

Gilles BianRosa, CEO, Vuze, Inc.

FCC “Big Ideas” Workshop on National Broadband Policy

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Introduction

Thank you for the opportunity to be here with you today. My name is Gilles BianRosa, and I’m the CEO of Vuze, Inc. located in Redwood City, California. We distribute a video distribution application and operate an online video portal focused on high definition videos. I have a brief opening statement and then I look forward to answering any questions you may have.

The reason I’ve made the trip out here is to make the case for a national broadband policy that will foster innovation and support the emergence of independent, truly “over-the-top” video networks. I am an entrepreneur who firmly believes that disruption is a key engine of positive change because it forces industries to reinvent themselves. Business as usual characterized by timid, overly conservative approaches driven by protectionism end up destroying value for everyone in the long run. This danger is particularly acute when the normal benefits of competition are absent

Vuze Background

First, let me tell you a little bit about my company. Vuze is a Silicon Valley venture-funded start-up. We develop a software app for downloading and now streaming HD video, and have built an online digital content platform for efficiently distributing HD video.

We are a small company, with less than 30 employees. It’s almost like we had to revise our product roadmap to be present here today. ☺

However, we operate at a global scale, including:

- 60 million downloads of our software app since January 2007
- 10 million active users per month
- More than 150 content partners and 14,000 licensed short and long-form high-resolution videos

We’re able to operate at this scale through a highly scalable, cost-effective peer-to-peer technology.

We've grown to this global scale through a relentless, laser focus on delivering what our end consumers desire. This is very different from some other stakeholders in the policy debate, who have to balance a larger variety of vested interests beyond the end consumer. We don't own the pipes (like Comcast) and we don't own the content (like Hulu's major investors). Since we're working closely with original content producers (as opposed to distributors), we're less bound by the typical strings that major content distributors (i.e. the studios) attach to their content deals.

As a result, Vuze is able to connect independent content producers directly to the end viewer. Great things happen when you shake up the traditional value chain in this way. In one example back in 2007, a little known science-fiction series called Sanctuary shot to the top of the charts on Vuze. Based on this success, Sanctuary was picked up by NBC's Sci Fi channel and went on to become a major hit TV series. This is but one example of how industry disruption and a singular focus on our end users can create major value.

Vuze Audience

Who are our users and why are they relevant to the national broadband policy discourse? In recent research conducted by Vuze and Frank N. Magid Associates (<http://www.magid.com/vuze.pdf>), we compared the Vuze user base to a national sample and found that Vuze users are technology and entertainment pioneers pointing the way to the future. In short, they are:

- Avid, paying entertainment fans (attend 34% more movies in theaters than average)
- Trailblazing tech consumers (own more HDTVs, more smart phones, and more high-end electronics than average)
- Ultra connected online influencers (connected to 55% more people on social networks, and more likely to share their strong opinions about new technologies and influence their networks).

In other words, they were the first to buy iPods and Tivos.

If we're architecting our national broadband policy as a foundation for the future, we should be closely examining the needs of the early adopters on Vuze as a leading indicator for what the broadband users of the future are going to require.

The Challenge of Incumbents

If we let the current incumbents lock down the future of digital entertainment, history shows we will not be optimizing for the end consumer. Today ISPs, studios, and networks are experimenting with a variety of broadband video models – but it's unclear if any of their strategies are going to work.

NBC, ABC and Fox see Hulu as a “content recycling bin.” They will allow shows to emerge online only to extend existing content shelf-life, and muzzle Hulu’s popularity to make sure it doesn’t disrupt established revenue lines from MSOs like Comcast.

“TV Everywhere” is under development by the cable operators in an attempt to ensure that consumers will still pay their TV cable bill, even if they don’t need it anymore. It’s like oil companies saying “Oh you can have all the electric cars you want, as long as you still spend \$250/month on gas.”

Let’s face it. The incumbents have vested interests in preventing the emergence of online entertainment. NBC CEO Jeff Zucker’s now infamous reference to replacing “Analog dollars with digital dimes” has become a cliché in the industry. However, it serves to remind us of the fundamental conflict in asking the incumbents to re-invent their business model.

