

CASE STUDY:
COMMERCIALISATION OF MUSIC AND ENTERTAINMENT
CONTENT ON YOUTUBE

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BACKGROUND

YouTube has become the world's number one go-to site for video streaming (Bovik, 2009). Whether you're looking for a video you know or casually going through to check what your favourite artist is up to. Since the platform was created 15 years ago, the content has obviously increased over time, but one thing is for sure, YouTube has covered lots of milestones along the way (Jarboe, 2011).

The evolution of the content that is uploaded, to the way it is used has been a remarkable journey to the users of the platform. Users are now able to search for any video, and they are sure to find it on YouTube; Whether it's music, educational, or random funny videos, all thanks to the other users who upload them onto the site. When the founders came up with the idea, they were far off from what YouTube is now. They simply saw a gap on the web for a site that allows you to post video content without any restrictions (Rowell, 2011). They also wanted it to be a one-stop place where you could find any video you were looking for on the internet, which admittedly, it is what YouTube has become now plus the many other features that bring in revenue for the streaming giant.

It took less than a year for YouTube to rocket into a great business and according to Jemielniak & Kociatkiewicz (2008), it may have been a lot quicker than the founders had anticipated thus the reason they agreed to sell it to Google for 1.65 billion dollars in 2006. Google later acknowledged that they may have overpaid but it was by far one of the best investments they ever made. They saw huge potential for generating revenue through YouTube which in that year (2006) was having over 100 million views per day (Ostrow, 2010). This created the perfect platform to commercialise music and entertainment content online.

THE START OF THE STRATEGIC REVENUE ERA

YouTube launched in-video advertisements in August of 2007 as a way of commercialising their content and generating revenue for the company (Jarboe, 2011). This marked the beginning of how the company would change drastically from inception to where it is today. This strategy was smart, but they soon realised that they were lacking the key element of any business, which is ample supply of the product to meet the demand in order to make a substantial profit. Just five months down the line, YouTube went on to introduce the Partner Program in December which gave content creators the opportunity to make some money from uploading their videos. This was great news for independent content creators and upcoming musicians as it gave them a platform to share their work with the public, and there are many cases of artists becoming famous through this process. The fact is, like everything else that sounds good, there was a catch and it wasn't as easy to make money from this.

YouTube was sure to put down a process where you had to be vetted according to how many followers and views you had in addition to regularly uploading content. Therefore, this meant that only a selected amount of content creators could benefit from this program and others just had to continue uploading videos in hopes of making money in the future (Thall, 2016).

In 2014, Google made a huge announcement that caused a lot of controversy in the media and technology world. They decided that they were not going to allow the sale of YouTube advert space on any other demand side platform (DSP) other than their own, which at that time was DoubleClick Bid Manager (DBM) (Dempster & Lee, 2015). DSPs, whether big or small, definitely channelled a lot of interested buyers globally and created the competition that was necessary to hike-up the bid (Wang, 2014). Google's decision came as shock to all stakeholders, especially content creators, as that meant that they were going to have less revenue streams for their videos on YouTube. As much as this could be seen as a selfish

move for Google, Khajeheian, Friedrichsen, & Mödinger (2018) argue that they did what any wise company should have done. Supporting their own business gave them a competitive advantage especially when the likes of Facebook were working on their platform to offer similar ad spaces for music and entertainment content (Flood, 2015).

In November of 2014, YouTube CEO, Susan Wojcicki, presented the idea of introducing a subscription-based system called *Music Key*, hoping that the public would find it appealing. The system's similarity to Netflix raised questions on whether they were trying to respond to the competition, as it also offered uninterrupted and ad free streaming services (Constine, 2015). Initially, Music Key offered 6 months free trial to customers who were willing to provide feedback from using the application, however, there were several mixed messages coming from the company. YouTube sometimes hinted through correspondence with some customers that the paid service would start as soon as the 'following' month, while in other instances they executed the best customer retention trick by apologising for any misunderstanding and offering to extend the free trial period (Ingham, 2015). YouTube then came under pressure from the big music record labels, who were rightfully demanding for their share of profits from a program which was constantly extending its trial period and thus showed no signs of making any revenue. On the other hand, YouTube was disputing several legal issues with some independent music labels, as critics suspected that the delay of the launch of the subscription may have just been a reason to push the big record labels into a deal with them (Spangler, 2014). The drawback with Music Key was that it only offered access to audio music files which was not the core element of YouTube.

