

YouTube takes on TV

YouTube's investment in original content shows it's in a big hurry to become the new Channel 6, says **Kate Bulkley**





There'll be a point in the not-too-distant future where we'll be able to watch TV and YouTube will be Channel 6

Simon Cowell Syco TV



When Austrian extreme sportsman Felix Baumgartner plummeted from the edge of space towards Earth last month on YouTube, his stunt propelled the reputation of the online video platform as a plausible alternative to television in the opposite direction.

Across the globe, there were more than 8 million concurrent live streams of the daredevil in action – YouTube's largest-ever live audience.

Those stratospheric numbers have confirmed the idea that YouTube is a major factor in the future of television.

For the online cognoscenti, YouTube has been a must-watch destination for some time. Most UK broadcasters already have catch-up TV and archive channels on YouTube. And many sports clubs and leagues now put their clips on YouTube within hours of the matches.

Contrary to what some people still think, YouTube isn't only about videos of cats doing tricks on skateboards.

Granted, there is still a lot of that, and that is one of the platform's appeals, but there is also a growing amount of first-class content, and not all of it for kids. YouTube has operas and original animated series as well as the back catalogue of the hugely popular TED talks.

Meanwhile, YouTube spin-off channels for signature TV shows such as the UK's *The X Factor* and *Britain's Got Talent* are hugely popular: the two channels together have surpassed 1 billion views and they are among the top 50 most-viewed channels on YouTube. Online stars such as video prankster Casetteboy and UK rapper Jamal Edwards (SB.TV) have even started to break through to the mainstream.

More recently, TV execs such as Liz Mur-

doch and Simon Cowell have become YouTube cheerleaders. "There'll be a point in the not-too-distant future where we'll be able to watch TV and YouTube will be Channel 6," Cowell predicted.

At least 800 million people watch 4 billion hours of YouTube video every month – a third higher than a year earlier. And it's not all being watched on PCs, either: 1 billion views of YouTube content a day are on mobile devices.

According to data from OpenSlate, the top two ranking categories of YouTube channels are music and gaming. Together, they represent 45% of the 1,000 most-viewed channels on the platform. They are followed by comedy (14%), entertainment (13%) and how-to and style (7%).

Production companies and big studios such as Disney have shown interest in producing original content for the platform, but not fast enough for YouTube.

So, about 18 months ago the online operator began a reported \$100m investment initiative to fund more professionally made content.

"We wanted to pump-prime and jumpstart the original content on YouTube because it wasn't happening as quickly or in as diverse a range of areas that we wanted," says Ben McOwen Wilson, the former director of online for ITV who joined YouTube as director of EMEA in late 2010.

At the Mipcom TV programming market last month YouTube brought the plan to Europe, promising cash (up to \$2m per channel) for 60 new ideas from companies based in the UK, Germany and France.

Those already signed up to supply content include Hat Trick, Endemol, Zodiak Media and FremantleMedia's German unit UFA Film, plus BBC Worldwide, Jamie Oliver's Fresh One

company, ITN Productions, Bigballs Films and All3Media.

Significantly, the funds are offered as upfront payments, with the platform recouping its entire investment from advertising sales on the channels once they are up and running.

"We like to make content and we like to get paid," says Claire Tavernier, head of FMX, the digital arm of FremantleMedia, which has four YouTube-funded channels. "The idea of learning on someone else's dime how to make content on YouTube is a great opportunity. Why should we not take the money?"

Channel ideas have to include not only compelling content in attractive "verticals", such as entertainment or lifestyle programming, but YouTube has also insisted on coherent plans for how to attract and build audiences. The objective, according to YouTube's global head of content, Robert Kyncl, is to make YouTube channels better able to compete with traditional TV channels.

He told an audience of professional TV producers and broadcasters at Mipcom that YouTube is well on its way: "In the US we are making as much revenue per hour as ads on cable TV. That is great, great velocity."

Hat Trick has won funding to launch an original comedy channel in 2013 called *Bad Teeth*, in partnership with Base 79, a leading UK digital rights management company, which will help Hat Trick manage and promote the new channel across YouTube.

