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**THE JOURNAL REPORT: TECHNOLOGY**
**Consumer Technology**  
**TV + the Web = ?**
*How the Internet is affecting what -- and how -- we watch*

 By SARAH MCBRIDE  
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Earlier this year, **Toyota Motor Corp.** got some startling news. **Walt Disney Co.**, which produces "Desperate Housewives," was planning to make the show available online free. Toyota spends millions of dollars to advertise on "Housewives" -- and all that money would potentially go to waste if viewers watched the show in another venue.

Toyota could have given Disney an earful. Instead, the car maker signed up for a full slate of ads in the online version of "Housewives," to complement its commercials in the regular show. The company's logic was that online viewers were more likely to be avid fans, who would stay engaged while the commercials played.

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**<sup>1</sup>THE JOURNAL REPORT**

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More broadly, the move was yet another sign of a seismic shift in home entertainment: Once two distinct fiefdoms, the worlds of television and the Internet are coming together fast -- and that means big changes for networks, advertisers and viewers.

Already, networks are making shows available online, whether on their own sites or through a service such as iTunes. Some are going even further, creating programs exclusively for the Web -- a step that could eventually make the Internet a proving ground for television shows. Meanwhile, creative teams outside the television industry are producing their own online series -- leading some experts to speculate that Internet companies like AOL could morph into de facto networks as well.

From a viewer's perspective, all of this obviously means lots of new choices -- more shows to watch and more say in when you watch them. But the Web also gives the public something more subtle: creative power. Not only can die-hards discuss their favorite shows on message boards, they can create high-tech tributes online, such as "best of" video montages. Sometimes networks welcome these efforts, but in many cases they take a hard line, cracking down on fan content that violates copyright.

**THE FUTURE OF WEB TV**

**PODCAST:**<sup>3</sup> What possibilities does the Web hold for television

Advertisers, meanwhile, are beginning to follow networks and viewers online. Like Toyota, many ad buyers relish the chance to get access to the most devoted fans. And they look forward to



producers? WSJ's [Sarah McBride](#) interviews [Jay Amato](#)<sup>4</sup>, one of the creators of the Web-based series "In Men We Trust," who discusses the challenge of creating episodic stories online, the future of advertising in this new medium and how Web programs may end up affecting their broadcast counterparts.

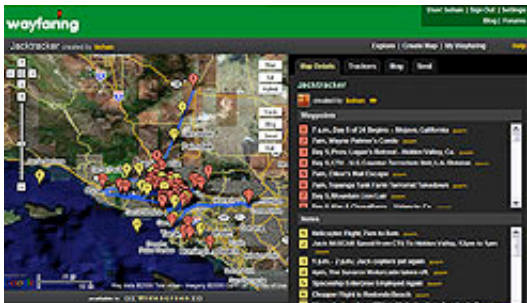
a time when they can use the Web's data-gathering capabilities to get a breakdown of who's watching a show and create ads targeted to each demographic segment.

Paving the way for these changes is one powerful trend: These days, people are spending as much time in front of a computer as a television -- in some cases, even more. Adults spend about

14 hours a week watching TV and 14 online, compared with 11 watching TV and 10 online two years ago, according to JupiterResearch. Young adults, ages 18 to 24, spend about 10 hours a week online, two hours more than they spend watching TV. Many don't even own TVs but have laptops.

For television companies, embracing the Internet -- for distributing existing shows as well as for creating new content -- is not optional, some experts say. "If traditional media companies don't participate in emerging technologies, then the pirate market will serve that audience," says Eric Garland, chief executive of BigChampagne LLC, a Beverly Hills, Calif., company that measures online audiences. "You can build a market, or you can try to steal it back" from illegal operators, such as sites that let users download whole TV shows.

Many in the industry agree. Broadband Internet and digital technology are "going to become extremely important and major elements of distribution" for television networks, says Rick Cotton, general counsel at **General Electric Co.**'s NBC Universal. But "the question of where the balance will lie, will one [medium] overtake the other, it's hard to predict."



**THE INFO HIGHWAY** An interactive map of locations in the series "Veronica Mars," created by a fan

Some experts think TV and the Internet will end up moving so close that they'll begin to blur together. The day will come when "you have a browser on your TV, everything is on demand," says Jonathan Taplin, an adjunct professor at the University of Southern California's Annenberg School for Communication.

Still, few believe that television is going away entirely because of the Internet. TV has proved enormously resilient, surviving onslaughts from cable and satellite to the VCR and DVD. There's no reason to think its executives won't adjust this time, too.

Here's a look at how this new media landscape is changing the relationships among networks, viewers and advertisers -- and what it could mean for the future of entertainment.

## THE NETWORKS

The networks have already taken a huge first step into this new arena. They're using the Web as a new distribution channel for their shows -- instead of just a place where TV viewers can get program listings and other information.

