

# **Internet Intermediaries' New Business Models to Create Economic Value**

**Search Engines, User Generated  
Content (UGC) and Social Network  
Services (SNS)**

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**What is the economic value of search, user content, and social networks?**

# FINDING THINGS

**"A Web search engine is a tool  
designed to search for information  
on the World Wide Web."**

[http://en.wikipedia.org/wiki/Web\\_search\\_engine](http://en.wikipedia.org/wiki/Web_search_engine)

**Without search other economic aspects of the  
Internet would not function**

However, Internet search has become a commodity instead of a product

Google, Microsoft, Yahoo! and others  
give search services away

**The revenue for search engines is  
largely derived indirectly**

It comes from advertising and driving people into other services may or may not make money

**This is a profitable model for Google,  
deriving 99% of their profits**

**There is a limit to how much  
advertising we need**

**There is a limit to how much  
money search can make**

# CREATING STUFF

**"User-generated content, also known as consumer-generated media or user-created content, refers to various kinds of media content, publicly available, that are produced by end-users."**

[http://en.wikipedia.org/wiki/User-generated\\_content](http://en.wikipedia.org/wiki/User-generated_content)

**This generates value for other users**

Company investment in production  
is reduced yet value is increased

Mashable.com quotes eMarketer  
as saying 82 million people in  
the US created content in 2008

This number is expected to grow  
to around 115 million by 2013

It all sounds too good to be true

**The direct economic value of user generated content is questionable**

It depends on the proposition that people will create compelling content that fits your brand and let you use it

Endless supply without a  
transaction cost defies logic

**"The reality is that “average people” don’t create a lot of content — at least not the commercially viable kind."**

**Scott Karp, co-founder & CEO of Publish2, Inc.**

**CONNECTING PEOPLE**

**"A social network service focuses on building online communities of people who share interests and/or activities, or who are interested in exploring the interests and activities of others."**

[http://en.wikipedia.org/wiki/Social\\_network\\_service](http://en.wikipedia.org/wiki/Social_network_service)

There are two types of social network

# Internal social networks

# External social networks

**"From December 2007 to December 2008,  
social networks or blogs account for  
nearly 10% of all Internet time"**

Jordan McCollum, Editor, Marketing Pilgrim

People want to communicate on sites like Facebook, MySpace, Twitter and LinkedIn

**Social networks get user generated  
content and personal information**

The assumption is that social communication  
has intrinsic economic value

Most of the users don't pay

**Where is the money?**

Advertising (as with search)  
will only go so far

# REALITY CHECK

**When Web 2.0 started it was  
focused on platforms**

**Platforms would generate  
revenue from multiple streams**

People got excited

Somehow the platforms became the focus instead of the revenue streams

Platform features brought users which  
brought...more users?

The assumption is that if you get enough users then you will get money

**This is the same problem seen with the  
dot.com boom in the late 1990s**

Finding stuff, allow people to create stuff or helping people share stuff means nothing in economic terms without a revenue model

**Assuming advertising will pay for  
everything is not an economic model**

**The Internet is not different  
from the physical world**

**It depends on supply, demand, quality of service and market conditions**

**There are smart companies using technologies like search or social networks to make money**

Google is an advertising company that leverages search

Amazon is a bookshop that leverages  
reader reviews and preferences

On the other hand...

Twitter is a popular service with  
no coherent business plan

**SecondLife is a product that makes  
communication slower and more complex**

**Search, user content and social networks  
have a role in the digital market**

Today they create economic value indirectly

**It is difficult to create direct economic value  
when things are given away for free**

"There currently is a lot of hype and social interaction resulting from Web 2.0 technologies, but little money is currently being generated. Business models remain troublesome to define and easy for companies to ignore."

Dharmesh Shah, Ilana Davidi, Yoav Shapira, and Robbie Allen

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