

CREATOR ECONOMY

A Kalaari Capital Report





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Overview

The Indian digital economy has surpassed all predictions.

- There are now over **637M** smartphone users in India, spending an average of **4.6 hours per day** consuming content
- Data consumption per smartphone is also the highest globally, at **15.7 GB per month**, with a low cost of data at just **\$0.68 per GB**
- More than **448M** Indians are active social media users

A majority of these individuals are first-time internet users who self-curate the content and products they consume. They value authenticity and individuality, and have built a stronger affinity for creators over brands.

These shifts have enabled the rise of creators and knowledge professionals who have leveraged today's tools and connected technologies to monetize their unique talents into a full-time living. India today has nearly 80M creators. These include content creators, video streamers, influencers, bloggers, creators on OTT platforms, physical product creators, and essentially anyone building a community around their niche.

Social platforms enabled these individuals to build a large audience and reach their fans directly. However, while they solved for distribution and created breakout stars, very few creators could monetize effectively. Today, there are nearly 150k professional content creators in India earning ~\$200+ per month, while very few of these breakout stars are earning upwards of \$100k per month.

The next wave of creator platforms will enable effective monetization for the long-tail of creators & knowledge professionals, and help them grow into micro-entrepreneurs. This report touches upon the entire creator universe – right from the process of creation, distribution, monetization, rise of new business models, and the rapidly evolving opportunities in the creator economy.

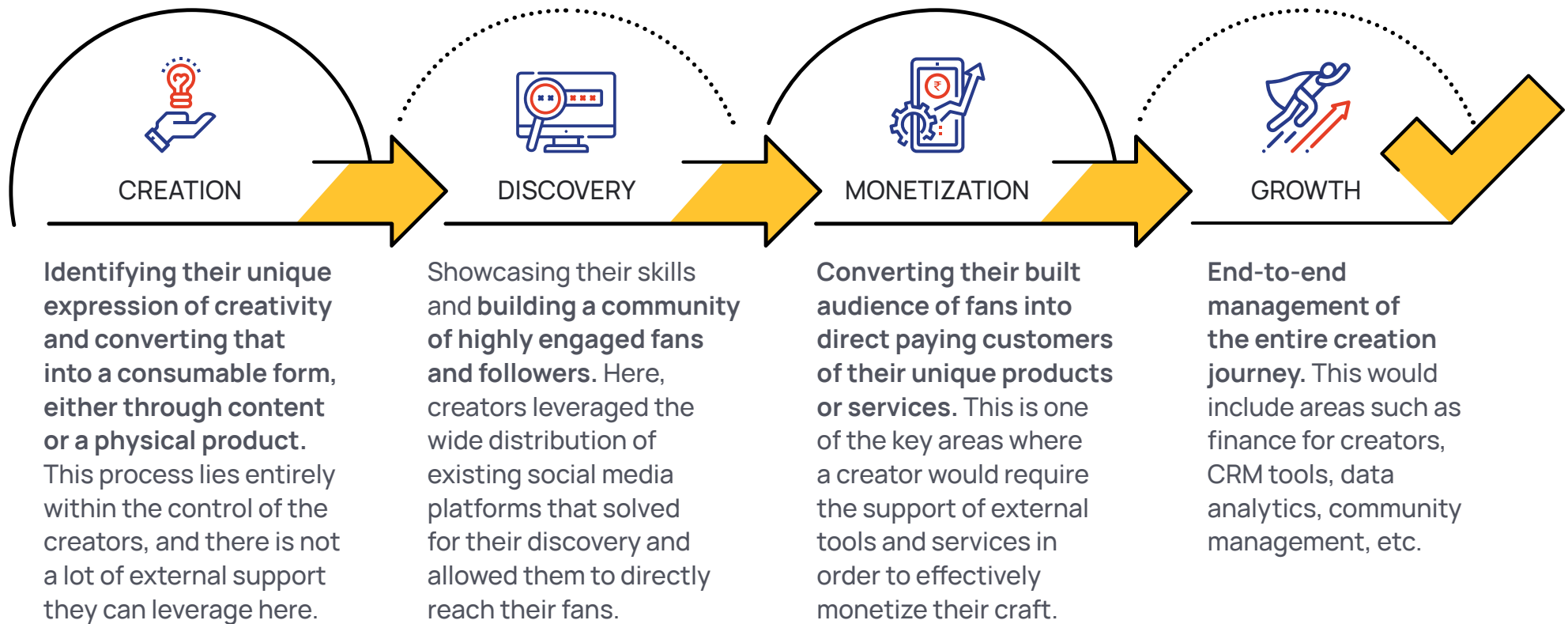


Understanding the **Creator Universe**

- A creator is an individual who produces something that expresses their individuality and creativity and can convert that into a consumable form, **either through content or a physical product.**
- These creators can include **content creators, artists, educators, musicians, influencers, streamers, artisans, independent product designers, community builders, bloggers**, and more. The reach and distribution of social platforms have enabled nearly anyone to build an audience around their niche and create a direct channel to their consumers.
- These creative endeavours can start off as just hobbies, and later be monetized to earn a living.



