

Emma Moore
Student Number – 2022922
Legal and Business Affairs
Module Code – BMTY7002
Lecturer – Ian Penman
Assignment – Essay



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Introduction

This case study critically analysis the business strategies of Youtube, exploring the challenges and revenue mechanisms of the commercialisation and monetization of music and entertainment content on the service. The case study will discuss Youtube's business model, how it generates revenue, and examine the monetization of Intellectual Property.

Youtube Business Model

Youtube is a platform, owned by google, that allows its users to upload and view free video content, with the option to subscribe to channels and allow creators to monetize their content (Dutta, 2020). Youtube is an advertisement-based business model, generating most of its revenue from sponsored advertisements as well as embedded advertisements and premium subscription options. Youtube is available in 76 languages and has over 1.8 Billion users every month, making up 11% of advertising revenues for Google in the US (Dutta, 2020) and generating \$15 Billion from advertising in 2019 (Whatisthebusinessmodelof, 2020). That same year, Youtube made over \$38 Billion for the music industry, 20% of its annual advertising revenue (Ingham, 2020). The platform has had a significant impact on the way we consume entertainment and how advertisers target their viewers. It is an example of a "platform shift" (Businessmodelinc, 2021) that brings the parties of the creators and viewers together, with content creators being referred to as "youtubers", who make money off of their channels by building a fan base. This following allowed YouTube to leverage its content creators and make revenue by recording the activities of viewers and using this for targeted advertising. The success of Youtube is built on being able to keep viewer engagement through a continual stream of videos and is what makes targeted advertising so effective (Oakley, 2018).

How Youtube Generates Revenue

There are various ways that Youtube generates Revenue. As previously stated, the main source of revenue for the platform is through sponsored advertising. Content creators will be sponsored by brands for their videos, where they will advertise the product or service. The advertiser will then pay Youtube based off how many views the advertisement generates, and the creator will get a cut of the profit (spangler, 2019). Youtube also generates money from other forms of advertising. An Embedded advertisement is not sponsored by creators, but automatically plays before videos, with shorter advertisements being placed in between videos. Additionally, there are also Landing page advertisements. These are advertisements that are placed on Youtube's homepage. The landing page advertisements are displayed as banners and can contain both video and imagery. Having a landing page advertisement is effective for advertisers as Youtube automatically opens onto the homepage, meaning it will be seen by more people (Dutta, 2020).

Another form of revenue came from the implementation of a Premium subscription-based model. Subscribers pay for the membership and get excusive benefits that are not available on the free platform, such as Ad-free videos, Youtube Music Premium access, offline videos and songs and background play. This is still a secondary source of revenue for the platform and most of the monetization comes from the attention of subscribers on the free platform through selling it to advertisers (spangler, 2019). A more recent development was the introduction of channel memberships, which allows content creators to generate income and engage with their viewers by 'joining' their channel. This feature, which costs \$4.99 a month, allows creators to give exclusive offers to their fans who join, such as merchandise and discounts on other brands. Youtube gains 30% of the revenue from the subscriptions (spangler, 2019).

Youtube has now entered the streaming service market with the launch of Youtube TV in the US. The subscription gives viewers access to over 70 networks and channels such as Disney, ABC, NBC, FOX and ESPN. The service has more than a billion users, with a higher price point than its competitors at \$49.99 a month. Customers also receive ad-on's such as a free Google Chromecast when they purchase the subscription, another perk compared to its competitors.

In 2015, Youtube launched Youtube music, a music streaming service with a tailored interface that allows subscribers to browse music and music videos based on their previous views (Youtube, 2021). The service, in combination with Youtube Premium, has a total of 20 Million subscribers, and generates a revenue of 15 Billion annually (Hypebot, 2020). The service costs \$9,99 for the premium model, with the option to add Youtube Premium for the whole service for an extra two dollars, which gives access to all content and services on Youtube.

Monetization of Intellectual Property on Youtube

The monetization of Intellectual Property is highly important for the innovation and growth of an entity (Heer, Cerilli and Kutsyna, 2020). Assets can be used as leverage to grow profits, with some being used as an extra source of revenue whilst others are part of the main monetisation of an entity. The introduction of the monetization of intellectual property needs a strategy that is tailored to the business sector that the assets operate in. There are three elements of Youtube's system that manages Intellectual Property, a rights management system, Content ID, and Youtube videos (Youtube, 2021). The rights management system recognises those who own the copyright to works and those who are responsible for administrating the owners Intellectual Property, setting out the policies that protect the rights. The Content ID element is an automated system that scans the platform for content that matches that of protected material and applies the rights to the video. The actual video is a public sharing of the owners Intellectual Property. Artists and creators can monetize Intellectual Property on Youtube through advertising revenue linked to various copyrights and royalties, these include Sound recording copyright, Sound composition copyright, Performance royalties and Mechanical royalties. (Pernicone, 2020).

