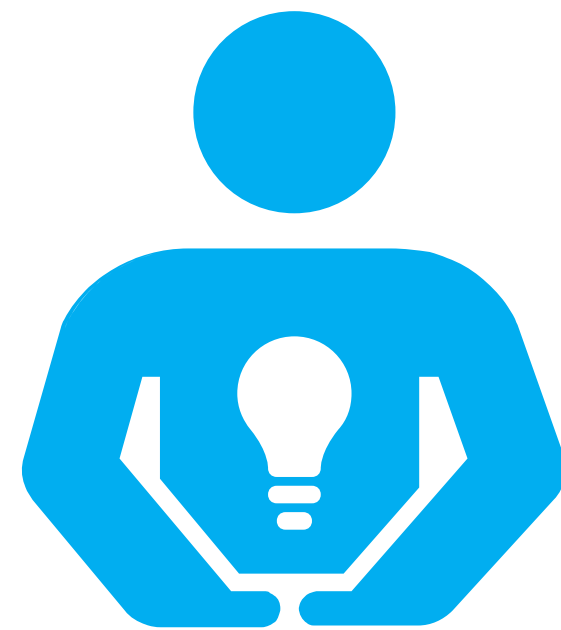


# Media Tech Intelligence Briefing:

## The Creator Economy

### February 2022

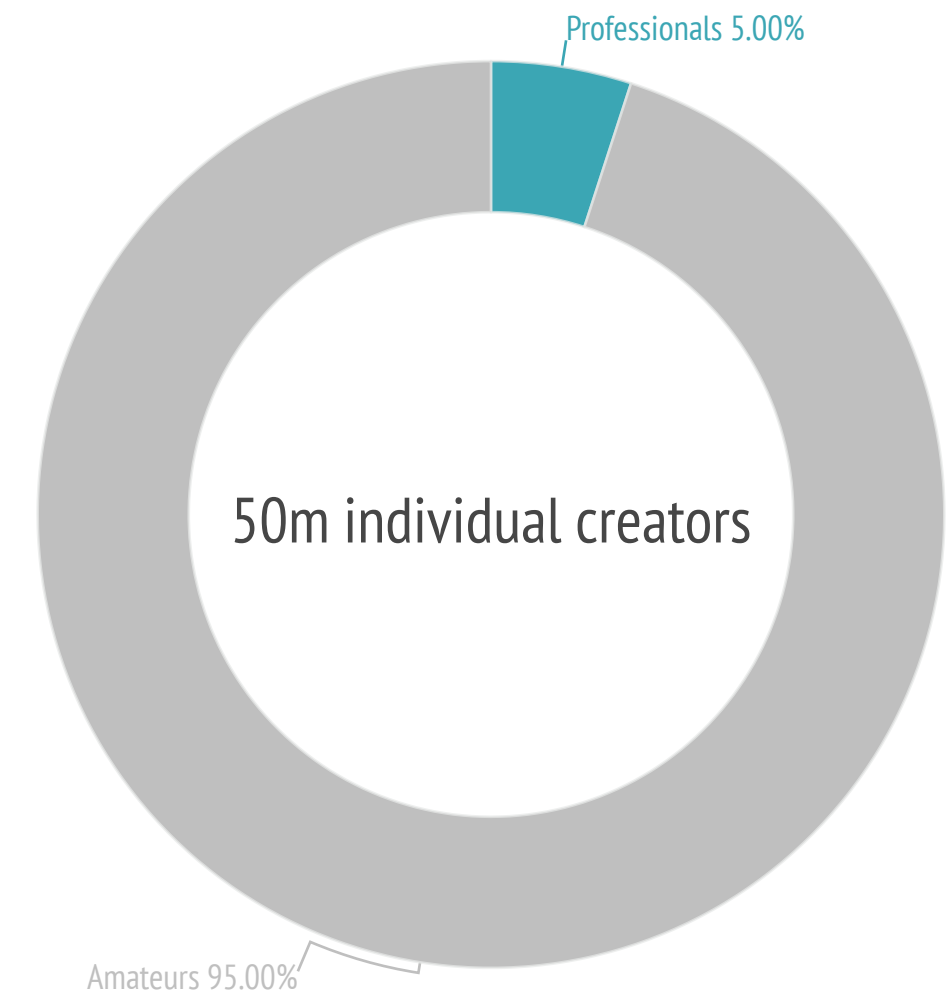


# The Creator Economy

## The promise of the creator economy

In the last few years, the creator economy has boomed, with an increasing number of people worldwide pursuing their passions and sharing the content they create on various user-generated platforms such as YouTube, Spotify, or TikTok. The site Influencer MarketingHub estimates that the creator economy is worth around \$100bn with SignalFire reckoning that about 50m individuals define themselves as content creators - though only 5% of them do it professionally (full-time). Even though these figures provide useful references, this Briefing is not aimed at sizing the sector; rather, we intend to delve into the forces shaping its growth as well as the implications for media and technology. We believe that existing forces in play are favoring the growth of the content economy and that this growth has important implications for media businesses and technology companies alike.

