Analysis: YouTube alienates amateur users by courting pros

Gerry Shih, Reuters

(Reuters) - After struggling for years, in late 2010, Driving Sports TV, a scrappy, two-person video production outfit led by Ryan Douthit, finally began supporting itself with advertising income from YouTube.

It didn't matter that the channel's production set was simply a green screen in Douthit's cramped garage in a leafy Seattle suburb; Driving Sports TV's revenues were roaring like the rally car engines it featured.

Achieving self-sufficiency on YouTube was Douthit's dream. Then it became a nightmare.

Over the past year, Driving Sports TV's popularity and revenues have plummeted as much as 90 percent, Douthit said, as viewers abandoned him for slicker, more professional and better-marketed fare that's suddenly streaming onto YouTube.

Douthit is among thousands of amateur video producers who helped Google-owned YouTube become the Internet's most popular video-sharing site.

But YouTube's thriving amateur core now feels squeezed out by the site's sweeping transformation from user-generated clips to more professionally produced content, posing a potential dilemma for Google's long-term ambitions in online video.

"I drank their Kool-Aid," Douthit said. "I believed their whole pitch, that anybody with talent and drive could make a living out of YouTube."

A year ago this month, YouTube embarked on an initiative to invest hundreds of millions of dollars to acquire original, professional content in an effort to compete for ad dollars against traditional television networks, digital streaming services such as Netflix and rival Internet companies like AOL and Yahoo.

Tom Hanks, Amy Poehler and other big-name talent are now backing YouTube projects, while Madonna, Jay-Z and Ashton Kutcher have signed up to curate YouTube "channels," bringing hierarchy to an ecosystem that looks more like Hollywood by the day.

The influx of cash, celebrity and structure has left many small "YouTubers" - the bedroom pundits and aspiring guitar heroes who helped make YouTube popular - feeling alienated and shunted aside.

In July at Vidcon, an annual conference for the YouTube creator community, Jim Louderback, the chief executive of Revision3, a well-known digital video network

recently purchased by Discovery Communications, said disenchanted YouTubers were fleeing for other platforms. As he spoke on stage, a slide presentation behind him showed a picture of rats scrambling off of a ship named "YouTube."

Louderback's presentation proved prescient - in the past year, as their frustration has mounted, some young YouTubers have begun uploading content elsewhere, a potentially damaging prospect for Google.

In an interview with Reuters at Revision3's 4,000-square foot studio space in an industrial building in San Francisco, Louderback said many successful YouTubers were exploring how to stream video in their own apps, totally independent of YouTube.

He has poached some of YouTube's biggest stars himself, signing them to Revision3's talent roster and shifting some of their videos onto its own website.

"If you've got great content, you can find an audience anywhere," he said.

MONEY VERSUS LOYALTY

YouTube executives say they've made a concerted effort to keep all the site's content-providers happy. However, there is little doubt that the move to more professionally produced content is proving good for business.

"Our big advertisers like the path that YouTube has taken," said Andy Chapman, head of digital investment at Mindshare, an ad agency that counts Unilever, Kimberly Clark and LG Electronics among its clients. "A number of clients say this looks and feels like the direction the market is going."

Wall Street analysts like Citigroup's Mark Mahaney say YouTube already contributes about $3.5 billion to Google's top line every year, a figure that is expected to climb.

In the U.S. market, for instance, total revenue from digital video advertising is expected to grow from $2.3 billion this year to about $7 billion to 2015, when roughly 40 percent of the U.S. population will be watching TV online, according to advertising industry analyst eMarketer.

In recent years, YouTube has shared ad revenues with its content creators, based on how many views their videos get. But tensions between the company and video creators came to a head in March when YouTube, which says its streams more than 4 billion videos per day, changed an algorithm that governed which clips were recommended to viewers.

