國立交通大學

管理學院科技管理研究所

碩 士 論 文

社會交友網站-以 Friendster.com, Facebook.com, MySpace.com 為例

Social Networking Sites- Performance of Friendster.com, Facebook.com and MySpace.com

研 究 生：梁媛穎

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Abstract

This thesis is divided into 3 parts. The first part discusses the social networking business, taking performance of Friendster.com as a study case. The next part describes and analyzes the business strategy structure of Friendster.com whether profitable of unprofitable. The last part discusses the legal issues surrounding this business and future trend and opportunities of this business.

The first part explains what Friendster.com is and explores the social networking business and opportunities.

The second part explains social networking is quickly becoming a growing trend for money-making business with the establishment of Friendster.com, Facebook.com, Myspace.com, etc. From this growing trend, the social networking website saw a new business opportunity and made some business strategies like: join and collaborate with music industry, software and games applications.

The third part explains the competitors of these businesses and legal issues surrounding these businesses and future trend and opportunities of these businesses.

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Hsinchu, June 2008

Donna Tamin

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Chapter 1

Introduction

1.1 Research Background

I am currently writing my Master's thesis in Social networking. The thesis examines the performances of Friendster. As the creator of the first online social network, Jonathan Abrams promised something truly exciting: to change the way people communicated with one another. As Fortune put it in October 2003, "There may be a new kind of Internet emerging--one more about connecting people to people than people to websites." In the months following its launch earlier that year, Friendster garnered millions of devotees, who used its name as both a verb and a noun. By the end of 2003, the company Abrams founded in his San Francisco apartment had raised $13 million from the same investors who'd backed Amazon (NASDAQ:AMZN), Yahoo(NASDAQ:YHOO), and eBay (NASDAQ:EBAY) and had appeared in scores of major magazines and newspapers. Friendster was a company the world could understand, participate in, and dream on. It was the next big thing. Friendster is the first social networking site, launched in 2002 by Jonathan Abrams, members are typically teenagers or young adults in their 20s, depending on the country they live in. By 2007, the majority of Friendster users were from [1] Southeast Asia (Philippines, Malaysia, Indonesia,Singapore). Friendster was considered the top online social network service until around April 2004 when it was overtaken by MySpace in terms of page views, according to Nielsen Online. [2] Friendster has also received competition from all-in-one sites such as Windows Live Spaces, Yahoo! 360, and Facebook. Of late, newer websites like hi5 are posing new competition for friendster. [3] Google offered $30,000,000 to buy out Friendster in 2003, but they were turned down. Friendster was funded by Kleiner, Perkins, Caufield & Byers and Benchmark Capital in October 2003 with a reported valuation of $53 million. In April 2004, John Abrams was removed as CEO and Tim Koogle took over as interim CEO. Koogle

previously served as President and CEO at Yahoo! Koogle was later replaced by Scott Sassa in June 2004. Sassa left in May 2005 and was replaced by Taek Kwon. Taek Kwon was then succeeded by Kent Lindstrom, following a recapitalization by Kleiner and Benchmark that valued Friendster at less than one-twentieth its 2003 valuation. Friendster's decision to remain private instead of selling to Google in 2003 is considered one of the biggest blunders of Silicon Valley, the Associated Press claims.

1.2 Research Motivation

Social Networking is undeniably hot right now, the establish of Friendster, Facebook, Myspace, Orkut,etc. From this growing trend, the social networking website saw a new business opportunity. There are some strategies that they use to expand their business, such as join and collaborate with music industry, software applications and games. Base on my thesis, I'm going to explore the social networking business and opportunities to find out whether social networking businesses could be profitable and lucrative long term businesses. So that the media companies could avoid making the same mistakes they did a few years ago and not overpay for "clicks", maybe eyeballs don't matter, but sales and profits do. I think there is an important lesson here that media companies need to remember, the online advertising market may be sizzling now but it is still advertising, and advertising is a business that does not hold up well when the economy cools. I'm not trying to suggest that we are heading towards another recession. But could it be possible that the media companies to overpay for companies whose fortunes depend on advertising just as the economy is starting to show signs of slowing? Finally, it's worth noting that despite all the hype about Web 2.0, all of this excitement hasn't led any social networking companies to go public yet. Could Friendster, Facebook, and Orkut could be lucrative long-term business models and maybe the next Google?

One reason could be that these companies may be aware that being popular now is not a guarantee that they'll remain on top for the long haul.

And perhaps, venture capitalists backing these firms realize that institutional and retail investors don't want to get fooled again, that paying nosebleed prices for unprofitable or barely profitable Internet companies that rely on fickle advertisers is not a good idea. It remains to be seen if big media companies will be able to exercise similar restraint.

1.3 Research Objective

The objective of this research is as follows:

1. Acknowledge the current situation and developing progress of the social networking business;

2. Analyze the major competitors to clearly see who is the market leader in social networking business;

3. Provide suggestions with regards to the issues and challenges facing this business;

4. Evaluate the future directions of the social networking business.

1.4 Research Methodology

The method proposed in this research will be conducted through literature reviews and case studies on key players in this business.

Sources of information:

1. Websites

2. (Business magazines (Business Week, Economist, Fortune, etc.)

3. Research papers (ACM Portal, IEEE Xplore, Universities, etc.)

4. Newspapers (CNN, New York Times, USA Today, etc.)

5. Books

1.5 Framework of the study

This thesis contains 7 chapters with the following organization :

Chapter 1; discusses the research background, objective, methodology.

Chapter 2; base on library research and internet sources, this chapter discusses literature review of social networking.

Chapter 3; discusses what is Friendster and analyze social networking business.

Chapter 4; discusses the major competitor in this market and legal issues surrounding social networks.

Chapter 5; Summarize and conclude my results finding.

Chapter 6; Analyze the future trend and opportunities of this business

Chapter 7; Conclusion & recommendation of my research, summarize my research findings, discuss the limitations of my research and make suggestions for future researches.

Chapter 2

Literature Review

2.1. [4] Computer-mediated Communication as a Social Context

"Will you be be friend? An analysis of Friendster. Com" (Amelia Hendra, BA, Wichita state University, 2003)

For centuries, technology has played an important part in people's communication lives. Today, computer technologies have converged with old forms of technology to create new ways to communicate. Instead of handwritten letters, we use electronic mail (e-mail) as a means of communication between people who live geographically far from each other to a primary communication tool among co-workers who work in the same building. In addition, the Internet allows us to buy things online, do research, and even shop for new relationships. Computer-mediated communication (CMC) is defined as "the study of how human behaviors are maintained or altered by exchange of information through machines" (Wood and Smith, 2001, p. 4). Another definition of CMC is offered by Walther (1992), who sees it as "synchronous or asynchronous electronic mail and computer conferencing, by which senders encode in text messages that are relayed from senders' computers to receivers" (p. 52).

Williams (1982) suggests that "the computer is the first communications technology to interact intellectually with its users. Most technologies only transform light, sound, or data into electronic impulses for transmission, then reverse the process at the receiving end. Computers, by contrast, can accept or reject our message, reduce or expand them, file them, index them, or answer back with their own messages." Furthermore, he stated, While other communication technologies extend the range of our human messages, the computer allows us to extend our human capability for acting upon messages (1982, p. 108).

Some scholars have argued that face-to-face and computer-mediated communications are so different that they are not comparable. The most obvious difference discussed by scholars is that CMC does not allow people to see each other in their interactions. Chesebro and Bonsall (1989) identified five variables related to those differences: the channel, the discursive mode, the unique feedback systems, the social roles, and the use of time. In terms of channels used, Chesebro and Bonsall (1989) focused especially on the elimination of nonverbal messages in computer-mediated messages. Most of the social modes have to be translated into verbal mode or signs. For example: I'm happy (☺).

While CMC is a context where people can relate interpersonally, it is not a discursive mode of communication. What are missing in CMC are vocal quality, tone and pitch, which normally are important variables in interpersonal communication. In contrast, in CMC, "Beyond the typing skills required if messages are to be conveyed at any kind of reasonable rate, messages must always be inputted line by line" (Chesebro and Bonsall, 1989, p. 59).

Foulger (1990) noted that experienced computer users believe that CMC is a richer communication channel than the telephone, television, and face-to-face interaction. Wright (1993) argued that the "remoteness and anonymity of CMC fosters intimacy and candid conversation (p. 20). Some scholars have argued that CMC is fostering new cultural systems. Since computer-mediated communication does not take place in a spatial and temporal social environment, it is considered a unique system. People need to create the social norms and rules that govern these new social contexts (Chesebro and Bonsall, 1989, p. 124). In other words, those social rules and norms govern computer-mediated communication processes.

This study shows that the way Southeast Asian women identify, present, and look for "friends" on Friendster is the same as that for on-line dating sites.

Therefore, we can conclusively say that Friendster has unofficially been turned into an online dating site for Southeast Asian women.

For this study, focus on three Southeast Asian neighborhood countries: Indonesia, Malaysia, and Singapore. The three countries were chosen because they are very similar in their cultural norms and traditions. The ethnic make-up of the people who live in these three countries is similar in that they all include Chinese, Malay, and Indian people. In Southeast Asia, family structures tend to be patriarchal, with women being largely restricted to the home. As far as women's role in Southeast Asia, Jones (2005) reported that most believe women should exhibit a nurturing character. Smith-Hefner (2005) stated that, in Indonesia, ideal husbands are ones who provide for their families. Women are seen as helpmates, and wives and/or mothers' whose main responsibilities lie in the home. In recent days, young women have increasingly sought higher education, joined the workforce, led independent lives and remained single (Jones, 2005). In the past, marriage was considered expected in most Asian countries. Non-marriage was considered "an aberration in the resolutely family-centered world of Southeast and East Asia" (Jones, 2005, p. 94).

First, the dating culture in Southeast Asia is changing. While it confirms the past literatures that women today have more freedom when choosing their own mates, this study shows that the idea of matchmaking is still acceptable, but in a new form. Instead of parents finding someone for their son or daughter to marry, on Friendster, friends are the ones who do that.

Second, the meaning of blind date is socially constructed, and today, two definitions are being used: off-line blind dates and on-line blind dates.

Since users can meet other friends or "friends" through their other friends on Friendster, it is possible that Friendster is seen as a more trustworthy and credible site to meet "the one."

However, if these sites are employed as vehicles to find "the one," users are treating them as online dating sites. Therefore, it appears that Friendster has unofficially been turned into an

online dating site for Southeast Asian women. The way these Southeast Asian women construct their profiles is very similar with the profile's construction of on-line dating sites.

Base on this study, Friendster has unofficially been turned into an online dating site for Southeast Asian women; this is one of the reasons that Friendster attracts a lot of users and become the top SNS in South East Asia. We agree that cultural background had been played a significant role in Friendster and attracted a lot of users in South East Asia, but to maintain the brand loyalty users, they need other strategies. In my thesis, community of the users, and applications, business model had become the topics that covered the reason for SNS to be the most successful one currently.

2.2. [5] Friendster.com: A social-networking site

"Profiles as Conversation: Networked Identity Performance on Friendster" (Danah boyd, Jeffrey Heer, 2006)

During 2002, a new online community network group called Friendster was launched. Friendster is a social networking site that invites its users to present themselves through profiles that list their demographics, interests, pictures, as well as to post public testimonials about others, and surf people on the network. Friendster markets itself as an alternative to dating sites, and expects that its users will present their true identities in their profiles. Users are invited to check on the authenticity of other users' profiles through public testimonials posted by users' friends. Friendster is part of a burgeoning social-networking online scene that has developed quickly in the past several years. In general, participants in social networks create self-descriptive profiles that include their links to other members, creating a visible network of connections. Donath and Boyd (2004), information management scholars, have

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studied the social implications of the public display on one's social network. Questions they address include: How do people display their social connections in everyday life compared to on-line in social-networking sites? What do people learn about another's identity through the signal of network display? How does this display facilitate connections? How does it change the costs and benefits of making and brokering such connections compared to traditional means?

In their research, they report that people are accustomed to thinking of the on-line world as a social space. They also state that while in the physical world people display their connections in many ways, like introducing friends who they think would like each other through parties or gathering, people do so too on-line due to their time limitations. They argue that social-networking sites have recently become popular because knowing that someone is connected to people one already knows and trusts is one of the most basic ways of establishing trust with in new relationships.

Scholars in the fields of communication, sociology, psychology, and computer science have studied on-line social networking from different angles.

Computer scientists study its technical characteristics; communication scholars look at the process of interaction and the social use of language among the participants of social networks; and psychology and sociology scholars examine how participants construct their identities and socially interact. Although one of the primary functions of social networking sites is to meet new people for personal or business reasons, they also help people acquire sources of emotional and financial support, and information on jobs..

