

SEM - Master of Science (M.Sc.) in Social Sciences in Service Management

Master Thesis

"How can revenue be created with a content based social media channel and which revenue streams create the most turnover?"

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Abstract

Social media and the web 2.0 with its key element of user generated content became a relevant business field in the past ten years (Bender, 2008; Stareva, 2012). The basic principle of content based social media business strategies is simple: By providing target group relevant content a large basis of fans and followers is created and in a second step turned into revenue (Pellikan 2014).

Creating for example a *YouTube* channel, one of the key social media platforms, is a very lean business model: *YouTube* provides the technical infrastructure to broadcast online videos without charges, so all that is needed are basically a camera, a microphone and a good idea for relevant content (Lammenett, 2012). Providing adequate content is the first crucial point, as “Content is King” in social media (Bailey & Bailey, 2010). The next relevant question is how to turn followers and fans into actual revenue. There is a large variety of opportunities like advertising, paid-content, cross-selling etc., but so far no study has been published to answer the obvious question:

How can revenue be created with a content based social media channel and which revenue streams create the most turnover?

Based on a broad literature search on possible revenue streams and the *4C Typology of Internet Business Models* (Wirtz et al. 2010) as theoretical framework this question is being analysed using a pragmatic methodology approach in form of a good practice example: *Karl Ess*. Information on *Karl Ess* is publically available; in addition several of his employees and business partners were interviewed to gain a deeper insight and to understand his strategic decisions.

Karl Ess is providing fitness and nutrition related content in web 2.0 channels like *YouTube*, *Facebook* and *Instagram* as well as on his own website. By creating a turnover of several Million euros in 2014 he can be regarded as very successful. The analysis of *Karl Ess*’ revenue streams shows that by cross selling of own products targeting his followers’ needs, much more revenue than with online advertising can be created.

Wirtz et al. (2010) on the other hand differentiate between *content* based businesses like *Karl Ess*, with their primary revenue streams consisting of paid content and advertising, and *commerce* orientated businesses. So regarding the *4 C Typology of Internet Business Models* *Karl*

Ess' approach could be described as hybrid strategy. For *Karl Ess* this hybrid strategy works quite well, but further empirical research is necessary to determine, if *Karl Ess* is just an exception or if producing and cross selling own products is in general an adequate way besides advertising and paid content to generate revenue for content based social media channels.

Besides pointing out the need for further research, this paper provides valuable insights for practitioners: The detailed analysis of *Karl Ess'* value streams and strategic decisions can be used as an orientation by other content based social media channels when it comes to decide which value streams should be implemented.

1 Introduction and Research Question

In the last ten years social media has become a standard instrument in the marketing mix along with advertising, PR, sales promotions, personal selling and direct marketing (Stareva, 2012). Kaplan et al. (2010, p. 61) define social media as a bunch of web based applications which enable the creation and the exchange of user generated content. According to Bender (2008, p. 176) web 2.0 builds the foundation for social media; with web 2.0 the one directional way of communication in the Internet (from provider to customer) has evolved and now users are able to create and share their own content and they can get into direct contact with their environment and companies.

According to Pellikan (2014, p. 15f.) the most important social-media channels for marketers are *YouTube* for social TV and *Facebook*, which is the second largest platform for digital advertising after *Google*. To be successful in the social media environment, the most important rule to follow is: *Content is King* (Bailey & Bailey, 2010). Only by providing attractive content for the relevant target group, enough followers can be created (Pellikan 2014, p. 15f.). The basic principle is simple, the more followers in the relevant target group, the more interesting a *YouTube* channel or a *Facebook* page is for advertising. Based on that principle, a new business model has emerged in the last few years: Providing relevant content on *YouTube* and *Facebook* and creating revenue by using this publicity for advertising or branding. The internationally most famous and financially successful *YouTube* Channel is *Disney-CollectorBR*, which creates revenue of several million dollars a year simply by sharing videos of unboxing toys (Gründerszene Magazin, 2016). Creating a *YouTube* channel is a really lean business model: *YouTube* provides the technical infrastructure to broadcast online videos without charges, so all that is needed are basically a camera, a microphone and a good idea for relevant content (Lammenett, 2012) – so there are nearly no set up costs.

As already outlined, *YouTube* channels and *Facebook* sites aim at creating a large number of followers by providing target group related content. After attracting a relevant number of followers, turning these followers into actual revenue is the critical point that determines if a content based social media channel turns out to be successful or not. As there are many different models of advertising, branding or product partnerships possible, the relevant research question of this paper is:

How can revenue be created with a content based social media channel?

The *4C Typology of Internet Business Models* by Wirtz et al. (2010) in chapter 2 points out, that for content based Internet business models advertising and per-per-use models are the most common ways for value creation. The literature overview in chapter 3 reveals a large variety of possible revenue streams for content based Internet business models as well as for social media based content channels in detail. Considering this multitude of possible ways to turn content in the web 2.0 into actual turnover, the research question of this paper can be formulated more precisely:

How can revenue be created with a content based social media channel and which revenue streams create the most turnover?

So far no empirical study has been made to answer this respective question.

2 Theoretical Framework: 4C Typology of Internet Business Models

Wirtz et al. (2010) suggested with the 4C Typology of Internet Business Models a theoretical framework which allows clustering Internet business models. According to the respective model, basically four different Internet business models can be differentiated according to their value proposition and their revenue streams (Figure 1):

- Connection
- Context
- Commerce
- Content

Connection refers to companies, which are offering physical or virtual infrastructure to the customer. Besides the actual physical connection to the Internet which is provided by companies like *Deutsche Telekom* E-Mail and messenger services like *WhatsApp* or *Gmail* belong to that category. The main revenue streams are either based on subscription (time-based or volume based) or advertising. *Facebook* or *YouTube* also belong to this category.

Context is the category for companies like *Google* which are structuring already existing information on the Internet so it can easily be accessed and used by customers. These search companies mostly generate revenue with online advertising (mostly individualized).

Commerce describes online marketplaces like *Amazon* or *eBay*. Their focus lies on providing the market infrastructure for online trade transactions and they are making money by either commissions for providing the infrastructure for others to sell goods (*eBay*) or they are selling goods on their own (*Zalando*).

Content includes the companies that are presenting online content, which they created on their own, in contrast to *context* companies, which are sorting and structuring information that already exists. Examples for classical content based business models would be e.g. online newspapers like *www.sueddeutsche.de*. But all content based social media business models also belong to this category, because self-created content is shared on the Internet to create revenue. According to Wirtz et al. (2010) the money streams for content companies are mostly based on all sorts of online advertising models, but subscription models and pay-per-view or pay-per-use models (often in form of premium content) are gaining relevance in this sector.

<p>Content</p> <p>Definition: Firms collecting, selecting, compiling, distributing, and/or presenting online content</p>	<p>Value proposition: Providing convenient and user-friendly access to various types of content</p> <p>Revenues: Mostly online advertising (but increasingly subscription and pay-per-use)</p>
<p>Commerce</p> <p>Definition: Firm initiating, negotiating, and/or fulfilling online transactions</p>	<p>Value proposition: Providing a cost-efficient exchange place for buyers and sellers of goods and services</p> <p>Revenues: Sales revenues, commissions</p>
<p>Context</p> <p>Definition: Firms sorting and/or aggregating available online information</p>	<p>Value proposition: Providing structure and navigation for Internet users to reduce intransparency and complexity</p> <p>Revenues: Mostly online advertising</p>
<p>Connection</p> <p>Definition: Firms providing physical and/or virtual network infrastructure</p>	<p>Value proposition: Providing the prerequisites for exchange of information over the Internet</p> <p>Revenues: Online advertising, subscription, time-based billing, volume-based billing</p>

Figure 1 - The 4C Typology of Internet Business Models (Wirtz et al .2010, p. 275)

Wirtz et al. (2010) add some assumptions to their *4C Typology of Internet Business Models* to make it applicable to web 2.0 business models like content based social media business activities. As mentioned in chapter 1 the most important aspect in web 2.0 is the fact that users can share and create content as well. The authors of the *web 2.0 Four Factors Model* name four crucial areas for successful business in web 2.0 (Figure 2):

- Interaction Orientation
- Customization/Personalization
- User-Added-Value
- Social-Networking

By *Interaction Orientation* the rising demand of customers or users for an intense and authentic dialogue between the companies or, in case of content based social media channels, the content provider and their followers are categorized. The basic elements are:

- Customer centricity: all business activities and the whole content focuses on the demands of the customer.
- Interaction configuration: ensures that the right information is shared with the right customers.
- Customer response: direct dialogue with the customer is established and quick responses to customer requests is guaranteed.
- Cooperative value generation: integration of the customer in the value generation process; e.g. customer can create content in the community as well in case of content based social media.

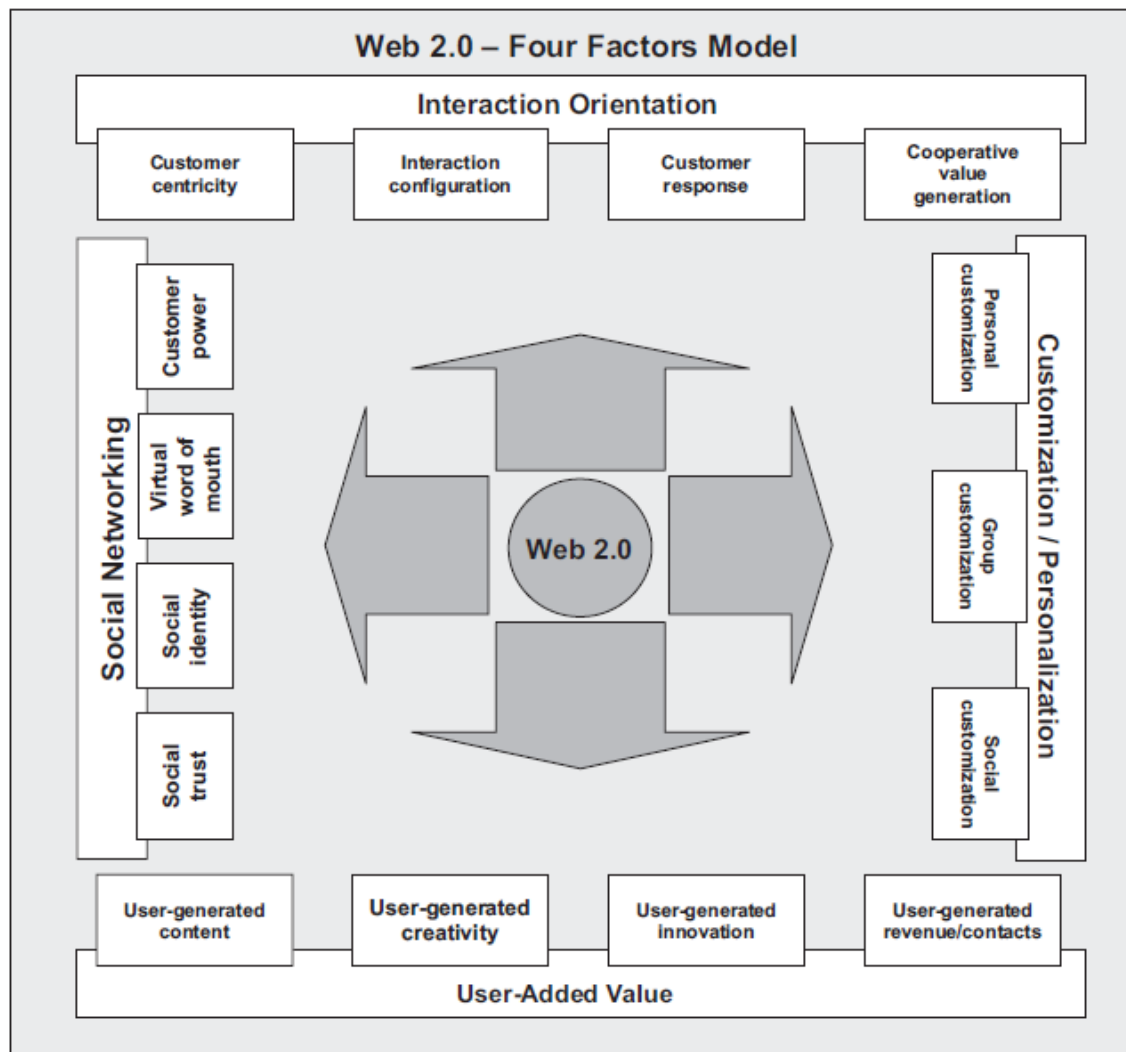


Figure 2 - Web 2.0 - Four Factors Model (Wirtz et al. 2010, p. 279)

Customization/Personalization refers to the rising demand of the customer for individualization¹. In the concept of Wirtz et al. (2010) this aspect consists of three parts, *individual customization* (user can change the appearance of the website/application/service provided), *group customization* (groups can individualize products) and *social customization* (products are tailored to specific social layers).

¹ For content based social media channels these aspects don't have a high relevance and are therefore not discussed in detail

User-Added Value is the aspect that describes the basis for content based social media channels and the corresponding business models. Most important in this context is the category *user-generated content*. The fact that the users of platforms like *YouTube* or *Instagram* can easily create content and share it with other users, is essential for the business model mentioned above. The monetization of this content leads to *user-generated revenues*. Through creating and sharing content, value is created for the user as well as for the platform and advertising provider.

Social Networking is the generic term for the structure of interactions between humans online:

- *Social identity* represents the want of users to form their individual identity online; the extensive use of platforms like *Facebook* or *Instagram* is an example for this trend. According to Wirtz et al. (2010) this resembles the human search for identity and social belonging.
- *Social trust* refers to the fact, that users of online communities put high trust in the information provided by other users (e.g. *Wikipedia*). This concept of social trust also builds the foundation for the monetization of content shared in social media channels.
- *Virtual word of mouth* describes the closely related phenomena that users of blogs and online communities tend to develop loyalty and heavy usage by socially reinforcing consumption (Kozinets et al. 1999); another relevant aspect for value creation.
- *Increasing consumer power* is basically the consequence of *social trust* and *virtual word of mouth*; the personal opinion of users about products and services weighs heavily in the consumption decision of potential customers. Products that go viral are the positive side of this phenomenon; shitstorms are the negative potential outcome.

3 Literature overview: Revenue streams for content based Internet business models

The *4C Typology of Internet Business Models* framework (Chapter 2) served as foundation for the literature research in the following chapter. Wirtz et al. (2010) suggest that revenues of content based Internet models mostly rely on advertising and subscription/pay-per-use models. Due to that, the focus of the literature research lies on the different advertising models and paid content strategies. *Web of Science* and *Google Scholar* have been searched for peer review journal articles and reference books. As social media is a relatively new phenomena only articles from 2005 until June 2015 have been included. The following search terms have been used in this search:

- Publisher revenue streams
- Influencer revenue streams
- Publisher revenue model
- Online marketing revenue streams
- Online marketing revenue model
- Web 2.0 business models
- Social Media business model

As there are many other relevant web sources available (mostly blogs) on this topic a *Google* web search with the same search terms has also been performed. This online research had a more open search approach, as it turned out that there might be more ways to generate cash flow with content based online business models than suggested by Wirtz et al. (2010).

The articles found have then been selected according to the information provided by the authors in the abstract or if no abstract was available by the information provided in the article itself. Based on the information in the selected articles and web sources the possibilities to generate revenue by content based social media channels are identified and described. The aim of this literature research was not to find as many information as possible on one respective source of revenue generation, but to identify as many different approaches as possible.

In that way a most comprehensive picture of possible sources of cash flow will be created. Therefore the approach of literature search used in this paper cannot be regarded as a review but more as an exploratory overview.

3.1 Premium/paid content

Paid content is a form of digital content - provided in different ways like music, texts, movies, photographs etc. - which companies or users have to pay for. Examples for paid content providers are *Spotify* for music and *Netflix* for movies. According to Klötzer (2004, p. 35) the right proportion between paid content and free content increases the customer's appreciation and awareness of paid content. This proportion is set by the company.

Companies have to decide whether they want to provide free access to their content or if it should be charged. In between those two basic possibilities, they can also implement a so called *freemium model*, which provides basic content free of charge but also features paid content. The decision of choosing one of those models affects a company's outreach. According to Breyer-Mayländer (2015, p. 86-87) it is useful for advertising purposes and to maintain brand awareness to keep as much content as possible complimentary for visitors. These are possible content models:

Free content

Within this model, all content is free of charge for the customers. Due to the free access to all content, brand awareness should be created. The free usage of the content is usually financed by advertisements. Examples for companies, who use this type of content model are magazines like *Focus online*, or *Spiegel online* (Breyer-Mayländer; 2015, p. 87).

Paywall

Within this model, the only user who is able to access and use the whole content is the subscriber. Most of the time, only the homepage and several landing pages with teasers can be viewed from everyone without being charged. According to Breyer-Mayländer (2015, p. 87) most companies, that use this kind of content model, assume that their users know about the content's quality. However, some studies like the *Nielsen Study*, show a big decrease of users for companies introducing paywalls. The British *Times Magazine*, for example started to charge their complete offer in 2010 and consequently lost more than two thirds of their subscribers.

Freemium Model

This model features a paywall for selected content, which seems to have a big value to the users. Customers show more willingness to pay for exclusive content, when it is provided only by this specific company. Content that can be accessed for free on other websites is offered complimentary as well within the freemium model. The reason why companies apply the freemium model is to provide the users with basic free content in order to arouse their interest in more high-quality content which they will be charged for. The online music streaming service *Spotify* can be downloaded for free, but listening time is limited to 10 hours a month. As mentioned above the free usage is leveraged by advertisements being played in between the songs. If users like the service *Spotify* provides, they can upgrade their *Spotify Free* to a *Spotify Unlimited* account by paying a monthly fee. *Spotify unlimited* grants the users unlimited listening time without any ads (Gobry, 2016).

Metered Model

The metered model deals with flexible paywalls, which offer their users the possibility to make free use of actually fee-based contents. The user is able to check out the content's quality, before he has to pay for it. This model features a free contingent. Once this contingent is used up, the user is asked for a complimentary sign up. After the company got the customers' information, the users are getting another contingent with free content. A so called cookie understands how much information and content the user has used or viewed. Once the user has hit the allowed number of viewed content, he will be asked to make a payment. Users who only visit the specific website occasionally, don't even realize the paywall since they probably don't use up the free contingent. This is one of the advantages of the metered model. As Breyer-Mayländer (2015, p. 90) implies, the paywall is only build for loyal users, who use the content a lot and value it. *Netflix* serves as a good example for the metered model. First *Netflix* offers the users a free trial month to try out the service. After the trial month the users will be charged, if they want to continue using *Netflix* (Netflix.com, 2016). Another example is *Sueddeutsche Zeitung Plus*, the online service from a German newspaper.

In its metered model, ten articles a week are free of charge and if the user wants to read more he has to sign up for a premium account (Mantel, 2016).

Figure 3 shows the general turnover of paid content in billion euros in Germany. Sales with paid content have been rising continually in the past and are predicted to increase further in the future.