THE RELAUNCH

After careful consideration, in October 2015, Music Key was revised and relaunched under the name YouTube Red offering access to the entire library content of YouTube for \$9.99 a month (Calabro, 2019). YouTube Red offered access to original video content as well, which was not available on the platform that contained ads; however, they had a few videos from paid content that included some ads. In order to convince the content creators to subscribe, YouTube Red offered to pay them 55% of the total net revenue validated by YouTube from subscriptions; though, YouTube refused to include any revenue that was generated from subscriptions under trial period (Fox, 2015). In a live conference held in Los Angeles for the launch of the platform, one of the executives pointed out that part of the reason for introducing a subscription-based program would be to support the content creators by creating a new revenue method (Dougherty & Steel, 2015). Some of the big music and entertainment content creators felt threatened by YouTube who implied that if a collaboration was not accepted, then their videos would be hidden from viewers in the US which meant that the content creators would lose on their revenue from YouTube (Constine, 2015).

After chasing creators to provide original content for the platform, YouTube ended up in several legal battles as some creators, like Felix “PewDiePie” lost his show on YouTube over comments and images which were deemed anti-Semitic. Another legal case which had to be treated discreetly was the recording of a dead body in Japan, in “The Thinning” - a movie made by Logan Paul. Due to this bad press and criticised content, YouTube started to lose both followers and the trust of the clients bringing revenue through ads, hence losing their overall credibility (Alexander, 2018). As a way to start afresh and leave the bad press behind, YouTube decided to change the name from YouTube Red to YouTube Premium (Sinwell, 2020). This time, the app increased its cost by \$2 from \$9.99 to \$11.99. The update was made

in 2018 where besides YouTube Premium, a second app was released, named YouTube Music, which offered music content including paid ads. However, a subscription option was available for YouTube Music Premium which excluded the ads (Clark, et al., 2020). The YouTube Music platform aimed to become more like Spotify or Apple music, as it had a library of over 40 million songs for the price of \$9.99. One of the main advantages was that YouTube premium (& music premium) already had access to the biggest video platform, while Apple and Spotify still struggled to tap into this market (Hesmondhalgh, 2018).

To differentiate themselves from the other companies, YouTube Music Premium allowed users to search songs by any word/s of the lyrics or possible describable words such as “*the Christmas song sang by the famous Romanian*” which made the user experience more accessible and enjoyable. Furthermore, the app could also be used in the background whilst using another app as well as having the option for downloadable content for offline streaming (Casey, 2019). Despite all the efforts made by YouTube’s promotional team, the program gathered just 15 million paid subscribers, with sources confirming that the free-trial accounts were part of the sum; nevertheless, three major US music labels reported revenue of \$19 million a day through YouTube earnings (Binder, 2019).

ARTICLE 13/17

A new article proposed by the European Union, entitled Article 13, brought about international division as it had a direct effect on every online content creator. This article was proposed by the European Union Directive on Copyright in the Digital Single Market, and it required the content aggregator websites and streaming platforms, such as Facebook, YouTube and Twitter to take responsibility for the copyright infringement cases. Besides that, the European Union Directive (EUD), called for the streaming platforms to remove the copyrighted material and possibly redirect some of the revenue towards the legal copyright holders, but without giving any directions towards how these platforms should achieve such results (Reynolds, 2019). The EUD argued that people were watching and listening to content from channels that had no legal right to post it, which led content creators towards missing out on their share of revenue. This article targeted any website with a large number of user-generated content to remove any video/audio which could lead to an infringement case. With YouTube being a key player in this league, they were in for a whole lot of restrictions. The EUD proposed the introduction of a software which could detect any content infringement in order to implement the restrictions, however companies were to foot the expenses from their own budgets (Crellin, 2019).

