

There has been a lot of discussion on the net about Time Warner's Dick Parsons [comments to the UK Guardian](#).

I'm not going to guess what they might do, but its a lot of fun to discuss what their and other big media companies options are. Some people play fantasy sports. I like to play Fantasy Business.

There are a ton of different options, Im going to discuss a couple here because its an interesting exercercise in understanding business. Some people like to think that "this time its different". Its not. Its always about money and control. Thats been the case forever. The only real question is whether you can make more money by giving up control.

Google is a brilliant example of control. They never give it up. They jealously guard everything, from their ranking algorithms to their business metrics and more. They control in detail every aspect of their business. Its not like you see Google giving away their search results to meta search engines for free. Not at all. All traffic comes back to Google.

What google does that again, is completely brilliant, is have complete confidence they can make money on any arbitrage of traffic vs cash. The arbitrage goes like this. Company X, say Myspace, AOL, Dell , etc has been able to generate X\$ in cash against Y traffic they have been experiencing. That company wants to generate far more money against that traffic. Google knows they can do a better job than company X at monetizing that traffic. The arb is pretty straight forward at that point. Give company X a magnitude more than that company could generate on their own in cash, and then keep all the excess cash that Google generates on that company's traffic.

If you go to the non search engine places that create the most traffic outside of Google and buy them or contract for their traffic, you in essence take them out of the search advertising game. They cant help your competition. You have pre emptied a major player. Brilliant.

So the question is whether or not we are seeing the beginning of the same approach with video. The answer to the question has a profound impact on the strategic alternatives a major media company would consider in working with Google/YT. If Google is able to sign licensing deals with the major content providers and basically get carte blanche, we wont sue agreements in exchange for promotional considerations, revenue share and lots of money up front, they win. Now that win could get set aside if a small video hosting company loses a lawsuit that sets a precedent that changes the rules of videohosting. (ie, they have to monitor videos and determine copyright status before a video is posted to the site), but if not, Google, by lining up any deals, regardless of cash involved, that keeps them from getting sued, and allows them to exploit all the video treasures of the major content libraries, wins, hands down.

Which brings us to the options for the major media companies.

#### **1. Take the money, promotion and revenue share.**

Most of the analysts out there feel like this is what will happen. That google will be so generous with the cash, along with their fear of "missing out" that the major media companies will not be able to say no. Personally, I think its a mistake to do so. I have a rule that you never turn over a core competency to a 3rd party at any price. Selling your product and advertising in and around your product always has to be a core competency. Sales are the lifeblood of any business. If you turn it over to someone else, you are at the mercy of their ability. Even if they can do a better job than you, you have to figure out how to do a better job than them. It might cost money in the short and medium turn, but it saves your business in the long run. For a major media company the amount of money that might come from Google wont change their fortunes dramatically. HOWEVER, the opportunities that changes in technology and how consumers interact with that technology could change everything, leaving the media company on the outside looking in.

Plus, once its ok for your content to be uploaded , even with guidelines, you have just created a competitor that can repackage your content. You might have limited the length in time of the clips, put in "taste" guidelines , whatever, but you wont be able to limit packaging. So for instance, if Sony does a deal that allows Seinfeld clips up to 30 secs long. That seems innocent enough until the videhost takes the 4k plus Seinfeld clips and creates a Seinfeld page. The Seinfeld page could have Seinfeld polls and contests. The Seinfeld page could hire Jerry Seinfeld himself or for a lot less money, Michael Richards as Kramer, to host video on the now grown to Seinfeld minisite, that talks about his favorite clips. All completely out of the control of the rights holder. The folks at [Peekvid.com](#) have put together a very simple example of where this will go. Put some Ad Publishing around it, some video pre or post roll, or even a seperate commercial on the page as many sites are doing, and Peekvid has made some easy money. Any content licensee could easily do the same thing or do both. THe mini site, the index, and who knows what else in order to create new inventory.

The rules on how best to monetize and exploit video have not been written yet. Giving up your core asset to someone who is probably smarter and better prepared than you to exploit the rights of your assets isnt usually a good move. It violates my negotiations rule. When you sit down at the negotiating table to do a deal, you always look for the fool. If you dont see him/her, its you. IN other words. Always assume you are missing something until you are sure you are not.

