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Social Networks

and how to make money with them

handed in by

Christine Leypold



Abstract

This paper deals with the business aspect of social networks. Social networks are full of structured information and this paper tries to figure out how this information can be used to make money. The focus of this paper is on business ideas for individuals, companies and social networks themselves. Business ideas for individuals represent also one-man companies, where the business is dependent on one individual, as well as employees who want to enhance their network. Furthermore the paper figures out what kind of new marketing strategies are available for companies through social networks. The paper also points out the questions whether it is possible for social networks themselves to make profit or not. In addition to this, the paper focuses on future trends of social networks.

Index

1	Introduction.....	4
1.1	Brief History of Social Networks	4
2	Making profit with Social Networks.....	4
2.1	Market yourself.....	4
2.2	Marketing strategies for companies.....	7
2.2.1	Excursion: Story of successful advertising: NIKE.....	9
2.3	Profits for Social Networks?.....	9
3	Future trends	10
3.1	Future trend: Facebook connect.....	10
3.2	Future trend: Facebook mobile.....	12
3.3	Future trend: Facebook on TV.....	13
3.4	Social Networks as a disruptive technology.....	14
4	Conclusion	15
5	Appendix.....	17
5.1	Figures	17
5.2	Bibliography.....	18

1 Introduction

This article deals with the future trend „Social Networks“. The aim of this paper is to analyze how you can use social networks to advertise yourself. Another goal of this article is to find ways how businesses can use social networks to make money. In addition to this I'd like to find out whether it is possible for the social networks themselves to make money out of it. Afterwards I'd like to discuss some future trends like “Facebook Connect” and “Facebook mobile”.

To understand whether and how it is possible to make profit out of a technology it is useful to take a look into the history of the technology. Therefore the next paragraph gives a brief introduction in the history of social networks.

1.1 Brief History of Social Networks

“The notion that individual computers linked electronically could form the basis of computer mediated social interaction and networking was suggested early on” (Wikipedia, 2009). Usenet, ARPANET and LISTSERV were the first networks which supported “[...] social networks via computer-mediated communication” (Wikipedia, 2009). Usenet for example was conceived in 1979 (Wikipedia, 2009) and APARNET was already used during the cold war (Wikipedia, 2009). These were the *inventors* of the social networks. The aim of APARNET was to have a faster communication during the war, which should lead to success.

In 1994/1995 *refinement and augmentation* took place. During this time generalized online communities were formed. “These early communities focused on bringing people together to interact with each other through chat

rooms, and share personal information and ideas around any topics via personal homepage publishing tools which was a precursor to the blogging phenomenon” (Wikipedia, 2009).

In 2004/05 the *traction* of social networks happened. “Social networking began to flourish as a component of business internet strategy at around March 2005 when Yahoo launched Yahoo! 360” (Wikipedia, 2009).

The following graphic represents the “history” of social networks because it took a long time from the first invention until social networks had their traction. Like many inventions also the invention of social networks was effected by the fact that “the bulk of innovation is low-amplitude and takes place over a long period“ (Buxton, 2008).

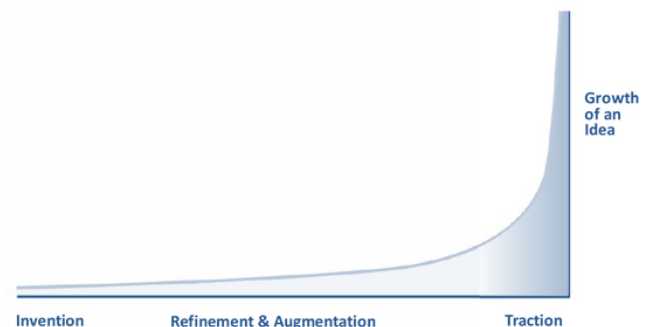


Figure 1: The long Nose of Innovation

http://www.businessweek.com/innovate/content/jan2008/id2008012_396421.htm

2 Making profit with Social Networks

2.1 Market yourself

The first part of this paper deals with ways how you can make profit for yourself and how you can market yourself by using social networks. “As the job market continues to sour, it is important to take advantage of all available tools to keep up with your personal and professional network” (Alboher, 2008). “Learning how to use

them wisely for marketing can increase your business profile” (AllBusiness.com, 2008).

