

Shared-Revenue Paid-to-surf

Within VS-TrEx 1.3.9 series of traffic exchange software

NOTE: This is a discussion of the mathematics behind pricing for our paid-to-surf system, which we call “Shared revenue” (as opposed to interest-based or anything else.)

General

“AutoSurfing”, or surfing for ‘interest’ has been declared bad. The SEC has deemed it as an investment scheme, the FTC has declared it as a ‘potential ponzi’. The U.S. Chamber of Commerce has declared it ‘risky and to be avoided”. StormPay and Pay Pal have cut ties with sites that do it.

So, if you want to offer your users ways to make money while surfing, what do you do?

Credit buyback can work, but it cuts into your profits, and by itself, it generally doesn’t stimulate surfing the way that “AutoSurfing”, or Surf-for-Interest did.

VS-TrEx is combining a “G-P-T” system with a surf-for-money system. If you set the options properly, this can provide income for both you and the surfers, and can do so on a ‘progressive’ scale.

The basic formulas

We’ll break this down further on, but here’s the math. For the math geeks out there, don’t be offended, but we have to go back to basics here:

- Profit = Income – Expenses

Sounds straightforward, until you consider how expenses can work in a traffic exchange.

- Profits = Purchases – (commissions on the purchase + liabilities for the purchase)

Ultimately, we want to know what to charge for a credit, and pay for a click... bear with me, because the trickiness can lead you to the poorhouse if you’re not careful.

First, we’ll cover how compound commissions are tallied, then go into pricing suggestions and their effects.

Keep in mind that the reason I’m covering this is to help keep your site in profit. My formulas are conservative. For example, on many sites, what I call “worst case commissions” will either never happen, or will happen less than 1% of the time. Still, unless you really are into advanced statistics, the conservative numbers are best.

Problems created by compound commissions

Because VS-TrEx supports a compound commission structure, you can potentially end up with a range of numbers. For example, if you have

Member Level	Level 1	Level 2	Level 3	Level 4	Level 5
Free	10 %	---	---	---	---
Basic Upgrade	10%	10%	---	---	---
Upgrade #2	15%	10%	10%	---	---
Upgrade #3	15%	15%	10%	10%	---
Upgrade #4	20%	15%	15%	10%	10%

Your ‘commission’ cost on a sale can vary from 0 (with no upline), to 70%. [If the purchaser had 4 upline members who were at level 4 upgrade... believe it or not, that does happen... high-upgraders tend to ‘clump’ together.]

When calculating out what the commissions are on a purchase, you want to take the average of the extremes, or ½ the worst case, to be safe. [Worst case = add all levels of highest upgrade... average = worst case + free commission / 2]

Using the table above (and I’ve seen much worse tables than this, believe me), this would say that:
Average commission would be 40% of a sale, and worst case is 70%.

Going back to the profit formula, that means that a purchase of \$10 could cost between \$4 and \$7 in commissions. This is important to know if you’re going to share the balance of the revenue with other surfers.

Recommendation: Either keep it shallow, or keep it small.

If you want to offer 10-20 percent commissions, plan to stay at LESS than 5 levels of commission... preferably 1 or 2 levels. If you want ‘deeper’ commissions, reduce the percentage at the direct levels.

Either of these 2 tables has better numbers for you. Here’s “keep it shallow”:

Member Level	Level 1	Level 2	Level 3
Free	10 %	---	---
Basic Upgrade	10%	10%	---
Upgrade #2	15%	10%	10%
Upgrade #3	15%	15%	10%
Upgrade #4	20%	15%	15%

Here, the worst case is now 50%, and the average is 30%... you keep \$5-\$7 on each sale, after commissions.

Member Level	Level 1	Level 2	Level 3	Level 4	Level 5
Free	5%	---	---		
Basic Upgrade	7.5%	5%	---		
Upgrade #2	10%	7.5%	5%		
Upgrade #3	12.5%	10%	7.5%	5%	
Upgrade #4	15%	12.5%	10%	7.5%	5%

Again, worst case is 50%, and average is now 27.5%... you keep \$5-\$7.25 on each sale, even with 5 levels.