Donath and Boyd (2004) state that in today's society, access to information is a key element of status and power and communication is instant, ubiquitous and mobile. Therefore, these scholars claim that social-networking sites are a product of this emerging culture. They define social networking sites as on-line environments in which people create a self-descriptive profile and then make links to other people they know on the site, creating a network of

personal connections (p. 72). Garton, Haythornthwaite and Wellman (1997) have investigated how the study of networks is changing the way sociologists are viewing society. They argue that social networking takes place as soon as a computer network connects people or organizations. They defined social network as a set of people (or organizations or other social entities) connected by a set of social relationships, such as friendship, co-working or information exchange (p. 2).

In this paper, they found out that there is another way of communication through internet which is offline system. This has built a new way of communication, which is SNS. They used Friendster as the sample to address their ideas. Friendster could attract a lot of users because, it is the new way of communication where users communicate each other, base on trust worthy between "Friends" connection. Users interpret themselves through "Profile" and "Testimonials" and "Photos". In Friendster, photos appear on all Friend's profiles, and since then they become a part of the performance of that individual.

Communication emerges when actors can interpret and create social context while sharing their ideas. Friendster provides a communicative environment, but the cultural structures developed offline network still necessary for ongoing SNS. Web 1.0 supports this technology. They believed that Friendster provide a new way of communication in which users interpret themselves through profiles and photos through offline system. This motivate me to write my thesis and stated that, we agree that people tends to communicate base on trust worthy and create a new social network. It is clearly that off line system is a new kind of communication, but currently and for the future, since the emergence of Web 2.0, the communication of SNS is not only through profiles, photos, and testimonials, SNS will go through another way of communication, which is online system in SNS world. This could be proven that Friendster

and other SNS are using online system approach, where users could chat directly through their online chat tools, link to another online web, etc. And online applications would be one of my topics that covered my thesis.

2.3. [6] Homophily in Social Network

"BIRDS OF A FEATHER: Homophily in Social Networks" (Miller McPherson1, Lynn Smith-Lovin1, and James M Cook2,2006)

People with different characteristics-genders, races, ethnicities, ages, class backgrounds, educational attainment, etc.-appear to have very different qualities. Weoften attribute these qualities to some essential aspect of their category membership.

For example, women are emotional, educated people are tolerant, and gang members are violent. These essentialist attributions ignore the vast differences in the social worlds that these people occupy. Since people generally only have significant contact with others like themselves, any quality tends to become localized in socio demographic space. By interacting only with others who are like ourselves, anything that we experience as a result of our position gets reinforced. It comes to typify "people like us."

Homophily is the principle that a contact between similar people occurs at a higher rate than among dissimilar people. The pervasive fact of homophily means that cultural, behavioral, genetic, or material information that flows through networks will tend to be localized. Homophily implies that distance in terms of social characteristics translates into network distance, the number of relationships through which a piece of information must travel to connect two individuals. It also implies that any social entity that depends to a substantial degree on networks for its transmission will tend to be localized in social space and will obey certain fundamental dynamics as it interacts with other social entities in ecology of social forms.

2.3.1 Evidence about Homophily: Salient Dimensions

Lazarsfeld & Merton (1954) distinguished two types of homophily: status homoplzily, in which similarity is based on informal, formal, or ascribed status and valzle homophily, which is based on values, attitudes, and beliefs. Status homophily includes the major socio demographic dimensions that stratify society-ascribed characteristics like ethnicity, sex, or age, and acquired characteristics like religion, education, occupation, or behavior patterns. Value homophily includes the wide variety of internal states presumed to shape our orientation toward future behavior.

The literature is remarkably consistent across many different relationships and many different dimensions of similarity: Homophily characterizes network systems, and homogeneity characterizes personal networks. In diverse societies, race, and race-like ethnicity create the starkest divides. Sex, age, religion, and education also strongly structure our relations with others. Occupation, network position, behaviors, and intrapersonal values also show considerable homophily, but they seem to be more specific to certain types of networks and/or derived from the basic facts of socio demographic homophily. Baseline patterns strongly shape networks by influencing the opportunity structure for contacts, both within large populations and within smaller social settings. Inbreeding homophily often complements baseline, such that smaller categories of individuals who would otherwise have networks dominated by the majority group actually have associates that are much more similar to them than we would predict from the opportunity structure.

2.3.2 Causes of Homophily

There are some criteria that cause homophily, which are :

1. Geography

Perhaps the most basic source of homophily is space: We are more likely to have contact with those who are closer to us in geographic location than those who are distant.

2. Family Ties

While geography is the physical substrate on which homophily is built, family connections are the biosocial web that connect us to those who are simultaneously similar and different.

3. Organizational Foci

School, work, and voluntary organizational foci provide the great majority of ties that are not kin (Louch 2000, p. 53), supporting Feld's (1981, 1982, 1984) argument that focused activity puts people into contact with one another to foster the formation of personal relationships. Shrum et a1 (1988) found that 88% of all third graders' friendship ties are formed in their own grade at school. Tracking within schools assures that children of similar backgrounds, abilities, and achievement levels are grouped into the same classes, where homophilous ties can form (Kubitschek & Hallinan 1998, Hartup & Stevens 1997). Indeed, Neckerman (1996) found that children's friendships are quite unstable without organizational support. School organizations help not only to breed ties, but also to maintain them. Some of the homophily in age and behavioral characteristics induced by school structures survives into adulthood, as childhood friendships occasionally are maintained in spite of few other connections. Fischer (1977) found that 20% of Detroit men's (nonkin) friendships were formed in childhood.

The principle of homophily in social sites, which is the contact between similar people, occurs at a higher rate than among dissimilar people. Demographic, geographic, occupations, education that structure our behavior are also considered as homophily. Homophily in Social Networks will structure specific communities, such as: Colleges, Co-wokers, teachers, etc.We agree that the same background people tend to interact, and build some communities such as: Colleges, Co-wokers, teachers, etc. This gives me idea that users in SNS probably divided into many communities. For advertising companies that want to target specific users;

information of the users' communities is very important sources. The communities of the users are covered in my thesis.

Chapter 3

Friendster.com

3.1. What is Friendster?

Friendster is an Internet social network service. Friendster allows you to create a personal and private networking community where you can network through your friends, their friends, and so on.

3.2. Past, present and characteristic

3.2.1. Past

Friendster was launched in 2002 by Jonathan Abrams. Friendster was considered the top online social network service until around April 2004 when it was overtaken by MySpace. Google offered $30 million to buy Friendster in 2003, but was turned down and it was considering as the biggest mistake that they ever made (Business magazine).

Friendster was funded by Kleiner Perkins Caufield & Byers and Benchmark Capital in October 2003 with a reported valuation of $53 million.

CEO of Friendster: John Abrams (2002-April 2004)

Tim Koogle (April-June 2004)

Scott Sassa in (June 2004 - May 2005)

Taek Kwon (May 2005-2006)

Kent Lindstrom (2006-Now)

3.2.2. Characteristic

Friendster's characteristic are:

1. The heart of Friendster is the profile

2. Testimonials

3. Time.

   Simply put, if you have nothing to do, Friendster could be your new best friend.

4. A place for gossip.

   There are no secrets in Friendster. Just patiently comb through the testimonials (sometimes even just through the profile) and you could have fresh, hot gossips about your best and not-so-best friends.

5. Friendster promotes creativity and trustworthy.

   Wonder what triggered you to write those testimonials? What about those model-like poses in your picture? Friendster could definitely turn even non-artistic types to art geniuses.

6. You could connect to friends.

   True to its purpose, Friendster does foster.

3.3. Business Profile

Close to $0 revenue, $53,000,000 market cap, 1,500,000 registered users. Close to $0 revenue per registered user, $35.33 market value per registered user. (Business week, October 2003)

Media Company estimated Friendster's revs to be in the $20-$40M range - perhaps even higher with Google search feature and the newly added Games, blogging, and discussion groups features incorporated into the site. (Fortune article, October 2005)

There are 53 million users now and most of them are in Asia.

3.4. Social networking sites business model

Social networking, popularized by teens sharing information with their friends online on Web sites such as Facebook Inc., is now blooming in the business world, thanks to new social networks that enable professionals and executives in industries such as advertising and finance to rub virtual elbows with colleagues.

Millions of professionals already turn to broad-based networking sites like LinkedIn to swap job details and contact information, often for recruiting purposes. Business executives also have turned to online forums, email lists and message boards to sound off on information related to their industries.

Now, online services are trying to promote a more personal type of business networking. Unlike relatively simple message boards that are open to all, these new sites -- including Sermo.com for doctors and INmobile.org for the wireless industry -- have features such as profile pages showing professional credentials; personal blogs that function like a kind of online diary; links to "friends" online; electronic invitations to real or online events; and instant-messaging.

Social networking is just one of many consumer technologies, including blogs, wikis and virtual worlds, to cross over into the corporate world. It is happening as social networking is moving more into the mainstream. Leading consumer social-networking sites attracted more than 110 million unique monthly U.S. visitors in July, up more than 40% from the previous July, according to comScore Inc.

Many of the new services are free to members. Revenue comes from advertising or charging outside businesses access to data and member discussions. For example, Sermo Inc. of

Cambridge, Mass., generally charges $100,000 to $150,000 a year to nonmedical businesses like hedge funds, which use it to research such things as how doctors feel about new drugs. They can monitor online discussions, with the doctors' names omitted, or see a tally of topics being discussed on the site -- like a new medical device or a controversial cancer treatment -- to determine what's rising or falling in popularity.

Here are a few social networking sites targeted at professionals in certain industries:

Table 3.4.1.

Site/ Industries	Who can join	Comment
Sermo.Com/ Medicine	U.S Licensed physicians	Site draws in members with features like free access to news from medical journals
New Reuters Site/ Finance	Employees whose companies are New Reuters customers	For real time communicating, network will link to Reuters-instant messaging service
INmobile.org/ Wireless Telecommunication	High level executives in wireless or related industries	Site arranges conference calls and hosts networking reception to delve deeper into popular discussions topics
AdGabber.com/ Advertising	Anyone interested in advertising	Video-sharing area is focused on uploading and commenting on

		commercials.

Source: WSJ research

3.4.2. Business Model

Their strategies include earning money from advertising, subscriptions and transactions that take place on their Web sites.

Friendster collaborate with EHarmony, a dating site. Whenever Friendster refers a new user to the dating service, Friendster gets part of the revenue.

3.5. Features and Services

There are some applications in Friendster; Users could add Friendster widgets and applications, in which users select from Friendster's partner apps. They are:

1. Slideshows and Photos

   Users could upload photos, there are 2 categories of photo albums, the first one is public photo and the second is private photo. In public photo, all the users' photos will be able for their friends (second or third degrees, base on users' setting) to view and comment. Whereas in private photo; it is more privacy and need the permission of the users to share the photos with the users' friends.

2. Just For Fun

   a. [7] Meez

   Avatars and Games, users could create an animated 3D avatar for Friendster profile. Then play games with Meez avatar. Most of the stuff in Meez is free but some premium stuffs

could cost coins where could be purchase from subscribing in Meez. Coinz are the currency used on the Meez site. Most items are free, which means you can build and export your Meez without paying any money. Only a small percent of the very coolest items are premium and cost Coinz. These items are designated by a small pink coin, and they're all reasonably priced. Any Meezer can afford a diamond ring or a fur coat!

b. Chat

Users could be able to chat, like msn or yahoo messenger, etc.

c. My mini Life.

It is a 3-D MiniHome, Users could build, furnish, and decorate their own pad with thousands of hot items from the marketplace, then give a house tour to all their friends and users could vote for the coolest houses and prosper on the booming virtual estate market.

3. Entertainment

a. Astrology love scope, Chinese horoscope, etc

It is a free widget. It show users Chinese Zodiac animal sign and learn detailed information about users personality, compatible with whom and what the future holds and also receive free daily horoscopes.

4. Games

a. Diamond, snooker, mahjong, etc.

This games consists more than 70 multiplayer online games, such as snooker, pool, texas holdem poker, chess, mahjong, backgammon, dice, dominoes, word games and card games, and more than 10000 players online around the world in the same time.

5. News and Information

Collaborate with [8] NBC (National Broadcasting Company) and link directly to [9] msnbc website to provide any information of the current issues, such as: global warming, election of the United State, etc. Whether that story is around the world or around the corner, NBC Nightly News takes viewers to the heart of political, international and domestic coverage.

6. Blogs

A specialized site that allows an individual or group of individuals to share a running log of events and personal insights with online audiences, and it is a frequently updated journal or diary usually like online diary.

