

A case study:

***YOUTUBE: Partner Program & User-Generated -
Content Monetisation***

Student Name: Giza Pajamandy - Smith

Student Number: 2237665

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Module: Lecturer's Name: Ian Penman

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1. Introduction

Founded by 3 Paypal employees, Chad Hurley, Steve Chen, and Jawed Karim in 2005, YouTube was initially a platform created for friends and family to share their videos. Overtime, technological phone advancement made it easy to record everyday activities and share them with others online. So the platform kept on growing.

Youtube has often been compared to the Music Video outlet MTV (Sydell, 2009).

In 2006, the internet giant Google spotted the vast potential in the platform and acquired it for a sum of \$1.65bn (NBC News, 2006). The platform was then being threatened by the major record companies for lawsuits for

copyright infringements. YouTube has come a long way in the past 18 years.

According to the Digital 2023 Global Overview Report published in February 2023, YouTube is the most visited website in the UK and the second most visited website in the world, with 2.5B visitors a month, and 500 hours of content uploaded every minute (DataReportal, 2023).

2. YouTube In Demand

This paper provides a critical analysis overview of the updated business strategies, challenges and revenue mechanisms in relation to the commercialisation of music on Youtube.

In April 2016, an EU official told YouTube to stop exploiting artists. EU digital chief Andrus Ansip demanded changes to how YouTube compensates artists. Ansip says the streaming platforms' contribution to the music industry is just a fraction of rival plays like Spotify. Ansip also brought up the valid point that the streaming service has roughly one billion users, which is significantly more than Spotify's 30 million paying users. So why is YouTube paying so much less? (Hassan, 2016).

Ansio made a valid point in 2016 and it is still relevant at present, although YouTube proclaims to be one of the leading music industry royalty contributors, the rates per stream on its platform is very low.

In December 2018, while speaking at a Law School in New York City, YouTube's Global Head of Music Lyor Cohen, said:

"The music business used to be an audio business, and then it became an audiovisual business. Now, I think it's going to become a visual audio business." (Forbes, 2019).

It is fair to say that YouTube is eager to conquer the Music streaming market after dominating the music video arena. Because of the heavy use of smartphones, the high demand for video content keeps on growing.

3. Youtube Music



Figure 1 - YouTube Music Logo

The video sharing website has been attempting to integrate the music streaming market since 2014. It first launched YouTube Music key operating alongside Google Music Play. However, based on the MIDiA research report 'Unlocking YouTube: How YouTube's Music Key Will Impact Music Subscriptions' only 7% of consumers say they would pay for a YouTube subscription service without ads and including extra content and 25% say they will never pay for a subscription service because they get all the music they need for free from YouTube (Mulligan, 2014). The company

first had difficulties setting up camp in the music streaming field, although it dominated the music video market. In 2015, they launched a new music streaming version YouTube Red, which was rebranded as YouTube premium and YouTube music in 2018 (YouTube Blog, 2018). Since then, the service keeps on growing and amounted to 30 million premium and music paid subscribers as of October 2020. Google Play Music was finally replaced by YouTube Music in December 2020 (Rayome, 2020). As of now, YouTube has 50 million paid subscribers and is competing with the likes of Spotify and Apple Music.

According to MBW's article, YouTube is set to overtake the leading streaming platform Spotify as the music rights industry's biggest partner by 2025. The company proudly announced in September 2022, a \$6B pay out to the music rights holders for their financial year ending June 2022. (Ingham, 2022). A \$2B increase from the \$4B revenue announced in 2021. The Global Head Of Music, Cohen (2022) stated in a blog posted on the official YouTube website, that YouTube ought to become the "number one contributor of revenue to the industry, and will monetize all music formats (short & long form video, audio tracks, Live, etc.) on all platforms (desktop, tablet, mobile, and TV), in over 100 countries." The statement ended with a reminder of YouTube's mission to help "all artists to forge their own path on YouTube and develop financially sustainable careers." (Cohen, 2022).

