An Introduction To Online Social Networks:
What are they and why do they matter to business?

Virtual holidays in Second Life, crime videos on YouTube and popstars on My Space – there is no avoiding the fact that social networking websites are currently hot news.

But looking beyond the technology, is there really anything new about online social networks? People engage in online social networks for reasons that are primarily about human contact and communication, such as:

- Maintaining and enhancing existing relationships, often over distances
- Forging and maintaining new relationships based on common interests

Technology is the enabler for very basic human needs. Ultimately, online social networks are a technology driven extension of the relationships, interactions and alliances that people partake in as part of their every day life.

* Somehow Facebook has looped me back-in with friends and acquaintances that I just never would think to reach out to anymore, and as a result has revived/enriched many of my social connections (albeit, only virtually).* Post in New York Times discussion August 2007

The social network metaphor existed long before MySpace hit the headlines. Sociologists and researchers have used the concept for over a century to describe complex sets of relationships between members of social systems at all scales. Since the 1950s, social network analysis theories have emerged to explore aspects of these network structures, including the connections, ties and links between members of a network.

At its simplest, a social network (whether online or offline) is a map of all of the relevant ties between the participants in the network. As this social network map (of the author’s Facebook network) shows, individuals in a particular network may share varying degrees of interconnectedness, for example in tightly connected cliques, or they may have few connections in one network, but act as a gateway to other networks.
As the previous map shows, the connections in online social networks follow the same principles that were being explored by sociologists long before the advent on the Internet.

Nor are these networks simply a “Web 2.0” creation. Online social networking has existed since the earliest days of the Internet, but its popularity has exploded with the development of the social media technologies and practices that people use to share content, opinions, insights, experiences, perspectives, and media globally via an online environment.

Online social networks can broadly be grouped according to the following categories:

- **Leisure Oriented Sites**: entertainment and personal socialising sites - MySpace, Facebook, Friendster, Bebo, Orkut, Windows Live Space

- **Professional Networking Sites**: sites focusing purely on business networking - LinkedIn, Xing, Ecademy
• **Media Sharing Sites**: sites focusing on the distribution and consumption of user-generated multi-media content, such as video and photos - YouTube, Flickr, Photobucket

• **Virtual Meeting Place Sites**: virtual worlds, built and owned by its residents (the users) - Second Life, There, Habbo Hotel, Disney’s Toontown

• **Massively Multiplayer Online Games**: enable players to interact, cooperate and compete with each other on a grand scale, such as World of Warcraft, Lineage 2 and Everquest

Users typically belong to more than one social network (estimates suggest 3 to 5) and a number of sites may simultaneously rise in popularity, rather than one rising at the expense of another. People use different social networks for different facets of their lives. However, specific social networking sites can quickly rise and wane in popularity based on the quality and extent of interactions. So, if members of your social network move from say LinkedIn to Facebook, chances are, so do you.

So, beyond the virtual holidays in Second Life and popstars on My Space, online social networks are the technology-assisted extension of the relationships and alliances that people undertake in their every day life – with a particular advantage that their global reach can help overcome barriers of distance.

“I use Second Life as a way to interact with my friends and family that are 3000 miles away from me. I’ve also managed to make some new friends along the way…”

*Post in New York Times discussion August 2007*

**Why are they attracting so much attention?**

Social networking websites are currently in a high growth phase, which is why they are attracting so much attention. Roughly 1 in 6 of the UK population were active on Bebo in July 2007 (the same applies to MySpace).

According to research by Hitwise¹, the top 20 social networks now account for 4% of all UK Internet visits, up 79% year on year. (In comparison, web-based email websites accounted for 5.54% of Internet visits.) Growth in visits to social networks was outpaced only by the Hitwise “News and Media – IT Media and Entertainment – Multimedia” category.

