YouTube Money: The Impact of Brand Management on Online Video Companies

Samantha Perry
Rollins College, sperry@rollins.edu

Follow this and additional works at: http://scholarship.rollins.edu/honors
Part of the Business Administration, Management, and Operations Commons, E-Commerce Commons, and the Entrepreneurial and Small Business Operations Commons

Recommended Citation

This Open Access is brought to you for free and open access by Rollins Scholarship Online. It has been accepted for inclusion in Honors Program Theses by an authorized administrator of Rollins Scholarship Online. For more information, please contact rwalton@rollins.edu.
YouTube Money: The Impact of Brand Management on Online Video Companies

Samantha Perry

A Senior Honors Thesis
Presented to the Faculty of the Department of International Business and Honors Degree Program In Partial Fulfillment of the Requirements for the Degree

Artium Baccalaureus Honoris

April 2016
Faculty Sponsor: Emmanuel Kodzi

Rollins College
Winter Park, FL
Abstract

Many YouTube channels today operate not only as miniature media outlets, but as fully functional media companies operating independently through advertising revenue. The top creators of content on YouTube bring in millions of dollars of revenue each year. This thesis seeks to answer the question of how content creators can harness the power of brand management strategy in order to maximize revenue and grow their audiences over time. I overview current trends among content creators industry-wide, and then focus on a group of channels to analyze their brand management habits on- and off-line. I then examine data from brands’ videos across industry verticals to identify possible effects of certain content strategies on video viewcounts. Finally, I explore the application of these insights in a detailed case study of a YouTube channel, and make actionable recommendations for its brand.
Acknowledgements

I wish to thank my entire thesis committee for their insight, support, and willingness to guide me through the process of writing this paper. No reader would lay eyes on this paper if it weren’t for the long hours of editing I did with the assistance of my advisor, Dr. Emmanuel Kodzi. Dr. Tom Lairson is essentially the reason why this thesis exists in the current form. Thank you for your on-point suggestions during our meetings and your keen eye for the media side of business. Finally, this thesis would not have been finished if it weren’t for the emotional support and wonderfulness of Dr. Nancy Decker, who constantly enchanted us all with her questions and suggestions as she went on this journey into uncharted territory with me. I also want to thank my parents and family, who have supported me through many sleepless nights and days of writer’s block, my friends, who have kept me centered and motivated throughout this process, and the many YouTube creators who consented to be profiled for this thesis.

Special thanks are owed to Simon and Martina Stawski for their gracious blessing of the final chapter of this thesis. Your videos motivated this work from the start. Thank you so much for your insight and ideas and for letting me give the world a peek into the operations of a YouTube business. As you and the fans (of which I am one) say, “Oooooooh, you so nasty!”…in the best way!
# Table of Contents

Abstract ........................................................................................................................................ iii

Acknowledgements ......................................................................................................................... iv

Table of Contents .......................................................................................................................... v

Introduction ...................................................................................................................................... 1

Literature Review ............................................................................................................................ 4

Chapter One: An Overview of Current Online Video Industry Trends ......................................... 12

Chapter Two: A Qualitative Analysis of YouTube Brand Management ....................................... 23

Chapter Three: A Quantitative Analysis of YouTube Video Statistics ........................................... 34

Chapter Four, Case Study: Eat Your Kimchi and the Challenges of Brand Transition ................. 43

Conclusion ....................................................................................................................................... 51

Works Cited .................................................................................................................................... 54
Introduction

The Internet has been a source of constant innovation since its inception. As both a source of information and communication, it has connected billions of people around the world in ways that may have seemed unimaginable in the past. The online world has also served as a proving ground for new business models. From the dot-com boom to the rise of e-commerce, the Web has challenged businesspeople to improve the way in which we do business and will continue to do so for years to come. One of the ideas to have spawned an entire industry online is ‘New media’. The result of society’s traditional entertainment avenues merging with new technologies, new media has brought with it entertainment platforms which, thanks to the Internet, allow millions worldwide to enjoy the same media free from the restrictions of traditional platforms like television or film. Online video is one of the most well known forms of new media for youth today, and it allows ordinary people to become extraordinary through the content that they produce. Anyone can create, upload, and monetize video on YouTube. Video opens up doors for creative people social media pioneers, and savvy businesspeople to come together to work towards the common goal of making media that anyone can enjoy.

One of the key attributes of the Internet is the ability for people to design, create, and maintain their own online spaces. From the first blog post to the first online video, there have also been intrepid netizens looking for ways to create monetary value from those spaces. The spirit of independent entrepreneurship lives on in its purest form online. This is most evident in the world of YouTube, where everyday people have the ability to monetize a channel and to generate revenue from their audiences. YouTube was founded in 2006 by three former PayPal employees as an outlet for video sharing, after one of the founders noticed that there was no online space where they could re-watch videos of important cultural events. Since then,
YouTube has grown from a small startup, to being purchased by Google for $1.6 billion in 2006, to a global content empire through which billions of dollars in advertising revenue has been collected by creator partners and shared by the company. The open access of the Internet has put small business on a global scale, and industry heads have taken notice. Marketing campaigns for major companies are sometimes released exclusively in the form of online video (Stec, 2015), and an industry of online video has been created as more and more traditional media companies have either taken on the task of producing or managing video or even completely transforming into digital media companies.

The online video industry, while already a bit mature in Web terms, is more in its adolescence in business terms. An explosion in growth of platforms, management firms, and talent agencies is taking place as traditional business takes notice of the hip, new media figureheads who are idolized by Gen Y and Z-ers. In a 2015 study, Variety and Tubular Labs found that 8 out of the top 10 favorite media stars among youths were YouTubers, an increase from the 6 out of 10 in 2014, the first year in which the study was performed (Gutelle, S. 2015). Generation Z is coming of age in a world where instead of cable television or traditional media, Netflix and YouTube dominate their screen time. Many of these youths will attempt to become creators themselves (Biocca, 2000). Hundreds of startups have sprung up in the past few years simply for the purpose of cashing in on the success of the people who YouTube calls ‘creators’: Amateur video-makers gone pro, who often write, perform, film, edit, and market their content all on their own. Yet despite the growing popularity of online video as a business model, it’s still unclear exactly what the formula for success is, at least academically speaking. Very little research has been conducted on the business models of professional YouTube creators, even though hundreds of hours of potentially monetized content is uploaded to the site on a daily
basis. In today's viral world, 15 minutes of fame can net you millions of views, but channels that build loyal audiences can command that kind of popularity for years. If there's a way to build an audience of that size, there must be a 'secret sauce' of sorts that keeps them watching (and in some cases, directly paying). What sort of actions do successful creators take in terms of production, marketing, and interaction with their fans? How can a channel maintain or grow their audience over a long period in this fleeting, ‘viral’ market? How do those who achieve success on YouTube in terms of building a loyal [or long term] audience, do so in the context of new media business models?

This research seeks to answer that question through various analyses. Firstly, I summarize the current trends, problems, and solutions in the industry today. Then, an analysis of several popular creator brands is carried out using qualitative methods to identify best practices of brand management used by successful channels. In addition, a statistical analysis of how various aspects of online videos might affect their popularity is performed. Finally, a case study is written on one particular YouTube brand in order to identify strengths and weaknesses of the company and to make recommendations for continued success. My thesis is that YouTube creators who incorporate brand management strategies have a distinct advantage in audience growth and revenue maximization.
Literature Review

Given the main research interests in modeling the process of achieving success in new media this literature review examines what is currently known in five pertinent areas:

I. What ‘new media’ is
II. What developmental trends exist in the context of new media
III. What brand management strategies exist in the context of new media
IV. In what ways YouTube might fit under the umbrella of ‘new media business’
V. What previous academic analysis of brand management might inform our understanding of YouTube media businesses

What is ‘new media’?

According to the New Media Institute, “New Media is a 21st Century catchall term used to define all that is related to the internet and the interplay between technology, images and sound. In fact, the definition of new media changes daily, and will continue to do so. New media evolves and morphs continuously” (Socha & Eber-Schmid, 2015). New media is characterized by a “convergence between information and communication industries (computer, telephone, cable television, and broadcast television)” (Rada & Carson, 1994). It is marked by its characteristics of collaboration, co-production, and cooperation between the producer of that media and the end consumer or audience (Meijer, 2012). New media serves as both an access point for consumer information, and a distribution source that showcases the value of organizations that use it for promotion (Rumbold, 2010), for instance, major brands like Nike. In The Language of New Media, author Lev Manovich (2001) claimed “the popular definition of new media identifies it with the use of a computer for distribution and exhibition, rather than with production” (p. 43). However, he also pointed out that this definition can be ‘limiting’, as
the ‘computerization [of] culture’ would eventually foster digitally produced media being distributed through traditional channels. Even in journalism, new media has made its way to the mainstream as companies use it both as a means of distribution and as a data gathering resource, using YouTube clips and social media postings to accentuate television news (Chao-Chen, 2013). In academia, new media has often been regarded as a ‘lesser’ form that was not suitable for citation in research. However, some have argued that the use of blogs, YouTube videos, and other online platforms for distribution of research would allow for more open access to the academic world (Powell, Jacob & Chapman, 2011).

What trends exist in the context of new media?