The lifecycle of a creator's business can be split into 4 segments:





Behavioural Shifts

Fundamental changes in consumer behaviour along with certain macro factors have enabled the rise of the creator economy. Consumption patterns of Indians have also evolved. They want to follow people they identify with, and consume products that showcase their individuality. This has led to a shift in power from large brands and corporations to individual creators.



Greater emphasis on **individuality** & **ownership** over the way we live, work, and express our creativity.



Reduced attention spans, increasing the need for bite-sized, instantly gratifying content, leading to the rise of micro-blogging and short-form videos.



Desire to form strong communities, even in niche segments.



Increasing emphasis on **authenticity** of content and products over high quality production.



Desire to **self-curate** the type of content consumed rather than be fed curated content by third party distributors.



Increased Data Consumption

The cost of data in India is among the lowest in the world at \$0.68 per GB, well below the global average of \$4.21 per GB.

Data consumption per smartphone in India is currently the highest in the world, **at 15.7 GB per month**. We estimate this to reach **\$37 GB per month** by 2026.



Rising Content Consumption

The average time spent by an Indian user on a smartphone per day is **4.6 hours** – the third highest in the world.

The primary categories of content consumption include fashion, education, motivation, music, food, and comedy.



Ubiquitous access to smartphones

There are **637M** smartphone users in India. We estimate this to reach **900M** by 2026.

As smartphones became more affordable, an increasing number of people are getting access to the tools and platforms that allow creating content, building a following and becoming discoverable.



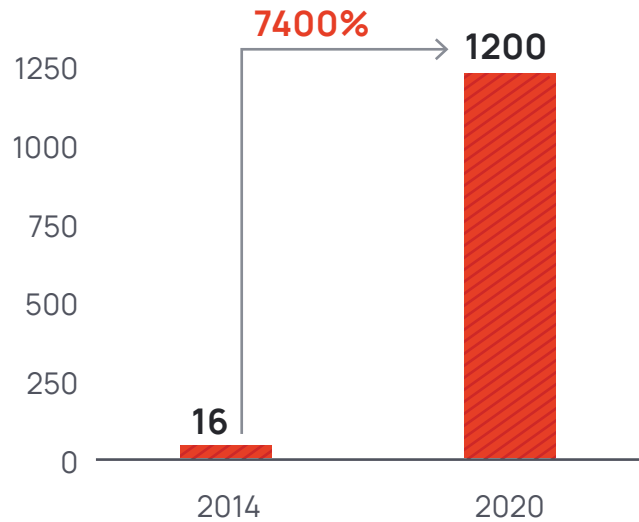
Rise of Social Media

There are currently over **448M** social media users in India. We estimate that there will be over **650M** social media users by 2026.

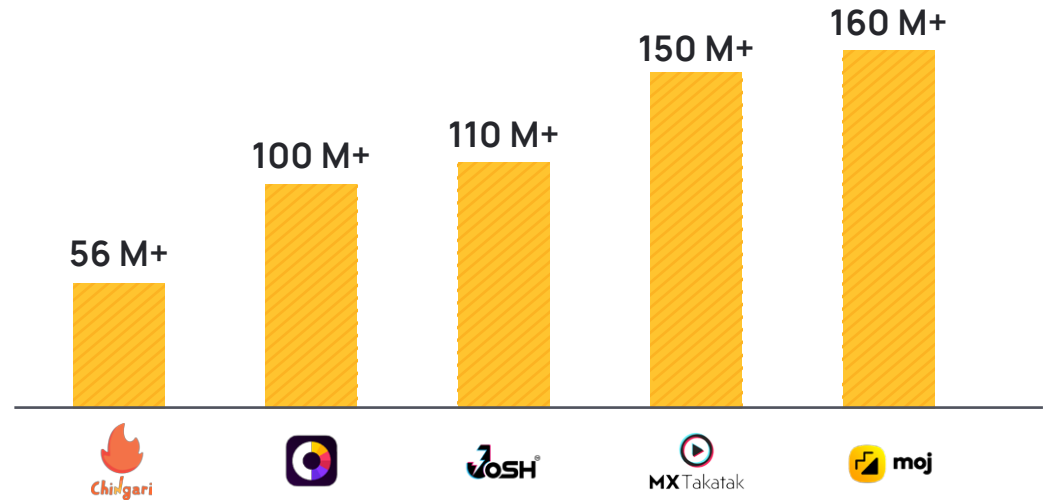
Platforms such as YouTube, Instagram, TikTok, Facebook, Snapchat, etc., have allowed creators to build large, highly engaged fans, overcoming the hurdle of distribution. Indian platforms such as Moj, MX TakaTak, Josh, Roposo, etc., have also lately built a strong user base following the ban on TikTok in India.



