How Blockchain Will Shape the Future of Social Networks

"If you're not paying for the product, then you're the product..."

The saying may be well-versed in the world of social networks, however many users aren't aware of the true price they are paying while posting online.

Many of the major social networking websites of today are all free to use, so naturally users aren't aware of any hidden costs. While at the other end, the sites themselves keep becoming more and more valuable based on the contributions and data provided by users.

According to Metcalfe's law, the value of a social network is directly proportional to the square of number of users. This is evident in the recent sky-high valuations of companies like Snapchat, Facebook, LinkedIn, and Whatsapp which have billions of dollars in market cap, even though some are yet to make a profit.

There is a fundamental problem with existing social networks. Users are helping grow networks through content and interactions, and yet they are not the beneficiaries. They are side-lined as mere statistics and data points for the network to play social experiments with, like the case of Facebook manipulating users' feeds in order to test their emotions. Furthermore, according to terms and conditions, the user hands all rights to their own data over to the platform operator, enabling them to sell the data to advertising and recruiting agencies, without any return to the users.

The open nature of blockchain can inherently help to solve this problem. The introduction of a public blockchain like Ethereum has the added incentive of financial rewards which allow users to earn while engaging on the platform. This model is a win-win situation for both the users and owners of the platform. Users ultimately become owners of their own data and privacy while also receiving revenue streams generated by the platform.

The advent of blockchain technology allows us to create a transparent, public and immutable record of transactions and activities performed by the users. While Bitcoin allows for transfer of monetary value, Ethereum gives us the ability to write Smart Contracts, and embed logic directly in the blockchain. This has opened up numerous possibilities to solve these previously unexplored or unsolved problems, including but not limited to privacy, ownership of the data, ability to earn from your contributions to the network, in completely new ways.

The Ethereum blockchain itself is not the ultimate solution to the common problems on popular social networks, but pairing it with other emerging technologies like Payment Channels and IPFS will lead the social network revolution.

Combining the Ethereum blockchain with Payment Channels opens up a gamut of features and autonomous abilities, aligned with financial incentives. Smart contracts paired with payment channels provide the computation and logic layer upon which the core engine of such a platform can be built. Platforms can now create unique cryptoassets which can be distributed to members of the platform as rewards for engaging on the platform. They can then exchange these cryptoassets for other cryptocurrencies such as Bitcoin and Ether. This creates real value for the members participating on the network while also helping the network itself grow.

IPFS can be used to store the data and content generated on such a network. In this case, this is the layer which gives back control of the data to the user. They can choose whether they want to store their data or not. Savvy users who are really concerned about their privacy can even maintain their own IPFS nodes which can be connected to this network, and possibly turn off the access to their data when they don't want to share it.

The question of "why the Ethereum blockchain" can be answered by looking at the community that surrounds Ethereum. There is a growing base of Ethereum developers, and it shows no signs of abating. There are several thousand developers working on Ethereum projects and applications, and thousands of apps are already deployed on the blockchain.

This entire ecosystem, and the ease of integration will give social networks on the blockchain a significant edge over the traditional way of doing things.

About Gaurang Torvekar, CTO & Co-founder Indorse.

Gaurang is cofounder and CTO of Indorse, the decentralized professional network which aims to build a social network where the user is in charge of their own data.

He is also the cofounder and CTO of Attores. Gaurang has been involved with several startups in FinTech and AI across India and Singapore as the 'tech guy'. Gaurang graduated with a Masters in Information Systems from Singapore Management University.

He is the co-organizer of the Ethereum Singapore Meetup, and helped it grow from 23 members to 1300 members. He conducts courses on Ethereum hands-on coding and has also worked on a book on Building Ethereum Dapps.