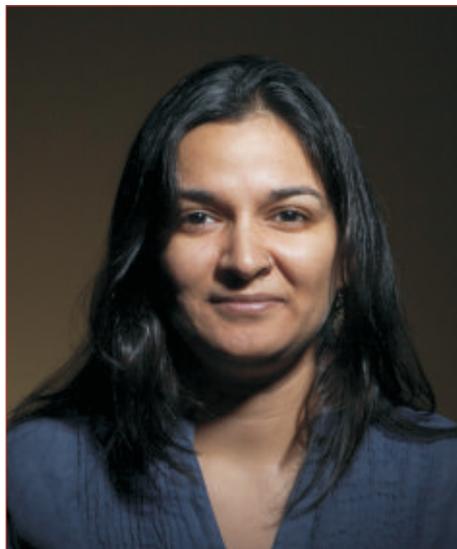


BEST FEATURE IN IT JOURNALISM



Mansi Kapur

Mansi Kapur won the PoleStar Award for her article, 'The Future is Now', which appeared in Fortune India, dated June 2013.

Mansi Kapur is a Special Correspondent with Fortune India, a globally distinguished business magazine.

Mansi has over 11 years of experience as a journalist, covering diverse sectors such as automobiles, infrastructure, aviation and trends in the corporate sector. She also enjoys writing on the intersection of technology and skills, as well as the impact of social media on everyday lives.

At Fortune, Mansi chronicles across diverse sectors, such as banking, liquor, food, IT and Chinese firms, fleshing out the drama of building businesses.

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The Future is Now

India is the second largest content uploader in the world, and the third largest in terms of views. Reason enough why YouTube wants to disrupt the media and entertainment industry here.

Mansi Kapur

June 2013



For Somayajula Gayatri Devi Sharma, a 43-year-old Telugu-speaking housewife in Mumbai, it began innocuously enough, by recording a few videos on a CD on how-to prepare Andhra food. It was a wedding gift to a niece who didn't know how to cook. Months later when a friend's son was relocating to Kolkata, Sharma made a copy of the CD for him. He uploaded the videos on YouTube, under the name Gayatri Vantillu (Gayatri's Kitchen in Telugu) and helped her open a website through Google. That was September 2008. By January 2010 Sharma's YouTube videos – all in Telugu – had more than 1,000 subscribers and YouTube began paying her. Although her husband S.D.P. Sharma is reluctant to talk about revenue, he indicates that they make between thousand and Rs 1 lakh a month from her 329 YouTube videos.

If she is one kind of YouTube content partner, Rajjat Barjatya is the other. A Bollywood heavy-hitter with hits like *Maine Pyar Kiya*, *Hum Aapke Hain Koun...*, and *Hum Saath-Saath Hain*, Barjatya has launched a portal, *Rajshri.com*, back in 2006 which showcased in-house as well as aggregated content (both paid and free). Chris Maxcy, the business development head at YouTube at the time liked what he saw and wooed Barjatya. Back then, YouTube was looking to shake off its image as a site hosting only user-generated content. It needed professionals on board to attract advertisers. So, in December 2007, soon after buying YouTube for \$1.6 billion (Rs 9,286.2 crore), Google launched a programme aimed at building partnership with content, and split the advertising revenue.

Barjatya simply ported the entire *Rajshri.com* library to YouTube and soon revenue from its YouTube channels was outstripping that from the portal. Barjatya had figured his strength lay in creating content, not running a platform like *Rajshri.com*. *Rajshri Media* even started creating content especially for YouTube, stuff like basics of learning the guitar, chess, origami, and cooking. We've not just built our business model around YouTube: YouTube is our business model", says Barjatya. (*Rajshri.com* still exists, though it's a much poorer cousin.)