According to AllBusiness.com (2008) there are many ways how you can promote yourself on social networks. The most common and maybe successful way to promote you self is to join social networks which focus on professional networking. It is very important that you separate your “friends” because “much of the danger lies in the fact that increasingly, our “friends” on social networking sites are actually a mix of people – friends, family, acquaintances, colleagues – with whom we would normally share only a piece of our private lives” (Richmond, 2009). Therefore it is very important, if we seriously want to promote ourselves that we don’t mix up professional and private life. Hence, it is advisable to have your own social network for your professional life because in a professional network “you put your best foot forward because you don’t know who you’ll meet” (Richmond, 2009). In comparison to this, if you are part of an entertaining network you might be seen as the funny and entertaining friend and not as the business guy.

LinkedIn represents the most known professional network. According to the article by AllBusiness.com the “quality of the network you create lies in the quality of the contacts” (AllBusiness.com, 2008). The tactic therefore is “[...] to connect with people who are useful and successful [...]” (Tribble, 2008). The quality of the contacts also depends a lot on your “real life” contacts because users of virtual networks tend to add first the people they know from real life to their friends list.

In addition to this, it is very important that you know how to use your professional network for professional issues. It works like advertising in “real life”: don’t contact people too much because they get annoyed by too many messages from you. Don’t contact people without any reason on your professional network because it is a network for professional use and not for entertaining bored people.

But what is then the difference between “real life” networking and “virtual networking”? Professional network sites give users the opportunity to join groups of people with common interests. And this enables the users to get very fast and very easy in contact with prospective business partners. Professional networks have the advantage that members get to know very fast who of the other members shares the same interests. In addition to this members of professional networks have the opportunity to get a lot of information about friends of their friends. This means, if a colleague of you has many friends who are sharing the same interests as you it is advisable that you stay in contact with him.

The main advantage of the just mentioned point above is that members of professional networks have the ability to gain information of others very fast. In addition to this professional networks tend to have very high truth content. Another advantage compared to real live networking is that nobody knows what information you have about other people. An example will make this point clearer:

Imagine you are an employee and you are not satisfied with your boss and your colleagues anymore but you like your job. Therefore you are looking for a job at another company. To find out whether this company suits your expectations you can read the profiles of the boss and the employees. After looking at all

the profiles you come to the result that this company might be a worse working place for you and you decide to stay at your old company. Just because you gained all the information via the professional network, nobody knows that you are unsatisfied with your job and you can stay in your old job. If your boss knew that you are unhappy with him and searching for another company he might have fired you.

This shows very well that the advantage of these professional networks is that you get true information about people in a very short time and nobody knows about it.

Another advantage of Social Networks is to get in contact with others very fast.

A way of getting in contact with people that you don't know but want to get to know is via answer forums. These answer forums have the goal that members can help each other. According to AllBusiness.com (2008) it is a good way of getting into contact with other prospective business partners because you "know people are there to further their businesses and make good contacts, but you need to get to know them a bit before promoting your services." (AllBusiness.com, 2008) This means that answer forums are a good way of getting in contact with prospective business partners and to enhance your reputation. In addition to this it is advisable to "build your reputation as a giver, rather than someone who is always asking for favors." (Alboher, 2008) According to Tribble (2008) professional networking users should follow an 80-20 rule. This means that you should "give information and answer questions 80 percent of the time, and 20 percent of the time ask for help" (Tribble, 2008). Therefore it is very important that you are part of answer forums that fit to your business profile because this enriches your change to get

in contact with people whom you want to get to know.

