

YouTube's grasp on the video streaming industry: A Case Study by Kirsten Davis

Before the 2000s, music videos lived on music channels on TV or as promotional films to accompany tracks (*Cawley, 2015*). The first music video to air was 'video killed the radio star' by The Buggles on MTV; however not the first music video to be made (*History.com editors, 2009*). The track had no radio play before its release on MTV; however, "it still managed to chart, which immediately showed people were receptive" (*Taysom, 2022*). Now MTV and its adjacent channels are still active but instead relaying "chart countdown shows... where they complete with concert specials, music documentaries, music-oriented games shows, cartoons and reality TV" (*Edmond, 2014*).

So where did the music videos move to?

In 2005, YouTube, an online video-sharing platform, was brought to life and in 2006, Google acquired YouTube after their own 'Google Video' couldn't compete with the ever-popular platform. The New York Times reported that at the time of the deal, "the lion's share of online video traffic...YouTube has a 46 per cent share, MySpace has 23 per cent, and Google Video has 10 per cent" (*Sorkin and Peters, 2006*). By the end of 2006, Warner Music Group, Universal Music Group, and, at the time, Sony BMG Music Entertainment had all agreed on a deal with YouTube. The deal allowed the uploading of music owned by the companies to the platform, including user-generated content that used the Label's content in return for the "share advertising revenue" (*Staff, 2006*).

The stipulation that the labels had agreed on was that YouTube needed to offer the copyright owner the revenue (*Leeds, 2006*). The revenue came from advertisements accompanying copyrighted videos, whether official videos from the rightsholder or user-generated content, e.g., lyric videos. Rightsholders can receive payment but also have a choice to remove all copyright content from the platform (*Staff, 2006*).

More recently, in 2017, record labels and rightsholders were grilling YouTube due to their comparatively low payments compared to rival streaming services (*Sweney, 2017*). The platform's first attempt at a streaming service was a beta called YouTube Music Key, which "was focused more on ad-free music videos" (*Katzowitz, 2018*). Later in 2015, the official launch of the streaming service. Still, YouTube Red was similar to Music Key, but as well as music videos, it gave access to YouTube original videos and allowed for downloading and offline playing (*YouTube Music, 2021*). Red also included access to then called YouTube Music. Then again, in 2018, another relaunch led to what we now know as YouTube Premium. The services stayed the same through each relaunch but now stream all YouTube music, music videos, and funded movies and series. Besides keeping up with rivals, one reason for the subscription is that consumers were using ad-blockers, meaning they were losing money from the number of ad views (*Iqbal, 2023b*).

At the time, YouTube Red offered the creators 55% of subscription revenue, divided based on the total subscribers viewing time (*Spangler, 2015*). The 55% split depends on whether payment is in two with no other parties taking a cut. Neal Mohan, 's Chief product officer, stated in 2021 that YouTube would take 45% of ad revenue. Mohan also said that in ad and

merchandising revenue paid to creators and musicians, A "huge, huge chunk" of a \$30 billion figure went to them. (Bergen, Shaw and Bloomberg, 2021)

Seeing the above split would lead to thinking that creators and musicians receive a decent payout. Record labels and the music industry didn't believe this was the case. Some in the music industry, including the RIAA, have accused YouTube of paying low royalties (Foxx, 2016). Spotify pays out \$0.0033 per stream, compared to YouTube's lower payout of \$0.002 (I, 2023). However, this doesn't include the addition of YouTube paying artists a portion of the advertisement revenues. Also, in 2016, at the time of the industry complaints, YouTube only had 3 million paying subscribers (Iqbal, 2023b) compared to Spotify's 36 million (Iqbal, 2023a). Even last year (2022), the difference between the two was 108 million subscribers, the minor party being YouTube with 80 million.

The record labels focused on royalties and compared YouTube to other companies doing much better in acquiring subscribers. To defend the record labels, when seeing that YouTube had 1.5 billion users (Iqbal, 2023b), it is expected to receive more revenue. However, learning that YouTube subscribers only amounted to 0.2% of the users somewhat explains the lacking. However, the same cannot be said for the pay-per-stream, as after Pandora, YouTube is the worst for paying royalties (G, 2021). Also, in 2016, YouTube claimed that it had still paid out \$5 Billion in revenue to creators and rightsholders (Ingham, 2016) and that at least \$3 billion "came from monetising these unauthorised uploads" (Foxx, 2016).

