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E-COMMERCE REPORT

Baseball Tests Online Broadcasts

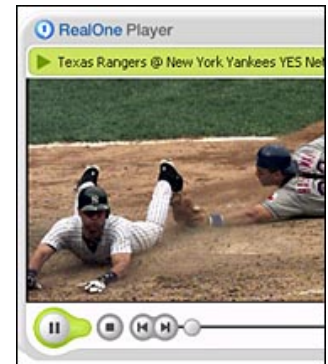
By BOB TEDESCHI

MAJOR LEAGUE BASEBALL'S recently averted strike would have done more than put a serious dent in the finances of online sports sites — none more than the league's own MLB.com, which attracts millions of viewers a day, and more than 500,000 subscribers who pay to see highlights and game replays. The strike would also have wrecked a promising experiment the league began just days before the bargaining deadline: live online broadcasts of games.

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The Major League Baseball site, MLB.com, offered its first Webcast of a game in late August, drawing 30,000 viewers in 64 countries.

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Live sports Webcasts have gained some momentum in recent weeks, as FoxSports.com announced late last month an online broadcasting agreement in college sports with one of the N.C.A.A.'s biggest conferences, the Big 12. Still, league and Internet executives are quick to caution that these efforts are not worth shouting about, at least yet.

To begin with, the quality of the online viewing experience is not good enough to attract viewers in huge numbers — particularly since fewer than 20 percent of households have high-speed Internet access, which is

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critical for the online viewing experience. Meanwhile, some leagues are reluctant to offer their best contests for live online viewing, lest they alienate television broadcasters.

But live Webcasts do hold some hope for sports executives, who say the Internet is an ideal way to reach two crucial groups — long-distance fans, and younger people who are deluged with entertainment choices. And if the technology eventually improves to the point that Webcasts rival traditional broadcasts, it could profoundly affect negotiations between leagues and broadcasters.

"Right now, this is more about experimentation and R.& D. than anything else," said Patrick Keane, an analyst with the Internet consultancy Jupiter Research. "But there's a very interesting market when you look at displaced fans," he said, referring to fans who develop a team allegiance in one city, but then move to another.

In baseball, for instance, more than half of all fans support teams that are not in their backyards, and such fans cannot easily see or hear broadcasts of games they care about. Bob Bowman, who oversees MLB.com and each of the league's 30 team Web sites, said the Webcast of the Rangers-Yankees game drew viewers in 64 different countries, "with no promotion, no nothing."

"We were pleasantly surprised" by the overall viewing numbers, Mr. Bowman said. "Maybe in two years we'll find out we should've expected more, but for now, it served the first goal, which was to get these people closer to baseball."

Notably, MLB.com protected the rights of local TV broadcasters by encrypting the transmission to prevent piracy, while also blocking viewers in the Yankees and Rangers home markets. The site verified each user's address by asking for credit card information, and by executing spot checks of users' so-called Internet protocol addresses — the numeric identifiers for the network-hub computers through which users connect to the Internet. For broadband Internet users, those addresses can reliably yield geographic information, Mr. Bowman said.

While Internet sites have appeased some broadcasters with such techniques, they have much more work to do when it comes to pleasing viewers. Analysts have derided the live Webcasts — even when viewed on high-speed connections — as too choppy and too fuzzy, with a viewing window far too small to enjoy. (For clarity's sake, Web sites typically let viewers opt for a three-inch by three-inch screen size, although larger, fuzzier viewing areas can be selected.)

Even those who are selling the Webcasts are underwhelmed by the quality. "You just can't compare the experience, even if you're watching a 20-inch TV, to what you get on a computer screen," said Ross Levinsohn, who oversees FoxSports.com, a division of the [News Corporation's](#) Fox Sports Network. "But that's not what this is about. It's about providing access to things people can't get somewhere else."

Mr. Levinsohn would not disclose the cost of producing the Webcasts, but he said it "wasn't a huge expense for anyone involved."

Take the Big 12 football Webcasts (which will give way to other sports as the year progresses). He said Fox takes its video feeds from the



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scoreboard cameras that stadiums use for instant replays, without the network's graphics or announcers, and receives an audio feed from college radio announcers. Those feeds are sent to [RealNetworks](#), which encrypts and broadcasts the games.

In the first week of the college football season, Fox offered two games: Nebraska versus Troy State, and Texas A& M versus the University of Louisiana-Lafayette. The contests were offered only to those who pay the \$10 monthly fee for RealNetworks's RealOne SuperPass, which allows users to watch and listen to a variety of so-called streaming video and audio on different Web sites.

Mr. Levinsohn said last week that he was not yet sure of the final viewing numbers, but he estimated that roughly 2,000 people watched the first week's games, a number he hoped would have doubled this past Saturday, and would double again next weekend.

"No one is going to get rich on this right now," Mr. Levinsohn said. "The idea is to control and test it. Nobody's proven the model yet."

That is why the most major sports leagues, most notably the National Football League, have steered clear of Webcasting. Analysts and executives say it is easier for baseball to delve into online broadcasting because it has the most games each season of any major sport, and can therefore afford to experiment with its product.

Baseball is also the game that is most in jeopardy of losing its younger fans — who may no longer have the stomach for a four-hour long pitching duel — and the Internet might be a good place to get them back, since the medium is conducive to multitasking during a slow-paced game. The N.F.L., on the other hand, has so few games, and such lucrative national TV broadcasting contracts, that many analysts say Webcasting experimentation makes little sense.

But some believe that such an attitude could change, if technology improves to the point that the quality of Webcasting rivals TV. Executives from RealNetworks, for example, say that technical parity is not such a far-fetched idea. "Give us a little time," said Larry Jacobson, president and chief operating officer of RealNetworks.

Mr. Jacobson, who is the former president of Fox Television Network, said that with the latest so-called compression technology, which allows companies to send bigger files over the Web more quickly than in the past, RealNetworks improved the clarity of video streaming by 30 percent from last year. "We're certainly within arm's reach of VHS-level quality," he said, referring to videocassette-comparable picture quality.

If that happens, and if the number of people with high-speed Internet connections continues to rise, then something more profound might be in store for the sports industry, said Andrew Zimbalist, economics professor at Smith College and the author of widely read books on sports economics.

"If we were to assume the technology issues could get resolved — and I don't know that they can — this could have enormous implications for the economic structure of the leagues," Mr. Zimbalist said. "As the local and national TV contracts expire, the league could do as much of its

telecasting over the Internet as it wants, and could probably generate a lot more money than is being generated now."

And, Mr. Zimbalist said, "that money would go to a central fund to be distributed equally, so instead of Steinbrenner getting the local television money, that becomes everybody's money."

One can almost hear the battle cry of fans from Boston, Seattle and beyond: Let the Web games begin!

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