BLOGONOMICS:

Business and Social Changes from the Blog

By

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THIS THESIS IS DEDICATED TO

MY PARENTS: 郭崇富 (CONG-FU GUO) AND 邵惠民 (HUI-MIN SHAO)

IN MEMORY OF

EVERY MOMENT I HAD BEEN WITH MY DEAREST DAD AND MOM

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Abstract

Back in 2003, Blogs as well as wikis started the Web 2.0 frenzy with online community networks and user generated content. Web 2.0 has recently cooled down, but it may have started a new era. The purpose of this paper is to explore the blogonomics - the business, as well as social, changes blogs have brought to us. It applies system thinking to analyze blogs, from blog elements (forms) to blog systems, and then to major components in the blog ecosystem. This paper focuses on the returns on blogs (ROB), mainly the business impact. Blog marketing, including word-of-mouth marketing (WOMM) and blog ads, has been discussed extensively along with the business models that can monetize blogs. It also proposes to use blogs as innovative tools for collaboration and content management. This paper primarily targets companies interested in the benefit from blogs. Furthermore, it hopes to explore a few innovative blog business models for entrepreneurs and serve anyone who is genuinely interested in blogs and Web 2.0.

Thesis Supervisor: Professor Michael A Cusumano
Title: Sloan Management Review Distinguished Professor of Management

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1. Introduction

By now, no one will question that the Internet and the World Wide Web (WWW) have created a new economy and changed the way people live. Email and IM have become dominate, better/quicker alternatives to fax and postal mail for people to exchange text and documents. IM and VoIP have taken over, replacing traditional phones for voice communication. Websites have become the primary source for people seeking information. Dynamic and video content have begun to compete with TV for video programming. Amazon, Yahoo and Google have also established business models based on the internet. The Internet is, no doubt, a revolution based on its infrastructure of fast connectivity for data communication.

While many people are still amazed by the advancements the internet has created, others have started to wonder how much further this internet revolution can go. The traditional WWW – Web 1.0 – is based on mainly content presentation and seems to have exhausted its magic. The next generation of the WWW – Web 2.0 – has been a hot topic for years as the possible catalyst for another revolution.

1.1. Overview of Web 2.0

Currently, there's still no clear definition of Web 2.0. The Web 2.0 concept emerged from the O'Reilly Media Web 2.0 conference in 2004[87][88]. O'Reilly defined Web 2.0 as "the business revolution in the computer industry caused by the move to the internet as

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platform, and an attempt to understand the rules for success on that new platform." [89] Wikipedia has a slightly different version – "Web 2.0 refers to a perceived second generation of web-based communities and hosted services — such as social-networking sites, wikis, and folksonomies — which aim to facilitate creativity, collaboration, and sharing between users." [86] In general [90][91], Web 2.0 has been considered the next generation of the WWW – a set of applications such as blog, wiki, podcast, videocast, Web Feed (RSS and XML), and social networking/bookmarking – that enable users to easily create, publish and share content on internet.

The economy of Web 2.0 is not mature; it has even been described as Internet Bubble 2.0[97]. The core of Web 2.0 lies on user-generated content based on the "wisdom of the crowd", such as that of blogs, wikis, and the communities surrounding the content. Web 2.0 has so far demonstrated its abilities to change social behaviors than to provide new and sustainable business models.

It has been suggested by the MIT Center for Collaboration that Web 2.0 provide the platform for collaborative intelligence [98]. Online communities, such as Wikipedia, MySpace, Facebook, and even Second Life, are showing new ways of social networking. In addition to traditional advertising, Second Life has also developed several business models including profitable gaming and professional virtual interviewing.

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1.2. Is Web 2.0 Disruptive?

Don Tapscott and Anthony D. Williams first used the term wikinomics[92] in 2006 to describe new business models based on mass collaboration and open sourcing that have created a new economy for companies. Wikinomics has enabled companies several things they were not able to do prior – new ways to innovate, crowd-sourcing, electronic knowledge librarian, and participatory platforms for sharing. Those who consider Web 2.0 disruptive are basing this on its capability for mass collaboration. However, wikinomics didn't come solely from Web 2.0 technology, but rather from the overall evolution of the Internet. Specifically, mass collaboration becomes feasible because of the exponential reduction of communication costs as well as the ease of communication technologies.

Email has become dominant in text/document communication, replacing letters and faxes. Web 2.0 has basically consisted of Wiki and Blog. Of the two, Blog is probably the most unpredictable factor affecting the future of Web 2.0. Will blogging be the next growth innovation with the ability to affect our culture? Blogging is a new way of life – anyone can write, publish and constantly make the word heard, which has never been feasible in human history. However, there has been no convincible prediction of the potential revolution as a result of blogging.

Through analysis of the social and business power of blogs, one can walk through the blogonomics with good understanding of blogs as a whole. It can also help us deconstruct

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the blogging ecosystem so that innovative business models may emerge to serve the new Web 2.0 era.

1.3. Thesis Structure

The analysis of blogs will begin with the structure of a typical blog in Chapter 2, providing the anatomy of a blog. Chapter 3 will go deeper into blogging's social power in an effort to discover why blogs have gotten so popular. The next four chapters will break down how blogs can change corporations and businesses. Chapter 4 will cover blogs as a tool for collaboration and knowledge management. Chapter 5 will demonstrate how blogs can be used to promote companies and products. Chapter 6 will identify business models generate revenue from blogging. In Chapter 7 – the final chapter – a general conclusion will be provided.

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2. Blog Basics

The purpose of Blog Basics is to provide a system view of a blog. The decomposition of a simple blog will outline the different blog forms (elements). A blog's features and community capabilities come from the underlined web technologies.

2.1. Blog Definitions

My concise definition of a blog is an online public diary, which can open for readers' comments. Users can write anything in blogs, from private, personal entries to professional writings. Users can also add anything to blogs, from pictures, videos, or voice recordings, to links to other blogs or websites. Blogs gain popularity not only because of the ease for users to write and publish articles, but also because of their support of the interaction between writers and readers by allowing comments from readers – even anonymous ones. This interactive feature, combining both websites for publishing and forums for discussion, is the key differentiator of blog.

Wikipedia's version of a blog is somewhat generic – "a blog is a website where entries are written in chronological order and commonly displayed in reverse chronological order."[86] Wikipedia does list an online diary as one of the characteristics of a blog, but considers news or commentary on a specific subject as the main character of a blog. Blog search engine Technorati[93] defines a blog as a personal journal on the Web.

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In November 2007, blog search engine BlogPulse[94] reported that more than 65.5 million blogs have been identified. Additionally, more than 110k blogs were created and more than 758k posts on blogs have been indexed in a 24 hour period. Around the same time, Technorati[93] claimed "currently tracking 112.8 million blogs and over 250 million pieces of tagged social media".

2.2. Blog Anatomy

A blog has a quite complex ecosystem, but to get started with blogging is not trivial. Here are some elements for a typical blog:

- Blog Hosts – websites or providers of online space for hosting blogs. Some famous blog hosts are Blogger, Blogsome, Live Journal, Typepad and WordPress.
- Bloggers – people writing blogs.
- Blogosphere - online community of bloggers and their blogs.
- Blog Posts (Entries) – content, articles, or commentaries in blogs.
- Blog Comments – readers' reactions to blog posts/entries, usually directly following the blog entry in chronological order.
- Blog Archives – older posts/entries on blogs, usually not available on the blog's homepages. Archives are organized and stored by chronology and can be accessed through blog entries/links.

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- Permalink – permanent identifier (hyperlink) to a blog post or entry. This is very helpful as blog homepages are expected to update frequently; permalinks make it easy to find older articles on blogs.

- Inbound Links - hyperlinks from other sources citing the blog, usually an indication of how active the blog is in the blogosphere.

- Outbound Links - hyperlinks on the blog to outside sources.

- Blogroll – hyperlinks of blogs/bloggers on the blog, reflecting the blogger's online community. Blogroll is usually a visible hyperlink list on one side of the blog's homepage.

2.3. Blog Family

In a basic sense, blogs are websites, so they have all of the features websites can have - mostly textual, but also images, links, and even pictures and video clips. Blogs can also have plug-ins and embedded objects performing rich and dynamic presentations. Online communities can simply host generic blogs, as does MySpace, or they can become platforms for special blogs, such as Youtube for vlog. Wikipedia[86] uses the following criteria to categorize blogs.

<u>media</u> -

- vlog: with videos

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- photoblog: with photos
- linklog: with only links
- sketchblog: with a set of sketches
- tumblelog: with short posts and mixed media
- artlog: with arts – a form of sharing and publishing art
- phlog: hosted on Gopher, not very common

genre –

- political blogs
- travel blogs
- fashion blogs
- project blogs
- niche blogs
- legal blogs (often referred to as a blawgs) or dreamlogs
- Splog: spamming blog
- Slog: Site or website log - a section or 'slice' of a regular business website, a blog within the regular website)

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blog profile –

- personal
- professional
- business - a business blog can generally be one of marketing, branding, or public relations

device – moblog: written by bloggers from mobile devices

2.4. Enabling Technologies

2.4.1. Syndication and Web Feed (RSS, XML, RDF, etc)

Blog syndication, or web syndication, means blogs or websites open part of their content free of charge, also called web feed (or commonly RSS feed), for simultaneous remote reading and publishing. Blog/Website syndication is accomplished through web feed, in the format of RSS, XML, and RDF. Usually, web feed does not include the entire contents of a blog or a website, but rather a subset including updates or links/excerpts to the contents. Web feeds can be in different formats, but mainly XML. The standard XML format of a web feed is Atom, but RSS (Really Simple Syndication) has become a dominate format.

Readers can read subscribed to a web feed via special software – feed readers, available in common browsers and email client software. RSS subscriptions provide new

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ways to look for and receive information. End users can filter out unwanted information through subscribing to web feeds from only blogs and websites of interest. Subscribers can also save themselves visits to blogs or websites by reading updates in feed reader. Another advantage feed readers bring to end users is the avoidance of providing personal information such as email address when subscribing to a web feed. Web feeds work like bookmarks in feed readers, which request information based on the behavior of the subscribers according to the web feed links.

Blogs or websites can use links of web feed to publish updates from other blogs or websites. RSS search engines can also locate useful information easier through RSS feed or Atom feed than regular search engines through HTML pages. Syndication through web feed is viewed as the next generation of online networking, as bloggers or website owners can get connected through subscription or reference to other web feeds. This constitutes the new dynamic web – the "World Live Web.

2.4.2. Feed Aggregator (Feed Reader)

A feed aggregator is client software that consolidates web feeds – the syndicated content of websites or blogs – into one place for easy processing. Feed aggregators have changed information retrieved from "push" (i.e. emails), and "pull" (i.e. subscriptions), to web feeds. With the exponential growth of the World Wide Web, especially the World Live Web, information search and retrieval have become more difficult and

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challenging. A feed aggregator may provide a selective method for balancing between on-time updates and information bombing.

2.4.3. Link

A link from one blog to another brings attention to the blog being referenced and, in turn, establishes popularity of the blog. Some blog search engines or monitors, such as Technorati, use the number of unique links to rank blogs. Linking through web feeds also helps form the connectivity of the World Live Web.

2.4.4. Search Engine

Blog search engines are different from webpage search engines due to the frequently updating nature of the World Live Web. Blog search engines need to perform real-time searches and indexes to keep up with the changes in the World Live Web. Blogpulse, Technorati, Google, Yahoo and IceRocket are the leading blog search engines.

RSS search engines are different from blog search engines in that RSS is structured in XML format. RSS search engines don't search content other than RSS feed, making them quicker, but limited. Blog search engines search all documents, including RSS feeds.

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2.4.5. Tag

Tags are keywords associated with a post, a blog, or even a website. Blogs support tagging will list tags, as separate lists of links, on the blog. The link of a tag can point to an index page of a blog specifying the same tag. Some websites and online email systems also support tags, making items or emails searchable. Because of its wide use in online communities, tagging has become part of the Web 2.0 phenomenon.

