

NEVER ENDING FRIENDING

A Journey into Social Networking

Commissioned by Fox Interactive Media, Inc. Isobar & CaratUSA
Research conducted by TNS, TRU & Marketing Evolution

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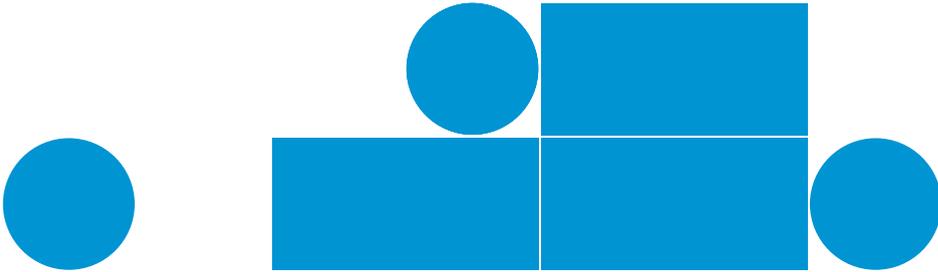
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NEVER ENDING FRIENDING

Introduction

Depending on your vantage point, social networking represents:

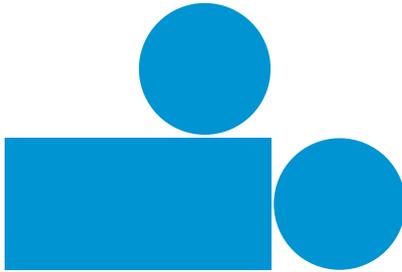
- A fad, especially among the young and tech-obsessed
- An unprecedented tool for keeping in touch with friends and family
- A disruptive, unscripted environment
- An unparalleled opportunity for brands and consumers to make real connections
- Some combination of all of the above...and then some

Interestingly, despite all the talk – the water cooler pronouncements, the breathless media coverage, and the teenage conversations you may have overheard at home and in your communities – social networking remains a relatively new and under-examined topic.

What's real? What's true? What works?

Nobody really knows.

In early 2007, MySpace aimed to change that. We embarked on a nationwide “listening tour,” a series of qualitative research sessions among users of social networking sites. In concert, we fielded a groundbreaking quantitative study among a national sample of social networking users and non-users. Together, these two methods aimed at uncovering the myriad motivations, attitudes, and behaviors that underlie present growth of this exciting new arena and will shape its future in the days ahead.



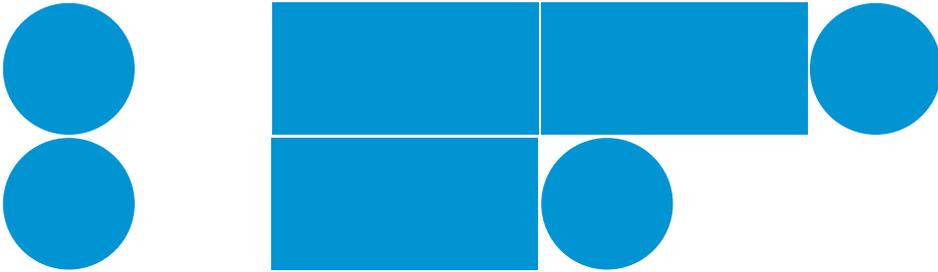
We wanted the answers to questions such as:

- Are social networks merely a fun sideline to real life, or do they represent a fundamental change in the way people are interacting with each other, and with media at large?
- How much time and energy are users devoting to social networking, and to what end?
- How does social networking fit into the overall media landscape and into the online media landscape?
- What's the primary function of social networks?
- What opportunities, if any, exist for brands to create more meaningful consumer connections within these social networks?
- Where does MySpace fit within the category landscape?
- What role does MySpace play in consumers' everyday lives?
- What activities do users participate in while on social networks?
- How do social networks generate *value* for brands?
- What are the right model and metrics to summarize and manage any brand *value creation*?

After listening to respondents, crunching numbers, and working to synthesize all this data into a singular narrative, we happened upon a simple phrase that we think best expresses the emerging new world of social networks: “never ending friending”. This phrase describes a world where frictionless attraction makes forging meaningful relationships easier – and more rewarding – than ever before.

In summary, we learned that social networking is a quantum change in how we interact – with each other, with bands and brands, and with the entire media landscape. We also learned there are indeed a set of best practices that will govern behavior in this new world.

In the pages ahead, we invite you to take a quick trip with us into this new world of never ending friending. We trust you'll emerge better informed and more excited about the category than ever before. Onward!



THE INSIDER'S VIEW...

Key findings

01 Making over life & media

Social networking sites are more than just fun sidelines to real life. They represent a fundamental shift in the way people interact with each other and with other media.

02 Stretching across hours and needs

Adherents of social networking – including 70% of today's 15- to 34-year-olds* – utilize their preferred social-networking sites at all hours of the day and night to fulfill a roster of needs as diverse as the users themselves.

*February 2007, US ComScore data, ages 15-34 at all locations.

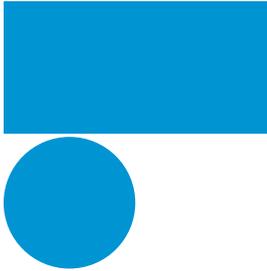
03 Enriching existing relationships

According to users, the primary function of social networking sites and experiences is to enrich existing relationships.

04 Making meaningful brand connections

The social networking environment provides uniquely fertile terrain for brands to establish meaningful relationships with current and future constituents.

05 — *Never Ending Friending* Research Summary, April 2007



05 Leading the way to tomorrow today

MySpace is the most popular social networking destination, with the most energized and loyal users. There's a kind of momentum that comes with longer site tenure: the longer one is a profiled member of MySpace, the deeper the commitment to and usage of the site becomes.

06 The many faces of social networking

Social networking users are not monolithic. In fact, they comprise a diverse range of ages, motivations, and interests, and their interaction style and emotional engagement varies from leaning-forward to laid back. While it's no surprise that teens comprise a strong audience for social networking sites, what is notable is the size and interest level among adults: participation parallels younger counterparts and spans the adoption curve.

Methodology

This project was a two-phased market research study, including initial exploratory qualitative focus groups illuminating what motivates social-networking usage, and an evaluation of the MySpace experience followed by an extensive quantitative online study.

The qualitative research was conducted by TRU (Teenage Research Unlimited), consisting of two-hour research sessions among MySpace users: three in Los Angeles, two in New York, and three in Chicago. This included teens and young adults spanning three life stages: teens 16-18, college students 20-22, and young adults 25-35, and included teen members of TRU's Trendwatch® panel of influential, trend-forward teens. All respondents created collages representing the emotions related to using MySpace; images from those collages appear throughout this report. TRU's Dan Drath moderated all sessions.

The quantitative research was fielded by TNS and consisted of a 25-minute online survey using the TNS 6th dimension™ Panel. TNS collected data from over 3,000 US panelists in February 2007. Included in this study were teens 14-18, college students 19-24, and young adults 25-40 with a 50/50 male/female split.

All respondents were qualified based on a series of screening questions and were put into three quota groups: Social Networkers, MySpace Non-Registered and Non-Social Networkers.

The respondents answered questions on usage of social networking, interconnections with others, and a battery of attitudinal questions. TNS also conducted FutureView™ analysis and a multi-domain segmentation with data from this study.

Making over life and media

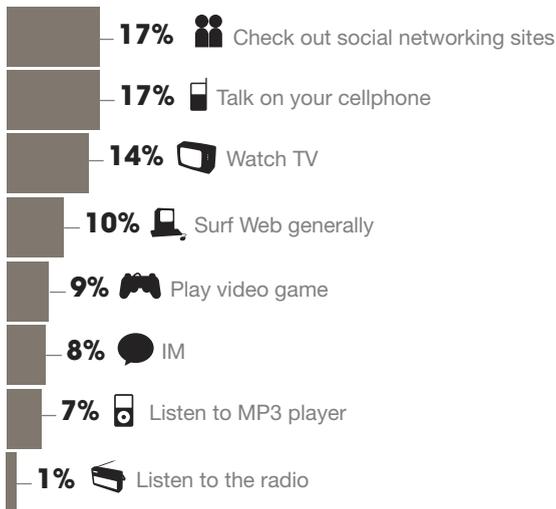
Social networking already a leader

You have fifteen minutes of free time. What do you do? For social networking users—which, at 70% of 15-34s in this country, represent a hugely mainstream phenomenon—the answer is simple: visit their favorite social networking site. Trumping iPods, video games, even TV, social networking sites ranked alongside cell

phones as the most desirable media choice. And this interest level doesn't seem to fade over time. In fact, the numbers show the longer you're a member of a social network site, the more likely you are to make it your destination of choice.

If you had 15 minutes of time, which activity would you most like to do?

Base: SN users age 14-29 (n=2,081)



Making over life and media

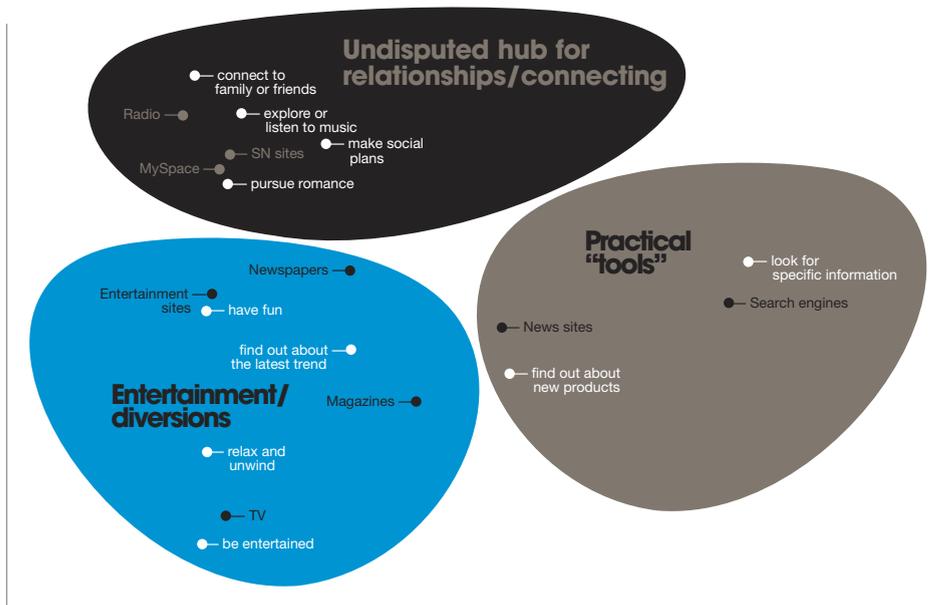
Social networks the hub for relationships

According to respondents, search engines and news sites are powerful, practical tools. Magazines and television provide excellent passive entertainment. But when it comes to connection and interaction, respondents resoundingly prefer social networking sites in general. Whether for kindling a new romance,

reconnecting with a former classmate, or making social plans with best friends, users recognize social networks as the best venue for the dance of attraction, connection, and retention that's better known as "relationships".

