



market platform dynamics

The concept of social networking as a platform for engaging a community is clearly not new. What is new is how technology has facilitated the development of virtual social platforms that extend the reach, power and potential of community.

That is what makes the notion of social networking one of the most compelling strategic topics today and what has fueled the emergence of over 850 “formal” communities today worldwide.

As effective as these platforms seem to be at creating community, they have failed to generate the cash flow needed to sustain and grow them. Ad-based strategies, now a staple on the Internet, have failed to monetize these communities.

Moreover, social media campaign success is difficult to measure and control. This makes it a complex, challenging, and often risky tactic to implement.

This paper looks at the current state of social networks and offers a “five forces” framework for turning these networks into net revenue.

THE FIVE FORCES OF SOCIAL NETWORKING:

***A Guide to Making Friends
and Making Money***

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A BRIEF HISTORY

Social networking isn't all that new. In fact, it's been a staple of interaction for as long as there have been more than two people on earth. Social networks have evolved as people of similar interests, goals and backgrounds have come together to make friends, share ideas and even motivate new ways of thinking. These networks weren't always purely social in nature. Early forms include the guilds in medieval Europe, trade groups and unions, which can be traced back to the early eighteenth century, and more modern venues like the Chamber of Commerce and Rotary Clubs, which have emerged over the last ten decades as accepted forums for professionals in similar industries and business communities to meet and further commerce, business relationships, and advocate for changes in business practices.

The Internet, however, has really fueled both the creation of and possibilities for social networks. These networks began appearing on the web in 1997 when the famous – or infamous – SixDegrees.com debuted, enabling for the first time the sort of networking that was possible only in the physical world. This early site linked people through their mutual business or personal connections, allowing them to mine their friends (and their friends' friends) for sales leads, job-hunting tips, friendship, or dates – and even, as the long standing joke states, their relationship with film star Kevin Bacon.

The tipping point for online social networks, though, can be traced back to 2003 when the perfect storm of the advent of broadband technologies, PC penetration, and the rise of software platforms fueled the entry and massive growth of a new category of online social interaction.

Today, these social networks have successfully reversed the paradigm on the Internet: from users passively receiving information from an assortment of web pages, to users who actively create information and experiences, and then share them with others. Social networks have incorporated instant messaging, blogging, photo and video sharing, and opened themselves up to external developers who devise applications that keep community members engaged. Once primarily a popular way for teens and young adults who grew up online to stay in touch with friends, these networks have evolved to become platforms for engaging people and communities of all demographics and from all regions of the world.

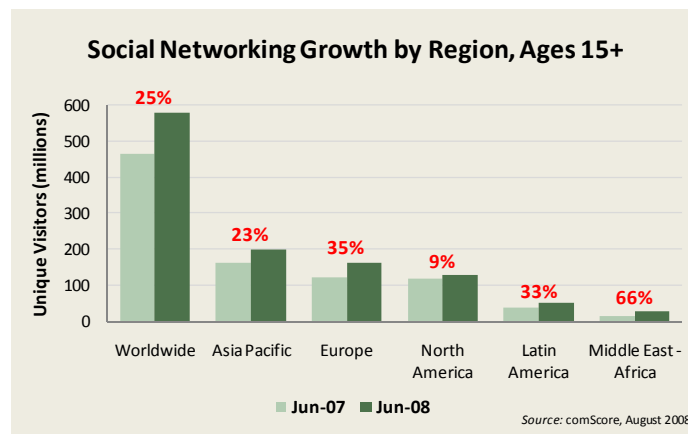
WORLDWIDE GROWTH TRENDS IN SOCIAL NETWORKING

Social networks continue to evolve at a dizzying pace both in terms of the growth seen in existing sites and in the rapidly growing number of social networks themselves. More than half of web users in the United States report having visited a social networking site in the past three months.¹ Worldwide, the growth of social networking increased 25 percent from June 2007 to June 2008. Some regions, such as the Middle East and Africa have seen the most explosive growth, with unique visitors increasing some 66 percent from the previous year (refer to Figure 1).

¹ The NPD Group, Inc. "Entertainment Trends in America." September 9, 2008.

While social networking trends took off quickly in the United States, these websites are increasing their focus on cultural relevance and opening themselves up to other regions of the world. Facebook, for example, has introduced a natural language interface, working to achieve 1055 percent growth from June 2007 to June 2008 in Latin America, 458 percent growth in Asia Pacific region, 403 percent growth in the Middle East and Africa, and 303 percent growth in Europe. This compares starkly to the 38 percent growth it achieved in North America in that same period.² In some markets, however, native-language sites are still the most widely used in those respective countries. In Japan, for example, 91 percent of social networkers³ (some 10 million in number) visit the site mixi, allowing it an 80 percent share of the social networking market in that country.⁴

Figure 1



THE SOCIAL NETWORKING AUDIENCE

Who is joining these sites and accounting for the breadth of growth in the past year? In the United States, young web users are considerably more active, with penetration at 89 percent for those aged 18-24 and with these users visiting these sites 21 days each month, on average. More recently though, baby boomers have begun visiting social networks, with penetration just shy of 50 percent for those aged 46-54 and 27 percent for those 55 years and older (refer to Figure 2 for an age group breakdown).⁵

Approximately half of social networkers are under the age of 25.⁶ However, and perhaps surprisingly, one of the fastest growing segments of social networking adopters are women between the ages of 35 and 50. But it seems that married men over the age of 30 are not as

² comScore press release. "Social Networking Explodes Worldwide as Sites Increase their Focus on Cultural Relevance." August 12, 2008.

³ Synovate press release. "Global survey shows 58% of people don't know what social networking is, plus over one third of social networkers are losing interest." September 1, 2008.

⁴ "Facebook still wants to avoid getting snatch up DEAL TALK." *International Herald Tribune*. May 20, 2008.

⁵ The NPD Group, Inc. "Entertainment Trends in America." September 9, 2008.

⁶ Rappleaf press release. "Rappleaf Study Reveals Gender and Age Data of Social Network Users." July 29, 2008.

interested. Although they spend a lot of their time online, much of it is spent on gaming and gambling sites. For many men, social networks are gateways to meeting members of the opposite sex. Once they have found a mate they appear less interested in socializing and more interested in professional networking. This perhaps explains why men in that age bracket tend to be more active on LinkedIn than on Facebook.⁷

Figure 2
Social Network Penetration & Visits in the United States, by Age

Age Group	Penetration (Past 3 Months)	Average Days Visited in a Month
13-17	80%	19.7
18-24	89%	21.0
25-34	73%	15.1
35-44	63%	14.2
45-54	46%	8.7
55+	27%	5.7

Source: NPD Group, September 2008

THE IMMINENT PROLIFERATION OF SOCIAL NETWORKS

At last count, there were some 850 “formal” online social networks, ranging in size and scope from Kiwibox, an online magazine and social network for teens, and Sphinn, a social site for search and interactive marketers, to the names most widely associated with online social networking: Facebook and MySpace. That number is expected to increase considerably as it becomes easier to create such sites and as various portals that encourage users to interact (even if it is simply commenting on a news story) begin to rebrand themselves as social networks.⁸

One company that is enabling the growth in number of social networks is Ning. It’s platform, described in layman’s terms as “the software equivalent of Home Depot,” allows users to create their own custom social networking websites, without necessarily possessing the technical know-how. Ning’s business model is two-fold. It allows users to create networks for free – they can be temporary in nature, such as for organizing class reunions, or to serve smaller communities such as loyal fans of New Kids on the Block – in return for the network hosting ads that Ning supplies. It also offers “Ning for Business” which offers users a network where they control the ad content (or lack thereof) in exchange for a monthly fee. Ning also offers premium services for a fee, such as extra storage, bandwidth, and non-Ning URLs.⁹ Before Ning’s February 2007 launch, 30,000 mini social-networking sites had been created. The week following the launch, 13,000 more were added. The company was valued in April 2008 at \$500 million, with page views rising 10 percent each week. To date, Ning has enabled the creation of over 500,000 social networking sites.¹⁰

⁷ Hoffman, Auren. “The Social Media Gender Gap.” *BusinessWeek*. May 19, 2008.

