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HOW BENEFICIAL IS YOUTUBE TO MUSIC ARTISTS AND CONTENT CREATORS?

INDEX

1. ABSTRACT.....	4
2. HISTORY.....	4
3. CURRENT ISSUES.....	5
4. ROYALTY RATES.....	7
5. COPYRIGHT.....	8
6. YOUTUBE MUSIC.....	11
7. CONCLUSION.....	12
8. BIBLIOGRAPHY.....	14

1. ABSTRACT

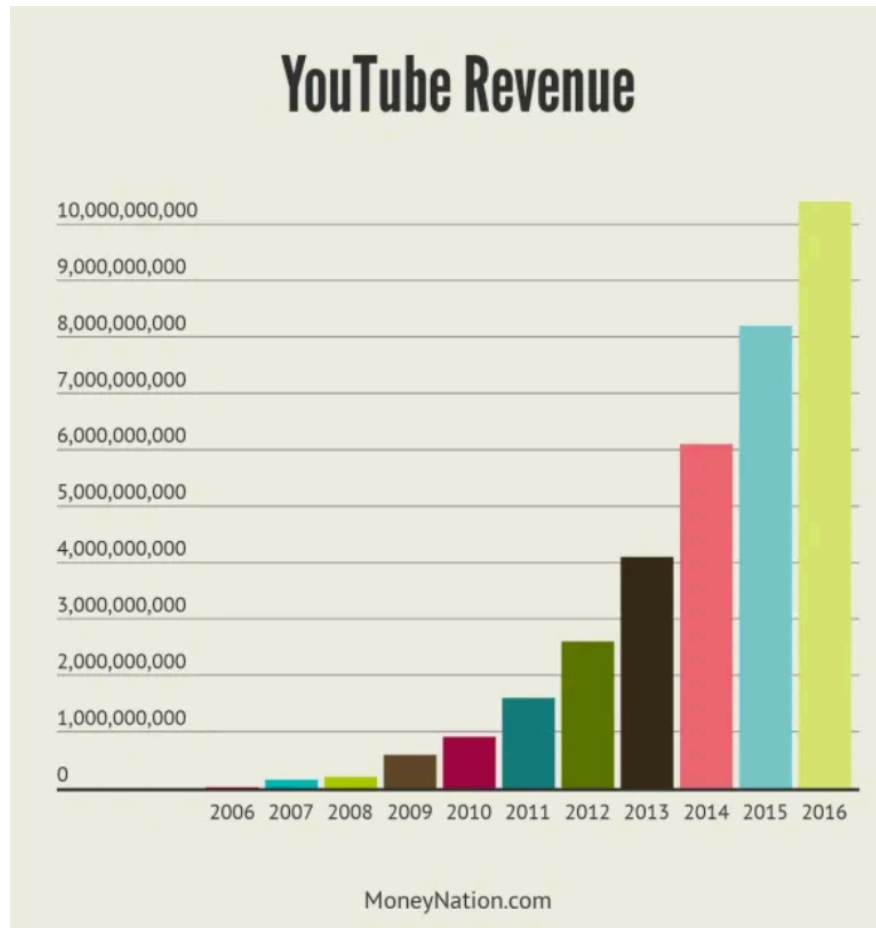
The following text critically analyses and reviews business strategies in connection with the online streaming platform, Youtube. Challenges and revenue mechanisms related to the commercialisation of music and entertainment have been considered from different perspectives to epitomise the possibilities of digital culture. An important part of the following scripture is to observe how YouTube has affected different parties involved on the Youtube platform, including creators and corporations alike focusing mainly on copyright law.

2. HISTORY

YouTube, the most popular video sharing-website on the internet was founded in February 2005 as a consumer media website that enables people from all over the world to watch, upload and share videos online (O'Brien and Fitzgerald, 2006). The company was originally founded by three PayPal employees: Chad Hurley, Steve Chen, and Jawed Karim, who ran the start-up from a small office in a small Californian city (IQBAL, 2020). During this time, one of its co-founders revealed that the site's users were each watching on average, the equivalent of an entire Blockbuster store each month (Lilia Diu and Ritchie, 2015). In 2006, Google bought YouTube for 1.65 billion dollars, soon after it had become one of the most popular websites on the internet (News, 2006). One Wall Street firm estimated in 2019 that YouTube could now be worth \$300 billion if it was to be a standalone

company (Strauss, 2019). Alphabet Inc. YouTube's parent company doesn't publish exact figures.

Money Nation predicts revenue in the chart below (GERENCER, 2016).



