

The Passion Economy (Guest essay by Li Jin)

16-20 minutes

Hi readers,

Consumer startups have gone through many phases: Web 2.0, Facebook apps, Mobile (remember SoLoMo?), and in recent years, some of the best opportunities have been happening in the real world. In recent years, **the Gig Economy** has taken over. Startups like Uber, Airbnb, Instacart, and others have been able to find product/market fit and scale their businesses.

But what's the next? The essay below argues: "**The Passion Economy**." And my a16z colleague Li Jin unpacks this idea more thoroughly.

(And quick plug, if you want to read more essays like this — this article was originally posted on a16z.com and you can [subscribe to the newsletter here](#))

The Passion Economy theme unifies a number of themes that we at a16z have been working on:

- **Reinventing the service economy.** We've written about this [here](#). There will be many new software platforms that allow creators/influencers/service providers to work on what they love and earn income from that work
- **Easy-to-use tools.** Within the platform, there are deep SaaS tools that help people in the Passion Economy actually do their work — particularly key when the work is purely digital in nature, like video streaming or audio broadcasting
- **Massive distribution.** People need to get found — both by their customers and their audience — and we now can plug into platforms with billions of consumers. Platforms will need to provide marketplace-like features that lean transactional, or more like an ongoing subscription relationship
- **Pragmatic education/training.** College aren't built to teach the skills for the Passion Economy, and people will instead turn to online schools/programs/training for lifelong learning in the ever-changing ecosystem
- **Every startup is a Fintech.** Fintech services that help facilitate both business and personal needs — whether that's creative financing options, solopreneur banking services, or working capital

If this resonates, it's because this is a list of the massive trends that are reinventing the way we work. As a society, we are right in the thick of this movement — but it's helpful to give it a distinct name, although you might argue startups like Udemy, Patreon, Shopify, Substack, and many others have already been blazing this path.

I love this trend as someone who has worked deeply both in the passion economy — writing this blog combined with investing/advising startups — and also in a more traditional role in the gig economy at Uber. We're seeing a lot of activity across the entire market and it feels like a meaningful addition to add both opportunities for Gig Economy and the Passion Economy together.

Thanks,
Andrew

The top-earning writer on the paid newsletter platform Substack earns more than \$500,000 a year from reader subscriptions. The top content creator on Podia, a platform for video courses and digital memberships, makes more than \$100,000 a month. And teachers across the US are bringing in thousands of dollars a month teaching live, virtual classes on Outschool and Juni Learning.

These stories are indicative of a larger trend: call it the "creator stack" or the "[enterprization of consumer](#)." Whereas previously, the biggest online labor marketplaces flattened the individuality of workers, new platforms allow anyone to monetize unique skills. Gig work isn't going anywhere—but there are now more ways to capitalize on creativity. Users can now build audiences at scale and turn

their passions into livelihoods, whether that's playing video games or producing video content. This has huge implications for entrepreneurship and what we'll think of as a "job" in the future.

The Evolution of The Passion Economy

In the past decade, on-demand marketplaces in the "Uber for X" era established turnkey ways for people to make money. Workers could easily monetize their time in specific, narrow services like food delivery, parking, or transportation. These marketplaces automated the matching of supply and demand, as well as pricing, to enhance liquidity. The platforms were convenient for both the user and the provider: since they took care of traditional business hurdles like customer acquisition and pricing, they allowed the worker to focus solely on the service rendered.

But though these platforms provided a path to self-employment for millions of people, they also homogenized the variety between service workers, prioritizing consistency and efficiency. While the promise was "Be your own boss," the work was often one-dimensional.

Monetizing Individuality

New digital platforms enable people to earn a livelihood in a way that highlights their individuality. These platforms give providers greater ability to build customer relationships, increased support in growing their businesses, and better tools for differentiating themselves from the competition. In the process, they're fueling a new model of internet-powered entrepreneurship.

It's akin to the dynamic between Amazon—the standardized, mass-produced monolith—and the indie-focused Shopify, which allows users to form direct relationships with customers. That shift is already evident in marketplaces for physical products; it's now extending into services.

