



User generated online video: consumer usage exploded in 2006 but revenues will prove slow to develop
The honeymoon period for user generated content is over

London 15th January 2007: The user generated online video market (UGOV) exploded in 2006 and by the end of the year, user generated videos made up 47% of the total online video market in the US. By 2010 more than half (55%) of all the video content consumed online in the US will be user generated, representing 44 billion video streams.

Although accounting for more than half of all online video content consumed – user generated videos will make up just 15% of total revenues. These are the latest findings from Screen Digest, the media analyst firm, which today releases its latest report on the UGOV market.

Realising the financial value of UGOV

Screen Digest believes that advertising will be the principal source of revenue for UGOV sites. In the US ad revenues will grow from \$200m in 2006 to almost \$900m by 2010. This represents only 15% of all online video revenues.

So whilst there is no shortage of consumers ready to use these sites, the key challenge facing the many companies that now operate in the UGOV arena is finding a business model that will make them financially viable. According to Screen Digest, there are five business models currently being used to make money from UGOV:

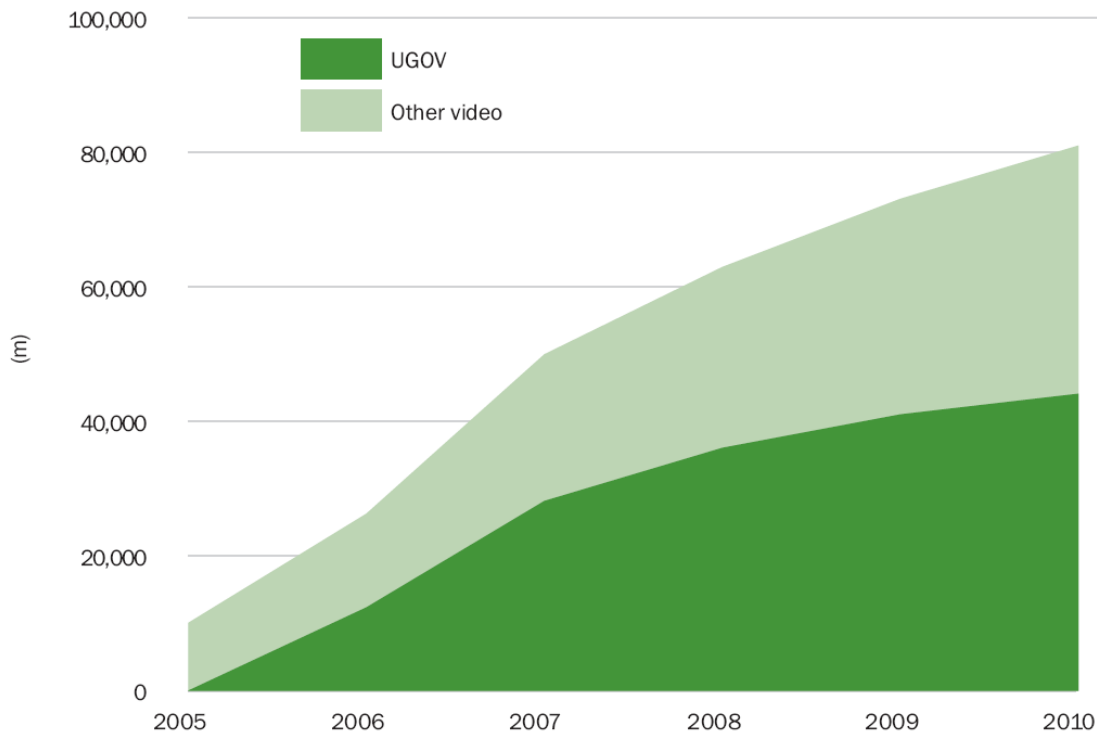
- Advertising
- Content Licensing
- D Commerce (digital sales and rental of premium movie and TV content)
- Subscriptions
- Technology Licensing

Site owners and advertising agencies could struggle to find a cost-effective way to plan and place relevant advertising on millions of different videos. Whilst they are experiencing a period of trial and error searching for the right advertising formats, the sites risk losing their 'cool' factor as users are turned off by finding mainstream advertising on their personal videos. So far advertising looks like it will become the business model favoured by most players, despite the fact that Screen Digest forecasts that the returns will be slow to materialise.

Screen Digest Senior Analyst and the report's author, Arash Amel, comments: "As yet though, no one has found a way to make real money from the huge audiences who participate on these sites. User generated online video will drive the majority of Internet content consumed in the future, but despite its huge popularity

with web surfers worldwide, the major players have yet to find a way to generate significant revenues from it. The interesting developments in this market are going to be about who can monetise user generated online video, and how they'll do it."

USA: Internet video streams



Source: Screen Digest

Sites need to diversify to survive

Amel continues: "2006 was a phenomenal year for UGOV, with exceptional growth in the number of UGOV streams and with Google's \$1.6bn acquisition of the 18 month old YouTube. At the same time it's also proving rather difficult for UGOV sites to monetize their video streams. Added to recent high profile executive departures from two significant players in the industry, Revver and Guba – the signs are all there that the honeymoon period is over."

"UGOV sites need to diversify to survive. With the dominance of YouTube and MySpace Video, smaller sites are going to need to offer something different. Emerging alternative offerings include online editing, revenue sharing with content producers and hybrid services which offer both premium and user generated content."

Why has user generated online video proved to be so popular now?

The popularity of user generated video online reflects what the Internet has emerged to be all about – empowering and connecting people. Using UGOV anybody can make, mix, remix and edit their own videos and distribute them at the click of a mouse to millions of potential viewers.

What are the major media companies doing about user generated content?

Having missed out at the start on other digital revolutions, the major global media players have been quick to sign up to this phenomenon. Whilst the acquisitions of personal broadcasting site YouTube by Google, and social networking site MySpace by News Corporation were enjoying huge media attention in 2006, other key players were quietly entering the same space, either through acquisition or new business initiatives. Sony, Time Warner, Yahoo!, Microsoft, Turner, Comcast and Viacom are now all poised to maximise the opportunities posed by UGOV in 2007 and beyond.

The European market

UGOV in Europe remains a fledgling industry in comparison to the US market. Amel believes that we'll see localised versions of the big names like MySpace appearing alongside new regional sites. In 2007 expect to see videos on Sumo.tv, YourkindaTV and Putfile in the UK, MyVideo and Clipfish in Germany, DailyMotion, YooTribe and Wideo in France and Flurl Media in Belgium.

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About this report

The data and analysis from this press release is taken from the new Screen Digest report, *User-generated online video: Competitive review and market outlook*. To find out more please contact Screen Digest sales / sales@screendigest.com / +44 20 7424 2820.

About Screen Digest - Global media intelligence

Screen Digest is the pre-eminent firm of industry analysts covering the global media markets. We employ a team of 30 specialist analysts covering television, broadband, mobile, home entertainment, cinema and gaming. With our unrivalled network of contacts within the media industry we have the information and provide the analysis that hundreds of media companies base their decisions upon.

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