

The Impact of Social Networking in the UK



Social networking cemented its status as a bona fide Internet phenomenon in 2007. The question for businesses taking a long, hard look at this trend is whether its growth is sustainable, and if so, how can it really support through-the-line marketing?

This Experian-Hitwise report looks in detail at the key social networking learnings from 2007, the trends that are most likely to play out in 2008, and the critical areas that brands need to consider when developing their social media marketing strategies. Key insights and in-depth analysis of the social networking environment in the UK is provided by Robin Goad, Director of Research for Hitwise. Tony Mooney, Managing Partner at Experian ClarityBlue, the specialist consulting division at Experian Integrated Marketing, recommends the key areas to focus on in 2008 when looking to capitalise on the opportunities social media marketing presents.



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What are social networks?

Social networking websites are online communities of people who share interests and activities, or who are interested in exploring the interests and activities of others. They typically provide a variety of ways for users to interact, through chat, messaging, email, video, voice chat, file-sharing, blogging, and discussion groups. Facebook, Bebo and MySpace are currently the most popular and well-known social networks in the UK, and all three appeared amongst the top 10 most-visited websites in the UK during November 2007, while 'bebo', 'facebook' and 'myspace' were also in the top 5 search terms in the UK during the same time period.

The big three social networks accounted for 84% of UK Internet visits to a Hitwise custom category of the top 25 social networks in November 2007, but there are lots of other competitors competing for users. These range from generalist websites, such as Friends Reunited and Faceparty, to more specialist websites such as Club Penguin (a social network/virtual world for young children), Neopets (a virtual pet community) and LinkedIn (a professional networking website). The market is moving rapidly, and there is no certainty that today's hot property will still be leading the market tomorrow. Facebook increased its market share forty-fold between October 2006 and 2007, and social networks users' loyalties cannot be taken for granted. There is also a lot of traffic between social networks themselves – for example, in October 2007 MySpace received 7.6% of its traffic from Bebo, and returned the favour by sending 4.7% of its traffic back.

Figure 1: The top 25 social networks in the UK by total Internet visits, November 2007

Rank	Name	Domain	Market Share
1	Facebook	www.facebook.com	37.70%
2	Bebo	www.bebo.com	28.00%
3	MySpace	www.myspace.com	18.97%
4	Faceparty	www.faceparty.com	2.01%
5	Windows Live Spaces	spaces.live.com	1.99%
6	BBC h2g2	www.bbc.co.uk/dna	1.25%
7	Stumble Upon	www.stumbleupon.com	1.19%
8	Club Penguin	www.clubpenguin.com	1.05%
9	Friends Reunited UK	www.friendsreunited.co.uk	0.88%
10	Yahoo! Groups	groups.yahoo.com	0.85%
11	Netlog	www.netlog.com	0.70%
12	Piczo	www.piczo.com	0.67%
13	Flixster	www.flixster.com	0.59%
14	LiveJournal	www.livejournal.com	0.53%
15	Neopets	www.neopets.com	0.48%
16	hi5	www.hi5.com	0.44%
17	Habbo UK	www.habbo.co.uk	0.43%
18	Webshots Community	community.webshots.com	0.42%
19	Tudou.com	www.tudou.com	0.37%
20	Zwinky	www.zwinky.com	0.32%
21	Orkut	www.orkut.com	0.27%
22	Where Are You Now (WAYN)	www.whereareyounow.com	0.25%
23	Friendster	www.friendster.com	0.22%
24	Person.com	person.com	0.21%
25	Tagged	www.tagged.com	0.21%

