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PR Case Study

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## **Case Study: Defy Media**

YouTube is a modern video streaming platform where all types of content creators come to produce online content and engage with the communities that are created as a result. The website was initially created by three former PayPal employees in 2005 but was later bought by Google in 2006 for 1.65 billion dollars and now operates as one of Google's subsidiaries (Exford 2016). As some creators started making videos through 2005-2007, the content being posted was mostly video diaries and quick instructional videos progressing in complexity as the years went on. This created multi-channel networks (MCNs) in 2008 who then reached out to some of the more popular creators on the platform (2016).

The easiest way to describe MCNs would be to compare them to television networks like HBO or ABC. They are independent companies that work aside YouTube, managing/overlooking many YouTube channels while taking a percentage of YouTubers AdSense revenue as payment (Kozlowski 2013). MCNs accomplish this by first reaching out to creators and creating a contract before becoming a proxy between a creator and YouTube. This goes both ways though, as the monthly payments that Youtubers receive from AdSense would also go through the MCN, with the company collecting their payment before releasing the rest of the payment to the creator. In exchange for payment, YouTubers are offered assistance in areas such as cross-programing, product promotion, networking connections, audience development, production facilities, and more. Some of the most well-known MCNs that operate in the US are The Game Theorists, Rooster Teeth, Vevo, and Machinima.com (2020).

MCNs reputations have steadily increased, but in the early years, it was well-known that if someone was part of an MCN they were losing a percentage of their check for empty promises. One of the MCNs that started to change public opinion was a company called Defy Media. Defy Media, at the time of its demise, was one of the most high-profile MCNs in the industry, working with channels like Smosh, The Game Theorists, Screen Junkies, Clevver, and many more. This company emerged as the Digital branch of Alloy and the company of Break Media merged into Defy Media in 2013. Their original mission statement was, "Together, we're building the definitive digital media company for the digital generation... It's time to understand the limits of the traditional digital media company, and then DEFY them" (Jacob & Salas 2019). Defy operated differently from many existing MCNs at the time. The company accomplished this by the outright purchasing of YouTube channels instead of just management; at it's prime, Defy media was actively producing 75 different regularly scheduled web-shows (2020). The only part of the process not owned by Defy Media was their distribution network (i.e. YouTube), this was one of the things that were left up to the channel creators to keep on track with posting schedules.

All of that changed in November of 2017 when Defy Media laid off hundreds of employees and declared bankruptcy. This came as a shock to everyone, but what was the most surprising was when popular YouTube creator MattPat made a video talking about the circumstances about their closure and how it affected creators. This video was only made after there were several months of no response from Defy Media or the Bank Defy operated with. Due to how Defy acted as a proxy between creators and YouTube, when the company's assets were frozen it caused 1-3 months (from July-September) of AdSense revenue to be withheld (speculated to a minimum of \$1.7 million) from the 40-50 creators that were employed under Defy (Patrick 2019). He was the first person to talk about the questionable practices going on at Defy, specifically the ones leading to the company withholding other creators' revenue, stating that, "the MCN found a loophole that made themselves look bigger" (Patrick 2019). This was stated in allusion to how the company processed the AdSense revenue that was being sent to them before it went to the creators as they used it to pad their own numbers to appeal to investors for the company.

MattPat was not the only popular YouTube creator to speak out about Defy Media, the next well-known creator involved in the situation was Smosh. Smosh was more heavily involved with Defy, as their brand was owned by the company and consisted of ten different channels, all of which were regularly posting at the time of Defy's collapse. On November 12 of 2018, the main Smosh channel posted a video titled "Smosh is Homeless," where some of the creators on the channel spoke about the sudden separation from Defy. Despite the sudden separation, Ian Hecox, one of the remaining founders of Smosh, was given access to all of the channels and the group continues to actively post on them for months as they tried to find a new producer (Smosh 2018). This left the creators with no income, no crew, no filming space, and no direction moving forward. Finally, though, in February of 2019, Smosh posted an update video stating that Rhett McLaughlin and Link Neal of Good Mythical Morning purchases Smosh, making them a part of their production company, Mythical Entertainment (Smosh 2019).

Many other creators stepped out to talk about their relationship with Defy Media during this time and how the collapse affected their channels; however, throughout this time Defy staid quiet, not even offering personal condolences or plans of actions to creators on an individual level. That did not change; there has been and was never a response from what remained of Defy Media. The small response that creators did receive came from Ally Bank, the bank that Defy housed their accounts with and where their assets were frozen. This response only came after the media and the creators lost their money started to put pressure on Ally about the loss of income. Ally Bank's official response was only released on Twitter and it said, "Ally made a loan to Defy Media that it was unable to pay back after experiencing excessive losses and the owners refused to continue to support the company. Defy is being liquidated by a professional hired by their Board of Directors, and Ally stands to lose most of its loan. We are sympathetic to everyone caught up in this mess, and unfortunately, Ally is also experiencing a substantial loss as a result" (2019). There was no other public response to creators other than the small statement by Ally Bank.

## **Citations**

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