3. CURRENT ISSUES

There are four main stakeholders involved in the YouTube business including; The creators, the viewers, YouTube and its connected companies. It can be argued that the video-viewing platform is an effective tool for marketing and has many benefits although it urgently needs transparency.

Creators are recently finding out more information on how much YouTube makes from their content and they are fighting to receive more of the revenue. More than \$34 billion in advertising revenue was made for Youtube in three years and the creators saw much less than half of this (Alexander, 2020). Breslau told *The Verge*, the majority of YouTube's revenue is handed to the top one per cent of its creators and those that suffer the most financial hardship in the game are those that are in the middle tiers of popularity because a lot of time and dedication is put in for small returns on investment to the site (Alexander, 2020). Suggesting that YouTube's payout system is unjustifiable.

Since 2017, Google's parent company, Alphabet stopped breaking out its revenue into individual segments so it is now more difficult to tell how much money YouTube is currently making, although in 2017 studies showed that it has generated over \$9 billion in revenue so far (BEATTIE, 2020). Student, Amanda Monroe, a content creator who has built forty thousand subscribers in three years, tells her followers in one of her videos, how she receives payments from Google for ad revenue per month. Amanda mentions how she not only makes money through ads but also from sponsorship and brand deals, which is on average has made her \$3,000 per month over 2019 (Monroe, 2019). YouTube is proven to be an easily accessible way for its creators to earn money without leaving their homes and has changed the lives of many financially.

It is proposed that YouTube is now replacing news reporters and journalists as it has given freedom of speech, allowing fans to find out news from the platform uploaded by influencers that they have grown to trust on a personal level including live video footage and personal views on political matters (Lilia Diu and Ritchie, 2015). The site also allows upcoming music artists to fast-track their career by uploading videos which have the potential to reach billions of viewers. Justin Bieber is a prime example of this and believes that he was 'found' on YouTube. Soon after his mother uploaded video footage of him performing at a local talent contest on the internet platform, he gained traction

as an artist, and three years later he sold out New York's Madison Square Garden in twenty two minutes (Lilia Diu and Ritchie, 2015). The fact that YouTube can be used as a free talent scouting platform and enables musicians to become self-made celebrities indicates that those working in A&R have had to get used to a new celebrity landscape in which they are no longer the makers of their careers (Lilia Diu and Ritchie, 2015). YouTube is beneficial to upcoming musicians because they do not need to invest any finances with the chance of a substantial return by reaching billions of potential fans; making their investment risk free (Team, 2018).