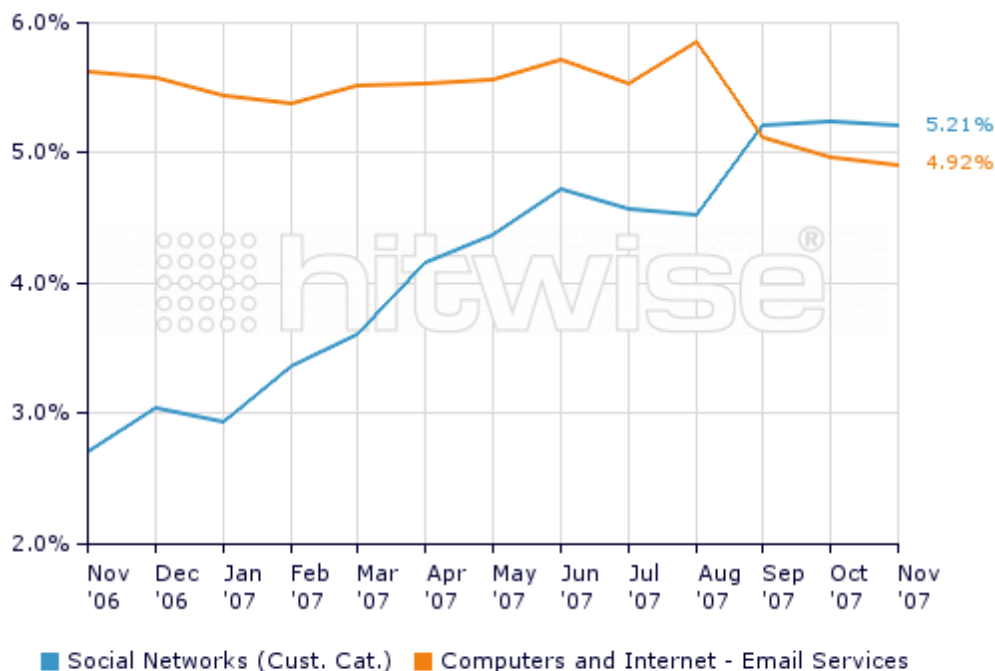


The growth of social networks

Social networks have grown rapidly in the UK over the last few years and their share of total UK Internet visits more than trebled between November 2005 and October 2007. As social networks expand their subscriber base, the network effect kicks in and the average time users spend on them increases as their number of friends and contacts increase. For example, Bebo tripled its market share of UK Internet visits between February 2005 and 2006, and at the same time its average session time increased from 6 minutes, 22 seconds to 21 minutes, 32 seconds. Consequently, social networks now receive one in every five page impressions in the UK - more than any other industry, including Search Engines and Shopping & Classifieds.

Social networks are also starting to eat into email's dominance of the Internet messaging market. A growing proportion of the UK online population is choosing to communicate with friends via social networks rather than email. This is nicely illustrated in Figure 2, which shows that in October 2007, Internet visits to Social Networks overtook visits to web-based email services. A Hitwise custom category consisting of the top 25 social networks accounted for 5.21% of all UK Internet visits in November 2007, compared to 4.92% for Computers and Internet – Email Services, which includes Hotmail, Yahoo! Mail and GoogleMail, amongst others.

Figure 2: UK Internet traffic to Social Networks and Email Services



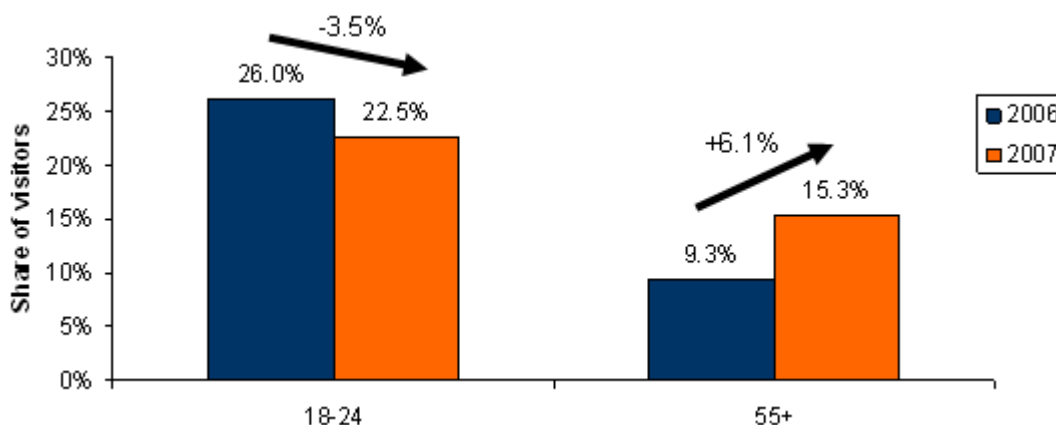
Monthly market share in 'All Categories', measured by visits, based on UK usage.
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Not just for young people and city dwellers

