

The problem with companies who have built their business around free is that it is far from free to remain successful.

The more success you have in delivering free, the more expensive it is to stay at the top. The more success you have, the more important it is to management to remain successful. The more important remaining successful is to management, the more money they will spend, the more chances they will take, the more infrastructure they will build, the more people they will hire. All of the things that will prevent them from staying lean, mean and flexible. All of the things that distract them from innovating within their core competency.

**Lets look at the rule that eventually KILLS all freemium based content plays:**

**There will always be a company that replaces you. At some point your BlackSwan competitor will appear and they will kick your ass. Their product will be better or more interesting or just better marketed than yours, and it also will be free. They will be Facebook to your Myspace, or Myspace to your Friendster or Google to your Yahoo. You get the point. Someone out there with a better idea will raise a bunch of money, give it away for free, build scale and charge less to reach the audience. Or will be differentiated enough, and important enough to the audience to maybe even charge more. Who knows. But they will kick your ass and you will be in trouble.**

For Google, who lives and dies by free, **we dont know who their BlackSwan company will be. But we all know it will happen don't we ?** The only question is when. Of course Google knows it as well. Which is exactly why they invest in everything and anything they possibly can that they believe can create another business they can depend on in the future. They are spending incredible amounts of money in search of the "next big Google thing". When their BlackSwan competitor appears, they won't be in a position to compete with the newly presented model, particularly if its free based because their ecosystem has bloated to the point where they can no longer create anything for free.

Google is not unique. The same happens to all companies based on free.

The same will happen to Facebook, Twitter, pick any company who lives off of free.

Its not that they can't make money offering free. They can, have and will. The problem is that they know that its literally impossible to be the king of the mountain forever. But that won't stop them from trying. And that is exactly what will kill them.

Their better choice would be to run the company as profitably as possible, focusing only on those things that generate revenue and put cash in the bank. More importantly, when you see your BlackSwan company appear and you know they will kick your ass, rather than ramping up to try to compete, get out. Sell. Or maximize cash and pay your shareholders every penny you have.

Like every company in the free space, your lifecycle has come to its conclusion. Don't fight it. Admit it. Profit from it.

Which is exactly what MySpace should do. Rather than trying to reinvent itself to compete better with Facebook, they should do the exact opposite. They should try to optimize whatever monetization opportunities it has. Cut costs to the bone. Maximize revenue per user. Think purely in terms of business. Squeeze every nickel out of it that they possibly can, knowing its going to die a long, slow death. Meanwhile, they have the opportunity to take that money and invest it where they think some young company is preparing to become Google/Facebook/Whoever's black swan. They can invest alone, or along side others. It doesnt matter. What does matter is recognizing that they have a better chance of beating Facebook by investing in a company they think can pre empt Facebook than by trying to reconfigure MySpace to be that company.

When you succeed with Free, you are going to die by Free. Your best bet is to recognize where you are in your company's lifecycle and maximize your profits rather than try to extend your stay at the top.