

Legal and Business Affaires

Case Study: Commercialisation of Music and Entertainment Content on YouTube

MA Music Business
BMTY7002

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Word Count: 2356
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Tileyard Education
2019-2020

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YouTube has been an enormous part of the music industry since its establishment in 2005. From discovering the likes of Justin Bieber and Shawn Mendes to Charlie Puth, 5 Seconds of Summer and Tori Kelly, it has not only been a platform for established artists, but it has helped upcoming artist market themselves.

1. YouTube's Appeal

There is a huge appeal to using YouTube as a marketing platform as it is the largest online database of videos with 2 billion visitors per month. Due to its incredibly large user base, it can attract the attention of potential fans all over the world. That being said, YouTube music videos are more than a promotional instrument. "Once thought of primarily as a marketing tool, music videos are now recognized by the industry as "a revenue stream, not just a promotional vehicle" (Bruno as cited in Edmond, 2012)

1.1. Music Discovery

Firstly, the website is deemed incredibly useful for the discovery of new music. RBB Economics (2017), hired by Google, released a research paper observing the statistics of 1500 listeners in four European countries: the United Kingdom, France, Germany and Italy. In 2017, Youtube was the main platform used to find new music. (See Appendix A) For non-YouTube users, the main platform is radio. RBB claims that discovering music on the radio compared to finding new music on YouTube is less profitable for the music industry. "YouTube provided us with revenue figures for different media outlets, which suggest, that YouTube pays up to 15 times the value of AM/FM radio to the music industry per listen." (RBB, 2019)

It has not only provided a pathway for artists to be discovered but has aided different genres and cultures to be communicated to various parts of the world. Oh and Park (2012) explain that it has played a colossal part in the "expanding K-pop's popularity into Europe".

One can believe that the platform is still used as a discovery method as marketing author Andrew Hutchinson (2019) states that the platform is trying to push that concept by developing its Explorer, Trending and On The Rise pages. Hutchinson (2019) writes "The initiative could help YouTube creators build their audience base faster, which will provide more monetization opportunities, and keep them posting to YouTube more often."

1.2. YouTube Connects Artists

1.2.1. To Their Audience

The rise of social media has tightened the gap between an artist and his/her audience. This has as consequence the need for fans to feel connected to the musician on a personal basis. Baym (2012) explains that “Nearly all music professionals seem convinced that social media — and in particular musicians’ use of those media to connect with audiences — are key to their survival.” YouTube has given artists the opportunity to do just that. The website does not solely offer music videos, but interviews, concert videos, artists’ video blogs and lyric videos, accessible on demand. Anderson (2018) wrote that over the timespan of June 2017 to June 2018 “we’ve seen over 3,100 years of watch time of lyric videos, where lyrics appear on screen as the song is played.”

1.2.2. To Other Creatives

Anderson (2018) claims that since the increase of importance of creators, labels have been using YouTube as a promotional tool. They communicate with various creators and bloggers to promote the music. Celebrity choreographer and YouTube creator writes (as cited in Anderson, 2018) “Music labels are coming to people like me saying, these are our songs, and we want you to promote them because traditional methods are no longer working.”

1.3. YouTube’s Connection to Other Platforms

RBB’s research digs deeper into YouTube’s benefits to the overall music industry by claiming that the more time someone spent listening to music on the website, the more time they spent listening to music on various other channels. (See Appendix C) The research explores the monetary influence it would have on the industry. By converting the time spent per user on YouTube into the financial value to the music industry, one can see how “the value that YouTube users present to the industry is increasing as their YouTube usage does.” (RBB, 2019) (See Appendix D) That being said, such information does not show consistency over the four interviewed countries. Whereas Italy and the United Kingdom show a positive increase in revenue for the industry, Germany and France’s data suggest that YouTube-heavy users do not spend their time on music channels.