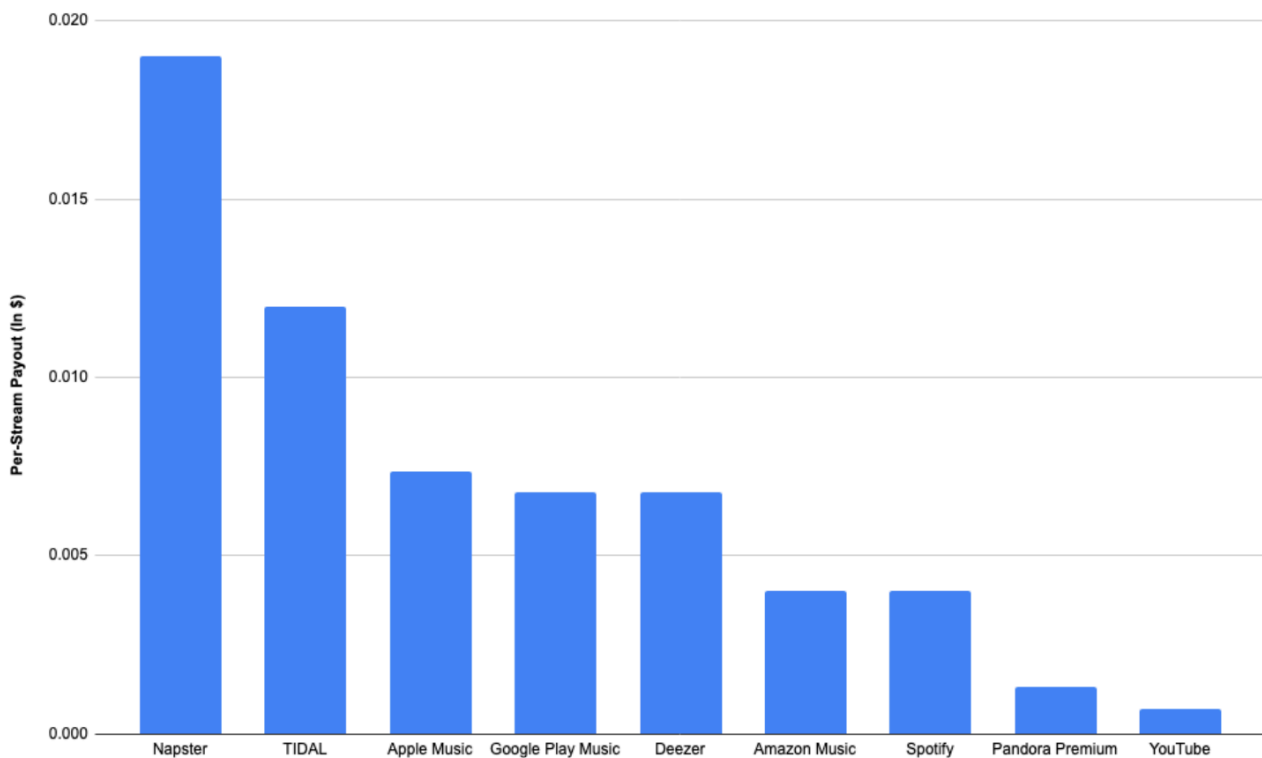
4. ROYALTY RATES

In recent times, the music industry has furiously turned against YouTube intending to fight for fairness regarding royalty rights. Annual sales statistics showed that YouTube, despite its huge number of monthly subscribers, generates less direct income for musicians than the niche market of vinyl record sales (Sisario, 2016).

YouTube uses CPM to measure the cost-effectiveness of its advertising campaigns. CPM is used to calculate the clicks per ad on users video content which then calculates how much money they are owed. This monetisation stands for cost per mile, and YouTube's milestone is one thousand views, therefore, the content creator is paid out every time their video hits one thousand views. Although, the video must be played for at least thirty seconds, and they do not receive the full 100% of the payment; YouTube takes 45% off the money earned from each ad campaign (Novoselov, 2019).

When it comes to paying out the royalties for its content creators, YouTube is falling quite far behind other music streaming platforms like Spotify, Amazon Music, Pandora, and Apple Music. In recent years they have come off as the worst paying streaming platform (Resnikoff, 2019).

Currently, Napster pays out more than any other streaming service, at \$0.019 per stream. To meet the American monthly minimum wage of \$1,472, an artist would need 77,474 total plays (Sanchez, 2020). In 2014, Tom Pickett, vice president of YouTube content said “We’ve paid out to the music industry over the last several years over a billion dollars,” suggesting that they add a lot of value to the music industry despite having a lower average than the other major music streaming platforms (Dredge, 2019).



(Resnikoff, 2019)

5. COPYRIGHT

Copyright is automatically given to the property owner when a piece of work is created, including; original literary, dramatic, musical and artistic work, including illustration and photography. When a

song, for example, is published, it will hold the legal copyright for 70 years after the publication (How copyright protects your work, n.d.). Owners can copyright their work by using the world's recognised symbol (c) and by stating their name and the date published next to the title given to the work. YouTube states clearly in its policies section that its creators should only upload videos that they have made themselves or that they have been authorised to use by the original creator, including the use of other people's music. YouTube uses its Copyright Management Suite, powered by Content ID technology to detect potentially infringing content (YouTube copyright and fair use policies - How YouTube Works, n.d.). The management suite not only alerts the content ID users when their material is being unlawfully used by other YouTubers, it also pays out what is owed to the rights holders when the infringement has been found. There are however, some exclusions to the infringement law where copying content is deemed as 'fair use', these circumstances would typically include; criticism, comment, news reporting, teaching, scholarship, and research (Stim, 2019).

The first rule of copyright

Creators should only upload videos that they have made or that they're authorised to use. That means that they should not upload videos that they didn't make, or use content in their videos that someone else owns the copyright to, such as music tracks, snippets of copyrighted programmes or videos made by other users, without necessary authorisations.

(YouTube copyright and fair use policies - How YouTube Works, n.d.)

Intellectual property law protects and gives compensation for anything which is creatively designed ranging from song lyrics, film productions, lines of code and all other forms of art (Lowe, 2020).

For entrepreneurs wanting to make an income from their art, it is vital that they have a solid understanding of the structure of intellectual property (IP) so that they can gain all the benefits and

rights of their creations. Basically, anything created which is considered an artistic, cultural or scientific creation has value, and is considered Intellectual Property (Lowe, 2020). YouTube uses a rights management system which automatically identifies the owners and administrators of its users content by scanning YouTube videos for content that matches the creators intellectual property and applies the defined rights policy to the matching video (YouTube Help, 2020). In an attempt to avoid 'substantial' reproductions of copyrighted material, YouTube and other video sharing websites have introduced time limit restrictions of fifteen minutes for videos which are uploaded (O'Brien and Fitzgerald, 2006). However, the time limits do not apply to verified users only who can upload videos of up to twelve hours long, whereas in the past they had a system which seemed to favour certain users and chose who could upload and who couldn't and these users would usually be universities, companies, etc (Delfino, 2019). YouTube account holders who wish to become verified must have over 100,000 subscribers to meet the eligible criteria (Saunders, 2020).

