User Generated Content: Business models and copyright

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Abstract

This paper investigates viable business models and copyright policies applied to user generated content (UGC) services. Market players come from various backgrounds and adopt different strategies to create and capture value with user generated content and deal with copyright issues. Based on extensive market research and 13 case studies, this paper identifies the business models and strategies to deal with copyright issues for three different service providers. The starting point for exploring viable business models is the fact that user generated content in principle serves a niche market and is part of the ‘long tail’ of content. We argue that it is impossible in terms of business feasibility to gain full control over the content and dynamics on these long tail platforms. Social recommendation mechanisms are a requirement to market these niches to users, but also enable service providers to partner with stakeholders. Overall, there is a trend towards creating a user producer interface, service providers act as intermediaries between professional and amateur content creators. In line with the business logic of the long tail, service provider do not aim to fully control copyrighted content. Service providers as well as content owners seem to be accepting that content with only a small audience is not worth controlling, as the costs to keep control outrun the benefits of upholding copyrights. Only when the copyrighted material reaches a critical level of public exposure, it becomes feasible from a business as well as user point of view to enforce copyright regulation. At this ‘tipping point’, copyright policy needs revision, either by strong enforcement up the tail or relaxation down the tail.

1. Introduction

1.1 Background

After an initial struggle, services based on user generated content (UGC) are coming of age. The EU and the U.S. government are embracing YouTube as a channel to manage public relations, and Al Gore’s Current.tv wins an Emmy award. The first platforms enabling this kind of content publishing and sharing were mainly set up outside the realm of established media companies. Following the strategy of “users first and the rest will follow”, the majority of these websites started as grassroots initiatives. The sudden popularity of services with this open-ended strategy such as Youtube led to numerous confrontations with established content owners and service providers, notably in the field of copyright. With the continuing development of these services as well as the introduction of next generation services, there seems to be some kind of closure between the two. Copyright infringement is still an issue, but media companies seem to recognize that these kinds of platforms are here to stay.

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1 This paper is based on a deliverable produced within the EU funded FP7 Citizen Media project entitled ‘Business requirements and potential bottlenecks for successful new CITIZEN MEDIA applications’. In particular, the authors like to thank Dr. Andra Leurdijk, leading the business modelling work in this project, for her feedback and review efforts. The full report is available at www.ist-citizenmedia.org.
and can be used to their own benefit. Owners of UGC platforms on the other hand recognize that building a feasible business model requires maintaining relations with all stakeholders, including professional content owners.

Despite the consensus over the fact that UGC is here to stay, most of the established players are still puzzling over the business value of user generated content. First of all, the discussion on how to deal with copyright infringement, right clearance and royalties is clouded in uncertainty. A ‘zero tolerance’ policy on copyright infringement does not seem to be the most effective way to keep control over copyrighted material. As a consequence, professional content owners and collective right societies are in the middle of formulating their strategies on how to enter into negotiations with the new entrants. Secondly, established media companies are also setting up user generated content services themselves. Designing these business models brings about other problems as these players already have an existing service portfolio, operate on different scales and are dealing with other stakeholders and customers.

1.2 Goal and relevance of this paper

Research on the relation between UGC, business models and copyright policy is still in its infancy (OECD, 2007). This paper aims to provide some clarity by investigating the business models and copyright strategies that different service providers adopt in setting up UGC services. We adopt the view that UGC in principle serves a niche audience, and is part of the so-called ‘long tail’. Starting from this assumption, we argue that it is impossible to fully control the development of a UGC business model as well as the circulation of copyright. There seems to be a shift from control to management. Due to the economics of large numbers associated with the long tail, service providers have to depend on network externalities. On the demand side, social networking mechanisms (recommendation, syndication) are required to attract a user base. On the supply side, notification procedures and partner programs to forge loosely coupled business relationships are required to keep some level of control while keeping the business model feasible.

1.3 Research set up

The notion that UGC is part of the long tail provides the basis for this paper. From this starting point, we identify the relevant value network for UGC, and the main copyright issues that need to be dealt with by every service provider in order to design a feasible business model and deal with copyright issues effectively. By analysing 13 case studies from this perspective, this paper identifies the main business and copyright dilemma’s that need to be dealt with in the dialogue between all stakeholders, including policy makers.

To investigate these business models and copyright strategies, we adopt a business model centric approach, as UGC plays a role on different markets. UGC might be considered a typical product on a converging market as it rarely competes directly with other products, but rather acts as a substitute, an alternative for several products. Furthermore, a business model centric approach enables us to take into account the multi-sided nature of the markets on which UGC plays a role, in which platforms mediate between various stakeholder groups. Therefore, we adopt a variation of the business model bottleneck approach as presented by Poel et.al. (2007).
Based on market literature and the conceptualization of UGC as a change agent in terms of market and society, we identify the relevant business value network and copyright issues. This is the framework that enables to identify the business models developed by different service providers, and the copyright policies these service providers adopted. Based on the analysis of these business models and copyright strategies, we are able to derive the recurring strategic dilemma’s UGC service providers have to deal with.

