
How Facebook benefits the creative industries

Executive Summary

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1 Context

Digital platforms have transformed the ways in which people discover and experience content from the creative industries.¹ By connecting consumers with creative content from around the world, digital platforms can help creators to share their content more easily and more widely. It is important that policymakers understand the role digital platforms play in the creative industries to ensure these benefits are not jeopardised.

To help inform the policy debate, Facebook has commissioned Oxera to assess how digital platforms can benefit the creative industries in the EU. We draw on the academic literature, publicly available information, and specially commissioned business and consumer surveys to understand how consumers and creators perceive these tools.

We begin by setting out the economics of the creative industries, before defining a benefits framework around four key mechanisms: **reach**, **engagement**, **conversion**, and **optimisation**. We then test our framework through our consumer and creator surveys.²

Our full research findings are presented across two reports:

- Our **Consumer Report**³ providing an overview of the creative industries, the economics of the media industry, and detail on the theoretical underpinnings of the **reach**, **engagement** and **conversion** processes from the consumer perspective. This report also provides the results of our consumer survey, demonstrating how Facebook and Instagram facilitate these processes.
- Our **Creator Report**⁴ providing more information about the reach, engagement and conversion processes from the perspective of creators, as well as detailing how Facebook's tools support **optimisation**. This report also includes the results of our creator survey, testing how creators benefit from these processes. .

This summary presents the key findings from these two reports.

About Oxera

Oxera is an international economics consultancy with over 35 years of experience across sectors, geographies and jurisdictions. We build relationships with policymakers, assessing, shaping and advising regulatory and government policy.

We have a deep understanding of the digital and creative sectors, having been actively engaged in the debate around the future of digital regulation. We regularly [publish on this topic](#), contribute to public consultations, and advise policymakers, regulators and businesses on digital and creative issues.

¹ By 'creative industries', we mean publishing (including physical books, creative writing, and blogs), audio (including single tracks, podcasts and radio) and video (including traditional and streamed film, TV shows and low-budget, short-form content).

² Our study represents an analysis of the potential benefits of Facebook's family of services (specifically Facebook and Instagram) to the creative industries in the EU. We do not seek to measure the net effect of Facebook on creative industries, which is beyond the scope of this study.

³ Oxera (2021), 'How does Facebook benefit consumers of creative content in the EU? Evidence from a survey of EU consumers', May

⁴ Oxera (2021), 'How does Facebook generate value for creative industries in the EU? Evidence from a survey of EU content creators', June

2 The economics of creative industries

Creative industries differ from other sectors of the economy in a number of important ways. First and foremost, unlike most other products and services, creative content has a **social and cultural value** that is difficult to express in monetary terms.

Art plays a crucial role in helping us to understand other people's ideas, social norms, and values, as well as influencing people's tastes, views and behaviours. In Europe, art and other creative content helps to create a shared sense of European identity, culture and values, while also strengthening social cohesion.⁵

The nature of creative content also means that its economic characteristics differ from standard consumer products in a number of important ways.

- **You can't know until you've tried it.** Consumers can only tell whether a song, article, or film is worth their time after they have listened to it, read it, or watched it; they cannot judge this beforehand. In economics, these types of goods are referred to as '**experience goods**', as their value can only be determined through experience.⁶
- **There's no such thing as absolute quality.** Each individual's tastes are unique, and they will enjoy and value different types of content in unique ways. This makes it difficult for consumers to judge which content will best match their taste; likewise, it is difficult for creators to know which consumers will value their work.
- **The creative industries are innovative.** The development and adoption of new ideas is fundamental to the creative industries.⁷ This makes it more difficult for consumers to know whether they will enjoy a particular piece of content even if they valued the creator's previous work. Just because you enjoyed an artist's first album, there is no guarantee you will enjoy their second, and vice versa.
- **Art is not created (or consumed) in a vacuum.** An individual's enjoyment of art is often dependent on whether others enjoy it or not. In particular, consumption decisions depend on **social capital** (i.e. interpersonal relationships, trust, shared norms and values, and so on), **social learning**, and **social networks** (i.e. the structure and dynamics of social interaction).⁸

These characteristics mean that consumer decisions around creative content are not well captured by traditional economic models. In order to better understand the creative industries, we incorporate insights from **behavioural economics**—a prominent field of economics that draws on insights from psychology, sociology and neuroscience to explain the decisions of consumers and producers.⁹ Some key insights relevant to the creative industries are presented below.

