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The Netflix War, Starring Bewkes and Iger

By MARTIN PEERS

When it comes to rivalry among Hollywood's leading men, there may be none deeper than that between Jeff Bewkes and Robert Iger.

The fault lines between the chief executives of Time Warner and Walt Disney were on display Wednesday. Disney announced an expansion of its content-supply agreement with Netflix's Internet streaming service for movies and TV shows. Among the extra content now available is content from the ABC Family channel.

It seems to reflect Mr. Iger's view that entertainment companies should take advantage of new distribution platforms like Internet television, both to generate extra revenue and to prevent piracy. But it came just two days after Mr. Bewkes issued a clear warning about the pitfalls of content-licensing deals with Netflix. He argued the cheap subscription offer devalues content, undercutting a studio's ability to make money selling it elsewhere. Netflix's role should be "for content that doesn't have a higher use in other platforms."

In a sense, Wednesday's deal might fit those parameters. After all, many of the series licensed to Netflix have long appeared as reruns on television and are available already on the Internet for free, including on ABC.com or Hulu.

But free sites such as Hulu or ABC.com, designed for use on a computer, aren't the same as Netflix. Its streaming service is easily accessible on a TV.

The bottom line is that any reasonably new television content licensed to Netflix only broadens and strengthens the streaming service's appeal. That will make consumers more willing to switch off their pricier cable video service. That will erode cable-network profits, which generated 59% of Disney's operating income in fiscal 2010 and 82% at Time Warner in the first three quarters of this year.

While Mr. Iger has acknowledged the need to protect the existing subscription-TV business, Mr. Bewkes seems to see the threat more acutely. It is surely no coincidence that Time Warner's studio Warner Bros. has licensed less content to Netflix for streaming than other studios have, including Disney.

The gulf between the two extends to the DVD business, where Warner Bros. was the first of several film studios to negotiate a 28-day delay on new DVDs for Netflix and other cheap services like Coinstar's kiosk chain Redbox. Warner hoped to shift consumers to higher-value outlets like video on demand or DVD sales. Mr. Bewkes even suggested this week the 28-day delay might not be long enough. Disney, in contrast, hasn't embraced a delay.

Long term, Mr. Iger is right that digital technologies should be embraced and not avoided. Indeed, Mr. Bewkes risks alienating consumers by keeping content off Web services. But the near-term threat to profits is real. Either way, without a unified approach from Hollywood, the only real winner is Netflix.

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