

Research paper 2007

Social Network websites:
best practices from leading services



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About the study

- Amid the growing number of online “social” feature offers, many companies, from major actors to start-ups, may ask themselves:
 - How online social features can impact their customer relationship policy
 - Which social features and practices bring value to their activities
 - What the best candidate for an acquisitions is
- This study aims at answering part or the totality of these questions by:
 - Providing a social networking website typology and understanding the specificities of these different categories
 - Identifying social networking website best practices and trends and proposing specific analyses for each site
 - Assessing the profitability for firms to be involved in online social networking activities, under which conditions and regarding what type of investments
- This document provides a general background for understanding social network websites and the study of online matchmaking websites and business network websites
- This study is only the first step. Distributed under creative commons license, it should be completed and improved through the contribution of external experts, firms and web users as major moves in the industry are expected to occur in the coming months

Summary

- Some broad principles for understanding social networking websites
- Case study: online matchmaking websites
 - Meetic
 - Match.com
- Case study: business network websites
 - Xing
 - LinkedIn

Summary

- Some broad principles for understanding social networking websites

- Case study: online matchmaking websites

 - Meetic

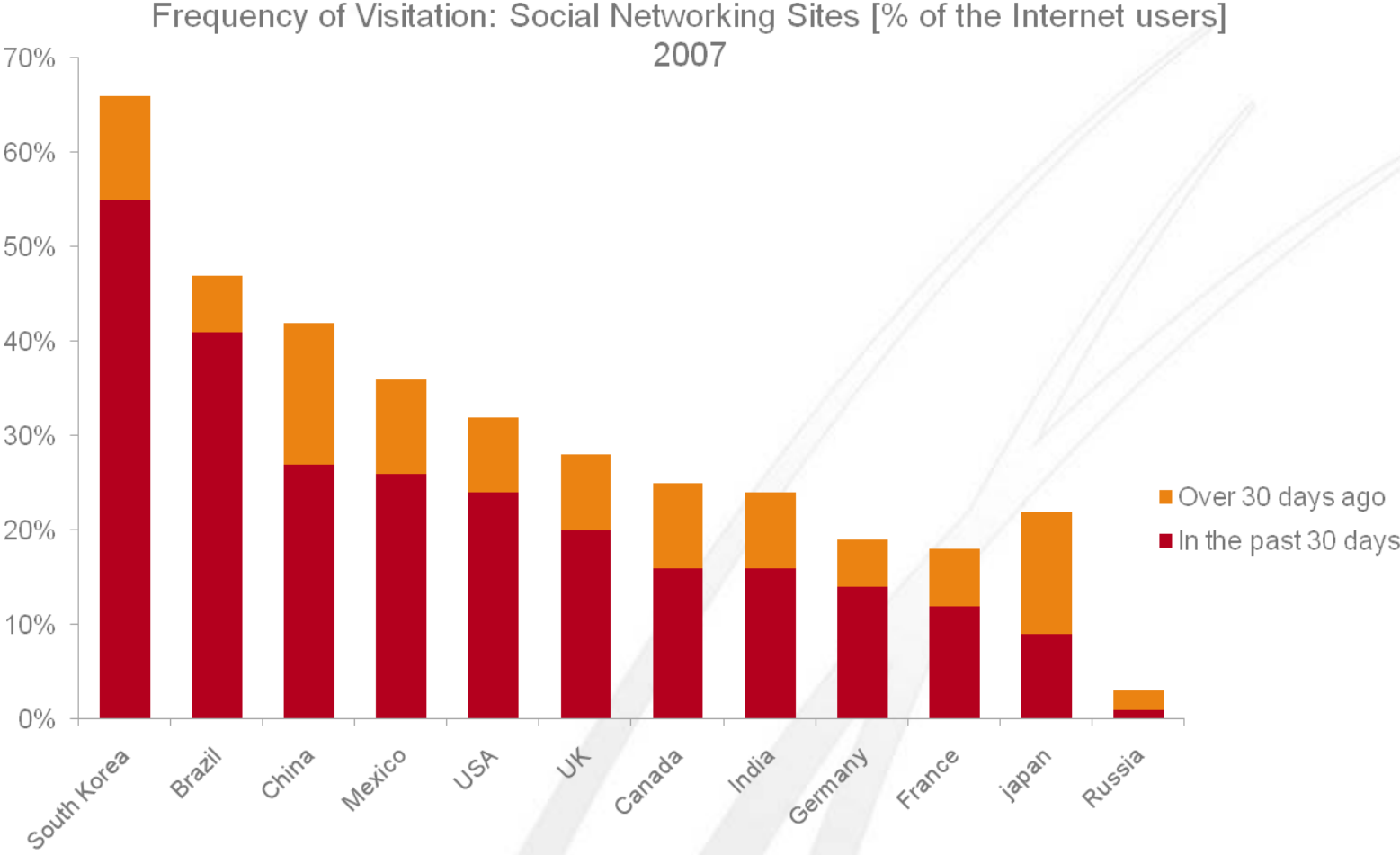
 - Match.com

- Case study: business network websites

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 - LinkedIn

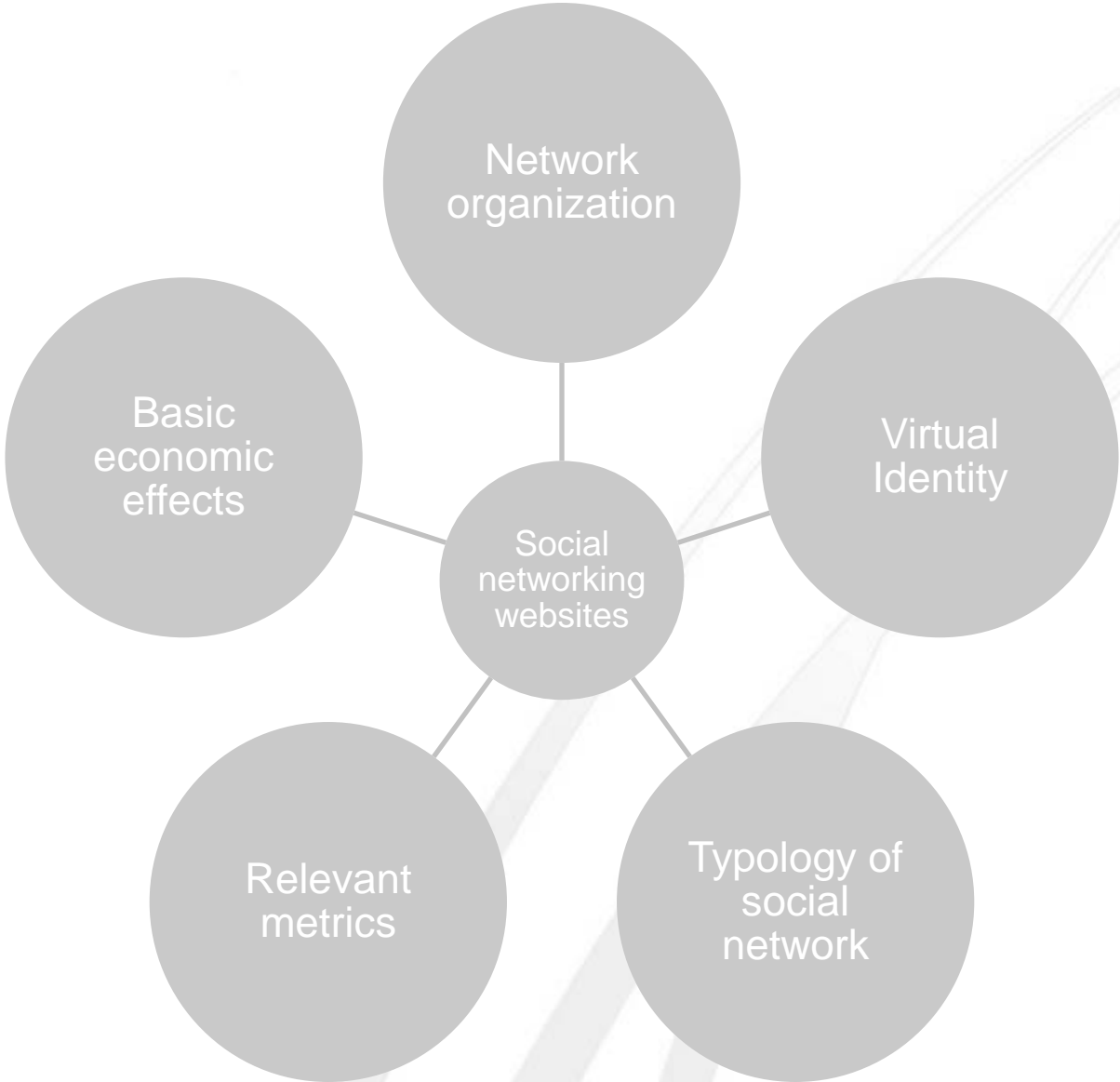
Social networking websites are extensively used worldwide



Source : Ipsos 2007



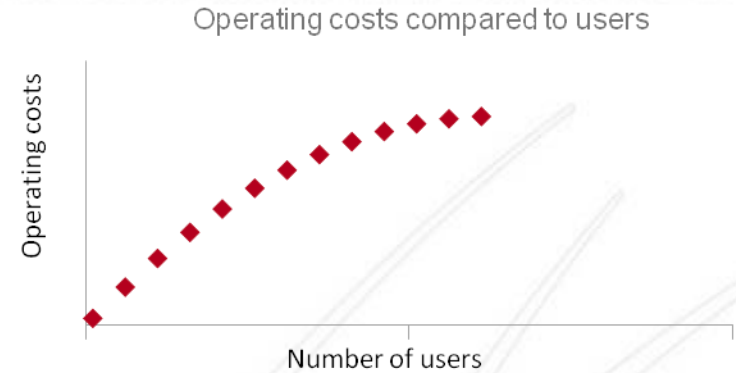
An introduction to social networking website analysis requires the presentation of a set of five principles





Social network business generally generates economies of scale

- Economies of scale imply that the operating costs of the website are less than proportional to the number of users on the platform, e.g the more users the website has the less it has to spend per user
- This effect depends mainly on:
 - **The centralization and the independence of the website users:** if the community functioning is strongly decentralized and relies on peer to peer relations, the CRM costs and monitoring costs will increase less than proportionally with the number of users. By contrast, if there is a strong need for monitoring and managing users' interactions (e.g: moderation), the costs will tend to be strictly proportional
 - **The existence of viral marketing:** if viral marketing is strong in the segment of the market where the social networking website operates, the acquisition cost of new subscribers will be lower since users are going to ensure the advertising *instead of* the website



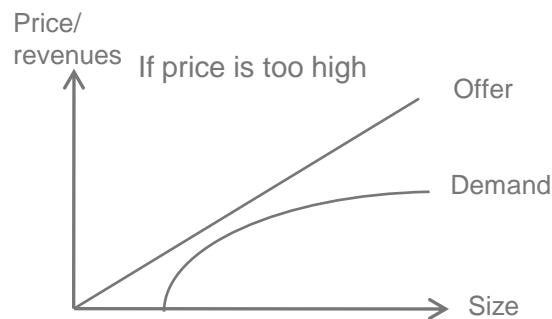
Example of economies of scale



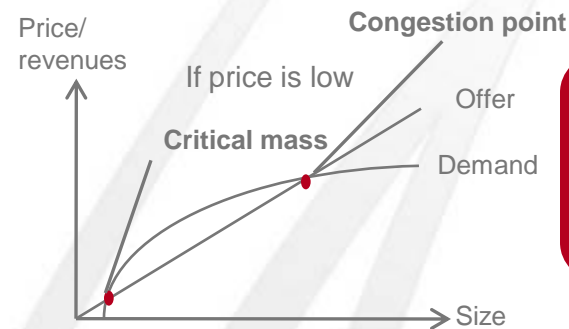


Networks are characterised by « network externalities » and congestion point

- Networks display two effects:
 - **Network externalities:** the interest in being a member of a network increases more than proportionally with the number of users
 - **Congestion point:** an increase occurs up to the point where the network cannot support the number of users which depletes the service provided
- The challenge for managers of networks is to reach the « critical mass » where there are enough users to produce this network effect, which implies to:
 - Ask a low price when the network begins to grow
 - Make users pay for the use of the services provided by the network, not the access to it



If the price is too high, the network does not reach its critical mass since the demand is too low



If the price is low enough, the network reaches its critical mass and grows up to its congestion point

**« Sponsor the access,
charge the use »**
(Principle to manage a network)



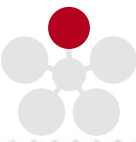
Information plays a fundamental role in managing social networks

- Managing social networking websites also requires alleviation of the mistrust of potential users :
 - Evaluating the interest of a network *before* joining it is very difficult¹⁾
 - Knowing if the services will meet users' expectations is hard, even if they can estimate the value of the services promoted ²⁾
- Managers have different tools to tackle these issues. For instance in online matchmaking they can:
 - Offer free registration that allows users to look at the profiles (or some of the profiles) of other registered users
 - Broadly communicate about their balanced user base between men and women

Q: How can you be sure that registered members in online matchmaking websites are not all ugly ?

