

*** Thesis #2: Attention Basins ***

The market for human attention is hyper-competitive in some places, but highly-inefficient globally. In the 200-300ms it takes me to load a website or scroll a social media post, dozens of bidders - from all around the world - coordinate in a competitive, programmatic auction for the *right to influence* my attention. But when I drive past a billboard on the side of the highway, or see the logo on my favorite athlete's jersey on TV, or read the back of the cereal box while I'm eating breakfast, the markets for my attention is far less efficient—impressions are sold in bulk, in monthly or multi-year deals, brokered by meatspace humans—and the ads are not personalized to me, nor what's most relevant to me at that particular point in time.

We believe the advertising industry today resembles the oil drilling industry a century ago: a handful of known basins (e.g., California, Persia, Baku, Mexico) were competitive, fairly efficient, and generated the vast majority of global oil revenues at the time, but massive fields in the plains of West Texas (Permian), the grasslands of the Orinoco (Venezuela), and the deserts of the Ghawar (Saudi Arabia) remained undiscovered or underexplored. Circa 1926, few investors would have predicted that global oil supplies would grow 20x over the coming century—and even fewer would have predicted oil demand growing 40x. We believe investors are making the same mistake today, severely miscalculating the **supply-demand dynamics of human attention**, and systemically undervaluing latent and emerging *attention basins*.

We call this our **attention basin** thesis. The consensus view is that the stock of human attention is relatively fixed (“there are only 24 hours in a day...”) and largely monopolized by the operators of the largest known basins (“Meta, Google, TikTok have a monopoly on attention...”). We disagree on both points: we believe that, like oil, the global stock of monetize-able human attention will grow 10x, while demand for human attention will grow even faster, by a factor of 20x or more, over a decade or two.

Humanity today collectively spends roughly 6 trillion hours per year watching television, 4 trillion scrolling social media, 1 trillion shopping, and 1 trillion playing video games each year. These are the known attention basins, operating with varying degrees of efficiency: an hour of watching TV generates ~24¢ for Netflix, scrolling social media generates ~16¢ for Meta, playing video games generates ~4¢ for Roblox. The first category of startups we invest in are those that **make an existing attention basin massively more efficient** by improving the targeting and/or attribution of *attention units* within it. Americans spend over an hour a day watching TV while scrolling their smartphone, yet the content on those two screens is entirely disconnected: our portfolio company [Rumi Labs](#) builds AI capabilities that imbue mobile apps and agents with a deep contextual understanding of what users are watching on TV in real-time, enabling new forms of interactive media and ads that we believe can increase per-hour monetization for this particular *attention basin* . Similarly, our portfolio company [Daisy](#) coordinates groups of influencers to work together to “boost” social media posts, turning the several hours per day that users spend scrolling social media feeds into higher-relevance, higher-value *attention units* .

Companies that build programmatic advertising platforms on top of a large-but-underoptimized audience can be worth hundreds of billions of dollars—even without directly owning distribution. That might sound crazy today, but no less so when Adam Foroughi started [Applovin](#), an advertising network for a mobile gaming ecosystem where distribution was gated and owned by the Apple and Android app stores. Since 2012, the number of hours spent on mobile gaming has grown by ~10x while Applovin's revenues have grown by ~1,500x to a run-rate of over \$7.5B with 85% EBITDA margins. The company is now worth over \$165B, despite [most venture investors](#) passing on its early rounds: “*The app store will shut you down (platform risk).*” “*Gamers are poor (low-ARPU) and un-loyal (low-retention).*” “*Your usage metrics are fake and in-organic.*” Smart investors failed to see the flywheel that would drive Applovin's reflexive growth

within mobile gaming by creating the easiest way for game developers to monetize their audience (via ads) and then [re-invest those earnings](#) (via ads) into growing the audience and earnings of their game portfolio. When one game saw a spike in user acquisition, those users would eventually get bored and click on ads for other games in the Applovin ecosystem. “Low retention” towards individual games was actually a key part of the flywheel, since Applovin earns an (up-front) fee on every single impression, enabling them to invest in better improving their technology stack and continuously optimize conversion rates. We think of Applovin as a **collective** of mobile gaming developers who jointly invest in technologies that help them share user bases amongst each other in increasingly-sophisticated ways. We see a similar dynamic emerging at [DaisyPay](#), which is, at its core, a collective of creators jointly investing in technology to help them share audiences and sponsorships amongst each other in increasingly-sophisticated ways.

