

Mobile Business Models for Social Network Services

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Motivation

- Lack of suitable business models has been a barrier towards mobile service development.
- Social network services is one of the fastest growing application areas (fixed and mobile)
- Research question: What are the possible business models to be applied for these services?

Content

- Introduction
 - Social Networking
 - Business model aspects
- Business models:
 - Facebook
 - Twitter
 - YouTube
- Conclusions

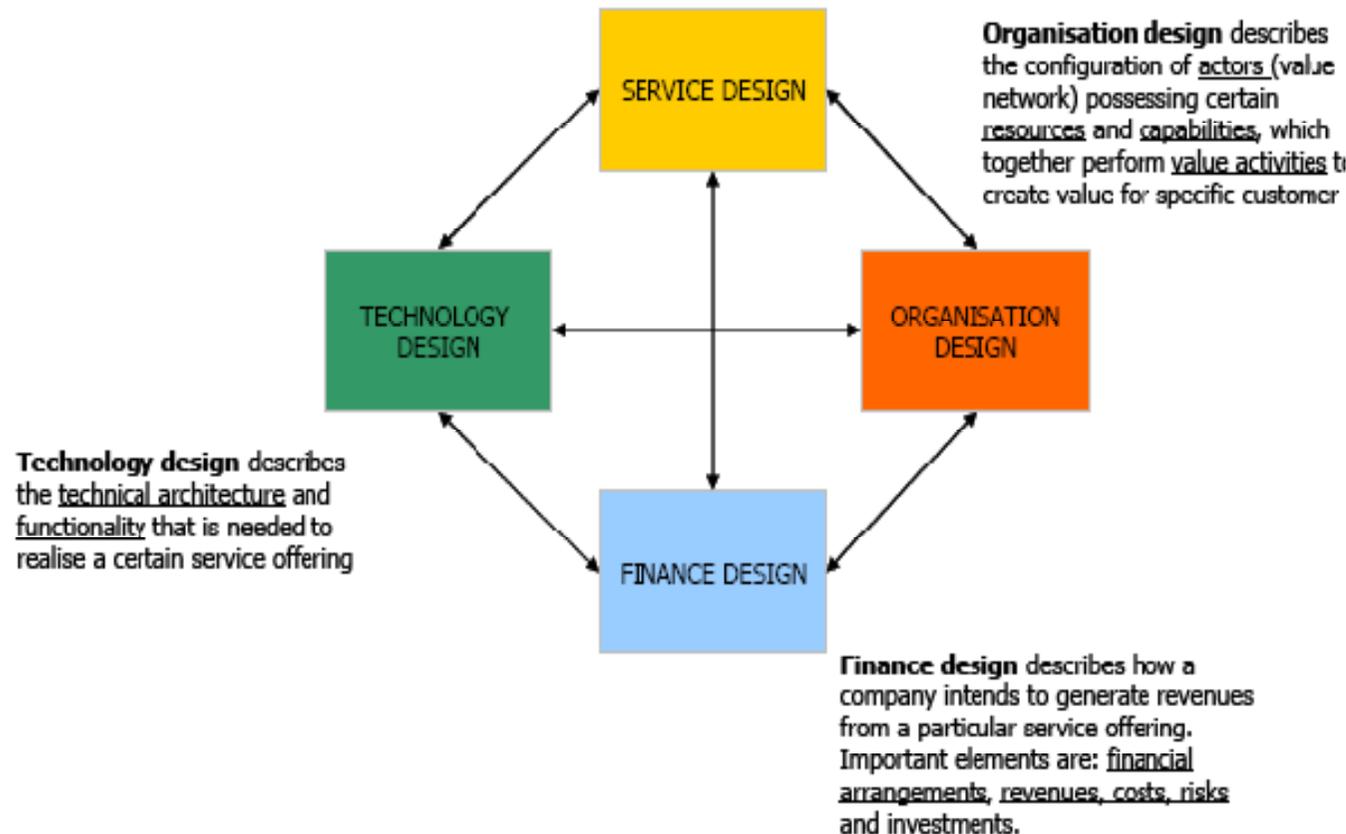
Business Model

"A business model is a conceptual tool that contains a big set of elements and their relationships and allows expressing the business logic of a specific firm."

Service design describes a firm's service offering to specific customers/ end users in particular market segment. Two important components are: intended value and perceived value.

