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# Dominant Revenue Streams in the Web 2.0 Era

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# DOMINANT REVENUE STREAMS IN THE WEB 2.0 ERA THE DREAM MATCHER (CASE STUDY)

by

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Bachelor of Arts, Lebanese American University, 2007

Submitted in Partial Fulfillment of the Requirements for the Master of Science degree.

Department of Mass Communication and Media Arts in the Graduate School Southern Illinois University Carbondale August 2011

# RESEARCH PAPER APPROVAL

# DOMINANT REVENUE STREAMS IN THE WEB 2.0 ERA THE DREAM MATCHER (CASE STUDY)

By Ali Chehade

A Research Paper Submitted in Partial Fulfillment of the Requirements for the Degree of Master of Science

in the field of Professional Media and Media Management

Approved by: Paul Torre, Chair

Graduate School Southern Illinois University Carbondale July 5, 2011

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Less than ten years ago, an average person had to turn on the television to watch his favorite television show, buy a newspaper to get up-to-date news, tune-in the radio to listen to his preferred music, and visit a coffee-shop to socialize with his close friends. Today, the average person can perform all these activities, simultaneously, and without leaving his desk; that is the power of the Internet. According to a study published recently by Pew Internet, 79 percent of adults in the U.S. use the Internet. That number is significant when compared to the 46 percent in 2000 (Rainie, 2010).

As Internet usage increases, opportunities to monetize the Internet increase. Businesses have discovered and explored those opportunities as early as the mid 1990's. However, these explorations resulted in the infamous ".com bubble." While the .com bubble burst will not be discussed in this paper, it is essential to briefly compare it with the current WEB 2.0 business models. According to Max Mancini of eBay, "... the previous bubble was created entirely as a result of the IPO market ... The current bubble seems more tied to the M&A market, but it's not as aggressive as what the IPO market was. And there's a bit more revenue backing to some of these startups" (Jones, 2008, p. 5). Other Web 2.0 experts, including Dorion Carroll on Technorati, Eric Engleman of Bloglines, and Bob Brewin of Sun Microsystems share similar views (Jones, 2008).

The IPO market stands for the "initial public offering" market. According to Forbes Investopedia, the IPO is the initial sale of a private company's stocks to the public. These are usually offered by small companies looking for capital to expand; however, they are sometimes offered by large private companies interested in becoming publicly traded companies (Investopedia, 2011). The risk comes when highly valued companies with a relatively short history decide to go public. Purchasing shares in a

public company with short history is a big risk, as it is hard to evaluate the future performance of the stock, especially when the company's revenue streams are not yet mature and stable enough.

The mergers and acquisitions market (M&A), on the other hand, is based on companies being traded among each other. According to DePamphilis (2010), a merger, in the legal sense of the word, "is a combination of two or more firms in which all but one legally cease to exist, and the combined organization continues under the original name of the surviving firm" (DePamphilis, 2010, p. 18). In October 2006, for instance, Google, a publicly traded company, announced the acquisition of YouTube, a privately owned video streaming website founded in February 2005, for \$1.65 billion (Google, 2006). Facebook, an online social networking site (SNS), has acquired around seven start-ups and smaller companies between the years 2009 and 2010. According to Mark Zuckerberg, Facebook's founder and CEO, such acquisitions add "excellent people" to the company's personnel (Carlson, 2010).

WEB 2.0 came with new concepts of communication and connectivity. These new concepts lead the web business entrepreneurs to a refined and more mature view of online marketing. Today, unlike the late 1990's, the Internet has been around for a longer time; this time allowed for further exploration, and more critical experimentation with the business opportunities of the web.

The purpose of this paper is to analyze different revenue streams and answer questions as I work on building a new social networking site, The Dream Matcher.

Counts & Geraci, as cited in Stephens (2009), define Social Networking as "an application that connects people by matching profile information with direct

interactions." The connections can be in different forms, from dating to political affiliation. Also cited by Stephens is Jonson's description of the two basic functions of Social Networking sites; such sites should first provide its users with the ability to create and maintain personal profiles that identify them within the given environment, second, the site should have an ability to create connections between the different users within its network (Stephens, 2009). According to a study published by Pew Internet in June 2011, 59 percent of Internet users in the U.S. use at least one Social Networking website; 92 percent of them on Facebook (Hampton, Goulet, Rainie, & Purcell, 2011).

In this paper, I will discuss the significance of the current online business models; the benefits of starting an online business over a brick and mortar business; and the different monetization strategies used in today's online world. By studying current successful web businesses, I will try to answer the following questions:

- 1) What are the financial benefits of starting an Internet business over starting an offline business?
- 2) What are the current dominant online revenue streams?
- 3) How are SNS valued, and what are current values of some SNS?
- 4) How can SNS targeted advertising be improved?

I will use the results of my research to propose the revenue stream strategy that I think will be most suitable for The Dream Matcher.

The Dream Matcher (<u>www.thedreammatcher.com</u>) is a for-profit online SNS that has a mission of matching people with dreams to others who can make those dreams come true. Users will be able to create and maintain personal profiles and dream pages.

The matching will be achieved based on different variables including location, personal background, professional background, personal connections, and skills.

Later in the paper, I will further introduce The Dream Matcher, its mission, the vision behind it, and the financial and managerial strategies that are being applied to it.

