

Now is not the time for Google to part ways with YouTube

Article

In the fourth quarter, YouTube's ad revenues [fell short of expectations, declining nearly 8% YoY](#). Then, in early February, [CEO Susan Wojcicki announced she was stepping down](#) after nine years in the role.

And we're just two months into 2023.

YouTube's problems aren't in the rear view yet, but that doesn't mean it's time for the two companies to part, according to our analyst Evelyn Mitchell in a recent "[Behind the Numbers: The Daily](#)" podcast.

"Both YouTube and Google have a tough road ahead, but they are stronger together. And that's how they'll stay for the foreseeable future," Mitchell said.

According to The Economist, a [spin-off could help Google CEO Sundar Pichai](#) allay recent doubts over his leadership while enabling Alphabet to get ahead of the US Department of Justice (DOJ), which [sued Google over its alleged digital advertising monopoly](#) earlier in January.

For YouTube, branching out on its own would give it freedom to experiment with subscription revenues and separate it from Google's regulatory woes.

It's an interesting possibility, said Mitchell. But ultimately, this isn't the right move for either entity.

For one, it's unlikely that it would actually appease regulatory scrutiny from the DOJ or the Supreme Court. But also, it would require YouTube to navigate a challenging period without Google's resources, which the video platform relies on. Google would lose out, too, as YouTube makes up 15.7% Google's revenues, according to our forecast.

The three threats to YouTube's success:

1. YouTube is at the center of a US Supreme Court case that seeks to [hold the platform liable for a woman's death](#) in 2015 due to a terrorist attack.
2. Mounting [privacy changes and regulations](#) are forcing YouTube to revamp its targeting and measurement infrastructure.
3. YouTube faces increasing competition for ad dollars from streaming and social media.

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