Introduction to Social Networking

Tim Trampedach, RockYou!
Agenda

- Introduction & terminology
- Market overview
- Applications
- The business of social networking
- Where do I fit in?
- Future direction
- Q&A
Introduction
Examples of Social Media

- **Multimedia**
  - Photo-sharing: Flickr
  - Video-sharing: YouTube
  - Audio-sharing: imeem

- **Entertainment**
  - Virtual Worlds: Second Life
  - Online Gaming: World of Warcraft

- **News/Opinion**
  - Social news: Digg, Reddit
  - Reviews: Yelp, epinions

- **Communication**
  - Microblogs: Twitter, Pownce
  - Events: Evite
  - *Social Networking Services: Facebook, LinkedIn, MySpace*
Major Social Networks

- Social Networking Websites:
  - MySpace
  - Facebook
  - Hi5
  - Orkut
  - Bebo
  - Friendster
  - LinkedIn
  - StudiVZ
  - Xing
# They Are Big!

## Worldwide top 10 websites, August 2008

<table>
<thead>
<tr>
<th>Rank</th>
<th>Unique visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Google</td>
</tr>
<tr>
<td>2</td>
<td>Microsoft</td>
</tr>
<tr>
<td>3</td>
<td>Yahoo!</td>
</tr>
<tr>
<td>4</td>
<td>AOL</td>
</tr>
<tr>
<td>5</td>
<td>Wikimedia</td>
</tr>
<tr>
<td>6</td>
<td>eBay</td>
</tr>
<tr>
<td>7</td>
<td>CBS</td>
</tr>
<tr>
<td>8</td>
<td>Fox Interactive Media</td>
</tr>
<tr>
<td>9</td>
<td>Amazon Sites</td>
</tr>
<tr>
<td>10</td>
<td>Facebook</td>
</tr>
</tbody>
</table>

Source: comScore
Social Network Defined

A **social network** web site allows a user to:

1) Create a “profile”: set up an account to create a digital representation of themselves
2) Select other members of the site as contacts or connections
3) Communicate and engage with these users

   Creates a **social graph**

4) Recently: Use an interface (API) to build applications
Social Graph Defined

- “the information a social network collects about a user”
- Includes contact information, location, associations, personal information, work history, personal preferences, who you’re friends with, etc.
- This is changing:
  - Facebook’s Beacon feature: other sites you’ve visited
  - Application usage
  - Could include photo contents
Facebook Status Updates

Tim Trampedach is preparing his presentation. 5 minutes ago – Comment

Joey Lee is thinking about halloween costumes. 14 minutes ago – Comment

Amber Ludwig Otero took the mechanics at the VW dealership to task. One little cuss word from a Southern Belle and --voila!--a loaner car. 31 minutes ago – Comment

Amber Ludwig Otero took the mechanics to task. 33 minutes ago – Comment

Maureen Robertson has lots of work to do. 36 minutes ago – Comment

Ajay Patel is in LA. about an hour ago – Comment

Rachel Moy is finally DONE with Mod 1!!! about an hour ago – 1 Comment
The World’s Largest Photo Sharing Site

Photos of You

Photo 4 of 96 | Photos of Me

Click on people's faces in the photo to tag them.

In this photo: David Kazmierczak (photos), Chrissy Stengel (photos), Tim Trampedach (photos | remove tag)

Added October 2

From the album: "Brian & Cassandra's wedding" by Anrika Weckerle
Facebook Profile

Tim Trampedach is preparing his presentation. 10 minutes ago dear

What are you doing right now?

Today

- Tim is preparing his presentation. 3:55pm - Comment

Yesterday

- Tim is happy that he didn't crash and burn on the golf course today. 10:11pm - Comment

Information

- Networks:
  - San Francisco, CA
  - UChicago Alum '08
  - Columbia Alum '00

- Relationship Status:
  - In a Relationship with Chrissy Stengel

- Birthday:
  - August 22

- Current City:
  - San Francisco, CA

Friends

- 450 friends

Applications

- rockyou

More Ads

- hello
The Network Effect

- The underlying premise of a social network is the **Network Effect**
- Premise: something becomes more powerful the more people use it
- Classic network effect: the telephone system
- Social networks are no different
What Are Social Networks Used For?

