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Assignment Task: Critically analyse and review business strategies, challenges and revenue mechanisms related to the commercialisation of music and entertainment content on YouTube.

Case Study

Viacom International VS YouTube

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Introduction

The 21st century has seen a significant change in the way in which the music and entertainment industry content is sourced and received for financial gain. The avenues in which this is done has shifted from music content being sold through ownership models, such as MP3 downloads and CD purchases; to access or subscription models, using digital streaming services that provide consumers with access to a significant sum of music through subscriptions, advertising etc. some of these platforms include Spotify, Apple and SoundCloud. The commercialisation of the music entertainment industry has been seen in the development of the social media age, playing a key role is maximising reach of products on platforms such as Facebook, Instagram, Twitter and YouTube; making an impact in the creative industries in several areas. In order to break down the business strategies, challenges and revenue mechanisms used to commercialise music entertainment content within streaming services, it is important to gain insight into the history of the world's largest online music destinations, that is, YouTube (2017, Harrison p191).

History of YouTube

YouTube was founded by PayPal employees Chad Hurley, Steve Chan and Jawed Karim, the official website launching in December 2005 after beta-testing in the US. After its quick growth, Google acquired the company less than a year later for around \$1.65 billion.

It's initial intention was to remove the technical barriers faced by non-expert users who wanted to share video on the web; providing simple, integrated interface that enabled people to upload, publish and view streaming videos using standard web browsers and moderate internet capacities without much technical knowledge. Setting no limits to the number of videos users could upload, offered basic social functions such as the opportunity to connect with other users as 'friends' and the ability to share links via HTML code to be easily embedded into other websites. These social networking and sharing features capitalised on, were designed to add value to the recent introduction of popularly accessible blogging platforms such as Wordpress & Instagram (2018, p11).

In June 2007, the site launched in the UK as well as in eight other countries. After more growth in popularity, HD videos at 720p were introduced in December 2008, which also saw the site being utilised by users in different ways such as creating channels to upload vlogs of day-to-day life, humorous video sketches, music videos and gaming which began to spike interests of viewers. In 2009, big events occurred for YouTube including the full launch of HD now up to 1080p rather than just 720p, one billion video views per day, introducing catch-up TV to their services in partnership with Channel 4. In 2010, new types of advertising systems was introduced, seeing the site hitting three billion daily views mid-way through 2011. As audiences began to realize the opportunities within the site, a numerous amount of gamers and vloggers were now able to earn a living by posting videos onto YouTube and receiving revenue from ads and support. YouTube has continued to thrive, seeing their videos reaching one billion views and announcing the site receiving four million views a day in 2012.

The multi-billion dollar company has recently added live streaming to its services, with 5 billion videos are watched a day over 1.3 billion users, and 300 hours of video are uploaded each and every minute (2016, Ace X). YouTube as a video-sharing platform created its own league and medium for audiences and competitors such as Vimeo, dailymotion. But has also begun to venture into the music streaming realm further with the development of YouTube Music.

The Relationship between YouTube and Music Entertainment

With the advancement of digital technology and the increased need for easily accessible creative mediums; music streaming platforms have consistently gained popularity, allowing music fans to listen to their favourite tracks anytime, anywhere and as frequently as they desired.

Video Marketing Contributor for Google Matt Anderson discusses this further in his article *...YouTube is transforming music...* (2018). Highlighting how the video-sharing platform has aided in adding another dimension to the consumers music experience. Giving viewers access to not just watch their favourite artists' music videos, but also dance choreography to their favourite songs, artist interviews and celebrity vlogs. Bridging the gap between the music artist and the viewer, allowing the consumer to invest more into the journey and music progression of the artist; helping music fans to connect more to their favourite artists. In an age where anyone with a camera device can create and share a video online; music entertainment content such as cover songs, mashups, to GIFs, song parodies, lyric and reaction videos and helping avid amateur music creators gain a following, develop popularity and becoming celebrities overnight. Also in some cases helping aspiring artists to get noticed by major music labels or A&R companies.

