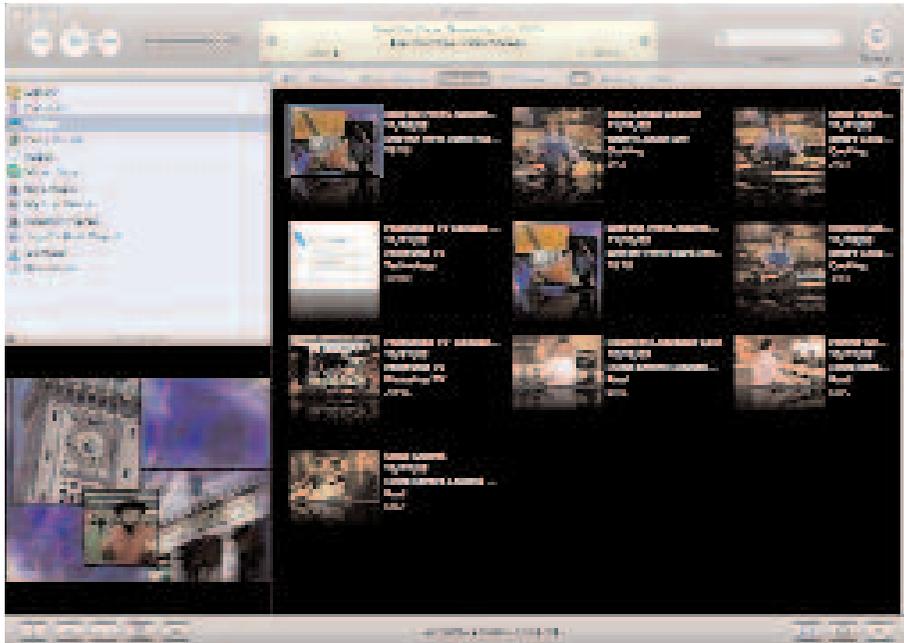




PODCASTING IS IPTV'S KILLER APP

MY IPOD ISN'T A PORTABLE VIDEO DEVICE. IT'S AN IPTV SET-TOP BOX.



above: Although not quite as elegant as a Netflix queue, the iTunes interface is an elegant entry point for viewers new to the podcasting-IPTV experience.

When Apple announced in October 2005 that henceforward all full-size iPods would be video capable, it created quite a buzz. Many people dismissed the idea of a 2.5-inch screen supplanting a 42-inch LCD. Others couldn't fathom viewers accepting the less-than-VHS quality of the iPod's output. It was duly noted that EchoStar's PocketDish, Sony's PlayStation Portable, and a host of Pocket PC devices delivered a better mobile viewing experience. At the risk of sounding like a relic from 1999, those folks just don't get it.

The pod paradigm

I agree that the iPod is a mediocre portable video device. The screen is too small and scratches too easily. I stand too far away from it on the treadmill at the gym.

The battery life is too short, lacking the juice for a New York-to-Los Angeles flight. The click wheel, which is an awesome music controller, isn't nearly as intuitive as a video controller. But none of that really matters because I don't think of my iPod as a portable video device. It's an IPTV set-top box.

If the riddle for telecoms has been how to deal with the last 100 feet to the home, the question for IPTV advocates has been how to cover the last 10 feet. These days it's easy enough to get the bits into the house. The challenge has become getting the bits from the broadband modem to the television screen. Dave TV (www.dave.tv) and Akimbo (www.akimbo.com) developed serviceable set-top boxes, but no one embraced them. Akimbo has wisely hedged its bets by making

itself available on Microsoft's Media Center (www.microsoft.com/windowsxp/mediacenter/default.aspx). Akimbo customers can use a Media Center PC as an IPTV storage device. Brightcove (www.brightcove.com) has taken the same strategy, but it's no sure thing because Media Center adoption has been slow.

