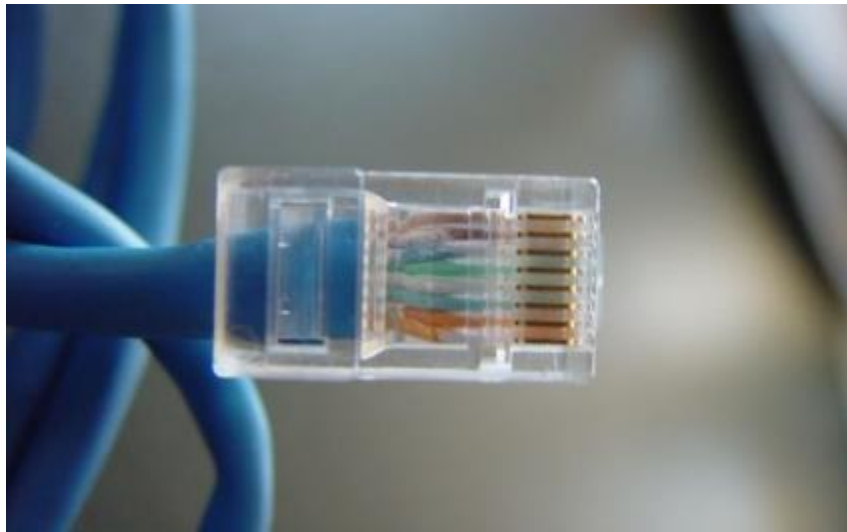




Uber TV: Extending the Internet revolution (further) into local TV

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• **By Henry H. Perritt, Jr.**

In March, the FCC will begin its Broadcast Incentive Auction. Cellphone and broadband wireless providers will bid for UHF frequencies now licensed to high-power and Class A television stations. Stations participating in the process may go off the air or change frequencies. If an insufficient amount of spectrum is transferred in the process, the FCC can force-assign stations to new frequencies. The force-assignment process will provide a subsidy for stations that have to move, but, according to estimates, not nearly as much as a successful auction bid.

The auction presents an opportunity, not only to get infusions of capital in the tens or hundreds of millions of dollars, but, for stations that elect to go off the air, also to reduce capital investment by nearly a half. They can “go off the air” only in the sense that they no longer distribute their programming via high-power radio radiation; they can remain on the air via the Internet.

The auction provides an opening to take advantage of four disruptive changes that together comprise a perfect storm for broadcast television: targeted advertising, stringer news collection, indie entertainment production, and migration of workflow infrastructures to the Internet Protocol (IP) standard. An Internet only TV station embracing all four could become a model for vigorous television through the remainder of the century. This is a chance for television stations to leapfrog an inevitable transition away from over-the-air broadcast to the Internet, much as Netflix did when it saw that viewers were shifting their preferences from DVDs to Internet streaming.

Targeted advertising is well known to both consumers and advertisers. It already has wide use on websites. It embeds ads on webpages viewed by users according to their demographic profiles and statistical predictions of what advertisements likely would interest them. Relying on ad servers and database providers, it substantially reduces the need for advertising sales staff at enterprises that provide ad platforms.

Content providers, like television stations, provide content such as news, weather, traffic, and entertainment that viewers and advertisers are most interested in reaching. When those readers go to a television website they bring with them a "cookie" that classifies them in narrowly defined demographic groups. An "ad server" consults a database and serves relevant ads to that particular viewer. Advertisers pay, and Internet only TV stations get revenue, based on how many times a particular ad is displayed on their site and, depending on the terms of the advertiser's contract, how many times a viewer clicks on the ad.

The second disruptive change permits TV stations to take advantage of the Uber ride-sharing phenomenon. They can reorganize their newsrooms to make better use of stringer photojournalists. Stringers already operate at the margins of most existing TV news, but they could play a greater role. The rapid penetration of Uber in major cities around the world has focused attention on the growing importance of contingent work, a shift in labor markets away from work performed by employees toward independent contractors who work when they want, on what they want. Contingent work offers significant advantages to workers who want to maintain control of their schedules as family responsibilities and leisure activities shift, and for enterprises who need labor services more closely aligned to fluctuations in demand.

Contingent work is not new to the television industry—most TV stations get at least some of their coverage from stringer and freelance photojournalists. But the stringer phenomenon is poorly institutionalized in the television industry. Existing stringers develop informal relationships with assignment desk editors, and become more or less regular contributors. No sophisticated breaking news dispatch technologies have yet appeared in fabrics that can link stringers to stations that need them on the spot.

Also, because stringers are so marginal to the broadcast day of most stations, little effort has been invested to ensure that stringer-captured content conforms to good journalism values. A move to Internet only TV would provide a market for the development of sophisticated stringer dispatch systems, modeled largely on the Uber dispatch system, and greater reliance on stringers would necessitate adapting newsroom editorial control to ensure high production values, good storytelling, and accurate facts.

Competition will always remain important in the market for local news, but a shift toward network stringers would benefit the first station to make a deal with a stringer who has the story—maybe with a small drone already aloft—rather than who can be the first to get a contract helicopter or a salaried reporter/photog team to the scene.

The third disruptive change permits an Internet only TV station to ride on the coattails of Google, Amazon, Hulu, Netflix, and Doritos' efforts to draw high-quality video entertainment from heretofore unknown indie producers. Not only are viewers cutting the cords to their cable subscription services and the antennas on their roofs, new kinds of video distributors are cutting the cord to Hollywood. Netflix, Hulu, Amazon, and Yahoo are providing significant amounts of money to indie producers to write and shoot movies and television series. Creative talent now elbowing each other on YouTube and Vimeo, but mostly not getting paid, have a chance to earn a living from their art. This opens up a new source of content production for Internet only TV stations, easing the straitjacket imposed by traditional producers who restrict their syndication licenses to only one or a couple of distribution technologies, particularly limiting Internet redistribution.

Here also, the market to match producers and TV stations is in its infancy, but new forms of intermediation are beginning to be visible.

Finally, newsrooms and master control infrastructures already are migrating to Internet friendly format and coding protocols. A world which already is largely committed to IP can extend its connections to the Internet itself.

Of course not all leapfrog strategies work. Motorola's embrace of its Iridium satellite system seemed bold the time but ended up sinking the company, because cellphone technology was advancing rapidly so rapidly that the demand for satellite phone communication was far less than Motorola estimated.

It is premature to conclude that a business model exists that can make Internet only television a broad reality, but new revenue and lower sales costs from targeted advertising, reduced costs for using more news stringers, greater flexibility to distribute entertainment, and eliminating capital requirements for transmitters, antennas, and studio transmitter links provide a radically different cost structure. The revenue from targeted advertising is growing dramatically, and the Broadcast Incentive Auction can provide more than enough capital for the transition.

The transition envisioned by this article is dramatic, but its central concept can be embraced gradually. A station can make a move toward Internet only operation without dropping its over the air broadcasts immediately. It can take advantage of the auction to shift frequencies while pumping more of its programming to the Internet, as it gradually increases reliance on drone-equipped stringers. It can continue to solicit advertisements to embed in its programming stream, even as it intensifies its relationship with targeted advertising enterprises. It already has embraced digital representations of content and is already moving to make the Internet Protocol the norm in its hardware and software.

Now it can think more explicitly about how its last mile can be an Internet connection Internet instead of a broadcast tower and a multi-megawatt transmitter.

If legacy TV stations do not make the first move, entrepreneurial new entrants will take advantage of the opportunity. Eventually all television will be Internet only.

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