Data-Driven Business Model Innovation in Journalism:
A Case Study of BuzzFeed as a Platform of Public Good

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Abstract

Fake news became a buzzword especially after the 2016 U.S. election leaving the concern of what is circulated on social media (Allcott&Gentzkow, 2017). The business model implemented by the traditional news outlets was based on a print revenue stream, where their main profit came from the advertising. With the Internet, the legacy publishers were forced into the online business environment where information was easily accessible yet no clear revenue model implemented (Teece,2010). Inspired by HuffPost, BuzzFeed gained its audience producing viral entertainment content. Without banner and video pre-roll ads, BuzzFeed created a unique business model, which has a socially inspired sharing and interaction strategy. "In the face of the continuously changing challenges of the digital age, it is difficult for quality news journalism to survive on any significant scale if a means for adequately funding it is not available" (Anderson et.al.,2013). To set foot into quality content, BuzzFeed started to produce investigative and data stories. Peretti's latest multi-revenue streams report offered a sustainable model and broke the rumor of axing BuzzFeed News. To combat misleading information and fake news, BuzzFeed produces information that has a public interest, as it plays a crucial role in ensuring that citizens are well informed. As Peretti states "[i]f you are thinking about an electorate, the subscription model in media doesn't support the broad public" (Roettgers,2017). With the aim to analyze the importance of BuzzFeed's business model, as a source of public good and yet still under-researched case, the paper focuses on understanding how the business model evolved and is contributing to the search for a sustainable business model in the industry. By in-depth empirical research, this paper studies the role of BuzzFeed as a source of public good and three business models' evolution that formed up new ways to engage the audience. BuzzFeed has shown how being innovative and technology-driven can help news and media industry to survive their big competitors. Finally, the paper concludes with an agenda for perspectives in the journalism industry.

Keywords: buzzfeed; business model; public good; new media; digital journalism; innovation; digital native platforms; news organizations; empirical research

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Introduction

Inspired by the viral business of HuffPost, BuzzFeed gained its audience as a producer of viral social media content and entertainment. The company ran its portal without banner and video pre-roll ads making its business model different from other media organizations. BuzzFeed has a socially inspired strategy, which uses of sharing and interaction of social media (Gallagher, 2015).

To make it an actual profitable business, the company created a business model(BM) based on native ads, which rarely take the form of blatant promotion of a product itself, but there was a direct link between the content created and what it actually promoted. The ads' message is embedded in the story (Taylor & Jackson, 2014). Besides the native content, "[i]t recently launched an e-commerce store that 'curates' clothing and other products emblazoned with sweary messages" (Garrahan, 2017). Using data analytics to optimize the headlines and content, BuzzFeed created a platform to provide the most appealing content that has the best chance to become viral and were aligned with the goals of the advertisers and the audience required by them.

However, BuzzFeed wasn't considered by many as a quality content provider due to its heavy focus on the clickbait. To be able to go beyond its root, BuzzFeed started to produce investigative and data journalism (Saba, 2013). The company launched its separated news division in 2016, which makes no profit, differentiated from its entertainment unit with the goal to establish a new business model. Amid the suspicion of cutting BuzzFeed News, Peretti's recent multi-revenue streams release solidified its determination in keeping the news sector and making it profitable.

BuzzFeed, like HuffPost, changed the way of producing content and interacting with the audience based on new ways to generate revenue. Understanding how BuzzFeed's business model is changing and how it contributes to change in the digital journalism industry as a source of a public good are the goals of this project. By understanding BuzzFeed's transformation, this paper touches in the point of how the platform serves the public good and how the change further impacts its position in digital journalism.

History of BuzzFeed

Jonah Peretti was a tech-savvy professional who graduated from MIT Media Lab. He, along with Arianna Huffington, a famous political commentator, and Kenneth Lerer, a PR professional invited founded Huffington Post, which later became one of the first successful digital news platforms (Voigt et al., 2016).

Peretti left HuffPost to create his own business in 2006, which later became BuzzFeed. John S. Johnson III, a researcher, joined Peretti to create a platform for social media news. Inspired by HuffPost's viral business, BuzzFeed gained mass audience with viral and entertainment contents. The platform started with list articles(listicles) and later gain fame for adorable cats lists (Tully, 2014), which was considered as a meme platform. Meme was first coined by Richard Dawkins' book, *The Selfish Gene*, in 1976 to elaborate on how cultural information spreads. The memes are usually spread via social media and are figures or GIFs, being deliberately altered by human creativity (Dawkins, 2016).

Only in 2008, BuzzFeed found native advertising as a revenue solution, which is based on viral content sponsored by brands. The shareable characteristic fast grew into a profitable core business of BuzzFeed. Later, the company was described as a clickbait platform whose main goal was to get users with appealing headlines and criticized for being shallow, misleading, and ubiquitous (Chen, 2017; Frampton, 2015). Blom & Hansen (2015) stated that one main trait of clickbait was the abusive usage of unidentified pronouns to create an information gap in the headlines.

It started its serious journalism in late 2011 by hiring established journalist Ben Smith for the coverage of the presidential election in 2012. One year later, it launched BuzzFeed Brews, curating interviews with politicians and entrepreneurs. Later that year, a Pulitzer Prize winner, Mark Schoofs, was hired to develop investigative reporting as well as expanding in UK, France, Australia, Brazil, and Japan. In 2017, BuzzFeed "is more diverse and balanced than it was a year ago and, very importantly, for the first time a quarter of our annual revenue will come from sources other than direct-sold advertising" (Kafka, 2017).

Market Demand

The market for news has gone through tremendous changes in the last decades with the appearance of technology. The business model of the traditional publishers was based on a printing revenue stream, where their main profit came from the sales of space or spots in the newspaper or magazines for advertising. With the advent of the Internet, the traditional publishers moved to the online environment where information was easily available and no clear revenue model implemented (Teece, 2010).

Digital journalism was a new practice, which distribution costs of digital news are lower and the information is more accessible. It significantly democratized the flow of information that was previously controlled by traditional media. This contemporary form fundamentally changed the previous one-way communication between media outlets and readers (Boler, 2010; Franklin, 2013).

This new environment requires alternatives to address the customer, which could capture their attention. Hence, true Internet companies created an expectation that information should be free, which challenges business to be profitable. "Newspapers have employed a revenue model for decades in which the paper is sold quite inexpensively (usually at a nominal level, insufficient to cover costs), while publishers looked to advertising revenue to cover remaining costs plus provide a profit" (Teece, 2010).

