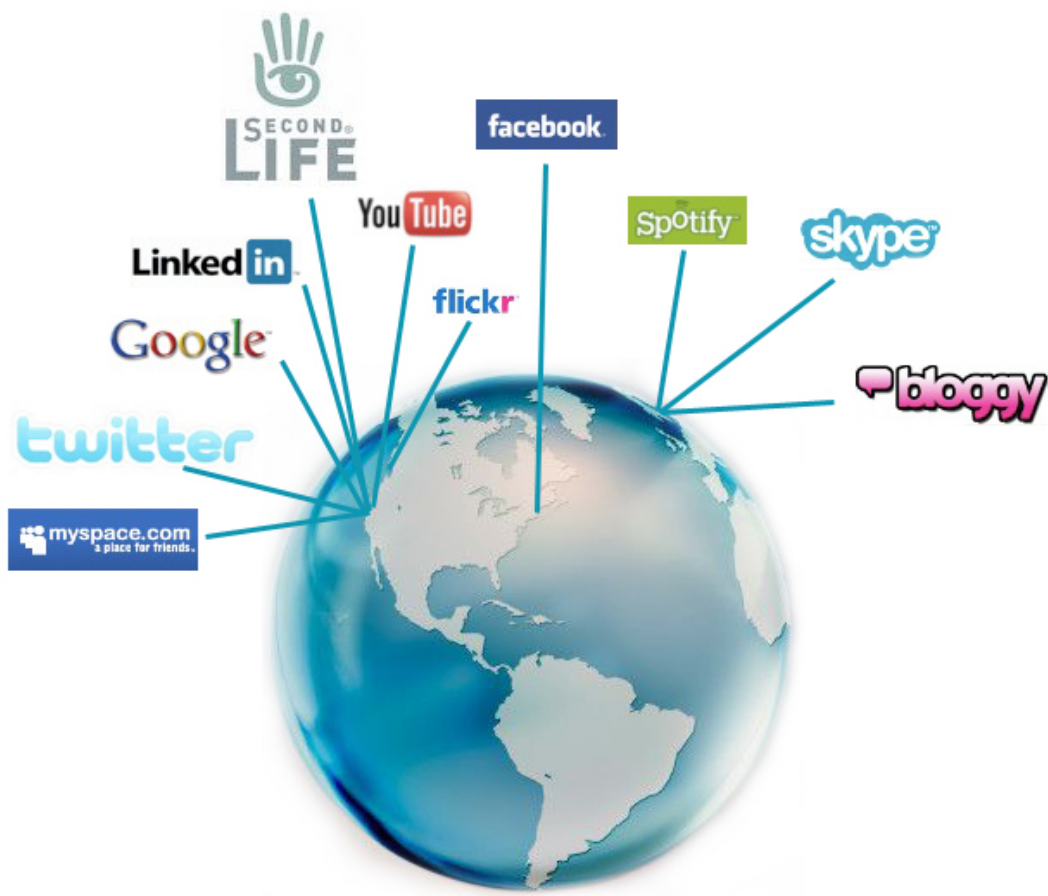




LUND UNIVERSITY  
School of Economics and Management

Master Thesis  
12<sup>th</sup> June 2009

## Social Media - Do You See the Whole Picture?



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## ABSTRACT

**Title:** Social Media – Do You See the Whole Picture?  
**Seminar date:** 2009-06-05  
**Course:** Master thesis in Business Administration, 15 University Credit Points (15 ECTS), Strategic Management.  
**Authors:** Gustaf Andersson, Cathrine Bonnier and Madeleine Jankén.  
**Advisors:** Leif Edvinsson and Per-Hugo Skärvad.  
**Key words:** Social media, Driving mechanisms, Business model, Economic value, Hidden values

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**Purpose:** The thesis aims to create an understanding to set the foundation of the social media landscape covering its historical evolution, driving mechanisms and business models.

**Methodology:** The thesis has a qualitative character and an explorative art of discovering the social media landscape. A theoretical framing of the thesis is inspired by Christensen and Raynor.

**Theoretical perspective** Theories used concern business models more specifically “Free”, Swarm business principles, Value network, Relational capital, Innovation economy, Wikinomics and Opportunity cost.

**Empirical foundation:** The primary data is gathered through interviews and the secondary data is gathered through articles and international press.

**Conclusions:** The result of this study is that six different phases of the growth of social media can be distinguished as well as specific driving mechanisms more precisely Technological evolution, Globalization, Knowledge sharing, Famosness, Optimal Value Efficiency, Networking, Community feeling and Corporations. Regarding the business models seven different combinations has been found in terms of economic value; *Ad-supported, Freemium, Ads (Plus), Freemium Plus, Freemium & ads, Freemium, ads & plus, Gift economy*. The hidden values are recognized as the value of: free, change, trust, socializing, collaboration, content, access the value of opportunity.

## SAMMANFATTNING

<b>Examensarbetets titel:</b>	Sociala medier – Ser du hela bilden?
<b>Seminariedatum:</b>	2009-06-05
<b>Ämne/kurs:</b>	Examensarbete på Magisternivå inom ämnesområdet Strategic Management, Ekonomihögskolan vid Lunds Universitet, 15 hp (15 ECTS).
<b>Författare:</b>	Gustaf Andersson, Cathrine Bonnier och Madeleine Jankén.
<b>Handledare:</b>	Leif Edvinsson och Per-Hugo Skärvad.
<b>Nyckelord:</b>	Sociala medier, Drivningsmekanismer, Affärsmodell, Ekonomisk värde, Gömda värden

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<b>Syfte:</b>	Denna uppsats syftar på att skapa en förståelse för att sätta grunden till det sociala medielandskapet genom att täcka dess historiska framväxt, drivningsmekanismer och affärsmodeller.
<b>Metod:</b>	Uppsatsen har en kvalitativ karaktär och ett explorativt tillvägagångssätt i upptäckten av det sociala medielandskapet. En teoretisk referensram har inspirerats av Christensen och Raynor
<b>Teoretiskt perspektiv:</b>	Teorier som används i denna uppsats handlar om affärsmodeller mer specifikt ”Free”-teorin, Swarm business principer, Value network, Relational capital, Innovation economy, Wikinomics och Alternativkostnad.
<b>Empiri:</b>	Primär data är hämtad från intervjuer och sekundär data är hämtad från artiklar och internationell press.
<b>Slutsatser:</b>	Resultatet av denna studie kan urskilja sex olika faser gällande framvästen av det sociala medielandskapet. Vidare kan drivningsmekanismer såsom Teknisk utveckling, Globalisering, Kunskapsdelning, Kändisskap, Optimal värdeeffektivisering, Nätverkande, Gemenskap och Företagande identifieras. Affärsmodellerna har sju olika kombinationer för att generera ekonomiskt värde; <i>Ad-supported</i> , <i>Freemium</i> , <i>Ads (Plus)</i> , <i>Freemium Plus</i> , <i>Freemium &amp; ads</i> , <i>Freemium, ads &amp; plus</i> , <i>Gift economy</i> . De gömda värdena har hittats i värdet av; gratis, förändring, tillit, socialisering, samarbete, innehåll, tillgång och möjlighet.

## ***ACKNOWLEDGEMENTS***

Firstly the authors would like to show their gratitude to their devoted advisers Leif Edvinsson and Per-Hugo Skärvad, whom have contributed with constructive input, interesting perspectives and helpful assistance on the way.

A special thanks to Dr. Charles M. Savage for his thoughts and inspiration to the new language discussed in chapter 6, as well as the reasoning about association and community.

The authors would also like to thank all the inspiring persons whom have contributed to the empirical material of this thesis, specifically Ulrika Rundqvist at Good Old, Lars Wallmark at TeliaSonera, Johan Ydring at Lantmännen, Jonas Lejon at Bloggy, Sophia Bendz at Spotify and Per Gunne at Metro Sweden.

Hope for an enjoyable reading and happy future!

Lund 2009-06-01

Gustaf Andersson

Cathrine Bonnier

Madeleine Jankén

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# 1. INTRODUCTION

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*In this chapter the authors discuss the latest news of social media to briefly give a background of the topic, followed by a discussion of potential problems and finally the purpose will be presented.*

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## **1.1 BACKGROUND**

He has 6 260 008 supporters on Facebook, 1840 video clips on YouTube and 769 466 people follow him on Twitter<sup>1,2,3</sup>. Further on you find him on MySpace, Flickr, Digg, Eventful, LinkedIn, BlackPlanet, Faithbase, Eons, Glee, MiGente, MyBatanga, AisanAve and DNC Partybuilder<sup>4</sup>. Perhaps he won the American Election 2008 thanks to the way he ingeniously used and managed social media in a strategic way. We are talking about the American President, Barack Obama.

Currently, when “googling” the words “social media” approximately 169 000 000 hits appear. At least once a day discussions are held regarding online social media sites, either in the newspaper, on TV or on the radio. The discussions bring up everything from how companies, politicians, culture, people and so on should use social media, to acquisition rumors of several hundred million dollars for one social media site. Where, when and how did this hype emerge?

The number of users is steadily increasing among categories such as private users, but especially among companies and organizations. Statistics show that social networking sites constitute the second leading web category after search sites measured on daily traffic. Asking how many that would be willing to pay a monthly fee to get access to their accounts allows a further look into how valuable different websites are considered to be for the users. Google proved to be the most valuable one closely followed by Yahoo. Top three to five on the list were all community driven sites – in sequence YouTube, Wikipedia and Facebook. Another aspect of the usage of social media shows that companies who work with these platforms benefit from saving money in marketing, sales, support and

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<sup>1</sup> Facebook. *Barack Obama*. (2009)

<sup>2</sup> YouTube. *Barack Obama*. (2009)

<sup>3</sup> Twitter. *Barack Obama*. (2009)

<sup>4</sup> The Obama Administration (2009)

production development. However, many companies struggle with the diversity of social media and the learning of how to efficiently make use of them. Also it is interesting to point out that the majority of web users are consumers, not creators. Around 80 percent of the Internet content is created by users, which is generated by less than 10 percent of the web users. Even though there are few contributors to the content on the web, social media has an enormous influence on almost every web user.<sup>5</sup>

Although many glorifying words have been said about these digital sites, skeptical voices have been raised. Social media such as Friends Reunited, Pandora, Bebo, Last.fm, Second Life, MySpace, Flickr, YouTube, Facebook, Spotify and Twitter have each been labelled as “the next big thing” during the past years. Even though no one seems to understand what a viable sustainable business model for social media should look like, each one of the previous mentioned sites has captured the excitement and interest from advertising companies due to their digital hype. Additionally worth to mention is that Google accounts for more than 50 percent of the total online revenues. Hence, all other thousands of online businesses have to compete about the remaining piece of the pie.<sup>6</sup> Without the web users, no money will be generated and without money there is no possibility for development to occur in order to meet the users’ needs<sup>7</sup>. In fact many social media sites have very few active users; in March Twitter only had 1.2 million active users worldwide, which can be compared with one issue of The Sunday Times in England<sup>8</sup>. On the other hand Facebook hit a population of 200 million users in April this year, which is higher than the population of Brazil, and according to Facebook’s own statistics 50 percent of these users are active and log in at least once a day<sup>9,10</sup>. This social media site stands or falls with their number of members in combination with the generation of revenues. Further on different sources have speculated about a general tendency towards a bust similar to the dotcom bubble. The main argument originates from the fact that there today is an over-supply of social

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<sup>5</sup> Rubicon Consulting Inc. *Online Communities and Their Impact on Business: Ignorer at You Peril*. (2008)

<sup>6</sup> Harrison Andrew. *Social networking is merely the emperor in his latest new clothes*. Marketing Week, (2009), pp.16

<sup>7</sup> Olsson Miriam. *Så tjänar de pengar på sociala nätverk* - Internetworld (2009)

<sup>8</sup> Harrison Andrew. *Social networking is merely the emperor in his latest new clothes*. Marketing Week, (2009), pp.16

<sup>9</sup> Alto Paulo. *Fast-Growing Facebook’s User Base Hits 200 Million* – CBS5 (2009)

<sup>10</sup> Facebook (2009)

media sites, all chasing a part of the advertising cake, simultaneously as the users do not like ads interrupting them. When advertising companies realize that the majority of the social media sites have a tiny active user base, in combination with the fact that it is impossible to monitor the members, a thought worth to consider emerges - will the ads stay or is it built upon a foundation of sand?<sup>11</sup>

## ***1.2 PROBLEM DISCUSSION***

It can be said that social media of today affects the way people communicate and interact with each other. An increasing amount of people and companies are starting to use social media as a way to communicate, which today has led to that the cell phone is not always the obvious choice when booking a meeting or sending an invitation. Even if social media is mentioned and discussed frequently, people and companies are confused about how to use social media sites and what exactly it is that differentiate them. The confusion does not end here; some social media sites are furthermore valued to gigantic sums of up to billions of dollars, but often without sustainable business models. The product that is being offered is just a platform dependent on interaction between the users in order to create content. As one can see, the glory days of most of these social media sites seem to be over. When new sites appear first movers migrate to the next hyped utility, shortly followed by the rest of the users and subsequently that specific web site's shiny days are gone. A question that arises is what makes the users choosing to switch to the next hype - are we so impulsive that we only are interested in the latest no matter of what it contains? On the other hand, new social media would not be created and become a success without adding new value. Would it then be possible to identify interdependency between social media? However, a few social media seem to maintain their glory and therefore an interesting question to ask is how much of this sustainability that depends on the development of the site? Facebook for example is by some stated to be over, but the fact is that users increase and the number of active users is high. Can this be explained by the fact that they continually develop the features of Facebook by adding applications? The platform of media networks would be worth nothing without its members, but there is no possible way to guarantee that members will stay, since no contract is

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<sup>11</sup> Harrison Andrew. *Social networking is merely the emperor in his latest new clothes*. Marketing Week. (2009), pp.16

written or signed. If the above discussion regarding development would be true capital is required for the future survival, but the brutal fact is that, as mentioned above, the majority of these sites lack a durable digital business model. What is it then that makes some sites sustainable and what are the true values of the social media?

As the projection above describes social media is an unexplored area. Although much has been written within the field of social media, the focus has been on single sites and thus current theoretical research still remains rather poor in terms of understanding the overall picture of social media networks on the web. At the same time social media is elusive from a practical point of view as previously has been discussed. Today's comprehension can be enhanced by capturing the needs and values affecting the evolution of social media from different angles. The general public is highly aware of what the occurring hypes have been, but trends and patterns are not well-known in the same extent. Regarding the digital business models there are uncertainties about how the social media companies can earn profit. Consequently there is a lack of understanding of the phenomena of social media, hence why the authors attempt to investigate the following three main questions:

*How has the social media landscape historically evolved?*

*What have been the driving mechanisms in the formation of the social media landscape?*

*What are the business models and how do these generate value?*

### **1.3 PURPOSE**

The thesis aims to create an understanding to set the foundation of the social media landscape covering its historical evolution, driving mechanisms and business models.

#### ***1.4 DELIMITATION***

This thesis is written within the business field and does not aim to investigate theoretical sociologic aspects. Furthermore the study only deals with social media that has originated in the Western world.

#### ***1.5 DISPOSITION***

The demonstrating picture aims to show the reader how the work proceeds in this thesis. The social media landscape raises questions for the authors, which can be categorized in three different categories, more specifically: the evolution of social media, the driving mechanisms and business models. These three categories will with help of the inspiration sources and theories, concerning the business models, deeply be investigated and analyzed leading to the conclusions.

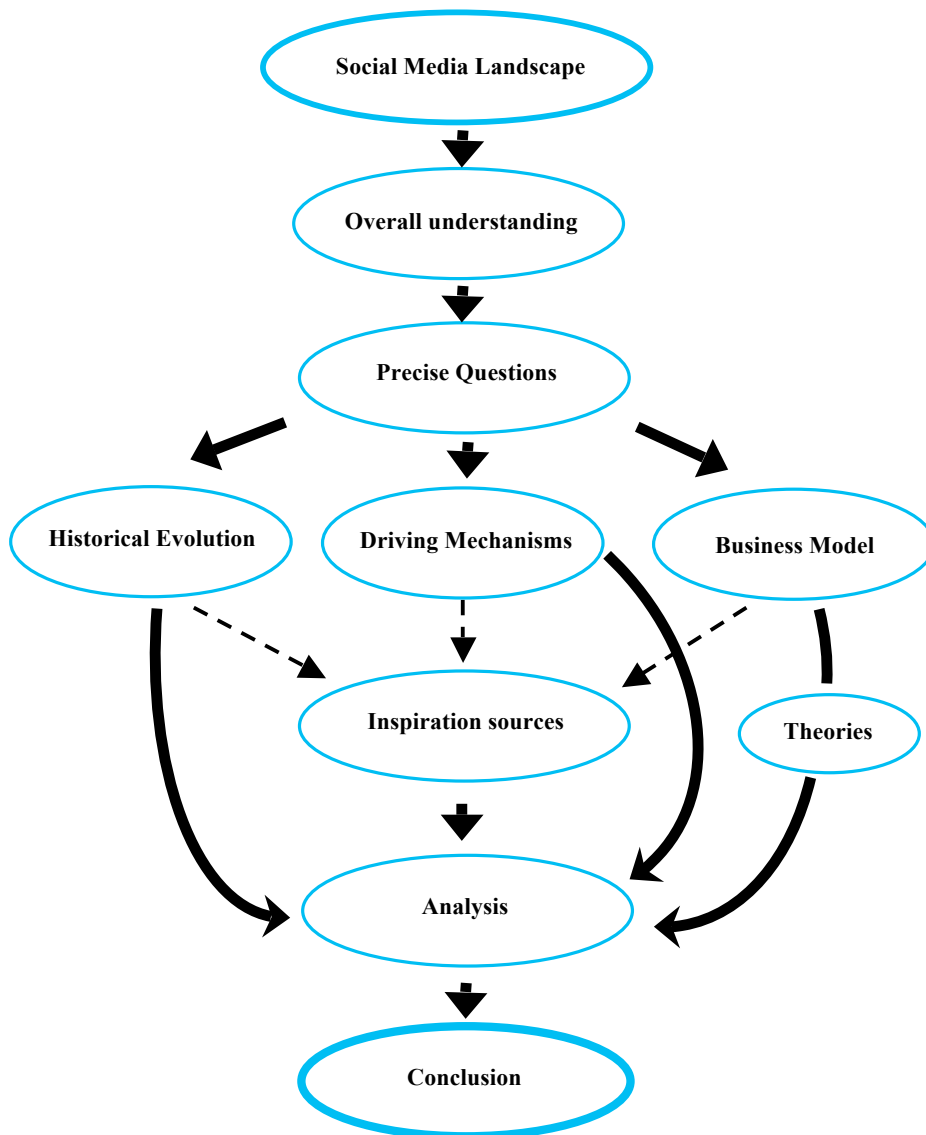


Figure 1

## **2. CHOICE OF METHOD**

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*The thesis' method will be described in the following chapter stretching from how data will be gathered and analyzed as well as setting the frame of the study. Last but not least sources of criticism will be discussed.*

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### **2.1 TYPE OF STUDY**

The study aims to have a broad approach, searching information in the context of social media. Because of the thesis' subject's undiscovered knowledge, an explorative type of method will be adopted.<sup>12</sup> By doing an explorative type of method as much information as possible will be gathered about the social media phenomena. The broadness is a benefit when the purpose is to fill a hole of knowledge with theoretical foundation. Applying this method will contribute to find more ways to understand the social media landscape from the different perspectives that the study aims to illuminate.

### **2.2 QUALITATIVE METHOD**

In accordance with our purpose to discover the social media landscape, a qualitative method is found appropriate. In order to accomplish an understanding it requires studying a majority group of social media sites. Because of the scope the research will embrace in terms of different social media pages, the depth decreases on each social media company to the benefit of creating a broad comprehension. Though the authors intend to choose a couple of vital social media sites in order to still sustain the profundity of the research. Hence, the method will not be of strictly qualitative art. Furthermore a combination of an inductive and deductive approach will be applied, but with focus on the inductive one. To comprehend the evolution of the social media landscape and its driving mechanisms the authors take ground in the empirical data in order to come closer to a theoretical frame. Regarding the business model perspective a deductive application will be used for visualizing the social media companies' revenue sources.

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<sup>12</sup> Davidson Bo. Patel Runar. *Forskningsmetodikens grunder*. (1994)

### ***2.3 DATA GATHERING***

The empiric collection will consist of both primary and secondary data. The primary data will constitute of inspiration sources, more specifically persons engaged in social media. Worth to mention is also that the authors are members of ICQ, MSN, Skype, Facebook, Twitter, MySpace, YouTube, Spotify, wiki and read blogs, which will contribute with a private user perspective.

Secondary material is will be gathered from social media companies' homepages as well as articles published in various journals sought from ELIN. Since the study is focusing on the new phenomena surrounding social media, articles from international and Swedish daily press, such as The Independent, Business Week and Dagens Nyheter, will be used in order to receive secondary data. Different social media sites will also be used as well as the site IDG.se, which is the biggest IT-site in Sweden. The material is judged to be credible since it is based on an accepted and reliable source. Regarding the method chapter both English and Swedish books will be used as sources, e.g. Bryman and Bell, as well as an article by Christensen in order to facilitate the framing of the study. Additionally different unofficial sources such as personal homepages will be utilized in the extent the authors find the sites contributing as well as reliable. For example such a webpage can be a specialized site on the subject or an expert that uses his or her own blog.

### ***2.4 SELECTION OF SOCIAL MEDIA***

The selection of social media will be based on the idea to study the social media sites, which have grown large and become parts of many people's and companies' daily lives. An additional criterion is that each of these social media sites have contributed to the development of the social media landscape. The social media will be: e-mail, Internet forums, wiki, Google, chat, blogs, Second Life, LinkedIn, Skype, MySpace, Facebook, Flickr, YouTube, Twitter, Bloggy and Spotify. A taste of tomorrow's social media sites will also be given in chapter 3.21, "Futurizing in the social media landscape", in order to understand the ongoing evolution of the social media landscape.

## ***2.5 SELECTION OF INSPIRATIONAL SOURCES***

To get a deeper insight of social media the writers will let be inspired by persons closely related to social media in one way or another. Voices, comments, opinions and statements will be gathered and listened to, in order to get a new intersection unfolding the social media landscape in other dimensions. The first inspirational source will be Ulrika Rundqvist, Market Strategist at the company Good Old, which offers strategy and development within digital media. Consequently the authors hope to capture interesting thoughts highlighting a strategic perspective as well as a comprehensive picture of social media's function. Secondly Lars Wallmark, responsible for TeliaSonera's use of social media, will give the authors a further perspective of the large company's view on how they can engage in social media. Thirdly Johan Ydring, Lantmännen's Online Manager, will give comments from his perspective of social media usage for the company as well as a Twitter communicator. Another perspective will be highlighted in the fourth inspirational dialogue, which will be with the CEO and founder of Bloggy – Jonas Lejon. The purpose is to give the researchers a deeper understanding of different dimensions of creation, development mechanisms and business thinking related to social media. Regarding the fifth inspirational source, Sophia Bendz who is PR Manager at Spotify, it intends to amplify the researchers' perception of digital business models. Metro's Editor-in-chief Per Gunne will furthermore give his opinion and reasoning about social media in general and the managing of a free business model, since Metro is a free magazine. In addition a discussion with Dr. Charles Savage, President and Mentor at Knowledge Era Enterprises International, will be hold in order to receive valuable thoughts of how to frame the social media landscape, since he is deeply involved within the field of social media.

## ***2.6 INTERVIEW TECHNIQUE OF INSPIRATIONAL SOURCES***

Depending on the background the interviewed person has, the questions will differ in order to illuminate the different angles the thesis contains. There will however be a consistent focus embracing the social media landscape. In the gathering process of primary empiric data three different methods will be used:



- Telephone conversation with questions as guide
- Face-to-face conversation with questions as guide
- E-mail conversation with questions as guide

A few days earlier than the actual interview takes place these questions will be mailed to the respondents. Sophia Bendz is the only one who will answer in mail-form and thus she will have one week to respond after the questions are sent. An exception will be made concerning the conversation with Dr. Charles Savage, where the approach more will resemble an open discussion of the broad social media landscape. The overall technique of setting the direction of the topic ahead will be made to make sure that the respondents in advance are aware of the main focus aiming to raise reflections.

The technique for generating as much inspiration as possible will be a semi-structured qualitative method. What characterizes the semi-structured interview technique is the guide of questions, which can be interrupted with interesting attendant questions. This means that the authors will have the possibility to spontaneously pose follow-up questions or if appropriate skip questions.<sup>13</sup> Thus, the method is of advantage since the purpose is to be further inspired of different voices.

The interview methods concerning the telephone and e-mail interviews will fail to spot some aspects in comparison to the face-to-face interview. The methods miss the opportunity to see facial expressions as well as the overall body language. Though it is easier to lead and guide telephone and face-to-face interviews than it is in the e-mail based interview. This is also the biggest drawback with the e-mail interview. Preferably the face-to-face interview will be chosen with the positive aspects of seeing the person in question and being able to adjust the conversation as the interview develops. However, the distance and travel time to meet these persons as well as the difficulty in getting time to have face-to-face meetings will make this method difficult to handle. After all this leads to the decision to take the

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<sup>13</sup> Bryman Alan, Bell Emma. *Business Research Methods*. (2003)

most interviews over telephone, since this method is preferred over answers sent via e-mail.

The dialogues are going to be recorded when the circumstances allows to. There are a couple of positive aspects connected with recording interviews such as it allows the researchers to hear in what way the interviewed person is expressing her or himself. Moreover the recorded discussions will work as a back-up after the chats are held. This will help the editors to double check that no vital data have been missed. It also allows the researchers to be more focused under the chat sessions than just having to write simultaneously. Though there are a few drawbacks with recording the discussions such as the asked person can be nervous, forget what to say and anxious about that the words spoken will be saved for in the future. The latter reason might result in reserved answers.<sup>14</sup> Despite the shortcomings this method will be preferred due to more advantages.