The second category of companies we invest in are those building ad networks for **emerging attention basins**. Humans already spend tens, if not hundreds of billions of hours per year prompting AI bots on phones and laptops; within a few years we will collectively spend tens of billions of hours per year seeing the world through AI- and XR-powered glasses and headsets; and as AI displaces labor en masse, the seven trillion hours humans spend working per year will shift to new *attention basins*, especially those that build brands centered around helping users **earn money in new ways**, such as our portfolio companies [EarnOS](#) and [Prograd](#). Perhaps the biggest un-explored *attention basin* of all is the ten trillion hours spent sleeping: with pioneering work by our portfolio company [Prophetic](#) in induced [lucid dreaming](#), even our dreams could become viable *attention units*. We believe companies that dominate early market share and build a compounding flywheel around these rapidly-growing *attention basins* will be monster businesses.

We underwrite valuations for *attention basins* as being driven by four fundamental factors:

1. How much *raw attention* does it command?
2. How much does it *know* about its users’ *intent*?
3. How *granularly* can it measure, control, and monetize its *attention units*?
4. How *frictionless* is users’ downstream purchasing experience?

For example, e-commerce is a particularly valuable attention basin because users’ intent is explicit (i.e., searches and past purchases) and the UX friction to a purchase can be minimized (i.e., if payment and shipping data is stored) to a single click. Food delivery platforms, with similar advantages as e-commerce, can build a [\\$1B revenue ad business](#) from scratch in three years. Social media platforms are particularly valuable because they have strong *implicit* knowledge of users’ intent, control user attention at a hyper-granular level, and are [increasingly](#) making the [purchasing experience](#) frictionless. Console gaming generally suffers from low intent (it’s hard to predict what users will buy based on their gameplay) and high purchasing friction (lack of stored payment credentials and/or shipping information). When we underwrite *attention basin* ideas, these are the four questions we are most focused on understanding.

There are thousands of other *attention basins* that are profitable niches but unlikely, in our view, to support a \$100B+ company. The [graffiti](#) I see every morning on my walk to the office; the [radio station](#) playing at the grocery store; the apps on the home screen of my [smart TV](#); the soda in the background of a [Youtube video](#); the [sample shampoos](#) when I stay at a hotel; the profiles I match with on [dating apps](#); all of these capture some level of user attention and have the potential to become advertising businesses, but the size of the prize is unclear. To entrepreneurs who are convinced we’re wrong and see an *attention basin* we are overlooking the size or importance of: we are always looking to be proven wrong.

*** Thesis #3: Creator Coalitions ***

Our work on *attention basins* led us down the rabbit hole of a particularly interesting *basin*: **creators**. The creator economy is extremely out of favor with VCs, with new capital deployed into the sector [down -8% YoY](#) in Q2 (vs [+16%](#) for startups broadly), and down -70% from early 2021 (vs [+75%](#) for startups broadly). Few investors believe a business that serves creators can be worth \$10B, let alone \$100B.³ Historically, businesses that serve from creators tend to have poor unit economics (high CAC, low ARPU, high churn) and/or struggle to serve multiple types of creators, instead getting pigeonholed into one or two segments.

Our variant perception comes from three insights:

1. **Creators all “taste like chicken”.** The core job-to-be-done - attract, engage, and monetize an audience - is the same for all creators. Creators are increasingly becoming multi-platform and multi-medium, and therefore require many of the same types of tools regardless of their specialty.
2. **Everyone (and everything) is becoming a creator.** The creator economy is no longer just about artists: [executives](#), [athletes](#), [salespeople](#), [doctors](#), [realtors](#), [teachers](#), [investors](#), and [lawyers](#) are becoming creators by necessity. Unlike artists, these ‘creators’ have profitable businesses or skills that make them valuable customers. Agents, of course, are [also becoming creators](#).
3. **The most valuable businesses *coordinate* creators, not *serve* them.** Most startups in this space stall out at <\$1B valuations because they serve creators on a *one-to-many* basis. Startups that coordinate creators across a *many-to-many* basis, however, can build strong network effects.