¹ Hitwise UK Social Networks Research Note, June 2007
Similarly, comScore reports that: “Bebo.com became the most visited social networking site from within the UK in July 2007, attracting 10.6 million unique visitors, an increase of 63 percent over the start of the year. It was closely followed by social networking behemoth Myspace.com, which enjoyed a 25 percent increase in traffic over the same time period, to reach 10.1 million unique visitors in July. The fastest growing social networking site in terms of UK based unique visitors was Facebook.com, which grew 366 percent since the start of the year to attract an audience of 7.6 million unique visitors in July 2007.” (Source comScore August 2007)

In the past year, online social network sites have grown dramatically and globally. comScore also reports that: “MySpace.com attracted more than 114 million global visitors age 15 and older in June 2007, representing a 72-percent increase versus year ago. Facebook.com experienced even stronger growth during that same time frame, jumping 270 percent to 52.2 million visitors. Bebo.com (up 172 percent to 18.2 million visitors) and Tagged.com (up 774 percent to 13.2 million visitors) also increased by orders of magnitude.” (comScore July 2007)

Social networking sites are growing much faster than the traditional web portals and they may come to eventually challenge the dominance of portals such as Yahoo and AOL (hence the acquisition of social networks sites by portals). Consumers also spend more time on social networking sites than on other websites. The average visit length for the top 20 social networking websites in April 2007 was 25 minutes 27 seconds, compared to the average for All Categories of websites of 10 minutes 2 seconds. (Source, Hitwise September 2006). This has major implications for online advertisers.

Finally, combined with the massive growth in popularity, the very nature of the user-generated content on many social networking sites is also attracting attention. There is a blurring between the personal and private, the home life and the work life with in social networking spaces – interactions with friends may be visible to employers and user-generated comments about products may stand alongside costly advertising. A consequence of this is some widely reported incidents of workplaces cracking down on their employees’ behaviour online and of schools and organisations restricting access to social networking sites.

**Who uses online social networks?**

The people using social networking sites are already your customers. Social networking sites are not just the territory of the young - approximately 64% of all US Internet users visited a social network website in June 2007 and roughly 1 in 6 of the UK population were active on Bebo in July 2007, with the same applying to MySpace. (Source comScore and Hitwise)
The largest user group of online social networking sites is older (35-54 yrs) than many realize and mirrors general Internet usage demographics:

<table>
<thead>
<tr>
<th></th>
<th>Total Internet</th>
<th>Myspace.com</th>
<th>Facebook.com</th>
<th>Bebo.com</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Visitors (000)</td>
<td>178,839</td>
<td>70,478</td>
<td>27,965</td>
<td>4,083</td>
</tr>
<tr>
<td>Total audience</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Aged 12 - 17</td>
<td>10.1</td>
<td>6.6</td>
<td>15.2</td>
<td>27.2</td>
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<tr>
<td>Aged 18 - 24</td>
<td>12.0</td>
<td>18.0</td>
<td>26.9</td>
<td>9.7</td>
</tr>
<tr>
<td>Aged 25 - 34</td>
<td>16.0</td>
<td>19.4</td>
<td>11.5</td>
<td>13.6</td>
</tr>
<tr>
<td>Aged 35 - 54</td>
<td>38.9</td>
<td>42.3</td>
<td>34.4</td>
<td>34.8</td>
</tr>
<tr>
<td>Aged 55 +</td>
<td>14.8</td>
<td>10.0</td>
<td>6.6</td>
<td>7.1</td>
</tr>
</tbody>
</table>

*Data sourced from comScore for June 2007*

While attracting global users, specific sites have a tendency to skew in popularity in different regions. For example, both MySpace.com and Facebook.com attract approximately two-thirds of their respective audiences from North America, whereas Bebo.com has a particularly strong grasp on Europe and Orkurt on South America and Asia.

Social networking sites in general appeal to a massively broad range of people, however, different sites have different socio-economic profiles. Facebook, for example, was originally aimed exclusively at US college students, characteristics that still apparent in its user profile.

The same people may engage with different sites to meet different needs, but the users of social networking sites are not an exotic sub-segment, they represent the mainstream Internet population.

"I moved across the country after graduating from college, and Facebook has been an excellent resource for keeping up with old high school and college friends, as well as family."

"I play EQ2 to spend time with friends I have made in other parts of the world, you really get to know people when you can see how they act under pressure or when they have to think quickly to solve a problem. The friendships I have made in game are deeper than most RL friendships, we know each other better and see each other under more varied circumstances."

"I use Flickr everyday. I like posting pictures of things that interest me and seeing what others are looking at and experiencing at the same time. I've had some nice exchanges with people I don't know, yet feel familiar with because I see their photos so often."