If you want to use professional networks for promoting yourself to other companies you should also "[...] consider spending time on sites catering to your own industry or profession." (Alboher, 2008) To cater your own industry or profession you can "use these sites to showcase your experience and achievements." (Alboher, 2008)

Another tip for enhancing your profile and reputation is to promote your colleagues if they have "[...] given [...] a terrific presentation, won a case, published an article or appeared on television [...]" (Alboher, 2008). This is very useful because on one hand it draws positive attention on your profile and on the other hand it increases your reputation as a nice colleague who esteems others. Furthermore it helps you to make you seen as an important contact. Being an important contact is very important in professional networks because the main goal of most people is to become friends with the most "important" people on the network. And if you are seen as an important and successful contact for others it is easier for you to build up a high quality network.

As you can see there are many ways to promote yourself and if you are part of professional networks it is recommended that you take your virtual network as serious as your real life network. Try to give the best image of your profile all the time – you also try to show your best side to your business partners in real life. It is very important that you see professional networks as a part of representing your business personality.

2.2 Marketing strategies for companies

The paragraph above dealt with the question of how you can market yourself and therefore enhance your change of making business or getting a better job in real life. This paragraph focuses on the question how companies can make profit out of social networks.

This is a very difficult question because most of the users of social networks are young and “young users are wary of potential manipulation”. (Atal, 2007) This means that social networks deal with a group of people that is very aware of and resistant against advertisements. But isn't there always a way to make money out of everything?

Of course, Google thought already about how they can make money out of social networks. And the answer is: Google number. “Google has a patent pending on technology for ranking the most influential people on social networking sites like MySpace and Facebook.” (Green, 2008) How Google number works is of course a good hidden secret. According to Green (2008) there are several speculations how Google number could work. “The new technology could track not just how many friends you have on Facebook but how many friends your friends have. [...] The tracking system also would follow how frequently people post things on each other's sites. It could even rate how successful somebody is in getting friends to read a news story or watch a video clip [...]” (Green, 2008). But how do they want make money out of their knowledge? With this knowledge Google can find out what kinds of people the same interests have and who of these people the most influential are. According to Green (2008) this means that for example Nike

could pay Google a price to find out who is interested in Basketball and therefore add a sponsored link to those people. In addition to this companies like Nike could make special offers for the most influential people on a particular kind of basketball shoes and make viral marketing through these people. Furthermore the more information Google has about the people, the more targeted advertisements can be made by companies. Another positive effect about targeted advertising is that the users don't feel annoyed or fed up with advertisements as long as they belong to their personal field of interests.

According to Naone (2008) the way how you advertise on social networks is very important. “The campaigns we're seeing to have the most success are very interactive.” (Naone, Making Money from Social Ties, 2008) If you want to make a successful advertisement on social networks you can't do it by banner advertisements. You have to be very creative. One example mentioned in the article “Making Money from Social Ties” from Naone (2008) presents a game which is created by a sneakers company. This game enables the users to “[...] challenge their friends to a virtual race. Points earned through the game can even be converted into credit toward a pair of the company sneaker.” (Naone, Making Money from Social Ties, 2008) Facebook is open to all advertisers to create applications for their clients via developers.facebook.com. This leads to a completely new strategy of advertising. It is not enough to think about a good slogan anymore; the people want to get a benefit for looking at the brand. And this of course can be done by games or quizzes offered on Facebook. The advertisers have to produce games which

are liked by the target audience. Therefore it is very important for the marketers to analyze their target audience very well. In addition to normal marketing analysis they have to find out whether their target group is willing to spend a lot of time on playing a marketing game or if they prefer to play it in a 30 sec. break. Furthermore they have to find out whether their target group likes competitive games or not. Like mentioned before the sneaker company made a virtual race, but not all customers like games where they compete with real Facebook friends. There might be people who prefer to play on their own without letting know someone else that they are playing games on Facebook. This shows very well, that you have to consider a lot more if you want to market on Facebook, and the big goal of course is, that nearly everyone on Facebook is playing the advertising game of your company.

To make profit out of social networks, companies have to invest a lot of money. At the moment social networks as a marketing platform are just in their infancy because “[...] less than 1 percent of all digital-advertising budgets currently flows to social-media sites.” (Naone, *Making Money from Social Ties*, 2008) This means a lot of work has to be done to not miss the train of making money via social networks.