## Estimated Size of the Creator Economy



Only 5% of independent content creators monetize content full-time

Sources: IABM, Influencer MarketingHub, SignalFire

# The Creator Economy

## Forces driving the creator economy

### Consumer Attitudes

Consumers have become less concerned about content values such as picture quality and more interested in others such as interactivity

### The Great Resignation

COVID-19 has led more people to dedicate more time to creative hobbies or leave their jobs altogether to pursue more fulfilling professional paths

### Emergence of New Platforms, Technologies, and Business Models

New distribution platforms and technologies that empower content creators with more and better monetization tools have emerged

### Technology Democratization

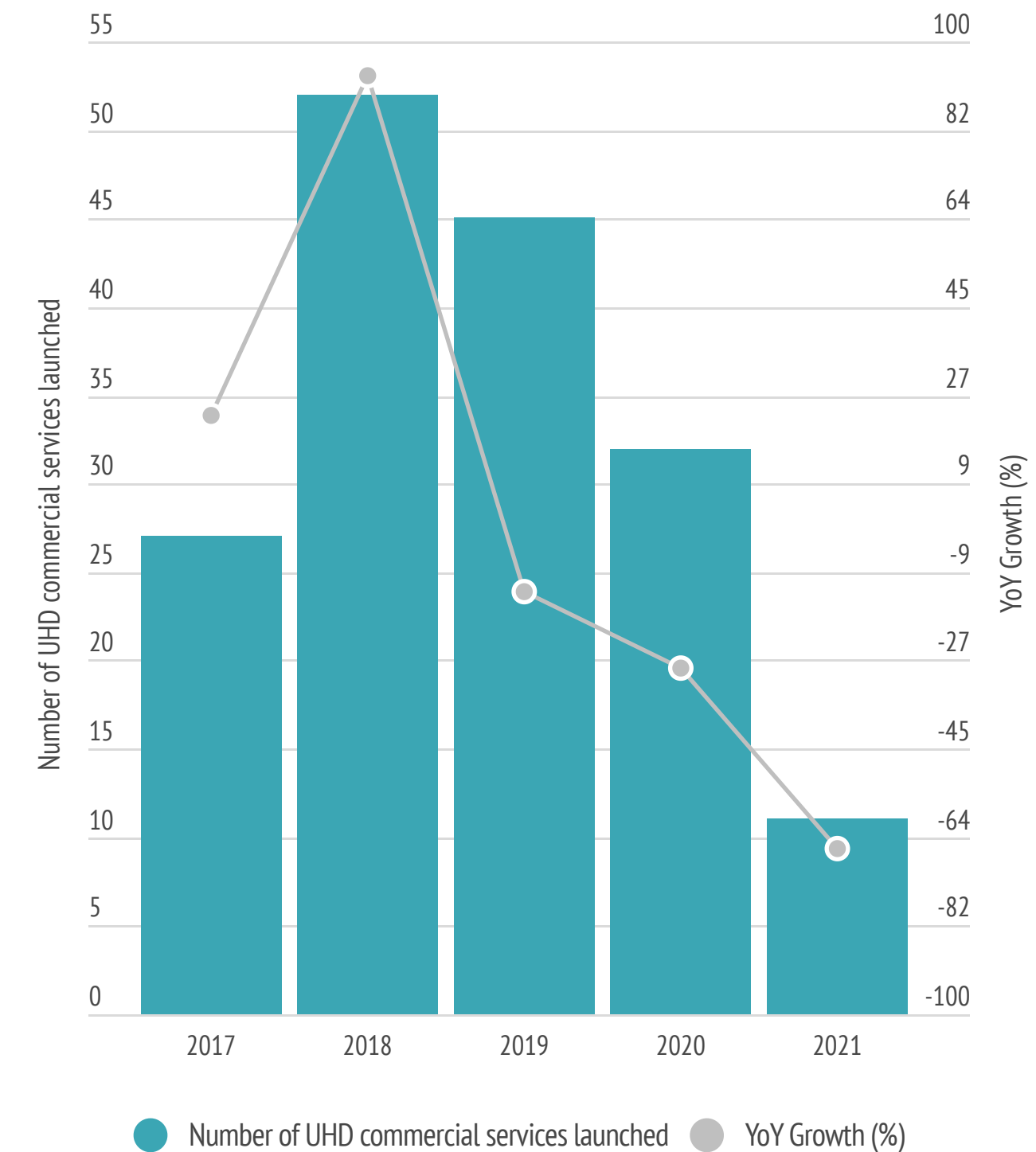
Technology democratization has made an increasing number of professional content creation technology tools more accessible to the masses