The plan for *Bad Teeth* is to mix online talent such as Casetteboy (his *Casetteboy vs the Bloody Apprentice* video has racked up 4.5 million views on YouTube) mixed with more established TV talent. Hat Trick expects to add two three-minute videos a week to its channel, supplementing that with recordings of live stand-up.

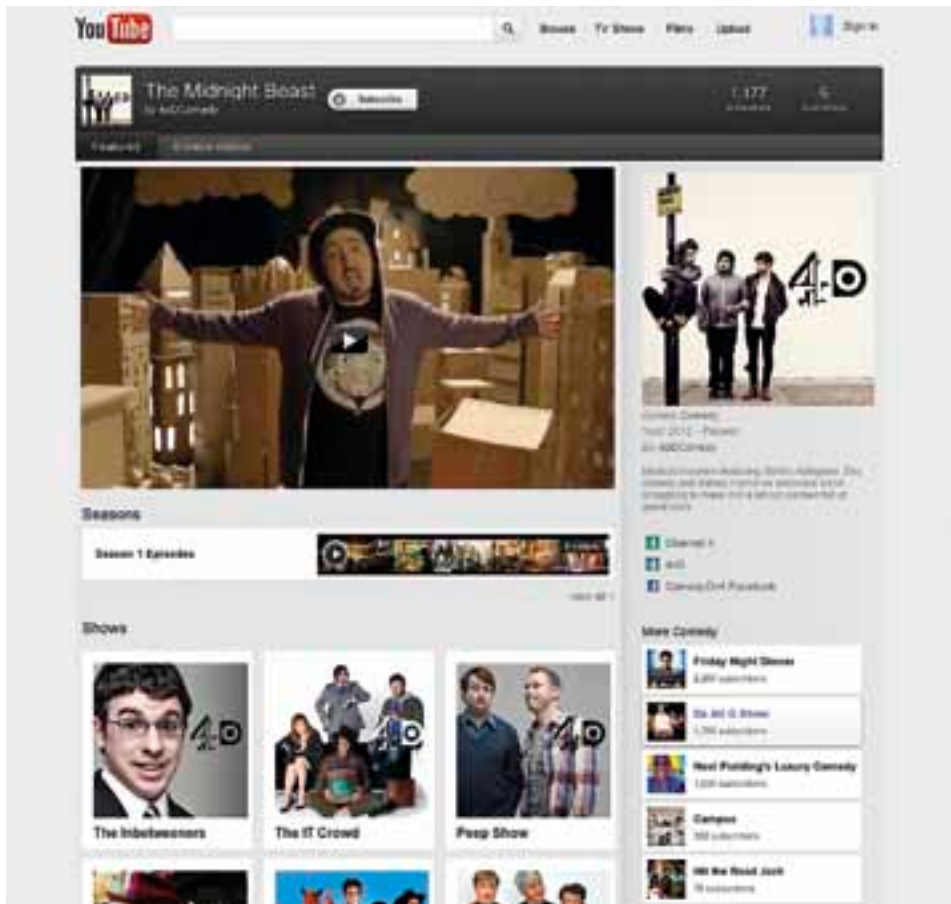
"With YouTube there is access to non-linear information about who is watching that is very interesting, especially when you compare it with the clunky system of TV ratings," says Jonathan Davenport, head of digital at Hat Trick Productions. "You can take bigger risks because you will know straight away if it's not working, and you can change it."

YouTube wants to accelerate the move beyond majoring on funny home videos of cats and babies to having more content that attracts first-time viewers and prompts them to click the all-important "subscribe" button. Since launching six months ago, FremantleMedia's Pet Collective YouTube channel has attracted 75,000 subscribers – putting it close to the 100,000 "magic number" that the platform has said is the key to success. ▶12



Richard Broughton
IHS Screen Digest

Five years ago YouTube was not a direct competitor to TV, but now with this professional content push it is potentially a danger to broadcast TV



Jonathan Davenport
Hat Trick Productions

With YouTube [you know] who is watching... You can take bigger risks because you will know straight away if it's not working, and you can change it

YouTube channels provide a way of drawing in subscribers – regular viewers – to broadcasters' content, whether it is a web-only show, such as *Midnight Beast* (left), or broadcast programmes

11 ► “The more subscribers you have for your channel the more views you are going to get. This is because when you log onto YouTube you are given the channels you subscribe to first,” explains Tavernier.

