

Monetizing the Community

Some insights from the IBBT project 'CoCoMedia'

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CoCoMedia project

- How to integrate classic journalism with community media
- Innovate the technologies for content moderation, editorial environments and content aggregation
- Calendar application

How UGC achieves economic importance

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<dsully> please describe web 2.0 to me in 2 sentences or less.


<jwb> you make all the content. they keep all the revenue.

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1. Forms of UGC
 2. Tradition value chains are being displaced by value networks
 3. Previously professional business roles and functions are democratizing
 4. Monetizing the community: advertisement brokering & digital community ecosystems



1. Forms of User-Generated Content



■ Forms of User-Generated Content

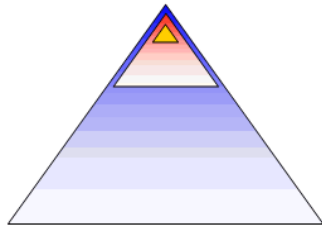
- Continuum from:
 - Passive consumption
 - Leeching
 - Active visit
 - Scoring (least active / 'thumbs up or down')
 - Tagging (more active)
 - Creative visit
 - Creating content



■ 'Peer production'... 'Crowdsourcing'... 'UGC'...

- Wikipedia, YouTube, MySpace
 - Small efforts create value on the aggregated level
 - Scoring systems (e.g. Digg.com)
 - Classification systems (del.icio.us)
 - Only a small minority produces
 - Large majority only consumes, but in a more active and appropriate way than before

User Generated Content



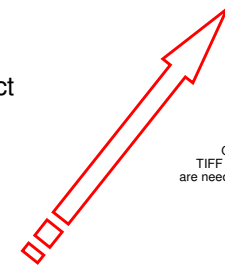
1% of population creates core content
10% of population actively participates as editor / synthesizer

90% take advantage of the above (lurkers / consumers)

Pyramid of UGC

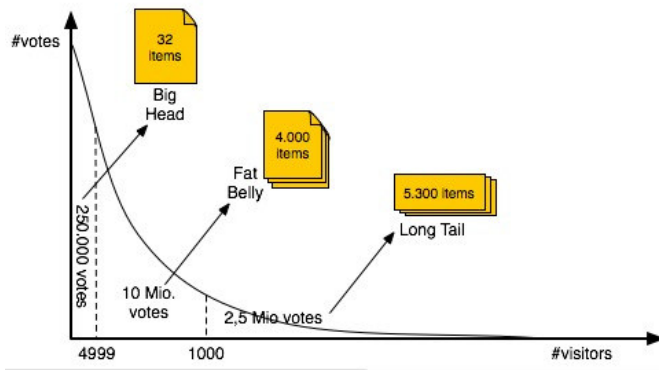
- Wikipedia
 - 0,5% starts a new topic ('stub')
 - 2,5% changes topics ('editors')
- Open Source
 - 0,5% starts a new project ('charismatic leader')
 - 5% writes source code ('contributors')
- The bazaar is a pyramid!

Firefox development pyramid:



QuickTime™ and a TIFF (LZW) decompressor are needed to see this picture.

Heads, tails, and bellies



Based on <http://www.digg.com/view/technology/popular/thisyear>

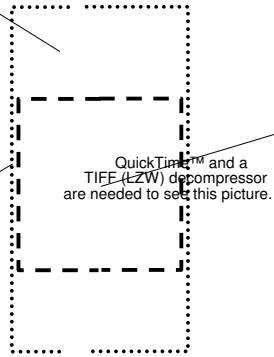
2.