The most prolific users of new media are children, youth, and young adults. A study conducted in 2008 found that 74% of children ages 8-18 in the United States had their own internet access (Roberts & Foehr, 2008). New media represents a paradigm shift in the social and communicative norms of youth worldwide (Biocca, 2000). While social media have changed the ways in which we communicate with each other, new media platforms have also changed the way youth access traditional communications content such as news and entertainment. Older forms of media emphasized a one-way focus on entertaining or informing. The collaborative aspect of new media has led to a more two-way communicative use of such technologies (Herring, 2004). New media represents a new paradigm of open-source, collaborative communication of information, allowing ordinary people to contribute to the dissemination of topics such as political discourse (MacDougall, 2005), alongside entertainment, education, and journalism. In many nations, the participatory nature of new media has lead to a greater ‘cultural citizenship’ as it allows ordinary people to collaborate on social projects and engage in activism (Wu, 2012).
In terms of research, common trends in academic scholarship surrounding new media focus on four key aspects: citizen engagement, or the collaborative aspect; organizational innovation, or the use of new media by institutions such as businesses or old media organizations; mobility, or the increasing access to content at any time, in any place, on any device; and content computerization, or the transition of traditional media to digital space (Pavlik, 2013). Much of the current research sphere has focused on the adoption of new media technologies by existing communications and media companies and organizations (Tomassello et al, 2009). However, one of the more interesting emerging trends in new media is the rise of self-representation through digital storytelling (Lundby, K. 2008). YouTube channels, blogs, websites, and hundreds of other platforms in new media are host to self-created content that has become popular among the majority of Internet users, and monetized so that audiences are able to become consumers (Wiggins, 2013). The long-tail theory, which states that many suppliers of niche content can be successful instead of one or two global ‘hits’ (Anderson, 2006), allows for the monetization of all kinds of new media.

New media is marked by its progressive and collaborative aspects, which make using it as a business platform extremely different from the traditional brick-and-mortar business model. The unprecedented ability for consumers to interact with producers and representatives of new media means that consumers wield true power and influence over the kinds of content that can be made and consumed online. The ease of production and dissemination of content in new media means that the long-tail theory holds true in new media industries. 100,000 loyal fans may not be profitable if they never pay for anything, but as regular viewers of an independent creator’s content, they can provide enough revenue to support and even grow the business.
What brand management strategies exist in the context of new media?

Much of the business applications of new media that have been academically analyzed are those that pertain to advertising. The use of new media in marketing and advertising constitutes a ‘synergistic marketing communication’ as advertisements that would normally be placed in traditional media channels such as print or television are now also common on websites and video platforms (McAllister & Turow, 2002). Early research into online advertising showed that the interactivity of the Internet seemed to beget a new, more interactive style of advertising. However, a more traditional linear form of advertisement seemed to go over better with consumers (Bezjian-Avery et al, 1998). As consumer habits have shifted to avoid obvious advertising, marketers have been forced to create advertisements which integrate holistically with the online experience, emphasizing the creative process and making video that competes with independent content on the Web (Wright et al, 2010).

The collaborative and communicative aspects of new media mean that businesses now have more direct channels for advertising, such as Facebook advertisements and YouTube pre-rolls, but also must pay attention to customer comments through social media channels and even acknowledge that content created by individuals about a brand can serve as a marketing tool (Hennig-Thurau, T. et al. 2010). The journal Strategic Organization published an article recommending that researchers recognize the need for businesses to embrace the collaborative nature of new media and recognize the ‘blurred lines’ between consumer and producer that it creates (Plesner & Gulbrandsen, 2015). In the early days of YouTube, videos showing the effects of mixing Coca-Cola with Mentos mints launched the latter brand into the spotlight. The exposure from this viral phenomenon was valued at US$10 million (Spurgeon, 2007).
Existing companies now realize the need for social marketing in the digital sphere is great. While traditional media channels have always been producer-driven, new media is mostly consumer-driven; much of the content produced online on a daily basis is by consumers and individuals (Bernhardt, Mays & Hall, 2012). In fact, the rise of the Internet and its explosive growth meant that individuals could create their own business models. Osterwalder and Pigneur (2010) described in great detail the steps to creating business models in the modern, technological world in a book that was crowd-sourced and co-created by 470 individuals from various professions (p. 8).

In what ways might YouTube fit under the umbrella of ‘new media business’?

The rise of YouTube as an alternative to traditional television and film media has blurred the lines between traditional and new media (Lister et al, 2009). As of 2011, more than 70% of adults with Internet access in the United States visited video sites like YouTube, where they frequently view content produced by independent creators as opposed to branded content from established traditional companies (Cohen, 2011). The majority of independent content on YouTube does not revolve around the plot-based storytelling common in traditional media; rather, much of the content revolves around ordinary individuals doing ‘uncommon activities’ (Landry & Guzdial, 2008). Because of this, the platform has become host to what Stuart Cunningham (2012) called a ‘co-evolution of informal and formal media economies’ (p. 415). From early on in YouTube’s existence, advertisements were established as a form of revenue sharing between YouTube as a content host and traditional media companies whose content was posted on the site (Miller, 2010). While businesses use YouTube to place advertisements on content hosted by the platform, content creators can also participate in this revenue sharing.
Creators whose videos are monetized have built media companies in miniature thanks to this advertising revenue (Soukup, 2014).

Much of the early popularity of YouTube ‘partner’ channels sprung from the social nature of the website. Word-of-mouth and social media shares helped channels to gain larger audiences, even after some of the more social aspects of YouTube’s websites (such as video responses) were removed (Benevenuto, et al, 2008). In YouTube’s infancy, many of the most popular videos, especially ‘viral’ ones, were created by companies or were the result of branded content being re-posted on the site. While self-generated content did exist on the site, it wasn’t earning much revenue (Kruitbosch & Nack, 2008). However, as time went on, independent creators began reaping the rewards of their efforts. The participatory nature of new media, and by extension YouTube, meant that as time went on thousands of amateurs began monetizing content. Thanks to the relative ease of creating and posting video content on the site, and the shift from mass-production to a long-tail of niche producers, even the most far-fetched of ideas can lead to a YouTube channel that earns enough revenue to support its creator (Chau, 2010).

*What previous academic analysis of brand management might inform our understanding of YouTube media businesses?*

The creation of value on YouTube is a role that is shared between consumer and producer, with many users of the site playing both roles simultaneously (Kuppelweiser et al, 2013). According to Charles Arthur (2006) of The Guardian, “It's an emerging rule of thumb that suggests that if you get a group of 100 people online then one will create content, 10 will "interact" with it (commenting or offering improvements) and the other 89 will just view it”. At the time of his study, Arthur found a ‘creator-to-consumer ratio’ of about 0.5% in the first year of YouTube (Arthur, 2006). This number has increased exponentially as open access to the
partner program has allowed hundreds of thousands of people to monetize content, many of whom do not make actual profits. As a result, it is the development of personal branding that gives channels with monetized content the ability to grow into businesses themselves. Just as social media builds upon interpersonal relationships between users, YouTube brands should emphasize the connection between brand and audience to create value (Chen, 2013). In terms of revenue, channels earn money when users view ads that play either before or during their videos. Creators can also generate revenue by allowing fans to directly support them through platforms such as Patreon, where fans become ‘patrons’ and pledge a certain amount of money per video published, or through YouTube’s new ‘Red’ subscription service, for which users pay a monthly fee for ad-free viewing of videos on the site (Reif, 2015).

A 2012 study of the top 10 most subscribed channels on YouTube showed that most, if not all, of the most successful creators started with no intention of creating a business at all. However, examination of the viewer demographics showed that as a channel’s audience grew, each of the top creators maintained a consistent content style in order to play into the wants of those demographics and had developed cohesive branding for that content, in many cases even enlisting management companies to guide their decisions (Lavaveshkul, 2012).

In 2013, Columbia College Chicago students conducted an analysis of the top 100 independent YouTube channels at the time. As defined by the study creators, “Independent content is produced by you, me, or anyone who has a camera on their computer that can upload videos to YouTube. Content that is an extension of large brands is anything that is produced by a major network or brand (Lorenc et al, 2013, p. 6)”. Of these channels, 51% produced mainly comedy content, 23% produced gaming content, and 11% produced fashion or beauty content (p. 13). Much of the content was topical; the pacing as measured by average words per minute was
generally quicker than many other forms of entertainment (p. 24). Finally, the social media reach of each channel was measured by looking at how many platforms each brand used, their reach (the number of followers), and their frequency of postings. Most channels had an active presence on both Facebook and Twitter, leading people to both follow their posts and continue on to watch their videos (p. 37). While this analysis was mostly qualitative, it also included some general statistics on channel subscribers, viewcounts, and average video stats.