Today with more than 30,000 videos on YouTube, and 120 minutes of new content every day, more than half of *Rajshri Media's* revenue comes from YouTube. (Barjatya doesn't disclose exact figures.) "As it stands, traditional media generates larger income than digital entertainment industry," says Barjatya. His willingness to ally with YouTube comes from the sheer scale it has built: as of March 2013, YouTube has 1 billion monthly unique users globally (or near 12% of the world's population); who watch more than 6 billion hours of videos every month, a number that's grown by 50% since last year.

In a recent post on the global YouTube blog, Robert Kyncl, vice president, global head of content partnerships, YouTube, wrote that in the last year, Big Media such as Time Warner, The Chernin Group, Discovery Communications, and Comcast made significant investment in companies that create, aggregate, or service content for YouTube.

One way to look at YouTube is as a general entertainment channel. Anuradha Aggarwal, senior vice president, brand communications and insight, Vodafone India says, "the kind of views that YouTube gets, makes it the fifth- or the sixth-largest general entertainment channel here." (although Vodafone India does not share ad spends, media buyers said, of the Rs 10 crore Vodafone spend on the zoo digital campaigns during IPL 2012, a quarter was solely for YouTube. The amount went up in IPL 2013.)

Or, as Barjatya puts it: "YouTube is on its way to becoming your new TV." He's betting that when TV goes online, YouTube will be the best placed, having steadily built an arsenal of digital content creators, and will leverage its swelling user base to get more big production houses to produce mainstream content.

David Macdonald, head of YouTube's content operations, Japan & Asia Pacific, says India will play a key role in building this future. It is the largest content uploader globally after the U.S and the third-largest in terms of viewers, after the U.S and Britain.

According to web analytics company comScore, as of March 2013, total online video viewing in India doubled in the past two years to 3.7 billion videos per month, while the number of unique users every month went up by 69% to 54 million viewers. Of these, 58% consumed videos on YouTube, with Facebook a distant second.

That means YouTube will first threaten, and then disrupt the media space in India. Imagine its impact when backed by 4G technologies. At the same time, it'll also provide an opportunity to further democratise media because distribution will no longer be the stranglehold of large networks.

The biggest cost for a content owner is distribution, says Prasanto Das, who along with journalist Govindraj Ethiraj, founded Ping



► **Zooming in on India David Macdonald, head of YouTube's content operations, Japan & Asia Pacific**

Digital Broadcast, an outfit that runs a cookery channel and a music channel on YouTube, with a third in the works. Then, there are restrictions and limits in terms of geographical reach, etc. "YouTube has simplified all this to a great extent. That is its game- to be able to provide a distribution platform for content creators. Now anybody can become a broadcaster. The industry is moving to content anytime, anywhere, and on any screen." That could well sum up YouTube's guiding principle.

Indeed, it is doing its best to reinvest the model. One of the investments that YouTube has been making in the U.S to promote independent content creation is to build YouTube spaces, or production studios that smaller content creators or startups can use. YouTube also separately announced a \$100 million investment recently into commissioning of content for the web in the U.S., something its Indian partners are eagerly awaiting. Hitesh Bhagia, who with his two friends began Homeveda Media labs, a content generation company, which focuses on natural living says, "a lot of content startups in India could do very well with funding. YouTube has been playing that role in the U.S. and it is a matter of time before they do it here as well."

Google doesn't share the number of YouTube Partners or any other financial data. But Macdonald says the number of partners are in "tens of thousands" and has grown over 100% in the last six to eight months. Today YouTube's partners in India include large media houses such as T-Series, Yash Raj Films, Eros Entertainment; TV channels such as Colors, Sony Entertainment Television, Star Plus, and ET Now; digital content creators such as YoBoHo, ClickDigitai Studios, and Ping; individuals such as Sharma, Sonal Sagaraya, who runs a channel on make-up tips, and even 16-year-old Aaditya Ailwadhi, who has been pocketing around Rs 30,000 a month for his tech review videos.