All of this represents the maturing of YouTube's content and progress towards its goal of attracting more and better quality advertisers. YouTube is expected by Citigroup media analyst Mark Mahaney to generate \$3.6bn in global revenue in 2012, a 50% increase on the previous year.

This is an impressive online figure, but less so when compared with TV ad spend (UK TV ad sales alone will total more than £3.2bn this year). YouTube also announced at Mipcom that it will launch paid subscription channels starting next year, although Kyncl was short on detail.

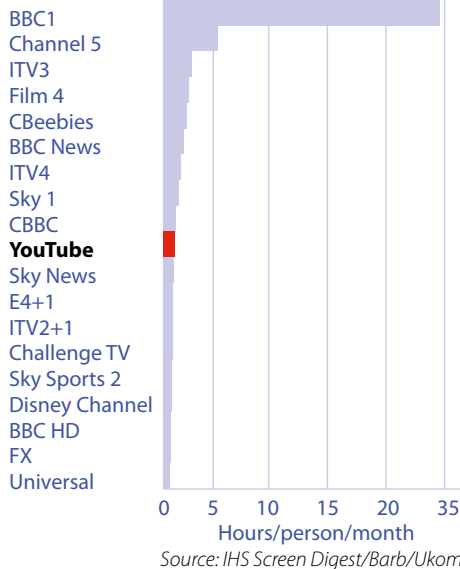
Alan Wolk, global lead analyst for KIT Digital, which works with big pay-TV operators, was sceptical about YouTube moving easily into pay-TV: “If YouTube is seriously going to introduce pay-TV products, it will need to come up with a new brand and new brand name to house them, maybe Google Pro. It also needs a much better user interface.

“The overly busy – and I'm being kind – YouTube layout works for the occasional viewing of *Gangnam Style*, but won't work for a two-hour movie.”

Some TV analysts see YouTube replicating the successful strategy of the US cable industry in the 1980s, when visionaries such as Ted Turner (CNN) and John Hendricks (Discovery Channel) started commissioning their own content because they couldn't afford anything else and they wanted it to be unique.

“Five years ago YouTube was not a direct competitor to TV, but now with this profes-

Time spent watching TV channels (Hours per person per month: selected channels)



sional content push it is potentially a danger to broadcast TV,” says Richard Broughton, head of broadband for HIS Screen Digest. He forecasts that in the UK per-capita viewing of YouTube equates to 47 minutes a month.

By this reckoning YouTube is getting more viewing than some TV channels, including Sky News, E4+1, Disney Channel, FX and Universal Channel (see chart on the left).

In the UK, the YouTube marketplace is surprisingly professional, with companies such

as Base79 and Rightster each operating hundreds of channels on the platform and helping content owners to manage and monetise their rights.

Being part of a group of channels helps on YouTube because it means you can cross promote, get bigger audiences and sell more advertising. The strategy is called being part of a multi-channel network (MCN), and is similar to the way Sky operates on its own platform of channels.

Base79 is one of the biggest MCNs in Europe, working with 300 partners and overseeing 550 channels on YouTube. Rightster, meanwhile, recently bought an equity stake in Viral Spiral, the UK talent management company representing the YouTube viral hit, *Charlie Bit My Finger*, the platform's most-viewed viral video. It has been seen a staggering 500 million times since it debuted in 2007.

“Google needs to make YouTube pay and it needs to grow up, but I think it still sees this period as about increasing the time spent on YouTube and improving the user experience,” says Base 79 CEO and founder Ashley MacKenzie. He points to the launch of skippable ads on YouTube two years ago, where users can choose to watch or not, and advertisers only pay if their ads are watched. “How many media companies can afford to do that?” he asks.

Clearly, YouTube is going through a radical change and is already a major player in how TV and TV-like content is being viewed and monetised.

“Believe at your own risk that [the YouTube] platform is based on homemade videos of cats in washing machines or a dog named Fenton,” Elisabeth Murdoch warned at the Edinburgh TV Festival in August. “YouTube is beginning to behave like a market leader.”