YouTube uses its Content ID to avoid "unauthorised uploads". "Content ID is YouTube's automated, scalable system" (Google, 2023) that searches video uploads for any copyright infringement. It then lets the creator know about the breach, and as rightsholders, there are three options: report, block or monetise. YouTube has argued that rightsholders "almost always choose the last of those options" (Popper, 2016). The monetise option can be highly beneficial to rightsholders, one of the uses is that fans will create content like lyric videos or compilations using rightsholders' music. Not only does this increase the ad revenue gained by rightsholders without them having to do anything, but it also creates a broader range of content for the fanbase to consume and potentially recreate, which some have described as "blurred lines between labour and enterprise" (Rogers, Freitas and Porfirio, 2023). While it would undoubtedly be easy to argue that the royalties from the streaming services are poor in isolation, the ad revenue is still the transparent predominant fund that benefits rightsholders.

YouTube created a path for the professional and the beginner artist. The streaming giant used Web 2.0, allowing users to interact and communicate, a conversational version of the Internet. Those two parties were the creators and the audience (Kwok, 2019). YouTube is a free-to-upload video streaming platform, which has since grown to possess different features that can help the creator with content and fan interaction. The uses of the various buttons below a YouTube video, where there are 'like', 'share', 'comment' and 'subscribe', can be analysed on YouTube Studio. Previously called YouTube Creator Studio, it is a tool that can "enable channel owners to manage their content better, analyse their performance, and even monetise their videos" (Adobe Express, 2023). To name a few features of YouTube Studio, a creator can; "view analytics for individual videos...edit your

video info" (*Adobe Express*, 2023). The analytics are essential to a creator who is looking to gain a better understanding of their audience.

From an artist's point of view, they can look at the engagement of their content, the pictures, and the gender, age, and location of the audience. The benefit of YouTube Studio is that the artist can see what works for them and what the audience wants to see. Also, the integration of YouTube Studio means that artists can find all their analytics for free without using a third party like Social Blade and VidIQ. Both companies have the same premise as YouTube Studio; VidIQ is YouTube-certified and has a free and paid version with more features.

In December 2005, when YouTube launched, it was only a video-sharing site. At the time, YouTube was using advertising like 'banner ads, promotions and sponsorships' (The Associated Press, 2006); it also included Brand Channels and Participatory Videos Adverts (PVA).

A PVA is an advert that users can interact with; for example, they can "rate, share, comment...and favourite advertising content" ('YouTube Announces Participatory Video Ads and Brand Channels - Internet Marketing NewsWatch | Internet Marketing NewsWatch', 2006). The benefit of PVA for YouTube or Google was that they could target the adverts to users. Seeing what they liked and wanted to see could increase interaction, creating more revenue for the company. PVA's benefited the consumer also as they could communicate their preferred content. Brand Channels were YouTube's channels that merged with other companies. The first was Warner Music Group opening a channel for Paris Hilton and using it to promote her first album in 2006. The hope was that brand channels would "generate revenue by incorporating advertising and sponsorship" (Haines, 2006). An example of sponsorship in the Paris channel case was FOX advertising their TV show Prison Break.

As millions of views were racking up, interest in how to further monetise these views was becoming necessary. In November of 2006, Google spent \$1.65 billion on acquiring YouTube (Luckerson, 2016) but didn't ditch its video streaming, Google Videos, until 2012. YouTube "had more social features" and was one of the "world's fastest-growing websites" It was clear what the people wanted, so Google went about acquiring it (Luckerson, 2016). Google then set about monetising YouTube using adverts.

In 2007, there was the integration of video advertising. In video adverts, a portion covered the lower half of the video a user watched. YouTube only used these adverts on a selected range of partners rather than the general YouTube uploader. Also, the adverts can be targeted to genre, demographic, geography and part of the day (Sweney, 2007). Furthermore, consumers are being targeted and will likely see adverts of interest. Helpfully, the platform would open a separate window when the user clicks the advert meaning there could continue with their videos and go to the advert later. Also, users can remove the advert if they don't want to see it. Since then, other advertisements have been incorporated into videos. YouTube has added more than one advert to videos; not all are skippable, making the users watch. Also depending on the length of the video depends on whether there will be multiple ad breaks. Non-Skippable ads are something that YouTube originally

only offered to selected partners since the option has been open to creators in the Partner program (Munson, 2018). Creators will be able to claim further revenue.