Online news gives people access to "unlimited pages at their disposal and a potentially vast global audience of readers, publishers once thought that the volume of online traffic they attracted would correlate with advertising revenue growth" (Garrahan, 2017). Those displayed ads were the main revenue for the free content providers until the rising of Google and Facebook and their programmatic ads. This duopoly took the major part of the ad revenue through sophisticated algorithms to achieve cost efficiency for advertisers. "Unlimited pages of inventory kept prices down. Publishers found that advertisers were unwilling to pay premiums for display ads that have never come close to matching television commercials in price" (ibid.).

With the boom of tech startups, like eBay and Craigslist, new ways to accommodate ads were created and siphoned off advertising revenues by enabling customers to find products easily and filter by their interests.

According to Reuters Institute Digital News Report, most countries found a growing distrust in the media (Newman et al., 2017). Fake news and misleading information are spread in the social media and raise the disbelief in media. News is changing but the information is still a basic human need (Fortune Magazine Video, 2014). Almost two decades after the Internet first disrupted, various newsrooms are still fighting to develop a sustainable income source, which doesn't flood readers with advertisements or discourage them with a paywall. According to the survey by ICFJ (2017), the digital-only newsrooms are twice as prone to generate revenue from alternative sources than traditional or hybrid newsrooms. Publishers have to realize that diversified revenue streams and engaging readership are the keys to both editorial independence and financial success. Create quality content that will inform and increase knowledge for the audience is a way to promote the brand and ensure the quality of news.

Theoretical Framework

Freemium

With technological evolution, companies have to innovate their business models to be sustainable and competitive. "A business model articulates the logic and provides data and other evidence that demonstrates how a business creates and delivers value to customers" (Teece, 2010). Business model innovation is a way to maintain competitive advantages that are hard to replicate by competitors or new entrants in order to guarantee a sustainable revenue stream (ibid.). Newsrooms are still struggling to develop a sustainable revenue source without discouraging the audience with paywalls or excessive ads (Berkhead, 2017).

According to Teece (2010), "[a] good business model yields value proposition that is compelling to customers, achieves advantageous cost and risk structures, and enables significant value captured by the business that generates and delivers products and services". Thus, to be successful in the digital age, customer-centric approach is essential on how to deliver and capture value. The technology innovation has been a key issue in designing business models in digital journalism. The commercial viability of businesses is essential to create a sustainable revenue stream and only possible with a competitive advantage built on innovation. In this way, getting a correct business model and technology strategy are the paths to achieve commercial viability (Teece, 2010).

Flickr, an image and video platform, was one of the prominent Internet business models. The platform was based on "freemium" (a portmanteau of 'free' and 'premium') where it is characterized by giving the service away for free but supported by ads to generate revenue. (Teece, 2010; Wilson, 2016).

The freemium was a concept originated from the game industry in the 1980s, often in a time-limited or feature-limited version to promote a paid-for full version of games, as licensing scheme. The theory behind is the possibility for vendors to get customers

hooked on the free version then to convert them into paying customers, selling them the complementary services (Teece, 2010; Wilson, 2016). This business model became dominant in the last decades, used by The New York Times in 2012 that released part of the content for free, charging only the archived articles and advanced ways of reading (Dutton, 2013).

Freemium relies on a certain percentage of users to pay for extra value, while the majority don't and are therefore subsidized by the paying users. Thus, the freemium model works to promote initially information as public good, which means creating new strategies to distribute and capturing the value of it without having some form of an excludable good.

Information economics

The digital revolution brought information to evidence that it is costly to produce but easily and cheaply to reproduce on the Internet. In general, the very first copy of information is expensive and it can be easily replicated with minimal additional costs. The investment in the first copy is the dominant cost but with the information technology, the distribution cost is zero marginal. The production and distribution of information are the central tasks of media companies. Before the Internet, information in the media industry was costly to produce and reproduce with first copy taking up most of the investment (Stahl & Grigsby, 1997).

As technology constantly innovates itself and consistently improves, there seems no natural capacity limits for additional copies, which allows companies to reproduce it without limitation. The commoditization of the information is another issue. Historically, the print newspaper used information as a private good, in which only the people who buy the newspaper have access to the news that was gathered by an organization. Digital organizations have lower their prices down to a level that is close to zero or totally for free to face competitors. Thus, users have the idea of free content in the digital media industry (Stahl & Grigsby, 1997).

The concern of companies is to create a differentiated product that is hard to replicate and makes them dominant. To differentiate in the news industry has to add value to raw information to make it distinguishable (Stahl & Grigsby, 1997). BuzzFeed started to innovate with listicles, which brought the information in a different way that audience was used to read.

Internet helped to gather data from users to understand their consumers' behaviors. Based on the data analysis, customers' needs are exploited to serve the product design or recommendation that can capture the benefits offered by it. Google and Facebook are mastering on how to use data that they get from their daily users to provide personalized content for a targeted customer, which adds higher value to the ads, increasing their revenue stream. The cost leadership that combines economies of scale and scope is a way to have an advantage over the competitors. Technology allowed companies have lower costs to be dominant and avoid competitors to conquer market share (Stahl & Grigsby, 1997).

A characteristic attributed to information is non-excludability and non-rivalrous. The non-rivalrous happens when one piece can be consumed simultaneously by other

consumers. A good is considered non-rivalrous if the providing costs is a marginal cost. The non-excludability means that is hard to prevent other people from gaining access to it. By nature, information is non-rival, but it can be exclusive or non-exclusive. When others can benefit from an information than creators, it has a positive impact. Digital media broke down the barriers of the non-rivalrous characteristic. Newspapers use paywalls to create barriers for readers. Thus, the information turned into an exclusive good, only the ones who pay for it would have access. In order to be a public good, information needs to be both non-rival and non-excludable (Cornes & Sandler, 1996; Weimer & Vining, 2017).

Publishers have the power to exclude information, in a way to protect their intellectual property (IP) rights. However, excludability generates another problem by restricting the information and, consequently, keeping knowledge from people. Thus, neither perfect excludability nor perfect non-excludability is likely to result in the socially optimal outcome, find a balance between both is a way to find a business model that will make journalism profitable again (Cornes & Sandler, 1996; De Long & Froomkin, 1998; Shmanske, 1986; Weimer & Vining, 2017).

The more newspapers prioritize on profit making at the expense of news reporting, the less valuable the news becomes a resource for citizens and democracy. News is information, thus, a public good that contributes to the pillars of democracy, which needs to be produced professionally and ethically. Publishers have to be in charge of producing a material that has a public interest, as they play a crucial role in a functional democracy (McManus, 2009).