Tag cloud is a visual presentation, with different font size, style and color on different keywords of a group of tags. When one of the tags is clicked, a list of related items will show up as result of a tag related search. Figure 1 is a Tag cloud of Web 2.0 buzz words. Tag clouds have been picked up by mainstream media for advertising, being called "tagvertising" or paid tag clouds. [32]

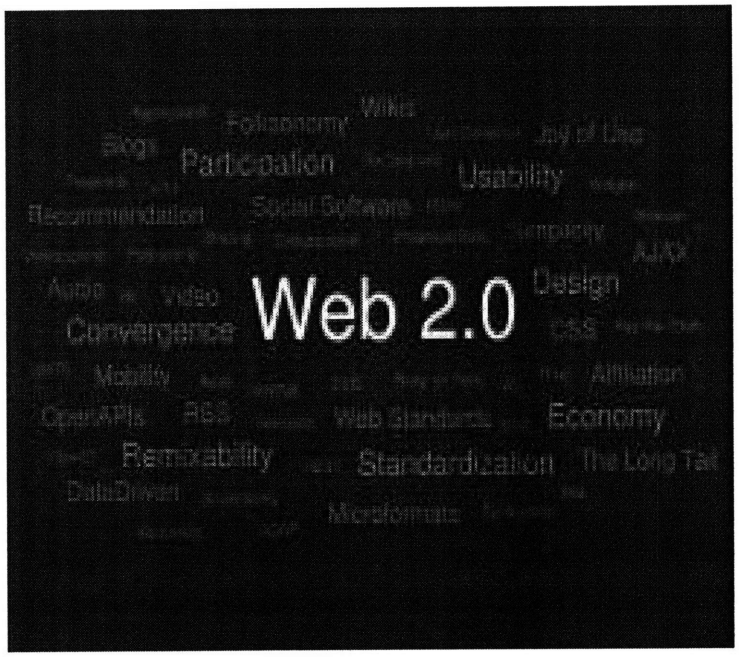

Figure 1. A tag cloud with terms related to Web 2.0 (Source: en.wikipedia.org/wiki/Image:Web_2.0_Map.svg)

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2.4.6. World Live Web™

World Live Web, a term started from Technorati, refers to a frequently updated and syndicated subset of the World Wide Web. Sites in this subset, mainly blogs, update often, and RSS engines, are able to index new content in as fast as 10 minutes, thanks to notifications from RSS feeds and the like. The World Live Web was envisioned by many enthusiastic bloggers to dominate the World Wide Web[98] due to its dynamic nature as well as its expected rapid rate of growth.

The World Live Web's domination has not yet been factual despite its fast growth in recent years. However, online communities have become the icon of the new internet age. The communities that make up the blogosphere – the social name of the World Live Web – have been the core of blog development. The next chapter will look into the details behind the phenomena surrounding the blogosphere.

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3. Blogosphere

"Blogs are the medium for soul-baring and straight talking .... They're readable because they're gossipy and dangerous and the antithesis of officialdom. They're the place where the unspeakable is spoken. They're the vehicle of loopiness and truth." These were the words of Stephen Evans, BBC North America business correspondent, on the BBC News site in May 2006. Blogs' power evolves when they get connected and form the blogosphere. It is the Web 2.0 technology that has enabled the new blog community.

3.1. Technological Advancements

Both the internet evolution and software development have made it easy for everyone to write and publish – the key reason for blogging's fast growth.

3.1.1. Ease to Publish

A blog's power comes from its ease of use – a blogger can easily publish simultaneously as s/he writes. As much as you can utilize free blog software, such as WorldPress, to create and host your own blogsites, you may also sign up your own blog account in some free existing blogsites – Blogger, Blogsome, or LiveJournal. It's easy to write in the browser and publish after you finish writing. Published content will be displayed immediately in blogs. Microsoft has also made a desktop software, Live Writer, for bloggers to write on their local computers and automatically publish to blogsites,

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such as Blogger. Many online communities, such as MySpace, also provide blogs for their members as part of the services offered. Bloggers no longer have to be hassled by the administration of websites while they take advantage of their publishing functionalities.

3.1.2. Ease to Discuss

Simply publishing will not make a blog much different than a website, or, rather, a frequently updated website. A blog's power also comes from the interaction bloggers can have with their readers. Bloggers can allow readers to comment on posts and to link other blogs to entries. In this sense, blogs are also like online forums where discussions can be fostered. Blogs host comments significantly different than online forums, which usually have many more posts, as well as new topics constantly. Blog comments following a post usually center around the original post, making dynamics narrow, albeit more focused, under each post topic. Blog comments also allow bloggers to provide quick feedback to readers' comments. This "people to people ... is what the web was supposed to be" [95], said Tim Berners-Lee, the originator of the World Wide Web. Blogs provide a democratic communication platform where everyone, both bloggers and readers, have an unedited voice and authentic self-expression.

3.1.3. Ease to Connect

Although only some websites can provide RSS/Atom Feeds, all blogs are capable of generating web feeds in RSS/Atom format. Bloggers can also easily get their

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subscribers updated through feed syndication. Instead of simply visiting blogs for their updates, readers can also read new posts from the blogs they subscribe to in their local feed readers. Readers can get constant updates without even visiting the blogs. Web feeds provide a new way to stay connected, but also provide challenges for the traditional online advertising models applied to blogs. Bloggers can use web feeds as notifications to subscribers about updates on the blogs by inserting the first paragraph or summary of the posts into web feeds. When they find updates through web feeds, readers will still come to the blogs for the complete information. Some bloggers even put ads into web feeds, thus creating RSS/Atom ads.

3.1.4. Ease to Propagate

Posts on a popular blog can easily be spread out by its readers through the readers' blogs – the so called "Word of Blog". When readers put links to posts they like from other blogs into their own, their readers will be exposed to and may carry on to broadcast the post with links in their blogs, and so on. Unlike websites, which weren't as popular, blogs are like nodes in a mesh network. Each blog, as a node, has a few or more inbound and outbound links connecting to other blogs. The blogosphere is this mesh network, making the propaganda of interesting ideas an easier task.

3.2. Blog Everything

Blogs are not just personal online diaries, but have been extended into business, corporate, political, and even the league of mainstream media. In addition to sharing

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personal interests and the exposure of leisure lifestyles for self-satisfaction, bloggers also create to enhance their careers with their voices being heard by broad audience, with reader engagement. Top popular bloggers, such as the Top 100 bloggers ranked by Technorati (http://technorati.com/pop/blogs/?faves=1), can have as many readers as traditional media. Their impact can be enormous and, therefore, monetized.

3.2.1. Personal Blogs

Blogs are very popular among young adults, especially students[6]. With several alternative peer-to-peer communication tools, such as IM, cell phone and email available, it's interesting to speculate why many young adolescents like to keep a blog. A survey of 19- to 60-year-old bloggers showed that their reasons for keeping a blog were to update their readers on activities and whereabouts, to express their opinions and influence others, to seek others' opinions and feedback, to "think by writing," and to release emotional tension[110]. Huffaker and Calvert [109] found that young adolescents' blogs often discussed their real-life personal relationships and that the authors tend to reveal part or all of their name, age, and other contact information such as instant message identifying nickname, email address, and links to personal websites.

Miller and Shepherd[111] tried to use "mediated exhibitionism" to explain why people would want to share their privacy in a public medium, such as a blog. Their conclusion was that because the posts were usually brief and frequent, posters tended to convey a sense of immediacy that makes them seem intimate and spontaneous, yet it

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is a highly mediated form of immediacy. They compared this to cell phone conversations in public - blogs are just another joint of the public and the private. However, bloggers might not agree. A response was "There's something about sharing your soul and your inner thoughts for all to read that makes you vulnerable and helps you to see things as they really are."[6]

Opening up through blogging does make one vulnerable. It might be less vulnerable as there is no physical damage that can happen online; though this might be more vulnerable mentally because of the digital distance – with a large audience online and quick feedback. Young adolescents[6] might blog to burn some energy, or they might seek attention through blogs – blogging to fulfill their narcissism. Many of them keep blogs to get connected with their friends, current and previous. My feeling is that personal blogging is an adventure which might attract more young adolescents than old adults. Blogging also makes it easy for regular people to show off, breaking the monopoly power celebrities have on the traditional media.

3.2.2. Professional and Social Blogs

Blogs can be an excellent source of information. While there is some work needed to maintain blogs, they are current and immediate, making them appealing to people seeking professional information.

Professional blogs can be in different formats. Accounting Observer (http://www.accountingobserver.com/blog/) was a personal accounting blog started in

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2005. It covers accounting and financial investments and is updated daily on one or more topics. Unlike many personal blogs, the AAO is fairly sophisticated and professional in appearance[8] - the blog provides the owner's brief report on a news item or other current events gathered from several professional, government, and commercial websites. The journal entries include links to other websites, such as the SEC's and FASB's, as well as specific documents, such as FASB statements and 10-K reports. All of the entries on the blog are categorized for easy sorting. Accountants Round Up (http://goldenmarketing.typepad.com/acctroundup), is owned by Golden Marketing, Inc. Most of the postings are from Golden's staff. Accountants Round Up is a commercial blog, with a bit broader scope than that of Accounting Observer. The main page of the blog lists the daily entries for the last several days, including the article's title, category, byline, the first few lines of text, and a link to the original source. Comments are moderated and are not available until approved[8].

Columnists can update their columns quicker with blogs than with traditional media – even online versions of newspapers. Business columnist Jonathan Lansner came to Orange County Register's business editor, Glenn Hall, wanting to write a real estate blog to cover more about this subject than he could in his twice-weekly column in The Register due to the enormous feedback he has received on the subject. The blog, Lansner on Real Estate (http://lansner.freedomblogging.com/), has been a hit with readers, drawing an average weekly audience of 40,000; even better, it racked up 12,000 comments in 2006, making it the No. 1 blog on ocregister.com. His average

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reader posts a comment every 45 minutes[9]. After seeing the success of Lansner on Real Estate, The Register launched a companion blog on mortgates – The Mortgage Insider – which immediately became the No. 2 blog on The Register's website. While the traditional online classified real estate advertising is sinking on The Register's website, the real estate blogs are taking off in advertising with the blog's success.

Professionals can use their blogs to get connected, forming communities to share events and interests. When Katherine Coble and her husband had an unpleasant experience with job-search firm JL Kirk Associates, she vented her frustration by posting their story on her blog to warn others about what she considered unethical business practices[6]. What is more intriguing and representative of the power of blogosphere is what occurred after the blogging community learned of Coble's run-in with JL Kirk and its lawyers. Bloggers all over, online and offline, not only spread Coble's story by including links to Coble's blogs, but they also commented with the words "scam" or "fraud" regarding JL Kirk Associates. Eventually, the term "Kirked" had been solidified as an online slang meaning "to have your reputation ruined for trying to stifle a blogger's free speech" or simply "to go crazy" [6].

3.2.3. Political/Influential blogs

Politicians have taken to using blogging for attracting voters and fundraising. 2008 Democratic presidential candidate, Barack Obama, has setup his blog through his campaign website (http://www.barackobama.com/). You can not only read updated

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activities and events surrounding Obama's presidential campaign 08, you can also donate through this website. Although there isn't data about how much money he has received through his blog, Obama is known to have much better campaign finance as he receives many more, albeit small, donations from online – a now proved new channel for donations. Obama hasn't written anything particularly blog-specific; however, the blog has hosted the majority of updated content to voters - news, reports, videos – regarding Obama's campaign 08. What have made this website more active are the blog's comments by readers. Obama's blog is named Community Blog, which has truly built a campaign community for him through the quickly updated blog entries, as well as the active readers' comments.

Another famous political blogger is Australian Senator Andrew Bartlett. Senator Bartlett is one of the few, if not only, Australian politicians to write and maintain his own blog (http://andrewbartlett.com/). He uses his blog as his political voice, maintaining up-to-date entries about his political views, congressional duties, and social activities. The blog has quite a few sections dedicated to some specific issues, such as housing, environment and welfare. What's most interesting is a section of the latest comments, listed as the top section of the blog. This sheds light on the importance of comments to blogs.

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3.3. China Blogosphere

According to WSJ[6], China has the second-largest internet user population in the world, with more than 137 million, right after the United States. Even though the internet is still censored and controlled in mainland China, the Chinese are still very free in expressing their opinions towards business activities, such as customer service and product quality[2]. Online blogs and forums are very popular in China as an information exchange, a sharing of opinions and even for spreading rumors.

