

# Free revenue streams in social media term paper example

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One of the most prevalent online activities worldwide is social networking. It is extremely big and grows each day. It has evolved to become a platform where consumers can interact, shop, share, engage and obtain news and information. Despite the fact that enormous efforts have been put behind creating social channels and building the social media, few have been capable of generating significant revenue. However, the payoff is increasing as various businesses engage their followers and convert customers. Most social media have been able to generate substantial amount of revenue through advertising and various applications where the members can purchase various items. Social networks provide applications, which have been created by third-party developers, to their respective members and obtain a given percentage of the purchases that have been made. Some of the social platforms that have been able to successfully create revenue streams include Twitter and YouTube. The monetization of these social media has undergone constant development since their inception. They have developed various revenue streams; however, advertising has been their primary revenue stream. Besides, as they become more popular, they are able to come up with new revenue streams.

YouTube has remained the most valuable asset for Google. It has played a key role in the migration from television advertisements to online advertisements. YouTube was bought by Google in 2006. In 2012, it generated approximately \$4 billion in gross display advertisements.

Through, YouTube, Google has become the largest online display advertising company. According to RBC capital market analysts, the revenue that YouTube generates annually through display advertising is expected to grow

by 20% annually. YouTube has a very large scale as well as innovation track record. There are a number of factors that have led to the generation of large revenue by YouTube. These factors include; decreased storage cost, increased internet bandwidth and proliferation of high quality but low cost camera equipment. They have played a key role in increasing the amount of video traffic over the internet drastically. As one of the universal video properties of the internet, YouTube has taken advantage of the migration of the TV ad budgets online. Indeed, YouTube has increased the revenue that Google earns annually. It has reached an immense scale in terms of its access to many consumers. Google announced that YouTube has managed to reach the 1 billion Monthly Active User mark. Its monetization level is increasing rapidly. In 2012, its top one hundred advertisers spent 50% more as compared to 2011. This implies that online advertisements have led to the substantial growth of the total revenue base of YouTube .

YouTube has improved tremendously in terms of the user experience and on the advertisement side. It has also experienced significant development in the ad setup offerings that have bolstered its popularity as well as annual revenue base. Another innovation that has improved YouTube for both advertisers and consumers is the TrueView ad setup. This innovation has become a major revenue stream for the site. This format enables viewers to view a pre-roll video advertisement and skip it after a given period of time. The advertisers only make payments for the impression if the users continue watching the entire advertisement. Indeed, the format appears to be a win-win in terms of effectiveness. This format has gained considerable popularity globally thus becoming a key revenue stream for YouTube .

Another example of the social networks that have been able to successfully create revenue streams is Twitter. When it recently filed for an initial public offering with the Exchange and Securities Commission of the United States, a bigger portion of its space in the Form S-1 was reserved for the demonstration of how the company has had a successful advertising platform. The action was not surprising since advertising accounted for about 85% of the revenue that it generated in 2012 . This is a clear indication that Twitter generates a bigger share of its revenue from advertising. It also generates a considerable amount of revenue by licensing its substantial quantity of data to various analytics companies. Despite the fact that licensing of data is not as profitable as advertising, it has a big potential to develop into a massive revenue stream for the social site .

Ever since Jack Dorsey, Twitter co-founder, sent the first tweet on 21st March, 2006, over 300 billion messages of approximately 140 characters have been posted by Twitter users. The tweets have literally been about everything. Each tweet contains valued information about the physical location as well as the interests of the Twitter user. It also contains the time it was sent. Access to this type of information was once unreal for market researchers as well as advertisers. In order to convert the information stream into something expedient, an industry that was dedicated to monitoring as well as analyzing social media was created. The industry has grown tremendously and is currently estimated to be worth more than \$16.9 billion. The four companies in the social-listening industry that Twitter has labeled as official data resellers include NTT Data Corp., Topsy Labs Inc., Gnip Inc. and DataSift unit of MediaSift Ltd. These companies buy data from

Twitter and sell it to other companies to make it possible to look through Twitter for any information. Through buying the information stream, the companies are able to monitor the number of people tweeting on Twitter, where they are located, the accounts they follow as well as who follows them. The business involving buying of information stream from Twitter by other companies has become more popular since they are able to see whether the tweets are negative or positive and then make adjustments in their marketing strategies accordingly. This business has increased Twitter's revenue base. Twitter generated over \$32. 2 million during the first six months in 2013 through data licensing. This was a 53% increase in comparison with the first six months in 2012 .

In conclusion, the social platforms have developed various revenue streams to improve their profitability. It is indeed true to conclude that Twitter and YouTube are the top leading social platforms in terms of annual revenue generation. They have been able to generate considerable amount of revenue through advertising over the years. Apart from advertising, these social platforms have developed other revenue streams that have been successful. Twitter has been able to generate more revenue from selling data to other companies. Conversely, YouTube has been able to increase its annual revenue through display ads, TrueView in stream ads, Overlay in-vedio ads as well as non-skippable in-stream ads.

## **Works Cited**

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