One hitch in YouTube's plan for advertising was that on multiple occasions, brands have pulled out of advertisement spending due to the content their adverts were being attached to. YouTube doesn't place adverts but uses an algorithm that places them according. The algorithm is why these brands were pulling away from YouTube; specifically, in 2017, the problem was that adverts were placed on videos containing hate speech and offensive content (Statt, 2017). From an advertiser's point of view, this is incredibly bad for business and likely wouldn't sit with the values of the companies; the placement of the ads potentially indirectly funded extremists (Hern, 2017). This could have been better for YouTube as more companies boycotted the platform and further boycotted some of Google's ad exchange technology (Statt, 2017).

Google's response to this was that their current "policies and tools work as intended. But at times we don't get it right" (Hern, 2017); they went on to apologise and looked to secure policies and reimagine guidelines to prevent the kind of content that is upsetting users and advertisers alike. Another boycott occurred in 2019 when advertisers found inappropriate comments on children's videos (D'Onfro, 2019). Google/YouTube needed to reinvent its policies; had they left it as it was, advertisers would not have returned, and YouTube would have started to lose revenue. One Company in particular, AT&T, went during the 2017 issues and didn't return to YouTube until January 2019, coinciding with further issues regarding the platform and its inappropriate content. Before the 2019 issues, AT&T worked closely with Google whilst away from the platform to ensure they were "confident no other ads would be mixed up in the unapproved content (Dang, 2019).

Even so, YouTube is protected by Section 230. In 1996, a free speech on tech platforms section was passed (Bhuiyan and Paul, 2023). YouTube, Facebook, and Twitter are sheltered from the content users upload because the user is the author with the intent. To relate this to YouTube and Rightsholders, section 230 could argue that YouTube couldn't be blamed for copyright infringement and that the creator uploading the content could be to blame. It is not YouTube's intent to infringe on artists' rights but to allow creators to upload content freely. What reassigns blame is where YouTube make money on such videos from adverts and initially didn't have deals with record labels. Section 230 protects some social media and YouTube, so it would be interesting to see what streaming services it covers.

To summarise, YouTube started as a video uploading point but has since become a medium in multiple parts of the industry. The YouTube revenue machine has battled with advertisers, competitors, users, and record labels. Whilst hiding behind the safety net of Section 230, YouTube and Google have still acted towards the wishes of the above parties. One of the most extensive discussions was on royalties paid by YouTube. What YouTube lacks in royalty payments, it makes up for in engagement and reach, with 2.6 Billion users in the reach (GMI Blogger, 2023). The accessibility of YouTube to the user is a simple interface powered with a Google algorithm to keep the user interested whilst helping them discover new content and creating additional views and further information to advertise to the user. For the artist, it is a revenue stream with numerous, effortless additions daily and a platform that can help create more connections with the audience. Using different kinds of content

and the like, share and comment sections give an artist a better understanding of the fanbase and allows for guidance into what's next for the artist. There is still the issue of inappropriate comments and content, but again, this falls to section 230. However, Google is taking responsibility and trying to create a safe environment for everyone.

Something that is not covered is YouTube's competitors extensively. In future research, comparing YouTube to its competitors and how they handled similar copyright issues would be helpful. MySpace, as one example. Myspace was a social platform that enabled streaming music and artist-to-fan contact and was somewhere artists could promote themselves in the early days of the Internet. YouTube overtook Myspace in its daily visitors (Sweeney, 2006). It would be resourceful to compare YouTube to popular streaming services, music and Video and again compare how they handle copyright infringement and routes around it that YouTube could adopt.

Bibliography

Adobe Express (2023) *Guide to YouTube Creator Studio for marketers and content creators*. Available at: <https://www.adobe.com/express/learn/blog/youtube-creator-studio> (Accessed: 20 April 2023).

Bergen, M., Shaw, L. and Bloomberg (2021) *Youtube says it has paid out more than \$30 billion to online creators*, *Fortune*. Available at: <https://fortune.com/2021/08/23/youtube-30-billion-ad-sales-online-creators/> (Accessed: 20 April 2023).