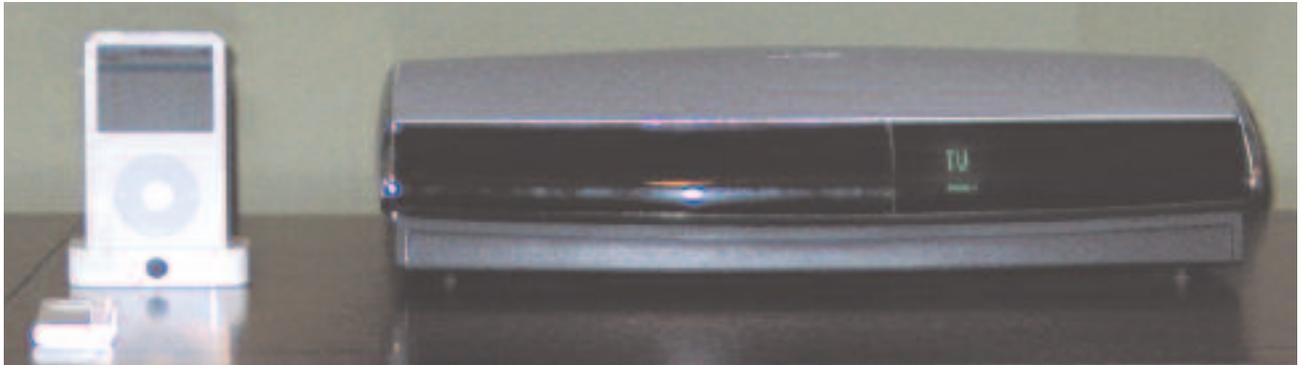
Long term, short term, and adults only

The iPod probably isn't going to be the long-term answer for IPTV. In its current iteration, the iPod is nothing more than a sexy sneaker-net implementation. IPTV must go wireless, but it must do it simply. Home PC users dread configuring anything 80211 based. A wireless Xbox 360 connected to a Media Center PC would be both technically sophisticated and user friendly. (Eliminate the PC and it becomes even more user friendly.) The PlayStation has even better living room penetration among youngish early adopters with money to spend. The game consoles seem best suited for frontline duty in the IPTV revolution, but, throughout the history of consumer electronics, a lot of money has been lost betting the market will embrace superior technology.

Over the long term, some combination of the game console and an aggregator such as Brightcove will probably be an IPTV winner. TiVo can be both the aggregator and the device maker, so its future looks bright.

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above:

The iPod may be the sleekest set-top box ever developed. With a dock that easily plugs into a TV or home theater unit, the user is spared the typical rat's nest of cables and the unsightly form factors of most STBs. Image courtesy of Frank Capria.

In the near term, however, the iPod coupled with Apple's Front Row software will probably be the IPTV platform of choice. Its presence in living rooms and dorm rooms will help to evangelize the IPTV cause. Everyone recognizes the iPod. Everyone wants to see what it can do, and more than a few people will head to Best Buy the next day to pick up one. The video iPod will teach the average consumer that video content can be easily downloaded from the Internet and displayed on a television set. Whether it's the Numa Numa dance, an obscure extreme sporting event, or a not-quite-mainstream hobby, niche content that's not economically viable to deliver via current broadcast, satellite, and cable systems will whet viewers' appetites.

Notably missing from the iPod-as-IPTV-discussion is porn. The adult industry has been slow to embrace the iPod as a video distribution platform. This might be evidence the video iPod isn't ready for prime time, but the dearth of iPorn has more to do with the iPod's demographic and the adult industry's fear of inciting further regulation when parents begin writing their congressmen. The tobacco industry crossed a line when it couldn't deny marketing its wares to teens. All of the

industry's friends in Congress weren't able to stem the anti-tobacco tide. The adult industry took note because it has far fewer friends on Capitol Hill.

Podcasting's place in the landscape

Eventually podcasting will only be a portion of the IPTV landscape. RSS fed to a PC, synchronized to a portable player, and then attached to a TV isn't the most efficient path for all content. Ultimately content such as full-length movies and other "big screen" experiences will be best delivered directly to the DVR, cable box, or gaming console. For the remainder of 2006, though, podcasting is the best way to hedge any IPTV bet. A podcast can be viewed on the PC, the iPod, or the TV. Encoded properly, a podcast file can also serve as a Web video file accessible through a browser.

