Chapter 10

YouTube Changes Everything: The Online Video Revolution

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Abstract A group of Web startups is fundamentally altering how people, especially younger people, consume video content. The underlying cause is not just DVRs, time-shifting, and commercial-skipping. In just three years, because of the Internet, the nature of television consumption has changed dramatically.

This younger group is not comprised of passive consumers. They are multi-taskers, forum-chatters, mashup creators, and video stars themselves. Along with making the content personal, they are creating opportunities and challenges, while covering the costs of their entertainment with advertising.

While the transition to this next generation of television watching is inevitable, it is not clear exactly how and when the new industry developments will mature. This paper examines the developments in the last three years to understand how this has come about.

YouTube, the most popular video site, with 35% share of streams, dominates the US market today. The site’s rise came on the back of its technology. YouTube’s early premise was simple and groundbreaking: give users the ability to upload large video files and then send a link to their friends that would allow the videos to play directly in the friend’s browser. This does not sound so crazy now, but getting this to work needed a huge effort.

The compelling nature of video content…silly clips just asking to be forwarded… like Saturday Night Live’s Lazy Sunday and a home video depicting the “Evolution of Dance,” drove more and more people to the site. YouTube’s creators also did some very smart things: widgetizing their tools, making their video players embeddable on other Web pages, and tying into the popularity of personal expression sites like MySpace and blogs (Fig. 10.1).

From late 2005 to 2006 was a wild time in the world of Web video. Users uploaded anything and everything to YouTube, creating a sort of Library of Alexandria for all the world’s movie and television content. YouTube was expected to flame out much like Napster, becoming yet another casualty in the arduous process of digitizing media. But then Google, the maverick, wealthy search company, stepped in and paid $1.6 billion for YouTube. This occurred despite the fact
that Google Video was one of YouTube’s top three competitors, based on traffic. Google’s purchase of YouTube resulted in three developments:

1. It put an end to the uninhibited era of Web video
2. It instantly attracted lawsuits and payoffs to avoid lawsuits
3. It ensured that YouTube was going to be around for a long time

Google, which was not exactly big media’s best friend, tried to pave the way for its newly purchased company by partnering with media companies. They had some success with major labels, which enabled them to post music videos and license the use of songs in member videos. But that came at a price. Due to deals for equity in YouTube, Warner Music Group, Universal Music Group and Sony BMG received as much as $50 million from Google, soon after the sale.2

NBC and CBS, along with thousands of smaller partners, started posting promotional clips to the site. Viacom sued for $1 billion, claiming that the “DMCA safe harbor provision,” which YouTube and other sites used to protect themselves from copyright infringement liability arising from members uploading unauthorized content, was not valid.3

In a press release accompanying the lawsuit, Viacom asserted:

“YouTube is a significant, for-profit organization that has built a lucrative business out of exploiting the devotion of fans to others’ creative works in order to enrich itself and its corporate parent Google. Their business model, which is based on building traffic and selling advertising off of unlicensed content, is clearly illegal and is in obvious conflict with copyright laws. In fact, YouTube’s strategy has been to avoid taking proactive steps to curtail the infringement on its site, thus generating significant traffic and revenues for itself while shifting the entire burden – and high cost – of monitoring YouTube onto the victims of its infringement.”

YouTube has maintained that it is not legally required to screen uploaded videos before they are available on the site and furthermore that it would be a significant hindrance to the site’s performance to do so. However, in the meantime, it has introduced tools to screen for copyrighted video, albeit only the video that copyright holders have provided to YouTube for the purposes of such tests.5