

YouTube spends \$100 million to redefine TV

January 17 2012, By Marco R. Della Cava

On a recent sun-kissed day, a trio of hot names made a pilgrimage to the ninth floor of the Four Seasons Hotel.

But the director McG, singer Taio Cruz and Web musical phenom Greyson Chance were not guests at the posh property. They were visiting the studios of an online production company that has taken up permanent residence in adjoining suites.

"Wow, you guys really work out of a hotel?" McG asks R.J. Williams, host and founder of Young Hollywood, whose stock in video trade is the breezy celebrity chat.

"It's more than that," Williams, 34, says with a smile. "I live here, too."

Williams is betting most of his personal savings and free time that two things will make him a next-generation media titan: hard work and YouTube.

That bet goes both ways. Beginning this month, YouTube is gambling \$100 million that by seeding professional production firms such as Young Hollywood - whose slate of YouTube-only programming premieres Monday - it will draw more eyeballs for longer viewing sessions.

Williams calls the online video giant's move a "game-changer" and argues that the growing number of stars who sit on his white sofa - Cruz came to see Williams straight from Jay Leno's "Tonight Show" couch -

spotlights the emerging clout of Web-only shows.

"A few old-school publicists still don't embrace us," says Williams, who chose the Four Seasons because many stars call it home during publicity tours. "But the younger reps and celebs sure do."

YouTube executives hope gossip-hungry viewers weaned on "E!" and "Access Hollywood" give Williams' shows a shot. To help ensure that, the company recently redesigned its site to emphasize a new channel-centric look that can be customized by users.

Though shaky clips of goofy cats and surly babies will forever be a hallmark of the Google-owned company, the focus clearly is shifting to aggregating and categorizing videos boasting growing degrees of polish. The mission: capture audiences with narrowly defined interest areas and the advertisers who covet them.

"With more and more people being connected, the economics are improving, so it makes sense that storytellers of all kinds would want to come to us," says Robert Kyncl, YouTube's global head of content and a former architect of Netflix's streaming video service. "The more connected devices we get, the more this system will open up."

The first wave of YouTube channels employs well-known names such as Deepak Chopra (producing a series of shows on spirituality and health) and "CSI" creator Anthony Zuiker (dishing up horror shorts with a "Twilight Zone" feel), and other areas built around globally hot topics such as soccer and education.

Neither YouTube nor its beneficiaries will disclose the size of individual financial grants, but winners typically report that the money goes toward improving equipment and expanding staff.

"We used to have a \$200 camera and no lighting," says Hank Green, who with his brother John is working on programs aimed at helping kids understand world history and science on their Vlogbrothers channel. "Now we have a great camera, lighting, Final Cut Pro (editing tools) and a staff of six. It's been quite a ride."

Hang around Web-content folks long enough, and what inevitably forms is an image of a massive, cresting wave. The swell started with increased download speeds, grew through smartphones and tablets, and is taking full shape with current talk about connected iTVs from the likes of [Google](#) and Apple.

Put simply, the word "television" is being redefined. What once was something produced by a network or cable channel for a screen in the living room is fast becoming anything cobbled together by nearly anyone for a range of devices. This is the culturally revolutionary, highly interactive future YouTube is banking on.

"We'll take the couch potato, sure," YouTube's Kyncl says with a laugh. "But what we're really after is the couch potato who is willing to get up and lean in and get engaged."

The passive viewing experience "is being replaced by a much more social and active pursuit," says Tracy Swedlow, CEO of online publication Interactive TV Today and producer of a series of conferences called TV of Tomorrow. "People will see something and want to tweet about it instantly, or maybe go online and buy a product they've just seen."

"It's clear we have a gigantic horse race for viewers now," she says. "The industry wants to bring back appointment TV, but that can only happen by giving people the ability to interact with the screen or other viewers." Swedlow says what's intriguing about YouTube's channel makeover

"isn't what it is today, but what it can become."

Taking a page from Netflix's book and acquiring original content is a good start, says analyst James McQuivey of Forrester Research. "Netflix has been a big driver of online video hours, taking the small amount of time that people watch videos on YouTube and other sites and extending that (with long-form programming)," he says.

A recent Nielsen survey of viewing habits reveals that the average person now watches a half-hour of online videos a week, though that number doubles among 25- to 34-year-olds.

McQuivey says YouTube's strategy of partnering with popular amateur producers has proven itself by the number of "mini-studios surviving solely on their YouTube advertising budgets. Now that celebrities and even major studios like Disney have agreed to contribute new content, YouTube stands a real chance of becoming a regular part of your viewing behavior, on and off the TV."

