

Cable, satellite and ... Sezmi? Startup wants in on pay TV

By PETER SVENSSON. Associated Press. May 1, 2008.

NEW YORK (AP) — A startup is betting that people are tired enough of their cable and satellite bills to take a look at an alternative pay TV system that combines a number of different technologies to deliver programming.

Silicon Valley-based Sezmi Corp. is revealing a system Thursday that amounts to a way for phone companies and local TV broadcasters to team up for an end run around satellite and cable. Technical trials are starting shortly, with full-blown commercial trials in some markets, yet unnamed, later this year.

The carrot for consumers: monthly fees that are about half those of cable or satellite, according to Sezmi founder Bunno Pati.

Sezmi's system takes some explaining. At its heart is a TV set-top box that receives video content in three different ways. Two are available through other means: digital over-the-air local broadcasts, the kind that are available to anyone with a digital TV and a rabbit-ear antenna; and Internet downloads through the home's broadband connection.

The third delivery method would be unique to Sezmi. It plans to have local TV stations use vacant portions of their airwaves to transmit basic cable channels like Nickelodeon and Discovery. Given the limited spectrum available, the stations won't be able to transmit a full lineup, and only some of it will be in high definition. Sezmi plans to mitigate that by having stations send out the most-watched shows and have the set-top boxes save them on their hard drives, making them available for viewing on demand.

None of these features are completely original. The set-top box combines the feature of a digital TV tuner, a TV-style digital video recorder and an Internet video box like the Apple TV. The additional over-the-air cable content is reminiscent of a service called MovieBeam, which was started by The Walt Disney Co. When it shut down in December after a four-year run, it had 1,800 subscribers.

"The TV space has been waiting for someone to put it all together much like Apple did for digital music" when it combined its iTunes music store with the iPod music player, said Phil Wiser, chairman and president of Sezmi.

Apart from questions about how well the complex system works, consumer confusion could be one of the obstacles to Sezmi's success. It took years for mainstream consumers to understand what digital video recorders were good for, for instance.

Sezmi is counting on phone companies, and perhaps also wireless carriers, to market the service as a bundle with Internet service. A cheap TV product would give landline phone companies a way to fend off the encroachment of cable companies, who are rapidly signing up people for their voice services.

The largest phone companies, AT&T Inc. and Verizon Communications Inc., have their own TV services, but they're expensive to roll out. Smaller companies, like Embarq Corp., have marketing deals with satellite companies, but those yield little in the way of synergies.

Sezmi did not announce any commitments from phone companies, but Jeff Gardner the chief executive of Windstream Communications Inc., said Sezmi creates "a unique opportunity for Internet service providers." The Little, Rock., Ark., company operates 3.2 million phone lines.

Sezmi executives have a strong pedigree in the technology and media fields. Wiser, the chairman, used to be chief technology officer of Sony Corp. of America. Before that, he founded Liquid Audio, a pioneer in online music distribution. Pati founded Numerical Technologies, which developed a chip manufacturing technology. Other executives have backgrounds at NBC, DirecTV and Clearwire Corp., a wireless broadband provider. On the board is Andrew Lack, chairman of SonyBMG Music Entertainment.

Sezmi was called Building B until coming out "stealth mode" on Thursday. Its funding comes from six venture-capital firms, including Morgenthaler Ventures, which helped Apple Inc. get off the ground.

On the Net:

- <http://www.building-b.com/sezmi/>