From traditional value chains to value networks

Media Value Chain

Role: Logical bundle of business activities

Actor: Unifies roles in varying degrees of integration

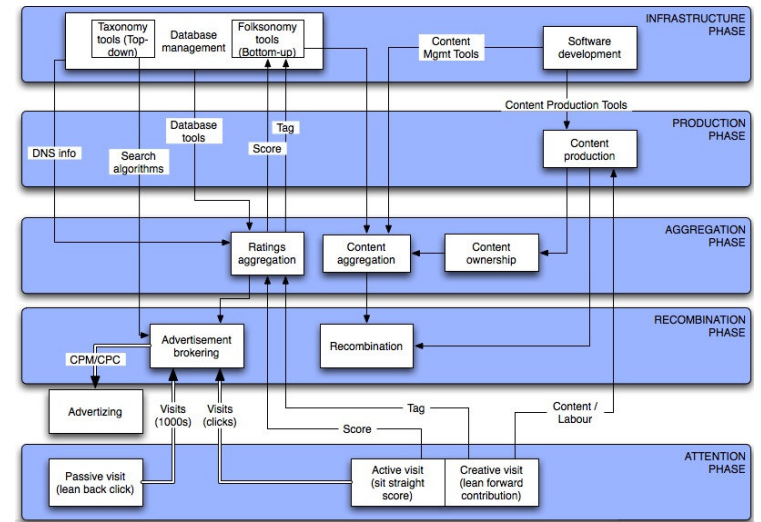


Contract: Delegation established through negotiation

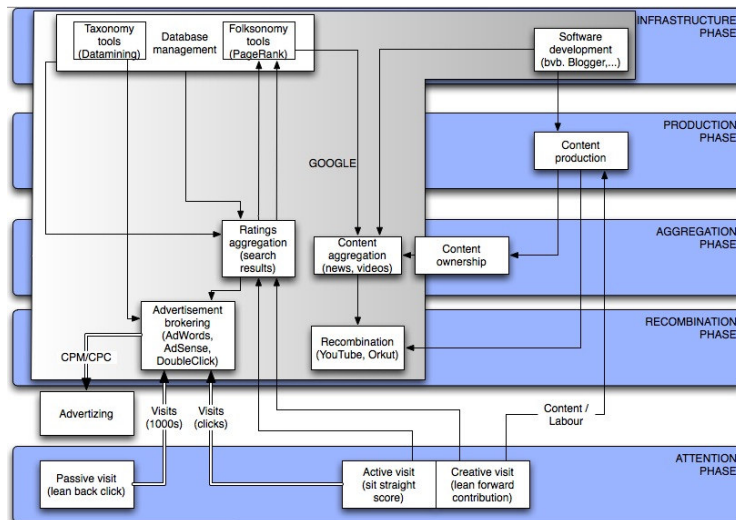
Attention: Most media markets are two-sided: to coordinate consumption between advertisers and audiences



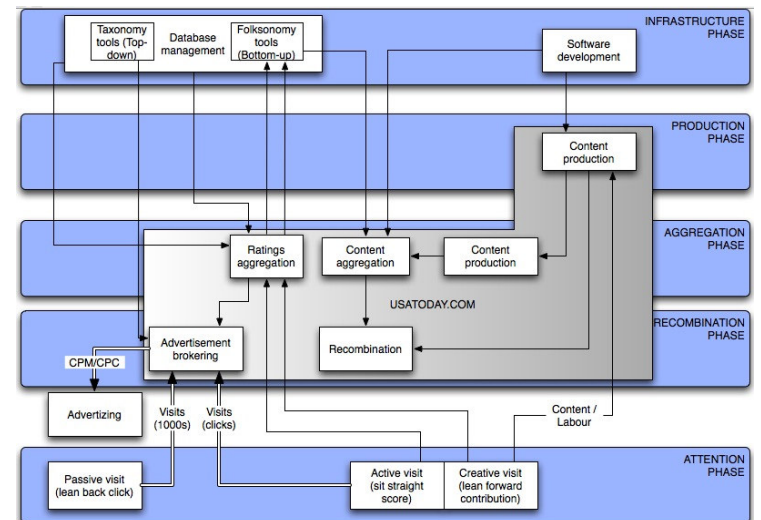
Generic Value Network



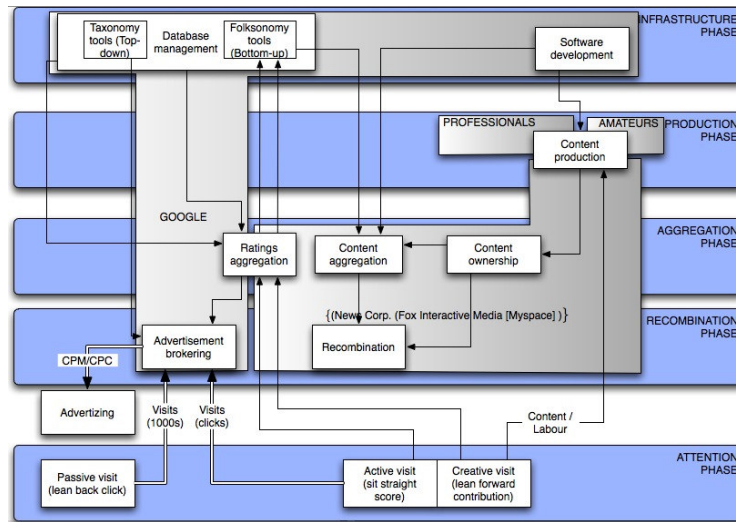
Google



USAToday.com



■ MySpace (NewsCorp, for now)