2. Context, concepts, methodology

2.1 Defining User Generated Content

Different UGC definitions are circulating, ranging from broad notions including typed messages, voting with SMS and p2p file sharing to narrow ones that highlight the artistic effort involved. In an attempt to get a grip on these phenomena, the OECD (2007) defines UGC as: content made publicly available on the internet, which reflects a certain amount of creative effort, which is created outside of professional routines and practices. This definition is useful in ruling out several of the interpretations such as file sharing and text messaging, but still leaves much room for discussion for two reasons. The first reason is that it is hard to make a distinction between the public and the private sphere, as especially the on-line publication and social networking websites blur this distinction. Social connectedness is becoming a necessity to find what you are looking for. This social connectedness is increasingly organized within confined, large scale communities such as Social Networking Sites (SNS). For several services such as MySpace or LinkedIn, people need to be invited by members to become a member. As the access to this content is highly dependent on social ties, the term semi-public space might be more appropriate here.

A second point that needs more specification is the rather strict definition between amateur and professional routines and practices. Leadbeater and Miller (2004) introduced the term ProAm (Professional Amateur) to indicate that as users are taking up new roles, this distinction will blur. A strict distinction between the two prevents a better understanding of the problems that arise in designing business models and copyright issues as it is exactly this distinction that causes disputes and conflicts. Copyright for example is based on the assumption that the creative works need to be protected as their creators are professionals and need to make a living based on its exploitation. As users are now massively uploading videos for other purposes, this definition causes problems.
To come to terms with these problems, we use a classification of different user roles based on the idea that users have value adding roles, and can therefore be considered part of a value chain. As this report focuses on audiovisual UGC, we use the content delivery value chain to classify possible roles users can take up (Limonard and Tee, 2007). This classification coincides with the distinction Benkler (2006) makes between users, ranging from production to packaging (e.g. ranking) and distributing (e.g. P2P networks). UGC also incorporates these elements (production, packaging and distribution) and places the value added by users at the core of our analysis. As this report is mainly concerned with business models and copyright issues for A/V content, we will use this term for video’s created by users that are disclosed on public commercial platforms. With this definition we want to rule out use in purely private settings, as adding value in business modeling terms is concerned with creating value to a wider audience.

2.2 UGC and the market place: the long tail

As stated before, user generated content UGC might be considered a typical product on a converging market as it rarely competes directly with other products, but rather functions as an additional service to several products at the same time. As we adopt a business model centric perspective, we adopt a service provider centric definition of the market. This means that the market segmentation used here applies to professional and user generated content disclosed by a single service provider. This definition excludes the business models of companies active in separate niches, as it limits the scope to the market for an entire platform that hosts services targeting a mass as well as numerous niche markets. It also excludes claims about the entire market for professional or user created content.

The starting point in identifying viable business models and copyright strategies is the fact that user generated content in principle serves a niche market and can be considered as ‘long tail’ content (Anderson, 2006; Brynjolfsson, Hu and Smith, 2006; Limonard and Tee, 2007). Advocates of the long tail theory claim that with the advent of the digital economy, the future of business is “selling less of more” (Anderson, 2004). The assumption is that the larger part of the revenues is to come from the total of niche markets. Where traditionally, 80% of revenues come out of the mass market, and 20% out of niche markets, in the future this will be reversed. Particularly for a saturated market like television, creating value by appealing to specific tastes promises to be a profitable strategy.
Throughout the long tail it is critically important to provide tools to facilitate the discovery of products through both active and passive search mechanisms (Brynjolfsson, Hu and Smith, 2006). The more niches are available, the harder it gets for consumers to locate the product they are interested in. Passive tools such as Amazon’s recommendation system use the customer’s revealed preferences from page views or past purchases. Through active search, customers themselves become the driving source behind these filtering mechanisms. By expressing their preferences actively by rating, tagging or recommending certain content, they help each other discover new niches. These different kinds of “filters” that match demand and supply enable demand to be pushed down the tail, introducing people to new kinds of content. The viability of business models for this kind of niche content depends on the business model for the service platform that enables the exploitation of these niches taken together.

The current notion of the long tail originated from its innovative application in the field of digital and online retailing services. Chris Anderson first published his ideas on the long tail in an explorative article in Wired magazine in 2004, which was followed by a book in 2006. In his book, Anderson reports of different company based case studies. On-line retailers of physical and digital products such as Amazon, Rhapsody and iTunes, Netflix and eBay, but also other on-line domains are represented with Google and its advertisements, and Lego’s toy business (Anderson, 2006). Based on company specific sales numbers, he found that the larger part of the revenues in these on-line companies comes from the total of the niches.

While there is a fierce discussion on the data supporting these claims and the general validity of these claims, business decision makers have taken up this notion to rethink their strategy in a number of markets. One of these is the market for audiovisual content, in which long tail content is defined as "content that is not available through traditional distribution channels but could nevertheless find an audience". Anderson makes a distinction between three categories of content:

- TV shows that are made but not broadcast in your area: this includes channels outside the package of a cable provider, foreign TV programs and local sports and events.
- Old TV shows: TV from the archives, from historical to relatively recent material as well as current shows that viewers have missed.

2 Source: www.thelongtail.com
- Video of any sort that is made but not broadcast: UGC, independent professional films, commercials (which are broadcast but not scheduled or findable), including news and commercial/corporate video intended for targeted audiences.