On Dec. 26th, 2007, CNNIC (cnnic.com) released its annual report - "The Survey Report on Blogs in China 2007". CNNIC, China Internet Network Information Center, is a Chinese government agency responsible for the Chinese internet administration's research and development. In comparison to the report in 2007, the table below details the main part of the data regarding Chinese blogs:

	By Aug 2006	By Nov 2007
Bloggers (mil)	17.5	47
Blogs (mil)	33.75	72.82
Active Bloggers (mil)	7.7	17
Active Bloggers owned Blogs (mil)	10.125	28.75
Total Bloggers over Netizens	n/a	25%
Frequent Blog Readers	54.71	n/a
Total Blog Readers	75.57	n/a

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Other conclusions from the report can be found in appendix A.

3.4. Issues

Concerns have been raised about the use of blogs and the credibility of bloggers. The democracy in the voicing of opinions brought by Web 2.0 isn't always welcomed. Some people worried about the information bomb don't think that a majority of the wikis and blogs contain useful information[26], and therefore few people will even pay attention to them. When seeking reliable information, professionals usually need the authenticity of the authors, which is more of an issue for wikis than for blogs. Entries on a blog usually belong to the same author, or author group, while an item on a wiki can be changed by anyone at any given time.

Blogs, along with forums, are less trustworthy to consumers. A survey[29] by Jupitor Research showed only 21% of 4,128 customers trusted product information on blogs and forums, while twice as many trusted those on corporate websites and professional review websites. 20% of the advertisers in the survey indicated interest in using direct marketing on blogs and forums. Blogs are second, behind offline events, in popularity of content.

Bloggers may also misuse blogs, bringing risks to their employers and their own job security. A survey[27] by legal guidance provider Croner confirmed that 39% of employees who keep personal blogs admitted to posting job-related information. Bloggers may have not realized the risks of disclosing information about their jobs and companies. Behind

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blogs, without face-to-face embarrassment, bloggers are subject to a false sense of security.

Blogs have also surfaced challenges for legal advertising[28]. While official legal advertisements are regulated, it's not yet clear as how to deal with blogs run by lawyers or law firms that advertise services. It's difficult to distinguish implicit advertising from information content.

Splogs, spam blogs with full of links to other commercial websites, have become the major problem on the internet after identity theft[31]. A splog leads to advertisements - the more hits, the higher the ad rate[30]. Millions of blogs have been created as splogs to promote everything from gambling to pornography. Splogs have created problems for search engines ranking search results based on links. Tools, such as BlogBurner, make it easy to create blogs – even automating the creation of phony blogs. Blog hosts, such as Google and Yahoo, have taken some steps including the making of hard sign-on processes to prevent automatic account creation. Splogspot.com also allows a user to report a splog, increasing awareness of known splogs.

3.5. Blogonomics

Wikinomics[92] is about the mass collaboration resulted from Web 2.0 in general. When considering the dynamics that are specifically associated with blogs, one can find quite unique characteristics of the blog phenomenon, as well as the blog economy – these are

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what I define as Blogonomics. The following chapters will delve into the blog in detail, with focus on what the blog has generated in business and economy.

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4. Blogging for Knowledge Management

Blogs can provide innovative solution for collaboration. Combining individual authenticity and easy community connectivity, blogs become even more attractive than wikis for corporate knowledge management. Permission setup in blogs can even help achieve a different level of team participation for project management. Collaborative blogs are growing fast, allowing multiple users to post[117]. Companies can use blogs as a platform for management and employees to post insights and comments on a variety of topics.

4.1. Knowledge Management Challenges

Collaboration has been a challenge for large organizations. The key piece for collaboration is knowledge management (KM). KM has been a challenge for organizations of different sizes, but usually cause bigger problems for large organizations and those with a high turn-over rate, such as military and non-profit organizations (NPO). With increased outsourcing and decentralized organizations, KM has become more critical to the organization's productivity and decision-making. Corporate KM typically involves KM tools (applications) and processes. Examples of these tools are Team Room and SharePoint. Challenges in KM are knowledge capturing and knowledge sharing.

There are barriers existing in organizations for collaboration. The traditional barriers come from physical distance and time constraints. Then, there are more challenging barriers developed from KM. Firstly, organizations need to capture knowledge. Secondly, they need to manage, in terms of data/document management. Finally, the organizations

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need to share knowledge and encourage reuse. Technology barriers can also affect knowledge capture and sharing. Many organizations, especially governments and NPOs, lack IT infrastructure such as computer and networks that support enterprise KM. For organizations that choose to host internal blogs, they have to either outsource blog administration or enable internal IT support on blog software.

4.2. Innovative Knowledge Management from Blogs

Blogs, along with wikis, have opened new dimensions for corporate to redefine enterprise collaboration. Blogs encourage individuals to contribute and share knowledge, while wikis work better for team participation. Innovations in Web 2.0 allow organizations to improve their ability to gather knowledge from employees and to manage this knowledge for quicker responses and better decisions.

A diary is a means to log past experience to use in the future for reflection. A professional dairy, such as a "ship log", can also provide a tool for analysis. Captain Kirk of the starship "Enterprise" always wrote down his thoughts and reflections on daily events – the exact purpose of blogging. Blogs not only allow anyone to write his/her thoughts, but they are also capable of hosting all sorts of information like audio, video and anything else that can be digitized and put on a network. Blogs also have wild visibility, as they can be published on the internet or the intranet.

The powerful KM from blogs also comes from the connectivity provided by web feeds. People are able to collaborate without actually being in the same physical place at the

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same time. Bloggers and readers can get updates from blogs through web feeds. This connectivity through feeds forms a community for people to participate and share. Interesting issues can be discussed and the community can be notified through different blog entries and comments.

Blogs can also save a system resource. Instead of sending updates through unsolicited emails to everyone, forming information bombs to people's email boxes, blog feeds will only reach people who are interested when they want the feeds. Web feeds are usually much smaller than emails.

4.2.1. Open/Closed Blogs - Better for Team Collaboration

Blogs can be setup to share authors, allowing for better collaboration for team projects.

- Invite Only

An Invite Only collaborative blog is one in which a founder personally selects a small group of co-bloggers, inviting them to contribute to his or her blog. The Invite Only blog typically focuses on a single common interest subject - i.e. politics, legal issues, or, occasionally, comedy. For instance, in July of 2003 Chris Bertram established Crooked Timber[113], a collaborative Invite Only blog frequented by such established bloggers and academics as Kieran Healy, Ted Barlow and Henry Farrell, beginning with the introductory post: "Crooked Timber is a cabal of philosophers, politicians manque, would-be journalists, sociologues, financial gurus, dilletantes and flaneurs who have

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assembled to bring you the benefit of their practical and theoretical wisdom on matters historical, literary, political, philosophical, economic, sociological, cultural, sporting, artistic, cinematic, musical, operatic, comedic, tragic, poetic, televisual etc. etc., all from perspectives somewhere between Guy Debord, Henry George and Dr Stephen Maturin. We hope you'll enjoy the show."

- Open Invite

Conversely, Open Invite collaborative blogs allow any user to register for a blogging account, providing instant access. Perhaps the most famous of these blogs is DailyKos, a left-leaning collaborative blog founded in 2002 by Markos Moulitsas[114]. DailyKos allows bloggers the opportunity to post their opinions on the site without pre-approval of the content. Open Invite collaborative blogs succeed on the basis that the community acts to weed out trolls, spammers and other troublemakers. Much like online forums (and Wikipedia itself), the accessible nature of the Open Invite collaborative site is protected by dedicated moderators and fellow bloggers who will act quickly to quell any signs of spamming[115].

4.3. Strategies and Implementation

Setting blogging KM is similar to starting any other enterprise project. It must be planned, analyzed, designed, implemented and measured. A careful evaluation of a blogging KM system in the context of each individual organization is critical to the success of this kind of jump change.

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Not everyone writing a diary, let alone on the net, is in a corporation. Leading the change involves changing the culture and attitude towards blogging, but also towards sharing. In hierarchical organizations, sharing can be discouraged. For example, possessing important knowledge is perceived as strength; sometimes fear from asking questions exists because people, by showing less knowledge, might be under-evaluated or dismissed from promotion. Organizations need to signal these obstacles in the enterprise, encouraging debate and questioning.

Leading the change involves leading discussion on different issues with an open mind for mistakes, with the intention to correct them through the collaboration inside the community. Therefore, community leaders need to be trained to stimulate the process and be in charge of keeping the community of knowledge diverse, vital and vibrant. Community leaders will learn and foster cross collaboration and cross boundary learning. They should be evaluated and measured in terms of the progress of individuals in their community and the average overall progress of their community compared to other communities in the organization. Another important measure is cross boundary learning and the community's participation and contribution to that progress.

Blogging can be either up-down – senior management starts first and pushes down – or ground-up – people start blogging on their own and go from pilots into scaled networks and systems. It's not hard to outline some general rules when starting internal blogging, as there are common objectives each company wants to achieve – increasing communications, improving efficiency, building cohesive culture, etc. Some even more

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general rules for every blogger should be considered[125][126] – the title of the blog, the targeted audience, the blog design, getting connected with audiences and other blogs, and providing links. These basic rules cannot guarantee a blog's success, but a blog's failure can be certain if none of them are carefully considered.

This chapter has analyzed the Blogonomics around collaboration and knowledge management. Although it's not yet been dominated, blogs have great potential in online collaboration and content management. The author's academic experience has explored the process of using blogs to collaborate. Microsoft's Sharepoint, a content management tool for collaboration patterns, has recently also integrated a blog feature. The last two chapters will continue the Blogonomics in the marketing and monetization a blog can produce.

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5. Blog Marketing Models

Marketing is changing with the increased influence between consumers resulting from the new marketing media, such as blogs and online forums. Marketers have to change to leverage consumer-generated influence; otherwise, they will become obsolete and lose customers. Blogs can help generate publicity for the organization. They can also address the specific needs of customers and business partners. Blogs can provide much more information about existing customers, potential customers and market influence, than ever before through public reactions, readers' comments, and other blogs to companies, products and brands. Branding can be managed in fast cycle, through Word-of-Mouth marketing in the blogosphere – Word-of-Blog.

Blog marketing is similar to, yet also different from, traditional marketing – even online marketing – in a number of ways. Like websites for online marketing, blogs have to establish branding to differentiate themselves from others in order to attract advertising. Blogs also have to stay current and be responsive so that readers will keep coming back. A marketing media, whether it's traditional or online, has to give customers something they cannot get from other places so people will return. There are a few blog marketing models a company or a marketer can choose:

- Host own blog(s) – use blogs to build a personalized communication channel to customers about the company; blogs can also help make main commercial websites more visible in search engines

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- Monitor related topics on blogs – a great resource of business intelligence, but similar to those in chat rooms, forums and discussion groups

- Advertise on blogs – blog ads are not much different from advertisements on websites

- Pay bloggers to write about the company/product/brand on blogs – increase communications with personalized ambassadors or third party opinions to customers. Blogging also has large potential as research, framing, and persuasion tools, although their use as a public relations tool is not yet fully explored. Some bloggers, among others such as journalists, have been targeted as top influencers to customer behaviors according to an initiative for a proprietary web-based tool to setup an influencer relationship database[10]. These top influencers will be contacted by a PR firm trying to get them to communicate to the public, in forums and on blogs, about the companies or products. This approach, though, is not much different from using beat writers to cover companies on websites or in magazines

Since only the first, where companies host their own blogs, is unique in blog marketing, this chapter will focus around the companies' own blogs. The other three models are using blogs as new media for marketing, basically taking advantage of the new word-of-blog marketing. Blog marketing is also considered a non-intrusive communication channel[80].

5.1. Word-of-Mouth Marketing (WOMM)

Word-of-mouth (WOM) marketing is commonly defined as a media tactic, often online, in which a message is communicated by neutral parties to wider communities through

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channels such as blogs, social networks and e-mail forwards.[37] Word-of-mouth isn't a new idea in marketing, but its power has been expanding dramatically with the new technology – the internet. The internet – the revolution of communication – has made marketing buzz spread out rapidly and reach out to a much larger audience, at much lower cost. WOM has shifted the marketing power from marketers to consumers, which is why consumer influence in marketing has become much more powerful than before. EBay's user rating and Amazon's product comments are all consumer generated influence, which has brought marketing to a whole new paradigm. Word-of-mouth is just a compliment to traditional marketing, but has become another main force in online marketing.