Publishers can monetize and generate mechanical and performance royalties from any video that contains musical works whose copyright they own; this includes covers of songs and recordings of live performances, whether they were uploaded by themselves or someone else. Performance royalties are generated when music is performed publicly, whether that be live performance, on the radio, in a venue (bar/restaurant) or on a service such as Youtube (including recordings of live performances). Mechanical royalties are paid to the rights holders when music is sold (Vinyls/CD's) or streamed (Spotify, Youtube Music, Itunes etc.) (Royaltyexchange, 2019). When a video is monetized it generates Sound Composition and Sound Recording royalties. Sound Recording copyrights are usually owned by the performer/record label and Song composition copyrights are owned by the publisher/writer. It is common within the music industry for record labels to only have control of master recordings, meaning they only collect the Sound Recording royalties. The song writer still has the right to collect royalties from the Song Composition, and this may be done separately from the label through a publisher who collects the royalties on the behalf of the writer (Pernicone, 2020).

Royalties generated from Youtube are based on the number of streams a video gets and are paid to the rights holders through advertising revenue (Ellyard, 2018). As the pay-out comes from advertising revenue, if a video does not have ads, then it will not be able to be monetized. The

amount of revenue a video generates is not fixed and is based on various factors such as location, the type of advertising and whether it is available on the paid or free subscription. Publishers must contact YouTube to make a claim to start monetising a video, as they have set requirements that must be met before revenue can be made. The channel that the video is posted on has to have at least One thousand subscribers and Four Thousand hours of viewing time before Youtube will monetise it.

In addition to royalty generated revenue, Youtube gives independent artists the chance to monetise their work by joining the Youtube Partner Programme, using advertising to generate revenue. It allows artists to focus on their music whilst being matched with advertisements that relate to their channel and fan base (Youtube Creator Academy, 2021). Artists who are a part of the programme have an account that receives payment from the advertising revenue, and they can also make revenue through Youtube Premium, earning a share of the premium revenue depending on how many views they get from premium members. There are also standards that creators need to meet in order to be accepted on to the programme, including the normal one thousand subscribers and at least 10k 'lifetime' views. Youtube also needs to make sure that the user's content is advertising friendly.

Additional forms of monetizing Intellectual Property on Youtube include lyric displays and product endorsements. It is often the case that brand endorsements and merchandise generate more revenue than advertising, as the money goes straight to the creator (Parra, 2018). Lyric displays generate revenue through mechanical royalties that are paid to the publisher, who then distribute it to the artist/composer.

Challenges of the commercialisation of music and entertainment content on Youtube

When monetizing Intellectual Property on Youtube, creators can run into some challenges, especially in relation to copyright and trademark breaches.

Youtube has an automated system for flagging videos that are believed to be in breach of copyright (Parra, 2018). This has caused problems for users who create certain content, such as video game reviewers, who display other people's Intellectual Property in their videos. Videos with this type of content are some of the most popular on the platform, and this has caused issues with popular Youtubers in the past. (Gibbs, 2013).

Youtube and other similar services are currently not responsible for any content on their platforms that breaches copyright (Wired, 2019). They do, however, have the responsibility to take videos down that are in breach when the rights holders make them aware. It could be argued that this means users could be viewing content for free that would otherwise be generating revenue, both for the rights holders and the platform itself. If any work that is protected by copyright has been posted on Youtube without consent of the copyright holder, then they can submit a copyright take down request to the service (Youtube, 2021). Users who upload copyright protected material can receive a 'strike' from youtube, which means the video has been removed from the platform due to a valid legal request from those who own the copyright.

There has been a recent development in EU regulations regarding the responsibility of copyrighted works being shared on platforms. Article 13 states that online platforms are required to license protected works from the rights holders and are responsible for removing material that is in breach of copyright from their platforms (Wired, 2021). If the service does not do this, they would have to show proof that they made their best efforts to get permission from the copyright holder to obtain the content, that they actively tried to make sure works under copyright protection were not made

available on their platform, and that they acted quickly to remove the content when it was discovered, otherwise they will be liable (Fox, 2019).

Conclusion

There are many different avenues for content creators and artists to monetize their Intellectual Property on Youtube. The ever-changing digital age is continually creating new revenue streams for artists to exploit their musical/creative works. In turn, there are also many laws, policies and procedures that become involved when generating income from Intellectual Property. It is important for creators, owners, viewers and platforms to be aware of the different copyright laws attached to works so that they can optimise their platform to exploit that Intellectual Property, and also protect themselves from any possible copyright breaches that could result in them being liable.

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