Based on this classification and extensive market research\(^3\), we assume that the extent to which users are involved in creating the content is related to the size of the market for this content: the larger the contribution of a user in creating content, the more niche the market for it. This implies that the majority of UGC disclosed is used by only by a small group of people. A typical example is a personal holiday video. These personal videos are uploaded to share them with close friends and family, and the creators of those videos are not aiming to reach a mass audience or make money with it. Here we adopt a market segmentation based on this assumption making a distinction between professionally created content and user generated content (see figure 4). We assume that the extent to which users are involved in creating the content is related to the size of the market for this content.

This does not mean that the audience for UGC cannot grow. As the example of Esmee Denters\(^4\) on Youtube shows, it is possible for videos to grow popular by means of social networking. Members of the social community can collectively make a video stand out by rating it, and apply word-of-mouth marketing to inform each other. The other side of the coin is that by making a distinction between professional content and user generated content, we assume that amateurs will never be able to structurally serve a mass audience. Meeting the demands of a mass market requires amateurs to grow into (semi-) professionals, or at least to become affiliated with a professional organization or platform. Again, Esmee Denters is an example of this migration from user to professional. After growing popular on Youtube, she signed a record deal with the production company of pop star Jason Timberlake, and joined him in his European tour.

\[\text{Figure 4. A long tail for UGC}\]

\(^3\) Includes results from surveys by market analysts such as Hitwise, Forrester and Nielsen, and user research by institutes such as Pew Internet Research and SINTEF. For a complete overview of the market reports, see Limonard and Esmeijer (2007).

\(^4\) Esmee Denters is a Dutch teenager who started upload videoclips on Youtube in which she performed by singing popular songs, using the webcam of her sister. 11 months after her first appearance, her videoclips were viewed over 11 million times.
At a certain point on in this graph, there is a ‘tipping’ point where other economic principles begin to apply. Chris Anderson explains this tipping point from the consumer’s perspective as the transition from mass to niche marketing. It is the moment where social networking is a more effective marketing instrument than mass marketing mechanisms that fail to provide effective reach for each separate niche. From a content producer’s perspective the same applies: at a certain point, niche content such as UGC becomes interesting for a mass audience, and professional content becomes interesting to disclose in niches.

2.4 Value network for UGC

We define a business model as not only the revenue model and value proposition, but also as a partnership. Especially in a changing and networked business environment, the analytical value of investigating the design of a business model lies in the extent to which there is a strategic and operational consensus between partners in the value network (Pepper and Rylander, 2006). A value chain approach is less useful here as the value creation process around UGC involves a high number of actors (including users in different roles), contributing most of the time in a non-linear, loosely organized manner.

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5 This section is originally based on model that takes into account the value proposition, value network, technical architecture and financial model (Bouwman, 2003, elaborated by Ballon (2006). For practical purposes, we limit the conceptualization of the business model to the value network in this paper.
This leads to a high degree of interdependency between actors. Cooperation and competition might take place at the same time. Instead of creating value by managing the different roles separately, value creation is increasingly taking place in building and maintaining the relations between these roles.

To set the boundaries of such a network and identify the relevant roles, we start from the notion that UGC can be conceptualized as being part of the long tail for content. This value network consists of the traditional content delivery value chain, normally associated with services designed for a mass market as well as the more networked value creation process in the totality of niches, with social networking and syndication mechanisms as the critical driver in disclosing content. This value network is presented in Figure 5.

2.5 Copyright issues

In setting up business models leaning on the totality of niches or creating a business interface between demand and supply of professional as well as user generated content, copyright has a critical role. It enables service providers to make revenues either directly or indirectly, and ownership of rights as well as the fear for being held liability for copyright infringement lies at the basis of much of the design choices made. For the purposes of this paper we limit ourselves to an economic perspective on copyright. Copyright law and regulation are meant to stimulate innovation, economic activity and cultural diversity by striking a balance between the interests of the author and the public interest.

Every work, if it is considered to be an original creative expression, falls automatically under copyright jurisdiction. This means that not only professionally created content, but also the content created by amateurs is protected by law. If authors or other creators (including scientists) cannot control this use and as a consequence would not get compensated for their effort, there would be less of an economic incentive for them to make the creative effort in the first place. Basically, there are two kinds of copyright.

- *Moral rights* refer to the right of first publication, or the right to make changes or object to them if it would endanger the author’s integrity.

- *Exploitation rights*. Exploitation rights give the author the exclusive right to copy and distribute the work although this right can also be licensed to other parties. For instance, a musician could license a filmmaker to use his music on the soundtrack. When these rights are violated, this is considered copyright infringement.

