

# Monetizing the Net: Creating Profits through *Anything* but Advertising!

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# Context

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- \$ Why must all content be free?
- \$ Why must all revenue from the ‘net be based on advertising?
  - ▣ “*Planet of the Advertisers*”
  - ▣ And the extinction of the Irish Red Elk
- \$ The search for alternative revenue models
- \$ And the challenges this will pose to strategy, management, and systems

# Context

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## \$ All this hype:

- ❑ Will we still need advertising?
- ❑ Will social networks replace email?
- ❑ Will social networks replace our stores? Our sales and service agents? Our markets or exchanges or EDI or ... ?
- ❑ Will social networks replace our lives ... as in *The Matrix Reloaded*?
- ❑ Should we be in the web business instead of what we do now? Will everything be virtual?
- ❑ Or is all of this just silly?

# Overview — what?

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- \$ Trying to force-fit the new into the old
- \$ Old Media:
  - 員 Broadcast
  - 員 Bundled — free content, subsidized by advertising
  - 員 Monopoly / captive audience
- \$ In contrast, ‘Net as a *milieu*, not a *medium*
  - 員 A medieval fair, not a movie theater
  - 員 Participatory
  - 員 Voluntary, and easy to exit

# Overview — and why?

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- \$ Old media's need to replace traditional advertising
- \$ Grabbing on to the net
- \$ Making the obvious mistakes
- \$ And yet ... real possibilities, and not so real possibilities, exist

# Advertising and the Net

- \$ Surely not a marriage made in heaven
  - 圆 Traditional media losing their viewers
  - 圆 Traditional advertising losing its clout
  - 圆 P&G needed **something**
  - 圆 News Corp needed **anything**



# Advertising and the Net

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\$ More like a  
*shotgun wedding*

圆 Traditional media owners starting buying into web technologies

圆 And traditional advertisers looked for something ...  
*anything* ... that might work



# Sources of Value from Net

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- \$ Numerous possible sources of value
- \$ Perhaps these can be monetized?
  - (1) **Learning** about preferences, individual or emerging societal preferences
  - (2) Actually **selling actual** stuff
  - (3) Actually **selling virtual** stuff
  - (4) **Revenues from content**, games and experiences
  - (5) **Selling referrals** from social network friends
  - (6) **Selling referrals** from *snooping*
  - (7) **Selling referrals** to *mobile users*

# (1) Value from Observing

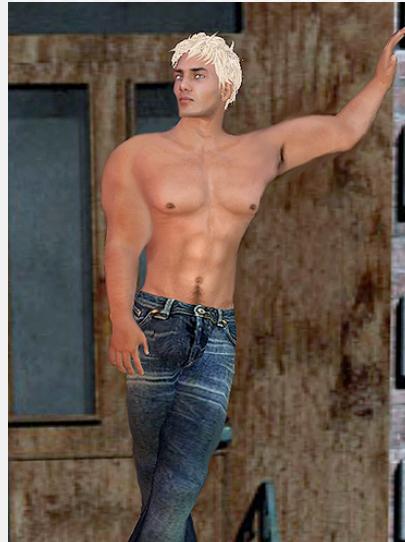
\$ **Possibility One:** Information about things from watching what we do on the net

- 員 Appearance represents choice and represents investment of time, money, or both
- 員 Therefore chosen appearance informs us



# (1) Pretty Traditional

- \$ But what are we learning that teaches about *meatspace*?
- \$ From traditional to perfect, they **paid** to look this way!
- \$ What surprises do we have here?



Endless possibilities: Donna Meyer, a grandmother from New York, and her avatar

# (1) What have we learned?

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- \$ All other things being equal, in virtual worlds:
  - 員 Large secondary sexual cues get attention
  - 員 Perfect bodily symmetry gets attention
  - 員 Perfect skin and perfect teeth get attention
  - 員 Hot tubbing and sailing confer status
  - 員 Casual sex is a good way to pass time
  - 員 When nothing else works, add wings and animal ears, symmetrical of course
  - 員 And if that does not help, take off your clothes, expose your large secondary sexual cues
- \$ And this is somehow new or useful?