## **Online vs. Offline Business**

In their book *Internet Business Models and Strategies*, Afuah and Tucci (2003) describe the Internet as "a low cost standard with fast interactivity that exhibits network externalities, moderates time, has a universal reach, acts as a distribution channel, and reduces information asymmetries between transacting parties" (Afuah & Tucci, 2003, p. 6). According to them, the Internet can influence traditional business models, in addition to creating business models and opportunities of its own.

There are several benefits to starting up an Internet business over a traditional business. Financially, an Internet company startup usually costs less. It requires significantly less physical space and inventory, and incurs less overhead costs. When studying the history of the Internet "blockbusters", most of them have started in house basements and dorm rooms (Penenberg, 2009). Building a web code requires less money, time, and effort than building a brick-and-mortar store; yet, both have similar potential outcomes, with web surpassing brick-and-mortar in several aspects. In order to demonstrate the financial benefits of Web 2.0 businesses, Amy Shuen, an expert in Silicon Valley business models, innovation, and economics, uses Flickr as an example in her book *Web 2.0: A Strategy Guide*. Flickr is an online photo sharing and printing service; thus, Shuen starts by presenting the four major cost drivers of retail photo

printing businesses: inventory, payroll, information technology system s, and CRM (marketing, advertising, and customer relationship management.) According to her, Flickr's business model that includes open photo sharing, self-service, do-it-yourself (DIY) tools, and collaborative filtering among other properties results in measurable cost savings and major reductions in all the four cost drivers (Shuen, 2008). With all these savings, starting a Web 2.0 business is not only less risky, but also allows for wider profit margins.

The strength of Web 2.0 is that it allows for purely digital enterprises. eBay, for example, is an online auction website that performs thousands of daily transactions among 250 million users (Sankar & Bouchard, 2009) without owning any physical inventory. eBay's business is the transactions that occur between the buyers and the sellers that utilize eBay's platform to execute their sales (Funk, 2009). In this case, eBay can also be categorized as a "market-maker" since it "acts as a neutral intermediary that provides a place to trade and also sets the rules of the market (Afuah & Tucci, 2003, p. 22)."

#### **Online Value Chains**

Value creation is the essence of every business, online or offline. A business is valuable when it is able to create a monetizable value chain. Unlike classical business models where value comes from the product itself (see Figure 1), modern business models create value from the intertwining relationships between the product, its consumers, and other products (see Figure 2) (Briggs, 2009).

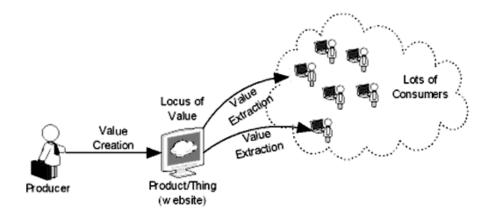


Figure 1. The Web 1.0 Value Chain (Briggs, 2009, p. 43)

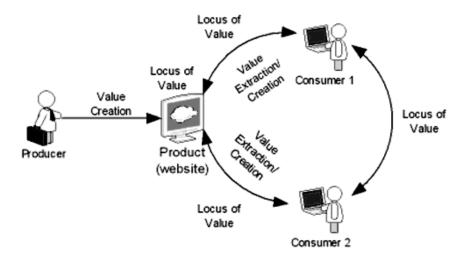


Figure 2. The Web 2.0 Value Creation System (Briggs, 2009, p. 45)

The nature of Web 2.0 which allows end users to be both content consumers and content producers results in decentralized networks; these, in turn, result in decentralized value systems. Companies such as Twitter, Yahoo!, Google, YouTube, Facbook, and Wikipedia all rely on products, platforms, and application programming interfaces (APIs) that help decentralize their value creation (Briggs, 2009).

## Web 2.0 Financial Valuations

Social-networking sites make it easier for people to get connected and share common interests. Various studies detail just how much these sites have become part of our day-to-day affairs. Consider the following:

- Americans spent 36 percent of their time online on social networks in December 2010 (Swartz, 2010).
- Americans logged in to Facebook almost 3 times a day in December 2010 (Rao, 2011).
- YouTube users viewed an average of 2:23 hours of video in January 2011 (Nielsen Wire, 2011).
- Twitter users sent out 110 million tweets per day in January 2011 (Chiang, 2011).

While social-networking sites have shaped and enhanced our modern lives, their contribution to society and the global economy is still hinged on their value as a business for they remain organizations driven by the profit motive.

## **Facebook Valuation**

Facebook is undoubtedly the fastest-growing SNS. The company generates revenue from advertisements and a credits program tied to its online games. Advertisers can target specific users, because of this and the sheer amount of activity on the site, Facebook attracts many companies. Some firms are known spend up to \$20,000 a day to advertise on the site (Womack, 2010).

Because it is a privately-held company, putting an accurate figure on Facebook's financial value can be tricky. In several instances, the company hinted it will be going public in May 2012 (Parr, 2011) in that event, the company's financial value will be open to public scrutiny. But, until then the public will have to rely on estimates.

On December 1, 2010, private-equity exchange Nyppex estimated Facebook's value at \$41.2 billion based on secondary deals - transactions involving the buying of stock from current shareholders instead of directly from the firm itself (Levy, 2010).

