

# Price Discrimination

Price discrimination may sound strange to people, but it's a strategy used by companies to take advantage of the willingness to pay by different groups of people.

Large companies and great marketing strategists use this technique. Smaller companies do not really employ it, so I would like to dig in a bit more and give an overview on the benefit of price discrimination.

It's a very sensitive topic, so if you apply this to your company's strategy, make sure you do it in the right way, because if poorly managed it could prove to be anti-productive, but if well managed it can really drive your profits through the roof.

In marketing, pricing strategy is really important. The choice of a price needs to be thoroughly analyzed and cannot be dealt with superficiality.

If you have a maximum price for which different segments are willing to pay, do you set up a lower price in order to make everybody happy?

If this is how you conduct your business, you might lose a big opportunity, not only to make much greater profits but also to generate a competitive advantage in comparison with other brands.

The ability to get the best price from the richer client and to offer a better deal to other groups may sound unfair, but it's used constantly in brands not only to increase profit but to create even more loyal clients and enhance the brand advantage .

*Allow me to explain:*

What is clear is that clients that buy a different product will have different prices. But we need to understand what happens when the product is the same but the price is different. An example is a student discount; the same product at an adult price. Or think about an airline, train a bus trip or even hotel accommodations.

Some of those services are the same, for example, an economy class for an adult will be the same service that will cost the same money to the company but it is sold for a much lower price. So in this case companies take advantage of another market segment with less spending ability. If you think they were doing it because they feel sorry for the students and they want to make them travel then you are very naïve J, but I need to admit it's a good excuse so don't complain about it.

The Internet gives us a chance to negotiate with individual prices. I think such approach is similar to Alibaba.com who gives an attractive price range, but then they negotiate with the individual buyers.

This reminds me of an old trick of a Chinese supplier who would let me choose two products at different prices to assess my knowledge and my approach to them before giving me a price. Testing me gives him an edge on my willingness to pay, my perception of quality and my attitude towards certain products. With the Internet, brands can get information on demographics, interests, age, etc.

## **First Degree**

Companies that negotiate prices individually use a tool called first-degree price discrimination and it's easier to apply to e-commerce brands.

## **Second-Degree**

Second-degree price discrimination is considered more like an indirect method.

Second degree implies that firms offer different deals, (in quality and quantity) and consumers self-select based on their willingness to pay and their tastes. In this instance, you can be more generic; you don't need to know everything about your consumer. You can select groups that prefer different products.

This can be done through:

- **Nonlinear pricing**

This means you can have a more expensive price for the first quantity and then a lower price if you buy more products or use more of the services of the company.

This quantity discount is used by many brands, mostly telecommunication companies. They offer different products that allow a bigger discount based on how much you use the product.

- **Versioning**

Firms offer different versions of their product, so a lower quality can have a cheaper price and allow targeting a segment with a lower income.

However, you need to be careful not to make the mistake of making the product substandard (which sometimes costs more money) and sell it at a reduced price. An example can be some software versions if you think about it. Sometimes you can buy software with a limited functionality for a cheaper price. In this case, the company had the premium version but then spent money and time to make it less functional in order to appeal to consumers with less ability to spend.

They spent more money and they are receiving less revenue for their product.

### ▪ **Bundling**

Some consumers prefer some product more than others, and sometimes firms can bundle products together making an attractive price for buying several products together. This is also used to promote a new product. This can reduce consumer heterogeneity (which I am not sure is a good thing in a centric customer world) and in this manner you can sell more products to more segments and increase profit.

Rather than decrease prices for example to attract more buyers, you can bundle products together at an attractive price but not so low as you would need to in order to sell to people not really interested in the product.

For example, you are selling a specific product X , Y , and Z:

Your buyer group 1 is willing to pay \$50 for X, but not interested in Y, unless it is really cheap.

You could bundle X and Y at \$65 in order to sell more of Y without dramatically lowering the price. You could eventually keep selling Y for \$35 to another group interested in that product and willing to pay more, or in this way, the new group could also eventually be interested in buying product X bundled with Y because it seems attractive as a price.

## **Intertemporal Pricing**

Another issue to touch on very quickly is Intertemporal pricing. This is basically the increase or decrease of prices in relation to time.

Unfortunately, in high technology or innovative products prices tend to be higher at the beginning and lower as time goes by. So you are punishing the Innovator or the early adaptor – the people who really buy at the beginning and help the diffusion of the product.