- **The wisdom of crowds.** We tend to look to other people for information about what is a 'good' choice. Individuals trust that decisions made by a large group could not be 'wrong' and can therefore assume that they will enjoy what is popular. This is rational

⁵ European Commission, 'Cultural and creative sectors', <https://ec.europa.eu/culture/sectors/cultural-and-creative-sectors>, accessed 1 September 2020/

⁶ Nelson, P. (1970), 'Information and Consumer Behavior', *Journal of Political Economy*, **78**:2, pp. 311–29.

⁷ Potts, J. and Cunningham, S. (2010), 'Four models of the creative industries', *International Journal of Cultural Policy*, **14**:3, pp. 233–47.

⁸ Bikhchandani, S., Hirshleifer, D. and Welch, I. (1992), 'A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades', *Journal of Political Economy*, **100**:5, pp. 992–1026.

⁹ In 2002, the psychologist Daniel Kahneman was awarded the Nobel Memorial Prize in Economics for integrating insights from psychology into economics, which became known as behavioural economics. In 2017, Economist Richard Thaler was also awarded the Nobel Memorial Prize in Economics for his contributions to behavioural economics, focusing on how human traits (such as limited rationality and social preferences) impact on consumer decision-making. For more details, see the website of the Nobel Foundation, <https://www.nobelprize.org/prizes/lists/all-prizes-in-economic-sciences/>, accessed 1 September 2020.

to some extent: if a large number of people like a specific TV show, there is a good possibility that you will enjoy the show as well (especially if the people who enjoyed the show are similar to you).¹⁰

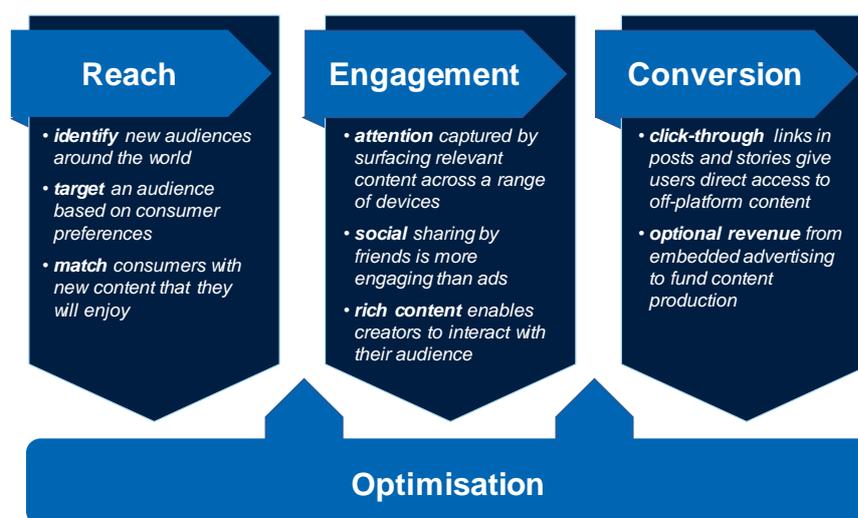
- **Learning behaviour.** It is often difficult to assess whether you will enjoy a piece of creative content before you have experienced it. To overcome this problem, we tend to rely on the feedback of others.¹¹ Once audiences begin to share their experiences, more information about the content is revealed. As information about the content spreads throughout social networks, other individuals within those networks begin to learn about the type and quality of the content.
- **Interpersonal needs.** The importance of learning behaviour is further reinforced by our interpersonal needs. We have an intrinsic motivation to be part of a group and tend to conform to group behaviour. This desire for a sense of community can mean that individuals may benefit from using the same product or service (e.g. a film or album) as others in their environment. This is why individuals tend to be influenced in their decisions by the choices of their friends.¹²

It is similarly difficult for creators to determine who might enjoy and pay for their content; producers, distributors and investors face the same challenge when assessing the demand for newly created content and deciding on a target audience.

This variety in types of content and consumer preference means that the **matching process** is particularly important in the creative industries. A lack of information can mean that users do not discover and consume content that they would enjoy, and that creators do not reach audiences who would value their content.

