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## TV News Online: The Only Local News Worth Watching

23 April 2004

Broadband is where all the Internet user growth is in the United States, with the number of high-speed users continuing its steady ascent as the number of dial-up users hemorrhage, according to eMarketer's *Broadband Worldwide 2004* report.

By David Berkowitz

Web sites of TV newscasters are among those applauding the change.

### Online Households in the US, by Dial-Up and Broadband, 2003-2007 (in millions and % CAGR)

	2003	2004	2005	2006	2007	CAGR
Dial-up	43.5	39.6	35.4	30.7	28.9	-9.7%
Broadband	24.8	32.5	39.9	47.2	54.5	21.8%
Online households	68.3	72.1	75.3	77.9	83.4	5.1%

Source: eMarketer, March 2004

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*WorldNow*, whose network of news sites ranks among Nielsen//NetRatings' top 20, enables about 170 local broadcasters to air their news online to over 15 million monthly unique visitors and sells advertising on the Web properties. Most visitors (63%) are watching during the workday, when TV isn't an option, though increased broadband adoption may bring more home users into the fray. Nearly half (45%) access *WorldNow* via high-speed connections, according to a Frank E. Magid Associates survey of 39,000 *WorldNow* users in November 2004.

eMarketer delved into the *WorldNow* Wide Web with CEO Gary Gannaway.

**Gary Gannaway:** If you ask a person, "Would you rather read *Time* or watch 60 Minutes?" Most would say they'd rather watch 60 Minutes. "Would you rather watch 60 Minutes at 7pm on Sunday or any time you want?" They'd rather watch it any time they want. "Would you rather watch all of 60 Minutes, or would you rather sort through the stories you want?" That's the level of choice we're providing.

I think where *WorldNow* fits is we're not the only one that can provide that technology to broadcasters. It's just that we got in the game earlier, and we listened to our customers, and we evolved our video streaming to really give a level of functionality to the station with a lot of consumer benefit that made it

easier for broadcasters to say, "I want to go with someone whose solutions are going to be the best in the market." Of course, we created a solution that was advertiser-supported, so if you wanted to sell to somebody who was buying sports in your newscast, you could sell them the sports sponsorship online.

Here's a neat trick. Newscasts never are sponsorable. It's just not done. They don't say, "I'm only going to sell one auto dealer to be the exclusive auto dealer bringing sports every night to New Yorkers." What we believed is that the broadcasters would do this on the Web, and they do. Our better stations look to sell an exclusive association with certain parts of their Web site, which really allows a broadcaster to distinguish themselves and position their brand as being a leader in their field.

**eMarketer:** There are a couple of trends you touch on. One is the whole concept of video on demand, and in this case, it's a type of Internet embodiment of it. The other is that, with VOD, while you can watch something any time you want, you can't watch it while you're at work. There's only one medium that's really going to reach you during the workday.

**GG:** You know what's interesting? We did a deal with a major newspaper, and it has a site with millions of unique visitors. Now they can put video on it. It's a paradigm shift. They're saying, "As a newspaper company, we're thought of as news that people get once a day." Online, because they embraced it, they got people going to it often during the day. The problem is people would rather consume news in video versus text. It will be so neat to see what they do with the video. How will they embrace the marketplace? I think they're going to do some really neat things. I think they're going to look for little niches like high school sports. At the same time, I think they're going to do school closings. Then they'll do stories behind the story. It will give them a chance to do things they couldn't do in text form.

**eMarketer:** With a newspaper signing up, is there a low cost of entry?

**GG:** It's so inexpensive. High quality cameras are \$5,000.

**eMarketer:** It changes the nature of what such a newspaper outlet is.

**GG:** Broadcast's competitive advantage is still going to be very tough for another medium to attack. Broadband is driving the use of streaming video, and newspapers will jump on board, but because it's not their core competency, they can't be as powerful players as broadcasters.

There's a window of opportunity for broadcasters. We feel that we're really in that sweet spot that we can go to a broadcaster and give them the very best video streaming solution that is on any news media site today and immediately help them leapfrog.

**eMarketer:** Can you get into the ad sales part of it a bit more? How does it work? And are there certain kinds of advertisers opting for the online version as opposed to the TV broadcast?

**GG:** Sure. Here's how it works. The ad sales managers will sell TV with the Web and make sure that the value of the Web is equal to the value of TV. If you have a \$2,000 per month of television time, that becomes a \$4,000 per month convergence package.

Two, these are new to TV advertisers. 75% of the success we've had is with people who hadn't bought TV before.

Three, these are our client-direct business deals. These are deals that stations

make directly with the advertisers themselves.

These are 12-month contracts, and what I think will blow you away the most is how little the churn is. The typical broadcaster will have at least 30% churn a year -- 30% of his advertising base will leave him next year. Isn't that amazing? If we're in a business where we have 5% of our clients not renewing, we're called better broadcasters, and they're renewing with 12-month contracts.

**eMarketer:** On one hand, saying the value of the Internet's comparable to the value of TV sounds really good. On the other hand, it seems like you're selling the Internet short. I'd imagine my TV news experience isn't that different from a lot of mainstream America's where in the morning, I'm getting ready for work, and in the evening, I'm making dinner or taking care of a few things. My focus is only half-heartedly on the TV news, and I'll just pay attention when I hear a segment on the news that interests me. If I'm interacting with an online streaming Webcast, then all I'm doing is looking at that.

**GG:** What you really hit on is the power of the Web. When you have that kind of audience that's going to the Web, and they're able to go deep with an advertiser - when I say deep, say there's a plastic surgeon advertising -- you have a lot of questions in your mind that can't be answered in 30 seconds, so guess what, plastic surgeons don't use TV. The Web, when you get that kind of traffic size, only our better stations have been able to say they can sell the Web without TV. Very few can do that. I'm hoping that that will happen one day. We're not there yet, even though some of the stations that can support that value proposition.

Locally, there is about \$100 billion spent on advertising each year. TV gets only 14% of that total ad spend. Direct mail is at \$33 billion. What's really fascinating is the majority of dollars spent locally -- the reason people don't buy TV is they can't tell the story in 30 seconds, and they need the reference of direct mail or the newspaper. TV's never been able to bridge that. What we always thought is if we can teach our broadcasters how to put up a great Web site with timely content and get consumers going to their sites, the dollars would follow. What we try to say is, "You've got an opportunity to go after an industry that needs your branding but also needs the Web to push the business."

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**PUB DATE:** 23 Apr 2004  
**SUBJECTS:** News & Information; Streaming Media; Broadband  
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