

# IPdigIT

IP & IT AT YOUR FINGERTIPS



## IP

- Patent/Related rights
- Copyright/related rights
- Trademark/Design
- Enforcement

## • IT

- Internet
- Platforms
- Hardware
- Software
- Media

## • Digging

## Network effects and expectations: the Million Dollar Homepage story

Posted by Paul Belleflamme on 2/2/2012 • Categorized as Hardware, Internet, Platforms



Watch this space, by matt-lucht

Network effects are ubiquitous in the digital economy. They refer to the idea that *users prefer to be connected to a bigger network than to a smaller one*. (For a more precise description of this concept, see the **'Theory digest'** on this blog).

It is when consumers value *compatibility* that bigger networks become more attractive. Compatibility matters in *physical networks* through which consumers communicate directly with other consumers (think, e.g., of VoIP applications like Skype). Compatibility also matters in *virtual networks* made of a common set of complementary products (think, e.g., of the thousands of applications that you can access through your smartphone). In both cases, the value placed on compatibility translates in an increase in the consumers' willingness-to-pay to join larger (physical or virtual) networks.

The concern for compatibility also implies that consumers base their own choices on what other consumers have chosen in the past, are choosing now or are likely to choose in the future. As a result, *history* and *expectations* play a crucial role in markets

with network effects. In particular, *self-fulfilling prophecies* may arise: if each potential user expects that many other users will join a particular network, then this network will look very attractive and will indeed attract many users, which will confirm the initial expectations.

The **Million Dollar Homepage** provides a spectacular illustration of such self-fulfilling prophecy. Here is **how Wikipedia describes this project**:

*The Million Dollar Homepage is a website conceived in 2005 by Alex Tew, a student from Wiltshire, England, to raise money for his university education. The home page consists of a million pixels arranged in a 1000 × 1000 pixel grid; the image-based links on it were sold for \$1 per pixel in 10 × 10 blocks. The purchasers of these pixel blocks provided tiny images to be displayed on them, a URL to which the images were linked, and a slogan to be displayed when hovering a cursor over the link. The aim of the website was to sell all of the pixels in the image, thus generating a million dollars of income for the creator. (...) Launched on 26 August 2005, the website became an Internet phenomenon. On 1 January 2006, the final 1,000 pixels were put up for auction on eBay. The auction closed on 11 January with a winning bid of \$38,100 that brought the final tally to \$1,037,100 in gross income.*

The previous story could wrongly suggest that launching network goods is relatively easy. Apparently, you just need to convince the first users that your product will be a hit to make them adopt it; then, a virtuous self-reinforcing process will automatically work for you; in other words, success will beget further success! This is, of course, too good to be true. In fact, another self-fulfilling prophecy may well work in the exact opposite direction: if users believe that the network will never expand, they will have no reason to join and the network will indeed stagnate...

The coexistence of such 'good' and 'bad' trajectories make markets for network goods highly unpredictable. The final outcome may hinge on 'small events' that occur early in the diffusion of the network good. Some scholars have used the phrase *path dependence* to describe such process where "history matters" (see **here for a critical review of this concept**).

It is therefore not clear at all whether Alex Tew's new venture will attain its objective. Devised together with Michael Birch (co-founder of the social network Bebo), the **WaterForward project** is a fundraising campaign that aims at using the network effect of social networks to support **charity: water**, a non-profit organization that brings clean and safe drinking water to people in developing countries.

As explained in this **techcrunch.com article**, the concept is the following (for a more complete description, watch the picturesque video on the **WaterForward website**):

*You can donate \$10 on behalf a friend, or multiple friends, and their name and picture gets placed in the online WaterForward book. The only way to get in the book is if someone puts you there by donating on your behalf. Once you are placed in the book, you are encouraged to pay it forward to someone else. The site imports your Facebook and Twitter friends to make it easy.*

The question I would like you to address is twofold:

1. What are, according to you, the factors that made the Million Dollar Homepage a success (with a special focus on expectations)?
2. Do you think that these factors can be transposed to the WaterForward project so as to make it a success too?

**Tagged as: compatibility, network effects**



Paul Belleflamme is professor at Université catholique de Louvain. He is attached to the Center for Operations Research and Econometrics (CORE) and to the Louvain School of Management, where he teaches courses in the fields of Industrial Organization and Managerial Economics. [More info & contact](#)

## 36 Comments

1.  [\*\*Jean-Christophe Ghys\*\*](#) 2 Comments  
**07/03/2012 • 16:05**

This kind of idea has a fairly low probability of success. We talk a lot of the few who have pierced, but very few of those who failed.

Some factors, equally improbable, will decide the success, thanks to the domino effect they create. Indeed, people attract people, it is a kind of fad, smaller scale. In this case, the key to success lies in the fact that buying a pixel, a lot of people will see it. This means that for a given price, your pixel will be seen, or not... Therefore, a very low price is preferable, in order to attract as much as possible without they take too much risk.

Besides that, the space do not be too large, which will make buying a few pixels insignificant. This young man seems to have understood, and seems to have found that right balance.

But the peculiarity of this type of operation is that failure is likely, even having made the best strategic choice: idea, price, size, ...


Therefore, to maximize the chance of success, we should “simply” to find a way to start the domino effect. First find the few people who will participate first to the concept. These are crucial because they give the public the impression that this concept will buzz or not. It is therefore important that these people are influential with the group covered by the concept in question. Second, having succeeded in creating a positive image and future of the project, it is important to disseminate information effectively. Once again, we must target people potentially interested.

For me, the factor that really launched the phenomenon is probably the dissemination of information by the BBC, which hugely affects people.

So, if we refer to the success of “Million dollar home page”, WaterForward must first interest the media, to ensure consistent dissemination of information. As for the idea, also the importance of the simplicity for this kind of concept, I personally think it required an recognition for people who help. Anonymous donations are not effective enough. Today, people want to be seen, and this is the occasion to show. So lets show by making a donation, and benefit from this now ubiquitous need for recognition.

This concept could be extended to companies that would have their logo displayed among donors. Like private, this is a kind of sponsorship which benefits humanitarian aid at the same time. Why not?


