

A Case Study on YouTube

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Legal and Business Affairs (BMTY7002)

5th April 2023

Summary

The traditional methods of producing, distributing and consuming music have been replaced with new technologies and for many years YouTube has become one of the major platforms for sharing and distributing content, including music, with the likes of record companies and artists appreciating the millions of newfound views, comments and likes. YouTube has provided musicians with a lot more exposure and fans with access on demand. However, many are complaining and raising concerns that the website is not generating enough money to make the creators, artists, and musicians happy (Ovide, 2021).

YouTube also faces multiple challenges related to licensing and it is therefore important that this study also considers how this possibly affects revenue for creators.

Similarly licensing agreements can create uncertainty over when the use of copyrighted material is legal.

This case study will further showcase the impact, analyses and focus on the challenging side related to the commercialisation of music and entertainment content on YouTube, business strategies and revenue mechanism.

Background

YouTube, a video sharing platform that was originally created in 2005, is now one of the most popular websites with around 6 billion hours spent by people watching videos every month.

Initially it was formed by Chad Hurley, Steve Chen and Jawed Karim as an online dating service which eventually failed. However, they still had an outstanding video and uploading platform. After searching to find the infamous video of Janet Jackson and Justin Timberlake's Superbowl performance and not able to find any videos of it on the web, the creators, Chad, Steve and Jawed, decided to form the first major platform video sharing platform (Lesking,2020)

The concept for YouTube was to make it a website where it is easy to watch and share videos for free.

One of the reasons why YouTube has become so popular is because you can find incredible and creative videos including make-up tutorials, live entertainment, science classes, interviews, fashion tips documentaries to name a few. It is undeniable that there is a wide range of content on YouTube at your convivence (GCFGlobal, Accessed 2023).

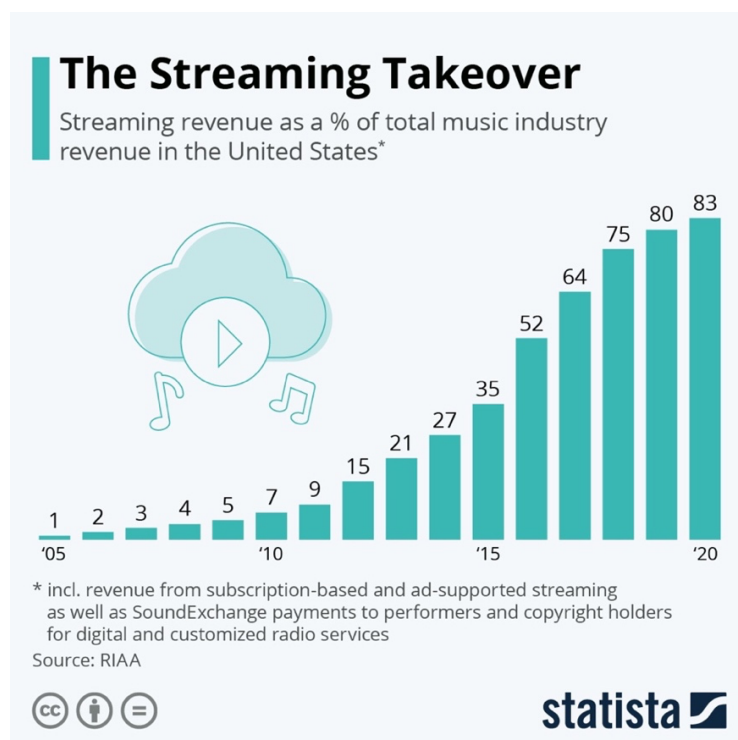
Digital revolution

The digital revolution has changed the way music is being consumed. Digital distribution platforms such as iTunes, Spotify, Tidal and YouTube all made it easier for the artist to release their music to a global audience, bypassing traditional record labels. This has given rise to a new generation of independent artists who are not reliant on record labels to launch their careers. Secondly, the transition to digital platforms has made it easier for fans to access music. The rise of streaming platforms such as YouTube has enabled music lovers to access a

library of music on demand, anytime and anywhere. Moreover, digital platforms have made it easier for fans to purchase music online, without the need for physical stores.

Data analysis show how streaming has been taking over gradually. In 2005 digital platforms services occupied only 1% of total music industry revenue, whilst 15 years later numbers have significantly risen to a total of 80% and continuing to grow. Those results show that streaming platforms are occupying most of the consumer market today and are now the centre of the recording industry (Penman, 2023).

“In 2020, music streaming, both subscription-based and ad-supported, accounted for 83 percent of U.S. music revenues, up from just 7 percent in 2010” (Richter, 2021)



(Richter, 2021)

Streaming pay-outs

There are different payments and types of digital streaming revenue to the copyright holders, mechanical royalties, public performance royalties and to the recording owners.

