

# Are you willing to pay to watch video clips online?

March 24 2015, by Michael Liedtke

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In this photo taken Monday, March 23, 2015, Vessel CEO and co-founder Jason Kilar, left, and co-founder Richard Tom, right, pose for a photo at their headquarters in San Francisco. If you can't wait to watch some of the Internet's best video clips, it's going to cost you. That's the idea behind Vessel, a new service seeking to transform the way that short video pieces make money on the Internet. Instead of focusing on a free-for-all concept supported solely by advertising, Vessel will charge \$3 per month to see music, sports, comedy and other clips that won't be available on YouTube or any other digital video service for at least 72 hours. The concept makes its debut Tuesday after two months of testing with an undisclosed number of people who received invitations to participate. (AP Photo/Eric Risberg)

Would you pay to see some of the Internet's best video clips first? Vessel, a new service trying to change the way that short video pieces make money on the Internet and mobile devices, is betting on it.

Instead of free-for-all distribution supported solely by advertising, Vessel will charge \$3 per month for exclusive early access to clips of musicians, sporting events, comedians and many other forms of entertainment not available on YouTube or any other digital video service for at least three days. CEO Jason Kilar, formerly head of Hulu Plus, believes Vessel's model will be able to pay video producers about \$50 per 1,000 views of their clips on the site. That compares with just \$2.20 per 1,000 views of ad-supported video at sites such as YouTube, Kilar says.

The extra money, in theory, will provide digital video producers with the means and incentive to create even better content that will prod more people to subscribe to Vessel. The same "virtuous cycle" has enabled Internet video service Netflix to finance more of its own original programming and pay more money to license compelling entertainment while its audience has nearly tripled to 57 million customers from 20 million in the past four years.

"We think this is going to be a really big deal, like the advent of cable-and-satellite television in the 1970s," Kilar, 43, says of Vessel.



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YouTube, which is owned by Google Inc., says Kilar's estimates are wrong, but declined to reveal its average payout per 1,000 views. Payments to YouTube partners have increased by at least 50 percent in each of the past three years, the company says. Research firm eMarketer

Inc. estimated that YouTube's total ad revenue last totaled \$7.6 billion and about \$4.6 billion was paid out to YouTube's partners.

The concept, which has been in beta testing for two months, debuts Tuesday. Anyone who signs up with Vessel by 3 a.m. EDT Friday will receive a one-year subscription for free.

Vessel's ambitions sound like wishful thinking to Forrester Research analyst Jim Nail, who doubts many people will pay to watch a video that will be available for free within a few days.

"That kind of restriction only works when you have content that people are really knocking down the doors to see," Nail says. "It is going to totally come down to what kind of content that they can get. Unless they have the content that justifies paying \$3 a month, nothing will save them."



In this photo taken Monday, March 23, 2015, Vessel CEO and co-founder Jason Kilar, right, and co-founder Richard Tom laugh while posing for a photo outside their headquarters in San Francisco. If you can't wait to watch some of the Internet's best video clips, it's going to cost you. That's the idea behind Vessel, a new service seeking to transform the way that short video pieces make money on the Internet. Instead of focusing on a free-for-all concept supported solely by advertising, Vessel will charge \$3 per month to see music, sports, comedy and other clips that won't be available on YouTube or any other digital video service for at least 72 hours. The concept makes its debut Tuesday after two months of testing with an undisclosed number of people who received invitations to participate. (AP Photo/Eric Risberg)

Vessel so far has about 70,000 video clips separated into about 160 categories, including sports, comedy, music, video games and food. Many clips are free and supported by ads, just like most video on YouTube. Vessel's subscription side features videos from about 130 contributors. They include Emmy Award-winning actor Alec Baldwin, who is showcasing "Love Ride," a series featuring him dispensing relationship advice in the back seat of taxis, and the online comedy duo of Rhett McLaughlin and Link Neal, who have more than 3 million subscribers on their YouTube channel.

Machinima CEO Chad Gutstein anticipates a large audience will pay for early access to the video gaming specialist's clips because video game enthusiasts "are more engaged and more obsessed with what they are doing than anything I have ever experienced. They just want to be there first."



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Before Vessel, Kilar spent five years running online television streaming service Hulu, which was launched in 2007 by a group of TV networks trying to counter YouTube's popularity. By the time Kilar stepped down in 2013, Hulu's premium Plus service had attracted about 6 million subscribers, though it never mounted much of a challenge to YouTube,

where about 300 hours of [video](#) is posted per minute.

Since Kilar and another former Hulu executive Rich Tom started Vessel last year, the San Francisco startup has raised \$77 million from two venture capital firms, Greylock Partners and Benchmark Capital, and Amazon.com Inc. CEO Jeff Bezos.

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