### Reply

2.  [\*\*Pieter De Bakker\*\*](#) 4 Comments  
**07/03/2012 • 15:11**

In my point of view the Million Dollar Homepage mainly became a success because at that time people never saw something like that before. Alex Tew started a creative alternative of doing advertisement for companies. In conjunction with the appealing story, of a mean to fund his studies, it worked out as an indisputable boosting effect. Because of that, both internet users and companies were pleasantly surprised which made things moving. The more similar concepts like this appear, the less surprising it will become and finally resulting in less value for the customers.

Concerning the WaterForward project, it is clearly an example of a relatively new phenomenon called "Crowdfunding", in which money of a lot of people get collected to support all kind of initiatives. I think the Water Forward project has a good chance to be successful since it is not just a copy of the Million Dollar Homepage. Due to the clever use of the social aspect in the business model the founders managed to add an important innovative touch to the concept. Hence it is not possible to pay for yourself, the concept is based upon so-called pay-it-forward. It means that supporting charity is linked to a sign of friendship. If someone pays it forward to you, you feel grateful and you will feel glad and morally obliged to do the same to someone else. The idea is innovative and surprising in that way that now you do not only support the charity in a passive way by just transferring money and there it ends. The founders try to give you something back, a sign of appreciation when someone has paid it forward to you or you have paid it forward to someone else. In conclusion the system is in such a way build that it tries to internalize the social aspect in favour of raising more money for charity. This is really where the added-value of this concept can be found and is in the meantime an important key wether the project will turn out to be successful or not.

### **Reply**

3.  *Bahibigwi* 7 Comments  
**07/03/2012 • 15:10**

1. What are, according to you, the factors that made the Million Dollar Homepage a success (with a special focus on expectations)?

- Move Early

He is the first who had that kind of initiative. Actually, in the world of network effects, this is a biggie. Being first allows your firm to start the network effects snowball rolling in your direction

- the internet

it is at its base a communications network and so network effects tend to happen more there

- self-fulfilling expectations


in a general sense, to the effects of aggregate "consumer confidence." If the population has no confidence in the success of the good, then because of the network effects, no one will want it, and this lack of confidence will be borne out by the failure of people to purchase it. On the other hand if the population is confident of its success, then it is possible for a significant fraction of the population to decide to purchase it, thereby confirming its success

- originality of the initiative
- low participating cost ( 1\$)
- We can see directly the results of the investment because we see the final result on the internet

2. Do you think that these factors can be transposed to the WaterForward project so as to make it a success too?

Yes I think it's less obvious to implement the same thing even if the action is commendable. Indeed, there are many association already led that these kinds of activities, people are inundated with these kinds of requests every day. People generally finance these kind of action for disaster which are most mediated (eg tsunami, ..). And then the \$ 10 (which is a sum greater than the \$ 1 case above), it is unclear how many actually benefits the local population. Here it is difficult to see directly the result of its investment.

### **Reply**

4.  *Jean-François Marenne* 4 Comments  
**07/03/2012 • 14:56**

For the Million Dollar Home Page, my opinion is globally the same as most people. This network is successful because the designer has successfully managed an original idea, its launch at the beginning and its advertising. Thus he managed to

create a buzz attracting many visitors and so many advertisers.

I would also add on the first hand that this project is quite simple to understand for its users. It is a big square where we buy place to put a small picture and a link. Everybody understands directly how it works and can directly enjoy it (or leave it) like he wants. It facilitates the communication and the buzz about it.

Another point I think it's important is the fact that there are two types of users of this site, advertisers and visitors. On one side there are the visitors who like the idea of the site or who come because of the buzz. They come because it's entertaining but they don't really have willingness to pay for it (except those who really love the idea and want to be part of the project). On the other side there are advertisers who want to benefit from buzz and therefore have incentive to pay to occupy a space because it gives them publicity. Thus this is a network where everyone can find benefit.

Finally, I think the limited side of the network also contributes to its success. There are a limited number of spaces available, so there is exclusivity between advertisers. They better take place quite quickly and they even want to pay more for the last places. Also filling in the square can be a fun challenge that gives more incentives to participate.

For WaterForward website, I am much more reserved.

First of all, the principle is a little more difficult to understand. You have to stop and focus 2 minutes to understand how it works. Many people don't have the time or the willingness to understand and it restricts so the number of users. A complicated network is more difficult to operate and you need many applications and advantages or many friends who belong to recommend it to be convinced. And the first problem of WaterForward is that it's quite complicated only for one application which we can't too often repeat. And you don't enter because you have many friends in because it's structured such as you are invited by only one and he can't invite many common friends because it's costly (for this point, I think it will be more effective if we have to pay only for us and invite all the people we want but there is a risk it reduces the big gifts). Secondly, I think it's much more difficult to build a network philanthropic because the principle is that a majority of its members have to pay for this to work; there are no advertisers which can find benefits when they pay, it is asked to everybody to pay for a good action. The problem of WaterForward is in my sense its structure doesn't encourage to do it and participate (first because of the difficulty of its principle as I described above). The WaterForward network operates on the principle of a chain. By acting in the network (and paying in this case), you invite a new person to join it. It is like the chains of mails we can receive which said "if you don't send this e-mail to 10 of your contacts a ghost will tickle you while you sleep". By acting, you invite someone else. Already this system is not popular. Of course, here the main incentive to act is to make a good action but there is also a threat like for the e-mail; if you don't participate to the network and pay, people and your friends will see you are selfish. On the first hand it can be very persuasive for known people (like Richard Branson who invited 200 people) but on the second hand you can hesitate to invite your friends because it's a poisoned present. So many people prefer to not participate not to annoy their friends or they invite people like children that others understand they can't participate.

Finally I want to show that a philanthropic network can work and be successful with the example of Avaaz (<http://www.avaaz.org/en/>). This site is primarily based on petitions (humanitarian, environmental) that users can sign for free to pressure various authorities. In a second step it offers to make donation or invest more in the users' community (meetings, projects, events). This kind of network is interesting because it proposes many applications in which you can participate at the level you want and you can share what you want on the other social networks.

### Reply

- o  **Paul Belleflamme** 285 Comments  
**07/03/2012 • 15:13**

It seems that several charities or NGOs try to use social networks to develop their activities. It would be interesting to analyze the models they use and how successful they are. A topic for a master thesis next year?