# The Creator Economy

## Forces driving the creator economy - Consumer attitudes

As reported by previous IABM research, consumer attitudes towards content quality have been changing in the last few years. More viewers have increasingly disregarded dimensions such as picture quality in favor of others such as personalization, interactivity, and storytelling, just to name a few. This shift in perceptions has been accentuated by the initial degradation in production quality caused by the pandemic as well as by consumers craving connections due to social isolation. This has also led media businesses to deprioritize quality upgrades such as the launch of UHD offerings in recent years - see chart on the right. On the viewing front, consumption of linear television has been stagnant (or declining) in several markets with many viewers spending more time on online platforms that are characterized by lower-end production values such as YouTube or Twitch. These platforms are increasingly hosting independent content creators.

UHD Commercial Services, 2017-2021



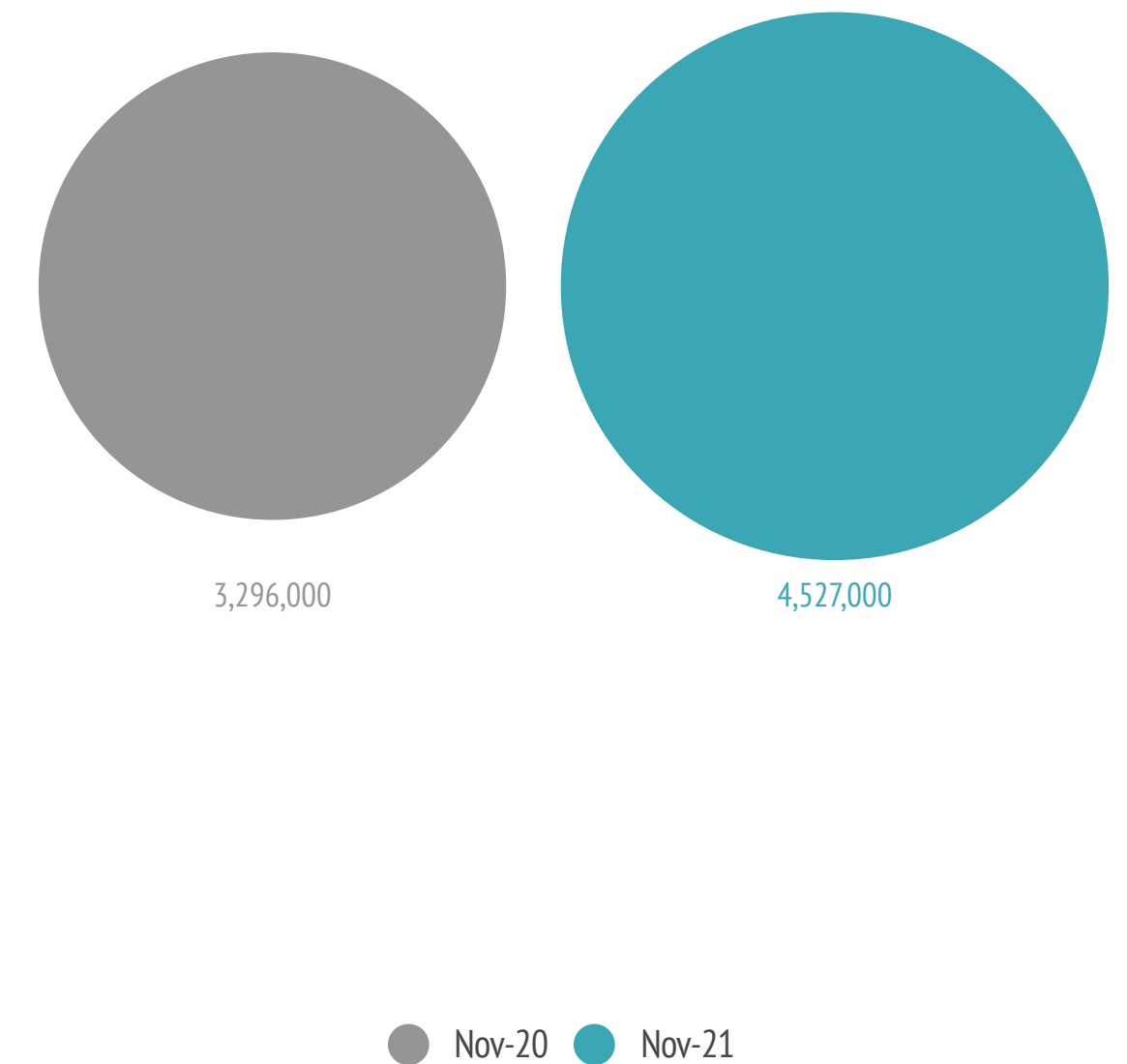
Sources: IABM, UHD Forum