Another approach for making money with social networks is to use them as new businesses.

According to Atal (2007) companies should see applications as new businesses and not as marketing. “[...] companies should be trying to make the application into a self-sustaining business that generates revenue through the service it provides on Facebook. The applications

that are the most successful are the ones that integrate seamlessly into Facebook” (Atal, 2007). Atal (2007) mentions as an example an application for “Green” users. This application has more than 27.000 users and they are all interested in environmental issues, organic produce and green technology. Therefore he tries to sell advertising space on his application to “green companies”. Another idea of making money out of applications is, to discuss and talk about new and unknown products and make them more popular among people who are interested in this topic. Atal (2007) mentions an example of a very successful company, which is already making money through a Facebook application. The centre of the business model is the social component, because it is a person-to-person lending company which enables users to lend things from friends of friends or from people who are in the same group on Facebook as they are. The users have the ability to negotiate the rates directly on Facebook and then go on LendingClub.com to make the money transaction. Although lending Club takes 3% of each loan many people use this tool because they think they make better deals with people who are friends of friends or who share the same interests. Another example of using Facebook as a business platform is Amazon.com. “A partnership with Amazon.com has produced a shopping application that lets users buy items at Amazon without leaving Facebook’s site, while tapping opt-in ‘news-feeds’ that broadcast activities on Amazon, such as product review and wish list updates, to Facebook friends.” (Rayport, 2009)

Another way of marketing is to draw attention to a brand. This is especially useful when you want to launch a new

product or brand. Furthermore it can be useful when you want to make your product or service very popular. According to Schumy (2008) the popular newspaper Spiegel can now be read on [facebook.com/spiegelonline](https://www.facebook.com/spiegelonline). This application enables the user to create his page the way he wants. The user has the ability to read the serious news which are available as a print media and in addition to this he has the ability to read news which are not that serious and to get the latest comics.

Another example is the relationship between LinkedIn and BusinessWeek. “LinkedIn has a partnership with BusinessWeek.com that includes a tool that lets users find LinkedIn connections at companies mentioned in BusinessWeek articles. (McKee, 2009)

2.2.1 Excursion: Story of successful advertising: NIKE

To see how advertising could work the following paragraph will focus on a very successful example, which managed to reach its advertising goals on facebook: Nike.

As Nike started its advertising on Facebook its aim was to “[...] building brand loyalty via online social networking” (Greene, 2008). But how did they manage to become successful? They invented a new style of advertising.

Nike already brought the customers to the internet as they launched Nike shoes with an iPod. The iPod could then be plug to the computer, where the user could control their whole fitness success over the internet.

Nike created an application where the users could run virtual races with their friends. Taking part at these virtual games gives the users the change to gain points which they can use for real shoes.

In addition to this Nike enables the users to create their own shoes.

This example shows how a company can build a successful advertising campaign through social networks. The most important factor for creating an advertisement is that it is something new for the customer. In addition to this the advertisement should entertain the customer.

2.3 Profits for Social Networks?

In the paragraphs above we have seen that there are many possibilities how companies can make money with social networks. But is there a change for the social network companies to make money?

Facebook and Co. are struggling with the question how to make profit out of their social networks? “Social networking will become a ubiquitous feature of online life. That does not mean it is a business.” (Economist, 2008) According to this article not everything which attracts many people is made for making money. A famous example is Hotmail which got bought by Microsoft. Hotmail “[...] is the firm that established web-based e-mail as a must-have service for internet users, and promised to drive up page views, and thus advertising inventory, on the software giant’s website.” (Economist, 2008) There are some famous webmail companies like Goolge, Yahoo! and Aol and they all struggle with the same problem: They don’t make profit out of it. They all “[...] place advertisements on their web-mail offerings, but this is small beer.” The article says that social networks suffer the same problem. These applications are not for making money. Although social networks have the advantage that other companies and private people themselves for promotion.

Facebook of course tried already to make money and invented social marketing. “Facebook’s idea was to inform a user’s friends whenever he bought something at certain retailers, by running a small announcement inside the friend’s ‘news feeds’” (Economist, 2008). According to Facebook they have failed with this strategy.