Content posted on social network

“What do you do with your social networking profile?” Active Internet Universe

- Upload Photos: 55.1%
- Upload Videos: 21.9%
- Install applications: 23.3%
- Message friends: 74.0%
- Write a blog: 30.8%
- Dating: 18.3%
- Promote a band: 9.8%
- Favourite/currently listened to music: 33.6%
- Other: 3.2%

% Added to Social Network Page (Social Network Users)
Market Overview
Social Network Differences

■ Business vs. personal

■ Demographic, at least initially:
  – MySpace: music
  – Facebook: US college students
  – Niches: Christian networks, aSmallWorld, etc.

■ Regional differences:
  – LinkedIn: mainly US
  – Xing: Europe
  – Cyworld: 85% of South Korea registered!

■ Language adoption:
  – Most networks: English only or highly dominated
  – Friendster: English, Spanish, traditional + simplified Chinese
  – StudiVZ: German, French, Italian, Polish & Spanish

■ Application platform
Le Distribution Géographique
How Much Has The Market Been Tapped?

Explosive growth…

…But still a long way to go
Who Is Involved?

Advertisers
Social Networks
Application makers
Ad servers
You
Who is RockYou?

Our mission is to engage the world with social applications

- **Most popular** applications/widgets across Facebook, MySpace, hi5, Bebo and Orkut
  - 150M
- Over 700K RockYou apps installed daily and over **150 million** apps live across social networks
  - 4M
  - 700k
- Over **4 million** daily users
- Over **100 million** monthly unique visitors across RockYou network
  - 100M
- Over 1B pageviews a month on RockYou apps and **9 billion** pageviews per month across our ad network
  - 9B
Most Million User Applications across Social Networks
What is an App?

- Build functionality on top of the social network
  - Think about a social network being MS Windows
  - You can build applications on top of either of these

- Many social networks have an interface to build apps

- Use the social graph to create a better experience for users:
  - Play games against your friends, not strangers
  - Get direct access to friends to send messages & interact
Application: Super Wall

#1 app on Facebook
20M monthly unique users
80M monthly page views

Communication
Videos
Cards
Drawings

Viral channels for growth
Why Build a Social Network Application?

- Fast distribution: virality through built-in messaging channels
- Very low barriers to entry
  - Simplicity of interfaces
  - Access to rich user data
- Make money if you’re good at it
  - Some apps make > $1M / month with a handful of engineers
  - But many don’t make anything
- Successful applications require ongoing investment
  - Branded applications generally fail
  - Put your brand on a contextual viral application instead
Viral Channels
Virality: The Viral Loop

- x * y > 1 gives you viral growth
- Fine line between messaging and spam
Building Viral Engagement

1. **New users => build clean flows**
   - New users absolutely key to viral engagement (vs returning user)
   - Focus on linear, one-action flows to maximize activation for new users
   - Forget registration

2. **Direct friends => deliver clear value prop**
   - Provide clear value proposition to new user for inviting friend network
   - Ensure invitation is inherent to the new user flow to maximize viral value of user

3. **Indirect friends => focus on messaging**
   - Focus on messaging to invite/notification receivers to drive CTRs and more efficient/effective invitations/notifications
   - Deliver increasing AND simply understood value to app w/ every friend invited

4. **Interested parties => allow universal use**
   - Enable simple tools (comments, ratings, answers) that allow interaction w/o requiring full engagement w/ application
Key Takeaways for Initial Viral Growth

- New User focus
- Simplicity
- Novelty
- Universal Applicability

Or use an ad network: You can pay RockYou! for generating installations

This applies to building web applications in general!
The Business of Social Networking
Money Basics

- Many ways to make money
  - Comparing ROI can be tricky in new markets

- CPM is standard used across all online media

- eCPM is effective Cost Per Mille (1000)

- Best way to compare advertising opportunities
  - Media buyers always convert to this
  - For example, CPA (Cost Per Action) can be translated as:
    \[ \text{eCPM} = \text{CPA} \times (\text{engagement rate}) \times 1000 \]
3rd party ad networks on Facebook, MySpace serve as the foundation of both promotion and revenue generation for most social applications.