The number of Indian YouTube channels with at least 1M subscribers has increased by 7400% over the last 7 years

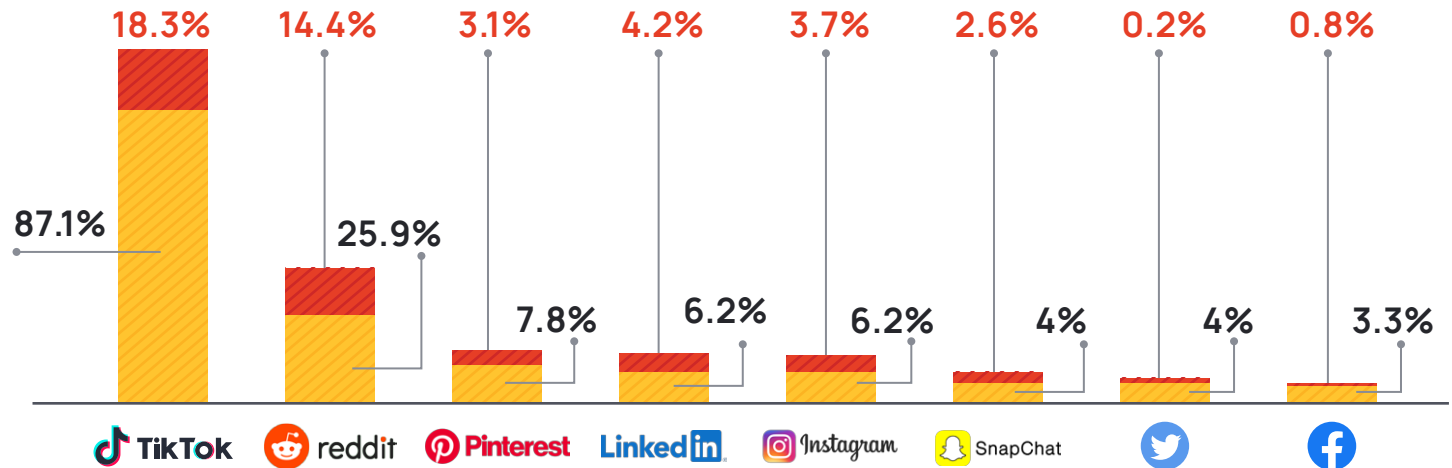


At least 160M users have used any one of the Indian short video platforms



Rising trends in short-form video content globally as well, with TikTok growing its userbase by 18.3%

2020 2021





COVID-19 led to unprecedented digitization and adoption of digital-first models across industries. Many independent stores went online during this period for the first time. Educators started delivering online classes. Entertainers adopted new short-form media. Growing exposure to the internet among middle-class Indians has created a new expectation – people who now want to build their online identity and turn their unique skills or talent into a livelihood, thus increasing the overall creator pool.



Current State of the Creator Economy

\$104.2B

Total size of the global
creator economy

80M

Creators and knowledge
professionals in India

150,000

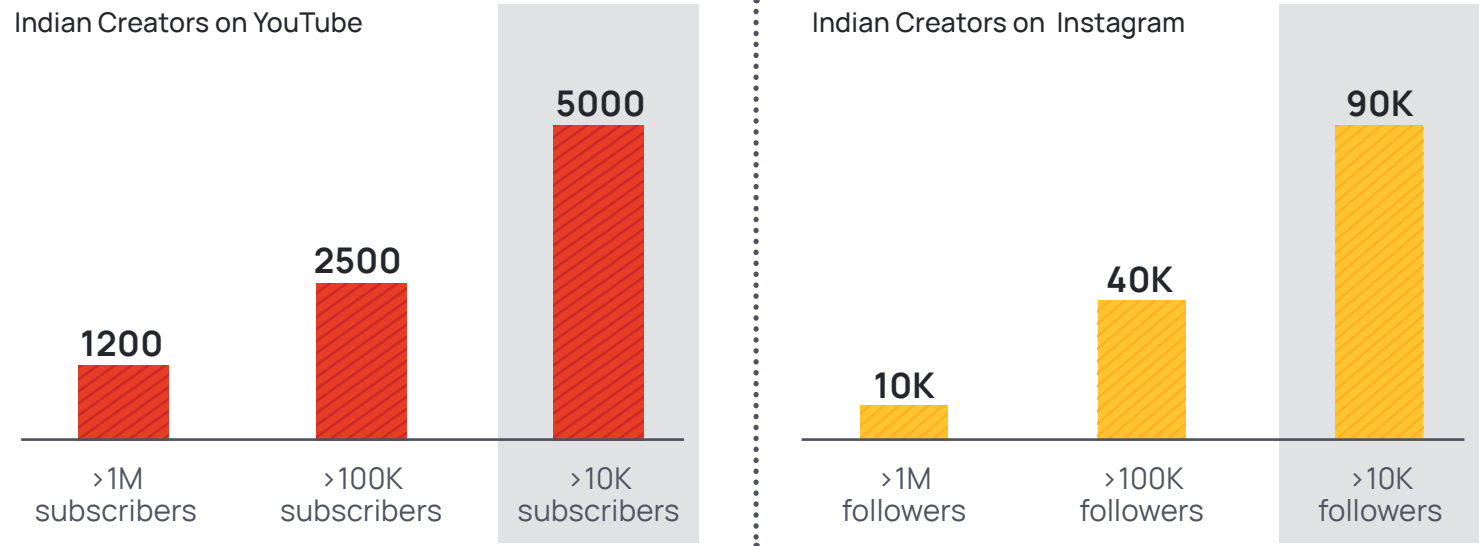
Professional content creators in
India who are able to monetize
their services effectively

