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Move Over, Joost

This article appears in the winter edition of the AlwaysOn Magazine.

First-generation internet video companies like YouTube did a great job of getting millions of users to feel good about watching video online. These days, if you read Big Media headlines, you might think that Joost—the fledgling Internet video network started by Skype founders Janus Friis and Niklas Zennstrom—is the hottest of the new generation of Internet video startups. However, Utah-based Move Networks has been pumping out more than 50 million hours of broadcast-quality TV content to more than 20 million Internet viewers—in just the last eight months. That's worth a closer look.

Everyone's Watching Internet Video

Well over half of the adults on the Internet in the U.S. have watched video online—57%, according to the Pew Institute's July 2007 "Online Video" report, due to growing broadband adoption as well as the video push by YouTube and other video aggregators. For people with high-speed connections, that number jumps to 74%. It is of course no surprise that young adults are the most voracious Internet video-heads—76% of the 18-to-29-year olds who are online watch video over the Internet; 31% do so daily.

Given these numbers, and with European and Asian online behavior outpacing that of Americans, we can now safely call Internet video mainstream. But besides watching videos online, people are also watching more Internet-originated video on their mobile phones—and even their TV sets. Just look at the Apple iPhone. A watershed innovation for Internet video, its ease of use, web-friendly environment, and relatively big screen will inevitably drive its competitors to offer the same features, further inspiring consumers to watch their video on the run. In fact, we anticipate that young folks will watch more of their Internet video content on their phones than on PCs.

On the Internet TV front, most Americans still haven't viewed their first TV clip on a computer screen. But a survey by the Conference Board/TNS shows that 16% of American households with web access now watch full TV broadcasts online—double last year's number. Just as with mobile use, Europeans and Asians are ahead of Americans in using Internet access to personalize their TV experience. For example, market research firm Parks Associates says that 60% of households in Hong Kong watch programming on their TVs that was delivered over the Internet.

Then there's Steve Jobs and his Apple TV project—a business he describes as only a "hobby" at this point. We can safely bet he'll give it a big push, though Apple TV's business model will need massaging. Like the iPhone, Apple TV is tied to iTunes, which currently offers only 1,000 video titles—versus the 85,000 you can rent from Netflix. And signing up new ones won't be that easy for Mr. Jobs. NBC Universal CEO Jeff Zucker summed up the entertainment world's feeling about working with him. "Apple has destroyed the music business, in terms of pricing, and if we don't take control they'll do the same thing on the video side," Mr. Zucker told a crowd last October at Syracuse University. Some other challenges are that to start your Apple TV experience, you have to download your video to your Mac, and then send it to your \$299 Apple TV box, which has only limited storage.

So Where's the Money in Online Video?

There's one axiom in the media business that even the Internet can't turn upside down: Content drives audience, and audience drives advertising dollars. The Pew Institute report noted that news outlets have been the biggest investors in online video content,

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 pooh@poetic.com (Anders Bylund)
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and their early-mover advantage shows. News is the most popular Internet video content with every age group except 18-to-29-year-olds, and overall, 37% of adults say they watch Internet news videos. (For young adults, comedy content is a bigger draw, which 56% watch, but 43% say they also watch news videos online.)

The news networks' early success in attracting online eyeballs is putting pressure to go online on producers of other forms of TV content. Ben Silverman, recently anointed chairman of NBC Entertainment and NBC Universal Television Studio, told AO that while he isn't excited about seeing his content show up on YouTube "next to home videos of cats peeing on curtains," he knows he must step up NBC's efforts to distribute over the Internet. "Our business is down 3%, and we are bragging about that," says Mr. Silverman.

Yet the Internet video market is big, and growing. U.S. revenues from Internet video services will top \$2 billion in 2007, and could exceed \$7 billion a year by 2010, according to a Parks Associates report. It also predicts that revenue will become more balanced between service fees and advertising. In 2007, approximately 85% of online video revenue is from ads attached to content streams, but by 2010, fees for renting and downloading TV shows and movies could account for nearly 40% of total revenues.

Enter Move Networks

Move Networks, founded seven years ago by Drew Major (creator of Novell's flagship NetWare software), leads the market in providing the technology to help drive longer-form video content online. Move's innovative peer-to-peer video delivery platform lets professional content publishers stream live and on-demand video programming to consumers in a full-screen, broadcast-quality format.

