

YouTube to launch \$10-a-month ad-free video, music plan Red

21 October 2015, by Ryan Nakashima



Robert Kyncl, YouTube Chief Business Officer, speaks as YouTube unveils "YouTube Red," a new subscription service, at YouTube Space LA Wednesday, Oct. 21, 2015, in Los Angeles. The service combines ad-free videos, new original series and movies from top YouTubers like PewDiePie, and on-demand unlimited streaming music for \$10 a month. (AP Photo/Danny Moloshok)

YouTube on Wednesday unveiled a new \$10-a-month subscription plan in the U.S. called Red that combines ad-free videos, new original series and movies from top YouTubers, and on-demand unlimited streaming music.

Red builds on Google's existing music streaming service by providing ad-free access to YouTube programming, along with features such as the ability to download videos to mobile devices and have music playing in the background while using other mobile apps.

Current subscribers to the Google Play Music service, which also costs \$10 a month, will also get access to Red.

"It's a major, major evolution of our platform,"

YouTube's chief business officer, Robert Kyncl, told journalists at an event at its studio space in Los Angeles.

Red targets YouTube fans who want to skip ads, while giving them a chance to pass along some cash to their favorite video creators, who'll share in the new revenues. It comes as streaming services like Hulu, Pandora, Spotify and Tunes offer ad-free as a paid option.

The plan, which launches Oct. 28, includes exclusive access to new videos launching next year as well as the YouTube Music Key service—to be called YouTube Music after it launches later this year—for music videos and songs. The new YouTube Music app will allow you to toggle music videos to play audio only.

But you don't have to wait for the new music app to have Red features work across YouTube platforms, with the exception of the YouTube Kids app, starting next week. The apps, including the existing YouTube app, are free to download.

The service will cost \$13 a month if purchased through Apple's iTunes—but only because Apple takes a 30 percent cut, executives said. If purchased through the Google Play Store or on the Web, the subscription will still work on apps running on Apple's iOS or Safari browser.

The original videos will range in length from a few minutes to feature-length movies and come from established YouTube stars such as the Fine Brothers, who are creating a scripted 10-episode series about a singing competition show called "Sing It." Another new show stars video game-playing star Felix Kjellberg in a reality series co-created by the makers of "The Walking Dead" called "Scare PewDiePie."



Robert Kyncl, YouTube Chief Business Officer, speaks as YouTube unveils "YouTube Red," a new subscription service, at YouTube Space LA offices Wednesday, Oct. 21, 2015, in Los Angeles. (AP Photo/Danny Moloshok)

Performer and comedian Lilly Singh said that while YouTube helped pay for the creation of a documentary of her world tour called "A Trip to Unicorn Island," the new service won't drastically change how she serves her fans.

"Is YouTube Red going to be the extreme make of my financial career? No," she said. "But that's not why I'm doing it. I'm doing it to give my viewers choice."

YouTube still intends for advertising revenue to remain its core business, and executives say they believe it could take a while for paid subscribers to grow significantly. Some original content will also be made available to non-subscribers later with ads.

Kyncl said the subscription will bolster YouTube's revenues and that of artists, and said \$10 a month is the upper limit of what consumers would pay for such a plan. He said YouTube's advertising revenues will not be hurt, given that the number of users switching to the new service won't likely make a dent in YouTube's billion-plus users.

"It wouldn't really impact the amount of eyeballs we're providing through our platform," he said.

One challenge is getting people to pay for a service

they long associated with being free, said RBC Capital Markets analyst Mark Mahaney in a research note Wednesday.

The move comes amid a boom in consumer appetite for ad-free experiences.



Robert Kyncl, YouTube Chief Business Officer, speaks as YouTube unveils "YouTube Red," a new subscription service including original programming, at YouTube Space LA offices Wednesday, Oct. 21, 2015, in Los Angeles. The service combines ad-free videos, new original series and movies from top YouTubers like PewDiePie, and on-demand unlimited streaming music for \$10 a month. (AP Photo/Danny Moloshok)

Ad-blocking software has become popular on personal computers, and Apple's iOS 9 operating system update last month allowed ad-blocker apps to run on its mobile Safari browser for the first time. Worldwide usage of ad blockers rose 41 percent last year to nearly 200 million people, according to PageFair, a firm that seeks to counter ad blockers.

And yet content providers are finding a way to make money from eliminating ads, too.

Internet radio giant Pandora Media Inc. made \$54.6 million on subscription and other revenue in the quarter through June, mainly from its \$5-a-month ad-free plan, Pandora One. Its subscription revenue is growing faster than ad revenue itself.

Hulu launched a "No Commercials" plan in September for \$4 more per month than its regular \$8 subscription, and TuneIn added a premium tier for \$8 a month in August that throws ad-free music together with audio books and sports play-by-play coverage.



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Red could help boost the ranks of Google Play Music subscribers, which stood at around 815,000 in the U.S. at the end of last December, according to royalty tracking firm Audiam.

That's far short of leader Spotify with 20 million paying subscribers globally. Apple Inc. CEO Tim Cook told a technology conference this week that Apple Music has 6.5 million paying subscribers and millions more still on free trials following its launch at the end of June.

YouTube is part of Google, a division of the newly created holding company Alphabet Inc.

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