

CASE STUDY:

THE CHALLENGES & STRATEGIES IN THE
COMMERCIALIZATION OF MUSIC AND
ENTERTAINMENT CONTENT ON YOUTUBE

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YouTube Case Study

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INTRODUCTION

The music industry has undergone a fundamental transformation from being analogous to physical products, to an increasing focus on the digital sphere (Kusek & Leonhard, 2005). Everything in the process from the creation, marketing to the distribution of music is therefore now carried out on a completely new infrastructure, which requires that the new technology and the new media be used in a different way than before. The music industry has therefore become one where it has become increasingly easier to spread one's music and be seen on a global market but with increased competition.

One way which has developed over the last few decades has been where artists can spread their music digitally is through the YouTube platform, where moving images and sounds can be combined into new interactive marketing activities. This case study reviews the history of the platform, business strategies to utilize in the commercialization of digital assets and the challenges YouTube face with digital content.

HISTORY OF YOUTUBE

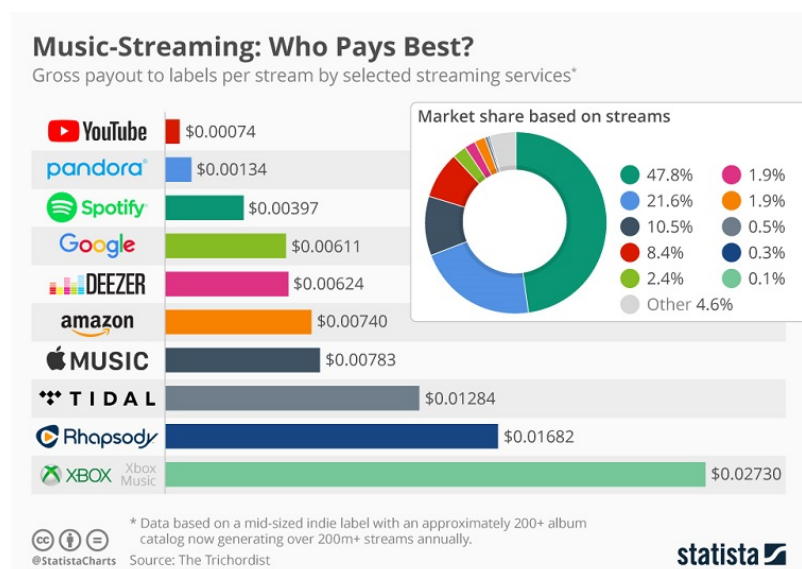
In 2005, three employees of PayPal, Chad Hurley, Steven Chen and Jawed Karim, quit their jobs and worked together to find a new business opportunity. After a brief study of the market, they found that there would be a demand for a service where one could download, watch and share videos (Miller 2011; 6).

The master of the idea, Karim, remained in the company in the background and at the same time completed a master's degree in information technology at Stanford University. Chad Hurley was appointed CEO due to his knowledge in user interface design. Steven Chen was appointed chief technology officer (Jarboe 2009; 7). The YouTube domain was registered in February 2005. The trio developed the platform in Hurley's garage, and a beta version of the site was released in May of the same year. The beta phase was passed in December 2005 when YouTube was officially declared open (Miller 2011; 6).

Before the release of YouTube on the Internet, it was possible to watch videos in very different ways. The user had to download some media player, and each file format had its own. Applications were provided by e.g. Microsoft Windows Media, Real Networks or Apple's Quick Time. YouTube, on the other hand, played videos using Flash technology. Flash is an animation software that allows videos to start playing quickly without preloading (Penenberg 2009; 190). The service was received by the audience at a record rate making YouTube one of the fastest growing sites in the history of the Internet. In the first month, the site had three million visitors, which multiplied by more than tenfold by the end of December, when 38 million visitors had already visited the site (Miller 2011; 7) Just 21 months after starting the company, in October 2006, Google bought YouTube for \$1.65 billion. Within a few months, Google added YouTube data to the video results of its own search engine (Jarboe 2009; 24).