### Reply

5.  **Alexandre Jund** 5 Comments**07/03/2012 • 14:34**

In my opinion the Million Dollar Homepage was successful because it was the first attempt of that kind and therefore there was a huge viral effect, hence the high price of the last pixels.

In addition the concept was very simple.

On the other hand, these are also reasons why the WaterForward, in my opinion, will not have the same success.

The underlying idea, although is more noble, it is more complicated, and more serious. That means that I can be boring. And it is also the case with the donation system, because people don't pay in their names and because you have to be invited.

And last but not least, the donation are higher, it is more easy to give 1\$ to something that people will see and entertain them, than 10x more money for something somebody sent you.

It would have been maybe more powerful, to open the donation to everybody, but to use the Facebook and twitter links to let people tell their friends how generous and caring, and maybe creating there a viral effect

**Reply**◦  **Paul Belleflamme** 285 Comments**07/03/2012 • 15:19**

Waterforward is on Facebook (but I don't know how they use it): <http://www.facebook.com/waterforward>

**Reply**6.  **Maxime Delahaut** 2 Comments**07/03/2012 • 11:18**

Many relevant pieces of explanation were already raised to address the questions. However I have another element to add to the debate that might have helped the website.

What if the website was called "The Trillion Dollar Homepage"? Accordingly, a trillion pixels would have had to be sold to fulfill the prophecy. In my opinion, this could mean less visibility for the same price. You buy one pixel at 1 dollar but you own one trillion of the space. Or else, the corollary, for the same space, you have to pay more. Thus the wider the space available on the website (i.e. the more pixels), the less attractive is a pixel. We can imagine a webpage with an infinite number of pixels and we understand that one lost pixel would not be so attractive.

According to me, this refers to the idea of a club good. Alex Tew's idea worked so well because the owners of the pixels were part of a club. The less people in the club, the higher the value of being in the club is.

This view is supported by David Easley and Jon Kleinberg in their book *Networks, Crowds, and Markets: Reasoning about a Highly Connected World*. (Chapter 17 Network Effects)

According to them, "a club in which being a member is more desirable if there are a reasonable number of other members, but once the number of members gets too large the club begins to seem crowded and less attractive."

Thus the good becomes more attractive as more people use it, provided they are not too many users. But once you have reached a specific numbers of users, the marginal attractiveness of being in the club is being reduced. So along with the need to reach the critical mass to start the snowball effect, in some particular cases you also need your network to remain at equilibrium.

Imagine what would have happened to Alex Tew's network if there were no specific number of pixels.

Following my argumentation, I don't really think you find any club in the Waterforward project. As a result, visibility is not

anymore valued (through the possibility of being in a club). This might reduce the marginal attractiveness of the network while it has to be noted that the purpose of this one is to raise money for charity which might enhanced philanthropy.

### **Reply**

o  **Paul Belleflamme** 285 Comments

**07/03/2012 • 11:29**

Interesting point of view! We'll have to discuss this in class.

### **Reply**

7.  **Watteau Jonathan** 7 Comments

**07/03/2012 • 10:48**

There are several reasons which explain the success story of the Million Dollar Homepage.

The fact that it was a new idea played a great role because innovation creates curiosity and interest in people.

This idea seemed silly but its originality was bigger. The Alex Tew's passion and the way how he marketed it made his project successful. He arrived to make the buzz which he used to sell more pixels. Knowing that people bought the pixel amplified the buzz. It's like a viral marketing.

He used the expectation of people to get involved in something bigger. His slogan was "own a piece of internet history". And he succeeded it because we study his case so we go on his homepage which confirms that the advertisers have had a good idea when they invested in it.

At the end of its project, he sold the lasts 1000 pixels for 38100\$ which is 3810% of the initial value. That confirms the importance accorded to famous websites.

WaterForward project is based on the Alex Tew's idea. But I wouldn't have bet on the success of it.

The originality of the idea is lesser because they just adapt the Million Dollar Homepage to charity. Instead of advertising of companies, they promote people which want to show that they give to charity. It's just about the need for recognition. So, it could work because people like expose their lives as in Facebook.

The reasons for my uncertainty are numerous. First, people do not usually paid to get in a social network. And this project is not really a social network because you can just see pictures and encourage your friends to forward. You can't spend much time on it.

Moreover, Facebook has created a need, so it would be interesting to see how many people would pay if they decide to impose a fee. Because there are many addicts. The Homepage worked because it asked money to companies which always paid for marketing.

Secondly, they encourage you to convince your friends to pay that's for me not so ethical. It's a contrast behind the ethical aspect of charity. If you are in by a donation of your friend but you didn't ask it, the mass effect will force you to pay. Despite the fact that you would never have paid for that project by your own initiative. This mass effect is encouraged by the possibility to see how many donations have you done.

Finally, they try to make you feel guilty if you don't pay: "Once you're in, you can pay it forward to someone else by donating \$10 to get them in. If you don't pay it forward, then the chain of giving stops with you."

So, personally, I don't think it will be a new success story but we can't really predict it. Indeed, charity is about conviction and touches people involved in their cause. Their passion as the passion of Alex Tew can surprise us.

### **Reply**

8.  *Olivier Simons* 5 Comments**07/03/2012 • 10:38**

In my point of view, the success of the Million Dollar Homepage is a perfect illustration of the so-called : “self-fulfilling prophecy”. I think we all have already thought about this feeling: “if every Belgian gives me only 1 euro, I would be rich with 10.000.000 million Euros!” But in practice it’s impossible to make this dream comes true... before the Internet’s arrival! The creator of this website has understood the power of “buzz” and of networking effect through the Internet.

Alex Tew was totally aware about the strength but also about the specificities of networking effects. Therefore, knowing that one characteristic is that the first users enjoy a very low utility with respect to the later ones, he asked his friends to buy some pixels cases in the beginning. The goal was to encourage further visitors to buy the next cases because the higher likelihood of success than if they wouldn’t have done it.

The snowball/buzz/networking effect follows and people were exciting about this crazy bet. That’s where, I think, we find the self-fulfilling feature: people who have seen this amazing project knew that if they would buy a case, they increased the probability of making this challenge a success and that is what happened. The novelty of the project combined with the “cheekiness” of the challenge (that we moreover find in the url address : [milliondollarhomepage.com](http://milliondollarhomepage.com), I think it’s totally funny to find this address because it clearly says to visitors “give me only one dollar to help me to become a millionaire”) have attracted people to “participate” to this unusual event.