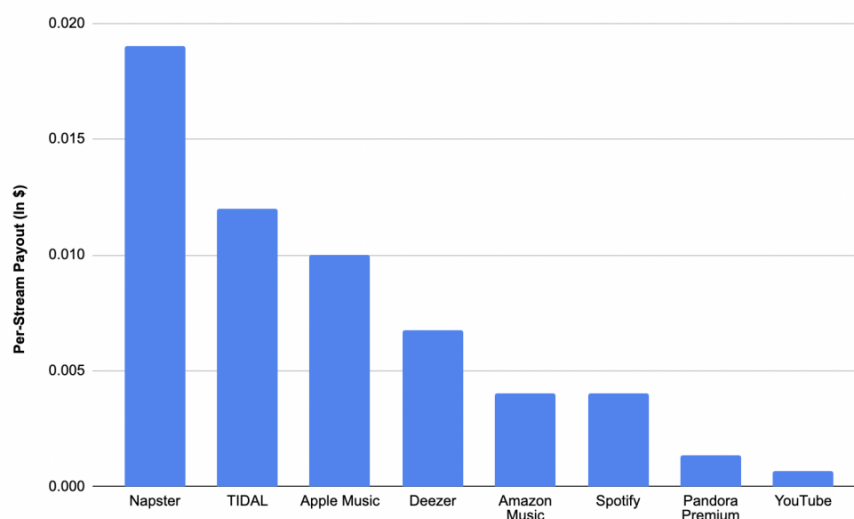
The mechanical royalties are paid to songwriters and their publishers who are the owners of the composition as well as the performance royalties. Meanwhile the most hefty and important part of the overall pay-out is owed to the copyright owners of the sound recording and this can be through labels and distributors (Yonata, 2023).

How much do streaming platforms pay per stream?

Demonstrated by Ian Penman, founding partner at New Media Law LLP a 2019 data analyses showcased that YouTube was the lowest in paying per stream compared to other streaming platforms (Penman, 2023).

Which digital streaming service pays the most?

Data reported per stream pay-outs from top music streaming services updated for 2022:



(Sanchez, 2021)

How much do artists make per stream?

Pay-outs and rates to artists overall differ depending on which platforms is being used and there are variable rates in different countries. It is therefore difficult to detect precisely how much an artist gets paid since it depends on multiple factors, in addition to the legal arrangements, such as who is distributing their music and how much goes into splitting their ownership share of the copyright of the sound recording and composition etc.

Researching statistics and data reported in 2022, **Napster** remains to be the platform paying artists more than other streaming platforms and pays now on average \$0.019 per stream making it a more profitable music streaming service despite having less subscribers than, for example, Spotify (Sanchez, 2022).

Tidal is another top player consistently showcasing their loyalty to artists by paying higher amounts for streams to artists and it reportedly paid out \$0.01284 per stream in 2021.

“On average, TIDAL pays out around \$0.013 per stream in 2023. TIDAL is one of the select few streaming services which pays out more than 1 cent per stream, with artists needing roughly 80 streams to earn a dollar and 80,000 streams to earn \$1000 (roughly £880).” (Ditto Music, 2023).

Apple Music is in third place and continuously pays much better than, for example, their competitor Spotify, and the numbers keep rising. In 2021, Apple Music paid \$0.00783 per stream and has further shared the news that it will reach a royalty rate of 1 cent (\$0.01) per stream for artists (Sanchez, 2022).

Spotify is known for being one of the worst streaming services in the ranks of rating per stream and seems to be getting worse, paying artists as little as \$.003 and \$.005 per stream.

Despite the falling numbers of pay per stream, the number of subscribers to Spotify increased (Sanchez, 2022).

“Spotify remains the largest streaming music platform worldwide — which means you have little choice but to play ball with them” (Sanchez, 2022).

YouTube, the video streaming platform, has throughout its time had its fair share of bad reputation amongst artists due to poor royalty rates. In 2019, the company decided to increase the rate to \$0.00074 from what used to be \$0.0006 per play, but later decided to lower the figure to \$0.00069.

It is highly suggested and advised not to make your career and earnings on YouTube despite the video platform being hugely popular (Sanchez, 2022).

How does YouTube pay artists?

It is worth considering that YouTube uses at least 3 separate features for paying their artists: per premium membership, per video stream and monetizing of content being used through other channels, ads detected by Content ID (**\$0.00087**) (Sanchez, 2022).

YouTube Content ID is a system built to help protect artists' content from being copied on YouTube. When an artist has registered their original work correctly and started using this feature, the software will then be able to identify if their content is being used. Once identified the owner has 3 options, to either block, monetize or track data analytics of, for example, demographic views that might benefit them as artists (YouTube content ID, 2010).

