He is everyone's first (and often only) example of someone who's managed to make sense of a fractious market like this and turn it into a money machine. Jobs and Apple reinvigorated consumer interest in music with the elegant combination of a device (the iPod) and experience (the iTunes Web store). He put the pieces together so that you don't have to.

But Jobs is also the bogeyman that has forced fearful media bosses to change their approach to Webified TV. In music, Apple turned the traditional model upside down by charging a premium for gear while setting a flat, low price of 99 cents per song download. Now Apple has amassed a cash horde of \$15.4 billion, while the music industry is awash in red ink. No wonder Hollywood studios and broadcasters are hell-bent not to hand similar power to anyone else—and particularly not Jobs. "We know that Apple has destroyed the music business, in terms of pricing, and if we don't take control they'll do the same thing on the video side," NBC Universal (GE) chief Jeff Zucker told an audience at Syracuse University's S.I. Newhouse School of Public Communications on Oct. 29.

Jobs actually did try the same thing with Apple TV. Amid all the hoopla over Apple's iPod, iPhone, and Mac, Apple TV is the one product that even Jobs concedes isn't a smash hit. It's a neat idea, a box that lets you buy videos off the Web and play them on a TV. But the business model is flawed: You can only buy what's on iTunes, 1,050 titles in all, vs. the 85,000 offered by

Netflix. My whizzy \$299 white, gray, and silver Apple TV box sits largely unused next to a big-screen television in my bedroom. The process is like running a Rube Goldberg contraption. Start with a Mac, where you download videos; wait for them to be transferred by wire or Wi-Fi to the somewhat limited storage on the Apple TV box. By then, you might as well have just watched the stuff on the computer screen.

As I visited technology workshops in Germany and Silicon Valley, I was struck by how many of these program-shifting products suffer from a simple but fatal flaw: set-top box fatigue. No one wants to take a science test in their living room, crawling into tight spaces behind the media center to run wires and spending hours on the phone with tech support pressing "1 for new customers, 2 for current customers." That's why cable and satellite companies typically roll a truck to the curb for installations, despite a cost estimated at \$50 to \$100 a home. Small companies have no such luxury. Many device makers are forced to partner with cable and satellite providers, incorporating their technology into the boxes those companies already have in customers' homes.

Box fatigue basically led Sling Media to sell out to satellite company EchoStar (DISH) in September. The plan is eventually to build Sling's technology into Echostar's Dish Network boxes. The Slingbox has gained modest traction with professionals who are constantly on the go, for whom there's a certain attraction to a device that forwards TV programs to their laptop or smartphone via the Web. But here again you have that extra box to worry about, and one that's devilishly complex to set up—at one point you have to deal with opening ports on a wireless router to let the shows travel out. Company founder Blake Krikorian acknowledges most folks may be confused by the concept of shifting the time and place of media consumption. "People didn't understand where we were going when we started out as a standalone company. I'm doubly sure they have no idea where we're going to go with Echostar," he says.

Similar concerns led TiVo to explore how it can embed its features on Comcast and other cable boxes. My best guess is this fate awaits many products that offer halfway solutions—and this could be a turning point in resolving the TV-Web stalemate. Because cable companies are wired into nearly every home, they have a good chance over the next couple of years to incorporate innovative Webby technologies in their equipment, speed up broadband connections, and set standards that force others to line up behind them. They'll need to sign content deal with various partners and overcome a reluctance to spend more money to upgrade equipment. And they'll have to cede some control to the TiVos of the world.

OLD MEDIA GAMBLE

That leaves the challenge of getting media companies comfortable about setting programming free. Google's (GOOG) YouTube terrified them by showing how an independent site could usurp their gatekeeper role and siphon ad revenues. But it's possible that as Google methodically extends its Web-search expertise to all manner of screens—computer, TV, phones—it could help media companies adjust to the new world.

The media giants recently took a step in that direction with Hulu, a Web site launched by NBC Universal and News Corp. (NWS) Hulu is the networks' attempt to monetize their shows on the Internet. It offers TV shows and movies for free, with commercials online. The companies get their money, and I, the consumer, get control, or some of it. Much of Hulu's programs ultimately will wind up on sites such as Yahoo! (YHOO) and MySpace. But to protect their DVD income, the networks have placed a big limitation on the service: You can't watch it on TV, only a computer. And you can't record the shows. They are streamed off Hulu servers each time you

watch and can't be stripped of ads unless you buy a copy. Prime-time hits disappear from that season's selection after five weeks.