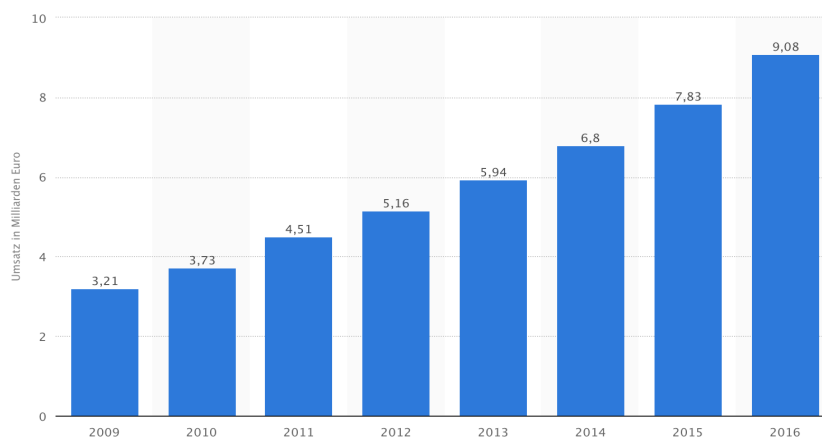


Figure 3 - General turnover of paid content in billion euros in Germany (Statista.com, 2016)

When choosing a paid content strategy, products have to be positioned in a proper ratio between price and content quality on the market. Klötzer (2004, p. 36) defines the following factors as the pricing determinants:

- Willingness to pay for the product
- Competition
- Unique selling proposition
- Substitutes on the market
- Demand for the product
- Costs of the product

The customer's willingness to pay depends on all of the factors mentioned above and additionally from the cost of the product itself.

A company offering content has to watch their competitors and needs to make sure, their cost-benefit ratio is better than their competitor's. Customers usually accept to spend more time to find the cheapest offer. Nowadays search engines like *Google* e.g. make it a lot easier for a customer to find what he is looking for and also to find out, if the content presented as exclusive and highly valuable really meets those qualities. If another company or website offers similar content at a better cost-benefit ratio, the customer will most likely stop his purchase and switch to the competitor. According to Klötzer (2004, p. 36) this doesn't necessarily mean that the lowest price is the best price. Important for pricing is differentiation. By differentiation a company is able to sell its products at a higher price. Another factor influencing the client's willingness to pay is how high the content's benefit is for the individual customer. If it has a high added value, the customer will be willing to pay a higher price.

A big advantage of paid digital content is its low reproduction costs. Whereas research, PR and marketing costs can be high if a company wants to sell paid content, the costs for publishing and reproducing the content are extremely low, since the product is digital. No physical books or CDs have to be produced (Zeitung.diezwei.de, 2016). Since the company sets the price for the product, the margin can be very high on every sale and a large number of products can be sold. This makes paid content a very attractive revenue stream, if marketing costs don't strain the budget and many people are willing to pay for the content offered by the company.

A great advantage for the user is the quick, easy and direct access to digital content through the computer or applications. With physical products waiting and delivery time is usually much higher.

On the other hand, from the user's perspective there is a surplus of content available on the Internet. Consequently this leads to a lower willingness to pay for online content. Media companies, who so far have worked in different, separated markets like e.g. broadcast and print, are nowadays in direct competition on the Internet.

According to Schumann et al. (2014, p. 46) digital contents can't be bundled effectively. Today it is possible to buy single music songs online, while earlier several titles of an artist were bundled together in a CD and sold as an album. Shortfalls in album sales can't be compensated by selling additional single songs online.

Another disadvantage for companies using paid content as a revenue stream are the so called *gatekeepers*. According to Schumann et al. (2014, p. 46) they step in the distribution of digital content and take some of the profit on a commission basis. The company *Apple* serves as a good example for such a *gatekeeper*. In order for the consumer to use contents on their *Apple* mobile devices, they have to use the company-owned *AppStore* or the *iTunes Store*. For the providers, this means they can only sell their products through those platforms and have to give *Apple* a commission of 30% of the turnover (Schumann et al., 2014; p. 44).

Another disadvantage for companies implementing a paywall is being less visible in search engines. *Google* as a search engine needs to read and find content on a website to include its pages in the *Google* index. If a website's content is behind a paywall, the search engine doesn't have access to the content. By that the visibility of the website is decreased. Therefore less readers are directed to the company's website via search engines. Also the web 2.0 with its social media channels such as *Facebook*, *Twitter*, *Pinterest* or *Google+* that can drive a lot of traffic are excluded by the paywall (Upload-magazin.de, 2016).

3.2 Affiliate marketing

Kreutzer et al. (2015, p. 132-133) define affiliate marketing as a part of online marketing. The publisher, a so called affiliate, integrates the advertisers' or merchants' advertising media on his website, e.g. by placing a link or an ad banner. If a potential customer visits the website of the publisher and ends up clicking on the affiliate banner, the publisher is being reimbursed on a profit basis. That's why affiliate marketing is a form of online business based on transaction commissions. Affiliate marketing is also called "partner program" or Internet based sales-cooperation (Kreutzer et al., 2015, p. 132-133).

The affiliate provides his website's outreach and advertising space for merchants, who want to advertise online, in order to sell a product or simply to get more attention on their website. Affiliate marketing is mainly a B2C-Marketing channel. Profit based reimbursement means in this case that the publisher will only be paid if his advertising results in success for the merchant. There are three common ways of profit-based reimbursement (Lammenett, 2012, p. 51-53).

CPS - Cost per Sale

The cost per sale model is the most common remuneration model used in affiliate marketing. The affiliate receives commission for every sale that is caused by his promotion. The amount of paid commission is set individually, but also depends on factors like product category or awareness level of the product. E.g. if the merchants wants to launch or place his product quickly and increase the brand awareness as much and as fast as possible, he has to offer a comparable high commission to gather as much affiliates as possible in a short time. According to Lammenett (2012, p. 52) you can basically identify typical commission rates for specific product sectors. Travel agencies, for example offer only 2,5% to 5% of commission, whereas affiliates that promote software products can count with a commission rate of up to 22%.

CPL - Cost per Lead

There are some cases where the CPS doesn't work: e.g. Companies whose products are too complex, like insurances, products where the aimed transaction wouldn't result in any turnover, like an account opening with a bank, or companies whose products don't have a high revenue at first, like a newspaper subscription. In that case these companies often work with a commission per lead. While the term "lead" talks about potential clients in classic marketing strategies, "cost per lead" in affiliate marketing means to bring out some kind of trade or acquisition. Within this remuneration model, paid commission rates per lead vary strongly. Different examples show 0,25 € per lead for a newsletter subscription, 16 € per lead for a contract closing with an electricity provider or even 70 € per lead paid by a telecommunication provider for closing a contract of a 24 months period.

CPC - Cost per Click

Cost per click means, the affiliate gets paid for every single visitor that clicks on a banner or a link on his website and is being directed to the merchant's website. The commission for one click usually varies between 0,03 € and 0,25 €. Since this possibility is easy to manipulate and its success in times of pop up blockers is rather questionable, this remuneration model has become more unusual in affiliate marketing.

According to Lammenett (2012, p. 41) the way of reimbursement and the commission amount can be set individually and it's possible to use hybrid forms of these methods. Kreutzer et al. (2015, p. 133) state that affiliate marketing is, after ad placements in search engines and social media marketing, the most used way of external online marketing. About 28% of all German companies use it for marketing purposes. According to Lammenett (2012, p. 29), affiliate marketing experienced an increase of 75% in 2005 in comparison to the previous year. In 2011 it reached an annual turnover of 339 million euro in Germany. Figure 4 pictures the development of the yearly revenue created by affiliate marketing in Germany in the years 1999 – 2011.



Figure 4 - Yearly revenue (in euro) of affiliate marketing in Germany (Lammenett, 2012, p. 30)

According to Kreutzer et al. (2015, p. 135-136) merchants have three different possibilities of how to implement affiliate marketing technically and to transform it into a successful marketing strategy:

- Developing affiliate software (make-Option)
- Licensing affiliate software (buy-option)
- Usage of affiliate networks (service-option/outsourcing)

Efficient affiliate software needs powerful tracking and management programs which have to steadily be improved. A company that wants to develop its own affiliate software solution would therefore have to invest a large amount of money, which is a major disadvantage of the

“make-option”. As an alternative to the make-option, companies have the possibility to license affiliate software (“buy-option”) e.g. *Post Affiliate Pro*, *QualityClick* or *Ultimate Affiliate*. While using such programmes shortens the time period for development and implementation, companies still have to acquire and take care of partner affiliates themselves. Therefore B2C-Marketing often uses so called affiliate networks, which function as a kind of junction between merchants and affiliates. Affiliate networks usually take over features like setting up contracts between merchants and affiliates, deliver the merchant's' different marketing media for the affiliate's website, offer tracking and payment systems as well as reports about the marketing results. Lammenett (2012, p. 51) mentions that, with those services being offered, the merchant has to put less effort and lower costs in the beginning. On the other hand, by using affiliate networks a commission has to be paid, which increases the total amount of affiliate marketing costs. The biggest Affiliate networks are *Zanox*, *Affilinet*, *TradeTracker* and *Tradedoubler*. In Figure 5 the mediating function of an affiliate network is pictured.

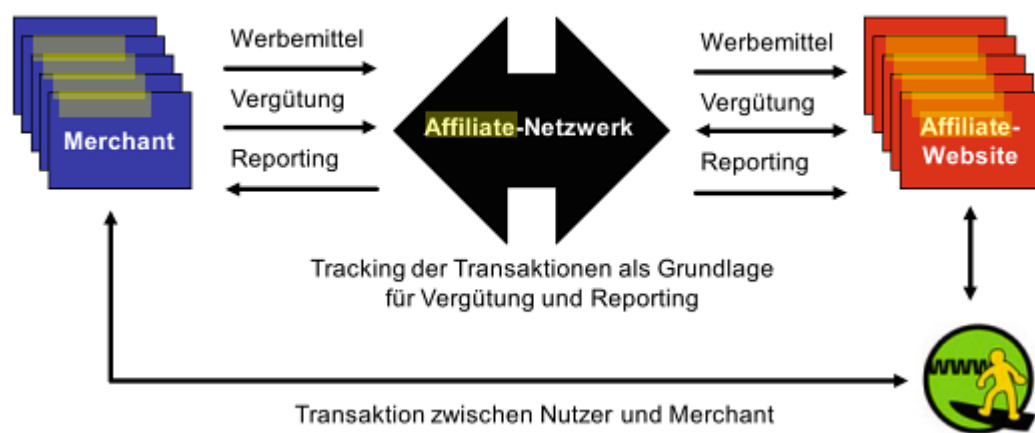


Figure 5 - Affiliate-Network: Link between merchant and affiliate websites (Kreutzer et al. 2015, p. 135)

From the merchant's perspective, affiliate marketing is an efficient alternative to other, more expensive ways of marketing, like banner or keyword advertising. In the best possible case, their products are being represented in a thousand different websites, instead of just one sales platform. For the publishers the main advantage is the fact that they don't have to bear any set up costs in the beginning, in contrast to regular franchise programmes for example. Signing up as an affiliate partner is usually free of charge and the affiliates are paid by performance,

which is the critical point for a lot of companies (Lammenett, 2012, p. 42). Another advantage is the possibility to reach the matching target group by placing advertisements on topic or product relevant websites. Also, integrating placements such as text links or banners is very simple and doesn't cost a lot of effort.

On the other hand, affiliate marketing also has some disadvantages, especially for the publishers. Their revenue streams depend completely on the traffic. If traffic varies, affiliate marketing is not a secure or stable source of income, neither for the affiliate, nor for the merchant. Also controlling is sometimes not that easy. Regarding a CPC affiliate model, the publisher can increase the number of clicks by clicking on his own banners and by that way commissions can be manipulated really easily. Similarly looking at a CPL or CPS affiliate model, merchants can deceive their affiliate partners by manipulating their exact sales figures created through their publishers and affiliates.

3.3 Subscription services

Subscription based pricing models are being found today in many fields like Online-Marketing, logistics, finances, health service and particularly in e-Commerce (Toolsmag.de, 2014). Customers subscribe to a special product or service that a company is offering for a distinct period of time for a set price. The timeframe for the subscription can vary from weekly, monthly to every three months to annually. For example women who subscribe to *GLOSSYBOX*, a venture of Rocket Internet SE, are paying 15 € every month for the subscription and are getting a monthly Beauty Box filled up with Beauty samples delivered to their homes (Glossybox.de, 2016). However, the *GLOSSYBOX Men* subscription fee is 15 € as well, but has to be paid only every three months, because men are not as beauty affine as women (Glossybox.de, 2016). The aim of the company that is generating revenues from subscriptions is always to reach a preferably high number of subscribers. The customer lifetime value is also an important aspect. The longer the customer stays with the product or service subscription, the more profitable will the company be.

Whether a subscription model is successful or not depends on the price of the subscription and several key performance indicators you have to consider.

The *customer acquisition cost* is the most important KPI in the beginning. The company should focus on finding the marketing channel with the lowest customer acquisition costs.

New customers can be acquired through various channels such as Online, Print, TV or mouth-to-mouth marketing.

The next KPI that defines the success of a subscription based business model is the *average subscription period*. If the subscription duration is very short, the business is likely to fail.

The subscription period defines the *customer lifetime value*. The longer the customer stays with the company, the greater will be the customer lifetime value and therefore the money generated from the subscription.

The *gross profit* on every subscription a company is selling is also essential in order to succeed. Gross profit means net sales minus all variable costs like material-, postage- and returns costs as well as costs for payment providers and defaults.

The *overall number of subscribers* is important when it comes to scaling up the business. The more subscribers a business has, as long as its gross profit is positive, the better (Fuergruender.de, 2016). According to Horng (2012, p. 895ff.) there are 11 variables that define the user's willingness to pay for a subscription service:

Convenience

Convenience plays an important role, when it comes to the satisfaction of online users. Horng (2012, p. 895) points out four elements, that encompass the idea of convenience: "*availability, waiting time, stability of data transmission, and efficiency of online order processing.*" The user's willingness to pay depends a lot on how quickly and easily requested content can be accessed.

Ease of use

Ease of use is another factor, influencing a customer's satisfaction. It indicates, how much a website encourages its users to spend money for a certain product. Ease of use is often defined as the user's ability to search and find desired information on a specific website (Horng, 2012, p. 895).

Essentiality

A better quality of content on a website causes not only a higher user satisfaction but also increases the amount of returning visitors and customers (Lynch et al. 2000) (in Horng 2012, p. 896). If the content fulfilled an instant need of a customer, the customer was very likely to spend money for that content, even if similar content or information was provided for free on another website.

Added value

A study conducted by Wang et al. (2005) (in Horng 2012, p. 896f.) leads to the impression that added value plays an important role for the user's willingness to pay. It can be expected that a higher added value leads to a higher intention to spend money online. The concept of this variable can be applied to online as well as to offline products or services.

Perceived service quality

Perceived service quality influences customer satisfaction. Customer satisfaction consequently leads to a willingness to pay for online services or products. According to Zeithaml et al. (2002) (in Horng 2012, p. 896) especially for companies operating in the web 2.0 the perceived service quality delivered through a company's web presence is a key success factor.

Usage frequency

The usage frequency also affects the consumer's intention to pay for subscription services. According to Gofen (2003) (in Horng 2012, p. 896) the user's online shopping behaviour is much affected by habits and therefore predictable. Customers are used to their favourite online services and don't like to switch them. That's why many web businesses introduce a monthly subscription fee for the users who use the company's service frequently as it can be assumed that these frequent users are also willing to pay for it.

Perceived fairness

For some web services sometimes a certain level of unfairness is perceived by the users. Certain online services such as watching videos online or listening to music are considered to be for free. So if a web service offers videos or music online it has to provide an added value for the customer to collect fees for this kind of service; otherwise potential users would just regard this service as unfair. Hence web companies have to set a fair price in order to keep the perceived fairness at a decent level. Generally convincing users to pay for online services can be challenging and can result in perceived unfairness (Mangalindan, 2002) (in Horng 2012, p. 896).

Security concerns

Parasuraman et al. (2005) (in Horng 2012, p. 896) state that the perceived security level of a website is very important to customers. If personal information is well protected and the site doesn't look like a phishing site (Internet-abc.de, 2016), the customers will not have huge security concerns. Thus users will be more likely to leave their credit card information. According to Parasuraman et al. (2005) (in Horng 2012, p. 896) less security and privacy concerns will have a positive effect on the consumers' willingness to pay for online services.

Interaction intensity

Web 2.0 services focus on participation and interaction of users. A study by Hoegg et al. (2006) (in Horng 2012, p. 897) stated that the degree of participation intensity of the users had an impact on the other user's acceptance and loyalty to the platform. Further Riegner (2007) (in Horng 2012, p. 896) declared that Word-of-Mouth on the Web has a huge impact on the consumers' willingness to pay for services or products. In general the Internet makes products and services more transparent and easier to evaluate for the consumer e.g. in different forums, communities or blogs.

Differentiations

Steinfield et al. (2002) (in Horng 2012, p. 897) disclosed that plenty chances for differentiation come from an online channel that offers consumers information and services that com-

plete the goods and services that are already offered offline. Whether differentiations have a good or bad influence on the customer's willingness hasn't been evaluated so far.

Desire fulfilments

Bauer et al. (2006) (in Horng 2012, p. 897) provide a model that describes service quality in online shopping. One out of five components to measure service quality is called *enjoyment* or also *fulfilment of desire*. Fulfilment of desire is split up into four parts: "*personalisation of service, fun of using a particular website, excitement when shopping online, and entertainment provided by the website.*" If a certain service offered online provides a high level of desire fulfilment, most probably consumers are willing to subscribe for this service.

3.4 Advertising

Lammenett (2012, p. 214) states that online advertising is not a generic term that summarizes all different forms of online marketing, such as E-Mail or Affiliate marketing. Instead online advertising means the placement of advertising media on websites, primarily banner ads, to support a company's marketing- and communication objectives.

As one of the oldest marketing tools online advertising grew from 1994 on constantly. Figure 6 shows the market for online advertising based on advertising data collected by the market research company *Nielsen Media Research* (Lammenett, 2012, p. 218).

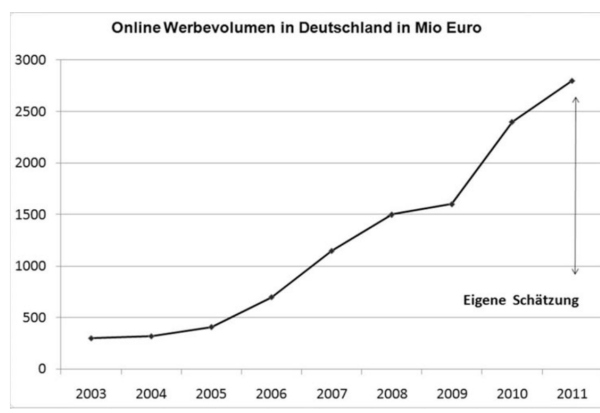


Figure 6 - Development of online advertising volume in Germany

There are different remuneration models in online advertising (Lammenett, 2012, p. 214):

CPT - Cost per thousand

In online advertising the publishers set a cost per thousand price (CPT) for the merchant, who wants to reach potential customers through the publisher's website. Cost per thousand is defined as the price for 1.000 ad impressions of the banner set on the publisher's website. Ad impression means, that the website visitor sees the banner, but doesn't have to click on it.

Fixed price

Some publishers also offer fixed prices on a monthly or on a yearly basis for merchants who want to place their banners on the publisher's website.

Cost per Click

Cost per click compensation means, that merchants pay their affiliate partners a commission every time a website visitor clicks on their advertisement banner. However, remuneration models like cost per click are very rare in online advertising.

The disclosure of the traffic, that a publisher's website has, is crucial in order to calculate the outcome of the placed banner. Clicks can be measured easily through tracking links for instance, but ad impressions can't be measured easily.

