MEDIA

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ABC blazes own trail online

By Meg James and Dawn C. Chmielewski, Times Staff Writers
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In the television networks' stampede to stake their claim on the Internet, Walt Disney Co. has taken the road less traveled.

Its media rivals have struck a flurry of deals with online players, and one another, to try to get their TV shows on as many websites and in front of as many people as possible. Disney, by contrast, is relying on the strength of such popular ABC shows as "Lost" and "Grey's Anatomy" to draw viewers to the network's online destination.

This week in New York, the broadcast networks will take turns unveiling their new fall shows to thousands of advertisers who are prepared to spend as much as $9 billion combined for prime-time commercial spots for the coming TV season. As part of its offerings, ABC will announce plans to make available full-length streams of its top shows online in high definition.

The move is a further indication that Disney is treating the computer monitor as just another screen — as important as the one in the family room. And it is betting that advertisers feel the same way.

"Our goal is to really redefine the whole idea of 'network,' " said Anne Sweeney, president of Disney-ABC Television Group. Technology, she said, "has improved our relationship with viewers by allowing us to be more accessible to them. We can now put our shows in their hands when they want them."

ABC also is expected this week to announce a separate deal to offer full-length episodes to mobile phone users, said people close to the negotiations who requested anonymity because the talks were not completed.

Disney and its ABC Television Group have been Web trailblazers among the major broadcast networks. ABC was the first to offer full-length episodes of its popular shows for sale through Apple Inc.'s iTunes store. It also was the first major network to offer on-demand replays of its shows, including "Lost" and "Grey's Anatomy," online. In October 2005, the network began offering $1.99 downloads of "Lost" and "Desperate Housewives" episodes on iTunes. That portability appealed to a specific niche: affluent geeks who are voracious consumers of all types of media — and gadgets.

Forrester Research, in a report expected to be released today, predicts that paid video downloads will generate $279 million this year, nearly triple last year's amount. The research firm expects much bigger money to be made through advertising sponsorships.

That's what ABC already has found: Viewers are willing to watch a few commercials online for the opportunity to see the shows for free that they missed on TV. Disney's goal is to adapt the television model, with advertising paying the freight, to the online medium.

"Like a flightless bird, the paid-video download market in its current evolutionary state will go the way of the dodo, despite the fast growth and the millions being spent today," Forrester analyst James McQuivey wrote in the report. "Television and cable networks will shift the bulk of paid downloading to ad-supported streams where they have control of ads and effective audience measurement."

The broadcast networks — ABC, NBC, CBS and Fox — will be pitching their digital plays to advertisers alongside their new shows this week partly because of worries that more ad dollars will migrate to the Web. Analysts said the broadcasters' strategies were less about attracting new advertising clients than keeping existing ones. Another objective is to keep viewers tuned in to ABC.

"More and more people are watching video online," said Joe Laszlo, an analyst at Jupiter Research. "ABC is trying to tap the website to keep the audience they already have, and to keep them loyal."

It's up to Albert Cheng, executive vice president of digital media, to guide Disney-ABC Television Group into this new frontier. Cheng, who has an MBA from Harvard, was tapped in the fall of 2005, just as Disney was striking its landmark deal with Apple. In addition to ABC, he oversees digital planning for the company's cable networks such as the Disney Channel, ABC Family and SoapNet.

The strategy, he said, is to employ the latest technology to build a "branded" and "consistent consumer experience" and at the same time provide an online home for advertisers.

"The goal is to create a great advertiser model in the online world," Cheng said.

On ABC.com, consumers can browse through a menu of video stills for such shows as "Dancing With the Stars," "Ugly Betty" and "Brothers and Sisters." They can watch previous episodes, which are each sponsored by a single advertiser and contain three short commercial messages.

The website's video player, which won an Emmy Award in August, provides a TV-like viewing experience without the graininess, stuttering and pauses typical of Internet video.

"We really are stuck on consumer experience," Cheng said. "It's part of our DNA."

Peter Sealey, an adjunct professor at Claremont Graduate University's Peter F. Drucker and Masatoshi Ito Graduate School of Management, said it was hardly a sure thing for Disney to gamble on the power of its brands — as its experience with the ill-fated ESPN cellphone service proved. Disney announced in September that it was abandoning that venture.

But Cheng said ABC brings attributes other than its brand to bear. The upgrade to high definition is a feat Cheng didn't think possible for years. Beginning in July, ABC will offer a few shows in the format, and in late September it will expand that entertainment lineup and include national and local news.

In another plus for the Internet side, the average ABC.com viewer is 28 years old, largely college educated and tech-savvy. The median age of ABC's viewers is 47. The youth of the online crowd appeals to advertisers.

Grabbing that younger demographic was also key to the creation in March of a joint venture between News Corp. and NBC Universal. The two media giants have video distribution deals with some of the biggest names online, including MySpace, Yahoo Inc., AOL and Microsoft Corp.'s MSN.

Their strategy is to bring the shows to the online hangouts of computer users.

Despite being invited into the venture by top executives at News Corp. and NBC Universal, Disney declined.

The reasons: Disney has been on a roll with its own digital strategy, and Hollywood joint ventures have a poor track record. In addition, Steve Jobs, Apple's chief executive, is Disney's largest shareholder.

Interestingly, Disney's only online distribution deal has been with Apple.

The media giant sees strength in its selectiveness. Making shows available only on ABC.com and through its local television affiliates' websites and the iTunes store provides some business advantages, executives said. It also provides an alternative to piracy.

"We realized that piracy was a great threat to our business model," Sweeney said. "This gave us the opportunity to keep honest people honest."

Disney also is avoiding its rivals' more scattershot approach.

"Deals outside our brands open up the potential for consumer confusion. They'll say, 'Where do I go to find it?' " Cheng said. "You can't underestimate the amount of clutter in the marketplace."

Cheng said Disney didn't want to go into business with companies that failed to protect copyrighted video or just wanted to trade on Disney's name.

"We want to have partnerships with people who respect intellectual copyrights and those who compensate us appropriately," Cheng said. "It's always about money."