

# ***Economic Benefits and Impact of YouTube in the Context of Digital Economy***

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**Abstract:** The proliferation of the Internet and the concomitant increase in broadband speeds have rendered video one of the principal avenues for individuals to obtain information and entertainment. YouTube, the preeminent video-sharing platform, has not only transformed the manner in which media is consumed but has also exerted a profound influence on the evolution of the digital economy. Therefore, the paper aims to examine the significance of YouTube in the context of business and its influence on the digital economy. Firstly, a detailed analysis of YouTube's advertisement revenue model reveals its significance as a major advertising platform and the positive impact of advertising on economic growth. Secondly, there is an in-depth look at YouTube's role in providing economic support and entrepreneurial opportunities for content creators, with particular emphasis on the importance of the content creation economy in the digital media landscape. Further analysis shows that YouTube is more than just a video-sharing platform; it also plays a role in the growth of the global creative industry, as evidenced by the fact that it enhances the socio-economic status and influence of creators. In addition, the paper explores the positive impact of YouTube on the development of productivity, tourism and the film industry, providing insights to understand and assess the strategic importance of YouTube in the digital economy.

**Keywords:** YouTube, Economic Benefits Economic Impact, Digital Economy.

## **1. Introduction**

In the context of digital transformation and the increasing penetration of the Internet, video content has emerged as a dominant form of media consumption on a global scale. The rapid rise of YouTube, the largest video-sharing platform, over the past two decades has profoundly transformed the media ecosystem and the digital economy, providing its users with an optimal platform for content production and dissemination on a global scale. Previous research has elucidated the ramifications of YouTube's expansion on the advertising industry, labor market, and content production. Overall, there are significant knowledge gaps regarding the viability of future business models for YouTube and the impact of YouTube's business practices on the social conditions of its users. Thus, this paper aims to examine the economics of YouTube and its contribution to the economy. In particular, the workings of advertising on YouTube, as well as YouTube Premium, the fan economy and sponsorships, are explored to facilitate the commercial success of the platform. Besides, it employs a literature review and data analysis to enhance the comprehension of the ways in which YouTube contributes to economic growth, stimulates the creator economy, and creates jobs, and thus

contributes to an understanding of how digital media is shaping the modern economy through an in-depth study of YouTube as a global platform. The paper provides ideas for future directions and policy recommendations, which serve as important references for businesses, policy makers, and academics seeking to gain a deeper understanding of the role of digital media in the modern economy and to inform their future practices.

## **2. Overview of YouTube in the Digital Economy**

YouTube is the largest entertainment marketplace in the digital economy, yet it is much more than a mobile movie theatre. It is, in fact, the world's largest and most popular video-sharing platform, with more than 4 billion hours of video watched each month and 500 hours of new content uploaded every minute. Besides, it is the second most viewed website in the world, only after Google. Since its inception in 2005, YouTube has morphed from a source for amateur content to a platform that hosts a wide range original works. The advent of YouTube has led to the democratization of media production and distribution, empowering individuals with cameras and networks to exert transformative influence over cultural consumption. The platform, which is accessible at no cost and open to all, has facilitated the ascension of new media personalities and influencers. Moreover, it has also been monetized through advertising revenue, sponsored content, and merchandising [1].

As one of the largest repositories of digital content in the world, YouTube represents an optimal platform for the implementation of targeted advertising and marketing initiatives, providing businesses of all sizes with the opportunity to reach diverse audiences around the world. Thanks to its inherent capabilities, YouTube's analytics tools afford businesses the opportunity to employ highly targeted advertising techniques that can be an integral part of a comprehensive digital marketing strategy. In addition, YouTube, like Facebook and Google, exerts influence over the job market through its hiring practices. The company employs about 1,000 individuals globally, thereby facilitating the growth of employment prospects within the technology sector. In the context of the digital economy, YouTube has not only transformed the business model of traditional media but has also fostered user engagement and content innovation. To date, the technology remains subject to ongoing updates, primarily with a view to enhancing the user experience and the actual delivery of content. Users can engage with video content through the use of comments, likes, and other forms of interaction, establishing a connection with the content creators who, in turn, adjust their creative direction based on the feedback received from viewers. This process helps the production of more effective content and the creation of new business opportunities for both content creators and advertisers. Finally, YouTube also provides different voices and stories that in many cases the media cannot provide, facilitating cultural expression and dissemination, and contributing to the cultural economy by increasing local audiences globally [2].