According to Lammenett (2012) two thirds of the publishers offering banner placements on their website have their own price lists for the banners depending on how big the banners are and where on the website they will be placed. The price also depends on the type of banner. A static banner is usually less expensive than a dynamic one which is personalized to the viewer (Quarticon.com, 2015). The remaining publishers, especially the ones with small and medium sized traffic, forward their advertising spaces to professional banner advertising agencies, who connect publishers and merchants, which works quite similar to affiliate networks.

The implementation of the online banner follows after the merchant's booking of the advertising space. The advertising media is either sent to the advertising agency or the publisher directly, who integrates the advertisement on the website. The integration of the banner is mostly arranged by an ad server, which controls all advertisements on the site. Ad servers can adjust the advertisements in different ways. For example certain ads can be displayed on selected daytimes and weekdays or dependent on a specific geographical location. Ad servers also control banner rotations for A/B tests (OnlineMarketing.de, 2016) and the minimum or maximum number of impressions being shown to the website visitors. For example a frequency capping regulates how many times one user will see the advertisement before it disappears. Through those adjustments banner advertisements can be used more efficiently to target the customers and users don't get annoyed by advertisements being shown too many times on the site (OnPage.org, 2016).

3.5 Product placement and branded entertainment

Since product placement is still in a very early development stage in Germany there is no universal definition for product placement yet. An existing definition formulated by Lehrian (2012, p. 19) says "product placement is an integration of branded goods or services as real and necessary requisites in audio-visual productions. In return the publisher is being rewarded with money or other benefits. The overall goal is always the advertising effect on the placed brand, product or service.

Becker, T. (2011, p. 3) states that the press regularly calls the method of product placement camouflaged advertising. But there is a slight difference between that type of advertising and product placement. Camouflaged advertising sends out a hidden marketing message to the viewers, whereas publishers using product placement highlight the placed products as targeted marketing messages.

According to Lehrian (2012, p. 24) product placement benefits from the weaknesses of classic TV-commercials. Often TV spots are not very authentic and don't exactly fit the target group. Many viewers even cut out the TV commercials by using a digital video recorder. That's why placing matching products in videos have a greater effect than normal commercial breaks. Such videos are found on *YouTube*, but also pictures on *Instagram* and *Facebook* contain

product placements. Product placement, especially when targeting minors on *YouTube*, is often criticized and sometimes even illegal according to German Law (Rehage, 2015).

Lehrian (2012, p. 19) defined branded entertainment as “a new form of media content integrated advertising, where marketing messages are brought to the customer in an entertaining and valuable way.” Duttenhöfer (2012, p. 69) goes one step further and claims that branded entertainment takes the brand or brand product as starting point. Next a specific content that exactly matches the brand or product is created. In this way the consumer who is interested in the provided content is also excited to deal with the offered product and demands it voluntarily. In 2014 for example the “Lego movie”, a film designed for children, was published. After watching this movie the children were also interested in having movie related *Lego* products (Graser, 2014).

As reported by Lehrian (2012, p. 15) there are currently no transparent pricing or remuneration models for product placements, since there is not enough empirical data available.

3.6 Merchandising

As Höhn (1998, p. 7) (in Haller, 2011, p. 5) explains, the term *merchandising* is a combination of the words *merchant*, which implies trading and merchandise, which means products. Therefore *merchandising* means “to trade with products”.

Merchandising is primarily used, when the product or service has the visual potential to catch the attention of the consumers. Using merchandising materials helps to market a product or service, strengthen the marketing message and communicate information about the particular products. Merchandising is brought to the customer directly at the point of purchase (POP), by sales presentations, or at events. Examples for common merchandise materials are products such as T-shirts, posters or other fan articles referring to TV-series, books, cinema movies or even public characters (Jäggi et al., 2012, p. 190).

There are seven factors that have to be considered prior to the launch of the merchandising materials (Nykiel, 2011, p. 103):

Identification of purpose

The identification of purpose aims to find the main reason of the merchandise effort as well as to define the target group which should be reached.

Compatibility

The merchandise materials that are used by a company should reflect the image of the company's brand. If a company wants to emphasize a new particular aspect of their brand, the company could establish new merchandising material underlining this new issue.

Consistency

One of the most important rules concerning the offered merchandise material is that it has to be consistent with the other marketing messages and visuals exposed to the customers. By using a logo, certain colours and print styles, etc. consistency will be build.

Practical detail

A review of the merchandising material can be very helpful to keep track of the intended marketing purpose. Every detail of the material should be aligned with the overall marketing strategy.

Visibility

The merchandising materials should be easy to find and easy to get. The products should be clearly visible for all customers - online as well as offline.

Clutter avoidance

If there is an overload of merchandise materials, consumers get confused. A well-selected variety of merchandise materials is better than present as many products as possible.

Keep it clear

Merchandise is said to communicate a certain marketing message. Therefore it is essential to keep the merchandising materials clearly structured.

Web merchandising

All of the seven factors mentioned above apply to offline as well as to online businesses. Superior website navigation is essential to direct the users to the merchandise online shop. An online merchandise shop has to be clearly structured into categories and it should be easy to get additional product information as well as to buy the products online. For instance a “View all products” link allows users to take a look at all products at the same time (Arthur, 2016).

3.7 Cross selling

The chance to sell more products than the initial offered products is called cross selling (Kollmann, 2011, p. 274). Hereby either similar products from the same company or products from other companies that match the target group can be sold to the customers. These products can be offered during the buying process (sales phase) or with a time offset to the purchase decision (after-sales phase). The main goal is to exploit further sales growth potential through selling complementary products, that stand in a logical relation to the initial product. In this way the interest of the consumers in these products is secure.

Over time technical methods like data mining and database marketing help companies to provide customized offers to their customers. With those methods user traces that are left behind on a website can be analysed and used to tailor the offered products to the customers.

The most popular example for cross-selling is *www.amazon.de*: After the first click on a certain product the buyer gets to see proposals for related products: “Customers, who bought this product, are also interested in buying these products...” (Kollmann, 2011, p. 273). On top of that, online shoppers are displayed combined product suggestions like product packages: product A + Product B, based on their click behaviour.

Up-selling

Up selling is a sub form of cross selling. From a company's perspective generating Up-selling potentials means to be able to sell higher value products or services to its customers than they were initially interested in. In this way even higher profits can be realized. A company implementing an Up-selling strategy should be careful to not upset the customers with high prices. Appropriate arguments, like special advantages and features that justify the price, are necessary in order to implement an Up-selling strategy (Kollmann, 2011, p. 274). For example a tour operator can offer customers who book a flight a matching package tour of flight, hotel and rental car for their travel, which is more expensive than the single flight.

3.8 E-Mail monetization

E-Mail marketing is a form of direct marketing via E-Mail. The goal of E-Mail marketing campaigns is to direct users to a certain website or to have users conduct an intended transaction. The collected E-Mail addresses of the users can be clustered into different E-Mailing lists, depending on the source of subscription. Hence E-Mails can be tailored to several target groups. Ideally E-Mails are also personalised to the single E-Mail recipient.

The following figures show how important E-Mail marketing is. In 2011 in Germany, 88,7% of all Internet users had private E-Mail addresses (Lamenett, 2012, p. 94). In 2009, on the other side 88% of all German companies were implementing E-Mail marketing as part of the overall marketing strategy. There are many E-Mail marketing suppliers on the market such as consultants, agencies, E-Mail address providers, and E-Mail marketing software providers. Hence the E-Mail market from the offer perspective is very untransparent.

Companies have to decide whether they prefer an E-Mail marketing service provider or set up an in-house E-Mail marketing team. The decision of "make or buy" depends on the size of the respective company. For small and medium sized companies the internal set up of necessary competencies and software is mostly not worth it. Also if only one person manages E-Mail marketing, there is a significant risk of failure involved. Consequently an outsourcing of all E-Mail marketing activities to a professional agency would be the better choice.

According to Lammenett (2012, p. 113) big enterprises should do E-Mail marketing by themselves, if the frequency of sending out E-Mails is very high and when they have to send out E-Mails very quickly, for example in the case of a new product line or to communicate short dated price changes. Ironically, in reality E-Mail marketing is often outsourced to agencies by big companies and autonomously handled by small and medium sized businesses.

An E-Mail consists of a header with the company's logo, a table of content, an editorial or article with pictures or videos, and most often call to actions: buttons that lead the user to the intended website or product through clicking on it. This website can be the company's website or a website that is especially set up for a certain campaign, a so called landing page.

There are plenty possibilities of how to structure and visualise E-Mails. The most common E-Mail types are:

Stand-Alone E-Mail

The Stand-Alone campaign or also called "E-Mailing campaign" is usually temporary limited and consists of one or more mailings concerning a special topic. A Stand-Alone campaign is used to bring a product, service or a company closer to a pre-defined target group. Often this kind of campaigns are used to launch new products, services or companies or to promote seasonal products and services.

Newsletters

Newsletters are sent out on a regular basis, for example once or twice a week. They serve as a customer retention tool. Customers are getting useful information about the company, for instance special conditions on certain products or services. The sending out of newsletters is complex and time consuming, because it requires a regular editorial effort as well as a professional E-Mail tool.

Newsletter Sponsorships

In contrast to an own newsletter there are newsletter sponsorships. Newsletter sponsorships allow companies to place their marketing message in newsletters of other companies. Usually

companies have to pay for that advertising space. It makes sense to place newsletter sponsorships in newsletters of companies who have the same target group. This form of E-Mail marketing is relatively easy to implement. Contrary to own newsletters no technical infrastructure like an E-Mail tool or an own E-Mail database is required. Newsletter sponsorships can be sent out regularly like a classic newsletter or just once as a stand-alone campaign.

Enhanced Newsletter

The enhanced newsletter contains information about multiple companies. This form serves as a great opportunity for companies that can't afford or don't have the time to develop a newsletter by themselves. If companies group together, there is a synergy effect of lower costs and a higher value for the user. These companies should not be competitors, but still approach the same target group. In this way an interesting news-mix can be created, that leads to a high acceptance of the newsletter and high E-Mail open rates². Moreover enhanced newsletters have a greater reach than normal Newsletters.

E-Mail-Responder

An E-Mail responder is an automatic reply of information required by the user. The user fills out an online form with his E-Mail address and instantly receives the desired information via an E-Mail responder. If the users agree to receive more E-Mails afterwards, the sender of the E-Mail responder is allowed to send more E-Mails to the recipients.

² E-Mail open rate: click through rate from E-Mail inbox to actual E-Mail

4 Epistemological Stance and Methodology

The research design of this paper follows basically a pragmatic approach. Pragmatism is based on the premise “that knowledge is an instrument for organizing experience” (Klenke, 2008, p. 25). Pragmatists focus less on finding out the absolute truth, but are more interested finding patterns and explaining, “what works” (Creswell, 2009). Within this paper ways how money can be created with content based social media channels shall be identified and assessed. So the aim of this study is to actually explain “what” ways work to generate cash flow in this respective business environment. Therefore Pragmatism is a suitable epistemological stance to be used in this paper.

According to Klenke (2008, p. 27), Pragmatism “presents a very practical and applied research philosophy, that is oriented towards action”. Therefore the overriding criterion of this research philosophy is “usefulness”. Not the proximity of the results to an “absolute truth” is essential to pragmatists, but the “utilitarian function” and the ability of the findings to promote action (Klenke, 2008, p. 27). The practical usefulness of knowledge is a key aspect in pragmatism; therefore pragmatists mainly focus on “real world problems” (Creswell, 2009).

When focusing on “real world problems” to find out, “what works” a case study is the ideal methodology. According to Yin (2011) case studies form a unique method in the field of social science. Especially in the field of business studies case studies are a broadly used and accepted method of generating knowledge than can easily be applied in practical decision making (Yin, 2011). With their basic focus on practical knowledge case studies fit perfectly into the methods canon of the pragmatic research approach of this paper.

One key aspect in pragmatism as a research approach is the mix of methods. Unlike in positivism or constructivism even a mix of qualitative and quantitative approaches in one study is possible (Klenke, 2008). Pragmatists justify this break with tradition with the complexity of things and contexts they work in, which, in their eyes, require a mix of methods. The right methods for pragmatists are the ones that are most appropriate to generate knowledge, which can lead to actual changes in practice (Creswell, 2009). A mix of methods is also applied in this paper: An exploratory literature search and an empirical analysis of a case study.

The approach of this paper can be described as mostly inductive as the information mostly derives from empirical observations in the case study. But with the 4C Typology of Internet

Business Models by Wirtz et al. (2010) as theoretical framework for the literature analysis and the case study this thesis has a deductive perspective as well.

In the case study in chapter 5, the concept of *Karl Ess* (YouTube, 2016) and his social media strategy is investigated as a good practice example. *Karl Ess* started a fitness related YouTube channel a few years ago and is now creating revenue very successfully in many different ways, e.g. advertising, paid content, cross selling etc. His ways of generating revenue is analysed based on the information publically available. Additionally to this open information several interviews with *Karl Ess* employees and business partners have been conducted to gain a deeper insight into his business model and strategy.

The method of conducting interviews has been chosen because very detailed information about *Karl Ess*'s various revenue streams can be collected based on distinct answers on very specific questions. Such inside information cannot be gathered through conducting surveys with focus groups or doing a literature analysis. The interview partners for this paper were Omar Fattouh, former employee of *Karl Ess*, Martin Sebald, CEO of *Sebro Sports*, *PM Sports UG* and Ralf Sättele, *Karl Ess*'s current business partner. Omar Fattouh gained insights into all past, present and future revenue streams of *Karl Ess* while he worked for him. Ralf Sättele was interviewed concerning the *DOC Weingart* product placement, since he is responsible for setting up contracts with *Karl Ess*'s affiliate and product placement partners. Martin Sebald is a business partner of *Karl Ess*. By interviewing him, more details about the successful set up of *Karl Ess* affiliate partnership with *Sebro Sports* were gathered.

The interviewer sent pre-formulated questions to the interview partners via E-Mail. Shortly afterwards the interview partners were contacted by phone with a follow-up call to discuss the pre-formulated questions in detail. The interview partners Martin Sebald and Ralf Sättele answered the questions precisely as requested. Omar Fattouh offered additional information in form of a *Google Analytics* report of *Karl Ess* website as well as useful details concerning security issues *Karl Ess* is facing in selling e-products. However, Omar Fattouh didn't disclose exact turnover figures on the respective revenue streams. Martin Sebald and Ralf Sättele were interviewed once in October 2015. Omar Fattouh was interviewed twice in October 2015. Since the first interview resulted in revealing *Karl Ess* most profitable revenue streams, cross-selling and paid content, a second interview with Omar Fattouh was scheduled in order to gather more specifics about these revenue streams.

5 Case presentation: Karl Ess

Karl Ess is providing fitness and training related content in web 2.0 channels like Youtube, Facebook and Instagram. Besides that, he runs his own website with the same focus of interest. In addition to the training impressions and advice he is giving for free, Karl Ess also sells premium content through his various media channels. Even though he is not publishing exact turnover figures, it is known that he created a turnover of several million euros in the year 2014 (Lux, 2014). So without any doubt Karl Ess can be regarded as very successful in creating revenue by providing user related content in online channels. Due to that, Karl Ess is the ideal example to be analysed in the form of a case study to answer the research question of this paper:

How can revenue successfully be created with a content based social media channel and which revenue streams create the most turnover?

Figure 7 shows a statistic of *Karl Ess YouTube* channel target group. About 95% of the watchers are men and about 85% of them are between 18 and 34 years old. *Karl Ess* approaches the German speaking markets: Germany, Austria and the Swiss.

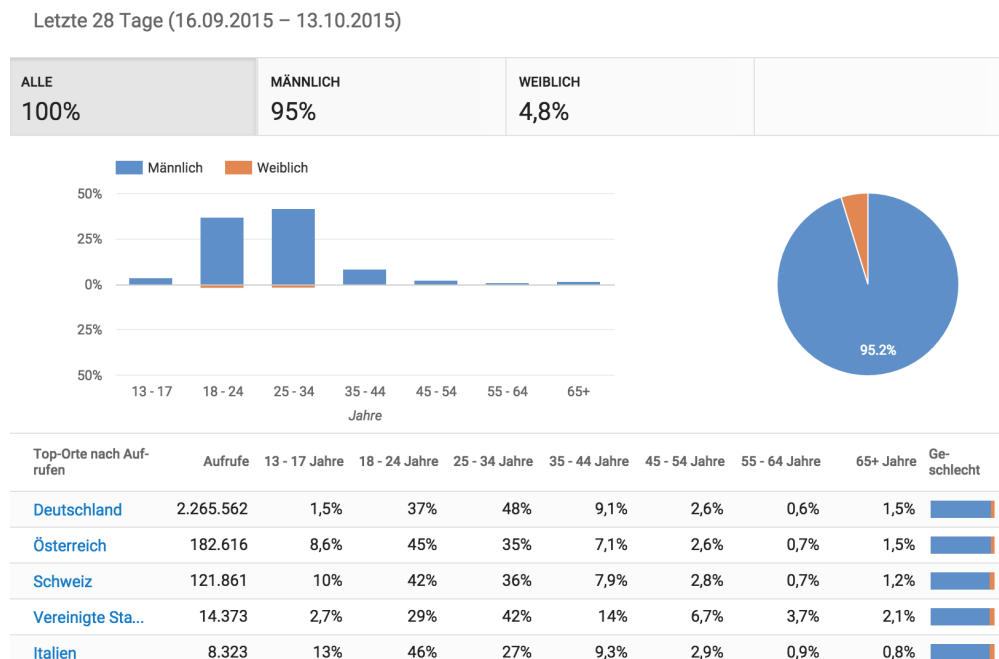


Figure 7 - Karl Ess YouTube channel target group

Figure 8 shows *Karl Ess* target group on *Facebook*, which differs slightly from the *YouTube* target group. About 84% of his fans are male and 71% of them are between 18 and 34 years old.

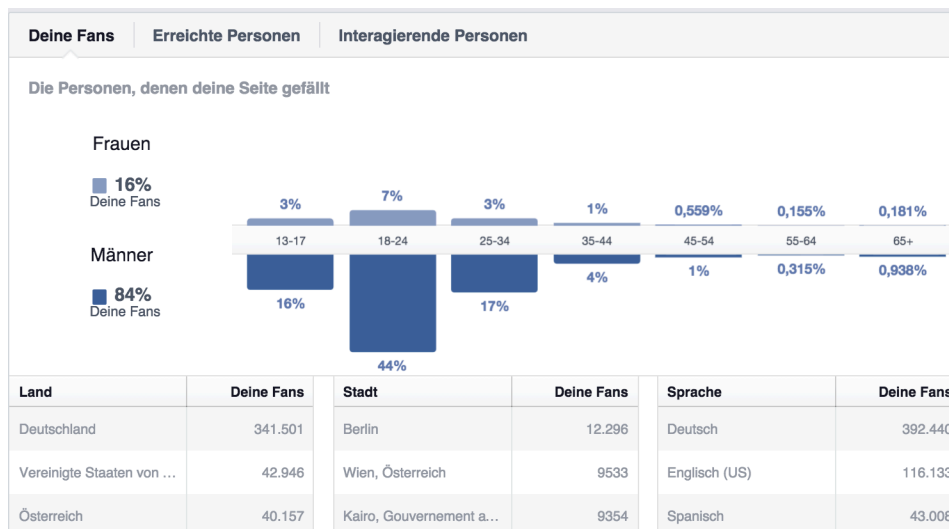


Figure 8 - *Karl Ess* Facebook target group

YouTube

On 14th of April 2012, *Karl Ess* created a *YouTube* channel, the centrepiece of his content business. On *YouTube* he publishes gym or cooking videos on a daily basis to keep his subscribers up-to-date. Through watching his videos his followers benefit from his knowledge and his practical tips. For example he tells the viewers exactly how to work out or what to eat in order to burn body fat or to build up muscles (Figure 9).

