

TikTok sunsets its \$1 billion creator fund, marking a new era for the creator economy

Article

The news: TikTok will close its \$1 billion creator fund on December 16, the company announced.

- Instead, TikTok will rely on a number of alternative channels for paying creators, such as its **Creativity Program** and **TikTok Pulse**.

Creator fund sunset: The closure of TikTok’s controversial creator fund completes a yearlong change in how social media companies handle payouts to content creators.

- When creator funds were the dominant method of compensating, TikTok and other social media platforms like **Instagram** were notorious for scant payouts and unclear rules around payment terms.
- With Instagram, TikTok, and **YouTube** all vying for dominance of short-form video, enticing creators with bigger payouts became a priority. Last year, YouTube announced a revenue-sharing program for **YouTube Shorts** that allowed eligible creators to keep 45% of their ad revenues.
- The announcement had an immediate effect on YouTube Shorts, which saw a surge of major publishers and creators on the platform, sending a clear message that creators preferred the clear and relatively high-percentage sharing model.

The next stage: YouTube’s success with revenue sharing caused other platforms to change their tune and has birthed a creator economy that prioritizes consistent payouts over volatile funds.

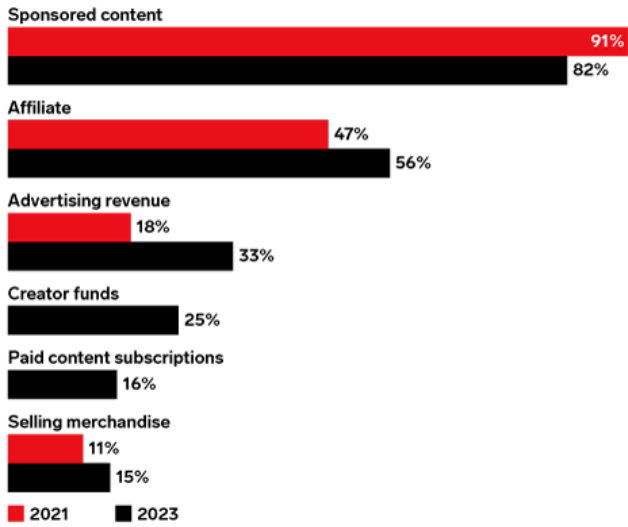
- TikTok unveiled several creator payout options throughout 2023, though some repeated the creator fund’s opaqueness around payout rules. But TikTok has said new initiatives like the Creativity Program could result in creators getting payouts that are 20 times higher than under the fund.
- Stepping away from creator funds and introducing revenue sharing also benefited other platforms. **Snap** has attracted major influencers throughout the year due to higher payouts via its Snap Stars program. Even X (formerly Twitter) attempted to roll out revenue sharing—though it quickly ran into issues and sent money to controversial figures.

Our take: For creators, the decision of which platform to prioritize has three primary issues to consider—the size of payouts, transparency, and audience size.

- TikTok’s cultural relevance will help it remain a desirable platform and higher payouts are certainly a plus, but surveys show that what creators value above all else is stability and security.

How Do US Creators Earn Income?

% of respondents, 2021 & 2023



Source: Mavrck, "Creator Compensation Report," Aug 15, 2023

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