Younger users are currently more likely than their parents' generation to use social networks in place of web mail services for online messaging. For example, in October 2007, 62% of Facebook users were aged 34 and under, whereas 55% of visitors to Windows Live Hotmail, the most popular web mail service in the UK, were older than 34. However, when you look at overall usage of social networks, the age gap is closing rapidly. As Figure 3 illustrates, the proportion of visitors aged 55+ to the Hitwise Social Networking and Forums industry (which is dominated by the social networks) increased from 9.3% to 15.3% between October 2006 and 2007. In addition to participating in the more established social networks, older users are also carving out their own niche online – so much that Saga Group recently launched SagaZone, a social network for the over 50s.

Figure 3: Social networks demographics

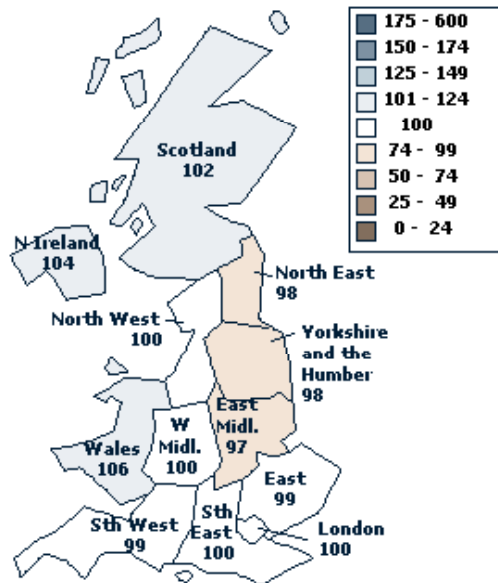


With 1.8 million members in November 2007, the London Facebook network was larger than both Toronto (1.0m) and New York (0.6m). In fact, it was the largest Facebook group in the world. While this illustrates the popularity of social networks in the UK, it also leads some people to believe they are primarily used by the 'metropolitan elite'. However, this perception is incorrect. For example, the Manchester Facebook group had half a million members in November 2007 (a higher proportion of its population than London), while there were 0.2 million in Bristol.

In fact, Internet users in Wales, Northern Ireland and Scotland are actually marginally more likely to visit a Social Networking and Forums website than someone from London or the South East. As Figure 4 illustrates, visitors to Social Networking and Forums websites closely represent the online population as a whole, with no one region particularly strongly over-represented. In much the same way that the emergence of eCommerce provided people in more remote communities with a wealth of new shopping opportunities, the growth of social networks has enabled people across the country to more effectively communicate and participate online.



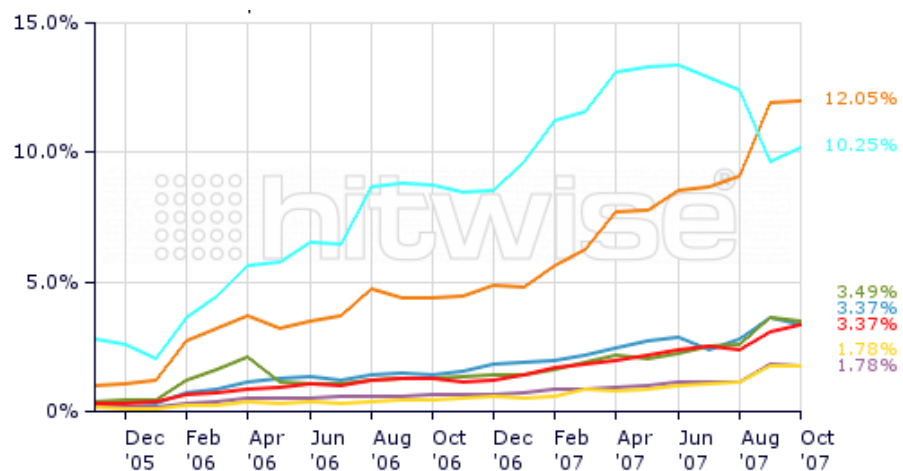
Figure 4: Social networks demographics



The impact of social networks

Social networks account for an increasing proportion of UK Internet visits, and they are also becoming an important source of traffic for other websites. In October 2007, Social Networks accounted for 7.7% of upstream Internet traffic to all other websites, making the category the second most important source of traffic after Search Engines. As Figure 5 illustrates, the close link between social networking websites and the entertainment industry means that music, film and TV websites were amongst the first to realise this potential. More than one in ten visits to the Entertainment and Music industries in October 2007 came from Social Networks, with Bebo being the second highest source of traffic to the latter after Google UK.

