

WiMAX and Wi-Fi: Two Very Different Ways Forward PAGE 8

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Sony Chases Market for Entertainment Boxes with PS3

- Cuts Current PS3 Price by \$100
- Launches New Model with Larger Drive
- Still No Online Video Service

Sony keeps making the case that the PlayStation 3 (PS3) with its built-in Blu-ray disc drive and Internet connection is a home entertainment center, able to play movies and TV shows in addition to being a gaming console. Last week **Sony Pictures** executive VP Matt Brown, talking about sales of movies on Blu-ray discs, said, "Recent sales figures are a clear indication that the PS3 is seen as an entertainment device."

The market that Sony wants to compete in with its next-generation gaming console can be defined as boxes that connect directly to the TV set and directly or indirectly via a PC to the Internet. Their purpose is to allow consumers to get entertainment videos from over the Net and play them on the TV set. The videos may be free or paid for, rented or purchased and include movies, TV shows and user-generated material. They're also called "over-the-top" because they deliver entertainment videos outside of the pay-TV services' closed networks.

Sony is in fierce competition with **Apple TV**, **Microsoft's Xbox 360** and **Netgear's Entertainer HD** in the entertainment box market. The Xbox 360 and PS3 connect directly to the Internet; Apple TV and Netgear's box go through a PC. But, Sony is still missing a key component to execute against that strategy. It has promised an online video download service *à la* iTunes or Xbox Live, but does not have it up and going as rivals Apple and Microsoft do. Sony's only recent move in that area was to shut down its Sony Connect service, the one that was supposed to compete with iTunes but didn't.

There's other competition for the entertainment box providers from online services such as **Joost**, **Babelgum**, **Movielink** and the like, which stream video to the PC but not to a TV set, at least not yet. They still have the problem that their streams and downloads can't be easily played on the TV, but they're making progress. Joost is talking about the possibility of getting its software embedded in TVs that have an Internet connection. **BitTorrent** and Netgear have a deal to make it easier for users to download from BitTorrent's online service and use Entertainer HD to play it on a TV set. A select number of Movielink titles are available on the TV via the **AT&T Homezone** pay-TV service.

Another problem for Sony is that its PS3 sales are lagging the **Nintendo Wii**, the Xbox 360 and its own sales forecasts.

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"Where Content and Technology Meet"

60Frames to Finance, Syndicate and Provide Ads for Internet Video Producers

- 'Internet Radically Transforming Entertainment and Advertising'
- Promises New Formats, New Characters, New Stories for the Net

The Internet's ability to deliver entertainment video efficiently on a worldwide scale will lead to thousands of producers emerging to fill the opportunity for professionally produced videos. "Let one thousand flowers bloom," as Mao Tse-Tung said about a very different circumstance.

Because the Internet provides for a one-to-one relationship and interactive communications in real-time with each user, it is also creating an enormous opportunity for advertisers, allowing them to target their ads like never before and to address a worldwide market, one without borders.

Production of entertainment videos, even on a small budget, requires money up front, however. Then there's the task of getting the more popular Web sites to carry the video and sell the ads, all while worrying about copyright protections.

A start-up called **60Frames Entertainment** says it's riding to the rescue of would-be Internet producers, professional producers, that is, who want to get their goodies on the Net. It promises to provide not only the upfront financing for Internet-delivered videos, but also syndication services, copyright protections and advertising opportunities. It's the professional producers that 60Frames has in mind, not the amateurs that post their

homemade stuff on **YouTube**.

60Frames Entertainment is coming out of incubation at the Hollywood talent and literary agency **United Talent Agency (UTA)** and Internet-focused advertising firm **Spot Runner**.

"The Internet is radically transforming entertainment and advertising, and 60Frames is in the position to be at the forefront of this revolution," said Brent Weinstein, CEO of 60Frames and previously head of UTA's digital media operations. "In the same way that television developed iconic brands

in the last century, 60Frames will help professional artists to create new formats, characters and stories that will be the brands

of the 21st century."

The company was formed in response to the creative and advertising communities' need to optimize the financial and creative potential of professionally produced digital content distributed through the Internet.

60Frames promises to provide those who can produce professional videos with financing, speed to market, greater ownership over their intellectual property and participation in all revenue streams including advertising.

Tudor Investment and Robert Pittman's **Pilot Group** put up the initial \$3.5 million in funding of 60Frames Entertainment. Pittman was with **AOL** at the time of the **Time Warner-AOL** merger but was forced out when the myriad AOL weaknesses and transgressions started being revealed and when the "water doesn't

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*at the forefront
of this revolution*

Sony: *continued from page ONE*

Price Cut, New Model

So, Sony this week made two moves, tweaks actually, rather than bold moves. Despite its earlier denials, including one from Sony president Ryoji Chubachi on July 6, Sony cut the PlayStation 3 price by \$100, or 16.7%. The current 60GB PS3 model will now sell for \$499. Sony spokesman David Karraker said no further price cuts are planned.

Prices	
Sony PS3 with 60GB incl. Blu-ray drive	\$499
Sony PS3 with 80GB incl. Blu-ray drive	\$599

Xbox 360 20GB not incl. HD DVD drive	\$400
120GB upgrade for Xbox	\$180
Xbox 120GB Elite not incl. HD DVD drive	\$480
Optional external HD DVD for Xbox	\$199

Apple TV with 40GB	\$299
Apple TV with 160GB	\$399

A new 80GB PS3 will be available in the US and Canada in August for \$599. The higher capacity is better for storing downloaded content such as from the company's planned online service that will offer HD movies, according to Karraker. He said there is no announcement at this time as to when the download service will launch.

One product that isn't going to get a price cut any time soon is Nintendo's Wii. Apple and AT&T had restocked their stores with iPhones 10 days after it launched, but Wiis are still nowhere to be found seven months after launch. That could mean a number of things - Apple has done a better job with its manufacturing plans, striking while the product is hot; that there's more pent up demand for Wiis than iPhones; that Nintendo wasn't prepared for the popularity of the Wii and didn't plan properly for the volumes it needed or even that demand for iPhones declined rapidly after the initial mania.

	Sony PS3	Microsoft Xbox 360	Nintendo Wii
March 31 2007	3.6 million		6 million
April 2007		11 million	
Forecast through March 31, 2008	11 million		14 million

Online Video Stores		
Company	Online service	Most recent action
Sony	None	Closed down Sony Connect and promised a new one "soon"
Microsoft	Xbox Live	Added a bunch of movies from Disney
Apple	iTunes	Added some YouTube videos and promised to have all of them this fall (but probably not any from Viacom)

What's the Latest with Their Online Services?

Sony recently closed its Sony Connect service for downloading movies and music. Microsoft this week said it has added 35 **Disney** movies, including some in high-def and some of recent vintage. This brings Xbox Live offerings to more than 2,350 hours of content from 28 networks and studios, including nearly 500 hours of HD content. That makes the score "Microsoft: 2,350; Sony: 0."

Sony reported it had sold of 3.6 million PS3s in the fiscal year that ended March 31, and said it would sell 11 million in the current fiscal year, which ends March 31, 2008. In April, Microsoft reported that it had sold 11 million Xbox 360s.

Microsoft launched Xbox 360 about a year ahead of both the PS3 and the Wii, but may be paying a price for rushing it to market. Last week Microsoft said a particular failure - "the red ring of death" - would cost it over \$1 billion to fix and that it would extend the warranty on all Xboxes to three years. However, that same rush to market may have given Microsoft the edge it needed to become the dominant company in gaming consoles.

Microsoft also got the jump on Sony in increased storage by launching a 120GB model in April. Called Xbox 360 Elite, it also has HDMI jacks for making an optimal connection with HDTV sets. It sells for \$479.99 and, as with all Xbox 360's, does not come with a high-definition disc drive. Microsoft sells an optional external HD DVD drive for the Xbox 360 for \$150. All Sony PS3 prices include a Blu-ray drive.

Some analysts speculate that Sony's \$100 price cut might prompt Microsoft to take \$50 off of the Xbox retail price. Microsoft said it would not.

Is Xbox Microsoft's Quagmire?

Microsoft's biggest Xbox negatives these days are the bad publicity and the \$1 billion to \$1.5 billion or so it'll have to spend to repair many or perhaps all of the badly flawed Xbox 360s it's been shipping.

One possibility is that Microsoft erred when it rushed to get Xbox 360 to market so far ahead of the PS3 that it did not properly test the product. There were some glimpses of problems early on in the pre-launch test units that Microsoft shipped to journalists and had to be recalled.

Jack Tretton, CEO of Sony Computer Entertainment (SCE), told *Newsweek*, "There's certainly indications that if products get rushed to market, you might end up paying for it down the road." SCE was of course a year late and had many, many millions in cost

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Sony: *continued from page TWO*
overruns in getting PS3 to market.

Microsoft had a year's lead over Sony and Nintendo in next-generation gaming consoles, but the red ring may bring it back to the pack. Whether the red ring will slow Xbox 360 sales and give Sony an opportunity to catch up is uncertain.

What is certain is that Microsoft has spent (lost? invested?) some \$5 billion to \$6 billion on its Xbox gaming operation and there's no

black ink in sight. Now there's another billion or so going out the door to fix units that have already been shipped. A few billion here and a few billion there, and first thing you know you're talking about real money, even by Bill Gates' standards.

Looking Ahead

Of the three products, it now appears that it's only Nintendo's Wii, which stores actual-ly cannot keep in stock, that was truly inno-

vative. It is to gaming consoles what iPods were to MP3 players – it uses new technology in an innovative way to redefine a product category and capture consumer attention.

Cutting \$100 off the price and adding a model with a bit more disk capacity are not the kinds of moves Sony needs to become a dominant supplier of boxes that are the home's entertainment hub. For that, Sony needs to get a well-stocked online video service up and going – and soon.

60Frames: *continued from page ONE*

mix with oil" nature of the merger between the two companies became apparent.

Joost, which promises to change the TV industry by delivering TV over the Net, is also attracting global advertisers for its streaming service. All its content deals, however, are for video entertainment that has already been produced and shown at least once on traditional TV networks.

Michael Eisner's **Vuguru** and others have already begun producing professionally done videos for distribution over the Net and mobile phone networks. Most of it is short form such as Vuguru's "Prom Queen."

In keeping with the concept of the new media, "Prom Queen" came in episodes of 80-90 seconds in length, rolled out over 80 days and ran on multiple Internet and mobile Web sites including vuguru.com, ellegirl.com, YouTube.com, **Veoh Networks** (a DVD-quality site in which Eisner owns shares and is a board member) and on wireless and handheld video devices. Ads appeared at the beginning and end of each episode.

In January, Veoh said it had made a deal with United Talent Agency and its newly formed online operation to create a branded online channel that would identify talent and showcase content that UTA clients produced on the Net. No doubt that's the now-emerged 60Frame Entertainment.

60Frames said its programming will initially focus on short-form comedies but will expand to include dramatic, informative, educational and other genres. The company promised more information later concerning talent, advertising and Internet distribution.

Web users will be able to watch 60Frames' original videos at various video portals, social network sites and mobile and emerging broadband outlets, the company said.

User-generated Crowd Need Not Apply

The company only wants to work with professional producers, not the amateurs that expose themselves on sites like YouTube, **MySpace** and **Facebook**.

"60Frames was born out of the belief that the bar for quality content produced on the Web will rise," said Jeremy Zimmer, board member and partner at UTA. "60Frames is the direct response to the growing interest in the Internet by professional artists and their requirement that it be as business-friendly as possible."

The company set the bar for quality high when it said it would

work with artists such as filmmakers Joel and Ethan Coen, who will create content for 60Frames and will also serve on a 60Frames creative advisory board. The Coen brothers are Oscar-winning American filmmakers who have written and directed successful films ranging from comedies like "O Brother, Where Art Thou?" and "Raising Arizona" to film noir like "Miller's Crossing," "Blood Simple" and "The Man Who Wasn't There" to movies where those two genres blur together such as " Fargo" and "Barton Fink."

'Immersive Online Advertising'

60Frames said it will collaborate with advertisers to create "immersive online branding" to better connect their company and products to targeted audiences.

Spot Runner says its expertise and innovations in advertising and technology give 60Frames an unprecedented advantage in developing interactive marketing around groundbreaking online content. It will work with 60Frames to build advertising models, formats and technologies. In addition, Spot Runner's sales force will represent 60Frames in creating relationships with leading marketers and selling advertising inventory.

"Many of Spot Runner's clients want to participate in online entertainment but are not comfortable with the brand risks associated with user-generated content," said Spot Runner CEO Nick Grouf. "60Frames provides companies with an ideal way to connect with their customers through original, top-notch content created by leading Hollywood talent. Spot Runner's mission is to transform the way advertising is created, targeted, and bought and sold, and 60Frames is an important step towards achieving this change."

James Pallotta, vice-chairman of Tudor Investment and director of **US Equity Securities Group**, said, "We saw tremendous synergy between Spot Runner and UTA. We believe that 60Frames will deliver unparalleled opportunities for entertainment professionals looking to monetize, promote and distribute their original content online."

'60Frames' Promise

The name "60Frames" originates from the different frame rates used in digital video and represents the company's commitment to deliver high-quality, short-form content to consumers through digital platforms.

Spot Runner's co-founders, Nick Grouf and David Waxman, previously founded **PeoplePC** and **Firefly Network**, which were acquired by **EarthLink** and **Microsoft** respectively.

AOL Gets New Technology Chief

One of the unsolved mysteries of the digital media age is why **Time Warner** hasn't done more with the lead it had over its competitors when it got **AOL**, or AOL got Time Warner, as the deal was originally explained. Asked a bit differently, why hasn't AOL been at the front of any recent Internet initiatives – all those Web 2.0 services such as user-generated content where **Google's YouTube** has the lead or social networking in which Time Warner rival **News Corp** took the lead when it acquired **MySpace.com**?

In recent years, AOL appears to be a participant in lots of Internet applications but a leader in none.

	News Corp	Google	Apple	eBay
Social networks	MySpace			
User-generated content		YouTube		
Online media store			iTunes	
VoIP				Skype

Anyway, AOL is putting Ted Cahall in charge of AOL Technologies with the objective of improving the performance of AOL technologies and the AOL network, including its infrastructure and data center operations, and to align the company's technology efforts with its business strategy.

Cahall will still head up AOL's Platforms business unit, overseeing AOL Search, MapQuest, e-commerce and publishing platform and tools.

He succeeds Balan Nair in the position and will report to AOL president and COO Ron Grant.

"This is a real opportunity for us. By bringing our platforms and technology groups under one roof, and under the leadership of one of the best executives in the business, we can accelerate improvements in both areas," Grant said. "In the six months since coming on board at AOL, Ted has launched next-generation publishing and scalable data delivery systems that have allowed us to make important improvements to our key platforms and content channels, among other things. Ted is also passionate about making AOL's technology more open, flexible and dynamic."

Prior to joining AOL, Cahall was executive VP and COO of **United Online's** Internet properties, including **Classmates.com**, a community-based networking company with Web properties in the US, Sweden, Germany and France. He was also executive VP of the United Online Web Services division, overseeing the company's various Web-hosting brands including **Freeservers.com** and photo sharing service

PhotoSite. Prior to that, Cahall was CIO and senior VP at **CNET Networks**, where he managed the company's Web site development, technology infrastructure, back office systems and played a critical role in the development and growth of CNET Networks' leading brands, such as CNET, GameSpot, *News.com*, CNET Shopper, Download.com, Webshots and ZDNet.

