

Social Networks in Europe

Stimulating the Market

News Corporation's acquisition of MySpace.com has upped the stakes in social networking. With the US networking audience potentially nearing saturation, the biggest online networking sites are starting to look to Europe for growth.

Key Questions

- How popular are online networking sites in Europe?
- Which features can help online networks attract more European users?
- How can marketers use online networks to reach their target audiences?

Key Finding

Online networking sites will attempt to add to their approximately 20 million European registered users by launching country-specific offerings in 2006. However, a focus on general portal features will prove more effective than will localization. Marketers targeting Europeans outside the UK can reach more consumers through US networks than through European networks.



Research Topic

- Portals

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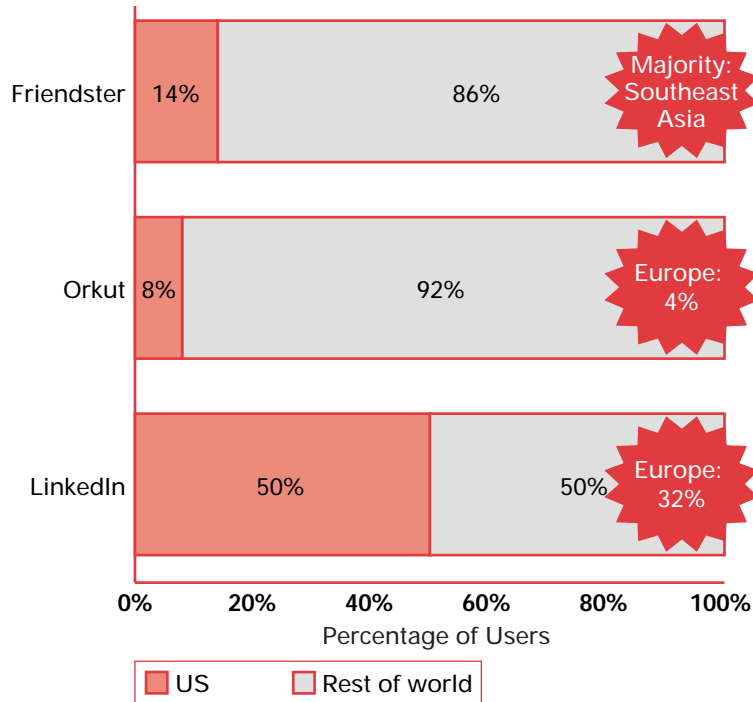
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Networking Sites Should Focus on Still-Nascent European Market

Fig. 1 Online Network Users by Geographic Region



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Most online networking sites are based in the US, but many have found audiences elsewhere in the world. The organic nature of networking sites has led to random patterns of international growth based on regional popularity and momentum, as follows:

- **Friendster.** Southeast Asian users provide the bulk of Friendster's traffic. Of approximately eight million global unique visitors in September 2005, only 1.2 million—14 percent—came from the US.
- **Orkut.** Three-quarters of visitors to Google's networking site come from Brazil. Only four percent of visitors come from Europe, while eight percent are from the US.
- **LinkedIn.** Approximately one-half of LinkedIn's users come from the US, with about one-third originating in Europe.
- **MySpace.com.** The leading online networking site is the only networking site to have gained little traction outside the US. Of 34 million registered users, little more than one million are international, with most of those based in the UK.

Despite the broad international appeal of networking sites, networking remains a primarily US phenomenon. Of the approximately 150 million users who have registered at networking sites around the world, JupiterResearch estimates approximately 60 percent

are from the US, while approximately 15 percent come from Europe. Only one European networking site—UK-focused Friends Reunited—has reached critical mass; its 12 million registered users represent approximately one-half of all Europeans registered to networking sites.

The US online networking market appears to be growing quickly. However, much of this growth is coming from nonnetworking features, and signs indicate that saturation of users interested in networking features could be near. In a recent JupiterResearch consumer survey, only 32 percent of online users said they had interest in using online networking sites, while 29 percent of online users said they visited online networking sites during the past year. If the US online networking market is nearing saturation, the global audience will become increasingly important to networking sites—with Europe offering a large and relatively untapped market.

