

# Gratification Theory

Uses and gratifications theory attempts to explain the uses and functions of the media for individuals, groups, and society in general.

The theoretical foundation of this theory lies in the social origin of need. I use the media with an active approach, and it is tough to spend time watching television, so usually, I search news online through YouTube, Twitter or blogs or typing the topic into Google and look for the various results.

I do sometimes read important international newspapers on my iPad, but then I always try to verify the news from other sources.

I admit it is becoming pretty confusing. Bloggers and YouTube do their best to broadcast news with an opposite point of view of the national press and television reporters. However, both national newspapers and television newsrooms do not broadcast opinions. They can only broadcast substantiated facts.

Sometimes the alternative media can make sense, but there are times when it appears there is a conspiracy of the Lobbies and the government for each topic or item that exists on the earth, from the milk to the toothbrush.

Apparently, the effort of providing contrary information to what the Big channels broadcast is becoming the unique selling point for those small bloggers and YouTube Journalists. And it looks like the success of those independent forms of media is directly proportional to the conspiracy theories they can discover or to the capacity to entirely differ from the original news generated from the known channels.

This attempt as we discussed last week is very valuable and gives excellent potential concerning freedom to this generation, but then other issues surface. If the only way to

get noticed is to be entirely different from the original news, we risk that the information will be distorted and twisted just to satisfy their private agenda.

The only way I encourage others in my field to use and interact with media outlets is to send them links from the various sources. Some of my employees are older, and it's difficult to explain and convince them of the importance to communicate through or take advantage of the new media.

Also, I feel there are time restraint factors, and we cannot force other parties that are engaged in business relationships with us to communicate through new mediums, even when is not the most efficient form of communication. Our need for gratification cannot lead us to be abusive and disrespectful towards other people needs. Sometimes a phone call or an email can do the work without the necessity of getting too fancy about simple communications. People have different needs. I satisfy my cognitive need by participating in online courses, forums, and blogs. My diversion need is gratified on YouTube listening to music or other topics that can distract me.

Personal relationship and Personal integrative needs in my case are not that strong I would guess probably are satisfied using LinkedIn, but I need to admit that my personality and characteristics do not really meet the gratification criteria through social media about that particular need.

The need for recognition and self-esteem is satisfied in my private life, and I am happy I don't feel like interacting with social media, for example through Facebook, to give out personal information.

I will report a sentence I read during my research that connects with the example that Dr.Braddock did in her Lecture of

*Facebook is like giving somebody a stage and an audience and that's one way it can bring out and magnify narcissism," (*

*Dr. Elias N. Aboujaoude, a Stanford psychiatrist)*

For example, my Facebook page is managed by some of my employees, and I sometimes log in, so I don't miss the ability to analyze the phenomena. I could use it eventually for business purposes, but it's really annoying for me to have my life displayed on it. It seems that I do not belong to myself anymore. The issue here is that I notice not only that Facebook users tend to satisfy their narcissism, but they just engage with profiles that exhibit similar behavior. If I only write about business or other economic topics, people get bored and don't engage, so my Facebook profile is not successful. To attract users, I need to copy their style and their behavior. So I will think about posting pictures of my Ferrari, of my yacht, of all the places I regularly visit around the world, and all the cool stuff I do. This is the only way to build a consistent number of followers from which I can eventually use for business purposes

An excellent example of the gratification theory comes from the Harlem video. Viewers thought at the onset that the videos were products of individuals for entertainment purposes. In the end, they discovered that the video was the creation of YouTube and Twitter for self-promotion.

George Miller created phenomena when he filmed himself and his friends performing a dance he called the "Harlem Shake" when in fact it was not the Harlem Shake at all. This inspired others from Florida and Australia to make their own versions and post them on YouTube with limited success. Actual record labels and professional disk jockeys took up the gauntlet and made, even more, versions, showed them on YouTube and promoted them with their Twitter accounts.

The use of YouTube and Twitter by corporations to push the "Harlem Shake" videos propel into the viral sphere is a prime example of the Uses and Gratifications PR theory. Corporate

executives saw the potential for these mediums to fill specific entertainment needs and thus grow profits exponentially. Everyone bought into the action which made the video the sensation that it became.

“Harlem Shakes” took a different route to fame than other videos. Generally, videos are made by studio professionals, and then students make their own versions and parodies. In this instance, the students made the videos first and then Google investors, Marker Studios and the Mad Decent record label jumped on the bandwagon and reaped the rewards of the “Harlem Shale’s” viral success.



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## Theory of Mass Communications (Adorno)

Adorno and Horkheimer were some of the first scholars to critically engage with the proliferation of new forms of mass communications of the early 20th century.

*They argued that, in modern capitalist society, the increasing commodification of culture had transformed culture itself into a crucial medium of ideological domination, and a vital means by which the capitalist order itself was maintained.”(Max Klinger)*

Behind Adorno and Horkheimer's work, there is a refusal of the modern capitalist society. On the one hand, they support the Marxism framework analysis and identify it as exploitative toward the human being and hence they recognize that must be overthrown. They argued that capitalism was doomed to be replaced by socialism. In their arguments, they also sustained that social and cultural factors played as important a role as economics in oppression. As Dr. Braddock mentions in this lecture, the difference with Neo-Marxism is that there is a belief that values and society can be shaped by people that do not belong to the Elite and do not have economic power. Naturally, if we could make an analogy with today's communication media tools, those theories make much more sense if we think of the capacity of individual bloggers to challenge the communications of the Elite that have substantial economic resources.