## ***2.7 METHOD FOR FRAMING THE SOCIAL MEDIA LANDSCAPE***

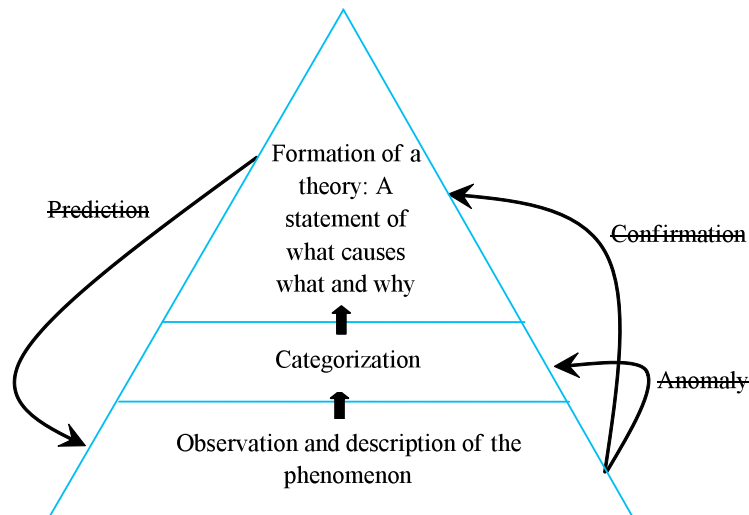
In order to successfully create a structured arrangement along the thesis' process, before and during the analysis, the authors will use Christensen's and Raynor's framework. Nevertheless the methodology will not be strictly applied, because of the time limitation the writers must adapt to. More specifically the aim is to fulfill the first two steps of the framework, "Observation and description of the phenomenon" and "Categorization". Unfortunately step three will not be treated during this research in depth, but a further investigation with an attempt to complete the final stage is willingly welcomed. With this follows that a confirmation and prediction will be impossible to make, which however not is necessary for creating an understanding in terms of setting the foundation of the social media landscape from three main perspectives.<sup>15,16</sup>

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<sup>14</sup> Bryman Alan, Bell Emma. *Business Research Methods*. (2003) page 353

<sup>15</sup> Christensen Clayton M. Raynor Michael .E. *Why Hard-Nosed Executives Should Care About Management Theory*, Harvard Business Review. (2003)

<sup>16</sup> Carlile Paul R. Christensen Clayton M. *The cycle of Theory Building in Management Research*. (2005)



Source: Cristensen C. M. and Raynor M.E., *Why Hard-Nosed Executives Should Care About Management Theory*, Harvard Business Review, 2003

A more detailed description of the three stage model will here be presented. Firstly, observation and description will be done of how the social media landscape unfolds over time. In order to understand the cause of the phenomena of social media and not just explain the correlation between new social media sites (attributes) and the social media landscape (the outcome), a limitation of the data collection will be made in favor for a more detailed research. Next step, the Categorization phase, will be to classify the research into categories. During this stage characteristics of the thesis' each main perspectives; the evolution, driving mechanisms and business models, will be identified and additionally analyzed in order to explain the purpose. Lastly, the third step will involve a discussion of what causes what and why, but the model will not reach the stage of creating a new theory.<sup>17,18</sup>

To further understand and frame the study's content theories also will be used for giving the authors relevant angles of how the business models can be interpreted. These were decided to be included in the thesis during the process of the observation and description stage, whereby the theory chapter will come after the empirical presentation right before the analysis.

<sup>17</sup> Christensen Clayton M. Raynor Michael .E. *Why Hard-Nosed Executives Should Care About Management Theory*, Harvard Business Review. (2003)

<sup>18</sup> Carlile Paul R. Christensen Clayton M. *The Cycle of Theory Building in Management Research*. (2005)

## ***2.9 OBSERVATION AND DESCRIPTION OF THE SOCIAL MEDIA***

### ***LANDSCAPE***

The presentation of the secondary data will be compiled and presented in the chapter “Mapping the social media landscape”. Moreover the projection of the social media sites will be given in a historical perspective starting from the community need developed during the agricultural society to finally give a hint of tomorrow’s social media. The first parts of the mapping including the headings; Internet, WWW, E-mail, Web 2.0, Google, chat and Internet forums will be of another character than the later ones. More precisely these will emphasize on the technologies and functions necessary for the development of the social media landscape to take place. Concerning the sequel parts the intention will be to describe specific social media sites or in some cases functions for presenting the evolution. For each one of the social media operators the researchers have an ambition to at least describe its origin and main usage, give an understanding of its features, its users, main aspects of its business model and acquisition bids or rumors. Some will be more highlighted than others depending of aspects such as greatness, popularity or type of social media. As a result of this the first described parts will be shorter and not as explicitly described as the companies in the social media landscape. The ambition will be to deeply investigate the social media landscape and at the same time the authors want to describe the groundwork in order to understand the development.

Primary data will be reported after the presentation of the secondary sources, serving the purpose to reinforce the understanding of the social media landscape.

### ***2.10 SELECTION OF THEORY***

Theories will be used in the extent to help understand business models in the social media landscape. The first two theories will help interpret how economic value is generated. More specifically the first theory deals with principles of swarm businesses, developed by Gloor and Cooper, which the researchers aim to apply on the reasoning of how social media should be driven and for understanding social media’s business model. The “Free” Model can be well-applied on social media companies’ business models and will therefore be used.

Chris Anderson, Editor-in-chief of Wired Magazine, has come up with the theory, which will be used in order to gain an increased understanding of how social media sites can generate revenue. Furthermore theories in finding hidden values will be applied, namely Verna Allee's Value Network theory which discusses aspects like intangible values. Relational capital will help interpret certain value dimensions of intellectual capital. In addition Dan Robles's theory about the Innovation economy can be used to perceive how knowledge can be measured and Don Tappscott's Wikinomics theory will give further understanding about different value dimensions. The term opportunity cost will shortly be presented in order to better perceive new values that have arisen through social media.

### ***2.11 CATEGORIZATION***

The method for analyzing the data will be to visualize outcomes, look for similarities and distinctions and plot different scenarios found in the observation stage in order to see patterns, trends and causes that will explain the authors' perceptions. By pictures and graphs the interpretations will be facilitated to discover characteristics e.g. for the evolution of social media.

### ***2.12 CRITICISM OF THE SOURCES***

The authors are throughout the study fully aware of the importance to assess the credibility of all sources within this paper, both secondary as well as primary. The authors themselves can influence the collected empirics since it is hard to truly eliminate the personal touch, such as gender and behaviour, which might affect the interviewees.<sup>19</sup> Since the writers are aware of this problem intentions are to minimize the effect of it. After the interviews the information will be summarized and interpreted by the authors, which also increases the risk of misinterpretation. In order to minimize this, the interviews will be recorded and all three writers will engage in all interviews and during the editing of them. In that way it is more likely that opinions will differ about what is relevant information, which will result in a decreased bias. The researchers will continually evaluate if the data collected from articles and the Internet is credible in order to avoid biased

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<sup>19</sup> Bryman Alan. Bell Emma. *Företagsekonomiska forskningsmetoder*. (2005)

information. Moreover the writer and the source of the data will be investigated and judged for the same purpose.<sup>20</sup>

To achieve reliability and validity, a contentious critical review and accuracy is needed in processing the collected information. Reliability is achieved when the measurements not are affected by the interviewers or by the circumstances under which the interview sessions occur.<sup>21</sup> The reliability will be high since all interviews are recorded and notes are taken during the interviews as an extra back-up, which afterwards will be examined in detailed in order to precisely know what the interviewer said. Thereby it eliminates space for interpretation. Validity means that what intends to be measured is measured.<sup>22</sup> The validity will not be as good as the reliability in this study, since the qualitative approach often leads to a tailor-made result difficult to generalize. Nonetheless a broad range of social media sites will be used, which will make it possible to create an understanding of the social media landscape. Each one of the chosen sites will be representative for its genre and thus a representative selection will be made.

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<sup>20</sup> Davidson Bo. Patel Runar. *Forskningsmetodikens grunder*. (1994)

<sup>21</sup> Lundahl Ulf. Skärvad Per-Hugo. *Utredningsmetodik för samhällsvetare och ekonomer*. (1999)

<sup>22</sup> Bryman Alan. Bell Emma. *Företagsekonomiska forskningsmetoder*. (2005)

### **3. MAPPING THE SOCIAL MEDIA LANDSCAPE**

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*Chapter three will map the social media landscape in order to present its overall picture in a structured chronological order in terms of describing the social media companies' origin and main usage, give an understanding of its features, its users, main aspects of its business model and acquisition bids or rumors.*

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#### **3.1 ASSOCIATION AND COMMUNITY**

The authors like to briefly introduce the empirical material with a derivation of the community back to the 19<sup>th</sup> century, which has played an important role for the social media foundation.

To begin with the German sociologist Ferdinand Tönnies, also founding member of the German Sociological Association, has made a distinction between community and association. Community originates from the time when people lived in the agriculture era. People there were largely immobile, the family as well as the church played an important role and the co-operative relationship prospered. These circumstances thus created a sense of community relationship. However, this sense of community was lost when larger companies and cities were created. The relationships became more and more characterized by a contractual and impersonal agreement, which expressed the form of association. The missing feeling a community made people more competitive and individualistic in the modern urban society.<sup>23</sup> According to Dr. Charles Savage people longed for a sense of community, where one could be connected to other people and feel appreciation. People wanted to be seen in their own terms rather than as a function in the company. Looking at today's situation social media has allowed people to re-connect in their own terms with people they want to socialize with, rather than simply fitting into a company, in order to be visible and acknowledged.<sup>24</sup>

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<sup>23</sup> Marshall Godron. *A Dictionary of Sociology 1998*. (2009)

<sup>24</sup> Dr. Savage Charles, Interview

## **3.2 INTERNET**

The origin of Internet lies in the network ARPANET between American universities in the 1960's. It was actually the American military that had ordered the building of this network to make the computer systems less vulnerable. The Internet Protocols (IP-technology) that developed during the beginning of the 1970's became the basis for the network NSFnet, which was the connection between different universities in the U.S. during the 1980's. Further on the IP-technology was spread outside America in the 1980's. In Sweden for example the first network was called SUNET (Swedish University Network). During 1990 it can be said that what is now called Internet had its origin. At this time ARPANET and NSFnet were incorporated with IP-technology to the common standard of Internet. As early as in 1993 Internet was used in the presidential election, which had a huge impact on the spreading of Internet.<sup>25</sup>

### **3.2.1 E-MAIL**

E-mail originates from the early days of the Internet development, more precisely to the mid 1960's and it later became an important application of ARPANET. In 1971 the e-mail obtained its "at", @ sign by the person Ray Tomlinson, making it easy to address a specific person sitting at a specific host. This is now the known way of addressing an e-mail "user@host".<sup>26</sup> Moreover e-mail addresses are unique for the user and the "user@host" is followed by a dot and a country code, such as .se as in Sweden. It can also be for example .com as in corporations, .edu as in American universities or schools, .gov which means that the e-mail address originates from the American government as well as .org representing organisations.<sup>27</sup>

### **3.2.2 WWW.**

The World Wide Web, (WWW) developed during the beginning of the 1990's to be something which was not only used by universities, institutions and the government, but to be fully open for the public. In 1993 the first web browser for commercial use was developed and this coincided with the presidential election.

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<sup>25</sup> Nationalencyklopedin. *Internet*. (2009)

<sup>26</sup> Crocker Dave. *E-mail History*. Living Internet. (2009)

<sup>27</sup> Nationalencyklopedin. *E-post*. (2009)



With the web browser the foundation and tools for using the Internet as well as its future popularity was completed.<sup>28</sup>

### **3.3 INTERNET FORUMS**

The word forum dates back to the ancient Italy and open places in cities. Historically the forums have acted as central places and they worked as a place for making sculptures.<sup>29</sup> What the word forum means for the many users on the Internet is a meeting place where discussions are held about whatever people find worth to chat about. It is said that the Internet forums date back to around 1995<sup>30</sup>. The discussion topics often associate to technology, gossip, sports, music, politics and so on. Basically an Internet forum can be found for any special interest. The layout is simple and correct, but in order to write on a forum one has to be a registered and verified member with username and password. Despite the set rules from the administrator it is just to start threads with posts on the Internet forum, with e.g. information one wants to share or questions one wants the answers of.<sup>31</sup>

### **3.4 WEB 2.0**

The dotcom bubble in 2001 was a turning point for the web. The shakeout got rid of unsuccessful companies, but those who managed to stay on the ship were the ones creating the new second web. The name Web 2.0 was created in 2004 during a brainstorm session between O'Reilly and MediaLive International, and subsequently it became the common name for the second version of the web.<sup>32</sup> Compared to the static Web 1.0 of the 1990s, the Web 2.0 incorporates websites that use software which enables more dynamic applications on web pages that traditionally only existed on personal computers. Though somewhere along the journey Web 2.0 started a life of its own, the definition was applied on e.g. online social networks, blogging and “participation” in general.<sup>33</sup> The founder of Web 2.0 explains that “*Web 2.0 is a set of economic, social and technology trends that*

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<sup>28</sup> Nationalencyklopedin. *World Wide Web*. (2009)

<sup>29</sup> Nationalencyklopedin. *Forum*. (2009)

<sup>30</sup> Global Oneness. *Internet Forum*. (2009)

<sup>31</sup> Mayfield Antony. *What is Social Media?* (2008)

<sup>32</sup> O'Reilley Tim. Oreillynet. *What Is Web 2.0*. (2005)

<sup>33</sup> The Economist. *Special Report: The enzyme that won; Web 2.0*. (2006)

*collectively form the basis for the next generation of Internet – a more mature, distinctive medium characterized by user participation, openness and network effects.*”<sup>34</sup> Web 2.0 is built on network effects i.e. the more people that interact with each other, the richer the databases become. Furthermore the applications are improved along with the time the number of people that use the application increase. Users have become the new market drivers, by sharing their stories and experiences broader platforms are created through connections (collaborations) between applications.<sup>35</sup> According to Tim O’Reilly Netscape was the standard bear of the Web 1.0 and Google for Web 2.0.<sup>36</sup>

### **3.5 WHAT IS SOCIAL MEDIA?**

Social media is an umbrella term on a broad range of channels enabling communication, where the users are able to converse with each other through e.g. text, pictures or sound. The difference between social media and mass media is that the latter one traditionally consists of one-way communication; one sender transmits a message to many receivers, which cannot respond through the same channel. Radio and TV are examples of this kind of media. Instead social media enables two-way communication in-between many persons. Each recipient of a message can also send a message on the same terms and through the same channels.<sup>37</sup>

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<sup>34</sup> Musser John. O’Reilly Tim. *Web 2.0 Principles and Best Practices*. O’Reilly Radar (2006)

<sup>35</sup> Ibid.

<sup>36</sup> O’Reilly Tim. Oreillynet. *What Is Web 2.0*. (2005)

<sup>37</sup> Nationalencyclopedia. *Social Media*. (2009)

### 3.6 THE GREATNESS OF SOCIAL MEDIA 2009

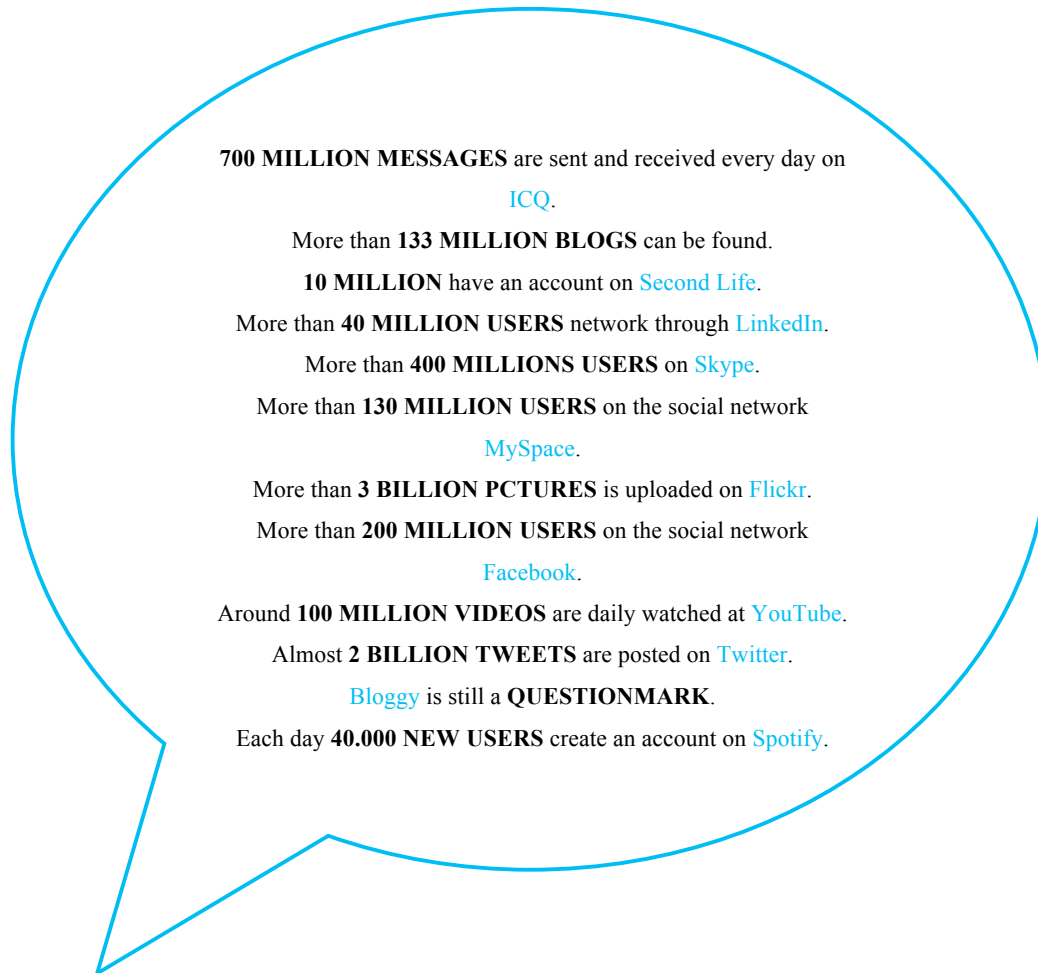


Figure 2

### 3.7 WIKI



The technology of Wiki was developed in 1994 by the American system developer Ward Cunningham. Wiki is a Hawaiian word for fast. The technology enables everybody to share and add information directly on a web page.<sup>38</sup> Wiki can be open as well as private depending of the creators demand<sup>39</sup>. The most famous wiki is Wikipedia which was established in January 2001. The Internet based encyclopaedia is available in 250 languages of which the English version is the largest. For the operation of Wikipedia stands Wikimedia Foundation, whose business is dependent upon sponsors and donations.<sup>40</sup> Another example where

<sup>38</sup> Nationalencyklopedin. *Wiki*. (2009)

<sup>39</sup> Mayfield Antony. What is Social Media? (2008)

<sup>40</sup> Nationalencyklopedin. *Wikipedia*. (2009)

wikis might be used is in sharing documents inside a company. Instead of mailing to big groups everyone can participate in the development of the document.<sup>41</sup> The usage of wikis in companies has in some cases gone as far as using a wiki-page instead of an intranet.<sup>42</sup>

## 3.8 Google™

Sergey Brin and Larry Page, students of Stanford University, started in 1998 what now is said to be one of the most powerful companies on the Internet - Google<sup>43</sup>. Originally Google was a research project with the purpose to describe a new theory behind a search engine that efficiently would channel the fast growing information on the Internet. The idea was that homepages with the most incoming links would be the highest ranked on Google. During the summer of 2008 Google reached 1 trillion pages.<sup>44</sup> From the beginning Google was a pure search engine, though Google has developed into a company with multiple services. The range of services includes e-mail with Gmail, Google Earth that is the service of satellite mapping, social networking with the not as well-known brand Orkut and the video sharing service YouTube.<sup>45</sup> Except for the well-known acquisition of YouTube, Google has acquired a high number of companies during the last years. Many of the companies or applications Google has bought have been small acquisitions nevertheless important to the structure of the current company.<sup>46</sup> Some of the companies Google has acquired could be categorized as mobile-related, e.g. Android (Mobile-OS), Zipdash (Mobile traffic content), Reqwireless (Software for mobile devices), though the biggest acquisition amounting to U.S. 3.1 billion is the acquisition of DoubleClick which sells advertising under the name Google AdSense.<sup>47</sup>

## 3.9 CHAT



Chat is about two or more people writing short messages to one another. Popular programs for this purpose are among others Windows Live Messenger (MSN) and

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<sup>41</sup> Butteman Eric. Fast companies. *Working Together*. Dec 19, (2007)

<sup>42</sup> Wackå Fredrik. Webbrådgivaren Fredrik Wackå. *Ditt Intranät Kan Lära Av Wikis*. (2009)

<sup>43</sup> Fortune. *100 Best companies to Work for 2007* (2007)

<sup>44</sup> Nationalencyklopedin. *Google*. (2009)

<sup>45</sup> Fortune. *100 Best companies to Work for 2007* (2007)

<sup>46</sup> Dignan Larry. ZDNet. *Google's acquisition strategy should think small (and mobile)* (2007)

<sup>47</sup> Google.com. *Google Closes Acquisition of DoubleClick*. (March 2008)

ICQ.<sup>48</sup> Windows Live Messenger was launched in 1999 and ICQ was launched 1996 by Yair Goldfinger, Arik Vardi, Sefi Vigiser and Amnon Amir. They noticed that people was connected on Internet, but not interconnected. The missing link was instant messaging. The new technology enabled peer-to-peer communication possible. A year after its launch of ICQ was a huge success.<sup>49</sup> Through ICQ 700 million messages are sent and received every day. ICQ is available in more than 17 languages and 83 percent of the users are between the ages of 13 to 29.<sup>50</sup> Three years later, in 1999, Windows launched the MSN Messenger Service.<sup>51</sup> Companies as well as organisations use special types of chat programs in order to handle e-mails, chat and conferences. Furthermore some programs enable users to call each other's accounts with or without a webcam.<sup>52</sup>

### **3.10 BLOG**

The origin of the blog comes from Justin Hall, from 1994 and eleven years on, he documented his life online on [www.links.net](http://www.links.net)<sup>53</sup>. For many years nothing happened until 1999, when among others Blogger where launched.<sup>54</sup> A blog can be seen as an online diary, which includes a number of functions that differs from an ordinary web page. The tone within blogs tend to be personal and of conversational style. Bloggers often write about specific topics on their blogs. Further on bloggers often choose to link and track back what their posts to other homepages or blogs. Every blog has a comment section that functions as a discussion board for readers. It is also possible to subscribe on blogs, via e.g. RSS.<sup>55</sup> In 2008 133 million blogs were listed on the Internet worldwide. The majority of bloggers use ads in order to make money of their sites.<sup>56</sup> In Sweden the blog have proved that ordinary citizens can get famous through this format, an example is the Swedish girl Isabella Löwengrip, which through her site [Blondinella.se](http://Blondinella.se) has managed to catch the eyes of many Swedish Internet users. On the 22<sup>nd</sup> of May 2009 Isabella Löwengrip was the most viewed blog in Sweden,

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<sup>48</sup> Nationalencyklopedin. *MSN*. (2009)

<sup>49</sup> ICQ. *The ICQ Story*. (2009)

<sup>50</sup> Ibid.

<sup>51</sup> Microsoft. *Microsoft Launches MSN Messenger Service*. (2009)

<sup>52</sup> Nationalencyklopedin. *MSN*. (2009)

<sup>53</sup> Harmanci Reyhan. San Francisco Chronicle 2009. *Time to get a life—pioneer blogger Justin Hall blows out at 31*. (2009)

<sup>54</sup> InformationWeek. *A Brief History of WEB 2.0*. (2009)

<sup>55</sup> Mayfield Antony. *What is Social Media?* (2008)

<sup>56</sup> Technorati. *State of the Blogosphere / 2008*. (2009)

the blog on the second place only constituting to approximately 25 percent of the amount of blog views of Isabella Löwengrip during one week<sup>57</sup>. Isabella Löwengrip says that she earns a significant amount of money on her blog, though without mentioning any sums. The income sources are e.g. companies partnering with Isabella Löwengrip in order to be mentioned and coupled with her persona.<sup>58</sup>

### 3.11 SECOND LIFE

The creator of Second Life (SL), Philip Rosendale, had a vision to build the world in a microcosm. The work started as early as in 1991 and the world was first called Linden World. Eleven years later, in 2002, was the beta version tested and six months afterwards the site was opened up to the public. Shortly after the full version was launched, providing the users to live in the new online virtual world.<sup>59,60</sup> When creating an account on SL two different accounts are offered; a basic and a premium version. The basic version, which is for free, enables users,



Picture 1. Source: Mayfield Antony. What is Social Media? (2008)

called “Residents”, to e.g. interact with each other, make friends, access to events, shopping and building.<sup>61, 62</sup> A premium version makes it possible to invest in land where the Residents can live and build up properties<sup>63</sup>. As in the

real world SL has its own currency, the Linden dollar, which is exchangeable for real life dollar<sup>64</sup>. Rates are decided dependent on demand and supply, but has been stable during the last year where around U.S. \$1 gives 275 Linden dollars. With the money it is possible to e.g. buy things.<sup>65</sup>

<sup>57</sup> Bloggportalen.se. *Mest besökta proffsbloggar*. (2009)

<sup>58</sup> Rislund Niclas. Schori Martin. *Bloggfejerna som drar in miljoner på smygreklam*. (2008)

<sup>59</sup> Rymaszewski M. et al, *Second Life The Official Guide* (2006)

<sup>60</sup> Mayfield Antony. *What is Social Media?* (2008)

<sup>61</sup> Rymaszewski M. et al, *Second Life The Official Guide* (2006)

<sup>62</sup> Second Life. *Memberships, Land, & Pricing*. (2009)

<sup>63</sup> Ibid.