Moto Warns It Will Come Up Short in Mobile Phone Sales

Motorola this week warned that its actual cell phone shipments would be less than expected. The company is working to revive cell phone sales, but said its mobile devices operation won't be profitable for the current fiscal year.

Remember back in September 2005 when Motorola's Razr phones were the hottest on the market and the company was crowing about having the only handset that was compatible with **Apple iTunes**? The

Razr iTunes phone actually overshadowed the iPod nano at launch, but not subsequently. See "It's Twins! Apple Delivers iTunes Phone and iPod nano" http://www.onlinereporter.com/article.php?article_id=4719

The failure to come up with a hot product to succeed the Razr and declining cell phone margins have bedeviled Motorola's mobile phone operation, which accounts for more than half of the company's total sales.

Motorola this week said:

- Revenue for the quarter will be between \$8.6 billion and \$8.7 billion, compared with its previous revenue forecast of about \$9.4 billion.
- The mobile phone unit will have a larger operating loss in the second quarter than the first quarter.
- Second-quarter revenue will be less than its prior forecasts.
- Cell phone shipments for the quarter will be 35 million to 36 million units, down from 45.4 million in the March quarter and 51.9

Moto: continued on page FIVE

Upcoming Trade Show Schedule

Here's the schedule for upcoming trade shows that we'll cover.

- WiMAX World	September 25-27, 2007	Chicago
- CTIA Wireless IT & Entertainment	October 23-25, 2007	San Francisco
- Mobile Internet World Conference	November 13-15, 2007	Boston
- International CES	January 7-10, 2008	Las Vegas
- MacWorld 2008	January 14-18, 2008	San Francisco
- Electronic Living Expo	February 15-17, 2008	Boston
- CTIA Wireless	April 1-3, 2008	Las Vegas

Moto: *continued from page FOUR*

million in the year-ago quarter.

- Cell phone shipments in Asia and Europe were lower than expected.

After reporting a loss in the first quarter, the company said it would cut 7,500 jobs and reduce annualized costs by \$1 billion through the end of this year and next. It also made a number of high-level man-

agement changes.

Stu Reed, executive VP of Motorola's Integrated Supply Chain operation, has been named president of the Motorola's Mobile Devices unit.

Competition is fierce in mobile phones, with giants like **Nokia**, **Samsung Electronics**, **Sony Ericsson**, **LG** and others - and now **Apple** - ready to take advantage of any mistake that a competitor makes.

This Week in Financing Deals

Company	Details
Break.com	Independent film studio Lionsgate has made a strategic investment in Break.com. Financial terms were not disclosed. The relationship gives Break, an online video site for young men, access to Lionsgate's library of 11,000 movies and TV show episodes and provides Lionsgate with a large potential audience in a highly desired demographic.
DiBcom	Paris-based DiBcom, which provides integrated circuit solutions for mobile TV reception, recently closed a €20 million (\$27 million) fifth-round of financing. New investor Natixis was joined by prior financiers 3i, Cipio Partners, Convergent Capital, Crédit Agricole Private Equity, Intel Capital, Partech International, SGAM Alternative Investments, UMC Capital and WI Harper.
Ning	Ning, a start-up that offers free tools for anyone wanting to create an online social network, has received \$44 million in funding. Legg Mason led the round, Ning's first from outside investors. Marc Andreessen, who co-founded Netscape, is a Ning co-founder and also contributed some of the company's initial capital.
Tira Wireless	Tira Wireless, whose technology and services help application developers and content publishers deploy mobile platforms, secured \$5 million in its latest funding round. Existing investors Lehman Brothers Venture Partners, Brightspark Ventures, Flagship Ventures and Export Development Canada all opened their purse strings in the new round.
Trion World Network	Trion World Network raised \$30 million to help it develop and publish additional games and other original content "for the connected world." Trion, whose offerings combine elements of online, gaming and traditional media, received investments from VC firms Rustic Canyon Partners, DCM and Trinity Ventures. Media giants Time Warner, GE/NBC Universal's Peacock Equity Fund and Bertelsmann Digital Media Investments also participated and will partner with Trion. Rustic Canyon partner Nate Redmond is joining Trion's board.
Digitalsmiths	Broadband video contextual advertising solution creator Digitalsmiths raised \$6 million in Series A funding from The Aurora Funds, Chrysalis Ventures and some individuals. Digitalsmiths will use the capital to expand its sales and marketing efforts and accelerate the deployment of its VideoSense platform.
Obopay	Obopay, a service provider for payments over mobile phones, raised \$29 million in its third round of VC financing. Richmond Global Cellular led the round that included existing investors Qualcomm and Redpoint Ventures and first-timers AllianceBernstein, Citi, Societe Generale and others.
60Frames Entertainment	60Frames is a new start-up dedicated to the financing, ad sales and syndication of professionally produced content online. The company launched with \$3.5 million in funding from Tudor Investment and the Pilot Group, which was co-founded by former AOL chief Robert Pittman.

This Week in Content Deals

Companies	Details
Heavy.com, Castrol Syntec	Heavy.com, a site featuring content for the younger male demographic, and Castrol Syntec are joining forces and introducing a Heavy Tuning Channel. The channel will show original content pertaining to drift racing with guest drifter/radio personality FunkMaster Flex and various contests for the racing enthusiast.
Last.fm, Sony BMG	Online social music network Last.fm and Sony BMG Music Entertainment have announced a partnership that will allow Last.fm to feature current and classic artists' tracks from Sony BMG's extensive music library.
Dispatch, MySpace, Snocap	Roots/rock band Dispatch will release recordings from their upcoming three-night benefit concert in Madison Square Garden titled "Dispatch: Zimbabwe" through MySpace and Snocap.
Sony Pictures Television, iTunes	Sony Pictures Television said that the Emmy Award-winning comedy "The Larry Sanders Show" will be available for purchase and download on the iTunes Store.
Digital Music Group	DMGI, a content owner and distributor of independent music and video catalogs, forged a number of new long-term digital distribution agreements for classic TV content totaling over 300 episodes from the likes of "The Bill Cosby Show," "Route 66," "The Super Dave Show" and "Dangerous Assignment."
MySongStore.com, Harry Fox Agency	MySongStore.com, an independent music download service, and The Harry Fox Agency, a US music rights licensing organization, have entered an arrangement to issue mechanical licenses for full-length, permanent digital downloads to MySongStore artists.
PBS, iTunes	PBS announced the launch of a dedicated Ken Burns area on the iTunes Store. Customers can now purchase and download a variety of Burns' award-winning documentaries, including "Jazz" and titles from the "Ken Burns: America" and "Ken Burns: America Lives" collections.

'Music, Joy, Life, Eternity' in the Digital Media Era

"Change is the nursery of music, joy, life and eternity," said John Donne (1572-1631), British writer ("No Man Is an Island") and clergyman (dean of St Paul's) back before the dawn of the digital media era.

Today Donne might have added that change is a daily event in our industry. To that we would say that the best way to keep up with the change is to review The Online Reporter every Friday.

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New Report Details over 300 Web Sites that Offer Video

"You can't tell the players without a program," they say at sports events. **Video Vision 2007** is the most up-to-date guide ever for the players in the video-over-the-Internet industry. The report "**Video Vision: A Survey of Web Sites Offering Video - 2007**" is available now. Order your copy today! An extract of the report is available for your evaluation by sending an e-mail to paperboy@riderresearch.com requesting a copy. Over 340 pages, the full report consists of:

- 1) A directory of over 300 Web sites that offer video, including the company name, address and phone number.
- 2) Short reports on each Web site with such information as monetization method, genres and sources.
- 3) An overview of the industry since the beginning of 2006.
- 4) Spreadsheet-style "at-a-glance" list and comparison of the Web sites.

Rider Research, publisher of *The Online Reporter*, the weekly digital content & broadband bulletin, researched and produced the report.

Video Takes Over the Internet. Or the Internet Takes Over Video

To say that video on the Internet exploded in 2006 and 2007 is a vast understatement. It was a shock wave. All the major TV networks, from the BBC to NBC and beyond, now offer some of their shows online, either as ad-supported streams, for-pay downloads or, in some cases, both.

Amazon and AOL joined Apple, CinemaNow, Movielink and Starz with selling movie and television show downloads. In what is perhaps the biggest online initiative, Britain's ITV announced plans to stream all of its TV shows live over the Internet.

Joost says its online streaming service will become Internet TV. News Corp and NBC Universal formed a venture that will offer their own and other professionally produced videos through a variety of entertainment portals.

Microsoft turned the Xbox 360 videogame console into a networked entertainment device with the introduction of the Xbox Live Video Marketplace. The Apple TV lets users watch on their TV sets the TV shows and movies they have downloaded.

While sites like YouTube and AddictingClips fill the need for a quick fix or a laugh, other sites like Blip.TV, Metacafe and the new AOL Video site provide longer-length programming with higher production value to keep us occupied when even those hundreds of digital cable or satellite TV channels don't provide anything we want to watch.

The report focuses only on video that can be found on the Net, whether free, pay-per-view or by monthly or annual subscription.

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BROADBAND BEAT

WiMAX and Wi-Fi: Two Very Different Ways Forward

By Charles Hall

The first reference to WiMAX appeared in *The Online Reporter* in April 2003. It now appears nearly weekly, as WiMAX products get closer to coming to market. Despite the growing amount of chatter about WiMAX, or maybe because of it, it can be difficult to determine just what its benefits are and how it differs from Wi-Fi. To help clear the muddled waters, we put together a summary of WiMAX and Wi-Fi, their functions, differences and other points of reference.

The Big Difference

The big difference between Wi-Fi and WiMAX isn't technological. It's that anyone can go to an electronics store, buy some inexpensive Wi-Fi hardware and set up a personal wireless network. That's not so with WiMAX, because where Wi-Fi uses unlicensed spectrum that anyone can access, WiMAX spectrum has to be purchased from the government. It's the phone companies - mobile operators such as **Sprint**, landline ones such as **AT&T** - and some cable TV companies and start-ups like **Clearwire** that have been buying the spectrum needed to build large WiMAX networks.

The technical differences between Wi-Fi and WiMAX are clear: WiMAX offers faster speeds, a larger footprint per antenna and better security.

WiMAX is being developed in two versions. One is for stationary devices, say a laptop that is used at home or at the office but not in the car, and a mobile version that can be used for devices on the move,

The Two WiMAX Standards: Mobile, Nomadic

WiMAX 802.16d For fixed and/or nomadic devices such as a laptop that's used in the office and at home but not in a moving vehicle. It is designed with the assumption that neither end of the connection is moving.

WiMAX 802.16e For devices that are used on the go such as mobile phones and CE gear that's used in moving vehicles. Products with "e" will not be fully implemented until late 2007 or early 2008.

A WiMAX base station (BTS) cover a radius of about one mile.

such as mobile phones.

Wi-Fi users that want a bigger, faster home network will not be able to go to the store and buy WiMAX gear and set up their own WiMAX network inside the home. They'll have to depend on the Wi-Fi vendors to develop better, faster, more secure versions of Wi-Fi, such as Wi-Fi 802.11n and what **Ruckus Wireless** is doing to beef up Wi-Fi. Wi-Fi networks by definition can't cover a larger areas or they'd all start

bumping together in a neighborhood and interfering with each other. That's why a standards body is needed to make the rules and enforce them by certifying which products meet the standards.

So, WiMAX will compete with cellular phone networks and perhaps wireline broadband, not Wi-Fi. It could provide a way for the satellite TV services to offer broadband to their customers. It can also be used in place of so-called "last mile" wiring to the home, particularly where the population is sparse. And, it can be used to connect Wi-Fi hotspots to the Net rather than using wirelines.

Where Did This Pre-release 'n' Come From?

And how, some might ask, did this so-called "pre-release n" version of Wi-Fi 802.11 come to be? It's not just that it's a pre-release version that network gear makers are using to try to beat their competitors to market with the newest technology wither.

Pre-release n is actually an official version of Wi-Fi, and Wi-Fi networking gear makers can get their pre-release n officially certified. It was a marketing blunder of major proportions, but so great is the demand for personal wireless networks that it will not slow down the industry's growth. It's hard to imagine a company branding a product or service "pre-release anything." No one would buy it. Unless, perhaps, it came from **Apple**.

Apple and **Netgear**, recognizing the importance of bandwidth when it comes to streaming video, opted to use the pre-release version of "n" in their products that feed video from a PC to a TV set - Apple TV and Entertainer HD respectively. Apple, perhaps not wholly confident in pre-release n's ability to carry video without a flicker, took an additional step and put a hard disk in Apple TV. In computer parlance, it's called caching. Apple TV copies as much video as it can to the hard disk ahead of when it will be viewed.

WiMAX Is Not a Replacement for Wi-Fi in the Home

WiMAX is not a superset of Wi-Fi. It is not the answer for higher-bandwidth personal networks within the home.

WiMAX appears to be best at several things:

- Last-mile broadband where using wires is not financially feasible.
- As a means to wirelessly connect portables devices and Wi-Fi hotspots to the Net

So far, only two companies have committed to building national or near-national WiMAX networks: **Clearwire**, which is backed by **Motorola**, **Intel** and **Cisco**, and **Sprint**. **Pivot**, Sprint's joint venture four cable companies to give the cablecos a mobile phone service to bundle with their other services, may or may not lead to Sprint and the cablecos venturing together in WiMAX.

Many municipalities are at some stage in deploying Wi-Fi networks for their citizens to use for free or at a minimal cost. However, Wi-Fi's shortcomings in speed and coverage have resulted in many being disappointed. It would seem that WiMAX is a better technology for municipalities to use than Wi-Fi. However, unless every municipality intends to buy its own spectrum for WiMAX, they'll have to contract

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with WiMAX operators like Sprint or Clearwire.

AT&T has been testing WiMAX in a number of locations in and outside the US, possibly as a way to offer broadband in areas where it doesn't make economic sense to run cables. It's also offering broadband via satellite in a deal with **WildBlue Communications**, which offers broadband nationwide and also has deals with **DirecTV** and **EchoStar Liberty Media**, which will soon own the controlling share in DirecTV, is WildBlue's largest shareholder. Since launching in 2005, WildBlue has signed up about 10,000 subscribers. Satellite broadband usage has long delays, such as the time between when a download is requested and when the user starts seeing it on the PC.

The great debate in the licensed spectrum market is WiMAX versus the next-generation cellular phone technology called 3G HSPA/LTE, sometimes LTE for short. We will leave that debate for another article, however.

WiMAX also becomes an important consideration when talk turns to hybrid devices like iPhone or the two new **T-Mobile** handsets that can connect to both a cellular network and directly to the Internet via Wi-Fi. Apple recommends using the Wi-Fi connection, which is faster, for Web browsing. T-Mobile's selling point for its hybrid phones is that they automatically switch to its free phone service over Wi-Fi whenever it's available, reducing the number of cellular minutes the subscriber has to pay for.

Wi-Fi's limited coverage area for such applications as Web browsing and free Internet phone calls makes the deployment of WiMAX appealing. Portable consumer device makers will have to decide at some point whether to put WiMAX in every device, as they now do with Wi-Fi. Some might even have to consider if there are any benefits to including both Wi-Fi and WiMAX. In short, will the equivalent of the iPhone in 2010 come with Wi-Fi or WiMAX, or both?

So, it looks like it will be Wi-Fi in the homes and coffee shops, but WiMAX in the neighborhood, on the campus, the municipality and, as Sprint and Clearwire see it, for

the populated areas of as a third pipe to the Internet handsets.

