

Youtube has been messing with the magic quite a bit lately. Wide screen, high quality and the drive me crazy pre rolls to subscribe among many others. (BTW, watching the subscribe button scurrying around the screen was fun the first 300 times). But lets talk Youtube business. Thats the source of their desperation.

From all appearances, Youtube is trying to squeeze every last nickel they can out of Youtube. Overlay ads. Adding licensed content from major media companies. Segregating professional content like movies and TV shows. They are doing everything they can think of to create advertising inventory. Pre rolls, overlays, display ads, you name it. And thats before you get to the inventory the creators of the videos insert and overlay in the content itself. Does anyone else out there think that the advertising in youtube videos is more intrusive than any other form of content ?

Without writing a dissertation on the subject, what are the quick and dirty conclusions that we can draw from all of this ? Why all the desperate maneuvers ?

I see two plausible options:

1. Youtube's video delivery costs are far, far higher than the estimates we give them credit for. Youtube says they have 13gbs of user uploaded content EVERY SECOND. At 12 cents per gbs, thats about 50mm dollars per year in upload costs. If over the course of a year, each of that video is watched only 10 times, thats another \$500mm in bandwidth costs. If videos are watched more than 10 times, the number grows exponentially. Thats a lot of money, but if that number happens to be low, its easy to see why Youtube would be desperate in this economic climate.

or

2. Youtube is truly scared they are going to lose, or may feel they have already lost the Viacom case. They could fear a judgment that requires them to breakup Youtube into 2 websites. One only with content for which they have licenses and the other for purely user generated content on which they have zero advertising. That doesn't really sound like Google, but their actions do suggest they may fear they will have to negotiate a settlement with Viacom and the other plaintiffs.

In a recent NYTimes article they admitted to having lots of bodies doing nothing but reviewing for porn. Recently they said they are going to set higher standards for sexuality and profanity. If you can review for levels of porn, sex and profanity, you can review for copyright violations.

**Youtube seems to be acting as if they have already lost the suit. Rather than integrating licensed content into the "community" of user generated content, they are doing everything they can to segregate it. That is consistent with what I would guess Viacom would ask for in a settlement.**

If I'm Viacom, I ask not only for a big chunk of cash, but also for them to stop violating the DMCA . The solution is for them to set up 2 separate websites. One for content for which they have licenses and on which they can sell advertising, and the other on which they have user uploaded content and on which they can not sell any advertising. That would put them completely in compliance with the DMCA and make content owners happy.

The good news for Youtube is that other than the check they will write, they are well on their way to solving this problem. **A look at the current Youtube home page demonstrates the new reality of user generated content. Everyone wants to get paid. Rare is the widely viewed video that doesn't have a profit or stardom motivation.** For everyone else, they don't really care where their videos are hosted. They use Youtube to take advantage of the free hosting costs and will be viewed by friends and family.

Where does that leave Youtube ? Actually in a far better place. Two websites. One of which becomes a video search engine , with out any advertising, that hosts purely amateur video. The other becomes a Hulu on steroids. A destination site that becomes a real media site. It becomes the ultimate content DVR where users can expect to find professionally created content along side the amateur videos that Youtube thought enough of to license.

This segregation would also mean that Youtube could leverage all the monetization skills of Google and probably REDUCE the number and types of ads that have infested the current Youtube. The new site could be designed to maximize user satisfaction and revenue rather than skirt the language of copyright laws.

There is no question that Youtube is taking monetization to an extreme. Its either because their costs are more than anyone has estimated or because they are trying to squeeze every last dollar out of the current Youtube configuration before a big change