Digital services like Facebook can help to overcome these issues by matching users with creators, based on the content that they might enjoy, and by **connecting** users so that they can share information about the content they have consumed, whether this is on- or off-platform. As explained in the following sections, platforms do this by helping creators to **reach** the relevant audience, **engage** them, and then **convert** or monetise this engagement, as well as allowing creators to **optimise** their ongoing campaigns and content distribution strategies.

Figure 2.1 Our economics effects framework



¹⁰ De Vany, A. (2004), *Hollywood Economics: How Extreme Uncertainty Shapes the Film Industry*, Routledge, London.

¹¹ Bikhchandani, S., Hirshleifer, D. and Welch, I (1992), 'A Theory of Fads, Fashion, Custom, and Cultural Change as Informational Cascades', *Journal of Political Economy*, **100**:5, pp. 992–1026.

¹² Cialdini, R. and Goldstein, N. (2004), 'Social Influence: Compliance and Conformity', *Annual Review of Psychology*, **55**, pp. 591–621.

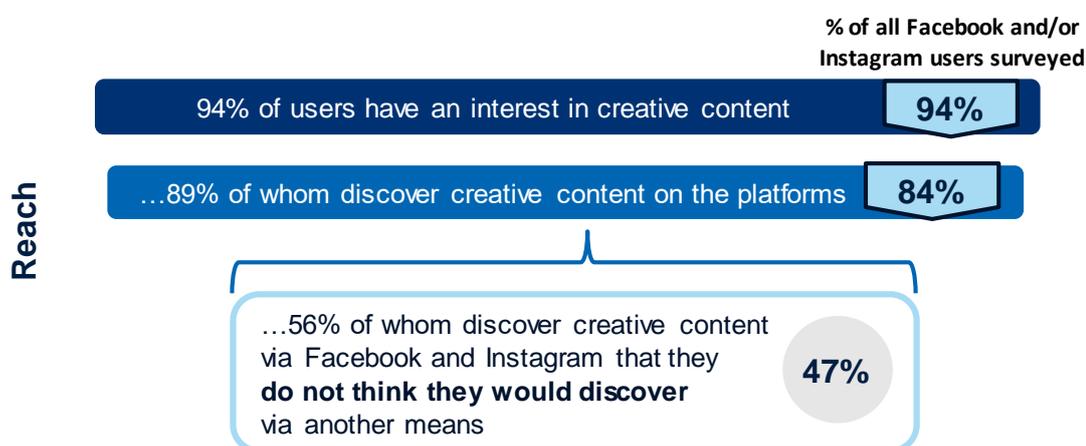
3 Reach

When a creator is promoting a new piece of content, their first step is to reach the most relevant audience and build awareness of that content.¹³ Online social media platforms like Facebook allow creators to reach a **wide audience** easily and cost effectively, potentially increasing the chance that they will connect with users who will value their content.

Our Consumer Report found that 84% of the Facebook and Instagram users we surveyed have discovered creative content on the platforms. Much of this discovery was incremental, with 47% of these users saying they had discovered artists or content on the platforms that they would not have normally have discovered through other means, as highlighted below in Figure 3.1.

We also found that Facebook and Instagram help consumers to learn about artists and content from other countries, with 35% of the users surveyed saying that they had discovered creative content from another EU country over the platforms.¹⁴

Figure 3.1 Facebook’s reach



Source: Oxera (2021), ‘How does Facebook benefit consumers of creative content in the EU? Evidence from a survey of EU consumers’, May, section 2.1.

For creators, both Facebook and Instagram provide spaces they can use, for free, to publish content and connect with fans. Users can then like these Pages (Facebook) or follow these Accounts (Instagram), allowing creators to reach them directly by posting new content (‘owned impressions’).

The social organisation of the platform and its sharing features also helps creators to ‘boost’ their reach beyond this core fanbase for free (‘earned’ impressions). This ‘boost’ occurs when a user interacts with a creator’s post or content (e.g. by liking the post, tagging their friends or sharing it), making it visible to others in that user’s network.

Furthermore, creators may choose to increase their reach beyond this core fanbase through paid advertisements (‘paid impressions’). In addition, Facebook tailors the stream of content (owned, earned, or paid) appearing in each individual user’s News Feed in a way that is designed to help creators reach the **most relevant audience** (i.e. those most likely to enjoy their content). This means that:

¹³ Lavidge, R. J. and Steiner, G. A. (1961), ‘A Model for Predictive Measurements of Advertising Effectiveness’ *Journal of Marketing*, 25:6, pp. 59–62.

