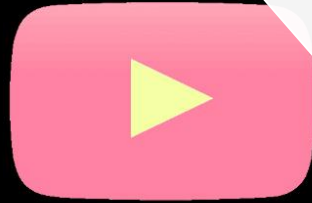


YOUTUBERS & MCNs Building a Media Business

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YouTube Culture Creators
Tomorrow's celebrities

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YouTube Culture Creators

Tomorrow's celebrities

A new phenomenon is taking over the screens watched by today's young viewers, who are known as Generation Z, Millennials, Digital Natives, or even Generation Edge. It comes in the guise of a new era of entertainers, several of whom started off with a second-hand video camera in their bedrooms as makeshift studios and became YouTube stars.

That band of young digital celebrities has had such an impact on the global media and entertainment space, they are being dubbed "Celeb Vloggers", "Famechangers", "Culture Creators", "Influencers", "YouTubers". They have totally redefined what it means to be famous in entertainment.

Some, like PewDiePie from Sweden and Michelle Phan in the US, are already millionaires from their YouTube endeavours. Depending on your age group, you might have also heard of KSi, Joey Graceffa, Kurt Hugo Schneider, Lindsey Stirling, Emma Blackery.

You might have watched them on YouTube play video games, sing, give lifestyle and beauty tips, be outrageously irreverent for a prankster joke. And teenagers worldwide love them. This is what Dominic Smales, managing director of the London/Los Angeles-based "Social Talent" agency Glean Futures, recently said about these next-generation video superstars.

"They are entrepreneurs. There is no gatekeeper between them and their fans. Their audience is in charge because they know what they want and say so via Facebook and Twitter," said Smales during a presentation at the London conference called The YouTube Paradox for the Music 4.5 event series. Smales, whose clients include British star vloggers Zoella and Alfie Deyes (**see profile capsules below**), said about them: "They are super savvy. They are not concerned about being famous and are more interested in building a media business. They find it difficult to give up control because they know their worth."

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These YouTubers are equally the foundations of the new business format known as Multi-Channel Networks (MCN). MCNs, which scout for YouTube talent, license their channels and aggregate them into digital media hubs, are currently highly valuable ventures that legacy media corporations are focusing on. Think of The Walt Disney Company's almost \$1bn takeover of leading MCN Maker Studios, which operates PewDiePie's channel and manages his more than 42 million subscribers and 11 billion-plus video views.

MCNs generate income by forming national, regional and/or global alliances with major brand owners, who want access to the millions of young YouTube viewers who see TV as a relic unless it is Internet-connected.

The MCN Reach And The Brands

Monetisation is the next big topic of debate for MCNs. Brands are increasingly working with the big YouTubers, whose fame is growing so quickly, many are also making an impact in non-digital media, and brands want to follow them there too. To generate income, several MCNs rely on YouTube's advertising sales force. Additionally, many are approaching marketers directly.

Last year, leading US MCNs, including StyleHaul, VICE Media, Machinima, Fullscreen and Discovery Digital Networks, presented their new shows to potential advertisers at the inaugural Digital Content NewFronts, an event organised by the Interactive Advertising Bureau. Furthermore, some are creating branded entertainment content for marketers. StyleHaul, the beauty and lifestyle MCN, has co-produced an original scripted short-form show called Vanity with cosmetics brand Maybelline.

The YouTuber Business: Its Value To TV

Traditional TV broadcasters see myriad benefits from collaborating with MCNs.

“At the moment, the traditional TV sector is learning how to stay relevant to increasingly digital, mobiles and social audiences,” says Tahir Basheer, a partner specialising in digital media at London-based international law firm Sheridans. “If the right synergy can be found between the two (TV and MCNs) in terms of quality content and value, perhaps we will see true innovation in content and content consumption.”

Such prospects have triggered investments in MCNs worth hundreds and hundreds of millions of dollars by major TV companies. In addition to Disney's acquisition of Maker Studios, Disney, News Corporation and A+E Networks together have stakes in VICE Media. Germany's RTL Group is a member of the MCN-owning club with interests in Canada's BroadbandTV and US-based StyleHaul.

Also in Germany, RTL rival ProSiebenSat.1 has snapped up a controlling stake in Studio71 (formed from the merger of US-based Collective Digital Studio and German MCN Studio 71). Endemol Shine Group owns ICON, an MCN channel fronted by popular YouTube stylist Michelle Phan. Warner Bros Entertainment is a shareholder in gaming-themed MCN Machinima, while DreamWorks Animation and Hearst Corporation are financial backers of AwesomenessTV.