By the end of 2012 he had already 15.000 subscribers on his *YouTube* channel. In December 2013 he had 140.000 subscribers and today he has 360.000 *YouTube* followers and 100 million video views by now (Socialblade.com, 2016).

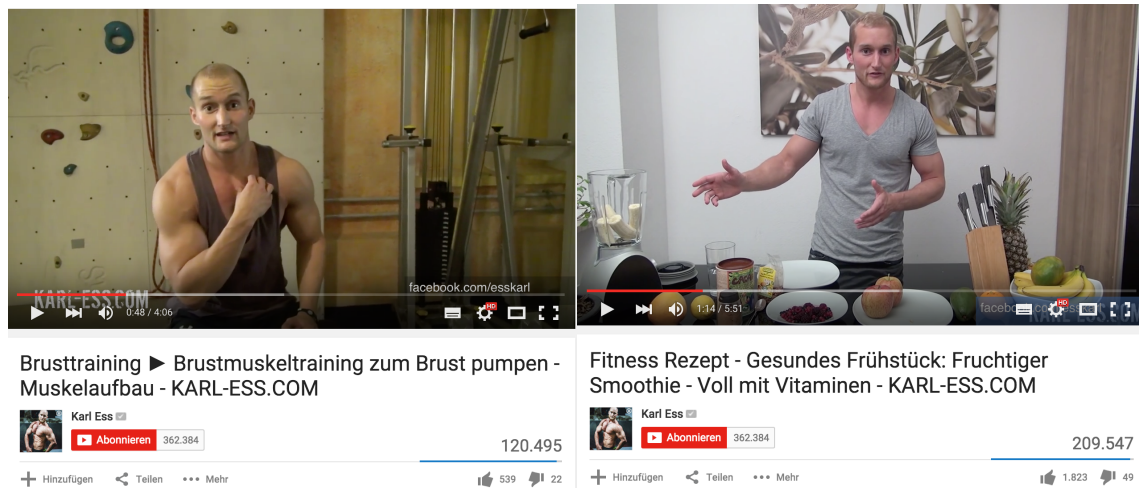


Figure 9 - Karl Ess YouTube Channel

Facebook

At the same time, in April 2012, *Karl Ess* set up a *Facebook* fan page, where he posts pictures about healthy eating, work out secrets or also funny videos related to fitness and nutrition topics (Figure 10). The *Facebook* fan page grew rapidly to 116.000 fans by October 2013 to 770.000 fans by October 2014. Then the number of his *Facebook* followers stagnated for the last year and now *Karl Ess* has still about 766.000 *Facebook* fans (Figure 11).



Figure 10 - Facebook Page Karl Ess, (Facebook.com, 2016)

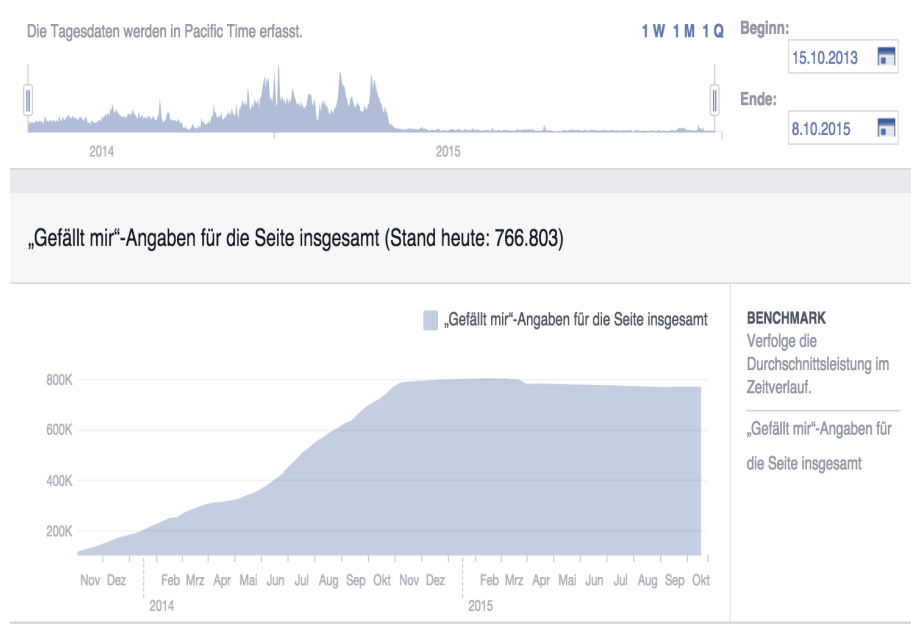


Figure 11 - Facebook Likes of Karl Ess

Instagram

In March 2014 *Karl Ess* started to implement *Instagram* as a third content based social media channel. On *Instagram* *Karl Ess* shares his private life with his followers. He posts mainly pictures and a few videos about himself working out in the gym, eating healthy cereals for breakfast or even meeting his girlfriend for an outside walk; a screenshot of the *Instagram* profile can be seen in Figure 12.

By the end of the year 2014 *Karl Ess* had already 122.000 *Instagram* followers. By now about 155.000 fitness and nutrition interested people follow *Karl Ess* on *Instagram* (Socialblade.com, 2016).

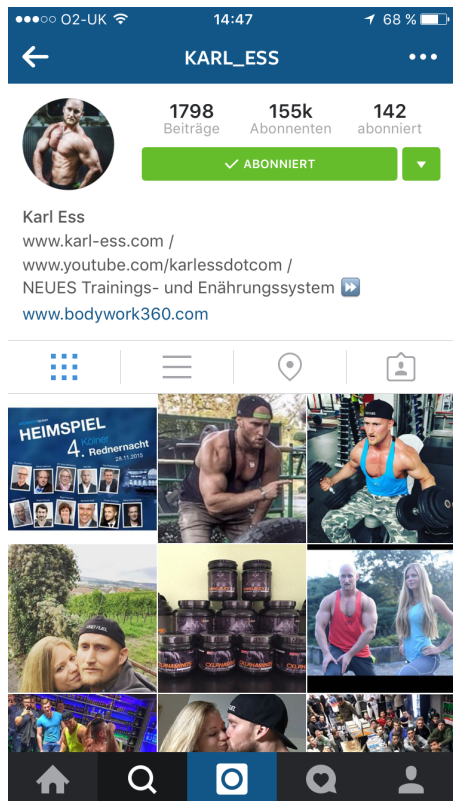


Figure 12- Instagram Profile of Karl Ess

Website

Karl-ess.com went online shortly after the *YouTube* channel was set up in April 2012. In contrast to the other social media channels, the website is owned by *Karl Ess*. This serves as a backup in case *YouTube*, *Facebook* or *Instagram* shut down *Karl Ess* account on their social media platform for any reason (Fattouh, 2015). Furthermore on *www.karl-ess.com* even more content is published. Informational texts for every video that is on the *YouTube* channel are written and published in form of articles. From 01.04.2015 until 10.10.2015 the page recorded 878.290 visitors, which means average website traffic of 138.677 visitors a month (Google Analytics, 2015)

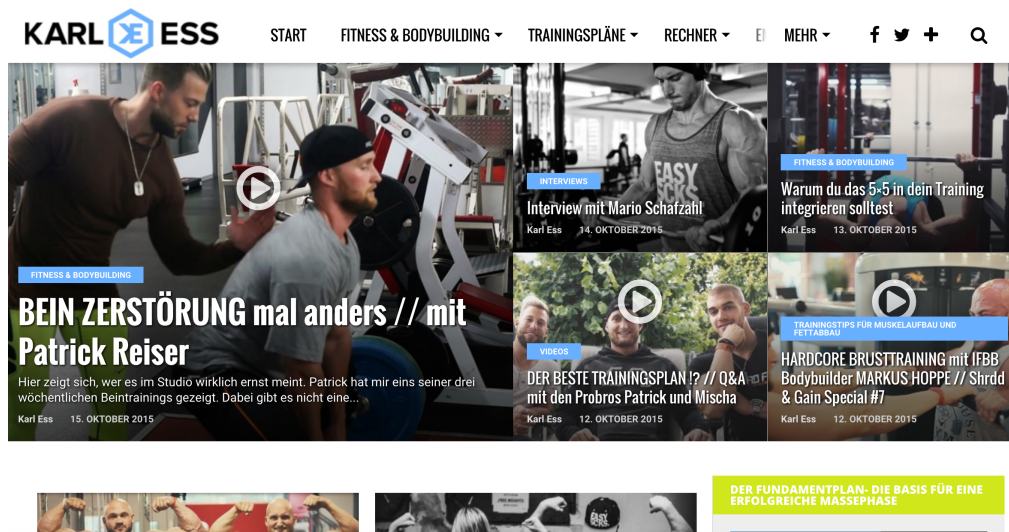


Figure 13 - Website of Karl Ess

Hence over the last three years *Karl Ess* different social media channels grew enormously. In the following case study, several ways of how his content with this great outreach to fitness, health and nutrition interested people is monetized, will be analysed.

6 Findings

Chapter 6 presents the findings gained from *Karl Ess* as good practice example. It starts with a detailed analysis of his revenue streams in chapter 6.1 - 6.1.8 and is followed by an analysis and a classification of his business strategy according to the 4C Typology of Internet Business Models (Wirtz et al., 2010).

6.1 Analysis of Karl Ess's value streams

In the following chapter *Karl Ess's* value streams will be presented and analyzed thoroughly according to the theoretical model and the literature background presented in chapter 2 and 3. The analysis starts with the current value streams of *Karl Ess*, followed by his former and planned revenue streams.

6.1.1 Paid Content

Karl Ess provides paid content as online workout plans, which consist of fitness and nutrition guides and video tutorials. By now *Karl Ess* uploaded more than 2000 videos to his *YouTube* channel that are freely accessible (*YouTube*, 2016). By providing heaps of information for free, brand awareness is created according to Kansky (2015, p. 87). On top of that, *Karl Ess* offers bundled fitness and nutrition plans that his viewers have to pay for. These programs can be downloaded from different landing pages. Hence *Karl Ess* is using a freemium model providing users with basic free content on *YouTube* to catch the viewers' attention and offering additional content that the users will be charged for.

Karl Ess offers ten different fitness and nutrition programs tailored to specific target groups; an overview is shown in Figure 14.



Figure 14 - Karl Ess Fitness Plans

E.g. for beginners *Karl Ess* provides a complimentary fundament plan, that explains you how to gain five kilograms weight in seven days comprising a PDF, an excel sheet and a teaching video (Dein360gradpaket.com, 2016). In order to receive the fundament plan, users have to enter their E-Mail addresses. After signing up for the fundament plan, the E-Mail addresses of the users will be categorized into an E-Mail list called “*fundament plan*”. After seven days these users receive a follow up E-Mail from *Karl Ess* offering paid content in form of further fundament plan videos. These videos are priced at 7 € and are going more into detail than the initial video, that is free of charge (Fattouh, 2015). Thus *Karl Ess* sets a certain proportion between paid content and free content mentioned by Klötzer (2004, p. 35).

The costs for the online fitness and nutrition packages of *Karl Ess* vary in between 7 € and 179,99 € and contain different videos and online guides customized to the specific needs of his customers. *Karl Ess* new *Bodywork 360* online training program, which costs 179,99 €, is a metered model of paid content (Bodywork360.com, 2016). Users can sign up for the *Body-*

work Free program receiving a 10-day free access to the program with limited functions to try out the program. After those ten days customers are asked to buy the full *Bodywork 360* program with unlimited access to all resources.

In order to set up these online workout plans, a programmer, a writer and a designer are needed to build the landing pages, where these plans can be accessed. Further a payment provider has to be chosen and integrated from the programmer to process all incoming payments. While the designer and the writer are just needed in the beginning until the landing page is set up, the programmer has to monitor the backend processes continually. The programmer is also in charge of preventing multiplication and illegal spread or resale of the offered e-products among customers (Fattouh, 2015).

One action to be taken is that customers will be provided with an online access to the guides and video tutorials. Since the materials can only be accessed online, the illegal download and spread of the guides and video tutorials becomes harder for the users. Either way, hackers were still able to download *Karl Ess* online workout plans. But since these copies didn't cause any significant decrease in sales figures, *Karl Ess* hasn't assigned a lawyer to this case yet (Fattouh, 2015).

Another action to prevent the multiplication of *Karl Ess* online workout plans is taken by implementing the so-called *ID hopping*. *ID hopping* means that every customer who buys an online workout plan will be given an unique ID. In case one ID is used by two different users at the same time from different locations, the ID will be blocked temporarily. After being banned, the initial user has to contact customer support to reinstate his account. If he hands out his ID again, the account of the user will be blocked permanently (Fattouh, 2015).

6.1.2 Affiliate

Karl Ess has different possibilities to integrate affiliate programs into his content depending on the respective social media channel. On *YouTube* and *Facebook* *Karl Ess* uses simple text links. Furthermore he could place ad banners with affiliate links on his website. However *Karl Ess* doesn't want to put any affiliate banners on the website to keep the page clean and content focused (Fattouh, 2015).

Out of the three affiliate remuneration methods, *Karl Ess* implemented the CPS (Cost per sale) model (Lammenett, 2012, p. 51-53) for all of his affiliate activities, since he is confident his followers buy the products he recommends. To monitor his sales *Karl Ess* uses tracking pixels, so called cookies, which are set behind every link to a specific partner's product or website.

Facebook

Karl Ess placed affiliate links to different health and fitness products in his *Facebook* posts. For instance he signed up for the *Amazon* affiliate program. After creating his account, *Karl Ess* was supported with a tracking ID, which allowed him to link to a wide range of fitness and nutrition related products. Unfortunately, *Karl Ess* violated the *Facebook* guidelines by placing too many of these *Amazon* affiliate links in all of his posts. That's why *Facebook* intervened and significantly restricted the outreach of his posts to his fans. At the moment *Karl Ess* doesn't place any affiliate links in his posts in order to win his initial outreach back (Fat-touh, 2015).

As mentioned earlier, there are typical commission rates for specific product sectors (Lammenett, 2012, p. 52). *Amazon* states:

"The advertising fee rates you may earn will vary depending on the number and category of Products that are shipped, streamed, or downloaded (as applicable) in a given calendar month that constitute Qualifying Purchases." As presented in Figure 15, *Karl Ess* earns a commission rate of 4% if he promotes grocery products such as food supplements on *Facebook*. Figure 16 shows the *Amazon* volume-based advertising model. The more general products, for instance sportswear, he sells, the higher is the commission rate.

Product Category	Fixed Advertising Fee Rates
Electronics Products	4.00%
Television Products	2.00%
PC Component Products	2.50%
Kindle tablets, Kindle e-readers, and Fire Phone	4.00%
Amazon Echo and Fire TV	7.00%
Amazon MP3 Products	5.00%
Amazon Video Products	5.00%
Game Downloads Products	10.00%
Gift Cards Redeemable on amazon.com	6.00%
Gift Cards Not Redeemable on amazon.com	4.00%
Amazon Coins	10.00%
Grocery Products (including Prime Pantry)	4.00%
Video Game Console Products	1.00%
Headphones Products	6.00%
DVD Products	4.00%
Industrial Products	8.00%
Products available on Myhabit.com	8.00%
Products available on AmazonLocal (local.amazon.com)	6.00%
Handmade Products	4.00%

Figure 15 - Fixed Advertising Rates for Specific Product Categories (Affiliate-program.amazon.com, 2016)

Number of Products Shipped/Downloaded in a Given Month**	Volume-Based Advertising Fee Rates for General Products
1-6	4.00%
7-30	6.00%
31-110	6.50%
111-320	7.00%
321-630	7.50%
631-1570	8.00%
1571-3130	8.25%
3131+	8.50%

Figure 16 - Volume based advertising fee rates for general products (Affiliate-program.amazon.com, 2016)

YouTube

On *YouTube* *Karl Ess* puts his affiliate links in the description box under the videos as simple text links. One of *Karl Ess* affiliate partners is the company *Third of Life* that focuses on sleep optimization. *Karl Ess* mentions in his videos that body regeneration after working out is very important and therefore *Third of Life* has the perfect products to ensure a better sleep. At the end of the video he tells the viewers to scroll down to the description box underneath the video and click on the affiliate link if they are interested in optimizing their sleep. Furthermore he draws the viewer's attention to the affiliate links through placing annotations in his videos as demonstrated in Figure 17 and Figure 18.



Figure 17 - Youtube Video with annotation

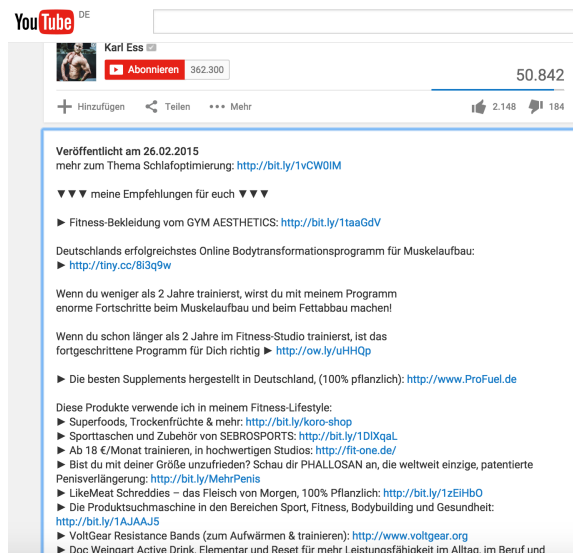


Figure 18 - Affiliate link on YouTube

In contrary to *Amazon*, *Third of Life* doesn't have its own affiliate program. *Third of Life* set up an affiliate account on *Affiliwelt*, an affiliate network (Lammenett, 2012, p. 51). Hence *Karl Ess* signed up for *Affiliwelt* to promote *Third of Life* products and to earn a provision on each sale.

Instagram

Instagram allows publishers to place one single link in their profile. *Karl Ess* usually uses this single link to refer to his homepage or his *YouTube* channel, not to affiliate partners. In Figure 19 the profile link directs to *Karl Ess* new *360 bodywork* program.

