

I have no idea what the traffic will be for this new venture if they create a single destination site. I have no idea what the traffic will be for video hosted by the distribution partners they signed up, Yahoo, MSN, AOL and Fox and NBC/Universal sites themselves. Individually they certainly will trail Youtube in traffic. In aggregate, it has a chance to surpass Youtube, but we won't know this for a long , long time.

Here is what I do know.

1. Because Gootube has chosen to hide behind the DMCA, it can only sell advertising around videos it has a license for. That means their inventory is limited, which in turn limits its ability to try new things and to make big sales. If the core competency of Google is to sell advertising and the foundation for the Youtube acquisition was to invent and deploy new and exciting forms of video advertising, that goal just took a huge hit.

This new venture, if it can launch in the next few months, will hit the ground with more and better content, and more monetization options than Google. Its a unique opportunity to set the rules of how video advertising is sold. Something Google thought they had wrapped up when they bought Youtube.

Whether Newco can live up to Google in terms of performance and innovation is another question, but they are going to have every opportunity to do so. Hiring some folks away at Google for stupid money would seem to make a lot of sense at this point.

2. Youtube's 10 minute limitation will put it at a disadvantage. Newco's distributors will have access to full episodes in addition to clips and user generated content beyond 10 minutes. This will give viewers much greater choice and could steal users from Youtube for this reason alone. It may force Google to combine Google Video and Youtube. It also will provide more options and flexibility for advertisers.

3. What may turn out to be the biggest problem created by Newco is the new competition for content from major content owners. Rather than Google walking into meetings as the only kid on the block, Newco can offer an alternative from the mindset of a content provider. It will certainly impact the terms and cost of content for Google. The good news for Google is that it may accelerate their ability to get deals done with people who dont want to partner with Newco for whatever reason

4. If the future of the net is video, where does this put Google Search ? Google Video Search right now plays in a walled garden of indexing and returning results only for Google Video and Youtube. How long will users give them a pass for this ? The distributors of content from Newco all have some level of internet video search, I would expect that they will start making an issue of this in advertising and promotional campaigns..."There are X million number of websites with video on them, Google Video searches 2 of them..."

This new venture is about so much more than who can get more traffic. It was a very smart strategic move to put significant roadblocks in Google's path, while paving a way for those involved with Newco to give users and advertisers what they want from Online Video.

But as always, concept is one thing, execution is the bottom line