The final point is the most important. Saying “*creator startups are bad businesses*” today is, we think, akin to saying “*online messaging boards are bad businesses*” twenty years ago. It was certainly true of the [message boards that existed](#) at the time, which all had very weak network effects (users could search for and make posts, but the message boards did nothing to *coordinate* users of similar interests or profiles). It was very much not true of the new types of ‘message boards’ that would shortly thereafter emerge. Social media platforms like Facebook subsequently built some of the strongest network effects ever seen, by taking the same user-generated content as messaging boards but *coordinating* it into relevant feeds.

We think the same is true today of most creator businesses: they are valued poorly because they have no network effects. They sell creators a tool or solution that solves a problem for them individually, but not one that allows them to work with *other* creators to achieve things together that neither could individually. For example, for a social media influencer, the single highest-leverage thing they can do to drive more impressions (and therefore earnings) on a post is to call 30 of their influencer friends and ask them to like, comment, and repost. Our portfolio company [Daisy](#) enables influencers to do just that with a few taps on their smartphone. For an aspiring musician, selling a single fan a sweater with their album cover printed on the front puts more money in his or her pocket than fans streaming their songs 5,000 times on Spotify. But manufacturers have minimum order requirements, so only the biggest-name artists get access to high-quality merch. Our portfolio company [OpenWav](#) aggregates orders from creators of all types and sizes and routes them to a network of robotic manufacturing facilities, with no minimums or inventory required, enabling any creator to design and sell custom merch to fans anywhere in the world in minutes.

³ Depending on how broadly you define “creator” and “exit”, the only venture success stories in the creator economy are design software businesses, Canva and Figma. There are a few hot companies that have risen to \$5-10B valuations relatively recently (Whatnot, Suno, Runway, Eleven), but by and large the space is littered with startups that stalled out at or below the \$1-2B range: Patreon, Cameo, Twitch, LTK, Kick, BandLab, Soundcloud, Substack, Beehiiv, Linktree, Spotter, etc.

We call our thesis **creator coalitions**: businesses that coordinate groups of influencers to achieve *superpower-like capabilities* relative to what they can achieve on their own. The physics behind these businesses is simple: the lower you can drive the cost of coordination, the more creators will coordinate through your platform, and the stronger your network effect. So when we underwrite *creator coalitions*, we look for products that drive the cost of coordination *extremely low*. Both Daisy and OpenWav compress into minutes processes that would otherwise take days or weeks of coordination between dozens of different creators. Products that achieve this drive repeat usage and create deep, valuable relationships with creators:

In the words of one Daisy user, “I make \$50 every time I brush my teeth!”

The behind-the-scenes work to abstract away the complexities of coordination is where long-term defensibility is built. Daisy, for example, recruited leading [data scientists](#) from TikTok early in its journey (two of the first ten employees) to build sophisticated algorithms that predict which specific influencers, engagement style, and cadence maximizes virality and reach. OpenWav spent 18 months building relationships and integrations with 200+ robotic manufacturing facilities globally that programmatically fulfill orders routed to them by OpenWav, as well as the necessary payments and logistics infrastructure to get the products into the hands of customers. Today, OpenWav’s network can produce custom-branded versions of 500+ different products and deliver them to customers in 165+ countries in under two weeks. As these companies grow, their primary use of capital will be reinvesting to deepen these moats: Daisy into improving its algorithms to make posts more viral with less effort required from creators, and OpenWav into integrating more manufacturers so it can offer more SKUs, lower costs, and faster delivery.

Creator coalitions can operate many (and multiple) types of business models, so long as their core function is coordinating creators on a many-to-many basis. We can envision **peer-to-peer financial markets** where creators lend and borrow capital to/from each other, insure each other’s risks, or license each other’s IP, and **bargaining collectives** where creators coordinate to negotiate better terms from social media platforms, purchase software or production tools with bulk discounts, or protect their legal rights. As a general rule though, margins tend to correlate with the *magnitude of complexity* managed.

These companies are still early in their journey, but so far our bet on *creator coalitions* looks promising.

Across Daisy and OpenWav, two of the three biggest music labels and three of the five biggest movie studios in the US are customers or strategic investors. Like *machine maps* - the next thesis we’ll discuss - the *creator coalitions* we invest in tend to have heavily-diversified revenues from early on, because the tools they develop are useful for all types of creators and brands.

OpenWav’s manufacturing network is used by musicians, fitness instructors, student clubs, technology startups, political protesters, sports teams, churches, and many other types of *creators*. Eventually, we think the market is likely to comp *creator coalitions* to two-sided marketplaces with similar take-rates and value them around 15-25x EBITDA.