⁸ Klapman, Seth, Acro Media Inc. “Social (Networking) Animals.” June 15, 2008.

⁹ Ning corporate website, © 2008, [Product Overview](#)

¹⁰ Lacy, Sarah. “Marc Andreessen’s New Gamble.” *BusinessWeek*. May 16, 2008.

In the presence of the mobile phone, social networks – virtual in nature – will begin to link robustly with the real world. Applications incorporating location-based services are popping up everywhere, and many users are warming up to the early-stage offerings they provide. Various twists of mobile social networks will provide marketers the opportunity to deliver services that, when positioned impeccably, can truly engage and add value to the consumer’s experience.

No matter the reach, rank, or niche of the social network, it is undeniable that it has attracted a lot of venture capital money. More than \$600 million was invested in 113 of these companies from the first quarter of 2007 through the same quarter in 2008 and over 50 social network acquisitions were made during that same period. Given the current financial market meltdown, however, it is conceivable that the VC tap will run dry for a bit.¹¹

When projecting forward, social networking’s larger umbrella of social media¹² is expected to extend from 373 million users worldwide last year to over 1 billion in 2012, representing 75 percent of all broadband Internet users at that time.¹³ A recent survey of more than 13,000 adults aged 18 to 65, in seventeen developed nations, asked respondents, simply: “Do you know what social networking is?” 58 percent responded with a “no” or “don’t know.”¹⁴ It is plausible to project that growth in social networkers is likely to continue in subsequent years.

TOP SOCIAL NETWORKING SITES

MOST VISITED NETWORKS

In spite of the wide ranging number and types of social networks, MySpace and Facebook are still the most widely visited communities and now seem to be duking it out for the number one spot. Back in June 2007, MySpace hosted a total of 114 million unique visitors, compared to 52 million unique visitors on Facebook. Fast forward just a few months to June 2008, and Facebook has become the global leader for social networks, experiencing a 153 percent growth in visitors (see Figure 3).¹⁵

Driving that growth is Facebook’s efforts to court an international audience, as well as its commitment to expanding the number of applications that keep Facebook sticky. To date, the Facebook Platform has engaged more than 400,000 developers and entrepreneurs, who have

¹¹ ContentNext. *2008 Social Media Deals Report*. June 4, 2008.

¹² Social media is an umbrella term, most often referring to activities that integrate technology, social interaction, and the assembly of information such as words, pictures, video, and audio. This interaction and the manner by which information is presented is a function of the varied perspectives and evolution of shared meaning among communities as individuals engage with each other. Social networks, blogs, wikis, multimedia sharing, social news sites, opinion sites, and online gaming worlds are examples.

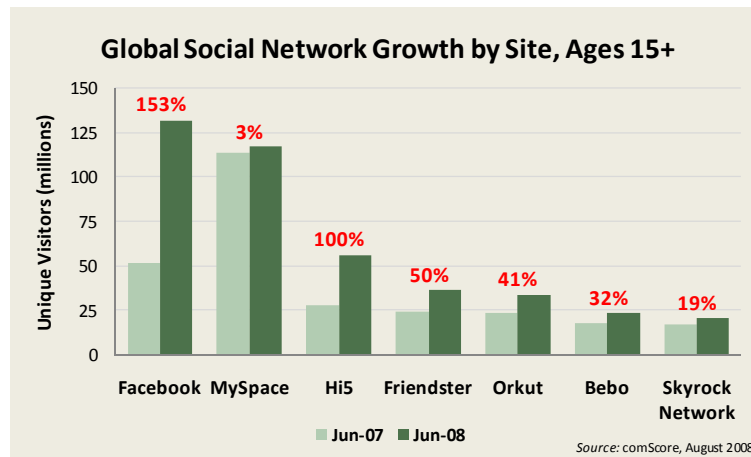
¹³ Strategy Analytics. “The People’s Revolution: Implications of Web 2.0 and Social Media Applications.” November, 2007.

¹⁴ Synovate press release. “Global survey shows 58% of people don’t know what social networking is, plus over one third of social networkers are losing interest.” September 1, 2008.

¹⁵ comScore press release. “Social Networking Explodes Worldwide as Sites Increase their Focus on Cultural Relevance.” August 12, 2008.

averaged adding 140 new applications per day. There are now well over 24,000 applications being offered to members and over 95 percent of these members have used at least one of these applications. With more than 30 million photos updated daily, the photo application is Facebook’s most popular application—and in fact is the top used photo sharing application on the entire web.¹⁶

Figure 3



Other popular applications allow members to share and extend their personalities and commonalities across friends’ profiles. The “Bumper Sticker” application, with more than 8 million monthly active users, is one such application.¹⁷ Users can search through well over 10,000 comical stickers (or upload their own) and place them on friends’ profiles.

Other applications garner support and rally support around various causes or social movements. The Causes application does just this, providing not-for-profits a place to develop pages where they can provide information to supports and the over 6.5 million monthly active users a chance to support the causes they care most about by donating money or inviting other friends to join their cause.¹⁸

Other applications for the Facebook platform have been developed by companies as a means to extend their brand. TripAdvisor, for example, has developed a “Cities I’ve Visited” application which allows its nearly 1.4 million monthly active users to create an interactive travel map of the places they have visited around the world.¹⁹

For its part, MySpace is undergoing a bit of a repositioning, with founders Chris DeWolfe and Tom Anderson suggesting that “social networks” are “very last century.” They have rebranded their flagship asset as a “social portal”—what they describe as a “global, content-rich hub with a social component.” Critical to this shift is the large portion of online advertising spending that is spent at large portals. MySpace believes it competes with Yahoo and MSN, and when compared to Google,

¹⁶ Facebook corporate website Press Room Statistics, as of October 2008.

¹⁷ Facebook Bumper Sticker application FAQ page, as of October 2008.

¹⁸ Facebook Causes application FAQ page, as of October 2008.

¹⁹ Facebook Cities I’ve Visited application FAQ page, as of October 2008.

it has very detailed information about its members, including their online behavior and consumer habits.

Ultimately, MySpace is looking to reclaim what was once its calling card: music and pop-culture. New music (MySpace Music) and video (MySpaceTV) have received tremendously positive reviews from users, reviews which are driving more and more eyeballs to these portions of the site each day, competing now with iTunes and YouTube.

PROFESSIONAL NETWORKING

LinkedIn, another noted social network in the United States, has enjoyed considerable growth as of late as a result of professional networking redeployed via the Internet and (often under the radar) job seeking.²⁰ Over 25 million professionals from across the globe are members, and in the current financial crisis many more are joining. LinkedIn is adding a new member approximately every two seconds.

From a marketing perspective, its average user is highly attractive: 41-years old, white-collar professional with an income of \$109,000.²¹ The site recently launched the LinkedIn Audience Network on September 15, 2008 which boasts profile-based targeting technology to assist marketers in reaching specific audiences, such as small business owners, C-suite executives, or a even a customized sub-set of members based on the marketer's needs.²²

Companies now also have the opportunity to create profiles on LinkedIn, allowing them to find and explore potential clients, partners, and employees. For companies looking to recruit on LinkedIn, the nature of profile information being viewed by colleagues asserts that the information and accomplishments posted are considerably less exaggerated and truer than perhaps what a recruiter would find on a privately submitted résumé.²³ For a member viewing a company's profile, she can see if it is currently in her network (meaning she has an individual in her network that works there) and what degree of separation there is between her, the friends in her network, and employees that work there. It provides a feed displaying promotions, popular profiles, and new hires. Beyond standard company descriptions and information, LinkedIn is leveraging analytics to reveal top job titles, schools employees graduated from, median age, and gender breakdowns for specific companies.