Network economics

In economics, there is an assumption that takes consideration that increasing costs per unit produced when expanding the market share, will be decrease returns to scale. It doesn't apply to the networks, once the marginal costs to reproduce is almost zero. There are two types of scale economies, the first is known as supply-side economies of scale and when more items produced, the lower the unit costs is (Shapiro & Varian, 1999).

The other type is the demand-side economies of scale, essential in information industries. Users are responsible for the interaction in the networks and the demand is the mechanism used to attract them. The more users that a network has, the more contacts can be built; thus it will benefit the individual users and also resulting in more interactions. Positive feedback is a way to build a virtuous circle that big networks get bigger and the small ones get smaller.

In the Internet that is critical for market dynamics and competitive strategy, where the virtual networks have invisible nodes that need to interact with another one. The value of connecting to a certain network depends directly on the number of people who have already connected to it. On the contrary, the criticism creates a movement of users to the competitors, which stimulates both networks to a battle zone, a place to compete to be an industry leader, as shown in Figure 1 (Shapiro & Varian, 1999).

Figure 1 - Positive Feedback (Market Share % vs. Time)

Positive feedback doesn't mean growth directly, but it is a virtuous cycle. If the service is failing, these perceptions can spread around and make the business starts to shrink. The positive feedback allows companies to achieve rapid growth and dominate their markets, like the Big Four -Amazon, Apple, Facebook, and Google. Before, the word of mouth was the most valuable resource to promote products or services; with new media, the positive feedback is the form to engage and promote business in digital communication ecosystem. Large networks are more attractive as a result of network externalities. Thus, externalities arise in the network when one node affects others without a compensation. When the network grows, there is more engagement, interest, and a possibility of internationalization. This movement tends towards the creation of oligopolies of temporary character due to the limitation to keep the growth (Shapiro & Varian, 1999).

The network economics benefit from the network effects that generate momentum that helps these platforms survive competitors and makes arduous for insurgents to replace them. The state of journalism today is an example, the duopoly created by Google and Facebook generated and accumulated their revenues from ads through users' data to customize the ads (Srnicek, 2017).

Technology companies rely on data as the power of their business. In last century oil moved the economy and turned into a treasure for many. Data is becoming the 21st-century oil, as a tool for business understands users and creates control over them. Data, as a resource, is essential to run business and likely the global economy in the contemporary context. Platforms turned into the stock market of data, where companies have data ready to create the targeted campaigns towards specific audiences and organizations make money from selling these data. Every interaction in a platform becomes a data point that is fed into their database to feed their customers. The business model created by the platforms relies on a data-centric economy using network economics to benefit from it (Sillito, 2016).

Methodology

To understand the phenomena of the rise of new media is one of the greatest challenges in the contemporary media studies. Following the contrast in the study of research methodologies in media studies, this research embraces the American methodology for media research relying on the direct observation of distinct

phenomena, which is the BuzzFeed case study (Putnis, 1986; Cunningham & Turnbull, 2014).

The paper uses empirical research to perform a qualitative and quantitative analysis to understand the evolution of the business model in BuzzFeed. By reviewing the news, articles, and reports from the search results; trending topics were identified by year, which gives an overview of its business focus transformation. Through reviewing of interviews with the BuzzFeed stakeholders, ranging from its founder to users, was possible to understand what was the direction that BuzzFeed is determined to go along.

Table 1 - Performed searches in Google

Key Words	String searched	Hits
Business model, BuzzFeed	"Business model" + BuzzFeed	305
Revenue, BuzzFeed	Revenue + BuzzFeed	390
Jonah Peretti, BuzzFeed	"Jonah Peretti" + BuzzFeed	200
Data, BuzzFeed	Data + BuzzFeed	200
Strategy, BuzzFeed	Strategy + BuzzFeed	225

The data was collected from September to December 2017 using Google to collect qualitative and quantitative data through a combination of sentences and words shown in Table 1. In each of them, it has sought for articles with interviews and relevant data for understanding the process that results from the pioneer to the multi-revenue business models. Table 2 shows selected features that were further analyzed in the articles. The collected evidence is mentioned in this paper as data.

Table 2 - Selection criteria for articles

Qualitative	Quantitative
Interview with stakeholders	Numbers
Visual/infographics	Data analysis
Revenue stream	Data scientist
Audience feedback	

For all the selected articles, keywords will be abstracted using summarizer tool (https://www.tools4noobs.com/summarize/) to conclude the trends found throughout years. In-depth individual article analysis will be done by presenting major findings from them. Data was also gathered from the official channels for empirical research. This process allows to visualize and confirm the evidence. A visual transition of the landing page will be provided by Cachedview (http://cachedviews.com/) with elaboration on each phase's evolution.

Analysis

Through the analysis, the trending topics from the abovementioned articles were grouped by publishing year, as shown in Figure 2, and enlightens the BuzzFeed's business model transformation.
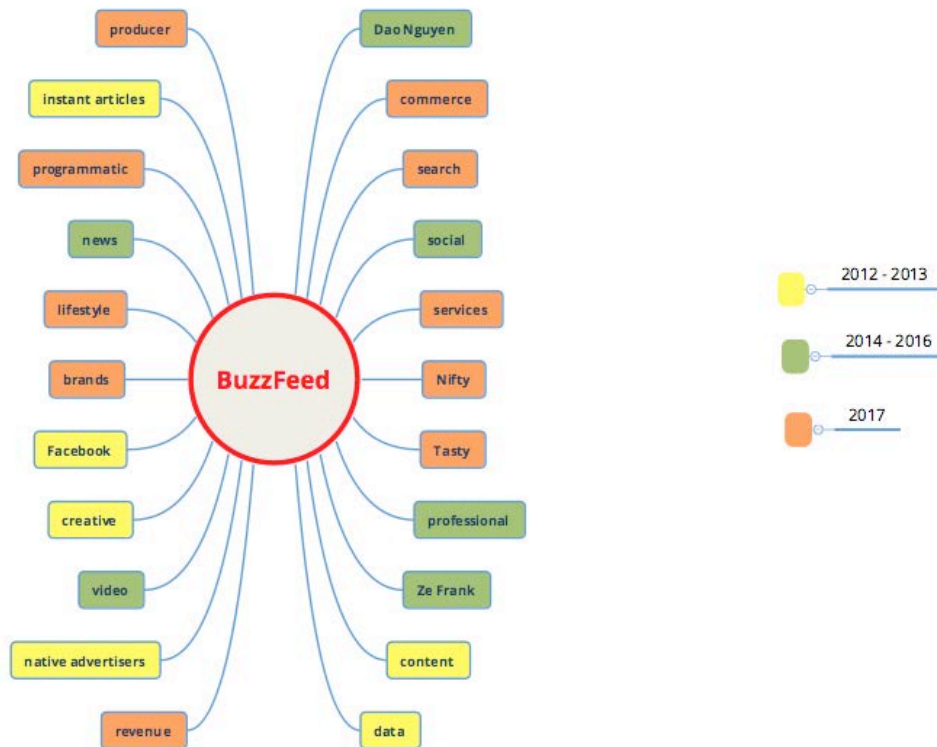

Figure 2 - Trending topics by published year

Data has been an essential part of BuzzFeed since its foundation, from the aggregation of viral contents to content ideation, it plays a central role along its transition. Native content has been an all-time buzzword since BuzzFeed's first campaigns with native ads in 2008. It did stick to the business model till very recent years. Early in 2011, it started the serious journalism experiment, which became a separate business in 2016 with the reorganization of the company into a video-centric media company with the division of BuzzFeed News and BuzzFeed Entertainment Group.

