



This essay will critically analyse, and review business strategies, challenges, and revenue mechanisms related to the commercialisation of music, and entertainment content on YouTube. With the help from online sources, blogs, books and more, I will be able to demonstrate my understanding on how YouTube has become such a global entertainment company, and how music, and entertainment has made such a huge impact through the YouTube platform.

History on YouTube

YouTube was created by Chad Hurley, Steve Chen, and Jawed Karim in 2005. All creators of YouTube were former co-workers of the company PayPal; an online service that allows customers to check out safer, faster, and easier allowing customers to pay, send, and accept money payments without the need to enter financial details. Currently over 173 million people use the service PayPal in 202 countries, and with 21 different currencies. One of the creators, Chad Hurley designed the PayPal logo and all three founders funded their idea of YouTube with the bonuses they received after the 'worlds largest online marketplace' EBay bought PayPal which at that time was just a start-up company. Some could say if PayPal never hired Chad Hurley, then YouTube would have never been born. Before YouTube became the biggest social entertainment streaming service in the world, the idea created for YouTube initially by Chad Hurley, Steve Chen, and Jawed Karim was ironically a video dating site where you tune in, and hook up with people, but the trio decided to not go in that direction yet instead were inspired to create a video sharing site when Jawed Karim was finding it difficult to find the video of when Janet Jackson's breast was accidentally exposed by Justin Timberlake during the 2005 Super Bowl show; 'Americas most watched sporting event' revealing her breast to 114 million TV viewers, and also when Chad Hurley, and Steve Chen were not able to share a personal video they recorded at a dinner party by email because of the video being too large to attach.

YouTube's first video upload would of course be by one of the creators themselves; Jawed Karim. Karim filmed himself at a day out at the zoo in San Diego, talking to the camera about how long the elephant in the background's trunk was. The video was uploaded on April 23RD, 2005 and today on January 7th 2020, the video is on 82,592,169 views and counting

In February 2011, YouTube had 490 million users worldwide per month, with an estimate of 92 billion page views each month, and without including embedded videos, and or watched videos on mobile phones, we spend nearly 2.9 billion hours on YouTube in a month. YouTube were able to find their 'Why' which is one of the key things I personally believe every business needs to know to be successful, and I have read about in Simon Sinek's popular book 'Start with why' which explains how people like Steve Jobs, and Walter Elias Disney understood their why before becoming pioneers of their industries. Today YouTube's mission statement is,

"Our mission is to give everyone a voice, and to show them the world. We believe that everyone deserves to have a voice, and that the world is a better place when we listen, share, and build a community through our stories. Our values are based on four essential freedoms that define who we are."

Freedom of Expression; *We believe that people should be able to speak freely, share opinions, foster open dialogue, and that creative freedom leads to new voices, formats, and possibilities.*

Freedom of Information; *We believe that everyone should have easy, open access to information, and that video is a powerful force for education, building understanding, and documenting world events, big, and small.*

Freedom of Opportunity; *We believe that everyone should have a chance to be discovered, build a business, and succeed on their own terms, and that people – not gatekeepers – decide what's popular.*

Freedom to Belong; *We believe that everyone should be able to find communities of support, break down barriers, transcend borders, and come together around shared interests, and passions."*

- YouTube

Since YouTube has started till now, YouTube have engaged in several business strategies that have elevated YouTube to where it is now. In February 2006, YouTube struck a deal with the American TV network NBC. YouTube was asked by NBC to post a clip from their show 'Saturday Night Live' called Lazy Sunday, this video that was posted was able to attract a lot of attention to YouTube, which allowed YouTube to launch off the back of all the attention its *content verification programme* which helps content owners such as NBC to find, and take down videos that have infringements on their copyright, so no one else who is not the authentic creator can upload, and or share the content. This new law of YouTube opened doors for NBC, and YouTube to actually do a deal that allows YouTube to keep sharing NBC's content on their video sharing platform, promoting NBC's TV programmes regularly on YouTube, and successfully off the back of this deal many more content providers have flooded YouTube to do similar deals.

A couple months down the line, in October 2006, Google saw a massive deal of potential in YouTube, and bought YouTube for \$1.65 billion. Google believed that video sharing was the future of the internet, and decided to put an incredible amount of money into YouTube, and I personally believe that was a very smart business move, from both YouTube, and Google.

"This is the next step in the evolution of the internet. It (video's) a natural next step. More people visit YouTube, they come back to the site more often, and spend more time on the site each time they visit. That is a certifiable triple whammy and knockout punch rolled into one".

- Eric Schmidt [CEO of Google]

In May 2007 YouTube launched its *partner programme* which allows users of YouTube to turn their content into a lucrative business, getting paid for uploading videos on the streaming site. A year later after YouTube's *partner programme* the users that gain thousands of subscribers, and interaction with hundred of thousands of fans began to earn six-figure incomes from YouTube. One example of a success story was a YouTube presenter

named Michael Buckley who was able to quit his day job from realizing his YouTube show “The What the Buck Show” was earning him more money than his salary at work.

“We hope that this program inspires people to keep creating original videos, building audiences and engaging with the YouTube community. What we’re really excited about, beyond our new partners, is that literally, at any given moment, thousands of creative people from throughout the world are posting new, original content to YouTube. It’s this community that’s shaping what the YouTube experience is now and will be in the future, and we’re incredibly excited for the prospect that holds”.

- The YouTube Team

In January 2010 YouTube made a massive business move by starting to rent movies. Joining the competition with streaming sites like Netflix, and apple, YouTube is now showing it is more than just a video streaming site, but being able to cater more to their users, and draw in more users. YouTube today has grown so much that they not only offer renting a couple films from the Sundance film festival, but now films from companies such as Disney, Sony, Warner Brothers, NBC/Universal, and paramount. A year later YouTube went from renting movies online to broadcasting live TV, streaming content from live music concerts, news, the Olympics, and even the royal wedding.