To analyze Adorno and Horkheimer's quote expressed in the lecturer's presentation, we need to contextualize it in that during that period they witnessed the emergence of new forms of mass media and entertainment industry. It makes sense that such a revolution made a profound impact in a society that was strongly influenced by these new media's features. They thought that industrial culture would result in commodification. They believed this was the natural result of capitalism. Further, they would argue that what they considered the culture industry would bind the audience to the status quo and have altered culture itself into a philosophical vehicle of control.

Their idea is that culture or art can abide by certain social conditions providing an alternate vision of reality. They did recognize the emancipatory force of art but only when it can be autonomous and independent. Therefore, they basically acknowledged that art does change historically. In the era of a capitalistic monopoly, they believed that new techniques of production and distribution of art meant that the free

circulation of cultural products that had once characterized the middle-class era had come to an end.

Adorno and Horkheimer believed that the growth of the culture industry homogenized and restructured cultural form. By doing this, the individual was limited to being able to think for himself. The cultural form made him a conformist and a follower.

I think one example can be found in Hollywood. The movie's industry always had the intention to make a considerable profit. Hollywood was producing films with the sole idea of optimizing benefits by appealing to exact tastes of particular groups. This way the viewer is not required to think to be entertained. In essence, the style and the form of those films were identical to each other. Good examples are the old Western themes and the romantic comedies. Even if there were better promotions and a list of different movies with different characters, the truth was that everything was pre-classified by the production team. The audience had no choice but to become a passive, unreceptive recipient of the art.

The mass media are, in classical Marxist terms, a 'means of production' which in capitalist society are in the ownership of the ruling class. One example can be found in my country the fact where Berlusconi, who was the head of the government and still is the owner of the major communication media and has ownership of more than 60% of the TV-channels and newspaper of the country. By controlling the media, he manages and manipulates the advertisements for political purposes and sometimes for a favorite industry or brand in which he might have economic interests. All this reminds me a bit of the propaganda theory studied last week, in particular, the bandwagon effect in which individuals will do something because others are doing it and they want to feel part of that community. So the elite can promote values and ideas to convince a group of people. If through these manipulations the group is loved and successful, the bandwagon effect itself

will do the rest and “help” and “push” some consumers to buy a particular product.

Reference & Source Links:\*

- <https://www.businessdictionary.com/definition/bandwagon-effect.html>
- <https://www.iep.utm.edu/adorno/>
- <https://www.cym.ie/documents/chandler.pdf>
- <https://themaxklinger.wordpress.com/2012/11/27/a-summary-of-adorno-and-horkheimers-slightly-interesting-and-staggeringly-pretentious-views-on-art/>

*\*As external links, all will open individually in a new browser window/tab.*

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## **Kickstarter is the way to go?**

I know many crowdfunding platforms, and every day a new one is born. However, Kickstarter is the one with more users by far, and it is the most successful platform– not only for many users but also for projects funded.

I will be frank. I don't like their model. I understand why they are successful, and I will explain in this post: why I prefer other platforms instead and why I personally find little value in using it from an investor point-of-view. There are values may be from a potential fundraiser it but I will need to face some ethical issue, and I don't know if I am willing to do that, but let me start from the beginning and down the line I will explain better what I mean.

# The main competitor of Kickstarter is IndieGoGo

The main difference between the two is that within Kickstarter if you don't reach all the money requested the project does not get financed, so it's either all or nothing. Instead, with IndieGoGo, you get the money regardless of the amount that you collect. In this model, lies the secret of Kickstarter.

The above concept can be positive or negative. If you are an investor, you can think that you will waste your time attempting to fund a project without knowing with certainty if it gets started. But at the same time, you could also consider that it's better and safer to only finance projects that will begin if they have the money requested. Otherwise, with only a portion of the funds required, a project could not be completed. So if this "all or nothing model" is positive or negative, it might be a unique point of view.

From a fundraiser perspective, if you're sure of collecting the money and have a very creative project, then Kickstarter is excellent. However, many fundraisers are moving towards IndieGoGo, as it's better to get something than nothing. Or maybe with the all or nothing you have a better chance to take them all?

Now, funny enough, the population of the Web likes to feel appreciated and essential. Do you remember the video about McGonigal that we viewed in the crowdsourcing lecture? It opened my mind.

Think for a moment. Let's apply their gaming theory to the attitude of the internet-user towards financing a project. Do you remember the Epic meaning?

Yes, everybody wants to feel so valuable to contribute to a world cause, there is an Epic meaning syndrome on Internet—people get inspired by a mission that will change the

course of humanity. In the all or nothing approach, your \$20 will make a difference!! There is a project to develop a tool that will change the lives of poor people in Africa? Great! Your \$5 will make a difference, but only \$10,000 are missing! A great campaign in social media will get you the money!! The user feels that if they contribute to the idea of a project with a robust humanitarian impact, they can make a difference as every dollar counts toward the minimum amount outreach.

The Kickstarter approach plays on the Epic meaning need of the users, thanks to them:

- a project will get funded or not,
- the users have great power,
- they feel they can make a difference,
- they feel it's their project,
- they are part of it.

It's nice. Unfortunately, they fail to understand that they are making somebody else rich with their money, without anything back, and most of the times project does not help a good cause, and it only helps to make rich or to finance some crazy fancy ideas of lunatic investors that will never get money from serious investors.

This is the only logical explanation. I spend time on IndieGoGo every day, and projects are much nicer, well presented and interesting than Kickstarter—at least from my point of view.

It's important to understand the Role of:

- the investor,
- the benefactor, and
- the Chicken.

