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1. Introduction

Throughout this case study report I will critically analyse and review the business strategies, revenue mechanisms and the subsequent challenges related to the monetisation of entertainment and music content on YouTube. This report will also consider the role of intellectual property and how holders can protect and monetise their work.

2. YouTube Overview

YouTube is a video sharing platform which allows users to upload, view, rate and share content as well as commenting on videos and subscribing to other users. A wide array of content including music videos, educational videos, short movies and TV clips are available on YouTube's platform. YouTube was founded by three former PayPal employees, Chad Hurley, Steve Chen and Jawed Karim, in 2005 and was later sold to Google in 2006 for approximately \$1.6 billion. It is the second most visited site in the world, right behind Google (SimilarWeb, 2019). YouTube has approximately 2 billion monthly unique visitors who watch close to 5 billion videos per day (Rutnik, 2019). At the time of writing, the most viewed YouTube video of all time is a music video called "Despacito" by Luis Fonsi & Daddy Yankee, this shows that music related content is at the forefront of YouTube's content categories, in fact out of the top 10 most viewed videos on YouTube only one is not a music video (George, 2019). YouTube has over 2 million artists on the platform and approximately 1 billion music fans visiting the site every month (Roman, 2018).

3. Intellectual Property Rights

Intellectual property rights refer to rights over creations of the mind including works such as inventions, artistic works, designs etc (WTO, n.d.). A creator's intellectual property rights are protected through mediums such as patents, copyrights and trademarks. YouTube is responsible for the release of huge amounts of content every day and have the responsibility of protecting their user's intellectual property rights as well as ensuring that their users do not encroach on other people's intellectual property. The intellectual rights of authors of artistic works such as musical compositions are protected by copyright. This copyright protects these works for a minimum of 50 years after the death of the composer (WTO, n.d.). In today's information economy intellectual property is extremely valuable, this has led to owners becoming more protective over their intellectual property. In 2007, Viacom launched a \$1 billion lawsuit against YouTube. This lawsuit claimed that YouTube was hosting videos that infringed upon Viacom's intellectual property rights, this included hosting clips of TV shows such as "South Park". It was found that YouTube was protected by the "safe harbour" provisions of the Digital Millennium Copyright Act 1998, which states that the liabilities of websites such as YouTube are limited if they remove content when notified of possible copyright infringements (Gustin, 2013).

It seems however, that YouTube reacted to this lawsuit by increasing their focus on implementing systems that protect copyright owners and their intellectual property. In 2008 YouTube launched their Content ID system which brought into practice automatic copyright detection which would individually scan every newly uploaded video and reference the content against their Content ID database. This database contains protected data submitted by copyright owners, which is then given a Unique Digital ID. If any newly uploaded content infringes on their intellectual property rights it will be detected by the Content ID system and the owner intellectual property owner will have the option of monetising or blocking the video therefore protecting against the misuse of any intellectual property.

The emergence of Article 13, now known as article 17 stands to strengthen and protect the rights of intellectual property rights holders on YouTube's platform. This EU directive requires that "online content sharing service providers and right holders shall cooperate in good faith in order to ensure that unauthorised protected works or other subject matter are not available on their services." (Article 13, 2019). Essentially this directive instructs content sharing platforms such as YouTube to obtain licensing agreements with rights holders in order to host their content and holds user generated content sharing platforms such as YouTube accountable for removing any content that is in breach of copyright. This is quite a difficult challenge for YouTube due to the vast amount of content uploaded to their platform every second. The article also does not outline how to monitor their platform for breaches of copyright and although YouTube already has a content ID system this level of copyright clearance will require some sort of a larger automatic filtering system (VOLPICELLI, 2019).

4. Business Strategies

i. YouTube Partner Programme/Ad revenue

When looking at the different strategies content creators can use to monetise their videos on YouTube the most obvious strategy would be to sign up to the YouTube Partner Programme. Through this programme content creators can collect revenue by allowing YouTube to run targeted advertisements on their videos. For an artist to succeed in making money from this revenue stream they must consistently upload quality videos to YouTube's platform while aggressively marketing their videos on various other platforms such as Instagram, Facebook, Twitter and Personal Websites. In order to achieve a constant revenue stream from this activity an artist must work at building a brand, subsequently building a fanbase around this brand and consistently engaging this fanbase with interesting and relatable content.

There are multiple different strategies artists can take when looking at increasing revenue from YouTube's Partner Programme. Recently there has been a trend in music and especially in the hip hop world where artists are creating shorter songs and as a result shorter videos. In many cases this is a direct attempt to increase streaming numbers and video plays. The thinking behind this is that short songs get the same pay per play revenue as longer songs and if a song is short and catchy, listeners are more likely to re play it (Morris, 2019). Through YouTube's Partnership Programme, if a video is consistently watched until the end then this is considered to be high quality content, this content and the creator future videos will as a result receive higher cost per click ad placements in the future, on top of this multiple replays of the song will also increase their CPM(Cost Per Mile) which provides revenue for every thousand views a video gets. Take for example the artist XXXTENTACION, his top 3 songs on YouTube all have upwards of 500 million views with the biggest video sitting at well over 950 million views. None of these songs are over the three-minute mark, and the majority of them in fact sit closer to the two-minute mark. The length and replay value of these songs would make them excellent earners in terms of CPM and CPC.