Okay, time to share some revenue

Basic earning rates

So, let's say you use the 'shallow' table, above: You know that you keep between \$5 and \$7 dollars per \$10 purchase. If that purchase is 'pro credits', then your revenue per credit is figured as:

- Revenue per credit = what you keep divided by number of credits.

So, let's start with a \$10 purchase for 500 paid-to credits. You keep \$5 - \$7 of the sale, so the value of the credits is:

$$\$5 / 500 = 1 \text{ cent per credit.}$$

So, how do we use this to figure out a payout table? Simple, divide the revenue progressively across the levels:

Member Level	Earn Rate	Equals
Free	20 %	0.002
Basic Upgrade	30 %	0.003
Upgrade #2	50 %	0.005
Upgrade #3	70 %	0.007
Upgrade #4	90 %	0.009

So, when a free member surfs, they would earn 2/10 of a penny a page, for a page that earns you 1 penny. Played up, this helps give people a reason to upgrade: as they upgrade (paying you a monthly fee) they earn more. But it gets better.

Remember that you can control the SURF PERCENTAGE that a member can have, based on their upgrade level. This is done to benefit the advertiser, by creating 24-hour unique views (or more... see below). So, you can configure the surf ratio something like the table below:

Member Level	Surf Rate
Free	30 %
Basic Upgrade	45 %
Upgrade #2	60 %
Upgrade #3	75 %
Upgrade #4	90 %

This seems like a lot of percentages, but keep reading... hard detailed example follows!

A case example:

Assumptions:

- A site sets up purchases for 30-50 percent spending (the shallow table).
- The sell price is \$0.02 per credit (\$10 for 500 credits), meaning revenue is around 0.01 per credit
- 100 paid-to sites are showing
- The basic earning ability table would be:

Member Level	Earn Rate	Equals	Surf Rate	Earn per 100 sites showing
Free	20 %	0.002	30 %	0.06
Basic Upgrade	30 %	0.003	45 %	0.135
Upgrade #2	50 %	0.005	60 %	0.30
Upgrade #3	70 %	0.007	75 %	0.525
Upgrade #4	90 %	0.009	90 %	0.81

So, with some basic, very low numbers, this means that a free member could earn about 6 cents a day, while a pro could earn 81 cents per day, if both surfers surfed the max allowed, and 100 paid sites were available.

Seems a bit 'puny', doesn't it? Let's improve this by changing things:

Let's lower the commission table rate, just a little, to 2 levels:

Member Level	Level 1	Level 2
Free	10 %	---
Basic Upgrade	10%	10%
Upgrade #2	15%	10%
Upgrade #3	15%	15%
Upgrade #4	20%	15%

So our commission range is now 45% worst case, and 27.5% average. Let us also use the 27.5% figure. So you work on a basis that you keep \$7.25 on every \$10 spent.

Let's also raise the price of paid-to credits from 2 cents to 5 cents. This means that 500 tokens now goes for \$25, and your revenue would be \$18.125 or 3.625 cents per token. Keep the distribution table the same,

Member Level	Earn Rate	Equals	Surf Rate	Earn per 100 sites showing
Free	20 %	0.00725	30 %	0.2175
Basic Upgrade	30 %	0.01087	45 %	0.48915
Upgrade #2	50 %	0.01812	60 %	1.0872
Upgrade #3	70 %	0.02537	75 %	1.9025
Upgrade #4	90 %	0.03262	90 %	2.9358

So, a 'simple' value proposition would be that a free member can earn nearly a quarter a day, and a full upgraded member can earn almost \$3 per day ***for every 100 advertising pages you have***. Even if all your members are at full upgrade, you are still clearing over 10% of CREDIT money transacted, plus 100% of the member upgrade purchases.

Remember that free members are actually more profitable per credit, while upgrades are regular income all of their own.

How to price member levels

Still on the simple level, if you want to convince someone to upgrade, you can show a case like this, and price the upgrade at around 30% below the earnings. Why? Because then you are essentially giving them about a 40+% return per month, if they surf the max. Remember, this is with only 100 sites showing, where you charge 5 cents per credit, and set your commissions up at 20% and 15%

[Priced at = per month * 0.70]

[Gain = (per month/priced at) / priced at

Member Level	Earn per 100 sites showing	Per month	Priced at	Member Gains
Free	0.2175	6.52	Free	Infinite
Basic Upgrade	0.48915	14.67	10.27 / month	42.84 percent
Upgrade #2	1.0872	32.61	22.83/month	42.84 percent
Upgrade #3	1.9025	57.075	39.95	42.84 percent
Upgrade #4	2.9358	88.074	61.65	42.84 percent

So, with no fancy math or rules, looking at this purely as a surf-for-money situation, as long as you have 100 pages out there, you can offer a nice rate of return for a small monthly membership fee. If you have less sites, they will earn less, and if you have more sites, they will earn more.

