



## **THE CURVE – FREELoadERS, SUPERFANS, THE FUTURE OF BUSINESS CULTURE**

**Notes from Nicholas Lovell's presentation at the hub's One Day at Cecil Sharp House on 12th September 2014.**

Business / culture are no longer separable

How do you make money when everything is free?

Overview

- Find an audience
- Earn the right to talk to them
- Enable your superfans

People say:

- You can't make money from apps – you can;
- Audiences need to value content more – they already do;
- I deserve to be paid –you don't.

You must:

- Earn the right to be paid
- Know that obscurity is a bigger problem than piracy
- Not criminalise your customers (without alienating them) [similarities with football here as an emotional environment]

The concept of free:

- Not everything has to be free – variable pricing
- Free is a way of finding an audience – a marketing strategy [U2 exercise as an imposition – to space and to identity]
- Free does not mean no revenues
  - ➔ Games industry has proven this
  - Candy Crush – 93 million people play it a day. Free – but made \$1.5bn
  - Top grossing games are all free – they make millions; billions even



## Emotional value

- We are not selling content; we're selling how that content (and the user connection with that content) makes them *feel*. This affects how we display different acts of our persona (cultural capital; fashion, etc).
- When production and distribution costs go down, the emotional value remains.

## Flip your thinking

### The web enables

- Free access to content
- One-to-one relationships
- Knowledge about people (fans)

The curve is – a graph plotting “amount each person is willing to pay” against number of people.

- The vast majority will pay very little. This represents a marketing opportunity.
- But you need a strategy to connect and talk to higher end; and to move people up the curve.
- You need to be (i.e. have products available) at multiple places on the curve.

## Freeloaders

- Are incredibly valuable.
  - o As a source of revenue (through ad-supporting, etc): monetising quantities; data.
  - o Word of mouth: esp. social media sharing. This is exponential – the more people talk about you, the more people notice you, the more people talk about you...
  - o As potential converts. If someone is not costing you anything to like you, then that's already a good start!
  - o Gawkers. Different levels of fandom – from normal people to superfans. Superfans are conspicuous consumers. You want people to look at you.

## Technology

- Understand what audience values – analytics; kickstarter, etc.
- Earning the right to talk to your audience again.
  - o Your job is to move them from where they are to where you want them to be. Different demographics use different media; you have an obligation to explore them. (Facebook require brands to pay to reach fans; Twitter are moving in this direction). But you want them to move along the curve: distribution channels (physical retail; social media) will help you do this



### Superfans

- Enable those who love what you do to spend money on things they value
  - o They need to love you; you need to make them love you (emotional value)
  - o The amount you make will depend on the average amount people spend
  - o If they value you it means they will come back
- It's not just numbers of people who will pledge money on you; it's numbers that will spend large amounts...
- 1/3 of all kickstarter revenues is \$100; 75% all revenues are from high end.

### Different levels of engagement (flour case study)

- Youtube videos
- Website
- Phonenumber
- Product in shops
- Related merchandise
  - o Books
  - o Baking goods
- Running cooking classes

It doesn't always work – number followers does not equate to number of fans; you must engage your fans, not just collect them.

### Key questions

- What are you giving away for free?
- How will you earn the right to talk to them?
- What are you going to sell for multiples of the average price?

### Love

- freeloaders – they are the context for superfans
- superfans – they give you most money
- everyone else – they fill in the gaps and help the transition



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## Q&A

U2 example all about transitions – from broadcast model to engagement model; transitioning new users into fans.

Emails are dying out; but it is one of the only ways of ‘earning the right’ that you can still control. You can gain email addresses and you can talk to people directly. Facebook likes and Twitter followers are becoming less valuable; other social media becoming more valuable; keeping up with those changes is exhausting but email is solid.

*Notes by Toby Bennett*