

News

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Testing Web Video Economy

CW Touts Original Online Content as It Limits 'Girl' Streaming

By Daisy Whitney

While other networks are placing their digital bets during this upfront on online streaming of their TV shows, The CW plans to tout its original Web content.

That's partly because it took a risky move a few weeks ago when it removed "Gossip Girl," one of its most popular shows, from the Internet to make it available solely on TV.

The network made that controversial decision in an effort to protect its core TV business, and the show's ratings rose in the first two weeks of the experiment, though they dropped slightly for the third week. However, critics contend that limiting consumer choice in this fashion is bad in the long run, especially for a young-skewing network.

For now, though, The CW plans to pitch advertisers on its original digital properties on CWTV.com during the upfront. With its young, Web-savvy audience, The CW's success or failure in gaining marketer support during the upfront will be a good litmus test for the Web video economy in general as well as for this particular digital strategy.

"A lot of networks let you go online and get all the stuff there, and while that works well, our point of differentiation is we will have different stuff in both places," said Alison Tarrant, senior VP of integrated sales and marketing at The CW.

The network does stream most of its shows, with "America's Next Top Model" and "Gossip Girl" the exceptions. But The CW has been successful in luring advertisers for its original online content. For instance, Macy's sponsors three Web-exclusive series related to "One Tree Hill"; Verizon Wireless sponsors "Alex Patsavas Gossip Girl Music," a series with the music supervisor of that show; and Sprint backs a mobile series about "Smallville." The network began creating original video series during the 2005-06 season.

"This way we will incentivize fans to not only engage online but also make our on-air episodes appointment viewing," Ms. Tarrant said. "The financials of our business are built on the TV screen, but in speaking to how our digital strategy works and is different, digital is important in building an ongoing relationship and making our viewers more loyal and giving them the chance to experience their favorite shows and storylines seven days a week."

In March, CWTV.com delivered 3.5 million streams, up from 1.1 million a year ago, the network said. Ms. Tarrant said the average visitor spends about 15 minutes on the site, representing 47% growth over last year. Unique visitors were 2 million in March, up from 1.8 million a year ago.

While the removal of full episodes of “Gossip Girl” online is an experiment, the network is pleased with the early results even though the third episode was a bit off in ratings. The first episode back was the third highest rated of the season and scored 25% higher in women 18 to 34 than the season average of the first 12 episodes.

But drawing a connection is short-term thinking, said Kaan Yigit, analyst with Solutions Research Group. “You have two options—follow your consumer online or not. Just ask the music business and now the newspaper business what happens when you don’t.”

In a study conducted late last year, Solutions Research Group found the typical visitor to CWTV.com was more likely to visit the site to stream a show than were visitors to the other networks’ Web sites.

“With top shows offline, this means a disappointed visitor and, more likely than not, someone that will turn to peer-to-peer sites,” Mr. Yigit said. “Let’s not forget that one in five Americans 12 to 29 regularly use peer-to-peer sites to download TV shows, and those who don’t usually are able to get a copy from those who do. We need to remember that CW’s target group is a generation with 100-plus MySpace or Facebook friends at their fingertips.”

In the 12-24 age group, TV accounts for only 40% of video-based entertainment consumed in a typical day, with the balance going to the PC, cell phone, video game or DVD. A TV-only strategy is a limited one, Mr. Yigit said.

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