LinkedIn is also beta testing a collection of analytics by administering polls and featured questions using its community as a research lab.²⁴ After answering the poll or question, the user can view

²⁰ Piskorski, Mikołaj Jan. "I Am Not on the Market, I am Here with Friends: Using On-Line Social Networks to Find a Job or a Spouse." Working Paper, Harvard Business School, Harvard University, Boston, MA. January 15, 2007. Refer to <http://www.people.hbs.edu/mpiskorski/papers/FA-Platforms.pdf>

²¹ Tribble, Sarah Jane. "The Social Network as a Career Safety Net." *The New York Times*. August 13, 2008.

²² LinkedIn press release. "LinkedIn Launches the LinkedIn Audience Network." September 15, 2008.

²³ For instance, since résumés on LinkedIn are viewed by colleagues within the network (current and former), there is considerably more representation of having worked as part of a team than being solely responsible for success of a given project or within a particular business unit.

²⁴ LinkedIn press release. "CNBC and LinkedIn Announce Strategic Alliance." September 3, 2008.

others' responses broken down by seniority, company size, industry, job function, gender, and age.²⁵ These polls engage and educate users, and may ultimately serve to drive new users to the site. LinkedIn partnered with CNBC in early September, in a deal that includes the administration of these co-branded polls. Their first poll, which asked LinkedIn members how the recent economic conditions have impacted their feelings of job security, pulled in over 28 thousand respondents.

MICROBLOGGING NETWORKS

Another social networking company that has recently entered the social media fray is Twitter. Twitter is a real-time messaging platform that enables users to quickly broadcast to their friends what they are doing in 140 characters or less (also known as "Tweets"). It allows users to stay "hyper-connected" to friends. While it was launched in March 2006 as a side project, it gained popularity in early 2007. At that time, the vast majority of its users were 18 to 24 year olds. Today the site attracts approximately 1.2 million people per month, and its largest age demographic is 35 to 44 year olds and nearly two-thirds of its users are male.²⁶ Several famous bloggers are Twitterers. Even Barack Obama is on Twitter, with more than 70,000 users following his daily updates.²⁷

Facebook has taken notice and incorporated "status updates" which have a dedicated section on the site (mini news feeds) and dominate the home page that appears whenever users log into the site. Similar platforms exist, namely Jaiku (launched in February 2006 and bought by Google in October 2007), Plurk (launched in May 2008), and corporate-productivity focused Yammer (launched in September 2008).

TWEEN AND TEEN NETWORKS

There are also a number of social networking sites that cater exclusively to tweens and teens. MyYearbook is perhaps the most popular. Founded in 2005 by a 15- and 16-year old brother and sister duo, the site attracts 10 million unique visitors each month and recently raised \$13 million in Series B funding. Over the last year, MyYearbook saw its U.S. market share grow by 256 percent.^{28,29} Other sites that cater exclusively to tweens and teens include Club Penguin, which provides a virtual world role-play twist; Kiwibox, which places emphasis on music and entertainment; and Piczo, which places emphasis on being a place where teens can fully express themselves in creative ways.

²⁵ For example, during the financial upheaval stock market plummet after the collapse of Lehman Brothers, LinkedIn featured a poll asking if this was a time to sell, hold, or buy in the stock markets. The results revealed not-so-surprising differences across age groups, and it was emphatically interesting to see how C-suite executives and those within the financial industry viewed how they plan to react in the turmoil.

²⁶ Tancer, Bill. "Even Gen X is a Twitter." *Time*. August 20, 2008.

²⁷ Morrissey, Brian. "All About Apps." *AdweekMedia*. September 8, 2008.

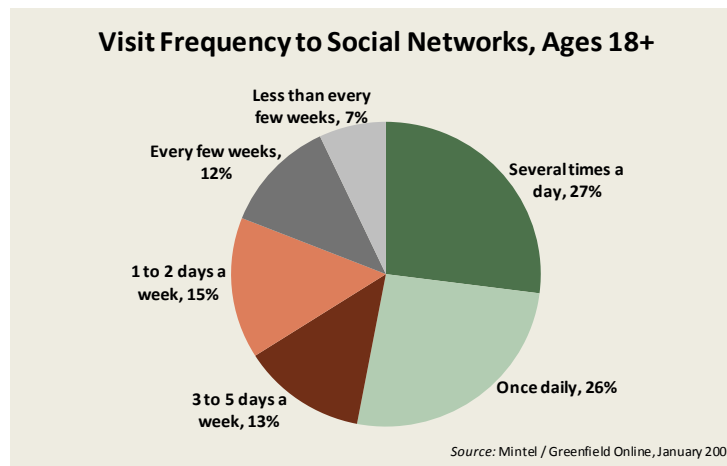
²⁸ Kincaid, Jason. "Teen Social Network myYearbook Gets \$13 Million." *TechCrunch*. July 29, 2008.

²⁹ Hitwise press release. "Facebook Visits Up 50 Percent Year Over Year." September 25, 2008.

THE POWER OF CONNECTIONS

Time spent on the Internet by web users far exceeds the time spent eating by a factor of nearly four. It is twice the amount of time they spend watching TV, eight times the amount of time they spend reading newspapers and magazines, and is only a couple hours shy of matching the amount of time those same people spend sleeping each day.^{30,31} Clearly, it's the relative stickiness of social networking sites that contributes to the time visitors spending "friending" and "twittering".

Figure 4



What draws people to these sites? First and foremost, it is friendship.³² The immediacy and instant gratification of logging into one's profile for updates on friends, news, cultural trends and even personal happenings drives users to visit often. Twenty-seven percent of users visit social networking sites "several times a day" (see Figure 4).³³ More than half of Facebook users visit their profile each day, and spend about 20 minutes on the site each time they visit.³⁴ The different functionalities of social networks (IM, blogging, email and multimedia sharing) mean they are a frequently used mode of communication. In all, it's no surprise that 50 percent of users visit social networking sites at least once a day.³⁵

Additionally, social networks increasingly fill an important information gap for consumers. Internet users have taken control of the information that is published on the web - not only publishing it themselves, but publishing on platforms that provide the means to organize *and share* this information in very powerful and meaningful ways.

Social networks have become one of these platforms. They rely heavily on user-generated and multi-media content, and their members engage in discussions with other members about,

³⁰ IDC. *U.S. Consumer Online Behavior Survey Results 2007*. December 2007.

³¹ Bureau of Labor Statistics. *American Time Use Survey – 2006 Results*. 2007.

³² The Conference Board and TNS. *Consumer Internet Barometer*. June, 2008,

³³ Mintel International Group. *Social Networking and Connectivity in the Digital Age*. January, 2008.

³⁴ The NPD Group, Inc. "Entertainment Trends in America." September 9, 2008.

³⁵ Mintel. *Social Networking and Connectivity in the Digital Age*. January, 2008.

among other things, their retail experiences and brand loyalty. Marketers are beginning to understand that people trust their friends – even strangers 4 or 5 degrees of separation away – as credible sources of information much more than they do companies, advertisements, television news, and even newspaper articles (see Figure 5).³⁶ In fact, 59 percent of social networkers use social media outlets to vent about customer care experiences and 74 percent choose companies and brands based on others’ customer care experiences shared online.³⁷

Figure 5
Credible Information Sources, as Cited by Consumers

Information Source	Extremely or Very Credible
Business magazines	62%
Wikipedia	55%
Radio news	53%
Analyst reports	51%
Friends, peers	51%
Newspaper articles	48%
TV news	46%
TV talk shows	45%
Company communications	43%
Online message boards, forums, newsgroups	38%
Company’s website	37%
Blogs	29%
YouTube	28%
MySpace, Facebook	23%
Corporate or product advertising	22%

Source: Edelman Trust Barometer, 2008

THE CONVERGENCE OF SOCIAL NETWORKING & MARKETING

By and large, advertisers haven’t been “friended” on social networks, even though there are a good number out there issuing thousands of friend requests.³⁸ The reason is fairly obvious: throughout history, media has been defined by a push advertising model with advertisers foisting product messages on an audience that will hopefully take action. Social networks, however, are entirely different—more akin to clubs where new faces are invited to be part of the network rather than inviting themselves in.

Advertisers to date are viewed as uninvited interlopers, not just uninvited, but also unwelcome and unwanted, adding little if any value to the friendships that are so pervasive on these networks. Within social networking sites, the community decides who is trusted, who adds value to the network and in turn, allowed access – and so far, few advertisers have been invited in.