In early January 2011, a deal with Goldman Sachs placed Facebook's value at \$50 billion. The deal provides Facebook with \$500 million in fresh funds and would have allowed other investors to indirectly invest in the company via a special purpose vehicle (SPV). A probe by the Securities and Exchange Commission halted the SPV offer in the U.S (Menn, 2011).

James Altucher of the *Wall Street Journal* agrees with the \$50 billion Goldman valuation noting the site has the fastest growth, that users spend more time on it than any other site, and that Facebook's estimated revenues in 2010 were around \$2 billion (Altucher, 2011).

Right after the Goldman's announcement, IT news site TechCrunch deduced that Facebook's value as of February 18, 2011 was at \$67.5 billion. The estimate was based on SecondMarket's 10th Facebook auction where the site was priced at \$27 a share and with 2.5 billion outstanding shares (Tsotsis, 2011).

## **Twitter Valuation**

Just like Facebook, Twitter Inc. is a privately held company; thus, making an accurate valuation difficult.

Private-equity broker SharesPost reported Twitter's value to be \$4 billion in January 2011. This is up from \$3.7 billion a month earlier when Twitter was able to secure fresh funds of \$200 million from investors that included Kleiner Perkins Caufield & Byers. SharesPost, just like Nyppex and SecondMarket, bases its valuation on recent transactions in the secondary marketplace. Observers note that these estimates are not definitive but they serve as benchmarks that show whether a privately-held company's value is on an upward or downward trend (Parr, 2011).

Twitter's sources of revenue are usually a topic of discussion among industry observers as the company only began to offer paid advertising services in April 2010. The company still managed to record \$45 million in revenues that year. This year, observers forecast Twitter's revenues to be between \$100 million to \$110 million (Ante, Efrati, & Das, 2011).

#### YouTube Valuation

Since being acquired by Google in November 2006, YouTube started operating as a subsidiary of the web giant. Google executives are known to be secretive with financial data related to the video-sharing website.

YouTube was bought by Google Inc. for \$1.65 billion (Google, 2006). Whether that investment turned into a profit has been subject to much speculation over the years.

In early 2010, Citigroup's Mark Mahaney estimated the company's revenue for that year to be approaching \$1 billion based on the expansion of the site's traffic and monetization activities. Mahaney estimated YouTube revenues in 2009 to be at \$727 million – a figure that varies greatly from Credit Suisse's estimate in 2009 of only \$240 million (Ostrow, 2010).

In January 2011, Google CFO Patrick Pichette claimed that YouTube's revenue had more than doubled during 2010. Pichette, however, did not mention anything about the unit making a profit in the previous year, which keeps YouTube's profitability a highly debatable subject (Lawler, 2011).

# **Impact of Valuations on the Market**

The impact of valuations of these privately-held web companies on the market is a cause for concern. Already, the U.S. Securities and Exchange Commission (SEC) is investigating the secondary markets where Twitter and Facebook stocks are being sold. Online brokers like SecondMarket, SharesPost and Nyppex offer a way for interested buyers to invest in private companies by connecting them with individuals who want to sell stock of these companies.

The SEC investigation was prompted by Goldman Sach's deal with Facebook. The investment firm initially created a "special purpose vehicle" that would allow its customers to indirectly invest in the web company. It went on to nix the arrangement when the federal agency stepped in (Kessler, 2011).

Since privately-held firms are not required to disclose their financial statements, investors have little way of knowing the true value of a firm's stock. In most cases, their

only source of information is the private-equity broker itself. The irony here is when stocks are sold in these online marketplaces, these brokers earn a commission, and hence, it is in their best interest that the stocks fetch a higher price.

# **Introducing The Dream Matcher**

The Dream Matcher is an online SNS that creates valuable connections between its users based on their wishes or dreams. The dreams can fall into a wide spectrum; some might be categorized as smaller wishes or even "wants". Some users might wish to practice a new language, or might simply want to hang out with someone who plays the guitar. Other users might dream of meeting a public figure, or visiting an inaccessible location, or traveling to a new country.

# What problem does it solve?

The Dream Matcher solves a very essential problem. For every dream we have, we need the right person who can help us achieve it. The question is: How can we find that person? Traditionally, it happens by mere chance and coincidence.

The Dream Matcher, just like other SNSs, will get input from its users regarding their personal information, interests, and lifestyle. A dream-matching engine will then use all that data to actively match the right people to each other.

The other problem The Dream Matcher solves is related to online target advertising. A large portion of this kind of advertising is targeted towards users' interests.

An interest does not necessarily reflect an active will to consume a product (Ferrel &

Hartline, 2008). Instead of advertising based on interests, The Dream Matcher introduces a system that advertises to desire; a more valuable stage in marketing a product.

## **Internet Revenue Models**

Shuen (2009) categorized revenue models into six different groups:

- Subscription/membership
- Advertising-based
- Transaction fee
- Volume (unit-based)
- Licensing and syndication
- Sponsorship and co-marketing (Shuen, 2008, pp. 15-16)

In her book, Shuen briefly describes each revenue model. In this section of the paper, I will further explore three of these models that are of particular interest to The Dream Matcher: the subscription model, the advertising model, and the transaction fee model.