# (1) What have we learned?

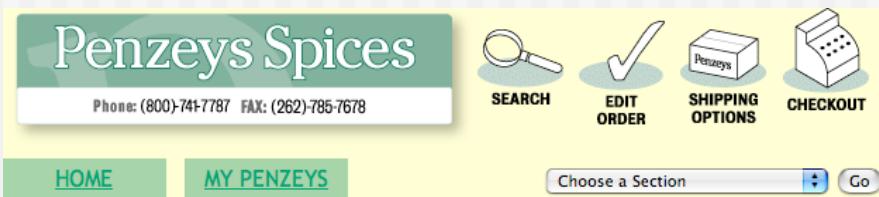
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## \$ Mini-disclaimer

- ▣ I'm actually using YouTube to assess emerging trends in viewer preferences
- ▣ We may all need to start paying more attention

# (2) Value from Selling?

\$ Possibility 2 –  
Everybody knows we can  
sell actual stuff online



The following links take you to the individual product pages:

- [Aleppo Pepper](#) Turkish crushed chili similar (but a bit spicier) to Ancho chili. Sprinkle on meats, deviled eggs and salads
- [Sanaam Chili Peppers](#) thin, flat 3"-5" deep red pods, traditional for Indian cooking
- [Tien Tsin Chili Peppers](#) very hot, bright red, 1"-2" Chinese pods
- [Piquin Chili Peppers](#) small, fiery hot Mexican chilies. The **hottest** chili pepper we carry.
- [Arbol Chili Peppers](#) slim, beautiful, curved 3"-5" bright red Mexican pods, close to Cayenne in heat and flavor
- [Cayenne Red Pepper Powder](#) has the power to make any dish fiery hot, but also has subtle flavor-enhancing quality
- [Dundicut Peppers](#) the traditional hot pepper of Pakistan, similar in flavor and appearance to Scotch bonnet peppers
- [Ancho Chili Peppers](#) both ground and whole, sweet, rich peppers with very little heat
- [Crushed Red Peppers](#) great for pizza, tacos, spaghetti, omelets and beans
- [Chipotle Peppers](#) throughout Mexico, they are regarded as a versatile and necessary addition to many dishes
- [Jalapeño Peppers](#) hotter than cayenne pepper, but the heat leaves your mouth sooner
- [Cascabel Peppers](#) shell has low-medium heat while whole pepper is a bit hotter
- [Guajillo Peppers](#) not hot but rich, smoky and complex



# (2) Value from Selling?

## \$ Possibility 2 —

- 圆 Everybody knows we can sell *actual stuff* online
- 圆 And it works especially well for *long tail* items
- 圆 So ... in case you need to wind two self-winding watches while you wear your third
- 圆 ... or you need to wind your mechanical watch by machine when you're wearing both those automatics ...
- 圆 But no surprises ...



# (2) Value from Selling?

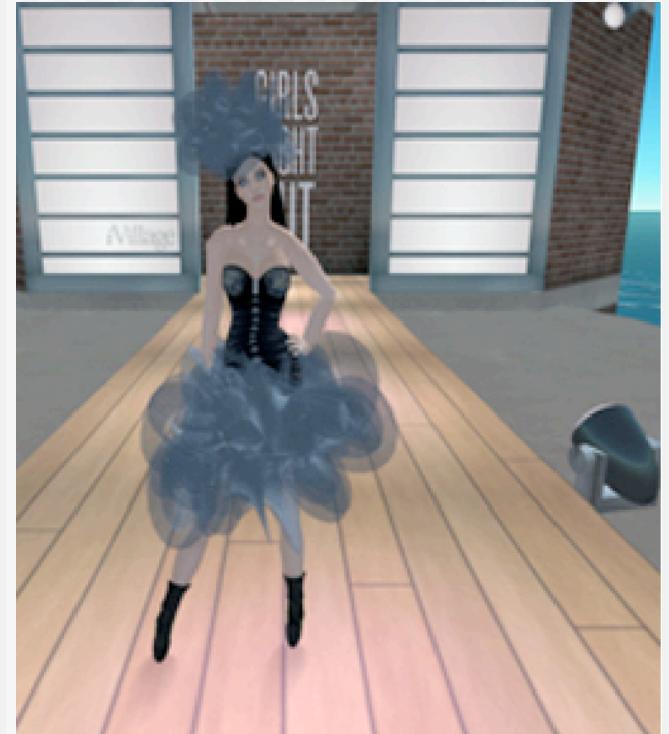
\$ Can we sell **actual** stuff in a **virtual** store? Why even ask the question?



# (3) Value from Selling?

\$ Can we sell **virtual** stuff in a **virtual** store?

