The UGC paradox – as more people seek an audience, fewer will actually find one

UGC

Philip Hunter asks whether User Generated Content is the future of TV or just another outlet for blogging addicts, and suggests that Fixed/Mobile convergence can offer a few lessons.

While there is much debate over how lucrative UGC (User Generated Content) will prove for service providers, studios, advertisers and other members of the IPTV value chain, there is universal agreement over one point. The amount of content created and consumed will be massive, and indeed already is. The problem from the point of view of finding the right business model lies in the diverse nature of the content, the fact that a lot of it will not be consumed much, and above all the issues of copyright and quality control. Yet it is generally agreed UGC has great potential as an advertising medium, and in many cases for attracting subscriptions or per item payments.

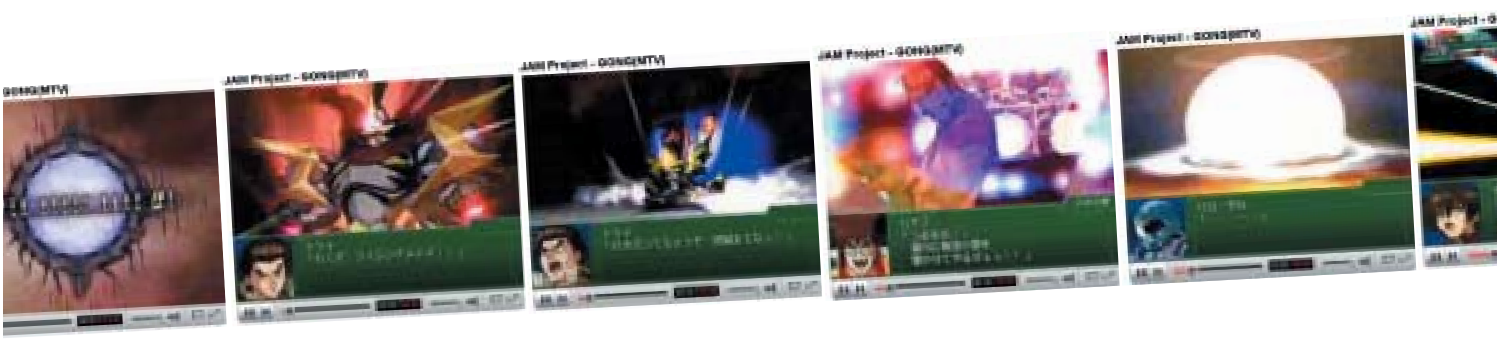
There is a distinction at present between mobile and Internet content, although the two are likely to converge, with video increasingly flowing between the two. The leading video sharing sites are preparing for this through collaborations with mobile operators. In the US for example, users of Verizon's Vcast mobile TV service have been able to view select clips from YouTube and upload their own content since November 2006, with a similar arrangement rolling out through Vodafone in Europe during this year.

The mobile has two strengths for UGC – it is a portable camcorder that people usually have on them, and it comes with a ready mechanism for making micro-payments. These two aspects combined have already led to successful business models for mobile UGC services while Internet based offerings are still scratching around for the big cash cow. Pure IPTV operators are also struggling to identify money making opportunities, with some testing the water through partnerships with Internet sharing sites that currently usually serve as the upload medium, even though this is becoming possible through some set-top boxes (more about this later).

3 FOR 10p. Internet UGC, is where the US is making the running alongside South Korea, while Europe is keeping up well on the mobile UGC front. Indeed the UK based SeeMeTV service from 3UK, the 3G mobile operator owned by the technology conglomerate Hutchison Whampoa, was one of the first to demonstrate that mobile UGC could be profitable as well as popular. The service allows users to share videos, participate in social networks, and even charge other customers to view their clips. Prices vary, but most UGC clips cost 10p to download, of which 1p goes to the creator, with high quality content attracting more.

This 10% royalty deal is not spectacularly generous, especially as contributors have to pay 50p to upload each clip in the first place, but has proved the concept that people are willing to pay for mobile clips. By September 2006, there had been 12 million downloads, generating more than £250,000 (€362,000) for contributors and presumably £2.5m for 3UK, although the company declined to confirm this or share the most recent data on the service. This is clearly a low risk and highly favourable business model via which 3G cannot lose, since it makes money at both ends of the process, when content is uploaded and downloaded.