WiMAX World Conference

The **Yankee Group's** newly acquired **Trendsmidia** operation promises to address many of the issues concerning WiMAX and its impact on consumer electronics makers and content owners at its WiMAX World conference in Chicago on September 25-27. It will include such topics as:

- Mobile and Personal Broadband
- Service Provider Strategies for Wireless and Mobile Broadband
- The Great Debate: WiMAX and 3G HSPA/LTE
- Anywhere Consumer: Mobile Content and Device Strategies
- Mobile TV, Video and Advertising: Untethering Your Entertainment World
- Impact of Intellectual Property Rights into Suppliers & Operators Bottom Line

Variations on WiMAX

Wireless Watch's Caroline Wagner says WiMAX is not usually faster than Wi-Fi (it's usually slower in fact, unless someone has a dedicated channel) and that it may well support in-home networks as a total offering from the carrier. She concurs that although wireless operators will sell their WiMAX devices through the retail store, it will have to come with a contract, so certainly won't be a do-it-yourself option.

One important point, according to Wagner, concerns metrozones. She thinks the license-exempt version of WiMAX may appear on the scene, with what **NextWave** is for example, but not for indoor use like Wi-Fi. It would be more for metrozones that need good QoS but don't have spectrum.

WiMAX over Unlicensed Spectrum

Peter White of **Rethink Research**, which publishes *Wireless Watch*, points out that WiMAX can be used in unlicensed spectrum. However, any beam that will travel miles cannot be used for a private purpose and wouldn't be cost efficient. Anyway, a WiMAX base station goes for \$10,000.

Consequently, it's small outfits that operate WiMAX networks in unlicensed 5.8GHz

spectrum, mostly for delivering corporate data. Also, 5.8GHz won't go through a wall - a window yes - but not a wall, so it is more like line-of-sight rather than pervasive. One example is **Towerstream**, which in has done well with WiMAX in unlicensed spectrum, as a business-to-business service to compete with microwave and T1 lines, in Boston, New York and Los Angeles.

The point is still that WiMAX is not going to be a home network for consumers. It's a network for the big boys, the telecom companies.

Message to Telcos: Build IPTV and They May Not Come

Suppose every TV show were available live over the Net, such as what **Skinker** is working on with its Live Action technology that will use **Microsoft's** Silverlight technology to stream live video to PCs? And suppose all the TV networks decide to use LiveAction or something similar to make their TV shows available on the Net - and run their own commercials and keep all the advertising revenue?

Suppose that between them **Joost**, **Babelgum**, **Apple**, **Amazon.com**, **BifTorrent**, **AOL Video**, **Azureus** and that unnamed **NBC-Fox** joint effort are able to get access to past episodes for on-demand viewing?

Then the question would be: Why are the telcos spending gazillions to build pay-TV services?

That's what **Heavy Reading** points out in its report "Internet TV, Over-the-Top Video & the Future of IPTV Services." The report says the Internet is having a double-whammy impact on the telcos, first with VoIP, which is cannibalizing the telcos' traditional phone revenue, and then with Internet-based video services such as **YouTube** and Joost, which may undermine the telcos' emerging pay-TV services.

According to the report, most current Internet video is low-quality, user-generated content like what's found on YouTube. Despite playing in small windows and often displaying grainy images, these videos still

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claim millions of regular viewers. However, as broadband access becomes ever more widespread, “start-ups such as Joost and Babelgum are preparing to launch professional video services paid for by advertising or by the consumer, in direct competition with IPTV operators as well as traditional distribution platforms such as cable and satellite,” the report says.

The report points out that “over the top” (OTT) video services - such as Joost, Babelgum and perhaps the new LiveAction that Skinker is developing - can take advantage of the interactivity and viewer profiling capabilities of IP networks but without having to make the heavy investments that are required for the pay-TV service that the telcos are offering.

The report also addresses the “dumb pipe” issue that telcos are concerned about. “Having spent large amounts of money building and launching their own IPTV services, telecom operators are understandably worried that OTT providers will end up capturing all the value that video-over-IP promises, relegating the broadband network operator to the role of simply providing the proverbial dumb pipe,” it says.

Although the company expects these over-the-top video services to grow rapidly, it said their revenue will remain small compared to what the telcos will generate with their IPTV pay-TV services. One comparison that the report makes is \$100 million of video content that Apple’s iTunes sold compared with the global TV industry’s revenue of \$300 billion and the movie industry revenues of \$35 billion.

It also estimates that advertising from online video could reach \$4.4 billion in the US by 2011, which is only about 10% of the \$44 billion that was spent on television advertising in 2006.

Still and all, online video will generate a lot of revenue - with none of it going to the broadband service providers. The report recommends they participate in the revenue stream by charging for content delivery in exchange for providing the OTTs with quality of service (QoS) guarantees. The money could come from either the content provider or from the subscriber.

A second revenue possibility for the

broadband service provider is to make OTT content available to subscribers as part of their IPTV service, perhaps a separate channel at an additional monthly fee. The telcos could also use the OTT channel to gather customer data to help advertisers target their commercials.

In doing the report, Heavy Reading interviewed executives from more than 30 service providers and technology vendors to assess their current strategies surrounding over-the-top Internet video.

FCC Chairman Paints Picture of Wireless Devices as Open as PCs

-‘The Third Pipe’

-Martin Sees an Open WiMAX World

The chairman of the FCC, the US’ telecom regulatory agency, Kevin Martin, came out this week and told a US newspaper just what he has in mind for the 700 MHz spectrum auction in late 2008, talking about an open network that lets any wireless device connect to it, and which places no limits on the services that can be offered across it. In other words he wants a pure mobile Web, where customers can download any broadband application, and have no restrictions on the content that is served.

It sounds to us like a flat rate, open IP

architecture where devices will need only the most cursory adherence to the air interface, but where applications are pure IP, and most services are delivered over the Web. In fact it sounds like the halcyon days of the personal computer, where just about anyone could write an application.

If the chairman gets his way, this will spark the end of the cellular walled garden, and offer a form of wireless network neutrality at least in this spectrum. The likely winner of such a bid would be an OFDM network, which is perhaps best suited for IP packet delivery of all the wireless protocols, and that suggests WiMAX now, though LTE could possibly be defined enough by the time of the auction.

He gave a passing nod to the idea that no downloadable software should be illegal, or should be able to harm the network, but apart from that hinted that there would be no restrictions allowed by the operator on applications - a far cry from the issues surrounding the iPhone, just launched.

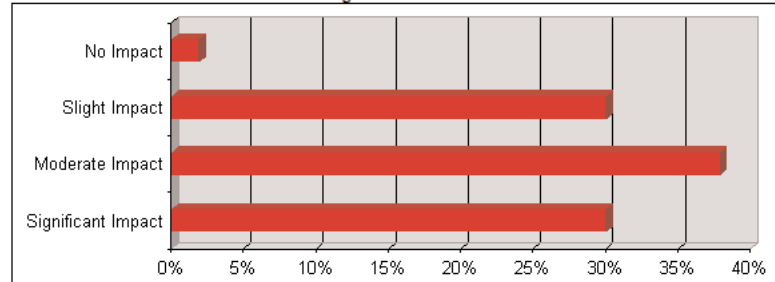
This would not only create a challenge for bidders, and give the whip

hand to device makers and software suppliers, but in giving way to a period of wireless innovation along the lines of the first days of the Internet, it would put huge competitive pressure on existing services which are not regulated in this way, to follow suit.

In Europe we have already seen what one rogue player (for instance **3Group**) can do

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How Will Internet Video Influence Next-gen Telco IPTV Distribution Models?



Source: Heavy Reading

A network of the type Martin describes will give the whip hand to device makers and blow open the gates of the mobile phone companies' Walled Garden

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when it offers flat rate broadband, forcing other, larger players to follow in its footsteps or lose customers. Much the same would happen here.

Martin described the auction as providing the elusive “third pipe” to the home and said he was concerned that overseas network customers were benefiting from greater innova-

tion and thought it was time the US public got the same treatment, and specifically referred to the idea of US operators stripping Wi-Fi out of handsets they were designed work with it, and locking phones so they only work with one network, a criticism that has been levied at the **Apple iPhone** as hackers this week have tried to find the code that ties it to the **AT&T** network, so that “gray”

imports of iPhones can be sold all over the world.

This article appeared in our sister publication *Faultline*. It can be viewed as an extension to the article “WiMAX and Wi-Fi: Two Very Different Ways Forward” in this week’s issue of *The Online Reporter*.

APPLE SLICES

iPhone: The Aftershocks

Now that the initial buying frenzy is over, it’s time to take a look at what could be next for **Apple’s iPhone**. While hackers work on getting the iPhone to work without **AT&T**, consumers are complaining about battery issues, and analysts continue to speculate about future iPhone models and European releases.

iPhone Unlocked

One of the hot topics regarding the use of the iPhone is getting past the **AT&T** requirements. When they purchase an iPhone, users have to sign up for a two-year contract with **AT&T** before being able to use any of the iPhone’s features, such as the iTunes player or the Safari Web browser even though neither need the **AT&T** cellular phone network.

AT&T reportedly has a five-year deal to be the exclusive US service provider for the iPhone.

But many people simply want the iPhone for its Wi-Fi and iPod capabilities instead of having to purchase an additional data plan. Yet others are just sworn against using **AT&T** and would much rather activate the phone with a company like **Verizon** or **T-Mobile**.

The Norwegian hacker popularly referred to as DVD Jon claims to have unlocked part of the activation process on the iPhone. Jon Lech Johansen, as he is otherwise known, posted a small software utility on his blog that edits code within the iPhone’s system software.

By running the hack, Johansen said that iPhone owners can activate the Wi-Fi and iPod capabilities without needing to sign up for **AT&T’s** mobile service. The phone services on the device will not be available, however.

Several users have posted comments to the blog verifying that the utility works. Johansen warned that the hack is not for novice users because it requires using a hex editor to manually alter code.

However, the iPhone Dev Wiki, a project dedicated to researching and unlocking the device, has posted several alternative methods for activating the iPhone.

The group noted that registering the iPhone and then canceling the plan (and paying a \$175 cancellation charge plus about a month of service), using the phone number or SIM card from an existing iPhone or

deliberately failing the **AT&T** credit check will yield the same results as Johansen’s hack.

The first method seems like the easiest long-term solution to having a non-contracted iPhone. A month of phone service will be about \$60, plus the \$175 cancellation charge; essentially, \$235 will unlock a user’s iPhone without the hassle and danger of DVD Jon’s hack. This puts a fully “unlocked” 8GB iPhone costing close to \$900 after taxes and cancellation fees. That’s one expensive Wi-Fi-enabled iPod.

The major reason consumers would opt for the one-month plan would be to avoid DVD Jon’s not-so-user-friendly hack and still enjoy the iPhone as the greatest iPod ever made.

Others might choose to stick with **AT&T’s** plan and cancel when hackers have fully unlocked the iPhone to work on other cellular networks.

iPhone Cost of Ownership

	24-month plan	One-month and cancel plan
8GB iPhone	\$599 + tax	\$599 + tax
AT&T*	\$1,440	\$60
Cancel Fee	\$0	\$175
Total Cost	\$2,040	\$835

*AT&T cost is for the minimum phone/data plan available for the iPhone; cost does not include taxes and connecting fees.

Johansen’s efforts to unlock the activation process are part of a much larger effort to break the protections on the iPhone.

Some researchers are attempting to install third-party software and connect the device to other mobile operators. Other hackers have reported progress on freeing the iPhone of its limitations.

It seems that the number-one objective for unlocking the iPhone is to move away from **AT&T** for mobile phone service.

The hackers say they plan to release a programming “toolchain” that should push them toward their primary goal in a matter of days or weeks. That goal? Unlock the iPhone from **AT&T** and allow people to use it on any compatible cell network in the world.

A hacker who goes by the name of “GJ” told *Salon.com* that they were getting very close. He said, “The phone has got to communicate with the cellular network somehow, and we’ve found that the radio

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APPLE SLICES

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hardware in the iPhone is actually quite common in the industry. So we know how to get the radio to talk to the cell tower. What we don't understand is how to interact with the radio from the iPhone and to unlock it. But we're quite close."

According to GJ, the hack will probably work via software. Users could eventually be able to download a file that will patch the iPhone, which will enable the phone to work on another cellular network.

A Big Step

He said that unlocking the phone from AT&T is a big step in the direction of more possibilities. The iPhone could be unlocked to create a platform for other developers to make useful applications for it (possibly VoIP compatibility?).

Right now, if the iPhone were unlocked to work with other carriers, T-Mobile would be one of the only other options to use it on the US. The iPhone uses the GSM cellular system, with AT&T and T-Mobile as the only big US networks that use it. Verizon and **Sprint** use an incompatible cell standard called CDMA.

GJ, among other hackers who spoke to *Salon.com*, predicts that if they unlock the iPhone, early adopters in Europe and Asia (where the phone has not yet been released), would flock to purchase the GSM standard.

Salon.com reports that one large group of about 30 hackers is working full-time on trying to unlock the iPhone. The article describes the hackers as "working more or less nonstop, digging, like miners in an uncharted hole, at all of the iPhone's hidden caves, in search of a rich vein."

There are more obstacles to overcome, however. Even if the hackers manage to break the phone free from AT&T, getting it to run non-Apple-approved programs may be much more difficult. The hackers don't have the programming tools that Apple does, and, moreover, it's unclear if they can get around Apple's "cryptographic locks" on the phone.

A more serious threat may come from AT&T and Apple. If hackers unlock the iPhone tomorrow, Apple could lock it back up next week, and then the group might have to start all over again. They could also face legal threats.

Anyone who buys the iPhone and doesn't

use AT&T is engaging in an "illegitimate use" of the phone, AT&T spokesman Mark Siegel told the *Wall Street Journal*.

"I look at it and I'm like, 'Guys, what were you thinking?'" GJ told *Salon.com*. "We're in an age where people want to be able to build our own technology. We're becoming a culture of experimenters. And I think it's a little unfortunate that companies have decided to take this stand against us."

iPhone Battery Surgery

The Foundation for Taxpayers and Consumer Rights has filed a lawsuit against Apple and AT&T asking that the two companies involved in selling iPhones make full disclosures about issues with the iPhone's battery. Most iPhone users would have difficulty replacing the battery because it's soldered to the iPhone's circuit board. The product's one-year warranty says Apple will replace the battery free of charge if it drops below 50% of the original capacity.

Apple sells a \$69 extended warranty that extends the iPhone's hardware repair coverage and battery replacement for a second year. For units not under warranty, Apple says it will charge users \$86 to replace the battery but they must ship it to Apple and the normal repair time is three business days.

It was widely reported via both Internet and mainstream media outlets that the iPhone battery would only last 300-400 charges. Apple's \$86 replacement program takes three days and may result in the loss of some data. This essentially adds almost \$100 per year to the cost of the iPhone. Bloggers and customers were angry because these details were poorly disclosed by Apple prior to the iPhone launch.

Gizmodo, one of the blog sites that reported the battery issues, issued an informal apology which pointed out that it jumped to conclusions too quickly, much like many other blogs did. As it turns out, it all originated from misinterpretation of the *New York Times*' David Pogue's iPhone review which detailed the iPhone battery. The reality of the matter, however, was that Pogue's review stated that the iPhone battery began to "lose capacity" after 300-400 charges – not that the battery was expected to die at that point.