## **Subscription/Membership + Freemium**

The subscription model, borrowed from traditional media, is still a common practice over the web. In a study published by Box UK, a technology research and development firm in the United Kingdom, 14 percent of the "100 Top Web Apps for 2008" used a subscription model (Zambonini, 2009). However, subscription rarely comes as a standalone revenue model for Web 2.0 websites; it comes as a "Freemium" (de la Iglesia & Gayo, 2009). The term freemium was first used by venture capitalist Fred Wilson in

his blog AVC – musings of a VC in NYC. In a blog entry titled "My Favorite Business Model" Wilson presented a model where a major service is given away for free, however, premium priced services are offered to enhance the user's experience (Wilson, 2006). Two current Web 2.0 businesses using the subscription and freemium models are Flickr and LinkedIn.

Flickr (www.flickr.com), as mentioned earlier, is a photo sharing website. It provides its users with a socialized Web 2.0 platform where they can organize and share their photo albums. In addition, Flickr offers a photo printing service. Most services on the website are free; however, Flickr offers members an upgrade option for \$24.95 a year. Flickr Pro members get unlimited number of uploads and storage, unlimited album sets, access to their original files, statistics on their accounts, ad-free browsing, and HD video playback (Flickr, 2010).

LinkedIn, a professional-themed SNS with over 85 million users as of November 2010 (Tsotsis, LinkedIn Is Now At 85 Million Members, Adding A Member A Second, 2010), also provides users with a free service; however, users have the opportunity to upgrade their account for premium services such as extra "Inmail" accounts, priority customer service, and seeing names of third degree and group connections. Upgrades start at \$24.95 a month and reach to \$499.95 a month (LinkedIn, 2010).

Many other websites use the freemium model to offer premium services alongside their free services, including Pandora, Skype, and YouSendIt. The model is becoming the "most popular" among new web businesses according to an article published in *New York Times* (Miller C. C., 2009).

When it comes to The Dream Matcher, a freemium business model might prove efficient. All users will have free access to most functions on the website. However, The Dream Matcher will set certain limits when it is first launched; such as the number of dreams a user can post per a given period of time. At a later stage, members would be given the opportunity to pay for a more flexible service. This strategy would guarantee that all users have fair access to the website's functions, while allowing The Dream Matcher to generate revenue from users who are willing to pay for more flexibility with their accounts.

## **Advertising-Based**

Advertising based revenue models are the most common online as they, for most of the time, provide end-users with free content and services. According to the Box UK study, 48 percent of the "100 Top Web Apps for 2008" used a form of advertising as a revenue stream (Zambonini, 2009).

The strength of advertising on Web 2.0 applications is that it can be narrowly targeted, thus, more efficient. Although Facebook, an online social network with more than half a billion active users and valued at \$41 billion (Cohen, 2010), does not release financial information to the public, it has been leaked through sources that the company made around \$800 million in revenues in the year 2009, most of which comes from advertising (Reuters, 2010). Later, Mark Zuckerberg, Facebook's founder and CEO announced that Facebook made up to \$1.1 billion dollars in 2010 (Kincaid, 2010).

One of the first big advertising deals Facebook struck was with a British online gaming company called Party Poker. Party Poker paid Facebook \$300 for every user who

clicked on their ad, subscribed to their service, and added a minimum of \$50 to his/her gambling account. Companies interested in traditional banner ads were paying fees starting at \$5 per one thousand views, with a minimum of \$5,000 per month. In a different kind of deal, Apple agreed to pay Facebook \$1 a month for every member who joins their commercial page (Kirkpatrick, 2010). The ultimate improvement of Facebook's advertisement revenue scheme occurred when the company announced an automated platform that end users can utilize to build their own advertising campaigns. With that platform, Facebook introduced the concept of targeted social marketing. Any business or individual can now create an advertisement and target it by location, age, gender, interests, and marital status among several other variables (Kirkpatrick, 2010).

What was new in Facebook's vision of advertising was the fact that it had a social twist. Social advertising started with what Facebook calls the "engagement ad." Instead of merely delivering a message, an engagement ad asked you to do something. That activity would later appear on your friends' news feeds. What also gave strength to Facebook's ads is not only the number of Facebook users, which has reached 500 million in July 2010 (Zuckerberg, 2010), but also the frequency of their visits to their Facebook profiles (Kirkpatrick, 2010).

While Facebook made hundreds of millions of dollars from social advertising, YouTube, a video sharing website, on the other hand, struggled in its early stages before it found a valid way to utilize an advertising revenue stream. Initially, and due to copyright concerns, most of the content on YouTube was based on personal home videos. Taking into consideration a few exceptions, home videos do not usually appeal to mass audiences, thus hardly monetizable. Today, when YouTube is browsed, a substantial

amount of proprietary copyrighted material can be found. This content is sometimes provided by the original producer, however, most of the times it is uploaded by other users. Instead of eliminating that "illegal" content, YouTube and some of the original content owners went into advertising revenue sharing deals (Miller C. C., 2010).

Advertising will be a primary revenue stream for The Dream Matcher. The challenge is to attract enough traffic to the website for the advertising revenue to be valuable enough. A premium that The Dream Matcher offers to advertisers is its mission. Helping people make their dreams come true is a good cause; companies might see an opportunity in tying their brands with such a positive cause.

During its initial phase, advertising on The Dream Matcher will be based on Google AdSense, and on privately sold advertising packages.

Google AdSense is a system that allows website owners to publish advertising content provided by Google on a revenue share basis. Advertisements are targeted based on keywords, and website publishers get paid based on the number of impressions and click though rates.