1.4. YouTube's Impact on Sales

Before the rise of streaming platforms' popularity, YouTube was used as a tool for fans to listen to a song prior to purchasing it on applications such as iTunes. Since the decrease in buying songs, albums and films, YouTube's impact on sales has shifted to merchandise. As sales of artists' products was worth US\$3.5 billion (£2.7 Billion) in 2018 (Chapple, 2019), concentrating in advertising musicians' goods is an obvious choice. Since 2018, the website has partnered with various merchandise companies to generate more revenue for its creators. Some of the businesses it has collaborated with are FanJoy and Represent that have worked with Niall Horan, Camilla Cabello and Shawn Mendes. Their latest addition to their merchandise roster is the MerchBar. The company has an incredibly large inventory of clients and genres verging from Harry Styles to Selena Gomez and Metallica. Compared to the other companies, its main focus is on musicians' merchandise. YouTube's feature is called the 'Merch shelf' which appears below a video, promoting the artist's available products. Although the company takes a commission, they claim that "the majority went to the creator — along with the money made from the merch sales themselves." (Perez, 2019). Since its creation, YouTube claims that the Merch shelf has doubled the revenue of thousands of channels. (Perez, 2019) Anderson (2018) explains that in 2018, 91% of users that utilise YouTube for a musical purpose have made a music-related purchase after watching a related video.

1.5. YouTube's Impact on Charts

Another aspect, proving the importance of YouTube in any artist's business strategy, is the impact it has on how someone charts. Since 2013, YouTube views have been taken into consideration whilst ranking Billboard's highly acclaimed Hot 100. The platform now also counts for the ranking of albums. Since January 2019, Billboard has added YouTube plays in the ranking system of their Top 200.

2. Challenges

2.1. YouTube and Piracy

In contrast to many, RBB's (2017) research claims that there is no connection between YouTube and the issue revolving around piracy in the music industry. To take it further, they claim that “without music videos on YouTube, some users would switch to file sharing or piracy.” However, this is not the popular opinion. The 2019 report by the International Federation of the Phonographic Industry (IFPI) shows that 23% of all consumers still acquire music through copyright infringement. Although it has decreased by 15% (IFPI, 2018) since the prior report, it is still a substantial amount of money lost. The most common method of music piracy is “stream-ripping” by 32%, which is possible without difficulty through websites such as YouTube. (Snapes, Baumont-Thomas, 2018) Stream-ripping websites allow users to copy the link of a video to convert it to an MP3 file. Over the last decade, there have been enormous attempts to shut down those platforms; however, there are two main obstacles in the way.

The first issue is the fact that there are over 100 million websites (Cuthbertson, 2018) that provide such services and shutting them all down is impossible without more erupting simultaneously. On top of that, they are able to build an impressive revenue by running adds, making millions on content that does not belong to them. That being said, the British Phonographic Industry, together with IFPI, Google and various others are working together to take down as many as possible.

The second issue is that although the mentioned platforms do allow users to download copyright infringed material, there is a growing database of licensed-free videos, meaning they are not entirely illegal. The Electronic Frontier Foundation (EFF) (as cited in Cuthbertson, 2018) states that “Providing a service that is capable of extracting audio tracks for these lawful purposes is itself lawful, even if some users infringe.” That being said, Google has been working hard, trying to limit the amount of damage made by such platforms. A YouTube spokesperson (as cited in Allison, 2019) explains that “As part of our ongoing efforts to enforce YouTube’s terms of service, we’re constantly making improvements and one of the recent changes resulted in the blocking of some MP3 stream-ripping sites”. With their new technology, they have managed to shut down platforms such as YouTube-MP3 and are in a “civil lawsuit against FLVTO.biz and 2conv.com” (TorrentFreak, 2019).

2.2. YouTube's Value Gap

Another challenge when it comes to using YouTube for musicians, is the issue revolving around revenue. Resnikoff (2015) compares data from all streaming platforms such as Spotify, TIDAL, Deezer and various others to the data from YouTube. In 2014, 85.3 billion songs were streamed on YouTube, which represents 52% of the music streamed. The streaming platforms combined show 78.6 billion streams, or 48%. That being said, the revenue coming from YouTube consists of \$147 million dollars which is 13.5% of the entire music earnings of 2014.

In 2019, the value gap concerning YouTube was still a major issue. Murphy (2019) explains that the website hides its money and produce “legalistic obfuscation”. Despite the fact that Google collects approximately 15 to 25 billion dollars (£12-20 billion) through YouTube ads, the company merely pays \$1 billion (£770 million) to the music industry. Through partnerships and lobbying, the company manages to clear any possible injustice. Murphy (2019) explains that “They successfully persuaded the Republican-dominated congress that YouTube provides ‘free promotional value’ to labels and artists, just like any radio station, which in America don’t have to pay any royalties.” The music industry is hoping that the European Commission will take the matter at hand as they are already inspecting Google for “tax evasion and other abusive practices.” However, the author explains that the EU’s influence on the policy to defend the rights of musicians will decrease due to Brexit.