Wise investors know that the investment needs to be directly proportional to the risk, most of those crowdfunding platforms are risky, for example in my research project I am analyzing

few of the Real estate crowdfunding, and they are dangerous and risky. They mostly offer not virtual guarantee and mezzanine loans and type b shares they not even worth the paper they are written on.

There is a need for education, in this sense. Otherwise, a lot of people will get rich while many others will get robbed.

And they risk destroying an excellent idea and concept just because of greed.

Accessing the Web needs to be a way to leverage the possibility to access more people—not to find more unaware investors to take advantage of.

My experience with IndieGoGo was quite upsetting, but I guess it's the norm for most of the project, at least I was aware of it, and the amount of the purchase was small. I bought a little device that was supposed to automatically measure the amount of muscle and percentage of body fat with a simple scan. The amount was less than \$200, so it did not really matter how risky it was (that's part of the trick as many \$200 contributions makes millions).

The desire to have this device before it appeared in stores (I guess its part of the motivation behind many funding, too) pushed me to fund the project.

The device was supposed to be ready in May, and I still have not received it. And likely I will never get it.

Somebody is working on a project, getting paid a big salary and probably will never deliver anything. There is less urgency when easy money pours from the sky to finance a project, and a company can pay you big bucks to be the boss.

If I need to put money as I do on a project, I need to consider the risk and the reward. Most of the projects on Kickstarter offer a ridiculous reward for the investment, offering a piece of the equipment or for a slightly better

price.

So you pay \$250 rather than \$200 or \$180 for something that's not done yet, you will get the product may be in few months if the project does not fail.

What sort of investment is that?? This does not make sense, I would instead buy the product in the shop, and pay the extra \$50 or \$100. At least I know I will not lose my money.

This does not make sense, it's more like a donation, it's an act of humanity, or it falls in the gratification need to be part of an epic project and have a fancy device few month before others.

Now, most of those fundraisers are not poor. They are wealthy, but they are leveraging the Web because they know or learned how easy it is to fool young, inexperienced investors that like to play as if they are in a Shark Tank Series. The difference is that they fail to understand they are not the sharks, but they are the shark's food.

Some of their incentives make me laugh. One project I particularly liked, for example, offered \$5,000 incentive in which you get to have a dinner with the Project Leader and be called the primary sponsor.

Now I would happily pay \$30,000 or \$50,000 to have a dinner with a proper influence person that can teach me a lot: a Warren Buffett, Larry Page Sergey Brin or Gandhi (if he was alive). In substance, somebody I appreciate with a very high level of knowledge and influence. But I will not give \$5,000 to a random individual trying to finance a project. This is stupid, but people do just that, and it works.

To answer the question of the assignment: I would not feel like financing most of the project in either Kickstarter or IndieGoGo, at least if the bottom line is to make an investment. Of course, if I feel compelled to contribute to

an excellent cause or I need to give a donation to somebody that looks genuine, this is another matter.

Crowdfunding can quickly become a big scam if investors are not cautious to what they do. People get a kick from a project, and they only see the positive aspects of the projects and their sales pitch. Most cannot understand the challenges involved and consequently many projects fail miserably.

When I raise money for a project, I like to give a serious prospectus to my investors, and mainly a full guaranteed and control of the companies.

I received literally millions of dollars from investors, but all had full control and full understanding of the risk and of the rewards. Raising money without giving the investors proper guaranteed is unethical, so from one side, there is an incentive from the other I feel that if I take money from people that put trust in me I need to do it right, so I don't feel for now happy to fund a project in those terms.

I am looking at more positive way into CrowdCube that it's a British crowdfunding platform, it seems more serious than other however I still see much threat for serious investors.

Maybe there is a need in the market for a platform that offers to crowdfund with a proper guarantee—rather than a shallow and risky piece of paper that will be almost impossible to claim back when the project turns bad. And they usually do.

My negativity is focused not on the crowdfunding but on the negative use of it. Experienced sharks are damaging unaware and dummy investors, and this, in the long run, can affect this magic world of funding in the new age if it does not get regulated. Besides that, crowdfunding is amazing. It's changing the world, and the business models and the perspective of investors and clients, and anybody approaching business needs to seriously take a look at those options to

reconsider a new model and a new way of doing trade.

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## Scan Me Reputation Management

This week all our studies were concentrated on online reputation and its effect on every aspect of a career and business, but also its effect on personal lives.

I have not been very active on the Web. I am an investor, and I usually find deals around the world buying shares in companies and installing new management that can produce profits.

For me, the Web is not all that beneficial. People want to make me a permanent resident of one country or another so they can claim I owe taxes to them. I do not need to build a specific reputation to attract business or to try to be presentable for a job application.

I, therefore, do not have an active presence on the Web. There is very little published about me, and I am pleased.

I am present on social media a lot; I usually post some motivational sentences and some information that is helpful as business advice. I use social media to remain in touch with different people or groups, and I usually join business discussions in which my input is highly appreciated.

My companies are on social media, and I do make sure that all are present on the web and have a friendly interface. Since I started this course, I am continually reminding all of my CEO's of the importance of the internet, the importance of

presence and interaction with the users. It's new territory for many of them, and everybody confirms the importance of leveraging such tools. However, few really have the tools and the capacity to implement a serious, effective strategy. This course will give all of us the opportunity to develop a significant advantage in this new age business world.

What I also noticed is that there are many people with my name around the world, from America to South America to Europe.

Usually to search for a person who is not a very famous we need to add either the name of the business or the city.

For example, in my case, I can add Miami next to my name in the search, and many more mentions come up.