<sup>64</sup> Rymaszewski M. et al, *Second Life The Official Guide* (2006)

<sup>65</sup> Second Life. *Currency Exchange*. (2009)

Over 10 million user accounts exist on SL, around 1.5 million users log in every month and each day over \$1 million is spent in SL<sup>66</sup>. Examples of companies that have created accounts in the virtual world are e.g. ABN AMRO Calvin Klein, Reuters BMW, Coca-Cola and Dell Computer.<sup>67</sup> Furthermore The Swedish Institution was first to launch its embassy in the virtual world - Second House of Sweden<sup>68</sup>. Another example is the third biggest town in Sweden Malmö, which now after one year and three months of development has started their activity on SL. The financial support to the project came from an EU contribution of 800 000 SEK. In addition Malmö city has put in an extra 300 000 SEK. The idea to be present on SL originated from the idea of being in the forefront of ICT and the thought was that SL might develop into something big. Three islands have been created in the virtual world, where the City Library, the Western Harbour (Västra Hamnen) and colleges are represented. The thought in the beginning was to operate municipal operations, but this idea is now abandoned. Instead the intention is to create a meeting place for local musicians and artists in order for them to reach an international audience. Though it has taken long time to develop the Malmö site on SL and SL is not as hyped now as it was two years ago and the persons responsible for the project are aware of this fact. All in all the project will be evaluated in 2010.<sup>69</sup>

### 3.12

LinkedIn is a network especially designed for staying in touch with business contacts as well as enhancing the business network. In California, Mountain View year 2002 basically out of the living room, the founders Reid Hoffman, Allen Blue, Jean-Luc Vaillant, Eric Ly and Konstantin Guericke created the groundwork to LinkedIn. In May 2003 the company went online and after one year the site approximately had half a million users. In May 2009 LinkedIn celebrated their 6<sup>th</sup> birthday and the result of 41 million members.<sup>70</sup> LinkedIn states that they have approximately half of the members outside the U.S., which means that it is an

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<sup>66</sup> Mayfield Antony. What is Social Media? (2008)

<sup>67</sup> Lang Guido. Second Life Research. *Companies in Second Life*. (2007)

<sup>68</sup> Carp Ossi. *Svensk ambassad i Second Life*. Dagens Nyheter. (2007)

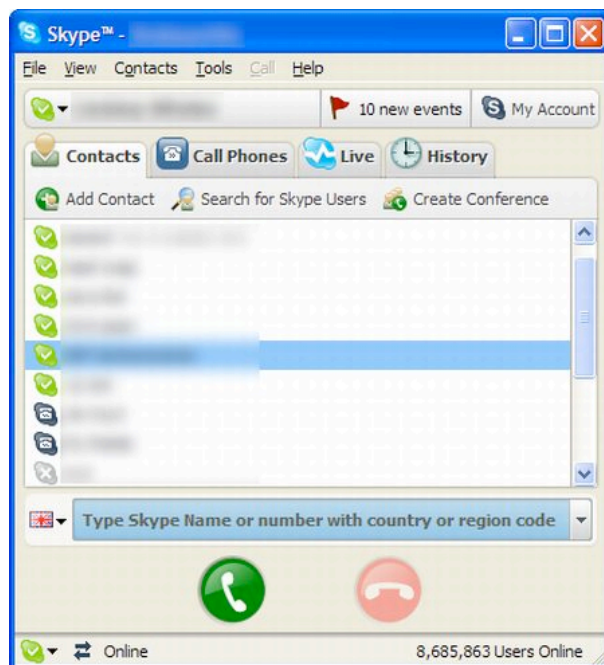
<sup>69</sup> Höök Lovisa. *Nu Finns Malmö stad i Second Life*. Sydsvenskan. (2009)

<sup>70</sup> LinkedIn. *History*. (2009)

international network.<sup>71</sup> The network is furthermore free to join even though the platform offer accounts called Business, Business Plus and a Pro version with extended features, where the costs stretches from \$ 24.95 to \$ 499.95 per month.<sup>72</sup> In mid 2008 LinkedIn was valued to around \$ 1 billion, the argumentation for this high valuation was supported with the high ability to charge the advertisers due to the high amount of business people as members.<sup>73</sup>

### 3.13

One quite early social media service enabling people to communicate for free around the world is Skype, founded in 2003 by the Swede Niklas Zennström and the Dane Janus Friis<sup>74</sup>. With a personal computer connected to the web anyone can phone unlimited amount of Skype-to-Skype calls day and night every day. The platform also provides applications like video calls, instant messages through a chat and to share files with other users of Skype. Simultaneously the quality is an objective of continuous development<sup>75</sup>. People are additionally offered to make low-cost calls to landlines and mobiles, by charging their account with money.<sup>76</sup>



Picture 2. Source:  
[http://www.instablogsimages.com/images/2007/11/16/skype-36\\_28.jpg](http://www.instablogsimages.com/images/2007/11/16/skype-36_28.jpg)

Skype has since its start been extremely appreciated by its users and in mid October 2008 the threshold of 400 million users was almost reached. The third

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<sup>71</sup> Linkedn. *About Us*. (2009)

<sup>72</sup> LinkedIn. *Compare Account Types*. (2009)

<sup>73</sup> McCarthy Caroline. CNET News. *LinkedIn Gets Its Billion-dollar Valuation*. (2008)

<sup>74</sup> Ministry of Foreign Affairs of Denmark. *Ebay Acquires the Danish Co-Founded Internet Company Skype*. (2005)

<sup>75</sup> Skype. *Problem med ljudkvaliten* (2009)

<sup>76</sup> Skype. *Welcome Back*. (2009)



quarter that year had then increased the number of users with 51 percent from the same period in 2007 when the number were 246 million.<sup>77</sup> When one of the authors logged in on its Skype account on the 28th of May 2009 the number of users reported online was 15 966 686.

At the moment Skype plans to launch a free software enabling employees to make global calls using their regular office telephones. Even though the software will be free, Skype will charge 2.1 cents per minute for these calls to cell phones and fixed lines. Calls made from computers to a phone using the Skype software will be free. A source indicates that the costs may increase with 50 to 100 percent for someone discontinuing the usage of Skype. The general manager of Skype's business

Stefan Oberg looks positively at the future with stating the words; "*Businesses want more than what we have been able to offer so far*" and 35 percent of Skype consumers use the service in business purpose.<sup>78</sup>

In 2005 eBay bought Skype for U.S. \$2.6 billion with an additional sum later adding up to a total of U.S. \$3.1 billion.<sup>79</sup> Later the value has been written down to U.S. \$1.7 billion<sup>80</sup>. The past eight quarters has been profitable for Skype. As shown in table 1 revenue has increased from less than \$100 million in 2005 to \$550 million in 2008.<sup>81</sup> In April 2009 eBay announced the plan to make a public offering of Skype in 2010<sup>82</sup>. Even though eBay owns Skype they do not own the rights to the technology behind it, this makes the sum they paid for Skype even more confusing. Zennström and Friis own through the company Joltid the technology behind Skype, called Global Index. This April Zennström and Friis

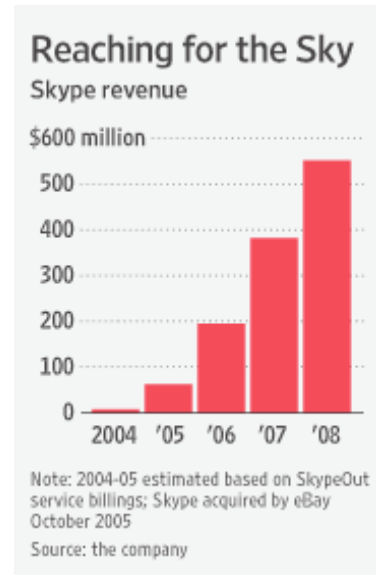


Table 1. Source:

<http://online.wsj.com/article/SB123776338990608661.html>

<sup>77</sup> IT 24. *Skype fortsätter att växa - snart 400 miljoner användare.* (2008)

<sup>78</sup> Fowler Geoffrey A. The Wall Street Journal. *Skype Targets Business to Ring Up New Revenue.* (2009)

<sup>79</sup> Huldshiner Henrik. Dagens Industri. *Zennströms trumkort i striden om Skype.* (2009)

<sup>80</sup> Stone Brad. NY Times. *Skype founders may seek to buy it back.* (2009)

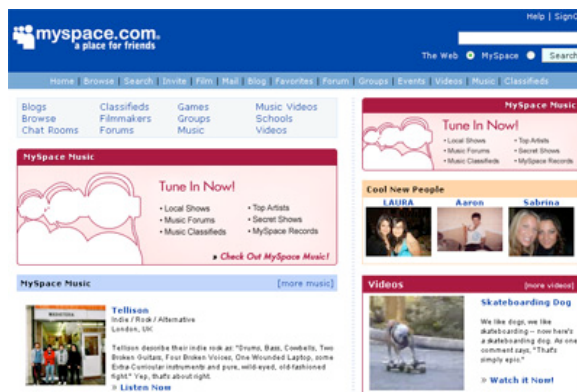
<sup>81</sup> Matsumoto Craig. Lightreading. *Ebay Pledges Skype IPO.* (15 April 2009)

<sup>82</sup> Skype. *Press Releases* (2009)

sued eBay/Skype. They wanted to get out of the license agreement with Skype and in turn they got a counter suit back from eBay/Skype.<sup>83</sup>

### 3.14

Chris DeWolfe and Tom Anderson founded the American social community MySpace in August 2003<sup>84</sup>. The head office is now located in Beverly Hills, California. Originally MySpace was not a strict social community but a file storage application. The users could store up to 25 megabytes and if willing to



Picture 3. Source:  
[http://www.webbizideas.com/images/stories/myspace\\_screenshot.jpg](http://www.webbizideas.com/images/stories/myspace_screenshot.jpg)

share demographic information with the owners of MySpace you could get 300 megabytes of storage.<sup>85</sup> Afterwards it has been claimed that the company eUniverse dealt with spyware, spam and pop-up advertising on the Internet. All of these are to be categorized as very irritating by the users of Internet.<sup>86</sup> MySpace is

today an online community primarily used by artists in order to connect and brand themselves. But this was not the intention when MySpace had its origin, rather was the intention to be a community for everyone.<sup>87</sup>

The different applications on MySpace include basic communication aspects, such as add your friends to a list and then communicate with them in a simple way with messages. Other functions available are the ability to add pictures, videos, a personal blog and different contests. The aspect that makes MySpace more unique is that you can edit your own presentation page in a way that suits your purposes e.g. personal colour schemes. As an artist this enables you to add your music to your profile page and share it with your friends and the public, which is the reason

<sup>83</sup> Malik Om. Gigaom. *Will Joltid Turn eBay's Dream of a Skype IPO Into a Nightmare?* (2009)

<sup>84</sup> Clifford-Marsh Elizabeth. Revolution. *MySpace founder Chris DeWolfe to step down.* (2009)

<sup>85</sup> Shaw Russell. Investor's Business Daily. *Your PC File Cabinet Runneth Over? End The Clutter With Online Storage.* (2000)

<sup>86</sup> Mitchell Dan. New York Times. *The Story Behind MySpace.* (2006)

<sup>87</sup> Nationalencyklopedin. *MySpace.* (2009)

for MySpace's popularity among artists. MySpace provides e.g. music videos of different famous artists. Common for artists and music-groups is also to add music videos to their own MySpace page.<sup>88</sup>

The many artists who have accounts on MySpace attract music lovers, which of course can be in many different ages. The thing that clearly separates MySpace from e.g. Facebook is that you as a non-registered user of MySpace can listen to and watch contents from these artists. Consequently MySpace has been an important piece of the music industry.<sup>89</sup> Since this non-registered user is not counted as a user, the actual number of persons using or taking advantage of MySpace is difficult to measure. What makes the number of users more difficult to measure is that there are different categories of members. One category is the frequent users which enter their MySpace page a couple of times a week, whereas another category is users which only registered an account because of the hype surrounding the trademark. MySpace has 130 million users and the number grows with approximately eight millions per month.<sup>90,91</sup>

The business model of MySpace and the gain to the owners of MySpace is built upon revenues generated strictly from advertising<sup>92</sup>. The partnership with Google signed in 2006 is also an important corner stone in the revenues generated. In paying U.S \$900 millions to MySpace, Google obtains the rights to advertise on MySpace.<sup>93</sup> Other collaboration between Google and MySpace is the one announced in late 2008, which basically involves facilitating the interconnection between different social media on the Internet. By making the MySpace ID, the name of the login system of MySpace, open for other smaller websites would make it easier for the many users of MySpace to simply take advantage of new things.<sup>94</sup>

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<sup>88</sup> Nationalencyklopedin. *MySpace*. (2009)

<sup>89</sup> Ibid.

<sup>90</sup> Thoresson Anders. Dagens Industri. *Rupert Murdoch: MySpace Värt 50 Miljarder*. (2006)

<sup>91</sup> Barbarian. Forevergeek. *Debunking the MySpace Myth of 100 Million Users*. (2006)

<sup>92</sup> MySpace. *Är MySpace Gratis?* (2009)

<sup>93</sup> BBC News. *Google signs \$900m News Corp deal*. (2006)

<sup>94</sup> AP. The Independent. *MySpace Teams up with Google for Facebook Chase*. (2008)

The current owner of MySpace is Robert Murdoch via News Corporation, a parent company to Fox Interactive Media. The acquisition took place in July 2005 to a value of U.S \$580 millions.<sup>95</sup> One year later Robert Murdoch made a profit on MySpace of \$10 million on revenue of \$550 million<sup>96</sup>. Pursuant a financial analyst from RBC Capital in 2006, the value of MySpace in a couple of years very well could be around U.S \$10 to 20 billion. He based the high value on the rapid user growth pattern MySpace had. The international appeal of MySpace e.g. that it is translated in many languages, the capacity to become intellectual property (copyright, trademarks, patents, industrial design rights and trade secrets) and competent management supported his valuation. The valuation was further on supported by the video function of MySpace and the management at that time ranked the appraisal as high as thirdly highest in the U.S after Yahoo and YouTube.<sup>97</sup> More recent data stated in 2009 a decline of MySpace page views, which is correlated to less advertising incomes.<sup>98</sup>

### 3.15

Not long after MySpace was introduced to the Internet world, Facebook was founded by the Harvard student Mark Zuckerberg in February 2004. Who then had a clue that the social network would be one of the biggest and most popular social communities in the world, since it initially started out as an internal student community on universities in Northeast America. Zuckerberg's intention was to create an opportunity to help maintaining contacts during the study period. Further on he intended to facilitate communication during the studies. This limited network did not last for long because of the explosion of users already within the first month.<sup>99</sup> Until then, Facebook still was a platform for students to connect with each other, but in 2006 the community extended its business idea and unlocked the system so that everyone with a valid e-mail address was allowed access for free<sup>100</sup>.

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<sup>95</sup> Fox News. *Analyst: MySpace Value Could Reach \$15 Billion* (2006)

<sup>96</sup> Dignan Larry. ZDNet. *Fox Interactive turns annual profit; MySpace revenue to top \$800 million in fiscal 2008* (2007) <http://blogs.zdnet.com/BTL/?p=5899&tag=rbxcenbzd1> August 8<sup>th</sup> 2007

<sup>97</sup> Fox News. *Analyst: MySpace Value Could Reach \$15 Billion* (2006)

<sup>98</sup> Arrington Michael. *MySpace Is In Real Trouble If These Page View Declines Don't Reverse*. (2009)

<sup>99</sup> Nationalencykopedin. *Facebook*. (2009)

<sup>100</sup> Abram Carolyn. Facebook blog. *Welcome to Facebook, everyone*. (2006)

Today, in April 2009, the site is estimated to have over 200 million active users world-wide and the network is growing quicker than any other social platform and community<sup>101,102</sup>.

The network's slogan has developed to; "Facebook helps you connect and share with the people in your life". On the page each individual creates its own profile by opening a free account with a personal login in e-mail form. Applications like "wall to wall" (direct posting on another friend's writing wall), add new friends, friends and common friends, "people you might know", uploading of photos and albums where you can tag each other, events, groups, messages, status, poke, comment, chat

and search constitute the most common functions. These features facilitate people's ability to share and make the world more open and connected by engaging in each others life and keep in touch with new and old contacts.<sup>103</sup> One can for certain claim that Facebook is brilliant and still is a successful concept because of surviving five years with huge increasing numbers of new members each year. The key reasons why Facebook has not faded out as many other communities can be explained by the attractiveness among new users, but above all the maintenance of keeping existing members active. For example the photo and album applications' tag-function has made people dependent to stay active in order to see adds of photos of themselves on their profile, while many additionally



Picture 4. Source: <http://img102.imageshack.us/img102/9108/facebookcx8.gif>

<sup>101</sup> Inside Facebook. *Facebook Confirms 200 Million Active User Mark.* (2008)

<sup>102</sup> Raja Bahari. Göteborgs Posten. *200 miljoner på Facebook.* (2009)

<sup>103</sup> Facebook. *Facebook.* (2009)

appreciate to continually share photos with others.<sup>104</sup> Other explanations of the sustained Facebook trend is the status feature which tells what other people are doing without asking them and the event application which makes it easier to invite friends or relevant people to e.g. parties or sell-outs. Moreover the convenience and easiness of networking with people all over the world is a sustainable explanation, since the scope of users the platform embraces. The winning concept is overall simple, fun and convenient which can save a lot of time and effort.<sup>105</sup> Despite the fact that Facebook put emphasis on renewing and improving itself with daily new applications, for example the chat function was introduced 18<sup>th</sup> of March in 2008<sup>106</sup>. The site prioritizes to listen to the wishes and feedback from their users. The most known example is when the Facebook group "Petition to Get Rid of "is" from Facebook Status Update!" persuaded the website to take away "is" in the status field<sup>107</sup>.

According to the American webpage [insidefacebook.com](http://insidefacebook.com) 52 percent of the American users were between the ages 18 to 25 in September 2008, which also approximately mirrors the rest of the world's age demographics distribution of Facebook users. However, the same source states that both younger and older groups are growing.<sup>108</sup>

Facebook's value of today is difficult and complex to determine and many purchasing bids e.g. from Google and Viacom imply different valuations up to U.S \$15 billions. Facebook's CEO and founder Mark Zuckerberg wanted in 2007 a five times bigger bid at 53 billions in order for a merger to be executed. Yet the whole site has not been sold even though Microsoft bought 1,6 percent of the share of Facebook for U.S \$240 millions in October 2007<sup>109</sup>. The primary goal according to Mark Zuckerberg is to bring Facebook public with an initial public offering. The reason why Mark Zuckerberg turn downs all billion offers is the

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<sup>104</sup> Copyriot. *Facebook i Backspiegel, II: Utvärdering*. (2008)

<sup>105</sup> Tan Althea Marie. Ezine Articles. *Top Reasons Why Facebook is So Popular*. (2008)

<sup>106</sup> Robinson Blake. Face Reveiws. *Facebook Chat Video Surfaces, Privace Controls Tighten*. (2008)

<sup>107</sup> Ostrow Adam. Mashable. *Facebook Removing "is" From Status Updates*. (2007)

<sup>108</sup> Smith Justin. Inside Facebook. *Latest Data on US Facebook Age and Gender Demographics*. (2008)

<sup>109</sup> Facebook. *Facebook and Microsoft Expand Strategic Alliance*. (2009)

willingness of developing Internet in a thriving company that he enjoys, which he expressed in a personal interview.<sup>110</sup>

During 2008 Facebook estimated to earn U.S \$300 million, a doubling from U.S \$150 million in 2007. Although the great success in user perspective, the company's revenues are still poor relative to its valuation of U.S \$15 billions. Giants like Facebook have had difficulties to generate enough incomes from advertising money. The expert on social media sites Caroline McCarthy on Cnet News.com expresses optimism regarding Facebook's future opportunities to earn money. Further on she explains that Facebook seem to take charge of some of their advertising concepts, such as sponsored events. Even though the revenues are quite poor the business model is supported by advertising, giving the company who wants to advertise the possibility to target specific customers.<sup>111</sup> Moreover Facebook has hinted that a payment and transaction system is in full progress.<sup>112</sup> Facebook has also been shown to do wonders for third-party business. This third-party business is applications developers that sell their apps through Facebook and make a fortune out of it. The problem is that Facebook so far not has received any part of this cake, since they do not charge for allowing companies to sell those apps through their page.<sup>113</sup> Another source, a journalist on businessweek.com claimed in August last year that the valuation has declined heavily after evaluating insiders selling stocks in the enterprise for a fraction of the price that was prescribed last year. The article further implies a valuation of whole Facebook to a sum between U.S \$3.75 to \$5 billion.<sup>114</sup> It is not strange that many speculate if the valuation of Facebook replicates today's IT bubble – the immensely huge numbers that have no substance behind. This argument is among others built on the idea that users are not recipient for advertisements nor paying for the service. Many users do not even click on the web-ads. The value is not only measured in income related terms, but also the creation of value for its users<sup>115</sup>.

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<sup>110</sup> Sidea Emanuel. *Facebook till Börsen*. Veckans Affärer. (2007)

<sup>111</sup> Facebook. *Advertising*. (2009)

<sup>112</sup> Olsson Miriam. *Internetworld Så Tjänar De Pengar På Sociala Nätverk..* (2009)

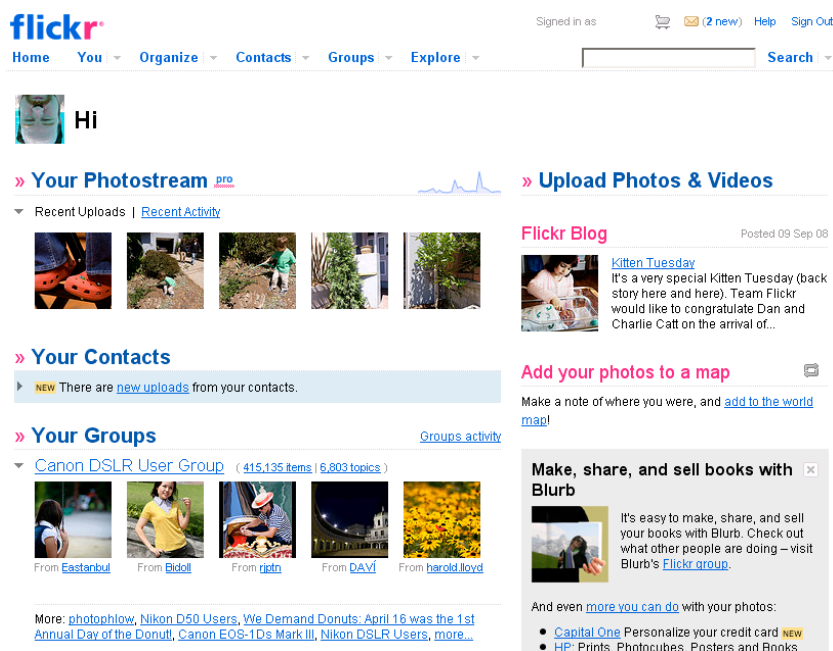
<sup>113</sup> Gelles David. *Financial Times. Should Facebook charge app developers rent?* (2009)

<sup>114</sup> Ante Spencer E. *BusinessWeek. Has Facebook's Value Taken a Hit?* (2008)

<sup>115</sup> Erlandsson Adam. E24. *Facebooks Värde Mäts Inte i Pengar*. (2008)

### 3.16 flickr™

Flickr was founded by Stewart Butterfield and Catherina Fake in Vancouver 2004 with the intention to capture conversations people are having about photos.<sup>116, 117</sup> More specifically, Flickr is an online photo management and sharing application. One should be able to share as well as organize photos and videos. With the help



Picture 5. Source:  
[http://i.i.com.com/cnwk.1d/i/bto/20080910/Flickr\\_revamp\\_screenshot.png](http://i.i.com.com/cnwk.1d/i/bto/20080910/Flickr_revamp_screenshot.png)

of Flickr, photos can be published on Flickr website, in RSS feeds, by email and by posting to outside blogs. It is further possible to invite others in order to comment, organize and tag your photos and videos on Flickr.<sup>118</sup> In 2005 the beta version was replaced with the version 1.0 as well as with a business model consisting of ads, a professional account for \$59.95 a year and free for everyone else.<sup>119</sup> This was also the year when Yahoo acquired the site for U.S. \$35 millions.<sup>120</sup> In the end of 2008 3 billion images were uploaded on Flickr.<sup>121</sup>

<sup>116</sup> Flickr. *Press*. (2009)

<sup>117</sup> Flickr. *About*. (2009)

<sup>118</sup> Ibid.

<sup>119</sup> Flickr. *Press*. (2009)

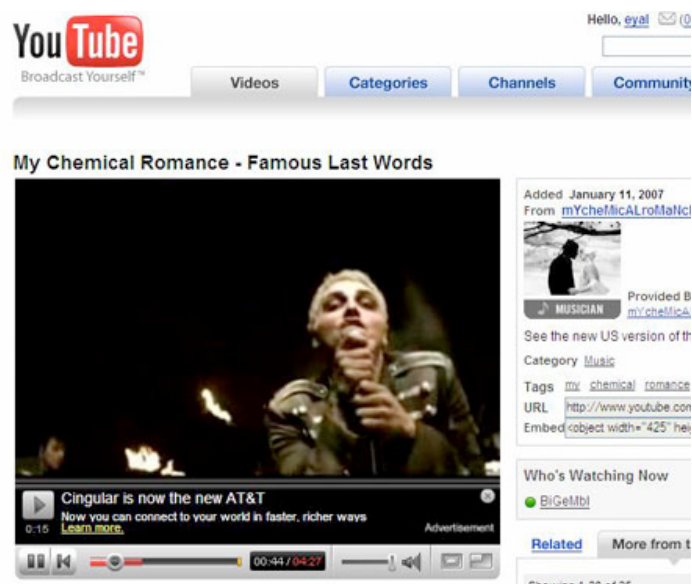
<sup>120</sup> Crunchbase. *Flickr Company Profile*. (2009)

<sup>121</sup> Austin. New Media Lab. *2008 Social media statistics* (2008)



### 3.17 YouTube

Chad Hurley and Steve Chen founded YouTube in February 2005. Video sharing has become very popular on the Internet and the biggest company providing this service is YouTube. YouTube allows people to upload and watch video clips. Further on YouTube has signed agreements with companies to supply videos, such as CBS, BBC, Universal Music Group, Sony Music Group, Warner Music Group, NBA and The Sundance Channel.<sup>122</sup> In the start-up of YouTube the venture capital firm Sequoia invested U.S. \$ 11.5 million between 2005 and 2006. After Google bought YouTube in October 2006 for the sum of U.S. \$ 1.65 billion the stake of Sequoia had raised to a whopping \$ U.S. 495 million. Bearing in mind that the investment was not more than twelve months old, this investment should be seen as exceptionally successful from the eyes of Sequoia.<sup>123</sup> As of today, the owner Google has been trying to get back what they once bought YouTube for. Google is not disclosing very much information about YouTube although it is no secret that they are trying to find a way for YouTube to start generate profit. Different possible ways to go have been mentioned, one of the latest rumours is that YouTube is developing a service, which would let the user download videos to a set cost<sup>124</sup>. Another way to develop the business model of YouTube is InVideo advertising, brand channels and contests. According to Clawson perhaps the most important of the three mentioned is InVideo advertising, the ad appears transparent for a couple of seconds and the user gets the possibility to choose between ads as well as closing it. In the demonstrating picture you can see the dark grey transparent box with an ad



Picture 6. Source:  
<http://newteevee.files.wordpress.com/2007/05/inlineyoutubeads.jpg>

<sup>122</sup> YouTube. *About*. (2009)

<sup>123</sup> Miguel Helft. Matt Richtel. New York Times. *Venture Firm Shares a YouTube Jackpot*. (2006)

<sup>124</sup> Revolution. *YouTube's Download Strategy*. (2009)

by Google. The InVideo ad material is connected to the video showed, in this case it is advertising for a telecommunication company. Vital to mention is that the InVideo advertising is only coupled with the partners of YouTube. To sustain the quality of the material further YouTube gives the brands the opportunity to advertise against appropriate videos, which facilitates for the brands.<sup>125</sup> Moreover YouTube last year partnered with iTunes and Amazon in order to link the content that the users watch with music, books and movies<sup>126</sup>. To understand some aspects of the phenomenon YouTube, it can be mentioned that in 2007 the site was estimated to consume as much capacity as the whole Internet in 2000<sup>127</sup>. Around 100 million videos are watched daily on YouTube<sup>128</sup>.