50,000

Professional creators on regional
short-form video platforms. Over
60% of their audience comes from
outside metros, with regional
content driving consumption

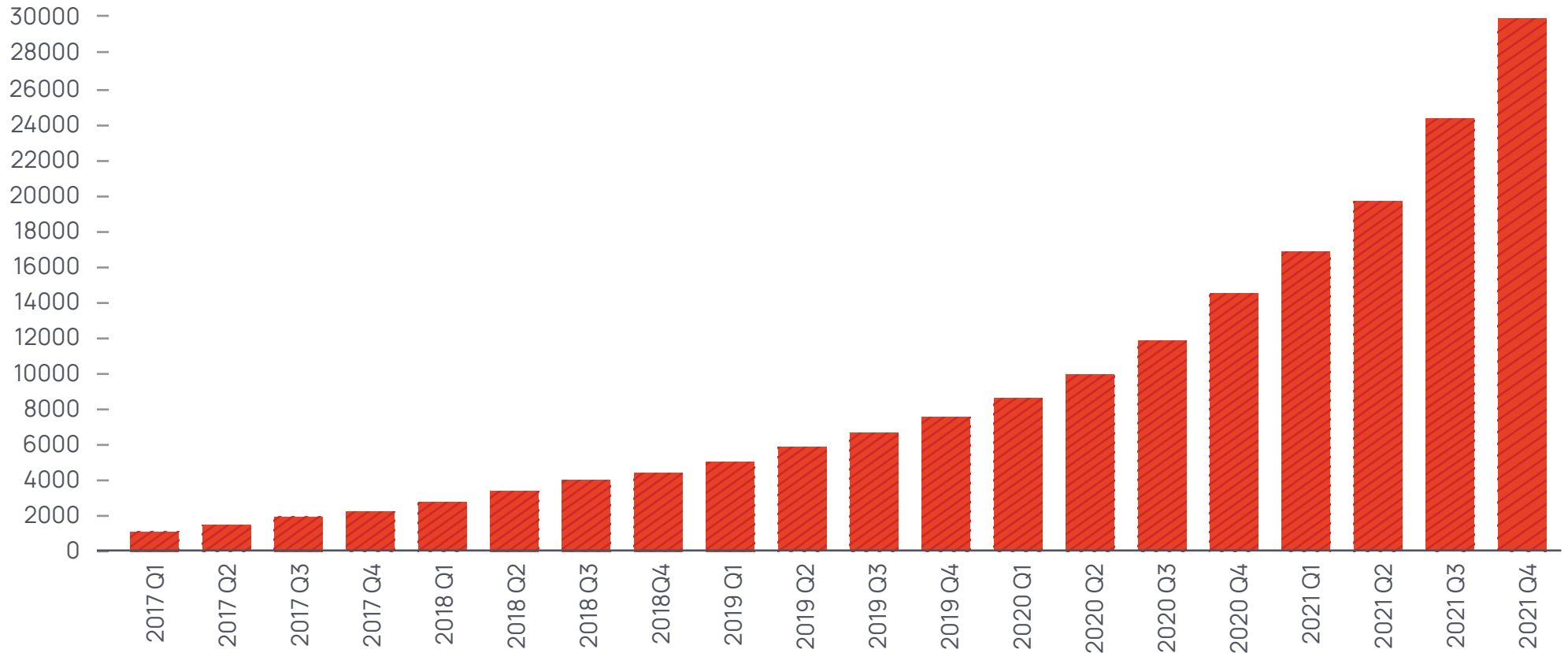
~\$200

Average monthly earnings
for the majority of long-tail
professional creators



Reaching 10k followers is an indication of the popularity and quality of the creator, and represents a threshold for monetizing their audience.

