

A couple weeks ago i wrote about the [Ala Carting of Video on the Net](#). The premise was very simple. To paraphrase an old saying, "If you give away the milk for free, there is no need to buy the cow". If you give away your best stuff on an ala carte basis, then the value of everything that depended on that "stuff" declines.

Some folks agreed, others searched for ways to disagree. Many in their responses seemed to think that because I own [HDNet](#) that I am biased and my judgement is clouded. In fact, its the exact opposite. I co founded HDNet in 2001 because even then, the writing was on the wall that digital delivery of content over a network that can control the quality of its service would always deliver a superior product over the open, net neutrality driven internet. Particularly when Sd camcorders were replaced by HD camcorders and consumers showed a bias towards content shot and delivered in high definition. So HDNet is the result of my analysis. My analysis is not the result of my owning HDNet. Make sense ? But I digress from the post topic.

The Ala Carting issue is a primary issue for corporate producers of content. What about the little guys ?

The newest and biggest problem for independent creators of internet video is that their financial futures are controlled completely by Google.

Google, by way of YouTube has done an astonishing job of hiding the true economics of web video. For the vast majority of internet video creators, their perception of cost is limited to their actual work and cost to create the content and upload it to YouTube. Of course, nothing could be further from the truth.

The cost of delivery of video on the net, because of its unicast or 1 to 1 mechanics increases as its audience size increases. So unlike regular TV, where as the number of viewers increase, the cost of delivery per viewer decreases, internet video is the exact opposite. As the number of viewers increase, your cost per viewer increases. Considerably.

Google , along with MySpace and other popular webhosting sites have done a masterful job of hiding the real costs of video delivery by fully subsidizing the cost. Why should anyone care if Google or MySpace is picking up 100pct of the tab ?

If you are an INDEPENDENT video producer who would like to get paid at some point for your work, you should care. A lot. Why ? Because at some point even Google and Myspace will grow tired of subsidizing all of this cost.

In the words of Google CEO Eric Schmidt "We're working but have not yet in my view gotten a breakthrough around monetization," Schmidt said during an interview for CNBC. "We're working on that. That's our highest priority this year."

Right now Google has no way of making money on content. They are experimenting. But what happens when the lightbulb goes off ? What happens when they finally find a solution to monetization ?

Thats easy: "All your video does belongs to US".

When they turn on the light, if you are a content producer who would like to get paid for your work, you will be required to license your video to Google and all those who copy what Google does. Exclusively ? Maybe, but probably not. But if you like the taste of free video hosting from Google, you will have to do what you do not have to do today, give something in return. Which is a license to your content.

Those who are even more cynical than I tend to be, will be the first to say that this is already happening. That in order to get paid by Google, you have to sign a content licensing deal. After all, the DMCA specifies that Google cant know what content is on Youtube unless its licensed to them, so there is no way for them to pay anyone unless they sign a deal. Which is of course true.

What it doesn't take into account is that 99pct of content producers have no idea how the economics have worked for the 1pct of content producers that have signed deals. if they did, they would know that the number of producers actually making minimum wage for their work is few and far between.

But it gets worse.

Selling your content through Google is a 100pct commission business. You don't get anything unless they sell something. That works great in an adsense model where your cost to produce and deliver a webpage is minimal. That works great when every word in your webpage is indexed and there are millions of SEO tricks available to drive traffic and increase your revenue from Google.

That sucks when you have to go in the hole to produce video of any quality at all. It sucks worse when there is no inexpensive way to drive traffic to your video to generate ad revenue.

Creating content is expensive. The cost of the tools may have dropped considerably, **but the value of your time increases every minute you live past the age of 25, or move out of your parents house, which ever comes later.** At some stage in your life, you reach a point where Mac and Cheese and free food at happy hour and buying used clothes are disapointments rather than choices. At some stage in your life, asking your friends to work for free is no longer "hanging out", its imposing or freeloading. Its at that point you are going to realize that you are working really hard and scared shitless about whether you will be able to make a living doing what you love. **Then it will hit you that you are subsidizing the cost of video advertising inventory for Google or MySpace or whoever, while not being able to make ends meet.**

That is the future of internet video as it stands today.

Im sure Google and MySpace and every video host is trying to find their "Overture Moment". Their cost per click equivalent that will cover the costs of video delivery to the hundreds of millions of viewers of internet video. But what about the content creators and their profitability and viability ?

In order for video on the internet to work for them, the CPMs and traffic PER VIDEO are going to have to be HUGE. Will they ?

Of course the Internet Video Fanboys will say yes. I say no.

Not only am I not convinced that video creators will get enough of a return on their work to continue to invest in working for what amounts to free, **I also think that there will be competition for advertisers from digital delivery of TV that will completely blow away anything we see on the net.**

Addressable set top boxes. Encoded Triggers. Video Hot Spots. Video Quality. Broadcast costs per user rather than unicast. All the features that have been promised as part of internet video and TV for years are finally starting to happen for real on your HDTV. While internet video is looking for a box to replace the set top box, [Digital Cable is looking for ways to completely remove the set top box](#). The excitement in video over the next 5 years is not going to happen on the Net.

Deal with it people. As exciting as people watching 10 minute videos on Youtube is. As exciting as the growth patterns for those videos are, digital video is no longer limited to the internet. While Google and others are searching for ways to monetize video, its already happening on your HDTV.

Which also means that for video content producers, the money will be where the money is right now. On TV rather than the net.