Osterwalder,

Pigneur and Tucci (2005)



facebook®



I AM TRYING TO
ADD MORE FRIENDS

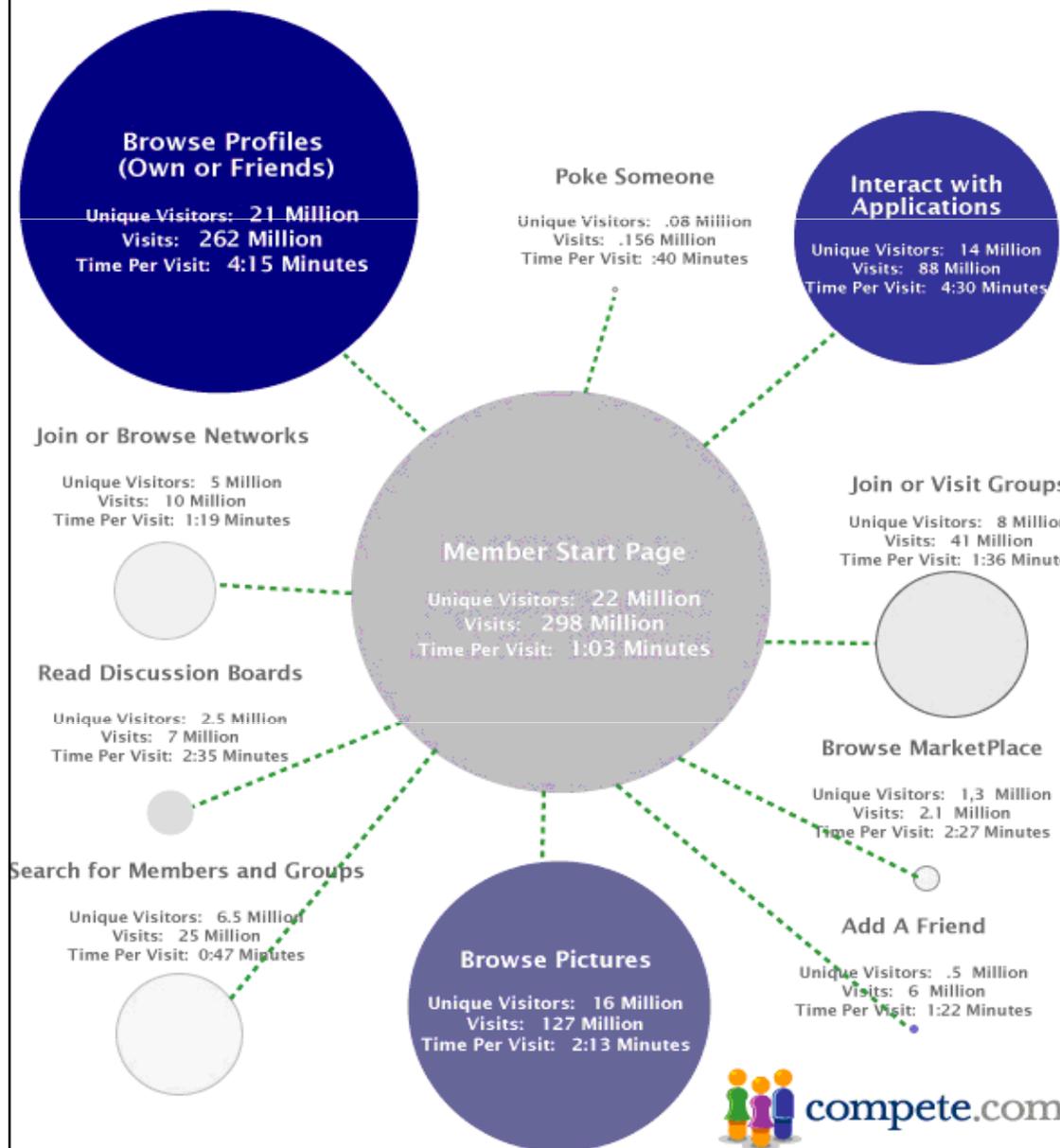
- Facebook was launched by a student, Mark Zuckerberg, at Harvard in February 2004.
- More than 300 million active users
- Average user has 130 friends on the site

