

# Interview with Anders Sjöman Carsey-Wolf Center at UC Santa Barbara

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Anders Sjöman is head of communications at Swedish-based video-on-demand provider [Voddler](#), which he joined in 2010. He has experience in public relations, as a researcher for the Harvard Business School in Paris, and as head of production for Englishtown.com, an online language school.

MIP spoke with Sjöman in Stockholm from over 5500 miles away in our UC Santa Barbara offices where we asked him about the origins and growth of the streaming company Voddler, including its initial encounters with the major studios. Sjöman also shared important insights into the growth of video-on-demand services in Europe, bringing an important international dimension to debates about consumer desires, regulation, and policy.

## **Origins of Voddler and Dealing with Studios**

### **Tell us about the origins of Voddler.**

As a company, Voddler was founded in 2006 but it was launched as a video-on-demand (VOD) service in the fall of

2009. It's been fully operational since the summer of 2010. Like all good start-up stories, Voddler began with three guys in a basement. In our particular story, they were trying to figure out how to deliver large data files online. They were simply interested in how to do online distribution more efficiently. In practical terms they asked, "How could you make video streaming more efficient? Video is one of the largest data files out there. How can you do that more efficiently?" So they came up with an idea that we now use for our streaming. It's something we patented and that we've called "Voddler Net."

In a world of online streaming, there are two ways to transfer large files. There is the traditional central server streaming solution that you get from a content delivery network [CDN] – typical ones are Akamai and Level 3, for example. If you're a streaming service today, you probably buy your streaming capacity from them. The other way is very decentralized, builds on some sort of torrent or other peer-to-peer solution and is most associated with online piracy. The technical beauty of that solution is that it doesn't need a central server to survive or distribute content. It just makes use of all the participating computers for storage and bandwidth.

The beauty of the CDN solution is central control; you can decide which content gets distributed where, for how long, and under which business terms. The traditional peer-to-peer solution doesn't give you any control: it is just chaos. Whatever content you put online, you can never take away. And everybody who is part of the network can put content on it. The beauty of the decentralized solution, though, is that it scales

phenomenally. The more people who participate, the stronger it becomes, which is the opposite to a central server solution where the more people who connect, the more servers you have to run during peak hours. And most of the time you actually end up with unused capacity, because you have to scale your server farms to work with peak hours, and peak hours only happen a few times a week.

So the Voddler Net solution combines these two approaches. Fast-forward to where we are today: when you watch a movie on Voddler, that movie does not come to you from a central server but instead comes to you from everybody else who has seen that movie on Voddler and are keeping parts of that movie on their computer. As a user, you have given us permission to use parts of your hard drive and your broadband connectivity to stream to you and to others. Now that movie didn't just land on everybody's computer; we centrally decided that this movie is now available, for which geographies, for how long, and under which business model so we can still live up to our obligations to content owners. So VoddlerNet lets us keep central control when it comes to geographies, times, and revenue models, but allows for decentralized distribution, so we can save on distribution and storage costs.

A popular movie, like *The Dark Knight*, is so well-distributed and so well-watched that we actually have no streaming costs for them at all. Instead, it's streaming from everybody in our network who is a Voddler user. We save on streaming and save on storage, and the more people who want to watch the movie, the better and stronger the network becomes because the

movie is keeps spreading.

But our history is a technological one. These three guys came up with the idea, they found some investors, and although the idea was still unproven around 2008-9, they took it on the road and tried to find content owners or distributors, broadcasters, what have you, to see if they were interested in licensing the technology. Everybody said yes in theory but no in practice since this was still only an on-paper product. So these guys went back to the drawing board, and to their investors said, "Let's build our own VOD service on top of this technology, as proof our concept will work." And that's how Voddler was born.

**In a way, isn't it a classically elegant Swedish redesign of a CDN? It's an original, simple kind of design, but it still functions in some ways like a traditional CDN.**

It functions like a streaming solution. If you're a viewer, you really can't tell the difference except that we ask you to share your bandwidth and hard-drive space. Of course, that's a hurdle. If you are one of our local competitors here or if you're Netflix, you don't ask customers for that. So we make sure to offer something back to our customers, like cheaper rentals and better picture quality. We're soon going to offer true surround sound through a Web-based browser, which we think we're the first in the world to do. We're working with Dolby to do that, and it's not going to cost costumers anything extra. We're offering high-definition (HD) at the same price as standard-definition (SD), for example. HD doesn't cost any more to stream for us than SD since we don't have any streaming costs to talk about. We pass those savings on to the consumer. We always try to

find things that our technology allows us to offer that our competitors cannot, and we pass those benefits on to our customers.

**How do the content providers feel about their content being delivered in this way? Are they tolerant or resistant?**

Back when we started building Voddler, we decided to involve the studios early on. We asked around, “Who is the most difficult major to work with?” Disney came back more than others as a suggestion. So we went to Disney first. We thought, if we can get Disney on board, it would send a signal to everybody else that this is a technology they can trust.

Of course, you can imagine when you go to a major and say, “Hey, we have a peer-to-peer-based technology, give us your content,” you’re pretty much shown the door. It took a lot of demonstrations and explanations, a lot of just showing how the technology works so that they felt secure. We also had to learn how to implement digital rights management (DRM) through Voddler Net, which we did. A key security benefit of VoddlerNet is that the full movie is never stored on a single device—just slices of the movie on different users’ computers. And on top of that, each slice has its own copy-protection wrapper. Once we had the DRM systems in place, we were able to get most of the majors on board. Now we have five of the six majors, plus we have all the major Scandinavian players. They feel very comfortable with the solution.