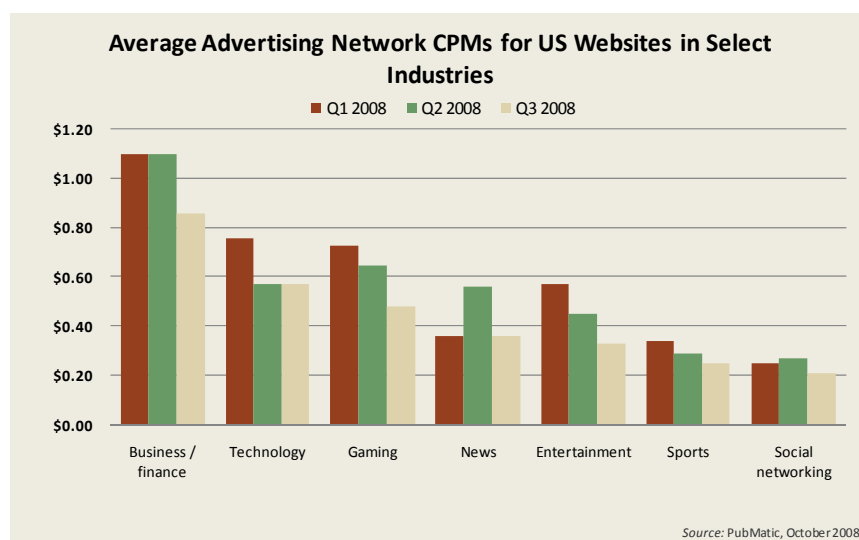
³⁶ Edelman Trust Barometer, 2008.

³⁷ Society for New Communications Research. *Exploring the Link Between Customer Care and Brand Reputation in the Age of Social Media*. April, 2008.

³⁸ According to the Society for New Communications Research (2008), approximately 55% of organizations have used social networks as a marketing tactic. And according to eMarketer, worldwide ad spending on social networks is supposed to hit \$1.4 billion.

The advertising space on social networks has, therefore, been dubbed “the dead zone” given the dearth of click-throughs that they deliver. Click through rates average 0.04 percent.³⁹ Eighty-seven percent of people on social networks say that few or none of the ads they see match their interests and fifty-four percent say they never respond to advertisements on social networking sites.⁴⁰ Proof of this can be found in the CPM. The average CPM for social networking sites in the United States is currently around \$0.25 (Figure 6).⁴¹

Figure 6



THE FIVE DRIVING FORCES OF SOCIAL NETWORKING

Marketers and advertisers realize that social networking is an important concept that is here to stay, regardless of whether the intent is to market to consumers or to other businesses. A channel once thought of as purely a way for “kids” to keep in touch with their friends has become a critical platform for influencing brand perception and product adoption. When coupled with the fact that consumer recommendations are the most trusted advertising medium for Internet users, social networking usage and peer-engagement is viewed as a very lucrative opportunity for marketers.⁴²

But as the marketing playing field has changed to include these networks, so now have the rules of marketing engagement. These rules call for in some ways abandoning the traditional advertising playbook in favor of one that creates opportunities for network members to invite

³⁹ “So Many Ads, So Few Clicks.” *BusinessWeek*. November 12, 2007.

⁴⁰ Prospectiv press release. “Eight-Seven Percent of Consumers Say Advertisements on Social Networks Not Speaking to Them, according to Prospectiv Survey.” May 13, 2008.

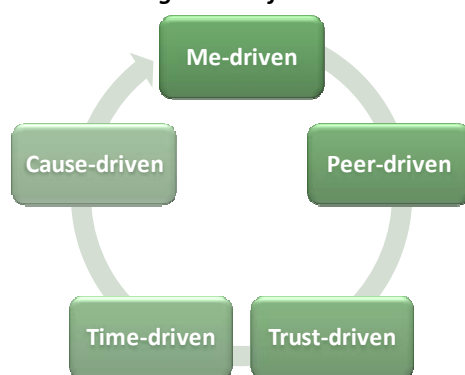
⁴¹ PubMatic. *PubMatic AdPrice Index Quarterly Report: Q3 2008*. October, 2008.

⁴² The Nielsen Company. *Trust in Advertising*. October 2007.

advertisers into their sacred spaces. Marketers must get adjusted to a world where “pull” marketing trumps “push” strategies in a big way.

Part of that adjustment means understanding the dynamics of these networks; why they form and what people expect from them. We call this the “five forces” of social networking. These five major forces – *me-driven*, *peer-driven*, *trust-driven*, *time-driven* and *cause-driven* – we think will shape social networking trends over the next one to three years (refer to Figure 6). Understanding and then managing these five interdependent influences on social networking behavior will help to anchor the development of an effective social media strategy.

Figure 7
The Five Driving Forces of Social Networking



(1) ME-DRIVEN

Social network membership, by design, is an extension of a person’s interests. People often use these networks for voyeuristic reasons – to display and extend their interests, or to assume personas that don’t necessarily reflect their day-to-day realities. People are also drawn to networks that allow them to get back as much as or more than they give. The idea of reciprocity drives these networks too.⁴³ Once people are there, they find sub-networks of people who work in the same place, went to the same school, like the same causes, follow the same music, read the same books, among many other things. It is this reciprocity that has contributed to the rise of the leading social networks, creating community on the user’s terms.

It is not surprising then that 80 percent of 13-17 year olds and 89 percent of 18-24 year olds in the U.S. have a social networking profile. These profiles provide a platform that allows them the liberties of expression and opinions with unregulated and, for many, unsupervised access. Through social networks, younger generations do not have to live within the confines of the “adult world” and are able to make the rules themselves – a rare scenario seen anywhere else within their lives. Moreover, they fulfill the adolescent’s need to be an individual within a group, and the number of friends one has is a symbol of social status. However, these social networks

⁴³ Piskorski, Mikołaj Jan. “I Am Not on the Market, I Am Here with Friends: Using On-Line Social Networks to Find a Job or a Spouse.” Working Paper, Harvard Business School, Harvard University, Boston, MA. January 15, 2007. Refer to <http://www.people.hbs.edu/mpiskorski/papers/FA-Platforms.pdf>

now transcend age. Adults, even ones into and over their forties, have been joining these networks in record numbers (see Figure 2) to reconnect with friends from the past, advance their career, pursue hobbies and interests, or share photos and videos.

No matter the age, users maintain connections through sharing information and experiences with their peers and also as a networking tactic to discover similar interests, school affiliations and business connections. Users are in control of who they are friends with, who they interact with, what conversations they want to join, and what information they want displayed. They are the drivers of their profiles and their information. In fact, in many social networks, users can decide which friends can see all their profile information and which friends see limited profile information. It is because of this environment of trust among friends that unsolicited advertisements have fallen deaf on ears.

The implications for marketers: Building communities is about the community and not about the advertiser. Traditional advertising on social networks from the community's perspective has been, as one person expressed, more like the experience of having dinner with good friends only to have a complete stranger pull up a chair and join the table. Advertisers have to be invited in; and will only be invited in if their offer strengthens the relationships among the friends in that network. This focus is more difficult to achieve, but in the end, more effective.

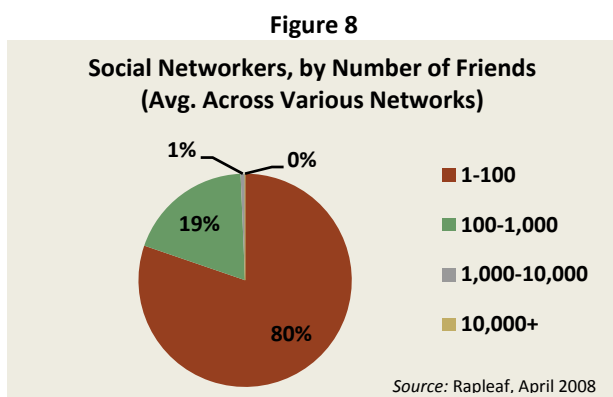
(2) PEER-DRIVEN

A sociologist would define a community as a group of people who interact and share a common location. The Internet enables online social networks as the common location where people can connect with their friends or make new ones – irrespective of physical location. It is these relationships that users form through their social networks that keep them engaged. It is also one of the biggest barriers to entry for new networks entering the space. People join because they want to be part of a connected community. If enough people (or enough relevant people to the member) are not part of the community, users won't join. Whether users mainly interact with friends, friends of friends, co-workers, old classmates or whether they are simply there to make new connections, it is one's peers that drive users to stay connected within their social networks. If people's peers started leaving their networks, they would no longer be members themselves.