Will it work? I completed my journey fittingly, testing Hulu on my home computer screen. I was skeptical. Techies like me assume that anything put together by a committee of desperate Old Media dinosaurs is doomed (Hulu is derided on tech blogs as "Clown Co."). I'll admit, though, that after spending some time on the beta site I was impressed. The morning after the latest episode of *The Office* was broadcast on NBC TV, it was on Hulu, with a quarter of the ads. The site offers the biggest collection of premium content on the Web so far and is adding older titles daily. You can e-mail a clip to a friend or upload it to a Facebook or MySpace page. After watching one *Office* episode from a previous season, I clicked on a link that took me to Amazon to buy it for \$1.99—a download that I could even send to my TiVo to watch on the big screen. "What works for consumers is that which removes the most friction," says Hulu CEO Jason Kilar. "The technology needs to be so good that it blends into the background, and nobody notices it."

All well and good, but let's cut to the chase: Can I get *White Heat*? Alas, there is no happy ending. Only few movies are available on Hulu, and you probably can guess why: The Cagney flick is distributed by Warner Bros., one of the studios that has not struck a content deal with Hulu. Of course, even if it did, I would have to watch Jimmy's big exit on my laptop.

Foiled again. Looks like my search for iTV continues.

11/29/07, NBCU Pacts With Netflix On Next-Day TV Show Downloads

By DAVID KAPLAN

paidContent.org

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NBC Universal has added Netflix to its roster of online syndication outlets. Netflix joins Amazon Unbox and the network's own NBC Direct site for TV show downloads, and the streaming option viewers are offered on the NBC/News Corp. JV Hulu and NBC.com. Episodes of NBC's *Heroes* will be available to Netflix subscribers one day after being broadcast. Previously run episodes of *30 Rock*, *Friday Night Lights* and *The Office*, can also be accessed from Netflix's site or through the company's primary DVD rental service.

For Netflix, the deal reflects its desire to increase its TV content especially as looks to grow its download service. TV shows currently comprise about 20 percent of Netflix's DVD rentals. The company hopes to match that percentage for its online VOD subscriptions. In the case of NBC, the goal is to expand its online presence as widely as possible and reach new viewers wherever they might be, especially in light of the sunsetting of its download sales deal with iTunes over what the network considered was a lack of variable pricing and packaging options.

Update: The (mis-dated) release positions this as a deal to make Netflix the third prong of the *Heroes* syndication strategy, with Netflix as the exclusive SVOD outlet. Online access to *Heroes* and the other shows—already underway—is part of the Netflix subscription package. It's streaming only; no downloads.

2/14/08, NxTV Signs Comprehensive Digital Content Agreement with NBC Universal for HD Movies and TV On-Demand Entertainment

PR Newswire (U.S.)

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LOS ANGELES, Feb. 14 /PRNewswire/ -- NxTV, Inc.(R), the first and largest provider of IP Video on Demand (IPVOD), IPTV and interactive digital IP-based in-room entertainment and technology solutions in the hospitality industry, today announced that it signed a comprehensive film and television VOD content licensing agreement with NBC Universal (NBCU).

The agreement allows NxTV the ability to offer hotel clients with multiple elements of NBCU content for a rental fee, which will include new release movies from Universal Pictures in HD, episodes from current primetime television shows and access to NBCU's library of archived films. NxTV launched its expanded NBCU HD and TV On-demand entertainment on October 1, 2007. In addition, NxTV's IP-based delivery enables it to provide hotels with current TV content the day after it airs nationwide.

"This is one of the most comprehensive hospitality entertainment agreements ever signed," said Richard Jenkins, Senior Vice President of Content for NxTV. "The NBCU film and television content give NxTV the largest line-up of quality movies and other top entertainment in the industry. Now, our customers can provide their guests with more revenue-generating options that are offered by other properties. With a current lineup of more than 250 movies and TV shows On-demand, no other in-room provider approaches the scope of what we can deliver to our hotel clients."

"NBC Universal recognizes the strengths of NxTV's in-room digital delivery technology and digital rights protection, and we are delighted to partner with NxTV in offering travelers a broad array of entertainment options," said Michael Bonner, Senior Vice President for NBC Universal Digital Distribution.

The agreement includes Universal's films in HD, such as "Balls of Fury," "Elizabeth the Golden Age," "American Gangster," "Eastern Promises," and "Charlie Wilson's War" as well as episodes from hit NBC TV series such as People's Choice Winner "Heroes," Emmy Award winner "Law & Order: SVU," Emmy Award winner "The Office," George Foster Peabody Award winner "Friday Night Lights," and Emmy Award winner "30 Rock."

"With the array of content and services that NxTV provides and will deploy in the near future, we allow our hotel customers to offer the very best guest experience," said Hooman Honary, President of NxTV. "NxTV is continuing to prove that it is at the forefront of delivering media services to the hospitality industry."