The logic: Putting shows on the Web helps the networks reach an audience that might not catch the show on the regular airwaves. The strategy is still in its infancy, but it faces some big questions. Network affiliates, which rely on local ad revenue from network shows, complain that Internet broadcasts could siphon viewers from regular television instead of adding new ones. And there are

longer-term questions -- such as what happens when shows that have been available on the Internet head into reruns.

Does Internet distribution "devalue the syndication? Does it potentially diminish the demand for that product because of the wear-out factor?" asks Bill Koenigsberg, president and chief executive of Horizon Media Inc., a media-services agency in New York.

Still, the results so far seem positive. Industry experts point to the success of "The Office," an NBC comedy that saw a spike in viewers after iTunes started selling episodes of the show in December. The show now has an average weekly broadcast audience of 8.9 million for its new episodes, about one million more than in the September-November period.

The experts say that going online helped build an audience among people who didn't watch at the scheduled time. It also made it easier for word-of-mouth to spread. Fans could tell friends, "Download an episode, you'll love it," and the newcomers could watch the show immediately instead of waiting for the broadcast time. (Some observers note that other factors, such as a switch to Thursdays from Tuesdays, may also have helped.)

Some experts predict that in the next few years Internet viewership will soar. What that will mean for broadcast television is less certain. The Annenberg School's Mr. Taplin thinks that aggregate viewership of shows will rise, but television viewership will fall as more viewers migrate online to watch shows at their convenience. That, in turn, may force advertisers and ratings organizations like Nielsen Media Research to think more flexibly about how they count viewers. Already, Nielsen has said it plans to spend the rest of the year evaluating the best way to measure online audiences.

The new environment also poses creative challenges for the networks. As online viewership rises, will people want to watch the same types of shows that they do on regular television?

Networks are already creating programs that are better suited to the Web than to traditional television. On the Web site for the NBC show "Passions," a minishow is unfolding about a mysterious monk, a new character being introduced online. New episodes, each just a few minutes long, come out twice a week; viewers can click on screen images for clues about the monk, whose identity will be revealed June 1. The mystery man will then factor subsequent episodes of the regular broadcast show.

Currently, such shows are simply adjuncts to regular broadcast programs. But they could become attractions in and of themselves.

## **THE ADVERTISERS**

For advertisers, Web television delivers a dream audience of dedicated fans. "The fact they've gone and sought it out [online] indicates they're pretty loyal, passionate viewers of a show," says Mark Simmons, national manager of advertising strategy and media for Toyota, which advertises on many of Disney's online shows. "It's a step beyond appointment viewing."

Even better, since Web television doesn't have a fast-forward button -- yet -- viewers must sit through commercials. Then there's the promise of demographic data. It would be a simple step to have users register before watching a show online, giving a few pieces of personal information. Advertisers could use that data to segment the audience by factors such as age, gender and ZIP Code -- and then create

tailored ads for each group.

Toyota hasn't gone that far, but it has made at least one big choice based on online demographics: which cars to advertise on Web television shows. For instance, the company found that potential buyers of its Yaris model are what they call "deep divers" who are very involved in pop culture. They are more likely, for example, to watch "Lost" episodes twice to make sure they didn't miss anything, or to get involved in fan sites. Since that profile also fits people who watch television shows online, Toyota opted to advertise the Yaris on Web shows.

Meanwhile, the car maker is experimenting with different commercial formats. In the online version of "Desperate Housewives," Toyota has a 10-second commercial at the beginning of the show, and three spots within it. When the slots come up, viewers can watch a traditional 30-second ad, look at still photos of Toyota cars for the same amount of time or click on a link to the Toyota Web site.

Several companies advertise on Disney's online shows, but viewers see only one company's ads each time they watch a program. If they watch a show multiple times, they see different sets of commercials. (Most other online TV offerings -- such as In2TV from **Time Warner** Inc. and AOL -- have limited commercial breaks, as Disney does, but usually show more than one sponsor's ads in an episode.)

Toyota says it might also consider interactive product placement, allowing viewers to click on cars appearing in a show and get more information about them. Mr. Simmons says the technology isn't quite there yet, but it's a possibility down the road.

Toyota says it's too early to tell how the online shows will affect the company's relationship with Disney, or its regular TV advertising. The car maker also won't disclose what it's paying for the online ads. Disney hasn't set regular rates for the shows, but they are likely to be considerably less than the \$550,000 to \$650,000 the network charges for a 30-second ad on the broadcast version of "Lost" or "Desperate Housewives."

## THE AUDIENCE

For viewers, online shows hold one big advantage: even greater "time shifting." Not only can people watch shows *when* they want -- as a VCR or DVR allows them to do -- but also *where* they want, whether on a computer or portable gadget. Viewers will also get more choices about *what* to watch as more shows head online and networks create more Internet-only offerings.