In the context of UGC services, there are several developments that have stretched the boundaries of copyright law and regulation. First of all, the physical and technological barriers to copy and share content are eroding. Together with the rise of file sharing platforms such as KazAa and Bit Torrents, this means that copyright infringement by illegally sharing content in these networks has never been easier. Owners of especially popular and high-cost copyrighted works need to put more effort in controlling the circulation of this content. Secondly, users are producing the majority of content, and increasingly put this content on-line. Over 75% of all content is created outside professional practices (Gantz et. al., 2007), and due to the introduction of digital camera’s and camera phones, this share is steadily growing. The big difference in terms of copyright is that a substantial part of this content is now disclosed on-line. Where family pictures and private video’s were once secluded to the home environment, this material is now published on-line for practical purposes like sharing with friends. Most of this material was not created by people with professional intentions. This kind of amateur material does not necessarily need copyright protection to guarantee compensation for the effort of making it. A lot of these user generated photos and videos were never part of the economic system that inspired the design of the copyright law (Benkler, 2006) but are now available online. No matter how different they may be in nature or in motivation behind their creation and publication, they are in principle subject to the same rights and restrictions.

Taking into account these considerations, and using the distinction between right owners and users as depicted in the value network (see figure 6), we identify four critical copyright issues. These are issues every service providers has to take into account to implement a sustainable copyright policy for a UGC service.
a. Ownership over UGC. The first choice is the one towards the user community, the amateurs uploading their content. The question here is to what extent the service provider asks the user to turn over copyrights to enable publication and exploitation. How to deal with creators who are not necessarily aiming to get compensated, but who might enable the service provider to make a profit? First of all, this requires decisions on exploitation rights, such as the right to terminate the licensing agreement, the exclusivity of licensing agreement, exploitation on different platforms and the right to modify presentation and contents of the copyrighted work. Secondly, decisions need to be made on how to serve users not necessarily wanting to make a profit. Here, the wide range of different Creative Commons (CC) licenses might be a way to serve users who want to create work together or non-commercial purposes. Are the different intentions of users accompanied by different ways of licensing and commercializing UGC?

b. Enable professionally content owners to keep control over their work. The second choice concerns the owners of copyrighted material which is used by amateurs uploading UGC. The question is to what extent and how these service providers enable the owners of professionally created works keep control over the circulation of their content. Copyright infringement such as uploading music video clips without prior consent is a first practice that is relevant here. But also mash-ups, derivative works and the use of short samples or snippets in content created by amateurs needs to be taken into account. Service providers need to take measures to let the original content owner keep or take back the control over their work.

c. Usage of rights over UGC. Service providers use UGC to create value. A first question is how the rights they control are leveraged to generate revenues and keep the business model feasible. Does the business model lean on direct use of the copyrights over UGC, i.e. does the publication or selling of UGC bring in the revenues? Or is the use of those rights only indirectly related to generating revenues, merely making other services or the entire portfolio more attractive? A related issue is the extent to which the business model leans on (direct or indirect) exploitation of UGC. A service provider is held more liable for copyright infringement if the entire service portfolio consists of UGC that to some extent contains copyrighted work of third parties. A second question is to what extent users are compensated for handing over rights over content they created. There is no consensus on how prosumers like to be rewarded. Some argue that a monetary reward would be a dissatisfier for users as this takes away the ‘innocence’ and therefore the fun in uploading content. Non-monetary rewards might be more valuable to users, especially in a context where social networking and therefore status among peers gains importance. On the other hand, with the rise of the aforementioned ‘ProAm’, users might grow accustomed to receiving financial compensation and move beyond the role of ‘merely’ being an amateur. If a service provider decides to pay users, other choice need to be made to determine the value of the UGC. To exactly determine the value of a single piece of content that serves a niche audience is difficult as a single service provider is difficult, even with advanced tracking technology. Where professional creators have collective right societies to determine the tariffs for royalties, users are not organized at all, and might easily be taken advantage of. This also applies when a UGC clip suddenly becomes popular, and the value of a UGC clip exceeds the compensation he gets for it.

d. Usage of rights over professionally produced content. The role of professional content on UGC platforms is ambiguous. On the on hand, professional material is used without consent of the owner, but on the other hand these same owners are putting this content on these platforms for their own gain. Service providers need to find ways to clear these rights for their platform or how they might strike a business deal so that the content owner receives royalties. Here also, the extent to which this content is used directly, and the extent to which the business model leans on UGC (and copyright infringement) is relevant. For professional content owners, determining the value of professional content also comes into play. Opinions vary on how the value of content on these long tail platforms is determined. Content of one specific content owner might be reused in numerous UGC video clips. Once the service provider has identified all content relevant, there is also the question to what extent copyright

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6 Creative Common is a non-profit organization that developed a range of licenses that fills the gap between signing away all rights to any given publisher or no rights at all. The slogan behind creative commons is “some rights reserved”. For more information see [www.creativecommons.org](http://www.creativecommons.org)
infringement is taking place. Sometimes such a clip is a copy, other times a fragment of a few seconds, or a parody which makes it an exception to European copyright law. In clearing rights, collective right societies traditionally are an obligatory point of passage, and here is how service providers position themselves towards these collective right societies.

2.6 Methodology
The following analysis is based on 13 case studies. These cases were analyzed based on desk research as well as face to face conversation, telephone interviews and email conversation. A semi-structured interview protocol was used to In total, 12 interviews were performed covering most of the case studies7. In parallel, a workshop with 18 experts from the business and legal domain was organized to identify the business models, strategy and dilemma’s8. As the aim of this paper is to explorative in nature, we adopted a range of criteria9 to select the following case sample10. The cases are discussed along the lines of three types of suppliers.

