Online video sharing: Offerings, audiences, economic aspects

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1. Overview

The blurred boundaries of video sharing

Video sharing, originally offered by dedicated services based on user-generated content (UGC), is constantly evolving.

On the one hand, social networks – foremost among them Facebook – became major players as video developed into a key component of Internet content.

On the other hand, although UGC still accounts for the bulk of the content made available, the economic centre of gravity of video-sharing services is shifting towards the 'distribution' of a minority of semi-amateur or professional content types that benefits in various ways from the support of platforms, ranging from access to the sharing of advertising revenues to specific pre-funding arrangements.

Finally, for some players video sharing appears to form part of a strategy that is broader than merely making the service pay:

- the acquisition of additional user data enabling the targeting of audiences beyond the video-sharing service;
- contribution to increasing the traffic generated by social networks;
- long-term creation of a complete ecosystem for the distribution of online video content that covers not only UGC but also media group productions or pay-TV packages.

Investments in programmes to pump-prime the market?

In this context, one of video-sharing platforms' key objectives is to create a virtuous circle: attracting a critical mass of original content that will build a qualified audience that is likely to make a significant contribution, through advertising revenues, to making these programmes pay for themselves.

In order to initiate this process, the platforms invest in original content and acquire certain rights to broadcast sports or other events. However, it appears that at this stage it is only a matter of anticipating the point at which they will constitute a sufficiently attractive offering for content producers to take the risk of exploiting original programmes online.

In order to provide content for their 'professional'-quality programmes, platforms target on the one hand 'creators' -a new generation of 'digital-only' producers capable of

developing a lavish production at low cost - and on the other hand professionals - whether producers or media groups -whose brand and know-how can attract regular television viewers to platforms.

Rights to broadcast sports and other events seem to fit into a different approach: as they fall within the events sector, they can easily be integrated into the social network community and thus justify bigger investments in this regard.

Widespread use and already a significant amount of time spent by young people

Video sharing is one of the services that contribute to the general growth of on-demand services and therefore to the stagnation of or, indeed, a decrease in linear TV viewing time. Sharing platforms are for example very widely used by Internet users (YouTube, for instance, is used at least once a month by 93% of Western European consumers).

However the amount of time spent watching content available on video-sharing platforms is still relatively low compared to that spent using online video services as a whole (including catch-up TV or subscription video-on-demand) or watching linear television. In the United Kingdom, for example, video clips account for 2.9% of total video time among those aged 16 and over and 8.2% of delinearised video time, which is far behind catch-up TV[1].

However, the proportion of video clips is significantly higher among children and teenagers aged 5 to 16, who account for 19.6% of total video time and 35.8% of delinearised video time.

Advertising as the dominant economic model

Video-sharing platforms are mainly financed by advertising. Revenues may be indirect (for example, a general contribution to the traffic of a social network and therefore to the total of its advertising revenues) or directly linked to the insertion of pre-roll, mid-roll, or post-roll advertisements.

Whereas television has widely resisted the transfer of advertising revenues to the Internet, which has hurt the press, Internet video advertising may constitute a credible alternative for advertisers to TV commercials. In the European Union, online video advertising still only accounts for about 10% of TV advertising revenues[2], but the growth rate is much higher: 21.4% between 2015 and 2016, compared with 2% in the case of TV advertising and 11% for online advertising as a whole.

Impacts of video-sharing on media groups[3]

For media groups, video platforms may be a tool to promote their programmes: producers and TV channels routinely make trailers, making-ofs and other additional items. They may

[1] Source: Digital Day – Ofcom.
[2] Source: IAB/IHS *Adex Benchmark 2016* and WARC – Data available for 20 countries.
[3] Source: IAB/IHS *Adex Benchmark 2016* and WARC – Data available for 20 countries.

also constitute a further exhibition window, but mainly for programmes that have attained the end of their exploitation cycle.

Platforms also try to encourage these groups to invest in the production of original programmes. They emphasise the suitability of their audiences, the flexibility of the various exploitation methods available and access to a significant proportion of the revenues generated. Some try to reduce the risk involved in funding original content, for example by agreeing to guaranteed minimums on the advertising revenues due. Some media groups have for example assumed the risk of the original production, no doubt with a view to experimentation.

A new generation of producers and the polarisation of content

Video-sharing platforms encourage the emergence of creators who are developing from semi-amateurs into professionals. They are in a very competitive market and only a small minority will manage to establish themselves on a sustainable (and profitable) basis. Together, they develop low-cost productions with budgets on an entirely different scale from traditional television budgets, but they generally succeed in attracting part of the traditional audience, especially members of the younger generations.

It is no doubt so-called 'secondary' TV content, i.e. content that does not benefit from being new and having the necessary budgets (reruns, daytime programmes), that suffers the most and will continue to suffer as a result of this new competition. Ultimately, a sharply contrasting situation could emerge squaring off high-end programmes reserved for TV channels or subscription video on-demand services with the resources to produce them, against low-cost content available online.

Towards universal content distribution solutions?

It is possible to question (especially on the basis of announced investments in programmes) the willingness of video-sharing platforms to enter into head-on competition with audiovisual media services, but it seems that their strategy is based more on the 'Uberisation' of video distribution. This concept refers to the new intermediaries between owners (of cars or hosting capacity) and occasional users. To some extent, video-sharing platforms may meet this definition as they seek to bring together content providers, consumers and advertisers by means of distribution solutions aimed at individual creators, producers and media groups. This approach is not exclusive to video-sharing platforms and it may also have been adopted by Amazon, which is neither a video-sharing platform nor a social network.

If it were to occur, this disintermediation of the intermediate levels of programme exploitation (TV channels, packagers, etc.) would bring about a fundamental change in programme funding: once platforms gave priority to the revenue-sharing model, it would be up to programme producers themselves to make the pre-funding arrangements.

2. Introduction

2.1. A sector undergoing constant change

Video-sharing platforms, of which YouTube and Dailymotion[4] are the two principal examples, have long been the only services that enable Internet users to make their videos available to a user community. Their main characteristics are open access for all, the lack of platform involvement in the choice of content published, algorithmic or human content curation, funding through advertising and ex-post checks at the instigation of rightholders or by the platform itself. With varying degrees of success, video-sharing platforms have acquired functions that can be described as social. For example Google, which owns YouTube, has sought to integrate its social network Google+ into the platform. Not long ago (2017), it launched the "YouTube communities" function to facilitate the networking of creators and their "fans". Most platforms also permit the publication of videos on third-party social networks.

More recently, social networks have either extended to video the content shared between members of the same group (Facebook, Snapchat, Instagram) or have been specifically created on the basis of the very concept of video sharing (Periscope, BIGO, Live.me, Twitch). Although videos were originally published in the form of links to sharing platforms, they are more and more frequently available on the servers of the social networks themselves.

The two categories of service remain quite different from one another as far as their main purpose is concerned: video-sharing platforms with social functionalities contrast with social networks that, in particular, enable videos to be shared. However, they may to some extent be considered as operating on the same market:

- from the point of view of consumers, who can find on them videos of a comparable nature;
- from the point of view of creators, for whom these different video platforms can provide alternatives for the distribution of content;
- from the point of view of the business model - the various platforms operate on the same advertising market.

However, the video platforms are also characterised by diversity:

[4] See remarks below on the recent development of the Dailymotion offering.

- of the content provision models - model based on 'video-sharing platforms' or on 'social networks';
- of the content provided ('amateur' or 'professional');
- of the origin of the content (unpublished or already distributed);
- of the user-funded content models (advertising, fee-for-service basis, subscription);
- of the rightholder remuneration models (revenue sharing, initial payment, guaranteed minimum).

On the other hand, video-sharing is often only one of the audiovisual activities carried out by operators, which also include transactional or subscription video-on-demand services; TV channel distribution; live streaming, etc. More generally, it might be asked whether this activity in itself constitutes a profit centre or supports the main activity of each of these players.

Finally, the models operated by the main players in this sector appear to be far from set in stone. The organisation of the offering and monetisation solutions is subject to continuous change. Above all, announcements about investments in the production of original content blur the distinction between traditional players, audiovisual media services and video platforms.

2.2. Contents of this report

This report provides an economic analysis of online video-sharing. It looks at services that, on the one hand, store a large quantity of user-created programmes or videos and, on the other hand, arrange this content using, in particular, automatic processing or algorithms before making it available to users. It does not discuss the legal status of these services.

The first section describes the offerings of video-sharing services: the types of content available, the monetisation solutions offered to content providers and, finally, video-sharing in the more general context of online content distribution.

The second section discusses the relative importance of video-sharing compared with audiovisual consumption in general and online video consumption in particular.

Finally, the third section deals with the platforms' business models, looks at the ways in which they establish their revenues and analyses the consequences for the funding of programmes.

3. The expansion of video-sharing services

3.1. Video-sharing as part of an expanded range

The historical development described above is still ongoing and it is impossible to categorise the services offered. Far from being standard, the range available is characterised by the expansion of the services offered on each sharing platform.

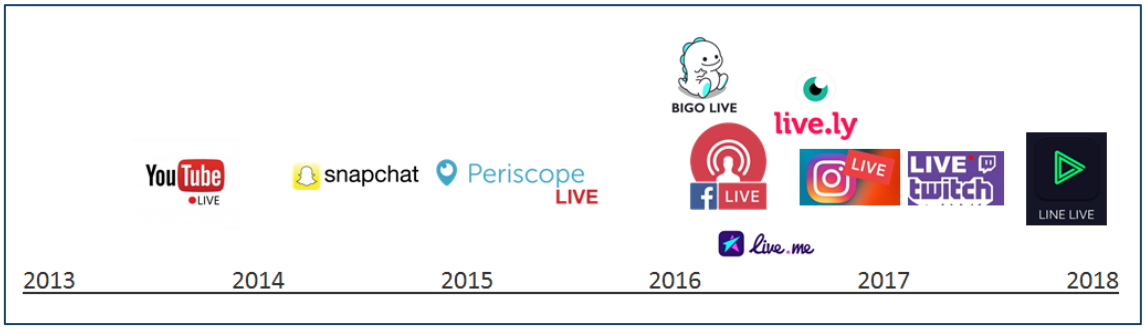
For example, the sharing of videos may be part of a broader audiovisual offering, several examples of which are analysed in this part:

- Live streaming
- Transactional video-on-demand
- Channel distribution

3.1.1. Live streaming

Without exception, all the video-sharing services studied offer live videos (live streaming) on their platform.

Figure 1. The trend in the adoption of live streaming by platforms



Source: European Audiovisual Observatory

The first platform to install this functionality was YouTube in 2013, after which it was quickly adopted by all video-sharing services. The annual usage growth is 41%[5]

Live videos can either be removed once the broadcast has finished (Bigo Live) or be available for a short period after the broadcast (24 hours in the case of Instagram and Periscope), or else they may remain permanently on the platform to be shared by users of the services (Facebook, Vimeo, YouTube).

This live content may be provided by users of the service or by professionals and media groups.

Live user-generated videos make up a considerable proportion of the total. They have sometimes led to controversy, especially with the proliferation of inappropriate videos[6] and the difficulties experienced by video-sharing platforms in locating and taking them down before they go viral[7]. At the same time, however, their streaming in real time has been seen by human rights activists as a means of side-stepping censorship[8].

From the point of view of professional content, live streaming has also opened up the possibility of experiencing a live sports, music or historical event: in October 2012, more than eight million people watched Felix Baumgartner's jump from space live, a record for the platform[9].

Six years later, in April 2018, the Coachella festival was the most-viewed live performance in the history of YouTube, with a record 41 million live viewers from 232 countries and 458,000 simultaneous global viewers, at the peak, watching the Beyoncé concert[10].

One notable aspect is the similarity of a live transmission on a video-sharing platform with one on a traditional channel from the **programming point of view**: an event that can be shared live is announced in advance to ensure the largest audience.

[5] See remarks below on the recent development of the Dailymotion offering.

[6] CNN, *8 moments that changed Facebook Live*, January 2017, https://edition.cnn.com/2017/01/05/us/facebook-live-one-year-crimes-death-trnd/index.html

[7] CNN, *8 moments that changed Facebook Live*, January 2017, https://edition.cnn.com/2017/01/05/us/facebook-live-one-year-crimes-death-trnd/index.html

[8] Wired, *How Livestreaming Is Transforming Activism Around the World*, November 2016, https://www.wired.com/2016/11/livestreaming-transforming-activism/

[9] BBC News, *Skydiver Baumgartner sets YouTube live view record*, October 2012, http://www.bbc.com/news/technology-19947159

[10] Business Insider, *Beyoncé's Coachella set was the most-viewed live performance on YouTube in the festival's history*, April 2018, http://www.businessinsider.fr/us/beyonce-coachella-performance-youtube-most-viewed-2018-4

3.1.2. Transactional video-on-demand

YouTube provides on its video-sharing platform "YouTube Films and Series"[11] a transactional video-on-demand service that enables films and TV programmes to be rented and purchased. This option, available to all content creators and professional producers up to 1 January 2018, is now only available to professional producers[12]. However, it is not available in all of the 90 countries in which YouTube is located (and has 90 language versions)[13]: it is possible to purchase TV programmes in eight countries (including four in the EU -France, Germany, Poland and the United Kingdom) and rent them in just one, Japan[14]. Studio films can be purchased and rented in many more countries, the vast majority of them in the EU[15].

3.1.3. Distribution of channels

In 2017, YouTube launched in the United States **YouTube TV**, a subscription OTT service that provides access to live broadcasts and the programming of the country's five main broadcasting networks (ABC, CBS, The CW, Fox and NBC) as well as some 40 cable channels owned by companies affiliated to these networks (The Walt Disney Company, CBS Corporation, 21st Century Fox, NBCUniversal and Turner Broadcasting System). Here, YouTube TV is one of the many players that offer "reduced packages" in the United States.

3.2. From UGC to professional content

It is possible to distinguish the content offered by type of provider:

- **UGC** is all content made available on a video-sharing platform by any user of the service, irrespective of whether it is created by the user.
- **Creator content** corresponds to original videos created by users of the service who have attained a particular status recognised by the video-sharing platform and provide their input.

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[11] Business Insider, *Beyoncé's Coachella set was the most-viewed live performance on YouTube in the festival's history*, April 2018, http://www.businessinsider.fr/us/beyonce-coachella-performance-youtube-most-viewed-2018-4

[12] YouTube, *Paid content discontinued January 1, 2018*, https://support.google.com/youtube/answer/7515570?hl=en

[13] DigitalTV Europe, *YouTube Go app rolls out to 130 more countries*, 2 February 2018, https://www.digitaltveurope.com/2018/02/02/youtube-go-app-rolls-out-to-130-more-countries/

[14] YouTube, countries where videos are available to rent or purchase, https://support.google.com/youtube/answer/6351246

[15] idem

- **Professional content** is content produced and made available by companies (in many cases producers) that make use of these services for their own communication and marketing strategy.
- Finally, and also in the professional content category, video-sharing platforms can also sign agreements with **media groups** for the online sharing of their content.

Table 1. Analysis of the types of content made available by the services discussed

	Types of content made available			
Service	**UGC**	**Creators content**	**Professional content**	**Content from media groups**
BIGO LIVE	Yes	Yes		
DAILYMOTION			Yes	Yes
FACEBOOK	Yes	Yes	Yes	Yes
INSTAGRAM (Facebook)	Yes	Yes	Yes	Yes
PERISCOPE (Twitter)	Yes	Yes	Yes	Yes
SNAPCHAT	Yes	Yes	Yes	Yes
TWITCH (Amazon)	Yes	Yes		
VIMEO	Yes	Yes	Yes	
YOUTUBE (Google)	Yes	Yes	Yes	Yes

Source:European Audiovisual Observatory

Of the services studied, most (Facebook, YouTube, Instagram, Periscope and Snapchat) offer all types of content on their platforms. Accordingly, irrespective of whether a platform begins life as a video-sharing service or a social network the trend among video-sharing platforms is to expand their offering.

Dailymotion is the only service to buck this trend, following its decision in mid-2017 to move away from UGC and creators to focus on premium content provided by professionals. Since the company was acquired by Vivendi in June 2015, it has concentrated its efforts on taking down inappropriate and pirated content[16].

[16] *Variety,* "Dailymotion Plans Major Relaunch, Focused on Premium Content and Sidelining User Videos", April 2017, http://variety.com/2017/digital/news/dailymotion-relaunch-vivendi-premium-content-1202027520/

3.2.1. The UGC offering

Content provided by the actual users of video-sharing platforms is uploaded freely and in huge quantities[17].

By accepting the Terms of Service, providers agree, for example in the case of YouTube, to grant both to the services themselves and to other users of the service the right "to use, reproduce, distribute, prepare derivative works of, display and perform" content[18]. This is a non-exclusive right in the case of UGC, and the normal procedure for users is to upload all their content onto several sharing platforms simultaneously.

Checks on this content are made ex-post using artificial intelligence tools and human staff[19].

3.2.2. The rebroadcasting of professional content

Media groups generally use video-sharing platforms and social networks for promotional and audience acquisition purposes[20], usually with the presence of their content on media groups' websites or channels, with open access free of charge for users.

Producers and media groups also use video-sharing platforms to rebroadcast their programmes and announce new ones (trailers, previews), in what may be considered a modest additional programme distribution section.

The holders of rights in these programmes grant them to the various video-sharing services on a non-exclusive basis.

3.2.3. Original content

Video-sharing platforms are increasingly providing original content, from sports to serialised items, scripted or not. This may be content provided:

- by creators
- or by professionals, whether:
- producers or
- media groups

[17] *Fortune Lords*, YouTube Statistics – 2018: "300 hours of video are uploaded to YouTube every minute" (https://fortunelords.com/youtube-statistics/)
[18] YouTube, Terms of Service, https://www.youtube.com/static?template=terms
[19] *Fortune*, "YouTube Has a New Tool in Its Quest to Please Advertisers: Humans", January 2018, http://fortune.com/2018/01/17/youtube-video-advertisers-human-review/
[20] Grece C., *The presence of broadcasters on video sharing platforms – Typology and qualitative analysis*, European Audiovisual Observatory, Strasbourg, 2016 (https://rm.coe.int/16807835ba).

In the case of original professional content, it is possible to find:

- own content and/or
- commissioned content, created specifically for these digital services (and often derived from existing intellectual property).

3.2.3.1. Original creator-provided content

When users who post UGC videos begin to build an audience, video-sharing platforms take an interest in them as potential successful creators and generators of advertising associated with their websites or personal channels. They thus become official **creators** of these services.

Depending on the actual terms and conditions of each service, a creator will need to exceed "follower" thresholds or a specific number of view hours for their videos in order to reach the different levels that provide access to increasing benefits[21].

All the major video-sharing platforms offer these creators similar special terms and conditions in business agreements that regulate the sharing of advertising profits[22]. These agreements evolve as the audiences grow, and comprise:

- Agreements to ensure respect for creators' rights - even though the UGC principle continues to apply, YouTube's successful creators become "celebrities", so contracts cover image rights, rights to derived content, etc;
- Material resources such as cameras and studios made available to creators, for example in the **YouTube Spaces** located in 10 cities around the world[23];
- Training, advice and networking resources in order to provide creators with the necessary tools for their videos to become more professional and, consequently, for their channels to gain in popularity[24].

Video-sharing platforms are the first to have an interest in the videos uploaded being more professional and meeting the standards of the service. YouTube[25] and Facebook have accordingly been criticised because of the presence of inappropriate content on their websites, and this has influenced their business relations both with their advertisers, who do not want to see their image associated with controversial content, [26] and with creators, because of the changes to internal rules to favour those who attract the biggest audiences[27] and provide less controversial content for their advertisers.