Yet while people seem willing to pay small amounts for mobile



clips, this does not seem to be the case over the Internet where there is a strong ethos of free content. "It is our belief that advertising is the only way to make money on UGC," said Reggie Bradford, CEO of the US video sharing site ViTrue. "Early studies have indicated that consumers are not likely to pay to view videos on the Web."

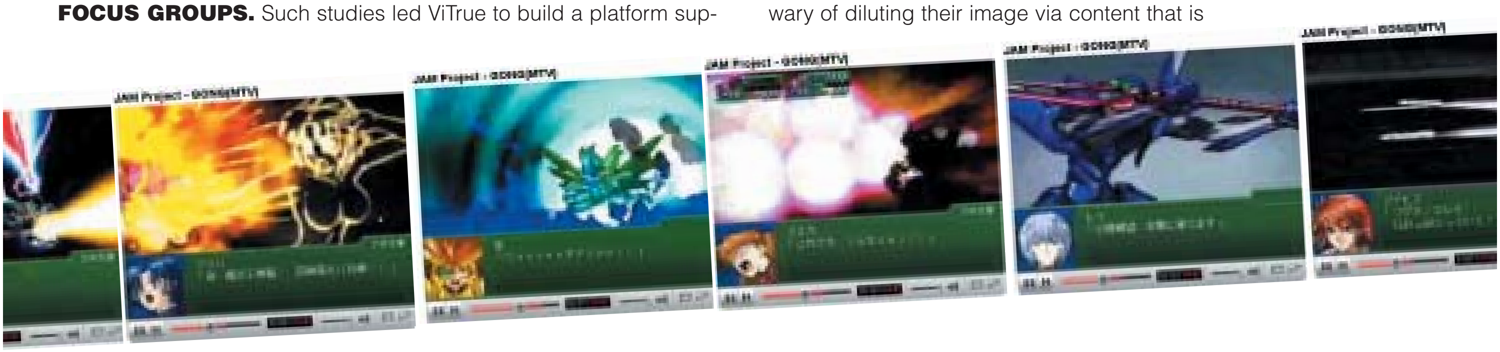
FOCUS GROUPS. Such studies led ViTrue to build a platform supporting advertising, but with a novel focus. The leading brands that use ViTrue's platform invite their customers to create videos advertising their products. This concept, known as UGA (User Generated Advertising), or the 'Branded Video Community' is a self-sustaining business model, reliant only upon the enthusiasm of users for their favourite brands. The participating consumers are not paid for their contributions, being motivated by their brand loyalty, albeit usually sweetened with a prize for the winning entry.

"Advertising is the only way to make money on UGC."

Reggie Bradford, ViTrue

As such this approach might seem most assured of success in the US, and indeed it is being tested there first by some major brands. Among the first off was the Pepsi group division Doritos, maker of the eponymous tortilla chips, which ran a competition to find a suitable user-created video to fill a 30-second slot costing over $2m at the recent Superbowl in February 2007. The entries were created on the ViTrue platform, which allows individuals to upload content and advertisers or brands to review and approve it. Yet despite early success, Bradford suggested it is too early to tell whether such UGA content will become bigger than traditional agency produced ads.

In fact, Bradford conceded there were some issues to be resolved for UGA despite the early commitment by brands such as Doritos and others like Sony that have aired such creations on TV. Brands will be wary of diluting their image via content that is



perhaps too creative. "Brands want to maintain a consistent look and feel, so the ability to leverage the brand's own video, audio, text and image assets is an important factor in creating successful UGC campaigns," said Bradford.

BRAND NEWS. The other big issue for advertisers is the risk of 'brand tainting' through association with content that infringes copyright, is pornographic, blasphemous, or contains offensive images or language. Furthermore rules and expectations governing these vary between countries, so that a brand could be tainted in one region while being unscathed in another, through advertising against a particular piece of content. News of such infringements travels fast and no doubt competitors would be happy to assist such dissemination. "Making sure the brand is protected is a critical element to UGC ad campaigns," said Bradford. "Content then needs to be tagged so it is easily searchable. Once all these measures are in place, advertisers will begin to flock to UGC."

