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Sun Valley set to consider paid content

By Kenneth Li in New York

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A debate over paid content that has riven the newspaper business and spread across the rest of the media sector is expected to frame discussions at the annual confab of media and technology power brokers and entrepreneurs in Sun Valley this week.

For one week a year, the affluent resort town in central Idaho is transformed by Allen & Co, a boutique investment bank, into a playground of billionaires. They stroll along manicured pathways in its tranquil grounds and meditate by the duck ponds over the future of the media business and perhaps the next transformative merger.

Deal-making - notably the 1995 \$19bn combination of Cap Cities/ABC and Disney - remains the essence of the conference. Chatter has risen in recent weeks about consolidation in Hollywood in response to a decline in home video sales.

But this week, conference attendees are likely to be decidedly less relaxed, as Zenith Optimedia predicted yesterday that global advertising will drop by a worse than expected 8.5 per cent this year.

The US recession, now in its 19th month, has forced media chieftains to revisit the free-versus-paid argument over content and services.

Newspapers gave away their best product online a decade ago, but are now struggling with the issue of charging readers. The question of how best to avoid similar difficulties over monetising content has polarised the media groups which will be represented in Sun Valley this week.

Most recently the issue has occupied the bosses of cable networks, including Jeffrey Bewkes, chief executive of Time Warner, whose TV Everywhere plan helps preserve a lucrative business model. It is also important to broadcast television controllers including Robert Iger, chief of Disney which began offering ABC's best shows online for free three years ago. It is now backing Hulu, a joint venture of News Corp and NBC Universal, and the web's second most popular free video site after YouTube.

At stake is nothing less than the future of television shows and movies on digital platforms at a time when online viewing is exploding, but still remains a minuscule percentage of overall television viewing.

To find answers to their digital dilemma, media powerbrokers including Mr Bewkes, Mr Iger, Rupert Murdoch, chairman of News Corp, Barry Diller, chief of IAC, and John Malone, chairman of Liberty Media, are expected to claw over of the latest crop of digital entrepreneurs.

YouTube co-founder Chad Hurley was the talk of the conference in 2006, landing a \$1.65bn buy-out from Google three months later. Even before Evan Williams, chief of micro-blogging website Twitter, arrives, his company has been annointed this year's YouTube.

However, for all the buzz about Twitter, attendees say that they have little idea how it will actually make money.

Another darling of Sun Valley is Richard Rosenblatt. The serial entrepreneur and former chairman of MySpace earned his seat at the conference with his website Demand Media, which claims to be the biggest supplier of video to YouTube.

Mr Rosenblatt's three-year-old company owns a collection of niche sites including eHow, an instructional video site, and Livestrong.com, a social media health site featuring athlete Lance Armstrong. The company has created software featuring an algorithm that matches what viewers want to watch, with what advertisers want to spend money on, while providing tools for big corporations like News Corp to harness consumer interest.

But the problem remains how a declining traditional media industry finds salvation among this year's digital darlings. "If you're sitting on top of a multibillion dollar media company, you still have an unsolveable issue by acquiring this company or that company," said one top media executive.

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