Which of these media services do a really good job when you want to...

Base: SN users age 14-40 (n=2,605)



Making over life and media

Leaving behind the old and disconnected

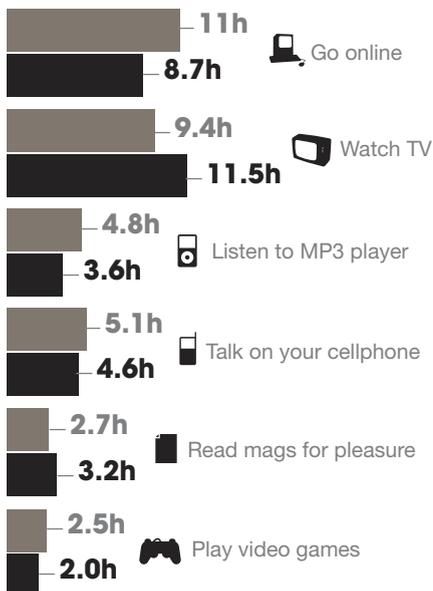
Social network users report subtly reducing their use of some other media as they become more “virtually” engaged. To wit, users report decreased use of “disconnected” media as they become more “virtually” engaged; TV-watching and magazine-

reading specifically decrease as social networking increases. Meanwhile, more connection-centric behaviors such as talking on cell phones, going online and listening to digital music rise.

During the past week, approximately how many hours did you spend doing each of the following activities?

Base: ● SN users age 14-40 (n=2,605)

● Non-SN users age 14-40 (n=431)



Making over life and media

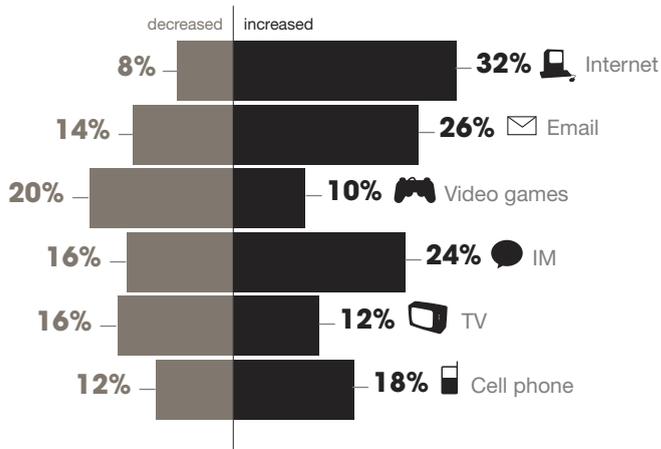
Embracing the new and connected

Despite showing some signs of decreasing “old media” usage, social networking users remain more media obsessed than their left-behind counterparts, devoting more time to music, computers, cellphones and TV.

Not surprisingly, male networkers tend to favor gaming-related activities more than their female counterparts do; and teen users tend to favor “instant message” functionality more than adults do.

Since you've been social networking, how has your use of each of the following changed?

Base: SN users age 14-40 (n=2,605)



Making over life and media

Social networking becomes an essential part of life

Users' deep emotional connection to social networking is evident in collages they prepared for focus groups. As shown below, one user created a collage to show a rich life with MySpace (left side): exchanging ideas, connected to everyone, not missing a thing, exhilarated— versus lonesomeness (right side) caused by a reversion to old-school media of an offline computer and rotary telephone. “Out of touch.” “Bored.” “No friends.”

Life...

with MySpace

without MySpace



— Briana, 27, New York

Stretching across hours & needs

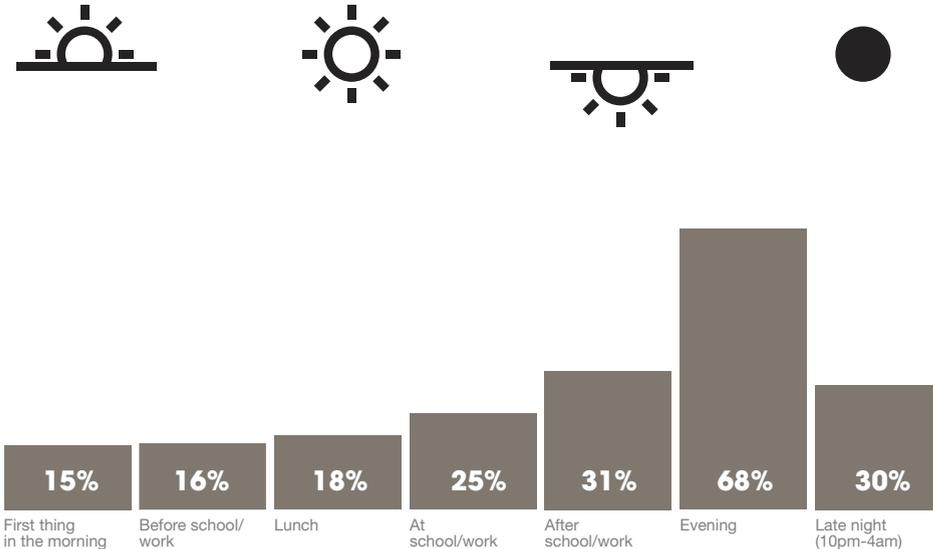
Usage patterns suggest constant engagement, peaking during prime time

Social networks are not just an after-school or after-work snack. In fact, social networking users of all ages report their real and virtual worlds need to be synched throughout the day, with each making the other more vivid. Across markets, respondents agreed there's little, if any, line between their virtual

and real lives. One respondent even said she hates to go to school if she hasn't been on MySpace the night before, because she feels too "out of the mix." Adult respondents expressed an equally powerful desire to integrate social networks into their professional lives.

When are you regularly on your favorite social networking site?

Base: SN users age 14-40 (n=2,605)



“I can’t come home from school and not want to go on MySpace. I wake up in the morning, brush my teeth, and go on MySpace. I have to in the morning. My mom gets so mad. I have to check on MySpace in the morning because maybe at 3:00 in the morning someone wrote me a comment. I just have to do it. It’s addictive.”

— *Britney, 17, Los Angeles*

“It just hooks you in there and you’ll just sit there and you’ll look at people’s profiles or you’ll just randomly browse what’s going on, and you just can’t stop. And you’re looking at the watch and you thought you’d just sit down for a minute and you ended up sitting for an hour, like what the hell am I doing?”

— *Paul, 25, Chicago*

Stretching across hours & needs

Social networking medium enriches “real” life

More fun. Less boredom. Across emotional attributes and value statements, social networking users consistently report that life with their favorite community is simply better than life without. Three-fourths of respondents reported they’re “never bored” on social networks. Roughly half said their social networking

experiences have helped them have more fun, made life more interesting, or simply added fun to real life. An interesting note: Four out of ten users reported discovering brands and products they “really like” within the realm of social networking.

How much do you agree with each of these statements?

Base: SN users age 14-40 (n=2,605), Top 2 box scores (3 point scale 1=do not agree at all, 3=completely agree)

- I am never bored when using it... **73%**
- There are just so many things to do on this site... **66%**
- The site adds fun to going out... **56%**
- With SN, I’ve been having more fun in life in general... **48%**
- With SN, I’ve been more plugged into the music scene... **47%**
- With SN, I’ve felt more on top of trends and what’s new... **46%**
- It makes my life more exciting... **45%**
- With SN, I’ve discovered brands and products that I really like... **40%**

Stretching across hours & needs

Future Shapers show how SN is evolving

It is perhaps true that, as one respondent observed, online social networks are the greatest innovation in people-watching since going to the local mall. It's bigger than that: the activities on this chart's top half show the diverse practical needs currently being fulfilled within social networks: downloading music, watching videos, sending instant messages, and posting quick comments to photos or blog entries. These myriad options enable users to maintain the immediacy of the environment and keep the community

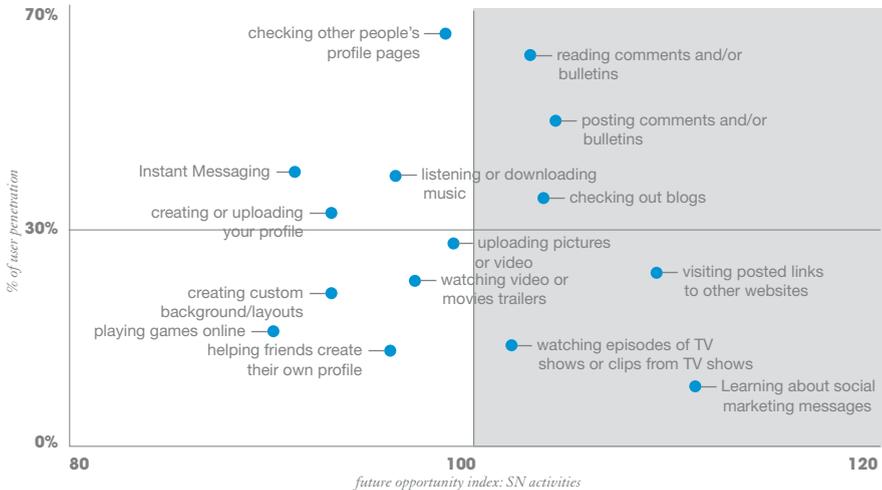
lifeblood pumping along. Perhaps most interesting for Marketers is what's represented in the lower right quadrant of the chart: Future Shapers, those leading-edge consumers whose behavior tends to be a signpost for what's to come, are showing signs of embracing activities like watching TV within social networks; visiting outbound links; and learning more about social marketing messages. Clearly, the opportunities for marketers will be even more interesting in the near future.