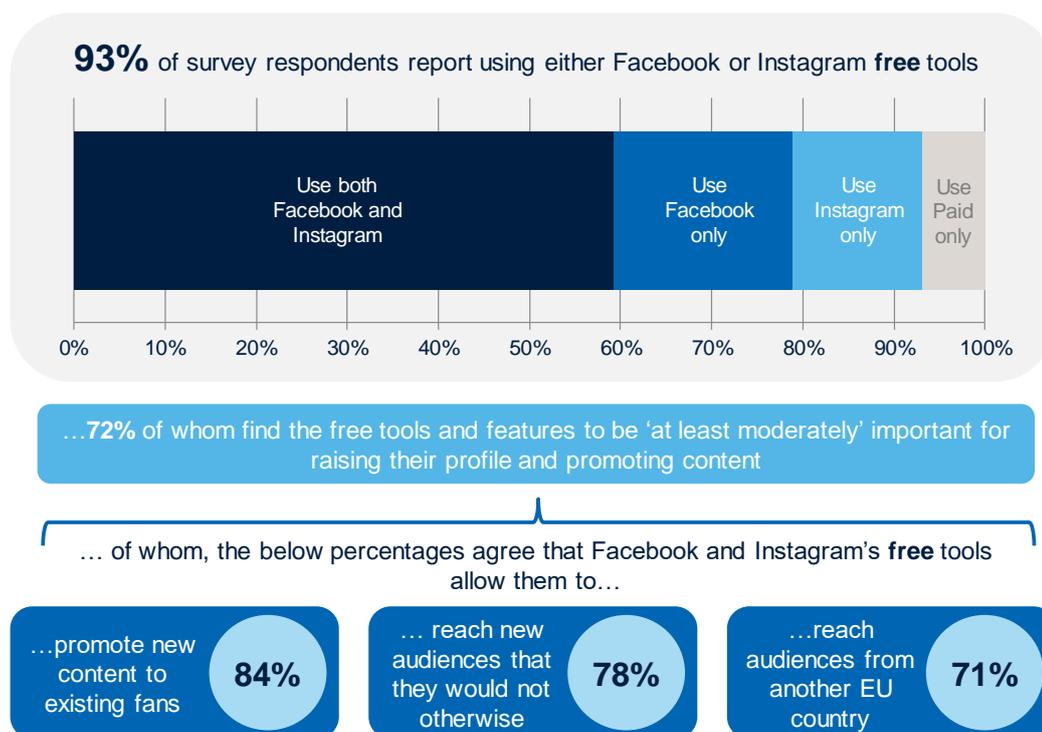
¹⁴ See Oxera (2021), ‘How does Facebook benefit consumers of creative content in the EU? Evidence from a survey of EU consumers’, May, Appendix A1, Q11.

- **a wider range of content** can be displayed on Facebook than on traditional channels, as Facebook displays what a given person is most interested in, rather than what most people are somewhat interested in;
- **creators can reach consumers** who are most likely to enjoy their content, based on observed demographics and interests.

This combination of tailoring and personalisation, along with paid and free promotional tools, allows creators of all sizes to increase their reach through Facebook. For some creators and creative businesses, this may complement traditional channels, extending their audience from analogue to digital; while for others, Facebook offers a direct route to their target audience.

Our Creators Survey assessed how Facebook’s free and paid tools help creators to reach a wider audience, offer a range of more relevant content, and extend their reach cost-effectively. As shown in Figure 3.2, we found that 93% of respondents use either Facebook or Instagram’s free tools, and 72% of these respondents find that these tools are at least ‘moderately important’ for raising their profile and promoting their content.

Figure 3.2 Using Facebook and Instagram’s free tools and features to aid reach



Note: Excludes those who answered 'Not applicable/Do not know'.

Source: See Oxera (2021), 'How does Facebook create value for creative industries in the EU? Evidence from a survey of EU content creators', June, Appendix A1, Q7, Q15, Q17, Q18.

In addition, we found that 72% of survey respondents who use Facebook or Instagram’s paid tools agree that they are able to reach consumers more cost effectively than via ‘other means’.

4 Engagement

Once a creator has reached their audience and the audience has become aware of their content, the next step for the creator is to engage the audience and develop a positive reaction to their work. Platforms, such as Facebook, are designed to encourage interaction by audiences.