## **3. Economic Benefit Analysis of YouTube**

### **3.1. Advertising Placement**

Advertising on YouTube is the largest source of revenue and continues to grow every year [3]. At the end of 2019, revenue from all content ads on YouTube was \$15 billion, representing 9.4% of Google's total annual revenue that year. A portion of the ad revenue goes to content creators, with the purpose of encourage those content creators to make better contents [4]. There are six types of ads on YouTube, which are display ads, overlay ads, skippable video ads, non-skippable video ads, bumper ads, and sponsored cards. Given that advertisements are primarily designed to capture the attention of consumers, it is crucial to underscore the appeal of YouTube ads, which frequently represent the initial point of contact for increasing customer awareness of a product, service, or brand. Research shows that the unpleasantness of an advertisement has a negative effect on the potential value of the

advertisement, leading consumers to avoid or intentionally ignore the advertisement. Conversely, the pleasantness or positive emotions of an advertisement has a positive effect on consumer attitudes toward the advertisement, which improves the impression of the value of the advertisement. The quantity of information in an advertisement has a considerable impact on consumers' intention to seek further information and their interest in the item being advertised, which suggests that ads have a positive effect on consumers' purchase intentions.

Similarly, entertainment advertisements have the potential to capture the attention of consumers. However, the inclusion of irritating content in YouTube advertisements may elicit a negative reaction from consumers, who may then direct their attention to informational or entertaining advertisements. That those responsible for creating and disseminating marketing content on YouTube consider all possible options to ensure that their advertisements do not negatively affect consumer attitudes toward the content viewed on the platform. In utilizing YouTube as an advertising platform, it is essential to strike a delicate balance between content that is informative, entertaining, in line with current trends, and free from irritation. This approach is designed to instill positive emotions in YouTube viewers, which ultimately leads to increased purchase intentions and sales of the advertised products [5].

### **3.2. Pay-to-Play Model and Fan Economy**

YouTube launched a subscription service, YouTube Premium, where viewers can enjoy the benefits of watching videos without ads and offline, which has generated significant revenue for YouTube, providing YouTube with a stable and consistent source of income and reducing the reliance on advertising revenue. In addition, the fan economy has clearly contributed to the relatively new revenue streams generated by partnerships. As the fan economy grows, the relationships YouTubers build with their fans are increasingly monetized through donations, merchandising, and ad-free content sales, which is not only good news for creators' revenue reliability, but also helps to increase fan loyalty and interaction. For example, in the music industry, those artists, record labels, or music rights owners will upload videos to YouTube, and YouTube will give them a percentage of the revenue, encouraging more artists to upload music videos and generating more revenue for YouTube.

Furthermore, many YouTubers augment their income from direct monetization through the pursuit of sponsorships and brand partnerships. When YouTubers form partnerships with brands whose audience profiles are similar to theirs, they are able to create content that is sponsored, endorsed, or brand-specific. Brands remunerate YouTubers according to the reach and impact of their content. A portion of this revenue is then returned to YouTube through the platform's share mechanism. These partnerships not only enhance the revenue of YouTubers but also provide them with a broader range of creative opportunities and exposure, which in turn attracts more advertisers to advertise on the YouTube platform. This, in turn, directly increases their revenue [6].

## **4. Economic Impact Analysis of YouTube**

### **4.1. Economic Growth for Creators**

Firstly, YouTube has facilitated the growth of the creator economy by providing a platform for monetization of content through various avenues, including advertising, sponsorship, and merchandising, enabling many creators to establish sustainable full-time careers. Its advent therefore has led to the emergence of a new class of entrepreneurs. Typically, successful YouTube channels require multiple employees rather than a single creator, such as video editors, graphic designers, social media managers, and general administrative staff. As a result, other employment opportunities besides the creators themselves have increased. Secondly, some creators leverage their success on the platform to launch ancillary businesses, such as product lines or service offerings, which in turn create employment opportunities by hiring personnel to assist in their management [7].

Previous studies have indicated that by 2021, the YouTube ecosystem of creators has generated over 425,000 full-time jobs in the United States and contributed more than \$25 billion to the country's gross domestic product (GDP). By 2022, it is projected that the platform will generate over \$35 billion in U.S. gross domestic product (GDP) and facilitate the creation of over 390,000 full-time positions. It is estimated that over 4.3 million creators and partners in the United States receive income through YouTube accounts. In Japan, the YouTube ecosystem has had an economic impact of more than 450 billion yen and has resulted in the creation of more than 90,000 full-time positions. Furthermore, by 2021, the platform is expected to provide over 40,000 full-time positions in the United Kingdom and 200,000 full-time positions in Indonesia. Furthermore, a considerable number of content creators on YouTube require assistance in developing their YouTube channels. In the United States alone, over 160,000 individuals are employed by these content creators to enhance the engagement and organization of their channels [8].