Figure 5: Upstream traffic from Social Networks



■ 'Education' Industry Average ■ 'Entertainment' Industry Average
 ■ 'Government' Industry Average ■ 'News and Media' Industry Average
 ■ 'Travel' Industry Average ■ 'Shopping and Classifieds' Industry Average
 ■ 'Music' Industry Average

Monthly upstream % from 'Social Networks' (Cust. Cat.), based on UK usage.
 Created: 18/12/2007. © Copyright 1998-2007 Hitwise Pty. Ltd.





Music and Entertainment were early adopters, but as Figure 5 illustrates, the potential to win traffic from social networks cuts across all industries, from Government and News & Media, to Travel and Shopping & Classifieds. The amount of traffic that Shopping & Classifieds websites receive from social networks increased ten-fold between November 2005 and October 2007. Within Shopping & Classifieds, the five largest retail sub-categories to receive traffic from Social Networks during October 2007 were Auctions, Department Stores, Apparel & Accessories, Music and Video & Games.

Taking advantage of social networks

The growth in traffic from social networks to other websites is a result of a number of factors, some of them 'organic', and some of them down to clever marketing. The earliest examples of successful social network marketing are typically more organic or grass roots, whether it is the Arctic Monkeys building a following via MySpace or 14,000 people successfully campaigning for the return of Cadbury's Wispa on Facebook.

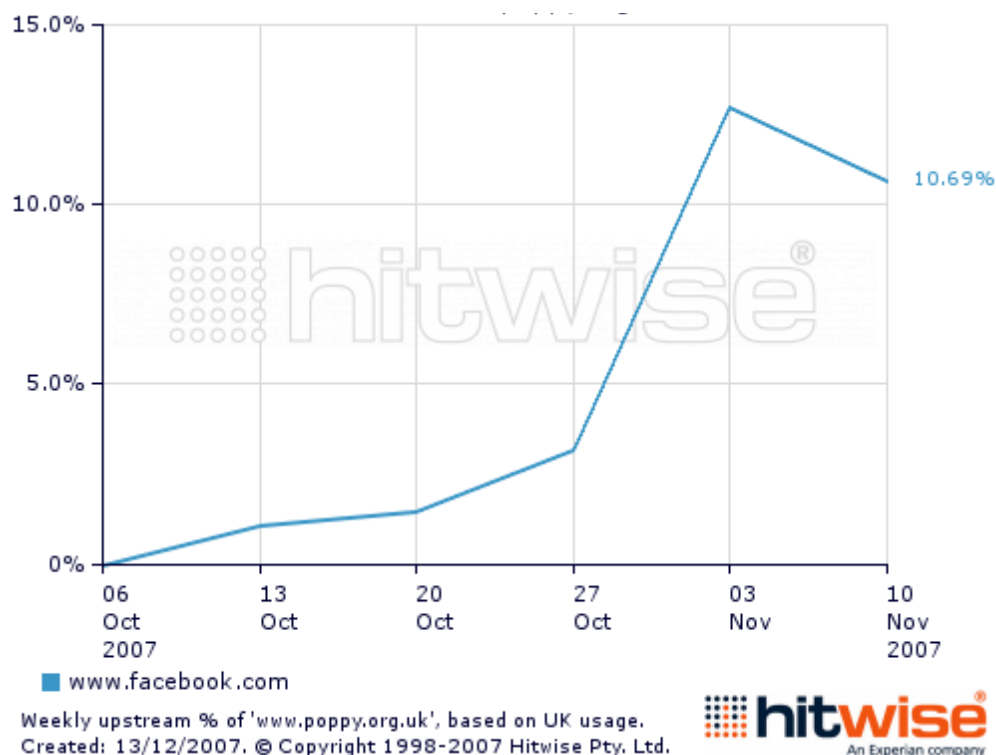
This first wave was then followed by a second wave of more organised campaigns – some from a grass roots level, some with a certain amount of guidance from professionals. The success of Lily Allen via MySpace with some help from the record industry is a good example of the latter, while the Primark Appreciation Society on Facebook is a famous example of the former. The group, which in November 2007 had over 100,000 members, acts as an online space for fans of the discount fashion retailer to share recommendations with friends, discuss the latest shop openings and highlight current bargains.