As the *Gizmodo* article points out, the Apple Web site clearly states:

"A properly maintained iPhone battery is designed to retain up to 80% of its original capacity after 400 full charge and discharge cycles. You may choose to replace your battery when it no longer holds sufficient charge to meet your needs."

This means that for the average user, two years from now he might be doing just fine with his original iPhone battery – especially if new updates to the iPhone firmware add significant battery usage optimizations.

An iPhone Nano?

JP Morgan stock analyst Kevin Chang claimed this week that a new, smaller iPhone, based on the iPod nano, was on the way, citing conversations with unnamed sources in the supply channel and an Apple patent published last week.

He said Apple would likely forego its touch screen with the nano model, instead adopting a circular touch pad control similar to the iPod's scroll wheel.

But three of Chang's colleagues released a new research note a day later expressing doubt over the accuracy of his report. They believe a 3G version of the iPhone is more likely to be released next.

"We caution that the potential for a low-end, subsidized phone from Apple seems unlikely in the near term," wrote Bill Shope, Elizabeth Borbolla and Vlad Rom. "Perhaps Apple will choose to eventually replace its iPod family with phones over time, but it could be premature to assume this will happen in volume any time soon."

The analysts questioned Chang's assumptions on the form factor and functionality of the so-called nano phone because they were based on patent filings, which "give little information on actual upcoming products."

But they still said that a cheaper iPhone is "inevitable," mentioning that it took Apple more than two years to launch its first smaller iPod, the iPod Mini.

"Our view is that the next iPhone will be 3G and remain a high-priced, non-subsidized model," they wrote. "We currently expect this to come in the first half of 2008, but an earlier launch is possible and would be encouraging."

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APPLE SLICES

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iPhone Across the Pond

Analysts and bloggers have debated for months on when Apple would be shipping iPhones to Europe and, more importantly, what wireless carrier or carriers it will support.

An analyst from *Business Week* offered his view:

“European carriers have demonstrated a profound lack of interest in anything but a 3G version of the iPhone. Unlike the US, 3G service in Europe is ubiquitous but underutilized, and carriers are anxious to generate traffic to justify multibillion-euro investments.

“Technically, it might not be hard for Apple to cobble up a 3G iPhone. But to announce an enhanced iPhone just after several hundred thousand people put down \$600 apiece for a poky EDGE iPhone might be more of a slap in the face than even Apple’s loyal fans could tolerate.”

UK-based *Wireless Watch* had this to say on the matter in its July 9 issue:

“**Vodafone’s** stock slipped on news that **Telefonica O2** had nabbed the contract for the UK, indicating that Apple would not go for a pan-European partner (a strategy that would have put Vodafone in the strongest position). While shareholders were disappointed at losing the high profile handset, it may well be that the giant cellco balked at Apple’s aggressive terms of engagement and particularly the revenue sharing conditions that the US firm wanted.

“The iPhone will go on sale in the UK before the Christmas buying

period and is likely to cost £399 (\$809) with a minimum two-year contract. However, O2 is unlikely to get such a long period of exclusivity as AT&T, with retailer **Carphone Warehouse** tipped to get rights to the iPhone in mid-2008. O2 is expected to share part of the revenue generated by each iPhone subscriber with Apple, indicating the ARPU boost that the operators expect from the phone’s user allure.

“Apple also aims to have iPhones on sale before Christmas in France and Germany, at least, and now that it has abandoned its pan-European bid, the most likely candidates are Orange and T-Mobile respectively, with Telefonica O2 also picking up the deal in Spain. Sources in Germany say the device will go on sale there on November 1 and will cost €450 (\$619).”

iPhone Competition

In a connected world, how a device connects to the world is very important. Here’s how five devices compare in the connectedness.

To help clarify, we put together a chart that outlines the connectivity features of five popular media devices, leaving out the ever-changing features such as screen size, keyboard functions and extra software.

Of the devices listed in the following chart, the Nokia N800, Sony Mylo and Sansa Connect have expandable flash memory, while the Zune and iPhone must stand on their own included memory.

What can be derived from the chart is the reason behind all the fuss about the phone aspect of the iPhone: The fact that the iPhone can only

use the AT&T network (no VoIP available) is one of its biggest shortcomings for some.

Take the hard disk capacity of the Zune, the Skype from the Mylo and the file format support from the Nokia. Add that to what the iPhone can do, and consumers would have close to everything they need.

JiWire Launches iPhone Wi-Fi Finder

Mobile broadband advertising network **JiWire** this week launched an **Apple** iPhone-optimized version of its Wi-Fi Finder. Now, iPhone users can find 150,000 public Wi-Fi networks in 135 countries worldwide, search for only free Wi-Fi networks, get maps and driving directions and click-to-call Wi-Fi locations that have registered phone numbers with JiWire.

	Microsoft Zune	Apple iPhone	Nokia N800	Sony Mylo	Sansa Connect
Wi-Fi	802.11b/g	802.11b/g	802.11b/g	802.11b	802.11b/g
Browsing	No	Safari	Opera	Opera	No
Phone	No	AT&T	Skype	Skype	No
Downloads	No	No	Yes	No	Yahoo Music \$12/mo
PC Sync	Yes	Yes	Yes	Yes	Yes
Music Format*	AAC, WMA	AAC	WMA, AAC, WAV, Real	WMA, ATRAC	WMA
Storage	30GB Internal	4GB-8GB Internal	256MB Internal	1GB Internal	4GB Internal

*All devices support MP3 format.

ME MEDIA

3D Cyber Community Integrates YouTube

Online virtual network and media company **Kaneva** now makes **YouTube** videos available in its virtual community. Kaneva's "Virtual World" is said to be the first integrated Web 2.0 virtual community, with 3D interaction in its social network and entertainment world.

As reported previously in *The Online Reporter*, Kaneva is the embodiment of a world where a **MySpace**-type environment and a multiplayer online game such as **Second Life** collide to form 3D social networking.

The site's users have social networking-style profiles similar to MySpace, where they can post pictures, songs and videos, maintain friend lists and other such features all on their own Web page. But Kaneva also features a virtual modern 3D world. Users create their own avatars to enter the world. They get their own apartments and furniture, including a wide-screen TV they can use to watch user-uploaded videos inside the virtual world.

Now, with the availability of YouTube videos on Kaneva, folks in the 3D community can use their virtual wide-screen TVs to see videos directly from YouTube; uploading video to Kaneva's site is no longer necessary.

Kaneva residents can easily add YouTube videos to both their Kaneva Profile on the Web and to their virtual televisions in the world of Kaneva. Residents can meet with friends to watch their favorite videos together in 3D.

"We are redefining how online videos can

be consumed and demonstrating our mission to embrace the Internet as a virtual hard drive for our community to tap into," said Kaneva founder and CEO Christopher Klaus. "We don't want to put our community in a box and force them to live with what we feed them. We want to empower our members to easily bring in and enjoy with friends their favorite media – including video, photos and games – as another way to express their interests and connect with others."

Upon sign up at www.Kaneva.com, members get for free a 2D social network profile, their own 3D persona or avatar and a virtual home in the 3D Virtual World of Kaneva. They can customize their profile and create their Kaneva avatar using over 55 million different combinations of facial features, body types and hair styles.

On the 2D Kaneva Web site, members can enjoy thousands of online videos, music tracks, photos and games. They can also upload and share their favorite media and connect with others through friend requests, private messaging, blogs and member forums.

In the 3D Virtual World of Kaneva, members can teleport "in-world" to explore and meet with friends in their 3D homes or in a 3D community hang-out. They can decorate their virtual homes to reflect their own style, play their favorite video on their virtual home TVs, listen to music on a 3D boom box and even hang their real-life family photos on their virtual walls. To upgrade their home or buy additional items, residents can purchase Kaneva "credits" to get clothing, furniture or buy virtual gifts for their friends.

Dailymotion Brings Content to the US

UK video-sharing site **Dailymotion** last week launched a version of its site for the folks in the States. The US site is launching with the MotionMaker program that identifies and rewards outstanding contributors to the Dailymotion community.

An expanded media industry executive team plans to lead Dailymotion's US and global expansion. Catherine Mullen, former general manager of **MTV UK** and Ireland and executive VP of **Fuse**, will be leading international content acquisition and development initiatives. Joy Marcus, former senior VP of global marketing at **Time Warner**, will be heading Dailymotion's US expansion, the site's biggest market outside of France. Mullen and Marcus, along with distribution and German head Werner Brell, previously worked together at **MTV Networks**. The international management team is rounded out in the UK by Michelle Goff, who will be in charge of talent partnerships and sponsorships.

In addition to the new media industry senior management team, Dailymotion has recruited a specialized creative and programming team. Danny Passman, formerly of MTV Networks and a development executive at Fuse and **VH1**, is leading one of the first teams in the role of senior creative director. Passman's team will be working with existing content, the MotionMaker program and the professional community to turn user-generated content into high-quality video entertainment.

MOBILE MEDIA

Wind-Up to Enter the Mobile Media Market

Mobile application provider **Airborne Entertainment** is being enlisted by independent music label **Wind-Up Records** to expand its publicity for independent artists. Airborne will create ringtones, ringbacks and over-the-air full-track downloads for some of Wind-Up Records' biggest artists, such as Evanescence, Seether and Finger Eleven.

"Airborne Entertainment has a long standing reputation in the mobile entertainment space," said Wind-Up COO Jim Cooperman. "This partnership further expands our ability to connect with the net-

work of music fans looking for the latest in music downloads and mobile personalization products."

Verizon Wireless Makes Managing V Cast Music Easier

Verizon Wireless has given its V Cast Music customers a "Christmas in July" present. The company's new Music Manager PC-based software simplifies how V Cast Music users manage, play and add music to their digital libraries. It also makes it easier to sync compatible music to their handsets.

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MOBILE MEDIA

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A free download available at www.verizonwireless.com/musicmanager, the software provides direct links to the V Cast Music Store, the music stored in the user's Music Manager library on the PC, the music files on the user's phone and memory (when connected to the PC) and the list of tracks on an audio CD in the PC, allowing the user to select which tracks to listen to or rip to the PC's library.

Other new Music Manager features include:

- The ability to import unprotected AAC files.
- Automatically convert unprotected AAC files to WMA files during sync, if required.
- Rip, burn and add music with fewer steps.
- Import playlists from Windows Media Player.
- Sort music by song or album.
- Manage duplicate song files.
- Sync music to the PC with fewer steps because the phone is now automatically in a "connected state" when it's connected to the PC, Music Manager is open and the phone is turned on.
- Print "Show Me How" screens.

Of course, the most important feature of the software is its ability to transfer music to and from a mobile phone. The new Music Manager works with both Windows XP and Vista PCs and all V Cast Music-enabled phones, except for the CDM 8945.

Customers using the previous version of V Cast Music software will automatically receive an upgrade notification to the new app. They can also choose to manually upgrade if they don't want to wait for the system to do it for them.

V Cast Music has more than two million tracks that can be purchased either from a PC or over-the-air directly to a subscriber's mobile phone. Songs purchased and downloaded to a PC cost 99 cents each. Songs downloaded over-the-air to a phone cost \$1.99 plus airtime. Both methods get two copies of the purchased track – one for the

phone and one for the PC. Users can also sideload their compatible digital music libraries to their V Cast phone – and have an easier time of it with the new music management software.

Napster Debuts Integrated OTA Subscription Service with DoCoMo

Napster is making good on CEO Chris Gorog's statement that mobile phones are the way forward for the company. NTT DoCoMo, Japan's largest wireless operator, has launched Napster's unlimited over-the-air (OTA) music subscription service and made it available across the complete line of DoCoMo 904i handsets.

The launch is the first deployment of the version of Napster Mobile that integrates OTA subscription and the PC-based Napster To Go subscription service for one price. This is also the first time Napster is offering the ability to integrate billing for the OTA service into a customer's DoCoMo mobile phone bill.

With the addition of the new integrated OTA service, Napster's wireless subscribers in Japan, including those with subscriptions for ringtones, full-length downloads and unlimited OTA, now outnumber its PC-only subscribers in that country.

The standalone Napster Mobile service is live with nine carriers across Asia, the US and Europe.

Nokia Hires Streamezzo to Develop MyNseries

Nokia has signed up Streamezzo, a provider of mobile streaming video, to develop a new service for Nokia handsets, phones and otherwise, called MyNseries. Streamezzo will be responsible for the design, development, delivery management, hosting and deployment of the MyNseries application, which runs on the Symbian mobile operating system. MyNseries will offer news, UGC photos and videos, music, navigation, games and Internet browsing.

Vringo, Universal Music Group Sign Agreement

New video ringtone sharing site Vringo has signed a trial licensing agreement with Universal Music Group, which will let Vringo subscribers personalize their own video ringtones (what the site refers to as "vringos"), using snippets of video from UMG's library.

Vringo is a ringtone site that lets subscribers use a buddy list to give a two- to 10-second personalized video clip announcing the caller to the person being called. For example, a subscriber can select a video clip to show on all the phones of all his buddies when he calls any of them, or he can choose to send a different vringo to each individual. Users can choose clips either through their mobile device or online and can even download promo clips or create their own.

Some of the licensed clips that UMG will be providing include Snoop Dogg's "Drop It Like It's Hot," Rihanna's "SOS," Nirvana's "Smells Like Teen Spirit" and Guns N' Roses' "Sweet Child O' Mine."

Is Now The Time When Everything Changes?

"The future is like the past only up to the time when it isn't." – George Will, political pundit.

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ONLINE MUSIC SERVICES

LyricFind Gives Searchable Lyrics to RealNetworks

RealNetworks and **LyricFind** made a deal this week to launch searchable lyrics on Rhapsody Online, Real's Web-based digital music service. Listeners are used to going to straight to **Google** when they want to get the lyrics to a song on their playlist (and perhaps sing along). Some (probably most) of the lyrics found through Google are illegally posted, however. Now, Rhapsody users can access lyrics to hundreds of thousands of songs right on rhapsody.com, making it the only music subscription site that offers lyrics alongside its music library.

"Lyrics are a tremendously popular and vital component to creating a complete online music experience for consumers," LyricFind president and CEO Darryl Ballantyne.

Ballantyne added that the lyrics feature is "safe, legal and free," obviously referencing the plethora of unauthorized searchable lyrics on personal Web sites.

LyricFind is providing the lyrics from its database of licensed content from over 1,800 major and independent music publishers. That database includes **EMI Music Publishing**, **BMG Music Publishing**, **Universal Music Publishing**, **Famous Music** and **Cherry Lane Music** among others.

Users can search for lyrics by name, song title and phrases; so, even folks who know just a few words of the song will still have an easy time finding the full lyrics. Additionally, every lyrics page within Rhapsody Online has been optimized to be recognized and indexed by the major search engines. So, if need be, users can still go to Google and find legal lyrics.

Less than Jake Starts Selling Live Shows on Snocap MyStore

Ska-punk-pop band **Less Than Jake** is using the new **Snocap MyStore** application to release tracks from the thousands of live shows the band has recorded since 1994. The band has already posted five shows, which can only be purchased through the Snocap MyStore. **Less Than Jake** will rotate in other archive shows as well as new shows from their current tour with **Reel Big Fish**, **Streetlight Manifesto** and **Against All Authority** over the course of the summer.

Each download is a full show, start to finish, priced at \$10. Shows currently available include the band's 2001 set at the Bizarre Festival, its 2002 set at Glastonbury and a few other shows. The band put its Snocap MyStore on two different sites: its official site (www.lessthanjake.com) and its **MySpace** page (www.myspace.com/lessthanjake).