The activities on the right side of the chart are more prevalent among the future influential consumers. Additionally, the top right (for example, reading comments/bulletins) indicates established behavior while the bottom right (for example, watching episodes of TV shows) highlights emerging trends.

How often do you do each of these activities?

Base: SN users age 14-40 (n=2,605)

FutureView™ is a model that identifies a pivotal segment of the population driving the future direction of the market.



Enriching existing relationships It's all about who you know

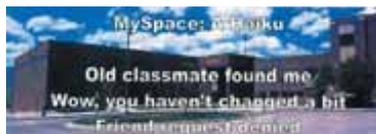
Contrary to popular wisdom, social networking sites are not all about initiating casual relationships with strangers. While that might make good copy, the

reality is that most social networking users rely on the medium to deepen their existing relationships, whether with their favorite bands, brands, or people.

Which types of people do you interact with regularly on your favorite social networking site?

Base: SN users age 14-40 (n=2,605)

- 69%** — Regular friends
- 46%** — Friends with whom you had lost contact
- 41%** — Family members
- 31%** — People from outside your city
- 27%** — People you only know in the virtual world
- 25%** — People you met once or twice in person
- 19%** — Referrals from friends
- 18%** — Co-workers



— Jason, 29, Los Angeles

Enriching existing relationships

Social networking means staying in touch

What are people doing on social networks? “Staying in touch” and “re-establishing old contacts” rank at the top. Interestingly, “staying in touch” is actually twice as popular as “meeting new people.” Also, importance of all activities grows as time goes on.

Other popular activities include the pursuit of fun, self-promotion, and doing stuff more easily accomplished online than in person. What might that be? As one thirty-something guy said, “I can let my feminine side come through a little bit on a social network.” Indeed.

How important is each of the following reasons for using your favorite social networking site?

Base: SN users age 14-40 (n=2,605); Top 2 Box (5 point scale 1= not important at all, 5=extremely important)

- 58%** — Communication/staying in touch
- 44%** — Re-establishing old contacts
- 38%** — Entertainment
- 30%** — Finding people with same interest
- 29%** — Meeting new people
- 27%** — Making social plans
- 26%** — Getting people to learn about you
- 26%** — Sharing online content
- 23%** — Sharing experiences I might not do in person/on phone
- 22%** — Keeping in touch with my music



“It’s like the new phone number. Instead of getting someone’s phone number, you can just get their MySpace, and communicate with them through there. That’s kind of what it’s become”

— *Andrew, 19, Los Angeles*

“It’s like a cool e-mail. MySpace is definitely my form – I don’t even check my e-mail. I check MySpace because anyone that knows me contacts me through MySpace.”

— *Erica, 22, Chicago*

“This is who I really am. This is what MySpace is for me. Some people misunderstand me by what they see, and really that’s not who I am. It’s the way of exposing who you really are.”

— *Rachel, 22, Chicago*

“If you only see someone, you just see them. If you go on MySpace, you can see what they are really like.”

— *Caleb, 17, New York*

Enriching existing relationships

Virtual involvement, authentic engagement

Social networking users value authenticity and like to talk about “keeping it real.” At the same time, many users report that social networks actually enable them to be more engaging, more multifaceted, and more honest than in their real lives. As a result, users’

emotional attachment to the relationships they create and the connections they make on social networks can be profound. As one respondent observed, “I can be even more ‘me’ on a social network.”

How much do you agree with each of these statements?

Base: SN users age 14-40 (n=2,605) Top 2 Box (3 point scale 1= do not agree at all, 3=completely agree)

57% — People can see parts of me that are not immediately obvious in person

57% — Through SN, I’ve found more people like me who share my interests

56% — I really try to find just the authentic real people

52% — With SN, I feel more in tune to what is going on socially

50% — The site allows me to be more social than I am in person

50% — I am less awkward when I communicate on this site than in person

46% — With SN, I’ve become choosy about with whom I socialize

41% — I can really reveal parts of my life I would normally not disclose

BE YOURSELF

expressing myself

What's your story?

Making meaningful brand connections

Friending is the next advertising

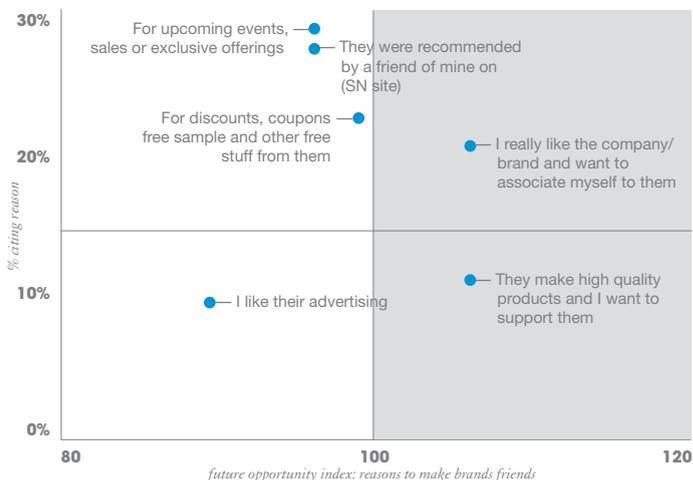
In the real world, there's nothing like a sale to attract customer attention. In the virtual world, social networking users are equally as interested in "associating" themselves with their favorite brands as they are in hearing about "free stuff." Even more important: hearing about exclusive events or offerings. You know, the kind of stuff a friend might tell you about.

Once again, Future Shapers signal that associating with favored brands and companies is a growth industry, suggesting that the mainstream soon will move from its "sale first" orientation to something that is more relationship-driven. In the growing world of "Friendonomics," it's increasingly about affiliation.

The characteristics on the right side of the chart are more prevalent among the future influential consumers. Additionally, the top right (for example, I really like the company/brand) is an established characteristic and the bottom right (for example, they make high quality products) is an emerging trend.

Why did you make a company or a brand your friend on your favorite SN site?

Base: SN users age 14-40 (n=2,605)



FutureView™ is a model that identifies a pivotal segment of the population driving the future direction of the market.

Making meaningful brand connections

Friending is the next advertising

In the emerging “Friendonomics” of social networks, users are making meaningful connections with the groups, bands, brands and clubs that create a two-way street of value. As one respondent observed, “Friends don’t waste your time. But they do tell you

stuff you need to know.” Across markets, social networking users consistently expressed their desire for brands and organizations to treat them less like customers...and more like friends.

“Having Puma as a friend is pretty cool. You get some online sales or whatever since they’re kind of expensive. You can see what kind of shoes they have.”

— *Claire, 18, Chicago*

“I don’t want companies to advertise to me. I want them to be my friend.”

— *Rob, 27, Los Angeles*

“Having a brand like Gibson or Nike as a friend would be cool. It’s an allegiance kind of thing.”

— *Matthew, 25, Chicago*

“Show me when the sales are, what your selling, pictures of what you’re selling, pictures of what’s going on. Those would be the most important things, the sales and what you’re selling.”

— *Cory, 17, Chicago*

MySpace is THE space

The leading player in an evolving category

Looking across a spectrum of time spent, increased usage, and overall end-user satisfaction, MySpace emerges as a clear leader in the evolving social networking category. In fact, while many users reported maintaining profiles across multiple sites, respondents in qualitative research sessions routinely

cited a MySpace profile as the one “must have” in the category. For many, the MySpace brand inspired positive connotations with parties, friends, and socializing, a kind of aspirational environment where “drama,” “excitement,” and “attraction” are always one comment away.



- MySpace leads all other social networking sites in time spent on the site by its users: on average, 6.9 hours in the past week.
- MySpace delivers the highest satisfaction level of any social networking site (79%).
- MySpace is the #2 site for video overall and #1 among social-networking sites
- Qualitatively, social networkers report MySpace above all others as the site upon which you must have a profile

“MySpace is like your life. It’s your life on the Internet, basically.”

— Ashley, 16, Los Angeles

“If you live in a dorm room, you decorate your dorm room or you put posters up, and you have your furniture and your computer. Everything is yours. If the Internet had your own room, it would be MySpace. It’s where you live online.”

—Nik, 21, Los Angeles

MySpace is THE space

A brand that means something vs. other prominent social networking sites

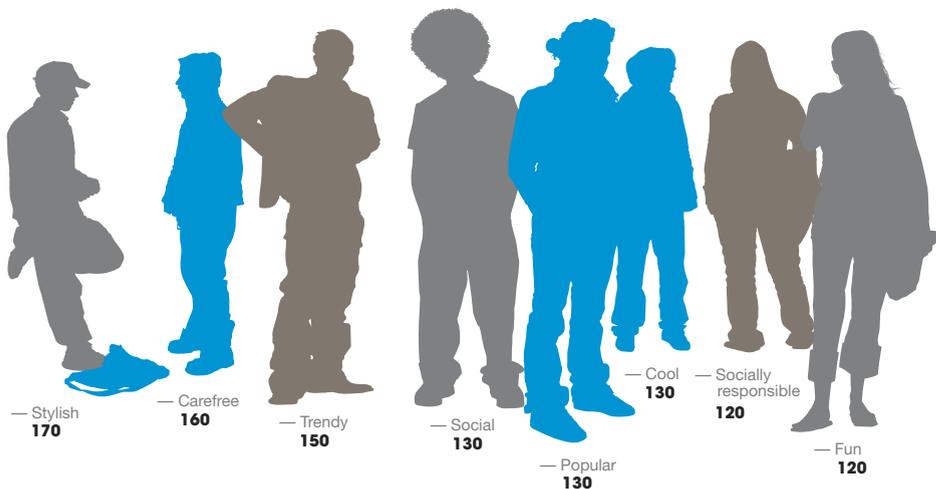
Stylish. Carefree. Trendy. Popular. While much of modern life is wrought with seriousness and responsibility, the MySpace brand is aligned with lighter, more youthful attributes – the kinds of attitudes to which teens,

twentysomethings, and thirtysomethings all aspire. While some other social networking sites inspire references to school and resumes, users describe the MySpace experience as more explicitly social and fun.

If MySpace were a person, how would you describe him or her?