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[21] YouTube, Creator Benefit Levels, https://www.youtube.com/intl/en-GB/yt/creators/benefits/
[22] See the discussion of content monetisation solutions below.
[23] YouTube Space, https://www.youtube.com/intl/en/yt/space/
[24] YouTube Creators, https://www.youtube.com/intl/en/yt/creators/
[25] *The Guardian,* "Google's bad week: YouTube loses millions as advertising row reaches US," March 2017, https://www.theguardian.com/technology/2017/mar/25/google-youtube-advertising-extremist-content-att-verizon
[26] *Wired,* "YouTube's Latest Shake-Up Is Bigger Than Just Ads", January 2018, https://www.wired.com/story/youtube-monetization-creators-ads/
[27] Idem.

3.2.3.2. Original professional content provided by producers

3.2.3.2.1. Own original content

Some video-sharing platforms enable producers to distribute their programmes (films, series) directly and generate earnings. For example, producers can share and, in particular, sell their content either:

- directly by means of transactional video-on-demand (TVOD), as in the case of **Vimeo on Demand**[28];
- by "tipping" or by the user subscribing to his/her own channel /page, as in the case of **Twitch Prime**, Facebook or YouTube;
- or, in particular, via the system of sharing advertising, in the case of content that is at the end of the value chain, has not found a distributor[29] or is very independent in nature[30], for example on YouTube.

3.2.3.2.2. Original content commissioned from producers

Producers can also enter into agreements for the **exclusive production of original content** for video-sharing platforms. Like most other sharing services, Facebook, Snapchat and YouTube have asked producers to include original content in their catalogues.

There are many examples of celebrities, music professionals and performing artists who have also been invited by these video-sharing platforms to become professional creators (on an exclusive basis or not) on their services for their mutual benefit.

For example, Kim Kardashian is the executive producer of "You Kiddin' Me", a comedy series made for **Facebook Watch**, with episodes of ten minutes each[31].

In January 2018, Facebook's Director of Development Ricky Van Veen announced to the National Association of Television Program Executives (NATPE) the commissioning of a 10-episode half-hour drama series entitled "Sacred Lies", produced by Raelle Tucker and directed by Scott Winant, the duo responsible for "True Blood" [32].

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[28] Vimeo announced an SVOD service in November 2016 but lost out to Netflix, Amazon and Hulu in June 2017. It now allows professionals to sell their videos directly (http://www.indiewire.com/2017/06/vimeo-subscription-vod-cancelled-netflix-1201847091/).

[29] PBS POV, Do-It-Yourself Digital Distribution Platforms, http://www.pbs.org/pov/filmmakers/resources/diy-digital-distribution-platforms.php

[30] Sheri Candler, *Releasing Your Feature Film on YouTube*, July 2013, http://www.shericandler.com/2013/07/03/releasing-your-feature-film-on-youtube/

[31] *The Verge,* "Kim Kardashian West is making a kid pranking series on Facebook Watch", March 2018, https://www.theverge.com/2018/3/2/17071382/kim-kardashian-west-kid-pranking-series-facebook-watch

[32] Deadline, *Facebook Orders Drama Series 'Sacred Lies' From Blumhouse & 'True Blood' Duo*, January 2018, http://deadline.com/2018/01/produce-sacred-lies-drama-series-facebook-watch-1202242313/

On **YouTube Red**, one of the most significant series is "Step Up", based on the franchise of the successful Lionsgate film. One of its executive producers is Channing Tatum, who played one of the film's protagonists[33].

YouTube has also announced the commissioning of original content from American celebrities such as Ryan Seacrest, Ellen DeGeneres, Kevin Hart, and Demi Lovato[34].

3.2.3.3. Original professional content provided by media groups

3.2.3.3.1. Own original content

Some media groups have regarded video-sharing platforms as an opportunity to attract new audiences for their own programmes and websites, but they are aware that users of video-sharing platforms do not want promotional content and are looking for bonus items and more exclusive content[35].

For example, Group Nine Media, a company affiliated with Discovery, has announced the establishment of a 20-person team centred around the creation of original content for video-sharing platforms, in particular Facebook Watch and Snapchat but also YouTube and Twitter, in order to set up commercialisable franchises on other outlets[36].

3.2.3.3.2. Content commissioned from media groups

Video-sharing platforms also order exclusive content from media groups and are even able to offer them guaranteed minimums in the form of licence fees, which help cover production costs and reduce the risks involved.

This is the case with **Snapchat**, which launched an initiative in 2016 to provide content from media groups in its **Discover** section, such as series with episodes lasting a few minutes or content derived from TV programmes[37]. In Snapchat, media groups seek access to younger audiences and are given transparent information on their performance by the video-sharing service[38].

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[33] Variety, "'Step Up: High Water' Dance-Drama Series Starring Ne-Yo Gets Premiere Date on YouTube Red", December 2017, http://variety.com/2017/digital/news/step-up-high-water-premiere-date-youtube-red-1202645046/

[34] Business Insider, *YouTube wants to be original like everyone else*, May 017, http://www.businessinsider.fr/us/youtube-wants-to-be-original-like-everyone-else-2017-5

[35] Snackmedia, *How is the sporting world using Periscope nowadays?,* April 2016, https://www.snack-media.com/2016/04/how-is-the-sporting-world-using-periscope-nowadays/

[36] Digiday UK, *Coming soon to Facebook Watch: sponsored shows*, August 2017, https://digiday.com/media/coming-soon-to-facebook-watch-shows-paid-for-by-advertisers/

[37] CNBC, *Media companies are starting to cash in on Snapchat*, February 2017, https://www.cnbc.com/2017/02/28/snapchat-how-media-is-making-money.html

[38] The Wall Street Journal, "Media Companies Line Up to Make Shows for Snap TV", May 2017, https://www.wsj.com/articles/media-companies-line-up-to-make-shows-for-snap-tv-1493890205

Up to now, around 40 programmes created with television companies like NBCUniversal, A+E Networks and ESPN have been released on Snapchat. In early 2018, the service announced that it would be opening itself up to other producers (traditional and digital publishers) and that it would double the number of programmes to 80, including its first scripted series[39].

In March 2018, the list of media groups that have reached agreements with Snapchat grew with the addition of NBCUniversal for the production of content around the Winter Olympics in South Korea, including daily videos of the games, a BuzzFeed channel on Snapchat Discover and, for the first time, live transmissions of important moments in the games[40]..

NBCUniversal and Snapchat are apparently working on a project to make scripted series that are longer than the unscripted ones currently available[41]. In early 2017, Snapchat also announced it would begin searching for original scripted content for its **Discover** section, but it is still not available a year later[42]. What does already exist on Snapchat Discover, apart from sports or information content, are genre series, such as the six-episode five-minute series "True Crime/Uncovered", produced exclusively for Snapchat by Condé Nast Entertainment[43].

Facebook Watch basically offers original content in the form of documentary mini-series, reality shows and sports coverage[44]. However, some original scripted content has also had some success and been among the rare shows that have had their second season confirmed, in particular "Loosely Exactly Nicole", which was originally broadcast by MTV[45].

[39] Digiday UK, *Snapchat is enlisting more publishers to make video shows*, February 2018, https://digiday.com/media/snapchat-is-enlisting-more-publishers-to-make-video-shows/

[40] Digiday UK, *'Facebook has a real problem': NBCU niversal CEO Steve Burke on the impact of platform*s, March 2018, https://digiday.com/media/facebook-has-a-real-problem-nbcuniversal-ceo-steve-burke/

[41] Idem.

[42] Variety, "Snapchat Content Chiefs Talk Redesign, Scripted Programming", January 2018, http://variety.com/2018/digital/news/snapchat-1202664716/

[43] Variety, "Snapchat Launches 'True Crime/Uncovered' Series From Condé Nast Entertainment", March 2018, http://variety.com/2018/digital/news/snapchat-true-crime-uncovered-conde-nast-1202723654/

[44] Techcrunch, *Facebook launches Watch tab of original video shows*, August 2017, https://techcrunch.com/2017/08/09/facebook-watch/

[45] Ad Week, 'We Need to Talk' Becomes the Rare Facebook Watch Show to Get Renewed, February 2018, http://www.adweek.com/tv-video/we-need-to-talk-becomes-the-rare-watch-show-to-get-renewed/

A new model? The case of Facebook Watch

The development of Facebook not only encapsulates the development of the professionalisation of offerings but also the emergence of a new content genre on video-sharing platforms.

Facebook's main activity is still its function as a social network, but in the last few years the company has included tools that foster video-sharing, a consequence of which is an increase in the amount of content offered. Firstly, and predominantly, this is content generated or made available by users of the service, that is to say socially shared UGC. Facebook then promoted the professionalisation of some of these creators[46], with the twofold aim of increasing the circulation of videos and therefore the use of its service, as well as attracting more creators like those to be found on YouTube[47]. Professional producers also took an interest in the communication opportunities offered by Facebook, and company websites blossomed.

The last action to date was the creation in August 2017 of **Facebook Watch**, a service that makes professional videos, in the form of episodes – live or recorded – available to users (currently only in the United States) and enables producers to earn revenue from them[48]. Facebook Watch accordingly combines the experiences of YouTube (monetisation for creators) and Twitter (connecting creators and fans), and even of traditional television through the daily scheduling of episodes[49].

Facebook Watch has announced its intention to invest a billion dollars in original content in 2018. In the first instance, Facebook's strategy for the acquisition of original content involves an investment in the form of the pre-funding or advance purchase of content that enables a catalogue to be created. However, content providers for Watch – currently relatively few in number – anticipate that this process will stop after 2018[50] as Facebook's aim is for Watch to become self-sustaining through a large number of content providers sharing advertising with the platform.

[46] Facebook Creators, https://www.facebook.com/creators#

[47] Recode, Facebook wants more video creators to compete with YouTube, so it's rolling out a subscription feature, March 2018, https://www.recode.net/2018/3/19/17137446/facebook-video-subscription-creators-youtube-tip-jar?utm_medium=email&utm_campaign=32018&utm_content=32018+CID_d64056477b6b68015e50de61511b5098&utm_source=cm_email&utm_term=Kurt%20Wagner%20%20Recode

[48] Facebook media, Introducing Watch and Shows on Facebook, August 2017, https://media.fb.com/2017/08/09/introducing-watch-and-shows-on-facebook/

[49] *The Washington Post,* "How to make sense of Facebook's new video platform", Watch, August 2017, https://www.washingtonpost.com/news/the-switch/wp/2017/08/10/how-to-make-sense-of-facebooks-new-video-site-watch/?utm_term=.c8087b93be7f

[50] Digiday UK, *Facebook Watch publishers look for revenue sources beyond Facebook's subsidies*, April 2018, https://digiday.com/media/facebook-watch-publishers-seek-to-diversify-revenue-beyond-facebooks-subsidies-video-ad-breaks/

Facebook, together with Watch, is not positioning itself as a traditional audiovisual service as it favours a business model based on sharing advertising revenues with producers[51]. Facebook consistently states that it is not seeking to reproduce TV-style programming or copy the Netflix model. Its Head of Content Strategy and Planning, Matthew Henick, accordingly speaks about new types of content based on the concept of "**social entertainment"**[52].

3.3. Content monetisation solutions

Users who are also content providers (whether UGC or not) are not paid by the video-sharing platforms. Monetisation is only possible through attainment of "creator" status or for professional content providers.

Table 2. Monetisation tools available for content providers

	Monetisation tools for content providers				
Service	**Advertising sharing**	**Sonsorship**	**Tipping**	**Pay per view**	**Subscription**
BIGO LIVE	Yes	Yes	Yes		
DAILYMOTION	Yes	Yes			
FACEBOOK	Yes	Yes	Yes		Yes
INSTAGRAM (Facebook)	Yes	Yes			
PERISCOPE (Twitter)	Yes	Yes	Yes		
SNAPCHAT	Yes	Yes			
TWITCH (Amazon)	Yes	Yes	Yes		Yes
VIMEO	Yes	Yes		Yes	Yes
YOUTUBE (Google)	Yes	Yes	Yes		Yes

Source:European Audiovisual Observatory

[51] Digiday UK, *Video Briefing: Facebook Watch is not a TV network of the future*, February 2018, https://digiday.com/media/video-briefing-facebook-watch-not-tv-network-future-not-yet/

[52] The Hollywood Reporter, *MIPTV: Advertising, Non-Scripted Key to Facebook's TV Strategy*, April 2018. https://www.hollywoodreporter.com/news/miptv-advertising-scripted-key-facebooks-tv-strategy-1100875

3.3.1. Advertising sharing and sponsorship

All the services studied offer the possibility for providers to monetise their content by **sharing advertising revenues**. Agreements vary considerably and according to whether the content provider or the video-sharing platform handles the advertising sales, with the percentages more favourable for the party that takes on this task.

The most commonly-used platforms (YouTube and Facebook) split the revenues, with 45% going to the sharing service and 55% to the content provider. In the case of Snapchat, the partner handles the advertising and can keep 70% of the revenues[53], but when it is the platform that handles the advertising it offers a 50-50 revenue split (Snapchat has not confirmed this information) [54].

YouTube has always been seen as the video-sharing platform with which it iseasiest to generate some income as a creator. However, having thousands of views does not translate into a sustainable income: 3% of YouTubers, those wit the most followers who attract more than 1.4 million views a month, earn about USD 16,800 a year[55]. Other video-sharing platforms, such as Twitch[56], offer monetisation systems praised by creators.

Moreover, with the aim of pushing for a larger proportion of appropriate videos and preferring to deal with successful creators, while neglecting the great majority of creators remaining[57], YouTube made changes in early 2017 to its revenue sharing policy, which tightened the rules for accessing revenues[58]. The general dissatisfaction forced CEO Susan Wojcicki to issue a statement on the subject[59]. She established a link with the origin of the deadly attack on a female YouTube employee at the company's offices in San Bruno in April 2018[60].

Whether it is a question of the positioning of advertising spots or of sponsorship, **brands** want their image associated with appropriate content. Following a series of articles published by *The Times*[61] and *The Wall Street Journal*[62] with evidence of the

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[53] Business Insider, *Advertisers are supposedly paying insanely high rates to get their ads on Snapchat*, March 2015, http://www.businessinsider.com/snapchat-discover-ad-rates-2015-3?IR=T

[54] *The Wall Street Journal,* "Media Companies Line Up to Make Shows for Snap TV", May 2017, https://www.wsj.com/articles/media-companies-line-up-to-make-shows-for-snap-tv-1493890205

[55] Bloomberg Technology, '*Success' on YouTube Still Means a Life of Poverty,* February 2018, https://www.bloomberg.com/news/articles/2018-02-27/-success-on-youtube-still-means-a-life-of-poverty

[56] Tubefilter, *Casey Neistat: Twitch's Monetization Model Feels "So Much More Fair" Than YouTube's*, March 2018, https://www.tubefilter.com/2018/03/23/casey-neistat-twitch-monetization-model/

[57] *Wired,* "YouTube's Latest Shake-Up Is Bigger Than Just Ads", January 2018, https://www.wired.com/story/youtube-monetization-creators-ads/

[58] *The Verge,* "YouTube tightens rules around what channels can be monetized", January 2018, https://www.theverge.com/2018/1/16/16899068/youtube-new-monetization-rules-announced-4000-hours

[59] Recode, *Here's YouTube CEO Susan Wojcicki talking about controversial monetization changes on the platform,* April 2018, https://www.recode.net/2018/4/4/17196704/youtube-susan-wojcicki-controversial-monetization-changes-shooter

[60] *The New York Times,* "YouTube Attacker's Complaints Echoed Fight Over Ad Dollars", April 2018, https://www.nytimes.com/2018/04/04/technology/youtube-attacker-demonetization.html?rref=collection%2Fsectioncollection%2Fbusiness

[61] *The Times*, "Big brands fund terror through online adverts", February 2017, https://www.thetimes.co.uk/article/big-brands-fund-terror-knnxfgb98

presence of advertising for major brands associated with inappropriate content on YouTube[63], YouTube lost a large number of its biggest advertising contracts[64][65]. However, many advertisers returned[66][67] after a promise to ensure better scrutiny[68] and a change in the rules concerning videos eligible to be monetised with video advertising[69][70]. YouTube's CEO Susan Wojcicki also reacted by announcing the recruitment of 10 000 new staff to check the content of videos[71] since many items are still available on the service despite the use of machines working to take down inappropriate content[72].

In all cases, the monetisation rules are becoming stricter, with frequent changes in terms and conditions, and monetisation through advertising is becoming harder to attain for creators[73], thus fostering the trend towards the professionalisation of video content on sharing platforms.

Sponsorship is the second most common practice and is also to be found with all video-sharing platforms. Generally speaking, a sponsorship agreement is entered into between a brand and a provider of videos, thus sidelining the service, which derives no benefit from this. Celebrities and successful creators with the largest number of

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[62] *The Wall Street Journal,* "Google's YouTube Has Continued Showing Brands' Ads With Racist and Other Objectionable Videos", March 2017, https://www.wsj.com/articles/googles-youtube-has-continued-showing-brands-ads-with-racist-and-other-objectionable-videos-1490380551

[63] For example, extremist or racist videos or those that promote hate speech, as well as the notorious case of the YouTuber Paul Logan and his video shot in the suicide forest in Japan.

[64] *The Guardian,* "Google's bad week: YouTube loses millions as advertising row reaches US", 25 March 2017, https://www.theguardian.com/technology/2017/mar/25/google-youtube-advertising-extremist-content-att-verizon

[65] *The Verge,* "YouTube is facing a full-scale advertising boycott over hate speech," 24 March 2017, https://www.theverge.com/2017/3/24/15053990/google-youtube-advertising-boycott-hate-speech

[66] Seeking Alpha, *WSJ: YouTube lures back some advertisers after content concerns,* 20 June 2017, https://seekingalpha.com/news/3274456-wsj-youtube-lures-back-advertisers-content-concerns

[67] Bloomberg, *P&G Ends its YouTube Advertising Boycott, But With a Catch*, 20 April 2018, https://www.bloomberg.com/news/articles/2018-04-20/p-g-ends-its-youtube-advertising-boycott-but-with-a-catch

[68] *The Verge,* "YouTube adds more details, and restrictions, around which videos can be monetized", 1 June 2017, https://www.theverge.com/2017/6/1/15726092/youtube-ad-restrictions-offensive-content-monetization-hate-inappropriate

[69] MarketingLand, *YouTube sets stricter rules on videos that can carry ads*, 17 January 2018, https://marketingland.com/youtube-sets-stricter-rules-videos-can-carry-ads-232241

[70] *The New York Times,* "YouTube Adds More Scrutiny to Top-Tier Videos", 16 January 2018, https://www.nytimes.com/2018/01/16/technology/youtube-ads-scrutiny.html

[71] YouTube official blog, Expanding our work against abuse of our platform, December 2017, https://youtube.googleblog.com/2017/12/expanding-our-work-against-abuse-of-our.html

[72] Recode, *YouTube says computers helped it pull down millions of objectionable videos in three months*, April 2018, https://www.recode.net/2018/4/23/17273046/youtube-offensive-videos-machine-learning-sundar-pichai-google-alphabet-earnings

[73] Polygon, *YouTube networks drop thousands of creators as YouTube policy shifts*, April 2018, https://www.polygon.com/2018/4/23/17268436/fullscreen-socialblade-youtube-mcn-multi-channel-network-creators-monetization

'followers' are those most sought after by brands, and it is through sponsorship that creators earn more money[74].