Applications

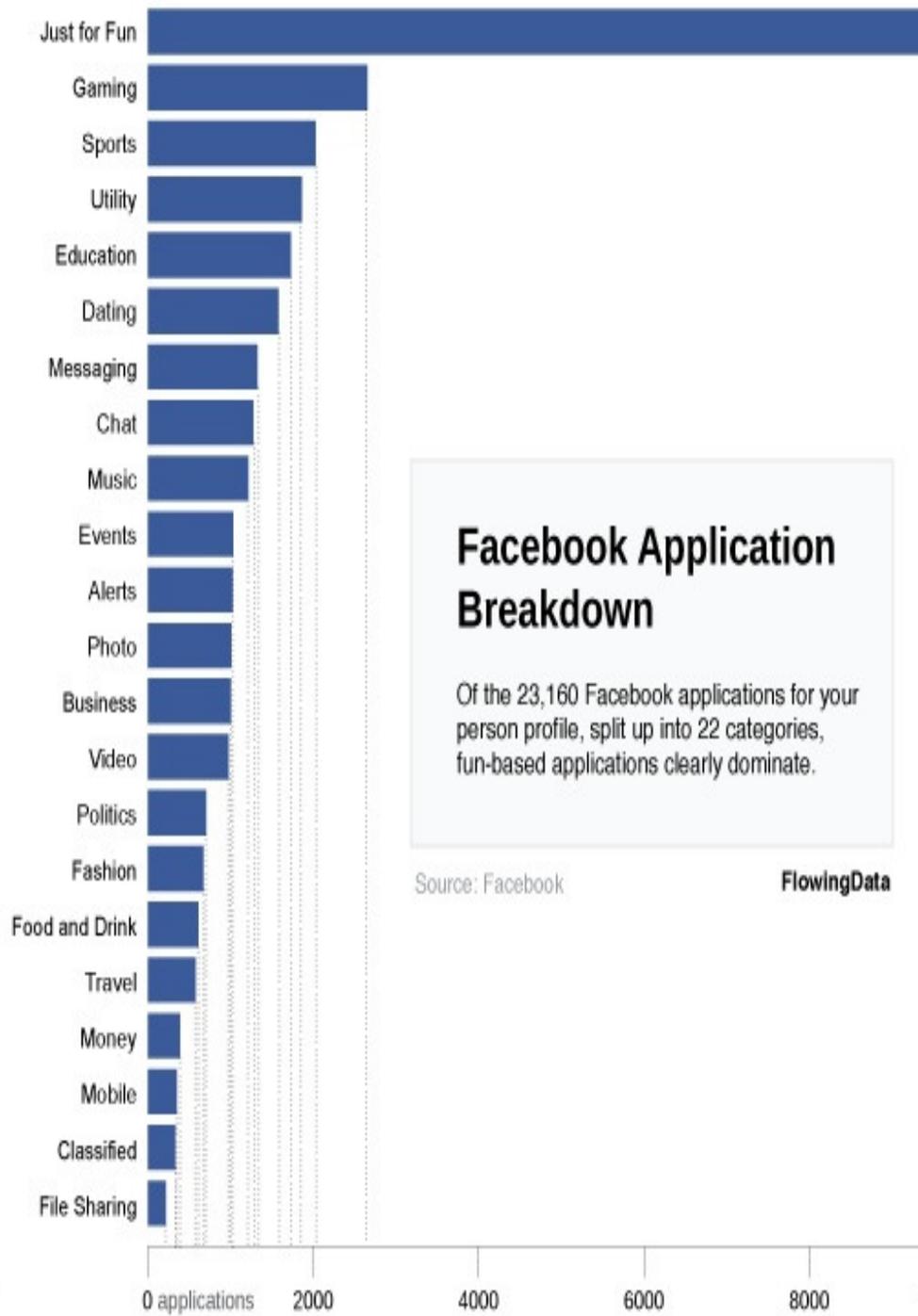
- More than 2 billion photos uploaded to the site each month
- More than 14 million videos uploaded each month
- More than 2 billion pieces of content (web links, news stories, blog posts, notes, photos, etc.) shared each week
- More than 3 million events created each month
- More than 45 million active user groups exist on the site



Facebook Activity Breakdown, August 2007
Size represents total number of users, shade represent usage intensity



Darkest shade represents most intense use, largest circle represents largest audience
center for Communication, Med