PQ Media's "World-of-Mouth Marketing Forecast 2007-2011" revealed [108] spending on WOMM jumped 35.9% in 2006 to $981.0 million and estimated more than $1 billion in 2007, making it one of the fastest growing alternative media segments. Brand marketers are becoming much more interested in using WOMM tactics as an important part of their cross-platform marketing campaigns. The report also indicated that WOMM grew almost five times faster than the overall marketing services sector in 2006 and more than six times faster than the overall media industry and nominal GDP.

User behavior changes, largely resulted from the wide use of the internet, are accounting for the reformed WOMM. Online social networks such as Facebook and MySpace, as well as blogs, have enhanced the ability of users to exchange more ideas online, shifting WOMM from traditional offline events to new online media. Major brand

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marketers and many enterprises are moving to include WOMM as a growing component of fully integrated marketing campaigns, evidenced by the many corporate attempts to connect to Facebook.

We are also seeing expedited changes in advertising and marketing ecosystems due to the emergence of user generated content by Web 2.0, such as blogs, videos/movies and podcasts[37].

5.2. Blog Ads

A blog ad is usually sold on a cost-per-click basis. Like those ads on search engines or even websites, blog ads appear as text or images on blogs with targeted content. A survey conducted by blogAds (www.blogads.com) showed 61% of the 17k respondent blog readers were over age 30. 75% of them had income of more than $45k[42]. More encouragingly, 66.7% of them had clicked on a blog ad. While blogAds' survey shows a promising future for blog ads, Blog ads are still in their early age, growing very slowly, especially compared to the growth of blogs. A blog portal or network has no real control over the blogosphere in terms of the content, making cost-per-acquisition very difficult to manage. Blog ads have to compete for limited online ad budgets with more matured online ad tactics, such as search engine, media buy, affiliate, and email marketing. Ads giants, such as Google, have very sophisticated ways of scanning contents for quality assurance. Blogs may be a nature niche for product marketing, as blogs are usually topic-focused and have loyal customer base for any specific interest.

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5.3. What can blogs bring to marketing?

Blogs bring new dimensions for companies to deal with marketing.

5.3.1. Interact directly with markets and customers

Blogs have direct contact with the end customers and the current markets. Since customers can read and comment on the blogs, companies that use blogs can get direct reactions from the customers and therefore understand the markets closer and quicker. Without data collected from feedback from the customers, companies can also analyze the market with first-hand information.

The inherent interactivities between bloggers and readers, as well as among blogs, have created a community of customers for certain products, for certain brands or even for certain companies. Readers, who are also bloggers, enable the group's focus on the products, providing power, positive or negative, as well as invaluable information to the companies. Buzzwords spread out in the blogosphere, forming the power of customer marketing. Companies could even use such groups or communities to collect lead user experience.

5.3.2. Raise awareness of company

Blogs can draw online traffic, not only to the blogs themselves, but also direct traffic to their affiliated websites. Blogs can raise visibility and search-ability – the two key factors for websites to be found. When blogs have more readers, they are more visible – so will be the contents of the blogs. As blogs put up links to their companies'

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websites, those regular websites will be found easier by search engines. With link references from other bloggers, blogs can also make themselves more findable. The Washington Post was running a blog contest to proclaim their political blogs, which in turn drew traffic to WashintongPost.com – the paper's main website[82].

The blogosphere is another medium for targeting a niche market. The customers of a blog, bloggers or readers, might be limited, but they are more relevant based on the shared interests of certain blogs. Bloggers who are passionate about products talk to online neighbors through their blogs. People writing and reading automotive blogs are generally interested in cars, so niche markets do exist in the blogosphere. The Budget has had several "up your budget" scavenger hunt promotions that were aimed at bloggers and blog readers[76]. What Budget Rent A Car has tried to achieve through the blogosphere is to get potential customers' attention even before they need rental cars. Procter & Gamble Co. gave away AutoDry kits, a new product that had not formally launched, to bloggers after the company learned of interests from bloggers. P & G wanted bloggers to comment on their products and it turned out that about 80% of feedback was positive. By the time AutoDry was in the market, product awareness was 25% among consumers, and 45% among car aficionados [82].

5.3.3. Build up Brand Trust Online

Blogs can bring word-of-mouth to build up brands. Feedback in blogs and the interconnectivity among blogs offer excellent channels to advertise. However, the

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nature of this kind of advertisement is innovative, as advertisers cannot control the content. Blogging enables everyone to become a publisher, and world-of-mouth is getting more powerful through blogs. Customers believe real people and they always look for opinions from others who have used the same products – it changes the way for the public to research products. Sites like Epinions.com, summize.com, viewscore.com, and wize.com are powerful communications tools for online shoppers - type in a brand name and you'll find other people's comments. Some of these websites are aggregators, grabbing comments and opinions from other websites.

Brands are increasingly shaped online through blogs, but the control is no longer in the advertisers' hands. Blogging can help a brand in both ways – either positive or negative – depending on the real experience from the customers. Companies who use blogs for marketing have to do it transparently, as brands through blogs are controlled by online users. If blogs lost credibility, they would hurt brands even more through the word-of-blogs. Brands, such MSN, Google, etc., have already invested in blogs[79]. iPodlounge.com, owned by Apple, and nokia.com/lifeblog from Nokia are two examples wherein company brands can benefit from the online community's active involvement. iProdlounge.com is a blog where Apple users can upload their own ideas for future generations of iPods. Apple didn't sell anything over the blogs, but they have gained ideas of how to improve iPod while also increasing the Apple iPod brand awareness. Nokia.com/lifeblog has become a community of Nokia customers by letting users download texts and images from their mobile phones and archive them in a diary.

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5.3.4. Sell or promote products

Blogs can also be used to sell products by linking to the product. Most bloggers haven't yet begun to sell on blogs, but that's something that will certainly happen. Bloggers on blogspot.com, sponsored by Google, can have many features tied to their blogs, where they can blog, sell, buy, and advertise, or become Google paid advertisers.

Companies or marketers also want to convert visitors into customers. Blogs are also good places for that conversion. While over-pushy promotions should not happen on blogs, certain supportive advertising, such as product introductions, positive customer experiences and third-party evaluations or assessments, can certainly help turn blog readers into customers. Marketers can also run promotions about their products on blogs.

A few years ago, Stormhoek, a Wellington-based winery, hired Hugh Macleod as a promoter. Macleod, an active blogger on advertising and technology, offered a free bottle on his blog, Gapingvoid.com, to any adult blogger who requested it. In six months, he has gotten about a hundred bloggers posting about their experience, mostly positive, with Stormhoek wines, as well as related commentaries. Following local events across Britain, France, Spain and the United States, Macleod has launched an amazing advertising campaign for Stormhoek wines. Their sales have jumped nearly six fold, from 50,000 cases a year worldwide to almost 300,000, and they expect to sell a million cases annually within three years[72].

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5.3.5. Customer support

Blogs can also provide better customer support with more interactions similar to online forums. With different settings, companies can turn support blogs into open blogs, allowing customers to post issues with the company still being able to moderate entries and topics. With easy management by assigning tags or categories to entries, posts can be easily turned into an FAQ with little effort from companies' support.

Customer support blogs can really improve customer satisfaction, while also reducing damages from negative product and service experiences to a minimum if maintained well. With the focus on customers, support blogs can also improve public relations. Whenever there are any PR disasters, such as accidents or defects, things can blow out of proportion if there is no response or acknowledgement. Blog comments can certainly serve as a temporary, while unofficial, response to get any negative events under control. Research has shown blogs, as well as the relationships created among blogs, impact the perception of crisis [116].

5.4. Blogging for Marketing

Companies can get marketing focus through different kinds of blogs – **mainly company** blogs, brand blogs and product blogs.

- Company blogs – blogs about the companies, sometimes in the format of CEO or Senior Executive blogs.
- Brand blogs – blogs about famous brands.

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- Product or professional blogs – blogs about products or services.

5.4.1. Corporate Blogs

Corporate blogs mainly cover everything the public needs or wants to know about, such as news releases and major events, etc. It can serve as the public relationship channel to customers, as well as investors. At GMBlogs.com, it is seen as good practice for corporations to setup blogs – it has a FastLane blog for cars and trucks, an FYI Blog for news and opinions, and a Cadillac Drivers' Log is Cadillac brand, while GM Tuner Source is for picture galleries of GM products. The FastLane blog is heralded as the 'poster child for executive blogging'[75].

Companies can also setup public blogs under CEO or Senior Executives, making celebrity effects. Executive blogs provide personalized communication channels to the public. Some executives really write their own personal blogs, but most of them are for internal communications. CEO or Executive blogs need to have personal perspectives, especially on future technologies and products that their companies don't already own. Some famous executive blogs in healthcare are –

- runningahospital.blogspot.com - Paul Levy, president and chief executive officer of Beth Israel Deaconess Medical Center in Boston
- windberblog.typepad.com/nicksblog - F. Nicholas Jacobs, FACHE, president and chief executive officer of Windber Medical Center and the Windber Research Institute in Windber, Pennsylvania

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- www.healthcaretomorrow.com - Andrew Barna, FACHE, director of special projects for the Human Resources Department of Stanford University Medical Center in Stanford, California

Companies can also connect selected blogs from regular employees to the public. Promoting blogs to employees can become part of the corporate culture, while exposing internal employees' blogs to the public can personalize companies and brands. HP used their sponsorship of Cannes Film Festival to promote their blogging program[12]. HP employees were encouraged to write blogs about the Cannes Film Festival with a prize of two tickets to Cannes. HP's blogging strategy has successfully created its blogging culture. Winners' blogs about the festival were also posted on HP's external blogs, achieving the marketing objective of personalizing the HP brand.

5.4.2. Brand Blogs

Brands can also have their own blogs. Some of the world's famous brands have participated in blogging – Guinness, Thomson, BT, Honda, AOL, Microsoft, Sun, and Nike[16]. Cadillac Driver's Log is a brand blog, covering everything about Cadillac. Consumers may become resistant to traditional marketing messages, but if a brand in which they are interested in is blogging in a relevant fashion, the opportunities for the company to reach out to customers, especially the right customers, are much larger than the traditional advertising campaigns. Blogging creates an innovative approach to interact with customers. When enterprises or businesses become a member of a

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community by becoming bloggers, it will be easier to communicate with members of the blogosphere. Bloggers care about companies' responses to their blog entries or their comments.

An online blog survey[36] of 821 bloggers conducted by Edelman and Technorati found that, although a majority of respondents said they were open to receiving contacts with companies, only 16% reported that companies attempt to interact with them in a personalized way. The poll also revealed that more than half of the bloggers surveyed write about a company or product at least once per week. Blogs create a new channel for branding. Positive or negative brand images can stay longer in the blogosphere than through traditional media due to the blog's bulletin nature and its ease to be copied and spread out through feeds, links or even comments. Companies will have to maintain active participation in order to deal with branding in blogosphere.

It should also be noted that not just famous brands can benefit from branding blogs. Blogs also provide a platform for small companies, especially those lacking marketing power and resources, to communicate to customers directly. Small companies usually blend corporate blogs with branding and products, as their brands have not yet grown to be more than the icons of their products.

5.4.3. Product Blogs

Companies or professionals can write about products, existing and new. Using blogs for products can create two-way communications about products from both

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companies and consumers. Customer feedback can help generate improvements and new product ideas. Product blogs should not become product "catalogs". They should really be the source centers for products or services. If the information flows well and participation in blogs maintains a certain level, then product blogs can even be used for monitoring business intelligence while they also serve survey purposes. Product blogs can even replace lead user processes.

The GM Fastlane blog is about cars and trucks. Writers use blogs to market their books[20]. Nike tried its "Art of Speed" blog on gawker.com, aimed at the influential, early adopted blogging crowd[24]. Microsoft also worked on the MSN Blogbot.

Often writers also ask bloggers to review their books on blogs for marketing purpose. Many journalists have started using blogs to cover behind-scenes insights about stories that are published through the traditional media and also, solicit readers' feedback and bring new customers to their journals. Bloggers also frequently reference to and comment on journals and news from the traditional media, while newsmakers also respond to posts and commentaries from blogs.