#### **4.2. Enhanced Productivity**

As an open platform for knowledge sharing, YouTube has the potential to enhance productivity by providing users with access to educational videos, allowing them to learn new skills independently, and offering insights into industry best practices and advice. A substantial body of research has demonstrated that YouTube is an efficacious method for enhancing the productivity of individuals who view instructional and tutoring videos. The findings of a study that examined the emotional responses of viewers who watched YouTube videos pertaining to educational content indicated that the majority of viewers were inspired or motivated by videos related to teaching, coaching, and productivity [9]. Additionally, these viewers exhibited increased productivity as a result of viewing these videos. Moreover, a separate study conducted by Schaffhauser demonstrated that 69% of individuals who viewed instructional videos reported a more profound comprehension of the subject matter and an enhanced level of productivity. In other words, the consumption of YouTube instructional videos has been demonstrated to enhance educational attainment and productivity [10]. This not only enhances career opportunities but also contributes to economic growth by enhancing the quality of the labor market.

#### **4.3. Boosted Tourism Economy**

Many countries and regions post videos about scenic spots on YouTube with the aim of attracting more tourists. Many YouTube travel video writers produce videos showcasing a variety of scenic attractions, cuisines, and their experiences at their destinations. These videos have had a huge impact on the tourism industry. Travel blogs are not only a promotional tool but also an effective source of travel knowledge. The videos show Vloggers presenting the whole story of different areas of a destination in a new light, showing interactions between locals and tourists, covering culinary experiences and other environmental sights of the destination. With such rich and authentic content, viewers usually give feedback which may have an impact on attracting or encouraging other viewers to visit the destination. In addition, the information gathered from the videos can help consumers plan their trips, and some tourists may even consider traveling to destinations recommended by the video authors [11]. Therefore, public tourism organizations and private travel agencies can effectively use travel videos to promote destinations, gain a deeper understanding of a place through travel videos, shape the behavior of consumers who are considering visiting a destination, and further promote tourism [12]. A study conducted by Silaban and colleagues demonstrated the impact of travel videos on consumer behavior, thereby contributing to the tourism economy. The findings indicated that both the motive for watching travel videos (information and entertainment) and the level of customer engagement with the destination significantly influence the customer's intention to travel [13].

#### 4.4. Improved Film Economy

In the context of the digital economy, the digitization of the film industry, new production techniques, and marketing solutions are an important aspect of YouTube and film. The advent of digital technology has enabled filmmakers to reach a larger audience in less time and at a lower cost than was previously possible. The act of video sharing on YouTube grants direct accessibility to the project in question, allowing filmmakers and studios to utilize a survey on YouTube as a reference point for marketing strategies and even content revisions [14].

In addition, previous research showed that it is feasible to predict box office revenues for newly released movies using a sentiment analysis engine to mine purchase intent from human text in YouTube trailer review posts. Posting videos about a movie on YouTube is an effective way to increase ticket sales. The socially formed consensus of purchase intention is extracted from viewer comments and correlated with movie revenues. The results show that YouTube trailers are highly and statistically significantly correlated with the financial performance of movies. In particular, the metric extracted from YouTube comments, i.e., purchase intentions of movie lovers, is the metric with the highest predictive accuracy. As such, these findings provide filmmakers and marketers with a cost-effective predictive tool that allows them to assess public interest and expected box office numbers prior to a movie's release. This enables them to develop marketing and distribution strategies. The relevance of data from YouTube to marketing is increasing, as it provides insights that differ from those derived from traditional market analytics. Furthermore, research demonstrated the potential of YouTube analytics to gauge audience sentiment and intent, thereby enabling the prediction of box office success [15].

#### 5. Conclusion

YouTube, the world's leading video sharing platform, has a broad and far-reaching impact on the digital economy. Through advertising revenue and financial support from content creators, YouTube not only contributes to a thriving creative economy, but also provides monetization opportunities for millions of creators, driving innovation and growth in the digital content industry. In addition, YouTube has become a major knowledge acquisition and sharing platform by increasing productivity, providing individuals and businesses with a wide range of learning and promotional channels, effectively raising the overall productivity level of society. The tourism and movie industries have also benefited from YouTube's impact, attracting global audiences and tourists through the platform's advertising and promotion and content distribution, bringing new opportunities and impetus to economic growth. YouTube has not only changed the way media is consumed, but also fostered global cultural exchanges and understanding, and has become an important driving force for cultural and commercial innovation.

However, the paper is not without its limitations, reflected in its focus on the analysis of existing literature and website data. Future research will obtain more detailed results through investigations such as interviews, surveys, experiments, and focus group studies, while attention should be paid to the significance of changes in YouTube's algorithmic recommendations for content discovery, creators, and their viewers in terms of revenue and satisfaction. In addition, YouTube faces multiple challenges such as content regulation, copyright protection, and user privacy, and needs to continually improve its platform governance to respond to the rapidly changing digital economy environment. In the future, as technology and user needs continue to evolve, YouTube will continue to play its key role in the digital economy, driving global digitization and achieving sustainable economic and social development through innovation and collaboration.

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