This notion of peer-engagement is not just an online phenomenon. Perhaps the most compelling instance of the power of peer influence is the famous Framingham Heart Study that tracked the heart health of the Framingham, Mass. residents for nearly 60 years. It included a smoking cessation experiment that found that, while peer pressure is often credited for smoking, the same is true for cessation. Remarkably, those connected to others by up to three degrees of separation were also influenced to quit smoking.⁴⁴

⁴⁴ The study's major finding was the relationship between heart disease and smoking. This led to a smoking cessation experiment with a study subgroup for a 30 year period (1971-2003). Spouses of quitters were 67% less likely to smoke. When a friend, sibling, or co-worker quit, the odd of the other continuing to smoke dropped by 36%. Those connected to others by up to three degrees of separation were also influenced. If one person quits, the odds of a person two

On average across various social networks including Bebo, Facebook, Friendster, MySpace, Hi5, LiveJournal and Flickr, the vast majority of members – 80 percent – have between 1 and 100 friends. Nineteen percent have between 100 and 1,000 (see Figure 8).⁴⁵ On broader networks, namely Facebook and MySpace, the average number of friends is likely much higher. For example, the average Facebook member has 150 friends.⁴⁶ These numbers continually rise as more people join and interact on these networks.



Nodes and influencers in one’s network – long-trodden terminology in the fields of sociology and organizational behavior that were often difficult to construct with rigidity – are now being easily assimilated through online social networks. They operate as a means to bring more people into and expand one’s network. Facebook shows the friends two individuals have in common. LinkedIn goes a step further to show what current connections an individual could go through in order to be connected to a person with whom they are not currently connected. Peer-engagement refers not only to their number of friends, but also how frequently social networkers visit these sites (refer to Figure 4) and how much time they spend there (see Figure 9). In fact, as of August 2008, the average time spent per visit on a social network website was 19 minutes and 56 seconds, an increase of 14 percent from August 2007.⁴⁷ Most social networkers spend a double-digit number of hours every month on these sites, and for some this is achieved weekly.

Figure 9
Average Time Spent on Social Networks in the United States

	August 2007	August 2008	% Change
MySpace	30m52s	30m32s	1%
MyYearbook	26m22s	28m57s	10%
Bebo	29m34s	26m04s	-12%
Tagged	26m06s	24m03s	-8%
Facebook	15m50s	19m30s	23%

Source: Hitwise, September 2008

degrees apart stopping is 29%. In a three-degree separation, the chances are 11%. It only takes one person in a group to get the motivation to quit and the result ripples through the group.

⁴⁵ Rapleaf press release. “Friends of Men vs. Women on Social Networks.” April 30, 2008.

⁴⁶ Stern, Allen. “SXSW: Facebook Garage Live Blogging.” *CenterNetworks*. March 10, 2008.

⁴⁷ Hitwise press release. “Facebook Visits Up 50 Percent Year over Year. September 25, 2008.

Peer-driven implications for marketers: Connections with peers – even those with several degrees of separation – are stronger than connections with advertisers. Knowing who has the influence in a social network (not always the person with the most friends, but with the most relevant friends and valued interaction) is critical. Otherwise, advertisers are likely to find that efforts to engage the community will be as effective as mass mailings, with the added risk of a bad viral reaction.

(3) TRUST-DRIVEN

Social network members willingly disclose quite a bit of information about their careers, education, interests, hobbies, and even their political and religious preferences. Therefore, the notion of trust in social networks operates on two levels: trust in the platform itself to protect the community, as well as trust in the members of the community that represent the platform. Trust is obviously essential in garnering an audience on a social platform because users who don't trust the viability of their network or its members will not frequent the sites or find value in it.

Privacy concerns and fear of strangers, predators, or hackers stealing information inhibits people from feeling totally comfortable when utilizing the Internet. Social networks are certainly no exception. A recent Synovate study of 13,000 18-65 year olds in seventeen developed nations revealed that half of social networkers believe that online social networking can be dangerous. Their biggest concerns were lack of privacy and lack of security for children.⁴⁸ In regard to publishing personal information on social networks, only 26 percent noted being comfortable giving out this type of information. Aside from identity theft, defamation online is also spurring controversies. From a platform perspective, users will likely choose the social network that they feel best achieves a balance of their need for privacy, a selective distribution of personal information, as well as robust reach to the persons with whom they are most interested in connecting and feel they can trust.

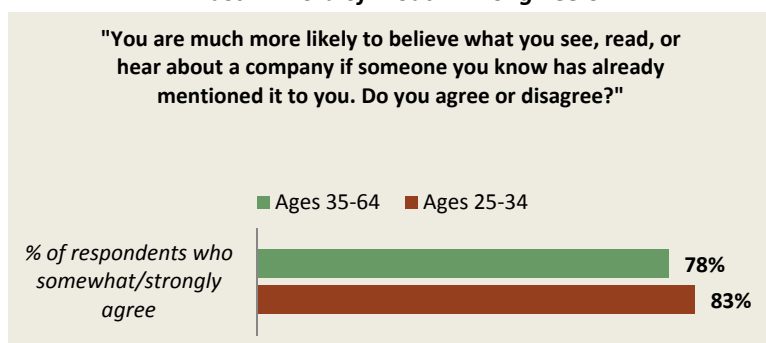
Social networking is also blurring the line between what is public and what is private. Most social networks, by default, allow information to be viewable to other members in the community. However, particularly in the last six months, security settings have evolved to include advanced functionalities. For example, in Facebook's early days, members' profiles were by default viewable to all others in their network – a member's college or university, at that point. Users could then select to have their profiles only viewed by members who were accepted by them as a friend. In March 2008, Facebook announced controls that provided a varied breadth of options to limit who can see their members' profiles and how much information can be viewed by certain friends. Users can now create a variety of "limited profiles" that disclose only select information, and categorize friends within these limited profiles. Most students now elect to add professors to a limited profile that exclude their tagged photos and their walls on which friends have made comments. As social networks have evolved to include more than just students on college campuses, similar happenings are occurring between co-workers and family members. Perhaps unsurprisingly, gender and age differences emerge in regard to concerns about the information

⁴⁸ 37% noted that lack of privacy concerned them about social networks and 32% noted that lack of security for children was a concern.

shared on social networks. Women tend to create “private” profiles more so than men and, likewise, young teenagers are more apt to share information than older individuals.^{49,50}

Both Facebook and MySpace have endured negative publicity related to protecting their members’ privacy. In November of 2008 Facebook launched Beacon, an advertising program that sent data from partnering external websites to Facebook. When a user made a shoe purchase at Zappos, for example, that purchase would appear (unbeknownst to the purchaser) in her news feed and friends’ feeds. In doing this, Facebook violated the trust of its network and, after tens of thousands of members protested, allowed its members to opt-out of the program. MySpace, on the other hand, has endured numerous incidents of bad press where children have been targeted by pedophiles. The lack of security controls on MySpace at that time worked to violate the trust of most parents, making them think twice about allowing their kids to utilize the site.

Figure 10
Trust in Word of Mouth Among Peers



Source: Edelman Trust Barometer, 2008

From a network perspective, those that have greater trust in their peers are more willing to actively engage within their respective networks and to find more value in their own network’s opinions about everything from movies to merchants. Peer-to-peer word of mouth has always been a highly valued source of credible, dependable information, as the best referral is from a “person just like me.”⁵¹ The Internet and social media platforms, in particular, not only make those referrals easily available, but also richer and more robust. In fact, 52 percent of Internet users in the U.S. are user-generated content consumers (101 million in number) and 43 percent are user-generated content creators (83 million in number).⁵² Figure 10 and Figure 11 outline the power that word of mouth and user generated content possess.

