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## **Cutting Out Cable**



*In cable television, they call it going "over the top." That means cutting the cable cord and getting your television content via the Internet. It's the video equivalent of dropping your land line and relying solely on your cellphone. The explosion of tablets and apps increasingly gives content producers the opportunity to create a direct relationship with their customers, the viewer, rather than their distributors, the cable company. Today **Time Warner**(TWX) CEO **Jeff Bewkes** took a big step toward seizing that opportunity.*

*This is no small change. As bundlers and paymasters, cable companies have played an essential role in shaping the media we watch. With their control of the customer's dollar, your cable company bills for a bundle of content and then parses that money out to the various content producers (read: channels) it feels will drive the most subscriptions. If your cable company thinks **CNN** or **Disney** or **Discovery** is that one channel that will make you buy the next bundle up, they'll buy that channel from the **Time Warner** or **Disney** (DIS) or **Viacom**(VIA).*

*Enter the mobile and app revolutions. First, there was **Netflix** (NFLX) adding TV shows to its all-you-can-watch subscription model. Here they're acting like a cable company. Then there was **Hulu**, a joint venture of some of the broadcast networks to get their programming online. After experimenting with an ad supported model, Hulu is now trying to charge customers for over-the-top access through its **Hulu Plus** initiative.*

*The logic here is not hard to follow. The expanded capacity of wireless connections both within the home and on smartphones has liberated the screen from the living room. This has meant that more video content can now be consumed in more places. For content producers, this is their big chance to seize the customer's loyalty and control it directly.*

*Just listen to Bewkes, who made his bones at **HBO**, [talking to the Wall Street Journal](#):*

*"When all of the content on the big screen works like the content on the little screen what will happen? The programming will trump the interface," he said.*

*Content trumping distribution, that's the producer's dream. But how to get there from here? That's the hard question. Today, [Qualcomm announced that it will be phasing out its Flo TV service](#) which was meant to be a way for wireless customers to watch television on their hand-held devices. There are many reasons that **Qualcomm** is exiting the business. One of them is that the underlying spectrum that Flo TV uses is now much more valuable than the potential business Qualcomm was trying to create:*

*"It's no surprise," said Edward Snyder, an analyst at Charter Equity Research. "They've been losing traction steadily for the last year."*

*But the failure simply illustrates how hard it has been to get from where we are to where Time Warner and many others want to be.*

*To help make this transition, Bewkes is making common cause with Google TV. He's also been supporting the idea of TV Anywhere -- Comcast's vision where your cable subscription entitles you to wireless access to any or all of the same content. Pay your cable bill and **Comcast** (CMCSA) will provide you on any device, via a password-protected site, with all of the content they pipe into your home .*

*This seems like an elegant strategy. Young people might go over the top but most home owners are going to keep the cable, especially if they're getting TV bundled with internet service. No matter how the promotions break out the prices for TV, internet and telephone, it's still all one number to the customer.*

*For Comcast, the strategy is defensive. Time Warner, however, is playing offense. Time Warner sold its cable company a long time ago. So, in the long term, they've got no vested interest in preserving the bundled TV model. In the short-term, however, cable is still their primary customer.*

*That's why [Bewkes is out talking up Google TV as a positive for cable in The Wall Street Journal](#):*

*Mr. Bewkes said Time Warner is tailoring its content to the Internet giant's new Internet-connected TV venture because he believes Google's service will help discovery of its shows and provide another way for users who already pay for access to their cable channels to view them.*

*"It basically allows more and more people to find their favorite networks," he said, adding that Google isn't seeking to provide any connectivity service or land any rights to content on its own. "They are more helpful than necessary." he said, adding Google engineers are helping Time Warner tailor its websites to TVs of various shapes and sizes.*

*Bewkes and Google haven't made it clear how your cable company will interact with Google TV. No one has heard a similar plan from Apple TV either. But let's assume Comcast can launch TV Anywhere using its clout as the biggest cable operator and owner of one of the biggest cable networks, not to mention NBC and Universal and get viewers to pay for access to content. Won't that hasten the liberation of screens from the cable connection?*

*Once a sufficient number of screens are in use -- and remember that we're talking about screens of all sizes from phones to tablets to app-oriented large screens that can live in the kitchen, bedroom or den -- it's not hard to see Bewkes launching an HBO app with a built-in subscription. After that, won't the NFL and NBA want to deliver games through their own apps?*

*As over-the-top becomes a run-of-the-mill way of viewing television, the bundle will begin to unravel. Bewkes and his various brands may appear to be supporting their distribution partners with this latest push but they're really just hastening the collapse of yet another distribution network destroyed by digitization. Proving again that it's better to stick close to the content.*