

Content First, Details Later

by Eric Franchi, Monday July 28, 2008



Eric Franchi was part of the team that launched Undertone Networks, a premium online advertising network, in 2002, and currently serves as Senior Vice President of Media.

THIS PAST WEEK, VIDEO INSIDER contributor Steve Robinson wrote an excellent blog titled "It's All About SCALE!" In it, he outlines one of the key challenges standing before us in the online video ad business: the lack of player standardization. I agree completely that lack of standardization is a major hurdle that must be overcome for online video to flourish. However, I believe that the bigger issue facing online video right now is not lack of standards, but lack of quality content.

Google, for all its ability to drive innovation, is having serious issues monetizing YouTube. No ad format or targeting strategy can replace the fact that only 4% of YouTube's videos are "partner" videos -- and that is what Google sells advertising against. That's a relatively tiny piece.

Now, the jury is out whether or not the bulk of YouTube's streams -- the UGC clips -- can somehow be monetized. Right now, Google isn't selling against them for a variety of reasons. Maybe it will put some display advertising on those pages and generate some quick revenue. But those CPMs can't touch what video CPMs can generate, and that's the problem for not only Google but lots of UGC/long-tail-focused video companies right now.

An eye-opening stat from an upcoming Diffusion Group (TDG) study: non-UGC streams will account for 96% of online video revenue this year, and for the next several years. This is staggering. For all the recent investment in targeting and formats that are designed to monetize the UGC/long-tail video space, the revenue just isn't there.

Marketers are looking to align themselves with engaging content, and engaging content creates a scalable platform. It's as simple as that. An ad network colleague once commented that we (we being online content owners/sellers) should be encouraging marketers to be more aggressive about aligning with UGC -- it's cheap, plentiful and "semi-safe," assuming certain quality controls are in place. I think he missed the point.

The winners in this space, at least over the short term, are those focused on producing, distributing and leveraging professional content. NBC is on this track. Not only with Hulu and NBC direct, either; look at

what the network is doing with the "Late Night with Jimmy Fallon" series. It is experimenting, building and creating audience, and putting more quality content out there all the while.

While the details certainly need to be worked out -- including player standardization -- it's clear that when looking at this from a broad perspective, scale in content needs to come first.