3.3.2. Tipping

Tipping consists of donations made by ultimate consumers of videos to video providers (normally semi-professional creators). This practice is very widespread and to be found on a large number of the video-sharing platforms studied. It takes two forms:

- Either the payment is made directly using the payment systems of digital platforms (PayPal, credit cards, etc), as in the case of Twitch[75], Facebook[76], YouTube[77] or Vimeo[78] (up to 2015). In this case, the video-sharing platform only acts as interlocutor between the two parties;
- Or the payment is made through the acquisition, within the video-sharing platform, of "rewards", which people then offer to creators to show their support. After collecting a large number of them, creators can in turn convert them into real money. This is the case with Bigo Live's **flowers, hearts and Lamborghinis**[79] and Periscope's **Super Hearts**[80].

3.3.3. Pay per view

Only one video-sharing service among those studied offers the possibility of selling programmes on a pay-per-view basis. That service is **Vimeo On Demand**, which gives creators complete freedom to decide on the terms and conditions for the sale and distribution of their original content. The system lets the content provider set the selling price and keep 90% of the revenues after transaction fees[81].

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[74] News Com, *The magic Instagram number you need to quit your day job,* December 2016, http://www.news.com.au/finance/the-magic-instagram-number-you-need-to-quit-your-day-job/news-story/9b31fe1329267f2fd54c225a5fd37aa0

[75] Tubefilter, Casey Neistat: Twitch's Monetization Model Feels "So Much More Fair" Than YouTube's, March 2018, https://www.tubefilter.com/2018/03/23/casey-neistat-twitch-monetization-model/

[76] Recode, *Facebook wants more gamers livestreaming, so it's offering paid deals and a chance to earn donations from fans*, January 2018, https://www.recode.net/2018/1/26/16934662/facebook-livestreaming-video-games-esports

[77] Engadget, *YouTube now lets you tip your favorite video makers,* September 2014, https://www.engadget.com/2014/09/02/youtube-fan-funding/

[78] No film School, *That's It for Tip Jar as Vimeo Pulls the Plug on Video Donations*, January 2015, https://nofilmschool.com/2015/07/vimeo-shutting-down-video-donations-tip-jar

[79] CNBC, *Showdown brewing: With lessons learned in China, a rival is taking on Facebook, Snapchat and YouTube,* July 2017, https://www.cnbc.com/2017/07/19/showdown-brewing-with-lessons-learned-in-china-a-rival-is-taking-on-facebook-snapchat-and-youtube.html

[80] Tubefilter, *Periscope Unveils First-Ever Monetization Feature For Broadcasters, 'Super Hearts'*, June 2017, https://www.tubefilter.com/2017/06/21/periscope-first-monetization-feature-super-hearts/

[81] Vimeo On Demand, https://vimeo.com/blog/post/vimeo-on-demand-sell-your-work-your-way

3.3.4. Subscription

Creators can find another source of revenues in having users subscribe to their own channels and programmes.

This is the case with: **Twitch**, where users can also take out monthly subscriptions to the channels of their favourite creators[82]; **Vimeo On Demand**, which allows creators to offer a subscription on their website at the price they decide to set[83]; **YouTube**, with the intention to improve the tipping of creators following the lack of success of subscriptions to channels[84]; and, more recently, **Facebook**, which announced this service in April 2018[85].

It is important to point out that for **Facebook** offering creators monthly subscriptions is a fundamental change in its funding policy, since this is the first paid service it has made available. Its entry into the world of 'in-app purchases'[86], and in the absence of another system of its own, will occur through the App Store or Google Play, which will take 30% of each transaction. Facebook will take none of the remaining amount of the subscription, which will go to the creator in full.

3.4. Investments in programmes

3.4.1. What amounts are invested?

Apart from financing through the sharing of advertising revenues, there may, as in the case of the traditional television content model, be a guaranteed minimum or an investment by the platform in advance of the production of the content.

This applies first of all, and especially, to **Facebook Watch**, with investments between USD 50 000 and USD 70 000 per episode for its short-form shows and between USD 250 000 and USD 1 million dollars per episode for TV-length series[87]. Facebook Watch is also open to the funding of original content through sponsorship[88].

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[82] Twitch Partner Program, https://www.twitch.tv/p/partners/

[83] Vimeo On Demand, https://vimeo.com/blog/post/vimeo-on-demand-sell-your-work-your-way

[84] *The Verge,* "YouTube opens up Twitch-style subscriptions to more creators", September 2017, https://www.theverge.com/2017/9/19/16331028/youtube-gaming-sponsorships-expansion-paid-channel-subscriptions

[85] The Esports Observer, *Facebook Announces Subscription Program for Content Creators,* April 2018, https://esportsobserver.com/facebook-subscription-service/

[86] Techcrunch, *Facebook builds Patreon, Niche clones to lure creators with cash*, March 2018, https://techcrunch.com/2018/03/19/facebook-creator-monetization/

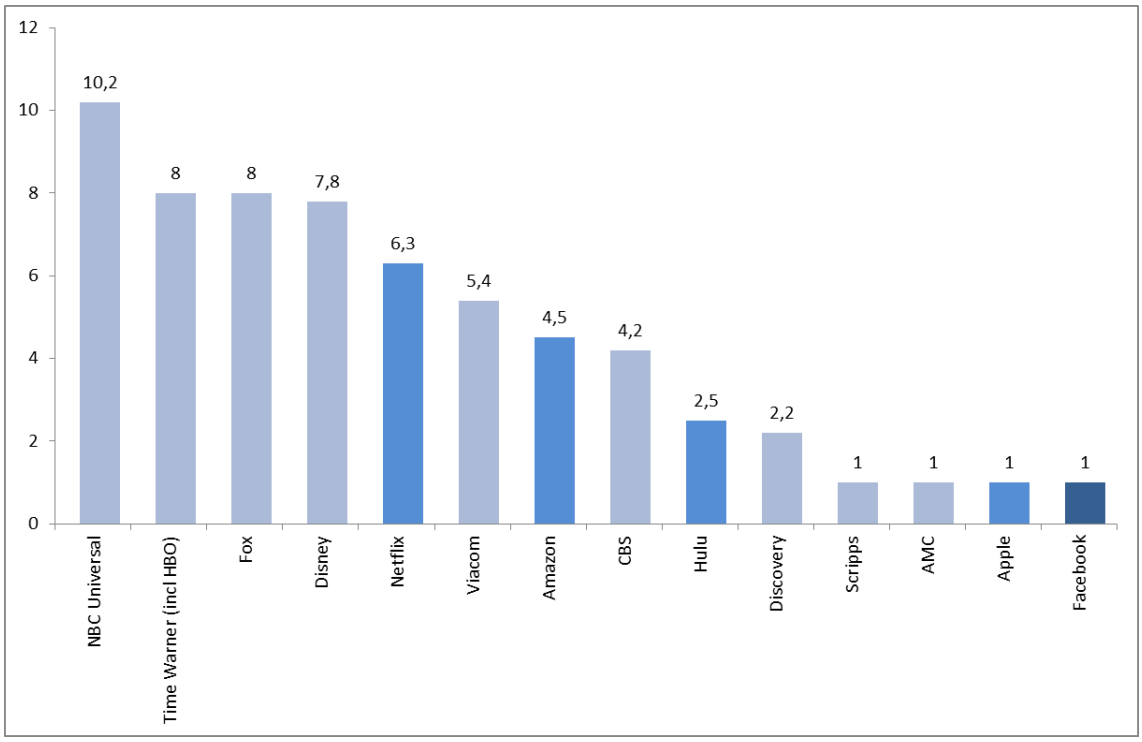
[87] Digiday UK, *Bigger budgets, fewer shows: Facebook's deals for Watch are changing*, November 2017, https://digiday.com/media/facebook-watch-deals-changing/

[88] Digiday UK, *Coming soon to Facebook Watch: sponsored shows,* August 2017, https://digiday.com/media/coming-soon-to-facebook-watch-shows-paid-for-by-advertisers/

In 2017, YouTube also announced its investment in more than 40 original items, such as series and films[89], both for **YouTube Red Originals** and its free service[90]. This will amount to "hundreds of millions of dollars" [91], with some programmes costing three to six USD million an hour - comparable to HBO or Showtime[92].

A comparison of the investments in original content (excluding sports) made by traditional TV companies and digital enterprises shows that **Facebook** has entered the big league, even though it is considered – and intends to continue to be considered – as a social video-sharing platform[93].

Figure 2. Expenditure on original content (excluding sports) in 2017, in USD billion



Source: Recode[94]

[89] Bloomberg Technology, *With 40 New Original Shows, YouTube Targets TV's Breadbasket*, May 2017, https://www.bloomberg.com/news/articles/2017-05-04/with-40-new-original-shows-youtube-targets-tv-s-breadbasket

[90] *The Verge,* "YouTube Red originals have racked up nearly 250 million views", June 2017, https://www.theverge.com/2017/6/22/15855570/youtube-red-originals-250-million-views

[91] Bloomberg Technology, *YouTube Holds Spending for TV, Films While Rivals Bulk Up*, February 2018, https://www.bloomberg.com/news/articles/2018-02-23/youtube-said-to-hold-spending-for-tv-films-while-rivals-bulk-up

[92] Digiday UK, *Bigger budgets, fewer shows: Facebook's deals for Watch are changing*, November 2017, https://digiday.com/media/facebook-watch-deals-changing/

[93] The Hollywood Reporter, *MIPTV: Advertising, Non-Scripted Key to Facebook's TV Strategy*, April 2018, https://www.hollywoodreporter.com/news/miptv-advertising-scripted-key-facebooks-tv-strategy-1100875

[94] Recode, *Netflix spends more on content than anyone else on the internet — and many TV networks, too,* February 2018, https://www.recode.net/2018/2/26/17053936/how-much-netflix-billion-original-content-programs-tv-movies-hulu-disney-chart

In June 2017, **Snapchat** signed an agreement with Time Warner[95] under which Time Warner will invest USD 100 million in the production of advertising and original programming for Snapchat Discover.

In October 2016, **Snapchat** decided to change its business model and pay licence fees directly for the provision of original content in order to retain all advertising revenues for itself[96]. Not all partners accepted this new policy and the big media groups succeeded in maintaining the initial terms and conditions[97]. CNN accepted them. In December 2017, the video-sharing service stopped financing these licence fees and CNN decided to withdraw from the agreement[98].

Periscope (Twitter) has made a number of attempts at producing original content but with no significant commercial success or audience share[99]. In this case, the level of investment was not disclosed.

3.4.2. Rights-sharing models?

As far as rights are concerned, the relationship between professional providers and video-sharing platforms with regard to own original content is again based on the non-exclusive assignment of media groups' content to the platforms. The media groups are in fact increasing their presence on different services and their content is accordingly available everywhere, thus maximising their sources of revenue.

On the other hand, the case of original and exclusive content commissioned by a video-sharing platform presupposes a new fee-splitting approach.

In exchange for pre-funding original content, **Facebook Watch** initially requested a **two-week period of exclusivity** for the content on its service before it could be shared on other video-sharing platforms[100], then from a few months to a year for higher-value content[101]. Recently, for new orders for content or when negotiations take place on the renewal of successful content, Facebook has begun to demand holding the rights in the

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[95] *Financial Times,* "Snap signs $100m content deal with Time Warner", June 2017, https://www.ft.com/content/63d85424-550d-11e7-9fed-c19e2700005f

[96] Medium, *Snapchat is Building its Content Business for Scale,* January 2017, https://medium.com/the-inflection-points/snapchat-is-building-its-content-business-for-scale-872fd90bb6d5

[97] Digiday UK, *Snapchat Discover publishers face tough challenge as platform chases TV*, March 2017, https://digiday.com/media/it-hasnt-killed-us-snapchat-discover-publishers-face-tough-challenge-as-platform-chases-tv/

[98] *Forbes,* "CNN's Move To End Its Snapchat Exclusive Show Is A Setback For Snap", December 2017, https://www.forbes.com/sites/greatspeculations/2017/12/26/cnns-move-to-end-its-snapchat-exclusive-show-is-a-setback-for-snap/#3eb0c70c6326

[99] Mashable, *Twitter is making some legitimately great video—and it's impossible to find*, September 2017, https://mashable.com/2017/09/26/twitter-original-series-buzzfeed-mlb-video/#gW0KkNXkjqq4

[100] Digiday UK, *Facebook Watch publishers look for revenue sources beyond Facebook's subsidies*, April 2018, https://digiday.com/media/facebook-watch-publishers-seek-to-diversify-revenue-beyond-facebooks-subsidies-video-ad-breaks/

[101] Digiday UK, *Bigger budgets, fewer shows: Facebook's deals for Watch are changing*, November 2017, https://digiday.com/media/facebook-watch-deals-changing/

content[102]. Content providers are on very thin ice: either they stick with the funding provided by Facebook and only make the usual 10 to 15% profit margin[103] or they retain the potential other sources of revenue in the value chain[104].

In October 2015, at the launch of **YouTube Red** (the video-sharing platform's subscription service for its advertising-free content and original content[105]), YouTube tried to exert pressure on professional creators who received revenues on its service by sharing advertising in order to persuade them to assign their rights and accept the contract terms applying to the new section of the platform. Either they agreed or their videos would be labelled "private", i.e. disappear from the YouTube pages, and lose every source of revenue[106]. In the end, after heated discussions led by creators, YouTube was forced to back down and agree to creators' content being available both with ad-supported access free of charge and on YouTube Red by subscription with no advertising.

3.4.3. The case of the purchase of sports and event rights

Agreements between video-sharing platforms and media groups have been signed in particular in the areas of sporting and other events, where major companies compete to obtain rights to the most popular competitions and concerts[107].

Twitter signed the first agreement of this kind after winning the battle against Facebook and other digital platforms to secure the rights to show the Thursday night matches of the National Football League (NFL) in the United States live[108], paying around USD 10 million for 10 matches. Twitter won owing to its more flexible offer to share the advertising revenues, beating Facebook, which wanted to keep all advertising sales revenue for itself[109]. In 2018, Twitter signed an agreement on live sports programming with Disney and its ESPN channel, as well as on other live sports broadcasts[110].

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[102] Digiday UK, *Facebook Watch publishers look for revenue sources beyond Facebook's subsidies,* April 2018, https://digiday.com/media/facebook-watch-publishers-seek-to-diversify-revenue-beyond-facebooks-subsidies-video-ad-breaks/

[103] Digiday UK, *Facebook is changing licensing terms for Watch shows, creating a dilemma for publishers*, December 2017, https://digiday.com/media/facebook-wants-watch-shows-creating-dilemma-publishers/

[104] Idem.

[105] Currently available in the United States, Mexico, New Zealand, Australia and Korea.

[106] TechCrunch, *YouTube Will Completely Remove Videos Of Creators Who Don't Sign Its Red Subscription Deal*, October 2015, https://techcrunch.com/2015/10/21/an-offer-creators-cant-refuse/

[107] Bloomberg Technology, *Amazon, YouTube, Twitter Are Exploring Bids for NFL Rights,* February 2018, https://www.bloomberg.com/news/articles/2018-02-16/amazon-youtube-twitter-are-said-to-explore-bid-for-nfl-rights

[108] *The New York Times*, "With N.F.L. Deal, Twitter Live-Streams Its Ambitions", August 2016, https://www.nytimes.com/2016/08/15/technology/with-nfl-deal-twitter-live-streams-its-ambitions.html

[109] Idem.

[110] Reuters, *Disney to create live sports, entertainment shows for Twitter*, 30 April 2018, https://www.reuters.com/article/us-walt-disney-twitter/disney-to-create-live-sports-entertainment-shows-for-twitter-idUSKBN1I11ZZ

Amazon (with NFL rights in 2017 and rights to the major tennis competitions under an agreement with the ATP) is another powerful player in the quest to secure sports rights for its services.

Facebook hit the headlines in early 2018 with the announcement of an agreement with Major League Baseball (MLB) for the exclusive global rights to broadcast 25 games of the 2018 season. This was the first time that Facebook had obtained these rights on an exclusive basis and it was also the most important sale of professional league rights to a digital video streaming platform. This was seen as the possible start of sports making the move from traditional television to digital platforms[111]. The professional sports leagues have seen a decline in their TV audiences and are looking for a service able to offer the interactive streaming of content (live matches, extra content) with social media commentary in order to connect with the youngest audiences[112].

Every year, **YouTube** transmits live and on an exclusive basis the concerts of the Coachella festival. In April 2018, the Beyoncé concert was watched live by 41 million viewers from 232 countries, with a peak 458 000 simultaneous global viewers[113].

Periscope is also very popular owing to its ability to inform people in real time (inherited from Twitter), with parallel content around sports events that is provided by media groups and attracts users of social networks hungry for exclusive content[114].

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[111] *Variety*, "Facebook Nabs MLB Exclusive Global Rights to 25 Games", March 2018, http://variety.com/2018/digital/news/facebook-mlb-exclusive-25-games-global-rights-1202722652/

[112] Bloomberg Technology, *Amazon, YouTube, Twitter Are Exploring Bids for NFL Rights*, February 2018, https://www.bloomberg.com/news/articles/2018-02-16/amazon-youtube-twitter-are-said-to-explore-bid-for-nfl-rights

[113] Business Insider, *Beyoncé's Coachella set was the most-viewed live performance on YouTube in the festival's history,* April 2018, http://www.businessinsider.fr/us/beyonce-coachella-performance-youtube-most-viewed-2018-4

[114] Snackmedia, *How is the sporting world using Periscope nowadays?,* April 2016, https://www.snack-media.com/2016/04/how-is-the-sporting-world-using-periscope-nowadays/

4. The audience impact of video platforms

A comparison between the audience of traditional television with that of video websites, whether free of charge or paid, is still complex in 2018 in view of the difficulties in measuring the overall web audience and the difference in indicators between the web and television.

For example, until 2017, comScore, the benchmark organisation for measuring Internet use, only measured the viewing of videos from a desktop computer, which, given the growth of the consumption of videos on mobile devices, rendered the measurement only partial (mobile video reporting was launched in the United Kingdom in 2017[115]). The French audience measurement service Médiamétrie launched its four-screen audience measurement service, including mobile devices, in March 2017[116] for the French TV channels.

In spite of these difficulties associated with measuring and comparing linear and online audiences, indicators are available to ascertain the impact of video platforms on the audience of linear channels.

4.1. The consumption of video-on-demand is on the increase

By and large, the consumption of video online is rising.

According to 2018 data provided by eMarketer on the growth in the penetration of digital video in Western Europe[117], 69.1% of European Internet users watch a video online at least once a month.