Facebook and Co. didn’t come up with a strategy to make really big profit out of their pages. They are all selling advertising spaces but this is, as mentioned before, not that profitable.

As we have heard before, Google is also trying to make money out of social networks with their so called “Google number”. Wouldn’t it be a great change for the social network companies themselves to give companies the information they need for targeted advertising? Couldn’t they just “steal” the idea from Google?

3 Future trends

We have seen in the paragraphs above that there are many ways of making money through social networks but for social networks themselves the profit making seems to be limited. The following paragraphs will give an outlook of future trends for social networks.

3.1 Future trend: Facebook connect

A new button appeared: “[...] Facebook Connect and saves visitors from having to fill out yet another tedious registration form, upload another profile picture and memorise another username and password. Instead visitors can now sign into other sites using their existing identity on Facebook [...]” (Economist, 2008). The advantage of this new button is tremendous, because many users have

been fed up with updating all their profiles on different social networks. “Facebook connect” lets “[...]users control what happens to their personal information on all sites they use, simply by adjusting their Facebook connections.” (Naone, Who Owns Your Friends?, 2008) Furthermore “Facebook connect” offers a dynamic privacy, which means that “[...] users will in theory take their privacy settings with them. Wherever on the web they are, they will be able to choose who among their friends will and won’t see what they are up to.” (Economist, 2008)

In addition to this the new button of Facebook enables the users to “[...] interact with their friends while on another side. On a news site, for example, they can see what their friends are reading, how they rated a story, and what comments they left.” (Economist, 2008)

Not just Facebook wanted to make this “comfort” to its users, also Google tried to catch the “Social network train”. Google for example invented “Friend Connect” which also helps users to save time with updating many different social network profiles.

What kind of “Connect” button should users choose? There is one key difference between the “Connect button” of Facebook and the “Friends Connect” button of Google. With “Friends connect” “users can carry their profiles and connection to a new site from any network they belong to, as long as it supports Friend Connect. Google, in essence, is looking to become a middleman in the sharing of social information.” (Naone, Who Owns Your Friends?, 2008)

Connecting social networks seems to be the latest innovation and therefore not

just “Connect Buttons” exist, there is a new browser which “[...] unifies access to multiple social networks.” (Barribeau, 2008) The new browser is called “Flock”. The Flock browser has nearly the same functionalities as all browsers have, but it differentiates itself in one special functionality from other browsers: the “My World” tab. The “My World” tab “[...] serves an RSS reader and social aggregator, tracking recent changes made by users’ friends, colleagues on social networks”. Another advantage of this new web browser is that everyone can share information with his friends. “In order to facilitate this, Flock employs a clipboard system that allows users to drag images, files, and websites onto a clipboard, and then share them with their friends through any of their social sites and supported Web-mail sites.” (Barribeau, 2008)

As we have seen there are many possibilities of connecting social networks coming up, but with the new button there are also new problems coming on the surface.

A problem concerning the “Connect” buttons could be the different cultures. “Latin-culture countries such as France, Spain, or Italy tend to share and blog a lot, often under their own names, while Germanic cultures tend to share more anonymously”. This means that people from Germanic cultures often don’t use their real name when they are part of an entertaining social network whereas they use their real name when they are a member of a professional network like LinkedIn. This of course could lead to problems in the synchronization of the friends because they have different names in different social networks.

Another problem concerning the “Connect” buttons could be that we want

to share different information with different people. As mentioned before it is very important to distinguish between professional and leisure time and therefore use different social networks. If people use many different social networks they have the ability to create different “personalities” depending on as what they want to be seen in this social network. Different social networks, for different sides of your personality, that’s the main strategy of social network members at the moment. But what happens if we have one side which enables us to control all our social networks? The “Connect” buttons of course enable the user to select what can be seen on which social network. But what happens if we once press the wrong button and put the party pictures into our professional network? There is still a big danger if you have one side that regulates everything.