A: Allow free registration and free profile base checking

1) Internet services are what economists call « experiment goods »: goods that you cannot value until you have used it
2) This is known as « asymmetric information ». Potential users know little about the network whereas managers know a lot



Social networks have a specific structure

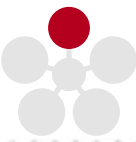
- Many online social networks are « scale free networks »
 - They are organized around some central nodes
 - They grow through the principle of « preferential attachment »: the more a node has connexions, the more chance it has to add new connections



Example of random network

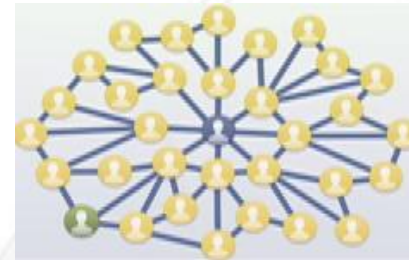


Example of scale free network



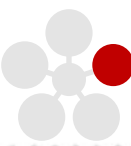
Two classic levers of growth for scale free networks

- **Backing a viral *adoption* of the network**, relying on its « scale free network » structure: every new user of a network is potentially a new « node » of the social network structure, websites have to induce them to bring all their « real » connections into the virtual community

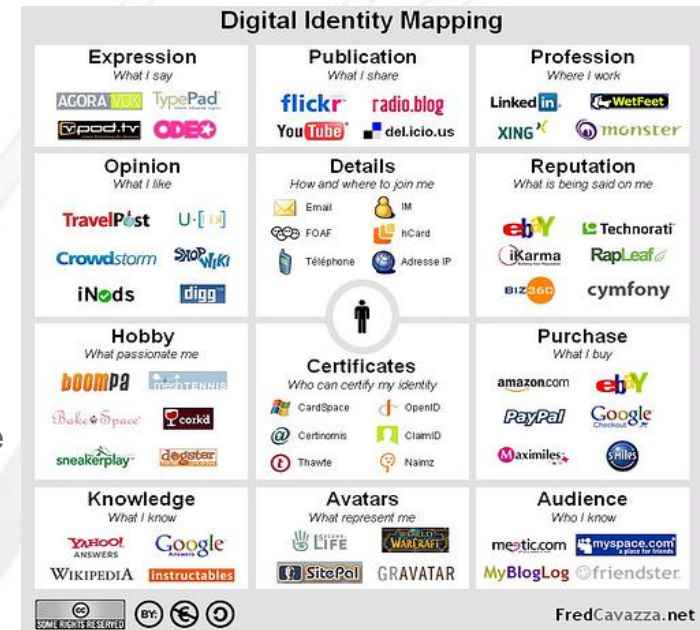


- **Supporting the *animation* of the network**: since a « connexion-node » (e.g. a user that has brought a lot of people to the site) may not be an animator
 - Animation on the website is essential to keep the network growing
 - Websites have to provide multiple and intuitive tools to interact with other users

Social networking platforms change the concept of identity

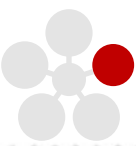


- **Identity:** “sameness of essential or generic character in different instances” (Merriam-Webster). Identity in the real world is how one is described either by self-assertions or by the assertions of another
- Digital identity is a set of characteristics asserted “by one digital subject about itself or by another digital subject, in a digital realm.” (Microsoft). This identity is comprised of multiple pieces of formal and informal data, real or fantasized
- Digital identity has three particularities:
 - **Fragmentation:** the identity is broken up between several networks and websites and these different pieces of identity might not be coherent
 - **Fantasy:** digital identity can be easily fantasized
 - **Temporality:** identity might not evolve over time (a comment or an old profile is not automatically removed)

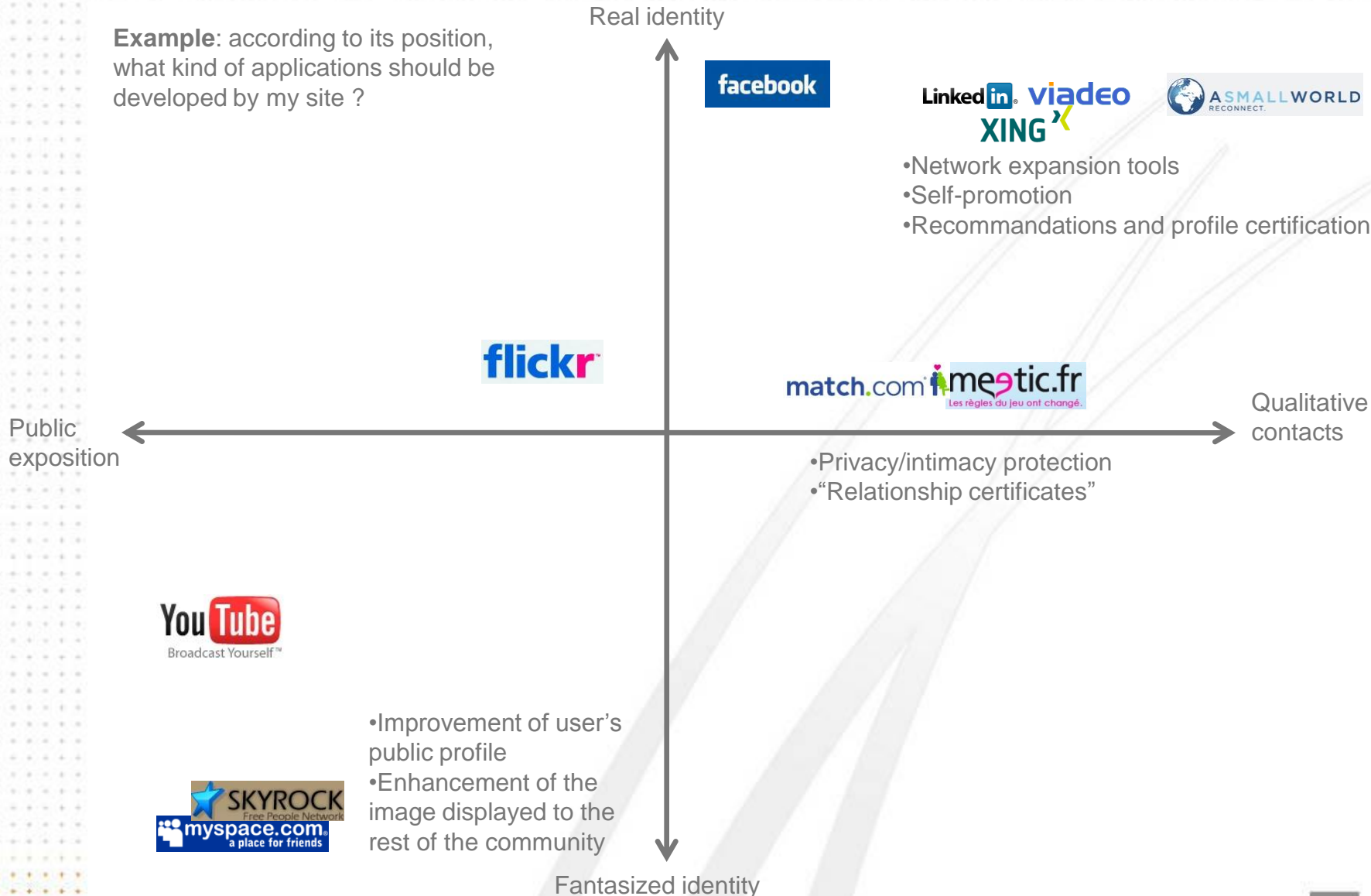


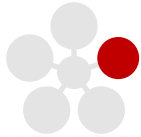
Sources: Cavazza website, faberNovel analyses

The applications managers have to develop depend on the type of network proposed



Example: according to its position, what kind of applications should be developed by my site ?





The way users manage their identity and the functionalities available on the site are closely linked

MySpace vs. Facebook



MySpace

- Presentation of a desired identity
- Meeting of new friends based on center of interests
- « Monolog » space: additional applications are limited to personal space

Facebook

- Presentation of a real identity
- Extension of real friendships
- « Dialog » space: additional applications are developed to interact with other users



Social networks have all their specificities: four criteria can be identified



Degree of decentralisation of the network

- How far are interactions between users and profiles monitored and how “open” is the platform ? (for instance can users develop their own applications ?)

Number of different types of interactions allowed

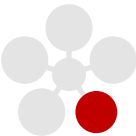
- Is the network dedicated to a unique type of service (such as online matchmaking) or does it allow many more kinds of services ?

Type of identity

- Is the identity developed on the network close to the real identity of the user or is it a fantasized identity ?

Potential size of the network

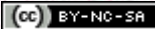
- What part of the Internet population might join the network ? Niche vs mainstream network