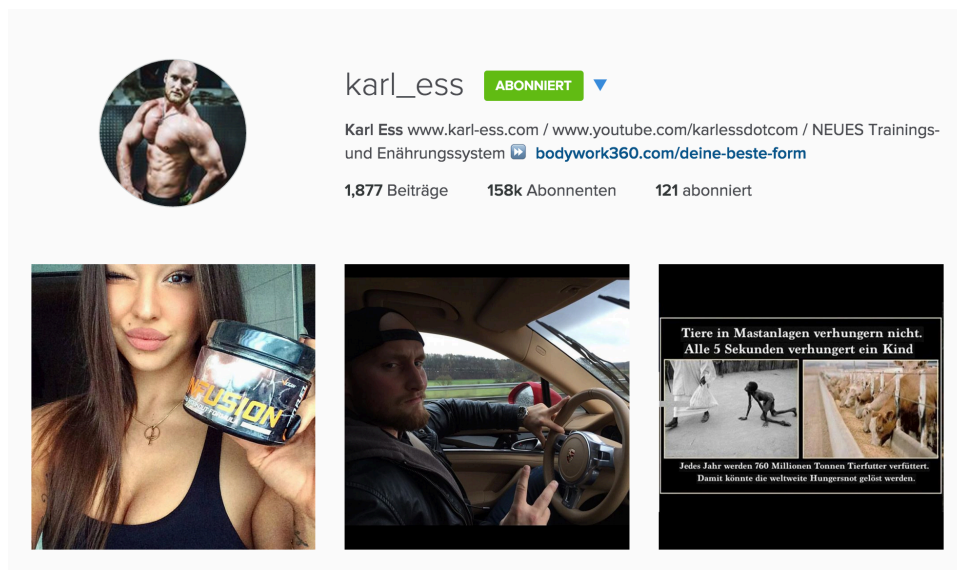


Figure 19 - Affiliate link on YouTube

Website

In many of his videos *Karl Ess* suggests his followers to visit his homepage and check out “*Empfehlungen*”, which means “*recommendations*”. This section of his web page contains eleven blocks, which transfer the visitors to different landing pages. Three out of those eleven blocks direct the visitors to his affiliate partners *Third of Life*, *Sebro Sports* and *Voltgear* (Fat-touh, 2015). *Sebro Sports* produces and sells various fitness equipment such as gym bags, gloves and shoes. *Voltgear* provides special equipment for the pre- and post-work out.

Sebro Sports bought a license for an affiliate software to set up their own affiliate program (Kreutzer, 2015). *Sebro Sports* offers *Karl Ess* a commission of 10% on each sale he generates on their website. *Voltgear* has its own affiliate program as well and reimburses *Karl Ess* with a commission on every sold product (Sebald, 2015).

6.1.3 Product placement

As defined by Lehrian (2012, p. 19) *Karl Ess* places the brands and products in his pictures and videos as necessary requisites to his viewers. In return *Karl Ess* is being compensated with a fixed amount of money.

YouTube

As shown in Figure 20, *Karl Ess* takes out his gym bag from his affiliate and product placement partner *Sebro Sports* before he enters the fitness studio. He tells the viewers why it is necessary to have a decent gym bag, where all the essential sport equipment fits in. In this case *Karl Ess* isn't paid with a fixed amount of money. Since *Sebro Sports* is one of his affiliate partners, product placement serves him as a proper tool to make his viewers aware of the product. Further he directs the viewers to the video description, where they find the affiliate link to the *Sebro Sports* online shop.



Figure 20 - Product placement on YouTube

Instagram

Karl Ess integrates the accounts of his product placement partners with a “@partner” to direct traffic to their *Instagram* page or uses their specific hashtag “#product” or “#partner” to promote their products or pages. In the images below *Karl Ess* promotes his partners *Sebro Sports* and *DOC Weingart* by linking to their *Instagram* pages with an “@SebroSports” or “@DOCWeingart” in the picture description on the right (Figures 21 and 22). *DOC Weingart* is an energy drink, which contains only natural ingredients and is supposed to boost physical performance as well as concentration. The Product placement of *Sebro Sports* gym bags and the *DOC Weingart* energy drinks can be viewed in Figure 21 and Figure 22.

Usually product placement publishers are getting paid by the merchant with a fixed amount of money upfront. *DOC Weingart* for example offered *Karl Ess* a long term partnership where Dr. Johannes Weingart gave Karl Ess a certain percentage of the *DOC Weingart* company shares. Hence *Karl Ess* is paid according to his equity proportions at the end of the year (Sättele, 2015). Whereas in the case of *Sebro Sports* *Karl Ess* places the links for free to show his goodwill towards his affiliate cooperation with *Sebro Sports* (Sebald, 2015).



Figure 21 - Product placement of Sebro Sports gym bag on Instagram



Figure 22 - Product placement of DOC Weingart Energy Drink on Instagram

Karl Ess shares his *Instagram* pictures and his *YouTube* videos containing the various product placements also on *Facebook*. By doing so he tries to direct more viewers to the respective channels.

6.1.4 Cross selling

Over time *Karl Ess* realized that the revenues of selling his own products are much larger than the revenues generated through promoting products of affiliate partners. Cross selling is *Karl Ess*' most effective revenue stream, since the people trust him as a brand and therefore are willing to buy products that come from *Karl Ess* directly. At the moment *Karl Ess* revenues through cross selling make up 45% of his total revenues (Fattouh, 2015).

Instead of placing *Amazon* affiliate links to his favourite fitness boosters, *Karl Ess* launched his own fitness booster line called *ProFuel* in 2013 (Profuel.de, 2016). The *ProFuel* supplement line consists of many different products named *Tunnelblick*, *Fundament* or *Alphaminos* (Figure 23). The unique selling proposition of the *ProFuel* supplements is clearly the ingredients: instead of animal protein, it contains strictly only vegan protein from plants. *Karl Ess* claims, that vegan protein significantly lowers the risk of developing cancer as well as reduces skin blemishes and flatulencies (Kampmann, 2015). He partnered up with Michael Weigl, a nutrition expert who founded an online shop for supplements, called Mic's Body Shop, in 2009. *Karl Ess* had to deliver a formula of the ingredients and a product design as well as promote the supplements on his Social Media channels. Michael Weigl had to handle the fulfilment process including production, packaging and shipping from his factory in Regensburg, Germany. Customers have to order their *ProFuel* supplements online, either on www.micsbodyshop.de, on www.profuel.de or on *Amazon* or *eBay* (Fattouh, 2015).

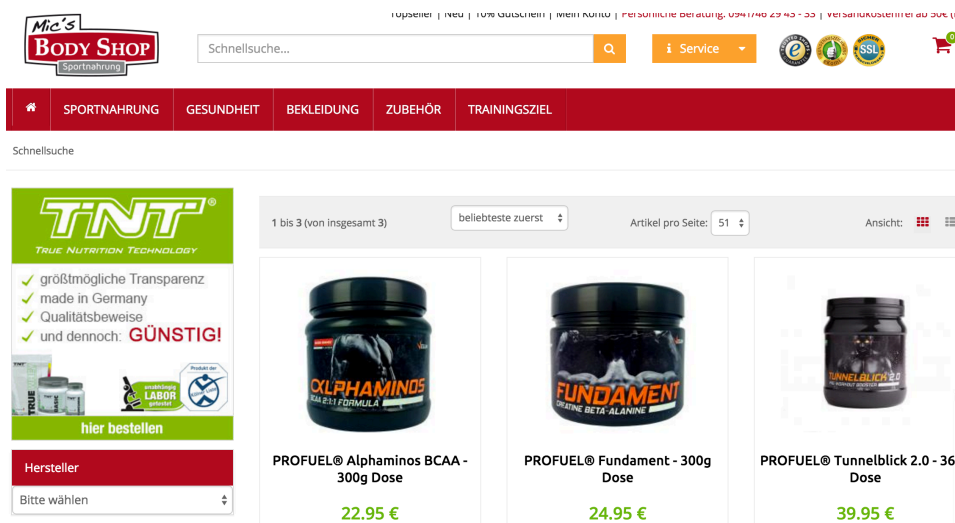


Figure 23 - Profuel supplements on www.micsbodyshop.de

Karl Ess also decided to release his own fitness clothes brand - *Gym Aesthetics* (Gymaesthetics.de, 2016). *Gym Aesthetics* was founded by the engineers Aleksandar Duric and Philipp Deslandes in April 2013. *Karl Ess* and his business Partner Ralf Sättele joined the team in June 2013 (Bogen, 2014). In contrary to *ProFuel*, the clothes are produced in Asia and then shipped to the *Gym Aesthetics* warehouse of a logistics company nearby Stuttgart, Germany. Here, the quality of the clothes is being controlled and afterwards the products are sent out to the customers (Fattouh, 2015). The unique selling proposition of *Gym Aesthetics* is the unique design of the clothes. The shape of the so called stringers is something new compared to normal T-shirts. Some stringers also have imprinted motivational phrases like “VENI VIDI VICI”. No conventional fitness clothes brands such as Nike or Adidas did ever produce stringers or put motivational phrases on their clothes (Bogen, 2014). Such a stringer can be seen in Figure 24.

On top of that, *Gym Aesthetics* has a very strong sense of community. *Gym Aesthetics* shares new design ideas for new shirts or trousers with their online community on *Facebook*. If the customers like the proposed design, it goes into production (Bogen, 2014).

Food supplements like protein powder create a steady cash flow since customers have to order a new package of supplements approximately every month if they keep on working out constantly.³ Therefore fitness supplements are a very stable and profitable income stream in comparison with other revenue streams. But *ProFuel* is only consumed by the fitness oriented target group, whereas *Gym Aesthetics* clothes are also bought by other customers as well, who simply like the products. Hence *Gym Aesthetics* has a larger target group than *ProFuel* (Fattouh, 2015).

Further *Karl Ess* profits from network effects. He sets up affiliate contracts with other fitness and nutrition social media influencers who promote his brands *ProFuel* and *Gym Aesthetics* on their *YouTube* channel, *Facebook* or *Instagram* fan page. *Karl Ess* provides them with affiliate links for the products and offers them a commission on every *ProFuel* booster or *Gym Aesthetics* hoodie they are selling. Anyways, *Karl Ess* himself still generates the biggest revenue part of the products due to his great outreach and his excellent selling skills (Fattouh, 2015).

³ Calculation: one supplement contains 1000 grams / 35 grams per serving = 30 servings lasting for 30 days in average

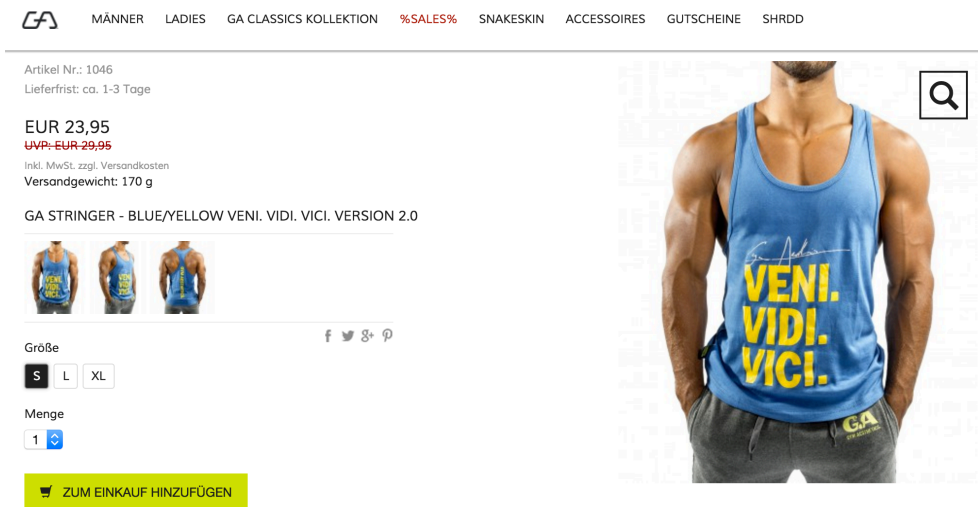


Figure 24 - Gym Aesthetic stringer “VENI VIDI VICI”

Karl Ess’ website www.karl-ess.com clearly focuses on promoting his own products, that are reachable at “Trainingspläne” (paid content) and “Empfehlungen” (cross selling and affiliate) in the navigation bar (Figure 25).

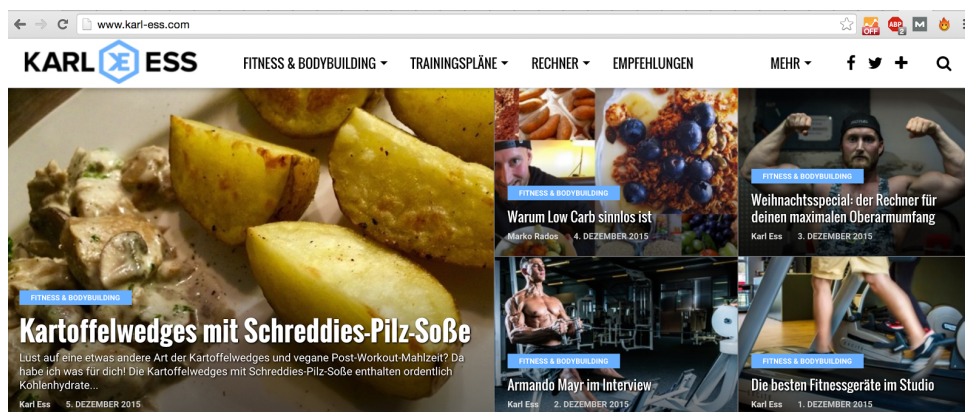


Figure 25 – Navigation bar Karl Ess

Karl Ess also uses his YouTube videos to promote the products he wants to cross sell. He tries out his new fitness supplements from *ProFuel*, before he goes to the gym. Next he wears a shirt from *Gym Aesthetics* while working out and also talks about the features of his latest

online workout program. At the end of the video *Karl Ess* puts so called clickable annotations. These are text boxes that viewers can click on and get directed to the websites that sell the according products (Figure 26). On top of that, *Karl Ess* places additional links in the description box underneath the *YouTube* video.



Figure 26 - YouTube annotations with links to Gym Aesthetics and Profuel

On *Instagram* pictures *Karl Ess* places his own products in the same way as already shown in product placement. By now, *Karl Ess* posts mainly his own products to focus on the cross selling revenue stream instead of using product or affiliate placements (Figure 27).

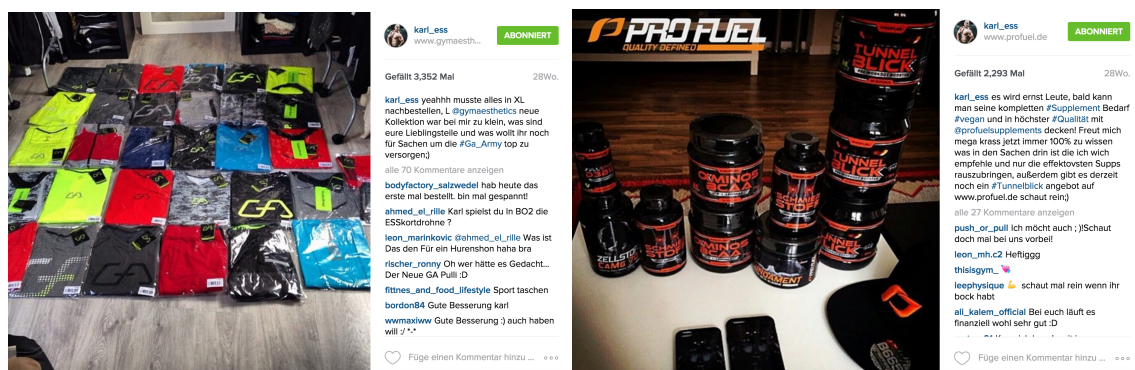


Figure 27 - Cross selling of Gym Aesthetics and Profuel on Instagram

6.1.5 E-Mail Marketing

Karl Ess is using different E-Mail marketing methods, which can be structured according to Lammenett (2012).

Lead generation

The process of collecting E-Mail addresses is called “lead generation”. A large database of E-Mail addresses with a targeted audience like customers with an interest in fitness and nutrition is very valuable to *Karl Ess*. Other companies that sell similar products to a similar target group could be interested in buying his entire E-Mail database to approach new customers and significantly widen their outreach. The value of a targeted E-Mail database can be determined with the “Customer Lifetime Value”-model (Hotteling.net, 2015) shown in Figure 28. According to Fattouh (2015), *Karl Ess* has about 100.000 Newsletter recipients, an average E-Mail conversion rate of 3,27%, an average customer lifetime of 12 months and an average consumer basket of 100 €.

Number of Newsletter recipients	100.000
Average conversion rate	3,27%
Average Customer Lifetime	12 months
Average consumer basket	100 €
Value of E-Mail database	$100.000 * 0,0327 * 12 * 100 = \mathbf{3.924.000 \text{ €}}$
Value per Lead	$3.924.000 \text{ € revenues} / 100.000 \text{ Newsletter recipients} = \mathbf{39,24 \text{ €}}$

Figure 28 - Customer Lifetime Value model

There is no possibility of collecting E-Mail addresses on social media channels like *YouTube*, *Facebook* or *Instagram*. Hence *Karl Ess* forwards his traffic from the social media channels to his website, where E-Mail addresses can be gathered on certain landing pages. If users visit *www.karl-ess.com* they first get to see a so called overlay picture with *Karl Ess* asking them to leave their E-Mail addresses in order to receive his complimentary fundament workout plan (Figure 29).

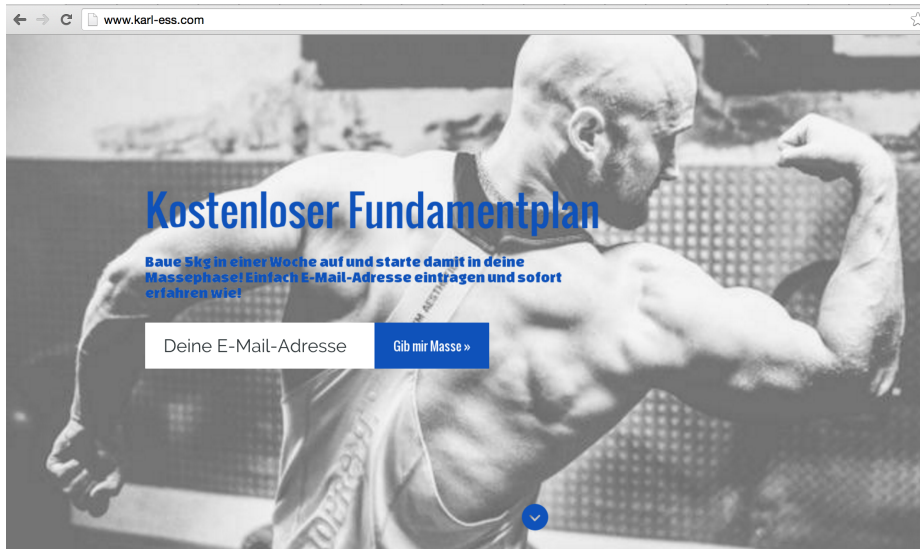


Figure 29 - Overlay Picture on www.karl-ess.com

On another landing page, *Karl Ess* sends his customers the alpha plan for free via E-Mail, if they click on the red button on Figure 30. The alpha plan is a workout plan for beginners, which contains a video and a 10-pager PDF with training tips and further information (Dein360gradpaket.com, 2016).



Figure 30 - Landing page to collect E-Mail addresses on www.karl-ess.com

E-Mail-Responder

After users drop their E-Mail addresses on one of the landing pages mentioned above, they receive an automatic E-Mail-Responder, which asks the subscriber to confirm his subscription to *Karl Ess*' E-Mail address list. After confirming the subscription, users will receive more E-Mails in form of Newsletters and Stand-Alone campaigns from *Karl Ess*.

Newsletters

Newsletters are a great tool for *Karl Ess* to keep his viewers up-to-date and simply catch their attention. *Karl Ess* sends out Newsletters once or twice a week (Fattouh, 2015). Figure 31 shows a newsletter containing a *healthy fitness meal with a recipe*, which is sent out to his newsletter subscribers. Other newsletter subjects with user related content for the subscribers are for instance “how to quit smoking and not lose weight” or “what to do against muscle pain”.

