Charli D'amelio's unsponsored Dunkin Donuts posts gave the brand 294 million free video impressions on TikTok. This ultimately led to the launch of a latte called "The Charli" and a mega brand deal between Charli X Dunkin.

But, Charli is not making her $4M a year off of only brand five-figure brand sponsorships with top brands like EOS and Hollister.

On Youtube, with 10M subscribers, 350,000 views per day, she is making up to $650,000 from Youtube on ad revenue. She has her own accessories line with the jewelry brand Pura Vida, a nail polish collection with Orosa Beauty, her own hoodie line, and a book detailing her growing up as a TikTok star. If that wasn't enough for a 17-year-old, she is now an angel investor with her first investment in Step Mobile, a banking-based app for teens, and her family has a reality tv show with Hulu.

All these revenue streams became possible for her because of her TikTok account with 125.5M followers…and the potential of that distribution for both her own products and the products of other brands.

Charli is the prime example of how creators are becoming their own distribution-first businesses.

In the past, everyone tried to go product-first

Each successful company needs distribution (customers) and product (the offering to customers). Before the era of the passion economy, all entrepreneurs started by building a product and then finding customers.

Take a brick and mortar store, a physical product listed on Amazon, a platform or app like Superhuman, Zoom, or Airbnb - it was always first built and launched, then advertised or growth hacked for customers.

However, the best products don't win, the most distributed products win. Behind all these product-first winners, is a graveyard of startups that failed because of lack of traction and product market fit.

Now there is an opportunity to go distribution-first

Entrepreneurs can take a lesson from creators who have built an audience in the passion economy and launched courses, products, or paid newsletters.

Here are four trends on why distribution-first businesses are taking off:

1. Low barrier of entry

Building a product-first company requires resources and capital that not everyone has to bring their dream into reality. Building a distribution-first company costs very little. Anyone can start a youtube channel or a TikTok account and start reaching audiences and growing their influence,

like 15-year-old Charli when she started her TikTok account in May 2019. Yes, she now has 8+ income streams and multi-million annual income after just 2 years of building her distribution-first empire.

2. Discovery-based consumption is taking over search-based consumption

Once upon a time, people searched for products they wanted to purchase. Today, products, aided by machine learning algorithms, search for people to purchase them.

As countries grow richer and disposable income rises, most of our spending does not go towards basic needs. A 2019 survey by TD Ameritrade found that the average American spends $8000+ on non-essentials per year. Looking at the millennial and Gen Z peers around me in big cities like San Francisco and New York City in their $3000/month 1 bedrooms, watching Netflix streaming from their macbooks onto their flatscreen TVs as they ride their Pelotons to burn off the $20 cocktails they had last last weekend on a trip to the Hamptons, a non-essentials spend could be $8000+ per month for some.

When not making purchases for necessities, we don't know what we want and often look to what our peers are purchasing.

Companies know this and try to be the "friend" that recommends what to consume next. Spotify helps us discover new playlists. Netflix allows us to discover new shows by selecting "play something." Shopping platform Wish has an infinite scroll feed of new products that are recommended for you based on your age, gender, geography, and previous shopping behavior.

We want to keep feeling gratification from consumption and look to people and platforms we trust for more things to consume, leaving distribution-first businesses to fulfill the need and be the source of discovery.

3. Rise of no-code apps

Today, there are no-code tools that can help spin up websites, communities, online courses, payment portals, internal task management, email marketing, and more in minutes making it easy for distribution-first businesses to monetize once an audience is built.

4. Shift in marketing spend

Running ads is getting more expensive and restrictive for brands.

It's no wonder influencer marketing has become a part of every brand's strategy. Charli's 294 million impressions can cost upwards of $2M in facebook ad costs and only $50,000 - $100,000 in a sponsorship deal or in the thousands for smaller, more niche influencers.

Distribution-first companies are not just individual creators

The line between creators and business is blurring. Charli didn't launch all the product lines herself, she had a team behind her. Companies also don't need to have the face of a creator in order to be a distribution-first company.

Wellow launched a zero-waste community before their plastic-free deodorant line. Weight Watchers was a weight loss support group in 1962 before becoming a business franchise in 1963. Inoki Bathhouse built at TikTok following of 40k+ before launching the first bath kit.

However, having a face helps with building trust, authenticity, and adding a human touch to the brand.

Top Chinese beauty brand, Perfect Diary, has a human face on all their socials. A girl nicknamed XiaoWanZi posts daily beauty tips as if she were a beauty influencer and the character also manages the many different community chats. Of course, it's not her behind the screen, but a whole team of customer support and social media marketing posting behind her account.

LA based startup Brud created @lilmiquela, one of Instagram's most popular CGI influencers, influencers generated by computers. In Miquela's virtual life of almost 4 years, she has over 3M followers, partnered with big brands like Prada and Diesel, and championed movements like LGBTQ rights and Black Lives Matters. Brud is now launching NFTs on Miquela.

Looking ahead

Distribution and Product are two sides of the same coin. Distribution first companies will need help building out a product just like product-first businesses will need an audience to sell to.

There is tremendous opportunity for product focused businesses that serve creators and distribution-first businesses.

For example, Karat provides financial services for creators, Pallet helps communities launch monetizable job boards, Atelier Ventures turns creators into investors, and Sprise is a product studio that helps youtubers launch software products and apps, for example, a flight deal notifier for a travel community.

I believe there will also be a lot more companies across all industries launched with distribution-first strategies. By having an audience first, entrepreneurs are able to tune deeply into the problems customers experience and therefore create more innovative solutions and products customers love.

Maybe we all have something to learn from the teen influencers rising to fame on TikTok.