Podcasting is poised to become the first IPTV killer app because Apple solved the nagging chicken-and-egg problem that plagues many new media distribution formats. Think about how long it took for HDTV to make significant inroads into the American living room. Content creators balked at producing HDTV content because there weren't enough HDTVs in use to justify

the expense, but consumers weren't going to drop several thousand dollars on HDTV sets until a wide variety of HD content was available. IPTV faced the same challenge. Consumers need enough available IPTV content to justify buying a dedicated set-top box or Windows Media Center PC, Dave, or Akimbo system. Content owners have no reason to distribute IPTV content because there aren't enough IPTV set-top boxes in circulation to justify the expenditure.

Apple solved the adoption problem by allowing IPTV functionality to piggyback on an already successful technology platform, the MP3 player. People were going to buy a lot of iPods before Christmas 2005 anyway. By adding video capability to the iPod in October 2005, Apple assured there would be a significant installed base of IPTV devices in use by early 2006. Every time a new iPod is purchased, another potential IPTV customer is created, even if the customer never heard of podcasting or IPTV. Many iPod users will be eager to give the IP video a try even if the primary motivation for purchasing the player was its music-playing capabilities. Unlike the photo iPods, video iPods don't cost more for a new feature. The customer receives the benefit even before

he knows he wants it. It's a pretty neat trick.

Is there any money in this?

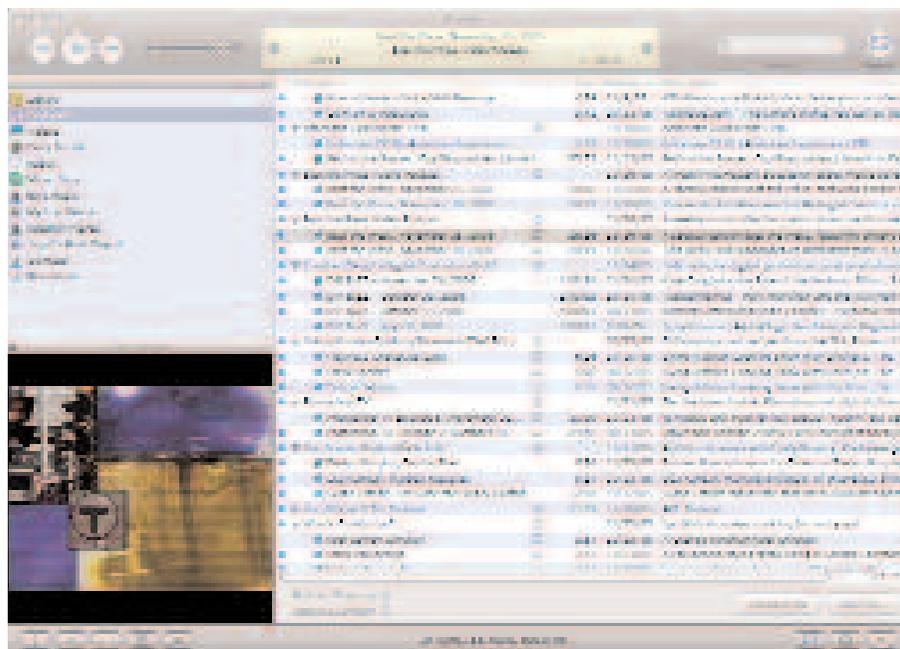
A market may exist for video podcasts, but what about a business? Yes, there is, but it's still early in the game, so you'll have to expect to do a lot of marketing and customer education to get your podcast-IPTV endeavor off the ground. Let's begin with a look at the three most common business models for podcasting.

SPONSORED OR BRANDED CONTENT

As in the early days of broadcasting, sponsorships are jump-starting the podcasting business. In exchange for product placement and exclusivity, businesses underwrite the podcast. Be wary. Audiences are savvy. If the pitch detracts too much from the content, the podcast will fail. Some podcasts, such as Sub-Zero and Wolf's cooking show, are quaintly clumsy at dropping product names. Other podcasts have unbearable blatant hucksterism. Before you use this approach, I recommend you read *Madison and Vine* by Scott Donaton (Crain Communications, 2004). Although it's light on practical advice, it's a solid overview of the evolving relationship between advertiser and content producer in the twenty-first century.