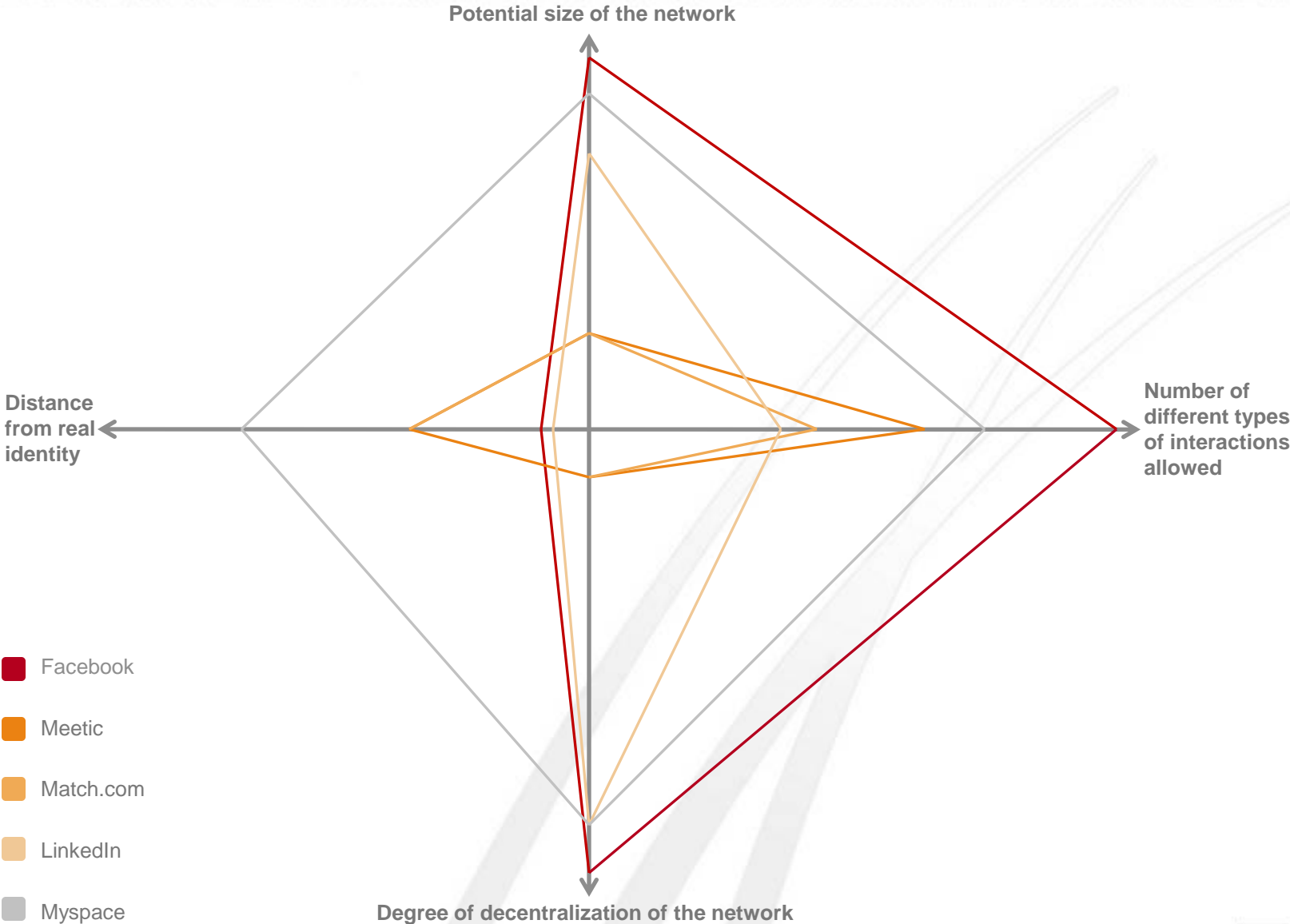
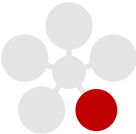
Four types of networks can be identified



Facebook is currently moving from an « alumni network » to an « online community »

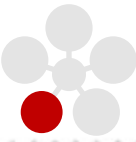


Example of a representation of social networking websites



- Facebook
- Meetic
- Match.com
- LinkedIn
- Myspace





Classic metrics are not always relevant for analyzing the success of a social networking website

The emergence of social networks highlights the need for new metrics

Traditional metrics are limited

- Traditional metrics still applied:
 - Number of unique users
 - Number of pages viewed
 - Average time spent
 - Number of registered / active users
 - Number of profiles created
- As well as geo-socio-demographic metrics :
 - Gender
 - Age
 - Household revenue
 - Geographical data
- But they are not relevant for every social networking website

Differentiating the metrics is necessary

- For business networks (Xing, LinkedIn):
 - Irrelevant but used metrics (examples):
 - Number of pages
 - Time spent by users
 - Relevant metrics (examples):
 - Number of requests transmitted or accepted
 - Number of useful active users
- For online matchmaking websites (Meetic, Match.com):
 - Irrelevant but used metrics (examples):
 - Number of profiles
 - Number of pages viewed
 - Relevant metrics (examples):
 - Number of subscribers
 - Number of active users
 - Churn rate and its components

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CASE STUDY: Meetic

Brief presentation of the company

- Meetic was founded by Marc Simoncini, the current CEO, in November 2001
- Meetic has been profitable since 2003 and in five years, it has become the leader in online dating in Europe
- Meetic realized an IPO in October 2005, its market capitalization was 508,491 million euros November 16th 2007
- Meetic is active in 16 countries after a large campaign of acquisitions in 2006 and 2007
- In 2007 Meetic launched its new version Meetic 2.0

Meetic is the leading company in online matchmaking in Europe

Language	Website translated into 12 languages
Number of profiles [M] 2006	28,5
Number of subscribers 2006	426 000
Audience share¹⁾ of online matchmaking websites in Europe (November 2006)	19,49 % (number one in Europe)
Turnover²⁾ [M\$] 2006	107
Operating income²⁾ [M\$] 2006	18,65
Number of employees	200
ARFU²⁾ [\$/subscriber] 2006	18,83
ARPU²⁾ [\$/subscriber] 2006	20,93

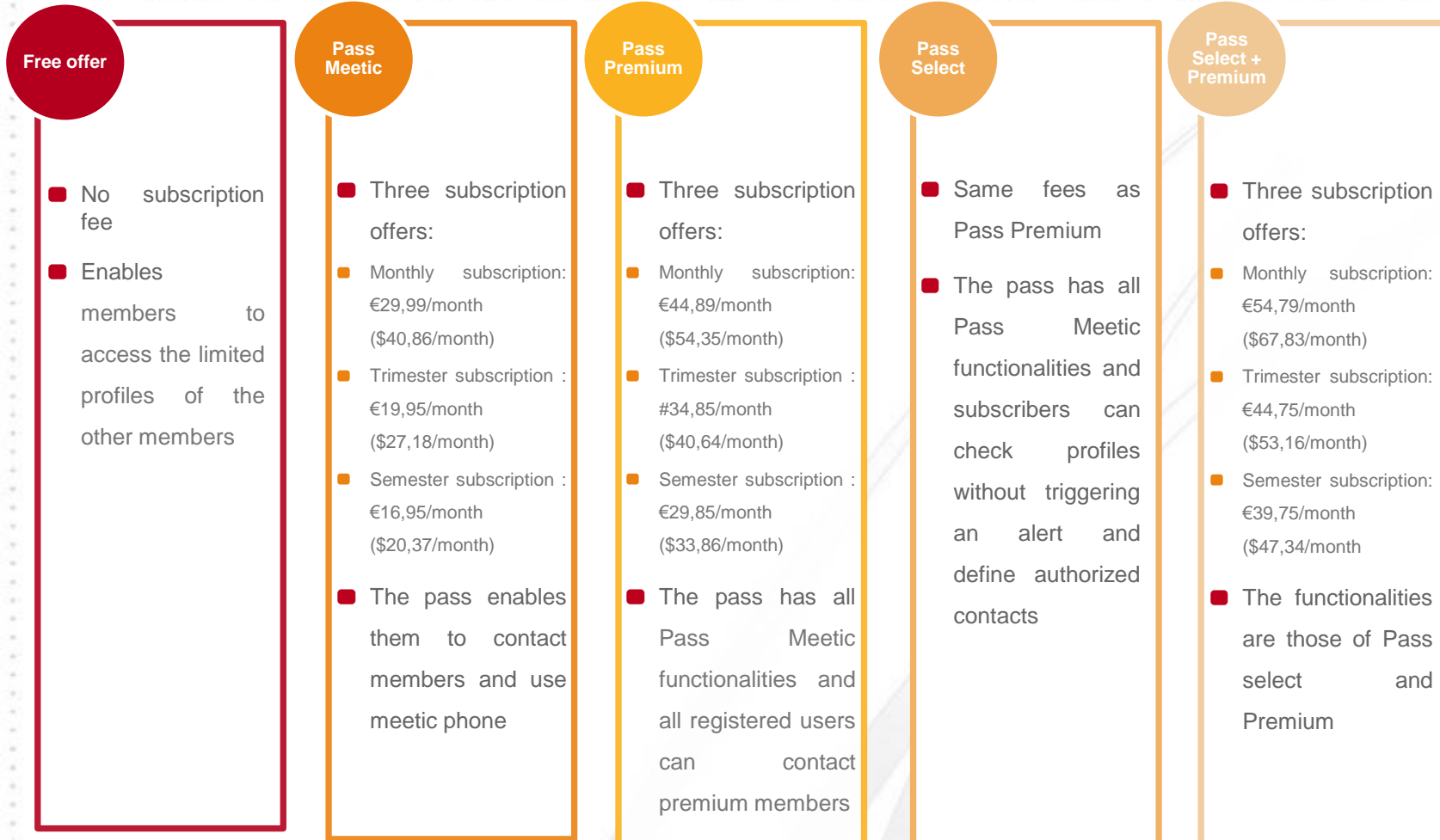
1): Audience share is calculated as follows: (number of unique visitors to the site x time spent on the site) / (number of unique visitors under the category "dating" x time spent on this subcategory) x 100

2) : Converted at 0,734 € per \$

Sources: Meetic, NielsenNet Rating faberNovel analyses

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Meetic offers several subscription formulas

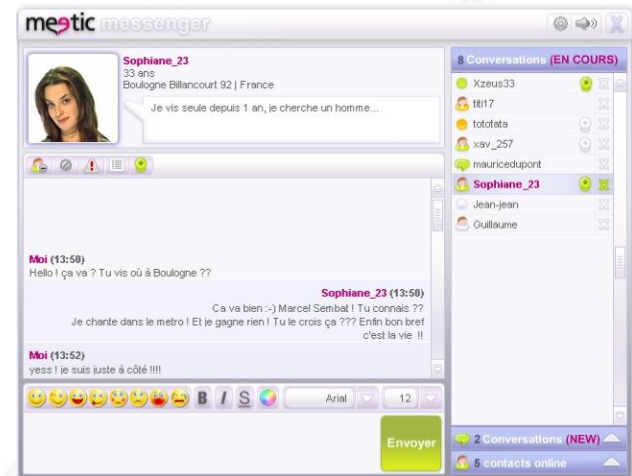


Subscription fees are highly progressive to induce members to subscribe for the longest period possible

1) All the offers are converted at 0,734 € per \$

Meetic offers multiple additional services

- Improvement of meetic messenger based on MSN Messenger, with a video chat with secured mode
- Photograph album
- “Meetic test”: allows the subscribers to create their own questions
- Meetic search engine with multiple criteria selection
- “Meetic live”: events for meetic subscribers (Live oenology, salsa, ...)
- “Meetic phone”: allows a user to call a subscriber without disclosing his phone number with an “available / unavailable” presence function



Meetic provides its customers with multiple tools to manage their identities

■ Contracts offered:

- « Pass Meetic »: contact by email, visio, meetic phone and see video and photograph album
- « Pass Premium »: Pass Meetic functionalities plus allows registered users to contact premium members
- « Pass Select »: Pass Meetic functionalities plus checking profiles without sending an alert and defining authorized contacts

■ Identity management tools:

- Nickname commonly used
- Multiple identities possible, although uncommon and closely watched by Meetic employees
- Common information, physical and psychological description. Between 10 to 80 criteria available
- Five photos per profile
- Personal video advertisement

■ Information available to others:

- Full profile available to other subscribers and very limited profile available to registered users
- Profiles of “Pass premium” subscribers can be accessed by all registered users
- No public profile (e.g. available through search engine)