Figure 6 Case sample

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7 Exceptions are Sevenload, Islandoo and Viacom.
8 See www.ist-citizenmedia.org for a description and the notes of this workshop
9 The criteria to select this case sample include range of suppliers, range of delivery platforms, range of genres and range of countries. The authors like to thank Matthijs Leendertse for his useful comments and input here.
10 For a detailed description of the case sample, see Limonard and Esmeijer (2007).
3. Business models

3.1 Business models per service provider

This section deals describes the different business models based on UGC. An overview of the business models in terms of the value network is presented in Figure 7.

**Traditional packagers**

Traditional media producers and packagers tend to adopt the first strategy. By setting up a limited number of niches that are complementary to other services in the portfolio, user generated content is used to create more impact, but also to filter out valuable ideas, talent or ready made content. UGC platforms are set up for two reasons: Firstly, they aim to create more impact and to a lesser extent reach for professional content produced in-house, by third parties or advertisers. Secondly, UGC platforms serve as a pool of ready-made content, ideas and talent that can be leveraged to serve suppliers (other media companies, advertisers) or integrated into the own content offer. The value offered by traditional packagers to the user as well as business community on UGC platforms is an extension of the traditional offering. Visitors of these platforms already have built some personal relationship with a certain type of content or brand of the same company, and this relation is leveraged. The nature of this relationship varies, ranging from niche content (local news, alternative music) to a premium brand (TV shows such as ‘Pimp my Ride’ in Europe or ‘Shipwrecked’ in the U.S.). UGC services are not the most critical services in the total service portfolio. Instead, it is one of the many services in the cross media mix that ensures reach and impact with the target groups. Especially for packagers of premium content such as Viacom, UGC services are a way to survive and cling on to new developments, as the market share of these companies is being threatened.

**Distributors**

Distributors are setting up UGC services to extend their role of enabling people to communicate into enabling people to share content. Different communities are targeted, mostly with a strong national or regional focus. Distributors have the tendency to target social networks in which people already have personal relationships. Where traditional packagers are attracting users based on specific brands or TV series, distributors are attracting a crowd by either focusing on local communities such as small towns and villages, or focus on events to keep attracting users. Distributors focus on move up the value chain (vertical integration) and move into new markets (horizontal integration) by disclosing the entire long tail of content. Distributors are increasingly facilitating content owners and other service providers to disclose their content and services in interactive ways. Next to getting ownership over the on-demand football rights and setting up theme channels with media companies, UGC is one of the other types of content that is disclosed.

Business value is created in different ways. A first incentive is to create customer loyalty. The traditional relationship with clients was limited to the periodical bill and TV commercials. By setting up UGC services with services such as content vaults, or other personal content management systems, distributors aim to create a high trust and enriched relationship with their client base. At the same time, a soft lock-in mechanism is created once users place their personal content on a server of a distributor instead of the PC. The costs to switch to another subscription are high if your private content collection is hosted on a server of a distributor instead on a privately owned PC. This is an important feature for distributors, as their subscription base is dropping and retaining users in numerous ways is a major strategic priority. UGC platforms are also leveraged to give third parties access to the community of users the network operators are hosting. Other service providers can tap into the community to increase reach and impact. The strategic relevance for distributors is moderate, as this is one of the ways to increase customer loyalty and generate revenues along the way. Some network operators are also experimenting with aggregation of UGC to a television channel. In Europe, these experiments have not left the pilot phase.
For practical reasons, we describe the activities of service providers as movements. A movement is either forging partnerships with others or acquiring control over certain roles by setting up proprietary services. If this is a recurring activity for a type of service provider, the explanatory arrows describe the type of movement.
New packagers

New packagers are heavily leaning on UGC to build a business model, and are aiming to be more than ‘just’ a content library with relatively few interaction such as Youtube. Next to hosting UGC and making money from micro-advertising, these new packagers are transforming into content intermediaries and brokers, organizing the supply and demand for professional as well as user generated content. All of them are targeting more specific target groups, and offer users 1) the ability to personalize, enrich and expand the relations in their social network and 2) an opportunity to publish, market and sell their UGC.

The business value of UGC is twofold. First of all, in the same fashion as distributors and traditional packagers, new packagers are giving premium advertisers and content owners access to the UGC environment. For content owners, the syndication and other windowing possibilities offered are offering the possibility to increase the reach of their content. The Revver service for example allows for separate content files to be downloaded while keeping the right to disable them once the content owner wants them removed. For some music publishers for example this is an attractive option to disseminate video clips. Advertisers are mainly using the platforms of new packagers to increase the impact of their message by integrating their message into the platform, either by personally engaging in social networking (as is the case within the Hyves example) or by technically embedding their message (like Habbo Hotel). As these platforms offer easy access to a vast collection of content, another way to generate revenues is apply a cross media strategy and either 1) disclose the entire UGC service on other channels such as game consoles or mobile, or 2) license a particular collection of files from the platform and integrate them into on-demand channels. Disclosing the entire platform on other channels requires some modification in operating it, and UGC platforms are in the middle of experimenting with new formats. Hyves for example is in the middle of creating a mobile version of their platform that contains extra location based functionality. Licensing UGC to mainly distributors is a strategy applied by Revver, that has licensing deals with IPTV and mobile operators in the U.S. as well as Europe. In the choice to build or buy, distributors can set up UGC channels of their own or outsource this activity. Revver and its competitors such as Al Gore’s Current.tv are betting on this last option, and provide distributors a selection of their ‘quality’ content.