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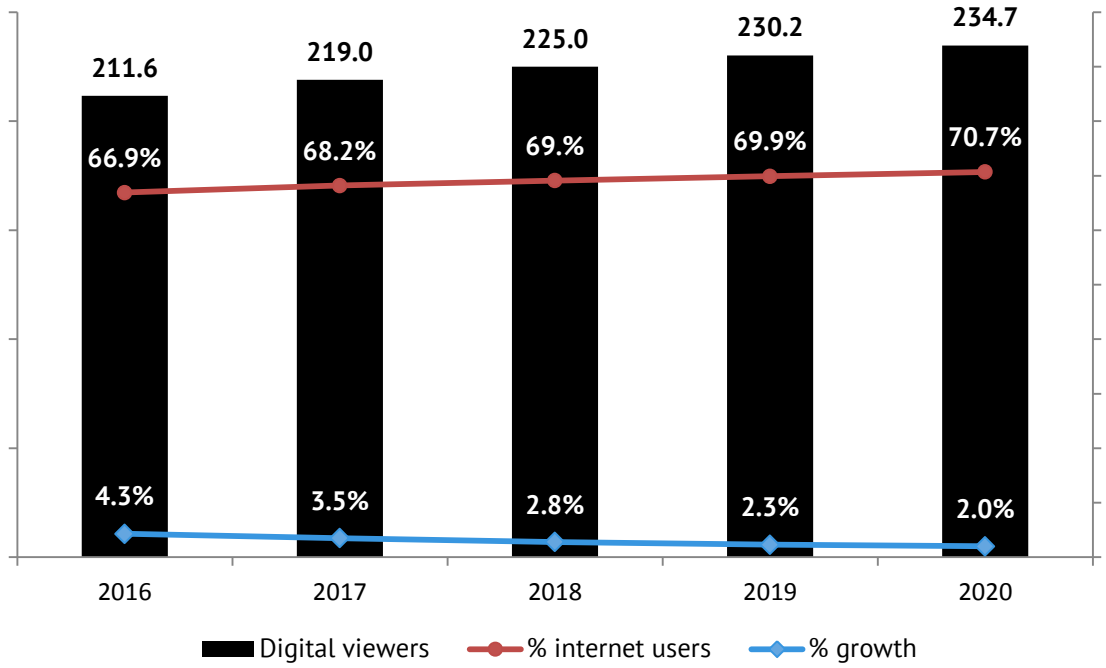
[115] Iab.europe, Press Release: *comScore Announces UK Launch of Video Metrix® Multi-Platform to Measure Video Audiences Across Smartphones, Tablets and Desktops*, 23 February 2017, https://www.iabeurope.eu/all-news/member-press-releases/comscore-announces-uk-launch-of-video-metrix-multi-platform-to-measure-video-audiences-across-smartphones-tablets-and-desktops/

[116] Médiamétrie, *Lancement de la mesure « Audience Chaînes TV 4 Ecrans »,* 16 March 2017, http://www.mediametrie.fr/mediametrie/communiques/lancement-de-la-mesure-audience-chaines-tv-4-ecrans.php?id=1638

[117] eMarketer, *eMarketer Sees Digital Video Growth Leveling Off in Western Europe*, 16 January 2017, https://www.emarketer.com/Article/eMarketer-Sees-Digital-Video-Growth-Leveling-Off-Western-Europe/1015025

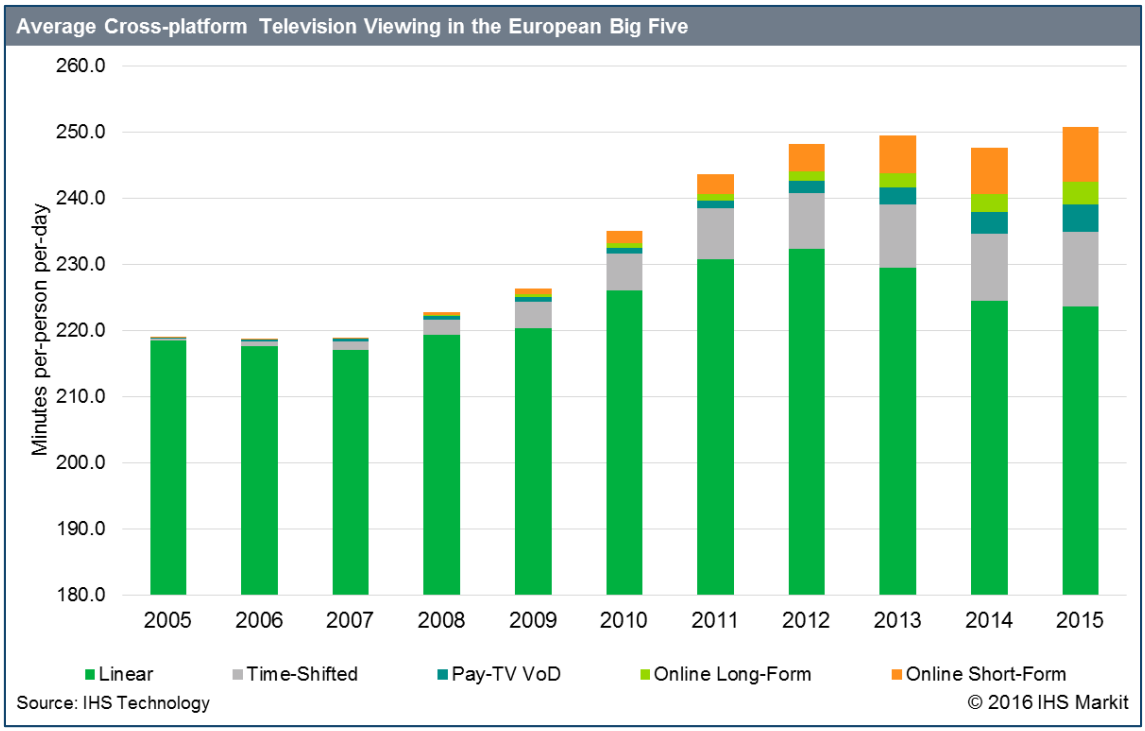
Figure 3. Penetration and number of digital video users in Western Europe, 2016-2020, millions, % change and % of Internet users



Source: eMarketer, December 2016 – Internet users of any age who watch streaming or downloaded video at least once per month.

Figure 3 details the growth in the consumption of the different types of video for five EU countries (France, the United Kingdom, Germany, Italy and Spain). The proportion of short videos online has continued to grow since 2006, while linear television viewing time has fallen since 2012. The popularity of the new services and ways of consuming audiovisual content is thus having an increasingly profound impact on linear television. It is for good reason that television channels are making more and more of their content available on catch-up TV. Appointed times for viewers to sit in front of their TV has been called into question by the new consumption methods. A radical change in audiovisual entertainment habits is underway, especially among the younger generations.

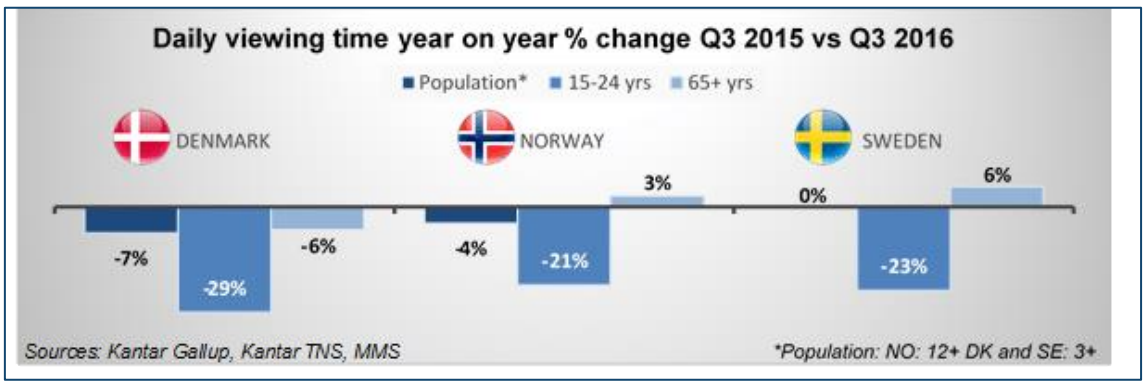
Figure 4. Viewing of TV and other content on different platforms, EU-5, 2005-2015, in minutes per person per day



Source: IHS Technology

The increase in the popularity of video platforms (and other video-on-demand services) has also led to a fall in linear television viewing time in the Nordic countries, especially in the case of the younger generations, as shown by Figure 4 on the decline in viewing time between the third quarters of 2015 and 2016. In the space of a year, linear television viewing time dropped by between 21% and 29% for 15 to 24-year-olds, while that of the general population only varied from 0% to -7%. The video platforms are not the only cause of this decline in viewing time but have definitely contributed to it.

Figure 5. Daily viewing time Q3 2015 and Q3 2016 in Denmark, Norway and Sweden, in % change



Source: Kantar Gallup, Kantar TNS, MMS

In France, Médiamétrie has, incidentally, also recorded that a third of young French people aged four to 14 are avid users of the new methods[118] of consuming television content, which include free video platforms and social networks, in 2018.

These observations on the growth of the consumption of short videos and on the decline in linear television viewing time among the younger generations can be coupled with a survey undertaken by the information website Variety, which found as early as July 2014[119] that YouTube stars (the most popular creators, such as Smosh, the Fine Bros or PewDieDie) were more popular among young 13 to 18-year-old Americans than the stars of the big screen and TV and music celebrities. Young people like the YouTube ecosystem with its multitude of creators experimenting with new entertainment formats, and it is easy to conclude from this that the spirit of the times favours the new players on the audiovisual market. The increased competition among the main video platforms[120] to attract the most popular creators (who are also commanding the attention of the traditional channels, which see in them a means of increasing their popularity among the youngest audiences[121]) reflects the fact that new players have burst onto the European – and global – youth audiovisual entertainment scene[122]. Bringing together millions of fans, they are in a position to rally audiences coveted by advertisers.

4.2. Massive use of video-sharing

The new online video services, either paid (especially VOD and services such as Netflix and Amazon, which have experienced explosive growth[123]) or free of charge, are undergoing significant development. To be more specific, though, how important is video-sharing?

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[118] Médiamétrie, *Global TV : 9,5 millions de Français regardent chaque jour la TV autrement*, 12 April 2018, http://www.mediametrie.fr/television/communiques/global-tv-9-5-millions-de-francais-regardent-chaque-jour-la-tv-autrement.php?id=1859

[119] *Variety*, "Survey: YouTube Stars More Popular Than mainstream Celebs Among U.S. Teens", 5 August 2014, http://variety.com/2014/digital/news/survey-youtube-stars-more-popular-than-mainstream-celebs-among-u-s-teens-1201275245/

[120] For example, the launch of Facebook Creator to enable creators to get to know their audiences better and connect with them. See Investopedia, *Facebook Debuts a YouTube Rival for Video Makers*, 17 November 2017, https://www.investopedia.com/news/facebook-debuts-youtube-rival-video-makers/

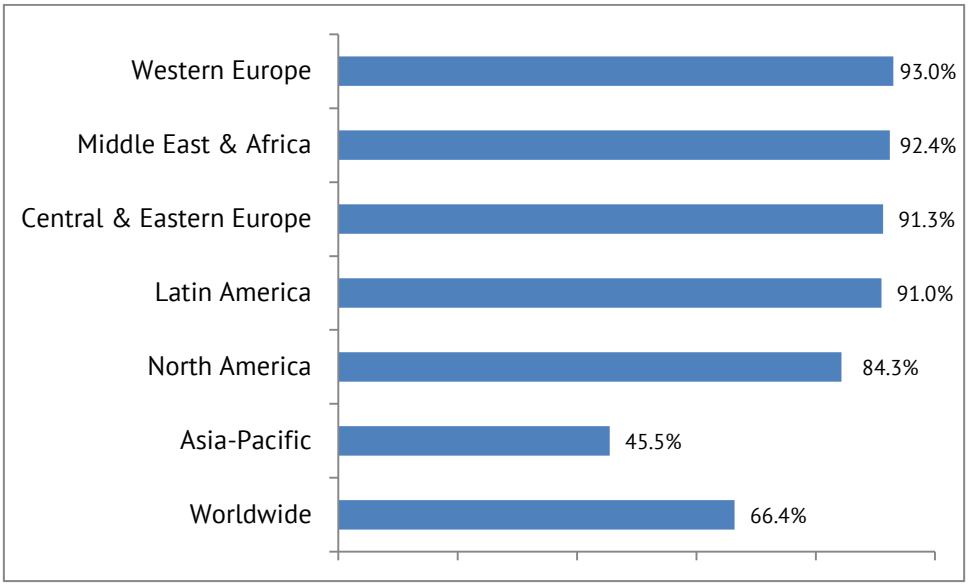
[121] For example, TF1's Studio 71 France with Youtubers Norman and Cyprien and the broadcasting of the series "Presque adultes" ("Nearly adults") or the digital studio Golden Network of M6, which has shows on the channels of the W9 group, Paris Première and 6ter. See, *Le Figaro*, "Youtubeurs : les chaînes de télévision passent à la vitesse supérieure", 30 June 2017, http://www.lefigaro.fr/medias/2017/06/30/20004-20170630ARTFIG00388-youtubeurs-les-chaines-de-television-passent-a-la-vitesse-superieure.php, and *Les Echos*, "TF1 brandit Studio 71 face à Golden Moustache et Studio Bagel", 23 June 2016, https://www.lesechos.fr/23/06/2017/lesechos.fr/030406137102_tf1-brandit-studio-71-face-a-golden-moustache-et-studio-bagel.htm

[122] Business Insider, *These are the 19 most popular YouTube stars in the world — and some are making millions,* 2 February 2018, http://www.businessinsider.fr/us/most-popular-youtubers-with-most-subscribers-2018-2

[123] With a +130.1% rise in the number of subscribers to the VàDa services in the European Union between 2011 and 2016, see European Audiovisual Observatory, *Trends in the EU SVOD market - 2017 Edition*, 20 February 2018, https://rm.coe.int/trends-in-the-eu-svod-market-nov-2017/16807899ab

Taking all categories of **online video services** together, YouTube has the highest penetration rate in Europe according to eMarketer: 93% of Internet users in Western Europe watch at least one video a month on the Web and 91.3% in Central and Eastern Europe use the service.

Figure 6. YouTube penetration rate by region, in % of Internet users watching at least one digital video a month on YouTube (website or app), 2018



Source: eMarketer, January 2018

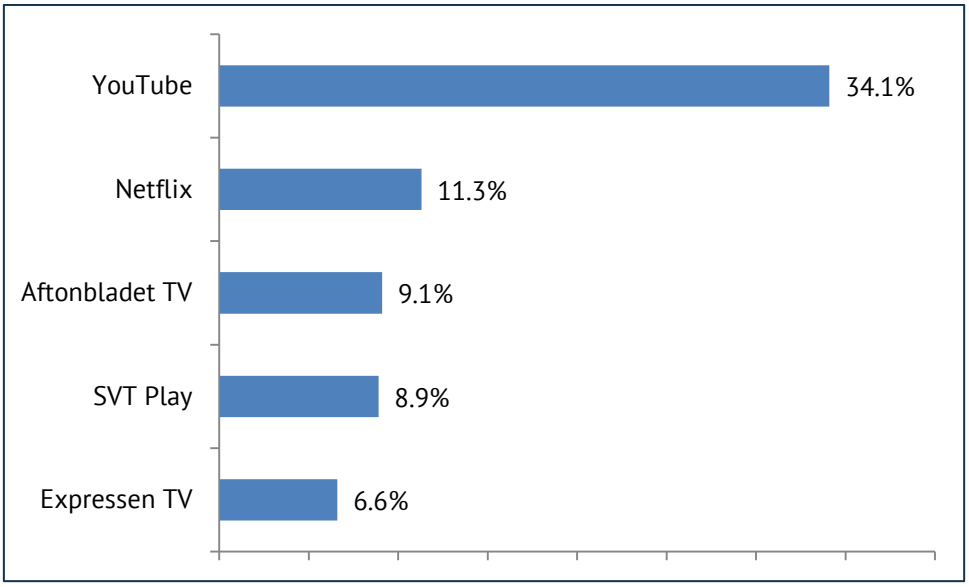
These findings go hand in hand with the analyses by eMarketer, which concluded in February 2018[124] that YouTube was close to saturation in the United Kingdom, with 90.6% of British Internet users (40.4 million people) visiting the platform at least once a month in 2018.

In Sweden, for example, YouTube is also the most used video platform, according to a survey by Dagensanalyse.se, reproduced by the eMarketer website[125], especially among 15 to 22-year-olds, of whom 70.7% use the service every day and 90% at least once a week. YouTube is thus way ahead of other online video services, paid or unpaid, with 34.1% of those surveyed classifying it as their preferred service, and is far ahead of catch-up TV or national news services.

[124] DigitalTV Europe, *eMarketer: YouTube 'close to saturation' in the UK*, 5 February 2018, https://www.digitaltveurope.com/2018/02/05/emarketer-youtube-close-to-saturation-in-the-uk/

[125] eMarketer, *YouTube Dominates the Digital Video Market in Sweden*, 25 April 2016, https://www.emarketer.com/Article/YouTube-Dominates-Digital-Video-Market-Sweden/1013865

Figure 7. Top 5 online video sites among Internet users in Sweden, March 2016, in % of respondents



Note: n= 1037, ages 15-70, who use each platform daily.
Source: Dagensanalys.se, "Rapport: Användande av online-TV 2016", conducted by SnabbaSvar, 7 April 2016, reproduced by eMarketer.

This is also pointed out in the European Audiovisual Observatory's report *Measurement of fragmented audiovisual audiences*[126]. Google and Facebook dominate the 'Top 5' in the countries in which comScore measures online audiences.

As far as **social networks** are concerned, 65% of Western European Internet users use a service (2018), which means a penetration rate of 49.8% of the total population according to eMarketer[127]. Facebook is the most-used social network, with a penetration rate among Western European Internet users estimated by Statista at 54.9%[128].

Finally, with regard to video genres on YouTube, a study by Medium based on data from Social Blade[129] shows that of the top 100 channels by number of subscribers 32 are music video channels, 27 are channels with humorous content, 20 are channels on video games and 21 are channels with content of various types (such as product reviews, how-

[126] European Audiovisual Observatory, *Measurement of fragmented audiovisual audiences*, November 2015, https://rm.coe.int/16807835c0

[127] See eMarketer, *Social Network User Penetration in Western Europe, by Country*, 2014-2020, 31 May 2016, https://www.emarketer.com/Chart/Social-Network-User-Penetration-Western-Europe-by-Country-2014-2020/190423

[128] Statista, *Facebook penetration in Western Europe from 2014 to 2018*, 2018, https://www.statista.com/statistics/304593/facebook-penetration-in-western-europe/

[129] Medium, *YouTube: Channels, Trends and Money*, 15 May 2015, https://medium.com/@DevinTheRaven32/abstract-this-report-analyzes-youtube-the-top-video-sharing-website-this-paper-examines-the-11941f48f35b

to videos and fashion advice[130][131]). Video clips by musicians of the VEVO network figure prominently aong the top 500 most-viewed channels, according to Social Blade[132]. Another analysis by Tubular showed that 87% of videos with over 100 million views in 2015 were music videos[133].

The focus of the audience, and especially the items viewed, are centred around a number of main types of video on sharing platforms: music clips, video games and product reviews, as well as beauty advice and other videos by influencers and creators. These videos reflect both the youngest audiences' main areas of interest and the practical side of an audience, who seek all kinds of advice through videos available on these platforms.

4.3. Among young people, time spent consuming videos on online video-sharing platforms still low but already significant

The British regulator Ofcom launched the "Digital Day" project[134] in 2010 to measure in particular the impact of new methods of online video consumption. Above all, it provides quantifiable data on the consumption of videos on video-sharing platforms in the case of adult audiences and, more interestingly, younger generations.

Ofcom's observation of digital consumption habits over a period of three days[135] in 2016 focused on the types of content watched and the services/devices used. The six content categories were:

- live linear television
- time-shifted recording of TV programmes on a set-top box or TiVo-type digital video recorder;
- programmes (TV content or films) watched free of charge on catch-up TV services;
- programmes (TV content or films) watched on a paid Netflix or iTunes type video-on-demand service (SVOD or VOD);
- TV films or content watched on physical media such as DVD or Blu-ray;

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[130] Mediakix, *The Most Popular Types of YouTube Videos*, 16 April 2018, http://mediakix.com/2016/02/most-popular-youtube-videos/#gs.4nt=NQ8

[131] Laikanetwork, *The 6 Most Popular Types of YouTube Videos*, 20 April 2017, http://www.laikanetwork.com/blog/the-6-most-popular-types-of-youtube-videos

[132] Social Blade, *Top 500 most viewed YouTube Channels* (sorted by video views), https://socialblade.com/youtube/top/500/mostviewed

[133] Tubular, *The Rise of Multi-Platform Video: Why Brands Need a Multi-Platform Video Strategy,* 10 July 2015, https://www.slideshare.net/socialogilvy/the-rise-of-multiplatform-video-why-brands-need-a-multiplatform-video-strategy

[134] Ofcom, https://www.ofcom.org.uk/research-and-data/multi-sector-research/general-communications/digital-day

[135] In the case of adults, the observation was made over a period of seven days but in the context of the viewing time detailed here the figures have been reduced to three days to compare them with children aged 6-15.

