
Making Money from Online Content

The Media Festival 2009: White Paper

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1. 'Traditional TV'

In 1925 John Logie Baird sent the first ever television signal from his laboratory to the next room, and by 1932 the BBC was broadcasting its first television signal. Since then technology has been changing rapidly: from black and white to colour; from just the BBC to the steady increase in terrestrial channels up to the launch of Channel 5 in 1997; the explosion of cable and satellite channels from a small handful to hundreds; and now the billions of 'channels' available on the internet

So given that technological change and evolution seems almost inbuilt into the media industry, you would have thought that broadcasters would take the latest changes in their stride. However, they seem as lost now as they always have been. With these trends now affecting the fundamental structure of the industry and with technology blurring the lines between media, the decades that used to exist between seismic changes have shortened to years, perhaps even months. Broadcasters no longer have the luxury of time to plan their strategies and react accordingly.

2. Terms of Trade

The introduction of the UK Terms of Trade was intended to make the terrestrial broadcasters release rights back to producers, and so give them the freedom to exploit the revenue potential in these rights themselves.

For online rights, this has meant that broadcasters offer a catch up service immediately after the TV broadcast on their own websites. Only after this do producers get to licence their content.

On the face of it, this makes sense, as broadcasters are able to attract large audiences to their websites and on demand services, and are therefore able to offer their viewers the additional benefit of an online service at no cost.

However, despite this practice being used by the majority of broadcasters around the world, it effectively ignores the value of an online window – and the financial opportunities that this brings for both broadcasters and producers. By keeping content limited to their own sites, it limits the potential audience, and therefore the potential revenue available to all parties.

As ITV found out with the Britain's Got Talent clip of Susan Boyle on YouTube (75 million views in under two weeks), online content can attract a huge audience, and therefore theoretically a revenue stream. ITV lost out on an estimated £1.3 million of ad revenue by failing to agree terms with YouTube for this clip – and the key here was apparently the different priorities of the parties involved. ITV wanted to promote its own website – itv.com – with advertising aimed at UK residents and under ITV's control but ignored the fact that the majority of the YouTube audience was not actually from the UK – and had probably never even heard of ITV. They found the clip because of the 'buzz' online and the fact that YouTube is international – and ITV simply missed the point.

For the producer this was a double disaster – not only was ITV caught unprepared for the success of the clip online and therefore was unable to monetise this properly, but ITV's own priorities meant that the producer lost the chance of a decent revenue stream from the clip as well.

Broadcasters are still catching up with the way audiences online actually view content, but if they thought more about this, and less about simply promoting their own services and trying to hoard content, they would see that the biggest benefit is gained from **sharing** content as widely as possible online. The phenomenal success of the Susan Boyle clip would never have happened if no-one had uploaded it online and shared it with other users. The viral spread of its popularity is a perfect example of the unintended success that material can have – despite the best efforts of broadcasters to stop this kind of sharing.

Just imagine how successful this could have been if ITV had actually **encouraged** viewers to share clips of their programmes online; send it to their friends; include it in their blogs and post it on YouTube/Facebook etc.; and possibly even release teasers in advance of the full broadcast?

The key to making revenue from content online is not to restrict it to one site, but to spread it as widely as possible. As long as this is done properly, then it can generate a revenue stream from hundreds of sites around the internet (and perhaps also generate more traffic to your own sites as well).

For broadcasters whose business model is about scarcity and exclusivity (selling ad space around time slots with programmes you can't see anywhere else such as XFactor) it is a natural extension to then say that you can't see content online anywhere else apart from their own website. The problem with this is that it limits the potential audience and buries the content amongst the vast amount of output coming from the broadcaster. The sheer volume of content means that broadcasters would need significant resources to assess the content being produced and to then be able to exploit this properly – and even then, it is often a surprise to all concerned that some content is successful online when other content is not.

The current position is therefore that whole programmes are typically available online for free, and that's about it. There may be a catch up service on a pay per view basis, but for most programmes there is limited online presence, unless the programme in question has sufficient volume that it becomes a brand in itself and then might have its own micro site within the broadcaster's site.

