



March 2009

Global Faces and Networked Places

A Nielsen report on Social Networking's New Global Footprint

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INSIDE:

Social networks/blogs now 4th most popular online category – ahead of personal e-mail

These sites account for one in every 11 minutes online

Orkut in Brazil has the largest domestic online reach (70%) of any social network anywhere in the world

Facebook has the highest average time per visitor amongst the 75 most popular brands online worldwide

Introduction

How social networks are creating a potentially transformational change in consumer behaviour

Social Networking has been the global consumer phenomenon of 2008. Two-thirds of the world's Internet population¹ visit a social network or blogging site and the sector now accounts for almost 10% of all internet time. 'Member Communities'² has overtaken personal Email to become the world's fourth most popular online sector after search, portals and PC software applications.

The story is consistent across the world, 'Member Communities' has taken a foothold in every major market from 50% of the online population in Switzerland and Germany to 80% in Brazil. Facebook has become the largest player on the global stage, dominant in many countries, yet localised offerings have won the day in many others.

However, the growth in popularity of social networks – and the resultant broadening audience – is only half the story. The staggering increase in the amount of time people are spending on these sites is changing the way people spend their time online and has ramifications for how people behave, share and interact within their normal daily lives.

Consequently, the global media and advertising industries are faced with new challenges around the opportunities and risks this new consumer medium creates. Social networks provide competition to traditional publishers for consumer attention and at the same time, facilitate new ways for publishers

and advertisers to connect with their audiences. So how do they need to change their strategies accordingly?

Consumer engagement within social networks has the potential to change the way consumers are targeted, not just through the digital medium, but through all forms of traditional media. Whilst a few billion dollars of ad revenue can't be wrong, the prevailing wisdom is that the current level of advertising activity on social networks isn't commensurate with the size – and highly engaged levels – of the audience. The social networks and advertising industry haven't quite yet found that magic formula to make this happen.

The industry is faced with a real 'Catch-22' situation. Part of Facebook's extraordinary subscriber growth is due to a clean design with little advertising clutter; consequently, the audience growth hasn't been accompanied by a similar surge in advertising revenue. On the other hand, MySpace's more customisable entertainment and content-oriented offering – carrying more advertising – has been more successful at attracting advertising revenue, yet MySpace's audience is flattening. The industry will be watching very closely at which one of these fundamental differences in strategy will prove the most successful in attracting advertising revenue in 2009.

This report puts the global social network phenomenon during 2008 into context, providing insights and lessons for the networks themselves, advertisers and the media industry on how to take advantage of what's happening online around "Global Faces and Networked Places".

Report Highlights

1. Putting the growth of social networks – popularity and engagement – into context
2. How the audience to social networks is changing
3. The challenges facing advertisers on social networks
4. What advertisers can do to find the magic formula for advertising in social networks
5. Factors contributing to the Facebook phenomenon
6. Why localisation has won the day in many countries
7. Where mobile social networking has taken the greatest hold
8. What 'traditional' publishers can do in the face of the social network phenomenon

¹ In this report, the terms 'Global' or 'World' encompass the following countries in which Nielsen Online has a NetView panel – USA, Brazil, United Kingdom, France, Germany, Italy, Spain, Switzerland and Australia. (Whilst Japan figures are shown in certain graphs, Japanese data isn't included in any global figures.)

² Nielsen Online's 'Member Community' category includes both social networking and blogging websites.

Social network and blogging sites are now the fourth most popular activity on the Internet

'Member Communities' now reach over 5 percentage points more of the Internet population than it did a year ago – a growth rate more than twice that of any of the other four largest sectors.

The strongest growth has come in Germany where the sector now reaches 51% of Germans online compared to 39% a year ago – an actual increase of over 12 percentage points.

Large growth has also occurred in the UK, Spain, Italy and Switzerland – the sector reaching 10% percentage points more of the online population in each of these countries than it did a year ago.

Germany arrives later to the social network party

Natural German reserve when it comes to disclosing personal data resulted in social networking taking off later than in most other countries. As in many countries, younger people were the first in Germany to embrace social networks. However, the activity is starting to spread to the wider online population due to sites like "Wer-kennt-wen", literally translated as "Who Knows Whom." Including neighbourhood communities and job-related networks, "W-k-w" addresses a more mainstream audience than previous dominant players such as StudiVZ, which targets students.

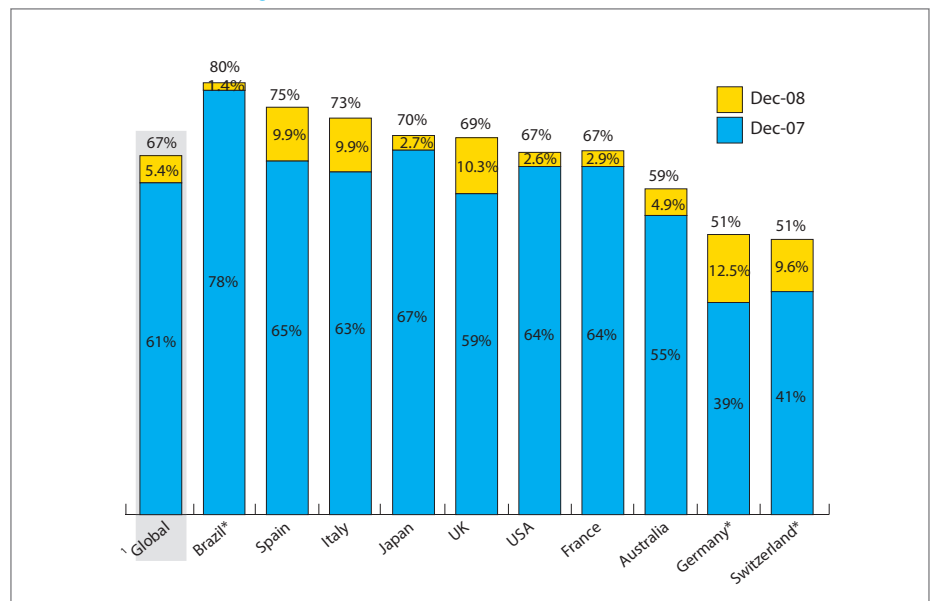
Takeovers by big traditional media companies – bringing significant investment and management experience – have also helped bring social networking to a wider audience. Publisher Holtzbrinck bought StudiVZ (within eight months its audience grew by 168%) and after TV network RTL, a subsidiary of media giant Bertelsmann, bought "W-k-w", its reach tripled within a year.

