

# The Product Reddit Cannot Make

## I. The Price of Something Public

In February 2024, Google agreed to pay Reddit roughly \$60 million a year for material that anyone could read for free.<sup>1</sup> The deal only looks absurd if the product is understood as text. Google was buying lawful, structured and continuously refreshed access to millions of conversations, delivered through an interface suited to search and artificial intelligence (Reddit, Inc., 2024a; Tong et al., 2024). It paid for a dependable pipe into human conversation.

That distinction has become Reddit's central strategic problem. Its archive can be sold like inventory, yet Reddit cannot replenish that inventory by itself. Contributors create the discussion. Volunteer moderators supply much of its order and judgement. Reddit provides the infrastructure and distribution. The commercial opportunity is real, but so is the dependence. Reddit should keep licensing its data and use part of the proceeds to renew the community system that makes the data worth buying.

## II. A Second Customer for the Same Conversation

Reddit organises topic-based communities where users post, rank and discuss material under locally written rules. Its advantage over algorithm-led social media is the depth of those conversations. In the second quarter of 2026, 130.3 million daily active uniques generated \$805 million in quarterly revenue, of which \$762 million still came from advertising (Reddit, Inc., 2026b). AI has therefore added a second customer for the same conversation without displacing the first.

Ansoff's matrix clarifies the size of the move. Calling licensing "market development" assumes Reddit is selling an existing product to new business customers. That understates what changed. Buyers pay for governed, machine-readable access with uptime, provenance and deletion controls. A new product is being sold into a new market, making this related diversification and exposing Reddit to unfamiliar capabilities and risks.

|                  | Existing markets                                | New markets                                                                 |
|------------------|-------------------------------------------------|-----------------------------------------------------------------------------|
| Existing product | <b>Market penetration</b><br>Deeper engagement  | <b>Market development</b><br>Existing content,<br>new business buyers       |
| New product      | <b>Product development</b><br>New user features | <b>Related diversification</b><br>Governed machine access,<br>new AI buyers |

Figure 1. Ansoff diagnosis of Reddit's AI licensing move.  
*Source. Author's application of Ansoff (1957) and Reddit, Inc. (2026a).*

Reddit began charging for commercial API access in 2023, then signed agreements with Google and OpenAI in 2024. Other revenue, which includes licensing, rose from \$15.2 million in 2023 to \$140.0

million in 2025.<sup>2</sup> Figure 2 also shows that advertising still produced 93.6 per cent of total revenue (Reddit, Inc., 2026a). Licensing is growing quickly, but it remains a concentrated option on a new market. Substantially all contract value comes from two partners.<sup>7</sup>

Those agreements show that buyers will pay for authorised access. They do not show that Reddit has secured the cooperation of the people who produce it. The 2023 protest revealed the weakness in a response built around buyer contracts and API pricing without comparable investment in community governance.

### 3. Revenue

The following table represents our revenue disaggregated by source:

|                           | Year ended December 31, |                     |                   |
|---------------------------|-------------------------|---------------------|-------------------|
|                           | 2025                    | 2024                | 2023              |
|                           | (in thousands)          |                     |                   |
| Advertising revenue ..... | \$ 2,062,480            | \$ 1,185,456        | \$ 788,782        |
| Other revenue .....       | 140,026                 | 114,749             | 15,247            |
| Total revenue .....       | <u>\$ 2,202,506</u>     | <u>\$ 1,300,205</u> | <u>\$ 804,029</u> |

Figure 2. Reddit's reported revenue disaggregated by source.

Source. Reproduced from Reddit, Inc. (2026a, p. 81). [Open the SEC filing](#)

## III. The Moat Reddit Does Not Own

The resource-based view draws a useful line between Reddit's archive and the institution that keeps it alive. The archive is valuable and rare at scale, although rivals can imitate parts of it by scraping individual posts. The community system is harder to copy. Two decades of norms, specialist knowledge and reputational memory do not arrive with a downloaded dataset. Reddit is only partly organised to capture this advantage because the people who maintain it can withdraw their effort.<sup>8</sup>

| Resource      | Value | Rarity | Hard to copy | Organised | Implication                          |
|---------------|-------|--------|--------------|-----------|--------------------------------------|
| Archive stock | Yes   | Yes    | Partial      | Yes       | Monetisable stock with a finite lead |
| Community     | Yes   | Yes    | Yes          | Partial   | Durable moat, under-used by Reddit   |

Figure 3. VRIO comparison of Reddit's archive and community system.

Source. Author's application of Barney (1991), Reddit, Inc. (2026a), and Li et al. (2022).