The US Department of Health and Human Services (HHS) maintains a blog – HHS blog – which can benefit health care leaders, employees, patients and observers. HHS blog collects knowledge and insights about health care across the country. Another famous health care blog is www.hospitalimpact.org – for healthcare practitioners and observers[21].

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The Greater Minneapolis Convention & Visitors Association (GMCVA) tried to use blogs for online travel journals[23]. More content, from bloggers as well as from readers, also increased the visibility of GMCVA's Web sites in search engines. The online journals are the first in a series of internet marketing initiatives GMCVA is launching during the next year.

For small business, blogging ads can even be the only ad they need for business[118]. Blogging is cheap and easy. As long as you know what your customers want, blogging can help you communicate instantly and specifically. Blogs can be grinded into different subjects, targeting different groups – customers, partners, clients, the public and financial analysts.

5.4.4. Vlog and Podcast

Video blogs are new, combining video and blogs, all generated by users. The exponentially increased user population of youtube.com has proved the user-generated video to be one of the hottest, if not *the* hottest, trend online. In fact, youtube has already started to host for vlogs[18]. People can also post their own videos in response to videos on youtube. Coke has tried video blogging to replace the traditional TV advertising during the UK World Cup campaign[18]. What Coke wanted to get out of the vlog market is word-of-mouth through young customers. With the fast growth of online videos being downloaded to portal devices, such as iPod, vlog will play a more important

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part in online marketing. Jupiter also reported that user-generated video has caught many online vendors' interest as a marketing tool for selling their products.

A podcast is recorded audio for announcement or conversation. Podcasts can be downloaded, with MP3 being the most popular format. With Apple's iPod and Microsoft's Zune, audio download is growing fast. Podcasts also provide a platform for marketing. Brands can sponsor podcasts or run audio executive online. Podcasts are very popular, especially to those people who are hard to be reached by conventional marketing strategies[56].

5.4.5. RSS Feed

Although it seems to always come with a blog, RSS itself can also help marketers. RSS feeds can not only offer updates on news and blogs, but can also publish podcasts and videocasts. More companies have put RSS feeds on their main websites – Apple and New York Times, for example. Other organizations, such as Target, even created RSS feeds based on zip code[60]. RSS will not replace online marketing, including email. It will rather compliment the current digital channels for marketing.

5.5. Issues and strategies

Companies need to understand issues and come up with strategies to use blogs for marketing.

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5.5.1. Blogging culture

Companies have to realize that going into blogging is not just another form of marketing. They can gain a lot – insight for market research, product testing, and feedback – by directly engaging with customers. They can eventually get rid of the focus groups or lead user experience for product design and improvements with blog marketing. However, companies need to understand the blogging style – open and informal, while honest and authentic. It's different from the traditional marketing style, which is usually once-way dictated communication. It's not easy to make such a change for corporations, as, otherwise, they will get burned quickly by the negative feedback through blogs which can broadcast their perceptions to the whole world, not necessarily just the blogosphere or even the internet.

Many of the world's biggest companies have learned blogging the hard way, as many practices that are acceptable in the traditional PR world don't necessarily get accepted in the blogosphere. Wal-Mart once employed PR agency Edelman to start a blog called Wal-Marting Across America. The blog hosted a 10-day road trip story by two bloggers, 'Jim and Laura', with their stops in Wal-Mart parking lots every night to park their RV for free. The story was about the couple's trip experience across America, as well as their photos and interviews with Wal-mart's employees at every store they had stopped. The two bloggers, 'Jim and Laura', were later identified as two freelance photographers and writers from The Washington Post. Both Wal-mart and Edelman had

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to apologize for not being transparent during this blogging campaign, something very common in the traditional marketing world.

5.5.2. Niche marketing

Many people have questioned if blogging can ever take significant share in marketing – they basically consider all the blogging phenomena might be simply "PR puffery in fancy new duds"[77]. Those people failed to recognize the potential of blog marketing due to their old mindset of marketing. Blog is not for everyone, neither is blog marketing. Blog marketing is niche marketing. It is extremely powerful when it targets the right customers – something the mainstream channel has been dreaming of but could not really achieve.

Starting a blog is simple, but careful planning to target the right audience is one of the two most important things in blog marketing – the other one is to deliver the right content. Bloggers and blog readers are grouped by the same interest; they can be sought out by the right content on a blog.

5.5.3. Legal Responsibility

Like the websites, blogs are also subject to company directives and inspection. Because of the nature of frequent publishing, blogs may bring more risks to companies, especially in certain industry. BT, one of the UK's biggest spenders on advertising, ran a successful blog for the company. The BT blogs have to be approved by BT's strict legal team and even comments were moderated[16].

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Industry and domain might also be sensitive to blogging, mainly due to their regulatory requirements. One such example is the pharmaceutical industry. Due to the lengthy nature of drug development, both content and updating frequency post threat to the companies' legal responsibilities and to sustain users' interest to pharma-blogs. Another challenge is to deal with any negative public reaction to side-effects and even death from drugs. Even if there are any comments posted about adverse events to any drug, pharmaceuticals carry responsibilities to report them to FDA. Therefore, a blogging strategy needs to be developed among regulators, legal and marketing departments of a company before it dives into blogging.

5.5.4. Strategy

Blog Marketing certainly has potential and could open a whole new paradigm for marketers to target a concentrated market and customer base. Companies that want to use blog marketing should be careful, however. Blog marketing is different from the traditional mass marketing. Even within the traditional online ads domain, blog ads are special. Directly reusing the same strategies as before may not be able to justify the cost in blog marketing. The immature blog ecosystem may be responsible for lack of mass marketing impact in blog marketing. Nike's exclusive effort to use blogs for shoe marketing, the "Art of Speed", opened the niche market based on blog, but cannot sustain the model – so it had to quit. The development of ecosystem for blog ads, with established blog ad agents (cross-domain vs. specialty) might be the answer. The next chapter will focus on the business models that bloggers and companies can monetize in

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blog ecosystem, many of them providing services or products responding to blog marketing models.

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6. Blogging for Dollars

In July 2005, News Corp bought blog site MySpace for $580 million, making blog and internet part of their strategy to become a global digital powerhouse.[38] It was then a hot topic – can blogs make money? On May 25th 2002, one famous blogger[101] wanted to bet $1000, for the record, on "LONG BETS"[100] that, on May 25, 2007, there would be more blog ads than NYTimes.com classified ads or that NYTimes.com would be using blog ads. That predication hasn't happened, at least yet; however, it's no question that bloggers can make, and have been making, money through their blogs. Hosting ads, though, is just one of the blog revenue streams.

6.1. Overview

In his book "Internet Business Models"[85], published in 2002, Thomas Eisenmann listed eight (8) business models that drive values from internet:

- Internet Access Providers – provide internet access
- Online Portal – provide navigation to internet content
- Online Content Provider – distribute copyrighted digital content online
- Online Retailers – sell goods online
- Online Brokers – provide brokerage online
- Online Market Makers – provide marketplace for online transactions

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- Networked Utility Providers – provide online software tools for internet services
- Application Service Providers – provide access to services on remote servers

When trying to pick one service model defined by Eisenmann, it seems that bloggers are an online content provider. Eisenmann suggested the revenue streams for content providers were basically from ads, paid contents and licensing. It's interesting to note that, while ads and paid content have formed the main streams of blog value, content licensing has not become a significant part of blog revenue. The main reason is probably that the value propositions of blogs are their frequent updates as well as interactions through comments; more so than the superior quality of content for licensing.

6.1.1. Blogging Ecosystem

When examining the blogging ecosystem, I picked the following as important stakeholders:

- Hosts – companies that provide hosts for blogs, such as blogspot.com
- Utility Providers – companies or individuals providing tools for better blogging or generating values from blogging
- Bloggers – people who write posts, make podcasts and post videos on blogs
- Readers – people who read/listen/view blogs and may also post comments; readers may also pay for blog contents

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- Blog Portal – companies that provide index and feed updates of blogs, such as Technorati
- Middleman/Service Agencies – companies or individuals that hook up blogs/bloggers for paid services
- Marketers/Companies – companies pay for ads on blogs or pay bloggers to write specified content

6.1.2. Business Models

The main stakeholders in blog ecosystem are Bloggers, Readers, Service Agencies and Marketers/Companies. The basic business models for blogging, especially for the main stakeholders, are similar to those for online content providers suggested by Eisenmann: Ads and Pay-Per-View/Subscription. I didn't pick Eisenmann's "Paid Content" for Pay-Per-View and Subscription, as this refers to something different in blogging. The following are the business models this chapter will cover for blogging:

- Advertising –
    - Ads
    - Paid Content
- Contents –
    - Pay-Per-View and Subscription

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- Aggregation
- Market Research

- Blogging Utility

6.2. Blog Ads

Blogads[102], an online ad agency, has offered blog advertising ever since then. Blog ads are just part of the online advertising regime. It has been a challenge for blogs to live without portals, as portals bring traffic to blogs. The democratization of content and the expanding media universe has made advertisers consolidate their online spending with big portals, such as AOL, Yahoo, MSN, and Google. Blog networks affiliated with any of those portals, such as blogger.com, are going to benefit from the Web Giants Ruling 'Democratized' Medium[57]. With Google's purchase of DoubleClick going through, Google will have a much larger share of the online ad market. As matter of fact, with the integration of Adsense, Google has made it much easier for bloggers on blogger.com to host online ads. Blog advertising is growing - PQ Media estimated that, in 2005, less than US$17 million was spent advertising on blogs in US and blog ads are expected to grow to $300 million by 2010[64].

6.2.1. Online Advertising

Online advertising has been evolving – target advertising is getting popular. With search engines and user generated content, online adverting has faced more

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opportunities, as well as challenges, than ever. This infant medium is growing rapidly. Media research firm PQMedia's just-released study of blogs, podcasts and RSS, forecasted growth of ads on user-generated content expected to continue at an annual rate of 106 % through 2010[40]. According to Amazon[59], over $20 Billion was projected to be spent in online advertising in 2007 in the US alone. And by 2011, those numbers will more than double.

Media has been experiencing the new forms of advertising based on Web 2.0. Advertising on social networks can be expensive. Social networks should be careful when hosting ads, as their customers usually dislike intrusive ads. Therefore, ads on social networks have to be redesigned to be specific for the online community, resulting in higher costs. One day of a home-page ad slot on MySpace could be as costly as $1 million[34]. Besides, different social networks can have different demography, so it would be dangerous for any agency to run one blogging ad strategy on all blogs. The successful online ads models are expected to get revenue from multiple sources – content, ads, subscriptions and pay-per-view[33]. Appendix B shows the revenue streams over a year period for a blog.

6.2.2. Blog Advertising

Typically, a blog ad is sold on a cost-per-click basis and appears as a text or display ad somewhere on a blog page with relevant content. The process is very similar

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to paid search engine marketing. As matter of fact, blogs might be just another publishing platform in terms of hosting ads[50].

- Blog/Blogger – "ME" model

Bloggers can make money by hosting ads on their own blogs. Hosting ads on blogs is not much different from on websites or with paid search. Bloggers can get any ads hosted on blogs, regardless of the blog. In this case, blogs can ignore the nature of the ads hosted on their blogs and continue to blog what they are interested in – the "ME" model. They will get paid at a cost-per-click rate. Traffic or popularity of a blog might help the income from ads, so will how the content of the blog is relevant to its hosted ads.

This is very common for individual blogs, inheriting from the traditional online ads, and it's probably the only mass blog ad model. One has to wonder if this typical online ad model will sustain for blogs. When looking from an online advertising perspective, I can conclude this model should work for blogs as blogs are websites too, maybe more attractive with more frequent updates. From a search ranking perspective, blogs can usually get more preferences by search engines due to their linkages and contents. From an individual blog/blogger perspective, this cannot really create a new living style, as very few bloggers can solely depend on income from blog ads, unless they switch to the other two models described later.

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AndrewSullivan.com, a blog started in 2000, turned its revenue model from donations to ads. It had average 1.9 million unique visits per month in 2005 and got 90% of its revenue from hosting ads[123]. Nowadays, it has become part of TheAtlanctic.com with its own advertising rates.