Figure 1: Member Community growth twice that of any of the other five most popular sectors

Rank	Sector	Global ¹ Active Reach Dec 08	Global ¹ Active Reach Dec 07	% Point Increase in Active Reach
1	Search	85.9%	84.0%	1.9%
2	General Interest Portals & Communities	85.2%	83.4%	1.9%
3	Software Manufacturers	73.4%	72.0%	1.4%
4	Member Communities	66.8%	61.4%	5.4%
5	E-mail	65.1%	62.5%	2.7%

Source: Nielsen Online, Global Index, December 2007 – December 2008. E.g. In Dec 08 the Search sector reached 1.9% (points) more of the world's online population than it did in Dec 07
¹'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only

Figure 2: Germany has seen the greatest increase in online reach of Member Community websites



Source: Nielsen Online, NetView, Home and Work Data, December 2007 – December 2008 (*Home only). E.g. In Dec 08 'Member Communities' reached 67% of the global online population compared to 61% in Dec 07
¹'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only (JP figure not included in Global figure)

Facebook has started to make a bigger impression since launching a German language interface in March 2008 – the last six months of 2008 saw the site triple its audience to over 2.4 million Unique Visitors.

However, Facebook is still only the sixth most popular social network in Germany

as local players already had a significant head start. In fact, StudiVZ, started in 2006, was so similar to Facebook that Facebook sued it in a Californian court in 2008, alleging that StudiVZ copied its look, feel, features and services. StudiVZ denied the claims.

Time spent on social network and blogging sites growing at over 3x the rate of overall Internet growth

This increase in popularity is only half the story when it comes to the social networking phenomenon – the time people spend on these networks is also increasing dramatically.

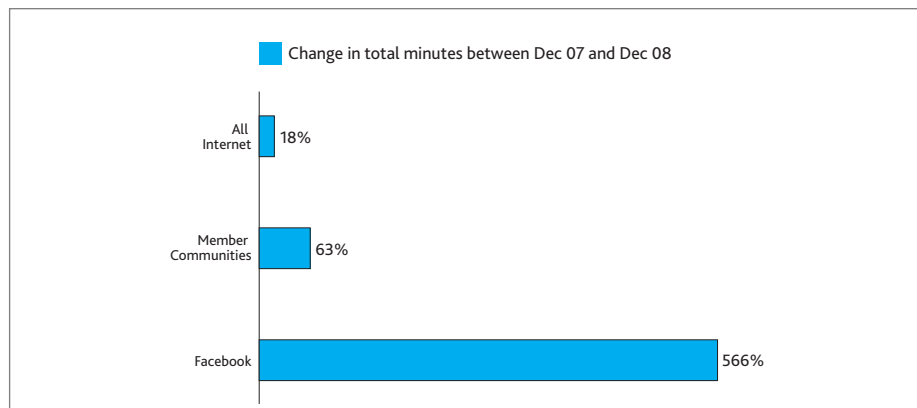
The total amount spent online globally increased by 18% between December 2007 and December 2008. In the same period, however, the amount of time spent on 'Member Community' sites rose by 63% to 45 billion minutes; and on Facebook by a massive 566% – from 3.1 billion minutes to 20.5 billion. Facebook's time is so high due to being the ninth most popular brand online and having the highest average time per person (three hours 10 minutes) amongst the 75 most popular brands online worldwide.

Consequently, social networks and blogs are eating into the share of time held by other sectors

Because time spent on social networks is growing at a dramatically faster rate than the Internet average, social networks are gaining a larger share of all Internet time. In most of the countries monitored the share of time accounted for by 'Member Communities' has more than doubled. In Switzerland, for example, the share of time has tripled from 3% to 9.3%.

A year ago 'Member Communities' accounted for one in every 15 online minutes globally – now it accounts for one in every 11. In Brazil alone, 'Member Communities' accounts for almost one in every four minutes. In the UK they now account for one in every six minutes (up from every 13 minutes a year ago) and in Italy one in every seven (up from one in 14 a year ago).

Figure 3: The total amount of time spent on Facebook increased by 566%



Source: Nielsen Online, Global Index, December 2007 – December 2008
¹ 'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only

Figure 4: Switzerland has seen the greatest increase in share of time accounted for by Member Community websites

Country	Member Community Share of Time Dec-07	Member Community Share of Time Dec-08	Relative Change in % Share
Global ¹	6.7%	9.3%	38%
Switzerland*	3.0%	9.3%	207%
Germany*	3.1%	7.5%	140%
UK	8.0%	17.4%	118%
Italy	7.2%	15.4%	113%
Spain	6.7%	12.5%	87%
France	4.0%	6.3%	59%
Australia	6.9%	10.9%	58%
USA	5.8%	6.4%	11%
Brazil*	24.4%	23.1%	-6%

Source: Nielsen Online, NetView, Home and Work Data, December 2007 – December 2008 (*Home only)
 E.g. Between Dec 07 and Dec 08 the share of time accounted for by 'Member Communities' globally increased from 6.7% to 9.3% - a relative increase of 38%
¹ 'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only

Like social networking, the Video and Online Games sectors have also seen strong increases in share of time and it seems that the biggest casualty of these increases has been Instant Messaging – another 'communications' sector that has struggled to attract ad revenues consistent with the level of online time it accounts for.

As the online industry matures and the value of online real-estate is increasingly measured by time spent, rather than pages viewed, a significant shift in advertising revenue from 'traditional' online media towards social media could be realised – if the successful ad model can be found.

The social network audience is becoming more encompassing

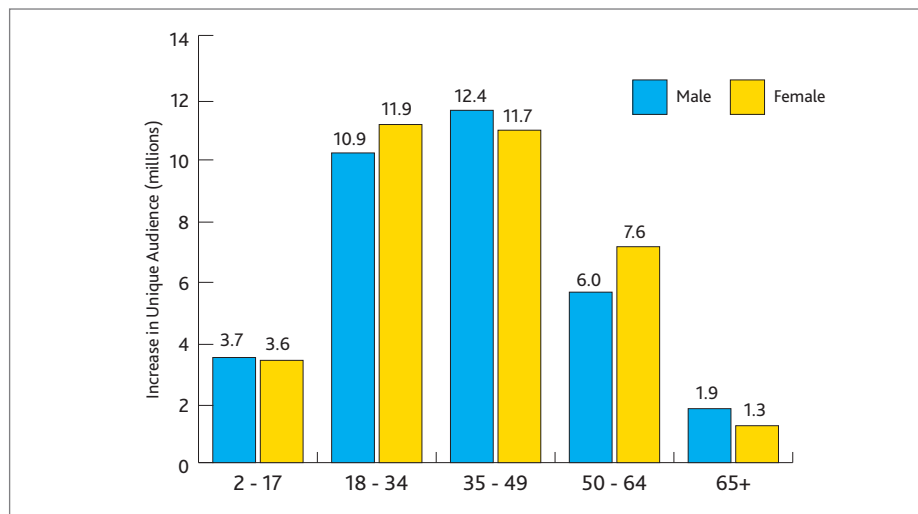
As an entity moves from being niche to a major player the composition, or make-up, of its audience changes. Social networks online started out amongst the younger audience. However, as the networks have become more mainstream with the passage of time, it isn't surprising to see the audience becoming broader and older. This shift has primarily been driven by Facebook, whose successful formula (page 9) opened up the possibilities of social networking to a much wider audience.