YouTube Royalties

However, it can be suggested that although YouTube has played a significant part in music exposure with the sharing-platform hosting the visual components to music; that the company as a whole are not doing enough to support the musician or music content creator. Craig Ellyard writing for *eMediahub*, that musicians don't believe that sharing platforms such as YouTube are paying them fairly for the use of their music. YouTube have technologies in place to detect copyrighted music against a catalogue of registered tracks. Although what has been found is emerging artists do not have the resources to detect their work, at times even the know how of the importance of copyright.

Artists claim a song needs to be streamed 51.1 million times before they can make the average UK annual salary of £27,600 in YouTube royalties. YouTube royalties are based on the number of streams a video has received. The payouts to the artist are funded through advertising. It's claimed YouTube pays creators 0.00054p per stream of music. This means a track streamed one million times would earn the artist around £540. Last year, YouTube's head of music Lyor Cohen revealed that artists earn three dollars per thousand streams in the US. The company claims this is more than other ad-supported services (2018).

From the very beginning Music has had a place within the video-sharing platform, viewers freely being able to post music covers of their favourite songs, like, comment and share their favourite music videos as the views of their videos increased also having the opportunity to make profit from their posts.

The streaming head has been able to create easily understood platforms for the general technical novice public to document aspects of their lives, careers and develop a commercial following for revenue. The launch of YouTube has aided for the artist to have direct access to the reception of their consumer and given the artist an avenue to promote and market their work, using services such music video syndication Vevo, a music video hosting service ventured by Universal Music Group, Sony Music Entertainment and EMI (2015, p232). The introduction of video hosting site VEVO may be suggested to have been an opportunity for the major labels to get their control back of the distribution of their artists' music content on YouTube.

At times the artist has also been able to bypass the music label middle-men to attain sole profits. Raising concerns for music labels and companies ...; however, YouTube's popularity has also forced record labels and publication companies to reevaluate how they release and promote their songs. Artists and labels beginning to go to YouTube creators for help promoting their songs, seeing the influence of fans. Labels and music publication companies are then able to utilise the website to profit further from the signed artist and manage consumer feedback through comments, likes and views on their artists' music videos (2018, Anderson).

Business Strategies

The Google-owned company gives users the opportunity to subscribe to other users' channels, making money by monetizing their video uploads on the platform. Giving users access to watch videos for free. YouTube not only provides a sharing platform, but it also provides a specialised platform for music entertainment running an advertisement focussed business model (Anderson, 2018).

One way that Youtube is able to make a profit as a video sharing company is through sponsored advertisements. Advertisers pay YouTube based on the number of views it gets after such an ad has been clicked on, this is called SERP advertising (X, 2016).

Specifically discussing the music entertainment industry. YouTube matches ads with relevant channels and the fans who watch the videos using algorithms. From the profits YouTube attains from advertising, payment is made to the artist through an AdSense accounts ()

Concerns are raised on how YouTube, leading in the streaming realm, pay compared to other streaming platforms such as Apple Music or Spotify. Google in their dominance of the market for consumption of music and visual images through YouTube services. Harrison goes on to suggest that it may prove difficult to negotiate a fair pay for music because of their parent company - Google (2017, p182).

Revenue Mechanisms (Sales/ Turnover)

So how will it coexist in a music industry increasingly dominated by paid streaming services like Spotify and Apple Music? Executives from Warner Music, YouTube, SoundExchange, Pandora, and iHeartMedia sat down for a panel at the New Music Seminar in New York on Wednesday night. The event was moderated by Tom Silverman, the founder and chairman of Tommy Boy Records and the founder of the New Music Seminar. The group discussed why ad revenues aren't growing as fast as expected, the benefits of ad-supported services, and why the music industry should be more supportive of streaming services.

"It takes time," Lyor Cohen, YouTube's head of music said, when Silverman asked why YouTube isn't monetizing its ads at a higher rate. Last year, ad-supported streaming like YouTube and SoundCloud's free service brought in \$469 million in revenue for the music industry, according to the RIAA. Paid streaming services pulled in \$2.47 billion. Cohen pointed toward the slow adoption of hip-hop within the music industry in the '80s — he was president of Def Jam Records in the late '80s — as a correlation to what's going on now with advertisers and streaming music.