The growth of social networks shows no sign of slowing, so it is not surprising that every website wants to take advantage of the sector's phenomenal growth. Unfortunately, the reason that people are attracted to social networks in the first place is that reliance on user-generated content is seen as relatively free of traditional corporate content and advertising. If users perceive that a social network is becoming 'polluted' they will leave, and the evidence suggests that this can happen extremely quickly. Therefore, the onus is on the social networks themselves and the websites wishing to gain traffic from them, to design marketing campaigns that fit in with this philosophy. The following example demonstrates that a successful social network marketing campaign can work from a 'top down', rather than organic grass roots perspective.

Creating a dedicated group: Poppy campaign

The Royal British Legion created a Poppy application that allowed users to display a poppy on their Facebook profiles as a mark of respect. While the British Legion's main homepage received less than 2% of its traffic from Facebook during the campaign, the micro-site it set up specifically for the Poppy appeal (poppy.org.uk) received over one in ten of its visits from the social network.

Figure 6: UK Internet traffic to www.poppy.org.uk from Facebook



The two most popular websites visited after poppy.org.uk were the British Legion's homepage and www.poppy.org.uk, the section of the Poppy website that is used to collect donations (which combined to account for over half of all downstream visits). In addition, 94% of visitors who came to the British Legion website from poppy.org.uk during the busiest week were new visitors. In other words, the poppy website was delivering fresh traffic to the British Legion, rather than simply returning visitors. The final benefit of the poppy website was that it attracted a younger audience: 31% of visitors to poppy.org.uk were aged 18-34, compared with just 18% for the British Legion homepage.



Social networks in 2008: what does the future hold?

Social networks have grown at a phenomenal rate over the last three years, and the market showed no sign of slowing down during 2007. In fact, the rapid growth of Facebook meant that the market grew even faster in 2007, and not just in terms of total Internet visits. More importantly, the reach of social networking websites increased significantly during 2007 – they now attract a much wider range of users in terms of age, interests and social background. The functionality of social networks has also improved with the rapid growth of communications via social networks, applications and commercial opportunities.

So what role will social networks play in 2008? The simple answer is: a bigger role than ever; which is why no company, government or NGO can afford to ignore them. More specifically, there are a number of key areas where social networks will have a significant impact in 2008 and beyond.

- **Social networks will become the dominant channel for viral marketing campaigns** – email has been the dominant channel for viral marketing campaigns since the mid 90s, but social networks will overtake it in 2008. The most successful viral campaigns in 2008 will incorporate both social networks and email, but with an emphasis on the former. However, because there is already a lot of ‘clutter’ in social networking websites, viral campaigns will really have to stand out from the crowd to be successful.
- **Social networks will become the primary arena for highly targeted marketing and advertising** – search marketing has been successful because it allows advertisers to target their message based on search behaviour. A plumber who only operates in Liverpool can choose to have her advertisements displayed only when someone is searching for a plumber in Liverpool, for example. Social networks know much more about their users than search engines and traditional portals. They could, for example, choose to show an advertisement only to men who live in Leeds, aged between 34 and 55, and enjoy Italian food. However, both the advertisers and social networks will have to manage this wealth of information correctly. There will be the usual privacy and security concerns, as well as the challenge of maintaining the fine balance between commercialisation and community, particularly when it is so easy for users to switch allegiances. Finally, there is the need for social networks to maintain a reliable database by creating an atmosphere that encourages people not just to share information about themselves, but to do it truthfully.
- **Consumer power will manifest itself through social networks** – the Internet provides a global forum for consumers to vent their anger when they are wronged by corporations or governments. The growth of user-generated content, blogs and video upload websites have all helped give people a voice online, but social networks add an extra dimension. Previously consumer campaigns relied on luck or clever marketing to ‘go global’, but social networks provide the perfect forum for campaigners to build a support base within a matter of days. There have already been some notable examples of successful consumer campaigns organised via social networks, and there will be many more during 2008.



