



CONTAGIOUS

SPECIAL REPORTS

SOCIAL NETWORKING / UGC

WHERE DO BRANDS FIT?

JULY / 2007



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EXECUTIVE SUMMARY

A / The Internet is replacing television as the medium of choice for young adults

B / Social networking adspend is expected to hit \$2.2bn by 2010 (eMarketer)

C / Web 2.0 allows greater potential for online democratisation and user-generated content

D / Virtual communities are growing at an exponential rate

E / There's cash in the equation; video makers have started to be rewarded with a share of the revenue for content

02 / Introduction

Social networks now attract millions of eyeballs worldwide. As their owners consider how best to monetise their offerings, it's no wonder that advertisers are paying attention. User-generated content (UGC) is the lifeblood of Social Networking (SN) – the two concepts mutually spur each other's growth.

03 / Web 2.0 / The Big Players

Web 2.0 sites allow users to generate their own content and interact with others via the Internet. This has turned traditional marketing on its head, placing power firmly in the hands of the people. We can now post comments on respected media sites, contribute to TV channels and influence culture and even politics from our personal PCs.

04 / The Numbers Game

With 154m members worldwide and 300,000 new registrations a day, for many MySpace IS social networking – although rival sites such as

Bebo and Piczo are hot on its heels. The YouTube community now dominates online video, with 150m clips viewed daily. The top sites are not necessarily the best but incremental benefits contribute to the success story, and the domino effect of being top ensures exponential growth in terms of user numbers for key social networking sites.

05 / The Dash for Cash

Online adspend is predicted to rise to \$1.9bn in 2010, yet many media owners are also exploring other ways in which to monetise social networking sites without relying on the tried and tested advertising-based revenue model. Advertising revenues are currently low compared to the size of the audience that is being reached, but MySpace is leading the way in strategic alliances, including deals with Google and Fox and income has doubled since it was bought by NewsCorp.

06 / Networkers / Demographic Shifts

While trend-setters tend to be younger than the

assumed 18-25 age bracket, the dominant demographic profiles of MySpace and YouTube users are predominantly white (90%) and over 35. SN is no longer 'just for kids'.

07 / Creative Advantage

Social networks are desperately trying to build up scaleable niches around interests such as music, allowing advertisers to target their message to a segmented but significant audience.

08 / Success Stories

An in-depth look at Dove's Evolution, which prompted the headline: 'YouTube: Better ROI Than Superbowl' – as well as that somebody first pouring a tube of Mentos into a Diet Coke bottle.

09 / Moving into MySpace

A run through of the key brands that have made MySpace their space by creating customised sites, such as Volvo, X-Men, Family Guy, Burger King, Motorola and Toyota Yaris.



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10 / Sponsorship Space

Branded channels which encourage user-generated content and interaction, such as Axe's Gamekillers, takeovers of YouTube's homepage and a YouTube-based competition sponsored by NBC's *The Office*, all have the potential to create a stir in the SN world.

11 / Getting it Wrong

PR disasters, such as Walmart's short-lived 'The Hub', highlight the perils of trying to exert corporate control in this space. Fake blogs (flogs) and deception in general are particularly reviled amongst social networkers who have the power to expose brands who offend them.

12 / UGC Changes the Marketing Environment

Traditional channels can play a key role, driving users online for more immersive and fulfilling brand experiences. UGC is not for advertisers to impose their idea of style, rather for people to create and customise their own content and sites.

13 / Clouds on the Horizon

Social networkers are a fickle bunch, ready to drop one network as another usurps it. Similarly, they will desert networks that they feel are pandering too much to corporate needs, rather than their own. To be accepted in this environment brands need to have something to say, and the confidence to let go, giving users some control of the brand.

14 / Second Life

With a community that has grown to almost 4m since 2003 and the rise of the Linden dollar as an economy in its own right, the number and variety of brands entering this space isn't surprising.

15 / Conclusion / Scenarios

Best / middle / worst case scenarios in this fluid, fast-changing world.

16 / References, Links, Jargon

Links to social networking sites, further reading and details of contributors.



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NETWORKERS / DEMOGRAPHIC SHIFTS

On key sites YouTube and MySpace, it appears that Social Networking is currently a predominantly white world with little ethnic diversity, despite the supposed utilitarian nature of the Internet.

'You can see, for example, that the growth at Bebo in January [in the UK] was really strong among a group called "blue-collar enterprise", which means lower-income families living in former council houses with lower incomes. The proportion of them now on Bebo has decreased because other mainstream groups have joined. But it's the kids from lower-income families who are actually the early adopters. So marketers may not want to look at the wealthy university students as the trendsetters.' Heather Hopkins, VP research, Hitwise UK.

The first social networkers are stereotyped as 'young, tech savvy trendsetters'. But, as with all stereotypes, the real picture is more complicated. One of the most surprising facts about the first groups to discover social networking and start the craze online is that they were actually from lower-income families.

According to Hitwise, trendsetters also tend to be younger than the commonly assumed 18-25 year-old bracket and be at high school or college. Once on board, they influence the rest of the market, such as the time-poorer young professional whose arrival widens the demographic; a shift which can be seen in the data showing the rise of the average age of social networkers.

The demographic profiles of MySpace and YouTube show that the most prevalent age groups are 35-54 and 35-64 respectively. For Facebook it's 18-34, which you would expect for a college-based network. Despite this marked shift to a much older demographic Hopkins is confident that 'MySpace will never be dominated by silver surfers'. These tables also show that pure social networks have a female bias and that video sharing is more popular with men. They also reflect that social networking is predominantly a white world with very little ethnic diversity: according to ComScore MySpace's, YouTube's and Facebook's populations are all over 90% white, more than the percentage of white Internet users which is estimated at 75%.