3.2 The user producer interface

The business models based on UGC differs per platform. Service providers have the choice between specializing in a number of limited niches and focusing on the quality of the content and interaction (a ‘thick’ tail), or creating as many niches as possible, and build a business model based on the synergy effects of the total of niches (a ‘long’ tail).

While some of these service providers are still leaning on the revenues made out of each separate niche, all service providers seem to be aware of the fact that UGC does not necessarily needs to be confined to niche environments. A selection of the UGC might be interesting to a wider audience. At the same time, media companies are discovering how these large pools of content, ideas and talent can be used to their advantage. These two trends urge UGC service providers to develop mechanisms to invite users to use professional content as well as professionals to use UGC. In this way, a market place for the supply and demand for professional as well as user generated content is created. This market place can be visualized using the long tail for content (see figure 8).

Beyond a certain number of channels on any given platform, traditional marketing mechanism do not apply anymore as the information overload becomes too big. At this ‘tipping point’, long tail economics begin to apply on the demand side of the market. Instead of targeted marketing campaigns, social recommendations are the main driver for the marketing of content. From the analysis of business models we learned that this also applies the other way round: on the supply side, UGC can grow popular to such an extent that it becomes interesting for a wider audience, and therefore for professional media companies. At this tipping point the audience for any given UGC video clip can be said to reach critical mass. This is the moment where it becomes economically interesting for professional service providers to seize ownership over the UGC. Table 1 summarizes the way in which the different suppliers organize this market place for companies as well as for users.
Figure 8 Business interface between supply and demand for UGC

<table>
<thead>
<tr>
<th>Windowing</th>
<th>Cherry Picking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Traditional packagers</strong></td>
<td>Create value with a stage where fans have a chance to interact with their favorite brand/pop star/program.</td>
</tr>
<tr>
<td>Create value with cross media or immersive experience, useful for (mainly) premium content owners and advertisers who want to create extra impact.</td>
<td>Create value by giving users the opportunity to get ‘15 minutes of fame’</td>
</tr>
<tr>
<td>Create value by giving users the opportunity to get ‘15 minutes of fame’</td>
<td>Create value with talent development community where professional media companies cherry pick content/talent</td>
</tr>
<tr>
<td>Distributors</td>
<td>Create value by using low cost UGC to fill platform, creating customer loyalty and soft lock-in mechanisms along the way.</td>
</tr>
<tr>
<td>Creating value with ‘friendly’ environment in which wide range of third party service providers can tap into to increase the impact as well as reach</td>
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<tr>
<td><strong>New packagers</strong></td>
<td></td>
</tr>
<tr>
<td>Create value for premium content owners/advertisers by syndicating content, creating new windows in community environment or interact with community as one of the participants</td>
<td>Create value in the interaction between users by creating virtual economies</td>
</tr>
<tr>
<td>Sell premium content (such as clothes and furniture in Habbo Hotel) that users can integrate into their personal virtual environment</td>
<td>Creating value by organizing market place: quality UGC is being filtered out and sold to media companies and network operators</td>
</tr>
</tbody>
</table>

Table 1 User producer interface specified for specific service provider

The way in which this circulation of UGC and professional content is organized is also highly dependent on the business relevance of UGC. In some cases, service providers want full control over this market place, while others deliberately keep it away from it. It can be organized within or at the borders of a user generated content service. Traditional packagers such as Viacom or Wegener for example are aiming to have full control over the supply and demand of this content, strengthening their position in the value network. Most distributors only organize the community and let others cherry pick content that is interesting for a wider audience. Their business model is aimed at giving
organizations in need of UGC access to the supply side without trying to organize it. New packagers such as Revver combine the two: by specializing in original user generated content with heavy moderation for copyright infringement beforehand, Revver aggregates and organizes the supply of UGC. This enables this platform to act as an intermediary, an agent who makes business deals with the companies in demand of UGC on behalf of the user.

The shape of these market places also differs. New packagers organize the exchange of content in a formal way, with advanced measurement systems that log and keep track of how content circulates by measuring visiting numbers, ratings, ways of syndicating and log the more qualitative comments. This enables the creation of a market place based on the specific value of separate content clips, or formats. Traditional packagers are creating this market place in a less formal way, by offering a platform where users can stage their talent. The valuation of the specific content is not deemed critical, as most UGC is either made without the intention to make a profit, or the primary aim is to boost a career. In this case, the creative material he or she is producing serves as a stepping stone instead of the basis for making a living. Distributors also organize this interface in a loose manner by facilitating the interaction between supply and demand for professional and user generated content without actually benefiting from the transaction.

4. Copyright

4.1 Copyright strategies

In line with the business logic of the long tail, service provider are not capable of keeping full control over copyrighted content. In this section we present the policies service providers adopt in dealing with this issue.

