



December 2023

YouTube

By Mark Costlow

The idea for YouTube was hatched when Steve Chen **hosted his friends** Chad Hurley and Jawed Karim for dinner at his apartment in California. The three former Paypal employees spent the evening taking videos and pictures and found they didn't have an easy way to share the videos with each other.

On February 14, 2005, they founded YouTube with a vision for a web site that made it easy for people to create, share, and watch videos. It was important that it be easy to use.

On April 23, 2005, they posted their first video, "**Me at the Zoo**," with Jawed Karim. The site launched as YouTube in November, 2005. It was a hit right away. The phenomenon of "Viral Videos", video content that becomes popular very quickly through Internet sharing, predates YouTube by over a decade. But YouTube turbocharged it by making it so much easier to upload, view, comment, like, and share videos.

Viral videos propelled the initial success of the site. "Chocolate Rain" in 2007 **racked up 4.5 million views in less than 4 months**, and in 2012 "Gangnam Style" was the **first to score 1 Billion views**, in less than 5 months. A combination of widespread broadband access and social media feedback loops helped fuel their popularity.

Life with Google

Google bought YouTube in 2006 for \$1.65 Billion, an enormous sum at the time, and their largest acquisition so far.

It is debatable whether YouTube could have scaled up successfully if they hadn't been acquired. Google brought a global network of high speed connections, dis-

persed data centers, and engineering resources gearing up for the cloud-based future they envisioned. Receiving, transforming, and serving out videos on such a large scale poses huge engineering challenges, and Google was uniquely suited to take them on.

Google has had **several failed forays into social networking** over the years, including Google+, Google Wave, Google Buzz, and others. But through them all, YouTube has remained one of their most popular properties, right behind the main search site, **accounting for 11%** of the parent company's revenue. **YouTube received 113 Billion visits** in October 2023, compared to the next highest, Facebook, at 26 Billion.

This popularity surely has not been sustained by viral videos alone. Also, the costs to run such a site are astronomical. Google has demonstrated they will **ruthlessly terminate** a project that is not making money. So how has it remained so successful?

The answer is: revenue sharing. This takes different forms for different creators but the bottom line is YouTube is an advertising delivery service, and they have deployed efficient methods to share ad revenue with creators, whether they are huge corporate record labels or lone hobbyists relating their expertise from a kitchen table webcam.

Piracy and Profits

In the first decade of the commercial Internet, there were no legal avenues to buy digital copies of popular music online. Music piracy was rampant and the record labels were locked in a test of wills (complete with lawsuits) against their own would-be customers. Steve Jobs famously broke this stalemate when he **made deals with the five major labels in 2002** and brought digital music sales to the iTunes Store.

Similar battles played out over the next 20 years over streaming (as opposed to purchased and downloaded) music and video. In the 2010s YouTube was often criticized for **cheating rights owners** by allowing users to upload and share copyrighted material. YouTube had a breakthrough in 2017 when they **signed deals with Warner, Sony, and Universal**.

The agreements not only allow these large copyright owners to get paid for publishing their own material on YouTube, they also provide a way for the general public to use popular songs in their own videos legally.

When one uploads a video, YouTube compares the audio and video to media databases provided by copyright holders. If found, that creates a "**Content ID Claim**". According to the wishes of the copyright owner, this may block the video from posting, or a revenue sharing option may be offered. In the latter case, ads will be placed on the video and the revenue from the ads will be shared between the poster, the copyright holder, and YouTube. Or, the poster might be allowed to share the video, but only if all the ad revenue sharing goes to the copyright holder. In that case, the copyright holder gets paid and the user is allowed to use the song or video clips as part of their video.

The onus is on the user to make sure they have rights to any copyrighted material they use. YouTube does not offer much help beyond the automated systems which implement the pre-arranged deals with rights holders. This is a frequent complaint among creators who have been unfairly penalized by the automated systems.

For example, a weekly newscast might play a clip which contains copyrighted images or sound. Such use would commonly be governed by the **Fair Use** doctrine of copyright law. But the automated systems aren't able to determine the larger context in order to allow the content. The video may get blocked, and the poster receive a **Copyright Strike**.

Since YouTube is now an ecosystem and economy of its own, these decisions can have huge impacts on creators' income. There is a dispute process, but it takes time. A weekly video cast's value is greatly diminished by being blocked for a day. Imagine if you went to work and found a note on your desk saying that **someone** reported you **may have parked** in the wrong space, and you are suspended. You can dispute the charge, but your paychecks have stopped immediately. It must be very stressful to live with that threat.

This issue, the danger of ceding control of one's life to "the cloud", is hardly unique

to YouTube. But the huge size and influence of YouTube make it a natural place for early examples of this conflict to emerge.

Using YouTube's platform has great benefits for creators. It insulates them from otherwise insurmountable technical challenges and provides a "commons" where billions of people can potentially see their work. The price for these wonders is giving up control of our own ideas, assets, and in some cases livelihoods.

Non-Ad Revenue

Many users don't like ads and will go to great lengths to find ways to skip them. The **YouTube Premium** service is simply "YouTube without ads". The revenue sharing deals for creators and rights holders still apply, just paid out of the subscription fees from the users instead of the ad fees from advertisers.

By The Numbers

We know YouTube is big, but just how big? **Here are some stats**:

- **500 hours** of video is uploaded **per minute** (up from 6 hrs/min in 2007)
- **694,000 hours** of video content are streamed to users per minute
- A creator makes about **\$2 per 1,000** views from ads. In other words, 1 million views = \$2,000
- **38 million creators** have active channels. About **2 million creators are enrolled** in the "Partner Program" to receive ad revenue.
- 2022 revenue was **\$29.2 Billion**
- YouTube Premium has surpassed **80 Million subscribers**

More YouTube Next Month

We've run out of space before covering the enormous breadth and variety of content hosted on YouTube. Next month we'll look at what is available, from the useful to the entertaining to the just plain weird. We'll also give a few tips on how to use YouTube more effectively.

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