Despite the large industry that has sprung from this single website, including management companies, online video networks, and brand merchandisers, a precedent of academic analysis of brand management when it comes to YouTube brands simply does not seem to exist. Previous attempts to gain a sense of what exactly makes great YouTube brands great have fallen short of being truly comprehensive. What I did gain from this review was a sense of how the business world has slowly begun to adapt its key tenets of operation from a traditional, brick-and-mortar business world to a digital one. Since YouTube and online video are technically ‘young’ industries, having only become true centers of commerce in the last 10 years, research has yet to catch up with the newest developments in their world. The research that has been done will inform my investigation as I seek to identify parallels between successful businesses in the ‘real world’ and in online video.
Chapter One: An Overview of Current Online Video Industry Trends

Background

The fundamental reason anyone on the Internet is able to make money as a media company is through advertising. Just like on traditional media platforms, ads are shown before, during, after, and alongside media content in order to reach consumers, and the creators of that content receive revenue from the advertisers. With media like television, the number and length of advertisements are limited to the spaces within and between programs, and also by the number of channels broadcasting programs themselves. Online, however, these limits do not exist. There are an infinite number of websites, search pages, and channels on which an advertiser can place content; the possibilities are essentially only limited by budget and the imagination.

In 2003, Google introduced AdSense, which allows text, picture, and video advertisements to be shown on web content in the Google Network. AdSense currently operates on text content, through search boxes that can be embedded on webpages, on video platforms, mobile apps, and even within video games. Obviously, the most relevant form of content to this research is video advertisements. These ads come in several forms, which are all applicable to the YouTube platform. Firstly, there are two kinds of video advertisements: Standard, non-skippable ads which can be placed before, during, or after the video content, and TrueView ads, which allow users to skip to the actual video content after 5 seconds of the advertisement has played. TrueView ads may only be played on videos that are one minute or longer in total length (Google, 2016).

AdSense videos allow YouTube creators to collect advertising revenue through the YouTube Partner Program, which any channel in good standing is allowed to participate in. In general, YouTube itself retains a 45% share of all ad revenue generated by its partners, with the
remaining 55% going to the partner. Advertising costs are normally calculated on a basis of per-thousand-click rates, also known as cost per million (CPM), a term taken from traditional advertising. CPM rates for the average YouTuber vary highly, ranging from as low as $2.50 per 1,000 views for newer partners to $10.00 per 1,000 views for some of the most popular creators (The Verge, 2015). An industry average CPM for 2014 was calculated at $7.60 by TubeMogul, a company that facilitates advertising transactions between ad agencies and online video platforms (2014). It is these data that allow us to estimate approximately how much money any YouTube partner may be making, despite YouTube and creators themselves remaining relatively tight-lipped about their income.

**The Problem with YouTube**

In general, the average creator will only have advertisements placed on 2 to 5 out of every 10 videos viewed. So, for example, if a creator is attaining a $5.00 CPM on 30% of video views, it would actually take over 3,000 views to make that $5, and a video with 1 million views would only be making $1,500. Now, the importance of regularly making videos for a large enough audience becomes quite clear. This is the reason why only a select few creators actually have large incomes, and why creating and growing a YouTube brand takes a considerably large amount of time and effort.

In addition, CPM rates for online video, especially on YouTube, have dropped considerably in the time since the industry began, due to the explosive growth of creators and brands available to advertisers as platforms. In 2014, it was estimated that the average CPM for YouTube partners had fallen by $1.75 from 2012 to 2013 (TubeFilter). Even regular websites face this same problem. It was reported that nearly every vertical, or market type, in the online industry had seen drops in CPMs in 2009 (Adify). While becoming wildly popular and
successful on the Internet seems easy, even the biggest YouTube stars have trouble keeping up with dropping CPMs. YouTuber Olga Kay, in an interview with the New York Times, reported that despite revenues of $100,000-$130,000 per year, most of that money was being reinvested into her business (2014). Combatting the drop in already-low CPMs has now become the goal of many creators.

Expanding to New Platforms

While YouTube and its associated ad revenue form the majority of many partners’ incomes, these problems of falling CPMs have led many to at least reach out to new platforms in order to supplement their income. Josef Holm of Reelseo describes this strategy as “‘YouTube first’ but not ‘YouTube only’” (2013). These shifts in content delivery take a few forms, most notably simple platform switches or expansions, subscription-based delivery, and crowdfunding initiatives.

Platform switches entail creators choosing to post and share content on video-sharing sites other than YouTube. One of the biggest up-and-coming competitors in the video content sharing market might actually be Facebook. The company has been working on ways to allow creators to upload video to the site and collect ad revenue. Advertisers are flocking to the site and offering high CPMs, too. In a survey of 125 advertisers, 87% of them planned on running ads on Facebook as opposed to 81.5% on YouTube (Mixpo, 2014). Facebook is set to soon become another video content giant in an industry once dominated by YouTube, and creators are already switching over.

In addition to standard platforms that monetize content through advertising, there are now several subscription-based services through which creators can share content. One of the first websites to offer this service was Vessel. Created in 2014 by the former CEO of Hulu, Vessel is
not unlike YouTube in that anyone can visit the site and watch videos for free with the occasional advertisement or two. However, for a fee of $2.99 per month, users gain access to videos before they are released to the general public (Vessel, 2016). Creators must promise the site at least a 72-hour window in which their content is exclusively hosted on the platform (and available only to subscribers), but may upload it anywhere once that period is over. After that, the content is supported by advertising and free to view regardless of subscription.

Vessel, along with many other platforms in the business, has made the content of advertisements a priority. They are limited to extremely short pre-rolls of 5 to 6 seconds, as well as poster ads known as ‘brand motion posters’ that appear as an overlay and can be dismissed by the user (Variety, 2015). All of the advertisements are meant to be streamlined, visually attractive, and impactful. According to Tubefilter, “Kilar [the CEO] claims Vessel’s short-but-punchy ads improve both brand recall and brand favorability among users who view them, and he marked those categories as the two most important for advertisers” (2015).

Vessel’s business model closely mirrors the ones that have been used by the film and TV industries for quite some time. At the release date of any content, those who are heavily interested in it are able to pay significantly more to access it, matching their interest level. As time goes on, the revenue streams decrease as the content becomes more and more supported by advertising, until it becomes free to consume. Just as YouTube represents a distribution channel under the ‘free with advertising support’ umbrella, Vessel is a new market player under the ‘paid early access’ one. The company not only sees itself as a game-changer for the market, but as a revenue-grower, as well. Vessel offers its creators a 70% share of advertising revenue, along with 60% of the pooled income of all subscriptions (Bloomberg, 2015). This, compared to YouTube’s 55% cut and the dismal outlook of CPMs there, is promising and inviting to creators.
Yet instead of stealing content or revenue from its competitors, the company sees their platform as an extension of creators’ audience reach and revenue streams. When asked about how this perceived advantage relates to sites like YouTube, Kilar said “The creators are going to create more content and higher-quality content, and that flows right to free ad-supported content on the heels of Vessel” (Time, 2015).

![Figure 1: Vessel mirrors traditional content distribution (Vessel, 2014).](image)

**Crowdfunding and Patronizing**

For the most part, the alternatives to YouTube operate purely in terms of ad or subscription revenue. This means that income can fluctuate wildly based on the content being produced and the amount of people consuming it. These platforms are great sources of money for creators with large amounts of regular viewers, and can provide enough income to support all kinds of channels’ activities. Yet at the heart of many channels are the creators who pilot them, and they require steadier income. In addition, many smaller channels often seek to work on bigger projects that require large amounts of funding that simply cannot be obtained from ad and subscription revenue alone.

The solution comes in the form of a few different websites, one of which is specific to creators and the others more general fundraising platforms. The former, a unique initiative created by Jack Conti (himself a full-time YouTuber and musician with his wife on the channel Pomplamoose), seeks to give creators a steadier source of income to supplement what they may
be making from advertising. Patreon, founded in 2013, was touted as the solution to falling advertising CPMs by its founder. The website encourages creators to form accounts on the site which allow other users to become ‘patrons’ by pledging a certain amount of money to the creator per month, or for every work produced. For every donation given to creators, Patreon itself takes a 5% cut. This is much smaller than the 45% YouTube takes or the 30-40% cut for Vessel. The site is not limited to YouTubers or even video creators; each month thousands of dollars are paid out to artists, musicians, and other users whose fans are willing to donate (Patreon, 2016).

If the creator chooses a per-video strategy, each time they post a new work online, the Patreon website charges each patron the amount they have pledged. The same thing occurs for per-month funding, but it is obviously not related to production or postings. Patrons can set monthly limits so that they will not be charged more than a certain amount, even if a creator makes enough works in a month to go over that amount in patronage (PatreonCommandCenter, 2013). In exchange for these donations, creators are able to set goals as well as provide incentives for meeting those goals, whether on an individual patron level (say, having one’s name on a video for a $10 donation) or a monthly-total level (hosting a Google Hangout once a channel reaches $5,000 per month in funding). The website boasted 125,000 creators by the 18-month mark, and in 2014 it was announced that the website was paying them out over $1 million per month (Patreon, 2014). According to representatives from the website, the number of creators has remained about the same since those statistics were released, while patronage has increased (Patreon, 2015).

For creators whose offerings are similar in scale for the most part, patronizing platforms provide steady income to support the production of content as well as the people behind their
channels. However, many creators wish to take on larger projects, such as the construction of production studios, investment in top-quality equipment, or even the production of feature-length films. These investments involve significant amounts of capital, which many creators cannot raise through normal operations alone. In traditional business, a company may seek a loan or even sell stock to raise money through shareholders. While most online video companies do not have shareholders, what they do have are loyal fans, many of who are willing to contribute to these projects before they happen.