In terms of sheer audience numbers, for example, the greatest growth for Facebook has come from people aged 35-49 years of age (+24.1 million). Furthermore, Facebook has added almost twice as many 50-64 year olds visitors (+13.6 million) than it has added under 18 year old visitors (+7.3 million).

Consequently, people under 18 years old are making up less of the social network and blogging audience, whereas the 50+ age group are accounting for more of the audience.

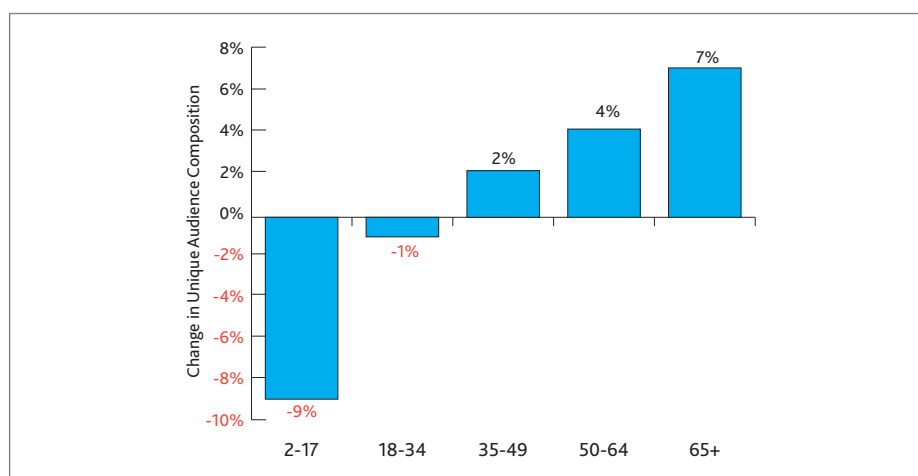


Figure 5: Facebook's greatest growth in global¹ audience numbers has come from people aged 35-49



Source: Nielsen Online, Global Index, December 2007 – December 2008. E.g. Between Dec 07 and Dec 08 there was a 3.7 million global increase in the number of 2-17 year old males visiting Facebook
¹'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only

Figure 6: The audience composition of Member Community websites is shifting from the young to the old



Source: Nielsen Online, Custom Analytics, December 2007 – December 2008. E.g. Between Dec 07 and Dec 08, the share of the online global¹ audience to 'Member Community' sites accounted for by 2-17 year olds decreased relatively by 9%
¹'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only

Facebook started out as a service for university students but now almost one third of its global audience is aged 35-49 years of age and almost one quarter is over 50 years old. In the UK, for example, if the average month-on-month audience changes over the last six months were to continue; by mid-June 2009 there would be as many 35-49 year olds on Facebook as 18-34 year olds.

The changing audience offers advertisers the opportunity to use social networks as a vehicle for targeting all demographic groups. In Italy, brands such as Maserati – traditionally marketed to an older audience – now have fan pages on Facebook.

Challenges facing advertisers on social networks

To realise this opportunity to use social networks as a vehicle for targeting all demographic groups, challenges have to be overcome. The current level of advertising activity on social networks isn't commensurate with the size – and highly engaged levels – of the audience.

A key reason why advertising on social networks hasn't been as successful as on the more 'traditional' publishers is because social networkers serve a dual role as both the suppliers and consumers of content. In the traditional model they simply consume the content supplied by the publisher. Therefore, members have a greater sense of 'ownership' around the personal content they provide and

are less inclined to accept advertising around it. A well used analogy is that advertising on a social network is like gate-crashing a party.

This is compounded by the fact the content supplied by the social network members is also of a highly personal nature. This provides another "Catch-22" situation for the social networks in that personal data is potentially one of their most valuable assets – highly attractive to advertisers – yet it provides a major obstacle in generating revenue. As the site becomes more attractive to advertisers it becomes less appealing to members who see highly-targeted ads as invading privacy.

A Nielsen Online survey in Australia showed that the challenge could be getting more difficult because consumers are actually growing less tolerant to advertising on social media. The study showed that in December 2008, 38% of Australians online considered advertising on social networking sites to be an intrusion compared to 29% the year before. Furthermore, those who didn't mind being served ads if they were relevant to their interests dropped slightly from 51% to 47%.

Nielsen Social Media Resources

Nielsen Online has a number of social media resources to help you make sense of and keep you updated with what's happening in the social media space and all areas of the online industry:

Analyst Blog

<http://www.nielsen-online.com/blog>
<http://blog.nielsen.com/nielsenwire/>

"Connecting the Dots" is a resource for research, insights and commentary on the digital world – including consumer behaviour, industry trends and breaking news – all grounded in world-class data and our deep experience with the world's top brands. Join us in connecting the dots with your comments and feedback.

BlogPulse

<http://www.blogpulse.com/>

BlogPulse is a blog search engine that analyzes and reports on daily activity in the blogosphere. An automated trend discovery system for blogs, it applies machine-learning and natural-language processing techniques to discover trends in the highly dynamic world of blogs.

Twitter

<http://twitter.com/pblackshaw> - Pete Blackshaw, EVP, Digital Strategic Services
<http://twitter.com/NetNuggets> - Alex Burmaster, Communications Director, UK & EMEA
<http://twitter.com/nielsencompany> - The Nielsen Company

Micro-blogging on data, insights, ideas, lessons and trends across the global digital universe.

S.M.A.R.T.

<http://www.nielsensmart.com/>

The Social Media and Advocacy Roundtable is an exclusive forum for Nielsen clients and analysts to discuss digital best practices.



What can advertisers and their agencies do?

Work with the networks more closely

The social networks and advertisers have compatible interests. The networks need advertisers to monetise their audience effectively. Advertisers need the networks as they have to go where consumers are spending more of their time. Both parties will reap significant rewards if they can discover the magic recipe for advertising successfully on social networks – but they will need to work together to develop it.

New approaches to the ad model are required for this challenging and complex arena

It will take time to work out the magic formula for successfully advertising in social networks. The diversity and personalised nature of the environment means standard ad models – such as contextual search and standard unit sizes – won't cut it. Different approaches across ad units and ad inventory will have to be tried, involving a trial and error mindset. As mentioned above, a closer relationship between the social networks and advertisers is required to make this happen.