Throughout the history of the company, YouTube has always had a fractious relationship with the wider Music Industry. YouTube may be the largest music

streaming service in the world (Frankel, 2017) by a long shot, but it is also seen as the largest villain by many within the industry (Dredge, 2016). The British Phonographic Industry (BPI), the main industry body in the UK has in the past proactively targeted and attacked YouTube (Plunkett, 2016) over the "Value Gap between the number of songs being streamed on its service, and the money that those streams are being generated for rights holders and musicians." As shown in the Statista graph above, YouTube consistently comes last in gross payouts to labels per stream (Statista, 2019).



BUSINESS AND MARKETING STRATEGIES

There are many digital media platforms and social networks that Independent artists and content creators use to commercialize and exploit their digital assets. YouTube has managed to develop various phenomena that have led to mass popularity and are part of the secret to its success. Some of these marketing strategies to employ are explained in the following section:

VIRAL VIDEOS

In this context, viral refers to videos that have become popular on the Internet through their popularity. The popularity of a viral video is spread rapidly from person to person like the virus that makes up the term “viral”. The term viral most often refers to videos, but can also be associated with images, text, or really anything (Cooman 2013).

YouTube videos have the potential to become viral due to the channel’s high overall potential. On YouTube, audiences also tend to participate in and enhance viral phenomena by creating related reaction, opinion, or parody videos that link to the original video (Allocca 2012).

The public is also challenged to participate in challenge phenomena in which there is not necessarily one particular viral video, but a large viral mass. A good example is the Harlem Shake phenomenon, where groups of people created their own Harlem Shake videos on YouTube. The videos feature a simple opening dance and a wilder part of the final dance, with an artist named Baauer, Harlem Shake, playing in the background. In the first two weeks, more than 40,000 Harlem Shake videos were created on YouTube and viewed more than 175 million times. The challenge also became apparent in the traditional media as public figures and TV shows created their own versions of it (YouTube 2013a.)

A single video gets a boost on general terms, as it can only naturally become viral by getting a lot of likes and shares on social media. A video culture like YouTube can elevate anyone to fame, making publicity no longer dependent on the opinions of traditional media makers. The

unique idea, humor and surprising elements make the video stand out and becomes viral (Allocca, 2012).

YOUTUBE AND MOVIES

In 2009, YouTube introduced several free movies to the service. In the spring of 2011, YouTube also brought users a movie rental service. According to it, a lot of new and classic films were brought to the site, which could be rented for 35 hours at a time for a few dollars apiece. The operation is part of YouTube's strategy to bring all user video services under one roof (YouTube 2011a). By attaching songs or digital assets to Synch and Publishing opportunities, content creators have the ability to monetize another stream of revenue.

PLAYLISTING

One of YouTube's greatest features to utilize in the marketing and promotion of digital assets is its Playlist functions. Playlists are an easy way to boost your presence on YouTube. When Labels and Publishers already have a content catalogue, with some slight restructuring you can fully leverage your content and the initial marketing investment. Playlists on YouTube offer many benefits for your brand and content (Muralidhar, 2020). The ability to improve viewing times on assets, boost the overall online video rankings, showcase the best work, reach out and educate viewers and fans alike, and organize your digital content will mean your assets are being exploited to their full value. (Fresh Ink Marketing, 2016).

VEVO

In 2009, music videos took over YouTube when YouTube launched the Vevo platform. Vevo was born as a result of a collaboration between YouTube and major music companies including Universal Music Group, Sony Music and EMI (YouTube, 2009). While this arrangement brought clarity to the copyright disputes over online videos, fans around the world were not happy. Vevo's technology prevents users from downloading a video or soundtrack with pirated software that annoys members of a generation accustomed to piracy. However, content is

divided into different countries raises the most differences. Music companies do not operate in all countries, and as such some music videos are not distributed in certain countries.

