DIGIDAY

RETAIL REVOLUTION

Los Angeles is attracting more tech talent thanks to swath of e-commerce startups

MARCH 15, 2019 by Anna Hensel

Los Angeles has evolved from a celebrity-adjacent startup hub to a hotbed for San Francisco and New York transplants, as its e-commerce scene diversifies.

Today, the region's hottest companies include marketplaces like GOAT Group, which received a $100 million investment from Foot Locker earlier this year, direct-to-consumer companies like vitamin purveyor Ritual and Unilever-owned Dollar Shave Club, consumer goods powerhouses like the Honest Company, and e-commerce platform startups like Stack Commerce and Magento, which was acquired by Adobe last year.

As a result, commerce startups say it's easier to recruit talent, and find Los Angeles-based investors and mentors with experience in the sector than it was 10 years ago.

Tracy DiNunzio, the founder and CEO of peer-to-peer resale marketplace Tradesy, said that when she officially launched the company in 2012, it was the "generation of Beachmint." Many of the commerce companies that popped up around 2010 were, "marrying a celebrity with some sort of product," according to Andrew Blackmon, the co-founder and CEO of The Black Tux. That included Beachmint, which designed apparel lines in partnership with celebrities like Mary-Kate and Ashley Olsen, and Rachel Bilson, as well as TechStyle Fashion Group, which launched Fabletics with Kate Hudson and acquired Kim Kardashian and Kimora Lee Simmons' ShoeDazzle. The most well-known exit by an e-commerce startup at the time was HauteLook, which was acquired by Nordstrom for $180 million in 2011.

"When I started Tradesy, we were a bunch of totally inexperienced, very ambitious people. And it was just hard to find people who had experience. There was some commerce experience, but there was effectively no marketplaces experience," DiNunzio said. "So we did some recruiting from [Silicon Valley] and from New York, but it's always hard when you have to relocate people to make those hires and to make them when you need them."

Los Angeles did have some experienced technical talent in other areas — Greg Bettinelli, the former chief marketing officer at Haute Look and now a partner with Los Angeles' Upfront Ventures, said that the early success of MySpace and CarsDirect turned Los Angeles into the "SEO capital of the world," in the early to late 2000s.

"We've always had people here who've understood organic traffic acquisition," Bettinelli said.

Now, DiNunzio said it has, in particular, become easier to find senior-level engineering talent — in part because the engineers who started at companies like Tradesy 10 years ago are now experienced engineers. DiNunzio says that she's recruited a lot of engineers from TrueCar, a Los Angeles-based auto-pricing marketplace platform founded in 2011.

Other experienced senior-level talent, like Bettinelli, are becoming investors, ensuring that the next generation of Los Angeles commerce founders have access to more early-stage capital to start their business. Though DiNunzio and Blackmon said that they've never had a problem raising funding in Los Angeles — partially because investors from New York and San Francisco have always proven willing to make frequent trips to the area — they seem to be visiting more frequently in recent years.

Additionally, what Los Angeles has always had is a surplus of creative talent. Blackmon said that when he and his co-founder, Patrick Coyne, were starting The Black Tux, they had to decide between Los Angeles (where Blackmon lived), New York (where Coyne lived) or San Francisco. Los Angeles got the edge because of its influx of creative talent. They also liked the fact that Los Angeles' e-commerce scene was younger, and that there were a lot of founders working on companies at a similar stage as The Black Tux.

"Anything from a creative director to a copywriter to a designer, to a web designer, Los Angeles has so much talent in that space," Blackmon said.

The proximity to entertainment means a more diverse talent set.

"Here, you got a lot of people who worked in entertainment or video production, so we've found that we get a lot of good Swiss army knife creative thinkers," DiNunzio said, in contrast to "some of the more traditional product marketing and design people," in places like San Francisco, where career tracks follow the Stanford MBA-to-startup trajectories.

Los Angeles' reputation as a creative hub has also cemented it as a good place to live in job applicants' minds, particularly those hailing from San Francisco. Both Blackmon and DiNunzio say they've seen an uptick in recent years about job applicants from San Francisco and the Bay Area, who want to move to Los Angeles to get out of a city that's so dominated by tech and is getting increasingly expensive to live in. The Black Tux recently hired Thad Hwang, formerly the director of product management at Lyft, to be its chief product officer, for example.

And DiNunzio said that she's now seeing companies like Facebook and Google — who also have companies in Los Angeles — recruit from the same talent pool they are. Bettinelli said that he's also seeing more second- and third-time entrepreneurs moving to Los Angeles than in recent years, typically from New York or San Francisco.

That competition for talent is only going to get tougher, as companies like The Black Tux, which has taken on more than $60 million in venture capital funding, and GOAT Group feel increased pressure to grow quickly and deliver the necessary returns to their investors. Additionally, more alumni of these consumer companies started in 2010 or later are starting their own ventures — an Honest Company alum recently raised $8 million for a natural perfume startup, while Tradesy's former director of engineering recently started his own company, a child care provider platform called WeeCare. Now, they'll have a better launching pad than the generation of commerce founders before them.