What concerns the “Water Forward Project”, I first think that it’s a very good idea that smartly uses the power of networking effects to increase people awareness of an issue and to gather very easily a lot of funds to solve a very important world problem. However, in my point of view, the main difference with the [milliondollarhomepage.com](http://milliondollarhomepage.com) (and probably the most crucial one) is that the success of the story is much trickier. In the first story, each person knew that (above a certain thresholds of “already bought cases”) the bet was likely to success because it has a predefined (not unlimited) and reachable objective. However, for the Water Forward project, I think that the main problem is that people don’t believe that it is possible. Because clean water problem is like the world problem of hunger: people know that we have the resources to solve it, but it has never been possible and people think that this is too difficult to tackle this issue. That makes me think about an economical concept : the collective irrationality. Everyone would help poor people to better live (it’s individually rational), but no one thinks that others would do it first (because that becomes efficient only after millions people have given money) and so they don’t do it in the end (it’s collectively irrational). Of course I largely caricature the picture but anyway I think that even if the project supports a greater and surely better cause than the “million dollar” one, the gap between the present and the objective of the water forward project is from afar much larger than for the other.

We will see if networking effects will be at play, and if people will be convinced that their own contribution can “improve the world” in some sense, that’s, I think, the real key. If it’s it the case, the very honorable cause of this project will make the difference and make it successful. But it’s definitely not already sure that it will lead to success...

**Reply**9.  *ZHAO Hanqing* 5 Comments**07/03/2012 • 00:22**

The way I view these internet bubbles is...every Google/Apple we see today, shinning as the brightest star in the night, means thousands of ignored corpses piled beneath them. As we crowned the winner, we didn’t see the losers as they faded like the hidden lower part of the iceberg, yet people seldom notice the absurd ration between winners and losers.

I’m not saying the success of Mark Zuckerberg is purely based on luck or coin flip, but I just don’t buy the story that he had foreseen everything from the beginning either. The truth is...in Latin as they say, “Sic Parvis Magna”, or “Greatness from Small Beginnings”. The only problem is no one could foreseen the potential of the sprout til the tree crown reaches the



Welkin...

Sure there are other reasons to make the sprout better, as people mentioned in their post, such as novelty can attract people, little or no cost for the early entry, but if these success stories can be concluded so easily, then we shouldn't see that many losers. Well, maybe we really didn't see them as our eyes were fixed on the winner-take-all price...

To sum up, I think its 5% of novelty, low cost and other issue, 95% of luck, if one dotcom business want to be successful. Million Dollar Homepage is not so different from other lucky winners.

As for the charity website, well they have my bless for that much, but if one to say that the factor of success in the internet bubble can be transposed and bestowed upon them...sadly no.

The idea of 10 euro entry fee is a lot to ask, and the idea of novelty never smell good when you have to pay that much at the start. To me, this website doesn't not even qualify as a "good sprout", leave alone the huge amount of luck factor plays in this type of business.

### **Reply**

o  **Paul Belleflamme** 285 Comments

**07/03/2012 • 08:53**

This is a poetic way to describe the idea of path-dependence and of the importance of "small lucky events" in network markets.

### **Reply**

10.  **Maria Ryjoukhina** 1 Comment

**06/03/2012 • 21:56**

The Million Dollar Homepage is an interesting case of network effects. However, in this case, the members of the network were probably not interested as much in the number of other members, but in the number of people that will go to see the page. This is clearly different from the "classical" network goods, where the user's utility directly increases with the total number of users, like for example in the case of mobile phones or of social networks like Facebook.

Here, the main users were companies, and their utility increased not directly with the amount of other companies subscribing, but indirectly, with the amount of 'eyeballs' that the page would receive (which in turn are attracted because of the buzz created by the website). Therefore, I guess it could have attracted companies even if there were much less potential pixel buyers, if Alex Tew managed to create a great traffic through his website by any other means.

The aimed consumers of the water forward project are clearly not the same than for the Million Dollar Homepage – a charity project is more likely to attract individuals that would join it for personal rather than for commercial reasons.

Another difference I see between them is the source of their growth: in the Million Dollar Homepage, the network grows mostly from the outside: the more members that join it, and the more others "from the environment" are interested in joining. In the water forward project, the network grows from the inside: the larger the amount of members inside the network, the more people they can invite.

Finally, other factors that I think played a role were luck (we can never know what will be successful and what will not before it happens, it depends on who will be the first people to see it and what will they think about it, will they make the ball rolling), and also, for the charity project, there was a kind of social pressure put on the newly added members to push them participate, since in addition to their picture, it is indicated how many other people they invited and how they contributed to the network expansion.

**Reply**

- o  **Paul Belleflamme** 285 Comments  
**07/03/2012 • 08:56**

You're perfectly right in pointing that network effects are indirect rather than direct on the MillionDollar Homepage. It is a form of two-sided platform (which we will soon study).

**Reply**

11.  **Gauthier Vandeleene** 5 Comments  
**06/03/2012 • 20:41**

«Personne ne veut d'un nouveau réseau social»

(No one wants a new new social network)

<http://www.20minutes.fr/web/facebook/888895-apres-flop-google-wave-celui-google>

I'd like to add some comments to what Mathieu Zen said earlier on this page. Making a link between our subject here and google +, I'd like to stress out the point that Mathieu said to be one of the positive factors of the success of the Million Dollar Homepage story: an original idea.

Looking to the reasons why Google + failed (in my opinion), I think that this particular idea (or innovation) can be linked with what we have seen in the previous class thought by Prof. Belleflamme. Once a innovator creates a new need for consumers (surfing on facebook for example), it has a clear monopoly power over that market if no one enters it. And the link between Economics of innovation and Economics of the information sector is that network effect can ensure that monopoly power, or furthermore, it can increase its monopoly power. When facebook was launched, it was and became the only famous social network all over the world. And as it grew to become what we know today, the network effect ensured and continues to ensure the monopoly power to Facebook. It is what can explain (and the article I mention above explains it completely) why no social network could at the moment take over Facebook, because the network effect ensure them an "increasing return to bepart of it". But it can change: see Microsoft and Apple.