As with other rights granted to producers under the Terms of Trade, the ideal situation is that producers should have the ability to exploit these rights themselves – as who else has the understanding, interest and enthusiasm to promote their own content? Expecting broadcasters in the current climate to invest time and money in all their content is unreasonable, but restricting producers from doing this themselves when it benefits all parties is not good business sense.

A coherent and well thought out plan for online release of content could actually boost audiences for broadcasters, with the online exploitation forming part of the PR campaign for the broadcast as well as generating income. Producers need to be aware of the potential of their content and include their online plan as part of the pitch – commissioners might not be interested in how many views your content gets online, but if it can help ratings then they will definitely take notice.

3. Exploiting your Rights Online

So how do you make money from online content? The two current models are free, ad supported programming, used by most commercial broadcasters, and pay per view/download from services such as iTunes.

Ad funded free services are the most widely used by broadcasters, and given the free to air ad funded model most use for their TV broadcasts, this makes sense. They have relationships with advertisers in their own territory and so can sell the ad space to allow them to generate revenue from traffic to the site. The revenue generated is not huge – typically the rates are between £20 and £35 per thousand viewers – but for a programme that has already effectively been paid for out of the TV commissioning budget, that's not at all bad if you can generate an audience. For example, itv.com is quoted as getting around 1.5million viewers per month in 2009 (18 million per year) – so on that basis it should be generating between £300k and £525k per month, or between £3.6 million and £6.3 million per year. As websites go generally, this looks impressive, but compared to the hits for just the Susan Boyle clip on YouTube – 75 million hits in two weeks – it pales to insignificance.

The key reason for this is simple: reach. Think of the internet as a vast series of channels. If you are not in the top channels then you are going to get significantly less traffic and therefore revenue. Limiting your content to just your own channel, when you are not in the top ranking sites in your territory, is therefore going to significantly reduce your traffic. When you then put this into a worldwide context, the difference between the top sites and the lower sites is even greater.

In October 2009 YouTube announced that it was streaming over 1 billion videos **per day** – and suddenly even the 75 million views for Susan Boyle looks small fry. Multiply your audience by the rates you can get for advertising – even before you get into sponsorship and premium rates – and suddenly it looks like you can make serious money from online content.

The alternative is pay per download/view such as iTunes – where the audience pays to watch content. Current trends have shown that YouTube, with millions of clips available free, has meant that audiences are less willing to pay for something that they are only generally interested in (chances are it's already on YouTube anyway) but the appeal of buying something you want to watch again remains – whether this is on DVD or online.

The economics of online content are therefore simple: either a small, loyal and committed audience who are willing to pay to watch your content, or a larger audience who can watch for free and someone else will pay you to advertise to this market. Producers need to use both these models to make sure they are maximising their potential revenue.

4. Thinking Outside the Box

So, what should we be doing to make money from our content – is it simply as basic as sticking it on YouTube and watching the cash roll in? Well, no, but it's a good start! Channel 4 has recently announced a deal with YouTube to show clips from its programmes online, and the key here is that Channel 4 has agreed a deal that allows them to maximise the ad revenue from these views. This is a smart move for Channel 4 which follows on from a deal that BBC Worldwide agreed some time ago to show selected content on YouTube, and one that content producers can emulate. It takes a little bit of time and effort, but YouTube allows content owners to both establish their own channels online and to receive a revenue share from the advertising surrounding this.

However, YouTube is not going to generate enough hits on your content if all you've done is stick it up there and sit back. The key is to make your content available to the widest possible audience, and that means using all the opportunities available to you. Not all programmes will have content that works online, but for those that do, there needs to be a concerted effort by both the broadcaster and the producer to attract an audience.

There have been a number of series online which have done this in unique ways – from Kate Modern to Dub Plate Drama – and producers need to put as much thought into their online strategy as they do to the content they are producing. For the right content and the right audience, producers can do deals with third party sites such as Facebook or Bebo, as well as setting up their own dedicated sites, and this helps kick-start the critical mass needed to get your content noticed.

The goal for everyone is a network of sites all feeding off each other and all generating traffic and profile for the content – with selected free content and selected pay content as well as additional ancillary attractions – games, downloads, ringtones or anything else you can add that is likely to be relevant to your audience. As your content gets spread across the web, its profile rises, and the modern measurement of a successful campaign is what happens when you Google it – so keep this in mind.