# The Creator Economy

## Forces driving the creator economy - The great resignation

The recent phenomenon known as the "great resignation" is leading a significant number of people to quit their jobs in favor of purposeful work, including creating content, or no work at all. The Reddit "antiwork" forum (*r/antiwork*) has boomed as millions of Americans left their jobs in 2021 - data from the US Bureau of Labor Statistics suggests that a staggering 4.5m left their jobs in November 2021. While many might have changed their jobs or moved to the *r/antiwork* forum mentioned earlier, it is safe to assume that some have gravitated towards the creator economy. Certainly, some high-profile talent at media businesses has done just that. For example, a number of leading journalists left the traditional press to start paid subscription newsletters on Substack - more on this below. Some may rightly argue that only high-profile creators can afford to leave their jobs and move to the creator economy, which is the topic we are going to focus on below.

Job Quits in the US, Nov. 2020 & 2021



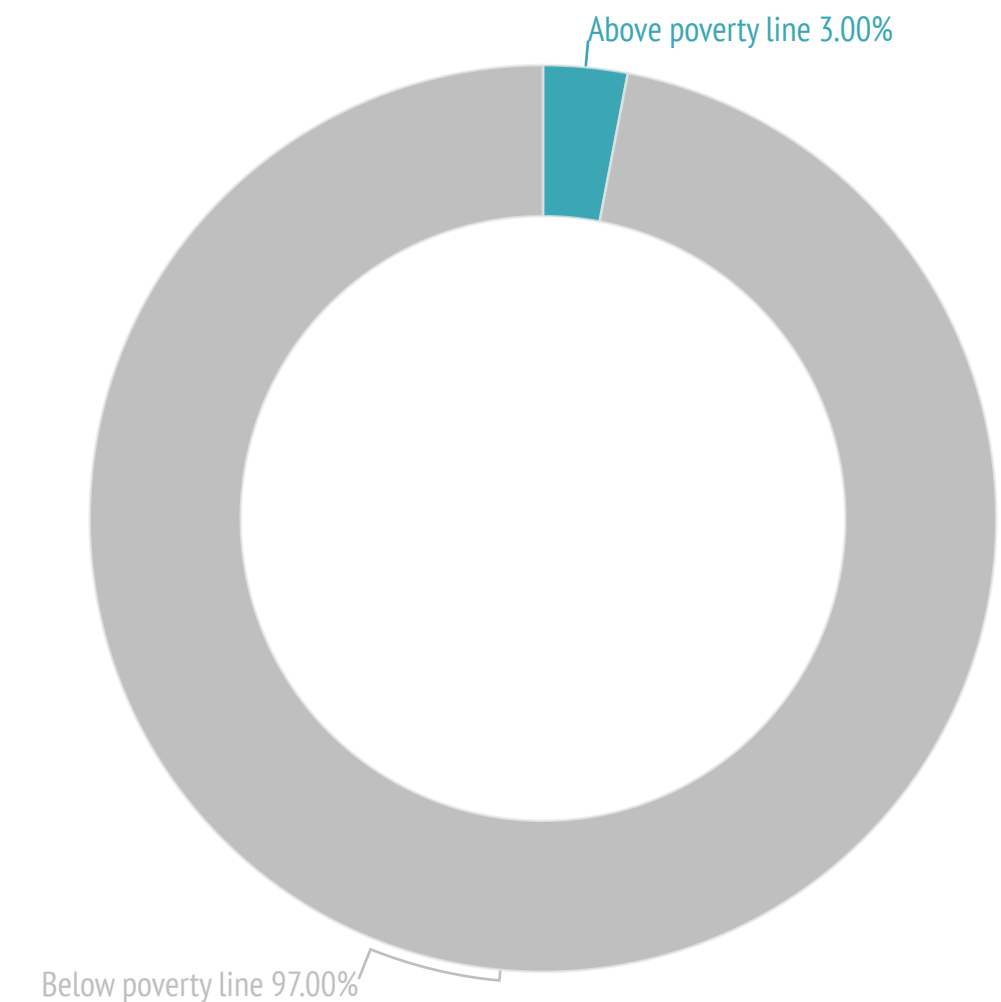
Sources: IABM, US Bureau of Labor Statistics