Most of the results are for my blog and all my sentences on social media, from Facebook, Slide Share, Twitter, etc.

So as we learned, social media can play a significant role in driving traffic and building a reputation. Social media can be an efficient way to build a reputation and engage with clients and business networks.

People will know who you are, what you do and look into your values and interests. This will help to create an idea about a person. Right or wrong, the first impression counts.

I have a new blog on which I am working, and I post few Real estate notes. The blog is new and has not indeed been launched yet because I want to make more professional graphics.

The blog will be an excellent tool for reputation, and I can apply all the theories learned in this course from SEO optimization and tags words to Google analytics to evaluate traffic.

Honestly, my blog will be only to inspire other people to invest wisely and find the financial freedom I found at very young age. I will also add something about charity. I don't

intend to raise funds, but I want to donate money to real people that have a need and leverage social media to spread the news. This may create a trend among friends to help the poorest. This helps reputation but also creates something good for society.

Google Alert will help to keep track of the progress and alert me on my name and how it is mentioned.

I found the notes I took during the Lecture particularly helpful, and I went on socialmention.com and wrote my name.

From it, I could evaluate the ratio of the positive comments, which was quite high 17 to 1, and also the positives of my name on the search engines which was measured with 95%.

The influence on the Web was apparently meager, so from those key performance indicators, I can see what was already known to me: my reputation is exceptional, but I am not really known on the web.

I will be more present on the Web as I learn how to leverage all the tools at which we are learning.

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## **Zillow's App: a Real Estate App**

Being in the Real Estate Industry, I downloaded Zillow's app.

Zillow is the most prominent real estate portal in America. Through the Zillow app, there many options to find useful real estate information from decorating your home to renting an apartment or finding professional help.

Once I downloaded Zillow's app, I let the app find my location. It will suggest via the map real estate deals that were in my area. This works for both rentals and sales.

Now I am able to filter what I am looking for so this will narrow the search. This is a beneficial tool because by identifying the requirements, I will only spend time looking at deals that are within my criteria. The map feature is user-friendly, and you scroll through and pick out the areas where you prefer to live or invest.

Another feature that makes Zillow very successful is the possibility of inserting the address of virtually any house that has ever been in the MLS (Multiple Listings Service) and to be able to know the full story of the house. So I can check the pictures, how much it was sold for in previous years, how much tax it pays per year, and all the characteristics like the year it was built, lot size, etc.

It does have a system that can predict the value of the house and of the potential rent. The information is very reliable. Indeed many investors use it to identify the approximate value of the house based on Zillow's price.

It does have a forum within the app where you can ask questions and get help or just get an opinion from a professional realtor.

The success of this app is also due to the review of realtors. Realtors engage with the clients by asking a question, and they can sell their professionalism with the answers they give. Clients can browse the forum and select an agent that inspires more trust. The latter reflects the concept learned in our first Lecture in which we spoke about the evolution of the expert friend and the importance of the new generation to rely on a specific review to choose to buy a particular product or service.

In Zillow's app, this is precisely what happens. Realtors

engage with the customers and sell themselves, their ability, their capability, and professionalism. When they have made a positive impression, they will be chosen by potential clients. Their business model to create revenue is clear. They afford the possibility of realtors to introduce and advertise themselves so that all that interaction with the users earns potential rewards.

The revenue must be huge because they also advertise mortgages and rehabbing. So through the app, I can basically order a new kitchen or bathroom. I can choose the style and the color and have an instant quote.

I sit on my sofa while I get all this from my iPad.

The app does not have coupon or discount, so it leverages on the cognitive need of the users. Zillow provides all the information a user could wish to have instantaneously. People can use Zillow to study and evaluate and compare the rentals or the buying. Zillow's strategy has been to invest in the data collection of all the transactions in real estate in the USA and create a way to analyze the data and provide it free and in an easy to read format for everyone.

They created their power from sharing for free all the data collected, that's a fantastic innovation, what we learned until now proves how useful and valuable can be the analysis of data, analyzing data can help to develop a strategy for positioning for advertisement, etc.

The innovation of Zillow was to share for free those enormous amounts of data to become popular and visited and as happen eventually leverage this position to grow and start to create revenue.

I always thought that the apps or the socials or the video that are most successful are the ones that before charging try to give a proper contribution or advantage to the user. If you provide a free solution to a gap in the market and that

solution has value, it's only matter of time before users will come. Then you can produce a proper revenue late with aggregates services.

Internet population loves the word free, and they recognize value and power of proper content, and I find it so far, more than simple discount or coupon but an app with no substance.

The power of providing information and proper content will generate a real keen interest in the app. This is rather than just downloading an app with the intention of getting a discount coupon. I think the genuine keen interest in using an application that is beneficial for a business or a personal life will always be superior to the attempt to buy a client by offering a discount coupon.

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## The Dreadful Word: VACANCY

The concept of vacancy, which I touched on in the last post, is one of the most important factors when investing in real estate for cash flow/income purposes.

**People lose money or make bad investments primarily because they do not understand how to calculate it correctly.**

Obviously, calculating vacancy is terribly difficult. What most investors seem to do is simply discount 10%, sometimes even only 5% from the gross value of the rent that they are supposed to get...and then they just hope that it works.

It's pretty evident that such an approach is very shallow, although it probably does help to limit damages...sometimes. A lot of investors forget to even calculate it, so when someone actually considers some extra costs in the list of expenses,

it's to limit possible damages, but it is probably not enough if you want to be professional.

*Vacancy is a powerful tool to use to be able to understand the potential of an investment*

What is a vacancy?