- The creator economy is not limited to online creators and influencers. There is an entire generation of first-time internet users who are now able to build a direct channel to their fans to sell their unique products and offerings.
- Individual product creators can now set up online stores to sell directly to their customers. Be it an artisan, an independent fashion designer, or a product designer, he/she can now build a direct relationship with consumers.
- Platforms such as Shopify, WooCommerce, Wix, etc, have enabled this.



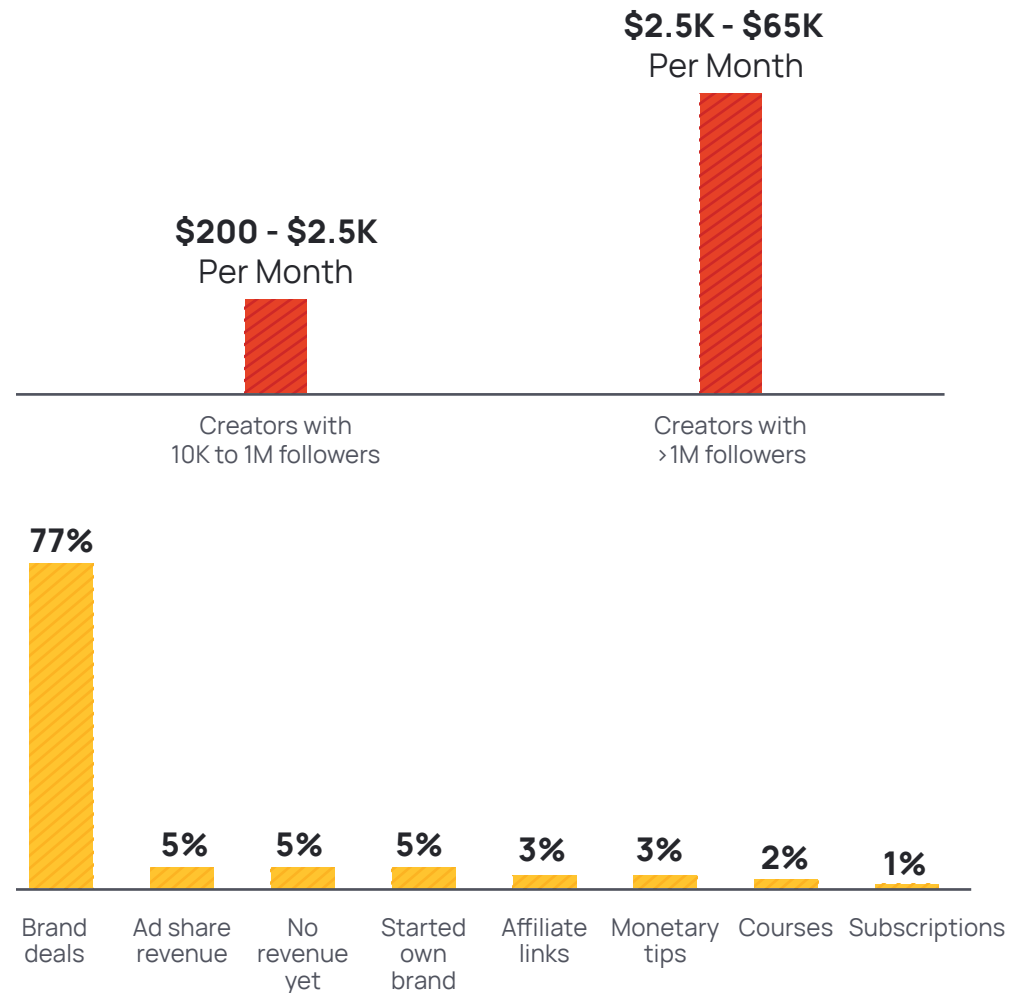
Number of Shopify stores in India

There are **over 29.6k Shopify Stores in India**, with nearly **20k** of these added **just in 2020 and 2021**. This shows the rapid shift of unorganized retail coming online for the first time, with a large percentage of them being independent physical product creators and small businesses.



How much do creators currently earn in India?

- Most creators in India currently are unable to monetize their content. Out of the ~150k professional content creators, we estimate that the majority of them can earn anywhere between **\$200 - \$2.5K per month**, depending on the reach and engagement they can drive.
- Less than 1% of professional creators (those with >1M followers) have the potential to earn anywhere between **\$2.5K - \$65K per month**. These creators can also unlock more monetization channels by launching their own businesses built around their personal brand value.
- Today, **these creator earnings are largely driven through brand deals and campaigns**. These revenues can be unpredictable in nature, and several new business models are now emerging for creators.
- It also important for creators to **maintain their authenticity** with their audience while taking up brand deals, as they can encounter a drop in engagement if the brands they endorse do not resonate with their own image.