Advertising must be a conversation rather than a push model

The point that social network members are co-creators of content and, therefore, have a sense of ownership within the site means advertising should be about participating in a relevant conversation with consumers rather than simply pushing ads on them. After all, it is social media. Advertising shouldn't be about interrupting or invading the social network experience, it should be part of this conversation.

The tone of advertising must be more authentic

Messaging within advertising should come from a more authentic, candid and humble perspective. Social media has, once again, brought word of mouth to

the fore as the ultimate form of advertising at a time when traditional advertising is suffering from a major lack of trust.

Nielsen's analysis of social media conversations back in 2007 and again in December 2008 showed that 'false' was the term most closely associated with "advertising".

Social media has fanned the flames of consumer distrust about advertisers claims. However, at the same time social media has provided the motive, opportunity and means for advertisers to engage consumers in a more open and honest way.

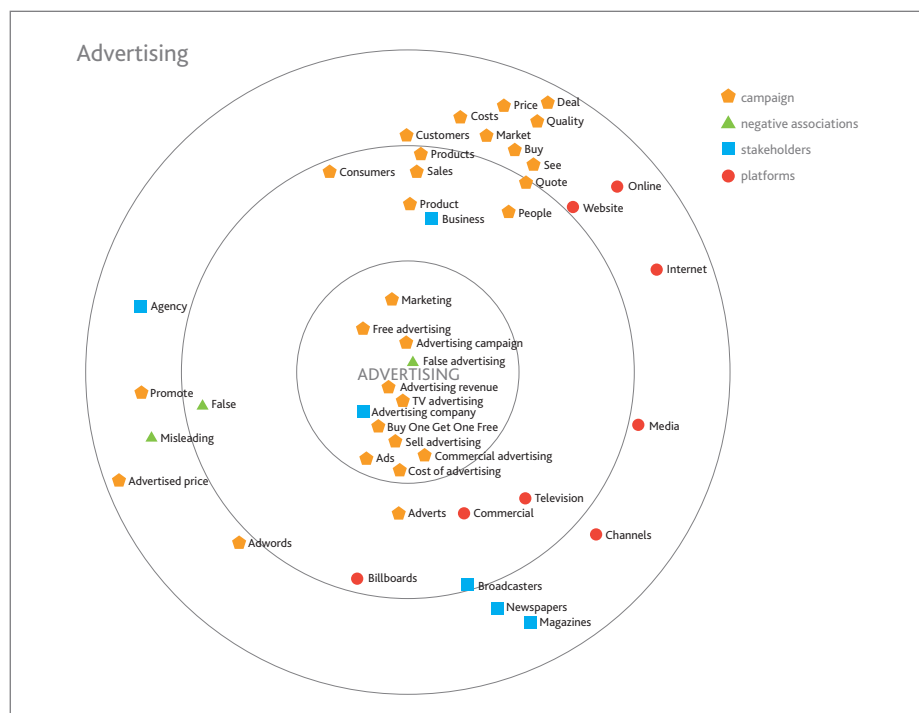
Advertising should be about adding value

Social networks are ultimately about friendships, where members add value to each other's lives through interaction. Therefore, advertising should follow the same philosophy of adding value through interaction and consultation. Fan sites or sponsored groups are, perhaps, one of

the more successful examples of social network marketing that touch on the principles of interactivity and adding value – such as offers, sneak previews and co-creation of content.

Social networks lend themselves greatly to generating brand affinity for advertisers through these fan sites, which, in essence, act as advertising. For example, at the time of writing, Facebook's "Addicted to Starbucks" group has almost 124,000 members, over 670 discussion topics and almost 10,000 wall posts. However, the challenge for advertisers is that discussions within these groups won't necessarily align itself with the brand-designed messaging. Much like a friendship, marketing on social networks requires continual investment – in terms of time and effort as opposed to financial – to be of value to both parties.

Figure 7: 'False' is the term most closely associated with advertising



Source: Nielsen Online, BuzzMetrics, September 2008 – December 2008. E.g. in English-language online social media conversations 'false' is the term most closely associated with advertising

Generating ad revenue – the MySpace story

Although Facebook has come some way towards delivering a promise of targeted ads within a mass network, MySpace's more focused overall offering seems to be proving more fruitful at the moment.

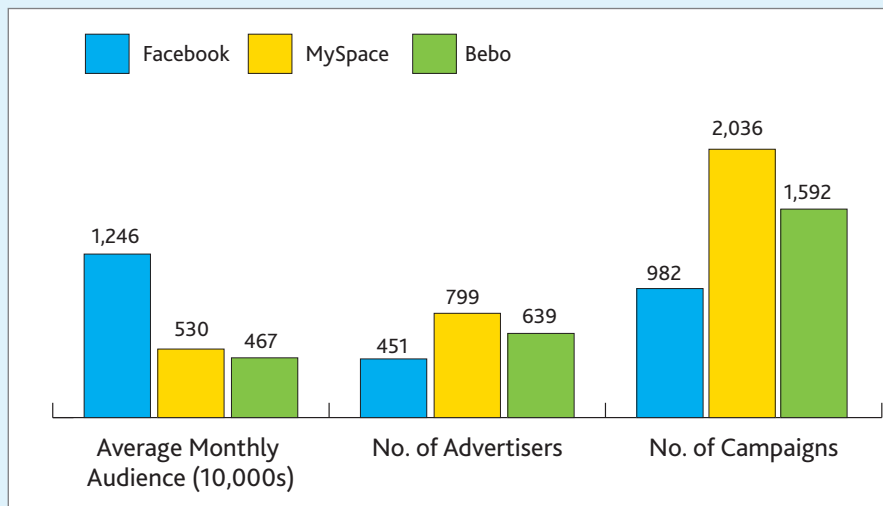
MySpace is smaller globally than Facebook and, outside the US, is considered more of a niche player because of its more focused targeting towards teenagers and young adults through the vehicles of entertainment – encompassing music and video – and self-expression (decoration options allow profile pages to be highly customisable).

Reports estimate that in 2008 Facebook earned around \$US300 million in ad revenue compared to around \$US1 billion for MySpace. If Facebook has made a conscious choice to go for the quantity vs. quality strategy it has yet to overtake MySpace in the all-important revenue metric.

Whilst part of Facebook's huge appeal is the simple layout of an interface that carries very little ad inventory, MySpace's offering possibly makes its inventory – of which there is a lot more compared to Facebook – easier to monetize, particularly in terms of immersive advertising. Bebo, also carrying more inventory than Facebook, has also done well in this regard by targeting teenagers and young adults through music and celebrity.