- and, finally, short video clips watched on YouTube type video platforms or social networks (the category of interest in the context of this report).

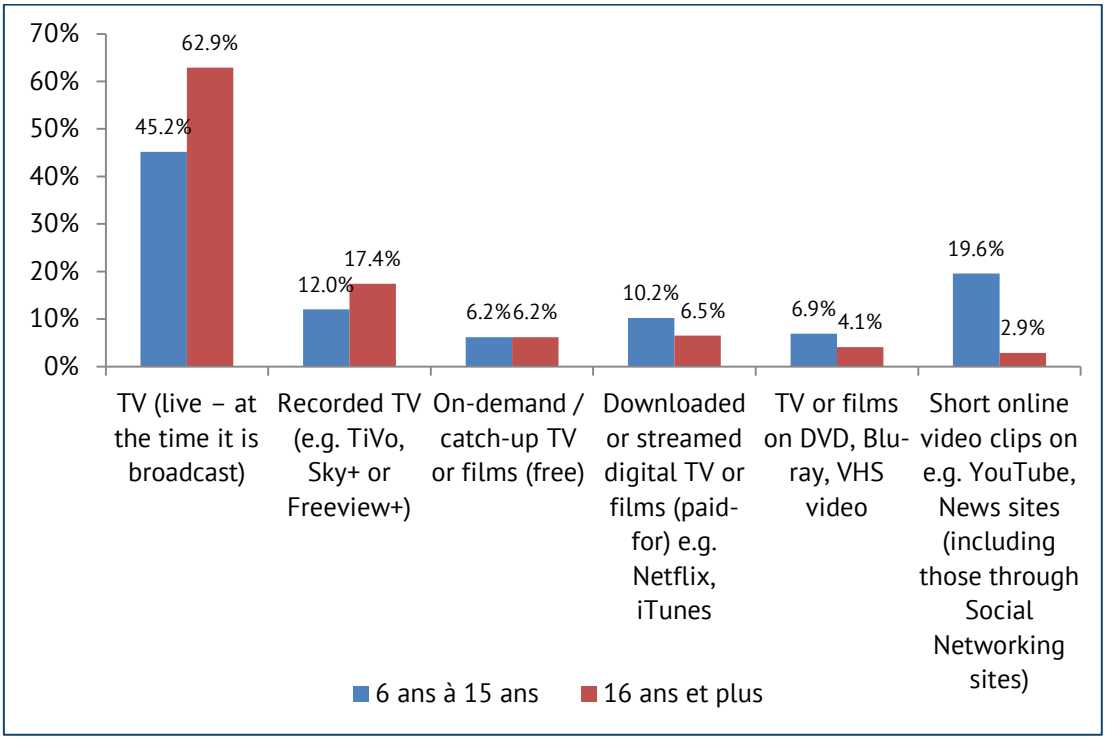
The graph in Figure 8 shows that for adults aged 16 and over live television accounts (by far) for the greatest amount of total video time (62.9%).

The viewing of video clips on YouTube- or Facebook-type websites was just 2.9% of overall video time or 51 minutes (viewed mainly on laptops or smartphones). This is the manner in which British adults spend the least time viewing audiovisual content.

The **results are very different for 6-15-year-olds**: live television now still accounts for 45.2% of viewing time (or 522 minutes), but the viewing of video clips on video platforms is the second-highest in terms of viewing time, with 19.6% of the time spent, or 226 minutes. These videos are mainly watched on tablets (47.5% of viewing time) or smartphones (22.1%).

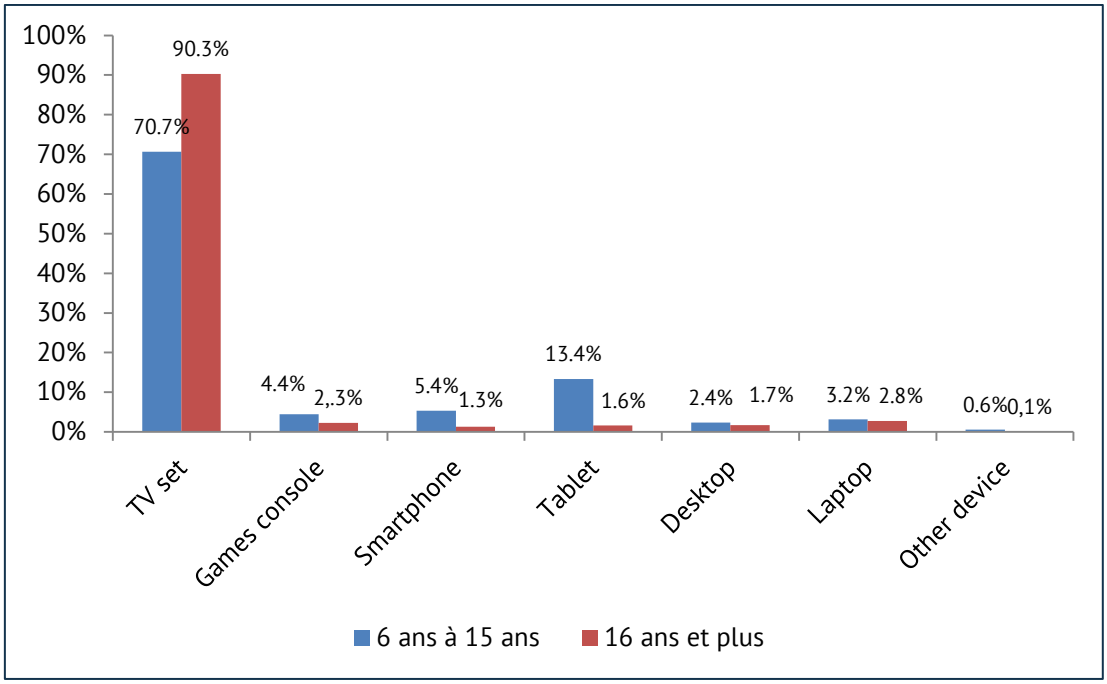
The young generations therefore appear to have a growing appetite for videos on video-sharing platforms.

Figure 8. Types of content watched and screens, in % of total consumption time, 2016 sample, children aged 6-15 and adults aged 16+



Source: Ofcom, Digital Day 2016

Figure 9. Screens used to watch audiovisual content, in % of total consumption time, 2016 sample, children aged 6-15 and adults aged 16+



Source: Ofcom, Digital Day 2016

This becomes more obvious when comparing the development between 2014 and 2016, taking all age groups together. The reach of live television fell from 85% of the sample to 77%, while at the same time the reach of video clips on video platforms rose from 32% to 50%. Moreover, the reach of all activities associated with viewing content online or time-shifted increased while that of the traditional methods of consumption (live TV, on physical media) declined, thus indicating changes in the methods of consumption[136].

For the analysis of the impact on the TV audience, this section focuses on the situation in the United Kingdom, one of the few countries in Europe for which reliable TV and online audience measurements are available and, in particular, are to some extent comparable. The adoption of the new technologies by the British public is particularly high compared with other EU countries[137].

Other indicators confirm the spread of online video and the use of video-sharing sites in particular:

[136] Ofcom Digital Day 2016 – *Results from the children's diary study*, https://www.ofcom.org.uk/__data/assets/pdf_file/0017/94013/Childrens-Digital-Day-report-2016.pdf

[137] The United Kingdom is also the European country, together with the Nordic countries, the Netherlands, Luxembourg and Belgium, whose population makes considerable use of the new communication technologies. In the European Commission's Digital Economy and Society Index 2017, it was classified in the cluster of "high performing countries". See *DESI – United Kingdom, 2017,* ec.europa.eu/newsroom/document.cfm?doc_id=43047, and for the results for each EU country https://ec.europa.eu/digital-single-market/en/news/digital-economy-and-society-index-desi-2017

- Although the videos watched are still mainly of short duration[138][139], total viewing time has increased significantly, at least in the case of YouTube, which announced in 2017 that the average session lasted one hour, according to its CEO Susan Wojciki[140]. By comparison, the video analytics company Delmondo estimated that users viewed a video on Facebook Watch for an average of 23 seconds[141] in 2017.
- The recent BBC Annual Plan published in March 2018[142] also reports on this development. The BBC has established that 82% of children go to YouTube for on-demand content and 50% to Netflix, and 29% use the catch-up service BBC iPlayer. In addition, children aged 5-15 spend more time each week online (15 hours 18 minutes) than watching television (14 hours).
- The result of these developments is that children spend less time using the BBC's dedicated children's services and there has been a steady decline according to the public media group. Another factor of concern expressed is that the traditional television set is having to compete with mobile telephones, which 43% of children aged 12-15 use for watching television. Moreover, the BBC has announced its intention to reinvent its iPlayer catch-up service to ensure it continues to be used by young people, as well as by the older generations, given the increased competition from online services, both free and paid[143].

[138] According to comScore, the average length of an online video was 4.4 minutes in 2014. *comScore Releases January 2014 U.S. Online Video Rankings,* 21 February 2014, https://www.comscore.com/Insights/Press-Releases/2014/2/comScore-Releases-January-2014-US-Online-Video-Rankings

[139] For its part, Facebook has reported that in 2017 users watched a News Feed video for an average of just 16.7 seconds and an advertising video 5.7 seconds. Facebook, New Medium, New Rules: Video Advertising in the Mobile Age, 8 June 2017, https://www.facebook.com/business/news/new-medium-new-rules-video-advertising-in-the-mobile-age

[140] Fox Business, *YouTube Has 1.5 Billion Viewers Watching Over an Hour of Video Every Day,* 26 June 2017, https://www.foxbusiness.com/markets/youtube-has-1-5-billion-viewers-watching-over-an-hour-of-video-every-day

[141] Digiday, *Facebook's Watch videos are being viewed an average of 23 seconds*, 4 October 2017, https://digiday.com/media/facebooks-watch-off-promising-start-faces-long-road-pursuit-youtube/

[142]BBC, *BBC ANNUAL PLAN 2018/19*, March 2018, http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/howwework/reports/pdf/bbc_annual_plan_2018.pdf

[143] TBI Vision, *BBC to 'reinvent the iPlayer' to reach younger audiences*, 20 April 2018, https://tbivision.com/2018/04/20/bbc-to-reinvent-the-iplayer-to-reach-younger-audiences/

5. The economic impact of video platforms

The previous sections have described in more detail the players on the video platform market. This section examines the economic aspect, from funding to the impact on the audiovisual sector's value chain.

It is difficult to measure the economic impact of video-sharing platforms, because of a lack of publicly available figures on their revenues[144] and because measurements of the consumption of videos on these platforms cannot yet be compared to audience measurements in the case of traditional television, [145] and are made on the basis of other indicators –sometimes disputed by the advertisers themselves.

For these reasons, the figures presented in this section are indirect measurements of their importance and the impact is measured by examples of certain countries or regions in view of the lack of unified data for Europe.

However, it appears clear that given the rapid increase in the use of these services provided by video-sharing platforms[146] and social networks[147] (especially among the younger generations or in advanced countries with regard to the use of digital technology, such as the United Kingdom, where YouTube is approaching saturation point as it is used by 90% of consumers of digital videos[148]), they are significantly changing the way in which the global audience accesses and consumes video content. This transformation in methods of consumption has also had an impact on the content available on these services: the production of content on these platforms is becoming increasingly professionalised.

Video-sharing platforms have changed since 2006 and Google's acquisition of YouTube for USD 1.65 billion: the typical example of videos of cats, a universal symbol of

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[144] Google does not publish YouTube's revenues and provides no breakdown by market or region. Facebook publishes advertising revenues by region but without a breakdown for video advertising.

[145] The Drum, *TV body Barb outlines hurdles Facebook & Google need to overcome to win accreditation*, 8 April 2018, http://www.thedrum.com/news/2018/04/08/tv-body-barb-outlines-hurdles-facebook-google-need-overcome-win-accreditation

[146] Statista, *Share of individuals who watched short video clips (such as on YouTube) in the prior week in the United Kingdom (UK) in 2016, by age group*, https://www.statista.com/statistics/506291/watching-and-downloading-short-online-videos-in-the-uk-by-age-group/

[147] Statista, *Facebook penetration in Western Europe from 2014 to 2018*, https://www.statista.com/statistics/304593/facebook-penetration-in-western-europe/

[148] DigitalTV Europe, *eMarketer: YouTube 'close to saturation' in the UK,* 5 February 2018, https://www.digitaltveurope.com/2018/02/05/emarketer-youtube-close-to-saturation-in-the-uk/

the type of content generated by users in order to share it on these services, is no longer valid in 2018.

This 'ordinary' user-generated content fairly quickly faced competition from semi-professional content produced by creators with the aim of monetising their audience and from professional content produced by traditional or digital media groups with multiple objectives, ranging from monetisation and promotional intentions to the acquisition of a new audience. This content is mainly meeting with success among the young audience.

These video-sharing platforms now appear in a different light. From simple catalogues of videos, they have developed into services for distributing all types of content. The launch of the live video service in the last few years is contributing to this development, as is the production of original content by these services[149].

Another factor contributing to the rise in importance of these video platforms is the ubiquitous presence of smartphones, and therefore the virtually permanent connection to the Web. Users have instant access to the Internet and mobile apps[150], and some video platform apps are among those most downloaded, thus increasing their use and, therefore, the viewing of videos on these services. Moreover, in Europe, the Middle East and Africa (EMEA) the mobile phone had become by 2017 the device most used for viewing videos online, with 54% of all videos viewed[151], and this figure is set to rise according to Ooyala[152].

In view of these major developments, and noting that Google and Facebook accounted for about 20% of the global advertising market in 2017[153], the strategy to develop and focus on video content appears to be a real challenge to the traditional audiovisual sector.

In 2018, the video-sharing platforms seem to have established their niche in the audiovisual regime of European and global citizens and consumers, so it is l worth asking what place they hold in the audiovisual value chain.

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[149] YouTube, Facebook and Snapchat have announced on several occasions their desire to produce and acquire content for their services and have invested resources, as we have seen above.

[150] Of which Facebook and YouTube are the most downloaded and installed on telephones, with an 81% and 71% penetration rate, respectively, on mobile phones in the United States in 2017. Snapchat is in 7th place according to comScore. See Recode, *These are the 10 most popular mobile apps in America*, 24 August 2017, https://www.recode.net/2017/8/24/16197218/top-10-mobile-apps-2017-comscore-chart-facebook-google

[151] However, the study covers short- and long-form videos and comprises not only video platforms. See Ooyala, *Long-Form Video Is Now the Most Popular Content Regardless of Screen Size, New Ooyala Q1 2017 Video Index Reveals*, 13 juin 2017

[152] Ooyala, *Global Video Index Q4 2017*

[153] *The Guardian,* "Google and Facebook bring in one-fifth of global ad revenue", 2 May 2017, https://www.theguardian.com/media/2017/may/02/google-and-facebook-bring-in-one-fifth-of-global-ad-revenue

5.1. Video platforms' business models

Video platforms derive a large proportion of their revenues from advertising, either directly from videos or indirectly. Some earn additional revenues from subscriptions (general or to channels/services), from creator sponsorships and from pay-per-view.

The lack of data communicated by the major players gives analysts no alternative but to make estimates, which should be regarded with a degree of caution.

The two business models of these players are described in succession, beginning with the most important, funding through advertising, which in 2018 accounted for the bulk of the resources generated by video-sharing.

5.1.1. Direct and indirect economic model

A primary question concerning methods of funding video platforms is: are they sources of revenue in themselves or do they, rather, contribute to their owners' business models, mainly on the basis of advertising (and are they therefore dependent on the gathering of data on their users and the ability to target advertisements for advertisers)?

The case of YouTube, which belongs to Google (which itself belongs to its parent company Alphabet) is interesting. Google's business model is based on the sale of advertising. In 2017, about 84% of Alphabet's revenues[154] – USD 95.4 billion (on total sales of USD 110.9 billion) – derived from advertising on Google[155].

Of Google's USD 110.9 billion in sales in 2017, 70.9% was accounted for by advertising revenues generated on the Google-owned sites, including YouTube, and 16% on the Google Network websites. Only 13% came from licensing contracts or other sources[156].

According to an analysis by the *Wall Street Journal*[157] in 2014, although YouTube generated USD 4 billion in revenues, the video-sharing site was far from profitable. The costs of acquiring content and the costs of the equipment necessary to distribute the video content[158] (servers, etc.) swallowed up all the video platform's revenues. Moreover,

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[154] *The Washington Post,* "Google parent Alphabet reports soaring ad revenue, despite YouTube backlash", 1 February 2018, https://www.washingtonpost.com/news/the-switch/wp/2018/02/01/google-parent-alphabet-reports-soaring-ad-revenue-despite-youtube-backlash/?noredirect=on&utm_term=.e0a806321009

[155] Statista, *Google's ad revenue from 2001 to 2017 (in billion U.S. dollars),* 2018, https://www.statista.com/statistics/266249/advertising-revenue-of-google/

[156] Statista, *Distribution of Google's revenues from 2001 to 2017, by source*, Statista, https://www.statista.com/statistics/266471/distribution-of-googles-revenues-by-source/

[157] *The Wall Street Journal,* "YouTube: 1 Billion Viewers, No Profit", 25 February 2015, https://www.wsj.com/articles/viewers-dont-add-up-to-profit-for-youtube-1424897967

[158] Moreover, when Alphabet's earnings were presented in 2018, its executives pointed out that the consumption of videos on YouTube forced them to invest in Internet cables and computers to meet the demand. See Reuters, *Ad sales surge at Google parent Alphabet, but so do costs*, 23 April 2018, https://www.reuters.com/article/us-alphabet-results/ad-sales-surge-at-google-parent-alphabet-but-so-do-costs-idUSKBN1HU2QE

according to an analysis by Pivotal the YouTube audience is very concentrated and young, and 9% of the audience account for 85% of video views[159], thus limiting its attractiveness for advertisers (note: this analysis dates from 2014, and the platform has undertaken numerous initiatives since then to draw a bigger audience, as seen above).

In particular, YouTube enables information and personal data to be gathered in order to improve the targeting of advertising, either on YouTube or other sites. It is true that many changes to the strategy have been made since 2014 as far as YouTube content is concerned, mainly to increase its audience, and therefore its value in the eyes of advertisers, but the most recent profit-and-loss accounts and the balance sheet published by Alphabet[160] do not always give details of YouTube's revenues (and profits or losses). The legitimate question as to whether YouTube is not more a cost centre than a profit centre for Google/Alphabet, serving its business model – selling online advertising – thus remains to be answered.

In the case of the other video-sharing platforms, it would appear that the main aim is to increase the number of visits and their duration per visitor. The videos present on these platforms thus make a direct contribution to their business models: growing the audience, gathering data and the possibility of targeting advertising. The transition to the online consumption of videos[161] has prompted these players to invest more in video so as not to be overtaken by their competitors and to stay attractive for their advertisers (advertising revenues go hand in hand with an engaged, captive platform audience). These reasons go some way to explaining the increased investment in video by all the players mentioned in this report as well as the change in their strategy, which after focusing on mobile devices, is now to make video[162] and video advertising a priority area of development – and target TV advertising revenues.

5.1.2. Advertising, the dominant funding model

The vast majority of video-sharing platforms are free of charge for the user, and anyone who says free of charge on the web means funding through advertising. The business model of video platforms, which act as intermediaries between their audiences and advertisers wishing to disseminate advertising messages among these audiences, is thus based on their ability to attract the user's attention, and to do so in a world where attention has become a rare resource.