7. Sports

Collaborate with [10] NBA (National Basketball Association).

a. NBA.com's daily highlights channel broadcasting recaps from the previous night's playoff schedule.

b. NBA team card Team widgets keep you up to date on users favorite teams record, upcoming games, and team leaders.

8. TV Shows

Collaborate with TV Shows program, such as : Friends, Smallville, Heroes, CSI, America's next top model, etc. In this widget, users could show their favorite characters, pictures & quotes on their profile and find out which friends watch the show, and chat with others who watch the same TV programs.

9. Video

Users could also upload Videos: [11] Youtube (clip of music video, etc), [12] Crackle (daily life), [13] Metacafe (entertainment, sports, etc), [14] Break(daily life event), [15]

Video Detective (Trailer of the updating movie), [16] Singing Fool(free music videos)

Users can upload our own videos and add videos in our profile in selected video web, e.g. Youtube, crackle, etc.

10. Music

In collaborating with imeem, [17] My music, [18] gBox Wishlist, users are not being charged in uploading music to Friendster's profile and sharing with friends. But if the users want to download the music, it will automatically connect with Amazon.com and iTune to purchase the music. [19] IMEEM is an online community where artists, fans & friends can promote their content, share their tastes, and discover blogs, photos, music and videos.

11. Bulletin board

Users use the Bulletin Board to post messages (such as questions, party invites, event information, romance issues, etc.) to all of our friends.

12. [20] Gomobile Friendster(December' 07)

Friendster To Go Mobile Web lets you do almost everything on Friendster from your phone. There are some functions that could be use in Gomobile Friendster:

a. Update your status on the go - let your friends know what you are up to instantly.

b. See the status of your friends

c. Photos - check out the latest pictures of your friends

d. Add mobile photos - share with your mobile friends

e. Lookup profiles

f. Send message - send and receive mail messages from your friends

3.6.   Web 1.0- Web 2.0

Web Technology and Friendster

This part introduces the evolution of Web Technology from the Web 1.0 to Web 2.0 and explains how these web technologies affect the Friendster website from the past to current situation.

3.6.1   Web 1.0, the beginning of World Wide Web

The underlying ideas of the World Wide Web can be traced back as 1989, at CERN in Switzerland. A project called ENQUIRE, initiated by Tim Berners-Lee and Robert Cailliau in 1989. Based on the concept of hypertext, the project was aimed at facilitating sharing information among researchers. The first website went on-line in 1991. On 30 April 1993, CERN announced that the World Wide Web would be free to anyone. This World Wide Web Technology is also called Web 1.0

Technologies used in Web1.0 such as JavaScript is a scripting language that was initially developed for use within Web pages. In conjunction with a Web page's Document Object Model, JavaScript has become a much more powerful technology.

The manipulation of a page's Document Object Model after the page is delivered to the client has been called Dynamic HTML, to emphasize a shift away from static HTML displays. The early version of Friendster website used Web1.0 technology with basic functions such as add friends, send messages, upload photos, and add testimonials.

3.6.2. Web 2.0, today's Web

Web 2.0 is a trend in World Wide Web technology, and web design, a second generation of web-based communities and hosted services such as social-networking sites, wikis, blogs, and folksonomies, which aim to facilitate creativity, collaboration, and sharing among users. The term became notable after the first O'Reilly Media Web 2.0 conference in 2004. Web 2.0 websites allow users to do more than just retrieve information. They can build on the interactive facilities of "Web 1.0" to provide "Network as platform" computing, allowing users to run software-applications entirely through a browser. Users can own the data on a Web 2.0 site and exercise control over that data. Web 2.0 sites often feature a rich, user-friendly interface based on Ajax("Asynchronous JavaScript And XML") , a JavaScript-based technology that provides a method whereby parts within a Web page may be updated, using new information obtained over the network at a later time in response to user actions. This allows the page to be more responsive, interactive and interesting, without the user having to wait for whole-page reloads.

Chapter 4

Facebook.com

4.1. [21] What is Facebook?

Facebook is a social networking website, launched on February 4, 2004. Facebook was founded by Mark Zuckerberg, a former Harvard student. The site is free to users and generates revenue from advertising including banner ads and sponsored groups (in April 2006, revenue was rumored to be over $1.5 million per week). Users create profiles that often contain photos and lists of personal interests, exchange private or public messages, and join groups of friends.

4.2. Past, Present and Characteristic

4.2.1. Past

There were some investors that funded Facebook:

1. Also at that time, Facebook received approximately $500,000 from PayPal co-founder Peter Thiel in an angel round. By December, Facebook's user base had exceeded one million.

2. On November 30, 2007, it was reported that Hong Kong billionaire Li Ka-shing had invested $60 million in Facebook.

Initially the membership of Facebook was restricted to students of Harvard College. It was subsequently expanded to MIT, Boston University, Boston College, Northeastern University and all Ivy League schools within two months. Many individual universities were added in rapid succession over the next year. Eventually, people with a university (e.g .edu, .ac.uk, etc.) email address from institutions across the globe were eligible to join. Networks were then

initiated for high schools on February 27, 2006 and some large companies. Since September 11, 2006, anyone 13 or older may join. Users can select to join one or more participating networks, such as a school, place of employment, geographic region, or social group.

4.2.2. Present

The statistics of Facebook (Approximate numbers as of January 2008):

* Active users: Over 60 million

* Daily new user average: 250,000

* Page views: Over 65 billion per month

* Searches: Over 500 million per month

* Search index size: 200GB

* Largest countries: US, Canada, UK, Australia, Turkey, Sweden, Norway, South Africa, France, Hong Kong.

* Largest networks: London, UK: 2,000,124 and Toronto, Canada: 1,012,604

* Largest United States college networks: The Ohio State University: 72,144, University of Minnesota: 72,288, Texas A&M University: 76,014, Penn State University: 98,016

* Traffic rank: 6th

* Photos: 1.7 billion (which averages to about 44 photos per user)

On March 2, 2007, a poll conducted by eMarketer.com of American youths in the United States discovered Facebook was the most viewed site among all respondents with more females aged 17-25 (69%) visiting the site than males (56%). In 2007, the word "facebook" came in 2nd on Merriam-Webster's Words of the Year.

4.2.3. Characteristic

There are some characteristic of Facebook, which are:

1. Provide pre-existing offline community with a complementary online service.

Facebook had its initial success with college students by providing an information service that was not available offline – an interactive student directory containing each student's class schedule and social network. Before Facebook added the feature sets it has today, it was simply a more complete student directory. Facebook did not create a community where one never existed before; rather they provided an important information and communication service to a pre-existing offline community.

The larger picture here is that Facebook created a high utility online service for enabling pre-existing social behaviors within an offline community. This makes for an interesting lesson learned: it's easier to piggyback off a pre-existing community with offline behaviors that drive online service usage.

2. Restrict user registration (and other behaviors) to build desired online service

Facebook made important product decisions that ensured harmony and trust between the offline community and the online service created. Facebook originally limited membership to those users who could verify they had a ".edu" e-mail address for the college they attend. Facebook also placed limits on the ability to search or browse users to the college that the user attends. These measures aim to make users feel that the site is exclusive and limited to members in their offline community (colleges and universities).

Facebook has recently opened its doors to users outside the .edu networks. To accomplish this, they have created "networks". High schools, employers and geographic areas are, essentially, what colleges were to the original Facebook. When you join one of these "networks," you can only view others in the self-designated network. Additionally, Facebook has implemented a

number of privacy controls that allow users to control exactly who gets to see the information they provide.

3. Founder(s) credibility with college audience

The "face" of Facebook is Mark Zuckerberg. Back in February 2004, when Facebook was founded, he was a student at Harvard. Two other students, Dustin Moskovitz and Chris Hughes were the second and third employees of the company. This added a level of credibility to the site in the minds of the student users. It was something one of them had created, not something fed to them by a "company" in the traditional sense. It was a place that they could trust because one of their own had made it.

4.3. [22] Business Profile

There has been much speculation in the blogosphere and mainstream press regarding who will buy Facebook and for what acquisition price. Recent reports have claimed Facebook is in acquisition talks with both Yahoo and Microsoft for ~$1B. Is such a lofty valuation for Facebook justified? It all depends on an evaluation of future growth prospects, but I think that there is a misconception in the blogosphere that Facebook is not generating much revenue. On the contrary, Facebook was generating almost $1M per week in advertising revenue in Q1 2006. It is likely that Facebook will generate ~$50M in revenue in 2006, up from ~$10M in 2005. Some reliable sources believe that Facebook will do ~$200M in revenue in 2007. Given that Facebook has been guaranteed $200M in revenue over three years by the Microsoft advertising deal, the 2006 and 2007 revenue numbers seem attainable. If the 2007 revenue goal of $200M is reasonable, a 5X forward revenue multiple does not seem to be an excessive valuation multiple.

Many people also point to the fact that Facebook is considerably smaller than MySpace from

a site traffic perspective and hence should have a lower valuation than the ~$500M that MySpace was purchased for. This type of comparison based on unique visitors and page views is clearly flawed because not all page views are created equal.

4.4. Business Model

[23] FaceBook has three methods of producing revenue:

1. Display ads: accounts for most of its current revenue through an advertising outsourcing deal with Microsoft (CPM $0,30)($300 CPM/ 1000 impressions)

2. Sponsorship: the sponsorship of groups seems to be the major potential source of future revenue ($300,000 for a 3 month presence, up 200% in June2007 vs. February2007), more than 150 companies are already present such as Nike, Victoria's Secret, etc

3. Gifts: limited edition gifts for sale at a low price ($1)

4.5. Features and Services

Site Features of Facebook are:

a. The News Feed

News Feed highlights information that includes profile changes, upcoming events, and birthdays, among other updates. News Feed also shows conversations taking place between the walls of a user's friends. An integral part of the News Feed interface is the Mini-Feed, a news stream on the user's profile page that shows updates about that user. Unlike in the News Feed, the user can delete events from the Mini-Feed after they appear so that they are no longer visible to profile visitors.

b. The Wall

The Wall is a space on each user's profile page that allows friends to post messages for the user to see. One user's wall is visible to anyone with the ability to see their full profile, and

different users' wall posts show up in an individual's News Feed. Many users use their friends' walls for leaving short, temporal notesIn July 2007, Facebook allowed users to post attachments to the wall,whereas previously the wall was limited to textual content only.

c. Photos

One of the most popular applications on Facebook is the Photos application, where users can upload albums of photos, tag friends, and comment on photos. According to Facebook, there are:

* 1.7 billion user photos

* 2.2 billion friends tagged in user photos

* 160 terabytes of photo storage used with an extra 60 terabytes available

* 60+ million photos added each week which take up 5 terabytes of disk space

* 3+ billion photo images served to users every day

* 100,000+ images served per second during peak traffic windows

d. Gifts

Some of Facebook's gifts, as displayed in the website's gift shop.

In February 2007, Facebook added a new gift feature to the website. Friends could send "gifts" -- small icons of novelty items designed by former Apple designer Susan Kare -- to each other by selecting one from Facebook's virtual gift shop and adding a message. Gifts given to a user appear on the recipient's wall with the giver's message, unless the giver decided to give the gift privately, in which case the giver's name and message is not displayed to other users.

With the advent of Applications came a way to subvert the required US$1.00 payment; however, the gifts in the "Free Gifts" application, created by Zachary Allia, are not the same as the official gifts, as they are displayed in a different manner.

e. Marketplace

In May 2007, Facebook introduced the Facebook Marketplace allowing users to post free classified ads within the following categories: For Sale, Housing, Jobs, and Other. Ads can be posted in either available or wanted format. The market place is available for all Facebook users and is currently free.

f. Pokes

Facebook includes a "poke" feature that allows one user to send a "poke" to another. There are several applications such as "X Me" and "SuperPoke!" that allow users to put any action in place of the word "poke."

g. Status

The "status" feature allows users to inform their friends and the Facebook community of their current whereabouts and actions. Status updates are noted in the "Recently updated" section of a user's friend list.

h. Events

Facebook events are a way for members to let friends know about upcoming events in their community and to organize social gatherings. Events require an event name, tagline, network, host name, event type, start and end time, location & city, and a guest list of friends invited. Events can be open, closed, or secret. When setting up an event the user can choose to allow friends to upload photos, video, and posted items.

i. Applications

Facebook launched the Facebook Platform,which provides a framework for developers to create applications that interact with core Facebook features. Even games such as chess and Scrabble are available. As of January 31, 2008, there are more than 14,000 applications.

j. Facebook Video

During the time that Facebook released its platform, it also released an application of its own for sharing videos on Facebook. Users can add their videos with the service by uploading video, adding video through Facebook Mobile, and using a webcam recording feature. Additionally, users can "tag" their friends in videos they add much like the way users can tag their friends in photos.