There are four different types of intellectual property which should all be thoroughly understood by the creator before releasing any video footage to the public. These include; patents, copyright, trademarks and registered designs (Lowe, 2020). A patent is an exclusive right granted for a design which offers a new technical solution to a problem, to grant a patent, the inventor of the new solution must submit detailed technical information of the process into a public application (Patents, 2020). It is in the artists best interest to keep a journal including diagrams, written notes, research evidence and photographs that will help to prove that the idea is original and is owned by the creator wanting to grant the patent (Ackerman, 2020). The UK government advises that a patent attorney or advisor should be employed by the inventor before sending the patent application form as they can be difficult to grant and also expensive. The patent can be applied for online or via the post and MUST be renewed on each fourth anniversary (UK, 2020). If one does not wish to renew its patent, other options are to sell, license or donate it (Ackerman, 2020).

Trade marks are different from patents in the way that they do not necessarily protect the idea of the invention, but rather the gestures which represent the idea, company or design, for example; words, sounds, smells, symbols and logo designs (Ackerman, 2020). To put it simply, trademarks are distinguished brand names which are labelled to any products and/or services, this helps the consumers to locate and identify it in the market and to avoid being falsely sold a product (Elrafei, 2015). Careful research must be undergone by the creative owner before certifying a trademark to ensure there are no similar creations in the same field using any material which is too alike, for example; David Powie or Nelton John would not be accepted and would be seen in the eyes of the trademark law as “confusingly similar” (How To, 2020). Trademark electronic search systems can be found online to help creators identify any similar content such as the GOV website, however it is always in the artists best interest to seek legal advice on these terms of concern to avoid any court cases in their future career. Trademarks protect the customer by limiting any confusion with where or whom the product or service has been sourced from and in turn, rewards the creator by giving his business a successful reputation (Elrafei, 2015). The Trademarks Act 1994 states that a trade mark shall not be registered if because – (a) it is identical with an earlier trade mark and is to be registered for goods or services similar to those for which the earlier trade mark is protected, or (b) it is similar to an earlier trade mark and is to be registered for goods or services identical or similar to those for which the earlier trade mark is protected (Trade Marks Act 1994).

6. YOUTUBE MUSIC

Youtube announced its new music sharing platform in 2018 making music “easier to explore” by offering official tracks, remixes, live performances, covers and music videos. The new streaming

platform gives the option of a premium package to its users which eliminates the ads and activates the ‘background listening’ feature. The app works alongside with Google Play Music and any other music installed on the mobile device and is at a similar price to Apple Music and Spotify (\$9.99 pm). It updates regularly using AI (artificial intelligence) to provide recommendations based on listening habits, and is also location intelligent, offering music choices to match what the user may be doing (Langridge, 2020). Google Play Music decided to shut down its service in October 2020, and advised its users to switch over to Youtube Music. The platform’s Global Head of Music, Lyor Cohen, confirmed this year that 2 billion logged-in YouTube users are now playing music on the platform each month which is more than six times the monthly active users who pressed play in a track on Spotify in Q3 (Ingham, 2020). Even though Youtube music is evidently extremely popular, there is still a huge concern to publishers, labels and songwriters on the unexplained value gap. In accordance, Youtube have announced that they will focus more on audio ads, due to the fact that 15% of its users listen to the music without watching the video (Ingham, 2020).

7. CONCLUSION

The millennial generation watches far less television than their parents, in large part this is due to platforms like YouTube, proving how important video content watching platforms are for future generations (Lilia Diu and Ritchie, 2015). Although YouTube pays out less than other platforms per play, it is still the most used streaming platform, making it a vital business model for music exposure. A reason for the lack of royalty pay outs from Youtube could be because its original users are used to the platform originally being free. Upgrade’s like Youtube music premium and its Copyright Management Suite are slowly changing this in favour of musicians and content creators therefore, there is likely to be a rise in payouts in the future. As it was estimated that YouTube generated \$2.2 billion in music rights holder royalties from its ad business in 2019, it appears that

the issue is not the amount of revenue Youtube pays into the music industry, but rather the amount it pays out per stream, giving it the potential to be the highest online money maker for the music industry (Ingham, 2020).

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