That labour is substantial. Reddit's terms say that user content remains the user's (Reddit, Inc., n.d.). Moderators then write rules, remove spam, settle disputes and signal which answers deserve attention. Li, Hecht and Chancellor (2022) estimated at least 466 hours of Reddit moderation each day in 2020. Their sensitivity analysis valued the work at \$1.0 million to \$4.4 million a year, including \$3.4 million at the median United States wage.<sup>3</sup>

|                                  | Hourly rate | Annual worth (percentage of revenue) |
|----------------------------------|-------------|--------------------------------------|
| <b>UpWork Global median</b>      | \$10        | 1.7 million USD (1.4%)               |
| <b>UpWork Global mean</b>        | \$14.6      | 2.5 million USD (2.1%)               |
| <b>UpWork U.S. median</b>        | \$20        | 3.4 million USD (2.8%)               |
| <b>UpWork U.S. mean</b>          | \$26        | 4.4 million USD (3.7%)               |
| <b>UpWork Philippines median</b> | \$6         | 1.0 million USD (0.8%)               |
| <b>UpWork Philippines mean</b>   | \$11        | 1.9 million USD (1.6%)               |
| <b>\$15 Minimum Wage</b>         | \$15        | 2.6 million USD (2.1%)               |
| <b>U.S. Federal minimum wage</b> | \$7.25      | 1.2 million USD (1.0%)               |

Table 5: the worth of volunteer moderators' labor calculated in various rates

Figure 4. Estimated annual value of Reddit volunteer moderators' labour under alternative wage benchmarks.

Source. Reproduced from Li, Hecht, and Chancellor (2022, Table 5, p. 602). [Open the published paper](#)

In June 2023 that hidden dependency became visible. More than 8,000 communities went dark during the API protest. Similarweb estimated that daily traffic fell about 7 per cent and time spent nearly 16 per cent at the peak (Malik, 2023; Similarweb, 2023).<sup>4</sup> Figure 5 reports the underlying engagement series. The blackout did not prove that moderators control Reddit, but it showed that people outside its payroll can interrupt the asset management hopes to license.

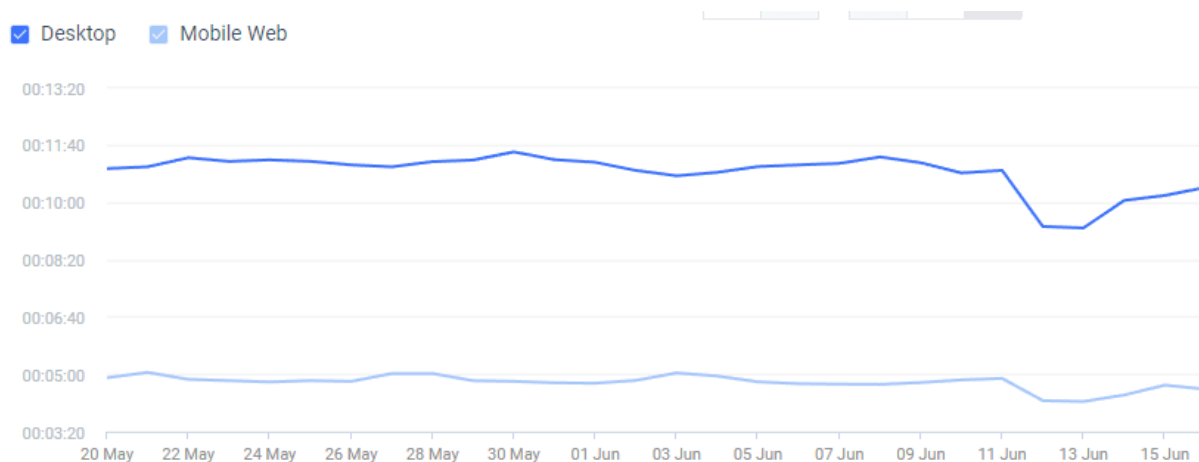


Figure 5. Time spent on Reddit fell sharply during the June 2023 blackout.

Source. Original chart reproduced from Similarweb (2023). Similarweb metrics are estimates. [Open the source analysis](#)

#### IV. Who Can Stop the Deal

A stakeholder power-interest map changes how that dependence should be managed. AI buyers, Reddit's board and organised moderator communities belong in the high-power, high-interest quadrant. Contributors care deeply but exercise less power individually, so they require credible information and representation. Advertisers, search distributors and regulators can constrain the strategy even when licensing is not their immediate concern. This turns stakeholder theory into a choice about whose cooperation the strategy needs most (Freeman, 1984).

|            | Low interest                                                             | High interest                                                             |
|------------|--------------------------------------------------------------------------|---------------------------------------------------------------------------|
| High power | <b>Keep satisfied</b><br>Regulators, advertisers,<br>search distributors | <b>Manage closely</b><br>AI buyers, Reddit board,<br>moderator coalitions |
| Low power  | <b>Monitor</b><br>Casual visitors                                        | <b>Keep informed</b><br>Contributors, researchers,<br>smaller communities |

Figure 6. Stakeholder power-interest map for Reddit's AI licensing strategy.