Platform	Pay per stream	Streams to get \$1,000
Tidal	\$0.013	76,924
Apple Music	\$0.01	100,000
Amazon Music	\$0.004	250,000
Spotify	\$0.0033	303,030
YouTube Music	\$0.008	125,000
Pandora	\$0.0013	769,231
Deezer	\$0.0064	156,250

(Yonata, 2023)

Researching and trying to find out how much an artist is being paid through digital platforms can be challenging as rates often vary but a general overview is possible with streaming calculators. In this instance data analysis show how much per stream equates to get \$1000.

Does an artist get paid fair rates through streaming?

At the current per stream rate of the different platforms, it takes a significant number of streams to equate to \$1000, not the mention the other factors involved in calculating the right holder shares.

For example:

“Justin Bieber’s song, Love Yourself, was written by Ed Sheeran, Benjamin Levin and Bieber. It was released by Def Jam record label.

The song has been streamed 17.4 million times. With the **\$0.091 per stream** mechanical royalty, it should generate about **\$1,583,400**.

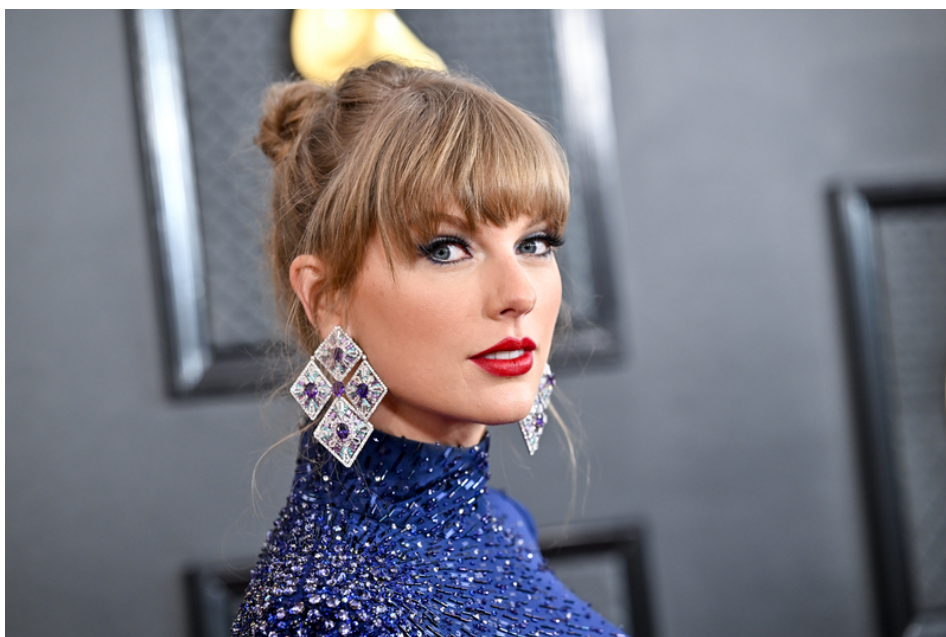
The streaming platforms will pay the whole sum to Def Jam as the label. Def Jam will then distribute the whole sum to everyone involved in making the song according to their roles” (Yonata, 2023).

This example is an oversimplified explanation to help understand royalty distribution.

Minimum Wage:

Ian Penman, founding partner at New Media Law LLP, demonstrates further data and calculations on how many plays per stream it would take needed to earn minimum wage (\$1,472 every month in the US) from the different digital platforms. At the bottom of the list is YouTube with 2,133,333 plays needed at a rate of 0.00069 per stream. Spotify ranked in the middle somewhere with 336,432 streams and at the top was Napster with 77,474 plays and Tidal with 177, 604 streams. (Penman, 2023)

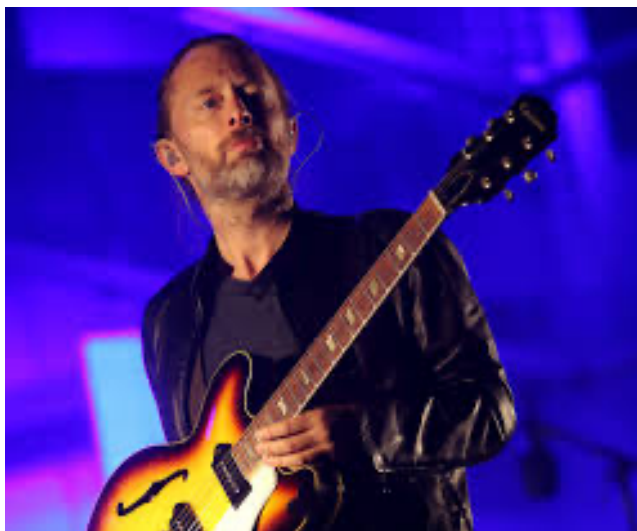
Many artists have been criticising and complaining that streaming platforms haven't rewarded creators fairly.