### 3.18

Among the newer social media sites, that recently has created a real hype, is the free American microblogging utility Twitter which popped up in March 2006. The brains behind the social networking platform that works over multiple devices, such as computer and cell phone, were Jack Dorsey, Biz



Picture 7. Source: <http://www.ibm.com/developerworks/web/library/wa-aj-century/twitter-ui.jpg>

Stone and Evan Williams.<sup>129</sup> The creation of Twitter was born when Jack Dorsey's interest about what his friends were doing grew stronger. Specifically, Jack tried to figure out if there was an opportunity to develop something compelling built on the plain status quote Facebook developed. When presenting the concept for his colleagues the plan was ready to get real and the initial Twitter

<sup>125</sup> Clawson Trevor. Revolution. *YouTube Considers Live Channels*. (2008)

<sup>126</sup> The YouTube Team. *YouTube. Like What You See? Then Click-to-Buy on YouTube*. (2008)

<sup>127</sup> Lewis Carter. Telegraph.co.uk. *Web Could Collapse as Video Demand Soars*. (2007)

<sup>128</sup> Toeman Jeremy. Engaget. *Ins and Outs: Does YouTube Fit on the Boob tube?* (2007)

<sup>129</sup> Twitter. *About*. (2009)

page was founded in an innovative atmosphere in San Francisco. The general idea about Twitter basically involves that people all over the world can “*follow the sources most relevant to them and access information via Twitter as it happens – from breaking world news to updates from friends*”<sup>130</sup> according to Twitter’s homepage. To separate Twitter from the ordinary blogs the biggest difference is the limit of 140 characters per post.<sup>131</sup>

More specifically Twitter sees their social media site as a service for friends, family and co-workers, enabling these groups to interact with each other by merely answering the question “What are you doing now?”. At first sight it may sound pointless to answer such a question or read other persons’ answers, but if you are interested in a specific person you will probably find this information Twitter is providing you appealing. When logged in on the free account the microblogs can be posted through three different methods; web form, text message or instant message. Twitter can also be applied in corporate usage such as handling customer service, informing of updates e.g. news and planned actions as well as real-time updates from conferences.<sup>132</sup> In the progress building up the social community Twitter has been busy adding applications to the service. Recently Twitter presented a new feature called “Explore” of external purpose and connected third party tools that interact with Twitter.<sup>133</sup>

Twitter has been called the latest golden child, and this might be true since the growth in members have shown a dramatic raise within the last months. From 1.6 million user one year ago the number of users have exploded to 32.1 million in May 2009. At the 21<sup>st</sup> of May 1.872.600.784 tweets were posted at Twitter.<sup>134,135</sup>

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<sup>130</sup> Twitter. *About*. (2009)

<sup>131</sup> Thoresson Anders. Dagens Nyheter. *Glöm långbloggen - en mening räcker*. (2009)

<sup>132</sup> Haymarket Business Publications Ltd. *Can marketers use microblogging?* (2008)

<sup>133</sup> *Crunchbase*. “Twitter”. (2009)

<sup>134</sup> Vascellaro Jessica E. The Wall Street Journal. “*Twitter Trips on Its Rapid Growth*”. (2009)

<sup>135</sup> Reed Nathan. *Popacular. GigaTweet*. (2009)

Due to this enormous hype surrounding Twitter multiple rumors have evolved concerning different companies wanting to acquire or partner with Twitter, e.g. Google, Facebook and Apple<sup>136</sup>. In the case of Google Twitter last year turned down the U.S \$500 million buyout offer Google suggested.<sup>137</sup> According to one source Google is already making deals with advertisers and marketing firms to place ads on the site. In an e-mail from DMNews.com Twitter claims *“It should come as no surprise that Twitter engages in discussions with other companies regularly and on a variety of subjects. Our goal is to build a profitable, independent company, and we’re just getting started.”*<sup>138</sup>. By acquiring Twitter, Google gets more searchable content and results provided in real-time, plus the gain from the increased brand and trend monitoring<sup>139</sup>. From Twitter’s point of view there would be a way to monetize the site<sup>140</sup>. On Twitter’s homepage the company expresses their attitude to how money can be generated out of Twitter. This is how it is stated: *“Twitter has many appealing opportunities for generating revenue but we are holding off on implementation for now because we don't want to distract ourselves from the more important work at hand which is to create a compelling service and great user experience for millions of people around the world. While our business model is in a research phase, we spend more money than we make.”*<sup>141</sup>.

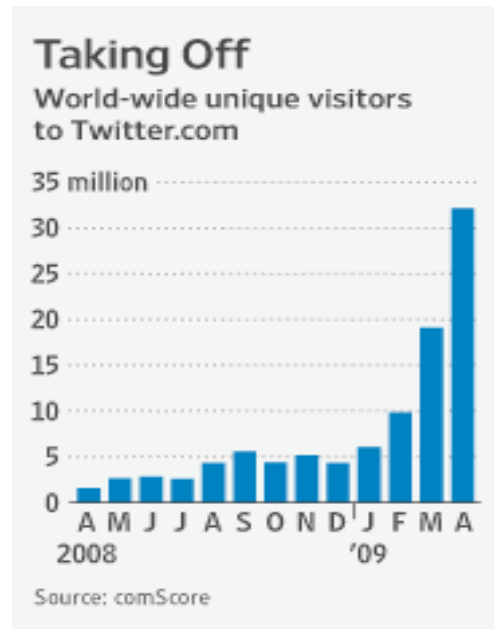


Table 2. Source:  
[http://s.wsj.net/public/resources/images/MK-AW321\\_Twitte\\_NS\\_20090525222030.gif](http://s.wsj.net/public/resources/images/MK-AW321_Twitte_NS_20090525222030.gif)

All in all Twitter is a very discussed topic and in May 2009 rumours also evolved regarding a potential deal between Apple and Twitter. According to the rumours

<sup>136</sup> Perez Juan Carlos. Pc World Business Center. *Google Acquisition Rumors Reflect Twitter's Importance.* (2009)

<sup>137</sup> Response. *Google/Twitter Merger Rumors Abound.* (2009)

<sup>138</sup> Ibid.

<sup>139</sup> Tetler James. Blog James Tetler. *What a Google + Twitter Merger Means.* (2009)

<sup>140</sup> Response. *Google/Twitter Merger Rumors Abound.* (2009)

<sup>141</sup> Twitter. "Money". (2009)

the bid of Apple on Twitter would be in the size of U.S. \$ 700 million and the negotiations should be in a late stage. The talks about the rumours are on different news pages on the Internet even though nothing has been confirmed from either Twitter or Apple. Even though the bid may be false it is eligible to mention the discussions and the magnitude of the rumour surrounding Twitter. The discussion and the U.S. \$ 700 million mentioned as well as the U.S. \$ 500 million which were turned down by Twitter management last year indicates that this is a very “hot” company for the moment.<sup>142</sup>

Twitter is not only a very discussed topic in the U.S. but also in Sweden. For the time being, the dialogue prior to the elections for the European Union representatives is active. Some of the discussion is taking part on Twitter. In this case it is party representatives, which are using Twitter as a channel to promote themselves. It is an effective way for getting out messages and statements to the public.<sup>143</sup>

### 3.19 bloggy

A fairly new Swedish community is Bloggy, which for the unversed may be an unrecognized social platform Jonas Lejon created in September 2008. It is the Swedish equivalent version of the microblog site Twitter, with similar features and functions. In the mentioned period the founder opened the webpage for invited persons, whereas the release for the general public was launched in January 2009.<sup>144</sup> At the writing moment rumors is circulating regarding an international launch, but yet nothing is officially affirmed. Although there are many similarities between Twitter and Bloggy some certain differences distinguish them from each other. For example only the starting message on Bloggy is required to be a maximum of 140 signs within the same microblog conversation. The continuing answers and comments have no sign limitations and can on principle be much longer.<sup>145</sup> Another thing that separates Bloggy from Twitter is the possibility to upload files on the former one.<sup>146</sup> One month after the

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<sup>142</sup> Truta, Filip. Softpedia. *Apple to Acquire Twitter for \$700M (Rumor)* (2009)

<sup>143</sup> SR. *Twitter Viktigt i EU-valet.* (2009)

<sup>144</sup> Bloggy. *Om Bloggy* (2009)

<sup>145</sup> TT. Dagens Industri. *Mikrobloggen inget för långskrivare.* (2009)

<sup>146</sup> Bark Jennifer. Internetworld. *Nu Twittrar Företagen.* (2009)

launch 5000 members had created an account on Bloggy and Swedish companies such as Tre, Newsdesk, Spotify and Expressen are users that belong to these early adopters.<sup>147</sup>

According to the founder and CEO of Bloggy Jonas Lejon advocates; *“The best thing is to see micro-bloggers as an extended customer service. At Bloggy you can listen to what is said about one, and can answer questions. Then you can mix it up with news from the company to those interested”* in an interview with IDG.se<sup>148</sup>. Bloggy’s business model is based on business-to-business sales and advertising revenues.<sup>149</sup> Jonas Lejon further explains that he, with Bloggy as a tool, would like to sell the technical service to companies because of the several potential areas microblogging can be used for in corporations daily operations, e.g. intern microblogging. Regarding generating income streams Google AdSense is mentioned.<sup>150</sup> Google AdSense matches ads against the content of the homepage and as soon as visitors click on the homepage money is generated<sup>151</sup>. Suppose the business idea would not work out other alternatives have been proposed. For example advertising space or to offer companies buying a brand position with a group. Moreover one opportunity is to sponsor a user that has attracted plenty of followers.<sup>152</sup> Bloggy is still too new to bring up the discussion about acquiring bids as well as give a deeper explanation of the value for the users.

### 3.20



One month after Twitter, in April 2006, Spotify was founded in Sweden by Daniel Ek and Martin Lorentzon. In an interview with Dagens Industri Daniel Ek tells that *“our vision was from the beginning to offer a legal music service, which was good or better than the pirate sites, where users had access to all the world’s music, for free.”* The name Spotify was chosen to combine the words spot and identify.<sup>153</sup> The first version started as a beta version just available for friends, but

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<sup>147</sup> Löwenfeldt Jörgen. Idg. *Här finns pengarna, Bloggy!* (2009)

<sup>148</sup> Ibid.

<sup>149</sup> Olsson Miriam. Internetworld. *ÅRETS ENTREPRENÖRER: Jonas Lejon.* (2009)

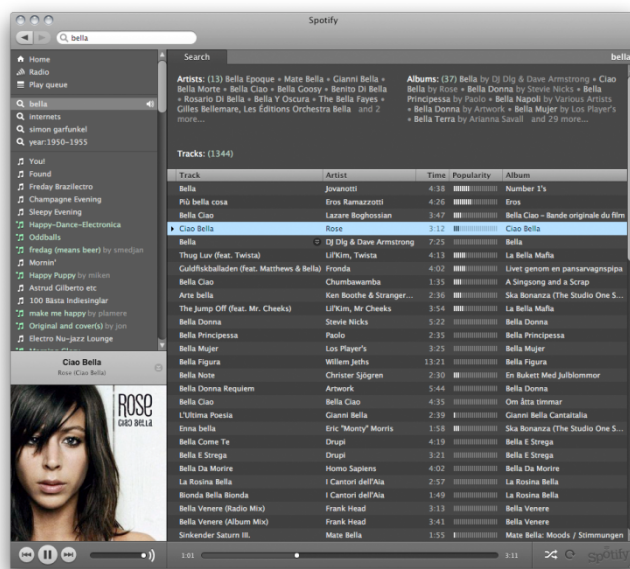
<sup>150</sup> Olsson Miriam. Internetworld. *Så Tjänar De Pengar På Sociala Nätverk.* (2009)

<sup>151</sup> Google.com. *Google AdSense.* (2009)

<sup>152</sup> Olsson Miriam. Internetworld. *Så Tjänar De Pengar På Sociala Nätverk.* (2009)

<sup>153</sup> Dagens Industri. *26-åringen som sätter skräck i nätgiganterna.* (2009)

the full version was launched in October 2008 in Sweden, Great Britain, Germany, France, Italy, Spain, Finland and Norway<sup>154</sup>. In February this year an invitation was no longer needed in Great Britain in order to sign up for a free account. As a result it led to that Spotify every day receives between 20.000 to 40.000 new members in Great Britain. The reason for keeping the invitations in remaining countries is because of limited server capacity.<sup>155</sup> In late March this year Spotify had 1.4 million users, with an increase of up to 40.000 new users every day.<sup>156</sup>



Picture 8. Source:  
[http://www.bandalismo.net/IMG/distant/png/spotify\\_desk778e.png](http://www.bandalismo.net/IMG/distant/png/spotify_desk778e.png)

Spotify is an online music service offering members to listen to music legally online instead of playing illegally downloaded songs. The service is for the moment only providing streamed music through a computer connected to the web and the personal account. The music can be sorted into different playlists and additionally the music and playlists can be shared among friends. It is

even possible to organize a collaborative playlist. The service is provided in three different versions; a premium monthly subscription, a free version supported by advertising which requires an invitation and the option for consumers to purchase a day pass without advertising.<sup>157</sup>

Digging deeper into the newly platform Spotify's business model is to *“aggregate content from right holders, distribute it to consumers through our technical platform and monetize both through a free, ad funded service, and a subscription*

<sup>154</sup> PR Newswire. *Spotify Skriver Licensavtal Med Sju Internationella Musikjättar Och Tillkännager Lansering.* (2008)

<sup>155</sup> Dagens Industri. *26-åringen som sätter skräck i nätgiganterna.* (2009)

<sup>156</sup> Ibid.

<sup>157</sup> Spotify.com (2009)

service.”<sup>158</sup> Further on Spotify allows for a lot of opportunities for promotions, all from editorial content such as artist biographies and reviews to revenue creating opportunity such as music download via links to known online retailers.<sup>159</sup> Spotify has currently agreements with a number of right holders such as Universal Music Group, EMI Music, Warner Music Group, Sony BMG, Merlin, The Orchard and Bonnier Amigo<sup>160</sup>. Spotify was initially thought of as a free service, financed by ads, but on demand of the record companies a subscription service was introduced in order to get an additional revenue base.<sup>161</sup>

Spotify has this year chosen to expand their business model by starting to sell music for download. So far this service is only available in Britain, France, Germany, Italy and Spain but this concept is expected to come to Sweden within a couple of weeks.<sup>162</sup> Within the nearest year the plan is to launch Spotify in the United States and to develop a mobile version. The goal is to become the world’s largest music library and Spotify is already on their way. According to Stefan Blom, SVP Commercial Development for EMI Music: *“Users changing music habits are a clear sign that Spotify is on the right track, where users prefer models that provide instant and legal access to our artists’ music over à la carte services.”*<sup>163</sup> Today the company provides about 4 million songs while the music site is in full progress adding approximately 10.000 new songs every day.<sup>164</sup> Hence, a fairly rapid development compared to iTunes that holds around 10 million songs, which the enterprise have had complacently eight years to supplement<sup>165</sup>. In today’s media prosperity rumors are flying that Microsoft, Sony and Google are trying to create a Spotify-killer. Spotify does not see this as a negative thing, instead they see potential for future business partners that can expand their existing platform.

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<sup>158</sup> Spotify. *Background Information* (2009)

<sup>159</sup> Spotify.com (2009)

<sup>160</sup> PR Newswire. *Spotify Skriver Licensavtal Med Sju Internationella Musikjättar Och Tillkännager Lansering*. (2008)

<sup>161</sup> Dagens Industri. *26-åringen som sätter skräck i nätgiganterna*. (2009)

<sup>162</sup> MacLean Håkan. Idg. *Snart Kan Du Köpa Musiken I Spotify*. (2009)

<sup>163</sup> PR Newswire. *Spotify Skriver Licensavtal Med Sju Internationella Musikjättar Och Tillkännager Lansering*. (2008)

<sup>164</sup> Dagens Industri. *26-åringen som sätter skräck i nätgiganterna*. (2009)

<sup>165</sup> Apple. *Features*. (2009)



Furthermore the hype around Spotify has led to a numerous buyout propositions, which all have received the same answer – that is no.<sup>166</sup> The founders Daniel Ek and Martin Lorentzon own the majority of the company and smaller owners are Felix Hagnö, the norwegian venture capital company Creandum and Northzone Venture Partners. Spotify was last year valued to €71.6 million.<sup>167</sup>

Spotify has not, unlike Microsoft and Nokia, paid large amounts of money in order to get access to the record companies music catalogues. Instead is their business based on that record companies receive a large share of the revenue that Spotify generates. A problem is that the risk rises if expected revenues default, which could lead to that Spotify not holds their agreement to their contractors, and therefore gives the right for record companies to withdraw their music.<sup>168</sup> Another problem Spotify faces is that most free customers do not see the reason in upgrading to a premium version, but this is something Spotify tries to solve by offer exclusive material for premium members only.<sup>169</sup> Recently a Spotify premium gift card was launched on the web site<sup>170</sup>.

### ***3.21 FUTURIZING IN THE SOCIAL MEDIA LANDSCAPE***

What is in and what is out? That is a fair question to ask in the fast changing landscape of social media. Trevor Clawson is a freelance journalist specialised on fast growth businesses, management issues, corporate governance, HR, new media, marketing and technology.<sup>171</sup> Clawson has had material published in for example the Guardian, Sunday Times and The Independent.<sup>172</sup> According to Clawson one thing is that the phenomena of social media for sure is here to stay, but Facebook and Twitter which just has landed in Sweden are already old news according to him. Members of Facebook have switched to Twitter and Clawson stress the danger with the hype that is created around a specific social media place, which fastly fades out. The reason is e.g. that early adopters get tired of the site and move on to new things. Through the social media pioneer's eyes it is vital

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<sup>166</sup> Dagens Industri. *26-åringen som sätter skräck i nätgiganterna*. (2009)

<sup>167</sup> Ibid.

<sup>168</sup> Ibid.

<sup>169</sup> Ibid.

<sup>170</sup> Spotify.com

<sup>171</sup> Clawson Trevor. *Trevor Clawson's Home on the Web*. (2009)

<sup>172</sup> Ibid.

to build a business model that generates money before the user base disappear somewhere else. Examples of what we can expect to see in the future are among others; Seesmic - a video-blogging venture, Gypsii – a social network that allows members to locate friends via their cell phones, FDCareer – a professional development created in a virtual world with focus on career and a role-playing function, Thequadrom - a social network exclusively for students, Elements – a microblog site but with shared thoughts through pictures, Yammer – a corporate communication place, Power - a multi-network management service that allows member to bring together a series of account into a single place and many more different twists of social media sites.<sup>173</sup>

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<sup>173</sup> Clawson Trevor. *OMG! Twitter is like, so 2008 but there are handfuls of other social media sites vying to be the next big thing* (2009)

### 3.22 SUMMARIZING THE SOCIAL MEDIA LANDSCAPE

The map visualizes the historical evolution of social media sites that have emerged in the landscape. The numbers on the volume axis fill the purpose to symbolize a scale of the rise of social media sites during the evolution.

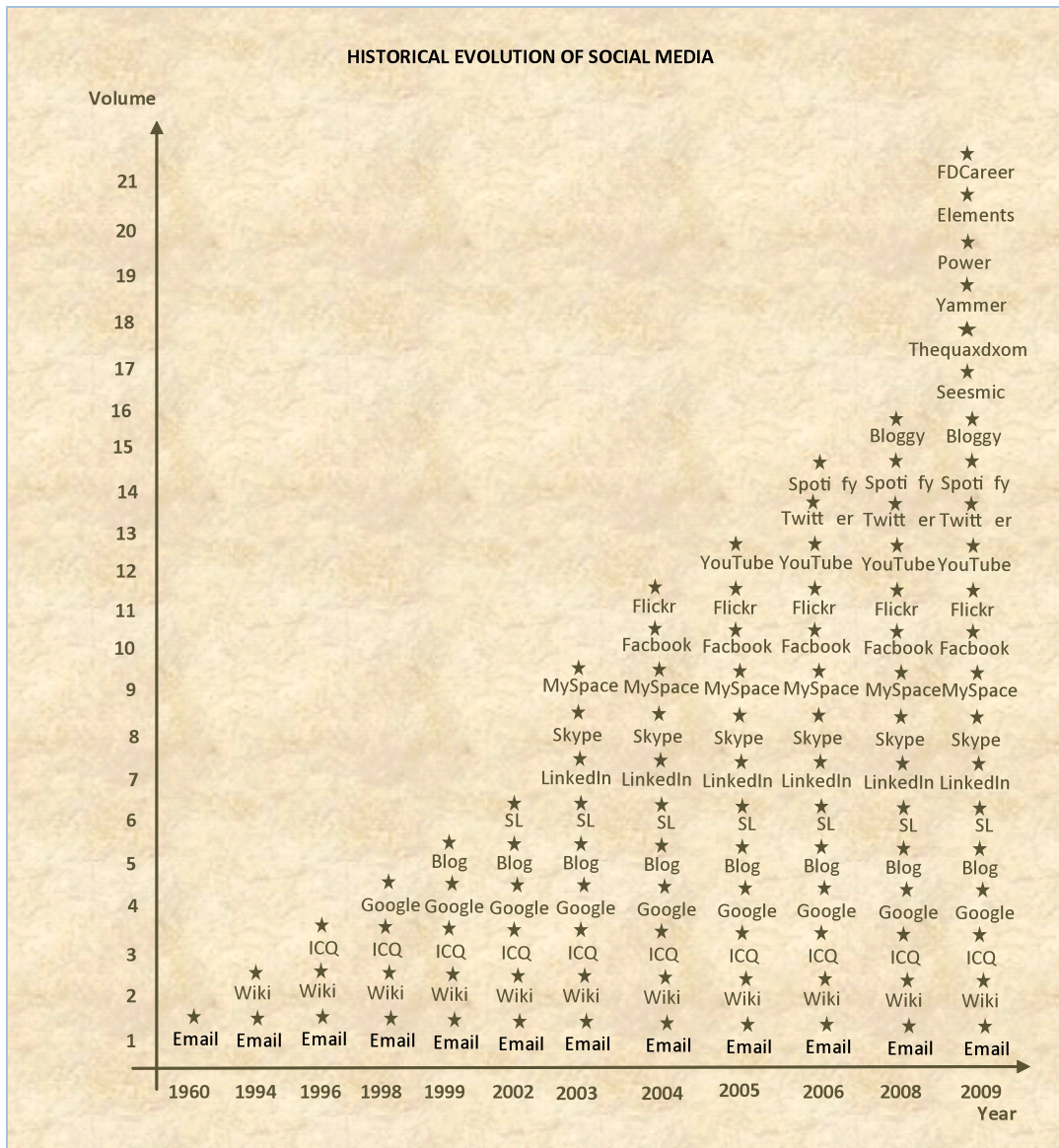


Figure 3

## **4. THOUGHTS & OPINIONS FROM INSPIRATION SOURCES**

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*The fourth chapter of the thesis will emphasize on the empirical data gathered from the inspiration sources.*

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### **4.1 GOOD OLD**

*Interview with Ulrika Rundqvist - Market Strategist at Good Old*

#### **4.1.1 COMPANIES' USE OF SOCIAL MEDIA**

Ulrika explains that companies can use social media as a platform of communication for its visitors. Today many companies might be afraid of having social media incorporated on their webpage, e.g. a blog, in case negative things are written about them. Her own view is the opposite since she thinks it is better that negative comments are directly addressed to the company which allows them to answer in a fair way. The other alternative would be rumors circulating on another Internet site hard to localize for the company. According to Ulrika a second reason, why companies should exploit digital media, is as a platform of marketing. She stresses the importance of being where the target group circulates. This is well connected to earning money online, which Dell did last year when they generated \$1 million via Twitter. Thirdly social media can help companies to aggregate information to its corporate site. Basically the idea implies that everyone can contribute with input, not only the creators, because all vital data is aggregated to a homepage e.g. through blogs. An emerging trend has been that many companies often start to engage in social media, such as Twitter and microblogs, without knowing how to handle them.

Ulrika states it is difficult to point out any special social media sites that all companies should emphasis on. Her opinion is that it depends on which function it aims to fill. In marketing purpose she recommends Twitter as long as it is treated in a right way. Flickr is meanwhile appropriate as a photostock library where you for example can upload press photos. Further on Yammer is suitable when the purpose regards saving or sharing information, which Good Old also uses a lot in their daily operations. *“Everything companies do, can be done with social media”*.

What is extremely vital is that someone must maintain the social media, in other words it is a question of resources.

Nevertheless social media sites are appropriate for everything but there are exceptions, such as firing staff through social media, even though these sites might have been the initial reason for employment. As already mentioned, people in general are more afraid than what they have to, and as a result they might be precautious in terms of e.g. sharing information. Today discussions about copyright appear in relation to the Ipred law. What one often forgets is the creative content, which is a differentiation for allowing dispersion of information. As a result it leads to PR and marketing. To unhand the copyright does not necessarily convey to imitation, but can instead create free promotion as one example.

#### ***4.1.2 RISKS WITHIN SOCIAL MEDIA***

There are of course risks with everything you do, but the biggest difference with social media is that it is much cheaper in case it will turn out to be a mistake. However, the most usual risks are if the digital sites are wielded incorrectly, by for example putting wrong people to administer it. Social media often involves a harsh tone, in terms of e.g. nasty and unserious comments, which one must have the ability to manner.

#### ***4.1.3 POLICY (COMPANIES)***

Corporations utilize in far too little young people. It is the natural life for young to e.g. blog, microblog and participate in communities. In order to succeed it is important to engage persons that like to involve themselves in social media, instead of e.g. having a severe marketing department that must participate even though their lack of interest. Thus, the key is to incorporate the right target group.

#### ***4.1.4 FUTURE HYPE/TRENDS***

Ulrika tells about the recent trend of how people today value ownership contra access, and clarifies that one rather has access to “everything” than owning apiece of it. The right to unlimited lyrics is what young people want to pay for rather than owning thousands of CD records, once again Spotify is a good example.

Ulrika believes the next big hype is lifestreaming, which already has started in U.S. Instead of having different social media activities spread all over the Internet, one can congregate every social media under one roof. This is considered to be a general trend of social media i.e. more privately than corporately used, and one example of such a site is FriendFeed. Companies often need longer time to adapt to trends due to more complex processes than for private persons. Ulrika exemplifies this statement with microblogs that in general has been popular during a year, while it has become an emerging trend among companies the latest months. For companies Ulrika believes Twitter will continue to last. However, she is not fully convinced the same direction is given for Bloggy. The Finnish microblog Jaiku, comparable to Twitter, had difficulties and in the same round Bloggy tried to reap market share from Jaiku. Her speculation is that Bloggy will not succeed in the same extent as Twitter. *“People go where other people go and a brilliant example of this is Facebook”*. According to Ulrika it was not the best community, but because of the traffic the site attracted, more and more people decided to follow. Moreover Ulrika sees coming mobile trends. Until now there are only a few companies that partaken in the mobile process, but within a year the trend will probably increase.

The underdevelopment of mobile applications within social media is not social media sites' responsibility. The explanation is more related to the mobile operators. A logical reason is the extremely high cost of streaming e.g. videos through the cell phone. iPhone has contributed a lot to the development of internet in the phone. Two thirds of Sweden's mobile Internet traffic is constituted of iPhone users, which also is supported by a report from AdMob clarifying that 65 percent of the internet usage through mobile phones is via iPhone<sup>174</sup>.

#### ***4.1.5 TO PAY OR NOT TO PAY FOR SOCIAL MEDIA?***

We can already see that some social media charge fees for their services, says Ulrika. At the same time there is a debate about the “free-talk”, which Chris Anderson has introduced. The statement that teenagers do not want to pay for social media activities is according to Ulrika a myth. Last year Facebook sold

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<sup>174</sup> AdMob. *AdMob Mobile Metrics Report*. (2009)

flower and cake icons (immaterial give aways) for U.S. \$200 millions, which is a clear evidence that young persons pay if they like it or are interested in it. Further on Ulrika does not think premium services will be a problem. On the contrary she believes only providing premium products or services will be tough. Hence a combination of free and fee based solution is the optimal – like Spotify. It is the right timing for launching this kind of concept, people are after all willing to pay in order to get rid of the commercials.

#### ***4.1.6 BUSINESS MODEL***

When trying to identify how social media can manage to earn money the problem is that ads are seen like a business model, which it is not. Ads or so called banners are just one income source, but there are other ways to generate revenue. One is premium products or services, another one is relevance advertising which has been a huge success in USA. For example CWTV used the TV-program Gossip Girl to market clothes, music and furniture immediately after it was shown in the latest episode. In that way they repacked the idea of pushy advertising to pulling advertising, which the visitors perceived as service marketing. Also interesting to recognize is the common denominator among social media concerning that the business thinking is not involved from the beginning. According to Ulrika Twitter employed their first business developer last month.