**Are there any policies that have either helped or hindered the expansion of your service?**

There are a couple of clouds on the horizon, and one is a data cap on your Internet service and mobile broadband. People don't have fixed broadband anymore in Scandinavia. It's mobile broadband. It's 4G. All over-the-top (OTT) services that use the Internet are concerned with data caps. And we're even more concerned with data caps than other OTTs that don't have the data volumes that video streamers have. That said, I don't think we're going to see caps implemented that heavily. People are going to pay for the bandwidth, but I don't think it's going to be at price levels that would be that prohibitive. That cloud is there, and we keep an eye on it, but it hasn't grown recently.

The other cloud we keep an eye on is net neutrality. Most of the revenue telecommunications companies receive right now is from phone calls, but most of the traffic on their network is data, which they're not getting paid for, since they painted themselves into a corner with flat fees. From that perspective, I can see why they want to get rid of flat fees and uncapped data programs. They are trying to figure out how to make money on all those video streams and other heavy data traveling through the network.

Many of the telcos are building their own video solutions, or VOD services. In Sweden, we have TeliaSonera, which is the big incumbent, a giant in the telecommunications market here. They have their own IPTV (Internet Protocol TV) and VOD service. The equivalent in Norway is Telenor. They are building their own VOD service and starting to negotiate with studios directly themselves. We're worried OTT services like ourselves will become second-rate data in their system. They will always

prioritize their own data for their own services and customers. Net neutrality is a big potential issue for us, or rather, violating net neutrality. It hasn't become one, but we're keeping an eye on it.

The third thing that is hindering our growth is the old tradition of rights handling that is locked down by geographic territories. If you're a fan of liberal, open markets like I am, of course it's up to the content owner, the creator, to decide how they want to license the material. If they want to license on a territory-by-territory basis, that's their prerogative and their business then is to find people that want to buy it that way. Obviously, that is how the current content market worldwide has evolved, but it does hinder us a little bit because we have to pay for the same content over and over again in each market. That makes it very cumbersome to open up in new markets. We have the technology to easily offer our services to the world tomorrow, but we wouldn't have any content to show because of the various licensing agreements we'd need to secure for each territory.

That said, I do not want to take away the right of the content holders to deal with the content how they wish. But we do see these market dynamics changing, as more content owners are ready to question the practice of territorial and window licensing and look for new deal structures. And to allow those dynamics to play out fully, we need to get rid of state subsidies that cement the existing structure. Those can be both national and international regulations. Given that we work and operate entirely in the European Union, we are concerned with things like collecting societies, which are really strong in each

geographic region. So on top of having to pay content owners for their movies, we also have to deal with each market and whatever collecting society happens to be there. The traditional one has an extra fee for the music that plays in the movie. We would have to pay that. And that fee differs for the same movie between countries depending on how strong their collecting society is.

What we would love to have is one collecting society that controls all of Europe. There are initiatives in the European Parliament in Brussels to make this happen but it will take time before the current system goes away.

Other things we would like to see go away are legislation that favors one distribution method over another. In France and Portugal, theatrical release is actually legally obligated. You can't open a movie anywhere else but in the theater. They have found a way to really guard that first window. There is no such legislation in other European countries, but instead there are softer forms of locks. For instance, most state subsidy programs, those where a filmmaker can apply for support from a state fund, only give subsidies to movies made for cinematic release. Some even stipulate that you have to have a cinematic chain guarantee distribution before you get your funds. We'd like to see those type of subsidies removed. State funds should be for filmmaking and then it's up to the filmmaker to decide how they want to distribute it. If they want to go to cinema first, they should. If they want to go to VOD first and then cinema, they should be able to do that. We're not kidding ourselves, of course. Filmmakers will always want to have their movies shown



in cinema, and they should, but it should not be the state deciding that.

**What about the rights of consumers? It seems they share many of the same frustrations about current windowing strategies.**

Absolutely. That's the consumer side. On the one hand you have the content owners, and the distribution value chain. The content owners would like to sell their content over and over again and they would like to do it market by market. This has resulted in the current distribution systems and value chains set up in each market. The content owners like to have windows, and within each window, they like to have several players that can fight for that content. That becomes the dynamic that goes against what consumers want—they want to have content here and now.

And the frustration of the consumer is connected to the problems of piracy. Since I started at Vodder, I've had to become an enormous pirate myself, simply because I have to see and understand what's on the various piracy sites. The big piracy site in Sweden is The Pirate Bay. I'm there daily to see how quickly content is posted, if it's good quality, and how popular it is. That's actually a good indicator for us in our own decisions to license content, especially American television. Right now I am a huge fan of *Mad Men*, and it's fun to follow how quickly it appears on The Pirate Bay compared to when it's broadcast in America. It's on AMC on Sunday nights in the U.S. at 8pm, I believe. Approximately 25 minutes after airing has finished, it's available on The Pirate Bay for the world to

download.

[Read the complete transcript of our conversation with Anders Sjöman in \*Distribution Revolution: Conversations about the Digital Future of Film and Television.\*](#)