

Cable Takes On Web Video

Comcast to Expand Offerings Route Programs From PCs to TV

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The country's largest cable operators are entering the online-video realm to tap into new revenue sources and fight off ballooning competition from startups, entertainment companies and large Internet sites that offer video on the Web.

Comcast Corp., the biggest cable company, is buying new technology and accumulating broadband rights to a wide variety of movies, TV programs and other videos that it plans to make available on its Web site. It plans to enable subscribers to route all its Web-based video content to regular TV sets, a move that would greatly expand what's available to them on television. In addition, in a first among cable players, Comcast wants to make its broadband content available not just to its own high-speed Internet subscribers but to users of the Internet everywhere.

Meanwhile, Time Warner Inc.'s cable division has already begun to route Web-based video content, such as market updates from CNBC and personal photos, to the TV sets of its subscribers.

The initiatives are part of the cable industry's efforts to stay in front of the radical changes the Internet is making in the television landscape. The burgeoning supply of movies, TV programs and other video content on the Web has sparked a race among major media, entertainment and technology companies to develop new businesses while protecting their old ones.

But the broadband video field is already getting crowded, and startups like YouTube Inc. are coming out of nowhere to take leading positions. As a result, it's not certain that cable companies can emerge as top players. They lack consumer brand recognition outside their service areas, and they have often been late to embrace new technology. Their success will depend in large part on their ability to strike deals with content owners like Walt Disney Co., which have their own Web sites and may not want to share.

Meanwhile, Comcast's plans are sure to shake up the cable industry. They raise the prospect of two cable companies competing against each other for viewers, one providing traditional TV and the other offering videos to computers. Indeed, some cable operators have expressed concern about Comcast's plans, noting that cable operators currently work on ventures together and don't compete with one another. "It's one thing to compete with Verizon, AT&T and EchoStar," says Steve Necessary, a vice president of Cox Communications Inc. "It's another thing to compete with someone that you're literally partners with on a lot of ventures."

Comcast executives say the concerns expressed by other operators aren't warranted because the company won't be

offering over the Internet the full slate of channels it sells to its own cable subscribers.

So far, the online video world has been dominated by four types of companies. Web giants like Yahoo Inc., Google Inc. and AOL are assembling videos from a variety of sources. Owners of content, from major movie studios to Major League Baseball, are selling their videos to consumers directly. Networks like ABC and NBC Universal have developed branded Web sites with their content. And startups like YouTube are posting thousands of "user generated" videos shot by individuals with their camcorders.

Most of these businesses make money by inserting advertising into their videos. But some have also begun to sell programs for a small fee to consumers who download them to computers or hand-held devices like video iPods. In addition, major technology companies like Intel Corp. and Microsoft Corp. have begun to develop ways to link computers to television sets so consumers can watch Web-based video on their TVs.

In the past, cable operators—which are leading sellers of the high-speed Internet connections needed to watch most video online—weren't major players in Internet video. Time Warner Cable let its sister company, AOL, take a lead role in accumulating video on the Web. Comcast did add thousands of video clips to its Web portal, Comcast.net, which gets some two million views a day. But only Comcast's nine million high-speed data subscribers have access to that.

Cable companies, which remember well how they were able to upset the broadcast TV business, are focusing on Web-based video now partly for defensive reasons. The video flooding to the Internet raises the specter of a potential "cable bypass," programmers selling their content directly to consumers without having to go through a middleman like a cable operator. Also, phone companies have started to roll out competing television services that aim to use Internet technology to offer more features and content than cable operators.

Time Warner Cable's initiatives would also protect the company's current customer base by adding new features to the traditional TV viewing experience. For example, last month Time Warner began testing a service in Columbia, S.C., called "Quick Clips." Viewers watching CNBC, CNN and the Weather Channel can push a few buttons on their remotes and select from a menu of video content that these networks prepared for the Web.

Next month, Time Warner is launching a feature it calls "My On Demand," which initially will enable customers to watch photos they store on the Web on their television sets. Eventually the service will be expanded to include Web-based videos.

Time Warner hopes these and other new features will

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strengthen the traditional TV viewing model in the face of new competitive threats from Internet video as well as digital recording devices like TiVos. When viewers watch a recorded show on their TiVo or iPod, they won't be able to access Quick Clips, notes Peter Stern, a Time Warner Cable executive vice president.

Numerous TV networks are supporting Time Warner in this effort because they, too, are nervous about programmers selling directly to consumers. "It's harder for networks to build loyalty in this increasingly fragmented and cluttered environment," Mr. Stern says.

Some cable companies, like Comcast, also recognize broadband video as a source of new revenue. While they're big providers of broadband connections, they have only begun to tap into the billions of dollars of Web-based advertising. Video advertising on the Internet is considered to be a huge growth area.

In planning to offer an Internet-wide video service, Comcast would be moving into a field already crowded by giants like Yahoo, Google and AOL. But Comcast has one leg up on these potential competitors: close ties with the cable programmers to whom Comcast pays roughly \$5 billion a year for cable content. Comcast has already used its muscle to convince many of these programmers to provide content for its ambitious video-on-demand lineup, which now includes thousands of free segments.

The company is using the same strategy to secure broadband rights in its talks with numerous content companies, including Sony Corp., Disney, NBC Universal and Warner Brothers, according to people familiar with the talks. Comcast also owns several networks itself, including the Golf Channel and E! Entertainment, and it has access to their content for use on the Web.

Comcast's existing broadband video offering for its subscribers already has thousands of segments, including news clips, movie trailers, music videos and sports highlights. "If you make that available outside of Comcast, it would instantly be one of the more video-rich sites out there," says Josh Bernoff, an analyst with Forrester Research.

Comcast partly revealed its broadband ambitions last year when it began talking to Google about playing a role in Google's bid for AOL. The idea was that Comcast would provide the content while Google would provide the search engine, a feature that's becoming critical as the volume of Web-based videos balloons.

Instead of doing a deal with Google, Comcast decided to embark on a broadband initiative alone. Late last year it created its Interactive Media division and staffed it with two senior executives, Amy Banse, who was behind Comcast's launch of G4, PBS Kids Sprout and other TV networks, and Sam Schwartz, who had headed Comcast's venture capital arm.

The new division has been busy acquiring content rights

and developing new technology. It just completed the acquisition of a broadband technology startup named thePlatform Inc., which helps route videos along the Internet to a variety of devices including televisions and cellphones. Comcast is also talking to technology companies that specialize in user-generated videos about developing more of that content for its broadband site.

Comcast's first step in increasing the distribution of its broadband content will be to make the Comcast.net site available to all its cable subscribers, not just those that take its high-speed Internet service. They will be able to reach it for no additional cost even if they subscribe to a competing broadband service.

Company officials predict that in 12 to 18 months they will begin making Web-based content available on TV, either through streaming or downloading. Cable subscribers will be able to route any content on Comcast.net to their TV sets. But if they can't find what they're looking for there, the system will allow them to deliver other videos they find on the Internet to their TV as well. "If that's what people want, it behooves us to give it to them," Ms. Banse says.

Comcast will probably make its broadband service available outside its cable areas sometime next year. Like Comcast.net, it will make most videos available for free. But it will also include a "Comcast store" that will sell highly sought-after videos, like recent episodes of popular TV programs.

—Brooks Barnes and Merissa Marr
contributed to this article.