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Pushing to Bring TV to the Internet

Start-Up's Technology Can Transmit High-Quality Video, but It Must Convince Networks to Sign On

By **ETHAN SMITH**

A small start-up is trying to do what many in Hollywood and Silicon Valley have so far been unable to do: take Internet video from its YouTube origins to a full-fledged television service with dozens of channels.

"We have video on the Web," says Roxanne Austin, chief executive of Move Networks Inc. and a former president of DirecTV. "We don't have television on the Web."



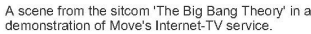
Ms. Austin's 100-person company, which is based in American Fork, Utah, has raised more than \$67 million from some prominent backers that include Microsoft Corp., Comcast Corp. and Walt Disney Co.'s venture-capital arm. But like past efforts by larger companies, including Microsoft and Motorola Inc., to offer Internet-delivered television, it faces obstacles, not least of which is getting content owners to sign on.

"The technology is good enough this can happen," says Boyd Peterson, an analyst at Grail Research. "Now it comes down to the business case."

Move's technology can transmit broadcast-quality video via the Web, in Internet protocol data packets. Depending on the available bandwidth, a capability called "adaptive streaming" can adjust the quality of the image (and thus the quantity of data), all the way up to high definition, the company says.

Move recently laid off about 15 employees amid its transition to its new Internet-TV offering, away from its earlier main business of providing video-streaming technology for the Web sites of broadcasters.

If the company is able to launch the service it is now pitching to broadcasters—tentatively dubbed Move TV—viewers could watch programs in one of three ways: via a computer's Web browser; on a television that is either equipped with a built-in Internet jack or connected to a set-top converter box; or on a wireless, Internet-connected device like an iPhone or iPad.



Because Move isn't laying cable or launching satellites, the company's executives argue they can charge consumers far less than traditional pay-television operators for a comparable suite of channels. Move hopes to undercut those operators further by offering a pared-down lineup—perhaps as few as 80 to 100 channels.

The company is pursuing deals to act as a back-end provider for Internet-service providers that want to add TV programming to their broadband offerings, and is also considering offering its service directly to consumers.

Move does have one customer lined up: CWI, the international division of Britain's Cable & Wireless PLC, which aims to offer the TV service to its 204,000 Internet customers in 38, small, mostly Caribbean nations. The companies aim to launch the service this summer but are still in content-licensing talks.

Move executives say they have opened discussions with major U.S. broadcasters about licensing content and hope to have deals in place by the end of this year.

Mr. Peterson, the analyst, says it could be difficult for Move to sign up enough content creators, particularly small cable channels, who risk alienating the cable and satellite operators they depend on. "You're starting to see the tensions," he adds.

Move executives say they may be able to promise content owners as much money, or perhaps even more, per user, per channel, than existing competitors. But the total amount of money delivered every month is likely to be far lower than what cable and satellite operators pay.

The start-up's affiliations with both a content-creating behemoth (Disney) and a distribution giant (Comcast) could help. But even Disney isn't ready to commit. Asked about discussions with Move, a Disney spokesman said: "We always look at new technologies that offer consumers more choice, and that use business models which work for us financially."

Comcast last month launched a service called TV Everywhere that uses Move software to offer cable subscribers free on-demand access, via a Web site, to some TV programming. The service in some ways represents a pre-emptive strike against technologies like Move TV, and it isn't clear what the implications of TV Everywhere may be for Move's own subscription platform. Comcast declined to comment.

Move's proposed service would allow broadcasters to maintain some degree of what they call "linearity" in their programming—presenting their shows in a context that encourages viewers to tune in to more shows, rather than as the free-floating episodes found on services like Hulu and YouTube.

But if Move's business model were to succeed, it could turn cable providers into little more than utilities, maintaining thousands of miles of dumb pipe—pipe through which Move's snazzily repackaged TV programming would be flowing.

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Media companies ranging from the New York Times Co. to the backers of Hulu have begun to look for online-business models that are more lucrative than their longstanding strategies of giving away their content online—often the same content that users must pay for when delivered by traditional channels like print and cable television.

"How do we create a subscription model [for television] on the Net that consumers would pay for?" asks Ms. Austin.

One of Move's tactics is to offer programming in new ways. For instance, in a demonstration of the company's proposed service, programming information is displayed in the same kind of grid that is standard on many cable systems—with a twist. A viewer can scroll backward in time and select programs from the past, as if they'd been stored on a digital video recorder.

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