**Traditional packagers**

In line with their business strategy, most of the terms of use applied are aimed at reserving as much copyrights as possible. Although none of the traditional packagers do claim exclusivity over the content posted or uploaded, they hold the right to modify the content posted, and republish and exploit it in different media, even if the user has withdrawn his or her material. The main challenge is to convince users to do this by downplaying the importance of these copyrights in the case of ‘light’ entertainment, or to highlight the opportunities for wannabe artists. Traditional packagers lean heavily in human moderation before or after the moment of uploading to ensure copyright infringement is kept out. As traditional packagers adopt a thick tail strategy, the scale of their operations allow them to do this at manageable costs. Their business model relies on direct use of UGC, and human moderation is not only used to manage copyright infringement, but also to get acquainted with the UGC and cherry pick ‘quality’ material. The main challenge for traditional packagers on their own platforms lies not in the field of copyright infringement. As their business model is brand driven, upholding the integrity of the professional content, making sure that the brand or image is strengthened instead of ridiculed or violated.

**Distributors**

The value offered to third parties is access to the community of users they are hosting. Instead of generating revenues directly using UGC, these service providers indirectly use UGC. The copyright policy can be summarized as a non-liability policy. Most of the terms of use state that users are in control, as they are able to end the relationship and licensing of rights to the distributor by simply withdrawing their content. However, creating momentum within the community and generating indirect revenues based on this dynamic makes the non liability claim less stable. A service provider creates responsibility by moderation because in doing so, the moderators have editorial influence and can no longer claim not knowing about infringement on the platform.
Most distributors manage copyright infringement afterwards, by implementing flagging and notice and take down procedures. At the same time, they are traditionally in the spotlight when it comes to compliance with existing laws and regulation. Several distributors interviewed such as Zizone and Mediamall are in discussion with collective right societies to agree on the tariffs that need to be paid to create a ‘safe’ professional content collection which users can use in their videos. Lack of accurate measurement methods creates a bias in putting together these tariffs, as collective organisations start from the potential instead of actual use of copyrighted material. This rationale makes fees add up to an amount that makes it virtually impossible to operate a viable service. Taking into account the increased involvement in organizing the community and the bottlenecks they are confronted with, distributors might solve different issues by implementing a more explicit copyright policy. Advanced content and digital rights management systems for example allow for data gathering on use and create more transparency towards professional copyright holders. Simple or more flexible licensing systems such as the creative commons licenses might create more transparency towards users.

New packagers

A characteristic shared among most Terms of use of these new packagers is that they only claim the rights that are required to operate the service. These new services are targeting specific target groups, and offer services to users that want to upload 1) for private purposes 2) for fun 3) to make money on the side 4) to build a career. If the UGC is directly used to generate revenues, most services state explicitly how and to what extent this content will be used for commercial purposes.

New packagers apply different if not all strategies side by side to prevent copyright infringement. DRM technology such as fingerprinting is mainly used to ban out the most obvious cases of copyright infringement, and to be able to enforce the copyright policy afterwards. Human moderation and judgement, either by the service provider or a third party, will stay necessary to make a distinction between illegal and legal use. This is the only way to determine to what extent UGC falls into the category of fair use (U.S.) or the exceptions defined in most European countries, such as parody. Human moderation is not only necessary to ban copied material. It also gives the service provider the chance to get acquainted with the UGC, to add metadata, mark a content file as ‘suspicious’ in case copyright infringement is not that obvious, or implement a fingerprinting technology.

The DRM technology of these service providers is proprietary in nature. As a consequence, the service provider instead of the content owner controls the technology to manage digital rights. The instruments to fight copyright infringement as well as the instruments and methods to determine the market value of content are now controlled by the service provider. If a professional content owners wants to disclose content on a UGC platform, these systems are used to determine the revenue sharing agreement between creator and service provider. The major advantage of such a bilateral business deal is that it is based on detailed user information. Although the measurement criteria differ per service provider, content owners are increasingly engaging in this kind of deal making. As a consequence, collective right societies are increasingly bypassed by content owners. This bypassing creates a gap between the methods to determine the value of content in the long tail between collective right societies and UGC service providers.

4.2 Copyright interface between the semi-private and semi-public sphere

Service providers are increasingly involved in moderating their platform, and are actively involved in managing copyrights for user generated as well professional content. The analysis of copyright policies of service providers shows that control over copyrights is difficult in long tail environments. Full control over this content is impossible because the time and effort necessary to enforce such a copyright policy for these large amounts of content would endanger the business feasibility of the service. Service providers as well as content owners seem to be accepting that content with only a niche audience cannot be subject to a strict copyright regime. As the costs to keep control outrun the benefits of enforcing copyrights, service providers are increasingly organizing the dialogue with professional as well as amateur copyright owners (see figure 9).
Safeguarding interest professional

Heavy human moderation before and after upload is feasible because the number of niches is limited. Main concern is not copyright infringement by copying or distributing, but by damaging the integrity of the brand by ridiculing or violating it.

Most copyrights are reserved by service provider, while the exploitation of this UGC is minimal: disparity in reservation and use of copyright. User is rewarded with the chance to build a career.

Safeguarding interest amateur

Minimal, copyright infringement is mainly handled by notice and takedown, although some services moderate before, mainly for privacy issues. Distributors are in the spotlight when it comes to enforcing regulation, and are requested to create cleared content collections for which they pay. Lack of accurate measurement creates gap between actual and potential audience for these.

