
Cultural Daily

Independent Voices, New Perspectives

Big Data to Content: “Drop Dead!” Why Maker Studios is worth so much less than WhatsApp

Adam Leipzig · Wednesday, March 26th, 2014

Content creators—the popular term of art for the people who make entertainment media—are proudly crowing about [Disney’s](#) purchase of [Maker Studios](#) for \$500 million. They claim that the half-billion dollar price tag, which could nearly double if Maker achieves performance milestones, is proof of the value of their work.

They shouldn’t be so cocksure.

In fact, the Disney deal is greater proof of the sadly declining value of all creative output, even as it illuminates the one thing artists must do to give their efforts an edge.

Let’s take a look at the numbers.

Maker Studios is a content-creation machine. It boasts over 380 million subscribers and more than 4.5 billion monthly views on its 55,000 YouTube Channels.

Those numbers seem impressive... unless you are creating shows for Maker Studios, in which case you find them frustrating. I’ve taken a look at Maker’s deal-making practices, and spoken with talent agents who have tried to negotiate with them. Unlike traditional movie studios or television networks, Maker uses the Silicon Valley approach to intellectual property, which means that the creative people who make the shows get zero ownership rights, scant back-end participation, and no contract protections from professional guilds or unions. Maker gets “book value” and dollars, while its content creators get exposure and pennies.

Therefore, Disney now has access to thousands of hours of creative talent at bargain-basement prices, plus the continuing contracts for artists’ services, all with no obligation to pay normal studio residuals or fees.

However, that’s still not worth much. To put it in context, let’s compare the \$500 million Disney-Maker Studios deal with [Facebook’s](#) recent \$19 billion acquisition of mobile messaging platform [WhatsApp](#).

WhatsApp has 450 million active users worldwide. When Facebook paid \$19 billion for the company, they were buying each WhatsApp user for \$42. That’s not an exorbitant number; it’s what Netflix spends to acquire each customer. Why are WhatsApp and Netflix customers worth \$42 each? Because these customers provide exabytes of big data, which can be monetized in

myriad ways.

Data is King, not content.

In contrast, what data do Maker Studios' 380 million subscribers provide? To Maker, they provide none. Instead, they provide massive data to YouTube, where Maker's channels play, but Maker does not own that data. YouTube does, and YouTube monetizes it. Disney did not buy YouTube, and Disney has no privileged access to the data that derives from Maker Studios' content factory.

Based on the Disney deal, Maker Studios' subscribers are worth only about \$1.30 each. That's just 3% of the value of a WhatsApp user.

And what are each of Maker Studios' 55,000 channels worth? Less than \$10,000 per channel.

These are paltry numbers for the thousands of content-hours, hundreds of millions of subscribers and billions of views that Maker represents. The numbers are miniscule because they are based on content, not data, as Maker has no data to offer. In fact, I think Maker *had* to sell now, because they would not have been able to sustain their business model much longer.

If we pull back the curtain all the way, however, there is a fundamental lesson for all content creators and the companies that work with them: Don't build and own content unless you can also build and *own* your audience. If Maker had developed its own video platform, where it owned its audience's data, and not broadcast its content via YouTube, where it could not, Maker Studios would have been worth about \$16 billion.

That would have been something to crow about.

Top image from 'The Illest' by Far East Movement featuring Riff Raff, which premiered on Maker Studios' Maker Music YouTube Channel

This entry was posted on Wednesday, March 26th, 2014 at 11:00 pm and is filed under [TV](#), [Technology](#)

You can follow any responses to this entry through the [Comments \(RSS\)](#) feed. You can leave a response, or [trackback](#) from your own site.