"I remember there was at least seven years of incubation for Russell [Simmons], Rick [Rubin], and myself at CBS. Rap music was exploding, the supply outpaced the demand, and it was happening all over the city. CBS was a New York-based company, and all they had to do was drive about 60 blocks and realize how many kids were trying to get into a venue, and they would've said, 'Oh my god, this stuff is really incredible and special. Let's invest in it.' They didn't invest in it." Cohen said CBS didn't catch on to what was happening in hip-hop until the son of then-Columbia Records president Donnie Ienner wanted to go to a Public Enemy concert instead of a Bruce Springsteen show that the label finally woke up.

Streaming now brings in the majority of revenue for the music industry. In 2016, ad-supported streaming grew 26 percent from the previous year, while paid streaming grew 95 percent year over year (Alexander, 2019)

The product in which YouTube sells is its users. In order to maximise sales, the company streamlines their advertising to meet the needs or preferences of their users using search history and video interaction activity.

Global Recorded Music Industry Revenues 2005-2015 (US\$ Billions) shows recorded representation of how revenue sales shifted over the period of 10 years. Records show that global digital sales are now exceeding physical sales Bargfrede considers (2017, p79).

"91% of YouTube music users who have made music-related purchases in the past year have watched a related YouTube video beforehand." - Mike Anderson (2018)

Artists say that 85% of YouTube's visitors come to the site for music. These music lovers contributed £2.33 billion to the website's revenue in 2017 (Ellyard, 2018).

IFPI reported 2017 figures showed a 19.1% increase in digital revenue and 5.4% decrease in physical revenue. (2018, IFPI)

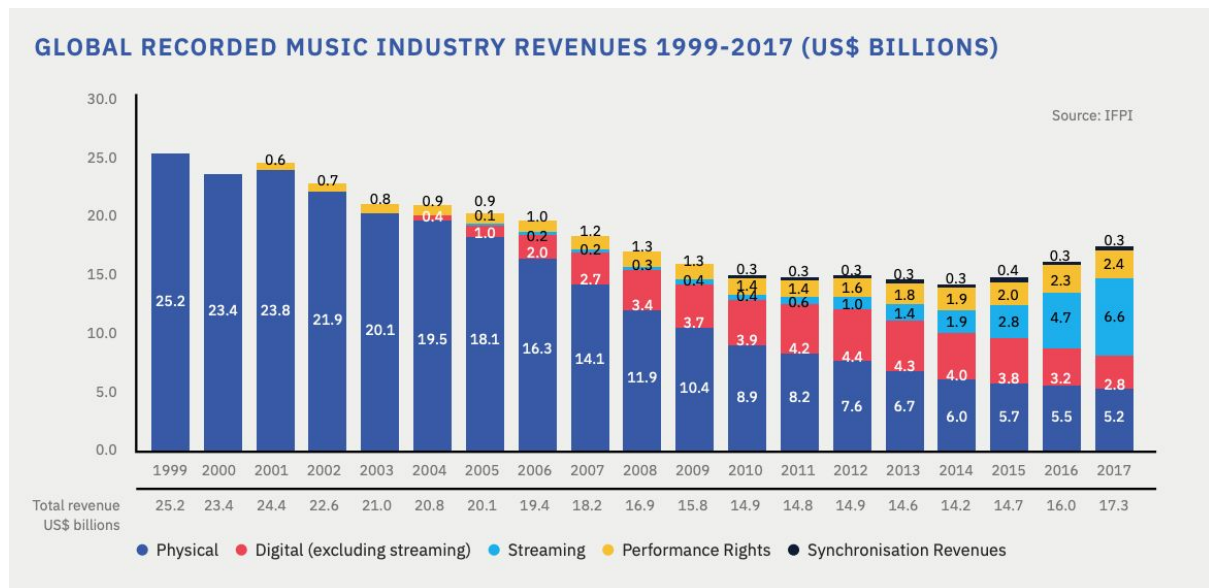
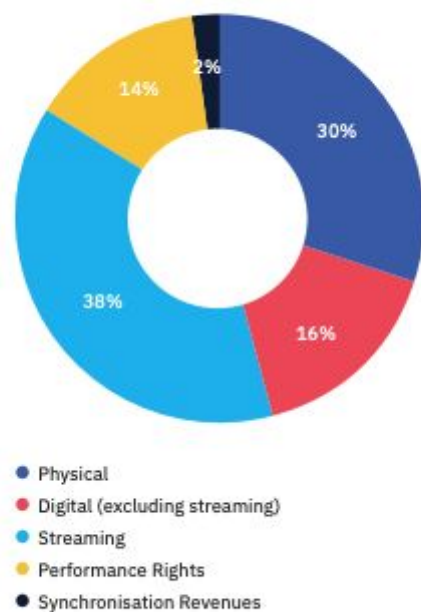