Most network executives are embracing the viewing revolution by providing access across platforms. They see the proliferation of smartphones and tablets as giving new life to content that used to die after its airdate.

"Technology will just increase the consumption of our content," says Albert Cheng, who oversees digital media for Disney-ABC Television Group. The company's Disney Interactive Media group is creating a short program for YouTube based on the popular mobile game "Where's My Water?" "We (in big media) shouldn't be afraid of these shifts we're seeing, because ultimately, great content will win. And with expanded distribution platforms, you just open up new forums for storytelling."

For now, YouTube isn't likely to serve up the next "Modern Family."

Instead, it aims to provide short niche content for an increasingly fractured audience, says Shishir Mehrotra, vice president of product management. "Our \$100 million is just a catalyst, a message that says the big channel or show of the future is not going to be the channel or show of today."

For "CSI's" Zuiker, partnering with YouTube for a series to premiere in April was an easy decision. The dozen 10-minute shorts will allow him to flesh out ideas quickly and without much oversight, and could serve as mini-pilots that lead to traditional shows.

"This format allows A-list talent to be more creative," he says. "The videos can have a sharper voice and edge than my TV projects, though by shooting them with a Canon 7D (digital SLR), they can look TV-quality at a fraction of the cost."

Why not just throw the shorts up on a website? "Launching a dot-com is tough, so it's appealing to have an umbrella with big viewership over you," he says. "YouTube's saying, 'We trust you to do what you do well, and we'll let you do it with more ownership.' That works for me. As far as I'm concerned, this is the future."

Author Chopra agrees. "Soon you won't be able to tell where what you are watching comes from, whether it is a traditional studio or someone like me. Videos are where things are going. Not everyone has patience to read books these days."

A big part of YouTube's appeal for Chopra isn't just the millions he can reach, but the fact that his fans can talk back, says Jordan Levin, former CEO of the WB Network and current CEO of Generate, which is producing Chopra's shows for YouTube.

"Exploiting that connection with the viewers through the communication

possibilities of the digital platform will redefine the traditional TV program," Levin says. "The Web's feedback loop is immediate, which will make these shows feel so much more intimate."

Major League Soccer, with its Kick TV channel, looks forward to the worldwide fan dialogue. "This is a great opportunity for our league. Will Kick TV turn into tomorrow's new cable network? It's hard to say," says Chris Schlosser, general manager of MLS Digital. "But we're not going to wait and find out."

Over at Young Hollywood's tony HQ, waiting isn't in the vocabulary.

Where founder Williams once had his studio at the hotel, an apartment a few blocks away and an editing suite still farther away, he has consolidated all three onto one Four Seasons floor.

Three connected suites form the heart of the operation, consisting of a green room (with a comically large 80-inch flat-screen TV), editing bay (where a dozen staffers man glowing computers) and studio (complete with overly colorful furniture and high-tech cameras). From here, five- to 10- minute YouTube shows with names like "Power Players" and "Studio Secrets" will be cranked out on the fly.

"We are a 24/7 operation. What we say to people like Cameron Diaz or Nicolas Cage is, 'Hey, if you're in the hotel already, pop up to our studio for a few minutes and we'll have you on our YouTube channel in no time,'" says Williams, a natural pitchman with the ready smile of the child actor who appeared on shows such as "General Hospital" and "Full House."

"Increasingly, they do."

For many stars, appearing on a Web-only show is as much a matter of

covering their PR bases as it is a reflection of what is now considered must-see non-TV.

"I barely watch television," singer Cruz says in his soft London lilt. Riding two hits - "Break Your Heart" and "Dynamite" - he recently became the British artist with the most-watched videos ever, more than 100 million combined views. "I have an on-demand lifestyle, so for me it's all about what I can see on my mobile phone."

Singer Chance, Williams' other guest of the day, knows all about the power of the Web. When his family posted a video of him performing Lady Gaga's "Paparazzi" at a sixth-grade recital in 2010, it went viral and led to a recording contract.

"I will just put it to you this way," says Chance, 14. "I can't tell you how many TV shows I've been on in the past year, but I can definitely tell you that most of my fans go to YouTube to watch me on TV."

Standing a few feet away, Williams grins. If the young singer represents the voice of the new video-content consumer, things could turn out well for this modern-day Eloise, romping around a luxury hotel while having the professional time of his life.

"I'm putting 99 percent of my eggs in this one [YouTube](#) basket, and maybe that's crazy," Williams says. "But there's an opportunity here that's different than anything I've ever seen."

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Citation: YouTube spends \$100 million to redefine TV (2012, January 17) retrieved 9 April 2024 from <https://phys.org/news/2012-01-youtube-million-redefine-tv.html>

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