

TILEYARD EDUCATION

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1. Introduction

YouTube LLC is one of the biggest and most influential online video streaming platforms currently on the internet with 2 billion active monthly users in 2019. (Iqbal, 2019). The site enables anyone to create and share personal videos with an audience. YouTube's motto reads: "Our mission is to give everyone a voice and to show them the world." (YouTube, 2020) Freedom of expression, information and opportunity and freedom to belong are the platform's main core values.

Popular content categories include gaming videos, fashion and makeup vlogs, comedy, music videos, how-to videos and reviews. (Brown, 2018) These videos can range from a few seconds to a maximum of 12 hours or 128GB and are generally free to upload and free to watch for anyone. (Google Support, 2020)

This essay will explore some of YouTube's history, identify its main features, benefits and revenue streams and then analyze some of the problems that the platform faces.

2. History and Main Features of YouTube

Created by the three former PayPal employees Chad Hurley, Steve Chen, and Jawed Karim, YouTube launched in the United States of America (USA) in February 2005 after receiving an \$11.5m capital investment from Sequoia Capital. (Ace X, 2016) The first video to ever be posted was a 19 second video clip filmed by Jawed Karim about his visit to the San Diego Zoo and the first video to reach over one million views was an advertisement clip posted by Nike in September 2005. This success proved the immense potential for brands to advertise on YouTube and reach a broad audience. Advertisement revenue is YouTube's number one source of income and had been YouTube's primary revenue stream until 2014.

By December 2005 around 8m videos were watched a day. (Gerald, 2010) Due to its rapid growth the platform was bought by Google LLC less than one year later in 2006 for \$1.65m. After Google's take over the site continued to grow and was finally released in the UK and eight other countries in 2007.

A major event in YouTube's history was the introduction of the Music Video service VEVO in collaboration with Vivendi in 2009. (McFadden, 2019) Vevo hosts high definition (HD) music videos from the three biggest record labels Universal Music Group, Sony Music Entertainment, and Warner Music Group. With this launch YouTube managed to become one of the most important websites for musicians. As a result, more high-end brands were attracted to create advertisement campaigns on YouTube.

To maximize revenue and also to improve its performance and offer more privileged services, the platform introduced the subscription service Music Key in 2014. It has since been rebranded twice, to YouTube Red and finally to YouTube Premium in 2019. Obtaining a premium account costs £11.99 monthly with cheaper options for students and families available. Premium members benefit from an ad-free service. Furthermore, members are able to download videos and watch them offline. Another long-anticipated feature is the possibility of streaming videos in the background with a locked screen on a mobile device. In the free version videos stop playing as soon as the viewer leaves the app or locks the screen. The final big feature of a YouTube Premium membership is that it also includes the premium

membership of YouTube's new music streaming service 'YouTube Music' which by itself costs £9.99 a month.

YouTube Music was launched just one year after the introduction of Music Key in 2015. It is an online music streaming service that works similar to Spotify and Apple Music. A few differences to other music streaming providers are its broad music library that includes all music added to YouTube, its improved algorithms and its better search functions thanks to its shared data base with Google. However, since Spotify has had a 9-year head start with its introduction in 2009, the competitor platform has a slightly better user interaction and more features such as custom playlists and more variety in podcasts.

(Argawal, 2019) Still, YouTube music offers many services that premium members can benefit from and the option to add a YouTube premium membership for only £2 might convince listeners and viewers alike to join.

In 2017 YouTube introduced its latest feature. 'SuperChats' and 'SuperStickers' are a new way for video audiences to directly interact with a creator during a live video by increasing the visibility of the comments they post. Depending on the budget, paid comments are highlighted by colour and pinned to the top of the conversation bar for a certain amount of time ranging from zero seconds to five hours. Prices range from \$1 to \$500 (see Appendix 1)

3. Individual Benefits from using YouTube

The platform YouTube offers many benefits to all parties involved in its services. Depending on their needs, different parties can make use of the platform in different ways.

3.1. YouTube LLC

The first party that gets use out of the existence of YouTube is obviously YouTube LLC itself. YouTube is a for-profit company that makes revenue by keeping percentages of all of the revenue streams. The revenue streams are: Brand advertisement, subscription services and extra features such as SuperChats. Each revenue split between YouTube and the video creators is calculated differently. Ad revenue for example is split 55-45 between the platform and the creators with 45% going to YouTube. In 2018, YouTube's US ad revenue was estimated at \$3.36-\$4.43 billion. Super Chat revenue is split 70-30 with only 30% going to the creator.

