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Google BSkyB Deal Puts Google on the Edge of the Video Network

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Posted by Minger

Americans are generally so provincial that we don't read foreign news, even if it is in functionally the same language, readily available on the net, and could provide unique insight on subjects dear to us. FT provides important details missed by the American domestic press, which has focused on the white labeled Gmail and video portal. **Even UK investment banker Glover Lawrence gets misdirected by the data center. Important yes, but trivial compared to the real story of Google's expansion into IPTV.**

The companies plan to extend the partnership to BSkyB's core television platform, however, by replacing traditional 30-second television adverts with targeted commercials stored on hard drives in BSkyB's set-top boxes.

Google's AdSense technology, which brings up adverts relevant to search terms of users, would be deployed alongside BSkyB's knowledge of its customers' profiles and interests.

"This is a really, really big deal for us," said Eric Schmidt, Google's chairman and chief executive. "If it works, it will become our most lucrative deal from the get-go."

The article goes on to quote BskyB CEO James Murdoch as saying the deal should be net revenue positive immediately; is structured as a multi-year revenue share; and has BskyB contributing to the capital costs of the joint venture.

Google CEO Eric Schmidt emphasizes the importance of the UK as a test market for new forms of Google usage stemming from the high penetration of broadband in that nation.

It's interesting to us how Google's contribution is perceived as pareto optimal and demanding of investment from BSkyB. The memory of Microsoft plunking \$5 billion into AT&T just to get Windows onto the set top box — for no return in the end — seems like yesterday. Google's immensely better deal gets it to the edge of the video network

just as well. Maybe Google does wear a halo. Or Google TV is the baby lion cub that cable operators want to befriend now before it grows up.

Theresa Wise of Accenture quoted on competitive issues facing BSkyB and James Murdoch on Nov 12, 2006:

In the next five years, the biggest threat will come from Google TV and that is a threat to all pay TV operators.

This deal has Google pissing out from inside the BSkyB tent instead of pissing in from the outside. Which US cable operator will invite Google inside their tent?

If domestic cable operators don't see Google's partnering virtues like their peer across the pond, Google could make a play for TiVO, that box with a hard drive that sits between tv and cable box. Apparently, I'm not the only one seeing that possibility.