Record labels such as No Copyright Sounds have taken an interesting approach to monetising YouTube through advertisements. NCS base their business around collecting ad revenue, they offer small independent content creators, often in the gaming world, the chance to use the music on their channel for free in an attempt to make the track go viral. Large business however are still charged if they wish to use NCS' music. Signing a track to no copyright sounds gives artists access to their massive audience of approximately 24.5 million subscribers. As well as this when other users use the

music they must credit the artist in the description and link back to the original upload on the NCS channel, which increases overall views and ad revenue.

ii. Affiliate Marketing

Affiliate marketing is a process through which content creators can earn revenue by referring their viewers to external retailers. Generally, this works on a commission basis with content creators receiving a unique referral code or link with which their viewers can receive an associated discount on the retailers products or services, the content creator receives a commission every time this referral code or link is used. For this to be an effective revenue stream for the content creator they must first provide content that aligns with the retailer they are referring. If their audience aligns with the retailers target market, then this will lead to more uses of their referral code and therefore more commission. This is an extremely popular business strategy with a number of YouTubers. Examples of content creators participating in affiliate marketing can be seen regularly throughout music production tutorial videos. Take for example the popular production tutorial channel “Praxi Plays” who provides referral discount codes for apps such as “Melodics” in the descriptions on their production videos (Praxi Plays, 2018). This is an extremely effective use of affiliate marketing as Melodics is an app that helps users learn music theory, something that goes hand in hand with music production, it is extremely likely that Praxi Plays’ viewers would be interested in Melodics services.

Many of these music tutorial channels also provide links and referral codes to their own websites which sell drumkits and instrumentals made by the channel owner. This is an effective way of gaining revenue by driving more traffic to their websites and generating more sales. However, as no external company is involved the content creator is acting as the retailer and will therefore receive no commission.

iii. Sponsored Videos

Sponsorship is another valuable revenue stream for many content creators and artists alike and is often more lucrative than affiliate marketing arrangements. Brands often approach large YouTube channels and artists in order to work out sponsorship deals. Content creators will advertise and promote their sponsors products or services in their videos by using the product in the video, recommending the product in the video or even making a whole video based around the product. The terms of these deals can vary substantially, but content creators often charge a fixed price per 1000 views based on the expected number of views the video will achieve. The price per 1000 views can vary greatly from channel to channel but it is generally between the range of \$10 to \$50. The headphone company “Beats” often sponsor musicians in exchange for them using their products in their music videos.

5. Revenue Mechanisms

Advertisements are the most obvious way to generate revenue through YouTube, this revenue is created through “AdSense” allowing Google to place advertisements on YouTube videos. In order to take advantage of the AdSense programme however a channel must meet certain criteria. In order for a channel to monetise through AdSense they must have at least 1000 subscribers and 4000 hours’ worth of views over the last 12 months (Google, 2019). A channel will not be paid until they earn over \$100 dollars through AdSense, at which time Google will issue a payment to the channel owner via check or direct debit. Google however takes a 45% cut of all the content creators’ earnings

through the AdSense system (Rosenberg, 2018). A channel can find itself in hot water regarding ad revenue if they do not abide by certain rules. Demonetization, which essentially removes paid advertisements from a video can greatly affect channels that regularly upload content featuring explicit language, violence and controversial subjects. Regarding intellectual property, content featuring copyrighted material such as music that is not owned by the channel can be demonetized or removed from YouTube completely.

As discussed previously CPM and CPC are important factors to consider when looking at how much different YouTube videos make. As well as CPM and CPC the click through rate (CTR) is another important factor to consider when looking at the revenue a video generates. Essentially with CTR, the more people who click on the advertisements before a video, the more a channel will earn. Different channels and videos alike will work with different CPC's. This depends on factors such as the category these videos or channels fall into and their advertising potential. If a certain video attracts a certain demographic, they will be paid based on the value of the attracted demographic. Factors such as location and age would be taken into account when looking at this. For example advertisements targeted to a teenager from a low per capita income country will earn less than an advertisement targeted towards a 30 year old professional from the UK.

The different types of advertisements on these YouTube channels will also affect the money earned from the channel. Some advertisements like Bumper ads and True View ads pay per view while skippable ads do not pay if the ad is skipped and pre roll ads only pay if the ad is clicked.

6. Challenges

The emergence of Article 13 otherwise known as Article 17 could cause some major challenges for content creators on YouTube. Article 13 calls for the introduction of content recognition and blocking technologies, which many argue are highly ineffective, too broad, rigid and counterproductive. These technologies often lead to the demonetisation and removal of perfectly legal content and often fail to differentiate between copyright infringement and fair use. Although this article was introduced with the intention of protecting intellectual property owners it may in fact make monetising content even more difficult.

Advertising systems such as Google Preferred can tip the scales in favour of larger channels. Google preferred is a top-level marketing system which gives content creators the chance to earn more by charging more for advertisements on their videos. This system does not allow smaller channels to access these higher advertising rates and therefore distorts advertising revenues in favour of larger channels. Not only are smaller channels struggling to make as much money but due to changes in YouTube's algorithm they are also struggling to capture audience share. YouTube's algorithm has caused the median views per video to drop substantially and with the top 3% of channels receiving 90% of the views leads to a top-heavy system where the large channels are receiving a disproportionate amount of views and revenue. This is mirrored in YouTube's music related statistics with 1% of songs responsible for over 86% of all music streamed on YouTube.

Ad blocking software has also been damaging for content creators. With over 30% of internet users using ad blocking software this greatly reduces the amount that can be generated via ads on YouTube's platform.

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