Because the money paid is based on surfing, and comes from actual advertising purchases, this keeps you clear of ponzi rules.... No member fee is used to pay any other member: you keep that money.

The three issues that can come with this system are:

1. This rate of return is nice, but my members will want to spend more, to earn in larger amounts.
2. How do I get 100 page ads up? 5 cents a view is a lot.
3. What happens if I change the basis from 100 pages to 50, or to 400?

We will answer #1 in the next section, called “upping the ante”.

#2: One way to up the number of pages is to ‘spend’ a little of the membership money to ‘purchase’ paid credits for the member. That way, each member is buying ad space, as well. While this is the norm for free traffic exchanges, it gets a little expensive on paid-to systems. But, at the beginning, you may need to bite the bullet until you get your ad basis up. Example:

Member Level	Priced at	Includes	Impact	You still keep
Free	Free	---	---	---
Basic Upgrade	10.27 / month	100 paid tokens	5.00	5.27
Upgrade #2	22.83/month	200	10.00	12.83
Upgrade #3	39.95	400	20.00	19.95
Upgrade #4	61.65	600	30.00	31.65

You don’t make as much from the member fees, but it gets more sites in rotation. [Note: pro credits per member level is a new field in 1.3.9b in the member level controls.]

#3: You can (and should) consider changing the member level pricing on a monthly basis until you get to an ‘even keel’. Everything here is multiplication, so as long as commissions and price per credit are constant, you can (and should) adjust the member level pricing to reflect the average number of active sites. That way, earning stays more constant, as a percentage.

Upping the ante...

With the pricing case, above, you could be offering a return of 40+ percent a month, but it ‘tops out’ at \$61 a month with 100 active sites to view, on a 5-cent credit. We’ve talked with autosurf sites where people want to ‘invest’ \$500, \$1000, or even \$5000 at a pop, to maximize their returns.

The simplest answer is that you can (and should) increase member fees when you have enough active advertisers. The table we’re working from uses 4 paid upgrades, ranging from 30-90% of surfing... as you get over 3-400 pages, you may reduce the percentages, and add higher levels

I’m working on a calculator for this, and will have it in either 1.3.9b or 1.3.9c, so you can play out the numbers before putting anything up live.

Some people had discussed “ad blocks”, which was a term used by autosurfers. The problem is that, for both legal and financial reasons, earning has to be related to surfing as an action. There’s no legitimate way to pay someone 10 times as much because they spent 10 times as much, unless they DO significantly more surfing.

One problem is unique views: That’s why you can charge more for credits:

One work-around for this would be to allow multiple accounts for one user, where they upgrade on each membership, and surf each membership. This does, however, taint the whole “unique views” scenario.

You COULD, theoretically, offer more than 100% surfing per day, but then your advertisers no longer get 24-hour unique views, since top-upgraders would see some sites twice each day.

If you scale the system prices, you can start pulling in higher-paying buyers as you grow:

Remember that all the examples above are based on 100 active sites. Let’s see what happens with 500 active sites:

Member Level	Earn per 100 sites showing	Per month (now at 500 sites)	New Price should be	Member Gains
Free	0.2175	32.60	Free	Infinite
Basic Upgrade	0.48915	73.35	51.34	42.84 percent
Upgrade #2	1.0872	163.05	114.14	42.84 percent
Upgrade #3	1.9025	285.375	199.76	42.84 percent
Upgrade #4	2.9358	440.37	308.25	42.84 percent

If you keep the member level prices even (at 70% of max monthly earn), you can now take on \$300 customers without skipping a beat (and without going out of business).

As before, you can still be providing pro credits with memberships, to keep the number of paid-to sites high.

You can offer higher or lower earning rates, and more or less credits with memberships, but the table above shows you the scaling you can do at no risk, with no special rules.