Another danger in controlling all your social networks from one side is, that all the information about you, your private and your professional, is owned by one big company. And you can never be sure what the company is going to do with all your data. If you have different social networks, they usually just know one part of you, maybe the party person, maybe the business person, but they usually never know everything about you. But this new button enables one big company to know everything about everybody.

This of course would lead to advantages for big companies who want to advertise, because with all the information they could make a targeted marketing campaign.

In addition to this, job hunters would have a great advantage of having all information about a person. At the

moment job hunters often suffer from a lack of knowledge about the private life of people. In addition to this, most of the users of professional networks try to show just one part of their personality and it's hard for job hunters to govern the soft skills out of professional networks. Entertaining networks often have the advantage that they say a lot more about the soft skills of a person and they show if a person is really as social as it is said in the résumé of the professional network. Because if someone for example says he is doing a lot of voluntary work, you never know if this is really true but if you can check the information from the entertaining network, and you see a lot of pictures where this person is doing voluntary work or you can check how often this person is communicating in groups concerning this topic, it tells the job hunters a lot more about the person and they are more likely to find the best fitting person for the job.

You can see that the “Connect” buttons have a big advantage which is reducing the time of updating different social networks but there are also many concerns about the “Connect” button like security issues.

3.2 Future trend: Facebook mobile

Facebook is trying to jump on every new trend. The society eagers to travel and Facebook is “[...] striking deals to be featured on BlackBerrys and iPhones and in cell phones from INQ and Nokia” (Kharif, 2008). “The advantage of the mobile means that people can use their dead time to continue using such social network sites.” (Simpson, 2007)

According to Kharif (2008) Facebook has already a deal with INQ. “The company has integrated Facebook into every facet of its upcoming phone[...]” (Kharif,

2008). But what exactly are the new cell phones from INQ doing? “The phone’s address book displays contacts logged into Facebook; its camera posts pictures directly to the social networking site; and its home screen shows photos loaded by friends onto the side.” (Kharif, 2008) Facebook also wants to be accessible from normal cell phones and therefore the company “[...] is in discussions to incorporate its features into phones from Nokia, the world’s largest cell-phone maker” (Kharif, 2008)

If we take a look at the Technology Adoption Life Cycle in consideration of mobile devices supporting social networks we can see that we are at the beginning of the curve. Those people who use social networks on mobile devices at the moment are *early adopters* or *visionaries*. The following graphic shows in which part of the Technology Life Cycle the users of mobile devices for social networks are.

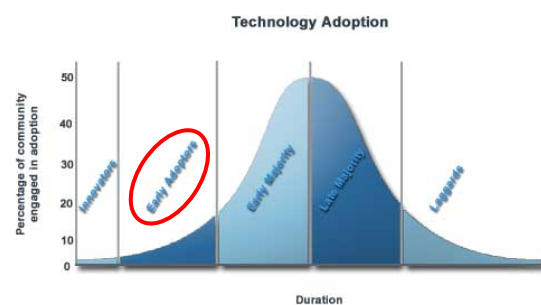


Figure 2: Technology Adoption Life Cycle
<http://www.celt.mmu.ac.uk/ltia/issue7/images/earlyadopters1.jpg>

According to Simpson (2007) the number of users accessing social networking sites via their phones was 14 million and there should be around 600 million in 2012. Reasons why the rate of users who access their social networks via their phone is relatively low is that at the moment, the accessing of the internet via the online distributor is very expensive and the lack of a free comprehensive network which is available all the time. In addition to

this there is still a lack of usability of internet pages on the cell or smart phone with only one exception: the iPhone. As mentioned above the number of people who are using their mobile device to log on their social networks is increasing extremely. Shannon (2008) predicts that it “could have more users in one year than Facebook had in three”. (Shannon, 2008)

This prediction represents the Technology S-Curve very well because it says that exponential trends can be composed of a sequence of S-curves where each curve is faster. As you can see in the following graphic, the first S-Curve which is accessing social networks through PCs or notebooks is not as steep as the second S-Curve which represents accessing social networks through online devices.