Facebook is more focused on the "traditional" social networking component of communications, while sites like MySpace and Bebo are more focused on the entertainment content component. From an advertising perspective, it has been a moot point that monetizing content is easier than monetizing communications, which gives sites like MySpace and Bebo an advantage. For example, in the UK across 2008, Bebo's average monthly Unique Audience (4.7 million) was almost one-third the size of

Figure 8: MySpace and Bebo attract more advertising activity in the UK than Facebook despite having a smaller audience



Source: Nielsen Online, AdRelevance and NetView, UK, 2008.

E.g. Facebook averaged 12.46 million Unique UK Visitors per month in 2008 and during the year had 451 advertisers who ran a total of 982 display ad campaigns

Facebook's (12.5 million) yet managed to attract almost one and a half times as many advertisers (639 to Facebook's 451). At an arbitrary base level, Facebook attracted 0.36 display advertisers per Unique Visitor, Bebo attracted 1.37 and MySpace attracted 1.51 advertisers per Unique Visitor.

MySpace has also benefited from its acquisition by News Corp and being assimilated into the Fox Interactive Media stable – together with sites like Photobucket, IGN, Rotten Tomatoes and AskMen – which has provided MySpace with one of the most mature and successful display ad models within the social network space today.

In the UK, mobile network operators – such as T-Mobile, O2 and Vodafone – and media companies such as Sky and Virgin – dominate the most active advertisers on MySpace. Personal communications and entertainment are extremely relevant for sites such as MySpace whose audience is ultimately there to communicate and interact with friends in an entertaining and personalised way.

Figure 9: Mobile network operators were the most active display advertisers on MySpace UK in 2008

Rank	MySpace UK Advertisers	No. of Campaigns
1	T-Mobile	46
2	O2	42
3	Vodafone	42
4	PC World	40
5	Orange	29
6	Lastminute.com	27
7	Sky	26
8	Virgin Media	22
9	Pogo	20
10	Halifax	16

Source: Nielsen Online, AdRelevance, UK, 2008.

E.g. T-Mobile ran 46 different display ad campaigns on MySpace UK during 2008

Facebook has replaced MySpace as the world's most popular social network

The global rise of social networks in 2008 has primarily been driven by Facebook, which overtook MySpace to become the world's most popular social network.

Less than four years after Harvard student Mark Zuckerberg founded Facebook in February 2004, its rapidly soaring popularity saw it included in the 2008 edition of the Collins English Dictionary (as a noun and a verb). Facebook is now visited by three in every ten people online across the world.

It has been a mixed year for the leading players in terms of their global footprint. Facebook (168% relative increase) and LinkedIn (137%) have seen huge increases in reach. Classmates Online has also seen strong growth, whilst Orkut and MySpace's reach has stayed fairly consistent.

Is the Italian Government the only thing stopping Facebook?

The issue of low productivity in the Italian workforce has been taken on by the Minister for Public Administration. Last year Renato Brunetta, declared war on the "fannulloni" – sluggards – of the Italian public sector workforce, achieving a near 50% drop in the number of sick days within a few months. Facebook is also a target and Italian companies, both public and private, are blocking access to the site – Poste Italiane (the Italian mail service) being the first to do so in November 2008. However, there are compromises – employees within the Naples municipality are allowed an hour per day on Facebook.

Figure 10: Facebook and LinkedIn have experienced large relative increases in global¹ online reach

Rank	Social Network	Global ¹ Unique Audience (millions)	Active Reach Dec 08	Active Reach Dec 07	Relative Change in Active Reach
1	Facebook	108.3	29.9%	11.1%	168%
2	MySpace	81.0	22.4%	23.0%	-3%
3	Classmates Online	19.7	5.5%	3.9%	40%
4	Orkut	17.5	4.9%	4.6%	7%
5	LinkedIn	15.0	4.2%	1.8%	137%

Source: Nielsen Online, Global Index, December 2007 - December 2008.

E.g. In Dec 08, 108.3 million people (30% of the world's Internet population) visited Facebook. Facebook's online active reach has increased, relatively, by 168%, from 11.1% to 29.9%

¹Global¹ refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only

Figure 11a: The most popular social networks in countries where Facebook is the leader

Rank	Australia	Spain	Switzerland*	France	UK	Italy
1	Facebook	Facebook	Facebook	Facebook	Facebook	Facebook
2	MySpace	Tuenti	Netlog	L'Internaute Copainsdavant	MySpace	MySpace
3	Bebo	MySpace	MySpace	MySpace	Bebo	Netlog

Figure 11b: The most popular social networks in countries where Facebook isn't the leader

Rank	Brazil*	China	Germany*	Japan	USA
1	Orkut	51	Wer-kennt-wen	Mixi	MySpace
2	Sonico	Xiaonei	StudiVZ	Lococom	Facebook
3	MySpace	Chinaren	MySpace	Kanshin-kukan	Classmates Online

Source: Nielsen Online, NetView, Home and Work Data, December 2008 (*Home only).

E.g. Orkut is the most popular social network in Brazil.

(■ = domestic social network)

Why Facebook has become the world's most popular social network

Based on a simple design, broad demographic appeal and a focus on connecting, Facebook has become the most popular social network in the majority of countries measured by Nielsen Online. It has the greatest reach in the UK, being visited by 47% of Britons online, and actually has a greater online reach in both Italy (44%) and Australia (38%) than it does in its country of origin - the USA (33%).

Overcoming privacy issues quickly

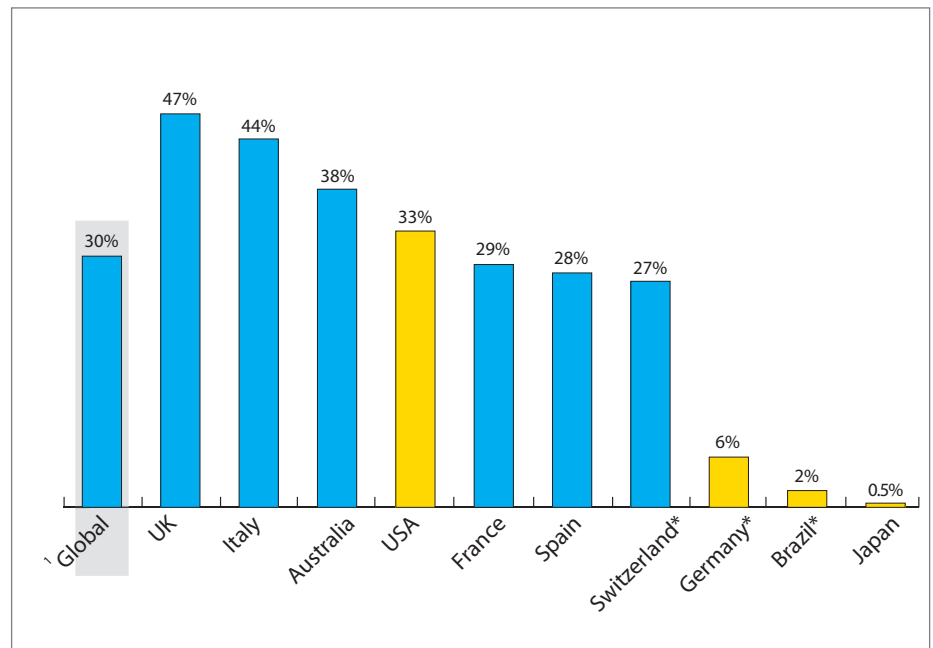
Occasionally it seemed the only thing that could stop Facebook's meteoric rise was how it dealt with its members' data. Facebook's u-turn in February 2009 on retaining users' content and licenses after they terminated their account came after protests from members and uproar in the blogosphere.