Analysts such as Rider Research are predicting that the demographic will continue to skew 'significantly' older over the next five years. But Kantrowitz urges marketers not to read too much into the media coverage of the shift, some of which has suggested MySpace has become a playground for market researchers, entertainment talent scouts and executives from the music business:

'It's a bit of a misnomer what the media is writing about the ageing of our site and what's actually happening. Yes, the demographic is widening because putting your life online... is becoming less and less of a stigma to a generation who didn't necessarily grow up that way.' Jamie Kantrowitz, senior vice president of marketing and content UK & Europe, MySpace.

Kantrowitz adds too that the way older users are interacting with the site is very different. They tend to use it for job networking, meeting friends from school or





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Jim Scheinman, vice president of business development and sales, Bebo. www.bebo.com

Dan Zambonini, technical director, Box UK. www.box.uk.com

Steve Rubel, senior vice president of PR firm Edelman's Me2Revolution division.

Jamie Kantrowitz, MySpace senior vice president of marketing and content UK & Europe.

Benjamin Lehmann, research associate, Jupiter Research.

Heidi Browning, senior vice president client solutions, Fox Interactive.

Drew Neisser, president and CEO, Renegade Marketing Group.

Heather Hopkins, VP research, Hitwise UK.

Kevin George, vice president and general manager, Unilever deodorants, North America.

Bob Ivins, managing director comScore, Europe.

Graeme Oxyby, marketing director, 3 Mobile UK.

Greg Johnson, executive director of the Interpublic Emerging Media Lab (EML).

Tim Kopp, VP global interactive marketing, The Coca-Cola Company.

Caroline Sloatweg, director of digital marketing and new media worldwide, Unilever.

Adrian Si, interactive marketing manager, Scion, North America.

Catherine Smith, director of marketing at Second Life creators Linden Lab.

Aaron Cohen, founder, Bolt Media.

Interviewees quoted from conferences taking place in November 2006:

Emily Bell, director of digital content at *The Guardian* newspaper.

James Murdoch, chief executive, BSkyB.

Niall FitzGerald, chairman, Reuters and former chairman and CEO of Unilever.

Angel Gambino, vice president, commercial, strategy & digital media, MTV Networks UK.

16.02 / Conferences

Engage 2006 run by the Internet Advertising Bureau (IAB), November 2006.

The main transcripts from the event are available at www.iabuk.net/en/1/iabengage2006.mxs and video streams at: http://video.vividas.com/CDN1/4960_IAB/index.html

European Media Leaders Summit 2006 run by PriceWaterhouseCoopers and Informa Telecoms and Media, 'Business Strategies for the Digital World', November 2006 (www.euromedialeaders.com)

16.03 / Social Networking Sites

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www.bebo.com

www.blackplanet.com

www.bolt.com

www.bud.tv

www.classmates.com

www.craigslist.org

<http://cyworld.nate.com>

www.dodgeball.com

<http://eefoof.com>

www.eyespot.com

<http://en.facebook.com>

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www.fametv.com

www.flixya.com

www.flickr.com

www.friendsreunited.com

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www.gaiaonline.com

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<http://habbo.com/hotel>

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www.seemetv.com
<http://spaces.live.com>
www.tagged.com
www.wikipedia.org
www.xanga.com
www.youtube.com

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Social Network Marketing: Carving out some MySpace by eMarketer.

http://www.emarketer.com/Reports/All/social_network_aug06.aspx

Social Computing, Forrester Research.

<http://www.forrester.com/Research/Document/Excerpt/0,7211,38772,00.html>

The Rise of Lifestyle Media: Achieving success in the digital convergence era, Price Waterhouse Coopers.

<http://www.pwc.com/extweb/pwcpublications.nsf/docid/09FC84CC497D1569852570F800723E7A>

The Buzz on User-Generated Content and Social Media, published by the IAB.

<http://www.iabuk.net/en/1/usergeneratedcontentandsocialmedia.html>

User-Generated Content: Threat or opportunity for established entertainment and media companies?, Rider Research.

www.riderresearch.com

US Consumer Generated Media Report, November 2006, Hitwise / www.hitwise.com

16.05 / The number crunchers

ComScore / www.comscore.com

eMarketer / www.emarketer.com

Forrester / www.forrester.com

Hitwise / www.hitwise.com

IDC / www.idc.com

Jupiter / www.jupiterresearch.com

Nielsen/NetRatings www.nielsen-netratings.com

Trend Watching / www.trendwatching.com

16.06 / Sites to Watch

www.advertising.com

<http://battellemedia.com>

www.boxuk.com

www.channel4.com/fourdocs

www.current.tv

<http://del.icio.us/>

www.jaffejuice.com

www.limelightnetworks.com

<http://lindenlab.com>

www.micropersuasion.com

www.millionsofus.com

www.mtv.co.uk/channel/flux

www.mynum.com

www.newscorp.com

www.oreilly.com

www.revver.com

www.riversrunred.com

<http://scoble.weblogs.com>

www.sky.com

16.07 / Jargon

Adder software: software allowing users to add friends to their social networking page

Blog: short for web log. A user-generated website containing entries made in a journal style displayed in reverse chronological order

Blogosphere: collective term encompassing all blogs as a community or social network

CCM: consumer-created media

CGM: consumer-generated media

Engagement: amount of time users spend on a website

Flog: fake blog

Mash up: a website or application that combines content from more than one source

Pop diving: filtering information by dipping in and out of popular culture due to the explosion of available content
SN: social networking

UGC: user generated content

UPC: user-produced content

VC2: viewer-created content

Social computing: Forrester Research coined the phrase defined as 'a social structure in which technology puts power in communities not institutions'

We Media: a term being touted by Yahoo! to denote the 'people-to-people' nature of social media