IT WASN'T ALWAYS SO. "It was very difficult to convince media houses to get their content online. About five years ago, most of them didn't think too much about the Internet, and the ones who

did, considered online video sites as piracy destinations," says Gaurav Bhaskar, corporate communications head, YouTube India. Indeed, in December 2007, T-Series had initiated legal proceedings against YouTube and some other sites for copyright infringement. Then, in a stunning reversal in 2010, T-Series joined YouTube's partner programme, emerging swiftly as its largest partner in India. Neeraj Kalyan, managing director at T-Series, says, "There has been a paradigm shift in the consumption pattern of music in the last three years. Our target audience, aged above 13, is hooked to the Net. And, therefore, we have to focus on digital retailing." Although he did not share revenues from YouTube, industry sources place T-Series' earnings from its YouTube channel upwards of \$2 million annually.

The portal's ability to convince the pros here, unlike, say in the U.S. where the bulk of its content comes from independent content creators, perhaps has something to do with its pitch—that is, one way to reduce piracy for content owners is to upload high definition legitimate content. Eventually, the viewer will veer towards high-quality content and the advertiser will follow.

Hitendra Merchant's journey on YouTube tracks the evolution of the portal here. YoBoHo, a Mumbai-based digital video production and distribution company he founded, began by posting videos of Bollywood and Hollywood news on YouTube, five years ago. Today, he has a multi-channel network and clocks revenue of more than \$1 million a year.

We study the analytics that YouTube produces to understand what kind of content is popular and what makes that content popular," he says.

This is how it works: For every Rs 100 spent on an ad on YouTube, the content creator gets Rs 55, with the balance going to YouTube. This split is consistent across partners globally. Although it's difficult to determine the average cost of an ad because YouTube sells them through a bidding model, the banner ads that appear on

the video or the channel's page can cost between Rs 100 and Rs 250 per thousand impressions (the ad appears over a thousand views). A video ad appearing before the actual video (a pre-roll ad) can cost between Rs 500 and Rs 1,000 per thousand views, depending upon its popularity. Advertisers trawl through YouTube, seeking videos they can support. Often, content creators advertise as well. Merchant says he spends between Rs 30 lakh and Rs 35 lakh a month pushing his own channels.

AT ITS CORE. GOOGLE is an advertising company, and YouTube is no different from that," says Macdonald. Although Google declined to share any numbers, estimates from media buying agencies, the Internet And Mobile Association of India (IAMAI), and research agency IMRB's reports on digital advertising trends in India, show YouTube's revenue in India is at around Rs 120 crore. The figure is based on spends on digital video ads, of which YouTube has a lion's share, as well as banner or display ads. According to the latest Digital Advertising report from IAMAI, spends on digital video ads have gone up from Rs 88 crore in March 2012, to Rs 150 crore for March 2013. Media reports peg YouTube's global revenues at around \$2 billion.

Last year, YouTube also introduced TrueView, or ads that can be skipped. These advertisements play for five seconds before the video and give the viewer the option of skipping the advertisement.

YouTube has kept everyone happy: Advertisers pay only if the promo is watched; otherwise it's free branding for the first five seconds. Consumers have a choice to skip the ad which, in turn, pleases content owners because they don't have to choose between wanting more advertisements and losing viewers because of forced advertising.

Its sheer reach and the fact that it's a two-way platform make YouTube extremely popular with advertisers. Nisaba Godrej, president, human capital & innovation, Godrej Industries, says, Brands actually now pass UI) having their own website to host on Facebook or YouTube directly."

In August 2012, YouTube and Unilever India undertook a study to assess the impact of increased spends on digital media for Unilever's campaign for Sunsilk's Keratinology, a range of hair care products. The ad featured on niche TV channels, YouTube, websites, and leading beauty and fashion print magazines. The results were that YouTube delivered a 6.4% incremental reach over TV, three times the awareness, eight times more efficiency in delivering product benefits, among the upmarket target group of women aged between 18 and 5 in Mumbai and Delhi.