"The band have wanted to release live shows in their entirety - as opposed to single tracks - for a long time, so fans can own as close to the experience as possible, and Snocap was the only company who could make it happen," commented Steve Davis of **Davis Entertainment Group**, the band's management.

With their summer tour, **Less Than Jake** are leveraging the flexible nature of the Snocap MyStore, which enables artists to record something at a show or in the studio and upload it for sale almost instantly.

Snocap launched its MyStore application only a couple of weeks

ago, so the success of **Less than Jake's** sales, as well as other bands that are quickly jumping on board, will likely determine whether MyStore becomes a widely used tool for fans to purchase songs.

Hear the Song on the Radio, Buy It on the Radio

Two UK companies have developed technology and a service called **Cliq** that allows music fans to download immediately the tracks they are listening to on their digital radio. Users of **DAB** (Digital Audio Broadcasting) radios will soon have a "buy now" facility while they are listening to selected DAB radio stations.

DAB is the HD radio technology that's widely deployed in Europe, much more widely than HD radio is deployed in the States.

Listeners will be able to purchase music directly from DAB radios that use **Imagination Technologies'** new Internet digital radio platform with **UBC Media's** **Cliq** instant music purchase service.

There are already radios on the market that use **Imagination's** technologies and have SD memory cards. Owners can use an electronic program guide to set multiple record timers and record over 30 hours of radio to an SD memory card. They can also use the radio as a DVR to pause and rewind live DAB digital radio. MP3 tracks can be copied to the SD memory card.

The two say the service will capitalize on radio's "acknowledged ability to encourage music purchases."

UBC says that over the last 12 months it has developed the **Cliq** service, which allows stations to transmit an encrypted track listing containing purchase information for the music they are playing. The service, UBC says, has the backing of major UK radio groups and record companies.

Imagination develops and licenses silicon and software for use in digital media and communication devices that other companies make and market. Its current licenses include silicon device suppliers such as **Intel**, **Renesas**, **Samsung**, **Sharp** and **TI**. Its technology is currently, or will be used, in mobile phones, PDAs, digital audio for TVs, set-top-boxes, DVDs and radios as well as car navigation systems. The company says it's the market-leading supplier of digital radio technologies and that its **PURE** radio brand is the UK's number-one overall radio supplier with a market share of more than 20%. Its intellectual property is in around 70% of the total digital radio installed base, the company said.

The company intends to bring devices that support the **Cliq** service to market under its **PURE** Digital brand and also provide part of the technology infrastructure on which the service will run.

"This co-operation will allow both **PURE** Digital and other major brands that use **Imagination Technologies'** digital radio platform to take digital music download to the next level," said **Imagination** CEO **Hossein Yassaie**.

UBC CEO **Simon Cole** said he's confident that the initiative will help the radio industry drive new interactive revenues in the same way it has driven the existing digital radio market.

UBC Media says it's the UK's largest independent producer of

Hear: continued on page SEVENTEEN

ONLINE MUSIC SERVICES

Hear: *continued from page SIXTEEN*

radio content, serving the commercial sector as well as the **BBC** with radio programming and production services. Its interactive arm, it says, is the leading supplier of interactive technology to DAB Digital Radio broadcasters in the UK. The company's digital data software is used by 40% of commercial radio stations in the UK.

No terms of the deal were disclosed, except that the two will share revenues on music purchased via digital radio devices that are part of this cooperation.

Hmmm. Who needs the Internet to download music?

The Orchard, Digital Music Group Merge

Digital music distributor **Orchard Enterprises** merged with the **Digital Music Group** (DMGI) this week. The combined companies will keep DMGI's NASDAQ listing but the company will change its name to **The Orchard**.

The merged company has revenues of around \$17 million with operations in 25 countries.

Separately, each was losing money, so perhaps some cost cutting of duplicate operations like accounting and marketing can get the merged company into the black.

Hmm. Wonder if it'd be interested in a distributor of spoken word audio, one that recently landed an exclusive deal with **Microsoft's MSN**. The assets of **MediaBay**, which closed its doors this week, are no doubt available at a good price.

Music Nation: A Revolution for Both Music Artists and Fans

Are you an artist looking to break into the music entertainment scene in a unique way? Or are you just an avid music lover anticipating the arrival of a novel rock band? Well, **Music Nation** is a site that is sure to pique the interests of both up-and-coming artists and music fans alike.

Music Nation is a music community site on the verge of a revolution in the way music is promoted and distributed. Independent artists can use the site by creating their own profile page and are encouraged to upload any form of media pertaining to their group, whether it be music videos, MP3s, photos or even slideshows. The twist with this site is that music fans and other Music Nation users, including judges from the entertainment industry, are given the opportunity to rate content and vote for their favorite artists. In essence, Music Nation is a large music competition.

"With the phenomenon of online communities, fans are using the internet to connect now more than ever to receive information on their favorite and latest bands," said Music Nation CEO Daniel Klaus. The company "creates a level playing field" in its unique approach to promoting artists' music through contests, he said.

Prizes are awarded weekly by Music Nation. Opportunities to appear on television and at major festivals; receive feedback from music industry experts; have branded merchandise, professional-quality CDs and promo materials and press coverage are just some of the "prizes" up for grabs.

Artists who sign up get a host of tools that include their own video player, which can be embedded, an internal messaging system, a press kit and a tour scheduler. Although Music Nation will cater to any genre of music, rock and hip-hop are the top two categories that the site represents.

Recognizing the need for a site that unites both unknown, independent musicians to potential and current fans, Music Nation was conceived in April 2006 by Klaus, chief marketing officer Lucas Mann, chairman Kevin Ryan, who is also the former CEO and founder of **DoubleClick**, and managing director Peter Read. Sponsors of the site include record labels **Original Signal** and **Epic Records**.

LIES, DAMN LIES AND STATISTICS

UK Music Industry Reports Strong Results

- **Digital Singles Booming**
- **CD Albums Remain Strong**
- **Long Tail Pays Off**
- **Is Vinyl Making a Comeback?**

Reading **BPI's** report on the strong UK music market raises the thought that UK music operations must have better management, particularly better marketing management, than their US counterparts. There's no gloom and doom in the 2007 first-half report that BPI, the association of UK record companies, issued this week.

Consider:

- Sales of single tracks are booming, with 90% of them being sold through online and mobile services.
- 96.5% of album sales are still on CDs, although sales of digital albums are growing rapidly.
- Sales of CD albums in the first half of 2007 were 32% higher than

in the first half of 1997 – 58 million to 43.7 million.

- Sales of digital albums increased more than 2.1 million units during the first half and passed the 100,000 weekly sales mark.
- The 36.4 million downloads sold in the first half of 2007 represented a 49.9% increase over the first half of 2006. By June, digital formats were accounting for 90.1% of all singles sales in the UK.
- Digital album sales are beginning to have a significant impact on the albums market, helping total album sales to top 60 million in 2007's first half.
- Sales of CD singles fell, but vinyl appears to be making a comeback, with annual sales up from just over 200,000 units in 2000 to more than one million units in 2006 and up 12.9% in the first half of this year. The White Stripes' "Icky Thump" was the best-selling vinyl record.
- There is a long tail effect in the UK's online music market. Last week more than 198,000 different titles were sold digitally from the

UK Music: *continued on page EIGHTEEN*

LIES, DAMN LIES AND STATISTICS

UK Music: *continued from page SEVENTEEN* more than four million titles available. The Top 40 accounted for just 12.6% of all single-track downloads sold in the first half.

BPI credited the successes to “innovative marketing and retail campaigns” that generate sales spikes for CDs as digital music sales begin to offset the decline in physical CD sales and emerging UK artists combined with last year’s debutants for the success of British acts in both the UK and the US.

“The UK recording industry has moved very quickly to expand beyond its traditional base of physical sales to generate additional revenues from multi-platform music licensing,” said BPI CEO Geoff Taylor. “CDs remain very attractive to consumers because of the flexibility and outstanding value for money they offer and for this reason they still represent the overwhelming majority of sales. Consumers vote with their pay packets and 58 million CD album sales in just six months is a very significant number indeed. Album units have dipped year on year, but we are still selling 32% more CDs than 10 years ago.”

In the first half of 1997, 43.7 million CD albums were sold. Ten years later, in the first half of 2007, CD album sales reached 57.9 million.

Taylor said that the way fans enjoy recorded music has changed beyond recognition in just five short years. That, he said, has had a great impact on the way record labels function “but their core role remains the same - working in partnership with the nation’s best musical talent to produce top quality recordings that customers want to buy in whatever format works best for them.”

UK music fans are the biggest CD buyers per head in the world, and the market has now recorded annual sales of more than 150 million units for four years running.

The labels are also testing new formats such as USB sticks.

Digital album sales grew rapidly in the first half, BPI said. Album bundles that included extra tracks, videos and sleeve artwork helped increase sales. iTunes’ variable pricing on album bundles and the “complete my album” facility have all helped to drive album sales, BPI said.

Also, BPI said, the iTunes Live Music Festival throughout July looks set to give a

further boost to the digital albums market. **7Digital** launched a consumer-facing store in May with high-quality album bundles with a “downloads locker” as a key part of its offering.

Sales of digital albums increased more than 2.1 million units during the first half and passed the 100,000 weekly sales mark for the first time ever in June. This has offset 23% of the drop in CD album sales - a sign that digital sales are starting to have a real impact on the albums market.

Also helping the UK music industry is that a number of UK acts achieved strong US chart positions. BPI figures released in the first half showed that UK artists claimed one in 12 of all artist albums sold in the US. Twelve UK acts featured in the Top 50 of the Billboard 200 in the first half of 2007.

BPI uses recently published numbers from **IFPI** to point out that the UK recording industry remains ahead of the digital curve compared to other creative industries.

The IFPI numbers forecast that the recording industry’s global digital revenues will increase from \$2 billion in 2006 to \$3 billion in 2007, with the UK accounting for 10% of the recording industry’s total global revenues.

Is FiOS Worth the Investment Verizon Is Making?

All other things being equal, which has the better chance of succeeding? **Verizon**, with its strategy of fiber all the way to the home, proven pay-TV broadcast technology combined with IP technology for VoD and viewer interactivity plus its 55% ownership of **Verizon Wireless**? Or, is it **AT&T**, with its combination of fiber to the neighborhood and copper from there to the home, all new IPTV technology from **Microsoft** and **Alcatel** plus 100% ownership of its mobile phone service? Oh, and AT&T has the iPhone exclusively.

A new report from **Pike & Fischer** concludes that although Verizon’s FiOS service has so far shown healthy subscriber growth, Verizon faces substantial financial risks associated with its plan to pass 18 million homes with fiber optic cables.

It all boils down to whether Verizon can

get the share of the pay-TV market it’s targeting. One conclusion that was clearly articulated at the telcos’ recent NXTComm trade show in Chicago is that pay-TV pays for the new networks that Verizon and AT&T are building. It’s not their broadband and phone services that are footing the bill.

The report cites the challenges that Verizon faces as it rolls out FiOS as an alternative to cable TV’s expanding triple-play, soon to be quadruple-play, bundles. It takes Verizon far more time and money to roll out FiOS TV than it does for cable operators to deploy digital phone service, according to Pike & Fischer analyst Mitchell Shapiro.

The report goes on to say that Verizon is spending so much on FiOS that it could take a decade or more for the company to pay back its investment if it falls considerably short of its market-penetration goals.

Alternatively, if FiOS exceeds its penetration goals by 10% and generates strong per-subscriber revenues, Verizon could see pay-back in just four to five years, according to the report. That’s why we recently asked Verizon CEO Ivan Seidenberg how Verizon sells and markets its FiOS TV service. It’s also why we have frequently pointed out that this marketing war will be determined at the local level. “What Verizon makes happens in Keller determines who gets the most subscribers in Keller” or any of the other thousands of communities where Verizon will offer the FiOS service.

At NXTComm, Verizon said it had added its 500,000th FiOS TV subscriber. In locations where it’s been selling FiOS TV for 18-24 months, Verizon says it has a 30% market share of the homes its optical wires pass. Its first market was in Keller, Texas, where its cable TV competitor was **Charter**, not the most successful operator. There it has a 37% share.

Verizon also has almost one million FiOS broadband subscribers. Who can resist 25 Mbps downloads?

The telco apparently recognizes that the battle is in the trenches, meaning at the local level. Asked how the company had signed up 500,000 pay-TV subscriptions, Seidenberg said it was due to efforts at the local level - local marketing and advertising and such viral events as neighbors telling neighbors.

FiOs: *continued on page NINETEEN*

LIES, DAMN LIES AND STATISTICS

FiOs: continued from page EIGHTEEN

Reportedly, Verizon has pushed marketing decisions for FiOS TV down to the regional level. That gets local Verizon managers' input on effective marketing ploys in their communities.

Pike & Fischer's Shapiro said, "The trade-off for Verizon's large FiOS investment is that it provides technical capabilities to outperform cable in terms of capacity and services. Verizon's return on that investment will depend in large part on how well it leverages those capabilities in an increasingly competitive market."

The \$799 report considers potential growth scenarios for FiOS availability, subscribers, revenue and margins, and their likely impact on Verizon's investment payback and the revenues of its cable competitors. It also considers key elements of Verizon's FiOS strategy, cable's competitive response and potential impacts of third-network competitors and Web-based services – the so-called over-the-top services such as **Joost** and the upcoming **NBC-Fox** joint effort.

AccuStream: Music Still Dominates Online Media Market

It's music, not movies and TV shows, that still dominates the paid online media services, according to a report from **AccuStream iMedia Research**. The report forecasts the total market for subscription paid streaming and paid downloading of audio and video will increase 39% in 2007 to \$2.6 billion.

Music is forecast to capture 85% of total subscription revenue, with sports accounting for 5.4%, movies 2.2%, news 1.2%, entertainment including TV show downloads 3.4% and **RealNetworks'** SuperPass video service at 4.1%.

Music download and subscription revenue is forecast to grow at approximately 48.5% in 2007 to \$2.2 billion, a considerable leap from 2003, when \$90.2 million was generated from online sales.

The music category is dominated by purchases, with 82% of total revenue generated from paid downloads compared to subscriptions.

Download movies – think iTunes,

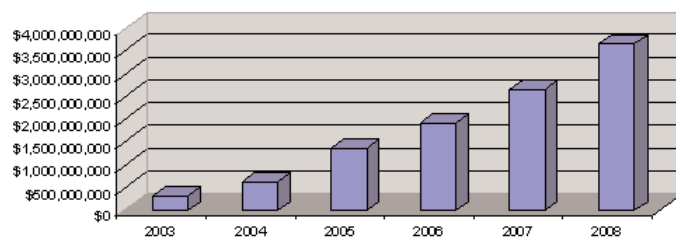
Amazon.com, **Movielink**, **Starz** and such – are forecast at \$60 million in 2007, up 133.4% over 2006, and on track to break the \$100 million threshold in 2008.

Movie revenue growth, the report points out, has been hampered by limited availability of both frontline titles and catalog depth.

days of Internet video. But, demand for premium content from studios and broadcast networks will boost revenue and share as offerings expand over a three- to seven-year period," said Paul Palumbo, research director at **AccuStream**.

The report provides results back to 2003

SUBSCRIPTION AND DOWNLOAD MEDIA MARKET REVENUE: 2003 - 2008



Source: AccuStream iMedia Research.

