Is the Web the New Hollywood?

The Internet is becoming a breeding ground for filmmakers and TV producers in both the indie-video and mainstream worlds.

When Apple (AAPL) Chief Executive Steve Jobs flashed a clip of the video blog Tiki Bar TV during the October launch of Apple's new video iPod, he turned the rollickingly sophomoric show into an instant online hit. Filmed in a 1950s-style bachelor pad, the bimonthly program is a farcical series of ad-libbed skits built around cocktails with names like the Volcano and the Red Oktober. Tiki Bar TV was launched on a lark about 10 months ago, and it attracts about 200,000 viewers, an audience the size of some established cable shows.

After years of hype, the Internet as TV is finally coming into its own. Never before has the opportunity been so great to take programming straight to the audience, circumventing the traditional film-industry production and distribution system. Until now, clever animated shorts or video clips that made a splash online have trod a well-worn path straight to TV, showing up on MTV, the Tonight Show, or even commercials (see BW, 1/30/06, "Three-Minute Moguls"). But not everyone considers online TV a stepping stone to Hollywood's bright lights.

Take Jeff Macpherson, the indie filmmaker in Vancouver who started Tiki Bar with his friends. He's getting plenty of attention from Hollywood types, but instead of trying to parlay Tiki Bar into a gig in big-budget TV or movies, Macpherson wants to raise money to create a series of similar shows for the Web. "This is the beginning of something big," Macpherson says. As people spend a growing portion of their lives online, some would-be movie moguls view Internet TV as an end in itself. Some are even finding that they can make money doing it.

UP TO SPEED. Why now? The widespread adoption of high-speed Internet access is part of the reason. But just as important is the proliferation of affordable digital cameras and portable media players. Then there is the explosion of startups that provide publishing, advertising, and hosting services and software for video producers. And Google (GOOG), Yahoo! (YHOO), Microsoft (MSFT), Time Warner's (TWX) AOL and Apple's iTunes are all setting up online marketplaces where video producers can peddle videos free or for a fee.

Cutting-edge technology is also making it easier to bypass traditional video distribution. Video sharing services from companies including YouTube, Vimeo, and now MySpace make uploading and distributing video a snap. Technology such as RSS and services from Brightcove, TiVo, and others create distribution feeds to micro-audiences. "In the past people only had the chance to license their content to networks," says Jeremy Allaire, founder and CEO of Brightcove. "Now that's not the case."

Video blogs are a case in point. Over the past year, thousands of video versions of the increasingly popular Web logs, or blogs, have sprung up online. Those looking to make money from their efforts are turning to a series format. The Rocketboom video blog helped pioneer this model, dishing up a three-minute newscast spooof five days a week (see BW, 9/5/05, "Rocketboom's Powerful Lift-Off"). Now, Rocketboom has a daily audience of 130,000 viewers and is distributed via TiVo, which can now be used to watch Web videos on TV.

NETWORK NEWS. Other series range from reports by techie blog Engadget to Carp Caviar, an eclectic variety of animation, archived footage, and cultural commentary. A standout is Ask a Ninja. After watching the success of Tiki Bar and Rocketboom, Kent Nichols and Douglas Sarine turned the information they had gathered about Ninjas for an animation project into Ask a Ninja. Launched after Thanksgiving, the series features a black-clad Ninja who provides tongue-in-cheek responses to viewers' questions.
about Ninja lore. It's attracted an audience of 25,000 people. Nichols says the two expect to make money from packaging DVDs of short shows and advertising, as it evolves.

The Internet is turning into a breeding ground not just for shows, but also entire networks. ManiaTV, a startup launched 17 months ago to be the MTV for the online set, broadcasts its own live show over the Internet and offers on-demand videos about music and videos. It draws 2 million visitors a month.

Brightcove last year began rolling out a publishing and distribution platform that big and small producers can use to create their own online channels. Producers can either sell programs or subscriptions or split the revenue that Brightcove makes selling advertisements across these channels. For instance, this January, Barrio 305, an online music production company in Miami that creates hip-hop and Hispanic R&B videos, used Brightcove to create its own channels that it syndicates to other online sites.

**SELLING SPACE.** Although these changes promise to democratize the entertainment business, it's not just indie producers and grassroots types that are turning to the Web as an alternative distribution channel. MTV, CNN, and ABC have created their own online networks. And Brightcove is working with established players, including Reuters and Geraldine Laybourne's Oxygen Media. The Sci Fi Channel in June even created a *Battlestar Galactica* video blog, which offers a playful behind the scenes look at how the cult show is filmed. It's been downloaded 350,000 times.

"We have plans to do a lot more video and are looking at a number of different things," says Craig Engler, general manager of SCIIFI.COM and SCIIFI magazine. "Some will be more polished and refined, and some more Rocketboomish."

With audiences fragmenting and online advertising on a tear, it's not hard to see why indies and Establishment alike are staking out ground within the new world of Internet TV. Already, online video commands $25 in ad revenue per thousand viewers and is a hot commodity across the major Internet portals. Yet, in the cases of all these new forms of Web TV, business models are a work in progress. Large and small companies alike, including Google, Podtrac, and Brightcove, are working on developing models that either sell advertising across aggregated audiences with a critical mass or match up advertisers in a cost-effective way with the right niche audience.

**KEEP IT SHORT.** But as marketing evolves, it will need to adapt to its new environment, ad experts warn. "I don't think that just transposing the 30-second-spot model works in this space," says Mohan Renganathan, associate group director in New York City for ad agency MediaVest Worldwide. "Video over the Web is more about getting content you're interested in seeing that you have searched for."

That's likely to mean that online video will remain short and will increasingly become interactive and mobile. Melding into how people are watching videos, whether it's through a video sharing service or as a download from a blog, will lead to more interaction and less control over a message, Renganathan says. But as the Internet continues to change video forever, the smart will learn to adapt.