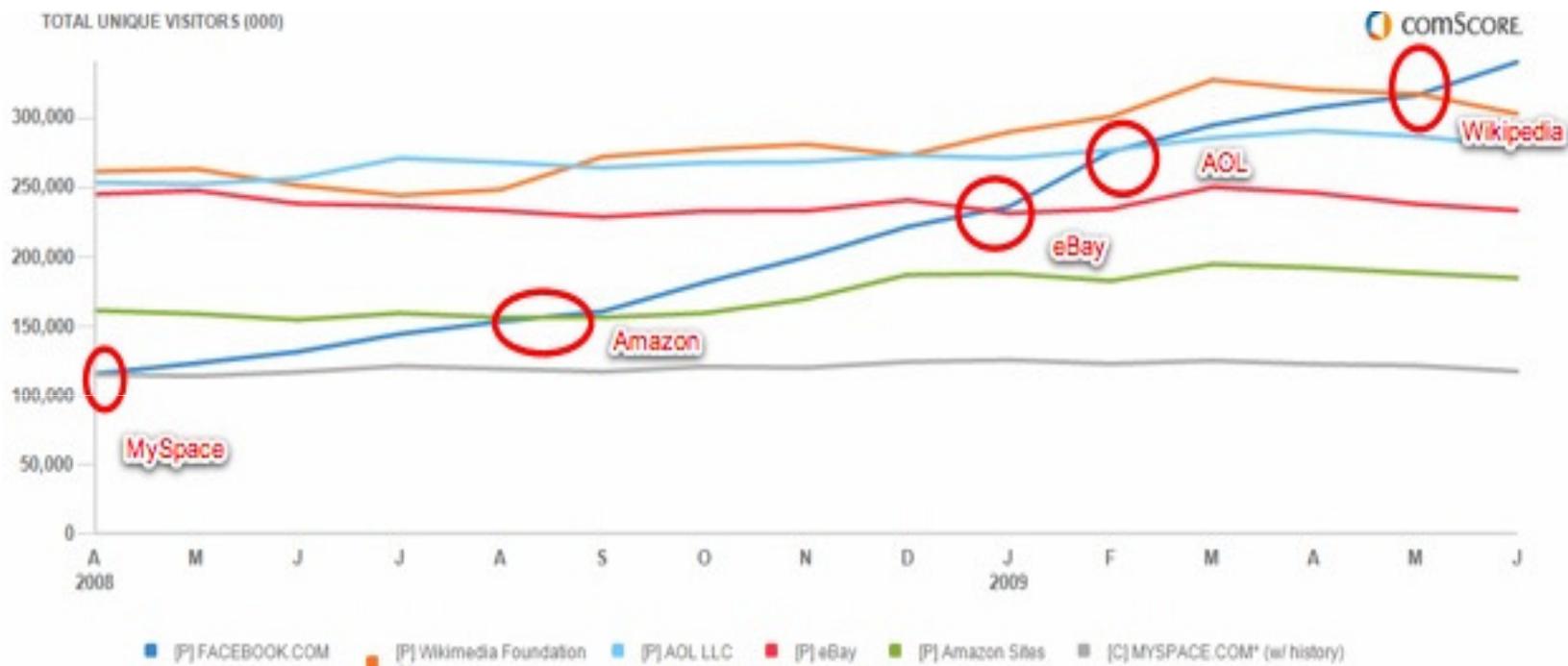
Facebook Application Breakdown

Of the 23,160 Facebook applications for your person profile, split up into 22 categories, fun-based applications clearly dominate.

Source: Facebook FlowingData

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Facebook-users growth



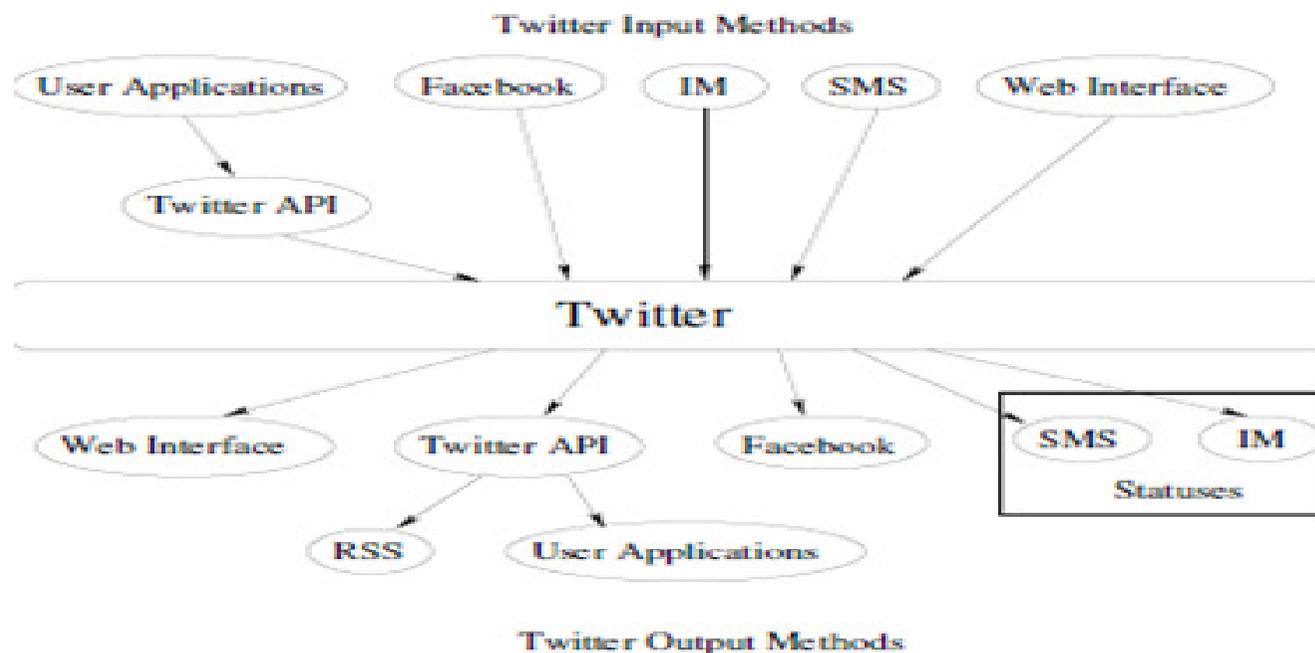
Source: Erick Schonfeld, Facebook Is Now the Fourth Largest Site in the World, August 4, 2009