Markos Moulitsas began blogging in 2002 and became famous during the 2004 presidential elections. His blog had once gathered one of the largest followings of any personal blogger – averaging 500,000 visits per day. He signed on with Blogads.com for hosting ads from Blogads.com's clients. In 2005, he reported his earning of around $150,000 per year[123] from the ads income.

Even blogs mainly targeting small, local areas can still find ad opportunities. Baristanet.com, a blog covering three neighboring towns in New Jersey, was born in 2004 after a failed attempt to create a similar column in The New York Times' New Jersey section. In 2005, the site had 3,000 hits a day and 30 advertisers[123]. It posted average $300 monthly revenue from ads income. By today, it has received more than 5,000 visits a day according to its website.

- Blogging – "Client" model

Blogs, especially blogging companies, can also create specific titles, along with selling related ads, targeting niche markets. These blogs target specific topics. Their contents are also related to the topics. Weblogs (http://www.weblogsinc.com/ and its

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affiliates) and Gawker Media (www.gawker.com and www.gizmodo.com) are two examples of blogging for clients.

Weblogs tried blogging ads with the traditional publishing model – paying strong writers from $200 to $2000[43] a month to write each blog in a specific area, gradually building audiences. Ads putting on the blogs owned by Weblogs are also specifically related to the targeted market.

Gawker Media sells ads on blogs they own. With tens of millions of page views each month, getting ads to these blogs should not be very difficult. Major brands, such as Absolut, Nike and Paramount have used Gawker's blogs for advertising. These ads can be paid upwards of $20 CPMs[43].

- Ad Agency – "NETWORK" model

Several companies got into blog ads, using it as new marketing tactic and facilitating advertising. These companies basically became ad networks for blogs, offering ads from their clients to popular blogs to monetize the content. They had hundreds of clients, including some big companies or famous brands or media.

Blogads (www.blogads.com) became an ad network for a collection of blogs, including some very famous political blogs[43]. Blogads lets its clients purchase static positions on blogs that it gathered, ranging from $10 to $5000 a week. Blogads charges about 20% of the fee and passed the rest to the bloggers.

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Google has tied its AdSense product - an ad-serving program based on Web page content and site search activity - to www.Blogger.com, a blog host which Google owns, for the same reason.

Pressflex LCC., a Chapel Hill, N.C. company, had its Blog ads service broker advertisers with a network of bloggers. The company took 20% commission for its efforts. By 2005, it claimed to have placed ads on about 200 blogs[50].

6.2.3. A proposal - eBay for blog ads

The challenges for blog ad businesses are really the disconnection between advertisers and bloggers. Marketers cannot identify the "best" blogs/bloggers that can target the most relevant customers efficiently for the advertisers. There are no metrics to measurement the "best" in terms of relevance, effectiveness and trustworthiness. Traffic/trackback or number of comments to a blog are probably better for mass marketing than for niche marketing, which is the primary value proposition blog ads can bring. It's also difficult to negotiate rates for ads across the internet.

Jeff Jarvis, a columnist for Guardian, proposed to set up an open marketplace[40] for blog ads. This model somehow fits in Online Marketer, the other one of the eight common internet business models identified by Eisenmann[85]. The elements that Jeff proposed for the blog ads markets are:

- Open-source standard metrics that can effectively measure blogs - some aggregation of bloglinks, traffic, content keywords, etc.

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- Open-source software that can place any ad on any blog
- A trust system, not only able to measure blogs/bloggers, but also capable of controlling ad distribution for brand selection – the author didn't go into details about the trust system, but maybe a ranking system used in eBay or Amazon can be the borrowed
- An auction system for automating ad rate negotiation from both bloggers and advertisers

Some follow ups have started to establish a piece by piece of the open marketplace to blog ads using open-source components[40]. While I am fascinated by the idea of an eBay of blog ads, I don't believe it can go too far as long as it's still trying to create a decentralized business model under a centralized ads model. Such an open marketplace will likely grow with user generated advertising (UGA).

6.2.4. User Generated Advertising (UGA)

The traditional advertising is basically "inside out", with companies' messages being spread out. The new UGA will very likely be "outside in" – companies will open up and get as much as they can get ads from the outside, with the help from digital tools and database marketing[52]. To cast a big idea is to go as far and as wide as you can – blogs provide such a space to companies to look for ideas. However, it seems it's still too early to jump from the centralized model of advertising to UGA – not 10 years from now on. It's still interesting to know that this might be the future trend of advertising though.

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6.3. Paid Contents

Paid contents in the blogosphere are different from the traditional paid online contents, which include pay-per-view and subscriptions as well as licensing. Paid contents on blogs are those written for specific marketers or companies for fees. This is much more popular in the blogosphere than on the internet in general, partly because blogs target specific audience and niche market.

6.3.1. Bloggers (Content Providers)

Merchandisers and marketers pay for contents, in addition to ads, on other people's blogs. Starry Night Lights, marketing outdoor lighting products, paid $40 to $100 each for four separate reviews, and Go Big Network paid $460 for six reviews, all associated with ReviewMe.com[69]. The Paid contents model is different from the traditional ads model in that it integrates ads into contents naturally, or un-intrusively.

While not everyone will be invited to write paid reviews for ReviewMe, regular bloggers can sign up at www.PayPerPost.com and get paid for blogging from briefs in blog entries to videos and podcasts about brands and products as long as they followed the rules specified by advertisers[67]. Payments to bloggers were from a paltry $4 to $35 per entry, while the top winner on its website was a Florida housewife earning a little more than $2500, in 2006[68]. As of writing this paper, the prices from www.PayPerPost.com for blogging some specific contents range from $6.5 to $28. The top winners in March 2008 were earning from $281.51 to $419.69[127].

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6.3.2. Word-Of-Mouth Marketing Agency

PayPerPost.com launched in June 2006 to connect bloggers with marketers. Marketers are able to sign up to pay for content they want. It passes that content to interested bloggers and may take a 25%[68] cut from payments, ranging from $5 to $2000[69], for bloggers. It had 14,000 bloggers in its network by 2006[69]. Those bloggers were from high-traffic to small-audience, mostly real people who didn't make a living on blogging, but were interested in certain subjects - technology, marketing, health care, entertainment and finance[69]. Bloggers writing reviews following advertisers' specifications got paid. PayPerPost claimed its value proposition to marketers is to use personalized influence on other buyers' decisions on certain products. Its value proposition to bloggers is to bring high income potential to high quality blogs and also open up monetized opportunity for casual bloggers. While bloggers can make hundreds to thousands of dollars[68][127], PayPerPost hasn't disclosed its sales from blogging ad commissions. However, it has attracted quite a lot of VC to back it up[68][127].

ReviewMe.com was launched in November 2006 and had 5,500 bloggers in its network, and 750 paid reviews by early 2007[69]. It used an algorithm to calculate a blogger's value and recruited quality bloggers to write paid reviews. It charged advertisers from $40 to $500 per post[69] and split the pay with bloggers. It claimed its value proposition was honest reviews with high qualities.

SponsoredReviews.com is another agency for paid blog reviews.

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6.3.3. Critics

Critics of paid review models have concerns about its transparency as well as disclosure from paid bloggers on the contents. This was considered, by Jason Calacanis, CEO of blog network Weblogs Inc, a cheap way to buy text links to boost spots in search engines[68]. Some, such as Gordon Paddison from New Line Cinema, even thought this was polluting the blogosphere with paid contents[68][66]. If there were any consensus about disclosure on paid contents, whether paid blog reviews being deceptive will remain arguable[69]. However, I do need to note that paid blog reviews are not something new, as they are the same thing as paid reviews on traditional media, existing for centuries. It will be a long way to get every paid placement, whether on blogs or not, to disclose itself.

6.4. Download, Pay-Per-View and Subscription

It's not very common in the blogosphere to subscribe to content for a fee. Nor is it common to see pay-per-view for text content. However, it's quite common to pay for blog contents in media formats, such as Podcasting and videos.

Radio stations as well as others who own media have tried online programming, with sponsorship from companies and marketers on podcasts for download[56]. A report from eMarketer (www.emarketer.com), figure 6-1, gives an estimation of how podcasts will grow from 2007. Their estimation about 2007 is 18.5 million, a 285% growth rate while the US podcast industry continues to mature.

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US Podcast Audience, 2007-2012 (millions)

	Total podcast audience*	Active podcast audience**
2007	18.5	6.5
2008	28.0	10.0
2009	38.0	14.0
2010	47.0	17.5
2011	56.0	21.5
2012	65.0	25.0

*Note: ages 3+ from any location; *individuals who have ever downloaded a podcast; **individuals who download an average of one or more podcast(s) per week*
Source: eMarketer, January 2008

091155 www.eMarketer.com

Figure 6-1 US Podcast Audience Estimation (www.emarket.com)

Vlog is also booming, especially with popular release of iPod from Apple and later Tune from Microsoft. Meffedia.com hosted 6,500 vlogs in May 2006, jumping from 300 just one year prior. Vloggers were paid more from their videos by advertisers – just in the US, internet video ad's revenue was $225 million in 2005. eMarketer estimated it would go up to $1 billion in 2008[19].

Podcast and vlog are not special business models. They are blogs although they are unique in terms of narrowcasting[73]. They basically follow the same monetizing strategy as blogs, i.e., online advertising over subscription. Because of their nature, podcasts and

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vlogs also have bandwidth cost if they become businesses. Nonetheless, podcasts and vlogs are going to be tools for companies or be part of the mainstream communication channels.

6.5. Aggregators – New Media

With the increasing power from user generated content, content creation is no longer the king. The aggregation model is gaining dominance by internet giants, such as Google and Yahoo. The new aggregation model sends users to many different sites, rather than trying to keep them to a single property[35]. Technologies, search engines and RSS feeds, have and will continue to change the online behavior. Users can get whatever they like by aggregating on their own. Blogs have also provided the freedom of writing and publishing for everyone online. However, bloggers have to rely on aggregation/search to be visible online. RSS feeds can provide content or content samples easily across the network. Automation of RSS feeds can help change how content is delivered.

Media and publishers have been aggregators, collecting news, stories, and opinions from their subscribed experts. Because of the limited channels, publishing has been easily controlled. With the increasing user generated content available online, from websites to blogs, content is no longer the source for publishing power. Aggregation, especially by search engines or subscriptions through RSS, is going to take off to become the new media. Landing pages, which were hosted on aggregators' websites and direct users to the articles on the content providers' websites, provided a new way for content providers

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to attract causal users for other services. Aggregators face competitive challenges. With new technologies, it's easy to enter aggregation market. However, it's difficult to sustain any business models for aggregation. Aggregators are middle men between content and customers while they can also become providers of any add-on services, such as ads, to their targeted customers. Aggregators are likely to be subject to the online advertising model - more traffic for ads hosting.

Aggregators, which have been responsible for past technological advances, have always found a niche to serve. They skillfully negotiate with multiple publishers and have brand leverage to help smaller content producers get their products into the market. But in today's market, aggregators face new challenges. Not only is the field crowded, but publishers are bypassing aggregators and offering their content directly to users through new and inexpensive technologies - aggregators' profit margins are shrinking. Content aggregators would always keep a role if they bring value to both the publishers and information users.

Aggregators can let their publishing partners know who is using their content and making their brand visible. A new trend is the "landing page," in which a user clicks on a link to an article in an aggregator's site and is taken directly to that article on the publisher's site. The landing page gives the publisher a way to deliver the requested information and market their other services while perhaps converting the casual user to a repeat, paying customer.

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In September 2007, Google News started to let the major news agencies publish their stories and pictures. Google was positioned as an aggregator, "scouring the web for news content from 4,500 sources", to redirect readers to content providers. This change has been viewed to move Google into a content provider, directly competing with the major media. "Google's gradual change from technology company to content provider could leave the online publishing world facing a bleak future"[58].

6.6. *Blog Market Research*

Service providers focused on blog information collection can be very rewarding. With unlimited information existing in internet, collecting relevant information has always been a challenge. Search engines have used several technologies, such as page ranks, to filter search results for useful information. The blogosphere has provided an even greater opportunity, albeit an even bigger challenge, for market research because of its humongous information. By March 2008, www.Technorati.com is tracking 112.8 million blogs[121]. Chinese bloggers have exceeded 47 million by Dec 2007 while registered blogs are over 33 million[122]. Blogs are also updated frequently. Information from blogs is genuine, providing invaluable feedback directly from consumers and markets. Umbria, a market research firm in Colorado, also found that bloggers were usually early adopters of products and services [120].