Recent news shows a multi-revenue stream business model is envisioned for the company (Peretti, 2017). Shifting away from its originally ads-supported platform to a more diversified business model with more than half of revenue from non-direct-ads sales in 2019 will result in sustaining the business from different revenues streams (Bilton, 2017).

Pioneer Business Model

The pioneer Business Model Canvas (BMC), figure 3, represents the first years of the platform that was designed to entertain with listicles and quizzes. The goal was to be a free point of consumption of information. As a platform of public information, BuzzFeed wants to be non-excludable and non-rivalrous. Contrary to the traditional

publishers that transformed into subscription and paywall business, BuzzFeed is an innovative company that provides free access to the content (Cornes & Sandler, 1996; Weimer & Vining, 2017; Fortune Magazine Video, 2014).

With social media channels, it diffuses content to create interaction and engagement. "BuzzFeed gets more than 50 percent of its traffic from distributed platforms" (Wang, 2017) and "readers are between 10 and 20 times more likely to click on them than on an average banner ad [...]", using a combination of adaptation and A/B testing, their content achieves a great audience (Beaujon, 2017).
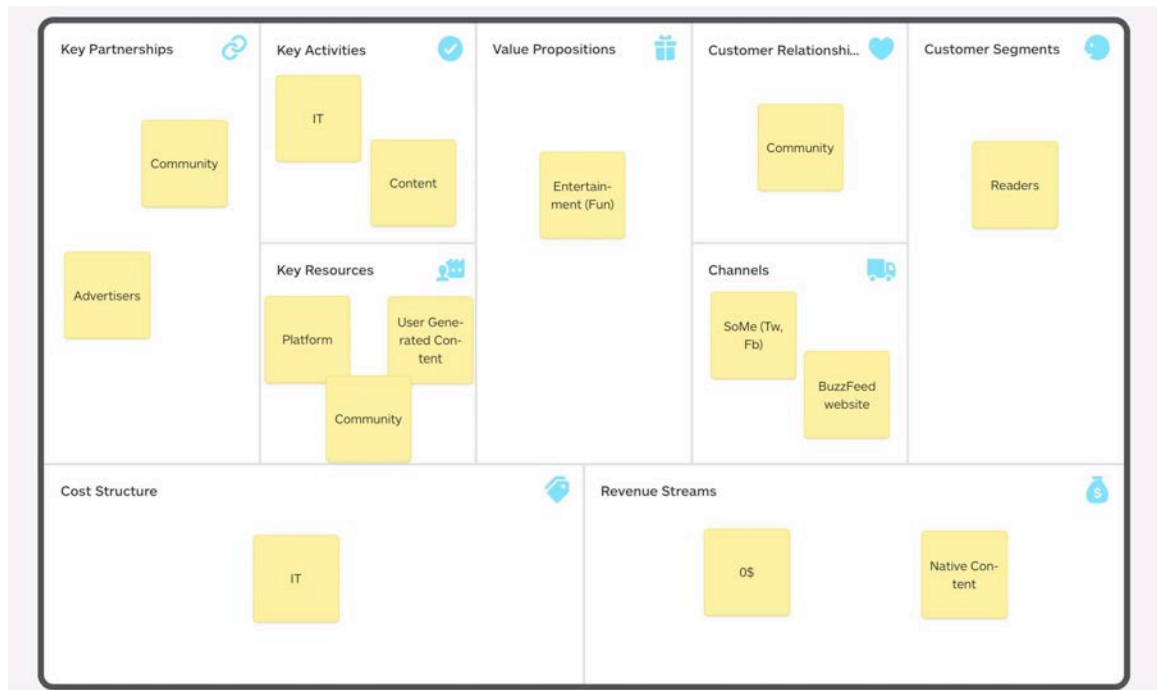
Figure 3 - Pioneer Business Model Canvas - BuzzFeed - v1

The main focus was on ideation of viral content (Watts et al., 2007). One example was illustrated from obtaining and analyzing "60,378 distinct articles and the corresponding number of Facebook shares for each article", the author quantitatively analyzed the possible permutation of the headlines and found out the listicles' successful patterns shown in Figure 4 (Woolf, 2015).
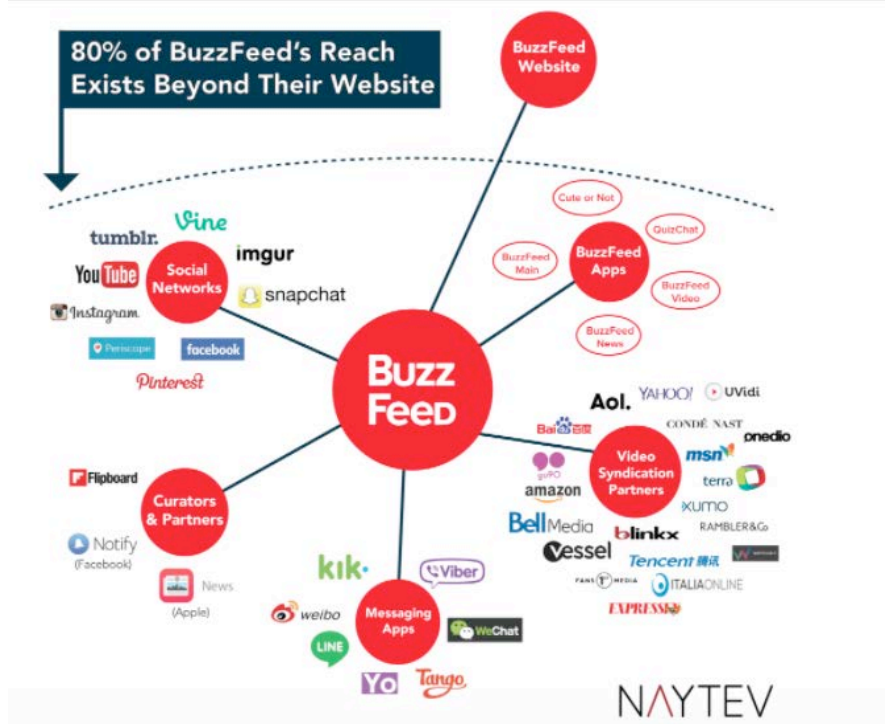
Figure 4 - Facebook Shares vs. Listicle Size (Woolf, 2015)

Thus, it was mapped phrases that are more captivating (Figure 5). Besides looking into the best practices, BuzzFeed also exploited data from other social media, such as Facebook and Twitter, to have insights on what people might be interested in (Fortune Magazine Video, 2014; Liscio, 2016).