This is where crowdfunding comes into the picture. While crowdfunding platforms are not exclusive to YouTubers, they provide a unique opportunity for them to raise the funds needed to take on large-scale projects. At present, the two largest crowdfunding websites are Kickstarter and IndieGogo. Both websites allow anyone to start fundraising campaigns, set goals, and offer perks for different levels of support. The former, which was founded in 2009, now has its own page dedicated to showcasing campaigns started by YouTubers. Kickstarter’s terms only allow projects whose goal is fully met to collect on their campaign, and all projects must have an end goal of a product or other project (meaning no charity fundraisers or living expense drives). Once a project is fully funded, Kickstarter takes 5% and a payment processor takes 3% plus 20 cents per pledge (Kickstarter, 2016).

Indiegogo allows for many other types of fundraising and accommodates flexible funding initiatives, in which campaigns that do not reach their goals still receive all funds raised if they choose. In addition, the company allows campaigns to remain open after they reach their goals (known as InDemand) so that fans can continue to make one-time donations even after the main campaign and project have ended. The site takes a 5% fee as well, and also has fees for whichever payment processor the user chooses. The company even encourages creators to come
to their site by offering a free guide to using their site specifically for creators to monetize their channels using the site (IndieGoGo, 2016).

In 2013, Stuart Ashen of the channel ‘Ashens’, known for his no-holds-barred reviews of products from dollar and pound stores, successfully partnered with media company ChannelFlip to produce a feature-length film titled *Ashens and the Quest for the Game Child*. While ChannelFlip contributed over $100,000 to the production, another $50,000 was needed to cover necessary expenses for the project. Ashen started an Indiegogo campaign, offering perks ranging from a mention on the film’s website for a $10 donation to a featured cameo in the final film for $7,500. Within a month, the campaign had raised nearly 150% of its goal. The film was successfully produced and released free-to-view on ChannelFlip’s YouTube page (IndieGoGo, 2015).

*YouTube on the Offensive*

In 2012, YouTube introduced video annotations and allowed creators to link directly to their crowdfunding campaigns in-video (Olanoff, 2012). While links could always be placed in video descriptions, annotations allow users to overlay text right on the video itself—a can’t-miss feature. However, in 2014, YouTube developers decided to implement funding initiatives natively on the platform. Fan Funding, announced at VidCon (the industry’s main gathering for fans and professionals) that year, allows creators to place a button on their channel or videos through which users can donate money to them directly (Luckerson, 2014). The fees per transaction include a small processing charge of 21 cents and a flat fee of 5% per donation; the payments are one-time transactions and the maximum one can contribute is $500 (YouTube, 2016).
While Facebook and other video sites latched on to the idea of ad revenue, YouTube slowly and quietly began considering a shift away from it. In 2014, the Wall Street Journal reported that the company was researching a subscription-based platform, for which customers would pay a set monthly fee for ad-free viewing (Barr and Winkler, 2014). This sort of platform was speculated to take one of two forms: a full-site subscription, for which users pay for access to every video on YouTube ad-free, or a channel-by-channel subscription, for which users pay a smaller fee to view certain channels’ or networks’ content with no advertisements.

In the past, YouTube had hinted at their consideration of both types of platforms. In April of 2015, their choice was confirmed. In an email sent to all revenue-sharing partner creators, the company announced that a site-wide subscription plan would be introduced at some point during the year. The company had already found success with a beta test of a music-based subscription called Music Key, which allowed paid subscribers access to the entire Google Play music library as well as music videos on YouTube for $10 a month (CNET, 2014). In the April email to partners, YouTube stated:

“We’re excited to build on this momentum by taking another big step in favor of choice: offering fans an ads-free version of YouTube for a monthly fee. By creating a new paid offering, we’ll generate a new source of revenue that will supplement your fast growing advertising revenue”

(YouTube, 2015).

The updated terms for creators stated that 55% of subscription revenues would go to YouTube, the standard rate of ad revenue sharing on the site.

In October of 2015, the announcement was made that shook the entire YouTube community. YouTube Red, the planned subscription service, was launched. For $9.99 a month, subscribers enjoy an ad-free YouTube experience. The subscription is supplemented with cross-device compatibility, two vertical-specific apps, YouTube Gaming and the new YouTube Music,
as well as forthcoming original and exclusive content from select YouTube stars (YouTube, 2015). The service is cross compatible with Google Play Music, and a subscription to one automatically includes a subscription to the other.

It is obvious that YouTube expected some backlash from creators and users alike, hence the attempts to sweeten the deal. What the company failed to anticipate, however, was the effect of this switch on those creators whose content could not legally be shown on subscription-based services. When creators were originally told about the service in April, they were given the opportunity to confirm a new set of terms and conditions that worked in the subscription model. However, many producers of content whose works are distributed through other platforms, such as TV networks or musicians, faced legal issues over signing the new partner contracts. ESPN was forced to pull all of its content from YouTube in the week before the launch due to its television distributors, despite parent company Disney signing the new contract (Perez and Constine, 2015). YouTube realizes that channels that refuse to make their content available on YouTube Red risk making the paid service less content-rich than the original, free site. Now, any channel with monetized content is facing the decision to either agree to the new terms or have their videos made private by the company. Fans of Korean and Japanese music were among the first to notice their videos disappear thanks to YouTube’s new policy (Arama Japan, 2015). However, these channels seem to be in the minority.

While some creators are facing difficulties with the contracts, others are taking issue with their proposed compensation. YouTube had originally claimed they would extend their standard 55% cut to creators using the service. However, it remains unclear whether this will hold true. At present, the service is poised to give creators a ‘majority’ of the subscription revenues, based on total watch time per channel (Estes, 2015). The ambiguity of this offer angered many. A petition
to stop the change appeared within days of the announcement and garnered over 19,000 signatures from members of the YouTube community (Change.org, 2015). It remains to be seen how YouTube Red will change the face of the world’s largest online video source, if it does at all.

*What’s a Channel to Do?*

A look at business practices of most YouTube channels will show that the ‘YouTube first, not YouTube only’ strategy is common. Increasing audience reach through maintaining a presence on multiple platforms, including social media sites, can bring viewers who may not be intensive followers back to the main platform to watch a channel’s videos. Meanwhile, the engagement of a brand’s fandom, whether through direct donation or crowdfunding initiatives or even through the sale of merchandise, can increase revenues outside of those that are advertising-based.
Chapter Two: A Qualitative Analysis of YouTube Brand Management

Background

The online video industry relies heavily on key performance indicators (KPIs), as a measure of video performance. Some of the most important KPIs are subscriber counts and video view counts (Krause-Akelbein, 2014). These indicators, when combined with the CPM advertising rate the channel is earning, paint a clearer picture of how well a channel is doing in terms of revenue. However, YouTube’s analytics are notoriously personal. While a channel owner or manager can easily access data on earnings at the video level and revenue at the channel/network/brand level, researchers and everyday users do not have access to this kind of information. Even audience demographics are inaccessible to anyone but the channel owner. As such, without enterprise-level software giving us any monetary or even numeric answers as to how a channel is doing, a sort of qualitative estimation is necessary to perform a general analysis of partner channels’ brands and their success over the years. In order to do that, it must be determined which aspects of a YouTube brand are the driving forces behind key performance indicators.

Methodology

In this case, I am using qualitative data about brands’ content, upload habits, management, and web presence as factors for the outcome of viewcount and subscriber count trends. In order to do so, I used publicly available data from Tubular Labs along with observations taken from brands’ YouTube pages themselves in order to construct a dataset from which conclusions could be made about best practices for long-term brand management. For the first attempt, data from 15 independent brands were assembled. All data can be found in the original spreadsheet [here](Perry, 2016).
The selection of channels was not purely random; parameters were established in order to focus the study on a particular kind of YouTube business. In this analysis, channels with subscriber counts between 100,000 and 10 million were considered. These brands are not unlike small, independent businesses in terms of their audience and revenue size. In addition, any channels that were extensions of existing product, service or entertainment brands were excluded so the data could focus on independent content. This distinction is important because many of the top branded YouTube channels today do not have the same concerns or needs as independent content creators.

_Data Collection_

While the goal of this study was to identify qualitative data related to brand management practices, quantitative data in the form of the channels’ subscriber counts and their view counts in December 2015 and January 2016 were also collected in order to identify both the size of the brand and the audience growth trend over the past two months. For example, the most subscribed-to independent YouTube creator is Swedish-born Felix Kjellberg, whose channel PewDiePie has over 42.5 million subscribers. This analysis also does not include mega-brands like PewDiePie’s because their revenue generated is so massive that the question of survival is not an issue for them. While a longer trend of data might have informed this analysis better, the site from which the data was collected (Tubular Labs) only offers 2 months’ worth of figures to anyone who does not pay for enterprise accesses.

Next, the trend in view counts over the last two months was identified using a simple Excel function to color the cells for January 2016 data. If that month’s views increased over the previous month’s, the cell would be colored green; if January views were lower than December’s, the cell would be red. Finally, the total January viewcount was divided by the
number of videos uploaded in January to get an Average Views per Video for the month. This data was conditionally formatted to highlight if the average views were above or below the number of subscribers to the channel.