It is the same two-sided market as for traditional media and TV advertising as well as advertising in all types of print media such as advertising-funded magazines and

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[159] MarketWatch, *Viewers don't mean profit for Google's YouTube*, 25 February 2015, https://www.marketwatch.com/story/viewers-dont-mean-profit-for-googles-youtube-2015-02-25

[160] Alphabet Inc., Form 10-K, 31 December 2017, https://abc.xyz/investor/pdf/20171231_alphabet_10K.pdf

[161] Popular Science, *Mark Zuckerberg: Within Five Years, Facebook Will Be Mostly Video*, 6 April 2016, https://www.popsci.com/mark-zuckerberg-within-five-years-facebook-will-be-mostly-video

[162] Mashable, *Facebook is embracing YouTube-like stars as it pushes for more video*, 22 June 2017, https://mashable.com/2017/06/22/the-rise-of-the-facebook-star/#eXEUMGSGS5qA

newspapers. The fundamental change made by Internet advertising is to transform the paradigm of mass and/or contextual advertising into one of targeted, individualised advertising.

The video platform players have incorporated this change in the dissemination and even the conceptualisation of the advertising message, which has been adapted to the digital age and consumers' shorter attention spans[163], and therefore provides their advertisers the opportunity to target with their messages those users who watch videos on their services.

Video-sharing platforms are therefore mainly funded through the monetisation of their audiences through advertisers. These advertising resources can either come directly from videos on these platforms[164] or derive indirectly from videos by contributing to an increase in traffic and, therefore, the audience, which has been monetised on other services provided by these platforms (the prime example is Facebook and the News Feed advertisements, which are not linked to any video in particular).

Here, it is necessary to highlight the difference in the two sources of funding through video advertising: direct and indirect funding.

Direct funding by mid-roll video advertising[165] constitutes **the principal advertising resource** for some video platforms (coupled with revenues from subscriptions in the case of some sites like Vimeo). This is the case with sites[166] like YouTube[167], Vimeo[168], Twitch[169],

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[163] The average attention span fell from 12 seconds in 2000 to 8 seconds in 2016 according to a survey of Canadian media consumption by Microsoft. See *The New York Times, "*The Eight-Second Attention Span*"*, 22 January 2016, https://www.nytimes.com/2016/01/22/opinion/the-eight-second-attention-span.html

[164] With video advertisements placed before (pre-roll), during (mid-roll) or after (post-roll) the showing of a video. Historically, advertisers have mainly employed pre-roll advertisements but the volume of mid-roll advertisements has risen considerably since 2016, thus guaranteeing a better completion rate among users who have already invested in the content watched. However, pre-roll video advertising is still the form most used.

AdAge, Mid-Roll Commercial Breaks Are Becoming More Common in Digital Videos, 13 September 2016, http://adage.com/article/digital/interrupt-stream-mid-roll-video-ads-taking/305823/

And *Ooyala Global Video Index Q4 2017*, http://go.ooyala.com/thanks-video-index-q4-2017.html?aliId=100486442

[165] Or another type of 'display' advertisement, such as advertising banners. However, their use is not so common , especially for the monetisation of videos. See IAB, *IAB New Standard Ad Unit Portfolio*, July 2017 https://www.iab.com/wp-content/uploads/2017/08/IABNewAdPortfolio_FINAL_2017.pdf for a classification of all the types of display advertisements.

[166] Amazon offers creators and right holders the possibility of monetising content through advertising, with a payment to creators of 55% of net advertising revenue. Amazon Video Direct, Royalty Information, https://videodirect.amazon.com/home/help?topicId=G202037410. As an offer made in addition to its main subscription video service Prime, and reserved solely for professional creators (or even semi-professionals in certain cases), this service is not directly included in these funding examples.

[167] Google and Alphabet do not communicate YouTube's sales figures. Some estimates exist but their reliability cannot be guaranteed. The most recent estimates by the bank Morgan Stanley put YouTube's sales figures in 2019 at around USD 22 billion, which is very far from the estimates previously published in other publications. See Bloomberg, *YouTube's Plan to Clean Up the Mess That Made It Rich*, 26 April 2018, https://www.bloomberg.com/news/features/2018-04-26/youtube-may-be-a-horror-show-but-no-one-can-stop-watching

Twitter[170] and Dailymotion[171], which are mainly built around video content and which users primarily visit to watch video content, either on demand or live. The aim of video content made available free of charge is to gather an audience to which video advertisements are shown. The fundamental change compared with commercial linear television, which gathers together a mass audience to which advertising messages are broadcast, is that the video advertisements on video platforms are targeted, on the basis of data gathered on Internet users and exploited. This targeting basically makes it possible to ensure the equal or even greater effectiveness and efficiency of the advertisers' advertising expenditure[172]. The targeting, based on users' interests, is thus regarded as the best way to maximise the viewing of video advertisements by Internet viewers[173].

See *The Wall Street Journal,* "YouTube: 1 Billion Viewers, No Profit", 25 February 2015, https://www.wsj.com/articles/viewers-dont-add-up-to-profit-for-youtube-1424897967, which estimates YouTube's advertising revenues in 2014 at around USD 4 billion.
See *The Wall Street Journal,* "YouTube's Quest for TV Advertising Dollars", 22 April 2016, https://www.wsj.com/articles/youtubes-quest-for-tv-advertising-dollars-1461343177, which estimates that YouTube's advertising revenues exceeded USD 1.2 billion in 2014 and USD 2 billion in 2016. The differences in the estimates are therefore substantial.
See also this article published in *Variety* in 2013 giving estimates of between USD 3.6 billion and USD 5.6 billion for 2013. http://variety.com/2013/digital/news/youtube-to-gross-5-6-billion-in-ad-revenue-in-2013-report-1200944416/
YouTube's sales and/or profits thus remain secret and are consolidated with Google's figures, which are themselves consolidated in the profit-and-loss account of the parent company Alphabet: https://abc.xyz/investor/pdf/20171231_alphabet_10K.pdf. Google's revenues deriving solely from advertising were USD 95.3 billion in 2017. Estimates by Statista of Google's net advertising revenues in the United States put the figure for YouTube at around 9% to 10%. https://www.statista.com/statistics/289659/youtube-share-of-google-total-ad-revenues/

[168] Which aims to generate USD 100 million in revenues in 2018, but a large proportion will also derive from subscribers of professional users. IAC, the parent company, does not publish separate accounts for Vimeo. See Brandequity, *Vimeo targets $100 million in revenue this year: CEO Joey Levin*, 26 February 2018, https://brandequity.economictimes.indiatimes.com/news/business-of-brands/vimeo-targets-100-million-in-revenue-this-year-ceo-joey-levin/63075293

[169] Whose advertising and subscription revenues were around USD 60 million in 2015, before Amazon's takeover. Some analysts consider Twitch capable of generating USD 1 milliard in revenues in 2020 based on the explosion of e-sport. See CNBC, *Watch me play video games! Amazon's Twitch platform draws users and dollars,* 14 May 2016, https://www.cnbc.com/2016/05/13/amazons-twitch-streamers-can-make-big-bucks.html

[170] Whose advertising and subscription revenues were around USD 60 million in 2015, before Amazon's takeover. Some analysts consider Twitch capable of generating USD 1 milliard in revenues in 2020 based on the explosion of e-sport. See CNBC, *Watch me play video games! Amazon's Twitch platform draws users and dollars,* 14 May 2016, https://www.cnbc.com/2016/05/13/amazons-twitch-streamers-can-make-big-bucks.html

[171] Which generated around EUR 50 million in sales in 2017 with losses of EUR 60 million. See BFM, *Les résultats de dailymotion en chute libre*, 16 March 2018, http://bfmbusiness.bfmtv.com/entreprise/les-resultats-de-dailymotion-en-chute-libre-1248817.html

[172] For 72% of the American advertising agencies questioned by Brightroll, online video advertising is more effective than TV advertising. See Brightroll, *Key Findings from the Brightroll 2015 Advertising Agency Survey,* 2015, https://admarketing.yahoo.net/rs/118-OEW-181/images/2015-US-Advertising-Agency-Survey.pdf

[173] eMarketer, *For Agencies, Targeted Video Ads Best at Grabbing Viewer Attention*, 29 June 2015, https://www.emarketer.com/Article/Agencies-Targeted-Video-Ads-Best-Grabbing-Viewer-Attention/1012662

The **launch** by the main video platform operators **of live streaming services** such as YouTube Live, Facebook Live, Instagram, Twitch and Twitter's Periscope[174] provide **another opportunity to place video advertising in live broadcasts, and therefore generate direct funding via video advertising**. Facebook has been testing in particular the placement of 15-second video advertisements in live streams since 2016[175]. Video advertising in live streams on these services has been identified by Juniper Research as a growth area for 2018[176] for the video advertising market, and the consulting firm predicts a big increase in the use of live streaming by creators and users of these video platforms.

Whether in the case of video-on-demand or live streaming, Juniper Research predicts a **130% rise in YouTube's and Facebook's video advertising revenues over five years, from USD 16 billion in 2017 to USD 37 billion in 2022**. The platforms have understood this trend and consequently invested in rights to sports or cultural events, such as the acquisition by Facebook in 2018[177] of the rights to the exclusive streaming of 25 Major League Baseball (MLB) games, various live transmissions of sports events of lesser importance by Twitter[178] or the exclusive live streaming of the Coachella music festival on YouTube[179]. The video platforms are slowly beginning to compete with the traditional broadcasters to show live events[180], which can increase their audiences and therefore the opportunities available to them to monetise their audiences with advertisers. Moreover, the use of live streaming is meeting with some success, whether for Facebook[181], YouTube[182] or Twitter[183].

Indirect funding by means of video, and therefore video advertising, is a source of revenue for sites that incorporate videos, which thus help to **boost the traffic on these**

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[174] MediaPost, *Facebook Live, YouTube Live Battle For Live Streaming Dominance*, 23 June 2017, https://www.mediapost.com/publications/article/303386/facebook-live-youtube-live-battle-for-live-stream.html

[175] AdAge, *Facebook Is Testing Mid-Roll Video Ads in Facebook Live*, 1 August 2016, http://adage.com/article/digital/facebook-testing-mid-roll-video-ads-live-sources/305274/

[176] BusinessWire, *Juniper Research: Video Advertising Spend on YouTube & Facebook to Grow by 130% in Just 5 Years,* 30 January 2018, https://www.businesswire.com/news/home/20180130005005/en/Juniper-Research-Video-Advertising-Spend-YouTube-Facebook

[177] *Variety,* "Facebook Nabs MLB Exclusive Global Rights to 25 Games", 9 March 2018, http://variety.com/2018/digital/news/facebook-mlb-exclusive-25-games-global-rights-1202722652/

[178] Recode, *Most of Twitter's streaming video deals are not must-see* TV, 19 July 2016, https://www.recode.net/2016/7/19/12218996/twitter-nba-nfl-streaming-deals-not-tv-quality

[179] *Variety,* "How to Watch Coachella Live Stream Online", 13 April 2018, http://variety.com/2018/music/news/coachella-2018-live-stream-watch-online-1202753215/

[180] *The Telegraph,* "How Facebook, YouTube and TV newcomers are playing for the future of live broadcasting", 3 September 2018, https://www.telegraph.co.uk/business/2016/09/03/how-facebook-youtube-and-tv-newcomers-are-playing-for-the-future/

[181] MarketingLand, *Facebook Live broadcasts have doubled YoY since the livestreaming feature launched in 2016,* 6 April 2018, https://marketingland.com/facebook-live-broadcasts-have-doubled-yoy-since-the-livestreaming-feature-launched-in-2016-237808

[182] Business Insider, *Beyoncé's Coachella set was the most-viewed live performance on YouTube in the festival's history,* 17 April 2018, http://www.businessinsider.fr/us/beyonce-coachella-performance-youtube-most-viewed-2018-4

[183] Bloomberg, *Twitter's Bet on Video Is Starting to Pay Off,* 19 April 2018, https://www.bloomberg.com/amp/news/articles/2018-04-19/twitter-s-bet-on-video-is-starting-to-pay-off?__twitter_impression=true

sites. Video is seen as a factor **that grows their audience** and, therefore, **increases the value of their services and their audiences in the eyes of their advertisers**[184]. The best examples of video platforms that benefit from a financial shot in the arm through online and video advertising are Facebook and other social networks, such as Twitter[185], Instagram and Snapchat. Video is not a core element of their services, even though these sites are focusing more and more on it[186] as a source of traffic and means of ensuring bigger audiences. These players have identified the consumption of digital video, on mobile telephones, PCs or smart TVs, as a basic trend on the Web. Facebook in particular has identified it as a major trend and is accordingly trying to offer these users more video content, on all these services. The announcement of the launch of Facebook Watch in the United States in August 2017[187] is an indication of this new strategy for the social network. Facebook's launch of a smart TV app in 2017[188] illustrates this strategy focusing on video. To sum up, video has become for those services not centred on it at launch a means of increasing traffic and boosting audiences and now constitutes a strategic priority. This will automatically lead to a rise in video advertising revenues on these services. However, video is not the only type of content or service available and it thus contributes only indirectly to the increase in traffic, the size of the audience and, therefore, advertising revenues.

Funding through advertising is the main source of revenue for the video platforms. This revenue can be derived directly from video advertising or indirectly when video increases the traffic on these sites.

This advertising revenue can be split into two categories:

- - advertising revenue that the platforms retain in full;
- - advertising revenue shared with content providers, for whom the platforms act as agents.

[184] For Facebook (to which Instagram belongs), for example, online advertising revenues accounted in 2017 for 98% of total revenues, or USD 39.9 billion. See Statista, *Facebook's annual revenue from 2009 to 2017, by segment (in million U.S. dollars)*, 2018, https://www.statista.com/statistics/267031/facebooks-annual-revenue-by-segment/

[185] Twitter's revenues also derive from online advertising and were estimated at USD 3.26 billion in 2017. See Statista, *Twitter's advertising revenue worldwide from 2014 to 2018 (in billion U.S. dollars)*, 2018, https://www.statista.com/statistics/271337/twitters-advertising-revenue-worldwide/

[186] Facebook, having identified mobile devices as important for its service in 2012 ("mobile first", see *Facebook's Zuckerberg says mobile first priority*, Reuters 12 May 2012, https://www.reuters.com/article/net-us-facebook-roadshow/facebooks-zuckerberg-says-mobile-first-priority-idUSBRE84A18520120512), identified video as a principal trend and therefore made it the priority for its services in 2017. See The Hollywood Reporter, *Mark Zuckerberg Details Facebook's "Video First" Strategy*, 1 February 2017, https://www.hollywoodreporter.com/news/facebook-shares-up-revenue-growth-970957

[187] See TechCrunch, *Facebook launches Watch tab of original video shows*, 10 August 2017, https://techcrunch.com/2017/08/09/facebook-watch/

[188] See *The Wall Street Journal,* "Facebook Tunes Into Television's Market", 31 January 2017, https://www.wsj.com/articles/facebook-tunes-into-televisions-market-1485900480

5.1.3. Testing other business models

The main players have experimented with other funding methods than advertising. These revenues are still limited and constitute tests for these firms.

5.1.3.1. All-in-one subscriptions: the example of YouTube Red and Twitch Prime

YouTube launched its subscription service YouTube Red in the United States in October 2015 and announced that it would be launched in dozens of countries in 2018. The service was available in April 2018 in four countries outside the United States out of the 88 with a local YouTube version: Australia, South Korea, Mexico and New Zealand. The subscription, costing USD 10 per month, enables videos to be viewed without advertising and permits access to all types of exclusive content: series, films, documentaries and content from YouTube creators. By launching this service, YouTube recognised another basic trend: the explosive growth of subscription video-on-demand (SVOD) sites. As far as we know, the number of paid subscribers to the YouTube service is currently estimated at 1.5 million. It seems that persuading users to pay for a service previously free of charge is no easy task.

Twitch Prime also offers a subscription option, which costs USD 12.99 a month or USD 99 a year. It enables users to subscribe to channels of video game content creators and permits the viewing of advertisement-free videos, access to exclusive content and access to video game content. In addition, Twitch Prime offers exclusive benefits, such as emoticons reserved for subscribers or badges and colour options for live chats with creators[189].

5.1.3.2. Commissions on subscriptions to paid channels

YouTube also offered an individual subscription to YouTube channels until 1 January 2018 as a way for creators and content owners on YouTube to monetise their videos more or, for users of the site, to purchase or rent videos directly. This experiment does not appear to have met with the expected success because YouTube decided to discontinue the service at the beginning of 2018[190], pointing out that the option to subscribe to a channel was being used by less than 1% of creators[191].

Vimeo also offers the possibility of subscribing to channels of creators (who have chosen to provide this option) on its Vimeo on Demand service and charges a 10%

[189] Twitch, Twitch Prime Benefits, https://help.twitch.tv/customer/portal/articles/2572060-twitch-prime-guide#TwitchPrimeBenefits

[190] YouTube, Paid content discontinued January 1, 2018, https://support.google.com/youtube/answer/7515570?hl=en

[191] SocialBlade, *YouTube rolls out sponsorships monetization feature to gamers*, 20 September 2017, https://socialblade.com/blog/youtube-sponsorships-monetization-feature-gamers/

commission on the revenues[192] from the subscriptions paid by users who subscribe to a channel.

It should be noted that Amazon, although not a video-sharing platform, offers a similar service through its Amazon Video Direct offering, coupled with its SVOD service Amazon Prime Video. The channels opting for this form of distribution receive 50% of net subscription revenues[193]. Amazon launched Amazon Channels in the United Kingdom, Germany and Austria in 2017[194], with around fifty channels available on subscription[195].

5.1.3.3. Commissions on sponsorship and tipping

Sponsorship and the tipping of creators of video game content and of live videos: the example of YouTube Gaming and Twitch

Another form of additional funding is sponsorship by fans of creators. This funding form is mainly used for content produced by creators of video games (individuals who make videos available showing them in the process of playing video games, on-demand or live). In the case of YouTube, 70% of sponsorship revenues goes to creators and the platform takes 30%[196].

A form very close to funding is tipping, which is a possibility for fans of creators to give their favourite creators a tip. Used to thank creators, this form of monetisation also constitutes a source of video platform funding. YouTube, for example, will take 5% of the tip and a flat commission of 21 cents[197]. The launch of YouTube Super Chat[198] in January 2017 offers this possibility in the case of live retransmissions, the aim being to encourage more creators to use this distribution method. Twitch also offers fans this possibility in the form of "bits", which are points that can be bought on the platform in order to tip creators. The service takes a 30% commission on these tips[199]. This service allowing a tip to be given to a person's favourite creators, especially creators of video games and in the

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[192] The Vimeo Blog, Subscription tools come to Vimeo On Demand, 2 June 2015, https://vimeo.com/blog/post/extra-flexible-pricing-subscription-tools-come-to

[193] Amazon Channels, Royalty Information, consulted on 16 April 2018, https://videodirect.amazon.com/home/help?topicId=G202037410

[194] TechCrunch, *Amazon expands Amazon Channels to UK, Germany, taking aim at pay-TV users*, 23 May 2017, https://techcrunch.com/2017/05/23/amazon-expands-amazon-channels-to-uk-germany-taking-aim-at-pay-tv-users/

[195] Radiotimes, What is Amazon's new streaming service Amazon Channels, and is it worth the money?, 23 mars 2018, https://www.radiotimes.com/news/2018-03-23/what-is-amazons-new-streaming-service-amazon-channels-and-is-it-worth-the-money/

[196] SocialBlade, *YouTube rolls out sponsorships monetization feature to gamers*, 20 September 2017, https://socialblade.com/blog/youtube-sponsorships-monetization-feature-gamers/

[197] Engadget, *YouTube now lets you tip your favorite video makers*, 9 February 2014, https://www.engadget.com/2014/09/02/youtube-fan-funding/

[198] Mashable, *New YouTube feature lets fans 'tip' creators during live streams*, 13 January 2017, https://mashable.com/2017/01/12/youtube-super-chat-live-video/#iSndVJXJhkqk

[199] Engadget, *You can tip Twitch streamers right from the mobile app*, 11 August 2017, https://www.engadget.com/2017/11/08/twitch-bit-purchases-in-mobile-app/

case of live transmissions, is offered by a number of video platforms, such as Facebook[200] (with a standard commission of 30%) and Periscope[201] (a deduction of USD 1 on each tip).

