

YouTube Rocks

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Published July 13 – 27 2006

Soon after the newbie pop-punk band Panic! at the Disco began their first-ever tour last August, they discovered that a fan had posted a bootleg video-sharing site YouTube. But the band, all still teens who grew up with the Net, saw the site as an opportunity, not copyright infringement.

"We hadn't filmed our shows before and had never seen ourselves from the audience's point of view," says drummer Spencer Smith, 18.

"We started using YouTube as a tool to critique ourselves live."

Less than a year later, the site is rife with Panic! concert footage and fan-made videos. In fact, the band's clip for "I Write Sins Not Tragedies" is one of the site's most-watched ever: In the five months since it was posted, the video has been streamed nearly 6 million times. "YouTube was always a way for kids that had never seen us to become familiar with our music," says Smith. Their debut album, *A Fever You Can't Sweat Out*, has sold almost 1 million copies.

It's just one example of how YouTube is providing a new way for artists to promote their music and connect with their fans. No longer content to be a mere repository for SNL clips and home videos of people kicking one another in the nuts, YouTube is entering the music market, and it's poised to become a major player. With music channels like MTV and VH1 devoting more airtime to reality programming such as *My Super Sweet 16* and *Celebrity Fit Club*, the site has stepped in to fill the vacuum, positioning itself to become part legit Napster, part MTV On Demand and part MySpace.

Although the site – founded by Chad Hurley and Steve Chen in February 2005 – still has only thirty-five employees (in an office above a pizza parlor in San Mateo, California), YouTube has grown immeasurably since its inception and is now the eighteenth-most-trafficked site online. Every day, visitors watch 79 million videos and upload 60,000 new ones, making YouTube five times larger than vid rivals like Google, Yahoo!, MySpace and Microsoft.

But after YouTube burned through \$11.5 million in venture capital, the question remains: How to turn this phenomenal popularity into profit? Climbing in bed with the music industry is one of the first steps: The founders are "in advanced discussions" with the majors. The labels can promote their artists by posting their product, and the site generates advertising revenue by hosting quality content. It's uncharted territory, but for an industry so recently burned by the Napster revolution, YouTube represents a brave new world.

"The amazing proliferation of new distribution channels like YouTube is really the best opportunity this industry has ever had," says Alex Zubillaga, executive CP of Digital Strategy for Warner Music Group.

Not everyone is so optimistic. Critics doubt that sites like YouTube that rely on user-generated content will ever draw advertisers, because so few videos go viral, which makes the partnership with the record industry – and access to their content – all the more tantalizing. And the potential relationship would be good for both sides, say boosters. With CD sales continuing to decline and music – both legitimate and illegal – thriving online, execs are trying to figure out how they can use YouTube to their advantage.

"The industry learned a lesson with Napster," says Zubillaga. "Unleashing lawyers on entrepreneurial companies is not the best approach. Maybe embracing them is more productive."

Rather than compete for limited airtime on TV and radio, musicians on YouTube have limitless bandwidth to showcase their material. The site's open format offers bands with other narrow appeal a rare opportunity to connect with potential fans who might otherwise never hear their work. The communication goes both ways.

"If the fans don't like a video, the band can alter it and put it back up a few hours later," says Michael Powers, YouTube's senior product manager. Record labels also stand to benefit. Give bands a chance to experiment, and they might find themselves with a new hit song, even in the age of packaged pop princess.

In the meantime, the site remains a hall of wonders for music geeks, whether they're artists looking for exposure or fans looking for entertainment. Sometimes they're both.

"We're always on tour, so we go on and check out videos from bands we never got to see live," says Smith, Panic!'s drummer. "There's totally random stuff on there. You could type in 'how do I make a Caesar salad?' and you'd probably find a video of someone making a freaking Caesar salad."