Subscriber

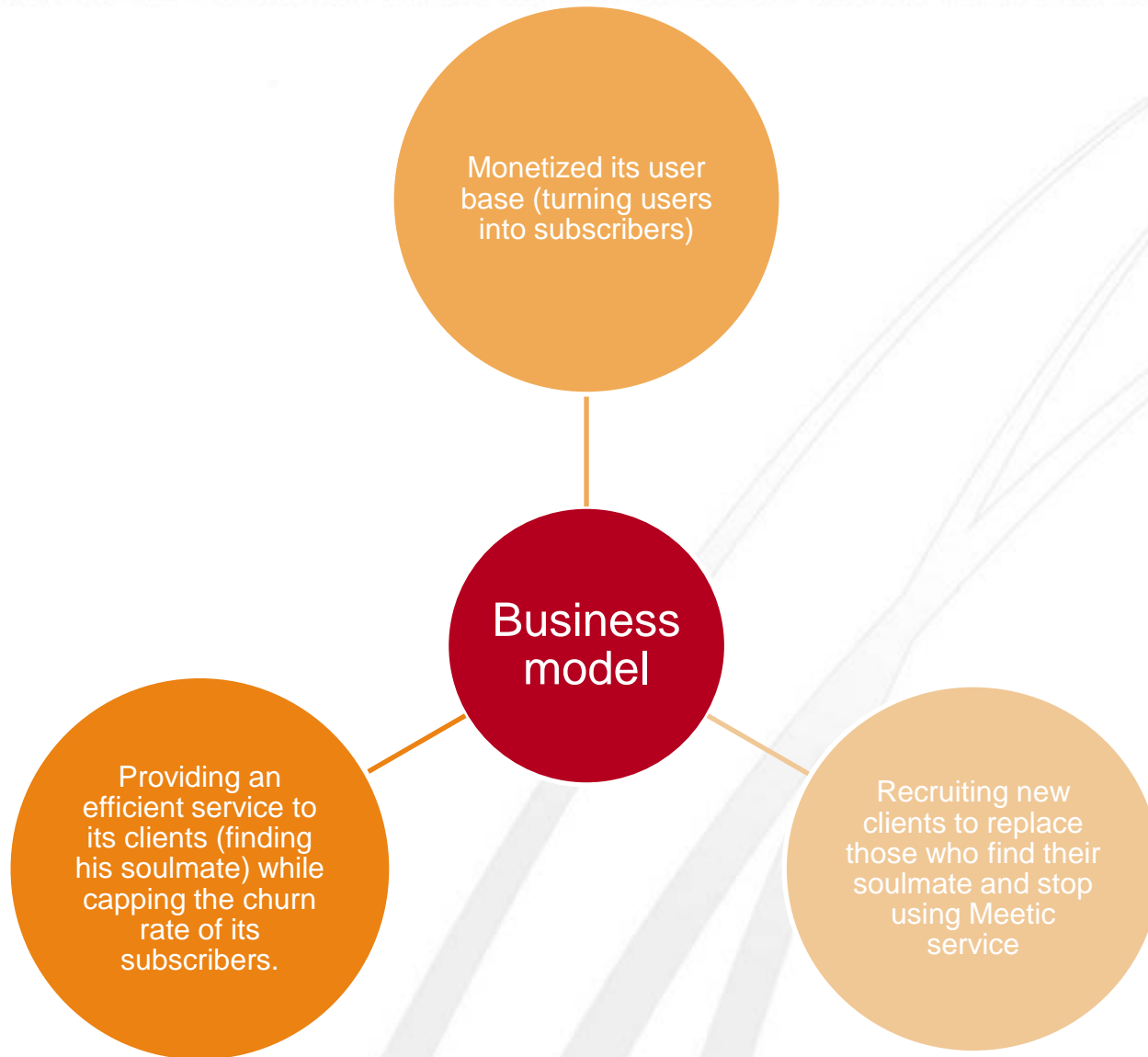
Registered

Public

Profile availability

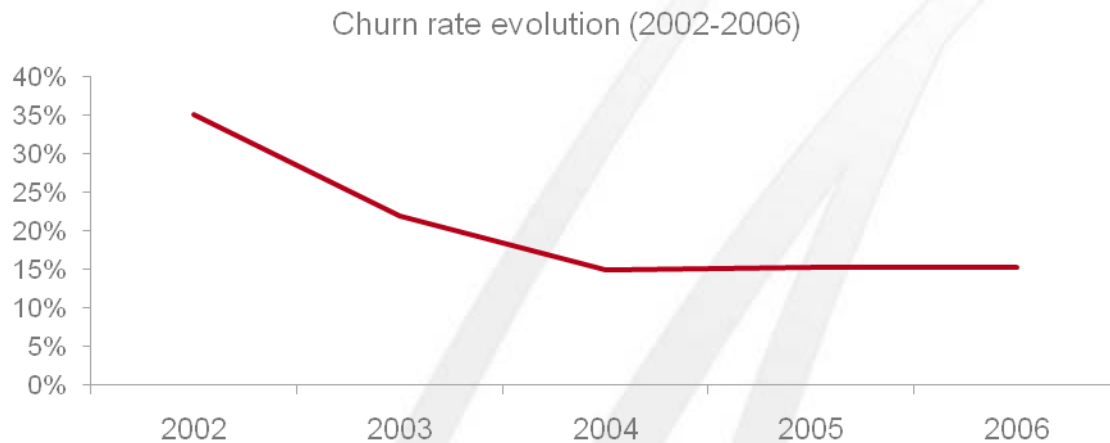
	
	
	
Limited Profil	Full Profil

Meetic business model depends on three central mechanisms



Meetic's strong conversion rate is achieved through four levers

- Charging for every service, except now to contact premium members
- Payment systems adapted to each country's culture or custom (for instance credit card for French clients, direct debit for German)
- A contract menu with four different subscriptions ("pass Meetic", "pass premium", "pass select", "pass premium + select") to meet all the clients' needs
- A low churn rate due to an important CRM strategy (37% of Meetic employees are devoted to customer relationship management)



Meetic business development strategy is based on three pillars

■ Service extensions:

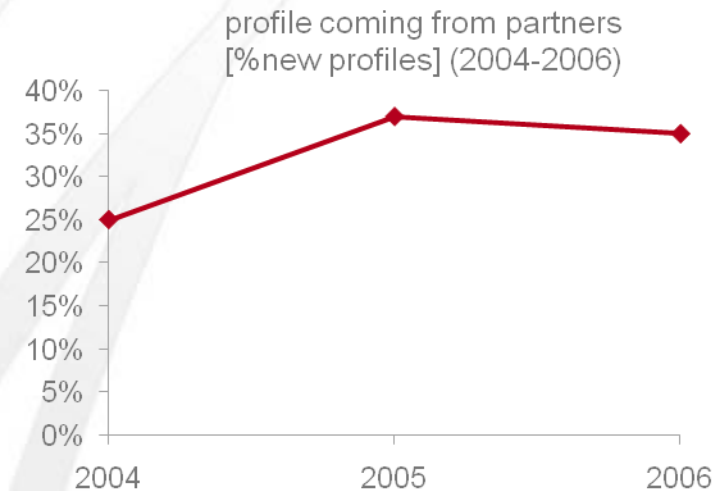
- Mobile version that represents 7% of the traffic
- Thematic website for young people (Superlov), people over 35 years old in search of a long-term relationship (Ulteem) and gay (Cleargay)

■ External growth:

- In 2006 Meetic acquired Yeeyoo (China, 10 million registered users) for around 31 million dollars*, Lexa (the Netherlands, 30.000 subscribers) for 15,67 million dollars* and Perperfeito (Brazil, 8 million profiles created) for 29,42 million dollars*
- In 2007 Meetic acquired DatingDirect (4,5 million members) for £ 27,3M and Cleargay (undisclosed amount)

■ Partnerships:

- Meetic has developed around 120 internet distribution partnerships on internet portals such as Alice, AOL, Orange, Lycos, Yahoo!, Lastminute and around 20 mobile partnerships (notably Orange, Bouygues, SFR, Vodafone)
- Partnerships accounted for 37% of Meetic's new profiles and for 25% of sales in 2006



*: Converted at 0,734 € per \$

Some best practices can be drawn from Meetic functioning

BEST PRACTICES

Providing a secure environment

- Meetic has a churn rate twice as low as its competitors because: employees devoted to CRM and moderation of the website are the two biggest contributors to headcount
- Moderators make human controls for each new profile created (notice and photos) and semi automatic controls based on key words for writing communications
- The counterpart is the absence of economies of scale in Meetic business model since it has to keep its number of employees proportional to its number of users
- Meetic does not give public profile to respect user privacy

Focusing on keeping a balanced user base between men and women

- Free registration and free consultation of limited profiles allow potential users to try Meetic and check the number of interesting profiles
- Subscription for women was free before 2007 and at a lower price from 2007, ensuring women account for around 50% of client base
- Meetic constantly communicates this statistic which reassures women about the reliability of the service

Understanding the specificities of its market(s)

- **Absence of viral marketing:** Meetic invests heavily in advertising campaigns
- **Diversity of users' needs:** Meetic draws a clear segmentation of the market with four websites (Superlove, Meetic, Ulteem, Cleargay) to guarantee their clients they will find exactly the profiles for which they are searching
- **Diversity of local markets:** Meetic proposes different versions of its website and acquires online matchmaking firms that are already well implemented in the countries within which the firm wants to develop

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CASE STUDY: Match.com

- Launched on the Web on April 21, 1995, Match.com was a pioneer in online dating and is considered as having taken this service mainstream
- Match.com is an operating business of IAC/InterActiveCorp quoted on Nasdaq
- Match.com is today the world's number one dating and relationship site

Language	30 localized international dating sites in 18 languages
Number of profiles [M] 2007	Over 20 million
Number of subscribers [M] June 2007	1,313
Number of Unique Visitors in the US* (Dec. 2006)	3970000 (number three in the US)
Turnover [M\$] 2006	311,2
Operating income [M\$] 2006	58,4
Number of employees 2006	275
ARFU [\$/user] 2006	18,37
ARPU [\$/user] 2006	20,42

* : Excludes traffic from sites powered by Match.com, such as Love@AOL (1.0 million unique visitors) and MSN Personals (635,000 unique visitors)

Sources : Match.com, Comscore, faberNovel analyses

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Match.com has one simple offer for its main product but numerous additional services

■ Match.com has a single two contract offer:

- **Free offer** enables members to access the profiles of the other members
- **Premium offer** (Monthly subscription: € 29.95/month (\$34,99/month), Trimester subscription : €19,95/month (\$19,99/month), Semester subscription : €16,50/month (\$16,99/month)) enables members to contact other members ,block profiles, check members who have looked at their profile
- **Premium offer + MindFindBind** (for English, American and Canadian subscribers): subscribers can benefit from **Dr. Phil's advice** (through the MindFindBind program) about how to determine good action plans, dating insights and related strategies and so forth. This service charges \$9,99




■ Match.com proposes numerous additional services:

- Matchmobile: a free service allows members to consult their alerts. A premium offer (\$4,99 per month) allows members to use mobile phones for anonymous and secure wireless matching and online dating services (write and answer emails)
- MatchPlatinum: a custom tailored online matchmaking site
- Matchtravel.com: a travel agency for singletons
- MatchLive.com: a subscription-based service offering a variety of social events and parties for single adults
- Match.com Advisors: a network of trained dating, relationship and marriage experts accessible through the Match.com site
- Happen Magazine™: a dating advice and information magazine
- Profile Assistance: a service providing a network of writers skilled in creating and tailoring online profiles for members.