Though YouTube have grown so much over the years, there are still several challenges YouTube Faces when it comes to the exploitation of music on the streaming site, and exploiting intellectual property by users, and musicians, and how these are, and can be monetized, and protected. A great example of this is the use of YouTube covers. There are a lot of YouTube covers of songs that where written by established, and signed songwriters, and or established musicians that are all over YouTube, and have either been revamped by a ‘regular user’ by let’s say a remix of such song, or placed as a bed on a make up tutorial allowing the audience of the tutor to connect with the tutorial a bit more, and this has caused problems with YouTube users, and the labels of which the song has been “stolen” to gain traction for their own personal use. Many of these YouTube cover videos have been taken down by record labels due to copy write infringement, so users of YouTube have started to post in their descriptions saying something along the lines of ‘I do not own this song, under certain rights’. The next move for YouTube is article 13/17. Approved by the European Parliament on March 26, 2018 a lot of positive actions to enable YouTube users to upload music that is not necessarily their own have come, and is still to come into motion.

- A) With the new law of article 13/17 Users will be able to upload that remix of a well known song onto a platform like YouTube without the fear of the track being taken down as these streaming platforms will be the ones responsible for the use of the copyright of the product, and content uploaded by the user, the content would be protected by the license that YouTube negotiates with the rights holder i.e. in most cases the record label. If the content was, or is removed by YouTube or lets say Facebook, or any streaming platform, under article 13/17 the platform will have to find a way for the user of the platform of whom uploaded the content, and the rights holder i.e. record label to come to a

conversation of which an appeal of the decision if the user for example feels that it was an unfair decision that their content was taken down, to be addressed.

- B) Artists, creative individuals, cover musicians, and general music lovers now have more freedom in creating remixes, and or mash-ups of songs, and uploading on services like YouTube with the ability to monetize their work because these platforms such as YouTube would have negotiated licensing deals with the right holders/authors, and or initial creators.

“Thanks to all the creator involvement, we are able to make improvements to the legislation- in particular, securing liability protections when we make best efforts to match copyright material with rights owners. This Change made a big difference and moved the copyright directive in a better direction for the internet and YouTube”.

- Susan Wojcicki [YouTube CEO]

In relation to the revenue mechanism of YouTube it is said that YouTube is the strongest streaming service platform, with more music being played on YouTube than on Spotify, Apple Music, and other streaming services around the world. In 2017 according to IFPI's Global Music Report, YouTube attracted 46% of music streaming in the world, with the exception of China. Using research from people aged 16-64 in music capitals such as the UK, US, Japan, and Sweden the global music report (IFPI) where able to obtain the figure of 46%. Paid audio streaming is a total of 23% listening, and free audio streaming 22%.



In argument that YouTube do not earn as much as it may look in the picture above, IFPI's Global Music Report stated in 2017 that in that year audio streaming platforms such as Spotify, iTunes etc contributed \$5.57billion to artists, and labels through streaming revenue, and YouTube paid out less with \$856 million, so its either YouTube's royalty pay-outs are extremely low, or the number of streaming on YouTube somehow doesn't reflect how much they should be paying out to copyright holders. It is said that YouTube is now paying out more than double \$867 million to copyright holders, that includes songwriters, producers, publishers, and record labels, this is because of the growth of ads with music. I have personally seen an increase in ads on YouTube, from having a very easy streaming experience to before watching my chosen Ted talk that I clicked play, then being bombarded with more than one ad before my Ted Talk starts to play.

"Critics complain YouTube isn't paying enough money for ad-supported streams compared to Spotify or Pandora. I was one of them! Then I got here and looked at the numbers myself. At over \$3 per thousand streams in the U.S., YouTube is global and the numbers get diluted by lower contributions in developing markets. But they're working the ads hustle like crazy so pay-outs can ramp up quickly all around the world. If they can do that, this industry could double in the next few years."

- Lyor Cohen [YouTube's global Head of Music]

Conclusion

YouTube have become such a massive entity in the current generation of social media, and the birth, and growth of the internet itself. Since YouTube was birthed in 2005, it has become an extremely useful tool for both users of the platform, and companies who's aim is to become business partners with YouTube, where they can not only be entertained by fellow human beings, and probably a lot of cats, but where both partners of YouTube can gain income, and most importantly in the economic sector; a substantial, and lucrative income by using, and uploading intentional content on the video streaming site YouTube.

In relation to the music, and entertainment industry I strongly believe YouTube have played such a huge part in many people's success stories. Because of this YouTube could be seen as an artist 'Record Label' or a comedian 'Booking agent' with results of being able to draw attention to that particular person on a worldwide level, and reach corners of the world that maybe most successful companies that have been around for more years than YouTube could reach. YouTube have been able to bring everyone, no matter who you are, or what level of "class" you may be into one room to get along and start a conversation by getting to know one another through sharing their stories, interests and whatever else they want to share. Without YouTube Justin Bieber wouldn't be one of the most successful artists in the world, as Justin Bieber was spotted singing on the platform than went on to be signed by a major label then a teen sensation. Similar to many other artists such as American rapper Soulja Boy who released his song 'Crank That' becoming practically the first Hip-Hop Artist to break the internet by creating a dance then becoming number one on the American music billboard.

Looking at the business moves YouTube have made over the last couple of years makes me think what could be the next move YouTube make? whatever it could be I am certainly sure it will be forward thinking, and progressing not only for the music industry today, but for social media, streaming, and the technology trends.

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