It has yet to been seen how easy it will be to categorise and tag video content sufficiently accurately for advertisers. One of the biggest efforts so far has been made by YouTube itself with its Advanced Content Identification Architecture (ACIA). YouTube represents Google's bid to dominate the emerging market of online video content and advertising, and as such has been assiduously courting the leading entertainment brands, with mixed success. Its delicate efforts received a setback in February 2007 with the breakdown of its negotiations with Viacom, which owns cable services such as Nickelodeon, Paramount Pictures movie studio, and MTV. Viacom asked YouTube to remove 100,000 clips containing its content without authorisation. This mirrors the ongoing legal battle between Universal Studios and MySpace, the second biggest video sharing site after YouTube.

Yet YouTube has backed up its negotiations by developing its ACIA to detect unauthorised content, so that it can then be removed from its site. One problem faced by such software is the large processing task involved identifying video from its content, but ACIA has eased this burden by analysing the audio as well. Audio generates much less data, and identifying content that way is less memory and computationally intensive.

CONTENT ISSUES. ACIA was the basis of YouTube's content and advertising partnership struck with CBS in October 2006. At present, this is an interim arrangement under which CBS is testing the first version of ACIA. The success of such deals hinges on the effectiveness of ACIA, which is crucial to YouTube's current campaign to woo the major content houses. On the other hand, YouTube, as the leading video sharing company, has a strong negotiating hand given the explosive growth of UGC, making it likely that Viacom will be forced to reopen negotiations with the company before long.

It is noteworthy also that CBS has indicated that it will not necessarily ask YouTube to remove unauthorised content from its site. There is another option. CBS could allow the content to remain on the site and then enjoy a share in any revenue from advertising placed against it.

But not all content providers are yet ready to accept that the genie is out of the bottle, and the content protection issue clearly has some way to rumble. In the latest twist a number of media groups have attacked YouTube for only making its filtering tools available to companies it has distribution agreements with.

Given these controversies it is not surprising the major brands are still wary of committing too much to UGC, given the risks involved. There is also the issue of where best to place the ad, particularly in shorter clips, as Arash Amel, head of broadband digital media at research group Screen Digest pointed out. "Where do you put an ad in a 30 second clip," Amel asks. This combined with the other concerns over content and copyright will initially retard growth of advertising against UGC, Amel believed. "We're predicting $875 million revenues generated from advertising over UGOV (User Generated Online Video) platforms by 2010 in the US."

FULLY APPROVED. In the early days, such growth is likely to be driven by more professional content that advertisers feel more comfortable with, and one potentially successful emerging model involves user participation via video blogging, rather than full-blown content creation. The US IPTV platform Dave.tv is dedicated to this form of UGC, which is already proving popular with advertisers, according to the company's CEO Rex Wong. In this case, the professional content has full approval from its creators for distribution, and the user interacts by commentating and controlling the streaming, in effect acting as a video DJ, said Wong. This closes down on the risk of pornographic or crude content leaking in, and keeps the service provider using the Dave.tv platform in better control of intellectual property.

"Professional content has full approval from its creators for distribution."

Rex Wong, Dave.tv

But this all begs the big question of where the traditional TV fits in with UGC via an IPTV service. After all, there should be interest in viewing some of this UGC content on a wide screen high definition screen in the living room. Yet the set-top box (STB) is only starting to

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Shawn Conahan, Intercasting

be hooked up to the Internet for video, with just a few fledgling services. Some of these have sprung from collaboration between video Internet and IPTV companies, and one focused specifically on UGC in the US involves VOD (video on demand) company Akimbo and video sharing site Blip.tv.

Customers of the latter share a variety of home-produced shows and blogs, and can opt in to available adverts, taking 50% of the proceeds determined by number of downloads. It will be interesting to see if this model carries across to traditional TV via IPTV platforms. Currently Akimbo customers can view a sanitised abridged version of the video web, having access just to selected videos from the Blip.tv site filtered for popularity, production quality, and content suitability.