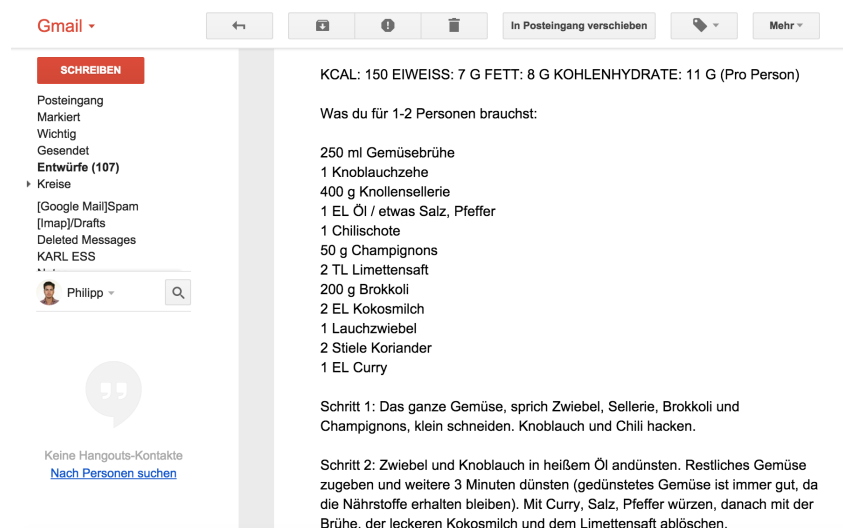


Figure 31 - E-Mail Newsletter by Karl Ess

Stand-Alone E-Mails

Since cross selling turned out to be the most profitable revenue stream for *Karl Ess*, Stand-Alone E-Mail campaigns are a very powerful trigger to promote his own products. These E-mails are sent out regularly by *Karl Ess* in order to promote recently launched products. In Figure 32 a Stand-Alone E-Mail campaign of *Karl Ess* promoting his 360° Paket with an end

of summer sale is shown. *Karl Ess* offers his E-Mail subscribers a discount on his 360° Paket for a distinct period of time. After a couple of mailings concerning this end of summer sale between mid-August and mid-September the campaign was finished. Other examples of Stand-Alone E-Mails are the launch of a new T-shirt collection of his clothing brand *Gym Aesthetics* or a sweepstake where followers could win vouchers for his nutrition brand *Pro-Fuel*.

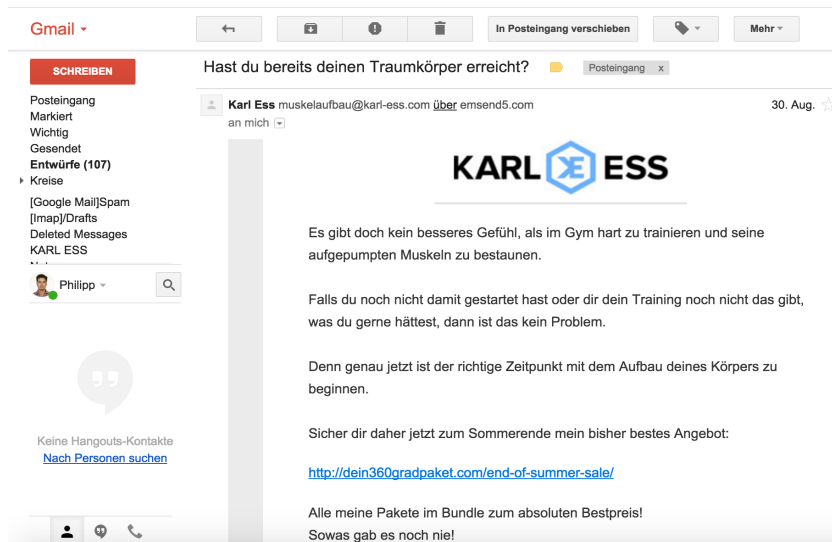


Figure 32 – Stand-Alone E-Mail campaign by Karl Ess

6.1.6 Former Value Streams of Karl Ess

Product Placement

Karl Ess had a product placement contract with the *Lovoo GmbH* to promote their dating application. *Karl Ess* was supposed to put videos online where he showed himself downloading the *Lovoo* application and talking about its advantages. Afterwards he approached girls through the application. Further he had to establish a link in the description box below the respective video (Figure 33), that directed his viewers to the download page of the application. In return *Karl Ess* earned a fixed amount of money per month over a certain period of time. After promoting the *Lovoo* application *Karl Ess* realized that his viewers didn't like this kind of product placement, since the brand *Karl Ess* stands for fitness and nutrition, not dating

services. Hence *Karl Ess* stopped this product placement due to the bad influence on his reputation and his image (Fattouh, 2015).

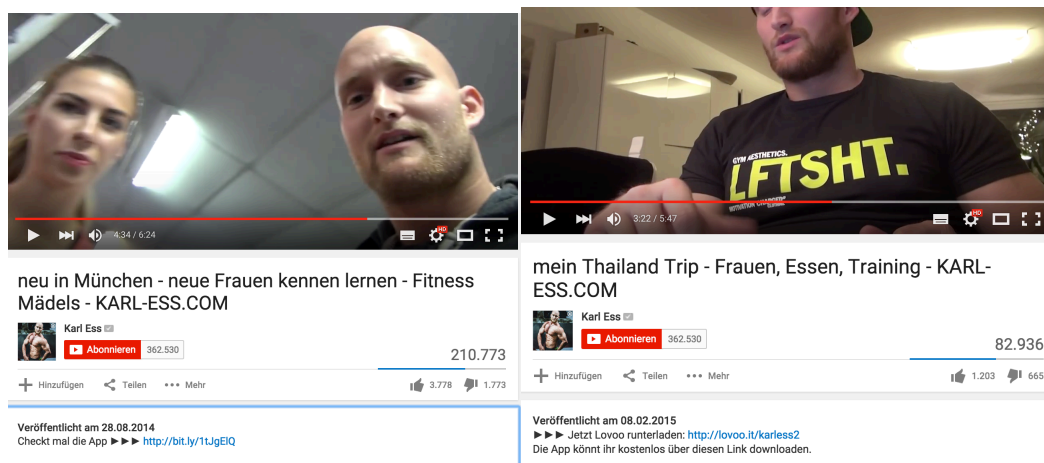


Figure 33 - *Karl Ess for Lovoo*

Affiliate

As mentioned earlier in chapter 6.1.2, *Karl Ess* violated the *Facebook* guidelines by putting too many *Amazon* links in his *Facebook* posts. Another reason why *Facebook* significantly restricted his outreach to his fans is, because *Karl Ess* posted affiliate links to websites where his fans could play online lottery. *Karl Ess* has many *Facebook* fans, who are under 18 years old and therefore are not allowed to play lottery. Besides that, playing lottery certainly doesn't match his target group of fitness and nutrition interested people. Consequently *Karl Ess* had to stop promoting online lotteries due to the very bad influence it had on his image and reputation as a fitness and nutrition expert (Fattouh, 2015).

Advertising

As Lammenett (2012, p. 214) states, online advertising means the placement of advertising media on websites and is one of the main sources of income for content based Internet business models according to Wirtz et al. (2010). *Karl Ess* would have several options to generate revenues from placing simple banner ads or in-video advertising. *Karl Ess* advertising space on his website and social media channels could be used by companies with topic relevant websites focusing on fitness and nutrition. The most common way of implementing advertis-

ing as a revenue stream is setting up a publisher account on *Google AdSense* (Google.de, 2016). Afterwards merchants make a real-time offer to place their AdSense advertisement on the given advertising space. The advertisement of the merchant with the highest offer will be put in place. *Google AdSense* offers a broad variety of integrating online advertisements into website content, the *Google* search and videos on *YouTube* (Google.de, 2016). As Fattouh (2015) mentioned, *Karl Ess* wanted to keep his website free of advertisement banners to put the focus of the website visitors to his premium content and his cross sell products.

Merchandising

Referring to Jäggi et al. (2012) common merchandise materials are T-shirts, key chains, posters etc. In 2013, *Karl Ess* started to promote T-shirts with his Logo by using the service of the company *Spreadshirt*. *Spreadshirt* offers consumers to customize and sell their own T-shirts and pullovers on the Internet (Spreadshirt, 2016). After a while *Karl Ess* stopped to actively promote his T-shirts, because he noticed that this merchandising as a revenue stream didn't pay off compared to his other revenue streams paid content or cross selling. His fans and followers were simply not very interested in buying sweaters or T-shirts with an imprinted *Karl Ess* logo on them. Compared to video premium content or cross sell products, *Karl Ess* merchandising materials such as branded T-shirts or hoodies don't create as much added value for the customers as online workout plans or fitness supplements (Fattouh, 2015). However, the *Spreadshirt* online shop with the merchandising materials is still in place (Figure 34) and articles can still be bought by potential customers (Shop.spreadshirt.de, 2016).



Figure 34 - *Karl Ess*'s Merchandising shop on *spreadshirt.de*

6.1.7 Planned Value Streams of Karl Ess

So far *Karl Ess* didn't integrate any subscription services as revenue streams in his business model. However, for the future, *Karl Ess* plans on setting up an online member area where users will have access to premium content containing insider tips and other useful fitness and nutrition related materials. Karl Ess could charge his users with a monthly fee for receiving an access to the member area. The exact monthly subscription fee depends on the value of the information provided in the member area (Fattouh, 2015). *Freeletics* can be seen as an example for this subscription model (Freeletics.com, 2016). *Freeletics* provides a member area to form a community among the *Freeletics* users as well as an application for smartphones with open-air workouts and nutrition tips. *Freeletics* proposes the following options to sign up for the member subscription (Figure 35). Users have to pay either 2,69 €, 2,31 € or 1,54 € per week depending on the duration of their subscription (three, six or twelve months) (Freeletics.com, 2016).

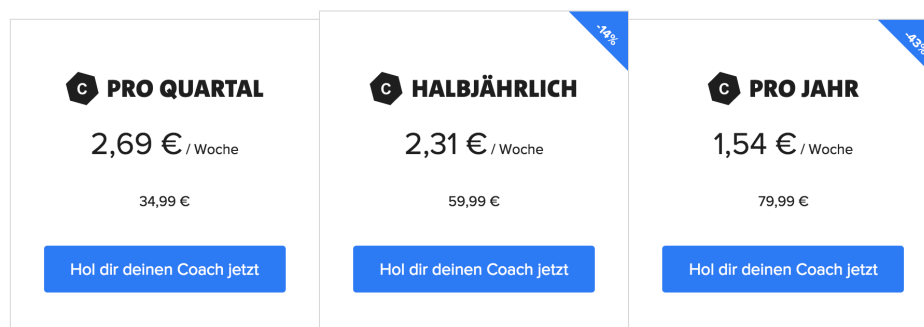


Figure 35 - Member Subscription Freeletics

Another imaginable subscription service would be implementing a fitness application for smart phones that gives users work out tips for an efficient home workout or another application that tracks the daily nutrition of the users (Fattouh, 2015). An example for such an application is the *Adrian James* application (James, 2016). *Adrian James* explains his users how to do a home workout for their stomach over a certain period of time. The application provides work out challenges for the users as well as tracking of the users progresses. The monetization of *Karl Ess*'s application could be similar to the *Adrian James* application. *Adrian James* charges his subscribers 2,99 € once a year (Figure 36) (App Store, 2016).

Adrian James Sixpack-Bauchmuskel-Training

von Adrian James Nutrition Ltd.

Öffnen Sie iTunes, um Apps zu kaufen und zu laden.



In iTunes ansehen

2,99 €

Kategorie: [Gesundheit und Fitness](#)

Beschreibung

Sind Sie bereit, Ihren Körper zu verwandeln?

In nur 8 Wochen bekommen Sie die beste Figur Ihres Lebens.

[Website von Adrian James Nutrition Ltd.](#) ▶ [Adrian James Support](#) ▶

Neue Funktionen von Version 4.2.20

Ich habe die letzten paar Wochen damit verbracht, meine Fitnessziele zu erreichen.

Figure 36 - Adrian James Application

As an offline subscription service, Karl Ess is thinking about teaming up with a food delivery service to send out healthy nutrition boxes to his customers. These boxes could be a great match to his online workout programs, since the food ingredients could be tailored to the particular needs of his subscribers (Fattouh, 2015). Possible cooperation partners could be *Hello Fresh* (Hellofresh.de, 2016) or *Kochzauber* (Kochzauber.de, 2016). *Hello Fresh* and *Kochzauber* deliver weekly boxes with packaged food containing all needed ingredients plus recipes to their subscribers (Figure 37). Hence the subscribers only have to cook and can hereby save a lot of time regarding the planning and doing of the grocery shopping (Hellofresh.de, 2016).





Original Unser Bestseller für den vielfältigen Genuss	Veggie Vegetarische Rezepte mit viel Abwechslung	Kleine Helden Perfekt für Familien mit kleinen Kindern	weightwatchers Gesünder Kochen und Genießen
			
3 Gerichte für 2 – 4 Personen ab 4,99 € pro Gericht	3 Gerichte für 2 – 4 Personen ab 4,99 € pro Gericht	3 Gerichte für 3 – 4 Personen für 4,16 € pro Gericht	3 Gerichte für 2 Personen für 6,65 € pro Gericht
ZUR KOCHBOX	ZUR KOCHBOX	ZUR KOCHBOX	ZUR KOCHBOX

Figure 37 - Kochzauber Boxes

The *Karl Ess* fitness food box could be priced similar to the *Weight Watchers* box already offered by *Kochzauber*. The *Weight Watchers* box is slightly more expensive than the other food boxes, since the selected ingredients are more ecological and healthy than the ones in the other boxes (Kochzauber.de, 2016).

6.1.8 Summary of Karl Ess's value streams

As shown in the case presentation and the discussion, *Karl Ess* greatest revenue stream is cross selling (*Gym Aesthetics* and *ProFuel*) with 45% of his total revenues, followed by paid content (40%) in form of his online workout programs. Affiliate deals (10%) and product placements (5%) only play a minor role concerning *Karl Ess* revenue streams (Figure 38) (Fattouh, 2015). *Karl Ess* doesn't generate revenues from merchandising or advertising anymore, but he might add subscription services as an additional revenue source in the future. His E-Mail database has a certain value, but doesn't generate direct revenues. That's why E-Mail marketing is not represented in Figure 38.

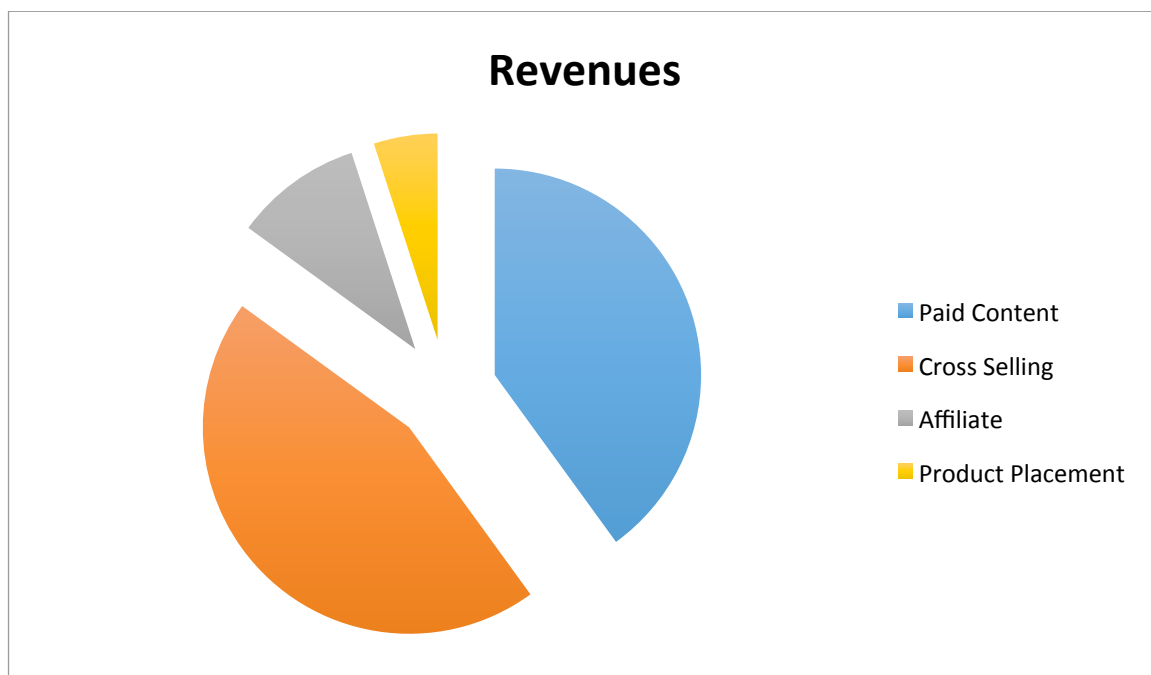


Figure 38 - Distribution of Karl Ess total revenues

6.2 Analysis and Classification of the business strategy of Karl Ess

According to the definition of content based Internet business models provided in the 4 C model by Wirtz et al. (2010) *Karl Ess* belongs to the category “content” as he is providing self-created content. His value proposition is to provide user relevant content in a user-convenient way and turn this content into actual revenue. Wirtz et al. (2010) determines online-advertising, subscription models and paid content as the main revenue streams for content based business models.

To monetize his content, *Karl Ess* started off implementing online-advertising on his *YouTube* channel through so called TrueView in-Stream advertisements⁴. After a while *Karl Ess* decided to take out all *YouTube* advertisements on his channels. He realized that by producing and selling his own products instead of just receiving payments for advertising other company’s products, he could create much more revenue. Consequently *Karl Ess* started to promote his cross sell brands *Gym Aesthetics* and *Profuel* on *YouTube*. Now he wants his viewers to focus just on himself and his own products that he promotes in his video. Instead of the TrueView In-Stream advertisements by AdSense, *Karl Ess* now places In-Stream advertisements⁵ of his own products at the beginning of his videos (Figure 39) (Fattouh, 2015).

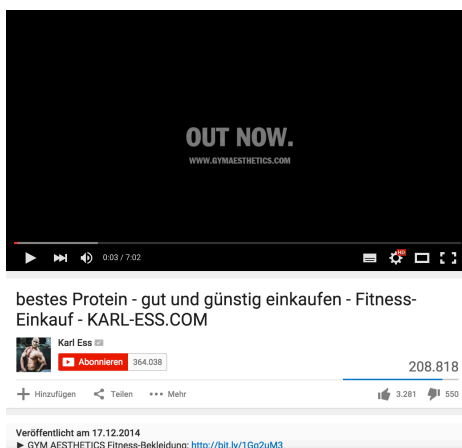


Figure 39 - In-stream advertising Karl Ess

⁴ TrueView In-Stream advertisements are displayed before, after or during the video. Those kind of video advertisements can be skipped by the viewer after 5 seconds.

⁵ In-Stream-advertisements are shown to the viewer before, after or during the video. In-Stream videos can’t be skipped by the viewer and can last up to 30 seconds.

Karl Ess as a hybrid business model

In the classical theoretical model proposed by Porter a company has to focus on only one business strategy to be successful, e.g. diversification vs. cost leadership by reduction of broadness and depth of its products offered (Müller 2007). But regarding the more recent literature on this topic, Porter's old key principle of "either/or" is not common sense any more. Empirical research showed that a mix of strategies and business fields can also lead to success and doesn't automatically create a situation, which porter called "stuck-in-the-middle"-dilemma (Fleck 2013; Müller 2007). This mix of business strategies is described as a "hybrid" strategy (Fleck, 2013). There is a variety of former opposed strategies that can now be mixed to create economic success; so there is not only one hybrid strategy. Hybrid business strategies, like "mass-customization" in the consumer goods market, have become possible in the past decade mostly to new production and information technologies (Fleck, 2013).