In order to make the most out of the advertising packages, The Dream Matcher will first concentrate on generating a high concentration of users in two markets: New York City, and Lebanon. This will ensure high traffic from concentrated areas and will result in higher advertising values. Advertising rates would be decided based on market research.

In a later phase, The Dream Matcher will develop an advertising tool that will allow advertisers to target users based on variables such as locations, interests, and

dreams. Given that the concept of The Dream Matcher is strongly tied with personal interests, wishes, and dreams, the website will prove to be a fertile ground for advertisers.

# **Marketing to the Desire**

The Dream Matcher offers advertisers an original take on targeted online marketing. As mentioned earlier, Facebook's breakthrough in advertising was giving its advertisers access to an extensive database of users and their interests (Kirkpatrick, 2010). However, a user with an interest in something does not necessarily mean that this user needs that thing or is looking to actively engage with that product.

Ferrell and Hartline (2008) present the marketing model AIDA; attention, interest, desire, and action. This classical model outlines the ideal promotional goals of any given promotional campaign. An effective marketing campaign should get attention, spark interest, create desire, and call to action (Ferrel & Hartline, 2008). Platforms such as Facebook act as a short cut to advertisers by giving them instant access to people's interests, saving them the time and cost involved with achieving the first two steps (attention and interest). The Dream Matcher gives advertisers instant access to a more advanced stage to start with; desire. According to Ferrel and Hartline, "To be successful, firms must move customers beyond mere interest in the product. Good promotion will stimulate desire by convincing potential customers of the product's superiority and its ability to satisfy specific needs" (Ferrel & Hartline, 2008, p. 285). Users' dreams on The Dream Matcher act as an explicit list of their desires. When having an instant access to desires, there is a much higher chance for the consumer to take action and get engaged with the product. A higher chance to take action translates to a higher advertisement

Click Through Rate (CTR), and the higher the CTR, the higher the perceived value of a website as an advertising medium (Bloomberg Businessweek, 2007) (Wasserman, 2011).

For instance, to a horseback riding stable, a user explicitly stating that he is interested in learning how to ride horses has a higher potential to buy their service than someone who simply has interest in horseback riding. Mere interest does not necessarily reflect a desire to take action. Interest might even signify that this user is already engaged with this product, rendering advertising to this person inefficient. Thus, providing advertisers with access to a database of needs and wants, in addition to the other traditional variables such as interests and demographics, will result in more cost-effective advertising campaigns.

## **Transaction Fee**

Transaction fee revenue model is another common model especially among websites that host millions of transactions on a daily basis. Websites that use this revenue stream include Expedia, Cars.com, eTrade, eBay, Amazon, and Paypal. In all of these cases, excluding Amazon, the company itself does not own any inventory; instead, it facilitates the trading process. Profits can be generated from fees paid by the buyer, seller, or both (Funk, 2009). While the fees that are around eight percent might not sound too promising as a revenue stream, the amount of transactions happening over eBay changes the equation. In its quarterly report, eBay reported \$1.5 billion in revenue for the fourth quarter of 2009 (eBay Inc., 2010). eBay's performance is increasing over time; \$2.5 billion in revenues were reported for the first quarter of 2011 (Rao, 2011).

PayPal, also owned by eBay Inc., reported \$643 million in revenues for the fourth quarter of 2009 and a fee per transaction. Thus, a transaction fee model is particularly profitable when processing high volumes of transactions.

While there are no plans to include any monetary transactions during the early stages of The Dream Matcher, future services might introduce that. Such services will include fundraising and donations that would be exchanged among users to make certain dreams come true.

Current websites offering similar fundraising services, such as <a href="https://www.gofundme.com">www.gofundme.com</a>, <a href="https://www.paygr.com">www.paygr.com</a>, and <a href="https://www.kickstarter.com">www.kickstarter.com</a>, take an average of five percent off each donation as a transaction commission. However, unlike The Dream Matcher, none of these websites sell advertising space or premium services. Those two extra revenue streams will give The Dream Matcher the benefit of offering more competitive transaction fees.

Whether a company plans to use the subscription model, the advertising model, or the transaction fee model, the size of the user base is essential to the success of any of these models. Without the massive traffic, Facebook would not have made hundreds of millions from advertising revenues. Without the efficient and popular auctioning platform, eBay would not have attracted millions of buyers and sellers from around the world. However, although increased traffic results in increased revenues, it also automatically results in increased costs, mostly in terms of storage and bandwidth requirements (Penenberg, 2009) (Kirkpatrick, 2010). While I mentioned earlier that starting up an Internet business incurs less startup costs when compared with a traditional brick-and-mortar business, expanding that business to a multi-million dollar company

requires extensive amounts of investment before the project can become profitable. It is only recently that YouTube started to show some profits (Wayne, 2009). And Facebook burned through at least half a billion dollars before generating any mentionable revenue (Kirkpatrick, 2010). Thus, a well-planned start-up and expansion strategy is essential for a company that aspires to reach a size similar to the companies discussed in this paper.

### What The Dream Matcher is not?

Due to the uniqueness of its concept, it is important to clarify what The Dream Matcher is and what it is not.

The Dream Matcher is not a charity organization and it is not a non-profit fundraiser. Instead, The Dream Matcher is a platform that allows for building meaningful connections among its users, who in turn will make each other's dreams come true.

The Dream Matcher is not targeted toward a specific demographic. People from all around the world will eventually have the ability to make use of The Dream Matcher's services.