Chapter 5

MySpace.com

5.1. What is MySpace?

MySpace is a social networking website offering an interactive, user-submitted network of friends, personal profiles, blogs, groups, photos, music and videos internationally. Its headquarters are in Beverly Hills, California, USA, which is owned by News Corporation, which has its headquarters in New York City.

5.2. Past, Present and Characteristic

5.2.1. Past

eUniverse (which in 2004 changed its name to Intermix Media) created and marketed the Myspace website in 1998, and was launched in February 1999, providing the division with a complete infrastructure of finance, human resources, technical expertise, bandwidth, and server capacity right out of the gate so the MySpace team wasn't distracted with typical start-up issues. The project was overseen by Brad Greenspan (eUniverse's Founder, Chairman, CEO), who managed Chris DeWolfe (MySpace's current CEO), Josh Berman, Tom Anderson (MySpace's current president), and a team of programmers and resources provided by eUniverse.

The very first MySpace users were eUniverse employees. The company held contests to see who could sign-up the most users. The company then used its resources to push MySpace to the masses. eUniverse used its 20 million users and e-mail subscribers to quickly breathe life into MySpace, and move it to the head of the pack of social networking websites.

Shortly after launching MySpace, team member Chris DeWolfe in its first business plan

suggested that they start charging a fee for the basic MySpace service. Brad Greenspan nixed the idea, believing that keeping MySpace free and open was necessary to make it a large and successful community.

Some employees of MySpace including DeWolfe and Berman were later able to purchase equity in the property before MySpace, and its parent company eUniverse (now renamed 'Intermix'), were bought in July 2005 for US$580 million by Rupert Murdoch's News Corporation (the parent company of Fox Broadcasting and other media enterprises). Of this amount, approx. US$327m has been attributed to the value of MySpace according to the financial adviser fairness opinion.

5.2.2. Present

Since early 2006, MySpace has offered the option to access the service in different regional versions. The alternative regional versions present automated content according to locality (e.g. UK users see other UK users as "Cool New People," and UK oriented events and adverts, etc.), offer local languages other than English, or accommodate the regional differences in spelling and conventions in the English-speaking world (e.g. United States: "favorites," mm/dd/yyyy; the rest of the world: "favourites," dd/mm/yyyy).

MySpace is also looking at expansion into Korea, Greece, South Africa and Turkey.

5.2.3. Characteristic

There are some characteristic of MySpace:

1. While the "Space" in MySpace refers to cyberspace rather than outer space, the principals of the company clearly exercised "rocket scientist" type creativity in building their business. They designed their service to maximize the degree of creativity that their users would be able to enjoy in customizing "their space" on the

Internet frontier.

2. MySpace embraced a love of music and music fandom that its core audience (primarily Generation Y individuals in the 16-25 age range) is strongly passionate about. MySpace's tie in to the world of music has enabled it create a degree of passion amongst its users that is usually reserved for rock bands.

3. MySpace designed their business to continually talk to, listen to and solicit feedback from their users.

4. MySpace understood that creating a community means more than just getting lots of people to sign up and create profiles. They had to provide the tools to allow them to interact in rich ways while online. They have continually improved their service and added new features and new ways to interact.

5. MySpace made a decision not to try to be everything to everyone... MySpace is very coarse, and much of the content on the site would be offensive to many in our society. But from its inception, MySpace decided not to censor any content except for explicit nudity and hate speech. And the "wild wild west" edginess of MySpace is a large part of its appeal to those that love it and spend much of their lives interacting with others through it. While the appeal of MySpace extends to many well beyond its core audience in terms of age, it is also worth noting that there are many for whom MySpace will hold no appeal whatsoever, and it is most certainly not an appropriate place for those under the age of sixteen. If MySpace had tried to be something for everyone, it would most likely have failed to be anything to anyone.

5.3.[24] Business Profile

By May of 2006, MySpace had reached around 20 million registered profiles, it was adding an average of more than 75,000 new profiles to its system each day, and it had reportedly surpassed Google and Hotmail to become the fifth most active site on the Web in terms of page views per month (according to comScore Media Metrix).

MySpace was one of the most interesting companies to look at, because the business model had the potential to be every bit as significant in terms of social impact as Yahoo, Amazon, eBay, and Google have been. MySpace allowed people to connect in fundamentally new ways, and had the ability to change the infrastructure of our society in a truly significant manner. In July 2005, it was announced that Intermix and MySpace would be acquired by Fox Interactive Media (a subsidiary of Rupert Murdoch's News Corp) for $580 million, adding more than $70 million to Intermix's market capitalization. The company employs 300 staff and does not disclose revenues or profits separately from News Corporation. NewsCorp recently signed a search deal with Google, through which Google promised $900 million over 3-years (about $25 million per month). Before this deal, MySpace was bringing in less than $3 million a month in advertising revenue. Although its message reaches millions of consumers each day, the site has not been attractive to advertisers.

The 100 millionth accounts was created on August 9, 2006 in the Netherlands and a news story claimed 106 million accounts on September 8, 2006, and the site reportedly attracts 230,000 new registrations per day. As of February 3, 2008, there are over 300 million accounts.

5.4. Business Model

By understanding and delivering value to the customer, a company creates brand equity,

which translates to value for the company. In order to understand a social network's value to the consumer, we must analyze the structure of its existence. As mentioned, in MySpace's initial state, its focus was on promoting record and ticket sales of independent artists in the LA area. However, its membership base has become so broad that its focus on amateur musicianship has been blurred, and its purpose has become a more general one of personal expression and content sharing. If this is true, we can classify MySpace as a type of P2P network, much like Napster or other file sharing communities. Users are in control of the site's content, providing and sharing intellectual capital, networking, and often generating revenue for themselves – virtually for free. MySpace's "liberation" of content has proved a valuable practice in the short-run, in that it has attracted a wide and varied base of members from an elusive demographic with a great deal of buying power. By offering free content, the site has empowered not only its users who act as Suppliers, in producing content, but also those who play the role of "Information wants to be free." MySpace, like Napster, encourages people to sample music they wouldn't ordinarily spend money to check out. This encouragement perpetuates the marketing buzz that attracts and engages even more MySpace users. Thus, value to the customer provides the opportunity to add value to the company. But value to the company does not always translate to dollars. Once marketers have reached and engaged consumers, they must track the impact the word of mouth is having on the brand's bottom line. In the case of internet sites such as virtual communities, this generation of revenue is difficult, due to the fact that they're not actually selling anything. In the case of MySpace, the attempt at generating revenue is inadequate because they're actually giving their product away. While this may have started as a great strategy for MySpace, gaining the community millions of members in the short-term, the company is not being forced to adapt their business model for survival in the medium term.

In order to sustain its operations, MySpace has been adapting its revenue model and working to keep its "product" desirable. It seems feasible to charge users either subscription or

incidental costs, but customer loyalty only reaches so far, especially in a market environment as volatile and "clickable" as the internet. If members become irritated by the company's decision to charge them, they may take advantage of other online options. We must keep in mind this demographic's power to influence others in the social network.

The business model of MySpace:

1. MySpace's new management is focused on develop maintaining the customer base while adding revenue generation. This sounds simple enough, but generating revenue is a rather difficult task in today's Internet environment. Gone are the days of connect-time revenue splits or simple e-commerce. Internet sites are in competition with one another for revenue and traffic.

2. MySpace is a breeding ground for word-of-mouth marketing: a community of Y-generation consumers with tremendous buying power, who look to alpha-consumer peers to dictate their purchases. With a network of 110 million members, MySpace has the potential to be a valuable marketing tool for perspective third parties. The difficult part is figuring out how to harness this media for commercial gain.

3. One tactic MySpace has adopted is selling its members' profile information to third parties. As stated in the website's privacy policy:

4. As it stands, MySpace still maintains its revenue stream primarily through banner advertisements. And as we know, because most marketers are still caught in the "brand awareness" bubble, such marketing techniques are still being measured by cost-per-thousand (CPM) metrics, whereby campaign success is based solely on "counting eyeballs".

5. MySpace has begun to integrate advertisers as members of the online community, and to provide them with marketing tools necessary to generate revenue for their companies. This has proved especially profitable for MySpace, as ad revenue seems to increase boundlessly.

6. MySpace get revenue sharing from entertainment industry, e.g. MySpace movie, MySpace music video, MySpace TV(the same concept like Youtube).

7. MySpace ringtone(6 downloads per month for $5.99; $0.99 / download)

After all, what company would want their brand image tied with questionable content, public scandal, and cultural controversy? But with the reach and influence of the network, there are certainly opportunities to bring in the cash.

5.5. Features and Services

There are some features in MySpace:

1. Moods

Moods are little emoticons that are used to depict a mood the user is in. The feature was added in July 2007.

2. Blurbs, blogs, multimedia

Profiles contain two standards "blurbs:" "About Me" and "Who I'd Like to Meet" sections. Profiles also contain an "Interests" section and a "Details" section. In the details section, "status" and "zodiac sign" fields will always display. However, fields in these sections will not be displayed if members do not fill them in. The only Profiles also contain a blog with standard fields for content, emotion, and media. MySpace also supports uploading images. One of the images can be chosen to be the "default image," the image that will be seen on the profile's main page, search page, and as the image that will appear to the side of the user's name on comments, messages, etc. Flash, such as on MySpace's video service, can be embedded. Also there is a "details" section which allows the user to provide personal information on the user such as his/her race, religion, and sexual orientation. Blogging features had been a part of MySpace ever since Spring 1999.

3. Comments

Below the User's Friends Space (by default) is the "comments" section, wherein the user's friends may leave comments for all viewers to read.

4. Profile customization (HTML)

MySpace allows users to customize their user profile pages by entering HTML (but not JavaScript) into such areas as "About Me," "I'd Like to Meet," and "Interests." Videos, and flash-based content can be included this way. Users also have the option to add music to their profile pages via MySpace Music, a service that allows bands to post songs for use on MySpace.

5. Music

MySpace profiles for musicians are different from normal profiles in that artists are allowed to upload up to six MP3 songs. The uploader must have rights to use the songs (e.g their own work, permission granted, etc). Unsigned musicians can use MySpace to post and sell music, which has proven popular among MySpace users. MySpace music has been around since it's debut in Fall 1998 and the first original artists to sign up to MySpace occurred in December 1998.

6. Bulletins

Bulletins are posts that are posted on to a "bulletin board" for everyone on a MySpace user's friends list to see. Bulletins can be useful for notifying an entire, but usually a portion of the friends list (depending on how many friends are added), without resorting to messaging users individually. Some users choose to use Bulletins as a service for delivering chain messages about politics, religion, or anything else and sometimes these chain messages are considered threatening to the users, especially the ones that mention bad luck, death, or topics similar to

that.

7. Groups

MySpace has a Groups feature which allows a group of users to share a common page and message board. Groups can be created by anybody, and the moderator of the group can choose for anyone to join, or to approve or deny requests to join.

8. MySpaceIM

In early 2006, MySpace introduced MySpaceIM, an instant messenger that uses one's MySpace account as a screen name. A MySpace user logs in to the client using the same e-mail associated with his or her MySpace account. Unlike other parts of MySpace, MySpaceIM is stand-alone software for Microsoft Windows. Users who use MySpaceIM get instant notification of new MySpace messages, friend requests, and comments.

9. MySpaceTV

In early 2007, MySpace introduced MySpaceTV, a service similar to the YouTube video sharing website. MySpaceTV is now in beta mode, and will be probably be launched as a separate site in either 2008 or early 2009.

10. MySpace Mobile

There are a variety of environments in which users can access MySpace content on their mobile phone. American mobile phone provider Helio released a series of mobile phones in early 2006 that can utilize a service known as MySpace Mobile to access and edit one's profile and communicate with, and view the profiles of, other members.

11. MySpace News

In the month of April 2007, MySpace launched a news service called MySpace News which displays news from RSS feeds that users submit. It also allows users to rank each news story by voting for it. The more votes a story gets, the higher the story moves up the page.

12. MySpace Classifieds

Full service classifieds listing offered beginning in August 2006. Has grown by 33 percent in one year since inception. MySpace Classifieds was launched right at the same time the site appeared on the internet.

13. Other features

Features such as MySpace Sports, MySpace Books, MySpace Horoscopes, MySpace Jobs, and MySpace Movies, MySpace Ring tones are now currently available.

Chapter 6

Comparison of Friendster, Facebook, and MySpace

6.1. Compare from the business model sides.

Business models are perhaps the most discussed and least understood aspect of the web. There is so much talk about how the web changes traditional business models. But there is little clear-cut evidence of exactly what this means.