"Pour le Wall Street Journal, ce manque d'engagement de la part des utilisateurs du réseau social de Google découle du fait que Google+ ne parvienne pas vraiment à se différencier de Facebook."

(For the Wall Street Journal, this lack of commitment from the Google's social network users can be derived from the fact that google+ can really differentiate itself from Facebook.)

As for The Million Dollar Homepage and WaterForward, I see one big difference that could let WaterForward to succeed: once people have registered on facebook, they don't wanna leave, they can use it whatever way and whenever they want for infinite. But once the Million Dollar Homepage in completed, the market is full and over, so people might want to search for another network such as the Million Dollar Homepage. The one's who liked it can go back to another time limited network, the one's that did not take any part in the past network can enter the new too.

As a conclusion, as far as I'm concerned, I think that a lot of factors of success can be explained by the limited time of possibilities of using the network. If it is potentially illimited, the network, in those particular examples, could be hard to tear apart.

**Reply**

- o  **Paul Belleflamme** 285 Comments  
**06/03/2012 • 20:59**

It is true that network effects tend to lead to 'winner-takes-all' situations.

### **Reply**

12.  **Antoine Sencie** 4 Comments

**06/03/2012 • 16:18**

From my point of view, the success of the Million Dollar Homepage comes from the newness of the website. I don't think that anybody would have thought of using the internet to raise money for its own use. What could explain this success is the fact that some people have thought that it could be a hit, and that they took their chances to be a part of this adventure. I think this website could also have been a total failure, but once that some people started to talk about it, more and more people wanted to buy some pixels. And the reason is obvious, as more and more people check on the website, the advertising they put is seen by lots of people. And as the price is not very high to buy a pixel, it is very profitable.

To sum up I would say the main reason of the success is the luck, and the feeling of some people regarding the success of the website.

I don't think that the idea of the WaterForward project is based on the luck. It is more based on the fact that you can show to your friend that you have take part into a charity, show them that you have make a good action. The online WaterForward book plays the central role: by adding one of its friends to it, it will bring a feeling of guilt if the person doesn't give money. I think the system is really effective, but questionable as the willingness to pay of the people is largely influence by the addition of their picture in the album.

The big difference between the two websites is the freedom given to the person to choose to pay or not. In the first case (the Million Dollar Homepage) the people had a total freedom to choose to buy a pixel, but in the WaterForward project they count on the fact that people will feel obliged to pay because their pictures is on the book.

To conclude, I would like to say that if I had to choose between those two project in terms of success ( the success here is the number of followers), the WaterForward project is better.

### **Reply**

o  **Paul Belleflamme** 285 Comments

**06/03/2012 • 17:17**

You are right to write that "this website could also have been a total failure". One theme that we will develop in the lecture is the potential coexistence of multiple equilibria in the presence of network effects.

### **Reply**

13.  **Hassan Al Kadi Jazairli** 3 Comments

**05/03/2012 • 19:17**

Some factors that made the million dollar homepage a successful project:

The originality of the idea.

The very low price of buying one pixel.

The fact that Alex was able to convince some of his friends and family members to buy some pixels to start the project.

The limited number of the pixels which encourages more people to be a part of this small society, "the final 1,000 pixels were put up for auction on eBay. The auction closed on 11 January with a winning bid of \$38,100", clearly those last members valued the pixel at a much higher price than one dollar.

Personly, I don't think that the idea of the water forward project is so promising, after all you can see the pictures of all your friends using your facebook and without paying a penny. in addition, I don't think that the charity factor of the project is

enough to encourage people to pay for it, talking about myself, I prefer to donate money for other projects and maybe clean water is not one of my priorities.

In a different note, the water forward project reminded me of a project which help to donate rice for poor people. the idea is to answer questions in different categories and each right answer equals 10 grains of rice, here the website of the project if some one likes to check it:

<http://www.freerice.com>

### Reply

- o  **Paul Belleflamme** 285 Comments

**05/03/2012 • 22:14**

Thanks for the suggestion, Hassan. (And, on a personal note, I'm very happy to read your comments on this blog!)

### Reply

14.  **Olivier L ** 5 Comments

**05/03/2012 • 17:27**

Truthfully, I had never heard that story before. Whatsoever, I must say that was a brilliant idea!

Why is it such a success?

First of all, I assume that when he proposed to companies to join his website, he argued this win-win situation. On the one side, companies have a small advertising for a cheap price and there is possibility to invest even more to put a bigger picture! On the other side, it was for a good cause! Of course, they were a network effect. Big companies such as "Ebay" and "the times" had invested on this project.

Furthermore, if it has been a success, it may also depend on a cultural and a social factors. Let me explain. When I have visited London, I remember those famous red phones kiosk. It has many advertising's sticker in it. It's quiet close from the "million dollar homepage". Moreover, on the website is controlled by the webmaster. He does decide if the picture is good or not and if the company is allowed on the page. So, we do recognize the same type of commercial in the kiosk and on the website.

However, I can't say that WaterForward is exactly the same idea. On the plus side, it's definitely a project which support charity. So many people is doing it for a noble cause!

Nevertheless, the idea to let people pay to invite you and do the same thing is nice but not easy to make it work. In fact, it does reduce the network effect because if someone is ready to invest in this project, will not be able to do it until someone invite him. Moreover, you may add someone into the community but he won't be interested by donating money.

Like the video explain, if you stop inviting people, you stop the chain and the network effect. (Over and above, we may stress the fact that's pushing people to give money because it has a social pressure to decline the offer).

Despite everything I've said, I think it a great idea. It can go really far but I'm not sure that was the best way to enroll people into the project.

### Reply

- o  **Paul Belleflamme** 285 Comments

**05/03/2012 • 22:18**

Your analogy with the red phone booths in London is interesting. Would anyone like to pick up on this idea (what are

the similarities and the differences with the Million dollar Homepage?).

### Reply

15.



Séverine Duym 5 Comments

**05/03/2012 • 09:36**

“What are, according to you, the factors that made the Million Dollar Homepage a success (with a special focus on expectations)?”