Figure 5 - Three Word Phrases (Fortune Magazine Video, 2014; Liscio, 2016)

BuzzFeed prioritizes their social sharing based on its traffic sources (Figure 6), using 30+ platforms (Liscio, 2016, April 21). Users diffuse their content in different platforms that allow BuzzFeed attracts audience with the positive feedback (Shapiro & Varian, 1999).

Figure 6 - BuzzFeed distributing channels (Source: Liscio, Z., 2016)

The business focus switched as the structural changes of the official website. Figure 7 shows the video content appearing in the menu.

In 2011, BuzzFeed still remained with a focus on its viral content. However, shortly after, in 2013, it brought up two new sections. The "News" section along with "Video" appeared in the menu tabs, even covering stories that mightn't look familiar at that time to the BuzzFeed's style, as serious news report.
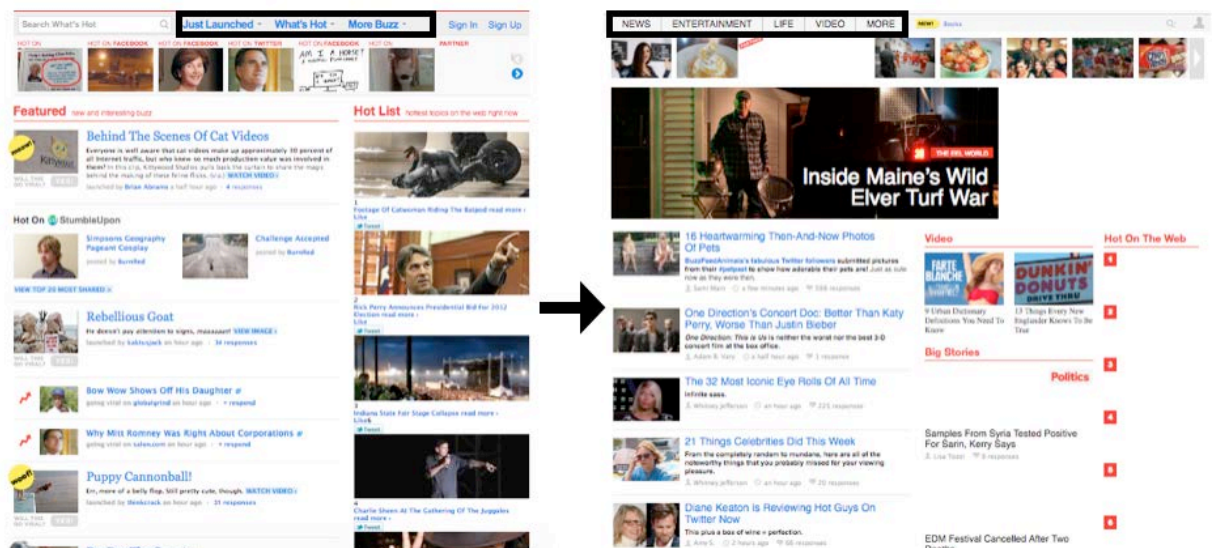
Figure 7 - Interface 2011 vs. 2013 (Source: cachedview)

Market Shift

Traditional publishers are struggling to find a way to be sustainable, while BuzzFeed has engaged their audience using different techniques that information technology offers and become relevant in the market. BuzzFeed faced new competitors, as Vice, which was trying to replicate the business model, which turned into a big competitor for BuzzFeed. Originally a print magazine 25 years ago, Vice is now a digital-first company. It has journalists in over 50 countries, focusing on the youth and lifestyle media. Thus, BuzzFeed needed an advanced Business Model to survive in a competitive environment Newman et al., 2017; Teece, 2010).

Evolution of the Business Model

It shifted to a strategy that works at scale. More than 50% of traffic comes from a variety of social media (Nguyen et al., 2015). The structure of the social media forms a network as described by the network economy (Shapiro & Varian, 1999). BuzzFeed embraces the benefits of the network effects to strengthen their engagement. As Nguyen et al. (2015) stated in an article in BuzzFeed, it is an inherent tree structure that distributes content via different platforms (Figure 3).

Social media count for "[o]ver 75% of 200M monthly users come from social or dark social sources" in 2015 (Nguyen et al., 2015). With 200M unique monthly website visitors, "BuzzFeed's videos receive over 1 billion views every month" using this sharing structure (Liscio, 2016, April 21).
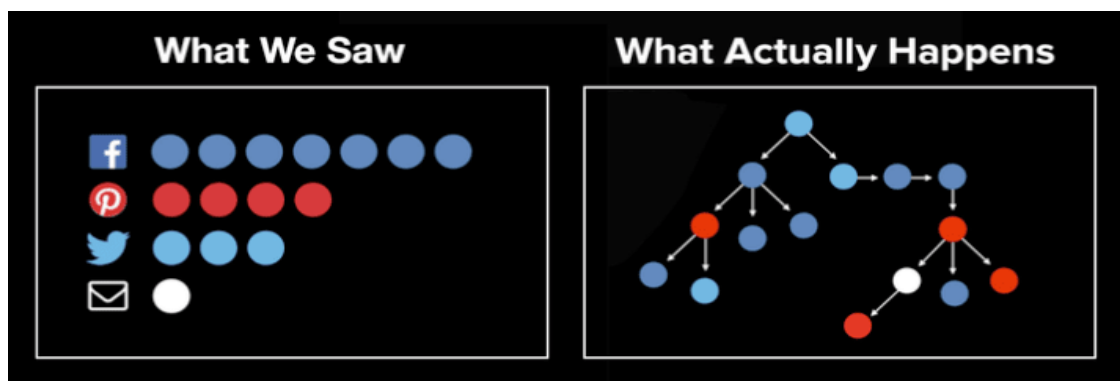

Figure 8 - Traffic of content (Nguyen et al., 2015).