One example of this kind of success is the Channel 4 online game for 1066 – a two-part factual drama about the events leading up to the Battle of Hastings. Channel 4 commissioned the programme but the producer (Hardy Pictures) pitched the idea of an online game to accompany the TV programme (which was then produced by Preloaded). Instead of a TV programme that was broadcast and then gone, the resulting game has now had over six million unique users since the original TV broadcast in May 09 and until very recently, had first place ranking on a Google search for '1066' (as at October 09 it has dropped to a still impressive second place). For Channel 4 it was a huge success, and has generated significantly more interest and word of mouth over a longer period of time than the TV programme on its own would have done. Visitors are able to share the linked site on Facebook and other major social networking sites and recommend the site to friends.

This then is the goal for content producers – to be able to get their voice heard above the roar of the crowd on the internet. With so much content being uploaded on an hourly basis, it takes more than simply uploading your programme to a web site and sitting back to wait for the hoards of viewers to arrive. Producers need to think outside the 'box' – TV – and work out how to access their online audience.

5. Trends to Watch

Changes are happening every day to the way people consume content, and not just because of the decisions of a few TV commissioners. These changes are going to affect the way that we all do business in the years ahead, and so producers also need to be aware of the impact of these factors:

Demographics:

The first generation of kids who have never known a time when the internet was not around, or who have never known life without mobile phones, have now reached the ripe old age of 18. They have very different ideas about watching TV, using the internet and what mobiles are for, than those of us who remember mobiles as bricks and computers as huge things that didn't really do very much. For this generation, the internet is about keeping in touch with friends, phones are more for texting than speaking and TV is something you watch when you want to see a specific programme – with no loyalty to specific channels. They are the vanguard of a new generation of audiences and we need to make sure we engage and cater for this important group of viewers.

Technology:

The costs of making content are falling as equipment becomes ever more sophisticated and cheaper. What would once take a crew of several people and rooms of equipment can now be achieved by a single individual with a DV Cam and a laptop. This is a mixed blessing for the industry, as it means that professional quality content can now be produced much cheaper and so the number of people able to do so has exploded. The evolution of mobile phone cameras also challenges the 'professional' market. YouTube videos started as all being very amateur and bad quality but that is changing and the quality of some content now is getting very good – with nothing more than a mobile phone and a home computer. Producers need to adapt to new ways of working and come up with new ideas to make their content stand out.

Legislation:

In the UK we are often accused of over-regulating the media – despite the ‘light touch’ that is supposed to exist under OFCOM. Projects like Kangaroo – the online tie up between most of the UK’s main broadcasters – was stopped on the basis that it would distort competition. However, the market is hugely skewed at the moment in favour of just a few sites – with YouTube and Google dominating. Without a serious UK platform to challenge them, UK broadcasters are left with little choice (as Channel 4 has demonstrated with its YouTube deal). However, the marketplace is always changing and ideas like Project Canvas – to provide free on demand content via Freeview – if successful, would have a huge impact on the way we watch content on our TV. Producers need to be aware of these changes and to take account of the impact of these. Don’t rely on YouTube as the only way forward for your content as audiences and tastes change very quickly.

Monetisation:

Currently audiences expect content for free – and advertisers are willing to support this model, however the iPhone has shown a new trend emerging – with users happily making modest payments for applications to run on their phones. For the first time this is a trend of actually paying for content, and producers are already taking advantage of this to launch applications that provide additional content (games, information, recopies etc) to tie in with their programmes. If this trend continues then it could potentially generate significantly greater revenues from online content, but producers need to be sure this is relevant for their content and audience.

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The deals that can be done online with mobile companies and games companies are complex, and serious thought needs to be given to the terms to be agreed, as well as the basics such as making sure your content is properly cleared for use in the first place. Broadcaster negotiations are also key. Without their approval and co-operation, producers may not have the rights to exploit their content at the right time and so limit its commercial potential.

This is where we come in. [Rights.tv](#), with our significant experience of negotiating deals with broadcasters, online platforms, mobile and games companies and more. We have also recently launched a new service – [Rights Savvy](#) – to help producers exploit their existing content in all media, including generating income from placing content online.

If you'd like to talk to us about your project and how we can help you make money from this online and offline, then please get in contact with us.

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