twitter



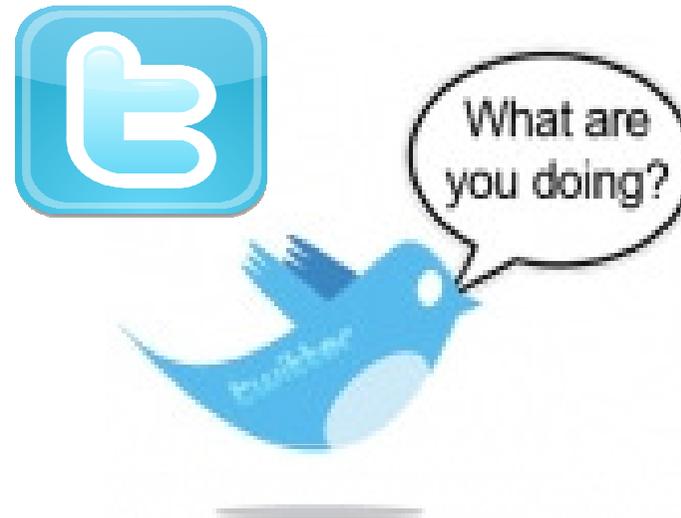
- Twitter is a social network based on a micro-blogging platform – created by Jack Dorsey
- allowing users to post short messages and read messages from others.
- by displayed on the author's profile page and delivered to the author's subscribers who are known as followers.
- Twitter is ranked as one of the 50 most popular websites worldwide
- Twitter had a monthly growth of 1,382 percent, Zimbio of 240 percent, followed by Facebook with an increase of 228 percent. However, only 40 percent of Twitter's users are retained.

Multiple channels for input and output





Twitter created as a facebook for mobile



... but becomes a mobile news media

**Share and discover what's happening right now,
anywhere in the world.**



Join the conversation [Sign up now](#)

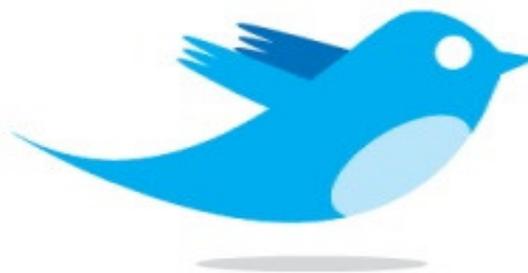
See what people are saying about...

[Search](#)

