

Will the commercialisation and monetisation of content on YouTube financially benefit the creators facilitating it?

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1. Introduction

To analyse the business strategies, challenges, revenue and royalty mechanisms of YouTube, the Californian online free on-demand video-sharing platform, one must examine how the platform was created and came to provenance. Steve Chen, Jawed Karim, and Chad Hurley established the company in February 2005 after leaving PayPal. Shortly over eighteen months later, in November 2006, the three founders sold YouTube to the software giant Google for \$1.65 billion and operated it as one of Google's subsidiary platforms. Susan Wojcicki is the CEO of YouTube, appointed in 2014. The company lists 2800 employees (Wise, 2022). Fuelled by the evolution of smart technologies, the platform is a hub of creativity and economic growth, offering services that redefine the cultural, entertainment, and educational landscape. The services currently provided are YouTube Music, YouTube Kids, YouTube Shorts, YouTube TV, YouTube Movies, and YouTube Premium. But, will the increasing commercialisation and monetisation of content financially benefit the creators facilitating it, especially as YouTube has previously been accused of being a monopoly?

2. Is YouTube a true monopoly?

According to The Sherman Act, 2009¹, it is. YouTube may dominate the Free Video-on-Demand content market in specific territories. This, however, is only a tiny percentage of worldwide entertainment available. Instead of watching YouTube, consumers have numerous alternatives, such as, visiting a cinema or streaming Netflix, Amazon Video, or Apple TV: every Smart TV, Smartphone or PC will give consumers access to many content sources, therefore, it cannot be legally deemed a monopoly.

YouTube does not operate in certain countries, such as China, so Chinese equivalent models of YouTube, such as Yuku, work in their absence. However, YouTube only dominates a niche

¹ "If a firm has maintained a market share in excess of two-thirds for a significant period and the firm's market share is unlikely to be eroded in the near future, the Department believes that such facts ordinarily should establish a rebuttable presumption that the firm possesses a monopoly power." (*The Sherman Act*, 2009)

market, namely the content produced by independent creators with the most popular being Mr Beast.² These creators are paid chiefly with hope instead of money: they hope to gain notoriety and income from the content they create. Less than 4% of these creators are members of the "YouTube Partner Program"^{3 4}, where YouTube will place advertisements next to their videos and share the income. But only a meagre percentage of these "Partners" make enough money to go full-time.⁵ For most, it is impossible, as seen in subscription fees vs royalty payments in YouTube's Creator Music program.

3. Business model and product analysis

Companies like DailyMotion attempt to replicate the YouTube business model; these competitors are smaller than YouTube and have a less dominant presence in the market. YouTube's dominance appears ambiguous primarily due to the focus on mainstream-orientated content to obtain advertising revenue from household-named corporations. While not placing adverts on pornography, conspiracy theories or war videos subsequently allows YouTube to select palatable content for their clients, removing the more "edgy" content and minimising potential risks of audience kickback, resulting in negative brand association for the advertisers.

The market is open for platforms that can generate money for creators because users want varied content, and over 20 countries surveyed found that 17% paid for online content. That figure increases yearly (*Digital News Report, 2021*). We see other Digital Service Providers (DSPs), such as Dacast, succeed and numerous other business models within niche markets. For example, Full30 for weapons, Cocosphere for erotica, Bitchute for less censored/free content, Vimeo for producers that pay to publish their content and TikTok for more targeted and concise audiences: their problem though mainly consists of a need for more funds to compete with YouTube.

² Mr Beast is a general lifestyle video creator with over 115m subscribers (*YouTube, 2022*)

³ 51,000,000 Content Creator Channels (*Flynn, 2022*)

⁴ 2,000,000 YouTube Partner Program members (*Castro, 2021*)

⁵ $2,000,000 \div 51,000,000 (200 \div 51) = 3.92157\%$

If a platform wanted to challenge YouTube's dominance, then a tremendous amount of storage capacity and software development is required. Facebook, Amazon, Disney, Discovery, HBO, Netflix, and Microsoft are some of the larger companies that have such resources to compete with YouTube. Still, besides Facebook and Microsoft, they invest their finances in costly productions rather than programming from independent creators, which allows YouTube to reign in charge of the market without the constraints of being categorised as a monopoly organisation. YouTube may lead in the free on-demand video streaming market, but the other services YouTube offers have solid competition (see below) While this is not an exhaustive list, competitors for each service offered are:

YouTube Music:

- Spotify
- Apple Music
- Tidal
- Pandora

YouTube Kids:

- Disney+
- Netflix
- Cartoon Network

YouTube Shorts:

- Facebook Live
- Instagram Reels
- TikTok

YouTube TV:

- CatchUp TV
- Apple TV
- BBC iPlayer
- ITV Hub

YouTube Movies:

- Amazon Prime Video
- Netflix
- Hulu
- Peacock

YouTube Premium is a paid membership that amplifies the experience on YouTube. The user can watch millions of videos without interruptions by adverts, including video overlay, before and during a video (*YouTube*, 2022) latest figures detailing over 50,000,000 active subscribers to the service paying £12, equating to £600,000,000 per month (*Iqbal*, 2022), while not taking into consideration the advertising revenues.

