

Monetization of Social Media

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Slides are modified from [Bus450 Social Media Monetization](#)



Agenda

- What is monetization
- Why monetization?
- Market growth and scalability
- Traditional offline media monetization
- Online monetization
- Social media monetization frameworks
- Discussion



What is monetization?

Merriam-Webster

- “To utilize (something of value) as a source of profit.”

Us

- To make money.



Why monetization?

- ROI
- Opportunity



Market growth and scalability

- Social networking is already reaching a maturity stage
- 2015 predictions:
 - Growth in Asia
 - Decline in North American and Europe
 - Online social networks will reach a monetizable scale of consumer expenditure of at least \$200 billion in 16 countries



Traditional offline media monetization

- Mass media
 - Ex. Television, newspapers and magazines, radio
- Three-party market
 - The web extends this model



Online monetization

- The “Dot-com Boom”
 - Massive investments in startups
 - Promise of profits
 - March 10, 2000: Bubble burst
- Today's boom is different
 - Tried frameworks and more experience in ecommerce



Social media monetization frameworks

- **Common ones:**
 - Subscription
 - Virtual Currency
 - ‘Freemium’
 - Advertising
- **Others:**
 - Sponsored Content
 - Affiliate



Subscription

- Definition: User regularly pays a set fee to a provider for a service
- Formats:
 - Selling access
 - Usage-based quotas
 - Pay wall (also *freemium*)



Subscription cont'd

Pros

- Simpler
- More predictable revenue stream
- More committed user base

Cons

- Content must be valuable
- Content must be protected



Example: Spark Networks

- Niche dating websites
 - ChristianMingle
 - JDate



Virtual currency

- Definition: Currency used to purchase virtual goods in various online marketplaces.
 - Virtual objects, experience, or information
 - Micropayments



Example: Facebook Credits

Gift

Today is Danny's birthday. Write a message above and optionally give a gift below.

All Gifts Search Gifts Your Credits Balance: 20

10 Credits (E-Card)	30 Credits (E-Card)	50 Credits (Donation)	10 Credits	50 Credits (Donation)	10 Credits (E-Card)	100 Credits (Donation)
10 Credits (E-Card)	450 Credits (Real Items)	40 Credits (Real Items)	10 Credits	10 Credits	10 Credits	10 Credits

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Good News Revati!

You have Facebook Credits that you can redeem for Farm Cash.

Home Profile Account

credits - Get Info Games More

Free Gift! with any purchase

Grey Goose

Harry, this offer expires in: 12:04:51

*Limit 1 per customer

4 Only 10	25 Only 50	115 Only 200
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Buy Package Buy Package Buy Package



Virtual currency cont'd

Pros

- Low cost
- No quantity limits
- Virtual economies can be profitable

Cons

- Risk
- Small payments



Example: Second Life



- Incorporates freemium but is mostly virtual currency
- Free to play, but limited



Freemium

- Definition: Content, services, and software are available in multiple tiers of use, including a basic free tier.
- Formats
 - Conversion from free to paid
 - Traditional freemium hierarchy



Freemium cont'd

Pros

- Customers can be motivated to pay
- Free trial
- Easily adaptable model

Cons

- Difficult to switch from a free model
- Must create a need for premium content
- Need paid users to break even



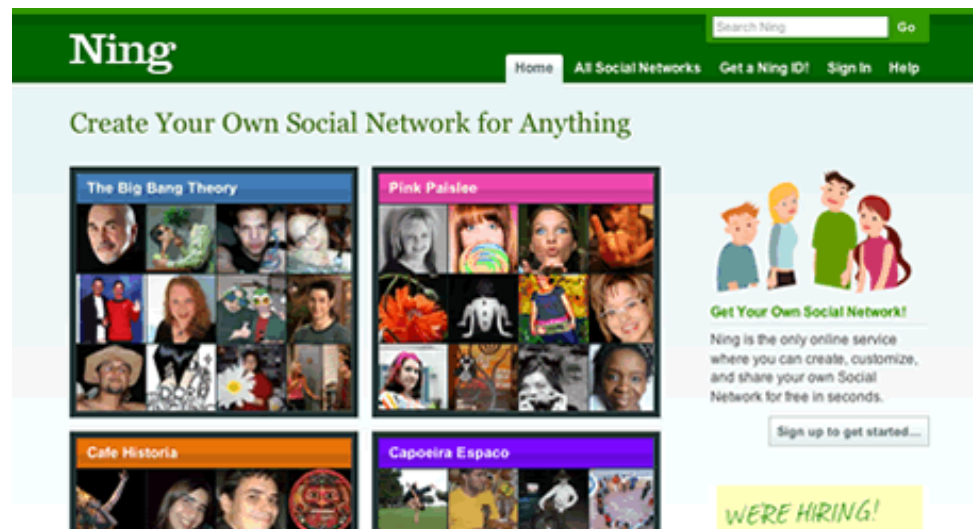
Example: HootSuite

- Transitioned from an all-free to freemium model
- Successful transfer because of loyal user base and added features.