POPULAR TOPICS BY THE MINUTE, DAY, AND WEEK 



twitter

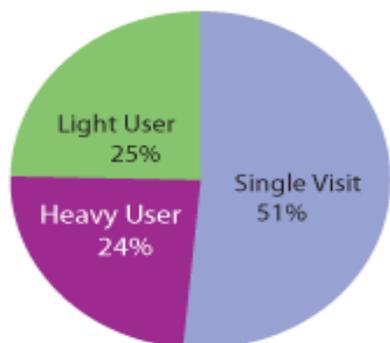


Twitter Usage Segmentation - April 2008

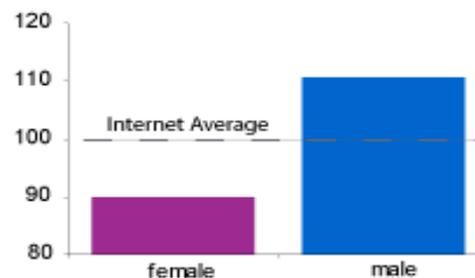
By Usage intensity, Gender, Age



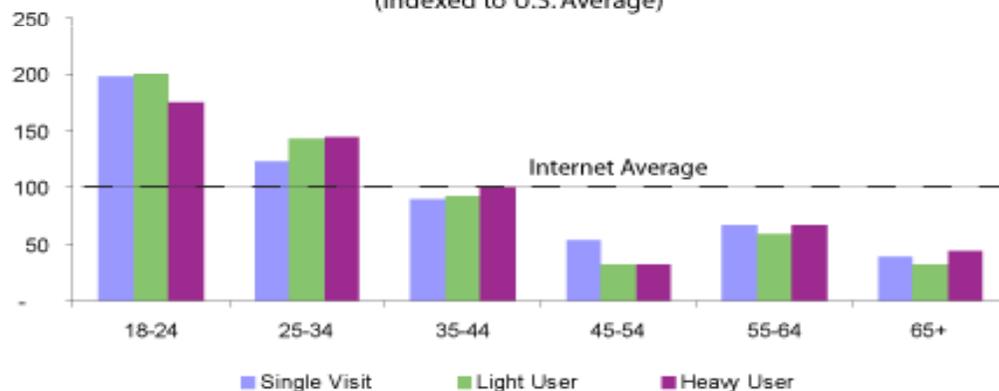
Twitter (Web) Usage Intensity



Twitter Gender Breakdown
(indexed to U.S. Average)



Twitter Age Breakdown vs. Usage Intensity
(Indexed to U.S. Average)

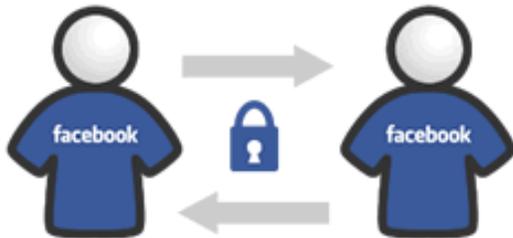


You Tube

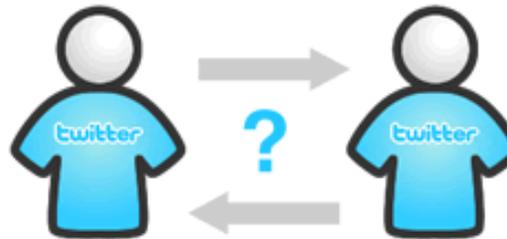
- YouTube is an Internet based public video-sharing service, where the end-users upload and share video clips.
- YouTube was created in mid-February 2005 by three former PayPal employees: Steve Chen, Chad Hurley and Jawed Karim, and in October 2006 YouTube was acquired by Google Inc for US\$ 1.65 billion.
- On YouTube people can experience varying degrees of engagement: One can chose only to view the available content, or also to share videos with others and even to develop social relationships



Service Design:



Symmetric Relationship



Asymmetric Relationship



- Facebook is a social networking portal
- “symmetric” model requires a user to allow others to connect
- Application: find people, make connections, email, instant messaging, image/video sharing, games & apps, etc.

- Twitter is a micro blogging platform limited to 140 characters per update
- “Asymmetric” model – followers concept
- Limited functionality; find people, send brief messages, direct replies
- Can be accessed on the Internet, but is designed as a mobile service

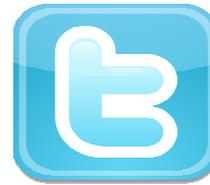
- YouTube began as a video sharing platform
- offers some social networking options: create friends, develop social relationship
- copyright issues – an upper limit of 10 minutes on video content



Organisation Design



- Facebook
- Handset developers
- Application developers
- Access providers
- Users



- Twitter
- Application developers
- Access providers
- Users



- You Tube
- Content providers
- Access providers
- Users

Finance design: cost

- more data centre space
- and more servers.
- Electricity - Facebook may spend well over US\$ 1 million a month on electricity to power its servers and data centre space . The company has earmarked US\$ 100 million to buy 50,000 servers this year and next
- Staff: Facebook – 1000 employees, Mark Zuckerberg plans to hire more engineers and increase staff by 50%.



Finance Design: how social networks are and will be making money.

Facebook Ads.