- **Specialist social networking websites will grow, but not at the expense of generalist websites** – a lot of companies, organisations and start-ups will inevitably jump on to the social networking bandwagon. Many will fail, but some will become popular, and successful specialist websites built around distinct communities (where interest groups, age groups, locations or anything else) are bound to emerge. This is unlikely to lead to a fragmentation of the market – smaller specialist communities will often rely on the larger, more generalist communities to pick up traffic or for functionality. There is already a lot of traffic between social networks and this will not change – it will become vital to maintain a presence on the major social networks as well as the most relevant niche players.
- **Social networks will improve their functionality, particularly search** – social networks contain a huge amount of content, but it can be very hard to navigate around them or find specific information. Social networks will need to improve their search and navigation capabilities if they are to become a more usable source of information, and these improvements will go hand-in-hand with more targeted advertising capabilities.



Key areas to focus on in 2008

If 2007 taught brands anything, it was not to treat social networks like just another online marketing channel. Social media marketing divided brands into two camps; those that managed to get it right (often through chance rather than design) and those that, for the most part, got it wrong.

The majority of efforts up to this point have been little more than exercises in carpet-bombing. One-to-many marketing messages sit firmly within brands' comfort zones – from the banner ad to the much maligned pop-up – as the most popular source of commercial gain from user-generated content. In our opinion, these will slowly become the exception rather than the rule, as brands recognise that social media marketing is a far more subtle, but highly effective, affair.

Based on our experience, Chief Marketing Officers should build their 2008 social media marketing strategies around three areas of focus:

1. **Increased social media diversification:** anticipating and responding to rapid changes in the social media hierarchy.
2. **The emergence of 'super' brand advocates:** creating the framework to identify, engage and influence a new breed of key stakeholders.
3. **Using a value scorecard to direct social media spend:** using centralised data intelligence to make the right social media marketing decisions.

Increased social media diversification

New social communities and blogs are forming every day, creating a bewildering range of opportunities for marketers. The big challenge in 2008 will be knowing how and when to back the right social network winner and then executing their strategy accurately and with speed.

We believe that social networking will continue to grow rapidly during 2008. Boosted by the success of MySpace, Facebook and Bebo, an emergence of new websites will specifically appeal to highly selective communities such as SagaZone, Saga's website launched last year for the over 50s. Instead of mass appeal, these websites will be more like 'gated communities'. Exclusivity will be key to appealing to members and this will be driven by three factors:

1. Communities that provide the most useful content.
2. Communities with the most influential and interesting members.
3. Communities that provide the best opportunity for members to be heard and noticed.

The group dynamics underpinning social community membership dictate that when people are time-poor, they will contribute to the communities that best maximise their personal needs. They will be very selective about the communities they join and switch to the next site that fulfils their needs if a particular website does not live up to their expectations. Where last year, people spent time getting used to these sorts of websites, this year, they will become far more discerning about the ones they join.



In terms of reputation management, the very nature of these active rather than passive websites attracts consumers who will naturally be the most vocal on the largest and most influential communities. Marketers need to make it their business to monitor and participate within these key websites. Good (and bad) news travels fast, but always gets aggregated on a few major communities appealing to these people's interests. Keeping an active eye on these forums can forewarn a brand about any storms brewing or lucrative opportunities.

Understanding the interaction between social media communities is just as important as understanding the interaction between the members within these communities. Viral messaging is akin to lighting a fuse within the social media world. Word-of-mouth contact is the lifeblood of any social community, and having something interesting to say or share raises the profile of individual members. Marketers need to identify each social network's 'heart', and which communities are known for being trusted and providing useful and interesting content.

So whilst the variety of social networks will continue to increase, marketers will need to become adept at identifying the heart and key arteries through which communication and information flows. In 2008 marketers will need to identify these 'feeder' websites, intelligently introduce their own presence into the community and use it to carefully communicate macro and micro messages to their target audiences.