For the Content analysis, data about both channel content and video upload schedules were collected. I identified the ages of the channels in years and the vertical of content produced. Channels ranged from 4 to 10 years of age, and verticals included were Personal/Vlog, Gaming, Film, Travel/Culture, Cooking, Product Reviews, and Beauty. These categories comprise most of the popular content on YouTube today. The upload schedule and whether the content was segmented with distinct ‘shows’ or topical (revolving around one topic), along with whether or not videos were produced with high production values like 1080p video or professional lighting, was recorded.

From there, the data shifted towards brand management strategies. Firstly, it was noted whether or not the channel had an extremely well-defined brand similar to those of brick-and-mortar businesses. In the case of most of these channels that meant that some sort of logo, style, and content series were established. If the channel was under management from a multi-channel network (MCN) or other company, that was also recorded. The parameters of Merchandise and Patreon Account were also recorded since many of the channels do sell some form of physical merchandise or have opportunities for fan patronage. Finally, the web presence of each channel was analyzed using the parameters of Second Channels, Website, and Social Media.

Channel Analysis

The average age of the channels analyzed was 7.21 years. The average number of subscribers for the selected channels was just over 1.5 million, and the average views for December and January were about 10 million. 6 out of 15 channels had January views that were
less than December’s; the other 9 had growth month-over-month. Each channel’s January views were divided by the number of uploads in January to obtain an average of views per video for the month. The average number of videos uploaded in the month was 8. The average of all 15 channels’ views per video was 1.6 million. 7 out of the 15 channels had average January views that were higher than the number of subscribers. This indicates that these channels’ videos were viewed by people who were not subscribed to the channel and therefore tells us that these videos have a high level of engagement, possibly through the sharing of videos on other social media platforms.

Content Analysis

Of the 15 channels analyzed, 2 were comprised of Personal/Vlog, 2 of Gaming, 1 of Film Reviews, 1 of Travel/Culture, 5 of Cooking, 1 of Product Reviews, and 2 of Beauty content. Upload schedules were found to be at a minimum of 1 video per week and ranged to 7 videos per week, with an average upload schedule of 3 videos per week over the 15 channels. 8 of the channels uploaded exclusively topical content, meaning that all videos were variants of one subject. For example, the channel Food Wishes uploads recipe videos with no other subjects being produced. The other 7 channels upload content in the form of various segments, which alternate in some form over the upload schedule. For example, EmmyMadeInJapan produces segments including ‘Emmy Eats’ and ‘You Made WHAT?!’ on a monthly basis.

Every single channel produced content with high production values, which are defined as “The combined technical qualities of the methods, materials, or stagecraft skills used in the production of a motion picture” (Wiktionary). In the case of YouTube, high production values come in the form of top-quality camera equipment (usually filming in 720p or higher), professional lighting, and video editing. Much of the content produced by these channels is
filmed with multiple cameras and angles. Editing is also used to bring the content into a more cohesive and appropriately paced format depending on the style of the creator. The videos created by these channels essentially play more like miniature television productions than they do like home videos.

**Brand Management Analysis**

Of the 15 channels analyzed, 8 had branding that was similar to brick-and-mortar businesses with a designed logo, stylized name and a well-defined product. For example, the channel Ashens has a logo that is displayed in the introduction to every video and all content is produced in a topical style with a very specific niche subject, that being comedy-style reviews of cheap, dollar-store products. Branded channels had an average subscriber count of 2.1 million as opposed to non-branded channels’ 900,000. While the small sample size of this study means that statistical conclusions may not be entirely accurate, it is reasonable to assume that having a cohesive visual brand will increase views and subscribers.

11 channels were represented by multi-channel networks (MCNs) or other brick-and-mortar companies and 4 were completely independently managed. Just as there are companies that sell and promote many products, an MCN sells and promotes the content of more than one YouTube or other online video channel. Google defines MCNs as ‘entities that affiliate with more than one YouTube channels…[that] can often help content creators with their programming, funding, cross-promotion, partner management, digital rights management, monetization/sales, or audience development’ (2016). An MCN offers the ability to pass along the job of maintaining the business dealings behind a channel so that the creator can focus on creating content. By acting as a middleman between the creator and the platform on which their content is shown, MCNs demand cuts of advertising and other revenue that add up to millions of
dollars in profit each year. In addition, the reliability and reputation behind MCNs allows them to build relationships with advertisers, bringing valuable ad spend to their creators. There are MCNs for every vertical one could think of, as well as general networks that manage for all sorts of channels.

These media companies dominate the creator management space and represent vast amounts of people and their content across multiple video platforms. This sample’s representation included large MCNs like Maker Studios (purchased by The Walt Disney Company in 2014) and smaller networks like Kin Community and ChannelFlip. Two of the channels were managed in partnership with larger media companies Tastemade and The Meredith Corporation (who own the online recipe site AllRecipes, which sponsors Food Wishes). Interestingly enough, the only two channels that do not sell physical merchandise with a channel branding are the two channels managed by an MCN.

One other source of income that only two of the 15 channels had was a Patreon profile. Patreon, as discussed in the previous chapter, gives creators a steadier source of income by allowing fans to pledge a certain amount of money per month or per video produced. This leaves creators with a majority of the patronage money and allows them to set goals for new segments, equipment, or other incentives based on the amount of money pledged per month or video. The two channels in this analysis who use Patreon are Jon, which receives $340 per month from patrons, and RabbidLuigi, which receives $390. While these may not seem like large amounts of money, other channels are making upwards of thousands per month (such as the educational channel ‘Crash Course’ which makes almost $30,000 from various patrons). For truly independent YouTubers, monthly income from Patreon might make the difference between
having to create content as a hobby and being able to take on the job of creating for their channels full-time.

Web Presence Analysis

11 of the 15 channels analyzed had web presence in the form of a secondary channel on YouTube. Whether in the form of a vlogging channel, bonus/uncut content from the main videos, or a second channel with a completely different slate of programming, these brands can effectively double their revenues by producing content side-by-side over multiple channels. If editing and production costs do not increase more than the income generated by secondary channels, they are a great investment to consider. Another potential source of extra income is through an affiliated website or blog, which 11 channels also had. Several of the channels analyzed intentionally left out information from their videos which was then posted on their websites, to which the creators direct viewers either in the video itself, through annotations, or in the description box below the video. By leaving out this information, usually a recipe, detailed blog entry related to the video, or product link, the creator entices viewers to engage with the website which then generates additional revenue as the site is monetized through a platform such as Google AdWords.

The social media reach of each channel was very wide in most cases. All but one brand had an active Facebook page with engagement counts making up at least a portion of the subscriber count of the YouTube channel. 11 out of 15 brands used Twitter in order to engage with fans using short-form text media, pictures, and video links. 8 channels also had Instagram accounts, which allow for the posting of photos related to the brand and creators’ interests. One Cooking channel has a public Pinterest account to which photos of food creations could be posted and shared by other users. Another brand uses a Vine account to create short-form (7
second maximum) videos as an extra offering of content for followers. Finally, one of the Gaming channels also uses a Twitch account to stream gameplay live to followers as an additional opportunity for engagement. Twitch streams are also monetized in a similar manner to YouTube videos, which provides additional advertising revenue to creators that use it.

**Analysis Results**

The highest-performing brands in this analysis, that is, the channels whose subscriber counts were high and also had viewcount growth over the December-January period, followed the general pattern of having distinct brand management strategies across all four categories. Each channel has been established as a brand for a minimum of 4 years, often having been on YouTube since it began 10 years ago. The brands have YouTube subscriber counts between 100,000 and 10 million and average views per video are often above the subscriber count, indicating a content reach beyond a loyal fan base. The channels’ uploads occur at least weekly, if not multiple times per week. These channels produce content within a specific vertical (sometimes even more specific than YouTube’s standard categories, even reaching extreme niche markets), sticking to a regular upload schedule with specific segments and/or consistent topical videos. Content is produced with high production values, usually in the form of 1080p HD video filmed on high-quality point-and-shoot or DSLR cameras, or with high-quality video cameras. Lighting, sets, and quality editing are used to create consistent, film or television-style videos.

Their branding is apparent in their content and other web presences, often including logos, websites, and even merchandise like apparel, books, or makeup tools. Their brands are often managed by a multi-channel network or another outside website or company. Their web presence is solid and wide-reaching, consisting of a second or third channel, a website to which
most videos direct viewers for specific details not included in the main content, and a large number of various social media accounts.

Overall, the channels’ success was based on having a solid understanding of their brand and how it best reaches followers through various platforms. While ‘success’ is a relative term and truly depends on the needs of individual creators, a general definition would be a video brand that generates a profit and experiences growth in audience figures, whether that is month-over-month or in a general trend over the years of its operation. These 15 channels embody that kind of success in their respective forms.

The Secret Recipe for Success on YouTube

Even with all this analysis done, many budding creators and even long-time YouTubers will still ask ‘What can I do to be successful?’ Therefore, I will spell out a bit of a formula based on this research in order to define what the ‘secrets of YouTube Money’ truly are.

1. Define your brand. Even if there aren’t enough resources to create a logo or professional materials for the content, having a solid, well thought-out philosophy for the channel will guide the creator to find what works best for their work. Branding can be as simple as establishing the topic a channel will cover, or as complex as coming up with a brand philosophy and segments for the content. Creators need to take their interests and find how those subjects can best attract an audience.

