The Rise of the 'Videonet'

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A couple of years ago, only a handful of Internet sites existed for publishing videos uploaded by users. Today there are more than 225 such sites, providing the infrastructure to deliver videos created by amateurs and professionals alike.

What's next? As video content -- the distribution of which has been historically controlled by a few broadcast networks and cable companies -- meets the decentralized, user-centric worldwide web, are we seeing the dawn of a new medium, a "videonet" that will redefine the media landscape? At the recent Supernova 2006 conference co-hosted by Wharton in San Francisco, a panel of video entrepreneurs and industry experts predicted that virtually every organization marketing to consumers -- from TV stations and sports teams to soft drink and detergent makers -- will rapidly develop a video presence on the Internet. And it may not stop there. If video publishing grows at rate similar to that of websites and blogs in recent years, what does it mean for traditional broadcasters, businesses, and users alike?

For the time being, amateur productions dominate. The most popular video hosting site, YouTube, receives 50,000 video uploads a day and streams some 50 million videos to about 6 million viewers each day. That represents more than 40% of the current market; MySpace, a social networking site, accounts for another 25%. The remainder consists of major Internet players like Google, MSN, Yahoo and AOL, each of whom have just a fraction of the overall market. Most sites provide free uploading, and are attempting to generate revenue through advertising or distributing commercial video content from traditional broadcast networks, movie studios, and other content partners.

The user-generated content runs the gamut from thought-provoking interviews to comedic parodies to brutal scenes of street fighting, as amateur videographers work in areas that are both accessible and interesting to them, largely eschewing mainstream content and production styles. Among the most popular types are genre videos (such as snowboarding or car racing), parodies and satires, commentaries, interviews, mini TV shows, and documentary film shorts. A comedy favorite screened at Supernova showed two scientist-types in white lab coats exploring all the variations of making two-liter Diet Coke bottles spew like fountains when Mentos candies are added. Ridiculous as it sounds, the 3-minute film is strangely compelling, and the version hosted by YouTube has been viewed more than 200,000 times.

"Novices are making some very high-quality videos," said Mary Hodder, CEO of Dabble, a video remix community that allows people to create, browse, and find video online. "Before the current Mentos and Coke video, a lot of guys made Mentos and Coke videos, but they weren't this elaborate or this clever." Although Hodder readily admitted that there are many other videos online that are interesting only to one's closest friends and family, much like personal photo albums are. What's needed, said Hodder, "is a good filtering mechanism to separate the wheat from the chaff."

Given the size of the video enthusiast market, the key question for Jeremy Allaire, CEO of BrightCove, an online video distribution service, is "How do you build a business around this? How do you create products for this media and audience?"

According to Allaire, media companies are leading the charge. Every traditional news organization is creating a video presence on the web, he pointed out, with newspapers every bit as active as television broadcasters. None can afford to ignore market data that shows their audiences are declining based on the growth of the Internet as a news source. (As Wharton experts and industry commentators discussed in a recent Knowledge@Wharton article, traditional media companies and Internet video publishing startups are exploring a number of different business models in a flurry of partnerships.) A recent study by the Pew Internet and American Life Project showed that more than 50 million people in the U.S. use the Internet daily as their primary news source.

Specialized broadcasters are not far behind; in fact, most narrow-interest cable TV stations are near the end of their era, predicted former Internet entrepreneur Jonathan Taplin, now at the University of Southern California's Annenberg Center for Communication. "Today we have about 440 niche cable stations; in 5 years, 300 of them will disappear and the rest will go to the Internet. Discovery [Channel's Discovery Communications], for example, is launching new, narrow channels on the Internet because it can't afford to do them elsewhere."

Hollywood's 'Blocking Role'

Even the entertainment media are getting into the act, albeit more slowly, noted Taplin. For now, a few companies control much of the content and act as gatekeepers, he said. "Until we get video stores online, Hollywood will play a blocking role. With Steve Jobs getting closer to Disney management, Disney has been doing interesting things -- like putting TV free on the web."

One of the challenges for the entertainment industry is that while copyright holders want to empower consumers to use their content, they need to drive revenue through that use. "If Hollywood studios are smart, they will allow consumers to use pieces of their content to play with -- to extract, manipulate and share -- and essentially act as a promotional tool for them," Allaire said. "But, studios and distributors are being held hostage by those responsible for content -- the Screen Actors Guild, the Directors Guild and the like. To clear the rights for a major TV show or movie is very costly for Hollywood; there are both business and legal issues. But, five years out, they will have developed a way for all parties to share in the revenue. Until then, creative pirating will continue."

According to Hodder of Dabble, the question boils down to, "Do you want to let someone remix your stuff? If someone remixes me, it's not me anymore."

"Most of remix culture now is parody," added Hodder, who sees a generational difference in the response to remixed media. "A lot of us who grew up with traditional TV and movies have a different sense of the media than younger people do. They seem to care more about attribution than control. Over time, I think we'll all get more comfortable with that attitude."

Not far behind media organizations are major marketers of consumer products. Video advertising on the Internet is a first step, but most companies also will be moving into programming -- developing, distributing, even accepting contributions from consumers, said Allaire, who predicts "we'll see most major brands execute this strategy over the next few years." Keep in mind the early days of TV, added Taplin, when consumer product companies financed early programs. The same thing will happen on the videonet, he predicted.

"Think of the Internet as a new and powerful tool for marketing," added Robert Levitan, CEO of Pando, a provider of software that uses a peer-to-peer network to allow email users to send and receive large files without filling up their mailboxes. As production costs come down, Levitan predicts that every company website will become a video producer and distributor -- and allow consumer participation. Creative marketers are already asking people to take their brands and do something with them.

"If you have 20,000 key customers for a given brand, send each of them a three- to four-minute video and let them virally circulate the video," advised Pando. "You can let your best customers sell your brand -- then you can ask them to make commercials for you." That, says Pando, is the marketing promise of the videonet.

Although the specifics of distribution, control, and monetization are still to be determined, none of the participants doubted that web-delivered video will proliferate to provide an expanding universe of content, both user-created and professionally produced. "The best metaphor is the web itself" claimed Allaire. Whether self-produced, professionally licensed, or user generated, "In the future, any site will have video on it."

