So These Three Startup Comedy Sites Go Online ...

Is funny business really a business? Three online comedy sites are trying new models as a means to find out.

Comedy.com, a site backed by private-equity funding and headed by former UPN CEO Dean Valentine, is selling highly-targeted advertising. Meanwhile, the Independent Comedy Network, backed by angel investor Bill Apfelbaum, the chairman of out-of-home advertising company Titan Worldwide, is looking for brands to subsidize content creation.

And Will Ferrell's Sequoia Capital-backed FunnyorDie.com is the beginning of a network of "OrDie.com" sites that aim to target very narrow ad audiences.

So despite their shared focus on humor, the ventures take starkly different views on how to make bucks from yuks.

Comedy.com focuses on both user-generated and original, exclusive content, done on the cheap. "It's not just what you take in, it's also what you spend," said Mr. Valentine. "'Funny' is an involuntary response that has nothing to do with production values; we don't believe in the additive value of celebrity or high-price talent. It'd be delightful to have Will Ferrell, but an idiot chipmunk can be just as funny -- and often, the chipmunk is much funnier."

Mr. Valentine said the chief selling point of Comedy.com will be its ability to predict what its users will like based on past viewing preferences. Comedy.com uses a player from video-syndication and monetization company Ooyala, which is able to record users' recent preferences and make intelligent suggestions about what other comedic clips on Comedy.com they might enjoy. Its malleability also applies to advertising.

"The video player ... knows what it's playing at any given moment, and can insert ads that are appropriate [to the content]," said Mr. Valentine.

While Comedy.com seeks to become the destination site for laughs, Independent Comedy Network founder Marc Campbell, 33, said his goal is the exact opposite. Mr. Campbell was a private-equities trainee at JP Morgan who discovered that private equities aren't very funny after all, and so began a second career as a stand-up comic.

He hopes to make an end-run around Hollywood's development hell with mini-shows whose appeal has already been proved online. As such, ICN's focus is on episodic, rather than one-off content. "Our whole premise is developing new entertainment properties, and then migrating them up the food chain," said Mr. Campbell. "There's a new rung in the content-development ladder. NBC used to spend $2 million on a pilot. That's very risky. Now, the internet becomes the de facto farm league for TV."

ICN has informal alliances to use semiprofessional (read: undiscovered and, largely, unemployed) talent from improv clubs such as The P.I.T. and The Magnet in New York, the Improv Olympic in Chicago and the iO West in Los Angeles.

The ICN site launched with five original scripted series, including "Two-Eighths Life" a parody of the since-failed NBC web transplant "Quarterlife." With 15 distribution partners, including branded channels on video sites like YouTube, MySpaceTV and DailyMotion, Mr. Campbell hopes to release additional series later this winter and have a total of 40 series online for 2008.

"Figuring out an ad model for things that are one-offs is what we're all trying to figure out," says Erik Flannigan, exec VP-digital media at Comedy Central. "It's a debate we've been having internally since I arrived here: Are you better off paying virtually nothing for 100 assets that might never become anything or are you better off paying 100 times that price for one that does?"

Mr. Campbell said he's in early talks with a brand he declined to identify to finance the next set of "Two-Eighths Life" episodes -- a model that he believes will keep the venture from hemorrhaging cash until its hatchlings hopefully make it to prime time or a film studio. "Product placement is so ripe for making fun of -- we feel like we can do that in an organic way," he said.

Comedy.com head Dean Valentine

Photo Credit: Jason Kirk

ICN has not yet secured a brand, but its distribution partners have placed their clients' ads around the ICN content, from sponsors such as Coke Zero, Jack in the Box, Cheetos and American Express. "Two-Eighths Life" is still in talks with a brand about direct sponsorship. Mr. Campbell declined to comment on CPMs but insisted they were "above average" for web video.

Will Ferrell, meanwhile, is working to franchise his own site, FunnyOrDie.com, after early success with the web video "The Landlord." The site promises to connect advertisers with niche audiences.

FunnyOrDie's newly recruited president, former Nascar head of media Dick Glover, already has launched "ShredOrDie.com," an extreme-sports site that offers short clips like those on "FunnyOrDie." Mr. Glover is also developing "EatDrinkOrDie.com" -- imagine a 21st century Julia Child in Angelina Jolie's kitchen, with social voting on the ensuing recipes.

According to the site, in fourth quarter 2007, FunnyorDie.com averaged more than 3 million unique visitors a month with an average visit length of five minutes. It offers advertisers webisode sponsorships; skins and roadblocks; in-video programs; and custom ad programs including creation, production and promotion of video, along with in-video product placement.

"We're not a lowest-common-denominator play trying to get 100 million people, aged zero to 100," said Mr. Glover, "Our offer to advertisers is to get a good, pure audience. Young males. Or, say, action-sports fans."

But one man's funny could be another advertiser's too much. "There's some truth to the idea that [comedy sites] can offer better-targeted, niche audiences," said Brad Adgate, senior VP-director of research for Horizon Media. "If you compare broadcast TV's web video with online comedy sites, it's just not a level playing field, because of the content: If you're online, you can get away with a lot more."

-- Claude Brodesser-Akner