■ New value network: Some properties

| | Traditional media | Internet media |
|--|---|---|
| Distribution chain integration (B2B contacts) | Delivered using a vertical delivery chain along the chain of : content production > bundling > distribution > consumption | Delivered using a more modular delivery chain |
| Distribution chain endpoint (=point of customer contact) | Making use of specialized sales networks (theaters, bookstores, music stores) | Open sales networks with higher prevalence of piracy |
| Product modularity | Products sold in undeconstructable packages (newspaper, magazine) | Products sold in deconstructable packages (media chunks, RSS-feeds, embeddable media) |



■ New value network: Some properties

| | Traditional media | Internet media |
|---|--|---|
| Production cost | Media products exhibit a linear return to scale: the upfront production costs are high relative to the reproduction costs, | Media products exhibit an exponential return to scale: the upfront production costs are extremely high relative to the reproduction costs, and distribution costs drop dramatically |
| Reproduction cost | distribution costs are significant & form barrier to entry | |
| Distribution cost | consumption of some content goods requires a specific consumption device (radio, TV, hi-fi, VCR) | The technical requirement shifts from the hardware layer to the application layer (applications on a PC) |
| Consumption cost (caused by technical design) | | |



3.
Previously professional business roles are democratizing



Most active forms of end-user participation

- End-users are adopting roles traditionally performed by professionals:
 - Content production
 - Content aggregation & interpretation
 - Recombination
 - Internet (or network) access provision
- Unaffected business roles
 - Technology infrastructure providing
 - Advertisement brokering



Infrastructure provision

Includes both hardware and software
Increasingly supplies a platform for UGC



Infrastructure provision



Infrastructure provider only (functionalities / feature providers)



Infrastructure provider + News recombinator



Infra. provider + Aggregator



Content production

Functions formerly centrally directed

- Selection of information
- Arrange info to degree of importance
- Accreditation
- Synthesis

Now: disintegration of four above competencies



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JANUARY 16, 2007

Steve Rubel yesterday "[revealed](#)" that CNET is "testing" paying some of its ZDNet tech bloggers based on the page views they generate. If this is just a test (rather than an established policy), it's quite an exhaustive one, as it's been going on for well over a year and has been pretty well documented. One of the bloggers, Tom Foremski, provided some [details](#) a month ago. Last August, another ZDNet blogger, Mitch Ratcliffe, [wrote](#), "at ZD Net bloggers are compensated based on the number of page views they receive and a fraction of the pages in TalkBack, so at the end of the month the size of a check expresses something, but not necessarily our success in being informative or accurate." Business 2.0 recently rolled out a similar payment scheme for its blog-mob, Gawker's been doing it for eons, and I'm sure other publishers are or will be linking compensation to page views, particularly for freelance contributors. And not just bloggers, either.

http://www.roughtable.com/archives/2007/01/payperview_jour.php



Content production

- Note that **content production has been democratized** through making the tools of production available/affordable to the general audience
- Data(base) control has **not yet** been democratized
- Value extraction is controlled more by actor that controls the (meta-)data than by actor that controls content ownership



Content production

- 'Amateurs' invade editorial board
 - Freelance bloggers will become part of newspapers' editor board
 - ... but only communication per IM & e-mail
 - Traditional journalists feel threatened
- How to moderate the user input?
 - Flickr, Youtube, ... scan on unwanted content, sometimes for judicial, sometimes for image reasons