Discovery Communications acquired Revision3 to be the foundation of its Discovery Digital Networks. And, in the Nordic region, MTGx (part of the Modern Times Group of broadcasters) has hiked its stake in Sweden's Splay Network and Dutch MCN Zoomin.TV.

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Also take note of newcomer Instrumental, in which record label giant Warner Music Group recently invested. It has launched a social music MCN that combines the business models of record labels and the monetisation models of TV by working with brands.

The growing valuations of MCNs lie in the digital-first intellectual properties developed by their YouTube stars.

A report by UK-based Digital Strategy Consulting concludes that an MCN with at least 1 billion monthly views is worth \$100 million. And in 2016, there are at least 22 MCNs with more than 1 billion monthly views.

The Top 100 MCNs, based on monthly views, are worth almost \$10 billion together. The global YouTube MCN market is worth more than \$20 billion when every single one is taken into account.



YouTube Celebrities Ones To Watch

The following pages comprise a selection of the YouTubers whose massive popularity among the international youth of today has made them the darlings of TV companies and brand owners.

**The YouTubers featured have not been selected for any particular reason apart from the fact that they illustrate what the next generation of screen stars are achieving via the Internet.

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PewDiePie

Gaming; Entertainment; Comedy

Country of origin: Sweden

Number of subscribers: 42.1 million

Number of video views: 11.2 billion

Achievements: Launching a new online channel called Revelmode in a joint venture with Disney-owned MCN Maker Studios; signed a major deal with world's biggest book publisher Random Penguin House; officially earned \$7.4 million in 2014; Variety magazine's No.1 Famechangers Digital Star in 2015

Examples of online shows: Undertale Series; Top 10 Comments I Hate; PewDiePie Quiz



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YouTube Culture Creators

Tomorrow's celebrities

Michelle Phan

Beauty; Lifestyle; Fashion

Country of origin: United States

Number of subscribers: 8.4 million

Number of video views: 1.2 billion

Achievements: Formed a joint venture with Endemol Shine Group to launch international online network called ICON; last year, she raised \$100 million for her company Ipsy, now said to be worth more than \$500 million

Examples of online shows: How To Take the Perfect Selfie; Cashmere Kitty; Rouge In Love



Zoella

Beauty; Lifestyle; Fashion

Country of origin: United Kingdom

Number of subscribers: 10 million

Number of video views: 672.3 million

Achievements: Has a two-year book deal with Penguin Books; her debut novel *Girl Online* was published in 2014; won a 2015 Teen Choice Awards

Examples of online shows: How To: My Quick and Easy Hairstyles; How Well Do We Know Each Other; Boyfriend VS Brother



KSi

Gaming; Comedy

Country of origin: United Kingdom

Number of subscribers: 11.9 million

Number of video views: 2.3 billion

Achievements: His videos are now part of the Endemol Shine Group's repertoire after it acquired branded entertainment production house Electric Robin, and OP Talent, the talent management sister company, which KSi belongs to; released his debut EP Keep Up in January

Examples of online shows: The Charlie Charlie Challenge; Q&A Sunday Series; Diving Prank



Alfie Deyes

Comedy

Country of origin: United Kingdom.

Number of subscribers: 4.9 million

Number of video views: 348 million

Achievements: Writing The Pointless Book series published by Blink Publishing (part of the Bonnier Publishing empire); included in the 2015 Debrett's 500 most influential people in the UK

Examples of online shows: PointlessBlog; PointlessBlog Vlogs; The Disgusting Wheel Challenge!; The Disgusting Tube Challenge



Kurt Hugo Schneider (KHS)

Music; Videos

Country of origin: United States

Number of subscribers: 6.7 million

Number of video views: 1.5 billion

Achievements: After major partnerships with Coca-Cola and Timex watch, Schneider is to co-produce a series of web videos with Sony Music Entertainment

Examples of online shows: Just A Dream by Nelly – Sam Tsui and Christina Grimmie; One Call Away - Charlie Puth - Mitchell Rose and KHS



Gracie Francesca

Beauty; Lifestyle; Music; Travel

Country of origin: United Kingdom

Number of subscribers: 204,181

Number of video views: 5.4 million

Achievements: Hosted her first ever London Fashion Week, which was aired on the BBC's iPlayer platform