5.1.3.4. Commission for the distribution of content per unit

Vimeo enables its creators and rightholders to offer users the possibility of purchasing or renting content and pays them 90% of the transaction[202] (and therefore keeps 10%).

Amazon Video Direct pays creators 50% of net transaction revenues in its "Buy and Rent" offering[203].

Pay-per-view for audiovisual content was offered creators by YouTube until 2018. The platform has discontinued this functionality for lack of use, as it has done it for subscriptions to creators' creators channels, but continues to offer it to holders of rights in professional content[204].

5.1.3.5. Services for creators

Vimeo is a **paid service for creators**, with access ranging from free of charge and professional, from 16 euros a month, to Premium at 70 euros a month[205].

5.2. The impact of video platforms on advertising

As we have seen, video platforms are having a certain impact on viewing times and on the audience of traditional television channels (less in the case of adults) and this impact has been steadily increasing since 2012.

The impact on TV channels' advertising revenues is harder to measure as there is no reliable way of measuring the video advertising associated with short videos, such as those mostly available on video platforms. It is therefore necessary to turn to alternative figures, namely total video advertising revenues in Europe, in order to compare them to TV advertising revenues. Video advertisements also appear in places other than video platforms (for example, on newspaper websites or TV channels). Comparing total video

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[200] TechCrunch, *Facebook lets you tip game live streamers $3+,* 26 January 2018, https://techcrunch.com/2018/01/26/facebook-gamer-tipping/

[201] TechCrunch, *Periscope expands virtual tipping via Super Hearts beyond the U.S.,* 1 December 2017, https://techcrunch.com/2017/12/01/periscope-expands-virtual-tipping-via-super-hearts-beyond-the-u-s/

[202] The Vimeo Blog, *Make more money with Vimeo On Demand — the proof is in the math*, https://vimeo.com/blog/post/make-more-money-with-vimeo-on-demand-the-proof-is, 18 March 2015

[203] Amazon, Royalty Information, https://videodirect.amazon.com/home/help?topicId=G202037410

[204] YouTube, Paid content discontinued January 1, 2018, https://support.google.com/youtube/answer/7515570?visit_id=1-636598186058734523-1409436667&rd=1

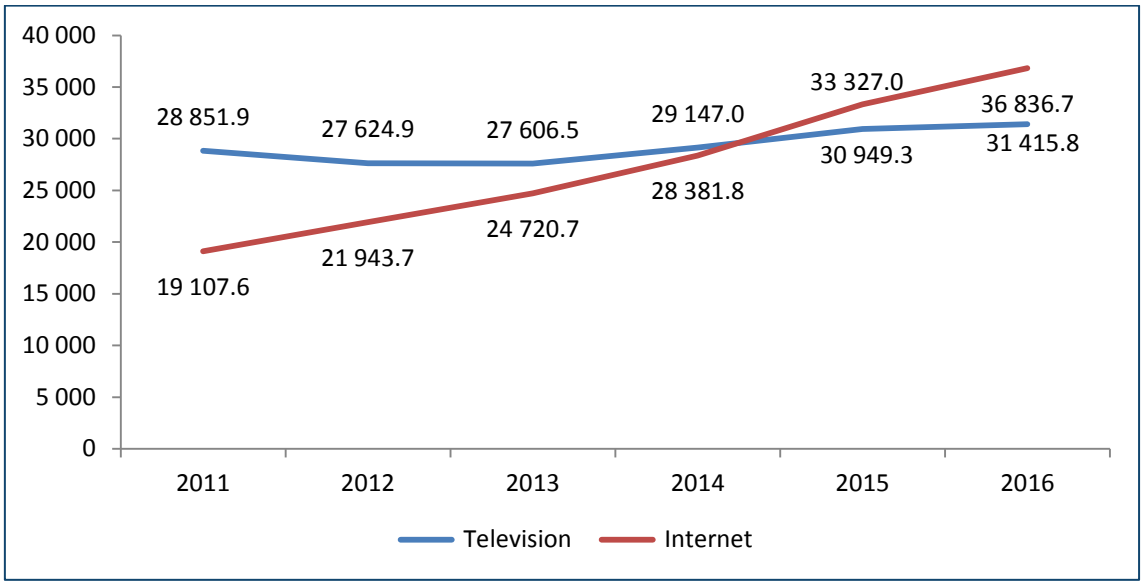
[205] https://vimeo.com/fr/upgrade?utm_campaign=1923&utm_content=INTL_ROW_Search_Brand_Alone_Alpha_EN%2AVimeo+-+Exact&utm_medium=cpc&utm_source=GOOGLE&utm_term=vimeo

advertising revenues to TV advertising revenues thus involves a certain amount of bias, accepted in the context of this report, and does not fully reflect the situation.

5.2.1. The growth of online advertising

In the European Union, Internet advertising has exceeded TV advertising since 2015 and amounted to EUR 36.8 billion in 2016 compared with EUR 31.4 billion for TV advertising

Figure 10. TV and online advertising in the EU-28, 2011-2016, in EUR million

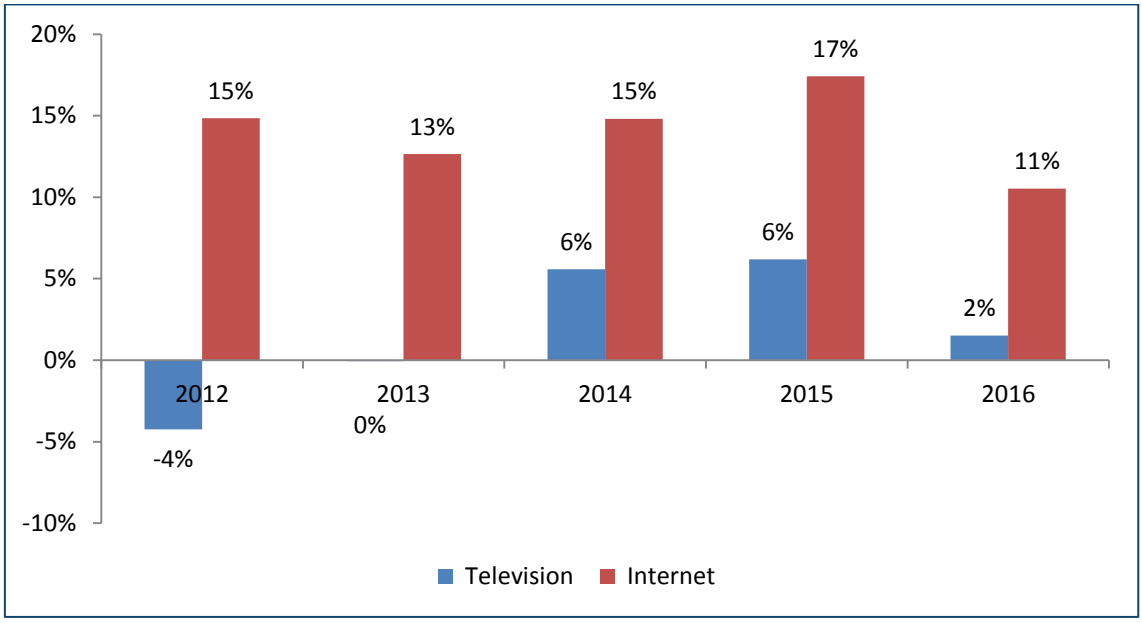


Source: Warc

This development is reflected in the growth rates of the two media: while Internet advertising has posted double-digit growth rates since 2012, TV advertising has grown less, and even experienced negative growth in 2012. In 2016, the last year for which figures are available, TV advertising stagnated and even fell in some countries[206] (such as the United Kingdom in particular, as well as Belgium, Finland, Sweden, Denmark Estonia and Poland) whereas online advertising grew in all countries.

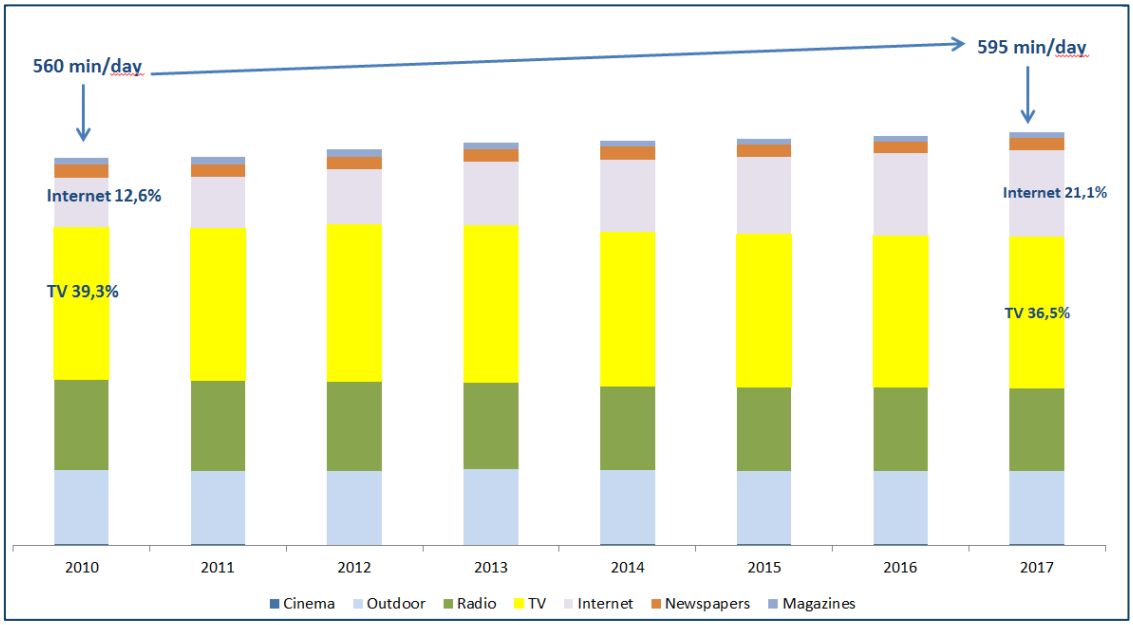
[206] For more information on the state of TV and Internet advertising in the countries of the European Union, see *The EU online advertising market – Update 2017*, European Audiovisual Observatory, March 2017, https://rm.coe.int/the-eu-online-advertising-market-update-2017/168078f2b3

Figure 11. TV and online advertising growth rates in the EU-28, 2012-2016, in %



Source: Warc

Figure 12. Average media consumption per user in Western Europe 2010-2017, in minutes per day



Source: ZenithOptimedia Media Consumption Forecasts 2015

5.2.2. Online video advertising, new competition for TV channels?

In Europe, IAB Europe and IHS provided an indication of expenditure on online video advertising in the report "*AdEx Benchmark 2016*" [207]. In 2016, in 20 EU countries video advertising amounted to EUR 2.7 billion, or 7% of the EUR 36.7 billion spend for online advertising in these 20 countries (video advertising is included in the online advertising total).

Table 3. Video and online ad spend in 2016 in 20 EU countries, in EUR million

Country	Video advertising	Online advertising	Video advertising as % of online advertising
AT	43	558	8%
BE	138	946	15%
BG	9	44	20%
CZ	81	561	14%
DE	338	5 950	6%
DK	38	909	4%
ES	176	1 622	11%
FI	30	345	9%
FR	280	4 175	7%
GB	831	14 181	6%
GR	5	139	4%
HR	6	45	13%
HU	7	217	3%
IE	47	444	11%
IT	404	2 295	18%
NL	127	1 689	8%
PL	51	883	6%
RO	2	55	4%
SE	118	1 604	7%
SI	3	40	8%
Total EU 20	**2 734**	**36 702**	**7%**

Source: IAB/IHS Adex Benchmark 2016

[207] Iab Europe, *IAB Europe report: AdEx Benchmark 2016 – the definitive guide to Europe's online advertising market,* 29 June 2017, https://www.iabeurope.eu/research-thought-leadership/resources/iab-europe-report-adex-benchmark-2016-the-definitive-guide-to-europes-online-advertising-market/

If we now compare video advertising expenditure with that of television in these 20 countries in 2016, the relationship is the same: video advertising accounted for an average of 10% of TV advertising expenditure.

However, in countries ranked as advanced in the European Commission's Digital Economy and Society Index (DESI), such as Denmark, the United Kingdom, Belgium, Ireland and Sweden, as well as those ranked as average, such as the Czech Republic, the proportion of video advertising wa above the average of 10% for TV advertising expenditure.

It should also be noted that video advertising is growing much faster than TV advertising, as is online advertising, with a 21.4% average growth rate[208] between 2015 and 2016 compared to 2% for TV advertising, and 11% for online advertising, respectively.

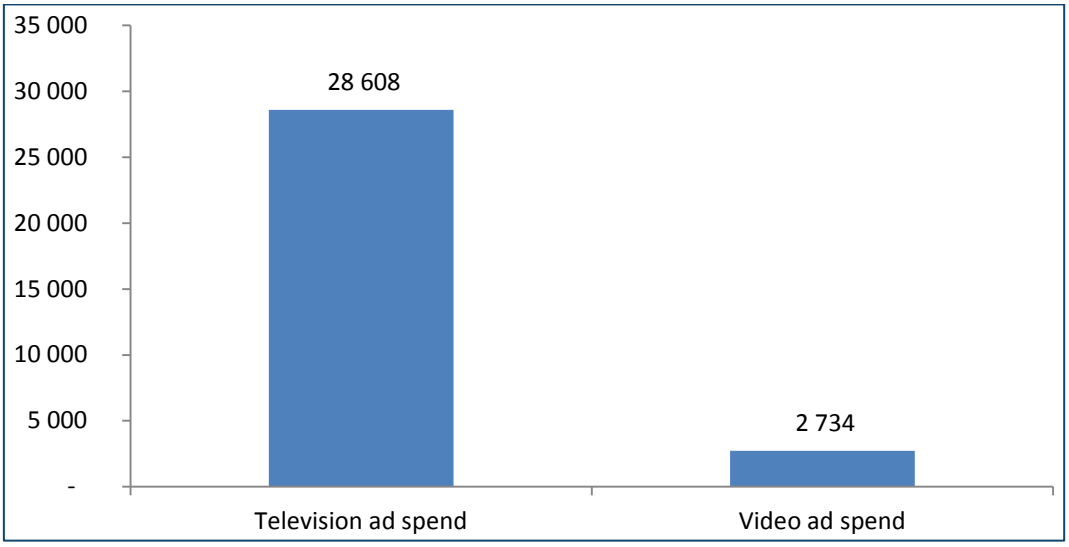
Table 4. Video and TV ad spend in 2016 in 20 EU countries, in EUR million

Country	Online video advertising	TV advertising	Video advertising as % of TV advertising
AT	43	1 046	4%
BE	138	876	16%
BG	9	441	2%
CZ	81	394	21%
DE	338	5 016	7%
DK	38	293	13%
ES	176	2 122	8%
FI	30	281	11%
FR	280	3 628	8%
GB	831	6 093	14%
GR	5	566	1%
HR	6	101	6%
HU	7	610	1%
IE	47	338	14%
IT	404	3 843	11%
NL	127	1 027	12%
PL	51	956	5%
RO	2	240	1%
SE	118	576	20%
SI	3	162	2%
Total EU 20	**2 734**	**28 608**	**10%**

Source: IAB/IHS Adex Benchmark 2016 for video ad spend Warc for TV ad spend.

[208] Iab Europe, *IAB Europe report*: *AdEx Benchmark 2016 – the definitive guide to Europe's online advertising market*, 29 June 2017, https://www.iabeurope.eu/research-thought-leadership/resources/iab-europe-report-adex-benchmark-2016-the-definitive-guide-to-europes-online-advertising-market/

Figure 13. Video ad spend and TV ad spend 2016 in 20 EU countries, in EUR million



Source: IAB/IHS Adex Benchmark 2016 for video ad spend Warc for TV ad spend.

5.2.3. What proportion of online video advertising goes to video-sharing?

To what extent do video-sharing platforms benefit from online video advertising?

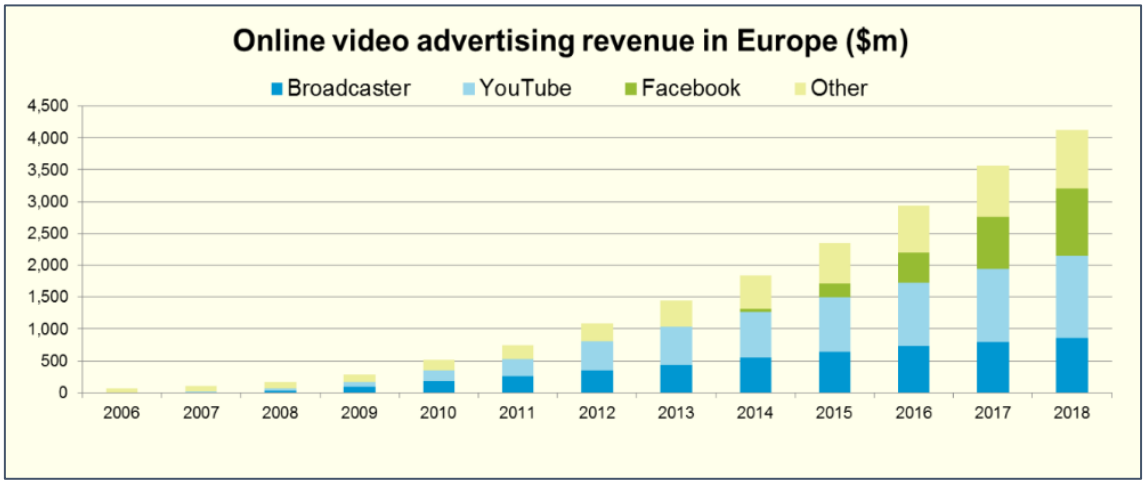
According to IHS and the Boston Consulting Group in the report entitled *The Future of Television: The Impact of OTT on Video Production Around the World*[209] the bulk of video advertising expenditure goes to the two tech giants and video platforms YouTube and Facebook: nearly 50% of the USD 12 billion in advertising revenues from global video advertising in 2016 was reported to have benefited YouTube (USD 4 billion) and Facebook (USD 1.8 billion).

In Europe, these figures are confirmed by IHS, according to which the biggest share of advertising expenditure goes to these two services, leaving just a small share of this revenue to traditional broadcasters, on their websites or online catch-up services.

The Facebook and YouTube video platforms are thus said to form a duopoly on online video advertising thanks to two main competitive advantages: the size of their respective audiences and, above all, the quantity of personal data that can be gathered and exploited by advertisers.

[209] BCG, *The Future of Television: The Impact of OTT on Video Production Around the World*, 20 September 2016, https://www.bcg.com/publications/2016/media-entertainment-technology-digital-future-television-impact-ott-video-production.aspx

Figure 14. Online video ad spend in Europe 2006-2018, in EUR million



Source: IHS

5.3. The impact on the structure of the industry

Apart from their economic weight, the video-sharing services can bring about a fundamental change in the industrial structure of the audiovisual sector.

It is possible to identify three impacts on the value chain of the TV ecosystem and the audiovisual content of interest for measuring the consequences of the video platforms in the context of this report. The most profound change has come about in the production of content and this aspect is discussed in greater detail below. The two other big changes are the direct distribution to consumers permitted by these video platforms and new sources of revenue for the traditional media.