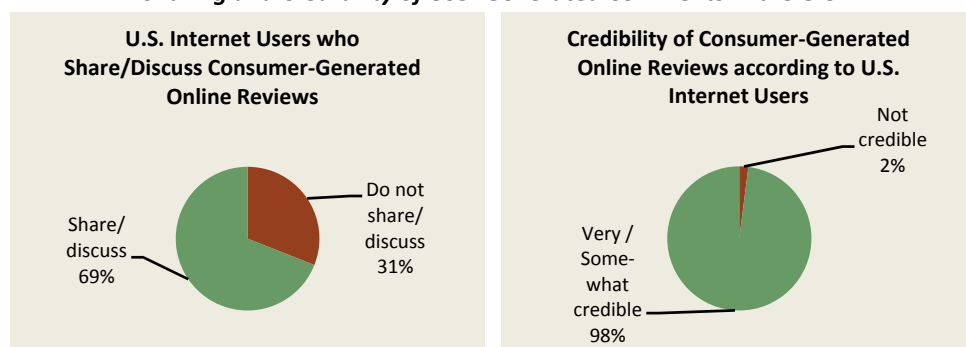
⁴⁹ Thewall, Mike. “Social networks, gender, and friending: an analysis of MySpace member profiles.” *Journal of the American Society for Information Science* 58(8). April 7, 2008.

⁵⁰ Pew Internet & American Life Project. “Teens, Privacy & Online Social Networks.” April 18, 2007.

⁵¹ *Edelman Trust Barometer 2008*.

⁵² Verna, Paul. “User-Generated Content: In Pursuit of Ad Dollars.” *eMarketer*. April 2007.

Figure 11

Sharing and Credibility of User Generated Comments in the U.S.

Source: eMarketer, April 2007

Trust-driven implications for marketers: Social networks are viewed as an efficient way to reduce customer acquisition costs and to create a loyal group of evangelists. And, they can be. But, creating a platform that delivers brand loyalty starts with earning the trust of the network. One of the most powerful ways to earn trust is by inviting comments – good and bad about the brand - and then acting in good faith upon the suggestions that the network provides. Others earn trust by introducing offers that strengthen the relationships that already exist on the network. Commercial intrusions won't get you very far, but forging a trusted relationship with each member can.

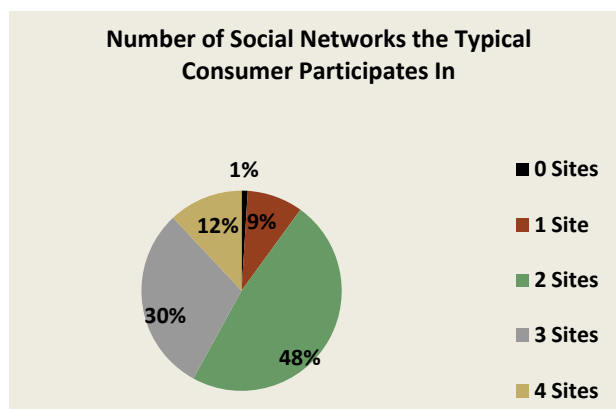
(4) TIME-DRIVEN

One of the great debates now taking place with respect to social networks is whether the future of social networks is in small, niche networks, whether we'll ultimately end up as a member of Facebook and MySpace and opt-in to a variety of groups and causes that allow us to personalize our experience while there or simply create our own networks as we travel the web; making the entire web in effect our social network.

There is some evidence that the former is taking hold, at least for now. Why is this, given the time challenges inherent in all of our lives? The interest we have in others and others in us is rarely 100 percent and it is even less likely that 100 percent of interest and appreciation is bidirectional. Outside the online world, we probably belong to more than one social network: maybe a church group, a charitable organization, a women's club, your child's parent's association and a professional networking organization related to your industry. People belong to multiple networks to round out their spheres of interest and to make it more efficient for them to access communities of people who are relevant to them and their interests in a variety of areas of their lives. Online, the typical Internet user belongs to at least two social networks (see Figure 12).⁵³

⁵³ William Blair & Company. *Interactive Marketing Survey*. July 8, 2008.

Figure 12



Source: Rapleaf, April 2008

The motivation for belonging to these various sites is different based on who the user is. Men, for example, tend to be more transactional and therefore are attracted to sites like LinkedIn. Women, on the other hand, tend to seek relationships and friendships and thereby have accounted for the sharp spike in Facebook memberships as well as the rise of niche sites that address a particular need.⁵⁴ The time trade-offs that people are making between different social networks is a function of the types of interactions they wish to have, their needs at specific times, and their interests. For example, an individual who may manage his social life and related interactions on Facebook every day, maybe used to log in to LinkedIn about once a month but now does so daily due to the current economic crisis and heightened interest in professional networking; and, being a coffee enthusiast, he every so often talks coffee on Barista Exchange.

Ning, a previously mentioned company that allows for the easy development of social networking sites, is banking on the fact that the niche sites will co-exist peacefully with mega-sites like Facebook and MySpace. Since its “Social Networks for Everything” launch in February 2007, it has enabled the creation of 500,000 networks (up from 275,000 networks in May of this year, with traffic between February of 2007 and 2007 increasing by 4,803 percent) and has noted that by 2010 it will likely host 4 million social networks serving up billions of page views daily.^{55,56}

Time constraints are also a driver for the movement of social networks from activities performed at computers at home or at work to activities that can be easily performed anywhere from a mobile phone. On a small scale, this is already occurring. Facebook and MySpace have developed applications for mobile phones and, perhaps more interestingly, companies like Loopt are exploiting the possibilities of how location-based services can transform social networking on the go. In Silicon Valley alone, there are more than a dozen mobile social network startups.⁵⁷

⁵⁴ LivingConversations.com, a platform founded by Karen Webster, is an example of such a niche site.

LivingConversations is a community catering to women who have been diagnosed with cancer and their families and friends. The site offers hope, inspiration, and courage through videos uploaded by cancer survivors who share stories of strength, living, and learning.

⁵⁵ Bianchini, Gina. "550,000 Social Networks on Ning!" Ning Blog. October 27, 2008.

⁵⁶ Penenberg, Adam L. "Ning's Infinite Ambition." *Fast Company*. May 2008.

⁵⁷ Harvey, Mike. "The future of social networking: mobile phones." *The Times*. May 9, 2008.

Figure 13
Mobile Social Network Users Worldwide (Millions), 2007-2012

	2007	2008	2009	2010	2011	2012
Mobile phone subscribers	3,078	3,417	3,697	3,894	4,150	4,275
Mobile social network users	82	147	243	369	554	803
Mobile social network users as % of mobile phone subscribers	2.7%	4.3%	6.6%	9.5%	13.3%	18.8%

Source: eMarketer, April 2008

eMarketer predicts that over 800 million mobile subscribers will use mobile social networks by 2012 (see Figure 13).⁵⁸ It is not far-fetched to imagine meeting people through various twists of these mobile social networks or having businesses pay to access the service so as to deliver information to a member when he walks into a store and then serve up offers at a later date to drive him back. In the presence of the mobile phone, social networks – virtual in nature – will begin to link more concretely with the “real” world. Social networks that have strong, well-defined community interests, concerns, and needs provide the audience and structure for this to occur in the foreseeable future. When coupled with location-based services, user-generated content, seamless on-demand functionality and the trust-driven balance we discuss previously, successful ventures will undoubtedly transpire.