SINCE THE FIRST VIDEO, called Me at the Zoo, by Jawed Karim, was posted on YouTube on Nov. 5, 2005, the site has evolved from a person-to-person file-sharing platform to a social media platform that primarily had user-generated content over the years. But the big shift has come in the last year or so. "Everyone always talks about online video. We're saying it's not online video it's just 'video It doesn't matter what channel or pipe—computer, T' or mobile phone—it's coming through. It's still video and our focus is on good content,' says Macdonald.

Part of YouTube's strategy is to counter threats from others, which could be telecom networks beaming their own content, outfits which refuse to partner YouTube or other platforms. Think of it this way: Though YouTube is backed by Google, a tech leviathan that

YouTube 2012 TOP 10

VIDEOS

- 1) Brown Rang YO YO HONEY SINGH
- 2) Gangnam Style PSY
- 3) Mashallah EK THA TIGER
- 4) High Heels official video YO YO HONEY SINGH
- 5) Tumhi Ho Bandhu song promo COCKTAIL
- 6) Official trailer JAB TAK HAI JAAN
- 7) Yeh Jism JISM 2
- 8) Saans JAB TAK HAI JAAN
- 9) Daaru Desi song promo COCKTAIL
- 10) Chinta Ta Ta ROWDY RATHORE

MUSIC

- 1) Brown Rang YO YO HONEY SINGH
- 2) Gangnam Style PSY
- 3) Mashallah EK THA TIGER
- 4) High Heels YO YO HONEY SINGH
- 5) Yeh Jism JISM 2
- 6) Saans JAB TAK HAI JAAN
- 7) Chinta Ta Ta ROWDY RATHORE
- 8) Abhi Abhi JISM 2
- 9) Ishq Wala Love STUDENT OF THE YEAR
- 10) Challa JAB TAK HAI JAAN

TV SHOWS

- 1) Bade Acche Laggte Hain SONY ENTERTAINMENT
- 2) Taarak Mehta Ka Ooltah Chashmah SAB TV
- 3) Kahaani Comedy Circus Ki SONY ENTERTAINMENT
- 4) Crime Patrol SONY ENTERTAINMENT
- 5) Devon Ke Dev ... Mahadev LIFE OK
- 6) CID SONY ENTERTAINMENT
- 7) Movie Night SET MAX
- 8) Totally Sketch Originals TOTALLY SKETCH ORIGINALS
- 9) Adaalat SONY ENTERTAINMENT
- 10) FIR SAB TV

combines aggression with smart strategies, and has a view of how the world should be ordered, at the end of the day. It's a platform for videos. Even fans like Barjatya say revenue from content on platforms such as Hulu.com, a U.S.-based portal with video-streaming services, are sometimes 50 times that from YouTube. "Of course, ad rates are higher due to the dollar, but it is also because Hulu's model doesn't allow user-generated content, it is able to attract a premium for advertising," says Barjatya. Hulu declined to participate in the story.

So, last November, YouTube shifted from being video-based to channels-based, where subscriptions rule. 'The idea of being channel-centric—free or paid—is that users are comfortable and we are able to use subscriptions in a better way,' Macdonald says.

Building a network of channels helps pitch better to advertisers. "The reason why Facebook and Twitter are able to draw advertisers is that they have managed to create communities of like-minded people. Advertisers can, therefore, target the exact segment they are looking at. In comparison, YouTube's user base has been more nebulous," says Ranjan Kapur, chairman, WPP India.

Then, in February this year, as part of its latest strategy, YouTube One, it asked its partners to begin re-editing their content to fit a new user interface aimed at making the site device agnostic—a look, navigation, and user experience consistent across computers, mobile phones (which make up one-third of the traffic in India), or smart TVs.

On the cards is the integration of Google's social networking platforms Google+ and Hangouts with YouTube to augment the advertising strategy, the indications are that YouTube may subtly shift towards premium content and away from user-generated content.