- 圆 Virtual clothes for avatars?
- 圆 Colored virtual bubbles instead of Coke?
- 圆 But this is not big business!



# (4) Value from the Virtual Experience

\$ **Possibility 4** — direct revenues from the game itself (without the virtual store?)

- 圆 This can be a meet place outside meat space!  
Hot party ... and they are actually dancing *together!*
- 圆 Subscriptions, rent and real estate sales, add-ons



Finding photos got almost voyeuristically addictive

# (4) Value from the Virtual Experience

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- \$ Can you charge for content or relationships?
  - 員 *New York Times, Wall Street Journal*
  - 員 Need for new revenue models!
- \$ Jaron Lanier
  - 員 “*Pay me for my content*”
  - 員 And death threats

# (5) Referrals and Value from Social Content

\$ Social content can have great value  
貢 Piggybacking referrals

The screenshot shows two web pages side-by-side. The left page is from RateBeer.com, featuring a review for Schloss Eggenberg Samichlaus Bier. The review includes a green 'Percentile' box showing '85 overall', a bottle image, and a detailed description. The right page is from BeerJard.com, displaying a table of beer ratings with columns for Beer, Beer Type, ABV, and Country.

Beer	Beer Type	ABV	Country
John Bock	Bitter/Wit	9.5	12oz Bottle
DOS Samichlaus	Bock - Doppelbock	14.0	12oz Bottle, 25oz Bottle
Brother David's Trappist	Trappist	10.0	22oz Bottle
Brother David's Double	Double	9.0	22oz Bottle
Lucky Kat	Pale Ale	5.8	12oz Bottle
Reiche Herold	Stout - Imperial Stout (Special Limited Release)	9.0	12oz Bottle
Wheatbelt Ale	Blonde (Summer)	5.0	1/2 Keg, 1/6 Keg, 12oz Bottles
Domestic Pale Ale	Pale Ale	5.6	12oz Bottle
Domestic Oak Barrel Stout	Stout - Flavored	5.2	12oz Bottle
Domestic Lager	Lager	5.6	12oz Bottle
Caponcheck Spring Ale	Pale Ale (Spring)	4.5	12oz Bottle
Garami Ale	Fruit Beer (Spring)	5.7	12oz Bottle
Imperial Russian Stout	Stout - Imperial Stout	10.0	22oz Bottle
Hausmath Double IPA	Imperial IPA	8.1	1/2 Keg, 1/6 Keg, 12oz Bottles
Black & Blue	Fruit Beer (Special Limited Release)	10.0	25oz Bottle
Strawberry Harvest Ale	Fruit Beer (Summer)	...~	12oz Bottle
Gose Lager	Gose - Flavored	7.0	1/6 Keg, 12oz Bottles
St. Mysterious Hefeweissbier	Bock - Hefeweissbier (Spring)	7.4	1/2 Keg, 12oz Bottles
The Marcheza	Imperial IPA (Special Limited Release)	8.8	1/2 Keg, 1/6 Keg, 22oz Bottles
Collaboration Nef Licorice Ale	Stone Ale, Belgian (Special Limited Release)	9.0	1/6 Keg, 22oz Bottles
Black Stout	Stout - Imperial Stout (Special Limited Release)	18.0	12oz Bottles
Haandbryg	Haandbryg	7.3	16oz Bottles
Cooper City Brewing Company	India Seas Red Ska AF	8.0	12oz Bottles

# (5) Referrals and Value from Social Content

\$ Some companies have found a way to monetize this



Traveler rating: Chicago: [Allerton Hotel](#): "NOT impressed. This place is a dump."  
[Vegas1239](#), Milwaukee Oct 21, 2007

CHECK RATES!

Just got back from a weekend stay at the Allerton. Let me say, the location is great, but that's the end of it. This is the WORST hotel I have stayed in for years. The place is very outdated and the rooms and elevators are too small. WAY TO SMALL. Our room was not available at 3:00 and we were told that they would contact us as soon as one was ready. I received no phone call. On top of that, the room was in terrible condition when we did get it. The wallpaper was old and falling off the wall and the window was lined with masking tape. What a major DUMP. Way over priced as well.

My experience with this property took place in: October, 2007

Go across the street to the OMNI. I will never make this mistake again.

