

Free marketing case study example

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Cyworld Case Study

Cyworld had 21 million users and earned revenue of \$95 million in 2007 from three main sources i. e. \$65 million from paid items (music, virtual gifts, etc.), \$15 million from mobile networking, and \$15 million from advertising. The social media marketing was an emerging industry with significant potential for both existing and digital marketing agencies during 2007-2008. Indeed, the user base was still expanding combined with emergence of new online platforms for social and professional networking. Therefore, the new CEO should focus on advertising and mobile networking in the future because it is anticipated that the business entities, celebrities, public groups and individuals will extend their online advertising strategies to entice online users for recognition, networking, purchases and reviews. Cyworld could face competition from potential new entrants in virtual goods market and could also be affected from aggressive expansion of Face Book; therefore, it must focus on other two revenue streams for sustainable growth during next ten years of 2008-2017.

In addition, it should be highlighted that Cyworld has to shift its networking focus on global user base instead of focusing only on South Korean market because the young adults that account for most of the user base have increased penchant for global networks with multiple service offerings and user-friendly tech features. Its focus on South Korean market may reduce the attraction among locals who could use alternate global networks like Face Book, My Space and Twitter in future. For instance, there is competition from local networks such as SOSO, Naver, Duam and others.

Today, the people use social networking communities to establish global

networks. In other words, the globalization has changed human perceptions about connectivity and motivated them to benefit from smart phones, 3G mobile internet, applications and digital communities in establishing global networks. The other purposes of using social networks are to enhance public image by creating one's fan following and to promote private businesses online. For example, the Hollywood celebrities with an established brand image use social media to further escalate their popularity in a global arena. Similarly, the new artists and beauty pageants use social media to create individual identity and recognition through region-centered social advertising campaigns. Individuals use social media for chat, communication, group formation, information exchange and others.

Cyworld's users could be segmented as Tweens (Under 13-years), Young Adults, Young Working Professionals, Buyers of Virtual Items and Corporate clients. The researcher will also support aforementioned user segmentation because it includes the relevant target audience. However, it should be stressed that Cyworld should target and focus on Tweens and Young Adults who are not only the active users of social networks but also have interest in buying virtual items such as gifts and music through micro-transactions. Cyworld can create value for users in these segments by expanding its services portfolio (chat, gaming, article and video sharing, check-ins) and implementing a global connectivity platform that would allow users to socialize with diverse communities worldwide. The strategy could enable it to enhance revenue from Virtual paid items.

The competitive landscape of the online social networking industry and changing consumer preferences are two core reasons for which Cyworld

needs all types of users be it an active user, a user who spends a lot of money with Cyworld or a user with a lot of connections. Despite market leadership in South Korea, the increasing competition from global giants especially Face Book has resulted in high threat of competitive rivalry. Hence, the network can't afford to lose any segment of users because it is now imperative to retain all existing clients and focus on improving Cyworld system's user friendliness due to popularity of smart phone applications. In simple words, it should implement privacy settings that would revitalize user interest.

Cyworld is different from Facebook and MySpace because it is not a global network and its revenue model is based on selling virtual items. In contrast, Facebook generates revenue from online advertising features that allow marketers to target any audience (local, regional or global marketplace). These social networking sites different from other large websites such as Amazon, Yahoo, or YouTube because the latter is involved in merchandise selling, search engine and analytical services, and extensive video sharing respectively instead of building social communities for personal interaction and communication. YouTube, however, allows user accounts to upload videos on unique concepts and the website offers financial rewards if the video is viewed and shared with a significantly large global audience. Cyworld's should extend its current business model by strengthening all three revenue streams such as paid items, mobile networking and advertising. The networking community could add a global user interface, specialized products and novel advertising features to generate excessive revenue. It should be emphasized that the bargaining power of social

network users will skyrocket in the future as they have access to multiple communities. Hence, Cyworld must explore different areas for service improvement to leverage its bargaining power and strengthen revenue sources.