

Background

Last week Warner Bros Entertainment announced that it will begin renting and ultimately selling films through Facebook. The announcement is a first from a movie studio and marks a major new initiative by Facebook to further monetize its rapidly growing social network. Furthermore, the deal represents an escalating battle amongst various brands to become the film and TV distribution companies of the future.

Details

The new rental service is only available in the USA. Additional markets will be added over time. The pricing model is very similar to Apple's previously negotiated relationships with other film companies; movie rentals will cost around \$3.00 or 30 Facebook credits and last 48 hours. Purchases are speculated to run around \$10.00. Facebook will take roughly 30% of these transactions. Warner Bros is slowly releasing films on to Facebook, starting with "The Dark Knight" and growing with additional titles over time.

Implications

The Facebook announcement is another tactical move in a larger strategic battle by the usual online suspects. Each company brings its own strengths. For example, Google/YouTube has its search and indexing competency while Apple brings user-experience and micro-payments. In contrast, Facebook has the immense power of its social graph. Over 600 million users are increasingly using Facebook to recommend and socialize content, including film, TV and video programs. Facebook is already the sixth largest video-provider in the USA.

Google and Apple are countering Facebook by bolstering their services with new social features such as Ping. Likewise, Facebook is also strengthening its micro-payment and credit capabilities via its partnership with gaming specialists Zynga. As a result Facebook users winning credits from playing Farmville can use those credits to view and buy films, thus encouraging more people to consume content within the Facebook environment as well as offering brands a new credit currency to offer and reward their fans.

At the moment most of this battle is occurring on the PC Internet. However, what all of these companies realize is that there is a major, future commercial opportunity once television becomes IP-enabled. Brands such as Google (YouTube), Microsoft, Facebook, and Apple would like to be your prime source of and destination for content and entertainment on your television, effectively competing with today's broadcasters, cable companies, and video-on-demand/rental firms. Such a position would earn these companies not only rental and purchase income but also advertising budgets.

Summary

Facebook continues to introduce new commercial opportunities that capitalize on the power of social influence and advocacy. The Warner Bros announcement also further blurs the lines amongst the major competitors in this rapidly evolving media landscape, which is primarily being driven by the growth of the Internet across devices, now including television. While Facebook continue to compete with their old enemies Google and Apple, they are now directly challenging online video sites such as Hulu. However, Facebook may have their eye on the much larger ambition of supplanting the old established TV broadcasters and cable companies by enabling you and your social community to become the TV channel of the future.