4. Impact and Economy

On the surface you tube comes across as one big success story and this content creator economy has experienced significant developments over the last 17 years. Creatives can now bypass historical gatekeepers to produce far-reaching content and audiences—as detailed in the YouTube-commissioned impact report conducted by Oxford Economics.⁶ As one New York-based creator said in the report, “I was able to quit my job of 23 years”.⁷ The platform is a vital tool for creators wanting to publish their content worldwide— so much so, numerous individuals state their businesses would not exist if not for their YouTube channels (*YouTube*, 2021).

Consumers are also integral to the creator economy: there is real value gained for the content users of the free platform: it can help individuals learn many skills from DIY to the latest dance routines and has also enabled more unheard viewpoints and allowed

⁶ “...” Over 6,000 YouTube users, creators, and businesses, were interviewed by experts to glean insights into how the platform contributes to society and culture. Individuals create economic opportunity, cultural change, and community action to measure the video platform's impact worldwide, quantifying jobs and GDP outcomes while explaining the ripple effects on adjacent industries and individuals' quality of life.” (*YouTube Impact Report*, 2021)

⁷ “I was able to quit my full-time job of 23 years because of the financial freedom YouTube has helped me to obtain.” (*YouTube Impact Report*, 2021)

communities to keep abreast with news and current affairs. Businesses across multiple industries relied on YouTube to train their employees throughout the COVID-19 pandemic, grow their revenue, and reach audiences locally and abroad. YouTube also has a societal impact, with users searching, and receiving, authoritative information and educational resources to enrich their, and their children's lives, on topics such as sustainability, health issues and learning. It is evident YouTube not only facilitates millions of content creators and viewers to connect globally, creating a sense of understanding by sharing their interests, talents, and cultures but also sustains jobs and income within the creative sector, and helps support economic prosperity off the platform.

All this is the ostensible success of YouTube, but it could reveal a different picture when analysing YouTube's finances. Looking at YouTube's huge monetary rewards, do their profits or monetization go to creators? In 2021, YouTube generated \$28 billion in revenue for the U.S. economy, up 46% from 2020 and 30% from the previous four years, according to company data submitted. (*Iqbal, 2021*) These figures equate to supporting the equivalent of 425,000 jobs, with economic impacts broken down into four categories: direct, indirect, induced, and catalytic. YouTube helps some content creators by providing additional revenue from advertising alongside their videos, which also includes creator support. This provides additional Gross Domestic Product (GDP) plus employment opportunities derived from the revenue as creators often will spend their own money to create content. Due to their success, additional revenue streams can be generated through potential sales, brand endorsements or engagements. These "off-platform" revenues catalyse and energise the economy, stimulating more direct, indirect, and induced economic impact effects.

5. Royalties, monetisation, and copyright

Comparing royalty payment figures from the leading DSPs and main competitors of YouTube, we see YouTube pays creators the lowest.

DSP	Per Stream
TIDAL	\$0.01280
Apple Music	\$0.00783
Deezer	\$0.00640
Spotify	\$0.00437
Amazon	\$0.00402
Pandora	\$0.00133
YouTube	\$0.00069

(MusicGateway, 2022)

Many artists receive YouTube royalties worldwide, which has consistently proven to be a lucrative platform for creators and artists. Videos featuring artists and their music can generate royalties but can be confusing at times. Monetised YouTube videos accrue performance and mechanical royalties for composers and music publishers can likewise monetise videos that contain the songs. In contrast, creators receive no royalties for uploading their own YouTube videos.

Songwriters can monetise and collect due royalties when a YouTube video includes their song. Publishers can claim any video with a recording or performance on YouTube. Once they have claimed it, the video can be monetised and collect royalties.

Record labels or distributors usually will not collect composition royalties on behalf of the creator: the royalty collection societies such as PRS in the UK. BMI, ASCAP, and Global Music Rights (GMR) in the USA and SOCAN in Canada. Every region has its equivalent agency or uses one of the pre-existing societies to collect on behalf of the territory.

There are two ways for songs to earn royalties. These are:

- From the master recording (the actual audio file)
- From the composition (e.g., the music and lyrics)

Record labels or distributors usually control the master recordings and therefore collect royalties generated by this on YouTube. Songwriters generate royalties through the composition of the music. To receive these payments, a music publishing administrator will monetise the piece and collect the royalties on behalf of the creator.

Unfortunately, YouTube videos still do not generate royalty payments on their own, so videos must run advertisements to generate royalties for the content creator.

Adverts are served on videos by a copyright owner placing a claim on the video and notifying YouTube to monetise the video. Videos without adverts will not generate royalties for the rights holders. However, royalties are paid per stream by YouTube Music.