Base: Users of MySpace vs. other major SN sites, age 14-40 (n=2,239)

An index score shows the degree to which each brand attribute applies more to MySpace vs. the average of other top social networking sites. An index of 170 shows that MySpace is 70% more likely to be “Stylish” than the rest of these sites’ average (on a base of 100)



MySpace is THE space Everything you desire and then some

For the focus groups, users created evocative collages to illustrate the intensity of their MySpace experience. Here, one user shows that, for her, MySpace is a “world party” to which she’s “addicted.” It’s a “special place” to get “the scoop”—“boys, friends, & success.” Both “simple” and “complicated.” Simply, it’s “my life.”

What MySpace means to Megan

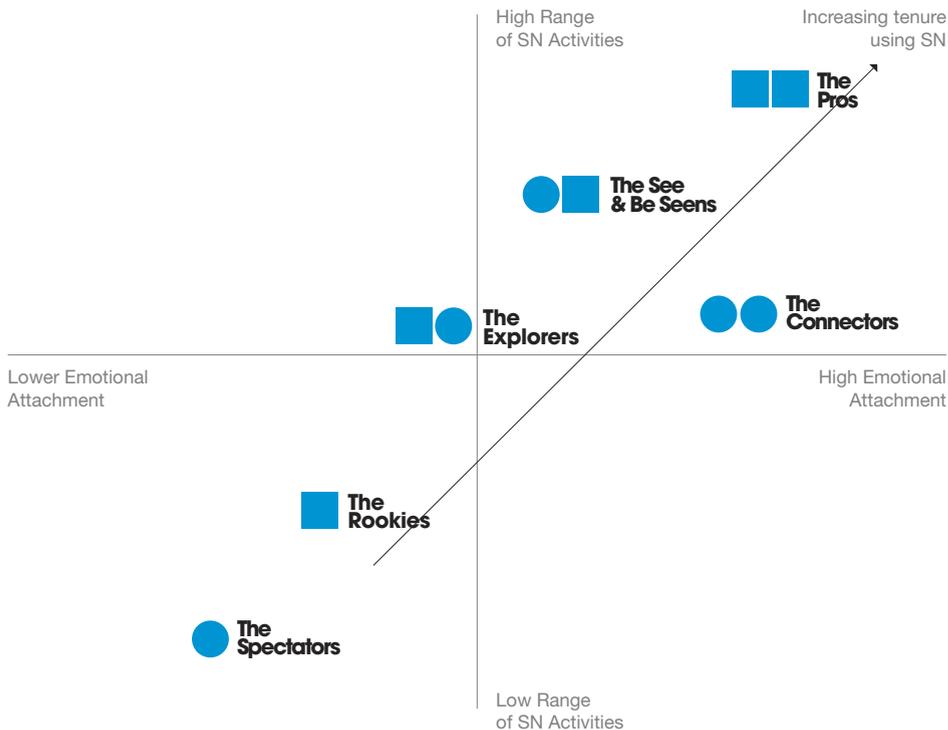


— Megan, 16, Chicago

The many faces of social networking

As mentioned earlier in this book, social networking users now represent more than 70% of 15- to 34-year-olds in the United States. As such, it should be no surprise that their attitudes and usage patterns are wide and varied. In conducting this research, we identified six significant segments that span the adoption curve, from

those who are still more or less on the outside looking in, to those who seem unable to live without social networking. Note that these segments span the entire age spectrum, with older users often just as engaged (and in some cases more so) than their teen counterparts.



This segmentation, based on the social networking universe as a whole, closely represents MySpace users as well—not surprising, given that MySpace is

the leader in this newly evolving category. Segment sizes vary minimally among social networkers generally and MySpace users specifically.



The Pros

the social networking world's leading citizens

Size of SN Universe

19%

Social networking is...

“an essential part of my life”



The See & Be Seens

the searchers, always on the lookout for new connections

14%

“all about appearances”



The Connectors

the communication-positive human hubs of social networking

18%

“all about other people”



The Explorers

users who are exploring the practical benefits of the medium but are not yet emotionally engaged

24%

“one part of my busy life”



The Rookies

new users who are still more connected to traditional media

25%

“something new I’m checking out”



The Spectators

largely non-users, generally aware of but not yet engaged by social networking

■ ■ The Pros

- *Size of SN universe: 19%*
 - *% of MySpace users: 21%*
 - *Demographics: Mix of males/females 14-17, females 19-24 (average age 21)*
 - *Life stage: single 64%, married or living together 32%, heavily student 63%*
 - *SN tenure: long (1-2 years), elaborate and creative profiles, with 40% using 2 years or more*
 - *Social networking is an essential part of life*
-

Who They Are

The Pros are the social networking world's leading citizens, those users whose combination of technical facility and emotional investment place them at the forefront of their peers. Given the choice of how to spend their time, The Pros usually choose social networking over all other options, real and virtual. While 12% of all social networkers consider themselves happily "addicted" to the medium, fully a third of The Pros feel this way.

The Pros are the longest tenured segment (1 to 2 years), and nearly 40% of The Pros have maintained a profile for two years or more in this emerging category. On average, The Pros dedicate nine hours a week to social networking, some two hours more than the average user. Further, these multi-tasking, multimedia maniacs actually report their usage is increasing!

Brand Opportunity

Brands that wish to connect with The Pros can forsake gimmicks and tricks. The Pros are most likely to demand clear "value for value" exchanges: as a Pro might say, "I'll grant you friend status if you give me something explicitly worth my while." To wow the Pros, consider offering standing discounts, private shopping and/or product access, limited editions, and other exclusives. Since The Pros gravitate toward Group membership, savvy brands might create sponsored special interest groups around a relevant social cause, expertise, or other unique arena.



- Most hours/week spent on social networking (9 vs. 7 average)
- Compulsive users: 26% use it as soon as they wake up vs 15% for the average. 65% use it as soon as they get home from work or school.

●● The Connectors

- *Size of SN universe: 18%*
 - *% of MySpace users: 19%*
 - *Demographics: Older: females 25-34, males 18-34 (generally not teens) (average age: 24)*
 - *Life stage: 53% single; 43% married or living together; student 41%; professional 12%.*
 - *Social networking tenure: Short (6 months - 1 year; 55% less than 1 year)*
 - *Social networking is all about other people*
-

Who They Are

The Connectors are literally the human hubs of the social networking revolution. As a group, The Connectors possess a high level of desire and passion. More than any other segment, The Connectors intend to use social networks to connect with people they've never met; to gain more friends; to augment and to enrich their usage of other media. (Like The Pros, they are extremely competent media multitaskers.) Although somewhat less tenured than The Pros, The Connectors (who average 6 to 12 months of active usage) are the segment who cite social networks as the best medium for pursuing romance. More importantly, The Connectors aren't likely to keep this passion to themselves, as they report higher than average use of all communication tools and media. Spread the word!

Brand Opportunity:

The hot blooded Connectors are a marketer's dream. Tap into their passion channels and you can quickly find yourself in the inboxes and on the profile pages of a vast network of old and new friends. In general, The Connectors are more receptive to recommendations from friends than other segments. Like their counterparts The Pros, The Connectors desire tangible benefits for "friending" a brand, rating offers such as "discounts" and "free samples" highly. Interestingly, this segment is more likely than any other segment to report "liking" advertising, perhaps because they view it as a kind of currency they can use within their hyperactive social economy. Want a win with The Connectors? Tell them something good, and invite them to pass it on to their friends. These are your viral brand ambassadors.



- Interact with large number of profiles (40 vs. 30 profiles on average)
- Profile tends to be creative (36% vs 26% average)

●■ The See & Be Seens

- *Size of SN universe: 14%*
 - *% of MySpace users: 13%*
 - *Demographics: Interesting mix: females 19-34, males 25-34*
 - *Life stage: 24% professional/executive; 41% student; 51% single; 43% married or living together*
 - *Social networking tenure: Long (1-2 years)*
 - *Social networking is all about appearances*
-

Who They Are

The most technically proficient of all segments, The See & Be Seens know how to use social networks to achieve their primary goal: to extend and enrich their social lives. At the same time, they are the most influenced by product and brand advertising and the most likely to use social networks to learn about brands and products. You can think of The See & Be Seens as the searchers of the social networking world, the most likely to polish their profiles with regularity and seek out people and brands they deem “real” and “authentic.” At the same time, they report feeling “more like me” when on social networks. As a result, their usage has likely increased greatly in the last six months, and they find themselves checking in not only in the popular evenings, but also increasingly in the mornings, before school or work.

Brand Opportunity:

The See & Be Seens are the segment most influenced by product and brand advertising; 90% use the medium to learn about brands and products, versus just 31% for the average user. Given the aspirational nature of The See & Be Seens, ads and promotional activities communicating premium, VIP, and other ways users can boost their image will work well with this segment. Think visual, high design, and badge-oriented for this segment. Enable them to plug your brand into their identity/profile.



- Highest increase in usage in last 6 months (67% versus 51% mean)
- Highest in elaborate and long profiles vs. the average; tends to offer an exaggerated profile of themselves
- Highly interested in finding romance both in meaningful and casual relationships: 3.5 on 4-point scale versus 2.0 for average.

■● The Explorers

- *Size of SN universe: 24%*
 - *% of MySpace users: 25%*
 - *Demographics: 25-34 males and females*
 - *Life stage: Executive/professional: 24%; Some students (35%); Married or living together 55%; Single 42%*
 - *Social networking tenure: Shortest: 64% less than 1 year*
 - *Social networking is one part of my busy life*
-

Who They Are

Largely made up of relatively new users, The Explorers use social networks to connect with old friends and meet practical needs. Not yet emotionally engaged, The Explorers view social networking as one of many interesting interactive/online options. They may well be functionally engaged by some of the medium's features, but they're less likely to have become emotionally engaged...so far. The Explorers are often young professionals whose busy lifestyles have not allowed them to experience the rapid social-networking ramp-up of their younger counterparts.

Brand Opportunity:

The Explorers "friend" companies and/or brands because they know them, like them, and want to stay in touch with them. They make this decision selectively and rationally, based on whether such an affiliation will help bring order to their already busy lives. Given a positive experience with a company/brand, they're open to becoming more committed to the medium. Brands wishing to succeed with The Explorers should keep their interactions simple, concise, and benefits oriented, especially at first. Emphasize practical benefits of "friending," as well as how your brand/offer/program can make users' lives easier.