2.3. Article 17

Article 17 (previously Article 13), has caused an enormous amount of controversy in the music world. The law ensures licenses are needed to use certain copyrighted material, meaning labels or artists have “stronger leverage during royalty negotiations”; however, it stops. (Ingham, 2019) Some, like Debbie Harry, claim that this new copyright law will do wonders for the industry and the issue surrounding artist’s revenue. Others, on the other hand, similar to Naranjo of the European Digital Rights association, believes that it will only hinder people’s freedom of speech as well give more power to major tech companies “whose filters will curate the web in the same way that media conglomerates control TV broadcasting.” (Braun, 2019) A group of organisations, the International Federation of the Phonographic Industry (IFPI) and the International Confederation of Music Publishers (ICMP) amongst others, have written a letter to the press saying “far from levelling the playing field, the proposed approach would cause serious harm by not only failing to meet its objectives, but actually risking leaving European producers, distributors and creators worse off.” (as cited in Braun, 2019) Susan Wojcicki, CEO of YouTube, states that the law would cause problems when a certain piece of work has more than one copyright owner. “Whenever a music video has more than one copyright owner (for example, three or four different songwriters), YouTube — keen to avoid the legal responsibility Article 13 will dump on its doorstep — may be forced to blacklist it.” (Ingham, 2019). Whether Article 17 is a benefit or hinderance is unclear.

3. Artists' Revenue

With around £1000 to £2000 per million views, an artist will not make an enormous amount of money through streams. Although it has been incredibly clear that YouTube is not the generous payee Google tries to make it out to be, the company is working on broadening artist's way of making money; however, the company could simply contribute more to the industry.

Additionally to the previously-mentioned Merch Shelf, YouTube is giving creators new tools to make money.

3.1. Youtube Super Chats

Firstly, there is YouTube Super Chats, launched in 2017. It gives fans the opportunity to pay for their comments to stand out during live streams or premieres. Hours prior to a music video premier, YouTube opens a live chat where fans can communicate. YouTube (as cited in Perez, 2017) states that "Super Chat is now the No.1 revenue stream across nearly 20,000 channels — a 65% year-over-year increase." The platform adds that over 90 thousand channels had used it in its first year with creators earning up to \$400 per minute (£308). Following those numbers, if an artist was to premier a video 12 hours before its release, they could earn £221,771.

3.2. Advertisement

As a creator on YouTube, the main revenue comes from advertisement. That being said, true to Google's nature, the payment will not be immense. Hogue (2019) writes that "YouTube shares 55% of its ad revenue with video creators and books an average of \$7.60 per 1,000 ad views. That means you get about \$4.18 for every 1,000 views of ads shown on your videos." Additionally, that does not count when one goes off the advertisement prior to the end. However, bigger artists are able to make money from these advertisements. Hogue (2019) explains that a channel with 10 million subscribers are estimated to make \$11 million (£8.5 million). The top 30 artist on YouTube, such as Justin Bieber, Ed Sheeran and BLACK PINK all have above 19 million subscribers; however, that is only for hugely established artists. Smaller artists will barely make any money.

In conclusion, YouTube is a great tool for various aspects of the industry such as creating a connection with your fanbase, bringing a visual facet to your music and promoting merchandise; however, due to the small fee the company contributes to the industry, its revenue does not match other streaming platforms.

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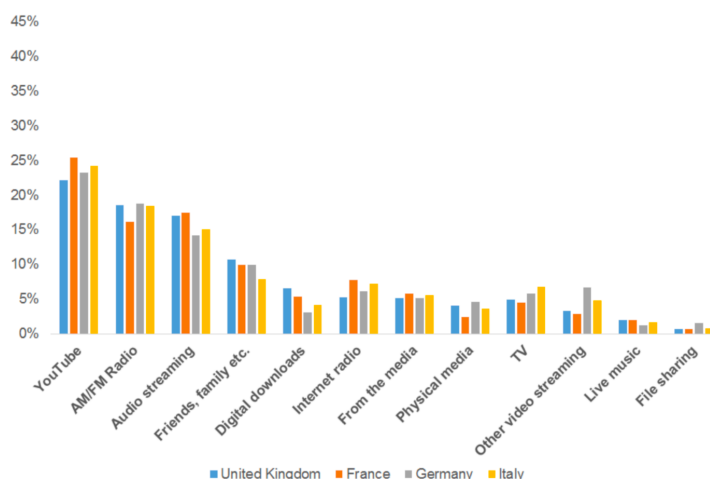
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Appendix