These new platforms share a few commonalities:

1. They're accessible to everyone, not only existing businesses and professionals
2. They view individuality as a feature, not a bug
3. They focus on digital products and virtual services
4. They provide holistic tools to grow and operate a business
5. They open doors to new forms of work

	The Gig Economy	The Passion Economy
Monetization Model	One-time revenue: pay per trip, per session, etc.	Ongoing revenue based on building an audience
Services Offered	Narrow, commoditized services	Wide variety of creative products and services
Software Stack	On-demand platforms that commoditize providers	Marketplaces that emphasize the individuality of providers SaaS tools that enable providers to run their own businesses
Relationship Between Consumer and Provider	Limited ability for consumer engagement	Platforms encourage direct interaction and loyalty between the service provider and consumer
Levers for Growing the Business	Doing more: more time spent, miles driven, jobs completed, etc.	Expanding audience and offering a differentiated service or product

1. They're accessible to everyone, not only existing businesses and professionals

New consumer products are making it easy for anyone to become an entrepreneur. In the mid-2010s, the rise of the influencer industry allowed top-tier creators to monetize through advertising. These platforms expanded to support a broader range of money-making activities, from manufacturing physical products (e.g. Vybes, Hipdot, Genflow) to creating personalized videos (Cameo, VIPVR, Celeb VM).

Now the ability to make a living off creative skills has trickled down to individuals at scale, helping everyday people to launch and grow businesses. Previously, only established businesses could access software engineering talent to build websites or apps; now, no-code website and app builders like Webflow and Glide have democratized that ability. Startups are also building mobile-first, lightweight versions of incumbent desktop software: Kapwing, for instance, is a web and mobile editor for videos, GIFs, and images that aims to displace legacy creative software.

Companies have the opportunity to engage entrepreneurs in the early stages, then capture economic value as they grow. They might start with a [very basic offering](#) and add product capabilities as their customers earn revenue and develop new needs.

2. They view individuality as a feature, not a bug

Whereas previous services marketplaces were rigidly built for standardized jobs, new platforms highlight variation among workers in categories that can benefit from more diversity in user choice.

Take Outschool, an online marketplace for live video classes in which teachers are predominantly former school teachers and stay-at-home parents. On the platform, instructors can develop their own curricula or browse lists of courses requested by users. Beyond the subject matter, the marketplace's UI emphasizes each teacher's background, experience, and self-description. Parents and students can message instructors directly.

Teacher

Kelsey Beth Paul

Mindfulness, Social-Emotional Learning, Spanish Conversation, Plant-Based Cooking and Consumption, and Creativity; Master's Degree in Bilingual Education and Spanish

★★★★★ 165 total reviews

194 completed classes



✉ Ask a Question

📺 Watch My Intro Video

About Me

Hello! My name is Kelsey Beth. I am relatively new on Outschool, but have taught online in the past. I have been teaching in elementary bilingual classrooms around the world for the past 10 years. I have taught from the jungle of Costa Rica to... [Show More...](#)

Description

Class Experience

Does your child struggle to focus for extended periods of time or has trouble understanding others' perspectives or feelings? Is your child easily stressed or overwhelmed by all of the stimuli they receive throughout the day? This course is perfect for any child and will empower them to

[Show More](#) ▼

Above: Outschool lets teachers sign up to teach engaging video sessions to kids

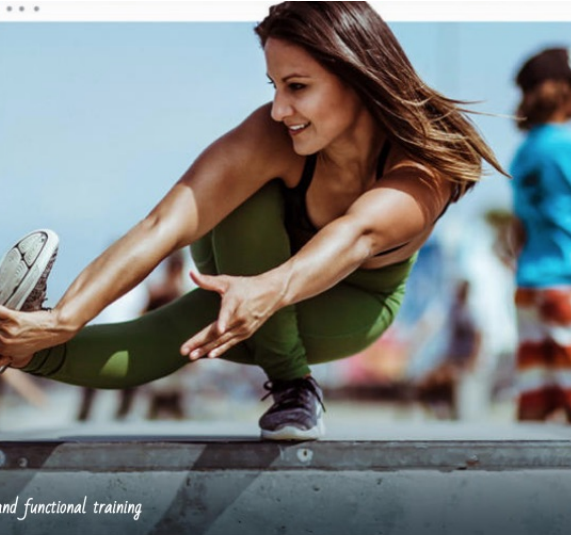
For new platforms, this model can pose a sizeable risk: once consumers are able to work directly with a preferred provider on an ongoing basis, they may take that relationship offline. Marketplaces can combat disintermediation by offering workflow tools, like scheduling and invoicing, and by building in additional incentives that make it worthwhile for providers and users to remain on-platform.