A vacancy is merely the money that you need to consider and take off from the gross rent because the unit is not rented. It is also a powerful indicator of how good an investment really is and what growth potential it may have. A vacancy is inversely proportional to the expected growth of a property.

I am not able to calculate the numbers precisely, but I am able to at least identify the relationship. The more the vacancy, the more you can expect the growth potential to diminish.

***Why is this?***

Well, let's think about it...

Neighborhoods that are really good usually have higher deposit requests to even get in the house. As a landlord, what that means is that you can get 2 months deposit, in some cases even 6 months deposit, which means that the prospective tenant will rent longer and always pay on time because they have more money and don't want to risk ruining their credit. Also, the higher the deposit, the less risk that you, the landlord, will have to take on which will limit your damages and reduce the risk of vacancy.

Of course, we would all love to get 6 months deposit upfront or even 3 months for that matter, but it is usually not the case. People don't always have this kind of money laying around, and you also need to compete with other property owners that are offering a more straightforward payment solution.

So this makes the relationship a little more clear. If you are in the right area, then you can get more money up front and limit the value of vacancy. The areas with the low vacancy will most likely be those with both high rental demand and income, as well as where there is a lot of competition.

For example, you can compare the vacancy rate in a Class D neighborhood in Miami-Dade county, let's say, for instance, Liberty City, which is close to 40% vacancy, compared to another area like Miami Beach which can be calculated at 10% vacancy.

***Can we derive a formula or an equation to predict a vacancy rate?***

No. But we can have some fun and maybe try to work something out that will bring us as close as possible to a "formula" or market prediction.

***What other values are there that can affect vacancy?***

Well, it's not only the neighborhood but what I noticed is that vacancy is directly proportional to the price of rent. The higher the rent, the fewer chances of the landlord being compromised by evictions and legal matters.

**For example, regardless of the location of the house, a house that rents for \$700 will have a much higher vacancy rate than that of one that rents for \$1400 in the same exact neighborhood.**

I don't have a lot of data available, but according to my database, even top class locations (income neighborhood of \$125K+) where small studios or small 1 bedrooms rent for \$800-900 experience 15-18% vacancy. Other data shows that a lot of people struggle to pay 3 months deposit up front.

In the same neighborhood, or even in one with a much lower income (\$75-85K), I can basically say that according to my

database, I am comfortable to estimate a vacancy of around 10% or less for homes that rent for \$1400 or more. 10% vacancy means that there are very rarely evictions and that most of the vacancy depends on the changeover at the end of the contract. Also, the time that it takes to rent it out again is factored in as well.

Then I checked the low-income neighborhood below \$50k, and I noticed the same relationship. The vacancy is low on properties that rent at \$1400 or above. The \$50k mark seems to make a big difference in the vacancy in Miami and Broward counties.

Actually, I noticed that the neighborhood does not make such a difference...what makes the most difference is one thing, the price of the rent! Property that is below \$1000 per month in great areas will have a higher level of vacancy than that of properties in a Class C neighborhood, especially if the latter is a beautiful big house with a pool and the rent is above \$1400.

I have owned about 100 properties in Broward and Miami-Dade County, so my data comes from plotting those results. And what I have found is that property with a higher rent value tends to have a much lower rate of vacancy.

So...hypothetically let's say there is \$150,000 available to invest in a Miami property for income purposes. Two options exist: 1) a studio in a desirable neighborhood that rents for \$1000 per month, versus 2) a 4-bedroom house with a pool that rents for \$1500 in a Class C neighborhood. Faced with these two options, I would definitely have to choose the second. The income would be better and more consistent on the second option.

I would also bet that appreciation is more likely with option 2...but that is for another post!

Talk Soon!

# Second Life – A Digital Community

I began my life in Second Life. At the start, I have to admit I was discouraged and bored. But then I slowly built interest due to the interaction with people made me feel a like an Anthropologist trying to get the essence of that community, learn their language and their behavior. Yes, it was my first ever research into a digital community.

I began with a normal avatar. I was trying to stick with an integrated self, but then I went for somebody that was similar but not too similar. The simplicity was due in part to a lack of interest in spending hours to adjust my avatar.

Learning how to walk and fly was easy. Flying was nice as it gives one chance to move around the area faster.

I don't even remember where I was, but I saw another Avatar dressed as a beautiful girl looking at a place probably a store, and she is moving like she is dancing.

She is Russian by the name, so I start to chat with her. She said she is shopping. I asked for her help, and she was very friendly.

Usually girls are friendly with me when I am in my Ferrari, but in this case, I think "wow in Second Life you find friendly girls without a big car."

She sometimes types to me in Russian, and then I also see the English translation. I am not sure if it gets translated

automatically, or she types in both languages. I will try to explore this functionality.

After knowing her for four minutes, I invite her to dinner. She says "why not" and accepts. In Second Life there is no danger; people are safe, and they can pull the plug any moment. This tends to lead people to be more easy-going and approachable.

Now I can have company and some help, so I ask her what type of food she likes, and of course, she said anywhere it's okay.

Taste did not become digitalized yet, so I guess it may become pretty dull in SL to sit down in a restaurant. I think my old RL script that needs to be readapted to a more modern digitalized world.

I picked up the use of SL and RL from the community. Second life and real life I know, it's quite apparent.

I look for a beautiful place and I think about Spain, where I lived in RL, so I choose Porto Banus a lovely location in the south of Spain with a beautiful marina. I know I will be able to find a good restaurant there.

After we became friends officially in SL, I choose the location and tele-transported myself there.