5.3.1. An audience shift towards Pro-Am content and the emergence of new producers …

The distribution of content via the Internet, especially by the video platforms, which are open to all creators[210], whether professional, semi-professional or amateur, has led to the emergence of new content producers. Professional content producers have been joined by amateurs (nowadays, anyone equipped with a video camera or smartphone can shoot a video and share it on a video platform) and semi-amateurs (who have no access to

[210] See for example *The New York Times,* "YouTube's Young Viewers Are Becoming Its Creators", 2 October 2015, https://www.nytimes.com/2015/10/05/business/media/youtube-younger-viewers-content-creators.html

professional production equipment but regularly produce content to monetise it, mainly on video platforms by means of advertising)[211].

The successful reception among audiences of this new, mainly semi-professional content (such as YouTube channels of actors and others and, to a lesser extent, amateurs, with certain viral videos), as confirmed by the number of subscribers to YouTube channels of the most successful creators[212] (success achieved with no broadcasting on linear channels), is leading to a decline in the value of non-premium TV programmes, often flow or stock when rebroadcast on linear TV channels.

Accordingly, most of the content made by semi-professional producers is made at much lower cost than traditional audiovisual content. For example, again according to the BCG and Liberty Global analysis, an episode on a commercial channel is said to cost about USD 5 million to produce (for the first season) for an average audience of about 14 million and the average cost of a first season on a paid channel would be around USD 3 million per episode for an average audience of 3 million viewers, while the average cost on a semi-professional creator's video platform would be between USD 30 000 and USD 50 000 for an average audience of 3.1 million viewers. With much lower production costs, it is clear that these new creators succeed in bringing together an audience as big as - or even bigger than – those for productions of traditional channels.

The decline in the value of second-tier content (i.e., non-premium, flow programmes or afternoon programmes, for example) of linear TV channels needs to be seen in the context of the steady growth in the number of semi-professional and amateur creators on video platforms. As their productions offer them more choice, consumers are turning their backs on TV programmes and content they consider less appealing.

In the past, the lack of choice in an ecosystem in which content was rare and controlled by broadcasters and right holders gave these types of second-tier programmes value. They could bring together a large audience that could be monetised to advertisers. This is less and less the case in a world that offers an abundance of content (and forms of new entertainment, such as e-sports on Twitch or YouTube Gaming).

Audiences are therefore gradually shifting towards creator content and turning their backs on second-tier TV programmes. TV channels have understood this and are either purchasing YouTube sites and channels or incorporating YouTube creators into linear programmes.

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[211] BCG, *The Future of Television: The Impact of OTT on Video Production Around the World*, 20 September 2016, https://www.bcg.com/publications/2016/media-entertainment-technology-digital-future-television-impact-ott-video-production.aspx

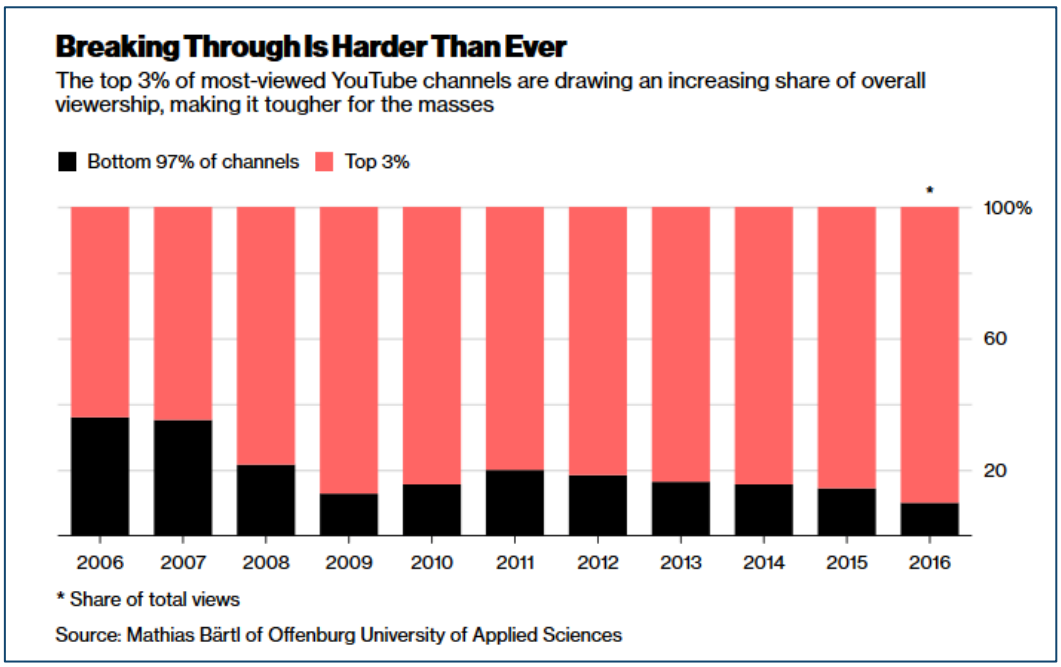
[212] See for example Business Insider, *These are the 18 most popular YouTube stars in the world — and some are making millions,* 7 March 2017, http://www.businessinsider.com/most-popular-youtuber-stars-salaries-2017?IR=T

5.3.2. … … but few are actually emerging

This explosion in content production has also led to strong competition to gather together a big audience and few creators have come out on the winning side. A few fortunate ones can earn millions in advertising with their YouTube channel, but this does not apply to the majority. According to an analysis of a sample of YouTube channels by Mathias Bärtl[213], the top 3% of YouTube channels attract 90% of the audience. Furthermore, this top 3% of creators can only hope to earn an average of USD 16 800 a year, which is below the American poverty line. According to his analysis, 96.5% of creators trying to earn a living with YouTube will not succeed. This is therefore a concentrated ecosystem in which few can hope to earn enough to live on.

This must be seen in relation to a member survey[214] by the Federation of European Film Directors (FERA) and the Federation of Screenwriters in Europe (FSE), which showed that their members earn an average of EUR 18 000 a year, plus secondary income of EUR 2 000. Whether it be in the YouTube ecosystem or traditional audiovisual sphere, the majority of creators appear to be facing increased competition, with few ending up as winners.

Figure 15. Distribution of viewing on YouTube channels



Source: Bloomberg.

[213] Bloomberg, *'Success' on YouTube Still Means a Life of Poverty*, 27 February 2018, https://www.bloomberg.com/news/articles/2018-02-27/-success-on-youtube-still-means-a-life-of-poverty

[214] Cineuropa, *Groundbreaking study reveals creators struggling to make ends meet*, 22 March 2018, http://cineuropa.org/nw.aspx?t=newsdetail&l=en&did=350422

5.3.3. Additional income still marginal for traditional digital publishers

There are accordingly very few creators who are able to live on the income from video platforms and their anticipated earnings turn out to be only modest. What about the income of publishers of content and websites?

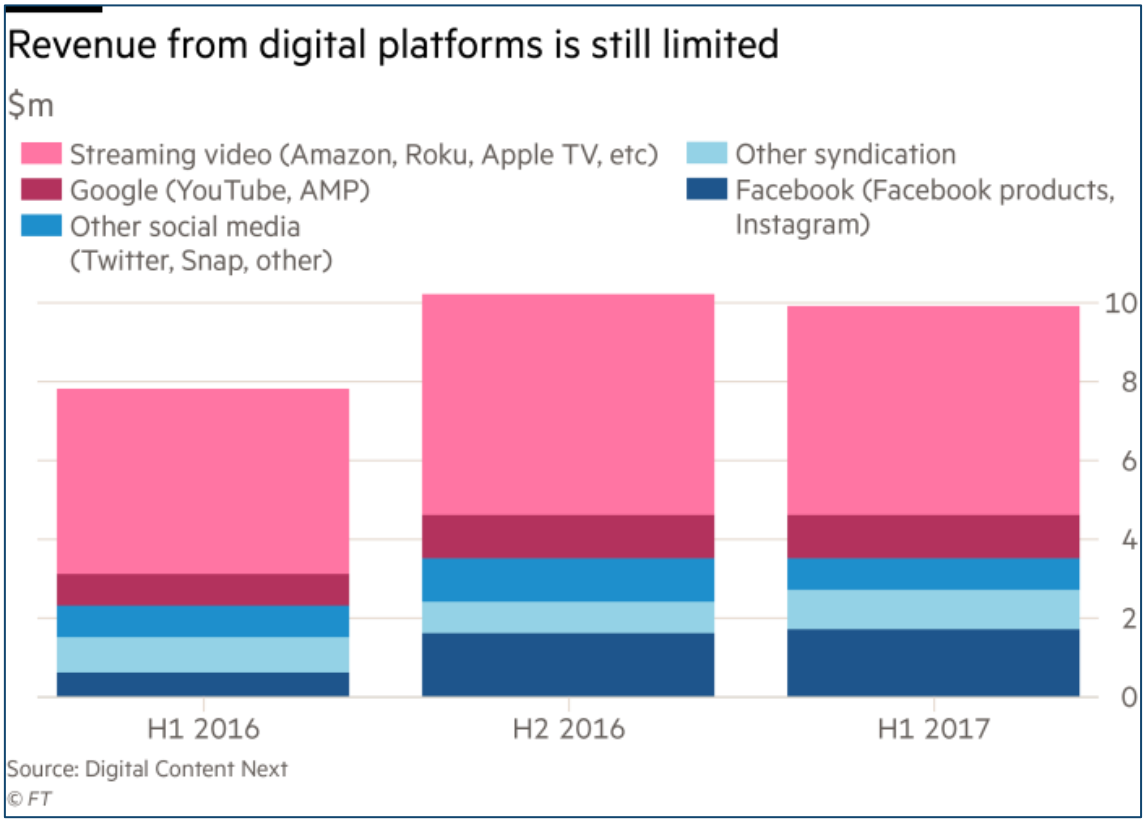
A study by the *Financial Times*[215] shows that income derived from video platforms or social networks such as YouTube or Facebook is still very low compared with other income earned on other digital platforms and services. For these creators, income from Google and Facebook only makes up 5% of digital revenue[216] and these two companies are exercising more and more control over the online advertising market. The effect of this is that creators are seeking to earn income outside these two platforms because depending solely on them to generate revenues is becoming impossible - not even allowing them to recoup their production costs[217].

[215] *Financial Times*, "Vice, BuzzFeed and Vox hit by changes in digital media industry", 21 February 2018, https://www.ft.com/content/482dc54a-1594-11e8-9376-4a6390addb44

[216] MarketingDive, *Study: Facebook and Google represent less than 5% of digital revenue for publishers*, 9 February 2018, https://www.marketingdive.com/news/study-facebook-and-google-represent-less-than-5-of-digital-revenue-for-pu/516711/

[217] Digiday, *Facebook Watch publishers look for revenue sources beyond Facebook's subsidies*, 5 April 2018, https://digiday.com/media/facebook-watch-publishers-seek-to-diversify-revenue-beyond-facebooks-subsidies-video-ad-breaks/

Figure 16. Revenue for publishers from digital platforms H1 2016–H1 2017, in USD million



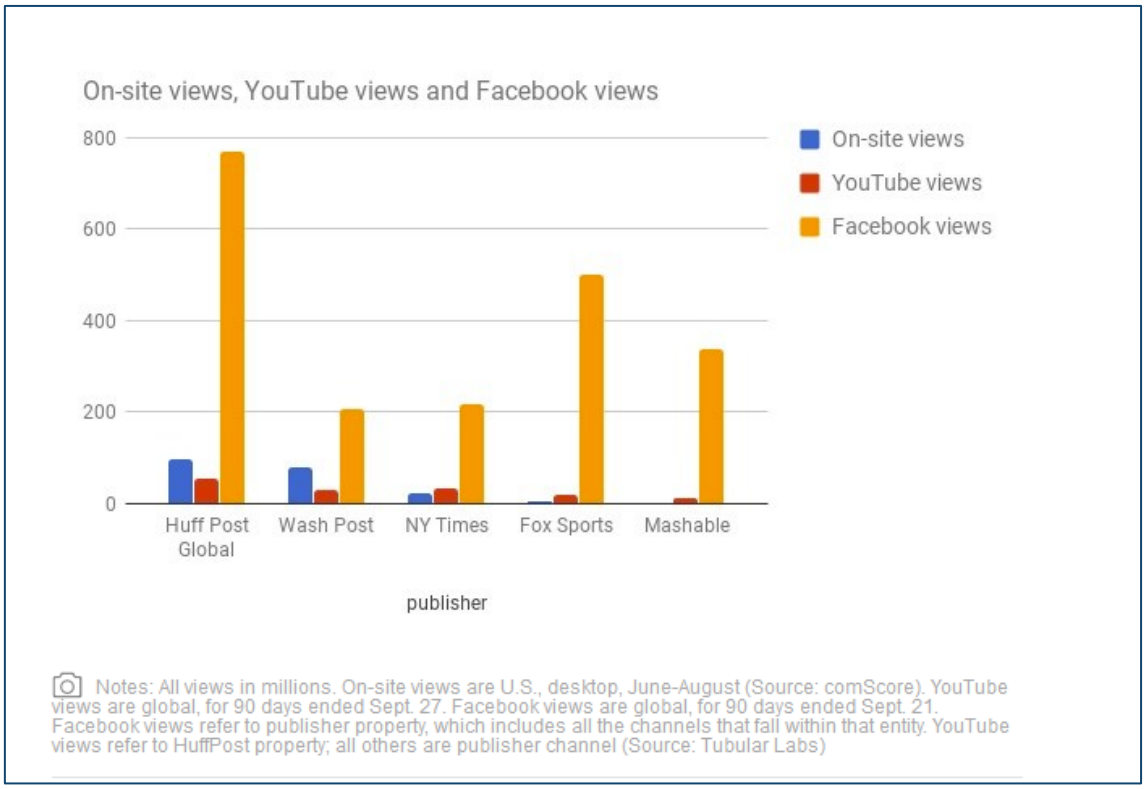
Source: Financial Times, Digital Content Next

Statements from many publishers indicate their disappointment at the monetisation of their content on these video platforms. Advertising revenues are very low, even with a large number of views. Publishers say that costs per thousand (CPM) views, for example on Facebook, are just a few cents[218]. The problems in measuring the audience that watches videos and video advertisements compound these monetisation difficulties[219]. However, these publishers are very dependent on video platforms to reach their audiences. Most views no longer take place on their sites and services but on the two dominant video platforms, YouTube and, above all, increasingly Facebook (see Figure 4).

[218] Digiday, *Pivot to pennies: Facebook's key video ad program isn't delivering much money to publishers*, 2 October 2017, https://digiday.com/media/facebooks-ad-breaks-are-not-bringing-in-a-lot-of-money-for-publishers/

[219] Digiday, *Pivoting-to-video publishers face a big monetization gap,* 28 September 2017, https://digiday.com/media/pivoting-video-publishers-face-big-monetization-gap/

Figure 17. Origins of views for a sample of content publishers – publishers' websites, YouTube and Facebook – 90 days, September 2017



Source: Digiday, Tubular Labs[220]

For the moment, publishers must therefore simply put up with receiving less income for their videos placed on these video platforms. For some of them, the question arises as to how to achieve profitability, and recent layoffs at a number of sites, digital[221][222] or traditional,[223] are an indication of these monetisation difficulties[224].

[220] Digiday, *Pivoting-to-video publishers face a big monetization gap*, 28 September 2017, https://digiday.com/media/pivoting-video-publishers-face-big-monetization-gap/

[221] Business Insider, *Refinery29 is laying off staff, cites 'a correction in the digital media space'*, 14 December 2017, http://www.businessinsider.fr/us/refinery29-is-the-latest-digital-media-company-to-have-layoffs-2017-12

[222] FastCompany, *Digital media meltdown: Troubling outlooks for BuzzFeed, Mashable, Oath, and Vice*, 16 November 2017, https://www.fastcompany.com/40497566/digital-media-meltdown-troubling-outlooks-for-buzzfeed-mashable-oath-and-vice

[223] CNN, *CNN restructuring digital operation, will lay off staffers*, 13 February 2018, http://money.cnn.com/2018/02/13/media/cnn-digital-restructuring-layoffs/index.html

[224] FastCompany, *For Digital Publishers, The "Pivot To Video" Bloodbath Is Here*, 12 January 2018, https://www.fastcompany.com/40516189/for-digital-publishers-the-pivot-to-video-bloodbath-is-here

5.3.4. The impact on the traditional media groups

The traditional media groups are investing more and more in the online world, either by making their content available on their websites or on video platforms. They can therefore hope to reach a wider audience (and above all a younger audience, favoured by advertisers), but this new source of potential revenue has costs attached to it and carries the risk of the cannibalisation of their programmes broadcast as linear TV.

The costs per thousand online views (CPM, or costs per mille, the standard measurement of advertising revenues) are much less than in the case of linear TV. It is very difficult to establish an average CPM on YouTube as that depends on the creator, his/her audience and his/her popularity, but sources point to a CPM between USD 4[225] for the average creator and as much as USD 15 to USD 20[226] for star creators or premium content that brings together a specific audience targeted by advertisers. On Facebook, the CPM may be as low as 15 cents or even 75 cents for ads[227]. In Germany in 2017, the average CPM was EUR 17.95[228] for a 30-second TV commercial. On average, a broadcaster can thus expect a much lower CPM when it places its content on a video platform than when it broadcasts it as linear TV.

Furthermore, the commercial channels have an advertising department for selling advertising space on their programmes. On YouTube, Facebook and other video platforms, a key solution available is frequently offered to advertisers. The risk that channels face is therefore to lose their advertising departments (and the jobs associated with them) by losing control over the placement of advertising, which is now managed by the video platforms.

The traditional channels must therefore, as noted above, take into account the risk of the cannibalisation of their programmes and, ultimately, their source of primary revenues, namely advertising.

5.3.5. Will the medium-term development be towards a universal solution for programme distribution?

The video-sharing platforms can contribute to shortening the distribution chain. Whereas an agreement between a media group and/or TV channel was necessary in the past for any producer to be able to serve the audience, video platforms now enable consumers to

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[225] Fullscreen, *Why are my YouTube earnings so low?,* 20 June 2017, https://fullscreenmedia.co/2017/06/20/youtube-earnings-low/

[226] *The Wall Street Journal,* "YouTube's Quest for TV Advertising Dollars", 22 April 2016, https://www.wsj.com/articles/youtubes-quest-for-tv-advertising-dollars-1461343177

[227] Digiday, *Pivot to pennies: Facebook's key video ad program isn't delivering much money to publishers*, 2 October 2017, https://digiday.com/media/facebooks-ad-breaks-are-not-bringing-in-a-lot-of-money-for-publishers/

[228] Statista, *Cost per mille (CPM) for 30 seconds of television commercials in Germany from 2000 to 2017 (in euros),* 2018, https://www.statista.com/statistics/384185/cpm-for-tv-spots-germany/

be reached directly without having to negotiate with a TV channel, which has naturally led to an increase in the amount of content and number of creators.

It therefore appears that the strategy of platforms is not so much to invest in programmes as to bring about the 'Uberisation' of video distribution. This concept refers to the new intermediaries between owners (of cars or hosting capacity) and occasional users. To some extent, video-sharing platforms may meet this definition as they seek to bring together content providers, consumers and advertisers by means of distribution solutions aimed at individual creators, producers and media groups. This approach is not exclusive to video-sharing platforms and it may also have been adopted by Amazon, which is neither a video-sharing platform nor a social network.

The change for producers would be sharing the production risk. Whereas the risks used to be (at least partly) shared with broadcasters, in this new system producers would be the only ones to bear all the risks, apart from the rare cases in which the video platforms provide pre-financing.

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