

Creator Economy Update: Content & Distribution



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Nearly three times as many children want to be a YouTube star when they grow up than those that dream of being an astronaut (that may change once we see a return to the Moon later this decade). While the surge of the creator economy in 2022 may have seemed to slow down as the pandemic came to a close, it remains a \$100bn+ fast-growing opportunity.

In last year's letter, we broke out the Creator Economy into two focus areas: its social and its technological components—from creator-based hubs of creativity, to the metaverse as a multi-purpose digital space and beyond. With more than 50 million independent content creators, we are now seeing a rise in technology distinguishing between 1) creator tools, which enable content creation through greater tech, and 2) platforms, which allow distribution and monetization via ads and marketplaces. **The creator economy has now become a matter of content and distribution**, and at the rapid pace of change, market participants, both creators and platforms, must constantly adapt in order to capture even a sliver of this novel, yet fragmented community.

Although 50 million individuals consider themselves creators, the vast majority, 46.7 million, consider themselves amateurs with little to no experience or following. As a result, **tools and technology-based enablement for the common creator remain at the forefront from the perspective of industry leaders and disruptors alike**. Take Adobe's recent announcement of its acquisition of Figma, a leading web-first collaborative design platform, for \$20 billion. Together, the two are ushering in a new era of creative collaboration by advancing product design and inspiring designers and developers. Canva, too, has become one of the most influential design platforms, valued at \$40 billion, with an expected revenue in 2022 exceeding \$1 billion and 100+ million monthly active users who create, on average, 150 designs every second. By putting easy-to-use templates in the hands of everyone, Canva has revolutionized the way people design, both professionally and recreationally.

Given all the developments enabling creators, the line between “enablement” and “replacement” grows thinner by the day. OpenAI, a \$20 billion-valued private company backed by Microsoft, amongst others, uses a deep learning image synthesis model and a technique called latent diffusion to learn associations between words and images to generate artistic digital images from natural language descriptions. OpenAI launched DALL-E2 earlier this year, an enhanced version of its text to image AI, which has captured attention—in addition to the recent release of its wildly popular ChatGPT product. But OpenAI isn't the only one hopping on the content creation AI trend. Stability AI also used the technology behind its text-to-image generator Stable Diffusion to create an audio-generating machine learning model called Dance Diffusion, which generates original audio clips based on a catalogue of music. Picsart too has recently announced they are also using generative AI to create images and text. Meta and Google have taken a unique spin, introducing text-to-video technology through Make-A-Video and Imagen Video, respectively.

With AI now beginning to impact image, video, and audio creation, we may not be very far until this technology plays a more significant role in film, series, and gaming content creation, driving costs down and creative productivity up. **Importantly, whether this technology benefits creators or opens up an avenue for AI to replace human creativity as a threat to creators is a question that we'll need to watch closely in 2023 and beyond.**

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Tools alone comprise just half the story in 2022. As the idiom goes, “if a tree falls in the woods, does it make a sound?” Platforms provide the eyes and ears for creators to spread their message and get recognized for their efforts. Most notably, Elon Musk’s acquisition of Twitter illustrates the everlasting impact of these platforms on our society – the infrastructure of the creator economy. Free and fair distribution of creator-driven content and commerce will continue to be a contentious debate so long as generations of internet-savvy consumers rely upon these platforms for information and media consumption. Operators of these platforms must answer three key questions to position themselves to win in a fragmented market across all stakeholders: 1) How will we monetize (ads, goods, or subscriptions)? 2) How will we help creators promote themselves? 3) How will we distribute and control content shared to millions of content consumers worldwide?

The battle between YouTube, TikTok, Instagram, and Snapchat will increasingly be fought, not just around content but around creator monetization and which platform best facilitates this. While TikTok monopolizes short-form content, YouTube is ramping up its Shorts segment with its recent announcement to let Shorts creators who reach 10 million views within 90 days apply for membership in the YouTube Partner Program. This marks the first real revenue sharing being offered for short-form video on any platform of scale and emphasizes the competition as these large players fight for market share.

Likewise, other platforms are developing their own in-house tools to help creators. Bending Spoon’s Splice and TikTok’s CapCut allow creators to edit videos through an adjacent tool, making it easy to maneuver between where content is made and where content is shared. At Spotify’s 2022 Investor Day, Daniel Ek announced the new “Spotify Machine,” including investments in audio streaming and podcasting which gives creators increased scale and strengthens Spotify’s position as a marketplace. They have “moved from being a music discovery playback service, to a full-fledged platform where artists and creators can create, engage and earn.” **As operators in the space begin to embrace the symbiotic relationship between tools and distribution, all stakeholders in the creator ecosystem will benefit.**

In the next year, we can expect a rise in the theme of collaboration as creators travel between content platforms to diversify their creative portfolio. Almost two-thirds of YouTube channels now try to make money from their content elsewhere, through selling merchandise, directing followers to alternate content accounts, or linking to crowdfunding platforms. This change signals a larger shift for people relying on big tech platforms to make money from creative work as more creators push back against YouTube, Instagram and TikTok in search of more independence over their income.

Once seen as a trendy, pandemic-led fad, user-generated content creation has seeped into every avenue of our lives as creators turn hobbies into more than just side hustles. Gen Z and millennials increasingly use influencing as a means of living in replacement of more traditional careers, creating an era of decentralized media for individuals and enterprises alike.