FIGURE 1: Global Recorded Music Industry Revenues 1999-2017

GLOBAL RECORDED MUSIC REVENUES BY SEGMENT 2017



Julie Bergan courtesy of Warner Music Group

FIGURE 2: Global Recorded Music Revenues by Segment 2017

Challenges: Music Copyright vs YouTube

Stream ripping is the illegal practice of creating a downloadable file from content that is available to stream online. It is now the most prevalent form of online music copyright infringement (2019, IFPI - Music Listening).

Bargfrede suggests that the ushering parties such as Napster and other peer-to-peer sites, made it easy and cheap or even free for online users to acquire and consume music and in some cases without compensating the copyright owners for the protected uses of the work (2017, p78). YouTube came under some scrutiny in the dispute of copyright and was sued by Universal Records...However YouTube has aided in mitigating this with the introduction of their premiere subscriptions, YouTube Premium.

Case Study

Viacom International, Inc. vs YouTube, Inc.

In Viacom's case against YouTube in 2007 they contended that the defendants had induced infringement and intentionally built a business on third party copyright content. YouTube moved to dismissal via summary judgement, which was granted in 2010 on the grounds that YouTube had complied with all relevant provisions of the DMCA safe harbor, as a way of protecting themselves from liability, and that YouTube had no duty to analyze each and every video uploaded to their site, as doing so would (2017, p120).

In March 2007, Viacom sued YouTube and Google, alleging that they be held responsible for the copyright infringements committed by YouTube users. The lawsuit sought more than \$1 billion in damages and came on the heels of Viacom's delivery of more than 100 000 takedown notices to targeting videos allegedly owned by Viacom (which YouTube promptly adhered to). Shortly after the Viacom lawsuit, class actions were filed on behalf of the Football Association Premier League Limited, Bourne Company, National Music Publishers' Association, Cherry Lane Music Publishing Company, the Rodgers & Hammerstein Organization, the Fédération Française De Tennis and the Scottish Premier League Limited against YouTube all based on the same allegations of copyright infringement.

These lawsuits tested the strength of the Digital Millennium Copyright Act (DMCA) safe harbors as applied to online service providers such as YouTube who are responsible for hosting text audio and video on behalf of users. The DMCA safe harbors was to provide legal protections for online service providers like YouTube who otherwise would hesitate to create the online platforms that have revolutionized creativity culture and commerce. Consequently, the outcome of this case is important not just for YouTube but also for lots of other online services including eBay, Blogger, Flickr, Scribd, Amazon, and many others. Previous court rulings have recognized that the safe harbors apply to video hosting sites.

In March 2010, the parties in the lawsuit filed motions for summary judgment. In April 2010, EFF and other nonprofit groups filed an amicus brief urging the court to reject the plaintiffs' effort to undermine the DMCA safe harbors.

On June 23, 2010, the district court granted summary judgment to YouTube, setting the stage for an appeal to the Second Circuit Court of Appeals. EFF filed an amicus brief supporting YouTube.

In April 2012, the Second Circuit revived Viacom's lawsuit but largely eviscerated most of Viacom's legal theories. In April 2013, the district court again ruled in YouTube's favor, and Viacom once again appealed. EFF (along with Public Knowledge) again filed an amicus brief supporting YouTube. That brief explained why Viacom incorrectly argued that YouTube lost its safe harbor because it "induced" infringement. The case settled in March 2014, shortly before the scheduled oral argument on the second appeal. (EFF, 2020).

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