Facebook also incurred the wrath of its members over the Beacon advertising system that sent information about members shopping habits and activities on other websites to Facebook – mainly to allow targeted ads to be served on Facebook. This caught many members off guard and, after initially defending the system, Facebook backed down to allow members to opt out of it.

In September 2006 the "News Feed" feature that allowed members to track their friends' Facebook movements was greeted by protests that numbered in the hundreds of thousands of people within a day. Within 48 hours of the roll-out Zuckerberg had openly stated the site had "messed up" and improved the privacy controls.

Facebook has now given members comment and voting rights over Facebook's future policies on how the site is governed.

Figure 12: Facebook has the greatest online reach in the UK and Italy (■ = Facebook not the most popular social network in that country)



Source: Nielsen Online, NetView, Home and Work Data, December 2008 (*Home only).
E.g. 30% of the world's online population visited Facebook in Dec 08
* 'Global' refers to AU, BR, CH, DE, ES, FR, IT, UK & USA only (JP figure not included in Global figure)

Factors contributing to Facebook's rapid growth

Design. An organized, simple and easy-to-use interface – with much less advertising compared to many of its competitors – is likely to appeal to a wider audience.

Broad appeal. Facebook isn't targeted towards a specific demographic like many other players (e.g. StudiVZ to students or Bebo to young adults) – ironic considering that it started out as a network for university students.

Activity Focus. Facebook is focused on connecting as opposed to entertainment. It can be used for multiple networking activities – reuniting old friends, business networking, dating, sharing photos, status updates. Facebook is Reunion, LinkedIn, Yahoo! Personals, Flickr and Twitter all in one.

Architecture. Inventive features (including applications, invites, requests) and open architecture – including the masterstroke to open the platform to applications developers – have increased word-of-mouth and visitor engagement.

Privacy. Members have more control over who sees their content than in many other networks where non-members can access personal content – a concern for many people.

Media coverage. Facebook's early momentum was given a huge boost due to the large amount of free media coverage it received.

First-mover advantage and language have kept Facebook at bay in some countries

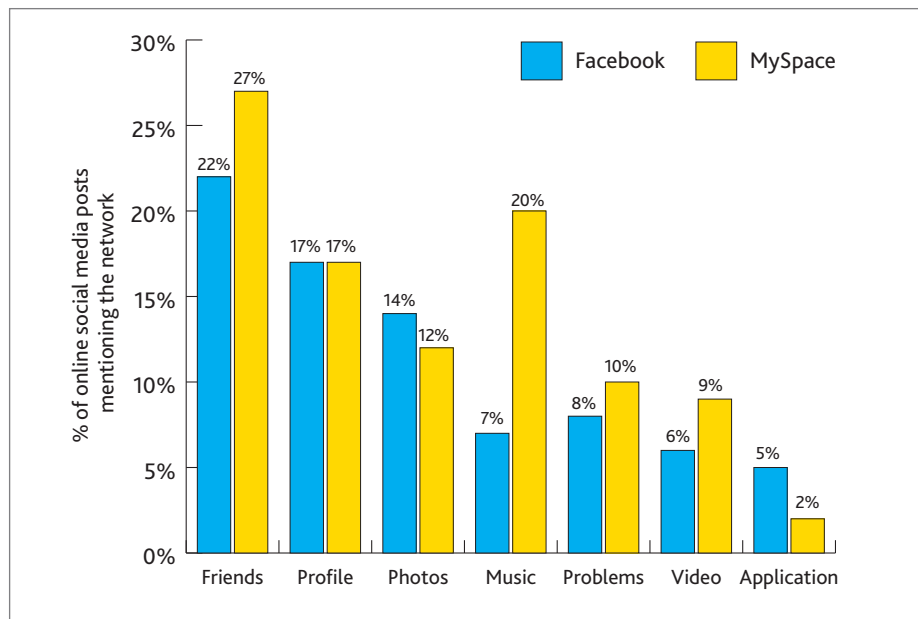
Although five years old, Facebook only came to global prominence in the last two years, allowing time for other social networks to take a strong hold. Creating a local infrastructure on the ground to establish a relevant local offering tailored to the nuances of the domestic market has been enough to keep Facebook at bay in some countries. In Germany, for example, local player Wer-kennt-wen is twice as popular as Facebook. In Japan, Mixi is around 27 times more popular than Facebook and, in Brazil, Orkut is 29 times more popular.

Brazil: the Orkut phenomenon

Named after its creator, Google employee Orkut Büyükkökten, Orkut appeared in 2004 and students in major Brazilian cities started to distribute invitations for fun to see if they could make Orkut more popular in Brazil than its native USA – something they succeeded in doing. Orkut is the most popular social network in Brazil but also the country’s third most popular site. Half of the Brazilian Internet population visited Orkut in September 2005 and the figure is now 70% – the largest domestic reach of any social network anywhere in the world.

Facebook barely registers a blip in Brazil compared to Orkut – being visited by just over 2% of Brazilians online. It’s not inconceivable that if Facebook had started a few months later, Brazilian students would have taken it on as their pet project and Facebook would have been the ‘Orkut of Brazil.’ Facebook only launched a Portuguese version for Brazilians in December 2008.

Figure 13: Music is a major difference in discussions around Facebook and MySpace



Source: Nielsen Online, BuzzMetrics, December 2008. E.g. In Dec 08, 22% of English-language online social media posts citing Facebook mentioned friends

USA: MySpace’s mass-market appeal

MySpace had already gained a significant following in the US by the time Facebook appeared on the scene. Furthermore, Facebook earned an early reputation as an exclusive service due to its birth within the elite northeast college sector. This stalled growth within the mainstream US market that MySpace appealed to. The US perception of Facebook and MySpace is a reversal of the situation internationally, where Facebook is perceived as mainstream and MySpace as being more focused around a younger demographic through entertainment and self expression.