BuzzFeed developed a technology called Pound (Process for Optimizing and Understanding Network Diffusion), which uses network economics to define the sociological diffusion of innovation where an idea or concept is expanded by members of the social group through certain channels (Rogers, 2010).

The technology preserves users' data or any other personally identifiable information (PII). Thus, each node of the network is anonymous. Nguyen et al. (2015) says "[p]ound data is collected based on an oscillating, anonymous hash in a sharer's URL as a UTM code". UTM code is a mere code that one can add to a custom URL to track an information, allowing Google Analytics to tell where searchers were originated in as well as which campaign directed the audience to channel (Launch Digital Marketing, 2012). Thus, information technology turned into one of the key activities for BuzzFeed.

Each post of BuzzFeed has hundreds or thousands of initial sharers forming a forest of trees (Nguyen et al., 2015). When zooming in each tree, there are network groups that organically are capable of sharing a content. The function of this network is the same of word-of-mouth, as an "electronic world of mouth" (Nguyen et al., 2015). A "Viral Rank" was also developed, which uses an algorithm to try different ideas to maximize the chances of the content turned into a viral one (Watts et al., 2007).
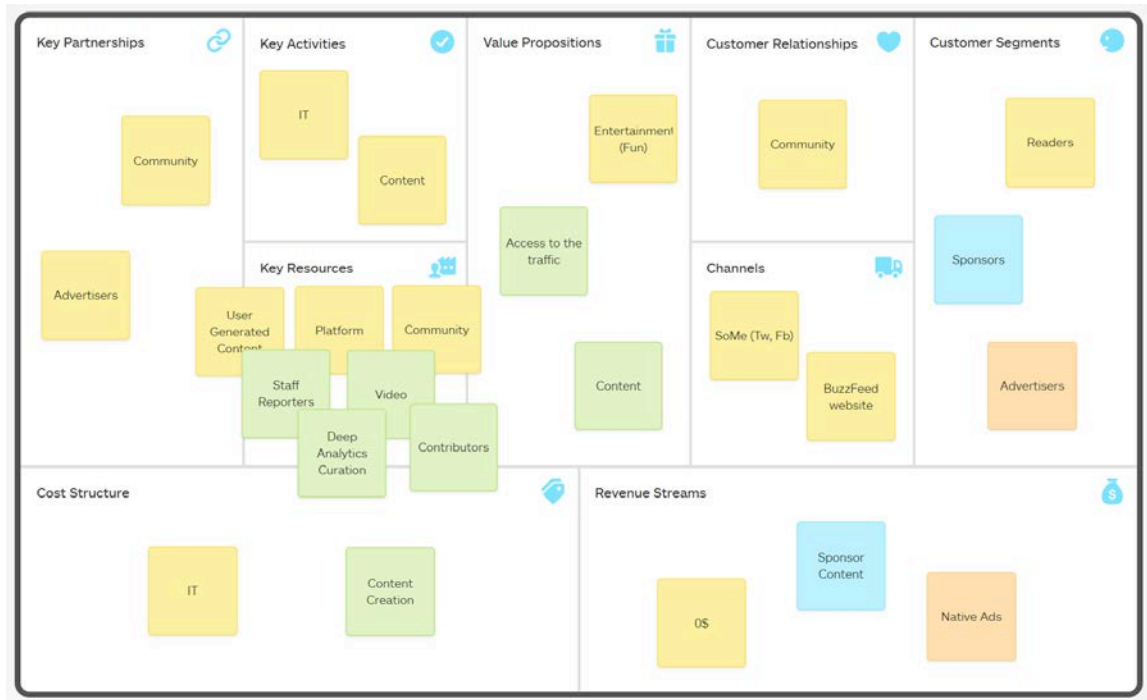
Figure 9 - Business Model Canvas - BuzzFeed - v2

BuzzFeed doesn't realize the monetization in its website while traditional publishers "rely very little on channels outside their destination websites for traffic" (Liscio, 2016, April 12). Thus, in 2015, it started to publish content directly via Facebook's Instant Articles, which "makes the reading experience as much as ten times faster than standard mobile web articles" (Sebastian, 2015). It isn't necessary for the media organization to bring traffic back to its website since it "forego[es] the display advertising model of owned and earned properties" (ibid.).

Sponsored content strengthened during this time, which is usually presented as "a longer-form piece of brand-sponsored content such as an article or video that lives on a media publisher's site" (Turgeon, 2017). Peretti says "[w]e are a global, cross-platform, tech-driven network generating FIVE BILLION monthly content views from our site, multiple BuzzFeed apps, and over 30 other platforms including Facebook video, YouTube, and Snapchat" (Peretti, 2015). It utilizes the platforms where the audience is already actively using to create and distribute channel-specific contents.

Later, BuzzFeed made a bold move on video. Figure 6 shows video partners take up almost half of the distribution channels. This evidence got stronger when Ze Frank, a pioneer in video production, joined the company. (Figure 7).

In 2016, BuzzFeed separated BuzzFeed News and its entertainment division to prioritize video production because "video represents more than 50 percent of BuzzFeed's total revenue, compared with 15 percent at the end of 2014" (Ember, 2016, September 05). Figure 10 shows "Video" as a second item.
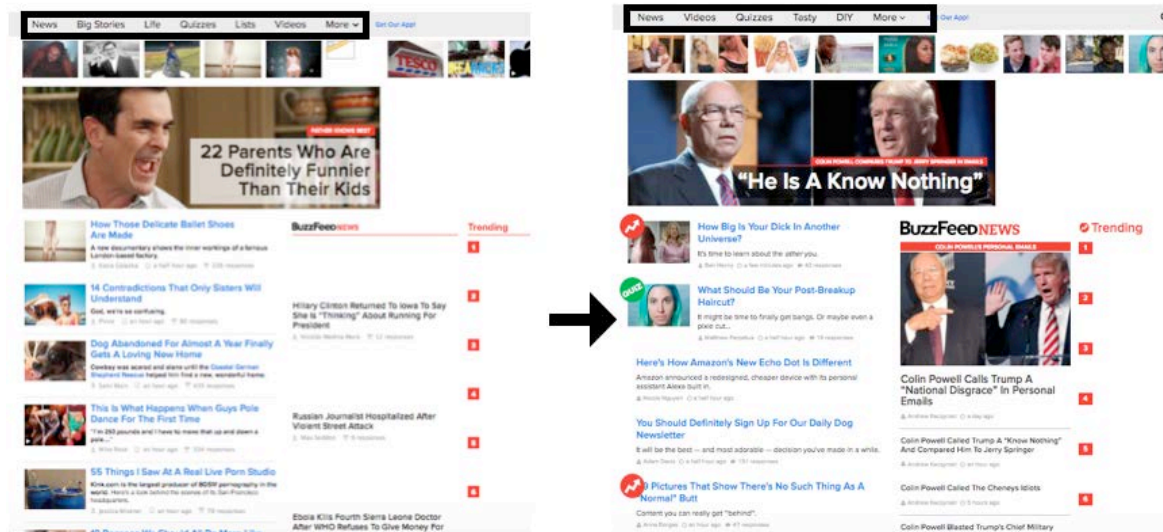