According to Kollmann (2011) the strategy of *Karl Ess* using his good reputation and his fans' trust in the area of fitness and healthy lifestyle which he created with his social media content channels to actually sell physical products and not only advertising and premium content like workout plans, could be described as cross selling. In the 4C model by Wirtz al. (2010) the selling of physical products belongs to the category "commerce". So by implementing cross-selling into his business strategy *Karl Ess* evolved from a content based business to a kind of hybrid business model. This hybrid business model in the case of *Karl Ess* consists of "content" and "commerce". In the "commerce" part he turns the trust of his followers, which he created in the "content" part, into actual revenue generated by selling his own products. The revenue created with premium content, which would be the main source of income for content based business models according to Wirtz al. (2010), therefore loses relevance in *Karl Ess's* hybrid strategy.

Anyways, a hybrid strategy by adding "commerce" to a "content based" business model can only be successfully implemented if the outreach to potential customers is huge enough to ensure a steady income stream. Therefore the "commerce" model evolves from the "content" model as a long term process.

Four decisive factors for success in web 2.0

Besides categorizing Internet business models according to their value proposition, Wirtz et al. (2010) also define four decisive sectors, which are crucial for companies to be successful in web 2.0 businesses:

- Interaction Orientation
- Customization/Personalization
- User-Added-Value
- Social-Networking

Interaction Orientation

Interaction Orientation refers to the importance of an “intense and authentic dialogue” between content provider and followers. Wirtz et al. (2010) distinguish the following four aspects of Interaction Orientation:

In the area of customer response *Karl Ess* tells his followers for example in *YouTube* videos where they can meet him in person at fitness trade fairs and interact with him. When users post pictures on *Instagram* wearing his workout collection and tagging it with “#KarlEss” or “#GymAesthetics” he gives those likes and comments on their pictures. *Karl Ess* tried to establish an even closer contact by setting up direct Q&A sessions with his users via Skype. But since there were too many requests of joining the Q&A conferences, just a few users were able to reach him personally and many users were disappointed. Hence *Karl Ess* cancelled the Q&A sessions to prevent image damage. At the moment his team works to find another solution to form a direct contact between *Karl Ess* and his followers. *Karl Ess* also has a reliable customer support that answers E-Mails, but not necessarily right away. It can take up to three days before customers receive an answer, because there are usually a great number of incoming E-Mails every day (Fattouh, 2015). The benchmark for customer service of an online business to answer the E-Mails of their customers is a response time of up to 24 hours (Markidan, 2016), so here is room for improvement.

High Customer centricity, another relevant part of Interaction Orientation, is reached by focusing all business activities and all content on the customers’ demands. By actively promot-

ing the dating application *Lovoo* and posting lottery affiliate links *Karl Ess* lost credibility and fans. He was followed because of his knowledge in training and health advice, not for dating or life coaching. When realizing that, *Karl Ess* readjusted his content with a sole focus on fitness and healthy lifestyle; in that way he could get back his former credibility. Another aspect that underlines *Karl Ess*' strong focus on his customers' interests and demands is the fact that many of his videos are based on actual questions from his fans. If users ask questions in the comments section below his *YouTube* videos or send him E-Mails about certain topics they are specifically interested in, *Karl Ess* takes care of these questions and answers them in new *YouTube* videos. For example if his fans want to know how to lose their body fat after Christmas, *Karl Ess* produces a video telling them how to do it. If users want to know how to get a sixpack, *Karl Ess* develops a sixpack masterplan and shares it with his followers.

Cooperative value generation is also a basic element of *Karl Ess*' business strategy. He often integrates content generated by his users. For example if *Karl Ess* gets tagged on a picture of an *Instagram* follower who wears a *Gym Aesthetics* hoodie, he uses the picture as a new post on his own *Instagram* page. Another thinkable way of creating cooperative value with his customers would be to set up a regular *Snapchat* Q&A session. Fans can film themselves asking *Karl Ess* questions about fitness or nutrition topics they are interested in and send these videos to his *Snapchat* account. Afterwards *Karl Ess* films himself answering these questions. Than he makes a video of the questions of his followers and his answers and uploads it to his *YouTube* channel. Hereby cooperative value between his followers and him will be generated.

Interaction configuration means that the right information is shared with the right customers. When *Karl Ess* shared the information of where to best play online lottery with his *Facebook* fans, interaction configuration was clearly not met. Since *Karl Ess* stopped this kind of promotion and focused on sharing fitness and nutrition relevant information with his *Facebook* fans again, a higher interaction configuration and hereby a higher interaction orientation was achieved.

Customization

Karl Ess's clothing brand *Gym Aesthetics* let the customers decide whether a design is worth it to be actually produced in Asia. If many users of the *Gym Aesthetics* community like the design of a certain T-shirt, the shirt will be produced (Bogen, 2014) (Figure 40). According to Wirtz et al. (2010), this is called *group customization*. Through using social media as his business model, *Karl Ess* approaches a specific social layer of young people, who are in between 18 and 34 years old. Hence he tailors his fitness and nutrition products exactly to a young and Internet affine target group. This kind of personalization concept described by Wirtz et al. (2010) is called *social customization*.



Figure 40 - Gym Aesthetics Design competition

User-Added Value

Users add value to *Karl Ess's* content business through producing *user-generated content*. For example customers send *Karl Ess* E-Mails with so called body transformation photos. They take one picture of themselves before starting with *Karl Ess's* 360 Grad workout program and another picture when they have completed the program (Figure 41). After receiving these

photos, *Karl Ess* can use this content generated by the user as a post on his *Facebook* fan page to attract more users to buy his *360 Grad* workout program. By doing so, *user-generated content* will lead to *user-generated revenues*.

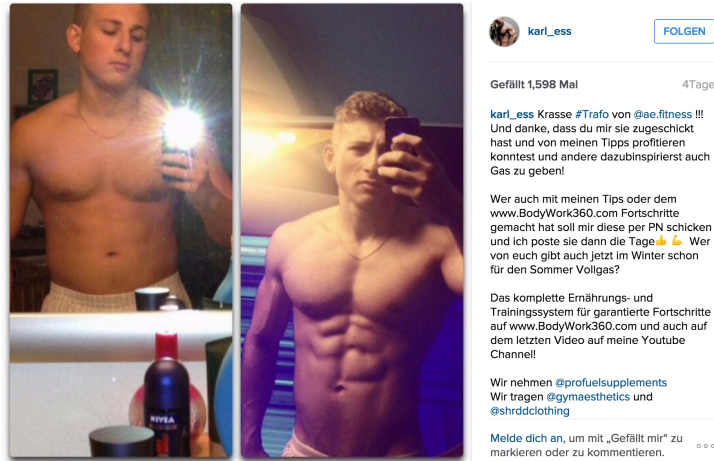


Figure 41 - Body transformation pictures from @ae.fitness

Social Networking

Wirtz et al. (2010) outline the importance of social networking for having success in web 2.0 business environments. *Karl Ess* success is founded on the social trust he created with the fitness videos he uploaded on *YouTube*. By providing helpful advice in target group related language and style he gained hundreds of thousands of viewers and fans. But the examples of *Karl Ess* promoting the flirt application *Lovoo* and posting affiliate lottery tickets show that fans and followers in a social media environment resemble a critical and unstable mass. If they have the feeling that the content or the person producing this content is not authentic anymore, they don't hesitate to shift their attention to other *YouTube* idols.

Especially in the beginning *Karl Ess* profited a lot from the phenomena of *virtual word of mouth*. Without advertising his *YouTube* videos in any form, he gained viewers and fans every day only because of users sharing his content on social media platforms. That he is now successfully able to turn his fans into customers for his own products, namely sports clothing and nutrition supplements, shows the relevance of the *increasing consumer power*. The customers of *Karl Ess* are posting comments and they are recommending his products on social media platforms and thereby serve as free advertising for *Karl Ess*. Figure 42 shows a fan of *Karl Ess* posting his *Gym Aesthetics* jacket on *Instagram*.



Figure 42 – Gym Aesthetics Instagram post by @mario_schafzahl

Gym Aesthetics picks up the point *social identity* quite good. *Gym Aesthetics* customers want to form their individual online identity by showing off their social belonging to the *Gym Aesthetics* team. They can show their friends that they are part of the *Gym Aesthetics* team by using the hashtags “#GACrew” and “#GA_Army” (Figure 42), when they are posting pictures or videos wearing *Gym Aesthetics* clothes.

The most important advice for *Karl Ess* in the field of “Social Networking” is not to put his *social trust* at risk by promoting non-fitness related products or services. The short term benefits of such strategies will bear too many mid- and long-term risks like the *Lovoo* or the lottery links escapades show.

7 Discussion and Limitations

Karl Ess successfully developed his value proposition from a content based to a hybrid business strategy. He figured out that by producing his own products and cross sell them via his content channels he can create much more revenue than by advertising only. Cross selling is now his largest source of revenue. The way of value creation for content based Internet business models is not yet described in the *4C Typology of Internet Business Models* by Wirtz et al. (2010), which serves as theoretical framework for this thesis.

Still approximately one third of *Karl Ess's* revenues derive from paid content, a way of value creation that clearly belongs to content based business models. This shows that a diversion between content based business models and commerce based business models in its strict form like proposed by Wirtz et al. (2010) is not applicable to fast changing business models that are emerging in the web 2.0 business environment. In a possible future model hybrid strategies like the one from Karl Ess should be represented as well.

Especially a “maturity model” would be thinkable. The term “maturity model” applies to a theoretical model which doesn't only emphasis on the status quo to describe a business model, like the 4C Typology of Internet Business Models proposed by Wirtz et al. (2010), but puts a broader focus on the development process of a business strategy. A so called maturity model with a focus on process and business development could also point out possible future revenue streams. Especially in a fast changing environment like the web 2.0 such a process orientated theoretical model could be more easily adopted to new market and business opportunities for content based social media channels.

For content based social media channels a hybrid strategy like *Karl Ess's* is not applicable from the beginning. The first step is to identify a relevant target group and provide adequate content, most favourably for free. In that early stage advertising models might be the only real possibility to create revenue. With a growing fan and follower base paid content can be integrated in the strategy. But a significant part of the content should still be freely accessible to attract more fans and keep the existing ones that are not willing to pay. If the number of followers and their identification with the channel is strong enough, cross selling of physical products can finally be implemented and possibly become the largest source of revenues.

But *Karl Ess* is just one good practice example for a hybrid business strategy in the content based social media environment. In a larger empirical study a broad analysis of content based business models in the web 2.0 environment should be conducted. Only if it can be proved, that this approach is promising and leads to larger revenues than keeping the focus on only advertising and paid content models, a hybrid or maturity model makes sense as a new theoretical framework. One core problem in the world of web 2.0 business models is the rapidly changing business environment in this field. For valid empirical studies it is hard to keep track with this development and still create praxis-relevant information for future business approaches and not only document past developments and phenomena.

Karl Ess doesn't only serve as an adequate foundation for a theoretical analysis, practitioners can also gain valuable insights from the findings presented in chapter 6.1. Especially how a content based social media business is being implied and turned into a cash cow can be learned from the example of *Karl Ess*: From establishing a relevant fan basis with free content and advertising based value streams towards a premium content and cross selling model. Especially in the beginning, free content and advertising seem to be the only way to attract more followers. Advertisement is relatively easy to implement as websites like *Youtube* offer easy-to-handle services for ads. But advertising revenue streams are relatively little compared to what can be attained by paid content and especially cross selling. So if the specific content provided by a certain content based social media channel gives opportunities to establish its own line of physical products, establishing cross selling as a valuable revenue should definitely be taken into consideration. It takes more effort to create a line of product than simply implementing ad services but the revenue, which can be attained, is significantly higher.

On the other hand, if the products promoted don't match the content or the target group, there is a big risk of losing credibility and, as a consequence, followers. The *Lovoo* escapade of *Karl Ess* described in chapter 6.1.6 serves as an example for such a situation. The short-term revenues were paid back by a decrease of followers and thereby reduced possible future revenue streams. Credibility is the most important asset of content based social media channels and should not be put at risk for any short term revenues.

Regarding the limitations of this thesis the design of the paper has Interaction Orientation to be mentioned. In the respective paper a case study was used to determine how value streams can be successfully generated with content based social media channels and which value

streams are the most efficient ones. These questions could be answered according to the example of *Karl Ess*, a very successful best practice case. But the generalizability of only one successful good practice example is limited. For more general deductions, an empirical study that analyses the value streams of a representative number of content based social media channels should be made. In that way it could also be determined if a hybrid model between a content based business model to gain popularity and a commerce based business model to generate revenue by the means of cross selling is generally recommendable for content based social media businesses and if generally a higher revenue and turnover can be created in that way or if *Karl Ess* is just an exception.

Another limitation of this paper is that the information provided in the case study regarding business strategy and strategic decisions of *Karl Ess* as well as statements regarding revenue and turnover are only based on interview answers that cannot be validated objectively. *Karl Ess* as a company has, unlike a limited company, no disclosure requirements according to German law. So no exact figures are available to the public.

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Appendix

Interview 1 with Omar Fattouh, former employee of Karl Ess

Omar Fattouh worked closely with Karl Ess from January 2014 to January 2015. Omar Fattouh had insights into all past, present and future marketing activities of Karl Ess as well as his revenue streams that resulted from his marketing efforts. Omar Fattouh was responsible to handle Karl Ess Facebook fan page and to oversee all other online marketing campaigns. After revealing Karl Ess most profitable revenue streams, paid content and cross selling, in the first Interview, a second Interview was scheduled with Omar Fattouh to gain more insights about these respective revenue streams. Additionally Omar Fattouh provided information in form of a *Google Analytics report* of Karl Ess website.

P. Nasemann: *Hallo Herr Fattouh, vielen Dank für den Google Analytics PDF Report mit den Webseiten Daten zu www.karl-ess.com. Was können Sie mir noch über die Webseite sagen?*

O. Fattouh: Die Webseite dient Karl Ess als Backup, für den Fall, dass YouTube, Facebook oder Instagram seinen Account löschen. Das kann ja theoretisch immer mal passieren, wenn man sich nicht an die Richtlinien der jeweiligen Plattform hält. Die Website www.karl-ess.com gehört allerdings Karl Ess selbst.

P. Nasemann: *Lassen Sie uns doch einmal alle „Revenue Streams“ von Karl Ess durchgehen. Warum platziert Karl Ess keine Affiliate Banner auf seiner Website?*

O. Fattouh: Karl Ess will seine Website möglichst frei von Werbung gestalten, damit sich die Webseitenbesucher auf seinen Content, also seine Bilder, Videos und Texte konzentrieren und nicht auf Werbung.

P. Nasemann: *Welche Affiliate Partner hat Karl Ess?*

O. Fattouh: Seine Haupt-Affiliate Partner sind Third of Life, Sebro Sports und Voltgear. Zusätzlich hatte sich Karl Ess für das Amazon Affiliate Programm angemeldet, aber das hat er nach einer Zeit abgebrochen.

P. Nasemann: *Warum?*

O. Fattouh: Karl Ess hat es eine Zeit lang mit dem Setzen von Amazon Links übertrieben. Er hat zu viele Amazon Links in seinen Facebook Posts platziert und somit die Facebook Richtlinien für Platzierung von Werbung verletzt. Darauf hin hat Facebook die Reichweite seiner Facebook Posts erheblich eingeschränkt. Daher hat Karl Ess sich dafür entschieden alle Affiliate Links aus den Posts zu nehmen um von Facebook nicht weiter gesperrt zu werden und so seine ursprüngliche Reichweite zurück zu bekommen.

P. Nasemann: *Interessant! Ist das der einzige Grund warum Facebook Karl Ess's Reichweite derart eingeschränkt hat?*

O. Fattouh: Nein, er hat noch weitere Fehler gemacht. Er hat zum Beispiel ebenfalls gegen die Facebook Richtlinien verstoßen indem er Affiliate Links zu Online Lotterien gepostet hat. Da seine Facebook Fans teilweise unter 18 Jahre alt sind und somit nicht Lotteriespielberechtigt sind ist, hat Facebook hier auch richtig reagiert. Außerdem haben Lotterietickets nichts mit seinem üblichen Content Fokus auf Fitness und Ernährung zu tun. Er hat hierdurch auch einen starken Image Schaden erlitten.

P. Nasemann: *Thema Paid Content: Wie verkauft Karl Ess seine Online Workout Programme?*

O. Fattouh: Die User kommen auf seine Webseite und können sich dort den kostenlosen Fundament Plan herunterladen. Nach sieben Tagen bekommt der User dann eine E-Mail von Karl Ess in der ihm weiterer Premium Content zum Fundamentplan angeboten wird, für den der User dann bezahlen muss. So funktioniert das auch mit den anderen Online Trainingsplänen.

P. Nasemann: *OK. Kommen wir zum Thema Product Placement. Welche Partner hat Karl Ess hier?*

O. Fattouh: Karl Ess platziert Sebro Sports Produkte und DOC Weingart Energy Drinks in seinen YouTube Videos und auf seinen Instagram Bildern.

P. Nasemann: *Kam es hier auch schon einmal zu ähnlichen Vorfällen wie bei den missglückten Affiliate Deals?*

O. Fattouh: Ja, Karl Ess hatte einmal einen Vertrag mit der Lovoo GmbH. Das ist eine Dating Applikation für Smartphones. Karl Ess sollte sich in seinen YouTube Videos zeigen wie er die App herunterlädt, sie nutzt und dann anschließend mit Mädchen ins Gespräch kommt. Dafür hat er dann einen festen Betrag Geld über einen gewissen Zeitraum ausgezahlt bekommen. Allerdings musste Karl Ess hier auch feststellen, dass seine YouTube Follower diese Art von Content nicht mochten. Seine Follower wollten statt Dating Videos eher Videos zum Thema Fitness und Ernährung sehen und daher führte dieses Product Placement zu einem weiteren Image und Reputationsschaden für Karl Ess. Als Konsequenz hat Karl Ess diese Art von Product Placement dann gestoppt.

P. Nasemann: *Lassen Sie uns über Online Advertising reden. Warum hat Karl Ess nicht zum Beispiel Google AdSense auf seiner Website eingebunden? Online Advertising ist schließlich eine der Haupteinnahmequellen von Online Content Publishern wie Karl Ess.*

O. Fattouh: Aus demselben Grund warum er keine Affiliate Banner auf seiner Seite eingebunden hat. Er möchte seine Website ohne Online Advertisements gestalten, damit sich die User nur auf den Content und seine eigenen Produkte konzentrieren.

P. Nasemann: *Alles klar, wie sieht es mit Online Advertising auf YouTube aus?*

O. Fattouh: Auf YouTube hatte Karl Ess anfangs so genannte TrueView in-Stream Werbung geschaltet. Nach einer Weile hatte Karl Ess aber verstanden, dass er mit seinen cross selling Produkten deutlich mehr Geld verdienen kann, als mit normaler Online Werbung. Daher ersetzte er seine TrueView in-Stream Werbung mit In-Stream Werbung seiner eigenen Produkte, die immer anfangs vor den eigentlichen Videos ausgespielt werden.