We have pointed out that **Apple TV** is being held back by the lack of recent and "must see" movies on the iTunes service. It's not likely that Apple TV will become a "must have" box just so people can watch **YouTube** videos on their TV set.

The report's analysis of content delivery networks shows larger movie files (particularly those in HD) substantially increase distribution costs for the online services. That's one reason, as we have reported, that online video services are increasingly turning to P2P technology to distribute movies.

Music downloads are, of course, much smaller and online music libraries are far larger, with both factors creating better bottom line economics.

Subscription revenue in the news segment is forecast to dip slightly in 2007 because the **CNN Pipeline** subscription service no longer exists; it has been folded into the free **CNN Video**.

As far as sports is concerned, **NASCAR** and **PGA Tour** moved video out from their subscription services in 2007 and the **NFL** dropped its domestic subscription video in 2006, leaving **MLB** the dominant league online. With more sports content chasing ad dollars, the subscription area is forecast to grow at 2.2% in 2007 compared to 2006.

"Music has soared to early market dominance, similar to music share in the early

and projects 2008 for Internet-delivered audio and video services, including streaming music, sports, news and entertainment, plus downloads of music, movies and TV shows.

298m Broadband Connections Worldwide

Point Topic reports that the number of broadband connections worldwide reached 298 million at the end of the first quarter, with year-on year growth of 28.7% taking global broadband penetration to 5.68%. The company said Asia-Pacific and North America are more or less saturated and that Eastern Europe has the highest growth rate at 10.2%.

Digital Album Sales Grow 60% in US

Sales of albums sold as digital files have grown by 60% in the first half of 2007 in the US to 23.5 million units, according to **Nielsen SoundScan**. Unfortunately, the increase does not make up for the continued decline in CD sales which fell 19.3% to 205.7 million units. Nielsen said **Apple** still dominates online sales – no surprise there. That's a lead that's likely to lengthen because many new iPhone users will be using iTunes for the first time.

DIGITAL MEDIA LEGAL MATTERS

New 'Top 50' List of Unauthorized Videos on Google Video

The unauthorized availability of pirated copies of Michael Moore's "Sicko" and **Universal Pictures'** "Evan Almighty" on **Google** Video before or days after their scheduled releases has prompted the **National Legal and Policy Center** to publish a "Top 50" list of full-length movies, cable programs and music concerts that are available on Google Video, potentially without the copyright owner's knowledge or permission. See <http://www.nlpc.org/view.asp?action=viewArticle&aid=2082>.

The Top 50 list includes the name of the movie or program, the production company, the number of days the content has been hosted on the video-sharing site and the number of unauthorized viewings.

"We realize that this is probably a 'drop in the bucket' in referring out copyrighted content among the millions of videos posted on Google Video, **YouTube** and other popular video sites, but we hope that our efforts both raise awareness of the issue of video and music piracy and hopefully serve as a resource for copyright owners to check if their content is on the sites without their knowledge or approval," said National Legal and Policy Center chairman Ken Boehm.

"Sicko" was removed from Google Video once, but then almost immediately was reposted.

NLPC plans to update the Top 50 list. It will not post the actual links to the potentially infringing content because, well, that might contribute further to intellectual property theft, something over which the **MPAA** has already filed lawsuits against three Web sites. NLPC said links to the content will be shared with members of the media and copyright owners if requested.

"It's difficult to know for sure whether all of the content included in the Top 50 list is being hosted in violation of copyright laws - NLPC makes no assertions - but it's a reasonable assumption that much of the content has been uploaded without the copyright owner's knowledge or approval," said Boehm. "Some of the content may be appropriate but it's a safe bet that content companies don't know or approve of blockbusters like 'Blood Diamond' or recent releases like '300' being readily available on the video-sharing sites."

Google has come under increasing scrutiny for allowing allegedly copyrighted material to be posted on its video sharing sites, including Google Video but especially YouTube. The most significant attack on its alleged copyright violation is the \$1 billion suit filed against it by **Viacom**. The suit accuses YouTube of willfully infringing copyrights on a huge scale by hosting more than 150,000 unauthorized clips of Viacom's copyrighted programs.

Google has been promising for months that it would clean up its video-sharing act. Specifically it said it would release a new system that would allow copyright owners to remove allegedly infringing files. It's not clear why Google has taken so long to launch the system, especially when **BitTorrent** said last month that it will no longer

require that copyright owners file DMCA takedown notices before links to copyrighted material are removed.

Boehm was very specific and direct in his accusations against the company. "Google has been dragging its feet for months in coming up with a solution to pirated content and still requires copyright owners to go through the laborious process of issuing DMCA takedown notices before the content is removed while smaller companies are beginning to show real leadership on this issue," he said. "The content in our first Top 50 list has been hosted on Google Video for an average of 168 days, so it's obvious to us that they are not taking this seriously."

According to Boehm, the hope is that the Top 50 list will "shame

Google has come under increasing scrutiny

Google into policing itself and removing copyrighted content it does not own and has no right to include on its sites."

The National Legal and Policy Center is a not-for-profit organization

that's focused on ethics and accountability in public life and private business, a strong supporter of intellectual property rights and believes that enforceable property rights are the basis of any functioning market economy.

Euro Courts Revisit Whether ISPs Are Responsible for Piracy

News this week that a Belgian court has given a local ISP, six months to implement a copyright filtering system is perhaps the first reversal in five years for ISPs on piracy issues, since they were first taken to court in the US, and a famous decision was recorded that an ISP cannot be expected to police its lines.

While the US will have a problem trying the same thing, and it would need at least a Supreme Court challenge to change the law and override the precedents, or better still a new Act, in Belgium no such case was previously heard. So European judges have the luxury of looking at the decision in the light of a long and unrelenting obsession with free music by most young Internet users.

The Brussels Court of First Instance ruled in favor of the **Belgian Society of Authors, Composers and Publishers** in a case brought against **Scarlet**, the local ISP that was once owned by **Tiscali**. But

a long and unrelenting obsession with free music

finding and implementing a filtering system in time might be something of a challenge. It has six months to do so, and thereafter will be subject to a fine of €2,500 (\$3,444) each day.

It is interesting that only last month **AT&T** was suddenly very verbal on this subject, a new position that is seen as a Damascene conversion, due to its new relationship with **Apple**, the iPhone and iTunes.

If handset owners can pirate music either to a PC or MAC and then copy it to a handset, then where is the logic in AT&T's new found part-

Euro: continued on page TWENTY-ONE

DIGITAL MEDIA LEGAL MATTERS

Euro: *continued from page TWENTY*
nership with Apple?

But the problem is going to be almost impossible to fix. At present file -sharing networks don't encrypt music and so if a file is actually intercepted there is a good chance of checking a part of it against a musical fingerprint database. But they could encrypt it, and ISPs deal will every single message that a person sends or receives, and that means billions of messages not a few million which was the scale of P2P sites.

File size and data structures will give some clues, but even this can be got around. Files can be broken up and sent in pieces, data can be encrypted.

And if this ruling and rationale work for

music, then doing the same for video will be even more difficult. Think how hard **MySpace** and **YouTube** had to work to find software to recognize pieces of video that were placed on their servers. AT&T will be sampling network traffic almost at the router or BRAS server level. And once AT&T has established that it is carrying video, and tested it to find that it fits a copyright profile, it will have to dig down into the transactional layer to make sure that this isn't a legitimate DRM-protected transaction. And if the system throws up false positives and denies legitimate transactions, or worse leads to civil abuses and censorship, there will be hell to pay with the public at large.

There is some belief that the Belgian rul-

ing may extend into other European countries and become EU policy or law. **IFPI** was keen to celebrate and commented that this is exactly what it has been after for the past two years.

AT&T claimed to have reached the conclusion that the more flat rate services it has, and the more piracy there is, the more its network is clogged, costing it money. Well that may be true now, but what was AT&T doing back when its network was not clogged up, and piracy was ramping up? It seemed pretty happy to stand by at let it be the content industry's problem.

This article first appeared in *FaultLine*. For a free, no obligation three week trial subscription, e-mail paperboy@riderresearch.com.

HOME NETWORKING

New Intellon HomePlug Chips: Better Performance at Lower Cost

Wi-Fi and coax cables aren't the only way to network in the home for delivering music, videos and other files. There's a growing contingent that operate under the HomePlug banner that says, with vested interests of course, that using the home's electrical wires is the best way to network. That includes **Intellon**, which makes HomePlug-compatible integrated circuits (ICs) for home networking, networked entertainment, broadband over powerline (BPL) and smart grid applications.

Intellon this week released the INT6300, which it says is the world's first second-generation HomePlug AV powerline communications (PLC) IC. Based on the 200 Mbps-PHY-rate HomePlug AV specification, the INT6300 uses architectural and design improvements to deliver enhanced performance at a lower cost compared to first-generation HomePlug AV ICs.

The lower costs come from a new architecture and reductions in the total bill of material cost of Intellon's HomePlug AV solution. That means HomePlug gear makers can reach lower consumer-level price points for the retail and service provider markets.

The INT6300 has a faster processor, reconfigured internal bus structure, faster memory bus and a multi-chip module package that includes both a MAC/PHY transceiver and an analog front-end.

Network gear that's made with the INT6300 will have simple push-button security so that a PC is not required to secure a home network.

"With the INT6300, consumer electronics products such as a PC,

broadband modem, set-top box, personal video recorder or flat-screen display can share robust high-definition video and audio by simply plugging the product into a convenient electrical outlet," said Intellon president Rick Furtney.

The company says it gives HomePlug equipment makers everything they need to get into production quickly, including documentation, field applications engineering, a production test system, configuration software and an updated software development kit that facilitates embedding the INT6300 into residential gateways, routers, set-

top boxes, flat-panel TVs, customer-premises equipment, and other consumer electronics products.

share robust high-definition video and audio

What's the Online Reporter?

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PRODUCT WATCH

iRiver to Offer Rhapsody Service on Devices

First **Apple** teamed up with itself to closely tie the iPod to iTunes. Then **Samsung** and **Napster** hooked up to optimize some players for the Napster online music service. Next came **SanDisk's** Sansa Connect, which is optimized for **Yahoo Music Unlimited**.

Now, **iRiver** is teaming up with **RealNetworks** to launch a new device called the clix Rhapsody. It's a second-generation iRiver clix player that lets consumers access the Rhapsody subscription service directly through the device.

iRiver recently introduced the second-generation of its clix line of players. The redesigned clix features the company's standard Direct-Click navigation, a 2.2-inch Active-Matrix OLED screen, FM radio, support for a wide variety of audio and video file formats, as well as SRS WOW sound enhancement technology.

The clix Rhapsody includes a number of features that promote easy music discovery through the device. It automatically updates with personalized new music each time it is connected to the Rhapsody digital music service. Consumers can rate songs, albums and artists directly on the device. The clix Rhapsody also displays album art and Rhapsody's editorial reviews, providing consumers with a rich digital music experience anywhere they go.

The clix Rhapsody is available with 4GB of flash memory capacity for \$189.99. iRiver customers who have purchased a second-generation clix device prior to the Rhapsody integration can enable these new features with a free firmware upgrade available from iriveramerica.com.

Nokia Joins March to VoIP; Adds Skype to Its Internet Tablet

Nokia, the world's largest mobile handset maker, will add **eBay's** **Skype** Internet telephone service (VoIP) to its N800 Internet Tablet device. It's the first Skype implementation for Nokia.

Users will be able to make free phone calls when they are in Wi-Fi hotspots such as at home, coffee shops, on campus or in municipal wireless networks.

"Our users are no longer just using Skype on their computer desktops," said Eric Lagier, Skype's head of business development for mobile. "With the growth of mobile devices and Wi-Fi, consumers expect to be connected wherever they are, at the office, at home or on the move."



The clix Rhapsody 4GB Player

Will VoIP become a Must on Mobile Phones?

The capability, if it becomes widespread, will have a significant negative impact on the revenues of the mobile phone services.

Last week, **T-Mobile** USA announced two Wi-Fi-enabled handsets and a hybrid service plan that lets subscribers make phone calls over either its cellular network or, for free, via a Wi-Fi hotspot.

Apple's iPhone, the most famous phone of them all, can connect to the Net using Wi-Fi, but users are prevented from installing or using any VoIP software, including Skype.

It's expected that upcoming versions of **Microsoft's** Zune portable media player will have enhanced Wi-Fi capability. However, it's uncertain whether that will include VoIP. Microsoft is angling to expand its market share in operating systems software for mobile phones and adding VoIP could upset the mobile phone services that don't want a threat to their highly profitable telephone business.

Sony, which uses Skype's VoIP software in its Mylo portable device, needs to tackle a few problems if it wants the Mylo to be considered a true contender: Make it better at storing and playing music and videos, devel-

oping a competitive online media store and redoing its implementation of the **Opera** browser. Anyone who's compared the iPhone browser implementation to that in the Mylo will understand the need for a Sony upgrade.

Netgear Ships Storage Central Turbo

Movies, TV shows and home movies take up lots of disk space. **Netgear** is now shipping the Storage Central Turbo, a network storage device that houses two serial ATA drives of any size that the customer chooses. It functions like a locally attached USB disk drive, but remains accessible from several Windows PCs on the network. Drives can be replaced with larger ones as needed or additional Storage Central Turbo devices can be added. Without disks, the unit goes for \$199 and includes support for disk mirroring so it can automatically keep redundant copies of data stored on it in case one of its drives fails. It also comes with backup and synchronization software and a built-in wizard to help users get the unit up and running quickly.

AOL Launches New MyAOL Beta

AOL released this week a new beta version of myAOL that offers users three customizable products - a personalized homepage, a content discovery service and feed reading tools built on a portable personalization platform.

The myAOL service is meant to personalize the media experience

AOL: continued on page TWENTY-THREE

PRODUCT WATCH

AOL: *continued from page TWENTY-TWO*

for its users by using tools that identify, find, share and archive content of personal interest. Users can manage feeds and bookmarks from all over the Internet, and they can add them to their customized homepage.

“Our goal is to make personalization as effortless as possible while making it as relevant as possible to the user,” said AOL senior VP David Liu. “myAOL allows users of all types to find, discover, archive and share content and applications from destinations across the Web – all from one convenient product suite.”

The new myAOL suite includes:

myPage: A personalized homepage offering access to content and applications from AOL, as well as third-party e-mail providers and Web sites. MyPage offers a comprehensive widget gallery that provides access to popular content and features from across the Web, such as **Google Gadgets**.

Magnet (pronounced Magnet): A visual content discovery and recommendations service designed to scout the Web for content based on

find, discover, archive and share content and applications from destinations across the Web

personal preferences. Using “image clouds” that represent people, places, topics and events, users simply click on pictures of personal interest in order to receive personalized content. Mnet delivers a variety of news, blogs and videos related to each image. Users will be able to rate and save content, and later this year, be able to view and add recommendations from their AIM buddies.

Favorites: An updated feed reader that combines user feeds and bookmarks in one place, making it easy to find, manage and import feeds. Simple-to-use folders and shortcut keys allow users to quickly skim through

and organize content.

In addition, a “Mix & Share” feature makes it simple to create and share feeds via e-mail, instant message or AIM. Integrated bookmarks offer a place to store favorite content that can be accessed from any Web-enabled computer.

New features and functionality will continue to be added to myAOL. Thousands of content sources, third-party applications, widgets and social networking and sharing capabilities, as well as mobile and international access will be integrated throughout the beta period.