Several sites are banking on the fact that we will take our social networking profiles with us as we travel the web – in essence, transforming any site into a social networking experience. Facebook Connect, although not formally launched, allows users to login to partnered sites such as Digg, CollegeHumor, Hulu, Loopt, Twitter and CBS.com with their social networking profile and then share actions on those partnered sites with their friends back on Facebook through feeds.⁵⁹ In practice, it makes your information portable and it could look something like this: Suppose I am in the market for a weekend trip to Miami. I might log into Expedia.com with my Facebook profile where I can browse for offers and share my Miami flight and hotel options with the friends back in my Facebook network. I could then set up a group in Facebook called “Weekend in Miami” and invite friends to join me and post new offers and updates. Then, as I travel to other sites such as Yelp for restaurant recommendations in Miami, logging in using my Facebook profile enables me to share those recommendations with my friends as well as get more relevant offers on Facebook.⁶⁰

Time-driven implications for marketers: Breaking through the clutter and into the community requires that you demonstrate how your offer strengthens and efficiently

⁵⁸ “Mobile Social Networking Set for Growth.” *eMarketer*. September 4, 2008.

⁵⁹ Facebook press release. “Facebook Expands Power of Platform Across the Web and Around the World.” July 23, 2008.

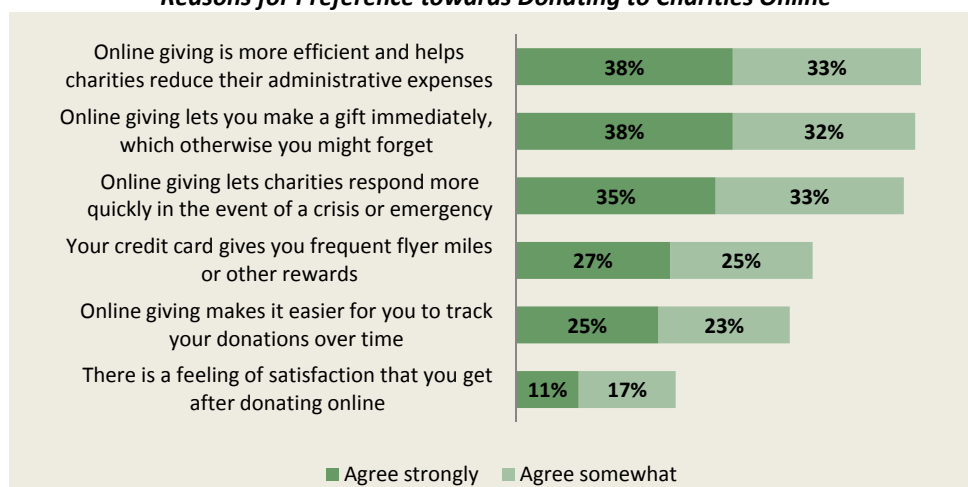
⁶⁰ When users login to third party sites with their Facebook information through Facebook Connect, they can elect to send action alerts back to Facebook that are posted on their newsfeeds (e.g., that you digged something on Digg, flagged a certain video on Hulu, commented on a story on CBS.com, etc.). By doing this Facebook, in essence, is collecting information about what users do and are interested in outside of Facebook. It is possible that, in this way, Facebook could become an aggregator of information on individual users’ entire web experience – not just what information they reveal on their Facebook profiles.

enables the interactions with those within the community. Competing for time and attention means that relevance is now the name of the game. People are increasingly turning to their networks before turning to traditional search engines for advice on everything from jobs to cars to relationships. Users need a return on the investment of the time they spend on the web in the same way that marketers need ROI on their marketing dollars. They want to find more accurate information faster and more easily. Offers that do not measure up won't break through the clutter – rather, they will become part of the clutter.

(5) CAUSE-DRIVEN

The Internet has not only radically changed the way people shop and the way merchants advertise, it has also changed the way in which people donate to the causes they care about. Online fundraising has been growing rapidly, in the U.S. alone: from \$250 million in 2000 to \$6.9 billion in 2006 (\$13.2 billion globally in that year).⁶¹ This online phenomenon is being driven by both the (few) high-dollar and (many) small-dollar donors that give to charities.

Figure 14
Reasons for Preference towards Donating to Charities Online



Source: Convio, March 2008

High-dollar donors account for approximately 1 percent of all givers and a third of dollar volume. A Fall 2007 study conducted by Convio on the “wired wealthy” (those who have recently given \$1,000 or more (online or offline) and provided their email address to a charity⁶²) has illuminated the impact of the Internet on spurring donations. Eighty percent of these individuals have

⁶¹ The ePhilanthropy Foundation.

⁶² While \$1,000 was the minimum requirement for participating in the study, the group's mean donations per year were \$10,896. Primarily baby boomers, this group is highly educated: 36% have a 4-year degree and an additional 51% have graduate degrees. 30% had household incomes between \$100,000 and \$200,000 and an additional 27% had household incomes of over \$200,000. This group has been using the Internet for an average of 12 years; 78% do their banking and bill payment online; 90% make purchases online; 52% use YouTube; 16% use LinkedIn; 14% use MySpace; 9% use Facebook.

donated online, with 51 percent reporting that online giving is their preferred channel and 46 percent noting that they are likely to make more of their donations online in the next five years. Key reasons given include that it is more efficient, can occur immediately, and allows charities to respond more quickly in the event of an emergency (see Figure 14).⁶³

As for the power of small donations, the 2008 political campaign emphasizes the potential of the Internet in furthering the communities of both parties. Month-to-month donations to the Obama campaign sheds light on this. In February of 2008, \$45 million of the \$55 million funds raised were accrued online. In April 2008, almost all of the \$31 million the campaign raised was amassed online. More impressively, 94 percent of that \$31 million was from individual donations of \$200 or less.⁶⁴ The Obama campaign has sung praise for the viral nature of social networks in bringing about these small donations that quickly aggregated into a substantial amount. The McCain campaign released the GOP toolbar which allows those who download it to raise contributions without themselves spending any money. Each time a user searches using the Yahoo! powered search area on the toolbar, 2.3 cents is donated to the Republican National Committee.⁶⁵ After slightly more than 1.2 million searches are performed, this toolbar will reach the Federal Election Commission's \$28,500 donation limit.

Social networks have also become platforms for advancing social change – formally and informally. Over 26,000 non-profit and philanthropic groups have organized on MySpace. The top philanthropic group on MySpace, "People helping People," has nearly 30,000 members.⁶⁶ It provides members a means to network and discuss how individuals can work together for a common good. Group members can add themselves to an interactive map that shows the penetration of the group in various regions of the world. On Facebook, over 100,000 organizations have leveraged the Causes application. The top cause is "Support the Campaign for Cancer Prevention" with over 3.5 million members that collectively have donated just over \$75,000 to this cause through the application.⁶⁷ An interesting part of the Causes application is a portion that displays upcoming friends' birthdays and allows you to give to them a variety of charity gifts to them – from a \$10 virtual soccer ball that donates this money to safe soccer fields for children in impoverished communities to a \$200 virtual computer that provides the funds necessary to give a laptop to a child in a developing country.⁶⁸

Rallying support for a cause can be easier by leveraging the viral nature of social networks. One example is Facebook's participation in a "Causes Giving Challenge," sponsored by PARADE Magazine from December 13, 2007 to January 31, 2008. The challenge aimed to introduce social networkers to the idea of raising money through their networks. The event encouraged over thirty-three thousand individuals to donate \$628,072 collectively.⁶⁹ Another example is The Members Project by American Express, an online initiative that invites people to submit ideas for

⁶³ Convio. "The Wired Wealthy: Using the Internet to Connect with Your Middle and Major Donors." March 24, 2008.

⁶⁴ Sullivan, Andrew. "Barack Obama is master of the new Facebook politics." *The Sunday Times*. May 25, 2008.

⁶⁵ Refer to <http://www.gop.com/toolbar/>

⁶⁶ MySpace People Helping People group page, as of October 2008.

⁶⁷ Facebook Causes, Support the Campaign for Cancer Prevention, as of October 2008.

⁶⁸ Facebook Causes application FAQ page, as of October 2008.