Appendix A: YouTube music users — average importance of channel for new music discovery

Source: RBB (2017) ‘Value of YouTube to the music industry Paper II Growth of all platforms’, *RBB Economics* [Online]. Available at: <http://www.rbbecon.com/publications/value-of-youtube-to-the-music-industry-5/> (Accessed on 07/01/2020).

Figure 1: YouTube music users - average importance of channel for new music discovery

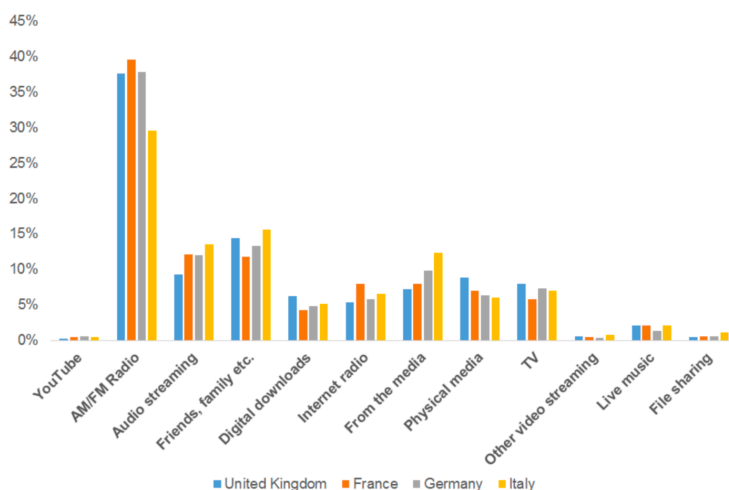


Source: Survey Q12, Q48-52, YouTube internal data; samples sizes: United Kingdom- (155 Heavy/ 451 Medium/ 152 Light); France - (474 Medium/ 170 Heavy/ 151 Light); Germany - (194 Heavy/ 456 Medium/ 122 Light); Italy - (267 Heavy/ 567 Medium/ 154 Light). Missing values were treated as zeros. Sample sizes by country, YouTube user segment and platform will be smaller and will in some instances have an impact on the robustness of the results.

Appendix B: Non-YouTube users — average importance of channel for new music discovery

Source: RBB (2017) ‘Value of YouTube to the music industry Paper II Growth of all platforms’, *RBB Economics* [Online]. Available at: <http://www.rbbecon.com/publications/value-of-youtube-to-the-music-industry-5/> (Accessed on 07/01/2020).

Figure 2: Non-YouTube users - average importance of channel for new music discovery

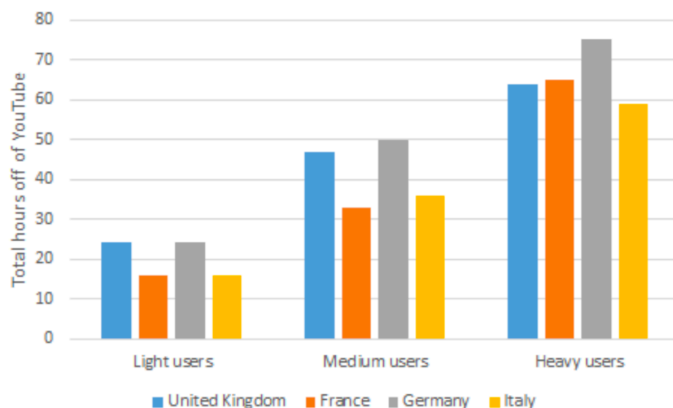


Source: Survey Q12, Q48-52, YouTube internal data; samples sizes: United Kingdom- 775 non-YouTube users; France - 474 non-YouTube users; Germany - 751 non-YouTube users; Italy - 570 non-YouTube users. Missing values were treated as zeros. Sample sizes by country, YouTube user segment and platform will be smaller and will in some instances have an impact on the robustness of the results. Note that there is a small fraction of non-YouTube users indicated to be using YouTube for discovering new music. This is a result of time incongruence in a set of questions in the survey.