The pretty girl asks through SL to be tele-transported to my location. This is the advantage of being friends – they can be tele-transported in your area.

She arrives with a different look. She totally changed her dress code adapting to the new marina beach environment. She was really fashionable and cool.

Wow, she must be Russian for sure. I can see the business, people spending real money to dress well a Second Life avatar. Now what the point of changing your mode of attire in SL? What is there in the human psyche that makes someone put time and

money into making an avatar fashionable and cool?

It may be digital vanity. I should not judge if I need to study a community, but I don't have the time to shop for me in RL. If I think I need to shop for my avatar, then the avatar is too high maintenance. I like simplicity. All this is cool but any hour spent in SL is an hour lost in RL. People want to escape RL; second life is escapism.

Getting back to my second life adventure, after we notice that the place is boring we walk up and down. There is nothing to see and no one around, so she wants to bring me to a club. Cool!

So I go with this pretty, young girl to a nice club called Vipera.

Many avatars are dancing. A DJ is speaking to people. He is actually fun, and he tells us we can suggest our favorite songs. It appears that everyone is having a good time. The place is busy, and I begin talking to people and telling them that I am doing a project for the university.

Everybody is friendly. They enjoy being interviewed, at least at the beginning. I ask them "why are you here?"

Everybody says something. The best answer I get is "this is like a Facebook in 3D or actually better".

So people have the unlimited possibility to enjoy clubbing and talk.

Some of them say Facebook is boring, and others say they usually don't invite the Facebook friend in SL.

Some people want to keep their lives separate. They all like me, and they all contribute to my questions, but they all get upset when I asked their ages. They told me I should not ask that in SL is rude; age, sex or race cannot be asked. Probably people want to feel disconnected from real life so much that

they do not want to consider age differences. The question here is what pushes people to spend so much time behind a screen giving up their real life, their real love to find new virtual ones? I don't know the answer, but it's an answer worth a \$10 billion industry.

At the end of the day, it becomes a matter of time. I saw some people probably making money in second life. They have a business where they sell things for real money. Other than that it appears that SL is for relaxation and diversion. People find their comfort zone staying within a virtual environment, and they are willing to give up their real life time to live in a virtual one.

A comfort zone is what causes people to resist improving themselves. It's the worst thing that can happen to an individual. I saw people living with a disease and trapped in a very detrimental environment for years that do not attempt to push themselves out of a comfort zone. How much could the RL be improved if the person took the time spent in the SL and used it in RL? Maybe it's all just a game. Maybe I should not be judging. But time is so valuable to me that I don't see any particular reason why I should spend some time in an SL or fantasy world. So unless I don't have to go back for assignment reasons, I will not reenter the second life world.

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## **Survey – Acai Berry**

I spent a lot of time thinking the topic of this survey. I guess the topic could have been anything, but I want to make sure that my exercise makes sense to the reader. I did use Qualtrics, and I think it is impressive.

I am an entrepreneur, and I have several companies in

different fields. I have intentions to invest in a health-food store chain, specializing in serving natural acai berry bowls.

When invest in my endeavor I will I will look for more specific criteria mainly related to the city in which I will be opening my first shop. The act of a business getting random results from a random population on the web makes no sense; however, due to the nature of the survey which is for academic purpose only, I could make one that could at least give me some insight.

I did notice a significant trend towards natural and healthy habits and products in recent years. I want to verify that the millennium generation is also caring about this or better which age group is more sensitive to eating healthy food. Identifying the age brackets will help to have an idea on which social media to put more effort the marketing campaign.

Acai berry is particularly good for breakfast mixed with banana, strawberry or mango and other fruit. It can be combined with natural chocolate, Guaraní, granola, honey, etc. I want to see if people will be willing to leave the Starbucks habit to pursue a healthier breakfast.

Acai berry is not very well-known, so I want to first check the knowledge of the product. I believe those who have tried acai will be much more willing to change breakfast habits.

An average acai bowl will be costing around \$8. I would like to check the willingness of people to spend their money for breakfast based on their income. I assume that this product is particularly good for people with incomes higher than \$90-\$100K. Those people, mainly in the USA, are experiencing a significant transformation in eating habits and there is evidence that the trend of people moving toward a vegan choice and raw natural organic food is increasing. The purpose of the survey was to confirm some of the assumptions.

The Random simple and snowball sample would not have been

indicated for this survey. I used this approach because it was the easiest for academic purposes. However, when I will do the final one for my business, I will hit specific locations and specific categories of people to understand if my business will fit in the area so my approach will be a Quota sample.

The income question is essential in my research. But as we studied, it is a bit awkward to openly ask for income brackets, and people tend to lie about it. So I devised three specific questions from which without openly asking so that we can surmise the income brackets.

The last result, in particular, will be good in understanding which targets segment in my online campaign or based on age which social media should be used to get more results.

I tried my best to make the survey funny and entertaining. When I conduct my real one, I will probably use a different strategy, but because I wanted to familiarize myself with the software I tried various things.

One of the scopes of the survey design is avoiding surveyed people dropping during the survey. I used some pictures with food to make it more fun.

I also used the skip logic tool that was mentioned in the Lecture, in question number 5.

One of the aims of the study was to understand when people were more inclined to eat acai. This is important to understanding the working hours of the shop which will have an impact on the cost of the structure but also the location. We had some assumptions that usually fit people or people that work to gain a better weight tend to eat it before training. Having a shop next to a nice big gym eventually could be a strategic value.

Noteworthy to mention is the idea I had about the final question.

Have a feedback from the people on the survey, asking them openly if they got bored or had fun.