# The Creator Economy

## Forces driving the creator economy - Emergence of new platforms, technologies, and business models

The emergence of new platforms, technologies, and business models fuelling the creator economy is possibly the most important driving force behind this phenomenon. Even though stories of YouTube millionaires frequently make the headlines, according to a 2018 research paper, only 3% of YouTubers earned an income from the platform above the poverty line in 2016 - through ad sharing. This percentage was significantly down compared to 2006, probably due to a more intense concentration of viewing (and sponsorship) across fewer creators. It is easy to see that this economy is largely unmonetized, as this long Medium blog by Doug Shapiro thoroughly explains. As of 2022, there are 51m YouTube channels, though only 29K boast over 1m subscribers - that is 0.1%. A quick Google search shows that 1m subscribers translate into roughly \$60K annually, which illustrates that things haven't significantly changed since 2016.

Estimated YouTube Income Distribution, 2016



Only 3% of independent YouTube content creators earned an income from the platform above the poverty line (about \$17,000 annually) in 2016

Sources: IABM, Offenburg University of Applied Sciences



# The Creator Economy

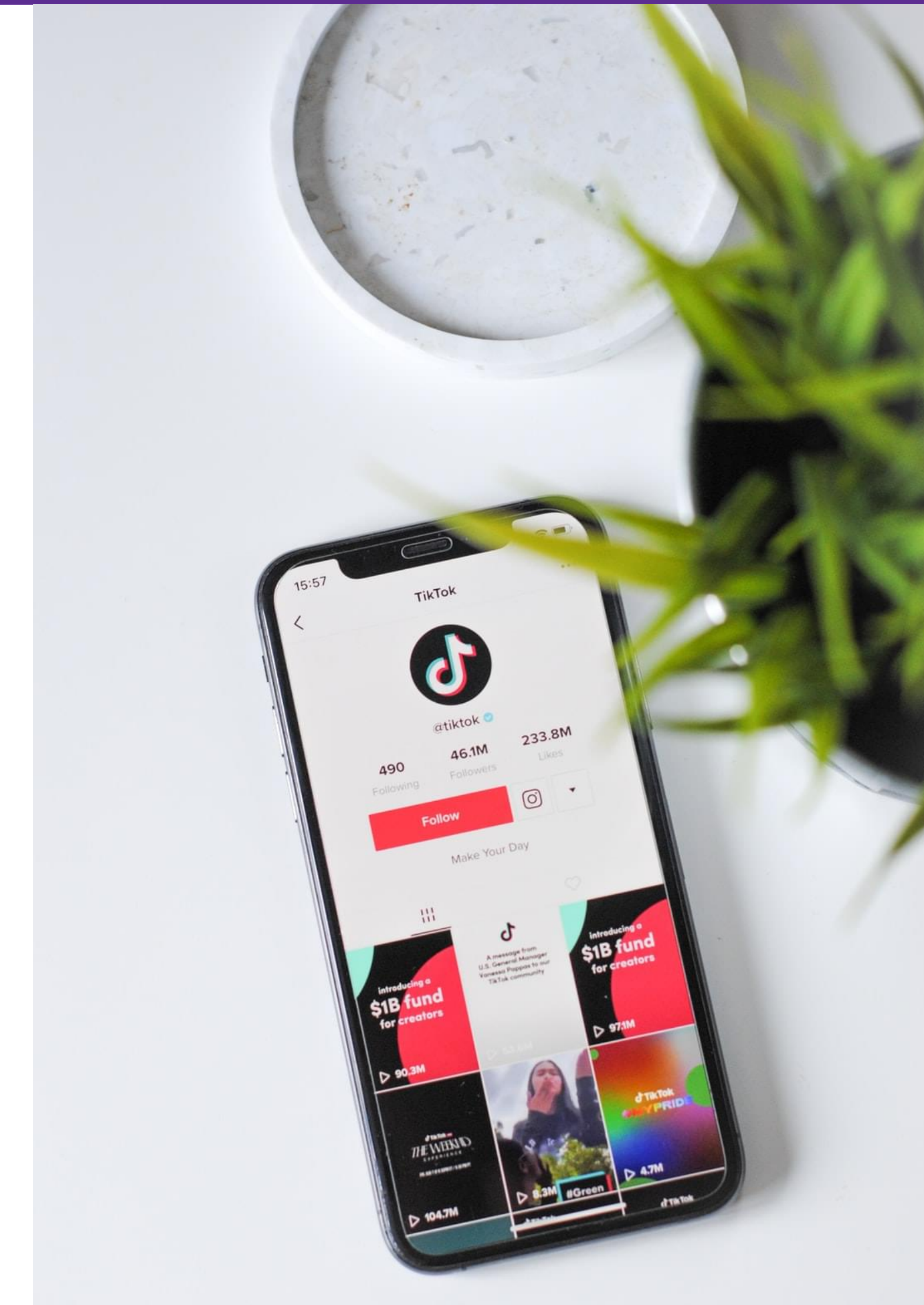
## Forces driving the creator economy - Emergence of new platforms, technologies, and business models