Unlike other peer-to-peer competitors such as BitTorrent and Joost, Move delivers its video as a standard web object that's cached in small bits—making its service infinitely more ISP-friendly than traditional streaming technology. Move also doesn't use special media servers, and adjusts the video quality based on available bandwidth. This means no buffering, no stalling, and backwards and forwards navigation within a live stream while you're watching.

Move's bottom-line technology advantage: its service is profoundly more efficient and less expensive, and it provides a dramatically better viewing experience. Move's technology also lets advertisers target users and offers excellent analytics and reporting. The only bummer is that users have to take the time to download Move's proprietary video player to their browser. However, it will play across multiple platforms (PC, mobile, and TV) and automatically adjusts the stream depending on your connection speed.

As for its business advantage, Move has landed an impressive group of Big Media customers—including ABC, Discovery, Fox, ESPN.com, and The CW. These partnerships generate stunning viewer numbers: Move reports that more than 20 million unique online viewers have used it to watch 50 million hours of longform or live near-HD or HD video content from leading broadcasters since Move launched its service in March 2007. And the company is serving more than 100,000 new unique streaming video viewers each day, with an average session length of more than 50 minutes. That's impressive, since other industry estimates have placed average video viewing times across the Internet closer to three minutes.

The AO Take

Move's success in attracting viewers since its launch proves that if you offer Internet viewers high quality, full-screen video content, they just might sit still and watch an hourlong program. Both Joost and Move are trying to seize this opportunity, but in different ways.

Joost is pursuing the higher-risk strategy of trying to become "a cable company on the Internet" by distributing video under its own brand, whereas Move lets entertainment producers distribute video under their own brands. Joost's model is driven by ad sales and revenue-sharing, while Move's is to build a high-margin software and services business. AO thinks it will take Joost more than the \$45 million the company just raised to build the critical mass of longrun quality video required to make their model work. To accomplish its goals, Joost cannot just rely on user-generated content—it must also work with professional producers who know how to entertain. On the other hand, the Move vision may not be as sexy as launching one's own entertainment network on the web, but it is more realistic, and more importantly, it is starting to work.

This article appears in the winter edition of the AlwaysOn Magazine.

Who's Online
Online now: This network: 8 | All networks: 3348

Jay_Dera... AO

nicolefr... Scott_Ma...

andrewco... Norm_Rose

Marisa_G... jcorshen

View all members online (8)

Newest Members

Eva_Blaisdell

Eva_Blai... Marilee_...

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GoingGreen

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One better

The ESPRE technology provides 4 layers of protection for video delivery.

- 1.The first layer ensures no user perception of limited interruptions and variability in TCP/IP internet delivery.
- 2.The second layer handles more extreme interruptions and variations in the network and processor availability. Interruption to the user's video presentation will be avoided by dynamically switching to streaming from an alternate, backup server in the network.
- 3.The third layer of protection provides intelligence associated with the selection of the media to be streamed. The player appropriately matches the end user's capabilities (network, processor, etc.) with the media to be served. The ESPRE service supports a wide variety of encodings coupled with the dynamic intelligence in the player to appropriately select among them. An initial determination is made based on the player's perception of the user environment. If, at any point, the dynamic aspect of the player's intelligence determines the user would be better served by a stream of either higher or lower bandwidth content, the content can be changed "on the fly" without starting over.
- 4.The fourth layer is the player's ability to handle network problems and lost packets using a significant audio/video synchronization technique that assures every packet of both media cross-reference each other such that packet loss cannot cause an improper relationship between audio and video.

Petel – January 16, 2008 07:10 AM



It can be different on the Internet

I might not be an 18-to-29 year old with a "short attention span" but I can't sit still for an hour long video clip on the Internet either! It's great that Internet video is in the mainstream now. I'd interested to know whether content producers are thinking about regular, programmed shows delivered in shorter time segments. After all, I would think you can do "Sexy & Cool", or really good comedy in 15 minutes or less, don't you? On the Internet, at least, a regular show wouldn't have to be half-hour long to be a hit, would it?

Why not open things up for shows that are neither network produced or amateur, but something in between? Shows that don't look "home-made", but won't necessarily appeal to everybody. I think there is an opportunity for creative people who are enthusiastic enough to produce shows using software like (say) Apple's iMovie. Not great, but "good enough." On the Internet, it's possible to track how many views, and what rating, a clip has, so why not have a profit-sharing model based on that?

The most interesting thing you said was that online video revenues would be balanced between advertising and service fees. I'll certainly sign-up, pay for, and sit through something I really like. (As long as I don't have to sit still too long.)

kurtjonach – January 17, 2008 11:58 AM

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