This is an excellent opportunity to have a direct feedback and make me think how to improve my next survey.

I did get confused on this assignment deadline. I did think that there was only one post due today, and then I realized that it was two posts that I was to have completed. I apology for that.

Thanks.

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## **Single Family Home Vs. Multi Family**

Time and time again I have seen realtors pushing buyers around, mainly the property buyers who purchase multi-family investments. For some reason, many realtors seem to think that those investments are much more significant regarding a Single Family Home. Obviously it depends on the price, but in general, the costs of multi-family properties have been increasing so much that the numbers just don't make sense anymore.

As a general rule of thumb, I am firmly convinced that an SFH (single family home) is a much better investment than a multifamily. The only exception to this rule is if the multi-family is bought at such an "interesting" price, and with a much higher cap rate than the SFH.

Let's analyze this:

1. Duplexes have a higher vacancy rate

- The vacancy is one of the most critical concepts of real estate investing. If you are not aware of the right vacancy, you will end up entirely out-of-pocket and go into a real estate investment blind.
  - All salesmen will try to pitch you a great investment and will probably try to challenge your ability to interpret the vacancy rate.
  - When you're dealing with a duplex, you are taking a higher risk, because the risk of an empty house is higher, at least double when compared to the single family home. Indeed, you will be dealing with two tenants and not only one.
  - You have another added risk; Assuming that you're buying property below market value, you will most likely be dealing with a lower income tenant than the SFH.
  - Usually, the rent of a duplex unit is 25/30% lower than the SFH of a similar size. This means you are dealing with a more complicated tenant, your risk of not collecting the rent is higher.
  - So, you not only have double vacancy risk, but you also have a lower income tenant to deal with.
  - If you calculate a vacancy of 10% as a standard vacancy, a duplex in the same area should be at least 25/30%, considering double the risk and adding the extra percentage of risk dealing with a more troubled type of tenant.
- As you can see already, you need to have an amazing gross amount to still stand up with a reasonable cap rate after such a deduction.

2. Unfortunately, the above is not finished!

In the column of your maintenance cost, you will have to consider that now you have two kitchen's, two A/C's, two bathrooms, etc., etc. This means that you will have twice the

chance that something may break and need to be repaired, and you will need to fix it.

Also, it's worth it to note that you will need more money when rehabbing the house; A/C is an essential part of the property and is usually a necessity in the summertime, especially in states like Florida, Texas, California and more...it breaks easily and always needs to be cared for. This will again increase your cost

Obviously, when it comes to a triplex or a four-plex, you need to apply the same criteria.

If you have units with a window A/C unit, you may get a lower rent, and therefore lower income tenants, but probably better in the long run, at least when it comes to any maintenance issues.

### 3. The exit strategy is much more complicated than the SFH.

You see, in SFH you will most likely be able to sell the house to a first time home buyer. If you have a lovely house in a decent location with a decent school, you will always find first home buyers that are willing to buy it.

People are slowly but surely fixing their credit and/or recovering their bad credit that they incurred during the financial crisis. Obviously, if you have a good cap you bought at a good price, there is a chance that the rent will cost more than the actual 30 years mortgage, at least if the interest rate stays below 6%, which is reasonable in the next 2/3 years.

It's even happening right now...tenants are becoming the "client" by calling the landlord and asking to buy the house that they are renting. With multi-family units, it is more complicated. You can still find first time home buyers for duplexes, but I can't lie...that is rare when compared to that of an SFH.

A family usually needs a bigger house, garden, etc.

It does happen for a duplex to have a first time home buyer that can rely on the other unit to help pay the mortgage but it's more difficult, and it's usually people with lower income, which means an increase of risk.

Now if an investor is leveraging, or even if they are not, why would they buy a unit with a lower cap rate than you in an environment where the interest rates are higher?

If you need to make a profit from the unit, the cap rate will be lower for the investor than the one that you have. And if you are selling in few years, we all assume the interest rate will be higher. So, leveraging will be more expensive, and it will make less sense investing to gain a spread.

Of course, a few things might have changed due to a rent increase and area improvement.

This can usually happen mainly IF THE INCOME OF THE PEOPLE IS INCREASING and inflation is high, the unemployment rate lowers, so basically everything that will have an impact on the Shifting of the demand curve. And therefore only, in that case, you may make some money, but you will still need to consider that a buyer leveraging will be impacted but at a higher cost of borrowing.

**So then why is it that multi-family and bigger units have a lower cap rate than single-family homes???**

This is the catch, I think the market does not appreciate enough, and the multi-family is more attractive to investors for the following reasons:

1. Bigger size, so it's easier to place 1,2,3 million in one deal only

When realtors or asset allocation managers move money, they

need to be concerned with how easy the deal can be achieved, and the need to allocate money. Usually, size is an issue. Any investor would prefer to deal with one building worth 5 million than with 40 single family homes.

2. Leveraging is easier on a building because a mortgage lender will work more on a loan of \$1/2/3 million than on a \$50,000 loan, small loans sometimes are a headache for the lenders and brokers because it is the same amount of work for a very small fee.

All of the above have a serious impact on multi-family prices. In Dade and Broward County you will see multi-family selling at a way overpriced amount.

This is a risky business because the vacancy considered is usually way underestimated, mainly in buildings that have many units and the cap rates are very low.

Multi-family prices are often times the effect of a realtor or asset manager that is desperate to allocate or find a good sized deal, but they don't represent a great investment overall, nor in income or appreciation.

Nowadays, at least in the Miami area market, it is essential to keep your bearings with you, be aware and do your numbers before entering into any deal!