77% of creators still depend on brand deals for their revenue



While we have seen the rise and empowerment of creators over the last decade, the distribution of income among them has been skewed. Social platforms solved the problem of discoverability for creators, but most of the wealth they created was captured by the platforms themselves.

The next evolution of the creator economy will now see the creators 'owning' the relationship with their fans and customers. They will build direct monetization channels with their fans and see the emergence of an entire ecosystem of creator tools and platforms will allow them to function as a small business in itself.



Mapping The Creator Economy

The Creator Economy can broadly be mapped into three categories:

→ **Discovery Platforms**

→ **Monetization Tools**

→ **Creator Tools**

Discovery Platforms

Platforms that enable creators to build a large audience and reach their fans directly. While the medium of discovery can vary, these platforms fundamentally allowed creators to break through the traditional distribution barriers and build a following, even in niche areas.

Monetization Tools

Tools and platforms that support creators to build direct monetization channels with their fans. These creators have typically already built an existing audience, and monetization tools can help them convert their casual fans into paying customers.

Creator Tools

These are tools that help creators grow and manage their businesses. These tools can further be segmented into design & creation tools, community management, financial solutions, CRM for creators, data analytics, website builders for creators, and more.

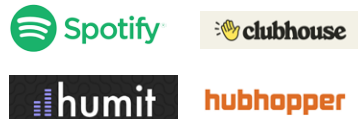


Discovery Platforms

Video



Audio



Graphic



Writing



Monetization Tools

Influencer Marketing



Influencer-led commerce



Direct Monetisation



Online Courses



Independent Product Marketplaces



NFTs & Social Tokens



Merchandising



Creator Tools

Design & Creation



Web Builders



Finance



Community Management



Data Analytics

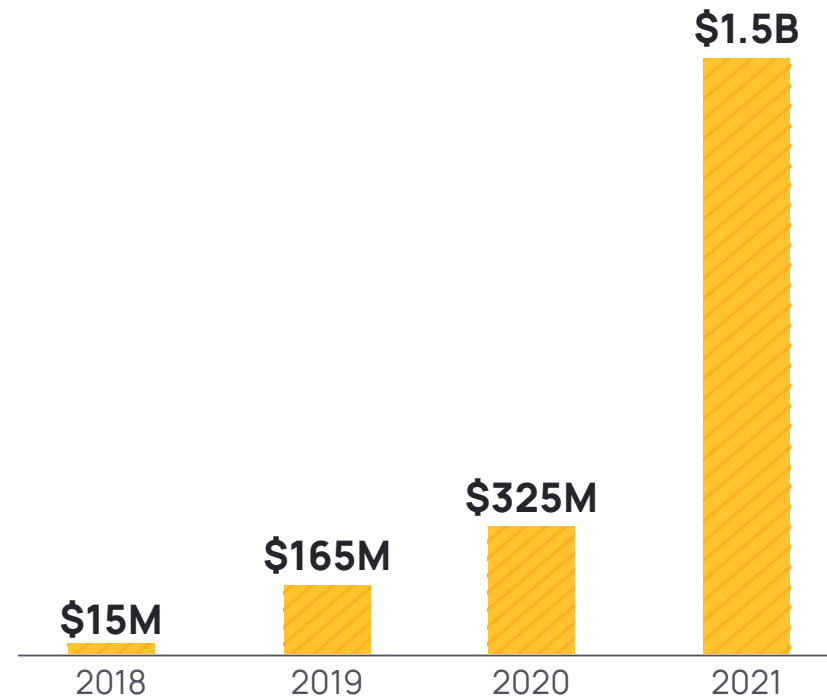


CRM

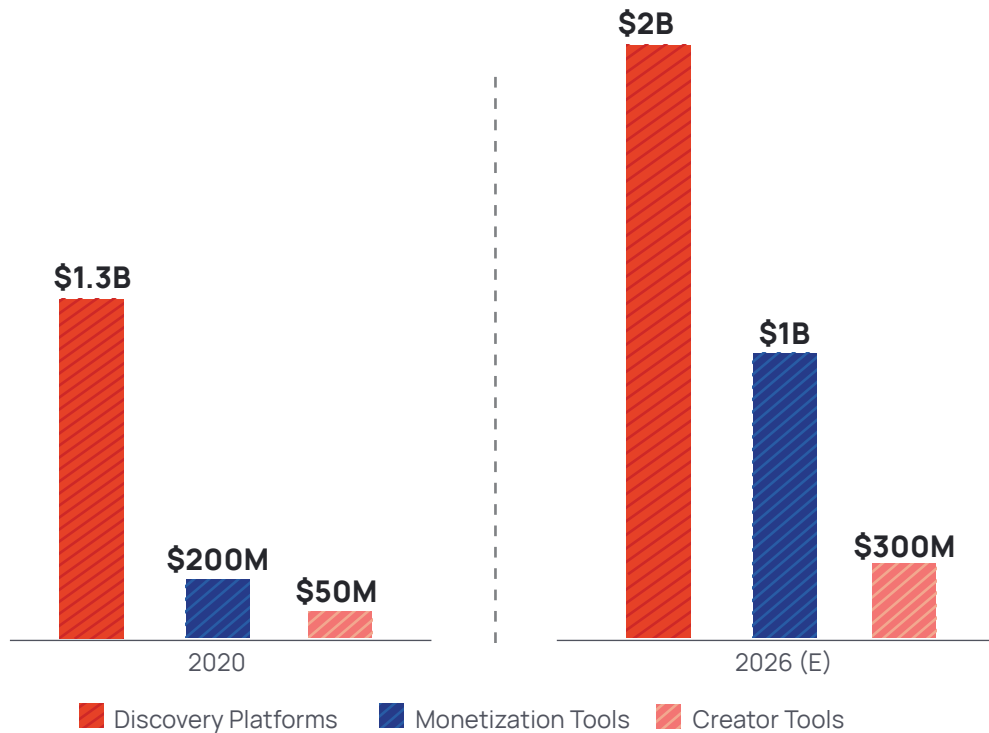




Funding Trends



Over \$2B in VC funding has gone into startups building for India's creator economy over the past 4 years, with nearly 75% of it coming during 2021. Nearly 85% of this funding went into creator discovery platforms.



Split of funding across themes

- *Discovery platforms for creators attracted the majority of VC funding. Short-form video platforms led the way, with more than **\$900M** in funding in just 2021.*
- *Influencer-led commerce has dominated funding into monetization platforms, with nearly **\$200M** in funding and companies such as Trell, BulBul, and SimSim leading the way.*
- *Creator tools remain an emerging category, with web builders and CRM tools driving initial funding. Companies such as Dukaan, Protonn, and Exly have raised nearly **\$35M**.*



Large platforms have also launched their own creator focused funds, recognizing the importance of directly supporting their creator communities.

 **\$1B**

Meta (formerly Facebook) has announced that they intend to invest over **\$1B** in programs that give creators new ways to earn money for the content they create on Facebook and Instagram.