- Revenue from ad networks ranges from $0.10 - $1.50 eCPM
- Largest individual publishers on RockYou network generate $20K to $100K a month
Agency-Sourced Branded Advertising
Lead Generation, Direct Response

- Basic concept: generate a user/buyer for us, we pay you
  - e.g. Blockbuster is looking for a new subscriber

- Currently makes up a significant volume of advertising on social media

- Done through affiliate networks such as OfferPal

- Used in many games to get ahead with points

- Concerns:
  - Lead generation campaigns may burn through quickly; active management and tracking is required
  - Some reservations about quality of leads in social media
    - Depends on context
    - User backlash
Virtual Currency

- Fastest growing segment of social media monetization
- New services allow transactions for youth demographic (13-21)
- Also done through third parties
  - Many complexities & regulations when taking direct payment
- For a high volume app (1M uniques+ a month), revenue generated ranges from $100K - $1M per month

Top MySpace Game Apps (after 2-3 months live)

- Mobsters: 10M users
- Own Your Friends!: 8M users
- Mafia Wars: 8M users
- SuperPets: 3M users
- Texas Holdem: 3M users
- Heroes: 2M users
Where do I fit in?
FACEBOOK AUDIENCE COMPOSITION JUNE 2008 VERSUS JUNE 2007

Source: comScore, Inc.
You’re Not Too Old!

FACEBOOK DEMOGRAPHIC GROWTH JUNE 2008 VERSUS JUNE 2007

Source: comScore, Inc.
What You Can Do

- Be a user
- Build applications
- Advertise your product efficiently
- Build a social network
  - You won’t be the new MySpace or StudiVZ, but…
  - You can create your own highly-focused virtual social network or…
  - Enhance your existing offering by making it social
Reasons to build your own social network

- Questionable reasons:
  - Raising awareness
  - Connecting with event attendees
  - Keeping in touch with classmates
  - Building your career

- Actual reasons:
  - Uniting around a common goal or interest
  - Exchanging tips
  - Creating a tight-knit community
  - Greatly enhancing the experience of another website

Remember the “network effect”: the power of many

Achieve this by:
1. User scale
2. Interest strength
3. Interaction rate
Building Your Own Social Network

- Don’t think of it as a new product
- Think of it as a better way to do something you already offer
- Use the social graph to increase the network effect

Implementation:
- Use a service like Facebook Connect to enhance your site
- Build virtual social network through Ning.com
- Buy software to build a community such as Jive
- Build it yourself

Which one? Depends on what you’re trying to achieve
Money Is Flowing In

Global Online Media Advertising
($Bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$27</td>
<td>$36</td>
<td>$45</td>
<td>$52</td>
<td>$61</td>
</tr>
</tbody>
</table>

CAGR: 22%

Global Social Networking Advertising
($MM)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$480</td>
<td>$1,225</td>
<td>$2,145</td>
<td>$2,883</td>
<td>$3,559</td>
</tr>
</tbody>
</table>

CAGR: 65%

Source: eMarketer
Potential for Social Apps is Exploding

**Alexa Global Traffic Rankings**

- **2005**
  1. Yahoo!
  2. msn
  3. Google
  4. ebay
  5. amazon.com
  6. Microsoft
  7. myspace
  8. Google (U.K.)
  9. AOL
  10. 

- **2008**
  1. Yahoo!
  2. YouTube
  3. Google
  4. Windows Live
  5. msn
  6. myspace
  7. Facebook
  8. hi5
  9. Wikipedia.org
  10. orkut
Current Trends

- Expanding rapidly
  - Cyworld 85% coverage in South Korea

- Emerging markets
  - Xianoei, China: 3M app installations in first week

- Enrich experience on other sites
  - Data portability, e.g. Facebook Connect

- Desktop of the Internet
  - Already first destination for many people
  - Major sites are building social infrastructure

- Mobile phones
  - Not viral yet, popular in Asia
  - Likely to be dominated by computer-based networks
Questions?

Ich kann auch auf Deutsch antworten
But it might come out in Germlish

Weitere Fragen:
tim@rockyou.com