Bhuiyan, J. and Paul, K. (2023) 'How two supreme court battles could reshape the rules of the internet', *The Guardian*, 22 February. Available at: <https://www.theguardian.com/law/2023/feb/21/us-supreme-court-twitter-google-lawsuit-internet-law> (Accessed: 21 April 2023).

Cawley, C. (2015) *From MTV to YouTube: A Brief History of Music Videos*, *MUO*. Available at: <https://www.makeuseof.com/tag/mtv-youtube-brief-history-music-videos/> (Accessed: 20 April 2023).

Dang, S. (2019) 'AT&T ads returning to YouTube, two years after pulling back over content', *Reuters*, 18 January. Available at: <https://www.reuters.com/article/us-at-t-advertising-youtube-idUSKCN1PC1GX> (Accessed: 21 April 2023).

D'Onfro, J. (2019) *Advertisers Boycott YouTube — And If History Is A Guide, They'll Be Back Soon*, *Forbes*. Available at: <https://www.forbes.com/sites/jilliandonfro/2019/02/21/advertisers-boycott-youtube--and-if-history-is-a-guide-theyll-be-back-soon/> (Accessed: 21 April 2023).

Edmond, M. (2014) 'Here We Go Again: Music Videos after YouTube', *Television & New Media*, 15(4), pp. 305–320. Available at: <https://doi.org/10.1177/1527476412465901>.

Foxx, C. (2016) 'YouTube defended in row over music royalties', *BBC News*, 12 May. Available at: <https://www.bbc.com/news/technology-36268581> (Accessed: 20 April 2023).

G, A. (2021) *Spotify vs. Youtube Music: Which Is Better?*, *Headphonesty*. Available at: <https://www.headphonesty.com/2021/03/spotify-vs-youtube-music/> (Accessed: 20 April 2023).

GMI Blogger (2023) 'YouTube Statistics 2023 [Users by Country + Demographics]', *Official GMI Blog*, 12 April. Available at: <https://www.globalmediainsight.com/blog/youtube-users-statistics/> (Accessed: 21 April 2023).

Google (2023) *Using Content ID - YouTube Help*. Available at: <https://support.google.com/youtube/answer/3244015?hl=en-GB> (Accessed: 18 April 2023).

Haines, L. (2006) *YouTube launches Paris Hilton channel*. Available at: https://www.theregister.com/2006/08/23/paris_hilton_channel/ (Accessed: 21 April 2023).

Hern, A. (2017) 'Google to overhaul advertising policies after growing boycott', *The Guardian*, 21 March. Available at: <https://www.theguardian.com/technology/2017/mar/21/google-advertising-boycott-hateful-offensive-content> (Accessed: 21 April 2023).

History.com editors (2009) *MTV launches, HISTORY*. Available at: <https://www.history.com/this-day-in-history/mtv-launches> (Accessed: 20 April 2023).

I, T. (2023) 'How Much Does YouTube Pay Per Stream And What Other Streaming Platforms Pay? | TuBeast.com', / *TuBeast.com*, 23 January. Available at: <https://tubebest.com/how-much-does-youtube-pay-per-stream-and-what-other-streaming-platforms-pay> (Accessed: 20 April 2023).

Ingham, T. (2016) *YouTube earnt \$9bn in revenue last year, towering over Spotify, Music Business Worldwide*. Available at: <https://www.musicbusinessworldwide.com/youtube-will-earn-9bn-in-revenue-this-year-towering-over-spotify/> (Accessed: 20 April 2023).

Iqbal, M. (2023a) *Spotify Revenue and Usage Statistics (2023), Business of Apps*. Available at: <https://www.businessofapps.com/data/spotify-statistics/> (Accessed: 20 April 2023).

Iqbal, M. (2023b) *YouTube Revenue and Usage Statistics (2023), Business of Apps*. Available at: <https://www.businessofapps.com/data/youtube-statistics/> (Accessed: 20 April 2023).

Katzowitz, J. (2018) *What happened to YouTube Red?!*, *The Daily Dot*. Available at: <https://www.dailydot.com/upstream/youtube-red-vs-youtube-premium/> (Accessed: 20 April 2023).