- Below average use: 5 hours per week vs. 7 hours on average; many have increased usage in last six months.
- They are beginning to find groups as friends

■ The Rookies

- *Size of SN universe: 25%*
 - *% of MySpace users: 22%*
 - *Demographics: Males and females 19-34*
 - *Life stage: 50% single, 45% married or living together, 41% student*
 - *Social networking tenure: Short (6 months - 1 year)*
 - *Social networking is something new I'm checking out*
-

Who They Are

The Rookies are just what they sound like: largely social networking newbies who have yet to fully embrace this experience. Although profiled and ready, this group is least likely to report that social networking has displaced other on- or off-line media. They are most likely to view social networking as a tool for reconnecting with old friends. Given their druthers, this segment still prefers TV to social networking, and they devote only four hours a week to the medium, to the medium, an average of seven for all other segments.

Brand Opportunity:

Don't come on too strong: The Rookies may be a bit shy. After all, their primary reason for registering in the first place was only to reconnect with old friends. As such, consider positioning your brand/experience as a way The Rookies can reconnect with something fundamental they may have left behind: a favorite food, a life stage that's passed, or a value that may have been left behind in childhood. Or, consider how you might help The Rookies begin to explore the entirely new world of social networking, perhaps offering to help pimp their profile, expand their simple friend base, or learn simple do's and don'ts of this emerging frontier.



- Interact with fewest number of profiles (16 vs. 30 average)
- Fewest number of hours per week on social networking sites (4 vs. 7 average)
- Preference to watch TV if only have 15 minutes (20% versus 14% average)

● The Spectators

For the Spectators, the computer operates more as a television than a cell phone. The Spectators are generally passive online citizens, more invested in watching and reading online media than in actually uploading any content of their own. This attitude makes them negatively predisposed to the inherently interactive social networking arena. Unlike other segments, The Spectators prefer shopping, search,

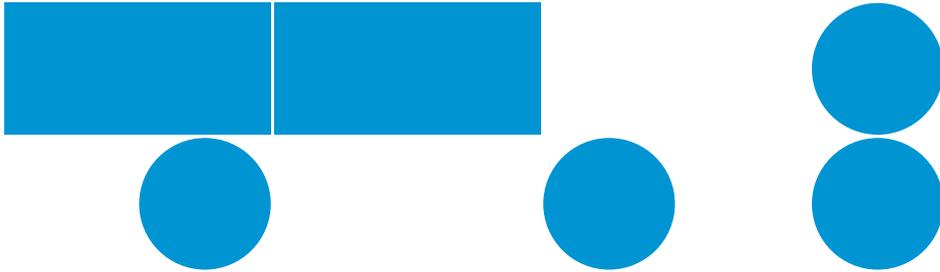
and entertainment sites to social networking sites. More avid TV watchers and magazine readers compared to social networkers and generally less social (less time on their cell phones, fewer IMs and SMSs), they've yet to integrate social networking sites into them in any meaningful way, nor do they desire to do so any time soon.

During the past week, approximately how many hours did you spend doing each of the following activities?

The Spectators (n=433) vs. SN users age 14-40 (n=2,605)

	The Spectators	SN users
 — Watch TV	11.4h	9.4h
 — Go online	8.7h	11h
 — Talk on phone	4.6h	5.1h
 — Listen to music	3.6h	4.8h
 — Read mags/books	3.2h	2.7h
 — Play videogames	2h	2.5h
 — Text on cell phone	1.1h	2.1h

As The Spectators is comprised of those who do not currently social network, this segment represents zero percent of the social-networking universe.



THE MOMENTUM EFFECT

— Rex Briggs,
CEO, Marketing Evolution

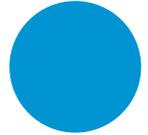
Creating Brand Value in the Social Networking Space

Globally, more than 200+ million people use social networking (SN) sites each month. On a given month, more than 60 million Americans use MySpace. Marketers have a habit of following their consumers, but is there any evidence that brands build *value* by participating in SN communities?

How much time, energy and money should marketers invest in SN to generate brand *value*? What types of returns should brands expect? Most critically, how can brands systematically measure and manage brand *value* creation in SN communities to achieve the best possible results?

If you're on a quest to address these questions, this chapter may hold the answers – or at least point the direction to the answers.

As the premier marketing ROI measurement firm, Marketing Evolution forecasts the *value* of SN to most marketers to represent another key channel of communication that must be planned and budgeted side-by-side with Television, Magazine, Online, Radio, etc. The impact from these initial studies is so strong that it makes Marketing Evolution pause and ponder the profound implications to Marketing as well as the window of opportunity for savvy marketers to trounce slower competitors.



This chapter unpacks first-of-its-kind research on how *value* is created in SN communities for consumers and marketers alike. It applies insights drawn from two case studies – game publishing giant Electronic Arts and athletic powerhouse brand adidas.

The research offers specific guidelines on how to measure and manage the *value creation* to achieve maximum results. We'll take a look at *value creation*. Considering both the *value* to the marketer as well as to the consumer. In looking at *value* to the consumer, the chapter unlocks secrets to getting the most out of Marketing holistically while also addressing SN Marketing specifically. We'll conclude by tackling some big unanswered questions, and pointing the way to new areas for Marketing R&D.

Rex Briggs is CEO, Marketing Evolution, a Marketing ROI Measurement Expert and Pioneer, award-winning researcher and author of the acclaimed What Sticks: Why Advertising Fails and How to Guarantee Yours Succeeds



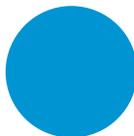
KEY FINDINGS

01 Improved ROI Value

The average ROI from these two case studies is stronger than the average for Online advertising in general.

02 The New ROI Model

While advertising and community pages have a strong effect, over half the impact of SN Marketing comes from “the *momentum effect*” that occurs when one consumer uses the brand as a reference point in his or her own personal profile, or passes along the information to a friend.



03 A New Metric

The research has found that in these two cases, almost all the C2C value comes from seeing the brand within one's social network. The *momentum effect* is the single strongest measure of overall SN marketing success. Accordingly, we have developed a direct measure of the *momentum effect*.

04 Activating the “Momentum Effect”

The secret to activating the *momentum effect* appears to revolve around giving consumers the opportunity to share their own story using the brand as a symbol and reference point. Giving consumers the tools to add the brand to their wallpaper or opportunities to make a dream come true through brand-connected programs are two methods we measured to great effect in this research.

The Time Is Now for Social Networking Marketing

SN is a new online territory. In our one-on-one interviews with marketers, some expressed that SN is a new ballgame and they don't know how to keep score – they don't even know the rules. Some marketers feel they're playing on unfamiliar turf, where the consumer names the rules and controls the field.

Most marketers don't have the equipment to play, and for some, there is comfort with the traditional advertising model: pay a media owner to insert an advertisement, and assume it generates impact (or measure impact using traditional measurement models). When it comes to SN marketing, how does a marketer know if *value* is created?

The fact that SN Marketing is different and requires fresh thinking might explain why the past decade of digital marketing has focused on translating the game they knew (advertising) to the new landscape of the Internet. The common thread of this past decade of digital Marketing and Research is the traditional advertising model translated into new digital environments.

Times are changing. Enough marketers have conceptualized how traditional marketing models transferred online, and now many are focusing attention on a new model for brand *value creation*.

To help them, we need a well developed framework to quantify and analyze how *value* is created. If marketers have a framework to measure and manage *value creation* in SN, it significantly expands usage of SN as a meaningful element of the Marketing mix; hence Marketers achieve better overall ROI. Developing a standard framework across community sites is one of the central aims of the research, so let's get started.

How is value created for brands in a social network?

First, let's define *value*. The definition of *value* begins with understanding the Brand Manager's Marketing goals. Generally, the Marketing goals revolve around the following core branding metrics:

- Brand awareness (unaided and aided)
- Positive brand image (such as agreement that the brand is better than others)
- Intent to take action (such as purchasing the product)
- Action (actual purchase of the product)
- Loyalty
- Advocacy

Some ask, why isn't sales (or profit) the sole measure of *value*?"

Sales and profit is a legitimate business goal, but most Marketing programs can't achieve sales on their own.

Marketing is one key component that generates sales and profit. Marketing can positively influence conditions resulting in sales.

Other factors such as product distribution, sales force acumen, pricing, promotions plus a host of externals such as competitive activities, weather and so forth all influence the actual purchase.

By focusing directly on what marketing can influence and control, we get a clear measure of marketing *value creation*.

Value Creation Models

If *value creation* is increasing the proportion of consumers who have brand awareness, positive brand attitudes, and intent to purchase, then we hypothesize that the process of *value creation* in SN is different than *value creation* in traditional forms of Advertising. To be clear, let's illustrate how *value creation* is calculated in traditional Marketing.

The traditional Marketing model has a rather linear *value creation* process. Advertising is delivered from the business to consumer (B2C), and a certain proportion of consumers are influenced by the message in a way that creates *value* (most commonly measured as an increase in awareness, positive brand attributes and purchase intent). By increasing these metrics, Sales also increase.

Old Model – B2C Value Creation

Diagram: B2C Value Creation



This communication model allows a marketer to count how many people will receive the message, and measure the number of people influenced (the *value created*).

For most large marketers, television remains the dominant mode of Advertising, in which the message sent by the business tends to stop with the consumer reached. Consumers rarely take time to record a TV commercial and forward it to a friend or colleague. In fact, out of the roughly 30,000+ Television ads we see in a year, Marketing Evolution estimates consumers forward less than 5. Reflecting this reality, the measurement model of *value* has followed the linear “Business > Consumer” (B2C) path.

The way SN works, a consumer may visit the adidas page and see a great wallpaper to add to his or her web page, then download it to the page. Maybe tell a few friends about it, too. Then some other friends see it when visiting the profile page. In addition, others who visit the profile page also see the adidas wallpaper integrated into the site. Some of them tell their friends about it. The impact of the adidas download builds momentum as more and more people use it, choose to pass it along or are simply exposed to the adidas image.

New Model: B2C + C2C Value Creation

What if SN marketing works differently?

What if the measurement model of *value* isn't just a message sent from a business to a consumer (B2C) where the impact ends with the consumer who receives it?

What if the initial communication is B2C and then the message takes on a life of its own as consumers use it, forward it, and share it C2C (consumer to consumer)?

Diagram: C2C Value Creation & the Momentum Effect



If the message doesn't stop once communicated to consumer (as in "the *momentum effect*"), it means we need a new model for measuring *value creation* that adds in the consumer to consumer component.