Source. Author's application of stakeholder power-interest analysis to Reddit, Inc. (2026a) and the 2023 API protest.

Porter's Five Forces reaches the same warning from the market side. Buyer power is high because demand is concentrated among a few technology firms. Scraping remains an imperfect substitute for a contract. Supplier power is dispersed across millions of users, but moderator coordination can make it consequential. Rival platforms compete for both attention and proprietary data, while Reddit's accumulated communities raise entry barriers. Legal enforcement cannot settle this neatly. Reddit has begun litigation and also concedes that enforcement may take years or fail (Reddit, Inc., 2026a).<sup>9</sup>

The market design matters beyond Reddit. Exclusive access to high-quality discourse would strengthen laboratories that already possess the most compute and capital. Free scraping has its own bias because the largest firms can collect at the greatest scale. Non-exclusive commercial licences, paired with affordable research access, offer a better route. They price industrial use without allowing one buyer to close the market behind it.

#### V. Pricing Renewal

Revenue booked under a licence says little about whether that licence preserves the source of future data. Reddit reported \$143.7 million of remaining performance obligations at the end of 2025, mostly from long-term content-licensing contracts. It expected \$118.9 million to be recognised in 2026 and \$24.8 million in 2027.<sup>11</sup> This offers a short revenue horizon, but dependence on two partners makes renewals uncertain. Each agreement should therefore face a risk-adjusted net present value test.

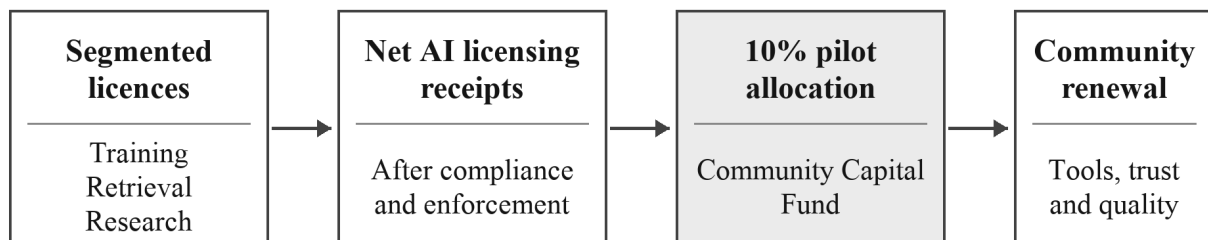
$$NPV_L = \sum_{t=1}^T \frac{R_t + \Delta D_t - C_t - I_t}{(1+r)^t} + \frac{TV(Q_T, M_T)}{(1+r)^T}$$

Here  $R$  is licensing cash revenue,  $\Delta D$  is the cash contribution from measurable discovery gains,  $C$  is enforcement and compliance cost, and  $I$  is reinvestment in community capacity. The discount rate  $r$  reflects legal and customer-concentration risk. Discounted terminal value depends on future data quality  $Q$  and moderation capacity  $M$ .<sup>5</sup> A deal clears the hurdle only when its value remains positive after funding the system that sustains those two assets.

## VI. A Community Capital Covenant

Reddit should test a Community Capital Covenant for three years. Ten per cent of net AI licensing receipts would flow into a ring-fenced fund for moderator tools, accessibility, independent privacy audits, community grants and public-interest research. A council split equally between Reddit managers and elected community representatives would allocate it. Cash payments for individual posts should be excluded because they would invite spam and endless attribution disputes.<sup>6</sup>

Licences should also be segmented by use. Model training, real-time retrieval, advertising intelligence and academic research create different risks and willingness to pay. Commercial contracts should remain non-exclusive, use-based and subject to deletion, provenance and audit requirements. Low-volume academic research should retain affordable access.



Renewed participation improves the quality and value of the next licence.

Figure 7. Community Capital Covenant.

Source. Author's recommendation.

The scale is bounded. Ten per cent of all 2025 other revenue would have been no more than \$14.0 million, and the actual figure would be lower because the category includes subscriptions and enforcement costs must be deducted.<sup>12</sup> That ceiling prevents the recommendation from pretending licensing revenue is larger than Reddit reports.

