

# Content hosting platforms: Research at the FTC

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The views expressed in this presentation are those of the authors and do not necessarily reflect those of the Federal Trade Commission or any individual Commissioner.

# Convincing Joel Waldfogel his Gaming Paper is Important

- Content hosting platforms are a huge and growing industry
- YouTube comprises 13.4% of US watch time
- The League of Legends World Championship had nearly 6.7M viewers on Twitch
  - Compare to MLB World Series 9.9M

## YouTube is now the world's largest media company, and it is only getting bigger

YouTube's 2025 revenue topped even Disney's media properties and is poised for ongoing growth both in advertising and subscriptions, MoffettNathanson says

By Lukas I. Alpert [Follow](#)

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YouTube generated the most revenue of any media company in 2025, besting Disney for the first time, according to MoffettNathanson Research.

PHOTO: AFP VIA GETTY IMAGES

# Casner and Teh (2025): Platform Business Models

## **“Discovery platforms”**

content discovery (algorithm) + ads



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enable direct monetization

- Subscriptions  
to creators,  
exclusive content,  
reward-based  
donations:



- Merchandise  
& online courses:



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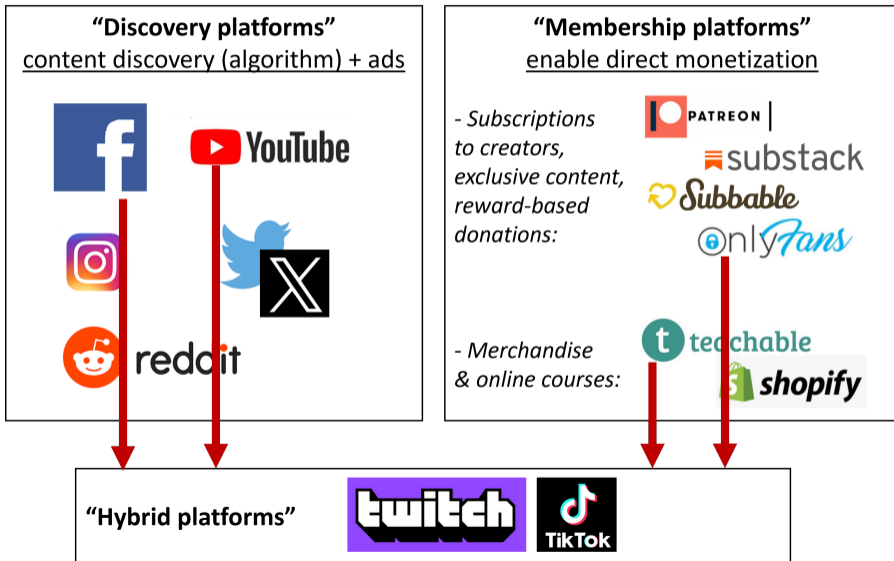
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## “Hybrid platforms”



# Hybrid appears to be more profitable



# Consumers search for content

- A monopoly platform
  - mass-1 of **symmetric content creators**  $i \in N$ , each chooses design  $\lambda_i \in [0,1]$
  - mass-1 of **unit-demand consumers** (each becomes a viewer for one creator)
- **Consumers search** sequentially for creators (Wolinsky, 1986)
  - per-search cost  $s > 0$  to inspect each creator (e.g., a brief preview)
    - with prob  $\lambda_i$  : match in taste - utility of becoming a viewer is  $u(\lambda_i) \geq 0$ 
      - $u' \leq 0$ : utility increasing in nicheness
    - with prob  $1 - \lambda_i$  : taste mismatch and zero utility
  - heterogeneous **outside option**  $x$  iid log-concave CDF
    - starts searching iff  $x$  is small

# Discovery portals help with search and incentivize broad content

- If platform operates a **discovery portal only (pure discovery)**
  - **recommends a creator to each consumer** at every step of search

- probability of creator  $i$  being recommended:

$$D(\tilde{u}_i; \tilde{u}_{-i}) = \frac{\exp\left\{\frac{\tilde{u}_i}{1-r}\right\}}{\int_{k \in N} \exp\left\{\frac{\tilde{u}_k}{1-r}\right\} dk}$$

- $\tilde{u}_i = u(\lambda_i) - s/\lambda_i$ : search reservation value associated with creator  $i$  (Weitzman, 1979)
      - $r \in [\underline{r}, \bar{r}] \subset (-\infty, 1)$ : **recommendation sensitivity, set by platform**
      - **interpretation**: platform recommends the best available option, subject to noise
- **creator  $i$ 's per-viewer revenue:**  $a$  (direct monetization impossible without mem. portal)
- platform's ad revenue per viewer:  $A \geq 0$  (not shared with creators, but not crucial)

## Membership portals allow for value transfer and incentivize niche content

- If platform operates a **membership portal only (pure membership)**
  - **consumers search randomly** in every step (Wolinsky, 1986)
    - e.g., randomly draw and inspect each creator
  - **creator  $i$ 's per-viewer revenue:**  $a + (1 - \tau)v(\lambda_i)$ 
    - $a$ : intrinsic image gain or *self-sourced* sponsorships
    - $v(\lambda_i)$ : expected revenue from selling exclusive content (or direct monetization)
      - $v' \leq 0$ : revenue increasing in nicheness
    - $\tau \in [0,1]$ : **transaction commission set by platform**
  - platform's expected commission revenue per viewer:  $\tau v(\lambda_i)$

# A monopolist always chooses hybrid or pure membership



- (+) ad revenue (net of nuisance)
- (-) higher broadness if **high search cost**  
*("chase the algorithm" effect)*  
 may harm existing commission revenue

- (+) commission revenue
- (-) lower broadness  
 may harm existing ad revenue  
*(less consumer participation)*

## Monopoly:

- adding a discovery portal is not **profitable** if  
**ad revenue is low and search cost is high**



*Patreon blogpost (2019)*

*"Why Isn't Patreon a Discovery Platform?"*

## Monopoly:

- can optimally choose the commission rate to **fully negate (-)**
- adding a membership portal is **always profitable**



enabled "creator subscriptions"  
 and "channel membership" in 2018

# Competing platforms strategically differentiate



- (+) ad revenue (net of nuisance)
- (-) higher broadness if **high search cost**  
(*"chase the algorithm" effect*)  
may harm existing commission revenue

## Monopoly:

- adding a discovery portal is not **profitable** if **ad revenue is low and search cost is high**

**Competition:** "chase the algorithm" effect less relevant if the **rival already operates a discovery portal**

- (+) commission revenue
- (-) lower broadness  
may harm existing ad revenue  
(*less consumer participation*)

## Monopoly:

- can optimally choose the commission rate to **fully negate (-)**
- adding a membership portal is **always profitable**

**Competition:** competitive constraint on the commission rate, so **(-) persists**

- if competition for creators is intense, **not profitable**
- homing behaviors, differentiation, etc.

## So whither FTC?

- Competition: Creator incentives impact platform business models and competition
- Consumer protection: Platform design changes creator design incentives.

## This Session:

- Yu and Lin:
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  - Can think of game companies as upstream input suppliers
  - Content design changes with contractual terms for free supply of input
  - Key design point: Truthfulness of recommendations

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- Yu and Lin:
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  - Content design changes with contractual terms for free supply of input
  - Key design point: Truthfulness of recommendations
  
- Li:
  - Deeper investigation of creator incentives
  - Fainmesser and Galeotti (2020): Creators face a tradeoff between sponsorship revenue and "Authenticity"
  - Key innovation here: Content design to obfuscate sponsorship