Monetization of Social Media

Irwin King

Department of Computer Science and Engineering
The Chinese University of Hong Kong, Shatin, N.T., Hong Kong

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

![Example Facebook Credits Image]

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

Your Credits Balance: 20

- 10 Credits (E-Card)
- 30 Credits (E-Card)
- 50 Credits (Donation)
- 10 Credits (Donation)
- 50 Credits (Donation)
- 10 Credits (E-Card)
- 100 Credits (Donation)
- 10 Credits
- 10 Credits
- 10 Credits

Good News Revati!
You have Facebook Credits that you can redeem for Farm Cash.

Harry, this offer expires on

Only 10
Only 50
Only 200
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

<table>
<thead>
<tr>
<th><strong>Pros</strong></th>
<th><strong>Cons</strong></th>
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<tbody>
<tr>
<td>• Customers can be motivated to pay</td>
<td>• Difficult to switch from a free model</td>
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<td>• Free trial</td>
<td>• Must create a need for premium content</td>
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<td>• Easily adaptable model</td>
<td>• Need paid users to break even</td>
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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?
References