The emergence of the 'super' advocate

Nurturing brand advocacy tends to be based around textbook one-to-many marketing. The rationale is that winning greater quantities of brand advocates will result in greater individual customer spend, better retention and more reference-based acquisition. However, a different approach is required for social media marketing. In 2008, we believe that we will see the emergence of the 'super' advocate. Whether via a personal blog or as a key member within a community, super-advocates are well informed, opinionated and have the ability to make or break a product launch or ruin a hard-earned reputation.

Identifying, engaging and influencing super-advocates requires extreme care and recognition of the power held by consumers in the Web 2.0 age. Super-advocates reflect the needs of members within these social communities. Just as in the offline world where newspapers or media channels gain a loyal and trusting audience who value their opinion and perspective, the same is true within social media. These individuals personify citizen journalism – outspoken, articulate and with a die-hard following. When they speak, members listen.

Removing the marketing spin and telling things for the way they are is an important asset that draws many members to these communities in the first place (especially the special interest communities). Marketers in 2008 will need to build into their strategies a scalable framework for working with super-advocates. The key to this will be providing them with exclusive benefits and respecting their role within their communities. By carefully courting super-advocates, marketers will be able to use them to successfully disseminate information in a fraction of the time it would take via their own social media presence. One word of caution: super-advocates will be high maintenance because they know that they hold all of the cards and, if badly handled, brands will have an influential detractor on their hands. Marketers must be prepared to do everything in their power to keep these key influencers onside and set aside marketing budgets to court them.



Using a value scorecard to direct social media spend

The social media landscape is vast and growing every day with the emergence of new websites and communities. Marketers simply cannot afford to close their eyes and hope for the best when it comes to achieving a return from their social media marketing investment. For the vast majority of marketers, social media marketing is uncharted territory. The traditional marketing rules simply do not apply in this environment.

The good news is that hierarchies are already forming within the social communities, which will provide a more effective channel to convey acquisition messaging, gather insight and manage a brand's reputation. However, these strategies will differ for each brand, and marketers will need to optimise their actions appropriately. Measuring the value of their actions through tracking and analytics, then using this knowledge to direct their subsequent targeting and messaging will be a key focus in 2008. The potential returns from reputation management and research and insight will soon be greater within the social media than any other channel. However, to capitalise, marketers will need a clear dashboard in order to guide strategic activities.

The basis for any dashboard is powerful data intelligence. It enables marketers to understand which social media communities are driving the highest returns and allows investment levels and activities to be fine-tuned against the best performing websites. In many respects, the dashboard acts as an always-on campaign management system.

Communications can be tailored to elicit the best response, and positive and negative brand endorsements closely monitored around the clock. Marketers serious about social media marketing cannot afford not to use a value scorecard or dashboard in 2008. It will become invaluable as brands strive to understand the subtle and not so subtle undercurrents behind social media's ebb and flow and target their investments for maximum impact.

About the Authors

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Robin Goad is Director of Research for Hitwise UK. In this role, Robin analyses the trends affecting businesses online and works with Hitwise clients to identify opportunities and threats to online business growth. Robin writes regular Insight Reports on a range of industries, covering affiliate marketing, search, and audience profiling and is a regular speaker at industry events in Europe. Robin has been widely quoted in the media, including the Financial Times, the BBC, DM Review and Information Age.

Prior to joining Hitwise, Robin worked at the Corporate Executive Board and as a Lead Technology Analyst with Datamonitor, where he authored research reports on a wide variety of topics including eCommerce, direct marketing and customer relationship management.

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Most recently, as CRM Director at Orange, Tony spearheaded a root and branch transformation in the way the company interacts with its customers, putting Orange on the map as a leader in this area. Tony has a wealth of experience in a wide range of B2B and B2C sectors including Financial Services, Utilities, Mobile Telecoms, Computing & Electronics.

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Hitwise is the leading online competitive intelligence service. Only Hitwise provides its 1,400 clients around the world with daily insights on how their customers interact with a broad range of competitive websites, and how their competitors use different tactics to attract online customers.

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For up to date analysis of online trends, please visit the Hitwise Intelligence-Analyst Weblogs at <http://weblogs.hitwise.com> and the Hitwise Data Center at www.hitwise.com/datacenter.

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