By liking or commenting on posts, or by sharing their experiences, users **engage directly** with creators they enjoy. These interactions are also visible to a user's connections, enabling a **learning behaviour** that can shape other users' perceptions of the creators involved, potentially increasing interest in the work.¹⁵

Of the Facebook and Instagram users that we surveyed in our Consumer Report, 94% expressed an interest in creative content.¹⁶ Of these, 89% said that they had discovered creative content through these platforms, with 72% of people within this group 'liking' content and 60% sending the content on to additional friends or groups (see Figure 4.1).

As well as helping to facilitate conversion (see section 5), this engagement among and between audiences and creators generates significant value in its own right, through:

- **Validation and recognition.** As well as seeking financial remuneration for their work, creators are motivated by a desire to create quality content that is valued and recognised by their audiences and peers.¹⁷
- **Sharing and discovering content.** User interaction with content (e.g. liking, commenting or sharing it) makes it visible to a wider audience, aiding discovery.¹⁸
- **Community feedback.** Online platforms such as Facebook allow users to interact with content as they consume it, providing creators with the opportunity to receive real-time feedback on what their audiences enjoy and how their work could be improved.¹⁹
- **Attracting industry attention.** Producers of creative content may aim to increase engagement in order to attract industry attention and find the right partners further downstream in the value chain.

In our Creator Report, we found that 80% of creators reported encouraging users to like or follow them on Facebook or Instagram.²⁰ We also found that the average creator has around 3,000 followers on Facebook and/or Instagram; that 30% of their interactions with fans occur through these platforms; and that 30% of these interactions would not have occurred through another channel.

¹⁵ Amblee, N. and Bui, T. (2011), 'Harnessing the Influence of Social Proof in Online Shopping: The Effect of Electronic Word-of-Mouth on Sales of Digital Microproducts', *International Journal of Electronic Commerce*, **16**:2, pp. 92–3.

¹⁶ See Oxera (2021), 'How does Facebook benefit consumers of creative content in the EU? Evidence from a survey of EU consumers', May, Appendix A1, Q4. Respondents who scored themselves a 5 or above were deemed to have an interest in creative content.

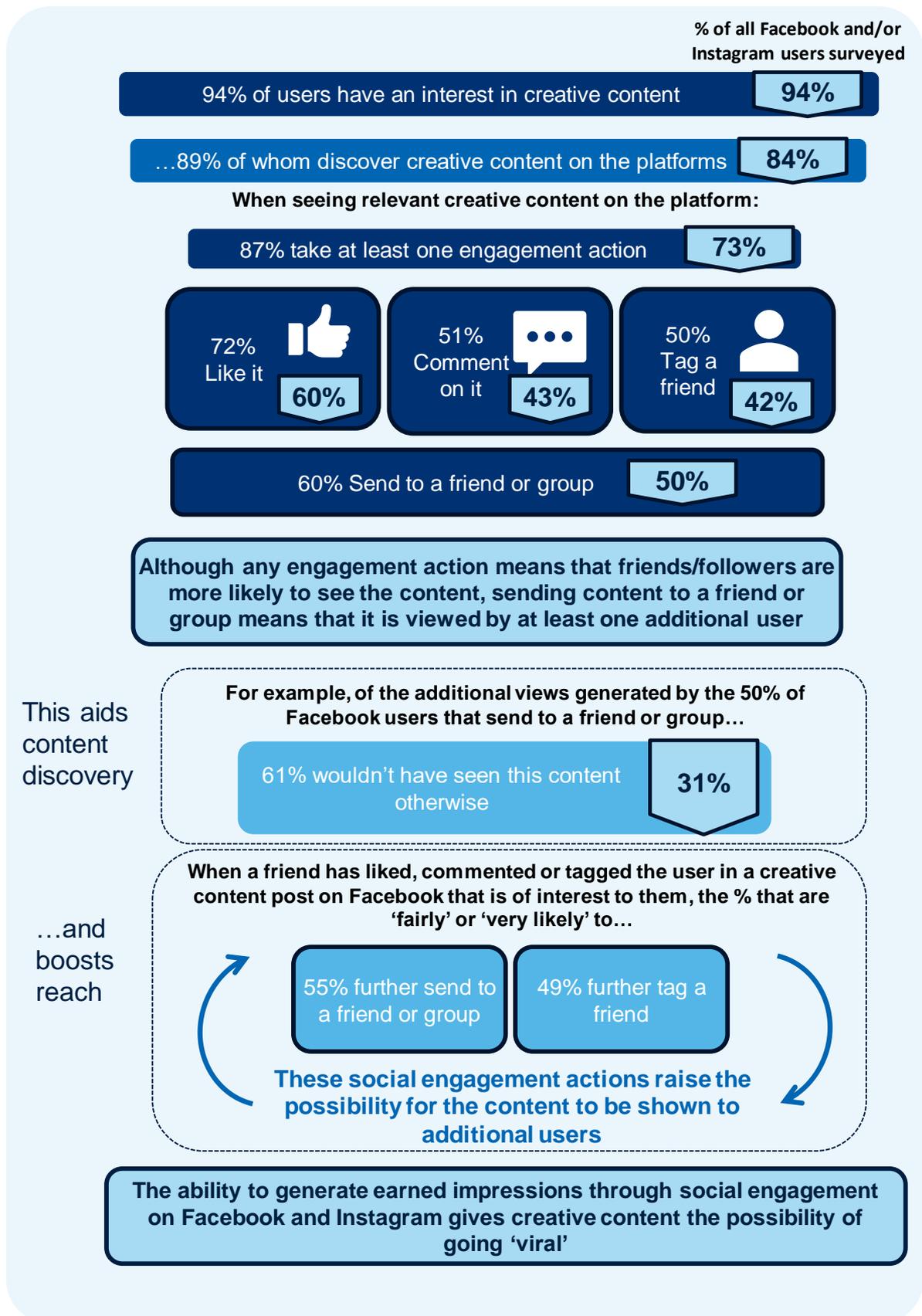
¹⁷ Haynes, J. and Marshall, L. (2018), 'Beats and tweets: Social media in the careers of independent musicians', *New Media and Society*, **20**:5, pp. 1973–93.