YouTube has thresholds for video monetisation, meaning that only some videos are eligible. These thresholds and requirements are:

- The channel must have at least 1000 subscribers
- The channel must also have had 4000 hours of user watch time in the past year

Only at that stage will users qualify for adverts placed on their videos.

Anyhow, if the YouTube channel receives a copyright strike due to a rights holder notifying YouTube that the channel owner does not have permission to post the content, and after three notifications, YouTube will delete the videos on the channel and, potentially, the channel itself. A rights holder can also choose to place a claim on a video to monetise it. In doing so, this does not give the uploader a copyright strike; it just means that the rights holder will receive owed royalties for the video.

YouTube has always struggled to maintain a relationship with the music industry. In 2009, the video-sharing platform was embroiled in a public dispute with the Performing Rights Society when existing copyright licences expired on January 30, 2009. The PRS said they asked for referral rates imposed in 2007⁸, which YouTube strongly opposed. It had taken an aggressive stance by blocking most music videos in the United Kingdom⁹ as existing licences expired. Copyright holders are unlikely to sue while negotiations are ongoing between the two organisations. However, YouTube taking that approach was a safe way to protect its

⁸ 2007 The Copyright Tribunal ruled that a creator should only receive 8% of all gross revenue from any broadcast or performance. (*Copyright Designs and Patents Act, 1988*).

⁹ YouTube cannot legally continue broadcasting material that requires a licence from PRS. Without the copyright owner's consent, which is a "prohibited act" (*Copyright Designs and Patents Act, 1988*).

position, but the practical effect unfairly pressured the PRS to agree in YouTube's best interests, not the creators. (*Smith, 2009*)

The resolution of the 2009 dispute ultimately left YouTube in control. Google, which owns YouTube, claimed they lost money every time a music video streamed due to the royalties they had to pay to PRS to pay the creators of the material. After a lengthy court case, PRS agreed to the terms stipulated by YouTube, which saw PRS receive a one-time advance and the promise of future royalty payments. In contrast, royalties would not be payable on unmonetised video content.

VP of Music Licensing at YouTube, Christopher Muller, as mentioned, recently announced a new platform called "Creator Music". He alleges this will allow creators to access a library of licensed and popular music, legally permitted to use with benefactors receiving a better and fairer revenue split, as Muller detailed.¹⁰ (*Leight, 2022*)

Over 50 record labels, publishers, and distributors have partnered with YouTube to provide several hundred thousand musical compositions. Yet, no major label has granted permission. YouTube undoubtedly stands to gain the most in this arrangement. However, it could improve the content by having creators use popular music rather than library music and create a new revenue stream for creators.

Nevertheless, Creator Music may ameliorate some financial pressures by IP rights holders who can demand license fees in advance, in which case, disregarding the 45% allocated to YouTube, the creator receives 100%. Alternatively, there is another model with a revenue split where creators and music rights holders both receive 27.5%. The prices range from free to use to \$5 for licensing. Therefore, Mr Beast, who has over 100 million subscribers (*YouTube, 2022*), could use an artist's song in a video, and they only get \$5. Although, the creator would also likely see a significant increase in streams, leading to more revenue.

¹⁰ ... "It's been difficult for creators to license music. It's complex, it takes time, and it takes them away from the creativity that they put into their craft; this is good for the music industry because we have two million creators in the YouTube partner program, and that's going to open up a new audience to artists and songwriters, and some of these audiences are super engaged."

Furthermore, creators with any considerable following could pay a flat fee for exclusively licensed music rather than pay 27.5% of all revenue.

This licensing change could allow songs to virally trend on YouTube, like TikTok, which could be hugely beneficial to artists who may even have chart success thanks to the platform. Although, Creator Music is yet to provide consistent revenues for most musicians.

6. Conclusion

Having analysed the business structure of YouTube, which in 2021, made over \$28.8 billion in profit with its method of monetising and commercialisation of creator's content, it soon becomes apparent the company is not in the business to create platforms to help artists, nor are the creators facilitating the YouTube channels financially benefiting from them. In the entertainment industry, YouTube methods are often referred to as rapacious “textbook profiteering.”

Taking into consideration the more recent lack of other streams of revenue for creators, such as live appearances or tours due to Brexit (*Taysom* 2022) coupled with the ongoing cost-of-living-crisis, should be a warning to YouTube to start increasing royalty payments to the content creator or fear losing them due to an unviable business model. Again, shamefully, content creators have lost any potential fair-use remuneration for their contributions used to build multi-billion-dollar industries.

But while content creators are willing to engage in vanity projects, there will always be companies ready to exploit them: as psychologist Gregory Kushnick states in an interview with the Insider, “social media platforms like YouTube foster narcissistic behaviour”. (*Naftulin*, 2019) So it is questionable that YouTube’s exploitative business model is not necessarily due to a lack of responsibility: more, what is required is stronger legislators to recognise what is considered fair financial remuneration and negotiate accordingly.

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