Marketplaces that cultivate these direct relationships can also succeed by focusing on areas—like education and tutoring—in which consumers might have repeated matching needs with a variety of different providers over time.

3. They focus on digital products and virtual services

Whereas past generations of entrepreneurship-enabling platforms typically focused on selling physical products (e.g. Amazon, Etsy, Ebay, Shopify) or in-person services (e.g. Taskrabbit, Care.com, Uber), new creator platforms are focused on digital products. A platform built specifically for packaging and selling digital products looks different than a platform that is built for tangible goods.

Podia, Teachable, and Thinkific are all SaaS platforms that allow creators to make and sell video courses and digital memberships. Previously, these types of “knowledge influencers” had to either conduct classes in-person (restricting them to local customers); jerry-rig platforms meant for physical products, like Shopify; or customize sites like Wix and Squarespace. New platforms capitalize on the idea that expertise has economic value beyond a local, in-person audience.



Power your education empire

Create and sell online courses and membership sites under your own brand, and see first-hand the impact teaching online with Thinkific will have on your business.

you@example.com

GET STARTED FREE →

Dr. Jen Esquer, PT, DPT - Teaches mobility and functional training

40,000+
course creators

30 million +
courses taken

164
countries using Thinkific

\$200 million+
earned on our platform

Create, market, and sell your own online courses

Thinkific's powerful, all-in-one platform makes it easy to share your knowledge, grow your audience, and scale the business you already love. Whether you're educating 10 students or 10 million, feel confident that you've got the easiest technology and best support in the business.

[▶ Play overview video](#)

Above: Thinkific lets you create, market, and sell online courses

On the interior design marketplace Havenly, designers work remotely and interact with clients entirely online. For designers, the benefit is a steady stream of clients without the heavy lifting—since Havenly takes care of marketing—and the flexibility to work whenever, wherever. For clients, the benefit is access to a service that would otherwise be expensive or inaccessible.

4. They provide holistic tools to grow and operate a business


























Unlike discovery-focused marketplaces, which monetize through advertising, membership fees, or cost-per-lead, new platforms in the creator stack are often monetized through SaaS fees that increase as customers grow. Others take a percentage of the creator's earnings. This means that platforms are incentivized to help creators succeed and grow, rather than driving discrete, one-time transactions.

Some platforms offer marketing tools like custom landing pages, coupons, and affiliate programs. Others provide behind-the-scenes support: Walden, for instance, connects new entrepreneurs with coaches for strategy and accountability.

Sometimes, support may be bundled into platforms that help providers start a business. For instance, Prenda—a managed marketplace of K-8 microschools—provides teachers (called Guides) with curricula, computers, software, supplies, and assistance in navigating the necessary regulatory requirements and insurance.

5. They open doors to new forms of work entirely

New digital platforms enable forms of work we've never seen before:

Type of Work	Example Creator Tools
Podcaster	     
Audio Content Creator	   
Newsletter Writer	 
Video Course Creator	     
Virtual Teacher/Tutor	   
Virtual Professional Coach	  

For a more extensive model of how human capital can give rise to new industries, look to China. On the microblogging site [Weibo](#), for instance, users sell content such as Q&As, exclusive chat groups, and invite-only live streams through memberships or a la carte purchases. This has spawned a wave of non-traditional influencers—financial advisors, bloggers, and professors—beyond typical beauty and fashion tastemakers.

Factors to consider: Marketplaces vs. SaaS

When building a company in this space, it's important to consider the needs of the creators you're targeting, as well as their desired audience. There are tradeoffs between marketplaces and SaaS platforms. What's the difference?