2. Decide how to produce content. The channels in this analysis all achieved high production values using quality filming and editing equipment, lighting, and microphones. Nowadays it’s relatively inexpensive to gather these things in order to at least have a minimum standard of quality, but many YouTube channels do not take advantage of this. Setting a channel apart from the competition by making quality content
gives it an edge that could lead to a growing audience. For beginners, it’s recommended to use crowdfunding or gather materials cheaply. YouTubers with an established audience and/or revenue stream should consider investing in better equipment or hiring staff to produce content.

3. **Be creative - within restraints.** This is what most creators already do best, but being creative within the limits of time, energy, money, and production schedules is a difficult task that only certain YouTubers truly master. Setting a schedule and uploading on time is key to maintaining an audience. Formatting content in a way that is interesting but feasible within the aforementioned limits will make sure that any ad revenue generated is enough to turn a profit. It is important to stick with the philosophy of the brand.

4. **Develop an aggressive web presence strategy.** Sure, YouTube content on its own creates a lot of revenue for many people, but much of it has been grown organically from small roots. In order to find, attract, and grow an audience for a YouTube channel, just as a company might do with a new product, creators need to push their brands through a variety of outlets. Social media should be close to the top of that list. While viral videos can generate 15 minutes of fame, popular social media posts often drive engagement with the original producer of the content. Once an audience is established, using platforms like Patreon and a website are great ways to drive revenues.

5. **Ride the waves.** All creators have high and low points with all of their KPIs. Sometimes, if things don’t go so well, one of the above 4 steps may need to be re-visited. Starting from scratch might seem frustrating but it is preferable to wasting time and energy on a concept with no audience. Every company has product launches that fail spectacularly. If your second channel flops like New Coke, bring your focus back to what was already
working with your main channel. Re-invention and renewal are the core of the product life cycle and a YouTube channel is as susceptible to its curve as any other product.
Chapter Three: A Quantitative Analysis of YouTube Video Statistics

Introduction

Online media companies are able to generate revenue like any other business thanks to advertising on their videos. The lifeblood of these miniature companies, at least for those platforms that are supported by advertising, is viewcounts. For individual videos, viewcounts allow someone to at least estimate the amount of money a video has made based on the cost per million (CPM) rate the channel is getting from advertisers. While the behaviors of consumers in any market are subject to fluctuation, statistical methods provide ways of accounting for and predicting some of their preferences. The ability to discern which attributes of a particular video contribute the most to someone’s viewcounts provides valuable insight for that creator to use in the production of their content. Therefore, building a statistical model based on data sourced both generally on YouTube videos as a whole and specifically from certain channels allows us to trace those patterns and trends which contribute the most to overall viewcounts.

For this project, using data collected from videos and channels, I constructed a multiple regression model in order to predict the Viewcount from other variables. In addition, I analyzed the impact of two video elements which creators have traditionally used to drive viewership: custom video thumbnails, which theoretically create increased interest, and an endslate, which drives viewership to a channel’s other content at the end of a video.

I hypothesize that variables such as Subscriber Count and Video Age will positively relate to Viewcount, and that the two video elements coded as dummy variables of 0 or 1 will also contribute to videos’ overall viewcounts. If this holds true with enough significance, we may continue to analyze those variables that drive Viewcount the most in order to make confident business decisions to aid YouTube creators’ overall revenue performance.
Data Collection

The data mining process for this project involved construction of datasets by hand in order to run these analyses with the proper data. A master database of video data was assembled for the general regression based on the following variables: Vertical/Category, Viewcount, Video Length, Video Age, Subscriber Count, Channel Age, Custom Thumbnail, and End Slate. The latter two variables are categorical and were coded with a 0 for ‘No’ and a 1 for ‘Yes’. All data was collected from the YouTube videos and channels themselves, a painstaking process for which no true software alternative has currently been developed.

**Vertical** described the category or industry from which the video came; I chose to use the Comedy, Gaming, and Cooking verticals for my initial dataset as they are among the most popular with viewers today. **Viewcount** was the number of views the video had at the moment it was selected for inclusion; no changes were recorded after the initial ‘snapshot’ for this dataset. **Video Length** was recorded in minutes/seconds in the dataset but was converted to seconds only for analysis. **Video Age** was recorded as the number of days between the video upload and the ‘snapshot’ day, divided by 365. **Subscriber Count** was recorded at the time of the ‘snapshot’.

**Channel Age** was recorded in the same manner as Video Age, with the days since the first video uploaded to the channel divided by 365. In some special cases, if the channel began uploading their main style/vertical of content after the first upload, the date from the first relevant video was used.

**Custom Thumbnail** denoted whether or not the video’s thumbnail, a preview image that appears on the homepage, channel, or related videos section, was a customized image rather than simply a screenshot of the video itself (YouTube automatically does this if the user does not customize the thumbnail at the time of upload). **End Slate** was defined as a section at the end of
the video in which a still image ‘frames’ small displays of the channel’s older videos and/or social media links, allowing the viewer to click through to these pages using video annotations.

![Figure 2: A video endslate.](image)

The following parameters were set for data collection in order to prevent outliers and influential points:

- All videos must be original content. No reposts of music, TV, films, or games without integrated original content (such as a review or parody).
- No ‘viral videos’—videos with massive views but the channel has no other videos/no other content with sustained viewership
- Maximum of 3 videos per channel allowed in dataset.
- Minimum of 100,000 subscribers - this is essentially the line between small channels and more profitable ones.
- Maximum of 10 million subscribers and views to prevent largest channels/multi-channels influencing data. This analysis is to focus on the mid-range channel.

**Limitations**

The greatest limitations to this study were a lack of time and resources to construct datasets that would be truly representative of the populations I wanted to study. A software platform that could collect the data being used simply does not exist at this time and I was unable to find a company with which to partner to create this kind of software. Hand-collecting these data at the scale necessary to have a truly representative sample would have taken several people hundreds of hours to do. If this research was to be continued my first action would be to more
aggressively network with analytics companies in order to establish data mining software with which to pull the data from YouTube.

For the initial analysis, data were collected in groups of 30 videos per vertical. All of the data values were collected regardless of whether or not they would be used for the final regressions. While this sample size is definitely small compared to the massive amount of videos for each vertical and within our selection parameters in existence on YouTube, it provides a good place to start the analysis and allows for additions and adjustments.

In addition to these data that I have collected, there are hundreds, if not thousands, of lurking variables that will influence a video’s viewcount. Social media shares, word-of-mouth, merchandising, and even channel advertisements are all forms of promotion which channels actively use to drive viewership; however, for this analysis a focus purely on the data readily available from the YouTube content itself was needed.

Initial Results

The first regression that was run was a full multiple regression with all data included and all variables used. Therefore, the model was attempting to predict Viewcount for videos in all verticals analyzed using the values of Vertical/Category, Video Length, Video Age, Subscriber Count, Channel Age, Custom Thumbnail, and End Slate. This regression produced a model with an adjusted $R^2$ of 32.97%. For a model with a lot of potential differences between categories, lurking variables, or outliers, this output was actually quite promising.
Figure 3: The initial regression from the full dataset.

Running regressions for the three verticals separately produced more favorable results for the Comedy and Cooking verticals with adjusted R²s of 60.51% and 51.70% respectively, but unfavorable ones for Gaming with an adjusted R² of -0.15%.

Figure 4: The separate results for Comedy, Gaming, and Cooking.

For Comedy, parameter analysis showed that at an alpha level of 0.05, the Channel Age, Introduction, and Length did not have a significant enough effect on the viewcount to be worth considering. For Cooking, the only significant variables were Video Age and Subscriber Count.

Before making any decisions on variables to exclude from the model, the sample was expanded to include more videos from the Comedy vertical. Instead of a 3-vertical sample, 100 Comedy videos were randomly selected for analysis. I selected the Comedy vertical because it is
a great example of the kind of content that has been monetized by many YouTube creators. The descriptive statistics for the sample were as follows:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Average</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Avg. Custom TN</th>
<th>Avg. Endslate</th>
<th>Avg. Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viewcount</td>
<td>1,829,431</td>
<td>140,145</td>
<td>7,406,996</td>
<td>1,824,787</td>
<td>2,257,764</td>
<td>2,168,769</td>
</tr>
<tr>
<td>Video Length (seconds)</td>
<td>401</td>
<td>29</td>
<td>1,808</td>
<td>358</td>
<td>320</td>
<td>364</td>
</tr>
<tr>
<td>Video Age (years)</td>
<td>1.2076</td>
<td>0.0027</td>
<td>4.4603</td>
<td>1.1112</td>
<td>1.2269</td>
<td>1.2601</td>
</tr>
<tr>
<td>Subscribers</td>
<td>3032331</td>
<td>226,011</td>
<td>10,090,186</td>
<td>3,032,873</td>
<td>3,564,530</td>
<td>3,374,438</td>
</tr>
<tr>
<td>Channel Age (years)</td>
<td>5.9059</td>
<td>1.1315</td>
<td>9.7452</td>
<td>5.7199</td>
<td>5.1779</td>
<td>5.1715</td>
</tr>
<tr>
<td>Custom Thumbnail (Y/1)</td>
<td>69.00%</td>
<td>--</td>
<td>--</td>
<td>100.00%</td>
<td>81.03%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Endslate (N/0)</td>
<td>58.00%</td>
<td>--</td>
<td>--</td>
<td>70.15%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Table 1: Comedy Sample Descriptive Statistics

**Assumptions and Conditions**

Many of the issues that arose in meeting the conditions for multiple regression for this project would most likely have been solved by having a larger, more representative sample. Because of the nature by which data had to be collected and the time constraints in doing so, this kind of sample was not able to be collected. However, for the purposes of this project, we will simply advise caution when extrapolating from this regression or when making recommendations based on the results.