¹⁸ Dholakia, U., Bagozzi, R. and Pearo, L. (2004), 'A social influence model of consumer participation in network- and small-group-based virtual communities', *International Journal of Research in Marketing*, **21**:3, pp. 241–63.

¹⁹ Perry-Smith, J. and MannucciEx, P. (2017), 'From creativity to innovation: The social network drivers of the four phases of the idea journey', *Academy of Management Review*, **42**:1, pp. 53–79.

²⁰ Oxera (2021), 'How does Facebook benefit creative industries in the EU? Evidence from a survey of EU content creators', June, Appendix A1, Q 30.

Figure 4.1 Facilitating boosted reach and discovery



Source: Oxera (2021), 'How does Facebook benefit consumers of creative content in the EU? Evidence from a survey of EU consumers', May, Appendix A1, Q8, Q12, Q15 and Q17. See A1.3 for estimation of '% of all Facebook and/or Instagram users'.

5 Conversion

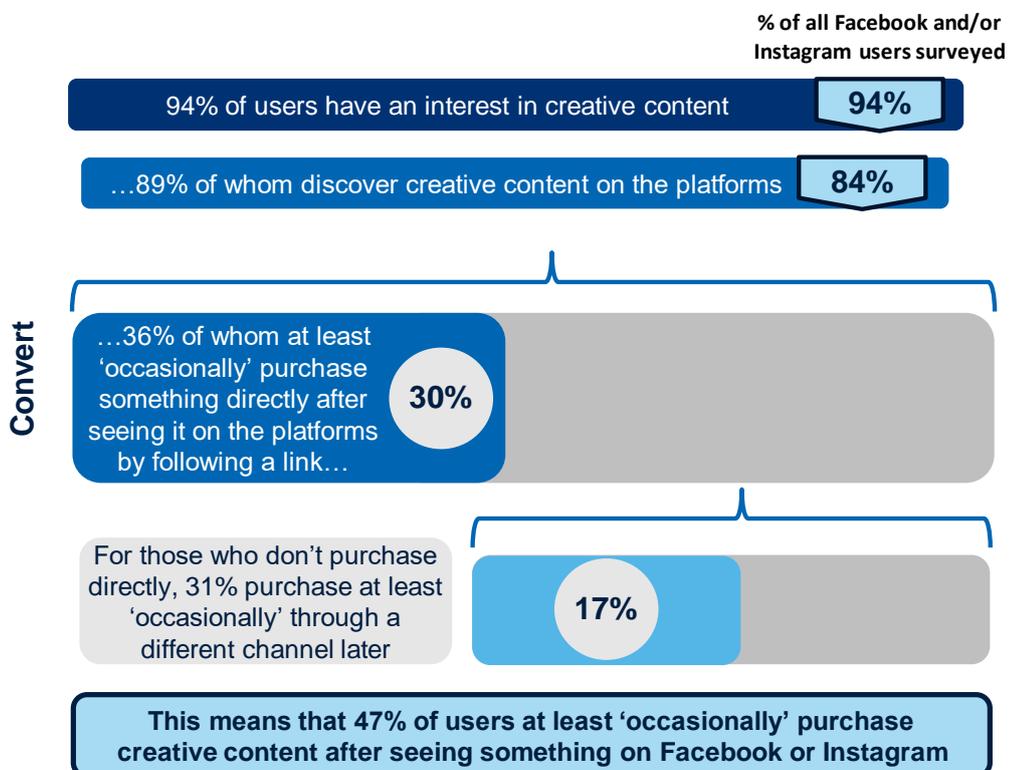
Once a creator has engaged their audience, they need to convert this engagement into revenue. Conversion can happen either directly, where the user pays to purchase, download or stream content; or indirectly, where the creator earns advertising or affiliate revenue as a user views their content. By helping creators to reach a greater number of relevant users and facilitating engagement and interaction between them, Facebook helps creators to find those consumers who they are most likely to convert.