YOUTUBE LIVE

In 2011, YouTube expanded its operations to include live broadcasts as well. The live form was initially targeted for concerts, sporting events and interviews. In addition, the live opportunity was also tested in connection with YouTube's partnership program (YouTube 2011b). In 2020 the uncertainty of COVID-19 and the destructive effects of Lockdown has led to huge losses of revenue in the Live & Touring side of the music industry (Sweeney, 2020). Despite the fear and gloom of the immediate future, the global demand for music and content remains high and will almost certainly continue to grow (Wired, 2020). Many artists have seized this opportunity to refine their craft during this lockdown, but also offer Live Performances on Digital platform and streaming services. This new revenue stream at a time of financial uncertainty can really aid in the development of content creators overall catalogue of works.

YOUTUBE REVENUE MECHANISMS

YOUTUBE AFFILIATE/AD REVENUE

In 2007, YouTube launched its affiliate program site for the most popular US and Canadian channels. The idea of the partnership program was to give active video producers the opportunity to turn their hobbies into financial gain and encourage them to produce their own content. Initially, only a few of the channels with the most followers were invited to the affiliate program, but later an application form was published that allowed anyone to apply for the affiliate program (YouTube 2007).

All Users over the age of 18 whose home country uses the program can apply for the partnership program. There are two ways to make money from your own videos through the affiliate program. Videos can either be turned into paid so-called "rental videos" or accept YouTube's own advertising practices. Rental videos do not show ads and the user is free to set the price of the video (YouTube 2010b). In order for a YouTube channel to qualify for an affiliate program, it must meet at least three specific criteria. The channel's videos must be legal, meaning that the channel must own the rights to all of its content. Another criterion is popularity: videos must be updated regularly and have a large number of viewers. No flat viewer numbers have been defined, and each application was processed individually. In addition to the channel, the affiliate program can be applied to individual videos that have gained viral popularity (YouTube 2010b).

ROYALTIES

Historically, YouTube hasn't been known for paying out the highest royalty rates. The graph provided by Song Trust (right) shows YouTube consistently paying the least per stream (Lorinczi, 2018). However, in the battle for eyeballs, YouTube retains its slot as the largest video streaming service in the world (Statista, 2020) boasting over 2+ Billion users monthly – one third of the entire internet (Press -YouTube, 2020). While royalty rates remain low because of YouTube's ad-based model (vs. Spotify subscription based) many content creators may use YouTube as a 'Loss Leader' to tap into the huge market share and audience, as part of the overall Promotional & Marketing Strategy.

INTERACTIVE STREAMING

STREAMING PLATFORM	PAYOUT RATE
 amazon music	\$0.0074 per play
 MUSIC	\$0.00783 per stream
 YouTube	\$0.00074 per stream
 Spotify	\$0.0038 per play
 pandora	\$0.00134 per stream
 TIDAL	\$0.01284 per stream
 Google Play Music	\$0.00676 per stream
 DEEZER	\$0.0064 per stream
 napster.	\$0.019 per stream

UPSELLING MERCHANDISE

Most established artists and content creators these days already have infrastructure in place for Merchandising and eCommerce. A revenue stream that IP rights holders are taking advantage of these days is cross selling and up selling of merchandise and other digital content and assets directly from YouTube (Matsakis, 2018). Having gone through all the hard work of getting eyes and ears directed towards your content, it doesn't take much extra effort to set up links directly to your eCommerce store to potentially bring in larger revenue streams.

SPONSORED VIDEOS AND BRAND PARTNERSHIPS

In the distant past, the opportunity to work with large brands & strategic partnerships was thought to be out of reach for many (BrandConnect – YouTube, 2020). New Media and the gradual evolution of YouTube has allowed creatives and artists a voice, and a dedicated audience willing to invest time and money. To companies, your IP can be a valuable brand because of the niche audience you've nurtured and built trust in. Relationships with fanbases can now be directly monetized and bring a human element to new advertising and collaboration opportunities (Poore, 2020).