3.2. Audience

The second party that benefits from the platform are the viewers. Viewers can access all contents for free and initiate direct communication between them, the creators and other users. With almost 500 minutes of new content being uploaded every minute, videos on almost any topic can be found. Besides its entertainment content, YouTube also contains a lot of educational and helpful channels. There is also the option to improve the site's functions by paying for one of the paid services.

3.3. Video Creators

The third party getting use out of YouTube are the video creators. Any person can create and share their content and benefit from the visibility. Other than visibility, YouTube channels can earn an income from uploading videos by allowing their video to show personalized ads in the beginning or during a video. To

start monetizing their videos a creator needs to have at least 4,000 hours of accrued watch time in the last 12 months and 1,000 subscribers. (Youtube, 2020) Furthermore, an AdSense account needs to be created and linked to the YouTube account. Ad revenue will get credited monthly and paid-out once it reaches \$100. Creators are required to pay income tax on their earnings. In 2013 the average Cost Per Thousand views (CPM) was \$7.60. (Rosenberg, 2018) This means that a video that reaches 1000 views only brings the creator \$4,18 revenue after the 55-45 split. In order to make a living from YouTube a creator has to reach at least around 500,000 views a month.

However, since the introduction of YouTube premium not all viewers actually bring in ad revenue. To make up for the lost ad revenue, creators receive a percentage of the income earned from premium payments. (Google Support, 2020)

Furthermore, SuperChats and SuperStickers can bring in extra income as well as improve communication with fans.

Lastly, musicians that share their music on their YouTube channel receive royalties for each broadcast.

3.4. External Brands

Brands and companies are the fourth party that benefit from YouTube by using the large audience and number of videos to advertise their products and services. YouTube advertises itself to potential brands with statistics from a survey of 18-49 years olds created in 2017. According to the survey, YouTube reaches 25% more audience than cable network and with a number of over one billion users almost one third of the entire internet population. (YouTube, 2019) To increase the success rate of ads, YouTube created the program YouTube Preferred. The program contains the top 5% most successful channels linked with special algorithms to personalize ads as well as possible and achieve the highest results. This program is supposed to attract high value brands to choose YouTube as a promotional tool and bring in large scale revenue.

4. Problems that YouTube encounters

Having freedom to share individual creations leads to the website being a very creative space. Contrary to public media such as tv and radio, people can share their own uncensored imagination. However, the freedom for anyone to upload any content they produce for free brings certain problems with it. Infringement of copyright, sharing of explicit or offensive content and age verification issues are just a few of them. In its beginning years, YouTube's main focus was to grow their number of users, improve the technology behind YouTube and the features it provides. The quality of the content was of lesser importance. This led to the platform encountering several legal issues within the past few years.

4.1. Copyright Issues

YouTube states in their terms of service that any content uploaded needs to either be owned by the distributing video channel or that a valid license, that allows the creator to use third party intellectual property, exists. In case of copyright infringement, the creator is legally responsible in the matter and not the platform. (Youtube, 2019)

Still, since its creation, the streaming service has seen many cases of copyright infringement, especially in the illegal broadcast of music.

One of these cases is the 2014-2015 lawsuit against beauty and fashion youtuber Michelle Phan who currently has just over 8.9m subscribers. (Youtube, 2020) The prosecutor was the electronic dance music (EDM) label Ultra Records who signed artists such as Calvin Harris and Kaskade. (Welch, 2014) Ultra Records sued Phan on the grounds that she had been using their music in the background of her videos without any permission. Even after informing her of her mistake and asking her to take down the music, she continued to use the music without any licenses.

Phan countered by stating that she did indeed seek permission and reached an agreement with Ultra Record's senior new media manager beforehand that allowed her to use the music in exchange of giving credit and providing an iTunes link in her video description. Phan's lawyers argued that Phan had fulfilled her part of the agreement and that Ultra Record had benefitted financially from Phan using their music. Furthermore, they complained that Ultra Records had abused the Digital Millennium Copyright Act by misrepresenting the situation and impaired Phan's relationship to YouTube. (Gardner, 2015)

Ultra Record's lawyers replied by stating that "no such license ever existed, and that even if any license of a more limited scope did once exist (and it did not), it was without consideration and was expressly revoked long before the filing of this lawsuit." (Lepera, Mullins, 2015)

This court case, whose settlement never got revealed to the public, is just one example of many others. While some of the infringements get persecuted, many others, especially on smaller channels, might remain undiscovered for a long time.

