Google: The New ‘Tailor-Made’ Television Network?
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13/01/06

Until now, Google has based its business model on two sources of revenue: advertising sales through its Adwords service and the redirection of users to online stores—as done by Google Library—for which the search engine is paid a commission.

Now, the company founded by Sergey Brin and Larry Page has announced the launch of Google Video, a marketplace where television content providers—from networks such as CBS to independent providers—can offer their products online. Through its store, Google acts an intermediary—in the same way that Amazon does—and will receive 30% of the profits from the providers. Thus we are seeing, a paradigm shift for the king of the search engines.

With this new development, Google becomes a direct competitor for Apple, which for several months now has been exclusively selling episodes of the popular TV series “Lost” and “Desperate Housewives” through its iTunes Music Store. Meanwhile, Google has developed a music and video player (Google Player) as well as announcing that Google Video will offer its own content protection technology (a.k.a. digital rights management, DRM). What remains unclear is whether the company will opt to license their DRM—as Microsoft has done with Janus—or if it will be a closed system—such as Apple’s FairPlay.

But the move by Google, and others, such as AOL’s acquisition of the video search engine Truveo, represents not only a significant change for the company: it could also potentially have a major impact on the industry. This is a huge opportunity for content providers, who will not need to convince the major media groups in order to reach a mass audience, at least technologically.

Meanwhile, it is becoming increasingly evident that the television of the future will allow viewers to decide what they want to watch and when. While the major American broadcasters are banking heavily on their on-demand content, the key players in the Internet industry are becoming television content distributors.

Highlights

1 Google has already reached an agreement with CBS television to offer programs such as CSI and Survivor. It has also signed deals with the National Basketball Association (NBA) and the British TV network ITN and will feature independent films from GreenCine.

2 Google Video Store does not presently include advertisements, however the company is looking into the possibility of doing so in the future. In fact, nearly one out of three users would prefer to see advertisements rather than pay to download content, according to a study by North Group and Horowitz Associates.

3 The content provider shall decide whether to use the content protection technology developed by Google or allow unrestricted use of its files. Only non-protected files will be playable in mobile devices, such as the iPod and PSP.

4 Unlike Apple, Google will allow producers to establish their own pricing models. While the NBA will offer the previous day’s games for four dollars, the providers of the show Charlie Rose will offer the program for free the day after the show airs, after which it will charge one dollar.
With this scenario, the major general-interest broadcasters should probably build their foundation upon content whose greatest appeal is its live nature. Namely, sporting events and reality shows (Which team will win? Who will get voted off the show this week?). In both cases the most important thing for the majority of the viewers is finding out the result the moment it happens.

When it comes to other types of content, such as fictional series, documentaries and special reports, viewers will demand more options. And in services such as Google Video or iTunes Music Store, viewers will find those options. That said, are we witnessing the shaping of the future ‘tailor-made’ television networks?