About NxTV, Inc.

NxTV, Inc., based in Los Angeles, California, was recently named to the prestigious Inc. magazine list of the 500 fastest-growing private companies in America. The company is the first and largest IP VOD provider in the global hospitality industry, delivering to its customers IP-based, 100% digital in-room entertainment solutions that allow hotel owners to take full advantage of new technology today and in the future, and offer guests the ultimate on-screen

entertainment experience. NxTV's system runs over the hotel's existing converged IP network, which enables the property to communicate with a wide variety of in-room technologies without the cost and effort of installing and maintaining separate networks for each hotel application. The NxTV system delivers a full suite of digital IP-based in-room entertainment services including High Definition Video on Demand (HD VOD) and IPTV Free-to-Guest content, wired and wireless high-speed Internet access, and a customized guest interface.

Clients include the world's most prestigious hotel brands, including Four Seasons, Peninsula, Raffles, W Hotels, St. Regis, MGM Grand, Le Meridien, Marriott and Hyatt. NxTV, Inc. has offices and customers in the Americas, Europe and Asia.

About NBC Universal Digital Distribution:

NBC Universal Digital Distribution, a division of NBC Universal, drives the company's development of digital content and distribution in the areas of digital sales, digital platforms and wireless products. NBC Universal Digital Distribution manages product strategy and development for NBCU's content efforts by deploying it across multiple digital platforms including mobile, Internet portals, wireless carriers, emerging digital companies and nontraditional customers. In addition, NBCU Digital Distribution spearheads the company's development of industry leading technologies such as interactive television, on demand, electronic sell-through and IPTV. NBCU Digital Distribution also directs and manages the company's cable investments including A&E, The History Channel, History Channel International, The Biography Channel and the Sundance Channel.

2/21/08, YuMe and Google to Serve InVideo Overlay Ads

PR Newswire (U.S.)

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REDWOOD CITY, Calif., Feb 21, 2008 /PRNewswire via COMTEX/ -- YuMe, the largest online video advertising network, today announced that it will serve InVideo overlay ads as part of Google's AdSense for video beta advertising program. Leveraging YuMe's leading ad management platform and as part of its commitment to deliver optimal monetization and fill rates for its clients, YuMe publishers who are current AdSense customers will also now have the opportunity to accept AdSense for video ad placements.

Google's AdSense for video beta program extends the model of the company's highly popular AdSense text advertising business to the rapidly growing online video space. Targeted, contextually relevant InVideo graphical ads and text overlays help advertisers connect with consumers while providing a positive experience for users and an effective and efficient monetization opportunity for publishers.

Said Jayant Kadambi, CEO of YuMe, "Being part of Google's AdSense for video beta provides our publishers with a powerful new avenue for realizing the full revenue potential of their video inventory. We're excited to be working with one of the true innovators in online advertising to leverage our ad management platform and newly launched Adaptive Campaign Engine capability."

Google is one of the third-party feeds accepted by YuMe's Adaptive Campaign Engine, a recently launched feature of YuMe's ad management system, which helps publishers in its network match each video ad impression with the best money making ad placement in real-time. Now, YuMe will run AdSense for video on behalf of publishers in the YuMe network who wish to act as part of Google's Content Network, accessing its advertiser base and monetization opportunities. YuMe's ad management platform serves and optimizes AdSense for video on behalf of participating publishers in its network, using its advanced contextual targeting technology that takes into account the nature and context of specific video content to ensure higher click-through rates for advertisers.

Current YuMe publishers utilizing AdSense for video to monetize their content include VidShadow, Mondo Media and JoeCartoon, to name a few. To view demos of the various ad formats available on the YuMe video network, including the in-stream overlay text ads, visit the ad gallery at http://www.yume.com/ad_gallery/gallery.html.

About YuMe

YuMe is the first dedicated video advertising network and ad management system built exclusively for the new world of Web video. With 400+ websites, more than 150 million video streams, and 46.9 million unique visitors, the YuMe network provides both scale and quality for advertisers. The YuMe ad management system gives advertisers and publishers the unprecedented ability to identify, classify, and track content to ensure brand safety, contextual relevance, controlled syndication, and consistent delivery across all digital media platforms -- Web, downloads, mobile, and IPTV. Key YuMe innovations include the first cross-platform ad solution and the ability to serve multiple ad formats and placements through a single, unified system. YuMe is a privately held company headquartered in Redwood City, CA and backed by Khosla Ventures, Accel Partners, BV Capital and DAG Ventures. For more information, visit YuMe's website at <http://www.yume.com> and the take2video blog at <http://www.yume.com/blog>.