Examples of online shows: Get UnReady With Me; Giant Sephora & Beauty Products Haul; Also hosts online platform UglyFaceOfBeauty



Emma Blackery

Comedy; Music; Gaming

Country of origin: United Kingdom

Number of subscribers: 1.1 million

Number of video views: 1112 million

Achievements: Her 2013 EP Distance went to No.1 in the iTunes Rock chart; is recording her fourth EP; is signed to the newly launched Free Focus, a digital talent management firm partly owned by major UK concert promoter Kilimanjaro Live

Examples of online shows: How To Deal With Haters; If Websites Started Dating; If Tampons Commercials Were Honest



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Fernanfloo

Entertainment; Gaming

Country of origin: El Salvador

Number of subscribers: 9.2 million

Number of video views: 2.2 billion

Achievements: Hit the Top 5 most subscribed YouTube channels in December 2015; is acknowledged as the biggest gaming star on BroadbandTV, one of the world's most watched MCNs and a subsidiary of German broadcast giant RTL Group

Examples of online shows: Atencion: Video Sin Sentido!!; El Fracaso De Fernanfloo!!; El Final Mas Grotesco De Un Videojuego!!



Elyar Fox

Music

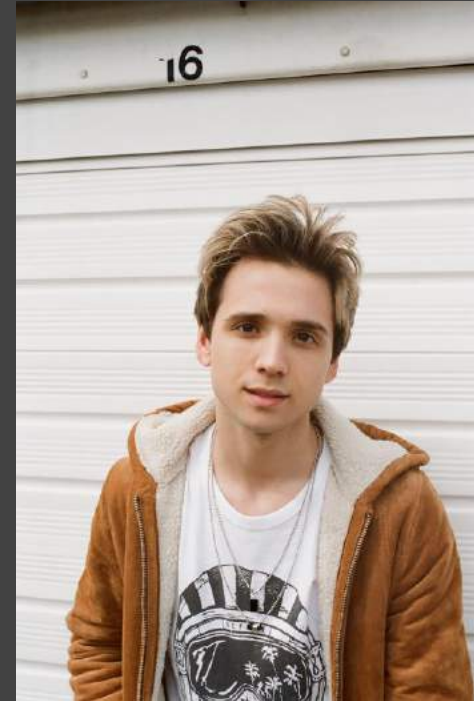
Country of origin: United Kingdom

Number of subscribers: 294,800

Number of video views: 23.4 million

Achievements: This teen heartthrob, also with 1.7 million Facebook fans, has been compared to Justin Bieber

Examples of online shows: Covers by Elyar Fox include Rihanna – Work (ft Drake); Justin Bieber – Love Yourself; One Direction – What A Feeling (Acoustic)



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YouTube Culture Creators

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Colleen Evans (aka Miranda Sings)

Comedy; Music

Country of origin: United States

Number of subscribers: 5.9 million

Number of video views: 856 million

Achievements: Is signed up to star in Haters Back Off, Netflix's first scripted series starring a YouTube celebrity

Examples of online shows: Nicki Minaj – Anaconda (Miranda Sings Cover): Peeling Skin Off My Feet; Starships Music Video



VitalyZdTV

Comedy

Country of origin: Russia

Number of subscribers: 8.9 million

Number of video views: 1.1 billion

Achievements: Is a star in the movie Natural Born Pranksters, for which Lionsgate (distributor of The Hunger Games, the 15th biggest film franchise of all time) has acquired global distribution rights

Examples of online shows: Using Strangers Phone to Make A Drug Deal Prank!; VitalyZdTV Crazy Arrests!!; Terrifying Chucky Scare Prank



About the Author

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Juliana Koranteng is the founder/editor-in-chief of **MediaTainment Finance (MTF)**, the business journal that covers investments in the international media, entertainment and creative sectors. Koranteng, an international journalist, has been a contributing editor at Billboard magazine, Rockol.com and the daily magazines published by Boutique Editions at the annual MIPTV, MIPCOM and Cannes Lions events in Cannes.

She has been a correspondent for TIME magazine, the Hollywood Reporter, Advertising Age, the Washington Post, The Economist, UK national newspapers and the author of several books and reports. She also conceived, developed and sold New Media Age, the UK's leading digital-marketing publication, to Centaur Media. She has given speeches at international events and been interviewed on BBC TV and radio, CNN and Bloomberg TV.

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