#### ***4.1.7 GOOD OLD***

Good Old uses social media all the time in their daily work; for example open agendas, blogs, Delicious to show press posts, Flickr to show pictures, Yammer to communicate and so on. Almost all communication goes via MSN and Skype and all documents are saved on Google Documents instead of using the computers' hard drive. This is to back up data if a computer crash suddenly would occur. Everyone in the organization fully works with social media and Ulrika definitely classifies social media as a two way communication. What concerns the question of paying for using social media Good Old already pays many services provided through digital platforms, in terms of premium services. A single and specific policy of how Good Old should exploit social media does not exist due to the different circumstances a project may involve.

#### ***4.1.8 FUTURE ADVICE***

Ulrika points out that focus should be on the pull marketing instead of pushing advertising which the users find repulsive. Up to 30 percent decide to leave the site when annoying banners arise e.g. pop-ups. Companies that use Twitter must emphasis on finding their target group so that right messages reach right people. Otherwise Twitter more will appear as messy and confusing.

## ***4.2 TELIASONERA***

### ***Interview with Lars Wallmark - responsible for Communications of the TeliaSonera Group***

#### ***4.2.1 TELIASONERA'S USAGE OF SOCIAL MEDIA***

##### ***1. Listen → 2. Participate → 3. Promotion***

Lars explains that TeliaSonera has a model which they apply for their different stages in the social media activities. Right now the corporation is somewhere between step one and two according to the model, since much focus is about exploration and the effort of how to handle the social media properly. Further on Lars claims the importance of having media coverage in a big company such as TeliaSonera, which involves listening and studying the social media instead of just trying to learn the context.

Starting this year TeliaSonera buys information reports containing information about when they are mentioned in blogs and forums from the company Cision Infopack. TeliaSonera receives reports with all the posts on different forums and thereby has the opportunity to answer messages after evaluating them carefully. After answering it can lead to a dialogue that has to be followed up. This clearly separates the usage of social media to the usage of managing customers with phone calls. Lars declares that TeliaSonera is mentioned around 200 times a week in the social media reports and around half of the amount is considered strict customer related issues. According to Lars it is apparent that the social media can be used as a way of finding unsatisfied customers and solving the problems should be considered a task of the customer service. Handling customer service



through social media are quite new, which as mentioned leads to a new approach from the companies.

#### **4.2.2 GUIDELINES TO SOCIAL MEDIA**

Considering the interaction between the company and the customer TeliaSonera have set guidelines called “Corporate Media Guidelines” for the language and approach, which is to be used by the employees. According to Lars they also use a certain framework for assessing if a response is to be written on a message. It is a criteria model consisting of the parameters:

1. Does the message contain *openness*?
2. Does the message contain *facts*?
3. Is the message *crystal clear*?
4. Can a response give appropriate *advices* or lead to a *deeper discussion*?
5. Is there a possibility to *interaction*?

If the message and the context include all of these parameters TeliaSonera will answer the message. Though generally if someone is having a problem their message should be answered, as well as if a person writes false facts. Furthermore Lars does not think that they will pay for the usage of social media other than if the cost outweighs the benefit to the consumers. Due to today’s situation, where few consumers of TeliaSonera is active on e.g. Twitter, the involvement becomes less interesting. Though it has to do with the reservation about where the consumers will be. If all will engage in Twitter, so will we. Of course we have to be where the consumers are. A problem is also that the usage of Twitter is connected with the requirement of constant supervision of the media, which TeliaSonera has not prepared for in the current organization.

Within the enterprise there is also a usage of social media for example the customer service use, the chat and further on the employees get the possibility to join TeliaSonera groups on Facebook. The groups on Facebook are used for sharing thoughts and ideas in-between employees and the English site makes English the common language to use, which also facilitates the communication between TeliaSonera employees from different countries.

All in all Lars says that the response on their activity on social media is very positive and a future dream would be to perhaps involve their customers in the process of forming e.g. new subscriptions.

### **4.3 LANTMÄNNEN**

#### ***Interview with Johan Ydring – Online Manager at Lantmännen***

##### **4.3.1 LANTMÄNNENS USE OF TWITTER**

Lantmännen started to use Twitter in November 2008. Johan Ydring at Lantmännen explains that they believed Twitter was going to be a big hit and therefore they wanted to be a part of it. Lantmännen is looking at all kinds of different channels to reach out and Twitter is a quite low-hanging fruit. In other words it is free and does not require plenty of resources in order to engage in it, unlike what many other PR media requires. *“It is just to do it”* he says and thus Twitter is in many ways an easier tool than many other social media sites. The brand of Lantmännen is not associated with modernity and ambitiousness, so there is an underlying goal in itself to use Twitter in order to show that we are in the forefront of the development, says Johan. At the moment Lantmännen tries to seek their specific usage areas of Twitter. Johan explains that the work with Twitter takes place in many different forms, but mainly it is used as an external environment-monitoring and complementing communication channel to the other social media. It is about communicating Lantmännen’s message in terms of what they do and what they offer. Within Lantmännen group two people are constantly working with the overall online questions. The intention with Twitter can differ between the brands within the company, but the common goal is to engage and be involved in the evolving dialogue and their belief according to Johan, is hopefully development on the customer service side.

##### **4.3.2 IMPORTANT TO THINK ABOUT WHEN USING SOCIAL MEDIA**

Listening is as important as talking, Johan expresses. Furthermore the work regarding social media deals with watching, keeping track and especially emphasis on deciding how, when and who is going to answer the messages as well as when to entry a new social media. Lantmännen has a media

policy where one part discusses social media in general. To have a frame of reference for each single social media is not appropriate according to Johan. The main challenge with social media is to take care of all information, which takes a lot of time meanwhile it is essential to engage within these types of channels. Johan says that it is given to have a dialogue with the customers for Lantmännen and the social media makes it possible to communicate in many different ways. Johan states “*a dialogue is happening, with or without us.*” Lantmännen scans Twitter in order to find what people write about them. When these people are located, Lantmännen answer their questions or just tweet back if there is something written about them. Johan claims that this interaction can be improved and he believes that when more “normal” people (more customers instead of social media fans) start to use Twitter new ways to incorporate the sites will appear. In that sense Twitter will be seen as a two-way communication channel. Johan means that a current problem is that their daily operations at work do not make people upset, which results in fewer discussions about them. For some this can be seen as something positive, since there will be less work, at the same time as Johan rather see people to get engaged. When scanning microblogs as well as other social media the content often is compiled in a report based on what is happening in the media focus. The information amount varies a lot depending on the frequency of the news flow.

#### ***4.3.3 ABOUT SOCIAL MEDIA IN GENERAL***

According to Johan Lantmännen wants to try as many social media as possible, but it is a discussion regarding recourses. For the moment they use YouTube to publish ads, blogs to talk about what they are doing and some other communities. Lantmännen’s ambition is to identify what and where customers discuss subjects related to their company in order to engage in this social media. It is no longer possible to control the content in the same way, which is the main difference with social media from old traditional media.

#### ***4.3.4 ABOUT THE FUTURE OF SOCIAL MEDIA***

Johan does not think it strictly has to be a typical PR employee working with social media. It may be needed now since people are more or less mature and have more or less knowledge about Internet, but he believes that the next generation

will work with social media in their daily work. Social media could be used in all kinds of units within the company as a part of customer service, financial information, public relations, the press office and within the market department. Johan points out the risk if Twitter tries to change their service. It is a very basic service, but it is also Twitter's strength. Johan says "*it is always a risk if you have a winning concept that you are trying to develop, that you end up over-developing what is good*". If Twitter would add a fee for the usage of the platform so that the free alternative will disappear Johan doubts Lantmännen would continue to use the service. On the other hand he thinks that if Twitter adds a premium service they might succeed along with that companies might have an interest in Twitter worth willing to pay for. Another alternative Johan stresses is if it would be possible to measure what a follower on Twitter would be worth. Then it would be much easier to charge a fee. He tells us that it is always a problem with marketing in terms of accounting for the value generated from it.

#### **4.4 BLOGGY**

##### ***Interview with Jonas Lejon – CEO and founder of Bloggy***

###### **4.4.1 ORIGIN AND USAGE**

Jonas idea to start Bloggy originated from self-being an active microblogger one and a half year ago. He saw problems with the microblog services on the market, e.g. Jaiku and Twitter, and wanted to amplify the concept in Sweden by making a more technically advanced service. The need for faster communication and especially communication in real-time makes Bloggy a service that fits in time. Nowadays answers and interaction through messages has shortened immensely, earlier it dealt with days and hours while it today is a question of minutes or seconds. Jonas claims we are going towards a real-time society where everything takes shorter time. Further on Jonas had a vision about that people would be able to update their status message when he created the service, but according to him it is the users that navigate the direction of what the service will become. For example do some people only update Bloggy via SMS, whereas some just see the ultimate use of it in MMS. Bloggy's target group was from the beginning, mainly girls in their twenties, but the majority of the users happened to be in the age of

30-40 years. Today Jonas estimates Bloggy to have around 10 000 users, around 1-5 percent of those are companies. The precise number of private persons versus corporations is difficult to measure, since no distinction is made when an account is registered. In terms of scope of use it may differ between corporate and private. Mostly companies Jonas knows register in order to connect Bloggy to their blog, so when the blog is updated Bloggy also changes. Moreover monitoring of social media sites generally occurs in corporations. For example someone expressed their interest in car insurance and Länsförsäkringar responded what they can offer. Jonas firstly illustrates the social monitoring and then the responding by explaining the example. What drives Jonas forward is to build a service that people like to use, and then of course he mentions the financial part which is necessary for making it work. He gets energy when he hears that Bloggy enables people to help other people by e.g. sharing information. This makes Jonas happy – just a few days ago he heard that someone had got an employment through Bloggy. Such things inspire Jonas to continually improve the platform.

#### ***4.4.2 PROBLEMS THAT BLOGGY FACES***

One problem when it comes to corporate users is the difficulty for them to prove they are staff of the company. For the moment Jonas is considering to let companies pay for a verified account as a solution of the issue. Another problem with microblogging, which is the most important one, is the difficulty to keep the users. Jonas tries to be updated in the microblog debate all the time by e.g. engaging in the social media discussions and simultaneously market Bloggy there. Many blog about Bloggy, which is good as it through that way spreads itself. Jonas tells that surveys on Twitter indicate that 60 percent of all registered do not return after the month they signed up. Jonas believe one explanation is people's eager to test new things, but obviously they will not return if it is not good enough. Here Jonas see Bloggy's potential in terms of what he can do to keep users. For example news letters can be sent out reminding about the status update if one has not updated it in a month. Though it must be done with carefulness because the worst of all is to be opinionated. Stress to update your status might also be a drawback connected to the service Bloggy provides. To maintain the platform users and partners wishes are mainly met by improving performance-related parts, such as preventing shutdowns on the site. Many microblogs have

problems with holding capacity, since real-time requires high performance capacity and access.

#### ***4.4.3 PARTNERS AND COMPETITORS***

All companies that update their status at Bloggy are partners. Expressen for example, has on every digital article added a button which enables sharing it with Bloggy. This is something Expressen has chosen to do by their own initiative. Ellos, Åhléns and SvD are on their way to add the feature too. Regarding the competitors Jonas mentions traditional forums such as MSN, Facebook and says these could be rivals. On the other hand Jonas sees Bloggy more like a complement to other services. He does not want to compete with Twitter, rather work as a complement by connecting the two microblog platforms.

#### ***4.4.4 IDEAS ABOUT FUTURE BUSINESS MODEL***

Jonas sees some potential with Bloggy and the future development of the business model. He suggests the idea about offering a premium service that provides a first class service which is not included in the free version. Companies have for example expressed their willingness to pay for Bloggy in order to spread press releases. Jonas also means that new ingredients supervene along with the process when new demands arise. Recently Jonas has tried to develop a sort of “White label”, which means that companies and universities can build their own sites on Bloggy. For example in the way that companies can produce an intranet with the help from Bloggy. Universities could set up a site which allows the university to have some parts of the site open and some closed, a sort of semi-open structure. Jonas also sees a likely development in the way that robots or sensors will be a part of the microblog world. He sees different likely usage areas of robots and sensors, Jonas mentions that an example is a gadget that can be put in your flower that in turn will report to your microblog when it needs water. Regarding the development of Bloggy Jonas has plans to add new features, for example mobile phone applications that sends SMS updates to your cell phone. One application is together with Iphone, which Jonas hopes to see available for the public soon.

## **4.5 SPOTIFY**

### ***Interview with Sophia Bendz – Relation Manager at Spotify***

#### **4.5.1 USERS AND MAINTENANCE**

Spotify has around 2.5 million of users worldwide and close to a million in Sweden. Sophia tells that they define active users as those that have registered an account and are using the service. Unfortunately she cannot give out exact numbers. By carefully listening to the users' feedback is what Spotify tries to achieve in the work of attracting and keeping users. Sophia further explains that the company must be good at providing the members with the features they are looking for, and introducing new ones as well. Another aspect is to keep content up to date meanwhile ensuring that the service continues to run smoothly. According to Sophia *"We are building our product based upon the users needs and wishes."* When updates and news takes place they announce it through press releases via the page.

#### **4.5.2 BUSINESS MODEL AND FUTURE OUTLOOKS**

According to Sophia Spotify sees itself standing on a stable ground, even though there are threatening risks in the surrounding business environment. *"The world economy is making business everywhere work harder for their money but we believe Spotify's business model is robust enough to be a real success."* Spotify continues to develop the service to everyone it is relevant for and all their current and potential users. This can e.g. be done with help of Spotify's strategic partners, such as the record labels, ISP etc. Bredbandsbolaget is one example in Sweden. Sophia believes Spotify will meet a bright future with promising new areas for their business. As mentioned, they are continually looking to improve functionality and that is a very prioritized area at the present. Regarding their intention Spotify aims to reach increased revenue, a better image and market leadership as well, i.e. improve the whole platform and during the journey they will hopefully continue to have fun as they go forward.

## **4.6 METRO**

The discussion the authors had with Per Gunne, Editor-in-chief of Metro Sweden, begins with a little chat about Metro Sweden. He expresses that Metro in Sweden is doing perfectly alright even though the company owning them, Metro International is unprofitable. Metro Sweden has earned money every year from the start and will earn money this year as well, which is the worst since the Second World War.

### **4.6.1 DRIVING FORCES**

When the authors lead the discussion towards the driving forces of social media Per thought that persons always have had a need for talking with one another. People want to gossip, exchange letters and so on, make contacts and share what you do in your life. This is nothing new, just the technique that changes and the name of it is social media.

### **4.6.2 PATTERN OR TRENDS**

According to Per the number of blogging persons which have been very successful with their blogs without support from e.g. newspapers or TV-channels is few. The number might be as low as one on ten thousand. The obvious to mention is the Swedish girl Blondinbella. It gives the impression that everyone can make it. Though most 17 and 18 year olds understand that they cannot be Beyonce. Though starting a blog, taking some pictures of yourself, writing some comments, is simple and fast. You are not dependent of some one saying no, or people telling that you are not good enough and it goes very fast. For writing on a blog you do not need to convince an editor-in-chief of that you are good at writing, you do not need to buy a camera to take pictures, you do not need to learn how to sing or dance and so on. It is just to fire away from home.

The most important in Facebook is the status application, plus all the pictures people upload, it is about showing who you are and being something. E.g. “Per Gunne is eating sushi.” fills some kind of need of insight.



#### ***4.6.3 TWITTER***

Per thinks that it is a bit awkward that of all the persons' Twitter accounts he has watched he does not feel any person particularly clever. It is difficult for any brilliance to pass through the 140 words, if you are not Oscar Wilde. Furthermore about Twitter they actually found pictures to a plane accident outside Schiphol on persons' twitter accounts, just through the search function. The photos were accessible very fast.

#### ***4.6.4 REVENUE SOURCES***

Per says that e.g. YouTube is a black hole, incredible for us to use though the question is how they will earn money. People enjoy uploading videos and watching them, though someone will have to pay for it. The ads they have added will probably not be enough, and he does not either see Twitter as a future economic success. The problem is that if Twitter starts with advertising a new competing site will emerge the week after and this can of course also be Spotify's problem. The service of Spotify is so good from the beginning that it is not incentives enough to pay for it. To pay for something you will probably have to have a very good special interest. Even though sites state that they are superior people are satisfied with the second best just because it is free and easy to access. I rather listen to 20 000 free songs of bad quality than paying 10 crowns for a song, which sounds great. Though newspapers like the Economist and magazines for fashion, where some are superior, one can be willing to pay for. But for the most it will be more and more difficult to pay.

#### ***4.6.5 FUTURE OUTLOOK***

Media has an own interest of blowing up things, yelling to the audience that all news is important. But he does not think that Twitter will be very big, it might have an impact on micro level, such as "today we are diving, check out the blog tonight". That could be very interesting, but he doubts that everyone will follow forty different persons on Twitter. Personally he rather follows a personal blog, with pictures, e.g. what if a superstar had a blog, then he would definitely read it.

## 5. THEORY

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*The theory chapter of this thesis aims to present the principles of swarm businesses, the concept model of “Free continuing with the theories Value networks, Relational capital, Innovation economy, Wikinomics and Opportunity cost. The chapter will sum up with a theoretical framework.*

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### 5.1 PRINCIPLES OF SWARM BUSINESS

What must not be forgotten is that social media sites are companies too, even though they bear modest resemblance with other corporations. A model strongly related to the majority of these social media networks are the principles of a swarm business. The basic idea behind a swarm business is to come up with a solution of a problem rather than put emphasis on gaining profit. The co-work normally results in benefits for the involved and occasionally even the general public as a whole. The swarming of birds that self-organize can likewise be associated to crowds of people swarming together because of a common interest. In contrast to ordinary companies members of a swarm disregard the goal of creating shareholder value. Instead the main purpose is to strive to the cooperative significance of all stakeholders. More specifically swarm businesses work to generate value for the swarm. There are three fundamental principles of how swarm businesses distinguish themselves from traditional corporations.<sup>175</sup>

- Principle 1 says that a company *gains power by giving it away*, which involves to listen to the swarm and thereby follow their requirements.
- Principle 2 says *share with the swarm*, which means that a company cannot take from the swarm without giving back.
- Principle 3 says *concentrate on the swarm, not on making money*, which will result in unexpected revenue streams when the value for the swarm is built.

By following these principles an enterprise will live a life of a swarm business.<sup>176</sup>

Similar for the majority of social media platforms can be associated to a swarm business.

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<sup>175</sup> Gloor Peter A. & Cooper Scott M, *The New Principles of a Swarm Business*. (2007)

<sup>176</sup> Ibid.

## **5.2 ONLINE BUSINESS MODEL**

### **5.2.1 ECONOMIST'S VIEW**

Regarding the criticism about social media's business model, brought back up in the introduction chapter, the opinions differ similar to a color spectrum – from black to white. A journalist from the Economist writes that the era of free lunches are over for the second time referring to the dotcom bust. In other words he means that *“The demise of a popular but unsustainable business model now seems inevitable”*<sup>177</sup>. The Web 2.0 bubble is again providing free internet services and consumers have become used to feasting on digital freebies of all sorts, such as share quotes, news and music. A statement written in 2001, then referring to the IT bubble, can once again be likewise applied. *“These days, however, dotcoms are not making news with yet more free offerings, but with lay-offs - and with announcements that they are to start charging for their services.”*<sup>178</sup> To refresh the background *“firms sprang up to offer content and services online, in the hope that they would eventually be able to “monetise” the resulting millions of “eyeballs” by selling advertising”*<sup>179</sup>. By renewing the same concept Google started to place small, targeted text advertisements next to matched search results in 2004. Once again optimism appeared concerning the earlier business models based on revenue streams from banners. With the Internet darlings like MySpace, YouTube, Facebook and recently Twitter the pursuit of “eyeballs” began again. *“Each provided a free service in order to attract a large audience that would then - at some unspecified point in the future - attract large amounts of advertising revenue. It had worked for Google, after all. The free lunch was back.”*<sup>180</sup> The pattern that Internet corporations scale back, decrease their staff, shutting down and try to sell themselves to deep-pocketed industry giants or will start to charge for their services repeats itself once again. Web stars like MySpace and YouTube *“managed to find buyers before the bubble burst, thus passing the problem of finding a profitable business model to someone else (News Corporation and Google, respectively).”*<sup>181</sup> The question how Facebook and Twitter will enable to make profit while keeping the lights on for their millions of users still remains

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<sup>177</sup> The Economist. *The End Of The Free Lunch – Again*. (2009), 19<sup>th</sup> March 2009

<sup>178</sup> Ibid

<sup>179</sup> Ibid

<sup>180</sup> Ibid

<sup>181</sup> Ibid

unclear. The founders of Twitter that planned to disregard revenues until 2010 now seems to prepare for an introduction of ads.<sup>182</sup>

The idea about free products and services online, in exchange for future advertising revenues, is without doubt attractive to users who enjoy the no cost concept. In fact there is even a logic behind, since the Internet barrier is very low it allows new companies to easy exploit network affects to magnetize and retain consumers both speedy and cheaply. Hence, there is no surprise that social media sites give their services away, while the dilemma of making money is being put aside with the idea – “*If you worry too much about a revenue model early on, you risk being left behind.*”<sup>183</sup> Optimally, all businesses need incomes and advertising cannot truly be the one and only revenue source. The Economist paper’s final line is “*Free content and services were a beguiling idea. But the lesson of two internet bubbles is that somebody somewhere is going to have to pick up the tab for lunch.*”<sup>184</sup>.

### **5.2.2 CHRIS ANDERSON’S COMMENT**

Chris Anderson, Editor-in-chief of Wired Magazine and author of the forthcoming book “Free: The Future of a Radical Price”, belongs to the other side of the table. At his personal blog “The Long Tail” he responds the editor responsible for the article from the Economist with his opposed view of the matter. Anderson opens up with writing that he understands the charm of simplify and then magnify, but states that the Economist journalist has done a bit too much of both. Initially he attacks the real issue of the problem by asking back “*where is your evidence that online advertising is a failing model?*”<sup>185</sup>. He bolsters his argument by describing the general decline of the world economy, which resulted in a slow growth for the online advertising too, but stresses the fact that it is still positive. Further on he emphasizes that the worst forecasts for the next year only shows a fall of a few percent compared to last year. According to Anderson “*That’s a lot better than the offline advertising market and hardly supports your hyperbolic claim that “the*

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<sup>182</sup> The Economist. *The End Of The Free Lunch – Again.* (2009)

<sup>183</sup> Ibid.

<sup>184</sup> Ibid.

<sup>185</sup> Anderson Chris. Longtail. *My Letter To The Economist.* (2009)

demise of a popular but unsustainable business model now seems inevitable”<sup>186</sup>. What is another heavy counterargument is that free business models online have more to offer than advertising. “The big shift since the crisis has been the rise of “freemium” (free+premium) models, where products and services are offered in free basic and paid premium versions.”<sup>187</sup>. Flickr and Flickr Pro which provides more storage is exemplified, though the most sharp-edged claim is that Anderson mentions the Economist itself for using the method. Last but not least, Anderson contradicts the editor with the phrases “your scorn blinds you to the fact that this crazy idea of giving away content for free and supporting it by advertising is nearly a hundred years old. It is the basis of the standard radio and television broadcast model (“free to air” content) and countless other companies, from the free daily and weekly newspapers to the vast majority of media websites, including all of our own at Conde Nast. It works great—The Economist should try it!”<sup>188</sup>

### 5.3 “FREE”

Anderson talks about four real forms of “Free”: Direct cross-subsidy, Ad-supported, Freemium and the Gift Economy, illustrated in the picture.

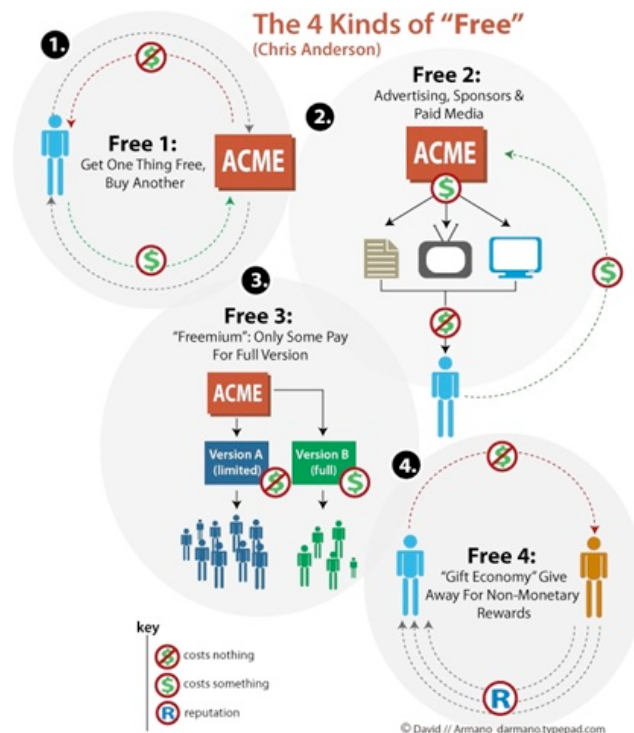


Figure 4. Source: [http://www.longtail.com/the\\_long\\_tail/WindowsLiveWriter/free2\\_2\\_1.jpg](http://www.longtail.com/the_long_tail/WindowsLiveWriter/free2_2_1.jpg)

<sup>186</sup> Anderson Chris. Longtail. *My Letter To The Economist*. (2009)

<sup>187</sup> Ibid.

<sup>188</sup> Ibid.

### **5.3.1 CROSS-SUBSIDY**

More specifically the “Freeconomics” theory that Chris Anderson advocates about in the article “Free! Why \$0.00 Is the Future of Business”, is inspired by Gillette’s razor and blade model - giving razors away in order to create a demand for disposable blades. A traditional business model that has been applied in e.g. the cell phone industry, giving away the mobile phone and in return the consumer will pay for the service operations. In the world of theory this tactic has been called cross-subsidy, where one thing is free if another is bought, or one product is free only if the service combined with it is paid. Over the past years a new sort of free has emerged, which instead of focusing on cross-subsidies highlights the fact that the cost of products is dipping rapidly. This implies that the money has to be generated from something else entirely e.g. a complementary product or service. Debates about how this business model should be applied on the Internet, mainly discussing whether a service should be free versus fee-based, are ending according to Chris Anderson. The New York Times became free in 2007 and during this year mostly parts of The Wall Street Journal will be free too. What the new owner, Rupert Murdoch has announced is that the remaining pay material will be something extraordinary but simultaneously probably more expensive. Anderson’s claims that *“The rise of “freeconomics” is being driven by the underlying technologies that power the Web. Just as Moore’s law dictates that a unit of processing power halves in price every 18 months, the price of bandwidth and storage is dropping even faster. Which is to say, the trend lines that determine the cost of doing business online all point the same way: to zero.”*<sup>189</sup>

### **5.3.2 AD-SUPPORTED**

As discussed above Chris Anderson’s Ad-supported “Free” basically involves providing a free service which attracts many users. The high traffic caused by the free activity draws advertising companies’ attention. With the appearing ads on the pages the users indirectly contribute to the revenue streams by e.g. clicking or watching the ads, which in turn generate revenues for the social media sites<sup>190</sup>.