B2C + C2C = Value Creation

The momentum effect: The activation of consumers to tell their own personal stories using your brand as the reference point. The *momentum effect* accounts for over half of the *value* of social network marketing.

The B2C value creation

remains a legitimate part of Marketing. SN complements and extends the impact further than traditional marketing could go by activating C2C activities.

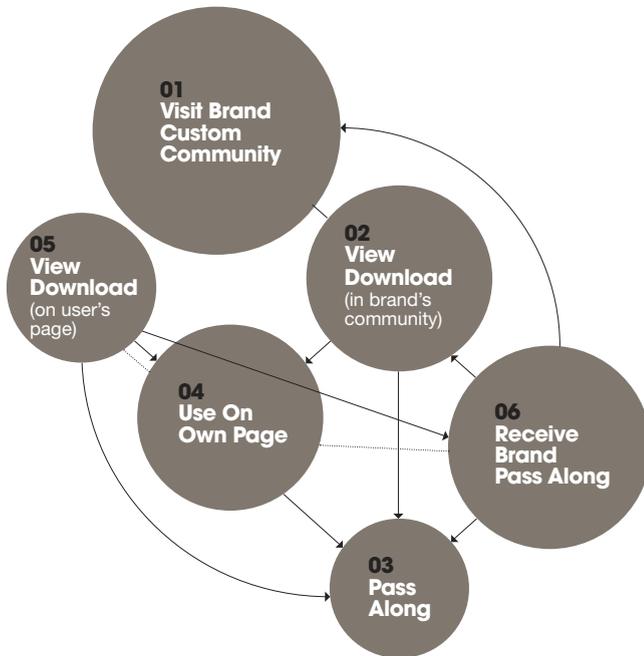
In addition to the new model of "B2C + C2C = value creation," SN becomes part of the product experience, and the *value* of SN extends to increases in advocacy and loyalty.

Before we discuss the research to empirically test these hypotheses, let's take a look at the campaigns we measured.

C2C & the momentum effect

Branded download

— ● Size = incidence (# of people doing activity)



Explanation: Marketing Evolution hypothesized that consumers may communicate with other consumers directly. The process might start with a consumer visiting a custom brand community, like adidas (www.myspace.com/adidassoccer). This is represented by the first circle. The consumer may come across a download for an adidas wallpaper (circle 1). From here, the consumer to consumer (C2C) effect takes over. The consumer might pass along the wallpaper (circle 3) to a friend whom they believe would be interested in the wallpaper. Or they might load it onto their own page (circle 4). From here, other consumers might see adidas on personal pages (circle 5), and decide to use it themselves (circle 4), or pass it along (circle 3). Those consumers viewing the adidas wallpaper, or receiving the pass along (circle 6) may be influenced by this consumer to consumer communication. Marketing Evolution's research set out to see if this effect is occurring, and how significant it might be to creating value for brands such as adidas.



The Campaigns

The adidas soccer custom community on MySpace has been in existence since 2006, with the most recent refresh launched in February 2007. The new campaign is focused on fostering an environment of friendly discussion and debate of adidas' two models of elite soccer cleats/boots, Predator and F50 TUNIT. Visitors to the community have the opportunity to align themselves with one product "team" and offer comments in support of their preferred model. Additionally, the new content offers information about professional adidas soccer players on each "team," rotational product views, downloadable graphics, forum discussions, a link to additional product information, and a link to the adidas Mexico Fútbol profile page. One of the most sophisticated aspects of the adidas custom community is the way that consumers can align their own personality with the choice of adidas brands. Once a brand is picked, the consumer's locked in with the brand experience.

FORUM TOPIC	POSTS	LAST POST	TOPIC OPENER
All Top Topics	7	02/02/07 11:15 PM by: Mikihae	02/02/07 11:15 PM by: Mikihae
Championship Boots	10	02/02/07 11:15 PM by: Mikihae (last 2007)	02/02/07 11:15 PM by: Mikihae
Download 11	40	02/02/07 11:15 PM by: Mikihae	02/02/07 11:15 PM by: Mikihae
11K Top	4	02/02/07 11:15 PM by: Mikihae	02/02/07 11:15 PM by: Mikihae
Advertisement for Predator, also used for Predator	1	02/02/07 11:15 PM by: Mikihae	02/02/07 11:15 PM by: Mikihae



Electronic Arts' Burnout Bandslam custom community on MySpace continues the close ties of the interactive Burnout video game racing series and music. The contest offers unsigned bands the opportunity to enter their best song for MySpace users to listen and rate against other entries. The winning bands (one each from the United States and Europe) receive a Virgin Records demo recording contract and chance to have their song included in a future Burnout videogame. Other community elements include a downloadable video from the game, downloadable graphics, Burnout newsletter subscription, and branded message board.

The Methodology

The research includes specific “in-market” measurement of the impact of SN on consumers. We don’t ask consumers if they are more likely to buy the brand because of SN marketing – that wouldn’t yield a meaningful measure. Instead, we apply best practice research and observe the effect through a series of “exposed” and “control” measurement.

Marketing Evolution defined a data collection system with a combination of behavioral tracking and survey measurement to capture real-world performance data across value metrics. Consumer survey sample was drawn from both nationally representative panels and random intercept surveys on MySpace.

We used a combination of behavioral data and self-stated data to classify each consumer into exposure groups based on B2C and C2C paths. We gathered this data from 7 February 2007 to 29 March 2007. The total sample size is 11,266.

We analyzed the primary metrics of purchase intent and intent to recommend as well as the secondary metrics listed in Table 2. Analysis allowed Marketing Evolution to calculate the *value creation* from B2C and C2C as well as perform multivariate analysis of the *value* drivers. Table 1 summarizes the analysis framework.

There are four analytic groups. The first two should be fairly familiar to marketers who have used the internet to create *value*. The first represents the advertising exposure effect. The second represents the incremental *value* created by getting a consumer to visit a web page – in this case, a custom brand community within MySpace. The next two groups represent the consumer to consumer (C2C) effect. Consumers might encourage a consumer to visit the custom brand community. Or, the consumer may simply use the brand as a reference point within their own profile page, or in conversation within MySpace. Marketing Evolution has termed this “the *momentum effect*.”

Table 01

Measurement Framework of B2C and C2C Value Creation

	Marketing Element	Analysis
— B2C Value creation	#1 Advertising exposure Analysis: (Pre/Post)	Random sample of MySpace user population in days just prior to massive ad campaign Post Group, random sample of MySpace population in over the three weeks of the campaign (use of behavioral tag to confirm exposure).
	#2 Custom brand community profile exposure caused by Advertising/ featured link Analysis: (Pre/Post) Exposed/Control	Control/Pre: Random sample of users visiting web page just prior to web page loading (identified as coming to page through advertising, Featured Profile, or corporate link). Exposed/Post: Random sample of users visiting web page after page use (identified as coming to page through advertising, Featured Profile, or corporate link).
— C2C Value creation	#3 Custom brand community profile exposure caused by pass along from another consumer Analysis: (Pre/Post) Exposed/Control	Control/Pre: Random sample of users visiting web page just prior to web page loading (identified as coming to page through search or personal referral). Exposed/Post: Random sample of users visiting web page after page use (identified as coming to page through search or personal referral).
	#4 The momentum effect -- WOM exposure to brand within MySpace	Comparison (controlling for demographics) of nationally representative sample vs MySpace sample.

Table 02

Marketing Objective For Value Creation

	Adidas	EA Burnout
— Primary Metrics of Value	Purchase Intent (brand) Intent to Recommend (brand)	Purchase Intent (game) Intent to Recommend (game)
— Secondary Metrics	Awareness Association w/ Soccer Favorite Brand Brand Attributes Product Familiarity Purchase Intent (product) Intent to Recommend (page)	Awareness Familiarity Favorite Game Brand Attributes Intent to Recommend (page)

It is worth noting that measurement typically applied to Digital (including MySpace) by the research firms focusing on digital measurement has centered almost exclusively around first level effect from Advertising (#1 in table 1). While this measurement has been well meaning, it misses the fundamental differences in how SN marketing works. Consequently, traditional

measurement misses the majority of *value* from SN Marketing, as we will see in the findings. The definition of *value creation* is drawn from the marketer. Table 2 summarizes defined Marketing goals for EA and adidas. Purchase Intent and Advocacy are common goals and therefore define the goal for *value creation*.

DETAILED FINDINGS

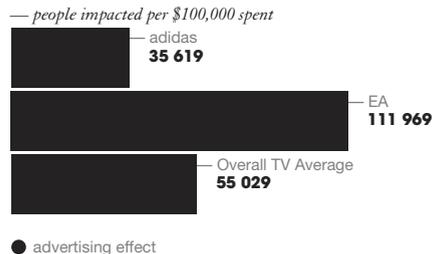
01 Improved ROI Value

SN marketing creates value both from B2C (Advertising) and C2C (the *momentum effect*).

As we examine the empirical data for how communication worked in MySpace for adidas and EA Burnout, we find that the B2C + C2C *value creation* is exactly what occurs. On “definitely will buy” EA’s B2C influence is 1.8 million consumers, and adidas’ influence is 1.2 million. On “intent” to “recommend”, results are nearly identical. Average ROI from these two case studies is stronger than average for general Online advertising. ROI from B2C (Advertising) aspect of EA and adidas SN marketing far exceeds the average ROI for Online advertising.

The ROI from advertising (B2C marketing, level #1) for EA and adidas is fairly strong – the average cost to influence each person on purchase intent is \$1.19 for EA and \$1.87 for adidas. **For context, this is better ROI performance than most Online properties, and is within the range of Television ROI.** These strong

results for EA and adidas do not include impact from the *momentum effect*. When we factor in the *momentum effect*, the results for SN are even stronger. Considering the Advertising effect Only, SN advertising impact on Par With Television (but advertising effect is only part of the impact for SN)



02 The New ROI Model

Adding in “the *momentum effect*” from the C2C aspect of SN Marketing pushes the total ROI well beyond the average ROI of other media Marketing Evolution has measured.

What distinguishes SN Marketing from traditional Marketing is that the B2C Marketing is only part of the impact. There’s also C2C impact. In total, C2C impacted 4.2 million consumers on purchase intent for adidas and 4.5 million for EA. Intent to recommend is at 1.5 million for adidas and 2.5 million for EA.

