

Background

After months of speculation, Google has finally announced the launch of over 100 new YouTube channels. These channels will consist of professionally-produced original content covering a wide variety of interests, everything from dancing (Madonna's DanceOn) to professional wrestling (WWF) to finance (Wall Street Journal). Google is rumored to be subsidizing the content production via a \$100m investment fund that will be recouped via advertising revenues, which will be shared with producers once the initial investment has been recouped. The majority of the new channels will be introduced in 2012.

Details

Over the past few years Google has made significant progress in monetizing their YouTube platform, primarily by capitalizing on double-digit industry growth in online video advertising. However, one of the more persistent commercial complaints about YouTube has been the lack of professional content on the site, which for many advertisers is a prerequisite for maintaining brand integrity as well as attracting sustained and targetable mass audiences. In response, Google has recently made several significant steps in developing and/or sponsoring professional content, including Ridley Scott and Kevin MacDonald's highly-successful Life in a Day initiative.

When all of the new channels fully launch, YouTube estimates that over 25 hours of new professional content will be produced daily, mitigating those pesky advertiser concerns over content quality. Arguably more importantly, this content will bolster the next version of Google TV, which has been hindered by the likes of News Corp and Disney blocking access to their programs. In Google's view their YouTube strategy represents the third great evolution in the TV experience; a new digital TV age that will provide unlimited access to vast quantities of niche professional and user-generated content unavailable in the mainly linear satellite and cable eras.

Implications

The new YouTube channels will provide advertisers with more destinations to place online video ads formerly confined to TV. Combined with YouTube's data-driven behavioral targeting ability, the new channels offer marketers a compelling cost-effective way to get their emotive video content in front of the right audience next to the right content.

For more ambitious marketers there is the opportunity to either develop or exclusively sponsor entire channels dedicated to niche content relevant to their current or targeting customers; e.g., food brands developing a cooking channel, airlines producing a travel channel. In short, YouTube's new channel initiative provides a scalable aggregated platform to distribute such branded content. However, even if digital branded content tends to be in shorter digestible clips rather than full-length TV formats, brands will need to consider the "always-on" nature of the channels and balance customer expectations on new content with budgets and resources.

Summary

Google's new channels announcement is substantiation of their long-held desire to "professionalize" the YouTube platform to further fuel online video advertising growth. In addition, it's also a sign of their future TV ambitions. In effect, Google are using YouTube to reinvent the TV experience via the PC. Their bet is that once Google TV and/or IPTV becomes more ubiquitous, audiences will go to where the content is best organized, accessible and on-demand, just like they did with Google on the PC. History may indeed repeat itself.