Match.com provides its customers with multiple tools to manage their identities

■ Contracts offered:

- « Members »: search others profiles, download photos and send/receive « winks » 
- « Subscribers »: contact by email, block profiles, check members who have looked at their profile

■ Identity management tools:

- Nickname commonly used
- Multiple identities possible, although uncommon
- Common information (Height, bodytype, astrological sign, daily diet, income, ...)
- Twenty five photos possible
- « Catcher » available but no video presentation
- Description of the ideal partner

■ Information available to others:

- Full profile available to other subscribers and registered users, which is a big difference in comparison with Meetic
- No public profile (e.g. not available through search engine)

Profile availability

Subscriber	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Registered	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Public	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Limited Profil	Full Profil

Match.com has developed both generic and specific search tools

- Match.com search engine offers roughly the same functionalities as those provided by Meetic search
- The firm has developed two alternative and original tools:
 - The « **matchWords** »: every profile can list a number of key words. Then registered members can browse through these key words
 - The « **double compatibility** » tool: for each profile visited by, members can see this multiple criteria spreadsheet, giving the compatibility details for the different criteria of the two profiles

SHE MATCHES YOU		YOU MATCH HER
<input checked="" type="checkbox"/>	Age	
<input checked="" type="checkbox"/>	Height	
<input checked="" type="checkbox"/>	Eye color	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Hair color	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Body type	
<input checked="" type="checkbox"/>	Smoking	
<input checked="" type="checkbox"/>	Drinking	
<input checked="" type="checkbox"/>	Job	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Income	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Ethnicity	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Religion	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Education	
<input checked="" type="checkbox"/>	Languages	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Marital	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Planchild	
<input checked="" type="checkbox"/>	Children	<input checked="" type="checkbox"/>
	Diet	
<input checked="" type="checkbox"/>	Dislikes	
<input checked="" type="checkbox"/>	Likes	
	Exercise	
	Exercise Type	
<input checked="" type="checkbox"/>	Have pet	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Like pet	<input checked="" type="checkbox"/>
	Politic	
<input checked="" type="checkbox"/>	Interests	

Match.com succeeds in monetizing its user base thanks to four levers

- A strong differentiation of its local websites, which allows Match.com to perfectly match the specificities of the countries where it operates
- Permanent help at every different step during the use of Match.com services (when users want to fill their profile, make a search, ...)
- The creation of Dr. Phil (which provides advice about how to get ready to have a good relationship, how to bind its couple, ...):
 - Provide an original service
 - Reassure potential users who might be reluctant to use online matchmaking
- Different strategies to « tease » the users and convince them to subscribe to Match.com's offer:
 - Match.com sends compatible profiles by email on a daily/weekly basis even to those who have not subscribed
 - Match.com provides access to the full profile but charges if users want to contact by email or by « phone » (the MatchMobile)
 - Match.com enables users to send « wink » for free. Thus if a user is winked at he will have a greater incentive to subscribe so that he can develop his contacts

Home Page Match.com (China)



Home Page Match.com (India)



Match business development strategy is based on 4 axes

International development through acquisitions of local well established actors

- In February 2007, Match.com acquires leading online dating and relationship companies in France and China:
 - Netclub in France (number 3 dating and relationship site, 4 million members)
 - eDodo in China (more than 180.000 subscribers)

Diversification of its revenues

- In 2005 Match.com signed an agreement with Deal Group Media to put advertising on its website for the first time
- In the summer of 2007 Match.com launched its mobile platform in the US, the UK and Canada. It would be expanded to 9 other countries at the end of 2007. This service is charged at \$4,99 per month

Match.com business development strategy

Recruitment of new paying members through a very efficient partnership policy

- Match.com powers MSN dating services on all continents (which accounts for more than 30 million visitors per month) and AOL for its Love@AOL service (1 million unique visitors in Dec. 2006), BET Interactive, Tiscali (France, Spain, Italy) and so forth
- In 2006 Match.com struck a partnership with Yahoo! to provide its dating services in England and Germany

Intensive marketing campaigns

- Advertising campaigns account for a large part of Match.com costs
- This firm often uses grand marketing campaigns:
 - In 2005, Match.com spent more than £3 million in the UK
 - In 2006 Match.com was third in terms of spending on online advertising for dating services in the US (16% of the total between January and November)
- Match.com strategy is clear: concentrate its marketing expenditures early in the year to drive subscriber growth

Some best practices can be drawn from Match.com functioning

BEST PRACTICES

Providing a secure and simple environment

- Monitoring the profiles of its users: texts, photos and “ambiguous” profiles. Moderators provide *human* controls (not only automatic ones)
- This guarantee results in:
 - User base is 50% women
 - 60% of new subscribers are women, even if they have had to pay since 2006
- The counterpart is the absence of economies of scale in Match.com business model: employees are to be kept proportional to the number of users
- Match.com also provides services to ease the use of Match.com website and to give confidence to non usual users (especially with Dr. Phil’s advice)

Adopting an efficient “teasing strategy”

- Match.com allows full access to its users’ profiles: potential subscribers can be sure of the service Match.com provides
- Every user can receive a “wink” but must subscribe if they want to communicate
- Different simple and explicit “compatibility tools” (the double compatibility spreadsheet or the matchWords) underline the usefulness of the service
- Match.com sends compatible profiles regularly
 - If all the most compatible profiles have already been sent, the firm sends the same again in a different order
 - This gives the illusion that new interesting profiles register all the time

Understanding the specificities of its market(s)

- **Absence of viral marketing:**
Match.com strongly invests in advertising campaigns
- **Diversity of local markets:**
 - Match.com proposes different versions of its websites
 - Match.com acquires online matchmaking firms that are already well implemented in the countries within which the firm wants to develop its activities

Summary

- Some broad principles for understanding social networking websites

- Case study: online matchmaking websites

 - Meetic

 - Match.com

- Case study: business network websites

 - Xing

 - LinkedIn

Summary

- Some broad principles for understanding social networking websites
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- Case study: business network websites
 - Xing
 - LinkedIn



CASE STUDY: Xing

- XING AG was founded in August 2003 as a German limited liability company by Lars Hinrichs. It was first called Open Business Club AG
- The platform was officially launched on November 1st, 2003
- In 2005, Open Business Club launched a multilingual platform in 16 languages and became one of the leaders of online professional networks
- In December 2006, Open Business Club AG was the first Web 2.0 company to go public, floating in the Prime Standard segment of the Frankfurt Stock Exchange. It changed its name and became Xing for the IPO
- Its market capitalization on November 23rd 2007 was 290 million dollars

Xing is one of the leading company in business networks in Europe

Language	Website translated in 16 languages
Number of profiles [M] September 2007	4 ⁽¹⁾
Number of subscribers March 2007	258 000
Number of unique visitors (December 2006, worldwide)	1,186,000 (number two) ⁽²⁾
Turnover [M\$] 2006 ³⁾	8,4
Operating income [M\$] 2006 ³⁾	- 1,26
Number of employees 2006 ³⁾	73
ARFU [\$/user] 2006 ³⁾	52,88
ARPU [\$/user] 2006 ³⁾	48,65

1) Including members from Neurona (over 1 million) and eConozco (360,000)

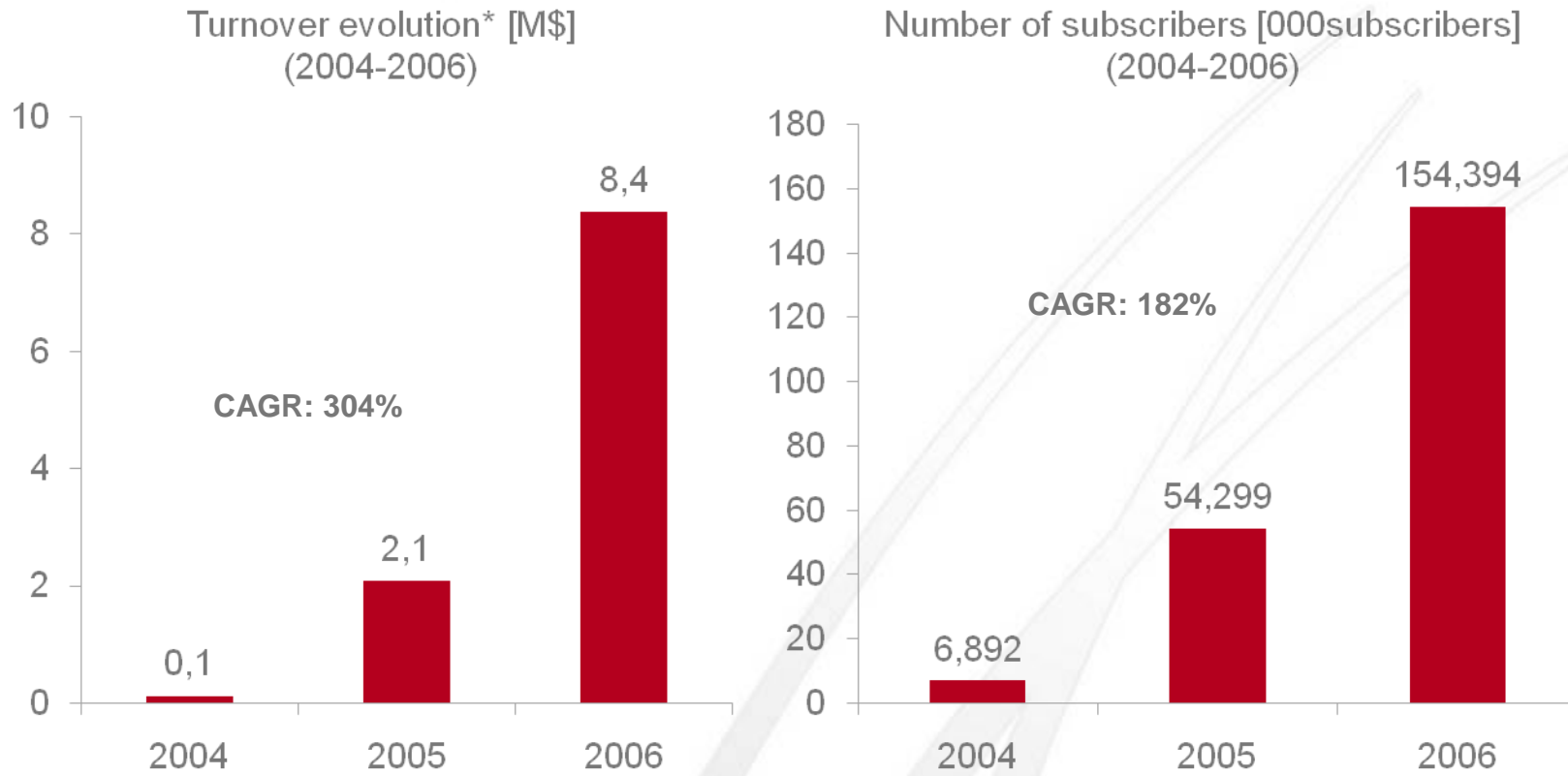
2) Including unique visitors from Neurona (240,000)

3) Converted at 0,734 € per \$

Sources: Xing, NielsenNet Rating faberNovel analyses

28. 11. 2007 – Research paper

Xing has been experiencing strong growth



* : converted at 0,734 € per \$

Sources: Xing, faberNovel analyses

Xing has a simple contract offer

- Xing has a single two contract offer:
 - **Free offer** enables members to access limited profiles of the other members, invite other users to join their network (which allows them to send a message), make basic searches, receive private messages, join groups, organize one meeting per month, research job offers
 - **Premium offer** (€5,95 (\$8,12*) per month) enables members to receive and send private messages, make advanced searches, post job offers, organize unlimited meeting and conferences, check members who have looked at their profiles and have access to the « premium world » (discounts ofr airline tickets, hotels, etc.)