C2C value is created by two paths:
— consumers visiting the brand’s custom community
— consumers who don’t visit the custom community, but hear about the brand through their social network

While Advertising and community pages have a strong effect, over half the impact of SN marketing comes from “the *momentum effect*” – an effect that occurs when one consumer uses the brand as a reference point in their own personal profile, or passes along the information to a friend.

03 A New Metric

Discovery of a new metric: Almost all the C2C value comes from seeing the brand within their social network. This pass along media impact is so strong that we term it the “*momentum effect*.”

Add up the B2C and C2C value created on “definitely will purchase” and the *momentum effect* represents 77% of the total value created for adidas and 70% for EA. Wow! Calculating the *momentum effect* is the singularly most valuable metric to understand the value of SN Marketing, surpassing clicks, page visits, ads served and friends of a brand. For almost every metric we examined, the *momentum effect* represents over half the total value created. (The exception is awareness: advertising has a larger influence on awareness).

Factoring in the cost of maintaining a custom community with periodic refreshes, we calculate the ROI from C2C marketing for EA and adidas and arrived at a number that is so strong we had to triple

check the figures. When C2C is added to the value equation, the average cost to influence each person on purchase intent drops to \$0.34 for EA and \$0.40 for adidas. This is 3x better ROI than the average for Online advertising impact (not including the *momentum effect*). **When we factor in the *momentum effect*, the ROI for SN is among the best ROI we have ever measured** and it requires us to suggest more brands should conduct this research so we can see if the wonderfully well-crafted adidas and EA SN Marketing programs represent the pinnacle of SN Marketing and value creation, or a typical average that most other Marketers will achieve as well. It also leads us to wonder if the pricing model for SN Marketing (that focuses on ads served, accounting for less than 30% of value created), misses the mark. Maybe we should redefine an impression: instead of focusing on each time an ad banner for the brand is displayed, we should count each time a consumer shares a message (through one means or another) that references the brand and hence creates the *momentum effect*.

Total Value Created by SN Marketing for EA and Adidas Significantly Outpaces Average Impact For Television & Online.

- momentum effect
- B2C Profile view
- C2C Profile view
- advertising effect

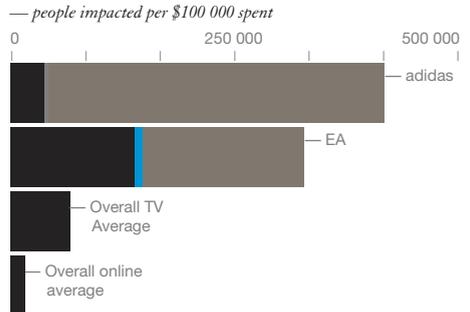
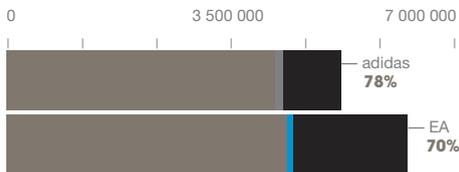


Table 03

The Significance of the “Momentum Effect”

“Definitely will buy”	Marketing Element	People Impacted Adidas	EA
— B2C Value creation	Impact of Advertising exposure	1,131,091	1,796,277
	Custom brand community profile exposure caused by Advertising/ featured link	26,253	15,951
— C2C Value creation	Custom brand community profile exposure caused by pass along from another consumer	18,880	84,937
	Momentum Effect: WOM exposure to brand in MySpace	4,181,429	4,369,676

Finding: In These Cases, C2C Momentum Effect Accounts for over 70% of Total Value Creation



How to read the data:

The numbers represent the amount of people directly influenced by the marketing element in MySpace. For example, Advertising for adidas on MySpace led to an additional 1,131,091 who now say they “definitely will buy” adidas on their next purchase occasion. The data is measured in pre/post surveys among representative samples and projected to the total exposed population. As a result of Marketing Evolution’s methodology, the 1.1 million person increase can be directly attributed to the adidas Advertising exposure.

- momentum effect
- B2C Profile view
- C2C Profile view
- advertising effect

Reflect on these results for a moment. They provide the first public results that document the value creation within SN. For some, these results may simply validate intuition. The reaction might be, “Of course, SN increases purchase intent and generates advocacy.” For others, these results might be eye-opening. The reaction might be, “Wow, if I put \$1 into SN marketing and I get similar results as EA and adidas, I can expect to get a better payback from SN than the average payback for television”. These results demand serious consideration and further research validation.

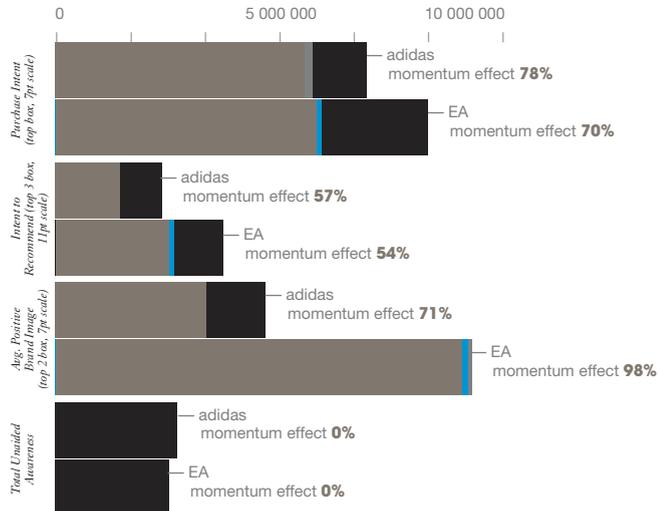
Before we discuss the *value creation* for businesses and the implications to Marketing, we’d like to bring the *value creation* from a consumer point of view into focus. We find that understanding how consumers relate to SN Marketing reveals key secrets to success.

THE MOMENTUM EFFECT AT A GLANCE

Marketing Evolution (www.marketingevolution.com), a world leader in marketing ROI measurement, quantified the *value creation* from SN on MySpace. Working with the brands adidas and Electronic Arts and their agency Carat Fusion and Freestyle, the Marketing team defined *value creation* primarily as an increase in purchase intent. Secondary metrics included awareness, loyalty, advocacy, positive brand perceptions.

B2C + C2C = Value Creation

The Research uncovered two sources of value creation in social networking: First is the classic Advertising effect, which is simply a business communicating to a consumer (B2C). Second is the Consumer to Consumer (C2C) effect. The most powerful aspect of C2C Marketing is when consumers use your brand to present themselves. We have called this C2C effect “the *momentum effect*” because of the way the impact expands as more consumers use the brand as part of their own personal story. The momentum effect accounts for over half the total impact of SN Marketing in these two cases.



How to read the data:

The numbers represent the amount of people directly influenced by the Marketing element in MySpace. For example, advertising for adidas on MySpace led to an additional 1,131,091 who now say they “definitely will buy” adidas on their next purchase occasion. The data is measured in pre/post surveys among representative samples and projected to the total exposed population. As a result of Marketing Evolution’s methodology, the 1.1 million person increase can be directly attributed to the adidas Advertising exposure.

- advertising effect
- B2C Profile view
- C2C Profile view
- momentum effect

04 Activating the “Momentum Effect”

The secret to activating the momentum effect appears to revolve around giving consumers the opportunity to share their own stories using the brand as a symbol and reference point.

To understand how to activate the *momentum effect*, we have to understand what a consumer *values*. So if *value creation* for a brand is getting more consumers to want to buy the product and increasing advocacy, what is this *value creation* among consumers? In other words, what do consumers *value* from brands beyond the physical product itself? If we take a broader look at *value creation* and consider both the value to the marketer and the consumer, what are the secrets to success for marketing in general, and SN marketing specifically? What generates the powerful *momentum effect* we've observed? With only two case studies, the data on what specifically causes the *momentum effect* is still under investigation. Based on Marketing Evolution's interpretation and our broader



work in the area of engagement, the following explains secrets to understanding the *momentum effect*.

Secret 1: Your brand is a persona. The name of the game in SN *value creation* for both consumer and brand is simply recognizing the symbiotic relationship between marketer and consumer...downloads, tools and viral elements all must embody the brand persona.

Consider what we're learning about how consumers process brand-related information: new information, including ads, is processed on an almost subconscious "emotional level" first, and later engages the consumer's rational mind to act.

Research has shown that measures of "brand feeling" are much more highly correlated to Purchase Intent than Ad Recall. So instead of a "Think then Feel then Do" process, Joe Plummer, Chief Research Officer at the Advertising Research Foundation (The ARF)

stated that consumers Feel, then Think, then Do. In this model, an ad's job is not to provide compelling, fact-based features and benefits of a product, but to seduce the consumer into beginning that subconscious processing of the brand. "Storytelling is more powerful than argumentation," Plummer concluded.

When we think of brand communities and viral elements consumers use on their own profiles in SN communities, there is tremendous opportunity to tell a story by integrating the meaning of the brand. According to Plummer, "When the consumer 'engages' in this subconscious processing, he or she creates associations, affixes symbols, imagines metaphors and imbues experiences into the profile page (or ad message) to give it personal relevance."

If this sounds a little abstract and intangible, consider a few of the elements of the adidas MySpace profile that "tell a story" for the consumer.

By describing two different "teams" through which the user can choose to align him or herself, and by personalizing professional soccer players on each side, the interactive elements of the page contribute to the brand value generation. Take this a step further and consumers integrate your brand into their own personal stories (as told in the SN). Adidas had over 300,000 screen saver downloads that consumers used to adorn personal pages. Consumers literally

told their personal stories by leveraging the adidas brand meaning. When we examine the overall perceptions of adidas, we see that the SN marketing campaign increased agreement with positive brand attributes by over 5,000,000 people – 71% of the influence coming from the *momentum effect*.

average positive brand image attribute increase (top 2 box, 7pt scale)

— total # of people impacted



— adidas 71%

- momentum effect
- B2C Profile view
- C2C Profile view
- advertising effect

Secret 2: Give them a reason to talk about it. Communication interactions can occur between a consumer and a brand, such as when a consumer visits a brand profile page on MySpace. Communication interactions also occur among consumers – such as when one consumer chooses to share a prized download of a cool brand screen saver with another person. In this C2C communication, *value creation* is twofold: First the person who decides to communicate and use the brand as a reference point. Second, *value* is created with the consumer who receives the message with the brand referenced. EA used “forward to a friend” as an effective way to encourage sharing a noteworthy contest. EA was forwarded by 208,839 consumers. When we examine the overall perceptions of EA, we see that the SN marketing campaign increased agreement with positive brand attributes by nearly 10,000,000 people – nearly 100% of the influence coming from the *momentum effect*.

average positive brand image attribute increase

— total # of people impacted



— EA 98%

- momentum effect
- B2C Profile view
- C2C Profile view
- advertising effect



Secret 3: Give the Consumer a chance to realize his or her dream/fantasy. In the EA Burnout bandslam2, EA offers unsigned bands a chance to win a recording contract. For any aspiring band, this is a chance to realize their dream. The fantasy should align with the promise of the product/ brand. The more closely aligned the fantasy is with the essence of the brand promise, the better, says Marketing Evolution.