The pilot should be governed through a Balanced Scorecard. Financial measures would track revenue, renewal and buyer concentration. Community measures would cover moderator retention, trust and quality-adjusted participation. Internal measures would record deletion latency, provenance and audit

compliance, while learning measures would track investment in moderation tools and anti-bot detection (Kaplan & Norton, 1992). Reddit should compare participating communities with matched untreated communities for at least twelve months, test pre-treatment trends and publish the results.<sup>10</sup> Expansion would then depend on evidence rather than goodwill.

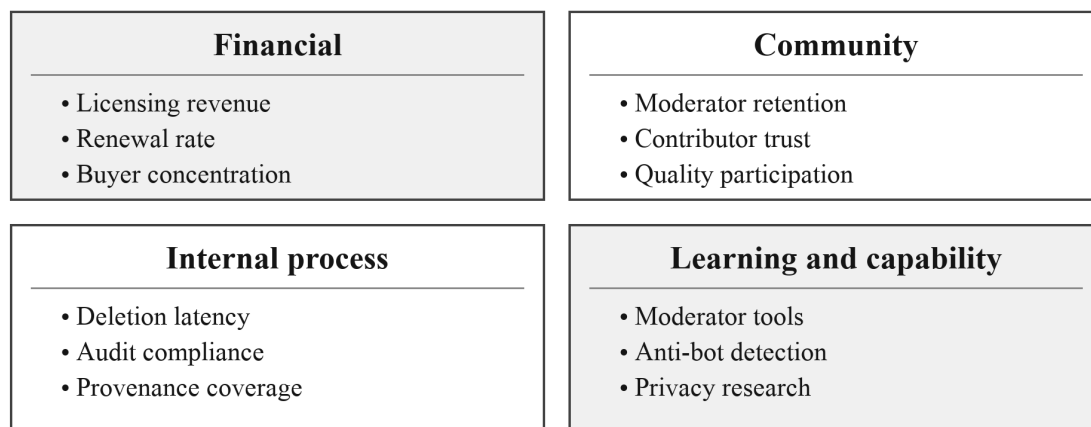


Figure 8. Balanced Scorecard for the Community Capital Covenant pilot.

Source. Author's application of Kaplan and Norton (1992).

## VII. The Product Reddit Cannot Make

Charging firms for industrial access is rational. Unrestricted scraping leaves Reddit to bear hosting, moderation and enforcement costs while model developers capture much of the gain. Yet a contract does not give Reddit control over the production of future conversations. The archive ages. Communities renew it.

That is why reinvestment belongs inside the licensing model rather than beside it. Google paid for a pipe into human conversation. Reddit's long-run advantage depends on the people willing to keep speaking through it.

## Endnotes

1. The \$60 million figure is Reuters' estimate from sources familiar with the agreement. Reddit and Google disclosed the partnership but did not disclose its price.
2. Reddit reports content licensing inside "other revenue," alongside direct user products. The category is therefore an upper bound for licensing revenue.
3. Li et al. measured observable moderation actions in 2020. Their 466-hour estimate excludes much judgement, coordination and community memory, while the wage scenarios value time rather than Reddit's cash cost.
4. Similarweb's traffic and time-spent series are third-party estimates. The simultaneous falls establish dependence descriptively but do not identify the blackout's causal effect.
5. The NPV expression is a decision rule rather than an accounting identity. Reddit would need contract-level cash forecasts, scenario probabilities, a defensible terminal-value horizon and a risk-adjusted discount rate before using it for approval. Expected discovery gains should exclude advertising cash flows already counted elsewhere.

6. Ten per cent is a pilot parameter, not a valuation of contributors' legal claims. Reddit should publish sensitivity results at five, ten and fifteen per cent before fixing a permanent share.
7. The two-partner disclosure concerns contract value rather than recognised revenue. It demonstrates counterparty dependence without revealing either partner's annual revenue share.
8. The VRIO "organised" criterion is marked partial. Reddit can contract and enforce at platform level, but it cannot direct volunteer effort as it directs employees.
9. Commencing litigation shows that Reddit is trying to enforce a boundary. It does not establish that courts or counterparties will accept that boundary.
10. Matched communities do not create a randomised counterfactual. The evaluation should pre-specify matching variables, test parallel trends and report attrition before claiming an effect.
11. Remaining performance obligations measure contracted revenue not yet recognised. They provide forward visibility, not a guarantee of collection or renewal after 2027.
12. The \$14.0 million ceiling applies ten per cent to the whole other-revenue category. A licensing-only allocation would necessarily be lower unless Reddit discloses a separate figure.

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