In the most basic sense, a business model is the method of doing business by which a company can sustain itself -- that is, generate revenue. The business model spells-out how a company makes money by specifying where it is positioned in the value chain.

Some models are quite simple. A company produces a good or service and sells it to customers. If all goes well, the revenues from sales exceed the cost of operation and the company realizes a profit. Other models can be more intricately woven. Broadcasting is a good example. Radio and later television programming has been broadcasted over the airwaves free to anyone with a receiver for much of the past century. The broadcaster is part of a complex network of distributors, content creators, advertisers (and their agencies), and listeners or viewers. Who makes money and how much is not always clear at the outset. The bottom line depends on many competing factors.

Internet commerce will give rise to new kinds of business models. That much is certain. But the web is also likely to reinvent tried-and-true models. Auctions are a perfect example. One of the oldest forms of brokering, auctions have been widely used throughout the world to set prices for such items as agricultural commodities, financial instruments, and unique items like fine art and antiquities. The Web has popularized the auction model and broadened its applicability to a wide array of goods and services.

6.1.1. Friendster.com

Their strategies include earning money from advertising, subscriptions and transactions that take place on their Web sites.

6.1.2. Facebook.com

Their strategies to earn money are:

1. Display ads: accounts for most of its current revenue through an advertising outsourcing deal with Microsoft (CPM $0.30) ($300 CPM/ 1000 impressions).

2. Sponsorship: the sponsorship of groups seems to be the major potential source of future revenue ($300,000 for a 3 month presence, up 200% in June2007 vs. February2007), more than 150 companies are already present such as Nike, Victoria's Secret, etc.

3. Gifts: limited edition gifts for sale at a low price ($1).

6.1.3. MySpace.com

Their strategies to earn money are:

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companies. This has proved especially profitable for MySpace, as ad revenue seems to increase boundlessly.

4. MySpace get revenue sharing from entertainment industry, e.g. MySpace movie, MySpace music video, MySpace TV (the same concept like Youtube).

5. MySpace ringtone (6 downloads per month for $5.99; $0.99 / download).

6.2. Compare from Site features (applications), business profile and search engine.

Table 6.2.1

Site Features	Friendster.com	My Space.com	Facebook.com
Free Trial	Free	Free	Free
Start Up Cost (month)	Free	Free	Free
Search without registering	No	Yes	No
Search Engine	Google	Google	Facebook
Applications	[25] 243(keep adding)	Unlimited	[26] 16,000(keep adding)
Revenue	[27] $20-40 million USD(2007 estimated)	[28] $200 million USD(2007 estimated)	[39] $150 million USD (2007 estimated)
Users (Estimated)	[30] 58 million	[31] 68.9 million	[32] Over 60

from Year 2007-2008)			million
Language	Chinese Traditional, Chinese Simplified, Spanish, Korean, Japan, Indonesia, Vietnam, English (in one webpage).	Brazil, Russia, French, Chinese, Denmark, Finland, Germany, Ireland, Spain, India, Italy, Japan, Mexico, Netherlands, new Zealand (keep adding, in different webpage).	English, Spanish, German (in one home page).
Save searches	No	Yes	No
Private Mailbox	Yes	Yes	Yes
Favorite profiles	Yes	Yes	Yes
Voice Greetings*	No	No	No
Video Greetings**	Yes	Yes	Yes
Wink***	Yes	Yes	Yes
Send IM****	No	Yes	Yes
Send emails	Yes	Yes	Yes
Who's viewed me	Yes	Yes	Yes
Chat	Yes	Yes	Yes
Blogs	Yes	Yes	Yes

| Note | People are connected through galleries of friends. You may choose to create a free or paid blog. The different levels of blog service have various additional features. | Some Features like: downloading ring tone (Mobile) is not free, but you could choose many features, e.g. games, that are free. | More Ways to Find Friends: search friends by school, college or company. Use useful Applications by Facebook: Photos, Events, Groups, Notes, Posted Items, Marketplace, Video, US Politics, Gifts, etc. You may choose to send gifts with paid or free. |

*A voice greeting is your 30-second personal introduction. This is your chance to let other singles hear what you have to say. You can talk about your idea of a great first date or share an interesting fact about yourself.

**A video greeting is a 30-second video starring you! This is your chance to let other singles see and hear you. You can talk about your idea of a great first date or share an interesting fact about yourself.

***The interest function is a way to let other member know that you are interested in them, or that you are interested in finding out more about them.

****A feature that allows you to instant message your (e.g. Yahoo! Messenger) friends with any personal profile found website. The instant message sends the picture on the profile you're sending along with a link for your friend to view the full profile.

[33] Friendster.com users come from these countries (in 2008):

Indonesia   36.5%

Philippines   18.3%

Malaysia   11.4%

United States   8.2%

Singapore   4.9%

[34] Facebook.com users come from these countries (in 2008):

United States   39.0%

United Kingdom   9.5%

Canada   6.5%

Turkey   3.1%

South Africa   2.9%

Figure 6.2.2. Top 10 Web Sites among US college studends

Base on the users in U.S, MySpace still no 1, but for the college in the U.S, Facebook is the favorite one (table above); It makes Facebook's core user base (college students) is more desirable than MySpace's core user base (teenagers). Because college students have more disposable income and are more likely to have credit cards than teenagers, they are more desirable from an advertiser perspective.

[35] Myspace.com users come from these countries (in 2008):

United States	66.5%
United Kingdom	3.9%
Germany	3.6%
Mexico	2.5%
Italy	2.4%

Until recently, countries such as China and India held scant interest for the U.S.'s social networking heavyweights thanks to low rates of Internet usage and a dearth of advertiser dollars. Facebook and News Corp.'s (NWS) MySpace instead concentrated on the U.S., which according to eMarketer accounts for 73% of social networking's worldwide revenue of $1.23

billion. They left Asia Pacific to U.S. Friendster and Orkut, and to local sites such as CyWorld. Of Orkut's 25.2 million active users, about 43% are in the Asia Pacific region, according to Web traffic tracker comScore (SCOR). Friendster has become the largest social network in the region, according to comScore, with 35 million Asia Pacific users, out of 50 million worldwide.

That dominance is now under threat, just as the Asia Pacific market starts to bloom. In China, 230 million people are using the Internet, more than in the U.S., according to consultancy IDC (International Data Corporation). That is clearly that for the future, the most important market could be in Asia Pacific, because some Asian market is strategically important, e.g. China is the biggest population in the world, Japan is support by strength economy growth, and Korea is one of a digital society. Once it develops more, it's going to become financially more intriguing than the U.S. Especially when it comes to advertisers. A recent Synovate AsiaBUS study, commissioned by Microsoft (MSFT), found that social networks in Asia Pacific attract the coveted 15- to 34-year-old demographic and that about 15% of the region's users are top managers and business owners.

MySpace had taken action, in which MySpace is pouring more funding into ventures in Asia Pacific than anywhere else in the world this year. E.g.[36] MySpace launched a Japanese site and adapted to local interests and culture and supported by a full, local engineering team. The site prominently features videos and manga related to singers popular in Japan. It also focuses on blogging via cell phones, or microblogging, the second strategy was targeting China, MySpace launched a separate, local site in April and begin hosting the site locally in September 2007; whereas Friendster targeting China by launching the site in Chinese simplified language in their home webpage. If Facebook doesn't want to lose competition in this SNS field, they need to target Asia Pacific as well in the future market, following the

steps of Friendster and MySpace. Of course by improving services, applications to attract the users are also important strategies to gain the market in Asia Pacific.

The strengthens of Friendster are:

1. [37] The first SNS that entered the Philippines, therefore, become the most powerful SNS in Asia currently, with 75 countries in the world using Friendster, it is a top 100 website in 15 countries across the four continents (11 of which are in Asia). They are the Philippines, Malaysia, Singapore, Indonesia, United States, Canada, India, Australia, United Kingdom, Hong Kong, Japan, United Arab Emirates, China, Taiwan, and Korea. Friendster is especially popular among Southeast Asian women from Indonesia, Malaysia, and Singapore (99.3%). Southeast Asia is a convenient term for countries that are connected together by certain historical and cultural ties. Southeast Asian women identify, present, and look for "friends" on Friendster is the same as that for on-line dating sites. Therefore, we can conclusively say that Friendster has unofficially been turned into an online dating site for Southeast Asian women. The survey's findings indicated that a high percentage of Southeast Asians do not go on, nor do they approve of, blind-dates. However, when the word Friendster was introduced to the question, a moderate percentage was more comfortable with the idea of blind-date (60.6%). Friendster may be perceived as a more reliable and credible site for dating by its users. The concept of blind-date is socially constructed, and Southeast Asians' perception about blind-dates may be changing as a result of these sites. Users may think that because they are meeting their dates through their friends, this is not a true blind date. In Asia alone, Friendster is roughly twice as big as Facebook and is bigger than Facebook and MySpace combined.

2. Friendster are targeting on Asia market by providing Asian languages, e.g. Japan, Korea,

Chinese Traditional and Chinese Simplified, etc.

3. The platform is simple and has limited advertising.

The weaknesses of Friendster are:

1. [38] Slow Server, sometimes script Error.

2. Limited and simple site features, if compare with Facebook and MySpace.

The strengthen of Facebook compare with others are:

1. Facebook's core user base (college students) is more desirable than MySpace's core user base (teenagers). Because college students have more disposable income and are more likely to have credit cards than teenagers, they are more desirable from an advertiser perspective.

2. Facebook represents a more compelling local advertising opportunity than MySpace because Facebook can guarantee deep penetration of college campuses, whereas MySpace cannot show the same types of local market usage patterns. The CPM rates for local advertising campaigns are typically substantially higher than national campaigns because of their more targeted nature. With 65% of users logging in daily and 85% weekly, advertisers can run time-oriented campaigns very effectively. The large, branded advertisers, who value reach, can advertise to nearly every student in the 18-22 demographic in the US with one campaign.

3. Facebook will have ample opportunity to diversify its revenue streams beyond traditional banner advertising due to its deep penetration in these micro communities. Having the attention of 90% of students attending a university lends itself to online classifieds, event listings, e-commerce, and lead generation. Facebook should be well-positioned to be a major player in online classifieds given the usage patterns of its user base.

4. Facebook is viewed as a safer option than MySpace for branded advertisers, as Facebook

has a less racy image than MySpace. In a market where advertisers are still hesitant regarding user generated content sites, Facebook has done a better job of brand positioning.

5.   Built strong brand recognition amongst user base and advertisers.

The key to an online advertising business targeting branded advertisers (advertisers looking for branding, not just clicks) is having a strong brand that advertisers want to be associated with. A perceived hot brand is what drives premium CPM rates. Two sites having similar demographics and user usage patterns may have drastically different CPM rates based solely on the perceived brand recognition and image factor. Facebook did a masterful PR job - highlighting the impact that Facebook has made on the lives of college students and their online media consumption in nearly every story written. How often do you hear that 90% of Facebook users login to the site once per week? Clearly the PR coverage came as a result of the tremendous viral growth, but capitalizing on that PR to help build brand was a key success factor.

6.   Another noteworthy part of the Facebook story is how they masterfully handled the VC financing process, limiting the amount of equity dilution to the founders. When Facebook raised its first VC round of financing in April 2005, they negotiated a pre-money valuation of ~$85M at a time when they were generating less than $500K per month in revenue. Facebook was able to command such a high valuation by courting both VCs and potential acquirers simultaneously. With term sheets in hand to be acquired for $85M, Facebook was able to drive up the pricing on the VC round. The prevailing wisdom from other VCs was that Facebook would probably be capped at a $200-300M exit, and hence a 2-3X return was not high enough to justify the risk, given the youth and inexperience of the Facebook founders. Accel is likely to make a 8-10X return on its initial $13M investment in just 2 years. Facebook's most recent $25M round was rumored to have taken place at a $550M valuation after turning downing a $750M

acquisition offer. Once again, the Facebook management did a great job of creating a competitive environment for their second VC round.

The weaknesses of Facebook are:

1. Facebook is relatively new to the public. The layout leaves a person able to find what they need without a great deal of information. However because this is a younger program, there will still be plenty of steps to go before it is complete.

2. Facebook has a basic look, and does not appear to be changing that at this time. However, you never know what the future holds.

The strengthens of MySpace are:

1. While the "Space" in MySpace refers to cyberspace rather than outer space, the principals of the company clearly exercised "rocket scientist" type creativity in building their business. They designed their service to maximize the degree of creativity that their users would be able to enjoy in customizing "their space" on the Internet frontier.