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<sup>189</sup> Anderson Chris. “Free! Why \$0.00 Is the Future of Business”. *Wired*. (2008)

<sup>190</sup> Ibid

### 5.3.3 “FREEMIUM”

As already touched upon, “*Converting users of a free version of a product to a paid version, is the key to making money on a free product.*” claims Anderson<sup>191</sup>. This is called Freemium, which is a term opposite to the traditional free sample. Instead of selling 99 percent of the product or service and give away 1 percent, one sells only 1 percent meanwhile giving 99 percent away. Why this illogical strategy makes sense is because of its well fit for digital products, since the marginal cost is very close to zero. The remaining 99 percent is such a little cost meanwhile it opens up to a huge market. The 1 percent one succeeds to convert to premium paying users is 1 percent of a big number. Anderson suggests some guidelines for typical web 2.0 companies that plan to adapt the Freemium concept as a profit model. Firstly he recommends setting 5 percent which shall convert to premium users as break-even, he believes it is the sweet spot. Simultaneously the mix of free and paid features must be well balanced in order to hopefully converting 10 percent to pay the fee. If the number is higher there might be too poor context offered in the free version and hence the potential with free is not reached. If free users not are reached one misses the chance to reach potential premium users too. Suppose the number is somewhat smaller than 5 to 10 percent, then the costs of freeloaders become considerably large, obstructing the way to earn money.<sup>192</sup>

### 5.3.4 “GIFT ECONOMY”

In a Gift Economy there is no advertising at all, no hidden cross-subsidy involved and no hidden transfer of wealth. It is entirely free labor consumed with no expectation or monetary exchange.<sup>193</sup> Chris Anderson’s own comment about free on the Internet, fetched from a YouTube clip, is as follows: “*So I think in between open source, in the blogger sphere and social networks users generating content and in Wikipedia we are using the creation of a Gift Economy, which is of massive scale and really does not exist in conventional economies at all. Every business that becomes digital, eventually becomes free.*”<sup>194</sup>

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<sup>191</sup> Kohler Chris. *Wired. SXSW: Wired Editor Chris Anderson's Free Will Be Free.* (2009)

<sup>192</sup> Anderson Chris. *Longtail. Freemium Math: What's The Right Conversation Percentage?* (2008)

<sup>193</sup> Anderson Chris. “Free! Why \$0.00 is the Future of Business”. *YouTube.*

<sup>194</sup> *Ibid.*

## **5.4 VALUE NETWORKS**

Another way to look at the value of social media sites is the concept Value Network. This method means that the total value consists of both tangibles and intangibles. The idea is that there is an internal value network consisting of for example the key activities and processes as well as order fulfilment, innovation or customer support. Additionally there are also external value networks, consisting of customers, stakeholders, open innovation networks and suppliers. Together a value is created from the collaboration between different parts of the value networks.<sup>195</sup> According to Verna Allee, President of Value Networks LLC and the leading provider of value network visualization and analysis applications, a value network is a web of relationships that generates economic value and other benefits through complex dynamic exchanges between two or more individuals, groups, or organizations. The non-financial assets are represented by intellectual capital, in other words hidden values.<sup>196</sup>

### **5.4.1 RECONFIGURING THE VALUE NETWORK**

Even though the consciousness of intellectual capital and intangibles, these aspects have not been generally acknowledged in business models. Verna Allee describes an approach to reconfigure business models in order to understand the newly recognized values. Furthermore she calls it the new currencies of value stressing that a value network adds economic value through complex and dynamic exchanges between companies, customers, suppliers, strategic partners and the community. Not only do these networks engage in transactions around goods, services and revenues, but also two more currencies are contributing in the value creation, namely knowledge value and intangible value or benefits. Why all parameters are called currencies is grounded in their purpose of serving as a medium of exchange. All three parameters are vital in a value network.<sup>197</sup>

The three currencies more precisely embody:

1. Goods, Services and Revenue (GSR)

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<sup>195</sup> Allee Verna. *Value Networks*. (2009)

<sup>196</sup> Allee Verna. *About Value Networks*. (2009)

<sup>197</sup> Verna Allee. *Reconfiguring the Value Network*. Published in Journal of Business Strategy, Vol 21, N 4, July-Aug 2000



Exchanges for services or goods, including all transactions involving contracts and invoices, return receipt of orders, request for proposals, confirmations, or payment.

## 2. Knowledge

Exchanges of strategic information, planning knowledge, process knowledge, technical know-how, collaborative design, policy development, etc., which flow around and support the core product and service value chain.

## 3. Intangible benefits

Exchanges of value and benefits that go beyond the actual service and that are not accounted for in traditional financial measures, such as a sense of community, customer loyalty, image enhancement, or co-branding opportunities. The intangible value exchange is the real reason for engaging in the activity.<sup>198</sup>

### ***5.5 RELATIONAL CAPITAL***

Much of what has been discussed in the previous paragraph about Value Networks can be associated to relational capital, which is one part of intellectual capital<sup>199</sup>. Moreover relational capital refers to the value created by knowledge that exists in external social links and inter-relationships. A part of relational capital, referred to as client capital, lies in the ability to create customer relationships and to enhance these relationships. The second part of relational capital is network capital, which emphasizes on the relationship in the wider network, such as relationships with suppliers and other partners.<sup>200</sup> Image, customer satisfaction, customer loyalty and commercial power are examples of relational capital.<sup>201</sup>

### ***5.6 INNOVATION ECONOMY***

Dan Robles, director of the Ingenesist Project, talks about the possibility to treat knowledge as a financial instrument, which would result in a categorization of a

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<sup>198</sup> Verna Allee. *Reconfiguring the Value Network*. Published in Journal of Business Strategy, Vol 21, N 4, July-Aug 2000

<sup>199</sup> Edvinsson Leif. *Knowledge navigation and the cultivating ecosystem for intellectual capital*. Chapter 1 in Ahonen, Guy (Ed) *Inspired by knowledge in organization*. Helsinki 2008, Hanken #182

<sup>200</sup> Swart Juani, Kinne Nicholas, *Simultaneity of Learning Orientations in a Marketing Agency Management Learning* 2007 Vol 38 Nr 3

<sup>201</sup> InCapedia. *Relational Capital*. (2009)

tangible asset. He means that the current financial crisis leaves a hole in favor for social media, whereupon the knowledge economy will be exchanged for the innovation economy. The development of social media is today explosive and people are flooding to social media like a form of an economy. Robles further clarifies that users of social media are trading options without any obligations e.g. talk to friends and create networks. The new innovation economy based upon social media includes social capital, creative capital and intellectual capital. Robles points out that the capitalization of these three types of capital might not be valued in terms of money, but instead in terms of knowledge. He explains that knowledge will be measured as a rate of change and based on the change a value can be set, whereupon the rate will be assessed on the same principals as the interest at a bank account. Robles additionally discusses the difference in time of change between a traditional corporation and a social media company, stressing that the latter one only requires a week for adapting to the consumers' wishes, whereas it can take decades for traditional enterprises.<sup>202</sup>

## **5.7 WIKINOMICS**

Collaborating in a greater extent is of highest importance in Wikinomics. Mass collaboration implies that people participate in the creation of value in a greater extent which today takes place in e.g. MySpace, YouTube and Wikipedia. The fact that people together create implies that the product can be very powerful and yet cost efficient. The result can lead to that individuals and corporations construct an unexpected wealth and reach unprecedented heights in learning and scientific discovery.<sup>203</sup>

The main principles of Wikinomics consists of openness, peering, sharing and acting globally. Openness means that companies that were closed in their attitudes now are opening up towards networking and sharing. Peering implies participation in the creating of a service. The motivation to participate in a peer production can be the fun of it and to contribute with something valuable. The third component, sharing, builds upon creating a higher grade of collaboration by involving people from the outside. The fourth aspect, acting globally, considers

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<sup>202</sup> Robles Dan. *Jay Relationship Economy Show With Dan Robles By Skype Video*. (2009)

<sup>203</sup> Tapscott Don. Williams Anthony D. *Wikinomics – How Mass Collaboration Changes Everything*. (2006)

the thinking of being present on a global arena broadens the playing field of where to do business.<sup>204</sup>

All together the four principles represent a high grade of the characteristics for companies acting in the 21<sup>st</sup> century. This clearly separates the new ways of doing business from the old ones. The old method of organizing companies hierarchical has proven inefficient when aiming to reach high amount of innovation, creativity and connectivity.<sup>205</sup>

### 5.8 OPPORTUNITY COST

The term opportunity cost can be referred to the foregone income another decision could have brought. In the example of a student deciding to study instead of working the forgone income from not deciding to work is the opportunity cost.<sup>206</sup>

### 5.9 THEORETICAL FRAMEWORK

The five theories presented above will help the authors to perceive social media's business models in terms of identifying the different values of both economic character as well non-financial values, where the latter one is labeled as hidden values according to the writers of this thesis. This framework will work as a guidance in order to find the different value dimension of social media.

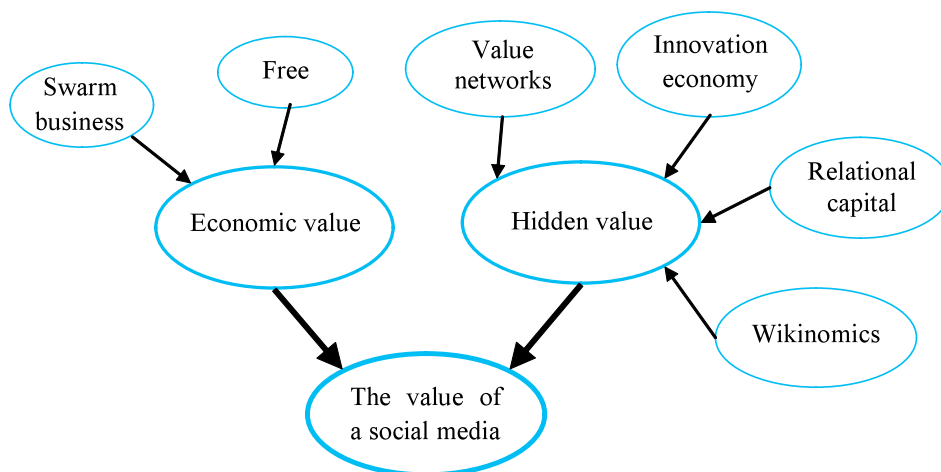


Figure 5

<sup>204</sup> Tapscott Don, Williams Anthony D. *Wikinomics – How Mass Collaboration Changes Everything*. (2006)

<sup>205</sup> Ibid.

<sup>206</sup> Arnold Glen. *Corporate Financial Management*. (2005)

## 6. ANALYSIS

*In this part of the thesis the authors will deeply investigate the empirical data. The evolution of social media will be presented in six different phases, followed by categorized driving mechanisms and further on the business models are analyzed.*

After the presentation of the social media landscape the writers of the study want to visualize their own illustration of the mapping. By putting all discussed social media sites and its predecessors in relation to each other it is important to stress that the placements are not precise, but instead more serving the purpose to create an understanding of how close or far the relationships and links are between them. The vertical axis symbolizes level of communication whereas the horizontal axis represents level of media. The higher combination of these two features, the higher degree of social media it is, considered with inspiration from what a social media is. Hence, the plots lying in the upper right corner constitute more refined social media than the ones positioned adjacent to the axes.

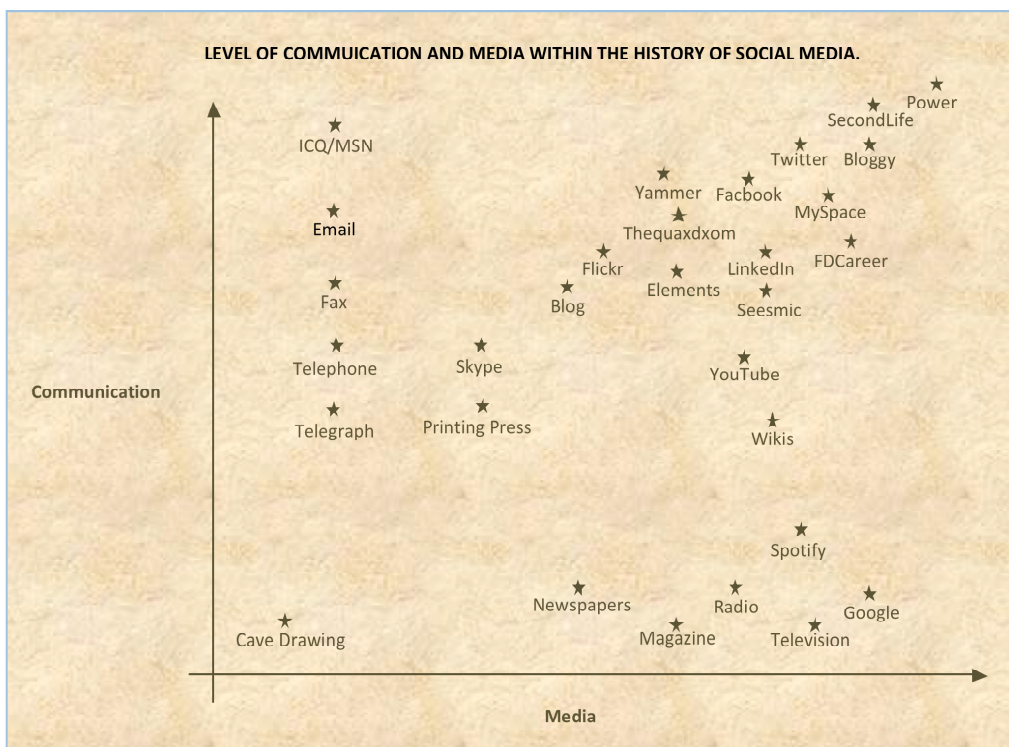


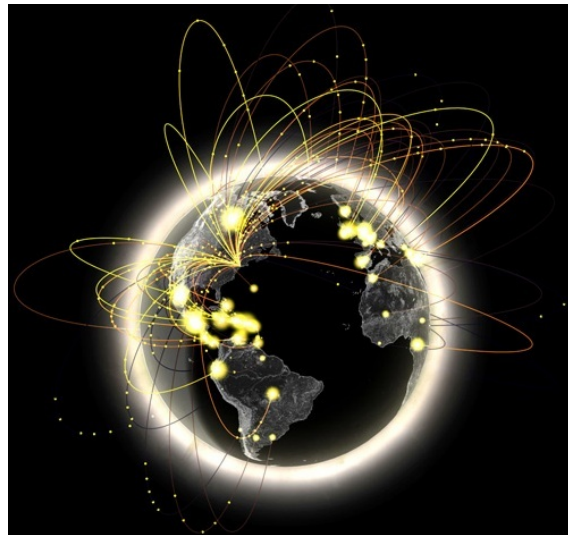
Figure 6

## 6.1 PHASES

After presenting the different social media pages the writers of the thesis can discern six different eras of the historical mapping. An analysis of each phase's characteristic in terms of trends and patterns will begin this research analysis.

### *6.1.1 PHASE 1 (1960 ~ 1996) - THE FOUNDATION AND DIFFUSION OF INTERNET AND THE FOREGROUND OF SOCIAL MEDIA*

Communication has always taken place in different forms and it has obviously developed in accordance with the technical evolution. From the mapping of the social media landscape one can see that the foundation has its roots from universities' experimentation of communicating, sharing information and connect on the web in the 1960's. The first version of what we today call e-mail has its origin during this period. The following decades a geographical spread outside America took place among university networks, which until the 1990's developed to become the birth of Internet. A common denominator of the evolution of the social media landscape is the



Picture 9. Source:  
<http://senseable.mit.edu/nyte/images/01%20nyte%20-%20globe%20encounters.jpg>

openness for everyone, which can be tracked back to this decade. The prerequisite that enabled the public all over the world to get the key into the earlier closed network was the World Wide Web. Meanwhile the WWW symbolizes the release and general spread of the web, the e-mail was one of the first digital functions of spreading communication and files. As described in the thesis presidential elections have had a finger involved in the game almost since the start of the Internet evolution. This can also be seen as one factor contributing to the seed of social media. Due to the power and authority associated with the American president election it likely became trendy and respected to engage within different sites online. Before Internet was introduced there were no sufficient incentives for

the general public to buy a personal computer, because of the limited usage areas such as playing games and word processor purposes. Corporations started to use computers in an early stage whereupon the adoption of Internet became a natural expansion. Thus it resulted in the employees realizing the benefit of the Internet. With the recognized functionality of the web phenomena and the acceptance it gained from the president election the computer gradually started to enter into the People's Home. To more elaborately describe the formation of the painting of the social media landscape one can resemble the web to a micro terrestrial globe, where all users in the mid 1990's were circulating around. In comparison to how more dense geographical areas evolve different groups were created and clustered together on diversified homepages because of common interests, curiosity or by randomness. Small villages are in this case the equivalent to Intranet and forums that started to emerge in the Internet world around the mid 90's. These types of communities are the foundation of social media with elements such as unification and type of sharing. During this period of the process the foreground of the social media landscape was built.

### ***6.1.2 PHASE 2 (1996 ~ 1999) - THE CORE OF SOCIAL MEDIA EMERGES & ADVANCES***

Along with the development of Google, wiki and chats the second stage of digital social media began to form. Interaction and information sharing were brought one step further with an extended opportunity to collaborate. It is impossible to strain only one certain mechanism or site that started the social media wheel to spin since there has been a seamless transition between overlapping web functions that together have shaped the landscape. The dimension of interconnection that emerged through the chat contributed to an amplification of the linkage between users, both locally and globally. This can be seen as an addition to the e-mail in terms of a faster and instant way to connect and share with other people. The creation of wikis led to that the openness occurred in a combination with a possibility to enclose a group of people to a special wiki. Wiki's flexibility is one reason to why users found different areas for the service's usage. Once again one can recognize gatherings to the same spot, which the authors believe was a keystone to the foundation of communities. Back to the metaphor of the terrestrial globe this was the period of when cities started to evolve. Furthermore wiki was

not only applied by corporations, but private users realized the essence and convenience of the tailor made service. During the years included in the second phase the blogs' origin also was developed, but it was not until the next phase the blogs had its breakthrough.

### ***6.1.3 PHASE 3 (1999 ~ 2003) - MORE ADVANCED TECHNOLOGY TAKES PLACE IN SOCIAL PLATFORMS***

Around the millennium the blogs brisked and won popularity mainly as an online diary. Interesting is the general story of blogs where one can interpret trends towards more expertise blogs, e.g. Chris Anderson's blog The Long Tail. One feature that appears again is the comment, which firstly was related to forums on the web. Blogs and comments are parts of social media sites, which in turn have contributed to an increased communication as well as inspired to other social utilities on the Internet. The third era of the social media landscape was characterized by formations of complex social platforms, e.g. Second Life, and new technology of communication e.g. Skype. Once more associating to the evolution of the world map, the previous mentioned occurrence has parallels to when the landscape matures and capitals and regions grow stronger. When Second Life was launched the social media jumped into another dimension, namely the virtual world. Despite its hype, this platform may not have been the coming successful track within social media. Although the site was a huge advancement in the evolution process, and it did definitely put its own twist of how a social media can develop. Hence, a proof of that the landscape not only accepts traditional social networks to develop and spread, but in fact very extraordinary ones.

Furthermore, when Skype appeared on the web the micro world on the Internet additionally shrunk, since the distance between people apart from each other not only was a phone call away, but instead a free phone call away, even though the criteria was to be connected online. Despite that the function of calling is an old innovation in the real world, the service online was a huge success. Trying to find the earlier applications and functions that drove the evolution forward to a platform like Skype, one can see an extended version of a chat conversation in combination with sound clips that e.g. MSN already provided. In the first sentence

of phase one it can be read that the way to communicate has followed the technological development and so has the evolution of the social media landscape as well. Even though there has been a continuing and improving technical expedition of the evolution of social media this phase can be identified with a technological rise higher proportional than before. Thus, the period reinforces and enhances the innovation of social media, which prepares the landscape evolution to something even bigger and multifaceted.

#### ***6.1.4 PHASE 4 (2003 ~ 2008) - THE BOOM OF SOCIAL MEDIA***

The fourth phase characterizes the explosion of social media when a huge amount of sites emerged. MySpace, Facebook, Flickr and YouTube, all well recognized social media sites, popped up on the web closely after each other, stretching from August 2003 to April 2005. These big sites have had a very high impact on the future evolvement. Why MySpace and Facebook became real giants could be explained by the fact that MySpace founder earlier. What is typically new for these ones, especially the first three of them, is the composition of many primary Internet functions gathered under the same roof. Facebook for instance has a spectra of applications all linked to the same account, for example; messages, photos, status, chat, video and so on. All of these features are either fetched, inspired and developed from earlier social media, or newly innovated applications waiting to be further explored by the next social media step in the evolution. Out of MySpace and Facebook it is possible to distinguish a trend in social networks starting to evolve. Just like people want to socialize in a greater extent than with one another privately through a phone call or a chat, people want to interact and socialize on a higher level e.g. on a social gathering in reality or in a social network online. One recurring trend is that students and universities are involved in the evolution of the social media landscape, e.g. Facebook's and Google's creation. Thus the young generation has had a high importance of the social media development.

MySpace has for long time been considered as a competitor to Facebook. Although they are similar there are distinctions that separate them. MySpace is one of the first social media pages famous for having developed a community especially friendly-user for artists and celebrities. The platform has a connection



to the contribution and evolution of the freedom over designing your own profile in the social media landscape. In that way artists for example have the availability to choose how much and what they want to expose. Facebook on the other hand can be classified to a more general site with no special niche on target group, but there is a story of that process too, recalling the limited network it once was. An interesting topic to reflect over when recently brought up is what impact and effects limited networks versus fully open networks directly from scratch has on the evolution of the social media landscape. Our thought is that a limited network raises curiosity while it simultaneously gives the impression of exclusiveness since e.g. an invite or a fellowship are needed in order to get access. This has for sure inspired coming social media sites strategy to attract users. Another aspect that already has been touched upon in the discussion of this phase is the emerging trend to limit what is presented about oneself, in terms of protecting the integrity. A good example is once again Facebook which during its lifetime has developed different alternatives to open or close one's profile, something that the writers themselves have followed on Facebook. Along with updates on these pages one can sometimes see a tendency towards over development, which results in a loss of simplicity and it also can cause the platform to lose its core concept if opinions that the site was better before arise. Johan Ydring from Lantmännen stresses this fact. On the other hand the continuous adoption to the users' wishes is probably the explanation of Facebook's success. This strategy is in accordance to swarm businesses' principle about listening to the users.

Another big trend that emerged during this boom was the dimension of expressing yourself by sharing photos and videos. A web photo album is more or less what Flickr has contributed to the social media landscape. YouTube has developed the concept of uploading private videos, which also can be seen as another direction and extension of the landscape.

Common for all these social media sites are the connections one can make to one another. On YouTube for example it is possible to link a video to a person's account on Facebook. This is a spreading trend that more and more sites adopt, which also can be recognized as an added application on blogs in order to link to other blogs. What also can be seen during this era is a higher degree of

involvement from companies in social media. Opportunities are given in areas such as exposure, marketing, communication, interaction and engagement on these different sites, but it is not until the next stage corporations actively participate.

#### ***6.1.5 Phase 5 (2008 ~ 2009) TODAY'S SOCIAL MEDIA LANDSCAPE***

This phase is where we are today - a mature and high technological social media landscape has developed and eternal improvements and extended details pop up all the time. Microblogging for example is already recognized as an extension of Facebook's status application that e.g. the founder of Twitter saw potential in polishing the feature and make a whole new concept out of it. This has contributed to a variant of social media sites that embrace real-time functions. The status application can further on be derived to e.g. MSN or Skype accounts, where each one can write a personal comment presented for all friends.

What is more identified is an increasing trend of celebrities mass expressing themselves through microblogs that all followers can read the second after the short message is posted. Recalling the discussion about MySpace the engagement from celebrities can be seen as an extension of their personal choice of exposure on the web. One famous person's Twitter account can be seen as an interactive fan club where a dialogue between the star and the follower is possible. Previous reasoning leads to the question of celebrities' impact of the evolution of the social media landscape. One idea is that their magnetic power attracts more users to become active on sites where these special persons are seen. Hence, they have contributed to an increase of users. Furthermore there is a consistent pattern of politicians and presidents involving in social media. Perhaps their strongest intention is to spread their message to the greatest potential mass possible, in order to become famous or gain opinion. Barack Obama's presidential election illustrates the discussed strategy accordingly. Thinking of the age of the engaged people in terms of artists and politicians conduct the writers to state that it is not only the adolescent generations' engagement that appear as a consistent pattern throughout the evolution. Perhaps this has led to an increased acceptance of social media lowering the earlier skepticism concerning these sites. The authors like to see that a slow general transition towards a rise in the older generations' partaking

within the landscape has taken place. Jonas Lejon confirms the presumption by his reflection about Bloggy's main users that turned out to be middle-aged instead of girls in their twenties.

Another user category that has grown stronger during the fifth phase is the companies' involvement in social media. The corporations have realized the traffic of private persons on the web, which in fact also represent the consumers of companies. Earlier the enterprises set the frame for the dialogue between themselves and the consumers, by e.g. customer service. Thanks to social media private users can express and expose their opinions about companies, their products and services openly, which consequently transcended more power to the consumers. Thus, it is no coincidence that more and more enterprises are present on social media platforms. Since the power has shifted towards the consumers, different ways of communication and sharing have been enabled. Johan Ydring from Lantmännen describes the situation by claiming that "*the dialogue is happening with or without us*", which is a sign of corporations' insight to engage within social media. Further on TeliaSonera's Lars Wallmark discusses the importance of being where the consumers are, which illustrates the corporations' adoption in the social media landscape.

A very interesting trend that has developed during the evolution of social media is how these sites experiment with the concept of limited versus fully open networks. A fairly new social media that exploits the technique is Spotify, which really has created a hype around its free version due to the relatively few invites that circulates around. The idea of closing the free version to an invite that becomes very exclusive if the site is popular is something new occurring in the landscape, not recognized before. According to Spotify the need for an invitation depends on limited server capacity, but of course it drives up the value for having access to Spotify. Ulrika Rundqvist at Good Old mentioned that it becomes more trendy to have access instead of owing something. The authors believe this shift of thinking has contributed to an increased popularity within social media. What also can be visualized is a new element evolving in the social media environment, which is the sharing of music play lists. To summarize today's happening in social media there is a growing user base of both private and corporate users,

sophistications of single features are made more detailed and the power within social media rises constantly. Anticipations of how the social media landscape will continue to evolve are widely spread. The next phase will highlight some of the future speculations as well as trends the researchers see coming.

#### ***6.1.6 Phase 6 (2009 - .... ) TOMORROW'S SOCIAL MEDIA LANDSCAPE***

What firstly can be recognized by looking at the paragraph about Futurizing in the Social Media Landscape is the speediness of how rapid new social media today develops. The mentioned new platforms are just a selection of tomorrow's sites emerging all of a sudden. In comparison to how blogs evolved, which approximately took eleven years until the term was coined, one can see an enormous development of how quickly new ideas now becomes real. Furthermore the future will offer a scope of dimensions by scanning the different focuses each name-dropped site, in the futurizing paragraph, will provide. What the writers perceive is that some of the future social media pages have fetched inspiration from earlier social media and combined their separate functionality with a twist. For example Seesmic, the videoblog, is an integration of a blog site and YouTube. Gypsi chooses to fully incorporate the cell phone's usage into social media and FDCareer, the virtual world focusing on career and role play, has mixed compounded functions of Second Life and LinkedIn.