GROUP ACTIVITY. It could be said that IPTV, as opposed to the video Internet, is better suited to delivery of content that is ‘professional’ quality, or of appeal to a specific group that could be defined by geography or interest. In Belgium, the town of Lommel has set up a local IPTV based service that provides a mixture of programmes, some of general interest and others appealing to specific hobbyist groups. Lommel TV resides on the Alcatel Bell MyOwnTV platform designed for UGC, which in turn is based on the Microsoft IPTV middleware.

During 2006, Lommel TV acted as Europe’s first major trial of an IPTV triple play service combining standard services with support for creation of personalised content. This ranges from holiday videos of interest just to friends and family, to creative content and also channels from community organisations such as the library, football club, and even groups of streets. In the trial, users could only upload content via a web site, but Alcatel Bell has been considering the introduction of a STB supporting attachment of camcorders for direct uploading. It is not clear at this stage though whether there will be significant demand for this feature given that many users are already becoming familiar with video sharing web sites.

The experience of community channels within Lommel TV has stimulated interest with one often forgotten aspect of video - the corporate dimension. Corporate TV has consistently failed to catch on, held back through a combination of clunky or overpriced technology and lack of a killer application. Since the heyday of the corporate video spearheaded by John Cleese in the 1980s, the only bright spots occurred with flurries of video conferencing system sales in the wake of the PanAm crash in 1991 and of course 9/11. But even then the systems were too expensive and unwieldy to extend far beyond a few boardrooms.

COURSE WORK. However, since end-to-end IP networks became established from 2000 onwards, there has been a slow of rise of corporate IPTV services, spawning a new generation of companies such as London-based Exterity. The growing familiarity with video creation and uploading is now helping this company win customers, such as the Matthew Boulton College in the Midlands city of Birmingham, which provides vocational courses and tailored corporate training. Currently the college uses Exterity TV systems as an electronic notice board, allowing students to display footage of presentations, field trips and other activities.

With video creation and presentation quality becoming affordable and more appealing for corporate applications, perhaps a big idea is emerging in the shape of Telepresence. This may sound no more than a new generation of video conferencing, but Cisco in particular is making a play here in the belief that the technology now makes this is a compelling solution for more informal distributed meetings. The key aspects are the greater ease of use, the ability to deliver QoS over corporate IP/Ethernet networks, and the availability of relatively affordable 65-inch folding plasma screens comprising a ‘virtual round table’. Initially promoted for video conferencing, this could percolate down into a combined TV/meeting solution integrated into desktops.

But with people spending less time at their desks, it is likely that mobile devices will play a prominent role in corporate TV just as they will in the consumer arena. Indeed the mobile handset will be a focal point for emerging UGC services in general, even though at present the audiences for the famous web sharing sites are much bigger.

But this does not necessarily mean that mobile operators will be able to cash in, according to Chris Coffman, senior analyst for mobile content and applications at Informa Telecoms & Media. “Mobile operators are trying very hard not to end up as ‘dumb pipes’. They’re aware of what happened to landline Internet service providers and want to avoid that fate.”

PAYMENT PLAN. But mobile operators do have two big advantages over ISPs, in their ability to take micropayments, and their detailed data on customer preferences. This means they pull the strings when it comes to collecting the small payments that will be generated in UGC services, and above all the data to personalise them – indeed these advantages have been exploited in the SeeMeTV service from 3 discussed earlier.

Some form of revenue sharing will then be instigated, providing the mobile operator has the mechanism in place to access the service in question. This will include social networking services, where there are now platforms such as ANTHEM from Intercasting that mediate between the two. This combines network level functions that optimise content delivery over the scarce mobile bandwidth with presentational features ensuring that the user interface is optimised for the small mobile screen. Above all, ANTHEM enables both parties to make money out of social networking. “Depending on the carrier, a mobile subscriber may access their favourite social networking site for $.50 to $1.00 for a 24-hour period,” said Intercasting CEO Shawn Conahan. “A user may also choose a monthly subscription of $2.99 to $3.99. Fees are shared with the social networking provider according to various factors, but the net result is a fair share of revenue for all parties involved.”

As social networking sites can also be accessed from PCs over the web, they are the first examples of fixed/mobile convergence within the UGC arena. Such convergence is likely to be one of the key themes for UGC over the coming year.