The Dream Matcher is not a classified listing of people's dreams. People can use websites such as Craigslist (www.craigslist.com), or even more dedicated websites such as Wish Upon A Hero (www.wishuponahero.com), to list their personal wishes and dreams; however, those websites do not employ an automatic matching algorithm, or a matching engine. Users need to actively search through the entries to find appropriate wishes, which radically decreases the efficiency of the concept.

# **Pitching The Dream Matcher**

During its start-up stage, The Dream Matcher needs to appeal to three different groups of people; end-users, investors, and advertisers. The information presented to each of these groups should be directly related to the value they get from The Dream Matcher.

## **End-Users**

For end-users, The Dream Matcher is a SNS that helps them make their dreams come true. The concept is directly related to their personal satisfaction, sense of accomplishment, and happiness. It also touches on their sense of helpfulness, since through The Dream Matcher they not only can become happier people, but they can also spread happiness to others. For end users, The Dream Matcher is a website that complements, rather than disrupts, their online social networking experience; they will not have to migrate from their current social networking platform. The strength of The Dream Matcher is that it serves a specific purpose; thus, it does not attempt at pulling its users away from their current general purpose SNSs. A typical user might be using Facebook for his general social networking needs, Twitter for his micro-blogging, LinkedIn for professional networking, and The Dream Matcher for making his other others' dreams come true.

#### **Investors**

For investors, The Dream Matcher holds great value due to its global appeal and its projected financial and social values. When it comes to appealing to investors, financial requirements, revenue streams, and projections will be presented. The Dream

Matcher will be presented as a revolutionary online product that touches its users through their passions, desires, and needs. This revolutionizes online advertising and promises high profits.

## **Advertisers**

Advertising is a major revenue stream for The Dream Matcher. During the first two phases, before the development of The Dream Matcher's targeted advertising system, advertisers will be approached with competitive local deals. The positive cause of The Dream Matcher will be used to appeal to potential advertisers who would feel encouraged to relate their brand with The Dream Matcher's mission. Upon the completion of the targeted advertising system, The Dream Matcher will be presented as an accessible database of people's profile information and needs, wants, desires, and dreams. The value of such information and its effect on click through rates will be emphasized.

# **Founding Team**

In order to get the project off the ground, a team with different skills needs to be created. Web start-ups typically start with two or three team members filling two major responsibilities; business strategy and product design and development. The Dream Matcher will take off with four team members: A chief executive officer, a web designer, a web developer, and a project coordinator.

# Founder, CEO

The founder/chief executive officer's (CEO) job is to build and manage a team that is capable of effectively executing the project in hand. He makes sure to clearly deliver the vision, mission, and concept of the project to the rest of the team. He works directly with all other members to ensure that the final execution of the website is as faithful to the original concept as possible. The CEO also sets tasks, goals, strategies, and deadlines.

During the development phase, the CEO gives continuous input to the rest of the team. He also researches the current web market for possible competition, current trends, and latest relative technologies.

# Web Designer

The web designer's job is to create a visual identity and a functional interface for The Dream Matcher. After getting preliminary input from the project manager (in the form of text documents, reference images, and one-on-one meetings), the web designer drafts several implementations of the project manager's vision, and presents them to the rest of the team for feedback. During the project development phase, the web designer works hand in hand with the web developer to ensure that the design of the pages works harmoniously with the programming of the website.

The implemented design should effectively communicate the concept and the mission of the website. It should also be user friendly, scalable, and able to maintain its integrity with further expansions of the website.

## Web Developer

The web developer's job is to execute the website's general concept as a web application. The web developer uses his knowledge of different web programming languages to code the functions of the website. After getting the input from the project manager (in the form of text documents, use cases, and one-on-one meetings), the web developer produces a prototype of the website. The prototype is then tested and further developed until it reaches its public reveal stage. The web developer works hand-in-hand with the designer to make sure the design elements are compatible with the website's programming.

The final product should successfully and efficiently accomplish the required tasks. It also should be user friendly and as free of bugs as possible. The web developer constantly reviews and updates the website's programming as needed.

# **Project Coordinator**

The project coordinator coordinates between the project manager and the technical team (web designer and web developer). He/she ensures efficient and timely communication, and follows up on specific tasks and deadlines.

# **Competitors**

Wish Upon a Hero (<u>www.wishuponahero.com</u>) is a website that aims at making people's wishes come true through the rest of its users. Their tag line says "Everyone has a wish. Anyone can be a hero." Wish Upon A Hero was launched in September 2007 by

Dave Girgenti who conceived the idea after catastrophic events such as the attacks of September 11<sup>th</sup> and Hurricane Katrina (Wish Upon A Hero, 2011).

While the basic concept is very similar, the execution is quite different. Wish Upon A Hero is neither a SNS, nor a user matching site. It is merely a classified listing of wishes. Users need to manually browse through thousands of wishes in order to find something they can fulfill; which is a problem that The Dream Matcher solves by introducing a user-matching engine.

Wish Upon A Hero gives an initial impression of being a charity website. Most posted wishes on the site's home page and the site in general are from users asking for money to pay for their basic life needs.

Wish Upon A Hero is supported by advertising, and is currently considering adding a five percent fee to all donation transactions performed through their website (Wish Upon A Hero, 2011). According to numbers published on their website, Wish Upon A Hero attracts an average of 34,060 monthly unique visitors and an average of 2,222,702 monthly page views.