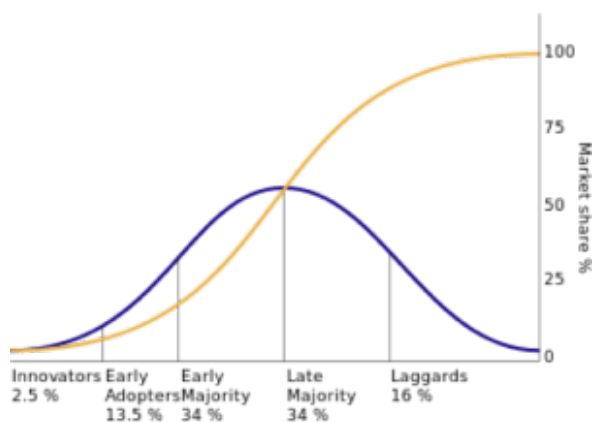
If you don't know what I am referring to please look at the graph below and refer to Theory Diffusion of innovation of Everett Rogers.

[https://en.wikipedia.org/wiki/Diffusion\\_of\\_innovations](https://en.wikipedia.org/wiki/Diffusion_of_innovations) \*

## Price Discrimination

Many consumers that catch the fact that the price of an item may cost less in the future may delay the purchase. This is an issue. It is also inconsiderate to lower the price of an item. It can represent a lack of loyalty toward some customers.

All my real estate investors know that we (the developers) tend to the inverse strategy when we sell a planned project. We increase the price as we sell more units or as we advance in the process of construction. This is great and helps the early investors gain profits compensating them for the initial trust.



Antonio Velardo price discrimination graph

*\*As an external link, this will open in a new browser/window.*

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# **Charitable Campaign: Helping Seniors Improve Their Quality of Life**

Good evening. This is just a short note here to discuss something very important. I love writing. I love sharing my experiences so that others can learn from them and hopefully have success also. It was once said that with great success comes great responsibility. This is not something that I have hid from or take lightly. I actually take great care and responsibility realizing that there are many in my very own community that requires assistance, right here in Fort Lauderdale. I would like to do what I can and I have been working very hard to that end. This great and noble cause has been one of the reasons it has been hard for me to blog on here the way I enjoy too.

Anyhow, I want to welcome all those who know someone 65 or older in this area to contact me. No games, no scam. Share their story, or help them to share their story with me also, so that I can help. I realize that many people above the age of 65, especially those in real need, do not often have access to a computer or perhaps even basic computer skills. This is where I will rely on my friends and visitors, to nominate someone and share his/her story and help spread the word so that together we can have a great impact and help our cherished neighbors, friends, and family. This is important to me, and I know it is important to many of you also. Let's act

quickly and help all those as quickly as we can. I encourage everyone to do the same, especially those who are in a greater position to do so—this is our responsibility, our duty I think, to do so. I will look forward to these requests, and to helping as many of those in need in our area here in southern Florida as I can.

Thank you, and have a good evening.

Read more:  
<https://www.digitaljournal.com/pr/2487539#ixzz3VvWJcxE4> \*

*\*As an external link, this will open in a new browser window/tab.*

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## Business Angel

**Hello!** I wanted to touch base quickly here via my blog and my social networks and extend an invitation. I am a firm believer that opportunity breeds opportunity, and that hard work is the key to success. Hand and hand, these two elements have often led to amazing inventions, products, businesses etc. I love to be a part of new ideas, of creative, fresh ways to do things. It is cliché, yes, but thinking outside of the box has become a cliché for a reason...because of its importance. Put the old ways to bed and share your new ideas with me, let me help you incubate them and bring them to life!

My invitation today is for all you entrepreneurs or small business owners and operators or those of you who have a cool idea. If you have a product or service, or idea or business, or just an idea that you think may be the next big thing, and you are looking to bring things to reality or to take them to the next level, fill out the form and shoot me your idea. If

you have a formal plan and layout, that is awesome. Share it with me and I would love to review it. If you are not yet that formal in your process or idea, that is ok too, still feel free to reach out to me. I am always looking to lend a hand and help elevate entrepreneurs and creative thinkers where possible! I am lending money and offering mentor-ships too.

I can't wait to [hear from you](#) and consider your ideas!

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## 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.



# 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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# 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!

Antonio

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## **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 then 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 Swifiting 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