Facebook's tools help facilitate that conversion both on- and off-platform:

- **On-platform conversion.** Creators can choose to monetise the user engagement their content generates indirectly through the use of in-stream ads (whereby a creator features advertisements in or around their content) or through branded content (whereby creators are paid by a brand affiliate to promote a particular product).
- **Off-platform conversion.** Once a creator has reached the relevant audience and engaged them, they can use their interaction over Facebook to encourage the audience to purchase, download or stream the content off-platform (e.g. by downloading an album), which in turn generates revenue for the creator.

In relation to on-platform conversion, our Consumer Report found that over 40% of the Facebook and Instagram users we surveyed (representing over 50% of the total survey sample) are 'fairly likely', or 'very likely' to either watch a video that includes an advert for something else and/or engage with sponsored content. We also found that 47% of the Facebook and Instagram users we surveyed at least 'occasionally' make purchases from creators after seeing it on the platforms (as illustrated in Figure 5.1 below).

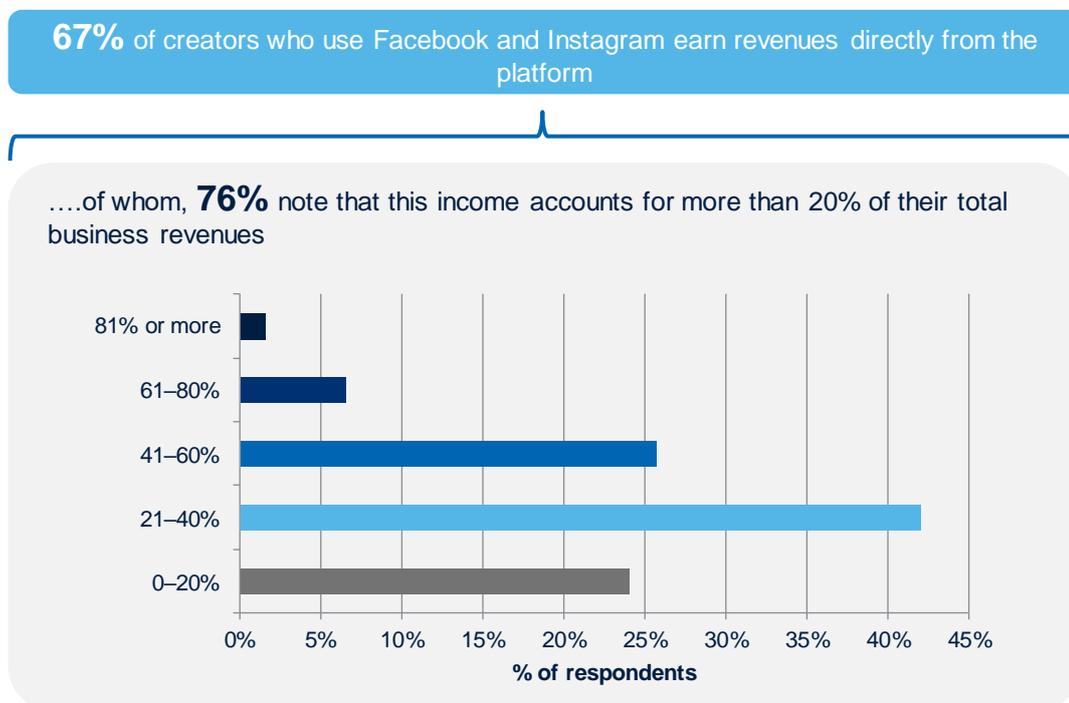
Figure 5.1 Facilitating conversion



Source: See Oxera (2021), 'How does Facebook benefit consumers of creative content in the EU? Evidence from a survey of EU consumers', May, Appendix A1, Q8, Q25, and Q26. See A1.3 for estimation of '% of all Facebook and/or Instagram users'.

Similarly, our Creator Report found that 67% of respondents earn revenues directly from Facebook and Instagram. Of these, 76% reported that the revenues from Facebook and Instagram accounted for more than 20% of their total revenues (see Figure 5.2 below).

Figure 5.2 Revenue earned by creators on Facebook and Instagram



Note: Excludes those who answered 'Not applicable/Do not know'.

Source: See Oxera (2021), 'How does Facebook generate value for creative industries in the EU? Evidence from a survey of EU content creators', June, Appendix A1, Q36, Q37.

Our findings also showed that creators use a wide variety tools and features to facilitate on-platform conversion. Facebook has recently launched a number of direct-monetisation options, such as: Fan Subscriptions, whereby fans pay a recurring monthly subscription in return for access to exclusive content; Stars, a function that allows consumers to pay or 'tip' performers throughout a livestream; and Paid Online Events, a ticketing system through Facebook Live.

In relation to off-platform conversion, our survey found that 49% of respondents reported that Facebook and Instagram is at least 'moderately important' to their off-platform revenues. One of the reasons why creators encourage users to like their Facebook page or follow their Instagram account is to maximise conversion opportunities.