Participation and Personalization Appears To Be Key to Success

The secret of success is by no means an exhaustive list. The common theme of the secrets is participation and personalization through entertaining content that travels well. Based on a multivariate analysis of activities consumers engage in and measurement of what explained the attitudes, the data suggests that the *momentum effect* is most likely to occur among those who already have a positive pre-disposition toward the brand (and the more activity they participate in, the stronger their brand preference becomes). Thus, we believe the *momentum effect* is fueled by giving consumers a reason to spread the story and make it their own.

To give consumers a reason to engage and make the story their own, marketers must understand what is important to consumers.

We hope that measurement of more campaigns will allow Marketing Evolution to be more definitive about the best strategies to optimize the *momentum effect*. Test, learn and evolve your own strategies by putting insight on what consumers value (and how they engage) at the center of your strategic SN discussions.

Implications to Measurement

Turn the Traditional Model on its Head:

Based on this empirical evidence of how SN works for *value creation*, Marketing Evolution suggests turning the traditional marketing model on its head. First, calculate B2C effect using the traditional Marketing model, but then take it a step further and add in the C2C value creation component.

Momentum Score is the new Currency:

Marketing Evolution has developed a measurement approach that captures the complete picture of “B2C + C2C” value creation. The most critical number is the momentum score – a measure of the *momentum effect*. Based on these campaigns, the *momentum effect* accounts for over 70% of the value creation in SN Marketing, so if there is a single number needed to dimensionalize the value of SN, it’s the momentum score.

We have evaluated the question: Is there value beyond the B2C marketing – is brand value increased when the message takes on a life of its own as consumers use it, share it, forward it, and become part of the brand itself?

Conclusions

There is value from both B2C and C2C elements of SN Marketing.

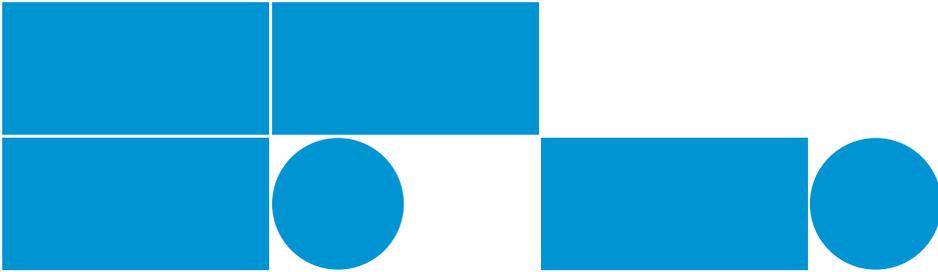
The *momentum effect* dominates the *value creation* for both adidas and EA. The opportunity to engage the consumer in meaningful ways even offers the ability to achieve impact on loyalty and advocacy metrics (elements previously considered to be beyond the influence of advertising alone).

We can precisely measure the impact and quantify the ROI of SN Marketing. Marketing Evolution has integrated the SN measurement framework along with traditional Marketing ROI measurement so that SN Marketing can be looked at right next to other elements of the Marketing mix (both Online and Offline). If EA and adidas ROI results are indicative of what other marketers find, we expect to see significant increases in the use of SN by leading marketers.

Future Directions

Research suggests that additional brands replicate the measurement work of EA and adidas. For those brands that have the means to conduct extensive research, we suggest looking more deeply at which engagement strategies work best to create the *momentum effect*. What are the best elements of a brand profile to include? Which elements have the highest cost/benefit relationship for the marketers?

Both B2C and C2C co-exist and generate benefit for the brand, but until now, we have lacked a framework to analyze the *value creation*, forecast it and manage it. The work with EA and adidas on MySpace has validated many of the hypotheses, including demonstrating that SN marketing can enhance the nature of the product and build consumer advocacy. Additionally, it has opened a new line of inquiry to dig deeper. If the EA and Adidas data are indicative, *value* is created for corporations when marketers engage consumers in their brand stories. Even more value is created when the *momentum effect* is activated by getting consumers to tell their own personal story using the brand as a tool to do so.



Implications for Brands and Agencies

Put social networking in the media mix

Virtually no modern media plan targeting those under 45 is complete without at least some social networking component. With more than 70% of 15- to 34-year-olds involved in social networking communities, and the vast majority of those expressing deep emotional involvement, brands and agencies must integrate social networking within their Marketing and media planning immediately.

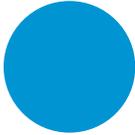
Think of SN As Activity and Medium

For many users, social networking is more than just something to do – it's also the venue in which they do it. Watching streaming video or TV programming, sending messages, listening to music, or searching for the next great thing... more and more users are enacting a broad spectrum of activities from within

the confines of their favorite social network.

Embrace media multitaskers

Since avid social networkers are by definition media positive, feel confident designing your program to encompass other media, especially instant messaging, cell phones and even television.



Social Networking Equals Influence

For the young consumer, there is no greater influence and no more desirable commercial context than within their friend group. Although digital music, cell phones, video gaming, and other popular forms of communication and entertainment all are positively associated with friends and group interaction, only social networking is by its very nature populated and defined by friends and relationships. That makes it one of the most powerful potential commercial environments available today.

Discover “The Momentum Effect”

There is much more to social network Marketing than Advertising and page profiles. Clearly, Advertising and profile pages generate value – and, in fact, this value is arguably more profound than ROI from online Advertising as a whole, but the extra punch of social network Marketing comes from something we call “the momentum effect.” The momentum effect occurs when consumers become motivated to tell their own personal stories using your brand as a prominent reference point. This phenomenon accounts for more than half the value of social network Marketing.



Unlock the Power of the Momentum Effect.

The research uncovered three secrets to unlocking the power of the momentum effect.

Secret 1: Make your brand into a persona.

Let consumers integrate your brand into their personal story and/or profile. For example, consumers downloaded more than 300,000 Adidas screen savers to adorn their personal pages. Consumers literally told their personal stories by leveraging the Adidas brand meaning.

Secret 2: Enable sharing. Electronic Arts (EA) built “forward to a friend” into their contest as an effective way to encourage friends to participate together in a relevant contest. Over 200,000 people forwarded the message directly from the EA custom community.

Secret 3: Give the consumer a chance to realize their dream/fantasy. In EA’s “Burnout Bandslam2,” the game marketer offered unsigned bands a chance to win the recording contract of their dreams. The influence on increasing consumer positive perceptions of EA was dramatic.

Create An Ongoing Relationship Strategy

Interacting with social networking users shouldn't be a one-off proposition. Just as users value people, bands, brands and groups that interact with them regularly and appropriately in the community, so too do they come to resent those entities whose attentiveness fades or disappears over time. Consider how you can enact an ongoing schedule of value-added interactions with your social networking "friends."

Personify your brand or product

To succeed in the social networking environment, consider how you can personify your brand or offering. What's the appropriate personality and voice for your entity? How can you create a character or characters to embody and speak for your brand on an ongoing basis? Should that be an employee? An imaginary character? A brand-aligned advisor? A social Marketing program that reveals your brand's soul?

Think "Friending" When You Think Advertising

Being a good friend means focusing on others' needs as much or more than your own. Generally, social networking adherents participate in the community because they value the wholly consensual, value-added relationships cultivated therein. When asked whether they wish to be Advertising targets, adherents overwhelmingly respond "no." When asked whether they'd like to enter into two-way, "friend"-like relationships with brands they know, trust, and like, the answer is a resounding "yes." In sum, as one respondent said, "Friends treat you how you want to be treated."

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Research conducted by

TNS

TNS is a global market insight and information group. Our strategic goal is to be recognized as the global leader in delivering value-added information and insights that help our clients to make more effective decisions. As industry thought leaders, our people deliver innovative thinking and excellent service to global organizations and local clients worldwide. We work in partnership with our clients, meeting their needs for high-quality information, analysis and foresight across our network of over 70 countries.

We are the world's foremost provider of custom research and analysis, combining in-depth industry sector understanding with world-class expertise in the areas of new product development, segmentation and positioning research, brand and advertising research and stakeholder management. We are a major supplier of consumer panel, media intelligence and internet, TV and radio audience measurement services.

TNS is the sixth sense of business.

Teenage Research Unlimited (TRU)

Over the course past 25 years, TRU has built an unparalleled understanding of the youth market, having pioneered the field of youth research. TRU is now recognized as an expert on Millennials, researching this dynamic, vibrant generation from tweens through teens to twenty-somethings. TRU is the only youth research firm to provide syndicated, qualitative, and quantitative research. The firm's research and insights inform strategy among an impressive list of Fortune 500 companies. Last year TRU conducted more than 1,000 qualitative sessions in addition to numerous major quantitative studies.

Marketing Evolution

Marketing Evolution improves Marketing ROI for its clients by providing highly customized ROI measurement and consulting across media and marketing channels. Marketing Evolution not only reports what happened in terms of ROI, but why it happened and how to grow and enhance results. Marketing Evolution clients receive highly customized measurement to specifically help them in these areas:

- Improve performance on marketers current marketing through proprietary ROI measurement and real-time insights aligned with key milestones throughout the campaign
- Apply the learning from measurement to generate benchmarks and “best principles” to improve future campaigns for increased ROI
- Enhance your existing Marketing planning, forecasting and portfolio management tools to achieve the highest division wide or company wide marketing ROI

Marketing ROI measurement can be complex and challenging, especially given today's fragmented media landscape. Marketing Evolution's measurement approach, first pioneered in 2001, was developed specifically to meet today's fragmented media landscape ROI and may be the most broadly, independently validated marketing ROI approach available today, and has been applied globally.

