

# Multimillion backing for the latest bright idea in online video

► Italian broadband tycoon plans launch

► Focus will be on niche content

**Rhys Blakely**

Perhaps the time has passed when an online start-up could get by with some garage space and a very bright idea. Two of the brightest internet prospects of 2007 – both of which will launch peer-to-peer (P2P) internet TV services shortly – have founders with form and millions in the bank.

The best-known player, Joost, is backed by Niklas Zennström and Janus Friis. The founders of Skype sold the internet telephony group to eBay, bagging an estimated \$2.5 billion (£1.3 billion). But where Skype blazed a largely solitary trail as it reinvented the telecoms industry, Joost has competition as it tries to revolutionise TV.

**Silvio Scaglia**, the Italian internet entrepreneur, recently sold a quarter of his interest in **Fastweb**, the Italian broadband group he co-founded, for €220 million (£148 million).

With the €130 million he has reaped in dividends from the company – of which he remains chairman – over the past two years, he is backing his own P2P TV venture, BabelGum.

Face to face, the impeccably suited Italian is utterly charming, though he does not comment on **Fastweb's** expansive dividend policy, which some analysts say uses money that might be better spent investing in the group's network, nor on a tax investigation that hangs over him in Italy.

"I am glad Joost exists," he says in his London hotel suite. "It makes it far easier for us to explain what BabelGum is."

The two are mirror-images. Both have the same P2P technology that underpins Skype, which uses consumers' computers as a distribution network, to stream TV content to PCs on demand. Both are targeting the estimated 300 million consumers with broadband. To thwart pirates, neither will allow users to save content.

"We see it as a 'lean-back' proposition," Mr Scaglia says, explaining that, where YouTube, the current champion of online video, relies on users to hunch over their PCs, hunting for short, home-made clips,



BabelGum, like Joost, will offer full-length, “near TV quality”, professional content.

Hollywood’s big studios will be courted through Mr Scaglia’s Fastnet connections. Reuters and AP have been signed up to provide news. Yet, BabelGum’s emphasis, for now, is on independent producers, who are being invited to upload niche “long-tail” content directly on to the platform.

Content providers will be guaranteed \$5 per 1,000 views to start with – “out of my pocket”, Mr Scaglia says. After a €10 million investment in technology, he envisages running costs of €20 million to €50 million next year. Break-even is tentatively scheduled for the end of the decade.

The plan is for an open beta phase — a public test — next month. The company has staff in France, Italy, London, New York and Dublin. Partners may be sought in India and Asia. A mobile version is in the pipeline.

No matter that Joost has also racked up a slew of content deals – most recently with Viacom, the group whose bootlegged content arguably laid the foundation for YouTube’s success. If BabelGum is a “lean-back proposition”, Mr Scaglia is relaxed over the prospect of burning through several hundred million euros of his own money.

There has been no market research – “this is built on gut feeling... and is a natural extension of my [Eastweb](#) experience,” he says.

He is excited by BabelGum’s “smart channel” function, which will tailor channels to a user’s interests – taking cues by logging the programmes that users watch to the end. Advertising will be targeted using the same information.

Mr Scaglia is adamant that BabelGum will not compete with current pay-TV models, which bank on Premiership football and blockbuster films to draw in viewers. “We are not interested in exclusive content,” he says.

But what about Joost – will the peer-to-peer pie be big enough for both of them? “There is no pie at present,” he says. “But we think there is room for several players.”



Silvio Scaglia says that his BabelGum internet venture “is built on gut feeling” and not research