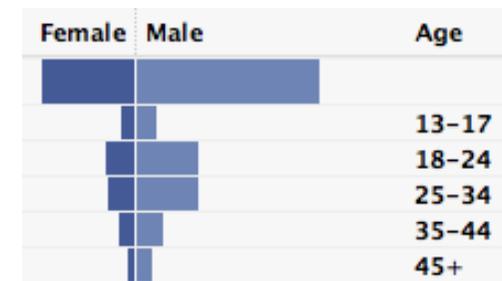
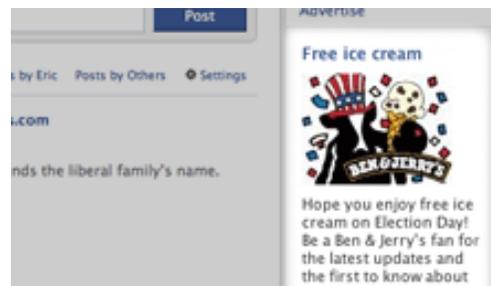
- **Viral Social Ads (ads targeted based on member profile data) provide advertisements alongside related actions your friends have taken on the site - they spread company message virally through the social graph. These ads will appear both in people's feeds and as a personalized banner ad - controlled by Facebook**
- **Beacon (a way for Facebook members to declare themselves fans of a brand on other sites and send those endorsements to their feeds),**
 - eBay, Fandango, Live Nation, CBS Interactive and many other sites are in the Beacon program.
- **Insight (marketing data that goes deep into social demographics and psychographics which Facebook will provide to advertisers in an aggregated, anonymous way).**

2. Targeting

Location:

Everywhere
 By State/Province
 By City

Age: -



Connect with real people

Create your Facebook Advert
 pay per click (CPC) or impression (CPM)
 in your local currency.

Optimise your adverts
 Track your progress with real-time reporting.
 Gain insight about who's clicking on your advert.

Facebook revenues – new ideas!

○ **Virtual goods**

- Virtual currency – “Facebook credits”
 - The gifts are centered around holidays, special events: Valentine’s day, birthdays, as well as just for fun.
 - 1 gift = 10 credits
 - 10 credits = 1 USD
 - e.g. Britney Spears line (virtual gifts, icons, birthday cards) – 10 credits

○ **Advertising revenue generated by deals for “Branded virtual gifts”**

- Branded virtual gifts receive 10 times the interaction level of their non-branded counterparts
- Branded virtual gifts turns customers into brand advertisers
- Approximately 5 million virtual goods are exchanged on Facebook daily

○ **Real-world goods (flowers, candy, and toys)**

- e.g. 1-800-Flowers.com – 12 roses = 450 credits

○ **Branded sponsorship**

- Terminator salvation: +10 credits provided by Terminator Salvation

You Tube finance design

Ads ads ads

- Post-roll advertising: if you don't click on an overlay ad when it shows up in a clip you're watching, the video ad it would have played rolls automatically at the end of your video.
- Pre-roll advertising: Pre-roll ads are short video clips that you must watch before the video.
- Regular banners.
- Sponsored advertising: Sponsored video spots that works like sponsored advertising on Google
- Partnership programmes



Twitter finance design

- ???????



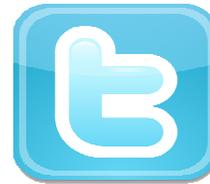
Finance Design: how social networks are and will be making money.



Sources of revenue:

- \$125 million from brand ads.
- \$150 million from Facebook's ad deal with Microsoft.
- \$75 million from direct sales of virtual goods.
- \$200 million from self-service ads (mostly from social gaming companies on the platform)

Approximately five million virtual goods are exchanged on Facebook daily



- Twitter neither charges subscription fees nor provides space for advertisements.
- A little revenue is generated from users sending and receiving tweets on SMS
- „Twitter will build the audience first and the revenue streams later“ Stone - a co-founder of Twitter



- revenue model is based on advertisement: post-roll, pre-roll, sponsored advertising and regular banners
- Google has implemented a sophisticated advertising scheme and revenue sharing mechanisms to run the YouTube business.

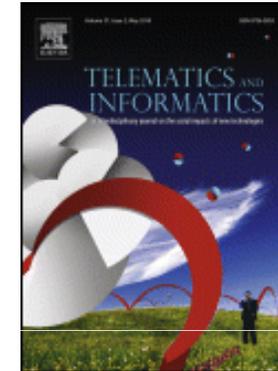
Conclusions

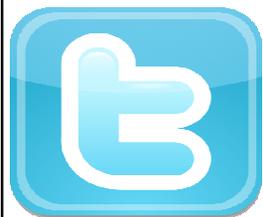
- Facebook, Twitter, YouTube - are clearly examples of web 2.0 services, where the services provided by the networks are dependent upon content created by the users
- Three cases, YouTube, Facebook and Twitter - three different profiles and purposes
- All very successful in attracting customers, but the lock-in effect is relatively weak
- Until now, a major 'revenue stream' has been venture capitalists.
- Advertisement is, e.g., the major revenue source for YouTube and has also started becoming a source of income for Facebook.
- Another possibility is to charge the partners that these networks have: either application developers or content providers.
- Further sources of revenue are, in the case of Facebook, the selling of virtual gifts. This is becoming an important area for Facebook.
- Very limited revenue from content providers and application developers
- All services are moving to mobile platforms. This challenge the revenue streams.