Figure 10 - Interface 2014 vs. 2016 (Source: cachedview)

Multi-Revenue Business Model

 In January 2017, Donald Trump called BuzzFeed "a failing pile of garbage" after it published a dossier about him. BuzzFeed quickly produced merchandise bearing the "failing pile of garbage" slogan as T-shirts, bumper stickers, and rubbish bins (Garrahan, 2017). "The business model of news is changing", Peretti said, "Google and Facebook eat 63% of the advertising money and what's left for other media companies to share is thin" (Stevens, 2017). Peretti stated they "are taking the vast majority of ad revenue, and paying content creators far too little for the value they deliver to users" (Bilton, 2017) addressing that BuzzFeed is going to "diversify its revenue streams with other business areas" to be prepared for the next decades (Stevens, 2017).

Figure 11 - Nine boxes (Source: Peretti, 2017)

Peretti introduced Nine boxes in 2017 (Figure 11) with BuzzFeed News, BuzzFeed Entertainment and BuzzFeed Media Brands running independently. The revenue comes from the advertisement, commerce & merchandises and studio production. BuzzFeed will focus "less on direct-sold advertising and more on commerce, programmatic advertising, studio development. [...] The number of non-direct-sold advertising will be about 50% in 2019 up from 25% this year" (Bilton, 2017). BuzzFeed Media Brands are based on videos, mostly strong on Facebook. It aims to bring people together around a shared interest as Tasty, Nifty and Goodful. Tasty, by December 2017, has over 91M likes on the Facebook page, as an instructional short-form video channel for foodies around the world (ibid.).

The made-for-social videos paid off shortly after its launch. It now has its own independent website selling housewares, books, and kitchenware. Similar to The New York Times who acquired Wirecutter to launch its meditation and running vertical channel (Bilton, 2017), BuzzFeed created vertical brands itself. It isn't an innovation from BuzzFeed only, Meredith, Time Inc., Condé Nast, and Hearst have all built their brands around a slew of lifestyle brands and quality news.

Around 75% of BuzzFeed content published outside the website (Robischon, 2016) and knowledge about how one article goes viral through the networks is essential. In the 4Q of 2014, 15% of its revenue came from videos, up to 35% one year later. It has its own studios and turned into a video-centric company.

The studio in Los Angeles explores the future of long-form, TV and transmedia video with "Michael Shamberg ('Django Unchained', 'Contagion') and actor-comedian Jordan Peele (of Comedy Central's 'Key & Peele') as advisers" (Spangler, 2014). BuzzFeed sold You Do You in 2015, which topped "Top TV Seasons chart" the week after its release. This was where BuzzFeed learned that it could be a quality content provider (ibid.).
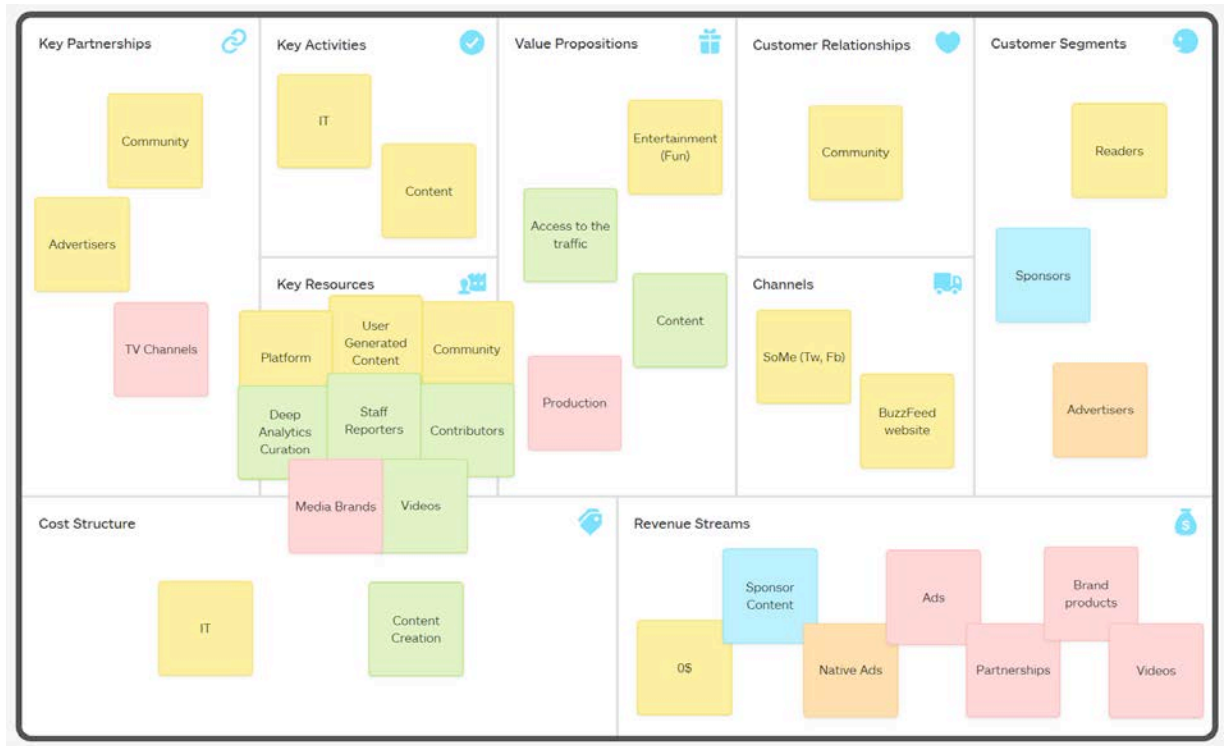
Figure 11 - Business Model Canvas - BuzzFeed - v3

