

YouTube enlists big-name help to redefine channels

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In this Dec. 16, 2011 photo, crew member Arthur Hong holds a clapboard while filming holiday movie trailers at the Maker Studios in Culver City, Calif. The \$100 million investment by YouTube in 96 new channels starting in October has sparked a flurry of activity in Hollywood's independent producer community. At companies like Maker Studios, which received money for three new channels, the funds have turbo-charged an already teeming operation. (AP Photo/Jae C. Hong)

(AP) -- YouTube is enlisting Hollywood's help to reach a generation of viewers more familiar with smartphones than TV remotes.

The online video giant is aiming to create 25 hours of programming per day with the help of some of the top names in traditional TV. The Google-owned site is spreading its wealth among producers, directors, and other filmmakers, using a \$100 million pot of seed money it

committed last fall. The fund represents YouTube's largest spending on original content so far.

YouTube believes it is laying groundwork for the future. While the number of traditional TV watchers has leveled off in recent years, more and more people are watching video on mobile phones, tablets and computers, especially the 18- to 34-year-old age demographic that advertisers covet.

The idea is to create 96 additional YouTube channels, which are essentially artists' home pages, where viewers can see existing video clips and click "subscribe" to be notified when new content goes up.

Well-funded videos by a select roster of stars are likely to be more watchable than the average YouTube fare of cute cats and webcam monologues. YouTube is betting that a solid stream of good content will attract more revenue from advertisers, bring viewers back frequently and bolster its parent company's fledgling Web-connected-TV platform, [Google TV](#).

The cash has enticed some of TV's biggest stars, including "Fast Five" director Justin Lin, who directs episodes of "Community," "CSI" creator Anthony Zuiker and Nancy Tellem, the former president of CBS entertainment.

Zuiker is teaming up on a horror series for YouTube after observing his own family's behavior. His three pre-teen sons spend more time on phones, [iPads](#) and computers than [watching TV](#) these days.

"We want to jointly take the risk with YouTube and roll the dice on the future," Zuiker says. "The old regime is going to falter because everybody thinks the TV is the only device that really counts, and that's just not the case."

For producers, it's a chance to create shows that are completely free of meddling from major studios. They can also stay relevant with a younger crowd whose viewing is moving increasingly online.

Several new channels such as the extreme sports-focused Network A and Spanish-language Tutele have launched already. YouTube hopes to have them all up and running by this summer.

"This was really about galvanizing the ecosystem at large," says Alex Carloss, global head of original programming for YouTube. "We see the portfolio (of funded channels) really representing the best of TV meeting the best of the Web."

YouTube isn't the only Web video service that has started to pay for original content. Netflix Inc. recently launched the original series "Lilyhammer," while Hulu premiered "Battleground." But YouTube videos tend to be under 10 minutes, instead of fitting into traditional half-hour or hour-long TV slots. And aside from a few guidelines, ultimate control is given over to the artist, including what is uploaded and when new episodes appear.

YouTubers also get away with far edgier stuff than the middle finger that rapper M.I.A. flashed during the Super Bowl halftime show.

Although YouTube's entire investment is less than half of what some studios spend on one blockbuster movie, about a third of the new channels were awarded to scrappy YouTube veterans who already know how to make it big online while keeping production costs low.

YouTube expects to recoup what it spends on the grants by sharing ad revenue the new videos generate.

At Maker Studios, which received money for three new channels, the

funds have turbo-charged an already teeming operation that has about 160 full-time staff spread across several buildings crammed with props and computers in the west Los Angeles suburb of Culver City.

On a recent visit, two scenes were being shot in an alley. One was for a parody of a Christmas movie trailer. The other was for a new series about a crime-fighting van called "Si, Es I, Pepe."

Maker cranks out about 300 YouTube videos each month at a bare-bones cost of about \$1,000 each.

The studio's videos generate a whopping 500 million views each month, thanks largely to established hits that include Ray William Johnson's roundup of crazy videos and such viral giants as "Epic Rap Battles of History."

Advertisers pay up to \$10 per thousand views for video ads that precede the featured content, according to TubeMogul, a major buyer of YouTube ads for the nation's biggest advertisers including Proctor & Gamble Co. and News Corp.'s 20th Century Fox movie studio.

Established YouTube partners share roughly half of their revenue with the site. So if Maker videos generate \$1 or \$2 in ad revenue per thousand views, it would just be scraping by.

Maker co-founder Danny Zappin, who quit film school to buy a high-end camera to start a career on YouTube, says it's a "tricky balance" to keep the studio's share of ad revenue higher than the cost of video-making. The undisclosed amount it got from YouTube, on top of the \$1.5 million venture capital it received about a year ago, lets Maker put up more videos without waiting for the views and cash to roll in.

"It gives us resources and runway that we wouldn't otherwise have,"

Zappin said.

For other less-established players in online video, the money has given them an added reason to get involved.

Former CBS executive Tellem teamed up with TV entrepreneur Brian Bedol to create Bedrocket Media Ventures, an upstart production company behind several new YouTube channels, including Network A. The funding "allowed us, or caused us, to focus on YouTube ahead of other platforms," Bedol says.

Analysts believe YouTube has made a wise investment at a time ad rates for online video are rising.

YouTube can be successful with just a few big hits - think of Rebecca Black's "Friday" - even if thousands of videos fall flat. It's similar to the hit-or-miss approach to traditional TV and movies.

"The investor community does not look at this as money wasted," Macquarie analyst Ben Schachter says.

Since promising to share ad revenue with its most popular uploaders in 2007, YouTube has invested in original content mainly by paying for equipment and training new artists, but it was never as big as this.

Backing up its new strategy, YouTube also revamped its homepage to prioritize channels and recommendations above just the most-viewed videos. The revamp allows advertisers to target popular channels or categories of content more easily.

YouTube's funding plan takes a page from Apple Inc.'s playbook. When the iPhone maker launched its App Store in 2008, a \$100 million seed fund created by Silicon Valley investor John Doerr spawned hundreds of

thousands of new apps.

"Our developers are not software engineers," YouTube's vice president of global content partnerships, Robert Kyncl, told a convention in January. "Our developers are Hollywood stars, are online stars, are regular folks like you and I."

If nothing else, the injection of funds will spawn content never before been seen on any screen, large or small.

"Fast Five" director Lin, who is teaming up with [YouTube](#) stars Ryan Higa and Kevin "KevJumba" Wu on the "YOMYOMF" channel, said his focus is not to try to find audiences with stereotypical Asian-American content. Rather, the idea is to give a platform to people who have unique voices but haven't been heard yet.

He says Higa and Wu didn't follow any set rules when they jumped to popularity with a mix of oddball humor, brutal honesty and rap.

"They just did what they loved, and people came," Lin said. "If we're going to fail, I would rather go out with that philosophy."

More information:

KassemG's parody of Christmas movies, <http://bit.ly/yzTt5i>

Si, Es I, Pepe, <http://bit.ly/AquLL8>

Epic Rap Battles of History, <http://bit.ly/xsjKks>

Ray William Johnson, <http://bit.ly/wYDiaC>

YOMYOMF, <http://bit.ly/ygxnuH>

Network A, <http://bit.ly/wDeiZY>

Anthony Zuiker's partner, BlackBoxTV, <http://bit.ly/yQFM13>

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