-According to me, the Million Dollar Homepage had a great success because people expects it would grow in the future. It was a so special project that people would heard about it. Buyers were interested in this project since they saw there were already buyers on the page. What was really smart from Alex Tew was to ask first to his friends. Indeed, because they were friends, it was difficult for them to refuse. Moreover, it was for his university education, so they were probably interested in helping him. Then, as it was already mentioned in other comments, the ball was rolling. Here, we can see that history and expectations play a role in markets with network effects.

-People were also interested on paying for this project because they had an outcome (they can put an URL, an image, etc.).

-Maybe, the way to give information is important. “Word-of-mouth” is, to my view, really strong because you know and you trust the person who explain you the project.

-Another criteria can be the risk associated to the project. Is it very costly for me (not only in terms of money) to be implied in the project? In the “water forward” project, people cannot really wonder about this question because they are added by friends. But, they can feel “forced” to pay to add other friends and think it is “costly” to be part of the project for that reason.

“Do you think that these factors can be transposed to the WaterForward project so as to make it a success too?”

I think this project can have the same success, but not really for the same reasons.

-Because this is a charity project, it can have a great success. As it is explained in the video

(<http://techcrunch.com/2011/11/08/michael-birchs-waterforward-is-kind-of-a-chain-letter-pyramid-scheme-for-charity/>), “the donuts experiment” has inspired his project. When you offer something to the person behind you, she finds it very kind and maybe start to do it to the person behind her and so on. To my point of view, the person will act in the same manner if she think it is a “good action” and if she can afford it, so it depends on its willingness to pay for THIS project. Another point in this project is that you can check if your fiends have paid for other friends or not, and they are linked to you on the book, so “you can see your impact of how many people are in the book thanks to you, and if some of your friends haven’t paid it forward themselves, you can nudge them through the site.” So, it play a role on “the image” of the persons.

-About the outcome, in this case, it is more complicated. It depends on the value a buyer assimilate to charity. Is he really interested in doing charity or not ? As a second step, is he ready to pay for it ?

-About the way to give information, you can add any person you want, which can be a bit risky. Indeed, if a person is added by a friend and did not want to be added, she can be angry about it and have a bad impact on the reputation of the project. On the other hand, if she find the project very interesting and had no idea of its existence, it is a good way to attract new people.

-I think a strength for “water forward” is that you can keep anonymous because you pay for someone else. And sometimes, people agree to pay for charity but are reluctant to send information about them personally.

The reactions about a project depend on the expectations of the consumers.

### Reply

16.



Géraldine Mottard 5 Comments

**04/03/2012 • 14:10**

I think that the factors of success of the Million Dollar Homepage are the novelty and the originality (he tried to launch a

second website with the same idea but it didn't get the same success. Moreover, other people tried to launch a website identical and it was not successful neither), and the simplicity and the fun (I think if a website is uninteresting or too complex, people will not visit it).

However, these factors are not enough. People have to know about the website before going to visit it. That's why it certainly helped that he first sold pixels to his friends and family. Indeed, thanks to that and the word of mouth that probably started from his friends and family, he got enough pixels sold to make a press release and to get the media attention. From that point, more and more people started to know about his website and consequently, more and more visited it. Here, the network effect had a big role. People bought pixels because they expected that a lot of people will visit the website and consequently, maybe theirs. If they didn't have these expectations, they would probably not buy pixels because it is not worth the investment if nobody is there to click on your link.

I think that some factors can be transposed to the WaterForward project. First, the network effect is also very important because, as you can only pay forward when you are in the book, you need to be added and more people are in the book, more chance you have to be added. Secondly, the novelty and the originality can also be a success factor: if people are curious, they will visit the website and learn about the organisation charity: water.

However, these are not the only success factors. Indeed, even if people are added in the book, it doesn't mean that they will pay forward too. Therefore, the promotion of the project can also play a big role. If people don't feel that the project is a very important cause, they would not make the effort to pay.

To bring this feeling to people, the network can also play a role: if there are a lot of people in the book, people may think it is really a good cause as already a lot of people donated.

### **Reply**

17.



*Cindy Hoyez* 5 Comments

**04/03/2012 • 11:41**

1. What are, according to you, the factors that made the Million Dollar Homepage a success (with a special focus on expectations) ?

In my opinion, the success of the Million Dollar Homepage has been build on several element.

Firstly, I think that the idea behind this project is creative and people found it attractive.

Secondly, as the number of members is a key-element in the network effect, Alex Tew asked his friends and family to buy the first 1000 pixels. If the number of members increases, the value associated to the network by each member will raise, indeed.

In addition, the members are able to share information between them thanks to the link to their own website. So the members are aware that additional people will increase their communication opportunities. Moreover, non-members will have an greater incentive to join this network.

Eventually, the access of the Million Dollar Homepage : there is a limited number of pixels for 1 dollar per pixels (almost free). The limitation can encourage the decision to buy because people feel that if they wait too long, there will be no pixels anymore. So the limitation in addition to a very low cost trigger the purchase.

2. Do you think that these factors can be transposed to the WaterForward project so as to make it a success to?

No, I don't think so.

First of all, the idea behind the project is different. I believe that the amount of people interested in supporting charity is significantly lower than those interested in fun.

Then, as you can not join the charity network by your own, you have to be added by a friend who is already a member. In this case, I wonder who are the first members that add their friends? Are they enough to diffuse this 'trend'? And what about someone who want to join the network but who doesn't know a member? The number of members cannot increase by


action of early originators.

In addition, the outcome (name and picture of friend) doesn't increase the value associated to this network by each member when the number of members grows. There is no communicating opportunities.

Finally, like I mentioned it before, the availability of this network is restricted by the fact that you have to be added by a member.

Furthermore, the donation is larger compared to the cost of a pixel of the Million Dollar Homepage.

### **Reply**

18.  **Mathieu Zen** 7 Comments  
**04/03/2012 • 11:09**

In my opinion, the factors behind the success of such initiative are:

- Original idea.
- Good targeted start: it is important to target people who are likely to "play the game" to start the process.
- Reward to anyone who invests: it should propose a win-win situation for the investors (e.g. advertising).
- Minimum cost of participation: cost must not be an obstacle to anyone willing to participate.
- Maximum simplicity: it should be easy to subscribe to the "game" (e.g. not too much "red tape").
- Ready to start product: all functions are accessible without bug to avoid discouraging people.
- Compatibility: no additional cost to access the product

If we transpose these factors to the WaterForward project, we can see that they are for some no longer met:

- Original idea: (-)the idea is no longer original: the same principle is used (pay to put a picture).
- Good targeted start: (+)it is possible to add Facebook and Twitter friends, this favors a good targeted start.
- Reward: (-) there's no counterpart, no advertising.
- Minimum cost: (-) the amount to pay is bigger (10\$)
- Maximum simplicity: (+) I assume it is easy to subscribe.
- Ready to start product: (+) I assume it is well prepared.
- Compatibility: (+) website pages generally accessible easily with any browsers.