*This review is the subjective opinion of a TripAdvisor member and not of TripAdvisor LLC.*

Traveler rating: Chicago: [Allerton Hotel](#): "I Moved Out On Monday Morning"  
[New!](#) [blkjax](#), California Nov 7, 2007

The rooms were very small. The bed was approximately 2 feet from the door. There was no bath tub in the room, only a shower. The carpet in the hallway was very dirty and stained.

Do not sign the second document they give you when you check inn. The document states that if you check out several days early you must pay an extra \$100.

They charge \$10 per nite for the internet.

I checked in on a Sat and checked out on Monday morning, I went to the Marriott Courtyard, which was great!

The elevator only holds about 4 people at a time.

This TripAdvisor Member:  
Liked: location was good.  
Disliked: the hotel

\$ But tripadvisor had a unique relationship with hotels.com

# (5) Referrals and Value from Social Content

\$ Most attempts to monetize referrals have been a disaster

員 Invasions of privacy

員 Spam

員 And we are no longer captive viewers

DECEMBER 1ST, 2007

## Facebook Beacon: A Cautionary Tale About New Media Monopolies

by [Scott Karp](#)

29 COMMENTS

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LINK

[Facebook Beacon](#), currently in the process of [going down in flames](#), is a classic case of overreaching. So much has been written about what's wrong with Beacon — blatant privacy violation, lack of blanket opt-out, failure to make it opt-in, gathering data from non-Facebook users — but I haven't seen much about WHY they got it so wrong. (Except for [Umair](#), of course, who called Facebook evil back when everyone was still slobbering over them.)

# (5) Referrals and Value from Social Content

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- \$ This will be done correctly eventually
- \$ **Social Search** – Search engine in conjunction with a social network
  - 員 *Where do my friends like to stay in Chicago, or like to eat in Montreal?*
  - 員 **Not** invasions of privacy – friends, not a friend
  - 員 **Not** spam – when I ask for it, not when advertiser wants to pay for it

# (6) Referrals and Value from *Snooping?*

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- \$ Google ads stuck into Google mail
  - 員 Based on the content of the email
  - 員 Based on the content of the attachment
- \$ How will that look in the future?
  - 員 How will that look to an employer
  - 員 How naïve can you look?
    - € “*Hire me and our attachments will be scanned by Google*”
    - € “*Yeah, that sounds creepy, but at least it's free*”

# (7) Referrals and Value from Mobile Networking ?

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\$ The Great Unknown of mobile computing

- 圆 Are mobile network ads the most expensive form of spam?
- 圆 Are mobile ads the only ads we'll ever really want?
- 圆 *You're in New York and Clark Terry is not sold out at the Blue Note tonight at 8! ... Great!*
- 圆 *Mido in Ardmore has a sale all week on stinky tofu and preserved durian ... Not so much ...*

# (7) Referrals and Value from Mobile Networking ?

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## \$ The Big Three of Mobile Computing

- █ Relevant – I care, because of who I am and where I am
- █ Time sensitive – I care now
- █ Actionable – I can do something with this now

# (7) Referrals and Value from Mobile Networking ?

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## \$ The Great Generational Divide:

- 員 “I get and answer 30 emails on Saturday night from the guys, even while dating”  
vs.  
員 “The only thing I wanted to hear on a Saturday night was not from the guys...”
- 員 “I forwarded like 90 text messages when Heath Ledger died”  
vs.  
員 “Forwarded text is spam”
- 員 “Like, Cone Day at Ben & Jerry. I texted all my friends”  
vs.  
員 “Forwarded commercial text is worse than spam”

# Conclusions

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- \$ All that great new technology
  - 員 It would be a pity to pretend it's no more than a new way to deliver television, newspapers, or one-to-one messages
  - 員 Or to think it's just about ads
- \$ It is going to enable online communities
  - 員 Voluntary, participatory
  - 員 And with all the behavioral norms of a community

# Conclusions

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## \$ Watch for ...

- ❑ Monetizing the experience
- ❑ Monetizing community content
- ❑ Monetizing social search
- ❑ Mobile ads
- ❑ Augmented reality

## \$ Beware of investments in ...

- ❑ Invasion of privacy, tailored spam
- ❑ And the monetization of snooping in general

# Conclusions

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- \$ Build for observing ...
  - 員 Online behavioral trends
  - 員 Online reviews
  - 員 Behavior that correlates with reviews
  - 員 Relationship between reviews and revenues
- \$ Beware of...
  - 員 Managing the content instead of managing the customers' experience