\$1M
Per day to top creators

Snapchat launched a **\$1M daily pool** from which it pays out to top creators in its platform.



\$200M
For creators in the US

TikTok launched its Creator Fund program in 2020, with plans to distribute over **\$200M** to eligible creators on its platform.



\$100M

YouTube will pay creators up to \$10,000 per month for making videos on its short video offering - YouTube Shorts. The company plans to invest **\$100M** into creators through this fund.



\$13.5M

Indian platforms such as **Moj & MX TakaTak** both announced **\$13.5M** funds to support upcoming Indian creators.



\$13.5M



Key Success Metrics for Startups

As creators begin to explore monetization opportunities beyond ad-revenue, startups building for this ecosystem can explore several business models. These include:

- *Software as a Service (SaaS) for Creator Tools*
- *Direct Fan Subscriptions*
- *Creator Commerce*
- *Creator Aggregation*
- *Brand Collaborations*

While each company may have different growth levers, there are certain metrics that will be important to track for founders building for the creator economy.



Recurring Revenue for Creator Tools

For creator tools that monetize through SaaS, it is important to identify the Monthly Recurring Revenue (MRR) and Annual Recurring Revenue (ARR), the Customer Acquisition Cost (CAC) and Customer Lifetime Value (CLV), the Average Transaction Value (ATV) and other typical sub-metrics usually tracked for SaaS companies.



Conversion of Audience to Paid Subscribers

Conversion rate of a creator's existing audience into paid users signifies the ability of the platform to enable effective monetization for its creators. Conversion rates along with the Average Selling Price (ASP) of the creator's offering determines the total amount of value that can be generated on the platform.



Creator Earnings

Most creator platforms follow the 'Pareto Principle' - the top 20% of creators usually drive upwards of 80% of total earnings on the platform. It is important to measure the total number of creators who are earning a sufficient income through these platforms, since platform earnings are directly tied to creator earnings. Higher the earnings by creators, the likelier they are to continue using the platform, thereby minimizing creator churn.



Creator Retention

In most cases, creator retention is a function of monetization avenues that the platform offers. However, it is also possible that creators continue to use a platform because of the quality of tools it provides to enable content creation. Creator acquisition is an expensive proposition since there are inherent platform loyalties that compound over time.



User Growth Flywheels

Continuous growth and retention in the consumer base over time enables greater monetization opportunities for creators. In turn, more consumers drive more creators to the platform. On the other end, creators also drive their existing fans onto these platforms. Some of these fans are creators themselves and end up driving more users onto the platform. These growth flywheels must be built early to achieve success.