(Buckner M, 2023)

For example, pop artist, performer and songwriter Taylor Swift has knowingly protested against the streaming giant Spotify, removing all her music in 2014, following the release of

her album 1989. One of the facts that drove this decision was that Spotify wasn't paying artists during their free 3-month trial period. In an interview with Yahoo Swift said, "I'm not willing to contribute my life's work to an experiment that I don't feel fairly compensates the writers, producers, artist and creators of this music". "And I just don't agree with perpetuating the perception that music has no value and should be free." She later re-joined in 2017, but fans are wondering if she will once again remove herself ending the relationship with Spotify (Grow, K. 2018).



(Davisson J, 2013)

Thom Yorke is another major artist to express his concerns with how Spotify pays artists.

In 2013 Yorke said, "I feel like as musicians we need to fight the Spotify thing. I feel that in some ways what's happening in the mainstream is the last gasp of the old industry. Once that does finally die, which it will, something else will happen. But it's all about how we change the way we listen to music, it's all about what happens next in terms of technology, in terms of how people talk to each other about music, and a lot of it could be bad. I don't subscribe to the whole thing that a lot of people do within the music industry that's 'well this is all we've got left. we'll just have to do this.' I just don't agree." (Levine, N. 2017).

The Competition and Markets Authority (CMA) report on music streaming:

The digital streaming service models were called for revaluation after significant complaints were made in the UK parliament.

The Department for Digital, Culture, Media, and Sport (DCMS) made an enquiry with evidence taken from musicians including Nile Rodgers reported.

“Unless artists received a larger share of revenues, the UK’s music landscape could be transformed within a decade”. After hearing the concerns and criticism against the platforms for being insufficient or unfair, CMA decided to investigate the digital streaming market (The Guardian News, 2022).

The CMA published their final report on music streaming in late November 2022 and concluded in their report that after closely studying the streaming market, consumers have benefited the most from digitisation and competition between music streaming services (Authority, 2022).

Furthermore, it was acknowledged that there’s been a significantly large increase in the amount of music people have access to, as well as the increase in artists releasing music (up from 200,000 in 2014 to 400,000 in 2020). As a result of a more direct route to listeners, this also resulted in greater competition to reach listeners. In their findings the CMA further stated in their report that an artist could expect to receive £12,000 from 12 million streams in the UK in 2021, but less than 1% of artists achieve that level of streams (Authority, 2022).

“The CMA found that the concerns raised by artists are not being driven by the level of concentration of the recording market. Analysis found that neither record labels nor

streaming services are likely to be making significant excess profits that could be shared with creators. Consequently, the issues concerning creators would not be addressed by measures intended to improve competition, but instead would need other policy measures in order to be addressed” (Authority, 2022).

The CMA also found that there have recently been improved developments for some creators in terms of better choice of deals with record labels, although individual deals vary noticeably. (Authority, 2022).

The CMA suggests that they understand the concern raised by many musicians on the level of income being received and believe that their study is highlighting those issues. For that reason, the concerns could be further deliberated by government and policy makers following the inquiry and the work that is already being done through DCMS Select Committee’s inquiry into the economics of music streaming (Authority, 2022).

Sarah Cardell, Interim CEO of the CMA, said:

‘While this report marks the end of the CMA’s market study, which addresses the concerns previously posed about competition, we also hope the detailed and evidence-based picture we have been able to build of this relatively new sector will provide a basis that can be used by policymakers to consider whether additional action is needed to help creators.’ (Cardell S, 2022).

Conclusion

YouTube is probably still ranked one of the worst per stream payers compared to other streaming services. However, YouTube is working with better tools today and with different options such as making a better profit through ads matched with software, YouTube Content ID. In spite of this, a lot of powerful players in music still believe that YouTube pay much less per click in comparison to other digital streaming services and this is still one of the biggest issues and debates today.

Recently in a New York Times article in 2021 it was reported that YouTube seems to have a healthier relationship in terms of providing more money to the music industry. In 2021:

“YouTube disclosed that it paid music companies, musicians and songwriters more than \$4 billion in the previous year. That came from advertising money and something that the industry has wanted forever and is now getting — a cut of YouTube’s surprisingly large subscription business. (YouTube subscriptions include an ad-free version of the site and a Spotify-like service to watch music videos without any ads.” (Colleran, K. 2021).

Similarly licensing agreements can create uncertainty over when the use of copyrighted material is legal. YouTube has taken more steps to fight and address the issues for artists and creators to be paid better. However, the measures in place have not eliminated copyright infringement or resolved all disputes on the platform.

As YouTube continues to grow and evolve, it will be important for the platform to find ways to balance the interests of content creators, copyright owners, and users while also upholding the law and promoting creativity.

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