In 2020, Youtube Music was said to have over [60 million songs](#) in their library. As of February 2021, that number has since increased to [70 million](#)

official songs from record labels, according to YouTube’s chief product officer Neal Mohan. That puts it at par with other popular streaming platforms like Spotify, Apple Music, Tidal, and Deezer.

Platform	≈ Pay per stream	≈ Streams to earn \$1
 Amazon Music	\$0.004	250
 Apple Music	\$0.007	143
 Spotify	\$0.004	229
 Soundcloud	\$0.003	305
 YouTube Music	\$0.008	125
 Pandora	\$0.00133	752
 Napster	\$0.019	53
 Deezer	\$0.003	333
 iHeartRadio	\$0.017	59

Figure 2- Streaming Royalties Payout

4. YouTube Music Premium - YouTube Premium and the Freemium model

The YouTube platform operates a twin engine model of advertising content and subscriptions to generate its revenue. Pioneer of the monetization of User Generated Content, this medium nowadays drives 30% of payouts to music artists (Cohen, 2022).

Users of the YouTube platforms can access the YouTube library of music free or via monthly paid subscription. The cost for their streaming services is £9.99 (YouTube Music, 2023). YouTube Premium and YouTube Music Premium are often mistaken. The latter will limit access to the Music streaming platform while YouTube Premium allows users to access content on both platforms, free of Adverts and with additional benefits such as the ability to download videos to watch offline, Background play and more (Google Support, 2023).

It could be argued that unlike its competitors, YouTube used the Freemium quite early in their venture. In 2007, the platform launched their ad supported content, which might be why it has struggled to pull in the subscribers. The COVID-19 pandemic has boosted the paid subscription model globally and YouTube certainly benefited from this surge.

5. Releasing musical work On YouTube Music

According to the Music Gateway Streaming Royalties calculator, music artists would generate 50% less income on YouTube music compared to Spotify.

The simulator available on the Music Gateway website shows that for 100,000 streams, music creators will receive an estimate of £344 through Spotify while earning around £150 from YouTube Music (Music Gateway, 2023).

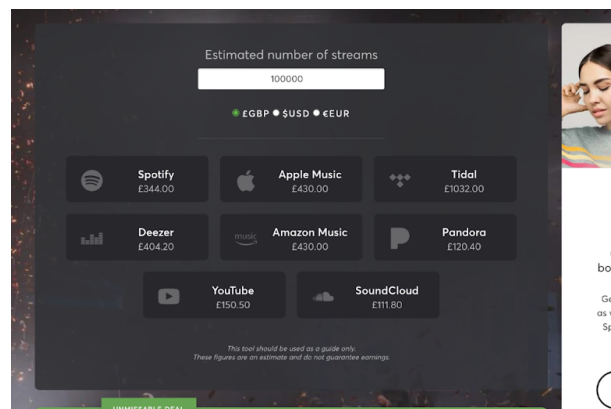


Figure 3 - Musicgateway Streaming royalty calculator

Youtube music is said to pay Music artists: per song stream (\$0.008), per video stream (\$0.00164), and through Content ID-monetized videos (\$0.00087). It could be argued that the music streaming services could be more generous considering their reputation, size and market value.

6. How to commercialize music on YouTube?

YouTube is a crucial marketing tool in the promotion of music today. An artist's presence on YouTube is almost inevitable. The platform offers a large audience reach and allows users to interact with the content by liking,

commenting and sharing. The platform has the power of reaching more people between the ages of 18 and 34 than any other social media platform, opening up the doors for independent artists to get a nice paycheck from their hard work (Amuse, 2023).

Furthermore, YouTube features such as live streaming video premiering and shorts give the content creator the possibility to vary their content.

To generate revenue from their music on YouTube, music artists need to do more than just post and promote their musical work. There are a few steps they need to follow in order to be successful at earning an income from YouTube.

To be eligible for the official artist program, artists need to own and operate a YouTube channel. Have at least one official music release on YouTube delivered and distributed by a music distributor or label, and follow YouTube terms of services and copyright policies. They should also work with a YouTube Partner Manager, Be part of the YouTube Partner Program, be part of a label network that works with a Partner Manager, or have their music distributed by a music partner listed in the YouTube Services (Google Help, 2023).