Analysis of the residual plot of the regression showed some outliers and a fan pattern, a red flag for the linearity condition.
The data were collected randomly, so the randomization condition is satisfied, and because no two videos’ views really affect each other’s, the independence assumption is as well. The Equal Spread Condition looks to be somewhat satisfied, and would most likely be satisfied by a larger sample as well. Finally, the residual plot shows a fairly Normal distribution.

Results

The regression of Viewcount by Video Length, Age, Subscribers, Channel Age, Custom Thumbnail, and Endslate had an adjusted R$^2$ of 20.29%. While the regression itself would not necessarily be too helpful in predicting viewcounts of videos, the coefficients of the parameters will help us to determine the validity of the hypotheses. The parameter coefficients were as follows:
Table 2: Sample Coefficients

| Term            | Estimate | Std. Error | t Ratio | Prob>|t| |
|-----------------|----------|------------|---------|------|
| Intercept       | -443552  | 620441.9   | -0.71   | 0.4765 |
| Length          | 808.4223 | 484.0437   | 0.67    | 0.0983 |
| Video Age       | 376178.8 | 149928     | 2.51    | 0.0138* |
| Subscribers     | 0.204791 | 0.069474   | 2.95    | 0.0040* |
| Channel Age     | 61613.49 | 59385.29   | 1.04    | 0.3022 |
| Thumbnail?       | -154962  | 358577.9   | -0.43   | 0.6666 |
| Endslate?       | 1057656  | 373296.6   | 2.83    | 0.0056* |

The final regression plot illustrates the $r^2$ and general trend for actual versus predicted viewcounts.

To recap the hypotheses, I surmised that the quantitative variables would have positive coefficients, and this ended up being the case. In general, the older a channel’s videos are, the more subscribers they have, and the longer the channel has existed, the more views their videos will have. However, Video Length and Channel Age did not have significant p-values at the alpha level of 0.05. In addition, it was generally thought that both the Custom Thumbnail and Endslate values would contribute positively. While Endslate’s coefficient was positive and significant, thumbnails actually seemed to hurt video performance with a negative coefficient. However, the p-value shows that this variable’s effect was generally insignificant. I believe that
in a larger, more representative sample, the use of thumbnails would have had a more positive effect on viewcounts.

**Conclusion**

While this sample was not an optimal sample from which to make accurate predictions about a video’s performance, nor was it representative enough to provide true insight into the effects of certain video elements on performance, the regression showed that adding an endslate to a video will drive viewcounts since an endslate on one video will direct users to others on the channel, presumably including those I analyzed. It was surprising to see that a custom thumbnail seemed to have the opposite effect, as it has generally been accepted thanks to anecdotal evidence that thumbnails create increased interest and therefore increased video views.

Based on this sample, the only recommendation that is truly responsible to make would be for channels to continue using thumbnails and endslates as they see fit on their videos. These are proven elements of brand management that have a positive effect on viewcount growth. As long as these elements are visibly helping a channel’s viewcounts, it would be reasonable to recommend their continued use. If I were to have the chance to redo this project, I would take the time to expand the sample to a much larger and more representative number of videos from many more than 3 verticals. In addition, I would limit the number of videos in the sample per channel to one.
Chapter Four, Case Study: Eat Your Kimchi and the Challenges of Brand Transition

Background

While a general analysis of the online video industry is important to undertake in an academic context, due to the lack of precedent in business research, it is also important to apply the lessons learned from both the qualitative and quantitative sections of this thesis to an online video brand in earnest. The following case study will examine the unique situation of a YouTube channel whose situation provides an interesting basis for analysis. Data were collected from December 2015 through February 2016, from both the channel’s YouTube page and Tubular Labs’ channel insights.

In December of 2015, Simon and Martina Stawski announced to their nearly 1 million fans that they were about to change the very essence of their YouTube channel’s branding. After 7 years of living and making videos about their home in South Korea, the husband-and-wife team of creators from Canada uploaded a video titled “We Are Moving to Japan”. While the reasons for this transition were both personal and professional, the couple promised their followers that it would not change the quality, style, or frequency of their content. Eat Your Kimchi, the brand’s main channel, would remain unchanged in name, but the future of the brand was fully in the hands of the channel’s subscribers. It remained uncertain whether or not this change would help or hurt their following.

Over the next few weeks, it became apparent that the announcement video and other uploads posted in December had, in fact, increased the total viewcount month-over-month for the channel. However, it remained to be seen if the momentum could be kept up over January as the couple began posting videos in Japan. In order to keep their following interested, a delicate
balance of new content and old formats would have to be found and careful research and observation conducted to determine the best ways to move forward.

Eat Your What?!

Eat Your Kimchi’s humble beginnings in 2008 were comparable to that of many channels founded during the early years of YouTube. Simon and Martina Stawski, recently married and freshly out of college in Toronto with English degrees, decided to leave home to teach English to students in Korea. While the couple was excited to go on this adventure, their families were worried about the distance they were about to travel. In order to share their experiences with friends and family, the Stawskis created a YouTube channel in order to upload short videos of various things they found interesting about their new home. One of the first videos ever uploaded to the channel featured Simon showing off a boys’ restroom at his workplace, marveling over the fact that the stall toilets were basins on the ground. For the couple, Eat Your Kimchi was an outlet for the culture shock of expatriation, and unbeknownst to them a medium for sharing Korea with the entire world.

By 2010, YouTube had come calling with an offer of partnership to the channel. (At the time, monetization was not available to everyone; only channels with a considerable audience could receive these invitations.) Its audience had grown from a niche of expats and Asian culture enthusiasts to a more heterogeneous group of everyday people who tuned in each week to see what Simon and Martina would do next. The channel had grown, too: Random videos had turned into distinct segments focusing on specific aspects of Korean culture; the inclusion of K-Pop music as a coverage topic had brought its loyal, global fan base in to watch. Eat Your Kimchi, both on YouTube and through a companion blog website, was bringing in advertising revenue
and it soon seemed that the original reason the couple had moved to the country was no longer their calling.

Simon and Martina decided not to renew their teaching contracts and started working full-time as video creators that same year. They would remain on their visas for two years, at which point they would have to legally incorporate as a Korean business in order to stay in the country. It was a huge gamble at a time when the word ‘YouTuber’ didn’t conjure up the same visions of fame and success as it does now. Without any sort of true business location in the country, incorporation seemed like a pipe dream despite the growing success of Eat Your Kimchi. However, the power of a devoted audience proved to be its ladder to success. With the help of a crowdfunding campaign to which over 3,500 fans contributed, the couple was able to purchase a studio location in Seoul (IndieGoGo, 2012). By having a physical production center in the city, Eat Your Kimchi now had the legitimacy of a traditional brick-and-mortar business. The company was incorporated in 2013.

Brand Overview

Eat Your Kimchi is an online video brand which produces travel, food, product review, and general vlogging content. The name is an umbrella branding for Simon and Martina Stawski’s three YouTube channels: The titular EYK channel, a bonus content/blooper reel channel called ‘simonandmartinabonus’, and ‘Open the Happy’, a side channel dedicated to tutorial videos, some product reviews, and general miscellaneous content. The main EYK channel produces several topical content series, the most popular being the travel and culture-themed ‘Wonderful Adventure Now Korea’ (WANK) and ‘Food Adventure Program For Awesome People’ (FAPFAP). In addition, a long-form series called TL;DR (short for the common online phrase ‘too long; didn’t read’ explores Korean social and culture content in a
lecture/discussion style; a product review series called ‘Wonderful Treasure Find (WTF) Korea’
shows off interesting and often strange items purchased in the country. Former series include K-
Pop Music Mondays, in which Simon and Martina discussed current events in the K-Pop music
world, and K-Crunch Indie, which focused specifically on indie music in the industry.

In addition to the YouTube channels, EYK operates a website on which blog posts
related to each video along with other exclusive content are hosted. The site is monetized
through advertising like the YouTube channels; users may purchase Premium subscriptions
which remove the advertisements on the site for a minimum donation of $10 per year. A web
store stocking items such as hats, t-shirts, patches, and other accessories is also integrated into
the site. The brand has its own mobile app which functions as both a platform for content sharing
and as a social network for fans. Users can edit and share photos Instagram-style as well as like
and comment on other users’ activity. In 2014, the channel paired up with another Korean
culture channel called ‘Talk to Me in Korean’ to open a restaurant location called ‘You are Here
Cafe’ (eatyourkimchi, 2014). Using the brands’ recognition among Korean locals and travelling
alike, as well as the production of exclusive video content using prompts for customers who
visited the cafe’s photo booth, You Are Here enjoyed success in the first year of operation.