Example: Ning

- Attempted a freemium model for a niche market
- Now use a subscription model with different pricing options



Advertising

- Definition: Content, services and software are offered for free because the advertisers (third parties) are willing to pay for access to customer communities with distinct interests



Advertising formats

- Pay per click
- Pay per share
- Banner ads
- Sponsored searches
- Sponsored content
- Contextual mobile advertising



Advertising cont'd

Pros

- Successful
- Provides large visibility
- Targeted
- Pays for content

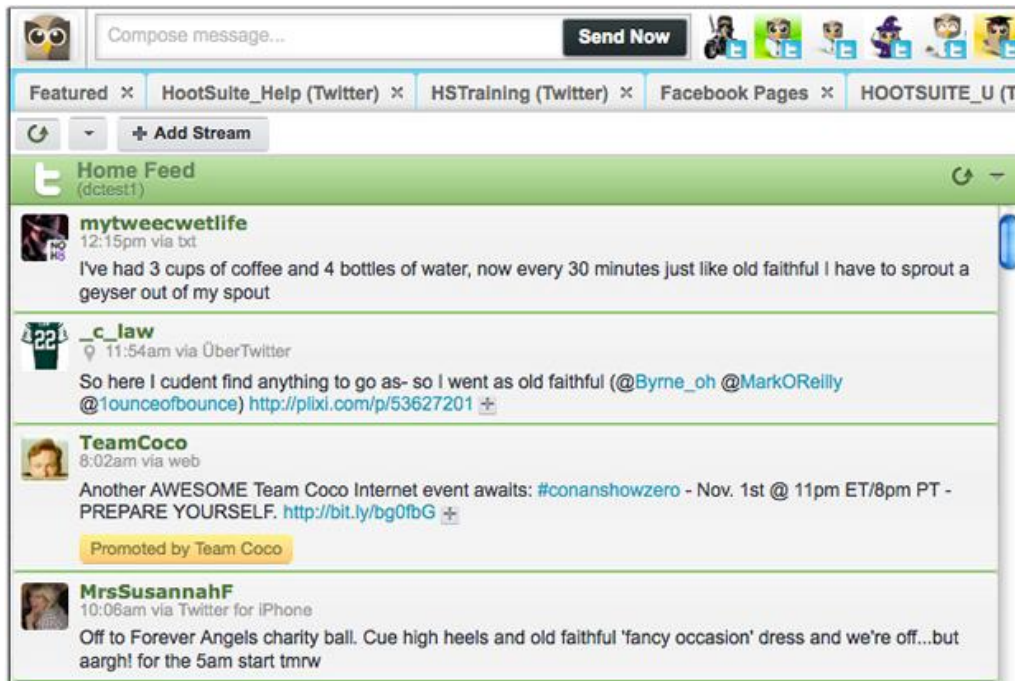
Cons

- Need well-defined target audience
- Consumers dislike ads



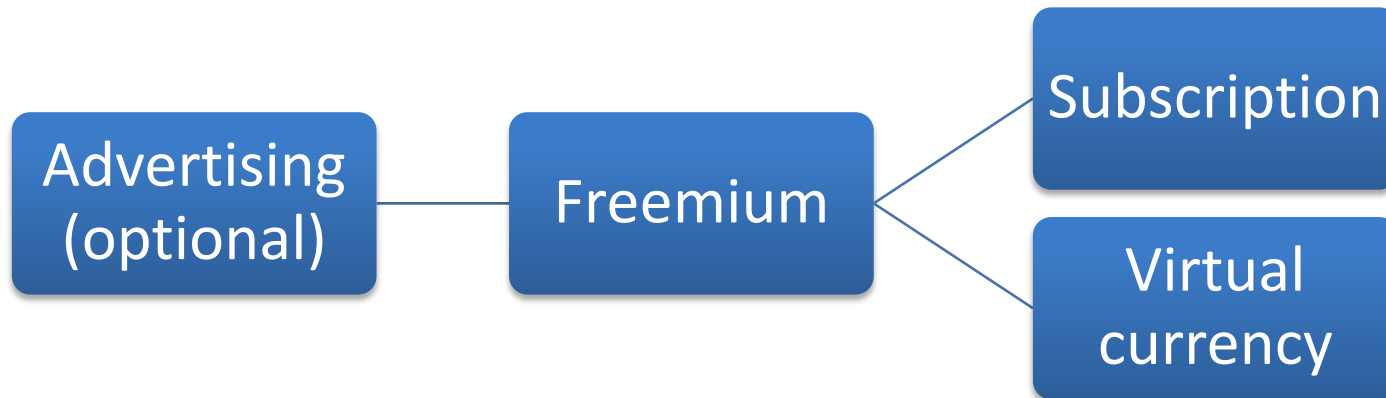
Example: Twitter

- Introduced an advertising program in April 2010
- Advertisers can choose scale of audience



Comparison

- All models are linked and rarely is one used exclusively.



Discussion I: Dianping.com

- Dianping.com, established in 2003, is China's first Web 2.0 site based on user generated content .
- It is the world's first independent third-party local review site.
- Sectors covered include restaurants, leisure, shopping, weddings and parenting.
- Recent rumors said say that Baidu was in talks with Dianping for a potential acquisition that values Dianping at about \$2 billion.
- Dianping's first try on monetization was physical membership card, but it didn't work out. For years promo coupons and advertising were the revenue sources with which Dianping managed to turn a profit in 2008. While revenues back then were good enough for a small business, it is another story when scale-up began.
- In June 2010 Dianping Group-buy was launched as one of a wave of group-buying services in China. But so far the business hasn't generate a profit for Dianping for the margin is too low. It is estimated that group-buying services in China make an average of 3% -5% in gross margin — it's 7% in Meituan's case, as its co-founder disclosed at our ChinaBang 2013 in early this year.



Discussion II: Twitter

- Twitter is a free social networking site
 - People have short status updates often not more than 140 characters known as “TWEETS”
 - Following
- Twitter begins trading on the New York Stock Exchange starting at 7/11/2013
- Revenue
 - Advertisement
 - More?



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