Even more choices will come from outside the network mainstream. Already, amateur video clips have become a mainstay of the Web, spreading to millions of viewers by word-of-mouth alone. Now some professional producers are trying to do more with Web videos. They're creating episodic stories online -- essentially, short-form TV series -- and hoping that the Web will bring free publicity.

For instance, PersonalScreen Media LLC, a New York online-entertainment company, has put together "In Men We Trust," a Web show whose 10-minute episodes will chronicle three New York women's search for Mr. Right. The show, which isn't online yet, uses an innovative method of sponsorship. Advertisers, including Krill Vodka and Saks.com, arrange to have their products included in the show. Then viewers can click on a character's dress, for example, and information about the designer and price will pop up while the show plays. Sponsors either pay to have products included, or have a pay-per-click agreement with PersonalScreen.

Sometime in the next year or two, many online executives predict, an online show will emerge that attracts millions of viewers. Eventually, online video distributors like AOL or MSN could become next-generation networks, with dozens of shows in their stables.

Still, television will likely remain the gold standard for video. Michael Salort and Jay Amato, the duo behind "In Men We Trust," are pitching the program to traditional media companies for potential development into a regular over-the-airwaves show. Many television executives are open to that kind of pitch. At some point soon, "there could be [broadcast] content that originates online, and we're looking at that type of content," says Peter Levinsohn, president of digital media for **News Corp.**'s Fox.

Along with new viewing choices, the Web lets people get involved with their favorite shows in creative new ways. For years, enthusiasts have gathered online to discuss plot twists, share theories and script alternative endings. Now, thanks to evolving technology and widely available digital content, fans can take snippets of shows and repackage them, drawing thousands of eyeballs in the process.

Take "24," the counterterrorism show set in Los Angeles. One rabid fan used Google to create a map, the Jacktracker, showing every place the show's hero, Jack Bauer, visits in a single episode. Accompanying text dissects whether the trip was physically possible in the show's time frame, given Los Angeles's clogged highways and sprawling layout. The map's creator, Bob Hanifen, a lawyer and writer for travel site [Gridskipper.com](http://Gridskipper.com)<sup>5</sup>, updates his creation religiously.

"It used to be that we only had to worry about people in Los Angeles knowing that something might not be possible," says Evan Katz, one of the show's executive producers. But he doesn't plan to let the Jacktracker affect the show. "The time that we don't do a good story because there would have been too much traffic, would have been the wrong decision."

This new power in the hands of fans means that their relationship with the networks is changing, and not always for the better. When a video that appeared on "Saturday Night Live" became a viral hit on the Internet, NBC pulled out the big guns. The network sent letters to the sites that hosted the clip, asking them to take it down at once, as part of a campaign to rid the Internet of all unauthorized NBC content. Most complied. These days, the clip is available free on NBC's Web site, or as a \$1.99 download on iTunes.

"You have to balance what fans like to do with the show versus what is legally appropriate," says Albert Cheng, executive vice president of the Disney-ABC television group. Adds Mr. Levinsohn of Fox: "We should try to embrace it and support it, but it should be done within the confines of what's legal."

Still, some industry experts argue for a laissez-faire approach to the fans' efforts. "The more engaged a user or viewer becomes in the content, the more of a fan they're going to be, the more they're going to tell their friends, and the more chance [the show] will be picked up again the following season," says Rob Bennett, general manager for entertainment and video at **Microsoft Corp.**'s MSN, which runs authorized video clips from dozens of television shows on its site. "This is passion you want to encourage," says Erik Flannigan, vice president for programming at AOL, a big player in the online television space.

Fans make the same argument. For instance, an avid viewer of the mystery series "Veronica Mars" has created an interactive map showing locations from the program. Why? "It's another way of generating publicity for 'Veronica Mars,' and we're constantly on the bubble in terms of ratings," says the map's

creator, a 40-year-old college professor who prefers that her name not be used.

Some people who work on network shows are sympathetic to this view. Rob Thomas, executive producer of "Veronica Mars," says he wasn't familiar with the map, but he has seen other fan-created material on the Internet, such as clips from episodes put to music. "None of that bothers me," he says, largely because the fans are doing it out of appreciation, not for financial gain. Mr. Thomas says he sometimes even uses fans' opinions to guide storylines. For instance, he provided more glimpses into a prickly character's likable side after she inspired vitriolic posts on fan sites.

Some experts predict this type of collaboration between fans and creators will become the norm. Justin Beckett, founder of Fluid Audio Networks, a digital self-publishing company in Los Angeles, sees a day when auditions for new characters on various shows will air live on the Internet, with fans voting for who should get the role, much in the style of "American Idol."

Industry insiders are more dubious about giving fans a regular say in how a show turns out. Mr. Thomas notes that production teams are usually working four to six episodes ahead of the show that airs in a given week, and often there's not time "to shift gears much."

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