Telematics and Informatics

- Publisher: Elsevier
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- Possible to include max 6-8 papers in a special issue.
- Even special issues have to go through a blind review process. However, if you agree, you (or a colleague) could become the editor of this special issue. The submissions could be processed through our web-based review system which is very smooth and straightforward.





VS



„On twitter you talk to strangers you like, on Facebook you talk to friends you barely remember”

„Twitter is Facebook with about 10,000 less settings.”

„Twitter is short, character-limited updates & Facebook gives you more options for communicating as well as games & apps”

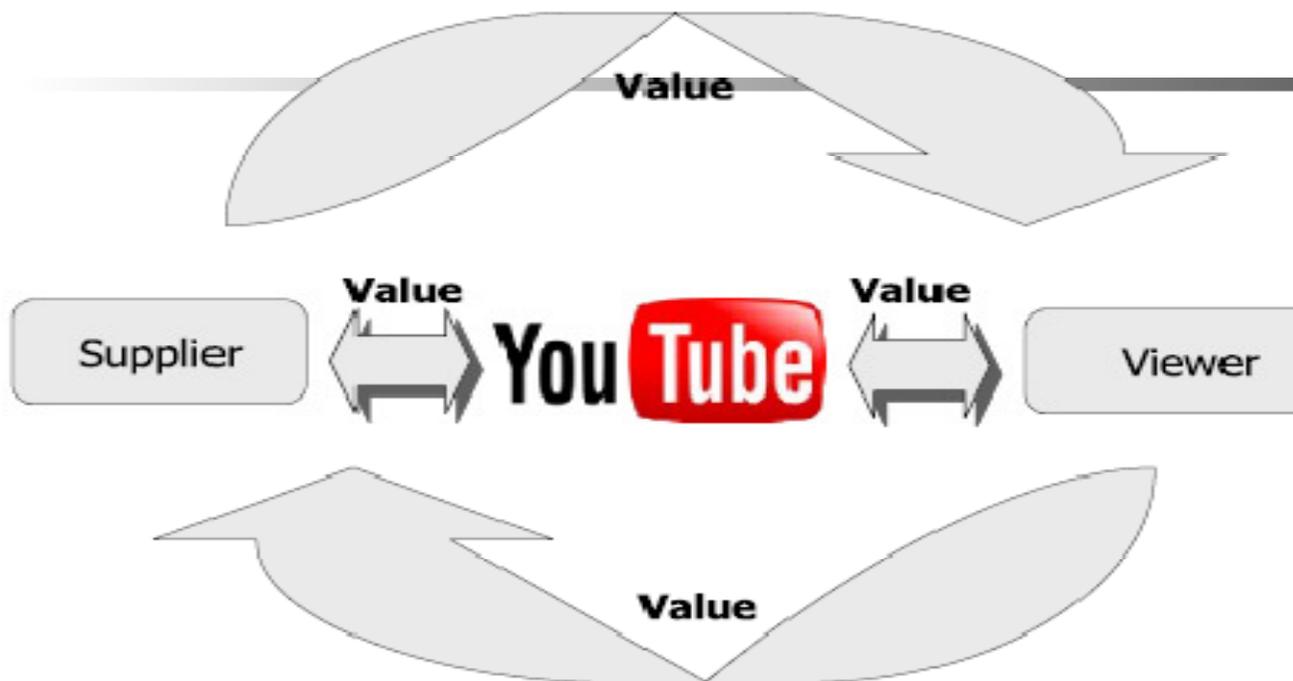


Finance Design: investments





Organization design



Service Platform Web 2.0



facebook®



YouTube



twitter



- Service Oriented Architectures
- Network effects play a far greater role in web 2.0 services than in the first generation of web-based services.
- Platforms coordinate the demands of distinct groups of customers who are dependent on each other.
- Social platforms provide a set of application programming interfaces (APIs) that give developers access to the very core of what makes social networks valuable: social graphs, profiles, social activity statistics, broadcast capability, events and integration of the "regular" Internet into the social network.
- What a retailer is capable of doing on a social network will be determined by the platform's capabilities e.g. Facebook has a very open platform that allows for a huge number of applications