The tweaks, which lowered the number of overall views across the site but boosted the average time viewers spent in each video, prompted many of YouTube's amateur providers to cry foul, arguing that the move favored longer, professionally produced content. A group of young users started circulating the #saveyoutube hashtag on Twitter and, in May, when a Google employee sought feedback on the situation on the Google+ social network, she received more than 150 responses

from users, many concerned and some bitterly angry.

Douthit, the producer of Driving Sports TV, said he was stunned recently when he saw YouTube promoting Drive - a competing professional program that received investment funding from the site - in ad slots shown before his own videos load.

"It felt like being kicked," he said. "They're forcing independent producers like us to go other routes."

Douthit has since sold his segments to a TV network in South Africa and uploaded segments to Apple Inc's iTunes, where, he said, they were downloaded 800,000 times last month.

For its part, YouTube executives say they recognize the importance of their "community" and that they are working hard to cater to both the "heartland, heritage YouTube" and the name-brand content streaming in from Hollywood.

"Any time you have a lot of changes, people get nervous," said Tom Pickett, the company's global head of content operations. "We're trying to listen as best we can to the concerns coming out and coach folks through these changes."

In recent months, company employees have held Google+ video chats to talk creators through their concerns, and next month, Google will open a sprawling, 40,000-foot facility in Marina del Rey, California, offering free studio space and equipment rentals to independent creators who otherwise wouldn't have access to such resources.

"YouTube is nothing without its content creators," Pickett said. "One of our key differentiators is that breadth and depth of content, so we're totally about making it possible for anybody to have that opportunity for success."

YouTube has in fact deepened its investment in its young would-be stars. Last March, Google acquired video start-up Next New Networks, and turned it into an academy of sorts teaching videography skills and publishing a Creator's Playbook offering tips on how to promote videos.

The company invited up-and-coming YouTubers with fewer than 300,000 subscribers to apply for $35,000 in funding and four-day stays at a "Creator Camp" to hone production skills with help from pros.

STRIKING DIGITAL GOLD

To a great extent, the frustration among YouTube's amateur users stems from the ever-mounting competitiveness amongst their peers. Not unlike aspiring actors, aspiring YouTubers have flocked to Los Angeles with hopes of joining the handful of stars rumored to make million-dollar salaries.

An entire industry of production start-ups, perhaps ironically called "networks," has sprung up, signing YouTube stars to contracts and helping negotiate ad deals and

merchandising tie-ups.

These networks, among them Revision3, Maker Studios, Big Frame, the Collective, Machinima and Fullscreen, use subtle programming techniques to make YouTube's recommendation engine to highlight their videos more often and also call on their roster of stars to cross-promote rising talent.

YouTubers say it's becoming impossible to rise to the top without the support of these networks, who increasingly control the levers of stardom.

"The sad thing was when YouTube was first starting out, we didn't need networks," said Philip Wang, 28, an independent YouTuber who has made videos professionally since college. "It was people working together and exploring. But now there's more at stake. People are all fighting for ad dollars, fighting for views."

YouTube also benefits from the new networks. For instance, the ad deals Big Frame has independently struck with Home Depot, Levi's and Electronic Arts in turn burnish YouTube's reputation as an ad vehicle, said Jamie Byrne, the site's head of original programming.

And not all of YouTube's amateur providers feel disenfranchised by its move to more professional content. Many argue that the corporate dollars and Hollywood attitudes have had a net positive effect for them. In May, the company disclosed that "thousands" of its young stars now make six-digit salaries from YouTube, up from just a handful a few years ago.

"This is real money - and real businesses - being made. The ecosystem is getting that much stronger," said Shira Lazar, who hosts the "What's Trending" show on YouTube.

"It's incredible," Lazar said, "if you think how this has all happened in the past three years."

(The story corrects to read "...Lazar hosts the 'What's Trending' show on YouTube," instead of "... Lazar, a YouTube star who went on to host the 'What's Trending' show on the CBS News website.")

(Editing by Peter Lauria and David Brunnstrom)

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