2. MySpace embraced a love of music and music fandom that its core audience (primarily Generation Y individuals in the 16-25 age range) is strongly passionate about. MySpace's tie in to the world of music has enabled it create a degree of passion amongst its users that is usually reserved for rock bands.

3. MySpace designed their business to continually talk to, listen to and solicit feedback from their users.

4. MySpace understood that creating a community means more than just getting lots of people to sign up and create profiles. They had to provide the tools to allow them to interact in rich ways while online. They have continually improved their service and added new features and new ways to interact.

5. MySpace made a decision not to try to be everything to everyone. MySpace is very

coarse, and much of the content on the site would be offensive to many in our society. But from its inception, MySpace decided not to censor any content except for explicit nudity and hate speech. And the "wild wild west" edginess of MySpace is a large part of its appeal to those that love it and spend much of their lives interacting with others through it. While the appeal of MySpace extends to many well beyond its core audience in terms of age, it is also worth noting that there are many for whom MySpace will hold no appeal whatsoever, and it is most certainly not an appropriate place for those under the age of sixteen. If MySpace had tried to be something for everyone, it would most likely have failed to be anything to anyone!

6. Myspace is an online community that has several options open for sharing information, posting pictures, adding your own music and videos and much more. There is more of an entertainment-based interface being used.

7. Myspace is targeted to many different age levels. Myspace has users that are from different ages and backgrounds.

8. Myspace has been around for many years, and has a great deal of information, tools, and layouts that have been updated. They are in the full swing of the full function of this online community program.

9. Myspace can look pretty much however you like. There are many layouts, generators and other graphics that are set up to work within the Myspace environment.

The weaknesses of MySpace are:

1. [39] Many users complaint that there are too many advertisers in their MySpace account, and that made them to switch of find another SNS which is not a business target but a place for them to find friends, socialize in the internet world.

2. MySpace has more information showing, if you do not make your settings private. The problem with this is that there are many people who do not make this setting and can be

very surprised with the unwanted spam they will get.

Conclusion

We have made some comparison of these 3 SNS, which are:

1. Base on page view: Facebook is the top one currently, as you could see in the graph below. Facebook has been steadily increasing reach while Myspace has been treading water. Based on the graph in Alexa.com(web discovery machine), the last 8 months facebook has seen its unique visitors double, growing its reach from 4% in September of last year to 8% today, an impressive achievement by any measure.
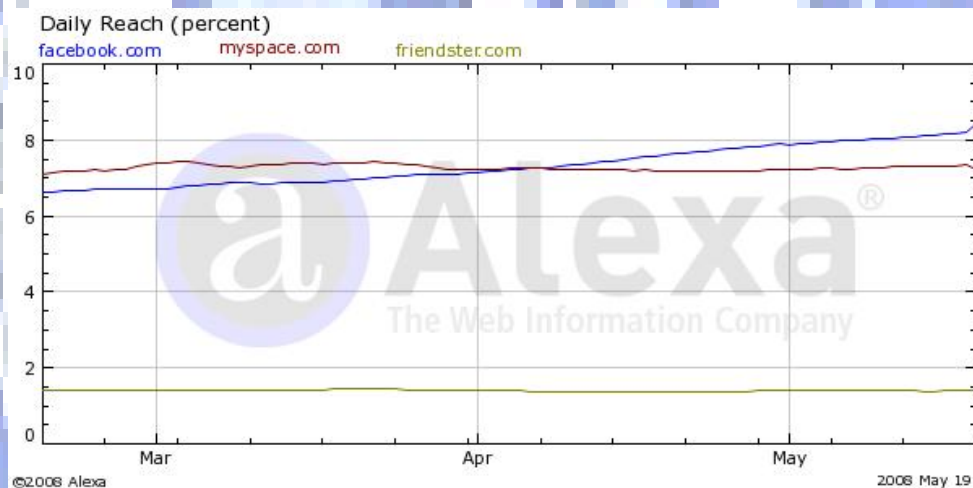
Figure 6.2.3 Daily reach of 3 SNS

2. Base on the applications, Facebook open up its network for all to participate in (Third party application developers), Facebook is more attractive than MySpace and Friendster.

3. MySpace forces you to conduct more of your social networking at the site, whereas Facebook encourages plug-ins, widgets, and a host of off-site tools that help you keep

updated on what your friends are up to, this made Facebook are more favorite then others.

4. Base on the users in U.S, MySpace still no 1, but for the college in the U.S, Facebook is the favorite one (table above); It makes [40] Facebook's core user base (college students) is more desirable than MySpace's core user base (teenagers). Because college students have more disposable income and are more likely to have credit cards than teenagers, they are more desirable from an advertiser perspective. Advertisement companies like them, because they could targeted every student in the 18-22 demographic in the US with one campaign.

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After the comparison above, it is obvious that [41] Facebook has surpassed MySpace and become the winner of these 3 SNS currently. [42] The reasons are:

1. Facebook has data sharing, which allow users to share info across the web.

2. Interesting layout, design, features. Less spam and well-organized.

3. Community: colleges & co-workers. Facebook can be used as a tool to talk to the people you work with also and see what's new with them. You can even join a network for your company. MySpace was really designed for teens so it doesn't really have these types of features.

4. Facebook attract a lot of Venture Capitals

Fall2004: $500,000 from Peter Thiel (a co-founder of Paypal)

May 2005: $13 million from Accel Partners

April 2006: $25 million from Greylock Partners, Accel Partners, Meritech Capital Partners and Peter Thiel. According to the WSJ (Aug.23rd2007), Facebook is on track for $30million in profit this year on $150 million in revenue.

5. Build strong brand recognition among users and advertisers, Facebook did a masterful

PR job - highlighting the impact that Facebook has made on the lives of college students and their online media consumption in nearly every story written. Companies like them, "[43] Facebook Fridays: Facebook Fridays". Some companies have embraced the social networking trend even more. Owyang said Serena Software Inc. in San Mateo, Calif., encourages its employees to share information online, connect with customers, and engage in dialogue and conversation. For example, the company recently announced a new corporate benefit called "Facebook Fridays" to its 800 employees across 18 countries. Every Friday, employees are given an hour of Facebook time to connect and socialize with co-workers, customers, family and friends. Owyang said, "For companies like Serena and others, the intranet has clearly moved outside of the firewall."

Social networks can also be great recruitment tools. With 85% of college students using Facebook, employee recruitment with job announcements targeted to students at select colleges with specific degrees can provide companies with a significant advantage over competitors searching for similar talent.

6.3   Legal issues surrounding SNS

6.3.1   Friendster.com

Business models have taken on greater importance recently as a form of intellectual property that can be protected with a patent. Indeed, business models (or more broadly speaking, "business methods") have fallen increasingly within the realm of patent law. A number of business method patents relevant to e-commerce have been granted. But what is new and novel as a business model is not always clear. Some of the more noteworthy patents may be challenged in the courts.

Pioneering social network Friendster said it has yet another social networking patent on the way, after announcing Monday it has nabbed $10 million in venture capital to help lure users back to the site and catch up with fast-growing rivals.

In July 2006 Friendster was awarded a patent related to searching for people online based on their relationships, and it expects another patent to come through soon. The patent Friendster was granted covers "a method and apparatus for calculating, displaying and acting upon relationships in a social network". Their strategy was to protect their intellectual property. Patent controversies have become a familiar hazard on the Web as companies seek protection for emulating real-world concepts in virtual environments. For Friendster, patents could be an important new asset as it tries to reinvent itself. Many Web users have ditched it in favor of trendier rivals like Facebook Inc. and News Corp.'s MySpace. In June 2006, the number of monthly U.S. visitors at MySpace tripled from a year earlier to 45.8 million, and visitors at Facebook doubled to 7.9 million, according to Nielsen/NetRatings, which tracks Web traffic. The number of visitors to Friendster is still under one million.

6.3.2   Facebook.com

Legal issues surrounding Facebook are:

1. Facebook threatened to seek costs of up to $100,000 from Quizsender.com for copyright infringement for allegedly copying the "look and feel" of Facebook.

2. In November of 2007, Facebook was blocked by the Syrian government on the premise that it promoted attacks on the authorities. No comment was made from the government that blocked it, which has started a crackdown on online political activism in that period. Burma and Bhutan are among nations to have banned the website.

3. The University of New Mexico (UNM) in October 2005 blocked access to Facebook from UNM campus computers and networks, citing unsolicited e-mails and a similar site called

UNM Facebook. After a UNM user signed into Facebook from off campus, a message from Facebook said, "We are working with the UNM administration to lift the block and have explained that it was instituted based on erroneous information, but they have not yet committed to restore your access." UNM, in a message to students who tried to access the site from the UNM network, wrote, "This site is temporarily unavailable while UNM and the site owners work out procedural issues. The site is in violation of UNM's Acceptable Computer Use Policy for abusing computing resources (e.g., spamming, trademark infringement, etc.). The site forces use of UNM credentials (e.g., NetID or email address) for non-UNM business." However, after Facebook created an encrypted login and displayed a precautionary message not to use university passwords for access, UNM unblocked access the following spring semester.

4. Ontario government employees, MPPs, and cabinet ministers were blocked from access to Facebook on government computers in May 2007. When the employees tried to access Facebook, a warning message "The Internet website that you have requested has been deemed unacceptable for use for government business purposes". This warning also appears when employees try to access YouTube, MySpace, gambling or pornographic websites. However, innovative employees have found ways around such protocols, and many claim to use the site for political or work-related purposes.

5. The New South Wales Department of Education and Training has also blocked all users (students and staff) from accessing Facebook, as have many other government departments in Australia. The City of New York Department of Health and Hospitals blocks Facebook from use at work.

6. Founder of Facebook.com, Mark Zuckerberg, has been accused of illegally using both the concept and source code from competing site Connectu.com. In November 2003, ConnectU engaged Mark Zuckerberg, then a sophomore at Harvard, to complete the computer programming for their website. Upon joining the ConnectU team, Zuckerberg

was given full access to the website source code. Allegedly, Zuckerberg intentionally hampered the development of ConnectU while using code originally intended for ConnectU in the development of Facebook. Since its original filing in Massachusetts in September 2004, the lawsuit was dismissed without prejudice due to technicality on March 28, 2007, but was never ruled on. It was refiled soon thereafter in U.S. District Court in Boston, and a preliminary hearing was scheduled for July 25, 2007. Facebook asked the district court to dismiss the case. The attorneys representing Facebook referred to the allegations as "broad brush" with no evidence to support them.

7. There have been some concerns expressed regarding the use of Facebook as a means of surveillance and data mining. Theories have been written about the possible misuse of Facebook and privacy proponents have criticised the site's current privacy agreement. According to the policy, "We may use information about you that we collect from other sources, including but not limited to newspapers and Internet sources such as blogs, instant messaging services and other users of Facebook, to supplement your profile." However, some features—such as AIM away-message harvesting and campus newspaper monitoring—have been dropped and Facebook has since responded to the concerns. Facebook has assured worried users the next privacy policy will not include the clause about information collection and has denied any data mining is being done "for the CIA or any other group." However, the possibility of data mining by private individuals unaffiliated with Facebook remains open, as evidenced by the fact that two MIT students were able to download, using an automated script, over 70,000 Facebook profiles from four schools (MIT, NYU, the University of Oklahoma, and Harvard) as part of a research project on Facebook privacy published on December 14, 2005.

8. Another clause that some users are critical of reserves the right to sell users' data to private companies, stating "We may share your information with third parties, including responsible companies with which we have a relationship." This concern has also been

addressed by spokesman Chris Hughes who said "Simply put, we have never provided our users' information to third party companies, nor do we intend to." It is unclear if Facebook plans to remove that clause as well.

9. In August 2007 the code used to dynamically generate Facebook's home and search page as visitors browse the site was accidentally made public, according to leading internet news sites. A configuration problem on a Facebook server caused the PHP code to be displayed instead of the web page the code should have created, raising concerns about how secure private data on the site was. A visitor to the site copied, published and later removed the code from his web forum, claiming he had been served legal notice by Facebook. Facebook's response was quoted by the site that broke the story:

10. In September 2007, Facebook drew a fresh round of criticism after it began allowing non-members to search for users, with the intent of opening limited "public profiles" up to search engines such as Google in the following months.

11. In November 2007, Facebook launched a new part of its Ads system named Beacon that published Facebook users' activities on partner websites such as eBay, Fandango, Travelocity, and Blockbuster to their friends.

12. Moveon.org created an online petition due to privacy concerns, and Facebook modified the service to some extent. However, privacy concerns have continued in the wake of a report by a security researcher at Computer Associates that noted that data on users' activities is often still sent to Facebook, even if a user has opted-out on the partner site and logged out of Facebook.