Posts in New York Times discussion August 2007
What do these sites have to do with business?

1. Consumer and employee generated content reduces “control” over your message

Your customers and staff are likely to be talking about you online and whether it is primarily positive or negative in tone, that talk is an influencing factor on others within a social network.

Businesses and brands can no longer assume they control the public message about their products and services – user generated content (for example user reviews, postings, rants and raves) has an increasingly widespread influence too.

2. Marketing and advertising channels

In 2006, advertisers spent $350 million on social networks, or 2.2 percent of total online ad spending, according to New York research firm eMarketer. The firm estimates that social network ad sales will exceed $2 billion by 2010.

Long user session times typically experienced by social networking sites, such as 35 minutes 12 seconds for Habbo UK and 32 minutes 25 seconds for Bebo, indicate high levels of involvement with the websites, necessitating advertisers to create more creative advertising that is integrated into the user experience and does not require users to click off the website. (source Hitwise June 2007) This is a shift in online advertising practice as previously the goal was to get web visitors to click on an advert and depart to a different website.

An example of a company that has taken this on board is Top Shop, who are adapting their marketing and advertising to participate in the social networks they are targeting. Hitwise reports that “In April 2007, the #2 site referring visits to TopShop.co.uk was MySpace, accounting for 5.99% of upstream visits. MySpace accounted for more than two and a half times more visits to TopShop.co.uk compared with Yahoo! and MSN Search… TopShop.co.uk has a profile on MySpace and there is a TopShop.co.uk community where consumers can discuss fashion. The brands are also both mentioned on numerous profiles. Whilst we cannot isolate the exact source on MySpace of the traffic, it appears that interaction with the community is driving the traffic”. (source Hitwise June 2007)

3. Business networking and professional development opportunities

A recent survey by Barclays Bank found that only around 10% of UK SMEs are currently using the Internet for business networking – far lower than face to face networking. However, business
specific online networks are also experience significant growth, albeit from the “early adopters”. Hitwise reports: “The market share of US visits to LinkedIn was up 323% in the past year (week ending 7/7/07 vs week ending 7/8/06), and up 17% in the past four weeks alone (week ending 7/7/07 vs week ending 6/8/07). As of last week, LinkedIn ranked at #23 in the Hitwise Employment and Training category.” There is also an indication of an emerging trend for social networking sites like Facebook to be used for business networking purposes, though it is too early to speculate whether this will be sustained.

4. **They are diverting consumers attention from other media channels and websites**

According to Ofcom's annual Communications Market Report, released August 2007, UK citizens now spend over 50 hours a week on the phone, surfing the Internet, watching the television or listening to the radio. Yet while internet and mobile phone usage continues to grow, the average amount of time consumers spend watching the television has fallen 4 per cent since 2002, while radio listening has declined 2 per cent.

Internet advertising revenue rose 47 per cent to over £2bn in 2006 - more than ITV1 and Channel 4's combined advertising revenue – also reflecting a shift from offline to online media.

However, even within the online environment the social networking sites are having an impact, particularly for the major portals. Hitwise reports that shopping and classifieds music websites saw a 121% increase in year on year upstream visits from social network sites in April 2007. Web users are going from social networks direct to retailers – potentially bypassing the locations where advertisers have traditionally focused their online attentions.

**To conclude**

Online social networks are not about to go away, nor can they be dismissed as a flash in the pan. There is every likelihood that growth will continue and that existing portals, sites and offline channels will feel their impact. Looking to the near future, it is possible that a further wave of growth will come as social networking sites become increasingly integrated with mobile phone technology.

The technology behind social networking sites is enabling a broad population of Internet users to meet basic human needs for contact and communication, often over great distances, while also influencing the way at which people share opinions, ideas and news amongst each other. The speed at which “word of mouth”, “buzz” and indeed rumours spread are enhanced by the efficiency of the communication channels open to members of online social networks.
The people using social networking sites are already your customers. Roughly 1 in 6 of the UK population were active on Bebo in July 2007 (the same applies to MySpace) – meaning online social networking sites are not simply the territory of the young or the tech-savvy, but represent the full cross section of Internet users.

So, even if you’re not about to open a virtual branch in Second Life or join up to a Facebook networking group, online social networking sites should be on the radar of businesses – because they’re certainly on the radar of customers.

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