But the world is changing, with or without the incumbents. Unlike in the 50s when television burst into our lives, today’s American consumer doesn’t merely have ABC, CBS, and NBC in their living room. A large and increasing segment has access to broadband Internet giving them options and control. They have access to vast amounts of user uploaded content on YouTube, or using P2P. They have access to innovative new services like Boxee or Vuze. Innovation is the one constant in the broadband Internet world.

It is this innovation that the national broadband policy needs to foster and protect. When it comes to the future of broadband video, nobody has the answer today. The only way to make progress is to drive meaningful experimentation among both large and small players, with a special emphasis on keeping the playing field level to support the emergence of the next Yahoo!, eBay, Amazon, or Google. All of these giants have one thing in common. They grew from idea to giant in less than a decade, without the inherent constraints of being an incumbent. Rather, they grew to be giants by remaining laser focused on the needs of the end consumer. Our national broadband policy needs to enable the creation of fully independent “broadband networks” that are similarly focused on delivering the future to the American consumer.

Implications for National Broadband Policy

So returning to those early adopting Vuze users, what do they really need from a national broadband policy, and what will it take to deliver what they need?

High quality user experience:

Consumers fundamentally want a great user experience. First, they want more HD video, and less grainy, stuttering, pixelated videos. HD video requires faster pipes, and broader access to faster pipes. Second, consumers are looking for portability.

They want the freedom to move content around and watch it anywhere, anytime they want (PC, Mac, Mobile, TV), unencumbered by format incompatibilities (a.k.a. codec hell) and DRM handcuffs. They already have this benefit through DVDs and MP3s. Why should the broadband video experience be any different?

Cost Efficiency:

On the technology infrastructure side, the industry is struggling with how to cost effectively deliver the higher quality video that consumers are requesting.

At Vuze, we believe that P2P is the answer. Peer-to-peer is the only delivery technology in which more demand for a given video leads to lower cost and a better user experience. It's telling that the only live broadband video service that successfully broadcast the Presidential Inauguration was powered by peer-to-peer. The cost of delivering a video over P2P is but a mere fraction of delivering the same video via client server streaming.

That said, and as the Commission well knows, incumbent ISPs have discriminated against and impeded peer-to-peer technologies in their network management practices. The Commission should remain vigilant to ensure that network operators are not permitted to unfairly or improperly interfere with peer-to-peer delivery in the name of reasonable network management. This means continuing to vigorously, but carefully enforce the Broadband Policy statement and other applicable laws.

Prevent unfair competition:

Ultimately, we don't know what the future is going to hold. From a policy perspective, the most important thing we can do for broadband video is to ensure a level playing field for all, in order to foster innovation and experimentation. Net neutrality is crucial to maintaining this level playing field.

Conclusion

In sum, the emergence of broadband video is another classic example of technology disrupting established, consolidated industries – in this case, both the telecommunication and entertainment industries. If large incumbents in these industries could have it their way, it is unclear to what extent there would actually be *any* meaningful broadband video ecosystem. Despite this, consumer momentum in broadband video is undeniable. Consumers are leaning forward – consuming more, higher quality, longer form videos every day, on sites like Vuze and others.

At the end of the day, we believe that fully independent businesses that are not tied either to existing “offline content”, or to the infrastructure that carries the content, will be able to experiment faster by focusing 100% on the end consumer. By analogy, it was Amazon and eBay that revolutionized the shopping experience with

ecommerce, not Walmart or Target. Similarly, it was Yahoo! and Google that revolutionized the publishing and advertising industries. Focused, independent competitors are crucial to realizing disruptive change.

The one thing we need from the FCC, is a national broadband policy that will foster innovation and support the emergence of *independent, truly “over-the-top” video networks*. Our vision at Vuze is to build a fiercely independent “over-the-top” broadband video network that doesn’t rely on anything but a second-to-none user experience and the emergence of next generation production talent. This *is* our big idea.

Thank you again for the opportunity to participate today.

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