13. Concerns were also raised on the BBC's Watchdog programme in October 2007 when Facebook was shown to be an easy way in which to collect an individual's personal information in order to facilitate identity theft.

14. In addition, a New York Times article in February 2008 pointed out that Facebook does not actually provide a mechanism for users to close their accounts, and thus raises the

concern that private user data will remain indefinitely on Facebook's servers.

6.3.3 MySpace.com

Legal issues surrounding MySpace are:

1. Security

Illegal computer access and attempted extortion of MySpace, hacked into the site to steal the personal information of MySpace users before threatening to share the secrets of how they broke into the website unless MySpace paid them $150,000.

2. MySpace Party Gatecrashers

Gatecrashed MySpace parties have cost lives, and caused thousands of dollars damage to property. Someone advertised a party event on MySpace, resulted in 500 people attending.

3. Child safety, stalking

The minimum age to register an account on MySpace is 14.

Recently, MySpace has been the focus of a number of news reports stating that teenagers have found ways around the restrictions set by MySpace, and have been the target of online predators. Stricter methods for enforcing age admission will be enforced in the future, such as blocking a person from accessing MySpace using a computers IP address. In response, MySpace has given assurances to parents that the website is safe for people of all ages. Beginning in late June 2006, MySpace users whose ages are set over 18 could no longer be able to add users whose ages are set from 14 to 15 years as friends unless they already know the user's full name or email address.

4. Social, cultural and censorship

The Chinese version of MySpace, launched in April of 2007, has many censorship-related differences from other international versions of the service. Discussion forums on topics such as religion and politics are absent, and a filtering system that prevents the posting of content

about Taiwan independence, the Dalai Lama, Falun Gong, and other "inappropriate topics" has been added. Users are also given the ability to report the "misconduct" of other users for offenses including "endangering national security, leaking state secrets, subverting the government, undermining national unity, and spreading rumors or disturbing the social order."

5. Religious discrimination

On January 30, 2008, Bryan J. Pesta, a Cleveland State University assistant professor, and moderator of the Atheist and Agnostic Group, accused MySpace of pandering to religious intolerance by deleting atheist users, groups and content.

6. One tactic MySpace has adopted is selling its members' profile information to third parties. As stated in the website's privacy policy:

 "MySpace.com collects user submitted information such as name, email address, and age … also collects other profile data including but not limited to: personal interests, gender, age, education and occupation …This non-personally-identifiable information may be shared with third-parties to provide more relevant services and advertisements to members.

In its beginning, the site's original owners vowed not to post any marketing other than the current banners. It seems contradictory that they would rule out advertising for fear of being intrusive, while performing intrusive research and sharing the data. This is not to say that this practice is necessarily wrong, but it is causing skepticism in some young and already fickle consumers. Many concerned MySpace bloggers worry that their community will be changed or destroyed, or that what was the anti-corporation amateur musician promoter has sold out and become "mainstream."

Conclusion

In October 2006, Friendster, the company that famously patented social networking earlier this year, has just been granted another one. This time, the patent is a little lower on the obviousness scale - it covers uploading a photo of your friend, having them approve the photo

and having the photo associated with them. The patent also includes details about the "degrees of separation" model, stating that the system could be set to a maximum degree of separation - in other words, you'd only need to approve photos from your closest friends, unless you changed the setting. With another social networking patent being granted, this once again shines a light on how ridiculous software patents are - MySpace didn't need any patents to replace Friendster as the leading social site, and it seems that out-innovating other companies would be better than hoarding patents. That said, this filing was made way back in June 2005, and we don't yet know whether Friendster intends to enforce its patents. If they did, however, things could get extremely interesting - it's been speculated that the original patent may be broad enough to apply to Facebook, Bebo and many popular social networks. But since the patent mentions the "degrees of separation" model, sites like LinkedIn may be targeted.

Friendster would like for asking patent-licensing fees or taking legal action to their rivals. Friendster won't say which rivals it would potentially target, though MySpace and Facebook, as well as a spate of smaller upstarts, offer services similar to Friendster's. As with other high-profile Web patents -- like Amazon.com's patent on "one-click" shopping -- Friendster's patents are likely to be closely studied. One issue is whether they cover fundamental inventions or features that competitors could easily avoid using. If others can show that their activities don't infringe on Friendster's claims or can point to similar technology that precedes Friendster, they could escape litigation. Indeed, New York-based Six Degrees Inc., a now-defunct Web company, was granted a patent for a form of database that could relate to social networking.

Like many online businesses, social networking followed the stereotypical Internet trajectory: Hot (when legions of users joined the gabbing, dating and job-schmoozing Web sites about a year ago) to not (when revenue was scarce).

Now, executives at many of these companies believe they have found a formula for financial

success. Their strategies include earning money from advertising, subscriptions and transactions that take place on their Web sites.

The ideas, championed by companies like Friendster, My-Space and LinkedIn, are hardly revolutionary, given that they echo the way most other Internet firms make money. But they do mark a big development for an industry that has been operating largely without a business plan, despite its relative popularity.

At Friendster in Mountain View, solidifying a business model has been more evolutionary. New to its mix of advertising this year are sponsored search links and sponsorships, in which Hollywood studios create user profiles of movie characters that Friendster users can link to for fun. Friendster has also ratcheted up the number of revenue-sharing deals it has with outside vendors, the latest of which, announced last month, is with EHarmony, a dating site. Whenever Friendster refers a new user to the dating service, Friendster gets part of the revenue.

Web sites focusing on business networking such as LinkedIn, ZeroDegrees and Ryze have a greater chance of success. Users log on to the sites to seek jobs, find potential business partners and recruit workers.

Unlike social sites, users are willing to pay for some services on business networking sites. LinkedIn, in Mountain View, plans to offer subscriptions starting next summer for recruiters to access its database of user profiles, among other things. ZeroDegrees, a Web site in West Hollywood, is planning within the next few months to charge users to search job listings. The strategy in SNS is they needed critical mass then they need to make the business model fit the behavior in order to create their own niche market.

Not all social networking sites have disclosed business models. Google's Orkut, which premiered earlier this year, has yet to incorporate ads similar to those that have made its Mountain View parent a giant in the search industry.

The only social networking firm to disclose making a profit is Ryze, a British Virgin Islands

company that focuses on the business niche. Basic access to the Web site is free, but users can pay $9.95 a month to access a wider audience.

Most social networking site executives stress that they won't charge for features that are already free. Instead, they say that users will have to pay only for some new features, if any.

Unlike most other social networking sites, MySpace, based in Los Angeles, allows users to post and download digital music files, play games, create blogs and communicate by instant messenger. Users of MySpace could visit a profile of pop singer Hilary Duff and download three of her songs for free from a page surrounded by a marketing pitch for Secret Sparkle deodorant.

John Tinker, an analyst for ThinkEquity Partners, an investment bank, estimated in a research report that MySpace -- part of a network of Web sites controlled by Intermix Media -- will have $8 million in revenue in 2005 and $20 million in 2006.

Although many analysts see a mixed future for social networking sites as stand-alone companies, they nevertheless see their potential as marketing venues. Advertisers could ultimately harvest the information in users' personal profiles to display targeted advertising based on age, gender and interests.

At the end of the day, there will be only a handful of companies left, most with their own niche.

Chapter 7

Future Trends, Challenges and Opportunities of SNS

7.1.   Future trends

This chapter will discuss about widgets, platform for SNS in the future trends, which is vertical social networks. Vertical social networks are those that target a very specific set of users, rather than mass audience. The litmus test is that the users are connecting about something, and that something is not so broad that it would appeal to most of a particular demographic. Examples include Dogster (dog lovers), LibraryThing (book lovers), etc.

Success in social networking so far has been driven by advertising and acquisitions; [44] AOL acquires Bebo for $ 850 million, where Bebo's assets are clear:

* Bebo users view 78 pages a day;

* Bebo gives AOL some social networking credit;

* And Bebo is popular abroad being No. 1 in the U.K., Ireland and New Zealand. In the U.S. it's the third largest social network behind MySpace and Facebook.

Now it's up to AOL to do something with Bebo within the bureaucratic structure of parent Time Warner. Another key thread is that the social networking field has narrowed dramatically. AOL has Bebo. News Corp. has MySpace, and Facebook is in bed with Microsoft. The business motivations of moving away from general user bases to highly focused ones that the vertical networks target are seemingly obvious. In advertising, the promised land is knowing exactly who you're talking to and what they care about, not just talking to the masses.

It is obvious that vertical social networks will continue to proliferate. Users like them, and there are advertising, sponsorship, and affiliate dollars to be had. In the future is one in which many people won't belong to one or two social sites, they'll belong to more based upon their

various passions.

So what happens when there are just too many social sites for a regular guy deal with? Perhaps we'll see the emergence of social aggregators and the centralization of identity and trust (these last things need to happen anyway). But as these social networks proliferate, one thing that would be incredibly helpful would be a "write once, use many" centralized user profile. By allowing users to create their base profile in one place rather than having to constantly enter it into every network they want to check out. Tools like these will abound, and the key is that these tools should be in a unique position to truly understand each user's preferences, affinities, and social webs.

Web users will enter the Web in new ways. Rather than starting on Google (GOOG) and navigating through their favorite pages online, they'll have a landing page where they've assembled all of their favorite sites in small page-on-a-page boxes, or widgets. It's the same bet Zuckerberg (Facebook) is making, of course, and he wants Web users to enter the Web on their social networking profiles.

The current example for less structure web is: iGoogle, it was designed with an open landing page; you title, drag and drop your favorite widgets onto the page. One widget might track the top headlines in the Googlefinance section, for example. Another might track the changes in your Facebook profile. And a third might alert you when you have new gmail messages.

There are no banner ads. There is no top friends, and no wall on which those top friends post comments. It is obvious to acknowledge these are early days for widgets. Publishers have to create more, better designed widgets. Advertisers need to figure out how best to advertise on them and through them, and how to sell that advertising. There could be advertising, but it will happen entirely through widgets, and those widgets will be added by users. The pressure is on advertisers to come up with creative ideas that appeal to users.

The future trends of SNS are:

1 Vertical SNS: The successful SNS must be able to targeted specific groups of consumers, this is why Facebook is outsourcing the platform and plan to build a new design, e.g feed tab—information for users to post,box tab—application that users want to put in and power shifts in the worlds of Social Networking from owner to user, social networking sites become the hub of all applications; rules tighten. New sites show increased privacy protection, smaller numbers, and tighter segmentation.

2 No boundaries: Everyone distributes everywhere, base on the user's will, Advertisements money will flow preferentially to permission-based marketing.

3 Phone: Handheld makers will win over carriers, a la Apple and Nokia. Samsung, Microsoft, Facebook, Myspace and Google now join them in control.

4 Web 3.0: Information is machine process able, thus allow browser and other software agent to find and share information easily (own your own identity, don't remember username and password, single sign-in, widgets world.

5 Mobile: MySpace and Facebook are looking to close as many deals with operators as possible. For Myspace Mobile, the goal is to be available on-deck with "every major operator, everywhere. Facebook has also come out with and " operator" platform designed to let wireless carriers integrate Facebook features like simple login and built-in Facebook multimedia messaging (MMS) — and that includes a revenue-sharing deal for both parties, Facebook has also focused on the smartphone market and come out with an easy-to-use application for the iPhone,most iPhone users access the "web" site and not the "mobile" site of both social networks. Neither Facebook nor MySpace has revealed data how much traffic they get from the iPhone to their web sites.

7.2. Challenges

Facebook face some challenges, which are

1. Privacy Complaints

Instead, people complained that Beacon was a privacy invasion. The watchdog group MoveOn.org Civic Action started a petition against Beacon, and companies including online retailer Overstock.com Inc. pulled out of the program or raised concerns about it. Mr. Zuckerberg deliberated for hours over a public apology letter about Beacon. He also began requiring users' permission to share their details via Beacon.

2. Mounting pressure

Mr. Zuckerberg and Ms. Sandberg will face mounting pressure to find a better business model. Facebook's Web traffic continues to rise. But I'm now questioning \whether that growth will ever translate into Google-size revenue.

According to a person familiar with the company's finances, Facebook hopes to double revenue to $300 million to $350 million this year, its fourth full year in business. Google had revenue of $440 million in its fourth year, a fivefold jump from the previous year.

3. [45] Facebook Platform: The Road to IPO.

The WSJ article outlined a Facebook platform that will allow companies to offer their products and services to Facebook users, enabling them to tap into Facebook's large network. With widgets (which can plug into networks like Facebook) getting more popular, this is welcome news to many startups - and probably e-commerce giants too.