More specifically about different suggestions what will be the next trends and hypes, Ulrika Rundqvist from Good Old talks about the incorporated cell phone's usage within social media. The authors believe the mobile applications will be more common in the future. iPhone's breakthrough has contributed to constant availability to e.g. Facebook, Skype and Twitter. Third parties make this possible through developed applications. To use these sites via cell phones in a simple and convenient way will be a key success factor for future social media sites. The development of these applications has previously been made by third parties, which also is expected to continue. This means that social media not only will be dependent on users, advertisers and server providers in the future, but also on application developers.

Today's discussion partly emphasis on social media's negative effects in relation to stress and distractions. Will this factor over steer and make people loose focus or being hyper stressed? Hopefully people learn how to control their approach to social media and the evolution will not cause any major problems. Lifestreaming or in some cases called multi network management, which Ulrika believed to be the next hype, can by the researchers be seen as a way to decrease the stress factor generated by the time it requires to fully activate yourself on a single platform. Lifestream will facilitate the spread activities to be synced, hopefully saving time while the service creates value in terms of convenience.

Bloggy's founder Jonas Lejon sees a totally different future usage which involves robots and sensors. Once again the technical evolution plays a vital role for the evolution. Suppose this advancement takes place. Then the writers can see a whole new potential usage area for e.g. industrial companies. What is behind the door to the future is a really an exciting topic. According to the future views the authors believe the wheel will spin faster and faster and generate more and more social media pages. Hence, the landscape will continue its journey of development in a dynamic and changing manner.

## ***6.2 A LANGUAGE SHIFT?***

During the discussion with Dr. Charles Savage thoughts about a new emerging pattern of words, frequently used in the context of social media. A further elaboration leads the authors of the thesis to find a new language era. What can be distinguished is that the words in the new language not were used a couple of years ago. With this in mind the evolution of the social media landscape has brought us to a new way of speaking. In order to illustrate this transition a number of words that typically were used in the industrial world are presented as well as words intercepted during this research of social media. The following words presented in the figure below are compiled by the writers of this thesis.

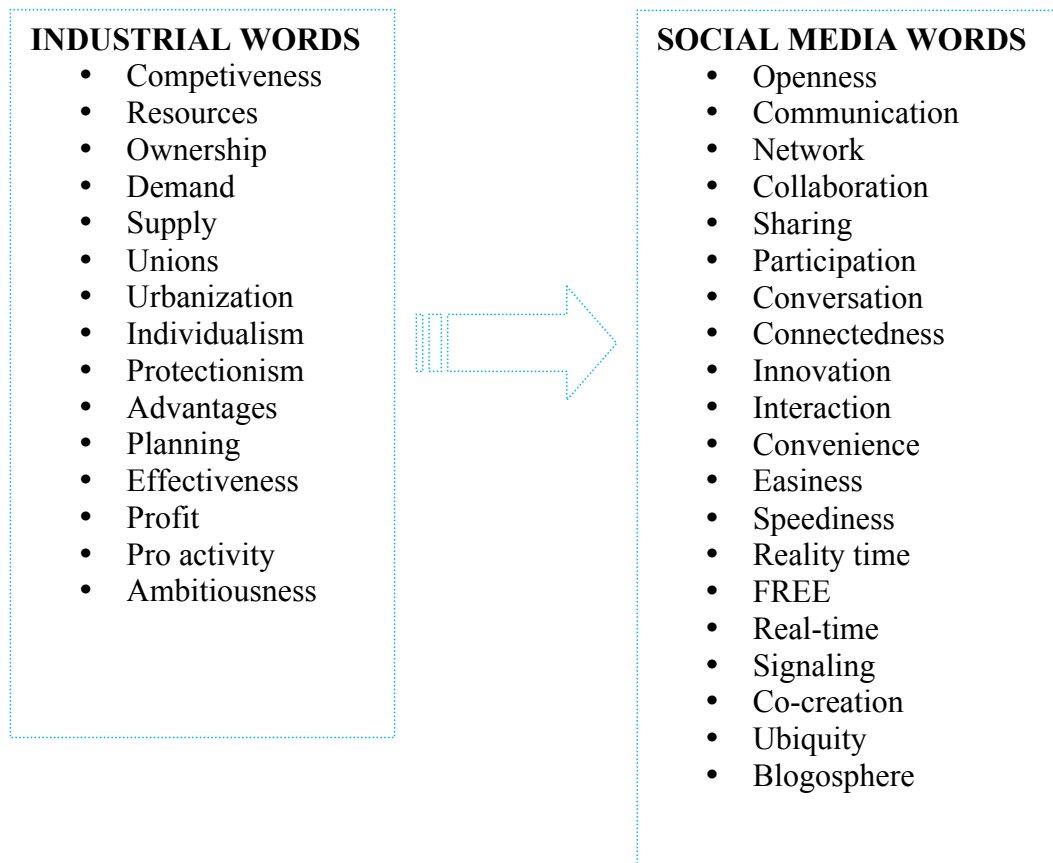


Figure 7

A language conditions the way people interact with one another. Suppose a talk with a farmer 150 years ago about pro activity, efficiency and competition. Then he probably would not understand, but if talk instead had been about planting and farmers growing things together, he would understand directly, because it was the way he lived and talked. With the new language generated from social media a change will happen in our way of thinking, resonating and interacting with one another. Since *openness*, *collaboration* and *sharing* are words among others frequently used, one can expect it will bring us more together and give us a sense of community feeling. If this happens people probably will develop themselves on a deeper level, and further learn and explore more in comparison to what the industry world's lonely competitive individuals did. Most likely the same will take place in the context of organizations and corporations. It can already be noticed within e.g. the development of Facebook, where among other third parties participate, and the greatness of Google, which both can be derived from collaboration. Companies as well as individuals will shift their way of working simultaneously as platforms and networks will grow.

What tells us that social media is not just a hype soon fading away and the new language paradigm is just a crazy idea? The fact is that the majority of younger people use social media in daily life. It is a part of our lives - we tweet, we chat, we poke, we blog and so on. This will not disappear; good and convenient communication will not diminish. Look at the phone which still is popular to use, even if more calls are made through the cell phone or Skype. The fact is that all these communication tools are technical solutions for being social. The tool for communication and the way communication takes place may change, but communication will for sure never stop.

### ***6.3 EXPLANATION MECHANISMS & DRIVING FORCES OF THE SOCIAL MEDIA LANDSCAPE***

#### ***6.3.1 NEED FOR A COMMUNITY FEELING***

People have always been searching for a feeling embracing togetherness where they can be appreciated for who they are, in other words be acknowledged. This need roots back to the agricultural society when people longed for belonging to a community. By the previous reasoning the writers perceive a driving force of the foundation of social media. What strengthens the motivation is furthermore the fear of being excluded from a greater context, e.g. a meeting in the agricultural society or the group of people which you want to belong to. The authors see the factor as contributing to the popularity of social media, since many cannot resist to engage in the social media sites, when all people surrounding them talks about it as well as using it as the new way of connecting to each other. In the example of Facebook many users feel that they need to become members in order to not feel excluded from what happens in the network of one's close friends and acquaintances. The common need for a community feeling have contributed and still contributes to the growth of social media. Moreover, when a site grows bigger more and more friends in the network join, the feeling of fellowship thus raises, driving the evolution of social media forward.

#### ***6.3.2 TECHNICAL EVOLUTION***

As already ascertained in the analysis of the phases the technological development has played an important role for the creation and process of social media. From

the beginning technology enabled the Internet and spreading of the web, while it has kept on unfolding different functions and applications, which afterwards can be viewed as necessary mechanisms for the building of e.g. different platforms, virtual communities and complex social networks. The technical factor stands as a premise and driving mechanism of the social media landscape.

### **6.3.3 GLOBALIZATION**

To communicate over distance has throughout history been actualized by e.g. messages in a bottle, letters, the telegraphy and phones. Although older communication tools enabled a non face-to-face exchange of conversations they were either characterized by time between the responds, which slowed down the communication, or expensive to use. The humanity adapts along with the world's development and vice versa. Globalization has during the millennium been a recognized word in the general public's vocabulary, and perhaps more of a lifestyle. The world has today become very mobile in terms of people travel frequently, each and every student goes on exchange semesters and employees have meetings world wide, crossing all geographical borders and cultural lines. All previous described scenarios increase consistently, which also indicates that the speed of globalization is overstrained. All types of new meetings created from the modern globalization, form a straggly network of people's contacts linked all over the world. In other words the authors see the world becomes smaller simultaneously as the same geographical distances remain. In order to maintain and facilitate individuals' willingness and vision to keep in touch one has realized the possibilities of how connections could develop over the web. Online the real distance disappears, since all are connected to a unified global network, and one can equally quickly, flexible and cheaply interact with someone in the U.S. if you for example live in Sweden as well as someone three blocks away. Here the importance of social media is brought within the picture. By for example; make a quick call to your friend abroad through Skype, write to a person you met on the vacation through Facebook, share the photos with all your friends when working in another country through Flickr, spread a video worldwide through YouTube and express a message that can be read by followers from all over the world through Twitter. Social media sites efficiently and convenient fulfill the created



need of interaction with people around the world, which globalization has driven forward.

#### **6.3.4 KNOWLEDGE SHARING**

The way people look at sharing knowledge have according to the researchers slowly transcended into a more openly attitude, i.e. one has realized that if I share something I will get something back too. Recalling to what the principles of swarm businesses state it unfolds this reasoning adequately. The core of the modern thinking is closely related to how people are influenced of teamwork spirit and cooperation. If the tape is rewound one chapter the willingness of sharing knowledge with other people has a strong connection to e.g. group assignments in school, team-based tasks in corporations and the power of exchanging opinions in organizations. When the Internet was created a new toolbox for knowledge sharing also opened up, once again more convenient than the earlier used behavior, in terms of the time aspect plus the cost efficiency by e.g. the uploading and downloading functions. When the benefit of knowledge sharing over the web was a fact it resulted in key functions for social media. Thus, it is a driving mechanism of the social media landscape.

Wikis is the natural and first associated social media that incorporates the fundamental element of knowledge sharing. The need for facilitating a gathered place for general information has been a driving force of the evolution. Blogs are further on an example of it, when private persons started to share their thoughts and opinions. More and more experts and professionals have started to use blogs in their daily work, which everyone can follow and comment. This facilitates knowledge sharing from both the readers and the blogger's perspective, since it is possible to e.g. enlighten, share and spread data to interested people or give feedback by commenting a post. Instead of meeting just experts on special conferences, where the only exposure are to those attending, the opportunity to share with the whole world now has become real. There are many types of sharing that has developed online; video sharing on YouTube, data sharing through wikis, photo sharing through e.g Flickr and Facebook, whereas music sharing takes place on Spotify's platform. As discussed there is more than one way of sharing over

the web and hence social media has a tremendous impact on knowledge creation in our society.

### **6.3.5 BECOME FAMOUS AND COMMUNICATE YOUR OWN MESSAGE**

The need to be famous or just exposed have for many people been an aspiration in life throughout history. Often the situation deals with e.g. a musician wanting everybody to hear his/her music or someone who wants to be famous and associated for something they do. During the last decades a trend of being a celebrity to every price seems to have emerged. A number of reality shows



Picture 9. Source: *Gettyimages*.

have created a series of b-celebrities. Who does not remember, “Robinson Robban” and “Big Brother Linda” (these are Swedish B-list celebrities, but the reader can for certain associate to native b-celebrities within its own country), both made their names well-known by doing nothing else than partaking in a TV-program. The possibility for creating attention in terms of e.g. debates, gossip about a person or the specific message this person signals has increased with the openness and greatness of Internet. Information, pictures, thoughts and opinions can through the Internet be conveyed to everybody connected to the web. Thus, there is an inherent power when the reaching availability almost is unlimited, which in the last decade also has been highly recognized. By the rising awareness the underlying needs of becoming famous, exposing oneself or spreading your own message together forms a mechanism explaining parts of social media’s development and success. In the process of expressing oneself different forms of social media have emerged, where private persons in certain ways try to communicate what is on their minds. The most apparent type of this phenomenon is the blogs. According to Per Gunne, Editor-in-chief of Metro, it is very few bloggers that has any kind of support, such as funding, but still a few manage to breakthrough, e.g. BlondinBella who started from scratch and now earns more than enough. This gives the impression that everyone can be famous or make a career by e.g. using blogs or MySpace. The success is not dependent of anyone

else, only of what others think and find interesting. Hence, a driving force has been to create meeting spots, namely social media platforms, in order to accommodate the need of becoming a celebrity. In addition celebrities, e.g. Britney Spears or Ashton Kutcher on Twitter, can through social media express their own thoughts but perhaps even more important respond to rumors or gossip spread in e.g. magazines. This may not be seen as a primary explanation mechanism, though the researchers want to claim that it has contributed to a growth of users which indirectly drives the evolution forward.

#### ***6.3.6 OPTIMAL VALUE EFFICIENCY OF COMMUNICATION – CONVENIENT, SPEED & INEXPENSIVE***

Aspects of convenience, time saving and low founding and usage costs already occurs in the other discussions about the key driving forces of social media. All these factors have been of immense contribution in the dialogue explaining why and how social media sites have evolved. Stress is an increasing phenomena in today's society – people want things to go quickly, which also brings prioritizations to the table. However, many people like to keep and maintain contacts. Earlier these two equations had difficulties to converge, but in order to mitigate the need of speediness and the option to involve in conversations whenever needed during the hours of a day, social media has come up as the ultimate solution. A doze of laziness can also be added as a reason to rather writing a message of what you are doing on e.g. Facebook's status application, than telling each person face-to-face. At the same time as this behavior is smooth and simple the authors like to link it to a type of efficient sharing. By sharing what one is doing has further been developed on sites like Twitter. Additionally the convenience of having all friends at the same place is an aspect of the driving force. On Facebook one can for example send invitations to e.g. dinners and events, and the easiness of reaching all friends one aims to reach with one message is extremely handily. For some groups of people having their whole network connected on the site this is possible. Moreover, the costs of starting a social media are a fairly small in relation to what it can offer. This is also a driving force for the development of social media. From the beginning the evolution of social media could have started as a test of different web sites, since the low costs to experiment with new concepts online. Thus, the writers see the

attraction in the development as well as the usage of a cheap or free service, i.e. social media.

### **6.3.7 NETWORKING**

Hand in hand with globalization's driving force of social media's creation, the need for networking is an underlying explanation mechanism. With a similar background as globalization there has been an increased socializing activity, for instance in different forms such as; new contacts through work, meeting people on back-pack trips and Internet as a place for communication already before social media sites were launched. Due to the influence these factors have people's network has increased and the writers see a tendency towards more superficial contacts being added to people's connections as the personal network grows. To hold a big network has always been generally viewed as positive, because each contact has potential to unexpectedly help out in the future. More contacts also convey more opportunities; for instance more invites to events, more people that might know someone that can help you fix an apartment in another city or more chances to get a job. The need for gathering all imaginable contacts, such as personal, corporate or related to a common interest, at the same place in order to in the easiest way have a possibility to network is a vital reason for why social media, especially social networks, has popped up in the extent of today's supply. By collecting your whole network to one spot it becomes like a register – your own type of telephone catalogue. However, social media has developed for the convenience of e.g. whenever you want to send a short message to anyone included in your network. If a person has a large network, suppose over a hundred of contacts, it is impossible to keep in touch with everyone. This is also a need that has led to a common gathering of social media platforms where the network easily can be maintained, but also extended further. On Facebook, where one can add friends, it contributes to build up a private network as well as it facilitates the adding of new friends through the application “people you might know”. Furthermore the authors find a driving force of the network aspect giving people the opportunity to contact persons they just know a little or not at all. To summarize a demand for optimally helping people to uphold and develop their network is a driving force of social media sites.

### 6.3.8 SOCIAL MEDIA – A NEW INTERDEPENDENCE?

Even though founders of social media have seen a need of platforms enabling people to communicate and share with everyone, network, belong to a community, given the premises to do it pliable, rapidly and for free, the authors have difficulties to believe a fundamental driving force has been to create a dependence of those sites. Nevertheless this is exactly what has been delivered - an unexpected dependence of engaging in social media which earlier was non-existing. If one puts all the investigated explanation mechanisms together, combined with social media, a future driving force will perhaps be the dependency that today exists. To bring the discussion one step further the outcome resembles the result of a blue ocean strategy, namely an untapped demand.

### 6.3.9 SUMMARIZING THE DRIVING MECHANISMS

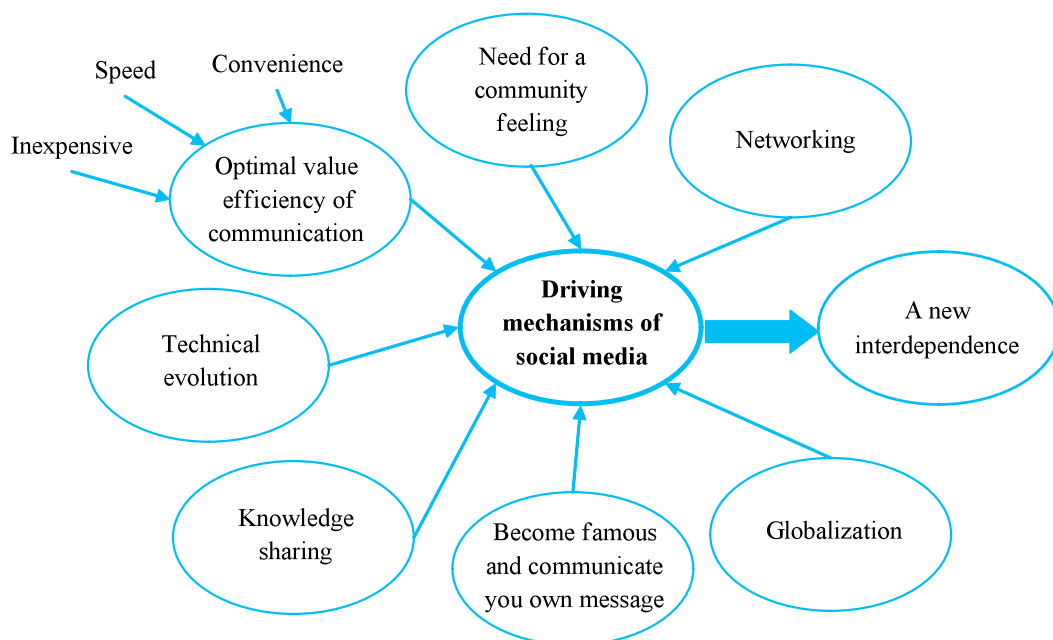


Figure 8

The authors see that similarities can be drawn between the driving mechanisms and the theory of Wikinomics e.g. in Sharing and Globalization; this further supports our discussion about driving the mechanisms.

## **6.4 EXPLANATION MECHANISMS OF CORPORATION'S ENGAGEMENT IN SOCIAL MEDIA**

According to the writers companies today are in the hand of their customers and other stakeholders, which have the power to choose where and when they want to interact. As Johan Ydring at Lantmännen expressed “*a dialogue is happening, with or without us*”. Simply speaking a new trend involves companies to kindly follow its consumers. Although, some corporations see the negative point of it, social media sites are a fantastic tool for them to exploit. Recalling to what Ulrika at Good Olds states about the cost efficient strategy for companies to use in their daily operations, the researchers understand why companies have started to adapt to these sites. As recognized in both Lantmännen's and TeliaSonera's case social media are used “randomly” used and tried in order to test what the fairly new phenomena has to offer. The early adopters from the company user category contributes to set a trend of being modern, which result in other companies wanting to partake as well. Hence, an explosive user base among the company users has begun. However, companies in the study have only reached the phase of listening and testing, but the authors can although see their contribution to the future social media evolution.

## **6.5 BUSINESS MODEL ANALYSIS**

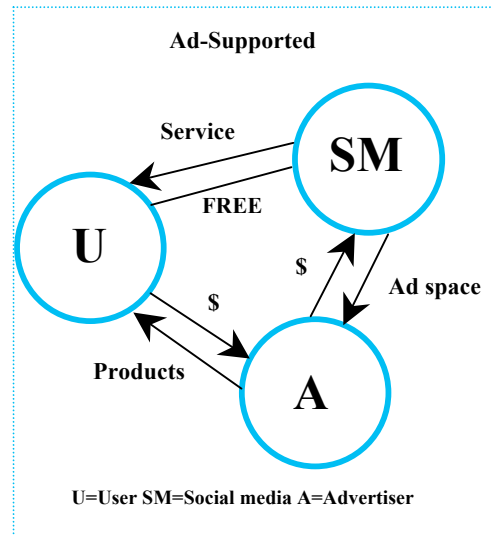
### **6.5.1 ANALYSIS OF ECONOMIC VALUE**

In the following analysis Chris Anderson's four ways of “Free” will be used as guidance for the categorization of the social media companies' revenue models.

#### **6.5.1.1 AD-SUPPORTED**

MySpace, YouTube, blogs and Bloggy are companies that plainly use advertising as revenue source. Facebook, Flickr and Spotify also use ads but in a combination with another revenue source. A reason for ads being as commonly used can be explained by the enormous traffic social media pages attract. Most of these sites have hundreds of millions of users and if only 1 % notice the ads, the exposure is satisfying for the advertising companies, since the total amount of people who

actually see the ads is high. With a high number of advertisers reasoning this way the total revenues from the ads can be sufficient to support the company in terms of making profit. The opportunity for reaching the vast majority in combination with the ability to adjust the ads in terms of relevance marketing, e.g. on Facebook increase the incentives for advertisers to use these social media sites.



Further reasons from social media sites to use ads can be explained by the fact that advertising companies do not require anything back. Of course those corporations stop to invest in advertising if the amount of members drop, but then the social media page will languish as well. Though some opposing arguments claim that the users develop immunity against the ads, but what one forgets is that this always happens. With ads on television, radio, in magazines and so on. Hence the advertising companies are used to the high rate of ignorance the general public has developed.

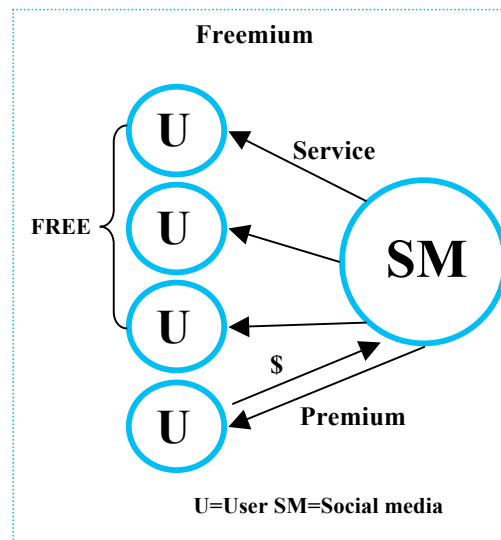
During the introduction period the related costs are considerably lower compared to when starting an ordinary business, whereupon the chances for financially surviving in the first steps of development are rather high. In the start-up phase of a social media the number of users is low. Consequently the chances of attracting advertisers are rather small. As soon as members start to sign up for a membership it will not take long before the user base becomes high. This pattern can be noticed in every successful site. Simultaneously as the number of users increase, the cost of maintaining the e.g. server capacity rises. Thus the social media sites need to attract income sources, namely advertisers, which probably will be interested since the many users circulating on these platforms. Clearly spoken, when the user base grows the incentives for advertises raise as well.

The discussion regarding the lack of sustainable business models within social media seems quite misplaced. Ads is a fully functional revenue source, just look

at Metro in Sweden. Metro as a free magazine functions in that way, exactly as a social media and according to Per Gunne they really manage their business model in Sweden. It is just a question about attracting a sufficient number of advertisers while also struggling with keeping the number of users. Overall it can be seen as a quite logical reason for social media sites to end up with ads as the primary revenue source, if not the only one. Together many small streams constitute the income.

### 6.5.1.2 FREEMIUM

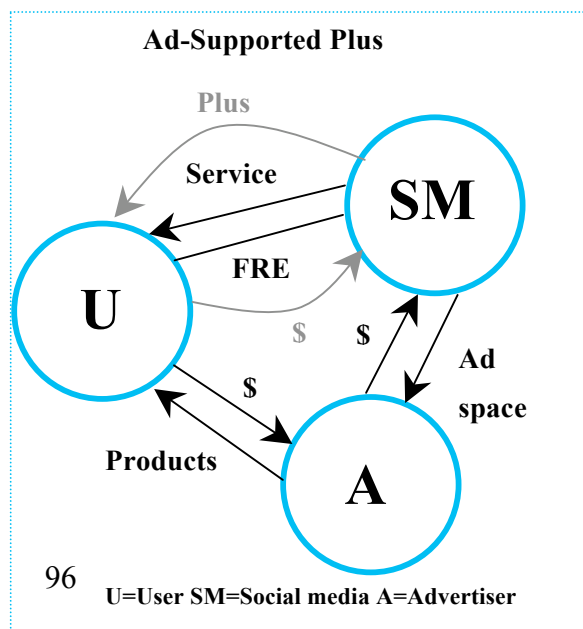
Almost as commonly used as ads is the concept of Freemium. Skype's business model is based upon a free version where it also is possible to load the account or have a subscription in order to reach an extended version - the premium. As mentioned before it is just under the last two years Skype has made profit out of their service. This can be explained once again with the concept of swarm



businesses. Skype has during their first year been trying to increase the quality of their service, since the users have demanded an improvement. Simultaneously as the quality rose the users as well as the benefit increased. In accordance to the concept of Freemium and principal three in swarm businesses, the free version needs to be good enough for people to convert to premium, in order for Skype to generate revenue.

### 6.5.1.3 THE PLUS

The writers have found a pattern within the majority of the studied social media sites, which the authors like to call the Plus. It can be seen as an extension of Chris Anderson's "Free" model. The





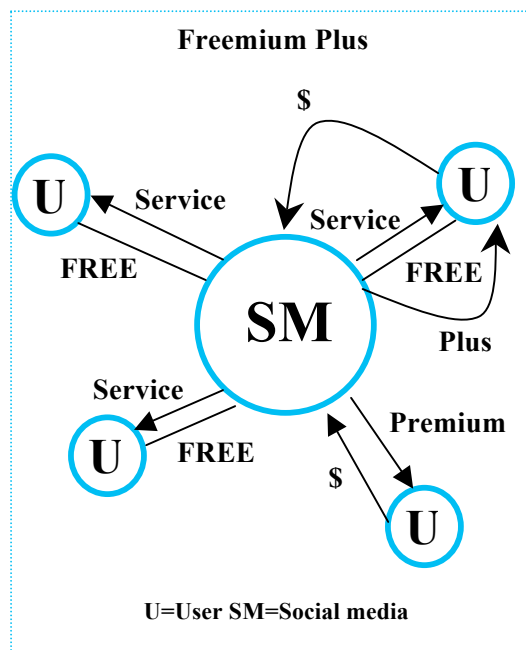
Plus is something extra users can choose to pay for, e.g. applications or services such as a day pass on Spotify. It can therefore not be seen as a premium version, since it actually not is a whole new better version of free one receives when purchasing the Plus.