ADVERTISING-SUPPORTED CONTENT

The 30-second spot isn't dead yet. In this model, the advertiser has no formal role in content development. Much like broadcast television, the content owner sells space at the head and tail for a commercial message. The downside for the content owner is this approach requires an ongoing sales effort. Companies such as



Brightcove hope to do for IPTV what Google has done for Web content. Brightcove's services will include matching advertisers to content owners.

PAID SUBSCRIPTIONS

Paid subscriptions have been the holy grail of online content for some time. Many have ventured, but few have succeeded. IPTV content should have an easier go at getting customers to open their wallets. People are already used to paying for video content. Consider how many people pay \$10 a month for HBO just to get *The Sopranos*. Apple iTunes offers *Lost* and *Desperate Housewives* for \$1.99, but Apple hasn't opened up the iTunes store to independent video producers. Even if Apple allows independents in, Apple probably won't allow them to set their own prices. The \$1.99 price might be sustainable for certain types of content, but niche content will likely sell for less. Apple has shown no

appetite for getting into the micropayment world.

It's fortunate for IPTV producers that other companies are once again taking a look at the micropayment space. One startup called KlickTab (www.klicktab.com) has a simple premise: Forget about micropayments. The user runs up a tab, and when he has spent enough to warrant a credit card charge, payment is processed. The beauty of the KlickTab system is it found a way to charge for RSS enclosures. In theory, content producers can list their podcasts with any aggregator, even iTunes, but use KlickTab for payments. This is the kind of frictionless marketplace that niche content will need in order to thrive. (In the spirit of full disclosure, KlickTab founder Philip Hodgetts is a personal friend.)

Becoming a podcaster

Virtually anyone with a DV camera, a PC, and a broadband connection can become a podcaster.

above:
FRANK: WE NEED
A CAPTION HERE.

Apple has solved the nagging chicken-and-egg problem that plagues many new media distribution formats.

That's the good news. The bad news is that virtually anyone with a DV camera, a PC, a broadband connection, and time on his or her hands will try to become a podcaster. A lot of bad stuff will be out there. The question becomes whether the stuff will be just bad enough that people become hungry for high-quality content, or whether it will be so bad that people give up on video podcasting altogether. Again, Apple has helped IPTV's cause by opening up iTunes to be an aggregator of podcasts that are categorized and searchable.

The iTunes catalog is open to anyone who wants to list content there. All that's required of the content creator is to embed iTunes-specific tags in the podcast's RSS feed, and then submit the feed for publication. The complete specifications for iTunes tags can be found at <http://phobos.apple.com/static/iTunesRSS.html>. Submitting the feed to iTunes is done through the iTunes software. On the podcasts' home page in iTunes, select "Submit a podcast." Your submission won't be available immediately. The approval process is done manually, so it may take up to a few weeks. Some podcast producers tell me their podcasts have been

listed on iTunes within an hour of submission, but I wouldn't rely on such a fast turnaround. And this process is only for listing a podcast in the catalog; it doesn't get you a place in the store. Selling content via iTunes requires a distribution contract with Apple. If the music store is any indication of Apple's approach to video, it will be a long time before Apple turns its eye toward the independent producer.

Of course, the video podcast-IPTV market may evolve more quickly than online music. For example, just a month after the video iPod hit the streets, TiVo announced that its TiVo-to-go service will soon allow downloads to iPods. How will Apple respond? It's also hard to believe Microsoft, Yahoo, and Google will allow Apple the same early lead and market dominance in online video distribution it gained in online music. If Apple's online video distribution shows promise, the venture capitalists who've been sitting on the sidelines will jump in quickly as well.

Advice to the independent producer

If you're an independent producer, begin developing an online distribution plan yesterday.

What content do you have on the shelves that can be repurposed? What can you produce quickly and profitably? One producer I work with is re-editing his martial arts instructional video into a series of podcasts with a companion Web site. He's testing the various business models on small groups to gauge user and potential advertiser interest. His technical staff has been weighing the various tradeoffs between video quality and file size in terms of both cost and user experience. Web producers are crafting a site that encourages podcasting newbies to give the technology a try. All of these questions must be worked out before launch, and there's no one-size-fits-all answer. Each business has to develop its own approach.

It might not be the heady days of 1997, when Web video promised us untold wealth, but these sure are exciting times—real opportunities to make money with niche content. ■

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