As The Dream Matcher develops and adds more services over the years, other competitors will emerge. SNS providing advertisers with a targeted advertising platform such as Facebook are potential competitors, especially when The Dream Matcher launches its own targeted advertising system. Websites offering fundraising and donation platforms, such as GoFundMe and Kickstarter are also potential competitors when The Dream Matcher moves into that business. In both cases, The Dream Matcher will make sure to follow a well studies differentiation strategy.

#### The Dream Matcher's Growth Phases

Before the product is revealed to the public, The Dream Matcher needs to be tested internally through an alpha phase. For this phase, the team develops a product with basic incomplete functionality. This phase also involves concept development and basic market research. After the alpha phase, the product is ready to be tested by its intended end-users.

At its launch, The Dream Matcher will be a fully functional product; however, the development process will not be locked. The product's development will continue over the years following the launch, which explains the need for a well-structured corporation. What we see of the major SNSs today is a result of years of research and development. It also is the work of specialized teams of hundreds or even thousands of people.

The current plan is to roll-out The Dream Matcher in four phases, starting with a beta phase, followed by three major phases.

## **Beta Phase**

The beta phase will last for three to six months and will mark the launch of The Dream Matcher Beta to the public. The aim of this phase is to get the developed product tested by real users. Beta testers are expected to sign a beta testing agreement that acknowledges the product in hand as a product under development. Beta testers are expected to report any bugs or errors they face during the use of product. Moreover, beta testers are encouraged to provide The Dream Matcher with feedback regarding their experience in general. All feedback will be taken into consideration before moving into the next phase.

The concept of The Dream Matcher is highly related to the location of its users; the more users in a confined geographical area, the higher the chances of those users being matched to each other. Thus, during the beta phase, The Dream Matcher Beta will be targeted towards two geographical markets, Lebanon (the Middle East), and New York City (U.S.). Both of these markets are high in population and potential user density. Beta testers will need to fill a beta testing application that will need to be approved before they are granted access to The Dream Matcher Beta. Each beta user will be allowed to invite up to five other users every week to register for The Dream Matcher Beta.

Three revenue streams will be attempted during this phase, Google AdSense, local advertising, and donations.

Google AdSense is easy to implement and guarantees instant revenue as soon as the site starts attracting user traffic. With this service, The Dream Matcher can start making revenue within a month of its launch. Moreover, advertisements through AdSense are geo-targeted and are relatively contextualized based on the content of The Dream Matcher's users' pages.

Local advertising packages will be sold to advertisers within the beta testing markets, namely Lebanon, and New York City. A sales pitch will be developed and potential advertisers will be reached on a one-on-one basis. Advertisement packages will be competitively priced during the beta phase with the hopes to retain those advertisers on the longer run. This strategy will not only generate revenue for The Dream Matcher, it will also create needed awareness of the company and its mission.

Donations will be an initial phase that will be used to fill in any minor budget gaps before major financing is introduced to The Dream Matcher. Donations will be

collected through the personal networks of the founding team. An online fundraising platform, <a href="www.gofundme.com">www.gofundme.com</a>, will be utilized for this purpose. The purpose behind the donations is to reduce the start-up financial risk.

## **Phase One**

Phase one will mark a complete launch to the public, a more aggressive financial strategy, and a more structured corporate strategy.

Feedback gathered during the beta phase will be used to refine The Dream Matcher's platform. Registration will then be open to the public without them having to be invited by current users or to go through the beta application process. Users from all around the world will have the ability to register; however, certain markets will be stimulated based on a well planned growth strategy.

Google AdSense will continue to be a major source of revenue. Advertisers from the most active markets will continue to be offered advertising packages targeted towards their local markets. In order to further expand its operations and to officially start its headquarters in Beirut, Lebanon, The Dream Matcher will rely on bank loans and entrepreneurship grants for the current partners not to lose equity and control of the company.

## Phase Two

The second phase of The Dream Matcher will introduce two major revenue streams, a targeted marketing system and premium accounts. As mentioned earlier, The Dream Matcher's concept is built around people's interests, wants, and desires. Providing

advertisers with access to The Dream Matcher's user base through a targeted marketing system will be valuable to both, the advertisers and The Dream Matcher. Following the online advertising industry standards, advertisers will have the option to pay per click or per one thousand impressions.

In addition to targeted advertising, The Dream Matcher will eliminate previous limitations and will introduce new services through paid premium accounts. Premium services are yet to be designed; however, possible options include allowing users to post dreams more frequently, and providing them with a "real person" dream matcher to help them realize their dream through more personalized dream-matching and financial counseling.

During this phase, major advertisers will be encouraged to sponsor bigger and more expensive dreams in return of competitive advertising deals. This is expected to further spread brand awareness of The Dream Matcher across major markets, and to give advertisers the chance to relate their brands with a positive cause.

## **Phase Three**

The third phase will introduce another major service and revenue stream; fundraising for dreams. The Dream Matcher will provide its users with a fundraising platform to help them raise funds for their personal or professional dreams. This service will expand the spectrum of the types of dreams that can be realized through The Dream Matcher. It will also function as a major revenue stream through transaction fees.