P. Nasemann: *OK. Oftmals ist Merchandising auch eine Einkommensquelle von Content Publishern. Ist Merchandising ebenfalls ein aktiver Revenue Stream von Karl Ess und wie sieht sein Merchandising genau aus?*

O. Fattouh: Merchandising hat Karl Ess einmal in Form eines T-Shirt und Hoodie Online Shops bei Spreadshirt gemacht. Die aktive Promotion seines Spreadshirt Shops hat Karl Ess allerdings relativ schnell wieder gestoppt, weil er gemerkt hat, dass die Leute keinen wirklichen Mehrwert in den Pullis und T-Shirts sehen. In Produkten wie Fitness Supplements oder Online Trainingsplänen sehen die Leute einen Mehrwert und geben dafür lieber ihr Geld aus. Den Spreadshirt Online Shop gibt es noch, aber generiert so gut wie keine Umsätze.

P. Nasemann: *Ich habe gesehen, dass Karl Ess auf seiner Website auch probiert E-Mail Adressen seiner Kunden zu sammeln. Wie viele Newsletter Abonnenten hat Karl Ess?*

O. Fattouh: Ungefähr 100.000.

P. Nasemann: *Und können Sie mir sagen wie hoch die Conversion Rate und der durchschnittliche Warenkorb der Newsletter Abonnenten ungefähr ist?*

O. Fattouh: Ja, die Conversion Rate beträgt 3,27% und der durchschnittliche Warenkorb beträgt ungefähr 100€.

P. Nasemann: *Vielen Dank! Wie oft versendet Karl Ess Newsletter an seine Abonnenten?*

O. Fattouh: Ein bis zwei Mal pro Woche.

P. Nasemann: *Erhält Karl Ess auch selbst sehr viele E-Mail seiner Kunden und beantwortet diese?*

O. Fattouh: Ja, Karl Ess hat hierfür seinen eigenen Customer Support. Allerdings erhält der Customer Support meistens so viele E-Mails, dass es manchmal bis zu 3 Tagen dauern kann bis der Kunde eine Antwort erhält.

P. Nasemann: *OK, kurz zu Cross Selling: Karl Ess hat eine Kleidungsmarke, Gym Aesthetics und eine Supplement Line, Profuel gegründet. Wie effektiv ist Cross Selling und wie setzt Karl Ess das um?*

O. Fattouh: Cross Selling ist Karl Ess stärkster Revenue Stream. Seine Kunden kaufen seine Produkte, weil er mit seinem Namen dahinter steht. Daher sind seine User auch gewillt die Produkte zu kaufen die er Ihnen persönlich empfiehlt. Karl Ess setzt Cross Selling also sehr effektiv um.

P. Nasemann: *Gibt es noch weitere Revenue Streams, die Karl Ess in Zukunft gerne implementieren würde?*

O. Fattouh: Ja, Karl Ess denkt darüber nach Online Abo Services einzuführen. Diese könnten wie folgt aussehen:

Eine denkbare Möglichkeit wäre einen online Mitglieder Bereich einzurichten. Dieser würde dann nützliche Fitness und Ernährungs Tipps und Tricks von Karl Ess enthalten. Für den Zugang zum Mitglieder Bereich müssten die User dann eine monatliche Gebühr zahlen. Die Höhe der Gebühr würde dann von dem Wert der dort zur Verfügung gestellten Informationen abhängen.

Eine weiterer möglicher Abo Service wäre eine Fitness App zu programmieren, die den Usern Workout Tipps gibt oder zum Beispiel auch die Ernährung der User trackt. Schauen Sie sich doch zum Beispiel mal die App von Adrian James an. Diese App stellt den Usern spezielle Workouts zur Verfügung und trackt die auch die Fortschritte die die User hierbei machen.

Auch einen Offline Abo Service könnte sich Karl Ess vorstellen. Man könnte sich hier mit einem Essen Lieferservice zusammentun und Karl Ess's Kunden Essensboxen mit gesunden Zutaten wöchentlich zuschicken. Diese Essensboxen könnte man dann genau auf den

jeweiligen Kunden anpassen und die Kunden würden eine Menge Zeit beim einkaufen sparen. Es gibt zum Beispiel Kochzauber aus Berlin, die bereits Weight Watchers Boxen an ihre Kunden verschicken.

P.Nasemann: *Vielen Dank für diese ausführliche Antwort und die Details zu den verschiedenen Revenue Streams. Können Sie mir noch einmal sagen wie viel welche Einnahme Quelle zum Gesamtumsatz von Karl Ess beiträgt?*

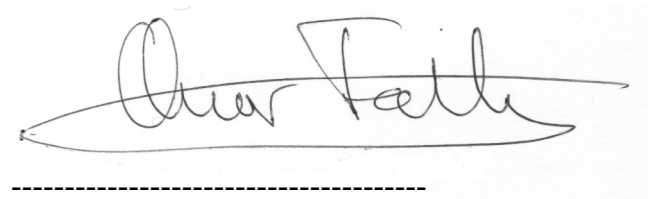
O. Fattouh: Das Cross Selling seiner Produkte von Gym Aesthetics und Profuel macht mit 45% seiner Einnahmen mittlerweile den größten Teil aus, dicht gefolgt von Paid Content mit seinen Online Workout Plänen mit 40%. Außerdem hat Karl Ess noch Affiliate Einnahmen, die 10% seines Umsatzes ausmachen. 5% verdient Karl Ess noch über seine DOC Weingart Product Placements.

P.Nasemann: *Nachdem Cross Selling und Paid Content Karl Ess wichtigsten Revenue Streams sind, würde ich Sie gerne noch einmal zu diesen beiden Revenue Streams befragen.*

O. Fattouh: Gerne, kein Problem.

Interview: Philipp Nasemann

München, 24.02.2016

A handwritten signature in black ink, reading "Omar Fattouh". The signature is written in a cursive style with a large, sweeping underline that extends to the left and then curves back under the name.

Signature, Omar Fattouh

Interview 2 with Omar Fattouh, former employee of Karl Ess

P. Nasemann: *Nachdem Sie mir im ersten Interview gesagt hatten, dass Paid Content und Cross Selling Karl Ess wichtigste Revenue Streams sind würde ich nun gerne noch ein wenig genauer auf diese beiden Revenue Streams eingehen. Fangen wir mit Paid Content an. Was für Ressourcen hat Karl Ess benötigt um seine Online Workout Programm aufzusetzen?*

O. Fattouh: Um so ein Online Workout Programm aufzusetzen benötigt man einen Programmierer, einen Designer und einen Texter. Außerdem braucht man noch einen Payment Provider für die Abwicklung der Bezahlung. Den Texter und den Designer braucht man nur anfangs um eine Landing Page aufzusetzen. Der Programmierer muss dauerhaft für Karl Ess arbeiten, weil er alle Prozesse im Backend kontinuierlich überwachen muss. Außerdem muss sich der Programmierer darum kümmern die illegale Verbreitung der Trainingspläne zu verhindern.

P. Nasemann: *Welche Vorkehrungen müssen hierfür vom Programmierer genau getroffen werden?*

O. Fattouh: Eine Möglichkeit besteht darin den Usern einen Online Zugang zu den Online Programmen zu geben. Somit wird es den Usern sehr schwer gemacht die Trainingspläne zu downloaden. Trotzdem ist es Hackern gelungen Trainingspläne herunterzuladen. Da diese illegalen Downloads aber keine großen Auswirkungen auf die Umsätze der Online Trainingsprogramme hatten, hat Karl Ess die Hacker bis dato nicht verfolgt.

Eine weitere Möglichkeit um die illegale Verbreitung der Trainingspläne zu verhindern stellt das so genannte „ID Hopping“ dar. ID Hopping bedeutet, dass jeder Kunde der ein Online Workout Programm kauft eine einzigartige ID bekommt. Falls dieselbe ID von zwei verschiedenen Usern an unterschiedlichen Standorten benutzt wird, wird diese ID kurzfristig geblockt. Daraufhin muss der User den Customer Support kontaktieren, um seinen Account wieder zu aktivieren. Falls er die ID ein zweites Mal an jemanden vergeben sollte, wird sein Account bleibend geblockt.

P. Nasemann: *Kommen wir zu Cross Selling. Welche Ressourcen hat Karl Ess benötigt um seine ProFuel Marke zu gründen?*

O. Fattouh: Zunächst hat sich Karl Ess einen Partner gesucht, Michael Weigl. Michael Weigl hatte bereits 2009 einen Online Shop für Fitness Supplements gegründet. Für die Partnerschaft musste Karl Ess die Zutaten für die Supplements liefern und die Produkte über seine Social Media Kanäle aktiv bewerben. Michael Weigl musste die Produktion, das Verpacken und die Lieferung übernehmen. Die Produktion der Produkte erfolgt hierbei in Regensburg, Deutschland.

P. Nasemann: *Die Kleidungsmarke Gym Aesthetics wurde von zwei Ingenieuren aus Stuttgart gegründet. Karl Ess übernimmt wie bei Gym ProFuel natürlich die Social Media Bewerbung von Gym Aesthetics. Was müssen seine Geschäftspartner tun?*

O. Fattouh: Die Geschäftspartner von Karl Ess sind vor allem für die Logistik zuständig. Anders als bei ProFuel wird nicht in Deutschland, sondern in Asien produziert und von dort nach Stuttgart zu einer Logistik Firma geschickt, die dann das Fulfillment übernimmt. Hier wird dann die Qualität der Produkte überprüft bevor diese an die Kunden verschickt werden.

P. Nasemann: *Können Sie mir sagen ob ProFuel oder Gym Aesthetics der stärkere Revenue Stream ist?*

O. Fattouh: Die Supplements von ProFuel haben hier einen großen Vorteil. Wenn Die Kunden nämlich dauerhaft trainieren und sich an die Supplements von Karl Ess gewöhnt haben, müssen Sie die Supplements natürlich immer wieder nachbestellen. So kann ein konstanter monatlicher Cash Flow erzeugt werden. Allerdings wird ProFuel nur von Leuten gekauft, die tatsächlich zum trainieren ins Fitness Studio gehen. Gym Aesthetics wird hingegen auch von anderen Leuten gekauft, die die Kleidung einfach gerne tragen. Somit ist bei Gym Aesthetics die Zielgruppe etwas größer.

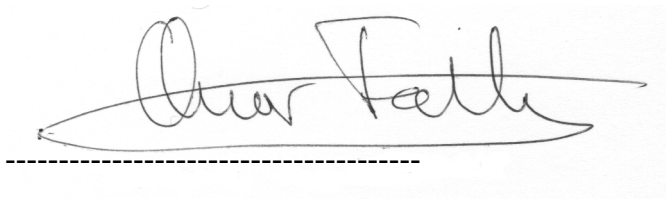
P. Nasemann: *Nachdem Karl Ess hauptsächlich für die Promotion der Cross Selling Produkte zuständig ist, gibt es hier noch einen Trick bei der Umsetzung?*

O. Fattouh: Ja, Karl Ess hat sich ein Netzwerk für seine Cross Selling Produkte aufgebaut. Hierbei stattet er andere Social Media Content Publisher mit Affiliate Links zu seinen Cross Selling Produkten aus. Dafür erhalten die Publisher natürlich eine Provision. Karl Ess kann dadurch allerdings seine Reichweite und somit die Umsatzzahlen seiner ProFuel und Gym Aesthetics Produkte enorm erhöhen. Allerdings erwirtschaftet Karl Ess von allen Pubishern aufgrund seiner großen Reichweite und seinen Verkaufsqualitäten selber immer noch die größten Umsätze.

P. Nasemann: *Vielen Dank für das Interview!*

Interview: Philipp Nasemann

München, 24.02.2016

A handwritten signature in black ink, reading "Omar Fattouh". The signature is written in a cursive style with a large, sweeping underline that extends to the left and then curves back under the name. Below the signature, there is a dashed horizontal line.

Signature, Omar Fattouh

Interview with Ralf Sättele, current business partner of Karl Ess

Ralf Sättele is Karl Ess's current business partner. Ralf Sättele worked with Karl Ess from the beginning in April 2012 and handles mainly business development, customer support and the legal issues the business is facing. Part of the legal issues was setting up and controlling contracts with Karl Ess's affiliate partners. That's why Ralf Sättele was interviewed concerning Karl Ess's affiliate deal with DOC Weingart. DOC Weingart is an energy drink, which contains only natural ingredients and is supposed to boost physical performance as well as concentration. DOC Weingart was founded in 2006 by Dr. Johannes Weingart, a known physician for internal medicine.

P. Nasemann: *Karl Ess bewirbt DOC Weingart Energy Getränke hauptsächlich auf Instagram und YouTube. Habt Ihr eine Art "Kickback Deal" mit DOC Weingart?*

R. Sättele: Mit Karl Ess hat DOC Weingart einen langfristigen Kooperationspartner gewonnen. Karl veröffentlicht Bilder und Videos von sich, wie er den DOC Weingart Energy Drink ausprobiert und erzählt seinen Fans und Followers von den Vorteilen, die die Konsumenten von den natürlichen Inhaltsstoffen des DOC Weingart Getränks haben.

P. Nasemann: *Können Sie mir sagen wie diese Kooperation im Detail strukturiert ist? Wie viel Geld bekommt Karl Ess z.B. dafür, wenn er ein Foto mit einem DOC Weingart Energy Drink auf Instagram hoch lädt?*

R. Sättele: Für uns war es besonders wichtig, dass Karl Ess voll hinter dem Produkt stehen kann. Dies ist bei dem DOC Weingart Active Drink der Fall und so taucht der Drink regelmäßig in seinen Vlogs und Postings auf Social-Media auf. Da dies zu einer Steigerung der Bekanntheit der Marke DOC Weingart führt und damit einhergehend auch der Umsatz der Produkte steigt, haben wir mit DOC Weingart ein partnerschaftliches Modell erarbeitet, bei denen wir auch langfristig am Erfolg des Produktes beteiligt werden.

P. Nasemann: *Das heißt Karl Ess wurde erfolgsbasiert am Unternehmen DOC Weingart beteiligt?*

R. Sättele: Doc Weingart hat ein hervorragendes Produkt – leider wissen davon noch zu wenig Menschen. Der Erfolg des Unternehmens hinter DOC Weingart ist daher direkt von der

Bekanntheit der Marke abhängig. Da Karl Ess durch die Platzierung der Produkte auf seinen reichweitenstarken Kanälen einen hohen Einfluss auf die Bekanntheit der Marke und damit auch den Gesamtumsatz hat, wurde hier eine entsprechende Vereinbarung getroffen, die Karl Ess am Erfolg des Unternehmens mitbeteiligt.

P. Nasemann: *Vielen Dank für das Interview!*

Interview: Philipp Nasemann

Munich, 24.02.2016



Signature, Ralf Sättele

Interview with Martin Sebald, Sebro Sports, PM Sports UG:

Sebro Sports produces and sells various fitness equipment such as gym bags, gloves and shoes. Martin Sebald founded Sebro Sports in January 2014 with his brother Peter Sebald. Martin Sebald is responsible for the production and fulfilment processes as well as the online marketing campaigns of Sebro Sports, whereas Peter Sebald handles the legal and IT issues the business is facing.

P. Nasemann: *Karl Ess bewirbt und Sebro Sports Taschen und andere Produkte auf Instagram und seiner Website. Haben Sie eine Art "Kickback Deal" mit ihm?*

M. Sebald: Ja, Karl Ess bewirbt aktiv unsere Produkte von Sebro Sports und bekommt dafür eine Affiliate Provision.

P. Nasemann: *Können Sie mir sagen, wie dieser Deal genau aussieht?*

M. Sebald: Ja, Karl Ess bekommt eine Provision in Höhe von 10% des Verkaufserlöses für jedes Produkt das er verkauft. Um seine Verkäufe zu verfolgen, stellen wir ihm "Affiliate Tracking Link" zur Verfügung, die er zum Beispiel in die Beschreibungsbbox unter seinen YouTube Videos platzieren kann.

P. Nasemann: *Haben Sie hierfür bei einem Affiliate Netzwerk angemeldet?*

M. Sebald: Nein, wir haben eine Lizenz für eine Affiliate Software gekauft und somit unser eigenes Affiliate Program aufgesetzt. Die Affiliate Software heißt „Post Affiliate Pro“ und kostet 100 € im Monat.

P. Nasemann: *Karl Ess postet auch Bilder von Sebro Sports Taschen auf Instagram. Allerdings darf man ja keine Links auf Instagram posten. Wie funktioniert Ihre Affiliate Partnerschaft hier?*

M. Sebald: Die Bilder auf Instagram und die YouTube Videos, in denen Karl Ess seine Sebro Sports Trainingstaschen zeigt können als Produktplatzierung gesehen werden. Indem er unsere Produkte in seinen Bildern und Videos platziert, leitet er die Kunden in den Sebro Sports Online Shop, damit sie dort eine unsere Taschen kaufen. Auf Instagram verlinkt Karl Ess zu unserer Instagram Seite mit @SebroSports oder erwähnt unseren Unternehmens Haushtag #SebroSports. Aber wie Sie bereits sagten, diese Links können nicht gemessen und verfolgt werden. Karl Ess platziert unsere Produkte hauptsächlich auf Instagram um uns seinen guten Willen bezüglich der Affiliate Partnerschaft zu zeigen.

P. Nasemann: *Vielen Dank für das Interview!*

Interview: Philipp Nasemann

München, 24.02.2016

A handwritten signature in blue ink, which appears to read 'Martin Sebald', is written over a horizontal dashed line.

Unterschrift, Martin Sebald

Die Zusammenfassung [Besucher](#) [Aktionen](#) [Eindeutige](#) [Zeit](#)

Grundlagen

Besucher Erweitern	878,290	0%
Aktionen Erweitern	1,519,873	0%
Durchschnittliche Aktionen	1.7	0%
Gesamtzeit	2121d 4h	0%
Durchschnittszeit pro Besuch	3m 27s	0%
Absprungrate	23%	0%

Links [Eingehend](#) [Domains](#) [Kürzlich](#) [Eindeutig](#) [Ausgehende](#)

facebook.com/	260,268	0%
mitglieder.dein360gradp...	660	0%
mitglieder.dein360gradp...	534	0%
yahoo.com/	385	0%
mitglieder.dein360gradp...	242	0%
gutefrage.net/frage/fitness...	203	0%
mitglieder.dein360gradp...	178	0%
mitglieder.dein360gradp...	166	0%
mitglieder.dein360gradp...	159	0%
dein360gradpaket.com/	156	0%

Suchanfragen [Schlagwörter](#) [Kürzlich](#) [Eindeutig](#) [Ranglisten](#)

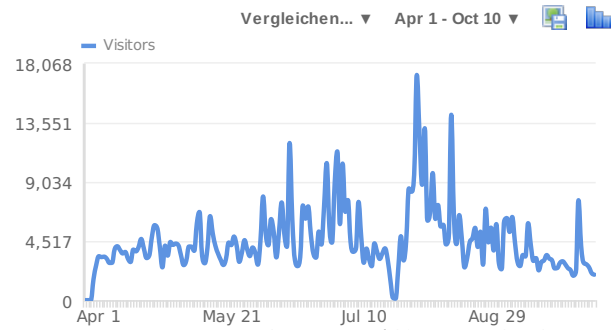
Suchanfragen

[secure search]	327,307	0%
karl ess	3,883	0%
maximalKraft Rechner	519	0%
maximalKraftrechner	413	0%
karl ess kalorienrechner	386	0%
high carb diät	254	0%
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