FREE MEMBER



Premium Member

Subscription offer gives premium members access to all the functionalities provided by Xing, which makes Xing offer one of the simplest and most readable offer of social networking websites

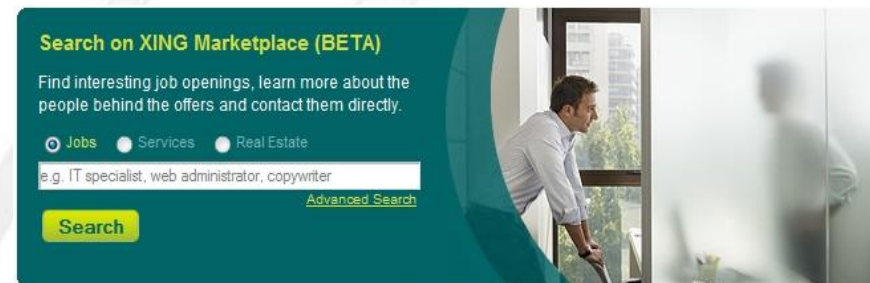
* : converted at 0,734 € per \$

Sources: Xing, faberNovel analyses

28. 11. 2007 – Research paper

Xing offers several additional services

- Xing mobile allows members to view messages or manage and search for contacts on their mobile phones, Blackberry or PDA
- Xing paying members can benefit from the exclusive offers available in the PremiumWorld (Avis, Radisson,...)
- Xing allows members to communicate about events they organize
- Xing members can join different types of groups:
 - Alumni networks (ENAss alumni club, Coastal Carolina University)
 - Professional (English job offer and demand, Worldwide legal practitioners)
 - Thematic (Green electricity, patrimony and taxation)
- The Marketplace allows members to access job offers and premium members to post three job offers at the same time



Xing provides its customers with multiple tools to manage their identities

■ Contracts offered:

- « Free members »: access to limited or full profiles of other members, search other profiles, receive private messages
- « Premium members »: access to full or limited profiles of other members, send and receive private messages, check members who have looked at their profile

■ Identity management tools:

- Real name used
- Multiple identities possible, although extremely uncommon
- Common information (Surname, name, skype, company, previous company, study,...) and photo
- Interests and group/association participations

■ Information available to others:

- The users can choose to make public their profile (available on search engines) or not
- Only premium members can decide whether their full profiles are available to other members or only to their contacts (except for the contact list, all the users can choose to make it available or not to others)

Subscriber

Registered

Public

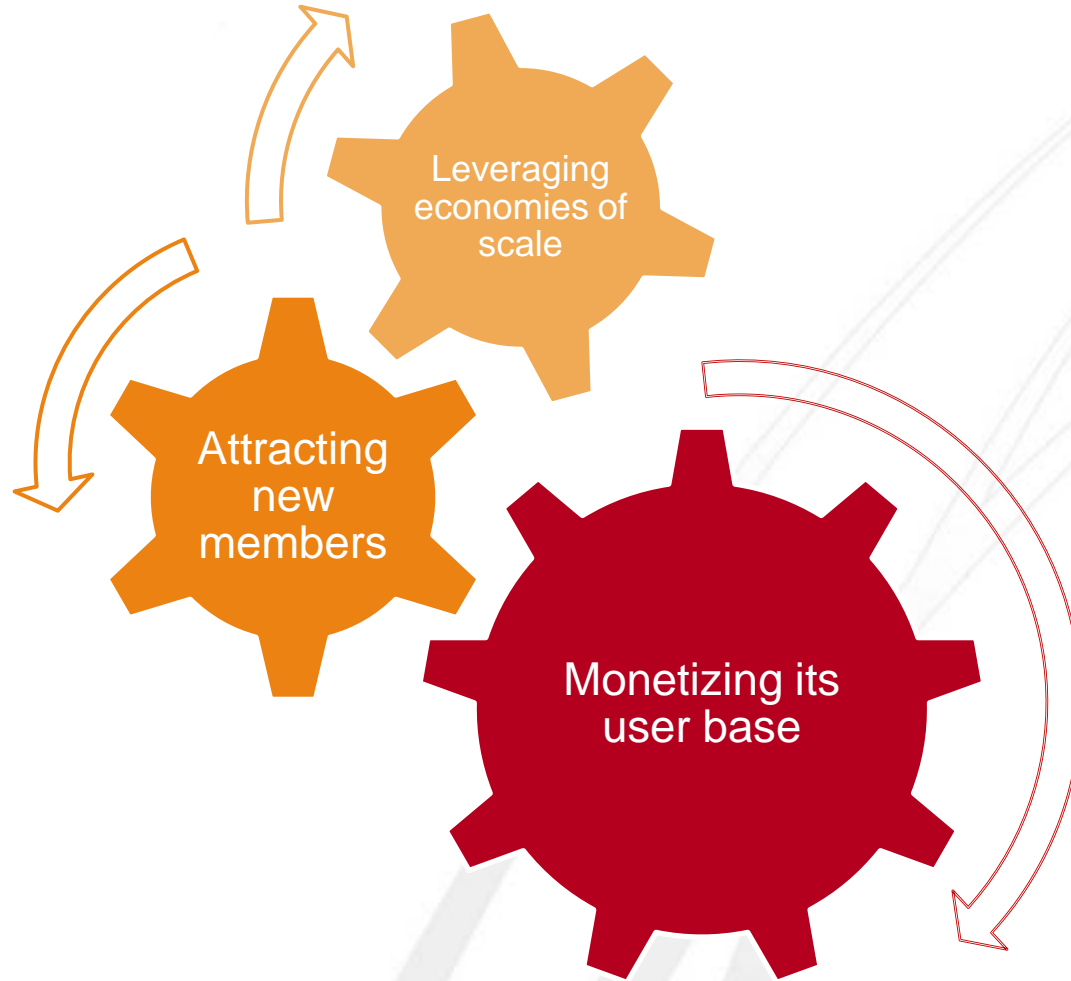
Profile availability

<input checked="" type="checkbox"/>	<input type="checkbox"/> or <input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/> or <input checked="" type="checkbox"/>
<input type="checkbox"/> or <input checked="" type="checkbox"/>	<input type="checkbox"/>

Limited Profile

Full Profile

Xing business model relies on three mechanisms



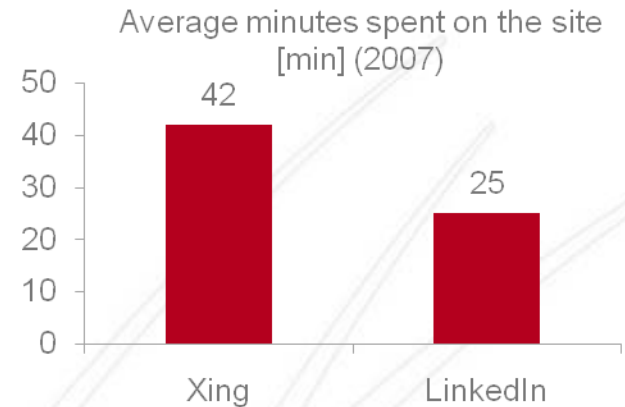
The increase in Xing monetization rate is achieved thanks to five levers



Xing offer is readable and well adapted

- A clear and extremely readable offer (the subscription covers all the functionalities proposed by the website) which encourages users to subscribe:
 - They are not afraid of being « over charged »
 - They can use premium functionalities any time they want and see a clear difference between these ones and the simple functionalities
 - It encourages Xing users to use the website extensively

- The adaptation of Xing website to local specificities:
 - The website is available in 16 languages
 - Premium subscription tariffs evolve depending on the country to reflect the differences in purchasing power



Sources: Xing, faberNovel analyses

Xing smartly advertises its offer

- Xing provides permanent, changing and discrete advertising for the different services offered by its premium contract on the user home page

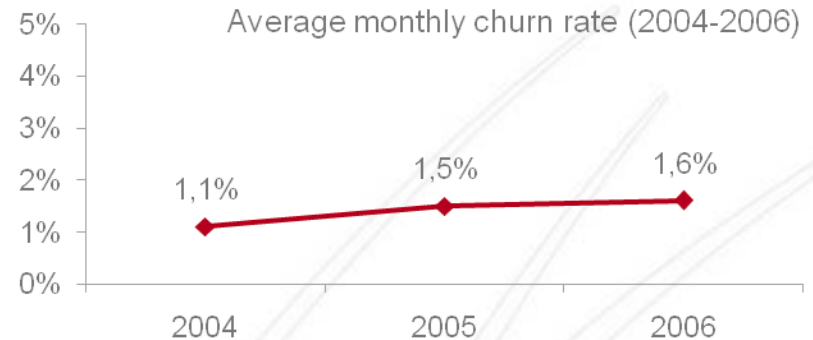
Xing regularly offers subscription to the premium contract

This window changes any time the user refreshes its webpage

The screenshot shows the XING user interface. At the top, there's a navigation bar with 'Start', 'Members', 'Messages', 'Address Book', 'Groups', 'Events', 'Marketplace', and 'PremiumWorld'. Below this is a search bar and a 'Find' button. The main content area includes a welcome message, several promotional cards for profile completion, address book checks, and photo uploads. On the right, there are options to 'Customize start page' and 'View search agents'. A prominent green banner titled 'Make the most of XING!' is highlighted with a red box, containing text about finding visitors and becoming a premium member. Below it is another banner for 'Become a Premium Member!' with a 'Sign up!' button. A red line points from the text 'This window changes any time the user refreshes its webpage' to the 'Make the most of XING!' banner. Another red line points from 'Xing regularly offers subscription to the premium contract' to the 'Upgrade now' link in the 'Visitors to my profile' section.

Xing offers a high quality service

- Xing has been experiencing a very low churn rate thanks to a high quality of services: the “member relation team” accounts for two thirds of Xing employees



- Premium members benefit from multiple special advantages with appropriate services (Financial Times, Radisson Hotels, ...):
 - It contributes to creating a specific environment around them
 - It pampers them and proves how special and important they are for Xing



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- 4-week free subscription to the world's largest online library of business book summaries
- Free download of 12 summaries
- Personalized summary service

[Learn more](#)



Special privileges at Radisson SAS Hotels & Resorts, Park Inn Hotels, Country Inns & Suites!

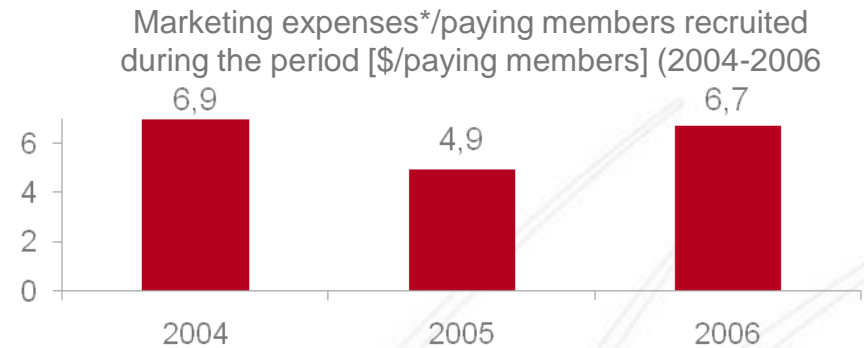
- Enjoy free Silver status and a quick update to Gold status
- 10% reduction on weekend prices and in restaurants
- 1,000 bonus gold points and much more

[Learn more](#)

Sources: Xing, faberNovel analyses

Xing has a very efficient strategy for recruiting new users

- Xing succeeds in experiencing strong growth of its premium members while spending few in marketing



- It greatly encourages its existing members to recruit new users:
 - The website offers a very powerful tool to easily import its address book
 - Members win one month subscription for free for each person they invite and who subscribes to the premium contract
 - Xing proposes « premium groups » for institutions and companies:
 - They ease the identification and the coordination of the members of these institutions ; each member has the logo of the institution he belongs to on his home page
 - Institutions will benefit for free from these groups if they agree to promote Xing among their members (otherwise they have to pay to create their group)
 - They can obtain a commission if they recruit a certain number of members
 - Members can benefit from a discount if enough members subscribe at the same time
 - In September 2006, Xing counted that 26 Premium groups (Accenture, the University of Hamburg) accounted for 72,000 members