6 Optimisation

Throughout the different stages (i.e. when reaching, engaging and converting audiences) Facebook helps creators to **optimise** their content or promotion campaign. Our Creators Report found that 84% of respondents use free or paid Facebook and Instagram tools in this way, as shown below in Figure 6.1.

Figure 6.1 Using Facebook and Instagram tools to optimise campaigns



Note: Excludes those who answered 'Not applicable/Do not know'.

Source: See Oxera (2021), 'How does Facebook generate value for creative industries in the EU? Evidence from a survey of EU content creators', June, Appendix A1, Q41, Q42.

Facebook tools can give creators **greater insight and control** around how their content is being shared; and opportunities to **optimise** the promotion of their work, such as:

- **Campaign targeting.** Facebook tools like Page Insights, Creator Studio and CrowdTangle provide immediate feedback on and analysis of a creator's reach and engagement. These features enable creators to understand whether their targeting strategy is working and why, and help to optimise reach and engagement strategies.
- **Content control.** Facebook's 'Rights Manager' enables approved partners to monitor and protect copyrighted work by scanning the content uploaded to Facebook and Instagram. If a match is found, creators can: *block*: requesting that access to the copyrighted content is disabled to protect its value; *monitor*: access data and insights about the uploaded content—such as how it is performing on the platform—which can be used to better match audiences; *expand reach*: attaching 'ownership links' to aid promotional activity; or *monetise*: claiming the ad-revenue if the uploaded content includes instream ads. This allows creators to benefit from their content being on Facebook even if it is uploaded by another user.
- **Off-platform promotion.** Facebook also offers a number of tools that can support creators in optimising off-platform promotion. By identifying interested customers, creators can reach those customers with relevant content, enhancing **conversion**.

About Facebook

Online platforms such as Facebook and Instagram enable creators to share their own content or authorised third-party content (referred to simply as ‘content’ throughout this report) with users from around the world.

Facebook provides creators mechanisms to report unauthorised use of their intellectual property. Facebook provides rights holders with dedicated channels to report content they believe infringes their intellectual property rights, including via our online reporting forms available at [Facebook](#) and [Instagram](#). Facebook continues to invest in developing additional features to help rights holders protect their content at scale, such as through its content management and matching tool, [Rights Manager](#).

Source: Facebook.

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