ENABLING TECHNOLOGY

AMD Gets HD and DVR Fever

AMD has certainly caught the HD and DVR fever. It says its new external plug-and-play ATI TV Wonder 600 USB and its TV Wonder 650 Combo PCIe card make desktop and notebook PCs become “feature-rich DVR for HDTVs.”

The external ATI TV Wonder 600 USB will appeal to laptop users because it connects to the PC via a USB port. The device includes a remote control, telescopic antenna, and A/V input adapter for capturing video from a VCR or camcorder.

The TV Wonder 650 Combo PCIe allows users to record a digital TV program while simultaneously watching or recording an analog TV channel. It also includes an FM tuner.

The unit’s TV tuner will receive both local over-the-air and cable TV programming, including HDTV, assuming HDTV is available.

Both products come with AMD’s Catalyst Media Center software and integrate with Windows Vista Media Center and Windows XP Media Center Edition.

“More and more, customers are using the PC as a digital hub for TV and video capture and these solutions put ‘The Ultimate Visual Experience’ in reach of almost any PC user,” said Matt Skynner, VP of marketing for

AMD’s graphics product group. “These new HDTV tuner products provide a perfect complement to AMD’s graphics solutions, AMD LIVE platforms, and AMD Turion64 mobile technology-based notebooks – delivering simplified home theater PC options that come

‘The Ultimate Visual Experience’

together for uncompromising visual quality and ease of use.”

The ATI TV Wonder 600 USB package includes a slim credit-card-sized IR remote control, A/V input adapter for video capture from a camcorder or VCR, and user-friendly Catalyst Media Center Software, he added.

Extending the ATI TV Theatre family, the ATI TV Wonder 650 Combo PCIe features ClearQAM tuning, designed to allow PC users to receive unencrypted digital content available from their local television provider.

Femtocells Are-A Comin’, Won’t You Hurry, Hurry Home

- **Mobile Phone Operators’ Purchase Requisitions for Femtocells Surge**
- **Attention Shifts to Gateways for Quad-Play Services**

Consumer Wi-Fi vendor **Netgear**’s announcement of a femtocell gateway earlier this month highlighted a new opportunity for the makers of these tiny indoor base stations. With **Nokia Siemens** (NSN) talking up a similar device, the floodgates may be about to open, especially as major operators start to issue their requests for proposals (RFP) with an eye to accelerating quad-play services to the home.

Netgear is working with femtocell specialist **Ubiquisys** on a gateway that will incorporate a miniature 3G base station with a Wi-Fi/VoIP/DSL device (see *Wireless Watch* July 2, 2007).

Femtocells: *continued on page TWENTY-FOUR*

ENABLING TECHNOLOGY

Femtocells: *continued from page ONE*

NSN's product is being created together with home gateway supplier **Thomson**, which will integrate the Finnish-German giant's 3G Femto Home Access product in an existing residential gateway design. Such devices will support enhanced mobile access within the homezone, potentially with flat rate tariffs, reducing the need to use Wi-Fi for low cost voice and data.

By combining with a gateway, the Wi-Fi can be used for in-home media networking, and the DSL for backhaul for both wireless systems. A future product incorporating WiMAX, as envisaged by **Motorola** and others, could do away with the need for this DSL function, supporting a wireless-only quad play operator.

Alcatel-Lucent insiders acknowledged that the company will also announce a similar product soon, no doubt with an eye on **France Telecom's** impending femtocell and quad play rollouts, and also its ongoing trial with Japan's **Softbank**. The focus of that trial is Femto Base Station Router, based on the former **Lucent** BSR platform and designed to work with that collapsed base station architecture. Softbank is an enthusiastic adopter of emerging technologies in its bid to bridge the gap between its service, acquired from **Vodafone**, and leaders **DoCoMo** and **KDDI**. It has turned to Alcatel-Lucent for a 3G network upgrade that relies heavily on enhancing indoor cov-

erage through femtocells.

A gateway product could well be created in partnership with **2Wire**, whose residential units **AT&T** uses for its satellite/DSL Homezone services, and in which Alcatel-Lucent has a stake; although French reporters have also pointed to a deal with another CPE (consumer premises equipment) partner, France's **Sagem**.

Also involved in the Softbank trials is UK-based **ip.access** with its Oyster3G product, and the femtocell was used in a recent proof of concept that showed mobile voice, video and data calls using the femtocell to provide a 3G signal directly within the home, together with plug-and-play installation and configuration.

Sprint Nextel's and **Vodafone's** RFPs for femtocells have attracted early attention, but are now being followed by a rush of requests from operators, many of which plan to start deployment in mid-2008. Some are more cautious. France Telecom (FT) is about to issue its own RFP, having taken an active interest in femtocells for well over a year, but says it sees the technology being "well off mass deployment," by which sources said they meant no major roll-out until the end of 2008.

One obstacle for FT, which will not apply to all carriers, is restrictions on the 3G license terms, which may limit how far a cellco can retail femtocells or other carrier-controlled consumer equipment. In France,

for instance, the regulator must be notified every time a Node B (including a femtocell) is added to the network. Apart from some niche applications among heavy data users such as enterprises, FT is primarily interested in femtocells as part of its IMS rollout strategy, which will move to its mainstream in 2009. In the mean time, its convergence offerings, such as **Orange Unik**, will remain heavily oriented to UMA (Unlicensed Mobile Access), running over Wi-Fi, while fellow French operator **SFR** (part-owned by Vodafone) is likely to be the first commercial deployer of femtocells in the country.

Vodafone is set to be far more aggressive in deployment, reflecting its always-wary attitude to Wi-Fi as an operator network, and its need to move hurriedly to some form of quad play even where it does not have wireline networks. It will also be keen to take a driving seat in the emergence of femtocell platforms, helping to mould standards rather than being a market follower - a trait it will have in common with Sprint Nextel.

Unwilling to lose the market advantage its early RFP could have brought it, Vodafone is now expected to accelerate its commercial trials and roll-out to stay ahead of the converged operators with which it needs to hold its ground - particularly FT and **Deutsche Telekom**.

This article originally appeared in *Wireless Watch*.

SHOW TIME

Castrol Syntec, Heavy to Offer Racing Channel

Castrol Syntec and online media company **Heavy** have joined forces to introduce an Internet channel called Heavy Tuning Channel on www.heavy.com. It's a racing channel that will feature original content with guest drifter and radio personality FunkMaster Flex. The channel is a pure "car culture" environment that also offers auto enthusiasts a chance to enter the Castrol Syntec "Unlock Your Power Sweepstakes" with a \$5,000 **American Express** gift card prize to improve their rides.

Drifting is a controlled high-speed test of lightweight vehicles sliding around a turn to make the most stylized and complex "drift" pos-

sible. Drifting is not a race, but rather a sport where drivers compete against each other and are judged on the basis of style and execution.

Fans of the sport can sign up to be a part of the online drifting community, which features FunkMaster Flex, who has his very own Custom MyHeavy drifting page. By joining the community, users will automatically be given their own MyHeavy drifting profile page that will feature a drifting video locker. The locker will be automatically updated with the new racing content from Castrol.

Heavy will also cover several Formula Drift events and will feature host Courtney Day in video footage on the Custom Channel. Such topics as what's new for 2007, driver interviews, pit area coverage and newly built cars are just some of the coverage to be expected.

SHOW TIME

TiVo, Amazon Bypass PCs to Deliver Downloaded Movies

TiVo users, except for those that got their TiVos from **DirectTV**, will be able to use their TiVo remote control to order movies from **Amazon.com** on their TV screen – no PC required. The movies are downloaded directly to their TiVo from Amazon’s Unbox service.

When the two companies announced their partnership in March, consumers had to order an Unbox movie from Amazon’s Web site, like with any other Unbox purchase. The new “Buy on TV” feature means that TiVo owners can browse Amazon’s video catalog right on the TV screen and use their TiVo remote to rent or purchase titles.

no PC required

According to Jim Denney, TiVo’s VP of product marketing, in order to buy or rent a movie, the TiVo user must first enter a five-digit password. “We wanted to avoid the baby sitter scenario where you come home to find a bunch of movies on your TiVo that you didn’t order,” he said.

Apple (Apple TV), **Netgear** (Entertainer HD), **Microsoft** (Xbox 360 and Vista Media Center PCs), **Sony** (PlayStation 3) and TiVo are engaged in a battle over who will be the dominant company in getting Internet-delivered videos to the TV set. The pay-TV services could also participate by making their DVR set-top boxes more Internet-friendly, but so far they haven’t shown any inclination to do that.

We once said that DVRs had the inside track to become the dominant box in the home for getting entertainment videos and music over the Net. **Motorola** and **Cisco**’s **Scientific-Atlanta** have been demonstrating Internet- and portable-device-friendly DVRs at trade shows for several years. However, the pay-TV services, perhaps held back by the content providers, have been slow to offer DVRs with the kind of functions that digital media fans want.

TiVo has some advantages: Its box is already connected to the TV set; It has a hard disk for storing downloaded videos and the user interface of its software and on-screen program guide is as good as there is, especially compared to other DVR software.

However, its single biggest disadvantage is that it’s not connected to very many TV sets. It’s hard to see how the company can build its user base quickly, now that it has lost the **DirectTV** account and faces stiff competition from the pay-TV services that are pushing DVRs like no body’s business.

Xbox 360 is a direct competitor to Apple TV

TiVo’s biggest outlet was **DirectTV**, and it has no control over or direct contact with any of those units which, amazingly, don’t even have a working broadband connector.

The “Buy on TV” feature only works on TiVo Series2 and Series3 broadband-connected DVRs that **DirectTV** did not sell.

5m Titles Viewed on Netflix Watch Now

Netflix subscribers have watched the company’s streaming movies and TV episodes five million times since its Watch Now service was

started in January, according to the company. It has 80,000 titles on DVD, but only 2,000 titles available on its Watch Now streaming service. Viewing can only be done on a PC. The video starts up in about 30-seconds after being requested.

Among the most popular titles for instant watching, according to the company, are the US version of “The Office” and the films “The Matrix,” “The Prince and Me,” “Super Size Me,” “The Sum of All Fears,” “Jackass: The Movie” and “Sherrybaby.” Netflix is adding more titles daily and has a goal of making 5,000 titles available by year-end.

Netflix counts online viewing by the number of minutes, not the number of titles. For 18 hours, subscribers can watch about nine full-length movies or about 36 half-hour TV episodes or some combination of both.

ABC Makes News Specials Available On-Demand – on DVD

ABC News has hooked up with **Amazon.com**’s **CustomFlix Labs** to make hundreds of hours of historic and award-winning programming available for purchase on **Amazon.com** and **ABCNews.com**. Through the CustomFlix DVD on Demand service, newshounds can purchase such ABC News archived stories and specials as “Royal Wedding: Prince Charles & Lady Diana,” “The Assassination of President Kennedy,” “Celebrity Flashback” interviews with The Rolling Stones or Steven Spielberg and many Presidential Farewell and State of the Union speeches from the past few decades. Because the CustomFlix DVDs are created on-demand, they’re available within 24 hours and don’t cause any inventory backlog.

Microsoft Gets Disney Goodies for Xbox Live

Disney - you know, that company with movie and TV studios and TV networks and whose largest shareholder is reportedly **Apple** chief Steve Jobs – inked a deal with **Microsoft** this week to supply 35 movies to Microsoft’s Xbox Live online store for purchase or rent, with downloading directly to Xbox 360s – no PC required.

The Xbox 360 is a direct competitor to **Apple TV** when it comes to the market for boxes that connect TV sets to the Net for the purpose of playing Internet-delivered videos on the TV. The market is also referred to as over-the-top because entertainment delivery to consumers bypasses traditional pay-TV services such as cable and satellite operators.

TiVo with its partnership with **Amazon.com**’s Unbox service, **Netgear** and its Entertainer HD and **Sony**, with the PlayStation 3, also compete in the market. A key differentiator is, of course, content.

The Disney-Xbox Live deal includes both standard- and high-definition titles from **Walt Disney Pictures**, **Touchstone**, **Hollywood Pictures** and **Miramax Films**. Titles include recent and back-catalog flicks such as “Bridge to Terabithia,” “The Queen,” “Déjà vu,” “Aladdin” and “Armageddon.”

Microsoft: continued on page TWENTY-SIX

SHOW TIME

AOL: *continued from page TWENTY-FIVE*

Microsoft said its Xbox Live Marketplace now offers over 2,350 hours of content, including almost 500 hours of HD content, from 28 networks and studios, and has served 10 million downloads of entertainment videos since launching seven months ago. Xbox Live currently has seven million members.

The high-def movies will only be available to US subscribers of Microsoft's Xbox Live, said Peter Moore, a corporate VP in Microsoft's entertainment and devices division.

Oh, Microsoft also announced a lot of new games for the console. All this was done at this week's E3 Media & Business Summit. But the "red ring of death" that has plagued the Xbox 360 isn't the villain in any of the new games.

In connection with what Microsoft antiseptically calls "a general hardware failure," Moore said, "I think that news is behind us. I certainly think that it is something that has been well received by the community." Comments on message boards, according to Moore, "were resoundingly positive, with many thanking Microsoft for standing by its product." Microsoft has said the cost for repairing the defective units and extending the warranty to three years will cost it about \$1.15 billion.

Warner Music, Imeem Make Up, Become Strategic Partners

- Imeem Gets Access to Full Warner's Music Library
- Warner Gets a Cut of Ad Revenues
- Illustrates the Appeal of Music In Building Social Networks

So, if you're a label, would you rather get a cut of the ad revenue from an outlet – say a music-focused social network - or a royalty like radio stations pay? The deals between labels and online music outlets have of late given the recording company a cut of the advertising take.

Sometimes a lawsuit or the threat of one can lead to a deal. **Warner Music Group** (WMG) has dropped its suit against **imeem**, a social media network that's focused on music, and the two have signed up to be strategic partners. Imeem will get access to Warner's entire catalog of music and videos and Warner will get an unspecified cut of imeem's revenues.

Imeem users build and share online playlists of digital music. They can create, share and discover user-generated custom playlists, video channels, photo slideshows, and blogs with other members who share similar tastes in music, video, art and pop culture.

Warner had filed a copyright-infringement charges against imeem in May.

In June imeem launched an advertising-supported music service that included content from several independent record labels in exchange for a cut of imeem's ad revenues. It also gave labels, artists and other content owners a way to remove references and links to their music from imeem's Web site.

Warner is the first major label to do a deal with imeem. "Both parties think that this is a better way of making money on the Internet," said Dalton Caldwell, imeem's CEO, in an interview with the *Wall*

Street Journal. Caldwell said imeem wants to sign up the other major labels within a few months.

Imeem has 16 million active users.

"Music is a central part of the social network experience and a core part of the rich user experience for imeem's rapidly growing community," said Alex Zubillaga executive VP for digital strategy and business development at Warner Music Group. "This deal provides an opportunity to unleash the value of music on one of the world's leading social networks by giving fans an environment where they can discover and share new music. It also

Xbox Live Marketplace now offers over 2,350 hours of content

opens the door for imeem and WMG to develop new strategies and products that will help introduce a more vibrant media marketplace to the social networking environment."

Imeem's Caldwell said the Warner deal represents a very significant milestone for his company. "We are now able to offer our users an impressive level of free, interactive, and ad-supported access to an amazing catalog of both audio and video from a major record label," he said.

WGM dismissed its claims against imeem relating to the lawsuit it filed against the start-up in May.