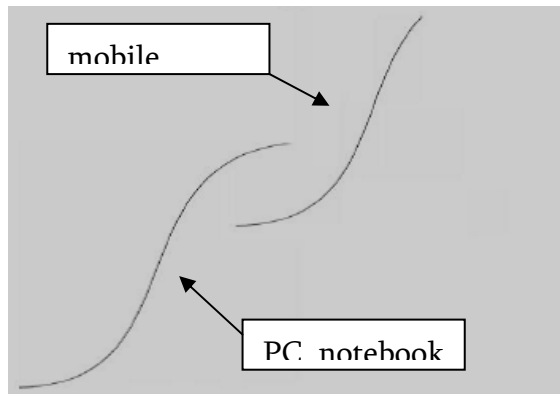


Figure 3: S-Curve

Wouldn't it be a money-maker for cell phone producers to implement software which connects you with all your social networks?

If people use their social networks via mobile phones, social network companies have the advantage to implement additional services because “most mobile social networks seek to capitalize on location information. The SpaceMe service from GyPSii, for instance, will show users where friends and other members are in real time.” (Shannon,

2008). This of course opens the doors to many additional services. For example they could look who of their social network friends is in the same area at the moment. In addition to this, users could get information from their friends if the mobile device tells them who of their friends has been at the same place. Furthermore it could “[...] show users a map of their environments dotted with photos, videos and information from other members.” (Shannon, 2008)

We can see that accessing social networks through mobile devices is new, but there has to be done some work, like the wireless connections or mobile devices, to make it successful, so that the early majority can use it, because there is always “[...] a gap or chasm between the first two adopter groups (innovators/early adopters), and the early majority.” (Wikipedia, 2009) At the moment access of social networks via mobile devices is facing the challenge to get the early majority to use this trend.

3.3 Future trend: Facebook on TV

Social networks are trying to get into the households of everyone. At the moment the users of entertaining social networks like Facebook are mainly used by young people and these social networks suffer a lack from middle-aged people. Therefore entertaining networks are coming up with new ideas: Social networking on TV airtime. “Middle-aged adults want a more passive experience, such as the ability to check on status updates via their TV sets. And those over 50 are most interested in knowing what their friends are watching.” (Kawamoto, 2009) Using social networks on TV is a completely new idea and is not implemented yet. According to Kawamoto (2009) at the moment Yahoo is “[...] is developing its

Yahoo Widget Channel, which aims to allow network-enabled applications to run on TVs.” But also social networks push into the market of middle-aged adults. “Social networking site MySpace has partnered with the project, providing a MySpace widget to let people access their profiles, messages, status updates, and other features.” (Kawamoto, 2009) This example shows very well that there is the possibility to extend social networks all over the world to all different target groups (wherever an internet connection exists). Social networks on TV can be taken as a new change to make profit out of social networks. Marketers are faced with a completely new group of potential buyers and since the new target group is a more passive one it is easier to get them at least to watch their advertisements. Marketers face the change to make targeted marketing on a mass channel. This is a great change for marketers because until now it wasn't possible to make targeted market through a mass channel like TVs. Facebook already tried social marketing, which means that they showed their members what their friends have bought. This plan didn't work out with the young people who are using Facebook on their PCs or notebooks but it could be a successful strategy for the middle-aged people. As mentioned before middle-aged people are mainly interested in what their friends are watching. If they had the possibility to see what their friends are buying, it could be very interesting for them. In addition to this they could not just see what their friends are buying they could also read on the TV what experience their friends made with this product. Since viral marketing is one of the most successful marketing strategies, it could

be provided now through a mass channel.

This shows very well that social networks on TV are a great opportunities for marketers to make profit out of social networks.

3.4 Social Networks as a disruptive technology

Social networks are booming and the communication on social networks increases. According to Jäkle (2008) social networks are the killer apps for emails. But why do people prefer to communicate on social network platforms than via email? People got too much information and too many spam mails. Now the market provides an application without spam mails and with short messages that stick to the point. (Jäkle, 2008)

A disruptive technology is “an innovation that creates a new (and unexpected) market by applying a different set of values.” (Wikipedia, 2009) The following chart shows how fast this disruptive technology grows.