Marketplaces are entirely plug and play, meaning providers can sign up and start earning revenue with minimal set-up. The strength of a marketplace's two-sided network effect is directly correlated to the value it provides as an intermediary between supply and demand. One example of this model is Medium, which charges readers a subscription fee to access stories across the entire platform. The amount of money a writer makes is proportionate to the amount of time readers spend engaging with their stories.

By contrast, SaaS platforms require creators to work independently to acquire customers. Such platforms might help with distribution—providing tools for marketing, managing customer relationships, and attribution—but users are largely responsible for growing their own businesses. On Substack, for example, features include a writer homepage, mailing list, payments, analytics, and a variety of different subscription offerings. Substack collects a portion of the creator's subscription revenue.

In the marketplace model, writers count on Medium to drive reader traffic and subscriptions. On the SaaS platform (Substack), writers drive their own direct traffic and subscriptions; they can export their subscriber list at any time.

Marketplaces bring value for creators looking to be discovered and attract customers over time. SaaS tools often make sense for more established creators who already have a customer base. In response to this dynamic, many startups are building SaaS platforms that aim to poach large creators from existing marketplaces.

Looking Ahead

New integrated platforms empower entrepreneurs to monetize individuality and creativity. In the coming years, the passion economy will continue to grow. We envision a future in which the value of unique skills and knowledge can be unlocked, augmented, and surfaced to consumers.

If you're building a company in this space, we'd love to chat!

This was [originally posted to the a16z blog](#), which you can [subscribe to here](#).

PS. Get new updates/analysis on tech and startups

I write a high-quality, weekly newsletter covering what's happening in Silicon Valley, focused on startups, marketing, and mobile.

Views expressed in “content” (including posts, podcasts, videos) linked on this website or posted in social media and other platforms (collectively, “content distribution outlets”) are my own and are not the views of AH Capital Management, L.L.C. (“a16z”) or its respective affiliates. AH Capital Management is an investment adviser registered with the Securities and Exchange Commission. Registration as an investment adviser does not imply any special skill or training. The posts are not directed to any investors or potential investors, and do not constitute an offer to sell -- or a solicitation of an offer to buy - any securities, and may not be used or relied upon in evaluating the merits of any investment.

The content should not be construed as or relied upon in any manner as investment, legal, tax, or other advice. You should consult your own advisers as to legal, business, tax, and other related matters concerning any investment. Any projections, estimates, forecasts, targets, prospects and/or opinions expressed in these materials are subject to change without notice and may differ or be contrary to opinions expressed by others. Any charts provided here are for informational purposes only, and should not be relied upon when making any investment decision. Certain information contained in here has been obtained from third-party sources. While taken from sources believed to be reliable, I have not independently verified such information and makes no representations about the enduring accuracy of the information or its appropriateness for a given situation. The content speaks only as of the date indicated.

Under no circumstances should any posts or other information provided on this website -- or on associated content distribution outlets -- be construed as an offer soliciting the purchase or sale of any security or interest in any pooled investment vehicle sponsored, discussed, or mentioned by a16z personnel. Nor should it be construed as an offer to provide investment advisory services; an offer to invest in an a16z-managed pooled investment vehicle will be made separately and only by means of the confidential offering documents of the specific pooled investment vehicles -- which should be read in their entirety, and only to those who, among other requirements, meet certain qualifications under federal securities laws. Such investors, defined as accredited investors and qualified purchasers, are generally deemed capable of evaluating the merits and risks of prospective investments and financial matters. There can be no assurances that a16z’s investment objectives will be achieved or investment strategies will be successful. Any investment in a vehicle managed by a16z involves a high degree of risk including the risk that the entire amount invested is lost. Any investments or portfolio companies mentioned, referred to, or described are not representative of all investments in vehicles managed by a16z and there can be no assurance that the investments will be profitable or that other investments made in the future will have similar characteristics or results. A list of investments made by funds managed by a16z is available at <https://a16z.com/investments/>. Excluded from this list are investments for which the issuer has not provided permission for a16z to disclose publicly as well as unannounced investments in publicly traded digital assets. Past results of Andreessen Horowitz’s investments, pooled investment vehicles, or investment strategies are not necessarily indicative of future results. Please see <https://a16z.com/disclosures> for additional important information.