With the enormous information available from blogs, as well as diverse information source, it should be even more challenging to look for any trend from blog marketing

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research. Technically, deciphering a blogger's mind from his/her blog posts or comments is another challenge for market research. Not only did companies doing blog market research have to collect data smartly, they also needed to meet with clients for customized analysis of the data. Market research on blogs can definitely provide better and quicker information to corporations. In 2005[120], the blog research market is about $20 million. Umbria (www.umbrialistens.com) was about 10% while IntelliSeek and BuzzMetrics had the rest of the market. By today, IntelliSeek and BuzzMetircs have merged into one company – www.nielsenbuzzmetrics.com.

6.7. Blogging Utility Providers

For blogging, the technical advantage is its ease to use and publish. The software has been part of the success of blogging. It's a tough field to monetize due to the competition and open-source.

In 2001, Movable Type, software for managing content, was created for blogging and became an instant hit[119]. Six Part, the company for Movable Type, was incorporated in 2002 and attracted venture capital. Six Part gave the tool to download for free, but charged its customers $10 per month for hosting the blogs. Today, Six Part has become an international blogging solution provider (www.sixapart.com).

Digital Garage Media (DGM) is a Toronto-based branded entertainment marketing firm. It specialized in creating an online community based on blogging and podcasting. DGM worked with both companies and marketers for online marketing solution. It started with

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defining objectives, building marketing models, setting online branded community with blogs and podcasts, maintaining online service, and even tracking and reporting results. Its estimated price for a small-scale effort was around $200,000 in 2005[15].

Another technology that can be monetized with blogging is Really Simple Syndication (RSS). RSS technology has become popular with blog's evolution and has enabled blogs to grow. However, RSS does not necessarily always grow within blogosphere. RSS seems going towards different direction than blogs. While blogs provide user generated content and become a citizen's media, RSS has also been adopted by mainstreams and become a non-intrusive marketing as well as PR tool. Big companies, such as Apple, Target, and The New York Times, along with millions of other websites have put RSS feeds on their websites. RSS isn't likely going to become a new monopoly marketing tool to dominate the future marketing market. Rather, it will compliment the digital marketing along with many of the current marketing programs, such as email marketing and online ads. Dick Costolo, CEO of FeedBurner-maker of the RSS aggregator tool FeedDemon - offered his insight about the future of RSS: "we will see more of a focus on technology that leverages content at the atomic level, which will, in turn, help publishers build more of a community around everything they put online." [60] Development in RSS standards and technologies will likely also gain tremendous interest from big brands.

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6.8. Endnote

Bloggers can make money, so can companies with blogs. Blogonomics still grows, but not yet up to the expectation due to blog's immature ecosystem. The developing nature of blogonomics also provides a lot of business opportunities along the different layers in blog's ecosystem.

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7. Conclusion

This paper is interested in the business value of new Web 2.0 technologies and aims to examine the returns individual or companies can receive on the blog – one of the two most notable technologies of Web 2.0. It began with decomposition of the blog itself, leading to the value proposition of blogs. Developments to blogging software make it possible for everyone to write and publish instantly. The other value proposition blogs have is their allowance of interaction between bloggers and their readers by permitting readers to post comments on the original blog. Another technological advance associated with blogs is RSS feeds, making it possible for selective subscribers to get wanted updates from websites and blogs providing these feeds. Blogs, bloggers and readers form the blogosphere, where blogs and bloggers continue to increase exponentially.

Different people, from teenagers to celebrities and politicians, are running blogs ranging from personal blogs, of interest to family and friends, to professional blogs that cover almost all fields. Companies can and have started to use blogs. Internal personal blogs can encourage communication as well as foster new culture. Internal team blogs can provide new ways of managing knowledge and projects. Word-Of-Blog-Marketing, the new wave of Word-Of-Mouth-Marketing, makes blogs prime targets for marketing of niche markets. Companies have used public-faced company blogs to handle marketing, advertising and public relationships. Company blogs are basically corporate blogs, product blogs and brand blogs. Sometimes, CEO or executive blogs represent the companies.

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Although blog ads are still limited compared to other marketing tools, companies and marketers have picked up blog ads for advertising. Markets have to approach blog ads smartly. Blog ads follow almost the same rules that apply to other ads – authentic and interesting[53]. Bad ads will always give negative attention to the companies.

Because of everything companies or marketers can get from blogs, bloggers themselves can get a profit through ads and paid content for marketing. However, the profit direct from content, i.e. subscription and licensing, is not yet the mainstream of blog revenue. David Sifry, Founder and Chairman of Technorati, was quoted in The Washington Post not too long ago: "Several hundred bloggers earn enough to make it their full-time job . . . about ten thousand bloggers are earning money as a secondary source of income, and about a million others, such as authors and speakers, use their blogs as marketing tools to generate income indirectly."[73]. The dollar value connected directly to blogging has not seemed attractive compared to the population of bloggers we have so far, especially from a worldwide perspective. However, it will underestimate the return as well as the potential from blogs if one only looks at how much money bloggers can get directly from their blogs.

7.1. Holistic View of Blog Business – Two-side market

Blogs were hot in 2004 when it was born. While new blogs are still increasing rapidly, interest of investing in blogging has cooled down since as it didn't instantly become the cash cow and marketing darling as many had expected. Even if they can feel the power resulting from the online social community blogs have created, marketers are still very

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cautious about jumping into blog ads. People start to question whether the blog is just another bubble that has already broken. To Web 2.0 believers, blogging, as well as social networking, is still in its infancy. Blogs may, like the internet, be a platform rather than a product. Until there are products and tools that can create and sustain values from blogs, it will remain too early to truly profit from this new platform.

Some blogging business models can be studied under the two-side market[106] theory, which has had success in other platforms such as credit cards and internet marketing. Blog ads may well be subject to the two-side market as we have seen from the blog ads analysis presented in the earlier chapter. The characteristics of a two-side market[103] are very close to describing the blog ads agency – the "Network" model:

- Platform separates – or connects, depending on how you look at it – buyers (marketers) and sellers (bloggers)
- Sellers, here are bloggers, establish with blogs much earlier than buyers, here are marketers
- Platform can charge, in different formats, for both sellers (bloggers) and buyers (marketers)
- Blog ads are competing, not monopolizing, platforms where sellers (bloggers) are less likely to commit to one agency.

Investment in a two-side market can take a staged approach to reduce risks in the internet business. The staged method is basically started with one side establishing a

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customer base and targeting a market on the other side of the platform. Examples of staged approach are Google and Amazon[105]. In the blog ads market, there will need to be much more segmented blog communities before classic brand advertisers are interested in sustained investment. Blog businesses may still follow the traditional internet business models, growing by GET BIG FAST and amassing customers before rivals get into the markets in order to gain fist-mover advantage and increased revenues from network effects, static scale economies, or learning effects by aggressive growth.

7.2. Blog and Collective Wisdom of Individual

Though this paper focuses on the business impact of blog, it cannot avoid the social and cultural changes blogs have brought to the internet – something that is obviously more significant than the business impact. The internet has been making a bigger change on how people live than on how to do business. Web 2.0 technologies are considered to be expanding the scope for wisdom of crowds and creating wikinomics from mass collaboration[92].

Due to my cultural background, I was not a believer in wisdom of crowds. I was born in China, a country with thousands of years' tradition of strong government control. I grew up in a period when wisdom of crowds manifested as extreme culture revolution - the people, the country and the nature had all been distorted and destroyed. Even under established civilian governments, however, democracy does not allow everyone to be equally heard, nor can everyone be equally treated. I have witnessed the damage from misuse of and

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taking advantage of wisdom of crowds all over the world. What I dream for is a better world where, as Henry David Thoreau outlined in "Resistance to Civil Government" [130], there is true respect to each individual.

The recent advances of technologies, especially internet, have significantly reduced the cost of communication, making remote and even global collaboration feasible. A lot of work has started on researching the opportunities that new technologies, especially internet and Web 2.0, have brought up for collective intelligence[128]. Wiki has provided central places for everyone to contribute towards specific topics, but users have to follow community rules and culture for collective intelligence. Other internet technologies, such as forums and emails, are similar to wiki in terms of no place for small voices.

Blogs may not be ideal for collective intelligence, as the blogosphere is filled with individual content which is "unsystematic, highly repetitive and highly variable quality" [129]. However, blogs are different, with more focus on individualism – every blogger is free to use any rule and write up everything on the blog. While blogs have provided places for individual content, the exponential increase in the number of blogs has made it difficult for individual content to be visible in the blogosphere and on the internet. Small voices can and are still lost in the current blogosphere. The blog has built up a technical foundation for hosting each individual and storing every opinion; however, new technologies, smarter than the current RSS, are needed to effectively mesh all blogs and make each blog and post easily visible in the blogosphere. I am pleased to imagine, like Thoreau did in 1849, "a State

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at last which can afford to be just to all men"[130]. I'll predict THAT State would come first in the blogosphere, then in the real world.

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Appendix A – Summary of the CNNIC Survey Report on Blogs in China 2007

- While there is rapid growth of the blog market in China, supported by fast growth of bloggers, the future growth of the blogs will slow down: 65% of the investigated said they only registered one blog, and showed little tendency to register another in half a year; only 11% of the investigated said they would definitely register a blog in the future half a year.

- The survey also indicates that the blog covers almost all the areas of people's daily life, including the cultural, military, economic, tourist, living areas, etc. therefore the blog has also become the important channel for people to obtain information. 47% of the blogs are written about the inner monologues or record of emotions of the writers. Next are the narration of daily life, personal interests and hobbies. Most of the blogs are for the writers to record their own life status and conduct self demonstration, with the blogs having a more and more obvious tendency of self-media attributes.

- Among the blog writers surveyed in this report, the male gender take up 43% while the female is 57%, which is contrary to the traditional gender ratio of 55:45 (male: female) among netizens, and shows a higher popularity of blogs among female users.

- Blog readers want entertainment first, 43% of the surveyed. Future profit can be generated from increased entertainment value of blogs.

- Blogs have less credibility than online news channels. 63% of the surveyed said they trust more in the online news while only 20% have more trust in the blog content. This should not present any surprises with the large volume of bloggers and blogs in blogosphere. While there are authentic bloggers, readers need to use their own judgments when read blogs, the same as they read news from online news channels as well as newspaper. However, authentic bloggers may also have to improve the credibility to get their expert blogs close to or even better than traditional media with high self discipline in writing and editing criteria.

- The primary channel for bloggers to access other blogs is through links on blogs and through browser bookmarks. 12%, or 5.64 million, of the bloggers, type blog addresses in the address bar to access blogs. 66% of the surveyed expressed interests in using the individual domain names. 31% of the surveyed would consider changing their blog platforms if another blog host offered simple or customized blog domain names at RMB 10 yuan(less than $1.5)/name. And the current registration price for one .CN domain name is RMB 1 yuan. The survey report suggests that individual domain names should be optimistic for blogosphere.

- The most frequent function that bloggers use is to upload/display pictures; the next popular function is to run music and videos on blogs. The most popular requirement from bloggers is to increase storage of blogs space; the next on bloggers' wish list is customized

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blog design models. 10% of the bloggers responded that they are willing to buy blog space service, indicating potential of value-added services in blogosphere.

- The report predicts that the future of blogs will go to include almost all kinds of media as well as new functions, such as instant messaging, social network, online shopping. It somehow supports the trend, which Google/blogger has started to make a blog the all-around personal space for its bloggers.

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Appendix B – Revenue Streams of a Blog

(All data retrieved in April 2008 from www.johnchow.com)

Total Blog Income for March 2008: $31,441.24

The blog was able to maintain its $1,000+ per day level and registered another record breaking performance in March. In the first three month of 2008, the blog has made $91,700.60, or $30,566.67 per month. At this rate, the blog will have no problems beating the $300,000 goal I set for it. Here is the income breakdown.