Yet YouTube needs to do way more to seek the unstinted backing of professionals. While the amateurs are grateful that their works

now have an audience (plus there's money to be made), the pros see it differently YouTube for them is another distribution option, just like DTH or a telecom operator. Since YouTube content is free, a lot of content owners feel they don't want all of it easily accessible to everyone, anytime, as yet. According to industry estimates, the large general entertainment channels have so far shared only 15% of their libraries on YouTube. Perhaps one way for YouTube to hook the pros is to offer them a minimum guarantee, though that would mean moving away from the uniform revenue-sharing model.

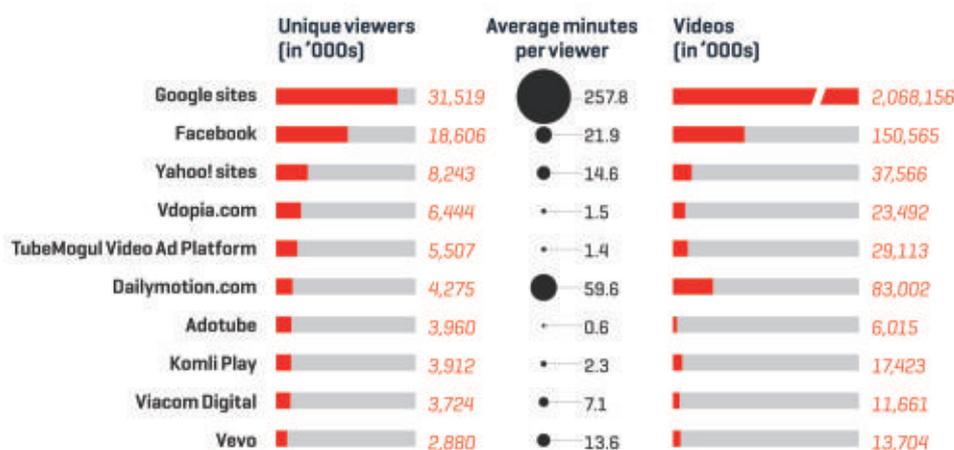
Sony Entertainment Television's (SET's)—YouTube's second-largest partner in India (T-Series is the first)—thinking captures both the power and the paradox of YouTube. A few months back SET, owned by Multi Screen Media (MSM), a Sony subsidiary; launched its own portal called Sony Liv. Although the channel, SET, still exists on YouTube, Nitesh Kripalani, business development head at MSM India, says there is a conscious strategy to divert the most popular content from YouTube's channel to Sony Liv. "We believe that as owners of premium content, it makes more business sense to do this ourselves. We estimate that revenues from Sony Liv will soon surpass that from YouTube." He has outsourced his technology requirements, and is spending his time building a sales team that will be able to leverage Sony's traditional advertising links.

However, it will be difficult to compete with Google's technology or, for that matter, its advertising strength. It's nearly impossible to replicate the kind of bandwidth that YouTube has because of Google's servers. And outsourcing technology is not always a strategy that works.

The one big factor in promoting YouTube is that it is integrated with Google search. While searching for a video on Google, it's unlikely that one will chance upon a link that is outside YouTube. And since Google is embedded into one's Internet experience, so is YouTube. Which is why Kripalani is using his YouTube channel to promote Sony Liv.

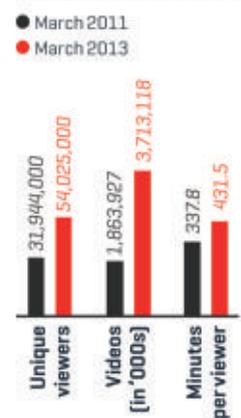
The Big Draws

TOP ONLINE VIDEO CONTENT PROPERTIES IN INDIA (MARCH 2013)



India Streaming

ONLINE VIDEO VIEWERSHIP IN INDIA



SOURCE: COMSCORE VIDEO METRIX