The EUD introduced a list of exemptions which allowed copyrighted content to be used under specific conditions such as in a quotation, criticism, review, parody and caricature. This was taken to be very ambiguous thus arising to controversies over how their proposed methods of copyright detection would even be able to differentiate between infringement and exemptions. Reynolds (2019) mentions that a lot of what was supposed to be safe to post was being flagged and or ultimately blocked. For the past few years, YouTube has been using a software called Content ID which is supposed to give rights-holders the option to either block

or monetise a video which was posted without their consent. Unfortunately, the software was challenged by entrusting the public with power which led to some content being flagged, blocked or removed without any legal reasons. This process of vetting videos was not welcomed with open arms by the EUD which made Content ID lose its credibility (Soundreef, 2018).

Due to several major changes in how copyright is regulated in the digital environment, Article 13 changed its name to Article 17, which was then commonly referred to as Article 13/17. Officially, Article 17 made online content sharing service providers (OCSSPs) legally liable for the content uploaded on their platform which also meant that OCSSPs would require a licence for every single copyrighted material otherwise the content had to be removed with immediate effect (Smith, 2019). Article 17 specifically impacted the music industry and the content creators who made a living from covers on YouTube. Several artists like Justin Bieber and Shawn Mendes who are currently famous, were discovered through YouTube covers. Due to Article 17, YouTube had to take down or block every single cover for every song that did not have a licence. Besides that, even if the cover was allowed to be live on the platform, the content could not be monetised as the audio would be flagged as a copy and consequently claimed or blocked by the owner (Camilla, 2019). One of the most popular violation that YouTube faced from its users was the number of times they uploaded videos containing copyrighted material, especially audio copyrighted material (Rich, 2013). As a way to help entertainment content creators, YouTube introduced a *Trim/Replace/Mute* option which would allow the modification of a part of a video that was already uploaded, if any claim was made against the audio used (Schoon, 2019).

Throughout the entire process of implementation of Article 13/17, YouTube, together with famous content creators, advocated against this article, heavily campaigning over the entire internet as this threatened the freedom of expression, while directly affecting the livelihood of millions of users (Dredge, 2018). On the other hand, the International Federation of the Phonographic Industry and Performing Rights Organisations (PROs) were advocating for Article 17, claiming that “this world-first legislation” will create a functional market where artists will finally receive the fair share for their work. On 26th of March 2019, The EUD passed article 13/17, allowing a period of 2 years for all the platforms globally to adopt and apply the new legislation (Temperton & Reynolds, 2019). Ultimately, any website/platform falling under the following criteria will have to adopt the proposed upload filter which is not going to be funded by the EUD: -

- Trading for over 3 years
- Having an annual turnover of over £10million
- Having more than 5 million unique monthly visitors (Rights, 2020).

CONCLUSION

Over the years, YouTube's journey has definitely been a successful one. Some of their actions would still be considered questionable especially when it comes to payments towards music and entertainment content creators. Arguably, it is also evident that YouTube has indeed created a lot of opportunities for emerging artists with the likes of Justin Bieber and Shawn Mendes rising to fame through the platform. They have pioneered the online entertainment industry thus positioning themselves as the ultimate streaming giant and are making sure they stay there with their strategic and innovative ideas of generating revenue.

YouTube have also had their fair share of bumps along the way, with Article 13/17 causing the need to introduce a lot of restrictions that they were not prepared for, let alone their loyal subscribers. All in all, unless a competitor strong enough were to emerge and put in the same effort, ideas and dedication that YouTube has had over the years, it would be really hard to move YouTube to second place.

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