

## **Audiences, and Hollywood, Flock to Smartphones**

*Brian Stelter*

It might be hard to imagine watching “The Office” on a screen no bigger than a business card. But tens of thousands of people — by the most conservative estimate — are already doing just that.

As Hollywood shrinks its films and television shows for the small screens of cellphones, its assumptions about mobile viewing are being upended by surprisingly patient consumers.



*Minh Uong/The New York Times*

“We all thought they’d be watching video clips in the checkout line or between classes,” said Vivi Zigler, the president for digital entertainment at NBC Universal, summing up the industry’s conventional wisdom. But owners of iPhones and other smartphones are actually watching long episodes and sometimes complete films, so a growing number of media companies are vying for people’s mobile attention spans.

Measured against TV ratings and box-office receipts, the mobile video audience is tiny today, but a range of companies, from Hollywood studios to local TV stations, all foresee an increasingly wireless world — and they don’t want to be cut out of the picture.

Some TV shows, like “The Office” on NBC.com, are streamed at no charge now, but there is a gnawing fear among media companies that they may be leaving money on the table by relying solely on revenue from advertising. And there is always the concern — whether it be on the Internet or on phones — that the new platforms could cannibalize the companies’ core businesses.

Accordingly, much of the mobile TV experimentation is happening on the paid side, through packages sold by individual carriers like AT&T and Verizon and through subscription services that will be coming soon.

“The economics around this are exhausting,” Ms. Zigler said.

Joining the wireless equivalent of a land rush, last month some of the biggest local TV station owners in the United States announced a joint venture to transmit their content to viewers on the go. It is most likely years away from operation.

The stations would transmit to phones over the airwaves, much like Flo TV, a unit of Qualcomm, which has invested about \$1 billion in mobile video distribution. The service sends channels like ESPN, Fox News and MTV to phones.

“Putting the concepts of mobility and watching video together is a natural, and we’re seeing it really grow right now,” said Flo TV’s president, Bill Stone.

Mr. Stone says the average Flo user watches 30 minutes of video a day. So far, though, few people are ponying up \$10 a month or more for the service.

But that is not stopping other media companies from trying to charge for walled gardens of content. Beginning later this year, Bitbop, a product of the News Corporation's Fox Mobile Group, will stream TV episodes to smartphones for \$9.99 a month.

The News Corporation declined an interview request, but Joe Bilman of Fox Mobile, who is described as the chief architect of Bitbop, said in a statement in March that "the marriage of on-demand content and mobility has the power to ignite a fire in the smartphone space."

Along with all-you-can-watch plans like Bitbop, there are à la carte stores for mobile viewing popping up. Blockbuster, the beleaguered movie rental chain, started selling movies for phones in the last month. The Oscar winner "The Hurt Locker" costs \$3.99 for a 24-hour rental period.

But no one can say how big the market is for costly video delivered to phones. Most households already pay monthly cable or satellite TV bills. And those distributors are already starting to circle the mobile arena.

Mr. Stone would not say how many subscribers Flo has, citing relationships with its wireless carrier partners. But he acknowledged that the market was "early," and would not say when Qualcomm expected Flo to turn profitable.

On top of the paid services, there is perhaps the simplest one of all, which is free and supported by ads. When NBC.com is reached from a smartphone, it typically takes a few seconds for the episode to start playing, but the streaming is surprisingly reliable on a 3G network. Similarly, CBS gives away an iPhone application for TV viewing.

Many media companies are distributing their wares several different ways, since as J. B. Perrette, the president for digital and affiliate distribution for NBC Universal, put it, "we don't have an answer as to which one is going to win out."

From services like Flo, networks receive subscriber fees. From their own Web sites, networks may find it easier to customize ads to individual viewers.

While the audience for mobile TV is small at the moment, it is growing rapidly. Roughly 17.6 million people in the United States watched video on their phones in the fourth quarter of last year, according to the Nielsen Company, up from 11.2 million 12 months earlier. They watched an average of three hours and 37 minutes of mobile video a month.

By way of comparison, Americans who watch television watch on average 153 hours of traditional TV a month.

Eric Berger, the senior vice president for digital networks for Sony Pictures Television, said the increase in mobile-viewing minutes correlates to the surge in smartphone sales. Sony has found that mobile visitors to its online video site, Crackle, watch movies for an average of 26 minutes. About 20 percent of visitors finish the movies. Mr. Berger said he thinks that people tune in to movies that they have already seen and watch portions of them again.

Many media researchers still maintain that viewers gravitate toward the best available screen, defending TV as the medium to beat. If a parent is watching on the living room TV set, a child may choose to watch something else on his or her phone.

"It's becoming more mass market than it was, say, two years ago," Mr. Berger said of mobile TV.

Similarly, Ms. Zigler has found that 60 percent of mobile visitors to NBC.com are coming from home, indicating that some people do not mind watching comedies and dramas on a palm-size screen even when a big-screen TV is nearby. "It's pretty remarkable," she said.

But bandwidth constraints are a big concern. Blockbuster's streaming service, for instance, does not yet work on the iPhone, which is sold by Apple, with service by AT&T.

The iPhone is "a little challenging," said Scott Levine, vice president for digital at Blockbuster, citing the heavy bandwidth demands the phone places on AT&T's strained network. "We have to think about how to make 3G work with the carriers. Above all, we want it to be a good experience for users."

Carriers say they are gradually introducing next-generation networks that will be better suited for widespread video viewing. And Kay Johansson, the chief technology officer for MobiTV, said his company and others kept finding ways to squeeze more data through the existing lines.

But in the meantime, ventures that rely on over-the-air spectrum — like Flo and, someday, the one announced by local stations — say they can deliver video to mobile customers much more efficiently. Both factions are confident that people will increasingly want to watch video on the go, whether live over the airwaves or on demand over a wireless carrier's network.

"The TV at home is just going to be a bigger screen," Mr. Johansson said.

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