#### **2. Keep your content exclusively for your own site and let users access and post content from there.**

With a few exceptions, all of the major media companies draw millions of users per month to their sites. True, thats not Google or YT traffic, but they arent trivial either. Rather than leaving the door open for Google/YT to let users post away and HOPING that the content identification software they are working on works, why not take control ? Why not slice and dice your own content up in as many ways as you can think of and make it available to all comers to use ? You could limit the clips to whatever size you want. Llimit the encoding to whatever quality you want. Its not like you dont have the assets digitized already and couldnt figure out how to do it. I look at it this way. If ESPN can figure out how to pick their 10 plays of the day from all the games being played on any given day, a major media company can hire a bunch of kids out of school to post the fun stuff in huge quantities and make them available for anyone to use. But wait, there is more.

Whats the point of just hosting and posting clips, songs, whatever if the user is just going to take them over to Youtube, AOL Uncut or where ever ? Well its technology fool. You know that these sites use FLV files. You know that FLV supports ALL KIND OF FEATURES. When you offer these encoded goodies, build in the things you need. Offer to pre encode their final product yourself under the value that the Youtube upload process will be sped up considerably

You can even have instructions on your site on how to create mashups and encourage people to do so.

This wont apply to every video that gets posted on Video Hosting sites, but it sure is a nice first step towards taking control of matters. User Generated Video, particularly being able to enhance the video with unique features, to take it beyond kids in front of their webcam or DVcam is just beginning. Personally, i think making it simple to add cool features in front of theupload process could make a difference in where non tech savvy people host the videos they create..

The downside of trying to retain

control of your videos is having to monitor all the 3rd party sites for your content and then sending out take down notices and subpoenas. Someone is going to make a nice business out of doing this, but until then its a pain. At least until the law is changed or the video hosting sites lose a lawsuit that results in them having to analyze video for copyrights rather than every copyright owner having to do it.

By retaining control of your own content, there is no question you might lose some eyeballs in the short term. But whats the rush ? The value of a a user watching User GEnenerated content with your content has yet to be determined along with just how much traffic any given video will generate. Which makes it tough to do a deal for a library of content. Plus, it has yet to be determined what the competitive impact of preventing a videohosting site from hosting files with your content. Which in composite makes it look early to do any type of deal for a library.

Here is another way to look at it. Google Video, Youtube, AOL Uncut and various other hosts of user generated content have been around for more than a year and have had tens of millions of users each month watching billions of videos. **What have all those views translated into econcomically for content owenrs ?** There have been aggregated eyeballs, but what else ? Has there been a FINANCIAL hit for any content owner ? Has anyone actually made money from the content they uploaded ? Has a DVD been sparked to new highs in sales because of clips of uploaded video ? Has a video download been purchased in significant numbers because of uploaded video ? Have TV shows reached new rating highs ? Sure there has been some content that has been seen in numbers greater than those on TV, but so what ? If that video hadnt been available, would anything be different in the universe other than some people missing a giggle at Tucker Carlsons' expense ? Bottom line, anyone who sat it out so far, hasnt missed a thing. Once there is a model for monetizing and setting parameters of use, and legality, then things could change. Until then, all i can see that we know from videohosting sites is that Users Love Free.

### **3. Do a cross licensing deal with other content rights owners.**

Why not take a page from the big technology company playbook. They cross license patents all the time. Why not do the same with content ? Create a set of parameters that apply to how you think User Generated/Uploaded content should handle copyrighted content. Length, encoding parameters, file size, audio quality, whatever. Then do a cross licensing deal that allows those you let into the group to offer your content from their site within the set parameters and vice versa.

From there, you let each company set the licensing price for their content, but kick back a percentage to a law firm that does nothing but check for your copyrights on hosting sites, and issues the takedowns and subpoenas for all those in the cross licensing deal, and possibly even files suit to protect the rights of the copyright owners.

All of the sudden, the leverage is completely upside from where it is now. The videohosting companies will find out very quickly how valuable user generated content is without access to the biggest content libraries. The same hosting companies immediately are dealing with the onslaught of legal documents, which in turn impacts their businesses. Advertisers now are completely at the mercy of joe and sally's creativity without the brands to connect to. Thats going to be harder for them to sell.

Meanwhile, with access to the biggest copyright libraries, each of those companies that participate can go to work creating their own user hosting environments and compete on the merits of their products, and more fully enable user creativity with access to the copyrighted content. Your advertising sales forces can maintain control of the products within the set guidelines and leverage their ownership of their content to create better, branded environments for advertisers.

Of course when its all said and done, it will still require unique approaches to monetizing the video , and enabling new user experiences. It remains to be seen whether the traditional media companies, even with some smart new media people at the helm these days will pull it off. But sometimes a good old fashioned revolt, even when it comes from big companies, can make things interesting.

Personally, arguing about business strategy is fun. Its how any business person learns. Watching what the major media companies, and the major online companies do in this space is going to be fascinating.