Until Next Time,

Antonio Velardo

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# Real Estate Investing: 101

I find it quite amusing that the Real Estate Market is one of the only areas of investment that you can find information on how to become rich quick. Or on how to buy a course that will teach you all of the tricks and “unrevealed secrets” that will make such a difference in people’s lives.

I have been in the industry for 15 years, and I have been tremendously successful, making millions of dollars, and I guess most of it was a combination of luck and knowledge. I wholeheartedly agree that the leverage you can get from specific knowledge will give you an edge over the others. But I think most of the Real Estate courses are focusing on the wrong subjects, and they try to make the job sound much easier than it really is. That, unfortunately, will bring a lot of discouragement, money lost and time wasted.

I have been a multimillionaire since 2007, and when I made my real estate fortune, I was not aware of courses and real estate “schemes.” I need to admit that the main reason why I made my real estate fortune was due to my dedication, hard work, and common sense.

**I would like to clarify the word “common sense,” which is quite ambiguous if left like this in a conversation.**

I guess for common sense I mean that sense of awareness of the investor’s point of view. If you know what the investor likes and their alternatives, then you can most easily understand if your Real Estate deal makes sense or not.

Comparing the Real Estate deal with other deals available is essential, not only in the same industry but also in other sectors will make a huge difference, because, at the end of the day, the person who invests money is not obliged to invest in only real estate.

I always compare my options to the bond market, the equity market, the commodity market, etc. Some Real Estate investor's fail to compare the deal, and they get a bad result from the investment. Firstly, comparing the market alternative will give you a feeling of how good the deal is at the moment, and whether you should put your resources, effort, and money in real estate.

I made quite a bit of money in the last 3 years acquiring distressed assets, fixing them, flipping them or making them perform as a positive cash flow asset, but I was not listening to the "news" on television or in the paper on how good that investment was at that moment.

I always do my own math. And as an investor, I was applying my "investors commons sense, " and the rules learned. I knew that my money, or at least a good portion of it, was better in the Real Estate market rather than in low-yield bonds, high-risk yield bonds or anywhere where the ratio risk/return was not remunerative.

What I would do is apply the same knowledge and same criteria, ignoring the "news" of the papers, where all these guru's that don't have a clue and would predict the market without a proper understanding of the subject.

I want to create a small space where people can learn from my experiences. And mostly that they can learn the criteria that I use and apply to each deal: how I became successful and it will be interesting to brainstorm with other people and investors, so to create a new way to analyze Real Estate deals in such a precise methodology that every deal will be a success.

In the last 3 years, I bought 250 houses, and I made money from practically all them. I tripled my money, and I guess we can say that it was easy to make money in the last 3 years, but to be honest, I saw experienced realtor's laughing at me

because of a deal that I was buying. I sold that house 3 months later for double the money, even though I had friends and investors that bought houses 3 years ago that they still cannot sell.

So while I need to admit that finding deals were quite simple 3 years ago, I can tell you that not many people knew what they were doing.

I think anybody who masters Real Estate investments can make huge money when things go bad or when they go good, and the opposite, you can lose a lot even when things go well for everybody.

In the Real Estate business, there is a distinctiveness that does not apply to other fields, "everybody thinks they can become an investor, and it's easy." However, people will not apply the same simplicity when it comes to commodity trading, the stock market or any other field.

Most people have no clue, no knowledge and they feel that they are competent and intelligent when it comes to the Real Estate market. It's utterly ridiculous, and I find that in real estate there is the highest number of charlatans and idiots that I have ever met in my whole life.

In other fields, you don't really meet so many incompetent people as you do in real estate. I think 95% of all of the realtors have absolutely no clue about the rules that drive the prices up and down and will be mostly useless to help you to make money because they don't understand the big pictures themselves.

I want to finish like this: Most of the courses and seminars from the "gurus" that I see online and that I participated in are extremely funny, because they teach you something obvious, that if you find a deal below the market value, you can resell making money, hahaha! Hello...we already know this!

So if you find a house worth \$100,000 at \$65,000, you can make cash. Even if you do not have a penny or even if you have just enough money for the deposit, you can still make the deal a success!

I guess it's the truth and it's quite apparent, but what they don't tell you is that the chances for you to get those deals are quite rare because you have millionaires like me that have a team of people always looking for deals. I have employees paid to spend all of their days, every day, searching for deals and making low ball offers to every single house that they come across...

I have cash on hand to buy, and like me, millions of investors always have an extra bonus for a friendly listing agent, so the chances for a random guy with no money to snap up deals from under me are rare. It does happen, but not so often that it's time to leave your job and become an overnight Real Estate multi-millionaire.

It's not easy to buy below market value, or at least the current market value. I think it's easier to predict the market movements with care so that you can get a deal wherein few months you will gain fantastic equity and good cash flow.

It's much more realistic to find a good deal for a house at half price, as opposed to limping in and needing much more money to make the deal a success.

If you want to follow my advice, I will very honestly tell you what I do and what principle I apply...and more importantly, where I apply them. I will not sell courses...I make my money in the field (in the real estate market), so I don't need to sell dreams. I do however want to be a part of the success of other people's dreams.

I will not tell and sell you BS...if you have no money and want to put a deposit on a property using a credit card with an APR of 15%, I will simply tell you the truth, *"you are crazy, and*

*you very well may lose all of your money!"*

So, welcome to my blog, where a random unknown millionaire is willing to share the knowledge of the Real Estate market and how to identify and separate a good deal from a bad deal.

I hope you enjoy!

Ciao

Antonio Velardo