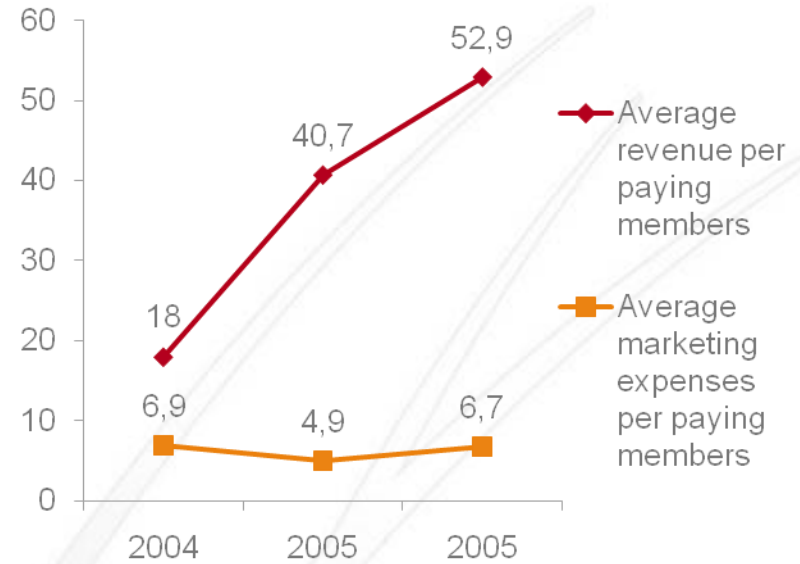
* : converted at 0,734 € per \$

Xing viral marketing strategy enables the firm to benefit from economies of scale

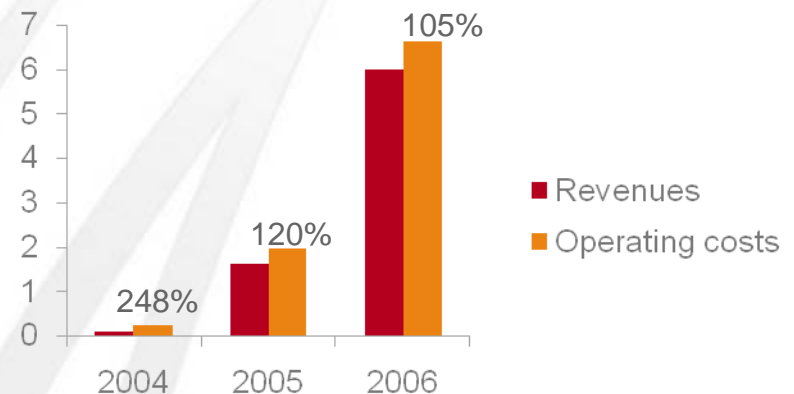
- While Xing spends little in marketing for each new premium member, it enjoys an increasing average revenue per paying member

- It strongly contributes to the important economies of scale in Xing business model

Average revenues*/Average marketing expenses
[\$/paying members] (2004-2006)



Share of operating costs [000€] (2004-2006)



* : converted at 0,734 € per \$

Xing business development strategy is based on four pillars

International development through acquisitions of local well implanted actors

- In 2005, acquisition of the Swiss company First Tuesday AG
- In 2007, Xing acquires leading business network companies in Spain and Latin America:
 - eConozco: 150,000 members in March
 - Neurona: 835,000 members in June

Diversification of its offer

- Xing wants to increase its number of paying members by offering more services
- Additional services are numerous:
 - Development of PDA versions
 - Additional criteria to manage user profiles and to add links to other profiles on Flickr, Twitter, eBay or Digg
- Xing has joined Open Social Platform

Xing business development strategy

Recruitment of new paying members through a very efficient partnership policy

- Non-employee Premium Members who serve as country representatives in different countries. They are well-connected individuals who voluntarily use their local and regional contacts to add new members
- Huge institutions such as Universities or multinational firms which promote the Xing website

Promotion of viral marketing

- Numerous tools encourage existing members to easily add their contacts
- Incitation to add new members through the offering of the subscription fees during a few months (depending on the number of new users bring on Xing)

Best practices can be drawn from the Xing case

BEST PRACTICES

Promoting viral marketing

- The premium groups encourage Xing members to invite connections who work in the same organization but who are not using Xing services yet
- Xing makes alliances to incite big institutions to promote their services to their employees
- Xing endeavours to ally with persons who are able to be efficient relays for their product. Their multiple connections and central positions enable them to “prime the pump” of viral marketing
- Xing has developed tools to ease the importations of all user contacts
- Xing incites their members to be promoters of the website by offering subscription fee for those who attract new members

Creating a pleasant environment

- Xing’s offer is extremely readable and subscribers do not have to pay attention to how much they use Xing
 - The subscription covers all the services provided
 - Xing members are more prone to subscribe and to intensively use the services
- Xing subscribers can feel they are “special” for the company:
 - Premium advantages pamper them
 - Xing ensures a high quality service in allocating more than the majority of its employees to member relations

Understanding the specificities of the markets it operates

- Xing website is translated into 16 languages
- Price policy reflects the diversity of purchasing power among countries
- The firm acquired business networks that were already well implemented in the countries within which the firm wanted to develop

Summary

- Some broad principles for understanding social networking websites
- Case study: online matchmaking websites
 - Meetic
 - Match.com
- Case study: business network websites
 - Xing
 - LinkedIn



CASE STUDY: LinkedIn

- LinkedIn was founded in May 2003 by Reid Hoffman, former CEO and now Chairman and President
- LinkedIn has become profitable since March 2006, and has \$30 million in backing from venture firms such as Sequoia Capital (\$4,7 million in November 2003), Greylock (\$10 million in October 2004), Bessemer Venture Partners and European Founders (\$12,8 million in January 2007), valuing the company at \$250 million
- LinkedIn is the largest online professional network worldwide, with more than 16 million users
- The website is only available in English, but has raised funds in prevision of an international expansion in the near future

LinkedIn is the world's leading company in business network

Language	Website only available in English
Number of profiles [M] November 2007	16
Number of Unique Visitors [M] (Dec.2006)	1,5
Turnover [M\$] 2006	6,5 ⁽¹⁾
Operating income [M\$] 2006	1
Number of employees 2006	70
ARFU [\$/user] 2006	0,62 ⁽¹⁾
ARPU [\$/user] 2006	20,63 ⁽¹⁾

1) : Estimates

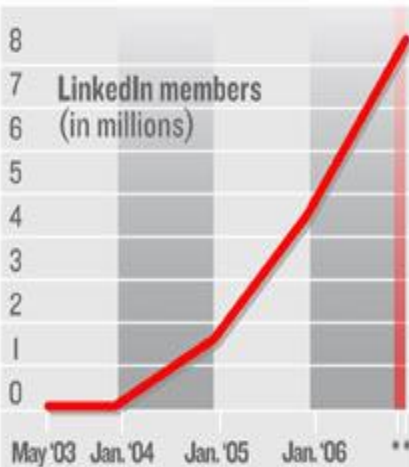
Sources: NielsenNet Ratings, Thomson Financial, LinkedIn

LinkedIn boasts an impressive growth

- More than 16 million users as of November 2007
 - Around 9 million members at the start of the year
 - All members are professionals, meaning the site's target audience is restricted
- LinkedIn was the fastest growing social networking website in the US in 2007: up 189% between October 2006 and October 2007

REID'S LAW

The usefulness of a business network grows exponentially as its ranks expand - a trend that's evident in LinkedIn's membership numbers.



Top 10 Social Networking Websites for October 2007 (US, Home and Work)

Social Networking Site	Unique Audience (000)		
	Oct-06	Oct-07	% Change
Myspace	49,516	58,843	19%
Facebook	8,682	19,519	125%
Classmates Online	13,564	13,278	-2%
Windows Live Spaces	7,795	10,261	32%
AOL Hometown (TWX)	9,298	7,923	-15%
LinkedIn	1,705	4,919	189%
AOL People Connection	5,849	4,084	-30%
Reunion.com	4,723	4,082	-14%
Club Penguin	1,512	3,880	157%
Buzznet.com	1,104	2,397	117%

Sources: LinkedIn, Nielsen Online

LinkedIn gives users a high level of control over their digital identity and their personal information

- LinkedIn users that know someone to the third degree can see his/her profile in full
- Information displayed in a profile includes:
 - Full name and picture
 - Current and past positions
 - Education
 - Connections
 - Recommendations
 - E-mail adress (only for direct connections)
- Other users will only see a limited profile
 - This profile can be customized to display only what one wishes to make publicly available
 - This profile can be found using search engines (a feature that can be turned off)
- The “Invitation Block” feature lets users block invitations from people they do not know well

Privacy Settings

Advertising

Settings for advertising on LinkedIn partner websites.

Connections Browse

Your connections are **allowed** to view your connections list.

Profile Views

Control what (if anything) is shown to LinkedIn users whose profile you have viewed.

Viewing Profile Photos

You can view **everyone's** profile photos.

Notifying My Network

Control whether your connections are notified when you make significant changes to your profile.

Service Provider Directory

If you are recommended as a service provider, you **will be listed** in the Service Provider Directory.

Profile availability

Subscriber	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> up to
Registered	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Public	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Limited Profile	Full Profile

LinkedIn's business model is based on three mechanisms



- **Free offer:** allows users to manage their network, send request introductions (but not inmails), see the profiles of their network members and check out job offers
- **LinkedIn Service Recommendations:** LinkedIn users can search service providers of all types (Financial & Legal Services, Health & Medical, Consulting, ...), who are ranked by number of recommendations (even if they are not LinkedIn members) and look up service providers recommended specifically by their network. Each user can ask members of his/her network to recommend them.
- **LinkedIn Groups:** any user can create a group, which makes relations between members of a same organization easier to manage. More than 1000 such groups currently exist on LinkedIn.

Groups

Groups Home **My Groups** Create a Group FAQ

Group

Manage this Group

Group Members

- Current
- Pre-approved
- Removed
- Withdrawn
- Managers

Requests to Join

Invite Members

Edit Group Info

Change Owner

Current Members (1)

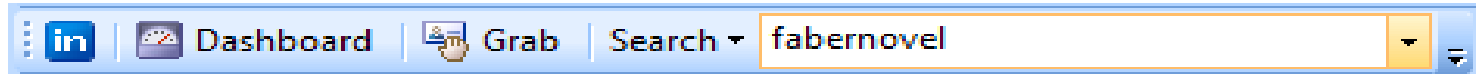
Search Name Email Search Reset Show 50 per page

Name	Email	Date Added
Matray, Adrien		October 12, 2007

Remove Export current members

LinkedIn provides an array of free tools to better integrate the information available in the users' everyday life and uses

LinkedIn Outlook Toolbar



Helps the user build his/her network

- See which people you e-mail often, and invite them to your LinkedIn network
- Fast one-click invites
- Upload your Outlook contacts in LinkedIn

Manages contacts and communications in Outlook

- Create an Outlook contact from text with the Grab feature
- Update Outlook contacts with LinkedIn information
- Manage contacts and communications with the LinkedIn Dashboard

Integrates LinkedIn services

- Direct access to LinkedIn features
- Search LinkedIn by keyword, name, title or company
- **info** button displays profile information for every e-mail received

LinkedIn Browser Toolbar*



Provides extensive search features

- Search LinkedIn by keyword, name, title or company
- Highlight any text and right click to search LinkedIn
- Save search results as bookmarks for future references

Integrates LinkedIn services

- Direct access to LinkedIn features
- Save profiles of interest as bookmarks for future references
- **info** button displays profile information for every webmail received

Features the LinkedIn JobsInsider

- See what people in your connections can help you with job offers displayed on job sites (Craigslist, Monster, etc.)
- Request an introduction, additional information or help to get hired from these people

*For FireFox / Internet Explorer

LinkedIn offers intensive users three paying services

Personal offer

- One subscription offer: \$60 per year
- The pass allows one to:
 - Be contacted by any LinkedIn member without revealing his email or phone number (the “OpenLink Messages”)
 - Receive premium support from LinkedIn’s Customer Service team
 - Get five more Introductions at a time
 - Announce that you want to make new contacts
 - Find and be found by other members of the OpenLink Network

Business offer

- Three subscription offers:
 - **Business:** \$19,95 per month
 - **Business Plus:** \$50 per month
 - **Pro:** \$200 per month
- These passes offer:
 - **Business:** 15 request introductions at a time, 3 inmail sending per month and 100 LinkedIn Network search results
 - **Business Plus:** 25 request introductions at a time, 10 inmail sending per month and 150 LinkedIn Network search results
 - **Pro:** 40 request introductions at a time, 50 inmail sending per month and 200 LinkedIn Network search results
- All give access to the OpenLink Network