Appendix C: YouTube users' time spent listening to music off of YouTube

Source: RBB (2017) 'Value of YouTube to the music industry Paper II Growth of all platforms', *RBB Economics* [Online]. Available at: <http://www.rbbecon.com/publications/value-of-youtube-to-the-music-industry-5/> (Accessed on 07/01/2020).

Figure 3: YouTube users' time spent listening to music off of YouTube (hours per month)

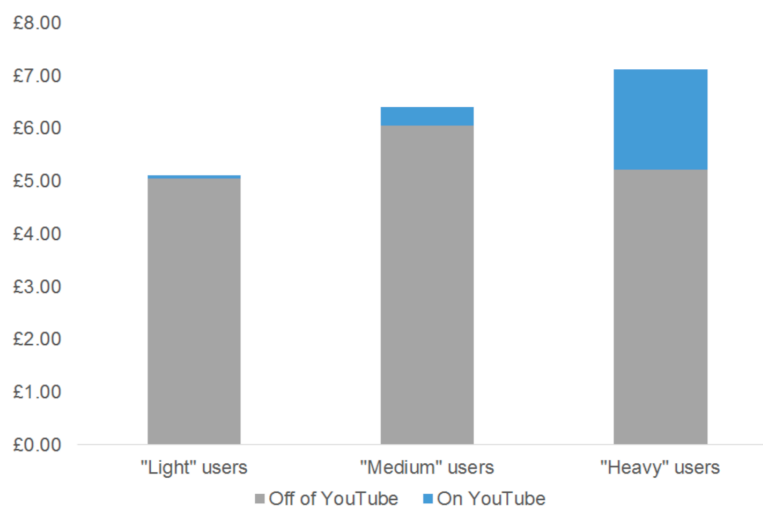


Source: Relevant questions: Q6-Q12; samples sizes: United Kingdom- (155 Heavy/ 451 Medium/ 152 Light); France - (474 Medium/ 170 Heavy/ 151 Light); Germany - (194 Heavy/ 456 Medium/ 122 Light); Italy - (267 Heavy/ 567 Medium/154 Light).

Appendix D: Value to the music industry, per user, per month

Source: RBB (2017) 'Value of YouTube to the music industry Paper II Growth of all platforms', *RBB Economics* [Online]. Available at: <http://www.rbbecon.com/publications/value-of-youtube-to-the-music-industry-5/> (Accessed on 07/01/2020)

Figure 4: Value to the music industry, per user per month, United Kingdom

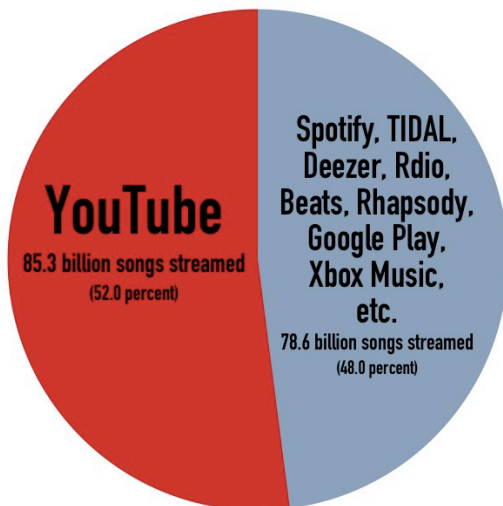


Source: Survey Q6, Q12, YouTube internal data on value assumptions; Sample sizes: 152 Light users, 451 Medium users, 155 Heavy users; Sample sizes by user type and platform are in most cases smaller than the sample size by user type.

Appendix E: Total Songs Played vs. Total Song Revenue

Source: Resnikoff, P. (2015) *Why the Music Industry Is Starting to Hate YouTube*. Available at: <https://www.digitalmusicnews.com/2015/07/27/why-the-music-industry-is-starting-to-hate-youtube/> (Accessed on 10/01/2020).

Total Songs Played (On-Demand) 2014



Total Song Revenues (On-Demand) 2014

