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# Growth of Hulu: Who knew?

## **Ad-friendly site disproves early doubters**

By DIANE GARRETT

When Hulu bowed in March, naysayers questioned its ability to compete against YouTube or network sites without having original material of its own.

Yet the site has found a growing aud by offering the familiar in an elegant way. Eight months after its launch, the joint venture of News Corp. and NBC Universal has become a popular online destination for viewers who want to catch up on their favorite shows at their leisure. It's also a hit with advertisers, who like its clean design, which incorporates plenty of white space.

Plenty of other sites, YouTube included, stream Hollywood programming these days, but none with as much finesse as Hulu. The majority of its visitors stream TV shows in their entirety, rather than short clip format popularized by YouTube. Like Apple with its iPod, Hulu married content with form, fulfilling a need others didn't know existed.

"That's the nature of startups," Hulu topper Jason Kilar says. "If it was that obvious, it would already exist."

Hulu's ad rates are small by broadcast standards but easily outpace those commanded by YouTube, despite the older site's heavy traffic advantage. And Hulu ads are expected to keep growing despite the tough economy.

"We're very happy with the progress thus far," Kilar says.

A veteran of Amazon's early days, Kilar wasn't surprised by the

doubters, especially given the poor track record of joint ventures. But he admits naysaying took its toll nonetheless.

"There were some dark days," he says. "But we were very passionate there was a need for a site devoted to premium content."

The site, which started with 100 TV shows and 10 films, now offers 1,000 skeins and 400 films. Shows range from "The Simpsons," and "The Office" to "The Daily Show With Jon Stewart." Movies include "Liar Liar" and "Basic Instinct." Its deals cover programming from parent congloms, MGM, Lionsgate, Sony TV and Warner Bros. TV.

Lately the site has been adding political content and live programming, with plans to expand globally as soon as the rights can be worked out.

"They've created a great, safe vehicle for advertising," says Jeff Ratner, North America digital director for Mindshare Media.

YouTube, by comparison, has massively more product, and while it is pushing hard into Hollywood programming, it is still predominantly user-generated. The site does not sell ads around such content, but will enter into partnerships with stars from the UGC realm.

Google, which acquired YouTube for \$1.65 billion in 2006, is under mounting pressure by advertisers to monetize the site. Last week it rolled out an ad sponsorship program. Premium content could also help, but it's an open question how much.

Jordan Hoffner, YouTube's director of content partnerships, has been working hard to combat Hollywood perceptions about the site. The former NBC exec has begun to see the fruits of his labors in a series of content deals, the most recent being last week's film and TV streaming deal with MGM. That pact, the first to give the site access to studio movies in their entirety, came a few weeks after CBS allowed the site to stream certain TV episodes in their entirety. Hoffner is poised to sign another major studio to a content deal by year's end.

"This is not a short burst," Hoffner says. "It happens to be literally years of work."

YouTube has created channels for different branded product, but they can tough to find. The site's democratic presentation -- and sheer volume of content -- diminish its value as an ad vehicle. Hulu and YouTube both have demographics on their side, however. Viewers tend to skew younger than on TV, which has been aging up to 50 and beyond. The majority of Hulu viewers, Kilar points out, fall into the ad-friendly 18-49 demo.

EMarketer recently projected that advertisers will spend \$505 million on video ads this year, with the number climbing to \$5.8 billion in 2013. That's far short of the \$70 billion TV video ad market, but advertisers are expected to follow younger viewers online.

Both sites must compete with network sites, among other Web destinations, for their share of this growing coin. Hulu has some notable holes in its lineup in ABC and CBS programming. But in the meantime the site is busily adding other fare.

"We do have conversations with ABC and CBS, and they are important conversations," Kilar says. "This is a long journey, and we're very realistic about that."