User is in control over the content, and is able to change or remove it at any time. Terms of use are non transparent when it comes to the intentions for exploitation of the UGC, there seems to be a disparity between reservation and use of copyrights.

New packagers

Advanced DRM systems and human moderation allow for tracking down copyright infringement & determining the value of niche content. Standardized escalation and dispute management procedures ensure moderation afterwards and a trail and error learning process between service provider and copyright holder. Copyright owners are offered share in revenue generated with copyright infringing UGC. Apply a range measures that discourage illegal use of copyrighted material

Terms of use increasingly part of branding platform: slogan and legal terminology are aligned. Different target groups: users that upload for private purposes 2) for fun 3) to make money on the side 4) to build a career. Some new packagers offer flexible terms of use in which user can choose, including creative commons licenses Privacy concerns: Some new packagers let users decide to whom content will be disclosed.

Table 2 Safeguarding interest of professionals and amateurs content creators
Each of the service providers is organizing this interaction between copyright holder and user for professional as well as amateur content creators (see table 2). In line with their business strategies, the different service providers each apply other strategies to control this interaction. Traditional packagers keep full control over this interaction by reserving the rights on user generated content as well as professional content, and offer both copyright holders something in return. Users get a chance to fame or enhanced user experience, media companies increase the impact of their message. Distributors on the other hand have the tendency to let both professional as well as amateur content owners keep the control over this interaction. This position seems to be under pressure, as moderation of a community implies editorial influence and therefore liability for any copyright infringement. New packagers have abandoned this strategy and are increasingly letting content owners decide for themselves to what extent they want to have control over the content they disclose on UGC platforms.

Apart from the different policies to control copyright interaction, this interaction is also organized in a different way. Traditional packagers organize the interaction before content is disclosed: rights are turned over to the service provider who offers something in return. Distributors organize this interaction in a reactive manner, after upload: management of copyright is organized by escalation and dispute management procedures. Although this seems to be a naive way to control copyrights, it is a business feasible management principle which minimizes coordination costs, particularly useful when starting up a service. Traditional packagers apply a combination of these methods, but differ from the previous two service provider by use technology as a basis to make copyrighted content traceable and manageable before it is disclosed. By adding metadata and fingerprinting technology, content is made manageable, the service provider creates the possibility to control the content. This makes it easier to track down content afterwards. The prerequisite to move from control to management of content is that the criteria to determine the status and value of this content need to be aligned between all stakeholders. Content owners, service providers and policy makers need to have consensus on the criteria to determine 1) the amount of videos that contains material of others 2) the extent to which copyrights are infringed and 3) the actual audience of those clips and 4) the value of the content.

5. Analysis and Conclusion

Stepping out of the cowboy era, different business models and copyright policies for user generated content services are adopted. Service providers have different interests and possibilities in setting up these services, and different ways to handle the delicate issues that arise when it comes to copyright.

In the analysis of business models for UGC services we used the notion of the long tail. In analyzing UGC as long tail content, we found that the total collection of user generated content is impossible to control beforehand. Service providers need social networking mechanisms to market the niches to make these long tail business models feasible. The long tail strategies differ per platform. The main dilemma for UGC service providers in terms of business models is the choice between building a business model based on a relatively short and ‘thick’ long tail, or a long, relatively ‘flat’ tail. Service providers have a choice between keeping control over this long tail by specializing in a number of limited niches and focus on the quality of the content and interaction, or optimizing the amount of content and reach and build a business model based on the total of niches. On top of these differences, all services analyzed aim to be more than a content repository, and have the intention to create momentum and interaction between users as well as between users and producers. we saw that providers of UGC services are increasingly turning into a market place, organizing supply and demand for UGC. Where Youtube is limited to being a content library, mainly organizing supply and demand for micro advertisements, most UGC services go one step further by creating what we labeled a user-producer interface. They act as a broker in the field of marketing campaigns, eBusiness services, experimentation and content syndication.

In the same fashion as social networking is a prerequisite for a viable business model, some degree of self regulation based on trial and error social learning is a requirement to let the long tail function in terms of copyright. We saw that this self-regulation takes place once 1) a specific UGC video reaches a critical mass of potential economic value so that it becomes interesting for professional media companies to exploit it, or 2) a UGC platform reaches a critical mass of potential economic value so
that it becomes interesting for media companies to make use of it. Copyright infringement in a user generated video clip with an audience of merely friends and relatives is not worthy of a legal battle; In a similar fashion, a platform with a small audience is not economically interesting to disclose professional content or sue for large scale copyright infringement. Somewhere on this long tail line there is a ‘tipping point’, a critical number of views, where it becomes economically interesting to take action in terms of business deals as well as copyright enforcement (see figure ).

This move from control to management of content by service providers seems promising, but can only grow into a sustainable solution for all service providers if there is consensus between all stakeholders on the criteria to determine the status and value of this content. This level playing field has not been created yet. There is a clear need for a dialogue between service providers, content owners and users to establish criteria to determine 1) the amount of videos that contains material of others 2) the extent to which copyrights are infringed and 3) the actual audience of those clips, and 4) the value of the content.

Figure 10 Business and copyright interface
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