4.2. Offensive Content – Remove Ads from such videos – Demonetization

In 2017 YouTube encountered one of its biggest issues to date. After the release of a video by the most followed YouTube creator PewDiePie that contained antisemitic references, Disney decided to cut all ties with the channel. This led to PewDiePie, who currently has a total of 102m subscribers, to be removed from the YouTube Preferred program. Furthermore, brands were showing concern about their products being promoted on inappropriate channels which forced YouTube LLC to introduce stricter policies that allowed more control over which channels and which videos are allowed to make ad revenue. (Alexander, 2018) This policy was to ensure that brand partnerships would remain stable and that companies could feel comfortable to continue advertising via the streaming website. Algorithms were used to determine which videos showed explicit content and which videos were suitable for general-audiences. While the relationships with companies improved, many creators could feel an immediate drop in ad revenue of up to 90% which later decreased to an average of 40-60%

In August 2017, Youtube introduced a new feature to show channels which of their videos are being monetized and which are not. A dollar sign icon in the video manager appeared either in green (video monetized) or in yellow (video demonetized). Initial demonetized videos can be requested to get reviewed. This, however, can take some time which can result in revenue loss and larger channels are generally being prioritized. (Alexander, 2018)

Since the initial launch of the new system, YouTube has been improving its algorithms to ensure that only videos that are unsuitable for advertisers are being demonetized and that channels who do not breach the regulations receive full revenue.

4.3. FTC vs Google LLC Youtube LLC - “COPPA Case”

After the first demonetization crisis had settled, YouTube encountered another issue in September 2019. The Federal Trade Commission of the United States of America (FTC) brought charges against Google LLC and YouTube LLC for being in violation of the Children’s Online Privacy Protection Act Rule (COPPA). The indictment was that YouTube illegally collected personal information from children without their parents’ consent. (FTC, 2019) YouTube had been unable to verify viewers under 13 years which allowed younger audiences to view inappropriate content and therefore lead to YouTube collecting their personal data

The court ordered a \$170m penalty charge paid to FTC and the New York Attorney General for any past violations. A further repercussion was the introduction of a new system on the YouTube platform that is supposed to prevent future implications. The new rules, which asks Youtubers to determine whether their video is “Child-Directed” or not, came into place on 1st January 2020. From this date on, it is the creator’s responsibility to correctly flag a video. In case of violation the creator and no longer the entire platform is responsible in case of violation.

Child-directed videos are videos that are primarily directed towards children but also videos whose audience includes children, even if it is not their primary audience. Criteria that show that a video is child-directed include for example if a video contains characters, celebrities or cartoon characters that appeal to children or if it contains language that is intended for children to understand. Creators are also asked to analyze their audience statistics to determine whether their content appeals to children. (Google Support, 2020)

As the criteria are quite broad, some YouTubers that might not intentionally create videos for children might be affected as algorithms are not always correct in detecting which videos apply. Flagged videos no longer show personalized advertisements before or during the video. For creators this means that a primary source of income disappears.

5. Conclusion

YouTube LLC is a video streaming platform that praises itself to be a space where people can be creative and express themselves through the videos they share with the world. In recent years YouTube has encountered several issues due to this freedom of expression. New, stricter regulations have been put into place during the past few years to tackle these issues but enforcement has turned out to be quite difficult due to inaccurate algorithms.

Furthermore, some content creators, that have been operating on the platform for years, communicated their discontent about the new regulations limiting creativity. YouTube’s core values seem at risk if channels that do not conform to generic contents are punished by getting demonetized.

PewDiePie announced on January 15th 2020 that he would be taking a break from YouTube. (Pearce, 2019) This announcement is only one event of a changing landscape on YouTube.

The next few months and years will show if YouTube will manage to follow its stricter, safer guidelines while still remaining a platform that promotes creative freedom and belonging.

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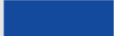
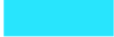
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7. Appendix

1) SuperChat Price List

Purchase amount (USD)	Color	Color name	Max. message length	Max. time in the ticker
\$ 1.00 - 1.99		Blue	0 characters	0 seconds
\$ 2.00 - 4.99		Light blue	50 characters	0 seconds
\$ 5.00 - 9.99		Green	150 characters	2 minutes
\$ 10.00 - 19.99		Yellow	200 characters	5 minutes
\$ 20.00 - 49.99		Orange	225 characters	10 minutes
\$ 50.00 - 99.99		Magenta	250 characters	30 minutes
\$ 100.00 - 199.99		Red	270 characters	1 hour
\$ 200.00 - 299.99		Red	290 characters	2 hours
\$ 300.00 - 399.99		Red	310 characters	3 hours
\$ 400.00 - 499.99		Red	330 characters	4 hours
\$ 500.00		Red	350 characters	5 hours

Note: There is a sitewide daily limit of \$ 500 USD.

Purchases less than \$ 5.00 USD do not display in the ticker.