

YouTube Shorts plays long game in move to lure TikTok's younger users

Platform offers cash incentives as social media rivals do battle amid slowdown in digital advertising



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YouTube is offering financial incentives to content creators in an effort to lure them away from its fast-growing rival TikTok, as the social media rivals battle over younger users amid a slowdown in digital advertising.

The division of Google parent Alphabet will on Wednesday introduce a new revenue share scheme on Shorts, its short-form clips offering, allowing creators to take a cut of advertising profits from their videos.

YouTube has been heavily promoting Shorts, which was launched in 2020 to compete against the popularity of TikTok with Gen Z users. YouTube, which was launched in 2005, rolled out adverts on Shorts in September last year.

Nicky Rettke, vice-president of product management at YouTube, told the Financial Times that the short-form clips feature had grown quickly over the past two years.

Shorts has hit more than 1.5bn monthly logged-in viewers — three-quarters of the platform's overall viewer base — compared with the 1bn overall users that TikTok last disclosed in September 2021. TikTok declined to give a current figure.

Rettke said this growth had also led to a rise in the number of creators using the platform for the first time who have drawn in new, younger audiences.

"We have seen more viewer growth with Shorts, and that creates more inventory for us and more opportunity for advertisers," she said.

Social media platforms are under pressure to attract new advertising revenue amid a slowdown in marketing spend and a downturn in the broader tech market. Alphabet has announced it

is cutting 12,000 jobs across the company, joining Big Tech groups such as Meta, Amazon and Microsoft, which have sought to reduce costs in response to an industry downturn.

The downward trend has led social media networks to battle to win over creators who make content. Instagram also launched a short-form offering called Reels to capitalise on the hype for so-called "snackable content".

In its third-quarter earnings in October, YouTube revenues fell 2 per cent to \$7.1bn, versus analysts' expectations for an increase of 4.4 per cent. It was the first decline in YouTube ad sales since the company started reporting its performance separately in 2020.

By contrast, TikTok is growing fast. People familiar with its operations have said its global revenue for 2022 is estimated to have been around \$10bn and it is offering advertising at cheaper rates than its rivals. TikTok said its format serves "short-form, digestible content that is relevant and entertaining".

YouTube has been betting on attracting new creators through its Shorts offering, with the hope they will also be incentivised to experiment with other formats such as longer-form videos. Longer videos can also host more ads, providing more revenue for both the platform and creators.

"I'm now seeing more and more [short-form] creators go to YouTube first," said Devran Amaratunga Karaca, founder of creator marketing platform Kyra. "These are creators that have an aspiration to be a long-form video creator as well."

According to figures from creators who work with Kyra, the average revenue earned per thousand views on TikTok is \$0.05, just below the \$0.04-4 on

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FT marketplace commentary

YouTube Shorts from an existing content fund but far below the \$4 for a long-form YouTube video.

Lisa Nguyen started making cooking videos on TikTok in 2019 but said she has since found better engagement and business in her videos on YouTube, which accounts for around 80 per cent of her income as a creator. Nguyen now has more than 4.25mn subscribers on YouTube, compared with 5mn on TikTok. "Once I started gaining momentum [on YouTube Shorts], I started thinking about making long-form content," she said.

"Sometimes it's a challenge to figure out how to fit an amount of information in one minute; the beauty [of YouTube] is I can post long-form as well."

Creator income from Shorts is expected to increase significantly when the revenue share scheme is brought in on Wednesday, as currently money is largely made through brand partnerships and a \$100mn content fund from YouTube. The latter will be replaced by the scheme.

To qualify for it, Shorts creators must have more than 1,000 subscribers and a certain number of views. YouTube gives Shorts creators a 45 per cent cut of the revenue made on advertising, compared with 55 per cent for longer-form videos.

YouTube has historically given a cut of advertising revenue related to ads shown during a video. However, Shorts displays ads between clips created by different people. For this reason, YouTube pools all of its ad revenue related to Shorts then distributes the money to creators after subtracting local licensing fees.

On TikTok, only the top 4 per cent of videos by creators with at least 100,000

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followers are eligible for a 50 per cent cut of revenue on advertising.

TikTok, although growing rapidly in popularity and seen as fierce competition by its older social media rivals, is battling waves of security concerns globally, leading to calls from senior politicians in the US to ban the platform entirely. TikTok said it is working with the US federal government to address concerns.

India banned the platform permanently in January 2021 on national security grounds, cutting TikTok off from the roughly 470mn people in India who use social media, more than a third larger than the entire US population, according to data from media analytics company comScore.

Three creators who spoke to the Financial Times cited access to India as one benefit of YouTube.

"When YouTube Shorts came out, it was a place to be seen by fresh eyes, especially since they hit countries like India that we weren't hitting before," said Avni Deshmukh of British-Indian creator duo konikakes.

YouTube has been integrating shopping features into Shorts, letting advertisers and creators tag products in videos, which it plans to roll out this year.

Ben Foster, managing partner at media agency The Kite Factory, believes YouTube Shorts is crucial for its parent company Alphabet's efforts to maintain its dominance as a search engine as new generations move away from Google.

"Younger audiences are now using TikTok for product research, how-to videos and fact research. All activities previously dominated by Google," he said. "So, YouTube Shorts... it's a mechanism to protect far wider advertising income."