This hot startup has decided to fight off the billion dollar acquisition offers and make a run for the holy grail of the (still recovering) tech world - the IPO. Certainly Facebook has got the audience and everyone's attention. Still, to appease Wall Street there needs to be rapid and continuous revenue growth. The current 150M ad revenue is a good start, but to beat the 1B offer reputedly made to them by Yahoo, Facebook needs to reach Web Giant size - billions of dollars of market value. Since two years is a very short time, every move that Facebook

makes needs to be geared towards the IPO. Could the platform play be a major revenue generator? It seems like this will be the case.

As described in the WSJ article, the major source of today's Facebook revenue is advertising. While this is a great source, there is a problem. Advertisers are paying for impressions and clicks, but there is only so much space in the pages and only so many page loads that can be expected from each user. In short the advertising revenue model for a single web site does not have great scale.

What else can be done to leverage Facebook's audience? Either Facebook can open its audience and try to take it outside of the wall, or it can bring more services to the audience. Taking the audience elsewhere is not an option because of the nature of Facebook. So the company needs to figure out a way to bring more services into the network. In a way, this puts Facebook onto a collision course with Yahoo! And if this is the case, Facebook could be onto a winner - because it appears that Facebook is planning to leverage its platform to bring in external services, instead of having all services homegrown. This is a very smart strategy and here is why.

Figure 7.2.1. Facebook Platform Play

In a word, this play could turn Facebook into a pipe. Being a pipe that gets a cut in all transactions that occurs between a lot of Facebook users and a lot of outside services would make Facebook into a gigantic marketplace. The key thing about this play is that the platform ensures that Facebook is in control. To understand why, consider the current situation in the widget market. Providers make them, users love them and the networks (think MySpace) hate them. This is because there is no way for the social networks to derive revenue from the widgets. They simply have no control over what goes on inside the widgets. So the problem is not spam, it's revenue (or lack thereof). Why should the social networks give up their space and user eyeballs to something earn them no revenue? They do not want to do that.

But there is a way to turn the problem into a win. The very space that widgets bid for can be monetized by the social network. An obvious monetization is to charge rent - or an advertising fee. A more interesting play is to do a revenue share model, because this has a potentially much larger upside.

Facebook also set the interactive world on its head when it opened up its application program interface (API) to allow any developers to write applications (widgets/modules) that reside within Facebook. Now everyone is following suit: ranging from iGoogle allowing widget development to iPhone opening up application development.

With Facebook, Wiki (pedia/search et. al.) open APIs, the world is truly moving the Web to open source ubiquity. These applications are growing quickly on Facebook. In the travel segment alone, there were at least 80 Facebook applications written as of two months ago. There are now 332 travel applications -- an astounding 400 percent increase.

The most popular travel app, TripAdvisor, enables Facebookers to place "flags" on an interactive map of all the cities they've visited (remember when a paper map on a wall and

push pins sufficed?). TripAdvisor's application has roughly 85,000 active daily users.

TripAdvisor's mapping app wasn't even a new idea. TripAdvisor simply built a better mousetrap. Best of all, it's estimated that TripAdvisor only spent $15,000 to develop such an application by simply leveraging the Google Maps API. From a brand equity standpoint, that's a resounding return on investment.

A contract between the provider of the widget and the social networks that ensure the identity of the widget provider - and then allow a way for the social network to get paid. If Facebook could figure out how to do this in a way that makes the retailers happy and keeps the users from screaming, then this is a huge win for them. Consider a scenario where Amazon rolls out something as simple as books and Facebook gets a cut of each transaction. That could happen in many verticals, from books and movies to electronics and travel. And as Facebook is growing beyond the college population, and as its current college population graduates, there seems to be potential for a big upset brewing here - in the sense that Facebook could significantly eat into Yahoo's business.

WSJ states that Facebook does not plan to tap into the revenue of companies who build services around the platform. If that is true, it would be a shame. Why would they go into the exercise of building a platform that they do not plan to monetize, if they would like to go the IPO route? More likely than not, there is a really big plan to make money on the platform, but we will have to wait and see what step will Facebook take in the future.

As it stands, MySpace still maintains its revenue stream primarily through banner advertisements. And as we know, because most marketers are still caught in the "brand awareness" bubble, such marketing techniques are still being measured by cost-per-thousand (CPM) metrics, whereby campaign success is based solely on "counting eyeballs".

The truth is, though, banner ads don't always work. Though MySpace employs "permission marketing" through posting interactive banner ads with an attractive air of mystery (ex. prize offers, duck hunting, etc.), their ad-bombarded consumers are not nearly as engaged as they

could be. If MySpace had a viable business model that incorporated a coherent plan for third-party marketing, it would be able to provide advertisers with a more comprehensive sales pitch. By boasting results rather than eyeballs, it would dramatically increase the value of its ad space, and thus generate more revenue.

7.3. Opportunities

Because of its cyber-location, SNS should take advantage of the interactive medium, and emphasize communication, community, and content sharing. Since NewsCorp's acquisition of MySpace, there have been many successful efforts to strengthen the revenue model through third-party marketing. MySpace has begun to integrate advertisers as members of the online community, and to provide them with marketing tools necessary to generate revenue for their companies. This has proved especially profitable for MySpace, as ad revenue seems to increase boundlessly. This tremendous success is sufficient, for now. But the monetizing opportunities available to NewsCorp stretch far beyond the "online social network" realm. There are some opportunities of SNS:

1. Medium- to Long-Range Plan: Music Recording and Networking. This platform would be a networking tool for amateur musicians, it would allow individuals with specialized talent to find compatible "band mates" anywhere in the country and to collaborate virtually on recording projects. Using at-home audio recording software, an amateur musician would be able to record a specialized audio track and post it on the site. Other users who played different instruments could then choose to cut their own tracks and sync them together to create a song as a band. A non-musician could then mix and match other MySpacers' tracks to create a customized song. The software would enable time stretching or shrinking, sound warping, etc., so that each user could add personal flares to the song. This would encourage even those who did not plan to record to buy the software. SNS could form business relationships with distributors of at home music

recording and editing software (Cakewalk, Mackie, Steinberg…) and negotiate to receive a percentage of revenue they helped to generate through sales of the software. Perhaps a more lucrative plan would be to develop and market its own software, which should be more user-friendly in interface, and slightly less costly in price point. Average cost of another brand's Home Studio kit would be about $200-500. If SNS priced its product anywhere from the low end to the middle of that spectrum, and marketed it as the official software package of SNS (ex. iPod and iTunes), it could make millions through enabling "wannabe recording artists". There could also be an "Express" version of the software, priced very affordably, but with very few frills, for those who would like to buy the software just for fun. This would open a potential market for a line of consumer recording equipment with the SNS logo on it.

2. Movie Pre-Screenings. Teens dictate the popularity among their peers of not only consumer products, but also entertainment. In order to gauge the future success of an upcoming film, and in order to generate hype for the movie before its release, it should be shown to a small number of viewers within its target audience. NewsCorp, owner of MySpace, is obviously also the parent company of Fox. Using MySpace, it would be cheap, easy, and effective for Fox to choose an audience to view a pre-screening. Once the film can be fully encrypted to prevent illegal reproduction, the studio will be able to show a live streaming video of a movie and hold a discussion session after the "screening." Teens could be hand-chosen based on their profiles or chosen at random, invited to join a group for "free movie screenings" and then asked to sign up for live-feed screenings that interest them. MySpace has recently started "Black Carpet Screenings": Myspace events similar to "Secret Shows," through which members are invited to attend movie screenings. Other SNS could also launch movie pre-screenings, and get the revenue sharing from movie industry. Taking this one step further and discussing the screenings online would be in strong support of SNS's research model.

3. Mobile Industry. The report Social Networking Goes Mobile by Pyramid Research looks at the social networking business model and analyzes its future, including forecasting the number of social networking members expected globally by 2012. In addition, this executive-level report assesses the current and future state of mobile social networking, whereby members access their favorite sites using their mobile devices. In particular they analyze the rationale for both stakeholder groups —- the social networking sites and the mobile operators — for collaborating to offer mobile social networking services, including the revenue mobile operators can gain from adding social networking to their offerings. They also profile some of the top players in the mobile social networking world, including mobile operators, social networking sites and software developers working to enable this shared future.

Conclusion

Social networking sites like MySpace and Facebook have emerged recently as some of the hottest names on the Internet, with daily news reports of new partnerships, advertising initiatives and acquisition activity. Indeed, several of the top five social networking sites — MySpace, Facebook, Hi5, Orkut and Friendster — rank among the top 10 most-visited websites globally. Unsurprisingly, the growth in interest in social networking has led to a number of important deals by major online brands and media firms. These include News Corp's July 2005 acquisition of MySpace for US$580m; AOL acquires Bebo for $850m and Microsoft's purchase of a 1.6% stake in Facebook for $240M, a purchase price that values the entire company, which has annual revenue of some $100-150M, at an impressive $15B. Web users will enter the Web in new ways. Rather than starting on Google (GOOG) and navigating through their favorite pages online, they'll have a landing page where they've assembled all of their favorite sites in small page-on-a-page boxes, or widgets using web 3D. There could be advertising, but it will happen entirely through widgets, and those widgets will be added by

users. The pressure is on advertisers to come up with creative ideas that appeal to users. And there would be another collaboration of new industry into this SNS world, which is mobile industry, whereby members access their favorite sites using their mobile devices.

Chapter 8

Conclusions and Recommendations

8.1. Summary of my findings

Many people seem to be proclaiming the death of Social Networks because of spam, mainstream/corporate adoption or the huge number of them springing up recently.

I have to agree with that many of the early social networks (MySpace, Facebook, Friendster, etc) have the failure that end up with a huge "friends" list of people who can have nothing in common with you.

Social networks that will be successful in the future are the ones which targeted specific group of consumers. These purposes will either be the ability to help users network with very specific or niche groups of people. Or they will offer specific tools/facilities which will be genuinely useful to the users of the network. According to the business model of the SNS, SNS could be a profitable business in the long term if we look at their business model such as: open application/widgets for developers, third party marketing (revenue sharing, e.g. Amazon, Apple). In the future, SNS operators will alliance with other Web sites to increase exposure to customers in the future. The very space that widgets bid for can be monetized by the social network. An obvious monetization is to charge rent - or an advertising fee. A more interesting play is to do a revenue share model, because this has a potentially much larger upside.

My suggestions for SNS for still being attractive in the future are:

For Friendster:

1. They should improve their tools in order to faster their server and open their applications like Facebook did to attract third party application developers to create interesting applications to attract users.

2. Provide data sharing, where users of the SNS could link to other websites to increase the exposure of the users.

3. If Friendster wants to target their users in Asian market, they should collaborate with local internet network, due to the limitation of network in the developing countries, such as: Indonesia, Vietnam, etc.

For Facebook:

1. Improve the privacy tools.

2. Limiting the advertisements in users' profile.

3. Recruit employee from users.

For MySpace:

1. Targeted specific/ niche group of people and launch data sharing tools, like Facebook. Although MySpace had a lot of applications by their own, such as : MySpace music, MySpace TV, they didn't target a niche group, base on the past literature review, people tends to communicate and share ideas/ information base on trust worthy between friends, this is could be the reason why MySpace lose its market currently.

2. Simplified the platform, by limiting or organizing the advertising in the platform.

3. Improve advance tools to limit spam.

8.2. Limitations of my research and suggestion for future research.

There are several limitations that the researcher encountered during the study. First, there is very little literature available in the area of social-networking web-sites. Although scholars from different fields have done research on this new phenomenon, few communication scholars have studied it. Second, since Facebook, Friendster are not public companies yet, and the finance reports are not posted public, the revenue of these SNS are estimated and possible

aren't accurate.

Future research can look at how successful Friendster is at helping its users finding the one. Interviews with Asian people to learn whether they are encountering any conflict surrounding their use of Friendster as a place to find dates or their future partners would be useful. Along these same lines, study of other elements presented on the users profiles, such as blogs and testimonials, to find out more about Asian people's on-line self-presentation would add to this research. Comparison studies in terms of gender and culture are also appealing. Researchers could study how men advertise themselves on SNS, and cross-cultural comparisons between Friendster users from eastern and western cultures would be interesting. Third, in addition to Friendster, there are many online community websites that advertise themselves as places to meet new friends. Some examples would be Facebook, My space, Bebo, etc. It would be valuable to learn how these sites compare one another. Future research could involve interviews of competitor site users to learn if they prefer them to each sites and, if so, why. On the other hand, it would be appealing to do a follow up study focusing on how SNS are handling these competitions and about the brand-loyalty of each SNS users.

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