I'll add a negative factor to the WaterForward project; when you subscribe, you choose friends you want to participate. It can be negative because this forces your friends to participate. If they do not, they could think they are seen as selfish. It is always easier to refuse to make a donation when it is not a friend who asks for it.


It should be interesting to analyze the failure of the new social network introduced recently by Google (Google+). One of the biggest negative factors is the fact that the first Google+ release was still in beta version.

### **Reply**

- o  **Paul Belleflamme** 285 Comments  
**04/03/2012 • 21:06**

Thanks for the suggestion to look at Google+. Maybe for future post...

### **Reply**

19.  **Falisse Estelle** 5 Comments  
**04/03/2012 • 10:18**

How come this idea became a success?

First of all, an important element is the novelty of the concept. No one has never done that before Alex Tew, which let him a lot of freedom. The launching of his website was almost free, he didn't any debt to recover, any purchase from his Million

Dollar homepage was pure benefits.

When launching his website, he analyses the economy and realize how smart it would be to sell his pixels in \$ in place of £. In fact, the population online was much higher in the USA than in England. Furthermore, at that time, the pound was strong against the dollar which would have lead to less people using the \$ not buying pixels due to its higher price.

Alex Tew started it's advertisement through friends and people he knew. It is the cheapest way to display your product, i.e. word of mouth. It doesn't work in any case, but here it did since anyone may potentially be interested in buying pixels on the internet. Just for fun or for advertisement.

Even though the Million Dollar Homepage might look like the perfect illustration of a viral marketing, it is not. In fact, it was not using a pre-existing social network to achieve it's marketing objectives. But it well used the same techniques, word of mouth and network effects.

Thanks to me, Alew Tew launched it's product at the right time to the right person and found good ways to tackle the unpredictability of Million Dollar Homepage success in order to create the buzz.

Even though, the waterforward project might look alike the Million Dollar Homepage project, a couple of factors shows they are not.

Primarily, the waterforward project is not advertising campaign, beside the fact that you can put your name on the website there is no link to your business. Companies won't have a marketing incentive to invest in this project but be more a corporate social responsibility incentive. The CSR incentive, even it's becoming more and more popular, is not as important as marketing incentive.

For particulars, not so sure it will convince people who didn't care to supply water to poor nations to suddenly decide to supply it. It won't reach new "consumers" but probably make the people who where already giving money for it to give more. Possibilities of expansion are thus pretty limited.

The fact that you can only be invited by friends limit the expansion of the website. Due to too many "FW emails", people don't give too many attention to this emails anymore.

To conclude, the projects might seem to attract the same group of consumers, the same population but not. These projects don't have the same goals, they are not substituable they thus can't use the same technique to attract consumers.

### **Reply**

o  **Paul Belleflamme** 285 Comments

**04/03/2012 • 21:09**

Good analysis, thanks.

### **Reply**

20.  **Janowski Joachim** 5 Comments

**03/03/2012 • 14:36**

The first factor which played in the favor of the young student is the name of his site. Indeed, the principal aspect that people see through a site, is its domain name. The author thought deeply to find an original name which catch the attention of the public. It is simple and it arouses the curiosity.

The second factor is that the installation of this kind of site doesn't require particular finances except for the purchase of a domain name which costed 50 dollars to Alew Tew and of course the time devoted to the site.

The third factor is that the young student had the good idea to advertise for his site. Indeed, it is an original idea. It is another way to make marketing and to make publicity. He invested his first 1000 dollars which he collected thanks to his family to speak about his site. And the simple fact that he sent notes about his idea to advertisers and newspapers created a buzz. In fact, we live in a perpetual changing world and the only way to have a temporary success is to make buzz.



The fourth factor is the snowball effect that his site caused. In view of the fact that the concept was mainly centered on publicity, he knew what they want and what they look for. Thus, the advertisers and marketers seeing more and more visitors on his site thought that they didn't have to miss an occasion to make publicity on a buzz site and therefore bought an advertising insert. That caused a snowball effect. Indeed, after having read some remarks on several Web sites, I saw that the young student made interviews, was invited on TV stations, etc which increased the snowball effect exponentially. He made a good use of media canal.

The fifth factor is the fact that the story is incredible. The media look for stories like this: a young man without money who wants to earn 1 million dollars. I think that what is unbelievable and make this story incredible is that it can happen to everybody. It is a simple idea which became an internet monument.

Afterwards, more and more similar Internet sites were developed without having same success. Several similar sites are listed on this site: <http://www.thepixelwars.com>. On the other hand, if we take back the same idea with a different representation and a different point of view, it could create a new buzz with the same idea.

I think that WaterForward belongs to these kind of sites which took back the idea of Alex Tew but they changed the representation of this idea.. The goal is clearly known on Waterforward: this is for the good cause. All the donations will be used for humane projects. I think that the factors that it had been developed can be apply to this case. Indeed, after two weeks, 150,000 dollars were collected by the site without making any advertising. Moreover, when the site starts to have success, the creator invests like Alex Tew in publicity and now, some famous names like Richard Branson or Sean Parker are associated with the project, which arouse curiosity and buzz on Internet.

And I will finish my comment by a quote: "Bad artists copy. Good artists steal." (Pablo Picasso). And we can note by the aforementioned comment that copy never will collect as much success as an original readjustment of the starting idea.

### Reply

o  **Paul Belleflamme** 285 Comments

**04/03/2012 • 21:13**

I love your conclusion!

### Reply

21.  **Henriette Beck** 5 Comments

**02/03/2012 • 16:34**

1. What are, according to you, the factors that made the Million Dollar Homepage a success (with a special focus on expectations)?