7. YouTube partner program (YPP)

Content monetization is the primary incentive offered by YouTube to encourage users to upload media (Chu et Al., 2022, 2173).

Creators across all genres were elated to find out that as of February 2023, the YouTube Shorts fund had office's Partner Program and start making money from ad revenue, as long as they have either 1,000 subscribers and 10 million eligible public Shorts views in the preceding 90 days or 1,000 subscribers and 4,000 valid public watch hours on long-form videos in the past 12 months (Sweatt, 2023).

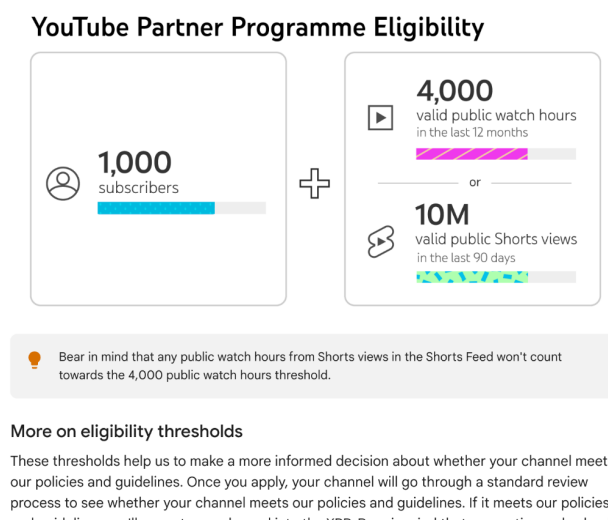


Figure 4 - YPP Eligibility

The YPP gives creators greater access to YouTube resources and monetisation features, as well as access to their Creator Support teams. It also allows revenue sharing from ads being served on the user's content (Google Support, 2023).

(screen shot)

However, as aforementioned, before a youtuber can apply to the YPP, they must have 1,000 subscribers, 4,000 watch hours on their channel (within 12 months), a willingness to follow YouTube's rules: the community guidelines, advertiser-friendly content guidelines, and terms of service.

The Google AdSense program generates revenue when a viewer watches/clicks an ad within a video, and YouTube splits the revenue between the creator and itself. That revenue is then split between the youtuber and YouTube, where the youtuber gets 55% of the money, and YouTube takes the other 45% (Sweatt, 2023).

YouTube AdSense is valuable, however, is not a reliable form of income for creators, given the fact that advertisement rates go up and down, so it's hard to make the same amount of money each year with video ads.

For this reason, it is useful to understand CPM rates. CPM (cost per mile) refers to the amount of money advertisers pay per 1,000 video views on YouTube, the rates varying depending on the channel's niche, audience demographics, and more.

The power of YouTube's ad-targeting abilities — enabled by both its own user data and outside data it can get with Google's help — have also helped its cause. So have its investments in building quality measurement tools that help companies gauge the impact of a video ad on things like awareness of a product and attitudes towards the brand that's selling it (Jhonsa, 2018).

The YPP sets higher standards for the platform's monetization scheme, because music artists must have 1,000 subscribers and 4,000 watch hours on their channel (within 12 months) in order to join the program. In 2018, when the YPP was first introduced, the Musician's Union stood in opposition of the new terms, claiming it to be unfavorable to existing members of the Partner Programme who would see their channels demonetised because of insufficient subscribers and watch hours. Naomi Pohl, the MU Assistant General Secretary, stated at the time that the change was unfortunate and was likely to affect individual creators more than big corporate-run channels. She questioned the financial motives behind this change and presumed the stakeholders who would benefit from it would be YouTube itself or their bigger partners (The Musicians' Union, 2021).

It should be noted that Since November 2020, the platform has collected 100% of the revenue from advertising on non-monetised videos.

This means that independent artists need to be actively developing their YouTube presence and fanbase before being able to monetize their video content. This can be translated as the company's business strategy in order to filter out smaller accounts and to avoid congestion of administrative costs.