- Private Ad Sales: $15,230.00
- Affiliate Commissions: $7,729.37
- ReviewMe: $5,000.00
- Text Link Ads: $2,031.90
- Kontera: $1,000.00
- TTZ Media: $384.24
- FeedBurner: $45.73
- Subscription: $20.00
- **Grand Total: $31,441.24**

Blog traffic for March was 282,424 page views from 152,523 unique visitors, according to Google Analytics. This help achieved an insanely high **eCPM of $111.33**. The means this blog makes over $100 for every 1,000 page views. The blog RSS readership grew at a great rate by going from 20,000 to over 23,000 readers over the course of the month.

Blog expenses for the month were $520.45 for contextual advertising on Google AdWords and Bidvertiser. Hosting for John Chow dot Com is sponsored by BlueFur Web Hosting (that means I don't have to pay for it).

Total Blog Income for February 2008: $29,643.01

While blog income is down from January, the per day income has gone up to $1,022.17. If February had the same number of days as January, I would be posting another income record. Here's the income breakdown.

- Private Ad Sales: 14,450.00
- Affiliate Commissions: $7,553.06
- ReviewMe: $4,000.00
- Text Link Ads: $2,289.70
- Kontera: $1,000.00
- TTZ Media: $350.25
- **Grand Total: $29,643.01**

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Blog traffic in February was 253,227 page views from 134,931 visitors, according to Google Analytics. If you take the blog page views and divide it by the blog income, you will get a site wide **eCPM of $117.06**. What this means is for every 1000 page views, John Chow dot Com makes $117.06, or 11.7 cents per view. How much would your blog make if it made $117 for every 1000 page views? February represents the first month that the blog broke the $1,000 per day barrier.

Blog expenses for the month were $487.56 for contextual advertising on Google AdWords and Bidvertiser. Hosting for John Chow dot Com is sponsored by BlueFur Web Hosting.

Total Blog Income for January 2008: $30,616.35

January 2008 will go down as the month the blog broke the $30,000 mark. It's amazing to see that only a year ago, the blog income was "only" $3,440.66. Here's the income break down.

- Private Ad Sales: $15,440.00
- Affiliate Commissions: $6,147.45
- ReviewMe: $5,700.00
- Text Link Ads: $2007.99
- Kontera: $1,000.00
- TTZ Media: $320.91
- **Grand Total: $30,616.35**

Blog traffic for January was 280,788 page views from 147,278 unique visitors, according to Google Analytics. If you take the blog page views and divide it by the blog income, you get a site wide **eCPM of $109.04**. What this means is for every 1000 page views, John Chow dot Com made over $100, or 10 cents per view. How much would your blog be making if you made $100 for every 1000 page views?

Blog expenses for the month were $464.29 for contextual advertising and $25 for a private ad. Hosting for John Chow dot Com is sponsored by BlueFur Web Hosting.

Total Blog Income for December 2007: $25,040.36

Despite lower traffic due to the holidays, the blog still managed to post its second highest income figure to date. Here's the breakdown.

- Private Ad Sales: $10,480.00
- Affiliate Commissions: $5,701.48
- ReviewMe: $5,400.00
- Text Link Ads: $2,097.74
- Kontera: $1,000.00
- TTZ Media: $321.14

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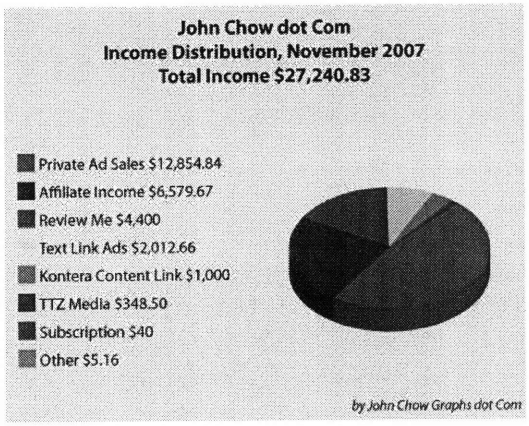
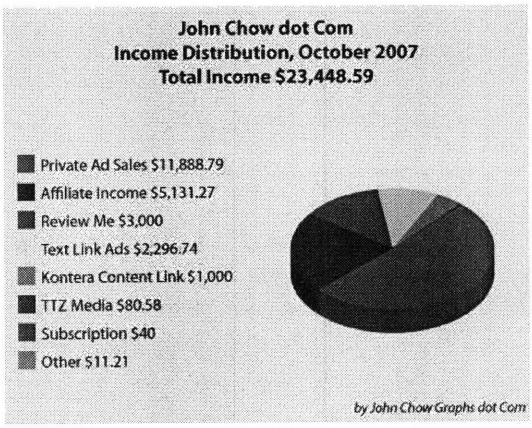
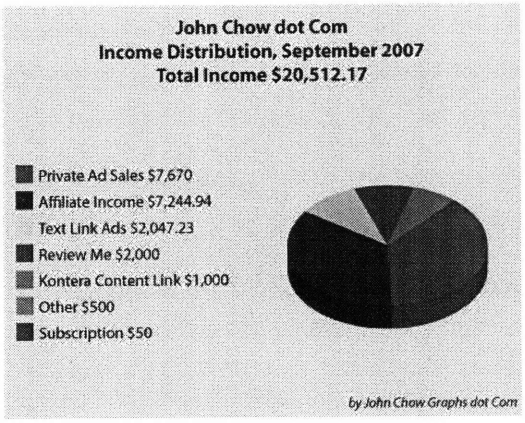
- Subscription: $40.00
- **Grand Total: $25,040.36**

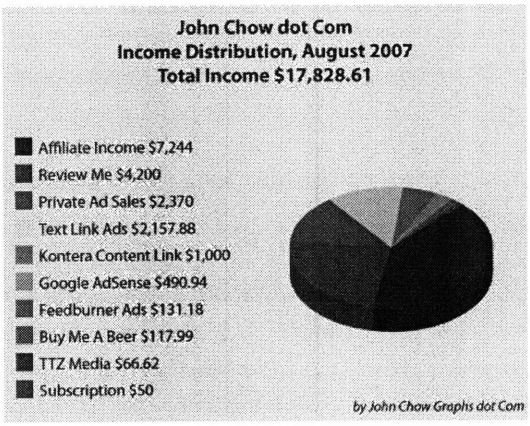
Blog traffic for December was 244,164 page views from 130,587 unique visitors, according to Google Analytics. While traffic is off from last month, eCPM has set a new record. If you take the blog page views and divide it by the blog income, you get a site wide **eCPM of $102.56**. This represents the first time the blog has broken the $100 eCPM mark. What this means is for every 1000 page views, John Chow dot Com made over $100. How much would your blog be making if you made $100 for every 1000 page views?

Blog expenses for the month were $329.81 for contextual advertising and $25 for a private ad. Hosting for John Chow dot Com is sponsored by BlueFur Web Hosting.









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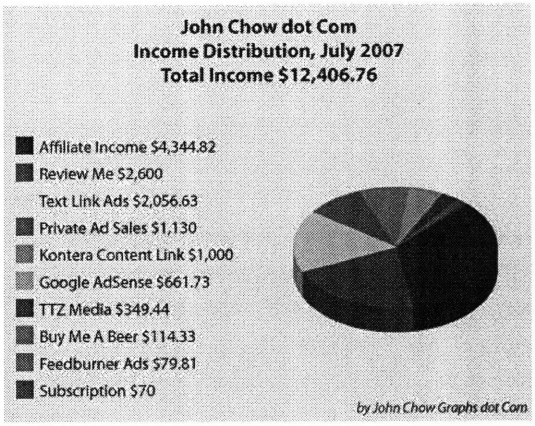

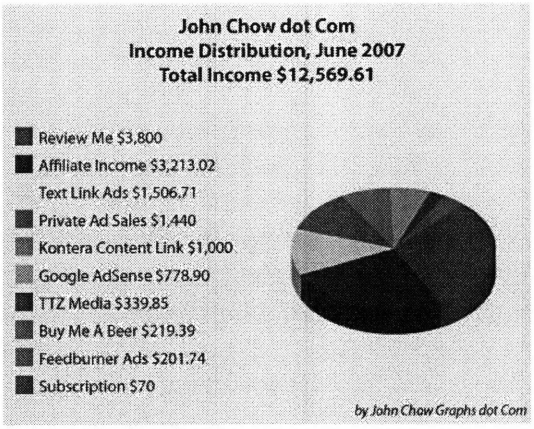

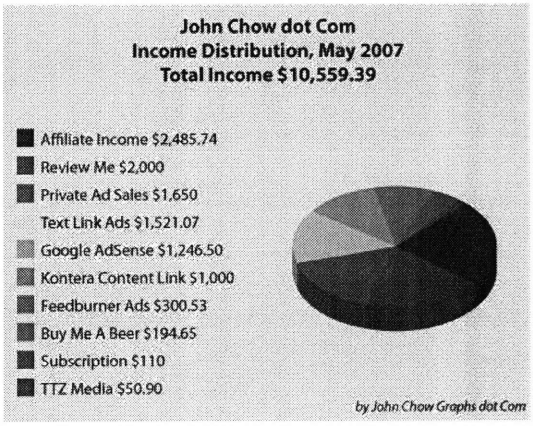

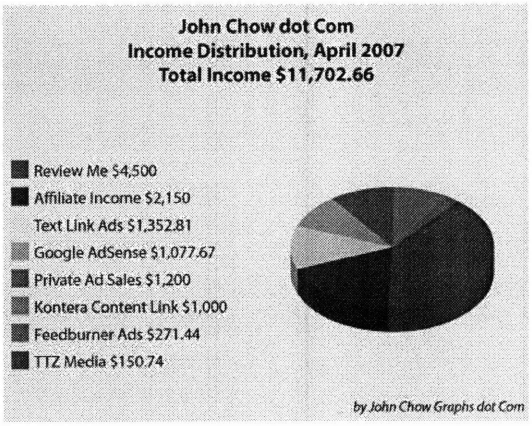

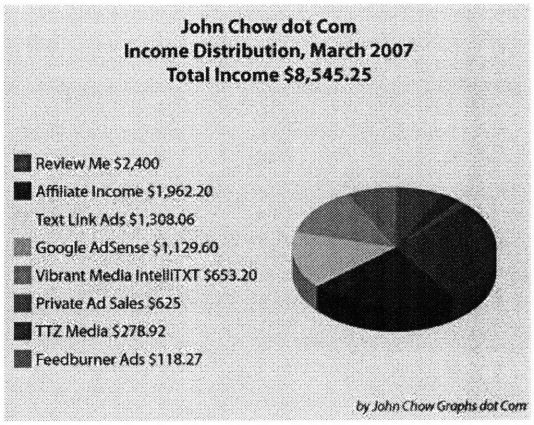

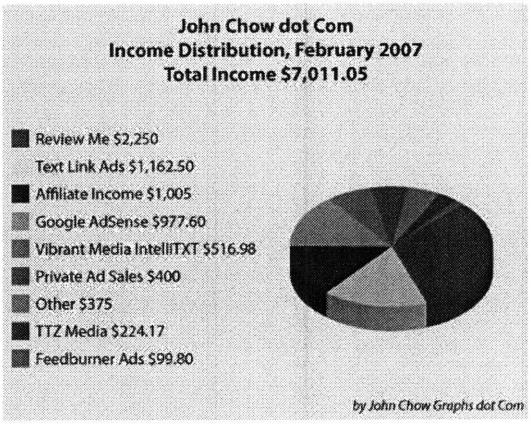

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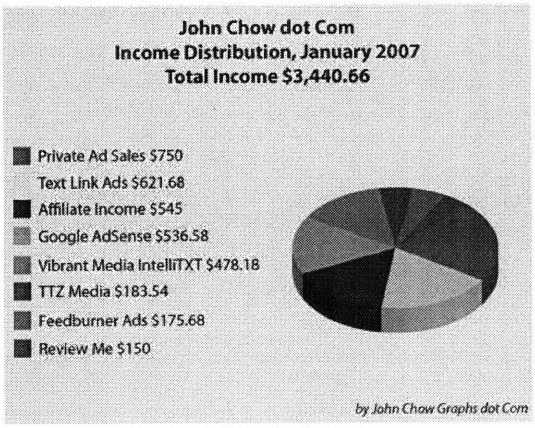

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