Well to my mind, the Million Dollar Homepage became a success because people expected an outcome for themselves and saw the idea as a new opportunity they should capture. I'm quite sure that consciously or unconsciously people are aware of these network effects and that a critical mass is needed to get the ball rolling. So, the initial buyers of the pixels probably had big expectations to be on the website because if the network effects holds, the buyers will profit from the public attention Tew's Homepage received. In addition, through the purchase they would convince others and foster the awareness of the Million Dollar Homepage through their own action.

2. Do you think that these factors can be transposed to the WaterForward project so as to make it a success too?

I agree with the other comments above that the idea of the Million Dollar Homepage does not apply for the WaterForward project because from my point of view the expected outcome for the donator is missing. If you donate 10\$ the friend you name will benefit and you can just hope that someone will donate 10\$ on behalf of you. Here it is more about the idea of doing good or creating something together than of receiving a real outcome, which I think is a critical difference with regard to the Million Dollar Homepage.

**Reply**

22.

*David Charlier* 4 Comments**24/02/2012 • 13:38**

1. What are, according to you, the factors that made the Million Dollar Homepage a success (with a special focus on expectations) ?

In my opinion, several factors have contributed to the Million Dollar Homepage's success: originality, timing and network effect. Following me, the mix of all these factors was the source of the success.

Originality of the concept is the first factor I identify. Indeed, such a project was highly innovative and it created an interest for some people who saw a potential success in it.

Timing was strongly linked with originality. Indeed, it was really important to manage the word-of-mouth effect efficiently. As I read in the first comment, Tew first asked his friends to buy the first 1 000 pixels. Doing this has given a higher value to the site for the next visitors which directly saw it as a success. This small step in the development of the site was, as I see it, essential to success.

The third factor, and probably the most important, was network effects. The site used the very basis of the phenomenon to attract the visitors in an exponential way.

To sum up, I think only the mix of all the factors have made the success of the site, and I really think the path dependence was important : if timing had not been well managed, the whole project could have been a failure even with the originality and the network effect.

2. Do you think that these factors can be transposed to the WaterForward project so as to make it a success too?

As I tried to explain in the first question, my opinion is that success factors cannot be transposed from one case to another so easily, but it can inspire new projects.

In the WaterForward project, the innovation resides in the 'sponsorship' of people. It is a different way of using network effect (I would say it rely even more on network effect than the Million Dollar homepage) where the success factor resides in the satisfaction of people who are proud to be part of the community.

As a result, the network effect here could be a clear success factor if people find an interest in it, or a complete failure in the opposite scenario. Lots of smaller factors are thus playing a role in the success of network effect. For instance, the marketing of the project is probably really important (the diffusion and the quality of the small explanation video has a great impact on it).

To conclude, I would say that taking success factors of one project to develop another is dangerous. If I develop a Million Dollar homepage now, it will certainly be a failure (my timing would be bad as the concept has already been used). But inspiring from other's success factors can be very interesting.

« L'innovation née de l'observation...pas de la copie » (Daniel Rossellat)

**Reply**

23.

*Amandine Seny* 5 Comments**20/02/2012 • 16:17**

Why did the million-dollar home page project work?

The first thing I would like to say is that there was almost no cost for launching it. The creator (Alex Tew) could therefore

only benefit from it, there was no financial risks because not much to invest.

By looking for a bit more information about that website, I've read this: « Tew knew no one would be interested in buying pixel space if he didn't get the ball rolling, so he convinced some family and friends to chip in to buy the first 1,000 pixels. » (<http://www.entrepreneur.com/article/82936>)

The first thing to do was indeed to attract people at first, to make the website attractive for others (it's actually how networks work). To do this, he asked his friends and family to buy pixels. He first managed to create a real network in order to make his website attractive for other "investors".

Further in the above-quoted article, I've read: « He also thought it would be a good story for the media to pick up –"Broke student has quirky way to raise money for college"–so Tew took the money he made from the first 1,000 pixels he sold and used it to write and send out press releases to the local media near his hometown of Cricklade, England (about an hour and a half west of London). The UK media quickly took the bait, but what was even more remarkable—and proved to be the most effective marketing tactic—was that bloggers, online forums and chat rooms also began to embrace the story. »

The fact that he sent articles to some media was a good way to attract investors, because it would ensure that it would be talked about his website, which was attractive for advertisers who would then buy pixels because they knew people would come on the website. Later, blogs and chat rooms talked about it, which was becoming even better for the advertisers.

On the website, you also have a "testimonials" part, where people who had already bought pixels may talk about their experience. Seeing the positive experiences of other buyers was a way to convince others of the utility of the service proposed.

Another reason why I think this project has worked is its novelty and originality. I don't think such a project might work a hundred times. The idea was original, but won't be original every time. Alex Tew sent articles to multiple medias, which published them because it was a new intriguing phenomenon and because media like novelty, but media will not talk about ten projects like this, which reduces the scope of viewers for future websites like this.

For the water forward project, I think it is a bit different. Indeed, you have to be added in the network by someone who is already in it, you may not choose yourself to enter it (because friends have to buy a place in the book for you before you may yourself buy places for other of your friends), so you may want as much as you want to enter the network, if nobody adds you, you're useless.

Thus, even if media and blogs talk about the water forward project, it will not mean more people will be added to the page, because the adding of people is up to people who are already in the network, and who are thus already aware of its existence.

Moreover, this project is a charity project (that aims to provide water for people who don't have access to it). The reason why you would want to join, or it is maybe better to say the reason why you would want to pay to add one of your friends to the network are different, I think, than the ones why you would want to join the million dollar home page. You would want to join the million-dollar home page to have a certain visibility, while you would pay for the water forward project because you want to support the charity.

Another difference between the two websites that seems important to me is this one: on the million-dollar home page, you get a place on the webpage + a link to your website. On the water forward page, you only get to put a picture of your friend, which is not something really interesting for advertisers. The two websites are not intended to the same individuals: the first one is more for advertisers while the second is more for particulars who want to help the water project.

In conclusion, I will say that I don't think the factors that made the million-dollar home page a success can be transported as is to the water forward project. Even though both projects are about networks, they don't follow the same way.

**Reply**

◦  **Paul Belleflamme** 285 Comments

**21/02/2012 • 08:31**

Very good comments. Excellent way to launch the discussion.

**Reply**

## Leave a Response