Content distribution / aggregation

- Value proposition of an aggregator
 - Allows consumers to navigate the oversupply of content by efficiently allocating attention according to *preferences and expectations*
- **Smart Aggregator**
 - Collects deep information about content (metadata!) that aims to predict the utility of a service, drastically lowering the search- and transaction costs of service consumption
 - Examples
 - Collaborative filters
 - Recommendation & rating systems
 - Similarity & difference filters
 - Etc...
 - Smart aggregation is the aggregation of 'content' plus ...
 - Aggregation of information, expectations, and preferences on content
 - Taking into account the functional architecture of the service
 - Network architecture; application characteristics; device characteristics



Content aggregation

The screenshot displays the USA Today website interface. At the top, there are navigation links for Marketplace, Jobs, Cars, Real estate, Price compare, and Subscriber Services. A search bar is prominently featured with the text 'Search Stories, photos, and more' and a 'GO' button. Below the search bar, there are several news headlines and articles. One article is titled 'Similarities eight years later' and another is 'Tech reminiscent of Columbine'. The website also features a 'Reader comment' section and a 'Become a member of the USA TODAY community now!' button. The bottom of the page shows an advertisement for 'win the Sansa Connect today'.



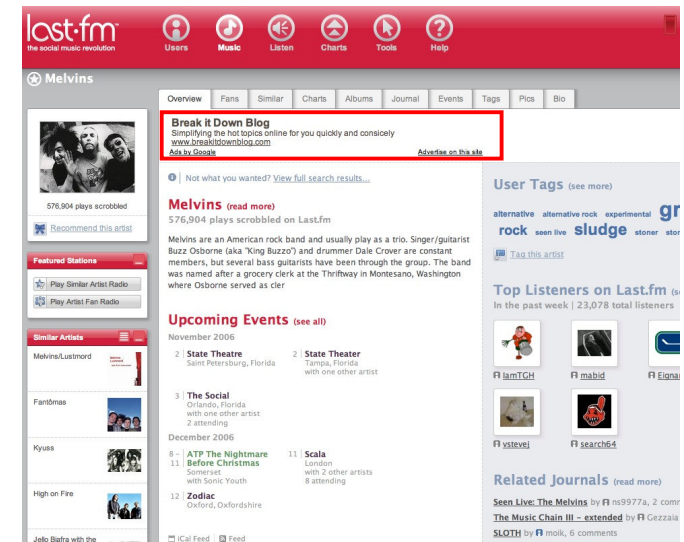
Recombination / reconstruction

- Reconstructors: User-driven content aggregation
 - deconstruct micromedia by altering, remixing, and filtering a variety of microchunks, in order to reconstruct them as forms of personal media
 - EG Last.fm
 - Unbundles tracks of albums and play lists to allow users to reconstruct new play lists of which the filters predict that you will appreciate them



Reconstructor: last.fm

Acquired by
CBS on May
30, 2007



Reconstructors

- Community Platforms are a subset of recombinators
 - They recombine input from users (“crowd-sourcing”) and (semi-)professionals via feeds that allow the embedding of multiple content types: text, video, audio, images, ...
 - Strategic questions:
 - What functionalities does the platform owner own in-house?
 - How to control metadata extraction as recombinator, if you are ‘fed’ from the outside?



4.

Monetizing the community:
Advertisement brokering & Digital
community ecosystems



■ Advertisement brokerage

- Advertisement brokers are in the business of attracting outsourced advertising functionalities from content publishing companies
 - Publisher does not have to pay staff
 - Publisher hopes to reach a critical mass of advertisers and users more quickly



■ Advertisement brokerage

- The race for the best contextual ads system



■ Advertisement brokerage

- Financial remuneration models evolving
 - Number of page views (CPM) still exists
 - Pay-per-click (PPC) model is under pressure
 - Time spent on a site growing in importance
- The newcomers are moving into traditional media's value chains (Google esp.)
- Google's acquisition of DoubleClick runs counter to the long tail tale



■ Product mix

- Myspace combines long tail with big head:
 - deals with National Geographic, The New York Times, Reuters, The Daily Reel, Expert Village, Flow, FOX's IGN Entertainment, Octane TV, Kush TV, Ripe TV, Studio411, VBS.tv, Young Hollywood
- Youtube aims for fat belly & long tail
 - Revenue sharing program for amateur video producers
 - In reaction to Metacafe's "Producer Rewards"
 - \$5 per 1000 views, but payments start at 20.000 views (\$100)
 - Video must have rating of 3/5