Eventually, The Dream Matcher aims at becoming a mainstream platform for users to both fulfill their personal desires, and for them to share their privileges with other

users. It also aims at providing organizations and institutions with the tools needed to give away prestigious scholarships, dream jobs, celebrity meetings, and other high value giveaways to people who are passionate about them and who deserve them most.

# **SWOT Analysis**

## **Strengths**

The major strengths of The Dream Matcher come from its concept and the team behind it. The Dream Matcher's concept is unique and original compared to what current SNS offer; this reduces the amount of initial competition and increases the public's and the press's interest in the project. Another strength is that the concept of making dreams come true appeals to the general public rather than to a specific group on people. This increases the chances of The Dream Matcher becoming a mainstream platform.

Moreover, The Dream Matcher is backed by a passionate and well experienced team with a long term vision.

## Weaknesses

The initial start-up budget of The Dream Matcher is significantly low. This increases the time the product will take before becoming available to the public, and decreases the quality of the first publically available version of the product. It also limits the amount of marketing the product will initially get. While the originality of the concept is a strength, it also acts as a weakness. It is hard to forecast user engagement and profitability of a unique concept. This increases the amount of risk that needs to be taken in order to launch the product.

# **Opportunities**

People's natural desire to fulfill their dreams is a great opportunity; it is the basis of the product as a whole. Another opportunity comes from the fact that The Dream Matcher is starting up as an entrepreneurial project. In order to encourage economic development, a lot of organizations across the globe, namely in the Middle East and the United States, are offering financial and professional support for entrepreneurs. Such organizations include Dreamit Ventures in the USA, Massachusetts Institute of Technology globally, and Bader in Lebanon. The Dream Matcher will be able to use the services of such organization during the start-up phase. A third opportunity is the constant search for a more efficient advertising system. The Dream Matcher will use this opportunity by presenting an innovative advertising system that targets people based on their desires.

## **Threats**

Current social networking giants are the biggest threat to The Dream Matcher.

While none of them directly serves the purpose of dream-matching, any well-established SNS can get hold of the concept and develop a similar system that utilizes their current user base within their website. However, in that case, The Dream Matcher's advantage would be its specialization. LinkedIn, for example, is still the premiere professional SNS, and eBay is still the biggest online trading space despite Facebook's Marketplace.

## Conclusion

Some of today's biggest business giants are Internet companies that started in dorm rooms and home basements. eBay, Google, Microsoft, and Facebook are all great examples of the high potential of the Internet as a business medium. Moreover, the constant rise in SNS users in the U.S. and around the world creates a great opportunity for such websites to start and grow.

Starting an online business is relatively less risky than starting an offline business. Internet as a medium is both a production and a distribution channel, which eliminates distribution costs (Afuah & Tucci, 2003). Online businesses are less dependent on physical locations and inventory, which reduces both costs and risks. This also gives Internet companies greater flexibility when relocating or expanding (Shuen, 2008).

The way value is created out of Internet products and services has changed a lot in the past few years. With the original Web, the value was with in the product itself; however, with today's Web 2.0 and its interactivity and interconnectivity, the value has shifted to the relationships between the product, its consumers, and other products within the macro environment (Briggs, 2009).

Current online companies vary significantly in their values. Major ventures' values range from around 4 billion dollars for Twitter, to over 50 billion dollars for Facebook; a valuation that is close to those of Boeing, Ford Motor, and Home Depot (CNN Money, 2011). Such valuations have been heavily criticized when compared to their respective companies' revenues; however, investors seem to have high hopes in the future of the online social networking business and its power as a major market driver. (PBS NewsHour, 2011)

Creating a new SNS such as The Dream Matcher comes with both, risks and opportunities. In terms of risks, it will be important for The Dream Matcher not to get lost among social networking giants, especially during the start-up phase where more powerful companies can get hold of the concept and apply it to their already built databases of users. Another risk is financial. The first step to monetize a SNS is to aggregate the biggest number of users possible. Before that can be done, a reasonable amount of money will need to be spent on product research, development, and marketing. Given the innovative nature of The Dream Matcher's concept, and the limited start-up market research resources, it is hard to forecast user engagement.

Building a substantial user base is not enough to monetize a SNS. Examples of popular websites with relatively low to almost no profits include Delicious and Twitter (Kincaid, 2010). SNS need to be creative with the ways they monetize their large usage numbers. It is essential for every web venture, namely SNSs, is to develop creative and sustainable monetization strategies that exploit trending value chains. Such strategies can involve multiple streams such as subscriptions, advertising, transaction fees, syndication, and co-marketing (Shuen, 2008). Given the dynamic nature of the Internet and its users' habits, a monetization strategy needs to be constantly revised and developed. The Dream Matcher's four phase monetization strategy will insure that multiple revenue streams are exploited. It will also give the company enough time to adapt and to improve the strategy along the way.

The uniqueness of The Dream Matcher's concept, and its tie to people's desires, sets the website apart from others in the realm of online targeted advertising. While the current trend is to advertise to SNS users based on their interests, The Dream Matcher

aims at providing advertisers with a more valuable insight to consumers; desire. A desire is a step ahead of interest and close to engagement with the product or service (Ferrel & Hartline, 2008); thus, a person with a desire to consume a certain product comes with a higher potential of consumption, highly increasing the Click-Through Rate (CTR) of online advertisements. This, in turn, increases the value of The Dream Matcher over its targeted online advertising competitors (Bloomberg Businessweek, 2007).

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