#### 6.5.1.4 Ads (PLUS)

Facebook on the other hand seems to grow in a sustainable way. As mentioned above an account on Facebook is for free. However, it is possible to buy different applications. Despite the fact that the revenues generated from these fee-based features directly lands in third parties' pockets, it would be possible for Facebook to obtain a part of this cake. Especially since the total sum is quite high for selling these imaginary applications, more precisely \$200 million per year. Consequently Facebook feeds on just different types of ads, whereupon the Plus ends up within a parenthesis which is visualized in the figure with a grey tone.

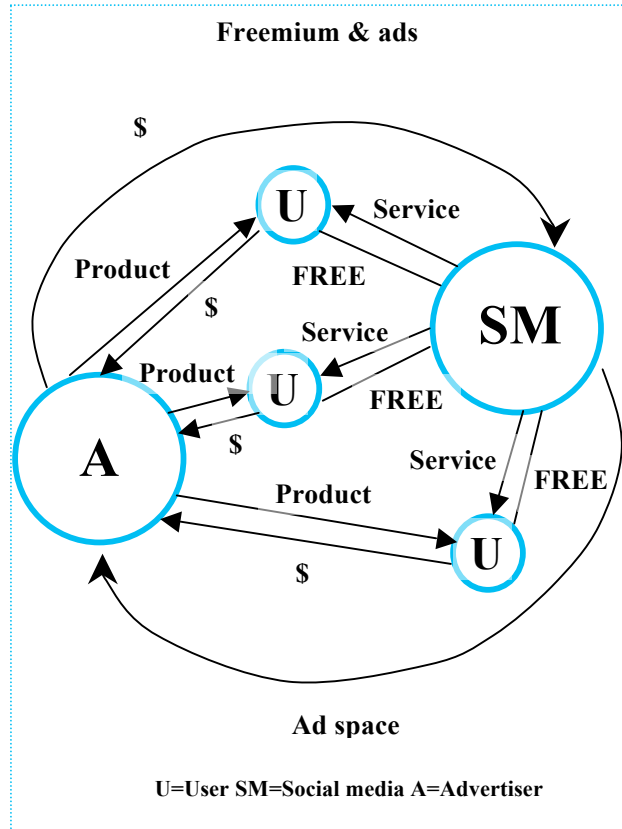
#### 6.5.1.5 FREEMIUM PLUS

Freemium as mentioned above is frequently used, though it almost never seems standing alone as a revenue source. The reason will soon be explained. Second Life's business model is based upon a free version, a premium version and the Plus. The free version gives the user an account where the most common needs are fulfilled, whereas the premium account enables the user to invest in own land. Within both the free and the premium version it is further possible to load one's account in order to buy things such as clothes and pay rent. This can also be categorized as the Plus.



**6.5.1.6 FREEMIUM & ADS**

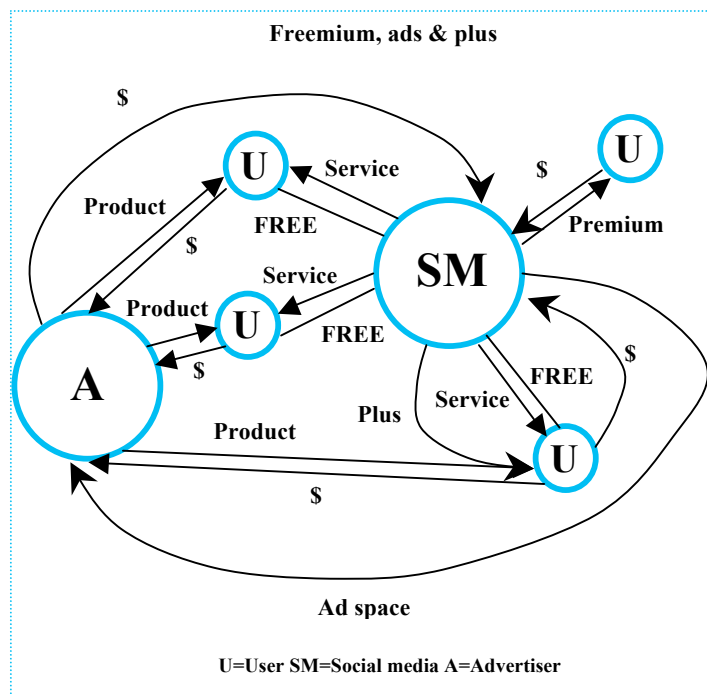
Combining Freemium and an ad-supported model is something Flickr does by providing a free version, a premium version for professionals and an ad-supported part. According to Ulrika Flickr is an exceptional photo stock library. Since Flickr offers a good service for professionals they create additional value and can therefore charge for this service. LinkedIn is additionally categorized under this combination of Chris Anderson’s “Free”. The social media platform has extended the original premium concept by



offering different forms of premium-based accounts. The authors interpret this strategy as a further opportunity to attract different user groups and hence possibilities to generate more revenues.

**6.5.1.7 FREEMIUM, ADS & PLUS**

Spotify is not only one of the latest social media, it has also created the latest combination of revenue model by combining; freemium, ad-supported and the plus. Spotify’s Freemium concept consists of a free version where the users are exposed to ads and a



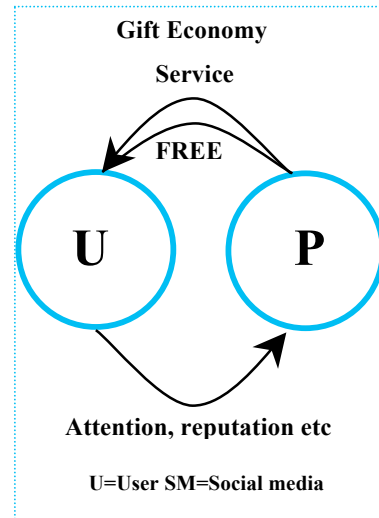
premium service including more music, VIP releases and above all no ads. According to Chris Anderson Spotify should hold around 5 to 10 percent using the premium version in order to make the business profitable. Though in Spotify's case the free version is supported by ads as mentioned. The intention with ads in the free version can be seen as a decoy for converting users to premium. According to the authors the free version of Spotify is already very good providing high value for the users, which implies difficulties in persuading people to change to the premium account. As Per Gunne described people are satisfied with "good enough" for free instead of appreciating the benefit of a higher quality version required to pay for. By looking at all social media companies' business models included in the thesis, the authors have recognized that very few sites use the pure Freemium, without any extra combinations. This indicates a difficulty by exploiting the free + premium concept in terms of revenues, but with the added ads interrupting the incentives increase for users to convert to premium. Spotify further on permanently works with improvements of the premium version in order to enhance the value of it. The main reason the authors see is that the margin of the premium version is higher than the revenue margin received from the free version with advertising. Spotify distinguishes itself from other social media in the sense that of not just bearing the cost for server capacity since the right holders of music require payments. Therefore it is essential for Spotify to convert people to the premium version, because the costs will most likely not be covered with the ads generated from the free version. In order to receive a higher income the Plus within the business model is added. In Spotify's case this includes selling invites to the free version through distributors, offering a Day pass excluding the ads for a minor sum and the ability to download music for payment.

To combine these three revenue sources the premium version will not have to subsidize as much as it would have in a strict Freemium business model. The other parts of the business already is supported by ads and revenues generated from the Plus. This also means that the ad version not has to contain as many ads as it would have had considering a pure ad-supported business model. Favorable for Spotify's business model is that that the free version will be better and the premium version will be cheaper. The outcome leads to a good free version,

which in turn broadens the potential to convert many users to the premium version.

#### **6.5.1.8 GIFT ECONOMY**

Wikipedia and Twitter just seem to give their service away. In Wikipedia's case some funding comes from donations, but regarding Twitter no revenues are generated. Such social media has probably caused comments such as "social media lacks a sustainable business model". As earlier discussed most social media companies do not, they have some sort of foundation to rely on. Twitter is an example of a company where different bids have been mentioned, even though



the business model does not contain any revenue sources yet. The number of users on Twitter is still quite low in comparison with other social media, probably this is an explanation why they are short of revenue sources. As already discussed revenue streams are correlated with the number of users. In accordance to the principles of swarm business Twitter still is in the early phase of development, which symbolizes principle one dealing with adjusting and listening to the users. Thus, the focus on creating profit should be put aside until sufficient value is given to the members. Today everybody talks about Twitter as the next Facebook and this is what the bidders see - when the numbers of users increase the profit will brisk. The strategy of a Gift economy alone will not work as a sustainable business model, but the writers recognize the strategy as a natural way social media sites often start their path in the landscape.

#### **6.5.2 ANALYSIS OF HIDDEN VALUES**

What now has been discussed concerning social media's business models prospect the economic values in terms of how these sites can generate profit. The authors question themselves if the economic value is the only explanation factor that results in the high valuations, e.g. Ebay's \$2.6 billion acquisition of Skype? On the other hand Google's \$1.65 billion acquisition of YouTube implies values of

non-financial character, since YouTube in itself still is loss-making. In addition Google does not seem to put enough effort in the strategy of creating a sustainable revenue source. Previous reasoning falls into the question about what the values are that one cannot see? According to Verna Allee the values lie in both economic value and other benefits, which can help explain the hidden values. Robles further stresses an extended idea about values dealing with other benchmarks than just monetary ones. The coming paragraphs will highlight the identification of these concealed values.

#### ***6.5.2.1 THE VALUE OF FREE***

Illustrated in the revenue model analysis above the users do not pay for the main services of social media. Nevertheless it is a value in offering something for free, since it attracts all conceivable visitors to start and continue to use the service without any expenses. According to the authors people often need to pay for services they find valuable, but since social media's services are free the perceived value is enhanced even more. Mentioned reasoning supports Robles statement of social media providing an opportunity without any obligations. The value of free additionally occurs in the foundation of social media, since the costs are minimal for a site to be launched. To summarize the value of free is a premise for the other values to be created.

#### ***6.5.2.2 THE VALUE OF CHANGE***

Starting to look at social media sites' internal network a recognized value is the providers' ability to rapidly change and adopt the platform. By this reasoning the value explicitly lies in the opportunity to quickly adopt. Looking at e.g. Skype, Facebook and Wikipedia the authors find a common denominator illustrating a utilization of a fast development contributing to their success. This can further be used as a rate of change in order to identify a value, which Robles discusses. Continuing with the external network, the users create the content of the platform. Thus, the users also can help to develop the functions and applications by giving feedback to the provider of the social media site. The suggestions from the users further create adjustments of the platform, which speeds up the change. The eternal circle of feedback and adopting creates an additional value beyond the existing benefits of using social media. Occasionally it is difficult to distinguish

the internal and external network, such as in the case of Wikipedia, when the users become part of the internal network. Hence, the value for the users increases even more thanks to the direct possibility for change.

#### ***6.5.2.3 THE VALUE OF TRUST***

Since social media sites are highly dependent on their user base the relational capital, in terms of client capital, between the providers and the users becomes essential. When the users give out information on the platforms they expect this not will be misused. In other words the issue deals with the users being able to trust the providers. If the faith is mistreated the users will stop to add information on the sites, consequently resulting in the users leaving the site because of distrust. Additionally it implies that the value of trust is identified as a negative value in the extent it is not fulfilled. In comparison an increase of trust does not add extra value in the same degree as it is strengthened, but the trust must work as a premise in order to serve the purpose of keeping the users. Thus, the authors conclude a value of trust necessary for the site to survive.

#### ***6.5.2.4 THE VALUE OF SOCIALIZING***

Another value that is visualized is the benefit of social capital, regarding the interaction between user to user. The ways social media sites allow the general public to socialize through the platforms create an additional value for each individual user. LinkedIn is a brilliant example of how socialization becomes a value, since the interaction between the members build up valuable networks.

#### ***6.5.2.5 THE VALUE OF COLLABORATION***

The value of collaboration is based upon the synergies created from mass collaboration. These synergies cannot be created without social media sites such as Wikipedia. Therefore an added value emerges above what can be the outcome of an ordinary co-operation, especially since people all over the world are potential team players.

#### ***6.5.2.6 THE VALUE OF CONTENT***

A value that explains e.g. Google's intention with buying YouTube is the value of content. The amount of videos posted on YouTube is enormous and constitute an

archive of content which Google got hold of simultaneously as the acquisition occurred. Other social media sites such as Flickr, Wikipedia, Twitter, Bloggy and Spotify are all examples where values of content can be seen. Once again the value is not of monetary character, but instead it consists of information and knowledge.

#### **6.5.2.7 THE VALUE OF ACCESS**

As Ulrika Rundqvist stresses, changes have taken place in people's attitude in terms of no longer striving for ownership, but instead valuing the possibility of having access to e.g. music, videos, pictures and information all for free. The fact that 100 million videos are watched each day on YouTube, amplifies this value even more. Furthermore the value of access should be seen from a user perspective and therefore it differs from the value of content, which focus on the company's perceived benefit. Though these two values are linked to one another, since companies value owning the content because of the users appreciation of the access.

#### **6.5.2.8 THE VALUE OF OPPORTUNITY**

The classical economic term opportunity cost can be applied on the analysis of finding the hidden values. An example in the world of social media is when a person decides to go to the bookstore buying an encyclopedia instead of using the free Wikipedia on the web. When using the encyclopedia bought in the bookstore instead of Wikipedia an opportunity cost arise. Time can also be considered as a factor often connected with a cost. The decision to e.g. go to the library or a bookstore takes more time than choosing the encyclopedia on the Internet. By choosing the library or the bookstore the opportunity time forgone is the shorter time it would have taken to just search for e.g. looking up a word on the Internet. The time which is saved by using the online alternative can be utilized for other purposes. Moreover the opportunity time can be explained by a convenience aspect, for instance using social media in order to decide a lunch meeting. This opportunity can also be applied on e.g. socializing with your friends on a social media, collaborate on a project with other peers and talk with co-workers on Skype. The opportunity time and cost is therefore referred to a value of opportunity that the social media comprises.

## 7. CONCLUSION

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*The last chapter will sum up the results of the thesis by answering the purpose more precisely formulated in three questions. The paragraph food for thought will bring up discussions that have arisen during the process of carrying out this study. The last paragraph emphasis on further suggestions for research within the study's topic.*

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***The purpose of the thesis is to create an understanding to set the foundation of the social media landscape covering its historical evolution, driving mechanisms and business models.***

### 7.1 CENTRAL OUTCOMES

*How has the social media landscape historically evolved?*

*What have been the driving mechanisms in the formation of the social media landscape?*

The research of this study has led to a couple of conclusions because of the different viewpoints used in order to unfold the phenomena of social media. When looking at the evolution of the social media landscape for the purpose of understanding its progression the authors can distinguish six phases, which each has had a significant role of the development. To summarize, the first phase laid the pre foundation for the landscape in terms of the *opening* of Internet, which later on created self-organizing clusters referring to the Intranet and forums. By intertwining the driving mechanisms or in other words uncovered needs of social media *globalization* is a reason for creating a global network - the World Wide Web. Furthermore e-mail and chat are contributing functions that makes the world smaller in a sense. With the *openness* as a premise, different ideas of how communication, information dissemination, knowledge sharing, interconnection and collaboration started to emerge during the second phase. These activities have for certain directly related needs, such as the need for a *convenient method for communication online* e.g. Skype which later on was developed, but an underlying driving force also closely related to the second phase is the willingness of *sharing*. The authors can see how cooperation in companies and in school has led to a



demand of exchanging thoughts and knowledge e.g. in wikis. Another type of sharing deals with *communicating your message*, which blogs enables. Together with the need for *becoming famous* or getting attention from the general public it contributed to an advance of the social media evolution which characterizes the transition to the third phase. During this era the formation of complex platforms started to appear with a technological footprint in the landscape, more or less strengthening the real foundation of social media. Referring to the driving mechanism regarding *the need for low cost services* Skype is a result, which partly has been free from its launch. When the boom of social media entered in the fourth phase a trend of social networks can be identified, mainly by the driving mechanism of *networking*. MySpace and Facebook enabled the user to gather all contacts and friends which also fulfilled the *need for time saving* in terms of maintaining your network. Another driving force was the *need for belonging to a community* in order to feel appreciation and fellowship. An interpretation of what groups of people that created and developed the social media landscape became visualized through recurring trends, which shaped a pattern during the fourth phase. At the same time as the young generation seems to be the most engaged within social media, politicians and artists have contributed to the evolution of social media and thus additionally inspired a more mature age group's involvement. Both groups have in combination with the mentioned driving forces resulted in corporations realizing the importance of being active in the social media evolution. Moreover companies have understood the potential efficiency they can benefit from it. Continuing with the chronological evolution *sharing* and the *need for being exposed* are again central driving mechanisms common for all hyped social media during this period. Besides MySpace and Facebook, Flickr and YouTube accommodate the willingness of showing one's acquaintance personal photos or posting a video exposed and shared with all deciding to watch it. The boom has speeded up the wheel which has resulted in many new social media sites ever since. Some of them have shown to *create a new dependence*. Today, characterized by the fifth phase, small adjustments and polishing of primary features sometimes becomes foundation for a social media. The birth of microblogging was developed accordingly, generating the launch of Twitter and Bloggy. A driving force that can be derived to these new types of social media, except the obvious *sharing* aspect of telling everybody else of what one is doing,

is the *need for speediness* which welcomes platforms providing real-time communication. A broadening of the “have” craving has taken place with help of Spotify, because of the hype around its free accounts accessible in exchange of an invite. Here ends the marks of what already has been unfolded within the social media landscape, but a touch of the future is even though possible to percept from the sixth phase illustrating what is starting to emerge within social media. The sign of *quickness* appears clearly, specifically like a factor of how rapid the landscape evolves. Additionally an impression is a trend naconcerning the shift from extracting and polishing one feature of an earlier social media towards incorporating two social media’s concepts into a new combination. Along with the *technical progress* the cell phone will also be more frequently used in a social media purpose.

*What are the business models and how do these generate value?*

Regarding the economic value in the business models the researchers have observed different combinations of Chris Anderson’s “Free” occurring within the social media landscape. In excess of his four ways of yielded profit from the concept “Free”, an additional categorization is identified, which is the Plus. The revenue models found are; *Ad-supported, Freemium, Ads (Plus), Freemium Plus, Freemium & ads, Freemium, ads & plus, Gift economy*. Furthermore a trend is found towards more complex combinations of revenue models, with e.g. the combination of Freemium, ads and Plus.

Though the revenue aspect is just one part of social media’s business models. By looking at what actually happens on these sites, an exchange is taking place, though an exchange not directly related to money or revenue, but rather in terms of hidden values being captured between users as well as the providers of the sites. One does not only value what one gets or gives in terms of monetary value, but in terms of “something” that delivers any type of value, such as knowledge. Reasoning this way the authors have found values in, the value of *free*, the value of *change*, the value of *trust*, the value of *socializing*, the value of *collaboration*, the value of *content*, the value of *access* and the value of *opportunity*. If it would be possible to set a rate of the change in these values as Robles suggest, the

authors believe this type of currency would be able convert into a monetary value. As Robles exemplifies with the interest on a bank accounts or the return on shares, all these values in the end are translated into numbers which can be measured in terms of money. In the same way the authors believe the change in e.g. knowledge will be transformed into a value of money. If all hidden values recognized above can be rendered into a financial value, then social media soon will have lots of opportunities to generate revenue, since that still is what is mostly attractive today regarding creating value for the business. Just the ability to set a value of substance on social media sites would lead to other revenue sources. Imagine all companies willing to pay for the service if possible to measure the generated benefit of engaging in these platforms. Another perspective is if supposing all the identified hidden values cannot be transformed into a capital measure. Then in contrast new perspectives of valuing a business can appear at the same time as these values become justified and important to also take into account in the value calculations. Just because money is a generic measure of value, it does not have to be the only value for social media companies to reckon within their business model.

## ***7.2 FOOD FOR THOUGHTS***

One can question what would happen if social media sites suddenly started to charge users for what before have been called the free version? Suppose that Facebook with its 200 million users starts to charge \$1 per month, which approximately will increase their revenue with \$2,4 billion each year. Will the users then pay in order to continue using the platform? As mentioned these social media have created dependence for the user, which partly can be explained by the fact that people wants to be where everyone else is. Will it then be worth to pay \$1 a month for having access to the service including the whole personal network? Is it a fair sum to pay or does the notion of the service not being free anymore weighs enough to stop use the social media? According to the authors some people will pay, since it is hard to imagine our daily life without Facebook. Is it a sustainable strategy then? Firstly it will depend on the price in relation to how valuable the user thinks it is. If the price is too high it well definitely not last, but perhaps with the right price. Though one cannot ignore the fierce competition

about the users. It is highly likely that someone will come up with an equally good and free site the week after. Then the early adopters will convert closely followed by the rest and when the rest follows so will probably the great mass. The scenario might turn out differently. This is just the writers' speculation.

Another question one can think about is the effect of openness we see on these social media sites. Pictures are posted, video clips uploaded and so forth, where a high level of our private lives are exposed, not to mention the status application on Facebook and Twitter where people tells everybody where they are and what they do. This without a wink. Today one only associates social media with glory without thinking about the consequences it might bring. If someone called you an evening and asked if they could receive a photo or a video clip of you, would you send it? Probably you would not. So how can people be so naive on the web? The answer is given by human creatures learning from their mistakes and the insightful drawbacks have not been fully expatiated yet.

A further eye opener is how companies will develop their usage of social media? Will it be incorporated with robots as Jonas Lejon suggested? The speculation deals with about where all will end? Companies can use their whole customer service on social media. It would probably not be possible within the nearest decade, but perhaps from one or two decades now. The yielded cost savings from this outcome would be huge. In the future social media might be the only communication tool. Tomorrow the days for letters and landlines might be gone.

Lastly, the authors have questioned rumors regarding that social media acquisitions can lead to a new "dotcom" bubble. The argument basically dealt with large Internet companies such as Google or billionaires acquiring these social media sites. Even if not YouTube generates any profit the authors assume that Google had some strategic plan when they bought the site. In some sense it could be said that Google has been lazy with the implementation of the concept "Free" in order to generate revenues. However, since the buyers only are companies or single billionaires they are the ones whom have to take the hit and not the general public, if the investment fails. Though recently eBay announced their intention to go public with Skype and the tendency of what happened for soon ten years ago

may now outplay once again - individuals investing in trendy business without having a clue about the real value of these companies. This in turn suddenly leads to that EVERYBODY shall invest in these hip stocks and once again the boom is a fact.

### ***7.3 SUGGESTIONS FOR FURTHER RESEARCH***

With this thesis the foundation for understanding the overall picture of the social media landscape is set. The explosive development within this landscape and the greatness of it has made it impossible for the authors to cover everything. Hence, it would be interesting to continue mapping social media in order to see all details in the landscape. A further interesting topic to discuss and explore is what distinguishes a successful versus an unsuccessful social media. During the progress of this thesis thoughts have touched upon the price regarding the specific social media sites. Thus, it would be exciting to investigate and visualize a general valuation of the hidden values in the social media industry.

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 Munich, Germany. Interview on the 22 May 2009
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- Lejon Jonas. CEO and founder of Bloggy. Interview on the 8 May 2009
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- Ydring Johan. Online Manager at Lantmännen. Interview on the 7 May 2009
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 Interview on the 6 May 2009

## **APPENDIX 1 – INTERVIEW QUESTIONS FOR COMPANIES USING TWITTER**

Date:

Company:

Contact person:

### **Background**

1. How did the idea arise to use Twitter?
2. For how long have you been using Twitter?
3. What is the primary reason for using Twitter?
4. How do you work with Twitter today?
5. How many persons are working with Twitter within the company?
6. Who do you aim to reach by using Twitter?
7. Do you see Twitter as a one way or a two way communication channel?
8. How do you use and gather the information generated from Twitter?
9. Are there anything you could see that Twitter can develop to improve the usage for you?
10. Have you any plans to develop and change the way you work with Twitter?
11. Would you pay to use Twitter?
12. Do you work a lot with innovation and adaption to new trends? Twitter is for example a relative new thing in Sweden.
13. Do you have any frame of reference or policy of how you intend to use Twitter in the best possible way?
14. Are you using any other social media network?

## **APPENDIX 2 – INTERVIEW QUESTIONS FOR BLOGGY**

1. How did the idea to create Bloggy arise?
2. How did you identify the need?
3. What is your main idea of using Bloggy?
4. Which competitors do you think you have and what distinguishes Bloggy from these?
5. Who are the target users?
6. Do you see various using areas for individuals and companies?
7. How do you think individuals can make use of microblogging?
8. How do you think companies should use microblogging?
9. How many users does Bloggy have?
10. How many companies use Bloggy?
11. What do you think customers/consumers appreciate about Bloggy?
12. How are partnerships with customers/consumers built up and maintained?
13. How are customer/consumers wishes met and used to improve performance?
14. Do you think microblogging can solve the problem of preserving and sharing knowledge among companies and people? How? Why?
15. How are revenues generated today? We are aware of that you use Google AdSense, but is there any other revenue sources?
16. Do you have plans on how you will generate revenue in the future?
17. What risks in the business environment might have a negative impact on Bloggy?
18. Are there any promising new areas for Bloggy?
19. Where do you see Bloggy within the next 1/2/5 years?
20. What do you intend to achieve with Bloggy? More revenue, a better image, market leadership?

21. How is the corporate prosperity measured? Think of e.g. profit, volume of sales, customer topology, market position, Image/brand equity, etc.
22. What are the chances to improve the positioning on the market?
23. How do you think microblogs will evolve?

### **APPENDIX 3 – INTERVIEW QUESTIONS FOR SPOTIFY**

1. What risks in the business environment might have a negative impact on the business?
2. Do you see your company as the cost leader in the industry or do you see your company as the technology- and quality leader?
3. Are there promising new areas of business?
4. Where do you see your business within the next 1/2/5 years?
5. What do you intend to achieve? More revenue, a better image, market leadership?
6. How is the corporate prosperity measured? (Think of e.g. profit, volume of sales, customer topology, market position, Image/brand equity.)
7. What would you accept as accomplishment to consider your strategy as successful?
8. How do activities target customers and interested groups?
9. How is the quality of processes and results ensured?
10. How do you create product innovations?
10. How many customers/consumers do you have?
11. How would you classify an active user and how many active users do you have?
12. How are partnerships with customers/consumers built up and maintained?
13. How are customer/consumers wishes met and used to improve performance?
14. How does your supplier structure look like and how dependent are you of your suppliers?
15. How are partnerships with suppliers built up and maintained?
16. Describe your public relations, such as media responds and number of publicity events. Exemplify.
17. Describe the relations to other co-operation partners.
18. Which relationship/relationships is/are most important to you and why?
19. Which resources do you consider most important for the company? Develop.

### **APPENDIX 4 – INTERVIEW QUESTIONS FOR METRO**

1. What values do you see in running this free newspaper?
2. What do you think are the contributing driving mechanisms to why social media have grown?
3. Can you see any pattern in the growth of the social media landscape?
4. Do you see any revenue sources more successful than any other for social media?
5. Do you think the social media is a hype or a consistent phenomena? Will the social media trend be consistent? How do you think the hype will look like in the future?
6. How do you look on the future, is it enough to get money through a new issue of capital?