For platforms and marketplaces enabling creators to sell physical products, it is important to track user growth, acquisition channels, AOVs, and the repeat purchasing frequency.



Engagement Metrics

Platforms building for community engagement and peer-to-peer interaction should measure the engagement rates of their users. This can be done using metrics around the number of likes, comments, shares, etc., by the users, as well as by the amount of content being generated by users versus that by the creators.



Key Opportunity Areas



Direct Monetization Platforms

Traditionally, only the top 1% of creators online were able to monetize effectively through ad revenue sharing with social platforms. Today, there is an opportunity to build tools that enable the long tail of creators to monetize even if they don't have millions of fans.

We will see platforms enabling direct monetization for creators through a variety of ways: creators offering direct fan subscriptions with access to exclusive content, one-on-one communication between creators and fans, facilitating close-knit group interactions, tipping and donation, etc.



Creator-led Commerce

Social commerce in India is dependent on building trust among consumers. Referral loops and influencer-driven user acquisition will ensure lower CACs for brands. The rise of short-form video consumption provides an opportunity for platforms to allow influencers and creators to monetize through live commerce.



Creator Tools

There is scope for a suite of tools to enable creators to manage, build, and grow their businesses.

Nearly anybody today can follow their passion, get discovered, and build an audience. However, not all of them will have the ability to effectively manage and scale their services. There will be a large opportunity for platforms to take care of the entire back-end support for creators, allowing them to focus on their core skills.

These include tools for CRM, data analytics, legal work, creation, web builders, etc. There will be platforms that make the journey of coming online simpler for traditionally offline creators, such as fitness experts, teachers, counsellors, product designers, and more.



Finance for Creators

Creators currently earn revenue from multiple sources, have irregular income flow, and lack the knowledge and expertise to manage their finances effectively. Traditional financial institutions do not understand the creator ecosystem effectively and hence cannot provide effective solutions for them.

There is an opportunity for platforms to create the right financial infrastructure and tools catering to creators, helping them with accounting and management, payment solutions, lending, etc.



NFTs & Social Tokens

With the rise of Web3 and the 'Ownership Economy', creators can now open up new avenues for monetization through NFTs & Social Tokens. NFTs allow creators to have ownership over their digital assets, whereas through Social Tokens, fans can directly purchase a 'share' of their favorite creators. We believe that there is an opportunity for platforms to open up new monetization channels for creators through the rise of these assets.



Full Stack Platforms

While there are platforms helping creators overcome the hurdles of discovery, monetization, finance, and management separately, we believe that there are opportunities for full-stack solutions to emerge in certain verticals as well.

Creators and knowledge professionals in verticals such as health, fitness, beauty, dance, music, etc., who primarily built small, niche offline communities, now have the opportunity to scale their services through online tools and platforms. These are individuals who offer non-commoditized and creative services.

There is an opportunity for verticalized platforms here to not only help these creators bring their services online to monetize their existing audience, but also in helping them grow their user base and scale their services. These platforms can enable them to manage their workflows and audience, increase conversion of clients, payments, provide analytics, insights, etc.



Community Management

As creators build and grow their audiences on social media, their overall data and communication with their fans can still be moderated and controlled by the platforms. It is becoming more important for creators to 'own' their relationship with fans and actively think about community building.

We believe there will be platforms that help these creators with community building that entails greater peer-to-peer interaction and knowledge sharing, leading to stronger bonds. Monetization of such highly engaged communities will be easier down the line.



Ancillary Opportunities

The rise of the creator economy will also create ancillary opportunities such as creator learning platforms. Career aspirations of the younger generation have undergone a fundamental shift over the past decade. Young people no longer only want to go down traditional career paths, and now aspire to be creators, influencers, YouTubers, bloggers, entrepreneurs, etc.

While there is a clearly defined path for them to acquire skills in traditional careers, we see a huge opportunity to educate these aspiring creators on the new skillsets required to follow alternative careers. The future of work is going to be very different for millennials and Gen-Zs.



Conclusion

Millions of creators and knowledge professionals will pursue micro-entrepreneurship as monetization models continue to mature.

These individuals will be active beneficiaries of the rising consumer spending and India's growing GDP. On the other hand, consumers will continue to support their favorite creators, buying goods and services that reflect their authenticity and individuality. Deeper relationships will be built between creators and their fans, powered by the emergence of an entire ecosystem of tools and platforms that enable this shift.

While the creator economy was initially underground and dormant, it has now well and truly arrived.

At Kalaari, we are always looking to back promising founders. If you have ideas on the creator economy, we'd love to hear from you. Reach out to us at bigideas@kalaari.com



*For more insights, follow **Kalaari** on:*





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