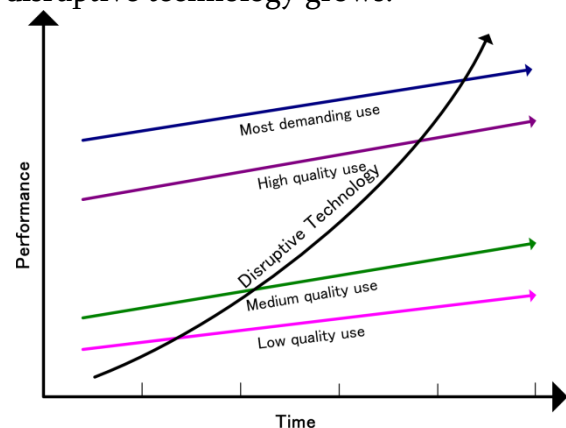


Figure 4: Disruptive Technology
<http://en.wikipedia.org/wiki/File:Disruptivetechology.gif>

There are two kinds of disruptive Technology. On one hand exists “low-end” disruption and on the other hand exists “new-market” disruption. Social networks present a new-market disruption because it “[...] targets

customers who have needs that were previously unserved by existing incumbents” (Wikipedia, 2009). Social networks are offering a completely new way of communication. If we take a look into professional networks like LinkedIn we can clearly see that this is a completely new way of communication. Members present their résumés to everyone and try to get in contact with people who could be useful for their further carrier. In addition to this, this network expects users to behave always in a professional way. It enables people to get in contact with other professionals whom they don't know. Furthermore the members are more likely to overcome their inhibitions of contacting a person they don't or nearly don't know. Email communication was restricted to people which already knew each other in real life whereas social networks open the borders to (nearly) unknown people.

If we take a look into the entertaining networks like Facebook, these social networks also provide a completely new way of communication. People can see and comment pictures of their friends, and their friends can read the comments and comment the comments. In addition to this the communication is very easy to handle and therefore it is easy to stay in contact with acquaintances. If you write an email, a reason for writing is usually needed and an answer is expected but if you communicate via social networks you can just send a message on the wall or comment a picture or send a sticker and therefore the other person recognizes that you are in his “friends” list.

These examples show that social networks are a new-market disruption.

4 Conclusion

This paper shows very well that making business through social networks privileges individual people and advertising companies to the social network companies.

Social networks will also change the whole society because people have to be part of social networks to be successful in business. In addition to this, online networking is also very important with your friends through entertaining networks like Facebook. If you don't participate in online networks people want recognize you. Moreover people often invite people to events or parties through social networks, and if you are not in the friend list, they will forget you. It is also important if you want to show interest in the life of your friends, because it enables users to comment pictures and it reminds you about birthdays.

Although Facebook is trying to make profit of selling advertising space, the big money maker will be other companies who place their advertisements on social networks.

Social networks are also a challenge for marketers because social network members require higher advertising methods. If marketers want to be successful, they have to be very creative and entertaining to catch members' attention.

Social networks have the advantage that they can be used by both, big and small companies to advertise. Big companies can gain market share through excellent marketing strategies whereas one-man companies can market themselves through creating their profile very interesting. They also have the advantage that they can contact their friends very

easily through social networks and promote new events of their companies. To end this paper I'd like to point out that they losers concerning profit making might be the social network companies and the winners might be everyone who is innovative, creative and invests time and money in creating an outstanding advertisement or profile.

5 Appendix

5.1 Figures

Figure 1: The long Nose of Innovation

http://www.businessweek.com/innovate/content/jan2008/id2008012_396421.htm..... 4

Figure 2: Technology Adoption Life

<http://www.celt.mmu.ac.uk/ltia/issue7/images/earlyadopters1.jpg> 12

Figure 3: S-Curve..... 13

Figure 4: Disruptive Technology

<http://en.wikipedia.org/wiki/File:Disruptivetechnology.gif>..... 14

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