"I'm always very bullish. I think we're still in the very early innings of Los Angeles' success," Bettinelli said.

THE AMAZON EFFECT

Amazon is slashing royalties for video makers uploading to Prime Video

MARCH 14, 2019 by Sahil Patel

Amazon is making new changes to a royalty program for content owners that upload videos directly into Prime Video.

Launched in May 2016 <https://digiday.com/media/amazon-youtube-networks-seeing-dollar-signs/> , Amazon's Prime Video Direct program gives video creators and media companies the ability to put their content inside Prime Video. Once uploaded, these videos can be found inside the Prime Video app next to movies and TV shows produced or licensed by Amazon. Videos made by an auto publisher or video creator could ostensibly be seen next to reality TV shows such as "The Grand Tour."

For those that upload either episodic video shows or individual titles through Prime Video Direct, the program pays out royalties at set rates based on the aggregate hours viewed per title. In the U.S., Amazon paid between 6 cents and 15 cents per hour viewed in 2018; a similar sliding scale also exists for other Amazon markets the PVD program is offered including the U.K., Germany and Japan, according to a rate card.

Starting in April, Amazon is implementing changes to its U.S. rate card that will drop prices to between 4 cents and 10 cents per hour streamed, according to an email sent to Prime Video Direct account holders obtained by Digiday. In effect, this means that Amazon will be dropping its rates by 33 percent on both ends of the rate card.

Amazon did not provide a comment by press time.

As part of the changes, Amazon is also introducing a new sliding scale on how it determines payments in the U.S. Instead of a flat fee based on aggregate hours viewed, the company is introducing a new metric, called "Customer Engagement Ranking," which will score video titles based on a variety of factors including unique viewers, hours streamed and the popularity of the title in terms of talent, IMDb rating or even box-office performance.

On its website, Amazon describes CER as "a percentile ranking of a title's level of engagement with our Prime customers in relation to other Included with Prime (SVOD) titles published via Prime Video Direct within a single territory. … CER is calculated at a season level for episodic content and is calculated on an individual title level for standalone titles."

Going forward, if a title has a better CER than average — as measured by Amazon — than it will pay up to 10 cents per hour, which is 4 cents better than the base rate of 6 cents per hour. If the title is performing worse, payments can be as low as 4 cents per hour.

With Amazon providing little information into exactly how it calculates that customer engagement score, the ranking becomes a "black box" that limits a video maker's ability to project revenue from Prime Video Direct, according to Aaron Linsdau, a speaker and filmmaker who has an 83-minute documentary film about his expedition to the South Pole, among a few other projects on Prime Video. "Now there is no quantifiable way for me to know how much revenue we'd make," Linsdau said.

Amazon's move to change its rate card for Prime Video Direct comes after the company dropped royalty rates last year. Initially, the program was paying 15 cents per hour in the U.S. and 6 cents per hour in the U.K. based on hours viewed. In 2018, Amazon introduced a sliding scale which paid between 6 cents and 15 cents per hour in the U.S.

Tier	Hours Streamed	Per Hour Revenue Rates (U.S.)	Per Hour Revenue Rates (UK)	Per Hour Revenue Rates (DE)	Per Hour Revenue Rates (JP)
1	0–99,999	$0.06	£0.04	€0.05	¥6.80
2	100,000–499,999	$0.10	£0.07	€0.08	¥11.30
3	500,000–999,999	$0.15	£0.11	€0.12	¥16.90
4	1,000,000+	$0.06	£0.04	€0.05	¥6.80

Source: Amazon.com

As part of Amazon's new terms, which will go into effect at the beginning of April, the company is also introducing a flat rate of ¥8 ($0.07) per hour in Japan; rates in the U.K., Germany and Austria will remain the same.

Amazon has not disclosed how much it has paid out in royalties over the life of the Prime Video Direct program. In July 2017, the company said the program had paid out "tens of millions of dollars" with "billions of minutes" streamed in its first year <https://digiday.com/media/how-amazon-is-driving-revenue-for-video-publishers-of-all-sizes/> .

For some media companies, Amazon Prime Video Direct is a growing opportunity <https://digiday.com/media/amazon-becoming-moneymaker-video-publishers/> — especially as a way to earn incremental revenue from existing videos and shows. And by uploading a greater volume of content, bigger programmers have the chance to make even more money going forward. An executive at a prominent digital publisher said it can make between $10,000 and $40,000 per month from the program, and total royalties continue to go up.

Even video publishers that are on Amazon Prime Video Direct but haven't used the program all that much, the program remains relevant because of Amazon's interests in streaming video.

"It's not super significant or meaningful for us right now," said video executive at a top social video publisher. "But we know we want to be there."

But for smaller video owners, especially independent video creators and filmmakers who saw Amazon as a meaningful source of revenue that could be put back into creating more films and series, the changes are significant.

"You can't just get onto Netflix, Hulu," said Linsdau. "This has been one of the only platforms that has been somewhat viable."