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Mixing Mobile Social Networks And Advertising, BuzzCity's KF Lai



Social Networks are rapidly becoming one of the major destinations for mobile and online internet browsing, and a big question today is will the social networks be able to monetize their traffic.

BuzzCity is an interesting combination: it runs one of the largest social networks (**mygamma**), but it also has a very large mobile ad network for revenue generation.

KF Lai is the founder and CEO of BuzzCity. In this interview, he gives some insight into the synergies he has found from running both a social network and an ad network.

"Life doesn't progress like a spreadsheet."

KF Lai says that this is an important lesson that he learned early in his business life. His company, BuzzCity, has had to go through several serious changes over the years to follow market opportunities and survive. It started as online alert service to tell people when their favorite web sites were updated. It then progressed to a mobile service with fee-based content for the Chinese market, and than finally evolved into the ad network and mobile social network that BuzzCity is today.

Today, mygamma is one of the fastest growing mobile social networks, and BuzzCity's ad network serves ads in over 100 countries. (read more about the background of BuzzCity on [his BuzzCity blog](#).)

A different approach: "Connecting the un-wired world"

In KF Lai's words, mygamma is targeting "un-wired" consumers. In other words, people who do not have regular access to a PC and so their only means to connect to internet is through mobile.

This target is comprised of two types of members.



The first group are those people who really have no other choice - due to economic reasons they do not have any other means to access the internet. Typically they are located in developing countries such as Indonesia or India. mygamma is very big in these markets.

The second group is made up primarily of people who cannot be near a PC most of the time due to the nature of their job. Most of these might be considered "non-knowledge workers" (also called "blue collar workers" in some countries) and would included truck drivers, security guards, taxi drivers, etc.



This second group is found in both developing and developed countries, and interestingly, they often tend to purchase higher end phones. "They do this because they spend a lot of time on the phone, and also it is a bit of a 'social marker' or status symbol" KF Lai commented.

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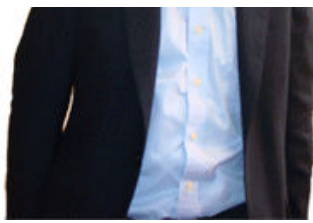
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These two groups make up the "un-wired world" that is the target of mygamma. Notice how this is completely different than the way social networks such as Facebook or MySpace are trying to move into the mobile world by using mobile as an adjunct to the primarily online

experience.

2 kinds of consumers

Another very interesting facet of mygamma is that their members fall into one of two very different usage patterns.

"We have one group of people that use about 150 pages per day. That is a lot of pages. And there are tens of thousands of such members each day," KF Lai explained.

The rest of the users tend to view only about 3 pages per day, but there are hundreds of thousands of these users each day. So there is a huge 50 to 1 difference in usage between the two groups!

One group uses 150 mobile pages per day; the other group looks at just 3 pages per day

KF Lai continued, "We view the first group as content creators – they make the UGC, they update their blogs, write testimonials, post comments etc. The second group mostly browses the content on the network."

it is also interesting that there doesn't seem to be any difference in the demographics between these two usage groups – both are primarily aged 20 to 35, with a slightly larger portion of males.

As always, BuzzCity is trying leverage their understanding of social networks into the advertising field. KF Lai said, "The browsing members don't spend as much time on the network as the content creators, but they do provide advertising revenue. We're now doing a detailed study now on which of these groups is generating the most ad revenue for us."

BuzzCity ad network – leveraging social network information

BuzzCity sells ads all over the world on both a CPC and CPM basis. These ads can be targeted in a number of ways: by country, by type of phone, by mobile operator, or by content channel. With BuzzCity, content channels include options for social networks and search, as well as the more standard news, sports, etc.

Country	Q4 Banners	Q4 Growth
Indonesia	3.6 billion	100%
India	727 million	10%
South Africa	465 million	-14%
United States	382 million	47%
Kenya	241 million	-19%
Egypt	150 million	54%
Romania	135 million	32%
Bangladesh	135 million	1%
Philippines	116 million	119%
Libya	101 million	-2%
Total	6.0 billion	49%
Network Total	7.6 billion	
Network Growth	40%	

And recently in India, BuzzCity began offering the capability to target by city region, a unique feature that is built upon information gathered from the mygamma social network.

The way it works is that when a user signs up to mygamma, they provide their physical location. BuzzCity can also read the network IP address of each user, so over time they can build up a mapping of IP addresses to actual regional locations.

The social network mygamma currently represents only about 10% of BuzzCity's page views, for the rest they have no demographic data. However, the IP address mapping can be used by the ad network to deliver ads to phones on a regionally targeted basis.

"This is an area where the social network has become very important to the advertising network - we are learning about how we can use an IP address to predict the user's location. We can offer this targeting only

because of our social network," KF Lai stated.

Mobile ad price trends and market dynamics

Because BuzzCity is present in so many areas, KF Lai has some interesting observations to make concerning the trends and influences in mobile ad prices, and the dynamics of evolving markets.

He explained, "In most countries, during the early stages, mobile advertising is driven by mobile internet sites that buy ads to drive traffic to their site. And you have mobile VAS providers that want to sell come mobile content to a user. These advertisers can't attach too high a value on a user: they might make only \$1 per user over a 4 week period, so they will only be willing to allocate \$0.20 to acquire a user."

the more traditional businesses figure out what mobile internet can do for them, the higher the local CPM will be

So this is what sets mobile advertising prices in early stage markets.

However, as a market develops, things change. When the more traditional businesses in a market begin to figure out how to effectively use the mobile internet, they tend to allocate a much higher value to the customers they can attract.

KF Lai cited a couple of examples, "In South Africa, the banks are now using mobile for some transactions. And in India, insurance companies are now actively comparing the costs of media to acquire leads for selling insurance. These companies might be spending up to \$15 per lead, so obviously this will drive the mobile CPM rate up."

"So the more traditional businesses figure out what mobile internet can do for them, the higher the CPM will be."

Mobile internet "tipping point"

KF Lai's final observation - based on his experience in several developing markets - is that in fact the markets can sometimes move very quickly.

In his view, the dynamics are that once there is a critical mass of people in a market using the mobile internet, then everyone (e.g. advertisers) has more incentive to advertise there. This in turn leads to more services and content being offered over mobile internet, which in turn makes even more people want to use to the mobile internet.

"Believe me, it can go faster than you think!"

"Believe me, it can go faster than you think!"

As markets around the world continue to rapidly develop and change, it's worth keeping an eye on companies like BuzzCity that understand both social networks and ad networks, and have a company philosophy of rapidly adapting to take advantage of changes in the market conditions.

Also read these MobiAD articles

- [BuzzCity Opens Up Social Network "mygamma" To Developers And Advertisers](#)
- [BuzzCity Launches City-by-City Ad Targeting In India](#)
- [BuzzCity Report Shows Explosive Growth In Mobile Internet](#)