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## Video advertising meets Web 2.0

Silicon Valley / San Jose Business Journal - July 20, 2007 by [Joseph C. Panettieri](#)

Hundreds of companies hope to cash in on video over the Internet. But the picture looks particularly promising for YuMe Networks, a Redwood City-based startup.

Instead of competing head-on with Apple Inc.'s iTunes movie/music store and Google Inc.'s YouTube service, YuMe is steering clear of the online video distribution market. Rather, YuMe helps customers track video advertising campaigns across the Web -- regardless of whether the ads ultimately run on PCs, smart phones or IP television systems.

YuMe's timing for an online video advertising service couldn't be better. Online advertisers will spend \$1.37 billion on streaming media (audio and video) ads in 2007, up 38 percent from 2006, according to AccuStream iMedia Research.

Early YuMe adopters include Soma Management LLC, owner of the **Somagirls.tv** online network. Using YuMe's advertising system, Somagirls.tv can sell and serve advertising into any of its content -- regardless of the content is published and regardless of what device it is played on.

"YuMe is a first-class, best-of-breed ad network partner going after monetization of content thru advertising," said E.C. Morgan, CEO and president of Soma Management. "That is an especially effective solution with our woman-focused content."

### Video rewind

On July 6, YuMe was selected by judges as "best in show" among 32 startups presenting at a DealMaker Media Under the Radar Conference at Microsoft Corp.'s Mountain View campus.

Still, YuMe isn't an overnight sensation. Sources close to the three-year-old company indicate that annual revenue is well below \$10 million.

The seeds for YuMe Networks were planted in the 2002-2003 timeframe. At the time, co-founders Jayant Kadambi and Ayyappan Sankaran began to believe that there wasn't any decent video content online. "We quickly realized a key requirement: Unless there's a way to make money on the content, nobody would put their best [video] content online," said Kadambi, CEO of YuMe Networks.

By October 2004, Kadambi and co-founder Sankaran launched YuMe Networks with some clear conclusions and goals in mind. First, they insisted that the Internet's existing text- and banner-based advertising networks were poorly suited for distributing, running and tracking video ads. Second, a next-generation video advertising network would need to allow customers to fully track content to ensure brand safety, contextual relevance, controlled syndication and consistent delivery across all types of Internet-enabled devices.

When YuMe networks evangelized its vision to venture capitalists, the company found plenty of investors eager to listen. By June 2006, YuMe had raised \$6 million in series A funding from Accel Partners, Khosla Ventures and BV Capital. Today, the company has about 22 employees in the United States who focus on business development, sales and marketing, and 23 in India who focus on engineering and quality assurance.

### Fast forward

Looking ahead, Kadambi is striving to position YuMe networks like an arms merchant. The company doesn't care how customers distribute their content on the Web; YuMe Networks simply wants to be the partner that inserts and manages video advertising into those streams.

When will YuMe launch an initial public offering and when does Kadambi expect the company to be profitable? Kadambi is coy when discussing those questions, but he does offer a few hints about the company's financial prospects.

"We think there's an opportunity for us to scale the company because of the spectacular growth and interest in the video space," he said. "We'll be investing a bit more in people and raising money through a Series B round of funding this year."



Dennis G. Hendricks  
 Jayant Kadambi is the co-founder and CEO of YuMe, a company that helps customers track video advertising campaigns across the Web -- regardless of whether the ads ultimately run on PCs, smart phones or IP television systems.  
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Ultimately, Kadambi is convinced YuMe Networks' ship will come in. The tricky part is figuring out when and where it will port. "Is the tipping point for online video ads tomorrow or in five years? Frankly, I don't know yet," he quipped. "The ultimate goal is for us to build credibility that allows TV advertisers to move some of the \$80 billion they're spending on television onto the Web."

Still, YuMe Networks will surely face its share of competition as established giants (Google, Yahoo, Microsoft) and startups introduce new tools for managing online video advertising. "It's a very competitive landscape as everybody -- agencies, media, networks, studios -- is ramping up to figure this great marketing opportunity out over the next 18 months," said Soma Management's Morgan.

Rather than face the competition on its own, YuMe is partnering with content publishers in the peer-to-peer Internet space. Early partners include Azureus, BitTorrent Inc. and **MediaZone.com**. Longer term, YuMe is also keeping an eye on so-called digital signage opportunities: LCD and plasma screens in airports and other public gathering places that carry advertising.

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