The commerce has been an unusual service for a claimed media company. The e-commerce becomes clearer when BuzzFeed hired its first head of licensing Eric Karp in 2017 and started working to establish brands through the years as Nifty, Tasty, and Goodful (Ha, 2017). With its "Gift Guide" getting mature, BuzzFeed evolves to a trustworthy place to sell things, as Figure 12 (Willens, 2017). It is "designed to respond to queries people make not only on BuzzFeed's own properties but across platforms like Google and Amazon and using sales data gathered by Skimlinks" (ibid.), which it's another example of the in-depth use of data. With more than a dozen commerce writers, BuzzFeed is devoted to this search-retail route.
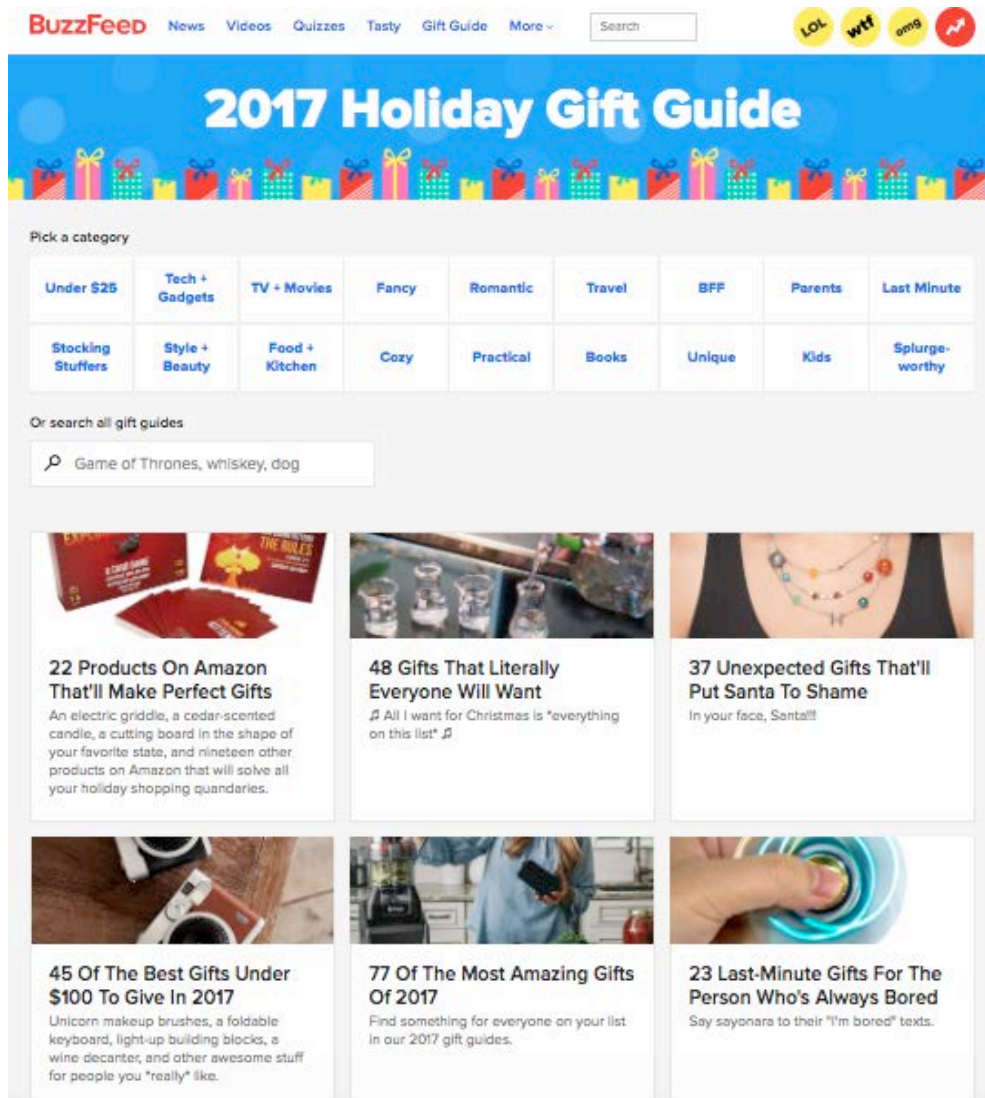
Figure 12 - Interface 2017, Gift Guide Page (Source: BuzzFeed.com)

In 2017, BuzzFeed finally embraced programmatic ads (Sluis, 2017). With its root in native ads, it could retarget the audience by analyzing the users' data as Blom, VP of branded distribution in BuzzFeed, said. "The beauty of data and audience development is that we can control the message we deliver down the audience, platform and even time of day we reach the person with a message." (ibid.)

The Nine Boxes also applies transmedia storytelling to a certain extent with increasing commerce, merchandises, online and offline activities. BuzzFeed's food series "Worth It" launched its third season with "a three-week event across the country where 150 restaurants featured on Worth It" (Main, 2017). BuzzFeed, as an online-only entity, started to focus on creating experiences for the audience in real life.

Discussion and Conclusion

BuzzFeed grew from a business that is based on listicles, quizzes, viral content, and native ads to a business that had been replicated by media organizations. BuzzFeed, Vice, Vox, and other digital native companies have been succeeding with their

businesses in comparison to the legacy companies. Replicating the printing news model is recognized as a failure for traditional media. To adapt to an environment where the information is public, it is necessary to understand the audience and create relevant content with a certain quality standard.

These digital native companies have come to dominate the news culture, mainly through social media, such as Facebook and Twitter. Data is the new "secret" weapon used to create attractive content. BuzzFeed gained a mass audience via viral content and could realign their business model to deliver more than entertainment, offering quality investigative journalism and video production.

Facebook and Google are destroying the news industry through sophisticated algorithms to customize the ads. Media plays a crucial role in shaping a robust democracy and make people aware of various social, political and economic activities happening around the world. News has the responsibility to guarantee democracy through stories that enlighten people and develop own judgments about issues.

The paywalls are bad for democracy, once they build a wall that divides audiences to the public information. As Peretti states in an interview, "[i]f you are thinking about an electorate, the subscription model in media doesn't support the broad public" (Roettgers, 2017). BuzzFeed goes to the opposite direction, providing access to information to the wider audience serving as a platform of public good.

Media companies are merging or buying each other in order to be stronger and waning competitors, like Axel Springer, a German publisher, bought Business Insider in 2015 (The Economist, 2015). This movement will lead to the creation of an oligopoly, which may dominate the news and media industry and impose rules as tech companies are doing. It isn't an option for democracy have few speakers in the name of the society.

Migrating to multiple revenue streams, BuzzFeed makes a sustainable business that can compete with the strong forces in the industry. The new place of BuzzFeed as a digital content producer using data as a source to understand their audience put them one step ahead. The perception and scalability of the business model make them prepared for a new start in the digital media industry, which will ensure that they have new opportunities to grow and innovate.

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