CHALLENGES TO YOUTUBE'S DISTRIBUTION OF MUSIC

The main challenge to YouTube's current distribution of music comes from the European Union's "Directive on Copyright in the Digital Single Market" (Stassen, 2019). On April 15, 2019, the European Copyright Directive was passed through by EU's Council of Ministers. The digital single market will now be harmonized with a unified copyright law and by June 2021, all member states will have implemented the directive. Included in it is the controversial Article 13 provision (renamed Article 17), which has the ultimate aim to make large Tech Companies and

Digital Service Providers like Facebook and YouTube liable for copyright-infringing material on their platforms. This would directly challenge the 'safe harbor' protections afforded to many of these companies in the EU (Stassen, 2020). The previous copyright directives in the Union conflicted with the legal protection of other rights and interests. For example, the interplay between copyright and the freedom of the press, freedom of information and freedom of expression is somewhat unclear and incompatible. Although the freedom of expression does not mean that users are allowed to take someone else's work, it does guarantee the freedom to express themselves in their own words about the protected work. The spirit of freedom is a free and all-encompassing enlightenment, a free artistic creation and a free exchange of opinions. Thus, actions that restrict copyright are required in order to satisfy freedom of expression. Discussions in recent years have been about how limited these freedoms should be in relation to copyright, based on the fact that platforms such as YouTube earn enormous income on protected material that the author is not allowed to take part in. The previous directives 96/9 / EC, 2001/29/EC and 2009/24/EC have had a negative impact on the functioning of the internal market with the collisions, which in turn has become increasingly relevant in the digital millions in cross-border use. The importance of copyright legislation in the Union has long been recognized, and more timely legislation was therefore in place (Ahlander et al., 2019).

The second chapter of the fourth section of the Directive provides for protected content used by online providers. Article 17 obliges intermediaries for online storage services available to user-uploaded sounds, images, videos and other copyright infringing articles to be responsible for everything uploaded on the platform under certain conditions. As of 6 June 2019, each of the Member States is responsible for initiating dialogues between all parties concerned by Article 17. Facebook, YouTube, the Patent and Market Court and the National Association of Artists are some examples of companies, authorities and organizations that are invited. The parties are given the opportunity to discuss a suitable industry practice that will suit both steering wheel holders and online suppliers. Thereafter, Member States, in consultation with the Commission, shall establish guidelines for the application of this Article.

The implications of Brexit and The Withdrawal Agreement meant that while there was uncertainty surrounding the legal framework and to address the issues surrounding it, the UK Government introduced a new Amendment to an Act titled “Intellectual Property (Copyright and Related Rights) (Amendment) (EU Exit) Regulations 2019(Intellectual Property (Copyright and Related Rights) (Amendment) (EU Exit) Regulations 2019) under the powers of the European Union (Withdrawal) Act 2018.” (Changes to copyright law from 1 January 2021, 2020)

The aim of These regulations is to remove or correct references to the EU, EEA, or member states in UK copyright legislation to preserve the effect of UK law where possible (GOV.UK, 2020)

CONCLUSION

For companies and other players in the music industry, YouTube is obviously a valuable and effective way to market music. However, to utilizes the full potential of the platform and optimizing the use can result in increased exposure, new fans and increased sales. Adopting a professional approach to the use of the site is recommended, something that many players in the music industry seem to lack in today's law.

In today's digital landscape, the copyright's various protection interests are becoming more and more numerous. They are responsible for the legislator to balance, which is highlighted in the previous work with and the current implementation of the Digital Single Market Directive. The copyright contains rights that indirectly insure an income source for the content creators. It regulates a market in which dominant platforms make money on their users. All these rights must be met in the best possible way. Based on these findings, the belief is YouTube will continue to make up a huge part of any artist or content creators' online presence in the Marketing Segment.

Word Count: 2721

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