Job service

- Two offers:
 - Post one job offer: \$145
 - Post 5 or 10 job offers: \$125 per offer

Sources: LinkedIn, faberNovel analyses

Corporate recruiters have access to improved services

- Main interest for recruiters : gaining access to all LinkedIn users, even those that are not actively seeking jobs
- Recruiters can get in touch with interesting candidates using LinkedIn Introductions and Inmails
 - 30 times more likely to get a response than cold calls or emails, excellent response rate
- Available to:
 - Recruiters who have upgraded to business accounts
 - Corporate accounts :
 - Between \$10,000 and \$250,000 annually for subscriptions
 - Provide an array of tools and services designed specifically for corporate recruiting professionals to source, manage and hire talent, such as:
 - The LinkedIn Project: A browser-based project management tool that lets recruiters add private comments to profiles and organize them during the search process
 - Targeted Recruiting Advertising: An on-site advertising tool to reach a specific type of candidates, according to their skills, location or experience

// *LinkedIn provides our Global Sales & Services recruiters with a trust-based tool for recruiting passive talent that is key to our success in this competitive market. We set the bar high for new hires at Salesforce.com, and Linked In consistently delivers the quality we seek. //*

– **Michael Boraas**
Senior Corporate Sales Recruiter,
Salesforce.com

Used by:



LinkedIn Jobs lets users leverage their network to find job opportunities

■ Benefits:

■ The poster:

- Makes sure he/she hires quality applicants (by reviewing their references)
- Uses his/her connections to spread the word on his post

■ The applicant :

- Gets information on the poster
- Can be introduced by a common relation

Job Search Results

We found 18 jobs matching these criteria:
 • Keywords: **manager** • Located in or near: **France** • Sorted by: **Degrees away from you** ▶ refine search results

LINKEDIN JOBS THE WEB

★ — Jobs available exclusively on LinkedIn

Title	Company	Location	Date	Your relationship to the poster	Number of people who have recommended the poster	Posted By
LEAD ONLINE ARCHITECT SENIOR Director, Full-time	songsong	Paris Area, France	10/05/2007	3 rd	2	Arnaud Carrette Hiring Manager
MANAGER DE COMMUNAUTES Mid-Senior level, Full-time	songsong	Paris Area, France	10/05/2007	3 rd	2	Arnaud Carrette Hiring Manager
Pre-Sales Manager - Business Solution Architect Associate, Full-time	N(i)2 Providing visibility to IT Shared Infrastructure & Networks	Paris Area, France, or Germany or Switzerland or Belgium	9/28/2007	3 rd	3	Cyprien Godard Company Employee
★ Consultant - Peoplesoft (Finance) Project Manager Mid-Senior level, Full-time	Oracle EMEA	Colombes	10/23/2007		3	Delphine Muret Company HR

The LinkedIn Answers feature lets users tap into the vast pool of knowledge that LinkedIn members represent

- Launched in January 2007
- LinkedIn Answers gives users the opportunity to ask questions and get answers from qualified professionals
- Forbidden content:
 - Advertisement
 - Inappropriate questions
 - Duplicate of questions already asked
- Different levels of propagation (chosen by the users):
 - Only visible to the poster's direct connections
 - Visible to all LinkedIn users
- Usefulness and reward
 - For the poster: getting specific information from relevant sources in different fields that would otherwise be inaccessible
 - For answering users: showing one's expertise in a specific field to all interested in the subject

Ask a Question



Get a fast and accurate answer to your business question.

Ask Question

Answer Questions



Share your knowledge and help your network. [Learn more.](#)

Answer Now

Barack O
 US Senator, Presidential Candidate
 CAMPAIGN '08
[see all my questions](#)

How can the next president better help small business and entrepreneurs thrive?

posted 1 month ago in [Small Business](#) | Closed

LinkedIn development strategy is based on three pillars

■ Gain an international influence:

- One of the last funding round's main objectives (Jan. 2007)
- To be achieved by developing several major partnerships with international entities

■ Develop the social aspects of the website (Addition of several features used in other popular social networking websites):

- User profile pictures
- "Network Updates" equivalent to the Facebook newsfeed
- Improved messaging functions

LinkedIn possible evolution with Open Social (beta test)

■ Integrate the Open Social platform:

- One of the social networking websites that agreed to join Google's Open Social initiative
- Creation of a global API platform that could be used across all partner social networks

The screenshot shows the LinkedIn beta homepage. At the top, there's a navigation bar with 'People', 'Jobs', 'Answers', 'Services', and 'Inbox'. A search bar is on the right. Below the navigation, a 'BETA' banner says 'Welcome, we're testing a new version of our homepage. Have comments? Send your feedback'. The main content area is divided into several sections: 'Inbox' with recent messages, 'Network Updates' showing profile changes and questions, 'Just joined LinkedIn' with new colleagues and classmates, a 'Conference Calendar' for November 2007, and a 'People' section for 'Engineers @ Google'. On the right side, there's a sidebar with 'Home', 'Profile', 'Contacts', 'Groups', and 'Invite' options, along with a user profile for 'Dan Nye' and 'Connections' statistics.

BEST PRACTICES

Positioning the website as an efficient recruitment tool and career accelerator

- LinkedIn insists on the professional interest of developing one's network : finding interesting potential hires and checking their background using one's connections
- LinkedIn offers paying subscribers access to their database, letting them find the ideal candidate and get in touch with him
- Compared to traditional job postings, the recruiter can also target passive members, which are not actively looking for a job

Maximising its user base's potential

- LinkedIn presents its user base as a formidable resource that subscribers can tap into
 - Accessing the knowledge and expertise of million of professionals coming from various spheres and industries
 - Using existing connections to quickly develop new relations and extend their network

Integrating the website on other platforms to increase its influence

- LinkedIn offers tools that let users develop their network
- LinkedIn tools can also help looking for a job online
- LinkedIn's main functionalities can thus be accessed from tools always used by professionals, without having to be on the website

Allow us now to introduce ourselves...

faberNovel's activities are split into 3 units



Consulting

Strategy and organization for growth and innovation

- Assisting large groups on methodology, analysis and decision making
- Innovation consulting
 - Innovation strategy
 - Organization and innovation
 - Change management
 - Knowledge management
 - R&D portfolio management

Stimulate innovative genes



XP

Experimentation and project management

- Strategic experimentation
 - Reduction of innovation risks
 - Fast acquisition of key know-how and skills
- Conception and development of innovative products and services
 - Functional specification
 - Outsourced project management
 - Conception and business validation
 - Evaluation and identification of partners
 - Piloting and feedback

Carry out quickly



Venturi

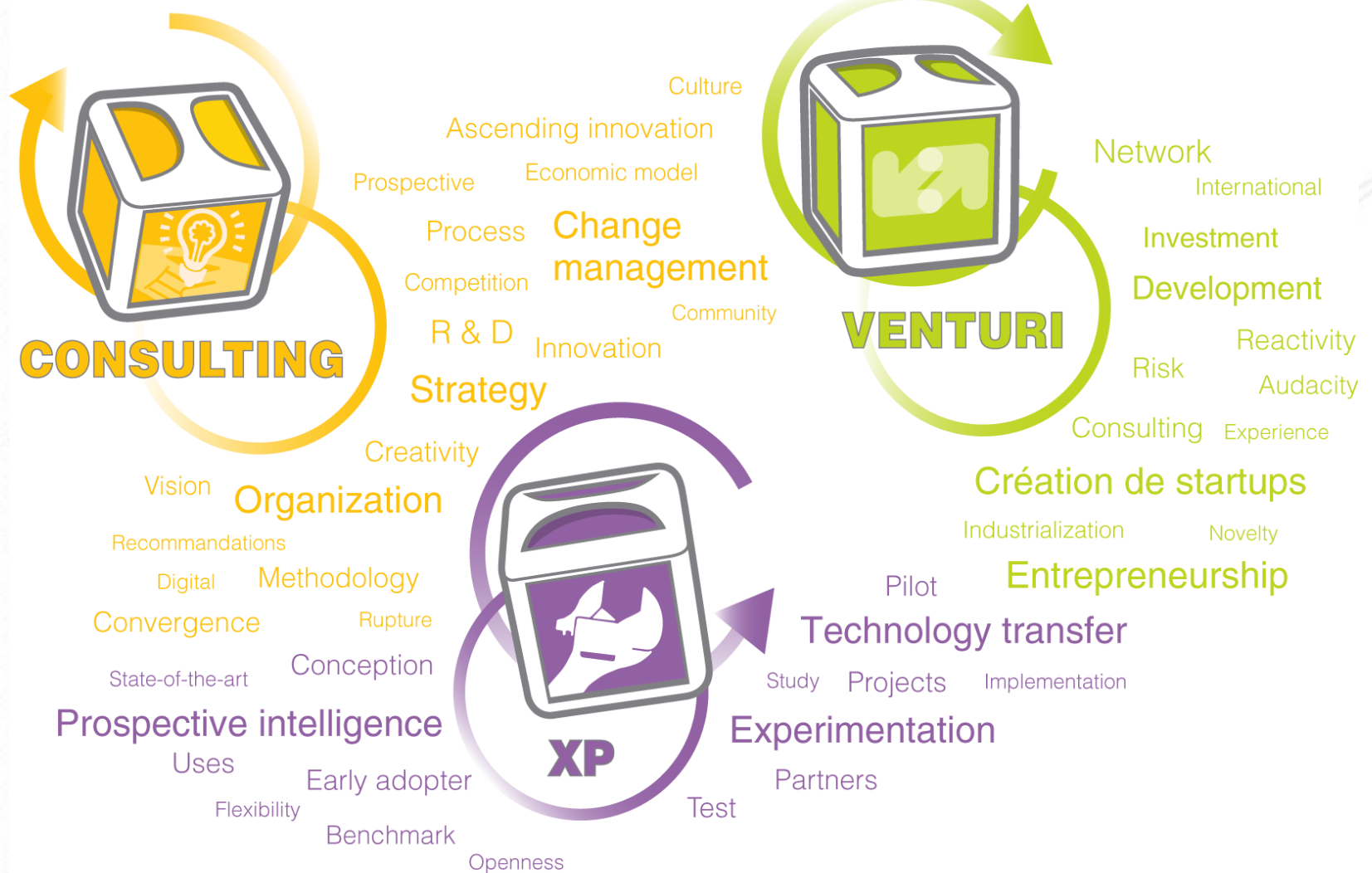
Internal project development and investment

- Venture capital, "excubation"
 - Investment and development of internal projects
 - Company creation assistance
 - Capital shares offering additional action leverage



Remain entrepreneur

faberNovel oversees projects from their positioning to their realization



faberNovel Consulting heads all of faberNovel's consulting activities

faberNovel consulting's mission: stimulate firms' innovative genes

■ Prospective intelligence

- Technologies
- Markets
- Uses

■ Strategy

- Growth strategy
- Innovation platform
- Project portfolio management
- Innovation management

■ Implementation

- Competitive benchmark
- Functional specifications
- Partnerships/Monetization



■ Organization

- Participative innovation(Idea Management System)
- Collaborative innovation (Customer Relationship Innovation ®)
- Intrapreneurship development

■ Change management

- Sharing best practices
- Communities animation
- Knowledge design
- Technology transfer

If you want to know more on this subject,
do not hesitate to contact us...



42, boulevard de Sébastopol | 75003 Paris | France

Tel. : +33 1 42 72 2004 | Fax : + 33 1 42 72 2003

Web : www.fabernovel.com

Email : stephane.distinguin@fabernovel.com

pierre-yves.platini@fabernovel.com

amaury.de.buchet@fabernovel.com