However, in recent years, a plethora of platforms that allow creators to better monetize their content through alternative business models have emerged. The aforementioned Substack was founded in 2017 and allows writers to create paid newsletters and podcasts which can be charged through a subscription fee - Substack takes a 10% commission fee. Although the high-profile creators will still attract the largest audiences (and incomes) even on Substack, these new platforms tend to reward individual content creators more significantly than the traditional YouTube ad sharing model. As the Medium blog mentioned earlier argues, this might lead distribution platforms to increasingly compete for talent through better monetization tools, particularly as the creator economy continues to attract our viewing time. In 2019, YouTube started enabling creators with over 30K subscribers to offer subscription tiers with different benefits, signaling its intent to improve the monetization opportunities available on the platform. In 2020, TikTok launched a \$200m creator fund to lure in talent. Moreover, the recent rise of Web3 technologies, including non-fungible tokens (NFTs), might give independent creators even more tools and power over monetizing their audiences. NFTs are touted to be the foundational layer of the new ownership economy, and with ownership comes innovation in business models beyond the dominant ad sharing model that has characterized the creator economy in the past.

# The Creator Economy

## Forces driving the creator economy - Technology democratization

Finally, technology democratization has been playing a major role in making content creation more accessible to individuals over the last few years. We talked about platforms earlier, though technology democratization has impacted media technology tools as well. For example, different categories of professional cameras have continued to get better and cheaper as new entrants have shaken up this marketplace. As a recent illustration of this, in August 2021, Blackmagic Design slashed the price of its URSA Mini Pro 12K camera by 40%, bringing it down to \$5,995. In software, the advent of cloud computing has made various media activities more accessible from home, hence more easily accessible to content creators too. Information on technology and content creation has also been democratized, so it has become easier to learn how to develop an independent content business.





# The Creator Economy

## Implications for media and technology

### Media Businesses

The creator economy is competing with media businesses by driving audiences away from traditional media

The creator economy is providing media businesses an alternative programming source to attract younger viewers

The creator economy is providing media businesses opportunities to differentiate their business models

### Media Tech Suppliers

The creator economy is providing media tech suppliers a new growth opportunity if they re-engineer their business models

The size of this opportunity will depend on the financial success of the creator economy

This should also affect selling models in media tech requiring suppliers to move to a more B2C approach to sales