MySpace had established itself as an entertainment portal rather than just a pure social network.

Its music offering, MySpace Music, is a key differentiator and remains a huge draw in the US, being used by almost every major music act in the country which keeps the content fresh and people coming back. Music’s importance for MySpace versus Facebook is shown though an analysis of social media conversations - music is the biggest difference between topics discussed. It’s mentioned in 20% of posts about MySpace compared to just 7% in posts about Facebook.

This has, so far, managed to keep MySpace ahead. However, at current audience growth rates, Facebook (145% growth from December 2007 – December 2008) is set to overtake MySpace (3% growth) in January 2009.

China: a different culture

A host of established domestic social networking players added to the different culture, language and the regulatory issues of doing business in China are the main reasons why the US social networks aren't dominant here. By the time the US networks arrived, local players such as Xiaonei; the portal QQ and 51.com had achieved dominance in key demographic groups. Although many of the domestic social networks are very much based on the US offerings, their success was originally based on having partnerships with the portals which provided them with an audience base.

Succeeding in China takes more than producing a translated version; it requires investment in a local infrastructure and a mentality of running a Chinese social network that understands the domestic nuances of social network behaviour rather than simply rolling out a generic social network in Chinese.

Japan: the language barrier

A localised offering is essential to cracking the Japanese market and getting anywhere near the utter dominance of Mixi. Facebook only launched its Japanese language version in May 2008 and did so without any major form of investment in the country – it didn't set up a local office and the translated version was done by volunteer members.

Figure 14: China's most popular social networks

Rank	Social Network	Average Weekly Unique Browsers in December 2008
1	51.com	14.0
2	xiaonei.com	9.5
3	chinaren.com	7.0
4	kaixin001.com	3.5
5	myspace.cn	2.0
6	5460.net	1.0
7	wangyou.com	1.0
8	ipart.cn	1.0
9	360quan.com	0.9
10	cyworld.com.cn	0.8

Source: CR-Nielsen China, NetRatings, December 2008. E.g. In Dec 08, 51.com was visited by an average of 14.0 million Unique Chinese Browsers each week

Whilst Facebook has a good following amongst Japan's international community and its strength in privacy will appeal to the native Japanese way – Mixi is an invite only system – previous US companies have fallen short because of a lack of local leadership and a 'humble' mindset that acknowledges being big in the US doesn't automatically mean being big in Japan.

Furthermore, networks have to be adapted for the enormous domestic mobile Internet market. Part of Mixi's dominance is down to the clever integration of its mobile and PC offering – its mobile version was launched in September 2004 and offers virtually identical functionality to the PC interface.



Mobile Social Networking is Taking Off

As Mixi in Japan shows, the increasing popularity of social networks has resulted in increasing demand to access them on the move. Mobile is a natural fit for social networks, as consumers are used to connecting with friends via mobile calls and text. Using the phone to access social networks doesn't require much change in consumer mindset.

Subscribers access social networks on their mobile through three primary means: by browsing over mobile Web, through downloaded applications and by SMS (text-messaging).

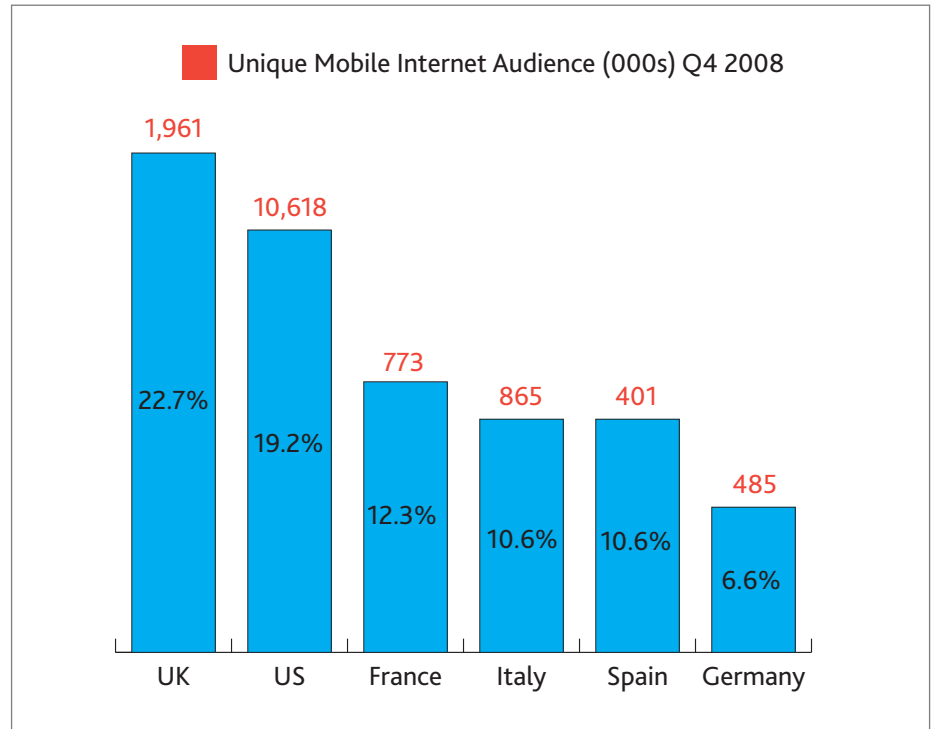
UK mobile web users have the greatest propensity to visit a social network through their handset with 23% of them (2 million people) doing so, compared to 19% in the US (10.6 million people). The numbers of people doing so are a big increase on last year – 249% in the UK and 156% in the US.

The most popular social networks via PCs/laptops tend to be the most popular via mobile too. Facebook is the most popular in five of the six countries where Nielsen measures mobile activity – only Xing in Germany bucks this trend.

Mobile applications for handsets such as Apple's iPhone are playing a substantial role in the expanded mobile use of these networks. Soon after the launch of the 3G iPhone, Facebook, with one of the most popular iPhone applications available, surpassed MySpace in mobile usage in the U.S.

SMS (text message) is the third way users can interact with their social networks on the go. Primarily used for "status updates," users can register a phone to send text message posts directly to their user profile. By the end of 2008, Nielsen estimated that almost 3 million U.S. mobile users were texting Facebook on a regular basis.

Figure 15: Social networks have the greatest mobile web reach in the UK and US



Source: Nielsen Online, Mobile Media View, Q4 2008. E.g. 23% of UK Mobile Web users (1.96 million people) visited a social network through their mobile phone in Q4 08



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What can publishers do?