PARASITES AROUND COMMUNITIES

Myspace ecosystem

- Parasites can be beneficial or annoying
 - Beneficial:
 - Pimpmyspace.com, Myspaceeditor.org: allows to tweak the look and feel of pages
 - Grey area:
 - Unblockmyspace.com: allows users to surf the site anonymously
 - Not allowed:
 - 'Friend Request Broadcast', 'Comment Broadcast', ...
 - Automates tasks within the network, such as inviting and confirming friends, posting messages and sending bulletins.
 - Allows to contact groups of friends by age, ZIP code and other demographic information
 - Myspacesponsor.com: shares ad revenues with MySpace users who put banner ads in their profiles
 - Illegal:
 - Malicious banner code

The Wealth of Networks

How Social Production
Transforms Markets and
Freedom

From user-generated content to
community generated content

Importance of social networks

- How & why do communities grow?
 - Trust is the oil for network effects
 - But the 'trust' concept is very elusive
- In communities, not content is king, but conversations.
 - Content is what people talk about
 - Content becomes more focussed / specialized as social capital connections move from bonding, via bridging, to linking.

■ Forms of social network connections

- Three forms of social capital
 - Bonding
 - Bridging
 - Linking

■ Social capital & forms of communities

- Intimate social groups: High on bonding social capital
- Peers social groups: High on bridging social capital
- Professional social groups: high on Linking social capital

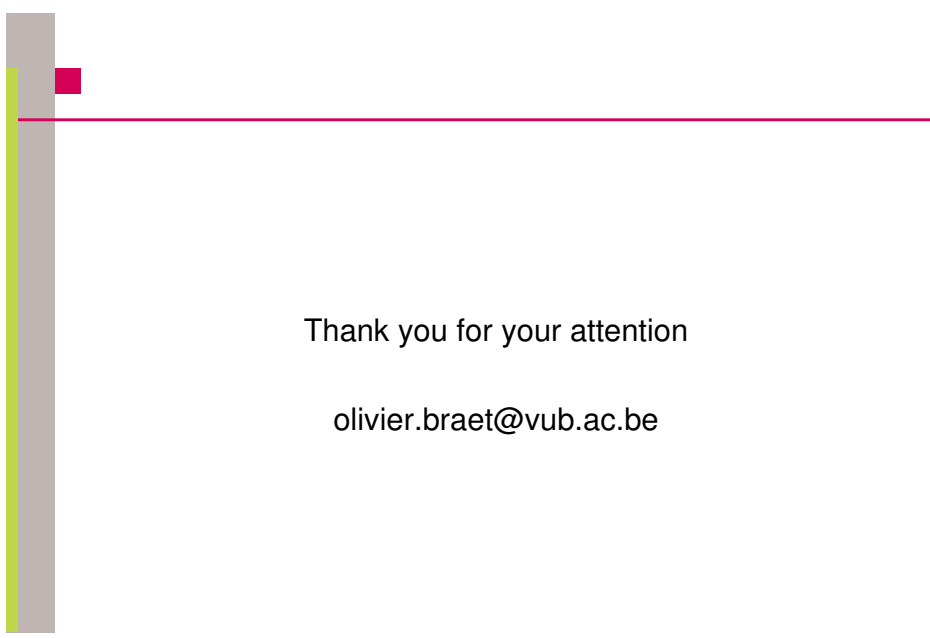
■ Converting social capital in other capital forms

- Intimate social group => strives for => Popularity / reputation / trust (i.e. social capital for its own sake)
- Peer group => Popularity + knowledge exchange
- Professional network => Popularity + knowledge + financial exchange

- Note: A high score on bonding runs counter to high conversion to financial capital(!)
- Is effect of time economy: bonding requires too much attention to too few people.

■ Inner regulation of communities

- Intimate social group : many informal rules, which are very fluid (e.g. teenage lingo); Value-based
- Peer group: Norm-based, institutions of practice
- Professional network: Rule-based, Institutionalized titles
- Conclusion: the looser the ties, the more formalized control (is necessary)
- Users want pseudonymity to segment his social activities, not anonymity

A decorative graphic in the top-left corner consisting of a tall grey vertical bar, a shorter yellow vertical bar to its left, and a small red square at the top of the grey bar. A thin red horizontal line extends from the red square across the top of the slide.

Thank you for your attention

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