# The Creator Economy

## Implications for media businesses - Competition, collaboration and monetization

From a media business perspective, the creator economy can be seen both as a competitive threat and as a collaborative opportunity. Certainly, the creator economy is driving audiences away from streaming and traditional media and towards creator platforms such as YouTube. Though, media companies have also recruited successful independent creators to develop specific programming on their linear channels - and attract younger demographics. There's been less activity when it comes to monetization aside from Fox's launch of its Blockchain Creative Labs - the company also launched a \$100m creator fund and made a strategic investment in Eluvio. As part of this, the new division launched the MaskVerse, an NFT-based community of fans of The Masked Singer series - a Fox-owned series. This holds the potential of further revenue differentiation for media businesses, consistent with previous IABM research. According to Fox's website: *"This is your opportunity to join an exclusive community and interact with your favorite characters from the hit TV series, build collections, and earn rewards!"* It is evident that this initiative not only aims to prop up fan engagement with Fox's programming but also leverage this to develop alternative funding sources through micro-payments guaranteeing fans specific participatory rights - see this previous IABM Briefing for more info on this topic. We think we can expect more in this area as well.

# The Creator Economy

## Implications for media technology - Business models

The growth of the creator economy has several implications for media technology suppliers as well. Stephen Bird, Vitec CEO, identified it as one of the most important drivers for the business at the company's H1 2021 earnings call: *"Vlogging and sharing content on social media has increased significantly. This means that more people are using our JOBY products to create and share content on their phones and cameras."* JOBY is a prosumer brand featuring a variety of mobile technology equipment targeted at small content creators - its GorillaPods tripods ranged from \$14 to \$123 on B&H Photo at the time of the writing. The growth in the creator economy led Vitec to increase its total addressable market figure for its Imaging Solutions division to £1.2bn - from £1.1bn a year earlier. Even though this is a potential market opportunity for media technology suppliers, we have reasons to believe we are still in the early stages of its development. Certainly, if this opportunity were to grow and become a more significant portion of revenues for some tech suppliers, this would require an even more drastic re-engineering of their business models away from fewer and larger influxes of cash and towards more numerous and smaller monetary inflows. Though this might seem like a remote possibility now, think about streaming. Streaming was only emerging ten years ago and it now drives new content investment, dictating technology requirements and business models as well.

# The Creator Economy

## Implications for media technology - Production values

As the creator economy becomes more financially successful through some of the business models briefly described earlier, its production values could potentially grow as well. Though, they will still be different compared to the industry's traditional customer base, as highlighted earlier. In January 2022, food YouTuber Chez Jigmé upgraded its studio setup with new technology from Blackmagic Design, including the Blackmagic Studio Camera 4K Plus and Pocket Cinema Camera 4K for content acquisition and the ATEM Mini Extreme ISO for web broadcasting. Though this represented an upgrade for the YouTuber, each of these products had a \$1,295 price tag according to B&H Photo at the time of the writing - a fraction of an average enterprise deal in media tech. This is not necessarily a bad thing provided that the number of customers in this segment is high enough - or that the products sold to them have synergies with other use cases, as in the case of the Pocket Cinema Camera, for example. Chez Jigmé boasts about 65m total views for its videos as well as over 600K subscribers on YouTube. The setup enables Chez Jigmé *"to see fan messages sent using Twitch's chat function."* He said: *"I can now respond to comments and questions directly into the camera lens, giving my audience a more personalized experience."* This highlights the point made at the beginning of this Briefing on content quality: this has become a multi-dimensional concept with values such as interactivity growing in importance.



# The Creator Economy

## Implications for media technology - Selling models

The growth of the creator economy is also set to drive the expansion of e-commerce sales, particularly professional content creation equipment. As noted by Vitec in its 2019 Annual Report: *"Continued growth in digital distribution channels and online retailers for products for photographers, videographers and independent content creators. This has stimulated increased demand from new customers, particularly in emerging economies where e-commerce provides easier and faster access to a wider range of products and tutorial information."* This should also increase the importance of the relationships between technology suppliers and product influencers, as in B2C sectors. Not to mention its effects on activities ranging from instructional product sessions to product development, which should become more geared towards non-professional users. Generally, it requires a business shift towards direct-to-consumer akin to what we have seen in the broadcast and media sector. The impact of this shift will be proportional to the success of the creator economy vis-à-vis other content sectors such as higher-end content. When it comes to SaaS, the impact of this shift should be less pronounced though even software offerings will need to adapt to individual creators' product decision-making when designing their activities. This has of course implications for selling models in the industry as well, including B2B trade shows. Will they increasingly attract independent content creators?