⁶⁹ "The America's Giving Challenge and the Causes Giving Challenge Inspire More Than..." *Reuters*. February 21, 2008.

projects that make a positive impact on the world. After the projects have been submitted, individuals vote on the best projects, with American Express awarding \$1.5 million to the winner, \$500,000 for the runner-up, \$300,000 for the third place finalist, and \$100,000 to the fourth and five runner-ups. Given its success in 2007, American Express expanded the program this year, adding its presence to a Facebook page. Over eighty-eight thousand cardmembers voted in the campaign.⁷⁰

FreeCause is a Web 2.0 company in the business of marrying technology with social responsibility. Their platform enables viral messaging via social networks and online groups, leveraging preexisting user behavior on the Internet (search) to monetize search transactions and raise money for social causes. It currently boasts a network of 8 million Facebook users who have opted in to their social community and who take a variety of actions such as shopping, searching to raise money for the charities that the community has opted into.

It is the viral nature of social networks and, perhaps more importantly, the visibility among social networks for the cause itself that have increased donations. Social networks have changed the paradigm from charity-to-person to, now, person-to-charity.

Cause-driven implications for marketers: Getting the community interested in you begins by showing interest in what the community cares about and sometimes that can be charitable causes. But the interest from the advertisers needs to be genuine and credible and aligned with existing behaviors. This community, already skeptical of advertiser motives, can sniff out a commercial pitch disguised as a cause-oriented campaign faster than you can say “bad PR.”

MONETIZING SOCIAL NETWORKS

With an understanding of the five forces that drive social networks – which helps build and engage community, how are those interactions monetized? Initially, the top two social networking sites, Facebook and MySpace had Google and Microsoft to thank. Google’s deal with News Corporation for advertising inventory betrothed \$900 million. Microsoft negotiated a similar deal with Facebook, resulting in millions of dollars in advertising inventory (not including the \$241 million in cash that was infused the previous year). Since then, there are a lot of other interesting experiments taking root.

MySpace is trying to transform traditional advertising on social networking sites. Their advertising initiative, HyperTargeting, utilizes members’ profile information to serve up relevant advertisements. Since being launched at the beginning of 2008, click-throughs have been up 300 percent. The company’s MyAds platform is based on the cost per click (CPC) model, where display ads sold on a CPC basis can be targeted via 1200 user categories which have been defined by MySpace through user behavior patterns. These ads are prioritized like search ads, based on

⁷⁰ Refer to www.membersproject.com for more information and to the Members Project® '08 presence on Facebook, <http://www.facebook.com/pages/Members-ProjectR-08/20879941179>.

bided CPC and click-through rates, and the advertiser can set a budget. While it's limited to the MySpace community and offers little engagement for the social networker, the wealth of information MySpace has about its users can make for particularly targeted ads.

Something to note is that these click advertisements reroute the user outside of the social network to an external website. Many argue that these tactics, first made famous by Google on its search engine, do not necessarily suit social networks. When people use a search engine, they seek to meet a demand or complete a task outside that engine, social network users visit social networks for interaction within the website. This disparity has given rise to a new breed of advertising on social networks which engage the user through games, creativity, and interaction with their friends, and thus keep the user within the social networking site.

For example, one of the popular movies of the Summer of 2008, *Tropic Thunder's*, created a page on Facebook that allowed users to "poke" their friends unconventionally by, among other methods, throwing grenades or saluting them.⁷¹ Many argue that the level of engagement that these advertisements achieve elicits more viral growth and brand interaction than traditional advertising, whose success is measured solely on click through rates. A similar promotion earlier in 2008 by Paramount Pictures for the launch of *Indiana Jones and the Kingdom of the Crystal Skull* offered Facebook users the chance to send friends a virtual Indy Fedora. The gifts were sponsored by Paramount, so they were free to users and there were a limited number of them. The Fedoras became available at 4:30am on Wednesday morning, the day before the movie hit theaters. By 3pm the same day, all 250,000 had sold out.

Other monetization schemes on social networks have included charging users a subscription fee. For example, the popular German professional network Xing charges members a monthly fee of six Euros and more than 500,000 members pay this fee.⁷² Yet another play is allowing marketers to feature products. Bebo, acquired by AOL in March 2008, has had moderate success by featuring products, like Toyota cars, in its online video dramas. These videos are passed virally among Bebo members.

Other monetization schemes allow users to pay for visibility. Badoo, a London-based social network allowing users to connect and promote themselves and their work with their slogan "I am here," does not use advertising of any type on its website or users' profiles. Instead, users can pay one Euro via an SMS message to "Rise Up" on the site's search rankings. If users pay often enough, they could get featured on the Badoo home page. Of Badoo's 13 million members, 20 percent have used this feature at least once.⁷³

Google recently released a notice of a patent that would allow a payment scheme based on influence. Applying its PageRank approach, Google algorithms would take into account among other things, the number of friends you have, how frequently you communicate with these friends, how often you post items and the number of friends that read it, how much attention you

⁷¹ Facebook Tropic Thunder film page. Refer to <http://www.facebook.com/tropichthunder>.

⁷² "Business: Facebook for suits; Social networking," *The Economist*, September 27, 2008.

⁷³ Kiss, Jemima. "Elevator Pitch: Why Badoo wants to be the next word in social networking." *Guardian.co.uk*. March 5, 2008.

get when updating your profile, etc. This “influence-tracking” could allow companies to intimately enhance their marketing techniques and bring, for example, a branded video to the profile page of someone who has been identified as being influential in sharing videos and give birth to a whole new pricing and monetization strategy.⁷⁴

Other social network revenue streams are based purely on trust and sharing. Gifting is a popular theme, where members send personalized messages with virtual icon gifts to their friends. Facebook launched its Gift application on February 8, 2007. While some of these gifts are free and others are limited editions, overall, this application is expected to deliver nearly \$60 million in revenue in 2008, more than 2x that in 2007. China-based social network QQ reported \$520 million in revenues last year (approximately three and a half times Facebook's 2007 revenue). Two-thirds of QQs revenue came from virtual goods and games, with only 13 percent coming from online advertising.⁷⁵ QQ has nearly 300 million accounts reaching 200 million Internet users, making it the largest social networking, instant messaging, and gaming platform in China.⁷⁶

Two other revenue stream examples based on trust and sharing are social shopping and sponsored stories. Social shopping incorporates merchants whose products are featured on members' pages. These merchants share transaction fees with social networks when members purchase the product. Sponsored stories engage directly in the viral qualities of social networks. These stories are shared with friends who are part of their social network via news feeds.

THE FUTURE OF TURNING VISITS INTO CASH

Good marketing has always been about building a relationship with the customer. In many ways, social networks as marketing channels is the opportunity that marketers have been dreaming of for decades: an opportunity to access a ready-made community of people who are open about who they are and what they like, and who – unprompted – share those likes and dislikes with the members of their network.

But it's precisely this aspect of social networks that give it a very sharp edge. As marketers, social networks aren't yours to control. And neither is your message. The network will decide how they view you and what they say about you. Ceding control is necessary to building the credibility and proving the authenticity that are so critical to being “friended” by these strong communities. Marketers must keep in mind that these communities are already vibrant ecosystems who haven't invited you in and will ignore you – or worse - if you barge in uninvited.

Regardless of the technologies and platforms to come, the age of marketing that pushes down to consumers based on what marketers think consumers want is nearing its end. Individuals now have the power and technology to become avid publishers themselves and what they publish increasingly takes precedence over what advertisers do. Accessing consumers through social

⁷⁴ Heather Green, “Google: Harnessing the Power of Cliques,” *BusinessWeek*, October 6, 2008.

⁷⁵ An additional 21 percent came from mobile services.

⁷⁶ Joffe, Benjamin and Bo, Yiqun. “Inside QQ.” *Plus Eight Star, Ltd.* January 2008.

networks, therefore, requires a keen understanding of what drives these complex ecosystems and triggers the action of their members. Leveraging the power of social networks is much more than devising a well crafted marketing campaign; it's about engaging the community and strengthening the relationships among the friends who are part of that community.

Achieving that begins with stepping back and developing strategies that truly add value to the friendships that define that network; to “friend” the members of the network before even thinking about selling them. Earning their trust and building relationships must come before the sales pitch. Heed that advice, and you'll find that in the end that both your company and your bottom line will be “friended” by them even more.