

Youtube, CBS, NBC, ABC are going to have an awful lot in common in the not too distant future

Which company uses its traffic to drive eyeballs to programming on which it sells advertising ? They all do.

The biggest difference between Youtube and the broadcast networks is that one actually produces content or pays a licensing fee for the content before they sell advertising around it. Youtube doesn't.

I don't think there is any question that the Youtube model is better. Now that they have stopped hiding behind the Digital Millennium Copyright Act, Youtube has taken the very smart step of letting content "audition" for the right to sign a license for Youtube to send it traffic and sell advertising around it.

Anyone can post content on Youtube. If that content generates enough interest (even if its interest that is artificially created by the content production company), Youtube will offer it a license that allows Youtube to sell advertising around the content and share that revenue with the content creator (Without a license, Youtube is not allowed to sell advertising around the content. By the DMCA, they are not allowed to even know it exists. Youtube acts only as a host). It really is win win.

Which leads to the question of whether or not broadcast networks like CBS, NBC, ABC should try to copy the Youtube model ? Should they create an "audition" environment and let the winners get slots of broadcast TV ? The answer of course is no. As networks have already found out, what works on the internet has yet to work on broadcast TV.

I think the real approach is for the broadcast networks to "Game" Youtube. There is nothing that says that they can't use Youtube to audition their pilots. By putting pilots on Youtube and Hulu as well, it's a chance to see what the level of interest is for the pilots. This "crowdsourcing" approach, when combined with some traditional research and analysis could allow broadcast networks to be smarter in choosing which pilots to put on TV.

Not only would it allow broadcast and cable networks as well to be smarter, but it also would allow them to get paid to promote the show. It's in Youtube's financial interest to promote the pilots heavily. It's the most professionally produced content available to it to promote. So why wouldn't they ? More promotion means that pilots would actually generate revenue in addition to awareness prior to a network scheduling decision being made.

From a bigger picture perspective, unless Youtube can reach a position where it generates more advertising revenue online than a slot on a broadcast network schedule, this approach would cement Youtube's position as the "minor leagues" for broadcast network content. Pilots would be auditioned online and then possibly get "called up" to the major leagues, also known as the network schedule. Those pilots that didn't warrant a call up can get polished up for a 2nd audition, or the production company could choose to stay on Youtube and produce future episodes, working with in the revenue levels earned online.

It's also interesting to project where this could lead. If Youtube generates significant enough revenue for professional content producers to consider it a viable platform to invest in, then it faces the prospects of having to decide which content to generate traffic to. Content producers will recognize the revenue available and that will act as a magnet for more content created at greater expense. Those who have made significant investment will expect that Youtube will send traffic its way. Of course even on Youtube, not all content will get equal traffic. At some point decisions will have to be made as to which content gets the most traffic pushed its way. Put another way, Youtube will have to "schedule" its traffic. It may be done algorithmically, but it's a schedule. Just like ABC, NBC, CBS try to schedule their shows to optimize "traffic".viewers, so will Youtube.

The first step for Youtube is deciding where to send its traffic. Which in turn should allow Youtube to maximize its revenue from that traffic. Right ? Absolutely, but it may also lead to a recognition that some content producers are better at generating revenue for Youtube than others. If there are a couple that really stand out as stellar revenue producers, how long before they demand minimum guarantees or licensing fees rather than just a percentage of ad revenues ?

What if there is a Mark Burnett or Jerry Bruckheimer of Youtube Video ? So good at what they do, generating so much revenue for Youtube that the leverage switches from Youtube to the content creator ? Will Youtube just walk away from those producers ? Or will they pay the license fee ?

And if Youtube finds itself paying its best content producers a license fee and slotting those programs in the highest traffic slots in order to make money on their content investment, how does that make them any different than any broadcast network ?

Both make all their money from advertising and pay license fees for content around which they sell advertising. Right ? Yes, Youtube can host unlimited hours of content, BUT they also deliver far fewer viewer hours than broadcast TV (remember people still watch 141 hours of tv per month compared to 3hrs plus of internet video consumption). So how will Youtube address "programming" their traffic allocations ? It's going to be interesting.

But wait, there is more ! At some point Youtube traffic will level off. It may not be for 10 years, but it will happen. Then what ?

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