



# Ello tomorrow?

Should users pay for their privacy on social media?



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**Y**our social network is owned by advertisers. Every post you share, every friend you make and every link you follow is tracked, recorded and converted into data. Advertisers buy your data so they can show you more ads. You are the product that's bought and sold," an excerpt from a rather bold manifesto by Ello, an invite-only social network that emerged in July 2014, and that has publicly vowed to remain "ethical" and ad-free. Initially dismissed as a utopian concept, Ello has since seen an impressive growth rate – approximately 40,000 invite requests an hour in September 2014, reports *TechCrunch* – and recently secured \$5.5 million in venture capital funding. But for all the promise it holds – and makes – to appease increasing privacy and anti-consumerist concerns from social media users, Ello, as many predecessors that made similar vows, might not be able to hold it together.

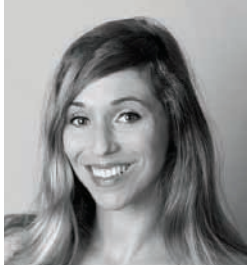
## ELLO'S BUSINESS MODEL AND SUSTAINABILITY

■ Ello is the perfect combination of privacy and socializing. It comes at a perfect moment when Facebook's policy is becoming stricter. The freemium model used by Ello can be compared to the mobile applications and games that are successful and making big money. This model

is stable but challenging: the pricing has to be reasonable as it has to compensate for the ad revenue and Ello has to sustain its viral component displayed at the launch in order to keep millions of new users coming in with hope of converting enough free memberships to paid ones. - *Sraj*

■ While concerns over privacy and user rights are both valid and popular, they are still important to only a small group of people (considering the number of users subscribed to social media networks). Thus, Ello's positioning itself as an "ethical network" may not be a point of great importance to most users. Either way, a network with the strength and credence of Facebook (or other successful models) cannot be built solely on the idea of outrage; it has to find a formula that will work for any user. With this in mind, we can't assess Ello's sustainability until we can see what it has to offer. Will it be good enough to sustain its freemium model? In addition, there is no room for success and sustainability without substantial critical mass towards the network. If it doesn't take off socially, then it is unsustainable from both a financial and a networking vantage point. - *Chehab*

■ Ello is an interesting model. However, having an ad-free platform is not enough to attract users ▶



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and succeed. [Users] are more likely to use the network if they find it trendy and if their families and friends are there. In the long run, if Ello doesn't sell enough of its "special features" or receive support/funds, it will perhaps have to interrupt its service. **-Saikali**

- Social media networks are expensive to run, scale, maintain and operate. As more users join and share content, more servers, systems, technologies and experienced talent will be needed. The money has to come from somewhere. If it isn't from ads, then it could be from a subscription model (think Dropbox, Spotify, Hulu, Netflix), an exit (think Yahoo buying Tumblr), etc. **- Itani**
- As a user, I would be concerned about starting to use Ello and posting all of my pictures, videos, etc. on the platform and waking up one day to see the platform shut down because it was unable to sustain itself financially. **- Sabbagh**

**IMPACT ON OTHER SOCIAL MEDIA NETWORKS**

- Let's look at Windows, Linux, and Apple business models; each is different, sustainable in its own way, and has its own target audience. Eventually, Ello will create a strong movement (of users) and will place itself among the giants of social media. However, it will probably create a small dent; the social media giants might amend their business revenue model, which would still have third party data collection, but will probably introduce new rules on how to use this type of information. **- Ghanem**
- The leading social media networks have been evolving their model based on a clear profitability objective, well-shaped and adapted to users' demands and tolerance levels that they could easily detect based on the data they collect. Should the latter give a clear sign of lower tolerance, social media networks would definitely propose new offerings that could be based on charging users or just making sure the ads are less intrusive and more relevant. **- Sabbagha**
- Social media networks will pay close attention to Ello as a niche, smaller-scale network, but its capacity to threaten the big players into rethinking their revenue models is still unclear (given that Ello has not yet shown what it is capable of offering in return for the freemium model). As a result, the big social media networks cannot make a decision right now on shifting user behaviors and commercial goals. If Ello begins to detract from market shares or further educate users on the value of ad-free social networks, thereby creating a louder and more popular outcry against advertisers, then yes, there will be momentum for other networks to sit up and take note. Once again, any success by Ello is conditional to having a high rate of subscribed or registered users. Unless activity increases along with the user base, the site could soon stall. Simply look at Google+ as a cautionary tale about what happens to networks that can't carry a hefty social weight. **- Chehab**
- The expectation is that social media networks are free. For a network to replace something as

established as Facebook, it will need to offer incentives, not disincentives, and, realistically, the vast majority of Facebook users won't leave unless they are severely inconvenienced by Facebook ads and "privacy invasion", regardless of how ethical the competition is. Since the current revenue model is proving to be profitable, social networks won't be adopting the freemium model. What they are doing instead is developing their advertising formats, targeting options and privacy policies into more targeted, less invasive ads charged to advertisers. **- Sraj**

- I believe Ello will not influence the large social media networks in the near future. The latter are making a lot of money, and shifting their business revenue models will not happen soon. Besides, the concept of privacy invasion is (unfortunately) not a serious issue in many countries/markets, especially in the third-world ones. **- Saikali**

**THE FUTURE ROLE OF SOCIAL MEDIA FOR BRANDS**

- Brands are realizing that offensive ads are repulsing their users; this is why native ads have been introduced. In addition, social media networks are becoming keen on communicating with their users about the type of information gathered and its usage purpose. Besides creating data that could be sold or used by third parties, information about users is analyzed and deployed for better targeting of ads based on previous Internet behavior or interest. While paid ads may provide faster results than earned media, the latter is the one communicating trust with users and therefore redirecting quality leads that should be the core focus of the brands. **- Sraj**
- If users were indeed excited by Ello, then they would have "voted with their feet" and expressed serious discomfort with current brand engagement models. Brands would therefore need to reassess their standard brand-consumer relationship by promoting more user-generated content and marketing activity (organic and owned) on social networks. This remains a big "if", so the advice for brands is to keep doing what they are doing, while also keeping a close eye on the public's interaction with Ello. **- Chehab**
- Making advertising less intrusive may be achieved by increasing its reach price, thus lowering demand on it. Brands should optimize their digital landscape and not just rely on paid media; they should make sure to build and sustain solid owned platforms and well-profiled earned communities as long as it lasts. **- Sabbagha**
- As I don't see any change soon, in order to get optimum visibility on social media networks, "paid" will still prevail over "owned". **- Saikali**
- Online advertising is far from dying anytime soon. Ello is not changing [this fact] but, rather, bringing awareness to privacy and security, just as the Diaspora Project did in 2010 – but hopefully, with more success. The average person is served 1,700 banner ads per month. Statistics show that users are fine with advertising in exchange for free services. Ello's best-selling point would surely be privacy. Let's see how much web users value this. **- Soler** ■