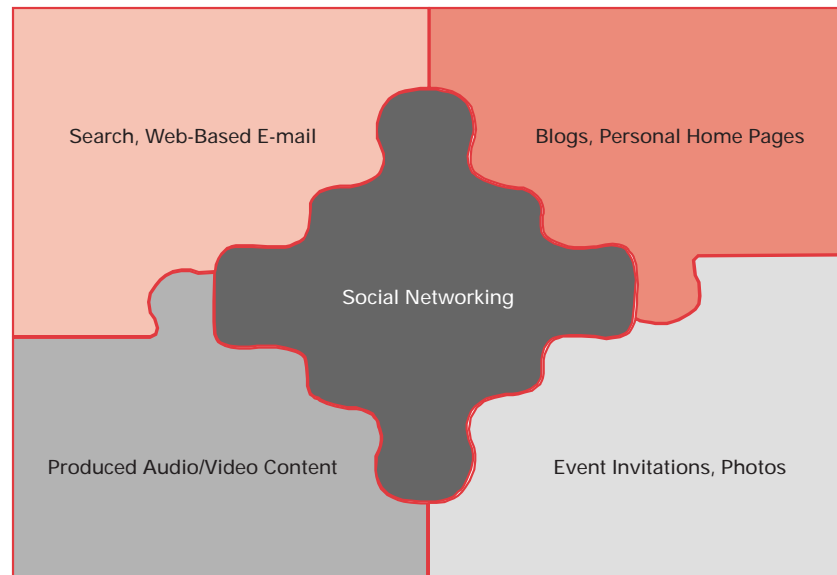
Localization Alone Won't Ensure International Success

In an effort to both spur and shepherd further international growth, leading networking sites will begin to localize their offerings. MySpace.com plans to offer country-specific sites by 2006, focusing first on English-language countries, and then on foreign-language Asian and European nations. Tickle Social Network, a networking and dating site owned by Monster, has German- and Spanish-language sites under development. Orkut does not offer country-specific sites, but can be already accessed in 12 languages—eight European and four Asian.

However, JupiterResearch believes site localization alone will provide little attraction to users. Business networking sites supply an informative case. Germany's Open Business Club (openBC) offers its site in 16 languages and has approximately 650,000 members. Meanwhile, US-based LinkedIn is only available in English but boasts approximately 3.8 million members—including 1.2 million in Europe.

Portal Features Will Help Networks Attract and Retain Users

Fig. 2 Online Networking Feature Strategy



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Online networking sites excel at generating intense use from a loyal base of core users, but have traditionally struggled to maintain the interest of a broader set of visitors. Basic social networking features such as nonpublic personal home pages and intra-network messaging simply do not carry a broad appeal. In the US, more than one-half of users registered at online networking sites said they no longer visit these sites. As networking sites expand into the European market, they must focus on maintaining both frequency and intensity of users' visits.

MySpace.com has generated relatively high frequency among its registered users. It has also started to overcome the relative lack of users interested in networking features alone by expanding its feature set well beyond that of a typical social network. Portal services (e.g., search, Web-based e-mail), professionally produced content (e.g., album prereleases, online film and TV previews), and consumer-generated content (e.g., Weblogs, party invitations, photo sharing) reach broader audiences than networking features do alone, encouraging repeat visits with high page counts. The majority of MySpace.com's US users currently browse nonnetworking features, proving the value of incorporating networking into a range of features, rather than focusing on only networking.

Marketers Can Reach European Consumers Through US-Based Networking Sites

Business networking sites such as LinkedIn and openBC have found a revenue model in paid premium subscriptions that enable users to post job listings and search outside their immediate personal networks. However, this model will not likely work for social networking sites, which must therefore rely on advertising revenue from marketers hoping to reach young, evasive audiences.

Friends Reunited offers the best opportunity to reach these consumers in the UK. Marketers targeting consumers in other European markets should turn to US-based networking sites. Outside the UK, more European networking users are on US sites than on European sites, and this situation will intensify as US networks focus increased efforts on the European market. Even without localized versions of US-based networking sites, banner ads can easily target European consumers based on IP addresses.

Integrated sponsorships will represent a comparatively stronger branding opportunity for marketers—and a potentially larger source of revenue for networking sites. Although trailers for anticipated films and album clips from popular bands are often added to networking sites as editorial content, less-popular films and bands can be promoted on these sites through paid placement. The addition of interactivity (e.g., polls, contests) often engages young audiences accustomed to interacting with these sites. This type of integrated sponsorship will become readily available across Europe only when US-based networking sites launch country-specific offerings.