Understand that social networks are an opportunity for everyone

Social networks are a communication channel just like TV, newspapers, radio and the telephone. Therefore, social networks are just another vehicle by which any company with an offering, product or service can use to communicate, engage and connect with consumers.

Tap into what makes social networks successful

Publishers have the opportunity to actively participate in the social media revolution. The growth of social media and consumers' willingness to generate opinion and co-create content is a big opportunity for traditional publishers to increase audience and engagement on their own sites.

'Internal' - Increase interactivity within the publisher site

Publishers should instigate functionality that enables communities and conversations to form within their own sites. This doesn't mean creating a social network infrastructure but can be as straightforward as allowing visitors to comment or create content related to material posted by the publisher. This enables traditional publishers to become part of the wider consumer conversation rather than just pushing content and sitting back.

'External' - Participate in the conversation on social network sites

Just as consumers add content to social network sites, so can publishers. Social networks offer the opportunity to promote content to a wider audience across the web. Traditional publishers are amongst the most popular fan pages on Facebook, some having hundreds of thousands of fans.

Instant Messaging has been a casualty of social networking in terms of a falling share of online time yet Windows Live Messenger, for example, has almost one million Facebook fans - around which a whole community of discussions take place. It's quite feasible that the falling share of time for IM could be more pronounced without this form of participatory advertising in social networks.

Think about the mutual relationship with social networks and other media

A Nielsen study published in October 2008 showed that almost one-third of home Internet use (31%) in the US is accompanied by background TV viewing. Furthermore, more than 80% of Americans who watched TV and used the Internet in September 2008 used both simultaneously. Although teenagers were the most likely to use both together, adults aged 35 to 54 actually logged the most simultaneous Internet/TV usage minutes.

These early trends potentially indicate that online usage is complementing, not substituting, traditional television viewing. Social networks and TV, therefore, might be a mutually reinforcing media as the level of twittering (updates sent through the micro-blogging service Twitter) during the recent Oscars proved.

Whatever the successful ad model turns out to be in social networks - copy it

Success in social media advertising means overcoming obstacles such as complexity, creativity and relevance. Therefore, whatever the successful formula turns out to be in terms of new ad formats and a different approach to ad inventory, the ingredients could form the 'best practice' for advertising across all sectors - improving the success of online advertising everywhere.

News publishers Twitter followings

Increasing numbers of news publishers - also seen as a casualty of growth in online media - have adapted from simply having websites to participating in social media through active use of sites like Twitter to drive awareness and conversation around their brands and offerings. CNN and the New York Times have some of the largest followings on Twitter.

Figure 16: News publishers have considerable Twitter followings (and counting...)

Publisher	Username	Number of followers
CNN Breaking News	cnnbrk	323,258
The New York Times	nytimes	208,032
BBC Click	BBCClick	140,941
Guardian Tech	guardiantech	116,845

Source: Twitterholic, 27th February 2009

Conclusion: Social Networks provide the trigger to improve the potency of advertising across all forms of media

The social networking phenomenon is dramatically changing the way people behave and, consequently, offers new challenges and opportunities to the global media and advertising industry alike. Social network and blogging sites now account for almost 10% of all Internet time yet remains, with a few exceptions, a largely un-monetised form of media. The industry is still in its infancy in regards to successfully adapting its traditional 'modus operandi' to take advantage of this fundamental change in consumer behaviour.

Whilst social networks provide significant competition for traditional publishers in terms of consumer attention, they also provide significant opportunities. Publishers can improve engagement with their own audiences – by tapping into consumers' increasing desire to create content – and can use social media to syndicate their content beyond its traditional confines to a much wider audience.

The Industry faces a huge predicament. The factors behind Facebook's stunning growth – a focus on connecting through a simple and relatively advert-free design – haven't attracted ad revenues commensurate with the size and engagement levels of its audience. On the other hand, MySpace's audience is flattening but its ad model – built around a richer content offering, more in line with traditional online publishing – is doing better at attracting ad revenues.

A magic formula to overcome this predicament and effectively monetise online's most heavily used sector, hasn't yet been found. However, a major ingredient will be a fundamentally new approach to the online ad model in terms of both ad units and ad inventory.

This will involve a substantial trial and error process and is only achievable if the social networks, advertisers and their agencies work more closely together. Whatever the successful ad model turns out to be, the messaging will have to be authentic and humble, and built on the principle of a two-way conversation – not a push model – that adds value to the consumer.

If this magic formula is found, the benefits could be truly incredible, having the potential to transform the potency of advertising across all forms of media to connect with target audiences and overcome the current distrust consumers have with advertising.



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About this report: The data and insights contained in this report come from the following Nielsen Online solutions.

NetView: The Industry Benchmark for Internet Audience Measurement

NetView tracks usage across Web sites and digital applications to deliver high-quality audience data and analytics. Through metered measurement of representative panels of Internet users, NetView reports industry-standard metrics—including unique audience, page views and time spent—as well as loyalty indicators, demographic information and other key insights into online activity and consumer behaviour.

AdRelevance: Accurate Intelligence about Online Advertising Activity

AdRelevance is the only online advertising measurement system that mimics actual Internet population usage by automatically adjusting itself to traffic patterns. An intuitive, award-winning interface enables

easy access and customization of AdRelevance data. Whether you buy, sell, create or analyze online advertising, AdRelevance provides actionable, timely information to build effective and efficient online marketing strategies and ad campaigns

Custom Research & Analytics: Linking Consumer Attitudes and Behaviours for Breakthrough Online Insight

Nielsen Online's powerful survey and research capabilities, e-commerce tracking, demographic information and in-depth analysis enable you to successfully maximize your global Internet marketing investment and understand how consumers respond to products, services, brands and promotions – both online and off.

BuzzMetrics: The global standard in measuring consumer-generated media (CGM)

With solid data-mining technology, superb research and Nielsen's unrivalled experience in media measurement and client services, BuzzMetrics helps today's companies, brands and business professionals better understand the influence and impact of CGM on products, issues, reputation and image.

Digital Strategic Services: Strategies and Tactics to Manage Online Exposure and Grow Brand Advocacy

Digital Strategic Services is a full-service CGM consultancy that gives you the resources, analysis, advice and tactics to proactively exploit today's digital opportunities, so your brand's advocacy-building program can reach its full potential.

For more information on the report, or any of these solutions, please contact:

International:

Alex Burmaster, Communications Director, UK & EMEA
alexander.burmaster@nielsen.com
+44 20 7014 0590

USA:

Nic Covey, Director of Insights
nicholas.covey@nielsen.com
+1 312-385-6718

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