8. The YouTube Creator Community

On the other hand, YouTube is also nurturing this community of creators by offering extra support that is proven to be effective through the YPP. The YouTube Services Directory available on the company website refers its content creator to a list of Third-party companies called, Multi-Channel Networks (“MCNs”) or Channel Management Services which offer different services to support YouTube creators, media companies and other digital IP owners with managing their content programming, audience development, digital rights and branding. There are 86 MCNs currently listed on the website. They are based globally and have a direct relation with YouTube (YouTube Services Directory, 2023). MCNs have become an integral part of the YouTube ecosystem, with some MCNs working with numerous creators. For instance, Machinima is a large MCN that manages over 30,000 creators (Chu et Al., 2022, 2172)

Due to increased usage over the years of this video-sharing platform, which has grown massively, they have put tighter copyright regulations in place.

As it stands, it is becoming difficult for YouTubers to violate YouTube’s Content ID System and other copyright laws without facing repercussions as strikes from YouTube and has no choice but to familiarize themselves with the music licensing laws of the platform in order to know exactly how to use copyrighted music on YouTube legally. Content ID is a system that enables copyright owners to quickly and efficiently identify their content on

YouTube. New video content uploaded to YouTube is scanned against a database of existing content submitted by content owners (The British Library, 2023).

In 2012, the video streaming platform faced legal battles in the US with the media conglomerate Viacom, the Premier League, and other media companies claiming that it is allegedly responsible for copyrighted music infringement.

That same year, a German court ruled that the website handled the content its users published, a decision that became a first step towards YouTube having to pay royalties on videos with copyrighted music embedded in the soundtrack (Arthur, 2012). 7 years later, Article 13 of the EU Copyright Directive stated services such as YouTube could be held responsible if their users upload copyright-protected movies and music.

Over the past decade, YouTube has developed a powerful system to protect the music creator's copyright. In 2022, it launched the "Creator Music Licensing Hub" and a new revenue sharing model for Shorts in the US, which expanded to other countries in February 2023. YouTube claims that the Creator Music License Hub is "a new destination that gives creators easy access to an ever-growing catalog of music for their videos, while providing artists and music rights holders with a new revenue stream for their music on YouTube" (Stassen, 2022).

It is fair to say that YouTube has now developed into a platform that is very meticulous with its copyright policies, holding the power to either delete a youtuber's video or suspend their entire account if the youtuber is found in violation of its copyright policies. Therefore, discretion must be utilized when including music in YouTube videos (Bagadiya, 2023).

In order to use music that is not available in the public domain, they must get permission from the rights owner. In March 2021, YouTube announced the launch of "Checks" tool (Content ID Copyright Tool) to scan videos for copyright before the content is uploaded on their website. The process takes around 3 minutes and provides details of potential issues and where in the video it happens (Dredge, 2021).

The Copyright Match Tool operated by algorithms can automatically identify videos that are matches or potential matches of other videos on YouTube. Once they have identified a match, the content creator can review it in the YouTube Studio application and choose to take action by reviewing the video and decide to make a request removal or allow it to be used (YouTube Help, 2023).

9. Conclusion

Over the years, YouTube has generated great public interest, tremendous economic growth and has been under scrutiny from the entertainment

industry, academia, and governments for allowing copyright infringements to occur on their platform. Because of this, they had to change their business model, strategies and revenue mechanisms in order to adapt to these challenges. Their progressive development should be acknowledged and analyzed as the company has been a pioneer as a video sharing platform, which has grown massively because of continuous increase usage.

During this case study, it appeared clearly that YouTube is taking music copyrights seriously and acting as a custodian of copyright holders with the new Content ID system run by powerful algorithms technology as well enforcing tighter EU copyright regulations.

However, the new criteria to sign up the YouTube partner program is restrictive and excludes revenues for thriving upcoming content creators which questions YouTube's mission to become the number one contributor of revenue to the industry and to support all artists to forge their own path on YouTube and develop financially sustainable careers. Arguably, these methods might motivate artists to use the platform to gain exposure, so they can join the YPP. however until then they remain susceptible to demonetization of their content. Who profits from demonetised video content? Furthermore, YouTube royalty payouts are very low compared to its competitors on the market despite being the most visited website in the world.

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