JumpTV's Minutes Viewed on Free Service Surpass Subscription Service

Ethnic television service **JumpTV** said recently that the number of minutes viewed on its free service have passed the number of minutes viewed on its subscription service, a first for the company.

JumpTV compared the number of minutes a person viewed certain free-to-consumer (FTC) channels, total minutes viewed, impressions, chat messages and chat sessions to numbers from May 23, the day before the release of these FTC channels.

Explaining how the company plans on changing to a multi-streaming revenue model, Kaleil Isaza Tuzman, JumpTV's president and COO, said, "We are now putting in place an advertising sales team to capitalize on the growing traffic and viewership we are generating, while transitioning additional quality content to the FTC model in the United States."

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WEB VIDEO SUMMIT 2007 - SAN JOSE

Bring Your Big Idea

The 2007 Web Video Summit was held June 27 and 28 in San Jose and was hosted by the engaging Dave Burstein, editor of *DSL Prime* and *Future of TV*. Representatives from some of the industry's top names including **Adobe**, **Limelight Networks**, **Cisco** and **Microsoft** were in attendance. Not surprisingly, **Apple** pulled its rep from the conference at the last minute due to the iPhone being released that Friday. The conference was filled with goodies, ranging from new product demos including a live video stream over the Internet in HD quality to the showcasing of a new \$1,000 camera shooting the sessions in HD. However, technical difficulties were noted throughout the event, preventing some products from fully being experienced by the audience. The theme of companies bringing one "big idea" was quite apparent and in various forms as the conference progressed and companies showcased their products.

Cry Freedom! Pioneers Making the Revolution: The Time is Now!

Dave Burstein opened the conference with the first general session titled "Cry Freedom! Pioneers Making the Revolution: The Time is Now!" with a panel that consisted of Brian Conley of "Alive in Baghdad" fame, Timothy Karr from **Free Press**, **Limelight Networks'** Mike Gordon and David Price from **Harmonic Inc.**

Conley started things off, speaking about his experience working on the "Alive in Baghdad" weekly videoblog project, which began as a six-member Iraqi crew with one translator and a \$100,000 budget. According to Conley, AiB's business model was originally based on sponsorships and then content distribution, with **Sky News** being the first to ask Conley about purchasing and distributing his content. Conley also added that despite the fact the summit was about bringing together people and ideas involved in emerging technologies, one doesn't need an "HD-quality" camera to shoot and produce exceptional content for the Web.

Mike Gordon, chief strategy officer of Limelight Networks, spoke a bit about Limelight, the content delivery network that appears to be taking the industry by storm. When questioned about the challenges faced in assimilating content over the Web, Gordon responded by stating that online media content will need to meet the same standards as more traditional media like television. According to Gordon, the Internet content experience is now being judged with other forms of media and not just with other Web pages. He referenced the unsuccessful **Victoria's Secret** Webcast of a few years ago as an example of how expectations weren't met early on with delivering content online.

Timothy Karr, director of Free Press and savetheinternet.com, spoke about the issue of Net neutrality and showed his site's amusing and informative video on the matter (which won a Webby for best documentary). He discussed how the current model for wireless Internet access is like that of a Mafia "Godfather"- with service providers like **AT&T**, **Verizon** and their ilk acting as gatekeepers. He also mentioned that the **FCC** is more open to citizens' concerns than most may realize and how it's really only a matter of stating one's concern to help initiate change in legislation.

Video Search Engines

The issue of trends in video search was addressed in a popular session titled "Video Search Engines." Panelists included Tom Wilde, CEO of **EveryZing.com**; David Lee, manager of business development at **StumbleUpon.com**; Peter Kocks, chief architect of **AOL Video**, and Mary Hodder, CEO of **Dabble.com**.

Wilde kicked off the discussion by telling the audience that EveryZing evolved from a government research and development project on speech-to-text search. EveryZing creates a text index of the audio data from audio and video files through speech-to-text technology from **BBN Technologies** to enable search within the spoken words of media itself, rather than just in the metadata. The search results from the site include snippets from the audio and video portions of a file to help searchers determine if the result is relevant. One can even click on the words to skip around and begin playing video from the precise point at which the searched word was spoken.

StumbleUpon's Lee spoke about how the discovery process differs from search and how it applies to his company. StumbleUpon is featured in a toolbar where users can "stumble" on sites according to topic and rate whether or no they like site the service chose to display. The application is based on the idea of personalization – people with similar interests won't always necessarily like the same content and would prefer to have something tailored to their individual tastes. Lee elaborated on how the discovery process requires a different approach than the search process, mentioning how the two are the primary modes of user behavior online.

AOL Video's Cox told the audience about how AOL Video provides back-end video search to companies like AOL itself and **Brightcove**. He said two main issues with searching for video are the inclusion of thumbnails and displaying the length of the video. If neither is shown, Cox said, then searchers will most likely bypass the video.

Hodder noted that Dabble.com's platform is based on indexing video across the Web. According to Hodder, video search shouldn't be stagnant like text search, so the indexing is constantly being updated. Dabble is extremely interactive and allows users to create profiles and rate and "collect" video content, she said.

On2 Technologies: Expanding the Market with Video Compression

At the Web Video Summit, we had the opportunity to speak with Eric Ameres, former CTO and executive VP of software development, and Sam Vasisht, VP of marketing, of On2 Technologies. The company develops video compression software, specifically for Internet-based applications. Companies that use On2's technology include **Adobe** (for its Flash player), **Skype**, **AOL** and **Brightcove**.

Although they couldn't talk specifically about how their compression software works, Ameres, who was a guest panelist for the session "iPhone and other Encoding Challenges," and Vasisht described the process as "reducing video down to its core components and eliminating extraneous data not necessary for the eye to perceive motion."

On2: continued on page TWENTY-EIGHT

WEB VIDEO SUMMIT 2007 - SAN JOSE

On2: continued from page TWENTY-SEVEN

On2's main technologies consist of its VP6 and VP7 codecs that companies integrate into their own software. Another product, Flix, offers solutions for encoding and publishing content via Adobe's Flash. According to Vasisht, approximately 80% of social networking sites currently use On2 products for their video compression needs.

Describing On2 as a whole, Vasisht commented that it's "an 'under the hood' company, with a significant technical presence in the marketplace."

2Wire's MediaPortal: A Triple-Play of Features for the Home Network

2Wire featured its MediaPortal, a set-top solution for home entertainment networking, at the Web Video Summit. The MediaPortal is a hybrid platform that supports broadband services and satellite TV programming. A number of telcos use the platform, most notably AT&T for its Homezone service in the United States.

According to Paul Brunato, 2Wire's director of corporate communications, the MediaPortal was developed as a solution for telco providers to compete with cable companies. The Media Portal offers a "triple-play" of voice, data and media features for the end user. Users can create a network to share broadband or wireless Internet access, files and peripherals.

The solution includes parental controls that can be set up to control what content is being viewed by kids and limit access time to the Internet and Web-based applications. The Firewall Monitor offers security and protection for the home network. Other functions the MediaPortal enables include VoIP services, live TV, multi-room digital video recording, Internet VoD, music management and photo sharing. The portal can also record programming in high-definition for customers who watch in HD. It also uses a remote component management system (CMS), which gives users a live link to customer service and other programming features off-site.

Hottest New Companies and Products

The second and third general sessions on Wednesday, "Hottest New Companies" and "Hottest New Products," were moderated by **GigaOmniMedia** founder Om Malik, GigaOmniMedia writer Liz Gannes, **Gear Live Media** CEO Andru Edwards, *PC Magazine* editor Jim Louderback. Although the sessions ran back-to-back and were quicker than expected, they managed to showcase some promising new products and ideas.

Jim Cantalini, the strategic advisor of **Voddler** Inc, spoke about his product, a large-scale, instant access, open Internet video-on-demand solution for television sets. The company's technology works on standard, 3G devices with an Internet connection and memory disk or chip, eliminating the need for a PC. According to Cantalini, the Voddler platform allows its users to watch not only TV programs and movies, but a variety of video content whenever and wherever they want.

Next up was Steven Rosenbaum, CEO of **magnify.com**, who talked up his company's platform that lets users customize their own channels for viewing video content. Users can instantly create, share and rank video content and channels. Rosenbaum mentioned that the site currently has some 6,300 channels and adds on average 100 channels per day.

Michael Smoldens, founder of **DotSub**, told the audience that DotSub refurbishes video content into other languages besides the one in which it was originally produced. The project has been funded privately for three-and-a-half years, but has had recent offers by two telcos to include the technology in set-top boxes.

Veotag president Scott Rhodes demo'd the company's application that allows users to show clickable text (referred to as "veotags") within an audio or video file. Veotag lets users "jump into" certain points of the video according to the text typed. Site and content owners can access features like changing the application's parameters and embed according to the typed text. The service costs site and content owners approximately \$1,000 a year, according to Rhodes.

2Wire CEO Pasquale Romano spoke about the company's MediaPortal, a set-top

box that combines the experiences of Internet and television entertainment through one system, making it a "triple-play" of video, voice, and data services. Currently being deployed through AT&T in various markets, the MediaPortal enables digital video recording in multiple rooms, Internet video-on-demand, music management and photo sharing. The system also includes remote access capabilities, allowing users to record programs and access content while away from their homes.

David Stubenvoll, CEO of **Wowza** Media System, discussed his company's Flash Streaming Service, which currently has about 1300 licenses worldwide. It features full-screen video, remote video recording and TiVo-like fast-forward and rewind options.

Yaron Samid, a co-founder of **Pando Networks**, described how Pando enables users to move large files over the Internet. In essence, the application takes on a **BitTorrent** protocol and adds layers. Users can send up to 1GB for free, embed certain files and use Pando's publishing service.

fix8 VP Dinesh Bhatia gave an amusing demonstration of his company's application that enables users to "wear" avatars as they chat live online. The avatars mimic the users' facial expressions and movements. Users can either choose from a host of characters or create an individual avatar based on their own facial characteristics.

Although free Wi-Fi access was offered by **Jupiter Media** at the Marriott hotel where the conference was held, it was apparent that it did not operate flawlessly.

It was also ironic to note that despite being in the heart of Silicon Valley, access to free Wi-Fi, or any network for that matter, from this reporter's hotel room was nonexistent, despite the hotel's promise. It leaves one wondering how ready we really are for these emerging technologies.

Web Video Tidbit

Lifecaster Justin Kan from **justin.tv** appeared with videocam intact and on his head while talking a bit about his experience of streaming full audio and video of his life over the Internet. Keep in mind, however, that he's only been streaming since March 19. When asked about how long he plans on streaming, Justin responded by saying as long as possible.

Gads! Talking E-Mail

Oh no! Talking e-mail! Reading e-mail on a cell phone while driving is certainly a mortal sin, but there may be a solution for folks who just can't wait until they reach their destination. A recent survey found that one in five people text while driving; one in three among 18- to 34-year-olds. So there just might be a burgeoning market for **USTelematics'** Vivee, short for Voice Interactive Voice Enhanced Email, which reads e-mail out loud. It connects to the Net through the **Verizon Wireless EVDO** high-speed network and can be used in any compatible device, including laptops. An iPhone-compatible version is expected by the end of summer. "Safety should be our primary concern when driving," said Charlene Montalbano, product manager of USTelematics. There's also something to be said for carrying this digital thing too far.

Microsoft Promotes Zune with Hip-Hop Barbecue

Microsoft said this week it plans to launch a series of three summer events to celebrate hip-hop music and the community that surrounds it. The "Zune Live at the BBQ" series will give fans an opportunity to see top hip-hop artists for free in a unique outdoor environment with music, games and, of course, a barbecue. The first concert was in Los Angeles on July 12. Upcoming dates include Chicago on July 22 and New York City on August 4. Fans will receive viral invitations or can learn more about getting one at www.zune.net. "These summer concerts are a great way for Zune to bring fans together with the artists they love," said Chris Stephenson, general manager of global marketing for Zune at Microsoft. "It's a way to show our appreciation to the hip-hop community for its support of the Zune brand and to bring the music to life for fans."

MediaBay Crashes

MediaBay, whose main competitor was **Audible.com**, has closed its doors. Its spe-

cialty was selling spoken-word audio entertainment, audiobooks and classic radios shows over the Net. The company had more than 75,000 hours of audio in its library. Its deals included **MSN**, **RealNetworks** for its Rhapsody service, **Loudeye** and both **XM** and **Sirius Satellite Radio**. It was MSN's exclusive provider of spoken-word audio. Guess it couldn't compete with Audible and its 130,000 hours of content and an average of more than 70,000 new listeners every quarter.

\$60 HD Radio from Radiosophy Stumbles Out of the Gate

Oops. Those \$60-after-a-\$40-rebate HD radios from **Radiosophy** that we reported on in early June turned out to have a major flaw. The company says it's expecting to receive units without the problem in early August and intends to replace any that are defective. That brings up the question of how **Microsoft** was able to go 18 months with severely flawed Xbox 360s and no major news outlet reported it.

On Our Technolust

"In 1967, it was 'All You Need Is Love' [from the Beatles' 'Sgt Pepper's Lonely Heart Club Band']. In 2007, it's 'All You Need Is AT&T Activation.' Welcome to the summer of technolust." – Steven Levy in his *Newsweek* article "Why We Went Nuts About the iPhone," comparing the kind of rabid receptions that music albums used to get to the kind that now greets new consumer technology.

AT&T Opens Its First Muni Wi-Fi Network

Remember when the big phone companies wanted nothing to do with municipal Wi-Fi networks? When they were lobbying state governments to prevent municipalities from deploying them? **AT&T** this week opened its first Metro Wi-Fi citywide access service, a three-square-mile portion of Riverside, California. It includes a consumer and business service plus a municipal public safety network that city agencies will use. When fully built out, it'll be the largest US Wi-Fi

deployment for both municipal and public use. Consumers will pay \$7.99 for a 24-hour pass and \$15.99 for a weekly pass. Also included is a free, ad-supported broadband service offered through an AT&T relationship with **MetroFi**, a leading provider of free wireless Internet access. "Wireless and IP are the future of communications and entertainment, and Riverside is at the cutting edge of technology communities with the addition of this network," said Chris Percy, VP and general manager at AT&T.

Tate Player as YouTube for Modern Art

How about a **YouTube** for modern art? That's what London's **Tate Art Gallery** is talking up in its **BT Tate Player** launch on July 19. **BT**, **British Telecom**, is the sponsor/lead advertiser. The announcement said the BT Tate Player brings a wide range of film and audio together online for the first time. The material ranges from rarely seen archive film, including footage of Barbara Hepworth and Ben Nicholson and a unique film by Felipe Ehrenberg, to recent discussions with artists including Howard Hodgkin, Gilbert & George and Rachel Whiteread. Over 70 events have been captured for posterity, including some 30 talks with artists, interviews and discussions.

VH1 Scoops Itself on Joost

VH1 is reportedly making its new eight-episode comedy series "I Hate My 30s" available for viewing online on **Joost** on July 16, according to *TVGuide.com*. The interesting part of the story is that the show's Joost debut is scheduled for 10 days before it appears on television.

Love Me, Love My Crazies

It's gotta be the summer silly season, what with talking e-mail and now social networks for pets. The canine and feline versions of **MySpace** and **Facebook** have joined the big leagues. **Dogster.com** has photos and Web pages of more than 300,000 dogs. There are more than 125,000 kitties on **Catster.com**. What's next, people camping out in line all night to buy a mobile phone? Oh, that was two weeks ago.

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