



## DISRUPTING ENTERTAINMENT: THE RISE OF THE EXHIBITIONIST ENTREPRENEUR

FOR THE YOUNGER GENERATION TV IS ON THE WAY OUT AND YOUTUBE AND TWITCH ON THE WAY IN. BUT WHAT ARE THE BUSINESS MODELS?

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Here's a question for you... if you had to choose between FC Barcelona, Justin Bieber, Katy Perry, Felix Kjellberg or the White House, which one do you think has the most highly subscribed YouTube channel as of May, 2015?

The answer is the one you have probably never heard of: Felix Kjellberg... by a huge margin. In fact, the combined number of subscribers for all the other channels mentioned would still fall more than 8 million short of Kjellberg's channel, which currently boasts 36 million subscribers, exceeds 400 million views per month, and has a lifetime total of over 7.5 billion views. That's about one view for every man, woman, and child on Earth!

So, what makes him so special? Kjellberg is one of a new generation of entertainers that I call *exhibitionist entrepreneurs*. Why exhibitionist? Because, what they sell is themselves. Under the nom-de-guerre of PewDiePie, Kjellberg creates short videos, typically between 3 and 10 minutes in length, that show him commenting while playing video games. His reactions are extreme, profane, and – clearly – entertaining.

Kjellberg is not alone. The top five YouTube channels are all non-mainstream personalities (called YouTubers) who post lightly edited, comedic and mostly personal clips. Subject matters range – one YouTuber, JennaMarbles, posts videos where she talks about what it is like to be a young woman in America. Her most watched video is called, 'How to trick people into thinking you're good looking'. Another is a Chilean YouTuber called HolaSoyGerman who creates goofy videos in Spanish.

These exhibitionist entrepreneurs are replacing traditional TV for the younger generation. The most popular YouTubers create videos that are authentic, approachable, self-deprecating, funny, and personal, and make their viewers feel like they are old friends. By contrast, TV is seen by many of today's youth as artificial, overly scripted, and inaccessible. If Facebook is generally used for family and friends, LinkedIn for business, and Twitter for mainstream celebrities, then YouTube is the home of the new superstar exhibitionist entrepreneur.

Yet, YouTube is still traditional in the sense that the videos it shows are pre-recorded. For an entirely real-time experience, digital natives turn to Twitch, which broadcasts live streams, some of which can last 6 hours or more. While Kjellberg records himself playing games, Twitch streamers show themselves playing in real time, which adds a dynamic and unpredictable element to the experience. Since it is live, viewers can send in messages and questions to the Twitch streamers, who reply vocally, through a microphone. This personal connection with the content provider sets Twitch apart from traditional TV as well as YouTube. Indeed, the fact that the streams are live arguably makes it a more extreme form of exhibitionism.

The popularity of YouTube, Twitch and others has not gone unnoticed among traditional industry players. Maker Studios, with 55,000 YouTube channels in its portfolio, including PewDiePie, was purchased by Disney last year for just under \$1 billion, despite losing millions of dollars a month. Amazon, meanwhile, snapped up Twitch in 2014, also for just under \$1 billion. Both organizations stated that they wished to connect with the new generation of consumers.

### **So, what are the business models?**

YouTubers make practically all of their income from advertising. Static ads appear to the right of the video stream, and more often than not, a lead-in ad will precede the video. YouTubers receive money based on the number of ads that are shown to viewers. If they see the ad, then it is monetizable. If the ad is blocked by an ad blocking program, or if the lead-in ad is skipped, the YouTuber receives nothing. If the YouTuber is a member of a network, like Maker Studios, he or she typically receives 70% of the monetized ad value, with the remaining 30% going to the studio. This translates to around \$1.40 per 1,000 ad impressions (more for videos). For a few high profile YouTubers, such as PewDiePie and JennaMarbles, the money can be significant – into the millions annually. However, for the vast majority, earnings are modest.

While subscription is free in the YouTube universe, this is not the case for Twitch. In Twitch, following is free, but subscribers must pay, normally around \$5 per month, half of which goes to the streamer. Subscribers receive additional features and exclusive access to the streamer. Twitch streamers can, and often do, receive additional 'donations' or 'tips' from followers. Since Twitch

streamers have multiple sources of revenue – a cut of the monetizable ads viewed, subscriptions, and donations – they tend to make more money on average than YouTubers. However, YouTube is generally more popular than Twitch, meaning the most successful YouTubers are the highest earners overall.

In general, however, income is a touchy subject on both YouTube and Twitch. The exhibitionist entrepreneurs are usually only popular to the extent that they are viewed as “authentic”. As soon as they become too commercial (believed to have ‘sold out’), their popularity falls quickly. Kjellberg has stopped endorsing products since he received so many negative comments when he occasionally did so.

The exhibitionist entrepreneur provides a new form of entertainment that is intensely personal and authentic. As younger viewers tire of the sanitized and predictable world of heavily produced content, this entertainment form seems poised to grow in popularity. Now that business models are being developed to monetize their efforts, these exhibitionist entrepreneurs are likely to become the entertainment stars of the next generation.

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