

Intel, MySpace woo leaders of cable as TV and Net collide The Boston Globe

By Kim-Mai Cutler, Globe Correspondent | July 19, 2006

[Intel Corp.](#) and [MySpace.com](#) and some of the cable industry's other potential foes in a world where the Internet and TV collide, made overtures to partner with cable executives in distributing video, music, and other home entertainment yesterday at the Cable & Telecommunications Association for Marketing summit in Boston.

As the distinction between cable and broadband video becomes fuzzier -- and consumers turn to Internet portals, social networks, iPods, and mobile phones for TV shows, music videos, and movies -- the cable industry is searching for a way to reinvent itself. At the same time, technology companies like Intel and [Microsoft Corp.](#) are aggressively trying to break down the wall between the family room and the home office.

Intel tried to woo cable executives into adopting the VIIV platform, a technology launched earlier this year that would morph PCs into home entertainment centers, organizing personal video, music, and photos. Intel's VIIV platform could put Internet video on the television set, potentially eating into cable offerings.

But Donald MacDonald, Intel's vice president and general manager of the Digital Home Group, suggested that as broadband begins to attract cable customers, the industry could stem losses by distributing content in concert with the VIIV platform.

“Is this a threat? Of course it is,” MacDonald said. “Your business is changing. Ours is changing. The question for both of us is: Will we be ready?”

Because the cable industry sells broadband Internet to the majority of Americans, having their support would provide major traction for Intel's nascent platform.

“It would give VIIV a huge distribution channel. VIIV would effectively become the new set-top box for the cable industry if they were to wholeheartedly adopt it,” said Jonathan Hurd, a director for Altman Vilandrie & Co., a Boston-based communications consulting firm.

However, the cable industry may be reluctant to adopt VIIV, because it could cannibalize viewership by linking content producers with consumers, he added.

[News Corp.](#)-owned [MySpace.com](#) also appealed to cable executives, though the site has rapidly become the diversion of choice for the coveted 18-to-35 set with nearly 100 million registered users. In the past six months, the popular social networking site has also become the second largest distributor

of broadband video on the web behind YouTube. [MySpace.com](http://www.myspace.com) also offers channels of both professional and user-produced content.

“This technology is still in its infancy. There are thousands of opportunities,” said Shawn Gold, [MySpace.com](http://www.myspace.com)'s senior vice president of marketing and content. “Figuring out how to make money is a luxurious problem for us.”

Gold said content distribution could go both ways: [MySpace.com](http://www.myspace.com) could partner with cable channels to broadcast clips on line while cable producers could pick up amateur [MySpace.com](http://www.myspace.com) content. However, it too could further encroach on cable's territory as Gold mentioned the possibility of adding voice over Internet protocol, one of the cable industry's recent additions.

With the steady march of broadband video into the mainstream, cable executives said the industry must stay tuned to consumer desires for content on the go and on demand.

“We're going to have to start embracing new distribution models as an opportunity, not as a guaranteed revenue stream, but as experimentation,” said Michael C. Lee, the chief strategy officer for Rogers Cable Inc.

Although broadband content is now thought to be mostly short-form and of poor quality, Jeremy Allaire, CEO of Boston-based Internet TV company Brightcove, said consumers are quickly adapting to watching longer shows.

“The appetite is growing, not just snacking,” said Allaire. “The consumer demand for video is so great that they are just pirating and ripping it. There's so much passion that consumers are saying, ‘... We're going to slice it and dice it our own way.’”

It's a predicament that cable executives fear because it raises the prospect of content producers bypassing cable and selling directly to the consumer, Hurd said.

At worst, cable companies could become solely wholesale vendors of broadband, focusing on cost-cutting rather than building value-added services like the current video-on-demand, he said.

Still, some are hopeful that cable will remain a player by working with, not against, other platforms.

“We're looking at a multiplatform world, from the 50-inch screen to the mobile phone. I don't think one format will replace the other,” said Dermot McCormack, senior vice president of interactive advertising and development at [Cablevision Systems Corp.](http://www.cablevision.com)

Kaan Yigit, the president of Solutions Research Group, said there is room for the cable industry to make money by making content user-friendly, pointing to [Apple Computer Inc.'s](http://www.apple.com) success with the iPod and iTunes music store.

“People are willing to pay a premium for ease of use,” he said.

McCormack said cable adjusted well in the past by upgrading and adopting technology like digital video recorders and on-demand content.

“When you have a bewildering array of choices, how do you find what you want? Cable has done very well at packaging and aggregating content,” he said.

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