Changes to the Brand

Simon and Martina officially moved from Seoul, South Korea to Tokyo, Japan in January
of 2016. The studio in Seoul was disbanded, and the couple relinquished ownership of You Are
Here. Soon after their arrival in Japan, two FAPFAP videos and a WTF were released. In
addition, a new segment called ‘Eat Your Sushi’ was created in order to have a Japan-specific
video series. EYS will be a platform for activities like vlogging, gaming, and storytelling based
around the couple’s adventures in Japan. The first episode was 33 minutes long, more than twice
as long as many of their TL;DR videos. The FAPFAP video posted on January 27th, riding on the viral nature of the subject (McDonald’s McChoco Potato French fries), broke 400,000 views in the first week. The WTF video was close to 250,000 views 4 days after its release. Both viewcounts were about average for EYK videos, albeit far from the most popular uploads. Eat Your Sushi Episode 1 broke 250k in 2 days.

**SWOT Analysis**

In order to get a clearer picture of where Eat Your Kimchi’s brand stands in the context of YouTube, a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis was performed. The results are as follows (see Appendix A for graphical organization):

**Strengths:** EYK enjoys a strong and loyal following of just under 1 million YouTube subscribers, many of whom also follow the couple on social media such as Facebook and Instagram. On Tubular Labs’ Travel charts, the main channel ranks in the top 500 out of over 50,000 channels with similar content. The brand has recently enjoyed growth month-on-month in views and YouTube subscribers in the last few months of 2015 (Tubular Labs). The branding itself is aesthetically pleasing and appealing to fans of Asian pop culture, especially anime. Its cohesive style helps to bring together all of the elements of EYK (i.e. YouTube channels, social media pages, and merchandising) under the umbrella of the brand. In terms of content production, it is generally easy to make new and different forms of content, especially considering the move to Japan. Overhead costs are also low for much of EYK’s content, since much of it is focused on food, local travel, and product reviews and the filming and editing equipment are more of a one-time cost.

**Weaknesses:** Having recently moved to a new country, the Stawskis may not have as much of a command of the local culture and may find that making videos about Japanese concepts will be
more difficult than Korean ones. In addition, there is the possibility of being seen as offensive to Japanese people should the channel produce content explaining or critiquing the culture. Travel expenses may pose a higher cost since Japan is nearly five times the size of South Korea. EYK has a lower reach on social media platforms, with 309,000 Facebook fans compared to over 950,000 subscribers on YouTube. The couple’s move to Japan also displaced their two ‘interns’ and video editors, so the cost of editing time is now passed on to the creators themselves.

**Opportunities:** There is, in general, a much larger global interest in Japanese culture than there is in Korean culture. The Japanese even have a word for such enthusiasts: *otaku*, or ‘obsessive’. Yet these ‘obsessives’ stand poised to spend millions of dollars on Japanese products as well as watch hundreds of monetized hours of Japanese-centric video. As such, the channel would benefit from expanding Japan-based content offerings and making more travel videos. There is also the possibility of corporate sponsorships. In Korea, the EYK-Mobile was a car with a branded wrap sponsored by Kia. A similar sponsorship could be worked out with a company like Toyota. These deals could be easily worked out if EYK partnered with a management company, which they are currently very close to. The couple has filmed a few videos at Breaker Inc.’s Breaker Lab and is now officially being managed by them. This allows for access to brand sponsorships and a wider audience. In addition, YouTube also operates a YouTube Space studio in Tokyo, which could be utilized in order to maximize exposure and to have access to top-quality production facilities. The greatest growth opportunities for the channel exist in growing the brand’s audience on social media (1 million subscribers is a great starting goal) and in increasing engagement through comments, likes, and shares on those media as well as through the EYK app in order to drive views.
**Threats:** With the larger market for Japanese content online comes the threat of increased competition. Previously, only a handful of YouTube channels were in the tiny niche of ‘Western foreigners living in Korea and making videos about Korean culture’. The niche of ‘Western foreigners living in Japan and making videos about Japanese culture’, however, is exponentially larger. The threat of subscriber loss due to cultural insensitivity is also very real, and something the channel has experience with: after stepping on a few Korean toes with comments that could be portrayed as racist, former fans and activists alike slammed the channel using Tumblr blogs to air their grievances (Unpopular EYK Opinions, 2015). Domestic producers will also pose a threat to EYK, as many viewers may choose to listen to native Japanese creators on any and all subjects related to Japan. In addition, the move itself may have displaced many loyal followers who came to love the brand for its depictions of Korea specifically, and may stop watching its content as it shifts to more Japanese-centric video.

**Statistical Analysis**

While the viewcount and subscriber data available from after the move are small, the general trend shows that Japan-centric content is enjoying similar success to the channel’s previous Korean-centric content. At first glance, the post-holiday slump common to many businesses seems to have hit the channel: January’s YouTube views totaled 6.7 million compared to December’s 8.6 million. This is most likely due to the fact that the move impacted content uploads, with only 6 videos posted on the main channel during January and 9 videos posted in December. However, looking at average views per video, January’s average (1.1 million) was higher than December’s (964,000).

February’s viewcount totals were very reassuring. After the January slowdown, the channel rebounded thanks to increased interest in Japan-centric content. 11 videos were uploaded
in February, and the total views were 11.8 million. Average views per video remained steady at 1.07 million, which is a very healthy statistic for this mid-range channel. The trends for view and subscriber counts are both positive over the past couple of months, with the channel receiving over 32,000 new subscribers in between February 16th and March 17th, 2016.

**Recommendations and Conclusion**

Simon and Martina, both the creators and the channel itself, are undergoing constant evolution and change to their brand as a result of the move to Japan. I recommend the following in order to roll with the changes and to continue to generate growth for the future:

1. Take advantage of the Japanese culture fandom by making more videos about Japan.
2. Grow the subscriber base using social media marketing strategies, perhaps through expansion of postings on Facebook, Twitter, and Instagram in order to attract followers.
3. Seek out sponsorships or brand deals from Japanese companies in order to gain both additional revenue and name recognition for the channel among Japanese consumers.
4. Continue to produce segmented content, even if the segments themselves shift or change over time--subscribers really seem to enjoy the variety of content across the brand.
5. Re-start the sale of branded merchandise once settled in Japan. Introduce new items based on demand.

The preceding recommendations are just that: recommendations. Simon and Martina are under no obligation to actually implement them in their channel’s brand management; however, it will be extremely interesting to see where the channel goes in the months and years to come regardless of what decisions are made. I remain hopeful that despite the changes in content and location, Simon and Martina will continue to enjoy success in the future as the channel gains new followers and enchants existing ones with high-quality and enthralling content.
Conclusion

My original research question was about how those who achieve success on YouTube in terms of building a loyal [or long term] audience, do so in the context of new media business models. Based on that idea, I hypothesized that YouTube creators who incorporated brand management strategies would have a distinct advantage in audience growth and revenue maximization. I then analyzed the industry in four ways (overall, qualitatively, quantitatively, and through a case study) to test this hypothesis. My findings were generally consistent and supported the thesis.

An establishment of a business model in the monetization of a YouTube channel is essentially a key goal for anyone wishing to have a successful brand for their channel. The importance of the four general management areas outlined in the qualitative chapter cannot be stressed enough. While channel aspects like age aren’t exactly malleable, the metrics of subscriber count and average views per video are the KPIs which every channel needs to keep an eye on and strive to grow. Producing content with a consistent quality, topic, and schedule will help to define the market and potential audience for the channel. Creating a defined brand, with the possibility of outside management or revenue growth from things like patronage and merchandise sales, can bolster profits that can be reinvested in the business. Finally, the maintenance of a wide and large web presence, whether through social media outlets or traditional websites with monetized content, can attract large numbers of new audience members through social engagement online.

The most important KPIs for YouTube channels to consider include viewcounts, subscribers, and average views per video, along with any revenue metrics a channel might be tracking. While much of the quantitative data across the online video industry is restricted to
individual channels’ account dashboards on YouTube, small-scale analysis showed that channels whose videos included professional content elements such as endslates and introductions boosted view- and subscriber-counts. I believe that that large-scale analysis would produce similar results. The better the content produced by a channel is, the higher quality the product will be, and the more willing an audience will be to consume it. This is why investments in high production values through quality video equipment, sound and lighting, and professional editing are so important for creators to consider, especially if their fan base is willing to contribute through initiatives like crowdfunding or patronage.

YouTube is first and foremost a personal, creative space where people have been able to bring their best ideas to the table since its inception. Getting those ideas from mind to camera to screens around the world requires hard work, diligence, and perhaps a bit of luck. Harnessing the power of an audience in order to sustain a brand, however, is not a luck-of-the-draw situation. This research has shown that brand management, when consciously incorporated into a YouTube business model, can help to maintain or grow viewership and maximize revenue to ensure businesses’ survival. It appears from this study that brands that wish to grow their revenues and audiences absolutely must integrate these best practices into their businesses. The world of management companies for YouTubers exploded in the past 5 years or so, but for many creators, some simple consulting and smart thinking may be all that is needed to achieve the same metrics those companies offer.

In addition, this research has an impact on the business community. It is truly important for academic researchers and business leaders to take notice of the online video industry as it grows, develops, and changes. I believe that a relationship between creators, traditional businesspeople, and academics through the study of the digital space benefits all of the parties
involved, since the world is changing and our use of digital media increases on essentially a daily basis. The study of best business practices for online video can result in continued success for creators, their management, and digital media companies in general.
Works Cited