Kwok, F. (2019) 'The emergency of YouTube as a Web 2.0 platform has cultivated a community – The 10th Debating Communities and Networks Conference', 26 April. Available at: <https://networkconference.netstudies.org/2019Open/2019/04/26/the-emergency-of-youtube-as-a-web-2-0-platform-has-cultivated-a-community/> (Accessed: 20 April 2023).

Leeds, J. (2006) 'Warner Music Makes Licensing Deal With YouTube', *The New York Times*, 19 September. Available at: <https://www.nytimes.com/2006/09/19/business/media/19tube.html> (Accessed: 20 April 2023).

Luckerson, V. (2016) *A Decade Ago, Google Bought YouTube — and It Was the Best Tech Deal Ever, The Ringer*. Available at: <https://www.theringer.com/2016/10/10/16042354/google-youtube-acquisition-10-years-tech-deals-69fdb1c8a06> (Accessed: 21 April 2023).

Munson, B. (2018) *YouTube letting more creators have non-skippable ads, Fierce Video*. Available at: <https://www.fiercevideo.com/video/youtube-letting-more-creators-have-non-skippable-ads> (Accessed: 21 April 2023).

Popper, B. (2016) *YouTube to the music industry: here's the money, The Verge*. Available at: <https://www.theverge.com/2016/7/13/12165194/youtube-content-id-2-billion-paid> (Accessed: 20 April 2023).

Rogers, H., Freitas, J. and Porfírio, J.F. (eds) (2023) *YouTube and Music: Online Culture and Everyday Life*. Bloomsbury Academic. Available at: <https://library.oapen.org/handle/20.500.12657/61935> (Accessed: 20 April 2023).

Sorkin, A.R. and Peters, J.W. (2006) 'Google to Acquire YouTube for \$1.65 Billion', *The New York Times*, 9 October. Available at: <https://www.nytimes.com/2006/10/09/business/09cnd-deal.html> (Accessed: 20 April 2023).

Spangler, T. (2015) 'YouTube Red Unveiled: Ad-Free Streaming Service Priced Same as Netflix', *Variety*, 21 October. Available at: <https://variety.com/2015/digital/news/youtube-red-launches-ad-free-svod-netflix-1201623219/> (Accessed: 20 April 2023).

Staff, B. (2006) 'YouTube Strikes Deals With UMG, Sony BMG, CBS', *Billboard*, 9 October. Available at: <https://www.billboard.com/music/music-news/youtube-strikes-deals-with-umg-sony-bmg-cbs-1349372/> (Accessed: 20 April 2023).

Statt, N. (2017) *YouTube is facing a full-scale advertising boycott over hate speech*, *The Verge*. Available at: <https://www.theverge.com/2017/3/24/15053990/google-youtube-advertising-boycott-hate-speech> (Accessed: 21 April 2023).

Sweney, M. (2006) 'YouTube overtakes MySpace', *The Guardian*, 31 July. Available at: <https://www.theguardian.com/technology/2006/jul/31/news.newmedia> (Accessed: 21 April 2023).

Sweney, M. (2007) 'First ads appear on YouTube clips', *The Guardian*, 22 August. Available at: <https://www.theguardian.com/media/2007/aug/22/advertising.digitalmedia> (Accessed: 21 April 2023).

Sweney, M. (2017) 'Music industry goes to war with YouTube', *The Observer*, 15 April. Available at: <https://www.theguardian.com/business/2017/apr/15/music-industry-youtube-video-streaming-royalties> (Accessed: 20 April 2023).

Taysom, J. (2022) *The first music video to be aired on MTV*. Available at: <https://faroutmagazine.co.uk/first-music-video-aired-mtv/> (Accessed: 20 April 2023).

The Associated Press (2006) *YouTube expands types of advertising*, *NBC News*. Available at: <https://www.nbcnews.com/id/wbna14464285> (Accessed: 21 April 2023).

'YouTube Announces Participatory Video Ads and Brand Channels - Internet Marketing NewsWatch | Internet Marketing NewsWatch' (2006), 23 August. Available at: <https://www.imnewswatch.com/2006/08/23/youtube-announces-participatory-video-ads-and-brand-channels/> (Accessed: 21 April 2023).

YouTube Music (2021) *Music Business Worldwide*. Available at: <https://www.musicbusinessworldwide.com/companies/youtube/youtube-music/> (Accessed: 20 April 2023).